



STATE OF
NEW YORK

2011-12 Executive Budget
Briefing Book

**New York at a Crossroads:
A Transformation Plan for a New New York**

GOVERNOR ANDREW M. CUOMO

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Director's Message

True to Governor Cuomo's promise to the people of New York, this budget erases a \$10 billion deficit without raising taxes or incurring new debt. The gap is eliminated by bringing spending down to realistic levels supportable by underlying economic growth. The initiatives in this budget significantly reduce the rate of growth in State spending and reduce out-year deficits by 86 percent over the next three years, virtually eliminating the State's structural deficit.

With the 2011-12 Executive Budget, Governor Cuomo has set forth a blueprint for fundamental changes in how New York State budgets, advancing innovative approaches to managing State government. Across all areas of service delivery, the budget offers new ways to address chronic imbalances, unsustainable spending growth and unjustifiable tax burdens.

This budget imposes discipline on State agencies through a 10 percent reduction in General Fund operational costs, a critical step towards keeping spending in line with revenues and avoiding the need to raise taxes. Consistent with the Governor's belief that crisis presents opportunity, the Executive Budget redirects selected local aid to competitive programs that reward efficiency, innovation and results.

The Executive Budget redirects resources to encourage school district efficiency and student performance, reflecting the Governor's belief that New Yorkers deserve better results for their substantial investment in education. The budget recalibrates spending on school aid, recognizing the need for fiscal discipline at both the State and school district level.

The Executive Budget also focuses on spending control in the programs driving the largest cost increases through approaches that will bring greater inclusiveness to, and thereby improve the quality of, decision-making while ensuring the solutions reflect the needs and desires of the impacted communities.

Throughout the budget, aid is tied to spending based on results and competition, including funding in mental hygiene, human services and juvenile justice programs, as well as aid to our cities, towns and villages. Redesigning the mechanisms for awarding scarce State resources will foster innovation while improving the quality of services.

Governor Cuomo recognizes the constraints the State has placed on local governments as they try to contain their own spending and relieve the immense property tax burden on homeowners and businesses. That is why he has issued an Executive Order to create a

Director's Message

Mandate Relief Redesign Team that will explore ways to lift the burden of expensive State requirements on localities. In the spirit of seeking the best solutions from those closest to the problem, the budget encourages school districts to seek waivers from onerous mandates as the first step toward potential statewide repeal of specific requirements that no longer make sense.

In sum, the Executive Budget implements the kind of forward-looking solutions Governor Cuomo knows we need to redesign government, recalibrate spending and thereby free our innovative private sector to rebuild New York.

These changes are necessary to meet our fiscal challenges. The Governor is determined to restore fiscal discipline and reality-based budgeting, and this budget articulates that vision.

Financial Plan Summary

I. Overview

The State faces budget gaps of \$10 billion in 2011-12, \$15.3 billion in 2012-13, \$17.9 billion in 2013-14, and \$21.4 billion in 2014-15. The budget gaps represent the difference between the projected General Fund disbursements, including transfers to other funds, needed to maintain current service levels and specific commitments, and the expected level of resources to pay for them.

The gaps, which are sizeable by any measure, reflect the short-term impact of the recession on State tax receipts and economically-sensitive programs, the long-term impact of current statutory provisions that have allowed spending to grow beyond the State's ability to pay for it, and the phase-out of the Federal government's increased share of State Medicaid costs.¹

II. Executive Budget Financial Plan

Governor Cuomo's Executive Budget eliminates the General Fund budget gap of \$10 billion in 2011-12, and reduces the budget gaps to \$2.3 billion in 2012-13, \$2.5 billion in 2013-14, and \$4.4 billion in 2014-15. The Executive Budget reduces projected budget gaps by a total of \$55 billion, with the four-year gap reduced from \$64.6 billion to \$9.2 billion. Nearly 90 percent of the Executive Budget gap-closing plan consists of actions that would reduce spending. The Budget does not recommend any tax increases.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH EXECUTIVE BUDGET RECOMMENDATION (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	(10,003)	(15,280)	(17,883)	(21,415)
Executive Budget Proposals	10,003	12,979	15,387	17,016
Spending Control	8,858	12,626	15,083	16,727
Aid to Localities Reductions ¹	7,484	11,159	13,600	15,249
State Agency Redesign	1,374	1,467	1,483	1,478
Revenue Actions	340	351	304	289
Non-Recurring Resources	805	2	0	0
BUDGET SURPLUS/(GAPS) AFTER ACTIONS	0	(2,301)	(2,496)	(4,399)

¹ Outyear savings assume Medicaid and School Aid grow at their proposed target rates.

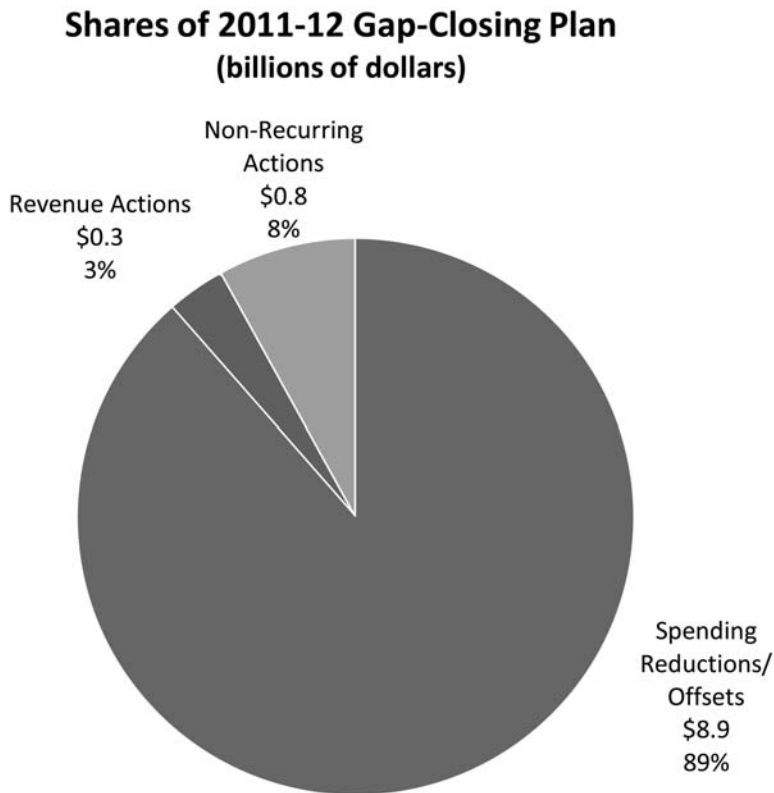
¹ Under the American Recovery and Reinvestment Act, the Federal government increased the matching amount it paid on eligible State Medicaid expenditures from 50 percent to approximately 62 percent. This temporary increase in the Federal Medical Assistance Percentage ("FMAP") ends on June 30, 2011.

To provide a catalyst for the wholesale redesign of State agency operations to meet modern needs, the Executive Budget imposes a 10 percent year-to-year reduction in State Operations spending. To help accomplish the goal of fundamentally reducing the State's long-term spending burden, the Governor has appointed advisory commissions charged with redesigning current operations and recommending specific savings in the areas of Medicaid, criminal justice, and State agency operations. Their reports are due in the coming months.

To begin addressing the out-year gaps, the Budget proposes rational limits on the annual growth rates for major programs, including Medicaid and School Aid. The target growth rate for Medicaid will be the long-term average change in the medical component of the Consumer Price Index. The target growth rate for School Aid will be based on the change of New York State personal income, with a funding mechanism that benefits high-need school districts.

III. Composition of the 2011-12 Gap-Closing Plan

The chart below shows the shares of the \$10 billion gap-closing plan by broad category.



The gap-closing plan includes proposals to lower General Fund spending by approximately \$8.9 billion in 2011-12 compared to the current-services forecast. The plan proposes current-services reductions of \$2.85 billion each for School Aid and Medicaid, \$1.4 billion for State agency operations, and \$1.8 billion for a range of other programs and activities. In total, actions to reduce spending comprise nearly 90 percent of the overall gap-closing plan.

The gap-closing plan anticipates \$340 million in additional revenues in 2011-12 compared to the current-services forecast. The additional revenues would be derived from modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Comptroller's Abandoned Property Fund.

Proposed non-recurring resources total \$805 million in 2011-12, comprising approximately 8 percent of the gap-closing plan. The resources are expected to be derived from contributions by the State's public authorities, maintaining a consistent level of pay-as-you-go financing for eligible capital expenses, and use of existing fund balances.

IV. Projected Closing Balances

If the Executive Budget is enacted as proposed, DOB estimates the State would end 2011-12 with a General Fund balance of \$1.6 billion. Balances in the State's principal reserve funds would remain unchanged.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)					
	2010-11	Planned Deposit	Planned Uses	2011-12	Change
Projected Year-End Fund Balance	1,359	346	(96)	1,609	250
Tax Stabilization Reserve Fund	1,031	0	0	1,031	0
Rainy Day Reserve Fund	175	0	0	175	0
Contingency Reserve Fund	21	0	0	21	0
Community Projects Fund	96	0	(96)	0	(96)
Unsettled Prior Year Collective Bargaining	0	346	0	346	346
Reserved for Debt Reduction	36	0	0	36	0

The closing balance includes \$346 million to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms through 2010-11. The current reserve is calculated based on the pattern agreed to for the 2006-07 through 2010-11 period by the State's largest unions. In prior years, this amount has been carried in the annual spending totals. The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to decrease by \$96 million, reflecting the proposed repeal of a scheduled \$85 million deposit, elimination of the fund, and final spend-down of the balance.

Redesigning Government

Governor Cuomo's Executive Budget reflects a new approach to managing New York State government designed to produce lasting, significant and fundamental changes in the governing and management of New York State, and better results for taxpayers.

To help address the enormous fiscal challenges facing New York, the budget restructures programs in every area of State government and makes funding decisions based not on past practices, but on performance.

To help make New York more attractive to families and businesses, the budget advances a new and more regional approach to economic development that will reenergize the State's economy and maximize the potential of our economic development investments.

With this budget, Governor Cuomo is building a government that brings New Yorkers into the problem-solving process, incentivizes performance, demands results, and provides greater accountability to the taxpayers of New York State.

Governor Cuomo is guided by three principles in designing State government in ways that reduce costs and create jobs. He believes government must:

- **Recalibrate.** Governor Cuomo believes that for too long, New York's government grew without any concern for the costs this growth imposed on taxpayers. The Executive Budget reflects his goal to readjust and recalibrate New York's spending and programs to match State resources, and to stop the current unsustainable trajectory.
- **Redesign.** Governor Cuomo believes we must reinvigorate State government with new ideas and new approaches that fund programs based on merit and results. Throughout State government, Governor Cuomo is shifting from the pattern of funding programs based on historical trends to supporting programs that best demonstrate their value to taxpayers.
- **Rebuild.** Governor Cuomo believes that New York's dysfunctional government has had a lasting, negative impact on our State's economy. He believes that by opening the doors to State government, the best ideas will emerge. Through his Executive Budget, the Governor is inviting New Yorkers from the public and private sectors to work in partnership with their government to address the challenges we face and to build for the future, break down bureaucracy, and reverse the top-down approach that has created a government we can no longer afford.

Redesigning Government

Key Reforms include the following:

Rightsizing Government

- **Mergers and consolidations.** This budget starts the important process of redesigning State government to make it more efficient and effective. This starts with reducing the number of State agencies. The budget proposes consolidating 11 agencies or authorities into four. To help redesign and transform government, Governor Cuomo has created the Spending and Government Efficiency (SAGE) Commission. As part of this effort, Governor Cuomo has directed the Commission to make recommendations to reduce the number of agencies, authorities, and commissions by 20 percent over the long term. The SAGE Commission is directed to submit to the Governor a rightsizing plan to reduce the number of agencies by May 1, 2011. Under legislation proposed by the Governor, the Governor would then submit the rightsizing plan to the Legislature for action with the plan going into effect pursuant to a resolution of the Legislature.

Executive Budget proposals for consolidation and mergers:

Before	After
Department of Correctional Services, Division of Parole	Department of Corrections and Community Supervision
Office for the Prevention of Domestic Violence, the Office of Victim Services, the State Commission of Correction, Division of Criminal Justice Services	Division of Criminal Justice Services
Department of Banking, Department of Insurance, State Consumer Protection Board	Department of Financial Regulation
Foundation for Science, Technology and Innovation and Empire State Development Corporation	Empire State Development Corporation

- **State Operations and Workforce Efficiencies.**

- *State Operations.* Noting that he cannot expect reductions in local governments without first addressing his own operations, Governor Cuomo is demanding efficiencies in every State agency. Governor Cuomo is proposing a 10 percent year-to-year General Fund reduction for all State agency operations, and a 5.4 percent overall reduction in State Operating Funds. A comparable reduction is proposed for the State and City University Systems and the SUNY Hospitals.
- *Workforce Savings.* Guided by the belief that shared sacrifice from all parties is needed to address the State's chronic inability to live within its means, Governor Cuomo will seek a partnership with State employee unions to reduce workforce costs. In addition to the reductions that will occur with consolidations and mergers, Governor Cuomo will seek to work with State employee unions to develop a fair and affordable compensation package for the State workforce.

Proposal	Savings
Rightsizing Initiatives	\$100 million
SUNY Efficiencies	\$115 million
CUNY Efficiencies	\$70 million
SUNY Hospitals	\$180 million
Non-personal services	\$485 million
Labor Management Partnership	\$450 million
TOTAL	\$1.4 billion

- **Prison Consolidation Implementation Plan.** To realign the prison system’s capacity with its significantly reduced offender population and achieve real and recurring savings for State taxpayers, Governor Cuomo will create a task force by Executive Order that will recommend the specific prisons to be closed. If the task force fails to make recommendations or if the recommendations are rejected by the Legislature, the Commissioner of Correctional Services would be empowered to implement facility closures. It is projected that there are at least 3,500 excess beds in medium and minimum security facilities. Communities affected by the closures would receive assistance from the Governor’s new Regional Economic Development Councils, with \$100 million available to help communities end their reliance on incarceration as a major source of employment and economic sustainability.
- **Juvenile Justice Reform.** Governor Cuomo’s juvenile justice proposals reflect a fundamental reform of the State’s juvenile justice system that will offer services proven to help young people lead productive lives while reducing State and local costs. This will be achieved by investing savings derived from right-sizing State facilities, and redirecting funding from local detention operations, to community-based programs that better meet the needs of troubled youth.

Redesigning Government

Governor Cuomo’s ambitious agenda will address many of the programs that drive unsustainable spending. Governor Cuomo is assembling teams of key stakeholders with significant expertise to provide input on and recommendations for ways to redesign State government. These teams will develop recommendations by March 1 for the Governor and Legislature to consider including in the Enacted Budget.

Redesigning Government

- **Recalibrating Medicaid.** Governor Cuomo has created a new Medicaid Redesign Team to find ways to redesign the costly and ineffective Medicaid program for the 2011-12 Fiscal Year. Governor Cuomo is advancing a new and inclusive approach that will bring New Yorkers into the process of developing proposals to provide critical health care services at lower costs. The Executive Budget reflects savings anticipated from the proposals of the Medicaid Redesign Team, established pursuant to Executive Order Number Five. The team's 27 members will bring vast experience as health care providers, consumers and industry experts, to address the challenge of refocusing our health care system to provide quality health care at lower costs.
- **Redesigning State Mandates.** Recognizing that State mandates have, over the years, placed an unsustainable burden on local governments, Governor Cuomo created a Mandate Relief Redesign Team to review unfunded and underfunded mandates imposed by State government on school districts, local governments and other local taxing districts. The Team includes representatives from private industry, education, labor and government and seeks to identify ways to reduce the costs of mandated programs, target mandates that are ineffective and outdated, and determine how school districts and local governments can have greater ability to control expenses.
- **Incentivizing Recurring Savings in Local Government.** Governor Cuomo is creating a multi-faceted approach to help local governments improve the efficiency of their operations, share services, or consolidate. The Executive Budget provides \$79 million for programs to encourage and reward local governments that consolidate or achieve efficiencies and performance improvements. These include Citizen Empowerment Tax Credits to incentivize local government consolidation or dissolution; Citizens Reorganization Empowerment Grants to cover costs associated with studies, plans and implementation efforts related to local government reorganization activities; local government competitive awards to those that have achieved efficiencies or improvements; and local government efficiency grants that cover the costs of new initiatives.
- **Rewarding Education Performance.** New York public schools spend more per student than any other state – fully 71 percent above the national average – yet New York ranks 40th in graduation rates and 34th in the nation in the percentage of adults who have a high school diploma or the equivalent. To improve performance and efficiency, Governor Cuomo has proposed restructuring a portion of State education aid to create incentives that reward school districts for improving student performance and implementing management efficiency policies. These include two competitive grants: a \$250 million School District Performance Improvement Award program of grants awarded to school districts that demonstrate significant improvements in their student performance outcomes, and a \$250 million School District Management Efficiency Award program that awards funding to school districts that undertake long-term structural changes that will reduce costs and improve efficiency.

Rebuilding New York's Economy

Governor Cuomo has said that restoring the State's historically thriving private sector will require holding the line on taxes and working to lower taxes in the future. His New York Open for Business development agenda seeks to facilitate rather than frustrate job creation through the following initiatives:

- **Creating Regional Economic Development Councils.** Noting that those working locally know their area economies best, he will create Regional Economic Development Councils to work with State agencies to allocate resources. To ensure that State agencies and the Councils are working to create jobs, Lt. Governor Robert Duffy has been designated to lead these Councils, which will be drawn from the private sector, local governments, State agencies and academic institutions.
- **Maximizing the Recently-enacted Excelsior Tax Credit Program.** Governor Cuomo has proposed to revise the recently enacted Excelsior Tax Credit Program to produce better results. His proposals would restructure the value and length of the tax credit to provide greater incentives for job creation, restructure incentives for improving properties, pay credits as job-creation milestones are met rather than at the end of the proposal, expand research and development tax credits, and streamline the application and approval process.
- **Creating a Permanent Power for Jobs Program.** To help keep manufacturers in New York State, Governor Cuomo introduced the Recharge New York Power Program to replace the Power For Jobs program. The program will provide predictability and stability of supply with long-term contracts and will be open to new applicants.
- **Enacting Property Tax Relief.** Governor Cuomo's property tax cap will be set at the rate of inflation or 2 percent, whichever is less, prohibit any property tax levy above the cap unless endorsed by both the local governing board and a 60 percent majority of the people during an election, and provide only limited exceptions such as extraordinary legal or capital expenditures.

Economic Development

*Department of Economic Development
Empire State Development Corporation
Foundation for Science, Technology and Innovation
Olympic Regional Development Authority*

I. Overview

The State's economic development programs are administered by three entities. The Department of Economic Development (DED) provides policy direction and manages marketing and advertising activities to promote tourism and new business investment in New York. The Empire State Development Corporation (ESDC) is a public authority that fosters and finances key economic development projects across the State. The Foundation for Science, Technology and Innovation (NYSTAR) administers programs to expand university-based research and technology.

II. History/Context

The mission of the State's economic development agencies is to stimulate economic growth and job creation by fostering business development, enhancing industrial competitiveness, revitalizing downtown areas, advancing high technology, and promoting tourism. Economic development programs have provided tax incentives to businesses through the Excelsior, Empire Zone, Brownfields and Film Tax Credit programs and made targeted grants, loans and capital investments throughout the State.

Despite significant State investment in economic development, programs and policies driven by Albany have not done enough to create jobs and attract new investment to New York's communities. From 2000 to 2010, private sector employment declined statewide by 2.1 percent, or 150,000 jobs, and declined by 38.4 percent, or 288,000 jobs, in the manufacturing sector. Yet over the same period, economic development spending has increased dramatically, growing from \$448 million to \$1.6 billion. Although spending has risen, the State's return on its investment has been difficult to quantify. Businesses participating in programs have not been held accountable for job growth and regional efforts to forge effective development plans have been superseded by priorities set in Albany.

III. Proposed 2011-12 Budget Actions

By refocusing economic development efforts through regional decision-making, the 2011-12 Executive Budget implements the Governor's proposals to reform, redesign and recalibrate the delivery of economic development programs and to promote competition that drives results-oriented investments that will create jobs and make New York more competitive in the national and global economies. Major actions include the following:

- **Decision-making will be Made Through Regional Economic Development Councils.** The Executive Budget establishes 10 Regional Economic Development Councils to create a more regional approach to allocating economic development funding. This process will engage local stakeholders in developing and executing sustainable long-term economic development strategies and enable the councils to act as one-stop shops for all State-supported economic development and business assistance programs.
- **Maximizing Economic Development Funds to Regional Initiatives.** The Executive Budget redirects more than \$340 million in existing economic development capital resources for major regional initiatives. These funds will be used to: provide more than \$130 million for competitively determined economic development projects put forward by the Regional Councils; support a \$100 million Economic Transformation Program that will assist areas of the State that are impacted by correctional and youth facility closures; provide \$100 million for the Metropolitan Transportation Authority capital program; and allocate \$10 million toward the State's commitment for the New York City Empowerment Zone.
- **Strengthening the Excelsior Jobs Program.** The Excelsior Jobs Program was created in 2010 to provide job creation and investment tax credit incentives to businesses in targeted industries. To increase the program's economic development potential, the Executive Budget includes initiatives to produce better results for New York's strategic industries — high-tech, biotech, manufacturing, agribusiness and financial services — by enhancing the available tax credits and improving the program's responsiveness.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Capital Disbursements*	1,050	757	(293)	(28)
Operations	27	23	(4)	(15)
Programs	52	48	(4)	(8)

*The 28 percent decrease in capital spending is the result of one-time, prior-year project authorizations such as Global Foundries and the Aqueduct VLT Facility, as well as numerous capital spending re-estimates.

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Merge NYSTAR into ESDC	1.9	2.0
Ten Percent General Fund State Operations Reduction	2.5	2.5
Total	4.4	4.5

- Merge NYSTAR into ESDC.** The consolidation will streamline service delivery, achieve performance improvements, create organizational efficiencies and eliminate duplicative functions. All NYSTAR programs will be transferred to ESDC for review by the Regional Councils to ensure consistency with regional plans. *(2011-12 Value: \$1.9 million; 2012-13 Value: \$2 million)*
- Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$2.5 million; 2012-13 Value: \$2.5 million)*

Other Budget Actions

- **Regional Economic Development Councils.** The 10 Regional Councils, to be chaired by Lt. Governor Robert Duffy, will promote partnership with the private sector, foster effective communication between the State and the regions, and recognize the critical role that colleges and universities play in creating jobs and attracting companies. The Councils will compete for economic development grants and develop a strong performance management system to guide the State's future economic development investments.

Regions will compete for funding based on the best jobs development plans. Businesses and other local entities will be able to apply for State funds through the Regional Council structure. Approved projects will be consistent with long-term economic development strategies developed by each Regional Council.

These new Regional Councils will consist of local business, community, academic, municipal, State government, labor and other key regional stakeholders. Each Regional Council will be responsible for developing a long-term economic development strategy, coordinating all economic development resources from State agencies and authorities, and reviewing all previous economic development commitments to ensure projects demonstrating the greatest benefit to the State receive the limited State resources available. Funding for the Regional Councils will come from redirecting existing uncommitted economic development funds, with \$200 million in competitive resources to be provided, as follows:

- \$130 million in capital funding from reprioritizing existing economic development funds; and
 - \$70 million in tax credits from the enhanced Excelsior Jobs Program.
- **Economic Transformation Program.** Funding of \$100 million will be made available to communities adversely affected by future correctional and youth facilities closure. In consultation with the new Regional Councils, those communities will be able to use the funds to leverage private sector investments that create jobs and support initiatives that transform their economies.

- **Excelsior Jobs Program.** Within the existing cap, the 2011-12 Executive Budget will revise the Excelsior Jobs Program to produce better results for New York's strategic industries by enhancing the tax credits available and improving the program's responsiveness as follows:
 - Extend the Excelsior Jobs Program tax benefit period from five to 10 years;
 - Revise the Excelsior Jobs Tax Credit to be based upon the projected income tax receipts for each new job, rather than up to \$5,000 per new job;
 - Enhance the Excelsior Research & Development Tax Credit to be equal to 50 percent of the taxpayer's actual Federal research and development credit;
 - Base the Excelsior Real Property Tax Credit (RPTC) on the value of a property after improvements, rather than prior to investment; and
 - Enhance the responsiveness, accountability and transparency of the program through administrative changes, including allowing Excelsior participants to access all New York State research and development tax credits, and authorizing utilities to offer discounted gas or electric rates.
- **Excelsior Linked Deposit.** The 2011-12 Executive Budget will increase the lifetime limit on low-interest loans permitted by the Linked Deposit Program from \$1 million to \$2 million to expand utilization of the program and to make more dollars available for New York's small businesses to grow and create new jobs.
- **Continued Commitment to Critical Economic Development Investments.** As in the 2010-11 budget, nearly \$52 million will be available to support ongoing economic development initiatives including: the Empire State Economic Development Fund, Minority and Women-Owned Business Development and Lending programs, the Urban and Community Development Program, the Entrepreneurial Assistance Program, the retention of professional football in Western New York, tourism marketing initiatives and international trade efforts.
- **Continued High Technology Funding.** As in the 2010-11 budget, an aggregate amount of \$35.9 million, is provided to support ongoing university-based matching grants and other high technology and research and development programs previously administered by NYSTAR.

Education and Arts

*State Education Department
Council on the Arts*

I. Overview

Public education in New York represents a significant commitment of State and local resources. With total State and local spending levels exceeding \$53 billion, New Yorkers have maintained the highest per-pupil spending levels in the nation even in these difficult financial times. Education is the largest area of State spending. This is a reflection of New York State's long-standing commitment to providing opportunity for all students and ensuring that the children of New York have an opportunity for a sound, basic education.

Although today's economic climate imposes significant limitations on the funding of public education, the State's commitment to ensuring that this critical standard is met is unwavering. Accordingly, we must improve the performance of our schools in educating our children through greater efficiency and wiser investments. In addition, as we proceed in future years, we must reassess the State's approach to funding public education to ensure that it meets the needs of our children for the future.

II. History/Context

New York public schools spend more per pupil (\$17,173) than any other state and 67 percent above the national average. While the need to improve educational outcomes remains, the high cost of education has strained both State and local taxpayers. New York is the only state to be in the top six in both state funding per pupil and local funding per pupil.

In the last decade, the State increased its support for schools by 53 percent, from \$13.7 billion to \$20.9 billion. During that time, overall spending by New York public schools increased even more dramatically, by 70 percent, from \$31 billion in 2000-01 to \$53 billion in 2010-11. Statewide increases in school spending, State support for education, and school property tax increases all far outpace the rate of inflation.

However, New York's high education spending has not resulted in high student performance. New York ranks 40th in graduation rates and 34th in the nation in the percentage of adults who have a high school diploma or the equivalent. Despite major investments by taxpayers, too many schools are failing. There is a need to restructure school spending so that our schools provide the educational opportunity to our students that we expect – at a level of spending that State and local taxpayers can sustain, while incentivizing improved performance and greater efficiency.

III. Proposed 2011-12 Budget Actions

The Executive Budget realigns education financing to meet New York's current fiscal reality while reaffirming the commitment to improve educational outcomes in the classroom. State Aid will be recalibrated to achieve necessary savings. The Executive Budget also redesigns a portion of education financing by providing new competitive awards for school districts that become more efficient and to school districts that improve academic achievement. State Aid reductions are coupled with a mandate relief effort, undertaken by Executive Order, which will lower the system-wide cost of providing education services, thus mitigating the impact of decreases in aid.

The 2011-12 Executive Budget recommends \$19.4 billion in School Aid for the 2011-12 school year, which will be a year-to-year reduction in School Aid of \$1.5 billion, or 7.3 percent. Because education in New York is financed primarily through a combination of State and local funding, the proposed reduction in State aid represents only 2.9 percent of the total operating expenditures projected to be made by school districts statewide during the 2010-11 school year.

Even after these actions, School Aid will continue to represent the largest State-supported program, accounting for 29 percent of General Fund spending.

The decrease in School Aid would be achieved through several actions:

- The Executive Budget recommends maintaining operating formula aid categories at current levels. The largest formula aid category is Foundation Aid, which is recommended to remain at \$14.9 billion. Foundation Aid represents the largest component of School Aid. Consistent with the recommendation advanced by the New York State Board of Regents to extend the phase-in of Foundation Aid, the Executive Budget recommends extending the full phase-in of Foundation Aid to the 2016-17 school year.

- To achieve necessary savings, the Executive Budget recommends a \$2.8 billion Gap Elimination Adjustment (GEA) for the 2011-12 school year. This approach reduces school aid progressively, accounting for each school district's wealth, student need, administrative efficiency and residential property tax burden. Low-wealth districts would receive proportionately smaller reductions than high-wealth districts. The size of the GEA in part reflects the loss of \$1.3 billion in one-time Federal funding provided by the American Recovery and Reinvestment Act of 2009 and the Education Jobs Fund of 2010. In future years, as we redesign our approach to funding schools, the GEA would be continued and scaled to limit growth in School Aid to sustainable levels. Through the progressive nature of the GEA, this approach, combined with future phase-in of Foundation Aid, will target State resources to those school districts with the greatest needs.
- The GEA is partially offset by \$305 million of growth in existing expense-based aids such as Building Aid, Transportation Aid and BOCES Aid.

As all New Yorkers and all levels of government are adjusting to a new fiscal reality, so must school districts. While this process will not be without hardship, many school districts have access to temporary funds, including nearly \$1.2 billion in undesignated reserves and unspent funds from the \$607 million Federal Education Jobs Fund. These funds can be used to smooth the transition during this period of fiscal recalibration.

In addition, the Executive Budget proposes major initiatives to make school districts more efficient and improve student performance. These include School District Performance Improvement Awards totaling \$250 million to be awarded on a competitive basis to school districts that demonstrate significant improvements in student performance; and School District Management Efficiency Awards, also totaling \$250 million, to be awarded competitively to school districts that undertake long-term structural changes to reduce costs and improve efficiency.

This budget also reflects \$696 million available from the Federal Race to the Top program. Over the next four years, this funding will help support State and school district efforts to improve academic achievement with reforms to standards and assessments, data systems, and teacher and principal preparation and evaluation.

Education and Arts

Recognizing the State's new fiscal reality, the Executive Budget proposes to make expense-based School Aid categories more reflective of school districts' fiscal capacity. It also recommends other actions to reduce State costs, including difficult, but necessary, decisions to reduce aid for libraries, public broadcasting stations, nonpublic schools and arts grants.

The Governor has created the Mandate Relief Redesign Team by Executive Order. This team, made up of representatives of the Legislature, local government, education and private industry, will conduct a rigorous review of mandates imposed on school districts and other local taxing districts in order to determine the most cost-effective ways to deliver required programs and services and identify mandates that are ineffective, unnecessary, outdated or duplicative. The Team will report to the Governor on March 1, 2011.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
School Aid (School Year)	20,925	19,390	(1,535)	(7.3)
Overall Education and Arts Spending (Fiscal Year)	29,593	27,423	(2,170)	(7.3)

Estimated 2010-11 School District Total General Fund Expenditure (TGFE) (\$ in billions)	Year-to-Year Reduction in Total School Aid (\$ in billions)	Year-to-Year Change in Total School Aid as a Percentage of TGFE
52.9	(1.5)	(2.9)

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions) Fiscal Year	2012-13 (\$ in millions) Fiscal Year
School Aid		
Maintain Funding for Foundation Aid and Universal Prekindergarten at 2010-11 Levels	851	2,435
Reduce School Aid through a Gap Elimination Adjustment (2011-12 SY: \$2.8 billion)	1,950	2,322
Redesign Building Aid Reimbursement Rates and Provide Aid for New Projects on a Competitive Basis	0	69
Rationalize BOCES Aid	0	34
Maintain Supplemental Funding to the Roosevelt Union Free School District at Current Amounts (2011-12 SY: \$6 million)	4	2
Total	2,805	4,862
Other Education and Education Related Programs		
Consider Wealth as a Factor in Reimbursing Summer School Special Education Costs (2011-12 SY: \$86 million)	57	21
Align Financing of Private Schools for the Deaf and Blind with other Private Special Education Schools	98	14
Reduce Funding for Library Aid and Public Broadcasting	10	10
Reduce Funding for Nonpublic Schools	9	9
Reduce Funding to Independent Colleges and Universities (Bundy Aid)	4	4
Other Targeted Reductions	4	4
Reduce SED Operations and Capital Funding	4	4
Total	186	66
Arts		
Reduce Funding for the New York State Council on the Arts Operations and State-funded Arts Grants	4	4
Total	4	4

School Aid

- **Create a Competitive School Performance Incentive Program.** The Executive Budget proposes two competitive grant programs, totaling \$500 million, to reward academic improvement and school district efficiencies:
 - **School District Performance Improvement Awards:** Grants totaling \$250 million will be awarded to school districts that demonstrate significant improvements in their student performance outcomes. This program would build upon the objectives of the Race to the Top program and provide additional State funding to those school districts with the most improved academic achievement and student outcomes.
 - **School District Management Efficiency Awards:** Competitive grants totaling \$250 million will be awarded to school districts that find recurring cost savings and undertake long-term structural changes that reduce costs and improve efficiency.
- **Maintain Funding for Foundation Aid and Universal Prekindergarten at 2010-11 Levels.** Funding for individual aid categories that provide operating support to school districts, including Foundation Aid and Universal Prekindergarten, would be continued at the same level in 2011-12. The Executive Budget recommends extending the full phase-in of Foundation Aid until the 2016-17 school year. *(2011-12 School Year Value: \$1.1 billion; 2012-13 School Year Value: \$3.0 billion; 2011-12 State Fiscal Year Value: \$0.9 billion; 2012-13 State Fiscal Year Value: \$2.4 billion)*
- **Reduce School Aid Through a Gap Elimination Adjustment (GEA).** To address the State's fiscal crisis, the Executive Budget proposes a GEA of \$2.8 billion for the 2011-12 school year. This approach reduces school aid progressively, accounting for each school district's wealth, student need, administrative efficiency and residential property tax burden. The GEA is applied against formula-based School Aid, excluding Building Aid and Universal Prekindergarten. In future years, the GEA would be continued and scaled to limit growth in School Aid to sustainable levels. *(2011-12 School Year Value: \$2.8 billion; 2012-13 School Year Value: \$2.1 billion; 2011-12 State Fiscal Year Value: \$2.0 billion; 2012-13 State Fiscal Year Value: \$2.3 billion)*
- **Redesign Building Aid Reimbursement Rates and Provide Aid for New Projects on a Competitive Basis.** The Executive Budget recommends nearly \$2.66 billion in 2011-12 State support for the construction of school facilities, an increase of \$171 million over current levels. To better target limited State resources for school construction, the Executive Budget proposes to redesign building aid allocations by aligning reimbursement rates more closely with the fiscal capacity of school districts, and creating a new funding structure for school construction that will use a competitive application process that considers the need for the project, the age of the building to be renovated or replaced and district fiscal capacity. *(2011-12 School Year Value: \$0; 2012-13 School Year Value: \$99 million; 2011-12 State Fiscal Year Value: \$0; 2012-13 State Fiscal Year Value: \$69 million)*

- **Modify Transportation Aid to Encourage Shared Services and Other Cost-Effective Practices.** The Executive Budget recommends prospective changes to the Transportation Aid program to encourage cost-effective management. While there is no fiscal impact projected for the 2011-12 State fiscal year, these changes will reduce spending growth in this reimbursement-based program. School districts must, by the end of the 2012-13 school year, either demonstrate participation in a cost-effective shared services program with another municipal entity or in the use of practices identified as efficient by the State Education Department. Noncompliance would result in graduated reductions in the percentage of costs the State would reimburse. In addition, constraints would be placed on reimbursement to ensure that the acquisition of school buses reflects cost-effective practices. *(2011-12 School Year Value: \$0; 2012-13 School Year Value: \$0; 2011-12 State Fiscal Year Value: \$0; 2012-13 State Fiscal Year Value: \$0)*
- **Rationalize BOCES Aid.** Boards of Cooperative Education Services (BOCES) provide both instructional and non-instructional services to school districts. However, current aid formulas often discourage school districts from seeking the unsubsidized best price on certain non-instructional services. Beginning with aid payable in 2012-13, the Executive Budget would distribute BOCES Aid based on the same State aid ratio as Foundation Aid. In addition, to encourage system-wide cost effectiveness, beginning with costs reimbursed in 2012-13, certain non-instructional services provided by BOCES would no longer be reimbursed. *(2011-12 School Year Value: \$0; 2012-13 School Year Value: \$135 million; 2011-12 State Fiscal Year Value: \$0; 2012-13 State Fiscal Year Value: \$34 million)*
- **Maintain Supplemental Funding to the Roosevelt School District at \$6 million.** The Executive Budget includes a \$6 million Academic Achievement Grant for the Roosevelt Union Free School District. This is the same amount provided to Roosevelt in the 2010-11 school year. *(2011-12 School Year Value: \$6 million; 2012-13 School Year Value: \$0; 2011-12 State Fiscal Year Value: \$4 million; 2012-13 State Fiscal Year Value: \$2 million)*

Special Education and Other Education-Related Programs

- **Consider Wealth as a Factor in Reimbursing Summer School Special Education Costs.** The 2011-12 Executive Budget proposes to more closely align State reimbursement to school districts for summer school special education costs with wealth-based aid ratios used during the regular school year. Additionally, the priority of payment would be for claims from the 2011-12 school year with State reimbursement for prior year costs limited to \$100 million during the coming fiscal year. *(2011-12 Fiscal Year Value: \$57 million; 2012-13 Fiscal Year Value: \$21 million)*

- **Align Financing of Private Schools for the Deaf and Blind with other Private Special Education Schools.** Nearly 1,500 students attend 11 State-supported private schools for the blind and deaf. Unlike other private special education schools, these schools have historically been funded through a discrete State appropriation. The Executive Budget would consolidate these 11 private schools into the broader classification of private special education providers. State funding for the cost of students attending these schools would be provided through Private Excess Cost Aid, as is the case for students attending all other private special education schools at the direction of school districts. *(2011-12 Fiscal Year Value: \$98 million; 2012-13 Fiscal Year Value: \$14 million)*
- **Reduce Funding for Library Aid and Public Broadcasting.** The Executive Budget provides \$76 million for Library Aid and \$13.5 million for Public Broadcasting, a 10 percent year-to-year reduction for each program. *(2011-12 Fiscal Year Value: \$10 million; 2012-13 Fiscal Year Value: \$10 million)*
- **Reduce Funding for Nonpublic Schools.** The Executive Budget provides nonpublic schools \$74.2 million in aid for mandated services and \$26.2 million for the comprehensive attendance-taking program. This is an 8 percent reduction in annual reimbursement to approximately 1,200 nonpublic, not-for-profit schools that provide instruction to nearly 400,000 students. These schools are reimbursed for State-mandated activities such as taking attendance and administering State achievement tests. The percentage reduction in these programs is close to the reduction in aid to school districts. *(2011-12 Fiscal Year Value: \$8.7 million; 2012-13 Fiscal Year Value: \$8.7 million)*
- **Reduce Funding for Bundy Aid.** The Bundy Aid program provides unrestricted financial assistance to New York's independent colleges and universities based on the number and type of degrees conferred at each institution. The Executive Budget recommends \$35.1 million in 2011-12 Bundy Aid funding, which is a \$3.9 million, or 10 percent, reduction from 2010-11 funding levels. The proposal is comparable to reductions proposed for the State University of New York and the City University of New York. *(2011-12 Fiscal Year Value: \$3.9 million; 2012-13 Fiscal Year Value: \$3.9 million)*
- **Consolidate Funding for Various Education-Related Programs and Allocate Grants on a Competitive Basis.** The Executive Budget consolidates State support for four discrete education-related initiatives into a \$1.7 million pool of funding for competitive grants to programs that have proven effective in improving the achievement of students. *(2011-12 Fiscal Year Value: \$0.8 million; 2012-13 Fiscal Year Value: \$0.8 million)*

- **Reduce Funding for Arts Grants.** The New York State Council on the Arts' primary mission is to award competitive grants to not-for-profit arts and cultural organizations, including symphony orchestras, museums, dance companies and theatres. Annually, the Council awards approximately 2,300 grants, used largely to subsidize operating costs of small- and mid-sized arts organizations. The 2011-12 Executive Budget reduces arts grants funding by 10 percent, from \$35.2 million to \$31.6 million. *(2011-12 Fiscal Year Value: \$4 million; 2012-13 Fiscal Year Value: \$4 million)*
- **Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(SED Year-to-Year Value: \$4.3 million; Council on the Arts Year-to-Year Value: \$0.5 million)*

Other Budget Actions

- **Maintain the Contracts for Excellence Program.** In recognition of the fiscal circumstances facing the State and the suspension of increases for Foundation Aid, all districts currently in the program would be required to remain in the program with a reduced financial liability unless all school buildings in the district are reported as "In Good Standing" for purposes of the State accountability system. This approach will ensure participation of 23 school districts, including the Big Five city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers). School districts that remain would be required to maintain funding on existing Contract for Excellence programs less the percentage reduction of the Gap Elimination Adjustment.
- **Allow Access to Employee Benefit Accrued Liability Reserve Funds.** In order to maintain educational programming during the 2011-12 school year, a school district's governing board would be permitted to authorize a withdrawal of excess funds in an employee benefits accrued liability reserve fund. The amount withdrawn could not exceed the Gap Elimination Adjustment for a school district. The State Comptroller would first certify that the amount remaining in the Fund is sufficient to meet employee benefit requirements after the withdrawal.

Environment and Energy

*Adirondack Park Agency
Department of Agriculture & Markets
Department of Environmental Conservation
Department of Public Service
Environmental Facilities Corporation
Hudson River Park Trust
Hudson River Valley Greenway Council and Conservancy
New York State Energy Research and Development Authority
Office of Parks, Recreation and Historic Preservation
New York Power Authority*

I. Overview

The State's environmental, energy and natural resource agencies support programs including land use planning and preservation, recreation and tourism, agricultural development, protection of water resources, regulatory oversight of environmental laws and regulations, oversight of food supply and food safety programs, and regulation of the State's utilities and energy programs.

The Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) oversee nearly 4.9 million acres of open space statewide, including 2.6 million acres in the Adirondack Park and nearly 288,000 acres in the Catskill Forest Preserve. Additionally, the State park system comprises 213 State parks and historic sites.

The Department of Public Service (DPS), the staff arm of the Public Service Commission, regulates the rates and services of public utilities — an industry with an estimated \$32 billion in revenue — oversees the siting of major utility infrastructure, and manages other functions. In conjunction with the New York State Energy Research and Development Authority (NYSERDA), DPS oversees and administers the State's energy efficiency and renewable energy programs. The New York Power Authority (NYPA) supplies power statewide through two large hydroelectric facilities and more than 1,400 miles of transmission lines. NYPA does not receive direct support from the State.

The Department of Agriculture and Markets is charged with wide-ranging responsibilities including food safety inspection, agricultural economic development and farmland protection, animal and plant health surveillance, and control of pollutants that cannot be traced back to their specific agricultural source.

II. History/Context

The State’s environmental & energy agencies protect the State’s air, land and water, oversee food safety, provide critical support to the agricultural community, manage our energy resources, and offer safe, affordable and accessible recreational opportunities to New Yorkers.

The State has protected more than 750,000 acres of open space since 2003 and more than 37,000 acres of farmland since 1996. From 1992 to 2006, the State parks system expanded by more than 25 percent, with 66,000 acres and 28 new parks added. These actions have been financed primarily through the Environmental Protection Fund (EPF).

III. Proposed 2011-12 Budget Actions

To help address the State’s fiscal crisis, the Executive Budget reduces General Fund State Operations spending in environment and energy agencies by 10 percent and recommends targeted reductions to local aid programs.

The Executive Budget continues to support critical programs including the EPF, which will be maintained at \$134 million, the same level as in 2010-11.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Total Environment and Energy Spending	1,571	1,469	(102)	(6.5)
Department of Agriculture and Markets	121	122	1	0.8
Department of Environmental Conservation	1,056	1,013	(43)	(4.1)
Office of Parks, Recreation and Historic Preservation*	228	209	(19)	(8.3)

*OPRHP number adjusted for one-time capital expenditures.

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Eliminate Funding for Local Navigation Law Enforcement	2.4	2.4
Restructure Agriculture and Markets Local Assistance	3.2	2.7
Recalibrate Funding for DEC Water Commissions	.2	.2
Utilize Existing Balances in the Brownfield Opportunity Area Program	5.0	15.0
Ten Percent General Fund State Operations Reduction	3.5	3.5
Total	14.3	23.8

- Eliminate Funding for Local Navigation Law Enforcement.** The Executive Budget proposes to eliminate \$2.4 million in reimbursements to localities for costs of navigation law enforcement on waterways. These enforcement activities are undertaken at the discretion of localities and are not mandated. *(2011-12 Value: \$2.4 million; 2012-13 Value: \$2.4 million)*
- Restructure Agriculture and Markets' Local Assistance into a Competitive Program.** Agriculture and Markets' local assistance programs that provide research and promotional support for agricultural activities will be restructured into a competitive program that provides grants for purposes that best serve the agricultural community and industry. Total appropriations for these programs will be reduced by \$2 million, and restructured into a new \$1.2 million competitive program. Additionally, reductions will be taken from Agriculture & Markets Local Assistance reappropriations. Core funding for the Cornell Veterinary Diagnostic Laboratory and Migrant Child Care program would not be affected. *(2011-12 Value: \$3.2 million; 2012-13 Value: \$2.7 million)*
- Recalibrate Funding for DEC Water Commissions.** Actions include a 25 percent reduction in State funding to select water commissions, including the Susquehanna River Basin, Delaware River Basin and Great Lakes water commissions. *(2011-12 Value: \$0.2 million; 2012-13 Value: \$0.2 million)*

Environment and Energy

- **Utilize Existing Balances in the Brownfield Opportunity Area Program.** The program has a sufficient balance to honor the 29 existing commitments worth \$10.4 million, and to award new grants. Therefore, the Executive Budget proposes eliminating the General Fund transfer to the program. The grants fund planning and technical assistance for municipalities in areas affected by the presence of brownfield sites. *(2011-12 Value: \$5 million; 2012-13 Value: \$15 million)*
- **Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$3.5 million; 2012-13 Value: \$3.5 million)*

Other Budget Actions

- **Environmental Protection Fund.** The Budget includes \$134 million for the programs supported by the EPF, the same level as in 2010-11. Appropriations include \$10.8 million for solid waste programs, \$52.7 million for parks and recreation and \$70.5 million for open space programs.

Health Care

*Department of Health
Office of the Medicaid Inspector General
State Office for the Aging*

I. Overview

The mission of the Department of Health (DOH) is to ensure that high quality health services are available to all New Yorkers at a reasonable cost. Consistent with this objective, DOH provides comprehensive health care and long-term care coverage for low and middle income individuals and families through the Medicaid, Family Health Plus, Child Health Plus and Elderly Pharmaceutical Insurance Coverage (EPIC) programs.

In addition to its health insurance programs, DOH protects public health, supervises public health activities throughout the State and operates Helen Hayes Hospital, four veterans' nursing homes, and the Wadsworth Laboratories. The Department also oversees instrumental health care facilities.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity on the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for services funded by Medicaid.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. The Office oversees community-based services provided through a network of county Area Aging Agencies and local providers.

II. History/Context

Established in 1965, New York's Medicaid program is the largest payer of health care and long-term care services in the State. Nearly five million individuals receive Medicaid-eligible services each month through a network of more than 60,000 health care providers and over 20 managed care plans. New York's Medicaid program covers nearly all Medicaid services allowed by the Federal government as well as other services authorized through Federal waivers.

In the absence of any changes, total Federal, State and county Medicaid spending would reach \$58.3 billion in 2011-12. New York's Medicaid program is, by far, the most expensive in the nation. According to the most recent Federal data, New York spends more per capita (\$2,488) than any other state in the country and more than twice the national average (\$1,150).

III. Proposed 2011-12 Budget Actions

Despite years of attempts at cost containment, Medicaid spending has continued to grow at an unsustainable rate while failing to deliver the quality outcomes that New Yorkers deserve. Governor Cuomo is advancing a new and inclusive approach that will bring New Yorkers into the process of developing proposals to provide critical health care services at lower costs.

The Executive Budget reflects savings anticipated from the proposals of the Medicaid Redesign Team, established pursuant to Executive Order No. 5. The team's 27 members bring vast experience as health care providers, consumers and industry experts, to address the challenge of refocusing our health care system to provide quality health care at lower costs. They are conducting a comprehensive review of New York's Medicaid Program and will report findings and recommendations for cost reductions to the Governor by March 1, 2011 for consideration in the budget negotiation process.

In addition, the Executive Budget recommends more than \$162 million in reductions to public health and aging programs, including \$48 million in savings from agency operations.

IV. Summary of Spending (All Funds Unless Otherwise Noted)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total)	53,792	52,810	(982)	(1.8)
Medicaid (State Funds)	14,360	18,015	3,655	25.5
Medicaid (State Funds Excluding Enhanced FMAP)	18,937	18,464	(473)	(2.5)
Department of Health Spending (Excluding Medicaid)	4,371	4,588	217	5.0
Office of the Medicaid Inspector General	64	68	4	6.3
Office for the Aging	227	215	(12)	(5.3)

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Medicaid Redesign Team	\$2,850.0	\$4,572.0
Public Health and Aging Programs	162.1	284.3
Total Gap Closing Actions	3,012.1	4,856.3

Medicaid Redesign

The Executive Budget reflects that the Medicaid Redesign Team will identify initiatives to reduce State Funds Medicaid spending by \$2.85 billion for 2011-12 and by \$4.6 billion in 2012-13 by modifying program requirements and limiting spending growth to the 10-year rolling average of the medical care component of the Consumer Price Index. This reflects a year-to-year All Funds spending reduction of \$982 million or 2 percent.

Public Health and Aging Programs

The Department of Health and the State Office for the Aging administer programs that support New York's public health and senior care systems. The budget achieves savings by amending the Elderly Pharmaceutical Insurance Coverage (EPIC) program, the Early Intervention (EI) program and the General Public Health Work (GPHW) program; creates new local competitive performance grant programs in DOH and SOFA; restructures the clinical laboratory fee methodology; reduces the subsidy for the Roswell Park Cancer Institute and achieves other administrative efficiencies. These actions will save \$162.1 million in 2011-12 and \$284.3 million in 2012-13.

- **EPIC: Modify Program to Focus Funding to Gap Coverage (“donut hole”).** Effective January 1, 2012, EPIC will only provide payment for drugs when an enrollee has entered into the Medicare Part D coverage gap. Additionally, effective July 1, 2011, EPIC enrollees will be responsible for paying their Part D premiums or their full deductible. Finally, as a result of the lower program payments expected under this reform, a one-time sweep of fund balances contributes to the 2011-12 savings in this program. (2011-12 Value: \$58.4 million; 2012-13 Value: \$93.2 million)

- **Recalibrate Early Intervention Rates.** To make the cost of Early Intervention more affordable, a variety of changes will be made to payments for Early Intervention providers. These include the following:
 - **Rate Reductions of 10 percent for Early Intervention.** A 10 percent across the board rate reduction will be applied to all Early Intervention service rates. *(2011-12 Value: \$11.1 million; 2012-13 Value: \$24.3 million)*
 - **Restructure Early Intervention Billing Practices.** Providers of Early Intervention that receive more than \$500,000 in Medicaid revenue annually will be required to directly seek reimbursement from Medicaid and private insurance prior to seeking payment from municipalities for these services. *(2011-12 Value: \$0.5 million; 2012-13 Value: \$1.9 million)*
 - **Maximize Commercial Insurance Reimbursement for Early Intervention.** Insurance companies will be required to pay legitimate claims for Early Intervention Services. Currently, only \$13 million, or 2 percent of total gross program costs are paid by private insurance companies, although over 40 percent of children enrolled in the program are covered by private insurance. *(2011-12 Value: \$0 million; 2012-13 Value: \$24.6 million)*
 - **Recover Early Intervention Overpayment for Medicaid Transportation.** Achieve savings due to recoupment of \$6.2 million in the State's overpayment for Medicaid transportation costs. This proposal will recover the overpayment from counties. *(2011-12 Value: \$6.2 million; 2012-13 Value: \$0 million)*
 - **Modify Early Intervention Service Coordination Rates to Use Capitation.** In order to achieve programmatic efficiencies, capitated rates will replace the current methodology of billing in 15 minute increments for service coordination. Service coordination will be paid at a single rate per event or per month regardless of the amount of time spent managing the child's case. *(2011-12 Value: \$0.3 million; 2012-13 Value: \$0.9 million)*
 - **Bill Early Intervention Services in 15-Minute Increments.** Fifteen minute increment rates will replace variable unit increment rates (basic and extended). Currently, basic visits are for up to 59 minutes of contact time with a child and an extended visit is for 60 minutes or more. *(2011-12 Value: \$1.6 million; 2012-13 Value: \$6.2 million)*
 - **Revise Early Intervention Rates to Update Wage Equalization and Transportation Factors.** Rates for home and community-based visits will be revised to reflect updated wage equalization factors that account for salary differences across the State. In addition, other changes to the prices will be made to adjust travel time assumptions which are assumed in the rates. *(2011-12 Value: \$0.9 million; 2012-13 Value: \$1.4 million)*

- **Restructure General Public Health Work.** Reimbursement for the General Public Health Work program will be limited to basic services, and reimbursement for all optional services will be discontinued. Optional services currently funded include: Medical Examiners, Early Intervention Service Coordination, Dental Services, Home Health Services, Long Term Care, Emergency Medical Services, Other Environmental Services, Radioactive Materials Licensing, Radioactive Equipment Inspection, and Housing Hygiene. *(2011-12 Value: \$10.5 million; 2012-13 Value: \$52.8 million)*
- **Reduce Funding for Cancer Services Program.** Funding available through the Cancer Services Program will be reduced by \$0.65 million to reflect elimination of the non-direct care components of certain programs. *(2011-12 Value: \$.32 million; 2012-13 Value: \$.65 million)*
- **Establish Local Competitive Performance Grant Program for Public Health Programs.** A new local competitive performance grant program for various public health programs will be funded with savings created by reducing support for various programs (with current funding levels) including: Audit of Resident Teaching Programs (\$2.2 million); Brain Trauma Foundation (\$0.49 million); Cardiac Services (\$1.38 million); Eating Disorders (\$0.25 million); Falls Prevention (\$0.30 million); Health Promotion Initiatives (\$1.14 million); Infertility Program (\$4.05 million); Interim Lead Safe Housing (\$0.20 million); Latino Outreach Program (\$0.07 million); Long Term Care Community Coalition (\$0.07 million); Maternal Mortality Review & Safe Motherhood Initiative (\$0.14 million); Maternity and Early Childhood Foundation (\$0.60 million); Medicaid Collaborative Studies (\$1.39 million); Minority Male Wellness (\$0.05 million); Office of Minority Health (\$0.53 million); Osteoporosis Prevention (\$0.06 million); Public Awareness Campaign for Donor Registry Letter (\$0.25 million); Public Health Genomics (\$0.05 million); Public Health Management Leaders of Tomorrow (\$0.55 million); Quality Improvement (\$0.37 million); Racial Disparities Study (\$0.3 million); Statewide Health Broadcasts (\$0.08 million); Sudden Infant Death Syndrome (\$0.04 million); Tick-Borne Disease (\$0.15 million); Minority Participation in Medical Education Program – CUNY Gateway Institute (\$0.22 million); Minority Participation in Medical Education Program – SUNY Upstate Medical (\$0.04 million); the Workforce Studies Program (\$0.39 million); and COLA savings from the eliminated programs (\$0.12 million). *(2011-12 Value: \$4.7 million; 2012-13 Value: \$7.7 million)*
- **Reduce Subsidy for Roswell Park Cancer Institute (RPCI).** The State subsidy for RPCI will be reduced by 10 percent. *(2011-12 Value: \$7.8 million; 2012-13 Value: \$7.8 million)*
- **Restructure Clinical Laboratory Fee Methodology.** This proposal will modify the current outdated and complex method of determining laboratory fees that support DOH's oversight of clinical laboratories. This restructuring is not intended to generate additional fee revenue. *(2011-12 Value: \$0; 2012-13 Value: \$0)*

- **Establish Local Competitive Performance Grant Program for Aging Programs.** A new local competitive performance grant program for aging programs will be funded with savings created by reducing support for various programs (with current funding levels) including: Community Empowerment Initiative (\$0.25 million), Congregate Services Initiative (\$0.64 million), EAC/Nassau Respite Program (\$0.24 million), Elderly Abuse Education and Outreach Program (\$0.49 million), Enriched Social Adult Day Centers Program (\$0.25 million), Foster Grandparent Program (\$0.20 million), Long Term Care Senior Respite (\$0.14 million), NY Foundation Home Sharing (\$0.17 million), Patients' Rights Hotline and Advocacy (\$0.06 million), Regional Caregivers Centers for Excellence (\$0.23 million), Retired and Senior Volunteer Program (\$0.43 million). *(2011-12 Value: \$1.4 million; 2012-13 Value: \$1.6 million)*
- **Eliminate NY Connects Program.** Funding for the NY Connects Program will be eliminated. This program provides seniors with information regarding available services through the establishment of call centers, telephone hotlines and SOFA's NY Connects website. *(2011-12 Value: \$0.95 million; 2012-13 Value: \$3.8 million)*
- **Defer Human Services COLA.** The 1.2 percent human services COLA is delayed for one year, which will result in no new COLA funding in either DOH or SOFA. *(2011-12 Value: \$9.25 million; 2012-13 Value: \$9.25 million)*
- **Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$48.3 million; 2012-13 Value: \$48.3 million)*

Higher Education

*State University of New York
City University of New York
State University Construction Fund
Higher Education Services Corporation*

I. Overview

Each year, New York State's higher education institutions educate more than 1.3 million students. The State University of New York (SUNY) and the City University of New York (CUNY) administer 47 four-year colleges and graduate schools that provide nearly 400,000 full- and part-time students with an array of undergraduate, graduate degree, and first professional educational opportunities. SUNY and CUNY also support 36 community colleges, serving more than 330,000 students. In addition, more than 540,000 students attend one of the more than 100 private colleges and universities across New York State.

To help students obtain a college education, the Higher Education Service Corporation (HESC) provides financial aid services. HESC administers and guarantees student loans made under the Federal Family Education Loan (FFEL) program, and oversees State-funded aid programs, including the Tuition Assistance Program (TAP), the New York Higher Education Loan Program (NYHELPS), the Aid for Part Time Study (APTS) program, and 16 scholarship and award programs. HESC also partners with the Office of the State Comptroller in administering the College Choice Tuition Savings Program.

II. History/Context

The nearly \$12 billion of new capital project funding provided to SUNY and CUNY since 2003-04 has supported state-of-the-art improvements and renovations at these institutions' vast infrastructure of campuses. Improvements to research facilities, dormitories, classroom space and other buildings represent important investments in communities that have helped create jobs throughout New York State.

III. Proposed 2011-12 Budget Actions

The Executive Budget's General Fund support for SUNY and CUNY senior colleges represents gap-closing actions worth \$185.5 million — \$115.4 million for SUNY and \$70.1 million for CUNY.

Higher Education

Additionally, the Executive Budget includes \$135 million in gap-closing actions (\$167 million on a full annual basis) reflecting the elimination of the subsidy for SUNY's three teaching hospitals. The subsidy accounts for approximately 8 percent of overall SUNY hospital revenue.

The Executive Budget includes legislation that would enable SUNY and CUNY to streamline their procurement processes, and provide SUNY with greater flexibility to engage in public-private partnerships (CUNY already has flexibility in this area). These reforms, with continuing efforts by the universities to generate efficiencies through administrative consolidation, program redesign, and workforce concessions, will help the campuses and hospitals design management strategies that maintain their core missions in the face of declining State support.

A total of \$46.3 million of gap-closing actions is achieved by reducing Base Operating Aid for SUNY and CUNY Community Colleges by \$226 per student, or 10 percent, from \$2,260 per student to \$2,034. Because of projected community college enrollment increases, year-to-year support would decline 5.9 percent from 2010-11 levels.

The budget also extends the one-year reductions to TAP enacted in 2010-11, which would provide gap-closing values in 2011-12 of \$30.8 million. Overall funding for TAP would increase by \$19.0 million, or 2.3 percent, from 2010-11 levels on an All Funds basis due to enrollment growth.

IV. Summary of Spending (General Funds)*

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Higher Education	3,018	2,938	(80)	(2.7)
SUNY	1,515	1,377	(138)	(9.1)
CUNY	707	670	(37)	(5.2)
HESC	796	891	95	11.9

* Excludes directly appropriated fringe benefit funding and includes comparability adjustment for SUNY hospitals.

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Reduce Support for SUNY/CUNY Senior Colleges	170	170
Reduce Support for SUNY Statutory Colleges at Cornell and Alfred Universities	15	15
Reduce Base Aid for SUNY/CUNY Community Colleges	46	46
Eliminate SUNY Hospital Subsidy	135	167
Reduce Spending Authority for Long Island Veterans' Home	5	5
Maintain Current Formulas for Allocating TAP Awards	31	45
Extend Loan Forgiveness and Scholarship Programs for Nurses and Physicians	(8)	(4)
Other Higher Education Reductions	6	6
Total	400	450

- **Reduce Support for SUNY/CUNY Senior Colleges.** The Executive Budget reduces General Fund support for SUNY and CUNY senior colleges by \$170.1 million (\$100 million and \$70.1 million, respectively). After this reduction, General Fund support would total \$832.3 million for SUNY and \$509.4 million for CUNY. *(2011-12 Value: \$170.1 million; 2012-13 Value: \$170.1 million)*
- **Reduce Support for SUNY Statutory Colleges at Cornell and Alfred universities.** State support is provided through SUNY to five statutory colleges, including four colleges at Cornell University and the College of Ceramics at Alfred University. In addition, the State provides support for Cornell's land grant mission. The Executive Budget reduces total support by \$15.4 million. After this reduction, \$78.9 million would be provided for Cornell's statutory colleges, \$42.1 million for the land grant program, and \$8.1 million for the College of Ceramics. This represents a year-to-year reduction of 10 percent. *(2011-12 Value: \$15.4 million; 2012-13 Value: \$15.4 million)*
- **Reduce Base Aid for SUNY/CUNY Community Colleges.** The Executive Budget reduces SUNY and CUNY community college base aid by 10 percent, or \$226 per full-time equivalent (FTE) student, from \$2,260 to \$2,034 per FTE. After this reduction, General Fund support would total \$427.8 million for SUNY and \$172.5 million for CUNY. *(2011-12 Value: \$46.3 million; 2012-13 Value: \$46.3 million)*

Higher Education

- **Eliminate SUNY Hospital Subsidy.** The Executive Budget eliminates General Fund support for the three SUNY teaching hospitals in Brooklyn, Stony Brook, and Syracuse, which represents approximately 8 percent of total hospital operating revenue. *(2011-12 Value: \$134.8 million; 2012-13 Value: \$166.9 million)*
- **Reduce Spending Authority for Long Island Veterans' Home:** The Executive Budget assumes a \$4.7 million reduction, or 10 percent, in operating spending for Long Island Veterans' Home, and the transfer of these savings to the State treasury. *(2011-12 Value: \$4.7 million; 2012-13 Value: \$4.7 million)*
- **Maintain Current Formulas for Allocating TAP Awards.** The Executive Budget essentially maintains current policies for TAP enacted in 2010-11 in order to reduce projected growth in the program. These policies include continuing the current maximum TAP award for students enrolled in certain two-year degree granting programs, requiring private pension and annuity income not subject to State taxes to be included determining TAP award eligibility, increasing the academic standards for continued TAP award eligibility and others. *(2011-12 Value: \$30.8 million; 2012-13 Value: \$45.1 million)*
- **Extend Loan Forgiveness and Scholarship Programs for Nurses and Physicians.** The Executive Budget extends the Physician Loan Forgiveness Program, the McGee Nursing Faculty Scholarship Program and the Nursing Faculty Loan Forgiveness Program. These programs provide benefits to nurses who agree to serve as educators in nursing programs and to physicians who agree to practice in areas with physician shortages. *(2011-12 Value: \$7.7 million; 2012-13 Value: \$4.2 million)*
- **Other Higher Education Reductions.** The Executive Budget reflects spending re-estimates for NYHELPS. *(2011-12 Value: \$6.0 million; 2012-13 Value: \$6.0 million)*

Human Services

*Office of Temporary and Disability Assistance
Office of Children and Family Services
Department of Labor
Division of Housing and Community Renewal
Division of Human Rights
Office of National and Community Service
Office of Welfare Inspector General*

I. Overview

New York's human services programs promote the safety and well-being of the State's most vulnerable residents.

Programs funded through the Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS) include cash assistance to elderly and disabled persons who are unable to work, supportive services to public assistance recipients to prepare for and secure employment, child support enforcement, child care subsidies to assist low-income working families, juvenile justice, and child protective and adult protective programs.

Programs funded through the Department of Labor (DOL) protect workers, promote workforce development and operate the State's Unemployment Insurance System.

Programs funded through the Division of Housing and Community Renewal (DHCR) preserve and create affordable housing.

Programs funded through the Division of Human Rights (DHR) protect civil rights in the areas of employment, housing, public accommodations, education and credit.

Programs funded through the Office of National and Community Service (NCS) support community service grants that provide youth education, assistance to individuals with disabilities, public health services, and disaster preparedness.

The Office of Welfare Inspector General (OWIG) investigates and prosecutes welfare fraud, waste, abuse and illegal acts involving social services programs at both the State and local levels.

II. History/Context

Since the enactment of landmark Federal welfare reform in August 1996, the State's public assistance caseload has declined by approximately one million recipients. The 2011-12 caseload is estimated at 532,000 recipients, slightly less than 2010-11.

New York's Supplemental Security Income (SSI) program supplements Federal SSI benefits to low-income elderly, blind, and disabled persons. Expenditures for the State supplements have increased from \$624 million in 2004-05 to over \$700 million in 2010-11 as caseload increased. The 2011-12 caseload is estimated at 681,000 recipients.

New York State's child welfare programs are monitored by OCFS and administered by 58 local social services districts (LSSDs), which are responsible for conducting direct investigations of alleged child abuse, as well as providing services to prevent foster care placements for at-risk youth and families, and foster care services when out-of-home placement is necessary.

The Child Welfare Services program supports approximately 165,000 child protective services investigations and 49,000 mandated preventive services cases. This program is financed 62 percent by the State and 38 percent by the LSSDs after available Federal funding is exhausted. This funding mechanism, authorized in 2002-03 through Child Welfare Financing Reform, provides an incentive to use preventive care services to keep families safely intact and to avoid unnecessary foster care placements. There is evidence that this front-end investment is paying dividends, as the foster care caseload has dropped by 32 percent since 2002-03 — from 34,900 to an estimated 23,700 in 2010-11.

III. Proposed 2011-12 Budget Actions

In addition to proposing extensive reform of juvenile justice services, the Executive Budget recalibrates financing structures for residential costs for special education, housing, youth delinquency and other services to reduce overall costs and encourage competition.

The 2011-12 Executive Budget's proposed reforms of the State's juvenile justice system will encourage prudent decision-making and greater use of community based services to generate better outcomes for children and families, as well as significant savings. The Executive Budget also reduces OCFS's youth facilities capacity to more closely reflect census trends, thereby improving system efficiency and reducing costs.

While continuing to ensure that core supportive services are available for needy populations, the Executive Budget proposes a one-year delay of the third year of a three-year, 30 percent increase in the public assistance basic grant in order to deal with the ongoing fiscal crisis. Federal, state and local funding of public assistance benefits is projected to total \$2.4 billion, similar to the 2010-11 expenditure level. If these proposals are enacted, the State would still provide \$9.2 billion for human services programs in 2011-12.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Human Services	9,559	9,244	(315)	(3.3)
OTDA	5,201	5,197	(4)	(0.1)
OCFS	3,191	3,042	(149)	(4.7)
DOL	675	594	(81)	(12)
DHCR	448	379	(69)	(15.4)

Year-to-year decreases in DOL and DHCR primarily reflect the loss of non-recurring Federal funds.

Human Services

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Juvenile Justice Reform		
Restructure State Funding for Local Secure and Non-Secure Detention	23	51
Invest in Performance-Based Supervision and Treatment Services for Juveniles Program	(29)	(46)
Reduce Youth Facility Capacity	22	22
Enhance Youth Facility Services	(14)	(24)
Total	2	3
Human Services		
Delay the Third Phase of the Public Assistance Grant Increase	29	7
Fully Finance Family Assistance with Federal Funding	62	62
Strengthen Compliance with Public Assistance Work Requirements	7	15
Eliminate State Share Funding for the New York City Work Advantage Program	35	35
Reduce Reimbursement for New York City Adult Homeless Shelters	16	16
Repeal Prior Year Department of Labor Employment and Training Program Initiatives	5	0
Redesign Neighborhood and Rural Preservation Program Funding	6	6
Align State Share of Adoption Subsidy Program	34	36
Shift Certain Title XX Funding to Child Welfare Services	22	22
Better Align Committee on Special Education (CSE) Funding Responsibility	69	79
Eliminate 2011-12 Human Services Cost of Living Adjustment (COLA)	13	14
Enhance Performance in Child Welfare Services and Other Savings	53	53
Eliminate Funding for Supplemental Child Welfare Initiatives	2	2
Establish a Primary Prevention Incentive Program	35	42
Eliminate Safe Harbour Funding	3	3
Increase Fee for Child Abuse Background Checks to Reflect Actual Costs	12	12
Ten Percent General Fund State Operations Reduction	31	31
Total	434	435

Juvenile Justice Reform

Governor Cuomo's juvenile justice proposals reflect his efforts to begin redesigning key State programs and recalibrating associated State spending. A fundamental reform of the State's juvenile justice system will offer services to help young people lead productive lives while reducing State and local costs. This will be accomplished by investing savings achieved through right-sizing State facilities, and redirecting funding from local detention operations to community-based programs that better meet the needs of troubled youth. *(2011-12 Net Value: \$2 million; 2012-13 Net Value: \$3 million)*

This reform includes the following proposals:

- **Restructure State Funding for Local Secure and Non-Secure Detention.** This proposal eliminates the automatic 49 percent State reimbursement of local secure and non-secure detention costs effective July 1, 2011. Local detention costs for high risk youth will be supported through a new Capped Detention Program that will support 50 percent of detention costs for high risk youth who pose a threat to public safety. This financing reform will provide stronger incentives for local officials to focus on effective programs that serve youth in the community and will generate long-term State and local savings. *(2011-12 Value: \$23 million; 2012-13 Value: \$51 million)*
- **Invest in Performance-Based Supervision and Treatment Services for Juveniles Program.** A significant increase in funding will be available for local governments to support performance-focused, community-based alternatives to placing lower-risk youth in costly State youth facilities and local detention centers. This funding will replace and enhance existing alternatives to detention and residential placement program funding. *(2011-12 Value: \$29 million; 2012-13 Value: \$46 million)*
- **Reduce Youth Facility Capacity.** This proposal would reduce capacity from 1,209 beds to 833 beds. To allow for more effective management and swifter achievement of savings for State taxpayers, the Executive Budget also proposes to eliminate the 12-month statutory notification requirement that OCFS must adhere to before closing a facility. *(2011-12 Value: \$22 million; 2012-13 Value: \$22 million)*
- **Enhance Youth Facility Services.** This investment would support improvements in mental health, education, counseling, direct care and other services at OCFS facilities throughout the State. The investment would build upon efforts that commenced in 2010. *(2011-12 Value: \$14 million; 2012-13 Value: \$24 million)*

Human Services

- **Delay the Third Phase of the Public Assistance Grant Increase.** The State will continue to assume the local share of previously implemented grant increases. The Executive Budget proposes delaying until July 2012 the enacted 10 percent increase that was to be implemented beginning on July 1, 2011. *(2011-12 Value: \$29 million; 2012-13 Value: \$7 million)*
- **Fully Finance Family Assistance with Federal Funding.** The Executive Budget allocates Federal Temporary Assistance for Needy Families (TANF) funds to pay the full benefit costs of eligible households for Family Assistance benefits, generating \$52 million in local savings as well as reducing State costs. *(2011-12 Value: \$62 million; 2012-13 Value: \$62 million)*
- **Strengthen Compliance with Public Assistance Work Requirements.** To more strongly encourage public assistance recipients to seek employment, the Executive Budget proposes withholding a public assistance household's public assistance grant in the second and any subsequent instances in which the head of the household does not comply with employment requirements. *(2011-12 Value: \$7 million; 2012-13 Value: \$15 million)*
- **Eliminate State Share Funding for the New York City Work Advantage Program.** Currently, the State and New York City jointly fund shelter supplements for public assistance households at risk of eviction or already residing in homeless shelters that are participating in the Work Advantage Program. Executive Budget provisions would eliminate the State participation in this supplement. *(2011-12 Value: \$35 million; 2012-13 Value: \$35 million)*
- **Reduce Reimbursement for New York City Adult Homeless Shelters.** The Executive Budget proposes to reduce the reimbursement level for New York City adult homeless shelter expenditures, from \$84.7 million to \$69 million. New York City would continue to be required to finance these expenses. *(2011-12 Value: \$16 million; 2012-13 Value: \$16 million)*
- **Repeal Prior Year Department of Labor Employment and Training Program Initiatives.** The Executive Budget proposes repealing all General Fund local assistance reappropriations that support specific employment and training programs. The Department of Labor will continue to operate training functions using Federal funding. *(2011-12 Value: \$5 million; 2012-13 Value: \$0)*
- **Redesign Neighborhood and Rural Preservation Program Funding.** The Executive Budget proposes reducing the current formula-based funding for Neighborhood and Rural Preservation Programs by 50 percent and converting to a competitive, performance-based funding program beginning in 2011-12. *(2011-12 Value: \$6 million; 2012-13 Value: \$6 million)*

- **Align State Share of Adoption Subsidy Program.** This proposal would reduce the State share for adoption subsidies from 73.5 percent, net of available Federal funding, to 62 percent, in order to align cost shares with preventive services, which are designed to reduce unnecessary and expensive foster care placements. *(2011-12 Value: \$34 million; 2012-13 Value: \$36 million)*
- **Shift Certain Title XX Funding to Child Welfare Services.** This proposal would shift Federal Title XX funding that primarily supports local discretionary services including housing improvement and homemaker services to Child Welfare Services to reduce existing State and local child welfare expenditures. *(2011-12 Value: \$22 million; 2012-13 Value: \$22 million)*
- **Better Align Committee on Special Education (CSE) Funding Responsibility.** For room and board costs associated with children placed in residential schools because their needs cannot be met in their school district, the Executive Budget will transfer the entire State share to school districts. This proposal aligns costs more proportionately to the entities making determinations of placements for children. The local social services district share of 43 percent would remain unchanged. *(2011-12 Value: \$69 million; 2012-13 Value: \$79 million)*
- **Eliminate 2011-12 Human Services Cost of Living Adjustment (COLA).** This proposal would eliminate the projected 1.2 percent COLA scheduled to take effect in 2011-12 for OCFS programs including Foster Care, Adoption, Bridges to Health, and New York/New York III. *(2011-12 Value: \$13 million; 2012-13 Value: \$14 million)*
- **Enhanced Performance in Child Welfare Services and Other Savings.** The Executive Budget reflects cost reductions in Child Welfare Services resulting from improved data exchanges between OCFS and local social services districts outside of New York City and savings based on actual costs from prior years. The data exchange will allow districts to assess performance and make more informed program decisions. These actions are not expected to have service impacts. *(2011-12 Value: \$53 million; 2012-13 Value: \$53 million)*
- **Eliminate Funding for Supplemental Child Welfare Initiatives.** While maintaining funding for core child welfare programs, this proposal would eliminate support for demonstration projects and certain training. Core child welfare oversight functions would continue to be conducted by State staff. *(2011-12 Value: \$2 million; 2012-13 Value: \$2 million)*
- **Establish a Primary Prevention Incentive Program.** To prevent unnecessary foster care or other more costly supports, the Executive Budget proposes to replace funding for certain OCFS programs with a \$35 million Primary Prevention Incentive Program. The Incentive Program funds would be allocated to local social services districts on a competitive basis, and would support locally administered strategies that improve performance in youth services and reduce foster care placements and the need for other more costly child welfare services. *(2011-12 Net Value: \$35 million; 2012-13 Net Value: \$42 million)*

- **Eliminate Safe Harbour Funding.** The Executive Budget proposes to eliminate funding for a proposed long-term safe house for sexually exploited youth. Services could be provided for those youth through local social services districts. *(2011-12 Value: \$3 million; 2012-13 Value: \$3 million)*
- **Increase Fee for Child Abuse Background Checks to Reflect Actual Costs.** The fee for individuals who currently pay for State Central Register (SCR) clearance checks for employment purposes would be increased to \$60, from \$5 to cover the administrative costs of processing the clearances. In addition, this \$60 fee would be imposed on individuals who are currently exempt from the fee, but are required to obtain a check for employment, including child care providers. Those excluded from the fee include prospective foster and adoptive parents, kinship guardians, individuals age 18 and over in these homes, and operators of group family homes through the Office of People with Developmental Disabilities (OPWDD) and the Office of Mental Health (OMH). *(2011-12 Revenue: \$12 million; 2012-13 Revenue: \$12 million)*
- **Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$31 million; 2012-13 Value: \$31 million)*

Other Budget Actions

Within the Federal Temporary Assistance for Needy Families (TANF) program, \$10 million from within the Flexible Fund for Family Services Program will be utilized to encourage shared services arrangements and consolidation of local social services district operations.

Local Government

*Aid and Incentives for Municipalities (AIM)
Miscellaneous Local Aid Programs
Overall Fiscal Impact on Local Governments*

I. Overview

The Aid and Incentives for Municipalities (AIM) program is the State's primary vehicle for providing direct aid to local governments. Along with AIM, the State provides incentive grants to local governments under the Local Government Efficiency Grant program, which promotes local efforts to increase efficiency through consolidation or shared services.

Each year, the Executive Budget includes a local government fiscal analysis that summarizes the impact of budget recommendations across all program areas by class of local government. This local fiscal impact overview is presented in Section VI.

II. History/Context

The AIM program was created in 2005-06 to consolidate various unrestricted local aid funding streams. For municipalities outside New York City, this initiative tied increases in State aid to fiscal accountability improvements such as the development of multi-year financial plans, and required a local commitment to minimize property tax growth. In 2007-08 and 2008-09, additional aid was targeted primarily to distressed upstate municipalities under a formula that provided annual increases ranging from 3 percent to 13.5 percent based on fiscal distress criteria.

From 2004-05 to 2010-11, AIM payments to local governments outside New York City grew from \$465 million to \$729 million, a \$264 million or 57 percent increase. The 2010-11 Enacted Budget eliminated New York City's AIM payment.

Local Government

The level of local reliance on AIM funding varies widely by municipal class of government. Some municipalities rely on AIM for more than 25 percent of total revenue, while in other municipalities, AIM accounts for less than 1 percent of total revenue. AIM as a percentage of total All Funds revenue for towns is 0.8 percent, and for villages is 0.9 percent. AIM as a percentage of city general fund revenue is as follows:

City	AIM as % of Revenue
New York City	0.5
Other Cities	12.6
Rochester	25.9
Yonkers	30.4
Syracuse	35.9
Buffalo	47.6

III. Proposed 2011-12 Budget Actions

The Executive Budget recalibrates the program by directing aid to the neediest municipalities and creates a strong foundation for restructuring local governments by encouraging and rewarding local government efficiency through targeted aid that incentivizes more cost-effective operations. This effort is aimed at encouraging all levels of government to economize while maintaining necessary services for the citizens of New York.

The proposal will reduce AIM for all cities, towns and villages by 2 percent from current year levels. In addition, to consolidate aid to local governments and concentrate available funding, the Executive Budget will reduce or eliminate narrowly focused programs including Video Lottery Terminal (VLT) Impact Aid, Small Government Assistance and Miscellaneous Financial Assistance. Given its limited reliance on AIM, New York City will continue to receive no funding under the program.

Local governments will save \$2.4 billion in local fiscal years ending in 2012 as a result of the continued cap on increases in local Medicaid costs - under which the State assumes all costs above the level of the cap - and the State assumption of costs for the Family Health Plus program. The value of these savings far exceeds the costs to local government of the Executive Budget proposals.

To help local governments reduce spending with the least impact on operations, Governor Cuomo has created the Mandate Relief Redesign Team by Executive Order. This team is conducting a rigorous and comprehensive review of mandates imposed on local governments in order to seek the best, most cost-efficient and cost-effective ways to deliver mandated programs and services and to identify mandates that are ineffective, unnecessary, outdated and duplicative. The Team will report to the Governor on March 1, 2011.

IV. Summary of Spending

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
AIM – NYC	0	0	0	0
AIM – Towns and Villages	69.0	67.6	(1.4)	(2)
AIM – Cities Outside NYC	660.3	647.1	(13.2)	(2)
Total AIM	729.3	714.7	(14.6)	(2)
VLT Impact Aid	25.8	19.6	(6.2)	(24)
Miscellaneous Financial Assistance	3.9	0	(3.9)	(100)
Small Government Assistance	2.1	0	(2.1)	(100)
Other Local Aid Programs	19.0	21.6	2.6	14

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Maintain AIM Policy for New York City	301.7	301.7
Reduce AIM for Cities, Towns and Villages	19.8	19.8
Eliminate VLT Impact Aid (outside of Yonkers)	6.2	6.2
Eliminate Small Government Assistance	3.9	3.9
Eliminate Miscellaneous Financial Assistance	2.1	2.1
Total	333.7	333.7

- Maintain AIM Policy for New York City.** Consistent with 2010-11, the Executive Budget would not provide AIM funding for New York City. Unlike other cities, which are heavily reliant on AIM and property taxes to support their budgets, New York City has a range of local revenue sources, including a personal income tax and business taxes. AIM accounts for only 0.5 percent of the City's total General Fund revenues. *(2011-12 Value: \$301.7 million; 2012-13 Value: \$301.7 million)*
- Restructure Aid to Municipalities, Cities, Towns and Villages.** The Executive Budget provides all cities, towns and villages with 2 percent less AIM funding than they received in 2010-11. *(2011-12 Value: \$19.8 million; 2012-13 Value: \$19.8 million)*

To encourage efficiency and innovation in the face of declining revenues, the Executive Budget provides \$79 million in appropriations for programs that reward local government consolidation and performance improvements. Of this amount, \$35 million is for Citizen Empowerment Tax Credits and Citizens Reorganization Empowerment Grants, and \$40 million is for the Local Government Performance and Efficiency Program, as allocated below:

- Citizen Empowerment Tax Credits.** Funding would be available to incentivize local government consolidation or dissolution, providing a bonus equal to 15 percent of the newly combined local government's tax levy. At least 50 percent of such amount must be used for direct relief to property taxpayers.
- Citizens Reorganization Empowerment Grants.** Funding would be available for grants up to \$100,000 for local governments to cover costs associated with studies, plans and implementation efforts related to local government re-organization activities.
- Local Government Performance and Efficiency Program.** Funding would be available for competitive one-time awards of up to \$25 per capita, capped at \$5 million, that recognize local governments that have achieved efficiencies and performance improvements.

- **Local Government Efficiency Grants.** Funding of \$4 million would continue to cover costs associated with local government efficiency projects, such as planning for and/or implementation of a functional consolidation, shared or cooperative services, and regionalized delivery of services. The maximum grant award for a project is \$200,000 per municipality or \$1 million total, and local matching funds of 10 percent of the total cost of the activities under the grant work plan are required.

To consolidate State spending for local governments, the following programs will be eliminated:

- **Video Lottery Terminal (VLT) Impact Aid Outside of Yonkers.** VLT Impact Aid funding was first allocated in 2007-08 to help localities that host Video Lottery Terminals address potential costs associated with these operations. The Executive Budget eliminates payments to all eligible municipalities that host VLT facilities, other than the City of Yonkers. Yonkers will continue to receive \$19.6 million in VLT Impact Aid funding, which is used to support its dependent school district. *(2011-12 Value: \$6.2 million; 2012-13 Value: \$6.2 million)*
- **Miscellaneous Financial Assistance.** The Executive Budget eliminates identical \$1.96 million financial assistance payments to both Madison and Oneida counties that were instituted in 2005-06 to provide interim assistance related to Indian land claims. *(2011-12 Value: \$3.9 million; 2012-13 Value: \$3.9 million)*
- **Small Government Assistance.** The Executive Budget eliminates aid payments for three counties and 26 school districts under this program. Created in 2004-05, this program has provided only partial relief to a small percentage of governments affected by State forest property tax exemptions. *(2011-12 Value: \$2.1 million; 2012-13 Value: \$2.1 million)*

VI. Overall Fiscal Impact on Local Governments

Executive Budget actions result in a year-to-year reduction in aid of \$1.83 billion for municipalities for their fiscal years ending in 2012. However, the ongoing benefit of the State's existing cap on local Medicaid expenditures and the continued benefit from the State's takeover of the Family Health Plus (FHP) program provides \$2.4 billion in fiscal relief for counties and New York City, resulting in a net benefit of \$545 million.

For New York City and school districts, the largest reduction results from proposed education aid reductions that follow recent years of record school funding increases. Including savings from continuing the Medicaid cap, counties will experience a \$753 million net positive impact and New York City will experience a net positive impact of \$918 million. Cities, towns and villages combined will experience a \$25 million decrease in funding from 2010-11 primarily associated with the reduction in AIM for cities, towns and villages. School districts will be eligible to compete for \$500 million from the School District Performance Improvement Awards and School District Management Efficiency Awards programs, while local governments can benefit from the consolidation & performance bonuses proposed on the Executive Budget.

Local Government

IMPACT OF THE 2011-12 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS (LOCAL FISCAL YEAR ENDING IN 2012 – \$ IN MILLIONS)

	Total	NYC	School Districts (outside NYC)	Counties	All Other
School Aid / Education	(1,641.6)	(579.7)	(1,061.9)	0.0	0.0
Municipal Aid	(26.8)	0.0	(1.9)	(5.9)	(19.0)
Human Services	(114.2)	(64.7)	(34.5)	(15.0)	0.0
Public Protection	(14.0)	(7.0)	0.0	(7.0)	0.0
Health	(11.7)	(5.4)	0.0	(6.3)	0.0
All Other Local Impacts	(19.1)	(2.6)	(2.8)	(7.8)	(5.9)
Total 2011-12 Exec Budget Actions¹	(1,827.4)	(659.4)	(1,101.1)	(42.0)	(24.9)
Medicaid Cap & FHP Takeover Savings ²	2,372.8	1,577.8	0.0	795.0	0.0
Grand Total	545.4	918.4	(1,101.1)	753.0	(24.9)

(1) The above impact does not include \$500M performance incentive funding for schools, and a \$40M local government performance and efficiency program.

(2) Medicaid Cap Savings exclude proposed 2011-12 cost containment initiatives which – if enacted – will lower the State's cost for the cap.

IMPACT OF THE 2011-12 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS (LOCAL FISCAL YEARS ENDING IN 2011-2014– \$ IN MILLIONS)

	LFY Ending in 2011	LFY Ending in 2012	LFY Ending in 2013	LFY Ending in 2014
NYC	(22.0)	(659.4)	(342.6)	21.6
School Districts (outside NYC)	(8.3)	(1,101.1)	(631.2)	(67.4)
Counties	(31.9)	(42.0)	(45.1)	(41.2)
All Other	(9.5)	(24.9)	(24.5)	(23.8)
Total 2011-12 Exec Budget Actions	(71.7)	(1,827.4)	(1,043.4)	(110.8)
Medicaid Cap & FHP Takeover Savings ¹	1,844.4	2,372.8	2,915.3	3,516.5
Grand Total	1,772.7	545.4	1,871.9	3,405.7

(1) Medicaid Cap Savings exclude proposed 2011-12 cost containment initiatives which – if enacted – will lower the State's cost for the cap.

Mental Hygiene

Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD)
Department of Mental Hygiene (DMH)
Developmental Disabilities Planning Council (DDPC)
Office of Alcoholism and Substance Abuse Services (OASAS)
Office of Mental Health (OMH)
Office for People with Developmental Disabilities (OPWDD)

I. Overview

The mental hygiene agencies provide services to individuals with mental illness, developmental disabilities, chemical dependencies, and problem gambling. These agencies — OMH, OPWDD, OASAS, DDPC, and one oversight agency, CQCAPD — are expected to fund services for nearly 1 million individuals in 2011-12, including nearly 700,000 persons with mental illness, 260,000 persons with chemical dependencies or gambling problems, and 126,000 persons with developmental disabilities.

II. History/Context

The mental hygiene system currently operates institutional and research facilities serving about 7,200 people. The State also provides funding to support approximately 86,000 people in community residences. Additionally, the State supports numerous outpatient, employment, clinic, habilitative, and treatment programs in partnership with 4,300 not-for-profit provider agencies.

III. Proposed 2011-12 Budget Actions

The Executive Budget proposes to restrain spending growth through program redesigns that better target resources to high-priority and cost-effective services and make better use of performance metrics and fiscal incentives. While reducing State spending in State agency operations, this approach maintains the quality of care by increasing funding for lower-cost alternatives, redirecting funding from State-operated services to community-based programs, and targeted funding reductions.

By focusing on preserving critical direct care services, the 2011-12 Executive Budget is developing a more efficient system that directs the most help to those with the greatest needs. The Executive Budget proposals result in mental hygiene system funding of \$8.2 billion in 2011-12, an annual spending decrease of \$227 million. After these changes, New York's spending on mental hygiene programs will still be \$115 million greater than 2009-10 spending levels.

Mental Hygiene

The Executive Budget proposes \$604 million in gap-closing actions for the mental hygiene agencies in 2011-12. Efficiencies will be achieved by reforming and restructuring State and local programs and administrative practices, restructuring State-operated inpatient psychiatric capacity, delaying community bed development, placing aggressive cost controls on agency operations, maximizing payments from third-party payers.

The Executive Budget continues current funding to divert individuals from prison to treatment programs consistent with recent reforms to the State's drug laws, increases support for mental health services to certain adult home residents in New York City, and funds additional lower-cost day and support services for OPWDD clients.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Total	8,429.9	8,203.0	(226.9)	(2.7)
OPWDD	4,468.9	4,323.3	(145.6)	(3.3)
OMH	3,348.8	3,278.1	(70.7)	(2.1)
OASAS	591.8	581.4	(10.4)	(1.8)
CQCAPD	16.2	16.0	(0.2)	(1.2)
DDPC	4.2	4.2	0.0	0.0

The spending change in OMH reflects a Federal court order to finance 4,500 additional supported housing beds for certain adult home residents in New York City and more civil confinements from the Sexual Offender Management and Treatment Act, which together are projected to drive increased costs of roughly \$50 million. All other spending in OMH is declining by \$121 million, or 3.6 percent.

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Restructure Non-Residential OMH Programs	27	30
Reform Financing of Various OPWDD Programs	73	98
Freeze Development of All New OMH Community Residential Programs for One Year	32	32
Delay Funding of New Community Residential Facilities	40	35
Utilize Quality Assessments to Determine Funding for OASAS Programs	27	27
Maintain Funding to Support Costs of Drug Law Reforms	20	20
Improve Collections through Audits and Third-Party Payment	92	89
Forgo Planned COLA/Rate Increases	42	42
Ten Percent General Fund State Operations Reduction	251	258
Total	604⁽¹⁾	631

⁽¹⁾ An additional \$88 million is occurring in 2010-11

Reforms/Efficiencies in Local Assistance:

These initiatives will:

- Restructure Non-Residential OMH Programs.** Restructure non-residential OMH programs, including Continuing Day Treatment, to encourage use of the more effective Personalized Recovery Oriented Services program. The budget also reflects targeted funding reductions to encourage efficiencies in certain community support programs including children's Clinic-Plus, non-direct services such as training and education, as well as local administration. The budget maintains 2010-11 spending levels for existing local aid programs. *(2011-12 Value: \$27 million; 2012-13 Value: \$30 million)*
- Reform Financing of Various OPWDD Programs.** Reform the financing of various OPWDD programs through rate, price and contract adjustments to both residential and non-residential services to reflect efficiencies, program restructurings and other cost efficiencies. These reforms include more aggressive reviews of providers' overall surplus/loss analysis, as well as further constraints on administrative and non-personal service costs. Funding for workshop, day training and other day services will be reduced to encourage placements into other, more effective community-based integrated day and employment programs. In addition, funding for transportation and residential habilitation services delivered in supervised Individualized Residential Alternative programs will be reduced to encourage efficiencies. *(2011-12 Value: \$73M; 2012-13 Value: \$98M)*

- **Freeze Development of All New OMH Community Residential Programs for One Year.** This freeze will help provide resources for the additional costs of certain adult home residents in New York City as required by a federal court order. Funding will be eliminated over the next two years for family-based treatment beds, which have not been as effective as projected. In addition, the Executive Budget will reduce aid to providers that are funded above the regional per-bed models for supported housing; convert residential pipeline units to lower-cost alternatives, which will also reduce capital expenditures by \$20 million; and reprogram 250 planned supported housing beds for adult home litigation requirements. *(2011-12 Value: \$32M; 2012-13 Value: \$32M)*
- **Delay Development of New Community Residential Facilities.** Delay the development of OPWDD community adult and children residential opportunities while investing to add 2,300 lower-cost residential and/or non-residential opportunities to support individuals and their families. Maintain local aid at 2010-11 levels. *(2011-12 Value: \$40M; 2012-13 Value: \$35M)*
- **Utilize Quality Assessments to Determine Funding for OASAS Programs.** Reduce funding for OASAS programs that fail to meet established performance indicators; reduce and restructure 41 existing gambling education, assessment and referral programs; delay the development of five gambling prevention programs and three Recovery Community Centers; maintain local payments at 2010-11 levels. *(2011-12 Value: \$27M; 2012-13 Value: \$27M)*
- **Maintain Funding to Support Costs of Drug Law Reforms.** Continue the current levels of funding for OASAS costs related to recent drug law reforms, including maintaining 250 additional residential beds opened in 2010-11. As a result, services for this population will be supported within existing OASAS capacity by enhanced performance and the prioritization of services. *(2011-12 Value: \$20M; 2012-13 Value: \$20M)*
- **Improve Collections through Audits and Third Party Payments:**

The Executive Budget promotes greater accountability by investing in technologies and procedures to improve auditing and billing processes. Proposals are included to:

 - Improve audit and billing processes and procedures for State-operated programs to maximize Federal and third-party payments. *(2011-12 Value: \$46M; 2012-13 Value: \$46M)*
 - Continue expanded efforts to recover State funds through enhanced audit activities and financial reviews of not-for-profit providers. *(2011-12 Value: \$46M; 2012-13 Value: \$43M)*

• **Forgo Planned Cost of Living Adjustments/Rate Increases:**

The Executive Budget maintains current levels for certain programs rather than provide funding increases scheduled for 2011-12. Proposals are included to:

- Defer the planned 1.2 percent annual human services COLA for one year. *(2011-12 Value: \$22 million; 2012-13 Value: \$22 million)*
- Maintain existing rates for OMH residential treatment facilities and community residences/family based treatment. *(2011-12 Value: \$20 million; 2012-13 Value: \$20 million)*

• **Ten Percent General Fund State Operations Reduction.**

The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$251 million; 2012-13 Value: \$258 million)*

Other Budget Actions

Adult Homes. In response to a Federal court order, the Executive Budget continues a multi-year plan to provide additional funding for supported housing and support services needed for 4,500 individuals leaving certain New York City adult homes. In 2011-12, \$41.3 million, roughly \$40 million above 2010-11 levels, (growing to \$72M in 2012-13) will fund rental housing units and services for the first of these individuals beginning February 1, 2011.

Public Safety

*Department of Corrections and Community Supervision
Division of State Police
Division of Criminal Justice Services
Office of Indigent Legal Services
Division of Homeland Security and Emergency Services
Division of Military and Naval Affairs
Division of Veterans' Affairs
Division of Alcoholic Beverage Control*

I. Overview

The State spends \$4.8 billion annually to protect New York's residents. The public safety agencies assist local communities with crime prevention, supervise criminal offenders both in prison and in the community, patrol the highways, protect critical State assets, and respond to natural disasters and terrorist threats. With nearly 40,000 staff, many of whom serve within the State's 67 prisons, public safety agencies currently comprise 27 percent of the State workforce under Executive control.

II. History/Context

Over the past 10 years, the overall rate of crime in New York declined 25 percent, and the number of major crimes fell 23 percent, even as the State population grew by a half-million people. However, there has been a major shift in where crime occurs, with the counties outside New York City now accounting for 58 percent of reported crime statewide, as compared to 51 percent in 2000.

Simultaneously, the State's prison population fell from a peak of 71,600 in 1999 to under 56,300 currently. In 2009, New York had the third largest decline in state inmate population nationwide, and the seventh largest percentage decline nationwide (2.8 percent). Notably, the decline is not the result of extraordinary new release policies, but rather from a real reduction in crime. As a result, the prison system in New York developed excess capacity, and the State began consolidating operations and closing facilities in 2009.

During the past decade, spending for public safety programs grew by 42 percent, of which nearly half was dedicated to prison operations. Another 22 percent of this increased funding supported growth in State Police operations.

III. Proposed 2011-12 Budget Actions

The Executive Budget will enhance protection of the public at lower cost through right-sizing initiatives that will reduce unnecessary excess prison capacity, improve the management of offenders as they move from prison into civilian life, and reduce bureaucracy.

To realign the prison system's capacity with its significantly reduced offender population and achieve real and recurring savings for State taxpayers, Governor Cuomo will create a task force by Executive Order to identify prisons to be closed. If the task force does not recommend rightsizing, the Commissioner of Correctional Services would be empowered to implement facility closures. There are at least 3,500 excess beds in medium and minimum security facilities. Communities affected by the closures would receive assistance from the Governor's new regional economic development councils, with up to \$100 million available to help communities end their reliance on incarceration as a major source of employment and economic sustainability.

In addition to consolidating the prison system, the 2011-12 Executive Budget redesigns the provision of State services and recalibrates State spending by merging the Department of Correctional Services and the Division of Parole into the new Department of Corrections and Community Supervision. This combined agency will seamlessly coordinate offender programs to provide support throughout the period of incarceration and reintegration into the community. As a result, offenders will re-enter their home communities better prepared and with more consistent support, thereby lowering their risk of recidivism.

Further, building on the recent consolidation of the Division of Probation and Correctional Alternatives into the Division of Criminal Justice Services (DCJS), the 2011-12 Executive Budget proposes a further expansion of the DCJS mission. The Office for the Prevention of Domestic Violence, the Office of Victim Services, and the State Commission of Correction will be consolidated within DCJS. Each consolidated agency will be assured of receiving continued support, even as the State recalibrates the overall cost of government. The consolidation offers opportunities for shared operations, program synergies, and the maximization of funding sources, while ensuring the critical missions of these three agencies are safeguarded.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Public Safety	4,839	4,496	(343)	(7.1)
Department of Corrections and Community Supervision (adjusted for comparability in 2010-11)	2,994	2,757	(237)	(7.9)
Division of State Police	707	647	(60)	(8.5)
Division of Criminal Justice Services (adjusted for comparability in 2010-11)	416	374	(42)	(10.1)
Division of Homeland Security and Emergency Services	358	379	21	5.9

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Right-size the Prison System	72	112
Reduce Administrative Staff	5	5
Create the Department of Corrections and Community Supervision	6	8
Reduce the Parole Board Membership	1	1
Merge Criminal Justice Agencies	—	—
Ten Percent General Fund State Operations Reductions	331	331
Total	415	457

- **Right-size Prison System.** The prison population is projected to remain steady in 2011-12, after a decline of nearly 15,000, or more than 20 percent, over the past 11 years. Despite the efforts of the Department of Correctional Services to consolidate and achieve savings, the system continues to maintain more facilities than are necessary to house the State's prison population safely. With the closure of only five small facilities during the past several years, excess capacity remains. Total capacity in medium and minimum general confinement facilities is approximately 36,400, of which at least 3,500 beds are not needed. The transfer of inmates into facilities that operate the most efficiently and offer more rehabilitative services is expected to yield significant recurring savings and eliminate most of the excess capacity. The closures will be undertaken after a task force created by Executive Order makes recommendations regarding specific facilities to be closed; and economic development assistance will be provided to communities where a closure occurs. The Budget also proposes to eliminate the 12-month statutory notification before closing a facility to allow closures as soon as practicable after the task force has made its recommendations. *(2011-12 Value: \$72 million; 2012-13 Value: \$112 million)*
- **Reduce Central Management Staff.** The central management staff of the prison system will be reduced by 10 percent to reflect reductions associated with the right-sizing of the system. *(2011-12 Value: \$5 million; 2012-13 Value: \$5 million)*
- **Create the Department of Corrections and Community Supervision.** The Department of Correctional Services and the Division of Parole will merge into a single agency, with a mandate to seamlessly blend operations to strengthen the focus on re-entry. The combined entity will coordinate its efforts throughout the period of incarceration and better connect programming both inside and outside the prisons, thereby enhancing the prospects of offenders successfully returning to their home communities. The Parole Board will continue as an independent body, but housed within and receiving administrative support from the new agency. *(2011-12 Value: \$6 million; 2012-13 Value: \$8 million)*
- **Reduce Parole Board Membership.** Consistent adoption of laws granting the courts authority to fix specific terms of incarceration for violent and drug-related offenses has significantly reduced the need for Parole Board hearings. Hearings are down 45 percent since 1995, allowing the elimination of six of the 19 Board members. *(2011-12 Value: \$508,000; 2012-13 Value: \$763,000)*

- **Merge Criminal Justice Agencies.** The operations of the Office for the Prevention of Domestic Violence, the Office of Victim Services, and the State Commission of Correction will merge with the Division of Criminal Justice Services (DCJS). Similar to the merger of the Division of Probation and Correctional Alternatives into DCJS last year, the important missions of these agencies will be preserved and enhanced as specialized offices within DCJS. DCJS already provides administrative support to these smaller agencies, and a full merger offers a more efficient, goal-oriented and cost-effective environment for the delivery of programs and services for which these agencies are responsible. The merger will also improve coordination of policies and programs. *(2011-12 Value: \$477,000; 2012-13 Value: \$477,000)*
- **Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending, including continued suspension of State Police training classes. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$323 million; 2012-13 Value: \$323 million)*

Other Budget Actions

- **Statewide Interoperable Communications Grants.** Enacted as part of the 2010-11 budget, the new Statewide Interoperable Communications Grant Program of the Division of Homeland Security and Emergency Services has been delayed. Grant guidance is now expected to be submitted to the Statewide Interoperable and Emergency Communications Board in March 2011. Counties should expect the \$20 million in grants included in the 2010-11 Enacted Budget to flow in mid-2011. The second round of grants, still recommended at \$45 million, would be awarded by mid-2012.
- **Investment in Indigent Defense.** The Office of Indigent Legal Services created in 2010 is expected to be fully operational in 2011, with a recommended operating budget of \$3 million and authorization to distribute \$77 million in a combination of formula-based and incentive grant funding.

Revenue Actions

Overview

Consistent with the Governor's pledge to make New York more economically competitive, the 2011-12 Executive Budget does not propose any new or increased taxes.

Provisions in the Executive Budget would generate an additional \$41.5 million on an All Funds basis through enhanced collections from existing taxes, expansion of an existing fee and one new fee that would be established consistent with a common sense approach of paying for needed services in a rational manner. These additional collections account for less than 1 percent of the actions taken to close the projected \$10 billion deficit.

Other Executive Budget General Fund revenue actions that do not result in an increase in tax or fee liability total \$414 million on an All Funds basis. Major recommendations include implementing a Tax Modernization Project, providing free play allowance to all video lottery gaming facilities and reducing dormancy periods on various abandoned property items.

Revenue Actions

Revenue Actions
(\$ in 000's)

	All Funds		General Fund	
	2011-12	2012-13	2011-12	2012-13
I. Tax and Assessment Actions				
Total Tax and Assessment Actions	-	-	-	-
II. New or Increased Fees				
Amend Fee For Statewide Central Registrar Clearance Checks	11,922	11,922	-	-
Racing Purse Surcharge	7,600	8,500	-	-
Total New or Increased Fees	19,522	20,422	-	-
III. Loophole Closing Actions				
Repeal Exemption for Large Cooperative Insurance Companies	22,000	16,000	22,000	16,000
Total Loophole Closing Actions	22,000	16,000	22,000	16,000
Increased Tax or Fee Liability Subtotal	41,522	36,422	22,000	16,000
IV. Tax Enforcement Actions				
Offset Certain Tax Debts Against Lottery Winnings	5,000	10,000	5,000	10,000
Improve Compliance Through Tax Modernization Initiatives	200,000	200,000	200,000	200,000
Total Tax Enforcement Actions	205,000	210,000	205,000	210,000
V. Other Revenue Actions				
Provide "Free-Play Allowance" to All Video Lottery Gaming Facilities	38,000	38,000	-	-
Increase the Number of 75 Percent Instant Games	4,000	4,000	-	-
Remove Location Restrictions on QuickDraw	10,000	44,000	-	-
Increase Prize Payout Percentage on Multi-Jurisdictional Games	-	-	-	-
Multi-State Progressive Video Lottery Games	2,000	3,000	-	-
Various Lottery Sales Efficiency Actions	100,000	109,000	100,000	109,000
Reduce Various Abandoned Property Dormancy Periods	55,000	70,000	55,000	70,000
Total Other Revenue Actions	209,000	268,000	155,000	179,000

Revenue Actions
(\$ in 000's)

	All Funds		General Fund	
	2011-12	2012-13	2011-12	2012-13
VI. Reformed or Expanded Tax Credits				
Reform Excelsior Jobs Program	-	-	-	-
Expand the Low Income Housing Tax Credit Program	-	-	-	-
Total New, Reformed, or Expanded Tax Credits	-	-	-	-
VII. Technical Corrections and Extenders	2011-12	2012-13	2011-12	2012-13
Reform and Extend The Power For Jobs Program For Two Years	-	-	-	-
Authorize New York to Participate in a National Compact to Collect Excess Lines Insurance Tax	-	-	-	-
Make Tax Shelter Reporting Provisions Permanent	-	-	-	-
Make Permanent Major Provisions of the Bank Tax and Extend Temporary GLB Provisions	-	-	-	-
Extend the Alternative Fuels Tax Exemption for One Year	-	-	-	-
Extend Financial Services ITC for One Year	-	-	-	-
Provide Empire State Development with Authority to Decertify Noncompliant Empire Zone (EZ) Program Participants	-	-	-	-
Pari-Mutuel Extender	-	-	-	-
Modernize Certain Fuel Definitions	-	-	-	-
Simplify the Motor Vehicle Fees Distribution	-	-	-	-
Total Technical Corrections and Extenders	-	-	-	-
Other Actions Subtotal	414,000	478,000	360,000	389,000
TOTAL REVENUE ACTIONS	455,522	514,422	382,000	405,000

Increased Tax or Fee Liability

(General Fund: \$22 million, All Funds: \$41.5 million in 2011-12)

I. Tax and Assessment Actions

The Executive Budget proposes no new tax or assessment actions.

II. New or Increased Fees

The Executive Budget proposes establishing two new fees. These fees are expected to produce \$19.5 million on an All Funds basis in the 2011-12 fiscal year.

- **Amend Fee For Statewide Central Registrar Clearance Checks.** The fee for individuals who currently pay for SCR clearance checks would be increased from \$5 to \$60 to cover the administrative costs of processing the clearances. In addition, a \$60 fee would be imposed on individuals who are currently exempt from the fee, with the exception of prospective foster and adoptive parents, kinship guardians, and individuals age 18 and over in these homes. In addition, operators of group family homes through the Office of People with Developmental Disabilities (OPWDD) and the Office of Mental Health (OMH) would also be exempt.
- **Racing Purse Surcharge.** Currently, the Racing and Wagering Board's Regulation of Racing Account operates at a deficit, necessitating loans from the State's taxpayer-financed General Fund in order to maintain the Board's regulatory activities that are directly related to the conduct of horse racing. The Executive Budget includes legislation to establish a two and three quarters percent surcharge on purses for all horse races conducted within the State. Moneys from this surcharge will be directly deposited in the Regulation of Racing account, which, when combined with cost containment actions undertaken by the Racing Board, will eliminate the account's deficit and will ensure that the cost for the Board's regulatory activities are fully borne by the Racing Industry rather than by taxpayers.

III. Loophole Closing Actions

The Executive Budget proposes one loophole closing action that is expected to produce \$22.0 million on an All Funds basis in the 2011-12 fiscal year.

- **Repeal Exemption for Large Cooperative Insurance Companies.** Repeal the insurance tax exemption for cooperative insurance companies with annual premiums in excess of \$25 million, effective for tax years 2011 and after. Cooperative insurance companies were originally formed to fill coverage gaps for fire insurance in rural areas. Although many of these corporations remain in existence today, some have significantly expanded their businesses into other insurance markets beyond what was originally contemplated and benefit from a tax advantage that is not available to their competitors. This change would remove the unfair competitive advantage for these companies.

Other Actions

(General Fund: \$360 million, All Funds: \$414 million in 2011-12)

IV. Tax Enforcement Actions

The Executive Budget proposes two actions that would improve tax audit and compliance activities. These actions are expected to produce \$205.0 million in additional tax revenue on an All Funds basis in the 2011-12 fiscal year.

- **Offset Certain Tax Debts Against Lottery Winnings.** Require winners' outstanding tax debts to be withheld from Lottery individual prizes above \$600.
- **Tax Modernization Initiatives.** This proposal would mandate electronic filing by all sales tax vendors and increase personal income tax e-filing. Electronic filing improves data matching with existing IRS and other data sources, resulting in increased State revenue through denied refunds and more accurate final returns. In addition, the Tax Commissioner would be given discretion to require automated point of sale accounting systems and more frequent filing from sales tax filers who have a poor filing record. Finally, the Department of Taxation and Finance will embark on an auditing program to more efficiently engage taxpayers by adopting techniques based on those used in the IRS Limited Issue Focused Examination (LIFE) program.

V. Other Revenue Actions

The Executive Budget proposes seven other revenue actions, including reducing various abandoned property dormancy periods, and providing subsidized free play to all VLT facilities, among other actions. These actions are expected to produce \$155.0 million in revenue on a General Fund basis and \$209.0 million on an All Funds basis in the 2011-12 fiscal year.

- **Provide "Free-Play Allowance" to All Video Lottery Gaming Facilities.** Video Lottery Gaming facility vendors are authorized to provide free game credits to induce frequent players to use paid credits when their "free play" is exhausted. This provision authorizes a "free-play allowance" to Video Lottery Gaming facilities. The amount of "free-play allowance" that can be provided to each facility will be capped at 10 percent of the net machine income at that facility.

Revenue Actions

- **Number of 75 Percent Instant Games.** This proposal would increase the number of instant games with a 75 percent prize pay-out from three to five per year.
- **Eliminate Quick Draw Restrictions.** A number of restrictions are currently imposed on where the State's Quick Draw lottery game can be played. For premises licensed to sell alcoholic beverages, Quick Draw may not be conducted unless at least 25 percent of gross sales are sales of food. For premises that do not sell alcoholic beverages, Quick Draw may not be conducted unless the establishment is a minimum of 2,500 square feet. These restrictions would be eliminated.
- **Increase Prize Payout Percentage on Multi-Jurisdictional Games.** New York currently offers two multi-jurisdictional lottery games, Mega Millions and Powerball. If the prize-payout on either of these games were to increase above their current 50 percent prize-pay, New York could no longer participate due to the statutory limit prohibiting a prize-payout in excess of 50 percent on multi-jurisdictional games. This proposal would allow the Lottery to have a higher prize-payout if two-thirds of the participating lottery jurisdictions agree to a prize payout in excess of 50 percent.
- **Multi-State Progressive Video Lottery Games.** The Lottery offers progressive jackpots (a cash prize that grows larger until won) for certain Video Lottery Games. Currently, terminals in different New York State Video Lottery Gaming facilities can be combined into a progressive jackpot pool. This proposal would allow New York to combine with play in other states to increase the progressive jackpots through larger pools.
- **Various Lottery Sales Efficiency Actions.** This proposal would expand the sales force to reduce the ratio of retailers to marketing representatives, expand the retailer base through recruitment of corporate chain stores, and implement a "Megaplier" add-on feature to the Mega Millions game.
- **Reduce Various Abandoned Property Dormancy Periods.** This proposal would reduce the dormancy periods on fourteen items that currently fall dormant at either five or six years, to three years. These dormancy periods reflect the length of time a vendor (e.g. a bank) can hold funds before they are deemed abandoned and turned over to the State. Dormancy periods are proposed to be reduced for demand deposit accounts, lost property, savings accounts, time deposit accounts, and trust funds among others. Citizens are able to retrieve abandoned funds through the Office of the State Comptroller.

VI. Reformed or Expanded Tax Credits

The Executive Budget proposes two reformed or expanded tax credits that have no revenue impact to the Financial Plan.

- **Reform Excelsior Jobs Program.** Reform and improve the job creating effectiveness of the Excelsior economic development program.
- **Extend the Low Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal would be authorized to allocate an additional \$4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. The additional authorizations have been made for the past seven years. Credits are given in equal installments for a ten-year period. As such, the total amount of credits that would be awarded from this new authorization would be \$40 million.

VII. Technical Corrections and Extenders

The Executive Budget proposes several technical corrections that would amend previously enacted items, and five extenders that maintain necessary provisions of Tax Law. Additionally, the Power For Jobs Program will be extended for two years, then subsequently reformed into a new “Recharge New York” program.

- **Reform and Extend The Power For Jobs Program.** The Power For Jobs program would be extended for two years, until June 30, 2012. Low cost power would be provided via an exemption from the Section 186a excise tax but the State’s revenue loss would be offset by payments from the New York Power Authority. A new “Recharge New York” program would take effect after the sunset of Power For Jobs.
- **Authorize New York to Participate in a National Compact to Collect Excess Lines Insurance Tax.** The Dodd-Frank financial reform legislation contained a provision that prohibits states from imposing taxes on excess lines (i.e. risks insured through a non-NY licensed insurance broker) insurance, but authorizes states to participate in a national compact that collects and remits this tax to participating states.
- **Make Tax Shelter Reporting Provisions Permanent.** Make permanent the current law provisions allowing the Department of Taxation and Finance to require the reporting and disclosure of Federal and New York reportable and listed transactions that may be improper tax avoidance practices. These provisions would otherwise sunset on July 1, 2011.

Revenue Actions

- **Make Permanent Major Provisions of the Bank Tax and Extend Temporary GLB Provisions.** Make permanent bank tax reform provisions and extend for two additional years provisions that were intended to temporarily address regulatory changes from the Federal Gramm-Leach-Bliley Act.
- **Extend the Alternative Fuels Tax Exemption.** This proposal would extend from September 1, 2011 to September 1, 2012 the sales, petroleum business tax and motor fuel tax exemptions on e85, CNG, or hydrogen when purchased for use in a motor vehicle engine. The twenty percent exemption on purchases of B20 would also be extended. If these provisions are not extended, consumers who use these “green” alternative fuels will pay taxes on them, making them less competitive.
- **Extend Financial Services Investment Tax Credit.** Extend for four additional years the investment tax credit for certain broker-dealers for qualifying property that is used in the ordinary course of business. Under current law, this credit sunsets October 1, 2011.
- **Make Technical Corrections to Empire Zones Program that Sunset June 30, 2010.** Provide Empire State Development with authority to monitor compliance and decertify non-compliant Empire Zone program participants after July 1, 2010. This ensures that decertified firms can no longer receive Empire Zone tax credits for the remainder of their benefit period.
- **Extend the Pari-Mutuel Tax.** Lower Pari-Mutuel tax rates would be extended for one year. This proposal would also extend by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering.
- **Modernize Certain Fuel Definitions.** Recent Federal and State Law changes would result in unintended tax increases absent these definitional changes. Federal Law changes have made manufacturers, farmers and electric generators that purchase diesel fuel ineligible for a long-held petroleum business tax exemption. In addition, Chapter 203 of the laws of 2010 creates sulfur emissions standards, effective July 2012, that would make non-highway diesel fuel meet the definition of taxable diesel fuel. Enforcement provisions for dyed diesel fuel tax evasion would be conformed to those currently applied to motor fuel by allowing for civil seizure of trucks carrying untaxed fuel.
- **Simplify the Motor Vehicle Fees Distribution.** Currently, all non-dedicated taxes and fees are directed to the Dedicated Transportation Funds Pool (DTF). This proposal would direct all non-dedicated motor vehicle fee receipts (including fines and assessments) to the DTF. This proposal has no revenue impact on the Financial Plan.

School Tax Relief Program

Basic STAR
Enhanced STAR
New York City PIT STAR

I. Overview

The School Tax Relief Program (STAR) program consists of three separate initiatives designed to provide local property tax relief:

- **Basic STAR** provides savings to residential homeowners by exempting from school taxes at least the first \$30,000 of the full assessed value of their primary residence. This benefit will reduce the tax bills of more than 2.8 million homeowners by an average of \$681 in 2011-12.
- **Enhanced STAR** provides a larger benefit to residential homeowners age 65 years and older with incomes below \$79,050 by exempting the first \$60,100 of the assessed value of their primary residence from school taxes. Nearly 630,000 senior homeowners will be eligible to receive this enhanced property tax exemption in 2011-12, with an average benefit estimated at \$1,253.
- **New York City STAR** supports tax relief for more than 3 million New York City residents. Under the program, eligible City residents receive a flat refundable credit of \$125 for a married couple filing jointly and half of that amount (\$62.50) for single taxpayers, as well as a 6 percent City tax rate reduction.

II. History/Context

STAR was enacted in 1997 to offset rising property taxes for homeowners and to provide additional targeted property tax relief to senior citizens. Over time, the scope of the program was expanded by raising the Enhanced STAR income eligibility threshold, and by increasing the size of the Enhanced STAR exemption. These enhancements have contributed to increases in the current and projected cost of STAR.

STAR spending is projected to total \$3.3 billion in 2011-12, a 32 percent increase from 2001-02 when the STAR phase-in was completed. From 2001-02 through 2010-11, local school property taxes increased by more than 70 percent.

School Tax Relief Program

Despite this program's intent and cost, local property taxes have increased dramatically, making New York's local property tax burden among the highest in the nation. Outside of New York City, school property taxes grew by an average of 6 percent per year from 2001-02 to 2009-10. This rate of school property tax growth was twice the rate of inflation and twice the average growth in wages. For 2010-11, school districts outside the Big Five cities (New York City, Buffalo, Rochester, Syracuse and Yonkers) proposed budgets with average property tax increases of 3.2 percent.

III. Proposed 2011-12 Budget Actions

By continuing to provide critical property tax relief while controlling spending growth, the Executive Budget proposes to cap the overall annual increase in the STAR exemption benefits to 2 percent per year. After the recommended actions, the school tax relief program would total \$3.3 billion in 2011-12, a \$65 million increase from 2010-11.

IV. Summary of Spending

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
STAR Spending (commitment)	3,237	3,302	65	2.0

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Basic STAR	1,896	1,933	37	2.0
Enhanced STAR	775	790	15	1.9
NYC PIT STAR	566	579	13	2.3

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Adjust STAR Exemption Benefit	125.0	212.0
Audit STAR Recipients to Discover and Eliminate Fraud	0.0	50.0
Recoup Ineligible Payments	0.1	0.1
Total	125.1	262.1

- Adjust STAR Exemption Benefit.** When the STAR program was created, it included a mechanism to prevent large drops in benefits resulting from rising property values. However, no similar mechanism was created to prevent significant benefit increases driven by declines in property values. As a result, STAR spending increased significantly in areas where property values declined dramatically, but the increases were unrelated to property tax burdens. To control spending growth, the Executive Budget limits growth in exemption benefits to two percent annually. *(2011-12 Value: \$125 million; 2012-13 Value: \$212 million)*
- Audit STAR Recipients to Discover and Eliminate Fraud.** The Tax Department will use its in-house database management systems to identify those homeowners who do not qualify for the benefit, then send a list to local assessors to verify. *(2011-12 Value: \$0 million; 2012-13 Value: \$50 million)*
- Recoup Ineligible Payments.** The Executive Budget proposes to create a mechanism to recoup payments from STAR recipients (with interest and a \$500 processing fee) for STAR exemptions received that they acknowledge they were not entitled to. *(2011-12 Value: \$100,000; 2012-13 Value: \$100,000)*

State Workforce

I. Overview

State employees deliver services to the public and manage a range of facilities and provider networks. They oversee and administer billions of dollars in program funding and capital projects.

Approximately 94 percent of the State workforce is unionized. Most of the nine employee unions and 14 negotiating units have collective bargaining contracts that expire in 2011. There are also approximately 12,000 Management/Confidential (M/C) employees, who are not represented by a union.

State employees receive an average compensation (salary & other pay) of \$66,600 plus fringe benefits, totaling \$98,854.

The largest State employers are:

Agency	Workforce (3/31/11 Estimate)
State University of New York	41,815
Department of Correctional Services	29,878
Office for People With Developmental Disabilities	21,367
Office of Mental Health	15,760

II. History/Context

Over the past four years, State employee salaries for most unionized employees increased by at least 14 percent pursuant to contracts negotiated in 2007. The current employee contracts expire on April 1, 2011 (July 1, 2011 for staff represented by the United University Professions at the State University of New York).

A number of actions have been implemented to achieve workforce savings, including: implementing a hiring freeze on non-essential positions, aggressive attrition efforts, eliminating funded vacant positions, offering a one-time \$20,000 severance payment to select employees, a Retirement Incentive program, and limited layoffs. These actions have reduced the State workforce by 11,000 positions in agencies controlled by the Executive since 2007-08.

In addition, in 2010-11, a new pension tier (Tier 5) was created to reduce pension costs associated with members of the New York State and Local Retirement System and the Teachers Retirement System hired after January 1, 2010. This reform will reduce future costs for the State and local governments and school districts outside of New York City by billions of dollars over a 30-year period.

III. Proposed 2011-12 Budget Actions

As part of the Governor's effort to rightsize government to deliver critical services to New Yorkers in a more effective and efficient manner, agency management will evaluate all options to help achieve 10 percent General Fund reductions. The Executive Budget also proposes to reduce Executive Branch payroll and fringe benefit expenses through a labor-management partnership achieved through negotiation. Workforce actions are not expected to exceed 9,800 layoffs with the addition of attrition necessary to achieve \$550 million in savings.

- **Rightsizing.** Initiatives to close or consolidate facilities with excess capacity, merge State agencies, and other actions will be implemented to streamline targeted operations and reduce workforce costs. These will be taken in response to recommendations of task forces and through careful analysis of vacancy rates, service utilization and other factors. In recognition of the economic impact these changes can have on communities, economic development funding will be available for communities to adapt to prison and youth facility closures.
- **Negotiations.** The Governor, through a partnership with State employees, will seek negotiated agreements with State employee unions to achieve the remaining savings while minimizing the number of layoffs to the extent possible. Savings will be obtained from management, as well as unionized employees.

IV. Workforce Summary

Category	2010-11 3/31/11 Est.	Layoffs*	Attritions/ Other	Net Change	Change	
					2011-12 3/31/12 Est.	Percent
Workforce Subject to Direct Executive Control	126,634	(29)	(238)	(267)	126,367	0
University Systems	54,920	0	400	400	55,320	1
Off Budget Agencies	4,612	(23)	0	(23)	4,589	0
Independently Elected Agencies	4,299	0	(23)	(23)	4,276	(1)
Adjustment	0	(9,748)	(1,762)	(11,510)	(11,510)	N/A
Grand Total	190,465	(9,800)	(1,623)	(11,423)	179,042	(6)

* This table reflects layoffs that may be necessary in the absence of negotiated workforce savings.

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Rightsizing Government	100	100
Labor Management Partnership	450	450
Total	550	550

- **Rightsizing Government.** The Governor will propose closures, consolidations and mergers that will eliminate excess capacity, streamline government operations and reduce workforce costs (*2011-12 Value: \$100 million; 2012-13 Value: \$100 million*).
- **Labor Management Partnership.** Governor Cuomo is committed to working cooperatively with the labor unions that represent 94 percent of all State employees to achieve necessary reductions in the cost of the State workforce in a manner that causes the least disruption to State employees while ensuring the continued provision of necessary services for the citizens of New York. The Governor is open to a variety of options to achieve those goals (*2011-12 Value: \$450 million; 2012-13 Value: \$450 million*).

Other State Workforce Actions

The Executive Budget proposes to rightsize facilities based on capacity in the areas of youth, Mental Hygiene and prisons through facility consolidations and closures, as well as agency mergers to reduce bureaucracy and increase efficiency.

- **Facilities.** Governor Cuomo will create a task force by Executive Order that will recommend the specific prisons to be closed. If the task force does not recommend rightsizing, the Commissioner of Correctional Services would be empowered to implement facility closures. It is projected that there currently are at least 3,500 excess beds in medium and minimum security facilities. Communities impacted by the closures would receive assistance from the Governor's new Regional Economic Development Councils, with up to \$100 million available to help communities end their reliance on incarceration as a major source of employment and economic sustainability.

The Governor will work with agency administrators to identify excess capacity and opportunities for efficiencies through the closure and consolidation of youth facilities, a number of which currently operate at 50 percent capacity. He will also work to identify opportunities for greater efficiencies in State-operated mental health facility inpatient capacity to better reflect current census patterns and to encourage more effective community-based care.

- **Mergers.** To increase efficiency and cut bureaucracy, the Executive Budget consolidates and merges several State agencies and public benefit corporations. These include:
 - The Department of Correctional Services and the Division of Parole into the new Department of Corrections and Community Supervision to coordinate offender programs throughout the period of incarceration and reintegration into the community, helping offenders re-enter society better prepared and with more consistent support and thereby lowering their risk of recidivism.
 - Building on the recent consolidation of the Division of Probation and Correctional Alternatives into the Division of Criminal Justice Services (DCJS), the 2011-12 Executive Budget proposes merging the Office for the Prevention of Domestic Violence, the Office of Victim Services, and the State Commission of Correction into DCJS to maximize shared operations and funding sources while safeguarding the critical missions of each agency.
 - To improve the State's regulation of the financial industry and strengthen consumer protections on financial products, the Executive Budget also merges the Banking and Insurance departments and a portion of the Consumer Protection Board into a new Department of Financial Regulation.
 - To better align economic development programs, the budget consolidates the New York State Foundation for Science, Technology and Innovation into the Empire State Development Corporation.

Collective Bargaining

There are no collective bargaining agreements in place for 2011-12 or beyond and no funding has been set aside for new contract agreements. There are increased wage costs associated with performance advances and longevity payments. Governor Cuomo has committed to partnering with public employee unions to achieve future ongoing savings.

Transportation

*Department of Transportation
Department of Motor Vehicles*

I. Overview

The State's transportation system is operated, maintained and administered by a network of State and local agencies and public authorities. The Department of Transportation (DOT) coordinates planning and policy development and provides for the direct operation and capital improvement of much of the transportation system. DOT is responsible for construction, reconstruction, maintenance, and snow and ice removal for more than 38,000 State highway lane miles and more than 7,500 bridges. In addition, DOT provides funding for local government highway and bridge construction as well as rail, airport, bicycle, pedestrian and canal programs.

The Department also provides oversight and funding for more than 130 public transportation operators including the Metropolitan Transportation Authority (MTA), the four upstate regional transportation authorities, and other (usually county-sponsored) transit systems. These systems provide bus, subway, commuter rail and light rail services as well as "paratransit" services designed to meet the needs of the disabled. The MTA provides transit and commuter services in the New York City region to over two and a half billion passengers riding the subways, buses and commuter rail systems each year.

The State's transportation programs are also supported by the Department of Motor Vehicles (DMV), which operates 27 district and branch offices, and provides services via county clerk offices acting as DMV agents at 102 locations throughout the State. DMV issues licenses, non-driver identification cards, and vehicle registrations, conducts road tests, monitors driver training, performs enforcement activities, conducts more than 20 million customer transactions annually, and is projected to collect more than \$1.9 billion in revenue for the State and localities in 2011-12.

The New York State Thruway Authority, the New York State Bridge Authority and other public authorities operate and maintain certain other toll transportation facilities within the State.

II. History/Context

DOT Capital Programs

Funding to maintain and improve the State's transportation infrastructure is provided through multi-year capital plans and supported by a combination of State and Federal funds. A two-year \$7 billion DOT capital plan covering State fiscal years 2010-11 through 2011-12 was adopted in 2010-11 to support improvements to highway, bridge, aviation, rail, transit, port, bicycle and pedestrian facilities throughout the State.

Mass Transit

Since 1975, New York State has provided transit system operating assistance through the Statewide Mass Transportation Operating Assistance (STOA) program. Today, this \$4.2 billion aid to localities program reflects the importance of the services provided by transit systems to an annual ridership of more than 2.8 billion passengers. In 2010-11, State transit aid accounted for approximately 36 percent of the operating resources used to support the State's transit systems.

Department of Motor Vehicles

In recent years, the Department of Motor Vehicles has relied on technology to manage an increasing workload while conserving resources. Although DMV transactions have increased steadily over the past ten years, the level of staff necessary to deliver services has declined by 23 percent. This efficiency improvement is primarily the result of the Department's utilization of electronic and internet-based services that provide customers with a convenient alternative to visiting Department or County Clerk's offices. Currently, more than three million transactions per year are processed through the DMV website.

III. Proposed 2011-12 Budget Actions

Maintaining reliable transportation is critical to returning New York to economic prominence. Despite the current fiscal crisis, the 2011-12 Executive Budget continues prior year funding levels for the core transportation capital programs supported by the Dedicated Highway and Bridge Trust Fund. As a result of agency redesign and increased efficiencies, a reduction in operations costs and spending decreases will be achieved.

DOT Programs

DOT's capital plan and other programs are supported by Federal aid, dedicated taxes and fees deposited in the Dedicated Highway and Bridge Trust Fund, and remaining 2005 Transportation Bond Act funds. The Trust Fund also receives a significant subsidy from the General Fund. The Executive Budget continues the two-year \$7 billion DOT capital plan adopted in 2010-11 that balances core infrastructure preservation with fiscal necessity. Program and funding levels remain constrained by a number of key factors including the lack of a new multi-year Federal transportation act, the phase-out of funding from the 2005 Bond Act, and the Trust Fund's continued reliance on General Fund subsidies. Despite these financial challenges, the Executive Budget maintains the State's core Trust Fund investment in the highway and bridge program at 2010-11 levels and also preserves funding for local highway and bridge projects under the Consolidated Highway Improvement Program (CHIPS) program at prior-year levels. The DOT budget incorporates reductions to improve agency operations that reduce General Fund subsidies to the Trust Fund.

Mass Transit

The Executive Budget provides operating support to transit systems totaling \$4.2 billion. The MTA will receive \$3.8 billion, a cash increase of \$43 million from 2010-11, and other transit systems will receive \$401 million, which reflects a cash increase of \$2 million.

Although appropriations for the MTA are decreased to better reflect actual funds collected, cash support for both MTA and non-MTA programs will increase year to year.

The MTA's capital program will be provided \$100 million in new State support from the redirection of existing economic development capital funds. The redirected funds will create jobs and improve the MTA's core infrastructure. The MTA is also projected to receive \$194 million in 2005 Transportation Bond Act funds from reappropriations for the Authority's capital program.

Department of Motor Vehicles

The Executive Budget proposes \$343 million of appropriations for 2011-12, a decrease of \$13 million from prior year levels. This reduction reflects streamlining agency operations and enhancing program performance.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Transportation Spending*	7,626	7,725	99	1.3
Department of Transportation	3,557	3,637	80	2.2
Metropolitan Transportation Authority	3,767	3,810	43	1.1
Department of Motor Vehicles	300	276	(24)	(8.0)
Thruway Authority (Canal Corp)	2	2	0	0

* Transportation spending excludes one-time impacts of Federal Stimulus, 2005 Bond Act funds and 2009-10 transit aid carry-out; DOT spending increase is attributable to capital spending increase netted against DOT operating reductions.

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Transit Fund Actions	200.0	0.0
DOT Ten Percent State Operations Reduction	45.4	45.4
DMV Ten Percent State Operations Reduction	12.0	12.0
Total	257.4	57.4

Transportation Operations

- **Transit Fund Actions.** The Executive Budget proposes using \$165 million of Metropolitan Mass Transportation Operating Assistance Account (MMTOA) funds to pay debt service on State bonds previously issued for the MTA capital program that otherwise would be paid from the State's General Fund. MMTOA receives portions of transportation related taxes and fees and is used to support operating aid for the MTA and other transit systems in the 12-county MTA district. In addition, \$35 million of MMTOA funds derived from statewide revenues will be transferred to the General Fund. In order to help the MTA manage the impact of these actions, the Executive Budget proposes redirecting \$100 million of existing economic development capital funds to the MTA capital program. *(2011-12 Value: \$200 million; 2012-13 Value: \$0)*
- **Ten Percent State Operations Reduction.** The Executive Budget will decrease spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value \$57.4 million; 2012-13 Value: \$57.4 million)*

Other Budget Actions

DOT Capital Plan Highlights

- **Preserve State Support for Highway and Bridge Investments.** Funding in the Dedicated Highway and Bridge Trust Fund for highway and bridge construction is maintained at \$501 million, the same level as 2010-11.
- **Preserve Local Capital Aid.** Capital aid to local governments for highway and bridge projects is preserved at 2010-11 levels, with \$363.1 million provided for the Consolidated Highway Improvement Program (CHIPS) and \$39.7 million for the Marchiselli program.
- **Preserve Rail Programs.** The Executive Budget includes a \$16.9 million appropriation to support Amtrak service subsidies and additional rail capital investments.

Legislation Required for the Budget

Education, Labor and Family Assistance

- Amend the Education Law to realign School Aid and make other changes necessary to implement education-related programs in the Executive Budget.
- Authorize competitive grants to reward school districts with the most improvement in student performance and/or management efficiencies.
- Eliminate the statutory authorization for the New York State Theatre Institute and provide for the transfer of its rights and property to the Office of General Services.
- Enhance flexibility for SUNY and CUNY in the areas of procurement and participation in public-private partnerships.
- Reduce the maximum Tuition Assistance Program (TAP) award for students matriculated in certain two-year degree programs to \$4,000.
- Include pension and annuity income for TAP eligibility determinations.
- Amend the eligibility requirements for the TAP related to students in default on certain student loans.
- Continue TAP schedule for students who are married with no children.
- Increase academic standards for non-remedial TAP recipients.
- Eliminate TAP eligibility for graduate students.
- Extend the Regents Physician Loan Forgiveness Program until the end of the 2015-16 school year.
- Extend Patricia K. McGee Nursing Faculty Scholarship and the Nursing Faculty Loan Forgiveness Incentive programs until June 30, 2016.
- Extend the Regents Licensed Social Worker Loan Forgiveness Program until June 30, 2016.
- Establish STAR Program Cost Containment Measures.
- Better align Committee on Special Education (CSE) maintenance cost shares.

Legislation Required for the Budget

- Establish the Primary Prevention Incentive Program.
- Establish Juvenile Justice reforms.
- Modify the fee structure for Statewide Central Registry (SCR) clearance checks.
- Authorize the pass-through of any Federal Social Security Income (SSI) Cost of Living Adjustment which becomes effective on or after January 1, 2012.
- Strengthen compliance with Public Assistance Work Requirements.
- Delay the scheduled Public Assistance Grant increase.
- Consolidate the Neighborhood Preservation Program and Rural Preservation Program into a single, competitive, performance-based program.
- Make permanent the Unemployment Insurance (UI) Interest Assessment Surcharge.

Health and Mental Hygiene

- Improve public health services and achieve savings by modifying Elderly Pharmaceutical Insurance Coverage, Early Intervention, and General Public Health Work, and implementing various other changes.
- Suspend implementation of a new nursing home reimbursement method and extend the reimbursement cap, authorize certain Medicaid payments and extend authorization to collect nursing home assessment revenue.
- Extend the Health Care Reform Act (HCRA) for three years.
- Extend various provisions of the Public Health, Social Services and Mental Hygiene laws, including continued authorization of previously enacted Medicaid savings initiatives.
- Amend the Medicaid eligibility status of individuals served in Institutions for Mental Diseases (IMD).
- Establish a one-year deferral of the Human Services Cost of Living Adjustment.
- Ensure the efficient and cost-effective delivery of programs and services operated by the Office of Mental Health.

Public Protection and General Government

- Extend various criminal justice programs that would otherwise sunset.
- Make changes to provisions relating to the disposition of certain monies recovered by New York City county district attorneys and make those provisions permanent.
- Eliminate the prison closure notification requirement and modify the type of plan to be developed in the event of a prison closure.
- Eliminate cell surcharge subsidy to a revolving loan fund.
- Change the compensation for the commissioners of the State Liquor Authority, other than the Chairman, from an annual salary to per diem.
- Eliminate costly and unnecessary election law printing and publication requirements.
- Provide for the close-out of most private group self-insured workers compensation trusts to mitigate potential risk to the State Financial Plan and to participating employers.
- Change the compensation for commissioners of the State Civil Service Commission, other than the President, from an annual salary to per diem.
- Reduce Aid and Incentives for Municipalities (AIM) funding for cities, towns and villages and eliminate AIM for New York City.
- Eliminate Video Lottery Terminal Aid to all eligible municipalities other than Yonkers.
- Create the Citizen Empowerment Tax Credit, the Citizens Re-organization Empowerment Grants and the Local Government Performance and Efficiency Program, and streamline the Local Government Efficiency Grant Program.
- Clarify the State's obligation to make payments with respect to certain lands.
- Lapse aged State and local reappropriations.
- Authorize transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps.
- Repeal the Community Projects Fund.

Revenue

- Reduce the dormancy period of miscellaneous abandoned property.
- Make tax shelter reporting provisions permanent.
- Provide the Department of Economic Development with continuing authority to monitor Empire Zone Program compliance and to decertify non-complying businesses.
- Authorize an offset of lottery winnings with outstanding State tax liabilities.
- Extend the financial services investment tax credit to certain broker-dealers for four years from October 1, 2011 to October 1, 2015.
- Authorize additional credits of \$4 million for the Low-Income Housing Credit.
- Improve the effectiveness of the Excelsior Jobs Program.
- Limit the exemption provided for town or county cooperative insurance corporations under the Insurance Franchise Tax.
- Conform the New York State Insurance and Tax laws to the Federal Dodd-Frank Act excess lines tax provisions and authorize New York State to participate in a national compact that collects and remits excess lines taxes to the states.
- Extend Gramm-Leach Bliley provisions for two years and make Bank Tax Extender permanent.
- Modernize certain fuel definitions.
- Extend the alternative fuels tax exemptions for one year.
- Simplify the distribution of Motor Vehicle fees.
- Eliminate restrictions on the operation of Quick Draw.
- Authorize a Free Play Allowance Program.
- Allow two additional 75 percent Instant Lottery Games.
- Allow for a higher prize pay-out on multi-jurisdictional Lottery Games.
- Authorize multi-jurisdictional Video Lottery gaming.
- Extend for one year lower Pari-Mutuel tax rates and rules governing simulcasting of out-of-state races.

Transportation, Economic Development and Environmental Conservation

- Provide the annual authorization for the Consolidated Local Street and Highway Improvement Program (CHIPS) and Marchiselli programs.
- Permanently extend Department of Transportation Single Audit Program.
- Permanently extend suspension of drivers' licenses for certain alcohol-related charges.
- Permanently extend suspension/revocation of drivers' licenses for certain drug-related offenses.
- Make permanent provisions relating to the Motor Vehicle Financial Security Act.
- Conform the Vehicle and Traffic Law to Federal requirements, governing operators of commercial motor vehicles and medical certification requirements.
- Make permanent the general loan powers of the New York State Urban Development Corporation.
- Modify the Linked Deposit Program to increase the lifetime maximum per eligible business from \$1 million to \$2 million.
- Extend the New York State Higher Education Capital Matching Grant Program.
- Clarify the State Governmental Cost Recovery System.
- Permanently establish the distribution formula for the Community Services Block Grant Program.
- Permanently establish the authority of the Secretary of State to charge increased fees for expedited handling of documents.
- Dissolve the Tug Hill Commission.
- Eliminate the salary for the Chair of the State Athletic Commission.
- Eliminate statutory references to the Governor's Office of Regulatory Reform.
- Authorize and direct the Comptroller to receive for deposit to the credit of the General Fund a payment of up to \$913,000 from the New York State Energy Research and Development Authority.
- Authorize the New York State Energy Research and Development Authority to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the Department of Environmental Conservation climate change program, from assessments on gas and electric corporations.
- Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.

Legislation Required for the Budget

- Make permanent the current time frames for review of pesticide product registration applications and pesticide product registration fees.
- Authorize the Commissioner of Agriculture and Markets to establish a competitive grants program to fund agricultural research, marketing and education initiatives.
- Implement key components of the Governor's "Share NY Food" initiative.
- Repeal Article 4-A of the Navigation Law regarding reimbursements paid to certain governmental entities.
- Facilitate an efficient transfer of Tribal State Compact Revenue to the General Fund and make a technical correction to the distribution of the local share of such revenues associated with the Niagara Falls Casino.
- Establish a surcharge on purses at harness and thoroughbred racetracks.
- Extend the renewal period for certain disciplines licensed by the Department of State.
- Authorize the Tax Modernization Project.

State Entity Mergers

- Merge the operations of the Department of Insurance, the Banking Department and the consumer financial protection programs of the Consumer Protection Board into the Department of Financial Regulation.
- Merge the operations of the Office for the Prevention of Domestic Violence, Office of Victim Services, and the State Commission of Correction into the Division of Criminal Justice Services.
- Merge the Department of Correctional Services and the Division of Parole into the new Department of Corrections and Community Supervision.
- Merge the Foundation for Science, Technology and Innovation (NYSTAR) and the existing high technology and research and development programs into the Empire State Development Corporation.

Other Legislation Required for the Budget

- Establish the new Recharge New York Power Program to provide low-cost hydroelectric power to create and retain jobs by attracting business to the State, creating new business within the State, and encouraging the expansion of existing businesses in the State.

Citizen's Guide

The Citizen's Guide to the Executive Budget

The Executive Budget process and key budget document formats are governed 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 primarily by Article VII of the New York State Constitution. Article VII requires the Governor to submit a budget detailing a plan of expenditures and an estimate of revenues for the upcoming fiscal year, bills containing all proposed appropriations and reappropriations, and other legislation needed to implement the Executive Budget.

To fulfill these requirements, this budget includes five books and several bills. The central volume, *Executive Budget Briefing Book*, contains the Budget Director's Message, which presents the Governor's fiscal blueprint for 2011-12 and explains the State's Financial Plan. It also includes highlights of major initiatives, and a list of the legislative proposals needed to implement the proposed budget.

The *Five-Year Financial Plan* summarizes the Governor's Executive Budget and describes the "complete plan" of spending and revenues required by the Constitution.

The *Economic and Revenue Outlook* volume explains the specific sources of State revenues and presents the economic outlook for the nation and the State.

The fourth book presents the *Five-Year Capital Program and Financing Plan*, which highlights major capital initiatives and objectives, and describes the approach to financing the capital program.

Finally, the *Agency Presentations* volume describes the functions of each state agency and presents tables that summarize the agency's spending by program and category. A "User's Guide" provides background information on State government and the budget process, and explains how to interpret the agency "story" tables. This book also includes the budget requests of the Legislature and Judiciary, which are submitted without revision as required by the Constitution.

These documents collectively provide the supporting justification for the budget bills, and are accessible to the general public through the Division of the Budget's official web site (www.budget.state.ny.us).

Two types of legislation are required for budget enactment. Appropriation bills provide the legal authorization for all spending from the funds managed by the State. These bills encompass the recommended funding for State Operations, Aid to Localities, Capital Projects, Debt Service and the Legislature and Judiciary. Other bills amend state law governing programs and revenues. These "Article VII bills," and all Executive Budget appropriation bills, are available from the Senate and Assembly document rooms located in the Capitol and the Legislative Office Building.

The Constitution authorizes the Governor to amend the Executive Budget within 30 days of submission, allowing for technical corrections and revisions based on the latest information. However, to help achieve timely budgets, the 2007 Budget Reform Act requires that the Executive, to the extent practicable, submit any necessary amendments within 21 days. Any amendments are made available on the Budget Division's website when submitted to the Legislature.

The legislative review process includes public hearings on the Governor's budget. These hearings are scheduled by the Senate Finance and Assembly Ways and Means Committees, which are responsible for coordinating each house's action on the budget.

The Budget Reform Act mandated the use of conference committees as part of the legislative budget process. These committees, which have been used in various forms in the past, must now be formed early in the process to facilitate agreement on a budget between the two houses. The two houses ultimately develop joint recommendations, amend the Governor's proposed bills to reflect their decisions, and pass the amended bills. These final bills are available from the legislative document rooms.

Except for appropriations for the Legislature and the Judiciary, appropriations proposed by the Governor become law immediately when passed by the Legislature. However, all items that have been added by the Legislature, and all appropriations for the Legislature and the Judiciary must be sent to the Governor for his approval or veto. The Constitution grants the Governor "line item veto" power, permitting the Governor to veto such items selectively, while approving the remainder of the bill.

Chapter numbers are assigned to bills that become law. For any bill or item of appropriation that is vetoed, the Governor provides a "veto message" to the Legislature stating his reasons for the veto. Vetoes may be overridden by a two-thirds vote of each house of the Legislature, in which case the vetoed item or bill becomes law despite the Governor's objections.

After 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 Senate and Assembly document rooms. The Governor is required to revise the Financial Plan to reflect the Enacted Budget. Like the original Executive Budget and any amendments, this revised plan and subsequent updates are also made available on the Budget Division's website.

Note: *Readers are encouraged to visit the New York State Budget Division's website (www.budget.state.ny.us) to access the latest information and documents related to the Executive Budget proposal and the Enacted Budget. Virtually all materials are made available on the website, either on the day of release or within 24 hours.*