

1999-2000 New York State Executive Budget

George E. Pataki, Governor

Robert L. King, Director of the Budget



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY NY 12224

GEORGE E. PATAKI
GOVERNOR

To the People of New York:

January 27, 1999

Four years ago the people of New York set out on a bold journey to make our State a better place to live, work and raise a family. We envisioned a brighter, more prosperous future and we pictured a smarter, more cost-effective government that would unleash the natural talent, ambition and innovation of all New Yorkers.

With bold, decisive actions — and smarter, more fiscally responsible budgeting practices — we have made historic gains in reaching our destiny. Since the submission of my first Executive Budget in January of 1995, welfare rolls have been trimmed by more than 600,000 people, violent crime has been cut by 29 per cent, more than 419,000 new private sector jobs have been created, and we have become the premier tax-cutting state in the nation.

To day, with the presentation of the 1999-2000 Executive Budget, our historic journey continues.

The challenge that now lies before us is to continue taking the appropriate steps which will insure that the Empire State's historic come back continues well into the next millennium. We must redouble our efforts and bring about more sweeping changes in order to insure that New York's future continues to grow brighter and more hopeful with each passing day. It is in this spirit that I am proud to present the 1999-2000 Executive Budget. I look forward to working with the members of the Legislature — and with all New Yorkers — as we take the next bold step in our historic journey.

Very truly yours,

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Message from the Budget Director

**“In four years, we
have cut taxes and
created a stronger
economy by
suppressing
government’s built-in
tendency to grow and
spend.”**

Governor George E. Pataki,
1999 State of the State Address

Keeping The Promise of Tax Relief & Maintaining Fiscal Integrity

A Message from New York State Budget Director Robert L. King

Governor George E. Pataki’s 1999-2000 Executive Budget reflects a continuation of the conservative fiscal practices and smart economic policies that have provided the catalyst for New York’s historic comeback. The Governor’s proposal will accomplish three critically important objectives:

- 1) Preserving tax cuts — and implementing *new* tax cuts — in order to create jobs and further strengthen our economy;
- 2) Keeping spending under control and below the rate of inflation; and
- 3) Reducing State debt for the first time in nearly 20 years.

The 1999-2000 Executive Budget achieves these three key goals while continuing to provide substantial levels of funding for the vital programs that have made New York a national leader in public education, health care, criminal justice and environmental protection. It also provides record support for priorities like school construction and day care, as well as substantial funding for important *new* initiatives such as NYS-CARES — Governor Pataki’s bold new plan which will eliminate waiting lists for developmentally disabled adults who are seeking residential housing placements.

It is a package that will make our State a stronger, safer and more prosperous place as we move forward to meet the challenges of the 21st century.

Fulfilling the Promise of Tax Relief

When Governor Pataki delivered his first State of the State Address just four short years ago, he made a solemn promise to bring tax relief to the people of New York State — not just because he knew that the people of our State were overtaxed, but because he was convinced that cutting taxes would lead directly to the creation of thousands of new jobs and a resurgence of our struggling economy.

By standing firm and fulfilling this promise, we have sparked a dramatic revitalization of New York's private sector economy — leading to the creation of more than 419,000 new private sector jobs since December of 1994.

Under the 1999-2000 Executive Budget, New York will retain its newly won status as the national leader in cutting taxes. Last year, we cut taxes by \$7.4 billion. This year, these tax cuts will grow to an incredible \$9.2 billion.

In addition, the Governor's Budget includes a bold new package of tax cuts, each of which will stimulate new job creation and economic growth, revitalize cities throughout the State and provide additional tax relief to New York's middle class.

By the year 2001-02, when we have implemented all of the tax cuts which have already been signed into law, *we will have provided the people of New York with a cumulative total of more than \$52 billion in tax relief.* That's \$52 billion that will be left in the private sector to grow jobs and strengthen our economy, instead of being used to fuel unnecessary growth in government. It will also help millions of families in their efforts to balance their own household budgets.

The Governor's historic STAR property tax relief program will continue to be a key element of our overall tax reduction strategy. After having already benefited more than 600,000 seniors, the STAR program will be extended as part of this year's budget to include *all* homeowners. In addition, the Governor has introduced a new STAR Property Tax Cap proposal which will help to ensure that the tax-cutting benefits of STAR are not eroded by excessive spending and taxation at the local school district level.

In an effort to guarantee that we can continue to fulfill our promise of tax relief in the years to come, the Executive Budget will leave the State's budget surplus *completely unspent* during the coming fiscal year. Instead, the surplus will be set aside in a new Tax Reduction Reserve to ensure that the balance of the enacted tax cuts are implemented on time, as promised.

“Four years ago we launched an aggressive tax plan with two parts: Cut taxes, then cut them again. These tax cuts have created stronger families, a stronger economy and a stronger New York.”

Governor George E. Pataki,
1999 State of the State Address

“New York’s surplus doesn’t belong to government, because it wasn’t earned by government....By putting the people’s money in a safe place where it can’t be touched, we’re taking the prudent step of guaranteeing that it gets returned to the taxpayers.”

Governor George E. Pataki,
1999 State of the State Address

By prudently setting aside this money we will send the strongest possible message that *when we make a promise — we intend to keep it*. It will make clear that we refuse to repeat the mistakes that were made in the past — when promised tax cuts were repeatedly postponed, delayed or forgotten altogether.

Whether it’s for the working poor who are striving to achieve a better standard of living, for the middle class family saving for a new home or a more secure retirement, or for the young entrepreneur seeking to launch a new business venture, the Tax Reduction Reserve is our pledge that New York State will have the resources it needs to continue providing tax relief for years to come.

In addition to fulfilling our commitment to preserving existing tax cuts, Governor Pataki has proposed an historic State constitutional amendment that would require a two-thirds vote by the Legislature to raise taxes. Currently, the Legislature only needs to have a simple majority to impose new and higher taxes on New Yorkers.

The enactment of this measure would provide New Yorkers with further protection from the failed policies of the past. It will ensure that New York State continues to live within its means, and that our commitment to lower taxes and restrain the growth of government extends well into the future.

Keeping Spending Under Control

This Budget is based on the fundamental principle that the key objective of our State government should not be to spend more, but to spend more effectively. Each and every one of our State agencies is playing a role in helping us to meet this objective by identifying opportunities for reducing costs and eliminating unnecessary activities.

Moreover, this Budget was developed in accordance with the widely held belief — shared by most economists and virtually all budget watchdog organizations — that it would be extremely risky and unwise to assume another record year on Wall Street. In fact, the principal reason New York has enjoyed four consecutive budget surpluses is precisely because we have budgeted responsibly, being conservative in our revenue estimates and keeping spending growth under control.

This year, as billions of dollars in tax cuts continue to be phased in, it is more important than ever that we keep a tight rein on spending growth. This is especially true in light of the fact that we have been witnessing a great deal of uncertainty in overseas financial markets — and because most experts are predicting a gradual “cooling-off” period in the national economy.

With these factors in mind, we need to be prudent and fiscally responsible in the days ahead if we are to maintain our State's fiscal integrity and continue fulfilling the promise of tax relief.

To protect our State's fiscal integrity — and to ensure that we are able to implement our enacted tax cuts on time and as promised — this Executive Budget keeps General Fund, State Funds and All Funds spending growth at an affordable level that is below the projected rate of inflation for the coming fiscal year. Both State Funds and All Funds spending grow 1.8 percent over last year — below consensus estimates for inflation.

But while we are determined to keep our overall level of spending at responsible, affordable levels, we also refuse to relinquish New York's position as a national leader in terms of our commitment to the programs and services that matter most to millions of hard-working families.

For example, this nearly \$73 billion Budget provides all of the resources that are necessary to allow us to continue improving the quality of our public education system. It builds on the past two years of massive school aid funding increases to bring State education aid — and funding for school construction — to the highest levels in New York State history.

The Executive Budget also includes full funding for the Environmental Protection Fund and will provide all of the necessary resources to implement the Governor's historic NYS-CARES residential housing program for people with developmental disabilities. The Budget expands day care opportunities to record levels and will provide increased access to children's health insurance for thousands of low-income families throughout New York.

New Budget Keeps Spending Below Inflation

- ◆ General Fund Spending: \$37.1 Billion
1.3% Annual Growth
 - ◆ State Funds Spending: \$49.3 Billion
1.8% Annual Growth
 - ◆ All Funds Spending: \$72.7 Billion
1.8% Annual Growth
-

Reducing Debt

Over the course of the past four years, New York has regained control of its debt and capital bonding responsibilities. The annual rate of growth in State debt has been cut in half and the State no longer engages in fiscal gimmicks like the “sale” of Attica prison and Interstate 84 to finance its operating budget. While these financial shell games allowed the prior administration to achieve the appearance of a balanced budget, they also did a great deal of damage to our State’s fiscal integrity and credit rating.

With bonding once again under control and integrity restored to our borrowing practices, it is time to face the legacy of debt left to us by the excesses of the past. The Governor’s 1999-2000 Executive Budget includes an unprecedented debt reduction effort that will actually *reduce* the State’s debt burden for the first time in almost two decades. This ground-breaking plan will:

- ◆ End bonding for eight capital programs;
- ◆ Deposit \$250 million in the Debt Reduction Reserve Fund to lower out-year debt;
- ◆ Increase pay-as-you-go financing and reduce future borrowing levels by \$4.7 billion from the last Five Year Capital Plan;
- ◆ Reduce the proportion of the State’s General Fund that is dedicated each year to debt service; and
- ◆ Continue support for an aggressive capital construction effort that will meet our highest priority infrastructure needs.

The implementation of this historic plan will help us ensure that we do not saddle future generations of New Yorkers with an insurmountable debt burden. Equally important is the fact that it will help us send the appropriate message to credit rating agencies, budgetary watchdog groups and business leaders throughout the nation that New York State is in deed serious about reforming, improving and fundamentally changing the way that we conduct business.

Adopting an On-Time Budget

Last year, the process of negotiating a final State Budget package took a positive step forward with the first-ever use of legislative Budget Conference Committees. The Governor supports this effort to open up the budget negotiation process. More recently, another potentially significant reform was advanced by the Senate Majority and signed into law by the Governor. This new budget reform law will sanction members of the Legislature by withholding legislators’ compensation in the event they fail to adopt a Budget by the beginning of the new fiscal year on April 1st.

This year's Executive Budget is being introduced several days earlier than the deadline provided for in the State Constitution in the hope that it will add to this positive momentum which has been building for the adoption of an on-time budget. We will also be strongly encouraging the legislative fiscal committees to consider moving forward with an accelerated timetable for their budget-related hearings and conference committees. The Division of the Budget will do everything possible to assist and facilitate this process. Most of the details and technical support documents which must be submitted to the Legislature a month after the Budget is introduced are being provided to day. The remaining items will be submitted within a week. In addition, we are committed to making a timely presentation of any 30 Day amendments which may be introduced.

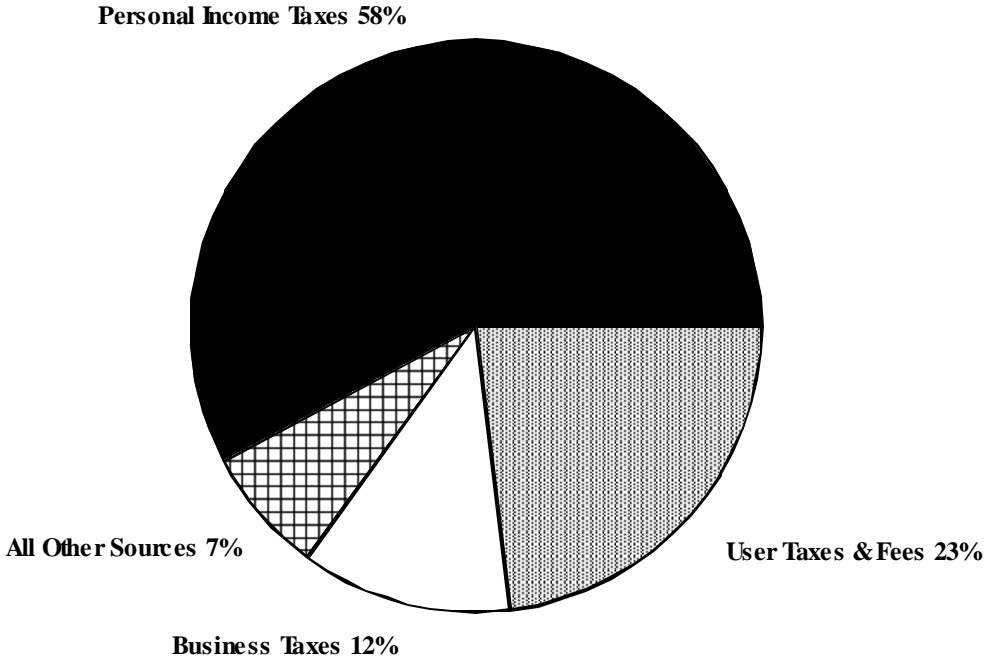


New York State has undergone a remarkable transformation since Governor George Pataki first took the Oath of Office in January of 1995. Our economy is stronger, our taxes are lower and our streets are safer. New York's welfare system has been dramatically reformed and fiscal integrity has been restored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

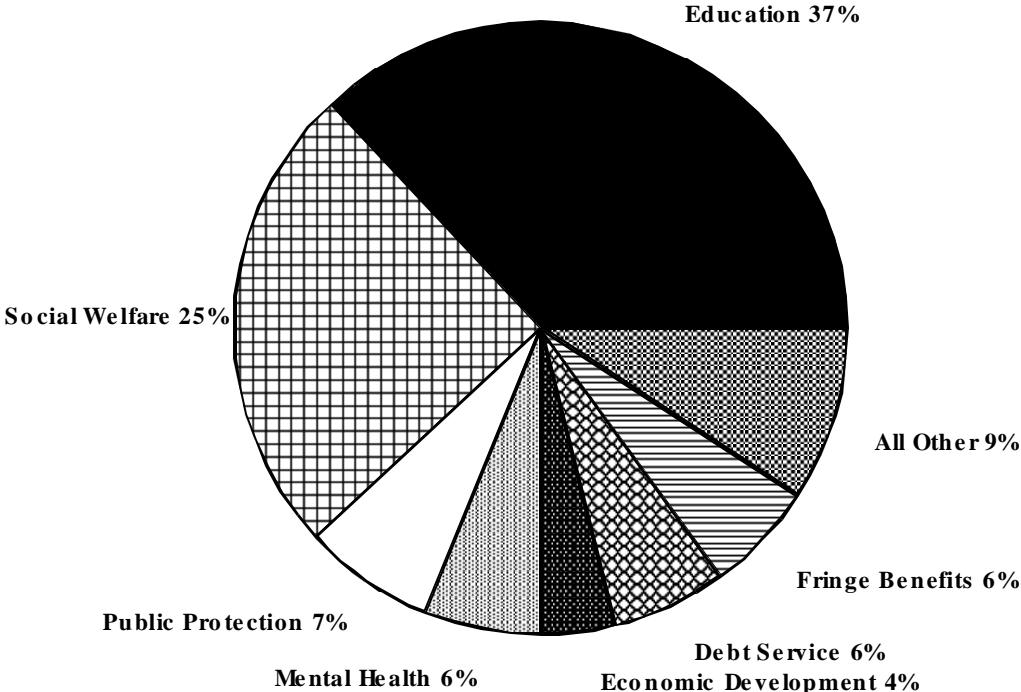
To day — with the introduction of the 1999-2000 Executive Budget — we are sending out a loud and clear message that we have no intention of returning to the days when we led the nation in all the wrong categories. To the contrary, this Budget will allow us to continue building on the renewed sense of hope and optimism that has been generated in New York State within the past four years. It will also place New York in the strongest and most competitive position possible as we prepare to meet the challenges of the 21st century.

Your Tax Dollar

Where it comes from...



...where it goes



Where Each General Fund Tax Dollar Comes From

58 cents from the Personal Income Tax imposed on the income of individuals, estates and trusts

- ◆ Over 8 million filers.
- ◆ Over 1 million New Yorkers claim earned income tax and property tax circuit breaker credits.
- ◆ 1995 tax reduction program has lowered burden by 20% since 1994.

23 cents from User Taxes and Fees

- ◆ 19 cents from the 4 cent sales and use tax, collected by approximately 500,000 vendors, including the share of sales tax returned to the General Fund after debt service is paid on Local Government Assistance Corporation bonds.
- ◆ 4 cents from excises on cigarettes, motor fuel, and alcoholic beverages and from motor vehicle and beverage control license fees, auto rental and container taxes.

12 cents from Business Taxes

- ◆ 9 cents from taxes on over 400,000 general businesses, banks and insurance companies.
- ◆ 3 cents from gross receipts taxes on energy, telecommunications and transportation companies and from a portion of the gallonage-based petroleum business tax, the bulk of which is earmarked for non-General Fund spending for transportation.

7 cents from All Other Sources

- ◆ 3 cents from other taxes such as estate and gift taxes, the real estate transfer tax (less amounts in Debt Service and Capital Projects Funds) and the real property gains levy.
- ◆ 4 cents from miscellaneous receipts including money from fees, fines, and licenses, earnings on the State's bank balances, abandoned property turned over to the State by businesses that hold money for citizens and from excess balances in other funds transferred to the General Fund.

Where Each General Fund Tax Dollar Goes

37 cents pays for elementary and secondary education for children and higher education for adults

- ◆ Funding 45.3 per cent of the cost of public schools, educating nearly 2.9 million students.
- ◆ Offering academic, professional and vocational programs to 565,000 senior college and community college students at SUNY and CUNY.
- ◆ Providing tuition assistance to over 280,000 needy students.

25 cents funds medical care and cash assistance for the poor and other social services, including support services to children and families

- ◆ Medicaid serves about 2.9 million individuals, including 1.3 million children.
- ◆ Welfare supports 1.6 million individuals, including 600,000 children.
- ◆ The Office of Children and Family Services provides intervention and prevention services for vulnerable children, youth, adults and families.

7 cents helps protect the public from crime

- ◆ Operation of 70 prisons, over 72,000 inmates.
- ◆ Supervision of nearly 64,550 parolees.
- ◆ Patrol and protection using 4,111 State Troopers.

6 cents funds services for mentally and developmentally disabled adults and children

- ◆ Funding for 22,000 community residential beds for people with mental illness.
- ◆ Operation of a primarily community-based system of care for 100,000 developmentally-disabled New Yorkers.

4 cents maintains the State's transportation systems, funds economic development projects, maintains parks, protects the environment and supports capital spending and debt reduction

- ◆ Maintenance of more than 40,000 lane miles of highways and 7,500 bridges.
- ◆ Funding for over 70 local public transportation systems.
- ◆ Serving over 65 million visitors a year in 187 parks and historic sites.

6 cents pays the State's debt

6 cents funds fringe benefits for State employees and retirees

9 cents funds general government operations

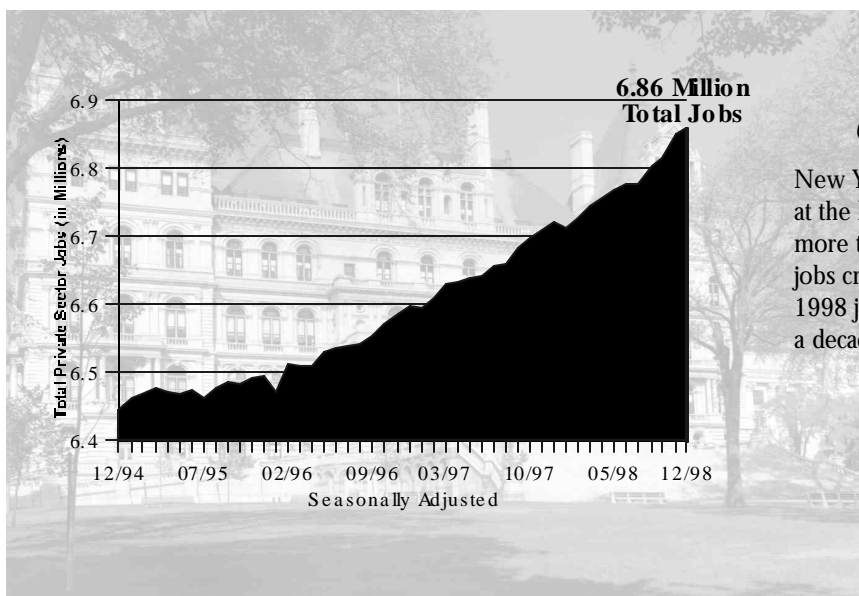
- ◆ Collecting taxes.
- ◆ Maintaining public buildings.
- ◆ Administering the civil service system.
- ◆ Operating the court system.
- ◆ Revenue sharing with local governments.

Promoting Economic Growth

A Stronger, More Prosperous Economy

As a result of Governor Pataki's continuing efforts to promote growth in the private sector economy, New York State has experienced an economic comeback of dramatic proportions. This economic revitalization will continue under the policies advanced in the 1999-2000 Executive Budget.

- ◆ Since 1994 the Governor's policies have helped create more than 419,000 new private sector jobs — wiping out all of the job losses that occurred during the previous twelve years.
- ◆ The overall number of private sector jobs is now at an all-time high, and unemployment is at its lowest level in nine years.
- ◆ New York is also improving relative to the rest of the nation. In 1994, New York ranked 47th in the nation in percentage of private sector job growth. As of November 1998, that ranking had improved to 20th.



Private Sector Jobs Grow to Historic High

New York's private sector jobs are now at the highest level in State history, with more than 419,000 new private sector jobs created since December 1994. The 1998 job growth is the best in more than a decade.

Cutting Taxes: The Key to Economic Growth

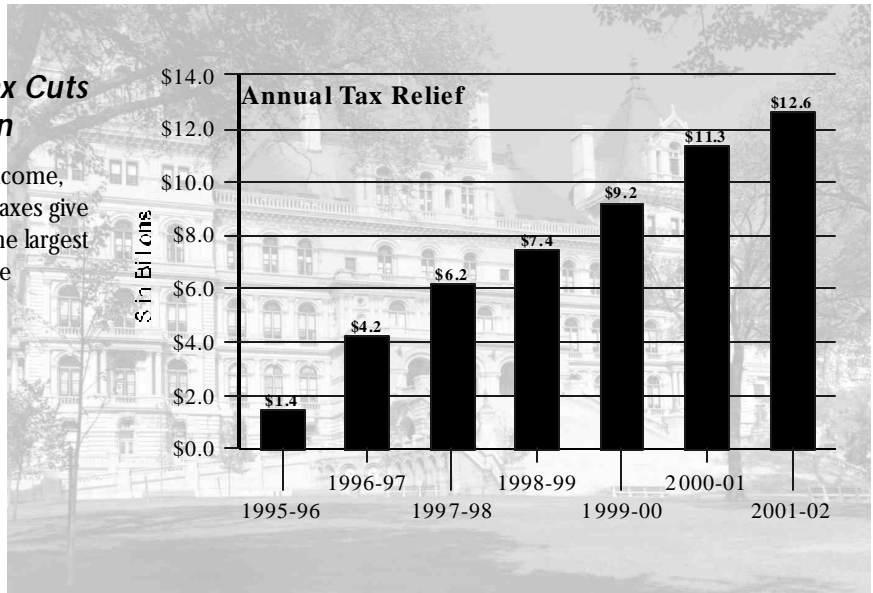
The center piece of Governor Pataki's strategy to create jobs and revitalize the economy has been cutting taxes. Under his leadership, New York has become the premier tax-cutting state in the nation. These sweeping tax cuts have touched the lives of all New Yorkers and brought new life to a private sector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

Since 1995, every major State tax has been cut. The breadth and scope of these already enacted tax cuts are remarkable — providing total annual savings to New Yorkers of more than \$7.4 billion in the current fiscal year. Under the 1999-2000 Executive Budget, these annual savings will grow to \$9.2 billion.

On a cumulative basis — adding to total relief from each of the past four fiscal years — the overall tax burden has been reduced by \$19 billion. Once all of our enacted tax cuts are fully phased in by the close of the 2001-02 fiscal year, an astonishing \$52 billion in cumulative tax relief will have been provided to the people of New York.

Governor Pataki's Tax Cuts Lead the Nation

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



Promoting Economic Growth

Leading The Nation In Tax Reductions

According to both the National Governors' Association and the National Association of State Budget Officers, New York has led the nation in tax reductions over the last three completed State fiscal years. Between 1995-96 and 1997-98, New York accounted for 40 per cent of all state tax reductions nationwide.

Across the State, New Yorkers can feel the difference. They take home more of their pay, and spend less of it when they shop or pay their bills.

A Less Taxing State

- ◆ State government now takes a smaller share of New Yorkers' hard-earned income. Since 1995, State tax collections as a share of personal income have declined by over nine per cent.
- ◆ Personal income taxes have been reduced by an average of 20 percent.
- ◆ Business taxes have been slashed by a cumulative total of \$4 billion.
- ◆ Property taxes have been dramatically reduced under the School Tax Relief (STAR) program.

Lowering Your Tax Burden — New Tax Cut Initiatives

The 1999-2000 Executive Budget will continue to enhance New York's reputation as the nation's leader in cutting taxes. It includes a series of additional tax reduction initiatives, which will continue to promote job growth and provide additional relief to New York's middle class families. When fully effective, these initiatives will cut taxes on New Yorkers by an additional \$1 billion.

The reductions include:

Middle Class Tax Relief:

- ◆ *Personal Income Tax Cut:* In his first term in office, the Governor implemented \$4 billion in reductions in personal income tax. Recognizing the needs of New York's working families, Governor Pataki is proposing additional income tax reductions to be phased in as soon as his current tax plan is in place. Beginning in 2002, the threshold at which the top income tax rate applies will be increased from \$40,000 of taxable income to \$50,000, and the dependent exemption for each child will rise from \$1,000 to \$1,500. The following year, the top rate threshold for married filers will increase to \$60,000 and the dependent exemption will climb to \$2,000. Taken together, these two actions will reduce the tax burden on working families by over \$600 million.

Job Creating Tax Cuts:

- ◆ *Urban Job Creation Tax Incentive:* Throughout the State's history, the cities have been the backbone of our economy. However, in the past few decades this great economic resource has been allowed to go fallow. Re-invigorating the economies of the State's cities is a top priority. The Governor is proposing a new \$60 million tax cut to provide new jobs to help revitalize cities throughout the State. The program provides a tax credit of up to \$1,000 per job for employers who start new companies or expand existing businesses that create a minimum of 25 new full-time jobs. Outside New York City, the program applies to business development citywide. In the City of New York, the incentives are for new jobs located in targeted areas.
- ◆ *Enhanced Tax Credits for Qualified Emerging Technology Companies (QETCs):* Last year, the Governor signed into law the "New York State Emerging Technology Industry Jobs Act" which provides tax incentives for companies that invest in research and development in New York State for emerging technologies, such as biotechnology. This year, to provide an even stronger incentive for these growth companies of the future to locate in New York, the Governor proposes to virtually double the benefits available under this program.

Policy Highlight:

A New Tax Reduction Reserve – Delivering Promised Tax Cuts

The 1999-2000 Executive Budget includes a new Tax Reduction Reserve and directs that this year's projected State surplus of more than \$1.7 billion be set aside in it to ensure that the State can afford to implement the enacted tax cuts on schedule.

This new Reserve will cushion the impact of any potential economic slowdown and smooth the planned reductions in the State's revenue without causing undue hardship to the State's programs and workforce.

Promoting Economic Growth

- ◆ *New York Capital Asset Exclusion:* This exclusion will make New York a more attractive business location by providing a tax incentive for new investment. The gains realized by new companies and innovative entrepreneurs who invest capital in New York will be subject to preferential tax treatment. This will induce start-up companies to locate and expand in New York, stimulating job creation and increased incomes. The longer the investment is maintained — providing business capital for New York — the greater the tax benefit. This incentive is designed to attract growing companies to a state committed to providing the best possible climate for business expansion.
- ◆ *Continued reduction in the Alternative Minimum Tax (AMT):* Under the tax cut plan approved by the Governor in 1998, the AMT is being reduced to 3 per cent in the upcoming fiscal year. He is now proposing to continue lowering the rate to 2.5 per cent.
- ◆ *Lower Bank and Insurance Tax rates:* The franchise tax rate reductions, provided last year to general corporate taxpayers, would be extended with this Budget to include banks and insurance companies. These businesses will now benefit from the reduction in the top rate imposed on net income — from 9 per cent to 7.5 per cent. This action serves to level the competitive playing field and provides an important stimulus to two industries that are vital to New York's economy.

Policy Highlight:

Governor Pataki's Constitutional Amendment

In his 1999 State of the State Address, Governor Pataki proposed an historic State constitutional amendment that would require a two-thirds vote by the Legislature to impose new or higher taxes on New Yorkers.

The adoption of this amendment would make the act of raising taxes much more difficult. It would also ensure that New York State continues to live within its means and that our commitment to lower taxes will extend well into the future.

- ◆ *Reforming and reducing utility taxes:* This continues Governor Pataki's multi-year strategy to reduce energy taxes, foster competition in the energy markets and promote economic growth by reducing energy costs. Rapidly changing conditions in the energy market place have made the current tax structure an impediment to competition. The Governor's plan will remove any tax barriers to competition and lead to lower energy rates for all consumers. The plan also positions New York's energy companies to compete aggressively with out-of-state companies for customers both in New York and nationwide.

Other Tax Cutting Actions

- ◆ Eliminating a series of provisions from the Tax Law which impose unnecessary burdens on businesses, nonprofit organizations and farmers.
- ◆ Conforming to recent Federal estate tax changes to ensure that our estate tax burden is as small as possible.
- ◆ Accelerating the phase-out of the healthcare provider assessment on hospitals and nursing homes.
- ◆ Capping local school property taxes to maintain the tax-cutting benefits of STAR.

Lowering Your Tax Burden — Benefitting From Previously Enacted Cuts

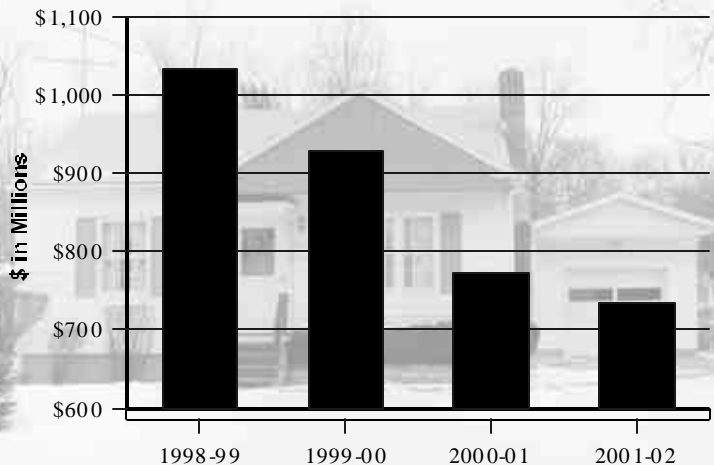
Ongoing Tax Cuts Save New Yorkers Billions

Under the 1999-2000 Executive Budget, New Yorkers will begin to realize nearly \$2 billion in additional savings resulting from the implementation of the Governor's previously enacted tax cuts. New York families will benefit from initiatives including:

- ◆ The second phase of the STAR school property tax cuts for all homeowners. Cuts averaging over 45 per cent have already been accomplished for seniors. The Governor's Budget will phase in school property tax cuts averaging nine per cent this year and 27 per cent by 2001-02 for non-seniors.
- ◆ Elimination of the gift tax, effective January 1, 2000.
- ◆ Elimination of the State's added estate tax, saving New Yorkers \$400 million when fully effective. For estates created on or after February 1, 2000, the first \$675,000 of assets will be exempt from State tax liability, rising to \$1 million by 2006.
- ◆ Permanent sales tax exemptions on articles of clothing and footwear up to \$110 beginning December 1, 1999.

Landmark Reforms to New York's Estate and Gift Taxes

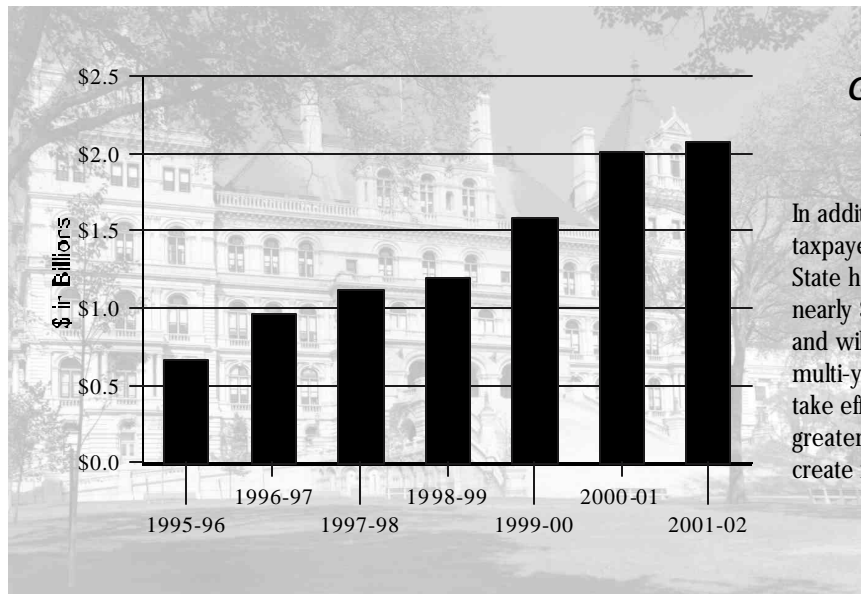
The repeal of New York's separate estate and gift taxes, first proposed by Governor Pataki in 1997, will save New Yorkers about \$500 million when fully effective and give New York a significant new competitive advantage over many other states. For gifts made on or after January 1, 2000, New York's gift tax will be completely repealed, and for estates created on or after February 1, 2000, New York's estate tax reforms will eliminate the separate New York estate tax burden. This will result in reduced net receipts from these sources.



Promoting Economic Growth

Tax reductions phasing in this year that will benefit New York businesses include:

- ◆ Reduction in the gross receipts tax (GRT) on energy and telecommunications utility bills, saving rate payers \$440 million on their electric, gas and telephone bills when fully effective. The utility GRT — which was lowered from 3.5 per cent to 3.25 per cent on October 1, 1998 — will be further reduced to 2.5 per cent, effective January 1, 2000.
- ◆ Reduction in the alternative minimum tax rate imposed on corporate taxpayers, to 3 per cent by July 1, 1999.
- ◆ Reduction in the fixed dollar minimum tax for small businesses, to be fully phased in by July 1, 1999.
- ◆ Reduction in the corporate franchise tax rate from 9.0 per cent to 7.5 per cent beginning July 1, 1999, with full phase-in by July 1, 2001. This cut will drop New York's rate from 9th to 24th highest in the nation.
- ◆ Reduction in the S corporation rate differential for small businesses beginning July 1, 1999, with full phase-in by July 1, 2001.



Governor Pataki Saves New York Businesses Billions of Dollars

In addition to benefitting individual taxpayers, tax reductions in New York State have saved businesses a total of nearly \$4 billion over the last four years and will generate further savings as the multi-year tax reduction plan continues to take effect. These savings will drive greater investment and expansion, and create more jobs for New Yorkers.

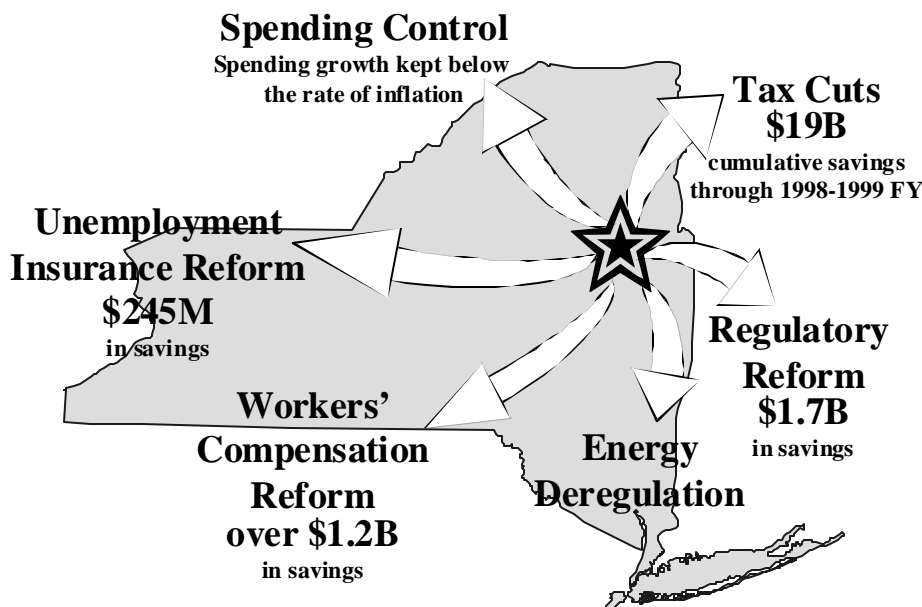
Pro-Business Policies

Eliminating Red Tape

New York's approach to State agency regulations has been fundamentally altered through the nationally recognized efforts of the Governor's Office of Regulatory Reform (GORR). Given broad authority — unparalleled by any other state in the nation — to eliminate unnecessary regulations and assist businesses in expediting business permit approvals, GORR has succeeded in eliminating, modifying and/or streamlining over 1,300 regulations. This and other agency activities have translated to savings of over \$1.7 billion since 1995. The Governor's 1999-2000 Budget continues his commitment to replacing bureaucratic red tape with sensible, non-intrusive directives that address the needs of both our citizens and our businesses.

The Governor's Office of Regulatory Reform Is Delivering Common Sense Actions

- ◆ Simplification of the process for complying with the Federal Clean Air Act, saving industry an estimated \$5.5 million.
- ◆ Establishment of the Governor's Permit Reform Initiative — consolidating, simplifying and eliminating permit requirements, saving businesses tens of millions of dollars annually.
- ◆ Initiation of new guidelines for the construction of electric power plants and a "one-stop" approval process for siting major plants, potentially saving at least \$20 million per plant.



Governor's Multi-Prong Strategy Re-ignites Economy

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

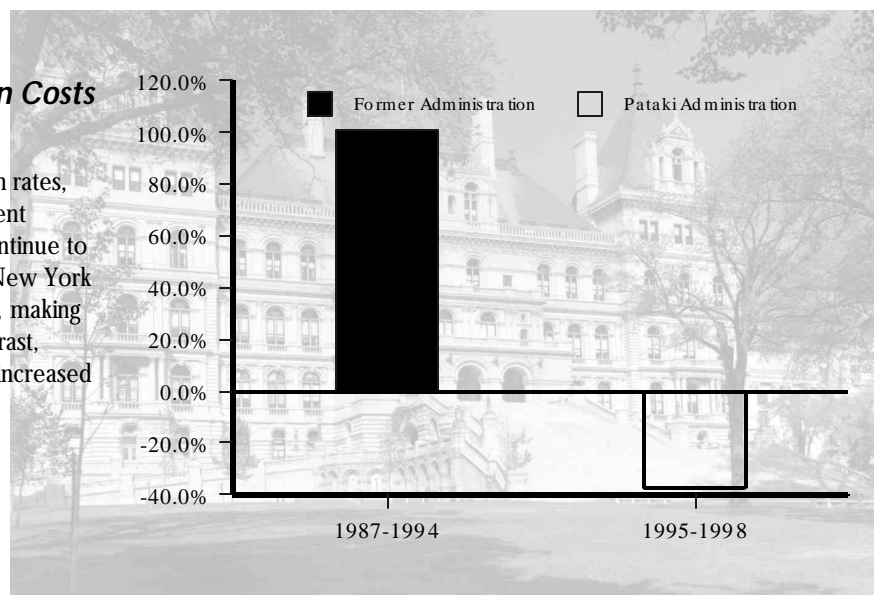
Cutting Workers' Compensation Costs

With enactment of the New York Employment, Safety and Security Act of 1996, Governor Pataki won his historic and fundamental reforms in workers' compensation — a major obstacle to economic growth in New York State. Originally expected to reduce premiums by an average of 25 per cent, the most recent rate decrease has resulted in a 32 per cent decline in workers' compensation premiums since enactment of the 1996 reforms and a total reduction of 37 per cent since 1995, when the Governor first took office. The next step is the long overdue re-vamping of the Workers' Compensation Board. Aimed at improving service to businesses and injured workers, Board reforms begun in 1998-99 will be fully implemented in 1999-2000 to provide:

- ◆ Enhanced customer service through installation of state-of-the-art technology, transforming the Board into a "paperless" operation.
- ◆ Improved efficiency and overall management of the Board through consolidation of administrative offices into a single location, and redistribution of work among additional regional offices.
- ◆ Simplification of the process for settling workers' compensation claims through the use of conciliation and other measures designed to resolve claims before reaching the costly and lengthy hearings process.

Workers' Compensation Costs Drop

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



Creating Jobs for Today and Tomorrow

New York has a diverse economy with concentrations of employment in many areas. At the same time that he is reinvigorating New York's economic base, Governor Pataki is taking steps to attract and grow the high tech businesses of tomorrow, ensuring that this resurgence continues in the years and decades to come.

Targeting the Industries of Tomorrow

Technology is central to the future of New York's economic growth and to the State's overall competitiveness. Governor Pataki is encouraging greater economic diversity by investing in innovative, job-creating initiatives to grow and attract emerging high technology industries.

- ◆ *Focus Center-New York:* A strong research base is key to attracting high tech industries to the State. With strong support from the Governor, the State University of New York at Albany and Rensselaer Polytechnic Institute were jointly designated a Focus Research Center by the Semiconductor Industry Association in 1998. These institutions will now assume a leading role nationally, in the development of the next generation of semiconductor technology.
- ◆ *Chip Fab-New York:* A single computer chip manufacturing plant brings with it a capital investment of more than \$2 billion and up to 1,000 new jobs. Over the next four years, semiconductor industry experts expect that as many as 35 micro-chip facilities will be built in the United States. The Governor's Chip Fab-New York Program will pre-permit up to ten sites around the State for new chip manufacturing plants and give New York a significant advantage in the global competition for siting these plants. These sites are located in: the Town of Walkill, Orange County; the Town of East Fishkill, Dutchess County; the Town of Bethlehem, Albany County; the Town of North Greenbush, Rensselaer County; the Town of Marcy, Oneida County; the Town of Clay, Onondaga County; the Town of Aurelius, Cayuga County; the Town of Henrietta, Monroe County; the Town of Niagara, Niagara County; and the Town of West Seneca, Erie County.
- ◆ *Build Now-New York:* Utilizing the same pre-permitting concept as the Governor's successful Chip Fab-New York initiative, Build Now-New York will pre-qualify 30 New York sites to attract expansion or relocation of a wide variety of emerging and growth industries.

Promoting Economic Growth

- ◆ *Biotechnology:* Bio technology is expected to be the next breakthrough in industry — an economic driver generating billions of dollars in investments and hundreds of thousands of jobs. New York is already home to nearly 650 biotechnology companies, which employ more than 42,000 people. Governor Pataki is continuing to strengthen New York's competitive edge in this exciting area by investing millions of dollars in biotechnology research and commercialization initiatives from Long Island to Buffalo — including his recent announcement of \$3 million in support for the new University of Rochester Institute of Biomedical Sciences. In 1999-2000, the Governor will build on this record of support by providing \$5 million to establish a new Biotechnology Research Center at the State University of New York at Buffalo and increasing support for the University at Albany's Biotech Incubator in Rensselaer County.

New York is Open for Business

Through national print and broadcast media, other states are increasingly and aggressively promoting themselves as desirable locations for businesses to start up or relocate. In the past, New York had little to boast about in terms of business investment. Quite the opposite is true today. In the face of this intense national competition for jobs, we must also be willing to invest in the promotion of New York's favorable economic climate in order to attract the industries of tomorrow. The 1999-2000 Executive Budget reflects Governor Pataki's commitment to letting those outside our State know that New York is open for business by increasing the resources available for business marketing from \$674,000 to \$4.5 million.

Tourism — Preserving Our Heritage, Creating Jobs

Whether it's sampling world class wines, seeing a Broadway show, exploring places etched into America's history, pursuing outdoor adventures or just lounging on the beach, New York State has something for every traveler's taste and budget. Not surprisingly, tourism is our second largest industry, generating more than \$19.5 billion in tourist spending and employing nearly 700,000 people. Since 1994, Governor Pataki has increased direct support for tourism promotion by \$2 million, or 15 percent. In addition, under the Governor's leadership, hundreds of millions of dollars are being invested in tourism destinations throughout the State, including the reconstruction of the Niagara Falls observation tower, the acquisition and stewardship of park lands, the reclamation of waterfront from Lake Erie to the Erie Canal to the Hudson River and the rejuvenation of Manhattan's Times Square.

In the 1999-2000 Executive Budget, Governor Pataki continues to build upon his unparalleled support for tourism and the historic and natural resources that are so vital to this industry. Highlights include:

- ◆ \$15.3 million for the "I ♥ NY" and local tourism matching grants programs.
- ◆ \$10 million for developing and marketing a new "New York Heritage Trail" tourism program that will help bring to life our rich history as the home of American Presidents, the Underground Railroad's pathway to freedom, the birth place of the women's rights movement and the site of pivotal Revolutionary War and War of 1812 battles.
- ◆ \$2.5 million in new funding to foster the development and promotion of natural resource-based tourism, a rapidly growing segment of the tourism industry, which will encourage visitors to enjoy our pristine wilderness areas without upsetting their natural balance.
- ◆ \$10 million to improve the Olympic Regional Development Authority's Olympic venues and downhill ski facilities, including \$2.5 million each for Whiteface and Gore Mountain Ski Centers and \$5 million to construct a new bobsled and luge track. The funding for the bobsled and luge track is in addition to \$5 million previously committed by the Governor, and will enable Lake Placid to once again compete for world class competitions that attract athletes and visitors from across the country and throughout the world.

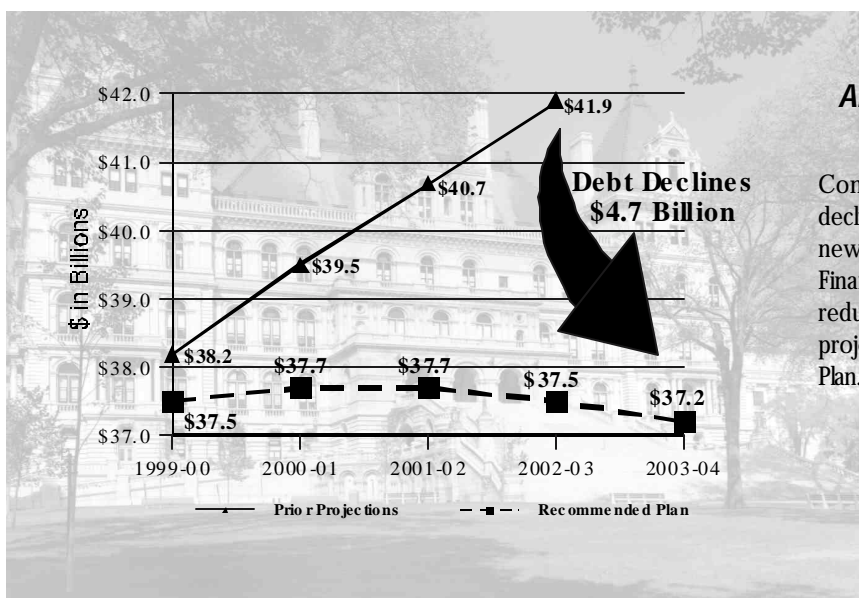
Debt Reduction/ Fiscal Integrity

Historic Reductions in the State's Debt Burden

A cornerstone of Governor Pataki's first term was his successful effort to restore fiscal integrity and discipline to New York State. With this Budget, he continues the process of reversing the soaring debt levels that are the legacy of the excesses of the past. The Five Year Capital Program and Financing Plan which is submitted with this Budget provides an innovative strategy which will allow us to meet our State's capital infrastructure needs, while also reducing State debt for the first time in nearly two decades. While the details are complicated, the strategy is simple — pay more in cash each year and borrow less.

The Governor's new Plan recommends prudent levels of capital spending that support strategic investments in programs which foster economic development and promote the health and safety of all New Yorkers. In conjunction with judicious spending practices and use of a share of tobacco settlement monies (the balance of which will be used for public health programs), the State will gradually reduce the use of debt by responsibly financing a larger share of capital spending on a pay-as-you-go basis.

These recommendations will reduce the amount of outstanding State debt by an unprecedented \$4.7 billion from last year's Plan, dramatically reducing the proportion of projects financed with debt from 46 per cent in 1999-2000 to 28 per cent at the Plan's end in 2003-04. For the first time in almost two decades, debt levels will decline over the life of the new Plan.



An Historic Reduction in the State's Debt Burden

Compared to prior projections, debt will decline in every year of the Governor's new Five Year Capital Program and Financing Plan. By 2003-04, debt will be reduced by \$4.7 billion from the levels projected in last year's enacted Five Year Plan.

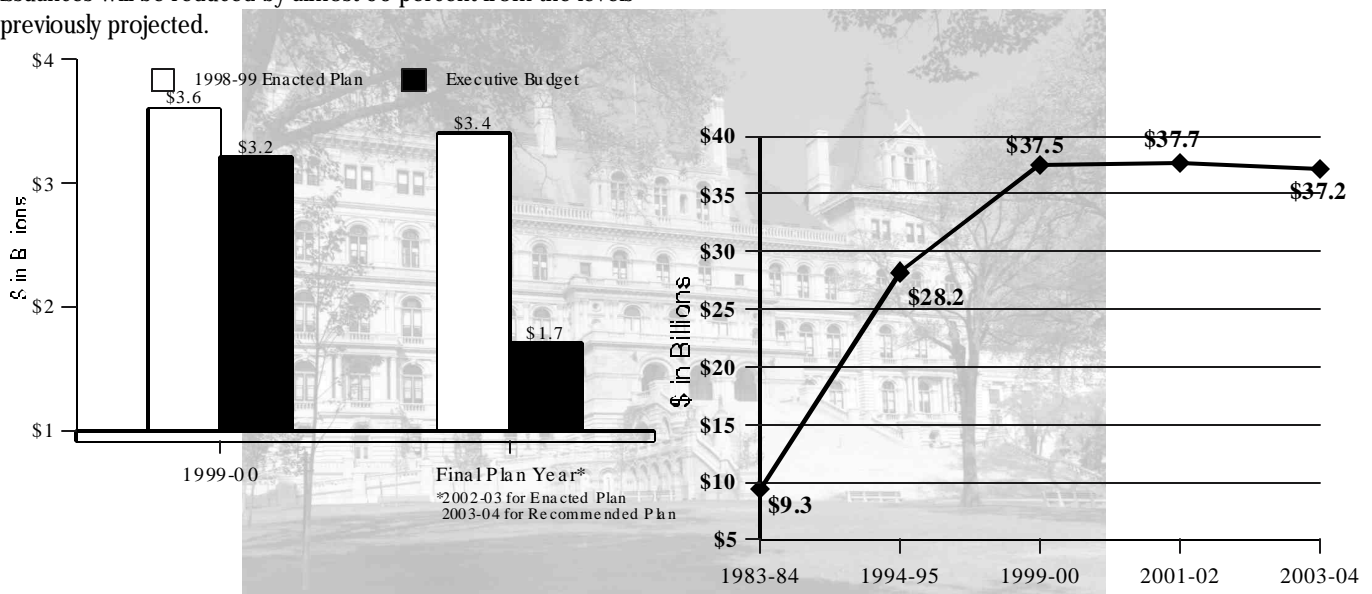
Reduced Bonding Lowers State Debt

Total outstanding State debt will decline for the first time in decades — by almost \$300 million between 1999-2000 and 2003-04. Furthermore, the cost of paying for the State's debt — debt service — will also decline during the period.

- ◆ The Governor's recommended Five Year Plan calls for an almost 50 per cent reduction in annual debt issuances in 2003-04 in comparison to last year's enacted Plan.
- ◆ Compared to the final year of last year's Plan, outstanding debt per capita will be reduced by \$271.
- ◆ Outstanding debt as a per cent of personal income will decline from 6.19 per cent in 1999-2000 to 5.19 per cent in 2003-04.
- ◆ Over the five year period, debt service costs as a per cent of All Funds resources will decline from 5.4 per cent to 5.1 per cent.

A Nearly 50 Percent Reduction in Annual Debt Issuances

Annual debt issuances over the life of the new Five Year Plan will decline by an annual average of 14 percent. By 2003-04, annual issuances will be reduced by almost 50 percent from the levels previously projected.



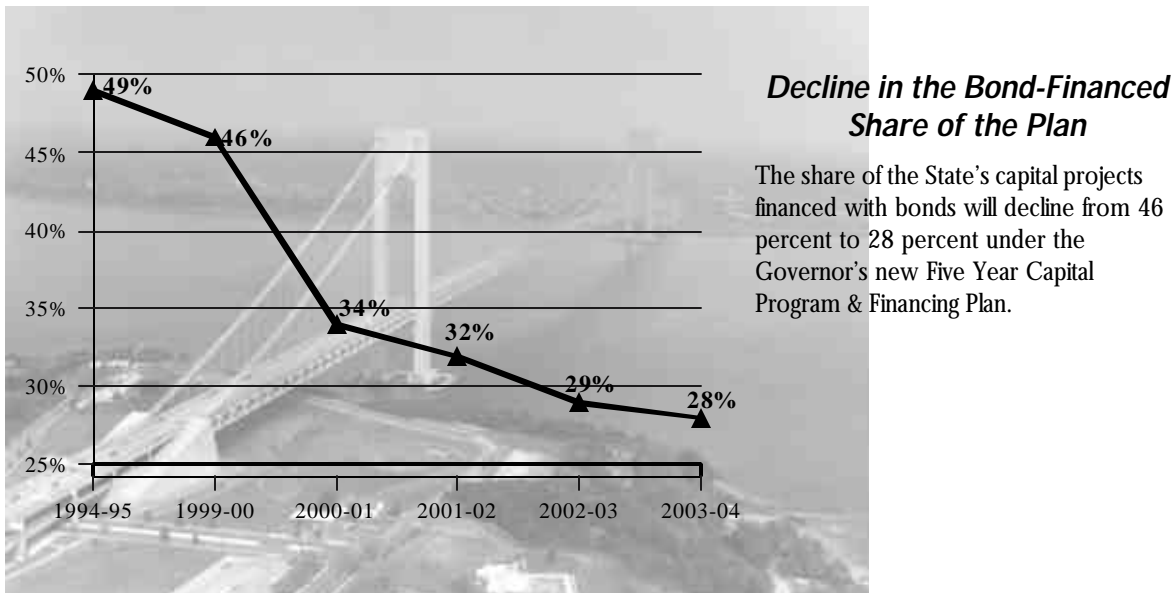
Historic Decline in State Debt

Debt will be significantly reduced in Governor Pataki's new Five Year Capital Program & Financing Plan. For the first time in decades, State debt will actually decline — going from \$37.5 billion to \$37.2 billion.

Greater Use of Pay-As-You-Go Resources

Governor Pataki's recommended Five Year Capital Program and Financing Plan lowers bonding by dedicating more tax dollars to pay cash for capital projects. This larger, and growing, share of pay-as-you-go resources includes a share of proceeds from the tobacco settlement.

- ◆ The percentage of projects financed on a pay-as-you-go basis will grow from 22 per cent in 1999-2000 to 37 per cent in 2003-04.
- ◆ Compared to last year's enacted Plan, pay-as-you-go spending in the Governor's recommended Plan rises by nearly \$165 million to \$962 million in 1999-2000, increasing to \$1.4 billion in 2003-04.
- ◆ Based on the recommended Plan, the percentage of bond-financed spending will decline from 46 per cent in 1999-2000 to 28 per cent in 2003-04.



Building On Past Efforts

Governor Pataki's efforts to maintain fiscal prudence and control debt costs have already cut the growth in State debt in half and resulted in the establishment of a Debt Reduction Reserve Fund (DRRF) in 1998-99. This Budget recommends the deposit of an additional \$250 million to the DRRF to reduce debt.

Funds set aside by the Governor in 1998-99 and additional funds included in the Executive Budget and Five Year Plan will support the conversion to pay-as-you-go spending for previously bond-financed projects, resulting in the elimination of bond financing for eight programs. The elimination of bond financing for the following programs will reduce debt interests by over \$465 million and save taxpayers more than \$125 million in debt service costs over the Five Year Plan.

Beginning in 1999-2000 the Governor's Plan will:

- ◆ Use pay-as-you-go resources to eliminate bond financing for five smaller programs which support capital spending for the West Valley Nuclear Service Center, the State Education Department, the Department of Health, Youth Opportunity Centers and the removal of underground petroleum storage tanks program.

Beginning in 2000-01 the Governor's Plan will also:

- ◆ Eliminate bond financing for three additional programs by using pay-as-you-go resources to support spending for housing programs, including the Housing Trust Fund, Public Housing Modernization, Affordable Housing Corporation and Homeless Housing Assistance Program; capital spending for youth facilities; and the State's match for the Federal wastewater treatment program.
- ◆ Reduce bonding by significantly in creating the share of transportation and mental hygiene spending financed with cash.

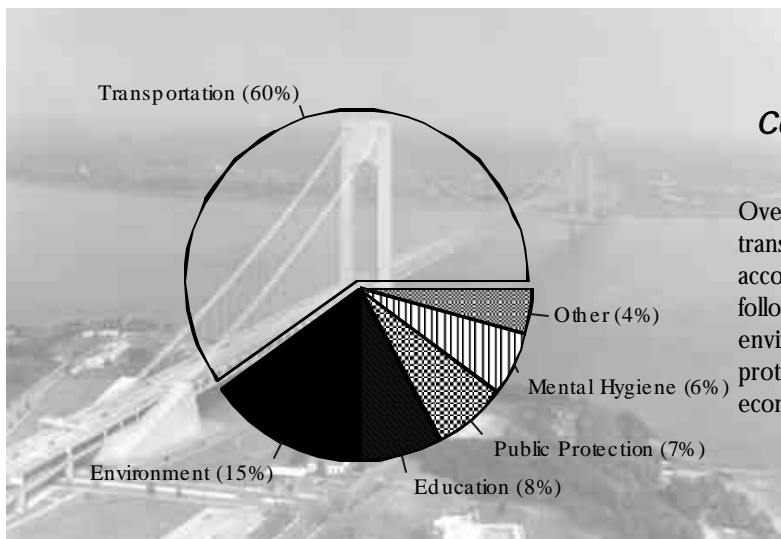
Targeted Spending

Capital spending will average nearly \$4.1 billion annually over the life of the Five Year Plan — declining from \$4.4 billion in the first year to \$3.8 billion in 2003-04.

Consistent with the Governor's commitment to sound fiscal management, the \$425 million bond-financed Community Enhancement Facilities Assistance Program will be reduced by \$75 million — to \$350 million — and the payment of the remaining debt will be accelerated to as little as three years to reduce debt service costs.

Spending will continue to be targeted to high priority capital investments that maintain the Governor's commitments to transportation, higher education, housing and the environment. Transportation will continue to account for the largest share of spending within the Plan. The Governor's spending priorities will continue to focus on capital programs which:

- ◆ Improve the State's transportation infrastructure and promote economic development.
- ◆ Prepare our children to meet the educational demands of the 21st century.
- ◆ Protect the health of New Yorkers and the State's environmental landscape.
- ◆ Protect the safety of all New Yorkers by ensuring the development and maintenance of adequate public protection facilities.



Capital Spending Will Continue to Target Essential Investments

Over the life of the Five Year Plan, transportation projects will continue to account for the largest share of spending, followed by those relating to the environment, education, public protection, mental hygiene, housing and economic development.

Fiscal Integrity

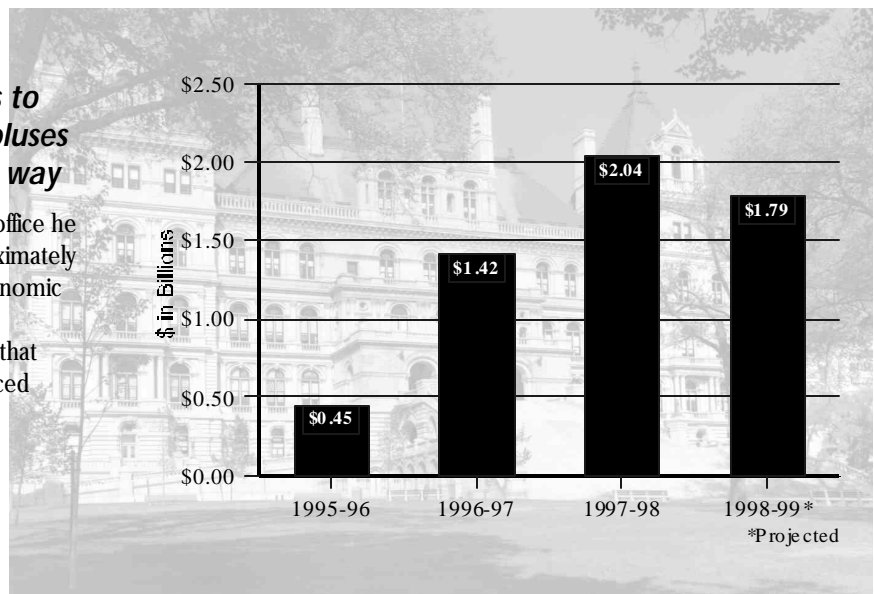
Governor Pataki has successfully pursued a long-term strategy to improve the State's fiscal condition. Under his leadership, the State has produced soundly balanced budgets and achieved three consecutive budget surpluses with a fourth on the way. The State's "rainy day" reserves are at their highest level ever. Spending is under control, with average yearly growth in the General Fund below the rate of inflation. Resources are now being used more effectively, with spending redirected from entitlement programs to efforts that increase the State's long-term competitiveness. In 1997, Wall Street recognized New York's improved financial condition by upgrading the State's credit rating for the first time in over a decade.

Four Years Of Success

- ◆ Governor Pataki's sound fiscal leadership has produced four consecutive years of budget surpluses, even as the State enacted and paid for over \$19 billion in tax cuts. The State has used these surpluses wisely by accelerating enacted tax cuts, financing one-time costs, increasing its rainy day reserves and avoiding additional debt.

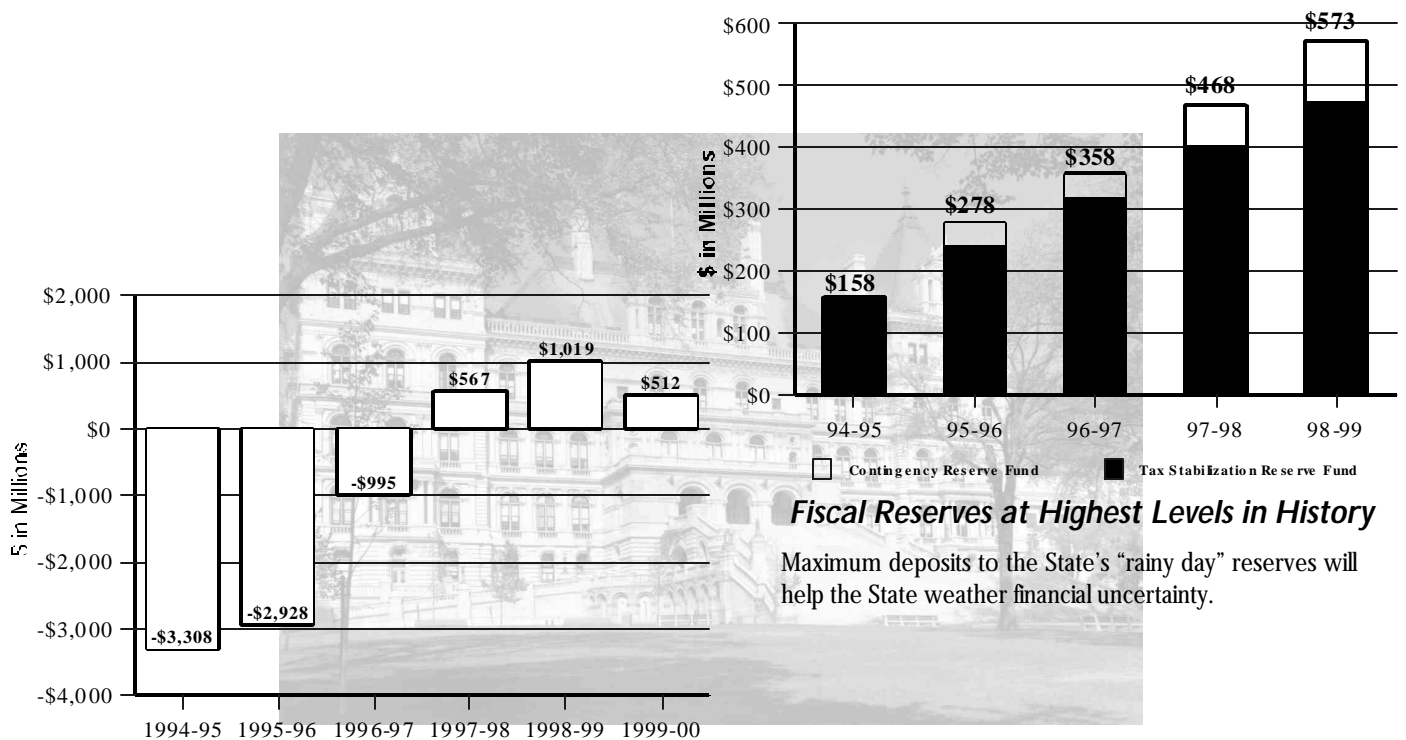
Fiscal Restraint Leads to Three Consecutive Surpluses — with a fourth on the way

When Governor Pataki first took office he faced an inherited deficit of approximately \$5 billion. Using conservative economic projections and prudent spending practices, Governor Pataki closed that deficit and has consistently produced budget surpluses.



Debt Reduction/ Fiscal Integrity

- ◆ The State has bolstered its reserves and is better prepared to deal with financial uncertainty. Under Governor Pataki, the State's Rainy Day Fund has risen to \$473 million, its highest level ever. The Contingency Reserve Fund, which is available for litigation risks, now totals \$100 million. The State's combined reserves have grown to \$573 million, more than triple the \$158 million available in 1994-95.
- ◆ When Governor Pataki took office, he inherited an accumulated deficit in the General Fund of \$3.3 billion, as measured by Generally Accepted Accounting Principles (GAAP). The State's GAAP performance is important because it provides rating agencies and financial analysts with a uniform standard for comparing government financial results. By 1997-98, the State had eliminated its accumulated deficit as measured by GAAP and is projecting a continued GAAP accumulated surplus through 1999-2000.



Fiscal Reserves at Highest Levels in History

Maximum deposits to the State's "rainy day" reserves will help the State weather financial uncertainty.

Accumulated GAAP Surplus for the Third Straight Year

Sound fiscal practices will give New York three consecutive years of an accumulated GAAP surplus in the General Fund.

Continuing Fiscal Responsibility

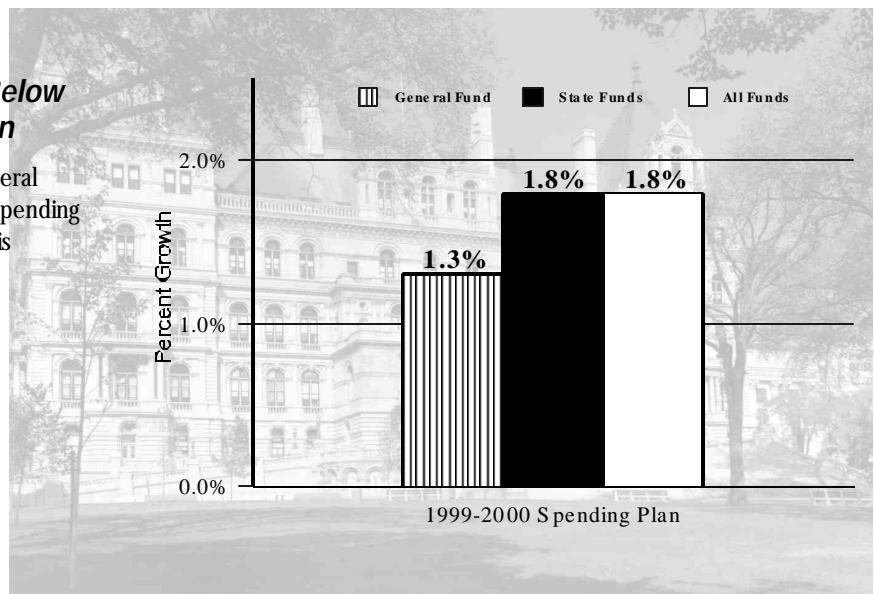
The 1999-2000 Budget builds on the success of the past four years. The Budget is soundly balanced, with projected spending supported by reasonable estimates of available revenue — not fiscal gimmicks or one-time resources.

Under Governor Pataki's Executive Budget for 1999-2000, all measures of spending growth are held below the rate of inflation. Since the Governor took office, General Fund spending has grown annually at an average rate of 2.1 per cent, while All Funds spending has grown at 3.3 per cent. Inflation over the same period averaged 2.3 per cent.

The 1999-2000 Executive Budget includes a new Tax Reduction Reserve and directs that the entire available State surplus of more than \$1.7 billion be set aside to assure that the State can afford to implement our enacted tax cuts on schedule. This new fiscal management tool will be used by the State's fiscal planners to cushion the impact of any potential economic slow down that may occur, and to smooth the planned reductions in revenue without causing undue hardship to the State's programs and workforce.

1999-2000 Spending Below the Rate of Inflation

The Executive Budget keeps General Fund, State Funds and All Funds spending below the rate of inflation, which is slightly above 2 percent.



Education

Education in New York: Accountability and Results

To ensure a bright and prosperous future for all New Yorkers, there is no more important investment than in the education of our children. Under Governor Pataki, the State's investment in elementary and secondary education has grown to record levels, with \$11.9 billion recommended for the coming year — a \$2.2 billion increase from 1994-95.

As a result of this generous investment, our children are benefiting from improved school facilities, additional text books and more computers in the classroom. Few states can match New York's funding for education. With his new Executive Budget, Governor Pataki will build upon this generous support — bringing State operating aid to a new record-high level.

Money alone, however, cannot produce educational excellence. In addition to providing over \$11.9 billion in school aid, Governor Pataki's 1999-2000 Budget will recommend systemic reforms that promote accountability and efficiency and ensure an even greater return on our taxpayer-funded investment in education.

Policy Highlight:

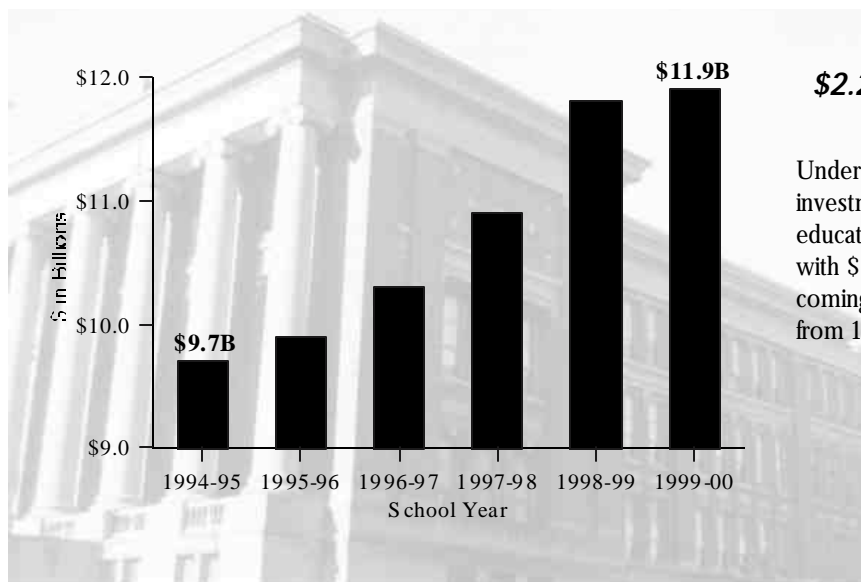
Literacy First

Our children cannot hope to succeed in school unless they develop strong reading skills in the early grades.

◆ Beginning with the fourth grade Regents English Language Arts test given in January 2000, school districts will be provided a new tool — Literacy First summer school grants — to address the needs of students who have failed to attain reading proficiency.

◆ Literacy First will also provide grants for summer school English immersion programs for children with language deficiencies in kindergarten through second grade.

◆ Literacy First grants will total \$40 million in 2000-01, supporting 80 per cent of the cost of these summer school programs.



\$2.2 Billion Increase in State Aid to Schools

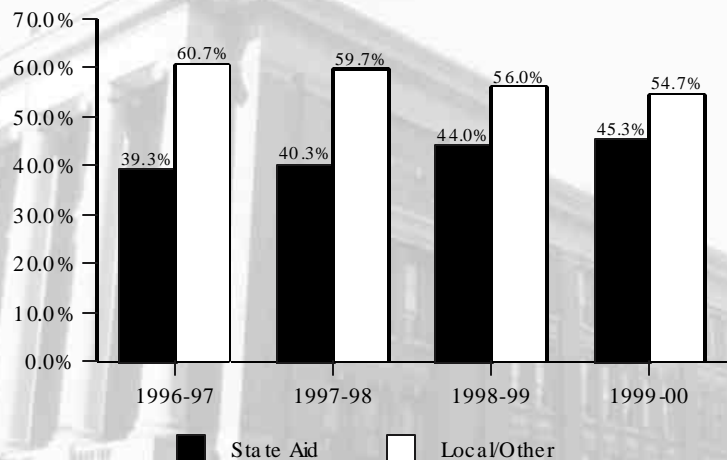
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\$11.9 Billion Investment in Our Schools

- ◆ An \$11.9 billion school aid allocation for the 1999-2000 school year provides a \$154 million school year increase on top of the record increases in both 1997-98 and 1998-99.
- ◆ A \$1 billion or 9.2 percent school aid increase will have been provided to school districts in the 1998-99 and 1999-2000 school years. This two year increase is more than double the projected inflation rate for this period.
- ◆ A \$294 million school aid increase is provided for State Fiscal Year 1999-2000, comprised of a portion of the 1999-2000 school year increase and remaining obligations for the 1998-99 school year.
- ◆ The State will support 45.3 percent of total education costs in 1999-2000 — up from 39.3 percent in 1996-97. The percentage of the State's General Fund allocated to the support of local schools will increase to 32 percent in 1999-2000 — up from 27 percent in 1994-95.

Increasing State Share of Local Education Spending

Increased State support for school aid and property tax relief through STAR have dramatically raised the State's share of total education spending — growing from 39.3 percent in 1996-97 to 45.3 percent in 1999-2000.



Significant School Aid Changes

Governor Pataki's 1999-2000 Budget recommends a number of important changes in the allocation of school aid to provide school districts with additional funding flexibility to meet locally identified needs.

Operating Aid

Operating aid, which is the most critical portion of State aid to public schools, will total over \$6.25 billion in 1999-2000 — or more than half of the \$11.9 billion school aid total. In recognition of the importance of operating aid as the life blood for schools, the Governor's Budget includes an operating aid increase of \$124 million to help all school districts offset the costs of inflation or enrollment growth. Under the Governor's 1999-2000 school aid proposal, all school districts will receive an operating aid increase of at least 1.25 per cent, with increases up to 3 per cent provided to districts with enrollment growth.

Building Aid

The Governor's Budget provides a record level of State support for school facilities to ensure healthy, safe learning environments for our children. For the 1999-2000 school year, building aid will increase by \$120 million, or 14 per cent, to a total of \$970 million. Since 1996-97, State aid for school facilities has increased by 55 per cent — largely due to a 10 per cent enrichment in the State share of school construction costs and a regional cost adjustment of benefit to New York City and other high cost areas.

Instructional Materials

Governor Pataki remains committed to giving students the tools they need to learn and succeed in the coming century. State support for text books will more than double from 1996-97 to 2000-01, putting more than 6 million new text books into the hands of New York's students. To expand access to computers and other educational technology in classrooms across the State, computer hardware and software aids will receive a five fold increase over this period.

Under the Governor's 1999-2000 Budget:

- ◆ Text book Aid will increase by \$18.6 million in 1999-2000, a 14 per cent increase.
- ◆ Computer hardware and software aid will grow by \$5.4 million in 1999-2000, a 17 per cent increase.

New Flexibility

A number of significant reforms are proposed to strengthen the ability of schools to target their resources consistent with decision-making at the local level. Most notably, a \$200 million Educational Improvement Block Grant will be created to provide flexible, needs-based aid to all school districts. Each district would be able to use funds from the Block Grant to address locally identified needs and priorities. Under the Block Grant, the ability of school districts to receive and spend State aid for a variety of worthy purposes — including Pre-K expansion, class size reduction and minor maintenance — would no longer be constrained by rigid regulatory requirements.

The 1999-2000 Executive Budget also eliminates various categorical programs that provide funds to selected school districts outside of the needs-based, wealth-equalizing State aid formulas. Worthwhile educational activities previously supported by categorical programs will continue to be eligible for funding under the new Educational Improvement Block Grant.

School districts will also be given greater flexibility to take advantage of cost savings opportunities through shared service arrangements outside the existing BOCES monopoly. The existing BOCES funding formula currently supports nearly 65 per cent of local costs — an amount far richer than other needs-based school aid formulas, such as operating aid. As a result, there is an artificial incentive for school districts to use BOCES simply as a way of leveraging State aid — regardless of the actual cost-effectiveness of these BOCES services. Under the Governor's proposal, BOCES aid would be phased out beginning in 1999-2000, and funding for shared services would be provided through operating aid beginning in 2000-01.

Reforming Education in New York

We must ensure that the significant resources invested in our educational system are used wisely. To that end, Governor Pataki is proposing reforms on a variety of fronts.

Improved Accountability

New York State operates one of the most expensive and over-regulated educational systems in the nation. To improve accountability and provide incentives for school districts to become more cost-effective, the Governor proposes the following reforms:

- ◆ Promoting “truth in taxation” as part of the school budget voting process by requiring districts to provide information which enables voters to compare the level of spending under the proposed budget to that under a contingency budget.
- ◆ Publishing a “Property Tax Report Card” listing proposed budgets and tax levies for school districts across the State.
- ◆ Curtailing the State Board of Regents’ powers to unilaterally impose costly regulatory mandates on school districts.
- ◆ Eliminating tenure for school principals and assistant principals to ensure that high standards of performance extend beyond the classroom and into the principal’s office.

Policy Highlight:

Preventing School Violence

Too many of our children have fallen victim to acts of random violence in and around our schools. Our children deserve a safe and secure environment in which to learn. The Lieutenant Governor will chair a Task Force on School Violence to develop aggressive ways to rid our schools of violence. In addition, the Governor will again propose legislation which:

- ◆ Authorizes removal of disruptive students from classrooms.
- ◆ Requires every local board of education to establish a detailed code of conduct for students while on school grounds, defining standards of acceptable behavior, penalties for violations and methods of enforcement.
- ◆ Creates new classifications of crime with higher minimum sentences for students convicted of offenses on school grounds.

School Choice

Charter Schools

The time for school choice has arrived. As a result of Governor Pataki's historic Charter Schools Act of 1998, families in New York will now be given the public educational choice enjoyed by millions of other Americans. Having adopted one of the strongest and most innovative charter school laws in the nation, New York will take its rightful place on the cutting edge of education reform.

Key features of the Charter Schools Act of 1998 include:

- ◆ *Sponsorship:* The Board of Regents, the Board of Trustees of the State University of New York, local boards of education and the New York City Schools Chancellor are authorized as charter entities.
- ◆ *Organization:* Charter schools can be organized by a variety of groups that submit an application to a sponsor. Organizers can include teachers, parents, school administrators, non-profit organizations, for-profit businesses, colleges and universities.
- ◆ *Number:* Authorization is provided for the creation of up to 100 new charter schools, with no limit on the number of existing public schools that can be converted into charter schools. The State University Board of Trustees and the Board of Regents will each have authority over 50 new charter schools.
- ◆ *Regulatory Flexibility:* Charter schools would be exempted from State and local mandates applicable to other public schools, except those relating to health and safety, civil rights and student assessment.

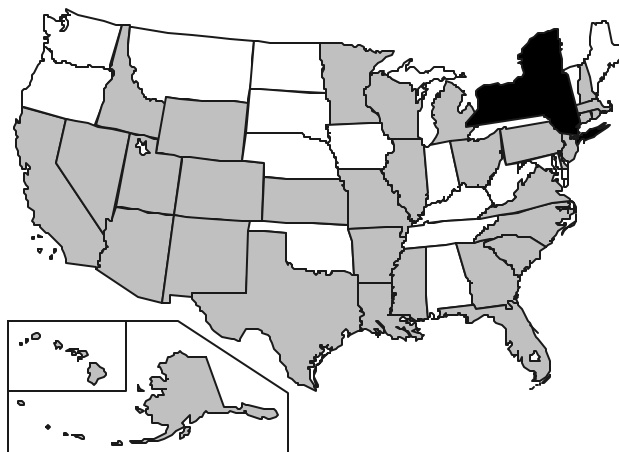
Policy Highlight:

Advantage Schools

As a means to provide school-age children with an after-school alternative to the streets or an unsupervised home, Governor Pataki is advancing a major expansion of the Advantage Schools program. For 1999-2000, \$10 million will be provided for Advantage Schools — a twentyfold increase from 1998-99.

Charter Schools: New York Joins 33 Other States

New York is the most recent state to enact charter school legislation. This "grass roots" reform movement has already proven successful in other states and will serve as a catalyst for educational improvement in New York.



■ Charter School Legislation □ No Charter School Legislation

Education

- ◆ *Teacher Certification:* Charter schools would enjoy flexible teacher certification requirements. This provision would allow doctors, chemists, engineers and other qualified professionals to teach even though they do not possess formal certification.
- ◆ *Accountability:* Students attending charter schools would continue to participate in state-wide testing programs applicable to all other public school students. Charter schools would be held accountable for achieving educational performance levels that meet or exceed those of other public schools, and would be granted a five-year performance-based charter.
- ◆ *Financing:* Per-pupil operating support from State, local and Federal sources would follow the student from the resident school district to the charter school.

The Governor's 1999-2000 Budget includes funding for the following charter school activities:

- ◆ *Stimulus Fund:* \$1 million in General Fund support for the Charter School Stimulus Fund to be used for study grants, start-up costs and facility expenses.
- ◆ *Federal Grants:* \$10 million in new appropriation authority for receipt and expenditure of potential Federal grants awards.
- ◆ *Implementation Support:* \$750,000 in operational support for implementation activities of the State University of New York, including establishment of the Charter Schools Institute created to study charter school performance and student results, and \$275,000 for implementation activities of the State Education Department.

SURR Schools

In addition to Charter Schools, the Governor's school choice agenda will provide new opportunities for children trapped in failing schools, known as Schools Under Registration Review or "SURR schools." Under the Governor's proposal, any student attending a school that has been on the SURR list for two years will be able to transfer to an other school within the same district.

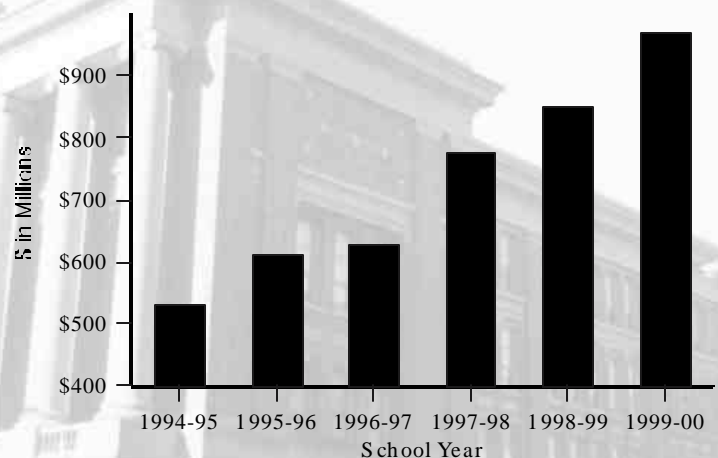
Improving School Facilities

New York has one of the most generous building aid programs in the entire nation, providing school districts with a solid source of financing for school construction activities. Spurred by the recent State aid enhancements, school districts will undertake record levels of school construction projects in the coming years. To ensure that these funds are allocated in an equitable and cost-effective manner, the following reforms are proposed:

- ◆ A new School Facilities Development Unit within the Dormitory Authority, which will provide school districts with lower borrowing and construction costs. It will also provide relief from Wicks contracting requirements which can substantially increase school district construction costs.
- ◆ Elimination of “save harmless” features in the building aid formula for new projects, which will improve funding equity and target State aid to school districts with the greatest need.

State Funding for School Facilities At a Record High Level

State support for school facility improvements will have nearly doubled during Governor Pataki's tenure. Proposed building aid reforms will ensure that these additional funds are used wisely, by targeting funds to school districts based upon need and by encouraging proper local maintenance of educational facilities.



Special Education Reform

New York's system for special education has come under increasing criticism for segregating too many of our children, not achieving the full potential of learning-disabled children and spending too much money in the process. A comprehensive overhaul of special education is essential to address the following problems:

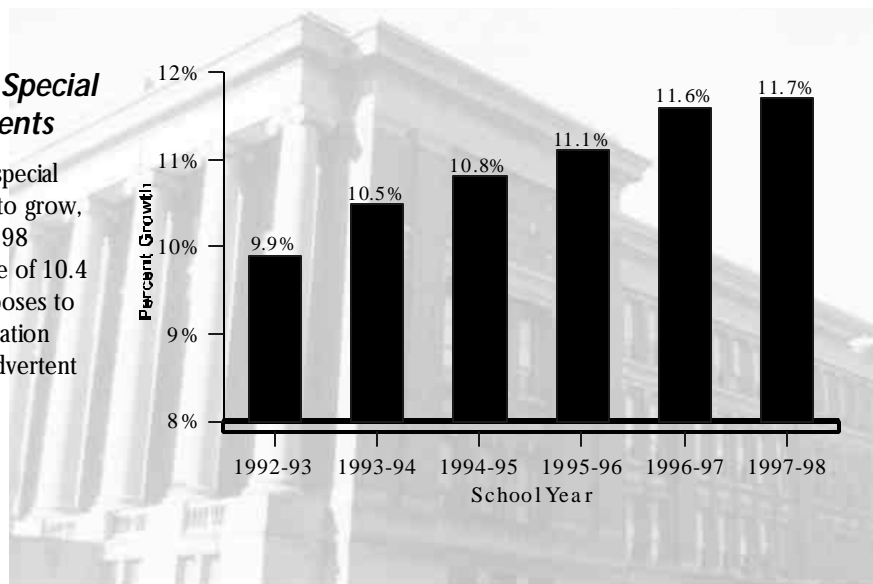
- ◆ *Excessive Referrals:* Too many children are referred to special education when they require services that can be provided in general education. As a result, the number of children in special education has grown from 266,000 in 1983 to 390,000 in 1997, with the number of children classified as "learning disabled" increasing by over 60 per cent (from 132,000 in 1983 to 212,000 in 1997). Despite recent efforts to curb special education referrals, referral rates continue to climb — from 9.9 per cent in 1992-93 to 11.7 per cent in 1997-98. New York's referral rate remains well above the national average and is nearly 15 per cent higher than California's.
- ◆ *Segregated Settings:* Too many children are taught in restrictive settings, apart from their non-disabled peers. New York has been criticized for its segregated system of special education. In 1997-98, 43.9 per cent of school-age disabled students in New York spent more than 60 per cent of the school day in a separate classroom or in a separate setting, compared to a national average of 23.7 percent.
- ◆ *Low Achievement:* All too often, children referred to special education never return to the regular classroom and never receive a high school diploma. In 1996-97, only 3.9 per cent of disabled students were declassified and returned to full-time general education. In addition, nearly 30 per cent of special education students who complete high school fail to graduate with a Regents diploma, local diploma or general equivalency diploma.
- ◆ *Excessive Costs:* Existing aid formulas provide unintended financial incentives for children to be placed in restrictive, high cost settings. Since 1990-91, State spending for special education has increased by over \$600 million or 57 per cent, while spending for all other school aid has increased by 33 per cent.

To address these problems, a comprehensive reform of special education is proposed that would include:

- ◆ Creating a new, more flexible funding formula that complies with recent Federal statutory changes by eliminating current fiscal incentives for placing children with minimal learning or behavioral problems in special education, and for placing disabled children in overly restrictive settings. Under a revamped formula similar to that proposed by the Regents, schools would receive Special Education and Preventive Services Aid based upon their percentage of total State enrollment. The new formula also provides special consideration for school districts with high concentrations of poverty.
- ◆ Encouraging school districts to offer preventive services such as speech therapy that will keep children with minor learning problems out of special education.
- ◆ Eliminating the current financial disincentive to remove children from special education by allowing school districts to retain all funding provided under the new formula.
- ◆ Continuing State aid designed to address the higher cost of services required by severely disabled students.

Worrisome Growth in Special Education Placements

New York's rate of referral to special education programs continues to grow, rising to 11.7 percent in 1997-98 compared to a national average of 10.4 percent. Governor Pataki proposes to reform the State's special education finance system to eliminate inadvertent referral incentives.



STAR Program

STAR — School Tax Relief

In 1997, Governor Pataki proposed the School Tax Relief (STAR) program in response to the expressed concerns of countless homeowners — particularly senior citizens on fixed incomes — over ever-increasing school taxes. Again the Governor has demonstrated that tax relief is more than just a dream — it is a reality here in New York State. When fully phased in, STAR will provide \$2.7 billion in annual school tax relief — making it easier for seniors to stay in their homes and close to their families, and enabling young families to realize the dream of homeownership.

Senior Tax Savings in 1998

In the fall of 1998, over 600,000 senior citizens across New York State saved \$500 million in property taxes as a result of Governor Pataki's STAR program. Residents of New York City — which uses both property and local income taxes to fund City schools — have saved \$85 million in 1998 local income taxes in addition to property tax relief.

The public reaction to STAR has been dramatic and even touching — eliciting tears of joy from low-income seniors who have shouldered the burden of school taxes for too long. In 1998, with implementation of STAR, qualifying seniors saved, on average, \$800 and thousands of senior homeowners owed *no* school taxes at all. This substantial, unprecedented tax cut has resulted in thousands of letters from senior citizens all across the State, expressing their relief from fears of losing their home, their gratitude, even their disbelief — and proving that we can make a real difference in the daily lives of our citizens.

What is STAR?

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

The Importance of STAR to Seniors

Ever-increasing school taxes place a particularly heavy burden on senior homeowners, most of whom enter their retirement years with limited and fixed incomes. With school taxes rising at twice the rate of inflation through the 1980's and early 1990's, many seniors were being taxed out of their homes.

Because of the particular burden of rising taxes on those with fixed incomes, Governor Pataki designed the STAR program to provide moderate-income seniors with an enhanced STAR exemption of \$50,000, instead of the \$30,000 for others.

STAR benefits for seniors were accelerated to be fully effective for the 1998-99 school year, rather than phased in, in recognition of the unique needs and past contributions of elderly homeowners.

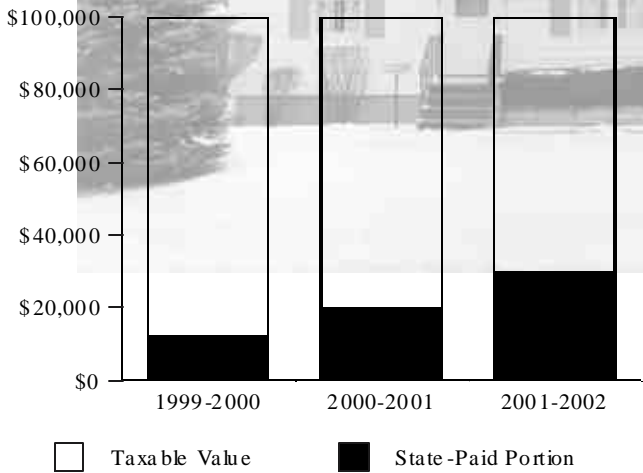
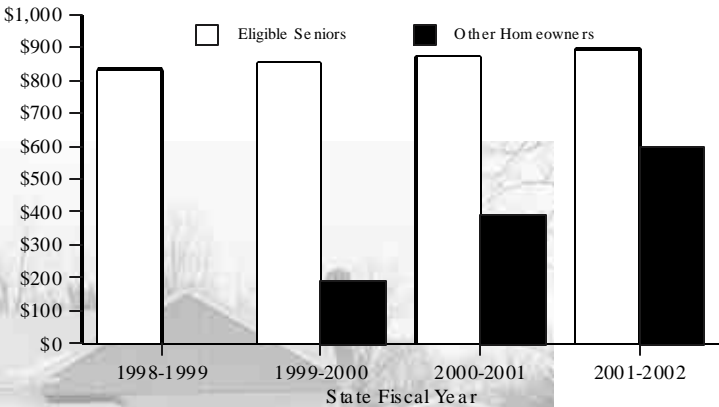
Other Homeowners Will Save in 1999

In 1999-2000, STAR will be available to all homeowners and more than three million taxpayers will realize \$1 billion in school property tax savings. New York City residents will receive more than \$200 million in local income tax relief.

- ◆ STAR exemptions of \$10,000 from the full value of primary residences will be available to all homeowners beginning in the 1999-2000 school year regardless of age or income.
- ◆ Savings for non-senior homeowners will average nearly \$200 in 1999-2000.
- ◆ STAR exemptions will grow to \$20,000 in 2000-01, and \$30,000 in 2001-02, with average savings for non-senior homeowners growing to \$600 when fully implemented.

Average STAR Property Tax Savings Will Increase

In 1998-99, STAR savings for seniors averaged over \$800. Starting in 1999-2000, other homeowners will save an average of nearly \$200, growing to \$600 at full implementation in 2001-02.



**For Non-Senior Homeowners
STAR Full Value Exemptions
for a \$100,000 Home**

Beginning in 1999-2000, all homeowners will be eligible for STAR exemptions of at least \$10,000 from the full value of their primary residences — growing to \$30,000 over the subsequent two years.

STAR Program

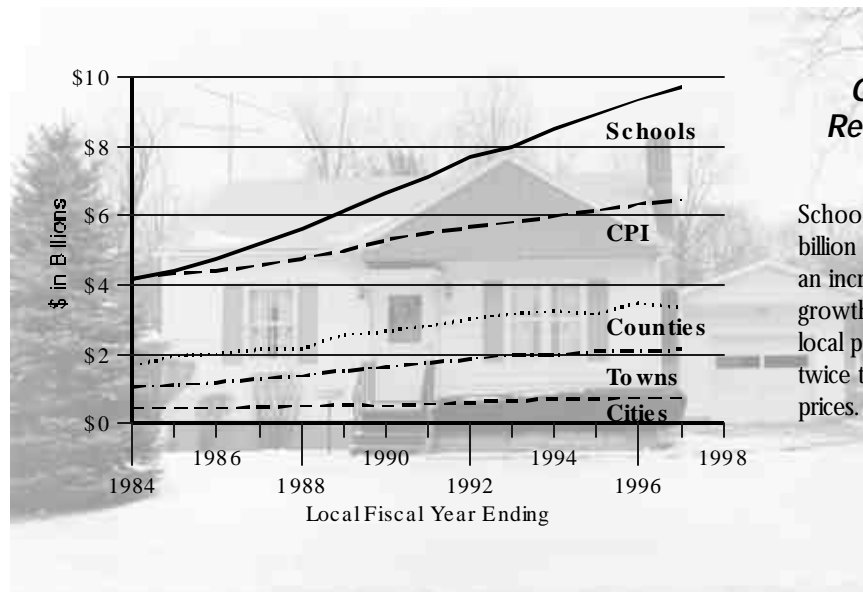
Actions to Control Taxes

Despite record school aid increases in 1997-98 and 1998-99, school property tax levies continue to increase at rates well above that of inflation. If left unchecked, this spending growth could substantially erode the property tax relief provided through STAR.

Governor Pataki's original STAR proposal was accompanied by a strong tax cap proposal that would have ensured that STAR benefits are not eroded. To protect taxpayers now and in the future, Governor Pataki is again proposing to cap tax increases caused by excessive spending.

School Tax Cap

- ◆ *Applicability:* The cap would apply only to "high spending" school districts — i.e., districts with two year average spending increases that exceed 4 per cent per year, or 140 per cent of the increase in consumer prices (CPI), whichever is less.
- ◆ *Tax Cap:* High spending school districts could not increase their property tax levies by more than 4 per cent or 120 per cent of the CPI increase, whichever is less.



Growth in Property Tax Revenue Outside New York City from 1984-1997

School property taxes grew from \$4.17 billion in 1984 to \$9.73 billion in 1997, an increase of 133 percent. School tax growth far exceeded growth in other local property taxes, rising at more than twice the rate of increase in consumer prices.

- ◆ *Exclusions:* Spending and levy increases due to enrollment growth, voter-approved capital projects and other specified purposes would be excluded in calculating the cap.
- ◆ *Required Mailings:* School districts subject to the cap would be required to send a letter to each taxpayer prior to the budget vote notifying them that the district is subject to a tax cap. If the proposed levy exceeded the amount allowed under the cap, such letter would also include this notice.
- ◆ *Voting:* A two-thirds majority would be required to pass a tax levy increase in excess of the cap, unless more than 50 percent of eligible voters voted, in which case a simple majority would be required.

Truth in Taxation

- ◆ *Full Disclosure:* Building on past contingency budget reforms, Governor Pataki is proposing legislation requiring that school districts inform voters, prior to the state-wide school budget voting day in May, on how a proposed budget compares with the maximum contingency budget allowed, should the budget proposal be defeated twice.
- ◆ *Property Tax Report Card:* Schools would be required to report details of proposed budgets and tax levy increases to the State Education Department. The Department would then publish a Property Tax Report Card, prior to the budget voting day, enabling taxpayers to see how the proposed budget and tax levy changes in their school district compare to other districts in their area and across the State.
- ◆ *Special Notice of Large Spending Increases:* High spending school districts proposing budget increases of more than 4 percent or 140 percent of the CPI would be required to notify affected taxpayers of the proposed increase in a separate mailing one week prior to school voting day. This would alert taxpayers that their school district is at risk of being placed under a tax cap if such increases continue for another year.

Assistance to Local Governments for STAR and Assessment Equity

The Governor's STAR program and the Property Taxpayer's Bill of Rights have focused public attention on local government assessing practices, placing additional demands on local assessment and collection officials. To address the associated impact on local resources, Governor Pataki's 1999-2000 Budget provides:

- ◆ \$12 million in assistance to local governments to process exemptions and implement the STAR program.
- ◆ An additional \$2 million to supplement existing assistance programs for keeping property assessments current and to encourage revaluations.
- ◆ Refinements in the calculation of STAR to ensure homeowners receive the intended level of benefits regardless of varying local assessment practices.

Higher Education

Excellence and Access in Higher Education

New York tax payers sup port two pub lic uni ver sity sys tems — the State Uni ver sity of New York (SUNY) and the City Uni ver sity of New York (CUNY) — which pro vide over 565,000 stu dents with ac cess to qual ity higher ed u ca tion pro grams through a net work of 47 se nior col leges and 36 com mu nity col leges. New York also sup ports a gen er ous pro gram of fi nan cial aid, pro vid ing tu i tion as sis tance to nearly 280,000 stu dents at tend ing col leges in both the pub lic and pri vate sec tors.

Gov er nor Pataki's 1999-2000 Bud get in cludes nearly \$6.7 bil lion to sup port ser vices and pro grams at New York's pub lic and pri vate in sti tu tions of higher learn ing. Few states in the na tion con trib ute more. In 1998, New York ranked third among all states in its over all sup port for higher ed u ca tion, be hind Cali for nia and Texas. This sub stan tial in vest ment ex em pli fies the State's com mit ment to en sur ing that New York's in sti tu tions of higher learn ing are rec og nized for ex cel lence and ac cess, and un der scores the crit i cal role that col leges and uni ver si ties play in the ed u ca tional, so cial and eco nomic ad vance ment of all New York ers.

Policy Highlight:

College Choice Tuition Savings

The new College Choice Tuition Savings program is encouraging thousands of New Yorkers to plan and save for their children's college education, while taking advantage of State and Federal tax benefits.

- ◆ Since Sep tem ber 1998, more than 43,000 ac counts have been opened with con tri bu tions ex ceed ing \$146 mil lion.
- ◆ New York's pro gram has al ready re ceived na tional rec og ni tion from Kiplinger's as one of the top two col lege sav ings plans in the na tion.

SUNY Provides a Major Value for New Yorkers

Our public institutions of higher learning have consistently been ranked among the best educational buys in national surveys. In 1998, Kiplinger's *Personal Finance* magazine ranked eight SUNY campuses among the 100 best values in public education nationwide:

SUNY Binghamton

SUNY Geneseo

SUNY Albany

SUNY Buffalo

SUNY Fredonia

SUNY Oswego

SUNY Stony Brook

SUNY Plattsburgh

Ensuring That New York Excels

- ◆ New York will in vest over \$2.6 bil lion in tax payer sup port for its two pub lic uni ver sity sys tems in 1999-2000.
- ◆ No in crease is an tic i pated in cur rent tu i tion lev els — \$3,400 at SUNY and \$3,200 at CUNY. These tu i tion rates have re mained un changed since 1995-96, with stu dents at tend ing SUNY and CUNY ben e fit ting from tu i tion lev els com pa rable to or be low those of other pub lic uni ver si ties in the North east.
- ◆ State op er at ing aid for com mu nity col leges will in clude the \$150 base aid in crease pro vided in 1998-99, re flect ing a State share of \$2,050 per stu dent for 1999-2000.
- ◆ The Gov er nor's \$3 bil lion Cap i tal In vest ment Pro gram will con tinue to sup port sub stan tial im prove ments in and re vi tal iza tion of the in fra struc ture and fa cil i ties of the State Uni ver sity and City Uni ver sity sys tems, en sur ing their abil ity to suc cess fully meet the en roll ment, re search and tech nol ogy de mands of the 21st cen tury.

College Access and Achievement

New York leads the nation in its generous support for student financial aid. In 1999-2000, the State will spend more than \$500 million on needs-based grants — far exceeding the aid provided by the next most generous state — and over \$100 million on additional aid and scholarship programs that improve student access to a college education.

In the coming year, New York will see the implementation of the College Access and Achievement Program (CAAP), a multi-year effort to restructure the State's student financial aid programs to better prepare students for college level work and move students toward on-time graduation and completion of their college programs. Beginning with the restructuring of the Tuition Assistance Program for the 1999-2000 academic year, CAAP will achieve the following policy objectives:

- ◆ Continue New York's commitment to assure affordable and equitable access to college.
- ◆ Encourage on-time completion of certificate, associate and bachelor degree programs.
- ◆ Reward student and college performance in meeting high standards of academic progress, scholastic achievement and successful graduation. Students who graduate in a timely manner will receive more financial aid than under the current program.
- ◆ Encourage high school students to achieve new rigorous Regents diploma standards and to take appropriate, academically challenging courses necessary for success in college.

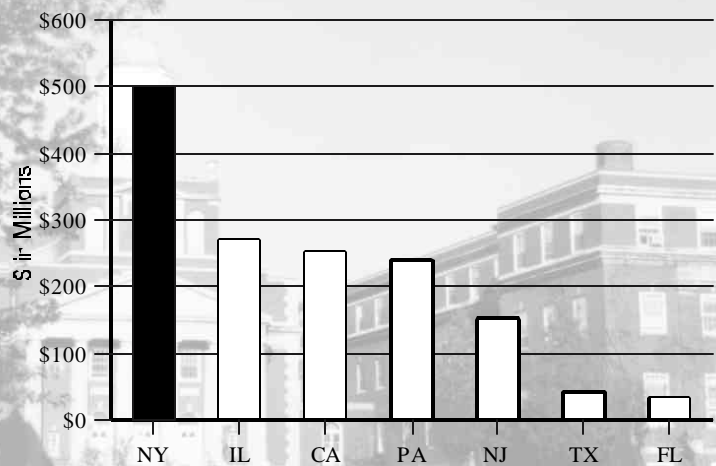
Policy Highlight:

Scholarships for Academic Excellence

Governor Pataki's Scholarship for Academic Excellence program recognizes and rewards high school achievement and encourages our most academically talented students to pursue a post-secondary education in New York State by providing annual awards of \$1,500 for 2,000 of New York's outstanding high school scholars and awards of \$500 for 6,000 high school students demonstrating high scholastic achievement.

New York is the National Leader in State-Funded Financial Aid

The more than \$500 million that will be spent in 1999-2000 on needs-based grants under the Tuition Assistance Program substantially exceeds spending by the next most generous state, and will provide assistance to nearly 280,000 New York students.



Environment & Parks

Continuing the Commitment to the Environment

Nothing is more critical to the well-being of our citizens and to the State's economic future than the protection of our environment and natural resources. Governor Pataki's \$1.75 billion Clean Water/Clean Air Bond Act, full funding of the Environmental Protection Fund (EPF) and commitment of substantial other resources are testaments to the importance placed on preserving and protecting the environment. Governor Pataki's 1999-2000 Budget builds on this record of commitment with:

- ◆ Establishment of a dedicated Hudson River Estuary Trust Account within the EPF that will support restoration and protection projects to implement the Hudson River Management Plan.
- ◆ \$125 million in new EPF funding for important environmental programs such as the Hudson River Park, and the Long Island Pine Barrens and South Shore Estuary Reserve Planning programs.
- ◆ \$34.5 million from remaining 1998-99 EPF revenues for the Hudson River Park and Hudson River Estuary, waterfront revitalization, historic preservation and stewardship projects.
- ◆ \$283 million in new funding from the Clean Water/Clean Air Bond Act to restore brownfields, ensure safe drinking water, clean up air and water resources and support local land fill and recycling efforts.
- ◆ \$36.3 million for fish and wild life programs funded with fishing and hunting license fee revenues through the Conservation Fund. License fee increases to be approved by the Conservation Fund Advisory Board are needed to ensure that adequate resources are available for the Fund.
- ◆ \$40.8 million for clean air programs to limit pollution from industrial sources, automobiles and heavy duty vehicles such as trucks and buses. Increased fees on industrial air pollution emissions will support the State's efforts to reduce pollution from these sources.
- ◆ \$34.2 million for the oil spill prevention and clean-up program. Fees will be increased to ensure that adequate resources are available to support the program.
- ◆ \$2 million in new funding for capital projects to enhance natural resource-based tourism activities, including interpretive and other facilities.
- ◆ \$1.6 million for a training academy for 50 new Environmental Conservation Officers and Forest Rangers, as well as future staff, to enhance environmental enforcement and natural resource protection efforts.

Protecting and Preserving Our Air, Water and Land

Governor Pataki's investments in the EPF and the Clean Water/Clean Air Bond Act have advanced New York's environmental mission on all fronts by supporting key initiatives:

- ◆ Over 67,000 acres of valuable open space, including Whitney Park, Sterling Forest and Long Island Pine Barrens, have been protected. In addition, 144,300 acres in the northwestern Adirondacks, known as the Champion Lands, have been protected.
- ◆ More than \$335 million in low-interest loans and over \$20 million in hardship grants have been provided to 64 communities to protect the safety of drinking water supplies. Bond Act funds are used to leverage additional Federal funding.
- ◆ More than 260 projects from the Bond Act have been advanced across the State to protect and restore our water resources, including the Hudson River, Long Island Sound, Lake Champlain, Onondaga Lake, the Great Lakes, the Finger Lakes, New York Harbor and the Peconic and South Shore Estuaries.
- ◆ Investments in clean fueled vehicles and buses, projects to replace coal burning boilers in schools and grants to help small businesses comply with clean air requirements will improve New York's air quality.
- ◆ Under the Brownfields Program, over 80 grants have been funded to investigate or clean up contaminated industrial sites and return these properties to productive use and back on the tax rolls.

Policy Highlight:

State Superfund Refinancing

Based on recommendations from a working group comprised of representatives of environmental organizations, businesses and State and local government, Governor Pataki will propose legislation to refinance and improve New York's Superfund program. The Governor's proposal will include reforms that will give the State the authority to clean up hazardous substance sites in addition to the existing authority for hazardous waste clean-ups. It makes no sense that these sites were excluded in the first place. Governor Pataki's proposal will also ensure that resources continue to be available for the State Superfund program and that sensible, effective and tough clean-up standards will be in place.

\$125 Million in New Environmental Protection Fund Projects

The EPF provides a dedicated funding source for a variety of important environmental programs. Governor Pataki was the first governor to fully fund the EPF. In 1998-99, Governor Pataki's Budget proposed expanding the State's commitment to the environment by increasing the amount available for the EPF from \$100 million to \$125 million. Governor Pataki's 1999-2000 Budget again proposes providing \$125 million in new EPF funding. In future years, the EPF will be available for continued development of the Hudson River Park and for Onondaga Lake water quality improvement projects.

Programs funded by the EPF in 1999-2000 include:

- ◆ \$32 million for land acquisition and open space protection.
- ◆ \$21 million for the development of the Hudson River Park.
- ◆ \$18 million for solid waste projects, including land fill closure (\$9 million), recycling (\$4.5 million) and secondary materials marketing grants (\$4.5 million).
- ◆ \$14 million for State parks and lands stewardship projects.
- ◆ \$8 million for municipal parks and historic preservation projects.
- ◆ \$7 million for the Hudson River Estuary Management Plan, a blueprint for the long-term protection and renewal of the river and its ecosystem.
- ◆ \$5 million for waterfront revitalization projects.
- ◆ \$4.5 million for farmland protection projects.
- ◆ \$4.5 million for non-point source pollution control projects, such as those to eliminate contamination from surface run-off.
- ◆ \$3.6 million for the pesticide use data base.
- ◆ \$3.3 million for a program to offset local government costs resulting from property tax exemptions provided by the State to owners of forest lands.
- ◆ \$1.9 million for several environmental programs, including the Finger Lakes/Lake Ontario Water Protection Alliance (\$500,000), Biodiversity Stewardship (\$300,000), the Albany Pine Bush Commission (\$220,000), Long Island Pine Barrens Commission (\$630,000) and South Shore Estuary Reserve (\$275,000).
- ◆ \$1.3 million for the assessment of any natural resource damages to the Hudson River.
- ◆ \$0.9 million for Soil and Water Conservation Districts.

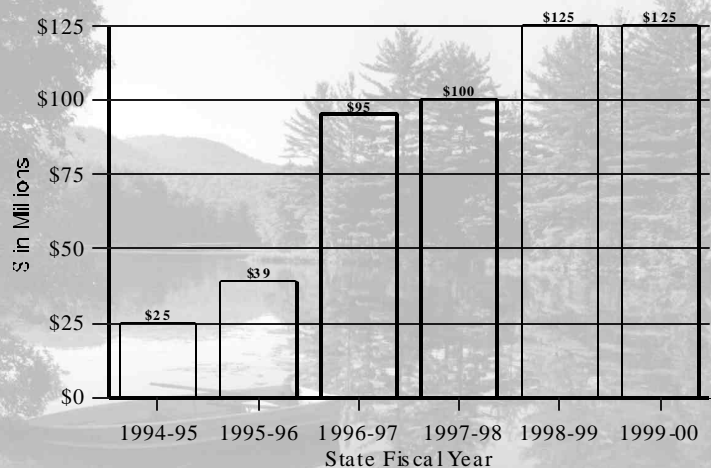
\$34.5 Million in 1998-99 Environmental Protection Fund Projects

Although the Governor's 1998-99 proposal to increase revenues dedicated to the EPF from \$100 million to \$125 million was agreed to by the Legislature, the actual spending authorization enacted totaled only \$90.5 million — or \$34.5 million less than the amount available. The Governor's 1999-2000 Budget proposes to make the \$34.5 million in one-time revenues available as follows:

- ◆ \$13.5 million for stewardship including Olympic facility improvements, capital projects for Gore and Whiteface mountains, North Country hamlet enhancement projects and improvements to environmental education camps and centers.
- ◆ \$7.1 million for expenses for the development of the Hudson River Park.
- ◆ \$5 million for the Hudson River Estuary Management Plan.
- ◆ \$5 million for historic preservation projects for the Olana Historic Site, Darwin Martin House in Buffalo and the Hart-Cluett Mansion in Troy.
- ◆ \$3 million for water front revitalization projects in Oyster Bay and Rensselaer County.
- ◆ \$0.9 million for Soil and Water Conservation Districts.

Environmental Protection Fund Revenues Increase

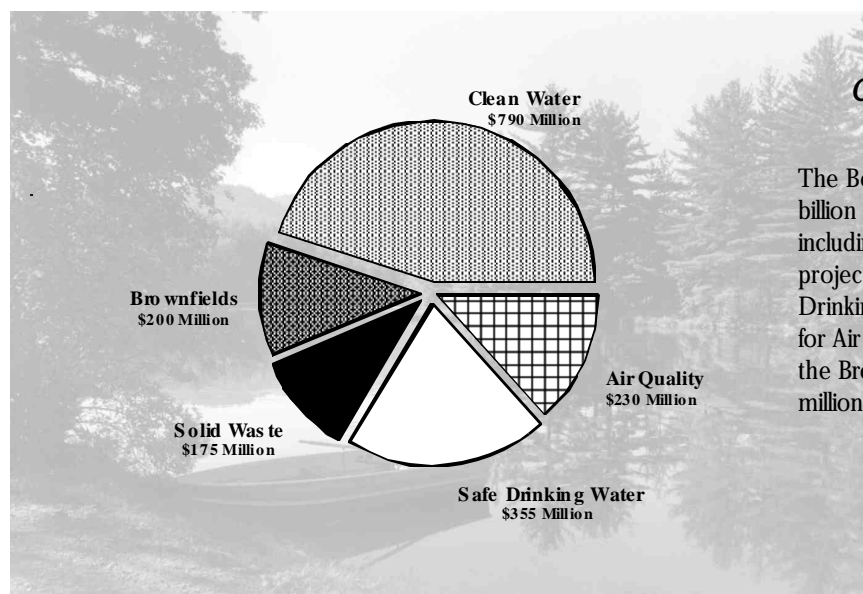
Governor Pataki's commitment to the EPF has significantly increased during his tenure. Since 1994-95, annual revenues dedicated to the EPF have grown by \$100 million — a fourfold increase since the Governor took office. His 1999-2000 Budget continues the EPF at the \$125 million level. In addition, \$34.5 million of the 1998-99 revenues will be appropriated in 1999-2000.



\$283 Million in New Clean Water/Clean Air Bond Act Projects

Overwhelmingly endorsed by the voters in 1996, Governor Pataki's Clean Water/Clean Air Bond Act authorized \$1.75 billion for the environment. Through 1998-99, a total of \$789 million has been provided from the Bond Act for priority projects to restore brownfields, ensure safe drinking water, clean up our air and water resources and support local land fill closure and recycling efforts. Governor Pataki's 1999-2000 Budget provides \$283 million for additional Bond Act projects, including:

- ◆ \$172 million for Clean Water projects, including:
 - \$93 million to implement management plans for the Hudson River (\$4 million), Long Island Sound (\$50 million), Lake Champlain (\$2 million), Onondaga Lake (\$20 million), New York Harbor (\$2 million), Great Lakes (\$1 million), Finger Lakes (\$7 million) and Peconic and South Shore (\$7 million).
 - \$40 million for land acquisition and open space protection.
 - \$14 million for other water quality projects, including miscellaneous projects (\$8 million), dam safety (\$2 million), small business assistance (\$2 million) and wastewater and flood control projects (\$2 million).
 - \$10 million for State parks projects.
 - \$10 million for municipal parks projects.
 - \$5 million for State facility environmental compliance projects.



Clean Water/Clean Air Bond Act Facts

The Bond Act authorizes a total of \$1.75 billion for critical environmental projects including \$790 million for Clean Water projects, \$355 million for the Safe Drinking Water Program, \$230 million for Air Quality projects, \$200 million for the Brownfields Program and \$175 million for Solid Waste projects.

- ◆ \$50 million for Safe Drinking Water projects.
- ◆ \$37 million for Air Quality projects, including school coal conversion (\$25 million), clean buses (\$8 million) and clean vehicles (\$4 million).
- ◆ \$14 million for Solid Waste projects, including municipal recycling (\$7.5 million), Fresh Kills (\$5 million) and land fill closure (\$1.5 million).
- ◆ \$10 million for Brownfields projects.

Policy Highlight:

Promoting New York's Heritage & Natural Resources

Governor Pataki is advancing two key initiatives to promote New York's heritage and enhance natural resource-based tourism activities. The Governor's Budget includes \$10 million to create the New York Heritage Trail — a new program dedicated to developing and promoting New York's historically significant structures and locales. An additional \$2 million is provided for capital projects to encourage visitors to enjoy our priceless natural resources.

Managing New York State's Parks

New York's pioneering vision resulted in the creation of one of the finest public park systems in the nation more than 100 years ago. To day, in no vacative recreational and educational programs, along with the State's rich history and beauty, have combined to continue that tradition. The 1999-2000 Executive Budget reflects Governor Pataki's strong commitment to the State parks system and the recreational opportunities it makes available to New Yorkers, as well as visitors to our State, by providing:

- ◆ \$30 million from the State Parks Infrastructure Fund, which dedicates park revenues to maintain, improve and rehabilitate park facilities. This funding is augmented by the EPF and the Clean Water/Clean Air Bond Act.
- ◆ \$136 million in General Fund and user fee spending to support the 152 parks and 35 historic sites operated by the Office of Parks, Recreation and Historic Preservation. User fees will be adjusted to maintain the full level of recreational services now available at these facilities.
- ◆ \$10 million in new funding to create the New York Heritage Trail, a program dedicated to the identification, preservation and promotion of historically significant places in New York State.
- ◆ \$1.5 million to improve the operations of the Parks police.
- ◆ \$1 million in new funding to operate recently acquired park lands, including Schodack Island, Rockwood Hall, Sterling Forest and Wonder Lake.

Public Protection

A Safer New York

Governor Pataki's criminal justice policies have resulted in an historic reduction in violent crime in New York — a reduction much greater than that experienced by other states. During the Governor's first term, violent crime dropped by nearly 29 per cent in New York State. Now that our neighborhoods are safer, we must ensure they stay that way.

Keeping Violent Criminals Behind Bars

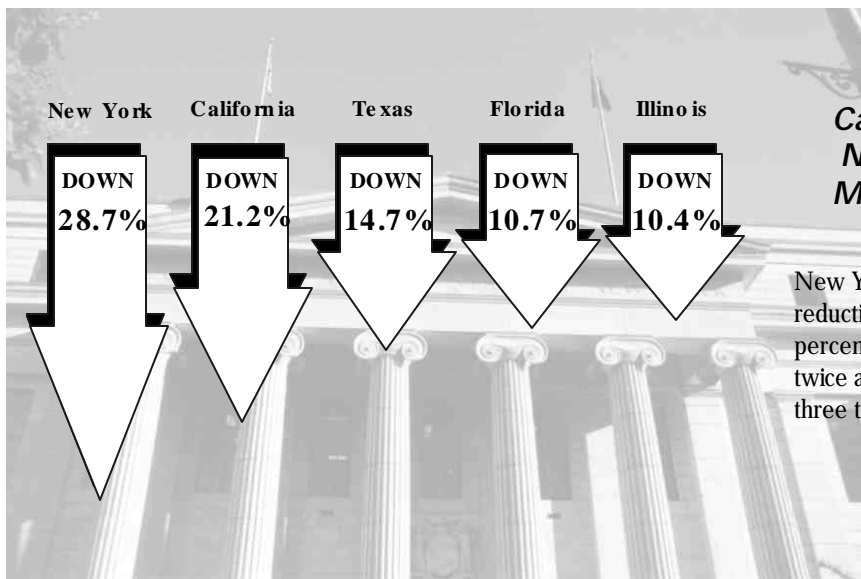
Governor Pataki's relentless campaign to eliminate parole for all violent criminals led to passage of Jenna's Law this past July. Dangerous criminals will now spend more time in prison — where they belong — rather than on our streets, preying on innocent victims. Governor Pataki's 1999-2000 Budget continues to expand maximum security prison capacity to ensure that there is sufficient space to accommodate inmates with longer sentences. It provides for:

- ◆ Completion of the Upstate Correctional Facility in Franklin County which will be housing 1,500 inmates in July 1999.
- ◆ Construction of a new 1,500 bed prison in Seneca County which is expected to open in mid-2000.
- ◆ Capital funding for a third new prison.

Policy Highlight:

Sentencing Reform Act of 1999

Governor Pataki will continue his attack on crime by proposing the Sentencing Reform Act of 1999, which will provide for truth in sentencing for non-violent offenders. Offenders will be required to serve 6/7^{ths} of a fixed prison sentence, thereby eliminating discretionary release of these offenders from prison by the Parole Board. The bill will also provide for supervision of the offenders following release from prison.



**Calendar Years 1994-97:
New York is First Among
Major States in Reducing
Violent Crime**

New York continues to be a leader in the reduction of violent crime. The 28.7 percent reduction in our State is nearly twice as large as that of Texas and nearly three times larger than Florida and Illinois.

Financing Safer Streets

The substantial expansion of prison capacity necessary to keep our streets safe requires the State to invest significant resources.

- ◆ Paralleling this commitment on the part of the State, localities are asked to assume the full cost of incarcerating low-level offenders who are sentenced to short stays in local jails. This will save the State \$12.5 million in 1999-2000 and \$25 million in 2000-01. The State currently reimburses localities \$17 per prisoner per day.

Savings are also achieved by:

- ◆ Moving inmates from residential substance abuse treatment facilities to programs operated in work release facilities, saving \$5.7 million.
- ◆ Consolidating prison infirmaries at correctional facilities in close proximity to each other, saving \$1.6 million.
- ◆ Expanding the Department of Correctional Services' existing "cook chill" food production plant, a central food preparation facility which produces packaged foods for approximately half of the State's prisons. By extending the "cook chill" plant's production to address the needs of additional prisons — which now operate their own kitchens — savings of \$0.7 million will result.

Policy Highlight:

Sexual Offender Reform Act

Governor Pataki's proposed Sexual Assault Reform Act will protect the public from sexual predators by ensuring appropriate punishment for those who commit these horrific crimes. In addition, the Governor will propose legislation allowing violent sex offenders to be retained in secure mental health settings upon completion of their prison sentences — thus making it possible to detain these dangerous offenders for a longer period.

Policy Highlight:

Juvenile Justice Reform

Governor Pataki's reform proposals include increased penalties for serious crimes, longer terms for violent juveniles, permission for the courts to require restitution or community service in addition to time served, parental supervision of their children's compliance with terms of release from a youth facility and an increase in the age limit, from 16 to 18, for a child to be under court supervision as a "Person in Need of Supervision."

Juvenile Justice Reform

Reform of our juvenile justice system continues to be one of Governor Pataki's highest priorities. While prevention must be emphasized, violent youths must be kept behind bars when prevention fails. Reflecting this balance, the 1999-2000 Executive Budget provides:

- ◆ \$75 million to replace the Harlem Valley Secure Youth Facility and to increase secure and limited secure residential capacity for violent youths state wide.
- ◆ More than \$45 million in State support for local, community-based delinquency prevention programs.

Public Health

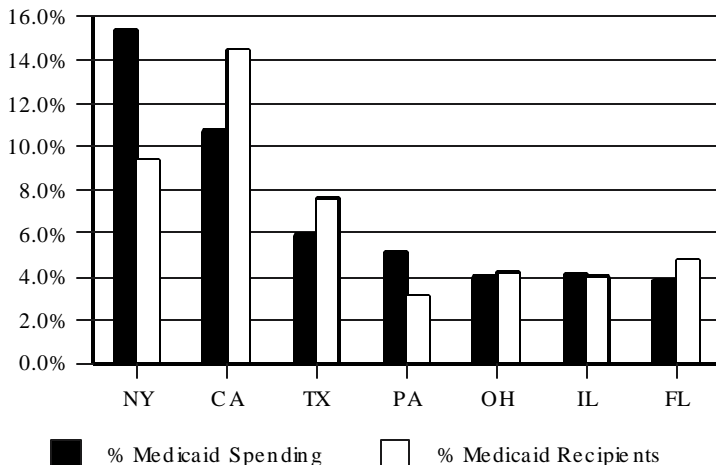
Affordable Health Care

New York has one of the best health care systems in the nation. Governor Pataki has fought aggressively to maintain the quality of our system, while also making it affordable to all New Yorkers. His Child Health Plus program — a model for government-sponsored health insurance for children — has brought our State national recognition. For 1999-2000, his health care agenda will focus on bringing Medicaid costs in line with the rest of the nation and maintaining the high quality health care programs that have been so successful.

Medicaid

Since taking office in 1995, Governor Pataki has focused on re-vamping Medicaid in New York to control costs, while retaining quality and access to services. None the less, despite a number of innovative reforms and cost containment actions, our system remains, by far, the most expensive in the nation. By virtually every measure, our spending exceeds that of every other state, with New York spending nearly as much on Medicaid as California and Texas combined. Left uncontrolled, our total Federal, State and county Medicaid expenditures would exceed \$29 billion in 1999-2000.

State Medicaid spending has left our tax payers with a burden that they simply can not afford. The Governor's goal for 1999-2000 is to make our program more cost-effective without compromising the quality of health care services or reducing eligibility standards. Accordingly, his Budget offers measures to reduce the cost of the State's Medicaid program by \$511 million in 1999-2000. Of that amount, \$266 million affects payments to providers, while \$245 million is attributable to efforts aimed at maximizing other sources of revenues to reduce State costs. Even after these cost-saving actions are taken, no other state in the country will spend nearly as much as New York.



New York's Spending is Out of Line

New York spends a disproportionate amount of national Medicaid dollars: 15 percent of national spending for only nine percent of the population. This contrasts with California, for example, which spends only 11 percent of national Medicaid dollars while serving 15 percent of all Medicaid recipients.

Tax Relief For Health Care Providers

As part of the effort to make health care more affordable, we are reducing the financial burdens placed on the health care industry. Accordingly, this Budget proposes accelerating the multi-year phase-out of the current assessments on providers, so that the taxes on hospital, nursing home, clinic and home care providers' monthly revenues are completely eliminated by April 1, 1999. This action will reduce taxes on providers by \$223 million in 1999-2000 and mitigate the impact of proposed reimbursement reductions that are necessary to bring the cost of our Medicaid program more in line with those of other states.

Making Nursing Home Care More Affordable

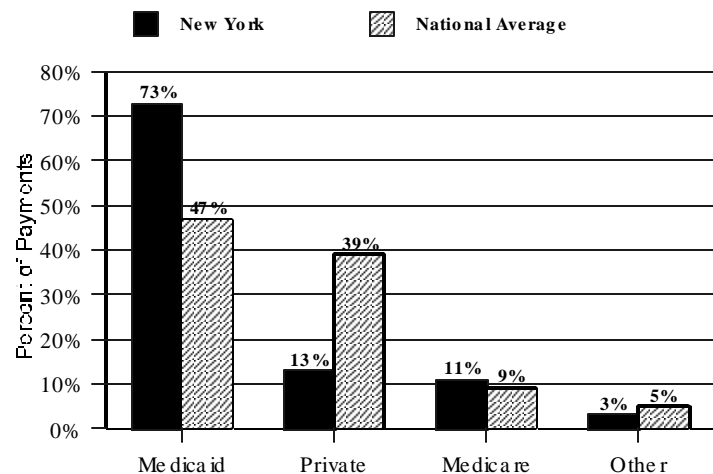
While New York does not have the largest elderly population in the country, it still has the costliest nursing home program. In Federal Fiscal Year 1997, our Medicaid nursing home costs exceeded those of California, Texas and Florida combined. The Governor's Budget proposes a series of targeted reductions in reimbursement for nursing home care that will trim State Medicaid spending by \$97 million in 1999-2000.

Actions to achieve savings include:

- ◆ Requiring health care providers to offset inflationary cost increases.
- ◆ Replacing the current cost-based rates for nursing homes and adult day care programs with a simpler regional average reimbursement system.
- ◆ Maximizing Medicare revenues as an alternative to Medicaid funding.

New York's Nursing Homes are Medicaid-Dependent

New York's nursing homes receive 73 percent of their payments from Medicaid as opposed to the national average of 47 percent. Thus, New York's taxpayers bear a larger share of nursing home costs than is generally true for the rest of the nation.

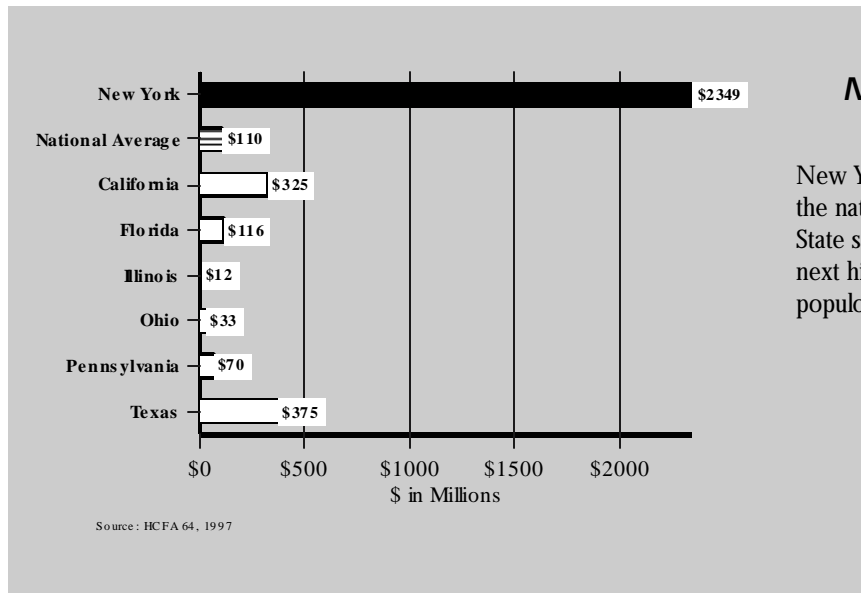


Public Health

Managing Home Care Services

Our spending on home care services — Personal Care, Home Health Aide, Home Nursing Services and the Long-Term Home Health Care program — continues to exceed that of other states and the national average by a wide margin. Governor Pataki's Budget proposals will generate \$46 million in Medicaid savings by:

- ◆ Reducing reimbursement rates to bring New York's payments more in line with those of other states.
- ◆ Requiring health care providers to offset inflationary cost increases.
- ◆ Eliminating the loop hole in current State law that allows legally responsible relatives to avoid contributing to the costs of medical care.



New York Spends More on Home Care

New York spends more than 21 times the national average on home care. Our State spends six times that of Texas, the next highest spender and a more populous state.

Controlling Hospital and Clinic Costs

Our Medicaid spending on hospital services is the highest in the nation. For Federal Fiscal Year 1997, New York's Medicaid spending per capita was \$409 — more than double the national average. While the Health Care Reform Act of 1996 de-regulated reimbursement for other payors such as Blue Cross and other insurance companies, Medicaid payments remained largely unaffected by HCRA's sweeping reforms.

This Budget proposes reductions to hospital reimbursement rates, achieving \$89 million in State Medicaid savings in 1999-2000. Significant measures include:

- ◆ Restructuring Medicaid reimbursement to encourage operating efficiencies and eliminate rate enhancements that are no longer necessary.
- ◆ Requiring health care providers to offset inflationary cost increases.
- ◆ Reducing support for graduate medical education consistent with Medicare reductions and State goals to reduce the number of residents trained.
- ◆ Providing alcohol and substance abuse detoxification services in more medically appropriate outpatient and community-based therapeutic service settings.

In addition, enhanced primary care clinic rates are restructured. With the movement to managed care, incentives are no longer necessary to promote the use of clinics rather than emergency rooms for primary care services. Payment rates for renal dialysis, HIV/AIDS, prenatal care, ambulatory care, mental health, mental retardation and methadone maintenance treatment services will be unaffected by this change.

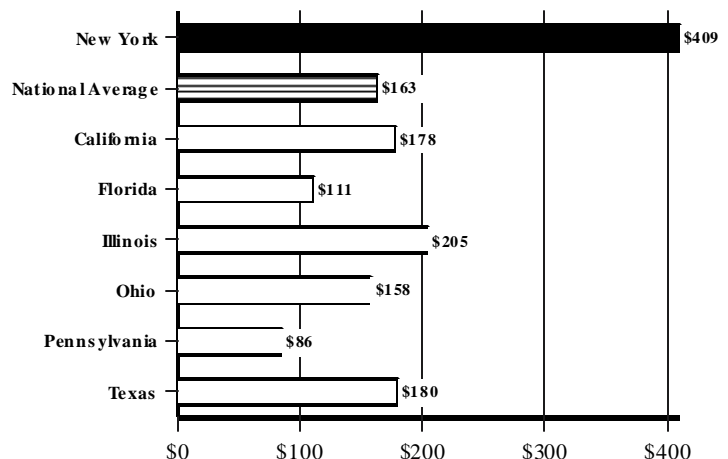
Policy Highlight:

Health Care Reform Act

Governor Pataki's landmark Health Care Reform Act of 1996 (HCRA) moved the hospital industry into a competitive market system by allowing most non-Medicaid payors to negotiate reimbursement directly with hospitals. In addition, the Act restructured graduate medical education funding, expanded health insurance options and increased health care access for the uninsured and under-insured. The Health Care Reform Act expires on December 31, 1999. The Governor will propose successor legislation that ensures the State's acute care system is able to adapt to a changing health care environment. The bill will also dedicate a portion of tobacco settlement funds to various public health programs.

High Per Capita Spending on Hospital Services

Per capita, New York spends roughly twice that of any comparable state. Despite cost containment actions, hospital costs in New York continue to far exceed national averages.

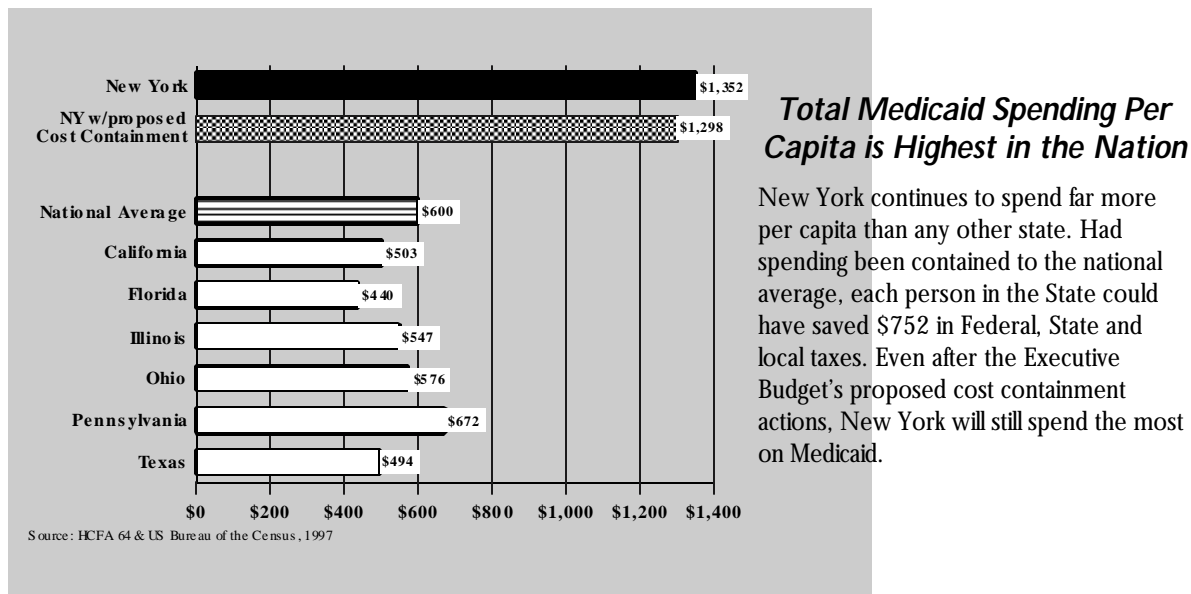


Source: HCFA 64 & US Bureau of the Census, 1997

Additional Measures

Now that the necessary Federal approvals have been secured, mandatory managed care is being phased in across the State. As a result, enrollment in Medicaid managed care plans is expected to increase by almost 50 per cent in 1999-2000. At the same time, financial incentives previously provided to local social services districts under the voluntary system will be eliminated. By March 31, 2000, nearly 1.3 million recipients will receive coordinated preventive medical services to ensure early diagnosis of health problems.

Legislation will also be proposed to continue savings enacted in prior years. In addition, the Budget proposes that the State exercise the Federal option to limit reimbursement for certain Medicare services provided to recipients eligible for both Medicaid and Medicare to that permitted under the State's Medicaid fee schedule. New York currently reimburses providers up to Medicare payment limits, which of ten are higher than Medicaid's.



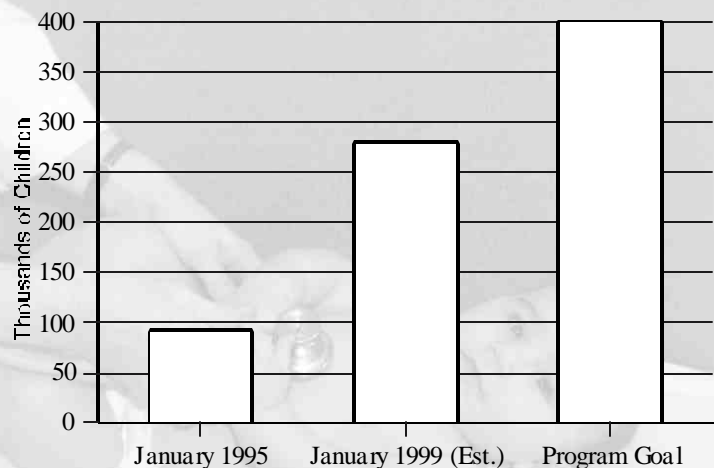
Maintaining Essential Public Health Services

Governor Pataki is committed to ensuring that the health care needs of our children and families are met and that essential public health services are available to the State's residents. The 1999-2000 Budget makes the following investments necessary to maintain these essential services and continue important public health initiatives launched by the Governor:

- ◆ Over \$450 million in State and Federal funds for Child Health Plus, our State-subsidized health insurance program. Child Health Plus provides a full range of health care services for eligible children from birth to age 19. Services include: physician visits, hospitalizations, immunizations, x-rays, lab tests, outpatient surgery, emergency care, prescription drugs, physical and occupational therapy, dental, vision, speech, hearing, mental health and substance abuse treatment.
- ◆ \$101 million for the Early Intervention program serving infants and toddlers with disabilities. The Budget also recommends a new fraud prevention program and other measures to ensure that quality services are delivered to children in the program.
- ◆ \$100.9 million in taxpayer funds to provide prescription insurance to more than 105,000 senior citizens through the Elderly Pharmaceutical Insurance Coverage (EPIC) program. This fully funds EPIC program enhancements enacted in 1998-99, while bringing pharmacy reimbursements in line with other health benefit programs.

Increasing Number of Children Getting a Healthy Start in Life

Under Governor Pataki's leadership, Child Health Plus benefits have been expanded to include a full range of services and the number of children in the program has increased dramatically. Participation in Child Health Plus continues to grow, with the goal of covering 400,000 children.



Public Health

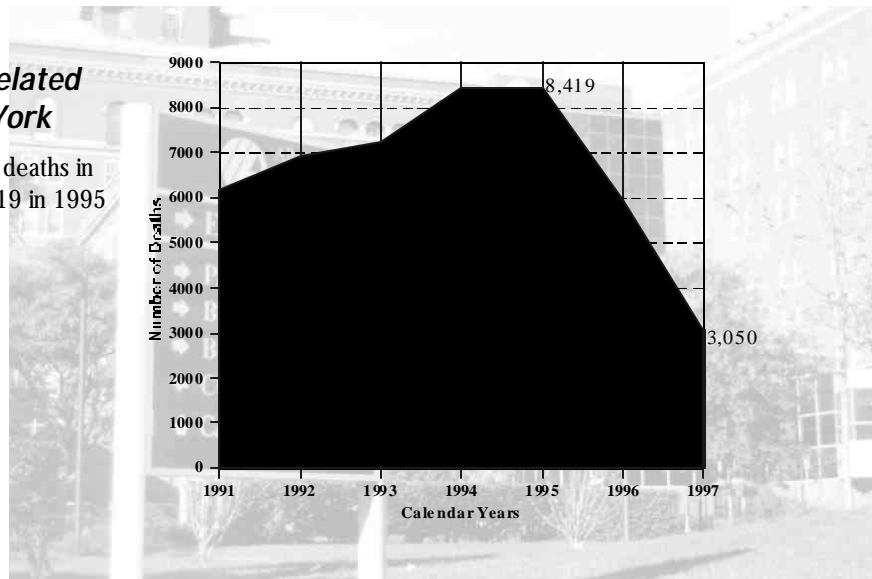
- ◆ More than \$50 million in taxpayer funds for programs targeting women's health care needs — including breast cancer prevention, treatment and research; family planning and prenatal services; rape crisis programs; osteoporosis prevention; and genetic screening.
- ◆ \$1 million for breast and ovarian cancer detection and education services, from the Commissioner's HCRA priority pool, as in 1998-99.
- ◆ \$36.6 million for State-operated nursing homes located in New York City, Oxford and Batavia which provide care for elderly veterans and their dependents.
- ◆ \$28.8 million in taxpayer funds for nutrition programs for women, infants and children.
- ◆ \$6.1 million to continue key Governor's initiatives — including \$2.5 million to discourage teen smoking, \$2.6 million to promote abstinence and prevent pregnancy among adolescents, and \$1 million to continue an HIV/AIDS prevention program targeted to women and adolescents.
- ◆ \$1 million to continue funding for the cancer mapping project from the Commissioner's HCRA priority pool.
- ◆ \$5 million to continue the operations of poison control centers — including \$2 million from the Commissioner's HCRA priority pool to augment ongoing HCRA funding of \$3 million.
- ◆ \$550,000 for the Governor's diabetes initiative, an increase of \$100,000 from 1998-99, to support efforts to prevent diabetes and to help children with diabetes control their disease.
- ◆ \$200,000 in new funding to support pilot projects to provide asthmatic children with care and to conduct a statewide education campaign to increase awareness of the dangers of asthma.

Continuing the Fight Against AIDS

Under the Governor's leadership, New York continues to lead the fight against HIV and AIDS. In 1999-2000, New York will spend nearly \$2 billion from all funding sources on services to people with AIDS. Of this amount, more than \$100 million will be provided through the AIDS Institute, including \$4.7 million in first-time funding for an HIV registry and partner notification program to inform parties who may be infected, enabling them to seek proper care. The remaining funds will be provided through health, Medicaid and social service, housing, criminal justice, mental health and substance abuse treatment programs.

Decline in AIDS-Related Deaths in New York

The number of AIDS-related deaths in New York declined from 8,419 in 1995 to 3,050 in 1997.



Public Assistance

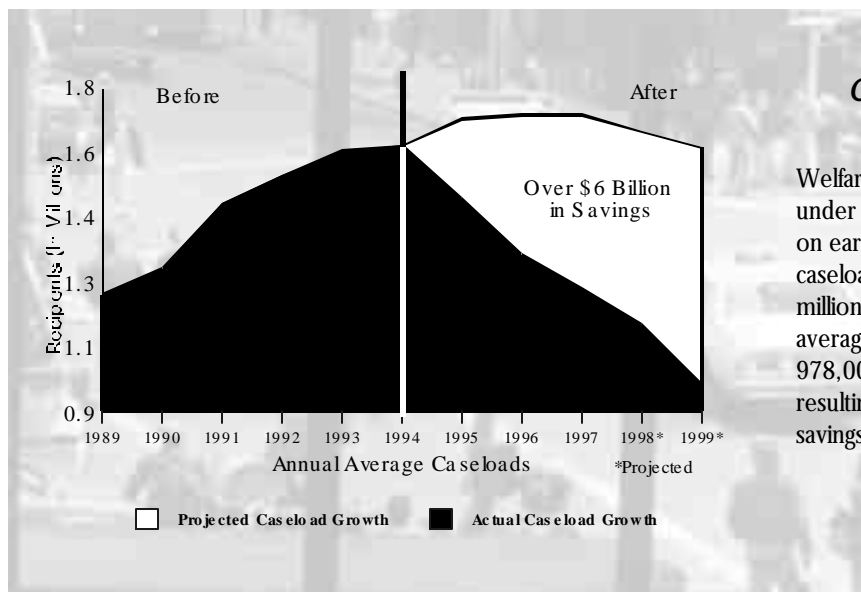
Reforming New York's Welfare System

By dramatically reforming New York's welfare system to emphasize the importance of work, Governor Pataki's policies have resulted in a steady and unprecedented decline in the number of people receiving public assistance in our State. This decline has produced over \$6 billion in cumulative savings — as contrasted to the additional costs that would have been borne by all New Yorkers if case loads continued to grow at pre-1995 rates. Governor Pataki achieved these savings by emphasizing individual responsibility, strengthening child support enforcement and helping welfare recipients to secure and retain employment. His 1999-2000 Budget makes new investments to further strengthen supports for those making the transition from welfare to work.

Investing in Welfare Reform

As a result of welfare reform at the national level, states are receiving Federal funding in a fixed amount through the Temporary Assistance for Needy Families (TANF) block grant. The amount of New York's grant is based on 1995 Federal Fiscal Year expenditures — when case loads were high. Because of the unprecedented decline in welfare case loads since Governor Pataki instituted his reforms, New York now has over \$1.4 billion in TANF monies which may, under Federal rules, be applied to child welfare programs and initiatives to help public assistance recipients find and retain work. For 1999-2000, Governor Pataki proposes to invest these savings by providing:

- ◆ \$357 million in State and local fiscal relief, mostly for child welfare services, including some Title XX services provided through local social services districts, such as home maker or house keeping services.



Caseload Decline Saves Taxpayer Dollars

Welfare caseloads continue to drop under Governor Pataki's reforms. Based on earlier projections of growth, caseloads were expected to exceed 1.6 million in 1999. Instead the annual average caseload is projected to drop to 978,000 — a 39 percent decline, resulting in \$6 billion in cumulative savings over the five year period.

- ◆ \$188 million to improve the quality and availability of child care.
- ◆ \$200 million to create a new Child Care Reserve Fund that will permit local governments to provide subsidies to thousands more public assistance and low-income families over the next three years.
- ◆ \$200 million to strengthen programs designed to help public assistance recipients find and retain work. This investment will bring total funding to over \$740 million for job development and training for welfare participants entering the job market and will allow districts to tailor additional training and services to their local needs.
- ◆ \$68 million for a range of welfare reform initiatives such as Learnfare and Merit Scholar Awards to help children stay in school, substance abuse screening and treatment to help individuals with drug or alcohol problems overcome their dependency and case management services to help participants resolve barriers to employment.
- ◆ \$50 million to update the Welfare Management System, a twenty-year-old computer system that no longer meets data reporting needs and does not effectively support welfare reform efforts.
- ◆ \$370 million for the Welfare Reform Compliance Fund. Protecting the State's financial future, Governor Pataki established the Compliance Fund in 1997-98 to safeguard against increased welfare costs which could result from economic change.

Policy Highlight:

Food Assistance Program

The State Welfare Reform Act of 1997 created New York's Food Assistance Program to aid people who lost Federal Food Stamps solely because they were not citizens. This State assistance was targeted to non-citizen children, disabled adults and those aged 60 or older and was provided at local option. On November 1, 1998, Federal Food Stamps were restored to legal aliens who are children, disabled adults or over age 67. While the Federal restoration does not cover individuals aged 60 to 67, these individuals will continue to be eligible for assistance under the existing State program, at local option.

Increasing Child Care Availability

Affordable, dependable child care arrangements enable parents to concentrate on work and move toward economic self-sufficiency. Since taking office, Governor Pataki has increased annual spending on child care by \$181 million. The Governor's commitment to child care is evidenced in his 1999-2000 Budget:

- ◆ Federal, State and local funding for the State's Child Care Block Grant grows, by an additional \$120 million, to \$580 million. Included in this amount are funds to make market rate adjustments for child care payments, the first inflationary correction since 1995-96.
- ◆ Block Grant funds are distributed to local social services districts to support child care subsidies. Child care funding for 1999-2000 will support 13,000 additional subsidies, for a total of 138,000. This reflects an overall increase of more than 82 percent since 1996-97.

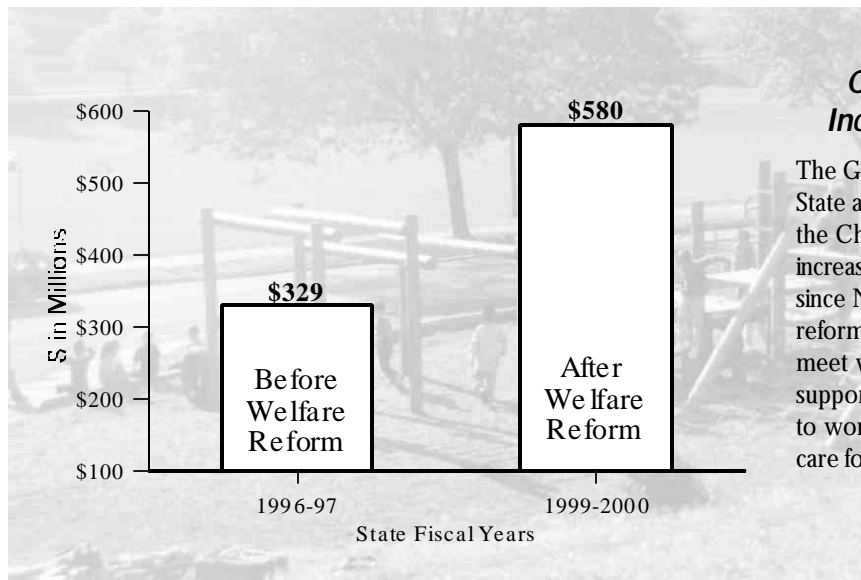
A new \$200 million Child Care Reserve Fund is created — to provide a source of stable and predictable support for child care which can be accessed by districts over a three year period. It is intended to give localities the capacity to serve:

- ◆ An increasing percentage of Family Assistance recipients required to engage in work activities.
- ◆ A growing number of former recipients transitioning from welfare to self-sufficiency.
- ◆ Low-income families needing child care subsidies to help them stay employed.

Policy Highlight:

Child Care Subsidies

Child care subsidies are guaranteed for parents on welfare who are in work activities and for up to one year for those families completing the transition from welfare to work. In addition, families with incomes of up to 200 percent of the State income standard are also eligible to receive child care subsidies.



Child Care Block Grant Increases to Record Levels

The Governor's Budget includes Federal, State and local funding of \$580 million for the Child Care Block Grant — an increase of \$251 million or 76 percent since New York State enacted welfare reform. This funding enables districts to meet work participation requirements, supports those transitioning from welfare to work and finances subsidized child care for low-income families.

Expanding Employment Options

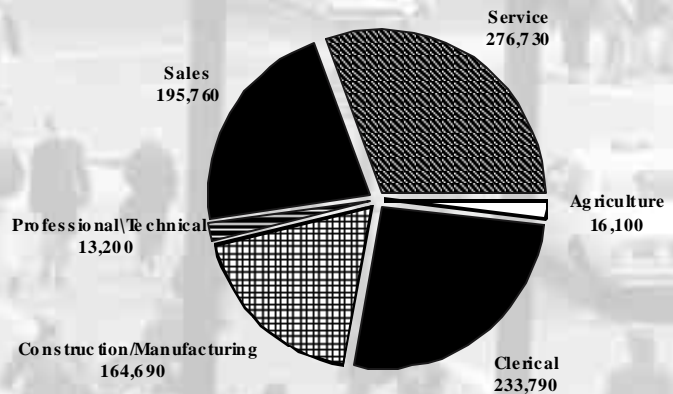
Governor Pataki has reserved \$200 million in new TANF funding for the Department of Labor and social services districts to design work programs and services that meet local economic demands and employee skill requirements. Specific programs can encompass a broad range of services such as job placement, literacy education, language immersion, work experience, job skills and vocational training. The \$200 million will additionally provide for:

- ◆ Statewide expansion of the InVEST program which helps recipients upgrade their skills so that they can leave welfare through higher wages.
- ◆ A new hospital-based wage subsidy and training demonstration program to help recipients secure and retain employment in the health care industry.
- ◆ Expansion of Governor Pataki's Built On Pride initiative to make new apprenticeship and pre-apprenticeship training programs available to Family Assistance recipients.

Jobs in the sales and service industries, where approximately half of the opportunities for welfare participants will be in 1999, are frequently found in suburban areas. These jobs often have evening or weekend work schedules, making a "reverse commute" from the inner city to the suburbs necessary at times when buses and other forms of public transportation are not widely available. To help address this need, the Governor's \$200 million investment will include another \$15 million to develop innovative transportation solutions.

Potential Employment Opportunities for Welfare Participants in 1999-2000

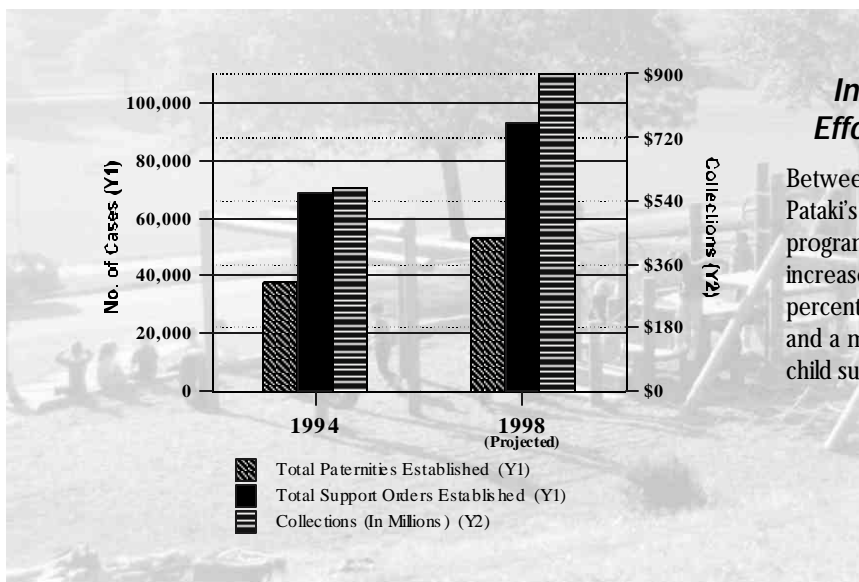
New York State's welfare-to-work programs assist participants in obtaining and retaining employment. The New York State Department of Labor estimates that over 900,000 employment opportunities requiring a high school education or less will be available in 1999-2000. It is expected that welfare participants will actively pursue these positions.



Further Advancing Welfare Reform

Governor Pataki's welfare reform program — New York Works — establishes clear expectations for participants to rapidly transition from welfare to employment and take all actions necessary to break the cycle of long-term dependence. A broad range of programs to attain these objectives has already been implemented. Building on the success of these programs, and using new allocations of TANF funds, Governor Pataki proposes:

- ◆ \$4 million for a state wide expansion of Learnfare, presently operating in nine counties and New York City. In addition, current program coverage, limited to grades one through six, will expand to children in grades seven through twelve. Learnfare links continued eligibility for a full welfare grant to parental supervision of a child's school attendance and can reduce welfare benefits in cases where children of recipients have excessive unexcused school absences.
- ◆ \$6 million for Merit Scholar Awards. Merit Scholar Awards are now available on a limited basis at local option, providing incentives for community service and academic performance for the 400,000 school-age children on public assistance in New York State. Awards may be used for books, calculators, educational camp tuition and admission to concerts or other special events.



Increased Child Support Efforts Continue to Pay Off

Between 1994 and 1998, Governor Pataki's child support enforcement programs have resulted in a 40 percent increase in established paternities, a 35 percent increase in child support orders and a more than 50 percent increase in child support payment collections.

- ◆ \$18 million for mandatory substance abuse screening and assessment. Drug screening, assessment and treatment help welfare participants overcome the barriers to employment that may result from dependence on drugs or alcohol.
- ◆ \$5 million for domestic violence screening. Screening supports social services districts' efforts to identify welfare recipients who are victims of domestic violence and refer them to voluntary services. This component of Governor Pataki's welfare reform program also provides exemptions from certain program rules, such as those involving work requirements and child support enforcement, when the district determines that compliance would make it more difficult to escape domestic violence or place the individual at further risk of harm.

Policy Highlight:

New Child Support Measures and Incentives

Building on four years of accomplishment, Governor Pataki proposes new measures to strengthen child support programs. These measures include: speeding payments by allowing child support agencies to administratively set awards, subject to court approval; doubling the maximum child support payment that may be passed on to custodial parents receiving Family Assistance; authorizing courts to charge a processing fee to non-custodial parents; and increasing sanctions for Family Assistance recipients who refuse to cooperate with child support enforcement requirements. These initiatives are expected to increase collections to \$960 million in 1999-2000 — up seven percent over estimated collections for 1998-99.

Child Safety

Protecting The Lives Of Children

Governor Pataki has sought to better the lives of New York's children and to ensure that families in crisis receive the services necessary to keep them intact.

From improved county access to child protective case information, to enriched day care settings, to integrated youth development activities, new and expanded programs are being pursued in an effort to enhance the safety and well-being of children throughout New York.

In particular, we are working to protect vulnerable children and young adults from the risks of child abuse and neglect. New York's ultimate goal continues to be finding safe, permanent homes for these children so that they can mature into productive adults and responsible citizens.

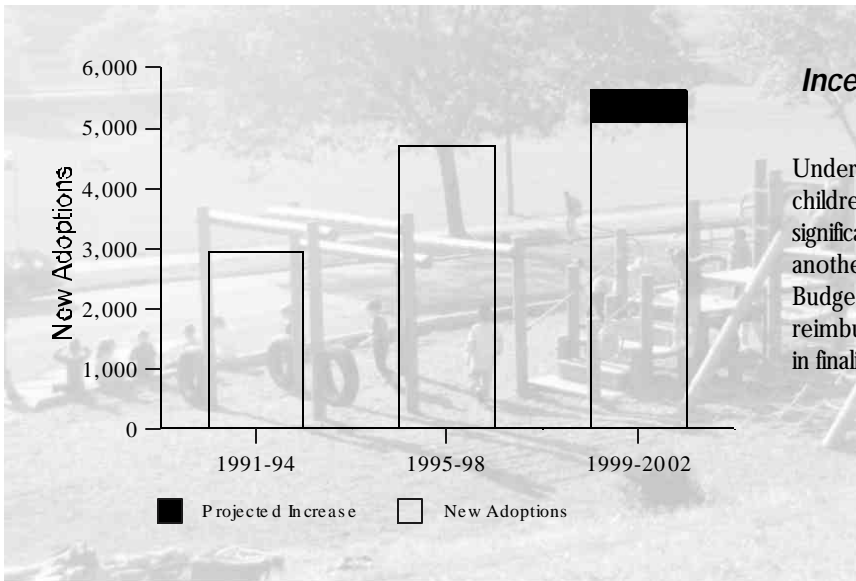
Governor Pataki's 1999-2000 Budget proposes:

- ◆ \$10 million to establish a modern, fully equipped call center to house the State's Central Register of Child Abuse and Maltreatment (Child Abuse Hotline), and to replace the existing phone system with a state-of-the-art telecommunications system that will efficiently manage increasing call volume and improve call response time.
- ◆ \$9 million for local community-based programs to further the recent decline in the number of teenage and other out-of-wedlock pregnancies throughout the State.
- ◆ \$45 million for improvements in the quality of child care. Among these improvements are: increased State inspections and better complaint investigation and tracking; training and educational incentives for child care providers to enable them to better understand the physical, emotional and developmental needs of children; and funding for safety equipment such as fire extinguishers and first aid kits.

Promoting Permanent Homes for Children

New York invests heavily in family support services to successfully reunite children in foster care with their parents. When that can not be accomplished — because doing so would jeopardize the child’s safety or health — every effort must be made to quickly place the child in the security of a permanent adoptive home. The Governor’s 1999-2000 Budget provides:

- ◆ \$1 million in new State funding to reimburse legal fees incurred by families when finalizing adoptions for children who have been waiting in foster care for more than six months. This new incentive is expected to ultimately increase adoptions by ten percent.
- ◆ \$6 million to implement standards that emphasize the importance of health and safety when determining where a child will live, and treat family reunification or adoption as preferred alternatives to foster care.



Incentives to Further Increase Adoptions

Under Governor Pataki, the number of children adopted has increased significantly. To increase adoptions by another ten percent, the 1999-2000 Budget includes a new initiative to reimburse families for legal fees incurred in finalizing their children’s adoptions.

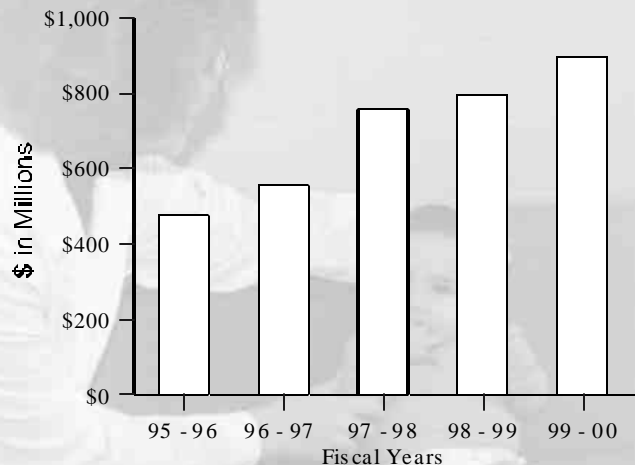
Providing Local Flexibility

Governor Pataki recognizes that localities must have maximum flexibility to effectively address the unique and complex needs of children and their families. The Family and Children's Services Block Grant — enacted in 1995 — freed local governments from burdensome mandates and restrictions on the use of State child welfare funding. Governor Pataki will introduce legislation to continue the block grant. In addition, his Budget provides:

- ◆ Close to \$1 billion in General Fund and Federal welfare block grant monies for critical child welfare services.
- ◆ A \$15 million increase in the Family and Children's Services Block Grant to assist local social services districts in providing child welfare agencies with cost-of-living adjustments and financial resources to bring residential care facilities into compliance with safety requirements.
- ◆ State and Federal funding of \$48.5 million to operate and continue development of CONNECTIONS, the State's child welfare information system. This funding is intended to strengthen the link that CONNECTIONS provides between the State's Child Abuse Hotline and local investigation of reported cases of child abuse and neglect. System improvements are also planned to enable child welfare officials to more effectively identify appropriate placements for children requiring out-of-home care.

Child Protection Spending Increases by 88%

Governor Pataki's 1999-2000 Budget continues to increase available funding for child protection programs. Since 1995-96, child protection funding has increased by \$419 million.



Transportation

Transportation for Today and the 21st Century

Efficient transportation is central to New York's economic vitality. Use of the State's vast and varied transportation systems has reached an all-time high, reflecting New York's overall economic resurgence. The Governor's 1999-2000 Budget continues strategic investments in our transportation infrastructure, building a strong link between New Yorkers and the marketplace of the 21st century.

Prioritizing Transportation Funding

The Executive Budget provides funding to complete the final phase of the Governor's five year transportation program for highways and bridges, transit, aviation, rail and other modes.

Over the five years the State will have invested \$13 billion in highways and bridges, including record-setting annual construction contract levels — \$1.7 billion in 1998-99 alone. These investments have paid off. As a result, 32,000 miles of highways have been treated and 24,000 bridge projects have commenced, reversing deterioration and stabilizing roadway conditions. With this dramatic past investment as a foundation, the Department of Transportation (DOT) is now able to achieve crucial debt reduction goals by decreasing the amount of bond-financed projects. The next five year DOT plan will also reduce its reliance on new debt by substituting increasing pay-as-you-go resources. For the next five years, beginning in 1999-2000, New York's base construction contract program will be \$1.5 billion annually. Within the context of the State's overall financing capacity, this base level may be increased in future years through the allocation of additional pay-as-you-go resources. The 1999-2000 Consolidated Local Highway Improvement Program (CHIPS) capital and Marchiselli programs will total \$192 million and \$35 million, respectively.

New Federal funds, available to the State under the recently-enacted Transportation Equity Act for the 21st Century (TEA-21) legislation, will be fully utilized for transportation improvements. In 1999-2000, the additional high way funds will be targeted to meet the urgent bridge repair and replacement needs of local governments through a new \$200 million Local Bridge Program. Increased Federal transit funding will be used by the State's transit systems to fund capital and preventive maintenance programs.

Improving Service for Motorists

Governor Pataki is committed to using technology and innovative business practices to achieve safer highways, improve customer service for New York's motorists, increase revenues to localities and provide savings to taxpayers. His 1999-2000 Budget provides:

- ◆ New local revenue of \$6.15 million through the use of a debt recovery firm to collect a large backlog of unpaid traffic tickets.
- ◆ Taxpayer savings of \$2.9 million through the use of technology to centralize the driver's license and vehicle registration renewal work now performed by county clerks. The State will replace approximately half of the local revenue that would otherwise be lost through this effort to the county clerks, while reducing the workload and staffing requirements now imposed on county clerks.
- ◆ Taxpayer savings of \$200,000 through centralization and automation of road test appointments.
- ◆ Safer highways through technological improvements to the State's traffic ticketing and insured motorist and accident records databases, which aid law enforcement in getting problem drivers off the road.
- ◆ Enhanced customer service for New York's motorists through the use of new technology to enable the Department of Motor Vehicles to process credit card payments and perform Internet transactions.

Building a Strong Foundation for the Economy

A strong transportation network is vital to advancing New York's economic future. Moving New Yorkers to jobs, transporting goods to inter- and intra-State markets and maintaining convenient access to businesses throughout the State remain the focal points of the Governor's transportation programs.

Transportation

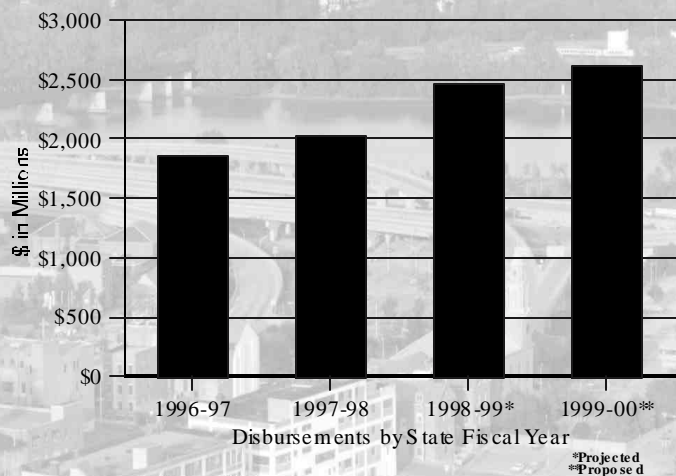
Strengthening Our Infrastructure

The 1999-2000 Executive Budget continues successful economic support programs and proposes new initiatives that will utilize funds available from TEA-21 to strengthen key components of New York's infrastructure.

- ◆ The Department of Transportation's new \$85 million Rail Freight Program will stimulate the use of vital freight systems to better serve municipalities, businesses and ports across the State.
- ◆ A new \$200 million Local Bridge program will fund improvements to bridges owned by local governments, targeting those that are key transportation links of regional economic significance.
- ◆ DOT's Industrial Access Program will continue to tailor New York's infrastructure to the needs of new and existing businesses, fostering commerce.
- ◆ The Budget includes an appropriation of \$35 million supported by proceeds from the long-term lease of Stewart Airport near Newburgh. These funds, from the nation's first major airport privatization, will be used for aviation-related projects at Stewart and throughout the State.
- ◆ The Airport Improvement Program will continue to assist local airport sponsors in matching Federal aviation aid, stimulating aviation construction and providing businesses with better regional access.
- ◆ Bus and train manufacturers such as Orion Industries in Oriskany, Nova Bus in Niskayuna, Bombardier in Plattsburgh, GEC Alsthom in Hornell and Kawasaki in Yonkers continue to create jobs and stimulate local economies as the result of bus and subway purchases made by public transit systems using State and Federal funds.

Record Investment in Highways and Bridges

Unprecedented levels of investment in the State's transportation systems have accelerated improvements to the safety and efficiency of New York's vital infrastructure, advancing critical projects.



Investing Strategically and Intelligently

The benefits of the Governor's transportation program are maximized by targeting investments to initiatives that stretch our transportation resources. The use of new technologies supported by the program will:

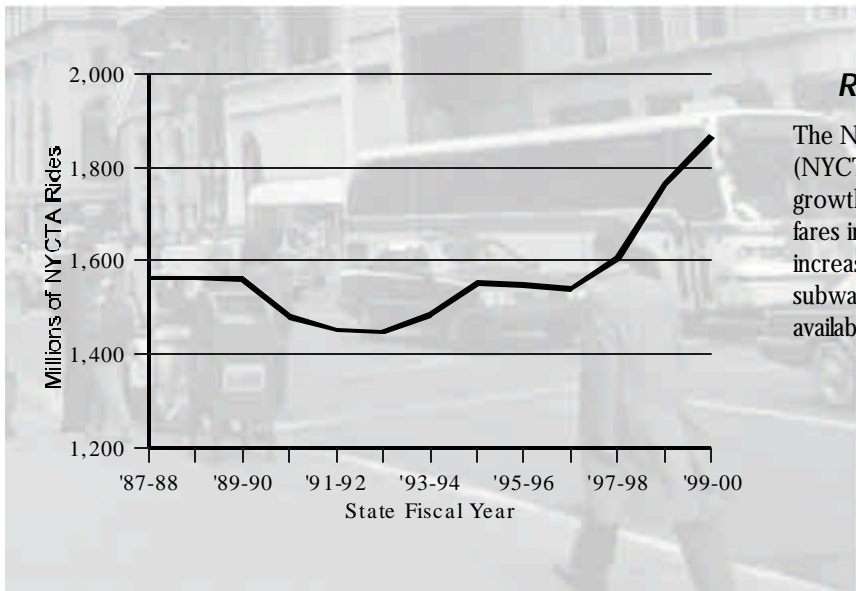
- ◆ Maximize the efficient use of existing resources through "intelligent transportation" innovations by DOT.
- ◆ Reduce congestion and costly delays on major interstates, bridges and tunnels through employment of EZPass technology by the Thruway Authority, Triborough Bridge and Tunnel Authority and Port Authority of New York and New Jersey.
- ◆ Remove snow and ice from State roads and bridges more efficiently through increased use of satellite weather information and in-road temperature sensors.
- ◆ Enhance school bus safety and decrease inspection processing time by over 80 per cent through implementation of an automated bus inspection program.
- ◆ Extend the life of roads and bridges through application of high technology materials, such as Superpave and High Performance Concrete.
- ◆ Speed access to Metropolitan Transportation Authority (MTA) subways and buses through full utilization of Metrocard technology.

Transportation

Mass Transportation: Reducing Costs and Enhancing Efficiency

The success of the Governor's MTA fare reduction programs is reflected in unprecedented ridership increases. New investments in the rail link between the State's major cities will further strengthen our statewide mass transportation system. The 1999-2000 Executive Budget returns the State's mass transportation spending to normal levels after a one-time funding increase in 1998-99. The Governor's plan includes over \$1.4 billion in mass transportation operating aid and calls for:

- ◆ An aggressive new high speed rail program — partnering the New York State Department of Transportation and Amtrak — that will invest up to \$185 million over five years to provide faster, more convenient passenger rail travel, rebuild high speed trains and upgrade tracks.
- ◆ Continued implementation of MTA fare deals such as “11 rides for the price of 10,” monthly, weekly and daily passes, and free interzone transfers that have reduced the average price of a ride from \$1.50 to \$1.16.
- ◆ Increased bus and subway service by the MTA in 1999 to meet the recent ridership boom — expanding bus trips by 2,200 on weekdays and 4,000 on weekends, and subway trips by 330 on weekdays and 368 on weekends.



Improving the Impact on the Environment

The Governor's transportation programs continue to emphasize investments that encourage environmentally friendly transportation and reduce pollution.

- ◆ DOT will use State and Federal funds to construct a \$60 million Intelligent Transportation System to better manage traffic on the Van Wyck Expressway — decreasing congestion and the associated auto emissions.
- ◆ DOT is leading the way in the use of low-emission vehicles, with 120 Compressed Natural Gas (CNG) and electric vehicles in its fleet.
- ◆ The MTA and other transit authorities across the State are employing cleaner CNG and diesel-electric or "hybrid" buses.
- ◆ DOT will retrofit its diesel snow plows and dump trucks with new equipment to meet the State's decreased emissions goal.

Major Transportation Improvements

The Executive Budget funds a variety of transportation improvements that boost traffic flow and enhance safety, including:

- ◆ Rehabilitation of Sheridan Expressway from East 165th Street to East 177th Street, Bronx County.
- ◆ Replacement of the Long Island Railroad Bridge over I-495 at Roslyn Road, Nassau County.
- ◆ Rehabilitation of the Taconic State Parkway, Dutchess County.
- ◆ Construction of the Baldwinsville Bypass in Onondaga County to provide access to businesses and help divert commercial traffic from local streets.
- ◆ Rehabilitation of Route 17 along the Southern Tier. New asphalt pavement — selected specifically for the high and low temperatures, moisture, traffic volume and traffic loads on that Route — will provide a safer, more efficient roadway that will help continue the economic expansion that has taken place in New York.

Local Government

Meeting the Needs of Local Government

Relief from Costly State Mandates

State mandates have long been identified as a major factor driving up local spending and property taxes in New York State. Once considered just a local government issue, these costly mandates are now recognized as raising fundamental issues about the competitiveness of New York's overall economy.

During his first term in office, Governor Pataki successfully pursued an aggressive agenda to reduce State-mandated costs on local governments and provide local property tax relief, saving localities more than \$3.9 billion since 1995. In 1999-2000, budgetary savings for localities from initiatives such as mandate relief, entitlement cost containment and other reforms will total \$519 million. In addition to budgetary actions, the Governor has banned the imposition of unfunded mandates by State agencies using their regulatory power.

**Impact Of SFY 1999-2000 Executive Budget
On Local Governments
State Fiscal Year Basis
(\$ in thousands)**

SFY 99-00	TOTAL	COUNTIES	NYC	OTHER LOCALS	SCHOOL DISTRICTS
COSTS	(96,119)	(43,774)	(40,584)	(11,761)	-0-
SAVINGS	615,044	183,409	318,316	32,669	80,650
NET IMPACT	518,925	139,635	277,732	20,908	80,650

In 1999-2000, the Governor will continue to pursue a program of legislative changes designed to address unfunded mandates, which is one of New York State's largest remaining competitive disadvantages, by:

- ◆ Banning all future unfunded legislative mandates through a constitutional amendment.
- ◆ Exempting certain projects from the costly Wicks Law — which currently requires multiple contracts for single building projects costing \$50,000 or more; in stead, a \$2 million exemption would apply for most municipalities, a \$5 million exemption for large municipalities and a \$10 million exemption for New York City.
- ◆ Conforming State laws governing asbestos removal in public projects with standards established by the Occupational Safety and Health Administration and followed in the private sector.
- ◆ Reforming binding arbitration for police and firefighter contracts to require that arbitration panels give *first* priority to a municipality's (and local taxpayers') ability to pay. Absence of such direction often drives exorbitant collective bargaining settlements and increases the price taxpayers must pay for essential public services.
- ◆ Affording localities greater earnings by broadening their investment opportunities — including local authority to invest in the State Comptroller's Short Term Investment Pool.

**Impact Of SFY 1999-2000 Executive Budget
On New York City
City Fiscal Year Basis
(\$ in thousands)**

NYC IMPACT	CFY 99-00
TOTAL COSTS	(50,805)
TOTAL SAVINGS	307,256
NET IMPACT	256,451

- ◆ Providing \$3.3 million in new funding to help local governments and school districts offset the loss of revenues from State property tax exemptions granted on forest lands for timber production.
- ◆ Eliminating \$32 million in billings to localities for pension system administrative expenses — a joint initiative with the State Comptroller would charge administrative costs of the New York State and Local Retirement Systems to pension fund reserves.

Local Government

The 1999-2000 Budget includes a new program for Revitalization Projects and Infrastructure Renewal (RePAIR) to be administered by the Department of State. RePAIR will provide \$5 million of assistance to urban governments for demolishing and clearing abandoned buildings and vacated industrial and commercial structures. In doing so, RePAIR will benefit our cities by removing public eye sores and safety hazards. In addition to improving the quality of our urban landscapes, clearing these sites will encourage future development and investment in our cities.

In addition, the Executive Budget includes a new \$60 million Urban Job Creation Tax Incentive program designed to provide new jobs to help revitalize the State's cities. The program provides a tax credit of up to \$1,000 per job to employers who either open new companies or expand existing businesses that create a minimum of 25 new full-time jobs. Outside New York City, the program applies to business development citywide. In the City of New York, the incentives are for new jobs located in targeted areas.

Unrestricted Local Aid

Governor Pataki's 1999-2000 Executive Budget provides \$872 million in unrestricted local government aid, including more than \$550 million in revenue sharing aid for New York's cities, towns and villages.

The Governor's Executive Budget retains this aid at 1998-99 funding levels, along with the \$114 million Stock Transfer Incentive Fund for New York City and \$47 million in historic targeted aid programs. Supplemental aid for municipalities has been increased to \$110 million and adjusted to reflect changing local situations.

Since 1995, unrestricted aid has increased by \$129 million. Budgetary savings for localities from entitlement cost containment and reform, mandate relief and other actions will total \$519 million for 1999-2000.

Mental Hygiene

Serving Individuals with Special Needs

The 1999-2000 Executive Budget furthers Governor Pataki's commitment to enhance the quality of life for individuals who are mentally ill, developmentally disabled or chemically dependent, while encouraging operational efficiencies and program effectiveness. Devoting \$2.1 billion in State funds, coupled with almost \$1.9 billion in Federal and other third party resources, the Governor's Budget will help ensure that New Yorkers with mental disabilities can realize their full potential and assist them in their recovery and rehabilitation.

NYS—CARES

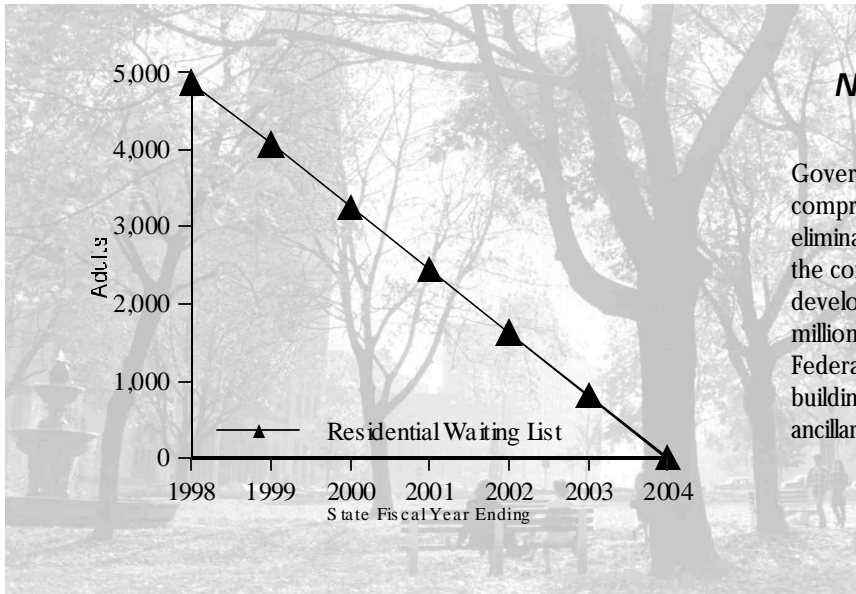
A First of Its Kind, Nationally Recognized Commitment

More than 5,000 adults with developmental disabilities are currently awaiting out-of-home residential placements. Many of these people have elderly caregivers who find it increasingly difficult to meet the needs of their family members at home. Governor Pataki has committed to eliminate the adult residential placement waiting list by launching a comprehensive five year plan to provide approximately 8,000 people with homes in the community by 2003-04. The Governor's \$225 million plan includes nearly \$129 million in State funds and an other \$96 million in Federal funds to fully implement this five year initiative.

The 1999-2000 Budget includes \$24.6 million in funding to:

- ◆ Achieve a first year goal of opening 980 beds.
- ◆ Extend daytime support programs.
- ◆ Provide expanded family support services to those who continue to wait for placement in a community home during the five year period.

By taking action to address the waiting list for residential services, the Governor will help solve the single greatest problem cited by advocacy groups as confronting New Yorkers with developmental disabilities and their families.



NYS-CARES Waiting List Elimination

Governor Pataki has committed to a comprehensive five year plan that will eliminate the adult waiting list for beds in the community for individuals with developmental disabilities. A total of \$129 million in State funds, and \$96 million in Federal funds, will be dedicated to building 4,900 new beds and providing ancillary day and family support services.

Strengthening and Enhancing Community Opportunities

Over 75 per cent of total public spending on programs for people with mental or developmental disabilities is dedicated to community-based care programs. These community programs are a cost-effective alternative to care in large State institutions. Providing care and services in these community settings — whether residential, clinical or day programs — is also strongly favored by consumers and clinicians alike. By the end of 1999-2000, the State will be supporting over 58,000 community-based beds across New York, as well as a wide array of clinical and other non-residential services.

This year's Executive Budget also reflects:

- ◆ *A Two and one-half Per cent Cost-of-Living Increase:* The Governor's Budget for State agencies serving New Yorkers with disabilities — the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS) — reflects the two and one-half per cent cost-of-living increase in State aid programs recently authorized and effective back to April 1, 1998.
- ◆ *Opening Community Beds:* Beyond NYS-CARES, the State will open over 1,000 community beds, either newly authorized or currently under development, in 1999-2000.
- ◆ *More Day Service Slots:* 1,400 new day service slots will be provided to address the needs of developmentally disabled children and young adults leaving special education programs across the State.

Policy Highlight:

Measuring Performance

The Office of Alcoholism and Substance Abuse Services has implemented a performance monitoring system to ensure that State aid for substance abuse treatment is being used effectively. During 1999-2000, the Agency will begin to allocate resources among nonprofit providers based on performance outcomes.

Mental Hygiene

- ◆ *Over \$29 Million in New Annual Community Mental Health Reinvestment Funding:* Funds now being spent on 470 unneeded State psychiatric center beds, which will be closed during 1999-2000, will be redirected to community programs. As a result, counties will be able to expand community programs by \$29 million annually. In addition, the Budget proposes to eliminate requirements that funds be set aside to support State staff. This will strengthen local flexibility and provide counties with the equivalent of an additional \$6 million in discretionary funds.
- ◆ *Providing the Proper Care Settings:* The Governor's 1999-2000 Budget enables 186 people to leave State development centers for community-based settings.
- ◆ *Addition of 1,600 Supported Work Opportunities:* Supported work helps people with mental disabilities become fully participating members of our State's growing economy. By the end of 1999, this program will coach and support over 16,000 mentally disabled people in maintaining competitive employment in private sector jobs.
- ◆ *Strengthened Services for Those with Addictions:* The Governor's Budget proposes using new Federal funding to strengthen vocational and treatment services provided on an outpatient basis for people with chemical dependencies. These new initiatives will support county efforts to implement welfare reform's objective of returning people to work.

Policy Highlight:

Consolidating Licenses

In the coming year, the Office of Alcoholism and Substance Abuse Services will consolidate the currently separate alcohol and substance abuse treatment licenses into a single chemical dependence license — to be financed under a new single statewide grant formula — which will break down unnecessary barriers to the efficient delivery of care.

Restructuring the Delivery of Care

New York's primary goal is to remain in the forefront as a provider of high quality, clinically effective care for mentally disabled individuals. Our main challenge in achieving this goal is ensuring that the billions of dollars in taxpayer money dedicated to this care are used in ways that are both fiscally prudent and innovative, and achieve intended outcomes. Management improvements, program redesign and restructuring the care provided by the Offices of Mental Health, Mental Retardation and Developmental Disabilities, and Alcoholism and Substance Abuse Services will help limit unnecessary spending and target needed funds to maximize cost-effectiveness. Further restructuring includes:

- ◆ Continuation of census reductions at OMH psychiatric centers. OMH continues to decrease the State's inpatient treatment capacity, consistent with demand for services and the development of new community programs and community-based beds. Because of the projected census decline in the coming year, OMH will eliminate 470 unneeded adult psychiatric center beds state wide.
- ◆ Initiation of targeted managed care — Special Needs Plans — for people with serious mental illness will make the delivery of Medicaid-funded mental health services more responsive, efficient and effective.
- ◆ Implementation of an innovative new pilot project by OMRDD, working in concert with certain United Cerebral Palsy Associations, will convert high cost, unnecessarily intensive services to more cost-effective, flexible programs. This restructuring will result in savings which will be reinvested to expand community services to additional people, at no new cost to the taxpayer.
- ◆ Privatization of certain aspects of OMRDD medical care. State-delivered pharmacy services will be replaced with services already available in the community. The State will also contract for as-needed medical attendant services — of ten required by doctors and dentists when treating people with developmental disabilities — instead of using State staff over time. In addition, OMRDD will reduce excess physician services while still ensuring the highest quality of medical care for its consumers. In total, these efforts will realize \$2.7 million in savings in 1999-2000.

Policy Highlight:

New Service Coordination Initiative

The Office of Mental Retardation and Developmental Disabilities will undertake a Service Coordination initiative to unify and streamline the two separate case management systems that currently exist. A single consumer-centered — and lower cost — program will replace systems that up until now have imposed differing rules, practices and reimbursement rates.

Eliminating this duplication will save \$2.5 million in 1999-2000.

Mental Hygiene

- ◆ Elimination of programs which do not support core agency missions. OMRDD's Youth Opportunity Program will be eliminated in 1999-2000, and OMH's Psychiatric Residency program will be reduced by fifty per cent over the next four years, since neither program has proven to be successful in attracting students to careers in these agencies. Additionally, new community programs — supported by nearly \$195 million in annual State aid growth since the inception of the Community Mental Health Reinvestment Act — will provide an opportunity to withdraw State-shared staff originally assigned as supplemental help to local community programs. Amendments proposed to the Community Reinvestment Act will allow counties to use reinvestment funds to replace shared staff positions if they deem it a local priority. These initiatives, collectively, will save \$9.9 million in 1999-2000.
- ◆ Implementation of new non-General Fund revenue maximization initiatives that take advantage of the flexibility provided through OMRDD's Home and Community-Based Services Waiver program and OMH's Comprehensive Psychiatric Emergency Program. These actions will provide \$11 million in General Fund savings in 1999-2000. Additionally, updating the costs associated with OMRDD's Intermediate Care Facility program will provide that agency with General Fund savings approximating \$2.3 million in 1999-2000.
- ◆ Provision of cost-effective detoxification services. New community-based drug and alcohol detoxification services will provide a stronger linkage to follow-up care, thereby achieving better outcomes for addicted persons and avoiding the current pattern of repeated higher cost hospital stays for detoxification.

Restructuring State Oversight and Support

The attainment of high quality, cost-effective services must apply not only to the delivery of care, but also to program administration and research. Initiatives which further this goal include:

- ◆ Streamlining research activities and emphasizing the transfer of research technology. OASAS leads this initiative with the transfer of its Research Institute on Addictions to SUNY Buffalo, where it can better explore the development of new treatments and techniques. In addition, six funded vacancies at OMRDD's Institute for Basic Research will not be filled, and outside grants will be used to pay 27 OMH research positions formerly funded by the State's General Fund. These combined actions will generate \$2.6 million in General Fund savings in 1999-2000.
- ◆ Streamlining administrative support processes. Updated workload standards in OMRDD's personnel, business, food service, maintenance and transportation functions will permit the agency to reduce the need for 90 positions in these areas. These reductions will be accommodated through various workforce strategies, including attrition, early-retirement incentives or through re-deployment to other workforce opportunities. In OASAS, remodeling cumbersome procedures and introducing new information systems will permit the elimination of nine positions through attrition, while simultaneously improving the State's partnership with community providers. These initiatives will save \$1.7 million in 1999-2000.

Summary of Changes

Major Agencies

Summary of Changes

Office of Alcoholism and Substance Abuse Services

(\$000s)

	General and Offset Funds 1998-99
Prior Year Estimated Spending	\$303,916
Transfer of Research Institute on Addictions to SUNY Buffalo	(2,383)
Projected base level adjustments including salary and payroll adjustments, and other factors	5,228
Annualization of operating costs for 213 treatment beds	1,500
Increase in voluntary debt service	1,628
Medicaid re-estimates and other efficiencies	(4,000)
Recommendation	\$305,889
Change From 1998-99	\$1,973

Office of Children and Family Services

(\$000s)

	General Fund 1999-2000
Prior Year Estimated Spending	\$1,127,603
Improvements to the Child Abuse Hotline	5,500
New adoption incentive	1,764
Family and Children's Services Block Grant increase	15,000
Additional spending for Child Protective services	5,000
Additional entitlement spending for foster children	2,131
Adoption and Safe Families Act compliance	6,150
Continued development of CONNECTIONS	4,750
Added spending for Advantage Schools	1,000
State reimbursement of local costs for detention services	4,812
Use of available Federal funds for child welfare	(73,000)
State savings from receipt of Federal administrative funding	(13,093)
Administrative savings	(7,410)
Recommendation	\$1,080,207
Change From 1998-99	(\$47,396)

Summary of Changes

Department of Correctional Services

(\$000s)

	General Fund 1999-2000
Prior Year Estimated Spending	\$1,606,605
Increased cost of continuing current programs	43,630
Increased cost associated with new maximum security prison and new regional medical unit	35,047
Technical adjustment to reflect double Federal fund receipt in 1998-99	46,800
Transfer General Fund spending to Federal funds as a result of an increase in Federal Alien reimbursement	(38,000)
Eliminate reimbursement to localities for housing D/E felons in local jails	(12,500)
Increase use of "cook chill" food preparation plant for more efficient food preparation	(715)
Expand the Shock Incarceration program by enacting legislation expanding eligibility for certain non-violent inmates	(1,834)
Decrease size of absconder unit due to reductions in work release population	(1,237)
Eliminate community work crews from medium security facilities	(2,720)
Consolidate infirmaries in selected adjacent facilities	(1,640)
Close Parkside Work Release facility in New York City	(1,334)
Move inmates from contracted residential substance abuse treatment beds to treatment in work release facilities	(5,679)
Recommendation	\$1,666,423
Change From 1998-99	\$59,818
 CAPITAL PROJECTS	
Adjusted Appropriation	\$429,062
Maintenance and Improvement	173,000
Capacity Expansion	260,000
Medical	10,000
Recommendation	\$443,000

Division of Criminal Justice Services

(\$000s)

	General Fund 1999-2000
Prior Year Estimated Spending	\$91,233
Increase funds for cost of continuing current programs	966
Upgrade digital automated fingerprinting system	1,454
Eliminate Legislative initiatives added in 1997-98	(1,214)
Transfer positions and funding associated with the Department of State Business and Licensing Services Account. Cost will be offset by increased General Fund transfer from the Account	1,638
Transfer authority for the New York State Interstate Compact and the respective units within Division of Probation and Correctional Alternatives and the Division of Parole to the Commissioner of Criminal Justice	521
Increase State Aid for district attorneys' salaries consistent with recently enacted pay raise for the Judiciary	476
Transfer of administrative functions from the Crime Victims Board	18
Recommendation	\$95,092
Change From 1998-99	\$3,859

Summary of Changes

Economic Development

(\$000s)

General Fund 1999-2000

Prior Year Estimated Spending	\$173,466
Re-estimate disbursements for economic development initiatives	(25,586)
Increase funding for Business Marketing	3,826
Provide funding for the Tupper Lake Industrial Park Development Project	300
Provide funding for Natural Resource based Tourism Marketing	500
Recommendation	152,506
Change From 1998-99	(\$20,960)

State Education Department

(\$000s)

	Total 1999-2000 School Year Funding
SCHOOL AID/STAR	
Prior Year Estimated Spending	\$12,338,900
Major Operating aids and Extraordinary Needs aid increases	137,000
Building and Transportation aid increase	159,700
Textbook/computer aid increases	24,000
Establish new Educational Improvement Block Grant	200,000
Provide funding for education categorical programs under the Educational Improvement Block Grant	(125,300)
BOCES aid reduction/reform	(80,300)
Elimination of certain categorical programs including categorical reading, improving pupil performance and bilingual aid	(146,400)
Other computerized aid and categorical program changes	(14,700)
Increase for School Tax Relief (STAR) phase-in	638,000
SCHOOL AID SUBTOTAL	11,907,900
STAR SUBTOTAL	1,223,000
Recommendation	\$13,130,900
Change From 1998-99	\$792,000

State Education Department (continued)

(\$000s)

ALL OTHER EDUCATION PROGRAMS	General Fund 1999-2000
Prior Year Estimated Spending	\$1,226,972
Preschool, Summer School Special Education and "4201" Schools Growth	35,627
Increase for annualized value of school safety program, professional development grants and public broadcasting	3,590
Funding for new initiatives — Charter School Stimulus Fund and Educational Technology Training Partnerships.	1,400
Elimination of certain grants for individual school districts and selected categorical programs	(17,665)
Adjustment to reflect 1999-00 cash requirements of elementary/secondary programs	(8,265)
Elimination of the Teacher Resource and Computer Training Center program for the 1999-00 school year	(10,000)
Administrative efficiencies and cost reductions	(760)
Savings from higher education deregulation	(1,145)
Administration of Charter Schools	275
Recommendation	\$1,230,029
Change From 1998-99	\$3,057

Environmental Conservation

(\$000s)

	General Fund 1999-2000
Prior Year Estimated Spending	\$90,815
Decreased costs for the Pesticide Reporting Law data entry	(2,500)
Transfer pesticide database costs to the Environmental Protection Fund	(2,500)
Transfer costs from the Environmental Regulatory Account to the General Fund	2,000
Environmental Conservation Officer/Forest Ranger Training Academy	1,600
Hudson River Natural Resource Damages Assessment	490
Reduced funding for nonrecurring local programs	(302)
Reduced funding for Interstate Sanitation Commission	(300)
Decreased costs of continuing current programs	(27)
Recommendation	\$89,276
Change From 1998-99	(\$1,539)
CAPITAL PROJECTS	All Funds 1999-2000
Prior Year Estimated Spending	\$532,834
Adjustments for other bond fund spending consistent with planned commitments	(914)
Increased spending for Clean Water/Clean Air Bond Act	19,800
Increased spending for Environmental Protection Fund	13,292
New spending for projects to enhance natural resource based activities, including interpretive and other facilities	1,000
Decreased spending for Capital Projects Funds due to nonrecurring disbursements for Court of Claims cases	(6,426)
Net adjustments, including expiring Federal grants and projects completed in 1998-99	(6,247)
RECOMMENDATION	\$553,339
Change from 1998-99	\$20,505

Summary of Changes

Department of Health

(\$000s)

General Fund 1999-2000

	\$636,953
Prior Year Estimated Spending	
Increased cost of continuing current programs	1,017
Elimination of nonrecurring expenses	(4,455)
Nonrecurring suballocations from other State agencies	(6,266)
Increase statutorily authorized radiological fees and transfer General Fund costs to fee revenues	(500)
Procurement of new Medicaid Management Information System	7,800
Governor's children's asthma initiative	200
Governor's children's diabetes initiative	100
Decreased cost of continuing current immunization program	(1,100)
Elimination of DES (diethylstilbestrol) program	(100)
Increases for mandated public health programs including the Early Intervention, Elderly Pharmaceutical Insurance Coverage (EPIC) and local public health programs.	20,720
AIDS/HIV Partner Notification	4,690
Recommendation	\$659,059
Change From 1998-99	\$22,106

Higher Education Services Corporation

(\$000s)

	General Fund 1999-2000
Prior Year Budget *	\$760,376
Phased implementation of the Scholarships for Academic Excellence Program (TAP)	3,500
Net result of annualization of savings and fixed cost increases	(4,743)
Elimination of the Dental Clinic subsidies	(1,200)
Savings in TAP due to lower participation because of increased family incomes and favorable employment opportunities	(18,600)
Effect of restructuring TAP to encourage timely graduation and to conform income eligibility requirements more closely to those used in Federal financial aid programs	(113,900)
Recommendation	\$625,433
Change From 1998-99	\$ (134,943)

* Reflects funding transfer from the State Education Department for the following programs: Bundy Aid for Independent Colleges and Universities; the Liberty Partnerships Program; the Higher Education Opportunity Program; the Science and Technology Entry Program and its collegiate counterpart (STEP/CSTEP); the Teacher Opportunity Corps; the Dental Clinic Subsidies Program; and Postsecondary Aid for Native Americans Program.

Summary of Changes

Medicaid

(\$000s)

	Total Spending 1999-2000
	\$28,010,188
Prior Year Estimated Spending	
Growth in entitlement spending	1,043,424
Hospital savings actions, including requiring providers to offset inflationary increases, restructuring Graduate Medical Education and reducing hospital and outpatient rates	(374,800)
Nursing home savings initiatives, including requiring providers to offset inflationary increases and implementing a new regional average payment system	(239,000)
Home care savings, including requiring providers to offset inflationary increases and reducing Home Health Agency and Long-Term Home Health Care program rates	(113,400)
Other initiatives, including the elimination of provider assessments and federal maximization	(254,500)
*Recommendation	\$28,071,912
Change From 1998-99	\$61,724

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

Federal: \$14,019,150

State: \$9,726,449

Local: \$4,326,313

Office of Mental Health

(\$000s)

	General and Offset Funds 1999-2000
Prior Year Estimated Spending	\$1,603,032
Community Mental Health Reinvestment Act funding (including annualization of 1998-99 increase and part-year funding of 1999-00 new year amount)	26,988
Increased cost of continuing current programs (includes salary-related increases, pharmaceuticals and local program increases)	51,429
State Operations workload and efficiency savings (census decline, shared staff, research position transfer, other reductions)	(55,013)
Local program spending reductions	(18,754)
400 additional supported employment slots	880
Recommendation	\$1,608,562
Change From 1998-99	\$5,530

Note: Figures include Aid to Localities commitments and State Operations disbursements.

Summary of Changes

Office of Mental Retardation and Developmental Disabilities

(\$000s)

	General and Offset Funds 1999-2000
Prior Year Estimated Spending	\$1,899,643
First year funding commitment for Governor's NYS-CARES program**	24,555
Increased cost of continuing current programs	65,239
Expansion of new community beds and day services	8,241
One-time actions	25,586
Administrative efficiencies	(24,637)
Medicaid maximization/service restructuring	(14,079)
Spending reductions	(8,754)
Recommendation	\$1,975,794
Change From 1998-99	\$76,151

**Reflects full year appropriation commitment for 980 residential beds, 190 day opportunities and 600 case management services (cash at 25 percent phase) — all other amounts reflect actual cash spending.

Department of Motor Vehicles

(\$000s)

	General Fund 1999-2000
Prior Year Estimated Spending	\$123,622
Decreased cost of continuing current programs	(729)
Establish a centralized office to process license and registration renewals	1,227
Net savings from automating road test appointments	(200)
Require young drivers to complete a graduated licensing program	100
Recommendation	\$124,020
Change From 1998-99	\$398

Summary of Changes

Office of Parks, Recreation and Historic Preservation

(\$000s)

General Fund 1999-2000

Prior Year Estimated Spending	\$99,695
Net adjustment to reflect cost of continuing current programs	(575)
Improve park police operations	1,545
Replace antiquated computer system	350
Transfer non-personal service costs to new revenues in the Special Revenue Fund	(6,000)
New York Heritage Trail, a new program dedicated to the identification, preservation and promotion of historically significant places in New York State	5,000
Recommendation	\$100,015
Change From 1998-99	(\$320)

All Funds 1999-2000

CAPITAL PROJECTS	
Prior Year Estimated Spending	\$46,803
Net adjustments, including projects advanced and completed in prior year and increased investment of \$2.5 million to upgrade facilities at Jones Beach. Includes \$24.6 million and \$14.6 million in new spending from the State Parks Infrastructure Fund and the Hudson River Park Fund, respectively.	5,772
Recommendation	\$52,575

State University of New York/City University of New York

(\$000s)

	General Fund 1999-2000
Prior Year Budget *	\$1,913,281
Annualization of increase to community college base aid	4,736
Annualization of Research Institute on Addictions transfer	805
Funding for Charter Schools Institute	750
Miscellaneous adjustments	413
Elimination of Fashion Institute of Technology chargeback reimbursement	(3,100)
Recommendation	\$1,916,885
Change From 1998-99	\$3,604

* Reflects funding transfer from Office of Alcoholism and Substance Abuse Services for the Research Institute on Addictions (RIA) to the University of Buffalo and funding transfer to School Aid - State Education Department for the City University's collaborative programs with the New York City Board of Education.

Summary of Changes

Office of Temporary and Disability Assistance

(\$000s)

General Fund 1999-2000

Prior Year Estimated Spending	\$2,055,000
Projected savings associated with declines in the Family Assistance and Safety Net caseloads	(78,000)
Increased expenditures to support the aged, blind and disabled receiving assistance through the Supplemental Security Income (SSI) program	25,000
Increased reimbursement to social services districts to offset administrative costs associated with welfare reform, domestic violence screening, drug screening and anti-fraud efforts	8,000
Increased State costs associated with recipient employment services	4,000
Investments to enhance efforts to improve child support enforcement	10,000
Federal payment of certain costs of recipients with HIV/AIDS and administrative expenses	(27,000)
Increased State costs associated with welfare reform programs, including finger imaging, welfare computer systems and Food Stamp issuance	11,000
Restoration of Federal Food Stamp eligibility for certain non-citizens	(23,000)
Recommendation	\$1,985,000
Change From 1998-99	(\$70,000)

Department of Transportation

(\$000s)

**All Funds
1999-2000**

Prior Year Appropriation	\$4,642,004
Appropriation of additional Federal TEA-21 funds, including the Local Bridge Program	150,000
Proceeds from long term lease of Stewart Airport in Newburgh	35,000
State share of Governor's rail freight initiative	33,000
Return to base level highway and engineering program	(301,771)
Net change in transit operating and capital aid	9,870
Miscellaneous appropriation changes	(4,779)
Recommendation	\$4,563,324
Change From 1998-99	(\$78,680)

Sweeping Tax Cuts

A Comprehensive Look

The following is a comprehensive list of all tax cut actions which have been taken in New York State since January of 1995.

Personal Income Tax Cuts

Tax Cuts En acted in 1995

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

Tax Cuts En acted in 1996

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

Tax Cuts En acted in 1997

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

Tax Cuts En acted in 1998

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

School Property Taxes

Tax Cuts En acted in 1997

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

Tax Cuts En acted in 1998

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

Business Taxes

Tax Cuts En acted in 1995

Petroleum Business Tax:

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

16. Exempted retail sales of aviation gasoline from the motor fuel excise tax.

Corporation Franchise Tax:

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

Tax Cuts Enacted in 1996

Petroleum Business Tax:

18. Reduced the rate on diesel motor fuel used by railroads by 7 cents per gallon beginning January 1, 1997.
19. Exempted residual product and non-automotive diesel gallonage used for manufacturing purposes beginning January 1, 1998.
20. Exempted residual petroleum and non-automotive diesel gallonage used for commercial purposes from the supplemental tax, beginning March 1, 1997.
21. Reduced the supplemental rate on automotive diesel fuel by .75 cents per gallon beginning January 1, 1998, and by an additional one cent per gallon April 1, 1999.
22. Increased the credit on residual petroleum products and non-automotive diesel products used to generate electricity by one-half cent per gallon, beginning April 1, 1999.

Corporations and Utility Tax:

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

Tax Cuts Enacted in 1997

24. Established the Power for Jobs program which provides a credit for utilities that provide low-cost power to businesses and not-for-profit corporations that retain or create jobs.

25. Cut the excise gross receipts tax rate imposed on electric, gas and telephone services from 3.5 percent to 2.5 percent, and reduced the franchise gross receipts tax on local telephone companies from .75 percent to .375 percent and on trucking and railroad companies from .6 percent to .375 percent.
26. Created credits for purchase of alternative fuel vehicles and for investment in refueling stations.
27. Created a new credit for employing persons with disabilities.
28. Reduced the premiums tax rate and the limitation on the tax liability of life insurers.
29. Created a credit against the insurance tax for investment in certified (venture) capital companies.
30. Provided preferential tax treatment rates for the formation of captive insurance companies.
31. Allowed net operating loss deductions for banking corporations.
32. Conformed New York treatment of qualified subsidiary subchapter S corporations to the treatment under Federal law.

Tax Cuts Enacted in 1998

33. Reduced the corporate tax rate to 7.5 percent from the 9 percent rate currently in effect. The new lower rate is phased in over a three year period beginning in July, 1999. This action will reduce New York's ranking from ninth to twenty-fifth among states that impose corporate income taxes.
34. Lowered the alternative minimum tax rate from 3.5 percent to 3 percent, allowing taxpayers to benefit more from existing investment incentives in the tax code.
35. Reduced the rate imposed on S corporations by at least 40 percent.
36. Provided a significant new benefit for the securities industry in New York by allowing a tax credit of up to 5 percent for investment in technology equipment. This benefit also includes the trading operations of Article 32 (banks) taxpayers.

Sweeping Tax Cuts

37. A series of initiatives focused on promoting the creation and expansion of emerging technology companies and jobs. These tax provisions will encourage both new investment and employment opportunities in this important sector of the economy.

Sales and Use Taxes

Tax Cuts En acted in 1995

38. Exempted goods or services necessary for the acquisition, sustenance or maintenance of guide dogs.
39. Exempted meteorological services.
40. Exempted South African coins.
41. Exempted homeowner association fees.

Tax Cuts En acted in 1996

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

Tax Cuts En acted in 1997

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

Tax Cuts En acted in 1998

- 59. Provided significant tax relief to middle class and poorer taxpayers by expanding and extending the benefits of current cuts in the State sales tax on clothing. Expanded the September 1998 sales tax exemption week to include items of clothing and footwear up to \$500 in value and provided for an additional sales tax free week in January, 1999. Increased the existing clothing threshold to \$110 from \$100, and made footwear up to \$110 permanently exempt from State sales tax starting December 1, 1999.
- 60. Updated the tax code to reflect rapid technological changes in the telecommunications industry by expanding the sales tax exemption available to these companies.
- 61. Eliminated the sales tax on the sales of text books required for use by full and part-time college students in their college courses.
- 62. Eliminated the sales tax on computer system hardware used to design and develop computer software for sale.
- 63. Exempted coin-operated telephone calls costing 25 cents or less from the sales tax. The current exemption is 10 cents.

Other Taxes

Tax Cuts En acted in 1995

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

Tax Cuts En acted in 1996

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

Tax Cuts En acted in 1997

- 71. Increased from \$115,000 to \$300,000 the value of estates and gifts exempt from tax (effective October 1, 1998 for estates and January 1, 1999 for gifts); repealed the Gift Tax for gifts made on or after January 1, 2000; and replaced the current State estate tax with a pick-up tax on February 1, 2000, which will, over time, exempt estates up to \$1,000,000.
- 72. Repealed the container tax October 1, 1998.
- 73. Phased in the elimination of assessments on providers of certain medical services.

Tax Cuts En acted in 1998

- 74. Provided estate tax benefits including a family-owned business exemption of up to \$1.3 million of the value of the business and an exemption for estates with land subject to conservation easements.
- 75. Reduced motor vehicle registration fees by 21 percent. Allowed for a refund of motor vehicle registration fees in cases where the registration is surrendered before the registration period is half over.
- 76. Reduced the excise tax on beer from 16 cents to 13.5 cents per gallon.
- 77. Reduced the truck mileage tax by 25 percent.
- 78. Extended until 2002 the existing tax reductions for harness and thorough bred race tracks and off-track betting corporations, along with expanded simulcasting authority.

Citizen's Guide

The Citizen s Guide to the Executive Budget

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Legislation Required for the Budget

Legislation Required For The Budget

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

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

General Government

- ◆ Authorize the Department of State to offer multiple levels of licensing services at varying fees.
- ◆ Consolidate two Department of State special revenue accounts into a Business and Licensing account.
- ◆ Extend and make permanent the Community Services Block Grant program.
- ◆ Authorize the adoption of model fire prevention, building and energy codes.
- ◆ Authorize pension system administrative costs to be charged directly to the pension fund and simplify the approach to payment of deficiency contributions by new employers.
- ◆ Permit the use of Certificates of Participation (COPs) to fund certain services for Year 2000 compliance.
- ◆ Extend provisions related to the Property/Casualty Insurance Security Fund.
- ◆ Authorize deposits and temporary loans between various funds, bond cap changes and other general provisions.

Education, Labor and Family Assistance

- ◆ Discontinue certain State Education Department Higher Education functions and transfer Local Assistance programs to the Higher Education Services Corporation.
- ◆ Implement special education and other educational reform measures.
- ◆ Modify the School Tax Relief (STAR) program to limit annual school property tax increases and make other program changes.

- ◆ Transfer the Research Institute on Addictions from the Office of Alcoholism and Substance Abuse Services to SUNY at Buffalo.
- ◆ Extend the Family and Children's Services Block Grant enacted in 1995-96.
- ◆ Facilitate Division of Human Rights reimbursement from the Federal Department of Housing and Urban Development for case processing.

Public Protection, Health and Mental Hygiene

- ◆ Transfer authority for administration of the Division of Probation and Correctional Alternatives' and Division of Parole's Interstate Compact to the Division of Criminal Justice Services.
- ◆ Expand Shock Incarceration program eligibility.
- ◆ Eliminate reimbursement to localities for housing low level felons in local jails.
- ◆ Authorize increased percentage of gross reimbursement for county clerks providing Department of Motor Vehicles services.
- ◆ Authorize the Department of Motor Vehicles to suspend or revoke a driver's license upon conviction of drug-related offenses.
- ◆ Authorize the Department of Motor Vehicles to use current postal service addresses for correspondence relating to suspension notices and hearing notifications.
- ◆ Establish penalties for operating out-of-service vehicles.
- ◆ Extend various criminal justice programs and fees.
- ◆ Establish a new state wide Public Safety Communications Account.
- ◆ Implement State conformity with the Federal Sex Offender Registration Act.
- ◆ Authorize an increase in State aid for localities to offset the increase in District Attorney salaries.
- ◆ Set uniform local match requirements for all components of the Community Services for the Elderly and Expanded In-Home Services for the Elderly programs.
- ◆ Provide for consolidation of alcoholism and substance abuse licenses, funded prospectively under a single state wide reimbursement formula.
- ◆ Eliminate the Youth Opportunity program.
- ◆ Contain Medicaid program costs and access other available funding sources.

Legislation Required for the Budget

Transportation, Economic Development and Environmental Conservation

- ◆ Authorize the Dormitory Authority to provide funds to Cornell University for the operation of the Cornell Thery Center.
- ◆ Transfer Federal petroleum overcharge funds to the Power Authority for its reciprocal transfer to the General Fund.
- ◆ Authorize bonding for the CHIPs capital, Marchiselli and Multi-Modal programs.
- ◆ Establish a surcharge on exotic and super exotic wagers to support State regulation of racing.
- ◆ Increase permit fees on stationary sources of air pollution to fund federally required air pollution activities, and repeal the current mandate for heavy duty clean fueled fleet program.
- ◆ Extend the authorization for pesticide registration fees.
- ◆ Increase per barrel license fees for petroleum transfers, and petroleum bulk storage tank registration fees, to support Oil Spill Fund inspection and remediation activity.
- ◆ Authorize and continue selected program purposes for the Environmental Protection Fund (EPF) and establish the Hudson River Estuary Account within the EPF.
- ◆ Establish a State assistance program to offset the cost of State forest property tax exemptions.
- ◆ Authorize assessments on utilities to be used for Energy Research and Development Authority research costs and require expenditure reports from those agencies utilizing public service assessment funds.

Revenue

- ◆ Revise the personal income tax threshold, tax brackets and dependent exemptions.
- ◆ Reduce the Alternative Minimum Tax from 3% to 2.5%.
- ◆ Increase the Qualified Emerging Technology credit.
- ◆ Implement tax credit of up to \$1,000 per job to businesses expanding by more than 25 jobs in a city.
- ◆ Create a New York Capital Asset exclusion.
- ◆ Reduce Bank and Insurance Tax rates.

- ◆ Reform and reduce energy taxes.
- ◆ Terminate the assessments on medical providers.
- ◆ Expand farmers' school property tax credit.
- ◆ Extend special requirements for parking operators in Manhattan.
- ◆ Eliminate minimum taxes on aviation fuel companies and petroleum businesses.
- ◆ Implement tax relief for homeowners' associations and agricultural co-ops.
- ◆ Implement a new price index to determine the price of cigarettes for prepaid sales tax purposes.
- ◆ Extend authorization for the Quick Draw game.
- ◆ Liberalize restrictions on Quick Draw.
- ◆ Increase instant game payouts.
- ◆ Conform the State's estate tax to 1998 Internal Revenue Code changes.
- ◆ Extend the tax cut on real estate investment trusts.
- ◆ Extend the mandatory surcharge on Vehicle and Traffic Law infractions.
- ◆ Implement income tax spouse reforms.