

The People's Budget

Budget Equity XXII



Preliminary Analysis of the Governor's Executive Budget 2014-2015

by The New York State Black, Puerto Rican, Hispanic, and Asian Legislative Caucus

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MESSAGE FROM THE CHAIRMAN
Assemblyman Karim Camara
SFY 2014-2015

The New York State Black, Puerto Rican, Hispanic, and Asian Legislative Caucus is comprised of 43 Senators and Assembly members from districts across the state and represent a major voice for New York minority communities. It is with great honor and humility that I serve as Chair of “the Caucus” and present to you “the People’s Budget”.

The People’s Budget: Budget Equity XXII is an analysis of the 2014-2015 Executive Budget and is compiled and disseminated in order to provide all of our constituents with salient information about the impacts of this year’s budget on our local communities.

With certainty the economic health of our state is increasingly improving. Yet, there are still too many New Yorkers who are unemployed or under-employed. A disproportionate number of these people reside in the districts we represent and where the economic recession has had the most devastating impact. Hence, many families in our districts are still facing harsh economic challenges. This report by the Caucus advocates for a budget that is equitable and accounts for the needs of our communities. This is a collective reminder that the Caucus is committed to addressing the inequalities that continue to plague minority communities.

As always, the Caucus remains united in its commitment to protect all of our constituents, and be the voice for the voiceless throughout the great state of New York. We collectively vouch to keep your voices and needs present through this legislative session and beyond. We will continue to work tirelessly to ensure that the state’s final budget safeguards the social, civil and economic rights of all our constituents.

**Message from Budget Co-Chair
Assemblywoman Crystal D. Peoples-Stokes
SFY 2014-2015**

Governor Cuomo's 2014-15 Executive Budget Proposal presents the members of the New York State Black, Puerto Rican, Hispanic and Asian Legislative Caucus with a budget that is unique in its assumptions on how to address the continued sluggish recovery here in New York. With an emphasis on limiting spending to about 2 percent a year before inflation and proposed business and estate tax cuts that will reduce state tax collections by \$1.2 billion a year it continues an aggressive tax relief and tight spending philosophy. Although these are worthy goals, we as members of this caucus must look at a broader picture and understand exactly where we are and how we must broaden the focus and seek to invest in education and economic development in our communities in order to create opportunities for families still reeling from a continued sluggish economic recovery.

Although New York State has fared better than most states during this recession and weak recovery, income gains have been concentrated at the top and pronounced economic hardships have taken a toll on millions of New Yorkers. Three Million New Yorkers are now receiving food stamps and poverty has risen to record levels across all regions of the state. These multiple levels of service cuts, in education, transportation and day-to-day services have been the ones that have hurt communities the most and those that we must work to ameliorate. Government is not the enemy as expressed in this proposed budget, government is there to provide service.

This proposal follows six years of austerity budgets and if implemented in its entirety will mean that New York State will have been operating under a decade of austerity. A decade that has seen the reduction of services through budget cuts that have had a negative impact upon New Yorkers at a time of continued economic hardship and a lack of bi-partisan cooperation in the pursuit of policies to improve the conditions of many who need opportunity and relief.

This year's 43rd annual weekend's theme, "Reclaiming Our Sons and Daughters", has a special resonance and importance given the impact of the losses of Trayvon Martin, Hadiya Pendleton and countless others to the scourge of gun violence in communities across America. Our loss of them reminds us how important it is that we invest in our young, embrace, claim and try harder to protect them from an ever changing and troubled world. President Obama made this so clear when he said himself that Trayvon could be his. We should feel that way about all our sons and daughters.

That is why we should move forward and not only embrace but expand upon the calls for the expansion of Pre-K not only in New York City but across the entire State of New York. The Executive Budget proposal to commit \$1.5 billion over the next five years does not go far enough and that we must find a way to get the resources we know can have a life changing impact upon children and their ability to face the new educational challenges mandated upon them by the State.

I am sure that working together we can face these challenges and move forward in pursuit of addressing the issues involved in this proposed budget in a positive and progressive fashion.

ACKNOWLEDGEMENTS

We would like to express special appreciation to all of the Legislators, staffs and community groups who have contributed to this publication. Without their talents, dedication and commitment, Budget Equity XXII would not have been possible.

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EXPLANATION OF TERMS

New York State's annual budget contains the financial resources that allow many programs throughout the State to operate in an efficient and effective manner. The appropriations contained in the state budget are presented in specific fund types and categories or purposes. The presentation is simply distinguishing where the money comes from and where it goes or for what purpose it is spent. The following definitions are meant to be a non-technical description of funding structure of the state budget.

Fund Types: How NYS derives its money for the programs.

General Fund (GF): Represents funds derived from the income taxes of New York State residents. These "TAX DOLLARS" can generally be spent for any purpose within the budget as designated by the Legislature and Governor.

Special Revenue Fund: Represents funds derived from a "SPECIAL SOURCE" and generally fall in two categories, State and Federal. These funds may be restricted in their usage and could prohibit appropriation for general purposes in the budget.

The Special Revenue Fund-State (SRO): Dollars come from special agency sources like user fees, fines, penalties, student tuition, etc. charged to New York State residents.

The Special Revenue-Federal (SRF): Dollars come from the federal government usually in the form of a grant and are for program-specific purposes in most cases. An example of these funds would be Federal Pell Grant funding for students at the State University of New York.

Capital Projects Revenue: Represents funds derived from tax revenue or the sale of New York State Revenue Bonds. These funds are specifically targeted for major infrastructure and capital improvements like roads, bridges, buildings, and computer upgrades.

Debt Service Funds (DSF): Represent tax dollars and special revenue sources set aside to pay for the various revenue bonds issued by the State of New York.

Categories and Purposes

State Operations: Funds in this category are used to support the primary operations of an agency such as administration and core programmatic activities.

Aid to Localities: Funds in this category are used to support the operations of local municipalities, community organizations, or direct grants to New York State residents (e.g. Tuition Assistance Grants for eligible college students).

General State Charges: Funds in this category are used to pay for the employee benefits of the state work force (e.g. medical insurance, retirement etc.).

Capital Projects Revenue: These funds are specifically targeted for major infrastructure or capital improvements like roads, bridges, buildings, and computer upgrades.

Debt Service Funds (DSF): Set aside to pay for the various revenue bonds issued by the State of New York.

**PRELIMINARY ANALYSIS OF THE
2014-2015 EXECUTIVE BUDGET PROPOSAL**

The 2014-2015 Executive Budget in Economic and Social Context

The Great Recession, which officially began in December 2007 and officially ended in June 2009, has been followed by the weakest recovery since the 1930s. As New York policymakers debate budget priorities for the 2014-15 state fiscal year (which begins less than two months from now, on April 1, 2014), the economic outlook is for moderate growth with a lower but still too high overall unemployment rate and with 500,000 New Yorkers either experiencing long-term unemployment or having given up looking for work.

New York State lost proportionately fewer payroll jobs during the Great Recession than the rest of the nation. But that is of little consolation given how deep the recession was in New York and the other states that fared comparatively well during this historic downturn. It is also of little consolation given the persistence of high and long-term unemployment.

Overall, New York City is faring much better than the suburbs and upstate in terms of job growth. But most of the job growth in NYC and around the state has been in low-wage jobs and low- and middle-income workers everywhere have suffered.

New York can't recover on its own without a stronger national recovery. For that, more federal spending stimulus is needed, but Washington seems intent on cutting spending and creating "fiscal drag" that will slow economic growth.

The Great Recession and the historically weak recovery have generated rising poverty, persistent unemployment, faltering wages and other indicators of widespread economic distress. The concentration of income growth at the top has resumed and income polarization is also impeding recovery.

In addition, Wall Street's role in the economy seems to be permanently changing. That transition should be the occasion for adopting—at all levels of government—a comprehensive set of budget, tax and economic policy changes that will reduce polarization and foster sustained and broadly shared prosperity.

Although New York State fared better than many states during the Great Recession, economic hardships have been pronounced and have taken an enormous toll on millions of New Yorkers. Here are some examples:

- The number of New Yorkers receiving food stamps jumped by 1.34 million, or by 74%, since the recession began, and outside of NYC, the increase has been even higher at 86%.
- More than 1.2 million New Yorkers were added to the Medicaid rolls from August 2007 to August 2013, bringing the total to 5.34 million, or more than 27% of state residents.
- The number of people receiving public assistance grew by one-third outside of New York City over the past 5 years while, within New York City, the previous city administration discouraged people from accessing public assistance.

- Even though the mortgage foreclosure problem was not as severe in New York State as in many states, 10% of New York homeowners are now more than 90 days overdue on their mortgages, more than twice the national average.
- Since 2007-08, poverty rates have increased sharply at the national, New York State and New York City levels, with New York's statewide poverty rate (16.6% for 2011-12) remaining consistently above the national rate (15% for 2011-12). The New York City poverty rate (23.5% for 2011-12) has remained substantially higher than the national and New York State rates.

While New York City is home to the majority of New Yorkers living below the poverty line, the poverty rates are far higher in the major upstate cities. According to the Census Bureau's American Community Survey, the percentage of people living below the poverty line in the upstate cities with populations above 65,000 in 2012 ranged from 26.8% in Albany to 38.2% in Syracuse. Child poverty rates were even higher with more than half of all the children in Syracuse (54.3%) and close to half of all children in Rochester (48.7%) living in households with incomes below the poverty line.

Income polarization has also started to rise again. After peaking in 2007 (when the top 1% share of all income peaked at 35% for New York State and just below 45% for New York City), income polarization declined in 2008 and 2009. But the trend to increasing income polarization resumed and was virtually back to 2008 levels in 2012.

The poverty and income polarization trends of the last several years underscore the need, now more than ever, for federal and state policies that will move the economy toward broadly shared prosperity.

Balancing New York State's 2014-15 Budget

In 2001, Nobel laureate Joseph Stiglitz and Peter Orszag, then of the Brookings Institution, concluded that among the various budget balancing strategies available to state and local governments, reductions in government spending on goods and services that are produced locally (like elementary and secondary education) and reductions in transfer payments to lower-income families are the most damaging to the economy since they come closest to taking dollar for dollar out of the local economy.

Stiglitz and Orszag also concluded that it makes eminently good sense for the federal government to help the states to balance their budgets during economic downturns. Ideally, during such periods, the federal government, which is not required to run balanced budgets and which is responsible for overall macroeconomic management, should assist the states with some form of counter-cyclical financial assistance. If the federal government does not help the states to balance their budgets during such periods then the states will have to do more tax increasing and/or service cutting than would otherwise be necessary thus canceling out more of the positive impact of the actions that the federal government is taking directly to stimulate the economy.

New York State has been practicing austerity budgeting since 2008 but the irony is that it has actually increased the extent of its economically counter-productive budget cutting over time,

even as it is claiming that it now has the resources to make generous tax cuts – even going so far as to seriously consider a reduction in the tax on estates of \$5 and \$10 million and more from 16% to 10%. While New York imposed some pretty severe budget cuts in 2009 and 2010, it reduced the magnitude of the spending cuts necessary to balance the budget by enacting two temporarily higher personal income tax (PIT) rates for the 2009, 2010 and 2011 tax years (8.97% for families with incomes above \$500,000 and 7.85% for families with incomes between \$300,000 and \$500,000). In December 2011, however, New York made a decision which has required more budget cutting since than would have been necessary if it had continued those temporary rates.

While the December 2011 tax package only reduced the top PIT rate from 8.97% to 8.82%, it changed the starting point for that top rate from \$500,000 to \$2 million. The result was a tax reduction of 23.6% back to the permanent 6.85% rate for families with incomes between \$500,000 and \$2 million. The economic consequences of these policy choices are worth considering. In 2009 and 2010, while New York's austere but more objective approach to budget balancing was being implemented, New York continued to do much better than the nation as a whole in terms of private sector employment gains and losses. And since New York's move to greater reliance on budget cuts and lesser reliance on fair tax policies with its December 2011 policy change, New York's relative strength in terms of private sector employment has lessened.

On top of the \$2 billion in spending cuts that the current Executive Budget is proposing for 2014-15, the accompanying financial plan calls for further cuts of \$4.4 billion in 2015-16, \$5.6 billion in 2016-17 and \$7.1 billion in 2017-18. But the human impact of this budget is masked by the fact that a significant portion of those cuts are unspecified like "a player to be named later" in a baseball trade. This cloud of darkness on the true impact of the 2014-15 budget is accomplished by the inclusion of a "below the line" adjustment referred to in the state's budget documents as "Adherence to 2% State Operating Funds Spending Benchmark." Only through this artistry does the state have a projected budget surplus of \$2 billion two years from now and the ability to make a commitment to a multi-year, back-loaded tax cut package. In reality, the enactment of these tax cuts will prevent the state from ever honoring its commitments under the Campaign for Fiscal Equity settlement legislation enacted in 2007; and even with more modest but insufficient increases in state aid to education the proposed budget will squeeze most other areas of state responsibility in unprecedented ways.

To address the human needs identified in this edition of Budget Equity, and to avoid the harmful cost saving proposals included in the 2014-15 Executive Budget that are likely, state policymakers should balance the state budget in a much more economically sensible manner.

New York State should not balance its budget in ways that will make economic conditions worse or place a drag on the recovery by further cutting the staffing levels of state and local government agencies and nonprofit service-providing agencies. The Governor and the Legislature should make policy choices that will take the least amount of demand possible out of the state economy.

Rather than cutting and otherwise underfunding essential services, the Legislature should consider progressive revenue alternatives such as those outlined in the final section of this edition of Budget Equity.

EDUCATION

The 2014-2015 Executive Budget provides for an increase of \$608 million in formula aid. The Governor's plan also includes an unallocated \$74 million contained in a Fiscal Stabilization Fund for distribution to provide one-time financial relief for school districts. In addition, the Executive Budget provides \$145 million for new programs including Universal Full-Day Pre-kindergarten, Teacher Excellence Fund and Pathways in Technology and Early College High Schools, and School-Wide Extended Learning Time. There will be an additional \$285 million increase for reimbursable expense-based aid programs which include school construction, pupil transportation, and BOCES. In total the Governor proposes \$889 million in education funding.

The Executive Budget proposes three credits designed to provide tax relief to homeowners and renters who live in school districts that stay within the property tax cap for two years. This would create a real property tax freeze credit, a circuit breaker credit and a renter's personal tax income credit. To qualify for the property tax freeze and circuit breaker credit, the Executive would require local property tax budgets to remain within the property tax cap. Qualification for the property tax freeze requires the development of plans for cost sharing and consolidation of services.

The Executive Budget also proposes a pension smoothing system that would authorize the Comptroller and the New York State Teachers' Retirement System to establish a long-term stable contribution option for municipalities and school districts.

Keeping the Promise

The Campaign for Fiscal Equity

In 1993, Robert Jackson and a group of New York City parents organized the Campaign for Fiscal Equity. CFE sued the State of New York on the grounds that the State was failing to provide students the "sound basic education" or "meaningful high school education" that is their constitutional right. Over the next 13 years the CFE lawsuit faced a series of delays and appeals to try and stave off the State's constitutional responsibilities to our school children. But, the New York State Court of Appeals, as well as the trial and appellate courts, repeatedly found that the state was failing in its constitutional obligations to provide for the classroom resources necessary to educate every student.

While the CFE case was specific to New York City, the CFE plaintiffs argued for a statewide solution because students in many schools faced the same lack of adequate classroom resources--whether upstate or downstate, rural or suburban, in large cities or small cities. In fact, the Court of Appeals recognized that the State, in formulating a remedy to CFE, "may of course address statewide issues if it chooses."

In 2007, the Caucus joined with all of our state elected officials in enacting the historic school reforms that were designed to provide a statewide resolution to CFE. The 2007 education reforms were designed to finally end the delays and excuses that stood between too many of our

students and the quality education that is their constitutional right. Under this statewide CFE resolution, the state replaced a complex maze of 30 school aid formulas with a single foundation formula designed to fairly distribute classroom aid based on student need and community income and property wealth. The state committed to phase-in a \$5.5 billion increase in foundation aid over four years. In 2007 and 2008 the state fulfilled this commitment by adding \$2.3 billion in classroom funding through school aid. These funds were used to reduce class size, expand the school day and the school year, provide specialized programs for English Language Learners, reform high schools and middle schools, invest in professional development for teachers and principals, and create opportunities for full-day Pre-Kindergarten and Kindergarten programs. The funds invested created highly effective educational programs in schools across the state.

But in 2009, the fiscal crisis took hold and since then our schools have faced retrenchment. The State has cut \$2.7 billion in school aid. Once again, CFE was delayed and the cuts were terribly inequitable because they were two to three times as large per pupil in poor and average need districts as in wealthy districts. As a result, schools have increased class sizes, cut summer school programs, tutoring, college preparatory and Advance Placement courses, Career and Technical Education, arts, music, sports and in some cases Kindergarten and Pre-Kindergarten. Finally, in 2013 there is an opportunity for restoring some of these classroom cuts. We must fulfill the obligations we committed to in 2007 when we settled CFE. Our CFE commitments statewide must be kept front and center, not pushed to the back of the line.

CFE: Where We Stand in 2014

New York State's Commissioner of Education Dr. John King has repeatedly warned that our schools face the prospect of "educational insolvency" whereby they will not be able to provide the quality of education students need to be prepared for college and in some cases will be unable to fulfill the requirements for graduation.

According to the New York State Board of Regents¹ the budget actions of the state in recent years have hurt our schools by leaving them:

- With state school funding below 2008-09 levels;
- A \$2.2 billion Gap Elimination Adjustment that has to be paid back by the state to schools; and
- Foundation Aid that is \$5.5 billion behind what was committed in the CFE settlement.

How long will it take for the state to fulfill its CFE commitments under current law?

Advocates estimate 15 years. At the current rate and with current state law the CFE commitment will not be fulfilled until at least the 2027-28 school year and that does not even account for inflation that will occur between now and then.² That means that from 1993 when Robert Jackson first filed the CFE lawsuit it will take 36 years to fulfill the commitment. A student who was entering ninth grade when CFE began, could easily be the parent of a ninth grader by the time New York State gets around to fulfilling CFE. For generations of students a dream deferred continues to be a dream denied.

¹ New York State Board of Regents, 2013-14 Regents State Aid Conceptual Proposal, November 8, 2012

² Alliance for Quality Education.

This shortfall in funding has occurred because New York State enacted a ceiling on the growth in state school aid based on the growth in personal income that does not allow funding for school improvement. In fact under the current school finance system, schools began receiving small annual increases in 2012, but not enough to prevent more and more classroom cuts. Unless the Legislature adds more school aid, another round of classroom cuts is inevitable.

EDUCATION SPENDING ON PROGRAMS TO INCREASE MINORITY ACADEMIC ACHIEVEMENT/BILINGUAL EDUCATION

Over the past few years, details have come to the attention of lawmakers with regards to tens of millions in education funding that is not making its way to schools or classrooms. One such problem is in the way New York State funds additional education services for students not participating in a regular high school setting. New York City, Yonkers, Buffalo, Syracuse and Rochester receive Special Services Aid. While the level of aid has increased over the past three years, there has been no public accounting on how the current \$219 million allocation has been spent to assist minority students.

A second funding stream to assist minority students with English language acquisition also raises red flags. English Language Learning (ELL) students already have the highest school drop out rates. To compound this problem, New York City and State Education officials continue to obscure their shortcomings on addressing this issue with repeated comments claiming there is a lack of qualified bilingual education teachers to fill the need. Yet, each year, New York State allocates over \$20 million dollars annually to New York City public schools for bilingual education. It is obvious that the mismanagement of these funds contributes to the high drop out rates and the inability of education administrators to use this large sum of money to train, recruit and retain qualified bilingual teachers.

A recent report by the University at Albany/SUNY documents a significant breach in local compliance with state requirements for bilingual education programs. Its findings show that Latino students who are English Language Learners are being shortchanged. Moreover, the number of local schools that currently fail to provide bilingual education programs to Latino students is likely to be greater than what the study suggests. This is so, simply because the proportion of schools that do not provide information needed to assess compliance is significant; in fact, this proportion is double the percentage of schools that are not in compliance with state requirements.

Another significant finding of the report concerns teacher certification. The lack of certified bilingual teachers and the number of inappropriately certified teachers in New York is of epidemic proportions. Incentives for recruitment of bilingual teachers seem to be insufficient and existing certification qualifications appear to be an obstacle for increasing the number of certified teachers. The report suggests that changes in state policy including encouraging state and city colleges and universities with teacher education programs to provide certification programs at the undergraduate and graduate levels to prepare bilingual and ESL teachers is necessary.

The administrative mismanagement, failure to follow education requirements, and lack of efficient use of hundreds of millions of dollars in yearly State funding for Special Services Aid and the Bilingual Education program are factors increasing school dropout rates. It has been well documented by academics that persons with less education are more likely to be involved in criminal activity and high school dropouts are disproportionately represented in the state's prison system. The effects are stronger for males and vary by race but are evident across all subgroups. However, the rates are magnified for Black males, who are incarcerated at rates 6-8 times those of White males (Pettit and Western, 2004, 164).

Based on data for California, over the early lifetime up to age 35, a Black male dropout is almost certain to have been incarcerated at some point (Raphael, 2004); nationally, the probability is 60% for Black male dropouts but less than 20% for high school graduates (Pettit and Western, 2004). Latino dropouts are also disproportionately incarcerated, although the causal effect of education has not been precisely established.

Formula Based Aids

The following is an outline of the major provisions of the 2014-2015 Executive Budget as it relates to elementary and secondary education.

Foundation Aid: Frozen at \$15.18 billion with set-a-side requirements maintained for Magnet Schools, Teacher Support Aid and New York City Attendance Improvement/Dropout Prevention.

Gap Elimination Adjustment (GEA): The Executive Budget contains a reduction of formula aids (with the exception of Universal Pre-K and Building Aid) by a Gap Elimination Adjustment (GEA) totaling \$1.32 billion, a decrease of \$323.3 million.

Private Special Education Excess Cost Aid: Funded at present law level of \$372.34 million.

Public Special Education Excess Cost High Cost Aid: Funded at present law level of \$547.09 million.

Supplemental Public Excess Cost Aid: Frozen at 2008-2009 level of \$4.31 million for 2014-2015 and 2015-2016. Yonkers receives approximately \$552,736, the same as in 2013-2014.

Academic Enhancement Aid: Syracuse receives \$2.33 million, the same as in 2013-2014, for 2014-2015 and 2015-2016.

High Tax Aid: Maintained at \$223.3 million for 2014-2015 and 2015-2016.

BOCES Aid and Special Services Aid (Big 5 funds for Career Education and Computer Services): Funded at present law level of \$965.83 million.

Transportation Aid: Funded at present law level of \$1.72 billion.

Charter School Transition Aid: Funded at present law level of \$29.24 million. The Big 5 eligible for this aid are as follows:

Buffalo	\$4.43 million (\$3.4 million decrease from 2013-2014)
Rochester	\$10.92 million (\$730,000 increase over 2013-2014)
Syracuse	\$1.35 million (\$890,000 decrease from 2013-2014)
Yonkers	\$0
New York City	\$0

Textbook Aid: Maintained at \$58.25 per pupil with flexibility provided to use funds for software, library materials and hardware and technology.

Computer Software Aid: Funded at 2000-2001 per pupil amount of \$14.98 with flexibility provided to use funds for textbooks, library materials and hardware and technology.

Hardware and Technology: Funded at present law level of \$38.62 million with flexibility provided to use funds for textbooks, library materials and software.

Library Materials Aid: Maintained at \$6.25 per pupil with flexibility provided to use funds for software, textbooks and hardware and technology.

Universal Prekindergarten: Funded at \$385.03 million.

Full-Day K Conversion Aid: Funded at \$2.35 million. Beginning in 2014-2105 districts would be prevented from receiving aid if they receive it in a prior year unless they are granted a one-time waiver from SED.

Building Aid: Increased by \$116.47 million to \$2.84 billion.

Other Grant Programs and Aid Categories

Universal Pre-K – NEW: \$100 million is provided for year one of a new Universal Pre-K initiative intended to focus first on high need students. Funds may not supplant existing Pre-K expenditures and can be used for the expansion of full day programs. The program is intended to grow over the next five years by \$100 million annually and the Governor has stated that charter schools will be eligible for funding.

Fiscal Stabilization Fund – NEW: \$74 million is provided to be allocated pursuant to a chapter of the Laws of 2014 with not more than 70% to be allocated during the 2014-2015 State fiscal year.

Teacher Excellence Fund – NEW: \$20 million to reward highly effective teacher with up to \$20,000 in annual supplemental compensation. Eligible districts would have to apply to the Commissioner to request funding.

Afterschool Programs – NEW: \$720 million is proposed to implement a five-year plan to expand afterschool programs across the State. **The first \$160 million would not be available until 2015-2016.**

Afterschool, summer, expanded learning time and other expanded learning opportunities play a crucial role for New York families and students – making sure that children are safe until their parents are home from work and helping to close the achievement gap for low-income students.

The Caucus supports New York State Afterschool Network (NYSAN) recommendation that the Executive should invest \$7 million in technical assistance and program oversight in 2014-2015. This additional funding would allow all afterschool programs to launch in the fall of 2015 as high-quality programs, and would restore \$2 for existing programs so that current capacity for quality programs is maintained.

P-Tech Expansion - NEW: Funded at \$5 million to expand the Early College High School program enacted as part of last year’s Adopted Budget.

Prekindergarten Program: Funded at \$25 million in the 2013-2014 State Budget for a competitive grant program designed to target higher need students in lower wealth districts.

Extended Learning: Funded at \$20 million in the 2013-2014 State Budget to support high-quality extended day or year programs. Programs would have to increase student learning time by at least 25 percent.

Community Schools: Funded at \$15 million in the 2013-2014 State Budget for a three-year grant program designed to transform schools into community hubs to deliver co-located or school-linked academic, health, nutrition, counseling and/or other services to students and their families.

Master Teacher Program: Funded at \$11 million in the 2013-2014 State Budget for a three-year program to provide \$15,000 annual stipends to the most effective math and science teachers.

Early College High School: \$2 million is provided, in addition to the \$4 million appropriation for the three-year program included in the 2013-2014 State Budget, for the State’s Early College High School Program including P-Tech programs.

Big 4 School Health Services: Maintained at \$13.84 million for 2014-2015 and 2015-2016. Funds are distributed as follows:

Buffalo	\$5.30 million
Rochester	\$6.29 million
Syracuse	\$1.08 million
Yonkers	\$1.17 million

Teacher Support Aid: Included in Foundation Aid with a set-aside requirement.

Teacher Centers: Eliminated for a cut of \$13.05 million.

Magnet Schools: Included in Foundation Aid with a set-aside requirement.

Fiscal Stabilization Grants and Prior Year Claims: Maintained at \$32.79 million.

New York City Academic Achievement Grant: Maintained at \$1.2 million for 2014-2015 and 2015-2016.

Syracuse Say Yes to Education Program: Maintained at \$350,000 for educational services and expenses of the Syracuse City School District for the Say Yes to Education Program.

Yonkers Supplemental Educational Improvement Plan Grant Program: Maintained at \$17.5 million for 2014-2015 and 2015-2016.

School District Performance Improvement Awards and School District Management Efficiency Awards: An additional \$50 million is provided for an additional round of grants.

Math and Science High Schools: Maintained at \$1.4 million, including the Rochester initiative.

Student Mentoring and Tutoring Program: Maintained at \$490,000.

Employment Preparation Education (EPE) Aid: Maintained at \$96 million a year for two years.

Homeless Children: Increased by \$1 million to \$22.23 million a year for two years.

Incarcerated Youth: Increased by \$1 million to \$22 million a year for two years.

Bilingual Education Grants: Maintained at \$12.5 million a year for two years.

Education of OMH/OPWDD Pupils: Maintained at present law level of \$78 million a year for two years.

Learning Technology Grants: Maintained at \$3.3 million a year for two years.

Bus Driver Safety: Maintained at \$40,000 a year for two years.

Other Aid Programs

Health Education Program: Maintained at \$691,000.

Teachers of Tomorrow: Maintained at \$25 million a year for two years.

Charter Schools Start Up Grants: Maintained at \$4.8 million.

Basic Education for Public Assistance Recipients: Maintained at \$1.84 million.

Extended Day and School Violence Prevention Programs: Funded at present law level of \$24.3 million.

New York State Center for School Safety: Maintained at \$466,000.

Mentor Teacher Internship Program: Maintained at \$2 million a year for two years.

Preschool Special Education: Funded at \$1.04 billion. The Governor propose changes to SEIT (Special Education Itinerant Teacher Services) including limiting payment to providers for only services provided, establishment of regional rates and authorizing New York City to establish reimbursement rates for providers within maximum State rates.

Summer School for Disabled Students: Funded at \$362.5 million.

Primary Mental Health Project: Maintained at \$894,000.

Adult Literacy Education: Reduced by \$400,000 to \$5.29 million.

Urban-Suburban Transfer Program: Maintained at present law level of \$1.91 million a year for two years FY 2013 and 2014.

Children of Migrant Workers: Maintained at \$90,000.

Consortium for Worker Education: Decreased by \$1.5 million to \$11.5 million.

Regional Center for Autism at SUNY Albany: Decreased by \$250,000 to \$1.24 million.

Literacy, INC (LINC): Requesting a restoration of \$200,000 in the final budget.

Two thirds of New York City children living in poverty do not read at grade level. LINC has developed its Comprehensive Literacy Model showing that mobilizing three key constituency groups – peers, parents, and community members – has a demonstrated impact on early childhood literacy development. 80% of the families served by LINC are Hispanic and 20% of families are African American. The requested restoration would allow LINC to continue its existing programs and partnerships and enable the organization to expand to more high poverty communities.

Other Programs

Smart Schools Bond Act

The Executive Budget includes a proposed \$2 billion general obligation bond act to be brought before voters in November, 2014 to fund enhanced technology in schools and construction of new pre-kindergarten classroom space. Funds are distributed based on a school district's current share of school aid (building aid and universal pre-kindergarten are netted out). Eligible projects

would include whiteboards, computer servers, desktops, laptops, tablets, broadband and wireless internet connectivity and projects to construct or improve educational facilities to accommodate pre-kindergarten programs.

Dignity for All Students Act

The Governor's proposal would amend the law to require investigations undertaken to include a determination if an incident is part of a pattern of harassment, bullying or discrimination. In addition, in cases where it is determined that a pattern exists, the principal or superintendent would be required to promptly report to the Commissioner, the Division of Human Rights and the Division of State Police. In such cases, the Commissioner would be required to develop intervention protocols for implementation by the district. The Commissioner would also be required to initiate a removal proceeding against principals or superintendents who fail to report a pattern or to fulfill other duties pertaining to these provisions.

Common Core

The Governor has stated that he will convene a panel that will include education experts and legislators to formulate a corrective action plan leading up to passage of a package by the conclusion of the Legislative Session in June.

K-2 Testing

The Executive budget address called for elimination of standardized testing for all K-2 students.

Special Education Law Waivers

The Executive Budget includes language that would allow school districts to submit an application for a waiver for requirements under sections 4402 and 4403 (duties of school districts and duties of the education department) of the Education Law after first notifying parents. The Commissioner would be authorized to grant a waiver in cases where it is found that the waiver would enable a school district to implement an innovative special education program consistent with federal requirements and will enhance student achievement and/or opportunities for placement in regular classes or programs

NYSTEM Incentive Scholarship Program

The Governor's Budget includes \$8 million to fund scholarships at SUNY and CUNY schools for the top 10 percent of high school graduates studying in STEM fields.

Contracts for Excellence

All districts required to submit Contracts for Excellence in the 2013-2014 school year are again required to do so in 2014-2015 unless all schools in the district are identified as in good standing.

One-Year Extensions

The Adopted Budget provides one-year extensions for the following:

- Chapter 1 Advances (up to the same amount as last year)
- Public pension accruals
- Big 4 special education class size flexibility language
- Leasing of school buses
- New York City – Transportation Aid for after 4:00 pm

Rochester BOCES Services

Continues authorization for the Rochester City School District to purchase health services from its regional BOCES.

HIGHER EDUCATION

With the nation still recovering from a high economic deficit and high unemployment, accessibility to Higher Education has become more important than ever before. New York State's economic growth relies on a well-educated workforce to survive and thrive. One of Governor Cuomo's common themes in his State of the State address was that Higher Education is an important economic driver and needs to be even more influential on the economy of the state and the nation within the next decade.

Governor Cuomo's Executive Budget provides \$69 million in General Fund support for Higher Education, a reduction of \$20.5 million from the 2013-14 Academic Year.

According to the Executive's Budget, on a yearly basis New York State's higher education institutions educate about 1.3 million students. The State University of New York (SUNY) and the City University of New York (CUNY) oversee 47 four-year colleges and graduate schools that provide about 400,000 full-time students with a selection of undergraduate and graduate degrees. SUNY and CUNY also support 36 community colleges, which service approximately 330,000 students. About 540,000 students attend one of the many private institutions across New York State.

The Executive recommends state-operating support of \$969.1 million for State-operated campuses of the State University of New York (SUNY) and \$524.5 million for the four-level colleges of the City University of New York (CUNY) during the 2014-2015 Academic Year. The amounts shown for state-operating support are 0.2 percent below 2013-2014 academic year.

On August 1, 2011 the legislature enacted a graduated 3 year tuition increase. With tuition increases added to the already high cost for a higher education, attending college seems out of reach for many students. In order for people to have a well paying job today higher education is needed.

The Executive Budget also provides tuition revenue appropriations of \$1.67 billion at SUNY, an increase of \$95 million, and \$1.02 billion at CUNY, an increase of \$60.8 million from the previous year.

More new proposals Governor Cuomo has added to the Executive budget this year in Higher Education are to maintain state support for SUNY and CUNY Community Colleges and linking base aid to workforce measures. This would provide a base aid for SUNY and CUNY Community Colleges at \$2,422 per full-time equivalent student. The Executive proposes to create a \$448.6 million for SUNY and \$201.4 million for CUNY in funding aid.

City University of New York (CUNY), established in 1847 is now the third largest public university system in the nation serving 540,000 students. CUNY is comprised of 24 institutions including 11 four-year colleges, seven community colleges, one technical college, a law school, a graduate school and an affiliated medical school. CUNY's mission is to provide affordable higher education with a focus on the urban community of New York City. As almost 70% of CUNY students are of African-American, Hispanic, Asian or other ethnicities, any cuts to

CUNY affect much of the diverse student body. An important theme this year as in years past is to reinforce that it is counterproductive to cut higher education when people are coming back to college because of the economy.

CUNY should receive an additional \$6 million for student support services programs. These include veteran services, CUNY LEADS program for students with disabilities, child care and providing a meaningful work experience for students.

Additional community college base aid is needed since student enrollments at these colleges are particularly soaring. Community colleges are essential to economic recovery. They are a pipeline to jobs and a critical engine of economic development. The Caucus supports at least a \$260 per FTE funding increase for community colleges. This will help students to earn their associate degrees in a timely manner.

The State University of New York (SUNY) was founded at Potsdam in 1816 and is the nation's largest public university system with more than 7,600 degree and certificate programs and 64 campuses including four university centers, 13 university colleges, two independent health centers, four specialized colleges of technology, five statutory colleges, six colleges of technology and 30 community colleges. Students are also afforded the convenience of the SUNY Learning Network, which is comprised of online courses from each of the campuses. In 2011, nearly 25% of enrolled students were minorities. SUNY is devoted to providing affordable education to students from New York and around the world.

Tuition Assistance Program (TAP) is a grant currently available for students who are New York residents and are enrolled full-time in a graduate or undergraduate program. The Executive budget recommends \$956.8 million for TAP, which is managed by the Higher Education Services Corporation. This amount reflects a \$6.38 million increase in accordance with the tuition increases at SUNY state-operated campuses and CUNY senior colleges. The Executive proposes no programmatic changes to TAP.

Educational Opportunity Program (EOP) provides the opportunity for students who would not ordinarily be admitted to college under traditional standards, but show promise for completing college-level work and the ability to graduate college. The program is designed to aid students financially, academically, socially, and personally giving them the best chance possible to succeed. The Executive budget decreased funding by \$632,000 for this program taking funding from \$21.1 million to \$21.08 million.

Higher Education Opportunities Program (HEOP) is a partnership between New York State and its independent colleges and universities to provide a college education to students who are economically and academically disadvantaged. The opportunities created between these institutions and the state of New York are some of the most successful in the country and afford those who could not ordinarily attend college a chance to succeed. This program would maintain the same funding from last year at a funding level of \$24 million.

Science and Technology Entry Program (STEP) / Collegiate Science and Entry Technology Program (C-STEP) These are academic enrichment programs designed to foster a student's success in preparing for professional licensure and careers in medicine, law, business, education, science, technology, engineering, mathematics, and health. STEP is for students in grades 7-12 while C-STEP is for students engaged in higher education. In Governor Cuomo's budget, funding for the Science and Technology Entry Program increased from last year's level to \$11.12 million and funding for Collegiate Science and Technology Entry Program increased as well with an appropriation of \$8.43 million.

Search for Education, Elevation, and Knowledge (SEEK) is a CUNY based program that applies to college students who would not have been able to attend higher education institutions due to economic or educational conditions. This is restricted to college seniors. The Executive reduced the funding for this program by \$551,340 to bring the program at a funding level of \$18.38 million.

NYSUNY/NYCUNY 2020: The Executive proposal once again included a \$110 million appropriation for a forth round of NYSUNY/NYCUNY 2020 Challenge Grants with \$55 million being allocated towards each system.

New Science, Technology, Engineering, and Math Scholarship Program: The Executive Budget proposes creating a scholarship program for the top ten percent of high school graduates if they choose to attend a CUNY or SUNY institution and agrees to pursue a career in the STEM field. The funding for this program would be \$8 million and students would have to reside in New York State to receive it. Individuals would have to agree to work in the state for five years or the scholarship would revert into student loans for the amount of the scholarship.

New School of Pharmacy at Binghamton University: The Executive budget has provided \$10 million for a new School of Pharmacy at Binghamton University.

New College of Emergency Preparedness, Homeland Security, and Cybersecurity: The Executive budget also introduces a new College for Emergency Preparedness, Homeland Security, and Cybersecurity under the SUNY system. This new institution has a proposed budget of \$15 million.

HEALTH

Global Spending Cap and Commissioner “Super Powers”

The proposed budget would continue the Medicaid global spending cap, tied to the ten-year rolling average of the medical component of the U.S. Consumer Price Index (CPI), which is currently 3.9%. The cap on state share Department of Health (DOH) Medicaid expenditures for SFY 2013-2014 is \$16.96 billion, growing to \$17.74 billion in SFY 2014-2015.

The Governor’s budget would extend for one additional year, through March 31, 2015, the Commissioner of Health’s “super powers” to reduce spending if expenditures exceed projections. Originally established for two years in the SFY 2011-2012 and extended for a third year in last year’s budget, the proposed budget would continue for a fourth year DOH’s authority to develop a Medicaid Savings Allocation Plan to reduce Medicaid spending to stay within the cap. Thus far, the Commissioner’s “super powers” have not been used.

2% Across-the-Board restored to Medicaid

The proposed budget would restore the 2% across-the-board budget reduction that was enacted in the 2011-2012 proposed budget. This proposal results in the restoration of \$357 million for Medicaid providers across the board.

New York Health Benefit Exchange

In 2011 Assemblyman Morelle and Senator Seward introduced a legislation establishing the New York Health Benefit Exchange (A08514/S05849) under the Affordable Care Act Law in the Obama Administration. Under this law it gives Americans the stability and flexibility they need to make decisions about their health.

In 2013 Governor Andrew Cuomo issued an executive order in establishing the New York Health Benefit Exchange Program. This program would allow millions of uninsured New Yorker’s to shop for affordable health coverage and pay on average 53% less than the average private insurance. Federal funding for this program has been implemented until January 1st, 2015. Though the Governor’s Executive Budget \$54.3 million dollars will also be added to the funding of this program bring the about to \$148.3 million dollars in state funding between the Department of Health and the Department of Financial Service.

As of 2013 about 580,000 individuals have signed up for the various plans. About 326,000 have been enrolled in to the program since its initial opening. These plans would not only be available to all legal citizens, but also non-citizens who live and work in NY.

Basic Health Program (BHP)

The basic health option is a separate insurance plan that would be made available on the state’s health exchange, and would provide insurance for an estimated 486,000 New Yorkers, made up of recent legal immigrants and people whose incomes are between 138% and 200% of the federal poverty level (between \$15,00 and \$21,800 per year). Under the basic health option, the federal government would pay more than 90% of those costs for an estimated 130,000 immigrants who would qualify, according to estimates from the Health Policy Center at the

Urban Institute. The health reform law allowed states to expand their Medicaid programs to include residents who earned up to 133% of the federal poverty level, or up to \$15,282 a year for an individual. Under the basic health option proposal in Cuomo's budget, New Yorkers who make between 133 and 150 percent of the poverty level (up to \$17,235) would pay no monthly insurance premiums. Those making up to 200% of the poverty level (or as much as \$22,980 a year), would pay a \$20 monthly premium. The insurance would be available to New Yorkers through a separate portal on the state's online health exchange

Safety Net/Vital Access Provider (VAP)

The Executive budget increased funding by \$20 million in SFY 2014-2015 to \$194 million from the \$154 million in the SYF 2013-2014 budget. The Governor also includes expanding eligibility to licensed home care services agencies.

Social Impact Bonds “Pay for Success”

The Executive budget proposal increased appropriations for the Social Impact Bonds, also known as “Pay for Success” initiatives to improve program outcomes in the areas of health, human services, and public safety. This funding increased to \$125 million, an additional \$95 million over SYF 2013-2014. The Executive proposal expands the various targeted initiatives to include health care, reduce homelessness, and areas of early childhood development and childhood welfare.

Outcome-Based Health Planning for Public Health Programs

The proposed budget would consolidate about 100 public health programs, including Doctors Across New York, to improve outcomes and target resources more effectively. DOH would be authorized to make grants through a new competitive outcome-based contracting and outcome-based health planning program to promote health in integrated care management settings and encourage collaboration to improve the health of communities. The budget proposal includes six programmatic areas: chronic disease prevention and treatment; environmental health and infectious disease; health quality and outcomes; workforce development; maternal and child health outcomes; and HIV, AIDS, Hepatitis C, and sexually-transmitted diseases. The first four of these six programmatic areas are directly linked to New York State's new prevention and health improvement agenda.

Excess Medical Malpractice Liability Coverage Pool

The Executive proposes to extend the authorization of HCRA for three years and to make future HCRA allocations subject to appropriation, modify the covered lives assessment reconciliation process, and extend current Physician Excess Medical Malpractice Pool provisions for one year.

Community Initiatives Elimination: The Executive proposes to eliminate \$9.74 million in funding for various community initiatives and services. These programs include: Community Reinvestment, Safe Harbor for Sexually Exploited Children, Caseload Reduction, 2-1-1, Boys and Girls Club, Settlement Houses, Premium Health, Yeled V'Yalda Early Childhood Center, Runaway and Homeless Youth, Community Action Organization of Erie County, CASES, Legal Services for Elderly and Disadvantaged, National Federation for the Blind for NFB, and Helen Keller CORE.

Recommendation: The Caucus is recommending that we maintain funding to these special services that have positively impacted our local communities.

Superstorm Sandy Recovery Funding

The proposed budget decreased the amount of aid that is provided for support for Superstorm Sandy recovery and rebuilding projects, programs, and other initiatives. The proposal appropriations cut funding \$21.3 billion giving \$1.3 billion in disaster-related recovery, rebuilding, and mitigation and \$2.57 billion of additional federal aid to flow through these appropriations or be directly administered by the federal government or local governments.

Coordinate State Health Insurance Purchasing

Currently, DOH and the state Department of Civil Service (DCS)/New York State Health Insurance Plan both negotiate and purchase health insurance on behalf of the state. The proposed budget requires DOH and DCS to adopt common approaches to take advantage of efficiencies resulting from best practices, including the alignment of hospital cost reimbursement policies, the expansion of patient-centered medical home models, and the promotion of evidence-based strategies to enhance wellness and reduce health care costs. Future annual savings of more than \$50 million may be possible when these agencies adopt a common purchasing strategy for medical services.

HOSPITAL PROPOSALS

DSH/Indigent Care Funding Methodology Changes

The proposed budget would modify the distribution methodology for hospital indigent care/Disproportionate Share Hospital (DSH) payments to comply with new federal requirements and avoid further federal payment reductions. The proposal defines the basic structure for a new distribution methodology that would be effective January 1, 2013 through December 31, 2015. It includes the following provisions:

- Distributions would be based on each hospital's share of uncompensated care need based on uninsured inpatient and outpatient units of service multiplied by Medicaid rates.
- The uncompensated care need amount would be adjusted by a statewide cost adjustment factor and reduced by collections from uninsured patients. It would be further adjusted by applying a nominal need computation taking into account each facility's Medicaid inpatient share, which would increase distributions to high-volume Medicaid safety net hospitals.
- Existing voluntary pools would be consolidated into a single \$994.9 million pool, which includes an additional \$25 million in funds from a reduction in hospital Ambulatory Patient Group (APG) funding.
- A separate \$139 million distribution would be made to major public hospitals.
- Regulations would create a transition adjustment that would establish a "floor" to define the maximum percentage loss that a hospital could experience compared to

the current distributions. Similarly, the regulations would limit increases in DSH payments to fund transition payments to hospitals that lose amounts in excess of the established maximum loss percentage. While these details would be established in regulation and are not included in the Executive Budget language, DOH has indicated that losses would be limited to 2.5% in the first year and that the floor would increase to 5% in the second year, and 7.5% in the third year.

Public Hospital Indigent Care Adjustment

The proposed budget would revise the distribution methodology for the \$412 million public general hospital indigent care adjustment pool to conform to ACA requirements by distributing funds based on each public hospital's proportionate share of Medicaid and uninsured losses to total Medicaid and uninsured losses for all public hospitals.

Construction Projects

The proposed budget would streamline the CON process by allowing hospitals and diagnostic and treatment centers to undertake construction projects without a state review of public need, as long as the project does not involve a change in capacity, types of services provided, major medical equipment, facility replacement, or the geographic location of services. This proposal would also grant the Commissioner of Health authority to waive financial feasibility reviews for projects meeting the above requirements.

Medical Indemnity Fund

The proposed budget would appropriate \$50 million for the Medical Indemnity Fund established in the SFY 2011-2012 budget to pay for future health and related costs of neurologically-impaired infants.

BEHAVIORAL HEALTH PROPOSALS

2014 will be another pivotal year for mental health policy. Health care reform and state Medicaid redesign initiatives are transforming our mental health service system at an unprecedented pace. These initiatives have serious implications for mental health policy. The challenge of transforming to a more integrated health and behavioral health care system through managed care and health homes comes with tremendous uncertainty. It is important to sustain and improve the state's mental health care system, prevent suicides, eliminate discrimination and better inform consumers.

Reinvestment and System Transformation: The transition of behavioral health services into to managed care is expected to save millions, as will the associated closing of state inpatient psychiatric beds. Savings must be reinvested in community based services.

Enhanced Mental Health Funding: We also must continue to advocate for enhanced levels of funding for community based mental health services, which have historically been under funded relative to physical health. These services will become ever more necessary under

integrated models of care that are integrated into communities. Enhance current funding levels in this year's budget.

Local Assistance: Many vital community based services for individuals and families living with and recovering from mental illnesses are not covered under Medicaid, but are instead funded by Local Assistance. Medicaid redesign initiatives must take serious account of how “non-Medicaid” services will be preserved in the state’s transition plan to Medicaid managed care.

Service Integration

The proposed budget increased funding by \$2.5 million to promote the delivery of integrated mental health services, alcoholism and substance abuse services, physical health services, and services to individuals with developmental disabilities, when such services are provided at a single location or service site. The Executive budget also proposed to develop new 1915(i) waiver services, including peer support services (a \$15 million increase)

Behavioral Health Transition to Managed Care

The Executive proposed budget includes \$37.5 million increase for various support services. This includes support to facilitate the transition of children’s behavioral health services into managed care (a \$10 million increase); to integrate behavioral health and physical health (a \$7.5 million increase); and to provide behavioral health inpatient rate increases that would ensure continued capacity (a \$20 million increase).

Integrate Assisted Outpatient Treatment with Health Homes

The proposed budget would increase funds for this treatment by \$5 million to ensure that individuals receiving court-ordered services through assisted outpatient treatment (AOT) and individuals being discharged from state psychiatric hospitals have access to services in the community through Health Homes. Health Home Plus programs would be embedded in designated Health Homes to more effectively manage the care of people assigned to AOT.

AGING AND LONG-TERM CARE PROPOSALS

NYS Office of the Aging

The NYS Office of the Aging proposed a \$1.4 million dollar decrease in their funding for the SFY 2014-2015 year. Their funding now totals \$241.6 million.

Nursing Home Housing Units

The Executive budget proposed \$2 million to support the creation of new supported housing units for residents of nursing homes.

Nursing Home Standard Wage

The proposed budget would require managed care contracts for inpatient nursing home services to require a standard rate of compensation rate for all employees and require rates paid to home care providers a wage increase.

Nursing Home Quality Pool

The annual nursing home quality pool would be increased by \$10 million (\$5 million state investment) for a total of \$60 million. This increase is new money and not taken out of the base like the current \$50 million.

Affordable Housing

The budget would increase funding by \$18.4 million in SFY 2014-2015 for supportive housing services initiatives. The proposed budget increased: 1) State shared Medicaid funding by \$11.8 million) and 2) \$6.6 million in reinvested savings from recent hospitals and nursing homes closers and bed reductions.

Assisted Living Program

The Executive recommends changes to this program in modifying several provisions in relation to the approval and operations of these programs.

Nursing Home Gross Receipts Assessment

The proposed budget would make permanent the 6% reimbursable assessment on nursing home gross receipts.

Independent Living Centers and Case Services

The Governor's proposed budget maintains the SFY 2013-2014 funding level for both Independent Living Services (\$12.36 million) and Case Service (\$54 million).

New York's Plan to End AIDS

Although there are more New Yorkers living with HIV than in any other state in the nation, it is within our reach to end the epidemic that has plagued us for more than 30 years. There is still no cure at hand, but **we now have the knowledge and means to dramatically reduce new HIV infections and promote optimal health for those with HIV** via concerted and coordinated efforts by and among the community, government, consumers, health care and service providers, and academia. Therefore, **we urge Governor Cuomo to create a Task Force to End AIDS in New York** charged with developing a strategic blueprint and plan in collaboration with the AIDS Institute. In so doing, **New York will serve as a national model for ending the epidemic.**

The momentum to bring the AIDS epidemic to a close in New York already exists. NYS has seen an almost 40% decrease in new HIV diagnoses in the last decade, with fewer new infections each year, while nationally there has been no decline in the number of new HIV infections diagnosed each year. Injection drug use had once been the cause of more than half of all NYS cases, but has been reduced by over 90%. Mother-to-child transmission is down 99%.

For these and other reasons, **now is the time to develop and implement an action plan to end AIDS in New York.** Beyond our significant successes to date, innovations in policy, program and science all point to the opportunity for major reductions in new infections. The medications that dramatically improve quality of life for persons with HIV both suppress viral load and prevent transmission to others. Whether taken as treatment by a person with diagnosed HIV, or as nPEP or PrEP by an uninfected individual, studies evaluating the prevention impact of

antiretrovirals show clear benefits in stopping the spread of HIV. The NYS testing law mandates that all persons age 13-64 be routinely offered HIV testing in clinical settings, and new test technologies allow earlier detection of the virus, thereby permitting treatment to begin when persons are most infectious. The testing law also permits the use of surveillance data to find those with diagnosed HIV who are not in treatment in order to link them back to care.

Executive and Legislative Next Steps

If we are to meet with success, and in addition to any detailed strategic plan to be developed by the task force appointed by the Governor, the following items must be included in either the 30-day amendments to the Executive Budget for FY14-15 or via legislative action:

- **\$10 million in new funding for the AIDS Institute** to implement any plan developed by the task force which may include: fourth-generation HIV testing, which reduces detection time, potentially allowing earlier diagnosis; linkage to care; nPEP (non-occupational post-exposure prophylaxis), in which individuals go on HIV meds for a month immediately after possible HIV exposure to prevent infection; and PrEP (pre-exposure prophylaxis) the scientifically-proven, FDA-approved practice of HIV-negative individuals taking HIV medication daily to reduce the risk of getting HIV up to 99%, among others;
- **30% Rent Cap Bill (HIV/AIDS) – (S3022/A7782): Prevent Homelessness for Thousands of People Living with AIDS.** We stand with the New York City HIV/AIDS community in strong support to prevent homelessness for New Yorkers permanently disabled by HIV/AIDS and their families. Legislation proposes to enact an affordable 30% rent cap affordable housing protection for clients of the HIV/AIDS Services Administration (HASA) who receive a rental subsidy. It would correct discrepancies and discrimination within NYC HIV/AIDS Service Administration's rental assistance program by aligning it with the long-term standard for affordable housing used by the federal Department of Housing and Urban Development (HUD).

Major benefits of this proposal: *Reduced Medicaid expenditures:* Research has repeatedly demonstrated that increased housing stability is strongly associated with sharp reductions in the medical costs of managing HIV disease. Moreover, stable housing for people with HIV/AIDS has been shown to reduce emergency room use by 35% and hospitalizations by 57%. Studies indicate that same-year Medicaid savings are achievable when vulnerable populations are stably housed. Indeed, housing assistance generates savings in avoidable crisis health services that more than offset the cost of housing interventions. People who have stable housing are also less likely to acquire HIV infection or to transmit HIV infection to others than people who are homeless or unstably housed, regardless of other determinants of risk. Each HIV infection prevented through more stable housing saves over \$355,000 in lifetime medical costs.

Improved HIV health outcomes: Stable and affordable housing is the foundation for effective HIV/AIDS treatment, care and prevention. Compared with stably housed people living with HIV/AIDS, homeless and unstably housed people with HIV/AIDS are 2 to 4 times more likely to use an emergency room, to have a detectible viral load, and to engage in behaviors that can transmit HIV to others. Receipt of housing assistance is independently associated with entry into appropriate HIV care, access and adherence to antiretroviral therapy, improved HIV health outcomes and reduced HIV risk behaviors – after controlling for other factors that can impact HIV care and outcomes.

Lower expenditures on emergency housing: Improved housing stability will generate savings in City and State spending on rent arrear payments and costly evictions that will more than offset the additional rental assistance costs of capping rent contributions at 30% of disability income. This is a far more efficient use of limited housing resources to keep people with HIV/AIDS in independent housing instead of expensive, substandard commercial SROs (i.e. welfare hotels).

Fairness: HASA is the only low-income or disability housing assistance program in the state that does not cap the tenant's rent contribution at 30% of income, HUD's standard definition for affordable housing and the requirement for all federally funded programs. The rent share burden of tenants in other subsidized programs, such as supportive housing, NYC Housing Authority and Section 8, is calculated at 30% of their income.

HIV Welfare-to-Work has improved the lives of hundreds of People Living with HIV/AIDS by:

- Instilling self-sufficiency and strengthening independent living skills
- Providing life-long stability through vocational training and sustainable employment with full medical benefits
- Challenging the belief that those who are viewed as “unemployable” are able to advance to meaningful jobs.
- Removing scores of individuals from public assistance, creating a savings beyond the cost of this small investment.

In a time of economic hardship, it becomes even more important for people to be able to get off of a low fixed income and to have the skills to support themselves. Lifting people out of poverty is the core mission of the “welfare” system; removal of this program will keep scores of people from transitioning from welfare into living-wage jobs with full medical and other comprehensive benefits, advancement opportunities.

Key elements of a New York State Plan to End AIDS

This summary of recommendations was submitted by a coalition of activists and organizations to Courtney Burke, the Governor's Deputy Secretary for Health, to be considered by a task force appointed by Governor Cuomo to develop the plan.

New York State has borne the highest burden of HIV since the beginning of the AIDS pandemic in 1981. New York has the people, institutions, resources, and political will to end AIDS throughout the state, and to become a leader nationally and globally in showing how to end AIDS. Therefore, New York State should make a long-term commitment to, and a strategic priority of, ending AIDS for all New Yorkers: ending the illness and death associated with HIV infection and the progression to AIDS; as well as the related suffering, stigma, and devastation of our communities and our people.

Ending AIDS in New York will rely on five related activities:

- 1. Twenty-first-century surveillance: Know your epidemic.** Know who is living with HIV and make sure they're getting needed services. Know where HIV is being transmitted and intervene there quickly to stop chains of uncontrolled transmission. Use twenty-first-century surveillance tools, such as fourth-generation simultaneous detection of HIV p24 antigen and antibodies, to diagnose HIV infection and distinguish between acute and chronic infection. Everyone should know his or her HIV status. People at highest risk for HIV should be testing more frequently (e.g., 2–4 times per year).
- 2. Evidence-based combination HIV prevention for both HIV-negative and HIV-positive persons.** Routine and voluntary universal HIV testing is a gateway to HIV prevention for those who test negative. Prevention services should be comprehensive and should include high-quality HIV-, reproductive health—and sexual health education at all levels; no occupational and occupational post-exposure prophylaxis (PEP) available on-site (for occupational) and in pharmacies and community health clinics (for non-occupational) within two hours of exposure. Pre-exposure prophylaxis (PrEP) should be available for those who need it. Both PEP and PrEP candidates should be eligible for comprehensive prevention services, including drug treatment and harm reduction; depression; mental health; trauma and violence screening; treatment; housing; and other supportive services. Combination HIV prevention care and services should be required from all New York State providers—public and private—as essential services under the ACA prevention mandate. Embedding specific HIV quality and care management requirements in *all* MRT care management initiatives, with a primary goal of rapid and sustained viral suppression for all, will improve and maintain the health of persons with HIV and prevent new cases.
- 3. Focus on filling the gaps in the HIV continuum of care to maximize the speed, proportion, and number of people able to successfully suppress their HIV as soon as possible once they are diagnosed.** New York State should implement a continuum of HIV care initiative in line with the initiative President Obama promulgated nationally on July 15, 2013: *Federal guidelines now recommend antiretroviral treatment for all adults and adolescents with HIV in the United States.* Instead of waiting for the immune system to show signs of decline, experts now recommend starting treatment right away. Evidence indicates that treating HIV as soon as possible reduces HIV-related complications. *Treatment reduces the risk of HIV transmission.* Along with other

proven prevention methods, such as condom use, abstinence, and comprehensive drug treatment, effective treatment reduces the risk of HIV transmission. An NIH-sponsored study showed that among heterosexual couples, starting treatment early reduced transmission risk by 96%. **Screening for HIV is now recommended for all persons 15–65 in the United States.** About half of Americans have never been tested for HIV, and nearly 200,000 people living with HIV in this country are unaware that they are infected. Screening all persons between 15 and 65 years of age is now a grade "A" recommendation of the independent U.S. Preventive Services Task Force.[1] In New York State, 156,287 people were estimated to be living with HIV; 18% of HIV-positive New Yorkers do not know their status; 46% are not receiving regular HIV care; 53% are not receiving continuous care; and 63% are not successfully controlling their viral load. New York's ongoing Medicaid reform and expansion, plus the advent of the Affordable Care Act (ACA) offer the opportunity to fill the gaps in the HIV treatment cascade.

4. **Ensure the availability of essential supportive services for all New Yorkers, whether HIV-negative or HIV-positive, so that they remain healthy and aviremic, and do not contract or transmit HIV; and support research needed to improve service delivery and optimize outcomes.** Continued reliance on Ryan White CARE Act and HOPWA-funded services, as well as comprehensive prevention, care, and treatment for important comorbidities, such as depression, diabetes, drug use, mental health, trauma, viral hepatitis (hepatitis A and B vaccination; hepatitis B and C treatment; hepatitis C cure), will be required to eliminate the risk of new HIV infections and to ensure that those receiving HIV care are retained and successfully treated. Effectively addressing homelessness and hunger and meeting other subsistence needs will be crucial to engaging and keeping the most vulnerable persons in care. Clean needles, harm reduction, and opiate substitution therapy are essential as well. Decriminalization of condom possession, nonviolent drug violations, and adult consensual sex work; reducing the burden of incarceration and entanglement with the correctional system for young men; and addressing other structural contributors to the HIV pandemic should also play a role.
5. **Commit political leaders and all New York communities to leadership and ownership of the New York Plan to End AIDS.** Akin to the leadership required to drive wholesale Medicaid redesign and the successful expansion of insurance coverage under the ACA, improving HIV prevention and care for all New Yorkers will require leadership and commitment from Governor Cuomo, legislative leaders and local officials, particularly New York City Mayor de Blasio.

Summary

In short, the additional actions and investments required to drive HIV below epidemic levels in NYS is very modest. Much of what needs to be done can be accomplished at the policy level, and the few programmatic enhancements envisioned will pay for themselves as **each infection averted saves the system \$379,668 in lifetime medical costs.** Current NYS efforts are already saving \$1 billion/year. **The further reduction in new infections brought about by New York's "Plan to End AIDS" could more than double the savings.**

Access to more convenient and less costly antiretroviral drugs and greatly diminished need for HIV-related emergency room visits and inpatient stays will also yield large returns that, if invested strategically, will more than cover what the task force might propose. Importantly, legislative support for the **NYS Medicaid Director's efforts to negotiate a win-win deal with**

pharmaceutical companies would lower the cost of life-saving treatment and bring a quicker end to the epidemic.

Lastly, **Governor Cuomo's leadership in establishing this process and very publicly committing to its goals, together with vocal expressions of support from key Senate and Assembly leaders, will be vital to our success.** With this support, the task force will devise an interagency plan in its first three months to ensure the availability of essential services that support health, prevention, and retention in care for all New Yorkers, whether infected or not, and guide the necessary investments. By applying the latest scientific evidence in the context of universal health coverage New York State will show the way for all to end AIDS.

HOUSING

Housing for Homeless New Yorkers

We want to be crystal clear that New York's efforts to address homelessness are not sufficient to address the problem. New York has done a fantastic job at innovation, at demonstrating what works, at finding unique ways to secure funds for reinvestment in mental health care and housing.

What we have not done well is to bring these investments to scale. At a time when one in eight homeless people in the US lives in New York State, our homeless housing production and rental assistance efforts are anemic and far too small to make a real dent in the problem. For example, consider the state's largest homeless housing enterprise, the New York/New York III Agreement with the City of New York. This is by far the largest supportive housing effort ever undertaken anywhere, and will ultimately account for 9,000 units of housing for homeless New Yorkers and those at risk. However, by spreading this effort out over ten years (instead of three as we had recommended), New York has been producing only 900 a units per year and the shelter census just keeps rising each and every year. This slow production schedule, the loss of virtually all housing placements for homeless families in New York City, and affordable housing production rates that fail to keep up with the year-to-year loss of units affordable to low-income New Yorkers, leaves us not just treading water, but drowning. We cannot overstate the urgency of bringing much more in the way of resources to bear on housing New York's homeless families and individuals – it has become far too costly in both human and financial terms to simply maintain the status quo.

Recommendations

To that end, the Caucus stands in support of Coalition for the Homeless and offer the following recommendations for State and City action in 2014:

- NYS should immediately amend and revise Pataki-era temporary housing regulations and directives that NYC and some other districts have used to impose unfair eligibility rules and inappropriate sanctions to deny and terminate temporary housing assistance.
- NYC must immediately resume priority referrals of homeless families to Federal housing programs (public housing and Section 8 vouchers); make at least 2,500 such placements in public housing per year and utilize at least one third of available Section 8 vouchers per year; and NYS must ensure that shelter and homeless housing reimbursement policies incentives a return to this proven policy used by past Mayoral administrations.
- NYS and NYC should create a new rent supplement program for homeless families and individuals offering at least five years of subsidy per household; make at least 5,000 supplements available to NYC homeless households each year for the next three years; model the program on the federal Section 8 housing voucher program; and provide a mechanism to ensure housing stability for those households who are at risk of losing their homes at the end of five years.
- NYS should resume setting aside one in five Mitchell Lama vacancies for homeless households; make at least 1,000 placements per year for the next three years; and provide each household with a state Section 8 or MRT housing voucher. Families and individuals with mobility impairments should be prioritized for these placements, and we recommend

that MRT housing resources be used to identify and assist them in applying for these housing units and subsidies.

- The Mayor’s plan to create and preserve 200,000 housing units must set aside one in ten new units for homeless New Yorkers; and the State and City should negotiate a New York/New York IV Agreement to provide 12,000 supportive housing placements for homeless New Yorkers with disabilities over the next three years.
- The Disability Rent Increase Exemption program (DRIE) should be expanded to serve at least 15,000 households (up from 8,600) by including all veterans with disabilities; raising the income limit for non-veteran households to the same level as for senior citizens; and including households in which a family member with a disability resides, but is not the head of household (children, parents, siblings, etc.)
- OTDA should revise its rules so that the tenant share of rent for people living with AIDS/HIV who are in receipt of HASA rent supplements is capped at 30 percent of income in order to reduce the accumulation of rent arrears, financial hardship, and frequency of homelessness for this population.
- A single point of access should be established to enable homeless and disabled New Yorkers who are eligible for the various MRT housing programs to apply for any and all units for which they meet the eligibility criteria.
- Individuals and couples with a disabled family member should be included in the personal income tax credit for renters. Veterans with disability pensions or compensation – including many with disability ratings of 100 percent, disabled workers who rely on Social Security Disability, people with serious disabilities who receive Supplemental Security Income, and people who qualify for Medicaid because of their disabilities – including those who “spend down” and “buy in” to qualify – are similarly situated to taxpayers 65 years or older, and we hope will not be excluded from this credit simply because they do not have dependents. They are perhaps even more likely to benefit from the credit and avert homelessness due to rising rents, should they qualify for it.
- More hearing officers should be hired to address the Fair Hearing backlog and the work should not be contracted out.
- We respectfully ask that the funding customarily provided by the Legislature to support the programs of the Coalition for the Homeless in our city-wide crisis services department be restored and increased to meet unprecedented demand:
 - \$2,000,000 in TANF funding for Emergency Homeless Needs (distributed by RFP for multiple New York City organizations)
 - \$250,000 in non-TANF Emergency Homeless Needs for households that are not TANF-eligible
 - \$200,000 for the Coalition Client Advocacy Program, through which chronically homeless disabled people are assisted in securing Federal SSI/SDI, veterans benefits and housing

(This funding will help the Coalition serve up to 1,000 hot meals each night through our mobile soup kitchen and provide crisis intervention services for over 7,500 people including roughly 5,000 families from virtually every NYC neighborhood. By serving roughly 90 clients per year, the Client Advocacy Program helps secure \$1 million in retroactive disability payments (the City

and State typically keep half of that); and \$800,000 per year in ongoing disability income for those clients, enabling many to move into permanent housing after many years of homelessness.)

Protect & restore Low Income Housing Tax Credit (LIHTC)

We will continue to seek for 100% restoration of a dollar-for-dollar tax credit in the United States for affordable housing investments in New York State.

Funding for National Housing Trust Fund

The Caucus seeks to secure permanent funds in an effort to create and preserve the supply of rental housing for low-income families, including homeless families.

Community Development Financial Institution Program (CDFI)

We also seek to maximize the CDFI program, which is aimed at increasing private investment in distressed communities and build the capacity of the federally designated CDFI's that serve economically disadvantaged communities under community development.

FAMILY WELFARE

The Executive Budget proposes to consolidate 36 separate programs into 10 new programs that have similar functions. In the current budget, funding preference would be given only to programs that have existing contracts with DOH.

Welfare Reform

The Caucus supports A.2669-Wright. The bill strengthens recipients' protections from wrongful sanctions and ends durational sanctions. Erroneous case sanctioning practice keeps eligible very low-income households from receiving critical cash assistance. The bill would remedy this pervasive problem.

Full family sanctions are misguided, punitive, and harmful and will not lead to the desired goal of increased compliance. Full family sanctions create an immediate family crisis and jeopardize the welfare and safety of children and the basic stability of families. Sanctioning children in poor families makes them two to five times more likely to suffer from stunted growth, exposure to lead poisoning, low birth weight, repeat of a grade, iron deficiency, dropping out or expulsion from school, and serious disabilities.

Full family sanctions also disproportionately affect parents who have one or more barriers to employment. Often misapplied, sanctions cause tremendous harm to families who are, in fact, in compliance with program requirements. Proponents of full family sanctions argue that they are intended to encourage compliance with program requirements and eventually transition recipients off welfare. However, studies have shown that sanctioned families are less likely to be employed than non-sanctioned families, and are more likely to return to the welfare system.

Recommendations

We also recommend the following changes to the Governor's budget proposal:

Child Care Subsidies – While funded flat against previous year's budget, the amount of federal and state funds available to support subsidies is not yet sufficient to meet the need reflected in county level waiting lists. We support the Governor's budget proposal of funding increase of \$84.93 million.

PCAP – Prenatal Care Assistance Program - PCAP is a prenatal outreach program to improve birth outcomes and reduce the high cost of low birth weight infants. The budget recommends that maternal and child health programs be given \$4.5 million.

HPNAP – Hunger Prevention Nutrition Assistance Program - HPNAP provides funding to food banks which supply soup kitchens and food pantries.

The Supplemental Nutrition Assistance Program - or Women Infant Children supports nutritious food to pregnant women and their young children with federal and state funding.

The Governor's budget would consolidate these programs along with 86 others into six pools of funds, the total of which has been reduced by 10%. The restructuring of formerly categorical programs into competitive pools puts full funding for these highly valued community services at risk. We urge the Governor to revise this proposal to ensure that these programs are fully funded to meet current needs.

Nurse Family Partnership (NFP) and Healthy Families New York - Both are home visiting programs with proven success and we urge the Governor to restore the funding for the NFP which was not included in the budget.

INVEST \$92 MILLION IN CHILD CARE ASSISTANCE

Child care is an economic development strategy. Low income working families in New York State are facing a crisis of unprecedented proportions, as funding for the state's Child Care Block grant remains stagnant and at a level \$92 million below funding for 2010-2011. As an increasing number of counties across the state cut eligibility for child care assistance due to lack of funding, we believe that it is essential that funding be restored to the 2010-11 level, not only because New York's low income families rely heavily on child care assistance to make ends meet, but also as a critical economic development initiative.

The Governor's budget, which has made a priority of economic development in other areas, overlooks the importance of this critical investment. In his justification for the minimum wage increase, the Commissioner of the New York State Department of Economic Development notes that the annual cost for school age child care for a working family exceeds \$11,690 per child per year. The Governor's proposal, which will increase a minimum wage earner's income to just over \$18,000 (at 40 hours per week and 52 weeks per year), will still mean that a single parent with two children will remain below the poverty level and that the cost of child care remains well beyond reach.

An investment in one child care subsidy will yield the economic return in two jobs. Not only does every child care subsidy keep a low income worker employed, it also supports a significant small business sector in New York State – child care providers. Child care providers constitute 22,000 small businesses, including not-for-profit and for-profit centers, Head Start and Pre-kindergarten programs, and 11,000 family child care providers. Early care and education teachers, aides and staff represent one of the fastest growing employment sectors in the economy.

We commend the Governor for adding an additional \$21.02 million in support of the Child Care Block Grant. Unfortunately, the decrease in funding for TANF subsidies by \$63.91 million results in the elimination of vital programs that assist families everyday.

Rather than cutting the state's investment to offset the TANF increase, New York should maintain the \$70 million general fund investment from last year and add \$22 million dollars.

IMMIGRATION

DREAM Act and DREAM Fund

The Development Relief and Education for Alien Minors (DREAM) Act (Bill A02597/S2378) is legislation that would allow undocumented students the opportunity to apply for state college educational assistance programs to help pay for higher education. It also creates the DREAM Fund commission.

Programs Include

- Tuition Assistance Program (TAP)
- Higher Education Opportunity Program (HEOP)
- Educational Opportunity Program (EOP)
- Collegiate Science and Technology Entry Program (C-STEP)
- Opportunity Programs available at Community Colleges

This legislation will allow undocumented young adults who entered into the country before the age of 18, have lived in New York State for a minimum of 2 years, are under-the age of 35, and have demonstrated a commitment to education and good moral character to have access to financial aid opportunities within the state and be eligible for the program and other funding. This bill, sponsored by Assemblyman Francisco Moya and Senator Jose Peralta, was reintroduced in the 2013-2014 Session and has been referred to Higher Education.

The DREAM Fund commission enables eligible undocumented students who are applying to 2 and 4 year colleges and universities to apply for various scholarships in the DREAM Fund. New York has proposed the DREAM Fund legislation which makes family tuition accounts available to account owners who provide a valid taxpayer identification number. The money for this fund will come from private sources and will provide scholarships to students who meet the qualifications. Sponsored by Assemblyman Moya, the DREAM Fund passed the Assembly last year. This year, the DREAM Fund bill was combined with the DREAM Act. The primary benefit offers undocumented students access to higher education while increasing the value New York's work force. With this DREAM legislation, we welcome immigrants to New York with open arms, informing them that we are here for them and wish to see them prosper in the State of New York.

Deferred Action for Childhood Arrivals Transition Fund (DACATF)

A new program designed to provide out-of-school youth and young adults educational services in New York. Programs include English as a second language (ESL), Adult Education classes, and other programs. The Executive Budget maintains funding of this program at \$1 million. However, The Caucus supports The Education Department request of \$2 million dollars to help keep up the fund's increasing cost.

Enhancing Immigration Services in the Office for New Americans

This is a crucial immigration program that helps tens of thousands of immigrants get the vital help and services they need throughout the state. By expanding this program it will open more doors to immigrants in New York.

Financial Support for Immigrant Storm Victims

Many immigrant families are unable to get the federal, city, and state support for the recovery from Superstorm Sandy because they were unable to provide documentation that was required to get assistance. Though there are restrictions on federal funds, there should be some leeway with funds raised by the Empire State Relief Fund and allocated by New York State. There needs to be a way to bridge the gap and open up relief and recovery programs and funds to immigrant families that may have lost everything in the storm. They have suffered the same setbacks from the storm, including the loss of possessions and/or jobs alongside their neighbors, and they require assistance.

JUSTICE AND LEGAL SERVICES

Criminal Justice Services

New York State prisons remain overcrowded with a disproportionate number of minorities serving sentences as the result of the Rockefeller Drug Laws. The high proportion of incarcerated minorities is largely due to difficulty securing adequate representation as counsel and the prevalence of drugs in urban communities.

Incarceration remains a costly and ineffective manner to address chemical dependencies. Many prisons still lack programs that assist inmates dealing with the addiction that has led to their incarceration. This situation leads to high rates of recidivism as the inmates are not prepared to deal with their addiction when they are released from prison.

With the recent implementation of alternatives to incarceration programs and drug treatment facilities, non-violent offenders are returning to the community rehabilitated, saving the state substantial costs.

In recent years, drug courts have helped divert low-level drug offenders away from prisons and into rehab programs. These programs ensure that these offenders receive the treatment they desperately need while ensuring they receive appropriate supervision. The Executive proposes a new \$5.51 million appropriation that would consolidate \$3.25 million in funding for Classification Alternatives programs, \$1.91 million in Drug/ Alcohol programs, and \$369,000 for other programs.

THE DEATH PENALTY

Many opponents of the death penalty believe it should not be reinstated on moral grounds. Current law has a maximum sentence of life imprisonment without parole (LWOP) and if nothing is done legislatively, the decision in *People v. LaValle* will make LWOP our highest punishment for first degree murder.

The death penalty is also inordinately expensive. In the decade that we allowed capital punishment to divert money and resources from local and state treasuries, conservative estimates reveal that we spent more than \$170 million to obtain seven death sentences. Assuming that figure to be correct, each death sentence has cost \$24 million to be actualized.

FY2014-2015 Budget Priorities support direct legal services and advocacy for New York's most vulnerable residents.

Protect and Invest in Communities Affected by Superstorm Sandy. We cannot leave low-income communities damaged, displaced and disrupted by Sandy. LSNYC advocates are on the frontline of providing daily services to—and advocating with—Sandy-impacted homeowners, tenants and low-wage workers to ensure a fair allocation of recovery resources throughout New York. We believe supportive legal services are essential to protect human rights and to ensure that the voice of low-income New Yorkers remains central to the long-term rebuilding process.

Expand Programs to Ensure Immigrant Student Success. This program provides quality legal services to low-income immigrants seeking to achieve economic stability, education and employment success. In 2012 Legal Services NYC launched Immigrant Students Connect, a legal services partnership with NYC community colleges to link directly with students in need of housing, immigration, consumer debt, domestic violence and other legal needs that pose barriers to success.

Invest \$7M in the NYS Disability Advocacy Program (DAP). DAP is a nationally recognized program that generates significant savings for NYS and local governments while providing disabled New Yorkers direct services when appealing a denial of federal disability benefits. DAP returns \$6 for every \$1 invested in the form of retroactive awards to low-income New Yorkers and interim assistance payments to local governments. Consistently successful in approximately 80% of cases, DAP services help stabilize people's incomes, which in turn helps stabilize housing, health and quality of life overall.

Restore \$3M in Domestic Violence Services funding for Community-Based Providers. Statewide Non-Residential Domestic Violence Service providers offer critical, lifesaving legal and social services support to DV survivors outside of the overburdened shelter system. These programs offer crisis planning and counseling, legal advocacy to obtain orders of protection, divorces and immigration status, as well as social services in areas such as financial justice, debt counseling and all other legal and service needs required to gain independence from abuse. The proposed 2014-2015 Executive Budget seeks to cut funding for Domestic Violence Related Legal Services completely from its FY 2013-2014 level of \$650,000.

The proposed 2014-15 Executive Budget seeks an all funds appropriation of \$5.45 million for the Office for the Prevention of Domestic Violence, which is unchanged from its the SFY 2013-14 level.

Invest in School-Based Mental Health Services. In the wake of the Newtown shootings and displacement caused by Superstorm Sandy, the need for trauma-informed school supports is abundantly clear. Children exhibiting disruptive behavior often have unmet mental health needs which are best addressed through culturally competent, family-centered interventions. School-based mental health services reduce the need for school removals and promote continuity in treating children with emotional disturbances.

New York should:

Adequately Fund the Public Defense Backup Center of New York State Defenders Association

The mission of the New York State Defenders Association (NYSDA) is to improve the quality and scope of publicly supported legal representation to low income people. NYSDA's 19 staff members work daily to enhance the delivery of public defense services in the state's 62 counties saving the amount those services would otherwise cost localities and protecting the rights of poor people in criminal and adult family court cases. NYSDA's Backup Center also contracts with the

State to provide service upon request to nearly 6000 lawyers in more than 120 county-based programs and to maintain the Public Defense Case Management System (PDCMS) in 49 offices in 36 counties.

To maintain its current program of backup support and to continue its entry-level training program for new defenders (endorsed by the Franklin H. Williams Judicial Commission on Minorities as a model for the nation) NYSDA's Public Defense Backup Center needs \$2,089,000. The proposed 2014-2015 executive budget seeks to cut NYSDA funding completely.

Fund New York State Defenders Association \$2,089,000

Fund Aid to Defense (ATD)

Since the early 1970s, and in response to legislated law enforcement initiatives, prosecutors and public defense providers in some counties have received state aid to handle certain felony cases. The program has long been characterized by disparity between prosecution and defense with the prosecution annually receiving more funding. Moreover, since 2000, prosecutors have been funded in all 62 counties while public defense has only been funded in 26 counties. The Aid to Defense Program has been substantially cut through the years from \$20 million in 1990 to a little more than approximately \$2.6 million this year. The Aid to Defense Program should be restored to its former level. Begin the restoration of appropriate ATD funding \$20,000,000.

RESTORATIONS REQUESTED BY ADVOCATES

Restore funding to the Indigent Parolee Program	\$1,600,000
Fund Prisoners' Legal Services of New York	\$2,500,000
Fund the Office of Indigent Legal Services	\$3,000,000

Debt and Foreclosure

Another issue of great concern to the Caucus is the protection of homeowners. It is no secret that foreclosures are devastating homeowners, our children, families and our neighborhoods, with minority communities experiencing a disproportionate impact. Since the onset of the financial crisis, the Assembly has been a champion of protections for homeowners and of funding for vital foreclosure prevention services to help homeowners retain their homes. In 2008 the Foreclosure Prevention Services Program was launched with the help of legislative appropriations in the amount of \$25 million. With the help of renewed funding, over the past few years, this program has developed into a cost-effective network of 120 not-for-profit organizations comprising a complementary collaboration of housing counselors and legal service lawyers across the state that provide direct foreclosure prevention assistance to distressed homeowners free of charge. Funding for these services expired last year, and despite our best efforts, renewed funding is not in the Executive Budget this year.

The Foreclosure Prevention Program helps avert economic costs to the state and helps save the state money. It is well documented that foreclosures have a devastating impact not just on the homeowners losing their homes, but also their children, tenants, neighborhoods, court systems

and local governments. Many homeowners are unable to access affordable modifications without assistance, increasing the likelihood that they will either obtain an unaffordable modification or needlessly lose their home to foreclosure.

Continue funding for the Foreclosure Prevention Services Program. New Yorkers need well trained advocates to help them obtain affordable, sustainable modifications and avert unnecessary foreclosures. Without continued funding for the FPSP, service providers will soon begin to shut down services across the state, leaving thousands of New York homeowners without the services on which they have come to rely, to say nothing of the hundreds of well-trained advocates whose jobs will be lost.

CIVIL LEGAL SERVICES

Providing meaningful access to the courts is a crucial service to the public in these difficult economic times. In this time of economic crisis the greatest impact is on low-income households, legal services are even more essential to meet the increasing demand. Civil legal service providers have been facing a crisis for the past few years, confronted with rising demands for their services by at-risk New Yorkers while facing a sharp decline in funding to support these services. The number of people in poverty is rising and as the impact of the economic crisis continues, increasing numbers are seeking legal services. They have lost their jobs, their housing, health benefits, disability assistance and/or their subsistence income among other basic necessities of life. They are in foreclosure or facing wrongful evictions, and without the ability to afford a lawyer they need help. At the best of times, due to insufficient resources, legal services providers are barely able to meet 20% of the legal needs of the poor, and are now having to turn away increasing numbers of eligible low-income New Yorkers seeking their services.

With New York State's high unemployment and increasing poverty rates the prospects for the neediest New Yorker's are dire. African Americans and Hispanics are hit particularly hard. By 2010, the number of people living in poverty rose to 46.2 million and has continued to grow. About one in four African Americans and Hispanics is recorded as living in poverty. In light of the crushing impact of the financial crisis on the most vulnerable of our state's population, and the exponentially rising demand for these services, it is imperative that civil legal services be funded at a level that will enable our not-for-profit providers to continue to assist low income New Yorkers. It is also imperative to restore funding for domestic violence legal services programs to help ensure that low-income New Yorkers have the necessary assistance of legal services providers to access justice. Civil Legal Service Grant funding was eliminated completely for FY 2014 – 2015. The decrease proposes a transfer of \$2 million from the Legal Services Assistance Fund to the General Fund. The proposed budget seeks a \$15 million increase for the Chief Judge's task force to expand civil legal services.

WOMEN'S ISSUES

The Executive budget proposes to consolidate 36 individual health awareness and prevention programs into 10 competitive pools. This funding would continue to total \$102.3 million dollars. Ultimately this still means that many health awareness and prevention programs would not receive enough money in order to run successful programs. The funding for these programs should not be put in jeopardy by being forced to compete with each other. These programs are essential to the health and well being of the residents of New York.

Chronic Disease Prevention (\$9.4 million)

This pool includes:

- Osteoporosis Prevention Education and the Breast, Cervical, Ovarian Cancer Detection and Education Program Advisory Council program.
- Medical Assistance Program related to treatment of Breast and Cervical cancer.

Maternal, Child Health and Nutrition Program (\$4.5 million)

This pool includes:

- Adolescent Pregnancy Prevention Programs.
- Nutritional for WIC.
- Rape Crisis Center.
- Domestic Violence Hotlines and Services programs.

HIV and AIDS Program, Preventions, and Education Programs (\$65.1 million)

This pool includes:

- Regional and Targeted HIV, STD, Hepatitis C services.
- HIV, STD, and Hepatitis C preventions.
- HIV Health Care and support services.
- HIV Clinical and provider education programs.

Prenatal Clinical Health Care Services

The Executive proposed budget recommends in their Article VII proposals that state aid should be provided to reimburse various prenatal health care services that are used by uninsured women.

WORKFORCE INITIATIVES

New York State must commit to addressing the structural problems that result in high unemployment for communities of color. The Caucus supports initiatives to get the unemployed back in the work force, including on-the-job training partnerships that offer job training for those who are unemployed or underemployed, the expansion of state funding for youth jobs program, and the creation of the “Rebuild NY” State Infrastructure Bank. This entity will use money received from the State or the proposed Federal Infrastructure as equity, and lever that equity to create a pool of funds for investment into economic development or transportation infrastructure projects.

MINIMUM WAGE

Contrary to the claims made by opponents, the best research by reputable economists shows that an increase in the minimum wage has little to no negative effect on business or employment. Eighteen other states already have minimum wages higher than New York, including neighboring states like Connecticut, Massachusetts and Vermont.

An increase in the minimum wage is one of the best ways to address the huge problem of income inequality which has been growing worse in recent years. New York has the worst income inequality of any state in the nation.

Indexing the Minimum Wage

While we support the adoption of an increase in a minimum wage, it is critically important to add a provision to index the minimum wage for future increases so that the minimum wage is not eroded by inflation. Workers should not have to wait for years to get a fair wage adjustment.

UNEMPLOYMENT INSURANCE REFORM & UNEMPLOYMENT IN MINORITY WORKFORCE

New York State continues to struggle with high unemployment rate and minority communities have suffered tremendously from the current recession. The Bronx, for example, has twice the rate of unemployed as the rest of New York City, 14%. Out of the more than 800,000 jobs lost due to the recession in New York City, 75% were lost by Black and Latino workers. To make matters worse, New York State’s Unemployment Insurance has the lowest benefit payment of any of our neighboring states. Yet the cost of living in New York City is the highest in the nation. The twin punch of low benefits combined with continued high unemployment rates inflicts tremendous economic damage in minority communities.

During the peak of the recession, New York State borrowed money from the federal government to pay for unemployment benefits. With the state still owing \$2.7 billion to the federal government, in 2011 it began billing employers with a yearly “interest assessment surcharge” to cover the interest payments. In 2012, interest payments to the federal government totaled \$102 million. Regardless of size, every New York State business must pay a maximum of \$12.75 per employee to cover the Interest Assessment Surcharge.

Depending on size of business (based on employees), this tax adds thousands to the cost of doing business in New York. Over 75% of New Yorkers work for businesses with less than 100 employees. The surcharge is considered a job killing tax; while at the same time, unemployment rates continue to be disproportionately high in low income and minority communities. With a \$2.8 billion debt to the federal government hanging over its head and tens of millions in yearly interest payments, New York must review its current unemployment insurance practices to ensure the program is financially stable and that workers receive benefits that are on par with neighboring states and are adequate to help them meet a basic standard of living.

The Governor's Unemployment Reform Proposal

The Governor's budget allows for gradual benefit increases reaching 50% of the average weekly wage (AWW) in 2026. The maximum benefit will go from the current \$405 weekly max to \$450 by October of 2018. Thereafter, the bill creates a process for the benefit cap to be indexed and automatically adjusted to 50% of the AWW on an annual basis. The bill gradually increases the employer taxable wage base (also outlined below). Combined with a series of cuts, this proposal is designed to raise the benefits and simultaneously eliminate a deficit in the Unemployment Trust Fund (UTF) that runs between \$3 billion and \$4 billion annually. Additionally the minimum benefit will increase from \$64 weekly to \$100 weekly.

- **Increase and Indexation of the Taxable Wage Base**-The taxable wage base will increase gradually to \$13,000 in 2026 (from the current \$8,500). Thereafter, the taxable wage base will be indexed and increase every year to stay equal to 16% of the state's average annual wage.
- **Increase in Minimum Required Earnings to Qualify**-The current minimum earnings in a claimant's high quarter to qualify for benefits will increase from \$1,600 to \$2,100.

Proposed elimination of COLA for human services employees

Human services work with people with disabilities, and with children and youth as employees of nonprofit human services agencies the state has initiated a major shift from institutional services to community based care. Unfortunately, the proposed 2014-15 budget undermines the ability to make that transition work, by proposing to once again "defer" the promised cost of living adjustment (COLA) at 2% for human services providers. It has been five years since these providers got a COLA.

The state needs to address workforce issues in human services, primarily in non-profit voluntary agencies. Low wages in this industry make recruitment and retention of qualified workers difficult. In 2011 the median wage for personal care aides in New York State was \$10.31 per hour. This causes high turnover, and that diminishes the quality of care despite the best efforts of dedicated staff. A report by the National Direct Service Workforce Resource Center found that turnover rates ranged from 42% to 69% per year in some categories of workers in direct services for people with disabilities. These workers genuinely want to do their best for the people they serve, but the lack of funding makes it very difficult for direct care workers.

We believe that the state's policy should be to reduce turnover by raising the pay of the lowest paid direct service workers. Reimbursement formulas should provide incentives to hold down administrative expenses at the top while raising direct care wages at the bottom. As a first step the state funding for a cost of living adjustment or COLA for workers who provide direct services should be reinstated.

Close the Public Utility Loophole in Article 9, S 230 of the Labor Law

Requires pervasively regulated investor owned utilities to pay prevailing rate to building service workers covered by Article Se. 230 of the Labor law. Building service workers (security officers, cleaners, porters etc.) are often the first line of defense for critical infrastructure in times of disaster and emergency, be they natural or man-made. It is in the best interest of the state to have a well-trained, stable workforce in these important jobs. Prevailing rate will lower turnover and ensure a more effective first line of protection.

The Summer Youth Employment Program (Add \$10 million) provides summer employment and educational experiences that enable youth to acquire work skills. This program was funded by the governor at \$27.5 million but will need to be adjusted to account for the increase in the minimum wage. Advocates recommend a \$10 million adjustment so the program can continue to service youth throughout the state.

NY Works-\$165 million for capital grants/job creation.

Pension Smoothing

The Governor's budget includes a pension plan that will let school systems and municipalities (currently under financial pressure from escalating pension costs) to "smooth" out their payments by locking in a set rate for the next 25 years. Municipalities would agree to a set contribution figure for the next 25 years or even longer. While the rate would be lower than the current rate, they would be locked into it. Should the fund recover and begin to perform better the municipalities would be obligated to stay in the plan unless they buy their way out of the system. Opponents warn that this plan will allow public employers to underfund their pension plans in the guise of mandate relief.

Workers' Compensation: The Executive Budget would reform the Workers' Compensation Board's assessment process and adjust benefits for injured workers by:

- amending the assessment process so that employers would pay assessments directly to the Board through their carrier;
- establishing a bonding program to address insolvent group self-insured trusts;
- eliminating mandatory deposits into the Aggregate Trust Fund and close the Reopened Case Fund;
- amending the assessment reserves required to be held by the State Insurance Fund;
- authorizing the Board to release up to \$250 million for the debt reduction fund and up to \$500 million for capital as well; and
- increasing the minimum workers' compensation benefit amount from \$100 per week to \$150 per week.

TANF Initiatives Elimination: The Executive proposes to eliminate \$18.54 million in TANF initiatives that were enacted in SFY 2013-2014. These programs include: Access – Welfare to Careers, Advantage Schools, ATTAIN, BRIDGE, Career Pathways, Caretaker Relative/Kinship, Centro of Oneida, Communication Solutions Transportation, Educational Resources, Emergency Homeless Needs, Facilitated Enrollment, Fatherhood Initiative, Nurse-Family Partnership, Preventative Services Initiative, SUNY/CUNY Child Care, Wage Subsidy Program, and Wheels for Work

Recommendation: The Caucus is recommending that we maintain funding to these special services that serve as a necessary resource for members of our communities.

Workforce Investment Act

The Executive Budget reflects an increase in federal funding for the Workforce Investment Act funding of \$12.4 million. \$42.7 million allocated to aid dislocated workers and \$9.7 million for Boards for Employ training.

The Advanced Technology Training and Information Networking Program (ATTAIN)

The ATTAIN program brings digital access to economically disadvantaged communities by providing labs with state of the art hardware and software as well as necessary training for individuals so they may improve their employability. ATTAIN is funded with a combination of federal Temporary Assistance for Needy Families (TANF) funds and State funds. In the 2013-2014 Enacted Budget, \$3 million was appropriated for the annual portion of a multi-year SUNY contract for the ongoing software and management system maintenance of the ATTAIN labs and to provide other operational costs. Additionally, \$4.1 million was allocated in federal TANF funds to support personnel services, however, this amount supported a ten (10) month period only.

In order to implement the above priorities in 2014-2015 and support a full annual allocation, \$8.1 million is required. Of this amount, \$6.1 in federal TANF funds is requested to be transferred to SUNY through OTDA in their appropriation. Additionally, \$2 million in State funds has been appropriated to SUNY in the 2014-2015 Executive Budget.

In addition to providing the above funding for the existing ATTAIN system, support is requested for The Capital South Campus Center ATTAIN Lab project, a collaboration with Trinity Alliance and the College of Nanoscale Science and Engineering that was recently selected as a priority project for the Capital Region Economic Development Council (REDC). This project received a \$475,000 grant from the REDC to support the initial infrastructure as well as ongoing telecommunication costs. Funds are requested for the support of annual staffing costs for the lab in the amount of \$120,000.

Recommendation: The Caucus is recommending that we restore funding to \$8.1 million.

Employment Opportunity Centers

Each year, thousands of disadvantaged men and women are offered the opportunity to enroll in tuition-free programs in the areas of occupational/technical preparation, GED and college preparation, or various computer-based certifications through the State University of New York's

(SUNY) Employment Opportunity Centers (EOCs). The twelve EOCs across the state play an integral role in the education and training of these individuals who may not otherwise have access to the resources necessary to prepare them for employment positions in today's job market. The Executive Budget proposes to maintain funding at \$51.03 million.

ENVIRONMENTAL JUSTICE

Restore DEC Staffing Levels

A loss of over 800 staff since 2008 has forced the Department of Environmental Conservation (DEC) to choose between increasingly poor options as it struggles to carry out its mission of environmental protection. This has left our environment and public health vulnerable to harmful pollution. The FY2014-15 Budget should restore DEC staff levels to address the losses sustained at the agency.

Revitalize Communities – Fix the Brownfield Tax Credit Program, Refinance Superfund, Fund the Environmental Restoration Program

Environmental Advocates proposes the following Brownfield's reforms to better target tax credits and allow the state to predict and manage its financial liability:

- Target redevelopment tax credits to neighborhoods most in need of public incentives;
- Reduce costs by de-linking eligibility for the program from eligibility for redevelopment tax credits;
- Establish redevelopment tax credit eligibility criteria such as: whether a site is located in an economically disadvantaged area is being developed to conform to a Brownfield Opportunity Area plan, or the property's value is upside-down.
- Extend Brownfield Cleanup Program tax credits for 10 years to provide program certainty.

Additionally, the FY2014-2015 budget should include bonding authority to fund the long-term operation of the State Superfund Program and annual capital funding for the Environmental Restoration Program.

Increase the Environmental Protection Fund (EPF)

The EPF creates jobs and stimulates local economies by providing capital grants to municipalities and nonprofit organizations for environmental enhancement projects. The budget should include a \$200 million EPF appropriation derived from \$4 million in additional bottle bill revenue and increased Real Estate Transfer Tax (RETT) deposits.

Stop DERA Compliance Extensions

Diesel exhaust can trigger asthma attacks, cause lung cancer and shorten lives. In 2006, the Diesel Emissions Reduction Act was enacted to decrease emissions of air pollution from state owned and leased heavy duty vehicles, with completion required by 2010. Unfortunately, after years of stalling, the FY2013-14 budget again extended the DERA compliance deadline.

Keep the Orphaned Well Fund Whole: Stop the Sweeps

Governor Cuomo should cease the practice of sweeping the oil and gas account for general fund relief. Unplugged or improperly plugged oil and gas wells can act as a conduit for oil, gas or brine to enter and contaminate ground and surface water. DEC has over 4,100 orphaned and inactive wells in its records including 500 wells on its priority plugging list. A single well plugging can cost between \$10,000 and \$100,000 or more, resulting in few wells being properly plugged, leaving our communities vulnerable.

Refinance Centers for Excellence in Children’s Environmental Health

A \$1 million appropriation will help lay the foundation for a coordinated and comprehensive system of environmental health centers to offer guidance from physicians with expertise in the identification and treatment of childhood ailments of environmental origins. This program was funded between 2006 and 2010 but discontinued due to the budget crisis.

Continue NY Works Capital Parks Spending

The Governor has made a commitment to cleaning up the billion dollar backlog of needed park infrastructure upgrades by providing approximately \$145 million in NY Works funding over the past two fiscal years. The Capital plan projects an annual \$95 million appropriation starting in 2014-15 and continuing through 2017-18. This has set state parks on the right course and we urge the Governor to expeditiously disburse these funds to stimulate regional economies and improve the state’s recreational resources.

Impose a Fee on Disposable Bags

A fee on disposable bags will provide short term revenue to the state while curbing wasteful consumer behavior. Plastic bags have an average useful life measured in minutes yet can take more than 1,000 years to degrade in a landfill, should they not end up in our ocean or waterways first. Americans annually throw away more than 100 billion plastic bags at an estimated cost of \$4 billion to retailers.

Since 2011, multiple localities in New York have instituted disposable bag bans including East Hampton, Southampton, Mamaroneck, and Rye.

MINORITY AND WOMEN BUSINESS ENTERPRISES

Established in 2011, Governor Andrew Cuomo’s MWBE Task Force has made strides in determining ways to increase MWBE participation on public contracts and to promote the awarding of public contracts to minority and women owned companies. The Caucus seeks to further its commitment to develop and support best practices to diversity in the area of procurement. Members of the Caucus applaud the strategic focus to eliminate barriers to growth for small and MWBE contractors by establishing a statewide Surety Bond Assistance Program. This revolving fund will assist firms in becoming bond-ready and getting bonds to participate in state projects. We urge members of the MWBE community to utilize this state-assisted resource to grow their businesses.

Further, we support increasing MWBE participation in the procurement of state financed and state economic development projects. We propose such initiatives as the creation of a “Mentor Protégé Program,” easing bonding restrictions on MWBEs, and helping MWBE contractors identify government contracting opportunities. Governor Cuomo announced in October of 2013 that he had reached his goal of 20% MWBE participation. While we applaud the effort, we are still far from a fair and equitable system. The caucus is committed to using every resource available to make contract distribution more equitable.

Support for MWBE initiatives through not for profits

The Caucus also supports the development of not-for-profit organizations that provide education and advocacy for socially or economically disadvantaged businesses in the construction industry, empowering them to grow and create good paying jobs. These education platforms provide a classroom curriculum along with strategic consulting services to help create opportunities for these business owners. The curriculum focuses on turning-around the business reasons why emerging contractors have traditionally not qualified for surety and bank credit; focusing on financial presentation and infrastructure development. By incubating strong, well managed minority owned construction firms, these not-for-profit initiatives will help prepare these businesses to enter the lucrative public contracting arena, thus empowering them to bring good paying jobs back to their communities and reignite the workforce for many who are unemployed and disenfranchised.

The Caucus acknowledges several issues that remain areas to concern of the MWBE community:

- MWBE’s participation should be included aid federal package to pay for reconstruction costs from Superstorm Sandy;
- Conduct an impact analyst of the State’s Strategic Sourcing initiative on the MWBE business community’s growth;
- Extend the 20% mandate to increase MWBE participation in State contracting to the Tier 1 level for Public-Private Partnerships (P3’S) and super-sized contracts;

- Allow large-scale MWBE's that exceed the personal net worth and size threshold to qualify for the 20% State agency goal. However, these MWBE's are not unfairly advantaged over other potential contractors in the awarding of state contracts;
- Increase the number of minority- and women-owned firm participants in each pension fund by requesting the Office of the State Comptroller (OSC) work with the Division of Minority and Women Owned Business Development to recognize and accept the State's MWBE certification; and
- Require the Division of Minority and Women Owned Business Development ("DMWBD") to promulgate regulations requiring all State agencies to commission a three-year growth plan to increase MWBE utilization and release this report to members of the Legislature.

The Right Choice for New York: A Fair, Adequate and Economically Sensible Tax System

This edition of Budget Equity identifies significant unmet needs in many areas of state government responsibility caused by what will be a “decade of austerity” if the 2014-15 Executive Budget is adopted and implemented as proposed. For example:

- Since the Governor took office spending on social services programs has dropped by 12 percent.
- Aid to the cities through Aid and Incentives to Municipalities or AIM (what used to be called “revenue sharing”), when adjusted for changes in the cost of living has fallen by three-fourths since 1980 .
- The executive budget’s call for continued adherence to a 2 percent limit on spending increases while inflation is estimated to be 2.4 percent means real cuts to many important areas of state spending for the life of the financial plan through 2018 and beyond.
- Tuition at both SUNY and CUNY has been going up by \$300 per year while TAP (Tuition Assistance Program) for a decade is flat, depriving students of an affordable education and a path into the middle class.

On top of \$2 billion in spending cuts for 2014-2015, the budget proposal calls for further cuts of \$4.4 billion in 2015-16, \$5.6 billion in 2016-17, and \$7.1 billion in 2017-18. This includes an average of \$2.7 billion in unspecified cuts in future years to justify multi-year tax cuts that grow to more than \$2.5 billion annually. The budget is presented to show an apparent “surplus” in future years, but that surplus is only called into being by severe budget cuts.

This section of Budget Equity looks at the proposed tax cuts and gap closing plans in the executive budget and then gives some recommendations to grow the economy without leaving most of the New York’s citizens behind.

The proposed FY 2014-2015 Gap Closing Plan Cuts Spending \$2B in 2015, rising to \$7B in 2018 in order to make room for substantial new tax cuts.

The 2014-15 financial plans specify \$11.4 billion in additional cuts to programs through 2018. These cuts will come to agencies and localities that have already seen their budgets cut. In addition to the specified cuts an additional \$7.6 billion in budget cuts are left unspecified in order to keep overall spending under the ill conceived 2 percent spending cap. These combined cuts are needed to make room for tax cuts recommended in the Executive Budget for large corporations and the wealthiest one percent of New Yorkers who will reap the lion’s share of the benefits under the proposed Estate tax changes. The result is that total spending cuts from 2014-15 to 2017-18 will total more than \$19 billion. The financial plan then proposes \$6.3 billion in new tax cuts over the four years leaving a surplus over the four years of \$493 million. Only the 2014-15 budgets will be passed this year and the “out-year budget plans” can be changed but it is extremely unlikely that tax cuts once enacted this year will be undone next year.

2014-15 Financial Plan GAP Elimination Proposal

(\$ millions)	FY 2015	FY 2016	FY 2017	FY 2018	cumulative 2015-2018
Mid-Year Budget Gap Estimate	-\$1,742	-\$2,889	-\$2,948	-\$3,887	-\$11,466
Tax and Other Resource Changes	\$286	\$31	-\$153	-\$129	
Surplus Available from FY 2014	\$310				
Total Specified Spending Cuts	-\$1,982	-\$2,684	-\$3,257	-\$3,446	-\$11,369
Agency Operations spending cuts	-\$358	-\$708	-\$990	-\$1,342	
Local Assistance spending cuts	-\$1,624	-\$1,976	-\$2,267	-\$2,104	
Savings on Capital Projects & Debt Management	-\$116	-\$110	-\$118	-\$158	-\$502
Initiatives (new spending proposals)	\$156	\$232	\$394	\$499	\$1,281
Adherence to 2% State Operating Funds Spending Benchmark * [resulting in substantial unspecified spending cuts beyond that needed to close the budget gap]		-\$1,685	-\$2,367	-\$3,618	-\$7,670
TOTAL SPENDING CUTS (specified plus unspecified)	-\$1,982	-\$4,369	-\$5,624	-\$7,064	-\$19,039
SURPLUS BEFORE NEW TAX CUT PROPOSALS					
Mid-Year budget gap + tax and other resource changes + spending cuts + savings on capital - new initiatives	\$486	\$1,389	\$2,247	\$2,707	\$6,829
NEW TAX CUT PROPOSALS	-\$486	-\$1,234	-\$2,082	-\$2,534	-\$6,336
SURPLUS AFTER NEW TAX CUT PROPOSALS	\$0	\$155	\$165	\$173	\$493

Source: FPI analysis based on NYS Division of the Budget, [FY 2015 Executive Budget Financial Plan](#), p. 23

ANALYSIS OF 2014-2015 EXECUTIVE BUDGET TAX PROPOSALS

Personal Income Tax Changes

- **The property tax freeze provides the greatest relief to the richest local governments and school districts who hold to the property tax cap, making an already regressive system worse.**

The 2-year property tax “freeze” proposed in the 2014-15 executive Budget is estimated to cost \$1.8 billion over the next three fiscal years and adds a perverse incentive to the pressure already created by the statewide 2% property tax cap enacted 3 years ago. This pressure already has forced drastic cuts in schools and other important public services. Under the new proposal, a homeowner only gets an income tax credit for taxes levied by jurisdictions that stay within the 2 percent property tax cap with an additional kicker requiring local governments and school districts to implement plans for consolidating or implementing other joint service delivery systems within a very short time horizon.

Because the property tax cap is instituted as a percentage limit on the growth of a locality’s tax levy, the property tax increases possible under the cap are greater for wealthy school districts than for needy school districts. Under the freeze proposal, benefits likely will be concentrated in wealthier districts. Poorer districts will receive less for the very reasons that they have greater needs, smaller tax bases and fewer opportunities for consolidation, and are more dependent on state aid.

Bob Lowry of the NYS Council of Schools Superintendents has estimated that, even with full compliance with the proposal’s perverse conditions, the poorest 10% of school districts will receive \$91 per pupil in “freeze” credits, while the richest 10% of districts will receive \$794 per pupil.³ The freeze will have similar impacts on the rest of local government, making the freeze a regressive shifting of funds from the state to wealthier localities and this at a time when general AIM funding has been flat for a number of years and has decreased by 80% since 1980 adjusted for inflation.

- **The “Circuit Breaker” credit proposed in the Executive Budget is not effectively targeted.**

Despite its high price tag (\$1 billion a year when fully implemented), the “Circuit Breaker” credit proposed as part of the Executive Budget will not provide meaningful relief to those long time residents who are faced with property tax bills that represent an inordinate portion of their income. And rather than covering renters in a fair and equitable manner in its proposed Circuit Breaker, the Executive Budget proposes an even less well targeted renters’ credit.

³ Robert Lowry Deputy Director New York State Council of School Superintendents.
Assessing the Governor’s 2014-15 Executive Budget Proposals for Schools Campaign for Educational Equity.
January 23, 2014

The design of the Executive Budget's Circuit Breaker proposal ensures many households that are not overburdened by property taxes will receive Circuit Breaker credits BUT many households that are truly overburdened will not receive a sufficiently large credit to ameliorate their situation. The Executive Budget proposal has this effect by simultaneously setting a very low "affordability threshold" that makes many households who are not overburdened eligible for credits BUT THEN setting a very low credit percentage which guarantees that truly overburdened households do not receive any meaningful relief.

The most widely supported legislative bills (S3266/A5884 and S1002/A1941) have much higher credit percentages and much higher affordability thresholds than those being proposed by the Governor. This ensures that the Circuit Breaker works as it is supposed to and that it targets relief to those who need it most and does so in an effective and cost-efficient manner.

An analysis by the Fiscal Policy Institute and the Institute on Taxation and economic Policy of the governor's proposal shows that the share of the homeowner credits going to the lowest 20 percent of the income scale was just 5%, the second 20 percent receiving 10% and the third 20 percent receiving 22%, for a total of 38% going to the bottom 60% of homeowners (or those making under \$58,000 a year). The top 40% on the income scale would receive an estimated 62% of the benefits from the program, transforming what is meant to help those most in distress into a regressive program with little going to help the poorest households.

- **An analysis of the "Renter's Credit" proposed in the Executive Budget shows that it is even more poorly targeted than the proposed Circuit Breaker.**

Rather than including renters in the proposed circuit breaker credit through the establishment of a "property tax equivalent" similar to the one included in New York State's decades old low-income Circuit Breaker credit,⁴ the Executive Budget proposes a stand-alone renter's credit. In Circuit Breaker statutes, the property tax equivalent for renters is usually established as a percentage of a household's rent.

While the Executive Budget calls its proposal a "Renter's Credit," the determination of a household's credit under this proposal would not take the amount of rent paid by the household into consideration in any way, let alone by a comparison to the household's income. The amount of a taxpayer's credit is based solely on his or her federal adjusted gross income (FAGI), age and number of dependents for federal income tax purposes. Taxpayers younger than 65 are not eligible unless they have more than one dependent.

By using Federal Adjusted Gross Income (FAGI) as the measure of income for determining eligibility for this credit, rather than a broader definition of income as in the circuit breaker, this Executive Budget proposal leaves open the possibility that high income households with income that is not included in FAGI will benefit.

⁴ See the New York State tax form IT-214 and the accompanying instructions

Victor Bach, Senior Housing Policy Analyst for the Community Service Society, in testimony prepared for the joint legislative budget hearings, characterized the renter's credit as "an arbitrary 'scattershot' approach to rent relief that is unrelated to household need—something nearly for everyone, like STAR, a squandering of scarce state resources on an unidentified problem."

Based on this and numerous other technical policy and technical shortcomings, Bach recommends a "circuit breaker" approach to rent relief which scales the benefit in proportion to need and that integrates rent relief into a comprehensive circuit breaker approach that includes homeowner relief. And we agree.

Business Tax Changes

- **The "corporate tax reform" component of the Governor's multi-year tax cut package will cost an estimated \$400M a year when fully phased in.**

The Executive Budget claims its corporate tax reform will cost an estimated \$400 million a year when fully phased in but it presents no details on the assumptions or methodology used to derive this estimate. Of particular importance, the budget documents do not show how much of the \$400 million estimate comes from the repeal of the state's current Bank Tax and the "transfer" of those now taxed under that tax to the Corporation Franchise Tax for general business corporations.

Moreover, even before this new round of proposed tax cuts, total state business tax collections have fallen dramatically as a share of total state taxes and as a share of state Gross Domestic Product. Current tax forecasts, assuming the implementation of the proposed cuts, will reduce the business share of state taxes from 10% in 2013 to 8% in 2017, a level about half of the average that prevailed during most of the 1980s and the first half of the 1990s.

- **Is it justifiable to further reduce New York's corporate income taxes?**

The Governor's Tax Reform and Fairness Commission, chaired by investment banker Peter Solomon and former State Comptroller H. Carl McCall, closely examined the burgeoning array of New York's business tax incentives. An in-depth analysis prepared for that Commission by economists Don Boyd and Marilyn Rubin documented the explosion in credits from 33 in 2005 to 50 in 2013, with the annual cost of business tax credits rocketing from \$600M in 2005 to nearly three times that, \$1.7B, in 2013.

Among other findings of the Boyd-Rubin report:

- Business tax credits adjusted for inflation were 9 times larger in 2013 than 20 years earlier in 1994;
- Benefits are highly concentrated among a small number of firms—only 1 percent of general corporation tax filers are credit users.

Lower taxes for some businesses mean higher effective tax rates for the vast majority of

taxpayers. Despite the high and growing cost, New York's tax credits are "rarely evaluated rigorously and independently against their goals" and "refundable" credits accounted for 92% of all credits in 2013. Under a refundable tax credit, if the benefit exceeds the business' tax liability, the state writes a check to the business for the difference. The state has been busy writing more and more such checks.

- Boyd and Rubin emphasize that despite the sharp rise in the cost of New York's business tax credits, "there is no conclusive evidence from research studies conducted since the mid-1950s to show that business tax incentives have an impact on net economic gains to the states above and beyond the level that would have been attained absent the incentives." It is no surprise that the Solomon-McCall Tax Reform and Fairness Commission recommended that New York curtail the use of business tax credits.
- **Bank tax reform provides an unnecessary windfall to the largest banks based in New York**

The rationale behind repealing the bank tax is that financial de-regulation has eliminated most distinctions between commercial banks and investment banks, and entities historically subject to the bank tax are at a disadvantage since New York adopted single sales factor (SSF) apportionment as the basis for apportioning business profits for state tax purposes. Banks are currently subject to a 3-factor apportionment formula that includes payroll, deposits and receipts. If the bank tax is repealed and banks then file under the Franchise Tax on Business Corporations, they would be able to use SSF (receipts) to apportion net income to New York for tax purposes. In effect, extending SSF to large, national and international banks that have a large presence (as measured by deposits and payroll) in New York will allow them to reduce their tax liability substantially.

The Executive Budget does not indicate how much of the projected tax loss resulting from corporate tax reform is due to the repeal of the bank tax versus the reduction in the corporate tax rate from 7.1% to 6.5%. The tax loss associated with bank tax repeal could very well be much greater than the net future-year tax \$364M loss because other corporate taxpayers might be projected to end up paying more as a result of other changes in the corporate franchise tax.

Year	2015	2016	2017	2018	Cumulative
Personal Income Tax	(325)	(735)	(1,248)	(1,658)	(3,966)
Close the Resident Trust Loophole	75	225	150	150	600
Establish the Real Property Tax Freeze Personal Income Tax Credit	(400)	(976)	(475)	-	(1,851)
Establish the Residential Real Property Personal Income Tax Credit	-	(200)	(525)	(1,000)	(1,725)
Establish a Renter's Personal Income Tax Credit	-	(200)	(400)	(400)	(1,000)
Other	-	416	2	(408)	10
User Taxes and Fees	(4)	(8)	(4)	-	(16)
Business Taxes	67	(118)	(271)	(267)	(589)
Streamline Corporate Audit Procedures (Administrative)	-	172	172	172	516
Reform the Investment Tax Credit	65	65	65	65	260
Repeal the Financial Services Investment Tax Credit	30	30	30	30	120
Sub-Total Business Tax Positive Changes	95	267	267	267	896
Corporate Tax Reform	-	(205)	(346)	(346)	(897)
Establish a 20 Percent Real Property Tax Credit For Manufacturers	-	(136)	(136)	(136)	(408)
Eliminate the Net Income Tax On Upstate Manufacturers	(24)	(24)	(25)	(25)	(98)
Sub-Total Business Tax Cuts	(24)	(365)	(507)	(507)	(1,403)
Other	(4)	(20)	(31)	(27)	(82)
Other Actions	(36)	(175)	(371)	(612)	(1,194)
Total All Funds Legislation Change	(298)	(1,036)	(1,894)	(2,537)	(5,765)

As if extending SSF treatment to large national and international banks were not enough of a break for those institutions, these provisions of the tax reform legislation submitted by the Governor allow financial institutions to use a “fixed percentage method” in lieu of identifying the address of all their customers under a traditional SSF approach. The legislation specifies the “fixed percentage method” number as 8%, apparently determined by New York’s share of GDP. However, given the fact that New York has such a concentration of financial activities and that many transactions are between financial institutions, 8% seems like a low figure to use as a proxy for the share of financial business transacted in New York. A more appropriate proxy might be New York State’s share of the total securities business nationally—in 2011, that was 39%.

Proposed estate tax reductions will cost \$800M or more when phased in.

- There are three main elements in the estate tax proposal:
 - Raising the exemption from estate taxation from the current \$1 million to \$5.25M, the current federal exemption level;
 - Reducing the top rate in stages from 16 to 10%; and
 - Requiring the value of gifts to be added back to the estate tax (New York State eliminated its gift tax years ago).
- The estate tax has been generating \$800M to \$1.2B a year in revenue for New York so a proposal that rises in costs to \$612M in 2017-18 and \$757M in 2018-19 will seriously erode the estate tax as a significant revenue source for the state. Because of increasing income concentration at the top, in the absence of the proposed reductions in the estate tax, the estate tax would be the fastest growing source of tax revenue for New York State. Before the tax cuts, the estate tax is estimated to double between 2013 and 2019, to \$2 billion. The tax cuts will reduce that amount by roughly 40%.

Because the estate exemption is being raised, all estates paying taxes will pay less. The benefit of the reduction in the top tax rate from 16 to 10% will be heavily concentrated among a relatively small number (150-200) of very large estates (greater than \$10 million.) These large estates likely will see an average tax reduction of \$1.5 million or more.

While the Executive Budget states that “the state’s current estate tax policy encourages elderly New Yorkers to leave . . .,” in a report prepared for the Solomon-McCall Tax Commission, the state’s own tax policy experts concluded: “Migration studies regarding the impact of taxes such as the estate tax have shown that taxes generally are not a major factor in the decision of where to live or retire. . . . These papers generally show that taxes have very little impact on cross-state migration and estate tax revenues.”

Federal income tax return data clearly indicate that the number of millionaires and the total incomes of millionaires are both rising much faster in New York than in the U.S. overall. Thus, it appears that New York’s estate and personal income tax policies are not having a detectable effect in discouraging millionaires from living in New York.

The Governor and the legislature should balance the New York State budget in an economically sensible manner.

To address the unmet needs identified in this edition of Budget Equity, to avoid cost saving measures that are likely to have negative effects on the state’s economy and on the well-being of New York residents, and to restore a sense of fairness to New York’s state-local tax system, state policymakers should balance the 2014-15 state budget and subsequent state budgets in an economically sensible manner. That means adopting a balanced approach that

includes reasonable revenue measures, and not relying overwhelmingly on cuts in services and programs.

- Repeal the minimum wage reimbursement tax credit as recommended by Assembly bill A.8344; accelerate and augment the increase in the minimum wage; and include tipped and other excluded workers.
- Modify the Family Tax Credits to be distributed later this year, in a revenue neutral way, to include all low- and moderate-income families with children.
- Establish a Personal Income Tax (PIT) rate of 7.85 percent for families with incomes between \$500,000 and \$2,000,000 tax bracket. This is an increase from the current rate of 6.85 percent but a significant reduction from the rate of 8.97 that applied in 2009, 2010 and 2011.
- Increase revenue sharing (Aid & Incentives for Municipalities) with the state's struggling cities. This will reduce the pressure that is placed on local services and on the local property tax base and will greatly benefit Buffalo, Rochester, Syracuse, and other cities.
- Provide all the state's children with the opportunity for a sound basic education while reducing the pressure on the property tax by adopting and sticking to a 3-year plan for fully funding the 2007 legislation that settled the Campaign for Fiscal Equity law suit.
- Eliminate loopholes and tax breaks that allow large multi-state corporations to pay a lesser percentage of their New York source income in state taxes than small and other New York-only businesses.
- Eliminate all tax subsidies for companies that outsource jobs or reduce employment in the state. Tax breaks should only go to those who create and maintain good paying jobs in the state.
- Modify the Governor's proposed tax credits for homeowners and renters to provide meaningful property tax relief to those longtime residents for whom the property taxes on their primary residences represent an inordinate share of their income. Renters should also be covered in a fair and equitable manner since they carry a share of the residential property tax through their rental payments.