



NEW YORK STATE SENATOR

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Governor Cuomo's 2012 Executive Budget and Reform Plan Outlines Vision to Continue Building a New New York

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Governor Andrew M. Cuomo today unveiled his 2012-13 Executive Budget and Reform Plan, which expands on the historic reforms enacted last year to continue building a New New York. As a result of the tough decisions and bipartisan cooperation of the past year, the State is able to close the current deficit without broad cuts, new taxes, fees or gimmicks. In addition, the Governor's Executive

Budget proposes major reforms to reduce the cost of government for taxpayers, implements accountability in our schools to put students first, and puts the State in a position to leverage billions of dollars in private sector investment to grow the economy and create jobs.

The Governor's Executive Budget closes the current \$2 billion budget deficit with no new taxes or new fees. It also proposes sweeping mandate relief and pension reform that will save taxpayers and local governments billions of dollars and launches historic education reform to put students ahead of the education bureaucracy. The Executive Budget also lays the groundwork for an innovative \$25 billion economic development agenda, funded largely by leveraging billions in private sector investment rather than by taxpayer dollars.

The State operating budget increases by less than 2 percent while honoring the two-year commitment made in 2011-12 to increase School Aid and Medicaid funding at approximately 4%.

Highlights of the plan include:

- Closing the current budget gap with no new taxes, fees or gimmicks, and including zero growth in State agency spending;
- Eliminating automatic spending inflators and implementing reforms throughout the budget to ensure that spending increases for service providers reflect performance and actual cost;
- Allocating \$1.3 billion in State investment designed to spur a total of \$25 billion from other sources to launch and accelerate major infrastructure projects and create thousands of jobs;
- Creating a plan for the State to take over 100% of the costs of Medicaid growth that will be phased in over three years, saving local governments \$1.2 billion over the next five years;
- Creating a pension reform plan that will save State taxpayers and local governments outside New York City \$83 billion, and will save New York City \$30 billion over the next 30 years; and
- Increasing school aid by \$805 million, including \$250 million linked to improved academic performance and management efficiency, and implementation of an enhanced teacher evaluation process.

Due to the structural reforms enacted in last year's budget as well as the reforms proposed in this budget, the budget gap in 2013-14 is projected at \$715 million.

That is the lowest "first out-year" budget gap in two decades. The Executive Budget recommendations cut the projected four-year deficit by more than half, from \$16.4 billion to \$7.4 billion.

The Executive Budget includes:

- All Funds spending of \$132.5 billion in the fiscal year that begins April 1, 2012, a decrease of \$225 million from 2011-12. The back-to-back decline in All Funds spending represents the first time in decades that this has occurred.
- State Operating Funds spending of \$88.7 billion, an increase of \$1.7 billion, or 1.9 percent. State Operating Funds exclude federal funds and long-term capital spending.

Financial Plan

The financial plan outlined by the Governor is based on the principles of fiscal discipline and reality-based budgeting that do not include using new taxes, fees, or one-shot gimmicks. State agency operations growth is held flat, while local assistance programs grow by 2.6%.

Maintain fiscal discipline: The \$3.5 billion budget gap identified in December is closed through \$2 billion in spending reductions in the Executive Budget proposed today, and \$1.5 billion in revenues from the middle-class tax reforms enacted last year that made the tax code more fair and equitable. Even with 4% increases in education and Medicaid spending, and a 2.6% increase in Aid to Localities, there will be a net reduction in All Funds spending. Zero growth in State agency spending is achieved by redesigning State agency operations to reduce duplication, redundancy and waste.

Eliminate and reform automatic growth inflators: Last year, the Governor brought reality back to the definition of "deficit" in Albany by eliminating certain automatic inflators and pegging increases in education and Medicaid spending to rational and affordable measures of growth. These actions saved New York billions of dollars and helped to stabilize the State's finances. The 2012-13 financial plan works to further control automatic cost growth and tie growth to rational measures. For 2012-13, inflators like cost of living adjustments will be kept flat and reforms will be introduced to ensure that spending increases in future years reflect performance and actual cost.

Economic Development

The 2012-13 Executive Budget funds a comprehensive and coordinated blueprint for economic development. The plan is designed to create jobs in New York State through public-private partnerships that leverage State resources to generate billions of dollars in economic growth, improve the State's infrastructure and support regionally-based economic strategies.

Leverage State assets to spur billions in private sector investment and create thousands of private sector jobs: The Executive Budget lays the groundwork for an innovative \$25 billion economic development agenda, funded largely by leveraging billions in private sector investment rather than taxpayer dollars. The New York Works Fund and Task Force will coordinate \$1.3 billion in State funding to spur up to \$25 billion in investment from other sources, including private companies, the federal government, and authorities, to allow major projects to move forward that will create jobs and improve the State's infrastructure. To accelerate select infrastructure projects with maximum economic impact, the Governor's plan will use provisions from the Design Build legislation, which was passed in the 2011 December extraordinary session, that will allow projects to begin now and reduce costs by hundreds of millions of dollars.

A Second Round of Regional Economic Development Awards: The budget includes a new round of \$200 million in competitive resources for the Governor's Regional Economic Development Councils. Of this total amount, \$130 million is capital funding included in the New York Works program and \$70 million comes from Excelsior Tax Credits. The Councils have transformed the State's economic development approach from a top-down model to a bottom-up, community-based one. The second round of awards will allow each region to continue shaping its own economic destiny.

Reimagining Government

The Executive Budget builds on Governor Cuomo's work to reinvent state government to perform more efficiently and better protect taxpayer money. The Executive Budget provides additional funding for the work of the Regional Economic Development Councils, and advances SAGE commission proposals to reverse decades of bureaucratic growth and refocus agencies' operations in ways that benefit service recipients and taxpayers alike. The Governor is also proposing

sweeping structural reforms to relieve local governments of State mandates that drive up local costs. These reforms, which address the largest cost-drivers for local governments, will help municipal leaders meet the pressures of the prolonged economic downturn, and will help local governments meet the goals of the property tax cap.

Healthcare Redesign: The Executive Budget calls for continued reforms to make the State's health system perform better and cost less. By enacting the Health Exchange, 1 million uninsured New Yorkers will gain coverage. It will reduce costs to individuals who purchase coverage directly by 66% and small businesses by 22%, all financed by the federal government at no cost to New York.

Reduce burden on counties by taking over Medicaid growth costs: Medicaid growth is a major cost driver for counties. In 2006, the State capped the amount of Medicaid cost growth that counties have to pay. Currently, the cap is 3% of growth; all growth over 3% is paid by the State. To provide significant fiscal relief to counties and to New York City, the State will phase in a 100% takeover of the costs of Medicaid growth. In the 2013 fiscal year, the county cap will fall to 2% of Medicaid growth; in county fiscal year 2014, the county share will be reduced to 1%. Starting in county fiscal year 2015, the State will pay 100% of the costs of Medicaid growth. The takeover by the State of a greater share of local Medicaid expenses will save counties and New York City \$1.2 billion over the next five years.

Enact pension reform: Next to Medicaid, pension costs are the most significant burden on local governments. The Governor called for a new tier in the State pension system that will save the State and local governments outside of New York City \$83 billion and New York City \$30 billion over the next 30 years. The new pension plan would have progressive contribution rates between 4% and 6% with shared risk/reward for employees and employers to account for market volatility. It includes a voluntary option for Defined Contribution following the TIAA-CREF model. Employees taking this Defined Contribution will vest in this system after one year. This option will be portable. No current employees will be affected by the Governor's pension reform plan.

Aid to Local Governments: In addition to these reforms, the Executive Budget provides \$715 million to local governments in unrestricted operating aid, and an additional \$79 million in grants to promote greater efficiency. The budget also reforms the Early Intervention program to reduce counties' administrative burdens

and cut their costs by \$99 million over five years, and reforms the Preschool special education program to reduce costs for counties outside of New York City by \$150 million over five years. The Executive Budget does not include any cuts to Early Intervention or Preschool special education services.

Reforming the State's Education System

The Executive Budget includes major reforms to the State's public education system that are aimed at bolstering student achievement and improving efficiency for the taxpayer.

Increase in School Aid: The budget includes a total increase of \$805 million in School Aid, including \$250 million for performance grants linked to improved academic performance and management efficiency. High need school districts will receive 76 percent of the 2012-13 allocated increase and 69 percent of total school aid. The additional aid is linked to implementation of an enhanced teacher evaluation process.

Teacher Evaluation System: The Governor announced that the State Education Department and school employee unions will have 30 days to agree on a new effective teacher evaluation system or the Governor will propose an evaluation system in the 30 day budget amendments. Schools will be given one year to implement the system or risk forfeiting an increase in education aid in the 2012-13 and 2013-14 school budgets.

Program Overview

Environment and Energy: This year's Executive Budget maintains services at current levels for parks, environment and agricultural programs, and makes capital investments to strengthen infrastructure and improve energy management. The Executive Budget continues to support critical programs, including the Environmental Protection Fund, which will be maintained at \$134 million, the same level as in 2011-12. As part of the New York Works program to accelerate capital infrastructure projects statewide, the Budget includes \$102 million in new funding for DEC to advance flood control, coastal erosion and critical dam safety projects, and \$94 million for the large backlog of capital rehabilitation and improvement needs in 48 State parks and historic sites as well as the ski facilities operated by the Olympic Regional Development Authority.

Health Care: The Executive Budget reflects the continuation of the Medicaid spending cap enacted in 2011-12 and recommends a 4% funding increase consistent with its provisions. To achieve savings needed to address the State's budget gap, the Budget recommends \$19.2 million in reductions to public health and aging programs, including \$3.5 million in savings from administrative efficiencies.

Higher Education: Consistent with the provisions in the NYSUNY 2020 Challenge Grant Program, the Executive Budget maintains General Fund operating support for SUNY and CUNY colleges at prior-year levels. The Executive Budget also accommodates authorized 2012-13 tuition increases by providing \$113.2 million in additional spending authority for SUNY and \$66.6 million for CUNY. The Executive Budget maintains base operating aid funding for community colleges at 2011-12 levels of \$2,122 per full-time equivalent student.

Human Services: The Executive Budget provides funding for core supportive services for needy populations, limits spending growth to address the State's fiscal challenges, and implements measures to improve program performance. In child care, the Executive Budget increases General Fund support for child care subsidies by \$93 million to offset a reduction in funding through the Federal Temporary Assistance for Needy Families (TANF) program.

Mental Hygiene: The Executive Budget supports significant and fundamental reforms that will strengthen the oversight of care provided to individuals in institutions and community residences. It also makes investments to improve the accountability of mental hygiene agencies, and reforms the payment process for not-for-profit providers. These proposals result in mental hygiene system funding of \$8.2 billion in 2012-13, an annual spending increase of \$85 million, or 1.0 percent.

Public Safety: The Executive Budget advances key initiatives to enhance public safety, including expanding the DNA database to include all crimes and improving emergency response and preparedness, while supporting recovery from Hurricane Irene and Tropical Storm Lee and continuing to lower the cost of ongoing operations. The budget includes \$4.6 billion to protect New York's residents.

Revenue Actions and Tax Reform: This budget includes no new or increased taxes or fees. The Executive Budget proposes tax enforcement and loophole closing actions to ensure that all individuals pay their fair share of tax liabilities. The budget includes \$1.5 billion in net revenues in 2012-13, reflecting fair tax reform enacted in

December that implemented a new tax bracket for higher income earners, cut taxes for middle class New Yorkers to the lowest level in 58 years, and increased the overall fairness of the tax system.

Transportation: The Executive Budget makes strategic and accelerated investments in the State's highway and bridge infrastructure including a new \$1.16 billion in New York Works State and federal capital funds that will create jobs and improve the transportation system to support business and economic expansion. The New York Works program will accelerate capital investment, building upon core transportation funding, to provide a total DOT capital program of nearly \$4.5 billion in 2012-13, including highways, bridges, rail, aviation, non-MTA transit, and DOT facilities. Funding for local highway and bridge projects under the Consolidated Highway Improvement Program is maintained at \$402.8 million. The MTA's capital program will receive \$770 million in new State support over a multi-year period to help fund the MTA's \$22.2 billion 2010-14 program.