

# New York State Senate Finance Committee



## Analysis of the Governor's Proposed Deficit Reduction Plan and its Impact on New Yorkers

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& MILITARY AFFAIRS

October 26, 2009

Dear Fellow New Yorker:

The following is the Senate Finance Committee's analysis and our initial evaluation of the Governor's proposed Deficit Reduction Plan for SFY 2009-10. This analysis, which is a working document and may be revised to reflect changing market conditions and other economic fluctuations, will serve as the basis of the hearings we are holding throughout the state to gauge budgetary needs and to gather testimony from New Yorkers who are well-versed on the impact of the budget in different policy areas.

After the hearings conclude, an independent review will be conducted by outside, non-government experts. A full report by the Senate Finance Committee will follow.

During these tough economic times, we continue to pursue an intelligent, fiscally prudent program that minimizes the day-to-day impact on average New Yorkers and steers clear of new taxes and cuts to vital services. The budget will not be balanced on the backs of the state's most vulnerable residents. The people who depend most on our sound judgment and advocacy must not be victimized by a budget that looks for hasty solutions rather than compassionate ones.

Special thanks to the Senate Majority leadership -- Conference Chair Senator John Sampson, President Pro Tem Senator Malcolm Smith, Majority Leader Senator Pedro Espada, Jr., and Secretary of the Senate Angelo Aponte -- along with the Senate Finance staff and printing and graphics departments.

I welcome your thoughts and reactions to this material. I value the partnership we have created as New Yorkers and look forward to your continued participation.

All the best --

Sincerely,

A handwritten signature in black ink that reads "Carl Kruger". The signature is written in a cursive style with a large initial "C".

Carl Kruger  
Member of Senate  
Chair, Finance Committee

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## LOCAL ASSISTANCE REDUCTIONS AND IMPACT ON NEW YORKERS

### Overview

The Executive released a deficit reduction plan (DRP), which included a list of across-the-board reductions for the State Fiscal Year (SFY) 2009-2010 in the amount of \$1.8 billion. Of this amount, \$1.3 billion is attributed to local assistance reductions and \$500 million are across-the-board agency administrative spending reductions. Most of the \$1.3 billion in local assistance reductions is achieved through a ten percent across-the-board reduction on the remaining balance of undisbursed funds for each particular program targeted by the DRP.<sup>1</sup>

The areas impacted by the Executive's local assistance reduction proposal are as follows:

- **\$480.3 million** reduction in school aid on a State Fiscal Year (SFY) basis;
- **\$286.6 million** reduction in Medicaid;
- **\$128.6 million** reduction in mental hygiene programs (includes Office of Mental Health (OMH), Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office for Alcoholism and Substance Abuse Services (OASAS));
- **\$125.4 million** reduction in Transportation;
- **\$68.9 million** reduction in Local Government Aid;
- **\$44.2 million** reduction to local state programs funded through the State Education Department (SED); and
- **\$43.1 million** reduction for public health programs funded in the Department of Health (DOH).

### STATE OFFICE OF THE AGING

The Executive proposes a ten percent across-the-board reduction of unexpended funds in all General Fund local assistance programs totaling \$5.4 million.

Local assistance reductions including the following programs:

- Expanded In-Home Services for the Elderly (EISEP) - (\$2.3 million);
- Supplemental Nutrition Assistance Program (SNAP) - (\$1.1 million);
- Community Services for the Elderly (CSE) - (\$765,000);
- Cost of Living Adjustment (COLA) for local agencies - (\$689,000);
- Naturally Recurring Retirement Community (NORC) - (\$95,000); and
- Neighborhood Naturally Recurring Retirement Community (NNORC) - (\$95,000)

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<sup>1</sup> The Governor's aid to localities reduction proposals are estimates. Actual amounts will be reflected with the November 1 update provided by the Office of the State Comptroller.

***IMPACT: The Executive proposal would result in a reduction of \$5.4 million for local assistance programs and services for the elderly.***

**NEW YORK STATE COUNCIL ON THE ARTS**

The Executive DRP proposes a reduction of \$587,000 for Arts Grants, of which \$25,000 is for Stabilization awards, administered by the New York State Council on the Arts (NYSCA).

***IMPACT: The Executive DRP would result in a reduction of \$587,000 to capital and programs in the arts, affecting institutions throughout the state. These institutions serve as an economic engine which attract tourism and reinvestment in the communities in which they are located.***

**DEPARTMENT OF ECONOMIC DEVELOPMENT**

The Executive proposes cutting a total of \$2 million from NYSTAR for the following programs:

- The Faculty Development Program, (\$1 million); and
- The Technology Transfer Incentive Program, (\$1 million).

The Executive is requesting that Battery Park City (BPC), a New York State Public Benefit Corporation, contribute \$50 million by the end of the current fiscal year to relieve the SFY 2009-10 deficit and issue \$250 million in debt on the State's behalf, for a total contribution of \$300 million towards deficit reduction.

***IMPACT: The proposed Executive cut totaling \$2 million from the New York State Office of Science, Technology and Academic Research will have an impact on the State's higher education faculty commitment to make advances in technological research and to attract the brightest scientific minds in the nation.***

**State Education Department**

The Executive Gap Elimination Adjustment (GAP) recommendation calls for a one-time \$686.1 million reduction on a School Year Basis that would be taken against total formula-based aids. The GAP is structured so that school districts with the greatest needs and least ability to pay receive the smallest percentage reduction in aid. Individual school district reductions would range between three percent and nine percent. No high-needs school district would be reduced more than 1.4 percent of their district's total General Fund (GF) expenditures. The reductions would equal 4.5 percent of undisbursed aid payments.

The impact of the GAP is mostly divided among High-Need School Districts and Average-Need School Districts in the amount of \$601.8 million or 88 percent of the total GAP. More affluent districts would face larger aid losses from the GAP, but the losses would represent larger cuts to the total district budget in average and high need districts.

***IMPACT: School Aid would be reduced by \$480 million on a State fiscal year basis, representing a reduction of \$686.1 million on a school year basis. This midyear reduction would result in higher property taxes, personnel reductions including teachers and support staff and major programmatic reductions that result in fewer services for students throughout the State.***

**Comparison of Elimination Adjustment (October 2009) and Deficit Reduction Assessment (January 2009) by County**

COUNTY	Sum of GAP Elimination Adjustment	Sum of 2009-10 Executive Proposed DRA	COUNTY	Sum of GAP Elimination Adjustment	Sum of 2009-10 Executive Proposed DRA
ALBANY	-11,558,333	-17,571,284	NYC	-223,196,060	-361,867,141
ALLEGANY	-2,076,040	-3,499,351	ONEIDA	-9,063,001	-15,125,403
BROOME	-7,705,160	-13,059,511	ONONDAGA	-20,310,177	-33,933,272
CATTARAUGUS	-3,636,667	-6,153,785	ONTARIO	-5,242,092	-8,581,020
CAYUGA	-3,465,368	-5,796,608	ORANGE	-19,135,590	-30,381,384
CHAUTAUQUA	-4,929,337	-8,125,775	ORLEANS	-1,781,664	-2,968,778
CHEMUNG	-3,048,070	-5,245,457	OSTEGO	-2,330,205	-4,077,080
CHENANGO	-2,345,803	-3,967,711	OSWEGO	-5,577,032	-9,352,801
CLINTON	-3,400,064	-5,775,431	PUTNAM	-3,955,925	-5,706,305
COLUMBIA	-2,670,459	-4,254,604	RENSSELAER	-6,703,029	-11,262,178
CORTLAND	-1,763,813	-3,053,673	ROCKLAND	-10,194,471	-15,254,963
DELAWARE	-1,891,376	-3,183,836	SARATOGA	-11,444,921	-17,762,641
DUTCHESS	-14,317,035	-21,390,365	SCHENECTADY	-6,385,260	-10,084,014
ERIE	-37,723,621	-61,391,006	SCHOHARIE	-1,540,525	-2,594,428
ESSEX	-1,095,476	-1,694,906	SCHUYLER	-586,927	-998,062
FRANKLIN	-2,338,030	-3,713,500	SENECA	-1,302,893	-2,215,395
FULTON	-2,288,580	-3,856,943	ST. LAWRENCE	-4,090,279	-7,072,255
GENESEE	-2,648,158	-4,340,373	STEUBEN	-4,472,545	-7,530,855
GREENE	-2,021,205	-3,466,339	SUFFOLK	-77,440,010	-118,278,350
HAMILTON	-155,850	-215,104	SULLIVAN	-3,533,860	-5,698,293
HERKIMER	-2,369,428	-4,124,187	TIOGA	-2,148,394	-3,439,681
JEFFERSON	-4,209,051	-7,263,499	TOMPKINS	-3,641,210	-6,180,692
LEWIS	-1,144,373	-1,902,094	ULSTER	-8,276,732	-13,388,414
LIVINGSTON	-2,689,720	-4,459,555	WARREN	-2,844,019	-4,860,803
MADISON	-3,192,250	-5,399,848	WASHINGTON	-2,711,700	-4,625,959
MONROE	-31,863,663	-51,811,835	WAYNE	-4,229,683	-7,289,534
MONTGOMERY	-1,784,579	-3,070,509	WESTCHESTER	-28,680,942	-43,901,520
NASSAU	-45,945,368	-66,910,498	WYOMING	-1,528,591	-2,443,144
NIAGARA	-8,792,412	-15,100,323	YATES	-720,360	-1,255,212
			<b>Grand Total</b>	<b>-686,137,386</b>	<b>-1,097,927,487</b>

**Comparison of Gap Elimination Adjustment (October) and DRA (January) by Senate District**

<b>Senate District</b>	<b>Sum of GAP Elimination Adjustment (October)</b>	<b>Sum of 2009-10 Executive Proposed DRA (January)</b>
1	-\$12,880,697	-\$19,188,398
2	-\$15,408,862	-\$23,103,650
3	-\$20,032,596	-\$31,263,133
4	-\$21,960,597	-\$33,620,776
5	-\$7,926,557	-\$11,453,579
6	-\$12,784,046	-\$18,579,217
7	-\$10,136,871	-\$14,804,299
8	-\$11,512,018	-\$17,701,029
9	-\$10,743,134	-\$15,474,767
34	-\$1,049,813	-\$1,526,351
35	-\$3,519,939	-\$5,080,481
36	-\$2,522,565	-\$4,173,607
37	-\$9,057,803	-\$13,424,802
38	-\$14,260,314	-\$21,174,278
39	-\$14,066,433	-\$22,404,256
40	-\$10,825,140	-\$15,810,911
41	-\$16,056,661	-\$24,299,317
42	-\$14,597,287	-\$24,135,507
43	-\$16,259,420	-\$26,080,802
44	-\$12,291,668	-\$19,863,103
45	-\$12,600,420	-\$20,978,083
46	-\$11,558,333	-\$17,571,284
47	-\$11,382,072	-\$19,134,096
48	-\$11,266,171	-\$19,155,749
49	-\$9,866,445	-\$16,061,057
50	-\$10,954,752	-\$18,898,938
51	-\$11,451,711	-\$19,643,359
52	-\$11,549,908	-\$19,364,186
53	-\$11,621,039	-\$19,888,403
54	-\$14,788,255	-\$24,125,368
55	-\$11,803,488	-\$18,765,738
56	-\$5,450,229	-\$9,188,302
57	-\$11,566,249	-\$19,214,556
58	-\$7,778,261	-\$13,597,865
59	-\$13,573,241	-\$22,553,959
60	-\$3,355,855	-\$5,859,975
61	-\$11,977,206	-\$18,942,743
62	-\$12,385,951	-\$21,095,540
<b>BIG FIVE</b>	<b>-\$253,315,379</b>	<b>-\$410,726,023</b>
<b>Grand Total</b>	<b>-\$686,137,386</b>	<b>-\$1,097,927,487</b>

### **Other Education Reductions:**

Other education reductions in the Executive DRP include the following:

- \$11 million reduction of non-public school aid;
- \$10.4 million reduction to the remaining balance of the Summer School Special Education program;
- \$5.3 million reduction of several higher education opportunity programs;
- \$3.3 million reduction of Library Aid;
- \$2.7 million reduction the Extended Day (afterschool) program; and,
- \$75,000 reduction of the Workplace Literacy program.

***IMPACT: An additional \$34.2 million cut to other educational programs would impact after-school, literacy and higher education opportunity programs in addition to aid for libraries and non-public schools. During tough economic times, you should not cut funding for public services that are in the greatest demand or can do the most good, and libraries, afterschool programs and higher education opportunity programs fit that bill helping people find jobs, start new careers or access public assistance programs.***

### **DEPARTMENT OF ENVIRONMENTAL CONSERVATION AND NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY**

In the areas of Environmental Conservation and Energy, the Executive proposes reductions for two local assistance programs. They are:

- Hudson River Valley Greenway Communities Council, (\$6,000); and
- New York State Energy Research and Development Authority (NYSERDA) research grants, (\$462,000).

The Executive also proposes sweeping \$90 million from the Regional Greenhouse Gas Initiative (RGGI) program to the General Fund. The Executive DRP proposal also includes a \$10 million reduction to the Environmental Protection Fund (EPF). This would entail a \$10 million fund sweep reflected by a reduction in the overall EPF appropriations: \$222 million down to \$212 million. These fund sweeps would result in a reduction of approximately four percent in each of the EPF programs except for the Land Trust Alliance, which is not subject to a reduction, and the Fulton-Hudson-Champlain Quadricentennial, which is reduced by 30 percent.

***IMPACT: The Executive's proposed \$10 million sweep from the Environmental Protection Fund (EPF) would impact the State's capacity to purchase park lands, historic resources for purposes of conservation. In addition, the proposed sweep of \$90 million intended for the Regional Greenhouse Gas Initiative (RGGI) would diminish the State's capacity to promote clean energy initiatives.***

## **GENERAL STATE CHARGES**

The Executive DRP proposes to create Tier V pension plan for newly hired State and Local government employees. The key elements of Tier V pension plan are as follows:

- Normal retirement age will go from 55 to 62, and penalties will be imposed on employees who retire before the age of 62 at an amount up to 38%.
- Employees will contribute 3% to the Employee Retirement System (ERS) pension fund for the duration of their years of service as a State employee. Currently State employees contribute for only the first ten years of service.
- Restoring the minimum years of service required to draw a pension from five to ten years.
- Employees final average salary calculation used to determine pension allowances would cap the amount of voluntary overtime that could be included as wages in the calculation of pension benefits to a maximum of \$10,000, to be increase annually by 3%. There is no change on inclusion of **mandated** overtime.
- The pension contribution rate to be billed against new employee salaries would decrease by 2.1%.
- Tier V pension plan would only apply to employees hired after the effective date of the legislation.

The Executive DRP proposal includes no savings for SFY 2009-10 but for SFY 2010-11 the savings is \$20 million, and for SFY 2011-12 the savings is \$40 million.

***IMPACT: The Executive's proposed creation of a Tier V pension plan for new State and Local government employees would increase the retirement age from 55 to 62; penalize earlier retirement by up to 38% ; require a perpetual 3% contribution to the Employee Retirement System (ERS) in contrast to the current first ten years; increase from five to ten years the service needed to vest; and cap the application of voluntary overtime toward pension benefits. It is projected that this initiative would not provide any savings in the current State Fiscal Year.***

## DEPARTMENT OF HEALTH

The Executive DRP proposes \$286.6 million (state share) in reductions to the Medicaid programs. These savings would be achieved by imposing a ten percent across-the-board rate reduction on Medicaid services. The services to be reduced include: hospitals; clinics; outpatient services; physicians; nursing homes; and other long term care services. The across-the-board rate reductions would be effective November 15, 2009 until March 31, 2009. On April 1, 2010 and going forward, the rate reduction for the above categories of services would be 3.7 percent, resulting in a SFY 2010-11 savings of \$286.6 million. As a result of the enhanced federal matching assistance percentage (FMAP), the impact to providers of these services would be \$746 million in lost revenue.

***IMPACT: The Executive DRP reductions of \$286.6 million in the Medicaid rate would result in a loss of revenue to providers of Medicaid services of \$746 million. The providers that would be impacted by these reductions are hospitals, nursing homes, physicians, clinics, and home care services.***

Across the Board Medicaid Savings			
(\$ Millions of Dollars)			
SFY 2009-10 Savings			
Category of Service	SFY 09/10 Cash	SFY 10/11 Cash	Total Savings
Hospital	(\$41.8)	(\$24.0)	(\$65.80)
Clinics	(\$15.7)	(\$9.0)	(\$24.70)
Outpatient	(\$14.8)	(\$8.5)	(\$23.30)
Physicians	(\$3.6)	(\$2.1)	(\$5.70)
Nursing Homes	(\$60.3)	(\$34.6)	(\$94.90)
Other Long Term Care	(\$45.9)	(\$26.4)	(\$72.30)
Total Savings	(\$182.10)	(\$104.60)	(\$286.70)

The Executive DRP proposal did not include the following Medicaid programs as part of the across-the-board rate reductions:

- Medicaid Managed Care;
- Various smaller non-institutional programs; and
- Pharmacies.

### Other Department of Health Saving Actions

The Executive DRP proposes included the following:

- Increases the Medicaid Fraud Audit Target by \$150 million; bring the SFY 2009-10 target to \$1.0 billion.
- Ten percent across-the-board reduction in unspent balances of public health programs for SFY 2009-10 State savings of \$43.143 million.

The following programs were excluded from the public health across-the-board reductions:

- Hospital compliance and payors/provider audits;
- Health facilities restructuring pool;
- Long Term Care outreach and education;
- Excess medical malpractice;
- Elderly Pharmaceutical Insurance coverage (EPIC);
- AIDS Drug Assistance Program (ADAP);
- Diagnostic and Treatment Centers Bad Debt and Charity Care;
- Commissioner emergency pool;
- Indian health
- General Public Health Works; and
- Early Intervention.

The Executive also proposes to reduce the Child Health Plus (CHP) program by \$14 million which would reflect cash management savings and not a reduction to the eligibility standards of the program.

### **HIGHER EDUCATION SERVICES CORPORATION**

The Executive DRP proposes to implement a ten percent across-the-board reduction in the remaining, undisbursed local assistance spending for SFY 2009-10, which would achieve \$1.3 billion in savings. Of the \$1.3 billion in savings \$67.8 million or 5.2 percent is attributed to higher education. The higher education savings are as follows:

- Community colleges base aid reduction of \$260 per FTE (\$22.67 million at SUNY and \$8.8 million at CUNY). Consequently, base aid would be reduced from the Enacted Budget level of \$2,675 per FTE to \$2,415.
- Tuition Assistance Awards would be reduced by \$120 across the board in the Spring semester for a total savings of \$26.2 million.

The State University of New York (SUNY) sustained an operating funding reduction of \$38.7 million for the SFY 2008-09 Enacted Budget, despite legislative restorations totaling \$28.3 million. Following the enactment of the State budget, an additional 3.35 percent reduction in agency operating funds totaling \$107.5 million was implemented at SUNY, bringing its total reduction to \$146.2 million for SFY 2008-09. CUNY's reductions in SFY 2008-09 totaled \$68.2 million. The 2008-09 reductions were annualized and reflected in SUNY and CUNY's SFY 2009-10 Enacted Budget.

***IMPACT: The Higher Education impact of the SFY 2009-10 DRP proposal totals \$246 million: SUNY's reductions would total \$114 million; CUNY's spending would be reduced by \$63 million; and Tuition Assistance Program (TAP) would be reduced by \$26.2 million.***

**2009-10 PROPOSED DEFICIT REDUCTION PLAN (DRP) – HIGHER EDUCATION PROGRAMS**

<b>Program</b>	<b>All Funds NPS/Local Assistance Appropriations</b>	<b>Reductions</b>	<b>Type</b>	<b>Action Required</b>
SUNY		(\$)		
SUNY State-Operated/Statutory Colleges	1,089,676,000	(90,000,000)	State-operation NPS	Administrative
SUNY Community Colleges (CC) Base Aid	462,836,726	(22,671,000)	Local Assistance	Legislative
SUNY CC Rental Aid	8,633,000	(620,000)	Local Assistance	Legislative
SUNY CC Contract Courses	1,880,000	(146,000)	Local Assistance	Legislative
SUNY CC High Needs Programs	1,692,000	(169,000)	Local Assistance	Legislative
SUNY CC Child care Centers	1,001,000	(100,000)	Local Assistance	Legislative
SUNY CC Low Enrollment	940,000	(47,000)	Local Assistance	Legislative
Cornell Cooperative Extension	3,920,000	(340,000)	Local Assistance	Legislative
<b>SUNY TOTAL</b>		<b>(114,093,000)</b>		
CUNY				
CUNY Senior Colleges	441,047,000	(53,000,000)	State-operation NPS	Legislative
CUNY Community Colleges (CC) Base Aid	177,687,230	(8,814,000)	Local Assistance	Legislative
CUNY CC Rental Aid	7,209,280	(721,000)	Local Assistance	Legislative
CUNY CC Child care Centers	813,100	(81,000)	Local Assistance	Legislative
CUNY CC Workforce Development	1,880,000	(188,000)	Local Assistance	Legislative
College Discovery	828,000	(83,000)	Local Assistance	Legislative
<b>CUNY TOTAL</b>		<b>(62,887,000)</b>		
HESC				
TAP	838,966,000	(26,208,000)	Local Assistance	Legislative
Aid for Part-time Studies	14,357,000	(537,000)	Local Assistance	Legislative
Various Scholarships	39,152,000	(1,615,000)	Local Assistance	Legislative
McGee Nursing Scholarship	3,933,000	(67,000)	Local Assistance	Legislative
HESC NPS	N/A	(35,000,000)	State-operation NPS	Administrative
<b>HESC TOTAL</b>		<b>(63,427,000)</b>		
SED HIGHER EDUCATION PROGRAMS				
Liberty partnerships	11,817,000	(780,000)	Local Assistance	Legislative
BUNDY Aid	41,600,000	(1,456,000)	Local Assistance	Legislative
Higher Education Opportunity Programs (HEOP)	23,752,000	(2,281,000)	Local Assistance	Legislative
Post Secondary Aid/Native Americans	598,000	(17,000)	Local Assistance	Legislative
Science/Technology Program (STEP)	10,283,000	(407,000)	Local Assistance	Legislative
Collegiate Science/Technology Program (CSTEP)	7,600,000	(306,000)	Local Assistance	Legislative
High Needs Nursing	941,000	(52,000)	Local Assistance	Legislative
Teacher Opportunity Corps	671,000	(35,000)	Local Assistance	Legislative
<b>SED HIGHER EDUCATION TOTAL</b>		<b>(5,334,000)</b>		
<b>ALL HIGHER EDUCATION</b>		<b>(245,741,000)</b>		

## **DIVISION OF HOUSING AND COMMUNITY RENEWAL**

The Executive DRP proposes 10 percent reduction for the following programs:

- Rural Rental Assistance Program, (\$736,000);
- Neighborhood Preservation Program, (\$582,000); and
- Rural Preservation Program, (\$240,000).

***IMPACT: The Executive DRP would result \$822,000 in reductions to the Neighborhood and Rural Preservation Companies Programs which provide housing tenant and homeowner counseling, capital improvement and development assistance, and \$736,000 in reductions to the Rural Rental Assistance Program which provide housing to the neediest individuals in rural areas.***

## **DEPARTMENT OF FAMILY ASSISTANCE (OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE (OTDA) AND OFFICE OF CHILDREN AND FAMILY SERVICES (OCFS))**

For human services agencies, the Executive proposes ten percent across-the-board reductions on all local assistance programs in Office of Children and Family Services (OCFS) and Office of Temporary and Disability Assistance (OTDA) resulting in savings of \$25.8 million. The programs that would be subjected to the ten percent across the board reductions include: youth development and delinquency (YDDP) programs; home visiting, and advantage after school programs. Programs in OCFS such as Youth Development and Delinquency Program, Home Visiting; Advantage After School programs; HIV welfare to work program; and single room occupancy.

The Executive DRP also proposes a ten percent reduction for the State supplemental security income (SSI) resulting in savings of \$11.3 million.

***IMPACT: The Executive proposes to reduce all Local Assistance programs by 10 percent. Reductions total \$10.6 million within the Office of Children and Family Services and \$15.3 million with the Office of Temporary and Disability Assistance. These reductions would result in community services organizations being unable to provide the same level of service to the most at-risk population across New York State.***

## **INSURANCE DEPARTMENT**

The Executive DRP proposes a ten percent reduction from the November 1, 2009, cash estimates would result in \$7.284 million in savings. Of this amount, \$4.487 million in savings is attributed to the across-the-board reduction for “Timothy’s Law.” In addition to “Timothy’s Law,” the following programs are also being reduced:

- New York City Fire Training Academy (\$15,000);
- Cervical Cancer Vaccine Program (\$70,000);
- Lead poisoning prevention program (\$56,000);
- Childhood lead poisoning primary prevention program (77,000);
- Lead prevention program (\$10,000);
- Childhood obesity program (25,000);
- Immunization program (\$112,000);
- Health NY (2.4 million); and
- Entertainment industry workers program (\$29,000)

***IMPACT: The DRP reductions to the Insurance Department would result in state savings of \$7.284 million. Any shortfalls in “Timothy’s Law” would be reflected in increased premiums to small businesses and may result in mental health services no longer being covered for the most vulnerable populations.***

## **DEPARTMENT OF LABOR**

The Executive DRP proposes across the board reductions of Legislative program resulting in \$934,000 in savings. The Legislative programs which would be reduced are as follows:

- CWE- Workforce Development (\$46,000);
- CWE- Workplace Literacy (\$23,000);
- WNYCOSH (\$23,000);
- AFL-CIO Domestic Violence Program at Cornell (\$9,000);
- WNYCOSH Special Training (\$18,000);
- AFL-CIO Workforce Development Institute training programs (\$482,000);
- Displaced Homemakers Program (\$220,000); and
- Jobs for Youth (\$109,000).

***IMPACT: The Executive DRP would result in \$930,000 in reductions to organizations that assist individuals in obtaining new or improved opportunities for employment.***

## **LOCAL GOVERNMENT AID**

The Executive proposes a total of \$68.9 million in across-the-board reductions in Local Government Aid. The majority of this reduction is in the Aid and Incentives for Municipalities (AIM) Program payments to New York City (NYC) and to 17 other Non-Calendar Cities (including the Big Four Cities: Buffalo, Rochester, Syracuse and Yonkers). The NYC AIM payment would be reduced by about \$26.2 million, representing a ten percent reduction of the remaining scheduled AIM funding that NYC would have received for SFY 2009-10. Non-Calendar Cities outside of NYC would receive nearly a \$40.4 million reduction, also representing a ten percent reduction of the remaining scheduled AIM funding that these cities would have received for SFY 2009-10.

Total AIM funding to NYC and to all cities, towns, and villages outside of NYC in the SFY 2009-10 Enacted Budget was approximately \$766.5 million, broken out as follows:

- \$66.6 million reduction in AIM payments to Non-Calendar-Year Cities;
- \$971,000 reduction in Local Government Efficiency Grants & Shared Municipal Services Incentive Grants, which is ten percent of the available funding;
- \$209,000 reduction for Small Government Assistance, which is a 10 percent reduction of the annual payment;
- \$594,000 reduction for Efficiency Incentive Grants, which would be evenly split between the Buffalo Fiscal Stability Authority (BFSA) and the Erie County Fiscal Stability Authority;
- \$500,000 reduction in a miscellaneous payment to the City of Yonkers, which is a ten percent reduction of the one-time payment of \$5.0 million.

***IMPACT: the Executive DRP would reduce aid provided to localities by \$68.9 million. This loss in revenue to local governments will make it more difficult for them to provide local services without having to raise local property taxes.***

**Across-the-Board AIM Reduction Against Non-Calendar Year Cities**

County	Name	2009-10 Enacted Budget	8.0% Annual Reduction	2009-10 Revised Budget
<u>Big Four Cities</u>				
Erie	BUFFALO	\$169,027,453	(\$13,522,196)	\$155,505,257
Monroe	ROCHESTER	\$92,215,689	(\$7,377,255)	\$84,838,434
Onondaga	SYRACUSE	\$75,084,069	(\$6,006,726)	\$69,077,343
Westchester	YONKERS	\$113,074,558	(\$9,045,965)	\$104,028,593
		<b>\$449,401,769</b>	<b>(\$35,952,142)</b>	\$413,449,627
<u>Other Non-Calendar Year Cities (13)</u>				
Montgomery	AMSTERDAM	\$3,010,137	(\$240,811)	\$2,769,326
Cayuga	AUBURN	\$5,227,801	(\$418,224)	\$4,809,577
Genesee	BATAVIA	\$1,901,664	(\$152,133)	\$1,749,531
Steuben	CORNING	\$1,622,300	(\$129,784)	\$1,492,516
Steuben	HORNELL	\$1,576,892	(\$126,151)	\$1,450,741
Erie	LACKAWANNA	\$6,613,009	(\$529,041)	\$6,083,968
Nassau	LONG BEACH	\$3,404,144	(\$272,332)	\$3,131,812
Cattaraugus	OLEAN	\$2,358,120	(\$188,650)	\$2,169,470
Rensselaer	RENSSELAER	\$1,227,071	(\$98,166)	\$1,128,905
Cattaraugus	SALAMANCA	\$1,008,006	(\$80,640)	\$927,366
Oneida	UTICA	\$16,961,328	(\$1,356,906)	\$15,604,422
Jefferson	WATERTOWN	\$5,090,176	(\$407,214)	\$4,682,962
Westchester	WHITE PLAINS	\$5,896,127	(\$471,690)	\$5,424,437
		<b>\$55,896,775</b>	<b>(\$4,471,742)</b>	<b>\$51,425,033</b>

## Special Session Gap-Closing Plan

### Local Impacts Analysis -- SFY 2009-10

\$-000s

Functional Area / Program	Total Local Gov't Impact	NYC	Counties	Cities, Towns, Villages	School Districts
<b>Education</b>	(493,193)	(160,922)	0	(304)	<b>(331,967)</b>
<b>School Aid*</b>	(480,300)	(156,240)	0	0	<b>(324,060)</b>
<b>Summer School Special Education</b>	(10,404)	(4,682)	0	0	<b>(5,722)</b>
<b>Library Aid</b>	(304)	0	0	(304)	<b>0</b>
<b>All Other</b>	(2,185)	0	0	0	<b>(2,185)</b>
<b>Health/Mental Hygiene</b>	(3,259)	(732)	(877)	0	<b>(1,650)</b>
<b>SOFA (EISEP/CSE)</b>	755	265	490	0	<b>0</b>
<b>Adult Non-Residential Mental Health Services</b>	(819)	(246)	(573)	0	<b>0</b>
<b>Children and Youth Non-Residential Mental Health Services</b>	(250)	(75)	(175)	0	<b>0</b>
<b>All Other Mental Health Services</b>	(220)	(66)	(154)	0	<b>0</b>
<b>OASAS Community Treatment Services</b>	(1,032)	(592)	(440)	0	<b>0</b>
<b>OASAS Prevention and Program Support</b>	(1,657)	(4)	(3)	0	<b>(1,650)</b>
<b>OMRDD Community Services</b>	(36)	(14)	(22)	0	<b>0</b>
<b>Transportation</b>	(6,678)	(2,964)	(3,714)	0	<b>0</b>
<b>Transit Assistance</b>	(6,678)	(2,964)	(3,714)	0	<b>0</b>
<b>Local Gov't Aid</b>	(68,929)	(26,231)	(606)	(41,805)	<b>(287)</b>
<b>AIM</b>	(66,655)	(26,231)	0	(40,424)	<b>0</b>
<b>All Other</b>	(2,274)	0	(606)	(1,381)	<b>(287)</b>
<b>Public Safety</b>	(1,006)	(526)	(430)	(50)	<b>0</b>
<b>Crimes Against Revenue Program</b>	(600)	(360)	(240)	0	<b>0</b>
<b>Motor Vehicle Theft and Insurance Fraud Prevention</b>	(406)	(166)	(190)	(50)	<b>0</b>
<b>All Other</b>	(1,253)	(50)	(529)	(674)	<b>0</b>
<b>ORPS Local Assistance Programs</b>	(853)	(50)	(129)	(674)	<b>0</b>
<b>Department of State Local Assistance Programs</b>	(400)	0	(400)	0	<b>0</b>
<b>Subtotal - Spending Reductions</b>	(574,318)	(191,425)	(6,156)	(42,833)	<b>(333,904)</b>
<b>Revenue Actions</b>	83,900	50,900	25,100	6,800	<b>1,100</b>
<b>Tax Amnesty - PIT / Withholding</b>	29,900	29,800	0	100	<b>0</b>
<b>Tax Amnesty - Sales Tax</b>	54,000	21,100	25,100	6,700	<b>1,100</b>
<b>Total Local Impact</b>	(490,418)	(140,525)	18,944	(36,033)	<b>(332,804)</b>

\* On a school year basis, the total reduction is \$686M: \$223M for NYC, \$463M all other districts

## MENTAL HYGIENE AGENCIES

The Executive's proposed Deficit Reduction Plan (DRP) recommends a 10 percent across-the-board reduction on all remaining mental hygiene local assistance spending in the current fiscal year. This reduction would result in All Funds savings of **\$128.6 million**, broken out as follows:

- OMRDD (\$65.4 million);
- OMH (\$47.2 million);
- OASAS (\$16 million); and
- CQCAPD (\$6,000).

### Mental Hygiene Medicaid

Of the \$128 million proposed reduction, **\$67 million** is attributed to Medicaid. With the enhanced FMAP, the ten percent across-the-board Medicaid reduction would result in a loss of revenue to providers of approximately **\$176 million** for the remainder of the State Fiscal Year.

***IMPACT: The Executive's DRP would result in reductions of \$128 million, of which \$67 million is attributed to Medicaid services. The Medicaid providers of mental hygiene services would have lost revenue of \$176 million. The providers that would be impacted by these reductions are not-for-profit agencies and community service providers, provider of mental health services, alcohol and substance services for the mentally disabled and developmental disability populations.***

## DEPARTMENT OF STATE

The Executive DRP proposes a reduction to the Department of State (DOS) of \$1.46 million, including a reduction to Civil Legal Services. Re-appropriations totaling \$106,000 will be reduced as follows:

- NYC Automated Defibrillator (\$73,000);
- Domestic Violence Legal Services (\$1,000);
- CPR Anytime NYC (\$1,000);
- Settlement Houses (\$8,000);
- Domestic Violence Legal Services (\$1,000);
- Quality Communities (\$11,000); and
- Downtown Revitalization Program (\$11,000).

***IMPACT: The \$1.5 million reduction to the Department of State would impact diverse programs, constituents and communities ranging from domestic violence prevention and counseling, emergency services, life saving equipment, cemeteries and census training in preparation of the 2010 census, among a variety of other programs.***

## **PUBLIC PROTECTION**

The Executive proposed 10% reductions to a variety of public protection agencies, including:

- \$1.7 million reduction to the Division of Criminal Justice Services (DCJS);
- \$1.2 million reduction to the Division of Probation and Corrective Alternatives (DPCA);
- \$74,000 reduction to the Division of Parole; and
- \$27,000 reduction of the Office of the Prevention of Domestic Violence (OPDV).

Among the programs slated for reduction is the Operation Snug program. The Executive plans to reduce this program by \$400,000. This would reduce funding from \$4 million to \$3.6 million.

The New York State Defenders Association is held harmless from the proposed ten percent across-the-board reductions since the program's entire allocation has already been spent.

***IMPACT: The Executive DRP would result in \$3.91 million in reductions to public safety programs in various communities throughout the State.***

## **TRANSPORTATION**

All cuts in the area of Transportation are proposed to be made to operating aid appropriations to transit systems currently receiving State assistance; the sum total for this cut in SFY 2009-10 is \$125.4 million. In comparison to the SFY 2009-10 Enacted Budget, all transit operating systems receive an additional reduction of 2.89 percent.

***IMPACT: The Executive DRP proposes to reduce transit operating assistance by a total of \$125.4 million, resulting in additional reductions of approximately three percent to all transit systems receiving State assistance, including the MTA, thereby increasing the likelihood of service reductions and fare increases for users of public transportation.***

## **FISCAL ELEMENTS**

### **ACCOUNTS RECEIVABLE DISCOUNT PROGRAM**

The Executive has proposed to implement an accounts receivable discount program which is anticipated to increase State tax revenues by \$250 million. This program would not be an amnesty program by which taxpayers would be eligible for reduced interest and penalty payments for filing their outstanding returns. Taxpayers eligible for the proposed program would be those who have been issued either an assessment or fixed and final determination of tax due by the Tax Department. In addition, the assessment or the determination of tax due would have been issued on or before December 31, 2006. Taxpayers with criminal convictions, fraud penalties, tax shelter penalties, or voluntary compliance penalties would not be eligible for the program.

For outstanding tax liabilities that are between three and six years old, the taxpayer would be eligible for a fifty percent discount on interest and penalties due. The taxpayer would still be liable for the payment of the full amount of the tax liability. For outstanding liabilities over six years old, the penalty and interest discount would be increased to eighty percent; full payment of outstanding tax liability would still be due.

### **AQUEDUCT VLT PAYMENT**

With the new round of proposals for the DRP, DOB (Executive) estimates the company that wins the Franchise Bids for Aqueduct will make a payment of approximately \$200 million this year. Previous to the DRP announcement by DOB, this payment was planned for SFY 2010-2011.

### **DASNY TRANSFER**

An additional transfer from the Dormitory Authority (DA) to the General Fund totaling \$26 million is authorized.

### **ADDITIONAL ADMINISTRATIVE SAVINGS/MEDICAID FRAUD**

These measures include increasing the estimation of the Article 18-a assessment enacted in April (\$45 million); increasing Medicaid fraud collection activities (\$150 million); and pursuing state debt management measures, which could potentially save (\$100 million).