



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY NY 12224

GEORGE E. PATAKI
GOVERNOR

January 11, 2000

To the People of New York:

The sweeping changes, bold innovations and fiscally responsible approach to budgeting we have employed over the past five years have allowed the State of New York to move forward confidently into the new millennium — secure in the knowledge that we are firmly on track and headed toward an even brighter future.

Since the submission of my first Executive Budget in January of 1995, the State of New York has made truly historic gains. Welfare rolls have been trimmed by more than 750,000 people, violent crime has been cut by 34 percent, more than 560,000 new private sector jobs have been created, and New York is now the premier tax-cutting state in the entire nation.

The 2000-2001 Executive Budget will build on the dramatic progress of the past five years, while further strengthening New York's overall fiscal integrity. It will take full advantage of our restored prosperity by cutting taxes for the sixth consecutive year and keeping our "rainy day" fiscal reserves at strong, responsible levels. It will also make intelligent and targeted new investments in public education, health care, mental health, the environment and a wide array of other critical programs and services.

Our budget proposal will not only enable our State to continue its remarkable comeback, but will also take the necessary steps that will allow us to reach even greater heights in the 21st century.

It is in this spirit that I am proud to present the 2000-2001 Executive Budget. I look forward to working with the members of the Legislature — and with all New Yorkers — as we take the next bold step in our historic journey.

Very truly yours,

A handwritten signature in black ink that reads "G. E. Pataki". The signature is written in a cursive, flowing style.



STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
STATE CAPITOL
ALBANY, NEW YORK 12224

GEORGE E. PATAKI
GOVERNOR

CAROLE E. STONE
ACTING DIRECTOR

January 11, 2000

To the People and Legislature of the State of New York:

On behalf of Governor Pataki, I am pleased to present the Executive Budget for fiscal year 2000-2001.

This Budget is the result of several months of analysis and deliberation in which I worked closely with the Governor, former Budget Director (now State University Chancellor) Robert L. King, and our respective staffs, to craft a solid, responsible Budget proposal that meets the Governor's objectives. As a participant in the development of the Budget recommendations, and now as Acting Budget Director, I am extremely proud of the product, and confident that it meets those objectives.

At the Governor's direction, we have produced a Budget that balances prudent, multi-year fiscal planning with intelligent choices in spending and in tax cuts. This Budget's recommendations will enhance the fiscal integrity of the State; sustain the continuing growth of New York's economy; and make significant investments in education, the environment and other key areas that will have long-term benefits for the future of our State.

I am honored to have the opportunity to work with the Governor and the Legislature's fiscal staffs to arrive at an enacted Budget that is on time and as sound and well-balanced as the proposal we present today.

Sincerely,

Carole E. Stone

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Message from the Budget Director



Embracing The Promise Of A New Century...

On a Firm Foundation of Fiscal Integrity

A Message From New York State's Budget Director

Governor George E. Pataki's commitment to cutting taxes, restraining spending and carrying out bold programmatic innovations and reforms have combined to bring New York into the new millennium in a far stronger and more prosperous position than anyone could have imagined just a few short years ago.

By limiting the growth of government and managing our resources more efficiently and cost-effectively, Governor Pataki has restored strength and stability to New York's finances, secured two credit rating upgrades and produced five consecutive surpluses — all while making our State the national leader in cutting taxes. His policy focus and bold leadership have also improved the lives of New Yorkers in ways that include the creation of more than 560,000 new private sector jobs, a dramatic reduction of more than 750,000 individuals from our welfare caseload and an unprecedented 34 percent decline in the State's violent crime rate.

The 2000-01 New York State Executive Budget is designed to build on the past five years of dramatic progress by sensibly managing New York's growing prosperity. The following are the key objectives of the Governor's Executive Budget:

- **Further Strengthening the State's Fiscal Health:** The Executive Budget is a fiscally responsible package that will keep General Fund spending growth below the rate of inflation, while further strengthening New York's "rainy day" fiscal reserves. The Budget will also triple the size of the State's Debt Reduction Reserve Fund and implement a dramatic new debt reform plan.
- **Fueling Economic Growth With More Than \$2 Billion In Tax Cuts:** To continue New York's economic resurgence — and to further enhance our State's role as the national leader in

cutting taxes — this Budget will provide New Yorkers with an additional \$2.3 billion in tax relief this year. The Budget also includes a sweeping package of new job-creating tax cuts that are specifically targeted toward promoting additional economic growth throughout the State, with a particular emphasis on up-state New York. Important new reforms are also being proposed in an effort to simplify and protect the STAR school property tax relief program.

- **Improving Our Schools With Record Funding and New Reforms:** Building upon the past three years of record-breaking school aid increases, the Executive Budget will provide an additional increase of \$355 million in State education aid — bringing total funding to a record-high \$12.9 billion. To complement this funding increase, the new Budget also includes Governor Pataki's *Schools 2000* program, a comprehensive package of initiatives and reforms that will dramatically improve the overall quality of education for millions of children throughout New York.
- **Making Intelligent, Targeted Investments in New York's Future:** While keeping overall spending growth at affordable levels, the Executive Budget will provide substantial levels of support for the programs and services that are most critical to the well-being of the people of New York. Intelligent, targeted investments will be made in New York's transportation infrastructure, health care, environmental protection, mental hygiene, child care, school construction and other critical programs.

By providing new investments in key programs and services, enacting new innovations and reforms, and continuing our solid track record of fiscal responsibility, the 2000-01 Executive Budget will enable us to confront the challenges — and embrace the promise — of the next great century in New York's illustrious history.

Further Strengthening New York's Fiscal Health

Governor Pataki's sound fiscal management and prudent budgeting practices have turned the \$5 billion deficit he inherited into five consecutive surpluses, produced two credit rating upgrades and dramatically strengthened New York State's overall fiscal health and integrity. These policies will continue under the 2000-01 Executive Budget.

Controlling Spending Growth:

During Governor Pataki's first five years in office, the average annual growth in all three categories of government spending — All Funds, State Funds and General Fund — was cut in half compared to the annual growth under the prior administration. To further strengthen the State's fiscal integrity — and to ensure that we are able to implement enacted tax cuts on time and as promised — this impressive reduction in State spending growth will be continued under the 2000-01 Executive Budget.

Spending growth in the General Fund — which is the critically important portion of the Budget that is supported directly by State taxpayers — will be kept at 2.3 percent in the Executive Budget. This is below the projected inflation rate and less than half of the 5.4 percent average annual General Fund growth that occurred under the prior administration.

The proposed Executive Budget also keeps All Funds spending growth (5.5 percent) and State Funds spending growth (5.1 percent) at affordable levels that are considerably lower than the average annual rate of growth under the prior administration. When the STAR program (which is actually a tax cut that shows as spending) is removed from the calculation, All Funds and State Funds spending growth is actually 4.3 percent and 3.5 percent, respectively. In addition to the STAR tax cut program, the spending growth included in this year's Budget reflects an increase in Federal resources of more than \$1 billion.

More Progress on Debt Reduction:

Under Governor Pataki's leadership, New York has regained control of its debt and capital bonding responsibilities. In fact, by the year 2004-05, the annual rate of growth in State debt will be reduced by nearly two-thirds — from 10.6 percent annual growth under the prior administration, to 3.6 percent under Governor Pataki.

In addition, New York no longer engages in fiscal gimmicks like the "sale" of Attica prison and Interstate 84 to finance its operating budget. While these financial shell games allowed the prior administration to achieve the appearance of a balanced budget, they also did a great deal of damage to our State's fiscal integrity and credit rating. To this day, New York's taxpayers continue paying for this legacy of mismanagement through millions of dollars in higher debt service costs.

Having successfully eliminated the use of debt as a mechanism to balance the budget, Governor Pataki has moved forward with intelligent, long-overdue capital investments in New York's transportation infrastructure and our SUNY and CUNY campuses. Our State's environmental protection efforts have also been dramatically improved through the voter-approved Clean Water/Clean Air Bond Act.

With the use of bonding now under control and integrity restored to our borrowing practices, Governor Pataki will once again encourage the Legislature to take steps designed to aggressively confront the legacy of debt left to us by the excesses of the past administration.

Debt Reduction Fund to Triple in Size / Major Debt Reform Package Proposed

After establishing the State's first-ever Debt Reduction Reserve Fund in 1998, Governor Pataki was successful last year in increasing the size of the fund to \$250 million — a dramatic five-fold increase. He was also successful in targeting the first \$50 million from this fund to replace five bonded capital programs with pay-as-you-go funding.

The 2000-01 Executive Budget will build on these efforts by tripling the size of the Debt Reduction Reserve Fund — bringing it from \$250 million to \$750 million. Two-thirds of this total, or \$500 million, will be immediately used to reduce debt in the 2000-01 fiscal year. This will lower the State's debt service costs and generate more than \$1 billion in savings for taxpayers over the next 20 years.

To complement this substantial debt reduction effort, the Governor is also proposing a new constitutional and statutory Debt Reform proposal that will ban backdoor borrowing, impose caps on outstanding debt and debt service costs, and restrict the use of debt to capital purposes only.

Moving forward with these prudent initiatives will help us ensure that we do not saddle future generations of New Yorkers with an insurmountable debt burden. Equally important, it will help us send the appropriate message to credit rating agencies, budgetary watchdog groups and business leaders throughout the nation that New York is committed to reforming and improving the way we manage our capital resources and bonding responsibilities.

Strengthening Our Fiscal Reserves:

Whether maintaining a household budget, running a small business or managing the multi-billion dollar finances of a state government, sensible fiscal planners use times of relative prosperity to set money aside for the proverbial “rainy day.” In this way, a responsible fiscal steward can help to ensure that adequate resources will always be available to more confidently confront future economic difficulties or other unforeseen challenges.

With this in mind, Governor Pataki has substantially bolstered the size of the State’s various fiscal reserve funds during his five years in office. As a result of his efforts, New York is now far better positioned to confront future financial risks, including any potential downturn in the national economy.

The 2000-01 Executive Budget will continue to safeguard New York’s financial future by maintaining the State’s fiscal reserves at approximately \$2.9 billion. This entire sum is already earmarked for specific purposes such as debt reduction, paying for new and previously enacted tax cuts and covering the cost of collective bargaining agreements. Included among the specific reserves are the following:

- *Tax Reduction Reserve:* This critically important reserve contains approximately \$1.8 billion that the Legislature and the Governor agreed to set aside to ensure that the State will be able to pay for enacted tax cuts. As planned, \$615 million of this amount will be used to pay for the incremental increase in tax cuts in 2000-01, and the remaining \$1.2 billion will be deposited to the STAR account to finance a portion of the 2001-02 STAR benefit;

- *Tax Stabilization Reserve Fund:* For the fifth consecutive year, the State will make the maximum annual deposit permitted by law to the Tax Stabilization Reserve Fund. This will increase our “rainy day” fund to \$548 million, which is the highest level in State history and more than three times the amount that was in the fund when the Governor first took office; and
- *Contingency Reserve Fund:* This fiscal reserve, which safeguards the State against lawsuits and potential liability risks, will total \$150 million under the new Budget — a dramatic increase when compared to the \$1 million this fund contained when the Governor first took office.

Prudent Use of the State’s Projected \$625 Million Surplus

The Executive Budget’s financial plan projects a year-end State surplus of \$625 million for the fiscal year ending March 31, 2000. The Budget calls for this surplus to be used for the following purposes:

- \$75 million is being deposited in the State’s Tax Stabilization Reserve Fund (the “rainy day” fund) in 1999-2000;
- \$250 million will be placed in the State’s Debt Reduction Reserve Fund; and
- \$300 million will be set aside to help ensure that the newly proposed tax cuts included in the Executive Budget can be paid for and implemented as scheduled.

Using the \$625 million surplus for these fiscally responsible purposes — instead of using it to fuel unnecessary new spending growth in government programs — will allow us to continue cutting taxes, reducing our debt costs, and keeping the size of any potential outyear gaps to manageable levels.

A Budget Based on Conservative Economic Assumptions:

The 2000-01 Executive Budget was developed in accordance with the widely held belief — shared by most economists and virtually all budget watchdog organizations — that it would be unwise to assume that the record profits and bonuses accruing to Wall Street companies and employees will continue unabated. In fact, the principal reason New York has enjoyed four consecutive budget surpluses —

with a fifth surplus now on the way — is precisely because we have budgeted responsibly, using conservative revenue estimates and keeping overall spending growth under control.

This year, as billions of dollars in tax cuts continue to be phased in, it is more important than ever before that we keep a tight rein on spending growth. This is especially true in light of the fact that most experts are predicting a gradual “cooling-off” period in the national economy over the next few years.

Fueling Economic Growth With More Than \$2 Billion In Tax Cuts

Under the 2000-01 Executive Budget, New York State will retain its role as the nation’s unparalleled leader in cutting taxes. In fact, with the enactment of this Budget — coupled with the past five years of tax reductions — New York will make history by successfully carrying out one of the largest sustained tax-cutting campaigns in the history of the United States.

The new Executive Budget will reduce the tax burden on New Yorkers by an additional \$2.3 billion — bringing the total level of annual tax relief scheduled for the 2000-01 fiscal year up to \$11.7 billion.

Since 1995, we have cut 19 different taxes 48 separate times. On a cumulative basis — adding together the past five years of annual tax relief — our tax cuts will provide the people of New York with \$40.8 billion in cumulative tax relief by the end of the 2000-01 fiscal year. This is a remarkable sum of money that will remain in the private sector economy — to be spent by hardworking New Yorkers as they see fit — instead of coming to Albany to be spent by the government. This represents an unparalleled transformation in the behavior and attitude of New York State government.

The Evidence Continues to Grow That Our Tax Cut Strategy is Working

When the Governor first launched his historic tax-cutting campaign in 1995, he did so not just because he knew that the people of New York were overtaxed, but because he was convinced that cutting taxes would lead directly to the creation of thousands of new jobs and a resurgence of our once struggling economy. With almost

every passing day, we are seeing more and more evidence that this strategy is working. For example:

- In 1994, New York ranked 47th in the nation in terms of our percentage of the national job growth rate. In November of 1999, our ranking had improved to 21st.
- More than 560,000 new private sector jobs have been created since December of 1994.
- More people are employed in New York State than at any previous time in our history. In fact, the overall number of private sector jobs has now reached an all-time high for the second year in a row, and statewide unemployment is at its lowest level in ten years.
- In 1998, 1,025 companies located or expanded in New York.
- New York's ranking in *Site Selection* magazine's annual tally of new and expanded corporate facilities has improved from 20th to 5th in the United States.

Dynamic Job-Creating Tax Cut Package For Upstate New York

Upstate New York is also showing increasing signs of economic growth, including the fact that total upstate private sector employment is now at the highest level in State history. Of the more than 560,000 new private sector jobs that have been created statewide, more than 104,000 of these jobs are in upstate New York — effectively erasing all of the upstate job losses which occurred during the recession of the early 1990s. In fact, the upstate economy is now growing total jobs at a faster rate than other industrial states, including Pennsylvania, Ohio, Michigan, Indiana, Illinois, North Carolina and Wisconsin.

To continue building on this progress, the Executive Budget includes a sweeping package of new, targeted tax cuts and other measures that are specifically designed to dramatically boost job creation and economic growth throughout the State — with a particular emphasis on upstate New York. By reducing taxes on small businesses, cutting energy costs, promoting new high-tech businesses and reducing taxes for farmers, this multi-faceted initiative will further advance Governor Pataki's ongoing effort to make our entire State as economically competitive as possible. The Budget also sets aside \$300

million of our projected 1999-2000 year-end surplus to help ensure that these new tax cuts can be paid for and implemented as scheduled.

Protecting and Improving STAR

Governor Pataki's historic STAR property tax relief program will continue to be a key element of our overall tax reduction strategy. After having already benefitted more than 600,000 seniors across the State, the STAR program was extended last year to include *all* homeowners. Under the 2000-01 Executive Budget, the STAR tax cut will grow from \$1.2 billion to more than \$2 billion — providing New Yorkers with an additional \$815 million in school property tax relief.

During last year's legislative session, the Governor worked with the Legislature to enact new reforms designed to protect the tax-cutting benefits of STAR from being eroded by excessive spending and taxation at the local school district level. He also led an unprecedented effort to leave the State's entire budget surplus unspent and held in reserve to ensure that the STAR program and other tax cuts could be implemented on-time and as-promised.

But in spite of these major efforts to protect the STAR program, the evidence continues to mount that the tax-cutting benefits of the program are being seriously undermined by substantial tax and spending increases at the local school district level.

Despite three consecutive years of record school aid increases, overall school taxes continue to climb at twice the rate of inflation — effectively chipping away at the full benefits that are supposed to be provided to homeowners throughout New York. In fact, it has become increasingly clear that some school districts are actually using the STAR program to mask the true size of their proposed spending and tax increases — thereby increasing the chance that local voters will approve significantly higher budget proposals.

To address this serious problem, Governor Pataki is advancing a set of new reforms as part of the 2000-2001 Executive Budget that will help to safeguard the benefits of the STAR program. These reforms include:

- Capping school budget increases at reasonable, pre-established limits, unless two-thirds of the voters agree to exceed them.

- Requiring school districts to fully disclose to voters how proposed budgets will affect STAR savings and compare to maximum contingency budgets.
- Changing the STAR program so that benefits are provided directly to most homeowners, thereby ensuring that school districts can no longer use increasing STAR benefits to mask tax increases.

By enacting the historic STAR program in 1997, both houses of the Legislature joined together with Governor Pataki in a successful effort to provide much needed property tax relief to millions of New Yorkers. We are hopeful that a similar partnership will take place this year — through the enactment of these critically important reforms — so that the continued success of the STAR program can be ensured.

Improving Our Schools With Record Funding and New Reforms

By increasing State support for public education by more than \$2.2 billion over the past three years, New York has launched the most dramatic, sustained campaign of new education-related investment in State history. Virtually all New Yorkers have strongly supported these record-breaking school aid increases recognizing the importance of a sound education to their children's future and that of society as a whole.

But many parents, educators and others are growing increasingly concerned that this massive infusion of new financial support is not producing enough positive, identifiable results in the classroom. Unfortunately, recent standardized test results continue to illustrate that far too many of our schools are simply not adequately preparing our children for the challenges that lie ahead in the 21st century.

The new Executive Budget will address this critical challenge in two ways: First, by advancing Governor Pataki's **Schools 2000** program — a comprehensive package of educational initiatives and reforms that are specifically designed to produce better results for millions of children throughout our State; and second, by proposing a State aid increase of \$355 million, tied to a number of important school aid changes designed to increase school district flexibility and promote the cost-effective use of State and local resources.

Bold New Education Reforms

To complement the State's record-setting financial commitment to public education, the Executive Budget includes Governor Pataki's new **Schools 2000** reform package — a comprehensive set of initiatives and reforms that will ensure safe and secure schools, qualified and responsible instructors, rigorous standards, comprehensive performance measurements and expansion of school choice for elementary and secondary school students throughout New York State.

Setting a Goal of 50,000 New Certified Teachers

Without an adequate supply of qualified teachers, our schools will have difficulty meeting New York's new higher learning standards. Unfortunately, current projections indicate that certain areas of the State will face a significant shortage of certified teachers within the next five to ten years. To address this problem, the **Schools 2000** initiative will launch an unprecedented \$25 million teacher certification and recruitment effort. Over the next ten years, this effort will bring more than 50,000 new certified teachers into our public schools.

New Yorkers are justifiably proud of the financial commitment we have made to our schools during the past several years, but simply spending more money on education is not enough; we also have an obligation to see that these additional resources are spent in a manner that produces *results* for our children. **Schools 2000** will play a key role in helping us to achieve this objective.

Building on Record School Aid Increases With Even More Funding

The Executive Budget includes a school aid proposal of \$12.9 billion — the highest level of funding in State history and an increase of \$355 million over the prior school year. This substantial increase builds on three consecutive years of record-breaking increases that have provided our schools with \$2.2 billion in new funding — a 22 percent increase between 1996-97 and 1999-2000. By the close of the 2000-01 fiscal year, school aid will have increased by nearly \$2.6 billion — a 25 percent increase and more than three times the rate of inflation for this period.

The percentage of the State's resources allocated to the support of local schools will increase to nearly 35 percent in 2000-01 — up from 27 percent in 1994-95 when Governor Pataki first took office.

Reflecting this massive campaign of re-investment in our schools, New York's total per pupil spending now exceeds \$8,900, among the highest levels in the United States.

Making Intelligent, Targeted Investments In New York's Future

The 2000-01 Executive Budget strikes the appropriate balance between the need to control overall spending growth and our obligation to utilize New York's growing prosperity to make substantial, carefully targeted investments in the programs and services that are most critical to the people of our State.

In the areas where New Yorkers need our services the most, this Executive Budget provides a level of financial support that is virtually unparalleled by any other state in the country. In particular, the 2000-01 Budget will make substantial new investments in the following areas:

- *Health Care:* Under this Budget proposal, New York will remain the national leader in ensuring access to high quality health care. Among other highlights, the Budget will include funding to support the continued expansion of our Child Health Plus program — the premier child health insurance plan in the United States.
- *Transportation:* The Executive Budget proposes a new five-year, \$14.3 billion plan to ensure that our State's transportation infrastructure — including our roads, bridges, rail and airport facilities — are all safe, properly maintained and fully prepared to meet the challenges of the 21st century. This plan, compared to the previous five year plan, will utilize approximately \$2.1 billion more in State resources.
- *Mass Transit:* Our support for mass transportation has never been stronger. In addition to a continuing operating aid program that will provide approximately \$6 billion for transit systems over the next five years, the Executive Budget initiates a new, five-year capital program that will provide \$2.34 billion for transit capital programs to improve our subway, bus and commuter rail infrastructure, including more than \$800 million in new funding for the MTA's next five-year program.

- *Mental Hygiene:* Under the 2000-01 Executive Budget, New York will continue to spend far more on mental health programs and services than any other state in the nation. Increased support will be provided for the expansion of the community-based mental health services initiative that Governor Pataki announced in November, as well as support for new housing units and the implementation of Kendra's Law. The Budget also includes full funding to support the second year of Governor Pataki's NYS-CARES program — the nation's premier program to ensure placements in residential settings for individuals with developmental disabilities.
- *Environmental Protection:* Under Governor Pataki, New York has become the national leader in terms of its commitment to environmental protection. The Executive Budget will further this effort by providing funding totaling more than \$1.2 billion for environmental and parks-related programs.
- *Child Care:* The Governor's proposal increases the State's Child Care Block Grant by almost 14 percent, up from \$626 million in the current fiscal year to \$711 million in 2000-01. With the 15,000 new child care subsidies supported by the Block Grant, this year a total of 159,000 children will receive child care subsidies — more than double the number four years ago.

As legislative budget deliberations commence, it must be noted that the 2000-01 Executive Budget totals \$76.8 billion and includes generous levels of funding across the board. If we are to continue improving the State's fiscal integrity, carrying out our promise of tax relief, and further strengthening our economy by making New York more competitive, we must resist the temptation to enact a final State Budget that includes unnecessary, unaffordable and unsustainable levels of spending.

Adopting an On-Time Budget:

For the fifth consecutive year, the Executive Budget is being introduced earlier than the deadline provided for in the State Constitution in the hope that it will add to the positive momentum which has been building for the adoption of an on-time budget. We now look forward to working with the members of the Senate and Assembly in a cooperative effort to enact an on-time State budget.

Two years ago, the process of negotiating a final State budget took a positive step forward with the first-ever use of legislative Budget

Embracing The Promise Of A New Century ...

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Conference Committees. In spite of the setback of the late budget adoption we experienced last year, Governor Pataki strongly believes that the conference committee process is a potentially significant reform that holds great promise in terms of improving the way in which business is conducted in Albany. But this promise of a better, more open and more expeditious budget adoption process can only become a reality if the conference committee concept is embraced with full vigor by both houses of the Legislature at the soonest date possible.

In the interest of timely budget adoption, we strongly encourage the legislative fiscal committees to consider moving forward with an accelerated timetable for their budget-related hearings and conference committees. The Division of the Budget is committed to doing everything possible to assist and facilitate this process. Most of the details and technical support documents which must be submitted to the Legislature a month after the Budget is introduced are being provided today. The remaining items will be submitted as quickly as possible. In addition, we are committed to expediting, to the greatest extent possible, any 30 Day amendments which may be introduced.

In keeping with Governor Pataki's belief that New Yorkers have every right to expect an on-time State budget, the Division of the Budget also stands ready to work with both houses of the Legislature toward the adoption of meaningful budget reform legislation.

Building on Five Years of Progress: A Look At How Far We Have Come

New York State has undergone a remarkable transformation since Governor George Pataki first took the Oath of Office in January of 1995. Our economy is stronger, our taxes are lower and our streets are safer. New York's welfare system has been dramatically reformed and fiscal integrity has been restored to our State government. The bright future that Governor Pataki spoke of at his inauguration five years ago continues to grow brighter with each passing day.

We have come a long way over the course of the past five years. And today — with the introduction of the 2000-01 Executive Budget — we are making clear that New York has no intention of returning to the days when we led the entire nation in all the wrong categories.

In just five years, New York State has moved away from:

The loss of 550,000 jobs	to	The creation of more than 560,000 new private sector jobs.
A \$5 billion cash deficit	to	Four consecutive cash surpluses, with a fifth on the way.
1.6 million on welfare (1 in 11 New Yorkers)	to	754,000 fewer welfare recipients — a 46 percent reduction.
Record tax increases and postponed tax cuts	to	48 different tax cuts — \$40.8 billion in tax relief by the close of 2000-01.
Draining "rainy day" reserves	to	Record level of reserves and maximum deposits to "rainy day" reserves.
Falling credit rating	to	Two credit rating increases — the first in nearly a decade.

To the contrary, this Budget will allow us to continue building on the renewed sense of hope and optimism that has been generated in New York State within the past five years. It includes the proper balance between generous levels of investment, new innovations and reforms, and a solid foundation of fiscal responsibility that will enable us to confront the challenges — and embrace the promise — of New York's next great century.

Promoting Economic Growth



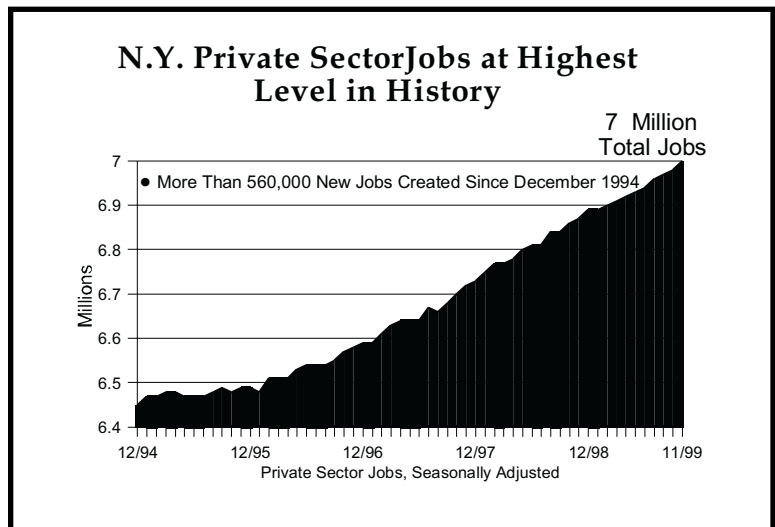
The Empire State Express — New York's Economy Roars Into the 21st Century

While job creation in neighboring Northeast and Great Lakes states appears to be slowing, New York's economy continues to accelerate. Governor Pataki's aggressive steps to reduce taxes, eliminate burdensome regulations and slash workers' compensation rates have fueled New York's unprecedented economic expansion, resulting in the creation of a record number of private sector jobs, low unemployment and a business climate that has companies locating and expanding throughout the State.

- **Job Creation:** Since 1994, Governor Pataki's policies have helped create more than 560,000 new private sector jobs. More than 104,000 of these jobs have been in upstate New York, erasing all upstate job losses that occurred during the early 1990's recession.
- **National Gains:** New York is also improving relative to the rest of the nation. In 1994, New York ranked 47th in the nation in percentage of private sector job growth. As of November 1999, that ranking had improved to 21st.
- **Reaching an All-Time High:** The overall number of private sector jobs has reached an all-time high for the second year in a row. Unemployment is at its lowest level in 10 years.
- **A Climate for Growth:** In 1998, 1,025 companies located or expanded in New York State. New York's ranking in *Site Selection* magazine's annual tally of

“The speed of total job growth during the 12 months ending in October was the fastest October-to-October advance since the mid-1980s; this, in turn, ignited the biggest October-to-October increase in the number of jobs statewide in over a decade. ...New York State finds itself poised to welcome in the new millennium at a sprint rather than a trot, enjoying a brisk forward economic momentum in areas where it usually matters the most — jobs, incomes and confidence in the future.”

Chase Manhattan Bank,
Financial Digest, 12/6/99

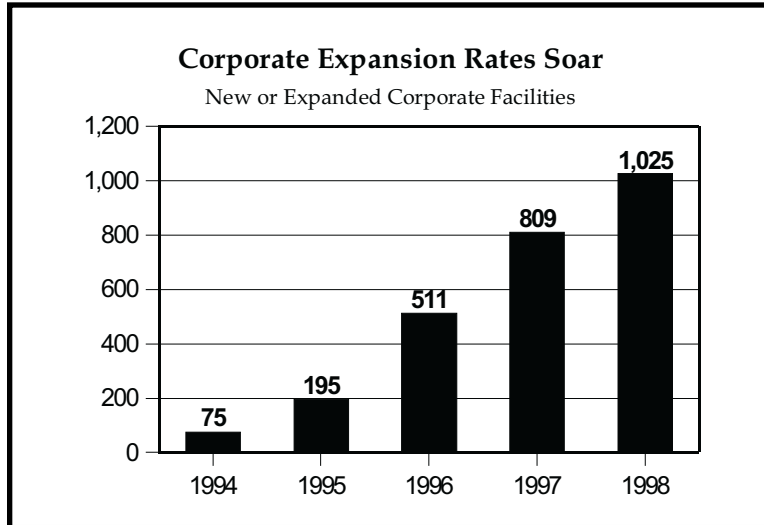


New York's private sector jobs are now at the highest level in State history. Of the more than seven million private-sector jobs in New York State, more than 560,000 have been created since December 1994 as a result of Governor Pataki's policies.

Promoting Economic Growth

U.S. new and expanded corporate facilities has improved from 20th in 1994 to 5th in 1998.

- **Award-Winning Improvements:** The National Association of State Development Agencies recently awarded the State Enterprise Zone award to the New York Economic Development Zone (EDZ) program for im-



Because of lower taxes and a business-friendly climate, 1,025 corporate facilities chose to locate or expand in New York State in 1998. New York ranks 5th in the nation for corporate facility location or expansion according to *Site Selection* magazine, a leading industry publication for corporate real estate executives.

proving the economic well being of distressed areas. The EDZ program provides incentives for business development and expansion in 58 urban and rural areas statewide.

- **Meeting Employer Needs:** New York is implementing a new statewide workforce development strategy to help workers acquire the skills demanded by the marketplace. This revitalized system will position the State and its employers to keep pace with rapid technological advancements in the new millennium.

Cutting Taxes: The Key to Economic Growth

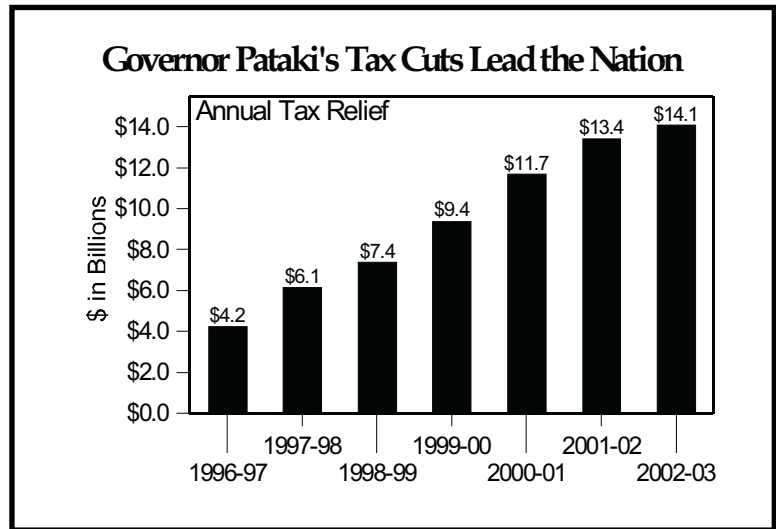
Cutting taxes has been the centerpiece of Governor Pataki's strategy to create jobs and revitalize New York's economy. Under the Governor's leadership, New York has become the premier tax-cutting state in the nation. His sweeping tax cuts have touched the lives of all New Yorkers and brought new life to a private-sector economy that was completely stagnant just five short years ago.

Since 1995, every major State tax has been cut. The breadth and scope of the already-enacted cuts are remarkable — providing \$9.4 billion in total annual savings to New Yorkers during State Fiscal Year 1999-2000. Under the Governor's 2000-01 Executive Budget, annual savings are expected to grow to \$11.7 billion.

Cumulatively — adding total relief from each of the past five State fiscal years — the overall tax burden has been

reduced by more than \$28 billion. By the close of the 2000-01 fiscal year, this cumulative number will grow to a remarkable \$40.8 billion.

As a result of the Governor's aggressive tax reduction program, New York has become a highly competitive business location. New York's rank among states — in terms of state taxes paid per \$1,000 of personal income for 1998 — has improved from 14th to 35th in 1998. As already-enacted tax reductions are phased in, our relative tax ranking should improve even more dramatically.



Combined cuts in personal income, property, sales and business taxes give New Yorkers the benefit of the largest tax cuts in the nation for four consecutive years.

A Less Taxing State

Across the State, New Yorkers can feel the difference resulting from the Governor's tax reforms. New Yorkers are taking home more of their earned income and spending less of it when they shop or pay their bills. These benefits can be felt only because the Governor has reduced taxes across the board, rather than simply redistributing the tax burden. As a result, New York is truly a less taxing State.

- New York State government now takes a smaller share of its citizens' hard-earned income. Since 1995, State tax collections per \$1,000 of personal income have *dropped* by 8.6 percent while the U.S. average has increased by 1 percent.
- In 1995, New York State's tax rate per \$1,000 of personal income was 3 percent *above* the national average. By 1998, the State's tax rate was 6.5 percent *below* the national average.
- Business taxes have been slashed by a cumulative total of \$8 billion.
- Property taxes have been dramatically reduced under the Governor's School Tax Relief (STAR) program.

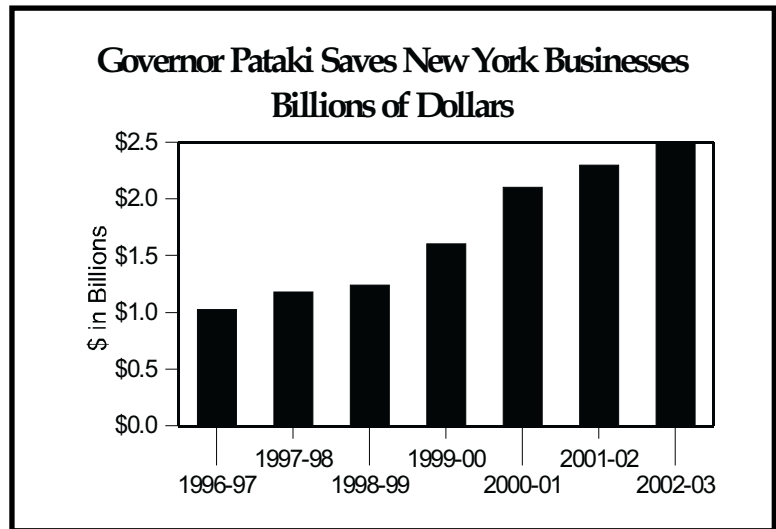
Fulfilling The Promise of Tax Relief

New Budget Carries Out \$2.3 Billion in Tax Cuts

Under Governor Pataki's 2000-01 Executive Budget, New Yorkers will begin to realize nearly \$2.3 billion in additional savings resulting from the implementation of his previously enacted tax cuts. New York families will benefit from initiatives including:

- *The Third Phase of the STAR School Property Tax Cuts for All Homeowners:* STAR tax cuts averaging over 45 percent have already been accomplished for senior homeowners. The Governor's 2000-01 Budget will phase in school property tax cuts averaging 27 percent by 2001-02 for non-senior homeowners.
- *The Expansion of the Earned Income Tax Credit (EITC):* The EITC will be increased from 22.5 percent to 25 percent of the Federal credit, effective January 1, 2001.
- *Sales Tax Exemptions for Clothing and Footwear:* Clothing and footwear priced under \$110 will be exempt from State sales tax, beginning March 1, 2000.
- *The Final Phase of the Estate and Gift Tax Reforms:* The final phase of the estate and gift tax reforms will take place in 2000-01. New York's gift tax has been completely repealed for gifts made as of January 1, 2000. New York will also eliminate the separate estate tax burden for estates created during or after February 2000.
- *The Gross Receipts Tax (GRT):* The GRT on utility services and telecommunications services (sections 186-a and 186-e of the Tax Law, respectively) will be reduced from the current 3.25 percent to 2.5 percent. Over the last two years, these tax rates have been reduced by over 28 percent — going from 3.5 percent to 2.5 percent. These reductions will save taxpayers \$440 million on their electric, gas and telephone bills when fully implemented.

- The corporation franchise tax rate will be reduced from 8.5 percent to 8.0 percent for taxable years beginning after June 30, 2000. The overall reduction — from 9.0 percent to 7.5 percent — will be fully phased in after June 30, 2001.
- The bank and insurance rate reduction will begin. The tax rate will be reduced from 9.0 percent to 8.5 percent for taxable years beginning after June 30, 2000.
- The insurance tax cap for non-life insurance companies will be reduced from 2.4 percent to 2.0 percent. The rate will be reduced from 2.4 percent to 2.2 percent for taxable years beginning after June 30, 2000.
- The Article 9-A corporation franchise tax alternative minimum tax rate will be reduced from 3.0 percent to 2.5 percent for taxable years beginning after June 30, 2000.



Tax reductions in New York State have saved businesses a total of nearly \$8 billion in cumulative tax benefits over the last five years and will generate further savings as the multi-year tax reduction plan continues to take effect. These savings will drive greater investment and expansion, and create more jobs for New Yorkers.

21st Century Upstate Economic Agenda

In addition to phasing in \$2.3 billion in previously enacted tax cuts, Governor Pataki's 2000-01 Executive Budget includes a comprehensive, multi-faceted \$700 million package of new tax cuts and economic development initiatives. These measures will accelerate job creation and economic development throughout the State, with a particular emphasis on upstate New York. Specific elements of the package include the following:

Elimination of the Gross Receipts Tax

The most critical component of Governor Pataki's plan is the elimination of all gross receipts taxes on energy. The Governor's plan calls for a gradual elimination of the tax for business and residential consumers across the State — targeting industrial and manufacturing businesses first to create jobs. When fully effective, this proposal will provide \$500 million in annual tax savings statewide and dramatically improve our efforts to attract and retain jobs across New York State. Specific highlights of the Governor's proposal include:

- Eliminating all remaining gross receipts taxes on energy — giving highest priority to industrial customers.
- Repealing the tax on the importation of natural gas (section 189 of Article 9).
- Repealing the current franchise tax based on gross receipts and dividends (section 186 of the Tax Law).
- Leveling the playing field for energy companies by taxing all energy companies under a franchise tax based on net income, the method used by most corporations (Article 9-a).
- Phasing out and eliminating the excise tax imposed on the sale of gas and electricity.

- Taxing all energy corporations on the same basis as other commercial enterprises for property tax purposes, phasing in over a ten-year period.

Expanded *Power for Jobs*

The Governor's *Power for Jobs* program is widely recognized as a highly successful initiative to create and protect jobs by providing low cost power, particularly in upstate communities where high utility rates have long been recognized as a drag on the economy.

In fact, the *Power for Jobs* program has created or protected more than 250,000 jobs since 1997, serving as a major economic development tool across the State. To build on this successful program, the Governor's plan provides an additional 200 megawatts of low-cost power to businesses across upstate New York.

This measure would promote job creation by lowering the cost of energy — a key consideration in any company's decision to locate and expand in upstate New York. Its enactment would provide an estimated \$20 million in savings to businesses.

Upstate High Technology Enterprise Zones

This new initiative would promote high technology economic development in upstate areas where employment growth is below the statewide average. High technology companies that locate or expand in any upstate county or city that meets this criteria would be eligible for the following package of incentives:

- *Elimination of the Gross Receipts Tax on Energy (GRT)*. Qualifying high-technology companies would receive a tax credit that rebates all energy GRT payments (Section 186, 186-a, 189).
- *Enhanced Qualified Emerging Technology Tax Credit (QETC)*. Large technology companies that increase their employment in the zone by 10 percent above their current statewide employment numbers would receive a new credit of \$2,000 per new employee.

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Smaller companies would see a doubling of their existing credit to \$2,000 per new employee.

- *New Research and Development Credit.* Qualified companies would receive a credit modeled on the current Federal credit for Research and Development costs.
- *Interest-free Investments.* New high-technology companies would receive a refundable credit for all interest paid on business investment loans for projects in the zone, making the cost of capital in the zone for these firms essentially interest-free.
- *Power for Jobs:* These high-tech companies would be eligible for a new, expanded *Power for Jobs* initiative that would provide an additional 200 megawatts of low-cost power to businesses.

When fully effective this new, comprehensive program would generate \$80 million in tax savings to high-technology companies.

Upstate Urban Job Creation Tax Credit

This innovative tax credit is designed to spur the creation of new jobs in cities across upstate New York. The program would provide a tax credit of up to \$1,000 per job for employers who either open new companies or expand existing businesses that create a minimum of 25 new full-time jobs.

Businesses would be eligible for the Urban Job Creation Tax Credit for each job they create once they have met the 25 job threshold. A \$1,000 tax credit would be available to any business that creates more than 25 full-time jobs paying \$8 or more an hour. Jobs created which pay less than \$8 per hour would be eligible for a reduced \$500 tax credit.

Companies would be allowed to claim the credit so long as the new jobs are maintained for a minimum of two years. The credit could be applied against a business' tax liability, including the Article 9-A corporation franchise tax, bank and insurance taxes, and the Article 9 franchise tax. The new tax credit would take effect on January 1, 2002 and would provide \$20 million in annual tax relief.

Additional New Targeted Tax Cuts

The following new tax cut initiatives would apply all across New York State, but would particularly benefit job creation and economic development efforts in upstate New York:

Small Business Tax Rate Reduction: This measure would reduce taxes on small businesses by \$5 million by lowering the corporate franchise tax rate imposed on small business from 7.5 percent to 6.85 percent. This tax cut would phase in as the Governor's corporate tax cut is implemented to assure that the State's small businesses continue to enjoy a tax advantage.

Elimination of S Corporation Differential Tax: S Corporations are allowed to pass through all of their income to investors, so that it is taxed only once as personal income. New York currently imposes an additional entity-level tax on S Corporations. This proposal would eliminate the separate S Corporation Differential Tax, thereby assuring that this income is taxed only once. This new measure would become effective for most companies in 2002 and would provide \$35 million in corporate tax relief to small and mid-sized businesses.

New Brownfield Clean-up Tax Credit: This new tax credit would encourage the voluntary clean up of brownfields across the State by providing individuals and businesses a tax credit equal to the amount spent to clean up the contaminated site. This measure would be especially important in the development of certain upstate industrial sites that are currently classified as brownfields. This new credit would become effective January 1, 2000, and would provide a maximum of \$40 million in tax savings to environmentally-friendly businesses.



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Rail Access Tax Incentive: To assure continued access to efficient, inexpensive rail transportation in upstate communities, the Governor is proposing substantial property tax relief to rail companies that make a commitment to continued service and capital investment. By reducing property taxes — thereby reducing the cost of doing business — rail companies that operate in upstate New York would be encouraged to expand their service, allowing for increased economic activity. To mitigate the fiscal impact on localities, beginning in 2001, the State would provide \$7 million annually in transition aid for five years.

Expanded STAR Exemption for Farmers: This measure would allow farmers who own their farms as a corporation to take advantage of the STAR property tax reduction program. Currently, some farmers whose homes are part of their incorporated farming business are ineligible to receive the STAR tax cut even though the home is their primary residence. This new expansion would become effective in the 2000-01 school year and would provide \$1 million in annual property tax savings to farmers.



Farm Equipment Sales Tax Exemption: This proposal would simplify the current farming sales tax exemption by uniformly exempting all farm-related purchases from sales tax. This proposal would exempt all property and services used in the daily operations of farms across the State, including motor vehicles, electricity, natural gas and other utility services. Currently, an exemption exists for property and services used in farm production, but farmers and their vendors have faced

uncertainty in determining what is and is not taxable. This new exemption would become effective March 1, 2001, and would provide \$12 million in State and local sales tax savings.

Accelerated Small Brewers' Tax Exemption: This new proposal would accelerate the effective date of the exemption from the beer excise tax for small brewers that was included in the 1999-2000 State Budget. The 1999-2000

Budget included a doubling of the exemption from the beer excise tax from 100,000 to 200,000 barrels, effective on April 1, 2001. This measure would accelerate the effective date to January 1, 2000, and provide nearly \$1 million in tax savings to small brewers.

\$25 million Job-Creating Tax Reduction Fund: The Governor's Executive Budget includes a \$25 million pool of funds that will be used for new tax cuts designed to stimulate job growth and economic development across the State. The Governor and Legislature will work together during the coming months to determine the most efficient and effective manner in which to use these resources.

Low- and Moderate-Income Housing Tax Credit: This new measure will encourage the construction and development of affordable housing for low- and moderate-income working families and senior citizens across the State by providing an enhanced credit that will "piggyback" on Federal credits for housing development. This new credit becomes effective January 1, 2000 and will provide \$2 million in tax savings.

Green Buildings Tax Credit: This new tax credit will encourage the construction and rehabilitation of environmentally-sound buildings by providing a tax credit to the developers of these "green buildings." This measure will promote improved environmental standards, increase energy efficiency, and create awareness of new technologies that can improve the quality of life of those living in environmentally-friendly buildings. This new credit will provide up to \$3 million in tax savings when fully effective on January 1, 2001.

Transportation Infrastructure Tax Credit: This new tax credit will encourage businesses to make investments in the transportation infrastructure across the State and promote the creation of thousands of new jobs. To qualify for the tax credit, a company must invest at least \$10 million toward a transportation-related project and demonstrate that the project will result in the creation of more than 1,000 new jobs. In return, the company will receive a tax credit that is equal to the cost of the company's investment in a given transportation project. This new credit becomes effective January 1, 2000.

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Web Hosting Equipment Sales Tax Exemption: This new measure will exempt from sales tax any equipment used to construct and develop facilities used to support Internet web sites. This new credit becomes effective on March 1, 2001 and will provide \$9 million in tax savings.

Elimination of Tax on Homeowners' Associations Tax: This proposal will eliminate the State's fixed dollar minimum tax imposed on homeowners' associations that have no taxable income for Federal income tax purposes. This measure becomes effective January 1, 2000.

Elimination of PBT Minimum Taxes: This new proposal will eliminate the minimum Petroleum Business Tax. This measure eliminates the filing burden on fuel companies and aviation businesses.

Investing in New York's High-Technology Future

While continuing to support New York's economic base with tax cuts, regulatory reform and targeted financial assistance, Governor Pataki is investing in high-technology programs, ensuring that New York's economy remains vibrant for present and future generations.

Targeting the Industries of Tomorrow

The 2000-01 Executive Budget continues the Governor's commitment to high technology job growth with three new targeted programs.

- *The Biotechnology Industry Growth Fund:* Biotechnology will be a top industry sector in the future — generating billions of dollars in investments and hundreds of thousands of jobs world-wide. Under Governor Pataki's leadership, New York is fostering the growth of this new sector by investing in the State's world-class research laboratories and academic centers. Accomplishments include: Centers for Advanced Technology (CATs) at SUNY Stony Brook in Medical Biotechnology and Cornell University in Agricultural Biotechnology; the University of Rochester Institute for Biomedical Sciences; the Roswell Park/University at Buffalo Biotechnology Research Center; and the University at Albany's Biotechnology Incubator, located in Rensselaer County.

The Governor's new \$10 million Biotechnology Industry Growth Fund will build upon his successful efforts to develop New York's research infrastructure by providing start-up companies with a source of needed capital with which to commercialize innovations that emerge from the laboratory — turning ideas into high wage jobs. The Biotechnology Industry Growth Fund will give New York an edge over other states in the increasingly competitive race to create biotechnology jobs.

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- *The Investment Tax Credit (ITC) Program:* In conjunction with the Biotechnology Industry Growth Fund, this initiative will enable biotechnology companies to take greater advantage of the ITC — fostering the growth of these companies and stimulating job creation.
- *The Empire State Technology Employment Incentive Program:* New York's high tech companies need highly educated employees. In order to encourage graduates of the State's leading engineering, computer science and applied science programs to make their careers in New York, this powerful new recruitment tool will enable employers in targeted industries to offer prospective employees cash incentives worth \$3,400 annually for four years.



© Center for Advanced Thin Film Technology University at Albany – SUNY

Governor Pataki is also pioneering innovative, high-technology economic development programs that take advantage of the State's first-class colleges and universities.

- *Focus Center-New York:* With support from the Governor and legislative leaders, the State University of New York at Albany and Rensselaer Polytechnic Institute were jointly designated a Focus Research Center by the Semiconductor Industry Association in 1998. These institutions have assumed a leading role, nationally, in the development of the next generation of semiconductor technology.
- *Microsystems:* Over the past 30 years, the microelectronics revolution has changed both our society and the world economy. Microsystems are emerging as the next major technology of this revolution. These devices are comprised of components that may be smaller than the width of a human hair, yet can react to a stimulus, process information and produce a

useful effect. Potential applications include computer memory devices that store 10,000 times more data than today's hard disks, but are a fraction of the size, and aircraft surfaces comprised of millions of microsystems that de-ice planes while in flight. Within 10 years, the microsystems industry could generate more than \$3 billion annually in revenues for New York State companies and create 30,000 new high-technology jobs. Governor Pataki is taking steps to establish New York State as a national leader in this exciting technological area by:

- ◆ Providing \$300,000 annually to Cornell University's Nanobiotechnology Center. The Governor's commitment was instrumental in securing up to \$19 million from the National Science Foundation (NSF), which will enable the Center to develop and commercialize miniature biomedical devices such as drug delivery systems that will serve as the foundation for new medical products and services.
 - ◆ Committing up to \$400,000 annually to support Rensselaer Polytechnic Institute's application for NSF designation as a national research center in Nanocomposite materials, which are the building blocks for microsystem devices.
- *New York State Office of Science, Technology and Academic Research:* In 1999, New York established the Office of Science, Technology, and Academic Research (NYSTAR) — a new agency charged with growing, attracting and retaining high technology jobs in New York State. A central element of NYSTAR's mission is the recognition that New York's world-class public and private research universities are powerful economic development engines. NYSTAR will coordinate and leverage these valuable resources. Governor Pataki's 2000-01 Executive Budget will increase support for agency activities and continue funding for programs, including:
- ◆ \$95 million for the Capital Facilities Program, which supports construction and reconstruction of research and development facilities at designated Centers for Advanced Technology (CATs) and State University of New York University Centers.

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- ◆ \$7.5 million for the Faculty Development Program, which provides grants to assist colleges and universities in attracting and retaining the best research faculty.
- ◆ \$10 million for the CAT Development Program, which provides grants to designated CATs for enhancing and expanding activities.
- ◆ \$5 million for the Technology Transfer Incentive Program, which supports the efforts of colleges and universities to commercialize high-technology innovations.

Under Governor Pataki's leadership, other innovative programs are also being implemented to attract and retain emerging industries, including:

- *Chip Fab-New York*: Over the next several years, the semiconductor industry will make significant investments in micro-chip facilities in the United States. A single manufacturing plant brings with it a capital investment of more than \$2 billion and thousands of jobs. The Chip Fab-New York program will pre-permit up to eight sites around the State, and give New York a significant advantage in the global competition for these plants. These sites are located in: The Town of Wallkill, Orange County; the Town of East Fishkill, Dutchess County; the Town of Bethlehem, Albany County; the Town of Marcy, Oneida County; the Town of Clay, Onondaga County; the Town of Aurelius, Cayuga County; the Town of Henrietta, Monroe County; and the Town of West Seneca, Erie County.
- *Build Now-New York*: Utilizing the same pre-permitting concept as Chip Fab-New York, the Build Now-New York program has pre-qualified 30 New York State sites to attract expansion or relocation of a wide variety of emerging and growth industries. Chatham Wood Forest Products in Ogdensburg is the first of several businesses to commit to occupying a Build-Now site and will create 125 new jobs. Construction begins in the spring of 2000.

Pro-Business Initiatives Continue

Eliminating Red Tape

Regulatory reform remains a cornerstone of Governor Pataki's economic revitalization of New York. The Governor's commitment to reducing bureaucracy has, in the past five years:

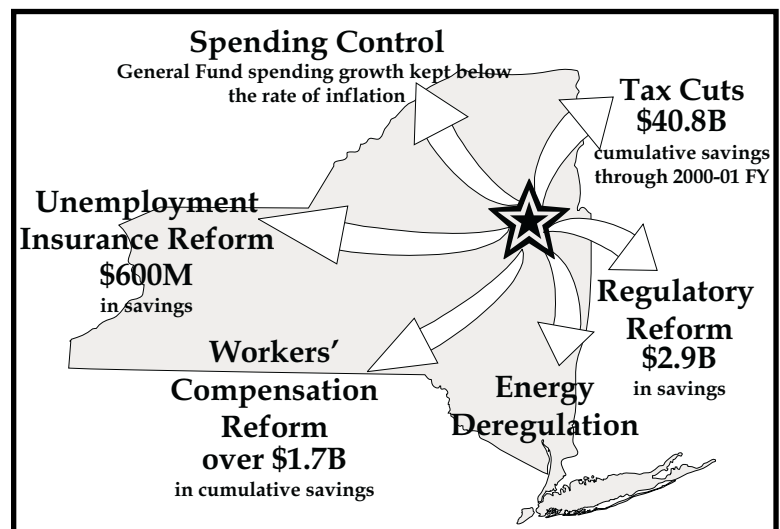
- Saved businesses approximately \$2.9 billion.
- Revitalized New York State's competitive edge.
- Eliminated or substantially reduced over 1,500 rules.
- Replaced red tape with sensible, non-intrusive guidelines.

The State's nationally-recognized Governor's Office of Regulatory Reform (GORR), created by Governor Pataki in 1995, continues to aggressively streamline and expedite the business permit process and significantly reduce the cost of doing business in New York. GORR has brought common sense and cost-benefit analysis to regulatory decisions. As a result, 50 percent fewer new regulations have been proposed in the past five years. GORR continues to create a better climate for job growth and economic opportunity by:

- Adopting a precedent-setting Building Code Reform, saving New Yorkers an estimated \$700 million annually. The new Uniform Building Code reduces construction costs by between 5 and 15 percent, leads to consistent code enforcement and higher quality construction, and generates new construction and jobs.

“From *the moment I took office, one of my top priorities has been making regulations in New York more reasonable and less costly without diminishing the important protections they provide.”*

Governor George E. Pataki



The Governor's policies of cutting taxes, reducing government spending and improving the State's business climate have led to a dramatic resurgence in New York's Economy.

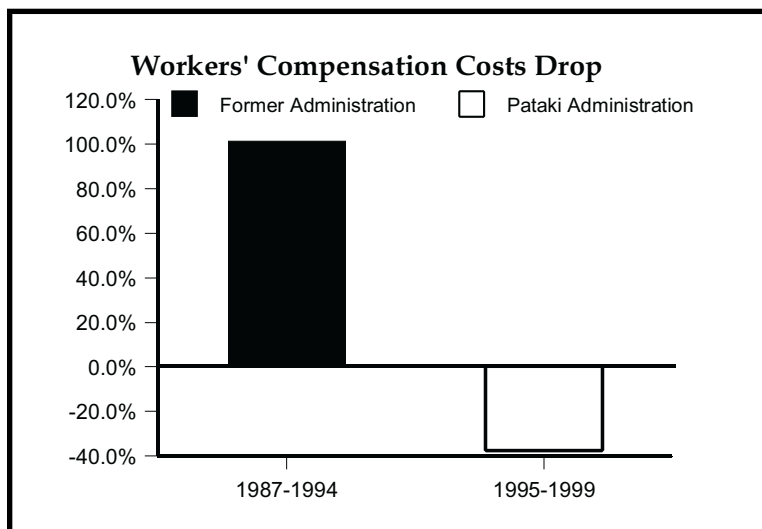
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- Launching Build Now-NY, which provides pre-permitted sites for commercial development so businesses can break ground quickly and start producing jobs. Several companies have taken advantage of this new program and started construction at Build Now-NY sites, creating hundreds of jobs.
- Offering the nation's premier web site for permit assistance so that people starting or expanding businesses can receive on-line help regarding State permits and licenses, and personalized service on demand.

Cutting Workers' Compensation Costs

Governor Pataki won historic and fundamental reforms in workers' compensation through the enactment of the New York State Employment, Safety and Security Act of 1996. Originally predicted to reduce premiums by an average of 25 percent, actual reductions have exceeded expectations, with average premiums declining by 32 percent.



Reduced workers' compensation rates, which have declined by 37 percent cumulatively since 1995, will continue to generate substantial savings for New York employers and small businesses, making them more competitive. In contrast, between 1987 and 1994, rates increased by a total of 100 percent.

Since the Governor first took office in 1995, rates have been reduced by a total of 37 percent.

The Governor has also led the way in improving the management of the Workers' Compensation Board. Significant Board reforms initiated during the past few years have largely been expanded statewide during 1999-2000. These reforms, aimed at improving service to both businesses and injured workers, will be fully implemented in 2000-01 to provide:

- *Efficient Customer Service:* By the end of 1999-2000, all the Board's district offices will have greatly improved the service they provide with state-of-the-art

technology that transformed the Board into a “paperless” operation.

- *Easier Access:* Accessibility will be further enhanced through the opening of more district offices and outreach centers, reducing the distance that employers and injured workers travel to conduct business with the Board. Since 1998, offices have opened in Peekskill and Hauppauge, and offices in Syracuse, Binghamton, Buffalo and Rochester have been renovated and equipped with modern technology.
- *Quicker resolution:* The Board will continue to simplify the process for settling claims through conciliation and other measures before reaching the costly and lengthy hearing process. Efforts to date have already improved service and reduced unnecessary delays for both employers and injured workers.

Tourism — Welcoming the World

Last year, New York welcomed more than 119 million visitors from the United States and around the world. Not surprisingly, with all New York has to offer, tourism is our second largest industry, generating more than \$32 billion in tourist spending and employing nearly 730,000 people.

New York's historical, cultural, recreational and natural treasures are known the world over, making our State one of the most popular national and international tourist destinations. Visitors can explore thousands of historical sites, from New York City's Battery Park to the Susan B. Anthony House in Seneca Falls and Fort Ticonderoga in the Adirondacks. Live performance enthusiasts can take in a



Broadway show or first-rate theatrical production at countless regional and community theaters throughout the State. Sports fans can cheer for the Yankees, Mets, Bills, Knicks, Liberty, Rangers, Sabres or Islanders, while shopping buffs can find the latest fashions on Fifth Avenue or a forgotten treasure at an antique store along upstate New

York's historic rural highways. For those wanting solitude and tranquility or recreational activity, the State's breathtaking natural beauty offers spectacular hiking, boating, camping and skiing, and hundreds of park facilities for visitors to enjoy.

Governor Pataki's 2000-01 Executive Budget continues to build on his unparalleled support for tourism and the historic and natural resources that are so vital to this industry.

- Since 1994, Governor Pataki has increased direct support for tourism by \$2.25 million, or 17 percent. The 2000-01 Executive Budget continues his commitment to this industry by providing \$15.8 million for the

“I ♥ NY” and local tourism matching grants programs.

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- Under the Governor’s leadership, old tourist destinations are being refurbished and new ones created, including: the “Black” Course at Bethpage, which will host the 102nd U.S. Open — the first time a national golf championship will be played at a publicly-owned course; Watkins Glen International Speedway which, as the result of major upgrades, will continue as a regular stop on the NASCAR circuit; the Gore Mountain Ski Center, whose new high-speed gondola will provide more good reason to ski the Adirondacks; and the new Dia Center for the Arts in Beacon, which will house a world-class collection of contemporary painting and sculpture.
- In February 2000, Lake Placid — home of the 1932 and 1980 Winter Olympics — will host the first-ever international Winter Goodwill Games. Governor Pataki’s support for construction of a new bobsled/luge track and the fastest ski gondola in North America were instrumental in bringing the Games to New York State. The Games, which will be televised around the world, will feature the best international winter sports athletes competing in skiing, skating, luge, bobsled, skeleton, snowboarding and ski jumping. The Games are expected to draw approximately 500 competitors and 150,000 spectators, and generate \$19 million for the region’s economy.

Fiscal Integrity/Debt Reduction



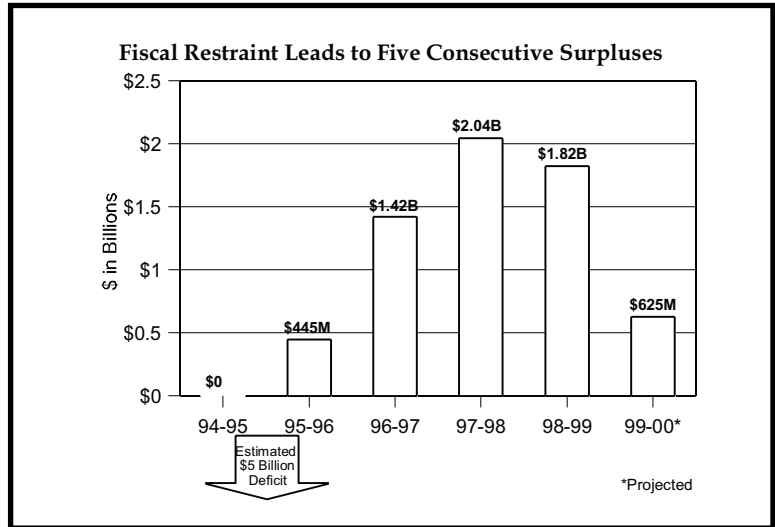
Fiscal Integrity

Since taking office, Governor Pataki has restored integrity to New York's fiscal management. At the close of the 1999-2000 State fiscal year, New York will have recorded its fifth consecutive surplus — the result of prudent fiscal practices that have complemented a strong economic recovery.

Spending is under control, with average General Fund spending growth held below the rate of inflation over the last six years. After years of empty coffers, the State's reserves are at their highest level ever, with sufficient funds to ensure that tax cuts proceed on schedule and to guard against the impact of an economic slowdown.

In November 1999, Standard and Poor's testified to the soundness of Governor Pataki's fiscal policies by upgrading New York's credit rating for the second time in two years. In commenting on the most recent upgrade, Standard and Poor's reported that New York has made "fundamental changes in fiscal discipline and management, as evidenced by the preservation of reserves for outyear use, and controlled spending during this period of revenue growth."

Governor Pataki's Executive Budget embodies the same sound fiscal principles that characterized his previous budgets. The 2000-01 Budget continues to restrain spending, implements existing tax cuts on time, strengthens reserves and enhances the important debt reform initiatives begun in the 1998-99 Budget.



After closing the \$5 billion deficit he inherited upon first taking office, Governor Pataki has gone on to produce four consecutive surpluses — with a fifth surplus projected for the close of the current fiscal year.

“New York State’s long history of marginally balanced budgets and large accumulated deficits has been reversed.”

Standard and Poor's
November 1999

Prudent Planning

Responsible fiscal management requires setting aside funds for a “rainy day.” Under the Governor’s leadership, the State has reserved much of its recurring surpluses in recent years — including the entire 1998-99 surplus — to meet future commitments. New York is now well-positioned to implement enacted tax cuts on schedule and to weather the potential impact of a slowing economy.

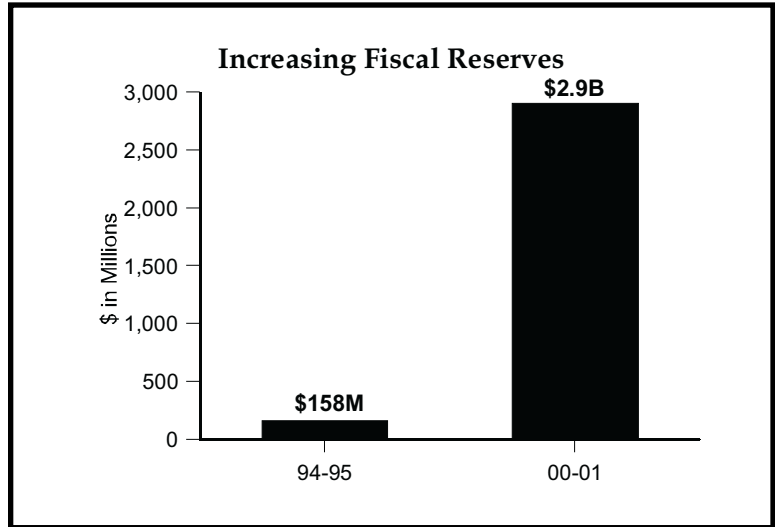
Following the precedent set last year, the Executive Budget for 2000-01 once again dedicates the entire current-year surplus of \$625 million to sustain and bolster the State’s reserves.

At the close of State Fiscal Year 1999-2000, the State’s reserves will reach \$3.6 billion — their highest level ever. By the close of 2000-01 (after using \$615 million to pay for previously enacted tax cuts), our reserves will still total a healthy \$2.9 billion.

Specific reserves include the following:

- The \$1.8 billion Tax Reduction Reserve will help pay for enacted tax cuts, including the full phase-in of STAR that will take effect over the next two years. As noted above, \$615 million of this amount will be used to pay for the incremental increase in tax cuts in 2000-01, and the remaining \$1.2 billion will be deposited into the STAR Fund to finance a portion of the 2001-02 STAR benefit. By the end of State Fiscal Year 2000-01, the State will have enacted and paid for more than \$40 billion in tax cuts since 1995, when Governor Pataki first took office.
- \$300 million of the 1999-2000 surplus is set aside to fully fund the 2001-02 and 2002-03 cost of new tax cuts proposed in the Executive Budget.
- Nearly \$550 million is set aside in the State’s “rainy day” fund to guard against financial uncertainties. The “rainy day” fund had only \$157 million when Governor Pataki took office. In 1999-2000, the State will make its fifth consecutive annual deposit of \$75 million — the maximum amount permitted by law.

- The \$250 million currently in the Debt Reduction Reserve Fund (DRRF) will be supplemented with a \$500 million deposit in 2000-01, paid for equally with one-time revenues from the State's tobacco settlement funds and the 1999-2000 surplus. Of the \$750 million that will be available in the DRRF, \$500 million will be used immediately in 2000-01 to reduce State debt, saving taxpayers \$1 billion in debt service costs. The remaining \$250 million will be used to reduce debt in 2001-02.

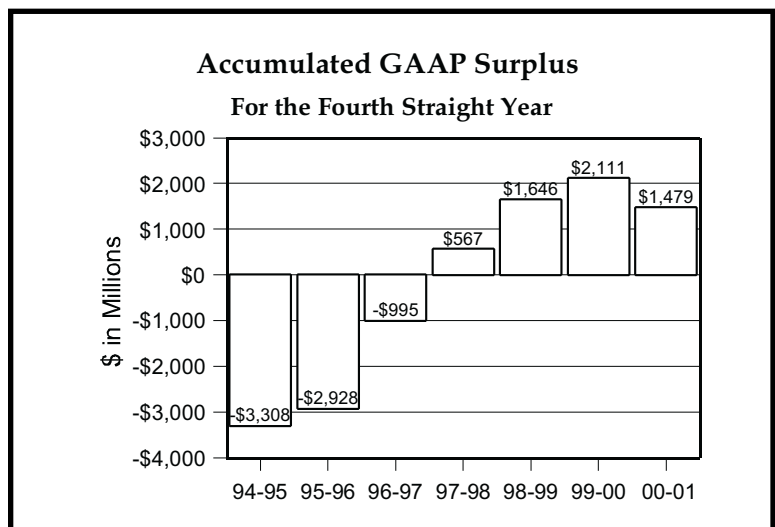


Governor Pataki has earmarked \$2.9 billion for specific purposes such as debt reduction, paying for new and previously enacted tax cuts and collective bargaining agreements.

- \$150 million will be available in the Contingency Reserve Fund for litigation risks following a proposed \$43 million deposit in 2000-01. The Contingency Reserve has grown from \$1 million since Governor Pataki took office in 1995.
- \$425 million will be available for new collective bargaining costs in State Fiscal Year 2000-01. This reserve will provide State employees with a new collective bargaining settlement comparable to the agreement ratified by the United University Professional employees.

Measurable Results

While New York balances its budget on a cash basis, rating agencies and fiscal analysts also watch its performance as measured by Generally Accepted Accounting Principles (GAAP). Under Governor Pataki, New York has significantly improved its performance on a GAAP basis. In 1997-98, Governor Pataki



New York expects to record its fourth consecutive accumulated GAAP surplus at the end of 2000-01.

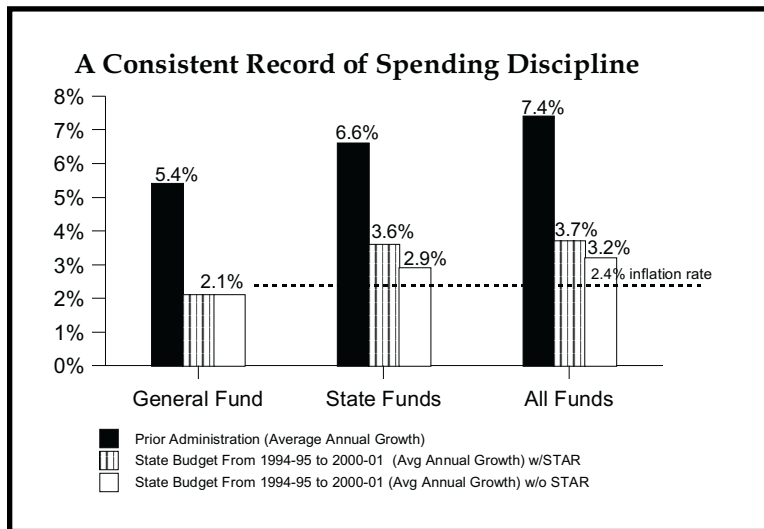
Fiscal Integrity/Debt Reduction

48

eliminated a \$3.3 billion accumulated deficit that he inherited from the prior administration. The State now projects a continuing accumulated GAAP surplus of \$1.5 billion through 2000-01.

Controlling Spending

- Governor Pataki's commitment to restrain spending has produced substantial financial benefits in the form of recurring surpluses, growing reserves and an improving credit standing.
- From 1994-95 through 2000-01, spending increases in the General Fund — which receives the majority of State taxes — will average only 2.1 percent.



Under Governor Pataki, spending on all measures is under control.

From 1994-95 through 2000-01, spending increases in the General Fund — which receives the majority of State taxes — will average only 2.1 percent. Over the same period, inflation will grow at roughly 2.4 percent. Spending in All Funds and State Funds has also grown at affordable rates during this time. When adjusted to exclude the costs of the STAR program, average annual growth in both All Funds and State Funds has increased by roughly 3.2 percent and 2.9 percent, respectively.

- The Governor's consistent record of disciplined spending continues with his 2000-01 Executive Budget. State spending remains affordable, with General Fund spending below the rate of inflation and State Funds and All Funds spending growing at modest levels.

Budget Reform

Governor Pataki is again proposing a budget reform package for consideration by the Legislature. The recommendations are intended to preserve the gains in the State's fiscal condition and ensure that future budgets are

adopted on time. The recommendations would provide the following benefits:

- Protect State taxpayers by requiring that any tax increase of \$50 million or more be approved by a two-thirds vote of both houses of the Legislature.
- Guard against financial uncertainties by more than doubling the permissible contributions to the State's "rainy day" fund.
- Encourage a timely budget by advancing the date of the Consensus Revenue Forecasting Conference and requiring the Legislature to convene conference committees by March 1 to deliberate on changes to the Executive Budget.
- Help legislators make informed budget choices by directing the Division of the Budget to furnish them with a summary report of the financial plan impact of a proposed budget agreement prior to a vote on the budget bills.

Together, these sensible reforms promote sound fiscal management practices and help ensure that State budgets are passed on time.

Debt Reform — Controlling Debt and Reducing Taxpayer Costs

Governor Pataki's Executive Budget for 2000-01 strengthens his record of achievement in enhancing the State's fiscal and debt management policies. This effort has paid off in a number of ways, including the fact that the State's credit rating has been upgraded twice in two years. With this Budget, the Governor will continue his ongoing program to control both the costs and growth of State debt.

Constitutional/Statutory Debt Reform

The Governor's 2000-01 Executive Budget includes a constitutional and statutory debt reform proposal which ensures that new debt levels are reduced. This debt reform proposal will:

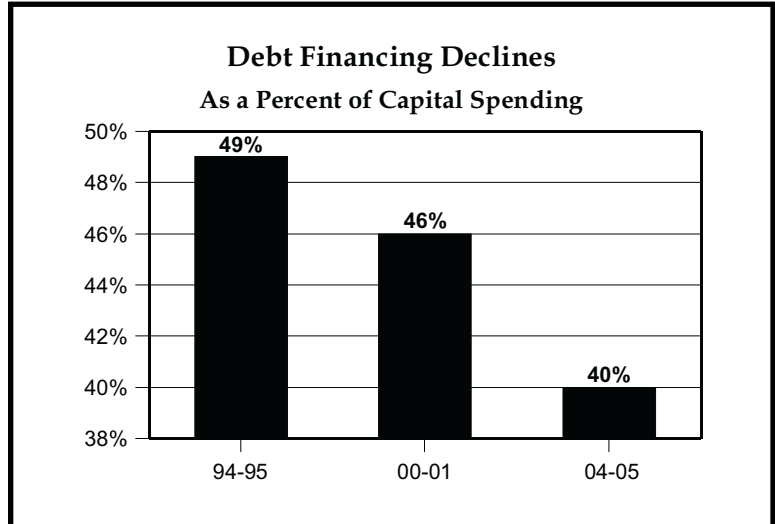
- Cap all new debt outstanding at 3.5 percent of personal income — reflecting a significant decline from the current level of 6 percent of personal income — with at least one half of all new debt requiring separate voter approval.
- Cap new debt service costs at 5 percent of All Funds receipts. This will ensure that ultimate debt service costs as a percent of All Funds receipts will not grow from their current levels of about 5 percent.
- Ban “back door” borrowing and instead authorize constitutional revenue-backed debt.
- Authorize multiple General Obligation Bond Act proposals.
- Restrict the use of debt to capital purposes only.
- Require that all new debt proposals be publicly aired 14 days prior to legislative action.

Reducing Our Reliance on Debt

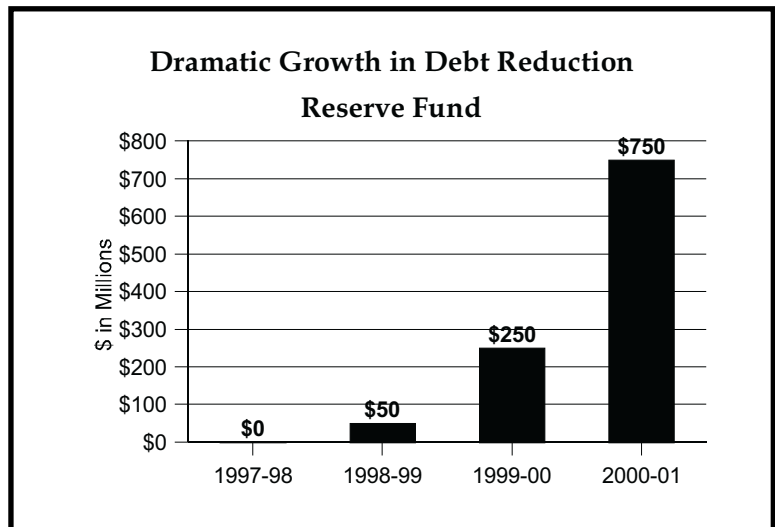
Governor Pataki's five-year Capital Plan continues to ensure that a larger portion of the Plan's capital projects are financed with pay-as-you-go resources. The portion of spending financed with State debt will decline from 49 percent in 1994-95 to 40 percent in 2004-05.

Using the Debt Reduction Reserve Fund (DRRF) to Lower Debt

Governor Pataki is recommending a third consecutive deposit into the Debt Reduction Reserve Fund (DRRF) of \$500 million — \$250 million from one-time moneys received by the State as part of its recoveries under the tobacco settlement agreement and \$250 million from the 1999-2000 surplus — increasing the balance at the beginning of 2000-01 to an historic high of \$750 million. Two-thirds, or \$500 million, of the DRRF will be used in the upcoming Budget to pay off the State's high-cost debt and increase pay-as-you-go spending for previously bond-financed programs. The balance, or \$250 million, will recapitalize the DRRF in 2000-01 — ensuring that State debt is reduced further in 2001-02. Over the life of the five-year Capital Plan, these actions will reduce State debt by \$750 million and generate \$1.5 billion in savings to taxpayers in the form of decreased debt-service costs.



Using a greater share of pay-as-you-go resources to finance capital projects reduces the State's reliance on debt. Under the Governor's Capital Plan, the portion of capital spending financed with debt declines from 49 percent in 1994-95 to 40 percent in 2004-05.

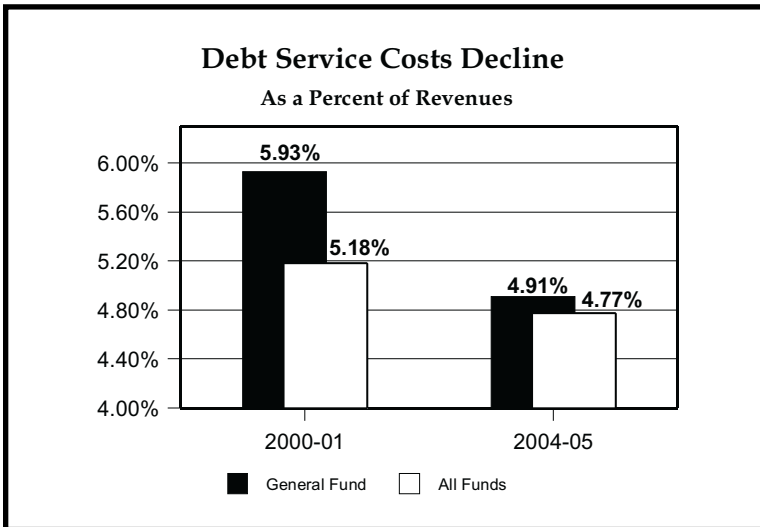


The Debt Reduction Reserve Fund has grown dramatically — increasing from \$50 million in 1998-99 to \$750 million in 2000-01.

Controlling Overall Debt Levels and Costs

The Governor's debt reform strategy contained in the recommended five-year Capital Plan ensures that:

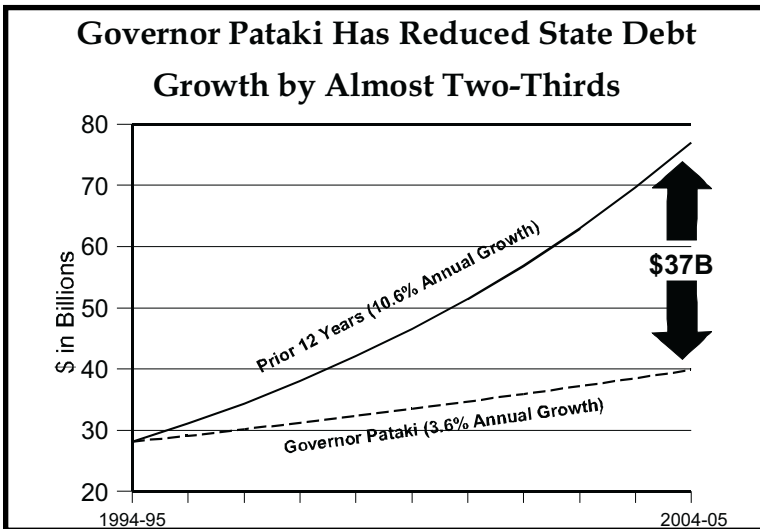
- Debt service costs as a percent of General Fund and All Funds receipts decline.
- The average annual growth in total State-supported debt outstanding from 2000-01 through the end of the five-year Capital Plan in 2004-05 is limited to 1.4 percent — less than the rate of inflation.



Over the five-year Capital Plan, the percentage of General Fund and All Funds receipts devoted to debt service costs decline, ensuring that debt costs remain affordable.

debt outstanding from 2000-01 through the end of the five-year Capital Plan in 2004-05 is limited to 1.4 percent — less than the rate of inflation.

- Total debt outstanding declines as a percent of personal income — dropping from 5.9 percent in 2000-01 to 5.1 percent in 2004-05.
- State debt will grow at one-third the rate of the growth experienced during the previous twelve years.



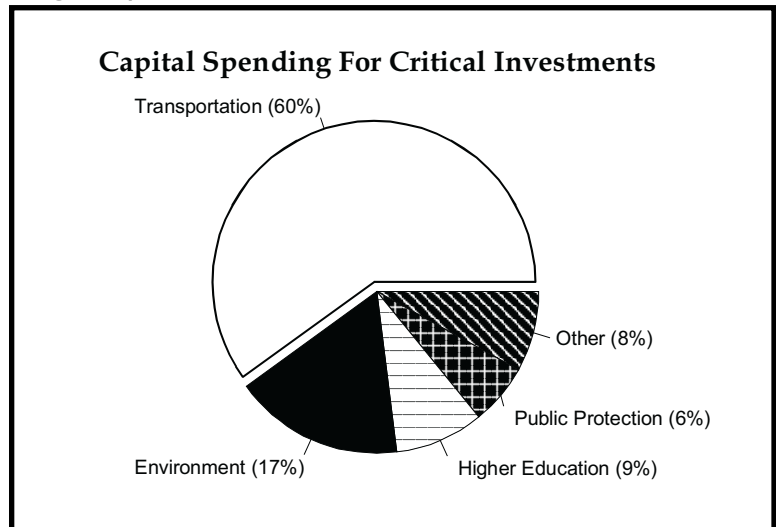
Average annual growth in State debt under the Pataki Administration has been restricted to a reasonable 3.6 percent — dramatically lower than the 10.6 percent rate of growth experienced in the prior 12 years.

Targeting Capital Spending

The five-year Capital Plan submitted with the Executive Budget continues to recommend capital spending that maintains the Governor's commitments to transportation, the environment, higher education, public protection, housing and mental hygiene.

Capital spending averages \$4.3 billion annually over the life of the five-year Capital Plan and is targeted to high-priority investments in vital programs.

- Transportation capital spending, which reflects a new five-year transportation plan that will support annual letting levels of \$1.6 billion, continues to account for the largest share of spending within the five-year Capital Plan. The new transportation plan will continue to make strategic investments in the State's transportation infrastructure and foster economic development.
- Higher education capital spending will provide state-of-the-art educational facilities to prepare New York's children for the demands of the 21st century.
- Health and environmental capital spending will protect New Yorkers' health and the State's environmental landscape.
- Public protection capital spending will ensure the development and maintenance of adequate correctional facilities — making this a safer State for all citizens.
- All other capital spending includes spending for housing, which will help ensure that New Yorkers have access to safe, economical places to live.



Over the five-year Capital Plan, transportation projects will continue to account for the largest share of spending, followed by those related to the environment, higher education and public protection.

Education

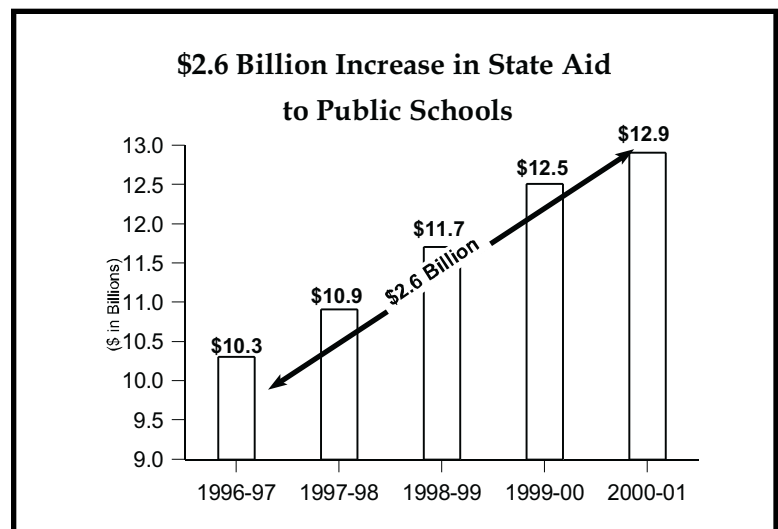


Education In New York: *Schools 2000*

As we prepare for the challenge of the new millennium, our children and schools must be at the forefront of our agenda to ensure a bright future for all New Yorkers. To this end, Governor Pataki has developed a comprehensive set of initiatives — **Schools 2000** — to forge a strong partnership between families and schools throughout the State.

Under the Governor's **Schools 2000** initiative, families will be assured that their schools:

- Provide a safe, secure environment that is conducive to learning.
- Employ qualified and responsible teachers.
- Provide high-quality instructional programs that meet rigorous State standards.
- Have up-to-date textbooks and computers available for all children.
- Reinforce values taught at home.
- Provide reports on the performance of each child and the school as a whole.
- Expand opportunities for choice.

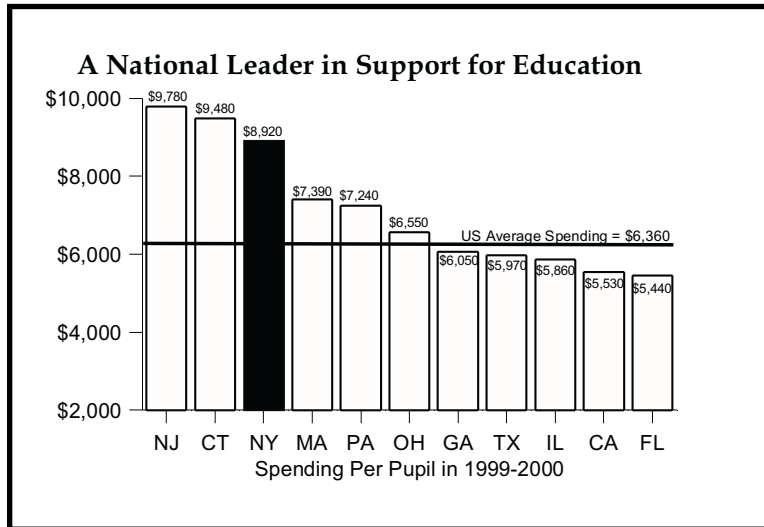


Under Governor Pataki, State support for public schools has increased by \$2.6 billion or 25 percent since 1996-97. This is more than three times the rate of inflation.

\$12.9 Billion Investment in Our Schools

Governor Pataki's 2000-01 school aid proposal — which incorporates his **Schools 2000** initiative — provides \$12.9 billion in funding for the 2000-01 school year. This

recommended funding level represents the highest in State history, and provides a \$355 million increase over the 1999-2000 school year. The additional funding recommended for the 2000-01 school year builds on three years of record-breaking increases that provided our public schools with \$2.2 billion in new funding — a 22 percent increase between 1996-97 and 1999-2000. At the close of State Fiscal Year 2000-01, school aid will have increased by nearly \$2.6 billion — a 25 percent increase, which is more than triple the inflation rate for this period. Including funding for STAR, the State will support 45 percent of total education costs in 2000-01 — up from 39.3 percent in 1996-97. The percentage of the State’s General Fund allocated to the support of local schools will increase to nearly 35 percent in 2000-01 — up from 27 percent in 1994-95. Clearly, this extraordinary growth in education funding has solidified New York’s position as a national leader in providing support for its public schools. Our total spending per pupil now exceeds \$8,900, the third highest in the nation.



Recent record school aid increases have allowed the State to remain a national leader in support for education. New York’s total spending per pupil is third highest among all states and ranks first among the five largest states.

Including funding for STAR, the State will support 45 percent of total education costs in 2000-01 — up from 39.3 percent in 1996-97. The percentage of the State’s General Fund allocated to the support of local schools will increase to nearly 35 percent in 2000-01 — up from 27 percent in 1994-95. Clearly, this extraordinary growth in education funding has solidified New York’s position as a national leader in providing support for its public schools. Our total spending per pupil now exceeds \$8,900, the third highest in the nation.

Providing Safe and Secure Schools

Consistent with the Governor’s Safe Schools Against Violence in Education (SAVE) initiative and the recommendations of the Task Force on School Violence, chaired by Lieutenant Governor Mary Donohue, the **Schools 2000** program will include the following items designed to ensure the safety and well-being of children in schools:

- *Code of Conduct*: Each Board of Education will be required to establish a detailed student code of conduct including appropriate standards for student language, dress and behavior, as well as procedures relating to discipline, detention, suspension and expulsion.
- *Comprehensive School Safety Plans*: Each school district will be required to develop a school safety plan — in consultation with law enforcement agencies — that

includes items such as crisis response, and building access and security.

- *Disruptive Children*: Teachers will be given the authority to remove disruptive pupils from the classroom for up to 10 days.
- *Violent Incident Reporting System*: A uniform, statewide incident reporting system will be created to provide a comprehensive database on violent crimes in public school districts, including corrective actions taken by the schools.
- *Information Sharing*: Clear legal authority will be provided for information sharing — with appropriate confidentiality safeguards — between criminal justice officials and school administrators.
- *Fingerprinting*: All prospective school employees and candidates seeking educational certification will be fingerprinted so that schools can conduct criminal background checks.
- *School Safety Training*: Teachers and administrators will receive mandatory training in school violence prevention and intervention. Such training will be a prerequisite for the certification of prospective teachers, while training for existing personnel will be provided within the existing Superintendent's conference days.
- *School Safety Coordinating Council*: An Interagency Council composed of representatives of principal State agencies and private sector companies will be established to ensure the coordination of State efforts to address school safety issues — including funding of school safety-related programs — and serve as New York's official liaison with national school safety organizations.
- *New York State Center for School Safety*: The Upstate Center for School Safety will be transformed into a statewide clearinghouse. The Center will develop, collect, maintain and disseminate information and provide training and technical assistance on violence prevention and intervention to schools and communities. An additional \$500,000 in State support has been

Policy Highlight: Advantage Schools

Funding for the Governor's Advantage After-School program is being doubled to \$10 million in 2000-01. Created in 1998-99, the Advantage After-School Program offers a wide variety of after-school activities to children and youth of all ages and economic backgrounds. Operating from 3 PM to 6 PM, these after-school programs provide school-aged children with opportunities to learn and play in a supervised setting during non-school hours, and build school and community bonds, public and private partnerships, and an opportunity for youth to become involved in program planning and implementation. The new funding will support Advantage After-School programs in more than 120 sites statewide.

provided for the Center to supplement other State and Federal funds.

Other recommended actions to promote safe and secure schools include:

- *School Bus Safety*: Bolstering the school bus driver safety program by requiring school districts to supply additional information on transportation safety violations.
- *Approval of New York City School Facilities Plans*: Requiring that New York City school facility plans receive pre-approval by the State Education Department, as currently required for all other school districts, to promote cost-efficiency and ensure adherence to facility project priorities set forth in New York City's capital plan.
- *Closure of Unsafe Schools*: Empowering the Commissioner of Education to close unsafe schools in the Big Five City School Districts, consistent with his or her current authority for all other districts.
- *Access to DASNY*: Allowing school districts access to the construction management expertise of the New York State Dormitory Authority. This access will promote cost-efficiency and produce better facilities. In addition, school districts will be granted a blanket exemption from existing Wicks Law requirements, generating additional school construction savings.
- *Building Aid Increase*: Increasing building aid by more than \$200 million to a record-high total of \$1.1 billion for school facility building projects. Eligibility for State building aid will also be extended to include hand-held/portable metal detectors and video surveillance cameras.

Ensuring Qualified Teachers

Teachers represent a key ingredient in effecting improved educational performance. Without an adequate supply of qualified teachers, our schools will have difficulty meeting the new higher learning standards. The Governor's Budget includes the following initiatives to strengthen New York's teaching workforce:

- *Reducing the Number of Uncertified Teachers:* A new \$25 million “Teachers of Tomorrow” teacher certification initiative will provide assistance to school districts in addressing their uncertified teacher problems. As a result of this initiative, more than 50,000 new teachers will be brought into areas where shortages exist over the next decade. State funds will be provided for activities that include:
 - ◆ *“Teachers of Tomorrow” Scholarships:* 5,000 awards to cover tuition costs up to \$3,400 per year — the SUNY tuition level — will be provided to new teachers who agree to teach in designated shortage areas. This new program, modeled on the Governor’s successful National Guard Scholarships, will provide awards for up to four years of service, with awards in the second, third and fourth years based on satisfactory performance in each preceding year.
 - ◆ *“Teachers of Tomorrow” Vouchers:* To assist teachers with temporary licenses in achieving permanent certification, vouchers up to \$2,000 per year will be provided to cover the cost of test preparation workshops and tuition for required coursework. These vouchers would be supported equally with State and local school district funds.
 - ◆ *“Summer in the City” Internship Program:* This new program will encourage undergraduate students attending SUNY, CUNY or independent colleges across the State to gain classroom experience in the State’s inner-city schools. “Summer in the City” is designed to encourage prospective teachers to seek employment in inner-city schools, and provide these schools with needed staff for summer programs that provide critical literacy and math skills to children who are not meeting expected performance levels.



- *Alternative Certification*: Alternative credentialing routes will be provided for persons having appropriate life experience and education to increase the supply of teachers in identified shortage areas. Education and life experience qualifications would be established as alternatives to the existing Master's degree requirement.
- *Five-Year Master's Degree*: Governor Pataki will advance a five-year requirement for obtaining a Master's degree to avert the adverse impact on the supply of qualified teachers resulting from the two-year requirement advanced by the Regents.
- *Modified Retirement "Penalties"*: Many retired police officers, firefighters and other public employees would consider entering teaching, if not for the cap on public salaries for those already collecting a public pension. A waiver will be provided to exempt these people from the cap in identified teacher shortage areas.
- *Strengthened Penalties for Cheating*: Statutory changes will be advanced to strengthen the penalties that can be imposed on teachers and principals found guilty of cheating on State standardized tests.

Meeting Higher Standards

Following three years of record-breaking school aid increases, Governor Pataki's Budget now focuses on giving school districts flexibility to meet the State's higher learning standards while bringing greater attention to the attainment of improved results.

- *Flexible State Support*: Nearly \$141 million in additional operating aid will supply school districts with flexible support to meet locally-identified needs in the implementation of higher standards. A new higher standards "set-aside" will require low performing school districts to dedicate a portion of their operating aid to needed academic support services. This mandatory set-aside would be phased out as performance improves.
- *Reading for Results*: A \$40 million "Reading for Results" initiative will fund a range of early grade reading

initiatives beginning in the 2001-02 school year, including summer school and intensive school year reading programs during extended school breaks. To receive this funding, school districts must enter into performance contracts that require demonstrated results.

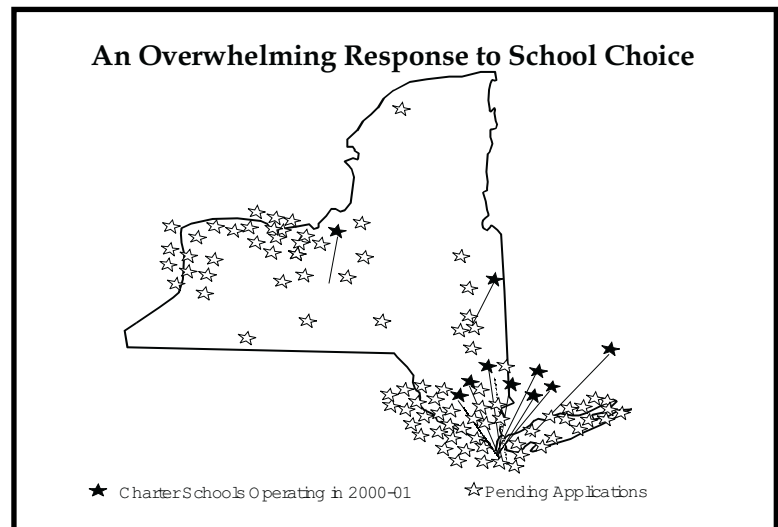
- **Reading 2000:** Funds now provided for Categorical Reading and Improving Pupil Performance will be re-directed to support a Reading 2000 program. This program will focus on strengthening reading skills for children in grades 2 through 4 in the Big Five City schools.

Expanding School Choice

New York has taken the first historic step in a fundamental reform that will change the face of our public education system. New York's first three charter schools opened in September 1999 — only nine months after passage of Governor Pataki's landmark Charter School legislation — signifying an unprecedented beginning for the families of nearly 1,000 students. These families have been empowered to decide where and how their children will learn as a result of one of the fastest growing educational movements in the country — public school choice.

In 2000-01, a number of additional charter schools will open across the State. The Charter Schools Institute (CSI) of the State University of New York has already approved five more schools to open in September 2000 and additional schools will be authorized in the coming year.

To further promote greater school choice in New York, the Governor will advance the following initiatives:



In December 1998, Governor Pataki's innovative charter school legislation made it possible for families to participate in one of the nation's fastest growing education reforms — public school choice. The response has been overwhelming, with three charter schools already operating and the Charter School Institute at the State University of New York receiving applications for an additional 90 schools.

- *Stimulus Fund:* The Governor is providing \$6 million in State support for the Charter School Stimulus Fund in 2000-01, including \$3.85 million to help meet capital funding needs and other charter school start-up costs. Additional resources for charter school implementation will also be available from Federal charter school grants and other discretionary Federal funding sources such as Goals 2000.
- *SURR School Choice:* New opportunities will be provided for children trapped in failing schools — known as Schools Under Registration Review, or “SURR schools.” Under the Governor’s **Schools 2000** proposal, any student attending a SURR school in our largest urban districts will be able to transfer to another school within the same district.

Textbooks and Educational Technology

- *Textbooks:* Governor Pataki’s Budget continues his multi-year commitment to ensure that all schools have up-to-date textbooks. Textbook aid in 2000-01 will increase by an additional \$29 million, or 19 percent. This represents a 43 percent increase since 1997-98.



- *Educational Technology:* Governor Pataki has recommended an increase of \$15.5 million, or nearly 39 percent, in computer hardware and software aid to ensure that all children have access to a computer. The Governor has also recommended an amendment to school reporting requirements to include the provision of information on student access and use of educational technology.

Empowering Parents and Reinforcing Family Values

- *School Performance Reports:* Each school will be required to report directly to parents on the overall

performance of children attending that school, as well as their own child's performance.

- *Parental Representation:* Each school board will be required to include a parent selected by the PTA as an ex officio member.
- *Civility, Character, and Citizenship Education:* Curricula for grades K-12 will be required to include civility, character and citizenship education to instruct children on principles including honesty, tolerance, personal responsibility, respect for others, observance of laws and rules, courtesy and dignity. Additional State funding of \$500,000 has been provided to support this initiative.

Significant School Aid Changes

Governor Pataki's 2000-01 Budget recommends a number of important changes in the allocation of school aid to increase school district funding flexibility while promoting cost-effective use of State and local resources. For the first time, State aid will be linked directly to school district performance in meeting the State's higher learning standards.

Operating Aid

Within the overall \$355 million school aid increase for the 2000-01 school year, the Governor is recommending an operating aid increase of \$140.7 million to provide schools with flexible support to meet locally-identified needs in the implementation of higher standards. Under Governor Pataki's proposal, all school districts will receive an operating aid increase of at least 1.25 percent up to a maximum increase of 2.25 percent or 10 percent of the aid held back by the transition adjustment, whichever is greater.

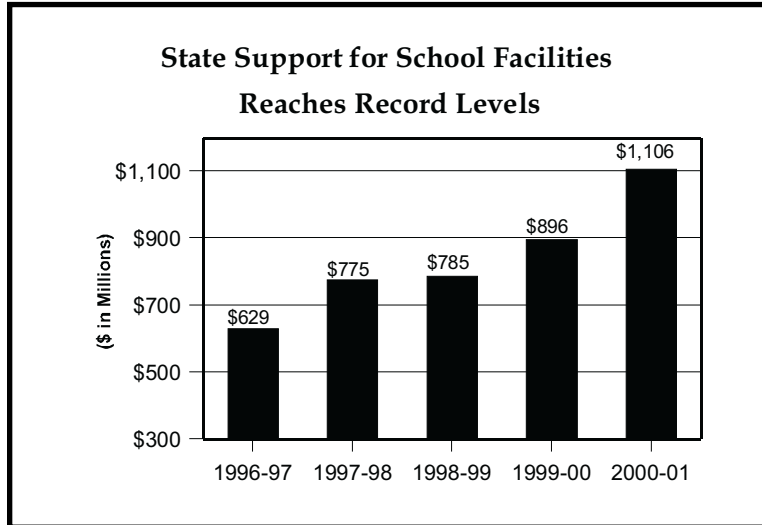
Building Aid

New York continues to have one of the most generous building aid programs in the nation. Governor Pataki's Budget includes a \$210 million increase in building aid that would raise total State support for school facilities to more than \$1.1 billion in the 2000-01 school year. Since 1996-97, the State's ongoing effort to provide healthy, safe learning

environments for our children has resulted in a 76 percent increase in building aid.

School districts are continuing to undertake record levels of construction projects in response to an enriched

State building aid program that supports an average of nearly 75 percent of total local costs. To ensure that these funds are allocated equitably and effectively, the following building aid reforms are proposed:



Building aid supports an average of nearly 75 percent of a school district's cost. In 2000-01, New York will provide a record \$1.1 billion to support the cost of new and modernized school facilities.

- As part of an overall Wicks Law reform, Governor Pataki is proposing a blanket exemption for schools from Wicks Law requirements — which mandate the use of multiple contractors for school and other public construction projects. This initiative will reduce the annual

cost of new school construction by more than 10 percent.

- The existing 10 percent building aid enrichment will be targeted to instruction-related projects. In addition, loopholes that currently allow school districts to secure State aid for non-essential “ancillary” building projects will be closed.
- School districts will be prevented from securing additional building aid on a previously aided project before its useful life has expired.
- To promote stability and predictability in the payment of building aid, school districts will be directed to structure their borrowings to reduce the time between the issuance of debt and the beginning of construction. State reimbursement for debt service payments will continue to be paid in the school year in which local costs are incurred, with State aid payments based upon actual rather than estimated debt service costs.

Prekindergarten Programs and Class Size Reduction

- This Budget expands State support for Pre-kindergarten programs from \$85 million to \$120 million in 2000-01, an increase of 40 percent, with continued priority placed on providing services to disadvantaged children.
- The Governor continues \$75 million in 2000-01 for statewide class size reduction efforts. This State support is in addition to the \$113 million in Federal class size reduction funding that districts will receive in the 2000-01 school year. Consistent with Federal guidelines, school districts will be authorized to use up to 25 percent of their State class size reduction funding to support teacher recruiting and staff development activities.

BOCES Aid

The existing BOCES funding formula currently supports nearly 65 percent of local costs — an amount far richer than other needs-based formulas, such as operating aid. School districts are currently provided an artificial incentive to use BOCES simply as a means of generating additional State aid — regardless of the actual cost effectiveness of these BOCES services. Beginning in 2001-02, growth in BOCES aid will be limited to the overall percentage increase in operating aid provided to school districts in the prior school year. School districts will also be given greater flexibility to take advantage of cost savings opportunities through shared services arrangements outside the existing BOCES monopoly.

Improved Accountability

The recent record growth in education spending creates an even greater need for systemic changes and incentives to encourage school districts to improve fiscal accountability and cost effectiveness. In 2000-01, the Governor recommends the following reforms:

- School governance changes that will give the mayors and city councils of our large cities greater control over public schools. This reform would help break

Policy Highlight: Wicks Law Reform

The Wicks Law — which requires that school districts use multiple contractors rather than a single contractor on construction projects — is an outdated mandate that costs schools millions of dollars each year. As part of an overall Wicks Law reform for all municipalities, Governor Pataki proposes a blanket exemption to provide relief to schools. Under the Governor's proposal:

- ◆ All school districts in the State would be exempt from Wicks Law requirements.
- ◆ The exemption would cut annual school construction costs by more than ten percent.

the bureaucratic logjam that impedes educational success in many of our cities, and facilitate the implementation of the Moreland Act Commission's recommendations concerning attendance policies and school facility construction practices.

- Expanded mayoral control of schools will be accompanied by a new Maintenance of Effort (MOE) provision to ensure that Big Five City schools realize the full benefit of State and Federal funding increases, and to protect them from disproportionate reductions in local support.
- School district spending increases will be capped to ensure that savings from STAR are not eroded by excessive school spending. Under the Governor's proposal, a school district's annual spending increase could not exceed 4 percent or 120 percent of the increase in the Consumer Price Index for the prior year, whichever is less, without a two-thirds majority vote. Spending increases attributable to enrollment growth, voter-approved capital projects, court orders and certain other purposes allowed for contingency budgets would be excluded from the increase limitations.
- School districts will be required to disclose additional information to voters prior to school budget votes, including:
 - ◆ The effect of tax increases on STAR savings for a typical home in the current year, and the effect of the proposed budget on STAR savings in the coming year.
 - ◆ A comparison of the school budget to the maximum contingency budget that would be allowed should the proposed budget be defeated twice.

To provide an enhanced level of accountability of the Board of Regents and the State Education Department to the Executive, Governor Pataki is proposing legislation that will:

- Authorize the Governor to select the Chancellor of the Regents from among the members of the Board of Regents.

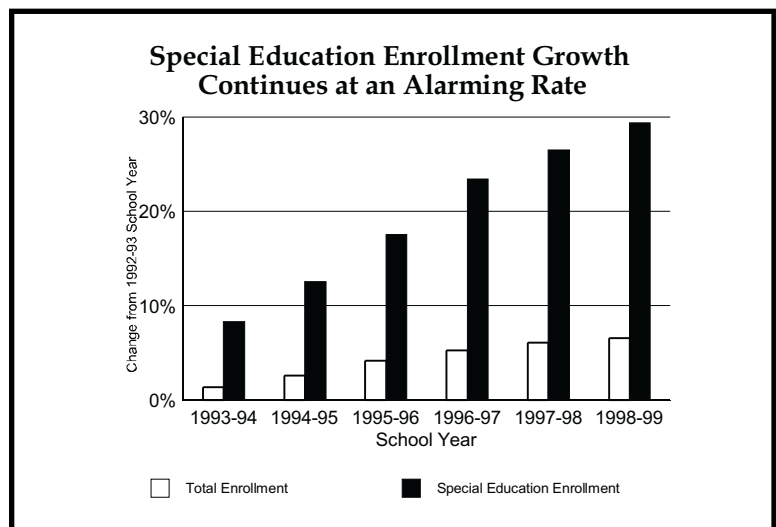
- Authorize the Governor to review and approve the candidate nominated by the Regents as President of the University of the State of New York.
- Authorize the Governor to nominate members of the Board of Regents from a list of candidates developed by a “blue ribbon panel.” Legislative approval of the Governor’s nominees would be required.
- Curtail the State Board of Regents’ powers to unilaterally impose costly regulatory mandates on school districts.

Special Education Reform

New York’s special education system has come under increasing criticism for inappropriately steering children into special education, segregating too many of these students, and spending too much money in the process. Faced with a possible loss of Federal funding, the State enacted changes to its special education financing system in 1999 to encourage school districts to serve more disabled children in regular classroom settings.

While the 1999 changes represent one of the first real attempts to improve special education funding formulas, more fundamental reforms are necessary to rectify the existing system of disincentives that keeps New York’s special education referral rate well above the national average. Effective in the 2001-02 school year, the Governor is proposing a comprehensive reform of special education that will:

- Provide incentive funding to school districts that demonstrate strong performance or improvement in lowering classification rates and increasing the number of disabled children served in the least restrictive



The growth in the number of children receiving special education services continues to far outpace the overall enrollment growth rate. Building on reforms enacted in 1999, Governor Pataki will propose a comprehensive special education financing plan for implementation in 2001-02 to eliminate inadvertent referral incentives and encourage placement of disabled children in regular classroom settings.

classroom settings. Each school district would receive at least its 2000-01 funding level in addition to this performance-based incentive funding.

- Allocate additional funding for enrollment growth and provide a separate funding set-aside for high cost, special needs children moving into a school district.
- Allow school districts to retain all funding provided under the new formula, thereby eliminating the current disincentive to remove children from special education.

Finally, beginning in 2000-01, New York will conform reimbursement formulas for private special education programs to those used for public programs. This change will eliminate the current incentive to place children in restrictive, high-cost private settings.

Cultural Resources

In 2000-01, Governor Pataki will propose the creation of a new Office of Cultural Resources (OCR) to promote recognition and visibility of the important cultural programs administered by the State Museum, the State Library and the State Archives. Programs from the State Education Department (SED) would be transferred to the new OCR. The new Office would:

department (SED) would be transferred to the new OCR. The new Office would:

- Provide overall leadership for developing the State's cultural resources in partnership with local governments, non-profit organizations and the private sector.
- Play an integral role in implementing the Cultural Heritage Trail initiative.



- Use state-of-the-art technology to transform the State Museum into a more vibrant and attractive resource to showcase New York's heritage.

- Provide greater opportunities for the State Library and the State Archives to emerge as world-class information centers.

The Office of Cultural Resources would be headed by a nine-member Board of Trustees appointed by the Governor and confirmed by the Senate. The Board would provide the general oversight of the Office and would appoint an Executive Director, responsible for its day-to-day operations. Funding for the operations of the OCR and related grant programs would be transferred from SED and budgeted under the Council on the Arts. Upon completing the realignment, OCR would have an annual budget of approximately \$160 million — including \$125 million from the General Fund — and a 465-member staff transferred from SED. No staff reductions are anticipated.

STAR Program



STAR — School Tax Relief

This year, New York is approaching the final phase in implementing the largest and most sweeping property tax reduction in State history — Governor Pataki’s School Tax Relief (STAR) program. The Executive Budget will further strengthen the State’s commitment to STAR by providing an additional \$800 million in new school tax relief to New Yorkers — raising the total annual STAR tax relief from \$1.2 billion in the current fiscal year to \$2 billion in 2000-01. Once the program is fully implemented in 2001-02, it will provide an estimated \$2.8 billion in annual school tax relief.

In 1997, Governor Pataki proposed STAR, New York’s first State-funded property tax exemption, in response to cries from countless homeowners — particularly senior citizens on fixed incomes — for relief from ever-increasing school taxes. Since its enactment, STAR has benefitted families at all stages of life, ensuring that senior citizens can stay in their homes while enabling young families to realize the dream of home ownership.

STAR Participation Continues to Grow

STAR has been a tremendous success, not only in revitalizing New York State’s economy, but in making a significant difference in the lives of millions of New Yorkers who are seeing their school tax burdens reduced or even eliminated. Despite the fact that the program is still relatively new, public participation in STAR has been remarkable.

- In 1999-2000, more than 670,000 income-eligible senior homeowners received STAR exemptions, saving more than \$500 million in school taxes.
- In 1999-2000, more than two million other homeowners became eligible for STAR benefits for the first time, saving more than \$400 million in school taxes.

“What is STAR?”

- ◆ STAR is school property tax relief provided through “exemptions” from the taxable value of homes. A senior receiving a \$50,000 “exemption” gets \$50,000 subtracted from the taxable value of the home when school taxes are billed.
- ◆ Homeowners age 65 and older who have incomes of \$60,000 or less are eligible for the \$50,000 senior STAR exemption.
- ◆ For a \$100,000 home, a \$50,000 STAR exemption cuts the taxable value of the home and the school tax bill in half. For a \$150,000 home, the \$50,000 exemption would reduce the taxable value and tax bill by one-third.
- ◆ Other homeowners were eligible for a \$10,000 exemption in 1999-2000, growing to \$20,000 in 2000-01 and \$30,000 in 2001-02.

STAR Program

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“The Importance of STAR to Seniors”

With school taxes rising at twice the rate of inflation through the 1980's and early 1990's, many senior citizens were being taxed out of their homes. Governor Pataki designed the STAR program to address this particularly heavy burden, providing moderate-income senior citizens with an enhanced STAR exemption of \$50,000.

STAR has provided seniors across the State with substantial and much-needed tax relief. As a result, our seniors have been able to improve their quality of life. For example, grateful senior citizens statewide have reported that STAR has allowed them to “finally afford a hearing aid” or update their home heating system to make their retirement years more comfortable and affordable.

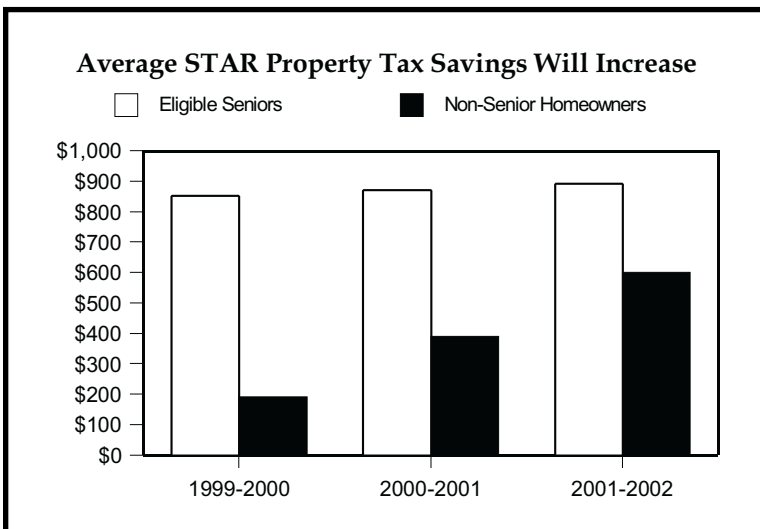
More than 100,000 senior homeowners throughout New York owed NO school taxes in 1998-99 as a result of STAR.

Over the next few years, STAR participation is expected to grow to include virtually all of New York State's estimated three and one-half million homeowners.

Residents of New York City — which uses property, income and other taxes to fund its schools — are eligible for both City personal income tax reductions and STAR property tax exemptions. New York City residents aged 65 or older became eligible for STAR in 1998, and all other City income and property tax filers became eligible for STAR in 1999.

Taxpayers' STAR Savings Continue to Grow

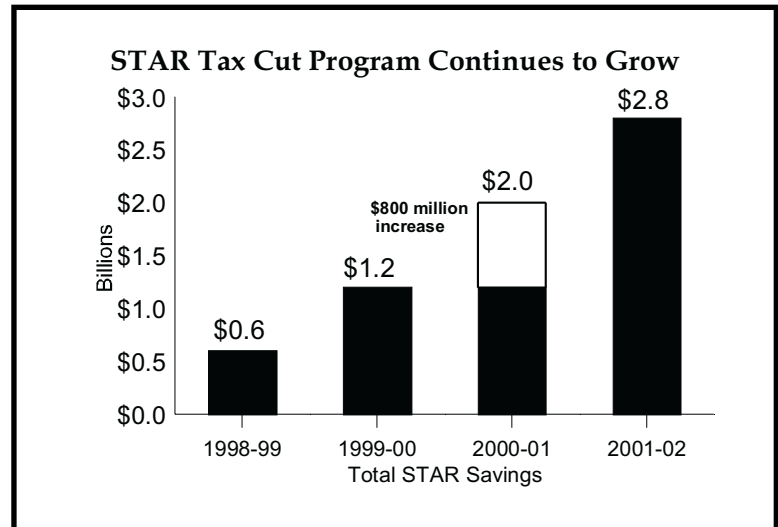
As we move toward full implementation of STAR in 2001-02, total taxpayer savings will increase as a result of the phase-in schedule, growth in participation and future school tax increases. While the entire \$50,000 exemption for income-eligible seniors began in 1998-99, exemptions for other taxpayers are being phased in over a three year period. A comparable phase-in has been provided for the New York City income tax reduction. As a



In 1999-2000, STAR savings averaged over \$800 per senior while non-senior homeowners saved an average of \$200 each. This year, non-senior homeowners' savings will grow to \$400 per homeowner and to \$600 at full implementation in 2001-02.

result, total taxpayer savings will grow from \$1.2 billion in 1999-2000 to \$2 billion in 2000-01 and \$2.8 billion in 2001-02.

- Average property tax savings for an income-eligible senior will increase from slightly over \$800 in 1998-99 to nearly \$900 in 2001-02.
- Average property tax savings for non-seniors will increase from \$200 per homeowner in 1999-2000 to \$600 per homeowner in 2000-01.



Taxpayers will save \$2 billion in 2000-01 from STAR, an increase of \$800 million from 1999-00, as the basic exemption grows from \$10,000 to \$20,000 for most homeowners and participation increases. Taxpayers will save \$2.8 billion in 2001-02, when the basic exemption grows again to \$30,000 and STAR is fully implemented.

Recent Steps to Protect New Yorkers' STAR Benefits

School property tax levies continue to increase at rates well above the rate of inflation, despite three years of record school aid increases. If left unchecked, this spending and taxing growth could substantially erode the property tax relief provided through STAR.

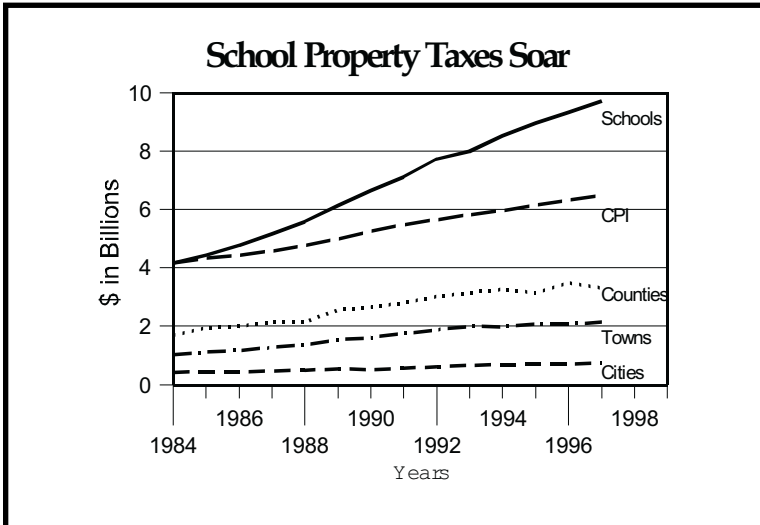
Governor Pataki's previous proposals to restrain school tax increases have significantly reformed the school budget voting process and substantially improved the disclosure of school budget information to voters. The Governor's recent reforms include:

- Establishing a single statewide school budget voting day on the third Tuesday in May to focus local attention on school issues.
- Limiting school districts to two votes on school budgets.

STAR Program

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- Limiting contingency budget increases to the lesser of 4 percent or 120 percent of the CPI increase, after excluding increases attributable to enrollment increases, voter-approved capital projects and certain other specified purposes.



School property taxes outside New York City grew from \$4.17 billion in 1984 to \$9.73 billion in 1997, an increase of 133%. This increase far exceeds growth in other local property taxes, rising at more than twice the rate of increase in consumer prices.

- Requiring that a “Property Tax Report Card” be published by each school district and compiled for all districts by the State Education Department, beginning in the 2000-01 school year.
- Ensuring that taxpayers are mailed special notices providing them with important information before voting on their school budgets.

Further Steps to Protect STAR Savings

Governor Pataki is taking needed steps to ensure that the savings intended by STAR are not eroded and that growing STAR savings are not used to mask excessive school tax increases.

New STAR Rebate Checks

As the basic STAR exemption for non-seniors phases in over three years, it is this annual increase in STAR savings that could allow schools to continue to mask tax increases. To ensure that school districts are held accountable and that STAR savings are not eroded, it is further proposed that:

- Homeowners other than seniors receive their STAR savings as a State rebate check after paying their school tax bills.
- Seniors receiving Enhanced STAR exemptions continue to receive their STAR savings through an up-front reduction in their school bills.

- School districts no longer be permitted to use increases in STAR savings to mask tax increases. They will be required to bill the full tax amount to most taxpayers and clearly show tax increases on tax bills.

Capping Excessive School Spending

This year, the Governor proposes to build on recent school budget reforms by placing a cap on school budget increases. Under this proposal:

- A school district's annual spending increase could not exceed 4 percent or 120 percent of the increase in the CPI for the prior year, whichever is less.
- Spending increases attributable to enrollment growth, voter-approved capital projects, court orders and certain other purposes permitted in contingency budgets would be excluded from the increase limitations.
- Local taxpayers could approve spending increases beyond the spending cap with a two-thirds majority vote.

Providing Voters with Additional Information

Additionally, the Governor's proposal will provide voters with additional information on how proposed local school budgets might erode STAR savings.

Under this proposal, school districts would be required to disclose to voters, prior to budget votes:

- How the adopted school budget affected STAR savings for a typical home in the current year, and how the proposed budget would affect STAR savings in the coming year.
- How the proposed budget compares to the maximum contingency budget that would be allowed should the proposed budget be defeated.

Addressing Local Government Needs

Governor Pataki's STAR program and the Property Taxpayer's Bill of Rights have focused public attention on local government tax assessment and billing practices, placing additional demands on local tax assessors and collection officials. To assist local governments in meeting these new challenges, the Governor's 2000-01 Budget provides:

- \$12 million in assistance to local governments to process exemptions and implement the STAR program.
- \$1.7 million to supplement existing financial assistance programs to encourage local assessing units to annually meet State standards.

Higher Education



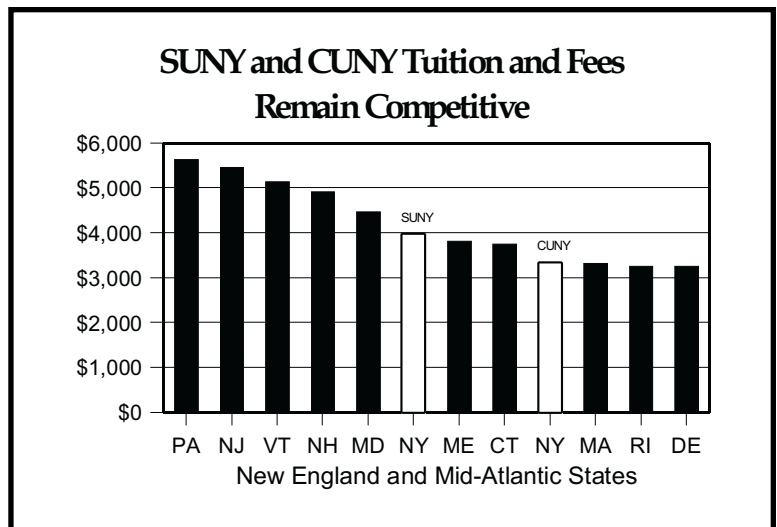
Excellence and Access in Higher Education

New Yorkers can be proud of their commitment to higher education and New York's status as a national leader in funding to postsecondary institutions. Governor Pataki's 2000-01 Executive Budget builds on this commitment, providing nearly \$6.7 billion for the State's public and private institutions of higher education. This substantial investment exemplifies the importance New York places on excellence and access in higher education, and underscores the critical role that colleges and universities play in the educational, social and economic advancement of all New Yorkers.

Ensuring Excellence

Our State supports two public university systems — the State University of New York (SUNY) and the City University of New York (CUNY). These systems provide nearly 565,000 students with affordable access to quality higher-education programs through a network of 47 senior colleges and 36 community colleges. This Budget maintains our longstanding commitment to ensuring quality higher education.

- New York will invest more than \$2.7 billion in taxpayer support for its two public university systems in 2000-01.
- State operating aid to community colleges will continue at the enriched level of \$2,125 per student in 2000-01, reflecting a \$325 increase since Governor Pataki took office.
- Tuition for 2000-01 is not expected to increase beyond the current level of \$3,400 per year at SUNY



Low tuition, coupled with generous State support, ensures that New York's public university campuses are among the most affordable places in the Northeast for students to receive a higher education and prepare for a bright and prosperous future.

Engines of Economic Growth

Our State's public universities are proven catalysts for creating jobs and providing research, training and technical assistance to businesses and industries statewide.

- ◆ SUNY's 30 community colleges train thousands of students, providing them with the skills needed by employers in today's marketplace.
- ◆ SUNY's Small Business Development Center has assisted small business owners who, in turn, have invested more than \$1 billion in New York State.
- ◆ The recently-created New York Institute of Entrepreneurship provides current and aspiring entrepreneurs with real life skills and resources that are vital for their businesses' success.
- ◆ Our universities' research will fuel business opportunities from Long Island to Buffalo in the high-tech fields of electronics, semiconductors and biotechnology.

and \$3,200 per year at CUNY. These tuition rates have remained unchanged since 1995-96, allowing students to receive a quality education at a cost comparable to, or below that of, other public universities in the Northeast.

- Now in its third year, the Governor's \$3 billion Capital Investment Program will continue to improve and revitalize SUNY and CUNY's infrastructure and facilities. This investment in the State's public university systems will address critical health and safety needs, support the integration of technology into classrooms and labs and improve the overall quality of student life.

Quality and Accountability

In 1995, SUNY and CUNY laid the foundation for improved performance and accountability by developing multi-year strategic plans to guide the universities into the 21st century. Over the past four years, both SUNY and CUNY have taken significant steps to improve their quality and accountability, enhance their roles in the State's economic resurgence and improve productivity and learning.

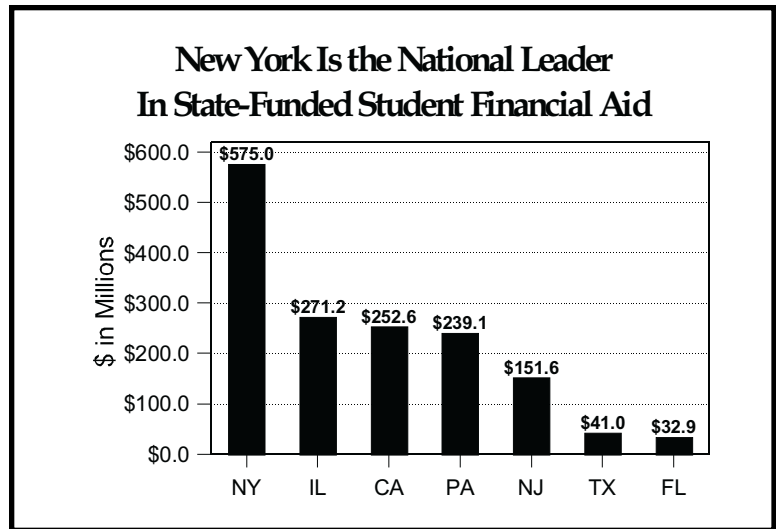
- SUNY's new approach for distributing its resources will recognize and reward campus performance and achievements as well as entrepreneurial activities.
- SUNY's improved fund raising capabilities have resulted in a steady increase in gift-giving over the past few years. As a result, nearly \$85 million in contributions have been raised in 1999-2000, with a goal of \$100 million for 2000-01.
- CUNY will begin to implement recommendations of the Mayor's Advisory Task Force, which called for greater reliance on strategic planning and meaningful performance standards, establishment of a tiered university system with one or more selective colleges, and clearly-established roles for the Chancellor and the Board of Trustees — with the Chancellor empowered to reconstitute CUNY as a integrated university system.

- SUNY — through an intensive study being conducted by a nationally-recognized health care consultant — is assessing the current finances of its three teaching hospitals in Brooklyn, Stony Brook and Syracuse, and forming short-term and long-term strategies to ensure their viability.

Access and Achievement

New York’s generous support of student financial aid and other higher education grant and scholarship programs — totaling nearly \$612 million in 2000-01 — provides the means for many of our State’s students to obtain a college education. Yet, to make college education a reality, our students must be better prepared for college-level work and make progress toward timely graduation. Governor Pataki is taking steps to ensure that our students are prepared for college and able to achieve the degrees they seek.

- New York is the national leader in providing student financial aid, thereby ensuring that New York’s students have the opportunity to attend college regardless of economic circumstances. In 2000-01, \$575 million will be spent on needs-based grants to more than 250,000 economically disadvantaged students attending colleges in both the public and private sectors. This amount substantially exceeds that of the next three most generous states — Illinois, California and Pennsylvania.



Financial aid under New York’s Tuition Assistance Program substantially exceeds the level of aid provided by the next most generous state.

- Access to higher education is not sufficient if students are not graduating on a timely basis and reaping the economic benefits of a college degree. In the coming year, Governor Pataki will call upon the higher education community, both public and private, for guidance in developing strengthened academic standards and

A Major Value for New Yorkers

The quality of our public universities is evident in the considerable achievements of their students and faculty members.

- ◆ Since 1998, *Kiplinger's Personal Finance* has ranked eight SUNY campuses among the nation's 100 best values in public-education.
- ◆ The *U.S. News And World Report 1999 College Guide* cited 14 of SUNY's campuses in 16 areas of academic excellence.
- ◆ The National Research Council ranks more than one-third of CUNY's doctoral programs among the nation's top 20.
- ◆ CUNY alumni include 11 Nobel Laureates; two current CUNY professors have won the 1999 Pulitzer Prize for History.
- ◆ SUNY boasts three Nobel Laureates among its faculty, including the recipient of the 1998 Nobel Prize for Medicine, and a winner of the Pulitzer Prize for Literature.
- ◆ In 1998, SUNY reported more than \$12 million in royalty income from inventions licensed to industry, becoming one of only a dozen institutions in the nation with royalty income exceeding \$10 million.

other changes that enable and encourage students to achieve their degrees.

- One factor leading to timely graduation is the availability of required courses. Both the State University and City University will be pursuing initiatives to assure the availability of required courses at each SUNY/CUNY campus to permit graduation in four years. Several campuses have already established similar programs — such as the State University at Fredonia's innovative "Fredonia in Four" program.
- CUNY's newly established policy for remedial instruction calls for students to obtain any necessary remediation services as part of their associate degree program or during summer sessions at the system's senior colleges. Governor Pataki's 2000-01 Executive Budget includes \$9 million to implement this new remediation policy.
- In 2000-01, CUNY will implement a new financial aid pilot program — the Tuition Assistance Program (TAP) Aid for Part-Time Study. Under this program, students with a demonstrated record of achievement will be able to attend CUNY on a part-time basis and be eligible for tuition assistance. This new program is intended to increase the number of students who successfully obtain their college degrees by recognizing the need for certain students to adjust their course loads to accommodate work and family responsibilities.
- New York State's College Choice Tuition Savings program helps make higher education a reality for many students by providing State and Federal tax benefits to families who are saving for their children's college education. The program has been cited by *Kiplinger's Personal Finance* magazine as one of the top two in the nation, with more than 84,000 accounts — having a total value of more than \$362 million — established since the program began in September 1998. Also, in 1999, the minimum amount required to open an account was reduced from \$250 to \$25 to make program participation easier for more families.
- Governor Pataki's Scholarships for Academic Excellence program — which recognizes and rewards high

school achievement and encourages our most academically-talented students to pursue a postsecondary education in New York State — will be fully implemented in the coming academic year. Under this program, 2,000 annual awards of \$1,500 will be available to New York’s most outstanding high school scholars while 6,000 students demonstrating high scholastic achievement will be eligible for annual awards of \$500 each.

- The “Leaders of Tomorrow” initiative, a scholarship program funded by the New York State Lottery, will recognize high school students with demonstrated leadership skills and commitment to community service. Under this program, a student from each of the approximately 1,300 public and non-public high schools throughout the State will be chosen to receive a “Leaders of Tomorrow” scholarship. “Leaders of Tomorrow” scholarships of \$1,000 per year will be provided for up to four years of undergraduate study at a New York State public or independent college.

Environment & Parks



Preserving Our Environment For Future Generations

Governor Pataki has few higher priorities than preserving and protecting the environment. This commitment is well demonstrated, not only by his substantial investment of resources — including the \$1.75 billion 1996 Clean Water/Clean Air Bond Act and full funding of the Environmental Protection Fund (EPF) — but through his strong advocacy of measures such as open space preservation and his national leadership on measures to restrict air pollution. Governor Pataki’s 2000-01 Budget builds on this record of commitment with:

- \$125 million in new EPF funding for important environmental programs such as the Hudson River Park, the Long Island Pine Barrens and South Shore Estuary Reserve Planning programs, municipal recycling and non-point source pollution control.
- \$222 million in new funding from the Clean Water/Clean Air Bond Act to restore brownfields, ensure safe drinking water, clean up air and water resources, and support local landfill and recycling efforts.
- \$38.6 million for fish and wildlife programs funded with fishing and hunting license fee revenues through the Conservation Fund. License fee increases are needed in 2000-01 to ensure that adequate resources are available for the Fund.
- \$40.5 million for clean air programs to limit pollution from industrial sources, automobiles, and heavy duty vehicles such as trucks and buses — thus protecting



the health of both our citizens and the environment from harmful air pollutants.

- \$34.5 million for the oil-spill prevention and clean-up program. This program undertakes spill prevention activities and responds to and oversees the clean up of petroleum spills.
- \$10 million in new funding for the New York Heritage Trail, a program dedicated to the identification, preservation and promotion of historically significant places in New York State.
- \$4.6 million to implement the New York City Watershed Agreement — an increase of \$3 million over 1999-2000 levels. These funds will support State enforcement and monitoring efforts in the watershed and the provision of technical assistance to watershed communities, and will help match the \$10 million in Federal water quality monitoring funding obtained through the strong leadership and advocacy of Congressman Jim Walsh.

Policy Highlight: The Henry Hudson Institute for Riverine and Estuarine Research and Education

Maintaining New York's national preeminence as a leader in environmental policy, Governor Pataki is proposing the creation on the Hudson River of a world class research facility for rivers and estuaries to study fish, plant life, pollution technology, water quality, upland habitats, and other aspects of rivers.

Initially, the Governor will commit up to \$1 million to plan for the development of an institute for the study of rivers and estuaries. When operational, the Institute will be the first of its kind in the world — employing hundreds of research scientists and attracting world-wide scientific and environmental interest.

Providing National Leadership on Environmental Issues

Not since Teddy Roosevelt has New York enjoyed leadership as forceful as Governor Pataki's in advancing environmental protection and conservation. Such leadership has set a standard for the nation to follow. Specifically, Governor Pataki has:

- Established New York State as a national leader in land conservation — as evidenced by the preservation of over 250,000 acres of valuable land in the last five years.
- Implemented the first-in-the-nation Bird Conservation Area statute by designating bird conservation areas on State lands which will be preserved to conserve and enhance bird habitats. The Governor's Budget includes new funding of \$200,000 to further support this effort.

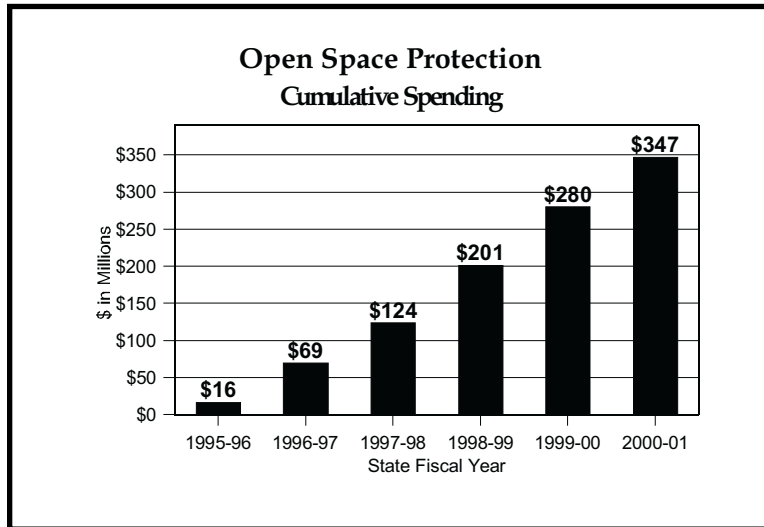
- Successfully petitioned the Federal government to designate the Hudson River as an American Heritage River — thus making Federal support and assistance available to communities along the River. Since taking office, Governor Pataki has dedicated more than \$240 million to clean up, protect and restore the Hudson River, including \$100 million for the development of the 550 acre Hudson River Park. His 2000-01 Budget includes an additional \$10 million for the River from the Bond Act and the Environmental Protection Fund and makes new funding of \$20 million available for the Hudson River Park development commitment.
- Led the State's partnership with New York City, the Federal government and local governments in the historic New York City Watershed agreement. This agreement protects the drinking water of nine million New Yorkers while also protecting the economic vitality of the watershed communities into the 21st Century, and stands as a unique, national model for this type of effort.
- Ordered New York's electric generators to meet the toughest air emission standards in the nation by reducing acid rain-causing sulfur dioxide emissions 50 percent *beyond* the level required by the Federal Clean Air Act. In addition, the Governor is requiring year-round reductions in nitrogen oxide emissions that also exceed current Federal requirements.
- Adopted the tougher California air emission standards for new light- and medium-duty vehicles to take effect in 2004. Given New York's large share of the automobile market, coupled with California's, the Governor's decision effectively re-orientes the entire automobile industry toward more stringent emission standards. This will benefit not only residents of New York and California, but the entire nation.



Protecting and Preserving Our Air, Land and Water

Governor Pataki's investments in the EPF and the Clean Water/Clean Air Bond Act have advanced New York's environmental mission on all

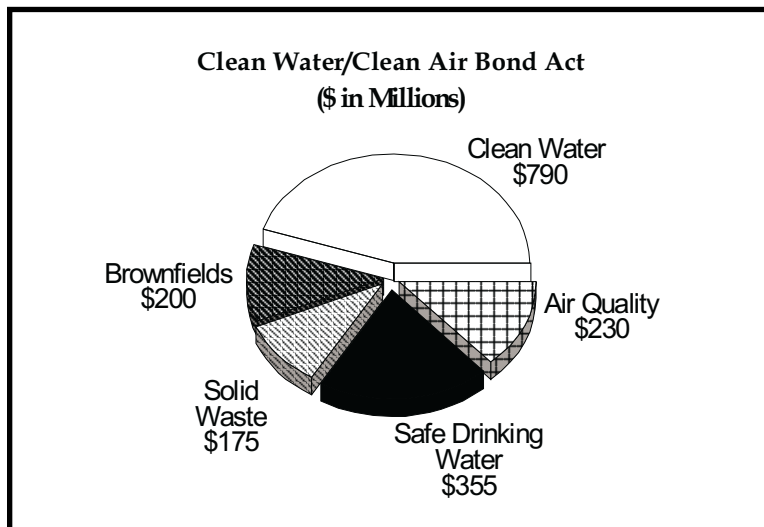
fronts. The Governor's investments have supported such key initiatives as the:



Since State Fiscal Year 1995-96, Governor Pataki will have made over \$347 million available to the Department of Environmental Conservation, the Office of Parks, Recreation and Historic Preservation, and the Department of Agriculture and Markets for open space protection programs.

- Acquisition or provision of conservation easements to protect over 250,000 acres of valuable open space, including Sterling Forest, the Long Island Pine Barrens, the Albany Pine Bush, the Mount Loretto property in Staten Island, the Champion Lands, Whitney Park, and Blue Mountain Lake in the Adirondacks.

- Provision of more than \$435 million in direct and low-interest loans and over \$62 million in hardship grants to 152 communities to protect the safety of drinking water supplies. Bond Act funds are used to leverage additional Federal funding.



Balancing his commitments to the environment and fiscal responsibility, Governor Pataki recommends an additional \$222 million in projects to be funded through the Clean Water/Clean Air Bond Act. This brings total Bond Act funding to \$1.31 billion — over 75 percent of the \$1.75 billion approved by voters in 1996.

- Advancement of more than 360 projects across the State from the Bond Act to protect and restore our water resources, including the Hudson River, Long Island Sound, Lake Champlain, Onondaga Lake, the Great Lakes, the Finger Lakes, New York Harbor, and the Peconic and South Shore Estuaries.

- Investment in clean-fueled vehicles and buses, projects to replace coal-burning boilers in schools and grants to help small businesses comply with clean air requirements that will improve New York's air quality.
- Funding of over 94 grants, through the Brownfields Program, to investigate or clean up contaminated industrial sites and return these properties to productive use and back on the tax rolls.

\$125 Million in New Environmental Protection Fund Projects

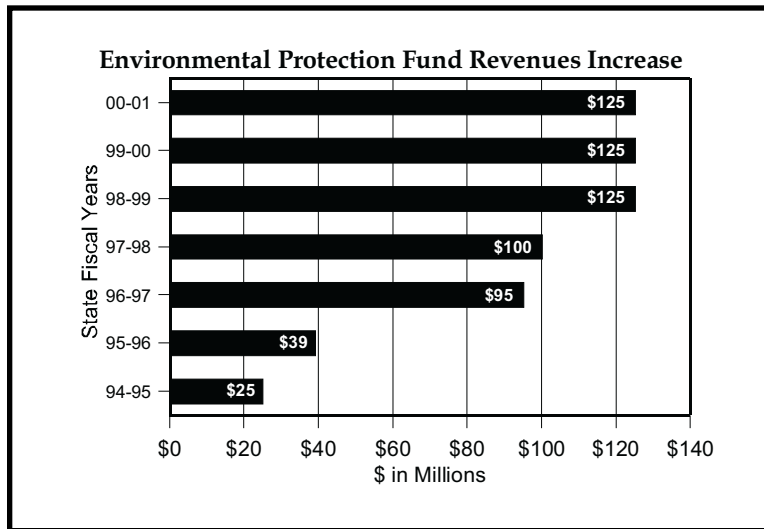
The EPF provides a dedicated funding source for a variety of important environmental programs. In 1996-97, Governor Pataki became the first governor to fully fund the EPF. In 1998-99, the Governor's Budget proposed expanding the State's commitment to the environment by increasing the amount available for the EPF from \$100 million to \$125 million. Governor Pataki's 2000-01 Budget again proposes providing \$125 million in new EPF funding. In future years, the EPF will be available for continued development of the Hudson River Park and for Onondaga Lake water quality improvement projects.

Programs funded by the EPF in 2000-01 include:

- \$31.5 million for land acquisition and open space protection.
- \$20 million for the development of the Hudson River Park.
- \$15.2 million for solid waste projects, including landfill closure (\$4 million), municipal recycling (\$6.2 million), and secondary materials marketing grants (\$5 million).
- \$12 million for State parks and lands stewardship projects.
- \$6.6 million for municipal parks and historic preservation projects.
- \$5 million for waterfront revitalization projects.

Environment & Parks

- \$5.5 million for farmland protection projects.
- \$6 million for non-point source pollution control projects, such as those to eliminate contamination from surface run-off.
- \$6 million for the Hudson River Estuary Management Plan.



By the close of 1999-2000, Governor Pataki will have provided over \$484 million in funding for EPF programs since 1995-96. His 2000-01 Budget recommends another \$125 million in additional funding for priority environmental projects, bringing the total to over \$609 million.

- \$5 million for Zoos, Botanical Gardens and Aquariums.
- \$2.3 million for the pesticide use database.
- \$350,000 for the Cornell Breast Cancer/Environmental Risks program.
- \$3.3 million for a program to offset the local government costs that result from the property tax exemptions that are provided by the State to owners of forest lands.

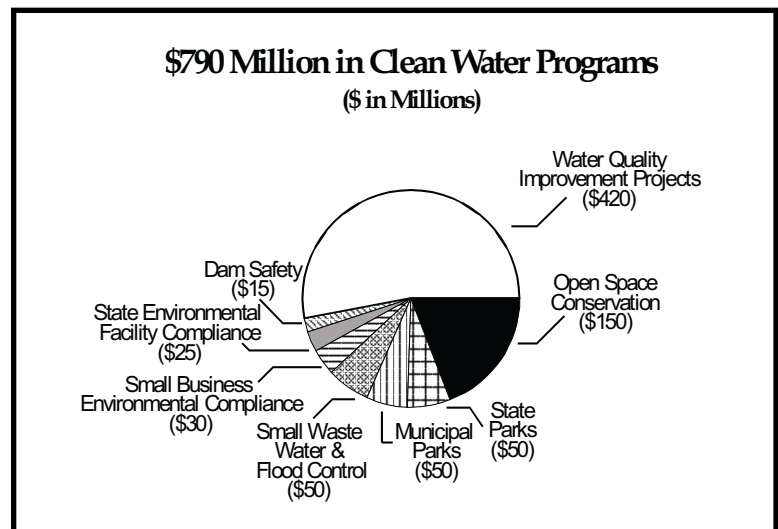
- \$3 million for several environmental planning and management programs, including the Finger Lakes/Lake Ontario Watershed Protection Alliance (\$1,000,000), Biodiversity Stewardship (\$750,000), the Albany Pine Bush Commission (\$275,000), Long Island Pine Barrens Commission (\$650,000), and Long Island South Shore Estuary Reserve (\$350,000).

- \$1.3 million for the assessment of any natural resource damages to the Hudson River.
- \$1.1 million for Interstate Commissions, including the Delaware River Basin Commission (\$485,000), the Interstate Sanitation Commission (\$315,000), the Susquehanna River Basin Commission (\$200,000), the Great Lakes Commission (\$45,000), the New England Interstate Commission (\$26,000), and the Ohio River Valley Commission (\$13,000).
- \$900,000 for Soil and Water Conservation Districts.

\$222 Million in New Clean Water/Clean Air Bond Act Projects

Overwhelmingly endorsed by the voters in 1996, Governor Pataki's Clean Water/Clean Air Bond Act authorized \$1.75 billion for the environment. Through 1999-2000, a total of \$1.1 billion has been provided from the Bond Act for priority projects to restore brownfields, ensure safe drinking water, clean up our air and water resources and support local landfill closure and recycling efforts. Governor Pataki's 2000-01 Budget recommends \$222 million for additional Bond Act projects, including:

- \$109.5 million for Clean Water projects, including:
 - ◆ \$55.5 million to implement management plans for the Hudson River (\$2 million), Long Island Sound (\$30 million), Lake Champlain (\$1 million), Onondaga Lake (\$15 million), New York Harbor (\$2 million), Finger Lakes (\$3.5 million), and Peconic and South Shore (\$2 million).
 - ◆ \$30 million for land acquisition and open space protection.
 - ◆ \$9 million for other water quality projects, including dam safety (\$2 million), small wastewater and flood control projects (\$2 million), and other water quality projects (\$5 million).
 - ◆ \$4.5 million for State parks projects.
 - ◆ \$8 million for municipal parks projects.
 - ◆ \$2.5 million for State facility environmental compliance projects.



The 1996 Clean Water/ Clean Air Bond Act authorizes \$790 million to be used for clean water categories.

- \$60 million for Safe Drinking Water projects to be administered by the Department of Health.
- \$26 million for Air Quality projects, including school coal conversions (\$20 million), clean buses (\$4 million), and clean vehicles (\$2 million).
- \$16.5 million for Solid Waste projects, including municipal recycling (\$5 million), Fresh Kills (\$10 million), and landfill closure (\$1.5 million).
- \$10 million for brownfields projects.

State Superfund Refinancing

Governor Pataki's Budget proposes legislation to refinance and improve the New York State Superfund program. The legislation maintains the most stringent environmental and public health standards in the nation, incorporates the "polluter pays" principle, and makes common-sense reforms that will enable New York State to remove more contamination from the environment and return more sites to productive use quickly and safely. The proposal, largely based upon the recommendations of the Superfund Working Group, would:

- Establish a dedicated remedial program fund to be used to finance the State Superfund, Voluntary Cleanup, and Oil Spill programs on a pay-as-you-go basis.
- Expand the Superfund program clean-up activities to cover not only hazardous waste sites, but also hazardous substance sites that are contaminated with by-products of obsolete manufacturing processes.
- Dedicate, beginning in State Fiscal Year 2001-02, \$138 million annually for the three clean-up programs. The cost will be shared equally between the State and private industry — with the State share coming from the General Fund, while the industry share will be funded with fees, cost recoveries and more stringent fines and penalties.
- Provide the common-sense reforms used under the Federal Superfund program to properly focus liability

on true polluters and free innocent purchasers from liability, while ensuring that polluters are not relieved of any financial or legal responsibilities.

- Accelerate the redevelopment of abandoned industrial sites — e.g., brownfields — by establishing a brownfield redevelopment tax credit for the clean-up and improvement of such sites and providing grants to municipalities to identify and plan for the redevelopment of brownfields.

Managing New York State's Parks

New York State's pioneering vision resulted in the creation of one of the finest public park systems in the nation more than 100 years ago. Today, innovative recreational and educational programs, along with the State's rich history and beauty, have combined to continue that tradition. Since the Governor took office in 1995, the Office of Parks, Recreation and Historic Preservation has developed a series of innovative "public/private partnerships" with the private sector, the non-profit community and other agencies of government, providing in excess of \$40 million in new investment and other income to the park and historic site system.

The 2000-01 Executive Budget reflects Governor Pataki's continued commitment to the State parks system and the recreational opportunities it makes available to New Yorkers and visitors to our State, by providing:

- \$29 million from the State Park Infrastructure Fund. This Fund — augmented by the Environmental Protection Fund and the Clean Water/Clean Air Bond Act — dedicates park revenues to maintain, improve and rehabilitate park facilities.
- \$151 million in General Fund and user fee spending. This spending will support the 158 parks and 35 historic sites operated by the Office of Parks, Recreation and Historic Preservation.
- \$480,000 in new funding to operate recently acquired and expanded parklands, including Ess-Kay Farm,

Policy Highlight: Expanded Public Access to the Long Island Sound

Governor Pataki proposes to more than triple the public access opportunities to the Long Island Sound over the next ten years — from the current four significant public recreational access sites to as many as 14. The initiative will focus on working with municipalities, environmentalists, and community leaders to provide more beaches, boat launches, open space and other recreational access points to the general public.

Under the Governor's plan, expanded public access from Suffolk County to Westchester County is a logical next step to the tens of millions of dollars in Bond Act, EPF and Federal resources already expended to clean up the Sound. His plan will protect the Sound's natural beauty and fish and wildlife populations for generations to come.

Jones Beach Environmental Center and the Lorenzo-Rippleton Schoolhouse.

- \$350,000 in new resources to develop the Nissequogue River State Park on the grounds of the former Kings Park Psychiatric Center. Acquisition of this pristine waterfront property will protect this environmentally sensitive area, benefitting bird watchers and park enthusiasts for generations to come.

Strengthening Agriculture

An integral component of Governor Pataki's vision to preserve and strengthen our rich agricultural heritage is the improvement of farming and promotion of far-reaching farm policy to carry New York's agribusiness into the 21st Century. The Governor has worked closely with the farm community to bring about significant changes to ensure that the agriculture industry remains economically viable in New York State. Farms not only benefit the economy, they also define our landscapes. Specifically, Governor Pataki has:

- Enacted a historic school property tax credit program that ultimately returns more than \$70 million to farmers each year.
- Slashed workers' compensation rates for farmers by more than 25 percent and cut energy costs significantly.
- Signed legislation to raise the minimum wage for farm workers to \$5.15 an hour.
- Provided more than \$30 million from the Environmental Protection Fund (EPF) and the Clean Water/Clean Air Bond Act for projects to help farmers address water quality challenges, and to protect farms from development.
- Assisted farm families in recovering from the storms of 1998 — the January ice storm in the North Country, the Memorial Day tornado that hit the Mechanicville/Stillwater area, and the Labor Day storm that devastated apple crops in western and central New York.

- Worked closely with Federal representatives to ensure that Federal funding was provided to farmers recovering from the 1999 drought, and most recently, to ensure that New York's dairy farmers receive a fair price for their milk through efforts to join the Northeast Interstate Dairy Compact.

The 2000-01 Executive Budget continues the Governor's record of achievements for agriculture with initiatives to:

- Exempt agricultural equipment used in farm production and all utility services provided to farm property from sales tax, and grant commercial horse-boarding operations all of the benefits currently provided to farms.
- Expand the School Tax Relief (STAR) program to allow farmers with farms held in corporate ownership to claim the STAR exemption for the farmer's primary residence.
- Increase support for the Migrant Farmworker Housing Program, which provides no-interest loans to farm operators for renovations, construction and repairs to farm worker housing.



- Enhance child care funding for parents who work in the fields. The Housing Finance Agency (HFA) will fund a new \$1 million migrant child care center in Riverhead, Long Island. An additional \$344,000 in State funding is provided to the Department of Agriculture and Markets to operate this center. This new funding is on top of an ongoing \$3.9 million in funding for 10 existing child care centers. Additionally, up to \$2.5 million will be set-aside from the Child Care Block Grant — administered through the Office of Children and Family Services — to serve more migrant children in these child care centers.

Environment & Parks

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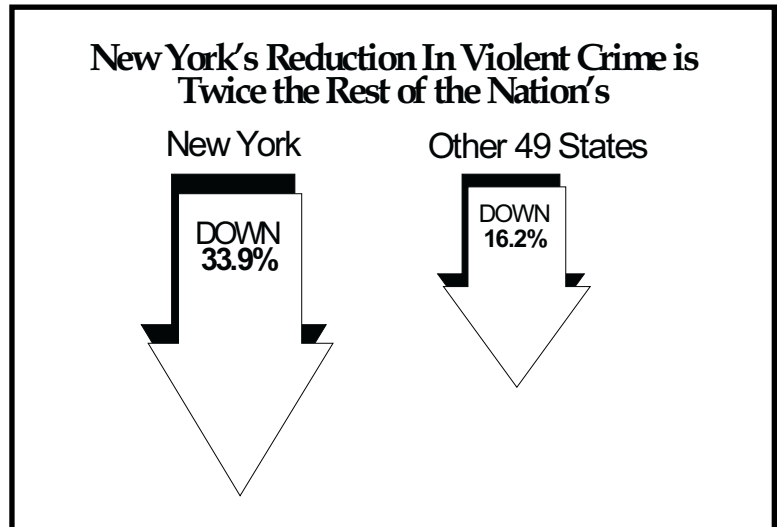
- Support efforts to develop the agriculture industry through research, marketing and technical assistance to farmers and farm businesses. Governor Pataki's Budget includes \$1.5 million for farmland viability and agricultural economic development initiatives — an increase of \$1.35 million over 1999-2000 funding levels.
- Continue funding for several programs that provide valuable services to the agricultural community, including the Diagnostic Laboratory (\$3 million), Integrated Pest Management (\$787,000), Geneva Experiment Station (\$350,000), Herd Health Assurance (\$350,000), Avian Disease (\$315,000), Rabies Vaccine (\$200,000) and Farm Net (\$200,000).

Public Protection



Criminal Justice

Governor Pataki's successful criminal justice policies — including longer prison sentences for violent criminals, legislation requiring sex offenders to register in their communities, tougher penalties for assault crimes and elimination of criminal-friendly loopholes in the law — have resulted in a historic reduction in crime in New York State. Reports of violent crime in New York have declined by nearly 34 percent since the Governor took office in 1995, compared to a 16.2 percent decline in the other 49 states. Governor Pataki's Executive Budget will continue to advance cost-effective ways to ensure that New York remains a national leader in the fight against crime.



For calendar years 1994 through 1998, according to FBI statistics, New York's decline in violent crime was more than double that of the other 49 states.

Department of Justice

Central to the Governor's agenda is a bold initiative to consolidate New York's criminal justice agencies into a new Department of Justice. This new Department will improve the coordination of criminal justice policies and activities, and allow for more efficient and cost-effective management. Benefits of this approach include:

- Consolidation of technology, including communications, data transmission and access, and DNA analysis, to maximize the State's increasing investment in innovative electronic technology. It is anticipated that the centralization of these resources will enhance law enforcement response capabilities, further increase the accuracy of criminal justice data, and improve communications between State and local criminal justice agencies.
- Establishment of a single point of contact for local criminal justice officials working with the State in the areas of grant management, training, and technical

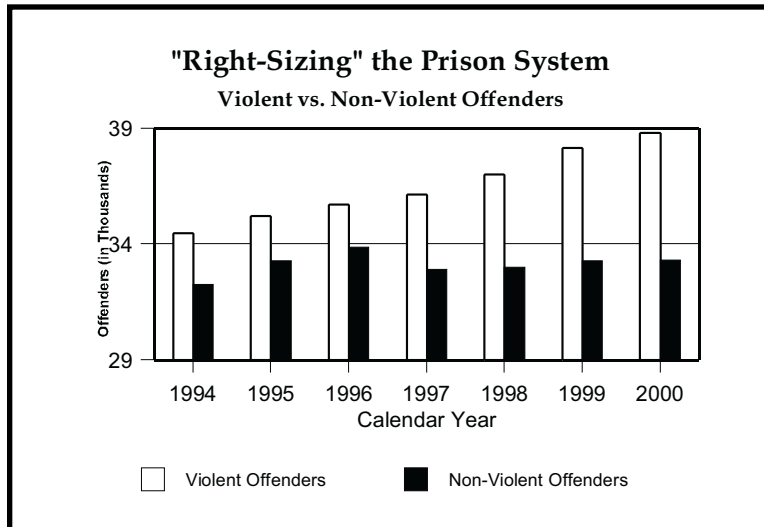
assistance for local law enforcement efforts. This “one stop” approach will facilitate timely information exchange, speed grant processing, and ensure consistent policy direction.

- Realignment of programs, reduction of redundant administrative services, and other operational efficiencies which will result in savings.

Keeping Violent Criminals Behind Bars

Governor Pataki’s success in securing passage of Jenna’s Law completed his campaign to end parole for all violent felons. This victory ensures that dangerous felons will spend more time in prison and off the streets.

These parole and other sentencing reforms have increased the number of violent criminals behind bars. To ensure the availability of adequate bed capacity at the necessary security level, Governor Pataki’s 2000-01 Budget includes funds for:



As a result of Governor Pataki’s sentencing reforms, the number of violent offenders in State prisons has increased. The Governor is now seeking to “right-size” the prison system by adding more maximum security cells to safely house these violent felons.

Completed the construction of a 1,500 bed maximum security prison under construction in Seneca County, which will begin housing inmates in September 2000.

- Completion of a 1,500 bed maximum security prison under construction in Seneca County, which will begin housing inmates in September 2000.
- Capital funding for a new 1,500 bed maximum security prison.

Restructuring Aid to Localities Funding

The Governor’s Budget also reflects a new approach to local funding for criminal justice activities. A new Community Corrections Block Grant will consolidate eight existing

probation and alternatives to incarceration programs to allow the majority of program and funding decisions to be made by local officials. As many local government officials have said in the past, they are in the best position to identify the most effective response to the criminal justice needs of their communities. Localities will benefit from a reduction in administrative requirements and the ability to make informed, local decisions about the allocation of funds. A modest reduction in the overall funding level reflects the view that localities should assume a greater role in financing local criminal justice programs, just as the State has increased its commitment to expanding prison capacity and investing in criminal justice technology improvements, such as expansion of the DNA database and improved communications.

Improved Crime-Fighting Technology

The 2000-01 Executive Budget fully supports technology improvements which will assist State and local law enforcement officials in combating crime.

- Funds are provided for the expansion of the DNA databank, which will help solve more crimes, convict the guilty and exonerate the innocent. The collection, storage and analysis of DNA samples from a larger number of convicted criminals will provide law enforcement and prosecutors with a valuable tool to make the criminal justice system more effective.
- Development of a Statewide Public Safety Communication System will continue, with acquisition to begin in 2001-02. The existing antiquated State Police system will be replaced with a state-of-the-art communications system capability for law enforcement personnel throughout New York.
- Funding is also included to upgrade the Statewide Automated Fingerprint System. Improved digital technology will expedite the transmittal and identification process, as well as comply with Federal standards and enable links with national and other state databases.

Policy Highlight: Sentencing Reform

Governor Pataki will continue to push forward with his sentencing reform agenda. Having successfully enacted legislation that eliminates parole for criminals convicted of violent crimes, the Governor will propose legislation to provide for truth-in-sentencing for non-violent offenders. The bill will require that offenders serve at least 6/7th of their fixed prison term, thereby eliminating discretionary release by the Parole Board. The bill will also provide for supervision of these offenders following release from prison.

Legislation will also be introduced to increase the penalties imposed on criminals who repeatedly commit misdemeanor crimes. Offenders convicted of three misdemeanors would face felony level punishments upon a fourth conviction.

Serving the Victims of Crime

Governor Pataki's Executive Budget also includes additional funding to provide assistance to the innocent victims of crime. Legislation will be introduced to increase the existing fees imposed on convicted offenders, which will provide nearly \$3 million for crime victim assistance. In addition, increased Federal funds totaling nearly \$10 million will be available for victims' compensation and victims' services programs.

These actions build on the Governor's previous initiatives to improve services to crime victims, which include:

- Establishing a statewide victim notification system to provide information on the incarceration status of a perpetrator of a crime.
- Implementing a "zero tolerance" policy against domestic violence.
- Increasing maximum benefit levels for certain types of victims' assistance, including loss of earnings and burial expenses.

Juvenile Justice

Protecting the Community

Under Governor Pataki's leadership, New York's juvenile justice policies have focused on making our streets safer. His proposals have sought to increase both penalties for serious crimes and parental accountability for the actions of their children when prevention fails. The Office of Children and Family Services provides — in a multi-tiered, 2,100 bed residential system — rehabilitative programs that include counseling, education, training and treatment services designed to return youthful offenders to their home communities as law-abiding and productive citizens. In 2000-01, the Office of Children and Family Services will initiate a multi-year plan to replace the Harlem Valley Secure Center and meet anticipated capacity requirements. Governor Pataki's Budget includes \$75 million to:

- Support construction of a new 300 bed secure center for boys.

- Develop 76 new limited secure beds for boys.
- Add 13 new limited secure beds for girls.

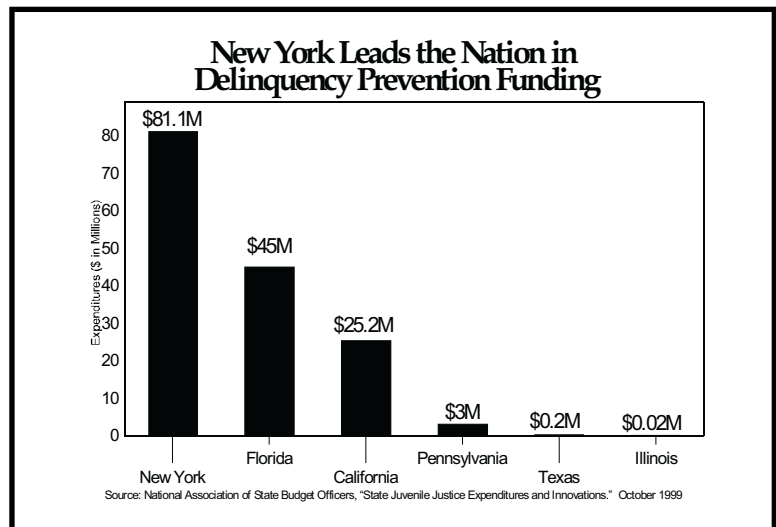
In addition, Governor Pataki’s Budget includes \$1.6 million in new funding to expand mental health treatment services for seriously emotionally-disturbed youth remanded to OCFS facilities.

Fighting Juvenile Delinquency

We all want our children to grow up in safe communities. Working cooperatively with local municipalities and community-based organizations, and capitalizing on our State’s history of successful youth development and delinquency prevention programs, Governor Pataki’s 2000-01 Executive Budget continues funding to fight juvenile delinquency.

- For over 50 years, State dollars have supported funding for delinquency prevention programs.
- Today, New York leads the nation in total spending on delinquency prevention programs.

The Governor’s 2000-01 Budget continues nearly \$44.5 million in State funding to support programs that help our youth acquire positive skills, reducing the likelihood that they will engage in violent or criminal behavior, abuse drugs or alcohol, or quit school.



In a comparison of the six largest states, New York leads in delinquency prevention spending — spending 45 percent more than Florida, the next closest state.

Public Health



A New Era for a Healthy New York

Improving the quality, accessibility and affordability of New York's health care delivery systems — already recognized as being among the best and most comprehensive in the nation — will continue to be a top priority for Governor Pataki. The recently enacted Health Care Reform Act of 2000 (HCRA 2000), in concert with recommendations reflected in the Governor's 2000-01 Executive Budget, will ensure New York's continued role as a leader in innovative, high-quality health care as we enter the next millennium. An expanded Child Health Plus program will provide comprehensive medical care to more than 400,000 of New York's children. These overall investments in public health reflect the Governor's unwavering commitment to meeting the health care needs of our children and families. Several new programs will be initiated to ensure that low-cost, comprehensive health insurance is affordable to all New Yorkers. In addition, it is anticipated that in the coming year, enrollment in the State's Medicaid managed care program will reach 1.4 million recipients, enabling these individuals to receive coordinated and preventive medical services to ensure early diagnosis of health problems.

HCRA 2000

In 1996, New York enacted historic health care reform legislation designed to improve the fiscal health of hospitals and ensure high-quality health care for all our residents. The Health Care Reform Act of 1996 replaced a reimbursement system — in place since 1983 — that set hospital rates for all payers. HCRA 2000 builds upon the foundation that was laid in 1996 by providing a national model for expanding health care coverage for the uninsured, supporting anti-smoking efforts, strengthening hospital and clinic care for the poor, and addressing rural health care and graduate medical education needs.

Expanding Coverage for the Uninsured

Governor Pataki's commitment to ensuring that low- and middle-income New Yorkers have access to health care is evidenced by the following:

Policy Highlight: Preventing Tobacco Use

Reduced tobacco use will save lives and achieve Medicaid and other health care cost savings. To prevent tobacco use, HCRA 2000 provides funding to:

- ◆ Support community and school based tobacco use prevention programs.
- ◆ Create the largest anti-tobacco advertising program in New York State's history.
- ◆ Promote and fund smoking cessation services.
- ◆ Restrict teenage access to tobacco.

- *Family Health Plus for Working Parents and Individuals:* Family Health Plus builds upon Child Health Plus so that parents can obtain the same coverage as their children through managed care plans. Families and individuals participating in Family Health Plus will be eligible to obtain comprehensive health insurance coverage including, hospital and physician services, laboratory services, mental health, substance abuse, prescription drug and other services. Eligibility income levels will be raised for adults with children to 150 percent of the Federal Poverty Level.
- *Increased Funding for Child Health Plus:* A total of \$940 million in HCRA funds over three and one-half years will be provided to support the rapid growth of Child Health Plus, the nation's best child health insurance program. New York's Child Health Plus program provides comprehensive medical care ranging from well-child visits to hearing, vision and dental care, to x-rays and hospital inpatient services.
- *Healthy New York: State Subsidized Health Benefits for Small Businesses:* An affordable standardized health insurance benefit package will be provided for small businesses with fewer than 50 workers. Eligible low-income workers employed by such firms may also purchase this new, streamlined benefit package directly. The State will reimburse HMOs for annual claims between \$30,000 and \$100,000 submitted by individual policy holders.
- *Reforming the Direct Pay Market:* The State will provide "stop-loss coverage" for HMOs by assuming liability for costs above a certain level. This program is intended to stabilize the premiums paid by policy holders and may enable HMOs to reduce the cost of annual insurance premiums.

Strengthening Hospital and Clinic Care for the Indigent

Hospitals and clinics will continue to be reimbursed for their costs of treating uninsured indigent patients. Under HCRA 2000, total funding available for bad debt and charity care will increase, thereby ensuring that high-quality health care remains accessible and affordable for all New Yorkers.

Rural Health Care

Recognizing the unique issues facing providers serving remote or sparsely populated rural areas, HCRA 2000 makes \$17 million available to promote effective health care delivery through the planning, implementation and operation of rural health networks. Part of this funding will be distributed to rural hospitals for a variety of quality-of-care and cost-efficiency improvements.

Graduate Medical Education

HCRA 2000 continues support of New York's distinguished academic medical centers. Funds collected for graduate medical education (GME) are maintained within the geographic region of the State where the medical services are provided. HCRA 2000 also makes GME more affordable for employers who provide health insurance by lowering the covered lives assessment used to fund the program.

Controlling Medicaid Costs

While the Governor has successfully expanded access to health care for all New Yorkers, the HCRA 2000 legislation also includes provisions to control Medicaid expenditures.

- *Continuation of Medicaid Cost Containment Actions for Three Years:* Most of these Medicaid cost containment savings measures were initially enacted in 1995-96. Unfortunately, the Legislature's failure to renew these items for one quarter of 1999-2000 resulted in significant expenditures at the State and county levels. As part of HCRA 2000, the Governor was successful in obtaining a renewal of these actions for a multi-year period, an accomplishment that safeguards both the State and county budgets.

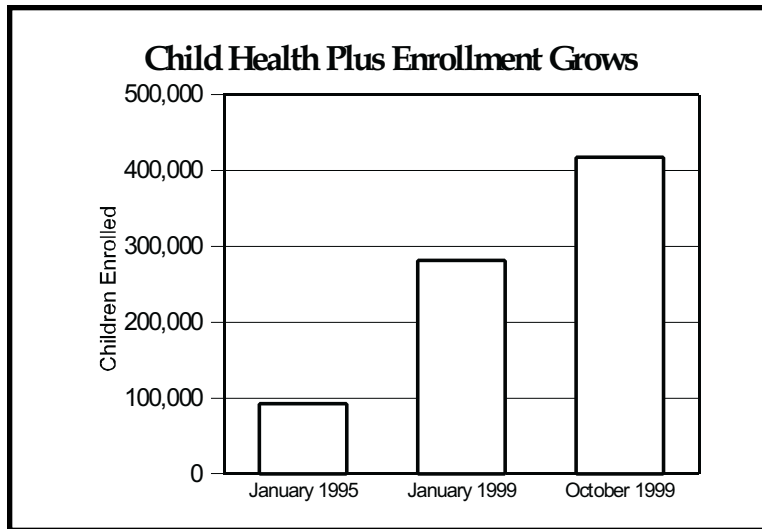
Policy Highlight: Medicaid Fraud Hotline

The State's ongoing effort to combat Medicaid fraud will be bolstered by the creation of a Medicaid Fraud Hotline. The Hotline will provide a toll-free number that New Yorkers can use to confidentially report instances of Medicaid fraud anywhere in the State.

- **Capping Health Care Inflationary Costs:** The HCRA 2000 legislation also incorporates a new methodology that holds Medicaid inflationary payments to no more than the Consumer Price Index over the next three years.

Maintaining Essential Public Health Services

Governor Pataki is committed to ensuring that the health care needs of our children and families are met and that essential public health services are available to the State's residents. The 2000-01 Executive Budget invests the resources necessary to maintain these essential services and continue important public health initiatives launched by the Governor. The Budget provides:



The Child Health Plus program continues to enroll thousands of children. Governor Pataki's program goal of covering 400,000 children has already been met. The number of children receiving Child Health Plus benefits is expected to continue growing in 2000-01.

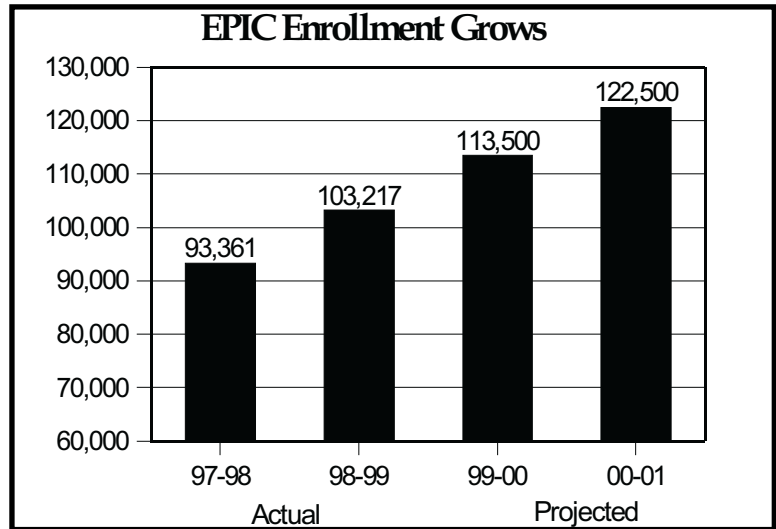
- More than \$550 million in State and Federal funds for Governor Pataki's Child Health Plus program. This State-subsidized health insurance program now covers more than 400,000 children. Beginning in July 2000, Child Health Plus income eligibility will increase to 250 percent of the Federal Poverty Level, making thousands of additional children — from birth to age 19 — eligible for such services as: physician visits, hospitalizations, immunizations, x-rays, lab tests, outpatient surgery, emergency care, prescription drugs, physical and occupational

therapy, dental, vision, speech, hearing, mental health and substance abuse treatment.

- \$165 million for the General Public Health Works (GPHW) program — reflecting a 2.5 percent increase over 1999-2000 anticipated spending levels. Although statutory language caps the program at this level in order to promote local efficiencies, the

Commissioner of Health can set aside the cap for un-anticipated health emergencies.

- \$148 million from HCRA funds to provide prescription insurance to more than 122,500 senior citizens through the Elderly Pharmaceutical Insurance Coverage (EPIC) program. This fully funds the EPIC program enhancements enacted in 1998-99.



The Elderly Pharmaceutical Insurance Coverage (EPIC) program provides drug insurance coverage for low- and moderate- income senior citizens. EPIC enrollment is projected to increase by 31 percent — from 93,361 on March 31, 1998 to 122,500 by March 31, 2001 — reflecting this program’s huge success in providing cost-effective pharmaceutical services to its targeted population.

- \$135 million for the Early Intervention program serving infants and toddlers with developmental delays and disabilities. The Budget also supports fraud prevention, as well as program and cost efficiencies to ensure that quality services are delivered to the children who are enrolled in the program.

- More than \$113 million from all sources for programs targeting women’s health care needs — including breast cancer prevention, treatment and research; family planning and prenatal services; rape crisis programs; osteoporosis prevention; and genetic screening.

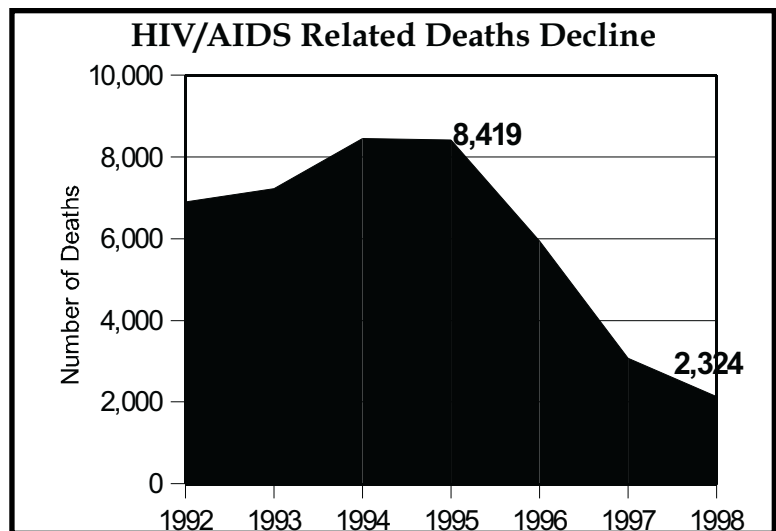
- \$42.5 million from HCRA funds in 2000-01 for a new Statewide Anti-Smoking initiative. This comprehensive program will utilize proven strategies to discourage smoking, including counter-advertising, community- and school-based education programs, smoking cessation programs and strict enforcement of laws regulating the sale and use of tobacco products. In addition, enforcement of the cigarette tax will be enhanced to reduce illegal bootlegging and curtail the availability of inexpensive cigarettes. This will contribute to the State’s Anti-Smoking initiative and help ensure that State and local revenues are maximized.

- \$40.8 million for State-operated nursing homes located in New York City, Oxford and Batavia that provide care for elderly veterans and their dependents, including \$2.5 million in start-up funding for the new 252-bed Montrose Veterans' Nursing Home scheduled to open in April 2001.
- \$28.8 million in taxpayer funds for nutrition programs for women, infants and children.
- \$20 million in HCRA funds for the Emergency Medical Services program.
- \$7 million in new funding for school-based health centers, financed from HCRA.
- \$6.5 million in 2000-01 revenues from a new public and private water system fee. Growing to \$13.1 million in 2001-02, these resources will be used to support and expand both State and local drinking water testing efforts to ensure that New Yorkers enjoy the safest drinking water in the nation.
- \$5 million in new funding to expand the State's screening program for newborn babies. Genetic and other medical research is making it possible to diagnose an increasing number of treatable disorders.
- \$5 million to continue the operations of poison control centers, financed with HCRA funds.
- \$3 million from HCRA funds to continue the cancer mapping project.
- \$4.4 million in taxpayer funds to continue key Governor's initiatives — including \$2.6 million to promote sexual abstinence and prevent pregnancy among adolescents, \$550,000 to support efforts to prevent diabetes and help children with diabetes control their disease, \$1 million to continue an HIV/AIDS prevention program targeted to women and adolescents, and \$200,000 to supplement projects to provide asthmatic children with care.

- \$2.5 million in new funds to prevent the potential spread of the West Nile virus and respond to other “West Nile-like” events. These funds will support epidemiology, surveillance and laboratory testing staff as well as equipment and other needs.

Continuing the Fight Against AIDS

Under the Governor’s leadership, New York continues to lead the fight against HIV and AIDS. In 2000-01, New York will spend more than \$2 billion from all funding sources on services to people with AIDS. Of this amount, more than \$106 million will be provided through the AIDS Institute — including \$4.1 million in funding for an HIV registry and partner notification program to inform people who may be infected, enabling them to seek proper care. The remaining funds will be provided through health, Medicaid and social services, housing, criminal justice, mental health and substance abuse treatment programs.



The number of AIDS related deaths in New York declined by 72 percent — dropping from 8,419 in 1995 to 2,324 in 1998. This reduction has been attributed to an expansion of treatment methods and improved access to HIV/AIDS related services.

Public Assistance



Temporary Assistance For Permanent Self-Sufficiency

The success of Governor Pataki's "work-first" welfare philosophy has often been measured by the steady decline in the number of New Yorkers requiring public assistance. The real success, however, may actually lie in what welfare reformers call "culture change" — a change in both the personal behavior of welfare recipients and in the bureaucratic behavior of welfare administrators.

Recipients now understand that cash assistance is time-limited and tied to work, community service or both. Welfare administrators now understand the urgency that accompanies time limits and direct their efforts beyond merely issuing checks to helping clients achieve specific employment outcomes.

As a result of this change, New York's welfare system no longer traps recipients in a life of dependency, but instead provides the means for individual self-sufficiency and a more promising future.

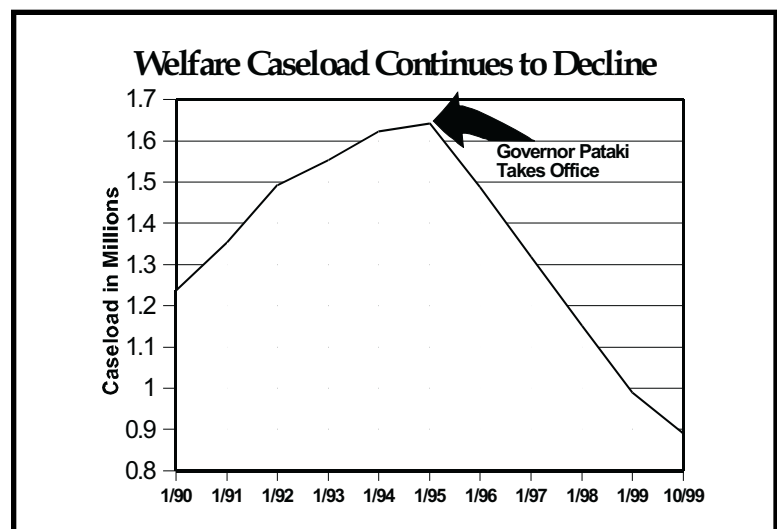
Recipients and Taxpayers Benefit From Reforms

In contrast to the previous era of caseload growth and dependency, Governor Pataki's reforms are offering welfare recipients pathways to self-sufficiency and providing taxpayers real savings. Under the Governor's welfare reforms:

- Taxpayers will save a cumulative total of over \$7 billion by the end of calendar year 2000.

“The *bold reforms we've implemented over the past four years are rooted in our belief that a people free to chart their own destiny can fly as high as their strength and ability will take them.*”

Governor George E. Pataki



New York's welfare caseload has declined by more than 750,000 individuals since Governor Pataki took office, and is now at the lowest level since July 1967.

Public Assistance

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“The Governor’s tough, common sense reforms are working, and it’s clear that we must continue the course of welfare reform because it benefits public assistance recipients and the taxpayers of New York State.”

Brian J. Wing, Commissioner,
Office of Temporary and
Disability Assistance

- Welfare caseloads will be at their lowest point in 34 years by the end of State Fiscal Year 2000-01.
- The incidence of welfare dependency will have fallen by 50 percent since 1995 — with over 820,000 individuals leaving the welfare rolls.

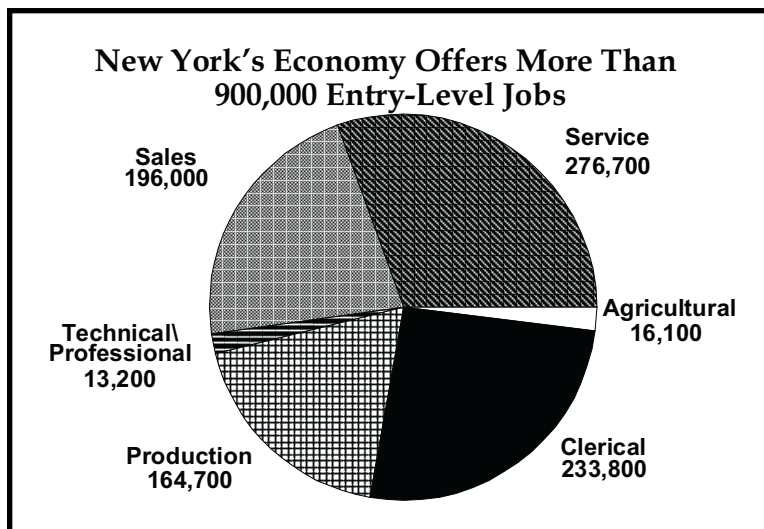
Only three other states — California, Florida, Texas — have experienced a greater decline in their caseloads than New York.

New York continues to provide a broad range of services and income supports to the truly needy. In State Fiscal Year 2000-01, Governor Pataki will invest:

- Over \$890 million to help welfare recipients and other low-income individuals acquire needed work skills.
- \$711 million in child care programs to enable families to secure and retain employment.

Employment Opportunities For Welfare Recipients

Under the Governor’s leadership, New York is enjoying a strong and resurgent economy. It is projected that over 900,000 employment openings will be available for welfare recipients and others seeking entry-level positions in the labor force during State Fiscal Year 2000-01. These jobs require a high school education or less and often provide individuals with a passageway to career advancement, higher salaries, and a more secure future.



Over 900,000 entry-level employment opportunities will be available for welfare recipients and others seeking a start in the workforce during State Fiscal Year 2000-01.

Welfare Reform Is Working

The majority of families leaving welfare in New York State are finding employment and are not returning to the public assistance rolls. According to a study conducted by the Rockefeller Institute of Government:

- 83 percent of the families who left the public assistance rolls remained off welfare one year later.
- As many as 75 percent of those who left the welfare rolls found employment within 12 months of leaving.

Making The Transition to Work

Governor Pataki's 2000-01 Executive Budget recognizes that a successful transition to self-sufficiency requires an array of services and supports to sustain work efforts.

Child Care

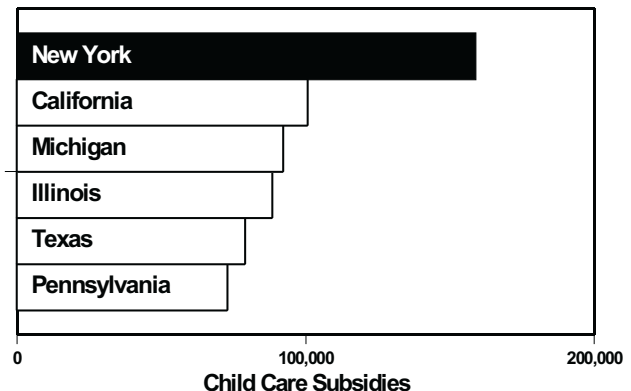
According to the Federal Department of Health and Human Services, New York ranks first in the nation in the total number of children receiving day care subsidies.

While the Federal government report clearly shows that New York is leading the nation by a wide margin, the data on which it is based predates the historic \$166 million increase to the State's Child Care Block Grant in 1999-2000 and the Governor's creation of the new, three year \$200 million Child Care Reserve Fund. The Reserve Fund was established in 1999-2000 to enable localities to serve the increased number of recipients making the transition from welfare to self-sufficiency and low income families needing child care subsidies to remain employed.

Policy Highlight: Welfare-to-Work Performance Award

The Federal Temporary Assistance for Needy Families (TANF) program allocates \$200 million in high performance bonuses annually — \$1 billion over five years. In 1999, New York State received \$7.9 million in bonus funds for achieving a second-place national ranking for improving welfare recipients' workplace success, based on job retention and earnings gained. The bonus money will be used to continue welfare-to-work efforts, including a range of supportive services to overcome barriers to employment and promote self-sufficiency.

New York — The National Leader in Child Care



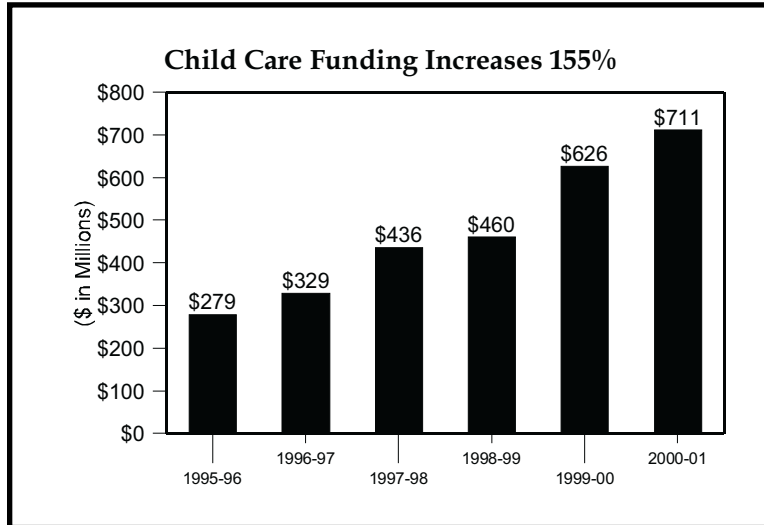
Source: "Access to Child Care for Low-Income Working Families," Federal Department of Health & Human Services, 1999

According to a 1999 study by the Federal Department of Health and Human Services, New York State provides more child care subsidies than any other state. California, the next highest contributor, provides only 63 percent of the subsidies given by New York.

Public Assistance

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The Governor's commitment to child care continues to grow in his 2000-01 Executive Budget. The Child Care Block Grant is increased by \$85 million — growing from \$626 million to \$711 million. This increase incorporates:



The Executive Budget includes \$711 million in Federal, State and local funding for the Child Care Block Grant — a \$432 million increase under Governor Pataki's administration. More than two and a half times the amount available in 1995-96, this funding enables districts to meet work participation requirements, supports those making the transition from welfare to work and finances subsidized child care for low-income families.

- Funding for 15,000 new subsidies, bringing the total number of subsidies supported by the Child Care Block Grant to 159,000. This is more than twice the number funded before welfare reform. Taking into account other local welfare funding, the total number of subsidies available to New York families in 2000-01 are estimated at 178,000.
- The full annual cost of market rate adjustments to the subsidy payments that were made in October 1999 — the first inflationary adjustment since 1995-96.

- A first year allocation of \$51 million from the Reserve Fund.

Governor Pataki's 2000-01 Budget contains other actions to increase the availability of child care, including:

- Continued funding for the Child Care Facilities Development Fund. The Office of Children and Family Services will make the first round of awards from this new \$15 million fund in 2000-01. The fund provides grants to build new and rehabilitate existing day care sites across the State.
- Funds for the Governor's Advantage After-School program are doubled to \$10 million to offer a variety of after-school activities for children and youth.
- \$2.5 million to support child care for children of migrant workers.

In addition to increasing the number of available child care subsidies, the Governor's Budget also recognizes the importance of ensuring that our children receive care in facilities that are safe and that provide age-appropriate developmental activities by trained and dedicated staff.

To support this goal, the Governor's Budget provides funding to:

- Fingerprint all regulated child care providers.
- Enhance oversight and monitoring of providers, bringing child care licensing staff caseloads in line with the National Association for the Education of Young Children's standards.
- Increase the number of registered child care programs inspected each year.

Other Transitional Services

Child care is only one of a series of work supports provided by the Governor to individuals who are entering the work force. Other supports include:

- *Transportation Assistance*: An additional \$25 million in Federal Temporary Assistance for Needy Families (TANF) funding is targeted to expand employment-related transportation services for welfare and low-income families.
- *Food Stamp Benefits*: Families that enter the work force may still qualify for nutritional assistance through the Federal Food Stamp program. Over \$400 million in Food Stamp benefits are distributed each year to people who do not receive welfare. Social services districts process separate eligibility determinations for Food Stamps when a recipient leaves welfare. Information about Food Stamp benefits is also disseminated through public media campaigns and a Food Stamp hotline.
- *Health Care*: Health insurance can also be a major concern for low-income families. Families that move off of welfare and medical assistance through employment are generally eligible for up to one year of transitional Medicaid. The first six months of this coverage

“By *providing access to needed assistance, such as child care and transportation, we have opened the door to a brighter, more prosperous future for thousands of New Yorkers.”*

Governor George E. Pataki

is automatic. Eligibility for the following six months is verified by mail to facilitate a convenient transition process for working families. By assisting in their transition, adults and their children can be assured that their work efforts will not jeopardize their health care coverage.

- **Nutritional Assistance:** The Department of Health (DOH) administers \$370 million in State and Federal funds for the nutritional assistance program for women, infants, and children (WIC). This includes \$5 million that is funded through TANF to further ensure that pregnant women and low-income families have access to a nutritionally sound diet.

High Return on Investment

Our State is undertaking major efforts to help welfare recipients and those at risk of dependency acquire the necessary job skills to become and remain employed. Highlights of our expanded employment efforts in State Fiscal Year 2000-01 include:

- \$237 million in Federal and State Welfare-to-Work block grant funds to localities to help those Family Assistance recipients who are confronted with the most serious barriers to employment.
- \$143 million to establish a block grant enabling social services districts to support work services based on local economic demands and employer skill requirements.
- \$125 million for a new Transitional Services Block Grant to social services districts — an increase of more than \$60 million for similar programs in 1999-2000. This block grant will assist welfare recipients in addressing life-barriers to employment such as domestic violence, substance abuse, or poor school attendance. Districts will be able to use intensive case management services and other approaches to target resources where they are most needed, thus facilitating the transition to employment.
- \$50 million in TANF funds to provide job training to health care workers.

- \$25 million for InVEST, a voucher-based work training program designed to give recipients, former recipients and those at risk of welfare dependency the skills sought by employers.
- \$7 million in TANF seed money for “TEEN-WORKS,” a Governor’s initiative to expand educational and work supports through part-time employment for economically disadvantaged teenage students. This program will be based on a successful model pioneered by Wegmans Food Market of Rochester and currently sponsored by a host of additional organizations including Xerox, Blue Cross/Blue Shield and Rochester City Schools.
- \$4 million in TANF funds for statewide expansion of the Learnfare program. Learnfare underscores the importance of early education by linking continued eligibility for a full welfare grant to parental supervision of a child’s school attendance.
- \$3 million in performance-based funding to private and public sector employment agencies for the placement and retention of Family Assistance recipients in jobs.
- \$3 million for the Office of Temporary and Disability Assistance and the Department of Labor, working with other agencies, to launch a new Transitional Opportunities Program (TOP) to strengthen the delivery of work services and supports for employed family assistance recipients and families that have recently left welfare. Through TOP, social services districts will have the option of establishing separate offices to bring together supports such as day care, transportation and other transitional benefits to help clients keep their jobs and improve their work skills. Interaction with TOP counselors and other employed clients at these offices will underscore the message that “work pays.”



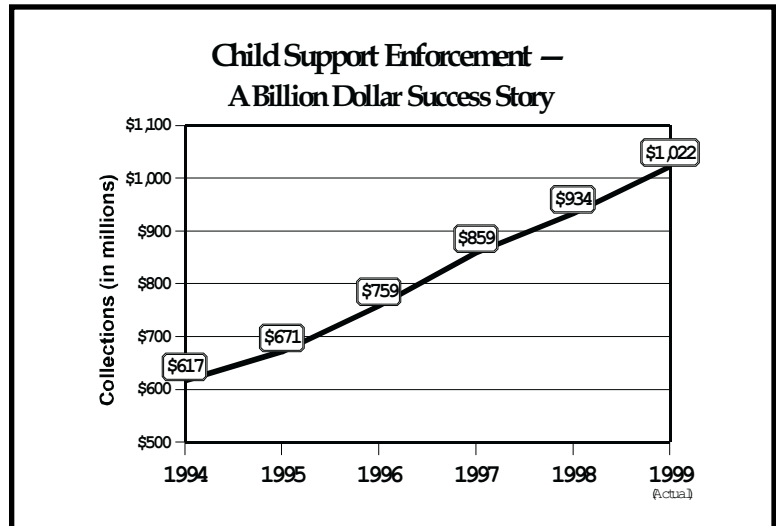
In addition to these initiatives, employers and current and prospective employees will benefit from the following initiatives in 2000-01:

- Effective July 1, 2000, the Federal Workforce Investment Act (WIA) will replace the Job Training Partnership Act (JTPA), providing a job training system with a sharper focus on employer needs. Welfare recipients, as well as dislocated workers, youth, incumbent workers and others will have access to skills training in areas most in demand by employers. The new orientation under WIA will help ensure that individuals who receive training acquire skills that are immediately needed in the marketplace, thus providing access to good jobs with potential for growth and advancement. New York is expected to receive approximately \$340 million in the first year of WIA.
- With the recent expansion of New York's refundable Earned Income Tax Credit (EITC), TANF funds will be returned to hard-working, low-income New York families. New York's EITC increases to 22.5 percent of the Federal credit effective January 1, 2000 and to 25 percent of the Federal credit effective January 1, 2001.
- Social services districts will have the option of providing work services to former welfare families with incomes up to 200 percent of the Federal poverty level. This flexibility will serve the purpose of providing the necessary supports to help recipients leaving the welfare rolls retain employment and avoid future dependency.

Parental Financial Responsibility Means a Brighter Future for Children

Governor Pataki has made the collection of child support payments one of his key priorities. His reforms have promoted and strengthened parental financial support for their children.

- The State Department of Taxation and Finance now issues warrants to secure assets and income applicable to overdue child support payments.
- Unreported income of deadbeat parents is now identified through a registry of new hires, also run by the Tax Department.
- Parents who refuse to pay support or address arrearages now face suspension of their drivers' and professional licenses.
- Child support orders are now reviewed and automatically adjusted to reflect inflation.
- Hospitals, with the support of State funds, now help to obtain and process voluntary acknowledgments of paternity.



Child support collections have increased by 66 percent since Governor Pataki took office in 1994. Collections exceeded \$1 billion in 1999 and are expected to continue to grow in 2000.

Under Governor Pataki's leadership, child support performance indicators are all up substantially. Support orders are up by 73 percent, collections are up by 66 percent, and paternities established are up by 31 percent. These outcomes make New York a top performer nationally, placing our State within the top five on all indicators. The Governor's 2000-01 Budget builds upon this progress by:

- Doubling the child support incentive payment that can be retained by Family Assistance recipients from \$50 to \$100 per month.
- Re-investing Federal incentive bonuses into child support initiatives to strengthen performance in "hard to collect" cases, update asset information on non-custodial parents, expand private health care coverage for children in support cases, and expand the "Celebrating Fatherhood" media campaign to encourage voluntary compliance.

“We have made tremendous strides in our efforts to make sure deadbeats own up to their financial responsibilities. In fact, New York is now a national leader in this fight.”

Governor George E. Pataki.

Modernizing Welfare Computer Systems

Local social services districts, with State support, administer cash assistance, child welfare services and other programs through an array of major computer systems. These systems link over 30,000 local caseworkers and administrative staff with automated eligibility determination, benefit issuance, case planning and other key functions. This complex network is one of the largest computer systems in the world.

The Welfare Management System (WMS) was implemented almost 25 years ago, and operates today using the same basic design. Other computer systems — independent of WMS — have also been developed, including the Child Support Management System, the Child Care Facility System, and the Electronic Benefit Transfer System. Separate systems are costly to operate and maintain. Furthermore, rapid technological changes have rendered critical equipment obsolete, making these systems vulnerable to catastrophic failure.

The Governor's Budget provides \$210 million in Federal and State funding to replace failing equipment and to design and implement a unified computer systems network. This network will take advantage of new technologies, enhance case management tools, and provide the capability necessary to meet a challenging array of Federal and State program-specific requirements.

The Human Services Application Services Center (HSASC) operates these computer systems on behalf of the Office of Temporary and Disability Assistance, the Department of Health, the Department of Labor, and the Office of Children and Family Services. Major HSASC welfare-related projects funded in the 2000-01 Executive Budget include:

- *Human Services Network Modernization*: A unified computer systems network linking the State agencies and local districts.
- *Welfare-to-Work Caseload Management System*: A comprehensive case management tool to aid in the

quick identification of opportunities for moving public recipients to permanent employment.

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- *Child Support Management System*: A statewide system utilized by local child support enforcement offices to maintain current and historical case information.
- *Analysis of a Shared Front End*: Explores the feasibility of developing a new software application providing a common point of entry to major legacy systems supporting State and locally-administered human services programs.

Family & Children Services



Child Safety

Governor Pataki's 2000-01 Executive Budget continues to invest heavily in programs to promote the well-being and safety of our children, because he believes that every child deserves to live and grow in a safe, secure and permanent home. To make this a reality for every New York child, Governor Pataki is pursuing a three-pronged agenda that will protect our children by quickly resolving the status of those who are no longer in their homes and further investing in State and local child welfare services.

Working in partnership with local governments, not-for-profit organizations and other State agencies, the Office of Children and Family Services (OCFS) carries out the Governor's agenda. OCFS provides technical support, oversight, funding and policy direction to:

- prevent and remediate child abuse and neglect.
- preserve, rehabilitate and reunite families.
- secure appropriate out-of-home residential care for children who cannot remain with their families.



State Initiatives to Protect Children

State Child Abuse Hotline

One of the most important responsibilities of government is to immediately intervene when suspected incidences of child abuse are reported. To ensure that this obligation is carried out effectively, Governor Pataki's 2000-01 Executive Budget includes more than \$8 million for the State Central Register for Child Abuse and Maltreatment, better known as the Child Abuse Hotline. The Hotline operates 24 hours a day, seven days a week; receives more than 325,000 calls annually; and serves as the

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principal link between the public and the local child protective service units. These units investigate allegations of child abuse and neglect and provide necessary protective services to children who have been neglected, abused or maltreated.

Planned improvements to the Hotline will be completed in 2000-01. Funding originally provided in 1999-2000 will be used to:

- Upgrade the telecommunications system, improving the Hotline's ability to quickly respond to incoming calls and ensuring that each report is handled quickly and appropriately.
- Accelerate the retrieval and transmittal of case history files for reported child abuse incidents to local authorities for their investigation and intervention.

The Governor's 2000-01 Budget also includes funding to improve the ability of OCFS staff to investigate allegations of abuse and neglect in State-licensed residential facilities for children.

Criminal Background Checks

Building on the Federal Adoption and Safe Families Act (ASFA), Governor Pataki signed legislation in 1999 to improve the State's ability to provide a safe environment for our most vulnerable children. The legislation requires that every prospective foster and adoptive parent undergo a criminal background check before a child can be placed in the home. If certain felony convictions are identified, foster and adoptive parent status is denied, and removal from the home may be required. The Governor's 2000-01 Executive Budget includes \$5.2 million in second year funding to conduct over 50,000 criminal record background checks of all current and prospective foster care and adoptive parents and adult household members.

Child Abuse Prevention and Treatment

Last year, New York enacted legislation that further improves our ability to protect at-risk children. This legislation:

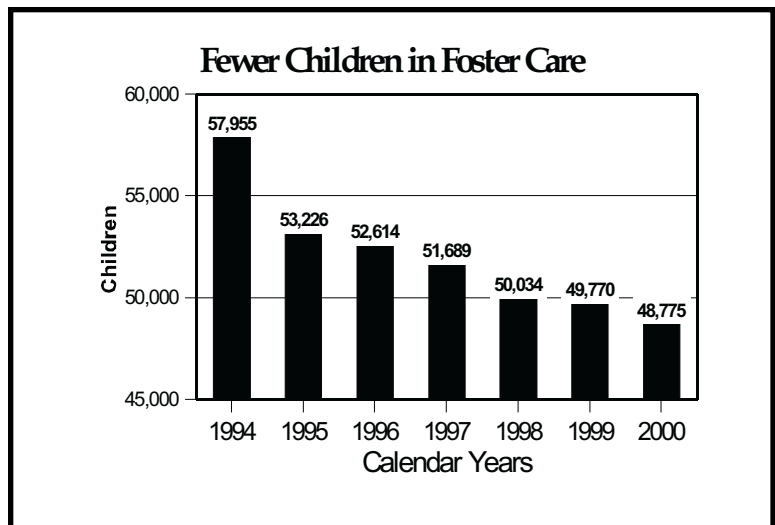
- Authorizes multi-disciplinary teams. With these teams, district attorneys, local law enforcement and medical professionals come together to coordinate the investigation of reports of suspected abuse, thereby ensuring that victims and their families are not subjected to additional trauma from repetitive questioning.
- Brings together community volunteers to form citizen review panels. The citizen review panels will examine policies and procedures at both the State and local level and report annually on their recommendations for improving child protective services.
- Creates local fatality review teams. The fatality review teams investigate the deaths of children who were either under the custody of a local commissioner or reported to the Child Abuse Hotline so that districts can determine whether there was information lacking or additional actions that should have been taken on their part to prevent the child's death.

Governor Pataki's 2000-01 Executive Budget includes almost \$1 million in combined State and Federal revenues to provide start-up funding to localities to launch or expand teams and support local citizen review panels.

Promoting Permanency for Children

Foster Care

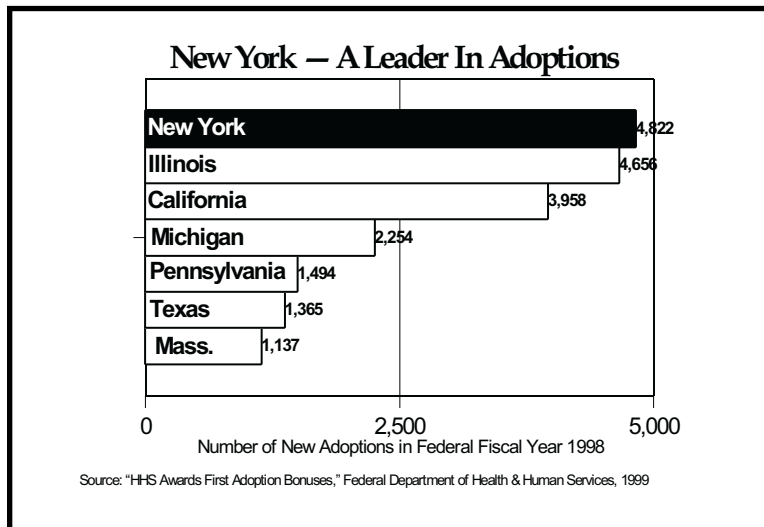
Under Governor Pataki's leadership, New York has seen a substantial decline in the State's foster care population. Fewer than 50,000 children are now living in temporary placements — the first time since 1988. This decline reflects the Governor's goal of quickly resolving the status of any child placed outside the home — either through the placement of



The number of children living in foster care in New York State will have dropped from a high of nearly 58,000 in 1994 to a projected low of 48,775 by the close of Calendar Year 2000. This represents a decline of nearly 9,180 children in foster care since Governor Pataki has been in office.

the child in an adoptive home or by providing the preventive services necessary to safely reunite the child with his or her family.

Governor Pataki's vision of a humane foster care system designed to limit the trauma experienced by children in foster care is clearly embodied in provisions of the landmark ASFA legislation he signed into law in 1999. The legislation requires local districts to seek termination of parental rights if a child has been in foster care for 15 of the last 22 months, abandoned or has a parent who is convicted of certain felony offenses. Furthermore, to ensure that children either return home as quickly as possible or are placed in the best possible care, courts are now mandated to review the case of each child within 12 months of entering foster care, and every 12 months thereafter.



Under Governor Pataki's leadership, the number of children who have been adopted has increased significantly. New York led the nation in the number of new adoptions during Federal Fiscal Year 1998, with a total of over 4,822 children finding permanent homes.

Adoptions

A primary goal of the Office of Children and Family Services is to assist local governments and voluntary agencies in finding permanent homes for children in foster care who, for safety or health reasons, cannot be reunited with their parents. Under Governor Pataki's leadership, there has been a significant increase in the number of children whose adoptions have been finalized — with nearly 29,000 adoptions finalized over the past six years.

The Governor's Executive Budget for 2000-01 builds upon our successes in getting children placed into permanent homes. The 2000-01 Budget:

- Continues to encourage the adoption of foster children, with \$1 million earmarked to reimburse legal fees and other one-time costs for adoptions of children who have been in foster care for more than six months.

- Fully funds subsidies for an anticipated 5,023 new adoptions, bringing the total number of adopted children whose living expenses are met with combined State, Federal and local funds to more than 45,000.

Home Visiting Program

Governor Pataki is implementing a successful new approach to preventing child abuse. The Home Visiting program is designed to prevent child abuse and maltreatment, improve child health and development, and help new families become self-sufficient. Over the past five years, the program — located in 12 high-need areas across the State — has provided almost 140,000 home visits to at-risk families with young children. National and State evaluations rate our home visiting program a success, with statistics showing that:

- Well over 90 percent of the visited children are up to date on immunizations, screened for developmental delays and tested for exposure to lead.
- About two-thirds of the parents who were receiving public assistance obtained employment or enrolled in a job training or educational program while participating in home visiting.
- Over the longer term, home-visited families report less child abuse, fewer teenage pregnancies and a reduced occurrence of juvenile delinquency and criminal behavior.

The Governor's 2000-01 Budget includes an additional \$2.4 million to expand the Home Visiting program to four more sites, bringing total funding to \$9.6 million.

Investing in Child Welfare Services

Family and Children's Services Block Grant

The Governor continues to support local governments' efforts to meet the needs of children and families. The Family and Children's Services Block Grant (FCSBG) continues to be the main source of State funds for child

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welfare services — providing \$2.5 billion in flexible funding since 1995 to assist localities in effectively coping with the damaging effects of violence and neglect on families.

The Governor's Executive Budget for 2000-01 provides in excess of \$1 billion in State and Federal block grant funds for critical child welfare services such as protective and preventive services, adoption subsidies and foster care.

For the second year in a row, the Family and Children's Services Block Grant includes funding for cost-of-living increases of up to 2.5 percent for direct care employees of voluntary child welfare agencies, thereby promoting high quality services for children.

A legislative proposal, recommending the best approaches for funding child welfare services, is being developed by OCFS for submission by July 1. The current FCSBG expires in 2001.

Protective Services

Outside of the FCSBG, the Governor's Budget provides enhanced funding, amounting to \$70 million, to reimburse 65 percent of locally-provided child protective services costs. This funding ensures that local districts have the tools necessary to effectively respond to and investigate reports of child abuse and neglect.

Training

OCFS administers a multi-agency \$54 million Training Plan on behalf of the Office of Temporary and Disability Assistance, the Department of Labor, and the Department of Health. The Plan provides training to State, local social services district and voluntary agency staff. As part of this comprehensive training program, OCFS will spend nearly \$20 million to sponsor both general and specialized training to over 250 voluntary agency child welfare providers and their employees.

Case Management and Record-keeping

Governor Pataki's 2000-01 Executive Budget includes \$66 million in State and Federal funding for the State's child welfare information system — CONNECTIONS. This automated system ensures that information regarding child

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abuse and foster and adoptive homes is timely and accurate. Funding will be used to maintain, operate and continue developing CONNECTIONS.

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Transportation



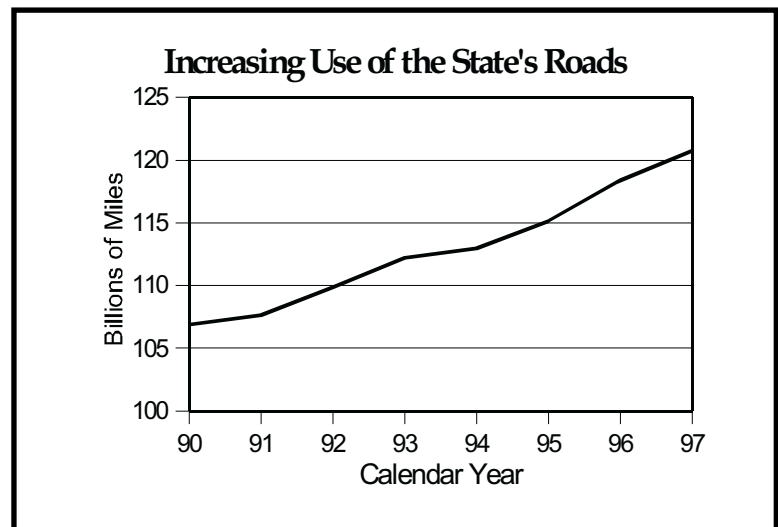
Transportation 2000: Moving New York Forward

New York State's transportation system continues to play an integral role in the State's economic revitalization. As more and more New Yorkers travel to jobs and as businesses expand their markets, our highway, transit, rail and aviation facilities are mobilizing entrepreneurship and delivering new opportunities. Governor Pataki's 2000-01 Executive Budget ensures that our transportation infrastructure will remain ready to meet the demands of our expanding economy by continuing strategic levels of State investments into the next millennium.

Meeting Transportation Challenges With Innovation

Throughout our history, New York State has been an incubator for creative transportation advancements. From the Erie Canal to the Interstate Highway System, New York has led the nation in finding ground-breaking ways to tackle tough transportation problems. In the next century, we will need to continue that innovative approach if we are to meet our growing mobility needs, protect our environment and keep government costs at reasonable levels. The State's transportation agencies have already begun to answer this challenge.

Under Governor Pataki's leadership, advanced technologies and new practices are being used to make travel faster, safer and more convenient throughout the State. Notable examples include:

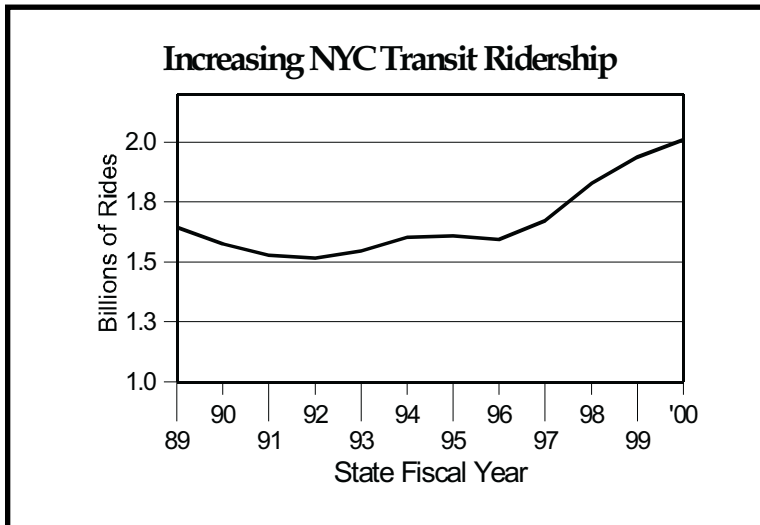


The number of miles that cars, trucks and buses travel over the State's roads increases every year. The growth in usage is especially high during times of economic revitalization. While this increase in usage signifies the success of Governor Pataki's economic policies, it also contributes to additional wear and tear on the State's roads and bridges, necessitating the significant commitment of the Governor's new five-year transportation plan.

Transportation

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- *The Highway Emergency Local Patrol Program (HELP):* HELP is an incident management program run by the Department of Transportation (DOT) that locates and aids disabled motorists on more than 300 miles of limited-access highways on Long Island and in the Capital District, the Lower Hudson Valley, and the New York City metropolitan area.
- *The Metropolitan Transportation Authority's Online Travel Information System (OTIS):* OTIS provides instant schedule and route information to transit riders via the Authority's extensive web site.



Similar to highway usage, New York City transit ridership, as measured by the number of rides, has steadily increased during the period of economic growth under Governor Pataki. The Governor's commuter-friendly fare policies in recent years have also contributed to the increase in ridership. As a result, investment in cars and equipment will be made over the next five years to keep up with the demands put on the system.

- *Automatic Vehicle Location Systems:* New technologies are being developed and employed at transit systems in New York City, Buffalo and Rochester that track exact bus locations to improve scheduling and customer information.
- *New High-Tech Materials:* DOT has pioneered the use of new high-tech materials such as Superpave™ asphalt, high performance concrete, and fiber-reinforced plastic to extend the life of highways and bridges and decrease construction costs.

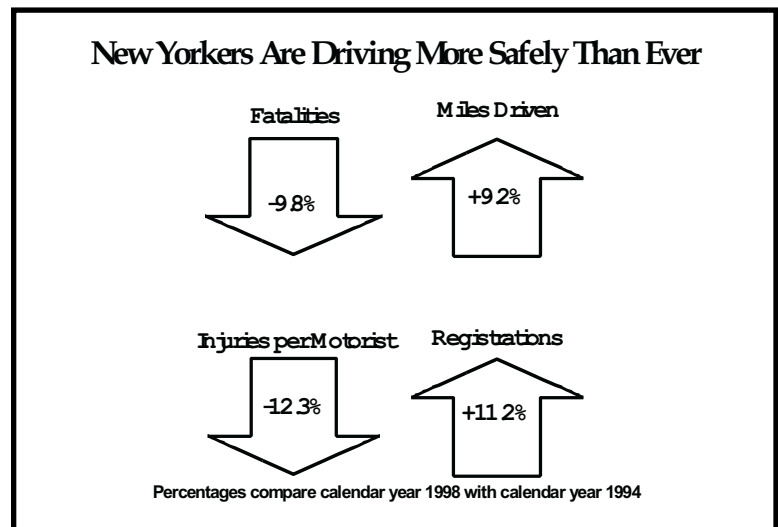
- *Fare Collection Technologies:* Many of the State's transit systems, including the Metropolitan Transportation Authority (MTA), the Central New York Regional Transportation Authority (CNYRTA) and the Capital District Transportation Authority (CDTA) have expanded the use of new fare collection technologies that ease consumer access, decrease operating costs and allow for discounted fares.
- *Environmental Enhancements:* Innovative planning and construction practices have allowed DOT to improve our infrastructure while protecting the State's sensitive environmental resources. The Department recently received several prestigious national awards

from the American Association of State Highway and Transportation Officials for environmental enhancements in its capital program — including wetland restoration, non-herbicide vegetation control, wildlife protection and access to scenic and recreational areas.

- *Clean-Air Buses:* To reduce emissions and improve air quality, many transit systems are increasing their use of the latest clean-fuel technology. For example, the MTA recently approved acquisition of 125 new “hybrid” fuel buses and 125 compressed natural gas buses.
- *High-Tech Communication:* To increase rail safety and operating efficiency, the MTA is developing a state-of-the-art computer-based train signaling and communications system for its subways and commuter railroads.

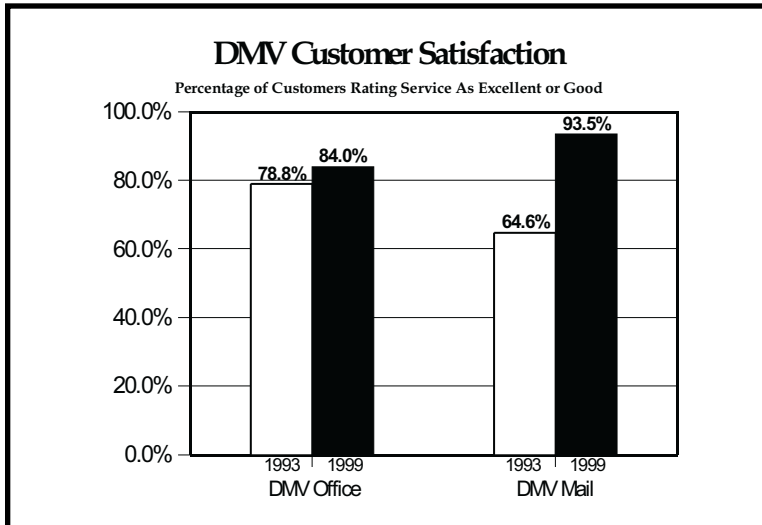
Improving Safety for Motorists

Governor Pataki’s highway safety policies have resulted in an historic reduction in fatalities on our roads. Enforcement efforts by State and local police — including a statewide crackdown on those who drink and drive or engage in aggressive driving on our highways, as well as enforcement activities that have increased seatbelt usage to 76 percent — have contributed to this success. These efforts have resulted in the lowest highway fatalities ever in New York State history and the State’s safest driving year on record.



New Yorkers are driving more safely than ever before. At the same time that motorists are using State roads in record high numbers, fatalities and personal injury accidents are at historic lows.

Better Customer Service for Motorists



Since 1993, the Department of Motor Vehicles (DMV) has improved its customer service. Surveys indicate that motorists are now more satisfied with DMV services, whether visiting DMV offices or dealing with the agency through the mail. These figures demonstrate the Department's strong commitment to successfully serving New York's motorists.

Governor Pataki is committed to using technology and innovative business practices to achieve safer roadways, improve customer service for New York's motorists and provide savings to the State's taxpayers. The Governor's 2000-01 Executive Budget builds on previous initiatives and provides:

- *A new eight-year photo license for motorists:* Under this proposal, licenses would be renewed every eight years. Updated photos would assist law enforcement and help curtail the fraudulent use of licenses.

- *A reissuance of license plates:* Beginning on October 1, 2000 and continuing over the next two years, more than nine million license plates with an attractive new design will be issued. At a cost of \$5.50 per vehicle, the reissuance will have the benefit of replacing illegible plates as well as helping law enforcement officers identify fraudulent plates and uninsured drivers.

- *Continued support for customer service improvements:* Statewide waiting times at Department of Motor Vehicles (DMV) offices are averaging less than 30 minutes. In addition, DMV customers can now opt to make credit card payments for all office transactions, and conduct certain other transactions via the Internet. Based on a 1999 Customer Satisfaction Survey of New York State motorists:

- ◆ 84 percent rate DMV office services as either excellent or good.
- ◆ 94 percent rate DMV service by mail as either excellent or good.

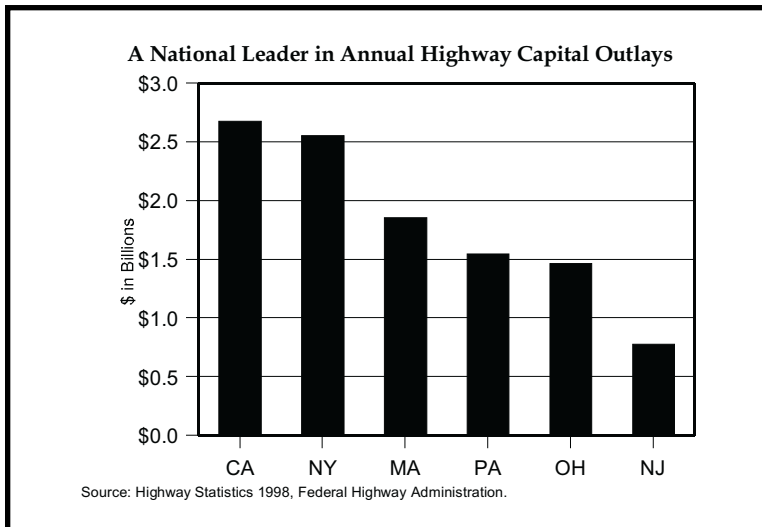
A Promise Delivered — The 1995-2000 Capital Plan

During State Fiscal Year 1995-96, the State undertook an ambitious five-year Capital Plan designed to improve the condition of our infrastructure by targeting strategic investments to meet critical transportation needs. As that program draws to a conclusion in 1999-2000, all of the goals outlined under the Plan have been achieved.

- Pavement and bridge conditions have improved as a result of reconstruction and rehabilitation projects and an ongoing highway and bridge preventive maintenance program.
- The project targets for the Plan's highway and bridge program will be exceeded. While the Plan called for \$6.15 billion of State highway and bridge projects, \$6.25 billion worth of projects will have commenced by the end of State Fiscal Year 1999-2000.
- State capital aid of nearly \$1.4 billion has helped support the MTA's 1995-1999 capital program — which will have committed close to \$12 billion of capital work critical for the continued operation of the MTA systems.
- The Master Links program, initiated by Governor Pataki in 1996 to address the mobility needs of metropolitan New York, has moved forward on all of its major components, including construction of the Air Train to JFK Airport, implementation of Metro-card discounts, renovation of Grand Central Terminal and the re-development of the Farley Post Office into a mid-town Manhattan transportation center.
- The capital program for non-MTA transit systems has improved transit service by leveraging the purchase of more than 1,000 buses and transit vehicles for urban, small city and county-wide systems. New or rehabilitated facilities in Syracuse, Utica, Nassau, Rockland, Chemung, Oneonta and Gloversville have increased mobility and comfort for transit riders.

New York Invests In Transportation

New York's commitment to transportation investment is among the strongest in the nation.



New York is second only to California in capital outlays for the construction and repair of roads and bridges.

- ◆ According to statistics compiled by the Federal Highway Administration, New York ranks second, behind only California, in state capital outlays for highway and bridge projects.
- ◆ As Federal transportation aid to New York State has increased, our own spending from State sources has more than kept pace. From 1994-95 to 1998-99, State spending for highway and bridge costs increased 31 percent. During that same period, Federal spending for New York projects increased by only 27 percent.

A New Commitment — A Plan for the Next Five Years

Investments in the State's transportation systems are necessary to sustain economic growth across the State and preserve our transportation infrastructure, one of our most significant assets. Governor Pataki's 2000-01 Executive Budget initiates a new Department of Transportation five-year transportation plan. The Budget also contributes to the funding of the MTA's multi-year plan and increases State capital support for transit systems across the State.

The new plan will be financed with approximately \$9.2 billion of State revenues during the next five years, an increase of \$3 billion over State contributions during the previous five years. Importantly, it will not rely on new taxes or fees. Instead, the Executive Budget will statutorily redirect additional revenues from the General Fund to the

State's dedicated transportation funds, ensuring the State's multi-year commitment. Within the State's overall financial capacity, the plan's funding levels could be increased if additional resources are identified.

Department of Transportation Program

- The new transportation plan provides more than \$14 billion over the five-year period for DOT programs, including State highways and bridges, rail, industrial access, aviation, local and other programs.
- Construction contract levels for highways and bridges will be funded at an unprecedented \$8 billion over the five years, averaging \$1.6 billion annually.
- Funding for local capital programs (CHIPS and Marchiselli) will be provided at a record \$1.29 billion for State Fiscal Years 2000-01 through 2004-05.
- The new plan will strengthen the Governor's freight and passenger rail program. In 2000-01, \$10 million will be provided to begin a new \$80 million rail initiative, including funds for the Capital District commuter rail project, the Rensselaer train station, the CP Draw project in Western New York, preservation of service to Southern Tier shippers and rail clearances in the metropolitan New York area. This program is designed to expand opportunities for New York's businesses, reduce costs for consumers and speed rail passengers to their destinations.
- Strategic economic investments through the Industrial Access Program will be funded with \$125 million over the life of the five-year plan, beginning with \$25 million in 2000-01. This program will promote job creation and retention by encouraging business expansion with highway, rail and port projects.
- Aviation funds are increased in the plan to help locally-owned airports match the growth in Federal funding that is anticipated with the reauthorization of the Federal Aviation Program.

- A wide range of bicycle, pedestrian, canal, and transportation historic preservation projects will be addressed in the plan through the Transportation Enhancement Program.

Transit Program

- The five-year transportation plan reaffirms the State's commitment to a partnership with the MTA, the Federal government, the City of New York and other localities to support capital needs for bus, subway and commuter systems in the Metropolitan New York region. Nearly \$2.2 billion of State aid will be provided for the MTA capital program between 2000 and 2004, including more than \$800 million of newly-dedicated State funding.
- Non-MTA transit systems will receive \$146 million during the five-year course of the plan. These funds will be used for bus acquisitions, maintenance facility improvements and other capital projects. In addition, a portion of the new non-MTA transit dedicated fund resources will be used to enhance operating aid. These new capital and operating funds will provide opportunities to improve and restructure transit service to meet the changing needs of our communities through initiatives to support welfare-to-work programs, innovative mobility initiatives and service to the elderly and disabled.

Local Government Assistance



Local Government

As a former mayor, Governor Pataki realizes that local governments must be provided with the flexibility and freedom to make decisions at the local level if they are to control costs and keep local property taxes in check.

That is why his previous five budgets have saved municipalities across the State more than \$4.7 billion by reducing the mandates imposed on local governments and providing record levels of State aid. These initiatives include three consecutive record increases that have boosted school aid by more than \$2.2 billion, and Medicaid cost saving measures that have saved county governments hundreds of millions of dollars during the last four years. In addition, the STAR Program will provide \$2.8 billion in local school tax relief.

This year, it is estimated that the Governor's 2000-01 Executive Budget will save localities an additional \$512 million through further cost reductions, State aid increases and mandate relief.

Mandate Relief

If local governments were allowed to operate under the same rules and regulations as the private sector, local taxpayers would save hundreds of millions of dollars. For this reason, the Governor's 2000-01 Executive Budget contains a comprehensive package of mandate relief reforms that will provide cost savings for municipalities and increase New York's competitive advantage. These changes include:

- Banning all future unfunded mandates through a constitutional amendment.
- Exempting certain projects from the costly Wicks Law — which currently requires multiple contracts for single building projects costing \$50,000 or more.
- Affording localities greater earnings by broadening their investment opportunities — including local authority to invest in the State Comptroller's Short Term Investment Pool.

Policy Highlight: Wicks Law Reforms

Governor Pataki's Wicks Law reforms will fully exempt all school districts and Boards of Cooperative Educational Services from the current requirements. Exemptions will also apply to municipal projects costing up to \$2 million for the downstate region (Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, Westchester counties and New York City) and \$1 million for the remainder of the State. These exemptions will increase to \$4 million and \$2 million, respectively, in 2002 and to \$8 million and \$4 million in 2005.

- Authorizing local governments to merge their corporate structures and enter into agreements for the joint provision of municipal services.
- Authorizing counties to increase the E911 telephone line surcharge from the current maximum of \$0.35 per access line per month to a maximum of \$1.00 per line per month.

“It is essential that New York’s school districts and local governments are fiscally sound and economically strong to ensure that the economic renewal we are experiencing continues. Since 1995, Governor Pataki has saved school districts and local governments more than \$4.7 billion, contributing to New York’s record-breaking job growth and economic resurgence.”

Mary O. Donohue, Lieutenant
Governor

Three-Year Continuation of Medicaid Cost-Containment A Major Boost for Counties

Governor Pataki achieved a victory for counties statewide when he secured a three-year commitment to continue existing Medicaid cost-containment measures as part of HCRA 2000. Since 1995, these measures have saved New York City and counties nearly \$1.33 billion, helping to contain the growth of local property taxes and providing a level of fiscal stability. Over the next three years, these cost-containment measures will protect counties from being saddled with an estimated \$942 million in potentially higher Medicaid costs. Importantly, after years of spiraling Medicaid cost increases, the most recent official data reported by the Department of Health shows that between 1995, the year Governor Pataki took office, and 1998, local Medicaid costs actually decreased by two percent.

The \$512 million positive fiscal impact of the 2000-01 Executive Budget does not reflect the positive impact on localities of the Health Care Reform Act of 2000 (HCRA 2000) enacted in December 1999. HCRA, a landmark health care financing initiative, funds a variety of initiatives that will improve access to quality health care and make health insurance coverage more affordable for individuals, families and businesses.

While there is no local cost associated with most of the new health care initiatives, the Family Health Plus program — an expansion of Medicaid coverage for families and individuals — requires that counties and New York City cover 25 percent of the cost. The State has committed a portion of its share of the national tobacco settlement and a share of the 55 cent increase in the cigarette tax to cover the State’s cost of this historic initiative. The exact additional

local cost is difficult to project, since participation in the program is unknown at this time.

While the counties' \$406 million average annual share of the national tobacco settlement (which will substantially exceed any potential cost increase) is a possible source of revenue for the local share of costs, other provisions of HCRA 2000 will mitigate any negative impact on counties and New York City. For example, the ability of the formerly uninsured to receive preventive health care will reduce overall health care costs for localities, along with reducing hospital bad debt and charity care costs. The cigarette tax increase, combined with the new Medicaid coverage of smoking cessation products will reduce tobacco use among New Yorkers, further reducing overall health care costs. In addition, HCRA 2000 will constrain year-to-year trend growth in Medicaid, which will provide yet another source of savings to New York City and the counties.

Unrestricted Local Aid

Governor Pataki's 2000-01 Executive Budget provides \$822 million in unrestricted local government aid, including more than \$550 million in revenue sharing aid distributed among New York's cities, towns and villages. The Governor has provided local governments with a 23 percent increase in unrestricted aid since taking office in 1995.

In 2000-01, the Emergency Financial Assistance to Eligible Municipalities and Emergency Financial Aid to Cities programs will continue to provide \$20.8 million and \$26.5 million, respectively, to select municipalities. The Supplemental Municipal Aid program, created under the leadership of Governor Pataki, will provide \$109.8 million to cities.

Under the Executive Budget proposal for 2000-01, New York City will also continue to receive \$114 million through the Stock Transfer Incentive Fund.

Local Government Assistance

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Impact of SFY 2000-01 Executive Budget On Local Governments

State Fiscal Year Basis
(\$ thousands)

SFY 2000-01	TOTAL	COUNTIES	NYC	OTHER LOCALS	SCHOOL DISTRICTS
COSTS	(93,594)	(34,841)	(46,041)	(5,580)	(7,132)
SAVINGS	605,474	130,995	249,711	7,400	217,368
NET IMPACT	511,880	96,154	203,670	1,820	210,236

Impact of SFY 2000-01 Executive Budget On New York City

City Fiscal Year Basis
(\$ thousands)

NYC IMPACT	CFY 2000-01
TOTAL COSTS	(66,962)
TOTAL SAVINGS	269,713
NET IMPACT	202,751

Mental Hygiene



Serving Individuals with Special Needs

Governor Pataki's Executive Budget for State Fiscal Year 2000-01 furthers his commitment to enhancing the quality of life for individuals with mental illness, developmental disabilities or chemical dependencies. The Governor's Budget devotes more than \$4 billion to help ensure that New Yorkers with mental disabilities or chemical dependencies can realize their fullest potential and to assist them in their recovery and rehabilitation. This Budget continues New York's tradition of providing the highest quality care, in both State facilities and in community settings, while also encouraging operational efficiencies and program effectiveness.

The Governor's Budget includes full funding for continued implementation of multi-year commitments to programs including NYS-CARES, Community Mental Health Reinvestment, New York/New York-II, and new housing for people with mental disabilities. The Budget also provides funding for a broad array of essential new treatment programs including those necessary for Assisted Outpatient Treatment, or "Kendra's Law." It is also anticipated that during 2000-01, the State will award contracts for the adult Special Needs Plans. These managed care plans for people with serious mental illness will fundamentally change the way mental health services are delivered in this State.

Kendra's Law

Protecting Patients and the Public through Assisted Outpatient Treatment

In 1999-2000, new legislation — known as Kendra's Law — went into effect. The law was enacted to help protect both the public and those people living with mental illness by ensuring that potentially dangerous mentally ill outpatients receive safe and effective treatment.

Governor Pataki's Budget for 2000-01 includes \$32 million in State funding to provide:

Policy Highlight: Assisted Outpatient Treatment

Kendra's Law authorizes courts to require certain people with mental illness — who, in view of their treatment history and present circumstances, are unlikely to survive safely in the community without special supervision — to comply with treatment plans including medications and other needed mental health services.

- Case managers or special clinical teams to closely supervise and coordinate the care of individuals placed by the courts in Assisted Outpatient Treatment.
- State aid grants to all counties to enable them to make needed psychiatric medications available to certain persons discharged from State psychiatric centers and community hospitals, State prisons and county jails pending Medicaid coverage.
- State grants to help counties develop and administer a program to provide psychiatric medications for people leaving such institutional settings, and to help these individuals apply for Medicaid or other public benefits.

Strengthening Community Mental Health Services

In addition to enhancing services to and supervision of individuals under court-ordered treatment for their mental illness, Governor Pataki's Budget for 2000-01 initiates a \$125 million program designed to enhance the availability and coordination of the overall service system for adults with mental illness and children with serious emotional disturbances. The Governor's Budget recommends nearly \$48 million in Health Care Reform Act (HCRA)-supported spending during 2000-01 to implement the first year of this two-year initiative.

Expanded Services to Adults

New York State offers the most extensive mental health services in the nation. However, many individuals need help in navigating the complex system of care that involves community hospitals, county clinics, nonprofit mental health treatment or housing agencies, State psychiatric centers and outpatient programs. Governor Pataki's action plan for adults will expand housing, treatment and care coordination services for people with serious mental illness.

The Governor's plan provides resources to:

- Expand the number of case managers and special Asserptive Community Treatment (ACT) teams of field-based clinicians. These mental health

professionals provide services and the coordination of care that is an essential component of a treatment system involving State, local, nonprofit and hospital providers. When fully implemented, another 10,000 individuals with mental illness will benefit from the closer supervision and coordination of services offered through case management and ACT teams at an additional annual cost of \$52 million.

- Provide 2,000 additional units of supported housing for adults. Once completed, the total number of State aid-supported residential units authorized for adults with mental illness will grow to 26,975 — a 5,000 unit increase in authorized new housing serving mentally ill adults since 1998.
- Open five special State-operated transitional residences at State psychiatric centers located in New York City. These residences will better prepare psychiatric center patients for community living by providing them with a transitional experience coupled with extra support and supervision.

New Initiatives for Children's Mental Health

Another key goal of Governor Pataki's plan is to expand treatment opportunities to serve children and adolescents with serious emotional disturbances in community-based settings. The Office of Mental Health is already developing more than 100 new group home beds specially designed as community residences for children to meet this objective. The Governor's plan also offers a wide array of other children's mental health initiatives, which when fully implemented will include:

- \$14 million, under the Home and Community Based Waiver program, to provide a wide variety of Medicaid reimbursable mental health services to about 900 children annually in their own homes rather than in large institutions. This action provides funding to the maximum level authorized by the Federal government.
- \$13 million to more than double case management services for children and adolescents with serious

Policy Highlight: A Multi-Faceted Program of Community Mental Health Care

In November 1999, Governor Pataki announced a wide-ranging series of actions to improve community mental health services to both adults and children. When fully implemented in 2001-02, the Governor's action plan will total \$125 million in new program spending, including an estimated \$87 million in Health Care Reform Act (HCRA) resources.

Policy Highlight: Reassessing the Future Inpatient Needs at State Psychiatric Centers

The Governor's Budget maintains full funding and staffing at State psychiatric centers in 2000-01 to continue the operation of inpatient beds at current levels. As a result, the Office of Mental Health will have an opportunity to reassess future bed requirements and help ensure that no person in need of an institutional placement will have to wait for admission to a State facility.

emotional disturbances, bringing the total number of children served annually to nearly 4,530.

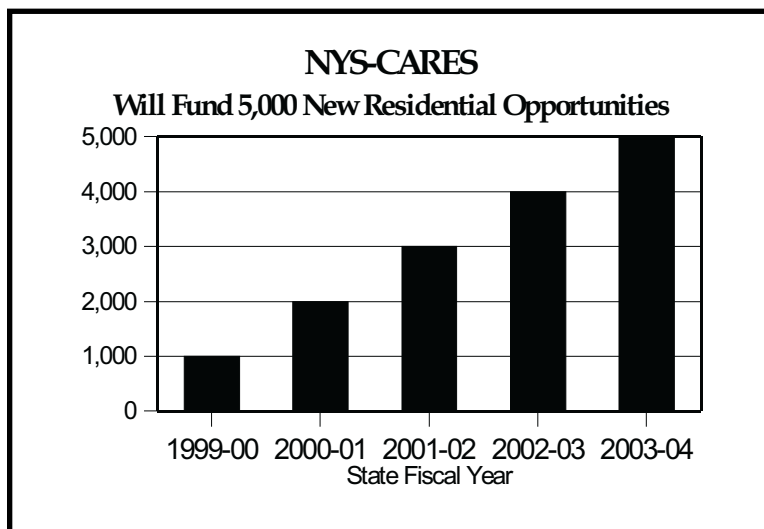
- \$5 million to expand Family Based Treatment to enable the placement of children and adolescents with serious emotional disturbances with highly trained surrogate host families.
- \$2.6 million in additional State aid grants under the Family Support Services program to help families obtain home care, respite, parent training and other special assistance.
- \$1.6 million to expand the number of clinical teams that treat children residing in facilities operated by the Office of Children and Family Services.

The Governor's plan of action will also provide \$10 million to the Office of Mental Health to enhance the State's oversight of community-based program providers. Through increased field monitoring and other tools, the Office of Mental Health will be better able to review, assess and improve program quality, performance and effectiveness.

NYS-CARES

In 1999, Governor Pataki introduced NYS-CARES — a sweeping initiative that will eliminate the waiting list for out-of-home residential services for adults with developmental disabilities. This landmark program provides an opportunity for these individuals to live independently in their own communities and grants peace-of-mind to elderly caregivers who find it increasingly difficult to care for their family member at home.

The 2000-01 Executive Budget provides \$29 million in State funding to implement the second year of NYS-CARES. In



Governor Pataki has committed to a comprehensive five-year plan that will virtually eliminate the waiting list for community residential opportunities for persons with disabilities. A total of \$245 million in State and Federal funds will be dedicated to building nearly 5,000 new beds and providing ancillary day, in-home, and family support services.

accordance with the schedule announced in 1999-2000, funding will be used to:

- Place more than 8,100 persons in residential homes, eliminating the waiting list within five years.
- Provide approximately 1,000 new residential placements and 200 new day service opportunities each year through 2003-04.
- Expand family support services and in-home residential support to assist families and individuals while they wait for a residential placement. These services and supports include respite services as well as other needed in-home assistance with daily-living activities.

Expanding Community-Based Care for Persons with Developmental Disabilities

As the State moves to fulfill its NYS-CARES commitment, Governor Pataki is proposing other important actions to expand community services to people with developmental disabilities.

Governor Pataki's Budget for 2000-01 proposes to provide:

- *Supported Work Opportunities:* Another 1,200 supported work opportunities will be provided to enable people with developmental disabilities to maintain competitive private sector jobs and become fully participating members of the State's growing economy.
- *Day Service Placements:* An additional 1,400 day service placements is provided for persons with developmental disabilities who reach the age of 21 and leave special education programs.
- *Community Residential Opportunities:* An additional 164 new community residential opportunities is provided for certain special populations, including individuals returning to New York from out-of-state child-care institutions.

Policy Highlight: Focus on Individualized Service

The Office of Mental Retardation and Developmental Disabilities embraces the philosophy that services should be tailored to match the needs of each individual. Toward this goal, the agency has fully implemented case management reform with a new emphasis on consumer choice and satisfaction.

- *Community Placements:* Community placements are provided for 250 people now living in developmental centers.

Special Services in State Institutional Settings

While the vast majority of people with mental disabilities are able to thrive and benefit from placements in community settings, certain other individuals are better served in more secure settings.

In recognition of the special needs of these individuals, Governor Pataki proposes to:

- Provide enhanced levels of supervision and security for nearly 220 individuals who are either dually diagnosed with both developmental disabilities and mental illness, or have serious behavioral problems. The Governor's proposal includes the establishment of a new level of secure intensive treatment at certain State developmental centers.
- Expand services to mentally ill inmates of the Department of Correctional Services. The Governor's Budget includes an increase of \$3.3 million to add another 75 mental health staff to treat inmates in Special Housing Units, as well as provide treatment services for inmates at the new Seneca Correctional Facility scheduled to open in 2000-01.

Policy Highlight: Focus on Addicted Women and their Children

The 2000-01 Executive Budget proposes the development of 100 new residential placements that specialize in the treatment of addicted women, together with their children. This initiative enhances the Governor's welfare reform objectives by helping to keep families together and reducing the number of children in foster care while their mothers are seeking treatment for their addictions.

Preserving the Standard of Community-Based Care

More than 75 percent of total public spending for people with mental or developmental disabilities is dedicated to community-based care programs. To ensure that the community-based service system continues to provide high quality care, Governor Pataki is proposing a:

- Two percent cost-of-living adjustment (COLA) to State aid for residential programs licensed by the Office of Mental Health and the Office of Alcoholism and

Substance Abuse Services to allow providers to address salary enhancements or other program needs.

- \$750 wage and benefit adjustment for direct care workers in nonprofit programs licensed by the Office of Mental Retardation and Developmental Disabilities to encourage qualified individuals to enter and remain in the direct care workforce.

The Governor's Budget also provides more than \$11 million in new annual Community Mental Health Reinvestment funding. This funding level — which reflects the higher than expected census decline in 1998-99 — will provide additional revenues to counties for mental health program expansion.

Summary of Changes

Major Agencies



Office of Alcoholism and Substance Abuse Services

(\$000s)

	General Fund and Offset Funds 2000-01
Prior Year Estimated Spending	\$304,424
Development of 100 beds for adolescents and women and their children	5,000
Provide residential cost-of-living adjustment	1,800
Transition credentialing function to be self-supportive	(188)
Projected base level adjustments including salary and payroll adjustments	(8,875)
Recommendation	\$302,161
Change From 1999-2000	(\$2,263)

Summary of Changes

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Office of Children and Family Services

(\$000s)

**General Fund
2000-01**

Prior Year Estimated Spending

\$1,067,156

Continued development of CONNECTIONS

13,250

Additional medical assistance spending for foster children

2,371

Expansion of Advantage Schools

4,500

Additional costs of youth facilities' operations, special hearings and investigations

1,550

Additional spending for youth delinquency prevention programs and State reimbursement of local costs for detention

2,975

Use of available Federal funds for Child Welfare and Child Care

(56,970)

Completion of State Central Register relocation

(6,050)

Increased cost of continuing current programs

9,238

Recommendation

\$1,038,020

Change From 1999-2000

(\$29,136)

Department of Justice (\$000s)

	General Fund 2000-01
Prior Year Estimated Spending	\$0
Transfer from:	
Department of Correctional Services	1,629,233
Division of State Police	278,814
Division of Parole	181,465
Division of Criminal Justice Services	98,319
Division of Probation and Correctional Alternatives	90,870
Crime Victims Board	3,002
State Commission of Correction	2,195
Office of Prevention of Domestic Violence	2,157
Increase funds to reflect salary adjustments, reduced Federal fund spending and other costs associated with agency operations	115,629
Local aid adjustments	9,684
Increase funds for cost of expanding the DNA Databank	5,900
Reduction in funding for local probation and alternatives to incarceration programs	(10,416)
Decrease in costs associated with operational efficiencies in correctional facilities and State Police services	(10,277)
Decrease in costs associated with operational efficiencies resulting from the consolidation of criminal justice agencies	(10,000)
Eliminate Legislative initiatives from 1999-00	(7,941)
Recommendation	\$2,378,634
Change From 1999-2000	\$2,378,634

Summary of Changes

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Economic Development

(\$000s)

General Fund 2000-01

Prior Year Estimated Spending

\$180,206

Provide funding for the Biotechnology Industry Growth Fund

10,000

Provide funding for the Empire State Technology Employment Incentive Program

1,700

Increase funding for the Centers for Advanced Technology (CAT) program

1,000

Increase funding for New York Office of Science, Technology and Academic Research (NYSTAR) program administration

3,300

Adjustment to reflect one time economic development initiatives and miscellaneous changes

(28,307)

Recommendation

\$167,899

Change From 1999-2000

(\$12,307)

State Education Department (\$000s)

SCHOOL AID/STAR	Total 2000-01 School Year Funding
Prior Year Estimated Spending	\$13,734,870
Major operating aids increase	140,700
Building and transportation aid increase	284,470
Textbook/computer aid increases	44,490
Universal Pre-Kindergarten increase	34,300
Special education increase	62,630
Establish new Teacher Certification initiative and Aid for High Needs Districts	50,000
Funding for CUNY Academic Intervention Services	9,000
BOCES aid reduction/reform	(69,110)
Elimination of certain categorical programs, including Teacher Support Aid	(128,180)
Elimination of minor maintenance	(50,000)
Other computerized aid and categorical program changes	(23,370)
Increase for School Tax Relief (STAR) phase-in	815,000
SCHOOL AID SUBTOTAL	12,894,800
STAR SUBTOTAL	2,010,000
Recommendation	\$14,904,800
Change From 1999-2000	\$1,169,930

Summary of Changes

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State Education Department (continued)

(\$000s)

ALL OTHER EDUCATION PROGRAMS	General Fund 2000-01
Prior Year Estimated Spending	\$1,323,374
Preschool, Summer School Special Education and "4201" Schools Growth	15,822
New initiatives to support recommendations of the Task Force on School Violence and annualized growth for Extended Day/School Safety program	3,500
Increased funding for Charter Schools	4,000
Increased funding for Non-Public School Aid growth	3,700
Annualization of prior year increases and other miscellaneous changes	3,609
Elimination of certain grants for individual school districts and selected categorical programs	(30,000)
Elimination of funding for certain 1999-00 Legislative program adds	(9,950)
Elimination of the Teacher Resource and Computer Training Center program for the 2000-01 school year	(10,000)
Changes for agency operations including increased funding for data center consolidation	4,174
Transfer of cultural education programs to the new Office of Cultural Resources	(9,615)
Redirection of Charter Schools administration funding to SUNY	(275)
Savings related to consolidation of Higher and Continuing Education Program and the Office of the Professions	(1,175)
Recommendation	\$1,297,164
Change From 1999-2000	(\$26,210)

Environmental Conservation

(\$000s)

	General Fund 2000-01
Prior Year Estimated Spending	\$90,551
Increased funding for New York City Watershed monitoring activities	3,000
Reduced funding for non-recurring programs	(1,845)
Increased costs of continuing current programs	1,779
Funding for computerized hunting and fishing license system	1,200
Transfer Water Commission costs to the Environmental Protection Fund	(1,080)
Increased funding for costs related to Department headquarters relocation	500
Transfer funding for Adirondack Landfills from Local Government Aid	450
Recommendation	\$94,555
Change From 1999-2000	\$4,004

CAPITAL PROJECTS

	All Funds 2000-01
Prior Year Estimated Spending	\$442,069
Increased Federal grants and other net adjustments	67,742
Increased spending for Clean Water/Clean Air Bond Act	50,000
Increased spending for Environmental Protection Fund	12,103
Increased spending for Capital Projects Funds consistent with planned commitments.	2,351
Adjustments for other bond fund spending consistent with planned commitments	(\$2,081)
Recommendation	\$572,184
Change From 1999-2000	\$130,115

Summary of Changes

180

Department of Health (\$000s)

General Fund 2000-01

Prior Year Estimated Spending

	\$711,474
Increased cost of continuing current programs offset by non-recurring expenditures	10,185
Procurement of new Medicaid Management Information System	11,600
Shift costs to special revenue funding, other administrative streamlining	(3,120)
Finance drinking water safety monitoring costs from water supply fee	(2,380)
West Nile encephalitis response	2,500
Expansion of Newborn Screening tests	5,000
Net increases for public health programs including Early Intervention, Indian Health and Traumatic Brain Injury	11,427
Transfer local assistance programs, including EPIC, to HCRA funding	(158,600)
Recommendation	\$588,086
Change From 1999-2000	\$(123,388)

Summary of Changes

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Higher Education Services Corporation (\$000s)

	General Fund 2000-01
Prior Year Budget	\$658,808
Final year of implementation for the Scholarships For Academic Excellence	3,500
Annualized savings and elimination of non-recurring administrative expenses	(1,235)
Savings in TAP due to lower participation	(40,100)
Recommendation	\$620,973
Change From 1999-2000	\$(37,835)

Summary of Changes

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Medicaid

(\$000s)

	Total Spending 2000-01
Prior Year Estimated Spending	\$29,545,692
Year-to-year spending increase	1,588,889
Savings from additional quarter of prior year cost containment	(271,100)
*Recommendation	\$30,863,481
Change From 1999-2000	\$1,317,789

* Federal, State and Local spending for all Medicaid program spending and administration

Federal: \$15,386,988

State: \$10,685,927

Local: \$4,790,565

Office of Mental Health

(\$000s)

	General and Offset Funds 2000-01
Prior Year Estimated Spending	\$1,636,433
Implementation of new initiatives to enhance and expand the delivery of mental health services	48,000
Implementation of Kendra's Law initiatives	32,000
Community Mental Health Reinvestment Act funding (including annualization of 1999-2000 increase and part year funding of 2000-01 increase)	23,274
Increased costs of continuing current programs (includes salary-related increases and local program increases)	39,614
Two percent cost-of-living adjustment (COLA) for voluntary-operated residential facilities for mentally ill persons	5,672
Forensic services expansion	3,341
Efficiency savings, annualization of prior year savings, audit and other recoveries, and other adjustments	(37,394)
Recommendation	\$1,750,940
Change From 1999-2000	\$114,507

Summary of Changes

184

Office of Mental Retardation and Developmental Disabilities

(\$000s)

	General Fund and Offset Funds 2000-01
Prior Year Estimated Spending	\$1,948,473
Funding commitment for Governor's NYS-CARES program	27,712
Development of Secure and Intensive Treatment beds	2,970
Increased cost of continuing current programs	57,908
Wage and benefit increase for direct care staff in non-trended programs	5,800
Expansion of new community beds and day services	6,525
One-time actions	421
Administrative efficiencies	(3,400)
Medicaid maximization/service restructuring	2,311
Recommendation	\$2,048,720
Change From 1999-2000	\$100,247

Department of Motor Vehicles (\$000s)

	General Fund 2000-01
Prior Year Estimated Spending	\$122,620
Decreased cost of continuing programs	(\$7,919)
Increased costs of eight-year licensing proposal	\$415
Implement franchise dealers' legislation	\$300
Data center consolidation	\$2,840
Accident records automation	(\$420)
Recommendation	\$117,836
Change From 1999-2000	(\$4,784)

Summary of Changes

186

Office of Parks, Recreation and Historic Preservation

(\$000s)

General Fund 2000-01

Prior Year Estimated Spending	\$92,805
Net adjustment to reflect cost of continuing current programs	2,456
Operating costs of new and expanded parks	830
Spending re-estimate for Local Assistance programs	2,100
New York Heritage Trail	5,000
Transfer funding for the Zoos, Botanical Gardens and Aquaria Program to the Environmental Protection Fund	(4,952)
Recommendation	\$98,239
Change From 1999-2000	\$5,434

CAPITAL PROJECTS

Prior Year Estimated Spending	\$36,784
Net adjustments, including projects advanced and completed in prior year and increased spending from Federal and fiduciary funds. Includes \$24.6 million from the State Park Infrastructure Fund.	1,719
Recommendation	\$38,503

State University of New York/ City University of New York (\$000s)

	General Fund 2000-01
Prior Year Budget	\$1,983,574
Cost of continuing current programs and new priority initiatives	107,524
Annualization of community college base aid increase	4,366
Elimination of 1999-2000 legislative adds	(14,490)
Elimination of Fashion Institute of Technology chargeback reimbursement	(3,100)
Recommendation	\$2,077,874
Change From 1999-2000	\$94,300

Summary of Changes

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Office of Temporary and Disability Assistance

(\$000s)

**General Fund
2000-01**

Prior Year Estimated Spending

\$1,735,700

Safety Net caseload decline

(18,000)

SSI caseload increase

14,000

Federal funding for EITC and phased increase to 25 percent of Federal credit

(125,000)

Mandated State share increase under Federal welfare reform requirements

43,000

Reduced Federal offset related to child support enforcement

9,500

Increased State funding for welfare reform computer systems

10,000

Loss of one-time credits

102,500

Recommendation

\$1,771,700

Change From 1999-2000

\$36,000

Transportation

(\$000s)

	All Funds 2000-01
Prior Year Appropriation	\$5,368,997
Appropriation of additional Federal TEA-21 funds	50,000
Change from one-time appropriation of Stewart airport privatization proceeds	(35,000)
New Federal aviation appropriation	10,000
MTOA adjustments	(96,545)
Elimination of CHIPS operating and maintenance aid to counties and NYC	(34,909)
Miscellaneous appropriation changes	(9,215)
Recommendation	\$5,253,328
Change From 1999-2000	(\$115,669)

Sweeping Tax Cuts



Tax Cuts Under the Pataki Administration

The following is a comprehensive list of all tax cut actions which have been enacted in New York State since Governor Pataki took office.

School Property Taxes

Tax Cuts Enacted in 1997

1. Reduced residential school property taxes for taxes levied in fiscal years beginning July 1, 1998, for the 1998-99 school year. When fully effective in the 2001-02 school year, the program will exempt at least \$30,000 of full value for homeowners under age 65 and \$50,000 for homeowners age 65 and over with incomes at or below \$60,000. The State will reimburse school districts for their lost property tax revenues. In New York City, reduced the resident City personal income tax. The State will reimburse New York City for its foregone personal income tax revenues.

Tax Cuts Enacted in 1998

2. Accelerated the benefits of the STAR property tax relief program so that senior citizens benefitted immediately and at fully phased-in average savings of \$800 per household per year.

Personal Income Tax Cuts

Tax Cuts Enacted in 1995

3. Reduced the top rate from 7.875 percent to 6.85 percent; increased standard deduction, raised bracket thresholds.

Tax Cuts Enacted in 1996

4. Provided a PIT credit, beginning in 1997, for school property taxes paid by working farmers (also available in the corporation franchise tax).
5. Enacted a tax credit for the cost of rehabilitating historic barns (also available in the corporation franchise tax).
6. Increased the child and dependent care credit for taxpayers with adjusted gross incomes of less than \$14,000 and made the credit refundable for residents, beginning in 1996.

Tax Cuts Enacted in 1997

7. Enhanced the Agricultural Property Tax Credit by allowing \$30,000 to be subtracted from income before calculating the percent of income from farming to qualify for the credit and by eliminating principal payments on farm debt from the calculation of the income level at which the credit begins to phase out.
8. Increased the child and dependent care credit to 100 percent of the Federal credit for families with incomes up to \$17,000, phasing down to 20 percent for families with annual incomes of \$30,000 and over.
9. Created a PIT credit for residential investment in solar electric generating equipment.
10. Created the New York State College Choice Tuition Savings Program.

Tax Cuts Enacted in 1998

11. Accelerated, to 1998, \$10 million in tax relief previously scheduled for 1999 to farmers who benefit from the farmers' school tax credit.
12. Contained provisions to ensure that assets returned to Holocaust survivors or their heirs are not subject to income or estate taxes.
13. Increased the benefit of the child care credit to families with annual incomes of up to \$50,000.

Tax Cuts Enacted in 1999

14. Increased the State's Earned Income Tax Credit (EITC) to 25 percent of the Federal credit over a two year period. The expansion will first increase the EITC to 22.5 percent of the Federal credit in 2000 and then to 25 percent of the Federal credit by 2001.

Sweeping Tax Cuts

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15. Exempted payments from the Holocaust-Swiss Bank settlement to victims of Nazi persecution from all State and local taxes.
16. Expanded the existing Qualifying Emerging Technology Companies (QETC) tax credit to include personal income taxpayers.
17. Expanded the Farmer's School Property Tax Credit to include agricultural land set aside or retired under a Federal supply management or soil conservation program.
25. Increased the credit on residual petroleum product and non-automotive diesel product used to generate electricity by one-half cent per gallon beginning April 1, 1999.

Business Taxes

Tax Cuts Enacted in 1995

Petroleum Business Tax:

18. Fully exempted commercial heating fuel used by not-for-profit organizations (beginning in 1996).
19. Reduced the tax on aviation fuels and reduced the minimum monthly tax for aviation fuel businesses from \$25 to \$2 per month.

Corporation Franchise Tax:

20. Froze the S corporation entity tax at the difference between the corporate franchise tax rate and 7.875 percent, so that S corporation shareholders would benefit from the personal income tax rate reduction.

Tax Cuts Enacted in 1996

Petroleum Business Tax:

21. Reduced the rate on diesel motor fuel used by railroads by 7 cents per gallon, beginning January 1, 1997.
22. Exempted residual product and non-automotive diesel gallonage used for manufacturing purposes, beginning January 1, 1998.
23. Exempted residual petroleum and non-automotive diesel gallonage used for commercial purposes from the supplemental tax, beginning March 1, 1997.
24. Reduced the supplemental rate on automotive diesel by .75 cents per gallon beginning January 1, 1998, and by an additional one cent per gallon beginning April 1, 1999.

Corporation and Utility Tax:

26. Reduced the utility gross receipts tax on truckers and railroads from .75 percent to .6 percent in 1997 and allowed them to switch to taxation under a net income basis (Article 9-A) instead of a gross income tax (Article 9) beginning in 1998.

Tax Cuts Enacted in 1997

Corporation and Utility Tax:

27. Established the Power for Jobs program which provides a credit for utilities that provide low-cost power to businesses and not-for-profit corporations that retain or create jobs.
28. Cut the gross receipts tax rate imposed on electric, gas and telephone services from 3.5 percent to 2.5 percent; reduced the franchise gross receipts tax on local telephone companies from .75 percent to .375 percent and on trucking and railroad companies from .6 percent to .375 percent.

Insurance Tax:

29. Reduced the premiums tax rate and the limitation on the tax liability of life insurers.
30. Created a credit against the insurance tax for investment in certified (venture) capital companies.
31. Provided preferential tax treatment rates for the formation of captive insurance companies.

Bank Tax:

32. Allowed net operating loss deductions for banking corporations.

Corporation Franchise Tax:

33. Conformed New York treatment of qualified subsidiary subchapter S corporations to the treatment under Federal law.
34. Created credits for purchase of alternative fuel vehicles and for investment in refueling stations.
35. Created a new credit for employing persons with disabilities.

Tax Cuts Enacted in 1998

Corporation Franchise Tax:

36. Reduced the corporate tax rate from 9 percent to 7.5 percent. The new lower rate is phased in over a three-year period beginning in July 1999.
37. Lowered the alternative minimum tax rate from 3.5 percent to 3 percent, allowing taxpayers to benefit more from existing investment incentives in the tax code.
38. Reduced the rate imposed on S corporations by at least 40 percent.
39. Provided a significant new benefit for the securities industry in New York by allowing a tax credit of up to 5 percent for investment in technology equipment. This benefit also includes the trading operations of Article 32 (banks) taxpayers.
40. Set up a series of initiatives to promote the creation and expansion of emerging technology companies and jobs. These tax provisions will encourage both new investment and employment opportunities in this important sector of the economy.

Tax Cuts Enacted in 1999

Petroleum Business Tax:

41. Reduced the rate on commercial heating oil by 20 percent, beginning April 1, 2001.
42. Exempted fuels used in mining and extraction from tax.

Corporation Franchise Tax:

43. Reduced the alternative minimum tax rate from 3 percent to 2.5 percent which will complement the reduction in entire net income.
44. Increased the current economic development zone (EDZ) and zone equivalent area (ZEA) wage tax credits.
45. Expanded the existing alternative fuels tax credit to allow a tax credit to the lessor or seller of alternative fuel vehicles that are leased or sold to governmental entities.

46. Reduced and repealed the subsidiary capital tax on power providers. These provisions facilitate the transition to a competitive market by modernizing and lowering taxation of energy producers, which in turn will help lower rates to consumers.
47. Eliminated antiquated mergers and acquisitions language in the Tax Law that caused an undue burden on corporation franchise taxpayers.
48. Provided a \$500 tax credit to individuals and businesses for the purchase of automated, external defibrillators — devices used to save the life of heart attack victims.
49. Repealed the subsidiary capital tax for companies with investments in subsidiaries taxed under either the bank or insurance franchise tax. These provisions modernize the Tax Law to eliminate a disincentive to companies from maintaining their headquarters in New York State after completing a merger or acquisition.
50. Reduced the tax burden on airlines that do business in New York State by lowering the amount of corporate income subject to New York taxes.
51. Provided for the equitable treatment of air freight forwarders in New York State by allowing the company to file a combined corporate tax return with an airline affiliate and adjust its business allocation percentage.
52. Expanded the existing definition of qualified emerging technology companies to include re-manufacturing technologies. Re-manufacturing technologies are defined as processes whereby eligible commodities are restored to their original standards and are thereby diverted from the solid waste system.

Bank Franchise Tax:

53. Reduced the bank tax rate from 9 percent to 7.5 percent. The new lower rate will be phased in over a three-year period beginning in July 2000. This move will level the competitive playing field with all other industries.

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Insurance Franchise Tax:

54. Reduced the insurance tax rate from 9 percent to 7.5 percent. The new lower rate will be phased in over a three-year period beginning in July 2000. This reduction will provide tax parity across all financial sectors.
55. Lowered the cap on total tax liability for property and casualty companies from 2.6 percent to the same 2 percent rate that is currently applicable to life insurance companies.
56. Expanded the certified capital companies (CAPCO) program to provide an additional \$30 million to be invested in certified capital companies.

Corporation and Utility Tax:

57. Excluded natural gas imported for use in generating electricity from the tax imposed on gas imported for self use.

Sales and Use Taxes

Tax Cuts Enacted in 1995

58. Exempted goods or services necessary for the acquisition, sustenance or maintenance of guide dogs.
59. Exempted meteorological services.
60. Exempted South African coins.
61. Exempted homeowner association fees.
62. Exempted retail sales of aviation gasoline from the motor fuel excise tax.

Tax Cuts Enacted in 1996

63. Exempted clothing costing less than \$500 from the 4 percent State and .25 percent Metropolitan Commuter Transportation District (MCTD) tax from January 18, 1997 to January 24, 1997 (also provided local option).
64. Exempted printed promotional materials and related services, including storage services, when the materials are mailed or shipped to customers in New York.
65. Exempted municipally owned and operated parking services from the State sales tax and local sales tax outside New York City, and the 6 percent parking tax imposed in New York City.

66. Expanded the sales tax exemption for commercial vessels and aircraft.

Tax Cuts Enacted in 1997

67. Exempted clothing costing less than \$100 from the 4 percent State and .25 percent MCTD tax from September 1-7, 1997 and 1998, and made the exemption permanent on December 1, 1999 (also provided local option).
68. Exempted passenger buses, and parts, equipment, lubricants and repair services on such buses.
69. Increased the exemption threshold from 25 cents to 50 cents for purchases made through a bulk vending machine.
70. Exempted coin-operated car washes, waxes, or vacuuming services.
71. Exempted coin-operated photocopying where the charge is 50 cents or less.
72. Provided that businesses that contract fulfillment services from New York companies do not become subject to the sales tax.
73. Exempted hot drinks and certain food and beverages sold through vending machines, if the food or beverages would be exempt when sold at a grocery store.
74. Exempted luggage carts dispensed by coin operated devices.
75. Exempted emissions testing equipment required by the Federal Clean Air Act of 1990 and the New York State Clean Air Compliance Act of 1993.
76. Exempted parking services sold by a homeowner's association to its members.
77. Increased the vendor allowance from 1.5 percent of sales tax collections up to \$400 per year to 3.5 percent of collections up to \$600 per year.
78. Exempted wine and wine products furnished by the official agent of a farm winery, winery, wholesaler, or importer at a wine tasting to a prospective customer.
79. Exempted certain circus admissions.

Tax Cuts Enacted in 1998

80. Provided significant tax relief to middle-class and poorer taxpayers by expanding and extending the benefits of current cuts in the State sales tax on clothing. The bill expanded the September 1998 sales tax exemption week to include items of clothing and footwear up to \$500 in value and provided for an additional sales tax free week in January 1999. The bill also increased the existing clothing threshold to \$110 from \$100, and added footwear up to \$110 to be permanently exempt from State sales tax starting December 1, 1999.
81. Updated the tax code to reflect rapid technological changes in the telecommunications industry by expanding the sales tax exemption available to companies in that industry.
82. Eliminated the sales tax on the sales of textbooks required for use by full- and part-time college students in their college courses.
83. Eliminated the sales tax on computer system hardware used to design and develop computer software for sale.
84. Exempted coin-operated telephone calls costing 25 cents or less from the sales tax.

Tax Cuts Enacted in 1999

85. Moved the effective date of the permanent sales tax exemption for clothing and footwear priced under \$110 from December 1, 1999 to March 1, 2000, and provided for additional sales tax free weeks on clothing and footwear items priced under \$500 in September 1999 and January 2000. Also authorized localities to opt in or out of the permanent clothing and footwear exemption on March 1 of any year.
86. Eliminated the sales tax on property and services used in live dramatic or musical arts productions.
87. Changed the basis for calculating the use tax due on self-manufactured items used in the normal course of business from retail cost to cost of materials.
88. Expanded the exemptions available to farmers to include fencing, certain building materials and services rendered to such property. Also changed the refund or credit available to farmers for tax paid on motor vehicles to an exemption at the time of retail sale.

89. Expanded the exemption for hot drinks and certain food items sold through coin-operated vending machines to include those vending machines activated by credit or debit cards.
90. Expanded the sales tax exemptions available to the telecommunications industry to include equipment used to upgrade cable television systems to provide telecommunications services for sale. Also exempted certain equipment used to provide Internet access service for sale.
91. Exempted computer system hardware used to design and develop Internet web sites for sale.

Other Taxes

Tax Cuts Enacted in 1995

92. Reduced the beer tax by 5 cents per gallon, from 21 cents to 16 cents.
93. Reduced the container tax by half, from 2 cents per container to 1 cent per container.
94. Provided a new estate tax deduction of up to \$250,000 of the equity in a decedent's principal residence.
95. Reduced the diesel motor fuel excise tax from 10 cents to 8 cents per gallon.
96. Reduced the tax on pari-mutuel wagering.

Tax Cuts Enacted in 1996

97. Repealed the real property gains tax.
98. Made the Real Estate Investment Trust (REIT) provisions under the real estate transfer tax permanent for both New York City and New York State and provided temporary relief for property transferred into an existing REIT.

Tax Cuts Enacted in 1997

99. Increased from \$115,000 to \$300,000 the value of estates and gifts exempt from tax (effective October 1, 1998 for estates and January 1, 1999 for gifts); repealed the gift tax for gifts made on or after January 1, 2000; and replaced the current State estate tax with a pick-up tax on February 1, 2000, which will, over time, exempt estates up to \$1,000,000.
100. Repealed the container tax, beginning October 1, 1998.

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101. Phased in the elimination of assessments on providers of certain medical services.

Tax Cuts Enacted in 1998

102. Provided estate tax benefits including a family-owned business exemption of up to \$1.3 million of the value of the business and an exemption for estates with land subject to conservation easements.

103. Reduced motor vehicle registration fees for passenger cars by 25 percent. Allowed for a refund of motor vehicle registration fees in cases where the registration is surrendered before the registration period is half over.

104. Reduced the excise tax on beer from 16 cents to 13.5 cents per gallon.

105. Reduced the truck mileage tax by 25 percent.

106. Extended until 2002 the existing tax reductions for harness and thoroughbred racetracks and OTB corporations, along with expanded simulcasting authority.

107. Accelerated elimination of assessments on providers of certain medical services.

Tax Cuts Enacted in 1999

108. Reduced the excise tax on beer by 1 cent per gallon, beginning April 1, 2001.

109. Increased the exemption on domestically brewed beer from 100,000 to 200,000 barrels.

110. Extended until September 1, 2002 the lower real estate transfer tax rate for property transferred into an existing REIT.

111. Reduced the pari-mutuel tax on on-track thoroughbred betting.

112. Capped exhibitions' tax.

113. Conformed estate tax laws to changes made at the Federal level.

114. Accelerated elimination of assessments on providers of certain medical services.

Citizen's Guide



The Citizen's Guide to the Executive Budget

The Executive Budget process and the key Budget documents follow a format dictated by the State Constitution, with additional details and actions prescribed by State laws and practices established over time.

The State's budget process is governed largely by the requirements of Article VII of the New York State Constitution. Article VII stipulates, among other things, that the Governor submit a budget detailing a plan of expenditures and an estimate of revenues for the upcoming fiscal year, bill(s) containing all proposed appropriations and reappropriations, and other legislation necessary to implement the Executive Budget.

Consistent with these requirements, this Budget consists of three volumes and several bills. The published "Executive Budget" contains the Budget Director's Message, which explains the Governor's fiscal blueprint for the following fiscal year, and presents the State's Financial Plan — the "complete plan" of spending and revenues required by the Constitution. The volume also includes discussions of major initiatives proposed in the Budget, the economic outlook for the nation and the State, and a list of the legislative proposals necessary to implement the Budget, other than the major appropriation bills.

The second volume (Appendix I) summarizes for each State agency its mission and programs and includes detailed tables showing operating, local aid and capital projects spending. A "User's Guide" section provides more detailed information on State government and the Budget process, and explains how to interpret the Budget tables. This volume also includes the budget requests of the Legislature and Judiciary which are submitted without revision, as required by the Constitution.

Appendix II contains the Financial Plan overview, explanations of the specific sources of State revenues and a discussion of the capital plan. These three volumes, which collectively provide the supporting justification for the required budget bills, are available in the New York State

Library, State University libraries, many local libraries and through the Internet at www.state.ny.us/dob.

Two types of legislation are required for enactment of the Executive Budget. Appropriation bills provide specific legal authorization for all spending from the funds managed by the State. Bills making appropriations encompass the recommended funding for the Legislature and Judiciary, Debt Service and the remaining functional responsibilities of State government which include: Education, Labor and Family Assistance; Public Protection, Health and Mental Hygiene; Transportation, Economic Development and Environmental Conservation; and General Government.

Other bills, as described in the "Executive Budget" volume, amend permanent State law governing programs and revenues. These so-called "Article VII bills," and all appropriation bills, are available from the Senate and Assembly Document Rooms located in the Capitol and the Legislative Office Building.

The Constitution provides that the Governor may amend or supplement his Budget within 30 days of submission, allowing for technical corrections or revisions based on more recent revenue and expenditure figures for the current fiscal year. These 30-day amendments, if any, are available from the Governor's Office.

As part of its review, the Legislature holds public hearings on the Governor's Budget at which various interest groups and concerned citizens may speak. These hearings are scheduled by the Senate Finance and Assembly Ways and Means committees, which are responsible for overall Budget analysis and coordination of each house's action on the Budget.

In 1998, for the first time ever, the Legislature adopted a Conference Committee process to organize its deliberations and reach bi-lateral agreement on a Budget. The process called for the creation of a General Budget Conference Committee to set overall priorities and manage the process, and several Conference Subcommittees to make budget recommendations for specific program areas. After a series of public meetings, the Committees developed joint revenue and spending recommendations which were then reflected in amended versions of the Governor's

proposed appropriation bills and related legislation approved by both houses.

The Legislature again used Conference Committees during its deliberations on the 1999-2000 Budget, and is generally expected to continue the practice during discussions on the 2000-01 Budget. The Senate and Assembly will continue to conduct an extensive analysis of the Budget and discuss their findings with the Executive, as has been done in the past. Upon completing its analysis, the Legislature often amends the appropriation bills and other Budget-related bills before voting on them. These amended bills are available from the Legislative Document Rooms.

Except for appropriations for the Legislature and the Judiciary, appropriations that are passed by the Legislature without being increased become law immediately. Items that have been added, however, and the Legislature and Judiciary appropriations, must be sent to the Governor for his approval or veto. In the case of appropriations added by the Legislature, the Constitution permits the Governor to veto some items while approving the remainder of the bill. This action is referred to as a "line item veto."

Chapter numbers are assigned to bills that are approved and become law. For bills or items of appropriation that are vetoed, the Governor is required to provide "veto messages" to the Legislature which outline his reasons for vetoing a bill. These messages are distributed by the Governor's Office. Vetoes may be overridden by a two-thirds vote of the Legislature, in which case they become law despite the Governor's objections.

After final enactment of the Budget, the Legislature is required to summarize its changes to the Executive Budget. This summary is presented in the "Green Book," which is available from the Document Rooms. The Governor is required to revise the Financial Plan reflecting the enacted Budget; this revised Plan is available from the Division of the Budget.

Legislation Required for the Budget



Legislation Required For The Budget

Section 22 of the State Finance Law provides that the Executive Budget shall include a list of proposed legislation submitted pursuant to Article VII of the State Constitution.

In addition to the major appropriation bills, Article VII bills addressing the following subjects are being submitted with the Executive Budget:

General Government

- Continue the authorization for loans from the Property/Casualty Fund to distressed insurers.
- Increase certain application and renewal fees for the Department of State's licensed disciplines and eliminate certain nuisance fees.
- Permit other agencies to use utility assessment funds.
- Authorize deposits and temporary loans for various funds, bond cap changes, and other general provisions.

Education, Labor and Family Assistance

- Enhance the School Tax Relief (STAR) program by providing STAR rebate checks for non-seniors, a school budget cap, improved disclosure to school voters, simplified STAR income verification, eligibility clarifications and extension to farm dwellings in corporate ownership.
- Implement school aid and special education reforms, and authorize differential tuition at SUNY/CUNY campuses for graduate level studies.
- Establish the Office of Cultural Resources (OCR) and provide for the transfer of the State Museum, State Library and State Archives from the State Education Department to OCR.

Public Protection, Health and Mental Hygiene

- Authorize payment for assistant counsel and paralegal services in cases assigned to private attorneys, and implement other changes related to capital defense cases.
- Extend the Medical Parole program which allows early release for critically ill inmates.

Legislation Required for the Budget

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- Extend the Correction Officer Psychological Evaluation program which requires State Correction Officer applicants to undergo psychological screening tests.
- Consolidate the criminal justice agencies into a new Department of Justice.
- Increase the Crime Victim Assistance Fee and Mandatory Surcharge.
- Increase the minimum pay rate for National Guard members called to State active duty.
- Broaden the National Guard Recruitment Incentive Program eligibility to enable participants to enroll in college classes before completing all elements of military training.
- Permit the Division of Military and Naval Affairs to publicly auction artifacts and memorabilia lacking significant historical value in order to reduce archival inventory and generate funds for a long-term preservation and acquisition program.
- Establish an optional license plate charge for motorists who wish to retain their current alpha-numeric configuration as part of the general re-issuance of license plates.
- Impose a fee on registered dealers of new motor vehicles.
- Permit refunds for motorists who wish to cancel their driver's licenses.
- Extend the authorization for the State Investigation Commission for an additional two years.
- Repeal the 1990 enhancements to the Elderly Pharmaceutical Insurance Coverage (EPIC) program.
- Authorize water connection fees on water supply systems.
- Authorize initiatives aimed at maximizing revenues in the State's Medicaid program.
- Establish the Medicaid Managed Care program permanently.
- Extend the carve out of pharmacy services from Medicaid Managed Care rates.
- Restructure the Medicaid Escrow Account process.
- Extend the Federal Disproportionate Share (DSH) payments to replace certain Mental Hygiene State aid funds to Article 28 hospitals.
- Provide the Commissioner of Mental Health with appointing authority over employees within certain geographic groupings of psychiatric centers.
- Establish a new Center for Intensive Treatment at Norwich.

Transportation, Economic Development and Environmental Conservation

- Authorize the Dormitory Authority to provide funds for the Cornell Supercomputer project.
- Authorize a multi-year transportation capital plan including CHIPs and Marchiselli programs.
- Authorize the deposit of motor carrier registration fees collected to defray the Department of Transportation's expenses for motor carrier economic regulation registration into the Transportation Regulation Account.
- Transfer Federal petroleum overcharge funds to the Power Authority for its reciprocal transfer to the General Fund.
- Authorize assessments on utilities to be used for Energy Research and Development Authority research costs.
- Authorize the State to assess New York City for the full cost of administering the City's Rent Regulation program.
- Authorize and continue selected program purposes for the Environmental Protection Fund (EPF) and establish the Hudson River Estuary Account within the EPF.
- Extend authorization permanently for the Department of Environmental Conservation to collect per bushel fees on surf clams and ocean quahogs.
- Increase resident and non-resident sport hunting and fishing license fees.
- Authorize the refinancing of the State Superfund and provide a tax benefit to clean up brownfields.
- Extend the authorization for certain Clean Water/Clean Air Bond Act requirements related to project selection and reporting.
- Establish a State assistance program to partially offset the cost of State forest property tax exemptions.

Revenue

- Accelerate by 15 months (to January 1, 2000) the effective date of the increase — from 100,000 to 200,000 barrels per year — of the small brewer's tax exemption from the Alcoholic Beverage Tax.

Legislation Required for the Budget

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- Establish high-technology enterprise zones for upstate New York, which will provide a full rebate of gross receipts taxes on energy, the creation of an R&D credit, a refundable investment tax credit, and an expansion of the Qualified Emerging Technology credit.
- Eliminate gross receipts taxes on energy.
- Expand the *Power for Jobs* program by providing tax credits for an additional 200 megawatts of power to utilities that deliver low-cost power to qualifying businesses in upstate New York.
- Repeal the Petroleum Business Tax minimum taxes.
- Expand sales tax exemptions available to farm producers and horse boarding operations.
- Establish a “Green Buildings” tax credit to enhance the supply of environmentally sound buildings.
- Eliminate the fixed dollar minimum tax for certain homeowner associations.
- Provide a Low-Moderate Income Working Family State Housing Credit to encourage the construction and rehabilitation of low-income housing.
- Reduce the franchise tax rate for small business taxpayers and repeal the S Corporation differential rate.
- Establish tax credits for increased employment in the cities of New York outside the Metropolitan Commuter Transportation Districts.
- Authorize the Division of Lottery to enter into agreements with other states to offer large jackpot games such as Power Ball.
- Create a Transportation Access program which permits the utilization of private sector funds for infrastructure improvements to be reimbursed through a new corporate tax credit.
- Provide a sales tax exemption for building web hosting facilities.
- Allow biotechnology companies to claim a refund of their investment credits.
- Increase the flow of funds to the dedicated transportation funds by earmarking the General Fund portion of Motor Fuel taxes and Petroleum Business taxes and a greater share of motor vehicle fees, and continuing to direct various fees collected by the Transportation Department to the Dedicated Highway and Bridge Trust Fund.