

CounterBudget

Putting People First

Budget Issues that Need Attention

March 2012

Compiled by New Yorkers for Fiscal Fairness

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INTRODUCION

Balancing State Budgets During Tough Economic Times

Government budgets are about choices. This is particularly true for state governments during recessions and during tenuous recoveries such as the one currently being experienced.

During recessions, the federal government can cut taxes and increase spending to stimulate the economy. But New York and the other states, unlike the federal government, have to balance their budgets in both good times and bad. Both tax increases and spending reductions make economic recoveries weaker because, to some degree or other, they take demand out of the economy. So, the challenge for state policymakers is to select the mix of spending cuts and tax increases that will do the least harm to their states' economies.

There is no universally accepted wisdom for making these choices but basic macroeconomic principles provide the best guide available. In a classic 2001 paper on this subject, Nobel laureate Joseph Stiglitz and Peter Orszag, then of the Brookings Institution, concluded that for a given amount of budget balancing a temporary increase in the tax on the portion of income over some relatively high level will take less demand out of the economy than a temporary consumption tax increase or cuts in locally produced goods and services or cuts in transfer payments to low-income families. That is because the portions of income over some relatively high level are much less likely to be spent than are the portions of income that are necessary to meet the cost of life's necessities.

Reductions in government spending on goods and services that are produced locally (like education and healthcare) and reductions in transfer payments to lower-income families are most damaging to the economy since they come closest to taking dollar for dollar out of the local economy. Increases in consumption taxes and fees will take more demand out of the economy than tax increases on the portion of income over some relatively high level but less demand than cuts in locally-produced goods and services or transfer payments to lower-income families.

New York State has had positive experience in 2003 and 2009 with applying the criteria Stiglitz and Orszag identified. In May 2003, the Legislature enacted a budget that relied more on revenue increases including a temporary increase in the state's top PIT rates and less on spending cuts than Governor Pataki had proposed. Contrary to the Governor's predictions regarding the impact of the 3-year increase in the top PIT rate, the number of high income tax returns and the amount of income reported on those returns rose sharply in 2003 and during the next four years.

In 2007 and 2008, the excesses of the financial markets cascaded through the economy leading to the Great Recession which officially began in December 2007 and to Washington's bailouts of the "too big to fail" financial institutions. This created a very uncertain budget situation for New York and the other states. By December 16, 2008, when Governor David Paterson presented his 2009-2010 Executive Budget a month before it was due, the seriousness of the situation was clear. The Governor began his budget message with the declaration that "New York is poised at a defining moment in its history. We are faced with the greatest economic and fiscal challenge of our lifetimes."

The budget that the Governor presented in December 2008 anticipated a budget gap of \$13.7 billion for the upcoming 2009-2010 fiscal year which he proposed closing primarily (69.2 percent) through \$9.5 billion in budget cuts. He also proposed \$3.1 billion of revenue increases and \$1.1 billion of non-recurring resources (i.e., "one shots") to close 22.5 percent and 8.3 percent of the gap respectively. The Governor also anticipated in December 2008 that the state would end the then current fiscal year \$1.7 billion in the red thus creating an overall gap of \$15.4 billion for the two fiscal years together.

By the time a budget agreement was finalized in late March and enacted in early April of 2009, the projected deficits had grown to \$2.2 billion for closing out 2008-2009 and \$17.9 billion for 2009-2010. While this increased the total 2-year gap to \$20.1 billion, the overall magnitude of the 2009-2010 budget cuts required had been reduced from the Governor's original proposal of \$9.5 billion to a little more than \$6 billion. While having to deal with a larger projected deficit, this more balanced approach was made possible by two developments.

First, in February 2009, the Congress adopted a version of President Obama's proposed stimulus package (the American Recovery and Reinvestment Act or ARRA) that included a substantial amount of fiscal relief for the states. This reduced the amount of tax increases and budget cuts that the states would otherwise be required to make to balance their budgets; and thus reduced but did not eliminate the amount of drag that the states' budget balancing actions would lace on the national recovery. In New York's case, this fiscal relief amounted to \$6.15 billion over the course of the two fiscal years and closed 30.6 percent of the \$20.1 budget gap for that period.

Second, as part of the enacted budget, the Legislature and the Governor agreed to a temporary 3-year increase in the top Personal Income Tax rate, similar to the action taken by the Legislature in 2003. The increase in the top PIT rate contributed \$3.95 billion to the closing of the 2009-2010 budget gap. This had two positive economic impacts: it helped reduce the amount of service cuts that were necessary; and, it helped reduce the amount of revenue that would have been raised in less progressive ways if the Governor's plan as proposed had been adopted.

Over the next two budget cycles, New York State's approach to its budget balancing became increasingly less balanced. In 2010, two-thirds of the projected 2-year budget gap of \$9.2 billion was closed with spending cuts, about 15 percent with new revenues, and about 12 percent with additional federal aid. And 2011 saw a further increase in the reliance (85 percent) on spending cuts to close a \$10 billion gap, with only 3 percent coming from new revenues.

In 2009 and 2010, while New York's more balanced approach to budget balancing for the 2009-2010 fiscal year 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.

In 2009, New York had the 7th best performance among the 50 states. Private sector employment in New York was down 3.4 percent while in the other 49 states collectively it declined 5.6 percent. Every state in the nation had a net loss of private sector jobs in 2009, and the only states that had smaller percentage losses than New York were the energy and mineral rich states of North Dakota, Alaska, Louisiana, South Dakota, Nebraska, and West Virginia. Texas's private sector job loss (3.9 percent) was actually greater than New York's (3.4 percent) in 2009.

In 2010, New York ranked 4th among the 50 states with a slight increase (0.21 percent) in private sector jobs, while the other 49 states collectively were down 0.81 percent. Again in 2010, New York did better than Texas in terms of private sector employment; while private sector employment in New York was slightly up from the previous year (+0.21 percent), in Texas it was slightly down (-0.07 percent).

The December 2011 Special Legislative Session and the Outlook for the 2012-13 State Fiscal Year

According to Governor Cuomo's 2012-13 Executive Budget, New York State's projected budget deficit for the upcoming state fiscal year stood at \$3.5 billion before the December 7, 2011, special session of the Legislature at which the Governor and the Legislature agreed on a plan to continue a portion of the temporary high-end personal income tax (PIT) brackets and rates which were scheduled to sunset on December 31st.

Since the estimated annual yield in 2011 of those temporary income tax provisions was approximately \$4.7 billion, New York State was clearly living within its means—contrary to the opinion of some critics. Quite simply, if those provisions were not about to sunset, New York would have had a projected surplus of about \$1.2 billion rather than a projected deficit of \$3.5 billion.

There were two temporary rates in effect for the 2009, 2010 and 2011 calendar years. A temporary rate of 7.85 percent (which was one percent higher than the state's permanent top rate of 6.85 percent that applies to the portions of taxable income above \$20,000 for single individuals and above \$40,000 for married couples filing joint returns) applied to single individuals with taxable incomes between \$200,000 and \$500,000 and to joint filers with taxable incomes between \$300,000 and \$500,000. And, a temporary top rate of 8.97 percent applied to taxpayers, regardless of filing status, with taxable incomes above \$500,000.

At the December 7, 2011 special session, the Legislature and the Governor agreed to a new set of temporary income tax brackets and rates for the 2012, 2013 and 2014 calendar years. This agreement eliminated the temporary 7.85 percent rate completely; and, reduced the temporary top rate from 8.97 percent to 8.82 percent; and changed the starting point for that temporary top rate from \$500,000 regardless of filing status to \$1 million for single individuals and \$2 million for married couples filing joint returns. These parts of the special session tax "reform" package are projected to increase state tax revenue by an estimated \$3 billion for the 2012 calendar year tax year. If the new 8.82 percent top rate had been applied to all taxpayers with taxable incomes above \$1 million, regardless of filing status, the projected revenue increase would have been about \$970 million more. And, if that new top rate had been applied to the top one percent of taxpayers (those with taxable incomes of about \$685,000), the projected revenue increase would have been about \$1.25 billion more.

But the December 2011 special session tax bill also included a number of tax reductions. Most directly related to the extension of the temporary 2009 – 2011 top PIT rate at a slightly reduced rate and for a smaller subset of state taxpayers, were reductions in the 6.85 percent rate to 6.45 percent for joint filers with taxable incomes from \$40,000 to \$150,000 and single individuals with taxable incomes between \$20,000 and \$75,000; and to 6.65 percent for taxpayers with taxable incomes between \$150,000 and \$300,000 (married, filing jointly) and between \$75,000 and \$150,000 (single). These PIT reductions are estimated to reduce 2012 calendar year tax revenue by about \$670 million from just over \$3 billion to about \$2.342 billion. The Budget Division estimates that the net PIT revenue of \$2.343 for the 2012 calendar year tax year and approximately \$2 billion for each of the two succeeding state fiscal years will come into the treasury over the course of five state fiscal years. For the 2012-13 state fiscal year, the Budget Division estimates the net revenue from the December 2011 PIT "reform" package to be \$1.931 billion.

Not directly related but still reducing the revenue available for budget balancing from the partial extension of the temporary high income tax provisions are several tax cuts and other initiatives enacted during the December 2011 special session. These actions included the MTA Payroll Tax Small Business Relief program and a number of tax credits. In the Governor's 2012-13 gap-

closing plan, these actions reduce the contribution to budget balancing by the December special session from \$1.931 billion to \$1.536 billion

This leads to the Governor's presentation that he is proposing to close a projected budget gap of \$3.5 billion with \$1.5 from tax reform and \$2 billion in spending control. On one side of that plan, as discussed above, "tax reform" should have and could have been structured to generate additional revenue. On the other side of that plan, the term "spending control" sounds as if it might consist of economy and efficiency reforms that would not have any negative effects of the needy families or on the quality of life in the state. But, as the subject matter sections of this report document, the proposed budget includes many socially and economically counterproductive budget cuts, many of which are the result of actions taken on the 2011-12 budget.

To address the unmet needs identified in this edition of Counterbudget, and to avoid those costs savings proposals advanced by the Executive Budget that are likely to have negative effects on the state's economy or on the wellbeing of New York residents, state policymakers should balance the 2012-2013 budget in an economically sensible manner.

New York State should not balance its 2012-2013 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.

Senior Issues

New York State needs to have a positive aging agenda to allow older persons to live in the community independently. Seniors and their organizations have advocated and fought for improvements in income security, health care, consumer rights and quality of life for older New Yorkers, their families and caregivers and joined with other organizations in coalitions to improve life for persons of all ages. Unfortunately, the aging agenda for the state seems to be just a medical one. The older population in NYS continues to grow and now there are over 3.6 million persons over age 60 in NYS. The needs continue to rise because like all persons, the recession has had a difficult impact particularly on the frail and most economically vulnerable.

Social model for senior services needs to be strengthened, rather than focusing on medical approach only

StateWide believes that in order to prevent or delay older and disabled persons from needing Medicaid that a strong commitment of home and community based services is required. We should be investing in the services provided by local area agencies on aging to keep older persons living independently. Too often, these services are disregarded and even reduced when it has been proven that programs of care transition, nursing home diversion, home modifications and other services are cost effective. While the move toward managed long term care services anticipates a greater level of care coordination, we need to understand that care coordination includes social services, support for caregivers and patient navigators and not just medical interventions.

Restore funding to EPIC so that no prescription costs more than \$20 for a senior on EPIC and restore payment of annual Medicare Part D deductible

The Governor's office chose to make substantial cuts to all programs and to make a fundamental decision to shift the burden of EPIC to the federal government. As you know, the EPIC program has been the best and most popular program of direct benefits the state ever created for older New Yorkers. Unfortunately, seniors in EPIC are so disappointed now that the state has chosen to greatly reduce the scope of the program rather than continue it as an important supplement to the Medicare Part D program. They know that the EPIC program we had was better than Medicare Part D and it remained so as a supplement to Medicare Part D. Now, the security that EPIC brought has been lost. Fortunately, the Legislature restored the state coverage of premiums in Medicare Part D plans last year. However by agreeing to allow EPIC to only supplement drug costs in the Medicare coverage gap or donut hole, seniors who have been on EPIC are now getting a shock when drugs which had copayments capped under EPIC at \$20 faced paying copayments which are 25% of the cost, often \$100 or more. We are recommending that the state restore EPIC funding cuts.

Restore \$920,000 funding to NORC programs to 2009 levels

We need a firm commitment to a policy that brings together health and aging providers, human services providers and the entire community to plan for our demographic future so that we can continue to improve the quality of life for older persons. Our NORC programs have been doing that and we should be investing in these types of self help services which promote livable communities for seniors and persons of all ages because older persons remain a resource of great importance to the state and society

Allocate \$1.6 million in new money to finance a "hold harmless" budget provision so that no county loses funding from the Census changes and to compensate for local cuts to aging services

Last year's budget also had an unintended consequence of causing significant cuts in local contributions to aging services. With the 2% tax cap enacted, county governments are seeking to cut non-mandated services and senior services fall in that category. Several counties have reduced their matching funds to aging services. Another unintended, hidden budget comes in aging services results from changes in the US Census and their impact on the Community Services for the Elderly Program (CSE) and EISEP program (Expanded In-Home Services for the Elderly Program). Since no increases are proposed, over twenty counties will see a reduction in their funding for this program despite having an increase in their senior population over the last ten years. Since some counties have a larger percentage increase in their senior population, the funding formula for this program will result in many counties losing funds.

Funding for the NY Connects program should also be restored which the Governor's budget cut by \$450,000

The New York Connects program continues to provide important information on long term care choices for consumers. The federal government is tying the existence of these types of programs to additional federal funding for new demonstration projects. However, the program is not operating in New York City and several upstate counties. \$1 million in additional federal funding has been received in the past year, but the Governor's budget reduces the state support for the program.

Funding should also be restored to the programs which were cut by 50% last year in the NYSOFA budget including the Patients Rights helpline that has become

even more important now that Medicare has a new care transitions program and is seeking to reduce medical errors and hospital re-admissions

Important senior programs were cut by 50% in the state budget a year ago and need to be strengthened. These were the Congregate Services Initiative (CSI), Elder Abuse Outreach and Education, Community Empowerment, Enriched Social Adult Day Care, Patients Rights Helpline

Restore \$1 million to the OCFS budget for grandparent caregiver support programs that were decimated last year

More grandparents are now the primary caregivers for young children. This responsibility is a great, unexpected stress and caregiver support is needed to help them to stabilize life for children who might otherwise be in foster care. Budget cuts last year ended funding for several caregiver support programs and only a few have been able to adequately function.

Healthcare

THE BUDGET SHOULD INCLUDE IMPLEMENTING LEGISLATION FOR A HEALTH INSURANCE EXCHANGE TO BRING NEW YORK FAMILIES AND BUSINESSES THE BEST BENEFITS OF FEDERAL HEALTH CARE REFORM

The federal health reform law, called the Affordable Care Act (ACA), has created many good changes for New York that are already helping people:

- Young adults can now stay on their parents' insurance until age 26.
- Seniors in the Medicare "donut hole" got a \$250 rebate in 2010, and are getting a 50% discount on brand name drugs and a 7% discount on generics this year.
- Next year, those discounts will get bigger. Uninsured people with preexisting conditions can now get health coverage under the NY Bridge Plan.
- Many small businesses can now offer health insurance to their employees thanks to new tax credits that are available to help them pay for it.
- A new statewide consumer assistance program, Community Health Advocates, has been set up to help people find and use health coverage.

Under the ACA, New York must create an Insurance Exchange -- a statewide marketplace where consumers and small businesses can buy health insurance. This Exchange must be certified operational by the federal government by January 13, 2013.

According to a study by the Urban Institute for the State of New York, the combination of the ACA and Health Exchange legislation and implementation will bring health care costs down 22% for small businesses and 66% for individuals.

We need implementing legislation to create an Insurance Exchange here in New York to fully achieve the promise of the ACA, now and in the future. This legislation can and should be included as part of this year's state budget discussions.

An Insurance Exchange will:

- Make health insurance rates more affordable.
- Give consumers and small businesses real help in comparing insurance products and choosing the one that is right for them.
- Let consumers and small businesses better navigate insurance paperwork and changes relating to things like new jobs or changing family circumstances.
- Bring greater accountability and transparency to health insurance plans.

To make sure New Yorkers get the most bang for the buck, our Exchange bill must include the following:

- A governing board that is free from conflicts of interest.
- A governing board that has strong consumer representation.
- An Exchange acts as an “active purchaser” to make sure New Yorkers get the most for their money.
- An Exchange that provides consumer assistance to consumers and small businesses.
- An Exchange that supports principles of Health Equity.

Time is running out. New York must immediately pass legislation as part of the budget and get our Exchange underway in order to meet the federal deadline.

Otherwise, the federal government will create an Exchange for us.

Passing an Exchange bill now as part of the budget will allow New Yorkers—not federal agencies—to shape our Exchange.

THE BUDGET SHOULD INCLUDE KEY PROTECTIONS, IMPROVEMENTS, REFORMS AND RESTORATIONS TO MAKE OUR MEDICAID PROGRAM MORE EFFECTIVE

Access to Coverage

Support Facilitated Enrollment for seniors and people with disabilities

New York has a robust history of supporting Facilitated Enrollment programs to help eligible applicants connect with public healthcare benefits. The programs, however, has never included assistance for people with disabilities or seniors. This year’s Executive Budget would authorize NYSDOH to contract for these services on a request for application (RFA), non-competitive basis.

This is a welcome and important expansion, especially at a time when people with disabilities and seniors face significant changes to long-term care access as they face mandatory enrollment in managed care. Particular attention must be made to meeting the needs of the vulnerable populations facing these transitions, such as people who are homeless.

Reject the elimination of spousal refusal

New York has protected spouses who need access to the Medicaid program for long-term care by a provision known as “spousal refusal.” This allows one spouse to “refuse” to surrender their entire income, so that for the purposes of eligibility only the assets and income of the spouse needing long-term care would be counted.

This year's Executive Budget would eliminate this provision, dealing a serious blow to middle-class and low-income seniors and the families of New Yorkers with disabilities.

Families should not have to throw themselves into poverty in order to seek long-term care for one spouse. In fact, this provision should be expanded to include "parental refusal" to allow dependents to seek long-term care without their parents' income and assets being considered.

Access to services

Modify the provision on enteral nutrition

There are many diseases and disabilities that demand enteral nutrition due to wasting or physical limitations that prevent ingesting regular food.

Last year's enacted budget eliminated Medicaid coverage for enteral nutrition, except for people who are tube-fed. We are pleased to see that the Governor has proposed to restore this coverage for people with HIV/AIDS. However, coverage should be fully restored for anyone needing this type of nutrition.

We urge that NYSDOH prepare regulations to allow anyone needing enteral nutrition to access this product. In addition, a physician-override procedure must be in place in cases where the regulatory restrictions go too far in restricting access to the product.

Repeal limits on Medicaid benefits

Last year's enacted budget limited or eliminated coverage for some important, necessary Medicaid benefits.

The move to cap outpatient therapy visits – physical, occupational, and speech therapies – to 20 per year (except for people with developmental disabilities, traumatic brain injury, and children), as well as the elimination of coverage for compression stockings and orthopedic footwear and orthotics, was shortsighted and harmful. These services constitute primary and preventive medical care for the people who need them.

The Medicaid Redesign Team (MRT) Basic Benefits Review Workgroup has recommended a new process by which to review benefits in the Medicaid program, rather than leaving decisions about covered benefits to contentious budget negotiations where the strongest concern is cost savings, rather than medical need. The budget actions taken last year to limit or eliminate benefits should be repealed and reconsidered under this new review process.

Support HEAL-NY grants for diagnostic and treatment centers

The Healthcare Efficiency and Affordability Law for New Yorkers (HEAL-NY) is a program that provides state capital grants to health facilities matched with federal dollars. The Executive Budget would allow the Commissioner of Health to allocate HEAL-NY funds to diagnostic and treatment centers – we support this provision.

This funding would represent true investment in community-based, primary and preventive services, furthering the goals of using public funding to drive quality and access. As health system restructuring takes place, it is crucial that our state make these essential investments.

Support access to Consumer Directed Personal Assistance

Consumer Directed Personal Assistance (CDPA) allows people with long-term needs to retain attendant services in their own homes, on their own terms. CDPA is a successful, high-satisfaction, money-saving program that puts the patient first by allowing him/her to hire and train staff that can fulfill their medical and care needs in their own day-to-day life.

The Executive Budget would require Medicaid managed care and managed long-term care plans in Medicaid to offer CDPA as a plan benefit – we strongly support this provision.

Support the elimination of health disparities

One of the major achievements of the MRT was the outcome of the Health Disparities Workgroup, which was charged with addressing health disparities based on ethnicity, race, immigration status, gender, sexual orientation, disability, geography, and income.

MMNY supports and urges enactment of the following Health Disparities Workgroup recommendations, most of which are included in the budget:

Pharmacy translation services and prescription standards – The budget would require chain pharmacies to provide prescription labels and inserts in an individual’s primary language, as well as interpretation services for medication counseling. The budget would also require the State Education Department, in consultation with the Department of Health to develop standards to streamline the way prescriptions are written and the way medications are labeled to promote greater understanding of what medications are and how they are to be taken.

Medicaid coverage for language access – The budget provides funding to adjust the reimbursement rates of hospital inpatient and outpatient services, emergency rooms, and clinics to cover the costs of interpretation services for people with limited English proficiency and people who are deaf or hard of hearing.

Hospital charity care funding – The Workgroup recommended a change in the way funding is allocated to hospitals to cover the care they provide to people who are uninsured by endorsing a proposal by the Commission on the Public’s Health System. Advocates and patients have long fought for a more transparent and accountable distribution of this funding, which totals over \$1 billion per year. A new workgroup on this issue must be representative of people in the Medicaid program and the people who advocate for them.

Data collection and analysis – The budget provides funding to expand the state’s health disparities data collection and analysis efforts to do detailed reporting on race, ethnicity, gender identity, disabilities, and housing status.

Maternal and child health – The budget would promote maternal and child health by expanding and supporting services, such as family planning, prenatal care coordination, and enhanced use of health information technology and screening technology.

Hepatitis C care – The budget would promote care coordination and integration for people with Hepatitis C, which is disproportionately found in communities of color. This would include consumer outreach, counseling, and assistance in retaining social supports.

Medicaid coverage for harm reduction – The budget includes funding for the reimbursement of harm reduction services (counseling for drug users) by drug treatment programs and community-based organizations.

Early Intervention program

The Early Intervention (EI) program provides comprehensive, coordinated services to effectively meet the needs of infants and toddlers with disabilities and their families. EI services are unique as research shows that they can actually change a person’s lifelong prognosis for the better.

The Executive Budget includes commercial insurance provisions for the support of EI services, as well the creation of a fiscal agent, which have been welcomed by the advocate community.

It also requires, however, each EI provider to negotiate a contract and rate directly with commercial insurers and accepts the rate as payment in full, regardless of how far below the state EI rate the negotiated rate is.

Most EI providers do not have the infrastructure to negotiate with and bill commercial insurers; many are already struggling financially and would be forced to close under this radical new system. This risk could be mitigated if the budget proposal were changed to require the new fiscal agent to bill insurers and provide payment to providers at an appropriate state-established

rate.

We join the disability, healthcare, Medicaid and children's advocates who are fighting for a strong EI program that provides for the needs of the children and their families -- fully half of the children served by EI are Medicaid beneficiaries.

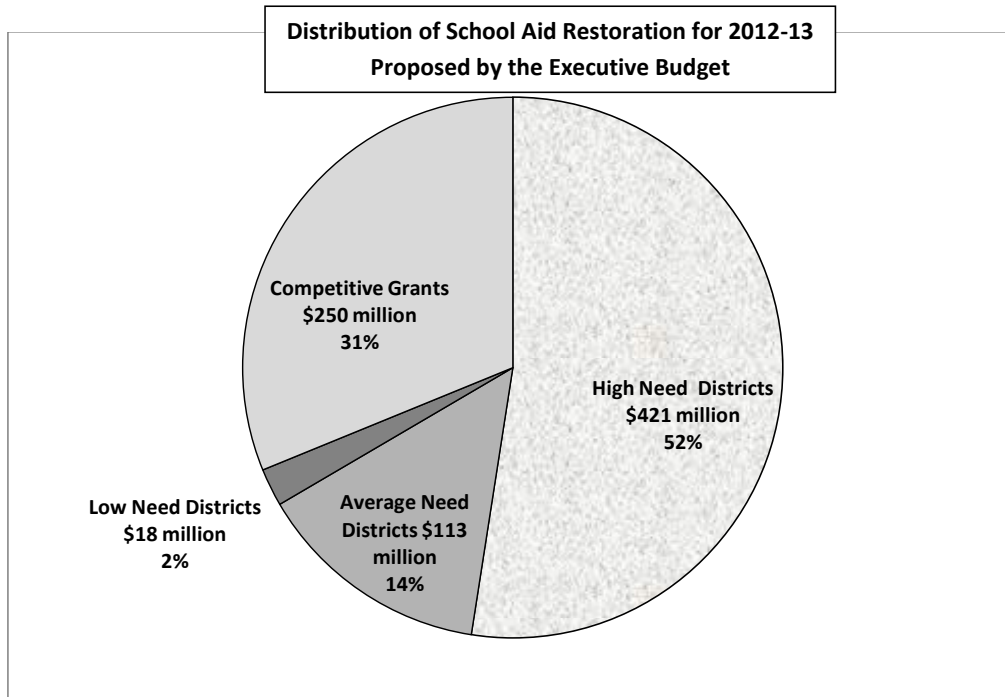
Education

Over the past two years New York State has cut school funding by \$2.7 billion. Under the 2012 Executive Budget proposal school districts can only expect 1 in 5 dollars of these cuts to be restored. As a result many school districts are expecting to make more classroom cuts next year.

Due to decreased funding school districts have cut art, music, sports, Advanced Placement courses, and more and 63% have increased class sizes. In some cases they have reduced kindergarten from full-day to half-day, a move more districts are considering. All of these cuts have led the State Education Commissioner to warn that districts are in danger of “educational insolvency.”

The 2012 New York State Executive Budget proposal would provide \$805 million in new education funding compared to last year’s budget. Only \$555 million is allocated to school districts to restore classroom cuts, the rest would be distributed through competitive grants.

Of the \$805 million 52% is allocated to high need school districts, 14% is allocated to average need school districts, 2% is allocated to wealthier low need school districts and 31% is allocated to a new competitive grants program.



No additional funding is allocated to pre-kindergarten programming despite the fact that the New York State Board of Regents proposed that \$53 million should be used to expand quality pre-kindergarten programs instead of putting these funds into competitive grants. Pre-Kindergarten is proven to be successful in raising student achievement and graduation rates, increasing students' income as adults, and reducing incarceration rates.

If the funds proposed for competitive grants were redistributed through the progressive school aid formula used in the Executive budget then 71% of the \$805 million would go to high need districts, 19% to average need districts, 3% to wealthier low need districts and 7% to pre-kindergarten.

Redistributing the competitive grants combined with the restorations proposed in the Executive Budget would restore \$574 million for high need districts, \$153 million for average need districts and \$21 million for wealthier low need districts and \$53 million for quality pre-kindergarten.

Redirecting the competitive grants into classroom aid would help, but would still only restore 1 in 4 dollars that have been cut from classrooms and may not be enough to stop further classroom cuts. The Legislature must find additional funding sources.

\$2.7 Billion in Classroom Cuts in Two Years have hurt our schools

A recent report from the NYS Council of School Superintendents notes that the impact on instruction was greatly felt: 63% of school districts increased their class size because of the budget cuts, 36% reduced summer school, 22% reduced art classes, 24% reduced music classes, and 17% reduced the number of honors or advanced placement courses they offered. In 2011, over 11,000 educators and other school personnel were lost and over the last three years, New York State schools lost 30,000 educators and other school staff.

Preschool Special Education

The Executive proposes to modify the existing preschool special education financing system by shifting costs to school districts at a time when they can least afford it. It would have an especially negative impact on small and rural school districts. The proposal also changes the existing evaluation system by requiring an explanation when a distant provider is recommended instead of a closer, provider; and prohibiting, in most cases, children being evaluated by the same agency that provides the child's educational services or by an evaluator with a less-than-arms-length relationship to the agency. This change could present significant challenges in rural areas where there are already a limited number of evaluators and providers.

Teacher Centers

The Executive Budget does not include any funding for Teacher Centers. Funding for these Centers has already been significantly reduced, down to just over \$20 million annually. Now more than ever, investing in education and educational resources is essential not only to our economic recovery, but to continue increasing academic achievement. For years these centers have run one of the most successful public/private collaborations in education because they were designed to bring high quality resources to P-16 institutions while increasing student performance. Teacher Centers historically received \$35 million in funding from the state and leveraged over \$40 million worth of additional in-kind support from outside resources.

Recommendation: Funding for Teacher Center should be restored in the 2012-13 state budget.

Library Aid

Funding for library services throughout the state is currently at \$79 million or 1994 levels. Since 2008, library funding has been reduced by over 22 percent, while library usage has increased from 147 million items borrowed in 2007 to 165 million items borrowed in 2010 -- an 11 percent increase.

Libraries are essential to our communities, our schools and our college campuses. Libraries serve people of all ages and backgrounds and at every phase of their learning development. No other state funded service serves so many people for so few dollars. Library Aid amounts to less than one tenth of one percent of the State Budget, and yet the libraries and library systems this funding supports serve over 12 million New Yorkers.

Tax Cap

The newly enacted tax cap will pose great challenges to school districts in meeting their obligations to educate every child. The two percent cap is now well below the CPI for the 2011 calendar year which was calculated at 3.16 percent. Living under a tax cap, many middle class and high need districts would receive insufficient school aid increases and lack the financial capacity to stem the tide of additional cuts to classrooms, much less be able to turnaround the disinvestment in classroom services experienced over the last three years. Without significant additional aid, and a reasonable adjustment to the tax cap for costs beyond their control, many school districts will lack sufficient resources to fund current programs.

Finally, we are deeply troubled by the 60 percent supermajority requirement in terms of its disparate impact on low income and high minority school districts. Research shows that in high

minority population school districts whose non-white student population exceeds 70 percent, 60 percent (or six out of ten) did not reach budget approval of 60 percent in 2011.

Education Recommendations

Redirect the \$250 million from competitive grant programs to classroom restorations. Or at least redirect \$225 million while allowing the existing program to be tested before it is dramatically expanded.

\$53 million of the competitive grant funds should be redirected to expanding quality pre-kindergarten as recommended by the Board of Regents

Add additional funds for classroom restorations. Even after redirecting the competitive grant funds into classroom restorations, only one in four dollars that have been cut from schools in the past two years would be restored.

Restore Funding to Libraries

Eliminate the 60% Supermajority required to override the cap. It is not fair and it is undemocratic.

Higher Education

New York State's public higher education institutions, SUNY and CUNY, currently enroll 740,000 students in degree-granting programs. Enrollments continue to rise as more students are graduating high school and see higher education as the best route to getting a stable job in the current economy.¹ Overall, SUNY's minority student body makes up 21.4% of the total SUNY enrollment, and CUNY's minority student body percentage is 74%, university-wide. Eighty-one percent of CUNY community college students are minorities.

Prior year budget cuts, Executive Budget and Assembly and Senate Budget Bills:

Public investment in SUNY and CUNY has been cut \$1.7 billion since 2008/09. Years of disinvestment in CUNY and SUNY, even as enrollments have skyrocketed, have led to declines in full-time faculty to student ratios, increasing use of adjunct and contingent faculty, increasing class sizes, fewer course offerings and the elimination of academic departments.²

State funding to community colleges is at a historic low point, and the Executive Budget would freeze Base Aid funding to community colleges at \$2,122 per Full-Time Equivalent (FTE) student, which is \$685 *less* than in 2008/09 when adjusted for inflation. This means that, on average, the State's contribution to community colleges is *less than 25%* of these colleges' operating costs though state education law calls for the state to contribute up to 40%.

After three years of deep cuts, Governor Cuomo's Executive Budget stabilizes support for 4-year colleges and university programs at SUNY and CUNY. It includes no new cuts to the 4-year colleges' operating budgets and provides additional funds for regular, inflationary cost increases. Sadly the Governor's Executive Budget includes no new funds for the community colleges. The Assembly's non-binding budget resolution also covers mandatory cost increases at SUNY and CUNY, and adds \$201 per FTE student to Base Aid for the community colleges. The Senate's non-binding budget resolution covers mandatory cost increases for SUNY and CUNY as well, but adds only \$100 per FTE student to Base Aid. The Senate resolution also calls for additional restorations over the next three years if local government sponsors limit tuition hikes to the Consumer Price Index and the community colleges demonstrate greater efficiency. The Senate resolution *appears* to add funding for SUNY and CUNY university budgets, but *actually* shift the

¹ According to the National Center for Public Policy and Higher Education's scorecard report [Measuring Up 2008](#), New York sends a high percentage of its young people to college, but minority student enrollment lags behind that of white students with 29% of Hispanic and 34% of African American students enrolled compared to 50% of white students. Additionally, the state earned an "F" for affordability finding that poor and working class families typically invested 37% of their income to pay for college.

² SUNY Albany alone eliminated five academic departments during the 2010-2011 academic year: Classics, French, Italian, Russian and Theatre.

funds from non-tax levy accounts such as student fees and dormitory charges leaving the universities with less overall.

The Governor's Executive Budget and the Assembly and Senate budget resolutions maintain current levels of funding to Tuition Assistance Program (TAP). But they do not restore graduate student grants, adequately assist low income, part-time students, or fix the long-standing unequal treatment of unmarried, independent students and working adults with very low incomes.

Students paying more, getting less

Meanwhile, tuition and fees continue to rise, shifting the burden of funding the universities and colleges to students and their families. A State law passed last August authorized SUNY and CUNY to raise tuition \$300 per year for the next five years, or \$1,500 in total by fall 2015, a 30% increase over tuition last year.

Facing higher tuition, more students will go deeper into debt to finance their education. Average debt of New York students graduating in 2010 was \$26,271, the 10th highest in the US.³ Increasingly, graduates of New York's public universities are leaving school with higher average debt levels than graduates of private colleges including Hamilton, Sarah Lawrence and Barnard – a trend which will only grow worse as the scheduled SUNY/CUNY tuition increase goes into effect.⁴

In addition, the ability of local government sponsors to make up for the loss of state funds to their community colleges is now limited by new state law capping local property tax increases to 2%. Limiting local governments' ability to raise tax revenues leaves growing deficits to be filled by students' tuition, which on average already covers close to 44% of the community colleges' total operating budgets. Tuition would have to go up by thousands of dollars to make up for the loss of state and local investment, leaving community colleges in the untenable position of raising tuition beyond students' ability to pay or eliminating high-demand, but expensive, programs such as nursing and allied health programs.

Policy recommendations:

1. Restore state Base Aid to 2008/09 funding levels and increase the state's contribution to community colleges' operating budgets. A \$685 per FTE student increase would bring the State's overall contribution rate close to 30%. The State's contribution would still fall short of the 40% goal established in State law, but it would provide relief to counties and lessen the pressure on them to raise student tuition.

³ Project on Student Debt. http://projectonstudentdebt.org/pub_view.php?idx=791

⁴ The Project on Student Debt, *Student Debt and the Class of 2008* (table of student debt by state and sector) December 2009.

2. Freeze tuition increases and restore cuts to SUNY and CUNY four-year and graduate programs to keep college affordable to low-income and working-class students and provide resources for more full-time faculty and professional staff. Keeping tuition affordable and fixing TAP are essential to assure that students don't need to go deep into debt to graduate.
3. Fix TAP to assist students in greatest financial need, restore graduate TAP grants and eliminate the rules that provide very low, unequal grant levels to low-income working adults and unmarried, independent students without dependents. Pass New York DREAM legislation to extend TAP to undocumented students eligible for in-state tuition at SUNY, CUNY and the community colleges.

Human Services

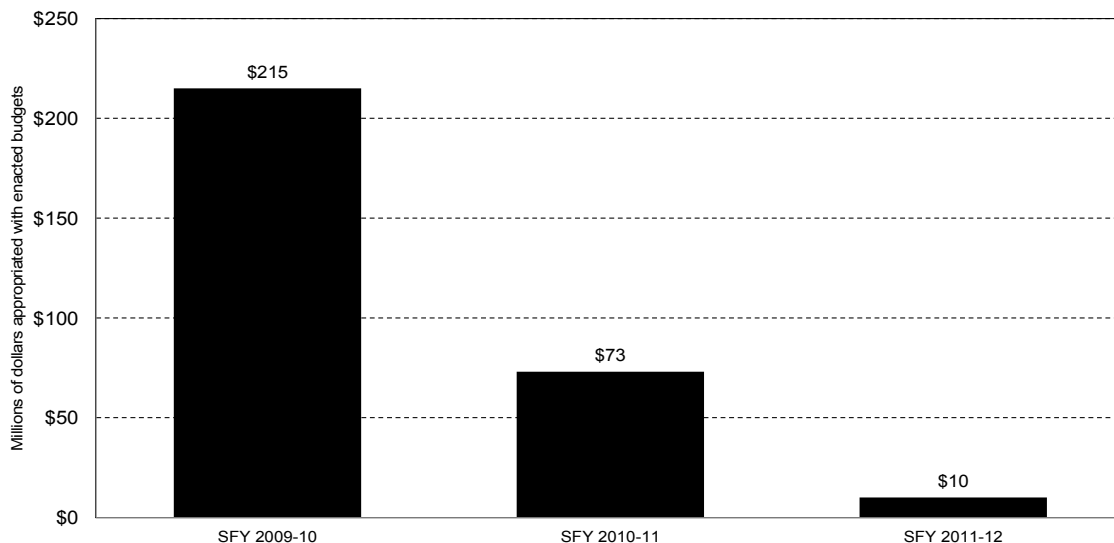
Whether due to an unexpected job loss, a catastrophic illness, a natural or man-made disaster, or other life circumstance, anyone may find themselves in need of human services. The human services sector partners with government to provide a broad range of essential support programs, including child care and child welfare, youth and after-school programs, elder care, mental hygiene services, health and wellness programs, job training, services for people with disabilities, and supportive housing and services for the homeless among others.

Prior Year Budget Cuts/ Governor's Executive Budget Cuts

In the last two years, New York State has cut about \$800 million in funding for direct human services that support the health and success of struggling people throughout the state. Another \$2.7 billion has been reduced in critical Medicaid funding that assists many in the sector with health, mental hygiene, and disability services. At the same time, poverty, hunger, and homelessness are at or near all-time highs.

Human services programs don't only improve the lives of those in or close to poverty; they are an economic engine in the communities they serve, providing 1.25 million jobs and stimulating business through the purchase of over a billion dollars in goods and services. Approximately 27,000 human service sector jobs have been lost due to service cuts in the last two years.

TANF funding for support services for needy families has gone down by 95 percent in two years. There is no TANF funding for these initiatives in the executive budget.



Represents funding from the federal TANF block grant and TANF Contingency Funds. Does not include funding for Earned Income Tax Credit payments, the Flexible Fund for Family Services and child care subsidies (does include child care demonstration projects and child care for migrant workers and SUNY and CUNY students).

TANF Funding Commitments

(in thousands)

Program	2011-2012 Enacted	2012-2013 Executive	Change	Program	2011-2012 Enacted	2012-2013 Executive	Change
Public Assistance Benefits	\$1,183,646	\$1,149,813	(\$33,833)	Community Solutions to Transportation	\$112		(\$112)
Public Assistance Grant Increase	\$9,216	\$18,000	\$8,784	Disability Advocacy Program (DAP)	\$98		(\$98)
Emergency Assistance to Families	\$150,000	\$150,000	\$0	Displaced Homemakers	\$546		(\$546)
State Operations	\$69,700	\$30,000	(\$39,700)	Emergency Homeless Program	\$176		(\$176)
AFIS, EBICS	\$3,000	\$3,000	\$0	Flexible Fund for Family Services	\$951,000	\$964,000	\$13,000
Welfare to Work Staff	\$12,600	\$0	(\$12,600)	Food Pantry Initiative	\$1,000		(\$1,000)
Systems	\$4,000	\$0	(\$4,000)	Non-Residential Domestic Violence Screening	\$510		(\$510)
Welfare Fraud and Prevention	\$5,500	\$0	(\$5,500)	Preventive Services	\$610		(\$610)
				Refugee Resettlement Program	\$102		(\$102)
ACCESS - Welfare to Careers	\$250		(\$250)	Rochester-Genesee Regional Transportation Authority	\$82		(\$82)
Advantage After Schools	\$500		(\$500)	Settlement House	\$500		(\$500)
Bridge	\$102		(\$102)	Strengthening Families Through Stronger Fathers	\$200		(\$200)
Caretaker Relative	\$51		(\$51)	Supplemental Homeless Intervention Program	\$205		(\$205)
Centro of Oneida	\$25		(\$25)	Supportive Housing for Families	\$508		(\$508)
Child Care CUNY	\$141		(\$141)	Wage Subsidy Program	\$950		(\$950)
Child Care Demonstration Projects	\$3,395		(\$3,395)	Wheels for Work	\$144		(\$144)
Child Care Subsidies	\$392,967	\$299,667	(\$93,300)				
Child Care SUNY	\$193		(\$193)				
				TOTAL	\$2,792,029	\$2,614,480	(\$177,549)

Recommendation:

Restore funding to TANF related support services

Transitional Jobs Program

Transitional Jobs are subsidized, short term (6 months to a year) jobs for low-income people to work in the public or nonprofit sector. The person works four days per week and on the fifth day receives training to supplement on-the-job training to end with skills to be able to obtain a decent paying, permanent job. The person earns a paycheck equivalent to other people on the job, pays taxes, qualifies for EITC, pays into social security, in NYC is a member of the union, qualifies for unemployment and gains real work experience. With a Transitional Job, welfare recipients obtain publicly subsidized jobs and receive education and training needed to transition to non-subsidized positions in the labor force.

In FY 2009-2010, for the FIRST TIME EVER this great program was available across New York State because the State put \$5 million to be matched with \$20 million in ARRA funds to run a county Subsidized Transitional Jobs program. 58 counties were given funding to implement a Transitional Jobs

Program and many want that funding to continue. In 2010 another \$5 million was in the budget for the program. 4000 people got jobs through the program. The program has currently been eliminated.

Recommendation: Fund program with a minimum of \$5 million in this year's budget

Advantage After School Program (AASP)

AASP provides quality youth development opportunities to school-age children and youth for three hours directly after school. These programs offer a broad range of educational, recreational and culturally age-appropriate activities that integrate school day experiences. More than 1,000,000 children across New York State do not have access to an after-school program but would participate if given the opportunity to do so.

After School programs can help districts save money over the long-term because of increased student retention and special education placements. Where there is a decrease in juvenile crime due to a program, communities can also save resources. As referenced in "Safe and Smart: Making After-School Hours Work for Kids," a publication developed by the U.S. Department of Education in 1998, preventing a youth from lifelong involvement in the criminal justice system saves \$1.3 million-\$1.5 million.

Prior Year Budget Cuts/Governor's Executive Budget Cuts: The Executive Budget proposes to fund Advantage at \$17.3 million for 2012-2013 which is a \$5.3 million reduction from 2010-2011 levels of \$22.6 million, and a \$400,000 reduction from 2011-2012. The reductions sustained last year resulted in a loss of the program to 4,000 children statewide and a loss of 400 jobs.

A funding restoration for Advantage is particularly important since New York City's 2011-2012 budget cut Out of School Time (OST) programs by \$3.1 million. This loss was due to the reduction to the city in state Youth Development and Delinquency Prevention (YDDP) funding. In addition, funding in the amount of \$1.1 million was eliminated for NYCHA Cornerstone Programs. The recently issued Request for Proposal (RFP) for OST proposes program slots to be further reduced by 50% leaving tens of thousands of New York City youth and families potentially without an after-school support.

Recommendations: Funding levels to program providers are currently insufficient and need to be restored to at least the 2010-2011 levels of \$22.6 million.

Subsidized Child Care

The State has the capacity to provide child care subsidies for 128,000 low-income children from working families and families receiving public assistance. However, cuts to the New York State Child Care Block Grant (NYSCCBG) have impacted the ability of these families to work and to provide high-quality care for their children. Waiting lists are increasing, counties are being forced to lower income eligibility levels and co-pays for care are being raised.

Prior Year Budget Cuts/Governor's Executive Budget Cuts: The 2012 Executive Budget contains \$904M for child care, reflecting a loss of federal funds. The Governor made up this loss by including \$93M in State General Funds to fill the gap.

We thank the Governor for his commitment to maintaining 19,000 child-care slots for working families. However, even with this generous add, funding is \$70M less than in SFY 2009-2010, and the cost of care has increased.

Recommendation: New York State must restore all lost funding for child care through the years and increase our investment to create a quality child care system across the State. A greater State investment in child care could build a larger and more stable system (less dependent on diminishing federal funds), just as yearly investments in Pre-K have done. We urge the State to make an advance on the proposed \$215M in child care preservation funds for FY 2013-2014, to meet the needs of families struggling to work and pay for child care, to begin to serve more children, and to build a quality, stable system of care. We must also explore setting consistent statewide standards for eligibility, co-pays and provider reimbursement rates.

Child Welfare

In 2002, Child Welfare Financing Reform created programs supported by the State's General Fund to support at-risk children and their families. The State currently provides 62 percent open-ended State reimbursement to local social service districts for the non-Federal share of children preventive services, child protective services, after care, independent living and adoption subsidies, services and administrative costs and caps reimbursement for foster care services. This financing structure is set to sunset on June 30, 2012, which would mean that funding for foster care services would return to an open-ended 50/50 State/local share and funding for preventive services listed above would return to an open-ended 75/25 State/local share. This legislation would extend the authorization for the 62 percent open-ended reimbursement structure until June 30, 2017.

Prior Year Budget Cuts/Governor's Executive Budget Cuts: The 65/35 uncapped match for preventive services has remained in place statutorily since 2002.

In the State Fiscal Year 2008-2009 budget, due to budget shortfalls that led to across the board 2% cuts to social services, the State Fiscal Year 2008-2009 budget only provided reimbursement for 98% of its share (i.e. 98% of the 65% share.) This translated into 63.7% state/ 37.3% local shares for preventive services. This 2% reduction was carried forward in the state's Fiscal Year 2009-2010 Budget.

The State Fiscal Year 2010-2011 Executive Budget prepared by the Governor and the Assembly and Senate Budget Resolutions all maintained state funding for preventive services at 63.7%. Throughout the budget process, advocates supported this budget item but focused advocacy efforts elsewhere given that no publicly available budget document indicated that state funding for preventive services was at risk.

When the State Legislature and the Governor issued the Emergency Budget Resolution in 2010, the reimbursement rate was cut by another 2% (i.e. 96% of the 65% share), which translates to 62% state reimbursement to the counties. This cut was thus implemented without any public debate. In addition, since that time, preventive service reimbursement has once again been reduced as part of the 1.1% across the board FMAP cut on state reimbursement for local assistance claims. These two more recent cuts (from 63.7% down to 62% down to approximately 61%) translate into a \$7 million state cut to New York City's preventive service system.

Recommendation: We urge the Governor and the Legislature to restore the State match for open-ended child welfare services to 65%. The Executive Budget proposes to preserve (in effect, to decrease) the state's reimbursement for preventive and child protective services to 62% (rather than the 65% currently in statute). It is essential that New York State maximizes its match to local districts for the total cost of providing protective, preventive, aftercare, post-adoption, and independent living services (after applying federal funds). Reducing the match has further strained over-burdened counties. We understand the difficult budget climate and recognize that compromises are made, however, this funding, and in particular the 65/35 match, encourages counties to invest in high-quality services that strengthen families, improve child safety, decrease the use of costly foster care, and will save the State money in the long run.

Special Delinquency and Prevention Programs (SDPP), Runaway, Youth Development and Delinquency Prevention (YDDP) and Homeless Youth Act (RHYA).

YDDP supports Out-of School Time (OST) programs. SDPP funds critical services such as alternatives to institutional care, dropout prevention, crisis intervention, family mediation and

counseling. Additionally, RHYA funding includes services such as street outreach and referral services, drop-in centers, crisis shelters, and transitional independent living programs.

According to a report issued by New Avenues for Youth in Portland Oregon, for every \$1.00 invested in programs for runaway and homeless youth they saved on average \$4.12 in costs to the community. They reported their prevention and early intervention program actually saved \$5.04 for every dollar spent to run the program.

Prior Year Budget Cuts/Governor's Executive Budget Cuts: The final 2011-12 state budget reflected significant reductions for these programs from 2010-11. YDDP/SDPP were funded at \$14.12 million and had previously been allocated \$28.2 million in 2010-2011. RHYA was funded at \$2.4 million and was allocated \$4.71 million for 2010-2011.

The reduction of funding for these programs has resulted in the elimination of critical afterschool program slots and transitional/independent living shelter beds for runaway/homeless youth. Additionally, NYC youth lose access to SDPP services which supports youth programs through the New York State Office of Children and Family Services (OCFS).

Policy Recommendations: We urge the legislature to restore YDDP/SDPP and RHYA funding to 2010-2011 levels totaling \$33 million.

Disability: The Disability Advocacy Program (DAP)

DAP Provides legal representation for individuals whose federal disability benefits, Supplemental Security Income (SSI) or Social Security Disability Insurance Benefits (DIB) have been denied or may be discontinued. The Governor's 2012-2013 Executive Budget included good and bad news for DAP. The program was flat funded at last year's base amount of \$4.76 million (\$2.38 million in state general fund dollars), but lost TANF funding that was funded at the \$1 million level in previous years.

The Disability Advocacy Program (DAP) is a nationally recognized program that generates documented and ongoing savings for the state and for local governments. Through the DAP program, advocates provide low income disabled New Yorkers in every region of the state with legal assistance when their federal Supplemental Security Income (SSI) or Social Security Disability (SSD) applications have been denied or their benefits terminated. The vast majority of clients receive public assistance, with over 50% receiving state/locally funded Safety Net benefits while they await a decision about their application.

For each successful case, the Social Security Administration (SSA) provides a retroactive award to the client for benefits they would have received, beginning from the time of initial application. SSA also reimburses the state and local governments for the interim assistance (IA) benefits provided as Safety Net benefits. Eighty-seven percent of the clients represented by DAP advocates prevail at the hearing level as compared to the average national success rate of 63%. As a result, DAP annually generates federal reimbursement for the state that far exceeds the state and county funding used to provide the services.

In 2008 and 2009 alone, the DAP program generated over \$57 million in retroactive awards to clients to be spent in communities around the state, and almost \$19 million in interim assistance – cash back to our state and local governments. In addition, the Office of Temporary and Disability Assistance also estimates that for the 2008-09 period, DAP generated \$15 million in ongoing annual cost avoidance by moving clients onto more secure and appropriate federal assistance.⁵ We would anticipate a similar cost avoidance for the 2009-10 period. All of this was achieved with a \$11.5 million investment for these two years. \$1.5 million dollars of this funding was federal Temporary Assistance to Needy Families (TANF) funding, with the remaining \$10.6 million funded half by the state and half by the localities.

Recommendation: Restore funding for DAP Program

Public Assistance: Restore the Welfare Grant Increase

The work of nonprofit agencies serving poor New Yorkers faces a nearly insurmountable obstacle when the safety net is in tatters. A striking example of this dilemma arises when circumstances compel a family to turn to the public assistance program for their subsistence.

In the 22 years since 1990, the cost of living in New York has risen by more than 70%. During that period, the welfare grant in New York has increased by 20%. As a result, poor New York families have ever-increasing difficulty in meeting their most basic needs.

In 2009, the State adopted a modest grant increase, to be phased in over three years, the first increase in the basic allowance in 19 years. The first two steps were enacted, but in 2011, the State failed to implement the final stage. The executive budget proposes to further delay the final installment by phasing in half of the third step this year and half next year. If this proposal is adopted, this very limited increase will have taken five years, instead of the intended three, to be fully realized.

The welfare population is overwhelmingly comprised of two main groups:

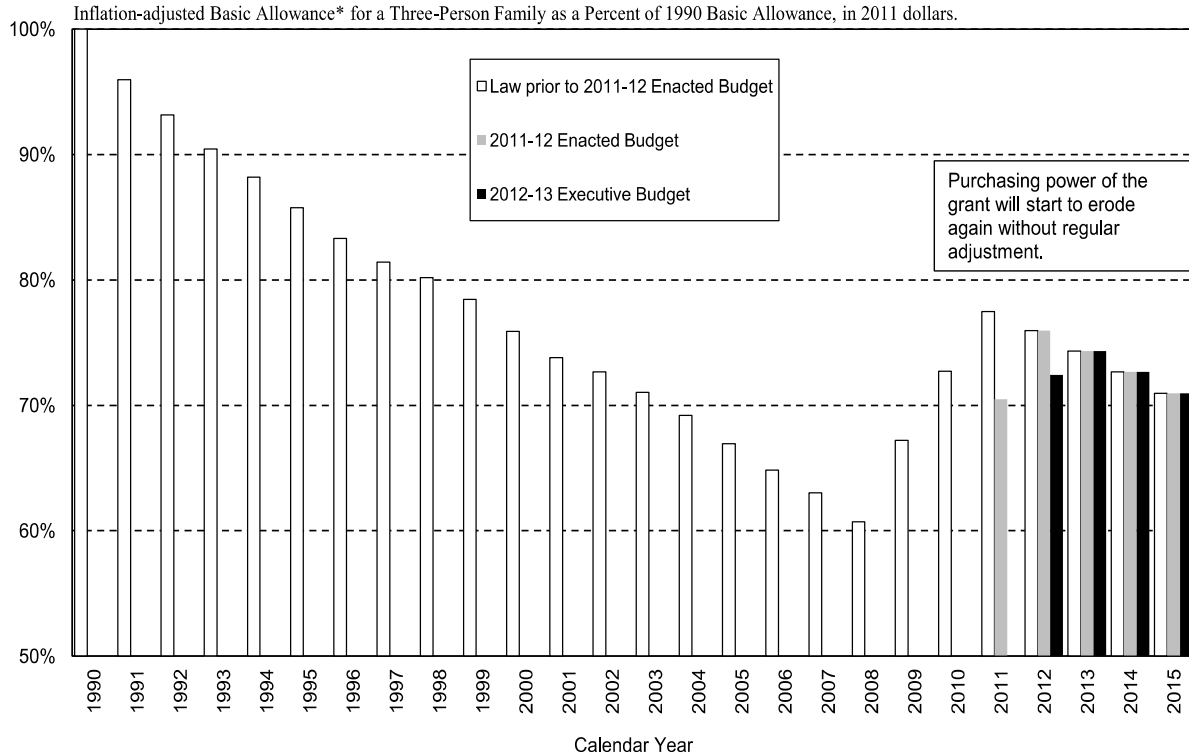
People who had or soon will have employment and need assistance for a relatively short period of time, and people who do not have as firm a connection to the labor market because of a range of serious limitations, such as mental or physical disabilities, limited levels of literacy and educational attainment, or domestic violence. The public assistance grant should afford all of these people the capacity to meet their most basic needs.

Even when fully implemented, the grant will still bring families to an income level that is less than half of the federal poverty level. In Monroe County, the maximum grant for a family of three will rise to 48% of the poverty level. Even with food stamps added in, the household income will fall well under 75% of the poverty level. While this grant theoretically enables them to provide for their essential needs, the reality falls far short. The full grant increase, estimated to cost the State only an additional \$6 million, nevertheless will provide a small but very meaningful supplement to poor families.

Non-profit agencies provide a wide range of services to poor New Yorkers, but they are often compelled to devote inordinate time dealing with housing, utility and food emergencies. One undeniable factor in this situation is the inadequacy of the welfare grant.

Recommendation: At a bare minimum, the increase pledged by the Legislature and the Governor in 2009 must be implemented in the 2012 session.

The two-year delay to full implementation of the last increase for the monthly public assistance grant, originally scheduled for July 1, 2011, has eroded some return of the grant's 1990 purchasing power.



* Basic allowance is the non-shelter portion of recipients' monthly assistance; it consists of the grant for recurring needs, home energy allowance and supplemental home energy allowance. This graph uses actual CPI-U through 2011 and the forecast composite CPI for New York from the New York State Division of Budget, *Economic and Revenue Outlook*, January 2012, p. 160.

Food Stamp Outreach

The Governor has added \$1 million to the Nutrition Outreach and Education Program (NOEP), the state food stamp outreach program) bringing total funding up to \$3 million. This funding boost will expand NOEP to every county in the state. Given the amount of hardship New Yorkers are suffering as a result of the poor economy, every effort to improve access to nutritional assistance is a step in the right direction.

Hunger Prevention Programs

Hunger is a major problem in New York State. Statewide, the number of individuals using emergency food programs has increased by 60% over the last four years, to more than 3 million annually. Yet state funding for emergency food (Hunger Prevention and Nutrition Assistance Program) has remained stable at \$29 million as food prices have increased and federal funding (TEFAP, EFSP) have suffered significant cuts.

Nearly a third of the state are either poor (15%) or near poor (below 150% of the poverty level); 40% of the residents in NYC fall below 200%. Poverty in upstate cities is incredibly high, from 28% in Albany to 34% in Rochester and Syracuse. Childhood poverty rate ranges from 43 to 51% in upstate cities. Over 3 million New Yorkers now use emergency food programs and receive SNAP (food stamp) benefits.

An analysis of recent U.S. Department of Agriculture (USDA) data, conducted by the New York City Coalition Against Hunger, found that nearly 500,000 city children, or one in four, live in families that cannot afford an adequate supply of food. One in six NYC City residents, 1.47 million New Yorkers, live in food insecurity, struggling against hunger.

A separate survey of New York City soup kitchens and food pantries found that demand at city food pantries and soup kitchens grew by 12 percent this year – on top of a seven percent increase in 2010 and a 21 increase in 2009. I

It also found that 79 percent of New York City’s soup kitchens and food pantries suffered from cuts in government food and funding in 2011. One of the reasons that this number is so high is that the federal Emergency Food and Shelter Program, which funds hundreds of city pantries and kitchens, was cut by 40 percent as part of the budget deal that President Obama struck with the Congressional leadership to keep the federal government running in 2011. To make matters worse, the Coalition’s survey showed that 55 percent of the city’s pantries and kitchens obtained fewer private donations in 2011 than in 2010.

Recommendation: Raise Funding for Emergency Food Programs by \$4.3 Million

Human Services Cost-of-Living-Adjustments (COLAs)

Prior Year Budget Cuts/ Governor’s Executive Budget Cuts: The human services sector is very concerned about the Executive Budget proposal to eliminate COLAs in FY13 and to institute a new program to begin in FY14 which will “provide increases based on appropriate provider costs and meeting performance outcomes.” The human services COLA has been deferred for 3 consecutive years and is now eliminated in the 4th year. The total cost for the unpaid COLAs from FY10-FY12, which are indexed to inflation, was over \$150 million and the projected COLA for FY13 would be approximately \$160 million.

Recommendation: Reject the elimination of the human services COLA as well as language regarding meeting new performance standards. The sector agrees with and spends significant time complying with oversight of its service delivery on behalf of the state. However the COLA is an earned salary adjustment this deserving workforce hasn’t seen in three years as other

operational costs such as health insurance, rents and utilities continue to rise.

Administrative Rate Caps

Prior Year Budget Cuts/Governor's Executive Budget Cuts: In response to outlier cases of excessive compensation funded primarily with public dollars, the Governor put forward a plan to curb compensation and administrative costs. The FY13 Executive Budget proposes to require an administrative expense cap of 25% in FY13, increasing to 15% by FY15. The Governor's proposal would also cap executive compensation reimbursable by state dollars at a maximum of \$199,000.

A one-size fits all practice does not recognize the significant variations among organizations such as size, geography and service. An approach like this could impair the recruitment of qualified leaders and provision of services on behalf of the state. On January 18, 2012, the Governor signed an Executive Order to authorize these changes. State agencies will now have 90 days to promulgate rules governing compensation for providers that receive state or state-approved funds.

Policy Recommendations: The proposed administrative rate cap requires more thoughtful and inclusive planning with the nonprofit sector to develop appropriate and sufficient rates to operationalize services such as incorporating federal IRS standards for overseeing administrative and compensation expenses.

TRANSPORTATION

Transportation is a major barrier faced by many welfare participants and low-income individuals in securing employment in New York State. National studies show that a person receiving welfare who owns a car (or has access to affordable, reliable transportation services) is likely to earn more per hour, work longer hours, stay on welfare for a shorter period of time, and retain their job for a longer period of time.

The most difficult barrier to increased usage of mass transit by people moving from welfare to work, especially outside of the NYC Metro area, is that transit services may not operate at times or to locations needed by certain customers. This is especially true if the job hours are outside regular daylight working hours, or the job (or worker) location is outside of a core urban area. Many people leaving welfare for work and other low-income workers can only secure jobs that have irregular shifts. In addition to traveling to and from work, transportation is needed to and from childcare sites.

According to Pratt Center for Community Development's 2010 Transportation Equity Atlas, the lowest paid workers in New York City have the longest commutes to work, which limits the geographic range of job opportunities for residents in communities with high unemployment. Their study also found that more than a quarter million New Yorkers have commutes that are longer than one hour each way and about two thirds of these commuters earn less than \$35,000 a year. The report also found that Black New Yorkers have the longest commute times of any racial group, averaging twenty five percent longer commutes than their White counterparts. Hispanics have twelve percent longer commutes than Whites.

Transportation systems are not just weak in moving low-income residents to jobs in the suburbs and/or cross-town, they are also scarce in rural communities. New York State, contrary to popular perception, is primarily rural. Most of the counties outside of New York City have limited or non-existent transportation services.

Over the last decade New York made significant investments in the development of Wheels to Work Programs. The program provided low-cost vehicles to welfare participants to enable them to obtain and maintain employment. Given that the majority of persons who have left the welfare rolls over the last few years have moved into low-paying, entry-level positions, it is critical that they have the transportation tools needed to advance in the workforce. Unfortunately, the programs were largely unsuccessful in providing training to participants as auto mechanics.

Unfortunately, no funding for these programs was contained in the last two year budget.

Mass Transit and the MTA

New York City has also seen significant cuts in its mass transit services and repeated hikes in fares. Low-income people are especially impacted by fare hikes. One quarter of New York's workers use mass transit to get to work.

The Paterson and Cuomo administrations have diverted a total of \$260 million in the last three years dedicated solely to transit to other purposes. The diversion of dedicated transit funds in the fall of 2009 directly triggered the worst transit service cuts in memory. These included axing 36 bus routes; eliminating 570 bus stops; killing all or parts of three subway lines; and burdening millions of city and suburban riders with greater waits, more crowding, extra transfers and longer trips. Commuter rail riders have had their trains eliminated and stops added to remaining trains. Para-transit service for individuals with disabilities has been made even less convenient or, in some communities, eliminated completely.

In addition to the diversion of \$260 million, the amount of dedicated taxes for transit decreased by \$563 million in 2010 and a projected \$292 million in 2011. This does not include recent feathering of the MTA's payroll mobility tax that will cost the agency at least \$320 million a year in dedicated funding that will need to be replaced from an already stressed general fund.

The MTA's budget is precariously balanced. The MTA holds a total of \$31 billion in debt, which is more than twice the MTA's annual budget. Debt payments cost the MTA \$1.8 billion last year and are set to increase to \$2.1 billion next year and \$2.6 billion by 2014. The governor and state legislature are directly responsible for the MTA's finances: they decide how much revenue flows to the authority, and only they have the power to put the MTA on sound financial footing.

Policy Recommendations:

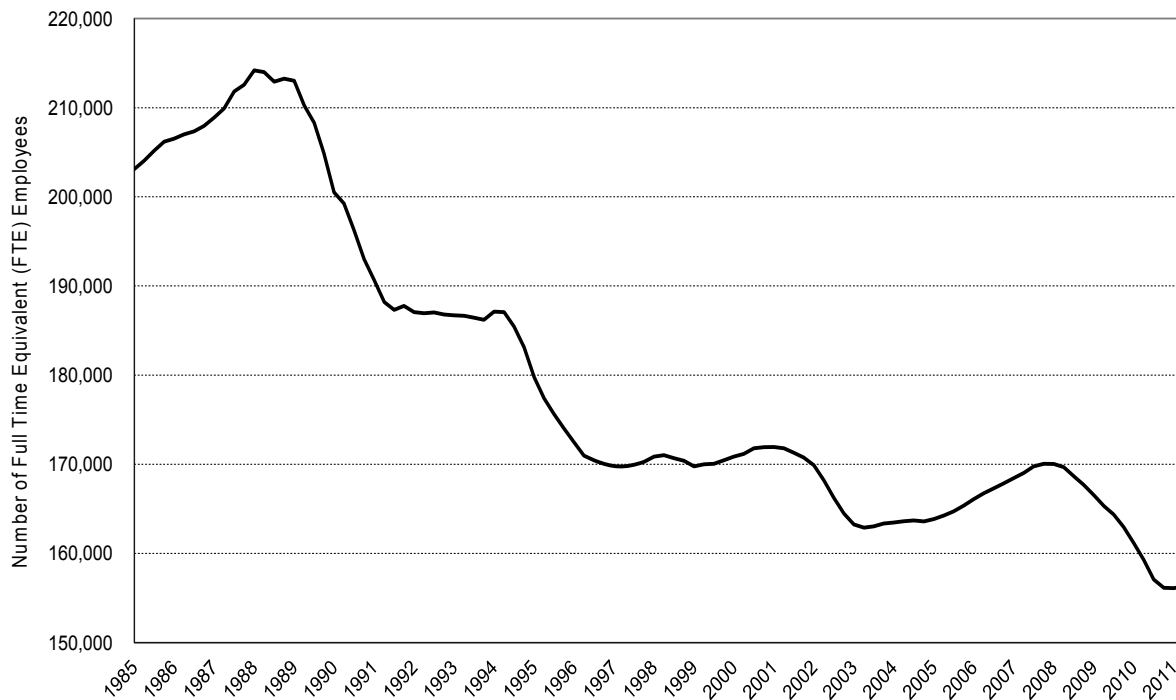
- New York State should restore funding for Wheels to Work and expand the program to include job training for low-income New Yorkers.
- Welfare recipients looking for work should receive free subway and bus passes. Such subsidies should continue for at least the first three months after finding a job. Subsidies are also needed for car insurance and car repair.
- New York should engage in "local hiring practices" for transportation related infrastructure projects. Community residents should be given the opportunity to work on projects that are in their communities.
- Dedicated transit funds should be spent for the sole purpose for which they were enacted
- Return the \$260 million taken from the MTA over the last year by the state and prevent state lawmakers from using dedicated transit funds for other purposes.

- End the fiscally irresponsible reliance on debt by restoring the state's contribution to the MTA capital program to 20 percent of the program's cost. Since 1992, the state has not contributed any funds directly toward the MTA's capital program. Before that time, state contributions made up a significant percentage of the MTA's capital program. In 1992, state lawmakers slashed state funding for the MTA's capital program. Today's debt crisis can be attributed in large part to this unfortunate decision and the failure of subsequent administrations to restore funding.
- The state just cut at least \$320 million from the MTA Payroll Mobility Tax by exempting small businesses and all school. Governor Cuomo and the State Legislature promised to restore the money in next year's State budget. It's critical that that they make good on their pledge to make the MTA whole. Otherwise, there will be great pressure on fares and service.
- Create sustainable sources of transit revenue funded by everyone who benefits from transit, including riders, drivers and businesses. Congestion pricing, bridge tolls and other variable charging plans that would provide critical revenue for the MTA (and avert future service cuts and unreasonable fare hikes) would benefit New York City's middle class, the majority of whom rely on mass transit to commute to their jobs in Manhattan.
- The local boards overseeing transit system should have designated voting members representing transit users.
- Lead New York's congressional delegation to secure higher levels of federal funding that would help expand public transit service access to underserved areas. Federal funding covers 80 percent to 90 percent of new highway projects but only 60 percent of public transit projects. Federal contributions are often much lower in practice. The federal government has agreed to fund only 27 percent of the first phase of the Second Avenue Subway, for example. Nationally, federal investment sufficient to bring the country's public transit systems to a state of good repair would create 2.5 million jobs over six years, including more than 16,000 jobs in the manufacturing sector alone in New York State.
- Stop the next MTA fare hike! The MTA financial plan includes 7.5 percent fare increase every two years starting in January 2013. The 2013 fare hike is expected to generate \$450 million dollars for the MTA's operating budget. To force transit riders, who are still suffering from the devastating 2010 service cuts, to be forced to pay more for less again is unfathomable. New York City transit riders are already burdened with the country's highest fare box revenues and the quality of service received in return has declined. Transit riders have paid enough. It's time the State and City increased their investment in public transit.

STATE OPERATIONS

Since 1985 the State workforce has been reduced by over 55,000 positions including over 14,000 positions since 2008. Since 2008 State spending on State agency operations and employee fringe benefits has decreased by over \$4.6 billion. State agencies are currently at bare bones staffing levels and are unable to provide all the services that are currently mandated by law. Numerous state facilities have been closed including State psychiatric centers (Hudson River PC), developmental disability service offices (Western NY DDSO), and several prisons and youth facilities. Hundreds of additional beds have been reduced at almost all remaining State psychiatric centers and developmental disability programs. Those populations most affected by this loss of services included the mentally ill, the developmentally disabled, and troubled youth. In addition, these service cuts continue to further endanger the safety of our communities.

New York State government agency employment declined by more than 26 percent between the late 1980s and 2011.



Note: excludes SUNY & CUNY. Source: NYS Office of the State Comptroller.

Governor's Executive Budget Cuts

Overall the Executive Budget proposes a \$1.141 billion savings in State Operations General Fund spending.

The Executive Budget proposes language to allow the Office of Mental Health to close the Kingsboro Psychiatric Center. Kingsboro is the only state operated adult psychiatric hospital in Brooklyn, New York's largest borough. It provides essential services to patients and families. Closing it will deny access to care for patients and families and will cost the community hundreds of jobs. The budget also gives OMH the authority to consolidate children's psychiatric centers in Brooklyn, the Bronx and Queens, and it further gives OMH the authority to close or downsize any other mental health facility without giving the required 12 months notice. OMH has already stated its intent to close all adult wards at Mohawk Valley PC and more ward closures are expected.

The Executive Budget also proposes several changes in the Sex Offender Management and Treatment Act. If approved, it would allow OMH to contract out to private agencies the treatment and custody of very dangerous sex offenders who are confined under this law. This is an inherently governmental function. Turning it over to private contractors, who have a poor track record regarding the quality of their services, puts public safety at risk.

The Office for People with Developmental Disabilities is moving ahead with a plan to privatize most of the direct services historically provided by the state to people with disabilities. The qualified professional state employees are being removed from direct work with consumers and their families, and the work is being assigned to private contractors. Many of these private agencies have staff who are sincere and dedicated but who lack the level of education and experience that OPWDD state employees bring to the job. The private providers often have a problem of high employee turnover, which can be disruptive to their ability to achieve positive results for their clients.

Although OPWDD management presents this change as a more community based service, it is actually an attempt by the state to step away from its responsibility to provide high quality care. Once these duties are outsourced, that state can more easily evade accountability and reduce resources.

The Executive Budget also proposes a major withdrawal by the state from its responsibilities for the custody and rehabilitation of juvenile offenders. Under the label of juvenile justice reform, this bill enacts a plan for the state to turn over to a New York City agency the responsibility for

the care of young offenders from New York City who are adjudicated to non-secure or limited secure OCFS facilities. The City plans to contract this responsibility out to private contractors, many of their programs and residences will be located outside of New York City. The bill goes even further and interferes with judicial discretion by prohibiting Family Court Judges from placing young offenders from NY City in OCFS facilities or other programs the court finds to be appropriate. As a result of these changes, many OCFS youth facilities will be closed, although the specific closures are not identified. These actions amount to the state abandoning its responsibility for the custody and rehabilitation of young offenders. Families and public safety are at risk if this plan is adopted.

The Office of Children and Family services employs qualified teachers who specialize in educating the young offenders in OCFS facilities. Many of these students have special needs. The budget proposes to allow OCFS to contract with BOCES districts to provide this service. This is unlikely to reduce costs or improve education. It may cost more. This is another example of the state abandoning its responsibilities for the care and education of these youth

The Roswell Park Cancer Institute is a nationally recognized medical research center and an important part of Buffalo's growing bio-medical academic and research industry. State investments in RPCI not only advance cancer research, they help build the critical mass that creates jobs in related industries and services. Yet the budget contains language that would require a cutoff of state funds in about two years. This could place at risk RPCI's status as a leading research hospital, followed by the loss of jobs and health care services. Not a good choice if the state wants to boost the Western New York economy.

The Executive Budget also proposes to eliminate a legal requirement that passenger buses, including school buses, be inspected by the state Department Of Transportation at least once every six months. The budget would substitute a vague "risk-based" inspection policy. In light of the recent experience with serious tour bus accidents, this is an unwise decision. Safety should be a primary concern and should not be diminished for minor budget savings.

Policy Recommendations:

1. Stop the closure of Kingsboro Psychiatric Center and the downsizing of state mental health services by deleting Part O of S6256/A9056. Cost: the Executive Budget does not specify savings associated with these proposals but they do cite a \$10 million savings due to administrative efficiencies that include the savings associated with the Kingsboro closure and other downsizing activities.

2. Reject the further privatization of mental hygiene services by deleting Section 1 of Part P of S6256/A9056. Cost: Executive Budget documents state that all reforms in Part P will save the State \$4.7 million in SFY 2012-13; there should be little if any cost by deleting the section that allows contracting out.
3. Stop the privatization of services for people with disabilities by amending S6256/A9056 to delete Part I and Part J. Cost: None.
4. Oppose the privatization of juvenile justice and the contracting out of OCFS educational programs by deleting Parts G and K of S6257/A9057. Cost: None, as the proposal actually costs the State \$3 million in this fiscal year. However there is \$4.5 cost savings next year.
5. Maintain funding for the Roswell Park Cancer Institute by deleting Part B of S6256/A9056. Cost: None this fiscal year, the State provides RPCI with up to \$108 million in annual funding.
6. Reject a reduction in passenger bus inspections by the Department of Transportation by deleting Part C of S6258. Cost: \$665,000 in 2012-13 and at least \$782,000 on an annualized basis

HOUSING

New Yorkers are facing increasingly unstable housing situations at a time when New York State is disinvesting in housing programs that are proven effective and cost-efficient. In New York City the number of individuals residing in emergency family shelters has reached over 41,000 a night for the first time in the shelter system's history. Once in emergency shelter, homeless families and individuals are finding that there is no longer a clear path to permanent affordable housing for themselves and their families: last year, both NYC and NYS eliminated funding for the primary rental assistance program for homeless families and individuals. Most vulnerable are low-income communities already facing myriad obstacles including: high underemployment and unemployment rates and less access to vital resources that can help them build a better future for themselves. But parents can't work and children are not able to thrive in school if they do not have a place to call home.

NYS must address the front end of this housing crisis by fully investing in eviction prevention services to New York City; evictions lead to 30% of shelter stays -this does not, however, count the large number of families who double-up with family and friends after an eviction in an attempt to avoid the shelter system but who, ultimately, wind up at shelter's door. Fully supporting eviction prevention services in NYC will keep families in their permanent homes and away from emergency shelter.

NYS must also open the back door of the system, and expand access to permanent supportive housing for homeless people now living in shelters and on the streets. Supportive housing, efficiency apartments linked to on-site services, is the cost-effective solution to the homelessness of individuals and families with disabilities and other barriers to housing stability and independence. By helping tenants become stable, independent and often employed, supportive housing reduces people's use of shelters, emergency rooms, psychiatric centers and other costly emergency interventions.

The Office of Temporary and Disability Assistance (OTDA) funds cost-effective, housing-based services and homelessness prevention programs through the *Homeless Housing & Prevention Services* budget line. This funding stream supports two primary programs that fund innovative community-based nonprofits that have had proven success ending and preventing homelessness among individuals and families.

NYS SOLUTIONS TO END HOMELESSNESS PROGRAM (STEHP)

The **NYS SOLUTIONS TO END HOMELESSNESS PROGRAM (STEHP)** consolidates three related but distinct homelessness prevention programs (HIP, SHIP and HPP) into one funding stream. These programs fund nonprofits to provide at-risk households with emergency financial assistance,

counseling, legal representation, and enhanced rental subsidies. They have been critical to NYS's efforts to keep at-risk families and individuals housed in the face of the most severe recession in generations; however OTDA did not fully fund these programs throughout NYS, and eliminated HIP or SHIP funding to NYC, leaving ten eviction prevention providers unable to support their eviction prevention work. The worst effects of these cuts were mitigated by \$13 million in annual federal stimulus funds for homelessness prevention over the past two years. But these funds have now been spent. Vulnerable single adults, at-risk seniors, and disabled adults now have nowhere to turn for help. We have instead reduced homelessness prevention resources by more than 75%, from much more than \$20 million two years ago to \$5.2 million today. In the face of a deep, extended recession, we must do more to address the lagging economic indicator of homelessness.

Recommendation: Restore and Increase funding to Social Services Agencies providing Eviction Prevention. Support a restoration of \$12.1 million to the STEHP Homeless Housing and Prevention Services Programs. The State's existing prevention programs have the capacity to be funded this year at \$17.3 million, a partial restoration of \$12.1 million. Most importantly, restore the S/HIP types of services completely eliminated from NYC and fully fund the HPP program which connects families to increased shelter allowance. The restoration would reduce NYC's shelter cost by over \$50 Million this year and would help over 10,000 additional households remain housed (NYSSHP/STEHP Budget Report 2012).

Other essential homelessness prevention services are provided through the Emergency Needs for Homeless Persons (ENHP) program. This program funds flexible, responsive interventions to prevent homelessness among families and individuals, linking them to services, supports and placement into emergency, transitional and permanent housing.

Recommendation: Fund ENHP at \$250,000 in SFY2012-13.

NYS SUPPORTIVE HOUSING PROGRAM (NYSSHP)

The **NYS SUPPORTIVE HOUSING PROGRAM (NYSSHP)** funds essential on-site services like case management, employment assistance, service linkages and 24-hour front-desk security in permanent, affordable supportive housing residences. These integrated residences provide studio apartments linked to on-site services for formerly homeless individuals, families and youth who need some support to live independently in the community. The program is also used to fund service delivery to families and individuals living in scattered-site apartments.

NYSSHP consolidated three service programs – SRO Support Services, Operating Support for AIDS Housing, and Supported Housing for Families and Young Adults (SHFYA) into one. Now together, NYSSHP funds essential housing-based services for 16,296 households of individuals, families and youth in 237 supportive housing residences across the state.

But the NYSSHP program has been cut or underfunded the past three years. As a result, over **696 families** and over 1,000 single adults in 74 existing and about-to-open residences are struggling to operate with none of the NYSSHP service funding promised when the housing was built. This has put over \$500 million of State capital investment at risk.

At the same time, approximately 12,500 tenants in 163 residences face a service funding cut of 17%. Some of these residences have already had funding cut by this amount, increasing caseload ratios and decreasing security.

New York State's supportive housing stock is some of the best in the nation, but these cuts threaten the continued success of the model. Restoring the critical NYSSHP service funding this year will help expand the capacity of the supportive housing community to house and serve people with a range of disabilities, thus saving Medicaid and other public dollars spent on emergency services.

Recommendation: Increase funding to OTDA NYSSHP by \$7.2 million to \$28.3 million to adequately fund new and existing supportive housing residences in New York State.

The programs in the Homeless Housing and Prevention Services budget line are the State's most important tools for preventing homelessness and providing housing stability to New Yorkers. In the current economic climate, it is essential that we provide adequate funding for these programs, both for the vulnerable families and individuals they serve, as well as for the State, which will spend far more on shelter, healthcare and other expensive emergency interventions if they do not get the assistance they need. **Increasing the OTDA Homeless Housing and Prevention Services budget line \$19.3 million, from the \$27.3 million proposed in the Executive Budget to \$46.6 million, will provide adequate funding to allow both supportive housing and homelessness prevention programs to continue to help the State save millions more in lower emergency costs to the State this year.**

Neighborhood and Rural Preservation Programs

Restore Neighborhood and Rural Preservation Programs in the budget: The Governor has eliminated all of this core funding that sustains the rehabilitation, development and housing assistance activities of 151 nonprofit Neighborhood and 62 Rural Preservation Companies at approximately \$97,500 each. The NPP and RPP companies used this funding to leverage \$439

million and \$130.4 million, respectively in SFY2010-11. This economic activity will diminish significantly without NPP and RPP funding. The cut will decrease the ability of programs to assist with the maintenance, rehabilitation and development of many homes, as well as critical counseling and assistance services, leading to dangerous living conditions and homelessness for many households.

Recommendation: Restore NPP at \$15 million and RPP at \$6.2 million to ensure that these programs remain effective in leveraging other resources for community development purposes.

The Foreclosure Prevention Services Program

This program provides housing counseling and legal services for individual homeowners at risk of foreclosure, it was created in 2008 with an initial \$25 million state general fund investment. In 2009, an additional \$25 million in federal stimulus funding allocated to the program. These two appropriations were distributed through December 31, 2011. In December, 2011, the direct services contracts were extended through March 31, 2011 and \$1.3 million was made available for the final quarter of the 2011-12 State Fiscal Year. **The 2012-13 Executive Budget includes no funding for the continuation of this program.**

Why this is important? The loss of a home in a foreclosure auction negatively impacts the state, local municipalities, the local neighborhoods, the family and children of the home foreclosed. According to a May 2009 report by The Urban Institute entitled *The Impacts of Foreclosures on Families on Families and Communities*, “when foreclosures occur, the families living in foreclosed properties are almost always obligated to move, but other effects may well touch on virtually all aspects of their well-being.” The report further notes that the “lack of a stable home can negatively influence behavior and social development. Frequent school change is related to poor academic performance and educational attainment.” In addition to the harm caused to the family, the impact of the foreclosure reaches local municipalities, not only through lost tax revenue as a result of lowered property values but also from the expenses related to a foreclosed home which range from the cost of cutting grass to the cost of demolition of a vacant property that has attracted crime and public health issues.

No part of the state is immune from this crisis. While the majority of foreclosures are in New York City and Long Island, 46% of all the foreclosures are in upstate urban and rural counties. As of March 2011, on average, 10% of mortgages in New York were more than 60 days delinquent or in foreclosure. At the county level, foreclosure rates generally fall between 6 percent and 14 percent, meaning that foreclosures continue to be a significant problem in every county of the

state and are not isolated to the counties with the particularly high raw numbers of homes in distress.

The top 10 counties in New York with the greatest estimated number of foreclosures also include a mix of upstate and downstate counties, and are from almost every region of the State (Suffolk, Queens, Nassau, Brooklyn, Westchester, Orange, Erie, Monroe, Bronx, and Staten Island).

Since the Foreclosure Prevention Services Program started in 2008, over 80,000 homeowners have been assisted and at least 14,000 homes have been saved from foreclosure. Every dollar invested in foreclosure prevention through the Program has resulted in a \$68 savings to the state. This is due to the avoidance of decreased property values and subsequent decreased tax revenue. It is estimated that, to date, the Program has saved over \$3.4 billion across New York State. If nothing is done to help the more than 250,000 homes entering foreclosure, the cost would total over \$61 billion in property values and reduction in tax base.

Recommendation: Fully fund the NYS Foreclosure Prevention Services Program at \$25 million in FY2012-13.

Capital Funding for Affordable Housing Development

New York State has a proud history of facilitating the capital development of affordable housing. These efforts have provided new and rehabilitated, safe, attractive and affordable homes to hundreds of thousands of families and individuals in some of the highest cost housing markets in the nation. But housing affordable to low and moderate income households downstate is in short supply: over 30% of renters in New York City now pay more than half their incomes toward rent. And Upstate, communities need investment dollars to maintain and improve housing in neighborhoods struggling to return to vitality. By increasing its capital investment in affordable housing, New York State will reduce the housing burden, leverage hundreds of millions in private and federal investment, and create more economic activity per dollar invested than almost all other types of public spending.

Recommendation: New York State should increase funding for capital development programs at the NYS Homes and Community Renewal by \$30 million in SFY2012-13. This funding can be distributed among Housing Trust Fund, Affordable Housing Corporation, Homes for Working Families, Access to Home, and other HCR capital programs.

Supportive Housing for High-Cost Medicaid Recipients

Placing chronically homeless individuals into supportive housing reduces their use of emergency and inpatient medical services by approximately 60%. Targeting supportive housing to unstably

housed and institutionalized individuals who are part of the 20% of Medicaid recipients who use over 75% of the Medicaid resources promises even greater savings. The Governor's Medicaid Redesign Team (MRT) has adopted supportive housing as a central strategy in reducing the cost and improving care in the NYS Medicaid program. The MRT Supportive Housing Fund at the Department of Health (DOH) will provide \$150 million of capital, service and operating funds to expand access to supportive housing for homeless individuals with disabilities and chronic illnesses, as well as residents of nursing and adult homes, and other inappropriately housed individuals. The funding consists of \$75 million in State general funds, and \$75 million in federal matching funds.

Recommendation: Fully fund the MRT Supportive Housing Fund at DOH at \$150 million this year.

Proposed Transfer Language

The New York State budget process includes a number of ways for input from various stakeholders. Although the Governor releases the Executive Budget Proposal, the Division of Budget works with state agencies to prepare it. The Legislature then has two months to analyze the Executive Budget, holds joint hearings seeking formal public input, and then prepares their own recommendations in position documents and bills. The Legislature cannot modify the text within appropriations, but has the power to insert or strike out language. The Legislature and Governor then negotiate and agree on a revised budget.

Prior Year Budget Cuts/Governor's Executive Budget Cuts:

Language in the state operations 2012-2013 Executive Budget proposal in essence cuts the public out of decisions regarding the use of taxpayer money.

“Notwithstanding any other provision of law to the contrary, for the purpose of planning, developing and/or implementing the consolidation of administration, business services, procurement, information technology and/or other functions shared among agencies to improve the efficiency and effectiveness of government operations, the amounts appropriated herein may be (i) interchanged without limit, (ii) transferred between any other state operations appropriations within this agency or to any other state operations appropriations of any state department, agency or public authority, and/or (iii) suballocated to any state department, agency or public authority with the approval of the director of the budget who shall file such approval with the department of audit and control and copies thereof with the chairman of the senate finance committee and the chairman of the assembly ways and means committee.”

This language ostensibly eliminates the State Legislature’s role in finalizing the state operating budget, essentially nullifies the democratic process provided by the Legislature, and reduces to one the number of people with meaningful oversight of decisions with regard to taxpayer money.

Additionally, the transfer of special revenue and federal funds to purposes other than those for which they are earmarked should not be authorized. In the past year, New York State was under threat of losing matching federal funds because of general sweeps language in the 2011-2012 budget. The state cannot afford to lose any federal funds in the current fiscal climate. State agencies also need confidence they have authority to spend funds without worrying such monies could be transferred to another agency. State business will grind to a halt if spending authority is held up to allow for transfers.

For example, environmental organizations are concerned that although the Governor upheld his promise and did not include any money for high volume hydraulic fracturing “fracking” in the Executive Budget, we cannot be sure that he would not transfer funds at some point during the

year to create a program overnight. These funds could come from other Department of Environmental Conservation programs or from other issue areas such as education or health care.

Policy Recommendations

We recommend that the Governor remove this language from the Final Enacted Budget because the Legislature does not have the authority to change language within appropriations. The Governor should consider the consequences of this language and the precedent it would set and instead promote the transparent and accountable budget New Yorkers deserve.

Revenues

New York could raise needed revenue and restore fairness to the tax code by reforming our state corporate tax structure and closing a variety of corporate tax loopholes to make sure small business and big business play by the same rules, and that higher profits are taxed at reasonably higher rates.

Last year's effort to make the PIT more progressive and more fair should continue in 2012 by reforming corporate taxes to close loopholes, end costly and ineffective tax subsidies, fix shortcomings that unnecessarily reduce tax collections and limit resources needed to maintain and invest in the infrastructure, services and educated workforce that foster long-term economic growth.

- REFORM PRINCIPLES: ENFORCEMENT, FAIRNESS AND TRANSPARENCY
- TARGETS: CORPORATE TAX EVADERS, REAL ESTATE PARTNERSHIP ABUSES, HEDGE FUNDS INCOME TREATMENT
- METHODS: TOUGH AUDITS, REASONABLE MINIMUM TAX FOR BIG BUSINESS, ELIMINATE HEDGE FUND SUBSIDIES, MANDATORY TAX REPORTING FOR PUBLIC COMPANIES

A simple, targeted corporate tax reform effort would provide over \$1 billion in revenue for this year's state budget, and provide a start for the Tax Reform and Fairness Commission to continue reforms.

Tax Reform and Fairness Commission

In a press release that was issued by the three leaders after the December tax law changes were enacted it was announced that they had agreed to the creation of a Tax Reform and Fairness Commission. The release stated that, "The Governor is also establishing a commission to examine a comprehensive overhaul of the state's entire tax code that will make it simpler and fairer for all taxpayers and to create economic growth in the state."

In a later section of that press release, which provides additional detail on the agreed-upon "Fair Tax Code Reform," it is noted that "Through an executive order, the Governor **has created** the New York State Tax Reform and Fairness Commission to address long term changes to the tax system and create economic growth. The commission will have thirteen members, including four recommended by the Senate and Assembly majority leaders and two recommended by the Senate and Assembly minority leaders. The Chair of the Commission will be appointed by the Governor. All members are required to have expertise in the tax field and will receive no compensation. The Commission will conduct a comprehensive and objective review of the State's taxation policy, including corporate, sales and personal income taxation and **make revenue-neutral policy recommendations** to improve the current tax system. In its review, the Commission will consider ways to eliminate tax loopholes, promote administration efficiency

and enhance tax collection and enforcement."

Policy Recommendation

We strongly recommend that property taxes be included under the purview of the Commission. We cannot continue to look at taxes in a silo. No residents pay just sales and income taxes and no corporations pay just corporate taxes. If we are to fairly examine our tax structure we must look at it in its entirety.

Right now, according to an analysis from the Fiscal Policy Institute, we know that over 675,000 New Yorkers, with incomes under \$100,000 per year, are paying over 10% of their income in property taxes. We also know that about a third of those same taxpayers are paying more than 20% of their income in property taxes. To not include property taxes in the commissions purview would be a disservice to the taxpayers of NYS.

The charts below illustrate the need to include all state and local taxes when trying to determine tax burdens and issues of fairness within our current tax structure.

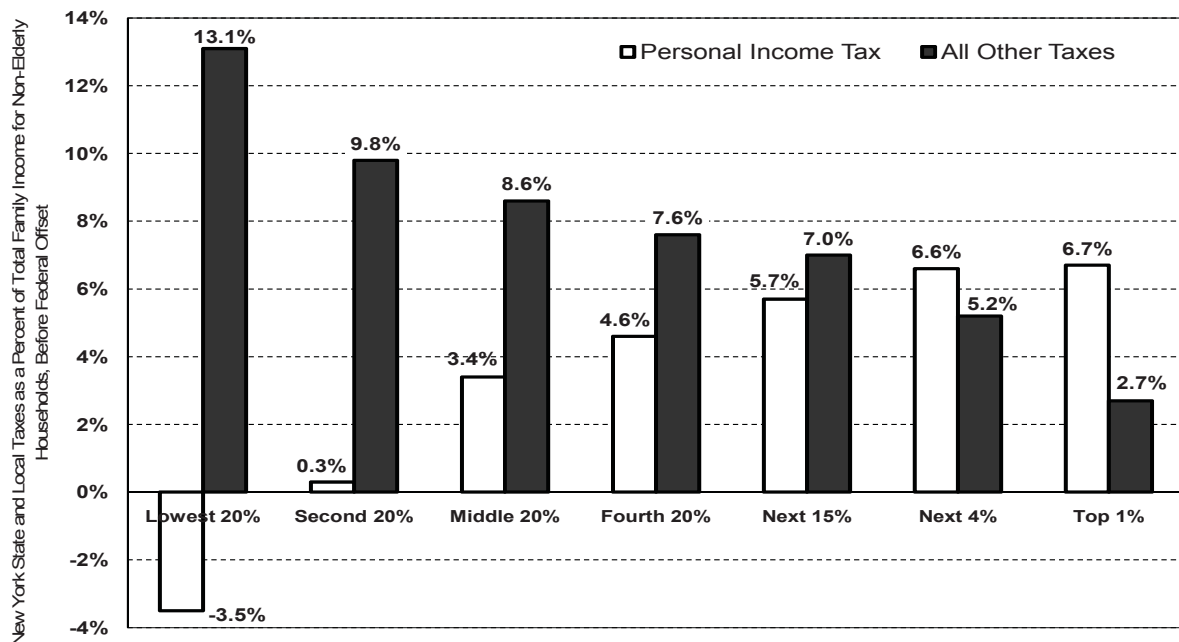
3. New York State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers

Income group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income range	Less than \$16,000	\$16,000 - \$33,000	\$33,000 - \$56,000	\$56,000 - \$95,000	\$95,000 - \$209,000	\$209,000 - \$633,000	\$633,000 or more
Average income in group	\$9,600	\$24,400	\$43,800	\$73,100	\$133,000	\$338,100	\$3,065,800
Sales & excise taxes	7.3%	6.0%	4.7%	3.7%	2.8%	1.7%	0.9%
General sales - individuals	3.6%	3.3%	2.8%	2.3%	1.8%	1.1%	0.6%
Other sales & excise - ind.	1.5%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & excise on business	2.2%	1.8%	1.4%	1.0%	0.7%	0.4%	0.2%
Property taxes	5.8%	3.8%	3.9%	3.8%	4.1%	3.3%	1.5%
Property taxes on families	5.3%	3.3%	3.4%	3.4%	3.6%	2.6%	0.6%
Other property taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	0.9%
Income taxes	-3.5%	0.3%	3.4%	4.7%	5.8%	6.8%	7.0%
Personal Income Tax	-3.5%	0.3%	3.4%	4.6%	5.7%	6.6%	6.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
TOTAL TAXES	9.6%	10.1%	12.0%	12.2%	12.7%	11.8%	9.4%
Federal Deduction Offset	-0.0%	-0.1%	-0.5%	-1.1%	-1.9%	-1.1%	-2.2%
TOTAL AFTER OFFSET	9.6%	10.0%	11.6%	11.0%	10.7%	10.8%	7.2%

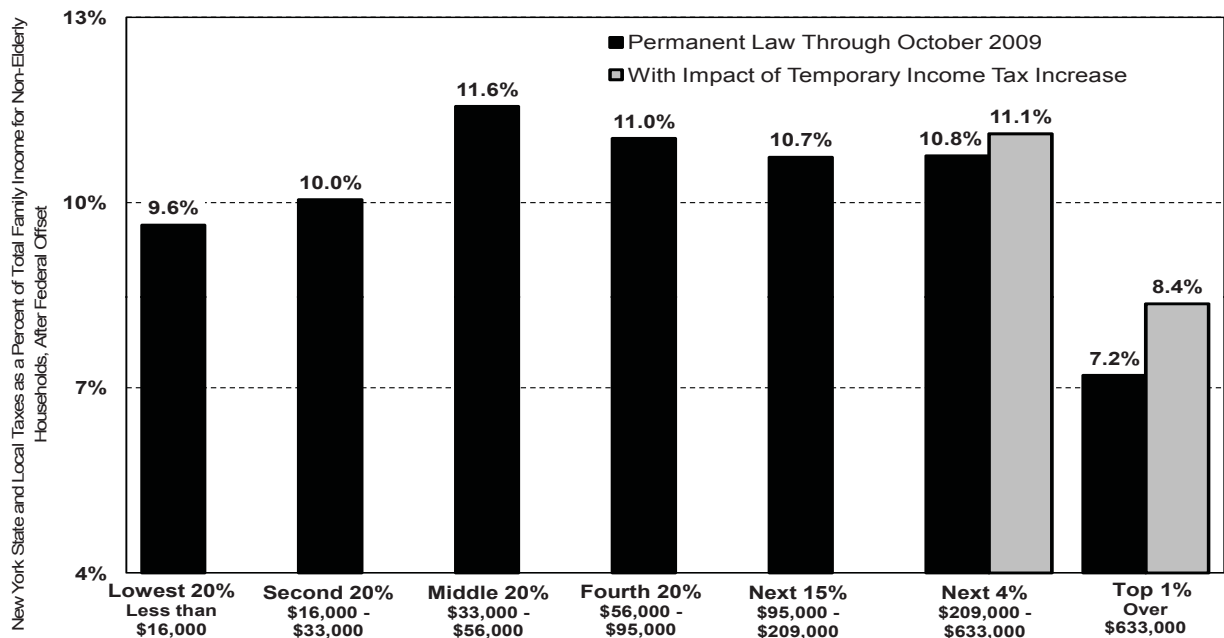
Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

4. New York's income tax is progressive, but not progressive enough to balance out the regressivity of the rest of the state-local tax system.



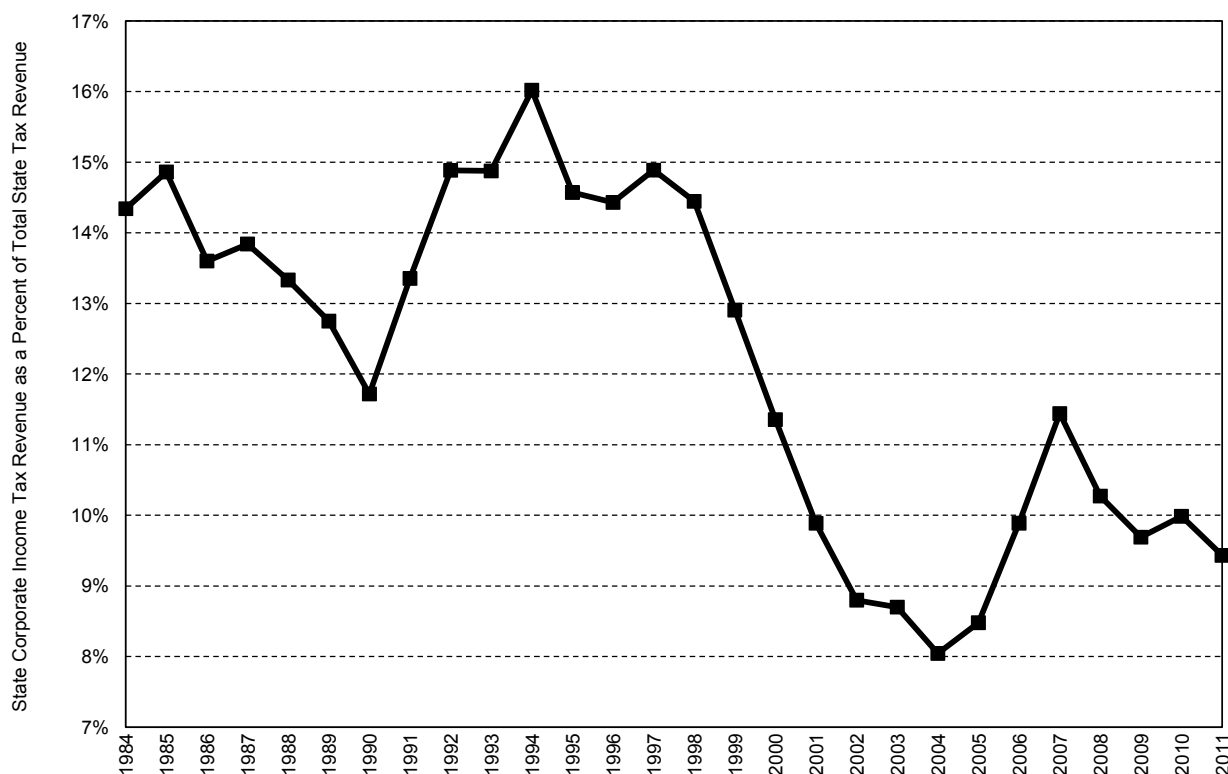
Source: Institute on Taxation and Economic Policy, 2009. Note: 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

6. Overall, the wealthiest 1% of households pay a much smaller share of their income in state and local taxes than do all other New Yorkers, even with the temporary income tax increase.



Source: Institute on Taxation and Economic Policy, 2009.
Note: 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

New York's corporate income tax revenues have declined as a share of total state tax revenues.



Source: New York State Department of Taxation and Finance; U.S. Bureau of Economic Analysis (NYS GDP data).

Furthermore, I would recommend that the Commission not be bound to make “revenue neutral” decisions. If the Commission is to operate properly it should not be bound by politically motivated and predetermined outcomes.

The Need for Corporate Tax Reform

I believe that prior to the development of the tax commission we can take steps to immediately close some loopholes, create tax fairness and enforce our current tax laws adequately. The charts below from the Fiscal Policy Institute show how corporate taxes have fallen relative to the size of the state’s economy and as a share of the state’s total tax revenue.

The reforms we are urging follow three major principles: Enforcement, Fairness and Transparency

Enforcement

Require Real Estate Partnerships To Pay The Taxes They Owe

New York must undertake a new intensive review of the tax returns of investors in real estate partnerships to ensure compliance with tax laws. In an examination of just one year's tax returns (2005), a former special agent for the IRS estimated that real estate investors underpaid \$5 billion in taxes to the federal government and **\$385 million** to New York State.

Underreporting or misreporting of capital gains from real estate investments is the main cause of tax underpayments. Reuters columnist David Cay Johnston, who reported the 2005 IRS data when he wrote for the New York Times, recently wrote that the annual underpayment of New York State taxes in connection with real estate partnerships ranged from **\$200 to \$700 million annually**. Johnston also pointed out that New York City alone could be losing out on \$40 million annually.

New York could recover as much as \$1 billion from prior-year audits, with annual revenues thereafter well over \$100 million. The state of Pennsylvania recently discovered over \$700 million in unreported gains and then made sure that the investors in Real Estate Partnerships paid the proper taxes on those overall gains.

Fairness

Reform New York's Corporate Alternate Minimum Tax (AMT)

Several significant loopholes that favor multi-state corporations were added to New York's Corporate AMT beginning in 1994 and the AMT rate was cut from 3.5% to 2.5% in 1999 and then to 1.5% in 2005 for non-manufacturers and most recently .75% for manufacturers (manufacturers rate was recently changed in the tax reform package of December 2011).

These changes should be repealed or the AMT should be replaced with a variation of the Alternative Minimum Assessment (AMA) adopted by New Jersey in 2002. To ensure that such an assessment would *not* hurt small business, it should only be applied to businesses with annual gross profits of \$5 million or more. We need to level the playing field between large and small businesses by making sure that large multinational corporations pay a minimum corporate income tax in NYS. NYS should increase the Corporate AMT to where it was a decade ago (3.5%) which would generate hundreds of millions in additional revenue.

Tax Nonresident Hedge Fund Management Fees ☐

In his 2010 Executive Budget proposal, Governor Paterson proposed to "expand the nonresident personal income tax to include income received from hedge fund management fees."

As the governor's proposal explained, "Currently, only a small portion of such income is taxed as compensation, with the remainder deemed tax-free capital gains. This proposal would result in equal treatment of this income for residents and nonresidents." This proposal would generate \$50 million in additional revenue.

Eliminate the Carried Interest Exemption Under New York City's Unincorporated Business Tax

The State Legislature should eliminate the carried interest exemption loophole in the New York City Unincorporated Business Tax, to put the taxation of private equity and hedge funds on the same footing as that of thousands of smaller businesses.

Right now, the UIB taxes fees received by managing partners in private equity and hedge funds but actually exempts profits from taxation. "Carried interest" is the technical industry term for the profit share received by managing partners (usually 20 percent of pooled investment profits) in hedge funds – anyone else would call it corporate profits.

The New York City Independent Budget Office estimated that eliminating the carried interest exemption for the Unincorporated Business Tax would yield \$200 million a year for New York City. This reform was recently supported by Mayor Bloomberg at the federal level.

Transparency

Crackdown on Schemes that Create "Nowhere Income"

Multi-state corporations pay no taxes on profits attributable to sales made in states in which they do not have a physical presence. To address this situation, 28 of the 45 states with corporate income taxes, including California, Texas and Utah have enacted "throw-back" or "throw-out" rules to limit this drain on state revenues.

In contrast, New York actually went backwards on this issue in 2005, instituting a wasteful "Single Sales Factor" method for apportioning multi-state corporate profits that actually increase "nowhere income" and opportunities to evade taxes. It's time to institute reforms that have worked for other states.

Require Public Disclosure of Corporate Tax Payments for Publicly-Traded Companies

This proposal is revenue neutral, but disclosure and transparency measures are a good addition to any corporate tax reform package. We urge the state to adopt corporate tax disclosure for publicly traded firms subject to taxation under 9-A and 32 and any successor taxes. We need to know how much our state's corporations are actually paying in taxes in order to determine if it is too much or too little. Simply taking their word for it is simply not good enough.

Scrutinize How New York State Spends Over \$5 billion a Year in Various Business Tax Breaks

Given New York's economic and budget challenges, all budget options and tax provisions need to be carefully considered. However, "everything on the table" is usually taken to mean including in budget discussions the possibility of both tax increases and budget cuts. But, a third set of budget-closing options is rarely discussed: the approximately \$5.3 billion that goes each year to New York State business tax expenditures.

New York State business tax expenditures include a wide array of special tax breaks, credits, exemptions and other provisions given to individual corporations or to a class of businesses or business owners to reduce business tax liability to New York State in the name of economic development. In all, there are 39 different business tax breaks.⁹

Business tax expenditures are "off budget" but, nonetheless, they are a form of spending and they cost New York State money. The term, after all, is tax "expenditures." The State could choose to directly fund the activities for which businesses claim tax benefits, and if the State did that, these expenditures would be much more transparent and accountable rather than be, in effect, "hidden spending." In effect, tax expenditures are "back door" spending.

Collecting the foregone taxes represented by business tax expenditures would increase revenues to the state treasury. Not collecting them increases the size of the hole that must be filled by other taxpayers or by cuts in services. At a time when every spending item in the state budget is under scrutiny, business tax subsidies paid through the "back door" warrant an equally close review.

New York State Business Tax Expenditures 2007-2011 (in millions dollars)

Category	2007	Forecast 2011	Pct. Change 2007-2011
Corporation Franchise (Article 9A) Tax	\$2,585	\$3,006	16%
Bank Tax	\$158	\$164	4%
Insurance Tax	\$293	\$301	3%
Corporation (Article 9) Tax	\$34	\$6	-82%
<i>Subtotal, Business Taxes</i>	<i>\$3,070</i>	<i>\$3,477</i>	<i>13%</i>
Personal Income Tax	\$323	\$527	63%
Sales and Use Tax	\$890	\$1,021	15%
Total, NYS Business Tax Expenditures	\$4,283	\$5,025	17%

MINIMUM WAGE

It is time to Increase the Minimum Wage!

There has been no meaningful increase in New York's minimum wage in five years, and its purchasing power was far higher in the 1960s and 1970s.

- The New York minimum wage reached a peak in 1970 at \$10.70 in today's dollars, 48 percent greater than the current \$7.25 minimum.
- 18 states have a higher minimum than the \$7.25 federal minimum level in New York, and eight states adjust their minimums annually along with the change in consumer prices.
- The recession has further weakened workers' bargaining power to achieve wage gains on their own, and low-wage occupations are expected to add the most jobs in coming years.
- For nearly two decades from 1962-1979, a full-time minimum wage worker earned on average the equivalent of 108 percent of the 3-person federal poverty threshold. Today, the minimum wage is only 82 percent of 3-person poverty.
- Increasing the minimum wage in three steps to \$10 an hour by 2014 would return the minimum wage to 108 percent of 3-person poverty. Once restored to a reasonable standard, it should be indexed for inflation.
- An increase to \$10 an hour would benefit 1.6 million New York workers, and, disproportionately help women and workers of color who are heavily concentrated in low-wage jobs. It would boost the spending of low-wage workers and create 25,000 new jobs.

While New York's minimum wage is \$7.25 an hour (the federal minimum wage), 18 states and the District of Columbia have minimum wages above the federal \$7.25 level.

State	Minimum wage, Jan. 2012
Washington*	\$9.04
Oregon*	\$8.80
Vermont*	\$8.46
Nevada*	\$8.25
Illinois	\$8.25
Connecticut**	\$8.25
District of Columbia**	\$8.25
California	\$8.00
Massachusetts**	\$8.00
Alaska	\$7.75
Ohio	\$7.70
Florida*	\$7.67
Arizona*	\$7.65
Montana*	\$7.65
Colorado*	\$7.64
Maine	\$7.50
New Mexico	\$7.50
Michigan	\$7.40
Rhode Island	\$7.40

Note: * Automatically adjusts annually according to the change in the Consumer Price Index.

** Automatically adjusts upward to stay above the federal minimum wage if that increases.

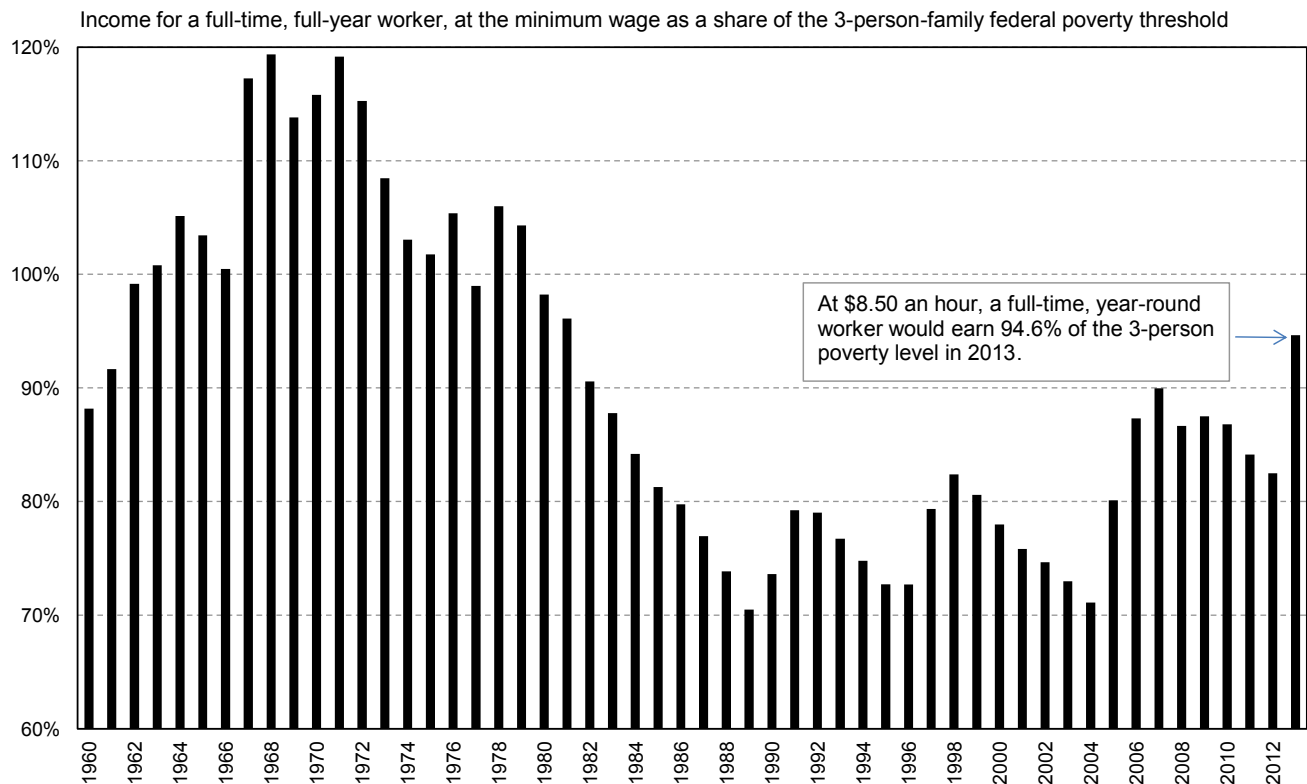
Speaker Silver proposed to increase the NYS minimum wage to \$8.50 on January 1, 2013, and index it to changes in the Consumer Price Index annually beginning in 2014.

- 9148 and S. 6413 have been introduced to implement the Silver proposal.
- An increase to \$8.50 would benefit about 1 million New York workers, including 880,000 currently paid below \$8.50, and 120,000 making \$8.50 or slightly more who likely would see a wage increase as employers seek to maintain relative wage patterns.
- Women, blacks and Hispanics would disproportionately benefit since they are more likely to be low-wage workers. Women represent 55 percent of those who would see an increase and blacks and Hispanics together constitute about 40 percent. Adults account for more than 84 percent of those who would benefit. Half of minimum wage workers are full-time workers and another third work between half-time and full-time.
- An increase in the state minimum to \$8.50 an hour in 2013 would put the wages

of a full-time minimum wage worker at 95 percent of the 3-person federal poverty line.

- The increased purchasing power of low-wage workers would pump much-needed spending into local businesses and communities and create roughly 7,500 jobs around the state.
- New York's Earned Income Tax Credit (EITC) is an important complement to a higher minimum wage, and not a substitute for raising the state's minimum to a level where it can function more effectively as a wage floor for all workers.

The full-time, full-year income of the New York State minimum wage falls far short of the federal poverty threshold, and is far below its peak 40 years ago. An \$8.50 minimum will bring the income of a full-time minimum wage worker to nearly 95% of the poverty level.



Note: Annual income calculated assuming full time work, 40 hours per week, 52 weeks per year at the minimum wage. 2012 and 2013 thresholds estimated using NYS Division of the Budget forecasts for inflation. Assumes an \$8.50 minimum as of January 1, 2013.