

# SENATE FINANCE MINORITY

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Staff Analysis of the  
2012-13  
Executive Budget

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RANKING MINORITY MEMBER  
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HIGHER EDUCATION  
HOUSING, CONSTRUCTION  
& COMMUNITY DEVELOPMENT  
JUDICIARY  
RULES

January 25, 2012

Dear Colleagues:

On Tuesday, January 17th, Governor Cuomo proposed his Executive Budget for the 2012-13 Fiscal Year. The Executive Budget presents the Governor's plan for closing an anticipated gap of \$2 billion. The budget proposal closes this gap primarily through state agency savings of \$1.14 billion and savings in local assistance of \$756 million, mainly accomplished by holding agency budgets flat and eliminating cost of living increases and trend factors.

These actions follow tax code changes passed in December which are expected to generate an additional \$1.5 billion in revenue for fiscal 2012-13 and which significantly reduced the budget gap that must now be addressed. While this year's budget gap is much more modest and manageable than the \$10 billion gap the state faced in 2011-12, the Senate will still face extremely difficult choices in achieving a balanced budget for the coming year that meets the needs of New Yorkers, particularly in the challenging economic times we are still facing.

In addition to closing the budget gap, the Governor has proposed a number of significant policy changes that the Senate will need to evaluate, including the establishment of a health exchange, a new pension tier with an optional defined contribution plan, and further consolidation of state agencies and authorities. The Governor also proposes using state aid as an incentive to encourage implementation of teacher evaluations by local school districts and to control executive compensation for non-profits receiving funding from the State.

The data and analyses prepared by Finance Committee staff and included in this document will provide insights into these and other proposals in the Executive Budget which can inform the difficult decisions the Senate faces. I look forward to working with all of you as we consider the Governor's proposals in our shared effort to develop a final budget that addresses existing budget gaps, protects the most vulnerable New Yorkers, and continues to reform and improve state government operations.

Sincerely,

A handwritten signature in black ink that reads "Liz Krueger".

Liz Krueger  
Ranking Minority Member  
Senate Finance Committee

**STAFF ANALYSIS OF THE  
SFY 2012 EXECUTIVE BUDGET**  
As prepared by the  
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**Schedule of Legislative Public Budget Hearings for  
SFY 2012-13  
Excutive Budget Proposal**

Date	Location	Time	Topic
January 23 <sup>rd</sup>	Hearing Room B	10:00 AM	Elementary & Secondary Education
January 24 <sup>th</sup>	Hearing Room B	9:30 AM	Local Government Officials /General Government
January 25 <sup>th</sup>	Hearing Room B	10:00 AM	Workforce Issues
January 26 <sup>th</sup>	Hearing Room B	10:00 AM	Transportation
January 30 <sup>th</sup>	Hearing Room B	9:30 AM	Public Protection
January 31 <sup>st</sup>	Hearing Room B	9:30 AM	Economic Development
February 1 <sup>st</sup>	Hearing Room B	9:30 AM	Higher Education
February 6 <sup>th</sup>	Hearing Room B	10:00 AM	Taxes
February 7 <sup>th</sup>	Hearing Room B	9:30 AM	Environmental Conservation
February 8 <sup>th</sup>	Hearing Room B	10:00 AM	Health / Medicaid
February 13 <sup>th</sup>	Hearing Room B	9:30 AM	Human Services
February 13 <sup>th</sup>	Hearing Room B	12:00 PM	Housing
February 14 <sup>th</sup>	Hearing Room B	9:30 AM	Mental Hygiene

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**FINANCIAL PLAN OVERVIEW**

<b>STATE RECEIPTS</b>				
<b>(billions of dollars)</b>				
	<b>SFY 2011-12</b>	<b>SFY 2012-13</b>	<b>Annual Change</b>	
			<b>Amount</b>	<b>Percent</b>
General Fund	\$57.214	58.715	\$1.501	2.6%
State Funds	\$88.377	\$90.802	\$2.425	2.7%
All Funds	\$132.306	\$132.724	\$.418	0.3%

- Total All Funds receipts are projected to reach \$ Total All Funds receipts are projected to reach \$132.7 billion, an increase of \$418 million, or 0.3 percent from FY 2012 estimates. All Funds tax receipts are projected to grow by \$2 billion or 3.1 percent. This increase is attributable to continued positive economic growth, partially offset by the net impact of expired and recently enacted personal income tax rate legislation.
- Total State Funds receipts are projected to be \$90.8 billion, an increase of \$2.4 billion, or 2.7 percent from the FY 2012 estimate.
- Total General Fund receipts are projected to be \$58.7 billion, an increase of \$1.5 billion, or 2.6 percent from FY 2012 estimates. General Fund tax receipts are projected to grow by 3.5 percent, while General Fund miscellaneous receipts are projected to decline by \$175 million (5.4 percent). Federal grants revenues are projected to remain constant.
- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 5.7 percent for FY 2013.

***State Revenue Base Growth***

Base growth, adjusted for law changes, in tax receipts for fiscal year 2011-12 is estimated to grow 7.5 percent and 5.7 percent in 2012-13 according to DOB. Base receipts are not the same as actual State receipts and overall base revenue growth in tax receipts essentially reflects underlying economic activity independent of law changes.

The estimated base receipts growth in 2011-12 results from:

- A strong tax year 2010 personal income tax settlement;
- Moderate corporate profits growth and insurance premium growth; and
- Increased consumption resulting from wage and employment growth as well as the federal payroll tax cut.
- The deceleration in base growth in 2012-13 primarily results from:
  - A decline in extension payments;
  - Slower corporate profits growth; and
  - Slower consumer spending growth resulting from a return of the full federal payroll tax.

**DISBURSEMENTS**

<b>DISBURSEMENTS</b>				
<b>(billions of dollars)</b>				
	<b>SFY 2011-12</b>	<b>SFY 2012-13</b>	<b>Annual Change</b>	
			<b>Amount</b>	<b>Percentage</b>
All Funds	\$132.735	\$132.510	(.225)	(0.2)
State Funds*	\$93.288	\$94.795	\$1.507	1.6%
State Operating Funds	\$87.048	\$88.734	\$1.686	1.9%
General Fund**	\$56.915	\$58.592	\$1.677	2.9%

\* Includes Capital Funds

\*\*Includes transfers

DOB estimates that State Operating Funds spending will total \$88.7 billion in SFY 2012-13, an increase of \$1.7 billion (1.9 percent) from the estimate for SFY 2011-12. All Governmental Funds spending, which includes capital projects and Federal operating funds, would total \$132.5 billion, a decrease of \$225 million (-0.2 percent) from the current year.

Before the proposed spending controls and management actions in the Executive Budget, State Operating Funds spending was projected to total \$90.8 billion (base level), an increase of \$3.7 billion, or 4.3 percent, over the current-year estimate. The SFY 2012-13 Executive Budget recommends \$2.0 billion in savings from various spending controls, which would reduce State Operating Funds spending in SFY 2012-13 to \$88.7 billion, an annual increase of 1.9 percent over the FY 2012 estimate.

State Operating Funds **local assistance** spending is expected to increase by a net amount of \$1.5 billion, or 2.6 percent, over FY 2012. In FY 2013, State funding for School Aid (on a school year basis) and Medicaid increases by approximately 4 percent from 2012 levels, consistent with caps enacted in FY 2012. Medicaid spending, before factoring in the savings expected from the State’s takeover of administration and including Medicaid costs that are reflected on the non-personal services line of the Financial Plan, increases by 4 percent (not shown on table). Other local assistance increases include transportation, reflecting disbursements of dedicated tax receipts; special education, resulting from actions that temporarily reduced spending in FY 2012; and child welfare, due to a reduction in available Federal funding and lower growth in claims-based programs. These increases are partly offset by annual reductions in mental hygiene programs reflecting the impact of ongoing cost-containment efforts, continued programmatic and costs reviews, and lower public health spending due to the phase-down of Federal-State Health Reform Partnership (F-SHRP) program and declines in the EPIC program resulting from prior year cost containment actions.

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (e.g., utilities). State Operating Funds spending for agency operations is estimated at \$23.5 billion in SFY 2012-13, a decline of \$103 million (-0.4 percent) from the current year. Reductions from the FY 2013 current-services forecast for agency operating costs contribute 1.1 billion to the General Fund gap-closing plan. Except for the General Fund, all growth rates in the proposed budget are below the level of inflation.

**GENERAL FUND FINANCIAL PLAN GAPS**

As shown in the following table, the projected General Fund budget gaps, absent any changes, would total approximately \$16.4 billion over the next four years. The proposed Executive Budget would eliminate the projected \$3.5 billion budget gap in SFY 2012-13 and reduce the projected out-year budget gaps by an additional \$5.6 billion. Over the four year period, the budget gaps would be reduced by a total of approximately \$9.0 billion, or 69%.

<b>GENERAL FUND FINANCIAL PLAN GAPS</b>			
<b>(billions of dollars)</b>			
	<b>Before Budget Actions</b>	<b>After Budget Actions</b>	<b>Percentage Decrease</b>
SFY 2012-13	\$3.500	\$0	100%
SFY 2013-14	\$3.624	\$.715	81%
SFY 2014-15	\$5.044	\$2.974	41%
SFY 2015-16	\$4.246	\$3.721	12%
<b>Four Year Total</b>	<b>\$16.414</b>	<b>\$7.410</b>	<b>69%</b>

The proposed budget does not include any one-shots or new borrowing for operating expenses.

Risks to budget balance remain in the current fiscal year. They include the potential that actual tax receipts may fall below the revised estimates; year-end transactions, such as the transfer of excess balances from other funds or payments from non-State entities, may occur at lower levels than assumed in the Financial Plan; and disbursements in certain programs, especially economically-sensitive programs such as Medicaid may exceed budgeted amounts.

**SFY 2012-13 GAP CLOSING PLAN**

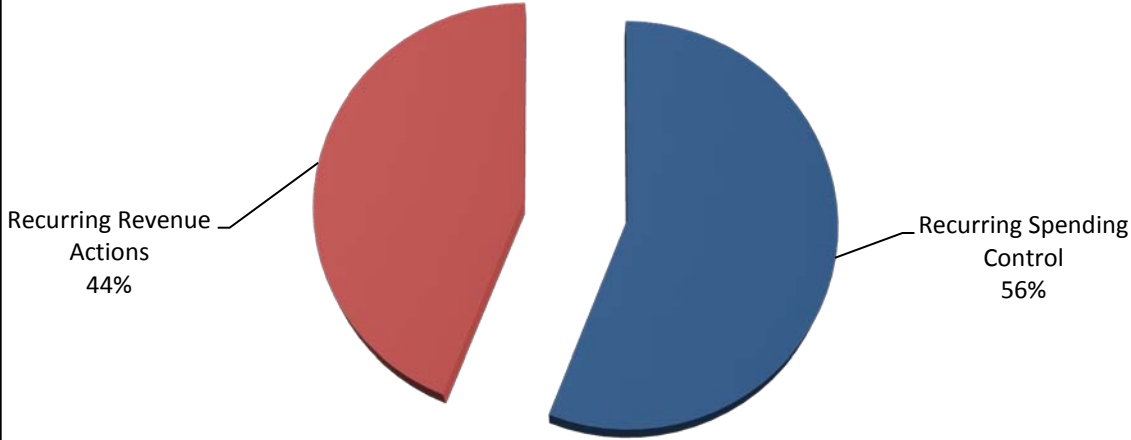
The Executive Budget closes an estimated General Fund gap of \$3.5 billion. The table below summarizes the budget gaps estimated prior to any actions proposed in the SFY 2012-13 Executive budget and the gaps remaining after those actions.

Actions to close the gap fall into categories as outlined in the table below.

<b>GAP CLOSING PLAN</b>		
<b>(billions of dollars)</b>		
	<b>Amount</b>	<b>Percentage</b>
Recurring Spending Actions/Debt	\$1.964	56%
Recurring Revenue Actions	\$1.536	44%
<b>Total</b>	<b>\$3.500</b>	<b>100%</b>

Fully 100% of actions taken to close the gap in the SFY 2012-13 Executive Budget proposal are recurring. There are no non-recurring “one shots” actions proposed in this budget.

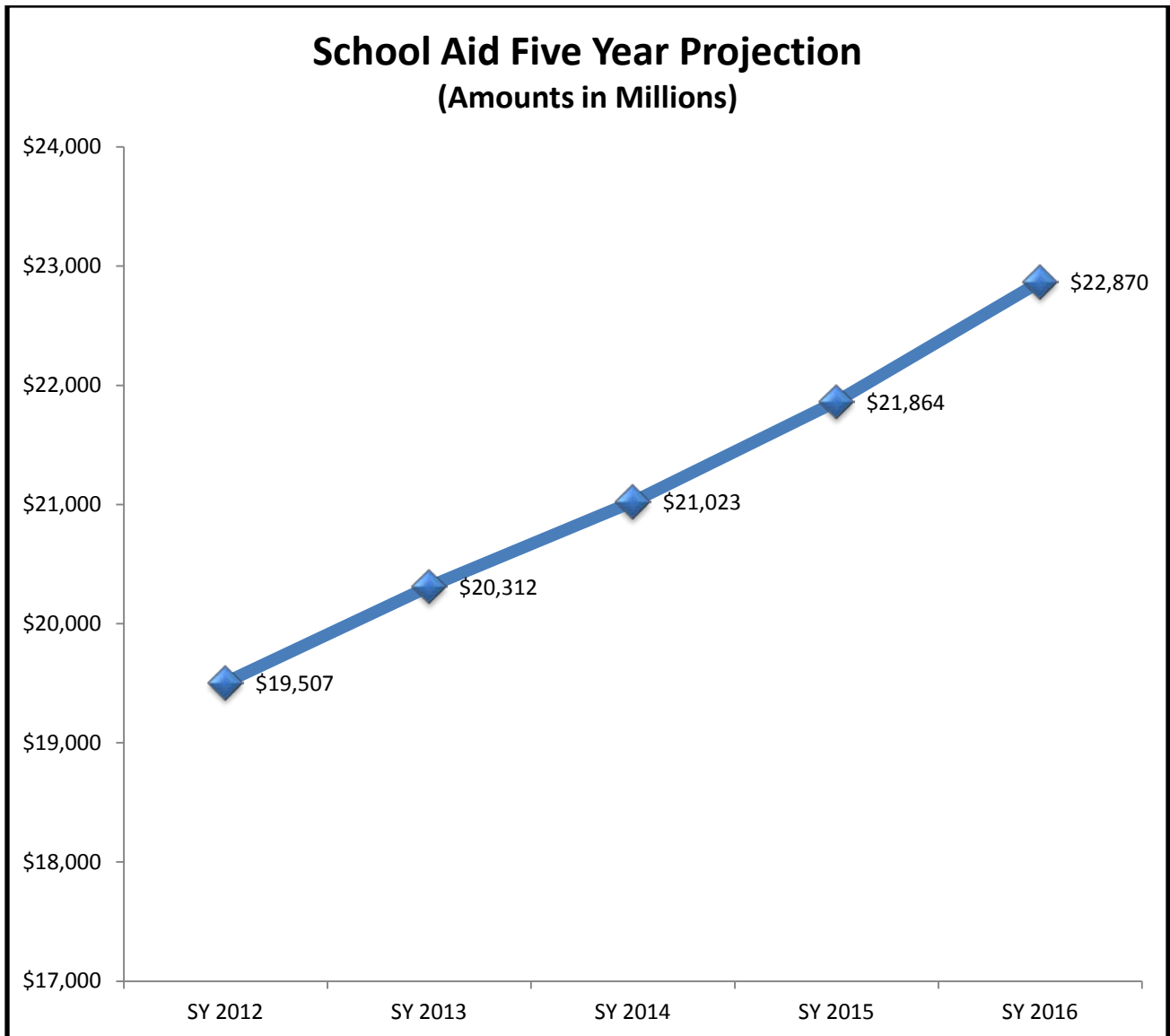
# Shares of SFY 2012-13 Gap-Closing Plan



<b>General Fund Gap –Closing Plan for SFY 2012-13</b>	
Amounts in Millions	
	<b>SFY 2012-13 EXECUTIVE</b>
<b>CURRENT SERVICES GAP</b>	<b>(3,500)</b>
<b>SPENDING CONTROLS</b>	<b>1,964</b>
<b>AGENCY OPERATIONS</b>	<b>1,141</b>
Agencies	580
Independent Officials	255
Enterprise /Consolidations	109
Health Insurance Rate Renewal	130
Fringe Benefits (New Proposals)	67
<b>LOCAL ASSISTANCE</b>	<b>756</b>
COLA's/Trends	150
Mental Hygiene	172
Social Services/Housing	144
Public Health	
<b>DEBT MANAGEMENT</b>	<b>140</b>
<b>NEW INITIATIVES/INVESTMENTS</b>	<b>(73)</b>
Local Medicaid Growth	16
Agency Redesign	(43)
SSI Administration Takeover from Federal Government	(11)
Protection of Vulnerable Populations	(10)
Rural Rental Assistance	(6)
All Other	(19)
<b>TAX REFORM (December 2011)</b>	<b>1,536</b>
Tax Code Reform	1,931
MTA Payroll Tax reform	(250)
Reduce Corporate Tax on Manufacturers	(25)
New York Youth Works Tax Credit	(20)
Economic Development Initiatives	(32)
Inner City Youth Works	(25)
Disaster Relief Package	(20)
Educational Opportunities	(11)
All Other	(12)
<b>NEW COSTS/OTHER NET</b>	<b>0</b>
TANF Child Care Replacement	(93)
Mental Hygiene System Funding	0
Excess Pension Payment	0
All Other	93
<b>SFY 2012-13 EXECUTIVE BUDGET GAP (after actions)</b>	<b>0</b>

**EDUCATION**

The enacted budget for State Fiscal Year 2011-2012 limited school aid growth to the rate of growth of personal income. For State Fiscal Year 2012-2013 total school aid will increase by 4.1% of \$805 million. It is estimated that personal income growth would increase by 3.5% or \$711 million for SY 2013-2014, 4% or \$841 million for SY 2014-15 and 4.6% or approximately \$1 billion for SY 2015-2016. These fund increases would allow for, but would not be limited to, statutory expense-base increases, competitive grant programs, additional spending on competitive grants, Foundation Aid increases or restorations to the Gap Elimination Adjustment.



**Gap Elimination Adjustment:**

The State Fiscal Year (SFY) 2012-2013 Executive Budget proposal reduces State Aid by \$2.26 billion. This reduction is based on a Gap Elimination Adjustment (GEA) formula that recognizes school district wealth, student poverty, enrollment and the impact of the GEA reduction. The GEA excludes Building Aids and Prekindergarten Aid.

The minimum GEA restoration is 1% of the Gap Elimination Adjustment for 2011-2012 while the maximum restoration is 25% of the total GEA for SY 2011-12. High need school districts will receive almost 76% of the total GEA restoration for SY 2012-13.

**Foundation Aid:** The Executive Budget maintains Foundation Aid for the 2011-12 school year at \$14.9 million, the amount available for the 2011-12 school year. Foundation Aid was enacted in SFY 2007-2008 and was intended to be phased-in over a four year period. Unfortunately, the economic downturn has kept Foundation Aid frozen since SFY 2009-2010.

**Building Aid and Building Reorganization Aid:** Building Aid allows school districts to receive aid for approved building projects. The Executive proposes a 3.49% increase in Building Aid and Reorganization Aid to \$2.66 billion from the prior year's \$2.72 billion. The Executive also proposes that school districts that missed final cost reporting deadlines become eligible for aid with a penalty.

**Transportation Aid:** The Executive recommends a \$64 million increase in transportation aid to \$1.675 billion. In addition, the Executive proposes to extend for five years, the provision that allows school districts to award transportation contracts through a Request For Proposal (RFP) process.

**Boards of Cooperative Educational Services (BOCES):** BOCES services are created when two or more school districts recognize they have similar needs that can be met by a shared program. BOCES helps school districts save money by providing opportunities to pool resources and share costs. BOCES services are often customized offering districts the flexibility to meet their individual needs. The Governor's Budget fully funds the \$16.6 million increase in present law for BOCES Aid. This is an increase of 2.6% from SY 2011-12.

**Excess Cost Aids: Private Excess Cost Aid** provides reimbursement for public school children with more severe disabilities who are placed in private school settings or in the State-operated schools in Rome and Batavia. The Executive recommendation for SY 2012-2013 provides present law funding in the amount of \$362.7 million, an increase of \$45.6 million or 14.3% over prior school year funding levels.

**Public Excess Cost-High Cost** is reimbursement for the additional costs associated with providing resource-intensive special education program for students with disabilities. The Executive Budget proposal includes present law funding in the amount of \$498 million, an increase of \$22.92 million or 4.87% over the prior school year.

Supplemental Excess Cost Aid is funded at \$4.3 million, consistent with both SFY 2010-2011 and 2011-12 levels.

**Universal Pre-K:** The New York State Universal Prekindergarten (UPK) program was established under Chapter 436 of the Laws of 1997. During the 2004-05 school year, 192 districts (224 eligible) served approximately 57,000 students. In School Year 2012-2013, this number has increased considerably from 192 to 450 school districts and the number of 4-year old has increased from 57,000 to almost 108,400. The Executive recommends funding for Universal Pre-kindergarten be maintained at \$384 million, an increase of \$1 million from the prior year. Full-Day Kindergarten Conversion Aid statutory provisions are continued in the Executive proposal and Aid is increased by \$1.7 million to \$6.7 million in SY 2012-13..



**HIGHER EDUCATION**

The SFY 2011-12 Executive Budget recommends an All Funds appropriation of \$14.03 billion for New York State public and private higher education programs, an increase of \$768 million or 5.8% from the current appropriation level of \$13.26 billion. The All Funds spending of \$14.03 billion in 2011-12 is comprised of \$10.1 billion for State University of New York (SUNY), \$3.87 billion for City University of New York (CUNY).

***NY SUNY 2020***

This legislation created a rational tuition policy for the City University of New York and State University of New York by authorizing an increase in tuition of \$300 per year for resident undergraduate students. In addition, it authorized SUNY Trustees to increase non-resident undergraduate tuition by 10% each year.

This legislation also established a tuition credit program if the annual undergraduate tuition rate exceeds \$5,000. The amount of the applicable credit would be based on the level of a student's TAP award, and would be calculated by the Higher Education Services Corporation.

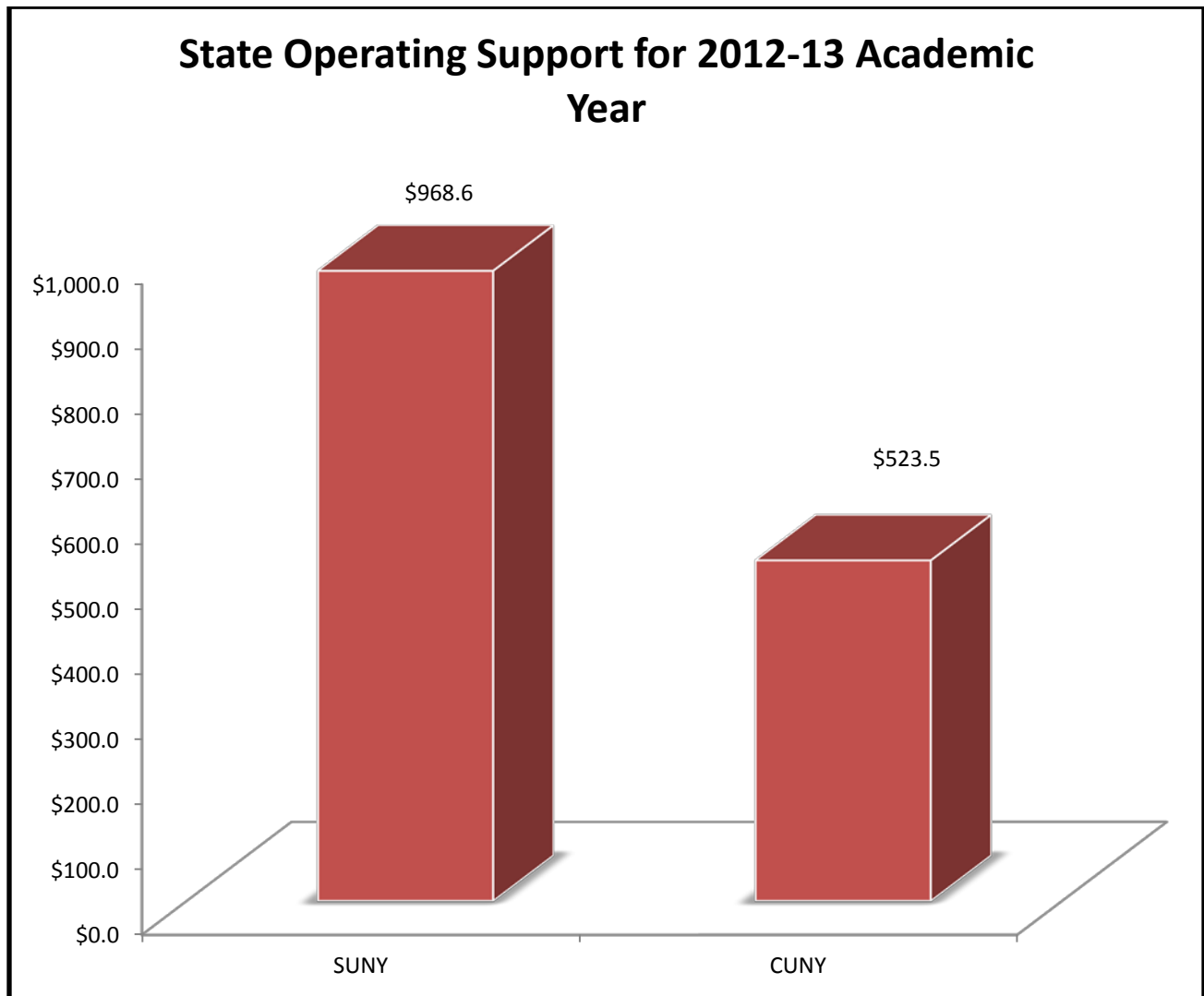
It allowed each University Center at SUNY to set aside a portion of revenue for financial aid for students with a net taxable income above \$80,000 but below \$100,000. However, this would require the approval of the SUNY Chancellor and the Governor.

SUNY and CUNY Trustees were required to conduct a study of the effectiveness and functionality of the TAP program and recommend changes to better meet the future financial needs of students who reside in New York State.

The NY SUNY 2020 law also included a conflict of interest policy for the Research Foundations of SUNY and CUNY and its individuals campuses. As a general principle no board member or officer shall use the foundation as a means of private benefit or benefit of a family member or private entity. It also requires Board members to excuse themselves from voting on any transaction or the administration of any contracts for services and goods in which a family member, business entity or they have a conflict of interest. In addition, Board members must disclose of any existing or future conflict of interest associated with vendor contracts.

In terms of capital funding the NY-SUNY 2020 Challenge Grant Program authorized the issuance of \$80 million in bonds for the purpose of implementing the capital program under the NY SUNY Challenge Grant Program. Of this amount, the first \$80 million of a \$140 million program funded from several sources includes \$20 million from the Governor and \$15 million from SUNY.

The enacted legislation allowed SUNY University Centers to utilize existing appropriations and reappropriations to progress capital projects in relation to the NY SUNY 2020 Challenge.



According to the NY SUNY 2020 legislation, recommended levels of General Fund operating support should remain the same as in State Fiscal Year 2011-12. The Executive Budget recommendation recognizes tuition increases approved as part of the NY SUNY 2020 legislation. Resident undergraduate tuition for the fall 2011 semester was increased by \$300 bringing SUNY and CUNY tuition from \$5,270 to \$5,570 for SUNY and from \$5,130 to \$5,430. These increases generated \$113.2 million and \$66.6 million in tuition revenue for SUNY and CUNY respectively.

**COMMUNITY COLLEGES' BASE OPERATING AID**

The Executive recommendation maintains base aid for CUNY and SUNY community colleges at \$2,221 per Full-Time Equivalent (FTE) student.

**HIGHER EDUCATION CAPITAL PLANS**

The SFY 2012-13 Executive Budget provides for 41.1 billion in capital project appropriation for SUNY and \$347.9 million for CUNY. The Executive proposal does not include any new capital appropriations to support projects at SUNY and CUNY community colleges. However, SUNY community colleges can participate from a new NY SUNY 2020 grant challenge program proposed by the Governor for economic development purposes. The SFY 2011-12 Executive Budget recommends \$284 million in capital appropriations for the CUNY Senior colleges to continue addressing the accumulated backlog of critical maintenance projects. The Executive recommends a total of \$550 million in SUNY capital funds to continue addressing the accumulated backlog of critical maintenance projects.

**HIGHER EDUCATION SERVICES CORPORATION (HESC)**

The Executive Budget proposal maintains the Tuition Assistance Program (TAP) at \$930.6 million a, increase of \$28.1 million. The rising costs of college education, student indebtedness and access to higher education remain a major concern to New York State citizens. The Executive recommendation would eliminate \$2.5 million from the New York Higher Education Loan Program (NYHELP).

**Changes to the Tuition Assistance Program (TAP)**

The Executive continues a series of changes to the Tuition Assistance Program (TAP) enacted in last year's enacted budget including:

**FINANCIAL AID AND OPPORTUNITY PROGRAMS**

The Executive Budget maintains funding for most higher education scholarship and grant programs for the SFY 2012-13 (see chart below). There are a few exceptions where funding was increased as part of the December 2011 Special Session. Those expenditures will be available for continued support in the reaming SFY 2011-2012 and 2012-2013 as funds were reappropriated in the Executive Budget recommendation legislation.

# HIGHER EDUCATION

## HIGHLIGHTS

### Summary of Proposed Spending in Higher Education-SFY 2012-13

<i>PROGRAMS</i>	<b><u>11-12 ADJUSTED</u></b>	<b><u>12-13 PROPOSED</u></b>	<b><u>CHANGE</u></b>	<b><u>% CHANGE</u></b>
Direct Institutional (BUNDY AID)	\$35,129,000	\$35,129,000	\$0	0.00%
Tuition Assistance Program (TAP)	\$902,542,000	\$930,614,000	\$28,072,000	3.11%
Aid For Part-time Study (APTS)	\$14,357,000	\$14,357,000	\$0	0.00%
Higher Education Opportunity Programs (HEOP)	\$20,783,000	\$20,783,000	\$0	0.00%
Independent Colleges Nursing Programs	\$941,000	\$941,000	\$0	0.00%
Educational Opportunity Program (EOP)	\$19,520,800	\$21,080,000	\$1,559,200	7.99%
Educational Opportunity Centers (EOC)	\$48,687,200	\$50,980,000	\$2,292,800	4.71%
Search for Education, Elevation and Knowledge (SEEK)	\$17,378,000	\$18,378,000	\$1,000,000	5.75%
College Discovery (CD)	\$828,390	\$883,390	\$55,000	6.64%
STEP	\$9,774,000	\$9,774,000	\$0	0.00%
C-STEP	\$7,406,000	\$7,406,000	\$0	0.00%
Liberty Partnerships	\$10,842,000	\$10,842,000	\$0	0.00%
Scholarships including MERIT, Math & Science, World Trade Center and others	\$43,256,000	\$43,875,000	\$619,000	1.43%
Teacher Opportunity Corps	\$450,000	\$450,000	\$0	0.00%
Senator McGee Nursing Faculty Scholarship/Loan Forgiveness Program	\$3,933,000	\$3,933,000	\$0	0.00%
Social Worker Loan Forgiveness Program	\$978,000	\$978,000	\$0	0.00%
<b>Subtotal HESC, SED and Other Higher Education Opportunity Programs</b>	<b>\$1,136,805,390</b>	<b>\$1,170,403,390</b>	<b>\$33,598,000</b>	<b>2.96%</b>
<b><u>Operating Budget</u></b>				
<b><u>SUNY</u></b>				
SUNY State-operated Campuses	\$1,281,784,000	\$1,447,205,000	\$165,421,000	12.91%
SUNY Tuition/Fees Revenues	\$837,800,000	\$839,230,500	\$1,430,500	0.17%
SUNY Empire Innovation	\$9,856,900	\$15,245,300	\$5,388,400	54.67%
SUNY Community College Base Aid	\$424,012,345	\$417,118,400	-\$6,893,945	-1.63%
SUNY Community Colleges High Need Programs	\$1,692,000	\$1,692,000	\$0	0.00%
SUNY Community Colleges Low Enrollment	\$940,000	\$940,000	\$0	0.00%
SUNY Community College Contract Courses	\$1,880,000	\$1,880,000	\$0	0.00%
SUNY Rental Aid	\$11,173,000	\$11,579,000	\$406,000	3.63%
SUNY Capital Plan	\$1,003,370,750	\$1,106,067,000	\$102,696,250	10.24%
<b>Subtotal SUNY</b>	<b>\$3,572,508,995</b>	<b>\$3,840,957,200</b>	<b>\$268,448,205</b>	<b>7.51%</b>
<b><u>CUNY</u></b>				
CUNY Senior Colleges	\$1,047,498,000	\$1,119,266,900	\$71,768,900	6.85%
CUNY Tuition/Fees Revenues	\$761,117,000	\$903,698,000	\$142,581,000	18.73%
CUNY Community College Base Aid	\$165,877,275	\$172,287,300	\$6,410,025	3.86%
CUNY Community College Contract Courses and Workforce Development	\$1,880,000	\$1,880,000	\$0	0.00%
CUNY Capital Plan	\$336,461,000	\$347,909,000	\$11,448,000	3.40%
CUNY Rental Aid	\$8,214,000	\$8,247,000	\$33,000	0.40%
<b>Subtotal CUNY</b>	<b>\$2,321,047,275</b>	<b>\$2,553,288,200</b>	<b>\$232,240,925</b>	<b>10.01%</b>
<b>Total</b>	<b>\$7,030,361,660</b>	<b>\$7,564,648,790</b>	<b>\$534,287,130</b>	<b>7.60%</b>

**MEDICAID REDESIGN TEAM**

Under Executive order # 5 of 2011, the Governor established the Medicaid Redesign Team, which is charged with reform New York State’s Medicaid program. The goal of this team is to restore quality and integrity to the program, while developing programs and initiatives that provides health in a cost effective, efficient and coordinated manner.

The redesign team includes 27 members comprising of industry representative, stakeholders and experts from across the State, including Senator(s) Duane and Hannon, Assemblymember(s) Gottfried and Giglio. Other members include: Hospital Association of New York State, Greater New York Hospital Association, SEIU 1199, Continuing Care Leadership Coalition, Community Health Care Association of New York, Medicaid Matters, and New York State Association of Counties.

The Medicaid Redesign Team performed its task in two phases. The first phase, to be completed by **March 1, 2011**, required the team to identify \$2.85 billion in reductions to the Medicaid program, which were included as part of the SFY 2011-12 Enacted Budget. The SFY 2011-12 Executive Budget also included language that capped Medicaid spending at \$15.3 billion SFY 2011-12, and \$15.9 billion for SFY 2012-13. The language in this proposal permanently capped state fiscal year to year growth in Medicaid to a rolling consumer price index, which is currently projected at 4 percent.

The second of the team’s task was to develop a comprehensive long term plan for reforming the entire Medicaid program with programs and initiatives that make it cost effective, efficient, and coordinated program offering quality services. Known as Phase II of Medicaid Redesign, nine workgroups were established with additional expertise to help develop recommendations in complex issue areas, including supportive housing, behavioral health reforms, managed long-term care implementation, payment reforms, quality measurement and streamlining State and local responsibilities. The nine workgroups voted on and issued a final official report with their recommendations to the Governor in early **December 2011**. The Governor selected a number of the recommendations to include in the 2012-13 budget based on undisclosed criteria. All of the Medicaid proposals included in the Executive Budget require statutory authority from the legislature, however a number of other proposals will be accomplished administratively.

The Medicaid Resign Team is required to submit quarterly reports to the Executive, with a final report due on **March 31, 2012**. Upon submission of the final report the team will terminate its work and be relieved of all duties and responsibilities.

**HUMAN SERVICES**

**Flexible Fund for Family Services:** The Executive Budget recommends a \$13 million increase over the 2011-12 funding level from \$951 million to \$964 million.

**Child Care Subsidies:** The Executive Budget increases General Fund support for child care subsidies by \$93 million to offset a reduction in funding through the Federal Temporary Assistance for Needy Families (TANF) program. The \$93 million increase in State share is necessary to bring the 2012-13 funding level of \$299.6 million back up to the 2011-12 funding level of \$392.9 million. The \$93 million in additional State funding will provide sufficient resources to maintain 19,000 child-care slots for working families that would otherwise be lost due to the reduction in Federal aid.

**Juvenile Justice:** Under the Executive's proposal, New York City youth currently placed in Office of Children and Family Services (OCFS) limited- and non-secure settings would be placed in programs and facilities in and around the City of New York through a new initiative called Close to Home. Consistent with these changes, the Executive proposes to reduce capacity in OCFS operated youth facilities outside of New York City. The proposal is expected to provide cost savings for both the State and localities when fully implemented. Under the Executive's proposal, savings to the State and local social services districts are projected to be \$12 million in 2012-13 and \$37 million in 2013-14.

As part of the Executive's 2012-13 plan to reduce the OCFS System, juvenile justice system capacity will be reduced by 324 beds and after care slots to reflect the impact of the initiative to place New York City youth in New York City-administered programs nearer their homes. New York City youth residing in non-secure youth facilities or community-based settings will be placed in the New York City-administered facilities in 2012-13, and New York City youth residing in limited-secure youth facilities will be placed in the New York City administered facilities in 2013-14. This is expected to result in additional savings of \$9 million in 2012-13 and \$37 million in 2013-14.

## **SPENDING AND GOVERNMENT EFFICIENCY (SAGE) COMMISSION: CONSOLIDATIONS , MERGERS AND OTHER ACTIONS**

Executive Order No. 4 (2011) established the Spending and Government Efficiency (SAGE) Commission. The SAGE Commission is charged with the responsibility to review and assess New York State Government structures, operations and processes for governing. Its primary goal is to reduce the size of government, find efficiencies, and look for ways to improve the delivery of services to New York State residents. The SAGE Commission report was released on December 2011. Our analysis looks at different examples of how the New York State Budget incorporated SAGE recommendations for State Fiscal Year 2012-2013:

- **Building a Culture of Performance:** The Executive Budget proposal continues the Administration's focus on performance. For example:
  - In SFY 2011-12, the enacted budget included an appropriation in the amount of \$500 million for two programs based on school district performance improvements and school district management efficiency. For 2012-13, the Executive proposes an expansion of those grants in the amount of \$200 million based on academic gains and management efficiencies for school districts;
  - Under the same rationale, the Executive proposes to discontinue planned cost of living adjustment payments for the aging, health, human services and mental hygiene areas. Although not included in this year's Budget, the Executive would submit a proposal in 2013-2014 that would base cost of living adjustments and rate increases on provider costs and whether or not the provider meet performance outcomes.
- **Building a Culture of Accountability:** The Executive Budget recommendation includes several proposals that intend to build a culture of accountability. The primary example of this would:
  - Authorize State Agency commissioners to promulgate regulations to address the extent and nature of a provider's administrative costs and executive compensation, including:
    - The Governor's proposal would require that 75% of the payments received by the provider must go toward providing direct care or services rather than the costs of administration. This would increase by 10% on April 1, 2015;.
    - In addition, reimbursement for any executive's compensation would be capped \$199,000 annually.
- **Align Regional Boundaries:** The SAGE Commission recommended the creation of a task force among key agencies (including Empire State Development Corporation, DOT and the Department Environmental Conservation) to align their regional boundaries and explore how to reduce the number of regions to more efficiently utilize resources and break down silos. In his Executive Budget proposal for SFY 2012-2013, Department of Transportation (DOT) would consolidate regional offices from eleven to six in order to create new regional paradigm;

- **Streamline the Organization of State Government:** In 2011-2012, the enacted budget consolidated and/or merged different state agencies including:
  - Foundation for Science, Technology and Innovation (NYSTAR) into the Department of Economic Development
  - Banking Department and Insurance Department into the Department of Financial Services
  - Division of Parole into the Department of Correctional Services and Community Supervision
  - Consumer Services Program from the State Consumer Protection Board to the Department of State

In 2012-2013, the Executive has proposed the consolidation, merger and or elimination of the following State entities:

- Merger of the Belleayre Mountain Ski Center with the Olympic Redevelopment Authority (ORDA);
  - Elimination or merger of 25 defunct or duplicative boards, commissions and task forces;
  - Merger of the Division of Lottery and the Racing and Wagering Board; and,
  - Merger of the Department of Civil Services and the Governor's Office of Employee Relations
- **Functional Center for Debt Collection:** As a starting point, the Executive Budget proposal for SFY 2012-13 proposes that the Department of Taxation and Finance take over bill collecting functions from the Higher Education Services Corporation. The federal government has to provide approval before HESC transfers bill collection responsibilities for Tax and Finance;
  - **Creation of a Business Services Center:** The Executive Budget proposes to expand the role played by the Office of General Services (OGS) and consolidate back-office functions of 29 State agencies. This Center would handle all purchasing, human resources and financial transactions processing for the State including accounts payable, accounts receivable, purchasing, payroll, time and attendance and benefits management.
  - **Civil Service Reform:** Article VII legislation would provide the State with increased flexibility with respect to hiring and transferring state employees. This proposal also requires civil service reforms that would extend the IT 500 (chapter 500 of the Laws of 2009) law that sunset on December 12, 2011 and expand it to cover other technical positions where extensive staff augmentation is done today, and enact open promotion legislation for IT and other technical positions to fill promotional vacancies;



- **Creation of the New York Works Task Force:** The SAGE Commission report proposed that the New York State should make efficient use of the State’s capital funds and assets. The Executive Budget recommendation for SFY 2012-13 creates the New York State Works Task Force. This Task Force is charged with developing a master plan and coordinating, leveraging and accelerating the State’s capital investments;
- **Virtual Capitol Online:** the SAGE Commission report included the development of a plan for a “Citizen One Stop”. This proposal included a multi-agency physical customer service “one-stop. Examples of these activities such as transitioning from paper to e-filing, mass customization of form correspondence technology, adopting handheld devices and other wireless technology, using intelligent case management systems and others; and,
- **Grant Contract Management:** The SAGE Commission called for an increase of interoperability among State and local IT systems, such as the emerging State and NYC Contracts and Grants management system. The Executive Budget proposal would consolidate 27 call centers into 4 clusters and institute a common application for business e-licensing.

**MERGERS, TRANSFERS, AND CONSOLIDATIONS**

Merging the Division of the Lottery and the Racing and Wagering Board

- The new State Gaming Commission would have general jurisdiction over all gaming activities in the State, including licensing and fining gaming companies; regulating Indian gaming; overseeing VLT gaming, auditing, investigations, background checks, arbitration and the collection of fees and and fines

Merging the Department of Civil Services and the Governor's Office of Employee Relations

- The merge would combine personnel recruitment, placement services, testing, job classification and benefit administration with the advancement of government labor relations, workforce training, education and benefits.

Elimination of more than 25 boards and commissions

- The Executive proposes to eliminate and or merge certain boards and commissions that are inactive, completed their missions, can be replaced by alternative processes, or can be merge with other sthat have similar or related missions.

Centralize all of the State's contracting activities into the Office of General Services

- This proposal would centralize all of the State's contracting activities, consolidate all statewide management of real estate in OGS, and would lead to the creation of a Business Services Center to host administrative functions for 29 State agencies

**ECONOMIC DEVELOPMENT**

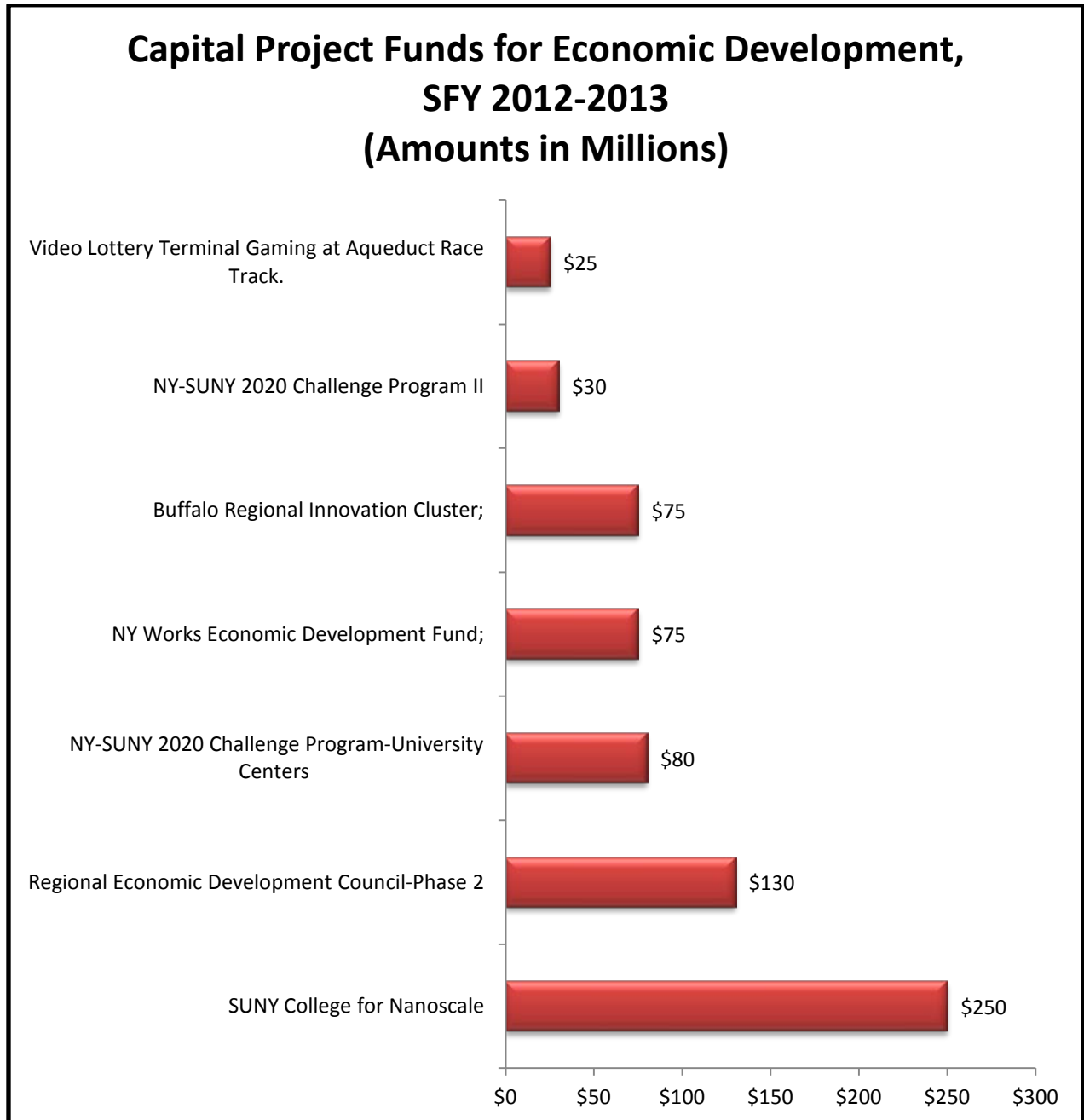
Combined State Operations funding will total \$27.4 million, an increase of \$986,000 for the Department of Economic Development (DED). Of particular importance is the creation of MWBE Monitoring and Compliance System at DED. This system intends also to assist with the full implementation of the 2010 Business Diversity Act.

The Executive Budget for State Fiscal Year 2012-2013 provides overall funding in the amount of \$784.4 million in Aid to Localities and Capital Projects for the Department of Economic Development and the Empire State Development Corporation. This is an increase of \$420.2 million over State Fiscal Year 2011-2012. In addition, the Executive reappropriates \$2.32 billion in Aid to Localities and Capital Project funding. Of this amount, 77% or \$1.768 billion is associated with capital project funding from prior years.

General Fund-Aid to Localities funding is provided for the following programs at the Department of Economic Development and the Empire State Development Corporation in the amount of \$118.94 million. The Executive Budget recommendation provides funding in the amount of:

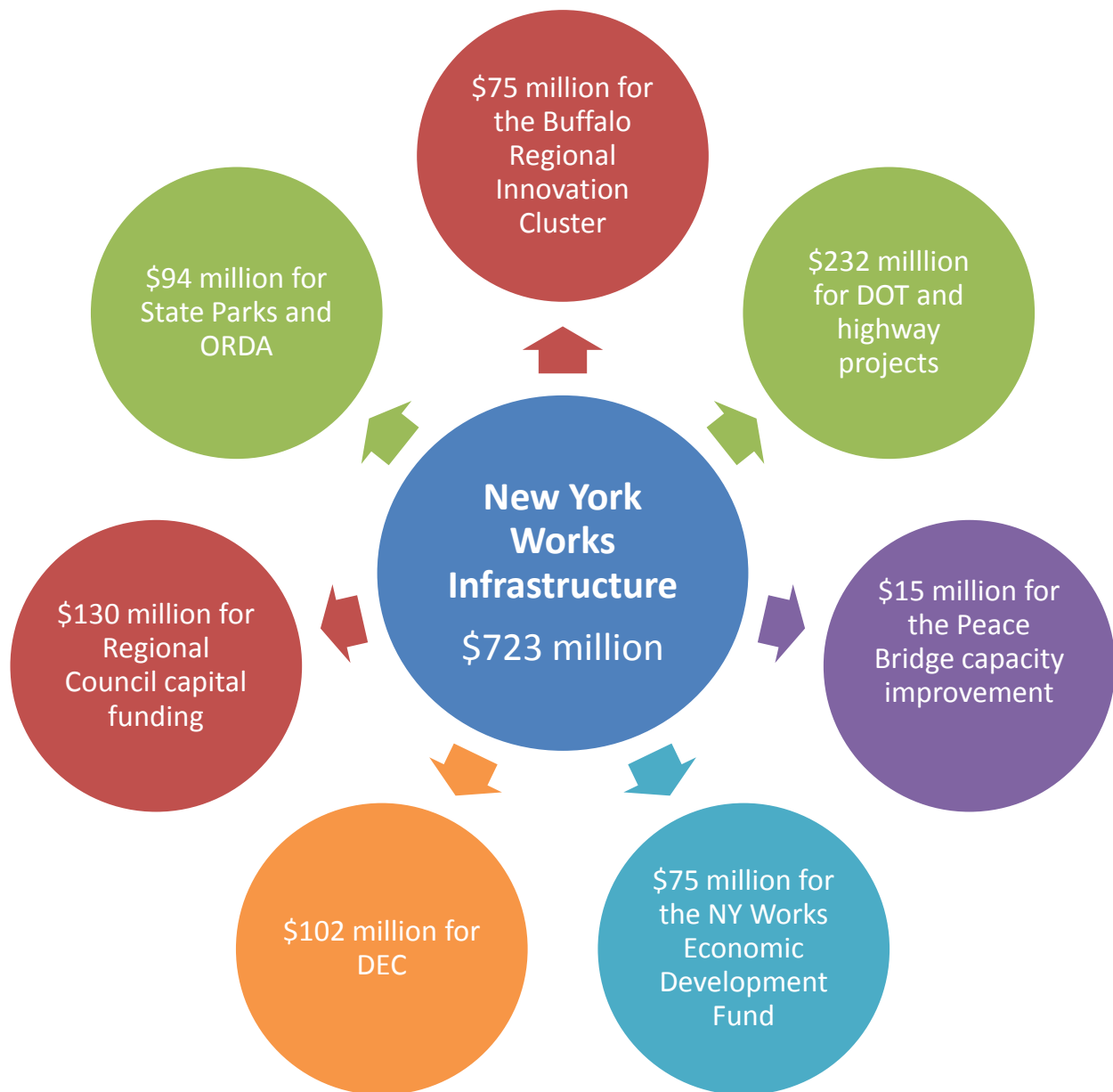
- \$50.4 million for the Empire State Economic Development Fund;
- \$16.2 million for the Jobs Now Program;
- \$13.8 million for the Centers for Advanced Technology Matching grants;
- \$5.23 million for the Center of Excellence program;
- \$4.6 million for the High Technology Matching Grants program including the Security Through Advanced Research and Technology (START) program;
- \$3.81 million for local tourism promotion matching grants;
- \$3.4 million for the Urban and Community Development Program in economically distressed areas;
- \$3 million for the Focus Center;
- \$2.94 million in contractual payments for the retention of a professional football team in Western New York;
- \$1.97 million for several programs at Cornell University, Rensselaer Polytechnic Institute and a Science and Technology Law Center;
- \$1.76 million for entrepreneurial assistance;
- \$1.49 million for community development financial institutions program. Of this amount up to \$1 million would be use for community development financial institutions in economically distressed and highly distressed areas;
- \$1.47 million for State matching grants for the Federal Manufacturing Extension Partnership program
- \$1.38 million for Technology Development Organization Matching grants;
- \$921,000 for the Industrial Technology Extension Services;and,
- \$635,000 for the Minority and Women Owned Business Development and Lending Program.

The proposed Executive Budget provides funding for several new initiatives and reappropriates funds for last year’s Phase 1 of the Regional Economic Development Councils and the NY SUNY 2020 legislation. Capital funding is provided in the amount of \$665 million for the following programs in SFY 2012-13:



The New York Works Infrastructure is a fund created by Governor Cuomo in this year’s Executive Budget. The fund combines economic development, transportation, parks, historical preservation and other projects with the intent of speeding up spending or providing new capital

to spur job growth and infrastructure rehabilitation. While the fund claims funding levels of up to \$15 billion and does list some specific programs and funding mechanisms it also relies on \$3 billion in projected private investment and an unallocated \$5 billion for the Tappan Zee Bridge.



**LABOR**

The Executive is estimating a total net increase in the State workforce of 70 Full Time Equivalents (FTEs). This increase is achieved through (8,566) attritions, (126 )layoffs and 8,762 new fills for a total estimated FTEs fill level of 185,867. See detailed breakout of the net change in FTEs by State Agency in the following pages.

<b>Proposed Workforce Changes in SFY 2012-13</b>	
	FTE
<b>Starting Estimate 3/31/2012</b>	<b>185,797</b>
New Fills Anticipated	8,762
Anticipated Layoffs	(126)
Attrition	(8,566)
<b>Estimate 3/31/2013</b>	<b>185,867</b>

The greatest shifts in State Agencies’ workforce are associated with the following actions, including:

- A net increase of 191 FTE positions at the Office of Children and Family Services related with the staffing of a new 24-hour abuse and neglect hotline;
- A net increase of 120 FTE positions in the Department of Health related with the phased takeover of local government administration of the Medicaid program;
- A net increase of 98 FTE positions at the Office of the State Comptroller related with staffing to perform audits related to the local property tax cap, Medicaid and public authorities, and additional staff for the Retirement System;
- A net increase of 93 FTE positions in the State Education Department associated with additional investigators for the Office of the Professions, additional direct care positions for vocational education services, and other areas within the Office of Prekindergarten through Twelve Education Program;
- A net increase of 51 FTE positions at the Department of Law related with an increase of administrative law judges;
- A net decrease of 227 FTE positions at the Department of Labor associated with the expiration of supplementary federal funding for the American Recovery and Reinvestment Act and decreasing demand for Federal program services.
- A net decrease of 114 FTE positions at the Office of People with Developmental Disabilities related with 84 vacant positions intentionally not filled, and 30 positions in case management and residential services being transferred to non-profits.

<b>Major Agencies FTE Adjustments</b>	<b>Net Change</b>
Children and Family Services, Office of	191
Correctional Services, Department of	0
Education Department, State	93
Environmental Conservation, Department of	0
Financial Services Department of	0
General Services, Office of	0
Health, Department of	120
Labor, Department of	-227
Mental Health, Office of	0
Motor Vehicles, Department of	21
Parks, Recreation and Historic Preservation, Office of	-12
Parole, Division of	0
People with Developmental Disabilities, Office for	-114
State Police, Division of	0
Taxation and Finance, Department of	-97
Temporary and Disability Assistance, Office of	41
Transportation, Department of	-91
Workers' Compensation Board	-9
<b>Subtotal - Major Agencies</b>	<b>-70</b>
<b>Minor Agencies (summary on next page)</b>	<b>-9</b>
<b>Subtotal - Subject to Direct Executive Control</b>	<b>-79</b>
<b>University Systems FTE Adjustments</b>	
City University of New York	0
State University Construction Fund	0
State University of New York	0
<b>Subtotal - University Systems</b>	<b>0</b>
<b>Off-Budget Agencies FTE Adjustments</b>	
Roswell Park Cancer Institute	0
Science, Technology and Innovation, NYS Foundation for	0
State Insurance Fund	0
<b>Subtotal - Off-Budget Agencies</b>	<b>0</b>
<b>Independently Elected Agencies</b>	
Audit and Control, Department of	98
Law, Department of	51
<b>Subtotal - Independently Elected Agencies</b>	<b>149</b>
<b>Grand Total</b>	<b>70</b>

<b>Minor Agencies</b>	<b>Net Change</b>
Adirondack Park Agency	0
Aging, Office for the	0
Agriculture and Markets, Department of	-7
Alcoholic Beverage Control, Division of	9
Alcoholism and Substance Abuse Services, Office of	-9
Arts, Council on the	0
Banking Department	0
Budget, Division of the	10
Civil Service, Department of	-8
Consumer Protection Board, State	0
Correction, Commission of	0
Criminal Justice Services, Division of	3
Deferred Compensation Board	0
Economic Development, Department of	15
Elections, State Board of	0
Employee Relations, Office of	13
Environmental Facilities Corporation	-88
Executive Chamber	0
Financial Control Board, New York State	0
Higher Education Services Corporation, New York State	0
Homeland Security and Emergency Services, Division of	15
Housing and Community Renewal, Division of	14
Hudson River Valley Greenway Communities Council	0
Human Rights, Division of	-10
Indigent Legal Services, Office of	0
Inspector General, Office of the	3
Insurance Department	0
Interest on Lawyer Account	0
Judicial Commissions	0
Labor Management Committees	0
Lieutenant Governor, Office of the	0
Lottery, Division of the	0
Medicaid Inspector General, Office of the	-52
Military and Naval Affairs, Division of	0
Prevention of Domestic Violence, Office for	0
Public Employment Relations Board	0
Public Ethics, Joint Commission	0
Public Service Department	16
Quality of Care and Advocacy for Persons With Disabilities	4
Racing and Wagering Board, State	0
Regulatory Reform, Governor's Office of	0
State, Department of	22
Statewide Financial System	9
Statewide Wireless Network	0
Tax Appeals, Division of	0
Technology, Office for	26
Veterans' Affairs, Division of	3
Victim Services, Office of	3
Welfare Inspector General, Office of	0
<b>Subtotal for Minor Agencies</b>	<b>-9</b>



**WORKFORCE MANAGEMENT PROVISIONS**

The Executive Budget proposal has included language within State Operations appropriations that would allow for fund interchange without limit, transfer authorization between any other State Operations appropriation for the same Agency, any other State Department or Public Authority or through a suballocation. According to the Executive this action would allow for flexibility to hire and deploy the State workforce for the implementation of public policy.

In addition, the Executive makes other proposals to continue the implementation of several recommendations of the SAGE Commission and other recommendation that would have an impact on the State workforce, including:

- The “IT 500” law which allowed agencies to quickly hire IT employees from outside of State government on a temporary basis and be expanded to include professional, scientific, technical, or other positions requiring unique skills.
- An Open Promotion process to promote an existing State employee, or to appoint an individual outside of the State workforce, above the entry level through the examination process for vacancies.
- Allowing State Agencies to draw from a interdepartmental State government list without requiring the exhaustion of the agency’s departmental (agency specific) list;
- Allowing employees in certain non-competitive positions to transfer into comparable competitive positions;
- Providing agencies the ability to appoint transferred employees to the reclassified positions without further examination in the event of a merger or consolidation;
- Allowing transferring employees on an existing promotion list to be added to the promotion list of the new agency upon transfer.

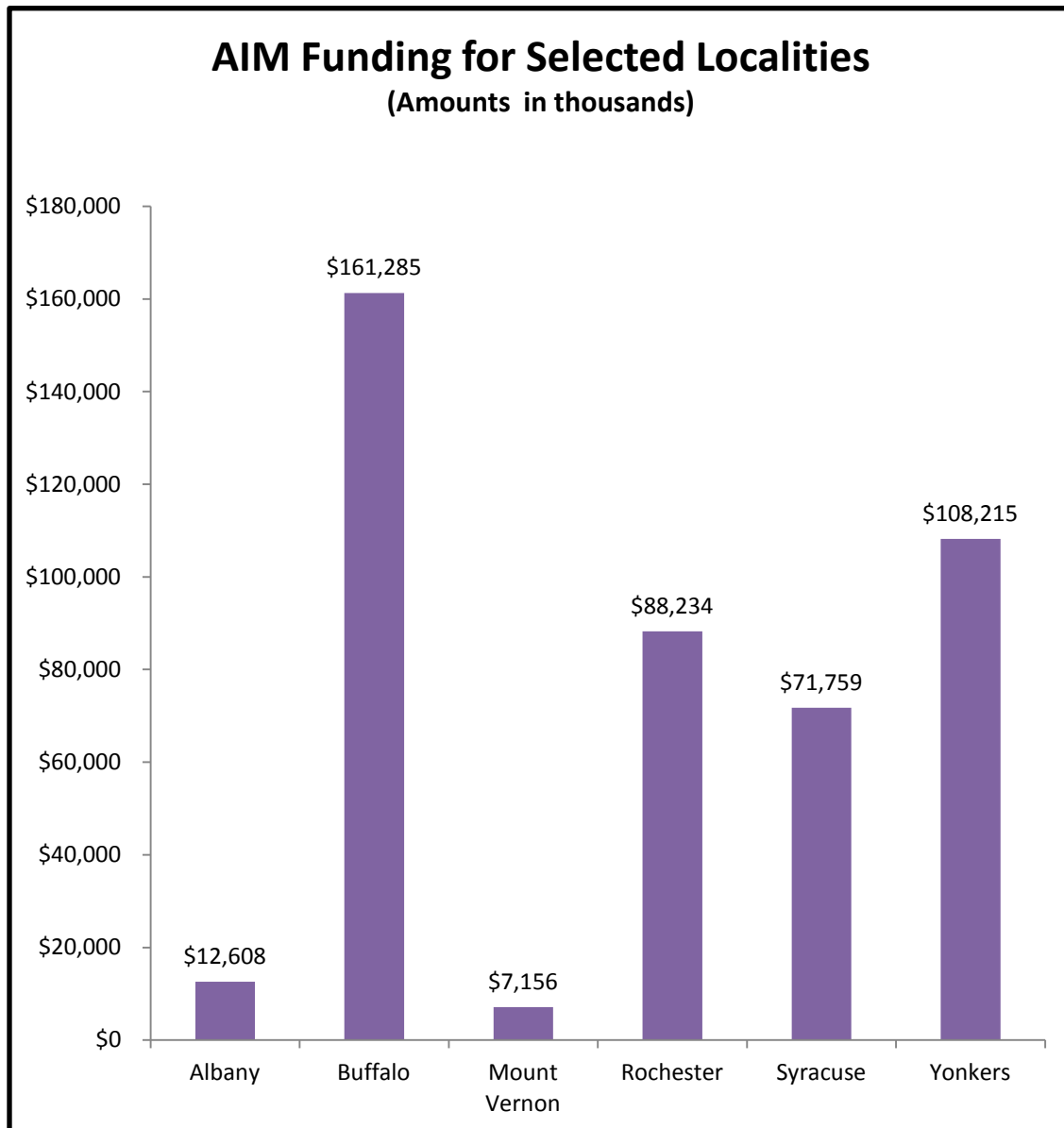
**LOCAL GOVERNMENT ASSISTANCE****All Funds Summary of Spending  
(Dollars in millions)(SFY)**

Category	2011-12	2012-13	Change	
			(in millions)	Percent
AIM – New York City	\$0.0	\$0.0	\$0	0%
AIM – Towns and Villages	67.6	67.6	0	0
AIM – Cities Outside NYC	647.1	647.1	0	0
<b>Total AIM</b>	<b>714.7</b>	<b>714.7</b>	<b>\$0</b>	<b>0%</b>
Citizen Empowerment Tax Credits and Grants	0.4	3.2	2.8	700
Local Government Performance and Efficiency Program	0.0	13.3	13.3	-
Local Government Efficiency Grants	6.1	9.3	3.2	52
VLT Impact Aid	25.9	25.9	0	0
Miscellaneous Financial Assistance	2.0	2.0	0	0
Small Government Assistance	0.2	0.2	0	0
Buffalo/Erie Efficiency Grants	9.1	7.8	(1.3)	(14)

The following local government programs would be maintained at current year levels of funding:

- **AIM for Cities, Towns & Villages:** The Executive Budget would maintain \$715 million in unrestricted AIM funding to cities, towns and villages. New York City would continue to receive no AIM funding.
- **Citizen Empowerment Tax Credits:** This program provides incentives for local government consolidation or dissolution. These tax credits would continue at current levels, providing a bonus equal to 15% of the newly combined local government's tax levy, of which at least 70% of such amount must be used for direct relief to property taxpayers.
- **Citizens Reorganization Empowerment Grants:** Funding is maintained for grants up to \$100,000 for local governments to cover costs associated with studies, plans and implementation efforts related to local government re-organization activities. These grants share a \$35 million appropriation with the Citizen Empowerment Tax Credits.
- **Local Government Performance and Efficiency Program:** A \$40 million appropriation is continued for competitive one-time awards of up to \$25 per capita, capped at \$5 million, which recognize local governments that have achieved efficiencies and performance improvements.

- **Local Government Efficiency Grants:** Funding of \$4 million would continue to be provided to help cover costs associated with local government efficiency projects, such as planning for and/or implementation of a functional consolidation, shared or cooperative services, and regionalized delivery of services.
- **Video Lottery Terminal (VLT) Impact Aid:** Funding is maintained at the current year level of \$25.9 million for the VLT Impact Aid Program. Of this amount, the City of Yonkers would continue to receive \$19.6 million.



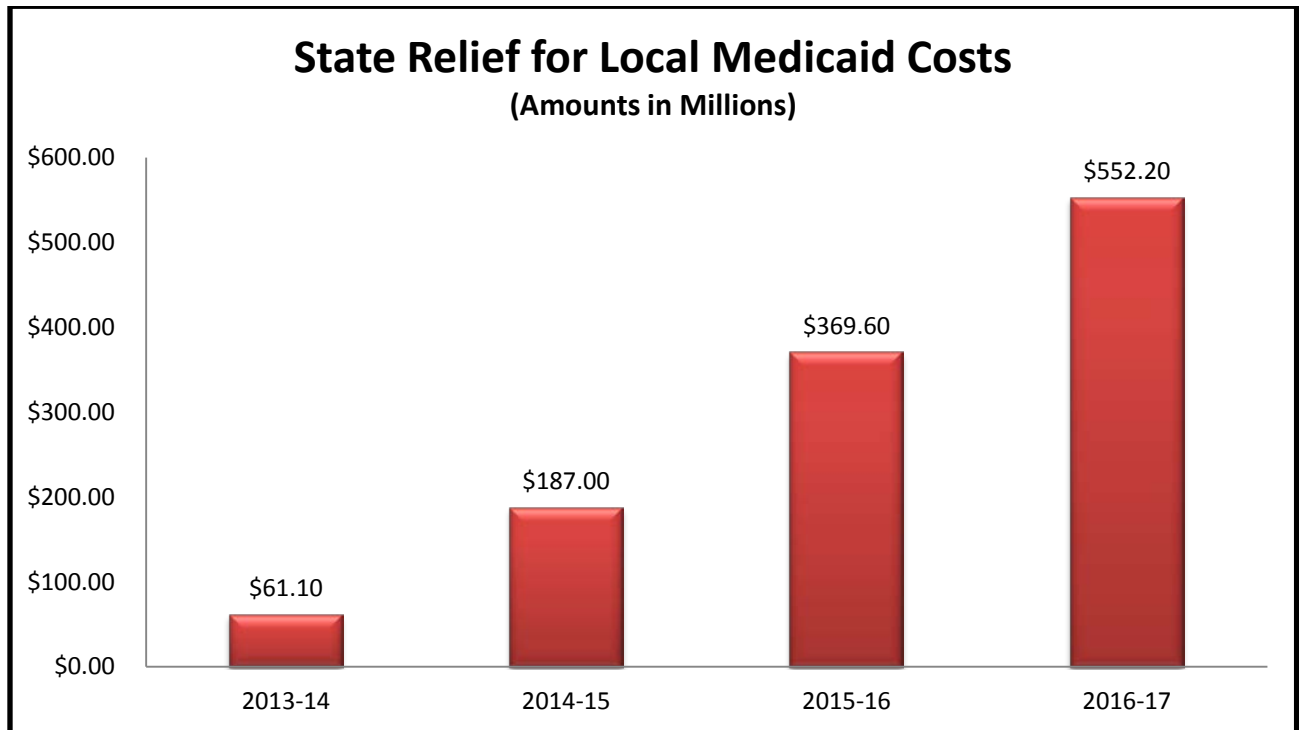
**MANDATE RELIEF COUNCIL**

The Mandate Relief Council was created by Chapter 97 of the Laws of 2011. The new Council was charged with reviewing and referring statutory and regulatory unfunded mandates to the Legislature and to Executive agencies for modification or repeal. It is also responsible for the review of mandates on its own initiative to determine whether they are unsound, unduly burdensome, or costly. Local governments are also empowered to request that a specific statute, regulation, rule, or order of state government be reviewed by the Council to determine if it should be reformed. The Mandate Relief Council was convened by the Governor on January 25, 2012.

**Mandate Relief Proposals in the SFY 2012-13 Executive Budget**

Local Medicaid State Takeover

The Executive Budget proposes a State takeover of the 3 percent growth cap in the local share of Medicaid over a three-year period, beginning in calendar year (CY) 2013. Local share growth, currently capped at 3%, would be reduced to 2% in CY 2013, reduced by an additional 1% for a total of 1% growth in CY 2014, and then to zero growth beginning January 1, 2015. The takeover of the 3 percent growth cap will save counties and New York City nearly \$1.2 billion over five state fiscal years.



### Early Intervention

Programmatic modifications are proposed, providing \$99 million in cumulative mandate relief over five years that according to the Governor would significantly reduce fiscal and administrative burdens on local governments. Article VII legislation would:

- Transfers the responsibility for—and administrative burden of—paying provider claims from counties to a statewide fiscal intermediary;
- Removes municipality reporting requirements to the State regarding claiming activities;
- Shifts authorization for municipalities to contract with providers to DOH;
- Reserves local authority to monitor service delivery and seek new service coordinators or providers as necessary;
- Requires service coordinators to provide performance reports to municipalities; and,
- Requires that Early Intervention evaluators and qualified service providers belong to the provider networks of third party insurers (the parents' HMO or other insurer).

### Preschool Special Education

Section 4410 of the Education Law requires that the State provide 59.5% of the share and the counties pay 40.9% of the costs associated with preschool education. For School Year 2012-2013, New York State will provide \$936.7 million in State funding for this purpose; an increase of \$66.8 million from 2011-2012 School Year. Similar to last year, prior year claims on file with the State Education Commissioner as of April 1, 2012 will receive priority. The Executive Budget proposal would require that any increase in the county share of 2011-2012 (base) would be equally paid by the school district, the State and the county. According to the Governor, this proposal would provide \$20 million in savings for SY 2012-2013.

**ECONOMIC OUTLOOK**

**National Economy**

<b>UNITED STATES ECONOMIC INDICATORS</b>					
Calendar Year Percent Change					
	Actual 2010	Estimate 2011	Forecast		
			2012	2013	2014
Real GDP	4.2	3.9	4.1	5.3	6.1
Personal Income	3.7	4.7	3.4	4.0	5.9
Wages	2.2	3.5	3.2	4.7	4.3
Consumption	2.0	2.2	2.0	2.7	3.5
Pre-Tax Corporate Profits	32.2	7.9	4.7	5.6	5.2
S&P 500	20.3	11.4	2.9	8.4	4.4
Consumer Price Index	1.6	3.2	1.8	2.1	2.1
Non-Agricultural Employment	(0.7)	1.0	1.3	1.7	1.9
Unemployment	9.6	9.0	8.6	8.2	7.6

Source: NYS Division of Budget

In the SFY 2012-13 Executive Budget presentation, DOB suggests that the current US economic situation looks much like that of early CY 2011. As of January 2011, the forecast range was fairly tight around an average of 3.2 percent, which would have represented the strongest annual rate of growth since 2004. At that time, the labor market appeared to be improving, with initial claims starting the year just above the benchmark 400,000 level. Private sector job growth was accelerating toward the end of 2010, with monthly job gains averaging over 200,000 per month during the period from February to April 2011. However, the nation’s economic recovery was almost derailed by the euro-debt crisis in the spring of 2011. As of January 2011, the forecast range was fairly tight around an average of 3.2 percent, which would have represented the strongest annual rate of growth since 2004. However, unfortunately, by mid-April, initial claims for unemployment insurance benefits were back above the benchmark 400,000 level which was a severe shock to many Americans. By May, the economy showed actual major signs of stalling under the strain of an oil price shock, supply chain disruptions, and financial market convulsions. Employment growth and household spending slowed substantially during the middle of the year. During this Spring-Summer “stall”, many commentators were suggesting the US might enter a new recession. Employment growth and household spending slowed substantially during the middle of the year. In fact, by early September 2011, the average Blue Chip GDP economic forecast was down by was down 0.7 percentage points compared with the beginning of the year.

However, generally, commentators and economists believe that mounting evidence suggest that positive momentum began in the fall and the U.S. labor market appears once again to be on the verge of an upswing.

According to DOB forecasts, despite historically low interest rates and corporations holding historically high levels of cash, quarterly GDP growth is projected to average 4.1 percent in 2012, which is still relatively weak increase given the US has experienced the Great Recession

(according to Moody's Analytics, US households lost \$15.4 **trillion** in net worth from 2006 to late 2009) Growth for 2011 is estimated to be 3.9 percent. However, DOB estimates that US quarterly growth is expected to accelerate to a much healthier 5.3 percent in 2013, barring any major positive or negative events.

The US labor market appears to be regaining some momentum also, with job growth expected to gradually improve over the course of 2012. For example, initial UI claims have been below 400,000 since mid-November (360,000 last week), and temporary help employment started growing again in July 2011 following three months of declines. The construction sector is also expected show improvement over 2011. Also, housing starts have started to show improvement, particularly multifamily unit starts as more and more households choose renting over homeownership. Private nonresidential construction is also seeing stronger growth. According to DOB, construction employment growth is projected to accelerate to 1.5 percent in 2012 from 0.6 percent in 2011, though the number of jobs that are expected to be added to this sector is still relatively low.

Real business fixed investment, which includes investment in equipment and software, as well as in nonresidential structures, is expected to continue to help support the recovery, although at a diminished pace in the coming years. Real nonresidential fixed investment, which fell 0.8 percent in 2008 and then plummeted 17.8 percent in 2009 as firms slashed production and spending in response to weakened consumer spending in the wake of the collapse of the housing bubble and the financial crisis, increased 4.4 percent in 2010 and is currently expected to post growth of 8.8 percent for all of 2011 according to DOB. The gradual improvement in credit conditions is another factor explaining the recent strength of investment growth.

U.S. corporate profits have continued to exhibit remarkable strength during the recovery with profits more than doubling between the end of 2008 and the third quarter of 2011. In the third quarter of 2011, according to DOB, the most recent period for which data are available, cash holdings by nonfarm nonfinancial corporations totaled \$2.12 trillion (not seasonally adjusted), a record. Cash also made up 7.2 percent of all corporate assets, a near-50 year record according to DOB. Roughly half of the earnings of S&P 500 firms are estimated to be derived from overseas sources. But with the global economy growing more slowly in 2012 than in 2011, foreign earnings, whether from foreign direct investment or the sale of domestically produced goods and services abroad, are expected to be lower. Moreover, Wall Street's largest financial firms have booked losses for the third quarter of 2011, under pressure from both the euro-debt crisis and an evolving regulatory environment. As a result, U.S. corporate profits from current production, which includes the inventory valuation and capital consumption adjustments, are expected to see much slower growth going forward. According to DOB estimates, U.S. corporate profits are projected to grow 4.7 percent in 2012, down from 7.9 percent in 2011, and 32.2 percent in 2010.

## New York Economy

NEW YORK ECONOMIC INDICATORS					
Calendar Year Percent Change					
	Actual 2010	Preliminary 2011	Projected		
			2012	2013	2014
Personal Income	4.1	4.5	3.3	4.3	5.8
Wages (Total)	4.4	3.8	1.9	4.9	4.9
Nonfarm Employment (Total)	0.1	1.1	1.0	1.0	1.0
Unemployment Rate	8.6	7.9	7.6	7.1	6.6
Source: NYS Division of Budget					

### Overview

Entering February, 2012, the New York State economy's recovery from the 2008-2009 recession is entering its 26th month. The State economy is estimated to have experienced a business cycle peak in August 2008, fully eight months after the nation peaked as a whole. The index also indicates that the State recession ended in December 2009, implying a six-month lag and that the State recession was just a bit shorter than the national downturn.

According to DOB, the State's coincident index, which reflects economic activity, indicates that New York's recovery got underway in early 2010, responding vigorously to the Federal Reserve's near-zero interest rate policy target and the historic expansion of its balance sheet. Because NYS is home to the world's financial capital, the State economy is especially sensitive to monetary policy shifts. Strong income growth in the first quarter of 2011 combined with the weak dollar and strong foreign demand for State produced goods and services, particularly those related to tourism, helped to support above average quarterly year-ago private job growth of an estimated 2.0 percent over the first three quarters of 2011. According to DOB, private sector employment is estimated to have grown 1.9 percent for 2011 overall, following virtually flat growth of 0.2 percent in 2010. Moreover, outside of government, growth appears to have been broad-based with even manufacturing seeing positive year-ago growth. In contrast, government employment is estimated to have fallen during each quarter of 2011. The Budget Division estimates that total State employment grew 1.1 percent in 2011 on an annual average basis, following an increase of 0.1 percent for 2010.

### Consumer Spending

According to the New York Federal Reserve's Beige Book, **retailers** generally characterize holiday-season spending as strong and most report that sales were on or above plan. A trade association survey of retailers across New York State points to robust spending, particularly in the final week before Christmas and on the day after; most contacts indicated that sales were at least as strong as in 2010, led by electronics--particularly video games and consoles. One large



retail chain reports that November-December sales were above plan and up moderately from a year earlier, while another major chain indicates that sales were down from 2010 levels but still roughly on plan. Both contacts note that unseasonably mild weather hampered sales of outerwear and other seasonal apparel. However, two major malls in upstate New York say that mild weather--along with brisk demand from Canadian shoppers--contributed to strong sales in November and early December. A number of contacts also note exceptional strength in on-line sales, with some reporting year-over-year gains in excess of 40 percent. Retail prices are reported to be generally stable.

According to the Beige Book survey, auto dealers in upstate New York report that sales activity continued to be robust in November and early December, running well ahead of comparable 2010 levels--particularly for used vehicles. Inventories have risen along with sales but remain tight for some of the more popular models. Wholesale and retail credit conditions remain favorable.

The Federal Reserve also reports that consumer confidence has rebounded from its October lows. The Conference Board's survey of residents of the Middle Atlantic states (NY, NJ, PA) shows consumer confidence rising sharply in both November and December, back up to the levels seen last spring. Results from Siena College's November survey of New York State residents (latest available) shows consumer confidence rebounding moderately. Tourism activity has held generally steady at a strong level since the last report. New York City hotels report that occupancy rates continued to run at just over 85 percent in November and the first few weeks of December--up moderately from a year earlier. Room rates were up 2-3 percent from a year earlier, and total revenues per room were up about 6 percent, though total revenues in the local hospitality industry are up considerably more due to an increased number of hotel rooms. On a more negative note, though, Broadway theaters report that attendance continued to run roughly 5 percent below year-ago levels in December, while revenues fell below comparable 2010 levels for the first time since the August hurricane.

### **Construction and Real Estate**

In the Beige Book, the Federal Reserve reports residential rental markets continue to strengthen, while real estate sales have shown little change since the last report and new development activity continues to be sluggish. New York City's rental market remains tight: rents continue to rise, as the inventory of available units remains lean. Manhattan co-op and condo prices were little changed in the fourth quarter, while sales activity slowed from its fairly brisk third quarter pace. Market conditions were reported to be similar in Brooklyn but a bit softer in the other boroughs and on Long Island. On a more positive note, one industry expert in New Jersey sees improved fundamentals in the housing market and foresees a pickup in market conditions in 2012. Real estate contacts in other parts of the District also note some increase in optimism among developers.

Commercial real estate markets have been steady to somewhat stronger since the last report. New York City's office market has picked up in late 2011, with office vacancy rates edging down and asking rents rising. There were also modest signs of improvement in Westchester and Fairfield counties and in the Albany area, whereas office markets in northern New Jersey and

western New York State appear to have slackened modestly. Industrial leasing markets were generally steady overall: conditions firmed in Long Island but showed some signs of softening across upstate New York; in the rest of the District, conditions were little changed.

### **Other Business Activity**

A major New York City employment agency reports to the Federal Reserve that hiring activity has slowed somewhat since October, particularly in the financial services sector, but notes that it is difficult to gauge the underlying climate during this typically slow season. Contacts at major retail chains indicated that they hired more seasonal workers this year than last. More broadly, both manufacturers and service-sector firms continue to report that employment levels at their firms remain steady, on average, though a growing number of manufacturing contacts across New York State plan to hire more workers in the months ahead.

Manufacturers across New York State report that general business conditions improved since the last report, and respondents have grown considerably more optimistic about the near-term outlook. Both manufacturers and other firms report that their selling prices remain flat, though a growing number expect to raise prices in the months ahead. Separately, a contact in the trucking industry reports that shipping tonnage (volume) has picked up considerably in recent months and was up 6 percent from a year earlier in November.

### **Financial Services Industry**

According to the Beige Book, bankers report an increase in demand for all loan categories except consumer loans, where demand held steady. The increase was most prevalent for commercial mortgages where four times as many bankers reported rising than falling demand. Respondents also indicate widespread increases in demand for refinancing. Bankers' responses suggest some tightening of credit standards for commercial and industrial loans, but no change for the other loan categories. No banker reported an easing of standards in any category. Respondents note a decrease in spreads of loan rates over costs of funds for all loan categories. Bankers also indicate widespread decreases in the average deposit rate. Delinquency rates are reported to have decreased for all loan categories. The improvement was most prevalent in commercial and industrial loans, where nearly three times as many respondents reported lower than higher delinquencies.

<b>General Fund Receipts</b>				
(Millions of Dollars)				
	<b>Estimated 2011-12</b>	<b>Forecast 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
<b><i>Personal Income Tax</i></b>				
Withholding	31,197	32,598	1,401	4.5%
Estimated Payments	11,350	12,212	682	5.9%
Final Returns	2,125	2,203	78	3.7%
Other Payments	1,039	1,104	65	6.3%
<b>Gross Collections</b>	<b>45,891</b>	<b>48,117</b>	<b>2,226</b>	<b>4.9%</b>
STAR Special Revenue Fund	(3,293)	(3,322)	(29)	0.9%
Refunds/Offsets	(7,227)	(7,806)	(579)	8.0%
Revenue Bond Tax Fund	(9,666)	(10,078)	(412)	4.3%
<b>Net Collections</b>	<b>25,705</b>	<b>26,911</b>	<b>1,206</b>	<b>4.7%</b>
<b><i>User Taxes and Fees</i></b>				
Sales and Use	8,426	8,592	166	2.0%
Cigarette/Tobacco	476	511	35	7.4%
Alcoholic Beverage	233	238	5	2.1%
<b>Total</b>	<b>9,135</b>	<b>9,341</b>	<b>206</b>	<b>2.3%</b>
<b><i>Business Taxes</i></b>				
Corporation Franchise	2,825	2,844	19	0.7%
Corporation and Utilities	626	682	56	8.9%
Insurance	1,274	1,322	48	3.8%
Bank	1,143	1,129	(14)	-1.2%
<b>Total</b>	<b>5,868</b>	<b>5,977</b>	<b>109</b>	<b>1.9%</b>
<b><i>Other Taxes</i></b>				
Estate and Gift	1,195	1,127	(68)	-5.7%
Pari-Mutuel	16	16	0	0.0%
Other	1	1	0	0.0%
<b>Total</b>	<b>1,212</b>	<b>1,144</b>	<b>(68)</b>	<b>-5.6%</b>
<b>Total Tax Collections</b>				
Miscellaneous Receipts	3,244	3,069	(175)	-5.4%
Federal Grants	60	60	0	0.0%
<b>Total Receipts</b>	<b>45,224</b>	<b>46,502</b>	<b>1,278</b>	<b>2.8%</b>
Source: New York State Division of the Budget.				

**ALL FUNDS RECEIPTS**

<b>All Funds Receipts</b>				
(Millions of Dollars)				
	<b>Estimated 2011-12</b>	<b>Forecast 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
<b>Personal Income Tax</b>	<b>38,664</b>	<b>40,311</b>	<b>1,647</b>	<b>4.3%</b>
<b>User Taxes and Fees</b>				
Sales and Use	11,997	12,246	249	2.1%
Cigarette/Tobacco	1,665	1,733	68	4.1%
Motor Fuel Tax	501	515	14	2.8%
Alcoholic Beverage	233	238	5	2.1%
Highway Use Tax	134	147	13	9.7%
Auto Rental Tax	104	109	5	4.8%
Taxicab Surcharge	85	88	3	3.5%
<b>Total</b>	<b>14,719</b>	<b>15,076</b>	<b>357</b>	<b>2.4%</b>
<b>Business Taxes</b>				
Corporation Franchise	3,231	3,299	68	2.1%
Corporation and Utilities	815	877	62	7.6%
Insurance	1,413	1,463	50	3.5%
Bank	1,374	1,351	(23)	-1.7%
Petroleum Business Tax	1,088	1,162	74	6.8%
<b>Total</b>	<b>7,921</b>	<b>8,152</b>	<b>231</b>	<b>2.9%</b>
<b>Other Taxes</b>				
Estate and Gift	1,195	1,127	(68)	-5.7%
Real Estate Transfer Tax	620	690	70	11.3%
Pari-Mutuel	16	16	0	0.0%
Other	1	1	0	0.0%
<b>Total</b>	<b>1,832</b>	<b>1,834</b>	<b>2</b>	<b>0.1%</b>
<b>Payroll Tax</b>	<b>1,396</b>	<b>1,160</b>	<b>(236)</b>	<b>-16.9%</b>
<b>Total Tax Collections</b>	<b>64,532</b>	<b>66,533</b>	<b>2,001</b>	<b>3.1%</b>
Miscellaneous Receipts	23,832	24,255	423	1.8%
<b>Total Receipts</b>	<b>88,364</b>	<b>90,788</b>	<b>2,424</b>	<b>2.7%</b>
Source: New York State Division of the Budget				

## PERSONAL INCOME TAX

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	23,894	25,705	26,911	1,206	4.7
All Funds	36,209	38,664	40,311	1,647	4.3

### *Summary:*

#### *General Fund*

The personal income tax, New York's largest source of revenue, accounts for almost 60% of General Fund receipts. The tax is imposed at a graduated rate (from 4% to 8.82%) on a taxpayer's taxable income: adjusted gross income less deductions. Following closely to the Federal definitions of adjusted gross income, New York's adjusted gross income is comprised of five major components: wages, capital gains, interest and dividends, taxable pensions, and business and partnership income. Similar to the Federal income tax, taxpayers are allowed to either itemize their deductions which are also closely aligned with Federal deductions or to take the standard deduction which ranges from \$3,000 to \$15,000 depending on the type of filer.

#### *Special Revenue Funds*

As part of the STAR program enacted in 1998, a portion of personal income tax receipts is dedicated to a special revenue fund, the School Tax Relief (STAR) Fund, in order to reimburse localities for lost school tax revenues resulting from the program as well as to pay the Middle Class STAR rebates.

In addition, 25% of personal income tax revenues, net of refunds, are deposited into a debt service fund, the Revenue Bond Tax Fund, to pay the debt service on the State's personal income tax revenue bonds. Deposits in this fund in excess of the required debt service are then transferred back to the General Fund.

**Proposed Legislation:**

- Extend the Empire State commercial production credit for five years, through tax year 2016, for qualified costs associated with TV commercials produced in New York;
- Extend residential solar equipment credit to leases;
- Extend the bio-fuel production credit for seven additional years through tax year 2019;
- Make permanent the enhanced Earned Income Tax Credit (EITC) for certain noncustodial parents who pay child support for a qualifying child with whom they do not reside;
- Provide the Commissioner of the Division of Housing Community Renewal authorization to allocate an additional \$8 million annually in low income housing tax credits for five additional years;
- Make permanent the tax modernization provisions, which include mandatory e-filing and e-payment for both preparers and taxpayers, to achieve full intended taxpayer compliance improvement;
- Prohibit banks from charging fees on levied bank accounts; and
- Deny STAR exemptions to persons owing past-due tax liabilities.

**Receipts:**

In addition, to the components of adjusted gross income that make up the base of personal income tax, actual tax collections are comprised of a number of components: withholding, estimated payments, final returns, and delinquent collections which are subsequently reduced by refunds. Of these components, the most significant is withholding. Withholding accounts for approximately 60% of personal income tax collections.

All Funds receipts for FY 2012 are estimated to be \$38.7 billion, an increase of \$2.5 billion (6.8 percent) from the prior year. This is primarily attributable to increases in extension payments of \$1.2 billion for tax year 2010 and in current estimated payments of \$599 million for tax year 2011. The personal income tax reform enacted in December 2011 (effective starting tax year 2012) is projected to generate \$385 million in withholding in the first quarter of 2012 and should partially counteract the revenue loss resulting from the expiration of the 2009 temporary rate increase and the year-over-year decline from projected lower financial sector bonuses for FY 2012.

Total refunds are expected to decrease by \$566 million (7.3 percent) compared to FY 2011. This decrease primarily reflects an artificially high FY 2011 refunds base caused by the shift of \$500 million of 2009-10 refunds into FY 2011. Prior year refunds for tax years prior to 2010, which decreased by \$367 million, also contributed to lower FY 2012 refunds.

All Funds receipts for FY 2013 are projected to be \$40.3 billion, an increase of \$1.6 billion (4.3 percent) from FY 2012. This primarily reflects a year-over-year increase of \$1.5 billion in receipts from the personal income tax reform enacted in December 2011 and an increase of \$829 million in pre-reform withholding receipts partially reduced by \$579 million (8 percent) in higher total refunds.

Withholding is projected to be \$1.4 billion (4.5 percent) higher compared to FY 2012 due mainly to an increase of \$572 million in receipts from recently enacted personal income tax reform combined with modest growth in the pre-reform withholding base. Estimated payments for tax year 2012, which include \$974 million from PIT reform, are projected to be \$894 million (11.2 percent) higher. Final return payments for tax year 2011 and delinquencies are projected to be \$78 million (4.1 percent) and \$65 million (7.1 percent) higher, respectively.

The increase in total refunds of \$579 million reflects a \$486 million (10.8 percent) increase in current refunds and a \$153 million (38.3 percent) increase in prior refunds offset by a \$60 million (16.8 percent) decrease in the state-city offset.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State personal income tax revenue bonds. General Fund income tax receipts for FY 2012 of \$25.7 billion are expected to increase by \$1.8 billion (7.6 percent), from the prior year, mainly reflecting the increase in All Funds receipts noted above. The RBTF deposit is projected to increase by \$614 million.

General Fund income tax receipts for FY 2013 of \$26.9 billion are projected to increase by \$1.2 billion (4.7 percent). The RBTF deposit is projected to increase by \$412 million

## ALCOHOLIC BEVERAGE CONTROL LICENSE FEES

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	47.9	55.0	51.0	(4.0)	(8.0)
All Funds	47.9	55.0	51.0	(4.0)	(8.0)

***Summary:***

***General Fund***

New York State distillers, brewers, wholesalers, retailers, and others who sell alcoholic beverages are required by law to be licensed by the State Liquor Authority. License fees vary depending on type of business, location, purpose, and type of alcoholic beverage sold.

***Special Revenue Funds***

Collections from these fees are not deposited into any special revenue funds.

**Proposed Legislation:**

The Executive has not proposed any new legislation in the SFY 2012-13 budget.

**Receipts:** In SFY 2011-12, receipts from alcoholic beverage control license fees are estimated to total \$55 million, an increase of \$7.1 million from SFY 2010-11. In SFY 2012-13, receipts from alcoholic beverage control license fees are estimated to total \$51 million, a decrease of \$4 million from SFY 2011-12.



## ALCOHOLIC BEVERAGE TAXES

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	229.7	233.0	238.0	5.5	1.4
All Funds	229.7	233.0	238.0	5.5	1.4

### *Summary:*

#### *General Fund*

New York State imposes an excise tax on liquor, beer, wine and specialty alcoholic beverages. The current tax rates are as follows:

Beer	\$0.14 per gallon
Cider	\$.0379 per gallon
Wine	\$.30 per gallon
Liquor (Less than 24% alcohol per volume)	\$2.54 per gallon
Liquor (More than 24% alcohol per volume)	\$6.44 per gallon

#### *Special Revenue Funds*

Collections from this tax are not deposited into any special revenue funds.

#### *Proposed Legislation:*

The Executive has not proposed any new legislation in the SFY 2012-13 budget.

#### *Receipts:*

Receipts from the alcoholic beverage tax for SFY 2011-12 are projected to total \$233 million, an increase of \$3.3 million from SFY 2010-11. Receipts for SFY 2012-13 are projected to be \$238 million, an increase of \$5.0 million from SFY 2011-12. The total amount is comprised of: \$174 million derived from liquor, \$45 million derived from beer, and \$19 million from wine and other specialty beverages.

## AUTO RENTAL TAX

(millions of dollars)

	<u>Actual</u> SFY 2010-11	<u>Estimated</u> SFY 2011-12	<u>Forecast</u> SFY 2012-13	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	0	0	0	0	0
All Funds	95.0	104.0	109.0	5.0	4.8

***Summary:***

***General Fund***

Collections from this tax are not deposited into the General Fund.

***Special Revenue Funds***

Starting in 1990, the State imposed a 5% tax on charges for the rental or use of a passenger car weighing 9,000 pounds or less. The rate was increased to 6% in 2009. A supplemental tax of 5% was imposed on the receipts from the rental of a passenger car that is rented or used within the Metropolitan Commuter Transportation District (MCTD). The tax does not apply to a car lease covering a period of one year or more.

Receipts from the 6% statewide tax are deposited to the Dedicated Highway and Bridge Trust Fund. Receipts from the supplemental tax are deposited into the Metropolitan Transportation Authority's Aid Trust Account of the MTA Financial Assistance Fund.

**Proposed Legislation:**

The Executive has not proposed any new legislation in the SFY 2012-13 budget.

**Receipts:**

For SFY 2011-12, receipts are estimated to total \$104 million, an increase of \$9 million from SFY 2010-11. The \$104 million includes an estimated \$39 million from the supplemental tax on passenger car rentals in the MCTD. Receipts for the auto rental tax are projected to total \$109 million for the SFY 2012-13, an increase of \$5 million above SFY 2011-12. This reflects projected growth in the national consumption of motor vehicle rental services.

## CIGARETTE AND TOBACCO TAXES

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u> <u>Change</u>	<u>%Change</u>
General Fund	480.2	476.0	511.0	35.0	7.4
Other Funds	1,135.5	1,189.0	1,222.0	33.0	2.8
All Funds	1615.7	1,665.0	1,733.0	68.0	4.1

***Summary:***

***General Fund***

New York imposes an excise tax on cigarette and tobacco products sold and/or used within the State. Currently New York State imposes a \$4.35 per pack excise tax on cigarettes. The Federal government imposes an excise tax rate of \$1.01 per pack on cigarettes. NYC also imposes a separate \$1.50 per pack excise tax on cigarettes. New York State currently has the highest cigarette tax rate in the country.

The State also imposes separate tax rates on other tobacco products. The levels are as follows: 75% of the wholesale price on tobacco products and cigars, and a tax of \$2.00 per ounce on snuff. Cigars with a weight of less than 4 pounds per 1,000 (little cigars) are taxed at the state rate equivalent to cigarettes.

Currently 29.37% of cigarette tax receipts collected are deposited in the General Fund. Additionally, the General Fund receives 100% of the receipts from the taxes collected on non-cigarette tobacco products.

***Special Revenue Funds***

Beginning in SFY 2005-06, spending related to the Health Care Reform Act (HCRA) was included in the State's financial plan. As a result, a portion of the cigarette tax collections are deposited to the HCRA fund. Following legislation passed in the 2010-11 budget, the percentage of cigarette tax being deposited to the HCRA Special Revenue Fund is now 76%.

**Proposed Legislation:**

In the SFY 2012-13 the Executive has proposed reforming the tobacco products law by equalizing the per-ounce rate on loose tobacco with cigarettes. The rate is currently \$2.00 per ounce for loose tobacco, the proposed rate would be \$4.53 per ounce. Additionally, the Executive proposes creating a two-tier tax on cigars. Currently, Cigars are taxed at 75% the wholesale price. The Governor proposes that Cigars be taxed \$.20 cents per cigar at the

wholesale level and 50% of the retail price at the retail level. The retailer would receive a tax credit for \$.20 per cigar to reimburse them for the pass through expense.

**Receipts:**

All Funds receipts from cigarette and tobacco taxes are eliminated to total \$1,665.0 million in SFY 2011-12, an increase of \$49.3 million from SFY 2010-11. This increase reflects the implementation of the prior-approval system for sales to Native American retailers and full-year impacts of the State cigarette tax increase of \$1.60 per pack, to \$4.35 per pack, effective July 1<sup>st</sup>, 2010. On a General Fund basis, receipts are estimated to total \$476.0 million, a decrease of \$4.2 million.

For SFY 2012-13, All Funds receipts are projected to be \$1,733 million, an increase of \$68 million from SFY 2011-12. This increase reflects the full year of cigarette tax revenue from the implementation of laws requiring the collection of tax on cigarettes sold on Indian reservations to non-Native Americans and the impact of legislation included in the Executive Budget to reform the tobacco products tax. On a General Fund basis, receipts are estimated to total \$511 million, an increase of \$35 million.

## HIGHWAY USE TAX

(millions of dollars)

	<u>Actual</u> SFY 2010-11	<u>Estimated</u> SFY 2011-12	<u>Forecast</u> SFY 2012-13	SFY 2011-12 to SFY 2012-13	
				<u>Change</u>	<u>% Change</u>
General Fund	0	0	0	0	0
All Funds	129.2	134.0	147.0	13.0	9.7

***Summary:***

***General Fund***

Collections from the highway use tax are not deposited into the General Fund.

***Special Revenue Funds***

Articles 21 and 21-A of the Tax Law imposes a tax on commercial vehicles using the public highways of the State. Highway use tax revenues are derived from three sources: the truck mileage tax, fuel use tax and registration fees. The truck mileage tax is determined by multiplying the weight of the truck and its miles of laden or unladen miles traveled on public highways. The fuel use tax is levied upon fuel that is purchased from out of state, but consumed in state on public highways. The tax rate is the sum of the motor fuel tax component (eight cents per gallon), the State sales tax rate, and the lowest county sales tax rate. Registrations are required for vehicles subject to the highway use tax, and are imposed at \$15 for a three year registration.

**Proposed Legislation:**

The Executive has not proposed any new legislation in the SFY 2012-13 budget.

**Receipts:**

Receipts from the highway use tax are estimated to total \$134 million in SFY 2011-12, an increase of \$4.8 million from SFY 2010-11. For SFY 2012-13, receipts are projected to be \$147 million, an increase of \$13 million from SFY 2011-12, an increase of \$13 million.

## MOTOR FUEL TAX

(millions of dollars)

	<u>Actual</u> SFY 2010-11	<u>Estimated</u> SFY 2011-12	<u>Forecast</u> SFY 2012-13	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	0	0	0	0	0
All Funds	516.1	501.0	514.6	13.6	2.7

***Summary:***

***General Fund***

No collections from the motor fuel tax are deposited into the General Fund.

***Special Revenue Funds***

Article 12-A of the Tax Law imposes a tax on the sale of motor and diesel motor fuel. The current tax rate is eight cents per gallon. Motor fuel tax revenues are deposited into two funds, the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Fund, with 79% and 21% going to each respectively.

**Proposed Legislation:**

The Executive has proposed legislation that will extend for five years the full or partial tax exemptions on E85, CNG, hydrogen and B20 when purchased for use in a motor vehicle engine. Additionally, the Executive proposes to make technical amendments to the tax classification of diesel motor fuel.

**Receipts:**

In SFY 2011-12, receipts are estimated to total \$501 million, an decrease of \$15.1 million from SFY 2010-11. In SFY 2011-12, receipts are estimated to be \$395.6 million for the Dedicated Highway and Bridge Trust Fund and \$107.9 million for the Dedicated Mass Transportation Trust Fund.

For SFY 2012-13, receipts are projected to be \$514.6 million, an increase of \$13.6 million from SFY 2011-12. In SFY 2012-13, receipts are estimated to be \$406.7 million for the Dedicated Highway and Bridge Trust Fund and \$107.9 million for the Dedicated Mass Transportation Trust Fund.

## MOTOR VEHICLE FEES

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>%Change</u>
General Fund	33.8	112.0	99.0	(13.0)	(11.6)
Other Funds	1,235.1	1,288.0	1,281.0	(7.0)	(0.5)
All Funds	1,268.9	1,400.0	1,380.0	(20.0)	(1.4)

***Summary:***

***General Fund***

Motor vehicle fees are imposed under the Vehicle and Traffic Law. These fees are generally based on the weight and purpose of vehicle.

In 2006, the Vehicle and Traffic Law was amended to require the deposit of \$169.4 million in motor vehicle fees to transportation dedicated funds. Any shortfall or surplus from these fees would be paid by or deposited to the General Fund.

***Special Revenue Funds***

Revenues from motor vehicle fees are deposited to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund. In 2009, supplemental registration and license fees were imposed within the Metropolitan Commuter Transportation District (MCTD). Revenues generated from these supplemental fees will go to support the MTA Aid Trust Account of the MTA Special Assistance Fund.

**Proposed Legislation:**

The Executive has not proposed any new legislation in the SFY 2012-13 budget.

**Receipts:**

All funds receipts for Motor Vehicle fees are estimated to be \$1,400 million for SFY 2011-12, an increase of \$131.1 million from SFY 2010-11. General Fund receipts for Motor Vehicle Fees are projected to be \$112.0 million for SFY 2011-12, a \$78.2 million increase from SFY 2010-11. This increase mainly reflects an increase due to the peak in the license renewal cycle and a reclassification from Special Revenue Other to Motor Vehicle Fees.

All Funds receipts for Motor Vehicle fees are projected to be \$1,380 million, a decrease of \$20 million from SFY 2011-12. On a General Fund basis, receipts are estimated to be \$99 million, representing an decrease of \$13 million from SFY 2011-12.



## SALES AND USE TAX

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u> <u>Change</u>	<u>%Change</u>
General Fund	8,084.8	8,426.3	8,591.3	165.0	2.0
LGAC*	2,697.2	2,808.7	2,863.5	54.8	2.0
MTOAF**	755.9	762.0	791.0	29.0	3.8
All Funds	11,537.9	11,997.0	12,245.8	248.8	2.1

\*Local Government Assistance Corporation

\*\*Mass Transportation Operating Assistance Fund

### ***Summary:***

#### ***General Fund***

Retail sales of tangible personal property are taxed under Article 28 of the Tax Law unless specifically exempted. Services are only taxable if they are enumerated in the Tax Law. The current State sales tax rate is 4%. The sales and use tax, account for approximately 18% of state revenues. The General Fund receives approximately 70% of all sales tax collections.

#### ***Special Revenue Funds***

Of the State portion of the sales tax, a quarter of it is deposited to the Local Government Assistance Tax Fund. These deposits are used to pay the debt service on bonds issued by the Local Government Assistance Corporation. Any receipts in excess of the debt service is transferred back to the General Fund.

An additional 0.375% tax is imposed on purchases made in the Metropolitan Commuter Transportation District (MCTD). The Mass Transportation Operating Assistance Fund was created to help finance State public transportation. The receipts from the supplemental MCTD sales and use tax are earmarked for this dedicated fund.

#### **Proposed Legislation:**

The Executive proposes to expand the sales tax registration clearance process. The Executive also proposes to make permanent the Tax Modernization provisions set to expire December 31<sup>st</sup>, 2012. Additionally the Executive proposes the exemption on solar energy equipment to include commercial use.

The Executive has proposed legislation that will extend for five years the full or partial tax exemptions on E85, CNG, hydrogen and B20 when purchased for use in a motor vehicle engine.

Finally, the Executive proposes to make technical amendments to the tax classification of diesel motor fuel.

**Receipts:**

All Funds sales tax receipts are estimated to be \$11,997 million for SFY 2011-12, an increase of \$459.1 million from SFY 2010-11. The growth was suppressed by the partial return of the clothing and footwear exemption (\$55 per item). On a General Fund basis, receipts for SFY 2011-12 are estimated to be \$8,426.3 million, an increase of \$341.5 million from SFY 2010-11.

All Funds sales tax collections for SFY 2012-13 are projected to total \$12,246 million, an increase of \$248.8 million from SFY 2011-12. General Fund sales tax collections for SFY 2012-13 are projected to be \$8,591.3 million, an increase of \$165 million from SFY 2011-12.

## BANK TAX

(millions of dollars)					
	<u>Actual</u>	<u>Estimated</u>	<u>Forecast</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
	<u>SFY 2010-11</u>	<u>SFY 2011-12</u>	<u>SFY 2012-13</u>	<u>Change</u>	<u>%Change</u>
<b>General Fund</b>	\$973.3	1143.0	1129.0	(14.0)	(1.2)
<b>Other Funds</b>	204.9	231.0	222.0	(9.0)	(3.9)
<b>All Funds</b>	1,178.2	1,374.0	1,351.0	(23.0)	(1.7)

*Summary:**General Fund*

Under Article 32 of the Tax Law, New York State imposes a tax on banking corporations doing business within the State. The bank tax is calculated on four bases: (1) 7.1% of allocated net income; (2) 3% of alternative minimum income; (3) a tax on asset value; or (4) a fixed dollar minimum tax of \$250. The amount of the tax remitted is the greatest of the bases.

*Special Revenue Funds*

Banks doing business within the Metropolitan Commuter Transportation District (MCTD) are subject to a 17% surcharge on the portion of their total tax liability allocable to the MCTD. These funds are deposited into the Mass Transportation Operating Assistance Fund.

*Receipts:*

All Funds receipts through December are \$965.7 million, an increase of \$149.3 million (18.3 percent) from the comparable period in the prior fiscal year. The majority of the year-to-date increase is attributable to strong collections in December for commercial bank estimated payments on calendar year liability. The December 2011 estimated payment for commercial bank taxpayers increased 54.8 percent over the prior year. Additionally, refunds are significantly lower in 2011-12 compared to 2010-11 due to the delay in payment of 2009-10 refunds to April 2010. Audit receipts are lower on a year-to-date basis as there have been fewer large audits cases in 2011-12.

All Funds receipts for 2011-12 are estimated to be \$1,374 million, an increase of \$195.8 million (16.6 percent) from 2010-11. This increase is mainly attributable to strong December collections in commercial bank calendar year liability estimated payments and the corresponding expected increase in March prepayments. Audit receipts and refunds are estimated to be lower by \$113.2 million (47.3 percent) and \$110.4 million (41.6 percent), respectively, from 2010-11.

*2012-13 Projections*

All Funds receipts are projected to be \$1,351 million, a decrease of \$23 million (1.7 percent) from 2011-12. The unusually high commercial bank calendar year filer payments seen in 2011-12 are not expected to be repeated in 2012-13. This decrease is partially offset by a projected increase in audit receipts.

**Proposed Legislation:**

None

## CORPORATION FRANCHISE TAX

(millions of dollars)

	<b>Actual</b>	<b>Estimated</b>	<b>Forecast</b>	<b>SFY 2011-12 to SFY 2012-13</b>	
	<b><u>SFY 2010-11</u></b>	<b><u>SFY 2011-12</u></b>	<b><u>SFY 2012-13</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>
General Fund	2,472.2	2,825.0	2,884.0	19.0	0.7
All Funds	2,845.8	3,231.0	3,299.0	68.10	2.1

***Summary:***

***General Fund***

Under Article 9-A of the Tax Law, New York State levies a tax on corporations doing business within the State. The Corporate Franchise Tax is calculated on four calculation bases: (1) 7.1% of net income apportioned to New York using a single sales factor (small businesses, manufacturers, and high-tech firms are subject to a lower rate of 6.5%); (2) 1.5% of alternative minimum income; (3) 0.15% of allocated business and investment capital with a cap of \$350,000 for manufacturers and \$10 million for all others; and (4) a fixed dollar minimum tax ranging between \$25 and \$5,000 based on New York sourced gross income. The base that yields the greatest tax liability is remitted to the State.

***Special Revenue Funds***

Corporations doing business within the Metropolitan Commuter Transportation District (MCTD) are subject to a 17% surcharge on the portion of their total tax liability allocable to the MCTD. These funds are deposited into the Mass Transportation Operating Assistance Fund.

***Proposed Legislation:***

The Executive has proposed extending the Empire State commercial production credit for five years, through the year 2016, for qualified costs associated with TV commercials produced in New York. Additionally, the Executive proposes extending the bio-fuel production credit for seven additional years till tax year 2019. The Executive also proposes providing the Commissioner of the Division of Housing and Community Renewal authorization to allocate an additional \$8 million annually in low income housing tax credits for five additional years.

***Receipts:***

The Executive estimates All Funds corporate franchise tax receipts of \$ 3.231 billion in SFY 2011-12, an increase of \$385.2 million from SFY 2010-11. The increase is primarily attributed to 5.4% growth in corporate profits in 2011 and a projected 34% increase in audit receipts. The

Executive projects All Funds corporate franchise tax receipts to increase \$68 million to \$3.299 billion in SFY 2012-13.

On a General Fund basis, the Executive estimates SFY 2011-12 receipts of \$3.825 billion, an increase of \$352.8 million. On a General Fund basis the Executive projects receipts to increase by \$19 million from SFY 2011-12 to \$2.844 billion in SFY 2012-13.

## CORPORATION AND UTILITIES TAXES

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	616.1	626.0	682.0	56.0	8.9
All Funds	813.6	815.0	877.0	62.0	7.6

### *Summary:*

#### *General Fund*

Under Article 9 of the Tax Law, New York levies taxes and fees on a number of specialized industries including public utilities, newly organized or reorganized corporations, out-of-state corporations doing business in New York State, transportation and transmission companies, and agricultural cooperatives. Each section of the article levies a tax on a different industry:

- Section 180 imposes a tax on newly incorporated or reincorporated domestic businesses.
- Section 181 imposes a license fee on foreign corporations for the privilege of exercising a corporate franchise or conducting business in a corporate or organized capacity in New York State.
- Section 183 imposes a franchise tax on the capital stock of transportation and transmission companies, including telecommunications, trucking, railroad, and other transportation companies.
- Section 184 imposes an additional franchise tax of 0.375% on the gross receipts of transportation and transmission companies.
- Section 185 imposes a franchise tax on farmers, fruit-growers and other agricultural cooperatives.
- Section 186-a imposes a 2% gross receipts tax on charges for the transportation, transmission, distribution, or delivery of electric and gas utility services.
- Section 186-e imposes a 2.5% gross receipts tax on charges for telecommunications services.

#### *Special Revenue Funds*

Corporations and utilities doing business within the Metropolitan Commuter Transportation District (MCTD) are subject to a 17% surcharge on the portion of their total tax liability allocable to the MCTD. These funds are deposited into the Mass Transportation Operating Assistance Fund (MTOAF). Collections from the taxes imposed under sections 183 and 184 are deposited into the MTOAF and the Dedicated Highway and Bridge Trust Fund (DHBTF).

**Proposed Legislation:**

The Executive proposes to redistribute the statewide collected transmission tax between the upstate and downstate transit accounts in an equitable manner. The redistribution would be based on population instead of a pre-selected transfers. The split would be 54% for the Metropolitan Mass Transportation Operating Assistance Account (MMTOA) and 26% to the Public Transportation Operating Assistance Account (PTOA).

**Receipts:**

The Executive estimates All Funds corporation and utilities taxes receipts of \$815 million in SFY 2011-12, an increase of \$1.4 million from SFY 2010-11. The Executive projects All Funds receipts of \$877 million in SFY 2012-13, an increase of \$62 million in SFY 2011-12.

On a General Fund basis, the Executive estimates receipts of \$626 million in SFY 2011-12, an increase of \$9.9 million from SFY 2010-11. On a General Fund basis, the Executive projects All Funds receipts of \$682 million from SFY 2010-11 an increase of \$56 million in SFY 2011-12.



## INSURANCE TAXES

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>%Change</u>
General Fund	1,217	1,274	1,322	48	3.8
Other Funds	134	139	141	2	1.4
All Funds	1,351	1,413	1,463	50	3.5

### *Summary:*

#### *General Fund*

Under Article 33 of the Tax Law and the Insurance Law, the State imposes taxes on insurance corporations, insurance brokers and certain insured for the privilege of conducting business or otherwise exercising a corporate franchise in New York. Life and non-life insurers are taxed as follows:

- Non-life insurers are subject to a premiums-based tax. Accident and health premiums received by non-life insurers are taxed at the rate of 1.75% and all other premiums received by non-life insurers are taxed at the rate of 2%. A \$250 minimum tax applies to all non-life insurers.
- The franchise tax on life insurers has two components. The first component is a franchise tax computed under four alternative bases, with tax due based on the highest tax calculated under the four alternative bases. In addition, a 0.8 of one mill tax rate applies to each dollar of subsidiary capital allocated to New York. The second component is an additional franchise tax on gross premiums, less returned premiums. The tax rate on premiums is 0.7% and applies to premiums written on risks located or resident in New York. This tax is added to the tax due under the first component.

Under Article 33-A of the Tax Law and the Insurance Law, the State imposes a tax rate of 3.6% of premiums on independently procured insurance. This tax is imposed on any individual, corporation or other entity purchasing or renewing an insurance contract covering certain property and casualty risks located in New York from an unauthorized insurer.

#### *Special Revenue Funds*

Insurers doing business within the Metropolitan Commuter Transportation District (MCTD) are subject to a 17% surcharge on the portion of their total tax liability allocable to the MCTD. These funds are deposited into the Mass Transportation Operating Assistance Fund.

**Proposed Legislation:**

**Receipts:**

The Executive estimates All Funds insurance taxes receipts of \$1,413 million in SFY 2011-12, an increase of \$62.1 million (4.6%) from SFY 2010-11. The Executive projects All Funds insurance taxes receipts to be \$1,463 million in SFY 2012-13, an increase of \$50 million (3.5%).

On a General Fund basis, the Executive estimates receipts of \$1,322 million in SFY 2011-12, an increase of \$57 million from SFY 2010-11. For SFY 2012-13, on a General Fund basis, the Executive estimates \$1,322 million, an increase of \$48 million from SFY 2011-12.

The Executive estimates that tax receipts from the MCTD surcharge is \$139 million for SFY 2011-12 and \$141 million for SFY 2012-13.

## PETROLEUM BUSINESS TAXES

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>%Change</u>
General Funds	0	0	0	0	0
All Funds	1,090.4	1,089.0	1,162.0	73.2	6.7

### *Summary:*

#### *General Fund*

As of April 1, 2001, all Petroleum Business Tax receipts previously deposited in the General Fund were redistributed to the Mass Transportation Operating Assistance Fund and to the Dedicated Funds Pool.

#### *Special Revenue Funds*

Petroleum Business Taxes (PBT) are imposed on petroleum related businesses based upon the quantity of various petroleum products imported for sale or use in the State. PBT rates are annually indexed on January 1 of each year to reflect the twelve month change in the Petroleum Producers Price Index ending the previous August 31. Rates are limited to a maximum 5% increase or decrease per year.

Of the base PBT collections; 12% are deposited in the Mass Transportation Operating Assistance Fund; 55% are deposited in the Highway and Bridge Trust Fund; 33% are deposited in the Dedicated Mass Transportation Trust Fund.

#### *Proposed Legislation:*

The Executive has proposed legislation that will extend for five years the full or partial tax exemptions on E85, CNG, hydrogen and B20 when purchased for use in a motor vehicle engine.

Additionally, the Executive proposes to make technical amendments to the tax classification of diesel motor fuel.

**Receipts:**

Petroleum Business Tax receipts are estimated to total \$1,089 million in SFY 2011-12, a decrease of \$1.4 million from SFY 2010-11.

Petroleum Business Tax receipts are projected to total \$1,162.2 million in SFY 2012-13, a \$73.2 million increase from SFY 2011-12.

## ESTATE TAX

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	1,218	1,195	1,127	(68)	(5.7)
All Funds	1,218	1,195	1,127	(68)	(5.7)

***Summary:******General Fund***

As of February 1, 2000, New York's estate tax rate is equal to the maximum value of the Federal estate tax credit a person can take for state estate taxes paid. In addition, the amount of the State exemption was set to equal the amount of the Federal exemption; capped at \$1 million. As such, New York estates with a value of \$1 million or less owe no estate taxes. For those estates that exceed \$1 million, the tax rate increases from 0.8% to 16.0% depending upon the value of the estate.

***Special Revenue Funds***

Collections from this tax are not deposited into any special revenue funds.

**Proposed Legislation:**

None

**Receipts:**

The amount of estate taxes collected in any fiscal year depends not only upon the state of the economy (i.e. stock market performance and housing market) but, the quantity of taxable estates which are classified by the amount of tax imposed. Small estates are those whose tax liability is less than \$250,000; large estates incur tax liabilities between \$250,000 and \$4 million; extra-large estates incur tax liabilities from \$4 million to \$25 million; and super-large estates incur tax liabilities over \$25 million.

Receipts from the estate tax are estimated to decrease by \$68 million in the current fiscal year to \$1,127 million in SFY 2012-13.

In SFY 2011-12, estate tax receipts are projected to decrease by \$23 million to \$1,195 million. Receipts from small estates are projected to increase this year by \$30 million to \$483 million. Receipts from large estates are projected to increase this year by \$37 million to \$381.2 million

## REAL ESTATE TRANSFER TAX

(millions of dollars)

	<u>Actual</u>	<u>Estimated</u>	<u>Forecast</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
	<u>SFY 2010-11</u>	<u>SFY 2011-12</u>	<u>SFY 2012-13</u>	<u>Change</u>	<u>% Change</u>
General Fund	0	0	0	0	0
Other Funds	\$580.01	\$620.01	\$690	\$70	11.3%
All Funds	\$580.01	\$620.01	\$690	\$70	11.3%

### *DESCRIPTION*

#### *Tax Base and Rate*

The New York State real estate transfer tax (RETT) is imposed by Article 31 of the Tax Law on each conveyance of real property or interest therein, when the consideration exceeds \$500, at a rate of \$4 per \$1,000 of consideration (price). The tax became effective August 1, 1968. Prior to May 1983, the rate was \$1.10 per \$1,000 of consideration. Effective July 1, 1989, an additional 1 percent tax was imposed on residential conveyances for which the consideration is \$1 million or more.

#### *Administration*

Typically, the party conveying the property (grantor) is responsible for payment of the tax, either through the purchase of adhesive documentary stamps, by the use of a metering machine, or through other approaches provided by the Commissioner of Taxation and Finance.

#### *2011-12 Estimates*

All Funds collections through December are \$488.6 million, an increase of \$62.5 million (14.7 percent) above the comparable period in the prior fiscal year.

All Funds receipts for 2011-12 are estimated to be \$620 million, an increase of \$39.9 million (6.9 percent) above last year.

New York's recent real estate market experience has followed national eeded transfers, the tax is paid to a recording agent (generally the county clerk).

#### *2012-13 Projections*

All Funds receipts are projected to be \$690 million, an increase of \$70 million (11.3 percent) above 2011-12.

The short term outlook for the housing market is based upon a number of factors, including low interest rates, continued tight credit standards, and health of the financial sector. Average existing home prices are expected to increase modestly in 2012.

An increase in REITs and commercial activity is expected to occur in 2012-13 as investor optimism in New York City real estate increases and prices remain low. The diversifying of industry in NYC is expected to positively impact the commercial market and demand for office space in the coming years.

***General Fund***

The General Fund will receive no direct deposit of real estate transfer tax receipts.

***Proposed Legislation***

No new legislation is proposed with this Budget

## PARI-MUTUEL TAX

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u>	
				<u>Change</u>	<u>% Change</u>
General Fund	17.0	16.3	16.3	0	0
All Funds	17.0	16.3	16.3	0	0

### **Summary:**

*The State has levied taxes on pari-mutuel wagering activity conducted at horse racetracks since 1940. Off-track betting (OTB) parlors were first authorized in 1970 and simulcasting was first authorized in 1984. Each racing association or corporation and Off-Track Betting Corporation pays the State a portion of the commission (the “takeout”) withheld from wagering pools (the “handle”) as a tax for the privilege of conducting pari-mutuel wagering on horse races. There are numerous tax rates imposed on wagering on horse races. The rates vary depending upon the type of racing (thoroughbred or harness), the type of wager (regular, multiple, or exotic) and location at which it is placed (at the track, or off-track through simulcasting or at an Off-Track Betting Corporation). The average effective pari-mutuel tax rate was 0.92% of the handle in 2009. In an effort to support the New York agricultural and breeding industries, a portion of the takeout is allocated to the State’s thoroughbred and standard bred (harness) horse breeding and development funds.*

*With the increase in OTB activity and simulcasting over the last 20 years, off-track bets now account for 75% of the statewide handle. The expansion of OTBs has contributed, in part, to the corresponding decline in handle and attendance at racetracks. To promote growth of the industry, the State has authorized higher takeouts to support capital improvements at non-New York Racing Association (NYRA) tracks and, more importantly, reduced its on-track tax rates by as much as 90% at thoroughbred and harness tracks, authorized the expansion of simulcasting at racetracks and OTB facilities, allowed in-home simulcasting experiments and telephone betting, lowered the tax rates on simulcast wagering, redirected the State franchise fee on nonprofit racing associations to repay loans from the New York State Thoroughbred Capital Investment Fund, and reduced tax rates on NYRA bets. In 2001, the State authorized the operation of video lottery terminals, at authorized racetracks, and directed a portion of VLT receipts to be used for purse enhancements and for the breeder’s funds.*



*In 2008, the State awarded a 25 year license to operate the Aqueduct, Belmont, and Saratoga Racetracks to the New York Racing Association. Also, in 2008, the State took over operation of the New York City Off-Track Betting Corporation.*

*In December of 2010, the New York City Off-track Betting Corporation ceased pari-mutuel wagering operations after the failure to reach an agreement on a restructuring plan to bring the corporation out of bankruptcy.*

### ***General Funds***

Pari-Mutuel receipts have declined steadily over the years due to competition from nearby casinos and the growth of other gaming venues such as Video Lottery Terminals (VLTs), resulting in a reduction of handle and attendance at on and off track betting locations (OTB's).

### ***Special Revenue Funds***

Collections from this tax are not deposited into any special revenue funds.

### **Proposed Legislation:**

The Executive proposes to extend certain tax rates and authorization for account wagering for a period of one year.

### **Receipts:**

For SFY 2011-12, All Fund receipts for Pari-Mutuel taxes are estimated to be \$16.3 million, a decrease of \$0.7 million from SFY 2010-11. For SFY 2012-13, receipts are projected to be \$16.3 million, keeping revenue level compared to SFY 2011-12.

## RACING ADMISSION/BOXING AND WRESTLING EXHIBITIONS TAX

(thousands of dollars)

	Actual	Estimated	Forecast	SFY 2011-12 to SFY 2012-13	
	<u>SFY 2010-11</u>	<u>SFY 2011-12</u>	<u>SFY 2012-13</u>	<u>Change</u>	<u>% Change</u>
General Fund	712	745	700	(45)	(6.0)
Other Funds	712	745	700	(45)	(6.0)
All Funds	712	745	700	(45)	(6.0)

### *Summary:*

#### *General Fund*

This category includes the 4% admissions tax placed on racetracks and simulcast theaters and the 3% tax imposed on gross receipts of boxing and wrestling events and exhibitions held in New York State. Year to year revenue collections have historically shown great fluctuations due to one or two high-profile boxing events that generate large incomes. Additionally, some racing facilities have eliminated admission charges due to increased competition from video lottery terminals.

#### *Special Revenue Funds*

None of the collections from these taxes are deposited to special revenue funds.

#### *Proposed legislation:*

None

#### Receipts:

For SFY 2011-12, All Funds receipts are estimated to be \$745,000. For SFY 2012-13, receipts are projected at \$700,000.

## METROPOLITAN TRANSPORTATION AUTHORITY RECEIPTS

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u> <u>Change</u>	<u>% Change</u>
General Fund	0	0	0	0	0
All Funds	1,656	1,703	1,470	233	13.7

### *Summary:*

#### *General Fund*

All of the MTA receipts are deposited into dedicated funds.

#### *Special Revenue Funds*

In order to provide financial relief to the MTA, the (Mobility) payroll tax was established in 2009. This tax was imposed at a rate of 0.34% of a business' payroll. Along with this tax, a sales tax of 50 cents per taxi ride, additional motor vehicle license and registration fees, and the aforementioned auto rental tax were imposed. The collections from these taxes are deposited to the Metropolitan Transportation Authority Financial Assistance Fund.

Effective June 1, 2009, a supplemental tax of 5% was imposed on the rental of a passenger vehicle in the MCTD. The tax base and administration of this tax are the same as the State Auto Rental Tax.

Effective September 1, 2009, there is a supplemental motor vehicle license fee of one dollar per six month interval and a supplemental registration fee of \$25 in the MCTD. The timing and administration of these fees are the same as the State fee.

Effective November 1, 2009, a tax of 50 cents was imposed on taxicab rides that originate in NYC and end within the MCTD. On July 1, 2010, the incidence of the tax was statutorily shifted to medallion owners from taxicab vehicle owners.

#### *Proposed Legislation:*

None

**Receipts:**

The following table shows the projected receipts from the taxes that are imposed within the MCTD. The decline in payroll tax receipts is a reflection of the partial decrease in the tax in December 2011.

<b>PROJECTED RECEIPTS FROM DEDICATED TAXES</b>		
<b>(millions of \$)</b>		
	<b><u>SFY 2011-12</u></b>	<b><u>SFY 2012-13</u></b>
MTA Payroll Tax (Mobility)	1,396	1,160
Motor Vehicle Fees	183.0	181.0
Auto Rental Tax	39.0	41.0
Taxicab Surcharge	85.0	88.0
<b>Total</b>	<b>1,703</b>	<b>1,470</b>

## MISCELLANEOUS RECEIPTS

(millions of dollars)

	<u>Actual</u> <u>SFY 2010-11</u>	<u>Estimated</u> <u>SFY 2011-12</u>	<u>Forecast</u> <u>SFY 2012-13</u>	<u>SFY 2011-12 to SFY 2012-13</u> <u>Change</u>	<u>% Change</u>
General Fund	3,095	3,244	3,069	(175)	(5.4)
All Funds	23,148	23,832	24,255	423	1.8

### *Summary:*

#### *General Fund*

Revenues from miscellaneous receipts are received from a variety of sources, both recurring and non-recurring. The revenues include fees imposed by various State agencies, abandoned property, and income from the investment of the balances of the State's funds, reimbursements from the State's public authorities and municipalities, and transfers from other State entities. Revenues from miscellaneous receipts fluctuate year to year as a result of the amount of "one-shots" in any given fiscal year as opposed to economic conditions.

#### *Special Revenue Funds*

Miscellaneous receipts that are deposited to the State's various special revenue funds include: lottery receipts for the support of education, SUNY tuition, health care surcharges and assessments, state park fees, as well as bond proceeds. These receipts are dedicated to specific spending programs, capital projects, or the payment of debt service.

#### *Proposed Legislation:*

Legislation proposed with this Budget would:

- \* Transfer \$913,000 from NYSERDA (off-budget) to the general fund to help offset New York State's debt service requirements relating to a nuclear waste site that NYSERDA owns and manages;
- \* Create a new fee to support the electronic death registry;
- \* Shift commercial feed licensing receipts to General Fun miscellaneous receipts; and
- \* Shift consumer food receipts to General Fund miscellaneous receipts.

**Receipts:**

In SFY 2011-12, General Fund miscellaneous receipts are estimated to total \$3,244 million, an increase of \$149 million. For SFY 2012-13, General Fund miscellaneous receipts are projected to total \$3,069 million, a decrease of \$175 million from SFY 2011-12.

All Funds miscellaneous receipts (includes the General Fund, special revenue funds, debt service funds, and capital projects funds) are projected to be \$23.8 billion this year and \$24.2 billion next year.

## LOTTERY

(millions of dollars)

	<b>Actual</b> <b>SFY 2010-11</b>	<b>Estimated</b> <b>SFY 2011-12</b>	<b>Forecast</b> <b>SFY 2012-13</b>	<b>SFY 2011-12 to SFY 2012-13</b>	
				<b>Change</b>	<b>% Change</b>
General Fund	0	0	0	0	0
Other Funds	3,014.8	2746.0	2,997.0	251.0	9.1
All Funds	3,014.8	2746.0	2,997.0	251.0	9.1

***Summary:***

***General Fund***

Collections from lottery sales are not deposited into the General Fund.

***Special Revenue Funds***

The New York State Lottery is an independent division of the Department of Taxation and Finance. It was established in 1966 as a result of a voter referendum. The purpose of the Lottery is to raise revenues for education in the State of New York through the sale of Lottery products.

The basic game types include:

- Instant scratch-off games;
- Daily numbers games; twice daily fixed payout games (“Numbers” and Win-4”)- which are fixed-odds;
- Nightly “Pick 10” which allows patrons to choose ten numbers from a field of eighty and “Quick Draw” consisting of an on-line game drawn every four minutes;
- Video lottery games, which are lottery games played on video gaming devices. Video Lottery Terminals (VLTs) are authorized only at selected thoroughbred and harness tracks; and
- Lotto games are pick-your-own-numbers games offering large top prizes. These games are comprised of Take-5, Lotto, Sweet Millions, Mega Millions, and Powerball.

**Proposed Legislation/ Administrative Actions:**

The Executive has not proposed any legislation.

**Receipts:**

For SFY 2011-12 All Funds receipts are estimated to be \$2,746 million, a decrease of \$268.8 million from SFY 2010-11. All Funds receipts are projected to be \$2,997 million in SFY 2012-13, an increase of \$251 million.

**FINANCIAL SUMMARY TABLE OF TAX/REVENUE ACTIONS**

Revenue actions totaling a net \$25 million (All Funds) are recommended to help close the SFY 2012-13 gap as outlined below:

**ALL FUNDS REVENUE ACTIONS**

(\$ in Millions)

	2012-13	2013-14	2014-15	2015-16
<b>Revenue Enhancements</b>	<b>29</b>	<b>53</b>	<b>53</b>	<b>53</b>
<b>Personal Income Tax</b>	<b>9</b>	<b>24</b>	<b>24</b>	<b>24</b>
Make Tax Modernization Provisions Permanent	4	16	16	16
Prohibit Bank Fees From Reducing Tax Levies	5	7	7	7
STAR Benefit Offset	0	1	1	1
<b>User Taxes and Fees</b>	<b>20</b>	<b>29</b>	<b>29</b>	<b>29</b>
Tobacco Tax Reform	18	24	24	24
Make Tax Modernization Provisions Permanent	1	4	4	4
Sales Tax Registration Clearance	1	1	1	1
<b>Tax Reductions</b>	<b>(4)</b>	<b>(23)</b>	<b>(45)</b>	<b>(53)</b>
Expand the Low Income Housing Tax Credit Program	0	(8)	(16)	(24)
Extend the Television Commercial Production Credit for 5 years	0	(7)	(7)	(7)
Extend the Bio Fuel Production Credit for 7 years	0	0	(10)	(10)
Make Non Custodial Parent EITC Permanent	0	0	(4)	(4)
Extend the Alternative Fuels Tax exemption for 5 Years	(2)	(3)	(3)	(3)
Pari Mutuel Extender	0	0	0	0
Expand Sales Tax Exemption for Solar Equipment Purchases	(2)	(3)	(3)	(3)
Expand Residential Solar Equipment for Tax Credit to Leases	0	(2)	(2)	(2)
<b>Total All Funds Legislation Net Change</b>	<b>25</b>	<b>30</b>	<b>8</b>	<b>0</b>



**Revenue Bill: S.6259/A.9059****Part A: Extend fees for the establishment of oil and gas unit of production values.**

Part A extends fees for the establishment of oil and gas unit of production values by the Department of Taxation and Finance (the Department).

The Department establishes —unit of production values|| which local assessors must use when assessing oil and gas wells and related facilities, pursuant to Article 5, Title 5 of the Real Property Tax Law. This program, which has been in place since 1981, relieves local assessors of the burden of attaining the necessary expertise to value these properties, while assuring producers that their assessments will be determined on a uniform, rational basis throughout the State. In recognition of the benefit this program provides for the industry, producers have been obliged since 1992 to pay fees to the State to offset the administrative costs involved in developing these values. The statute imposing those fees – Real Property Tax Law §593 – has always been subject to a sunset clause, and has been repeatedly renewed since enactment. This bill would extend the program until 2015.

**Fiscal Impact:** Enactment of this bill is necessary to implement the 2012-13 Executive Budget and allow the Department to offset related costs.

**Part B – STAR benefit recovery program for unpaid tax liabilities.**

Part B creates a new program to aid in the enforcement of delinquent tax liabilities by providing for the recovery of STAR benefits from taxpayers who owe certain past-due tax liabilities.

This part would authorize the Department of Taxation and Finance to establish a new program to aid in the enforcement of delinquent tax liabilities by providing for the recovery of STAR benefits from taxpayers who owe certain past-due state tax liabilities. The program would apply to the STAR exemption from real property taxation and to the two STAR-related personal income tax benefits for New York City residents.

**Fiscal Impact:** Provides an estimated \$1 million in additional revenue on an annual basis and \$5 million in savings, by removing the STAR exemption in cases in which the taxpayer(s) were in arrears with respect to their State tax liabilities.

**Part C – Reform the Tobacco Products Excise Tax.**

Part C amends the Tax Law, in relation to reforming excise tax on tobacco products, imposing a fixed rate of tax on loose tobacco, and imposing a retail tax on cigars.

This part amends the Tax Law, in relation to reforming excise tax on tobacco products, imposing a fixed rate of tax on loose tobacco, and imposing a retail tax on cigars. The section would tax all

loose tobacco at the same rate as the excise tax on cigarettes to provide a disincentive for consumers to seek out these machines. Would also reform the excise tax on tobacco products and impose a retail tax on cigars. Eliminates the imposition of the tobacco products tax at seventy-five percent of the wholesale price, and replaces it with a fixed rate of \$4.53 per ounce on loose tobacco. This rate brings the tax rate up to par with the imposition on cigarettes.

**Fiscal Impact:** Enactment of this bill is necessary to implement the Executive Budget, because it will increase tax receipts by \$18 million in SFY 2012-13 and \$24 million each year thereafter.

#### **Part D – Extend the alternative fuels tax exemptions for five years.**

Part D extends the sunset from September 1, 2012 to September 1, 2017 for the tax exemptions for alternative fuels, including E85, CNG, hydrogen, and B20.

**Fiscal Impact:** Enactment of this bill is necessary to implement the SFY 2012-13 Executive Budget. All Funds sales and use, petroleum business, and motor fuel taxes would be reduced by a total of \$1.5 million in SFY 2012-13 and \$3 million annually in each of 2013-14, 2014-15, 2015-16 and 2016-17 and \$1.5 million in 2017-18.

#### **Part E – Make technical amendments to the tax classification of diesel motor fuel.**

Part E amends how certain types of diesel motor fuel are classified for purposes of the taxes on diesel motor fuel under the New York State Tax Law. To prevent any unintended tax consequences, this bill would remove crude oil from the diesel motor fuel Tax Law definition. This change will have no adverse tax evasion or compliance effects.

**Fiscal Impact:** Enactment of this bill is necessary to address an unintended impact on taxpayers and to maintain the estimated State revenue stream in State fiscal year 2012-13 and future fiscal years.

#### **Part F – Expand Criteria to Refuse to Issue Sales Tax Certificates of Authority.**

Part F improves tax collection by expanding the criteria the Department of Taxation and Finance uses to refuse to issue a Certificate of Authority due to outstanding liability under the Tax Law. Vendors are not permitted to engage in taxable sales without first being issued a Certificate of Authority from the Department of Taxation and Finance. Would amend section 1134(a)(4)(B) of the Tax Law to expand the criteria the Department of Taxation and Finance may use to refuse to issue a Certificate of Authority for sales and use tax purposes. Current law allows the Department to refuse to issue a Certificate of Authority if any tax finally determined to be due from the applicant under the Tax Law has not been paid in full; or sales or use taxes due from persons required to collect tax on behalf of this entity, or another entity for which the person was also required to collect tax, have not been paid in full. This bill would allow the Department to refuse to issue a Certificate of Authority for any unpaid type of tax determined to be due from a

person that is a "person required to collect tax" for the entity applying for the Certificate of Authority, not just for that person's unpaid sales and use taxes as under current law.

**Fiscal Impact:** Enactment of this bill is necessary to implement the 2012-13 Executive Budget because it will increase receipts by \$1 million in SFY 2012-13 and each year thereafter.

#### **Part G – Make Permanent Certain Modernization Provisions of the Tax Law.**

Part G makes the following specified tax modernization provisions permanent: (a) To maintain improvements to the administration of the Tax Department's electronic filing and payment mandates, creating efficiencies and cost savings; and (b) to maintain improvements to sales tax compliance tools.

**Fiscal Impact:** Enactment of this bill would be necessary to implement the 2012-2013 Executive Budget. It would generate additional All Funds Revenue of \$5 million in SFY 2012-13 and \$20 million annually thereafter.

#### **Part H – Expand sales tax exemption for solar energy systems equipment and expand income tax credit for such systems.**

Part H expands the income tax credit and sales and use tax exemptions for qualified solar energy systems equipment. This section would expand the income tax credit and sales and use tax exemptions for qualified solar energy systems equipment. This part bill would eliminate this "residential" requirement, thus expanding the sales tax exemptions to cover systems used to provide heating/cooling, hot water, or electricity to any structure, including commercial properties. The part would also amend the Law to cover expenditures for the **lease** of solar energy equipment and purchases of power generated by this equipment.

**Fiscal Impact:** This bill would result in a revenue loss of \$2 million in 2012-13 and \$5 million per year thereafter thru 2015-16. Beginning in 2016-17 the revenue loss will be \$3 million per year as a result of the continuing sales tax exemption. Enactment of this bill is necessary to implement the 2012-13 Executive Budget because the revenue losses are included in the State Financial Plan.

#### **Part I – Extend Empire State Commercial Production Tax Credit for five years.**

Part I extends the Empire State Commercial Production Credit until December 31, 2016.

**Fiscal Impact:** Enactment of this bill is necessary to implement the 2012-13 Executive Budget. This bill will decrease tax receipts by \$7 million annually for five years, beginning with SFY 2013-14.

**Part J – Authorize additional credits of \$8 million for low-income housing credit for each of the next five fiscal years.**

Part J increases the aggregate amount of low-income housing tax credit the Commissioner of Housing and Community Renewal may allocate from \$32 million to \$40 million in 2012 and authorizes an increase in \$8 million increments annually for the next four fiscal years.

Fiscal Impact: Enactment of this bill is necessary to implement the 2012-2013 Executive Budget. This bill will decrease annual tax receipts by an estimated \$8 million in SFY 2013-2014, \$16 million in SFY 2014-2015, \$24 million in SFY 2015-2016, \$32 million in SFY 2016-2017, and \$40 million in SFY 2017-2018.

**Part K – Extend the Biofuel Production Tax Credit through the 2019 taxable year**

Part K extends the tax credit through taxable years before January 1, 2020. This credit currently applies to taxable years beginning before January 1, 2013.

Fiscal Impact: Enactment of this bill is necessary to implement the 2012-13 Executive Budget. This bill will decrease annual tax receipts by an estimated \$10 million beginning with SFY 2014-2015.

**Part L – Make permanent the Noncustodial Parent Earned Income Tax Credit.**

Part L makes permanent the Noncustodial Parent Earned Income Tax Credit.

The credit is available to noncustodial parents who pay child support for a qualifying child with whom they do not reside. This credit rewards working noncustodial parents who augment their wages, and it provides a substantial work incentive for those not working or working only intermittently. The credit is intended to encourage low-income noncustodial parents to comply with child support orders. It is also intended to encourage low-income noncustodial parents to become more involved in the economic and social well-being of their children. This credit currently applies to taxable years beginning before January 1, 2013. This amendment would make the tax credit permanent.

Fiscal Impact: Enactment of this bill is necessary to implement the 2012-13 Executive Budget. This bill will decrease annual tax receipts by an estimated \$4 million beginning with SFY 2014-15.

**Part M – Prohibit banks from charging fees on levied bank accounts.**

Part M enhances the collection of delinquent taxes and child support by prohibiting banking institutions from deducting processing fees from the proceeds of levies executed to collect delinquent taxes or child support.

Fiscal Impact: Enactment of this bill is necessary to implement the 2012-13 Executive Budget because it would generate a revenue gain of \$5 million in SFY 13 and \$7 million annually thereafter, which is included in the State Financial Plan.

**Part N – Extend the recently enacted lower Metropolitan Commuter Transportation Mobility Tax Rates for employers to professional employer organizations.**

Part N extends the recently enacted lower Metropolitan Commuter Transportation Mobility Tax (MCTMT) rates for employers to professional employer organizations. This measure fulfills the intent of the December 2010 legislation.

Fiscal Impact: Enactment of this bill is necessary to implement recently enacted MCTMT cuts as intended by the Legislature. There is no fiscal impact since the bill would only affect employers already included in the original revenue estimate.

**Part O – Extend for one year lower Pari-Mutuel tax rates and rules governing simulcasting of out-of-state races.**

Part O extends for a period of one year various provisions of the Racing, Pari-Mutuel Wagering and Breeding (Racing) Law which expire during the 2011-12 fiscal year.

Fiscal Impact: Enactment of this bill is necessary to implement the 2012-13 Executive Budget because it maintains the current pari-mutuel betting structure in New York State.

**Part P – Redistribute the statewide collected transmission tax between the upstate (PTOA) and downstate (MMTOA) transit accounts in an equitable manner, replacing the existing yearly transfer between the two accounts.**

Part P redistributes the revenue collected from the corporate and utilities taxes imposed under Tax Law sections 183 and 184 to provide an equitable share to the public transportation systems operating assistance account, and replace the yearly transfer that has occurred from the Metropolitan Mass Transportation Operating Assistance Account (MMTOA) to the Public Transportation Operating Assistance (PTOA) account. This bill would amend subdivision 3 of section 205 of Tax Law to provide that, on and after April 1, 2012, after reserving amounts for refunds and reimbursements, twenty percent of the moneys collected from the taxes imposed by sections 183 and 184 of Tax Law shall be deposited to the credit of the Dedicated Highway and Bridge Trust Fund created by State Finance Law section 89-b, fifty-four percent shall be deposited in the Mass Transportation Operating Assistance Fund to the credit of the MMTOA account and twenty-six percent shall be deposited in the Mass Transportation Operating Assistance Fund to the credit of the PTOA account, both created by State Finance Law section 88-a. This bill would not increase the tax rate. It only redistributes the amount currently deposited in the Mass Transportation Operating Assistance Fund between the two accounts

within the fund, in accordance to a regional split. Since the taxes are collected statewide, the new distribution is based upon population within the downstate and upstate service districts.

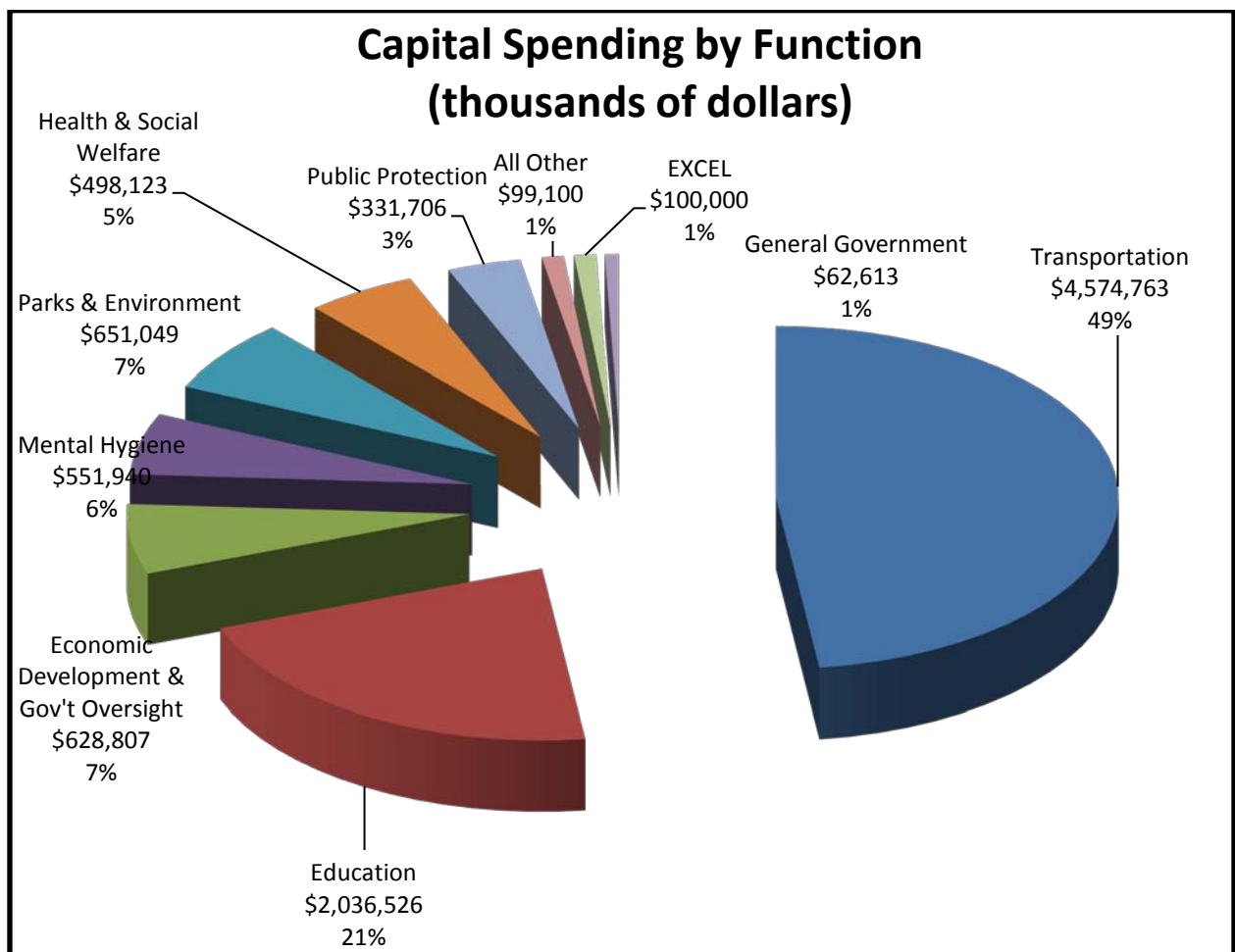
**Fiscal Impact:**

Enactment of this bill is necessary to implement the 2012-13 Executive Budget because it replaces the annual transfer that had occurred between MMTOA to PTOA. Without this tax redistribution, the PTOA account would not receive revenues for operating aid to upstate transit systems. This change will increase the amount of Transmission Tax revenue received by PTOA (upstate authorities) from \$16.72 million to \$21.45 million.

**CAPITAL SPENDING AND FINANCING**

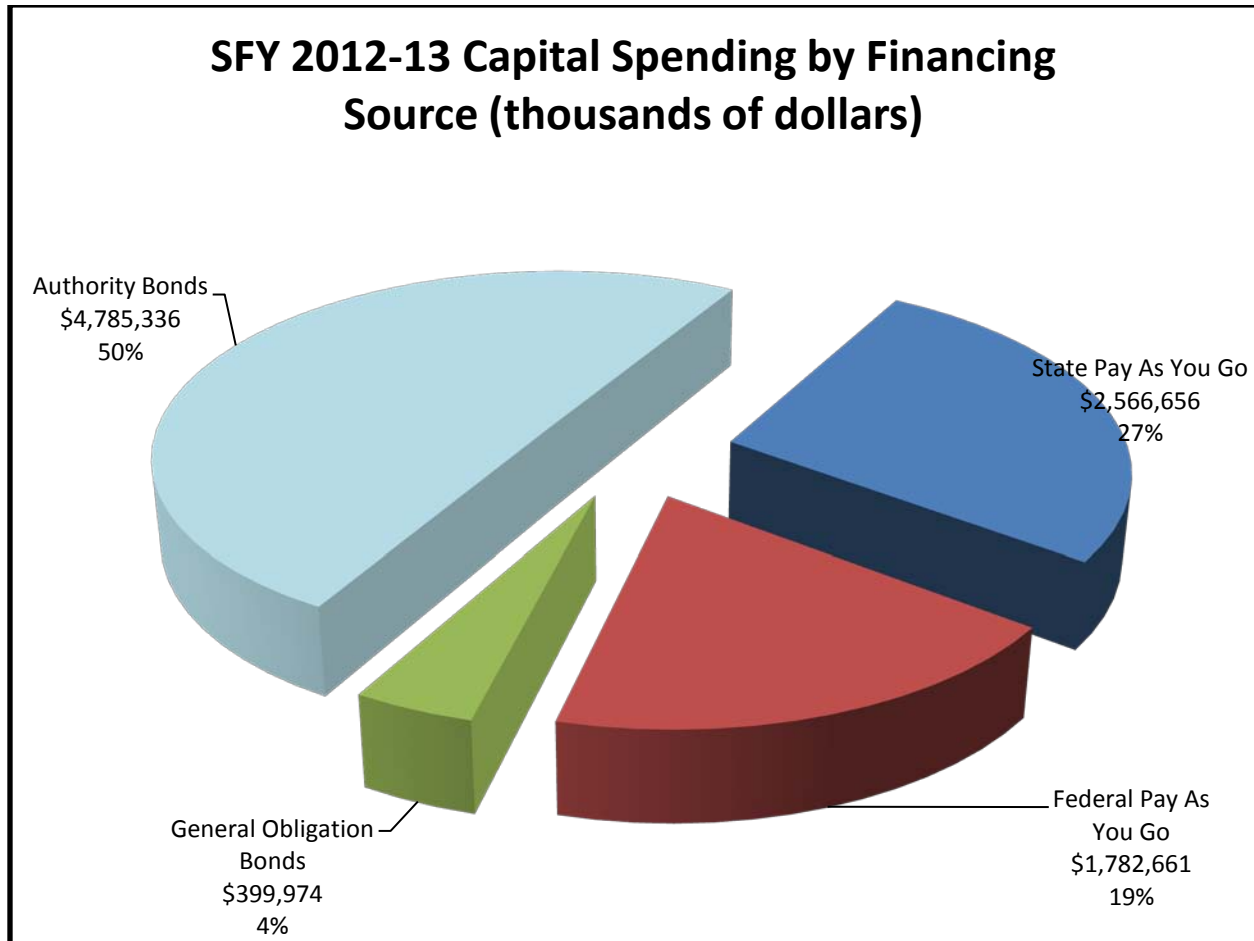
**Capital Spending**

Each year, a five-year Capital Program and Financing Plan is required to be submitted with the Executive Budget. As part of the SFY 2012-13 Executive Budget, the Governor proposes \$43.4 billion in capital spending over the life of the plan, an average of \$8.7 billion annually. In SFY 2012-13, capital spending is projected to decrease by 2.0%, from \$9.72 billion to \$ 9.53 billion. As in previous years, transportation spending constitutes the largest share of all capital spending, as shown below.



Capital spending is financed through a combination of four funding sources: state-pay as-you-go, federal-pay-as-you-go, general obligation bonds, and authority bonds. Pay-as-you-go financing is cash financing of the capital project. General obligation bonds are those whose debt issuance is specifically approved by the voters. Authority bonds are those issued by various public authorities of the State and for which debt service is appropriated by the State. As shown

below, authority bonds represent the largest funding source for the State’s proposed capital spending.



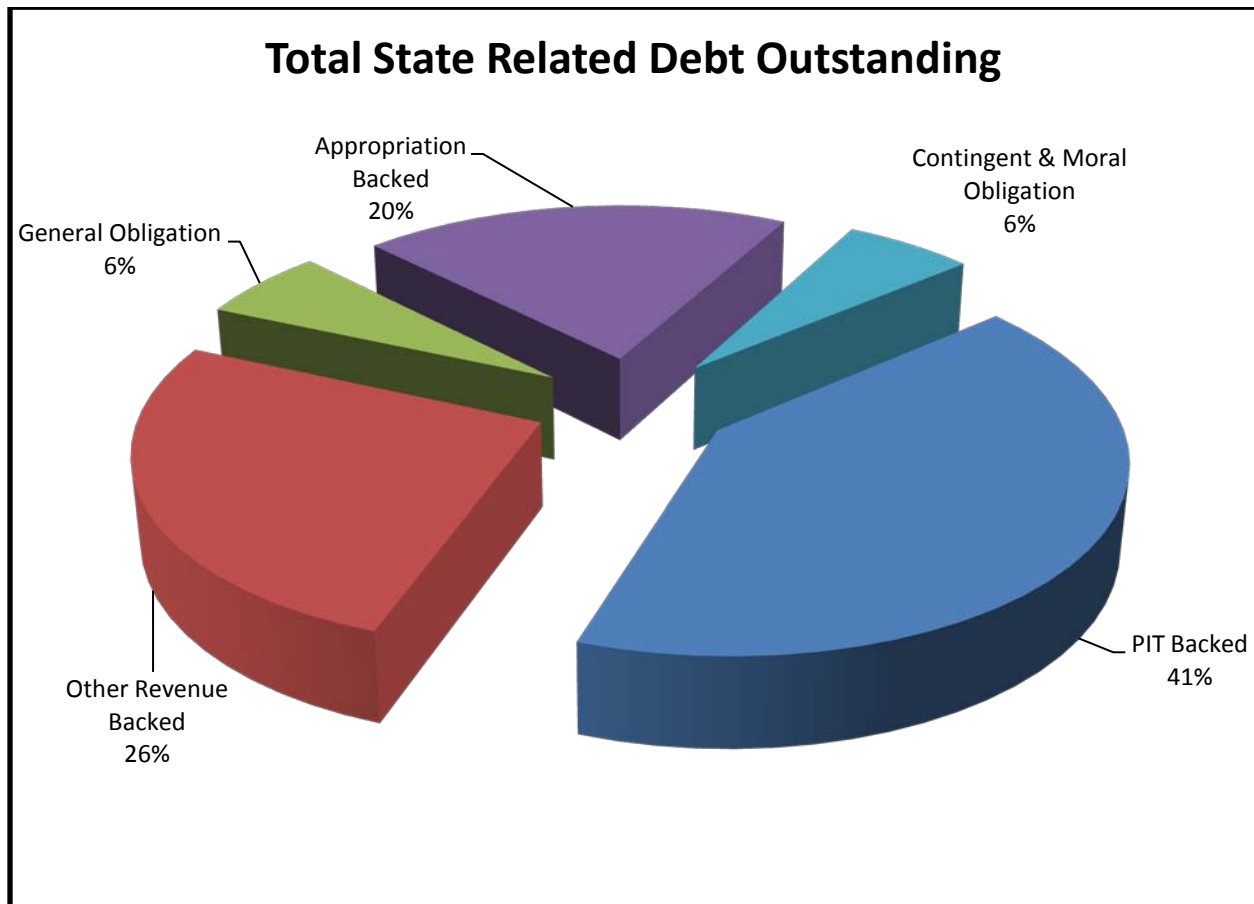
**Debt Financing**

State debt is characterized in two different ways. There is “State-supported debt” which is debt on which the State is obligated to make debt service payments. This type of debt includes general obligation bonds, appropriation backed debt, and revenue backed debt. Revenue backed debt includes personal income tax revenue bonds, Local Government Assistance Corporation bonds supported by sales tax revenues, State University dormitory bonds supported by dormitory fees, mental health bonds supported by patient fees and transportation debt supported by dedicated revenues.

Another way to characterize State debt is "State-related debt". The broader definition of State debt includes State-supported debt as well as debt where the State may need to use State resources to make debt service payments should the non-State funding sources be insufficient to make such payments. This type of debt includes State guaranteed debt, moral obligation debt, and contingent contractual obligations. Some examples of State-related debt are the Tobacco Securitization bonds and the liability of the Dormitory Authority to assume bonds issued by the



Medical Care Facilities Finance Agency. The following chart shows the breakdown of outstanding bonds by type of debt.



By the end of the five year plan, debt issuances are projected to decrease by \$1.5 billion, from \$5.1 billion in SFY 2012-13 to \$3.5 billion in SFY 2016-17. This decrease is mainly due to a decrease in bond issuances for economic development as current programs become fully funded as well as reduction in capital spending.

**Caps on State-Supported Debt**

The Debt Reform Act of 2000 statutorily limited the type and amount of debt the State could issue as well as limited the debt service costs associated with these new issuances. Any new debt issued by the State can only be used for capital purposes and is limited to a maturity of thirty years. In addition, new debt issuances and their associated debt service costs are subject to the following statutory caps: 4% of State personal income for new debt outstanding; and 5% of All Funds receipts for new debt service costs. New debt encompasses all debt issued subsequent to the enactment of the Debt Reform Act of 2000.

In SFY 2011-12, the cap on new debt outstanding is fully phased in to its cap of 4% of personal income. As shown in the table below, the bond issuances, for the proposed capital spending plan fall below the bond caps specified in the Debt Reform Act. However, the debt outstanding cap for any given year is based on personal income for the preceding calendar year. For example, the debt outstanding cap for SFY 2011-12 is based on the State’s personal income for 2010.

Due to the recession, personal income decreased considerably in 2009. In 2010, personal income increased by 4.1%. The 2009 decrease has significantly narrowed the bonding capacity of the State under the debt outstanding cap. This limit of the State’s ability to bond finance is one of the reasons for the reduction in capital spending, as mentioned above.

<b>New Debt Outstanding/Available Cap</b> (Millions of Dollars)			
<u>SFY</u>	<u>Debt Cap</u>	<u>Actual/Projected</u>	<u>Available Cap</u>
2012-13	40,568	39,365	1,203
2013-14	42,296	41,982	314
2014-15	44,737	44,123	614
2015-16	47,167	45,949	1,218
2016-17	49,600	47,155	2,445

Debt issuances over the life of the capital plan average \$4.4 billion per year. Although the projected caps would support the plan’s projected debt issuances, average personal income growth over the course of the capital plan is projected to be 4.5%. If the economic recovery is slower than projected or there is a “double dip” recession, personal income growth may not be as robust as projected; thus, limiting the State’s bonding capacity even more.

Although the cap on new debt outstanding becomes an issue in SFY 2013-14, the cap on new debt service, as shown in the following table, does not. One of the reasons is that the cap on debt service is not fully phased in until SFY 2013-14, the end of the proposed capital plan. Another reason is that the cap is calculated as a percentage of receipts of the State and not an economic variable, as personal income. As a result of the many tax and fee increases that were enacted as a result of the SFY 2009-10 budget, there is no constraint imposed by the debt service cap as there is with the debt outstanding cap.

<b>New Debt Service/Available Cap</b> (Millions of Dollars)			
<u>SFY</u>	<u>Cap</u>	<u>Actual/Projected</u>	<u>Available Cap</u>
2012-13	6,614	3,809	2,805
2013-14	6,897	4,009	2,798
2014-15	7,122	4,348	2,774
2015-16	7,358	4,612	2,747
2016-17	7,669	4,861	2,808

**DIVISION OF ALCOHOLIC BEVERAGE CONTROL**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$16,860,000	\$17,001,000	\$141,000	.8%
<b>Total</b>	<b>\$16,860,000</b>	<b>\$17,001,000</b>	<b>\$141,000</b>	<b>.8%</b>

*The Division of Alcoholic Beverage Control operates under the direction of the State Liquor Authority, a three-member board appointed by the Governor with the advice and consent of the Senate. The Division regulates and controls the manufacture, sale and distribution of alcoholic beverages within the State; issues licenses and permits to manufacturers, distributors, wholesalers and retailers; works with local law enforcement agencies and localities across the State to ensure compliance with the Alcoholic Beverage Control Law; and regulates trade and credit practices for the sale and distribution of alcoholic beverages.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$17 million in funding for the Division of Alcohol Beverage Control (SLA) in SFY 2012-13. This is an increase of \$141,000 from SFY 2011-12, which reflects new costs associated with the implementation of the State's "E-Licensing" project which will digitize the application process for liquor and other ABC related permits. The budget also anticipates the hiring of 9 additional FTE's for the project.

A workforce of 132 FTE's is recommended which reflects the increase of 9 positions referenced above.

There is no Article VII legislation altering current statutory provisions in the ABC law.

**AUDIT AND CONTROL (OFFICE OF STATE COMPTROLLER)**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$157,826,000	\$157,370,000	(\$456,000)	0.3%
Special Revenue-Other	\$18,508,000	\$18,628,000	\$120,000	0.6%
Internal Service Funds	\$6,609,000	\$21,557,000	\$14,948,000	226.1%
Pension Trust Funds	\$101,390,000	\$106,729,000	\$5,339,000	5.27
<b>Total All Funds:</b>	<b>\$284,333,000</b>	<b>\$304,284,000</b>	<b>\$19,951,000</b>	<b>7.0%</b>

*The Department of Audit and Control, also known as the Office of the State Comptroller (OSC), is responsible for all financial transactions of the State of New York. This includes managing the retirement fund for State and local government employees; investing State funds in New York-based businesses, issuing bonds and notes for investment in the State agencies; and supervising the fiscal affairs of local governments and helping them find support through State programs.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$304.3 million All Funds (\$157.4 million General Fund; \$107 million Fiduciary Fund; \$21.6 million Internal Service Fund; \$18.6 million Other Funds) for the Department. Appropriations in the General Fund decrease \$0.5 million below last year's level, while appropriations in other fund types increase \$20 million. This increase includes \$14.9 million in additional appropriations in internal service funds to better account for information technology costs of the Retirement Services Program and a \$5.3 million increase in Fiduciary Funds for the Retirement System.

Executive Budget appropriations support a workforce of 2,614 FTEs. This increase of 98 FTEs, reflects staffing to perform audits related to the local property tax cap, Medicaid and public authorities, and additional staff for the Retirement System.

**AUTHORITY BUDGET OFFICE**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
SpecialRevenue-Other	\$1,826,000	\$1,780,350	(\$45,650)	-2.5%
<b>Total All Funds:</b>	<b>\$1,826,000</b>	<b>\$1,780,350</b>	<b>(\$45,650)</b>	<b>-2.5%</b>

*The Authority Budget Office (ABO) was statutorily created to study, review and report on State and local public authorities, and to promote the principles of effective corporate governance. The Authority Budget Office makes available to the public information on the finances, structure, and operations of public authorities and assesses the practices of public authorities.*

**Overview of Executive Budget Proposal**

The Executive proposes to add one full-time equivalent position for purposes of compliance review and policy analysis. This will require an additional expenditure of \$68,000. However, there is still a proposed net reduction of \$45,650.

**DIVISION OF THE BUDGET**

Funding Source	Adjusted Appropriation 2011- 12	Executive Recommendation 2012- 13	Change	Percent Change
General Fund	\$29,054,000	\$28,562,000	(\$492,000)	-1.7%
Special Revenue-Other	\$22,931,000	\$21,431,000	(\$1,500,000)	-6.5%
Internal Service Funds	\$1,650,000	\$1,650,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$53,635,000</b>	<b>\$51,643,000</b>	<b>(\$1,992,000)</b>	<b>-3.7%</b>

*The Division of the Budget (DOB) advises the Governor in matters that affect financial affairs of the State. DOB assists in creating the annual Executive Budget proposal to be presented to the Legislature, offers policy suggestions on issues of fiscal concern, and oversees the implementation of the budget that is enacted by the Legislature.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$51.6 million All Funds (\$28.6 million General Fund; \$23.1 million Other Funds) for the Division of the Budget. Appropriations in 2012-13 have decreased by almost \$2 million (-3.7 percent) from 2011-12, with the elimination of the CMIA Federal Liability Account and reductions in non-personal service.

The Executive Budget recommends a workforce of 317 FTEs for the Division, an increase of 10 FTEs from last year. This increase is due to the establishment of a management function within the Division to assist the Governor with the functional reorganization of government and the oversight of agency performance.

**DEPARTMENT OF CIVIL SERVICE**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$16,734,000	\$15,710,000	(\$1,024,000)	-6.1%
Special Revenue-Other	\$2,257,000	\$2,257,000	\$0	0.0%
Internal Service Funds	\$40,704,000	\$38,704,000	(\$2,000,000)	-4.9%
<b>Total All Funds:</b>	<b>\$59,695,000</b>	<b>\$56,671,000</b>	<b>(\$3,024,000)</b>	<b>-5.1%</b>

*The Department of Civil Service provides human resource management services to New York State Agencies and 100 municipal civil service agencies throughout the State. The department administers employee benefits (including health and disability benefits) and provides workforce services to State agencies and job seekers, including job classification, recruitment, testing and training.*

**Overview of Executive Budget Proposal**

The Executive proposes an all funds appropriation of \$56 million, a decrease of \$3 million or 5.1 % from SFY 2011-12 funding levels.

**Article VII Proposals**

The Executive proposes to merge the Governor's Office of Employee Relations (GOER) and the Department of Civil Service into a new Department of Workforce Management (DWM). There would be no savings to the State in SFY 2012-13 as a result of the merger.

The Executive's proposal also includes legislation to enable the Department of Civil Service to authorize the appointment of highly skilled information technology, professional, scientific, technical or other employees with specialized skills into the State workforce. The proposal calls for a maximum number of 500 appointments. Each appointee could be appointed up to a maximum of 5-years.

**COLLECTIVE BARGAINING AGREEMENTS**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$5,300,000	\$24,788,000	\$19,488,000	78.6%
Special Revenue-Other	\$500,000	\$250,000	\$250,000	(50%)
<b>Total All Funds:</b>	<b>\$5,800,000</b>	<b>\$25,038,000</b>	<b>\$19,238,000</b>	<b>76.8%</b>

*This miscellaneous agency implements written agreements which determine the terms and conditions of employment between the state and employee organizations representing negotiating units established pursuant to article 14 of the civil service law. The Office of Employee Relations (OER) is the agent responsible for implementing and administering those agreements.*

**Overview of Executive Budget Proposal**

The Executive's SFY 2012-13 Budget proposal recommends an all funds appropriation of \$25 million in support of Collective Bargaining Agreements. This is an increase of \$19 million or 76.8% over SFY 2011-12 funding levels.



**STATE COMMISSION ON CORRECTIONS**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$2,975,000	\$2,915,000	(\$60,000)	-2.0%

*The State Commission of Correction (SCOC) regulates and oversees the operation and management of State and local correctional facilities and the four Office of Children and Family Services secure juvenile facilities. The Agency’s mission is to provide a safe, stable, and humane correctional system while maintaining the accountability of correction officials. The Commission is comprised of a three member board appointed by the Governor, with one member designated as chairperson.*

**Overview of Executive Budget Proposal**

The Executive Budget includes \$2.9 million for All Funds for the Commission which is a \$60,000 decrease from SFY 11-12. The Executive recommends a workforce of 29 full time equivalents (FTEs).

**DEPARTMENT OF CORRECTIONS AND COMMUNITY SUPERVISION**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$2,424,785,000	\$2,524,358,000	\$99,573,000	4.1%
Special Revenue-Other	\$30,355,000	\$30,355,000	\$0	0.0%
Special Revenue-Federal	\$39,400,000	\$39,300,000	(\$100,000)	-.03%
Internal Service Funds	84,692,000	75,809,000	(\$8,883,000)	-10.5%
Capital Funds	\$320,000,000	\$320,000,000	\$0	0
Enterprise Funds	\$43,013,000	\$43,013,000	\$0	0
<b>Total All Funds:</b>	<b>\$2,942,245,000</b>	<b>\$3,032,835,000</b>	<b>\$90,590,000</b>	<b>3.1%</b>

*The Department of Corrections and Community Supervision – the combined entity which will result from the proposed merger of the Department of Correctional Services and the Division of Parole – will be responsible for the safe and secure confinement of convicted felons, preparing these individuals for successful reintegration into the community upon release, setting conditions of release, supervising offenders in the community, and assisting parolees toward successful completion of their sentence.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends \$3.03 billion in All Funds which is a increase of \$90.5 million (2.9%) from SFY 2011-12 as savings continue to accrue from the closure of prisons, and the merger of the former Department of Corrections with the Division of Parole.

During SFY 2011-2012, the Department of Corrections and Community Supervision closed seven prisons resulting in the reduction of 1,100 staff and more than 3,800 beds providing savings in the amount of \$112 million. Of this amount \$72 million is generated in the current year and \$40 million in SFY 2012-13.

No closures are planned for SFY 2012-13 and the legislation permitting a shortened notice period will expire on March 31, 2012.

The Executive Budget recommends appropriations for classes for corrections officers; at a cost of \$12.3 million in SFY 2012-13 and a single parole officer class in the amount of \$1.4 million.

**DIVISION OF CRIMINAL JUSTICE SERVICES**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$164,769,000	\$164,229,000	(\$540,000)	-0.3%
Special Revenue-Other	\$51,260,000	\$46,442,000	(\$4,818,000)	-9.4%
Special Revenue-Federal	\$57,075,000	\$45,400,000	(\$11,675,000)	-20.5%
<b>Total All Funds:</b>	<b>\$273,104,000</b>	<b>\$256,071,000</b>	<b>(\$17,033,000)</b>	<b>-6.2%</b>

*The Division of Criminal Justice Services (DCJS) is charged with increasing the effectiveness of the criminal justice system. The Division identifies fingerprints and maintains computerized criminal history and statistical data for Federal, State and local law enforcement agencies, provides training and management services to municipal police and peace officers, conducts criminal justice research and analysis, and distributes local aid to various components of the criminal justice system including prosecution, defense services, and local law enforcement.*

**Overview of the Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends \$256 million in All Funds which is a decrease of \$17 million (6.2%) from SFY 2011-12.

The Executive proposed the expansion of the DNA databank to all felony and misdemeanor crimes defined in the Penal Law effective October 1, 2012. To cover the cost of the proposed DNA expansion, \$700,000 is appropriated in the Division of Criminal Justice Services State Operations, with language sub-allocating funds to State Police. This reflects the cost of processing a greater number of DNA samples at the State Police forensic laboratory. The estimated cost in SFY 2013-14 is \$1.4 million for the maintenance of the Databank and the processing of samples.

**Division of Criminal Justice Services  
General Fund Programs  
In Thousands (000's)**

Program	SFY 2011-2012	SFY 2012-2013	\$ Change	% Change
Aid to Prosecution	\$10,680	\$10,680	\$0	0.00%
Aid to Defense	\$5,507	\$5,507	\$0	0.00%
Soft Body Armor	\$513	\$513	\$0	0.00%
Drug and Alcohol Programs	\$1,914	\$1,914	\$0	0.00%
200% Poverty (TANF)	\$2,622	\$2,622	\$0	0.00%
NYS Defenders Association	\$1,089	\$1,089	\$0	0.00%
Classification Alternatives (CLASS)	\$3,245	\$3,245	\$0	0.00%
Demonstration Programs (DEMO)	\$3,973	\$3,973	\$0	0.00%
Probation Violation Centers	\$1,000	\$1,000	\$0	0.00%
Supervision and Treatment (SATSO)	\$469	\$469	\$0	0.00%
NYS Defenders Association Additional	\$186	\$0	(\$186)	-100.00%
Answering points-Oneida County (DHSES sub allocation)	\$600	\$0	(\$600)	-100.00%
Prosecution of Crimes/NYPTI	\$2,304	\$2,304	\$0	0.00%
Special Narcotics Prosecutor	\$825	\$825	\$0	0.00%
Re-Entry Task Forces	\$3,063	\$3,063	\$0	0.00%
Aid to Crime Labs	\$6,635	\$6,635	\$0	0.00%
District Attorney Salary Reimbursement	\$2,282	\$2,812	\$530	23.23%
Drug Diversion	\$618	\$618	\$0	0.00%
Westchester Policing Program	\$1,984	\$1,984	\$0	0.00%
Probation Aid-Block Grant	\$44,057	\$44,876	\$819	1.86%
Witness Protection	\$304	\$304	\$0	0.00%
Operation Impact	\$15,219	\$15,219	\$0	0.00%
Probation Eligible Diversion (PED)	\$819	\$0	(\$819)	-100.00%
Center for Employment Opportunities	\$1,000	\$0	(\$1,000)	-100.00%
<b>Grant Total</b>	<b>\$110,908</b>	<b>\$109,652</b>	<b>(\$1,256)</b>	<b>-1.13%</b>

## \*Notes

-Funding for DA Salary Reimbursement will be distributed pursuant to a new formula.

-Program Eligible Diversion funding is folded into Probation Aid, with no planned change in the distribution of those funds.

-Center for Employment Opportunities appropriation was included in the December session, Chapter 55 of the Laws of 2011.

**Division of Criminal Justice Services  
Legal Services Assistance Fund Appropriations  
In Thousands (000's)**

Program	SFY 2011-2012	SFY 2012-2013	\$ Change	% Change
Aid to Prosecution	\$2,592	\$2,592	\$0	0.00%
Aid to Defense	\$2,592	\$2,592	\$0	0.00%
Attorney Loan Forgiveness	\$2,430	\$2,430	\$0	0.00%
Domestic Violence Legal Services Lump	\$650	\$0	(\$650)	-100.00%
Lined Out Appropriations	\$3,950	\$1,000	(\$2,950)	-74.68%
<b>Grant Total</b>	<b>\$12,214</b>	<b>\$8,614</b>	<b>(\$3,600)</b>	<b>-29.47%</b>

\* Executive includes \$1 million for Statewide Indigent Legal Services for persons re-entering communities from State facilities.

**OFFICE OF VICTIMS SERVICES**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$37,790,000	\$37,790,000	\$0	0%
Special Revenue-Federal	\$39,454,000	\$38,613,000	(\$841,000)	-2.1%
<b>Total All Funds:</b>	<b>\$77,244,000</b>	<b>\$76,403,000</b>	<b>(\$841,000)</b>	<b>-1.1%</b>

*The Office of Victims Services (OVS) is the lead State agency in assisting persons who have been the victims of crime, particularly crimes of a violent nature. The Office's mission is to provide financial assistance to victims for financial losses they suffer as a result of crime. The Office provides grants to local agencies, which assist witnesses and victims and serves as the State's advocate for crime victims' rights, needs, and interests.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends \$76.4 million in All Funds of which \$66.1 million is advanced for Aid to Localities. The Executive Budget recommends \$10.2 million for Operations. This represents a net decrease of \$841,000 from last year.

The 2012-2013 full time equivalent (FTE) level for the Office is 78 from All Funds that is an increase of 3 positions from 2011-2012. These jobs would alleviate a backlog of claims, and facilitate the accurate and timely processing of claims filed by victims of crime.

**Article VII**

The Executive proposes legislation to give sentencing courts discretion in setting the length of a probation term for all criminal offenses. With certain exceptions, current law requires that the probation term sentence for defendants convicted of a felony must be five years; and the probation sentence for a defendant convicted of a class A misdemeanor must be three years. This bill would give judges the discretion to impose probation sentences commensurate with the seriousness of a particular offense and the surrounding circumstances.

The Executive advances legislation to expand the authority of judges to order the civil forfeiture of proceeds for all crimes at sentencing.

The Executive recommends the expansion of the DNA databank to include the collection of DNA samples from individuals convicted of all crimes defined in the penal law.

**DEFERRED COMPENSATION BOARD**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$114,000	\$111,000	(\$3,000)	-2.6%
Special Revenue-Other	\$817,000	\$781,000	(\$36,000)	-4.4%
<b>Total All Funds:</b>	<b>\$931,000</b>	<b>\$892,000</b>	<b>(\$39,000)</b>	<b>-4.2%</b>

*The Deferred Compensation Board administers the New York State Deferred Compensation State Plan, which serves over 126,000 State employees and 63,000 employees of local governments that participate in the Plan. The agency accomplishes this by offering quality investment options and investor education to help build well-diversified portfolios. Approximately 250 local governments sponsor and administer their own deferred compensation plans in compliance with the Deferred Compensation Board rules.*

**Overview of Executive Budget Proposal**

The Executive proposes an all funds appropriation of \$892,000, a decrease of \$39,000, or 4.2% over SFY 2011-12 funding levels.

**STATE BOARD OF ELECTIONS**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$5,521,000	\$5,305,000	(\$216,000)	-3.9%
Special Revenue-Other	\$500,000	\$0	(\$500,000)	-100%
Special Revenue-Federal	\$7,500,000	\$1,000,000	(\$6,500,000)	-86.7%
<b>Total All Funds:</b>	<b>\$13,521,000</b>	<b>\$6,305,000</b>	<b>(\$7,216,000)</b>	<b>-53.4%</b>

*The New York State Board of Elections executes and enforces all laws relating to the elective franchise and oversees the disclosure of campaign financing and practices.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$6.3 million in all funds funding for the State Board of Elections in SFY 2012-13. This is a decrease of \$216,000 in state funding from SFY 2011-12 and reflects anticipated savings from the Board's move from private office space to state owned office space. The recommendations also build in an additional \$90,000 to cover additional expenses related to the presidential primary.

The Executive budget recommends funding levels for 58 FTE's, which is no change from last year.

There is no Article VII language altering statutory provisions in the election law.



**OFFICE OF EMPLOYEE RELATIONS (OER)**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$2,961,000	\$2,961,000	\$0	0.0%
Special Revenue-Other	\$121,000	\$121,000	\$0	0.0%
Internal Service Funds	\$3,710,000	\$4,810,000	\$1,100,000	29.6%
<b>Total All Funds:</b>	<b>\$6,792,000</b>	<b>\$7,892,000</b>	<b>\$1,100,000</b>	<b>16.2%</b>

*The Office of Employee Relations (OER) represents the Governor in collective bargaining with nine public employee unions and is responsible for implementing and administering those agreements. Initiatives include improving the productivity of the State's workforce, workforce skill training, and implementation of any workforce changes.*

**Overview of Executive Budget Proposal**

The Executive proposes an all funds appropriation of \$7.8 million, an increase of \$1.1 million or 16.2% over SFY 2011-12 funding levels. The Executive recommends funding support of 54 FTEs, an increase of 13 FTEs to support the Statewide Learning Management System. The new Statewide Learning Management System is intended to provide online and classroom training opportunities for State employees.

**Article VII Proposal**

The Executive's Article VII proposal includes the merger of the Governor's Office of Employee Relations (GOER) with the Department of Civil Service (DCS) to create a new Department of Workforce Management (DWM).

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**EXECUTIVE CHAMBER**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$18,484,000	\$18,484,000	\$0	0.0%
Special Revenue-Other	\$90,000	\$0	(\$90,000)	-100.0%
<b>Total All Funds:</b>	<b>\$18,574,000</b>	<b>\$18,484,000</b>	<b>(\$90,000)</b>	<b>-0.5%</b>

*The Executive Chamber is also known as the Office of the Governor. The budget for the Executive Chamber is composed of the administrative costs associated with the Governor's executive staff.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends \$17.9 million for the Executive Chamber. This is a decrease of \$90,000 from the 2011-12 budget, which reflects the elimination of the SRO Community Relations appropriation.

The Executive Budget recommends a workforce of 136 full time equivalents (FTEs) for the Executive Chamber, unchanged from SFY 2011-12.

**OFFICE OF THE LIEUTENANT GOVERNOR**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$630,000	\$630,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$630,000</b>	<b>\$630,000</b>	<b>\$0</b>	<b>0.0%</b>

*The Office of the Lieutenant Governor is responsible for working with and supporting the staff of the Governor, as well as carrying out initiatives of the Lieutenant Governor. The budget of the Office of the Lieutenant Governor is composed of the administrative costs associated with the Lieutenant Governor's staff.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends \$630,000 and a workforce of 7 full time equivalents (FTEs) for the Office of the Lieutenant Governor, unchanged from SFY 2011-12.

**GENERAL STATE CHARGES (WORKFORCE)**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$2,891,510,000	\$2,572,936,000	(\$318,574,000)	-11.0%
Fiduciary Funds	\$101,000,000	\$150,250,000	\$49,250,000	48.8%
<b>Total All Funds:</b>	<b>\$2,992,510,000</b>	<b>\$2,723,186,000</b>	<b>(\$269,324,000)</b>	<b>-9.0%</b>

*General State Charges are the costs of providing fringe benefits to most State employees, which are authorized in collective bargaining agreements and various statutes. These fringe benefits include health insurance, pension benefits, social security and Medicare taxes, Workers Compensation, dental vision and other employee benefits, and all fringe benefits for the State University of New York (SUNY) employees. This budget also includes miscellaneous fixed costs for taxes on State-owned lands and Court of Claims judgments and other litigation costs.*

**Overview of Executive Budget Proposal**

The Executive proposes an all funds appropriation of \$2.72 billion, a decrease of \$269 million or 9% below SFY 2011-12 funding levels.

The Executive's proposal includes the following:

- The creation of a Tier VI retirement benefit for newly-hired state and local government employees.
- A savings of \$30 million due to a \$100 million pre-payment towards pension costs.

The Executive's proposal also includes \$26,500,000 in savings from increased Federal Medicare Part D reimbursement through the conversion of the retiree drug coverage program from the current retiree drug subsidy to an employer group waiver plan.

**Article VII Proposal**

The Executive's article VII proposal creates a Tier VI retirement benefit. Under the proposal, a newly-hired employee would have a choice between two retirement options:

- A Defined Benefit plan which would include an increase in employee contributions to the pension system from 3% to 4%-6% depending on the employee's salary; vesting after 12 years instead of the current 10 years; and an increase in the retirement age to 65 upon 20-25 years of service. In addition, member contributions would vary according to market conditions under a risk sharing plan.
- A Defined Contribution plan similar to a 401K retirement plan.

Under the Executive's proposal, once an employee chooses a retirement plan, their choice is irrevocable.

The Executive's proposal also includes a payment –in-lieu of taxes (PILOT) made to the City of Albany relating to the Empire State Plaza. Under the proposal, an additional \$7,850,000 payment would be made to the City of Albany in 2012-13, and a payment scheduled for 2033 would be reduced by the same amount.

**OFFICE OF GENERAL SERVICES (OGS)**

Agency	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$136,335,439	\$149,632,000	\$13,296,561	9.8%
Special Revenue Other	\$21,591,000	\$22,064,000	\$473,000	2.2%
Special Revenue Federal	\$8,230,000	\$8,230,000	\$0	0.0%
Capital Projects Fund	\$84,000,000	\$82,000,000	(\$2,000,000)	2.3%
Internal Service Funds	\$300,720,000	\$802,344,000	\$501,624,000	166.8%
Enterprise Funds	\$2,009,000	\$1,266,000	(\$743,000)	-37.0
Fiduciary Funds	\$750,000	\$750,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$553,635,439</b>	<b>\$1,066,286,000</b>	<b>\$512,650,561</b>	<b>92.6%</b>

*The Office of General Services (OGS) provides an array of support services for New York State government. The agency supports cost-effective operations by providing State agencies, local governments, and non-profit organizations with innovative solutions, integrated service, and best values. OGS offers centralized contracting services in various areas and continually strives to improve service and increase efficiencies*

**Redesign of the Office of General Services**

- The Governor's budget proposal calls for a redesign of the Department of General Services, which is estimated to save the State almost \$950 million over a period of five years. This plan would be effectuated by a revamping of the procurement process, which would centralize all the state's contracting activities into OGS.
- Additionally, statewide management of real estate would be centralized in OGS. An example of this is the plan to move Parks and Recreation into the Albany building currently wholly occupied by DEC. Under the plan, OGS would be responsible for carrying out the provisions of the lease as well as placement of personnel within the building.
- Lastly, the redesign calls for the creation of a "Business Services Center" which would allow OGS to carry out "back office functions" for some 29 state agencies which currently have some of their administrative functions carried out by additional state agencies.

**DIVISION OF HOMELAND AND SECURITY AND EMERGENCY SERVICES**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$9,066,000	\$159,066,000	\$150,000,000	1654.5%
Special Revenue-Federal	\$627,474,000	\$1,235,474,000	\$608,000,000	96.9%
Special Revenue-Other	\$129,741,000	\$130,791,000	\$1,050,000	0.8%
Internal Service Funds	\$2,000,000	\$2,000,000	\$0	0.0%
Enterprise Funds	\$50,000,000	\$0	(\$50,000,000)	-100.00%
<b>Total All Funds:</b>	<b>\$52,000,000</b>	<b>\$1,527,331,000</b>	<b>\$709,050,000</b>	<b>86.7%</b>

*The Division of Homeland Security and Emergency Services (DHSES) was established in July 2010 through the merger of four existing entities: the Office of Homeland Security (now the Office of Counter Terrorism), the State Emergency Management Office (now the Office of Emergency Management), the Office of Fire Prevention and Control (OFPC), and the Office of Cyber Security and Critical Infrastructure Coordination (now the Office of Cyber Security). Additionally, as part of the merger, a new Office of Interoperable and Emergency Communications was established within DHSES.*

*The DHSES provides leadership, coordination and support for efforts to prevent, protect against, prepare for, respond to, and recover to and recover from terrorism and other man-made and natural disaster, threats, fires and other emergencies.*

**Overview of Executive Budget Proposal**

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

The Executive Budget recommends \$1.5 billion for the Division. This is an increase of \$709 million from the 2011-12 budget. The increase reflects the addition of \$750 million in new appropriations related to disaster assistance, including authorizations necessary to pass through Federal assistance for Hurricane Irene and Tropical Storm Lee, appropriations of the State share of this assistance, and contingency appropriations in the event of a future disaster.

The Office of Emergency Management (OEM), with the Division, is undertaking a broad agenda to improve the State's readiness for future disasters, after limitations were observed in the response to Hurricane Irene and Tropical Storm Lee. OEM is establishing a new protocol to manage rapidly emerging incidents, establishing regional rapid support teams, training State executives, completing and implementing an after action report on the recent disasters, creating a real-time inventory of major State assets that may be needed for a response and developing a protocol for deploying them faster. The appropriations recommended for the Division support these efforts.

An increase of \$30 million in Aid to Localities reflects increases in grants to counties to foster development of a seamless statewide communications network for first responders. This increase is offset by the elimination of a \$30 million appropriation used in 2011-12 to purchase radio equipment for public safety agencies to comply with new Federal guidelines.

The Executive Budget recommends a workforce of 442 FTEs for the Division. This is an increase of 15 FTEs from the 2011-12 budget. The increase primarily reflects the Division's ongoing efforts to maximize federal funding which will be used to support additional positions in critical areas of the agency, such as emergency management.

**Statewide Interoperable Communications Grants-** The Statewide Interoperable Communications Grant Program of the Division of Homeland Security and Emergency Services assists counties in developing a single public safety communications network that will allow all emergency responders statewide to communicate with each other seamlessly. The program recently awarded \$20 million in grants to counties, and guidance to applicants for a new round of \$45 million in grants will be issued shortly.

The 2012-13 budget includes an appropriation for a third round of grants at \$75 million, the maximum amount of annual assistance pledged to counties under the 2010 legislation creating the program.

### **Article VII legislation**

This bill would improve emergency responses under the Intrastate Mutual Aid Plan and will enable the State to better prepare and respond to disasters.

The Intrastate Mutual Aid Program (IMAP) encourages local governments to assist each other in responding to emergencies and disasters, by providing personnel and equipment that may be needed to protect safety and support recovery efforts.

This bill will clarify the responsibilities and obligations of both the municipality that is requesting assistance and the responding municipality.

The bill also amends Article 2-B of the Executive Law to allow better coordination of disaster response at the State level. It will: (1) update the composition of the Disaster Preparedness Commission (DPC) to reflect current agency names and to remove those that no longer exist; (2) create an operational arm (an "incident management team") of any temporary organization established by the DPC to coordinate a disaster response; (3) delegate some authority to the director of the Office of Emergency Management to act on behalf of the DPC; and (4) eliminate the requirement that the Governor seek the advice of the DPC to temporarily suspend certain provisions of the law that hinder disaster response and recovery. Finally, the bill will limit local state of emergency declarations to renewable 30-day periods.

### **Budget Implications:**



The bill will ensure that when local governments assist each other in responding to emergencies, disasters, and acts of terrorism, they can do so with a complete understanding of the impact on their employees and their budgets.

**OFFICE OF INDIGENT LEGAL SERVICES**

Funding Sources	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
Special Revenue-Other	\$78,500,000	\$78,500,000	\$0	0%
<b>Total All Funds:</b>	<b>\$78,500,000</b>	<b>\$78,500,000</b>	<b>\$0</b>	<b>0%</b>

*Created as part of the 2010-11 Enacted Budget, the Office of Indigent Legal Services and the associated Indigent Legal Services Board are responsible for studying, overseeing and improving the quality of legal representation provided to indigent defendants in New York State.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$78.5 million for the Office. This reflects no change from the funding levels in the 2011-12 budget. The Governor also recommends reappropriating \$87 million in previously unspent funds.

**OFFICE OF THE INSPECTOR GENERAL**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$5,524,000	\$6,660,000	\$1,136,000	20.6%
Special Revenue-Other	\$100,000	\$100,000	\$0	0%
<b>Total All Funds:</b>	<b>\$5,624,000</b>	<b>\$6,760,000</b>	<b>\$1,136,000</b>	<b>20.2%</b>

*The Inspector General's Office is entrusted with the responsibility of ensuring that State government, its employees and those who work with the State meet the highest standards of honesty, accountability, and efficiency. The Office of the State Inspector General is assigned the responsibility to detect, investigate, deter and eliminate corruption, fraud, criminal activity, conflicts of interest, abuses of office, and waste in the State entities under its jurisdiction. These include executive branch agencies, departments, divisions, offices, boards, commissions, public authorities and public benefit corporations.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$6.8 million. This represents an increase of \$1.1 million from the 2011-12 budget primarily due to the transfer of 6 positions from Tax & Finance back to the Inspector General. Under an agreement reached last year, Inspector General Biben had 6 of her FTE's that were funded by Tax & Finance last year transferred back into her offices. As a result of this move Tax & Finance will lose six employees.

The Executive recommends staffing of 65 FTE's.

There are no Article VII proposals pertaining to this subject area in the budget.

**INTEREST ON LAWYERS ACCOUNT**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
Special Revenue-Other	\$,1,889,000	\$1,841,000	(\$48,000)	-2.5%
<b>Total All Funds:</b>	<b>\$46,889,000</b>	<b>\$46,841,000</b>	<b>(\$48,000)</b>	<b>-.1%</b>

*The Interest on Lawyer Account (IOLA) was established in 1983 to finance civil legal services for the indigent. Revenues are derived from the interest earned on small trust accounts held by attorneys for their clients. Banks transfer the interest earned on these accounts to IOLA, which in turn funds grants to organizations that provide civil legal services to the indigent, elderly and disabled.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$46.8 million for this agency, a decrease of \$48,000 from the 2011-12 budget and reflects a 2.5% decrease in State operating costs.

The Executive Budget recommends a workforce of 8 FTEs, unchanged from the current year.

**JUDICIAL COMMISSIONS**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$5,452,000	\$5,452,000	\$0	0%
<b>Total All Funds:</b>	<b>\$5,452,000</b>	<b>\$5,452,000</b>	<b>\$0</b>	<b>0%</b>

*The Commission on Judicial Nomination and the Judicial Screening Committees screen potential nominees for judicial appointments by the Governor. The Commission on Judicial Conduct investigates and acts upon allegations of judicial misconduct.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$5.5 million for the three Judicial Commissions, which is unchanged from SFY 2011-12. The recommended workforce of 49 FTEs for the Commission on Judicial Conduct is also unchanged from the current year.

**DEPARTMENT OF LAW**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$101,381,000	\$98,846,000	(\$2,535,000)	-2.5%
Special Revenue-Federal	\$34,820,000	\$36,207,000	\$1,387,000	4.0%
Special Revenue-Other	\$72,819,000	\$80,225,000	\$7,406,000	10.2%
<b>Total All Funds:</b>	<b>\$209,020,000</b>	<b>\$215,278,000</b>	<b>\$6,258,000</b>	<b>3%</b>

*The Department of Law was established in 1926 and is headed by the State Attorney General, who is elected by the people. The Department protects the legal rights of New York State and its citizens by representing the State in litigation and in other legal affairs.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$215.3 million All Funds (\$98.8 million General Fund; \$36.2 million Federal Funds; and \$80.2 million Other Funds) for the Department. This is an increase of \$6.3 million from 2011-12 and reflects a \$2.5 million decrease in the General Fund 2011-12 and an increase of \$8.7 million in Other Funds.

The Executive Budget appropriations support a workforce of 1,798 FTEs, an increase of 51 FTEs.

**DIVISION OF MILITARY AND NAVAL AFFAIRS**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$24,444,000	\$24,282,000	(\$162,000)	-0.7%
Special Revenue-Other	\$8,741,000	\$9,577,000	\$836,000	9.6%
Special Revenue-Federal	\$42,780,000	\$42,780,000	\$0	0.0%
Capital Projects	\$39,200,000	\$102,400,000	\$63,200,000	161.2%
<b>Total All Funds:</b>	<b>\$115,165,000</b>	<b>\$75,739,000</b>	<b>\$64,198,000</b>	<b>55.5%</b>

*The Division of Military and Naval Affairs' (DMNA) primary mission is to maintain a well-trained reserve military force ready to respond to civil emergencies, natural disasters, and threats to the nation's security.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$179 million for DMNA. The increase of \$64.1 million from the 2011-12 budget primarily reflects the addition of State and federal capital appropriations necessary to facilitate Federal proposals to rehabilitate the historic National Guard armory in Harlem, largely at Federal cost.

The Executive Budget recommends a workforce level of 433 FTEs, which is unchanged from the prior year.

**OFFICE FOR THE PREVENTION OF DOMESTIC VIOLENCE**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$2,050,000	\$2,210,000	\$160,000	7.8%
Special Revenue-Other	\$70,000	\$41,000	(\$29,000)	-41.4%
Special Revenue-Federal	\$1,600,000	\$1,600,000	0	0%
Internal Service Funds	\$890,000	\$890,000	0	0%
<b>Total All Funds:</b>	<b>\$4,610,000</b>	<b>\$4,741,000</b>	<b>\$131,000</b>	<b>2.8%</b>

*The Office for the Prevention of Domestic Violence (OPDV) is responsible for the development of statewide policies to protect victims of domestic violence. In addition, the Office conducts family violence training programs for judges, prosecutors, police, social workers and health care providers.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends \$4.741 million in All Funds which is an increase of \$131,000 from SFY 2011-12. This increase provides General Fund support for staff formerly funded from other sources that are no longer available.

Local Assistance remains flat from year to year at \$685,000 General Fund and \$500,00 federal Funds.



**PUBLIC EMPLOYMENT RELATIONS BOARD (PERB)**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$3,571,000	\$3,409,000	(\$162,000)	-4.5%
Special Revenue-Other	\$575,000	\$575,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$4,146,000</b>	<b>\$3,984,000</b>	<b>(\$162,000)</b>	<b>-3.9%</b>

*The Public Employment Relations Board (PERB) was created by the Public Employees Fair Employment Act of 1967 and resolves labor disputes between public employers and employees. PERB provides mediation, fact-finding and arbitration in contract disputes for approximately 4,800 public sector negotiating units in New York State.*

**Public Employees Relations Board (PERB)**

The Executive proposes an all funds appropriation of \$3.9 million, a decrease of \$162,000 or 3.9% below SFY 2011-12 funding levels. The Executive recommends funding support for 33 FTEs, which is unchanged from SFY 2011-12.

**JOINT COMMISSION ON PUBLIC ETHICS (FORMERLY "COPI")**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$3,878,000	\$4,100,000	\$222,000	5.7%
<b>Total All Funds:</b>	<b>\$3,878,000</b>	<b>\$4,100,000</b>	<b>\$222,000</b>	<b>5.7%</b>

*The mission of the Joint Commission on Public Ethics (JCOPE) is to ensure compliance with financial disclosure and ethical standards to foster public trust and confidence in government. Established in 2011 by the Public Integrity Reform Act, the JCOPE succeeds the Commission on Public Integrity and assumes responsibility for administering and enforcing the State's ethics and lobbying statutes along with anti-nepotism laws and the New York State "little Hatch Act." The scope of the new agency is broadened to include responsibility for not only executive branch employees and elected officials, but also legislative employees.*

*The Commission is comprised of 14 appointed members and has jurisdiction over 190,000 statewide officials, state officers and employees, and candidates for statewide elected office and political party chairs. These individuals annually file over 27,000 financial disclosure statements. Additionally, approximately 6,600 lobbyists representing 4,100 clients reported spending \$200 million in 2010 on their lobbying efforts. The Commission is responsible for issuing formal and informal advisory opinions to those under its jurisdiction, providing comprehensive outreach and education programs, administering a website that offers online filing, and conducting investigations and holding hearings to enforce the laws under the commission's mandate.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$4.1 million for JCOPE, which represents an increase of \$222,000 from the 2011-12 budget. This increase is to cover start-up costs. There are currently 32 employees in the unit left over from the Commission on Public Integrity. The budget anticipates that number increasing to 45 this year, which is what the staffing level has been in the past.

**DIVISION OF STATE POLICE**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$560,442,000	\$557,932,000	(\$2,510,000)	-0.4%
Special Revenue-Other	\$120,550,000	\$120,831,400	\$281,400	0.2%
Special Revenue-Federal	\$7,335,000	\$8,335,000	\$1,000,000	13.6%
Capital Projects	\$11,500,000	\$6,000,000	(\$5,500,000)	-47.8%
<b>Total All Funds:</b>	<b>\$699,827,000</b>	<b>\$687,098,400</b>	<b>(\$6,728,600)</b>	<b>-1.0%</b>

*The Division of State Police is responsible for patrolling the roads and highways outside major urban centers, and providing specialty and investigative police services throughout the State. The work of the State Police ranges from traditional patrol duties to that of specially trained investigators who conduct operations against drug traffickers and other criminals.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$687 million for the Division. This is a decrease of \$6.7 million from the 2011-12 budget and is primarily attributable to a reduction of \$5.5 million in capital projects. The remaining \$1.2 million reduction relates to savings associated with enterprise procurement efforts and information technology consolidations with the Division of Criminal Justice Services.

The Executive Budget recommends a workforce of 5,220 FTEs for the Division, and assumes the resumption of cadet training classes. The new cadets will offset continuing attrition and allow the Division to maintain its workforce at the 2011-12 level.

\$13 million is provided to support two classes totaling up to 230 members, of which \$3.5 million will come from remaining Federal Byrne/JAG ARRA funding.

**OFFICE FOR TECHNOLOGY**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$27,502,000	\$27,502,000	\$0	0.0%
Special Revenue-Other	\$3,445,000	\$3,445,000	\$0	0.0%
Internal Service Funds	\$403,165,000	\$403,165,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$434,112,000</b>	<b>\$434,112,000</b>	<b>\$0</b>	<b>0.0%</b>

*The Office for Technology (OFT), established in 1997, provides centralized technology services, shapes technology policy, and coordinates statewide technology initiatives with the goal of improving New York State government efficiency.*

**Overview of Executive Budget Proposal****Office for Technology**

The Executive Budget proposes \$434.1 million in All Funds for the Office for Technology (OFT). This represents no change from the 2011-12 appropriation.

- The Executive Budget recommends an increase in OFT full time equivalents (FTE's) by 26, bringing the total workforce to 597 FTE's.

**Article VII**

- The Executive has proposed Article VII legislation in the budget to rename the Office for Technology to the Office of Information Technology Services.

**DIVISION OF VETERANS' AFFAIRS**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$14,482,000	\$14,232,000	(\$250,000)	-1.7%
Special Revenue-Federal	\$2,466,000	\$2,466,000	0	0.0%
<b>Total All Funds:</b>	<b>\$16,948,000</b>	<b>\$16,698,000</b>	<b>(\$250,000)</b>	<b>-1.5%</b>

*The New York State Division of Veterans' Affairs assists New York State Veterans, members of the armed forces, and their families in securing benefits and services available as a result of their active duty military service. The Division provides accessibility to counseling programs, monthly benefits, education benefits, burial benefits, health care, tax exemption and other services.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$16.7 million for the Division, a decrease of \$250,000 from the prior year. The recommended appropriations reflect no change in the operating support for the agency, an increase in annuities to blind veterans, and the elimination of non-recurring initiatives.

The Executive Budget recommends a workforce of 94 FTEs for the Division, an increase of 3 FTEs from the prior year. The increase reflects planned hiring in local field offices.

**WORKERS COMPENSATION BOARD**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$204,749,000	\$196,801,000	(\$7,948,000)	(3.9%)
<b>Total All Funds:</b>	<b>\$204,749,000</b>	<b>\$196,801,000</b>	<b>(\$7,948,000)</b>	<b>(3.9%)</b>

*The Workers Compensation Board (Board) reviews claims for workers’ compensation payments and assists in resolving disputed claims. It administers numerous provisions contained in: Workers’ Compensation Law; Disability Benefits Law; Civil Defense Volunteers Law; Volunteer Firefighters’ Benefit Law; and the Volunteer Ambulance Workers’ Benefit Law. The Board provides their services through the Disability Benefits Program; the Systems Modernization Program; and the Workers’ Compensation Program.*

**Overview of Executive Budget Proposal**

The Executive proposes an all funds appropriation of \$196 million, a decrease of \$7 million or 3.9% below SFY 2011-12 funding levels. The Executive recommends funding support of 1,371 FTE positions, a decrease of 9 FTE positions related to attrition.

The Executive proposes an increase of \$6,204,000 for data warehouse and case management redesign. The Executive’s proposal includes an additional 11 FTEs for that purpose.

The Executive’s proposal also includes the following reductions:

- A reduction of \$10,492,000 attributable to the elimination of non-recurring costs related to the Board’s management of failed group self-insured trusts.
- A reduction of \$3,000,000 attributable to the alignment of cash and appropriation levels.
- A reduction of \$660,000 attributable to attrition.
- An increase of \$6.2 million for data warehouse end case management redesign.

**NEW YORK STATE COUNCIL ON THE ARTS**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-12</b>	<b>Executive Recommendation 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$36,209,000	\$35,974,000	(\$235,000)	-0.6%
Special Revenue-Other	\$196,000	\$196,000	\$0	0.0%
Special Revenue-Federal	\$2,513,000	\$1,513,000	(\$1,000,000)	-39.8%
<b>Total All Funds:</b>	<b>\$38,918,000</b>	<b>\$37,683,000</b>	<b>(\$1,235,000)</b>	<b>-3.2%</b>

*The New York State Council on the Arts (NYSCA) is an Executive Agency dedicated to preserving and expanding New York State’s rich and diverse cultural resources and expanding access to arts and cultural institutions statewide. For fifty years, NYSCA has been responsible for providing access to the visual, performing and literary arts, preserving cultural assets and promoting public awareness and appreciation for the State’s cultural heritage.*

**Overview of Executive Budget Proposal**

The Executive recommends \$37.7 million in All Funds for the New York State Council on the Arts. The proposed appropriation (\$35.9 million General Fund and \$1.8 million in Other Funds) reflects a decrease of \$1.23 million from State Fiscal Year 2011-2012. This decrease is associated with the realigning of a federal appropriation in the amount of \$1 million to the actual cash behind that federal appropriation from the National Endowment of the Arts.

95.4% of NYSCA’s funding emanates from the State’s General Fund and 4% from the National Endowment for the Arts. 85% of NYSCA’s funds are expended on grants to not-for-profit arts organizations.

NYSCA funds not-for-profit organizations dedicated to the arts and the promotion of the State’s rich cultural resources. Advisory and financial assistance and services (i.e., cash reserve loans) are provided to the State’s arts community. NYSCA consists of a Chair, Vice Chair and 21 gubernatorial nominees, with five-year terms, confirmed by the Senate.

General Fund-Aid to Localities grants to not-for-profits will remain at last year’s level of \$31.8 million.

**CITY UNIVERSITY OF NEW YORK**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$1,208,362,000	\$1,295,976,990	\$87,614,990	7.3%
Special Revenue-Other	\$175,400,000	\$175,400,000	\$0	0%
Capital Projects Fund	\$336,461,000	\$347,909,000	\$11,448,000	3.4%
Fiduciary Funds	\$1,917,190,000	\$2,055,509,900	\$138,319,900	7.2%
<b>Total All Funds:</b>	<b>\$3,637,413,000</b>	<b>\$3,874,795,890</b>	<b>\$237,382,890</b>	<b>6.5%</b>

*The City University of New York (CUNY) has its origins in the Free Academy, established in 1847 under the auspices of the New York City Board of Education, and today is the nation’s largest urban public university system. The University’s mission is to provide affordable higher education with a focus on the urban community of New York City.*

*The City University of New York (CUNY) is the nation's third largest public university system educating more than 232,000 students in the urban community of New York. The City University of New York has 11 senior colleges, a Graduate School and University Center, a Graduate School of Journalism, a Law School and six community colleges. The City University’s operating budget supports an estimated 12,933 full time equivalent positions consisting of 12,641 positions supported through a combination of State tax dollars and tuition revenues and 292 positions supported through other funds. Community college staffs are not included in these totals as they are not employees of the State.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends an All Funds appropriation of \$3.87 billion for the CUNY Senior Colleges, an increase of \$237.3 million, from SFY 2011-12 levels. General Fund appropriations for the CUNY system increase by \$87.6 million or 7.3% from \$1.208 billion to \$1.295 billion. The Special Revenue-Other category remains at last years’ level. \$175.4 million associated with appropriation authority to disburse self-generated revenue. Fiduciary funding representing aid to CUNY from the City of New York increases by \$138.3 million or 7.2% from SFY 2011-12.

CUNY’s Senior Colleges General Fund appropriations represent \$2.055 billion, an increase of \$138.3 million from SFY 2011-2012. Appropriations for CUNY Senior Colleges’ employee fringe benefits total \$595.7 million, an increase of \$557.6 million over the SFY 2011-2012 levels.



**Funding for Opportunity and Financial Aid Programs**

The SFY 2012-13 funding for the Search for Education, Elevation and Knowledge (SEEK) Program is recommended at \$18.3 million an increase of \$1 million from SFY 2011-12 allocation of \$17.3 million. The SEEK program provides supplemental financial aid, academic support, counseling and mentoring services for students at CUNY's Senior Colleges.

**Community Colleges**

The Executive recommendation maintains base aid for community colleges at \$2,221 per Full-Time Equivalent (FTE) student. This will result in overall community college base aid in the amount of \$172.2 million.

The recommended SFY 2012-13 Executive Budget includes appropriations for workforce development in the amount of \$1.88 million, for child care centers in the amount of \$813,000, a decrease of \$544,000 from last year, and College Discovery in the amount of \$883,000. Spending for CUNY's community college rental aid would total \$8.2 million, an increase of \$33,000 from the SFY 2011-12 levels.

**Capital Plan**

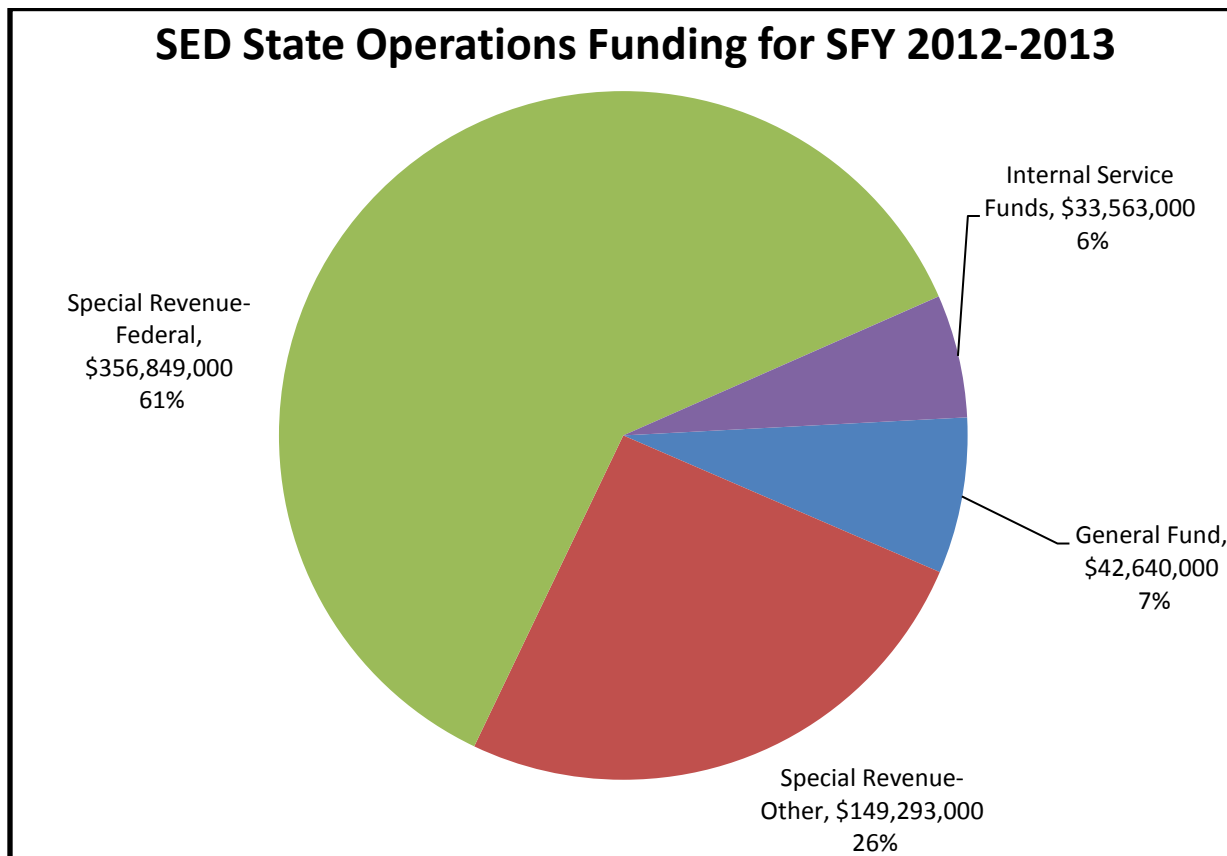
The Executive proposes a capital projects appropriation of \$347.9 million, an increase of \$11.4 million from SFY 2011-12 levels. This includes an appropriation of \$284.2 million which is the last installment of the five year CUNY capital plan for critical maintenance that was enacted in SFY 2008-09. It also includes \$26.7 million to provide for the state's 50 percent share of projects at CUNY Community Colleges and a \$21 million appropriation to pay the Dormitory Authority for administrative costs of managing of projects at CUNY.

The Executive Budget includes a capital appropriation of \$15.9 million to allow hard dollar capital financing to reimburse the City University of New York Construction Fund (CUCF).

**STATE EDUCATION DEPARTMENT**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$36,127,091,000	\$36,471,657,000	\$344,566,000	.95%
Special Revenue-Other	\$9,434,772,000	\$9,627,672,000	\$192,900,000	2.04%
Special Revenue-Federal	\$4,429,791,000	\$4,599,080,000	\$169,289,000	3.82%
Capital Projects Fund	\$17,400,000	\$17,400,000	\$0	0.00%
Internal Service Funds	\$33,563,000	\$33,563,000	\$0	0.00%
<b>Total All Funds:</b>	<b>\$50,042,617,000</b>	<b>\$50,905,972,000</b>	<b>\$706,755,000</b>	<b>1.41%</b>

*The State Education Department (SED) is the administrative agency of the Board of Regents. The Department oversees public elementary and secondary education programs throughout New York. The mission of the Department is to raise the knowledge, skill, and opportunity of all the people in New York.*



### Overview of Executive Budget Proposal

The State Fiscal Year (SFY) 2012-2013 Executive Budget recommends an All Funds appropriation in the amount of \$50.74 billion; an increase of \$706.5 million or almost 1.14% from SFY 2011-12. Of this amount, \$9.24 million is associated with a net increase in State Operations from SFY 2011-12. State Operations-General Fund resources for the State Education Department remains at 7% of the Total State Operations funding (see prior page).

Aid to Localities comprises the largest share of the All Funds amount with \$50.14 billion, a net increase of \$697.5 million billion from the prior year. Capital Projects funding remains flat from last year at \$17.4 million.

#### School Aid:

The Executive Budget continues its two-year appropriation schedule by appropriating school aid increases associated with personal income growth. The SFY 2012-13 Executive recommends school aid funding in the amount of \$19.7 billion, reflecting an increase of \$551.7 million, or 2.86 percent. In addition, the Governor proposes that \$50 million in School Year 2011-2012 performance grants, and a new \$200 million appropriation for additional performance grants will be included as part of the State Aid proposal for School year 2012-2013. This \$250 million would be added to the \$551.7 million State Aid allocation, bringing the total State Aid increase for School Year 2012-2013 to \$805 million. The Executive Budget links additional State Aid to compliance with the new teacher evaluation system. School districts will not be eligible for aid increases unless they have fully implemented the new teacher evaluation process by January 17, 2013.

According to the Governor, \$289 million of the \$850 million increase is associated with a Gap Elimination Adjustment restoration. High Need School Districts will receive 76% of the allocated increase and 69% of total School Aid. The Executive Budget also continues its two-year appropriation schedule by appropriating school aid increases associated with personal income growth.

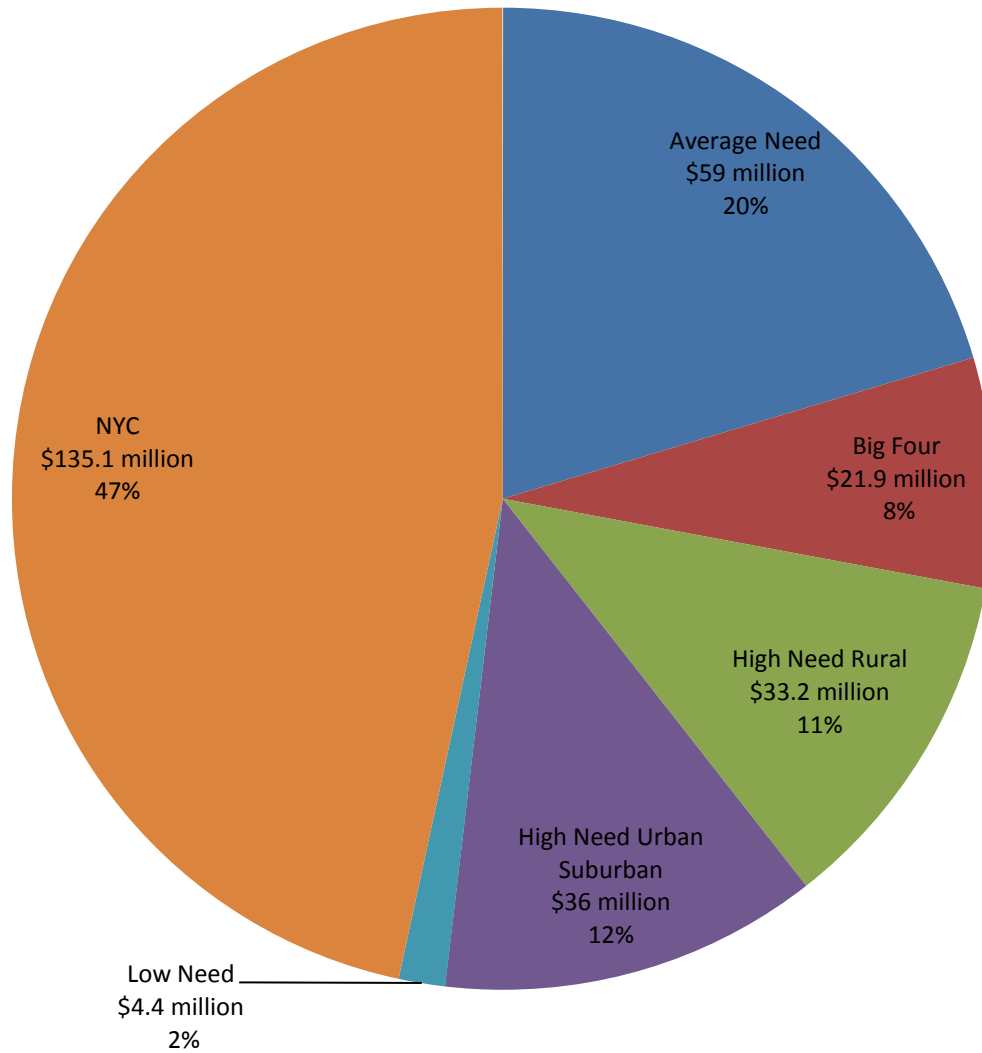
Expense-based aids reimburse school districts for costs already incurred for capital construction, transportation, shared-services, and special education services. The Executive provides current law funding for expense-based aids for a total increase of \$255 million over school year 2011-12. The following school aid categories are funded at last year's level:

- Foundation Aid is funded at \$14.89 billion, the same amount as in School Year 2011-2012. This school aid category has not increased since 2008-2009 when aid increased from \$13.64 billion to \$14.87, an increase of \$1.23 billion.
- High Tax Aid is funded at \$204.7 million, the same amount of aid since 2008-2009 when aid increased from \$99.9 million to \$204.7 million, an increase of \$104.8 million.
- Supplemental Excess Cost Aid (SECA) is funded at \$4.31 million. In 2007-2008, SECA provided \$20.8 million in aid for school districts; consequently, SECA aid was reduced by 85% in SY 2008-2009 to provide the same amount of aid as in SY 2012-2013.

<b>Total School Aid Allocation for SY 2012-2013</b>				
<b>Category</b>	<b>11-12 SY</b>	<b>12-13 SY</b>	<b>\$ Change</b>	<b>% Change</b>
Foundation Aid	\$14,893,624,431	\$14,893,624,431	\$0	0.00%
Charter School	\$27,354,272	\$30,978,345	\$3,624,073	13.25%
High Tax Aid	\$204,770,097	\$204,770,097	\$0	0.00%
Transportation including Summer	\$1,611,692,812	\$1,675,707,983	\$64,015,171	3.97%
Operating Reorganization	\$2,856,587	\$2,856,587	\$0	0.00%
BOCES and Special Services	\$916,583,855	\$940,175,280	\$23,591,425	2.57%
High Cost EC	\$475,166,820	\$498,090,344	\$22,923,524	4.82%
Private EC	\$317,135,670	\$362,754,800	\$45,619,130	14.38%
Software, Library and Textbook	\$243,396,457	\$249,197,950	\$5,801,493	2.38%
Hardware & Tech	\$37,393,916	\$39,268,070	\$1,874,154	5.01%
Full Day K	\$4,990,990	\$6,763,558	\$1,772,568	35.52%
UPK	\$383,231,935	\$384,290,953	\$1,059,018	0.28%
Supplemental Excess Cost Aid	\$4,313,167	\$4,313,167	\$0	0.00%
Academic Enhancement Aid	\$27,024,033	\$27,024,033	\$0	0.00%
Gap Elimination Adjustment	<b>(\$2,556,482,217)</b>	<b>(\$2,266,690,479)</b>	\$289,791,738	-11.34%
Building and Building Reorganization	\$2,629,802,644	\$2,721,485,487	\$91,682,843	3.49%
<b>Subtotal Aid</b>	<b>\$19,222,855,469</b>	<b>\$19,774,610,606</b>	<b>\$551,755,137</b>	<b>2.87%</b>
Additional Grants Performance	\$0	\$250,000,000	\$250,000,000	100.00%
Grant Programs and Other Aid Categories	\$283,880,000	\$287,090,000	\$3,210,000	1.13%
<b>Total Aid</b>	<b>\$19,506,735,469</b>	<b>\$20,311,700,606</b>	<b>\$804,965,137</b>	<b>4.13%</b>

According to the Governor, \$289 million of the \$850 million increase is associated with a Gap Elimination Adjustment restoration. High Need School Districts will receive 78% of the a

### Need Resource Category Restoration Distribution



The Executive restoration proposal follows a similar approach to the Foundation Aid formula. It uses an adjusted amount per pupil and provides restorations on a needs-based approach. The maximum restoration amount allowed for any school district is 25% above the 2011-2012 Gap Elimination Adjustment. The minimum restoration for any school district is 1% of the 2011-2012 Gap Elimination Adjustment. Restorations for each School District are further adjusted with the use of the State Sharing Ratio to determine a school district’s fiscal capacity.

Expense-based aids reimburse school districts for costs already incurred for capital construction, transportation, shared-services, and special education services. The Executive provides current law funding for expense-based aids for a total increase of \$255 million over school year 2011-12. See below for aid changes:

Aid Category*	2011-12 School Year	2012-13 Exec. Proposed	\$ Change	% Change
Excess Cost-High	\$475.17	\$498.09	\$22.92	4.82%
Excess Cost-Private	\$317.14	\$362.75	\$45.61	14.38%
BOCES	\$704.23	\$720.88	\$16.65	2.36%
Software, Library, Textbook	\$243.39	\$249.19	\$5.80	2.38%
Hardware & Technology	\$37.39	\$39.26	\$1.87	5.00%
Transportation (incl. Summer)	\$1,611.69	\$1,675.71	\$64.02	3.97%
Special Services	\$212.36	\$219.30	\$6.94	3.27%
Building Aid/Reorganization Aid	\$2,629.80	\$2,721.49	\$91.69	3.49%
<b>School Year Total</b>	<b>\$6,231.17</b>	<b>\$6,486.67</b>	<b>\$255.50</b>	<b>4.10%</b>

The following school aid categories are funded at last year’s level:

- Foundation Aid is funded at \$14.89 billion, the same amount as in School Year 2011-2012. This school aid category has not increased since 2008-2009 when aid increased from \$13.64 billion to \$14.87, an increase of \$1.23 billion.
- High Tax Aid is funded at \$204.7 million, the same amount of aid since 2008-2009 when aid increased from \$99.9 million to \$204.7 million, an increase of \$104.8 million.
- Supplemental Excess Cost Aid (SECA) is funded at \$4.31 million. In 2007-2008, SECA provided \$20.8 million in aid for school districts; consequently, SECA aid was reduced by 85% in SY 2008-2009 to provide the same amount of aid as in SY 2012-2013.

**Competitive Grants:** The enacted budget for State Fiscal Year 2011-12 included funding in the amount of \$500 million for the development of two competitive grants associated with School District Management Efficiency and School District Student Improvement. For School Year 2012-13, the Executive includes \$50 million from the 2011-2012 School Year in addition to a new \$200 million for a new round of competitive grants.

**Universal Pre-K:** The New York State Universal Prekindergarten (UPK) program was established under Chapter 436 of the Laws of 1997. During the 2004-05 school year, 192 districts (224 eligible) served approximately 57,000 students. In School Year 2012-2013, this number has increased considerably from 192 to 450 school districts and the number of 4-year old has increased from 57,000 to almost 108,400.

The Universal Pre-kindergarten program is funded at \$384.2 million, an increase of \$1.06 million from SY 2011-2012. Full-Day Kindergarten funding is increased by \$1.77 million from \$4.9 million in SY 2011-12 to \$6.76 million in SY 2012-13.

According to the National Institute for Early Education Research (NIEER), more than 1.3 million children participate in State-funded Prekindergarten programs, about 40% of all 3 and 4-year-olds in the nation. State spending on Prekindergarten programs totals more than \$5.4 billion across the Nation.

**Grant Programs and Additional Aid Categories**

The Executive Budget proposal increases funding for 2012-13 for the following programs:

- \$18.23 million for Homeless Pupils, an increase of \$1 million or 5.8% from 2011-12.

- \$20.5 million for Incarcerated Youth, an increase of \$1 million or 5.1% from 2011-12.
- \$80 million for Office of Mental Health/Office of People with Developmental Disabilities (OMH/OPWDD) pupils, an increase of \$4 million or 5.2% from 2011-12.
- \$5 million for Native American Building Aid, an increase of \$1 million or 25% from 2011-12.
- \$12 million for Roosevelt, an increase of \$6 million or 100% from 2011-12.

The Executive Budget proposal maintains funding for 2012-13 at 2011-12 levels for the following programs:

- \$25 million for Teachers of Tomorrow
- \$2 million for Teacher-Mentor Intern
- \$13.84 million for School Health Services
- \$96 million for Employment Preparation Education (EPE) Aid
- \$12.50 million for Bilingual Education Grants
- \$2.70 million for Special Act School Districts
- \$700,000 for BOCES Aid for Special Act Districts
- \$3.29 million for Learning Technology Grants
- \$400,000 for Bus Driver Safety

The Executive Budget proposal reduces funding in 2012-13 for the following program:

- \$36.05 million for Native American Education Aid, a decrease of \$4 million or 11.2% from 2011-12.
- \$11.5 million for the Consortium for Worker Education, a decrease of \$1.5 million or 11.5% from SY 2011-12.

The Executive Budget proposal eliminates funding in 2012-13 for the following program:

- \$20.44 million for Teachers Centers.

### **Other State Aid Programs**

**Non-Public School Aid Mandated Services:** The Executive proposes \$90.4 million in SFY 2012-2013, a \$13.24 million increase from SFY 2012-13.

**Non-Public School Aid Comprehensive Attendance Program:** The Executive proposes \$26.24 million in SFY 2012-2013, the same level of funding from 2011-2012.

The Executive Budget proposal maintains the same level of funding for the following programs:

- \$24.34 million for Extended School Day/School Violence Prevention
- \$4.3 million for Adult Literacy Education
- \$3.05 million for the Summer Food Program
- \$1.3 million for Targeted Pre-Kindergarten
- \$990,000 for the Center for Autism and Related Disabilities at SUNY Albany
- \$922,000 for Academic Intervention for Non-public Schools
- \$691,000 for the Health Education Program
- \$466,000 for the New York State Center for School Safety

**Special Education**

Private Excess Cost Aid: provides reimbursement for public school children with more severe disabilities who are placed in private school settings or in the schools in Rome and Batavia. The Executive Budget recommendation for School Year 2012-2013 totals \$362.75 million, an increase of \$45.61 million or 14.3% above SY 2011-2012.

Public Excess Cost-High Cost: provides reimbursement for the additional costs of providing resource-intensive public school and BOCES programs for students with disabilities. The Executive Budget recommendation for School Year 2012-2013 totals \$498 million, an increase of \$22.9 million or 4.8% above SY 2011-2012.

Private Schools for the Blind and Deaf: funding in the amount of \$99.3 million is provided for State Fiscal Year 2012-2013. School Districts paid for these school services in SY 2011-2012. In 2012-2013 school districts will receive reimbursement less a local contribution.

Targeted Special Education Teacher Salary Supplement: funding in the amount of \$4 million is provided in 2012-2013 for this program. Funds are allocated from the federal Individuals with Disabilities Education Act to allow private special education providers to target salary adjustments for retention and recruitment and prevent excessive teacher turnover.

Preschool Special Education: Section 4410 of the Education Law requires that the State provide 59.5% of the share of the costs associated with preschool education to municipalities. For School Year 2012-2013, New York State will provide \$936.7 million in State funding for this purpose; an increase of \$66.8 million from 2011-2012 School Year. Similar to last year, prior year claims on file with the State Education Commissioner as of April 1, 2012 will receive priority. Any remaining claims will be treated as next year's liability if the appropriation authority is insufficient for payment,

Summer School Programs: Section 4408 of the Education law requires the State to provide funding for a State share of these services. For School Year 2012-2013, New York State will provide \$321.7 million in State funding for this purpose; an increase of \$30.4 million from 2011-2012 School Year.

**Office of Higher Education and the Professions**

The SFY 2011-12 Executive Budget proposes an All Funds appropriation of \$17.5 million, an increase of \$378,000, or .61% from SFY 2011-12 levels. Funding for many higher education scholarship and grant programs would remain at the pre-Special December 2011 Special Session.



The proposed funding levels for the various programs are as follows:

SUMMARY OF PROPOSED SPENDING – SFY 2012-13 STATE EDUCATION DEPARTMENT HIGHER EDUCATION PROGRAMS					
<u>Programs</u>	<u>2011-12 ADJUSTED</u>	<u>11-12 Special Session Increases*</u>	<u>2012-13 Proposed</u>	<u>CHANGE 11-12 Adjusted and 12-13 Proposed</u>	<u>% Change</u>
Direct Institutional Aid for Independent Colleges and Universities (BUNDY AID)	\$35,129,000	\$0	\$35,129,000	\$0	0.00%
Higher Education Opportunity Programs (HEOP)	\$20,783,000	\$3,485,000	\$20,783,000	\$0	0.00%
Independent Colleges Nursing Programs	\$941,000	\$0	\$941,000	\$0	0.00%
STEP	\$9,774,000	\$1,027,000	\$9,774,000	\$0	0.00%
C-STEP	\$7,406,000	\$778,000	\$7,406,000	\$0	0.00%
Liberty Partnerships	\$10,842,000	\$1,700,000	\$10,842,000	\$0	0.00%
Teacher Opportunity Corps*	\$450,000	\$0	\$450,000	\$0	0.00%
National Board for Professional Teaching Standards	\$368,000	\$0	\$368,000	\$0	0.00%
<b>Total</b>	<b>\$85,693,000</b>	<b>\$6,990,000</b>	<b>\$85,693,000</b>	<b>\$0</b>	<b>0.00%</b>

\* Funds are reappropriated and will be available for program expenditures.

**Cultural Education Program**

The SFY 2012-13 Executive Budget recommends an All Funds appropriation of \$177.7 million, a decrease of \$21,000 from SFY 2011-12.

Library Aid: The Executive Budget recommends \$79 million in funding for Library Aid, at the same amount of aid as last year. Capital funding for local library construction is maintained at \$14 million.

Public Television and Radio Aid: The Executive Budget recommends \$14 million in funding for Public Television and Ratio, same amount of aid as last year.

**Adult Career and Continuing Education Services Program**

The SFY 2012-13 Executive Budget recommends an All Funds appropriation of \$351 million, an increase of \$4.9 million from SFY 2011-12.

The Executive Budget proposal maintains funding in SFY 2012-13 at SFY 2011-12 levels for the following programs:

- College Readers (\$294,000)
- Case Services (\$54 million)
- Independent Living Centers (\$12.36 million)
- Time Limited and Long Term Support Services (\$15.16 million)

**Article VII**

- **2012-13 School Aid Increase.** This bill would provide a methodology to target a portion of the allowable growth to high need school districts, as well as those that were impacted by aid reductions in the 2011-12 school year. Additionally, under this bill, increases in School Aid would be linked to school district compliance with a new teacher evaluation process.
- **Teacher Evaluation Process:** The Executive Budget includes Article VII legislation that would link increases in School Aid to compliance with the implementation of a new and effective evaluation system. As such, school districts would not be eligible for aid increases unless they fully implemented a new and truly effective teacher evaluation system by January 17, 2013.
- **Performance Grants:** This bill would provide that each annual increase in School Aid would be partially dedicated to support \$100 million towards performance grants beginning in the 2013-14 school year.
- **Cost Report Deadline for Building Aid:** The Executive Budget includes a window of opportunity for school districts to regain eligibility for Building Aid in cases where a district has been denied aid for missing the final cost report filing deadline for school construction projects. The loss of Building Aid would be limited to the amount of aid payable during the period the cost report was outstanding.
- **Bus Purchasing:** Article VII legislation would limit reimbursement to school districts for bus purchases to those that are purchased through a central State contract. This approach will enable both the State and the local school district to benefit from the combined purchasing power of all school districts statewide. It will also eliminate technical obstacles to shared maintenance and other services between districts.
- **Teacher Disciplinary Process:** The Executive included Article VII language that would accelerate the hearing process and limit costs. This bill would implement the following changes:
  - ✓ Allow the Education Commissioner to set maximum rates paid to arbitrators;
  - ✓ Limit the number of study days claimed by arbitrators;
  - ✓ Eliminate the requirement for court reporters at teacher arbitrations;
  - ✓ Disqualify arbitrators for failure to comply with statutory timelines; and
  - ✓ Require all future arbitration costs to be split evenly between the school district and the teacher's bargaining unit, or the employee if the employee is not represented by a union.
- **Preschool Special Education:** The Executive includes Article VII language that would require that school districts, who make most programmatic decisions, share equally in the costs of growth in the program with the State and counties. The bill also attempt to address the potential conflict of interest in the existing evaluation system by:
  - ✓ requiring an explanation when a distant provider is recommended instead of a closer, suitable provider; and
  - ✓ prohibiting, in most cases, children being evaluated by the same agency that provides the child's educational services or by an evaluator with a less-than-arms-length relationship to the agency.

**SCHOOL TAX RELIEF (STAR) PROGRAM  
STATE OPERATING FUNDS SPENDING PROJECTIONS**

*(\$ Millions)*

	SFY 2011-12	SFY 2012-13	Annual Dollar Change	Annual % Change
<b>STAR</b>	\$3,293	\$3,322	\$29	1%
<b>Basic Exemption</b>	\$1,933	\$1,937	\$4	0%
<b>Enhanced Exemption</b>	\$790	\$792	\$2	0%
<b>NYC PIT STAR</b>	\$570	\$593	\$23	4%

**OVERVIEW**

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in SFY 2012-13 are:

- the basic school property tax exemption for homeowners with income under \$500,000 (59%);
- the enhanced school property tax exemption for senior citizen homeowners with income under \$79,050 (24%); and
- a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (17%).

The STAR program exempts the first \$30,000 of every eligible homeowner’s property value from the local school tax levy. Lower-income senior citizens receive a \$62,200 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The annual increase in a qualifying homeowner’s STAR exemption benefit is limited to 2%. Homeowners who earn more than \$500,000 a year are not eligible for the STAR property tax exemption. New York City personal income taxpayers with annual income over \$500,000 have a reduced benefit.

The multi-year Financial Plan reflects a program under which the Department of Tax and Finance would instruct local assessors to withhold the STAR exemption benefit from taxpayers who have overdue State-imposed and State-administered taxes and who own a home that is STAR-eligible. New York City residents who are similarly in arrears would lose their City PIT rate-reduction benefit, as well as the State School Tax Reduction Credit.

**OFFICE OF CHILDREN AND FAMILY SERVICES**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-12</b>	<b>Executive Recommendation 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$2,083,074,250	\$2,218,927,250	\$135,853,000	6.5%
Special Revenue-Other	\$123,340,000	\$88,848,000	(\$34,492,000)	-28.0%
Special Revenue-Federal	\$1,547,701,000	\$1,484,803,000	(\$62,898,000)	-4.1%
Capital Projects Fund	\$37,675,000	\$37,675,000	\$0	0.00%
Internal Service Funds	\$100,000	\$100,000	\$0	0.00%
Enterprise Funds	\$475,000	\$475,000	\$0	0.00%
<b>Total All Funds:</b>	<b>\$3,792,365,250</b>	<b>\$3,830,828,250</b>	<b>\$38,463,000</b>	<b>-1.0%</b>

*The Office of Children and Family Services is responsible for strengthening services for and promoting the well-being and safety of children and families. The Office provides services for children, vulnerable youth, adults and families in New York State.*

**Overview of Executive Budget Proposal**

**Child Care Subsidies:** The Executive Budget increases General Fund support for child care subsidies by \$93 million to offset a reduction in funding through the Federal Temporary Assistance for Needy Families (TANF) program. The \$93 million increase in State share is necessary to bring the 2012-13 funding level of \$299.6 million back up to the 2011-12 funding level of \$392.9 million. The \$93 million in additional State funding will provide sufficient resources to maintain 19,000 child-care slots for working families that would otherwise be lost due to the reduction in Federal aid.

**24-Hour Hotline Centralization:** The Executive Budget calls for centralization of 24-Hour Hotlines for reporting abuse and neglect allegations. The Executive proposal provides new funding in the amount of \$15,000,00 for the establishment of the hotline. Pursuant to preliminary recommendations of the Governor’s Special Advisor on Vulnerable Persons, a new centralized 24-hour hotline will be established for reporting allegations of abuse and neglect of children, the developmentally disabled, the elderly and other vulnerable persons. The reporting system will include certain programs operated, licensed or certified by the Office of Mental Health, Office for People with Developmental Disabilities, Office of Alcoholism and Substance Abuse Services, the Office of Children and Family Services, the Department of Health and the State Education Department. The hotline will have a trained staff to screen, classify and route reports of abuse and neglect to the appropriate State agency for investigation. Funding will be housed within OCFS. Centralization of the hotline system is expected to save \$10 million in 2012-13.

**Cost of Living Adjustments:** The Executive Budget proposes to eliminate 2012-13 Cost of Living Adjustments (COLAs) and Trends. The Executive Budget eliminates the planned 3.6 percent COLA scheduled to take effect in 2012-13 for OCFS programs including Foster Care, Adoption, Bridges to Health, and New York/New York III. This proposal would also eliminate administrative trends in various programs including Foster Care. Under the Governor’s proposal, a new program will be established for 2013-14 which will provide increases based on appropriate

provider costs and meeting performance outcomes. Proposed 2012-13 funding for this proposal is \$37 million.

**Settlement Houses:** The Executive proposes the elimination of \$1,200,000 in funding for settlement houses and programs that help local social services districts reduce the caseloads of child protective workers.

### Article VII Proposal

**Juvenile Justice Reform:** Under the Executive's proposal, New York City youth currently placed in Office of Children and Family Services (OCFS) limited- and non-secure settings would be placed in programs and facilities in and around the City of New York through a new initiative called Close to Home. Consistent with these changes, the Executive proposes to reduce capacity in OCFS operated youth facilities outside of New York City. The proposal is expected to provide cost savings for both the State and localities when fully implemented. Under the Executive's proposal, savings to the State and local social services districts are projected to be \$12 million in 2012-13 and \$37 million in 2013-14.

As part of the Executive's 2012-13 plan to reduce the OCFS System by downsizing or closure of OCFS operated facilities, juvenile justice system capacity will be reduced by 324 beds and 247 Full Time Employees (FTEs), of which 123 FTEs will be eliminated by layoff and 124 FTEs can be attributed to attrition to reflect the impact of the initiative to place New York City youth in New York City-administered programs nearer their homes. New York City youth residing in non-secure youth facilities or community-based settings will be placed in the New York City-administered facilities in 2012-13, and New York City youth residing in limited-secure youth facilities will be placed in the New York City administered facilities in 2013-14. This is expected to result in additional savings of \$9 million in 2012-13 and \$37 million in 2013-14.

**OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$1,396,663,000	\$1,664,854,000	\$268,191,000	19.2%
Special Revenue-Other	\$169,103,000	\$22,400,000	(\$146,703,000)	-86.8%
Special Revenue-Federal	\$4,001,053,000	\$3,992,148,000	(\$8,905,000)	-0.2%
Capital Projects Fund	\$30,000,000	\$30,000,000	\$0	0.0%
Internal Service Funds	\$1,199,000	\$1,000,000	(\$199,000)	-16.6%
Fiduciary Funds	\$10,000,000	\$10,000,000	\$0	0.00%
<b>Total All Funds:</b>	<b>\$5,608,018,000</b>	<b>\$5,720,402,000</b>	<b>\$112,384,000</b>	<b>2.0%</b>

*The Office of Temporary and Disability Assistance (OTDA) works in collaboration with the Office of Children and Family Services and other agencies to assist needy adults and families achieve economic self-sufficiency through employment and job training opportunities. OTDA also provides economic assistance to aged, blind, and disabled individuals who are unable to work, supportive services to low-income households to prevent welfare dependency, and transitional support to public assistance recipients while they are working toward self-sufficiency.*

**Overview of Executive Budget Proposal**

**Welfare Caseload:** Public assistance caseload is projected to decrease by 2.2 percent during 2012-13. This is due to a 2.6 percent decrease for Temporary Assistance to Needy Families (TANF) families, a 2.9 percent decrease for families that have exhausted their 5-year time limit on TANF, and 1.2 percent decrease for safety net singles and childless couples.

**Flexible Fund for Family Services (FFFS):** The Executive Budget recommends a \$13 million increase over the 2011-12 funding level from \$951 million to \$964 million.

**Public Assistance Grant:** The Executive Budget proposes to provide a 5% increase to the public assistance grant in July 2012 and a 5% grant increase in July 2013 to replace the 10% grant increase scheduled to take effect in July 2012. The delayed 5% increase included in the Executive proposal is expected to save the State \$6 million in 2012-13.

**Child Care Subsidies:** The Executive Budget proposal includes a reduction of \$93,300,000 in TANF funding for child care subsidies for families in receipt of public assistance. The reduction in TANF funding is off-set by an increase in OCFS General Fund support for child care subsidies by \$93 million. The \$93 million increase in State share is necessary to bring the 2012-13 funding level of \$299.6 million back up to the 2011-12 funding level of \$392.9 million. The \$93 million in additional State funding will provide sufficient resources to maintain 19,000 child-care slots for working families that would otherwise be lost due to the reduction in Federal aid.

**Childhood Hunger:** The Executive Budget proposes to increase funding to fight childhood hunger. The Nutrition Outreach and Education Program (NOEP) provides nutrition outreach and



education to underserved areas of the State to increase enrollment in the Food Stamps program. The Executive Budget provides for additional funds in the amount of \$1 million to expand access to the Food Stamp program. The additional funds bring funding levels up to \$3 million for 2012-13.

**State Takeover of SSI Supplementation Program:** The Executive Budget proposes the takeover of administration of the State SSI Supplementation Program. To achieve \$90 million of annual savings through management improvements, the Executive Budget recommends the State take over administration of the State's participation in the Federal Supplemental Security Income benefit. This benefit is currently administered by the Federal Social Security Administration at significant cost to the State. New York is one of only five states that has not assumed administration of the program. Through investment in new IT systems and staff, the State can provide the same service the Federal government currently provides at \$10.94 per benefit issuance for under \$2 per benefit issuance. Expected 2012-13 savings are \$11 million.

**New York City Shelter Supplement:** The Executive Budget proposes the suspension of New York City Shelter Supplement Funding. The 2011-12 Budget included \$15 million for a new initiative to prevent eviction and address homelessness in New York City. Because the initiative remains under development, additional funding will be suspended pending a determination of the efficacy of the program.

**Child Support Administration:** The Executive Budget proposes to streamline the administration of child support. This proposal would eliminate State funding for child support enforcement administration provided to local social services districts. The State would allow districts to retain certain child support payments currently sent to the State, and would also provide new Federal resources to local social services districts to ensure there is no local financial impact. The proposal will result in State savings as well as reduce State and local administrative burdens. Savings in 2012-13 are expected to be approximately \$35 million.

**Office of New Americans:** The Executive Budget proposal establishes the Office of New Americans. Staff (6 FTEs) and \$3,340,000 in funding for refugee resettlement and the citizenship initiative will be transferred from OTDA to the Department of State (DOS) to support the Executive's efforts to assist legal permanent residents to participate in New York State civic and economic life by creating the Office of New Americans. The Office aims to expand English language education opportunities; promote U.S. citizenship and civic involvement and expand opportunities for new American business owners.

**TANF Funding:** The Executive Budget proposal eliminates \$9,400,000 in funding for various initiatives including: Child Care Facilitated Enrollment, SUNY/CUNY Child Care, Wage Subsidy Program, Preventive Services, Displaced Homemakers, Non-Residential Domestic Violence, Supportive Housing for Families and Young Adults, Advantage Afterschool, ACCESS-Welfare to Careers, Supplemental Homeless Intervention Program, Fatherhood Initiative, Emergency Homeless, Wheels for Work, Community Solutions to Transportation, BRIDGE, Disability Advocacy Program, Kinship Caretaker/Relative Program and Centro of Oneida. The Executive's Budget proposal also eliminates \$39,000,000 for traditionally TANF funded programs that were appropriated in the Special Session legislation passed in December

2011 including: The Summer Youth Employment Program, Career Pathways, Displaced Homemakers, ATTAIn, Child Care Facilitated Enrollment.

### **Article VI Proposal**

The Executive Budget proposal recommends Article VII legislation to:

- Authorize the Federal Cost of Living Adjustment (COLA) increase in 2013 for individuals receiving SSI, who live in various living arrangements.
- Phase in the full implementation of the scheduled public assistance grant increase from one final 10% increase in July 2012 to a 5% increase in July 2012 and another 5% increase in July 2013.
- Authorize a State administrative takeover of the responsibility for administration and eligibility determinations for New York's Social Security Income Supplementation Program.
- Eliminate the advisory committee on legal advocacy for individuals whose Federal disability benefits have been denied or may be discontinued. Under the Executive's proposal, the Commissioner would assume the responsibilities once carried out by the advisory committee. The Commissioner would have the sole responsibility of establishing the criteria for applications and awarding grants to providers that represent individuals whose Federal disability benefits have been denied or may be discontinued.

### **Capital Projects**

The Executive's Budget proposal includes funding in the amount of \$30,000,000 for the Supported Housing Program Fund, which is unchanged from SFY 2011-12.



**HIGHER EDUCATION SERVICES CORPORATION**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$967,566,000	\$993,757,000	\$26,191,000	2.7%
Special Revenue-Other	\$104,292,000	\$116,699,000	\$12,407,000	11.9%
Special Revenue-Federal	\$12,601,000	\$7,052,000	(\$5,549,000)	-44.0%
<b>Total All Funds:</b>	<b>\$1,084,459,000</b>	<b>\$1,117,508,000</b>	<b>\$33,049,000</b>	<b>3.0%</b>

*Established in 1974, the Higher Education Services Corporation (HESC) administers the State Tuition Assistance Program (TAP), the Federal Family Assistance Program, the New York Higher Education Loan Program (NYHELPS) and other State and Federal aid programs. The Corporation is governed by a 15-member Board of Trustees, 10 of whom are appointed by the Governor to six-year terms.*

*The Corporation’s Chief Executive Officer is the President, who is appointed by the Governor, subject to Senate confirmation. The President’s responsibilities include administrative oversight of key program areas including legal counsel, data processing, operations, grants and scholarships, loans and research. Agency administrative operations are located in Albany. The majority of HESC’s 516 FTE employees are supported by Federal Funds received for the administration of Federal student loans. The State’s Tuition Assistance Program is a need-based State financial aid program that provides assistance to approximately 350,000 students.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget provides an All Funds appropriation of \$1.17 billion, an increase of \$33 million or 3% from SFY 2011-12. The Agency presently employs 495 Full-Time Equivalents (FTEs), almost all of whom are supported by revenues from the administration of Federal student loans in New York State. The recommended General Fund support totals \$993.7 million, an increase of \$26.1 million or 2.7% from the current year.

The Executive provides \$930.6 million for the Tuition Assistance Program (TAP). This is an increase of \$28 million from the enacted budget last year.

**New York State Higher Education Loan Program (NYHELPS)**

The Executive Budget proposal decreases NYHELPS by \$2.5 million.

**DIVISION OF HOUSING AND COMMUNITY RENEWAL**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$58,815,561	\$47,679,000	(\$11,136,561)	-18.9%
Special Revenue-Other	\$64,408,000	\$73,066,000	\$8,658,000	13.4%
Special Revenue-Federal	\$116,641,000	\$96,769,000	(\$19,872,000)	-17.0%
Capital Projects	\$74,200,000	\$74,200,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$314,064,561</b>	<b>\$291,714,000</b>	<b>(\$22,350,561)</b>	<b>-7.1%</b>

*The Division of Housing and Community Renewal (DHCR) is responsible for the supervision, maintenance and development of affordable low- and moderate- income housing in the State of New York and fulfills this mission through:*

- *Oversight of the State’s public and publicly assisted rental housing;*
- *Administration of the State’s rent regulation; and*
- *Administration of housing development community preservation programs, State and Federal grants and loans programs to finance and encourage the development and revitalization of affordable housing.*

**Organization and Staffing**

The Executive Budget State Fiscal Year (SFY) 2012-2013 proposal recommends a workforce of 759 FTEs for the Division. This is an increase of 14 FTEs from the 2011-12 Budget. The increase reflects the additional staff needed to support the new Tenant Protection Unit in the Office of Rent Administration.

**Overview of Executive Budget Proposal**

The SFY 2012-2013 Executive proposal includes \$291.71 million for the Division. This is a decrease of \$22.35 million from the 2011-12 Budget. The decrease primarily reflects the elimination of funding for the Neighborhood and Rural Preservation Programs and a reduction in excess Federal authority for the Small Cities Community Development Block Grant.

**Major budget actions include:**

**Creation of a Tenant Protection Unit:** The Tenant Protection Unit (TPU) originated with the passage of amendments to rent regulation and is intended to implement an aggressive tenant protection and landlord fraud investigation program. The TPU will be housed in the Office of Rent Administration, which administers rent control and rent stabilization laws and regulations and handles applications, complaints, and inquiries of tenants and owners of the more than one million regulated apartments. The new TPU will proactively enforce landlord obligations and impose strict penalties for failure to comply with New York’s rent laws.

**Increase for State Low Income Housing Tax Credit:** The Executive Budget recommends \$8 million for the State Low Income Housing Tax Credit Program, an increase of \$4.8 million from the 2011-12 Budget. This will result in \$80 million in new funding for affordable housing over the next ten years.

**Elimination of Funding for the Neighborhood and Rural Preservation Programs:** The Executive Budget recommends eliminating funding for the Neighborhood Preservation Program (NPP) and the Rural Preservation Program (RPP) in order to preserve resources for other critical housing initiatives.

**Increase for the Rural Rental Assistance Program:** The Executive Budget recommends \$19.6 million for the Rural Rental Assistance Program, an increase of \$4.6 million to address the costs of federally approved rent increases in the rental subsidy program for approximately 4,700 low income occupants of rural housing projects financed by the Federal Department of Agriculture. This will allow the program to be maintained, and ensure that tenants are able to stay in their housing.

**Small Cities Community Development Block Grant-** The Executive Budget recommends an \$18 million reduction in appropriation authority for the Small Cities Community Development Block Grant (CDBG).

**ARRA Weatherization Funding-** The Executive Budget recommends an \$1.87 million reduction to ARRA Weatherization funding.

**STATE OF NEW YORK MORTGAGE AGENCY**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$173,172,000	\$168,465,000	(\$4,707,000)	-2.7%
<b>Total All Funds:</b>	<b>\$173,172,000</b>	<b>\$168,465,000</b>	<b>(\$4,707,000)</b>	<b>-2.7%</b>

*The State of New York Mortgage Agency (SONYMA) is a public benefit corporation that has been in existence for forty years for the purpose accessing and increasing the affordability of homeownership for low- to moderate-income residents in New York State. SONYMA issues taxable and tax-exempt bonds and uses the proceeds to purchase low-interest rate mortgage loans. In addition, SONYMA issues mortgage insurance to promote the stabilization of neighborhoods statewide. In SFY 2009, the agency’s authority was expanded to issue tax-exempt bonds to finance education loans for higher education costs for students attending schools in New York State.*

**Overview of Executive Budget Proposal**

SONYMA is self-sustaining in that all its programs and operations are funded by mortgage income, application fees, insurance premium and investment proceeds. The SFY 2012-13 Executive Budget recommends \$168.46 million in appropriations in 2012-13 to satisfy this requirement, although no cash disbursements are projected to be made from this appropriation. All State of New York Mortgage Agency programs and operations are supported by Agency funds, consisting of mortgage income, application fees, insurance premiums and investment proceeds.

**DIVISION OF HUMAN RIGHTS**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$13,070,000	\$12,744,000	(\$326,000)	2.5%
Special Revenue-Federal	\$8,223,000	\$6,000,000	(\$2,223,000)	27.0%
<b>Total All Funds:</b>	<b>\$21,293,000</b>	<b>\$18,744,000</b>	<b>(\$2,549,000)</b>	<b>12.0%</b>

*The Division of Human Rights enforces the New York State Human Rights Law which prohibits discrimination against others because of their race, sex, age, disability, marital status, and membership in other specified classes. Protection under this law also includes prohibiting discrimination based on sexual orientation and military status. The Division is responsible for enforcing the Human Rights Law through investigation and prosecution or by advancing policies or legislation that would better protect the civil rights of New Yorkers.*

**Overview of Executive Budget**

The SFY 2012-13 Executive Budget recommends an all funds appropriation of \$18,744,000, a decrease of \$2,549,000, or 12% from SFY 2011-12 funding levels. The Executive recommends funding to support 178 FTEs, a decrease of 10 FTEs from SFY 2011-12 related to attrition. The Executive's proposal also includes a decrease of \$2,223,000 in Federal appropriation authority to more closely reflect anticipated grant amounts. The decrease will have no impact on agency operations.

**DEPARTMENT OF LABOR**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$29,650,000	\$0	(\$29,650,000)	-100.00%
Special Revenue-Other	\$83,010,000	\$72,740,000	(\$10,270,000)	-12.4%
Special Revenue-Federal	\$766,454,000	\$727,471,000	(\$38,983,000)	-5.1%
Enterprise Funds	\$8,400,000,000	\$4,425,000,000	(\$3,975,000,000)	-47.3%
<b>Total All Funds:</b>	<b>\$9,279,114,000</b>	<b>\$5,225,211,000</b>	<b>(\$4,053,903,000)</b>	<b>-43.7%</b>

*The Department of Labor has three primary functions: unemployment insurance administration, workforce development, and Labor law compliance and regulation. The Department advocates for job creation and economic growth through workforce development while offering a variety of services designed to help businesses find workers and people find jobs.*

**Overview of Executive Budget**

The Executive proposes an all funds appropriation of \$5 million, a decrease of \$4 million or 43.7% below SFY 2011-12 funding levels. The Executive recommends funding support of 3,526 FTEs, a decrease of 227 FTE positions. The reductions are attributable to the expiration of funding from the American Recovery and Reinvestment Act (ARRA).

**Unemployment Insurance System**

The State Fiscal Year (SFY) 2012-13 Executive Budget includes a transfer of \$4,250,000,000 in funding for Unemployment Insurance (UI) benefits from State Operations to Aid to Localities to more accurately reflect how such payments are made.

The Executive proposal includes a new appropriation of \$5,000,000 for the Disaster Unemployment Assistance Program related to flood relief.

**Employment and Training Programs**

The SFY 2012-13 Executive Budget proposes the following reductions:

- a reduction of \$1,800,000 from the elimination of the Work Force Development Institute.
- a reduction of \$250,000 from the elimination of the Summer of Opportunity Youth Employment program.
- a reduction of \$100,000 from the elimination of Hillside Works.

**Article VII Proposal**

The Executive's Article VII proposal includes legislation that would eliminate the Child Performer Advisory Board to Prevent Eating Disorders.

**STATE UNIVERSITY OF NEW YORK**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$2,647,816,645	\$1,800,586,400	(\$847,230,245)	-32.0%
Special Revenue-Other	\$5,592,853,300	\$6,801,684,400	\$1,208,831,100	21.6%
Special Revenue-Federal	\$363,608,000	\$428,600,000	\$64,992,000	17.9%
Capital Projects Fund	\$958,869,150	\$1,106,067,000	\$147,197,850	15.4%
Internal Service Funds	\$19,100,000	\$20,100,000	\$1,000,000	5.2%
<b>Total All Funds:</b>	<b>\$9,582,247,095</b>	<b>\$10,157,037,800</b>	<b>\$574,790,705</b>	<b>6.0%</b>

*The State University of New York (SUNY), the nation's largest public university system, offers academic, professional and vocational programs of study to more than 460,000 students at its 64 campuses. The University is governed by a Board of Trustees consisting of 17 members, with 15 appointed by the Governor to staggered seven-year terms and approved by the Senate, and two ex-officio trustees representing the student assembly and faculty of the State University. The Board oversees the operations of the University's State-operated campuses and also exercises general supervisory authority over the community colleges, which are sponsored by local governments and governed by local boards of trustees. The chief executive officer of the University is the Chancellor who is appointed by the Board of Trustees. Individual college presidents are also appointed by the Board. The State University's operating budget supports an estimated 41,815 full-time equivalent positions, consisting of 24,696 positions that are supported through a combination of State tax dollars and tuition revenues and 17,119 positions supported by other funds. Community college staffs are not included in these totals, as they are not employees of the State.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget includes All Funds appropriations of \$10.15 billion, an increase of \$574.7 million or 6% from the adjusted SFY 2011-12 levels. This includes a General Fund decrease of \$847.2 million or 32%, to \$1.8 billion. The proposal includes eliminating the General Fund component of support for the SUNY State operated campuses.

The 2012-13 Executive Budget proposes \$3.34 billion for the operations of senior college campuses, system administration and university-wide programs; including \$2.1 billion in General Fund resources and \$1.3 billion for the collection and distribution of tuition and other revenue. General fund levels represent a 10% reduction of \$131.4 million from SFY 2010-11 and

\$43.4 million in increases from collective bargaining agreements and non-personal services inflationary costs. While the Executive Budget makes no specific recommendations to reduce or eliminate funding for any specific programs, the SUNY Board of trustees is authorized to manage the reductions in General Fund support, as well as implement non-specific workforce reductions and efficiencies.



### **Statutory and Contract Colleges**

The SFY 2012-13 Executive Budget separates out appropriations for the State's statutory colleges at Cornell and Alfred universities from the State-operated campuses. General Fund support for the five statutory colleges is \$129.3 million, the same amount provided last year.

### **Community Colleges**

The SFY 2012-13 Executive Budget reduces SUNY community college base operating aid per by \$7.1 million due a prior year decrease in full time equivalent students. The community college based aid per Full-Time Equivalent (FTE) student will remain at \$2,122, the same level as in SFY 2011-13. A total of \$417.1 million is recommended for the SUNY community colleges.

The recommended SFY 2012-13 appropriations for community college contract courses (\$1.88 million), a reduction to child care centers in the amount of \$653,000, community colleges with low enrollment (\$940,000), and high need programs (\$1.69 million) remain unchanged from the current levels. The Cornell Cooperative Extension program administered by Cornell would remain level at \$3.92 million.

### **SUNY Hospitals**

The 2012-13 Executive Budget proposal provides \$60 million for the three SUNY teaching hospitals: SUNY Downstate, SUNY Stonybrook, and SUNY Upstate. Additionally, SUNY The SFY 2010-11 Executive Budget maintained the appropriation structure under which the SUNY Hospitals' finances are separated from SUNY system finances. This structure allowed the hospitals to pay their own operating and debt service costs.

### **Capital Plan**

In SFY 2008-09, the Legislature enacted a new \$4.1 billion five-year capital plan for strategic initiative and critical maintenance projects at SUNY campuses, SUNY Hospitals, SUNY Dormitories, and SUNY Community Colleges. The SFY 2012-13 Executive Budget provides for the last of five \$550 million appropriations to continue addressing the accumulated backlog of critical maintenance projects throughout the SUNY system. The Executive proposal also includes \$86.9 million to provide for the state's 50 percent share of projects at SUNY Community.

**STATE UNIVERSITY CONSTRUCTION FUND**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$26,172,000	\$0	(\$26,172,000)	-100.0%
<b>Total All Funds:</b>	\$26,172,000	<b>\$0</b>	(\$26,172,000)	<b>-100.0%</b>

*The State University Construction Fund (SUCF) is a public benefit corporation established in 1962 to serve as a construction agent for the State University of New York (SUNY). The Construction Fund is responsible for the acquisition, construction, reconstruction, rehabilitation and improvement of academic buildings and other facilities at State operated campuses and statutory colleges. The Fund is administered by a Board consisting of three members. Support for the Construction Fund is provided solely from proceeds from the sale of revenue bonds issued to finance the construction and reconstruction of academic facilities. During the 2009-10 fiscal year, the Fund initiated the design of 67 projects having a total value of \$813 million in design and construction work and began construction of 112 projects having an estimated cost of \$392 million. Tasks of the Construction Fund include preparation and development of the State University’s Master Capital Construction Plan, equivalent plans for individual campuses, creation of SUNY’s annual capital budget request and facility program, development and upkeep of online data processing systems and management of other University-wide rehabilitation programs. These figures exclude projects administered by individual campuses.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends that funding for the SUNY Construction Fund be transferred to the SUNY Capital budget. SUCF is appropriated at \$25 million, which is a decrease of \$1 million from SFY 2011-12.

**OFFICE OF THE WELFARE INSPECTOR GENERAL**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$378,000	\$349,000	(\$29,000)	(7.7%)
Special Revenue-Other	\$1,177,000	\$1,167,000	(\$10,000)	(0.8%)
<b>Total All Funds:</b>	<b>\$1,555,000</b>	<b>\$1,516,000</b>	<b>(\$39,000)</b>	<b>(2.5%)</b>

*The Office of the Welfare Inspector General (OWIG) was established in 1992 and is responsible for the prevention, investigation, and prosecution of welfare fraud, waste, and abuse. OWIG also investigates instances where providers of Medicaid, day care, or other social services fraudulently obtain payments from government. The Office works collaboratively with the Office of Children and Family Services, the Office of Temporary and Disability Assistance, the Department of Law, and Local social services districts in identifying money fraudulently obtained from the different welfare programs and is assisted by the Attorney General with the prosecution of those allegedly involved in fraudulent activity.*

**Overview of Executive Budget Proposal**

The Executive proposes an all funds appropriation of \$1.5 million, a decrease of \$39,000 or 2.5% below SFY 2011-12 funding levels. The Executive recommends funding support of 7 FTEs, which is unchanged from SFY 2011-12.

**OFFICE FOR THE AGING**

Fund Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$115,807,100	\$115,162,100	(\$645,000)	-0.6%
Special Revenue-Other	\$1,230,000	\$1,230,000	\$0	0.0%
Special Revenue-Federal	\$124,972,000	\$125,972,000	\$1,000,000	0.8%
Enterprise Funds	\$100,000	\$100,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$242,109,100</b>	<b>\$242,464,100</b>	<b>\$355,000</b>	<b>0.1%</b>

*The State Office for the Aging (SOFA) administers federal, state and local programs that serve New York's senior citizens. All programs are operated at the local level by fifty-nine area Agencies for the Aging, and a variety of not-for-profit providers.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$242.5 million for Aging. This is an increase of \$355,000 from the 2011-12 budget. The increase is largely attributable to increased Federal funding to expand on New York's Aging and Disability Resource Center (ADRC) model, offset by reductions for administrative efficiencies and other program reductions.

The Executive Budget recommends a workforce of 114 FTEs for the Agency reflecting no change in the total FTEs supported from the 2011-12 budget.

Major budget actions include:

- Reducing funding for the Naturally Occurring Retirement Communities and the Neighborhood Naturally Occurring Retirement Communities (\$457,000); and
- Discontinuing State funding for the Regional Caregiver Centers of Excellence program (\$115,000).

**DEVELOPMENTAL DISABILITIES PLANNING COUNCIL**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Federal	\$4,750,000	\$4,750,000	\$0	0.0%
Enterprise Funds	\$10,000	\$10,000	\$0	0.0%
<b>Total All Funds:</b>	<b>\$4,760,000</b>	<b>\$4,760,000</b>	<b>\$0</b>	<b>0.0%</b>

*The New York State Developmental Disabilities Planning Council is fully funded under the Federal Developmental Disabilities Assistance and Bill of Rights Act. The Act, originally signed into law in 1975, authorizes the Council to prepare, implement and monitor a plan for improving the quality of life for people with developmental disabilities.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget recommends \$4.7 million in an All Funds support for the Council. This level of funding is consistent with SFY 2011-12 funding levels, and is sufficient to support the Council's role in coordinating information for persons with developmental disabilities.

**DEPARTMENT OF HEALTH**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$30,453,664,815	\$32,183,088,915	\$1,729,117,100	5.7%
Special Revenue-Other	\$13,149,311,900	\$13,010,199,900	(\$139,112,000)	1.1%
Special Revenue-Federal	\$63,269,474,000	\$63,697,167,000	\$427,693,000	0.7%
Capital Projects Fund	\$15,600,000	\$15,600,000	\$0	0.0%
Capital Projects Fund-Federal	\$74,833,000	\$24,146,000	(\$50,687,000)	-67.7%
<b>Total All Funds:</b>	<b>\$106,962,883,715</b>	<b>\$108,930,201,815</b>	<b>\$1,967,318,100</b>	<b>1.84%</b>

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

*In addition to its health insurance programs, the DOH protects public health, supervises public health activities throughout the state and operates health care facilities, including Helen Hayes Hospital, four veterans' nursing homes (in Batavia, Montrose, New York City and Oxford), and the Wadsworth Laboratories (in Albany). The Department also oversees all other health care facilities in the state.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget recommends \$108.93 billion in All Funds support, which reflects an increase of \$1.97 billion or 1.84% from SFY 2011-12. This increase reflects the continuation of a two year appropriation authority. This includes nearly \$103 billion for Medicaid and \$5.93 billion for remaining Public Health program spending. For SFY 2011-12 All Funds support for Medicaid was \$100.7 billion for Medicaid and \$6.22 billion for Public Health. This change represents a \$2.3 billion dollar increase in overall Medicaid appropriations, and decrease of nearly \$290 million for Public Health appropriations.

In addition to an increase of 120 FTEs in the DOH workforce to support the phased takeover of local government administration of the Medicaid program, the Executive Budget makes the following recommendations:

- Establishes a New York Health Benefit Exchange that will serve as a centralized marketplace for the purchase and sale of health insurance in accordance with Federal Health Care Reform Law. Once implemented, one million more New Yorkers will have health insurance, and small businesses will see a reduction in the cost of providing employee coverage by 22%, all financed by the federal government at no cost to the State.
- Restructuring the health care delivery system in Brooklyn and elsewhere by strengthening the Department's authority to modify hospital boards, allowing temporary operators and

extending authorization for the DASNY to create subsidiaries to assist in debt restructuring.

- Reform the Early Intervention Program (which provides a comprehensive array of therapeutic and support services to children under the age of three, with confirmed disabilities or developmental delays) through the implementation of a series of initiatives that would provide fiscal and administrative mandate relief to counties by (1) expanding insurance coverage, (2) centralizing fiscal oversight and (3) reducing local government costs.
- Discontinuing planned cost of living adjustment (COLA) payments, reductions in program funding and administrative efficiencies in government operations are projected to save the State \$19.2 million in 2012-2013 and \$36.2 million in 2013-14, as well as reduce counties' administrative burdens and cut their costs by \$99 million over five years.
- Reducing program funding for tobacco prevention and control activities, with a savings to the State of \$5 million (FY 2012-13) and \$5 million in the following fiscal year (2013-14).
- Reducing total Local Assistance for the Elderly Pharmaceutical Insurance Coverage (EPIC) by \$114 million, limiting EPIC to Medicare Part D coverage gap only for low- to moderate-income seniors.
- Increasing by \$7 million the appropriation authority for the HCRA/Medical Indemnity Fund, created in the 2011-12 enacted budget, to pay for the future medical costs incurred by neurologically impaired infants.
- Maintains Long Term Care funding, but reorganizes and transfers functions of the Office of Long Term Care to the Office of Health Insurance Programs and the Office of Health Systems Management.

## **PUBLIC HEALTH**

### *Early Intervention:*

Implements a series of initiatives that would enhance the program's ability to identify and serve infants and toddlers with developmental disabilities and protect vital services; provides almost \$100 million in local savings over 5 years by reducing fiscal and administrative burdens on local governments.

Programmatic modifications are proposed, providing \$99 million in cumulative mandate relief over five years that significantly reduce fiscal and administrative burdens on local governments. Specifically, the legislation:

- Transfers the responsibility for—and administrative burden of—paying provider claims from counties to a statewide fiscal intermediary; removes municipality reporting requirements to the State regarding claiming activities;
- Shifts authorization for municipalities to contract with providers to DOH; reserves local authority to monitor service delivery and seek new service coordinators or providers as necessary; requires service coordinators to provide performance reports to municipalities;
- Requires that Early Intervention evaluators and qualified service providers belong to the provider networks of third party insurers (the parents' HMO or other insurer); requires third party payors to make available an adequate number of network providers qualified to

perform EI services; requires insurers who utilize a network to maintain an adequate network of approved EI providers

- Gives DOH discretionary authority—subject to DOB approval—to increase State aid reimbursement percentage for Early Intervention respite services, and eliminates current statutory nine-month lag on payment of claims from counties (amounting to \$123 million).

**Elimination of COLA:** The Executive Budget proposes to eliminate the automatic 3.6 percent Cost of Living Adjustment (COLA) increase in 2012-13, and beginning in SFY 2013-14, implement a new system to provide annual adjustments based on cost and performance and will include limits on administrative and executive compensation. The elimination of the COLA will result in savings of \$4.7 million.

**Executive Compensation Controls:** Beginning April 1, 2012, the proposed budget authorizes the Department to promulgate regulations to address the extent and nature of a provider's administrative costs and executive compensation. For a provider to receive state reimbursement directly or indirectly from one of these state agencies, it would have to comply with the following:

- No less than 75% of the state financial assistance or state-authorized payments received by the provider for operating expenses must go toward providing direct care or services rather than the costs of administration.
- This percentage would increase by 5% each year and would be 85% on April 1, 2015 and remain at that level.
- To the extent practicable, reimbursement would not be provided for compensation paid to an executive of a provider in an amount greater than \$199,000 annually. The Commissioner would have discretion to adjust the figure annually, but would not exceed Level I of the federal government's Rate of Basic Pay for the Executive Schedule promulgated by the U.S. Office of Personnel Management.

The Governor recently signed an Executive order requiring, within 90 days, the State agencies to promulgate regulations, and take any other actions within the agency's authority including amending agreements with such providers, to address the extent and nature of a provider's administrative costs and executive compensation which shall be eligible to be reimbursed with State financial assistance or State-authorized payments for operating expenses.

**Roswell Park Cancer Institute:** The Governor proposes legislation making up to \$25 million in existing HEAL (Health Care Efficiency and Affordability Law) funding available to the Roswell Park Cancer Institute—in addition to the continued 2011-12 subsidy of \$77.6 million—with future funding contingent upon Roswell Park's expanded collaboration in the Buffalo region and restructuring to allow a transition from State support by March 31, 2014. The Article VII language bill requires the state health commissioner to monitor RPCI's steps and to set certain benchmarks, not yet defined, to attain fiscal independence from the state.

**Establishes an Electronic Death Registration System (outside NYC):** The Governor proposes to authorize the Department of Health to design, implement and maintain an Electronic Death Registration System for counties outside of New York City (New York City already operates its



own EDRS). The creation of the new EDRS, in partnership with the funeral industry, would be for the purpose of updating and modernizing the administration of death records across the state. This is projected to produce \$2.2 million in State revenue for SFY 2012-13.

### **Medicaid Assistance (Medicaid) Program**

MEDICAID ALL FUNDS SPENDING (\$ in Billions)				
	SFY 2011-12 (Estimated)	SFY 2012-13 (Projected)	Change	Percent Change
State Funds	\$21.13	\$21.78	\$0.65	3.08%
Local Funds	\$8.62	\$8.04	-\$0.58	-6.73%
Federal Funds	\$24.42	\$24.21	-\$0.21	-0.86%
<b>Total All Funds:</b>	\$54.17	\$54.03	-\$0.14	-\$0.26%

The SFY 2012-13 Executive Budget recommends \$54.03 billion in All Fund spending for the Medicaid program, which is \$0.14 billion or 0.02 percent less than SFY 2011-12 estimated spending levels of \$54.17 billion.

The SFY 2012-13 Executive Budget is authorized \$15.9 billion in State share spending for Medicaid, which is approximately \$600 million higher than SFY 2011-12 estimated spending levels. Medicaid spending was capped at \$15.3 billion SFY 2011-12, and \$15.9 billion for SFY 2012-13 in the current enacted budget. The year to year growth in Medicaid is statutory capped to a rolling consumer price index increase of 4 percent. With out the two year cap and associated saving actions State spending on Medicaid for SFY 2012-13 was originally projected to reach \$21.4 billion. Savings actions (elimination of trend, 2 across the board cut, and contingency reductions) enacted in SFY 2011-12, and carried forward for 2012-13 are expected to produce nearly \$3.3 billion in State savings.

### **MEDICAID REDESIGN**

Since the implementation of Phase I of Medicaid Redesign, the Medicaid Redesign Team (MRT) has continued its innovative work to reform New York's Medicaid system. In addition to monitoring and refining its initial recommendations, Phase II of the process established workgroups with additional expertise to help develop recommendations in complex issue areas, including supportive housing, behavioral health reforms, managed long-term care implementation, payment reforms, quality measurement and streamlining State and local responsibilities.

The Executive Budget continues the implementation of MRT recommendations made in 2011, and seeks to adopt a number of new initiatives proposed by the MRT workgroups at the end of 2011. The Executive Budget supports implementing health homes for complex high-cost recipients, investments in primary care and affordable housing, and the continued move to care management for all Medicaid recipients, which is expected to be completed in 2015-16. New

initiatives is also proposed through the MRT to make critical investments in health care delivery, including funding for increased payments to essential community providers, tobacco cessation efforts and maternal child health initiatives. These investments are balanced by savings resulting from improvements in benefits design, more appropriate treatment outcomes and compliance with Federal law that requires that legally-responsible relatives, living in the same household as a Medicaid applicant, have their income and resources counted in determining Medicaid eligibility.

### GOLBAL MEDICAID ACTIONS

#### *Limit Annual Medicaid Growth*

The SFY 2011-12 Executive Budget includes language that would extend the authority of DOH to impose Medicaid spending controls, beyond the state fiscal year period ending March 31, 2013. This proposal would extend until March 31, 2014 of the authority for DOH to develop and implement a plan of action (known as the " Medicaid Savings Allocation Plans ") to ensure that spending is in line with the Medicaid global cap. Also Included in this proposal is a \$16.6 billion appropriation for Medicaid State Spending for SFY 2013-14.

#### *Local Growth Cap Relief*

Takeover of County Medicaid Growth (Millions)		
State Fiscal Year	Growth Cap Rate (Localities)	Savings For Localities/Costs to State
2012-13	3 %	\$0
2013-14	2 %	\$61.1
2014-15	1 %	\$187.0
2015-16	0 %	\$369.6
2016-17	0 %	\$552.2
<b>Total Medicaid Spending:</b>		<b>\$ 1169.9</b>

The Executive Budget proposes a State takeover of the 3 percent growth cap in the local share of Medicaid over a three-year period, beginning in calendar year (CY) 2013. Local share growth, currently capped at 3%, would be reduced to 2% in CY 2013, reduced by an additional 1% for a total of 1% growth in CY 2014, and then to zero growth beginning January 1, 2015. The takeover of the 3 percent growth cap will save counties and New York City nearly \$1.2 billion over five state fiscal years.

#### *Takeover of Local Medicaid Administration*

The Governor proposes a phase-in of a State takeover of local government Medicaid administration, and capping state reimbursement to local governments for Medicaid administration at SFY 2011-2012 levels. Responsibilities transferred to DOH from local

governments would include processing Medicaid applications, making eligibility determinations, and authorizing benefits. Even with offsets associated with the State assumption of local responsibilities, it is assumed that nearly \$88 million in State savings would be produced from the Medicaid administration cap by the end of SFY 2015-16.

**Technical Correction to SFY 2010-11 Overburden Language** – Although not explicitly connected to the State takeover, this proposal relates directly to expected State financial responsibilities associated with local Medicaid costs. This proposal would clarify that local governments cannot claim for overburden expenses incurred prior to January 1, 2006, when the “local cap” statute that limited local contributions to Medicaid expenditures took effect. This is necessary to address adverse court decisions that have resulted in State costs paid to local districts for pre-cap periods, which conflict with the original intent of the local cap statute.

### MEDICAID WORKGROUP RECOMMENDATIONS

The nine MRT workgroups voted on recommendations and issued a final official report with their recommendations to the Governor. The Governor selected a number of recommendation to include in the budget based on undisclosed criteria. All of the proposals listed forth require statutory authority from the legislature, however a number of other proposals will be accomplished administratively.

**Additional Services and Procedures Covered by Medicaid:** Coverage under the Medicaid program would include podiatry visits for adults with diabetes mellitus (\$2.2 million in State savings), services provided by certified lactation consultants to pregnant and postpartum women (\$4.2 million in State savings), harm reduction counseling and services to minimize adverse health consequences associated with drug use (\$210,000 state cost), and services to promote care coordination and integration for individuals with hepatitis C, (\$1.05 million in State cost) and to maintain appropriate access to enteral formula for HIV related illnesses. All the proposals except for access to enteral formula for HIV related illnesses require federal approval.

### **Services No Longer Covered by Medicaid (No statutory changes needed)**

**Knee Arthroscopy:** The budget would eliminate coverage of arthroscopic knee coverage when the primary diagnosis is osteoarthritis of the knee (\$200,000 State Savings for SFY 2012-13).

**Back Pain Treatments:** The budget would eliminate payment for treatments of lower back pain such as prolotherapy, intradiscal steroid injections, facet joint steroid injections, systemic corticosteroids, and traction (continuous or intermittent). This proposal would produce \$3.85 million State savings in SFY 2012-13.

**Percutaneous Coronary Intervention (PCI):** The proposed budget would limit coverage for PCI (angioplasty) to patients who are viewed as appropriate for the procedure based on American College of Cardiology/American Heart Association (ACC/AHA) appropriateness criteria. This proposal would produce state savings of \$1.45 million in SFY 2012-13.

**Elective Cesarean Sections:** The budget would eliminate coverage for elective cesarean section deliveries and elective induction of labor performed less than 39 weeks unless a documented medical indication is present. This proposal would produce annual state savings of \$2.5 million in SFY 2012-13.

**Growth Hormone Treatment:** This proposal would eliminate coverage of growth hormone injections for Idiopathic Short Stature in children. Coverage would remain available in cases of documented growth hormone deficiency. This proposal would produce \$5.0 million in state savings for SFY 2012-13.

**Enhanced DOH's Powers to Revoke or Modify Hospital's Operating in Relation to its Corporate Board:** This proposal would enhance the powers of the Department by including these specific provisions:

- Requires hospitals to submit documentation to DOH 120 days before any change in the Board of Directors can become effective;
- Temporarily suspend or limit the operating certificate of a not-for-profit corporation participating in the Medicaid **without a hearing** due to repeated violations of Public Health Law § 2806, the indictment on felony charges of any member of the corporation's board of directors, or notice from the Attorney General of an action to remove a member of the corporation's board of directors;
- Limit the existing operating certificate of a hospital so that it would apply only to the remaining members of a board;
- Preserve access to services within the community by temporarily appointing members of the board of directors during the term of the suspension, if necessary; and
- Revoke the operating certificate of an entity participating in the Medicaid program if a member of the board of the directors has been convicted of a class A, B or C felony in order to ensure the effectiveness of the governing board of the facility.

**Allows for Temporary Operators of Adult Care Facilities, General Hospitals, and Diagnostic and Treatment Centers:** This proposal would allow DOH to establish a temporary operator of an adult care facility, a general hospital or diagnostic and treatment center on a temporary basis to preserve the best interests of the residents or patients and community served by the facility when a statement of deficiencies has been issued by the Department of Health (DOH) for that facility and upon a determination by the Commissioner that significant management failures exist in the facility.

**Requires Certain Pharmacies to Provide Translation or Oral Translation Services to Individuals with Limited English Proficiency:** This proposal would require a number of new policies in regards to official prescription forms, procedures regarding the dispensing of drugs, and translation services offered by pharmacies. On official State prescriptions (print or electronic) pharmacists would be required to list whether the patient is a limited English proficient individual. Pharmacists, who believe the patient is a limited English proficient individual, would be required to provide for translation or other language services during that encounter or transaction. This provision would apply to any pharmacy that is part of a group of five or more pharmacies owned by the same corporate entity. The languages covered would be the top 7 languages spoken in the State. Notices of such services must be conspicuously posted.

**Health Insurance Exchange:** The Executive Budget includes legislation to establish a New York Health Insurance Exchange, organized as a public benefit corporation to serve as a centralized marketplace for the purchase and sale of health insurance in accordance with federal health care reform law. This proposal essentially remains unchanged from the Governor's program bill S.5849/A.8514, except that the timelines for reports on the various studies that were included have been shifted from April 1, 2012 to August 1, 2012. It also provides language that says that the exchange can also rely on information from other outside studies (if they are determined to be reliable) instead of conducting any of the listed studies. The Federal government will pay for the development of the Exchange and costs associated with the operation of the Exchange until 2015.

**Spousal Refusal:** This proposal would prohibit a spouse or parent from refusing to contribute any available income or assets towards the costs of health care services being provided to a spouse or family member to reduce unnecessary Medicaid financing of long-term care services. This proposal is expected to produce \$34 million in State savings for SFY 2012-13.

### Hospitals

**HEAL Technical Correction to Include Diagnostic and Treatment Centers:** This proposal would allow diagnostic and treatment centers access to funds under the Health Care Efficiency and Affordability Law for New Yorkers (HEAL-NY) program for the purpose of facilitating closures, mergers or restructuring of such facilities.

**Extend Potentially Preventable Conditions to Outpatient Settings:** This proposal would extend DOH's regulations limiting reimbursement for potentially preventable conditions and complications to outpatient settings. This proposal is conforming to a recent federal requirement.

**PPR and PPNO Extender:** This proposal would extend for one additional year, through March 31, 2013, the current potentially preventable readmission (PPR) and potentially preventable negative outcome (PPNO) policy. The proposed budget continues the behavioral health exclusion, the 15-day window for readmissions, and the offset achieved in last year's budget to recognize savings realized through decreased Medicaid payments resulting from reductions in PPRs and PPNOs.

### *Disproportionate Share Funding (DSH)*

**DSH Payments to General Hospitals:** This proposal would authorize DOH to establish certain disproportionate share payments to Article 28 hospitals based on uninsured and Medicaid losses to conform to guidance received from the federal Centers for Medicare and Medicaid Services.

### Long Term Care

**Revising Bed Reservation Payment System:** This proposal would eliminate the requirement that in order for a nursing home to receive bed reservation payments at least 50 percent of its eligible residents must be enrolled in a Medicare Advantage Plan. This section also authorizes the Commissioner to promulgate regulations establishing rates for bed reservation payments for

residents over 21 years of age and such policy must achieve aggregate savings of at least \$40 million. These actions are subject to federal financial participation.

**Assisted Living Program Reform:** This proposal would allow assisted living programs to contract with multiple long term home health care programs, certified home health agencies and/or other qualified providers. Furthermore, the authority for DOH to add up to 6,000 assisted living program beds following the decertification of an equal or greater number of nursing home beds would be eliminated.

**Home Care Recruitment and Retention Reduction:** This proposal would clarify that allocations for home care workforce recruitment and retention funds shall be made “up to” the amounts specified in the existing language.

**Licensed Home Care Service Agencies:** This proposal would permit licensed home care service agencies that contract with local districts to temporarily serve Medicaid recipients who are transitioning to fee-for-service from managed care or Medicaid managed care. This would allow them submit claims to directly to the Medicaid program.

**Managed Long-Term Care Requirements:** The budget would eliminate the requirement that an applicant to operate managed long-term care plans be a hospital, licensed or certified home care agency (CHHA), health maintenance organization, or not-for-profit organization with a history of providing or coordinating health care and long-term care services to elderly and disabled persons.

#### Public Health

**Required Coordinated Service Delivery For Prenatal Care:** Community based organizations would be required to coordinate service delivery services among health care providers and health plans using health information technology and uniform screening criteria for prenatal risk.

**Early Intervention Local Impact Technical Correction:** This proposal would eliminate the unintended local government impact associated with the across-the-board reduction in the Early Intervention Program payments, avoiding a duplicative rate reduction on such payments.

#### EPIC/Pharmacy

**EPIC Technical Corrections:** This proposal would replace references in various sections of the Elder Law to the EPIC panel, which no longer exists, with references to the Commissioner and modify federally established benchmark premiums.

**Eliminates Prescriber Prevails When 4 Opioid Prescription in 30 Day Limit is Exceeded:** This proposal would allow DOH to deny prior authorization when the existing limit of four opioids prescribed within 30 days is exceeded if, upon reasonable opportunity for the prescriber to present a justification, DOH determines the prescription is not medically necessary.



**Allows Mandatory Generic Authorizations for Drugs Subject to the Preferred Drug Program:** This proposal would allow mandatory generic authorization requirements for drugs subject to the Preferred Drug Program or the Clinical Drug review program.

**Revises Information on DOH Website in Reference to Pharmacy and Therapeutics Committee Meetings:** This proposal would simplify the information that must be made available on DOH's website regarding meetings of the Pharmacy and Therapeutics Committee.

**Preferred Drug Program Extender:** Extends until June 15, 2019, the Preferred Drug Program (PDP), which promotes access to effective prescription drugs while ensuring patient safety and reducing the costs of prescription drugs for Medicaid recipients.

#### Reporting Requirements

**Eliminate Duplicative Hospital Medical Staff Audits** – This proposal would eliminate the requirement that hospitals submit and DOH audit information related to certain hospital medical staff, which is audited by the federal government.

**Certificate of Need Technical Correction for Projects under \$6M** – This proposal would make a technical correction to eliminate the requirement that providers issue written notice to DOH for repair or maintenance projects under \$6 million.

**Modify Existing Statute of Limitations on HCRA Audits and Adjustments** – The budget would add provisions in relation to reports and payments due to DOH on Health Care Reform Act (HCRA) surcharges, the covered lives assessment, hospital gross receipts tax, and 1% assessment on hospital inpatient revenue to provide that:

- 1) when payments are deemed final following the six-year time that such reports and payments are subject to audit, subsequent payments cannot include offset adjustments or reconciliations related to the payments that have been deemed final; and
- 2) an audit can be made of payments that go back further than the six-year audit period

**Health Facility Case Assessment Program and Hospital Quality Contributions Electronic Reporting** – This proposal would require electronic reporting and certification of reports by providers for the health facility cash assessment program and hospital quality contributions.

**Election Revocation of Payments** – This proposal would modify the timing of election revocations to be effective on a monthly rather than a quarterly basis.

#### Miscellaneous Proposals

**Supportive Housing Development Reinvestment Program:** This proposal would allow for the re-investment of Medicaid savings from hospital and nursing home closures or bed decertifications to expand supportive housing and related services for vulnerable populations. The allocations for this program would not begin until SFY 2013-14.

**Outreach and Enrollment Assistance for the Aged, Blind, and Disabled** – This proposal would authorize DOH to contract with one or more entities to engage in education and outreach and enrollment assistance for aged, blind and disabled Medicaid applicants.

**Establishes the Primary Care Service Corps Loan Repayment Program** – This proposal would establish the Primary Care Service Corps Loan Repayment Program for non-physician practitioners who agree to practice full-time in an underserved area of the State. Non-physician's practitioners include physician assistants, nurse practitioners, nurse midwife, general or pedodontic dentists, dental hygienists, clinical psychologists, licensed clinical social workers, psychiatric nurse practitioners, licensed marriage and family therapists, or a licensed mental health counselor. They would be eligible for awards for up to \$32,000 per year. The program would be eligible to apply for federal matching funds.

**Extends DASNY's Authority to Establish Subsidiaries** – This proposal would extend the authority of the Dormitory Authority of the State of New York to establish one or more subsidiaries for purpose of limiting the potential liability of the Authority when exercising its powers and duties in pursuit of remedies against a borrower that has defaulted. The authority would be extended from July 2012 to July 2015.

**Investment of Medical Indemnity Fund Balances** – This proposal would allow monies of the Medical Indemnity Fund that are not required for immediate use to be invested in obligations of or guaranteed by the United States or the State, with the proceeds of any such investments retained by the Fund.

**School Supportive Health Certified Public Expenditure Local District Sharing** – This proposal would expand beyond New York City the local school districts and social services districts with which the State will share a certain level of savings realized as a result of the use of certified public expenditures in relation to school supportive health services.

**Medicare Part B Cost Sharing Limits** – This bill would limit the Medicaid co-insurance for Medicare covered Part B services when the total co-insurance amount would exceed the amount Medicaid would have paid using a Medicaid rate for all qualified individuals, not just persons who are dually eligible for Medicaid and Medicare.

**Consumer Directed Personal Assistance Programs** - This proposal would require managed care plans, managed long-term care plans, and other care coordination models to offer to their enrollees consumer directed personal assistance programs

**Enrollment Broker** – This proposal would require counties operating a mandatory Medicaid managed care program to use the enrollment broker.

**Empire Center for Research and Investigation Program (ECRIP)** - The budget would authorize DOH, beginning April 1, 2013, to promulgate rules and regulations related to Empire Center for Research and Investigation Program (ECRIP) grant awards.



**OFFICE OF THE MEDICAID INSPECTOR GENERAL**

Fund Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$29,577,000	\$28,461,000	-\$1,116,000	-3.77
Special Revenue-Other	\$3,700,000	\$3,700,000	\$0	0.00
Special Revenue-Federal	\$47,076,000	\$43,726,000	-\$3,350,000	-7.12
<b>Total All Funds:</b>	<b>\$80,353,000</b>	<b>\$75,887,000</b>	<b>-\$4,466,000</b>	<b>-5.56</b>

*The Office of The Medicaid Inspector General (OMIG) was created as part of the SFY 2006-07 Enacted Budget. The mission of the agency is to eliminate fraudulent activities in New York State's Medicaid Program. OMIG is charged with the responsibility of working cooperatively with other state agencies such as the Department of Health and the Department of Law to prevent fraud, waste, and abuse control activities in the Medicaid Program.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget recommends an All Funds appropriation of \$75.8 million, a decrease of \$4.4 million from SFY 2011-12 Enacted levels. This reduction is primarily attributed to a reduction in excess Federal authority, and administrative efficiencies. This also includes a reduction in 52 Full Time Equivalent Positions (FTEs) for a total workforce of 558 by the end of SFY 2012-13.

**Fraud Audit Savings**

- The SFY 2012-13 Executive Budget recommends a Medicaid Fraud Audit Target of \$1.132 billion, which is \$68 million increase over the audit target of \$1.064 billion included as part of the SFY 2011-12 budget.

**DEPARTMENT OF MENTAL HYGIENE**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
State Operations	\$600,000,000	\$600,000,000	\$0	0.00%
<b>Total All Funds:</b>	<b>\$600,000,000</b>	<b>\$600,000,000</b>	<b>\$0</b>	<b>0.00%</b>

*The Department of Mental Hygiene operates through three independent agencies - the Office of Mental Health, the Office for People With Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services. All three agencies provide services directly to their clients through State-operated facilities and receive reimbursement for these services, primarily with Medicaid funds.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget proposes a State Operations appropriation of \$600 million, which is consistent with SFY 2011-12 levels. The recommended \$600 million in new appropriations from the Patient Income Account and the Mental Hygiene Program Fund may be distributed to OMH, OPWDD, and OASAS in order to access additional revenues made available or through a decreased set-aside for debt service resulting from planned debt management actions.

**OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$36,878,000	\$36,878,000	\$0	0.00
Special Revenue-Other	\$396,601,400	\$396,039,000	-\$562,400	-0.14
Special Revenue-Federal	\$141,530,000	\$141,530,000	\$0	0.00
Capital Projects Fund	\$97,606,000	\$97,606,000	\$0	0.00
<b>Total All Funds:</b>	<b>\$672,615,400</b>	<b>\$672,053,000</b>	<b>-\$562,400</b>	<b>-0.08</b>

*The mission of the Office of Alcoholism and Substance Abuse Services (OASAS) is to improve the lives of New Yorkers by leading a premier system of addiction services through prevention, treatment, and recovery.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget recommends an All Funds support of \$672 million for the Office of Alcoholism and Substance Abuse Services (OASAS), a decrease of \$562 thousand or 0.08% from SFY 2011-12.

**State Operations**

The OASAS State Operations budget has been decrease by \$2 million or 1.7%, for a total of \$117 million in SFY 2012-13. The \$117 million in State Operations funding will support 813 Full-Time Equivalents (FTEs) positions.

**Local Assistance**

The SFY 2012-13 Executive Budget recommends \$457.4 million in Aid to Localities appropriations, an increase of \$1.5 million, or 0.3% from SFY 2011-12. This increase is attributed to additional appropriations authority to cover additional permanent supportive housing units for homeless families, or families at risk of becoming homeless, with substance abuse related issues in NYC.

**Capital Projects**

The SFY 2012-13 Executive Budget recommends \$97.6 million in capital funding, a zero percent increase from SFY 2011-12.

**Article VII Proposals**

**COLA Elimination:** The Executive Budget proposes to eliminate the automatic 3.6 percent Cost of Living Adjustment (COLA) increase in 2012-13, and beginning in SFY 2013-14, implement a new system to provide annual adjustments based on cost and performance.

**Executive Compensation Controls:** Beginning April 1, 2012, the proposed budget authorizes Office of Alcoholism and Substance Abuse Services (OASAS) to promulgate regulations to address the extent and nature of a provider's administrative costs and executive compensation. For a provider to receive state reimbursement directly or indirectly from one of these state agencies, it would have to comply with the following:

- No less than 75% of the state financial assistance or state-authorized payments received by the provider for operating expenses must go toward providing direct care or services rather than the costs of administration.
- This percentage would increase by 5% each year and would be 85% on April 1, 2015 and remain at that level.
- To the extent practicable, reimbursement would not be provided for compensation paid to an executive of a provider in an amount greater than \$199,000 annually. The Commissioner would have discretion to adjust the figure annually, but would not exceed Level I of the federal government's Rate of Basic Pay for the Executive Schedule promulgated by the U.S. Office of Personnel Management.

The Governor recently signed an Executive order requiring, within 90 days, the State agencies to promulgate regulations, and take any other actions within the agency's authority including amending agreements with such providers, to address the extent and nature of a provider's administrative costs and executive compensation which shall be eligible to be reimbursed with State financial assistance or State-authorized payments for operating expenses.

**Integrates Health and Behavioral Health service delivery-** Article VII language grants broad authority to the Department of Health, the Office of Mental Health, the Office for People with Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services to integrate more fully existing health and behavioral health services. The bill provides the behavioral health agencies and the DOH authority jointly to establish operating, reporting and construction requirements for providers of services to persons with developmental disabilities. The four state agencies would be authorized by this legislation to waive regulatory requirements or determine that compliance with another agency's requirements was sufficient in order to avoid duplication. This new proposed statutory authority is intended to complement and supplement the authority under existing Social Services Law establishing health homes for New York State Medicaid enrollees with chronic conditions.

**Creates efficiencies in the Department of Mental Hygiene-** Proposes efficiencies in the planning and delivery of mental hygiene services to New York residents with mental illness and substance use disorders by:

- Creating a Behavioral Health Services Advisory Council (replacing and assuming responsibilities of the two existing bodies that advise the Office of Alcoholism and Substance Abuse Services and the Office of Mental Health);
- Consolidating the OASAS and OMH roles in the statewide comprehensive planning process for mental hygiene services; and
- Including area agencies on aging in the local community planning process required under the state Mental Hygiene Law.

**OFFICE OF MENTAL HEALTH**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$421,782,000	\$421,778,000	(\$4,000)	0.00%
Special Revenue-Other	\$2,863,210,000	\$2,853,068,000	(\$10,142,000)	-0.35%
Special Revenue-Federal	\$53,452,000	\$53,452,000	\$0	0.00%
Capital Projects Fund	\$220,874,000	\$189,665,000	(\$31,209,000)	-14.13%
Internal Service Funds	\$2,610,000	\$2,597,000	(\$13,000)	-0.50%
Enterprise Funds	\$8,606,000	\$8,606,000	\$0	0.00%
<b>Total All Funds:</b>	<b>\$3,570,534,000</b>	<b>\$3,529,166,000</b>	<b>(\$41,368,000)</b>	<b>-1.16%</b>

*The New York State Office of Mental Health (OMH) promotes the mental health and well-being of all New Yorkers. Its mission is to facilitate recovery for individuals receiving treatment for serious mental illness, to support children and families in their social and emotional development and facilitate early identification and treatment of serious emotional disturbances, and to improve the capacity of communities across New York to achieve these goals.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget recommends \$3.52 billion All Funds supports, a net decrease of \$41.3 million, or 1.16 from SFY 2011-12. Through this appropriation the OMH plans to support 1,000 supported housing units for residents of nursing homes (600 by the end of 2013); 5,100 supported housing beds over the next three, including individuals in adult homes and those moving to the community from State Psychiatric Centers (2,100 by the end of 2013); and 3,400 beds for the NY-NY III program (800 by the end of 2013).

**State Operations**

The SFY 2012-13 Executive Budget decreases State Operations spending by \$10.1 million, or a decrease of 0.5% from SFY 2011-12. This 0.05% reduction is associated with inpatient redesign, administrative efficiencies and negotiated workforce savings.

**Local Assistance**

The SFY 2012-13 Executive Budget keeps local assistance spending flat, with the same appropriation from SFY 2011-12 of \$1.3 billion.

**Capital Projects**

The SFY 2012-13 Executive Budget provides capital appropriations of \$189 million, which represent a \$31.2 million or 14.13% decrease from SFY 2011-12. This decrease is associated with planned decline in bonded appropriations, partially offset by increase in hard dollar energy conservation and rehabilitation projects.

### Article VII Proposals

**Comprehensive Psychiatric Emergency Program-** The budget would extend authorization for the Comprehensive Psychiatric Emergency Program (CPEP) for four years until July 1, 2016.

**COLA Elimination:** The Executive Budget proposes to eliminate the automatic 3.6 percent Cost of Living Adjustment (COLA) increase in 2012-13, and beginning in SFY 2013-14, implement a new system to provide annual adjustments based on cost and performance.

**Executive Compensation Controls:** Beginning April 1, 2012, the proposed budget authorizes the Office of Mental Health (OMH) to promulgate regulations to address the extent and nature of a provider's administrative costs and executive compensation. For a provider to receive state reimbursement directly or indirectly from one of these state agencies, it would have to comply with the following:

- No less than 75% of the state financial assistance or state-authorized payments received by the provider for operating expenses must go toward providing direct care or services rather than the costs of administration.
- This percentage would increase by 5% each year and would be 85% on April 1, 2015 and remain at that level.
- To the extent practicable, reimbursement would not be provided for compensation paid to an executive of a provider in an amount greater than \$199,000 annually. The Commissioner would have discretion to adjust the figure annually, but would not exceed Level I of the federal government's Rate of Basic Pay for the Executive Schedule promulgated by the U.S. Office of Personnel Management.

The Governor recently signed an Executive order requiring, within 90 days, the State agencies to promulgate regulations, and take any other actions within the agency's authority including amending agreements with such providers, to address the extent and nature of a provider's administrative costs and executive compensation which shall be eligible to be reimbursed with State financial assistance or State-authorized payments for operating expenses

**Integrates Health and Behavioral Health service delivery-** Article VII language grants broad authority to the Department of Health, the Office of Mental Health, the Office for People with Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services to integrate more fully existing health and behavioral health services. The bill provides the behavioral health agencies and the DOH authority jointly to establish operating, reporting and construction requirements for providers of services to persons with developmental disabilities. The four state agencies would be authorized by this legislation to waive regulatory requirements or determine that compliance with another agency's requirements was sufficient in order to avoid duplication. This new proposed statutory authority is intended to complement and supplement the authority under existing Social Services Law establishing health homes for New York State Medicaid enrollees with chronic conditions.

**Reforms educational services for children and youths in OMH hospitals -** Authorizes an agreement between the Office of Mental Health and the State Education Department to establish pilot programs requiring local educational systems to provide educational programming for

children residing in OMH hospitals, to offer a more appropriate education that comports more closely with the curriculum and related therapy services the students would receive in their home school districts. School districts and BOCES programs routinely provide specialized programs, and are better qualified than OMH to assume this educational function.

For children residing in OMH facilities in New York City, the educational programming would begin with the 2012-13 school year; for all other facilities, the programming would begin with the 2013-14 school year—with the pilot program scheduled to run through the 2014-15 school year. The bill directs SED to establish a State per pupil methodology for reimbursement to those school districts or BOCES programs that assumed the responsibility for educating OMH-resident youths, and authorizes BOCES to provide educational services at OMH hospitals upon request by the school district where the OHM hospital is located..

**Creates efficiencies in the Department of Mental Hygiene-** Proposes efficiencies in the planning and delivery of mental hygiene services to New York residents with mental illness and substance use disorders by:

- Creating a Behavioral Health Services Advisory Council (replacing and assuming responsibilities of the two existing bodies that advise the Office of Alcoholism and Substance Abuse Services and the Office of Mental Health);
- Consolidating the OASAS and OMH roles in the statewide comprehensive planning process for mental hygiene services; and
- Including area agencies on aging in the local community planning process required under the state Mental Hygiene Law.

**Closure/Restructuring of OMH Facilities** – The Executive Budget would give OMH the authority to not enforce the requirement in the Mental Hygiene Law that one year notice be given before closing, restructuring, or the reduction of services may occur, and instead enforce a 30 day public notice window of a ward closure or 60 day notice of a facility closure. Included in this proposal is the closure of inpatient programs at Kingsboro Psychiatric Center and Hudson River Psychiatric Centers, and to restructure the New York City Children’s Psychiatric Centers to create a single appointing authority (uniform leadership structure) named the New York City Children’s Center.

**Amendments to Sex Offender Management and Treatment Act** – The Executive Budget proposes to authorize the Office of Mental Health (OMH) to enter into agreements for the provision of care and treatment to person confined under the Sex Offender Management and Treatment Act (SOMTA). This proposal also includes provisions that would require after a judicial determination that there is probable cause to believe that a sex offender requires civil management, that such offender remain in the custody of the Department of Corrections and Community Supervision until that person reaches the maximum expiration date of the sentence; encourage participation in treatment in a secure treatment facility (STF) by providing that failure to meaningfully participate in such treatment will constitute a violation of the order of confinement; allows respondents and witnesses to appear in court by means of video-conferencing, authorizes parole revocation for sex offenders who violate an order for a regimen of strict and intensive supervision; and also provides that a sex offender who



intentionally causes physical injury at a secure treatment facilities is guilty of assault in the second degree, a class D felony.

**Mental Health Services in Correctional Facilities** - This proposal would amend Criminal Procedure Law (CPL) section 730.10 by adding a definition of “appropriate institution” to include not only an OMH hospital, an OPWDD developmental center and a general hospital, but also a local correctional facility that operates a mental health unit. This amendment also would allow for an incapacitated defendant committed to the jurisdiction of OMH or OPWDD to receive care and treatment on an outpatient basis at an appropriate institution.

**Continues Office of Mental Health exempt income recoveries** - The budget proposal extends the fiscal periods for which the OMH is authorized to recover Medicaid exempt income (i.e., Medicaid income received in excess of budgeted amounts set forth in the fiscal plans of OMH providers operating residential programs). The OMH would continue to be authorized to recoup exempt income from community residences and family-based treatment providers licensed by OMH for specific time periods for programs located within New York city (through June 30, 2013) and for programs located outside of New York city (through December 31, 2013). Extending this recoupment authority avoids a loss of \$3 million to the state on an annualized basis.



**OFFICE FOR PEOPLE WITH DEVELOPMENTAL DISABILITIES**

Fund Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$1,430,607,700	\$1,662,830,000	\$232,222,300	16.23%
Special Revenue-Other	\$3,013,345,500	\$2,952,973,000	(\$60,372,500)	-2.00%
Special Revenue-Federal	\$751,000	\$751,000	\$0	0.00%
Capital Project Fund	\$151,995,000	\$163,540,000	\$11,545,000	7.60%
Internal Service Funds	\$350,000	\$348,000	(\$2,000)	-0.57%
Enterprise Funds	\$2,668,000	\$2,657,000	(\$11,000)	-0.41%
<b>Total All Funds:</b>	<b>\$4,599,717,200</b>	<b>\$4,783,099,000</b>	<b>\$183,381,800</b>	<b>4.0%</b>

*The mission of the Office for People with Developmental Disabilities (OPWDD) is to help people with developmental disabilities live richer lives. The agency's vision is to ensure that people with developmental disabilities enjoy meaningful relationships with family, friends, and others in their lives; experience personal health and growth; and live in homes and fully participate in the communities of their choice.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget recommends All Funds support of \$4.7 billion, a net increase of \$183 million or 4%, from SFY 2011-12.

**State Operations**

The SFY 2012-13 Executive Budget decreases State Operations spending by \$10.1 million or 0.4%, this is attributed to various administrative efficiencies and negotiated workforce savings.

**Local Assistance**

The SFY 2012-13 Executive Budget increases Local Assistance spending by \$182 million or nearly 8%. Most of this increase, \$180 million, is associated with a "dry" appropriation authority to cover potential growth in Medicaid State Share costs of not-for-profit programs previously supported in other appropriations.

OPWDD plans to support 2,300 new non-residential service opportunities for respite, crisis, employment, and community integration programs (\$15.3M investment); over 250 new community residential opportunities (\$8.9M investment); and funding to return all 92 individuals residing out-of-state to community residential options in New York (\$3.5M State savings).

### Capital Projects

The SFY 2012-13 Executive Budget provides capital appropriations of \$165 million, an increase of \$11.5 million or approximately 7.6% from SFY 2011-12 appropriation levels. Most of this increase is associated with reprioritizing bonded funding from community and institutional services to fund enhancements to community residential and day programs required to meet life safety code and/or health care facility fire safety standards.

### Article VII Proposals

**COLA Elimination:** The Executive Budget proposes to eliminate the automatic 3.6 percent Cost of Living Adjustment (COLA) increase in 2012-13, and beginning in SFY 2013-14, implement a new system to provide annual adjustments based on cost and performance.

**Executive Compensation Controls:** Beginning April 1, 2012, the proposed budget authorizes the Office of Mental Health (OPWDD) to promulgate regulations to address the extent and nature of a provider's administrative costs and executive compensation. For a provider to receive state reimbursement directly or indirectly from one of these state agencies, it would have to comply with the following:

- No less than 75% of the state financial assistance or state-authorized payments received by the provider for operating expenses must go toward providing direct care or services rather than the costs of administration.
- This percentage would increase by 5% each year and would be 85% on April 1, 2015 and remain at that level.
- To the extent practicable, reimbursement would not be provided for compensation paid to an executive of a provider in an amount greater than \$199,000 annually. The Commissioner would have discretion to adjust the figure annually, but would not exceed Level I of the federal government's Rate of Basic Pay for the Executive Schedule promulgated by the U.S. Office of Personnel Management.

The Governor recently signed an Executive order requiring, within 90 days, the State agencies to promulgate regulations, and take any other actions within the agency's authority including amending agreements with such providers, to address the extent and nature of a provider's administrative costs and executive compensation which shall be eligible to be reimbursed with State financial assistance or State-authorized payments for operating expenses

**Integrates Health and Behavioral Health service delivery-** Article VII language grants broad authority to the Department of Health, the Office of Mental Health, the Office for People with Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services to integrate more fully existing health and behavioral health services. The bill provides the behavioral health agencies and the DOH authority jointly to establish operating, reporting and construction requirements for providers of services to persons with developmental disabilities. The four state agencies would be authorized by this legislation to waive regulatory requirements or determine that compliance with another agency's requirements was sufficient in order to avoid duplication. This new proposed statutory authority is intended to complement and supplement

the authority under existing Social Services Law establishing health homes for New York State Medicaid enrollees with chronic conditions.

**People First 1115 Waiver Pilot Programs** - The budget would authorize OPWDD to enter into contracts without competitive bids or a request for proposal related to pilot programs included in the People First 1115 Waiver application. This bill would enable OPWDD to promptly implement program changes, under the discretion of the Commissioner, consistent with the application submitted to the federal Centers for Medicare and Medicaid Services (CMS) for the People First 1115 Waiver.

**Streamline Organizational Structure of OPWDD** - This bill would reorganize the Office for People With Developmental Disabilities (OPWDD) to create Developmental Disabilities Regional Offices and State Operations Offices that would oversee service delivery in designated areas around the State. The State Operations Offices would provide for the direct delivery of supports and services in State operated programs. The Regional Offices will oversee the administration of supports and services to individuals being served in settings outside of State operated programs. These new entities would replace Developmental Disabilities Services Offices.

**Mental Health Services in Correctional Facilities** - This proposal would amend Criminal Procedure Law (CPL) section 730.10 by adding a definition of “appropriate institution” to include not only an OMH hospital, an OPWDD developmental center and a general hospital, but also a local correctional facility that operates a mental health unit. This amendment also would allow for an incapacitated defendant committed to the jurisdiction of OMH or OPWDD to receive care and treatment on an outpatient basis at an appropriate institution.

**COMMISSION ON THE QUALITY OF CARE AND ADVOCACY FOR PERSONS WITH DISABILITIES**

Fund Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$5,092,000	\$6,536,000	\$1,444,000	28.4%
Special Revenue-Other	\$4,663,000	\$4,663,000	0	0
Special Revenue-Federal	\$8,345,000	\$8,345,000	0	0
Enterprise Funds	\$45,000	\$45,000	0	0
<b>Total All Funds:</b>	<b>\$18,145,000</b>	<b>\$19,589,000</b>	<b>\$1,444,000</b>	<b>8.1%</b>

*The mission of the Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) is to improve the quality of life for individuals with disabilities in New York State and to protect their rights and advocate for needed change. A Commission priority has been to enhance advocacy services for all populations. The Commission's focus has been to increase its outreach efforts, provide a single point of access for disability information, and expand disability rights and awareness training. The Commission's Advocacy Council has expanded its membership to include individuals with a broader range of disabilities to better fulfill its mission in advising the Governor and Legislature regarding all New Yorkers with disabilities.*

**Overview of Executive Budget Proposal**

The SFY 2012-13 Executive Budget recommends \$19.5 million in All funds support for the Commission. This level of funding represents an increase of \$1.4 million or 8% from SFY 2011-12, and is primarily attributed to funding for five additional investigators to conduct broader systemic investigations in ways that will improve the State's ability to analyze and respond to allegations and incidents of abuse. Funding also will allow for transferring the ombudsman program from OPWDD to CQCAPD to provide greater independence for the oversight function of operations of State and non-profit facilities that house vulnerable populations.

**ADIRONDACK PARK AGENCY**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$4,607,000	\$4,502,000	(\$105,000)	(2.3%)
Special Revenue-Other	\$0	\$0	\$0	0%
Special Revenue-Federal	\$ 700,000	\$700,000	\$0	0%
Capital	\$ 500,000	\$500,000	\$0	0%
<b>Total All Funds:</b>	<b>\$5,807,000</b>	<b>\$5,702,000</b>	<b>(\$105,000)</b>	<b>(1.8%)</b>

*The Adirondack Park Agency was created by the State Legislature to develop long-range land use plans for both public and private lands within the Park, and to issue permits in order to complete approved projects. The agency consists of approximately 72 staff and an 11-member board, and is responsible for carrying out the regulatory functions of the Park. The boundary of the Park encompasses approximately six million acres, nearly half of which belongs to the people of New York State and is constitutionally protected to remain “forever wild” as a forest preserve.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$5.7 million for the Agency, a decrease of \$105,000 from the 2011-12 budget. The decrease primarily reflects reductions taken for the CSEA and PEF collective bargaining agreements reached in 2011. The Executive Budget recommends a workforce of 56 full time equivalents (FTEs) for the Agency, the same level funded in the 2011-12 budget.

**DEPARTMENT OF AGRICULTURE AND MARKETS**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-2012</b>	<b>Executive Recommendation 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$44,097,000	\$48,843,000	\$4,746,000	10.8%
Special Revenue-Other	\$46,600,000	\$34,591,000	(\$12,009,000)	(25.8%)
Special Revenue-Federal	\$49,644,000	\$49,644,000	\$0	0%
Capital Projects Fund	\$3,000,000	\$3,000,000	\$0	0%
Enterprise Funds	\$21,361,000	\$21,361,000	\$0	0%
Fiduciary Funds	\$1,836,000	\$1,836,000	\$0	0%
<b>Total All Funds:</b>	<b>\$166,538,000</b>	<b>\$159,275,000</b>	<b>(\$7,263,000)</b>	<b>(4.4%)</b>

*The Department of Agriculture and Markets is charged with fostering a competitive and safe food and agricultural industry in the State of New York to benefit and protect both producers and consumers. The Department’s major responsibilities include oversight and regulation of the State’s agricultural and food industry by administering inspection and testing programs associated with food safety, animal and plant health, and accurate labeling; as well as the preservation of agricultural resources by supporting programs that improve soil and water quality. The Department is also responsible for operating the annual New York State Fair.*

**Overview of Executive Budget Proposal**

The Executive Budget recommendation for SFY 2012-13 is \$159.3 million in All Funds appropriations, which is a decrease of \$7.3 million from SFY 2011-2012. The change reflects reductions in local assistance funding, a 2.5 percent year-to-year reduction in General Fund State Operations funding, and the elimination of certain non-recurring expenses.

The Executive Budget recommends a staffing level of 488 full-time equivalent positions (FTE), which is a decrease of 7 FTE positions in SFY 2011-2012. The decrease primarily reflects reductions in the State workforce due to attrition.

The Executive Budget recommends restructuring the Consumer Food Program. Food safety expenses and licensing revenues that are currently deposited into a Special Revenue account would be redirected to the General Fund, in order to correct an account imbalance and maintain existing levels of food safety inspection.

The Executive Budget includes an appropriation of \$16.6 million in local assistance funding for various programs that provide educational, scientific, promotional and marketing support to the agricultural community.

Funding for the Farm Viability Institute is reduced from \$1.2 million to \$400,000.

**SFY 2012-13 Executive Proposed Budget Impacts on State Operations**

The Executive recommends State Operations appropriations totaling \$119.6 million for SFY 2012-2013. This represents a reduction of approximately \$6.56 million dollars from SFY 2011-2012.

The Executive recommends eliminating all reappropriations to the Department of Agriculture and Markets that are over six years old. All reappropriations for Legislative adds are eliminated as well.

**Agriculture & Markets Local Assistance Grants**

The Executive recommends Aid to Localities appropriations totaling \$36,630,000. This represents a reduction of approximately \$699,000 or 1.87 percent. The reductions represent cuts to the Cornell Diagnostic Lab’s Rabies program and the Farm Viability Institute, and elimination of the Cornell Rabies Long Island program, The Maple Producer’s Association, The Tractor Rollover Protection program and the Northern NY Agricultural Development program. A more comprehensive layout of the reductions is available on the tables below:

Cornell Diagnostic Lab	Enacted Budget 2011-12	Executive Recommendation 2012-13	Change	Percent Change
“Core” Diagnostic Lab	\$3,750,000	\$3,750,000	\$0	0%
NYS Cattle Health Assurance	\$360,000	\$360,000	\$0	0%
Quality Milk (Mastitis)	\$1,174,000	\$1,174,000	\$0	0%
Johne Disease	\$480,000	\$480,000	\$0	0%
Rabies	\$150,000	\$50,000	(\$100,000)	(66.7%)
<b>Cornell Diagnostic Lab Total:</b>	<b>\$6,166,000</b>	<b>\$6,066,000</b>	<b>(\$100,000)</b>	<b>(1.6%)</b>

Cornell Ag Education Programs	Enacted Budget 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Ag in Classroom	\$80,000	\$80,000	\$0	0%
Future Famers of America	\$192,000	\$192,000	\$0	0%
Ass’n of Ag Educators	\$66,000	\$66,000	\$0	0%
<b>Cornell Ag Education Total:</b>	<b>\$338,000</b>	<b>\$338,000</b>	<b>\$0</b>	<b>0%</b>

Other Cornell Programs	Enacted Budget 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Farm Family Assistance	\$384,000	\$384,000	\$0	0%
Geneva Exp St Seed Program	\$128,000	\$128,000	\$0	0%
Golden Nematode	\$62,000	\$62,000	\$0	0%
Rabies – Long Island	\$100,000	\$0	(\$100,000)	(100%)
Pro-Dairy	\$0	\$822,000	\$822,000	100%
<b>Cornell Diagnostic Lab Total:</b>	<b>\$1,512,000</b>	<b>\$2,234,000</b>	<b>\$722,000</b>	<b>47.8%</b>

Other Programs	Enacted Budget 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Ag. Child Care (Migrant)	\$6,521,000	\$6,521,000	\$0	0%
Local Fairs	\$340,000	\$340,000	\$0	0%
Wine / Grape Foundation	\$713,000	\$713,000	\$0	0%
Farm Viability Institute	\$1,221,000	\$400,000	(\$821,000)	(67.2%)
Center for Dairy Excellence / Farm Viability Institute	\$150,000	\$150,000	\$0	0%
NYS Apple Growers Ass'n	\$206,000	\$206,000	\$0	0%
Maple Producers Ass'n	\$100,000	\$0	\$100,000	100%
Tractor Rollover Protection Program	\$100,000	\$0	\$100,000	100%
Northern NY Agriculture Development	\$300,000	\$0	\$300,000	100%
<b>Cornell Diagnostic Lab Total:</b>	<b>\$9,651,000</b>	<b>\$8,330,000</b>	<b>(\$1,321,000)</b>	<b>(13.7%)</b>
<b>Ag &amp; Markets Aid to Localities Total:</b>	<b>\$17,329,000</b>	<b>\$16,630,000</b>	<b>\$699,000</b>	<b>(1.87%)</b>

**Capital Appropriations in Agriculture & Markets**

The Executive recommends overall capital appropriations totaling \$3 million for SFY 2012-13, the same level that was funded in the 2011-2012 Enacted Budget.

**Article VII**

- **Seed Testing:** Eliminates the mandate that the New York State Agricultural Experiment Station be the exclusive seed testing entity in the State, and allows testing to be conducted by the Department of Agriculture and Markets or a qualified laboratory.
- **Fee-For-Service:** Provides the Department of Agriculture and Markets with more comprehensive fee-for-service authority in order to recover normal costs related to services provided including laboratory testing, food safety and inspection, animal health, invasive



species control, and the collection of samples for research studies and similar services to federal, state, local and educational entities

- **Fund Consolidation:** Redirects certain fees currently deposited to the Consumer Food Account and the Commercial Feed Licensing Account to the General Fund to fully support this program. The change responds to a \$1.2 million deficit generated by the lack of revenue in both accounts.
- **Dairy Research Order:** Enables the Commissioner of Agriculture and Markets to issue a dairy research and education order to fund research for the purpose of improving dairy industry production and increasing efficiency and profitability of the State's dairy industry.
- **Cornell MOU:** Provides for the development of a master agreement with general terms and conditions and the use of memoranda of understanding between State agencies and Cornell University. According to the Executive, this will facilitate the provision of services and technical assistance to the State.

**DEPARTMENT OF ECONOMIC DEVELOPMENT**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$60,814,998	\$58,654,000	(\$2,160,998)	(3.3%)
Special Revenue-Other	\$3,765,000	\$3,458,000	(\$307,000)	(8.2%)
Special Revenue-Federal	\$11,100,000	\$8,000,000	(\$3,100,000)	(27.09%)
<b>Total All Funds:</b>	<b>\$75,679,998</b>	<b>\$70,112,000</b>	<b>(\$5,417,998)</b>	<b>(7.2%)</b>

*The Department of Economic Development (DED) works closely with the Empire State Development Corporation (ESDC) to provide advice to the Executive regarding economic development policy. The Department also aids the development of the State’s economic development strategies. Working with ESDC, the Department provides technical and financial assistance to businesses through its network of regional offices located throughout the State – helping to coordinate the efforts of other State agencies, authorities, organizations and local governments in developing and implementing economic development projects.*

*DED is also responsible for administering the State’s tourism and marketing programs, including the I ♥ NY Program, as well as aiding with Empire Zones program management.*

**Overview of the Executive Budget Proposal**

The Executive proposes an All Funds budget of \$70.1 million for the Department of Economic Development. This represents a \$60.9 million (47%) reduction from SFY 2011-12. The decrease is primarily due to the end of one-time federal funding of \$55.4 million for the Small Business Credit initiative, as well as the end of Federal funding for various multi-year State matching grants.

- The Executive proposes \$1.6 million in new funding to support expenses associated with the full implementation of the 2010 Business Diversity Act, as well as the development of an MWBE Monitoring and Compliance System. The Executive proposes full time equivalent (FTE) increases of 15, to help implement the MWBE initiative.
- The Executive proposes \$3.8 million in matching grants to assist local tourism promotion agencies, the same as this year’s appropriation.
- The Executive proposes a \$700,000 appropriation for international trade activities and offices, a reduction of \$380,000 from this year’s appropriation.
- The Executive proposes reductions of \$1.1 million to the I ♥ NY tourism programs, for a total appropriation of \$2.5 million. This reduction adjusts funding to current expenditures for the program.
- The Executive proposes \$1 million in new funding to support administrative costs for the Regional Economic Development Councils.

**ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (NYSERDA)**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$16,230,000	\$16,230,000	\$0	0
Capital Projects	\$15,310,000	\$14,000,000	(\$1,310,000)	(8.6%)
<b>Total All Funds:</b>	<b>\$31,540,000</b>	<b>\$30,230,000</b>	<b>(\$1,310,000)</b>	<b>(4.2%)</b>

*The New York State Energy Research and Development Authority (NYSERDA), established in 1975, develops and implements energy programs to increase the use of renewable energy, improve energy conservation, manage energy resources and harness research and development to solve energy and environmental problems, as well as create economic opportunity.*

*NYSERDA is a Public Benefit Corporation, governed by a 13-member board, all appointed by the Governor including four ex-officio members: the commissioners of the departments of Transportation and Environmental Conservation, and the chairs of the Public Service Commission and the Power Authority of the State of New York.*

**Overview of Executive Budget Proposal**

The Executive proposes \$30.2 million in All Funds (\$16.2 million for Special Revenue Funds for energy, research and development programs; \$14.0 million for Capital Funds for ongoing work at Western New York Nuclear Service Center, which is known as West Valley) for the Energy Research and Development Authority. NYSERDA is partially funded by assessments on electric and gas utility gross intrastate operating receipts. This proposal reflects a decrease in All Funds of \$1.3 million or a decrease of 4.2% from SFY 2011-12.

The Executive recommends a decrease of \$1.3 million (\$1.3 million in Capital Funds or a decrease of 8.6%) from the SFY 2011-12 budget for NYSERDA. This change reflects a decrease in capital funding for nuclear waste cleanup activities at West Valley. NYSERDA’s costs at West Valley are largely determined by a Federal match requirement, and are expected to decrease in SFY 2012-13 as a result of decreased spending by the Federal government.

**Article VII**

- The Executive proposes to authorize and direct the State Comptroller to receive for deposit to the credit of the General Fund a payment of up to \$913,000 from NYSERDA from unrestricted corporate funds. The \$913,000 transfer will help offset New York State's debt service requirements relating to the Western New York Nuclear Service Center (West Valley). Chapter 60 of the Laws of 2011 provided a similar one year authorization.
- The Executive proposes to authorize NYSERDA to finance its research, development and demonstration, and policy and planning programs, and to finance the Department of Environmental Conservation’s climate change program, from a special assessment on gas

corporations and electric corporations. Section 18-a of the Public Service Law authorizes the Department of Public Service to assess gas corporations and electric corporations for expenses related to administering Public Service Law programs. This is a special assessment, in addition to the section 18-a assessment, which has been proposed annually as an Article VII provision, and a similar bill was last enacted in 2011.

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-12</b>	<b>Executive Recommendation 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$112,402,000	\$105,364,000	(\$7,038,000)	(6.3%)
Special Revenue-Other	\$254,077,000	\$252,865,000	(\$1,392,000)	(0.5%)
Special Revenue-Federal	\$76,012,000	\$77,198,000	\$1,186,000	(1.6%)
Capital Projects Fund	\$511,834,000	\$609,143,000	\$97,309,000	19.0%
Internal Service Funds	\$60,000	\$95,000	\$35,000	58.3%
<b>Total All Funds:</b>	<b>\$947,542,000</b>	<b>\$1,044,665,000</b>	<b>\$96,763,000</b>	<b>10.2%</b>

*The Department of Environmental Conservation (DEC) is responsible for conserving, improving, and protecting the State’s natural resources and environment. The Department supports programs that work to control land, water, and air pollution to enhance the health, safety and welfare of New York State residents. The Department is also responsible for the administration of the environmental programs funded from the Clean Water/Clean Air Bond Act of 1996 as well as the Environmental Protection Fund (EPF), the State’s dedicated environmental fund.*

**Overview of Executive Budget Proposal**

The Executive Budget recommendation for SFY 2012-2013 is \$1.4 billion for the Department of Environmental Conservation. This is an increase of \$96.8 million from the 2011-2012 budget. The increase reflects the inclusion of the proposed New York Works Capital Infrastructure Program.

The Executive Budget recommends a workforce of 2,983 full-time equivalent positions (FTE) for the Department in 2012-2013, the same level funded in the 2011-2012 budget.

The Executive Budget appropriates \$134 million for programs supported by the Environmental Protection Fund (EPF), the same level as in 2011-2012. Appropriations include \$10.9 million for solid waste programs, \$52.5 million for parks and recreation, and \$70.6 million for open space programs. EPF capital appropriations are intended to provide funding for high priority environmental projects.

The Executive Budget includes legislation authorizing the Department and the Olympic Regional Development Authority (ORDA) to enter into an agreement to transfer the operation and management of Belleayre Mountain ski center from DEC to ORDA.

The Executive Budget appropriates \$102 million in capital funds for DEC under the New York Works Statewide Capital Infrastructure Program. The DEC funding will be used for flood control, critical dam and coastal erosion projects. It also includes \$94 million for capital rehabilitation and improvement needs in 48 state parks and historic sites and the ski facilities operated by the Olympic Regional Development Authority.

**State Operations**

The Executive recommends total appropriations of approximately \$433.7 million in State Operations purposes in the SFY 2012-2013 Budget Proposal. This represents a reduction of approximately \$7 million from SFY 2011-12.

**Aid to Localities**

The Executive recommends a total Aid to Localities appropriation of \$1.676 million for SFY 2012-13, representing a decrease of \$199,000 from SFY 2011-12 enacted appropriation levels. This decrease in Aid to Localities funding is primarily reflective of the Executive’s recommendation to eliminate funding for the Cornell Integrated Pest Management Legislative Addition.

Program	Available 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Administration General Fund	\$200,000	\$0	\$200,000	(100%)
Air and Water Quality Management General Fund	\$744,000	\$745,000	\$1,000	0%
<b>Total All Funds:</b>	<b>\$1,875,000</b>	<b>\$1,676,000</b>	<b>\$199,000</b>	<b>(10.6%)</b>

**Environmental Protection Fund (EPF)**

The Executive proposes an overall appropriation of approximately \$ 134 million for programs supported by the Environmental Protection Fund (EPF), the same level as in 2011-2012.

Appropriations include \$10.9 million for solid waste programs, \$52.5 million for parks and recreation and \$70.6 million for open space programs.

EPF capital appropriations are intended to provide funding for high priority environmental projects. The graphs below indicate a breakdown of EPF funding:

# TRANSPORTATION, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL CONSERVATION

## AGENCY DETAIL

Solid Waste	Enacted 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Landfill Closure/Gas Management	\$600,000	\$270,000	(\$330,000)	(55.0%)
Municipal Recycling	\$6,435,000	\$6,245,000	(190,000)	(2.95%)
Pollution Prevention Institute	\$2,000,000	\$2,100,000	\$100,000	5.0%
Secondary Marketing	\$1,000,000	\$1,000,000	\$0	0%
Natural Resource Damages	\$200,000	\$175,000	\$25,000	(12.5%)
Pesticide Database	\$575,000	\$1,150,000	\$575,000	100%
<b>Solid Waste Total:</b>	<b>\$10,810,000</b>	<b>\$10,940,000</b>	<b>\$130,000</b>	<b>1.2%</b>

Parks and Recreation	Enacted 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Waterfront Revitalization	\$11,500,000	\$11,500,000	\$0	0%
<i>Inner City/Underserved</i>	\$5,750,000	\$5,750,000	\$0	0%
<i>Hoyt Lake</i>	\$100,000	\$0	(\$100,000)	(100%)
<i>Buffalo Waterfront</i>	\$300,000	\$0	(\$300,000)	(100%)
<i>Niagara River Greenway</i>	\$225,000	\$0	(\$225,000)	(100%)
Municipal Parks	\$13,000,000	\$13,000,000	\$0	0%
<i>Inner City/Underserved</i>	\$6,500,000	\$6,500,000	\$0	0%
<i>Olmsted Park</i>	\$250,000	\$0	(\$250,000)	(100%)
<i>Hyde Park</i>	\$125,000	\$0	(\$125,000)	(100%)
<i>Darwin Martin House</i>	\$250,000	\$0	(\$250,000)	(100%)
<i>Graycliff Manor</i>	\$50,000	\$0	(\$50,000)	(100%)
Hudson River Park	\$3,000,000	\$3,000,000	\$0	0%
Public Access & Stewardship	\$16,228,000	\$16,000,000	(\$228,000)	(1.4%)
<i>OPRHP</i>	\$8,114,000	\$7,886,000	(\$228,000)	(2.8%)
<i>DEC</i>	\$8,114,000	\$8,114,000	\$0	0%
<i>Belleayre</i>	\$500,000	\$500,000	\$0	0%
ZBGA	\$9,000,000	\$9,000,000	\$0	0%
<b>Parks and Rec Total:</b>	<b>\$52,728,000</b>	<b>\$52,500,000</b>	<b>\$228,000</b>	<b>(0.43%)</b>

Open Space	Enacted 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Land Acquisition	\$17,500,000	\$17,500,000	\$0	0%
<i>Land Trust Alliance</i>	\$1,575,000	\$1,575,000	\$0	0%
<i>Urban Forestry</i>	\$500,000	\$500,000	\$0	0%
Smart Growth	\$300,000	\$300,000	\$0	0%
Farmland Protection	\$12,000,000	\$12,000,000	\$0	0%
Agricultural Waste Management	\$430,000	\$700,000	\$270,000	62.8%
Biodiversity Stewardship	\$500,000	\$500,000	\$0	0%
Albany Pine Bush Commission	\$2,000,000	\$2,000,000	\$0	0%
Invasive Species	\$3,800,000	\$3,400,000	(\$400,000)	(10.5%)
<i>Lake George</i>	\$95,000	\$100,000	\$5,000	5.3%
LI Pine Barrens Commission	\$1,100,000	\$1,100,000	\$0	0%
Oceans & Great Lakes Initiative	\$5,000,000	\$4,728,000	(\$272,000)	(5.4%)
Water Quality Improvement Program	\$2,932,000	\$2,932,000	\$0	0%
LI South Shore Estuary Reserve	\$900,000	\$900,000	\$0	0%
Non-Point Source Poll Cont	\$17,000,000	\$17,000,000	\$0	0%
<i>Agricultural</i>	\$13,000,000	\$13,000,000	\$0	0%
<i>Non-Agricultural</i>	\$4,000,000	\$4,000,000	\$0	0%
Soil and Water Conservation Districts	\$3,000,000	\$3,500,000	\$500,000	16.7%
Finger Lake - Lake Ontario Watershed	\$1,000,000	\$1,000,000	\$0	0%
Hudson River Estuary Plan	\$3,000,000	\$3,000,000	\$0	0%
<b>Open Space Total:</b>	<b>\$70,462,000</b>	<b>\$70,560,000</b>	<b>\$98,000</b>	<b>0.14%</b>
<b>Total EPF:</b>	<b>\$134,000,000</b>	<b>\$134,000,000</b>	<b>\$0</b>	<b>0%</b>

**Article VII**

- **Sweep Language – Conservation Fund Exemption:** Adds language to generic sweep exempting funds that would result in a loss of eligibility for federal benefits or federal funds pursuant to federal law, rule or regulation.
- **Fish and Wildlife:** Eliminates certain tagging requirements, streamlines various fish and wildlife licenses, permits and associated fees and extends DEC’s authority to collect fees for surf clam and ocean quahogs taken from all certified waters.



- **Hazardous Waste Fees:** Reduces costs to businesses by amending the formula for the imposition of fees on hazardous waste and hazardous wastewater to incentivize the on-site recycling of such waste.
- **Belleayre Transfer:** Transfers the operations and management of Belleayre Mountain Ski Center from DEC to ORDA.
- **Board and Commission Merger/Elimination:** Eliminates and/or merges certain boards and commissions to foster more efficient government including the Solid Waste Management Board, Freshwater Wetlands Appeals Board, State Environmental Board, Regional and State Forest Practice Boards and Surf Clam Ocean Quahog Management Advisory Board.

**ENVIRONMENTAL FACILITIES CORPORATION**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-12</b>	<b>Executive Recommendation 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
Special Revenue-Other	\$12,310,000	\$0	(\$12,310,000)	-100%
Capital Projects Fund	\$343,000	\$0	(\$343,000)	-100%
<b>Total All Funds:</b>	<b>\$12,653,000</b>	<b>\$0</b>	<b>(\$12,653,000)</b>	<b>-100%</b>

*The Environmental Facilities Corporation (EFC) is a public benefit corporation charged with mission of promoting environmental quality by providing technical assistance to municipalities, State agencies and private businesses to aid such entities' compliance with Federal and State environmental laws and regulations. EFC provides low cost financing to the aforementioned entities and assists in the design, construction, and operation of facilities for air pollution control, drinking water and wastewater treatment, and solid and hazardous waste disposal. EFC is further responsible for the administration of the Clean Water State Revolving Loan Fund which provides interest-free short term financing as well as low interest rate long-term financing for projects that protect and improve water quality. The Corporation also works jointly with the New York State Department of Health to administer the Safe Drinking Water State Revolving Loan Fund.*

**Overview of Executive Budget Proposal**

The Executive Budget would eliminate the practice of appropriating funds for EFC by realigning it with public authorities that budget their funds directly. All existing channels of EFC's financial support of the Departments of Environmental Conservation and Health would be preserved. Existing job levels at the EFC would also remain the same.

EFC is funded by Federal capitalization grants and State matching funds, loan repayments and internally generated funds. The original purpose of the \$12 million appropriation was to be a source of administrative cash flow for EFC prior to EFC's receipt of similarly purposed Federal funds from which reimbursement was provided by EFC back to the state.

EFC's on-budget appropriations have been used to meet a portion of EFC's personal service (payroll) costs. All personal service payments issued by OSC through this state appropriation are fully reimbursed by EFC. Given its self-sustaining nature, EFC does not need support from State Operating Funds.

**DEPARTMENT OF FINANCIAL SERVICES**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$329,430,823	\$326,630,823	\$2,800,000	-0.5%
<b>Total All Funds:</b>	<b>\$329,430,823</b>	<b>\$326,630,823</b>	<b>\$2,800,000</b>	<b>-0.5%</b>

**Agency Overview**

The Department of Financial Services was created in 2011, by the merger of the Department of Banking and the Department of Insurance. The combined department has now assumed the prior responsibilities of both departments, which are set out below.

The Banking Department had been charged with protecting the public interest and promoting a desirable business climate by regulating and supervising over 4,000 State-chartered banking institutions with total assets approximating \$2.35 trillion. The Banking Department also approved acquisitions of other banking institutions, branch expansions, mergers and other forms of consolidation. Among its many responsibilities, it levied fines, and orders cessation of unsound financial practices and had the authority to replace management if it became necessary, as well as to take possession of failing institutions to either operate or liquidate assets for the benefit of depositors and creditors. The operating budget, banking examiners and other Department staff are funded through assessments charged to regulated financial institutions and organizations. The balance of the Department’s budget was funded by fees related to applications for licensure or State charters.

The Insurance Department, which was established in 1860, had been charged with regulating the insurance industry and with balancing the interest of insurance consumers, companies, and producers. Specific statutory responsibilities included: approving the formation, consolidation or merger of insurance organizations and all new insurance products, monitoring the financial stability of insurers, overseeing the testing and licensing of agents, adjusters, consultants and insurance intermediaries and disciplining licensees who violate the Insurance Law or regulations.

**Merger of the Departments of Insurance and Banks into One Department of Financial Services**

The Department of Insurance and the Banking Department were merged into one Department of Financial Services (“DFS”) in 2011. The 2012-13 Executive Budget summary for DFS breaks the State Operations budget into one account for each of the two predecessor departments so that the financial effect(s) of the merger can be analyzed. The Banking Department Account shows no change from the 2011-12 adopted budget. The Insurance Department Account shows a State Operations reduction of \$2.8 million, noting that this is due to reductions to suballocations for the Department of Health, the Division of Homeland Security and the Division of Criminal Justice Services.

There are no changes to the Aid to Localities budget proposal for DFS. Likewise, there are no changes to full-time equivalent position authorized fill levels.

**HUDSON RIVER PARK TRUST**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Capital Projects Fund	\$0	\$0	\$0	0%
<b>Total All Funds:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>

*Hudson River Park Trust is a partnership between New York State and New York City. The Trust is charged with the design, construction and operation of the 550 acre Hudson River Park, which will span five miles from Battery Park to 59<sup>th</sup> Street in New York City. As a public benefit corporation, Hudson River Park Trust is governed by a thirteen-member Board of Directors; five members are appointed by the governor; five by the Mayor of New York City; and three by the Manhattan Borough President. The Trust employs a focused, diverse staff with experience in parks, design, finance, public policy, operations and maintenance.*

**Overview of Executive Budget Proposal**

All Trust administrative activities, including operation costs, are paid directly from a portion of the commercial lease payments and other revenues generated by businesses located conducted on Park property and activities conducted thereon.

Like last year, there are no new direct appropriations recommended by the Executive in the State Fiscal Year (SFY) 2012-13 budget for the Hudson River Park Trust. Typically, these direct capital appropriations to the Trust have represented advance payments by the State for New York City’s share of costs associated with the Park.

Under the Department of Environmental Conservation, the SFY 2012-13 Executive Proposed Budget includes a \$3 million capital appropriation from the Environmental Protection Fund (EPF), which is the same level of funding as that provided in SFY 2011-2012.

**DIVISION OF LOTTERY**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	89,704,000	102,673,000	12,969,000	14.5%
<b>Total All Funds:</b>	<b>89,704,000</b>	<b>102,673,000</b>	<b>12,969,000</b>	<b>14.5%</b>

*The New York State Lottery is an independent division of the Department of Taxation and Finance. It was established in 1966 as a result of a voter referendum. The purpose of the Lottery is to raise revenues for education in the State of New York through the sale of Lottery products.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$102.7 million in All Funds, which represents an increase of \$13 million, or 14.5%. The increase is a direct result of a one-time appropriation of \$15.6 for environmental remediation at Aqueduct pertaining to the VLT facility.

The Governor has also recommended a merger of the State Racing and Wagering Board and Division of the Lottery. The two agencies currently share space together in Schenectady, NY. There is a separate analysis of the merger.

There are no Article VII proposals unlike in years past to generate additional revenue through the Lottery.

**METROPOLITAN TRANSPORTATION AUTHORITY**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
Dedicated Mass Transportation Trust Fund Special Revenue-Other	\$630,000,000	\$634,000,000	\$4,000,000	.6%
Metropolitan Transportation Authority Special Revenue-Other	\$1,521,000,000	\$1,552,000,000	\$31,000,000	2%
Capital Projects Fund – Authority Bonds	\$0	\$770,000,000	\$770,000,000	--
<b>Total All Funds</b>	<b>\$2,151,000,000</b>	<b>\$2,956,000,000</b>	<b>\$805,000,000</b>	<b>37%</b>

*The Metropolitan Transportation Authority (MTA) is the public authority that is responsible for the operation, maintenance and improvement of public transportation in the 12-county Metropolitan Commuter Transportation District which consists of New York City (NYC) as well as Nassau, Suffolk, Westchester, Dutchess, Orange, Putnam, and Rockland counties. The Authority operates the bus and subway systems in NYC, the commuter railroads that run throughout the 12-county region, and the seven bridges and two tunnels in NYC.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget proposal provides for three types of State-supported funding to the MTA:

- Transit operating aid appropriations, which are provided through the budget of the Department of Transportation (DOT);
- Capital program appropriations, which are provided through both new public authority-based bonding and existing reappropriations from prior budgets; and
- Contingency appropriations, which actually provide no direct financial aid to the Authority in SFY 2012-13. These appropriations are intended to provide operating aid to the MTA in the event that the SFY 2012-13 budget is not passed by the April 1<sup>st</sup> deadline established by the State Constitution.

Overall, approximately \$4 billion would be made available to the Authority in transit operating assistance in SFY 2012-13 through DOT, along with \$770 million in appropriations and approximately \$606 million in reappropriations to be made available to the MTA for capital investments.

**State Transit Operating Aid for the MTA**

Transit operating aid provided to the Authority in the State budget is channeled through the Department of Transportation. Thus, all transit operating assistance appropriations for the MTA are located within the DOT budget. (As a result of this fact, the Agency Summary Table

provided at the beginning of this narrative does not reflect any appropriations to the MTA for transit assistance.)

In SFY 2012-13, the Executive proposes an overall total of approximately \$4 billion in transit operating aid to the Authority. This represents an increase of \$190 million or 5.0% above appropriation levels in the SFY 2011-12 Adjusted Budget. This includes General Fund support of approximately \$250 million to offset the revenue impact of the recent payroll tax reform on the MTA’s 2012 fiscal year.

The SFY 2012-13 Executive Budget Proposal maintains an appropriation of approximately \$25.3 million to offset the costs to the MTA for the Reduced Fare for School Children Program for New York City.

**Capital Funding for the MTA**

The SFY 2012-13 Executive Budget Proposal contains \$770 million in appropriations from authority-backed bonding to provide the State’s share of assistance for the final three years of the MTA’s \$22 billion Capital Program for 2010-14. The MTA is also scheduled to receive nearly \$606 million in reappropriations from earlier capital program funding.

The schedule for the \$770 million is staggered, for cash flow purposes, into the following five-year timetable:

<b>State Assistance Timeline for FY 2012-14 of the MTA Capital Program (in millions)</b>				
<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>\$150</b>	\$0	\$0	<b>\$310</b>	<b>\$310</b>
The authority bonds will be issued by the Empire State Development Corporation, Dormitory Authority, and Thruway Authority pursuant to authorization granted in the budget.				

**Five-Year Capital Program**

After rejection of its initial \$26 billion five-year capital program was rejected by the Capital Program Review Board, the MTA sustained the first two years of its 2010-14 Capital Program mainly through reliance on over \$2 billion in federal transit aid and state-approved issuance of \$6 billion in new debt. After multiple attempts to reduce its expenses and streamline its needs over the final three years of its plan, the MTA now proposes a \$13 billion capital program through 2014. This plan is contingent on:

- \$3.6 billion in federal transit aid;
- \$295 million from a federal high-speed rail grant;
- \$2.2 billion in low-interest federal loans (pending approval);
- \$4.5 billion in additional state-authorized MTA bonds;
- \$1.3 billion in state and city capital appropriations;

- \$890 million pay-as-you-go operating funds and asset sales; and
- Assorted federal security and transit-based incentives.

**Contingency Appropriations**

Contingency appropriations are typically dry appropriations, not supported by cash, which are intended for the purpose of providing authorization for State agencies or public entities to draw on State funds to pay for unforeseen or extraordinary expenses.

The Executive proposes two contingency appropriations for the MTA that altogether total \$2.186 billion in the SFY 2012-13 Executive Budget:

- The first contingency appropriation provided to the Authority totals \$634 million, an increase of \$4 million, or .6%, from the SFY 2011-12 Enacted Budget from the Dedicated Mass Transportation Fund.
- The second contingency appropriation is made in the amount of \$1.55 billion. This contingency appropriation is required pursuant to the new Section 92-ff of State Finance Law which was enacted as part of Chapter 25 of the Laws of 2009.

These contingency appropriations are provided to support operating costs and debt service payments of the MTA in SFY 2012-13 in the event that the State budget for the next fiscal year is not enacted by April 1, 2012.

**Article VII**

- ***Increasing the Authority's debt cap.*** The Executive Budget includes Article VII legislation to increase the MTA's debt cap ceiling by \$7 billion to \$41 billion. This increase is necessary to provide adequate bonding capability in accordance with the MTA plan to fully fund the Authority's \$22 billion 2010-14 capital program. The debt cap was already raised from \$28.9 billion to \$34 billion to cover the first portion of the five-year program; \$10.5 billion of the overall \$41 billion of MTA capital debt is devoted to the current capital program.
- ***Basing Transmission Tax Revenues on Population.*** The Revenue legislation redistributes the statewide transmission tax between the upstate Public Transportation Systems Operating Assistance Account (PTOA) and downstate Metropolitan Mass Transportation Operations Assistance Account (MMTOA) transit accounts based on regional population, replacing the existing yearly transfer between the two accounts.
- ***Preserving the Cross Bay Toll Rebate.*** The Public Protection and General Government legislative section contains a proposal to have the State reimburse the MTA for a rebate program for Broad Channel and Rockaway Peninsula residents who have to cross the Cross Bay Veterans Memorial Bridge. The MTA is preparing a plan to provide a cost estimate and details on implementation.
- ***Exempting PEOs from the Mobility Tax.*** The Revenue legislation extends the Mobility Tax exemption to entities called Professional Employer Organizations (PEOs). The supporting



documentation asserts that these PEOs were already included in the original revenue projections related to the Mobility Tax exemption that were made last year.

**DEPARTMENT OF MOTOR VEHICLES**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
Special Revenue- Other	\$90,431,000	\$86,827,000	\$3,604,000	-3.99%
Special Revenue-Federal	\$38,001,000	\$38,487,000	\$486,000	1.28%
Internal Service Funds	\$13,500,000	\$15,000,000	\$1,500,000	11%
Capital Projects Fund	\$201,137,000	\$194,171,000	(\$6,966,000)	-3.46%
<b>Total All Funds</b>	<b>\$343,069,000</b>	<b>\$334,485,000</b>	<b>(\$8,584,000)</b>	<b>-2.5%</b>

*The Department of Motor Vehicles (DMV) is responsible for a number of activities that help to promote traffic safety, protect consumers, and provide informational services to New York State drivers and the general public. These activities include licensing drivers; registering vehicles to authorize use and establish identification; issuing titles to establish vehicle ownership; and licensing and regulating the motor vehicle industry. The DMV Traffic Violations Bureau is also responsible for helping to adjudicate traffic infractions. The Department collects fees and other non-tax revenue to provide financial support for these activities, as well as for transportation capital expenses and the general expenses of the State.*

**Overview of Executive Budget Proposal**

The Executive Budget proposes \$334 million for SFY 2012-13, a decrease of \$9 million or about 3% from the SFY 2011-12 budget. This reduction reflects the streamlining of agency operations and enhancing program performance to deliver services at a lower cost to tax payers, including an increased use of online transactions.

The Executive Budget recommends a workforce of 2,414 FTEs for the Department, an increase of 21 FTEs over the prior year. The increase is due to FTEs returning from medical leave and to maintain minimum staffing levels at DMV field offices.

**DMV Expenses Appropriated From the Dedicated Highway & Bridge Trust Fund**

Under the SFY 2012-13 Executive Proposed Budget, the DHBTF would support \$194.1 million of DMV’s expenses. This represents a decrease of approximately \$6.96 million or 3.46% from the appropriation made from the DHBTF in the SFY 2011-12 Enacted Budget.

The DHBTF is the primary source of State funding for transportation capital infrastructure investment. The appropriation from the DHBTF for the Department of Motor Vehicles would primarily support expenses associated with the Department’s administrative functions and initiatives. Overall, the DHBTF appropriation in the SFY 2012-13 Executive Proposed Budget represents 58% of the total value of appropriations made to DMV.

It should be noted that roughly \$2.1 million of the \$6.96 million reduction in DHBTF appropriations is directly attributable to the Executive's proposed reductions in State Operations appropriations, essentially helping to provide relief to the DHBTF which has experienced cash shortfalls over the past several years. Technically, by providing DHBTF relief, General Fund savings are achieved as a lesser amount of General Fund monies would be required to be transferred to the DHBTF to off-set such cash shortfalls. Approximately \$4.9 million in cash savings comes from DMV's modifications or non-renewals of a number of non-personal service contracts.

### **Article VII & Budget Actions**

- ***Web revenue sharing with county clerks.*** The Executive Budget includes legislation that would mitigate the financial impact on county clerks from continuing to place additional DMV transactions on-line by sharing a percentage of electronic transaction revenues with the county clerks. The revenue sharing will be made in proportion to the electronic transaction revenues attributable to the county. The county clerks are expected to receive increased revenues by \$500,000 in calendar years 2012 and 2013.
- ***Compliance with Motor Carrier Safety Improvement Act.*** The Executive Budget includes legislation to bring New York into compliance with the Federal Motor Carrier Safety Improvement Act of 1999, with respect to medical certifications for commercial driver's license (CDL) holders. This would expand upon last year's changes that were made in response to the federal government's legislative review, by amending the self-certification provisions and penalizing the expiration of a commercial driver's medical documentation by downgrading – rather than suspending – the commercial driving license. Failure to comply with federal regulations would subject the State to losing \$33 million in federal highway aid.
- ***Expanding customer access to web transactions.*** DMV will be adding additional transactions to its website to improve customer service and streamline agency operations. More web transactions help reduce DMV office visits, shorten office wait times and help DMV sustain lower FTE levels.

**OLYMPIC REGIONAL DEVELOPMENT AUTHORITY (ORDA)**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-12</b>	<b>Executive Recommendation 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$4,700,000	\$4,583,000	\$117,000	-2.5%
Special Revenue-Other	\$354,000	\$150,000	(\$204,000)	-57.6%
<b>Total All Funds:</b>	<b>\$5,054,000</b>	<b>\$4,733,000</b>	<b>(\$321,000)</b>	<b>-6.4%</b>

*The Olympic Regional Development Authority was established by the New York State Legislature in 1981, in order to create a program to manage and promote the sports facilities used for the 1980 Olympic Winter Games. These facilities include: Whiteface Mountain Ski Area; the Olympic Training Center; the Mt. Van Hoevenberg bobsled, cross country ski trails and biathlon range; Intervale Ski Jumping Complex; Olympic Ice Rinks and the Olympic Speed Skating Oval; and Gore Mountain Ski Center. The State and local governments work together cooperatively to protect the public's investment in the previously mentioned facilities.*

**Overview of the Executive Budget Proposal**

The Executive Budget recommendation for State Fiscal Year (SFY) 2012-13 is \$4.7 million. This represents a decrease of 2.5 percent or \$117,000 in State Operations from the SFY 2011-2012 Enacted Budget. The decrease results from anticipated savings in utility costs.

The Winter Sports Education Trust Fund and the Olympic Training Center Account would each decrease by \$102,000 from \$177,000 in 2011-2012 to \$75,000 in 2012-2013. The decrease is a result of aligning SRO appropriation levels with projected revenues.

ORDA will receive \$5 million in new capital funding from the New York Works initiative for capital improvement of the Authority's facilities.

**Article VII**

**Belleayre Transfer:** Transfers the operations and management of Belleayre Mountain Ski Center from DEC to ORDA.

**OFFICE OF PARKS, RECREATION & HISTORIC PRESERVATION**

Agency	Adjusted Appropriation 2011-12	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$122,481,200	\$119,413,700	(\$3,067,500)	-2.5%
Special Revenue-Other	\$93,788,900	\$93,788,900	\$0	0%
Special Revenue-Federal	\$9,829,900	\$9,820,900	\$0	0%
Capital Projects Fund	\$46,801,000	\$156,071,000	\$109,270,000	233.5%
Enterprise Funds	\$0	\$0	\$0	0%
<b>Total All Funds:</b>	<b>\$272,892,000</b>	<b>\$379,094,500</b>	<b>\$106,202,500</b>	<b>38.9%</b>

*The goal of the Office of Parks Recreation and Historic Preservation is to provide and maintain safe, pleasurable, recreational opportunities and programs for all New York State residents and visitors. The Office of Parks, Recreation and Historic Preservation also acts as a responsible guardian of the State’s valuable natural, historic, and cultural resources. The Office is responsible for the operation and maintenance of 178 State parks and 35 historic sites which include a number of performing arts centers, golf courses, marinas, beaches, cabins, swimming pools, campgrounds, and a variety of restaurants, and other historic sites.*

**Overview of Executive Budget Proposal**

The Executive Budget recommendation for State Fiscal Year (SFY) 2012-13 is \$379 million. This is an increase of \$106 million from the 2011-2012 budget. The increase primarily reflects the inclusion of the proposed New York Works capital infrastructure acceleration program providing for an additional \$94.3 million, offset by attrition, shared services savings, and reductions taken for the CSEA and PEF collective bargaining agreements reached in 2011.

The Executive Budget recommends a workforce of 1,736 FTEs for the Department. This is a decrease of 12 FTEs from the 2011-2012 budget. The decrease primarily reflects additional attrition from the agency and the continuation of the hiring freeze.

**Parks Local Assistance Spending**

The proposed Executive Budget for SFY 2011-12 is \$11.7 million, which is a reduction of \$100,000 from the level of funding appropriated in SFY 2011-12. The reduction reflects the Executive’s plan to eliminate all reappropriations for Legislative Additions.

**Parks Capital Spending**

The proposed Executive Budget for SFY 2012-13 is \$156,071,000. This represents an increase of \$109.3 million or 233.5%. The additional funding includes \$94.3 million from the Executive’s New York Works Capital Infrastructure program, and a miscellaneous Capital Gift of \$15 million.

The table below displays changes to the Parks Capital funding:

<b>2011-2012 Enacted</b>	<b>46,801,000</b>
<u>Action</u>	
New York Works Capital Infrastructure	94,270,000
Miscellaneous Capital Gift	15,000,000
Physically Disabled	(7,000)
Energy Conservation	(51,000)
<u>Health and Safety</u>	<u>58,000</u>
<b>Change</b>	<b>109,270,000</b>
 <b>2012-2013 Recommended</b>	 <b>156,071,000</b>

**DEPARTMENT OF PUBLIC SERVICE**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$76,892,000	\$78,892,000	\$2,000,000	2.6%
Special Revenue-Federal	\$3,500,000	\$3,500,000	\$0	0%
<b>Total All Funds:</b>	<b>\$80,392,000</b>	<b>\$82,392,000</b>	<b>\$2,000,000</b>	<b>2.5%</b>

*The Department of Public Service (DPS), the staff arm of the Public Service Commission (PSC), which consists of five members appointed by the Governor, has four major areas of responsibility: regulating the State’s public utilities, including electric, gas, steam, telephone and water rates and services; ensuring natural gas and liquid petroleum pipeline safety; regulating the cable television industry; and overseeing electric and gas facilities and transmission line siting.*

**Overview**

The Executive Budget recommends \$82.3 million for the Department of Public Service in SFY 2012-13, which is an increase of \$2 million (or 2.5%) from the SFY 2011-12 Enacted Budget. The increase primarily reflects an increase in local assistance funding related to a new power plant siting law enacted in 2011.

The Executive Budget recommends a workforce of 524 FTEs for the Department. This is an increase of 16 FTEs from SFY 2011-12. Due to attrition and the hiring freeze, the Department has lost a significant number of staff in the past year. The increase reflects the filling of critical vacancies, to ensure that the Department can continue to meet its core statutory obligations.

- \$78.9 million in State Operations funding, the same as SFY 2011-12, in support of the Department’s mission to ensure safe and reliable utility service at just and reasonable rates.
- An increase in local assistance funding of \$2 million, due to the adoption of a new power plant siting law in 2011. The funding, which is provided by entities proposing to site electric generation and transmission facilities, can be accessed by local governments and community groups to fund intervention activities related to the review process.

**STATE RACING AND WAGERING BOARD**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$22,250,000	\$21,684,700	(\$565,300)	0%
<b>Total All Funds:</b>	<b>\$22,250,000</b>	<b>\$21,684,700</b>	<b>(\$565,300)</b>	<b>0%</b>

*The Racing and Wagering Board regulates all legalized gambling activities in New York state, except the State Lottery. The Board directly regulates Off Track Betting (OTB), horse racing and Indian casino gambling. The Board is fully funded through fees, reimbursements, fines and assessments imposed on raceways, gaming, OTBs and casinos.*

**Overview of Executive Budget**

The Executive recommends an All Funds appropriation of \$21.684 million which is \$565,300 less than the current State Fiscal Year.

The Executive Budget recommends \$21.7 million All Funds for the State Racing and Wagering Board. This is a decrease of \$0.6 million (-2.5 percent), compared with the SFY 2011-12 budget. This decrease is primarily attributable to a reduction in personal services expenses from making the cost allocation of on-track officials at harness racing tracks consistent with that at thoroughbred racing tracks.

The Executive Budget recommends a workforce of 105 FTEs for the Board. This is unchanged from the 2011-12 budget.

Major budget actions include:

- Effectuating the merger between the Racing and Wagering Board and the Division of the Lottery.
- Shifting the costs of two on-track officials at harness racing tracks to the track owners, consistent with the cost allocation at thoroughbred racing tracks.
- Transferring the unspent value of pari-mutuel vouchers used at automated betting machines at tracks and OTBs to the regulation of racing account.
- Collaboration with the Governor's SAGE Commission to "restack", or consolidate, its downstate district offices in order to save scarce resources.

**Article VII**

Legislation (S.6260, Part A) is proposed to merge Racing and Wagering with the Division of Lottery.



**Merger & Consolidation of the State Racing & Wagering Board with the State Division of the Lottery to Form the State Gaming Commission****Background**

The Governor's proposed 2012 budget continues his commitment to "right size and re-imagine government" through continued reorganization and consolidation. To that end, the Governor has proposed the consolidation of the State Division of Lottery ("Lottery") with the State Racing & Wagering Board ("Board") to form the State Gaming Commission (the "Commission"). Both agencies already share office space in Schenectady and work jointly on issues related to oversight of video lottery gaming.

It should be noted that this concept is not new. Governor Pataki attempted to create a similarly consolidated agency in 2004 through program bill S7364. Many of the provisions in this legislation are identical and borrowed from that bill. In addition several years ago Governor Paterson floated the idea of merging these two entities during the budget process but ultimately never followed through with the proposal.

**Merger**

This legislation would dissolve Lottery and the Board to form a new State Gaming Commission. It would replace the three salaried commissioners on the Board with 5 Commission members. These members would initially serve staggered terms and would be paid the same as the RWB commissioners. All nominees would be gubernatorial in nature and need Senate confirmation.

The Commission would establish a plan of organization and be overseen by an executive director, to be appointed by the Governor. The new commission would supervise 5 different divisions and have jurisdiction over all gaming related activity in the state. The divisions are as follows: (1) lottery; (2) charitable gaming; (3) Indian gaming, video lottery terminal gaming; (4) horse racing and pari-mutuel wagering; and (5) law enforcement.

Each division would have a division director, serving at the pleasure of the Governor, except the law enforcement director who serves at the pleasure of the State Police Superintendent.

**Powers & Duties**

The commission would have general jurisdiction over all gaming activities in the state, including licensing and fining gaming companies, regulating Indian gaming, overseeing video lottery gaming, auditing, investigations, background checks, arbitration, and the collection of fees and fines.

The Commission would also have the ability to appoint or contract with an independent third party to operate any gaming or racing facilities in the event they close or are shut down for regulatory violations. This is an interesting provision that would have kept NYC OTB afloat in December 2010 had it been in place. It is also notable because Suffolk OTB is in bankruptcy and could also wind down operations.

The bill also provides the new commission with broad regulatory powers to allot dates for racing, simulcasting, in licensing race meetings, and fixing admission costs. In addition, the Commission can permit pari-mutuel betting at in-state tracks every day of the year.

The bill also provides lengthy provisions outlining employment with the commission. Employees cannot have held, within three years of their employment, either direct or indirect jobs with corporations or associations involved with gaming in the state. Nor may such employees have any fiduciary interest with any gaming companies doing business in the state. If an employee leaves the commission they cannot enter into any gaming field in the state for at least 4 years. Employees and members also cannot have any interest in horses or gamble or wager in the state. Members, officers, and employees are also subject to the State Public Officers law.

The bill does not amend the maximum amount that can be fined, currently set at \$50,000.

### **Commission Funding**

Under current law the Division of Lottery and RWB are funded through the imposition of regulatory fees rather than taxpayer dollars out of the general fund. The bill would continue to provide this mechanism for funding and the power to level any additional assessments as need be to defray the costs of operating the agency.

### **Office of Racing Promotion & Development**

The bill would also create within the Commission a new office for racing promotion and development, charged with promoting the breeding of horses and equine research in the State. Notably, the board would administer the current NYS Horse Breeding Development Fund and the Agriculture and Horse Breeding Development Fund. These funds currently derive revenue for operations from VLTs at the racinos. This office would utilize Commission employees to carry out its functions.

**DEPARTMENT OF STATE**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-12</b>	<b>Executive Recommendation 2012-13</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$24,933,700	\$24,408,233	(\$525,467)	-2.1%
SRO-FED	\$74,656,000	\$69,395,406	(\$5,260,594)	-7.0%
SRO-Other	\$40,094,839	\$41,174,189	\$1,079,350	2.7%
<b>Total All Funds:</b>	<b>\$139,684,539</b>	<b>\$134,977,828</b>	<b>(\$4,706,711)</b>	<b>-3.4%</b>

*The Department of State (DOS) is the oldest and most diverse State agency. Established in 1778, DOS serves as the State’s “Keeper of Records”, and the “Great Seal” the agency also serves the financial community, corporations, and attorneys while licensing numerous professions and occupations ranging from real estate and cosmetology to private investigators and notaries. The Department provides a range of services to local governments from public safety through its building and code programs and coastal and waterfront redevelopment programs. It is also home to the Division of Cemeteries; Division of Administrative Rules; Athletic Commission; Commission on Public Access to Records; Commission on Open Government; State Commission on Public Integrity; Appalachian Regional Commission; Lake George Park Commission; Tug Hill Commission; Commission on Uniform State Laws; Office of Regional Affairs; and Community Services among others.*

**Overview of Executive Budget Proposal**

The State Fiscal Year (SFY) 2012-13 Executive Budget recommends a total budget appropriation of \$134,977,828.

**State Operations**

The SFY 2012-13 Executive Budget recommends State Operations spending of \$69,700,828 for DOS. This reflects the following proposed decreases: Administration (\$221,068); Authorities Budget Office (\$45,650); Consumer Protection Program (\$57,699); Local Government and Community Services (\$219,000) (this is a 2.5% state operations reduction); Local Government Services (\$620,000) (this represents the proposed elimination of Manufactured Housing SRO); and Tug Hill Commission (\$27,600). This also reflects the following increases: Businesses & Licensing Services \$1,745,000, which is a fund shift of general-fund expenses; and Local Government & Community Services \$45,406, which represents increased federal aid for the Appalachian Technical Assistance Program.

**Aid to Localities**

The SFY 2012-13 Executive Budget recommends an elimination of the Great Lakes Initiative. This results in the proposed Aid to Localities reduction of \$5,306,000.

**Capital Projects**

There is no proposed appropriation for Capital Projects for 2012-13. However, the Executive proposes the a re-appropriation for 2012-13 of \$4,904,000 for the Hazardous Waste Remedial Fund – Oversight and Assessment.

**Article VII Proposals**

The Governor proposes to increase the renewal term for security guards and real estate brokers/salespersons from two to four years, along with doubling the associates fee.

**Full-Time Equivalent Position Changes**

The Governor proposes the following full-time equivalent position changes: Administration – an increase of 5, reflecting FTE’s associated with Chapter 502 of the laws of 2011 (creating an address-confidentiality program for victims of domestic violence); Authorities Budget Office – an increase of 1, reflecting FTE for compliance review and policy analysis; Business and Licensing Services – an increase of 10, reflecting FTE’s added for E-Licensing Enterprise Initiative; and Office for New Americans – an increase of 6, reflecting FTE’s transferred from OTDA.

**URBAN DEVELOPMENT CORPORATION**

<b>Funding Source</b>	<b>Adjusted Appropriation 2011-2012</b>	<b>Executive Recommendation 2012-2013</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$79,098,000	\$76,838,000	(\$2,260,000)	-3%
Capital Projects Fund	\$180,550,000	\$665,000,000	\$484,450,000	268.01%
<b>Total All Funds:</b>	<b>\$259,648,000</b>	<b>\$741,838,000</b>	<b>\$482,190,000</b>	<b>186.01%</b>

The Urban Development Corporation is a public benefit corporation that does official business as the Empire State Development Corporation. Its overall objective is to stimulate economic growth through the creation of jobs by fostering business development, enhancing industrial competitiveness, revitalizing downtown areas, advancing high technology and promoting activities. It engages in three principal activities: economic and real estate development; State facility financing; and housing portfolio maintenance.

**Overview of the Executive Budget Proposal**

**Empire State Development Corporation**

The Executive proposes an All Funds budget of \$741.8 million for the corporation. This represents a \$482.2 million (186%) increase over SFY 2011-12.

- The Executive provides \$280 million for New York Works Capital Projects, divided up as follows:
  - ✓ \$130 million in capital funds are dedicated to support the second round of funding for the Regional Economic Development Councils, the \$130 million will be supplemented with an additional \$70 million in Excelsior Job Tax Credits. The second round of funding will be on a competitive basis and be based on modified versions of the regional strategic plans previously submitted.
  - ✓ \$75 million in capital funding for the New York Works Economic Development Fund. The New York Works Economic Development Fund program will provide grants to support projects that facilitate the creation or retention of jobs. The program will also fund infrastructure investments tied to attracting or expanding businesses.
  - ✓ \$75 million in capital funding for the Buffalo Regional Innovation Cluster, which is to be supplemented by \$25 million in Excelsior Tax Credits. This represents the first phase of multi-year funding, which will total \$1 billion.
- The Executive proposal appropriates \$800 million in previously approved Regional Economic Development Council projects associated with Phase 1.
- The Executive provides \$360 million in support of the State’s SUNY commitments, this includes:
  - ✓ \$250 million in capital funding for the SUNY College for Nanoscale and Science engineering to support the creation of the next generation computer chip.

- ✓ \$110 million for the SUNY 2020 Challenge Grant Program, which is divided into two parts:
  - \$80 million in capital funds to be divided amongst the four SUNY doctoral/research campuses enacted in 2011.
  - \$30 million in new capital funds for a grant program dedicated to fund projects at other SUNY institutions excluded from SUNY 2020.

**Article VII Legislation**

- Construction, Expansion and Renovation of the Jacob K. Javits Convention Center: This bill would permit the Convention Center Development Corporation (CCDC) to sell any property it owns that is deemed unnecessary for current or future expansion plans. All proceeds from such sales will be deposited in the General Fund.
- Empire State Economic Development Fund (EDF): Currently, the EDF is the only economic development program with a sunset date. The elimination of the sunset provision would make EDF permanent.
- New York State Urban Development Corporation: This bill would add grant-making to the general powers of the UDC, currently, UDC's ability to make grants derives solely from program specific sections of the Urban Development Corporations Act. This legislation will clarify that the UDC has the ability to make grants outside of its program specific sections.
- Linked Loan savings for agricultural businesses: This legislation would increase the percent of linked loan savings for agricultural businesses from 2 percent to 3 percent.

**DEPARTMENT OF TAXATION AND FINANCE**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$310,682,000	330,536,000	19,854,000	6.4%
Special Revenue-Other	\$108,042,000	\$108,671,000	629,000	.6%
Special Revenue-Federal	\$2,500,000	\$2,500,000	0	0%
Internal Service Funds	31,131,000	25,380,000	(5,751,000)	(18.4%)
<b>Total All Funds:</b>	<b>\$453,281,000</b>	<b>\$468,013,000</b>	<b>\$14,732,000</b>	<b>3.5%</b>

*The Department of Taxation and Finance administers State taxes and various local taxes and also manages the State Treasury. The Department executes its mission through eight programs: Audit, Collections and Enforcement, Centralized Operations Support, Office of Conciliation and Mediation, Management, Administration and Counsel, Revenue Processing and Reconciliation, Tax Policy, Revenue Accounting and Taxpayer Guidance; Technology and Information Services, and Treasury Management.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends \$468 million which is \$14.7 million (3.5%) more than the current State Fiscal Year.

The Executive Budget recommends \$468.1 million All Funds (\$331.5 million General Fund; \$136.6 million Other Funds) for the Department of Taxation and Finance. This is an increase of \$14.7 million (3.3 percent) All Funds (increases of \$19.9 million in General Fund and decrease of \$5.1 million in Other Funds) from the 2011-12 levels. The increase reflects higher personal service costs such as performance advances and longevity payments as well as additional revenue generating initiatives. The primary driver for increases in non-personal services is an increase in the centralized operations support program to reflect the full value of essential revenue generating contracts. Part of the increase is offset by a \$5.8 million decrease in banking services.

The Executive Budget recommends a workforce of 4,800 FTEs for the Department. This is a decrease of 97 FTEs from the 2011-12 budget. The decrease primarily reflects gains in efficiency.

Major budget actions include:

- Effectuating the merger of the Department of Financial Services (DFS) Call Center into Customer Contact Call Center operations to drive State savings while increasing effectiveness.

- Expanding and enhancing Business Analytics capabilities to drive efficiencies, increase revenue collections, and mitigate fraud.
- Assuming debt collections for the Higher Education Service Corporation (HESC) to drive efficiencies by taking advantage of one of Tax's core competencies.
- Collaboration with the Governor's SAGE Commission to "restack", or consolidate, its downstate district offices in order to save scarce resources, as well as drive programmatic, administrative, and managerial efficiencies. Under the current plan, the number of Tax downstate district offices will be reduced by one-half, or from 8 to 4.



**DIVISION OF TAX APPEALS**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$3,021,000	\$3,121,000	\$100,000	3.3%
<b>Total All Funds:</b>	<b>\$3,021,000</b>	<b>\$3,121,000</b>	<b>\$100,000</b>	<b>3.3%</b>

*The Division of Tax Appeals provides the public with a due process system for resolving disputes with the Department of Taxation and Finance. The Division of Tax Appeals is headed by the Tax Appeals Tribunal, which is comprised of three commissioners appointed by the Governor and confirmed by the Senate. Under the direction of the Tax Tribunal, dispute adjudication is provided through small claims hearings, formal hearings, and the Tribunal appeals process.*

**Overview of Executive Budget Proposal**

The Division of Tax Appeals is supported solely with State tax dollars. The Executive Budget recommends a General Fund appropriation of \$3.121 million which is slightly more than the current year.

The Division employs a workforce of 24 Full Time Equivalents (FTEs).

The Executive Budget recommends \$3.1 million General Fund for the Division of Tax Appeals. This is a net increase of \$100,000 (3.2 percent) from the 2011-12 budget. The increase reflects increases in personal services expenses from filling vacant positions for a commissioner and a law judge. Much of these increases are offset by decreases in nonpersonal services costs through SAGE-related relocation to State-owned offices.

The Executive Budget recommends a workforce of 26 FTEs for the Department. This is an increase of 2 FTEs from the 2011-12 budget.

Major budget actions include:

- Effectuating the move to State-owned Offices.

**NEW YORK STATE THRUWAY AUTHORITY**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Capital Projects	\$2,000,000	\$2,000,000	0	0
<b>Total All Funds:</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>0</b>	<b>0</b>

*The New York State Thruway Authority is responsible for the operation and maintenance of the 641-mile toll highway system, officially known as the Governor Thomas E. Dewey Thruway, which stretches from Pennsylvania to New York City. This system includes the 426-mile mainline connecting New York City and Buffalo – two of New York State’s largest cities. The Authority is also responsible for the operation of the 71-miles of un-tolled roadway constituting Interstate-84 (I-84) as a result of a contract signed by the Authority with the New York State Department of Transportation (DOT).*

*In addition, the Thruway Authority has jurisdiction over the State canal system through its subsidiary, the New York State Canal Corporation. The Canal Corporation oversees the operations, maintenance, development, and improvement of the 524-mile canal system, including the system’s 57 locks, 16 lift bridges, and various dams, reservoirs, and water control facilities.*

**Overview of Executive Budget Proposal**

For SFY 2012-13, the Executive recommends a total of \$2 million in capital appropriations to the Thruway Authority and the Canal Development Program. This is the same level of funding as SFY 2011-12. It recommends \$10.6 million in reappropriations

Typically, the State budget contains only this single, canal development appropriation for the Thruway Authority. All other Thruway and canal-system programs are supported by the Authority’s self-generated revenues – the majority of which are derived from Thruway tolls.

**DEPARTMENT OF TRANSPORTATION**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$97,550,900	\$97,550,900	\$0	0%
Special Revenue-Other	\$4,113,073,000	\$4,405,687,800	\$292,614,800	7.11%
Special Revenue-Federal	\$69,377,000	\$69,851,000	\$474,000	.68%
Capital Projects Fund	\$3,986,577,000	\$5,043,209,000	\$1,056,632,000	26.5%
<b>Total All Funds</b>	<b>\$8,266,577,900</b>	<b>\$9,616,298,700</b>	<b>\$1,349,720,800</b>	<b>16.3%</b>

*The Department of Transportation (DOT) is responsible for maintaining, improving, and rehabilitating New York State’s highway and bridge system which is composed of over 38,000 State highway lane miles and over 7,500 bridges. The Department is also responsible for overseeing and administering programs that provide capital funding to local roads and bridges such as the State-funded Marchiselli Program and the Consolidated Local Highway Improvement Program (CHIPs), as well as partially funding rail, airport, and canal programs. DOT further administers State-aid provided to regional transit systems for both operating assistance and capital investment.*

*The Department also closely coordinates with other State transportation agencies and authorities with the goal of creating an interconnected Statewide transportation system that addresses environmental and community concerns and efficiently moves people and goods throughout New York State.*

**Overview of Executive Budget Proposal**

The Executive Budget recommends over \$9.6 billion for the Department. This is an increase of over \$1.3 billion or 16% from the 2011-12 budget.

The Executive Budget recommends a workforce of 8,492 FTEs for the Department for SFY 2012-13, a decrease of 91 FTEs from the 2011-12 budget. The decrease primarily reflects reductions in the State workforce due to attrition (101 FTEs), offset by 10 new hires to enhance accident damage recoveries.

Much of the increase in appropriations is attributable to the Executive’s proposal to include a \$1.16 billion capital funding enhancement to increase investment and accelerate projects that improve the State’s highway and bridge infrastructure and create jobs throughout the State. Approximately \$917 million will be funded with Federal aid and \$232 million will come from the State’s Dedicated Highway and Bridge Trust Fund. An additional \$15 million would be provided from the Capital Projects Fund to support completion of the Peace Bridge Plaza.

**DOT Operational Efficiencies in SFY 2012-13**

- ***Transportation Shared Services.*** DOT will partner with other state and local agencies to share services and reduce costs. This includes areas like administrative functions, procurement and capital program delivery. Projected savings, arising principally through attrition of administrative and engineering staff, are \$3.7 million for FY 2012-13 and \$7.8 for FY 2013-14.
- ***Reduce Salt Cost and Usage.*** The overall cost for salt used in snow and ice control would be reduced through strategic sourcing, and salt usage would be reduced through an expansion of brinemaking equipment that results in more efficient treatment of pavement surfaces. Projected value for FY 2012-13 is \$3.6 million and \$5.6 million for 2013-14.
- ***Reduce Snow and Ice Contract Costs.*** DOT would enhance its oversight of snow and ice control contracts with municipalities that perform such functions on State roads to ensure that service standards are applied uniformly and in the most efficient manner to minimize contract costs. (2012-13 Value: \$500,000; 2013-14 Value: \$500,000)
- ***Use Pay-as-you-go Capital Funding for Maintenance/Repair Activities.*** Certain maintenance and repair activities currently supported by DOT’s State Operations budget would be accommodated through non-bonded funding within existing constraints of the DOT Capital budget. This may include such activities as bridge repair and signage replacement. (2012-13 Value: \$7.5 million; 2013-14 Value: \$8.54 million)
- ***Fund State Match for Aviation Capital from Regional Aviation Fund (RAF).*** A portion of the State match for Federal aviation capital projects currently funded from the Dedicated Highway and Bridge Trust Fund would be funded from resources available in the RAF, which received proceeds from the privatization of Stewart Airport in the 1990s. The value of this to the DHBTF is \$1.5 million for FY 2012-13, and \$1 million for FY 2013-14.

**State Transit Operating Aid and Mass Transit Initiatives in SFY 2012-13**

The Executive Budget proposes \$4.4 billion in transit aid, an increase of almost \$220 million over SFY 2011-12 levels. The MTA will receive nearly \$4 billion of this, an increase of \$190 million or 5% from 2011-12. This includes General Fund support of approximately \$250 million to offset the revenue impact of the recent payroll tax reform on the MTA’s 2012 fiscal year. Non-MTA downstate transit systems will be provided nearly \$257 million, an increase of \$18 million or 7.6% in aid. Upstate transit systems will receive more than \$174 million, an increase of \$11 million or 6.9% in aid from SFY 2011-12 levels.

The table below outlines the overall amount of transit aid provided to each of the major regional transit systems in the SFY 2012-13 Executive Budget Proposal, as well as the year-to-year change in assistance.

*State Transit Operating Assistance, SFY 2012-13 Executive Budget*

<b>Downstate Aid</b>				
	<b>Enacted 2011-12</b>	<b>Executive 2012-13</b>	<b>Change</b>	<b>Percent</b>
MTA	3,801,896,000	3,992,150,600	190,254,600	5%
Rockland	2,646,000	2,849,500	203,500	7.69%
Staten Island Ferry	25,812,700	27,797,600	1,984,900	7.69%
Westchester	43,325,400	46,657,000	3,331,600	7.69%
MTA Long Island Bus	52,401,500	56,431,000	4,029,500	7.69%
Suffolk	20,382,300	21,949,600	1,567,300	7.69%
NYC DOT	68,890,200	74,284,600	5,304,400	7.83%
Other Systems	25,021,800	26,945,800	1,924,000	7.69%
Supplemental Aid	4,312,000	4,312,000	0	0%
<b>Total Non-MTA</b>	<b>\$242,881,900</b>	<b>\$261,227,100</b>	<b>\$18,345,200</b>	<b>7.55%</b>
<b>TOTAL DOWNSTATE</b>	<b>\$4,044,777,900</b>	<b>\$4,253,377,700</b>	<b>\$208,599,800</b>	<b>5.16%</b>
<b>Upstate Aid</b>				
CDTA	29,176,000	31,203,800	2,027,800	6.95%
CNYRTA	26,633,000	28,484,100	1,851,100	6.95%
RGRTA	30,543,000	32,665,800	2,122,800	6.95%
NFTA	42,007,000	44,926,600	2,919,600	6.95%
Other Systems	33,909,000	36,265,700	2,356,700	6.95%
Supplemental Aid	1,960,000	1,960,000	0	0%
<b>TOTAL UPSTATE</b>	<b>\$164,228,000</b>	<b>\$175,506,000</b>	<b>\$11,278,000</b>	<b>6.86%</b>
<b>Total All Transit</b>	<b>\$4,209,005,900</b>	<b>\$4,428,883,700</b>	<b>\$219,877,800</b>	<b>5.22%</b>

Included in the overall amount of transit operating assistance provided to the MTA, is continued funding to the Reduced Fare for School Children Program. The SFY 2012-13 Executive Budget Proposal includes approximately \$25.3 million to offset the costs to the MTA for this Program, maintaining the same level of aid as the prior year.

**Transportation Capital Infrastructure in SFY 2012-13**

The Executive’s proposal includes roughly \$5.1 billion in SFY 2012-13 for Capital Projects. DOT is currently entering what would be the third year of a five-year capital program funding phase. However, due to uncertainty in federal aid and state budgeting constraints, the remaining three years of the 2010-2014 DOT Capital Program are currently unfunded. Highlights for capital spending in SFY 2012-13 are bulleted below:

- The recommended construction letting level for SFY 2012-13 is \$2.75 billion, compared with \$1.8 billion for FY 2011-12.
- The Executive recommends \$303 million in SFY 2012-13 for preventative highway maintenance, equipment and facilities.

- The Executive recommends \$96 million for right-of-way acquisitions for construction projects.
- The SFY 2012-13 Executive Proposed Budget provides \$363.1 million for the Consolidated Highway Improvement Program (CHIPs) and \$39.7 million for the Marchiselli Program, maintaining SFY 2011-12 Enacted Budget funding levels.
- The most recent Federal Transportation act, SAFETEA-LU, expired in 2009. While a successor program has not been enacted, Congress has passed temporary funding measures, at reduced levels. The Federal aid appropriation for SFY 2011-12 will be \$2 billion, which includes provisions for State and local highway and bridges, engineering, rail and community enhancement programs, maintaining the same level of funding as in the prior year.
- The Executive also proposes a total of \$57 million for passenger rail and freight projects. These funds include \$26 million – an increase of roughly \$9 million – to support Amtrak service from Albany to Montreal and Albany to Buffalo, pending federal review.
- Finally, the Executive’s proposal includes \$6 million in SFY 2012-13 for aviation capital - a reduction of \$8 million.

A table comparing the proposed obligations for 2012-13 with the obligations for 2011-12 is included below.

**Executive Proposed DOT 2012-13 Capital Plan (with 2011-12 comparison)**  
(in millions)

<b>OBLIGATIONS</b>	<b>2012-13</b>	<b>2011-12</b>	<b>DIFFERENCE</b>
State & Local System Construction Contracts	2,753	1,807	946
Administration	99	99	0
State Forces Engineering & Program Management	373	374	(1)
Consultant Engineering	270	169	101
Preventive Maintenance	303	296	7
Right of Way	96	69	27
Maintenance Facilities	38	38	0
Special Federal Programs	55	58	(3)
Rail Development	57	57	0
Aviation Systems	6	14	(8)
Non-MTA Transit Capital	40	50	(10)
Canal Infrastructure	0	16	(16)
CHIPS/Marchiselli	403	403	0
<b>TOTAL</b>	<b>4,493</b>	<b>3,450</b>	<b>1,043</b>

Over the past several years, the amount of revenue being deposited into the DHBTF has been out-matched by the level of obligated expenditures and debt service payments that have had to be made from the Fund. To address this issue, General Fund transfers to the DHBTF have had to be enacted in order to fill the “gap” in the Dedicated Fund since SFY 2008-09. For SFY 2012-13,

the Executive recommends a transfer of approximately \$543 million from the General Fund to the Dedicated Fund. This represents a increase of approximately \$90 million or 20% under the transfer that was recommended for SFY 2011-12. It should be noted that the original estimate for 2011-12 was \$522 million, and was modified to \$452 million in this year’s financial plan. So the recommended \$543 million for FY 2012-13 may be subject to significant variation in next year’s budget.

**Proposed Article VII Legislation**

- ***Performance-based Bus Inspections.*** The Executive Budget includes legislation to increase inspection of poor-performing operators by implementing a performance-based bus inspection program that would focus more of the Department’s existing resources on frequent violators, resulting in improved safety and compliance with reduced overtime costs. A fiscal impact of approximately \$500,000 in reduced overtime costs is associated with this proposal. The program would be implemented through regulation.
- ***Consolidate Accident Damage Revenues into the DHBTF.*** The Executive Budget legislation would dedicate all accident damage revenues to the Dedicated Highway and Bridge Trust Fund (DHBTF). This would enhance the Fund’s debt service coverage ratio. Projected value for 2012-13 is \$10.1 million and for 2013-14 is \$8.4 million.
- ***Maintain CHIPs and Marchiselli Funds.*** The Executive Budget would authorize funding for the Consolidated Local Street and Highway Improvement Program (CHIPs) and Marchiselli program for SFY 2012-13, and would extend, for one year, the eligibility of certain highway work techniques for CHIPs reimbursement. Funding is maintained at SFY 2011-12 levels.
- ***Compliance with the Motor Carrier Safety Assistance Program.*** The Executive Budget also introduced legislation to bring State law into conformity with federal requirements under the Motor Carrier Safety Assistance Program (MCSAP) grants, which is needed to preserve over \$4 million in federal grants.

**TRIBAL STATE COMPACT**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
Special Revenue-Other	\$44,300,000	\$54,000,000	\$9,700,000	21.9
<b>Total All Funds:</b>	<b>\$44,300,000</b>	<b>\$54,000,000</b>	<b>\$9,700,000</b>	<b>21.9</b>

**Overview of the Executive Budget Proposal**

State Finance Law requires that, in instances where the State receives Native American casino revenues pursuant to a compact with the respective Tribe, the State must provide local host governments with up to 25 percent of the State’s share of compact revenues. Accordingly, the SFY 2012-13 Executive Budget recommends \$54.0 million, which represents 25 percent of the State’s estimated revenues from Native American casinos located in Buffalo, Niagara Falls, Salamanca and Hogansburg.



**HUDSON RIVER VALLEY GREENWAY COMMUNITIES COUNCIL**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$321,000	\$321,000	\$0	0%
<b>Total All Funds:</b>	<b>\$321,000</b>	<b>\$321,000</b>	<b>\$0</b>	<b>0%</b>

*The Hudson River Valley Greenway Communities Council (Greenway Council) was established to coordinate activities associated with the development and enhancement of local land use planning techniques and the creation of a voluntary regional planning compact for the Hudson River Valley with local and county governments to the Greenway Council is made available to Greenway Communities, in the form of planning grants, compact grants and technical assistance through the "Greenway Communities Program".*

**Overview of Executive Budget Proposal**

The Executive Budget proposal recommends a General Fund appropriation totaling \$321,000 for State Fiscal Year (SFY) 2012-2013, remaining at the same level as provided in the SFY 2011-2012 enacted budget.

**HUDSON RIVER VALLEY GREENWAY HERITAGE CONSERVANCY (HERITAGE CONSERVANCY)**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$166,000	\$166,000	\$0	0%
<b>Total All Funds:</b>	<b>\$166,000</b>	<b>\$166,000</b>	<b>\$0</b>	<b>0%</b>

*The purpose of the Hudson River Valley Greenway Heritage Conservancy (Heritage Conservancy) is to continue and advance the state’s commitment to the preservation, enhancement and development of the world-renowned scenic, natural, historic, cultural and recreational resources of the Hudson River Valley while continuing to emphasize economic development activities and maintaining the tradition of municipal home rule.*

**Overview of Executive Budget Proposal**

The Executive recommends a General Fund appropriation totaling \$166,000 for State Fiscal Year (SFY) 2012-2013, remaining at the same level as provided in the SFY 2011-2012 enacted budget.

**GREEN THUMB PROGRAM**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$2,831,000	\$2,831,000	\$0	0%
<b>Total All Funds:</b>	<b>\$2,831,000</b>	<b>\$2,831,000</b>	<b>\$0</b>	<b>0%</b>

*The Green Thumb Program was developed to allow income-eligible senior citizens of New York State the opportunity to be considered for part-time employment in State agencies.*

**Overview of Executive Budget Proposal**

The Executive Budget recommendation for State Fiscal Year (SFY) 2012-13 is \$2,831,000, remaining at the same level as provided in the SFY 2011-2012 enacted budget.

**JUDICIARY**

Funding Source	Adjusted Appropriation 2011-12	Executive Recommendation 2012-13	Change	Percent Change
General Fund	\$2,305,363,548	\$2,301,469,123	(\$3,894,425)	-0.2%
SRO-FED	\$10,500,000	\$10,500,000	\$0	0.0%
SRO-Other	\$220,159,662	\$227,664,214	\$7,504,552	3.41%
<b>Total All Funds:</b>	<b>\$2,536,023,210</b>	<b>\$2,539,633,337</b>	<b>\$3,610,167</b>	<b>0.1%</b>

*The Judiciary is one of the three branches of New York State Government. Article VI of the State Constitution establishes a Unified Court System (UCS), defines the organization and jurisdiction of the courts and provides for the administrative supervision of the courts by a Chief Administrator on behalf of the Chief Judge of the State of New York. Pursuant to the Unified Court Budget Act, the cost of operating the UCS, excluding town and village courts, is borne by the State. The Judiciary provides a forum for the resolution of civil claims and family disputes, criminal charges and charges of juvenile delinquency, disputes between citizens and their government, and challenges to government actions. It also supervises the administration of estates, considers adoption petitions, and presides over dissolution of marriages, and provides protection for children and the mentally ill. In addition, the Judiciary regulates the admission of lawyers to the New York State Bar and regulates their conduct.*

**Overview of the Executive Budget Proposal**

The Judiciary advances a request of a general Fund appropriation of \$2.30 billion. This proposed request absorbs \$70 million in increased costs, including funding for the first Judicial pay raise in more than 13 years. The request also includes funding for contractually required increments for eligible union represented employees. The appropriation requested is just under \$3.9 million (roughly .17%) less than 2011-2012 appropriation and the Unified Court System (UCS) expects a cash disbursement decrease of \$3.5 million (.15%) from the current year

In their words, the UCS is able to achieve what they refer to as a “negative growth” budget “as an ongoing reassessment of court operations and a rigorous cost cutting program.” In reality, retirements spurred on by the incentives and cuts in benefits as well as layoffs in non-judicial personnel, have reduced the UCS workforce by 8% and cut their payouts for fringe benefits as new employees who are hired are at the lowest step level and are governed by Tier V.

The Court system realizes that they have an obligation to work with the other branches of Government in addressing the State’s fiscal crises, while ensuring that the Court’s meet their Constitutional duty to provide fair justice for every New Yorker. This budget proposal will test the Judicial system as to its ability to provide timely service to those who are in need of using the Court system.

**LEGISLATURE**

Funding Source	Adjusted Appropriation 2011-2012	Executive Recommendation 2012-2013	Change	Percent Change
General Fund	\$217,844,801	\$217,844,801	0	0
Special Revenue-Other	\$1,600,000	\$1,600,000	0	0
<b>Total All Funds:</b>	<b>\$219,444,801</b>	<b>\$219,444,801</b>	<b>0</b>	<b>0</b>

The recommended General Fund appropriation of \$217,844,801 for FY 2012-13 for the Legislature represents no change from the amount appropriated for FY 2011-12, and follows budget decreases totaling 3.6% over the past three years. The Legislature's budget request for FY 2012-13 represents an overall increase of 9.65 percent over the past twelve years. Over this same period, the Consumer Price Index will have increased by 38 percent. Over the past twenty-two years, the Legislative Budget has grown at less than one-fourth of the rate of inflation.

The recommended Special Revenue Fund-Other appropriation of \$1,600,000 for FY 2012-13 represents no change from the amount appropriated for FY 2011-12. No tax revenues required for Special Revenue Funds.