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Testimony on the FY 2015-16 Executive Budget Proposal
Workforce Development

Presented Before:
New York State Finance Committee
Chair, Senator John DeFrancisco
&
New York State Assembly Ways and Means Committee
Chair, Assemblyman Herman D. Farrell, Jr.

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I would like to thank Chairman DeFrancisco, Chairman Farrell, and members of the Senate and Assembly for allowing the Civil Service Employees Association (CSEA) the opportunity to comment on the FY 2015-16 Executive Budget proposal.

CSEA represents 300,000 public and private employees and retirees across the state. We represent public employees who work in school districts and in state, county, city, town, and village governments, who provide services that our communities depend on every day. In addition, we represent home-based child care providers and employees in not-for-profits in various fields that provide services to vulnerable populations throughout New York State.

The 2015-16 state budget process provides us with the chance for a new beginning.

Since the collapse of the financial and housing markets in 2007, our state has been focused on only one goal: making sure that New York and its citizens would survive financially. State spending was curtailed, aid to municipalities and school districts was held flat, and billions were spent on economic development programs to bring private sector jobs back to the state.

The Great Recession left our communities truly devastated. Municipalities saw state support decline by eight percent,[1] while their ability to raise revenues was limited by the property tax cap. Because of this, desperately needed services were eroded. Local governments struggled to rebound from severe weather emergencies, critical infrastructure needs that keep our communities functioning went ignored and unrepaired, and human services suffered.

The difference between this year and those of the recent past is that there is now light at the end of the tunnel.

Total tax receipts and personal income are each projected to grow by between four and six percent annually over the next several years,[2] and our state has been provided a once in a lifetime opportunity with $5.4 billion in settlement funds from the very financial institutions that helped to cause the Great Recession in the first place. The opportunity to put these funds to work for the people of New York cannot be squandered. Our state now has the opportunity to invest in its citizens and its communities to address the economic and social changes that are necessary for New York to reach its full potential.

The budget process provides an opportunity to address the issues that are so important to all of us. It is essential that we work together to ensure that our legacy continues to be one of a strong,

[1] *Shared Opportunity Agenda: New York State Economic and Fiscal Outlook 2015-2016*. Fiscal Policy Institute, 10 Feb. 2015.
[2] *Shared Opportunity Agenda: New York State Economic and Fiscal Outlook 2015-2016*. Fiscal Policy Institute, 10 Feb. 2015.

diverse, and ambitious state that provides all persons with the opportunity to climb the ladder to prosperity.

Local Governments and Infrastructure

Instead of increasing assistance to all municipalities, the FY 2015-16 Budget would institutionalize a system of winners and losers across our state.

CSEA strongly opposes the Governor's $1.5 billion Hunger-Games style competition forced on upstate regions for economic development funding. Under this proposal, seven regions would compete for three $500 million awards while the other four would receive nothing.

New York's infrastructure is in desperate need of investment. Communities across the state are facing unmet needs including crumbling roads and bridges and water and sewer systems that are nearly a century old. For example, the City of Syracuse had 391 water-main breaks in 2014, and has already seen 45 breaks through the first month and a half of 2015.[3] No business wants to locate in a city that cannot guarantee basic infrastructure needs. If the Central New York Regional Economic Development Council is not awarded one of the three awards, however, the city will be left without any means to pay for these critical needs without dismantling services elsewhere.

The Governor often says that we are "One New York." There is no upstate and downstate, rich and poor, black and white, Republican and Democrat. CSEA would like to add something to this mantra: there should be no institutionalized system of winners and losers in New York. Communities have a hard enough time making ends meet without an automatic determination that the majority of upstate regions are not worthy of state investments. If we really are one New York, this money would be better used by spreading funds out across all upstate communities to stimulate economic development in all regions, not just in a select three.

CSEA also opposes the plan for $150 million in state aid to only be made available to local governments or school districts if they decide to merge, consolidate, or share services. Time and time again voters have shown that they like their local services and have voted against consolidations. Aid and Incentives to Municipalities (AIM) funding has decreased by eight percent since FY 2008-09, limiting the ability of local governments to provide necessary services. Allocating this money to an increase in AIM instead of trying to force unwanted and unneeded consolidations would provide a boost to communities across the state.

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[3] http://www.dailyorange.com/2015/02/syracuse-needs-help-to-fix-water-mains/

Office for People with Developmental Disabilities (OPWDD)

CSEA applauds the increase in OPWDD staff for state-operated community-based services provided in the Executive Budget. Steep reductions in staff over recent years have resulted in numerous hours of mandatory overtime for OPWDD employees. These dedicated caregivers have sacrificed time with their own families to ensure that the individuals under their care continue to get the services they deserve. An increase in staff will improve both the morale of employees and the quality of services provided to persons with developmental disabilities.

CSEA has always maintained that effective treatment for the developmentally disabled should include an array of services that include both community and state run programs. However, OPWDD is intentionally eliminating state services, thereby restricting a client's options for the services they can receive.

The State has used the 1999 Olmstead ruling by the Supreme Court (Olmstead v. L.C., 527 U.S. 581 of 1999) as justification for closing state-operated facilities for the developmentally disabled. The Olmstead ruling stated that under the Americans with Disabilities Act (ADA), individuals with developmental disabilities have the right to live in the community rather than in institutions if that level of service is appropriate and not opposed by the individual. CSEA fully supports the goal of putting people in the least restrictive setting, but the court decision is not meant to restrict patients to the least amount of services possible. CSEA fears that the misinterpretation of the Olmstead Decision is solely budget driven and will eventually lead to the elimination of state operated services for the developmentally disabled.

CSEA wants to work cooperatively to create a system that will better transition services into the community. CSEA doesn't defend bricks and mortar but there must be a place for our state workforce in this new environment. Individuals needing OPWDD services should be able to transition into the community while still having the option of being taken care of by employees they know and trust. State operated OPWDD services play an important role in the treatment and rehabilitation of clients with developmental disabilities. These facilities require staffing twenty-four hours a day and many individuals need one on one care. Many of the people in State care have multiple disabilities, medical and behavioral issues and a wide range of special needs. Our members help some of the most severely challenged individuals with the most basic daily tasks, from washing and dressing, to meeting their everyday needs, to physical and psychological therapy.

CSEA is prepared to be part of meaningful change for better care for people with developmental disabilities. This starts with recognizing that the system's greatest assets are those thousands of public employees who are ready to begin shifting to new and innovative roles to meet the unmet needs in our developmental disability system. OPWDD should do everything in its power to show a true commitment to individuals with developmental disabilities by allowing them a list of options that would include state-operated choices in all areas of the state and to allocate the necessary resources to help them. Dedicated state employees who provide essential care to persons with disabilities should have an opportunity to provide services in the least restrictive setting.

Office of Mental Health (OMH)

For the past 20 years, the State of New York has promised reinvestment in community mental health services upon the closure of state services. Unfortunately, the state never fulfilled its promises and there is now a lack of intervention and overall community mental health options available.

Experts generally consider 50 beds per 100,000 people the minimum number needed to serve the most seriously ill. By that yardstick, New York should have 4,300 more beds than it has now.[4] The proposed Executive Budget would only make the situation worse by allowing the elimination of an additional 400 state-operated inpatient beds.

The State's lack of commitment to the mentally ill has created a new treatment model where our jails and prisons serve as psychiatric centers. Rikers Island is now the largest psychiatric institution in New York, holding more mentally ill individuals than all Office of Mental Health hospitals combined. County jails are being forced to expand rapidly to keep up with inmates with mental health issues. By some estimates, more than half the inmates in county jails and correctional facilities have some form of mental illness. Incarceration also carries a high price tag, meaning that this shift in "treatment" isn't cheap. In New York, the cost to keep one person in prison is $60,000 a year. These cost burdens fall on local government taxpayers while the State walks away from its commitments to ensure appropriate and needed services are available.

If the past two decades of mental health reinvestment are any indication of the commitment to community-level services, there will surely be no new services established in our communities. It is time that we recognize that the state is falling short on its responsibility to provide appropriate long term and intensive care for people with serious and persistent mental illness. Instead of providing more tax breaks to big businesses and putting more burden on local governments and our communities, the legislature should consider the drastic cutbacks at the state level over the past several years and show a true commitment to provide care for all of New York's citizens who need it.

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[4] Jaffe, D.j. "How to defuse human time bombs" New York Daily News
http://www.nydailynews.com/opinion/defuse-human-time-bombs-article-1.1460356

Economic Development

Tax Expenditures and State Priorities

New York currently spends approximately $8.1 billion annually on a smattering of economic development programs, an increase of over $1 billion (15%) since 2010.[5] The largest increase in spending has come in tax expenditures, which have increased by $560 million since 2010.

The START-UP New York program was initially proposed as a revenue-neutral way to lure new businesses to New York to create new jobs. Two years later, not only is the program projected to cost the state $106 million,[6] but many of the business receiving this benefit are companies that were already operating in this state. To make matters worse, the Executive Budget provides for an additional $50 million for advertising for the program. The minimum wage reimbursement credit, which encourages big box stores to pay nothing higher than the minimum wage, is projected to cost the state $41 million this year. The Empire State Film Production tax credit is expected to cost a cumulative $4.5 billion by 2019.[7]

It must be questioned where the benefits of these programs are going. There is no evidence to show that these tax expenditures are worth the investment, or that they provide any benefits to the state at all. A recent report by Comptroller DiNapoli showed that the Empire State Development Corporation spent $453,000 per new job it claimed to have created in 2013. More telling, the report found no evidence that spending by ESDC has any impact on job creation at all.[8] Furthermore, many of the state's economic development programs have minimal reporting requirements at best and the state has no way to track the return on investment for these programs.

While the state keeps blindly spending this money, communities across the state are suffering as critical needs in the areas of infrastructure, education, and human services are going unmet due to lack of state support. If the proposals included in the Executive Budget are enacted, the state will need to make $11.5 billion in unspecified spending cuts by FY 2018-2019 to stay within the Governor's artificial two percent spending cap.

CSEA opposes Governor Cuomo's plans to keep paying for tax cuts and benefits to businesses with more cuts to services.

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[5] *Bigger Not Better: New York's Expanding Economic Development Programs*. Citizens Budget Commission, 19 Feb. 2015.
[6] *FY 2016 Annual Report on New York State Tax Expenditures*. New York State Division of the Budget and New York State Department of Taxation and Finance. Jan. 2015.
[7] *Bigger Not Better: New York's Expanding Economic Development Programs*. Citizens Budget Commission, 19 Feb. 2015.
[8] *Public Authorities by the Numbers: Empire State Development Corporation*. Office of the State Comptroller. February 2015.

IDA Reform

CSEA has long advocated for Industrial Development Agency (IDA) reform to ensure that taxpayer money is being spent on projects that actually create sustained economic development in communities. Considering that IDAs increased their economic development spending by $117 million (24%) from 2010-14,[9] it is more important than ever that these entities be held accountable to taxpayers for the benefits they have promised.

The Executive Budget contains provisions that would increase transparency and accountability in IDAs, giving the state authority to audit IDA projects and "clawback" state tax benefits when project targets and promises are not met. CSEA is supportive of these provisions in the budget, and will continue to advocate for increasing transparency and accountability for IDAs.

Health Care

Brooklyn Healthcare

The face of healthcare is changing in New York State. The move to managed care for all, and new provider collaboration facilitated by implementation of the Delivery System Reform Incentive Payment (DSRIP) program is changing how and where care is delivered in our communities. In light of this, the Executive has proposed $700 million to help restructure the health system in Brooklyn. There is no doubt that Brooklyn needs significant investments in order to ensure that its residents have access to quality care. However, the funding available to Brooklyn in this budget must be spent in a way that utilizes existing facilities and workforce rather than creating new hospitals simply for the sake of building something new.

CSEA advocates for utilizing this funding to allow existing facilities in Brooklyn to develop ambulatory and primary care facilities in the areas that they serve. This funding can be used to develop ambulatory and primary care settings based at SUNY Downstate Medical Center.

SUNY Downstate is a true safety net hospital. Nearly two-thirds of the hospital's inpatient discharges are Medicare and Medicaid patients. Downstate serves a community where more than one in five residents live below the poverty line, two in five receive Medicaid, and over half are foreign born. The hospital is also a critical resource for New York's medical students, serving as the only public academic medical center in New York City. Ninety two percent of the student population is from New York State and in some specialties, Downstate has trained more than half of the borough's physicians. Downstate is also a critical component of the Brooklyn

[9] *Bigger Not Better: New York's Expanding Economic Development Programs*. Rep. Citizens Budget Commission, 19 Feb. 2015. Web.

economy. Its employees create over $2 billion in economic activity annually, leading to a $12 return on investment for every $1 that the state invests.

It is critical that the funds provided in the Executive Budget for Brooklyn health care be used to shore up SUNY Downstate Medical Center. We cannot continue to let essential services in our communities go to waste.

Private Equity Hospitals

As in prior years, CSEA opposes the introduction of for-profit hospitals in our state. Investors will only participate in a financing arrangement if they have control over operations of the facility. In order to maximize profit, they will overprescribe services, limit care to those on Medicaid, Medicare, or uninsured, and will skim those with insurance from other hospitals.

While the Executive attempted to put community and patient safeguards into this year's proposal, examples from other states tell us that they are not enough. For example, the former Attorney General of Massachusetts won numerous pledges from Steward Hospital Corporation, a firm backed by the private equity fund Cerberus, when they were attempting to take over several hospitals. The corporation acquired ten total hospitals. However, investigations soon showed that staffing began to deteriorate. While Steward controlled 14% of the acute inpatient general care hospital beds in the Commonwealth, it was responsible for 29% of the complaints to Medicare and the state agency responsible for investigating such complaints. In addition, the Stewards hospitals experienced worse financial performance than they had experienced prior to their acquisition and conversion. Promises and commitments obtained by the Attorney General prior to the acquisition and conversion have proven deceptive. The failure of these conditions to enable public officials to compel performance reached a peak in the last quarter of 2014 when Steward closed the Quincy Medical Center.

This scheme will only undermine safety-net hospitals and increase costs for patients. The services New York hospitals provide to their communities should be a much higher priority than attempting to provide for-profit companies with another avenue to monetize a public need.

Office of Children and Family Services

Raise the Age

The Executive Budget proposes to raise the age of criminal responsibility from 16 to 18 years of age. CSEA supports this proposal. However, in order for it to be implemented correctly and safely, we must ensure that the following two provisions are strictly followed.

Proper Probation Funding

County probation departments are already underfunded. Due to various state mandates, probation officers are responsible for monitoring not only those placed on probation instead of being incarcerated, but they are also responsible for monitoring sex offenders, individuals convicted of certain driving while intoxicated crimes, and youths who are placed on probation instead of being sent to an OCFS facility.

Under the raise the age proposal, county probation officers will be responsible for assessing all youths who enter the criminal justice system. It is estimated that in 2018, probation officers will have to perform an assessment on nearly 21,847 youths who have been arrested. When combined with their already high caseloads, this will not be sustainable with the existing workforce. Additional probation officers will have to be hired, however, this cannot happen without financial commitments from the state. While the budget says that the state will pay for the local government costs of this population, there are no guarantees that this funding will not be decreased in future years. Without guaranteeing future funding, this could simply become yet another unfunded mandate on counties.

OCFS Facilities

Under this program, 16 and 17 year olds that commit crimes that would normally put them at risk of being sent to an adult correctional facility will be placed in facilities for youths. CSEA firmly believes that if a 16 or 17 year old is convicted of a crime under this program they must be sent to a secure OCFS facility that is staffed by OCFS employees. The "Close to Home" program in New York City has shown that non-OCFS facilities are not equipped to handle youths with minor criminal offenses, let alone those with severe felonies. Failure to ensure that this population is sent to facilities equipped to handle them will place the safety of communities at risk and will put this program on a path towards failure.

"Close to Home" Expansion

The budget appropriates $41 million for New York City to continue operating a "Close to Home" initiative for non-secure and limited-secure youths. CSEA opposes extending this program to the limited-secure population.

The Governor and Legislature passed the "Close to Home" initiative in 2011 in order to move allegedly non-violent youth offenders close to their parents, friends, and community by placing them with not-for-profit providers. The policy has been a disaster. There have been over 1,100 escapes from these not-for-profit providers, with one escapee murdering another teen in Queens.

If this program has failed for the supposedly less violent non-secure population, why should we believe that it would be different for more violent and dangerous youths? A recent FOIL request by CSEA yielded the details of the type of crimes that youths in limited-secure placement have committed, including assault, robbery, sex offenses, and even homicide. (See Addendum A)

It does not seem unreasonable to argue that people convicted of homicide, sex offenses, and kidnapping should not be placed back into their home communities in less than secure facilities.

Child Care Subsidies

The Executive Budget flat funds child care subsidies. These subsidies are used by working parents to make it to work, or to simply be able to look for work. These subsidies serve as an important lifeline for working parents who would otherwise have to stop working in order to care for their children. Over the past several years, social service districts have either run out or come close to running out of child care subsidies before the end of the year. Additionally, we have seen numerous counties lower eligibility over the past 6 years, or not allow new families to participate in the program.

In addition to these constraints, the federal government recently reauthorized the *Child Care Development Block Grant*. This reauthorization adds an unknown amount of additional costs onto the state. CSEA wants to ensure that these new costs do not eliminate critical child care funding for working parents.

Education

The Executive Budget would add to the list of damaging tax credits by creating a $100 million tax credit program for individuals and corporations to donate to public and private education-related entities.

Proponents of the bill say that this proposal will increase the investment in education by encouraging more charitable donations to all schools, both public and private. However, this proposal raises deep concerns about the adverse impact it would have on public schools while gearing more tax benefits to the wealthy. This proposal would divert much needed state revenue from public schools to benefit the interest of only a privileged few, weakening the very foundation of our public education system. It is also likely that this credit would draw contributions away from other charities, including those focused on reducing poverty, hunger, and homelessness. CSEA opposes the Education Tax Credit, and opposes any attempt to divert much needed revenues away from public services to provide more tax credits for millionaires and corporations.

The budget also includes a proposal that would allow the state to appoint a receiver to take over functions of "failing school districts." The receiver would have full managerial and operational control over a school district, including the ability to limit, suspend, or change collective bargaining agreements.

Collectively bargained benefits form the bedrock of a decent, middle class life in many communities. Allowing agreements that were reached in good faith to be opened up to change sets an unacceptable precedent. Furthermore, blaming employees for factors out of their control and arbitrarily declaring that 2.5% of schools are always underperforming is just bad public policy.

Conclusion

I would again like to thank the Chairmen and members of the Senate Finance Committee and the Assembly Ways & Means Committee for allowing me the opportunity to speak here today.

Hubert H. Humphrey once said, "The moral test of government is how that government treats those who are in the dawn of life, the children; those who are in the twilight of life, the elderly; those who are in the shadows of life; the sick, the needy and the handicapped."

It is time that we stand together to provide all New Yorkers with the chance to lift themselves out of poverty and onto the ladder of opportunity. As our state recovers from the devastation caused by the Great Recession, we must focus on the services and programs that our communities depend on instead of focusing on tax breaks to big businesses, questionable economic development programs, and unforced austerity.

On behalf of 300,000 active and retired, public and private employees across New York State, I hope that you will join us to stand as a united and powerful voice for all New Yorkers, strong communities, and vital public services.

Thank you.

Addendum A

Table 1: Class and Category of the Most Serious Offense for Youth in Care on September 30, 2014

Class and Category	Limited Secure	Non Secure
B Misdemeanor	24	8
A Misdemeanor	96	11
E Felony	16	1
D Felony	11	1
C Felony	13	3
B Felony	5	0
A Felony	1	0
Total	**166**	**24**

Note: The number of youth in limited secure care excludes youth in reception. Therefore, it may differ slightly from the number presented in the 2014 Q3 Quarterly Report.

Prepared by the OCFS Bureau of Research, Evaluation and Performance Analytics (12/12/14)

Table 2: Most Serious Adjudicated Offense for Youth in Care on September 30, 2014

Most Serious Adjudicated Offense	Limited Secure	Non Secure
CRIMES AGAINST PERSONS	60	8
Assault (PL 120)	36	7
Homicide (PL 125)	3	0
Kidnapping (PL 135)	1	0
Robbery (PL 160)	12	1
Sex Offense(PL 130)	8	0
CRIMES AGAINST PROPERTY	81	11
Arson (PL 150)	1	0
Burglary (PL 140)	17	1
Criminal Mischief (PL 145)	15	4
Larceny (PL 155)	34	5
Unauthorized Use of Motor Vehicle (PL 165.05-6)	6	0
Criminal Possession of Stolen Property (PL 165.40-52)	7	1
Other Theft (PL 165)	1	0
OTHER CRIMES	25	5
Controlled Substance (PL 220-1)	1	0
Firearm, Weapon (PL 265)	8	2
Other	16	3
Total	**166**	**24**

Note: The number of youth in limited secure care excludes youth in reception. Therefore, it may differ slightly from the number presented in the 2014 Q3 Quarterly Report.

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