



2012-13 EXECUTIVE BUDGET & REFORM PLAN

New NY Transformation Plan...the next step
Governor Andrew M. Cuomo

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Director's Message

This has been an extraordinary year for New York State. In enacting the 2011-12 Budget, Governor Cuomo and the Legislature transformed the budget process erasing a \$10 billion deficit, ending unsustainable spending growth, and creating new ways to involve the public in developing solutions to the State's problems. In addition, this past December the Governor and Legislature lowered taxes for middle class New Yorkers to the lowest level in 58 years and brought fairness to our tax code.

This Executive Budget demonstrates that New York is now on a new course. The recommendations in the Budget represent a responsible, balanced plan for New York State that continues Governor Cuomo's efforts to strengthen New York's economy while improving both the quality of services delivered and the accountability over State spending. For the second year in a row, this budget decreases the All Funds budget from the previous year and controls State Funds growth to 2 percent, consistent with the property tax cap adopted for local governments. This budget honors the landmark two-year appropriations in School Aid and Medicaid, with increases tied to the underlying economic growth.

Ending the era of New York as a high tax capital, the property tax cap enacted in 2011 is helping to constrain the growth of local taxes throughout the State. To build on what was achieved, this budget includes mandate relief and structural reforms to help local governments operate more efficiently and continue to provide services within the cap's limits. Importantly, this budget finally provides real Medicaid relief to counties and New York City.

All of the Governor's proposals are designed to remind the world that New York is "Open for Business." The budget provides a comprehensive, coordinated and strategic approach to economic development that utilizes the Regional Economic Development Councils established last year. In addition, Governor Cuomo taps into the innovation of the private sector and proposes strategic investments to drive economic growth and create jobs. With this budget, we are putting the power of the State government behind the innovation of our people, giving New Yorkers the tools to rebuild our economy.

Management of the State budget is a year-round effort. In addition to new labor agreements and the redesigning of key programs such as Medicaid, this year Governor Cuomo began an ambitious effort to coordinate functions across agencies. This reimagining of government will continue in 2012-13 with an examination of the fundamental operations of the State and its programs, breaking down State agencies to their core functions and working with the Legislature to rebuild them to get better outcomes and respect our taxpayers.

This Executive Budget is the next step towards a *new* New York. Governor Cuomo has advanced an outcome-focused, innovative and fiscally responsible plan that will get the Empire State working again.

Financial Plan Summary

Historic Reforms

When Governor Cuomo took office on January 1, 2011, the State faced a budget gap of \$10 billion in 2011-12 that grew to nearly \$15 billion in 2012-13 — a combined imbalance of nearly \$25 billion. The imbalance represented the difference between projected disbursements to maintain current service levels and other commitments, and the expected level of resources to pay for them.

The historic, on-time budget approved by the Governor and Legislature on March 31, 2011 eliminated the entire \$10 billion imbalance and significantly reduced the budget gap for 2012-13 to \$3.5 billion, based on current projections. The two-year combined budget gap has declined by over 86 percent from the level it stood at when Governor Cuomo took office. The following table summarizes the impact of the 2011-12 budget on the State's budget gaps for 2011-12 and 2012-13.

	SIZE OF BUDGET GAPS (\$ Mil)		
	2011-12	2012-13	Two-Year
Before 2011-12 Budget	10,000	14,945	24,945
Current Estimate	-	3,500	3,500
\$ Reduction	10,000	11,445	21,445
% Reduction			86%

A Responsible Gap-Closing Plan

Governor Cuomo's Executive Budget for 2012-13 continues the reformation of State finances that began with the Budget for 2011-12. The Executive Budget eliminates the General Fund budget gap of \$3.5 billion in 2012-13 and substantially lowers the budget gaps projected in future years. The following table summarizes the multi-year impact of the Executive Budget gap-closing plan.

Financial Plan Summary

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM MID-YEAR THROUGH EXECUTIVE BUDGET RECOMMENDATION (millions of dollars)				
	FY 2013	FY 2014	FY 2015	FY 2016 ¹
REVISED GAPS	(3,500)	(3,624)	(5,044)	(4,246)
FY 2013 Executive Budget Proposals	3,500	2,909	2,070	525
Spending Control (net of adds)	1,964	1,506	1,435	1,250
Agency Operations	1,141	1,089	842	861
Local Assistance	756	580	779	660
Debt Management	140	0	0	0
New Initiatives	(73)	(163)	(186)	(271)
Tax Reform	1,536	1,702	1,033	(178)
Tax Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Tax Credits/Other Initiatives	(145)	(82)	(52)	(7)
New Costs	0	(299)	(398)	(547)
Child Care Preservation	(93)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Additional Pension Payment	0	(80)	(70)	(61)
All Other	93	96	87	29
EXECUTIVE BUDGET SURPLUS/(GAPS)	0	(715)	(2,974)	(3,721)
¹ Gap estimate for FY 2016 is published for the first time with this FY 2013 Executive Budget.				

Highlights

- The gap-closing plan consists of \$2 billion in savings by controlling State spending and \$1.5 billion in new resources from tax reform. It includes no borrowing for operating expenses, no new taxes or other fiscal gimmicks.
- State agency savings (\$1.14 billion) build on redesign and cost-control efforts initiated in 2011-12. These include further reductions in State agency operations through strict controls on attrition and hiring; enterprise-wide consolidation of procurement, information technology, and workforce management functions; and a range of operational measures to improve efficiency. The total cost of agency operations, which consists of personal service, fringe benefits, and non-personal services costs, is estimated at \$23.5 billion in 2012-13, a decrease of 0.4 percent from estimated 2011-12 levels.

- The key savings proposals in local assistance (\$756 million) widen the scope of reforms begun in 2011-12, targeting automatic spending increases that are unrelated to performance or actual costs. The most significant proposal would eliminate automatic “cost of living” increases and trend factors in 2012-13 for all health and human service providers, and grant all future increases, starting in 2013-14, through a rational, performance-based awards system. Other savings include continued programmatic, auditing, and financial reviews, elimination of inefficient subsidies, enhanced review of claims-based data, and other measures. Disbursements for local assistance are projected to total \$59.1 billion in 2012-13, an annual increase of 2.6 percent.
- The Executive Budget honors the two-year commitment made in 2011-12 to fund School Aid (on a school year basis) at a level consistent with the growth in NYS personal income and Medicaid at the long-term average growth in the medical component of the Consumer Price Index (CPI). In 2012-13, State funding for both programs increases by approximately 4 percent from 2011-12.
- The tax reform package approved in December 2011 will generate an estimated \$1.5 billion in net resources to help close the budget gap. The tax code changes are expected to provide \$1.9 billion in additional receipts in 2012-13. Of this amount, approximately \$250 million will be used to mitigate the impact of the law changes on the MTA and \$145 million will be used for tax credits and employment initiatives. There are no new taxes or fees in the budget.
- The gap-closing plan provides sufficient resources to cover essential new costs, including State funding to maintain 19,000 child-care slots for working families that would otherwise be lost due to a reduction in Federal aid.

Reducing the Structural Gap

After reflecting the proposals in the Executive Budget, the budget gap in 2013-14 is projected at \$715 million, the lowest “first out-year” budget gap, measured in absolute dollars, in two decades. The 2013-14 gap is equal to approximately 1.2 percent of projected General Fund receipts. By comparison, the gap that needed to be closed in 2011-12 equaled nearly 18 percent of expected receipts.

	SIZE OF BUDGET GAPS (\$ Mil)		
	2012-13	2013-14	Two-Year
Before 2012-13 Budget Proposal	3,500	3,624	7,124
After 2012-13 Budget Proposal	-	715	715
\$ Reduction	3,500	2,909	6,409
% Reduction			90%

Controlling Spending

If enacted as proposed, the Executive Budget would hold annual spending growth in State Operating Funds to 1.9 percent. All Funds spending would decline by \$225 million from the level estimated for 2011-12. All Funds spending in 2012-13 is expected to be \$2.3 billion (-1.7 percent) below actual spending in 2010-11, the most recent budget enacted before Governor Cuomo took office.

TOTAL DISBURSEMENTS (millions of dollars)							
	FY 2012 Revised	FY 2013 Base	Before Actions		FY 2013 Proposed	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	87,048	90,770	3,722	4.3%	88,734	1,686	1.9%
General Fund (excluding transfers)	50,787	53,107	2,320	4.6%	51,425	638	1.3%
Other State Funds	30,328	31,301	973	3.2%	31,113	785	2.6%
Debt Service Funds	5,933	6,362	429	7.2%	6,196	263	4.4%
All Governmental Funds	132,735	131,908	(827)	-0.6%	132,510	(225)	-0.2%
State Operating Funds	87,048	90,770	3,722	4.3%	88,734	1,686	1.9%
Capital Projects Funds	8,078	7,299	(779)	-9.6%	7,844	(234)	-2.9%
Federal Operating Funds	37,609	33,839	(3,770)	-10.0%	35,932	(1,677)	-4.5%
General Fund, including Transfers	56,915	59,794	2,879	5.1%	58,592	1,677	2.9%
State Funds	93,288	96,504	3,216	3.4%	94,795	1,507	1.6%

Economic Development

Governor Cuomo has said that New York must be open for business. Therefore, job creation, the restoration of a vibrant State economy, and a new reputation for New York as a location for investment have been his top priorities from his first day in office.

Over the past year, Governor Cuomo has attracted new businesses and worked with companies across the State to help them expand in New York and create thousands of jobs.

The 2012-13 Executive Budget funds a comprehensive and coordinated blueprint for economic development programs. The Budget will create jobs in New York State by creating public-private partnerships that leverage State resources to generate billions of dollars in economic growth, improving the State's infrastructure to support business expansion and supporting regionally-based economic strategies.

A total of nearly \$1.2 billion in new appropriations is provided to fund strategic investments in economic development projects, programs and initiatives. Highlights of investments include the following:

New York Works Infrastructure Investment. The 2012-13 Executive Budget will seed a \$15 billion initiative to rehabilitate the State's critical infrastructure assets and create thousands of jobs by accelerating capital projects. The program will build and/or improve bridges, highways, parks, waste water treatment facilities, renewable and efficient energy systems, flood control structures, dams, SUNY facilities and other critical infrastructure components. New appropriations for New York Works in the Executive Budget total \$1.64 billion, including \$723 million in State funds and \$917 million of Federal transportation funds. These new resources, along with \$600 million in funding from existing State programs, will spark nearly \$12.8 billion of additional investments in job-creating infrastructure. The additional investments include more than \$760 million of Federal matching funds for environmental and economic development projects; \$9 billion from public authorities and local governments for major projects and \$3 billion of private sector investment to match public seed money for economic development and energy projects.

NY Works Fund		Source
State	\$1.3 billion	\$723 million new capital \$600 million existing capital accelerated
Federal	\$1.7 billion	Combination new and accelerated Federal aid (e.g. dam & municipal water systems)
Authorities	\$5 billion \$4 billion	New Tappan Zee Bridge Existing capital accelerated (e.g. NYSERDA & PA)
Private	\$3 billion	Leveraging new private investment
TOTAL	\$15 billion	

Economic Development

The \$723 million of new State seed funding in the Budget includes:

- \$232 million for DOT bridge and highway projects;
- \$130 million as referenced below for Regional Council capital funding;
- \$102 million for Department of Environmental Conservation flood control and critical dam and coastal erosion projects;
- \$94 million for improvements and repairs at State parks and Olympic Regional Development Authority facilities;
- \$75 million for Buffalo Regional Innovation Cluster activities, part of the \$1 billion multi-year economic development package;
- \$75 million for the New York Works Economic Development Fund program; and
- \$15 million for the Peace Bridge capacity improvement project.

The \$75 million New York Works Economic Development Fund Program will provide capital grants to support projects that facilitate an employer's ability to create new, or retain existing, jobs. In addition, the program will fund infrastructure investments necessary to attract new businesses or to expand existing businesses, including improvements to transportation, water and sewer, communication, broadband internet access, and energy generation and distribution facilities.

In addition, the New York Works Task Force will be established to develop a master plan, and to coordinate, leverage and accelerate the State's capital investments. Previously, capital planning decisions were made at the individual agency level and not coordinated across agencies to maximize economic impact. The Task Force, working closely with the Regional Councils, will ensure the State's capital planning is done in a comprehensive manner that allocates capital resources in accordance with a clearly articulated set of priorities on the basis of objectively quantified infrastructure need and economic impact.

Advancing New York's Economic Blueprint. The State's economic development programs will support Governor Cuomo's economic blueprint for the revitalization and expansion of New York's economy using public-private sector partnerships and funds from existing State programs to create thousands of new jobs across the State. Significant initiatives include:

- Building a new convention center in New York City — using no public funding — that will attract the world's largest events, driving demand for our tourism industry, increasing tax revenues and creating jobs.
- Continuing the New York Open for Business initiative, a coordinated communications and marketing effort that demonstrates to business leaders across the world the benefits of doing business in New York State, thereby attracting investment and creating jobs.

Second Round of Regional Council Awards. This year Governor Cuomo created 10 Regional Councils that brought together stakeholders from labor, business, academia, and communities to develop long-term strategic plans based on each region's unique resources and specific priorities. These Councils awarded \$785 million competitively to projects determined to have the greatest potential for creating jobs.

- The Executive Budget authorizes a second round of funding for the Regional Councils, building on the process originated in 2011. Funding totaling \$200 million in competitive resources will be provided, as follows:
 - \$130 million in new capital funding from the New York Works initiative; and
 - \$70 million in tax credits from the enhanced Excelsior Jobs Program.
- In addition, resources from a wide range of existing agency programs will be available to businesses and project sponsors for economic development purposes that are consistent with Regional Council plans through the Consolidated Funding Application. This process provides one-stop access for project sponsors to apply and compete for \$800 million of existing funding from a variety of agency and authority programs.

Buffalo Regional Innovation Cluster. The Executive Budget contains the first phases of a multi-year \$1 billion economic development package for Buffalo. The Governor has challenged the area's Regional Council to develop the details of a viable plan to create thousands of jobs and to spur at least \$5 billion in new investment and economic activity. The budget includes \$100 million in State funding, for two years, for this initiative. New York Works capital funding of \$75 million is provided in each year and \$25 million will be reserved in each year from the Excelsior Tax Credit Program. Pending completion of the regional plan, this \$200 million initial package can be supplemented from other State programs with applicable infrastructure and economic development components.

Strengthening New York's Agriculture Sector. Recognizing that agriculture contributes billions of dollars to New York's economy, the Executive Budget supports Farm-NY, a series of measures to support farmers and help the agricultural industry grow. To improve access to low interest loans that will assist farmers with infrastructure upgrades, the New York State Linked Deposit Program will be expanded to provide farmers in any part of the State with capital at affordable interest rates. In addition, with 1.5 million New Yorkers living in areas with limited supermarket access, the Executive Budget provides for expanding the successful FreshConnect farmers' market program to provide more residents with healthy, New York-grown food.

Economic Development

Transformative Projects and Programs. In addition to the New York Works program investments, the 2012-13 Executive Budget will appropriate funds for commitments previously made to projects across the State that attract investment and create and retain jobs. These include:

- \$250 million in capital funding for facilities at the SUNY College for Nanoscale and Science Engineering that will support the development of the next generation of computer chip technology in New York. The State capital commitment has helped to leverage an overall \$4.4 billion investment by an international technology group that includes Intel, IBM, GlobalFoundries, TSMC and Samsung. Cumulative State funding for the project will total \$400 million, including support to be provided from existing energy programs and previously appropriated capital funds.
- \$110 million for the SUNY 2020 Challenge Grant Program, including \$80 million to catalyze economic development at SUNY's university centers at Albany, Binghamton, Buffalo and Stony Brook; and a new \$30 million round of grants for projects at other SUNY institutions.

Other Budget Actions

- **Increased funding for Minority and Women-Owned Business Initiatives.** The 2012-13 Executive Budget includes an increase of \$1.6 million to support expenses associated with achieving the Governor's MWBE participation goals, as well as development of a Minority and Women-Owned Business Enterprise (MWBE) Monitoring and Compliance System. These initiatives will work toward achieving the Governor's goal to increase the rate of MWBE participation across the State to at least 20 percent.
- **Continued Commitment to Critical Economic Development Investments.** The 2012-13 Executive Budget includes over \$84 million to support ongoing economic development initiatives including: the New York State Economic Development Fund, Jobs Now, 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. In addition, to augment the State's core tourism programs, the Open for Business marketing initiative will promote tourism by highlighting the State's regional treasures like the Adirondacks, Catskills, our wine country, and Long Island beaches.
- **Continued High Technology Funding.** The Executive Budget authorizes an aggregate amount of \$32 million to support ongoing university-based matching grants and other high technology and research and development programs administered by DED's Division of Science, Technology and Innovation.
- **Foreclosure Prevention Assistance:** The Department of Financial Services will create a Foreclosure Relief Unit to assist homeowners, either in foreclosure or at risk of foreclosure, via outreach, educational programs and regulatory assistance. This is revenue neutral.

Reimagining Government

Since the start of his administration, Governor Cuomo has worked to institute reforms that will create a government that performs better and costs less. This Executive Budget is a blueprint that reflects the next phase of his work to achieve these goals.

Last year, Governor Cuomo instituted sweeping management actions that transformed the State's operations and the way the public interacts with State government. The Executive Budget last year advanced new transformative models of governmental decision making that relied on public participation to a greater extent than has ever been attempted to improve programs and to more equitably allocate resources. The process has been successful. In one year, teams addressing health care and economic development have proven that individuals with opposing interests can find common ground and, working together, make decisions for the common good.

In addition, Governor Cuomo created the Spending and Government Efficiency (SAGE) Commission to begin the process of reforming and streamlining State government. This Commission is charged with reviewing the State's organizational structure, identifying operational improvements, creating meaningful metrics, and identifying non-critical activities. With considerable public input, the Commission made several important contributions, including recommendations to merge State agencies, to consolidate certain agency functions, and to implement a culture of performance and accountability.

Advancing Government Through Public Participation

Regional Economic Development Councils

Job creation, the restoration of a vibrant State economy, and a new reputation as a location for investment have been Governor Cuomo's top priorities from his first day in office.

One prime strategy has been redesigning New York's approach to economic development and job creation through a statewide network of Regional Economic Development Councils. This new approach enables the 10 regions of the State to shape their own economic futures. The Governor's 10 Regional Councils brought together stakeholders from labor, business, academia, and communities to develop long-term strategic plans based on their regions' unique resources and specific priorities.

Governor Cuomo also realigned the State's resources and regulations to support the Regional Councils, eliminating bureaucratic barriers to economic development. As part of this effort, the Governor created a new Consolidated Funding Application, allowing a coordinated evaluation for the awarding of a combined pool of nearly \$1 billion in grant money and tax credits from dozens of existing State programs and new resources.

The Regional Councils were driven to succeed through competition for State resources. After the Regional Councils completed their work, the plans were analyzed and ranked by a committee

Reimagining Government

of experts to determine which would have the greatest potential to create jobs and spur economic development. In addition, over 2,500 applications under the Consolidated Funding Application were reviewed by the Regional Councils and other State funding agencies. In December, more than \$785 million in State economic development funding was awarded to the successful applicants. These grants funded more than 720 projects submitted under the strategic planning and Consolidated Funding Application processes.

Redesigning Medicaid and Healthcare

During the 2011-12 budget process, Governor Cuomo formed the Medicaid Redesign Team (MRT), bringing together health care, labor, and government leaders to fundamentally restructure and reform New York's extensive Medicaid program. After public meetings seeking broad input were held across the State, and thousands of comments were reviewed, the MRT identified billions of dollars in savings. The Enacted Budget implemented a majority of the Team's proposals, ensuring that the Medicaid system could continue to operate effectively and provide critical health care services at a more sustainable cost.

State Medicaid spending had been projected to grow at an unsustainable rate of 13 percent for the 2011-12 fiscal year. With the MRT input, Department of Health (DOH) Medicaid spending was reformed, growing by approximately 3 percent, after adjusting for enhanced Federal funding, and future growth in DOH Medicaid spending will be limited to the 10-year rolling average of the Medical CPI, currently 4 percent.

One of the most significant reforms, the cap on Medicaid spending, will contribute significantly to reducing future budget gaps. However, the Team's proposals to develop more effective delivery of health care services are an even more significant contribution. This goal will be achieved by substantially expanding patient-centered medical homes, better controlling home healthcare, and increasing care management for individuals with complex needs.

In the second phase of its work, the MRT addressed other complex issues. The 2012-13 Executive Budget reflects some MRT proposals recommended in this phase.

Key reforms advanced by the Medicaid Redesign Team since its inception include:

- Creating a first-of-its kind in the nation Medicaid Global Spending Cap which introduces fiscal discipline into a program that has seen double-digit growth;
- Phasing out the dysfunctional Medicaid fee-for-service (FFS) payment system, and replacing that system with care management for all, which will better align financial incentives and reward the provision of cost effective health care;
- Improving the quality of primary care by expanding access to nationally accredited Patient Centered Medical Homes for virtually all 5 million Medicaid members;
- Launching powerful new health and public health strategies to eliminate health disparities, significantly expanding access to supportive housing, and re-inventing the Medicaid benefit to improve population health;

- Creating Health Homes, which will provide integrated care coordination and management that will ensure that the sickest Medicaid patients get their needs met in the most cost-effective way possible;
- Implementing significant reform for the health care delivery system in Brooklyn and elsewhere to improve health and health care in New York City's most populated borough, which will become a model for the rest of the State;
- Instituting New York's first program-wide, comprehensive system of performance measurement to benchmark current performance and set clear goals for the future; and
- Pursuing a new Federal waiver that will allow the State to reinvest in its health care infrastructure, and give the State the freedom to innovate. The new waiver will allow the State to prepare for implementation of national health care reform as well as effectively bend the cost curve for the State's overall health care system.

The SAGE Commission and Redesigning State Government

Like Governor Al Smith, we must undertake a process to fundamentally reorganize our State government to perform better and cost less.

A year of public meetings, data gathering, and analysis confirmed that New York State government had become a collection of organizations, working in silos with limited coordination across agencies, performing functions and programs accumulated over years without any careful review.

The Executive Budget advances proposals to reverse decades of bureaucratic inaction and mismanagement, and refocus agencies' operations in ways that benefit service recipients and taxpayers alike.

Reorganization of State Government and Coordination of Functions Across Agencies

In working to determine opportunities for improving services and increasing efficiency, Governor Cuomo has directed the SAGE Commission to work with the Division of the Budget to break down the silos of our organizational structure and address the thousands of programs that exist across the vast bureaucracy with little rhyme or reason. This will begin by compiling a comprehensive list of State agency core purposes and programs based on a strict legal analysis of their mission. This disciplined approach has already led to opportunities for collaboration and elimination of agency activities that are outside the agency's core purpose. This process will continue and expand this year.

The goal of this process will be recommendations to help consolidate functions, coordinate activities, benchmark progress, and set goals for improvements. The Governor will invite the Legislature to work with him in identifying archaic programs, duplication in programs, and programs that don't work. The process of reorganizing State government must begin immediately, however, so the Executive Budget provides authorization to consolidate certain administrative functions to achieve efficiencies and reduce duplication.

Controlling Excessive Executive Compensation and Administrative Costs in Service Providers

One-third of the State budget goes to non-profit and for-profit agencies to provide services on behalf of the State. However, there are inadequate controls to protect against excessive executive compensation, administrative costs, and profit.

To ensure that taxpayers and the vulnerable populations served by these agencies receive the maximum value for the funds paid, Governor Cuomo is proposing the following reforms beginning in 2012-13:

- At least 85 percent of every public dollar will be spent on direct services, not administration.
- Reimbursement for any executive's compensation will be capped at \$199,000.
- Excess compensation will be a basis for rejection of a provider.

Redesigning the State Organization Chart

In 2011-12, the State started the process of merging and consolidating State agencies to achieve efficiencies and reduce redundancies. This process continues this year with the following consolidations, saving \$10 million annually and resulting in better, streamlined services:

- Merge the Division of the Lottery and the Racing and Wagering Board to provide a single entity for the overall coordination of gaming policy and regulation in New York State. The gaming industries constitute a vital sector of New York State's overall economy, and their continued growth will contribute to economic development and job creation in this State. Gaming options both in and out of New York have expanded exponentially, but regulation of this sector remains mired in the 1960s.
- Merge the Department of Civil Service and the Governor's Office of Employee Relations to provide the State with a single entity responsible for a strategic approach to workforce management, including recruiting, training, promoting, and developing a best in class workforce for the people.
- The Department of Taxation & Finance will assume the debt collection functions of HESC while allowing HESC to focus on its core mission of managing TAP financial aid and oversight of loan portfolio servicing.
- The Department of Transportation will consolidate regional offices from eleven to six, and eliminate regional directors and supervisory staff, thereby creating a new regional view that better reflects the needs of the State.
- Transfer the management of Belleayre Ski Center from the Department of Environmental Conservation (DEC) to the Olympic Regional Development Authority (ORDA). Given ORDA's expertise managing other ski centers (Gore and Whiteface) Belleayre will see improved operations.
- Recommend the elimination of more than 25 boards and commissions that are no longer active, or whose missions have been completed or become redundant, and merge other boards that have related missions, which would foster more efficient government.

- Use flexible State Operations appropriation language to enable the further consolidation of day-to-day functions that do not require additional statutory amendments.

Enterprise Shared Services

In addition to focusing on programmatic collaborations and opportunities for coordination, the Governor tasked the Division of Budget with benchmarking New York State's back office business operations.

Several key facts emerged during the analysis:

- New York lags behind the private sector and other states in the development of shared services.
- Our organizational models and business processes need modernization and streamlining.
- The State is not taking advantage of economies of scale to maximize operational efficiency and lower costs.
- New York does not coordinate decisions across agencies.
- Customer service quality is uneven and performance metrics are nearly non-existent.

Based on best practices in both the public and private sectors, the State will move aggressively over the next five years to make operational changes that will reduce costs, increase efficiency and transform State business practices.

One glaring example of inefficiencies is the grant contract management process. In 2010, 71 percent of new and renewal grant contracts with not-for-profits were not approved by the contract start or renewal dates, and 20 agencies were using more than 50 systems to manage the grant contracting process. This budget recommends a single statewide application, a single statewide contract, and a Statewide Grants Management Portal providing not-for-profits and agencies a single web-based platform to transform this system.

The opportunities identified to date indicate that, after modest one-time investments, the State can save over \$100 million in 2012-13, growing to \$1 billion over five years, an 8 to 1 return on investment.

8 to 1 Return on Investment

	Five Year Total (\$ in thousands)
Required Investments	(134,757)
Savings	
Procurement	755,000
Real Estate	69,000
Business Services	115,000
Information Technology	160,000
Savings Subtotal	1,099,000
NET ANNUAL ALL FUNDS SAVINGS	964,243

Areas for improvement include:

- **Procurement:** Major State contracting activities, including Information Technology, will be centralized in the Office of General Services (OGS) with necessary staff transferred to OGS over a three-year timeframe. Statutory barriers for local governments and non-profits to access State contracts and save money will be eliminated, and strategic sourcing will be implemented to leverage the State's full buying power.
- **Real Estate:** Centralize management of State real estate in OGS. Outsource certain functions as appropriate, maximize space in State-owned buildings, and minimize costly leased space.
- **Business Services:** A Business Services Center will be created in OGS to immediately combine the administrative functions of 29 agencies that currently have their administrative functions hosted in various agencies across the State. Other administrative functions in agencies, including all finance activities and human resource transactions, will be evaluated and benchmarked leading to further consolidation in OGS.
- **Technology:** Consolidate all day-to-day IT operations, including data centers, in a rebranded, customer-focused technology center (Office for Information Technology Services); create IT agency clusters to facilitate application development; create a governance process that holds the new CIO/OFT and agencies accountable; and develop standards and strategies.
- **Grant Contract Management Reform:** Develop a standard Master Contract and a single application for grants; implement a Statewide Grants Management Portal to standardize grant application, contract, payment and reporting activities; and develop a rigorous vendor performance management process that holds vendors accountable against Service Level Objectives.
- **Workforce Management:** Merge the functions of the Department of Civil Service and the Office of Employee Relations; advance statutory changes to enhance flexibility in hiring, promoting and transferring employees; create a statewide center for training by moving training from GOER and OFT into DCS; and launch a recruitment and diversity campaign.
- **Virtual Capitol Online:** Develop a communication strategy that promotes the use of web and other low-cost, self-service channels of communication between the State and its customers. Create data, security and web design standards for building a citizens portal. Consolidate the existing 27 call centers into 4 clusters. Institute a common application for business e-licensing.

Mandate Relief and Local Government Aid

To combat New York's high property tax burden, Governor Cuomo is proposing sweeping structural reforms to relieve local governments of State mandates that drive up local costs. These reforms, which address the largest cost-drivers for local governments, will help municipal leaders meet the pressures of the prolonged economic downturn, constrained local revenues, and the property tax cap that limits increases in local tax levies to 2 percent.

- **Medicaid Relief.** The takeover by the State of growth in the local share of Medicaid expenses will save counties and New York City \$1.2 billion over five years. In addition, the Executive Budget proposes a phased take over of Medicaid administrative responsibilities for counties which will result in greater efficiencies and help achieve State and Federal health care reform initiatives.
- **Pension Reform.** The Executive Budget proposes creating a new tier in the State pension system that will save local governments \$79 billion over the next 30 years; and
- **Early Intervention and Preschool Special Education Reform.** Executive Budget reforms to the Early Intervention and Preschool Special Education systems that will save \$19 million in local fiscal year 2013.

In addition to these reforms, the Executive Budget provides \$715 million to local governments in unrestricted aid, and an additional \$79 million in grants to promote greater efficiency.

History/Context

The State relies on its municipalities and school districts to deliver vital services to its residents and has often prescribed exactly how these services should be provided. When mandated costs rise, local governments have limited flexibility to control them. While local governments have been consistently vocal about this issue, their objections have traditionally fallen on deaf ears in Albany.

The major structural mandate relief reforms within this Budget are supplemented by a new Mandate Relief Council that will review and refer statutory and regulatory mandates to the Legislature and Executive agencies for modification and repeal. Their work will begin immediately and is a continuation of the work of a team created by Governor Cuomo in 2011, which led to \$125 million in annual mandate relief.

In addition, the State's Enterprise Shared Services effort, aided by legislation proposed with this budget, will help local governments to reduce purchasing costs and save money by allowing them to buy from State contracts that leverage the buying power of the whole State.

New York State also provides unrestricted aid to local governments, the primary vehicle of which is the Aid and Incentives for Municipalities (AIM) program.

From 2004-05 to 2011-12, unrestricted aid to local governments outside New York City grew from \$465 million to \$715 million under the AIM program, an increase of 54 percent.

In 2011, the State enacted several grant programs totaling \$79 million to promote and reward local efforts to reduce the property tax burden through increased governmental efficiency and performance, consolidation/dissolution, or shared services, including \$40 million for the Performance and Efficiency Program and \$35 million for Citizens Reorganization Empowerment Grants and Citizen Empowerment Tax Credits.

Proposed 2012-13 Budget Actions

In addition to reducing local government costs through mandate relief, the Executive Budget proposes to maintain all aid programs, including AIM for cities, towns and villages, at 2011-12 funding levels. This Budget also proposes continued level funding for grant programs which encourage and reward local governments for increasing their performance and efficiency.

Overall, the actions in this Budget will benefit local governments in the amount of \$942 million in their local fiscal year 2013, primarily as a result of an \$805 million school aid increase, \$45 million in savings from implementing a new Pension Tier VI, \$15 million through Preschool Special Education reforms, up to \$28 million in AIM acceleration for the City of Rochester, and \$24 million from the first phase of takeover of the 3 percent Medicaid growth factor.

Major Initiatives

- **State Relief for Local Medicaid Expenses.** The Executive Budget provides substantial relief in health care spending for all counties and the City of New York. The Budget proposes to take over growth in the local share of Medicaid costs and implement a phased takeover of local government Medicaid administration expenses. In 2013-14, local government Medicaid growth will be reduced to 2 percent, then reduced by an additional one percent annually over the subsequent two years so that in 2015, counties' and New York City's Medicaid expenses will no longer grow. The takeover of the 3 percent Medicaid growth factor will save counties and New York City \$1.2 billion over five State fiscal years.

The phased takeover of local government administration of Medicaid will accomplish statewide economies of scale, lead to associated savings and help New York achieve reforms proposed at the State and Federal level.

- **Tier VI Pension Reform.** Enacting fair and equitable pension reform is critical to providing State and local governments with fiscal relief over the years to come. A Tier VI pension design proposal for new public employees will save public employers — counties, school districts, cities (including New York City), towns and villages — an estimated \$79 billion over 30 years. Changes include increasing employee contributions in a progression fashion based on salary, raising the retirement age, decreasing the pension multiplier, excluding overtime and other payments from the formula used to calculate final average salary for pension allowances, and by making a defined contribution option available to all employees. The defined contribution option offers a portability and vesting feature not currently available, and requires both employees and employers to share in the risks and rewards of market volatility.
- **Reform Early Intervention Program.** The EI program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed disabilities (i.e., autism, cerebral palsy) or developmental delays. The program serves approximately 72,000 children annually and is jointly financed by Federal, State and local governments. The Executive Budget recommends a series of program modifications to reduce costs and relieve

administrative burdens on localities, while protecting vital services. In addition, with the enactment of these program modifications, the State will reinvest its savings to reduce local reimbursement payment lags, beginning in 2014-15. In total, these initiatives will generate cumulative local savings totaling \$99 million over five years.

- **Reforms to Preschool Special Education.** The State's investment in Preschool Special Education has doubled over the past ten years to a projected State cost of nearly \$1.1 billion for the upcoming school year. The Executive Budget proposes several changes to both rationalize the existing Preschool Special Education financing system and limit the ability of some providers to reap excessive financial benefits to maximize the amount of funding that goes to direct services. These proposals include equally assigning any county growth (excluding New York City) above 2011-12 school year costs to the State, the county, and school districts, and eliminating potential conflicts of interest inherent in the current evaluation system. For counties outside of New York City, these reforms will result in \$20 million in cumulative reduced liabilities for the 2013 local fiscal year.

Funding for the following local government programs would be maintained at current year levels:

- **AIM for Cities, Towns & Villages.** Consistent with 2011-12, the Executive Budget would maintain \$715 million in unrestricted AIM funding to cities, towns and villages.
- **Citizen Empowerment Tax Credits.** Funding to incentivize local government consolidation or dissolution under Governor Cuomo's Empowerment Tax Credits is continued at existing levels, providing a bonus equal to 15 percent of the newly combined local government's tax levy, of which at least 70 percent of such amount must be used for direct relief to property taxpayers.
- **Citizens Reorganization Empowerment Grants.** Funding is maintained 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. These grants share a \$35 million appropriation with the Citizen Empowerment Tax Credits.
- **Local Government Performance and Efficiency Program.** A \$40 million appropriation is continued for competitive one-time awards of up to \$25 per capita, capped at \$5 million, which recognize local governments that have achieved efficiencies and performance improvements.
- **Local Government Efficiency Grants.** Funding of \$4 million would continue to be provided to help 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.
- **Other Local Government Programs.** Other programs will be maintained, including Video Lottery Terminal (VLT) Impact Aid, Miscellaneous Financial Assistance for each of Madison and Oneida counties, Small Government Assistance Grants for Essex, Franklin and Hamilton counties, and Efficiency Incentive Grants for Erie County and the City of Buffalo.

Mandate Relief and Local Government Aid

Summary of Spending

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
AIM – Towns and Villages	67.6	67.6	0	0
AIM – Cities Outside NYC	647.1	647.1	0	0
Total AIM	714.7	714.7	0	0
Citizens Empowerment Tax Credits and Grants	0.4	3.2	2.8	700
Local Gov't Performance & Efficiency Program	0.0	13.3	13.3	-
Local Government Efficiency Grants	6.1	9.3	3.2	52
VLT Impact Aid	25.9	25.9	0	0
Miscellaneous Financial Assistance	2.0	2.0	0	0
Small Government Assistance	0.2	0.2	0	0
Buffalo/Erie Efficiency Grants	9.1	7.8	(1.3)	(14)

Overall Fiscal Impact on Local Governments

Mandate relief reforms and school aid increases in this Executive Budget result in a year-to-year local impact of \$942 million for municipalities and school districts for their fiscal years ending in 2013. These savings are primarily the result of an \$805 million school aid increase, \$45 million in savings from implementing a new Pension Tier VI, \$15 million through Preschool Special Education reforms, and \$24 million from the phased takeover of the 3 percent Medicaid growth factor. The mandate relief reforms will deliver continued and increased relief in future years.

Mandate Relief and Local Government Aid

**IMPACT OF THE 2012-13 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS
(LOCAL FISCAL YEAR ENDING IN 2013 - \$ IN MILLIONS)**

	Total	NYC	School Districts (non-NYC)	Counties	All Other
Allocated School Aid	555.0	224.0	331.0	0.0	0.0
Preschool Special Education	14.9	0.0	(5.0)	19.9	0.0
Revenue Actions	1.8	0.9	0.0	0.8	0.1
Human Services	2.2	(1.9)	0.0	4.1	0.0
Transportation	17.5	7.5	0.0	10.0	0.0
Health / Medicaid	27.9	12.3	0.0	15.6	0.0
Tier VI / All Other Local Impacts	72.6	TBD	24.6	12.0	36.0
Subtotal	691.9	242.8	350.6	62.4	36.1
School District Performance Grants	250.0	TBD	TBD	0.0	0.0
Total 2012-13 Executive Budget Actions	941.9	242.8	350.6	62.4	36.1

**IMPACT OF THE 2012-13 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS
(LOCAL FISCAL YEAR ENDING IN 2013 - 2015 - \$ IN MILLIONS)**

	LFY Ending in 2012	LFY Ending in 2013	LFY Ending in 2014	LFY Ending in 2015
NYC	2.2	242.8	547.9	948.0
School Districts (non – NYC)	4.0	350.6	733.8	1,209.9
Counties	21.7	62.4	135.4	233.0
All Other	9.9	36.1	16.4	25.2
Subtotal	37.8	691.9	1,433.5	2,416.1
School District Performance Grants	0.0	250.0	100.0	100.0
Total 2012-13 Executive Budget Actions	37.8	941.9	1,533.5	2,516.1

Education and Arts

*State Education Department
Council on the Arts*

I. Overview

The Executive Budget reflects a continued commitment to improved student outcomes, sustainable cost growth and an equitable distribution of aid. School Aid increases at a rate tied to the State's underlying fiscal capacity with most of the allocated increase provided to high need school districts. Additional aid is linked to improved academic performance, management efficiency and full implementation of a new teacher evaluation process.

Public education in New York represents a significant commitment of State and local resources. With total spending levels exceeding \$53 billion, New Yorkers have maintained the highest per-pupil spending levels in the nation — even in these difficult financial times. Not only is education the largest area of State spending, it is also the largest component of local property taxes. This substantial investment is a reflection of New York State's long-standing commitment to providing opportunity for all students.

Although New York's investment in public education is substantial, student achievement as a State has been subpar. New York ranks 38th in the nation in high school graduation rates. Recognizing that the quality of public education is fundamental to a prosperous future for this State, the 2012-13 Executive Budget builds upon measures implemented last year to create an educational system that ensures every child has an opportunity for a sound, basic education, and holds schools and teachers accountable for the results they achieve.

II. History/Context

Statewide increases in school spending, State support for education, and school property taxes have far outpaced the rate of inflation over the last ten years. New York public schools spend more per pupil (\$18,126) than any other state and 73 percent above the national average. However, New York's high education spending has not resulted in high student performance.

Several initiatives were implemented in 2011 that began to improve our ability to provide educational opportunities for our students at a level of spending that State and local taxpayers can sustain.

First, taxpayer support for education was made predictable and sustainable at both the State and local levels. Although a year-to-year reduction in State support was required

last year to meet New York's fiscal reality, the 2011-12 Enacted Budget included a two-year appropriation for School Aid and a statutory commitment to provide annual increases beginning in 2012-13. These increases will be tied to the rate of growth in New York State personal income. At the local level, a property tax cap was enacted to limit school tax increases to the lesser of 2 percent or the rate of inflation. Local voters retain control, however, and can override the cap with approval of 60 percent of voters.

In addition, Governor Cuomo began to change the education paradigm by creating a competitive performance grant program to encourage school districts to implement innovative reforms that improve student achievement and make the long-term structural changes necessary to reduce costs and deliver more dollars directly to the classrooms. The Governor's performance grant program focuses on student achievement and greater efficiencies in school district management. These grants emphasize rewarding school districts that have made replicable and sustainable reforms. The first round of grants will be awarded in the coming months.

These changes were a start, but more needs to be done to build a world class education system for New York.

III. Proposed 2012-13 Budget Actions

The Executive Budget reflects a continued commitment to supporting improved student outcomes, sustainable cost growth, and equitable distribution of aid.

Consistent with the two-year appropriation enacted in 2011-12, the 2012-13 Executive Budget recommends \$20.3 billion in School Aid for the 2012-13 school year, a year-to-year increase of \$805 million, or 4 percent. School Aid will continue to represent the largest State-supported program, accounting for nearly 30 percent of General Fund spending.

The Executive Budget also continues the State's commitment to increase School Aid at a sustainable level in future years by including an appropriation for the 2013-14 State fiscal year. Under this appropriation, School Aid growth will continue to be tied to the State's underlying fiscal capacity, as represented by the growth in New York State personal income.

In addition, the Executive Budget supports several initiatives to improve the quality and efficiency of our schools. The Executive Budget links additional State Aid to compliance with the new teacher evaluation process that will lead to increased accountability. School districts will not be eligible for aid increases unless they have fully implemented the new teacher evaluation process by January 17, 2013.

In addition, a Commission will be created by Executive Order with the mandate to change New York's education paradigm to focus on school accountability – in both management

and teaching – in order to improve student achievement and operational efficiency. An expanded second round of performance grants will support innovative proposals to improve the efficiency and performance of school district operations, and an initiative will be developed to help schools make major purchases like school buses more cost-effectively. These reforms will seek to focus school district resources on improvement in the classroom, where they belong.

IV. Summary of Spending

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
School Aid (School Year)	19,507	20,312	805	4.1

V. Major Initiatives

School Aid

- **Target School Aid Increases to High Need School Districts.** The Executive Budget maintains last year's commitment to provide an \$805 million increase in School Aid for the 2012-13 school year, with most of the allocated increase provided to high need school districts. Of the total increase, \$290 million is provided for general support which is targeted to high need school districts, as well as those school districts that were impacted the most by aid reductions in the 2011-12 school year. Another \$265 million supports increased reimbursement in expense-based aid programs (e.g., reimbursement for school construction, pupil transportation expenses, and BOCES) and other miscellaneous aid categories under current law. High need school districts will receive 76 percent of the 2012-13 allocated increase and 69 percent of total School Aid. Importantly, \$250 million will be used for performance grants.
- **Award Funding Based on Performance.** The 2011-12 Enacted Budget authorized two competitive grant programs totaling \$500 million to encourage school districts to implement innovative approaches to achieve academic gains and management efficiency. As part of a grant process already underway, a total of \$150 million in performance grants will be awarded in the 2011-12 school year, to be paid over a three year period beginning with \$50 million in 2012-13. The Executive Budget expands this initiative and authorizes an additional \$200 million in grants to be paid in the 2012-13 school year, and an additional round of awards for 2013-14.

- **Leverage School Districts' Buying Power by Centralizing Bus Purchases.** The Executive Budget recommends improving the cost-effectiveness of the State's school transportation program by centralizing the purchase of school buses through the use of a single State contract that is developed with advice from school districts. Except in extraordinary circumstances, the State will only reimburse school districts for buses purchased through the central contract. This approach will enable both the State and the local school district to benefit from the combined purchasing power of all school districts statewide. Prospectively, it will also eliminate technical obstacles to shared maintenance and other services between districts. Savings from this effort will allow school districts and the State to focus limited resources on improvement in the classroom.
- **Provide Sustainable School Aid Growth.** The Executive Budget reaffirms the State's commitment to increase funding for school districts in the future by including an appropriation that covers School Aid payable in the 2013-14 state fiscal year. This appropriation provides a 3.5 percent increase in School Aid for the 2013-14 school year based on estimated growth in New York State personal income.

Preschool Special Education

New York State offers extensive services to its students with disabilities, including services to children before they reach school age. The State's investment in Preschool Special Education has doubled over the past ten-years to a projected State cost of \$1.1 billion for the upcoming school year. The Executive Budget proposes several changes to both rationalize the existing Preschool Special Education financing system and eliminate potential conflicts of interest.

- **Rationalizing the Current Finance System.** School districts, while making most programmatic decisions, do not share in the costs of preschool special education, which are paid by the State and counties with 59.5 percent and 40.5 percent shares, respectively. Without a fiduciary interest in the program, school districts may have little incentive to see that services are provided appropriately and efficiently. To address this disconnect and to eliminate potential conflicts of interest, the Executive Budget proposes to:
 - Apportion all growth above each county's share of 2011-12 school year costs equally to school districts, the State, and the county;
 - Increase the role of counties when providers request an exception to existing payment rates;
 - Require justification when a distant provider is chosen over closer, suitable providers; and
 - Prohibiting, in most cases, children being evaluated by the same agency that provides the child educational services or by an evaluator with a less-than-arms-length relationship to the agency, to avoid the inherent potential for conflict of interest in these relationships.

Other Education Budget Actions

- **Improve the Teacher Evaluation Process:** In 2010, as part of its successful application for the Federal Race to the Top grant, New York State made a commitment to implement a teacher evaluation system. The system would make student performance a major component of that teachers' evaluations – and thus an element of employment decisions. In spite of commitments by education stakeholders to develop and implement the new teacher evaluations, it has not yet occurred. Therefore, the Governor is linking increases in State Aid to compliance with the evaluation system to ensure implementation, and increase accountability for improving student performance. A new and truly effective teacher evaluation system must be implemented within the next year. If this is not accomplished the Obama Administration has already indicated that our \$700 million Race to the Top money will be at risk. School districts will not be eligible for aid increases unless they have fully implemented the new teacher evaluation process by January 17, 2013.
- **Reform Teacher Disciplinary Hearings.** Currently, the teacher disciplinary process fails to provide outcomes in a timely fashion, causing a backlog of cases and unnecessary expense. Recent records show that the arbitration process lasts an average of 653 days – far exceeding the statutory timeframe of 155 days. There is little incentive for school districts and employee bargaining units to resolve arbitration in a timely manner because the State pays the hearing cost. The Executive Budget recommends several reforms to the teacher disciplinary process. These proposals include allowing the State Education Department to set reasonable limits on the costs of teacher disciplinary hearings, disqualify hearing officers who fail to comply with statutory deadlines, and change the payment structure to encourage speedier outcomes. The new payment structure will have the costs of teacher hearings shared by school districts and the employees' bargaining unit, or the employee if not represented by a bargaining unit, so that both have a stake in the timeliness of the process. Savings to the State will be reinvested to reduce the backlog of payments owed to school districts.
- **Maintain the Contracts for Excellence Program.** In recognition of both the fiscal circumstances facing the State and the continued need to encourage improvements in academic outcomes, all school districts currently in the Contracts for Excellence program would remain in the program unless all of the school buildings in the school 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 Contract for Excellence programs at the same level required for the 2011-12 school year.

- **Continue the State's Commitment to State Assessments and the General Educational Development (GED) Exams.** The 2012-13 Executive Budget continues the State's commitment to State Assessments and GED testing by maintaining an additional \$7.7 million in funding for these programs—\$7.0 million for State Assessments and \$0.7 million for GED testing—as originally provided in the 2011-12 Enacted Budget. This continued investment and reallocation of other resources will ensure the continuation of all existing Regents exams and maintain access to the GED exam.

State Support for Arts Programs

- **Funding for Arts Grants.** The 2012-13 Executive Budget provides \$31.6 million in funding for arts grants administered by the New York State Council on the Arts (NYSCA). This amount reflects New York's commitment to encouraging access to high-quality artistic programs for the citizens of the State. Annually, the Council awards approximately 2,500 grants, used largely to subsidize costs of not-for-profit arts organizations, including orchestras, museums, dance companies and theatres.

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

This budget maintains services at current levels for parks, environment and agricultural programs, and makes capital investments to strengthen infrastructure and improve energy management.

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 and 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. Since 1992, 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 2012-13 Budget Actions

The Executive Budget continues to support critical programs including the EPF, which will be maintained at \$134 million, the same level as in 2011-12. In addition, the Budget includes new capital funding under the New York Works program to accelerate capital infrastructure projects Statewide, spur the creation of jobs, and leverage private sector and Federal investment. For the environment, the Budget includes \$102 million in new funding for DEC to advance flood control, coastal erosion and critical dam safety projects, and \$94 million for the large backlog of capital rehabilitation and improvement needs in 48 State parks and historic sites and the ski facilities operated by the Olympic Regional Development Authority.

The Executive Budget makes minimal spending reductions to parks, environment, and agricultural programs that reflect initiatives to improve the efficiency of operations. The Budget maintains services at current levels in all of these agencies, while making capital investments to strengthen infrastructure and improve energy management.

IV. Summary of Spending (All Funds)

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Total Environment and Energy Spending	1,541.3	1,389.2	(152.1)	(9.9)
Department of Agriculture and Markets	139.2	125	(14.2)	(10.2)
Department of Environmental Conservation	1,040.6	872.9	(167.7)	(16.1)
Office of Parks, Recreation and Historic Preservation	237.8	276.3	38.5	16.2

- DEC reduction is due to the completion of spending in 2011-12 related to the Federal American Recovery and Reinvestment Act (ARRA) program. DEC ARRA spending goes from \$200 million in 2011-12 to \$38 million in 2012-13.
- Parks increase reflects spending related to the New York Works program.
- Ag & Markets reduction reflects one-time diagnostic lab payments made in 2011-12 and reductions in capital spending on the Food Lab reflecting that this project is nearing completion.

V. Major Initiatives

Gap-closing Actions

Proposal	2012-13 (\$ in millions)	2013-14 (\$ in millions)
Utilize Existing OPRHP Revenues for Operating Expenses	5.0	5.0
Reduce Funding for Farm Viability Institute	0.8	0.8
Utilize Existing Balances in the Conservation Fund for Environmental Conservation Officer Fish and Wildlife Activities	2.3	2.3
Total	8.1	8.1

- **Utilize Existing OPRHP Revenues for Operating Expenses.** The Executive Budget proposes to shift \$5 million in General Fund operating expenses to existing revenue streams within the Parks Patron Services Account. (2012-13 Value: \$5 million; 2013-14 Value: \$5 million)
- **Reduce funding for Farm Viability Institute.** Funding for the Farm Viability Institute will be reduced from \$1.2 million to \$400,000. (2012-13 Value: \$800,000; 2013-14 Value: \$800,000)
- **Utilize Existing Balances in the Conservation Fund for Environmental Conservation Officer Fish and Wildlife Activities.** To more appropriately align dedicated revenues with related expenses, the Budget shifts approximately 65 Environmental Conservation Officers from the General Fund to the Conservation Fund for fish and wildlife enforcement activities. In addition, the Budget proposes language streamlining various fish and wildlife licenses, permits and associated fees that will result in reduced administrative effort for DEC and the hunting and fishing community, and more efficient spending of Conservation Fund resources. (2012-13 Value: \$2.3 million; 2013-14 Value: \$2.3 million)

Other Budget Actions

- **Environmental Protection Fund.** The Budget includes \$134 million for the programs supported by the EPF, the same level as in 2011-12. Appropriations include \$10.9 million for solid waste programs, \$52.5 million for parks and recreation, and \$70.6 million for open space programs.
- **Implement the NY-SUN Solar Program.** As part of Governor Cuomo's NY-SUN Solar Program, there will be two tax credits:
 - **Expand Sales Tax Exemption For Solar Equipment Purchases.** Solar energy equipment purchased by commercial customers (e.g. retailers, hotels) would be exempt from the State sales tax. Local governments would be provided the option to offer the same exemption from their local sales tax. Currently, purchases by residential and industrial customers are exempt.
 - **Expand Residential Solar Equipment Credit To Leases.** Lessees of residential solar equipment would be eligible for personal income tax credit equal to 12.5 percent of annual leasing costs. Currently, purchasers of such equipment are eligible for a 25percent credit.
- **Agriculture & Markets Consumer Food Program.** In order to maintain existing levels of food safety inspection and oversight, food safety expenses and licensing revenues currently deposited into a special revenue account will be redirected to the General Fund.
- **Belleayre Mountain Ski Center Joining with ORDA.** The Budget authorizes the Department of Environmental Conservation (DEC) and the Olympic Regional Development Authority (ORDA) to enter into an agreement to transfer the operations of the Belleayre Mountain Ski Center to ORDA at the close of the 2011-12 ski season. ORDA will allow for more efficient management of Belleayre operations utilizing their expertise in the ski industry.
- **New York Works Infrastructure Investment.** The Budget proposes the New York Works program which will spur job creation and economic development statewide through the acceleration of capital infrastructure projects. DEC will receive new State funding of \$102 million and, combined with Federal funding of \$102 million, will have a total of \$204 million available for a variety of capital purposes including flood control and critical dam and coastal erosion projects. Additionally, the Budget will include \$94 million in new capital funding for OPRHP to address a significant backlog of repair and rehabilitation needs at 48 State parks and at Olympic Regional Development Authority facilities.
- **Strengthen Energy Infrastructure.** State agencies and public authorities will work together on a master plan for an "Energy Highway" to power the State's energy needs for the next half century. The plan will leverage \$2 billion in private investment to finance and build infrastructure critical to update the system and increase capacity.

Health Care

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

I. Overview

The Executive Budget continues historic Medicaid reforms initiated in 2011 as a result of Governor Cuomo's Medicaid Redesign Team to achieve better health care outcomes at a more sustainable cost. The budget supports more effective models of care, reforms the Early Intervention Program, provides substantial spending relief for local governments, and restructures the health care delivery system.

The mission of the Department of Health (DOH) is to ensure that high quality health services are available to all New Yorkers. Consistent with this mission, DOH assures 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 health care facilities including Helen Hayes Hospital, four veterans' nursing homes, and the Wadsworth Laboratories. The Department also oversees all other health care facilities in the State.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity of 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 Agencies on Aging and local providers.

II. History/Context

Despite years of attempted cost containment, Medicaid spending prior to this year had grown at an unsustainable rate while failing to deliver the quality outcomes that New Yorkers deserve. In 2009, New York State ranked 22nd among states in quality of health care measures and 50th in avoidable hospitalization according to a Commonwealth State Scorecard of Health System Performance issued that year.

Upon taking office, Governor Cuomo began the fundamental reform of Medicaid through the work of the Medicaid Redesign Team (MRT), a new and inclusive approach of developing proposals to achieve better health care at lower costs. Comprised of individuals representing virtually every sector of the health care delivery system, and with widespread public input, the MRT advanced proposals that create models of care that will significantly

improve health outcomes and will allow future spending to grow at a sustainable level tied to rational measures of growth, i.e. the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 4 percent).

Overall, \$2.2 billion in MRT savings were reflected in the 2011-12 Budget to limit spending growth to appropriate levels. Initiatives included the continued movement of recipients to existing and new programs of care management, use of health homes for complex populations, reimbursement reforms for home and personal care services, the permanent elimination of inflationary trend factors and other savings identified by the health care industry. These savings were instrumental in limiting the annual rate of growth in State Medicaid spending controlled by DOH, after adjusting for enhanced Federal funding actions, between 2010-11 and 2011-12 to just over 3 percent.

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 more than 20 managed care plans. New York's Medicaid program covers nearly all Medicaid services allowed by the Federal government as well as other non-mandated services authorized through Federal waivers.

Total Federal, State and local Medicaid spending will reach \$54 billion in 2012-13. 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 (\$2,604) than any other state in the country and more than twice the national average (\$1,235).

III. Proposed 2012-13 Budget Actions

Over the last several months, the MRT has continued its innovative work to reform New York's Medicaid system. In addition to monitoring and refining its initial recommendations, the MRT established workgroups with additional expertise to help develop recommendations in complex issue areas, including supportive housing, behavioral health reforms, managed long-term care implementation, payment reforms, quality measurement and streamlining State and local responsibilities.

The Executive Budget reflects the continuation of the Medicaid spending cap enacted in 2011-12 and recommends funding consistent with its provisions. To achieve savings needed to address the State's budget gap, the Budget recommends \$19.2 million in reductions to public health and aging programs.

The Executive Budget also provides substantial relief in health care spending for all counties and the City of New York by reducing growth in the local share of Medicaid payments by 1 percent annually beginning in 2013-14, fully eliminating all growth by 2015-16, and beginning a phased-takeover of local government administration of the Medicaid program. These initiatives provide significant administrative mandate relief and will save local governments cumulatively nearly \$1.2 billion over five years. Additional relief is provided by reforming the Early Intervention program to reduce counties' administrative burdens and cut their costs by \$99 million over five years.

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

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total All Funds)	54,175	54,039	(136)	(0.3)
Medicaid (DOH State Funds)	15,327	15,912	585	3.8
Medicaid (State Funds)	21,130	21,780	650	3.1
Department of Health Spending (Excluding Medicaid)	4,437	4,317	(120)	(2.7)
Office of the Medicaid Inspector General	58	56	(2)	(3.4)
Office for the Aging	215	217	2	0.9

V. Major Initiatives

Medicaid Redesign

The Executive Budget continues the implementation of MRT recommendations made in 2011, and adopts a number of new initiatives proposed by the MRT at the end of 2011. These reforms represent the most comprehensive Medicaid reform in State history, with initiatives designed to improve the full spectrum of health care delivery.

The Executive Budget supports implementing health homes for complex high-cost recipients, investments in primary care and affordable housing, and the continued move to care management for all Medicaid recipients, which is expected to be completed in 2015-16. A cost neutral package of new initiatives is also proposed through the MRT to make critical investments in health care delivery, including funding for increased payments to essential community providers, tobacco cessation efforts and maternal child health initiatives. These investments are balanced by savings resulting from improvements in benefits design, more appropriate treatment outcomes and compliance with Federal law that requires that legally-responsible relatives, living in the same household as a Medicaid applicant, have their income and resources counted in determining Medicaid eligibility.

Over the next year the Department of Health will seek Federal approval of a new Medicaid 1115 waiver that is expected to redirect Federal Medicaid funding over a five-year period and allocate a part of the resulting savings to provide ongoing support for implementation of restructuring of the State's health care delivery system.

State Relief for Local Medicaid Expenses

The Executive Budget reflects significant reforms to provide spending relief for counties and New York City. Currently, local governments are subject to the pressures of rising Medicaid costs and constrained local revenues. The Executive Budget addresses these challenges by taking over the growth in the local share of Medicaid over a three-year period beginning 2013-14 and fully eliminating all growth by 2015-16. The Budget also proposes a phased-takeover of local government administration of the Medicaid program, financed initially by capping local Medicaid administration spending at calendar year 2011 levels. These proposals also help New York achieve MRT and Federal health care reforms that require greater administrative centralization to achieve efficiency and effectiveness goals. These initiatives, which provide significant administrative mandate relief, will save local governments nearly \$1.2 billion over a five year period.

New York Health Benefit Exchange

The Executive Budget includes legislation to establish a New York Health Benefit Exchange, as a public benefit corporation that will serve as a centralized marketplace for the purchase and sale of health insurance, in accordance with Federal health care reform law. Once the Exchange is implemented, one million more New Yorkers will have health insurance and small businesses will see the cost of providing coverage to their employees drop by 22 percent, all financed by the Federal government at no cost to New York.

Restructuring Health Care Delivery Systems

Legislation is included to facilitate the restructuring of the health care delivery system in Brooklyn and elsewhere by improving hospital board effectiveness, allowing temporary operators and extending authorization for the Dormitory Authority of State of New York to create subsidiaries to assist in debt restructuring.

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 proposes improvements to the Early Intervention (EI) Program and reduces costs by discontinuing planned cost of living adjustment (COLA) payments, reductions in program funding and administrative efficiencies in government operations. These actions will save \$19.2 million in 2012-13 and \$36.2 million in 2013-14.

- **Reform Early Intervention Program.** The EI program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed disabilities (i.e., autism, cerebral palsy) or developmental delays. The program serves approximately 72,000 children annually and is jointly financed by Federal, State and local governments. The Executive Budget recommends a series of program modifications, without impacting services that provide significant fiscal and administrative mandate relief to counties and generate cumulative local savings totaling \$99 million over five years. These proposals would:
 - **Expand Insurance Coverage.** Require commercial health insurance to include EI service providers in their networks.
 - **Centralize Fiscal Oversight.** The State will centralize fiscal administration of the EI program through a fiscal intermediary contract. Counties will be relieved of responsibility for contracting with EI providers, administering provider payments and seeking third party reimbursement.
 - **Reduce Local Costs.** Counties will immediately benefit from a reduction in their share of EI program costs. State savings will also be applied to improving the timeliness of State reimbursement of local program costs.
- **Discontinue Human Services COLA.** Currently, certain providers receive automatic payment increases with no relation to actual cost growth or performance outcomes. The 3.6 percent human services COLA is eliminated for 2012-13 which will impact certain public health and aging providers. A new program will be established for 2013-14 which will provide increases based on appropriate provider costs and meeting performance outcomes. (2012-13 Savings: \$11.4 million; 2013-14 Savings: \$26.4 million)
- **Reduce Tobacco Control Funding.** Funding for tobacco prevention and control activities will be reduced. (2012-13 Savings: \$5.0 million; 2013-14 Savings: \$5.0 million)
- **Reduce Naturally Occurring Retirement Communities (NORC) Funding.** Funding for NORC and Neighborhood NORC programs will be reduced. (2012-13 Savings: \$0.46 million; 2013-14 Savings: \$0.46 million)
- **Discontinue State Funding for Regional Caregivers Centers of Excellence Program.** This grant program was intended to develop regional centers of excellence in caregiver training and program development and provide regional technical assistance. To minimize duplication of caregiver support functions, this funding is eliminated and the functions will continue under other programs, including existing Caregiver Resource Centers, Family Caregiver Council and New York Connects. (2012-13 Savings: \$0.1 million; 2013-14 Savings: \$0.1 million)

Health Care

- **Roswell Park Cancer Institute.** Up to \$25 million in existing HEAL funding will be available to Roswell Park, bringing total State support to over \$100 million. However, future funding is conditioned on Roswell expanding its collaboration in the Buffalo region and restructuring to allow a transition from State support by March 31, 2014.
- **Implement Electronic Death Registration System.** DOH will partner with the funeral industry to implement an Electronic Death Registration System (EDRS) to update and modernize the administratively burdensome process of filing death records and to improve the validity of data and processing timeframes.

Higher Education

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

I. Overview

This Budget maintains support for higher education, allows for additional spending authority from previously authorized tuition increases and provides capital grants that will catalyze economic development at SUNY campuses.

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 over 400,000 full- and part-time students with an array of undergraduate, graduate, and first professional educational opportunities. SUNY and CUNY also support 36 community colleges, serving more than 325,000 students. In addition, more than 540,000 students attend one of the more than 100 private colleges and universities across New York State. Over the past 10 years, total enrollment at New York's institutions of higher education has increased by 20 percent or more than 214,000.

The State University Construction Fund (SUCF), City University Construction Fund (CUCF) and the Dormitory Authority of the State of New York (DASNY) administer and oversee a capital program for over 3,000 academic, research, hospital, dormitory and multi-use facilities, which make up the physical plants of the university system.

To help students afford and obtain a college education, the Higher Education Services Corporation (HESC) provides financial aid services. HESC oversees State-funded aid programs, including the Tuition Assistance Program (TAP), 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. Over the past 10 years, State spending for TAP has increased by \$182 million or 27 percent.

II. History / Context

Governor Cuomo's groundbreaking NYSUNY 2020 Challenge Grant Program instituted a rational and predictable tuition plan that allows each SUNY and CUNY campus to raise tuition by \$300 per year for five years, replacing an era of unpredictable and often extreme

tuition increases — usually during times of economic stress when such increases were least affordable — with a system that is predictable and empowers students and parents to plan for college expenses.

NYSUNY 2020 also includes a maintenance of effort provision, which requires General Fund support to be continued at prior-year levels. The predictable tuition increases, in concert with the maintenance of effort provision, will help SUNY and CUNY campuses add more faculty, decrease class sizes, increase course offerings, and improve academic performance and graduation rates.

The NYSUNY 2020 Challenge Grant Program also maintains higher education affordability by augmenting the State's TAP program. Utilizing a portion of the additional tuition revenue, students currently receiving TAP awards will receive financial aid assistance in the form of tuition credits ensuring that students with limited economic resources continue to have access to education opportunities.

Additionally, NYSUNY 2020 provides \$80 million for capital grants that will catalyze economic development at the SUNY university centers at Albany, Binghamton, Buffalo and Stony Brook. In December 2011, Governor Cuomo approved funding applications from Buffalo and Stony Brook. The capital investment related to these projects will total \$570 million and create more than 5,800 construction jobs. The University of Buffalo project to relocate the School of Medicine and Biomedical Sciences to the Buffalo Niagara Medical Campus, and the Stony Brook University project to construct a first class medical research building, will position both campuses to be national leaders amongst public medical research universities. As a result, these projects will create over 4,000 new full time jobs through research grants, expanded patient services, start-up companies, and partnerships with private industry. The NYSUNY 2020 Challenge Grant Program is still open, and review of the Albany and Binghamton plans are forthcoming.

III. Proposed 2012-13 Budget Actions

Consistent with the provisions in the NYSUNY 2020 Challenge Grant Program, the Executive Budget maintains General Fund operating support for SUNY and CUNY colleges at prior-year levels. The Executive Budget also accommodates authorized 2012-13 tuition increases by providing \$113.2 million in additional spending authority for SUNY and \$66.6 million for CUNY.

The Executive Budget maintains base operating aid funding for community colleges at 2011-12 levels of \$2,122 per full-time equivalent student. The modest year-to-year decrease in spending (-0.03 percent) reflects the net impact of enrollment changes and the full year impact of 2011-12 budget actions.

No Budget actions are proposed for HESC's TAP and Scholarship Programs. The modest year-to-year decrease in spending (-0.03 percent) reflects the full year impact of 2011-12 actions, offset by the impact of SUNY and CUNY tuition increases.

IV. Summary of Spending (General Funds)*

Category	AFY 2012 (\$ in millions)	AFY 2013 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Higher Education	3,123	3,131	8	0.03
SUNY Operating Budget	968	968	0	0
CUNY Operating Budget	510	523**	13	2.5
Community Colleges	620	618	(2)	(.03)
SUNY Hospital Subsidy	60	60	0	0
HESC	965	962	(3)	(0.3)

* Excludes directly appropriated fringe benefit funding, and includes comparability adjustment for General Fund support through transfer.

** Increase reflects a technical adjustment for a one-time \$13 million reduction in 2011-12 that was related to mid-year actions in 2010-11. Absent this adjustment, 2010-11 reductions would impact CUNY twice as much as SUNY.

V. Major Initiatives

- **New and Expanded Round of NYSUNY 2020.** The budget includes \$30 million of capital funding for the Executive's share of a new round of NYSUNY 2020 Challenge Grants. When combined with an equal share from SUNY, the University's 60 non-university center campuses will compete for three \$20 million challenge grants.

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*

I. Overview

The Executive Budget provides funding for core supportive services for needy populations, allocates funding to replace lost Federal funding for child care subsidies that allow low income individuals to seek or maintain employment, limits spending growth to address the State's fiscal challenges, and implements measures to improve program performance.

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 financial 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.

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 2012-13 caseload is estimated at 553,000 recipients.

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 grown from \$656 million in 2006-07 to approximately \$740 million in 2011-12 as caseload has increased. The 2012-13 caseload is estimated at 691,000 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 168,000 child protective services investigations and over 40,000 mandated preventive services cases. Federal funds support approximately \$460 million of statewide program costs. The State supports 62 percent of remaining costs, and local social services districts finance the remaining 38 percent. This funding approach, authorized in 2002-03 through Child Welfare Financing Reform, provides an incentive to use preventive 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 34 percent since 2002-03 — from 34,900 to an estimated 23,200 in 2011-12.

III. Proposed FY 2012-13 Budget Actions

The Executive Budget proposals provide for core supportive services for needy populations, limit spending growth to address the State's fiscal challenges, and implement measures to improve program performance.

The Executive Budget proposes to provide a five percent increase to the public assistance grant in July 2012 and a five percent grant increase in July 2013 to replace the ten percent grant increase scheduled to take effect in July 2012.

In Juvenile Justice, the 2012-13 Executive Budget proposes to build on reforms implemented in 2011-12 to provide more appropriate placements for youth while increasing the efficiency of the system. Under this proposal, New York City youth currently placed in OCFS limited- and non-secure settings would be placed in more appropriate and

more cost-efficient settings administered by New York City. Consistent with these changes, the Executive Budget proposes to reduce capacity in OCFS operated youth facilities outside of New York City. Under the new program, youth will be served in settings that are appropriate for their educational, mental health, substance abuse and other service needs, without compromising public safety.

In Child Care, the Executive Budget increases General Fund support for child care subsidies by \$93 million to offset a reduction in funding through the Federal Temporary Assistance for Needy Families (TANF) program.

IV. Summary of Spending (All Funds)

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Human Services	9,305	9,009	(296)	(3.2)
OTDA	5,341	5,278	(63)	(1.2)
OCFS	3,012	2,958	(54)	(1.8)
DOL	561	549	(12)	(2.1)
DHCR	391	224	(167)*	(42.7)*

* Reduction is primarily attributable to the loss of \$154.5 million in ARRA Weatherization Assistance Funding that expires March 31, 2012.

V. Major Initiatives

Gap-closing Actions

Proposal	2012-13 (\$ in millions)	2013-14 (\$ in millions)
Juvenile Justice Reform		
Reform Juvenile Justice Services	(12)	(37)
Close/Downsize OCFS Facilities	9	37
Human Services		
Offset Loss of Federal Funding for Child Care	(93)	(215)
Eliminate 2012-13 Cost of Living Adjustments (COLAs) and Trends	37	42
Increase Funding to Fight Childhood Hunger	(1)	(1)
Eliminate Support for Settlement Houses and Supplemental Child Welfare Funding	1	1
Take Over Administration of the State SSI Supplementation Program	(11)	(13)
Eliminate New York City Shelter Supplement Funding	15	15
Centralized 24 Hour Hotline for Reporting Abuse and Neglect Allegations	(10)	(30)
Phase in the Scheduled Public Assistance Grant Increase	6	6
Streamline Administration of Child Support	35	35
Eliminate Funding for the Neighborhood and Rural Preservation Programs	12	12
Increase Funding for the Rural Rental Assistance Program	(6)	(6)
Establish Regional Human Services Public/Private Partnership Pilot Program	(2)	(2)
Total	(20)	(156)

Juvenile Justice

- **Reform Juvenile Justice Services.** This initiative will reform juvenile justice services by closing costly State facilities and providing more appropriate placements and services to youth from New York City within New York City-based facilities. The initiative, which provides an alternative to inefficient facilities, will provide cost savings for both the State and localities when fully implemented. (2012-13 Value: \$12 million; 2013-14 Value: \$37 million)
- **Rightsize OCFS System.** The OCFS juvenile justice system capacity will be reduced by 324 beds and after care slots to reflect the impact of the initiative to place New York City youth in New York City-administered programs nearer their homes. New York City youth residing in non-secure youth facilities or community-based settings will be placed in the New York City-administered facilities in 2012-13, and New York City youth residing in limited-secure youth facilities will be placed in the New York City administered facilities in 2013-14. (2012-13 Value: \$9 million; 2013-14 Value: \$37 million)

Human Services

- **Offset Loss of Federal Funding for Child Care.** The Executive Budget proposes to provide State funding to offset the loss of Federal funds that have been supporting child care slots since 2009-10 but were discontinued this year. (2012-13 Value: \$93 million; 2013-14 Value: \$215 million)
- **Eliminate 2012-13 Cost of Living Adjustments (COLAs) and Trends.** Currently, COLAs and trend factors increase State spending without any link to actual cost growth or performance outcomes. The Executive Budget eliminates the planned 3.6 percent COLA scheduled to take effect in 2012-13 for OCFS programs including Foster Care, Adoption, Bridges to Health, and New York/New York III. This proposal would also eliminate administrative trends in various programs including Foster Care. A new program will be established for 2013-14 which will provide increases based on appropriate provider costs and meeting performance outcomes. (2012-13 Value: \$37 million; 2013-14 Value: \$42 million)
- **Increase Funding to Fight Childhood Hunger.** The Nutrition Outreach and Education Program (NOEP) provides nutrition outreach and education to underserved areas of the State to increase enrollment in the Food Stamps program. Additional funds are needed to expand access to the Food Stamps program. (2012-13 Value: \$1 million; 2013-14 Value: \$1 million)
- **Eliminate Support for Settlement Houses and Supplemental Child Welfare Funding.** While maintaining funding for core child welfare programs, this proposal would eliminate State support for settlement houses and supplemental seed funding to help districts reduce child protective caseloads. The open-ended State reimbursement for child welfare services remains unchanged for fiscal year 2012-13. (2012-13 Value: \$1 million; 2013-14 Value: \$1 million)

- **Take Over Administration of the State SSI Supplementation Program.** To achieve \$90 million of annual savings through management improvements, the Executive Budget recommends the State take over administration of the State's participation in the Federal Supplemental Security Income benefit. This benefit is currently administered by the Federal Social Security Administration at significant cost to the State. New York is one of only five states that has not assumed administration of the program. Through investment in new IT systems and staff, the State can provide the same service the Federal government currently provides at \$10.94 per benefit issuance for under \$2 per benefit issuance. (2012-13 Value \$11 million; 2013-14 Value: \$13 million)
- **Suspend New York City Shelter Supplement Funding.** The 2011-12 Budget included \$15 million for a new initiative to prevent eviction and address homelessness in New York City. Because the initiative remains under development, additional funding will be suspended pending a determination of the efficacy of the program. (2012-13 Value: \$15 million; 2013-14 Value: \$15 million)
- **Centralized 24-Hour Hotline for Reporting Abuse and Neglect Allegations.** Pursuant to preliminary recommendations of the Governor's Special Advisor on Vulnerable Persons, a new centralized 24-hour hotline will be established for reporting allegations of abuse and neglect of children, the developmentally disabled, the elderly and other vulnerable persons. The reporting system will include certain programs operated, licensed or certified by the Office of Mental Health, Office for People with Developmental Disabilities, Office of Alcoholism and Substance Abuse Services, the Office of Children and Family Services, the Department of Health and the State Education Department. The hotline will have a trained staff to screen, classify and route reports of abuse and neglect to the appropriate State agency for investigation. Funding will be housed within OCFS. (2012-13 Value: \$10 million; 2013-14 Value: \$30 million)
- **Phase In the Scheduled Public Assistance Grant Increase.** This proposal would phase in the full implementation of the final scheduled public assistance grant increase from one ten percent increase in July 2012 to a five percent increase in July 2012 and another five percent increase in July 2013, thereby increasing the public assistance grant for a typical public assistance family from \$753 to \$770. (2012-13 Value: \$6 million; 2013-14 Value: \$6 million)
- **Streamline Administration of Child Support.** This proposal would eliminate State funding for child support enforcement administration provided to local social services districts. The State would allow districts to retain certain child support payments currently sent to the State, and would also provide new Federal resources to districts to ensure there is no local financial impact. The proposal will result in State savings as well as reduce State and local administrative burdens. (2012-13 Value: \$35 million; 2013-14 Value: \$35 million)

- **Eliminate Funding for the Neighborhood and Rural Preservation Programs.** To achieve savings, the Executive Budget recommends eliminating funding for the Neighborhood Preservation Program (NPP) and the Rural Preservation Program (RPP). (2012-13 Value: \$12 million; 2013-14 Value: \$12 million)
- **Increase Funding for the Rural Rental Assistance Program.** RRAP provides State funded rental subsidies to approximately 4,700 low income occupants of rural housing projects financed by the Federal Department of Agriculture. The cost of the program increases annually due to federally approved rent increases. Additional funds are needed to continue the current number of rental units participating in the program. (2012-13 Value: \$6 million; 2013-14 Value: \$6 million)
- **Establish Regional Human Services Public/Private Partnership Pilot Program.** The program will provide resources to a region or regions of the State that best demonstrate the capacity to leverage private funding for innovative and high performing human services programs. (2012-13 Value: \$2 million; 2013-14 Value: \$2 million)

Other Initiatives

- **Protection for Homeowners and Tenants.** The Executive Budget includes two initiatives that will assist homeowners and tenants. Within the Department of Financial Services, a new Foreclosure Relief Unit will be established to provide counseling and mediation services to help New Yorkers stay in their homes. Within New York Homes and Community Renewal, a new Tenant Protection Unit will be established to proactively enforce landlord obligations and impose strict penalties for failure to comply with New York State's rent laws. The initiative will build upon the strong tenant protections that were enacted in law in 2011, and will help to preserve the supply of safe and affordable housing in New York.
- **Office of New Americans.** Staff will be transferred from OTDA to support Governor Cuomo's effort to assist legal permanent residents to participate in New York State civic and economic life by creating the Office of New Americans. The Office aims to expand English language education opportunities; promote U.S. citizenship and civic involvement and expand opportunities for new American business owners.

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 Executive Budget supports significant and fundamental reforms that will strengthen the oversight of care provided to individuals in institutions and community residences, makes investments to improve the accountability of mental hygiene agencies, and reforms the payment process for not-for-profit providers.

The mental hygiene agencies provide services to individuals with mental illness, developmental disabilities, chemical dependencies, and problem gambling. These agencies — OMH, OPWDD, OASAS, DDPC — will support services for nearly 1 million individuals in 2012-13, including nearly 700,000 people with mental illness, 260,000 people with chemical dependencies or gambling problems, and 126,000 people with developmental disabilities. The Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) provides oversight within the State's mental hygiene system through investigative, educational and advocacy services.

II. History/Context

Governor Cuomo has made reform of the mental hygiene system a top priority.

This year, he engaged the services of a nationally-recognized expert to develop recommendations on reforming conditions in institutions and community programs that care for persons with disabilities. These reforms will combat high costs and unacceptable conditions in certain facilities operated by the State and nonprofit agencies by improving the systems that protect individuals cared for by the State, increasing standards for hiring and disciplining staff, and other long-overdue reforms.

The mental hygiene system is a vast system that cares for individuals in institutional facilities, community residences and community settings. The State operates institutional and research facilities serving about 6,300 people, and provides funding to support approximately 88,300 people living in community residences. Additionally, State funding supports outpatient, employment, clinic, habilitative, and treatment programs operated by 1,600 not-for-profit provider agencies that provide services to help individuals live in the setting they desire and lead full and productive lives.

III. Proposed 2012-13 Budget Actions

The Executive Budget begins the process of fundamentally reforming the care of individuals with developmental disabilities.

In addition, pursuant to recommendations from the preliminary report from the Governor's Special Advisor on Vulnerable Persons which is expected to be released in early 2012, the State will establish a 24-hour hotline to report allegations of abuse and neglect.

Costs of targeted investments are offset by programmatic efficiencies and system-wide solutions to reduce State operations costs in purchasing, business services, information technology and other areas. The Executive Budget increases funding for certain lower-cost program models, and redirects funding from high cost institutional services to lower-cost and effective community-based programs.

Proposed cost-saving actions for Mental Hygiene agencies include reforming and restructuring State and local programs and administrative practices, restructuring State-operated inpatient psychiatric capacity, utilizing less costly in-state community residences, placing aggressive cost controls on agency operations, and maximizing payments from third-party payers.

The Executive Budget supports the goal of diverting individuals from prison to treatment programs consistent with 2009 reforms to the State's drug laws and continues current funding. The Budget increases support for community mental health services for certain nursing and adult home residents, and funds additional lower cost community residential and day supports and services for individuals served by OPWDD.

The Executive Budget proposals result in mental hygiene system funding of \$8.2 billion in 2012-13, an annual spending increase of \$85 million, or 1.0 percent.

IV. Summary of Spending (All Funds)

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
OPWDD	4,282.2	4,321.9	39.7	0.9
OMH	3,205.2	3,243.2	38.0	1.2
OASAS	587.6	593.4	5.8	1.0
CQCAPD	15.0	16.2	1.2	8.0
DDPC	4.2	4.2	0.0	0.0
Total	8,094.2	8,178.9	84.7	1.0

V. Major Initiatives

Gap-closing Actions

Proposal	2012-13 (\$ in millions)	2013-14 (\$ in millions)
Forgo Planned COLA/Trend Increases	102	103
Enhanced OMH Collections and Audits	39	52
OPWDD Reforms	45	57
OMH Actions	19	19
OASAS Actions	5	5
CQCAPD Investments	(1)	(1)
Total	209	235

- **Eliminate Planned Cost of Living Adjustments/Trend Increases:** Currently, providers receive automatic payment increases with no relation to actual cost growth or performance outcomes. The Executive Budget eliminates the planned 3.6 percent annual human services COLA and maintains existing rates for other programs including OMH residential treatment facilities, community residences, family based treatment, and various residential and day programs for individuals with developmental disabilities. A new program will be established for 2013-14 which will provide increases based on appropriate provider costs and meeting performance outcomes.
- **Enhance Collections through OMH Audits and Third Party Payments.** The Executive Budget continues programmatic reviews of OMH providers and expands efforts to recover State funds through enhanced audit activities and financial reviews of not-for-profit providers.
- **OPWDD Reforms.** Early in his administration, Governor Cuomo took substantial steps to ensure the health and safety of individuals with developmental disabilities in the State's care, and to improve the overall quality and cost-effectiveness of State services. Significant actions taken include:
 - Increased hiring qualifications and training standards in State-run programs for direct support professionals, including pre-employment psychological and fitness training, mandatory drug testing, rigorous background checks, and a minimum of a high school diploma.
 - Refocused efforts on cases of abuse, with creation of a centralized Incident Management Unit with real time oversight of incidents, and an overhauled investigations process that has direct relationships with local law enforcement/State Police.
 - Holding non-profit providers more accountable for their performance via a restructured Early Alert program to facilitate quickly remedying deficiencies in non-profit provider services, with imposition of fines and revocation of their operating certificate when appropriate.
 - An improved statewide standardized objective process to ensure that potential new non-profit providers have the requisite fiscal and programmatic expertise, and a COMPASS initiative that supports and recognizes providers that have achieved excellence in service delivery.
 - Enhanced fire safety efforts, including implementing recommendations of outside experts to comply with enhanced standards, unannounced fire drills, better training and safety plans, direct relations with local fire personnel, and capital improvements. The 2012-13 Executive Budget reprioritizes OPWDD capital funds to support necessary enhancements in community residential and day programs to meet Life Safety Code and/or Health Care Facility fire safety standards at a cost of \$230 million over the course of the Five-Year Capital Plan.

In addition, OPWDD is seeking authorization from the Federal government to make changes that will improve care coordination of long-term care, acute and behavioral health care services for individuals with developmental disabilities, increase the flexibility of services provided to individuals with developmental disabilities, increase funding transparency, and improve overall service quality and outcomes.

The Executive Budget continues efforts to be effective and efficient in State Operations and local assistance spending via stringent cost controls and reduced use of institutional services, and invests some of these savings in more effective community based programs.

To reduce State Operations costs and improve operations, this Budget reduces administrative staffing levels, and continues to move individuals from institutional settings to the most integrated setting possible. Local assistance reforms include returning individuals from more costly out-of-state placements, expanding services at a lower rate than projected, and annualizing rate reforms taken in 2011-12.

The Executive Budget reinvests a portion of these savings to support 2,300 new non-residential service opportunities for respite, crisis, employment, and community integration programs; over 250 new community residential opportunities; and funding to return all 92 individuals residing out-of-state to community residential options in New York.

- **OMH Actions.** The Executive Budget continues efforts to reduce unnecessary State Operations and local assistance costs via stringent cost controls and reduced use of inpatient services, while investing some of these savings into more effective community based programs. Local assistance reforms include shifting resources to programs that are more effective in helping individuals recover and achieve gainful employment, providing aid to supported housing providers consistent with regional per-bed pricing models, and converting residential pipeline units to lower-cost alternatives where feasible.

State Operations actions to reduce costs and improve operations include reducing agency administrative staffing levels, keeping certain individuals in the sex offender program in less costly prison settings longer when appropriate, authorizing the use of other entities to assist in providing sex offender programs, permitting video teleconferencing of certain sex offender proceedings, and continued placement of individuals from inpatient settings to the most integrated setting possible.

The Executive Budget reinvests a portion of these savings to support 1,000 supported housing units for residents of nursing homes (600 by the end of 2013); 5,100 supported housing beds over the next three years to deal with emerging needs, including individuals in adult homes and those moving to the community from State Psychiatric Centers (2,100 by the end of 2013); and 3,400 beds for the NY-NY III program (800 by the end of 2013). The budget also includes funding for mobile rehabilitation and crisis teams to provide skill development for people with psychiatric disabilities; training for primary care physicians to improve early identification of behavioral health issues in children; regional First Episode Psychosis Teams and Suicide prevention programs to

assist individuals with psychotic disorders; and one time IT enhancement grants for mental health providers to support the capacity development for transition to a managed care environment.

- **OASAS Actions.** The Executive Budget proposes actions that reduce costs in State Operations to support modest program expansion to better serve individuals with dependencies on alcohol and chemical substances. State Operations savings include system-wide efforts to reduce purchasing costs, streamline IT applications, and reduce agency administrative staffing levels. The local assistance reforms include expanding services at a lower rate than projected, and continuation of reforms begun in 2011.

The Executive Budget includes funding to support 25 new veteran's beds and 12 new residential treatment opportunities for women with children. In addition, \$1.5 million in funding — previously carried by OTDA — is available to support new supportive housing units for homeless families with members suffering from a chemical dependency in New York City consistent with the NY-NY III agreement.

- **Commission on Quality of Care Actions.** The Executive Budget will increase funding to strengthen the agency's core mission of protecting the health and safety of vulnerable individuals in the State's care, consistent with recommendations from the preliminary report from the Governor's Special Advisor on Vulnerable Persons expected to be released early in 2012. These initiatives include funding for five additional investigators to conduct broader systemic investigations in ways that will improve the State's ability to analyze and respond to allegations and incidents of abuse. Funding also will allow for transferring the ombudsman program from OPWDD to CQCAPD to provide greater independence for the oversight function of operations of State and non-profit facilities that house vulnerable populations.

Other Actions

- **Centralized 24-Hour Hotline for Reporting Abuse and Neglect Allegations.** Pursuant to the preliminary recommendations of the Governor's Special Advisor on Vulnerable Persons, a new centralized 24-hour hotline will be established for reporting allegations of abuse and neglect of children, the developmentally disabled, the elderly and other vulnerable persons. The reporting system will include certain programs operated, licensed or certified by the Office of Mental Health, Office for People with Developmental Disabilities, Office of Alcoholism and Substance Abuse Services, the Office of Children and Family Services, the Department of Health and the State Education Department. The hotline will have a trained staff to screen, classify and route reports of abuse and neglect to the appropriate State agency for investigation. Funding will be housed within OCFS.
- **Behavioral Health Organizations.** Consistent with the recommendations of the Medicaid Redesign Team, OMH and OASAS now have the authority to contract jointly with Managed Behavioral Health Organizations (BHOs). These BHOs will be charged with managing behavioral health services for individuals with substance abuse issues and serious mental illness.

Public Safety

*Department of Corrections and Community Supervision
Division of State Police
Division of Criminal Justice Services
Office for the Prevention of Domestic Violence
Office of Victim Services
State Commission of Correction
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 Executive Budget advances key initiatives to enhance public safety, including creating an all-crimes DNA database and improving emergency response and preparedness, while supporting recovery from Hurricane Irene and Tropical Storm Lee and continuing to lower the cost of ongoing operations.

The State spends \$4.6 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 37,000 staff, many of whom serve within the State's prisons, public safety agencies currently comprise 30 percent of the State workforce under Executive control.

II. History/Context

New York is the safest large state in the nation and has the lowest rate of incarceration of any large state. From 2001 to 2010, the overall rate of crime in New York declined 21 percent, and the number of major crimes fell 19 percent. 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 53 percent in 2001 and 37 percent in 1990.

Simultaneously, the State's prison population fell from a peak of 71,600 in 1999 to under 55,200 currently. In 2010, New York had the third largest decline in State inmate population nationwide, and was the sixth largest percentage decline nationwide (3.5 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. The largest consolidation occurred in 2011, when seven facilities closed, eliminating 3,800 beds.

During the past decade, spending for public safety programs grew by 34 percent. Approximately 36 percent of this \$1.2 billion increase was dedicated to prison operations, with another 29 percent supporting growth in State Police operations.

III. Proposed 2012-13 Budget Actions

The Executive Budget advances key initiatives to enhance public safety, while continuing to lower the cost of ongoing operations.

- **All-Crimes DNA Database.** Current law only requires the collection of DNA from those convicted of any felony and certain misdemeanors defined in the penal law. However, these crimes represent less than half the crimes on the books in New York. To better protect New Yorkers and improve the State's criminal justice system, the Executive Budget advances Governor Cuomo's announcement to require collection of DNA from all defendants convicted of any penal law misdemeanor and any felony defined in any New York law. The State's existing DNA databank has already provided leads in over 2,700 convictions and led to 27 exonerations of the wrongfully accused. With this expansion, the justice system gains an improved tool, proven to fight crime and ensure the protection of the innocent.
- **Recovery from Hurricane Irene and Tropical Storm Lee.** An estimated \$1.5 billion will be invested in helping communities impacted by Hurricane Irene and Tropical Storm Lee recover and rebuild. More than 42,000 individuals and families are receiving \$250 million in disaster assistance. The cost of State and local response and recovery efforts is estimated at nearly \$900 million, and public authorities estimate their costs at more than \$250 million. Federal reimbursement is anticipated for at least 75 percent of these costs. Targeted State programs in excess of \$50 million supplement traditional federal assistance and spur recovery efforts. The Executive Budget reflects this ongoing effort, with the State's share of disaster costs projected at \$65 million in 2011-12, and another \$108 million projected in the subsequent two years.
- **Improving Emergency Response and Preparedness.** The destructiveness of Hurricane Irene and Tropical Storm Lee revealed limitations in the State's emergency response operations, including breakdowns in communications and transportation, duplication of efforts, and misdirected resources. In an effort to build the best state emergency operation in the country and prepare New York for future emergency situations, the Executive Budget supports efforts of the Office of Emergency Management within the Division of Homeland Security and Emergency Services to improve the State's readiness. These include establishing a new protocol to manage rapidly emerging incidents, establishing regional rapid support teams, training State executives, completing and implementing an after action report on the recent disasters, creating a real-time inventory of major State assets that may be needed for a response and developing a protocol for deploying them faster. Further, to improve the ability of local governments to share resources in emergency situations, legislation is advanced that sets clear guidelines for how shared resources will be deployed and costs will be appropriately shared.

Spending for public safety agencies, excluding the impact of disaster aid, will decline 2.0 percent in 2012-13, as savings continue to accrue from the closure of unneeded correctional facilities, the 2011 merger of the former Department of Correctional Services with the Division of Parole, and the 2010 consolidation of all response functions within the Division of Homeland Security and Emergency Services.

IV. Summary of Spending (All Funds)

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Public Safety	4,658	4,662	4	0.1
Department of Corrections and Community Supervision	2,855	2,796	(59)	(2.1)
Division of State Police	720	717	(3)	(0.5)
Division of Criminal Justice Services	287	282	(5)	(1.7)
Division of Homeland Security and Emergency Services	518	586	68	13.1

V. Major Initiatives

- **Annualized Value of Prison Closures.** During 2011-12, the Department of Corrections and Community Supervision closed seven prisons, eliminating excess capacity of 3,800 beds. The 2012-13 fiscal year reflects \$112 million in savings, \$40 million above the current year savings of \$72 million. As a result, DOCCS will save \$184 million over two years.
- **State Police Academy Classes.** After three years during which the State Police Academy did not operate due to budgetary constraints, the Division of State Police will resume the recruitment and training of new members. The Division plans to hold two classes next year bringing in up to 230 new recruits. These classes are necessary to maintain member strength at 4,458 officers, which reflects a decline of 9.7 percent from a peak of 4,939 officers in 2009.
- **Statewide Interoperable Communications Grants.** The Statewide Interoperable Communications Grant Program of the Division of Homeland Security and Emergency Services assists counties in developing a single public safety communications network that will allow all emergency responders statewide to communicate with each other seamlessly. The program recently awarded \$20 million in grants to counties, and guidance to applicants for a new round of \$45 million in grants will be issued shortly. The 2012-13 budget includes an appropriation for a third round of grants at \$75 million, the maximum amount of annual assistance pledged to counties under the 2010 legislation creating the program.

Revenue Actions and Tax Reform

Overview

There are no new or increased taxes or fees. The Executive Budget proposes tax enforcement and loophole closing actions to ensure that all individuals pay their fair share of tax liabilities.

On December 14, Governor Cuomo signed into law a comprehensive economic plan that included the first major reform of our tax system in decades. The new structure, which implemented a new tax bracket for higher income earners, will increase fairness of the tax system, create the lowest tax rate for the middle class in 58 years, provide substantial economic stimulus, and generate \$1.5 billion in net revenues in 2012-13 needed to help close the State's budget gap.

Tax Reform

The tax reform measures enacted in 2011 will provide \$900 million in savings for middle class New Yorkers and small businesses. Measures included:

- Personal income tax cuts for middle class New Yorkers, reducing middle class tax rates to the lowest level since 1953. These actions will return \$690 million to middle class taxpayers.
- Helping small businesses by eliminating the MTA payroll tax for over 700,000 taxpayers, those earning less than \$50,000 a year in self-employed income, and other entities. This is saving New Yorkers an additional \$250 million a year. In addition, public elementary and secondary schools are now exempt from the tax, whereas they were previously reimbursed for their liability. The Executive Budget includes an appropriation to compensate the MTA for the lost revenue.

Combined, these tax cuts mean \$900 million in savings for middle class New Yorkers and small businesses, and restored fairness to the tax system.

Through executive order, the Governor is establishing a commission to examine and address long term changes to the tax system and create economic growth. The commission will conduct a comprehensive, fair and objective review of the State's taxation policy, including corporate, sales and personal income taxation, and make revenue-neutral policy recommendations to improve the current tax system. In its review, the commission will consider ways to eliminate tax loopholes, promote administrative efficiency and enhance tax collection and enforcement.

These reforms complement the landmark local property tax cap enacted in 2011. New York State's property taxes have long been among the highest in the nation — burdening families, killing jobs, and making the State less economically competitive. The cap now limits tax levy increases to two percent or the rate of inflation, whichever is lower. Equally important, the tax cap gives localities the power to control their own destinies by providing a mechanism for communities to override the cap should they determine that an increase is in the best interest of the community. Currently, approximately four out of five local governments are constraining taxes to within the cap, and citizen input and budget scrutiny has increased throughout the State.

I. Tax and Assessment Actions

The Executive Budget proposes no new or increased taxes or fees.

II. Loophole Closing Actions

The Executive Budget proposes two loophole closing actions related to tobacco products. These actions are expected to produce \$18 million on an All Funds basis in Fiscal Year 2012-13.

- **Cigar Tax.** Because the cigar tax is imposed on the wholesale rather than retail price, the current cigar tax has a potentially inequitable impact on wholesalers depending on whether or not they are also retailers. This proposal would replace the current cigar tax (75 percent of the wholesale price) with a new two tier tax that includes a lower wholesale tax of 20 cents per piece while imposing in tandem with a new 50 percent tax at the retail level. The retailer would receive a credit for the wholesale tax. This is not anticipated to have an impact on the retail price of cigars.
- **Loose Tobacco.** Loose tobacco is currently taxed at a different rate than tobacco in cigarettes. This inconsistent treatment of tobacco taxation has allowed certain retailers to obtain an unfair advantage of lower costs by providing loose tobacco, paper, and machines so customers can roll their own cigarettes at a much lower cost than manufactured cigarettes. The proposal would change the tax rate on loose tobacco from 75 percent of the wholesale price to \$4.53 per ounce — the same as the per ounce rate on cigarettes.

III. Tax Enforcement Actions

The Executive Budget proposes three actions that would improve tax audit and compliance activities. These actions are expected to produce \$6 million in additional tax revenue on an All Funds basis in 2012-13.

- **Prohibit Bank Fees From Reducing Tax Levies.** Banks typically charge a fee for processing levies, which reduces the amount of past due taxes paid to the State. This proposal would require banks to remit the full amount of the levy, consistent with Federal practice.

- **Eliminate STAR Benefit for delinquent taxpayers.** This proposal would eliminate the STAR benefit for taxpayers who have outstanding State tax liabilities.
- **Require Clearance Prior to Registering as Vendor.** A potential sales tax vendor could not register until all prior tax liability that is due from the vendor or anyone working on the vendor's behalf has been paid in full.

IV. Other Revenue Actions

- **Collect Unused Horse Racing Vouchers.** Cash pari-mutuel vouchers not presented for payment before April 1st of the year following the year of their purchase will be paid to the racing regulation account.
- **Make Tax Modernization Provisions Permanent.** This proposal would make permanent tax modernization provisions enacted last year. These provisions would otherwise expire at the outset of the tax year 2012 filing season on December 31, 2012. Expansion of mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for non-complying vendors would be made permanent.

V. Expanded Tax Credits and Exemptions

The Executive Budget proposes three expanded tax credits or exemptions that would provide \$2 million in All Funds benefits to taxpayers in 2012-13.

- **Implement the NY-SUN Solar Program.** As part of Governor Cuomo's NY-SUN Solar Program, there will be two tax credits:
 - **Expand Sales Tax Exemption For Solar Equipment Purchases.** Solar energy equipment purchased by commercial customers (e.g. retailers, hotels) would be exempt from the State sales tax. Local governments would be provided the option to offer the same exemption from their local sales tax. Currently, purchases by residential and industrial customers are exempt.
 - **Expand Residential Solar Equipment Credit To Leases.** Lessees of residential solar equipment would be eligible for a personal income tax credit equal to 12.5 percent of annual leasing costs. Currently, purchasers of such equipment are eligible for a 25 percent credit.
- **Expand the Low Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal would be authorized to allocate an additional \$8 million annually in each of the next five years in aggregate credit awards to taxpayers who develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a ten-year period. The total amount of credits that would be awarded from this new authorization would be \$400 million over a multi-year period. This will increase low income housing opportunity by 600 units annually.

VI. Tax Cut Extenders

- **Extend the Commercial Production Tax Credit For Five Years.** This tax credit targets the television commercial production industry. It is generally for 20 percent of qualified commercial production costs in New York State that exceed the average of the three prior years' costs, plus five percent of costs above \$500,000 in the Metropolitan Commuter Transportation District (MCTD), and above \$200,000 outside the MCTD.
- **Extend the Bio-Fuel Production Credit for Seven Years.** This credit applies to producers of bio-fuels and is for 15 cents per gallon (after the first 40,000 gallons) of bio-fuel produced in New York. It is capped at \$2.5 million per taxpayer per year for up to four consecutive years.
- **Extend the Alternative Fuels Tax Exemption For Five Years.** This proposal would extend from September 1, 2012 to September 1, 2017 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.
- **Make Non-Custodial Parent Earned Income Tax Credit (EITC) Permanent.** The credit complements the regular EITC by allowing a lower credit for parents who pay child support for a qualifying child with whom they do not reside.
- **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.

VII. Technical Corrections

- **Fuel Definitions Technical Corrections.** These provisions would correct unintended tax inequities for crude oil and bio-diesel created by last year's fuel definitions reform.

VIII. Lengthening Licensing Terms

The Executive Budget proposes licensing terms be lengthened for two professions, lessening the inconvenience for licensees and accelerating collection of fees.

- **Extend Security Guard License Terms.** This proposal would lengthen the license term for security guards and change the fee by a commensurate amount. The new license term would be lengthened from two years to four and the license fee would increase from \$36 to \$72.
- **Extend Real Estate Broker and Salesperson License Terms.** This proposal would lengthen the license term for real estate brokers and salespeople from two years to four. Accordingly, fees are increased from \$150 to \$300 for real estate salespersons and from \$50 to \$100 for real estate brokers.

Revenue Actions

(\$ in 000's, All Funds)

	All Funds		General Fund	
I. Tax and Assessment Actions	2012-13	2013-14	2012-13	2013-14
Total Tax and Assessment Actions	-	-	-	-
II. Loophole Closing Actions	2012-13	2013-14	2012-13	2013-14
Tobacco Tax Reform	18,000	24,000	18,000	24,000
Total Loophole Closing Actions	18,000	24,000	18,000	24,000
Subtotal	18,000	24,000	18,000	24,000
III. Tax Enforcement Actions	2012-13	2013-14	2012-13	2013-14
Prohibit Bank Fees From Reducing Tax Levies	5,000	7,000	5,000	7,000
STAR Benefit Offset	-	1,000	-	1,000
Sales Tax Registration Clearance	1,000	1,000	1,000	1,000
Total Tax Enforcement Actions	6,000	9,000	6,000	9,000
IV. Other Revenue Actions	2012-13	2013-14	2012-13	2013-14
Collect Unused Horse Racing Vouchers	200	200	-	-
Make Tax Modernization Provisions Permanent	5,000	20,000	5,000	19,000
Total Other Revenue Actions	5,200	20,200	5,000	19,000
V. Expanded Tax Credits and Exemptions	2012-13	2013-14	2012-13	2013-14
Expand Sales Tax Exemption For Solar Equipment Purchases	(2,000)	(3,000)	(2,000)	(3,000)
Expand Residential Solar Equipment Tax Credit To Leases	-	(2,000)	-	(2,000)
Expand the Low Income Housing Tax Credit Program	-	(8,000)	-	(8,000)
Total Expanded Tax Credits and Exemptions	(2,000)	(13,000)	(2,000)	(13,000)

Revenue Actions and Tax Reform

Revenue Actions
(\$ in 000's, All Funds)

	All Funds		General Fund	
VI. Tax Cut Extenders	2012-13	2013-14	2012-13	2013-14
Extend the Commercial Production Credit for Five Years	-	(7,000)	-	(7,000)
Extend the Bio-Fuel Production Credit for Seven Years	-	-	-	-
Extend the Alternative Fuels Tax Exemption for Five Years	(1,600)	(3,200)	(400)	(800)
Make Non-Custodial Parent EITC Permanent	-	-	-	-
Pari-Mutuel Extender	-	-	-	-
Total Tax Cut Extenders	(1,600)	(10,200)	(400)	(7,800)
VII. Technical Corrections				
Fuel Definitions Technical Corrections	-	-	-	-
Total Technical Corrections	-	-	-	-
VIII. Lengthening Licensing Terms	2012-13	2013-14	2012-13	2013-14
Accelerate Security Guard Fees and Extend License Terms	1,800	1,800	-	-
Accelerate Real Estate Broker and Salesperson Fees and Extend License Terms	0	5,000	-	-
Total Lengthening Licensing Terms	1,800	6,800	-	-
Subtotal	9,400	12,800	8,600	7,200
TOTAL REVENUE ACTIONS	27,400	36,800	26,600	31,200

State Workforce

I. Overview

This Budget addresses the unsustainable growth in employee benefits by proposing a new tier to the pension system. The Budget also projects that State employee unions will settle contracts consistent with contract settlements in 2011-12 and reflects the centralization of certain State functions to achieve efficiencies.

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. There are 186,000 state employees employed in Executive agencies, the SUNY and CUNY systems and in the Office of the Attorney General and State Comptroller. In agencies directly controlled by the Executive, the number of positions has declined by 16,000 (11.6 percent) since 2007-08, from 138,000 to 122,000 positions.

Approximately 94 percent of the State workforce is unionized; there are ten employee unions and 14 negotiating units. There are approximately 11,000 Management/Confidential (M/C) employees, who are not represented by a union.

State employees receive an average compensation (salary & other pay) of \$68,380 plus fringe benefits, totaling \$101,141.

The largest State employers are:

Agency	Workforce (3/31/12 Estimate)
State University of New York	42,206
Department of Corrections and Community Supervision	29,773
Office for People With Developmental Disabilities	20,718
Office of Mental Health	15,327

II. History/Context

In State Fiscal Year 2011-12, the State negotiated fair and equitable contracts with unions representing 65% of the state workforce. These contracts avoided layoffs and reflected the need to reduce costs throughout State government. Similar terms and conditions are being extended to the State's managers — the unrepresented Management/Confidential employees. A feature of the contracts is that employees will receive deficit reduction leave through 2012-13.

Savings are being achieved in two ways. First, the State is temporarily reducing employees' paychecks through the deficit reduction program. Second, employees will make greater contributions to their health benefit costs at levels more comparable to employees in the private sector. There are no general salary increases for the first three years of the new contracts.

These actions are helping to constrain compensation and benefit costs that have been rising at unsustainable levels, affecting both the State and local governments. Since 2002-03, State costs to provide benefits to the State workforce have risen by \$1.9 billion to \$4.4 billion, representing a 78 percent increase over the period. Without further action, retirement costs will increase by 60 percent over the next 4 years and health benefit costs will increase by 25 percent. Benefits currently total 48 percent of average salary and will rise beyond 50 percent of salary by 2015-16 if left unchanged. This level far exceeds the private sector average for the Northeast reported by the Bureau of Labor Statistics of 29 percent.

While the State has continued to achieve workforce savings by maintaining a hiring freeze on non-essential positions and eliminating funded vacant positions, the State also faces significant challenges in developing future managers, diversifying its workforce and addressing the dynamics of an aging workforce.

III. Proposed 2012-13 Budget Actions

- **Labor Negotiations.** The State will continue to collaborate and bargain in good faith with its unsettled employee unions in an effort to achieve ongoing savings while minimizing the number of layoffs to the extent possible. This budget assumes that all remaining bargaining units without contracts will settle in adherence to the pattern set during 2011-12. Absent new agreements, layoffs may be necessary within unsettled bargaining units.
- **Controlling Benefit Costs for the State and Local Governments.** The Executive Budget seeks to further control the unsustainable growth in employee benefits by proposing a new tier to the pension system. This will provide significant savings over many years for both the State and local governments.
- **New Approach to Workforce.** With this budget, the State begins the process of redeveloping its approach to human resource management to ensure a talented and diverse workforce of the future.

IV. Workforce Summary

Category	2011-12 3/31/12 Est.	Layoffs*	Attritions/ Other	Net Change	Change	
					2012-13 3/31/13 Est.	Percent
Workforce Subject to Direct Executive Control	121,868	(126)	47	(79)	121,789	(0.06)
University Systems	55,105	0	0	0	55,105	0.00
Off Budget Agencies	4,561	0	0	0	4,561	0.00
Departments of Law and Audit & Control	4,263	0	149	149	4,412	3.50
Grand Total	185,797	(126)	196	70	185,867	0.04

* This table does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

V. Major Initiatives

Gap-closing Actions

Proposal	2012-13 (\$ in millions)	2013-14 (\$ in millions)
Medicare Part D Maximization (Employer Group Waiver Plans)	26.2	105.4
Public Authority Medicare Part B Cost Sharing	10.5	10.5
Accelerate Pension Payment	29.9	29.9
Total	66.6	145.8

- Employer Group Waiver Plans.** The State currently provides prescription drug coverage to its retirees and receives a Retiree Drug Subsidy (RDS) from the Federal government. However, as a result of reforms in the Patient Protection and Affordable Care Act (PPACA), the State will receive greater Medicare Part D reimbursements by switching its retiree drug coverage to Employer Group Waiver Plans (EGWPs) that are approved by the Federal government. Such plans will allow retirees to enjoy their current level of benefits while maximizing Federal reimbursement for State retiree prescription drug coverage.

- **Public Authority Medicare Part B Cost Sharing.** The 2010-11 Enacted Budget required State employees and retirees to contribute toward the cost of Medicare Part B premium reimbursement for the first time. Under such reform, however, only employees and retirees of State agencies contribute toward the cost of such premium reimbursement. Extending the change to employees of certain State public authorities will save an additional \$11 million annually.
- **Accelerate Pension Payment.** The State will have over \$1 billion in outstanding pension obligations associated with current and prior year amortizations in FY 2011-12. By paying an additional \$100 million in pension contributions in the current year to pay down these obligations, the State will realize recurring savings of \$30 million beginning in FY 2012-13.

Other State Workforce Actions

- **Collective Bargaining.** The State has set aside funding for contracts that are unsettled up to April 1, 2011, but no funding has been set aside for new contract agreements.
- **Tier VI Pension Reform.** Enacting fair and equitable pension reform is critical to providing State and local governments with fiscal relief over the years to come. A Tier VI pension design proposal applicable to new public employees will reduce pension costs by one half compared to the existing benefit design, and save public employers outside of New York City \$83 billion over 30 years, while New York City estimates savings of \$30 billion over 30 years. Savings will occur by instituting the following changes:
 - Increasing employee contributions from 3 percent to 4, 5 or 6 percent depending on salary level;
 - Implementing a variable “risk/reward” system under which employee contributions would decrease or increase, within limits, tied to economic conditions;
 - Raising the retirement age from 62 to 65 and prohibiting early retirements;
 - Decreasing the pension multiplier from 2 percent to 1.67 percent for each year of credited service (e.g. employees with 30 years of service would receive a pension equivalent to 50 percent of final average salary versus 60 percent of final average salary under Tier 5); and
 - Excluding overtime and other payments from the formula used to calculate final average salary for pension allowances.

- Creating a defined contribution option for public employees which would be voluntary for new employees and improve financial planning for public employers. The new option would:

Provide a minimum employer contribution of four percent of salary.

Provide for additional employer contributions of up to three percent of salary when matched by the employee.

Afford public employers financial stability by limiting employer contributions to a maximum of seven percent.

Offer a portability and vesting feature not available with defined benefit options.

- **SAGE Commission.** The Executive Budget includes recommendations of the Spending and Government Efficiency (SAGE) Commission. This includes centralization of functions, which will allow State agencies to more readily focus on their core missions. The Office of General Services is reimagined as a statewide service provider of procurement, real estate and financial and human resource services. To increase efficiency and cut bureaucracy, the SAGE Commission also proposes a combination of mergers and collaborations: the collection function in Higher Education Services Corporation will be integrated with the Tax Department; and transferring the Belleayre Ski Resort to the Olympic Regional Development Authority.
- **Workforce Management.** Initiatives are proposed to improve how the State recruits and manages its workforce. Proposals will reform Civil Service Law to make it easier for agencies to recruit new talent, better enable employees to move between agencies, protect the rights of employees who are transferred and broaden the ability for agencies to make five-year term appointments. Reforms include:
 - Advancing statutory changes to enhance flexibility in hiring, promoting and transferring employees;
 - Merging the functions of the Department of Civil Service and the Office of Employee Relations into the Department of Workforce Management to address workforce issues from a strategic, statewide view;
 - Creation of a statewide center for training; and
 - A new recruitment and diversity campaign.

Transportation

*Department of Transportation
Department of Motor Vehicles
Metropolitan Transportation Authority
Thruway Authority*

I. Overview

The Executive Budget makes strategic and accelerated investments in the State's highway and bridge infrastructure including a new \$1.16 billion in capital funding to create jobs and improve the transportation system to support business and economic expansion.

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) 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 rail, airport, bicycle, pedestrian and canal programs, as well as local government highway and bridge construction.

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 also include 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 2012-13. Credentialing and identification documents issued by DMV are relied on daily by New Yorkers to conduct financial transactions, obtain employment and board an aircraft, among other uses.

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

DOT's capital program is supported by Federal aid, dedicated taxes and fees deposited in the Dedicated Highway and Bridge Trust Fund, and a significant subsidy that the Trust Fund receives from the General Fund. These monies support projects that improve and rehabilitate highway, bridge, aviation, rail, transit, port, bicycle and pedestrian facilities throughout the State. In 2011-12, the Department's capital program totaled nearly \$3.5 billion, including almost \$1.7 billion in Federal funds.

Mass Transit

Since 1975, New York State has provided transit system operating assistance through the Statewide Mass Transportation Operating Assistance (STOA) program. Today, this \$4.4 billion aid program reflects the importance of the services provided by transit systems to an annual ridership of more than 2.8 billion passengers. In 2011-12, State transit aid accounted for approximately 35 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 in volume and complexity over the past ten years, the level of field operations staff necessary to deliver services has declined by 31 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 DMV offices. Currently, more than three million transactions per year are processed through the DMV website.

III. Proposed 2012-13 Budget Actions

The Executive Budget recognizes that restoring and improving New York's transportation infrastructure is vital to growing the State's economy, and includes strategic investments that will create jobs and improve the transportation system to support business and economic expansion.

DOT Programs

The 2012-13 Executive Budget includes \$1.16 billion of new funding (\$917 million Federal and \$247 million State funds) under the New York Works program that will accelerate capital investment to maintain, repair and replace critical highway and bridge infrastructure, and to prolong the useful life of these assets. Funded components include

over \$212 million for bridge repairs on 115 critical bridges throughout the State, \$250 million for a pavement preservation program which will treat more than 2,000 lane miles of State roads, and over \$700 million to accelerate signature transportation projects throughout the State. This investment would be supported by State and Federal resources and take advantage of “Design-Build” legislation passed in December 2011 to speed delivery of major infrastructure projects, where appropriate. The capital acceleration initiative builds upon core transportation funding to provide a total DOT capital program of nearly \$4.5 billion, including highways, bridges, rail, aviation, non-MTA transit, and DOT facilities. Funding for local highway and bridge projects under the Consolidated Highway Improvement Program (CHIPS) and Marchiselli program is maintained at \$402.8 million.

In addition, the DOT budget incorporates programmatic and operational efficiencies that will reduce operating costs, including shared service initiatives between DOT, State agencies and other transportation entities within the State.

Mass Transit

The Executive Budget provides operating support totaling \$4.4 billion to transit systems. The MTA will receive nearly \$4 billion, an increase of over \$190 million from 2011-12, and other transit systems will receive over \$430 million, which reflects an increase of \$29.6 million.

Following the December 2011 extraordinary legislative session, Governor Cuomo signed into law the elimination of the MTA payroll tax for over 700,000 taxpayers, including most small businesses, those earning less than \$50,000 per year in self-employed income and other entities. In addition, public elementary and secondary schools are now exempt from the tax, whereas they were previously reimbursed for their liability. The recommended MTA aid includes \$250 million in General Fund support to fully offset the revenue impact of this payroll tax reform for the MTA's 2012 fiscal year.

The MTA's capital program will receive \$770 million in new State support over a multi-year period to help fund the MTA's current program. These funds will create jobs and improve the MTA's core infrastructure. The MTA is also projected to receive \$183.6 million in 2005 Transportation Bond Act funds from reappropriations for the Authority's capital program.

Department of Motor Vehicles

The Executive Budget proposes \$334 million of appropriations for 2012-13, a decrease of \$9 million from prior year levels. This reduction reflects streamlining agency operations and enhancing program performance. In addition, the Budget includes legislation to mitigate the financial impact on county clerks from placing additional DMV transactions on-line.

IV. Summary of Spending (All Funds)

Category	2011-12 (\$ in millions)	2012-13 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Transportation Spending*	8,245	8,731	486	5.9
Department of Transportation	3,942	4,176	234	5.9
Metropolitan Transportation Authority	4,025	4,276	251	6.2
Department of Motor Vehicles	276	277	1	0.4
Thruway Authority	2	2	0	0.0

*Transportation spending includes phase-out of Federal Stimulus and 2005 Bond Act funds, offset by New York Works initiative spending and transit aid increases.

V. Major Initiatives

Gap-closing Actions

Proposal	2012-13 (\$ in millions)	2013-14 (\$ in millions)
DOT – Transportation Shared Services	3.7	7.8
DOT – Reduce Salt Cost and Usage	3.6	5.6
DOT – Implement Performance-Based Bus Inspection	0.7	0.8
DOT – Reduce Snow and Ice Contract Costs	0.5	0.5
DOT – Enhance Accident Damage Revenue Recovery/Consolidate SRO	10.1	8.4
DOT – Pay-as-you-go for Maintenance/Repair Activities	7.5	8.5
DOT – Fund State Match for Aviation Capital from Regional Aviation Fund	1.5	1.0
DMV - Contract Timing	4.9	0.0
Total	32.5	32.6

Transportation Operations

DOT Gap-closing Actions:

- **Transportation Shared Services.** DOT will partner with State agencies and other transportation entities within the State in shared services to achieve operational efficiencies and reduce costs. Areas of focus include administrative functions, procurement and capital program delivery. DOT savings occur principally through the attrition of administrative and engineering staff (101 FTEs). Savings may also accrue to other transportation agencies and authorities that partner with DOT. (2012-13 Value: \$3.7 million; 2013-14 Value: \$7.8 million)
- **Reduce Salt Cost and Usage.** The overall cost for salt used in snow and ice control would be reduced through strategic sourcing (\$590,000) and salt usage would be reduced through an expansion of brinemaking equipment that results in more efficient treatment of pavement surfaces (\$3 million, net of equipment costs). (2012-13 Value: \$3.6 million; 2013-14 Value: \$5.6 million)
- **Implement Performance-Based Bus Inspection.** The Executive Budget includes legislation to increase inspection of poor-performing operators by implementing a performance-based bus inspection program that would focus more of the Department's existing resources on frequent violators, resulting in improved safety and compliance, and reduced overtime costs. Current law requires the same inspection twice a year regardless of performance history. (2012-13 Value: \$670,000; 2013-14 Value: \$780,000)
- **Reduce Snow and Ice Contract Costs.** DOT would enhance its oversight of snow and ice control contracts with municipalities that perform such functions on State roads to ensure that service standards are applied uniformly and in the most efficient manner to minimize contract costs. (2012-13 Value: \$500,000; 2013-14 Value: \$500,000)
- **Enhance Accident Damage Revenue Recovery/Consolidate SRO.** The Executive Budget would merge the DOT Accident Damage special revenue fund into the Dedicated Highway and Bridge Trust Fund and add staff (10 FTEs) to maximize accident damage revenue recoveries. Executive Budget legislation that would dedicate all accident damage revenues to the Dedicated Highway and Bridge Trust Fund would also enhance the Fund's debt service coverage ratio. (2012-13 Value: \$10.1 million; 2013-14 Value: \$8.4 million)
- **Use Pay-as-you-go Capital Funding for Maintenance/Repair Activities.** Certain maintenance and repair activities currently supported by DOT's State Operations budget would be accommodated through non-bonded funding within existing constraints of the DOT Capital budget. This may include such activities as bridge repair and signage replacement. (2012-13 Value: \$7.5 million; 2013-14 Value: \$8.54 million)
- **Fund State Match for Aviation Capital from Regional Aviation Fund (RAF).** A portion of the State match for Federal aviation capital projects currently funded from the Dedicated Highway and Bridge Trust Fund would be funded from resources available in the RAF, which received proceeds from the privatization of Stewart Airport in the 1990s. (2012-13 Value: \$1.5 million; 2013-14 Value: \$1 million)

DMV Gap-closing Actions:

- **Contract Timing.** DMV will reduce non-personal service expenses in 2012-13 as the result of changes in the timing of implementation for several contracts. (2012-13 Value: \$4.9 million; 2013-14 Value: \$0 million)

Other Budget Actions

DOT Capital Plan Highlights

- **New York Works Infrastructure Investment.** As part of Governor Cuomo's New York Works initiative, the Executive Budget includes a \$1.16 billion capital funding enhancement that will increase and accelerate investment in the State's highway and bridge infrastructure and create jobs throughout the State. Targeted investments will focus on the State's aging bridges, preservation of road conditions, and major infrastructure projects that can be advanced in 2012-13. The new investment will be funded from a combination of State and Federal resources — approximately \$917 million would be funded from Federal aid while State matching funds of approximately \$232 million would be provided through the Dedicated Highway and Bridge Trust Fund. An additional \$15 million would be provided from the Capital Projects Fund to support the completion of the Peace Bridge plaza.
- **Preserve Local Capital Aid.** Capital aid to local governments for highway and bridge projects is preserved at 2011-12 levels, with \$363.1 million provided for the Consolidated Highway Improvement Program (CHIPS) and \$39.7 million for the Marchiselli program.
- **Increase Rail Program Funding.** The Executive Budget includes a \$26.6 million appropriation to support additional rail capital investments and support Amtrak service subsidies. This represents a \$9.7 million increase over the 2011-12 appropriation of \$16.9 million.

Transit Budget Actions:

- **Increase Transit Aid Levels.** The Executive Budget proposes \$4.4 billion of transit aid, increasing aid levels for all transit systems over prior year levels. Downstate systems will receive \$4.25 billion, an increase of \$208 million in aid, \$190 million for the MTA and \$18 million for non-MTA systems. Upstate transit systems will receive \$174 million, an additional \$11 million in aid. In order to support the recommended aid levels, the Executive Budget proposes to statutorily allocate the statewide Transmission Tax between the upstate and downstate transit accounts, in accordance with population within the applicable areas.
- **Provide Additional MTA Capital Support.** The Executive Budget includes \$770 million in new capital support for the MTA's 2010-14 capital program. This appropriation, in conjunction with proposed legislation to increase the MTA's debt cap authority, is necessary to fund the remaining three years of the MTA's current capital program.
- **Pay MTA Costs Associated with a Toll Discount Program.** The Executive Budget includes legislation stating that the State shall pay the MTA for the costs associated with promoting access to employment through reimbursements for E-ZPass tolls paid by residents of Broad Channel and the Rockaway Peninsula and travel over the Cross Bay Veterans Memorial Bridge.

Legislation Required for the Budget

Education, Labor and Family Assistance

- Enact various provisions necessary to implement the education portion of the 2012-13 Executive Budget, including School Aid and other education-related programs.
- Reform the Teacher Disciplinary Hearing Process.
- Authorize the pass-through of the 2013 Federal Cost of Living Adjustment.
- Phase in the scheduled Public Assistance Grant increase.
- Authorize administration of the State Supplemental Security Income Supplementation Program.
- Reauthorize Child Welfare Financing Provisions.
- Enact Juvenile Justice Reform.
- Extend the New York State Higher Education Capital Matching Grant Program.
- Provide for the development of a master agreement with general terms and conditions and the use of memoranda of understanding between State agencies and Cornell University, to facilitate the provision of services and technical assistance to the State.
- Rationalize the Financing System for Preschool Special Education.

Health and Mental Hygiene

- Reform the Early Intervention Program.
- Establish requirements for continued State funding to Roswell Park Cancer Institute.
- Implement Electronic Death Registration System to modernize the process of issuing burial or funeral permits outside of City of New York.
- Make statutory changes necessary to implement Medicaid Redesign Team recommendations, including those advanced through Phase Two workgroups and technical refinements to previous recommendations.
- Establish the New York Health Benefit Exchange to serve as a marketplace for the purchase and sale of qualified health plans in the State of New York.
- Provide additional relief to counties by reducing growth in local Medicaid expenditures for all counties and New York City and implement a phased-takeover of local government administration of the Medicaid program.

Legislation Required for the Budget

- Extend the authority for previously enacted Medicaid initiatives.
- Repeal the Human Services Cost-of-Living Adjustment, and provide authorization for future annual increases, and direct agencies to establish limits on reimbursements for the costs of executive compensation and administration.
- Establish pilot programs in accordance with the “People First 1115 Waiver” application.
- Streamline the organizational structure of the Office for Persons with Developmental Disabilities to help improve management oversight of services to individuals with developmental disabilities.
- Extend authorization for the Comprehensive Psychiatric Emergency Program.
- Permit the Commissioners of the Department of Health, the Office of Mental Health, the Office for People with Developmental Disabilities and the Office of Alcoholism and Substance Abuse Services to integrate health and behavioral health services.
- Establish a pilot program to restructure educational services for children and youth residing in Office of Mental Health hospitals.
- Create efficiencies in the Department of Mental Hygiene by: creating a Behavioral Health Advisory Council to replace and assume the responsibilities of the Office of Alcoholism and Substance Abuse Services and the Office of Mental Health; consolidating the statewide comprehensive planning process for OMH; and authorizing other efficiency measures.
- Ensure the efficient operation of hospitals by the Office of Mental Health and the provision of appropriate community services.
- Amend various provisions of the Sex Offender Management and Treatment Act.
- Provide for outpatient capacity restoration of felony defendants, or restoration at psychiatric units of jails or Article 28 hospitals.
- Continue the fiscal periods for which the Office of Mental Health is authorized to recover exempt income for community residence and family based treatment programs.

Public Protection and General Government

- Expand the list of offenses for which DNA samples will be collected and entered into the State DNA Databank.
- Repeal the requirement for a pistol and revolver ballistic identification database, known as CoBIS and replace with a nationally recognized alternative.
- Require that the trial date for a traffic violation must be a date subsequent to the date of an initial appearance.

- Provide the Department of Corrections and Community Supervision and the Board of Parole with more flexibility in determining which offenders have earned, through their positive programming and good behavior, an early release from community supervision or a transfer to a work release facility.
- Provide more flexible probation sentencing options for the courts.
- Expand the authority of State judges to order the forfeiture of proceeds in a sentencing.
- Continue provisions relating to the disposition of certain monies recovered by county district attorneys.
- Improve emergency response and disaster preparedness.
- Establish a Tier VI retirement benefit for new employees of the State and local governments.
- Expand 2010 Medicare Part B reform to include employees and retirees of public authorities.
- Lapse aged State and local reappropriations.
- Modify the schedule of payments in lieu of taxes (PILOTs) made to the City of Albany.
- Modify outdated Statewide procurement procedures and printing practices.
- Make various reforms to the Civil Service Law to provide increased flexibility with respect to hiring and transferring State employees.
- Authorize transfers, temporary loans, repeal of the Community Projects Fund and amendments to miscellaneous capital/debt provisions, including bond caps.
- Rename the Office for Technology as the Office of Information Technology Services.
- Accelerate Aid and Incentives for municipalities funding for the city of Rochester.
- Extends provisions to defer payments to the fund for uninsured employers.

Revenue

- Extend fees for the establishment of oil and gas unit of production values.
- Establish STAR benefit recovery program for unpaid tax liabilities.
- Reform the Tobacco Products Excise Tax.
- Extend the alternative fuels tax exemptions for five years.
- Make technical amendments to the tax classification of diesel motor fuel.
- Expand criteria to refuse to issue sales tax Certificates of Authority.

Legislation Required for the Budget

- Make permanent certain modernization provisions of the Tax Law.
- Expand sales tax exemption for solar energy systems equipment and expand income tax credit for such systems.
- Extend Empire State Commercial Production Tax Credit for five years.
- Authorize additional credits of \$8 million for low-income housing credit for each of the next five fiscal years.
- Extend the Biofuel Production Tax Credit through the 2019 taxable year.
- Make permanent the Noncustodial Parent Earned Income Tax Credit.
- Prohibit banks from charging fees on levied bank accounts.
- Extend the recently enacted lower Metropolitan Commuter Transportation Mobility Tax Rates for employers to professional employer organizations.
- Extend for one year lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races.
- Redistribute the statewide collected transmission tax between the upstate (PTOA) and downstate (MMTOA) transit accounts in an equitable manner, replacing the existing yearly transfer between the two accounts.

Transportation, Economic Development and Environmental Conservation

- Provide the annual authorization for the CHIPS and Marchiselli programs, and extend the eligibility of certain highway work types.
- Consolidate the Department of Transportation's Accident Damage Account with the Dedicated Highway and Bridge Trust Fund.
- Implement a performance-based bus inspection program.
- Conform the Vehicle and Traffic Law to federal requirements governing operators of commercial motor vehicles and medical certification requirements pertaining to such operators.
- Raise the statutory limit on the amount of bonds, notes and other obligations the MTA, the New York City Transit Authority (NYCTA), and the Triborough Bridge and Tunnel Authority (TBTA) may issue.
- Establish an additional retention rate for county clerks acting as an agent of the Department of Motor Vehicles based upon internet transactions.
- Ensure State compliance with Federal Motor Safety Carrier Administration regulations and prevent the loss of half the State's Federal Motor Carrier Safety Administration Program funding.

- Pay the MTA for costs associated with promoting access to employment through reimbursements for E-ZPass tolls paid by residents of Broad Channel and the Rockaway Peninsula that travel over the Cross Bay Veterans Memorial Bridge.
- Eliminate certain tagging requirements, streamline various fish and wildlife licenses, permits and associated fees and extend the authority of the Department of Environmental Conservation to collect fees for ocean quahogs taken from all certified waters.
- Clarify that the State does not regulate Voice over Internet Protocol service, in order to facilitate competition for the benefit of consumers and businesses alike.
- Reduce costs on businesses by amending the formula for the imposition of the fees on hazardous waste and hazardous wastewater to incentivize the on-site recycling of such waste.
- Terminate unnecessary State Operating Fund support of the Environmental Facilities Corporation with respect to the Clean Water and Drinking Water State Revolving Funds.
- Eliminate the mandate that the New York State Agricultural Experiment Station be the exclusive seed testing entity in the State, and allow testing to be conducted by the Department of Agriculture and Markets or a qualified laboratory.
- Provide the Department of Agriculture and Markets with more comprehensive fee-for-service authority in order to recover normal costs related to services provided to other states.
- Redirect certain fees currently deposited to the Consumer Food Account and the Commercial Feed Licensing Account to the General Fund, as a result of the consolidation of these accounts into the General Fund.
- 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's climate change program, from an assessment on gas and electric corporations.
- Amend the Jacob K. Javits Convention Center enabling legislation to authorize disposal of adjacent properties.
- Make permanent the general loan powers of the New York State Urban Development Corporation.

Legislation Required for the Budget

- Make permanent the Empire State Economic Development Fund.
- Provide general grant-making power for the New York State Urban Development Corporation.
- Provide a 3 percent linked loan savings for agricultural businesses.
- Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.
- Extend the renewal period for certain disciplines licensed by the Department of State.
- Make uncashed pari-mutuel vouchers subject to escheatment.
- Reduce Racing and Wagering Board employee costs.
- Enable the Commissioner of Agriculture and Markets to issue a dairy research and education order to fund research for the purpose of improving dairy industry production and increasing the efficiency and profitability of the State's dairy industry.
- Increase cost recovery from public authorities to support auditing and oversight work done by the Office of the State Comptroller.

State Entity Mergers

- Merge the Division of the Lottery and the Racing and Wagering Board into the new New York State Gaming Commission.
- Merge the Department of Civil Service and the Office of Employee Relations into a new Department of Workforce Management.
- Transfer the operations and management of the Belleayre Mountain ski center from the Department of Environmental Conservation to the Olympic Regional Development Authority to foster more efficient operations.
- Elimination and/or merger of certain boards and commissions to foster more efficient government.

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 materials accessible to the general public through the Budget Division's official website (www.budget.ny.gov). The central volume, *Executive Budget Briefing Book*, contains the Budget Director's Message, which presents the Governor's fiscal blueprint for 2012-13 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 *Five-Year Capital Program and Financing Plan* highlights major capital initiatives and objectives, and describes the approach to financing the capital program.

The website includes the mission and functions of each State agency, descriptions of major budget actions and tables that summarize the agency's spending by program and category. Also included is a "User's Guide" which provides background information on State government and the budget process, and explains how to interpret the agency "story" tables. This portal also includes the budget requests of the Legislature and Judiciary, which are submitted without revision as required by the Constitution.

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.ny.gov) 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.