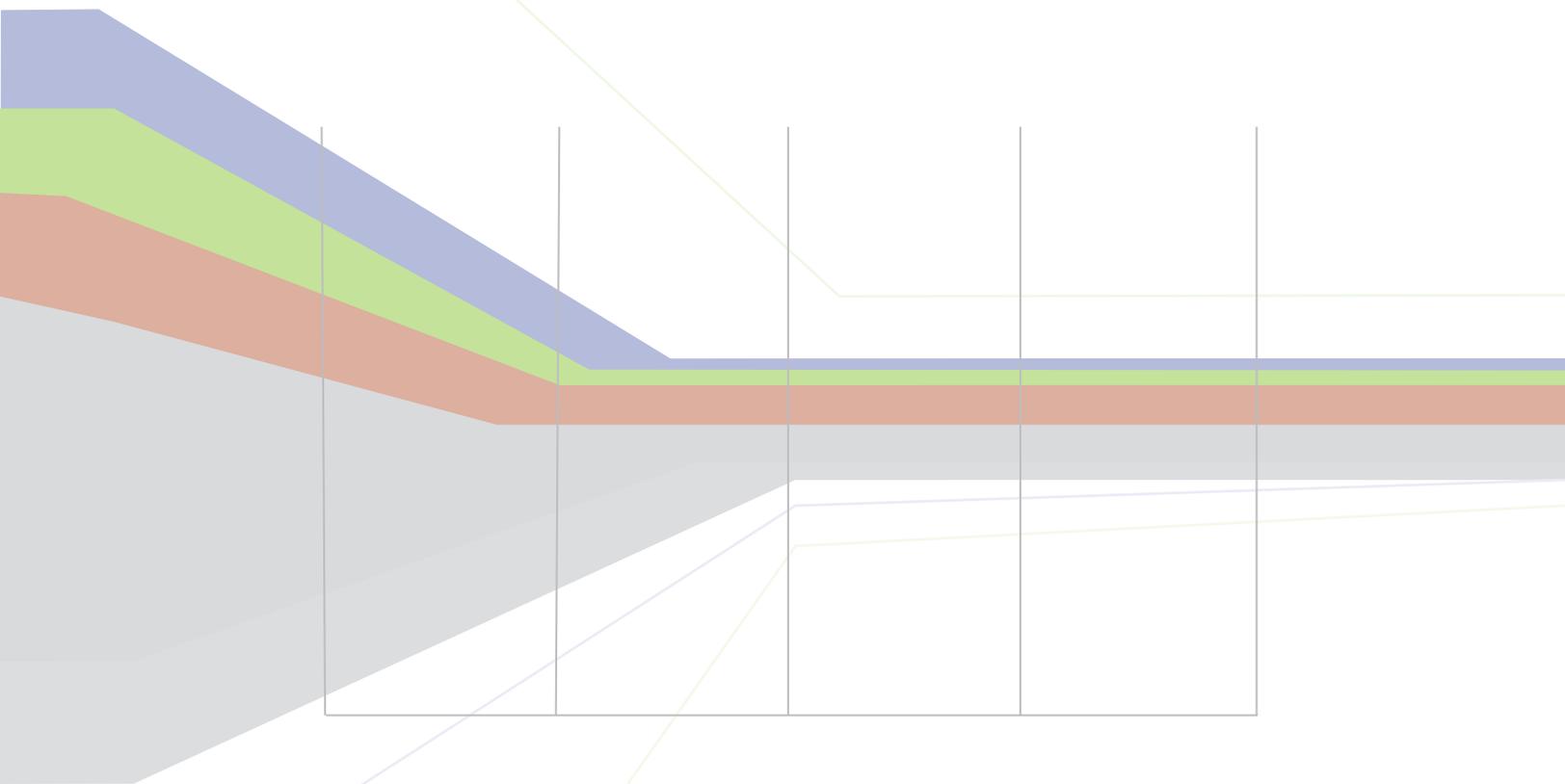


SPENDING AND GOVERNMENT EFFICIENCY COMMISSION

Final Report February 2013

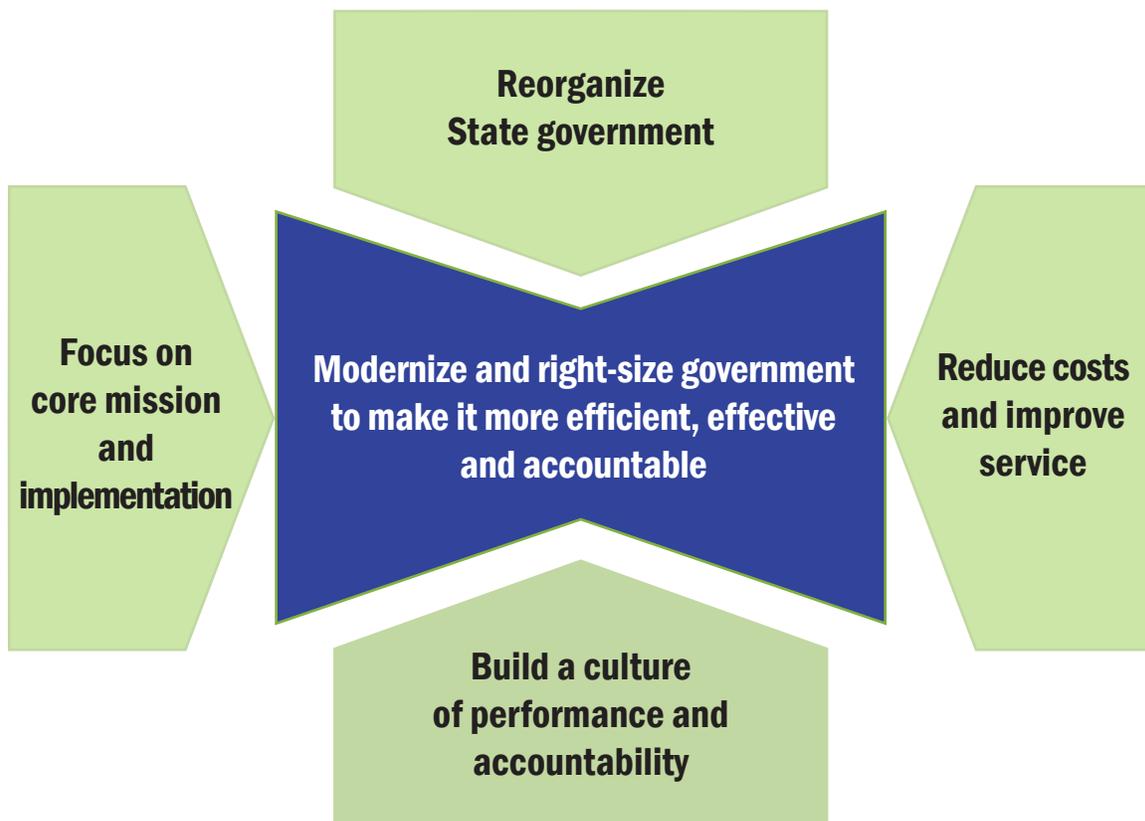


State of New York
Governor Andrew M. Cuomo



The Redesign of State Government

SAGE Commission Charter and Mission





STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

ROBERT J. DUFFY
LIEUTENANT GOVERNOR

February 12, 2013

Dear Governor Cuomo:

I am pleased to submit to you the Final Report of your Spending and Government Efficiency (SAGE) Commission, in compliance with Executive Order No. 4, in which you established the Commission.

Since the completion of the last comprehensive reorganization of government in 1927, New York State government has become too costly and outdated in its structure and operations. An inefficient network of agencies, authorities and other bodies with overlapping jurisdictions and functions has resulted in the unnecessary expenditure of taxpayers' money and an ineffective delivery of necessary services. New Yorkers deserve better. Upon taking office, you declared that we must forge a government that is leaner, more efficient, more cost effective and more accountable to the people of this State. You have begun to achieve these goals during the first two years of your Administration. This Report was built upon many of the changes to State government that you have led already during the past two years, and it will provide further options for your consideration as you continue your efforts.

The SAGE Commission has undertaken a comprehensive review of State government. Since its inception in April 2011, SAGE has received thousands of ideas and suggestions for making State government more efficient from members of the Commission, elected officials, State agencies and the public. Additionally, SAGE has sought the input and expertise of each Regional Economic Development Council throughout the State.

The Commission's ongoing recommendations and efforts have served as a catalyst for a wide range of government redesign efforts that you have initiated. Commission members and staff have also worked closely with other members of your Administration in implementing these initiatives, as well as developing policy options that are reflected in your 2013-14 Executive Budget.

This Final Report describes these efforts to redesign the way State government operates so it can perform better and at lower cost. Among the areas in which work is underway or identified by the Commission as options for future consideration to improve the efficiency and cost effectiveness of State government are the following:

- **Reorganizing State government** through consolidation and rightsizing of State facilities, providing common functions in a shared services model, mergers and consolidations of major agencies and authorities, and new mechanisms for coordinating critical interagency activities;
- **Reducing costs and improving service** through a modernized approach to Information Technology, initiatives to improve customer service and make operations more efficient, and controlling the cost and increasing the productivity of the State workforce; and
- **Building a culture of performance and accountability** through the State's first statewide performance management system and an Open New York initiative to increase the transparency and accountability of government.

Thank you for appointing me to chair this Commission. I am honored to have worked with the Commission's members and staff— this Report would not have been possible without their tireless work and dedication.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert J. Duffy".

Lieutenant Governor Robert J. Duffy

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Vice-Chair

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HIGHLIGHTS

Part I – Reorganizing Government

- **The most comprehensive reorganization of State government since Governor Al Smith's in the 1920s:**
 - **Consolidations and Rightsizing of Facilities:** Savings of approximately \$294 million annually to be realized through closing excess prisons, adopting a community-based approach to juvenile justice which reduces the need for residential facilities, de-institutionalizing mental health and custodial care facilities for persons with developmental disabilities, eliminating excess leased office space by “restacking” State agencies, and consolidating warehouses, printing and laboratory operations.
 - **Consolidations of Functions:** Savings of approximately \$241 million annually to be realized through consolidation and modernization of back-office and support functions, including finance and HR operations, procurement, asset management and call centers. In addition to providing these back-office and support functions through a shared services model, further efficiencies will be achieved through realignment of functions to better fit the host agency's core mission, such as the transfer of all Medicaid rate setting to the Department of Health and coordination of all employee health insurance purchasing between the Department of Civil Service and the Department of Health, which will save approximately \$104 million annually.
 - **Consolidations of Agencies and Authorities:** Mergers and consolidations involving a total of 14 agencies and authorities have been completed or proposed in the 2013-14 Executive Budget. If the additional merger and consolidation options identified by the SAGE Commission for future consideration were also adopted, it will have reduced the number of major agencies and authorities by 23% since the Governor took office.
 - **Coordination of Interagency Activities:** Formal coordination mechanisms for critical interagency activities, including the NY Works Task Force for infrastructure and capital planning, Regional Economic Development Councils and a Consolidated Funding Application for economic development, a revitalized State Workforce Investment Board for all workforce development activities, and a statewide Master Plan for all energy efficiency initiatives in State facilities, will save approximately \$100 million annually.

Part II – Reducing Costs and Improving Service

- **A comprehensive transformation of the State's approach to information technology:**
 - **IT Organizational Restructuring:** Savings of approximately \$190 million annually from (i) organization of the State's 3,300 IT personnel and infrastructure operations into a new Information Technology Services organization, which is establishing statewide standards and managing personnel through agency cluster CIOs who report directly to the State Chief Information Officer; and (ii) modernization of IT infrastructure, including data centers, the conversion from traditional landlines to voice over Internet protocol (VoIP) telephone service, email standardization and user-identity management.

HIGHLIGHTS

- **High ROI/High Impact IT Projects:** Savings of approximately \$100 million annually from the acceleration of the development of IT projects that have a high return on investment (ROI) or a high impact on customer service or other types of performance.
- **Improved customer service and operational process efficiency:**
 - **Customer Service Solutions:** Greater convenience of licensing and permitting through an e-licensing platform that will allow online applications for more than 400 types of licenses issued by State agencies; significantly improve customer service at DMV by offering more convenient hours and reducing wait times by increasing the percentage of transactions that can be completed outside of a DMV office; and other initiatives.
 - **Operational Process Efficiencies:** Streamlined management of the State's contracting process with not-for-profit and other third-party providers improves their performance and creates savings for the State; Design-Build procurement authority for infrastructure projects produces savings of approximately \$100 million annually.
- **Modernizing the workforce:**
 - **Controlling the Cost of the State Workforce:** Savings of approximately \$421 million from cost controls through new collective bargaining agreements with no salary increases in the outset of the contracts, increased employee contributions for health insurance, and a new Tier VI pension plan that will save the State and local governments more than \$80 billion over the next 30 years.
 - **Workforce Flexibility:** Increased flexibility in hiring and managing employees.

Part III – Building a Culture of Performance and Accountability

- **First-ever statewide performance initiatives:**
 - **Education:** Performance-based school aid and teacher evaluation system.
 - **New York Performs:** A statewide performance management system for all major agencies and authorities, to be launched publicly by the end of 2013.
 - **Open New York:** Initiatives to increase State government transparency and expand access to State government services, records and data.
- **Focus on core mission and effective implementation:**
 - **Core Mission:** Framework for review of activities that are not central to advancing the core mission of State government.
 - **Implementation:** Support implementation of government redesign initiatives through the use of LEAN management process and by leveraging private sector resources and expertise.

SAVINGS UPON FULL IMPLEMENTATION

	Annual Savings (MM)
Consolidation and Rightsizing of Facilities	
Closing Excess Prisons	\$174
Community-based Juvenile Justice Strategy	44
Deinstitutionalization of Mental Health and Developmental Disabilities Care	50
Office Space Re-stacking	26
Consolidation of Functions and Enterprise Shared Services	
Business Services Center	63
Procurement and Strategic Sourcing	160
Cluster-based Call Centers	18
Coordinated Health Insurance Purchasing	104
Consolidation of Agencies and Authorities	
Mergers and Consolidations	75
Information Technology	
Organizational Restructuring	90
IT Infrastructure Modernization	100
High ROI IT Projects	100
Process Improvements	
Design-Build Procurement	100*
Energy Efficiency Master Plan	100
Modernizing the Workforce	
Tier VI Pension Plan	**
Increased Employee Contribution to Health Insurance	260
Controlling Wage Increases	161
Total	\$1,625

* Represents 10% savings on the estimated amount of annual infrastructure spending affected by the Design-Build authority under the Infrastructure Investment Act. Excludes savings from the Tappan Zee Bridge project which are estimated to be at least \$1 billion.

** The Tier VI pension plan will save the State approximately \$21 billion and localities approximately \$61 billion over the next 30 years.

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CHAPTER I: Introduction

Background on the SAGE Commission

In his first State of the State address, Governor Cuomo called for the creation of the Spending and Government Efficiency (SAGE) Commission as part of a broad effort to redesign and transform the performance of New York State government. The Governor directed the Commission to “undertake a comprehensive review of every agency of State government and recommend structural and operational changes to it” with the goal of making State government “more modern, accountable and efficient.”¹

In the two years since that announcement, the Cuomo administration and the SAGE Commission have embarked on an ambitious program of operational improvements and organizational restructuring, while taking steps to increase the transparency, accountability and core mission-focus of State government. Collectively, these initiatives amount to the most fundamental restructuring of New York State government since the reorganization led by Governor Al Smith in 1927.

The primary focus of the SAGE Commission process has been the operations of State government; i.e., the work of State government performed directly by State agencies and authorities – as opposed to services funded by the State but performed by local governments, school districts or other third parties. Areas of State government beyond State operations – including Medicaid and education – have also been addressed by the Governor’s broader government transformation efforts.

The SAGE Commission’s work with the Cuomo administration has focused primarily on “executive-controlled” State agencies (i.e., those directly under the Governor’s control) and authorities created under the State Public Authorities Law. Nevertheless, the initiatives to improve the efficiency and effectiveness of government operations could also be applied to the operations of the major State agencies that are controlled by other entities, specifically the State Education Department (SED), the State University of New York (SUNY) and the City University of New York (CUNY), as well as to local governments.

The SAGE Commission differs from some other gubernatorial commissions that exclusively make forward-looking recommendations in that the SAGE Commission worked alongside the Cuomo administration in implementing these government redesign initiatives. Upon the Governor taking office, the Cuomo administration immediately began work on a number of initiatives to redesign State government operations. This comprehensive redesign of State government is a long-term process, though much has already been accomplished.

Preparing for the Work of the Commission

The Cuomo administration laid the groundwork for the SAGE Commission during the gubernatorial transition. Funded by a generous grant from the Rockefeller Foundation, the Governor-elect’s transition team and the Rockefeller Institute retained the management consultants McKinsey & Co. to systematically review other states’ use of commissions to help drive their performance transformation programs. Approximately 25 states have used such commissions, with varying degrees of success.

1. See Appendix A for full text of Executive Order No. 4 which created the SAGE Commission.

McKinsey identified the following six key elements in successful government performance transformation efforts:

1. Strong leadership and visible executive sponsorship;
2. Clearly defined scope and goals;
3. Innovative operational improvement ideas;
4. Strategic analytics to support recommendations;
5. Ability to secure approval from the executive and the legislature; and
6. Effective implementation.

The Commission conducted its work with these elements of success in mind.

The SAGE Commission was appointed and held its first meeting in April 2011. The Commission includes 20 private sector leaders with diverse backgrounds that include business, labor and past government service, and four members of the legislature (one from each conference).

In preparing its recommendations, the SAGE Commission received extensive input from the public and other sources. During the gubernatorial transition, a comprehensive “idea bank” was created based on interviews of outside experts and recommendations made by similar government transformation commissions in other states. The Commission received over 5,000 emails to the online SAGE suggestion box. Among other forms of outreach, SAGE Commission staff met with each of the Governor’s 10 Regional Economic Development Councils to solicit their ideas in meetings across the State. This input was very helpful in shaping the Commission’s efforts.

The Commission’s Charter and Scope

One of the conclusions McKinsey drew from its review of state government performance transformation commissions was that commissions that attempted to reform all government programs and spending policies proved ineffective. In contrast, efforts that focused more narrowly on the operations of state government were much more effective.

Recognizing this fact, the Governor created three other commissions to address opportunities for efficiencies and performance improvement in the major areas of State spending *other* than operations. The Medicaid Redesign Team identified initiatives to make Medicaid spending more efficient and less costly.² The Governor’s Mandate Relief Commission identified savings and efficiencies that local governments could realize through the reform of burdensome State mandates – and has been succeeded by the Mandate Relief Council, which is an eleven-member executive and legislative council charged with reviewing and advancing proposals to reduce the statutory and regulatory burden on local governments and school districts.³ The Governor formed the New NY Education Reform Commission to, among other things, identify opportunities for greater operating efficiency in K-12 education, and its preliminary report and recommendations were released in December 2012.

2. Recommendations Adopted by the Medicaid Redesign Team, February 24, 2011.

3. Mandate Relief Redesign Team Final Report, December 2011.

In response to Hurricane Sandy, in late 2012, the Governor created four commissions to examine issues raised by the storm in detail, including the way in which State government responds to emergencies and the organizational structure of the State's various energy-related entities. These commissions issued their preliminary reports and recommendations prior to the 2013 State of the State address.⁴ A number of those recommendations that relate to the organization of State agencies and public authorities are discussed later in this report.

New York State's Fiscal Situation

The long-term operational improvements the SAGE Commission has been working on with the Cuomo administration would not be possible if the State had not first put its fiscal house in order. When Governor Cuomo took office, the State had built up a projected four-year budget deficit of \$63 billion – including a budget gap of approximately \$10 billion that needed to be closed in the Governor's first budget. Spending on Medicaid, School Aid and other critical areas was growing at an uncontrolled and unsustainable rate. The cost of Medicaid and School Aid alone had increased by \$8.8 billion or 51% over the past decade. Moreover, because the State could not control this increased spending, the State resorted to using one-shot revenues to pay for operating expenses, hiding the fact that spending was growing at an unsustainable rate.

The Governor's first two budgets, which were enacted by the State's constitutional budget deadline of April 1, dramatically reshaped the State's fiscal position. Governor Cuomo's first-year budget closed a gap of \$10 billion and his second-year budget closed a gap of \$3.5 billion without resorting to one-shot revenues or new taxes. As a result of this fiscal discipline, the rating agency Standard & Poor's upgraded the State's bond rating outlook from stable to positive, which will reduce the State's borrowing costs in the future. The 2013-14 Executive Budget continues this practice of fiscal discipline, closing a budget gap of \$1.3 billion and holding spending growth in State Operating Funds to 1.6%.

While many measures were enacted to get the State's fiscal house in order, certain steps warrant particular mention.

- To address rapidly rising costs in New York's Medicaid program, Governor Cuomo established New York's Medicaid Redesign Team (MRT) in January 2011. A critical part of the MRT solution was a statutory "global" cap on Medicaid expenditures. The Medicaid Global Spending Cap is tied to medical inflation and therefore allows only about 4% annual growth in Medicaid spending. The Medicaid Global Spending Cap will generate significant savings for the State of more than \$17 billion over the next five years. The State will relieve local governments of growth in their Medicaid costs by fully taking over Medicaid administration and the cost of all growth in local Medicaid costs by 2015-16 – which is expected to save counties and New York City approximately \$1.2 billion over a five-year period.
- Governor Cuomo changed the paradigm of School Aid spending by limiting statutorily based spending increases, enacting \$500 million of Performance Grants, and tying School Aid increases in 2012-13 and beyond to the adoption of Teacher Evaluation plans by school districts.

4. The commissions included the NYS 2100 Commission, the NYS Ready Commission, the NYS Respond Commission, and the Moreland Commission on Utility Storm Preparation and Response.

- In addition to controlling the size of the State workforce by exercising discipline in new hiring, Governor Cuomo arrested the growth in personnel costs by entering into new four and five-year collective bargaining agreements that included no salary increases for the first three years and increased employee contributions for health insurance, resulting in savings of approximately \$421 million.
- The cost of pensions and health benefits for active and retired employees increased by more than 300% from fiscal year 1998-99 to 2013-14. In 2012, Governor Cuomo won legislative approval for a new “Tier VI” pension plan for new State and local government employees. This plan will save the State approximately \$21 billion and local governments approximately \$61 billion over a 30 year period.

Because of these measures and the other restructuring and efficiency initiatives described in this report, total spending on executive-controlled agencies has actually declined from \$10 billion in 2010-11 – the year before Governor Cuomo took office – to \$9.6 billion in 2013-14, as savings more than offset increases in fixed costs. A table of estimated savings from the initiatives described in this report is included on page vi.

The New York State Workforce

Over the past 4 ½ years the number of full-time equivalent personnel (“FTEs”) in executive-controlled agencies has fallen 14%, from 137,680 to 118,878 FTEs. This decline reflects a number of factors, including increased retirements as the workforce ages and a conscious effort by the Cuomo administration to not automatically replace employees who leave or retire, choosing instead to make a smaller workforce more productive and efficient through the initiatives described in this report. Underlying trends, such as fewer inmates in the State’s correctional facilities, a trend toward community-based care, and productivity gains from consolidation and technology, are likely to continue to gradually decrease the size of the State workforce. As a result of these trends and the Administration’s efforts to control workforce costs, the State’s personal service costs in executive-controlled agencies in 2013-14 are projected to be \$175 million lower than their 2010-11 levels.

Perhaps an even better indication of increased efficiency is the nearly 20% decline in head count in the so-called “bureaucratic core.” This measure excludes direct service workers such as corrections officers and custodial care providers where labor efficiencies are harder to achieve.⁵ The Governor’s actions and SAGE process have enabled agencies to increase productivity in performing their traditional functions with lower staffing levels.

As the workforce is getting smaller, it is also getting older. The average age of a State worker today is 48 years old and this trend toward an older workforce is expected to continue. In the next five years, the Department of Civil Service estimates that 16% of the State workforce is likely to retire, including 49% of senior career managers.⁶ These trends make it essential that the State not only develop more efficient systems for workers to use, but to take other steps to modernize the State workforce so that a smaller workforce can be better equipped to meet the State’s needs. A silver lining of the surge in retirements, normal attrition and discipline regarding new hires is that it will be possible to implement labor-saving efficiencies without requiring layoffs of any significant amount.

5. See, e.g., “State Jobs Down 18.4%”, Albany Times Union, May 7, 2012.

6. Provided by the Department of Civil Service. Senior managers include salary grades M1-M8.

The Organizational Structure of New York State

The last major reorganization of New York State government took place in 1927 under Governor Al Smith. As is the case today, Governor Smith inherited a complex web of agencies, commissions, task forces, and councils that had become unwieldy over the years. Governor Smith overhauled the State budget process and consolidated a wide variety of government entities into approximately 20 cabinet departments. In many ways, his decisive approach provided the inspiration for the SAGE Commission efforts today. Exhibit 1 on page 11 shows the organizational chart of New York State in 1927 following the implementation of Governor Smith's reorganization plan.

In the 85 years since Governor Smith's reorganization, New York State government has grown significantly more complex, with new roles and critical functions such as Medicaid, interstate highway maintenance, and information technology management that could not have been imagined in the 1920s. By the time Governor Cuomo took office, the number of agencies and major authorities had grown more than three-fold, to 70. Exhibit 2 on page 12 shows the organization chart of New York State government when Governor Cuomo took office on January 1, 2011.⁷

While many of the State's agencies, authorities, boards and commissions served a purpose at the time they were created, the continued proliferation of these bodies has led to redundancies and inefficiencies that bog down the effective operation of State government. Breaking down silos and rationalizing this web of governmental bodies – through all of the strategies described in this report – has been a central focus of the SAGE Commission and a key part of the ongoing efforts of the Cuomo administration.

The role of the 41 public authorities created under the State Public Authorities Act deserves special attention. The nature of these authorities varies widely, including statewide authorities with significant operations, authorities whose primary purpose is debt issuance, small and specialized entities that serve a narrow purpose, and regional entities that are considered "State" authorities primarily because they are subject to gubernatorial appointment. Consolidation or elimination of these authorities is not recommended in most cases. However, it is essential that the State develop a more effective mechanism for reviewing their performance because of the close operational relationship between certain State agencies and State authorities.

Transforming State Government Performance

Although Governor Al Smith's effort 85 years ago was an inspiration for the SAGE Commission, the challenge for the Cuomo administration and the Commission is different for several reasons. In the 1920s, the executive authority of the Governor was quite weak, with most important governmental functions under the control of independent agencies to which the Governor appointed only a minority of the voting members. As a result, Governor Smith's reorganization was primarily aimed at consolidating agencies under commissioners appointed by the Governor as a means of gaining executive control over State government.

7. Appendix B provides a brief history of each agency and major authority. Appendix C includes a comprehensive listing of all 406 State governmental entities in existence when the Governor took office.

The problems today are different and require a wider range of tools to make government more efficient and better serve its citizens. The general public has come to think of government as being organized “vertically” by policy area (e.g., transportation), and the State’s agency structure reflects this. An important insight of the Cuomo administration and the SAGE Commission is that it is also possible to think of government being organized “horizontally,” i.e., by functions such as back-office support, licensing and permitting, capital spending, management of contracts with third-party providers, and others.

This orientation towards a more “horizontal” approach led the Cuomo administration and the Commission to conclude that the objective of increased efficiency and better performance can best be accomplished by restructuring these functions, rather than consolidating the agencies in which these functions are conducted. These “horizontal” solutions include shared services, centralized organization of critical functions such as information technology, transfers of functions between agencies to better align the functions with agencies’ core mission, and enhanced coordination mechanisms such as the Governor’s Regional Economic Development Councils and the New York Works Task Force – none of which require the merger or consolidation of agencies or authorities.

Another difference from the time of Governor Al Smith is the central role that information technology plays in almost everything State government does. The Internet and other forms of information technology are being used to transform customer service, improve the functionality of many internal business processes, and offer insights based on advanced analytics. Technology makes the workforce more productive, and enables a degree of performance management and open government that would not be possible without these advanced information systems.

As identified in the Summary of Initiatives on pages 8-10, a total of 78 discrete transformation initiatives have been completed, are in process or have been proposed in the 2013-14 Executive Budget. Another 22 initiatives have been identified as future options for the Administration to consider. Collectively, these 100 initiatives represent far-reaching change in the way State government conducts its operations. The complexity of the transformation initiatives that are underway or proposed would be challenging for any organization, but for State government they are without precedent. It will take sustained effort and focus for the next two to three years for all of the ongoing and proposed initiatives to be successfully implemented. During this time, initiatives identified as future options should be undertaken in a staged way as the State makes progress on initiatives already underway and addresses the various obstacles that such proposals would face.

In addition to these horizontal or “functional” consolidations, however, some agency and authority consolidations are necessary to improve efficiency. Mergers and consolidations involving a total of 14 agencies and authorities have been completed or proposed in the 2013-14 Executive Budget. If the additional mergers or consolidations options identified by the SAGE Commission for future consideration are also adopted, it would reduce the number of major agencies and authorities by 23% since the Governor took office. A pro forma organization chart reflecting all of the completed and recommended mergers and consolidations is shown in Exhibit 3 on page 13.

This report is organized in the following three parts:

Part I – Reorganizing Government

When they are fully implemented, the restructuring initiatives described in this report will represent the most comprehensive reorganization of State government since Governor Al Smith's in the 1920s. Chapter 2 describes the consolidation and rightsizing of State facilities of many types – from closing prisons to eliminating excess leased office space. Chapter 3 describes the consolidation of agency functions which can be provided more efficiently and effectively in a shared services model. These consolidations of functions will save at least \$1 billion over the next five years. Chapter 4 discusses the mergers and consolidations that have been completed or proposed over the last two years, as well as additional mergers and consolidations that have been identified by the SAGE Commission for future consideration. Chapter 5 describes new formal coordination mechanisms for critical interagency activities.

Part II – Reducing Costs and Improving Service

In addition to government reorganization, this report describes a range of other initiatives commenced over the last two years that will reduce the cost of government while improving the quality of service the State provides. Chapter 6 describes a genuine transformation in the way that the State manages and utilizes information technology. Chapter 7 describes a number of the initiatives launched by the Cuomo administration to significantly improve the State's customer service and to make internal operating processes more efficient. Chapter 8 describes initiatives and proposals to modernize how the State hires, trains and disciplines its employees, as well as efforts to control the cost and improve the productivity of the State workforce.

Part III – Building a Culture of Performance and Accountability

Governor Cuomo has emphasized performance and accountability in all aspects of his government, from performance-based School Aid grants and teacher evaluation to competition for economic development assistance. Chapter 9 describes the first ever statewide performance management system, called NY Performs, which will show key performance indicators, targets for future performance, and strategic initiatives for every major agency and authority. Because transparency is an essential element of government accountability, Chapter 9 also describes the many open government measures that are being launched as part of the Open New York initiative. Finally, Chapter 10 addresses the framework for reviewing whether activities are necessary to advance the core mission of State government, namely by identifying unnecessary statutory mandates, activities typically engaged in by commercial enterprises, functions or services that based on competitive benchmarking would be provided more efficiently by the private sector, and waste or suboptimal use of assets. Chapter 10 also describes the use of internal State resources and partnerships with the private sector to facilitate implementation of government redesign efforts.

Summary of Initiatives

The following table is a summary of the government redesign initiatives described in this report, organized by chapter and showing their status.

SUMMARY OF GOVERNMENT REDESIGN INITIATIVES

	Initiative	Status
Chapter 1: Introduction	The State's Fiscal Situation	
	<i>Global Medicaid Spending Cap</i>	Completed
	<i>School Aid</i>	Completed
	<i>New Collective Bargaining Agreements</i>	Completed
	<i>Tier VI</i>	Completed
	<i>Eliminating Formula Based Spending Increases</i>	Completed
PART I: REORGANIZING GOVERNMENT		
Chapter 2: Consolidation and Rightsizing of Facilities	Rightsizing Prisons and Custodial Care Facilities	
	<i>Closing Excess Prisons</i>	In Process
	<i>Community-Based Juvenile Justice Strategy</i>	In Process
	<i>De-institutionalization of Mental Health and Developmental Disabilities Care</i>	
	<i>Mental Health</i>	In Process
	<i>Developmental Disability</i>	In Process
	Consolidating Real Estate and Ancillary Activities	
	<i>Office Space Re-stacking</i>	Completed
	<i>Warehouses</i>	In Process
	<i>Printing Operations</i>	In Process
Chapter 3: Consolidation of Functions	<i>Laboratory Facilities</i>	In Process
	<i>Fleet Management</i>	In Process
	Enterprise Shared Services	
	<i>Business Services Center</i>	In Process
	<i>Procurement and Strategic Sourcing</i>	In Process
	<i>Cluster-Based Call Centers</i>	In Process
	Shared Services with Other State Entities and Local Governments	Future Option
	Realignment of Functions	
	<i>Creation of Justice Center</i>	Completed
	<i>Belleayre Ski Center to ORDA</i>	Completed
	<i>Health and Disabilities Cluster Shared Services</i>	
	<i>Centralize Medicaid Rate-Setting Authority</i>	2013-14 Budget Proposal
	<i>Create a Division of Central Services for the Health cluster</i>	Future Option
<i>Coordinated Health Insurance Purchasing</i>	2013-14 Budget Proposal	
<i>Homeless Housing Assistance Program to HCR</i>	2013-14 Budget Proposal	
<i>Mitchell-Lama Housing Portfolio to HCR</i>	2013-14 Budget Proposal	
<i>Realignment of Overlapping Functions Between DPS and NYSERDA</i>	Future Option	
<i>Coastal Zone Management to DEC</i>	Future Option	

SUMMARY OF GOVERNMENT REDESIGN INITIATIVES

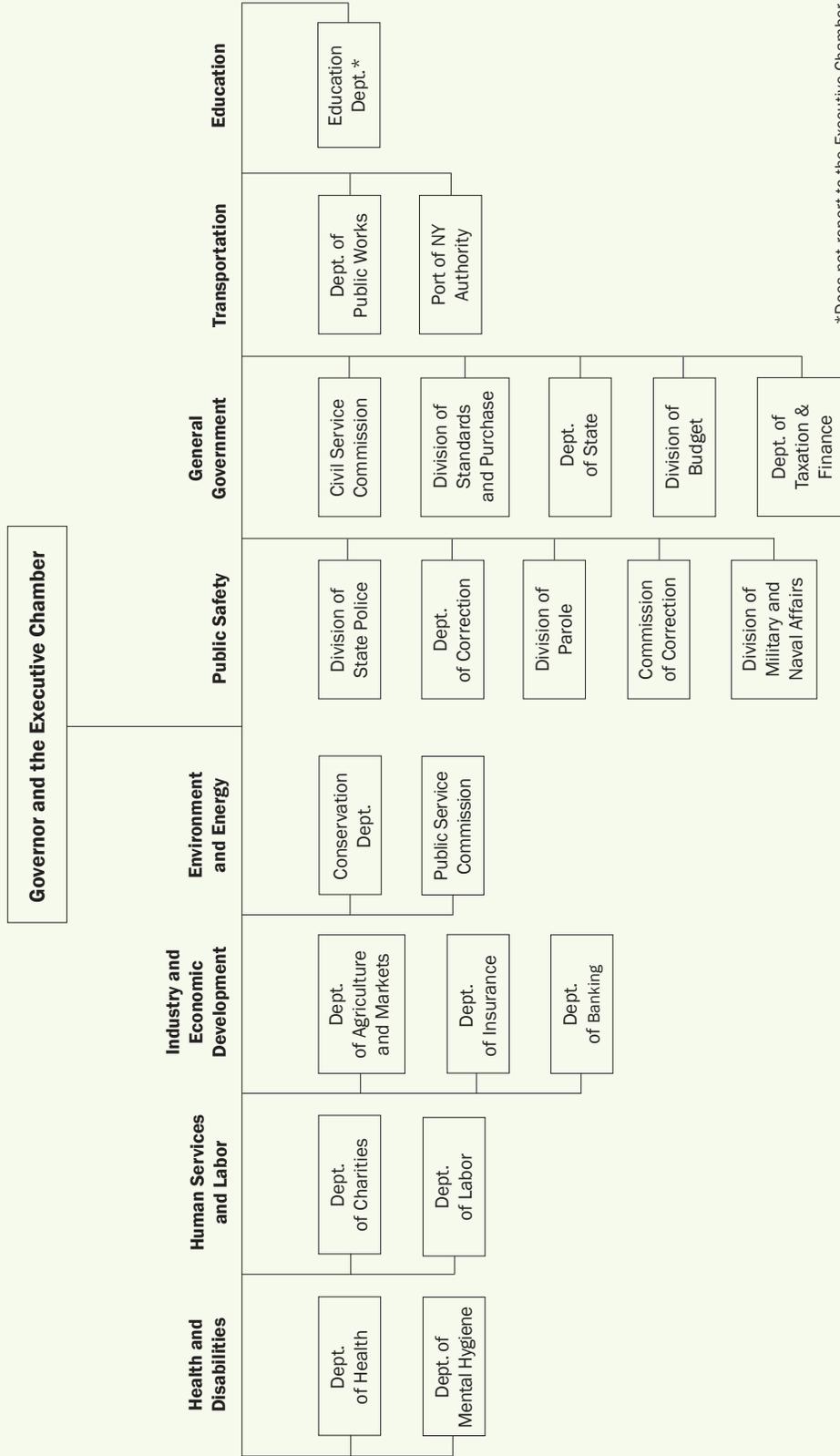
Chapter 4: Consolidation of Agencies and Authorities	Mergers and Consolidations	
	<i>Department of Financial Services</i>	Completed
	<i>Department of Corrections and Community Supervision</i>	Completed
	<i>Merger of NYSTAR into ESD</i>	Completed
	<i>Merger of Consumer Protection Board into Department of State</i>	Completed
	<i>Gaming Commission</i>	Completed
	<i>Merger of the Office of the Welfare Inspector General into OIG</i>	2013-14 Budget Proposal
	<i>Consolidation of Governor's Office of Employee Relations with DCS</i>	2013-14 Budget Proposal
	<i>Privatization of Long Island Power Authority</i>	Future Option
	<i>Consolidation of Transportation Agencies and Authorities</i>	Future Option
	<i>Merger of Behavioral Health Agencies</i>	Future Option
	<i>Higher Education Services Corporation Consolidation</i>	Future Option
	<i>Merger of Hudson River Valley Greenway into DEC</i>	Future Option
	<i>Administrative Public Safety Agencies Consolidation</i>	Future Option
<i>Business and Professional Licensing Agency</i>	Future Option	
	Elimination of Unnecessary Boards and Commissions	
	<i>28 Boards and Commissions</i>	Completed
	<i>Emergency Medical Services</i>	2013-14 Budget Proposal
	<i>27 Additional Boards and Commissions</i>	Future Option
Chapter 5: Coordination of Inter-Agency Activities	New Formal Coordination Mechanisms	
	<i>Regional Economic Development Councils (REDCs)</i>	Completed
	<i>Consolidated Funding Application</i>	Completed
	<i>NY Works Task Force Capital Planning</i>	Completed
	Workforce Development Initiatives	
	<i>Revitalization of the State Workforce Investment Board (SWIB)</i>	2013-14 Budget Proposal
	<i>Linking Community College Aid to Employer Partnerships</i>	2013-14 Budget Proposal
	<i>Consistent Performance Metrics for Workforce Development Programs</i>	2013-14 Budget Proposal
Energy		
<i>Master Plan for Energy Efficiency in All State Facilities</i>	In Process	
Reorganizing Emergency Response	In Process	
PART II: REDUCING COSTS AND IMPROVING SERVICE		
Chapter 6: Information Technology Transformation	Enterprise-wide Initiatives	
	<i>Organizational Restructuring</i>	In Process
	<i>IT Infrastructure Modernization</i>	
	<i>Data Center Modernization</i>	In Process
	<i>Digital Network Consolidation</i>	In Process
	<i>Email Consolidation</i>	In Process
	<i>Enterprise Identification and Access Management</i>	In Process
	IT-Enabled Business Process Redesign	
	<i>Accelerating High ROI / High Impact Projects</i>	In Process
	<i>Rent Regulation System Redesign</i>	In Process
<i>Workers' Compensation System Modernization</i>	In Process	
Chapter 7: Customer Service and Process Improvement	Customer Service Solutions Involving Licensing and Permitting	
	<i>E-Licensing</i>	In Process
	<i>DMV Licensing and Customer Service</i>	In Process
	<i>Reform the State Environmental Quality Review (SEQRA) Process</i>	In Process
	<i>Professional and Business Licensing</i>	In Process
	Contracting and Grants Management	
	<i>Streamlining of the MWBE Certification Process</i>	Completed
	<i>Contracting with Not-For-Profits and Other Third-Party Providers</i>	In Process
	Other Process Improvements	
<i>LEAN Process Improvements</i>	In Process	
<i>Design-Build Procurement</i>	Completed*	

* A proposal to expand the Design-Build authority to all agencies is included in the 2013-14 Executive Budget.

SUMMARY OF GOVERNMENT REDESIGN INITIATIVES

Chapter 8: Modernizing the Workforce	Controlling the Cost of New York State Workforce	
	<i>Controlling Wage Increases</i>	Completed
	<i>New Tier VI Pension Plan</i>	Completed
	<i>Increased Employee Contribution for Health Insurance</i>	Completed
	<i>Reduction in Size of Workforce</i>	Completed
	<i>Layoff Avoidance</i>	2013-14 Budget Proposal
	Flexibility in Hiring, Promotion and Transfers	
	<i>Civil Service Law Reform</i>	
	<i>Temporary Project Jobs Expedited Hiring Extension</i>	Future Option
	<i>Open Promotion</i>	Future Option
	<i>Promotion List and Expanded Transfer Flexibility</i>	Future Option
<i>Operational Improvements in Administering Current Law</i>	Future Option	
Performance Appraisal and Disciplinary Process		
<i>Discipline and Removal</i>	Future Option	
<i>Reform the Performance Appraisal Process</i>	Future Option	
Attract and Manage Talent Through DCS and GOER Consolidation	2013-14 Budget Proposal	
Aligning Agency and Authority Compensation	Future Option	
PART III: BUILDING A CULTURE OF PERFORMANCE AND ACCOUNTABILITY		
Chapter 9: Performance Management	Performance and Accountability in Education	
	<i>Performance-based School Aid Grants</i>	Completed
	<i>Statewide Teacher Evaluation System</i>	Completed
	NY Performs - a Statewide Performance Management System	
	<i>Screenshots for NY Performs</i>	In Process
	<i>Roll Out Plan for NY Performs</i>	In Process
	Agency-based Performance Management Initiatives	
	<i>Medicaid Redesign Team Dashboard</i>	Completed
	<i>Grading Performance of Third-Party Providers</i>	In Process
	<i>"Pay for Success" Program</i>	2013-14 Budget Proposal
<i>Performance Analytics</i>	In Process	
Review of Public Authorities by the Division of Budget	Future Option	
Increasing Transparency Through Open New York	In Process	
Chapter 10: Core Mission and Implementation	Framework for a Core Mission Review	
	<i>Regulatory Relief from Unnecessary Statutory Mandates</i>	Future Option
	<i>Commercial Activities</i>	In Process
	<i>Competitive Benchmarking</i>	In Process
	<i>Underutilized Assets</i>	In Process
	<i>Align Roles with Local Governments</i>	Future Option
	Implementation	
	<i>Internal Implementation Efforts</i>	In Process
	<i>Private Sector Partners</i>	In Process
	<i>Civic Consulting Alliance</i>	In Process
<i>Executive Loan Program</i>	In Process	

Exhibit 1: Major Agencies & Authorities - 1927



*Does not report to the Executive Chamber.

22 Agencies & Major Authorities
61 Agencies, State Authorities & Boards

Exhibit 2: Major Agencies & Authorities - January 1, 2011

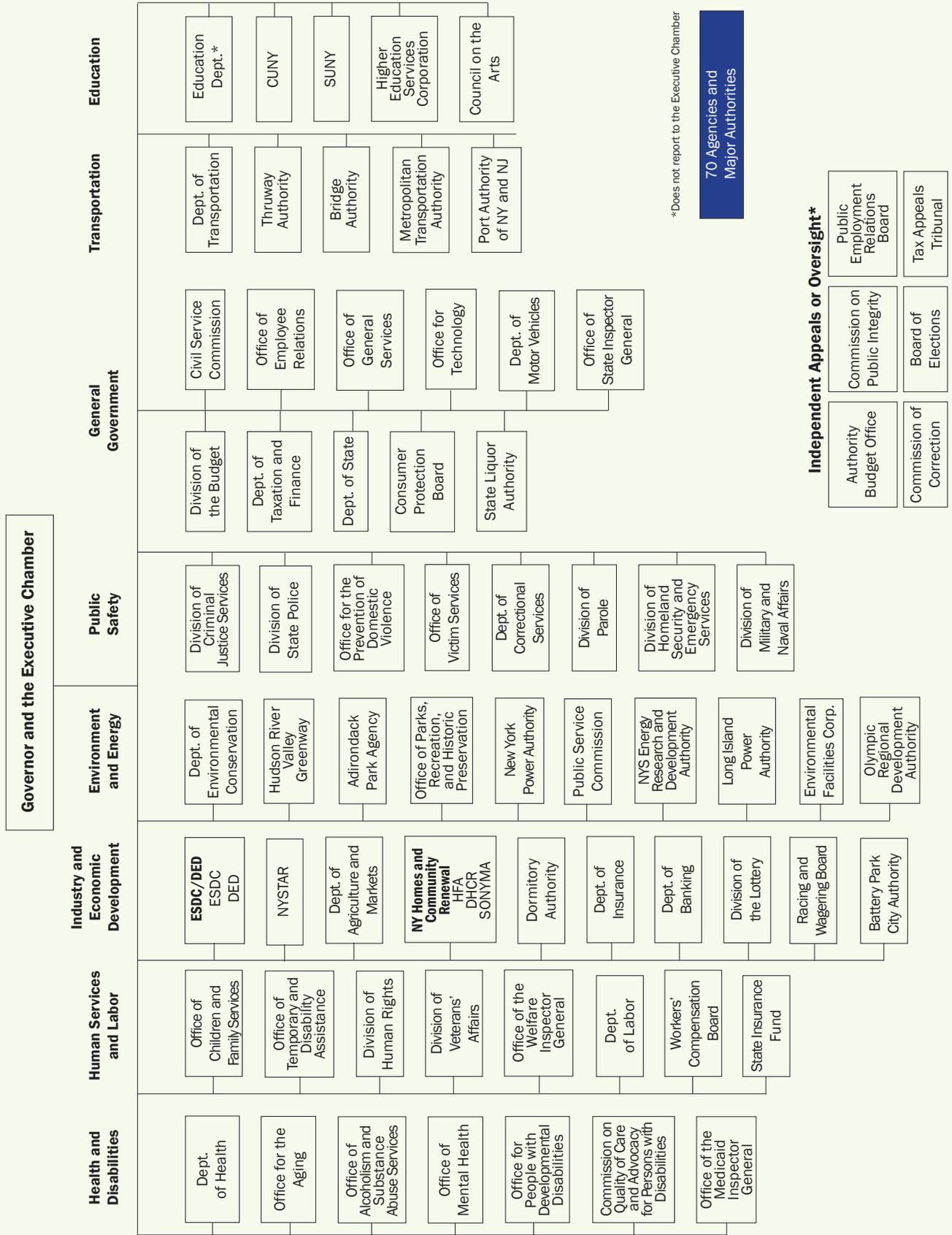
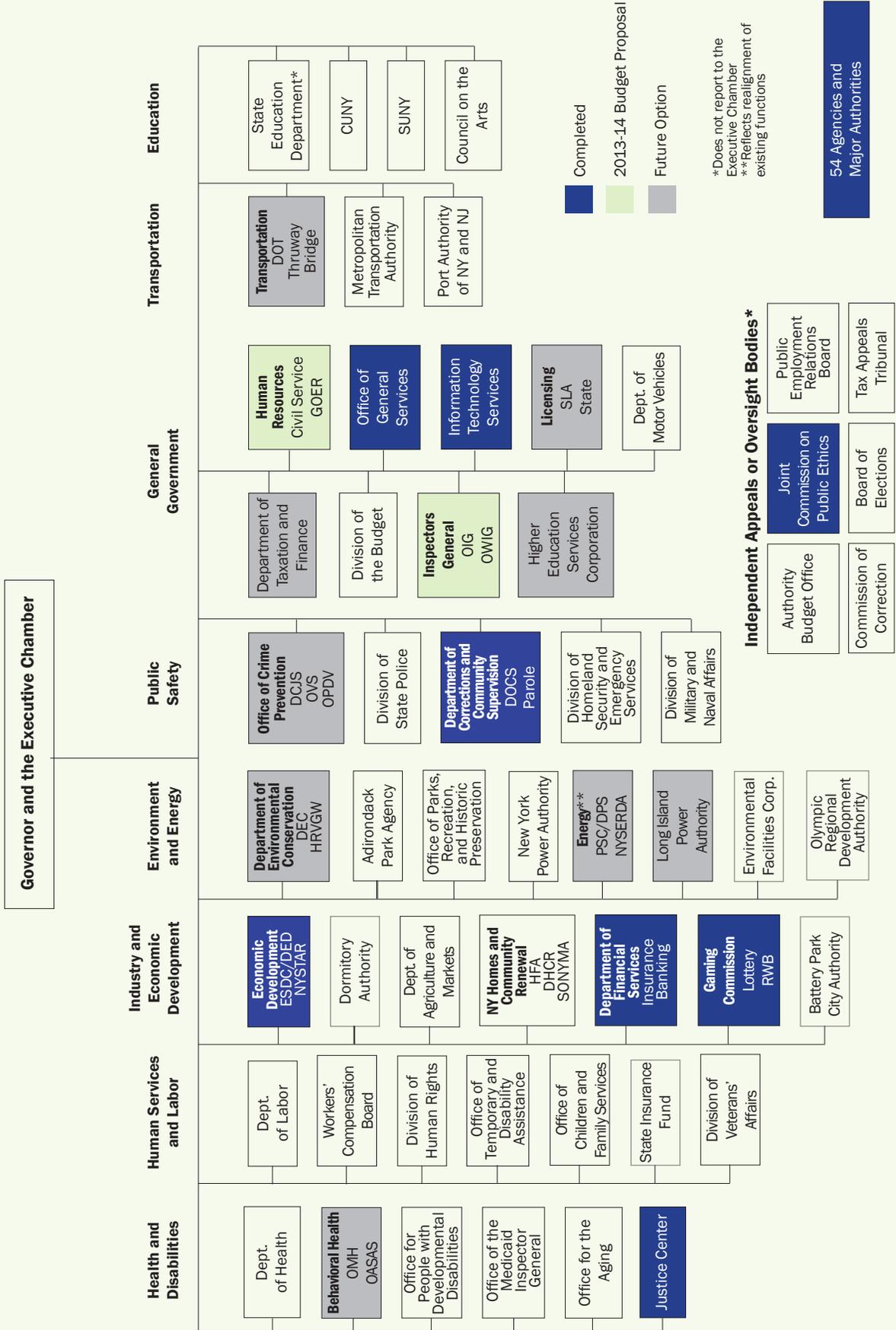


Exhibit 3: Major Agencies & Authorities - Post-SAGE



PART I: REORGANIZING GOVERNMENT

CHAPTER 2: Consolidation and Rightsizing of Facilities

Governor Cuomo began the process of rightsizing State facilities immediately after taking office in January 2011. In his first State of the State address, he said “Prisons are not a jobs program,” and in his first Executive Budget initiated the long overdue process of closing excess prisons. The Governor also called for shutting down unneeded juvenile justice facilities in his first Executive Budget, while beginning work on reinventing the State’s approach to juvenile justice. In 2012, the State began to shift the focus from institutional care to community-based care for the developmentally disabled and those in the State’s care due to mental health issues.

As part of a broader strategy of providing services within a shared services model – which is described in detail in Chapter 3 – the Cuomo administration also began to consolidate and right-size office space and other support operations such as warehouses, printing operations and laboratory facilities.

These various measures to consolidate and right-size facilities will save in the aggregate approximately \$237 million on a full annualized basis.

Rightsizing Prisons and Custodial Care Facilities

Closing Excess Prisons

For years, governors talked about closing unneeded prisons and juvenile justice facilities, but had little success in rightsizing the systems. When Governor Cuomo took office, the number of prisoners in the State’s prisons and other correctional facilities had declined from a peak of 72,773 in 1999 to fewer than 55,000. Yet over that same period, the prison system actually expanded by more than 1,500 beds, and the cost of operating the prison system increased from \$1.7 billion to \$2.4 billion.

Seven prisons representing a total of 3,800 beds were closed in Governor Cuomo’s first budget in 2011-12. The closure of these seven prisons eliminated 1,263 positions and saved \$72 million in 2011-12, with savings rising to \$112 million when fully annualized in 2013-14.

The prison population is expected to decline by another 2,300 inmates by 2016-17. The 2013-14 Executive Budget proposes the closure of an additional two facilities, which would result in additional fully annualized savings of \$62.1 million.

Community-Based Juvenile Justice Strategy

The situation with respect to juvenile justice facilities was even more distressing. The number of youths in juvenile justice facilities had declined from a peak of 2,313 at the end of 2000 to only 643 at the end of 2010. Yet in calendar year 2010, the State spent \$223 million operating these juvenile facilities, which represented an astounding annual cost of \$283,000 for each juvenile in such facilities.

The Cuomo administration started with the closing of four of the State's 25 facilities in 2011-12 and reduced the size of another four facilities. These actions reduced the facilities' annual system costs by \$36 million and total bed capacity from 1,209 to 832, but were just the first step in a fundamental restructuring of how the State handles juvenile offenders.

Advocates for juvenile justice reform have long called for juvenile delinquents to be housed and provided services close to their homes and families. To achieve this goal, the Close to Home Initiative for youths from New York City was enacted in 2012-13. Under this initiative, New York City is authorized to care for its youths who would otherwise be sent to OCFS for placement in non-secure and limited secure residential facilities. Youths will be served in, or much closer to, their home community and will receive comprehensive services that address their educational, mental health, substance abuse and other needs, without compromising public safety. A total of 100 non-secure beds are scheduled to close under the first phase of this initiative, with an estimated savings of \$8 million. Approximately 90 of such youths will be relocated from the State's non-secure facilities to not-for-profit agency settings within the City. Closing residential juvenile justice facilities is part of the effort to lead the State toward an evidence-based system that will reduce crime, improve outcomes for youth and the communities in which they live, and increase the efficiency of the state-operated juvenile justice facility system.

In 2013-14, the second year of Close to Home, an estimated 100 *additional* youth currently placed in the State's limited security facilities will be placed in not-for-profit agencies which are under contract with New York City. These agencies will be responsible for the educational, mental health, substance abuse and other services for the youths in their care. Young offenders who are determined by Family Court judges to require a higher level of care will remain in the custody of the State.

When the New York City Close to Home initiative is complete, the State juvenile justice system will have been reduced by more than 50% – from 1,209 beds to 555 beds. In the 2013-14 Executive Budget, the Cuomo administration will extend the Close to Home model to the rest of New York State for youth in non-secure settings. This proposal would reduce capacity of the state system by an additional 88 beds and reinvest resources to ensure that not-for-profit community-based providers are able to successfully serve youth that would otherwise have been sentenced to the State's non-secure facilities.

De-institutionalization of Mental Health and Developmental Disabilities Care

An important reform that will both save money and improve the quality of care is the transition from institutional care to community-based care for individuals with mental health issues and for the developmentally disabled.

Mental Health Facilities

New York has a large institutionally-based mental health system that no longer serves people in the most appropriate setting from either a cost or therapeutic standpoint. New York has a high vacancy rate in its institutional facilities and more than twice as many facilities as the next closest state.

In 2011 and 2012, the Office of Mental Health (OMH) successfully restructured inpatient services and utilized the savings from this effort to substantially expand community services. This effort lowered average inpatient census by roughly 330 adults (10%) and 100 children (21%). Importantly, the better quality of care from this effort allowed the authorization of over 2,600 community residential opportunities, with appropriate supports and services to ensure individuals can live safely in the community. This effort also includes a new investment to ensure individuals receiving court-ordered services through Assisted Outpatient Treatment (AOT) and those who are being discharged from State Psychiatric hospitals have access to services in the community through Health Homes to ensure continuity of physical and behavioral health care in the community.

Over the next two years, OMH plans to create regional centers of excellence for the diagnosis and treatment of complex behavioral health illnesses. This effort will ensure that there will be ample capacity for treating individuals with mental illness who require inpatient services, and the savings related to this State Psychiatric Center regionalization initiative will be reinvested to support the same or greater level of community-based services. This reinvestment will help facilitate earlier and better access to care.

Developmental Disability Facilities

The Office for People with Developmental Disabilities (OPWDD) has set in motion a long-term effort to move nearly all of its clients in institutional care to community-based settings. Over the past two years, OPWDD has reduced the number of individuals in institutional inpatient facilities by roughly 25% by transferring these individuals into more appropriate and less costly community-based homes. This decline has already resulted in the closure of two institutional programs and two additional facilities are expected to close by December 2013. In addition to placing individuals into more appropriate community settings, these closures are also cost-effective since it costs much less to serve an individual in the community than in an institution. In total, these efforts and similar actions have generated \$50 million in annual savings.

Coupled with this transition to community-based care is an enhanced focus on combatting abuse and neglect and internal restructuring (see discussion of Justice Center on page 22). OPWDD has consolidated operations from 13 separate regional offices with responsibility for both State-delivered services and the oversight of service delivery by not-for-profit providers to a new consolidated system of only five regional offices, with the remaining oversight being handled centrally. A range of other non-programmatic functions is being shifted to the State's shared services model.

Consolidating Real Estate and Ancillary Activities

Office Space Re-stacking

When Governor Cuomo took office, he commissioned a study that found the amount of office space that the State had leased was approximately 20% more than it needed, including 4,000 empty seats downstate and 6,000 empty seats in the Capital Region. Much of this excess office space was the result of individual agencies managing their real estate function without coordinating with other agencies. Governor Cuomo directed the Office of General Services (OGS) to take over this function and manage it with modern real estate best practices on a statewide basis. As part of this new strategy, OGS is creating a separate NYS Real Estate Center to be led by an experienced Chief Real Estate Officer.

Over the past year, OGS has embarked on a re-stacking plan to consolidate agency office space in both New York City and Albany. The centralized approach to real estate management that the State has used over the last 18 months, combined with improved analytics, has significantly improved efficiency of space usage. To date these efforts have saved the State more than \$21 million, and further savings will be achieved when leases expire on remaining excess office space. The 2013-14 Budget projects an additional \$5 million in savings next year.

Two illustrative examples of the re-stacking and related savings to date are \$2.4 million in annual savings generated from moving the Department of Taxation and Finance's Downstate operations into a newly leased facility in Brooklyn at lower cost, and \$2 million in annual savings from the relocation of a number of criminal justice agencies from leased spaced into the State-owned Alfred E. Smith building in Albany.

Warehouses

In addition to office space, the State is also gathering data and reviewing opportunities to consolidate and better use warehouse and storage space. Over 50 State agencies manage 7.8 million square feet of storage space in more than 1,000 separate locations, including both owned and leased space, costing a total of \$42 million annually. Today, there is no central inventory of warehouse and storage space (or its contents) and no coordinated plan to use this space more efficiently. To rationalize the approach to storage space, the Cuomo administration has directed agencies to perform cost-benefit analyses and meet minimum criteria before putting anything in storage and to use real time delivery of office supplies to cut down on the need for storage.

Printing Operations

New York currently spends approximately \$35 million each year to operate 24 separate print and copy shops. Though placing these resources close to agency customers may be convenient, this fragmentation leads to a large number of inefficiencies. A recent survey of agency printing operations showed numerous instances of slack capacity, inconsistent volume between print shops, and multiple shops being located close to one another, as well as unnecessary duplication of services and the lack of a comprehensive management strategy to contain the cost of equipment and supplies.

To address these inefficiencies, the State has begun a process of consolidating printing operations into several major agencies, including the Department of Taxation and Finance, Information Technology Services, OGS, OMH, and DOCCS. Agency customers will be able to submit jobs through a simple, universal online print shop job request form and receive bid responses from each State print shop. This consolidation and process redesign will not only result in lower costs but also reduce bottlenecks and improve transparency and accountability, with a goal of reducing the number of printing facilities down to nine, a reduction of 63%.

The State of Texas recently undertook a similar effort and consolidated 33 state agency print shops into seven. These seven shops produce more annual output at less than 50% of the cost and with less than 50% of the staff of the original 33 shops.

Laboratory Facilities

New York currently spends over \$150 million annually to operate laboratories at eight separate State agencies.¹ These labs employ over 1,600 people and occupy well over one million square feet of space. Lab functions vary widely and include infectious disease testing, air and water testing, newborn genetic disease screening, forensic testing (e.g., DNA, ballistics, etc.), and materials testing for roads and bridges.

Despite these seemingly distinct activities, there are opportunities to share resources and improve efficiencies, including eliminating non-core or non-essential lab activities, outsourcing routine lab services, providing administrative services on a shared service basis, and consolidating or co-locating labs with related functions. Equally important, a cross-agency view will lead to better leveraging of the scientific information produced in these labs and foster innovative approaches to upgrade the State's facilities, such as partnerships with research universities and companies. Local governments could benefit by improving alignment with State resources (e.g., between State Police and county/city police forensic labs), and consolidating the State's laboratory facilities will create opportunities for such cooperation.

Fleet Management

Historically, the State has taken a decentralized approach to managing its fleet of passenger cars and trucks. When the Governor took office, more than 15 agencies owned and operated over 4,700 passenger cars and trucks to carry out their daily activities (excluding specialized vehicles). To better coordinate the State's capital investment and reduce maintenance costs, the Governor directed the Office of General Services (OGS) to develop a statewide fleet management system. OGS identified nearly 500 vehicles for sale as a first step to reduce excess inventory. In April 2012, these vehicles were successfully sold through a new eBay-based online platform, with almost \$2 million in proceeds and a significant reduction in ongoing maintenance costs.

OGS also managed a pilot program to monitor the usage of State vehicles. By installing transponders in 250 vehicles from a variety of agencies, OGS was able to collect valuable data – from vehicle location to time spent idling to driver habits. This data will help the State identify opportunities to decrease costs, manage driver productivity, and increase safety. In addition, OGS is reviewing fleet management best practices from other industries and is expected to make formal recommendations in several areas shortly. These include whether to purchase, lease or outsource the fleet; whether to in-source or outsource maintenance; and whether to operate the fleet centrally or establish a “fleet coordinator” to create and enforce uniform standards.

1. These include the Department of Health, the Department of Criminal Justice Services, the Department of Environmental Conservation, the Department of Agriculture and Markets, the Office of Mental Health, the Office for People with Developmental Disabilities, the Department of Transportation, and the Division of State Police. Academic research labs on SUNY and CUNY campuses are not included.

CHAPTER 3: Consolidation of Functions

As described in the Introduction of this report, one of the most important insights over the last two years was the recognition that thinking about government in a “horizontal” fashion (i.e., by functions instead of agency policy areas), was often the best way to achieve the goals of increased efficiency and improve performance. This chapter describes the major initiatives to consolidate functions either by providing services centrally under a shared services model or by transferring functions to an agency where the function is better aligned with the host agency’s core mission. The consolidation of office space and certain ancillary activities such as printing, labs and warehouses described in Chapter 2, as well as the IT restructuring described in Chapter 6, also reflect a shared services approach.

Enterprise Shared Services

When Governor Cuomo took office, he ordered a study to benchmark how efficiently the State performed various back-office functions compared to best practice private sector firms and governments. The study resulted in an ambitious series of multiyear initiatives involving organizational restructuring, business process redesign and enhanced use of technology to significantly improve efficiency and performance. The consolidation of common functions through shared services, rather than agency mergers, became a central part of the Governor’s strategy for redesigning how government operates.

As shown in the schematic below, the Office of General Services (OGS) will manage financial and human resources transactional operations, real estate and other asset management activities, and procurement for all agencies in an enterprise shared services model. Call centers will be managed by four anchor agencies, which will handle their own calls and Internet inquiries as well as those of other agencies on a shared service basis.

Exhibit 4: Enterprise Shared Services Functions

Finance Operations	Human Resource Management	Asset Management	Procurement	Call Centers
<ul style="list-style-type: none">• Payroll• Accounts Payable and Receivable• Travel & Expense	<ul style="list-style-type: none">• Payroll• Personnel Management• Benefits• Time & Attendance	<ul style="list-style-type: none">• Real Property• Leasing• Property Maintenance and Repair• Fleet	<ul style="list-style-type: none">• Strategic Sourcing• Contract Management• Local Government Contracting• Procurement Support	<ul style="list-style-type: none">• Cluster-based Call Centers

As an integral part of the shared services model, OGS will create service level agreements and governance mechanisms for its agency customers.

Business Services Center

OGS has created a division called the Business Services Center (BSC) to manage common HR and financial transactions on behalf of State agencies. In total, the BSC will process more than 5 million transactions annually in areas such as accounts payable, payroll, travel expenses and other administrative transactional services. The BSC's full functionality for these processes and the transfer of responsibilities from individual agencies to the BSC will be implemented in phases over the next three years. Once fully phased in, nearly all of the core and support staff who now perform these functions in other agencies will be transferred into the BSC to help deliver these functions under a centralized enterprise shared services model.

The BSC will significantly improve the State's performance on such core metrics as timeliness, accuracy, and cost per transaction. Reducing the State's relatively high error rate on processing accounts payable will ensure that the state receives the maximum discounts possible on its purchases, while the many small vendors that rely on the State will benefit from timely and prompt processing of State payments.

In 2011, outside experts analyzed the savings that could be realized from more efficient processing of back-office functions as contemplated by the BSC. Using historical data, PwC estimated that the state could reduce the number of full-time equivalent employees (FTEs) by a total of 760 FTEs over a five-year period if it implemented the productivity initiatives now underway in the BSC.

State agencies have already exceeded this target by reducing the number of employees performing these administrative functions by nearly 1,000 FTEs, with large agencies having 20-65% fewer administrative staff than at their peak. These agencies would simply be unable to perform these functions on a timely basis without the productivity gains brought about by the BSC.

Procurement and Strategic Sourcing

When Governor Cuomo took office, the State's procurement function operated in an inefficient manner. Each State agency made its own procurement decisions and negotiated prices directly with vendors. OGS administered thousands of active contracts with "not to exceed" pricing, but left agencies the task of negotiating the actual contract price. This resulted in State agencies paying widely varying amounts for the same product and failing to capitalize on the enormous buying power of the State. The consulting firm Accenture, which conducted a benchmarking study of the State's procurement process, concluded that the State needed to change its procurement business model and organizational structure to achieve savings and retain those benefits over time. The State has adopted this recommendation, which combines a shared services approach with a new business model for procurement, and is known as *strategic sourcing*.

Strategic sourcing is a structured, market-based process to gather data, conduct quantitative analysis and apply expert judgments to secure the best value in purchasing goods and services. Procurement managers will also work with agencies and assist in meeting the agencies' goals for purchases from MWBEs and small businesses.

This new organizational structure and strategic sourcing approach to procurement will produce significant savings in both the cost of goods and services purchased and in the procurement process. Strategic sourcing in both the public and private sector has produced savings in the range of 5-15% of the cost of goods and services purchased. Based on a conservative estimate using the low end of that range, strategic sourcing will save the State approximately \$160 million annually when applied to the State's \$3.2 billion of addressable spending in this area.

The State will reduce the cost of goods and services purchased by improving the procurement process in other ways as well. First, the State is simplifying its standard procurement contracts to improve cycle times, as the current bidding process for State contracts is onerous for vendors and inefficient for the State. Second, the State will simplify vendor access by creating an electronic single point of contact for connecting State government with vendors, similar to Virginia's eVA System and Pennsylvania's eMarketplace.

Cluster-Based Call Centers

New York State currently operates approximately 400 toll and 450 toll-free numbers, as well as more than 30 call centers which handle or outsource over 150 million toll-free calls annually. The majority of these calls are handled by a few key agencies, including the Department of Labor, the Department of Motor Vehicles, the Department of Taxation and Finance, and the Office of Children and Family Services. When Governor Cuomo took office, the State's call center strategy lacked a centralized technology, procurement and performance management strategy, which resulted in a system that was inconsistent in quality and inefficient in cost.

To address these issues, the Cuomo administration began consolidating the more than 30 existing call centers into four "anchor" call centers. These call centers will be managed by four host agencies which will handle all calls and Internet inquiries for their hosted agencies. The State began this process by merging the Department of Financial Services' call center into the call center operated by the Department of Taxation and Finance. Further consolidations will be implemented over the next 12 months.

By standardizing call center technology platforms and segmenting calls according to the level of assistance required to complete a constituent's transaction, the consolidation of the State's call centers will improve customer service and achieve significant cost savings. Having state-of-the-art call center technology will also make it easier for the State to introduce a "311" type call center service as part of a broader effort to make it easier for citizens to find information about, and conduct transactions with, State government. One of the benefits to the State of this type of single point of contact is the information it provides about problems citizens have with services provided directly by the State or by a third-party provider which is funded by the State.

Having state-of-the-art call center technology will also make it easier for the State to introduce a "311" type call center service. This service will become part of a broader effort to make it easier for citizens to conduct transactions and find information related to State government. This single point of contact will provide information about problems citizens have with State-funded services and allow the State to more quickly address those problems.

Shared Services with Other State Entities and Local Governments

State authorities and non-executive controlled agencies, such as SUNY and CUNY, should participate in shared services initiatives where feasible. For example, SUNY already participates in the new strategic sourcing effort managed by OGS. Although the separate financial systems likely make it impractical for authorities to participate in the shared services provided by the Business Services Center, procurement, real estate and other shared functions could well be provided by the State's shared services model. Doing so would generate savings not only for the authorities and agencies controlled by other entities, but other state agencies as well by increasing the economies of scale within the shared services model.

Realignment of Functions

Creation of the Justice Center

Governor Cuomo also took steps to restructure and strengthen the way in which the State protects vulnerable individuals from abuse when they are in institutional care through programs run or licensed by the State. In response to the high number of reported abuses against these vulnerable individuals, Governor Cuomo, in 2012, introduced legislation to create the Justice Center for the Protection of People with Special Needs (the "Justice Center") in order safeguard "the civil rights of more than one million New Yorkers with disabilities and special needs who for too long have not had the protection and justice they deserve."

The Justice Center will be the single body responsible for tracking and investigating serious abuse and neglect complaints for facilities and provider agencies that are operated, certified, or licensed by the following six agencies: the Department of Health, the Office of Mental Health, the Office for People with Developmental Disabilities, the Office of Children and Family Services, the Office of Alcoholism and Substance Abuse Services, and the State Education Department. In addition, the Justice Center will absorb all functions and responsibilities of the Commission on Quality of Care and Advocacy for People with Disabilities (CQC), except for CQC's Federal Protection and Advocacy and Client Assistance Programs, which will be designated to a qualified non-profit.

The Justice Center will also create a new level of oversight and transparency for non-State operated facilities and programs licensed or certified by the State to serve vulnerable individuals. Additionally, the Justice Center will expand the State's capacity to prosecute abusive and negligent individuals and organizations to the fullest extent of the law.

The Justice Center is a good example of breaking down agency silos to increase both efficiency and the quality of services the State provides. The State will realize both economies of scale and the ability to share best practices that ultimately better protect people by consolidating oversight of potential abuse now provided by six separate agencies into the Justice Center.

Belleayre Ski Center to ORDA

A “transfer of function” from one agency to another makes sense when it results in better alignment of the function with the core mission and core competency of the agency to which the transfer is made. The transfer of the Belleayre Mountain Ski Center (Belleayre) to the NYS Olympic Regional Development Authority (ORDA) was authorized in the 2012-13 Budget. Owned by New York State and located in the Catskills, Belleayre began operations as a ski center in the 1950s and was operated by the New York State Department of Environmental Conservation (DEC) prior to its transfer. Since opening, it has become a center for winter sports in the region and an economic catalyst for surrounding communities.

However, the continued need for \$3-4 million in annual State funding puts the operation at risk, particularly in light of the State’s fiscal condition. DEC recognized that the management of ski centers was not among its core competencies and concluded that transferring operations to ORDA could improve operations and reduce losses. ORDA, which has experience profitably operating Gore Mountain and Whiteface Mountain, will be able to operate Belleayre more efficiently and at a lower cost.

Health and Disabilities Cluster Shared Services

The Health and Disabilities cluster of State agencies includes the Department of Health (DOH), the Office for Aging (OFA), the Office of Alcoholism and Substance Abuse Services (OASAS), the Office of Mental Health (OMH), and the Office for People with Developmental Disabilities (OPWDD). The agencies in this cluster perform a number of common functions. These functions could either be centralized in a single agency or new division to be performed on behalf of other agencies cluster on a shared services basis. As discussed in more detail below, the 2013-14 Executive Budget proposes to centralize all Medicaid administrative activities within DOH. A number of other administrative and regulatory activities could in the future be consolidated within a new Division of Central Services for the Health cluster, which would provide these services to agencies in the cluster on a shared services basis.

The main reason that the Division of Central Services for the Health cluster is not being pursued at this time is the large number of other government redesign initiatives involving the Health cluster. These initiatives include implementation of Medicaid Redesign Team initiatives, the creation of the new Health Insurance Exchange, and the centralization of Medicaid rate-setting and other Medicaid administrative activities. In order to ensure strong implementation of these critical initiatives, it makes sense to defer creating a Division of Central Services until more progress is made in implementing these other critical initiatives.

Centralize Medicaid Rate-Setting Activities

There currently are four State agencies—DOH, OASAS, OMH and OPWDD—that have responsibility for performing a rate-setting function (predominantly for Medicaid) to determine funding levels for various services and individual providers of services within those agencies. Tens of thousands of rates, prices, and fees are established for thousands of providers across these four agencies, with little coordination. As a result, reimbursement for similar goods and services can vary significantly. A number of providers funded by Medicaid are multi-service providers, and are funded by two or more of the four State agencies. These four State agencies combined have approximately 150 employees and other significant (primarily technology-related) resources invested in this function.

The 2013-14 Executive Budget proposes to consolidate all Medicaid administrative activities into DOH, including all activities related to managed care plans in Medicaid rate setting in claims processing activities. This centralized approach will enable closer coordination and oversight of rate-setting policies and methodologies. These rate-setting activities will also include such matters as cost reporting, capital reviews and data management.

Create a Division of Central Services for the Health cluster

A future option for the administration to consider is the creation of a Division of Central Services for the Health cluster to manage certain functions that are specific to this cluster on a shared services basis. Each of the health and disabilities agencies operates separate and distinct administrative operations such as facilities management, communication and legal services, and human resources. However, in performing these functions, the agencies are organized very differently. Operations are performed in many different ways from agency to agency and in many cases, without central direction within the cluster. As a result, there is lack of consistency in how these agencies manage these functions. Some agencies have centralized administrative functions, while others rely on the field and/or regional district offices for oversight and management. A Division of Central Services could distribute manpower and other resources more efficiently and promote best practices across agencies.

Currently, 1,000 FTEs are involved in certification, licensure, credentialing, and surveillance of health and disabilities programs. Much of the staff in these functions could formally remain under the auspice of their existing agencies, but would be coordinated by the Division of Central Services within a shared services model.

As part of a broader effort by the Cuomo administration to rationalize the number of regional offices various agencies and authorities operate, the health and disability agencies could co-locate field offices wherever possible to improve efficiency and coordination. In order to oversee quality and support operations at the local level, each of the four major operating agencies has a regional structure. These regional organizations support many similar functions, particularly in the areas of licensure and inspection. These centers vary, however, in numbers (DOH has 4, OMH has 5, OASAS has 11 and OPWDD has 13), areas served and the degree of operational responsibilities. The lack of coordination or integration of their licensure and inspection activities often presents challenges to providers seeking to serve multiple populations.

Aligning the boundaries of agencies' field offices would relieve a significant problem faced by providers who serve more than one population. Because of the different area boundaries, a provider in Binghamton, for instance, needs to work with agency field offices in Syracuse and in Rochester. Providers also are required to submit two licensure and certification reviews of the same records and materials to two different State agencies.

Coordinated Health Insurance Purchasing

NYSHIP is among the three largest public employee health insurance programs in the nation covering over 1.2 million State, public authority, and local government employees, retirees and their eligible dependents. It is currently administered by the Employee Benefits Division of the Department of Civil Service (DCS) with a staff of 86 FTEs. In contrast, the State's public health insurance plans are administered by DOH's Office of Health Insurance Programs (OHIP), which has a staff of 576 FTEs.

While health insurance benefits are an important tool to attract and maintain a qualified workforce, the efficacy of DCS' administration of NYSHIP could be enhanced by leveraging the assets and institutional knowledge of DOH. Beginning in 2013-14, DCS and DOH will adopt common approaches to take advantage of efficiencies resulting from best practices, including the alignment of hospital cost reimbursement policies, the expansion of patient centered medical home models, and the promotion of evidence-based strategies to enhance wellness and reduce health care costs. Future annual savings of more than \$50 million, \$19 million of which will accrue to the State, may be possible when these agencies adopt a common purchasing strategy for medical services.

In addition to these steps, the Cuomo administration is also seeking to save money by changing the structure of the State's relationship with outside vendors. At present, the State contracts with insurance companies to provide "insurance" for the NYSHIP plan, but the State retains virtually all of the risk in these arrangements. The administration is pursuing self-insurance options for NYSHIP to determine whether that approach can reduce costs without compromising quality.

As the initial step in this strategy, the State has agreed to a contract to directly procure NYSHIP's pharmacy benefits from a pharmacy benefit manager (PBM), beginning in 2014. Procuring prescription drugs from a PBM directly, instead of acquiring them through an insurer that has little financial incentive to reduce costs, has allowed the State to negotiate deeper purchasing discounts and avoid taxes imposed by the federal government. By ceasing its previous arrangement with an insurer and entering into a new self-insured agreement, NYSHIP will realize \$230 million in annual savings, approximately \$85 million of which will accrue to the State.

Homeless Housing Assistance Program to HCR

The Homeless Housing and Assistance Program is administered by the Homeless Housing Assistance Corporation (HHAC), which currently is part of the Office of Temporary and Disability Assistance (OTDA). The program provides capital grants and loans to not-for-profit organizations, municipalities, and public corporations to acquire, construct, or rehabilitate properties to provide housing for people who are homeless and cannot find housing without public assistance. Between the inception of the program in 1983 and 2011, the HHAC awarded a total of nearly \$800 million in grants and loans. In 2011 alone, thirteen housing projects completed construction, preserving or creating 966 units of housing at a cost of \$48.6 million.¹

1. Homeless Housing Assistance Program Annual Report to the Governor, 2011.

In order to better align this housing finance function with the core competency of its host agency, the 2013-14 Executive Budget proposes transferring responsibility for the HHAC from OTDA to Homes and Community Renewal (HCR) – the State’s primary housing finance authority. Consistent with its mission and core competency, OTDA will continue to provide support services to the residents of these housing units.

Mitchell-Lama Housing Portfolio to HCR

Beginning in 1955, New York State financed the construction of more than 105,000 affordable housing units under the Limited Profit Housing Companies Act, commonly known as the Mitchell-Lama program. This program grants low-interest mortgages and real estate tax exemptions to private developers in exchange for the construction of affordable housing with rent and tenant income restrictions. Mitchell-Lama projects were financed by the State Loan Fund, the Housing Finance Authority (HFA) and the Urban Development Corporation (UDC, known today as Empire State Development or “ESD”) and by leveraging federal Housing and Urban Development (HUD) Section 236 mortgage interest subsidies as an additional source of financing.

Today, ESD holds these mortgage assets and continues to receive related HUD Section 236 interest rate subsidies for 36 Mitchell-Lama projects that contain approximately 8,700 units of affordable housing. These mortgage assets and interest rate subsidies generate nearly \$30 million in excess revenue annually, which ESD has used to fund its own operations. In part because these funds have been used to fund ESD’s operations instead of maintaining the Mitchell-Lama housing stock, the housing units in these projects are now severely distressed and in need of rehabilitation. Moreover, many of these projects are in arrears on their mortgage payments. The accumulating disrepair, combined with the expiration of these interest rate subsidies, now threatens the on-going viability of this portfolio of affordable housing.

To put this portfolio back on sound physical and financial footing, Governor Cuomo in his 2013 State of the State address announced the transfer of the portfolio from ESD to New York Homes and Community Renewal (HCR) as part of a plan to spend approximately \$1 billion over the next five years to build and preserve affordable housing. HCR estimates that the transfer of the Mitchell-Lama mortgage assets and interest rate subsidies will support \$173 million of new financing. The combination of this \$173 million of new financing, \$175 million of additional HCR subsidies over the next five years, \$274 million of federal tax credit funding, and approximately \$83 million of miscellaneous funding will support the expenditure of approximately \$705 million on the rehabilitation of these 8,700 units plus additional acquisition and other costs.

Because HCR’s core competency is financing affordable housing, the execution of this financing strategy can be more effectively managed at HCR than at ESD.

Realignment of Overlapping Functions between DPS and NYSERDA

The State has played a vital role in the energy markets in New York State through regulation, direct ownership of energy assets and initiatives to reduce energy demand. Responsibility for these activities is spread across four State agencies or authorities. In recent years, the activities of these entities began to overlap as each developed initiatives in support of broader energy policy goals, such as increasing energy supply from renewables and reducing demand through energy efficiency, in addition to their original core missions.

In the aftermath of Hurricane Sandy, Governor Cuomo established a commission under the Moreland Act to investigate the response, preparation, and management of New York's power utility companies to major storms, as well as to review the organizational structure of New York's energy-related agencies and authorities.

In addition to recommending the privatization of the Long Island Power Authority (as described in Chapter 4), the Moreland Commission suggested ways to reduce the overlap and redundancy of functions among the State's three other energy agencies and authorities. Governor Cuomo took the first of these steps when he appointed a new Cabinet-level Chairman of Energy Policy and Finance to oversee all of the State's energy agencies and authorities. Further streamlining for certain functions could occur by realigning responsibility for these agencies' energy efficiency and clean energy programs, emergency preparedness planning, and energy planning efforts.

The entities where the overlap of functions is greatest are the New York State Energy Research and Development Authority (NYSERDA) and the Department of Public Service (DPS). NYSERDA was created in 1975 to help fund research and development for innovative technologies to help reduce the State's petroleum consumption. DPS is the staff arm of the independent Public Service Commission (PSC), which was created in 1940 to regulate all public utilities. DPS is an executive-controlled agency and its commissioner also serves as the chairman of the five-member PSC.

Streamlining this organizational structure could be accomplished in a number of ways, the most direct of which would be to jointly manage or transfer functions from one entity to the other depending on the nature of the activity. A more far-reaching streamlining option would be to create a unified leadership team similar in structure to that which exists with ESD and the Department of Economic Development and with New York Homes and Community Renewal.²

2. For example, Connecticut recently reorganized its energy agency and public utility regulator in the interests of developing a more integrated approach to energy policy. In 2011, Connecticut created a combined Department of Energy and Environmental Protection (DEEP). In doing so, it combined activities of its Public Utilities Regulatory Authority (PURA) by consolidating the staff into DEEP. One group of former PURA employees was designated as having "policy" roles, while others were designated as having "board support" regulatory roles.

DPS and NYSERDA are also the two main entities involved in drafting the State Energy Plan. Energy planning is an executive function, and responsibility for it should be concentrated in one entity, perhaps under the authority of the new Cabinet-level Chairman of Energy Policy and Finance. The Moreland Commission recommended that a single office of combined NYSERDA and DPS staff related to energy markets, policy and planning, and emergency response be created to provide for a more unified and coordinated approach and more effective implementation of these activities.

Coastal Zone Management to DEC

The Department of State (DOS) administers several programs related to coastal zone and waterfront planning and permitting that date to the early 1970s. In 1972, in response to growing concerns that coastal areas were being developed without an overall strategy for comprehensive coastal management, the federal government enacted the Coastal Zone Management Act (the “CZMA”). Soon thereafter, DOS was designated as the lead agency and recipient for federal funding to implement the CZMA in New York, because of DOS’s role in local planning.

The Department of Environmental Conservation (DEC) was created in 1970, and it serves as the principal agency responsible for the conservation, improvement and protection of natural resources, including marine and coastal resources. Because the planning role of DOS in administering CZMA often overlaps with the environmental protection rules issued by DEC, the related efforts of these two agencies causes confusion and delay among outside constituents seeking permits and approvals for waterfront projects from both State agencies.

In recent months, DOS has been exploring alternatives to address these redundancies, including waiving review of smaller projects and simplifying decision standards. While these steps will help, they will not fully resolve the duplicative reviews of larger projects. For these reasons, the SAGE Commission has identified as a future option the transfer of the Coastal Zone Management Program and related programs from DOS to DEC. Not only would this streamline reviews and approvals for permit applicants, it would also leverage DOS’ strong planning expertise across DEC’s broader efforts.

Of the 29 states which have Coastal Zone Management programs, 20 states have designated their natural resources or environmental management agency as the lead agency for administering the CZMA. Only three (including New York) designate the state planning agency. The remaining states typically have specialized entities, such as the California Coastal Commission, to perform this function.

CHAPTER 4: Consolidation of Agencies and Authorities

Despite the usefulness of other forms of organizational restructuring and rightsizing, mergers and consolidations of agencies and authorities continue to be an important tool in streamlining State government.

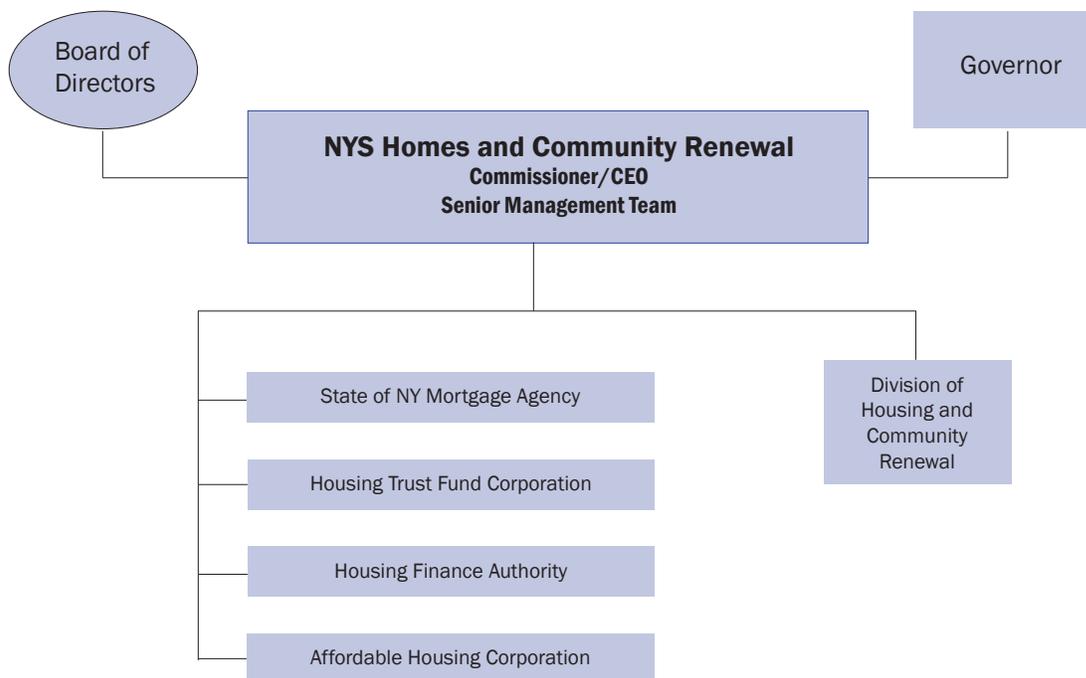
The Commission evaluated a large number of potential candidates for merger or consolidation that would achieve the Governor's goal of streamlining government. Agencies and authorities that met one or more of the following criteria were considered to be potentially strong candidates:

- Agencies and authorities in similar policy areas that have overlapping missions, customers or common functions;
- Agencies in policy areas undergoing significant change, where combining existing agencies can provide a catalyst for modernizing the State's role; and
- Smaller agencies that are less connected to the policymaking apparatus of State government or are otherwise challenged to achieve their core mission and which have similar core missions and functions to larger agencies.

Five mergers and consolidations were completed during the first two years of the Cuomo administration and another two agency restructurings are in process or have been proposed in the 2013-14 Executive Budget. The Commission has identified an additional nine mergers and consolidations as future options to be considered once more progress is made on ongoing initiatives and if various obstacles can be addressed. These mergers and consolidations are summarized in Exhibit 7 on page 46.

An important distinction illustrated in Exhibit 6 is the difference between a legal merger of agencies or authorities and a management consolidation of one or more agencies and authorities. In the case of a consolidation, closely related agencies and/or authorities remain legally separate but are managed by a single senior leadership team. The consolidation structure has been used to date in two policy areas – economic development (involving the Department of Economic Development and Empire State Development) and housing (involving the entities shown in Exhibit 5 below). The management consolidation structure is being proposed as a future option in the case of the potential consolidation of the Department of Transportation and the Thruway Authority.

Exhibit 5: Management Consolidation of Housing Entities



Completed Mergers and Consolidations

Five mergers and consolidations were completed during Governor Cuomo’s first two years in office. These mergers and consolidations were as follows:

Department of Financial Services

The 2011-2012 Budget merged the State’s two financial regulators—the Department of Banking and the Department of Insurance — to create a new Department of Financial Services (DFS). The financial crisis of 2008 highlighted the need to strengthen regulation of the financial markets at both the federal and state level. The Governor’s goal in creating DFS was to better protect consumers and investors by modernizing the regulation of all financial institutions regulated by New York State. This included allowing a single agency to oversee the broad array of financial products and services offered by both banks and insurance companies, as well as creating a new Financial Frauds and Consumer Protection Division to address abuses.

Department of Corrections and Community Supervision

The 2011-2012 Budget also merged the Department of Correctional Services and the Division of Parole to create a new Department of Corrections and Community Supervision (DOCCS). This merger created a single entity to support offenders from incarceration through re-entry into the community. By enhancing the prospects of offenders to successfully return to their home communities, DOCCS lowers the risk of recidivism, making communities safer and reducing the costs associated with repeat offenders.

Merger of NYSTAR into Empire State Development

The 2011-2012 Budget merged the New York State Foundation for Science, Technology and Innovation (NYSTAR) into Empire State Development (ESD). Previously, NYSTAR funded innovative programs in support of high-tech research across the State. These programs were once an ancillary activity, but are now an integral part of economic development strategy. Merging the functions and small staff (23 FTEs) of NYSTAR into ESD both saved money through reduced overhead and ensured that these efforts were fully aligned with the State's other economic development activities.

Merger of the Consumer Protection Board into the Department of State

The 2011-12 Budget merged the Consumer Protection Board (CPB) into the Department of State. As a small agency with only 33 FTEs, the CPB benefits from being hosted within the operations of the much larger Department of State, allowing it to better focus on its core mission to advocate for and serve consumers.

Gaming Commission

The 2012-2013 Budget consolidated the Division of Lottery and the Racing and Wagering Board into a new Gaming Commission. In recognition of the gaming industry's vital role in New York State's overall economy and its contributions to the State's economic development and job creation, the purpose of the new Gaming Commission is to integrate related operations of the two entities. It seeks to increase efficiencies and modernize the State's regulatory structure by reducing costs and eliminating any unnecessary redundancies that previously existed. In anticipation of a constitutional amendment to legalize casino gaming in New York State, the Gaming Commission will be a robust regulatory structure to ensure that all gaming activity conducted in the State will be of the highest integrity, credibility, and quality. Furthermore, the Gaming Commission will ensure that the best interests of both the gaming and non-gaming public will be served.

In addition to consolidating the operations of the Division of Lottery and the Racing and Wagering Board, the newly formed Gaming Commission also includes a new Office of Racing Promotion and Development. This new office took over the operational aspects of the New York State Thoroughbred Breeding and Development Fund, the Agriculture and New York State Horse Breeding Development Fund, and the New York State Quarter Horse Breeding and Development Fund. This consolidation allows the newly formed Office of Racing Promotion and Development to operate more efficiently and to better serve the various stakeholders of New York's racing industry.

2013-14 Executive Budget Proposals

Merger of the Welfare Inspector General (OWIG) into the Office of the Inspector General

The 2013-14 Executive Budget proposes merging the Office of the Welfare Inspector General (OWIG) into the New York State Office of the Inspector General (OIG). The SAGE Commission reviewed the potential for merging one or more of three other independent Inspectors General, but for the reasons described briefly below, determined that such additional mergers would not be advisable. OIG is tasked with independently investigating fraud, corruption, and abuse at State agencies and authorities.¹ OIG has approximately 65 employees and has broad jurisdiction relating to all activities involving government funds. OWIG, created at the height of welfare reform in 1992, has a mandate to detect and prevent fraud in the social welfare programs; however, it has extremely limited resources, resulting in lost opportunities and confusion over jurisdiction. For example, with only five employees, OWIG was able to investigate just over half of the cases received in 2012.

By combining OWIG into OIG, the State will be able to leverage support services, allocate cases more effectively, reduce confusion over jurisdiction, and improve the State's ability to eliminate and deter fraudulent welfare payments. OIG would not prosecute cases (permissible under OWIG's current authority) but instead would refer them to local district attorneys or the Office of the Attorney General.

SAGE reviewed three other independent Inspector Generals, all of which are created in law and appointed by the Governor:

- The Office of Medicaid Inspector General (OMIG)
- The Workers' Compensation Fraud Office of the Inspector General (OFIG)
- The MTA Inspector General

OMIG was created in 2006 to preserve the integrity of the Medicaid program by conducting and coordinating fraud, waste and abuse activities for all State agencies responsible for services funded by Medicaid. OMIG focuses on improper payments to Medicaid providers, as distinct from investigating intentional fraud, a role which is within the jurisdiction of the Office of the Attorney General. OMIG has a staff of approximately 550 FTEs, which is nearly 10-times the size of OIG's staff.

OMIG has such a different mandate and employee base that it would make integration with OIG challenging and with little benefit. Furthermore, since OMIG's resources are almost exclusively devoted to identifying improper payments under fee-for-service reimbursement arrangements, the office's role will need to change significantly as the State transitions all Medicaid enrollees to a managed care model over the next few years.

1. This role is distinct from internal audit (focusing on internal controls and risk assessment within accounting and finance operations) and ethics counseling (guidance training, and prevention of violations of the public officer's law).

The Workers' Compensation Fraud Office of the Inspector General (OFIG) investigates fraud and abuse pertaining to the operation of the workers' compensation system. This includes fraud committed by attorneys, employees, employers, health care providers, and insurance carriers. The role OFIG plays is fundamentally different from other IGs in that it is not addressing fraudulent use of government funds, but rather fraudulent activity by participants in the Workers' Compensation system. For this reason, the SAGE Commission does not see a benefit to combining its activities with those of OIG.

The MTA Inspector General investigates complaints of criminality, fraud, waste and abuse, as well as safety, service and management deficiencies. Though its staff size is roughly equivalent to OIG (with approximately 70 employees), its role is broader. The MTA IG also performs in-depth audits and reviews of a wide variety of business and service-related activities of the MTA and its subsidiaries, including audits and reviews of the MTA's contractors and vendors. Given at least a major part of the MTA IG's role is similar to that of OIG, the SAGE Commission believes there may be opportunities for better coordination of resources and consolidation of related activities that should be further explored.

Consolidation of the Governor's Office of Employee Relations and the Department of Civil Service

This proposal is discussed in Chapter 8 under "Attract and Manage Talent through DCS and GOER Consolidation."

Future Options

The SAGE Commission identified other potential merger and consolidation candidates as future options. There is a rationale for each of these potential merger and consolidation proposals, but they also face various obstacles. These obstacles include restrictive work rules and the need to obtain sufficient consensus among stakeholders that it is possible to obtain legislative approval for the merger or consolidation. As a result, the Commission recommends the consideration of these mergers and consolidations in the future when more progress has been made on implementing the wide range of ongoing initiatives and proposals in the 2013-14 Executive Budget and when these various obstacles have been addressed.

Privatization of the Long Island Power Authority

LIPA was created under the New York Public Authority Law in 1985 as a financing vehicle to acquire the assets of the Long Island Lighting Company following the closure of its Shoreham nuclear power plant. LIPA's primary responsibilities are to oversee a contract with National Grid, a private utility, that uses the transmission and distribution network owned by LIPA to provide electricity to 1.1 million Long Island customers, and to service debt related to the closing of the Shoreham plant. LIPA employs only 112 people, while the operations are handled by about 2,000 National Grid employees.

Following the dysfunctional response of many electric utility companies to Hurricane Sandy and earlier storms, Governor Cuomo established a commission under the Moreland Act to study and investigate the response, preparation, and management of New York's power utility companies to such storms. Because LIPA's performance was especially poor, the Moreland Commission directed its initial focus to reviewing the organizational structure and performance of LIPA and to addressing problems with the State's utility regulation and overlapping activities of the State's various energy-related agencies and authorities.

On January 7, 2013, the Moreland Commission released its Initial Report and, among other findings, concluded that LIPA's outsourcing of most day-to-day operations of the system was inherently flawed and did not work. Specifically, it found that the bifurcated LIPA-National Grid organizational structure led to mismanagement, a lack of appropriate investment in infrastructure, a lack of accountability to customers and excessive rates.

To address these shortcomings, the Moreland Commission identified three options for consideration:

- Sell the assets of LIPA to a qualified investor-owned utility (IOU) that would operate in LIPA's service territory ("privatization");
- Take full public ownership and operation by LIPA of the transmission and distribution system ("municipalization"); and
- Combine LIPA under the management and control of the New York State Power Authority (NYPA), with LIPA remaining a separate subsidiary within NYPA.

While the Moreland Commission identified specific benefits and risks with each alternative, it recommended privatization as the preferred path.

The Moreland Commission also recommended that new oversight and enforcement mechanisms be considered to permit the Public Service Commission (PSC) to make the public utilities it regulates more accountable and responsive. One of the drawbacks of LIPA's current structure is that it is not regulated by the PSC. Under the privatization proposal, LIPA would come under the PSC's jurisdiction once transferred to private ownership.²

Consolidation of Transportation Agencies and Authorities

The State has three transportation entities – the Department of Transportation (DOT), the Thruway Authority and the Bridge Authority – with similar missions. All three entities exist to keep roads and bridges safe, reliable and available for the traveling public (see Exhibit 6 for summary statistics).

2. A challenge of privatization is that LIPA's assets have a book value of about \$3.5 billion, while it has approximately \$7 billion of debt. Selling the assets for less than the debt outstanding would result in "stranded" debt that would need to be repaid over time. However, the analysis of the Cuomo administration suggests that due to efficiencies related to privatization, a private utility will be able to charge rates consistent with or even less than those projected by LIPA and still repay this stranded debt over time.

Since their founding, each of these entities has operated entirely independently.³ While the Thruway and Bridge Authorities were created as financing vehicles given their dedicated toll revenues, each entity has created its own board of directors, management team, administrative infrastructure and culture, with very limited, if any, collaboration with DOT or each other. As a result, operating silos developed with no effort to share equipment, IT investment, back-office functions, intellectual capital, or operational “best practices.” Furthermore, outside stakeholders, including vendors and contractors, are forced to deal with three separate State entities for very similar road and bridge construction and engineering projects.

Exhibit 6: Transportation Summary Statistics as of 2011

	Department of Transportation	Thruway Authority	Bridge Authority	
Budget and Agency Scope	Road Miles	15,102	570	12
	Lane Miles	~43,000	2,818	38
	Bridges	Over 7,700 (168 long-span)	811 (15 long-span)	5 (long-span), 5 (overpass)
	Bridge Deck Surface	82.762 M sq. ft	13.728 M sq. ft	1.626 M sq. ft
	Budget	\$4.2B	\$1.1B	\$46.5M
	Debt Outstanding	N/A	\$2.9B	\$42M
Employees	Total Employees	8,784	3,887	199
	Engineering	2,639	193	5
	System Maintenance	4,829	2,018	173
	Administrative/Support	534	556	21
	Bargaining Units	2	4	1
Facilities	Fuel Depots	204	41	5
	Salt Depots	261	38	0
	Maintenance/Repair Facilities	81	32	0
	EZ Pass Lanes/Terminals	0	417	23
Spend	Salt	\$62M	\$8M	\$150K
	Fuel	\$25M	\$7M	\$100K
	Fleet	\$72M	\$4M	\$350K
	Engineering Consultants	\$210M	\$74M	\$2M
	Construction	\$2B	\$272M	\$12M

3. In the early 1930s, the State had a single Department of Public Works that managed all major infrastructure projects. In 1932, at the height of the Depression and with State funding tight, then-Governor Franklin Roosevelt created the Bridge Authority to issue toll bonds to finance the construction of the Rip Van Winkle Bridge. In the early-1950s, Governor Dewey created the Thruway Authority to finance construction of a statewide highway (a much larger project) which included the Tappan Zee Bridge. In 1967, after decades of rapid growth in roads and highways, Governor Rockefeller combined the transportation functions from within the Department of Public Works to create a more specialized Department of Transportation.

In 2011, DOT, the Thruway Authority and the Bridge Authority formed seven interagency work groups to explore cost savings opportunities in the areas of greatest overlap. These areas included: (i) fleet maintenance and procurement, (ii) procurement of materials, (iii) facilities, (iv) engineering, (v) system maintenance, (vi) IT, and (vii) administrative functions.

With the help of an outside consultant, the work groups identified 12 categories of opportunities for synergies or process improvements that would save approximately \$55-88 million annually once fully implemented (within 3-5 years). The largest savings would come not from synergies but from the sharing of best practices (such as construction inspection) now used by one entity with the other entities. The analysis did identify synergies from the consolidation of administrative functions, but found little, if any, benefit from combining highway maintenance workers or road crews.⁴

Given the complexity of combining an agency and two authorities with over \$3 billion of toll-backed debt outstanding, the SAGE Commission identified the following potential multi-step consolidation plan:

- Create a single toll-collecting and financing entity to manage the Hudson River crossings by merging the Thruway Authority and Bridge Authority. The Bridge Authority has less than \$150 million of debt outstanding, which could be refinanced by the Thruway Authority. The combined authority would have a single board of directors with powers and independence identical to the current Thruway Authority board (i.e. to set tolls, ensure quality of service, oversee capital planning and borrowing and other matters). The level of tolls on the Hudson River crossings would not be affected by this merger and would continue to be set based on the particular circumstances of the mid-Hudson Valley region. To avoid any appearance of cross-subsidization, toll revenue from the bridges currently managed by the Bridge Authority would continue to be dedicated to their operation, upkeep, and repair as it is today.
- Consolidate the leadership and certain functions of the new Thruway Authority and DOT to achieve the identified operating efficiencies and savings.

Since the analysis by the DOT-Thruway-Bridge Authority working groups was completed in mid-2011, implementation of a number of these savings opportunities has begun, including joint purchasing of materials (through the State's new strategic sourcing initiatives) and office space consolidation (through the State's broader real estate optimization initiative). In addition, both DOT and Thruway have initiated their own standalone cost reduction programs. For example, DOT is starting to take steps to consolidate administrative and engineering functions identified through the SAGE process across its 11 regional offices. This will allow resources to be allocated more flexibly in response to workloads. DOT's regional structure has long been thought to contain inefficiencies, and this is a first step in a broader rationalization process.

4. The consolidation of transportation entities in Massachusetts was also reviewed in connection with this analysis. In 2009, Massachusetts combined several entities into a single integrated Department of Transportation (MassDOT). This included the Executive Office of Transportation and Public Works, the Massachusetts Turnpike Authority, the Massachusetts Highway Department, the Registry of Motor Vehicles, the Massachusetts Aeronautics Commission, the Tobin Bridge, and oversight of the bridges and parkways operated by the Department of Conservation and Recreation and the Massachusetts Port Authority. At the end of 2010, MassDOT identified \$80 million of operating savings in the first year, \$30 million of which resulted directly from combining DOT and the Turnpike Authority. The other \$50 million was attributed to savings at the Massachusetts Bay Transit Authority and other items.

The Thruway Authority has launched a broad internal restructuring to alleviate the need for significant toll increases. This includes eliminating over 350 positions or about 6% of the workforce, aligning employee benefits with those of other State workers, significantly reducing travel and overtime, expanding shared services, and reducing the size of its fleet. In total, these measures will save over \$50 million per year in operating expenses and reduce the five-year capital program by \$300 million. Efforts to implement various further cost saving initiatives would likely be accelerated through a management consolidation.

Two major obstacles were identified as part of the analysis. Workers at DOT and the Thruway Authority are represented by different labor unions, adding a layer of complexity to combining functions. For example, clerical workers and road maintenance workers are represented by CSEA at DOT and Teamsters at Thruway. Engineers are represented by PEF at DOT and CSEA at Thruway. Because certain activities are subject to “exclusivity” for a particular union and bargaining unit, DOT workers might be prohibited from performing some functions relating to the Thruway Authority (and vice versa). Understanding where exclusivity exists requires a detailed function-by-function analysis. The “exclusive unit of work” doctrine poses a significant obstacle to a consolidation, because it limits the ability to achieve savings through a full integration.

Another major obstacle to a consolidation at this time is the complexity of managing the construction of a replacement for the Tappan Zee Bridge. This project, which is one of the largest road and bridge infrastructure projects the State has undertaken since the Thruway and original Tappan Zee Bridge were constructed nearly 60 years ago, will occupy a good deal of management attention from the Thruway Authority.

Merger of Behavioral Health Agencies

New York State has two agencies primarily responsible for the treatment of individuals with behavioral health disorders – the Office of Mental Health (OMH) and the Office of Alcoholism and Substance Abuse Services (OASAS). Both agencies have substantial overlaps in the populations they serve, relationships with counties and managed care organizations (MCOs), recordkeeping, and field organizations. In fact, New York is one of only two states in which substance abuse is handled by a stand-alone agency.

OMH operates psychiatric centers across the State and also regulates, certifies and oversees more than 2,500 mental health programs that are operated by local governments and non-profit agencies. As of the 2013-14 Budget, OMH had a staff of about 14,500 FTEs and appropriations totaling \$3.6 billion. OASAS operates addiction treatment centers and oversees 1,300 local chemical dependence treatment and prevention programs. OASAS had a staff of approximately 750 FTEs and had appropriations of approximately \$670 million as of the 2013-14 Budget. The overlaps between OASAS and OMH include:

- Consumers with co-occurring disorders: 24% of adults with serious mental illness served by OMH also have a substance use disorder in a given year. This number increases to about 50% over the course of a person’s life. From the substance abuse side, about 40% of the clients served by OASAS also have a mental health diagnosis. This overlap totals approximately 140,000 people in any given year. Numerous studies show that these are among the most difficult and costly clients to engage and serve.

- Common providers that wish to serve individuals who have both mental illness and/or addiction disorders: Currently, service providers that wish to serve individuals with mental illness, individuals with addictions or individuals with co-occurring disorders must get separate licenses from both OMH and OASAS. At present, approximately 164 service providers are dual licensed. The regulations governing the two programs are distinct and not always consistent, even for similar services.
- Similar relationships with county governments: Mental health and addiction responsibilities are managed at the county government level by mental hygiene departments that interact with both OMH and OASAS. Despite the consolidation of mental health and addiction care at the county level, OMH and OASAS manage State aid funding to counties separately. Agencies providing services have to develop separate budgets and fiscal reports to submit to each agency, bill separately and deal with separate State oversight processes.
- Redundant medical/program records requirements: Program records maintained by providers regulated by OMH or OASAS or participating in the Medicaid program are frequently redundant. A joint project undertaken on Long Island by OMH, OASAS and providers established a uniform case record that would meet the needs of programs regulated by either agency. While this project has proven successful in reducing duplication, it took over three years to design and implement and does not extend statewide.
- Similar use of data to enhance service outcomes: OMH and OASAS have separately been developing data systems and algorithms to identify high risk patients. Additionally, both agencies use Medicaid claims and encounters for planning and monitoring functions but receive different subsets of the data and analyze them differently. As a result, neither agency is able to fully understand the extent of overlap between the populations or develop integrated information that could assist providers in serving consumers.
- Similar field organizations: Both agencies currently operate field offices—5 for OMH and 6 for OASAS. These offices manage contracts, conduct licensing visits, develop programs and work with local government. Additionally, many of the State-operated addiction treatment centers are located on the grounds of OMH psychiatric centers, but are in separate buildings.

In light of these substantial overlaps, merging OMH and OASAS would offer a number of benefits. A consolidated agency structure could improve service and generate operating efficiencies through the integration of care, regulations, program models, data and financial practices. Consolidation would also reduce the burden on counties, providers, MCOs and others who currently must interact with both agencies in ways that are frequently redundant.

A potential obstacle to the merger is that although 40% of people served by OASAS also have a mental health diagnosis, that still means 60% do not. This—and the much larger size of the mental health system—leads to concerns among traditional substance abuse providers that integration could lead to homogenization of service and a reduction in the quality of care for certain clients.

A number of preparatory steps could be taken that might address these concerns and build confidence among outside stakeholders and providers. These include:

- Engagement with stakeholders of both agencies to demonstrate that a combined entity will respect the important difference between the mental health and substance abuse communities. This includes presenting evidence that reimbursement rates in the new behavioral health organization will be fair to both sets of providers and that programs for individuals without co-occurring disorders will remain separate.
- Integration of some functions as a precursor to full merger. This includes conforming regulations at both agencies to allow for integrated treatment and oversight. Additionally, OMH and OASAS can begin consolidating some agency functions by co-locating field offices and coordinating their licensure and surveillance activities.

Higher Education Services Corporation Consolidation

The Higher Education Services Corporation (HESC) is a State agency that performs two primary functions related to student loan collection and processing: (i) to act as collection agent for student loans made by private banks and guaranteed by the federal government through the Federal Family Education Loan (FFEL) program and (ii) to administer the State's Tuition Assistance Program (TAP).

Until mid-2010, the FFEL program was one of the primary means of making federal loans to students for higher education. However, in March 2010, the Obama administration eliminated the program to avoid paying fees to private banks acting as middlemen. After June 2010, no subsequent loans were permitted through the FFEL program, putting existing loan servicers such as HESC into a “run-off” mode of operation.

Approximately two-thirds of HESC's nearly 500 employees are involved in FFEL debt collection, a function that will be phased out as loans made under this program are repaid. These HESC employees are funded by revenues paid by the federal government based on the balance of loans outstanding and successfully collected. In addition to the declining loan and collection balances, the federal government is also reducing the fee paid per dollar of loan collected to HESC and other “agents.” The combination of the declining loan portfolio and declining fees will have a substantial impact on HESC revenues over the next 2-5 years.

HESC's other function, the TAP program, helps eligible New York residents pay tuition at approved schools in New York State. The maximum TAP grant is \$5,000, but the size of each grant varies based on combined family income and the number of other family members enrolled in college. Of the roughly \$1 billion in grants, scholarships, and loan forgiveness benefits provided by HESC, approximately 95% is awarded through the TAP program.

As the debt collection role of HESC is phased out due to the run-off of existing loans, its headcount will shrink due to retirement, attrition and transfers to other agencies. The small size of the remaining agency suggests that HESC could be consolidated with a larger agency to reduce back-office and administrative expenses once its collection function is substantially completed.

At that point, a number of agencies could efficiently incorporate HESC's remaining functions and staff, including the Department of Taxation and Finance (DTF), the Department of State, SUNY, and CUNY. DTF currently handles other State grants such as refundable tax credits which have similar income-based eligibility criteria, including verification of eligibility and disbursement of funds; the Department of State manages a diverse set of programs; and SUNY or CUNY could combine TAP administration with their other functions, such as financial counseling and support services they provide to students seeking advice on other financial aid options.

Merger of the Hudson River Valley Greenway into the Department of Environmental Conservation

The Hudson River Valley Greenway has lost significant funding and staff in recent years and now operates with only six employees. Given the functional overlap with DEC, the administration has co-located staff within DEC's office and is identifying ways to better coordinate and leverage resources to improve the Greenway's ability to achieve its core mission.

The Hudson River Valley Greenway, created in 1991, consists of the Greenway Council (an agency within the Executive Department) and the Greenway Heritage Conservancy (a public benefit corporation). A third entity, the Hudson River Valley National Heritage Area, is a not-for-profit subsidiary of the Greenway Conservancy. Through these three entities, the Greenway performs several functions, including providing community planning grants and technical assistance to local communities, assisting in the preservation of local agriculture, promoting the Hudson River Valley as a tourism destination, and establishing a Hudson River Valley Trail System.

DEC has related programs that overlap and interact with the Greenway. For example, DEC's Hudson River Estuary Program, established in 1987, focuses on ensuring clean water, protecting local wildlife, providing water recreation and river access, and conserving the valley's world famous scenery. In some cases, both DEC's Estuary Program and the Greenway make grants to the same entities.

An option for future consideration is the merger of the Greenway Council and Heritage Conservancy into DEC. In the interim, the co-location of staff provides opportunities to share and coordinate resources between the Greenway and DEC.

Administrative Public Safety Agencies Consolidation

For the past 15 years, cities (including Rochester when Lieutenant Governor Duffy was Mayor) have pioneered the use of data as part of an approach to crime reduction, quality of life improvement, and personnel and resource management, in a process widely referred to as “CompStat.”

At the State level, public safety agencies are responsible both directly for operations (DOCCS, State Police and DMNA) and indirectly for shaping statewide policy and implementation through regulation and grant-making (DCJS, DHSES, OPDV and OVS). The goals, the initiatives that drive results, and the funding that supports those initiatives overlap significantly among the agencies. But, there is no effective mechanism for developing and projecting a unified, sound and consistent policy for the State and for aligning resources (both local assistance and the considerable federal and private resources available) behind those initiatives.

An option for the State to consider in the future is to combine the cluster’s policy, data, and fiscal staffs into a single entity. The core of new entity would be formed by merging the three public safety administrative agencies – the Division of Criminal Justice Services (DCJS), the Office of Victim Services (OVS) and Office of Prevention and Domestic Violence (OPDV) – as well as a limited number of functions from the other public safety agencies. The structure would signal cross agency support and would elevate the policy-making components of OVS and OPDV to give them the prominence that advocates have sought while reconstituting and re-forming DCJS’s function into an understandable and productive role.

The State currently has seven public safety agencies. The first four of which are listed below are primarily “operational,” while the remaining three are primarily “administrative.”

- Division of State Police
- Department of Corrections and Community Supervision
- Division of Homeland Security
- Department of Military and Naval Affairs
- Division of Criminal Justice Services
- Office of Victim Services
- Office for the Prevention of Domestic Violence

Today, DCJS is a multi-functional agency with a largely misunderstood role. DCJS manages the State's civil and criminal fingerprint files and the State's DNA Databank and Sex Offender Registry. These functions, most strongly associated with the agency, have led to the view that the agency has a narrow function. However, most importantly, the agency has a nationally regarded and highly skilled data analysis group that has been the driving behind the work that produced Results First (a computerized cost-benefit model) and the analysis behind the State's first social impact bond. In addition, the agency administers Federal and State funds that support local criminal justice programs. In 2012-13, DCJS had a workforce of about 600 employees. By comparison, OPDV and OVS had 80 and 25 employees, respectively.

A consolidated public safety administrative agency would guide policy, align funding behind that policy and ensure that the State is getting a return on its public safety investments. The rationale for such a consolidation is that the work of the public safety is intersected in function but lacks an effective way to coordinate their related efforts.

More specifically, a consolidated public safety administrative agency would advance the following these objectives.

- First, it would integrate and manage the policy efforts currently spread across multiple agencies. These include initiatives to reduce violent crime (DCJS), reduce domestic violence (OPDV and OCFS), improve the juvenile justice system (DCJS and OCFS), and support victim services (OVS), among others.
- Second, it would integrate data analysis (e.g., performance metrics, cost/benefit analysis, etc.), budget and local assistance spending, funding opportunities (federal government and foundations) and strategic initiatives (e.g., "place-based" initiatives, use of social impact bonds, etc.) to ensure "what's working" accountability in all funding decisions.
- Third, it would use the \$450 million that it currently disburses in local assistance as the centerpiece of an effort to systematically raise federal and philanthropic dollars to complement that work and to engage the non-profit community in working to achieve the common goals that State government and foundations already share and invest in.
- Fourth, it would continue to manage the operational functions of DCJS such as fingerprinting noted above.

Although past efforts at consolidating OVS and OPDV with DCJS have not met with legislative approval, a proposal that preserved the identities of these two smaller agencies while giving them access to the greater resources of a new consolidated entity with responsibility for coordinating policy and resources for the entire public safety cluster could potentially overcome this obstacle.

Business and Professional Licensing Agency

See "Professional and Business Licensing" section in Chapter 7.

Elimination of Unnecessary Boards and Commissions

The organizational structure of the State includes a complex web of approximately 300 boards, commissions, councils, task forces created by State statute or Executive Order. In most cases, no mechanism, such as a sunset date or a review process, exists to regularly assess the need for of these entities. As a result, many of these boards and commissions are unnecessary or duplicative and thus hinder the State's ability to operate efficiently.

While eliminating boards and commissions produces relatively modest savings, providing staff support for these boards and commissions diverts the attention of agency management. The Commission believes that merging or eliminating unnecessary boards and commissions is a small but meaningful step in streamlining the organizational structure of State government.

The Cuomo administration eliminated or merged 28 boards and commissions in the 2012-13 Budget (see Appendix E). The resistance from the legislature and various stakeholders to eliminate or merge boards and commissions is often disproportionate to their value. Despite this resistance, an option for future consideration is that another 30 boards and commissions should be closely evaluated for elimination or merger.

Case Study: Emergency Medical Services Councils

New York's Emergency Medical Service (EMS) Councils are a case study in the dysfunction created by the unchecked growth of boards and commissions. The 2013-14 Executive Budget proposes a consolidation of the currently unwieldy number of EMS Councils. Currently, the Department of Health (DOH) Commissioner is required by statute to appoint four State-level councils that advise, and in some cases establish rules, on issues related to emergency medical services. They are:

- The State Emergency Medical Services Council (SEMSCO), which has 32 seats and establishes rules for ambulance services and pre-hospital emergency medical care;
- The State Emergency Medical Advisory Committee (SEMAC), which has 31 seats and advises on statewide treatment, transportation and triage protocols for emergency medical service providers;
- The State Trauma Advisory Committee (STAC), which has 31 seats and advises on statewide standards for trauma and disaster care; and
- The Emergency Medical Services for Children Council (EMS-C), which has 23 seats and advises on all aspects of EMS for children.

The 2013-14 Executive Budget would consolidate these four councils into a single State Emergency Medical Services Advisory Board. This new board would be medically driven, assist in reviewing review standards and quality improvement guidelines, and make recommendations to the Commissioner regarding these topics.

In addition, there are 18 Regional Emergency Medical Service Councils (REMSCOs) with over 300 seats that advise these statewide councils.

Many of these regional councils receive support from State agencies, which requires significant contract oversight from DOH. This unwieldy organizational structure creates several problems. In response, the 2013-14 Executive Budget also proposes consolidating these 18 councils into 10 councils. This consolidation will address problems under the existing arrangement, including DOH's ability to effectively ensure compliance with statewide standards, patient safety issues created by the large number of governing bodies and varying protocols they employ, and difficulties ensuring an adequate number of appointments are made to each council to fulfill quorum requirements.

Potential Mergers Reviewed but Not Recommended

The SAGE Commission examined three potential agency mergers where the agencies had enough in common to suggest that a merger might be advisable. These potential mergers were:

- The Department of Environmental Conservation (DEC) with the Office of Parks, Recreation and Historic Preservation (OPRHP);
- The Office of Children and Family Services (OCFS) with the Office of Temporary and Disability Assistance (OTDA); and
- The State Office for the Aging (SOFA) with the Department of Health (DOH).

After reviewing these potential mergers in depth, the Commission concluded that merging these agencies in question did not make sense at this time. In each case, the negative effect a merger would have on the operations of the agencies outweighed the minimal savings and strategic benefits that a merger would produce. The Commission's analysis with respect to each of these potential mergers is summarized in Appendix D.

Areas for Further Review

The SAGE Commission did not have the opportunity to fully review three areas where some sort of restructuring might be warranted. These are:

Dormitory Authority

A variety of factors are impacting the Dormitory Authority's business model, including the growing role of Local Development Corporations (LDCs) in providing low-cost financing and the diminishing need for construction services from some large hospital and university customers.⁵ To adapt to these changes, the Dormitory Authority may need to consider a range of alternatives, including modifying its services and fee structure and potentially combining certain functions with other State entities, such as ESDC, to better leverage financing, construction and development resources.

NYC Urban Planning and Development Authorities

The State has four separate entities that perform similar functions related to urban planning and economic development in New York City. These include the Battery Park City Authority (BPCA), Hudson River Park Trust (HRPT), Roosevelt Island Operating Corporation (RIOC), and the Javits Center. Two of these are mature operating entities (BPCA, RIOC), while the other two are likely to have future development needs (HRPT, Javits Center). The State's role and objectives for each should be further examined. This review should include analyzing how best to leverage each entity's bonding capacity and development resources as well as combining similar functions to streamline operations and reduce costs.

Buffalo and Ft. Erie Public Bridge Authority and the Niagara Falls Bridge Commission

Two separate international compact entities exist to administer the four vehicular bridges spanning the 36-mile Niagara River. The Buffalo and Ft. Erie Public Bridge Authority (commonly known as the Peace Bridge Authority) operates the Peace Bridge, while the Niagara Falls Bridge Commission operates the Rainbow, Whirlpool and Lewiston-Queenston Bridges. The two entities exist separately more because of their separate historical development than any organizational or operational logic. The two entities already cooperate to some extent, but could benefit from a unified management structure. One challenge here is that both entities exist not simply under New York State law, but also under federal and Canadian law. Nonetheless, strategies to achieve efficiencies through a merger of these entities should be further reviewed.

5. The 2012 Annual Report of the Authority Budget Office identifies a range of issues involving LDCs, including the competitive advantage that LDCs enjoy by not being subject to state fees that the Dormitory Authority and local industrial development authorities must pay.

Exhibit 7: Completed, Proposed, and Future Merger and Consolidation Options

Before	After	Status
Department of Banking Department of Insurance	Department of Financial Services	Completed
Department of Correctional Services Division of Parole	Department of Corrections & Community Supervision	Completed
NYSTAR Empire State Development	Empire State Development	Completed
Consumer Protection Board Department of State	Department of State	Completed
Division of the Lottery Racing and Wagering Board	Gaming Commission	Completed
Office of the Welfare Inspector General Office of the Inspector General	Office of the Inspector General	2013-14 Budget
Governor's Office of Employee Relations Department of Civil Service	Department of Civil Service	2013-14 Budget
Long Island Power Authority	Privatization	Future Option
Thruway Authority Bridge Authority	Thruway Authority	Future Option
Thruway Authority Department of Transportation	Management consolidation	Future Option
Office of Alcoholism and Substance Abuse Office of Mental Health	Office of Behavioral Health	Future Option
State Liquor Authority Department of State	Department of State	Future Option
Higher Education Services Corporation	Merger with another agency	Future Option
Hudson River Valley Greenway Department of Environmental Conservation	Department of Environmental Conservation	Future Option
Division of Criminal Justice Services Office for the Prevention of Domestic Violence Office of Victim Services	Office of Crime Prevention	Future Option
27 boards and commissions	Eliminated	Completed
Emergency Medical Services boards	Merged	2013-14 Budget
27 additional boards and commissions	Eliminated	Future Option

CHAPTER 5: Coordination of Inter-Agency Activities

New Formal Coordination Mechanisms

Many of State government's most important functions and difficult problems to solve involve the activities of multiple agencies. Some examples include the interrelated roles of health, human services, education, housing and public safety in serving individuals and neighborhoods in need; or the roles of transportation, energy, environmental regulation and economic development support in creating jobs and attracting businesses.

In most of these cases, merging the agencies involved – or even placing the interrelated activity under the authority of a single agency – does not make sense. What is needed, however, are effective coordination mechanisms to ensure that these various State agencies are working in concert, rather than in a silo.

When Governor Cuomo took office, interagency activities of the type described above were poorly coordinated and often inefficient. To address this problem, the Governor has created a series of formal coordination mechanisms for such interagency activities, so that the whole of each such initiative is greater than the sum of its parts.

Regional Economic Development Councils

When Governor Cuomo took office, he determined that the decision-making process for economic and community development spending suffered from several major flaws. First, it lacked sufficient input from regional stakeholders who understood their regional economies better than the State's centralized bureaucracy did. Second, agencies made decisions in silos, which was inefficient for applicants and led to uncoordinated spending decisions instead of an integrated approach to addressing problems.

To increase local input and provide coordination of cross-cutting inter-agency activities that affect economic and community development, the Governor established 10 Regional Economic Development Councils in 2011. A Chairman's Committee that represents these Regional Councils at the statewide level serves to align efforts on a statewide basis. Lieutenant Governor Robert Duffy, who also serves as the Chairman of the SAGE Commission, serves as the Chairman of the Regional Economic Development Council Chairman's Committee.

The Regional Councils brought together diverse groups of stakeholders, engaged their members in difficult conversations to identify priorities, and drafted thoughtful strategic plans to create a long-term roadmap for economic and community development for years to come. Because partnerships between higher education and the private sector are central to the Cuomo administration's economic development strategy, each Regional Council included two co-chairs, one from academia and one from business. Each Regional Council also had a significant level of public engagement to develop a strategic plan that would encompass the vision of the community.

In contrast to an ad hoc, project-based approach to economic development that characterized State activity for many years, the Regional Councils submitted 5-year strategic plans to the Governor which prioritized projects and programs to support each region's economic development goals. Consistent with the Governor's goal of emphasizing performance and competition, regions whose plans were deemed to be the most outstanding by a panel of subject matter experts receive more funding than other regions.

Consolidated Funding Application

An integral part of the Regional Council process is a new Consolidated Funding Application (CFA), which is a single application for projects and programs that are aligned with Regional Council plans. The CFA process covers 29 different funding sources from 10 different State agencies. The CFA process enables these agencies to make their funding decisions with visibility into the funding decisions of other agencies. The CFA process also allows applicants to utilize a single application for multiple programs.

In 2011, approximately 2,900 applications were reviewed. The application was enhanced in 2012 based on public feedback, including making technology more user friendly, improving application questions, reviewing programs most suitable to include in CFA, and improved communication of CFA programs and process including hosting 37 public forums statewide.

The Regional Councils reviewed all CFA funding requests and awarded \$785 million for economic development and community renewal projects at the end of 2011. New funding programs have been included in the latest CFA round, including programs in the Department of Agriculture & Markets, the Council on the Arts, and tourism funding. After the review of another 2,800 submissions in 2012, on December 19, 2012, more than \$738 million was awarded for 725 projects proposed in the second round of the Regional Council process.

NY Works Task Force Capital Planning

Through 46 agencies and authorities, New York State expects to spend approximately \$21 billion in support of capital expenditures in FY2013 alone, represented by \$9.7 billion in spending for 24 and \$11.7 billion in spending for 22 authorities. Including counties and municipalities, this figure rises to \$30-35 billion. Historically, there has been little coordination or sharing of best practices among the many siloed entities responsible for this capital spending. In fact, capital planning efforts vary widely among agencies and authorities and are often characterized by a lack of clear goals, criteria for prioritizing projects, and performance measures. Put simply, the State has not leveraged its resources in a disciplined way to achieve the greatest possible benefit.

On May 3, 2012, Governor Cuomo and legislative leaders launched the New York Works Task Force. The goal of this task force was to bring together leading finance, labor, planning, and transportation professionals to coordinate a statewide infrastructure plan that will more effectively and strategically allocate New York State's capital funding and create thousands of jobs.

The Task Force's initial work focused on assessing the current state of capital investment in New York State and developing new tools to better coordinate capital planning and allocation of resources statewide. Among the steps taken so far, the Task Force has surveyed all of the State's agencies and authorities responsible for capital spending, studied other states' and countries' practices, and held public meetings and forums in various parts of the State to consider and seek input on the capital investment process.

The Task Force designed a statewide capital plan template to standardize the planning for capital projects. The template places capital projects into three categories: state of good repair; capacity optimization; and transformational initiatives--in each case considered both by sector (e.g., transportation) and by region. The Task Force also identified statewide criteria to guide State agencies and authorities in capital planning to maximize return on investment and job creation. Each project is to be evaluated according to its contribution to a state of good repair, the extent to which it is part of a system and not a standalone project, its environmental and financial sustainability, and its return on investment, broadly defined. In addition, the Task Force is currently developing a high-level strategic plan that advances New York State's economic growth, competitiveness and job creation. Capital projects will be assessed, in part, by their fit within this strategic plan.

The next phase of the Task Force's work will focus on implementing a statewide capital planning process by sector and by region. State agencies and authorities will prepare their capital budgets based on the statewide capital plan template and criteria and commence a statewide infrastructure assessment. The Task Force coordinated with agencies and authorities as they prepared their 2013-14 Executive Budget proposals and has recommended a 2013-14 statewide capital plan that addresses all of the the State's capital spending agencies and authorities. The goal is for this statewide plan to build on the Task Force's strategic plan, replace silo-based planning with a focus on shared systems and coordinated investments and improvements, and to bring together the capital investment plans of all the relevant agencies and authorities in a single document. Going forward, the statewide capital planning process will have the following seven distinct steps in producing a rolling, ten-year capital plan:

1. Conduct a statewide infrastructure assessment;
2. Update the strategic plan for economic growth and competitiveness;
3. Sort capital projects into the template's three buckets and assess and prioritize using preset criteria;
4. Evaluate projects' implementation readiness;
5. Develop a statewide capital budget, both by sector and by region;
6. Execute the planned investments; and
7. Measure results (and then return to step one).

Workforce Development Initiatives

New York State provides a variety of job training and placement (“workforce development”) programs, with thirteen agencies managing almost 90 separate workforce development programs that account for approximately \$1.4 billion in annual spending.¹ As Governor Cuomo said in his 2013 State of the State address, “Our current workforce training is from a different era, and we must now retool our efforts to better match and train how workforce for the jobs of today and tomorrow. Employers today are in need of workers with the particular skills to meet their specific needs and our job training must be designed to work with employers to produce the trained personnel they need.”

In his 2013 State of the State address, the Governor outlined a series of steps to reform the State’s workforce development system, including certain initiatives identified by the SAGE Commission. These include:

- Revitalizing the State Workforce Investment Board (SWIB) to integrate, rationalize and strengthen workforce development programs across the State.
- Creation of a common set of program data and performance metrics to track and compare the effectiveness of workforce development programs.
- Integrating workforce development programs more effectively into the State’s economic development efforts.

Revitalization of the State Workforce Investment Board (SWIB)

The most logical body for coordinating workforce development programs in New York is the State Workforce Investment Board (SWIB). The federal Workforce Investment Act of 1998 mandated each state to create a SWIB comprised of business, labor and government leaders to oversee federal workforce spending. New York also has 33 local WIBs with similar stakeholder representation to provide input at the regional level. Today, the SWIB is inactive and must be reorganized and repurposed to serve as an effective coordination mechanism for the State’s workforce development efforts.

Reduce the size of the SWIB

The current SWIB has 49 members and is too large to be effective. Best practice states have significantly smaller boards, which are viewed as more manageable. In Washington State, the Workforce Board includes nine voting and five non-voting members. The Texas Workforce Investment Council has 14 voting and five ex-officio members from partner agencies. Within the constraints of federal law, Governor Cuomo will reduce the size of the SWIB in New York and create an executive committee to further focus the SWIB’s efforts. The SWIB should also have a small dedicated staff (who could be detailed from participating agencies) to support its cross-agency coordinating function, as is the case in such states as Washington, Texas and Pennsylvania.

1. A majority of this funding is provided through federal aid.

The SWIB should serve as the State's conduit for identifying, promoting and implementing the best workforce development ideas from a wide range of sources. In the 2013 State of the State address, Governor Cuomo proposed WIB reform that will align the State Workforce Investment Board with the Regional Economic Development Councils and leading colleges and universities – aligning New York State's economic and workforce development strategies and focusing on addressing the skills gap between employers and job-seekers in high-demand sectors across the State.

In addition to working closely with community colleges and employers, the SWIB should utilize the large number of non-profits that have been true innovators in areas related to workforce development.

Alignment of Workforce Development and the State's Regional Economic Development Councils

In his 2013 State of the State address, Governor Cuomo also noted that the Regional Councils have already identified the economic sectors where the greatest job growth is expected. The Regional Councils will serve as the liaison with private-sector employers in forging partnerships with community colleges and other State workforce development programs, so that training is well matched to the skills these employers need.

As part of the effort to integrate workforce development with the State's economic development efforts, the State will expand efforts to design innovative programs to match workers' skills with employer needs. A good example of this approach is the initiative led by Monroe Community College that won a \$14.6 million federal grant to design, implement and deliver workforce development programs for advanced manufacturing and nanotechnology. These efforts extend to programs that help connect jobseekers with employers, particularly specialized populations that are harder to employ. One such example is the NY Youth Works Program, which was launched at the end of 2011 and encourages businesses to hire unemployed, disadvantaged youth by enabling businesses to earn tax credits of up to \$4,000 for each eligible youth hired.

Linking Community College Aid to Employer Partnerships

Currently, community colleges receive State funds for every student they enroll regardless of whether the program is actually preparing students for available jobs or future economic opportunity. Governor Cuomo proposes to change the paradigm of State funding for colleges based on performance of student success in the economy.

In order to qualify for State funding, community college workforce and vocational programs – those that award industry certifications, Associate of Applied Science degrees and Associate of Occupational Studies degrees – will be required to be offered in partnership with employers and be focused on high-demand jobs that need to be filled now or that labor market data and the Regional Councils prioritize as helping to prepare for the future. In addition, Governor Cuomo has proposed a performance-based funding system that will reward community colleges that enable students to find good-paying jobs in careers that are in demand by employers in their region. Funding will be directly tied to student employment, as well as other key indicators of student success.

Consistent Performance Metrics for Workforce Development Programs

New York State lacks a consistent way of reporting on or tracking the effectiveness of workforce development programs across the system. Each agency uses its own metrics to gauge the effectiveness of its programs, which makes it difficult to compare the effectiveness of programs across agencies. Moreover, the primary workforce development measures that up until now have been used by the New York State Department of Labor reflect federal performance measures that are not meaningful. For example, the “Adult Program Results” for the “entered employment rate” measures whether unemployed workers later become employed, not whether any workforce development program assisted the person in obtaining a job.

Exhibit 8: Sample of New York State Workforce Development Reports

Report Card Measure	Rubric Score	Rubric Score	Benchmark/Quartile Rank															
Metric 2.																		
Percentage of People in Day Services Receiving SEMP (working age, and all people)																		
Ed Po Fo Em Se Re	PERFORMANCE AND ACCOUNTABILITY MATRIX STATE SUMMARY																	
	<table border="1"> <thead> <tr> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> <tr> <th>Agency Name</th> <th>NYT</th> <th>Organization Level</th> <th>Contact/Award Code</th> <th>Program/Methodology</th> </tr> </thead> <tbody> <tr> <td>PPPS</td> <td>3031-13</td> <td>1,391,923,531 (Aboriginal groups \$911,900,000 allocated, plus 10 allocated to State SPN 99-11 8999; see 3317,401,701 (Indigenous groups) Child Welfare Other Case Title 13, 8172,797,222 transferred to Title 13, 58,346,000 as additional Child Care Provider 1,039,463 budgeted for Non-Residential Domestic Violence and 3317,671 transferred to State Aboriginal Contracts.)</td> <td>10135-57134*</td> <td>Aboriginal</td> </tr> </tbody> </table>			1	2	3	4	5	Agency Name	NYT	Organization Level	Contact/Award Code	Program/Methodology	PPPS	3031-13	1,391,923,531 (Aboriginal groups \$911,900,000 allocated, plus 10 allocated to State SPN 99-11 8999; see 3317,401,701 (Indigenous groups) Child Welfare Other Case Title 13, 8172,797,222 transferred to Title 13, 58,346,000 as additional Child Care Provider 1,039,463 budgeted for Non-Residential Domestic Violence and 3317,671 transferred to State Aboriginal Contracts.)	10135-57134*	Aboriginal
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	Adult Program Results																	
	Reported Information																	
	Entered Employment Rate		Negotiated Performance Level	Actual Performance Level														
			57	55.5														
				153,992														
			277,449															
Employment Retention Rate		82	78.3															
			154,978															
			198,020															
Average Earnings		\$12,625	\$14,646															
			\$2,268,507,779															
			154,889															
Outcomes for Adult Special Populations																		
Public Assistance Recipients Receiving Intensive or Training Services																		
Reported Information		Veterans		Individuals With Disabilities		Older Individuals												
Entered Employment Rate		46.4	3,587	54.0	11,301	39.4	5,951	47.3	17,283									
			7,725		20,931		15,102		36,505									
Employment Retention Rate		70.3	2,317	77.0	11,155	72.2	5,298	77.9	17,557									
			3,295		14,480		7,337		22,541									
Average Earnings		\$8,218	\$18,974,304	\$16,665	\$185,852,017	\$10,377	\$54,937,542	\$15,429	\$270,709,216									
			2,309		11,152		5,294		17,545									

Exhibit 8 shows the multitude of metrics used and the confusing presentation of reporting on the state’s various workforce development programs.

By contrast, as shown in Exhibit 9, New York City uses a standardized set of metrics and a clearer presentation to track and report on performance and program data across agencies.

Exhibit 9: NYC, “Workforce Development Quarterly Report,” April-June 2011

METRICS*	HRA	SBS	DOE OACE	DYCD	DFTA	NYCHA	TOTAL
Job Placements							
Total # customers served in workforce programs	65,431	44,091	25,465	2,677	975	367	139,100
Total # job placements	18,957	7,918	n/a	121	893	263	28,152
Total # in subsidized jobs	1,917	n/a	n/a	0	858	n/a	2,775
Median wage for customers placed into jobs	\$9.62	\$10.00	n/a	\$12.26	\$725**	\$28.45	-
Total # businesses served	330	3,645	n/a	n/a	152	99	4,226
Top three placement industries							
#1 Industry	Sales Related 13%	Retail Trade 18%	n/a	Healthcare & Social Assistance 22%	Senior Center*** 80%	Construction 68%	-
#2 Industry	Home Health 11%	Healthcare 16%	n/a	Retail Trade 16%	Government Offices 9%	Administrative Support & Waste Mgmt & Remediation Services 11%	-
#3 Industry	Food & Drink Services 9%	Accommodation & Food 15%	n/a	Administrative Support & Waste Mgmt & Remediation Services 13%	Education 5%	Government 10%	-

The State will develop a meaningful and consistent set of performance measures across different programs, similar to the approach used in New York City.

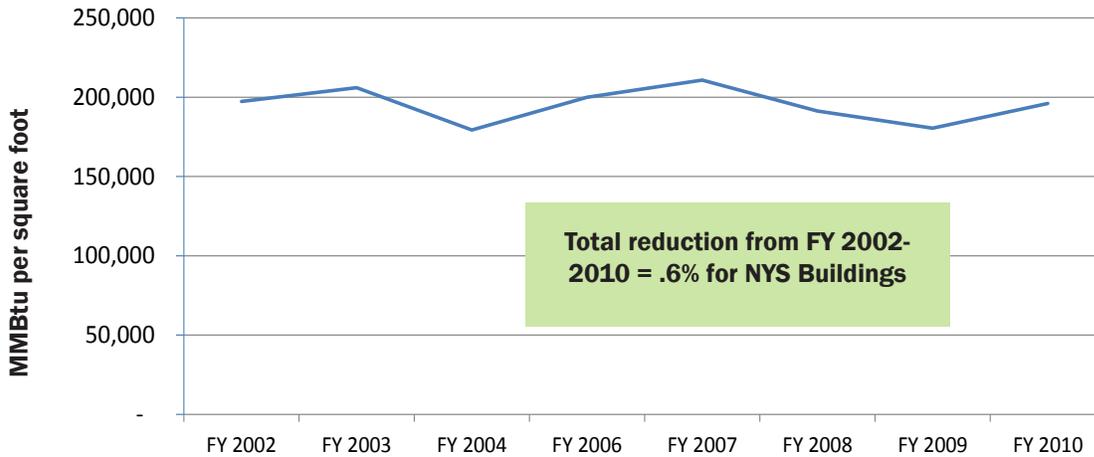
Energy

Master Plan for Energy Efficiency in All State Facilities

New York State has attempted to increase energy efficiency in State buildings, but has made little tangible and measurable progress in the last ten years. Executive Order 111, signed in 2001, directed all State agencies to reduce energy consumption by 35% from 1990 levels by 2010. Yet during this period the State’s energy use decreased by less than 1%, as shown in the graphic below.² This failure is due to a variety of factors including: new, more energy-intensive technologies, other demands on agency budgets and time, lack of centralized management and oversight, and poor and untimely data about building performance.

2. Energy use is measured by average energy utilization intensity (EUI). The Energy Utilization Intensity (EUI) is the metric most commonly used to assess energy performance in buildings because it can be easily compared over time as the size of a building portfolio evolves. It is calculated by dividing total source energy used in MMBtu by total square footage.

Exhibit 10: Average Energy Utilization Intensity for State Buildings



Source: Executive Order 111 Data

Since late 2011, the Commission has been working with a team in the Governor's office to develop a plan that addresses the weaknesses of previous efforts to improve energy efficiency in State buildings, incorporating best practices and lessons learned from other jurisdictions, such as New York City, California and Massachusetts.

As part of this effort, the New York Power Authority (NYPA) engaged the consulting firm Optimal Energy in late 2011 to estimate the maximum achievable potential for energy efficiency in State facilities. The Optimal Energy study found that New York State spends close to \$600 million annually on energy. Ten agencies and authorities account for over 95% of the State's energy consumption, the largest of which include SUNY, the MTA, the Department of Correctional and Community Services (DOCCS), CUNY and the Office of Mental Health (OMH), as shown in the graphic below.

Optimal Energy estimated that the State could save approximately \$100 million per year, or 20% of current spending, by improving the efficiency of State facilities. This would require an upfront investment of approximately \$500 million, which would be repaid through the resulting energy savings.

Based on this study and discussions with outside experts, the Governor determined that the State's energy efficiency efforts should be accelerated, and the savings increased, by developing and implementing a disciplined and strategic statewide master plan for energy efficiency. This was announced in the Governor's 2012 State of the State address. Since the announcement, the master plan has been developed, and the Governor has issued an Executive Order mandating agencies increase building energy efficiency 20% within seven years. The Executive Order also directed NYPA to establish a central management team to implement the master plan. Key principles of the master plan include:

- A pragmatic, data-driven approach that focuses on the most cost-effective portfolio of measures
- Centralized management and oversight
- Changing the culture of building management, and
- Using data to create accountability and a continuous feedback loop.

As of January 2013, significant progress has been made on this initiative, now called BUILD SMART NY. Almost all of New York State's facilities have been benchmarked to assess their energy intensity. This has helped identify which facilities are the least energy efficient facilities. One key finding has been that buildings that are individually metered are significantly more energy efficient than those on master-metered campuses, which often consume at least 20% more energy for the same square footage as individually metered buildings.

As a result, the BUILD SMART NY team has focused on identifying the most inefficient master-metered campuses to be able to implement projects likely to have the "biggest bang for the buck" as quickly as possible. Seven DOCCS facilities, representing 4.5 million square feet of building space in the North Country, are in the process of undergoing energy master plans, campus-wide energy audits that factor in long-term facility plans into recommendations regarding energy use. Five SUNY campuses, encompassing 24 million square feet of buildings, have been identified as priorities and are moving forward to undergo energy master plans in 2013. The resulting recommendations from these energy master plans will help guide retrofit efforts in these facilities such that New York State invests in those projects that will reduce the most energy at the least cost.

In addition, the infrastructure needed to run the BUILD SMART NY initiative has also been put in place. NYPA will house a small team which will drive this initiative, providing much needed centralized oversight and coordination. The data collected during the benchmarking process is being used to set the baseline against which progress will be measured. That data, along with other findings from the initiative, will be shared publicly on the BUILD SMART NY website, which is a unique platform for publicly sharing progress on energy efficiency.

Finally, the BUILD SMART NY team has also identified and started to develop potential solutions to issues that are hurdles to the implementation of energy efficiency projects. Such topics include the ability of agencies to use "design-build" procurement, identification of additional non-agency funding sources, and pressure points in the timeframe causing time delays.

Reorganizing Emergency Response

The ability to respond quickly and effectively to emergencies and crises is perhaps the most crucial test of government performance, because failures will result in property damage, injuries or even loss of life. The State of New York experienced true emergencies in 2011 with Hurricane Irene and Tropical Storm Lee and again in 2012 with Hurricane Sandy. In 2011, after Hurricane Irene and Tropical Storm Lee, Governor Cuomo directed his new leadership team at the Department of Homeland Security and Emergency Services (DHSES) to overhaul its emergency management approach and capabilities. These steps, many of which were in progress at the time when Hurricane Sandy struck, included:

- Implementing a new regional approach to Rapid Response by placing emergency equipment in strategically located stockpiles throughout the State.
- A shift from the traditional “all hazards” planning model to a risk-based catastrophic planning model. This planning effort represents a departure from the traditional “all hazards” planning to a much more detailed and focused “hazard specific” planning.
- Instituting a newly prioritized Emergency Management training curriculum for agency executives to ensure agency executives understand the State’s emergency management framework and the State’s roles and responsibilities related to disaster response. In January 2012, more than 40 State agency executives attended a training session at the State Emergency Operations Center to participate in exercises preparing for additional responsibilities that are entailed in response to an emergency.

In late 2012, Hurricane Sandy made landfall, causing untold damage and the tragic loss of many lives. Millions of New Yorkers faced a prolonged loss of power, tremendous property damage, and an inability to access critical resources and services. In response to this unprecedented disaster, Governor Cuomo immediately recognized the need to embark on an ambitious plan to further enhance the State’s emergency response capabilities to prevent these types of shortfalls from occurring again.

To meet these goals, the Governor created four commissions, the NYS Ready Commission, the NYS Respond Commission, the NYS 2100 Commission, and the Moreland Commission on Utility Storm Preparation and Response, to seriously examine existing systems and present a comprehensive blueprint for moving forward. These commissions will allow the State to dramatically upgrade its emergency preparedness and response capabilities and strengthen the ability of the State’s infrastructure to survive major weather incidents.

Governor Cuomo accepted many of the preliminary recommendations of these commissions and incorporated them into his 2013 State of the State address. A summary of these recommendations is included in Appendix F.

PART II: REDUCING COSTS AND IMPROVING SERVICE

CHAPTER 6: Information Technology Transformation

Enterprise-wide Initiatives

Technology is central to almost everything the State does. The innovative use of technology enables the government to work smarter, connect better with citizens, deliver services more effectively and cut costs. It is a truism that technology changes over the last decade have made the private sector and best practice governments significantly more efficient, with higher performance and lower costs. These technology-based improvements depend on having a modern information technology (IT) infrastructure.

When Governor Cuomo took office, New York State's IT organization and infrastructure were outdated and inefficient. The State lacked consistent IT standards and had a weak governance structure: the Office for Technology had no authority over the IT function in State agencies, where most of the spending and most of the application development occurred. This resulted in visible inefficiencies such as the State having four different email platforms and more costly inefficiencies that resulted from the lack of a sophisticated portfolio management approach to IT assets and programs. The following are a few illustrative examples of these inefficiencies:

- Agencies operated more than 50 separate data centers and server rooms spanning 140,000 square feet and maintained over 17 different server operating systems, many of which are obsolete and no longer supported by the vendor;
- Individual agencies ran their own telephone exchanges supporting approximately 150,000 phones, resulting in higher costs compared to a voice over Internet protocol (VoIP) strategy now common in the private sector;
- More than 30% of network hardware was running on software no longer supported by the vendor and about one-third had reached the end of its useful life, making it prone to the latest cyber threats; and
- Agencies maintained at least 53 separate IT help desks, with some agencies having no help desk support at all. Only 52% of agencies have formal desktop support

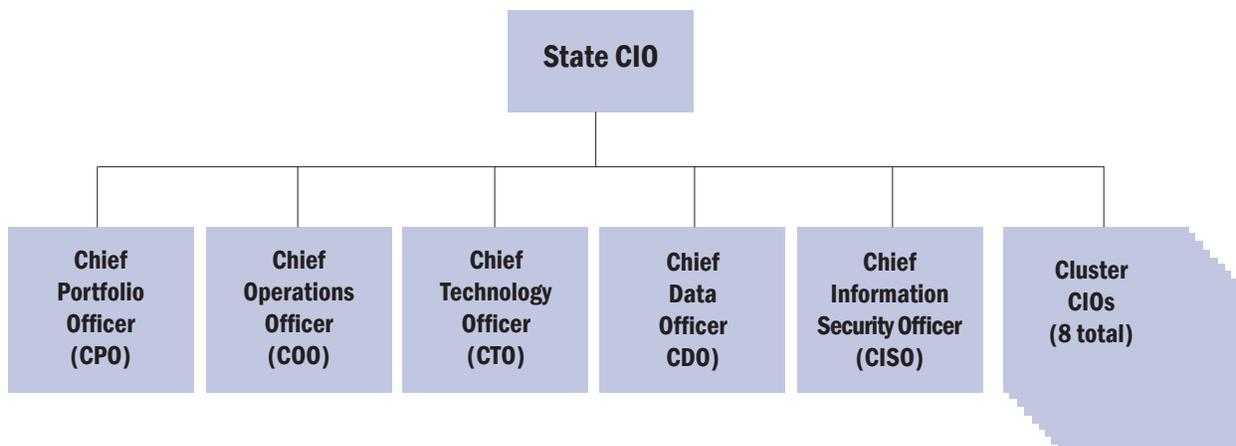
To address these issues, Governor Cuomo embarked on a comprehensive overhaul of the State's information technology functions. This transformation can be divided into three parts: a reorganization of the way in which the State manages the IT function; modernization of the State's IT infrastructure; and acceleration of the development of IT projects with a high return on investment and a high impact on performance.

Organizational Restructuring

The organizational restructuring began by converting the Office for Technology – which provided IT infrastructure services to certain agencies but had no authority over IT development – into a new Information Technology Services agency designed to manage all of the State’s IT functions in an integrated way under a shared services model with agencies.

At the top of the ITS organization, there is a statewide Chief Information Officer (CIO), supported by Deputies for Technology, Data, Operations and Security, who are charged with setting statewide standards in each of their areas. Previously, these four areas were managed separately and independently of each other by individual agencies. In addition to these four standard-setting officers, the position of a Chief Portfolio Officer was created to advise the CIO about major statewide projects and to be responsible for ensuring that IT investments are made, implemented and monitored as efficiently as possible. This new management model is reflected in the organization chart below.

Exhibit 11: Information Technology Services Executive Team



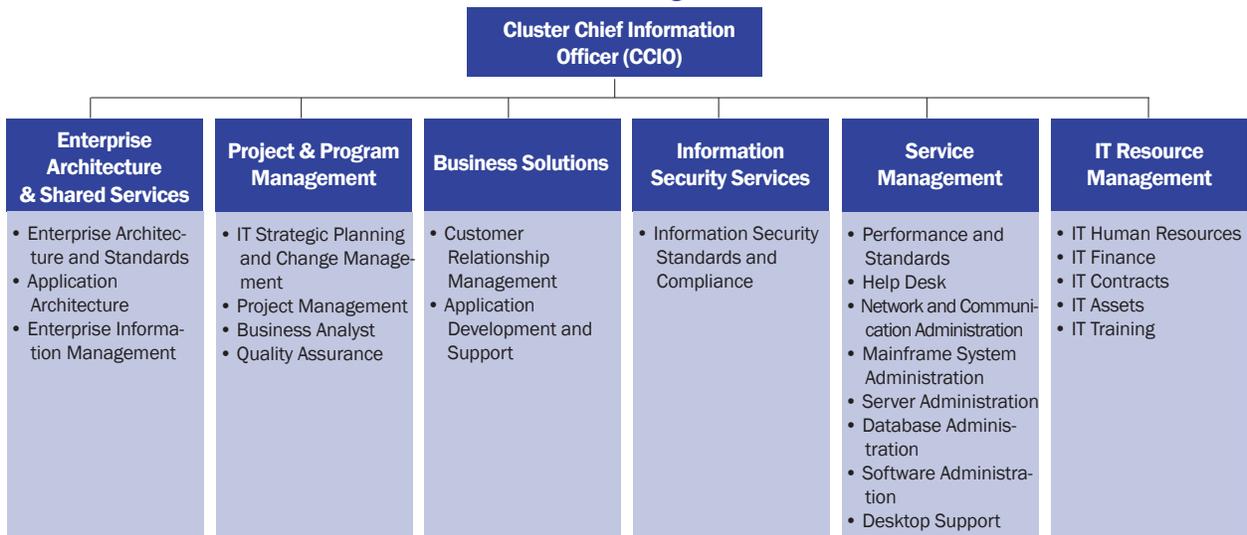
As a first step in the IT transformation, the State has already transferred over 3,300 agency IT staff to the new ITS organization. ITS is organized along agency cluster lines with a Cluster Chief Information Officer who is responsible for coordinating all technology resources for related groups of agencies. In contrast to the former model in which CIOs reported to agency heads, the Cluster CIOs now have a direct reporting relationship to the State CIO and a *dotted-line* relationship to the heads of the agencies in their Cluster. These clusters, and the agencies included within them, are shown in Exhibit 12.

Exhibit 12: IT Agency Clusters

Health & Human Services			Public Safety	General Government
Health <ul style="list-style-type: none"> Dept. of Health Medicaid Office of Mental Health Office of the Medicaid Inspector General 	Behavioral Health <ul style="list-style-type: none"> Office of Alcoholism and Substance Abuse Services Office for People with Developmental Disabilities Commission on Quality of Care and Advocacy for Persons with Disabilities Office for the Aging 	Human Services <ul style="list-style-type: none"> Office of Children and Family Services Office of Temporary and Disability Assistance Dept. of Labor Office of the Welfare Inspector General Division of Human Rights 	<ul style="list-style-type: none"> Division of Criminal Justice Services Division of State Police Office for the Prevention of Domestic Violence Office of Victim Services Dept. of Corrections and Community Supervision Division of Homeland Security and Emergency Services Division of Military and Naval Affairs State Commission on Corrections Interest on Lawyer Account Fund Commission on Judicial Conduct Indigent Legal Services 	<ul style="list-style-type: none"> Dept. of Civil Service Office of Employee Relations Office of General Services Deferred Compensation Board Dept. of Motor Vehicles Dept. of State State Board of Elections State Liquor Authority JCOPE (Ethics) State Inspector General Workers' Compensation Board Authority Budget Office Division of Veterans' Affairs
Transportation / Economic Development <ul style="list-style-type: none"> Dept. of Transportation ESDC/DED NY Homes and Community Renewal 		Finance / Regulation / Gaming <ul style="list-style-type: none"> Division of Budget Dept. of Taxation and Finance Department of Financial Services Division of the Lottery Racing and Wagering Board 		Environment & Energy <ul style="list-style-type: none"> Dept. of Environmental Conservation Dept. of Agriculture and Markets Office of Parks, Recreation, and Historic Preservation Adirondack Park Agency Public Service Commission

The Cluster CIOs will organize IT staff assigned to individual agencies under six major functions, as shown in Exhibit 13 to identify synergies and opportunities for sharing resources and assets, consolidating technology services, and reducing the total cost of doing business while improving performance for agencies within the cluster. The interagency collaboration forced by the cluster structure will reduce redundancy while increasing process and system standardization.

Exhibit 13: IT Cluster Organization Structure



A good example of this more strategic and coordinated approach to software development and maintenance can be seen in the Health and Human Services Cluster. The agencies in this cluster now maintain approximately 1,000 software applications with considerable overlap in many areas including case management and billing systems. A review process of these applications is underway, and it is expected that the current 1,000 applications will be reduced to approximately 200-300. A similar exercise to rationalize the number of software applications is also being conducted in other agency clusters.

Both internal and outside experts have estimated that the State could reduce the cost of software development and maintenance by 10-20% annually through rationalization of the software development and maintenance process. Based on the approximately \$900 million the State spends annually on software development, maintenance and related personnel, this suggests that this reorganization of the way in which the State develops, procures and maintains software applications will result in direct savings of at least \$90 million annually.

IT Infrastructure Modernization

The modernization of the State's IT infrastructure is built around four major, enterprise-wide projects, all of which are well underway. These four projects are: (i) upgrading the State's data centers; (ii) replacing analog phone networks with consolidated digital networks that include voice over Internet protocol (VoIP); (iii) standardizing and integrating email; and (iv) implementing enterprise-wide identity and access management for the State's major software applications.

The SAGE Commission estimates that modernization of the State's IT infrastructure will save the State approximately \$100 million when fully implemented and significantly improve IT performance.

Data Center Modernization

The State currently has more than 50 data centers, an arrangement that is not only inefficient but also carries serious security risks. As recently as fiscal year 2010-11, the State's budget included a \$100 million appropriation to construct a new 100,000 square foot data center (and even this amount was considered to be substantially less than the cost of such a facility). The Cuomo administration is pursuing a much less expensive strategy, which is based on reducing the State's data storage needs by redesigning inefficient business processes while potentially taking advantage of "cloud computing" to more efficiently provide data storage for non-secure applications.

The key business process redesign is facilitating the “virtualization” of servers, so a single server can run multiple applications. Today, agencies dedicate an individual server for each application, and as a result operate at only 37% utilization rates resulting in large amounts of excess unused capacity. The State will significantly reduce its server needs by directing the consolidation of redundant applications within agency clusters. In parallel with this process of rationalizing agency applications and enabling server virtualization, the State will migrate its data centers to what is known in the industry as a “tier 3” environment, guaranteeing 99.982% availability.

Applications with lower security needs, such as websites or routine email correspondence, will be stored in the public “cloud.” The public cloud consists of privately owned and operated servers and data centers. The public cloud may cost as little as a fifth the cost of a private cloud and therefore is preferable except in the case of unique security requirements for the agency application in question.

By contrast, the State’s own data centers will be used for the many agency applications that do have high security requirements, such as the DCJS fingerprinting application and Electronic Health Medical Records. The State estimates that it will require only 40,000 square feet of data center space for this facility, compared to the 100,000 square feet contemplated by the previous administration in its appropriations for a statewide data center.

Digital Network Consolidation

State agencies have approximately 150,000 phone lines, of which only about 15% take advantage of VoIP technology. The remaining analog phone lines are more expensive, include fees for both long-distance and local calls, and have less functionality than what VoIP technology provides such as integrated voice, video and data, improved security and increased productivity.

The Cuomo administration anticipates that most of the remaining analog phone lines will be converted to a VoIP based telecommunications network. Among other benefits, this digital telecommunications network will serve as the backbone of the four anchor call centers that will handle calls for all State agencies.

Email Consolidation and Integration

When Governor Cuomo took office, State agencies used four different email platforms serving 150,000 users. These four platforms supported 27 different installations that further complicated integration and interoperability. Governor Cuomo ordered an email consolidation and integration that will reduce costs and allow all State agencies to take advantage of work productivity tools such as calendar management that modern email systems provide.

On a transitional basis, the State will consolidate all agencies on to two email platforms – Microsoft Office and Lotus Notes. These two platforms will be interoperable, so each platform will be transparent to the user. Although it is not cost-efficient to consolidate onto a single platform at this time, further efficiencies will be achieved by consolidating to a single platform in the future. As discussed above, email traffic with low security concerns will be stored in a public “cloud,” while sensitive emails will be stored in the State’s private data center.

Enterprise Identification and Access Management

Identification and access management on an enterprise-wide basis is needed for users to navigate different agency software applications on a seamless basis. Seamless access is a foundational element of a “Citizen’s Portal” that connects all of the State’s customer-facing applications, which the SAGE Commission recommended last year. The State has a partially functioning enterprise identification and access management (EIAM) system today that has limited functionality, but it lacks a common user identity that works across all applications and has limited functionality overall.

As a first step, ITS will direct the largest agencies with customer-facing applications, such as the Department of Taxation and Finance and the Department of Motor Vehicles, to create a common identification system across their applications. This initiative will be followed by a redesign of the State’s entire EIAM system, so that citizens, businesses and State employees only need a single ID that provides uniform access to the State’s back-end applications. While a new EIAM system may generate modest savings for State agencies, the primary benefit of this enhancement will be to significantly improve performance in the way the State serves both businesses and citizens.

IT-Enabled Business Process Redesign

Accelerating High ROI / High Impact IT Projects

Much of the focus of ITS must be on large mission-critical systems, such as the Medicaid claims system and the Welfare Management System. But a critical tool in efforts to redesign State government is the acceleration of the development of IT projects that have a high return on investment (ROI) and/or a high impact on customer service or other types of performance. In many cases, these IT projects are accompanied by a redesign of the underlying business process to make it more efficient and productive.

A review of the Annual Technology Plans for 2012-13 illustrates the type of projects that meet the following criteria of a “High ROI /High Impact” project:

- The project can be completed in a relatively short period of time, such as 1-2 years;
- The project would yield a return on investment of at least 30% annually; and
- The project would materially improve customer service or agency performance.

Projects that substantially met these criteria advance a range of strategic initiatives, as shown in Exhibit 14.

Exhibit 14: Illustrative High-ROI, High-Impact Projects

	Agency	Project Cost* (MM)	Annual Savings* (MM)
Strategic Initiative 1: Transition from paper forms to a Web-based submission that populates the underlying agency database			
The eMV50 project replaces the paper tracking system used by dealers for vehicle sales with a Web-based system.	DMV	\$2.8	\$10.4
Strategic Initiative 2: Use enhanced technology to support mass customization of form correspondence and encourage e-communication in client correspondence			
The Client Correspondence Redesign project replaces older software with a new platform for customer correspondence.	OTDA	TBD	TBD
Strategic Initiative 3: Increase government customer self-service through the Internet and other remote technology			
DMV's project accelerates the use of MyDMV with in-office kiosks.	DMV	\$2.5	\$0.8
Strategic Initiative 4: Use predictive analytics to improve fraud detection and optimize debt collection			
OCFS's project implements a new technical process to identify predictors of fraud in the subsidized Child Care program.	OCFS	\$1.0	**
Strategic Initiative 5: Adopt handheld devices and other wireless mobile technology to increase productivity			
The Parking Automation Program project enables RFI and credit card processing at State Park facilities for Vehicle Use Fee collections.	Parks	TBD	TBD
Strategic Initiative 6: Redesign complaint and inquiry handling process to separate "high touch" and "low touch" inquiries			
The DFS complaint handling project develops a state-of-the-art complaint handling system that differentiates between high- and low-touch inquiries.***	DFS	\$5.3	\$3.2
Strategic Initiative 7: Use "intelligent" case management to streamline permitting and manage regulatory and enforcement processes			
DOT's project develops a case management system centralizes and streamlines the management of investigation cases.	DOT	\$0.8	\$0.1
Strategic Initiative 8: Streamline the adjudicatory hearing process by leveraging technology			
The Digital Audio Recording project uses audio recording devices in WCB hearings and standardizes storage of records, eliminating the need for multiple transcriptions.	WCB	\$0.2	\$0.1
Strategic Initiative 9: Generate efficiency by internally managing needlessly expensive services currently provided by third parties			
The State takeover of the SSI supplemental program from the Federal government transfers control to OTDA, where it can be administered more efficiently.	OTDA	\$29.5	\$75.0
* Estimates based on 2012-13 Annual Technology Plan submissions, other than Strategic Initiative 6.			
** The project is estimated to reduce fraud by 5-10% in a \$700 million program; it won't result in State savings, since the program is Federally funded, but it will allow the existing funding to reach more eligible recipients.			
***Based on an external analysis of savings from IT project plus Business Process Redesign opportunity.			

Most of these projects are either underway or funded within the FY13-14 budget. Beginning in 2013, a formal project and portfolio management process is being implemented to accelerate the development of these high-value projects. The main components of this process include:

- Effective strategic planning– Annual Cluster IT Strategic Plans will be developed to inform and shape an overall IT Strategic plan to promote IT alignment with business priorities;
- Standardized project requests– Standard forms and processes will be utilized to gather project requests. Requests will be assessed according to risk and business value to assist with investment decision-making; and
- Portfolio management approach– Approved projects will be monitored at a senior level and on an ongoing basis to verify that objectives are being met.

The SAGE Commission estimates that High ROI /High Impact IT projects already identified will save the State approximately \$100 million annually. One such project – the State takeover from the federal government of the administration of the State supplement to federal Supplemental Security Income (SSI) payments, which was authorized in the 2012-13 Budget – will save approximately \$75 million annually.

In addition to these tactical High ROI /High Impact IT projects, the Cuomo administration has also embarked on several multi-year projects to redesign major IT platforms which support critical State functions. Two such projects – E-licensing and the Grants Contract Management System – are described in Chapter 7 (Customer Service and Process Improvement). Two other IT platform projects, rent regulation system redesign and workers' compensation claims system redesign, are described below.

Rent Regulation System Redesign

In June 2011, the State enacted a significant expansion of rent regulation. In connection with this legislation, Governor Cuomo directed Homes and Community Renewal (HCR) to create a Tenant Protection Plan which included, in addition to a new Tenant Protection Unit (TPU) to enforce greater compliance with the law, the following operational elements:

- Improved use of state of the art technology;
- Revamping of HCR's rent registration database to increased enforcement capability; and
- Fraud detection technology and data analysis to monitor and enforce landlord compliance.

To implement this Tenant Protection Plan, HCR engaged a leading consulting firm to assist in the overall redesign and transformation of the State's Office of Rent Administration Program (ORA). The main deliverables of this project are a "Business Transformation Roadmap" that identified the business process changes needed to support the goals of the TPU and a Technology Transformation Roadmap with recommendations for HCR to overhaul its systems to improve its effectiveness in three key areas:

- **Improved State of the Art Technology:** HCR presently uses a legacy mainframe system called HUTS to support the business case processing needs for ORA. There is a critical need to modernize the Information Technology Systems to enable ORA to more efficiently administer the rent control laws of New York State. For example, notices to tenants of their rights under the rent laws have been provided through owner-served documents and notices. Integrated, updated technology will allow HCR to proactively send notices to tenants, as well as obtain a clearer picture of specific owner compliance.
- **Revamping HCR's Rent Registration Database:** A new integrated database will allow HCR to proactively verify rent increases and target likely overcharges and instances of fraud. New, proactive enforcement targeting criteria will point to circumstances that may trigger review and investigation, such as apartment vacancy, an apartment that is registered one year and not the next, owners with a history of rent overcharges or other violations, among other factors.
- **Fraud Detection Using Technology and Data Analysis:** Data analysis technology will enable the Office of Rent Administration (ORA) to analyze transactional data to obtain insights into the operating effectiveness of internal controls and identify indicators of fraud risk or actual fraudulent activities. The data in ORA's possession is provided by owners in annual registration forms and is not currently reviewed or analyzed for accuracy or truthfulness. New systems will provide analytical techniques that are highly effective in detecting fraud and will be able to scan and analyze the owner-provided registration data base of over 850,000 apartments.

Collectively, these IT upgrades – and the business process redesigns which they support – will help to protect both tenants and owners in more than 850,000 rent regulated apartments.

Workers' Compensation Claims System Redesign

The Workers' Compensation system in New York covers approximately 8 million workers and involves approximately 600,000 businesses, which pay more than \$6 billion annually in premiums, claims payments and assessments for other expenses. The Cuomo administration has taken a number of steps to reduce the costs and improve the functioning of the of the Workers' Compensation system, including measures in the 2013-14 Executive Budget which are expected to reduce costs to employers by \$900 million.

1. New York is currently among the worst performing states in timely first indemnity payments. WCRI Flash report – Timeliness of Injury Reporting and First Indemnity Payment in New York: A Comparison with 14 States, March 2008 ISBN 978-1-934224-89-2

The workers' compensation claims system redesign is an integral part of the Cuomo administration's Modernization Program, launched in 2011, that will leverage technology, national best practices, and reengineered business processes to improve service quality and reduce administrative claims costs. The program has two key components.

- First, beginning in 2013, the Workers' Compensation Board will mandate a national standard for electronic report of injury. Utilization of electronic report of injury, unlike the Board's antiquated paper reporting system, will allow the Board to monitor and improve upon New York's poor performance in timely payment of benefits, a key component to ensuring positive, cost effective worker outcomes.
- Second, the Board has retained a leading consulting firm with national workers' compensation expertise to work together with all stakeholders to overhaul the system's outdated business processes and recommend a modern and effective claims environment for New York State. This new claims environment will specifically address those fundamental issues that lead to high cost, poor worker outcomes, and case durations beyond what is seen in other states.

CHAPTER 7: Customer Service and Process Improvement

The Cuomo administration believes that State government should regard citizens as “customers” when they are interacting with the government. Exhibit 15 illustrates some of the major service categories in which citizens interact with State government and the “pain points” that they now experience. Much can be done to improve the State’s “customer service” in these interactions. A number of significant initiatives have been launched over the last two years to address various pain points that citizens experience and other projects will be undertaken in the coming years.

Process improvements are involved in customer service solutions, but are also important in improving the efficiency and effectiveness of internal operations of State government. The Cuomo administration has also embarked on a number of internal process improvements would save money and improve interactions with outside stakeholders. Some of these process improvement initiatives are described in this chapter.

Licensing and permitting are among State government’s core functions. For example, the Department of Motor Vehicles issues licenses and permits for vehicles and drivers, the Department of State and the State Education Department issue occupational and professional licenses, the State Liquor Authority and other agencies issue permits and licenses for new businesses, and the Department of Environmental Conservation and other agencies regulate construction projects.

Too often, State government performs its licensing, permitting and regulatory functions inefficiently, with long wait times and duplicative or complex information requests which impose a cost in both time and money. A number of new initiatives are being pursued to address this problem.

Exhibit 15: Customer Service Activities and Pain Points

Use cases	Service category	Pain points (typical)
Permissions and payments “I need to go to the state to get permission or make a payment”	1 Licensing, permitting and registration • Starting a business • Getting a drivers license	<ul style="list-style-type: none"> • Long wait times • Slow and inconsistent service • Confusing “state-centered” processes • Inflexible, uncaring staff • Can only solve problems in person, not online • Redundant interactions with many state agencies, not “one New York State”
	2 Tax processing • Tax filing	
	3 Businesses doing business with state • Construction bidding and contracting • Payments to vendors	
	4 Inspections and oversight • Group home inspections • Construction inspections	
Case management “The state is helping me manage my [benefits, complex] situation”	5 Human services • Disabled care	<ul style="list-style-type: none"> • Unfriendly, uncaring staff • Confusing, multi-step enrollment process • Long wait times
	6 Safety net services • Housing vouchers • Medicaid enrollment	
Infrastructure and information “I have targeted interactions with the state as I am navigating my world”	7 Transportation • Road and bridge constr, operation, and maintenance	<ul style="list-style-type: none"> • Access difficulties • Unpredictable delays • No easy access to information • No transparency
	8 Parks, recreation and tourism • Parks maintenance and operation	
	9 Information and complaints • Open data • Complaint resolution	
	10 Emergency response and public safety • Disaster response (physical and informational) • Police	
Source: McKinsey & Company		<ul style="list-style-type: none"> • Some initiatives already happening across these today (e.g. E-licensing, DMV)

Customer Service Solutions Involving Licensing and Permitting

E-Licensing

Today, most State licensing processes are antiquated:

- Over 90% of applications for State licenses and permits are made by paper;
- Less than 10% of licenses and permits allow applicants to check the status online;
- Each agency has its own application system, which inconveniences individuals and businesses by requiring them to submit the same information multiple times. The large number of different systems also increases the State’s IT maintenance costs;
- Supporting documentation such as floor plans and school transcripts must be mailed, creating added delay and expense; and
- Correspondence is generally done by mail, which adds time and cost to every process compared to electronic communication.

In 2012, the Cuomo administration began a major “e-licensing” initiative to develop a best-in-class online licensing and permitting system. The first phase includes six agencies that together issue 400 different types of licenses and permits.¹ When completed, the e-licensing system will enable online applications, simple user interfaces, online status checks (similar to tracking a Fed Ex package), online upload of electronic documents, and communication through email. It will also include a “business wizard” function, an early version of which now exists on the New NY Works website, to identify relevant forms and available government incentives depending on the type of business started. The new e-licensing system will be scalable and capable of serving additional agencies and offering more license types in the future.

This e-licensing system will enhance customer service and also reduce costs for the State by consolidating computer systems and support staff. The six agencies involved in the first phase of the project currently maintain twenty different licensing systems, which create unnecessary maintenance and labor costs. In addition, the e-licensing system will capture data on response and processing times, which will give the State an empirical basis for further process improvements.

DMV Licensing and Customer Service

As a model for other State agencies, the Department of Motor Vehicles (DMV) is undertaking a broad effort to improve customer service by introducing technology and other best practices commonly associated with the private sector. Customer service has deteriorated over many years, leading to unacceptable office wait times, outmoded technology, poor call center service, and office hours which are inconvenient for people who work.

To address these problems, DMV has studied other states and private sector best practices and is launching 11 discrete customer service initiatives over the next year. These include:

- A self-serve queuing system that will allow customers to reserve a place in line from a home PC or smartphone and arrive at a State DMV office with little or no wait to be served;
- Self-service kiosks similar to those used in post offices and airports in DMV offices (other high-traffic areas are being explored);
- Customer service representatives using tablet technology to “triage” customer inquiries while waiting in line;
- Expanded office hours to open earlier, close later or be open on Saturdays in select locations on a pilot basis;
- Call center improvements including the use of voice over Internet protocol (VoIP) to improve routing and virtual queuing with call-back technology;
- A modernized and redesigned website to improve the user experience, add functionality, and provide mobile-ready applications; and
- Automated written tests for Commercial Driver License applicants;

1. The six agencies are the Departments of Agriculture and Markets, Environmental Conservation, and State, as well as the State Liquor Authority, the OPAL program within the Office of Information Technology Services, and the State Education Department.

DMV will measure the impact of these initiatives to meet several objectives. The most important is to reduce office wait times in State DMV offices from more than 60 minutes to less than 30 minutes on average by March 2014. Reducing wait times will depend at least in part on relieving staff from assisting with routine transactions that can be completed via self-service means, such as the web, kiosks, and mail – channels which customers prefer given their convenience. As such, DMV has targeted increasing the share of these “alternative” channels from the current 32% to greater than 50% within 2-3 years. DMV will also adopt improved call center metrics, including responding to 80% of all calls within 5 minutes, or providing a call back within 15 minutes, by March 2014. Finally, DMV has set a goal of achieving 90% customer satisfaction (rated good or excellent) by those who use a DMV office by March 2014. Importantly, the expanded use of technology will not only improve customer service, it will also shift transaction volume to low-cost, self-service channels, thereby improving labor productivity. This will allow DMV to offer better service to customers while holding its operating costs relatively flat over the medium term.

Reform of the State Environmental Quality Review (SEQRA) Process

Among DEC’s ongoing efforts to improve customer service is a major initiative to reform the State Environmental Quality Review Act (SEQRA), which was enacted in 1976 so that environmental impacts would be fully considered when new projects are being built across the State. This permitting process includes reviews by multiple agencies and support from environmental consultants, is extremely technical and can cause delay in some instances. As part of its efforts to reform SEQRA, DEC solicited feedback from stakeholders with diverse interests to identify how the process could be streamlined and delays avoided, without sacrificing meaningful environmental review and protection.

Among the reforms DEC is exploring is expanding the list of low-impact activities that are not subject to an environmental review under SEQRA. This will allow more projects that meet certain conditions to avoid undergoing an environmental assessment or developing an Environmental Impact Statement (EIS), which will greatly reduce time frames for those categories of actions. Public comments on this issue were received in August 2012 and draft regulations will be released for public comment in the future. Other SEQRA reforms under review by DEC include increased establishment and enforcement of certain deadlines and encouraging the use of “focused” EIS reviews.

Professional and Business Licensing

The State currently issues licenses for over 75 different professions, including nurses, athletic trainers, barbers, massage therapists, hearing aid dispensers, ticket resellers, and others. The vast majority of these are issued through the State Education Department or the Department of State. While ensuring minimum standards can serve an important public purpose, some requirements may be outdated and excessive.

For example, while someone can become a licensed emergency medical technician in New York with about 35 days of training, it takes four times that long to become a makeup artist or skin care specialist. It takes even longer to earn a license as a massage therapist, cosmetologist, mobile home installer or barber.

According to a recent report, New York requires licenses for a number of occupations not licensed in most states, including such occupations as a farm labor contractor, optician, and travel guide. The report also found that New York often has more onerous standards for occupations for which licenses are required than in most states.²

In addition to expediting the professional and occupational licensing process generally, one area of immediate focus is to allow the “fast-tracking” of applications from professionals licensed in another state who move to New York. For example, it can take an engineer who is certified in another state as much as 16-20 weeks to receive a license to work in New York—an onerous barrier to employment. Agencies should, as a general rule, issue “provisional” licenses in these circumstances to simplify the process from the applicant’s perspective while retaining the final authority over licensing decisions.

In conjunction with the implementation of the State’s e-licensing initiative, the administration is also evaluating the possibility of creating a single business and professional licensing entity to standardize and streamline all aspects of licensing. Consolidating these activities into a single agency would allow for standardization of common functions, such as the development of forms, application intake, payment collection, background checks, inspections, and dispute resolution. At the same time, it would allow for specialization in areas where domain expertise is especially important, such as the granting of liquor licenses.

This new licensing entity would also facilitate business process improvements that go beyond the current e-licensing initiative. For example, SLA recently began an Attorney Certification Program to help reduce the time it takes to approve liquor license applications. Through this program, applicants have an attorney certify the accuracy of their application, which allows SLA to expedite the review process. Attorney certification has reduced submission errors, review times, and time spent requesting additional applicant information. Self-certification could be used in other business licensing and permitting situations as well.

2. License to Work: A National Study of Burdens from Occupational Licensing, May 2012

Other states have already consolidated their business and professional licensing activities. In Connecticut, the Department of Consumer Protection has become the home for a variety of business and professional licensing activities, including in the areas of liquor, drug control, food, weights and measure, occupations and professions. Florida, Ohio and Michigan have all combined professional and business licensing and regulation (including their alcohol control activities) within a single agency.

There are at least two options for consolidating business and professional licensing functions. The first would be to create a new standalone agency (a new “Department of Licensing”). The second would be to combine the State Liquor Authority (SLA) into the Department of State’s Division of Licensing Services as the first step in creating a center of excellence within the Department of State. The SLA would be a logical core component of any new licensing entity given the success it has had in redesigning its own business processes to reduce backlogs and cycle times.

Regardless of whether this entity is a new agency or division of a larger entity, it could also serve as the “home” for the e-licensing initiative, which is now being managed by a small staff within the Division of the Budget.

Contracting and Grants Management

Streamlining of the MWBE Certification Process

Minority and Women-Owned Business Enterprises (MWBE) that are State vendors must be certified to qualify for participation in the State’s MWBE program. When the Commission first reviewed the MWBE certification process in the spring of 2011, it found that the process was highly inefficient. The certification process took an average of three months and only about 40 certifications were being approved per month. There were backlogs in both new applications and re-certifications. At its peak in May 2011, the backlog had reached 1,500 firms. These certification delays contributed to a lower number of certified firms, which made it more difficult for State agencies to meet Governor Cuomo’s goal of increasing MWBE participation in State contracts.

The new management team at ESDC recognized that the MWBE certification process needed to be redesigned. To date, ESDC has streamlined the process in a number of ways. ESDC eliminated unnecessary steps, including mandatory site visits in certain cases, and expanded reciprocity with other governmental entities that engage in a similar MWBE certification process. ESDC has also released a statewide RFP to create a comprehensive online system to report on backlogs in certification applications and to track MWBE utilization by agencies.

Another important measure that ESDC is pursuing is to ensure coordination between the MWBE certification process at ESDC and the Office of General Services (OGS) procurement process. In the new strategic sourcing model that the state is adopting, OGS will have significant responsibility for making procurement decisions. This makes it imperative that OGS work closely with ESDC to develop suitable MWBE vendors for the various product categories.

Contracting with Not-For-Profits and Other Third-Party Providers

The State uses not-for-profit providers (NFPs) and, to a lesser extent, other third-party providers to deliver many critical services, ranging from healthcare clinics to daycare to job training. According to the Office of the State Comptroller, as of October 2011, the State had over 22,000 active contracts (which are generally referred to as “grants contracts”) with NFPs, totaling \$16.8 billion in value.³

The current contracting process is cumbersome for all such providers and especially inefficient for NFPs that contract with multiple state agencies. Late payments to NFPs are the rule, not the exception. In 2010, 71% of contracts with NFPs were not approved by the contract start or renewal date. This pattern of late payment forces NFPs to decide between assuming financial risk by beginning to operate the program without a contract, or not providing services at all.

The process is also inefficient for the State. Twenty agencies now use more than 50 different IT systems to manage the grant contracting process. In addition to increasing costs by having to maintain multiple systems, these systems are unable to produce standardized reporting of performance-based data that would enable the state to reduce waste and award contracts in a more targeted way. Late payments to NFPs also require agencies to pay interest on late payments and risk the loss of federal funding due to non-compliance with payment deadlines.

Consistent with the recommendation of the Commission last year, the Cuomo administration has begun an aggressive effort to overhaul the grants contracting processes. The State has begun a detailed review of the current process and business environment, including extensive reviews with NFPs to understand their problems. The goal is to simplify and standardize the grants contract process from beginning to end—i.e., from the response to an RFP to the conclusion of a contract. This will reduce the administrative burden for both NFPs and agencies, improve the timeliness of grant contract approvals and payments and allow for the collection and comparison of performance data across agencies and programs.

3. Office of the State Comptroller, New York State’s Not-for-Profit Sector: Delayed Contracts and Late Payments Hurt Service Providers, November 2011.

This review has identified the following requirements for a new grants contracts management system:

- An enterprise-wide online software platform that will function as a single point of access for all grant recipients and agencies to complete each phase of the grant process electronically;
- A redesigned business processes to have fewer, simpler steps and less duplication;
- Standardization of the application and contract terms; and
- A reporting and performance management methodology that can be used to track and compare the effectiveness of programs.

The administration is seeking to align its efforts with a similar initiative in the City of New York. This alignment would benefit the large NYC-based nonprofit community since a large number of NFPs receive both State and City funding. A coordinated approach would further minimize their administrative burden.

Among the ideas the administration is reviewing to simplify and streamline this process is the prequalification of NFPs based on their financial characteristics. This would simplify the RFP process by centralizing judgment about the financial qualifications of a NFP, while decentralizing to State agencies the judgment about program experience and skill set. If done correctly and with proper safeguards, prequalification could smooth out the contract approval process since the financial review would be completed prior to the start of the application process.

Another goal of the system should be the development of a “Vault” which would enable NFPs to electronically store all key documents requested by the State in a single web-based location. Because many different government agencies require similar documents, a Vault system which had interoperability with similar systems (such as New York City’s Vault system) would eliminate duplication of effort by NFPs in submitting and maintaining necessary documentation.

Other Process Improvements

LEAN Process Improvements

A number of states have begun to use LEAN, a process improvement tool made popular in manufacturing industries to streamline processes, reduce wait times, and better align their operations with their customers’ priorities. The Department of Environmental Conservation (DEC) is serving as a pilot agency in the State’s effort to introduce “LEAN process” reviews to State agencies. In December 2011, DEC worked with an expert from Albany’s Center for Economic Growth to conduct a LEAN review of the process it follows to issue Air State Facility permits.⁴ The purpose of a LEAN review is to comprehensively review each step in a process. This review allows businesses and agencies to identify and reform unnecessary steps that add time or cost.

4. DEC issues three types of air permit: Air Title 5 (sources which are federally mandated to have a permit); Air State Facility (sources not requiring a federal permit but above specific thresholds); and Registrations (small sources). Air State Facility permits were selected since DEC controls all the permitting requirements.

DEC's LEAN exercise identified every aspect of DEC's permit review and issuance process with the goal of issuing new Air State Facility permits as efficiently as possible. Specific changes in the permit process resulting from this review included the following: additional training for permit writers; updated permitting information on DEC's website; improved information provided at pre-application meetings; completion of updates to DEC's computer permitting system; establishment of specific timelines for response questions, the drafting of permits; and certain regulatory revisions. DEC, with stakeholder input, will be identifying additional programs and processes to go through the LEAN process, including the Brownfield Cleanup Program. Other agencies such as OPWDD, OASAS and DOH have started similar efforts, and as noted in Chapter 10, LEAN will become a continuing initiative to help implement government redesign efforts.

Design-Build Procurement

In December 2011, Governor Cuomo signed the Infrastructure Investment Act (the "Act") into law, the State's first law allowing Design-Build contracts for many public works projects. Under the "Design-Build" process, contractors compete to offer the most cost effective designs for a new construction project. Rather than the State mandating a specific design and construction method, qualified firms compete to bring innovative design and technology solutions that often improve functionality and/or reduce cost. The Design-Build process also permits an expedited construction schedule compared to traditional State contracting. The new law allows for Design-Build to be used on a pilot basis for three years with agencies and authorities that account for most of the State's spending on infrastructure.⁵

During 2012, the Department of Transportation (DOT) entered into three Design-Build contracts, which enabled the accelerated replacement of 32 bridges. In addition, DOT is expected to issue an RFP shortly for a Design-Build contract to rebuild the Kosciuszko Bridge, in what is expected to be a \$500 million to \$1 billion project.

By far the most important use of the Act, however, was the ability to use Design-Build contracting for the Tappan Zee Hudson River Crossing Project, one of the largest infrastructure projects in the United States in recent years. In February 2012, four consortiums were selected through a Request for Qualifications process, based on the experience of their design and construction teams. These four groups were then invited to prepare a full proposal to be evaluated based on "best value," allowing for innovation in design, materials, aesthetics, and cost so long as certain basic parameters were met (e.g., 100-year life, eight general traffic lanes, extra-large shoulders, capable of adding rail line in the future, seismic capabilities, etc.).

5. The law authorizes the Department of Transportation, the Department of Environmental Conservation, the Office of Parks, Recreation, and Historical Preservation, the Thruway Authority, and the Bridge Authority to use Design-Build contracts. The Metropolitan Transportation Authority and the Port Authority had the ability to enter into Design-Build contracts prior to the enactment of the Infrastructure Investment Act.

Initially, the Federal Highway Administration (FHWA) estimated the Tappan Zee Bridge project would cost \$5.4 billion. In December 2012, however, a winning consortium was selected with a bid of \$3.1 billion, which was at least 20% lower than the other three bidders. The winning proposal also requires less dredging and can be completed faster than other proposals. When additional oversight and contingencies costs are added, the total project cost is expected to be just under \$4 billion, almost \$1.5 billion less than the original FHWA estimate. By using Design-Build procurement effectively, the State was able to achieve a strong competitive bid process, substantially reduce the bridge cost (for the benefits of toll-payers), minimize the environmental impact through reduced dredging, shift the risk of cost overruns to the private sector, and accelerate the creation of thousands of new construction jobs.

It is generally believed that the Design-Build contracting structure can save 5-20% of a project's cost. Savings are typically greater in large, sophisticated projects such as the Tappan Zee Bridge, where there is a premium on innovation. Experts believe that Design-Build authority enabled to the State to reduce the cost of the Tappan Zee Bridge project by at least \$1 billion. It is too soon to tell what savings, if any, have been realized from the smaller Design-Build contracts entered into by DOT last year.

Given the positive Tappan Zee experience, the Governor announced plans to seek expanded Design-Build authority in the 2013-14 Executive Budget. Currently, bidding consortiums cannot provide financing, and certain agencies, authorities and projects still do not have the ability to use Design-Build. As an example of the latter, the New York Power Authority (NYPA) believes that it could reduce the costs and accelerate the completion of energy efficiency projects in State facilities if it had the authority to use a Design-Build procurement process. NYPA has received estimates that using a Design-Build approach would save approximately 9% of total costs, or \$45 million based on the \$500 million estimated cost of completing energy efficiency retrofits for all State facilities.

CHAPTER 8: Modernizing the Workforce

As described in the Introduction to this report, the Cuomo administration took a series of steps to control the cost of the State's workforce as part of a broader plan to reduce a looming budget deficit and long-term fiscal pressures from rising pension and health insurance costs. Beyond merely controlling costs, however, the Cuomo administration agrees with the Commission's assessment that modernization of the State's workforce is a critical element in the effort to make State government more efficient and effective.

The need for modernization would exist in any event, but changes in the size and demographics of the State's workforce now make it essential. The proposed merger of the Governor's Office of Employee Relations (GOER) into the Department of Civil Service (DCS), which is described below, will serve as a catalyst for modernization.

The SAGE Commission's efforts in examining issues related to the State's workforce modernization issues were led by Commission members with significant experience in working with public employees. They worked with an agency advisory council comprised of senior staff from 11 agencies. As part of the Commission's review process, interviews were conducted with 28 State executives and focus groups were held with more than 150 line employees and mid-level managers.

The civil service system is constitutionally protected by the New York State Constitution and embodies important values such as the professionalism of the workforce and protection against cronyism and political patronage. However, as the State workforce and the nature of the work it performs have changed over time, the civil service system has not always kept pace. The Commission has identified as an option for future consideration certain changes in the law governing the State's civil service system that would facilitate workforce modernization.

Inefficiencies created by the civil service system are not the only challenge in modernizing the State workforce. The State's collective bargaining agreements also limit the State's flexibility in hiring and managing its workforce. Nevertheless, much can be done even within existing civil service law and collective bargaining agreements. The Commission has identified a number of specific steps that can be taken which will make the State workforce more productive and effective.

Controlling the Cost of New York State's Workforce

Controlling Wage Increases

In addition to controlling the cost of the State workforce by exercising discipline in new hiring, Governor Cuomo arrested the growth in per capita employee spending by entering into new four and five-year collective bargaining agreements that included no salary increases for the first three years of the agreements.

These four- and five-year agreements contained cumulative salary increases of two and four percent, respectively, over the life of the contract. This compares to cumulative salary increases of 13% in the prior four-year collective bargaining agreement and 10% in the four-year collective bargaining agreement before that. These agreements also implemented a two-year reduction in employee compensation which led to savings of \$161 million in each year of the program.

New Tier VI Pension Plan

In recent years, the rate of increase in salaries for State employees has been dwarfed, however, by the increases in pension and health benefit costs. The cost of pensions and health benefits for active and retired employees grew from \$1.3 billion in state fiscal year 1998-99 to an estimated cost of \$5.3 billion in the 2013-14 Executive Budget, an increase of more than 300%. The prohibition in the New York State Constitution against any reduction of pension benefits for existing employees makes reducing pension costs difficult in the short run, but these expenses can be reduced significantly over time. In 2012, the Governor won passage of his most important pieces of legislation, which was the adoption of the Governor's proposal to create a new "Tier VI" pension plan for new State and local government employees. This plan will save the State and local governments, including New York City, more than \$80 billion over a 30-year period.

Governor Cuomo's Tier VI pension plan implements reforms that will achieve significant savings, such as progressively increasing new employee contribution rates, increasing the retirement age from 62 to 63, and adopting measures to prevent manipulation of the "final average salary" level that is used to calculate employee pensions.

Most private sector companies have replaced their defined benefit pension plans with defined contribution plans to increase the predictability of their pension costs. The new Tier VI plan took a step in that direction by creating an optional defined contribution plan for new non-union employees with salaries \$75,000 and above. The State and local governments will make an 8% contribution to employee accounts.

Increased Employee Contribution for Health Insurance

The administration also made progress in its last collective bargaining agreements in controlling its employee health insurance costs. The cost of health insurance for active and retired employees grew from \$1.5 billion in 2001-02 to \$3.2 billion in 2012-13. An actuarial valuation of the State's "other post-employment benefits (OPEB) liabilities performed as of April 1, 2010 calculated the present value of the actuarial accrued total liability for benefits as of April 1, 2010 as \$59.7 billion for the State and an additional \$12.4 billion for SUNY.

To help address this rapidly growing cost, employee health premium contributions for most employees increased from 10% to 16% for individual coverage and from 25% to 31% for dependent coverage. Retiree contributions increased from 10% to 12% for individual coverage and from 25% to 27% for dependent coverage. These increases in employee contributions are expected to reduce the State's annual health insurance costs by approximately \$260 million.

As described earlier in this report (see “Coordinated Health Insurance Purchasing” in Chapter 3), additional steps are contemplated that will help to reduce the cost of active and retiree employee health insurance.

Reduction in the Size of the Workforce

Personal service costs (including salaries and wages for active employees and benefits for both active and retired employees) account for roughly two-thirds of the cost of State Operations. Controlling these costs by reducing the size of the State workforce and curtailing the growth in both salaries and benefits are among the administration’s most important achievements to date in controlling overall spending growth. As a result of these efforts, the State’s Personal Service costs in executive-controlled agencies in 2013-14 are projected to be \$175 million lower than in 2010-11.

Over the past four and a half years, the number of full-time equivalent personnel (“FTEs”) in executive-controlled agencies has fallen 14%, from 137,680 to 118,878 FTEs. This decline is not only the result of increased retirements as the workforce ages but also due to a conscious effort by the Cuomo administration to not automatically replace employees who leave or retire, but instead to make a smaller workforce more productive and efficient through the initiatives described in this report.

Layoff Avoidance

In accordance with the continued rightsizing initiatives discussed in Chapter 2, the Governor’s 2013-14 Executive Budget recommends the closure and realignment of facilities operated by the Department of Corrections and Community Supervision (DOCCS), the Office of Children and Family Services (OCFS), and the Office of Mental Health (OMH). These initiatives could result in more than 1,400 layoffs, which the Governor is seeking to avoid. In DOCCS, the administration will seek to avoid layoffs through attrition or placement in other DOCCS facilities. In OCFS and OMH, the Agency Reduction Transfer List (ARTL) will be used to mitigate the need for layoffs. ARTL permits the transfer of impacted employees in “targeted titles” to the same or comparable positions in other agencies throughout the State that may be seeking to hire new employees. The Governor also chose to announce these closures and realignments as soon as possible in order to maximize placement of employees in other State positions.

In addition to these steps, the Governor’s Office of Employee Relations (GOER) will work to create a training program to further mitigate any potential impact from these closures and realignments. GOER will use \$5 million in funding to retrain employees if needed. Also, a pilot program of vouchers for community college training will be initiated for those unable to be placed within reasonable limits of their home site.

Flexibility in Hiring, Promotion and Transfers

Lack of flexibility in hiring, promotion and transfers greatly inhibits the State’s ability to create a high-performing State workforce with skills that match the needs of today’s jobs. This lack of flexibility stems in large part from restrictions within the Civil Service Law that severely limit the pool of candidates available for hire, promotion and transfer, as well as an outdated testing and job classification system that the Department of Civil Service (DCS) is required to maintain.

New York's civil service system requires the State to select the vast majority of candidates for hiring and promotion through competitive examinations. The system allows for a variety of testing methods and types of tests, including "training and experience" and oral tests. However, due to staffing shortages at DCS and concerns over processing time and cost, the majority of civil service exams are written, multiple choice tests administered in a proctored room using paper and pencil. These multiple choice exams often do not reflect the full range of knowledge, skills, abilities and personal characteristics required for successful job performance. As a result, candidates who may perform well on the job may not be highly ranked for selection, while candidates who test well may be ill-suited for the position.

A second major problem with the existing exam process is the great infrequency with which exams are offered. Even for multiple choice exams, developing and administering the exams requires a significant investment of time. As a result, in recent years DCS has been able to hold most exams quite infrequently – on average only once every three years.

The infrequency of civil service exams significantly limits the State's flexibility in recruiting new employees and promoting existing State employees. Agencies that need to hire an employee in a job title that has not had a test in years have found that many of the eligible candidates who took the exam previously had moved, found other jobs or otherwise lost interest in working for the State. The State also misses the opportunity to hire individuals who are newly entering the job market, as they may have to wait years simply to take the appropriate exam for State employment. The infrequency of promotion exams is also demoralizing to employees, as candidates sometimes must wait years for the opportunity to advance.

Perhaps the greatest manifestation of the lack of flexibility in the current system is the difficulty it poses to hiring candidates from outside the existing civil service workforce into positions above the entry level. Under current civil service law, agencies must choose whether to offer an exam that would fill mid-level positions through promotion of workers already in the civil service system or to offer an exam available only to candidates from outside State government. That is, the Civil Service Law does not provide the flexibility to offer an exam that would enable an agency to consider promotional candidates and candidates from outside State government for the same position at the same time. This limitation is especially problematic when agencies seek to fill specialized positions, such as nurses, IT developers or engineers. Because not enough State workers have the technical skills required to fill these positions, this lack of flexibility contributes to the outsourcing of many of these positions to more expensive consultants.

Civil Service Law Reform

A number of modest changes in Civil Service Law would provide greater flexibility in hiring, promotions and transfers:

Temporary Project Jobs Expedited Hiring Extension

The Department of Civil Service currently has the authority to allow temporary appointments without examination when qualified candidates would render professional, scientific or other expert services in a temporary position to conduct a special study or project. “Temporary project jobs” as they are commonly referred to, provide a flexible tool for agencies to hire individuals with special skills on an expedited basis for projects or studies. These project jobs are especially useful when agencies have a special project or study with funding for a limited period and do not want to add to their permanent workforce.

The only limitation has been that project jobs may only be established for a period of 18 months even though when requested, such as for the Tappan Zee Bridge project, agencies know the need for such employees would continue beyond this 18 month period. Although extensions are possible, this process creates an unnecessary additional burden for the Department and agencies. Extending the permissible time period for temporary project jobs to five years with a two year extension would provide agencies the flexibility they need in order to truly maximize the value of this option.

Open Promotion

Permitting the use of both Open Competitive and Promotional lists simultaneously to fill promotional vacancies would make it easier to hire new employees from outside government into mid-level positions.

Promotion List and Expanded Transfer Flexibility

Currently, agencies must choose from a promotional list limited to its own employees. Consistent with the State’s goal to break down agency silos, permitting agencies to hire employees from other agencies would facilitate the movement of talented State employees between agencies.

Flexibility in transfers would be expanded by giving employees in certain non-competitive positions the opportunity to transfer into comparable competitive positions.

Operational Improvements in Administering Current Law

In addition to these reforms in the Civil Service Law, the State should consider implementing the following changes in agency practices, which do not require legislative change:

Improve the Content and Format of Civil Service Exams

A “competency” is a term of art that refers to a broadly defined but measurable set of knowledge, skills, abilities, and behaviors that an individual needs in order to perform work roles successfully. For example, an employer might evaluate prospective employees for their customer service or problem solving competencies – as opposed to a narrower set of knowledge included in a traditional civil service exam. Over the last 15 years, many governments have transitioned to assessing for performance-based competencies instead of the more traditional assessments covering specific knowledge, in order to link selection with a wider range of attributes needed to be successful in a wider range of jobs.

Offer Computerized Testing for Civil Service Exams

DCS should transition to offering most exams on computers in proctored computer labs across the State in order to increase the frequency with which exams are offered. Pennsylvania and California conduct their tests in this manner and report a variety of benefits, including faster administration, scoring and grading of tests and improved staff productivity. Transitioning to computerized testing would significantly improve the frequency at which DCS offers tests. Increased staff productivity resulting from computerized testing would allow DCS to offer more “training and experience” exams and interviews, which have been reduced in recent years due to staffing shortages.

Reduce and Consolidate the Number of Pay Grades and Job Classifications

The narrow job classification of many State positions is outdated and not reflective of the work actually being done by employees. The existing classification system also makes it difficult to assign employees to new tasks as staffing levels decrease or new initiatives are implemented. In addition, excessive levels of detail in job classifications make it difficult for employees to transfer across agencies and limit their career development opportunities. Broadening job classifications would reduce out-of-title-work, support performance management and training, and would also allow managers to assign a broader scope of work to employees in response to changes in technology and policies.

Fewer pay grades would add more coherence to the career ladders within agencies. In the current system, many career paths skip pay grades as positions increase in scope and responsibility. As the State develops broader job classifications, it should also make corresponding changes in pay grades.

Performance Appraisal and the Disciplinary Process

Discipline and Removal

Reforming the State’s performance appraisal and disciplinary process is needed to modernize how the State workforce manages and – when necessary – disciplines its employees. The structure of the performance appraisal and disciplinary process is negotiated as part of the collective bargaining agreements with the State’s public service unions. Although these agreements will not be renewed until 2015 and 2016, the State should prepare for these negotiations by preparing a plan to implement the steps and reforms described below. This will allow the State to effectively convey its intended reforms to public employee unions as soon as negotiations commence.

The SAGE Commission received feedback indicating that the current performance appraisal system lacks consequence and therefore is widely perceived as meaningless. Executives and employees also confirmed that the State’s existing disciplinary process makes it extraordinarily difficult to discipline or remove poor performers.

Currently, supervisors are permitted to grade their employees' performance as either satisfactory or unsatisfactory. However, these ratings are widely viewed as having little consequence – a positive rating does not substantially reward an employee in any way, while a negative rating does not usually result in a reprimand of any kind. Both executives and rank-and-file employees described this system as “antiquated,” “weak,” unable “to recognize superior performance,” “languishing,” and generally doing a “very, very poor job” of holding individuals accountable. Another weakness cited is that job expectations frequently are not communicated to employees, managers lack time to complete the appraisals, and little feedback is given once appraisals are conducted.

Perhaps because of the perception that the current performance appraisal system lacks consequence, many managers do not document performance seriously. In many cases, employees indicated that they had not received a performance appraisal in as long as twenty years. When managers did issue appraisals, employees suggested that the appraisals were inconsistently completed and not delivered on a timely basis.

Executives and mid-level managers frequently described the process of disciplining and removing employees as very difficult, frustrating, rigid, excessively time-consuming and complicated. As a result, it is nearly impossible as a practical matter to impose consequences for poor performance.

A number of factors contribute to the difficulty in disciplining employees and removing them when necessary. These factors include the significant time and effort required to meet documentation requirements and a lack of training for managers on how the process works. Agency leadership suggests that some managers are unfamiliar with the rules and documentation requirements, while others simply feel uncomfortable having difficult conversations with employees.

In addition, the State's collective bargaining agreements constrain its ability to discipline employees. An example of this inability can be seen in the discipline process for Office for People with Developmental Disabilities (OPWDD) employees who have been found to have committed acts of severe misconduct related to patient abuse. Although the vast majority of employees provide high-quality care, a series of media reports spotlighted several egregious cases of abuse and neglect by a few OPWDD employees. The State reached an agreement in its 2011 collective bargaining agreements to create a negotiated set of penalties for employees who commit gross misconduct. Even though the State's public employee unions agreed to create such a table of penalties, they have so far failed to do so. As a result of this delay, the State has been unable to achieve its goal of imposing a consistent standard of penalties for severe abuse and misconduct. As described in Chapter 3, the newly-created Justice Center creates greater transparency to detect abuse or neglect, which will help enable the State to take steps to stop it.

Lack of consequences for poor performance has wide-ranging ramifications. It discourages managers from pursuing disciplinary or removal actions. When these actions are not pursued, poor performing employees are retained but given minimal or less important work. This harms agency morale and places greater burdens on the vast majority of State employees who perform well.

Reform the Performance Appraisal Process

The State should systematically review the performance appraisal and employee disciplinary process and implement appropriate reforms. Reforms in this area could include:

- Redesigning the criteria used to evaluate employees to better reflect employee performance.
- Using a multi-tiered grading system instead of the binary satisfactory /unsatisfactory grades that are currently allowed.
- Giving credit for strong performance appraisals in the promotion process.
- Eliminating automatic pay increases for employees who receive an unsatisfactory grade.

Make Better Use of the Probationary Period for State Workers

Before becoming permanent members of the civil service, new employees are first required to complete a probationary term, which can last anywhere from several weeks to a few years depending on job title. A probationary employee serves at-will and may be terminated more quickly with minimal due process protections. As a result, the probationary period is the critical point for managers to remove under-performing or problem employees, since removing these employees after the probationary term ends can be difficult.

The State should maximize the value of the probationary period in two ways. First, DCS should explore the possibility of increasing the length of probationary terms so that managers have more time to assess an employee before the term expires. Second, the presumption of tenure at the end of probation should be reversed. Currently, the State assumes that employees who complete their probation are permanent members of the civil service unless their supervisor indicates otherwise. Instead, supervisors should be required to affirmatively indicate that probationary employees are fit to remain in the civil service.

Establish Programs to Recognize and Encourage Exceptional and Innovative Service by State Employees

While reforming the performance appraisal and discipline processes will require time, the State can move now to establish programs that are designed to recognize innovative or exceptional service by State employees. The “Service to America” medals program, instituted at the federal level by the Partnership for Public Service, is an example that New York could emulate. This program honors nine federal employees annually, who “are chosen based on their commitment and innovation, as well as the impact of their work on addressing the needs of the nation.” Establishing a similar program in New York State would help incentivize innovation and performance by recognizing superior performance.

Additionally, agencies should be encouraged to re-establish their own internal recognition efforts, many of which were eliminated in recent years. These programs can be implemented for a few thousand dollars annually and have a strong positive effect on morale and performance for a relatively modest cost.

Establish a “Best Places to Work in New York State Government” Index

The State should conduct an employee engagement survey annually that asks employees about their overall engagement with their jobs and their commitment to NYS government. The results of these surveys should be used to create an index that ranks each State agency by employee engagement. The survey and index should be modeled after a similar program established for the federal government by the Partnership for Public Service, called “The Best Places to Work in the Federal Government” rankings. These rankings, compiled using data from the Office of Workforce Management’s Federal Employee Viewpoint Survey, have been released annually since 2003 and now rank agencies comprising 97% of the federal executive branch workforce.

Taken together, this survey and index would provide a useful tool to hold agency leaders accountable for the health of their organizations, serve as an early warning for agencies where workforce management problems are developing, and offer insight into ways to improve the State’s workforce. Managers should be expected to develop and implement plans that address issues identified through this survey.

Attract and Manage Talent through DCS and GOER Consolidation

The State needs to attract the best talent and move skilled employees where they are most needed, but the two state agencies involved in state workforce development are not well coordinated to maximize resources and output. Neither entity currently focuses on the more strategic workforce questions. In order to address this shortfall, the Governor’s 2013-14 Executive Budget administratively merges DCS and GOER by appointing a single official as the head of both agencies. This will allow the State to create a State Employee Workforce Development Center, which will combine the recruitment and training efforts of the two agencies, as described below. This function will be of increased importance as the State continues to find new ways to improve government effectiveness. The merged entity will be tasked with ensuring that as the demand for certain functions declines, workers are trained for new positions.

Effective workforce management depends on refocusing traditional human resources tools toward the goals of attracting, recruiting and retaining a workforce of both the right size and composition. Accomplishing this across State government requires Statewide coordination of workforce data analysis, succession planning and recruitment efforts. Currently, DCS is able to provide only limited data analysis and policy guidance services to State agencies.

The increased complexity of State government and the recent retirement of many mid-level managers have increased the need for employee training designed to meet the needs of the State as a whole. While New York offers some online training courses that are mandatory for most employees through an enterprise-wide system known as the Statewide Learning Management System (SLMS), many courses cannot be delivered in front of a computer and are not coordinated. This lack of coordination results in duplicative effort and a failure to target training to areas where it is most needed. For example, this system provides little if any training for managers, even though management development is increasingly critical as the State’s senior managers retire and are replaced by promoted employees, who in many cases have little or no prior experience supervising employees.

In order for the State to strategically respond to changes in the workforce quickly and cost effectively, the wide variety of workforce management activities currently carried out by agencies individually must be coordinated. To avoid duplication and ensure efficient use of limited State resources, the strategic and analytical functions should be centralized within the newly merged DCS and GOER and provided to agencies as a shared service. These functions include workforce data collection and analysis; workforce needs and succession planning; and recruitment.

Enhanced Training

The State's disparate employee training programs must be coordinated and given greater focus. To accomplish this goal, a Statewide Training Center should be created within DCS and GOER. This Center would be responsible for establishing a statewide training strategy, determining the content of training courses and delivering training through a variety of methods to employees in all State agencies.

As a critical early initiative, this Training Center should pilot a management development program that focuses on strengthening management and leadership skills through a combination of coursework, exposure to public and private-sector best practices, and mentoring. Once fully scaled, this program should be made available to existing managers and mandatory for all new managers.

Internship Programs

The private sector has found that internship programs are among the most effective ways to attract and vet potential permanent hires. When the Governor took office, it was a tool that the State did not use effectively. Specifically, there was no single point of entry for applying to internships in State government. Instead, State internship and fellowship programs were run by individual agencies without common statewide standards for selecting, training, and evaluating interns.

Governor Cuomo's "New New York Leaders" initiative seeks to address these issues through two new programs – the Empire Fellows program and the statewide Student Intern program. The Empire Fellows program is a full-time leadership training program designed to prepare talented professionals for careers in State government. The program will offer 2-year paid fellowships to 8-12 candidates annually, who will work alongside agency Commissioners while also participating in a professional development program hosted by SUNY Albany.

The Cuomo administration also launched the statewide Student Intern program by creating a centralized portal for internship opportunities at <http://nysinternships.com/nnyl/>. The Department of Civil Service is hosting the portal and agencies have been advised to post all internship opportunities, paid and unpaid, on the site and students submit applications, upload resumes and identify preferred internships. Based on the preferred candidate profile submitted by the agencies, the Department provides agencies with a list of qualified candidates to be considered for appointment.

Aligning Agency and Authority Compensation

Among the areas in which agencies and authorities differ greatly is compensation of their senior management. In the case of authorities, compensation is established by the board of directors and is set at a level the board believes is necessary to recruit top-level management talent. By contrast, the salaries of agency commissioners are fixed in statute and have not been increased in more than a decade. In many areas, the low level of commissioners' salaries can be an obstacle in recruitment. A comparison of indicative salaries in agencies versus authorities is shown in Exhibit 16. Better aligning compensation levels of leadership positions in agencies and authorities would allow the State to recruit and retain top-level management talent on a more consistent basis.

Exhibit 16: Compensation Differences between Heads of Agencies and Other State Entities

Role	Other State Entity Salary	Agency Salary
Health and Disabilities		
President and CEO, Roswell Park Cancer Institute	\$1,264,605	
Commissioner, Department of Health		\$136,000
Education		
Chancellor, State University of New York	\$490,000	
Chancellor, City University of New York	\$470,705	
Commissioner, State Department of Education		\$136,000
Transportation		
President and CEO, Metropolitan Transportation Authority	\$350,000	
Executive Director, Port Authority of New York and New Jersey	\$304,902	
Executive Director, Thruway Authority	\$165,709	
Executive Director, Bridge Authority	\$150,000	
Commissioner, Department of Transportation		\$136,000
Energy and Environment		
President and CEO, New York Power Authority	\$240,000	
Commissioner, Department of Environmental Conservation		\$136,000
Housing and Urban Planning		
President and CEO, Battery Park City Authority	\$223,298	
Commissioner, Housing and Community Renewal		\$120,800
Parks		
President and CEO, Olympic Regional Development Authority	\$175,000	
Commissioner, Parks, Recreation and Historical Preservation		\$127,000

Source: SeeThroughNY, most recent data available

PART III: BUILDING A CULTURE OF PERFORMANCE AND ACCOUNTABILITY

CHAPTER 9: Performance Management

Building a culture of performance and accountability in all aspects of State government has been a dominant theme of Governor Cuomo's since he took office. As part of the Governor's commitment to improving performance and increased accountability, his Executive Order creating the SAGE Commission established performance management as one of the three main aspects of the Commission's charter.

If done right, a performance management system can support continuous improvement in operations while increasing transparency and accountability. Leading private sector businesses, from General Electric to Amazon, take pride in having a culture that integrates performance measurement into everything they do.

By contrast, when Governor Cuomo took office he found that New York State government, an enormously complex enterprise, was being managed with inadequate business intelligence tools, including the lack of an effective performance management system. This resulted in a number of negative consequences, including:

- Bureaucratic inertia resulting from the lack of a disciplined strategic planning process that leaves many key assumptions unexamined;
- Difficulty in ascertaining what the State is doing in many important areas and how well it is performing those tasks, due to the lack of reporting on major programs that cross agency or authority lines; and
- Difficulty making strategic decisions, measurably improving service and tracking progress (or lack thereof), due to the lack of well-organized metrics to measure program performance and operational execution.

For all these reasons, Governor Cuomo charged the SAGE Commission with helping the State to develop a performance management system that identifies key performance indicators, establishes clear performance targets and sets forth the major strategic initiatives of agencies and authorities. The Governor recognized that such a system would greatly improve the State's ability to make informed decisions regarding agency programs and to identify shortcomings in agencies' operational execution.

In addition to this statewide performance management system – called “NY Performs” – a number of individual agencies have developed detailed public reporting on major issues such as the global Medicaid spending cap and the New York Energy Highway. Some agencies have also begun to use sophisticated analytics to evaluate the performance and effectiveness of various spending programs, in order to shape policy and operational decision-making.

Including both agencies and authorities in a statewide performance management system will help to address a major obstacle to improving performance and increasing accountability – the lack of visibility into the operations of State authorities. Because agencies and authorities often work in the same policy area (e.g., transportation), this lack of visibility makes it difficult to present an integrated view of the operations and performance of State government. To further address this problem, the SAGE Commission is recommending that the Division of Budget be given the power and capabilities to review the operations and finances of State authorities as well as state agencies.

Governor Cuomo has also sought to increase accountability by making State government more transparent. In addition to a number of initiatives over the last two years that expand the amount of information available online, the Governor's Open New York initiative will provide unprecedented access to State records and data and encourage the development of applications that make this information more useful to citizens.

Performance and Accountability in Education

Education is one of the many areas in which Governor Cuomo has grounded his policies on improving performance and increasing accountability. This includes initiatives that base funding on performance, not on automatic formulas, and creating better accountability for teachers' performance.

Performance-based School Aid Grants

Consistent with Governor Cuomo's general approach toward using performance-based programs, the 2011-12 Executive Budget tied State funding to improved performance through competitive school aid performance grants. A total of \$500 million in competitive grants was divided evenly between School District Performance Improvement Awards and School District Management Efficiency Awards. The Performance Improvement grants were awarded to those school districts that produced the greatest improvement in measureable results of student performance, including such outcomes as high school performance and graduation rates, college attendance and retention rates, and progress in closing the achievement gap of disadvantaged students. The School District Efficiency grants were awarded to school districts that implemented long-term efficiencies or cost saving measures in school district management and operations.

Statewide Teacher Evaluation System

In early 2012, the Governor won an agreement with key stakeholders to implement a statewide teacher evaluation system that is designed to improve teacher performance and introduces accountability for failure. Although the State had committed in 2010 to put in place an effective teacher evaluation system in connection with the State's award of \$700 million in federal aid through the Race to the Top program, the commitment did not include stringent enforcement mechanisms and was largely ignored by school districts. Governor Cuomo made entering into an agreement regarding teacher evaluation between school districts and their teacher union a condition of receiving any increase in School Aid in the 2012-13 school year. As a result, all but six of the State's 691 school districts had put in place a teacher evaluation system by the Governor's deadline of January 17, 2013. The 2013-14 Executive Budget continues this practice by requiring school districts to reach similar agreements with their teachers' union as a condition of receiving School Aid increases in 2013-14 and beyond.

While details of these teacher evaluation systems were negotiated as part of the collective bargaining process between school districts and teacher representatives, the teacher evaluation law which the Governor proposed and the Legislature enacted established clear guidelines for districts to follow. These guidelines include a provision that 40% of a teacher's evaluation must be based on student achievement as judged by objective testing.

NY Performs – A Statewide Performance Management System

SAGE Commission members and staff worked closely with the Governor's senior staff and a pilot group of agencies to design the prototype for a statewide performance management system called "NY Performs." The NY Performs design reflects a careful study of what were considered to be "best practice" performance management systems, including Washington's Government Management Accountability and Performance (GMAP) system (<http://www.accountability.wa.gov/>) and the Virginia Performs system (<http://vaperforms.virginia.gov>).

To be as effective as possible, NY Performs must serve as both a means for reporting information to the public and a management tool for State officials. The most important information about an agency, including certain background facts, key performance indicators and main strategic initiatives should be presented to the public, while more detailed operational information would be available to internal users to help manage State operations.

In designing NY Performs and deciding the type of information that should be included, the Commission asked agency leaders to consider what they would convey in a brief management discussion about their key performance indicators and strategic initiatives. Exhibits 17A, 17B and 17C illustrate the type of performance reporting that will be made available to the public under NY Performs. The objective is to provide to the public enough information to understand how well an agency is performing in achieving its mission, but not be so detailed that the reader will lose the forest for the trees. Some internal users, such as members of the Governor's senior staff and agency commissioners, may want to see a greater level of detail about an agency's operations and performance.

Screenshots of NY Performs

Exhibit 17A: NY Performs Screenshot Tour

The screenshot shows the NY Performs website for the Office of Temporary & Disability Assistance (OTDA). The page is titled "Office of Temporary & Disability Assistance" and includes a navigation menu with categories like Education, Health, Human Services, Environment & Energy, Economy & Labor, Transportation, General Government, and Public Safety. The main content area is divided into several sections: Mission and Goals, Scope of Agency Operations, Strategic Initiatives, and Related Links. A sidebar on the right displays Key Performance Indicators (KPIs) and Background Facts. Four callout boxes provide additional context:

- 1** A description of each agency's mission and goals, as well as the scope of its operations.
- 2** Key Performance Indicators by which an agency assesses its performance are highlighted.
- 3** Strategic initiatives provide detail on specific projects that agencies are pursuing to improve their performance.
- 4** Background Facts provide contextual information about the environment in which the agency operates.

Mission and Goals:

- Enhance the economic security of low-income working families
- Assist work-capable public assistance recipients in achieving entry to the workforce
- Assist individuals with priority needs other than work-readiness in accessing appropriate benefits and services
- Enhance child well-being and reduce child poverty

Scope of Agency Operations:

The Office of Temporary and Disability Assistance (OTDA) helps households in need achieve economic security by administering the \$8 billion in temporary cash assistance, food assistance, and heating assistance that the State distributes annually to over three million individuals in need. The agency also helps those receiving assistance become economically self-sufficient by administering workforce training and employment placement programs.

Unlike many other agencies that are primary providers of services to the public, most of the large programs that OTDA funds, supports and supervises are administered by the State's 58 Local Social Services Districts (LSSDs), New York City and the remaining 57 counties. The LSSDs provide intake services for the programs, make eligibility determinations and provide case management, make payments to recipients and various vendors, and directly manage or contract for program services, using a combination of federal, state, and local funding streams.

OTDA supervises a number of other programs, including homeless housing services, and the State's child support enforcement program. It also determines medical eligibility for Social Security Disability benefits. Last year, for instance, OTDA provided \$9.4 million to construct 183 new units of housing for the homeless. Additionally, OTDA collected \$1.8 billion in child support payments in 2011 and made Social Security Disability determinations for 215,363 individuals.

Strategic Initiatives:

- Take Over Administration of the State Supplement to the Federal Supplemental Security Income (SSI) Program
- Improve Access to the Supplemental Nutrition Assistance Program (SNAP)
- Utilize Technology to Improve Service and Relieve Case Processing Burdens

Key Performance Indicators:

- Supplemental Nutrition Assistance Program (SNAP) Program Access Index: Actual: 77.9%, Target: 80.0%
- Cash Assistance Families Work Rate: Actual: 52.4%, Target: 54.4%
- Job Entries for Public Assistance (PA) Adults: Actual: 115,533, Target: 106,500
- Program Poverty Reduction Effect: Actual: 25.6%, Target: 28.0%
- Child Support Establishment Percentage: Actual: 79.9%, Target: 80.0%
- Eviction Preventions: Actual: 2,672, Target: 11,466

Background Facts:

- Budget: \$5.8 billion
- Employees: 2,266
- New York State Official Poverty Rate: 16.0%
- New York State Official Child Poverty Rate: 22.3%
- New York State Alternative Poverty Rate: 15.5%
- New York State Alternative Rate: 18.2%
- Share of Families: 72.4%
- Supplemental Assistance Recipients: 3,186,200
- Child Support Enforcement Cases: 957,611
- Annual Child Support Collections: \$1.8 billion
- Cash Assistance Program Recipients: 581,005
- Home Energy Assistance Program Households: 1,195,680
- New York State Earned Income Tax Credit Recipients: 1,541,000

Historical Trend:

- TRENDING UP (Green)
- FLAT (Blue)
- TRENDING DOWN (Red)

Additional Performance Measures:

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Exhibit 17B: NY Performs Screenshot Tour

1 Additional details for each strategic initiative are also available, including projects, milestones, and measures of success.

DEPARTMENT OF TAXATION AND FINANCE
Improve Customer Convenience by Expanding Functionality and Use of Online Services

Reduce costs, increase speed and improve accuracy and data availability, the Department is replacing paper forms and checks with electronic filing and payments and notices and bills with e-mailed alerts and online documents.

MEASURES OF SUCCESS

Electronic filing and payment rates for all taxes and payments will approach 100%.

KEY PERFORMANCE INDICATORS

- Income Tax Returns e-Filed
- Time to Issue Refund
- Average Speed of Answer
- Online Accounts
- Refunds Paid by Direct Deposit and Debit Cards
- Refund Status Updates through IVR and Website

SALES TAX ONLINE MODERNIZATION

DTF is replacing its 1960's-era sales tax processing system. The online service will have an improved look and feel, and will allow taxpayers to electronically file all schedules, late and amended returns and refund request applications. In addition, they will be able to save bank account information for future payments; electronically provide documentation supporting any claims for a refund or credit; and prepay sales tax on motor fuel and diesel motor fuel.

Sales Tax Web File enhancements include adjusted reporting requirements that will help taxpayers comply with the law and pay the appropriate tax. These requirements will be phased in over a year.

Date	Milestone	Measure of Success
September 2012	System implementation	Increase in sales tax returns e-filed
March 2013	Completion of first cycle of return filing	
September 2013	Phase-in of reporting requirements	

ONLINE PAYMENT HISTORY

DTF offers taxpayers and practitioners a secure online portal to Web File and pay certain taxes; view and pay tax bills, receive and respond to notices; and change their address and phone number. Payment history is an additional service that has been requested by account users.

Date	Milestone	Measure of Success
December 2012	Add payment history for corporation and personal income taxes	Increase in number of online accounts
December 2013	Add payment history for sales tax	

ONLINE SERVICES IMPROVEMENTS FOR TAX PRACTITIONERS

DTF seeks to make it easier for tax professionals to conduct business online and communicate electronically with the Department. This project will train DTF staff in the principles of user-centered design. As they learn, they will apply the design principles to develop online improvements for practitioners. Applying these principles throughout the design of our online services will improve the user experience, increase usage and avoid potentially costly design mistakes.

Date	Milestone	Measure of Success
December 2012	Consultant contract approval	Increase in number of online accounts
March 2013	Conceptual design	

Exhibit 17C: NY Performs Screenshot Tour

1 A 'click-through' page provides more detail for each Key Performance Indicator, including an explanation of the performance target.

DEPARTMENT OF MOTOR VEHICLES Office Wait Times

Discussion and Analysis

- DMV is refocusing its efforts to improve customer service. One of the primary measures of service quality is the length of wait times in DMV offices.
- In recent years, office wait times have increased steadily, primarily as a result of budget cuts that have reduced the number of DMV employees that serve customers.
- Governor Cuomo has announced a series of initiatives to reduce wait times by 50% to under 30 minutes on average by early 2014. These include deploying self-service kiosks, introducing customer service agents with handheld technology to triage in-office customer needs, launching a new line-queuing system that allows customers to reserve their place "in line" through the Internet or using a smartphone, and expanding the ability for customers to complete transactions from home – either online, by phone, or through the mail.
- These initiatives will be rolled out and go into effect over the next 12-15 months. As a result, office wait times are expected to decline from current levels over that period, reaching 45 minutes on average in 2013 and 30 minutes by early 2014.

Related Strategic Initiative(s)

- ➔ [Improve Customer Service and Reduce Wait Times](#)

YEAR	2008	2009	2010	2011	2012	2013
ACTUAL	47	48	52	56	63	-
TARGET	-	-	-	-	-	45

2008-2011 data is normalized to include average 30 minute wait to information counter

Measure Description
The length of time a customer waits for service at a State DMV Issuing Office.

Data Source
NYS DMV Operations Reports

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Roll Out Plan For NY Performs

For a performance management system to have credibility with the public and effectively serve as a management tool to help operate State government, it takes time to be sure that the right metrics and targets are selected and to ensure that there is a process in place to keep the information current and accurate. Although the NY Performs website may be launched with performance reports of certain agencies sooner, the expectation is that it will take until the end of 2013 for all and major authorities and agencies to begin making public their performance management reports under NY Performs.

The SAGE Commission examined in some detail the way in which best practice states such as Washington and Virginia maintain and utilize their performance management systems. Washington has a dedicated Government Management Accountability and Performance (GMAP) office that is responsible for its system. Although this GMAP office is housed within the Office of Financial Management, its Executive Director reports directly to the Governor's Chief of Staff. GMAP analysts are actively involved in the preparation of quarterly performance reports for each priority area, helping agencies to formulate these reports, providing feedback on draft reports, and preparing an executive summary of each report for the Governor and her senior staff. They also collaborate with the Chief of Staff on follow up performance review memos for each cluster's agencies, and hold agencies accountable for completing specified actions items and deliverables as identified by the Governor's senior staff during these briefings.

The experience of these best practice states has led the Cuomo administration to create a small dedicated team to help agencies implement and maintain their performance management reports and to assist senior officials in using the system as a management tool.

Agency-based Performance Management Initiatives

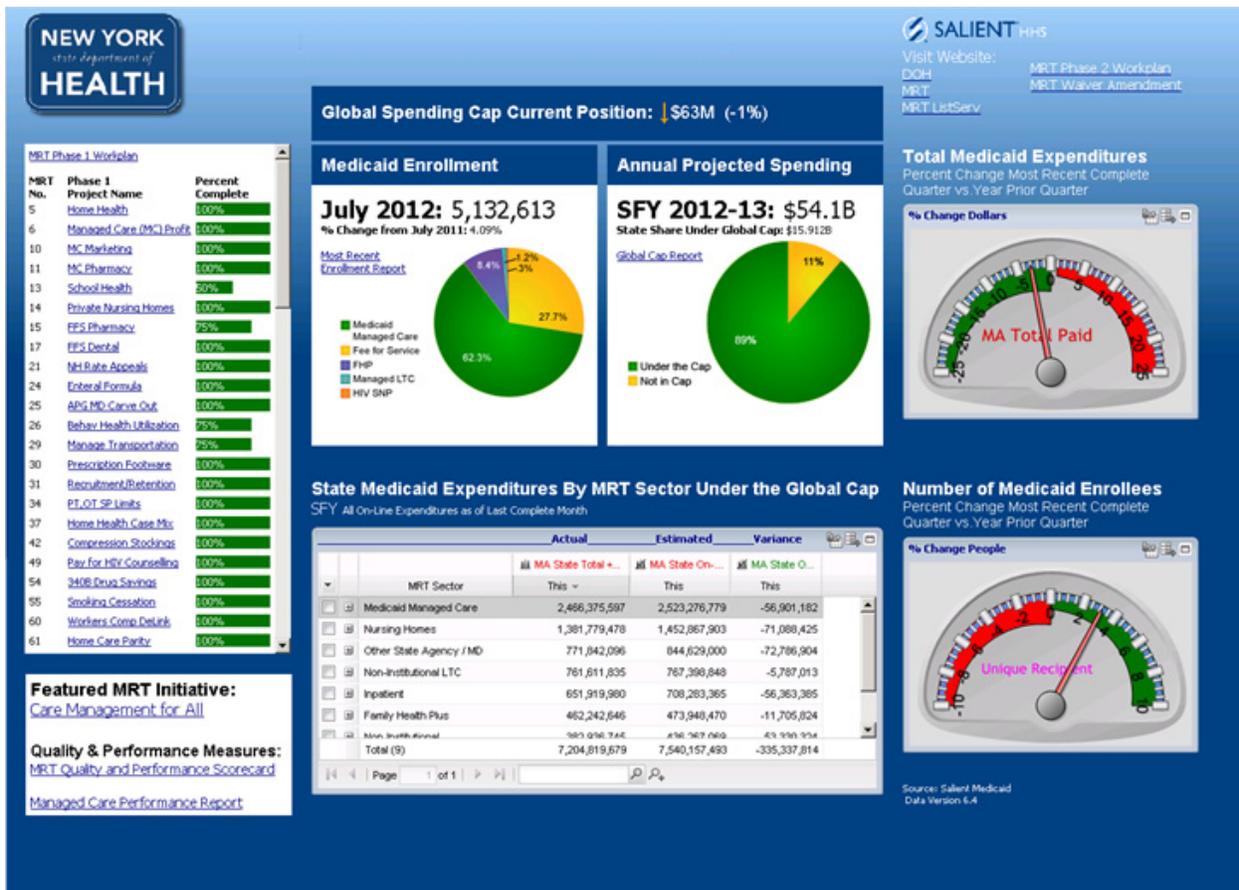
Consistent with the overall goals of performance, accountability and transparency, a number of State agencies now, for the first time, provide detailed reporting on key initiatives. At the same time, other agencies are using sophisticated performance-based analysis to evaluate the effectiveness of their programs. Some examples of such agency-based performance management initiatives are described below.

Medicaid Redesign Team Dashboard

As noted earlier in this Report, Governor Cuomo established New York's Medicaid Redesign Team (MRT) shortly after taking office to address the rapidly rising costs of Medicaid. In February 2011, the MRT provided a blueprint for lowering Medicaid spending in State fiscal year 2011-12 by \$2.3 billion by putting in place a statutory "global" cap on Medicaid expenditures. This cap would grow at a rate tied to medical inflation (about 4% in 2012). The MRT's initial report included 79 recommendations to redesign and restructure the Medicaid program by bringing efficiencies and by generating better health outcomes for patients.

The Department of Health (DOH) created a “Medicaid Redesign Dashboard” to track the progress of MRT initiatives and ensure compliance with the global spending cap. This real-time data allows State officials to monitor progress on a regular basis and take corrective action if spending is growing in excess of target levels. A screenshot of the Dashboard is shown on Exhibit 18 below.

Exhibit 18: Medicaid Redesign Team Dashboard



Grading Performance of Third-Party Providers

Many agencies deliver a significant amount of their services through not-for-profit or other third-party providers. For the past three years, the Office of Alcoholism and Substance Abuse Services (OASAS) has produced scorecards for each of the more than 900 treatment programs serving more than 250,000 individuals annually. These scorecards, which are available to the public via the agency’s website, provide a level of transparency and accountability not previously available.¹ Below is an example of a provider scorecard created by OASAS to measure the performance of a third-party provider of addiction support services.

Exhibit 19: OASAS Treatment Scorecard



New York State Office of Alcoholism and Substance Abuse Services
Treatment Program Scorecard 2012

V 2.1.2
 01-10-2013 02:01

Service: Outpatient Clinic
 Provider Name: Addictions Care Center of Albany Inc.
 Program No: 50113
 Address: 115 Ontario Street
 Albany, NY 12206

Provider No: 35090
 Certificate No: 10605

Avg Daily Enrollment: 52
 Admissions: 186
 Discharges: 206
 Unique Clients Served: 236

Certified Capacity: Does Not Apply
 Transfers In: 4
 Transfers Out: 0

Access [Jan 1 - Dec 31, 2011]		Program		Statewide	
	Score	Rating	Score	Rating	
One Month Retention Rate (%)	82	★★★★	78	★★★	

Quality [Jan 1 - Dec 31, 2011]		Program		Statewide	
	Score	Rating	Score	Rating	
Three Month Retention Rate (%)	80	★★★★★	72	★★★★	
Six Month Retention Rate (%)	71	★★★★★	53	★★★★	
One Year Retention Rate (%)	Does Not Apply		38	★★★★	
% Completing Program or Referred	68	★★★★★	45	★★★★	

Outcomes [Jan 1 - Dec 31, 2011]		Program		Statewide	
	Score	Rating	Score	Rating	
% with Discontinued Use	84	★★★★★	68	★★★★★	
% Maintaining Full Time / Improving Employment	70	★★★★★	45	★★★★	

Efficiency [Jan 1 - Dec 31, 2011]		Program		Statewide	
	Score	Rating	Score	Rating	
Sessions / FTE Primary Counselor / Week	4	★★★	16	★★★★★	

Compliance		Program Rating	Statewide Rating
Recertification Review - [Latest Review: May 26, 2011]		★★★★★	★★★★★
Facility Inspection - [Latest Review: Mar 28, 2012]		★★★★★	★★★★★
Fiscal Viability (1) - [Latest Review: Feb 14, 2011]		★★★★★	★★★★★

Rating: 1-5 Stars. 5 Stars is Highest Performing

Footnotes:

(1) Fiscal Viability is a provider level score. It will be the same for all programs within a provider.

1. <http://www.oasas.ny.gov/providerDirectory/index.cfm>

“Pay for Success” Program

The Cuomo administration has also been a national leader in the development of the performance-based approach known as “Pay for Success” contracts. These contracts, also known as “social impact bonds,” are an innovative financing mechanism that uses private and philanthropic funding sources. Provided at no risk to taxpayers, funding from these external sources is used to fund initiatives and improve programmatic outcomes in key areas such as human services, public safety, juvenile justice, public health, and others.

Pay for Success contracts will allow the State to deliver preventive services to targeted populations. While such preventive programming can be crucial to avoiding more adverse and expensive long-term outcomes, the State’s current fiscal constraints limit the State’s ability to implement or scale these types of programs.

The State will determine success measures and benchmarks at the outset of the programs funded by the Pay for Success contracts. At the conclusion of the project, the State will contract with an independent validator to conduct a rigorous evaluation of the program in order to measure outcomes and to determine payment to investors. Under this innovative model, no State payments would be made unless specific performance benchmarks that generate public sector savings are achieved.

Employment training for formerly incarcerated individuals to reduce recidivism, services to reduce homelessness, and home visiting programs to improve children’s health and educational attainment are potential examples of the programming to be provided by Pay for Success contracts. The Governor’s 2013-14 Executive Budget advances this innovative, performance-based public-private sector partnership by authorizing up to \$100 million in Pay for Success initiatives over the next five years.

Performance Analytics

In addition to the performance management efforts described above, the Cuomo administration is also seeking to increase the use of sophisticated analytics to evaluate the performance of agency programs and policies.

One example of this is the Results First model that the State’s Public Safety agency cluster is building to evaluate programs and identify options to reduce crime and reduce costs. This type of sophisticated cost benefit computer model has been successfully used in the State of Washington, and New York has received support from the Pew Center for the States to customize the Washington model for its own use.

The Results First model uses empirical data to help identify the combination of programming that buys the most public safety at the lowest cost. For example, New York confines 85,000 individuals in jail and prison and supervises an additional 165,000 in the community. Prison and jail are expensive sanctions, costing \$19,000 and \$26,000, respectively, for a year's incarceration. The individuals in the criminal justice system vary from the most risky who are very likely to commit new crimes to lower risk individuals who are not likely to reoffend.

The Results First model is evaluating the policy option of allowing 240 low risk prison inmates to be transitioned to a work release program six months before their release. The hypothesis is that such a measure would have almost no impact on crime, but save the State \$1.6 million annually. To carry the analysis further, the Results First model suggests that if these savings were immediately reinvested to provide effective programming to nearly 2,000 high risk offenders who are currently in the community, the model shows that the resulting reductions in the felony crimes would save \$5.7 million in future State prison costs.

Review of Public Authorities by the Division of the Budget

Authorities created under the State Public Authorities Law are independent entities overseen not by the Governor, but instead by their own boards of directors. The responsibility of these directors was further defined by the Public Authorities Reform Law of 2009 (the "2009 Reform Law"). As is shown in Exhibit 20, 6 of these authorities have activities of a scale that gives them statewide significance and 9 authorities receive a State appropriation of some amount.

Especially when agencies and authorities are both involved in implementing programs in a single policy area, the lack of direct oversight of authorities by the Executive branch makes it very difficult to present an integrated view of State government's performance. For example, there is no integrated reporting that describes the affordable housing activities of the agencies and authorities that comprise New York Homes and Community Renewal or of the energy efficiency activities of the three authorities and one agency that are responsible for energy efficiency programs.

Exhibit 20: New York State Public Authorities

Transportation Authorities	Financial Control Boards
Metropolitan Transportation Authority ¹	Nassau County Interim Finance Authority ³
Ogdensburg Bridge and Port Authority ⁴	Municipal Assistance Corporation for Troy ³
Niagara Frontier Transportation Authority ⁴	Erie County Fiscal Stability Authority ³
New York State Thruway Authority ¹	Buffalo Fiscal Stability Authority ³
New York State Bridge Authority ¹	
Rochester Genesee Regional Transportation Authority ⁴	Parks and Arts Authorities
Central New York Regional Transportation Authority ⁴	Natural Heritage Trust ³
Capital District Transportation Authority ⁴	Hudson River Park Trust ³
Operating Entities	Housing Authorities
Roswell Park Cancer Institute ³	State of New York Mortgage Agency ²
Port of Oswego Authority ⁴	New York State Housing Finance Agency ²
New York State Olympic Regional Development Authority ³	New York State Affordable Housing Corporation ²
New York Convention Center Operating Corporation ³	Housing Trust Fund Corporation ²
	Homeless Housing Assistance Corporation ²
County Medical Centers	Financing Authorities
Westchester County Health Care Corporation ³	Tobacco Settlement Financing Corporation ²
Nassau Health Care Corporation ³	State of New York Municipal Bond Bank Agency ²
Erie County Medical Center Corporation ³	New York State Local Government Assistance Corporation ²
	Environmental Facilities Corporation ²
	Dormitory Authority of the State of New York ²
Economic Development Authorities	Energy and Power Authorities
Empire State Development ¹	Power Authority of the State of New York ¹
Development Authority of the North Country ³	New York State Energy Research and Development Authority ³
	Long Island Power Authority ¹
	North Country Power Authority ⁴
Real Estate Management Authorities	
Roosevelt Island Operating Corporation ³	
Battery Park City Authority ³	
UN Development Corporation ³	
<ol style="list-style-type: none"> 1. Statewide authorities with significant operations 2. Authorities whose primary purpose is debt issuance and finance 3. Specialized entities that serve a narrow purpose 4. Regional entities 	

The Public Authorities Reform Commission in 2006 noted that:

“...authorities have not been subject to the control or regulatory oversight and procedural checks and balances that apply to State and local government agencies....There is no single oversight and monitoring agency, a function performed by the Division of the Budget with respect to State agencies.”²

The Independent Authority Budget Office (ABO), which was created by the Public Authorities Act of 2005, collects a significant amount of financial and other information from authorities, and plays a vital role in fulfilling its statutory mandate of independent oversight of public authorities. Not to replace the role of the ABO, but rather to serve a different function, the Division of the Budget (DOB) should work to provide more visibility into authority operations in order to present an integrated view of State government. Only DOB, with a staff of approximately 300 and its statutory responsibility to report on the finances and operations of State agencies, has the ability to present an integrated view of agency and authority activities. Empowering DOB to review and report on the operations of these public authorities and their 4-year financial plans is essential to improve transparency about authorities and increase the overall efficiency of State government by presenting an integrated view of the activities of both State agencies and authorities, with a particular focus on overlapping programs and functions.

Increasing Transparency through Open New York

In addition to using technology to expand the ability of citizens to conduct transactions with State agencies online, the Cuomo administration has also committed to using technology to make State government more transparent, accessible and accountable. The Governor’s CitizenConnects website has served as an “online town hall” to promote public engagement and provides access to schedules and public meeting information. The comprehensive Tappan Zee Bridge website provides access to all prior project reports along with up-to-date construction information that complements unprecedented in-person outreach, “TheNewNY.com” provides comprehensive and easy-to-navigate information on starting and maintaining a business in New York State, and the Regional Economic Development Council website makes public detailed information on economic development projects. The monthly Medicaid Redesign Team global spending report allows the public to track spending by sector and understand any deviations from targets.

In the 2013 State of the State address, Governor Cuomo announced the “Open New York” initiative to further expand the use of technology to improve government transparency and increase citizen access to statewide and agency-level data, reports, statistics, compilations and information. Under the Open New York initiative, data will be presented in a common, downloadable, easy-to-access format, and will be searchable and mappable.

² <http://www.abo.ny.gov/commissionPublicAuth/FinalReport.pdf>

The Open New York web portal will allow researchers, citizens, business and the media direct access to high-value data, which will be continually added to and expanded, so these groups can use the data to innovate for the benefit of all New Yorkers. Budget data is now posted online in machine-readable and graphical formats, making access easier and more impactful for citizens and researchers alike. Providing detailed spending and budget information allows government employees and the public to locate inefficiencies and duplicate expenses. Putting government data online also reduces the expenses associated with producing paper documents in response to Freedom of Information Law (“FOIL”) requests.

A good example of the potential benefits from releasing non-confidential government data of is the METRIX website created by the Department of Health in 2011. METRIX, which stands for Maximizing Essential Tools for Research Innovation and eXcellence, includes unique datasets that touch on all aspects of health care. While some of these datasets are limited in scope and permissible use, others have many new potential applications, and collectively represent an immense untapped resource for the improvement of public health. The METRIX site has also increased efficiency within DOH by substantially reducing the number of freedom of information law requests.

The State is also exploring ways to encourage developers to build software products or “apps” that leverage the value of these non-confidential data sets. This could be done in part through a program similar to NYC’s “Big Apps” competition. This competition judges apps that use city data to improve NYC and has led to the creation of dozens of useful apps that help citizens do everything from picking a restaurant to finding a parking space.

CHAPTER 10: Core Mission and Implementation

Framework for a Core Mission Review

The final part of the SAGE charter is to “identify non-critical activities that are less central to the core mission of agencies or New York State government.” There are at least four areas in which it makes sense to review whether an activity is central to the core mission of State government in the way it is being pursued:

- **Unnecessary Statutory Mandates** – activities performed by agencies that are unnecessary but required by statute.
- **Commercial Activities** – activities either typically engaged in by commercial enterprises or not commonly performed by other State governments.
- **Competitive Benchmarking** – functions or services that would be provided more efficiently by a private entity.
- **Underutilized Assets** – waste and suboptimal use of State assets.

Regulatory Relief from Unnecessary Statutory Mandates

The Governor’s Mandate Relief Council is designed to identify burdensome mandates on local governments and school districts, but State agencies are also subject to federal and State statutory mandates that are burdensome and which do not meaningfully contribute to the core mission of the affected agencies. Although many of these mandates involve federal law and are thus more difficult to change, State statutory requirements to produce reports which have not been read in years, for example, are unnecessarily burdensome and require an extraneous and costly use of State resources.

Because it is difficult to associate a fiscal impact with these regulations, the 2013-14 Executive Budget was not the appropriate vehicle for addressing these mandates. However, as part of a broader mandate relief package for local governments, such unnecessary mandates on State agencies could also be considered.

Commercial Activities

When State government is performing a function that typically is provided by commercial enterprises, it raises the question whether the State should be pursuing that activity. Two such instances have been discussed earlier in this report.

- The Olympic Regional Development Authority (ORDA) manages ski centers and other recreation facilities. On its face, this might not seem to be related to the core mission of State government. However, ORDA is an important economic development center in the North Country, and the Belleayre Ski Center plays an important economic development role in the Catskills. For these reasons, as well as constitutional limits on private entities operating on these State lands, it makes sense for the State to continue to operate these enterprises.

- The Long Island Power Authority (LIPA) owns a power transmission and distribution network, which is normally the province of private sector utilities. As described in Chapter 4, the bifurcated organizational structure was ill-equipped to manage this operation and its inability to do so led to significant problems during Hurricane Sandy. As a result, the Moreland Commission appointed by Governor Cuomo to examine LIPA recommended that it be privatized.

There are two other examples of State activities which involve a significant use of State assets in activities that are more commonly provided by the private sector. The State Insurance Fund (SIF) provides workers' compensation insurance and accounts for approximately 40% of that market in New York. The State of New York Mortgage Insurance Fund (MIF), which insures mortgages on multifamily housing, is also engaged in activities that typically are performed by the private sector.

- SIF currently has a competitive advantage to commercial carriers due to the fact that SIF has previously reserved for certain assessments while commercial carriers fund these assessments on a pay-as-you-go basis. As part of a broader set of reforms of the workers' compensation system that will significantly reduce costs for employers, approximately \$2.0 billion of these SIF assessment reserves will be released. In the future, SIF will fund these obligations on a pay-as-you-go basis, identical to the practice of commercial carriers.
- The MIF has approximately \$1.5 billion in assets as reserves against losses in the mortgages it insures, but experiences only about \$20 million in claims annually. In order to make more efficient use of these State assets and significantly expand the State's affordable housing program, the 2013-14 Executive Budget contemplates the use of some of these excess MIF reserves over the next several years to fund a range of programs to build, support and preserve affordable housing.

Competitive Benchmarking

A range of functions that are performed by State agencies are also provided by the private sector. Indeed, the State now uses a mixed approach of public and private sector service delivery for functions ranging from call centers to community-based residential care. Despite the large number of situations in which the State uses both the public and private sector to perform the function, the State does not have explicit criteria to determine whether to contract activities out, nor does it regularly review its functions to identify where outside contracting makes sense.

Some states, such as Indiana, systematically benchmark what outside contractors might charge for services compared to the cost of having State employees perform the function. This analysis requires a strong cost accounting framework, but this framework could also be applied to a wide variety of other activities, functions and programs. To be useful, “competitive benchmarking” should take into account a wide range of factors, including total costs (including hourly rates, fringe benefits, etc.), quality, productivity, uniqueness of capabilities, and flexibility.

Underutilized Assets

The State has significant assets that are underutilized. In some cases, the underutilization of the asset simply amounts to waste—such as the recently reported story of the 20 train cars and locomotives that were sitting and rusting for almost a decade. Until they were discovered by the Cuomo administration, no effort was made to dispose of the trains since the State abandoned efforts to modernize a set of 1970s-era high-speed Amtrak commuter trains. The Cuomo administration took the initiative to eliminate this unnecessary cost to taxpayers by auctioning the trains off, thus relieving the State of the storage costs that it previously incurred.¹

In other cases, the challenge of maximizing the asset involved is more complicated. One such example is the Erie Canal (operated by the Canal Corporation, a subsidiary of the Thruway Authority), which many believe could more effectively leverage its assets, including its rights of way, frontage property, water and hydro power rights, and flood control activities, to garner new sources of revenue.

In 2009, the New York State Commission on Asset Maximization conducted an extensive review of the State’s underutilized assets and issued a number of recommendations for maximizing their value.² The Cuomo administration adopted, through the new Enterprise Services real estate function in OGS, one of the Asset Maximization Commission’s recommendations—that the State “centralize authority in managing the State’s real estate needs, reviewing the State’s portfolio of current assets, and developing a systematic strategy for making asset management, sales, and leasing decisions in a manner that will maximize the value of State assets.”

Align Roles with Local Governments

State and local governments share many functions and the most efficient jurisdiction to manage these functions ought to be periodically reviewed. For example, the State recently decided that it could more efficiently manage the administration of Medicaid than counties and New York City, as is currently the case. Other functions now managed by the counties, such as eligibility for the Supplemental Nutrition Assistance Program, might also or efficiently be administered by the State. In other situations, such as inspection of childcare facilities, the State manages the function for all counties outside of New York City.

1. See “Trains’ final destination: Scrap”, Albany Times Union, December 13, 2012.

2. <http://www.bcnys.org/inside/transport/2011/StateAssetMaximization-final-report2009.pdf>

On the other hand, there may be situations in which the greater knowledge of local conditions makes it more efficient and effective for local government to manage the function. For example, DEC has a memorandum of understanding with New York City to control a portion of the Inactive Hazardous Waste Disposal and petroleum spill sites/brownfields program. Similarly, the Parks department turns some decision-making regarding historic registers over to many of the larger communities in the State when federal HUD funding is involved, to take advantage of their greater local knowledge. In addition to overlapping jurisdiction with respect to State agencies regarding certain waterfront development, local zoning permits often must also be obtained. The State should continue to explore opportunities where devolving authority to local governments makes sense.

Implementation

The McKinsey study of government transformation efforts in other states noted the critical importance of a well-defined implementation plan for transforming ideas into actionable results. In addition, the SAGE Commission believes it is important for the State to institutionalize the process of pursuing continuous improvement in State operations.

The SAGE Commission believes these objectives can be accomplished through a strategy that combines internal resources and innovative ways of partnering with private sector experts who can help drive transformation and improvement efforts within government.

Internal Implementation Efforts

Because the government redesign effort described in this report is so comprehensive, implementation efforts involve a large number of State agencies, as well as personnel in the Executive Chamber and the Division of Budget. These individuals will be supplemented by the following two dedicated teams:

- A performance management unit to work with agencies and support the NY Performs system; and
- Initially, 1-2 “LEAN process” professionals to work with agencies to help identify areas for improvement and map out implementation plans.

As described in Chapter 9, the best practice states of Virginia and Washington have a dedicated staff to manage their performance management systems. New York will provide 3-5 analysts to stand up the NY Performs system and maintain the system over time. The responsibilities of the performance management unit will be similar to that of their counterparts in Washington and Virginia.

A small group of LEAN professionals can run an effective LEAN process with various agencies throughout the year, such as Iowa's Office of LEAN Enterprise, which has accomplished a similar mission with a 2 person staff. Since 2003, Iowa has redesigned 178 business processes within its agencies to realize efficiencies and improve service.

Private Sector Partners

Civic Consulting Alliance

The State will seek to establish a partnership with New York based corporations and consulting firms to leverage their expertise on a pro-bono basis for various government redesign projects. This effort could involve a "volunteer consultant" program such as Chicago's Civic Consulting Alliance (CCA), an organization which has shown an interest in expanding into New York and helping develop such an effort.

The CCA is a non-profit organization, established in 1986, which works with the city of Chicago to build pro-bono teams of business experts and government leaders who work on small, discrete projects designed to improve the city. These projects are staged to create a sequence of results that, over time, address critical needs and opportunities for city government.

Executive Loan Program

The State could also seek to develop partnerships with private sector executives with relevant skills through an Executive Loan program. Many of New York's largest corporations have been through a transformation process similar to the one New York State is engaged in. With appropriate safeguards to avoid any conflicts of interest with companies doing business with the State, the participation of even a small number of executives with experience in these areas would be highly beneficial.

APPENDIX A: Executive Order No. 4 Establishing the SAGE Commission



EXECUTIVE ORDER NO. 4: ESTABLISHING THE SPENDING AND GOVERNMENT EFFICIENCY (SAGE) COMMISSION

WHEREAS, instead of an efficient, sensible system of government, New York State has numerous agencies, authorities and other bodies whose jurisdiction overlaps, resulting in a waste of taxpayers' money, impeding New York State government's ability to formulate public policy and undermining its capacity to efficiently deliver necessary services;

WHEREAS, since the completion of the last comprehensive governmental reorganization in 1927, New York State government has enlarged its workforce from 29,000 to more than 190,000 and increased its annual budget from \$239 million to \$135 billion;

WHEREAS, this growth has been accompanied by an explosion in the number of agencies and public authorities so that today, there exist close to 1,000 State agencies, authorities, commissions and other statutorily created bodies;

WHEREAS, New York State government now faces unprecedented budgetary challenges that require fundamental changes in the way it does business, including eliminating failed approaches and creating improved ways to serve the public;

WHEREAS, it is incumbent on those charged with providing government services to protect the public's health and safety, educate our citizens, promote economic development, provide necessary infrastructure, safeguard fundamental rights and perform other essential functions in a manner that avoids duplication, delay and unnecessary regulation and bureaucracy;

WHEREAS, New York State has many business leaders with experience in restructuring complex organizations and educational and other non-profit institutions with the knowledge and expertise necessary to improve the operations and accountability of government;

WHEREAS, it is of compelling public importance that New York State undertake a redesign of its inefficient and outdated State government structure and operations by doing a comprehensive review of every agency of State government and recommending structural and operational changes in the government; and

WHEREAS, such a review will allow for the elimination or more efficient organization of duplicative, outdated, unnecessary and ineffective agencies and authorities and provide for operational improvements so that government functions effectively and serves taxpayers at the lowest cost with the greatest value;

NOW, THEREFORE, I, Andrew M. Cuomo, Governor of the State of New York, by virtue of the authority vested in me by the Constitution and laws of the State of New York, do hereby order as follows:

A. Definitions

As used herein, the following terms shall have the following meanings:

1. “State agency” or “agency” shall mean any State agency, department, office, board, bureau, division, committee, council or office.
2. “Public authority” or “authority” shall mean a public authority or public benefit corporation created by or existing under any New York State law, with one or more of its members appointed by the Governor or who serve as members by virtue of holding a civil office of New York State, other than an interstate or international authority or public benefit corporation, including any subsidiaries of such public authority or public benefit corporation.

B. Spending and Government Efficiency Commission

1. There is hereby established the Spending and Government Efficiency Commission (“SAGE Commission”) that shall exist to provide independent guidance for, and advice to, the Governor
2. The Governor shall appoint up to 20 voting members of the SAGE Commission. The members of the SAGE Commission shall include: private citizens; two members of the New York State Assembly, one recommended by the Speaker of the Assembly and one recommended by the Minority Leader of the Assembly; and two members of the New York State Senate, one recommended by the Temporary President of the Senate and one recommended by the Minority Leader of the Senate. The Director of State Agency Redesign and Efficiency shall serve as a Co-Chair of the SAGE Commission and will be responsible for managing any staff whom the Governor shall appoint. The Governor shall designate one or more additional Co-Chairs from among the other members of the SAGE Commission. The SAGE Commission shall be authorized to create sub-committees and task forces that include individuals who are not members of the SAGE Commission, provided that any recommendation of such

sub-committees and task forces must be approved by the SAGE Commission before being sent to the Governor. The Director of the Division of the Budget and the Director of State Operations shall serve as ex officio, non-voting members of the Commission.

3. Vacancies shall be filled by the Governor, and the Governor may appoint additional members to the SAGE Commission as necessary. Members of the SAGE Commission shall serve at the pleasure of the Governor.

4. A majority of the total members of the SAGE Commission who have been appointed shall constitute a quorum, and all recommendations of the SAGE Commission shall require approval of a majority of its total members appointed by the Governor.

5. The SAGE Commission shall attempt to engage and solicit the input of a broad and diverse range of groups, organizations, and individuals, including, without limitation, members of the New York State Legislature and representatives of public sector employees.

C. Cooperation with the SAGE Commission

1. Every agency or authority of New York State shall provide to the SAGE Commission every assistance and cooperation, including use of New York State facilities, which may be necessary or desirable to fulfill the purposes of this Executive Order.

2. Staff support necessary for the conduct of the SAGE Commission's work may be furnished by agencies and authorities (subject to the approval of the boards of directors of such authorities). Additional funding necessary for the Commission's work shall be provided from sources, including appropriated funds, to the extent of available appropriations. The SAGE Commission may draw upon the human resources, expertise and funding of private institutions, including those institutions associated with individuals appointed to the SAGE Commission, as those private institutions deem appropriate, and as consistent with all statutes, rules and guidance from the New York State Commission on Public Integrity regarding such assistance. Such assistance shall be provided without financial remuneration and shall not be provided under any circumstances that would create an actual conflict of interest, or the appearance of such a conflict.

D. Duties and Purpose

1. The SAGE Commission shall comprehensively review and assess New York State government, including, but not limited to, its structures, operations and processes for governing, with the goal of saving taxpayer money, increasing accountability and improving the delivery of government services. This review shall also include a review of commissions, task forces and councils created by Executive Order or otherwise.

2. The SAGE Commission is charged with redesigning the organizational structure of government by streamlining, consolidating or eliminating redundant and unnecessary agencies, authorities, commissions and other bodies that have overlapping missions; identifying operational improvements that increase cost effectiveness and improve service quality such as shared services, enhanced use of Information Technology and changes in service delivery mechanisms; creating meaningful metrics and targets to highlight inefficiencies; and identifying activities that are not central to the core mission of agencies, authorities or New York State government. The SAGE Commission shall be asked to make recommendations that, if implemented, would result in the reduction of at least 20 % of the number of existing agencies and authorities.

3. The SAGE Commission shall also examine ways for the government to be more flexible, transparent, user-friendly and accountable to residents of New York State, including, without limitation, by developing a performance management system with meaningful and transparent metrics and targets.

4. The SAGE Commission shall commence its work not later than January 7, 2011. The SAGE Commission shall submit its recommendations on agency and authority reorganizations not later than May 1, 2011 or such other date as the Governor shall advise the SAGE Commission. It shall submit its recommendations for operational efficiencies on an ongoing basis, with a final report to be presented to the Governor on or before June 1, 2012 or such other date as the Governor shall advise the SAGE Commission. The SAGE Commission shall terminate its work and be relieved of all responsibilities and duties hereunder with the submission of its final report.

G I V E N under my hand and the Privy Seal of the State in the City
of Albany this fifth day of January in the year two
thousand eleven.

BY THE GOVERNOR

Secretary to the Governor

APPENDIX B: History of Major Agencies and Authorities

Health & Disabilities		
Department of Health	1901	Created in 1901 and reorganized in 1927 by Governor Al Smith to regulate the health care industry in the State and promote healthy living
Office for Aging	1961	Created by Executive order in 1961 and made an independent agency in 1965 to administer various programs under the Federal Older Americans Act of 1965
Commission on Quality of Care and Advocacy for Persons with Disabilities	1977	Created in 1977 as an independent oversight board and advocate for persons with mental disabilities after abuse and neglect uncovered at Willowbrook facility. Plan to have non-profit take over Protection and Advocacy roles following creation of the Justice Center as proposed by Governor Andrew Cuomo.
Office of Alcoholism and Substance Abuse Services	1978	Originally created in 1966 as the Addiction Control Commission within the Department of Mental Hygiene (DHM). After Willowbrook came to light and DMH was reorganized, OASAS spun off as independent entity in 1978
Office of Mental Health	1978	Originally created in 1926 as the Department of Mental Hygiene. After Willowbrook came to light, DHM was reorganized into a smaller Office of Mental Health in 1978
Office for People with Developmental Disabilities	1978	Originally part of the Department of Mental Hygiene, created separate Office of Mental Retardation and Developmental Disabilities in 1978 (later renamed to OPWDD)
Office of Medicaid Inspector General	2006	Created by Governor Pataki as an independent entity within the Department of Health
Justice Center for the Protection of People with Special Needs	2012	Created by Governor Andrew Cuomo as Special Prosecutor and Inspector General for the Protection of People with Special Needs who will investigate reports of abuse and neglect and prosecute allegations that rise to the level of criminal offenses.
Human Services & Labor		
Department of Labor	1901	Created as the consolidation of the Bureau of Labor and Statistics, Labor Arbitration Board and Factory Inspectors in 1901
State Insurance Fund	1914	Created in 1914 by the legislature to provide workers' compensation insurance
Division of Veterans Affairs	1945	Created by executive order to assist returning veterans with job placement and medical needs after World War II
Workers' Compensation Board	1947	Originally created as a division of the Department of Labor in the 1920's but made independent given the volume of activity
Division of Human Rights	1968	Created to enforce the New York State Human Rights Law
Office of the Welfare Inspector General	1992	Created as an office within the Department of Law, however the OWIG is appointed by the Governor.
Office of Children and Family Services	1997	Created as part of the restructuring of the former Department of Social Services
Office of Temporary Disability Assistance	1997	Created as part of the restructuring of the former Department of Social Services

Industry & Economic Development		
Department of Agriculture and Markets	1927	Created by Governor Al Smith in 1927
Dormitory Authority	1944	Created to finance the building of dormitories at 11 teacher's colleges
Battery Park City Authority	1968	Created by Governor Nelson Rockefeller as a public benefit corporation to redevelop the dilapidated piers in a 92 acre area of Manhattan's lower west side
Empire State Development Corporation	1995	Created in 1995 by a reorganization of the State's economic development entities including the Urban Development Corporation (UDC) and Job Development Authority (JDA)
Hudson River Park Trust	1998	Created by Governor Pataki to oversee planning, maintenance, construction and management of the Hudson River Park
Homes and Community Renewal	2010	Created through the functional merger of the Division of Housing and Community Renewal and four housing finance authorities
Department of Financial Services	2011	Created by Governor Andrew Cuomo through a consolidation of the Department of Banking and Department of Insurance to enhance financial service regulation and consumer protection
Gaming Commission	2012	Created by Governor Andrew Cuomo by merging the Division of Lottery and the Racing and Wagering Board to enhance regulation in advance of casino gambling becoming legal in New York State
Energy & Environment		
Department of Environmental Conservation	1911	Originally created as the Conservation Department, evolved into the Department of Environmental Conservation when Governor Rockefeller merged the functions of planning and management for all environmental protection programs
Office of Parks, Recreation and Historic Preservation	1924	Created by Governor Al Smith as the State Council of Parks
Power Authority	1931	Created by Governor Franklin Roosevelt to build hydroelectric generating facilities on the St. Lawrence River
Hudson River Black River Regulating District	1959	Created by the merger of the Hudson River and the Black River Regulating Districts in order to regulate river levels in the capital region
Environmental Facilities Corporation	1970	Created as a revolving loan fund for waste water treatment projects as part of the federal Clean Water Act in 1970
Department of Public Service	1970	Created as the staff arm of the Public Service Commission which has a broad mandate to ensure that all New Yorkers have access to reliable and low-cost utility services (electric, gas, steam, telecommunications and water)
Adirondack Park Agency	1971	Governor Nelson Rockefeller created the APA to regulate private land use within the park
Energy Research and Development Authority	1975	Created in 1975 through the reorganization of the New York State Atomic Energy and Space Development Authority to help fund R&D for innovative technologies that would reduce the State's petroleum consumption following the 1973 oil crisis
Olympic Regional Development Authority	1980	Created to manage the facilities used in the 1980 Olympics in Lake Placid

Long Island Power Authority	1985	Created by the Long Island Power Act to acquire the securities and assets of the Long Island Lighting Company following the closure of the Shoreham Nuclear Power facility
Hudson River Valley Greenway	1991	Created to facilitate developing a regional strategy for preserving scenic, natural, historic, cultural and recreational resources of the Hudson Valley, including the creation of a “greenway” along the Hudson River
Public Safety		
Division of State Police	1917	Created to be a law enforcement arm of the State
Division of Military and Naval Affairs	1927	Created by Governor Al Smith
Office of Victim Services	1966	Created in 1966 as the Crime Victims Compensation Board the Board and was renamed in 2010
Department of Criminal Justice Services	1992	Created for the collection and analysis of statewide crime data; operation of the DNA databank and criminal fingerprint files; administration of federal and State criminal justice funds; support of criminal justice-related agencies across the State; and administration of the State’s Sex Offender Registry
Office for the Prevention of Domestic Violence	1992	Created to replace the Governor’s Commission on Domestic Violence
Division of Homeland Security and Emergency Services	2010	Created through the merger of the Office of Homeland Security, the State Emergency Management Office, the Office of Fire Prevention and Control, and the Office Cyber Security and Critical Infrastructure Coordination
Department of Corrections and Community Supervision	2011	Created by Governor Andrew Cuomo through the consolidation of the Department of Corrections and the Division of Parole
General Government		
Department of State	1778	Originally formed as the “Keeper of Records”, came into its modern form with the consolidations of Governor Smith in 1927
Department of Civil Service	1883	Created as the central personnel agency of the executive branch
Division of the Budget	1927	Following a Constitutional reform in 1925 and 1927 the modern Division of Budget came into form with the consolidation of budget authority into the executive chamber
Department of Taxation and Finance	1927	Created by Governor Al Smith to collect State taxes
State Liquor Authority	1934	Created by the Alcohol Beverage Control Law to regulate the manufacture and sale of alcohol in New York following the repeal of Prohibition
Office of General Services	1960	Created to provide administrative back-office services for the operation of the New York State government
Department of Motor Vehicles	1961	Created as a bureau within the Department of Taxation and Finance in 1924, the DMV was spun off and made an independent agency in 1961
Governor’s Office of Employee Relations	1967	Created as the Governor’s representative in matters related to State employees, specifically matters having to do with the Taylor Law

Office of the State Inspector General	1987	Created by Governor Mario Cuomo to investigate fraud and abuse within State government
Information Technology Services	2012	Reorganized into a central technology services agency by Governor Cuomo
Transportation		
Port Authority of New York and New Jersey	1921	Created with the approval of the US Congress to be an interstate agency tasked with the development of the port system to increase commerce and trade
Bridge Authority	1932	Created by Governor Roosevelt to issue toll bonds for the construction of the Rip Van Winkle Bridge
Thruway Authority	1950	Created to issue toll bonds to finance and manage the New York State Thruway
Department of Transportation	1967	Created in 1967 by Governor Nelson Rockefeller as a consolidation of the transportation functions of the Department of Public Works
Metropolitan Transportation Authority	1968	Created to assume control of mass transportation in New York City and the surrounding suburbs
Education		
State Department of Education	1901	Existing Department of Instruction merged with the Board of Regents
State University of New York	1948	Created through the consolidation of 29 teachers colleges and other State operated institutions
Council on the Arts	1960	Created by Governor Nelson Rockefeller to administer grants for cultural resources across New York
City University of New York	1961	Created through the incorporation of the New York City's four-year and community colleges, as well as graduate schools
Higher Education Services Corporation	1974	Created to administer student grants and loan programs
Independent Appeals & Oversight		
Public Employee Relations Board	1967	Established as part of the Taylor Law to resolve disputes between unions and public employers
Commission of Correction	1973	Created as an oversight body for the NYS prison system
Board of Elections	1974	Created by executive order to be a bi-partisan independent board
Tax Appeals Tribunal	1986	Created as an independent and impartial body for the resolution of tax and licensing disputes
Authority Budget Office	2005	Created as part of the 2005 Public Authorities Accountability Act
Joint Commission on Public Ethics	2011	Created by the Public Integrity Reform Act to replace the Commission on Public Integrity

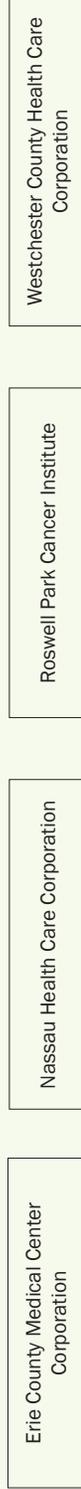
APPENDIX C: Comprehensive List of New York State Organization Charts

The following series of charts outlines the organizational structure of the New York State government, including all 406 agencies, authorities, boards, and commissions, at the time Governor Cuomo took office in 2011.

Major Agencies and Authorities



Other State Authorities and Subsidiaries with Independent Operations



Non-Advisory Boards, Commissions and Councils

Board for Professional Medical Conduct
 Board of Examiners of Nursing Home Administrators
 Continuing Care Retirement Community Council
 Developmental Disabilities Boards of Visitors
 Health Research Science Board
 Institutional Review Board
 Mental Health Services Council
 Psychiatric Facilities Boards of Visitors
 Public Health and Health Planning Council
 State Emergency Medical Services Council
 Veterans Home Boards of Visitors (4 total)

Advisory Boards, Commissions and Councils

Adult Care Facilities and Assisted Living Resources Task Force
 Advisory Council on Underage Alcohol Consumption
 AIDS Advisory Council
 Alzheimer's Disease and Other Dementia Coordinating Council
 Boards of Visitors (BOV)
 Breast and Cervical Cancer Detection and Education Program Advisory Council
 Cardiac Advisory Council
 Children's Environmental Health and Safety Council
 Children's Plan Workgroup
 CQCAPD Advisory Council
 CQCAPD Mental Hygiene Medical Review Board
 Credentials Board
 Data Protection Review Board and Safety
 Developmental Disabilities Planning Council
 DDSO Boards of Visitors (13 total)
 Early Intervention Coordinating Council (EICC)
 Emergency Medical Services for Children Advisory Committee
 Empire State Stem Cell Board
 Family Support Services Statewide Committee
 Funeral Directing Advisory Board
 Geriatric Mental Health Planning Council
 Helen Hayes Hospital Board of Visitors
 Hep C Advisory Council
 Interagency Coordinating Council for Services to Persons Who are Deaf, Deaf-Blind or Hard of Hearing
 Interagency Partnership for Assistive Technology
 Interagency Task Force on HIV/AIDS
 InterOffice Coordinating Council (IOCC)
 Maternal & Child Health Block Grant Advisory Council
 Medicaid Drug Utilization Review Board
 Medicaid Managed Care Advisory Review Panel
 Medical Advisory Committee
 Mental Health Planning/Advisory Council (MHPAC)
 Minority Health Council
 Most Integrated Setting Coordinating Council (MISCC)
 NYS Advisory Council on Alcoholism and Substance Abuse Services
 NYS Advisory Council on Lead Poisoning
 NYS Council on Graduate Medical Education
 NYS Council on Human Blood and Transfusion Services
 NYS Immunization Advisory Council
 NYS Occupational Health Clinics Oversight Committee
 OPWDD's Advisory Council
 Ovarian Cancer Information Advisory Committee
 Palliative Care Education and Training Council
 Pharmacy Advisory Committee
 Pharmacy and Therapeutics Committee
 Preventative Health and Health Services Block Grant
 Protection and Advocacy for Individuals with Mental Illness (PAIMI) Advisory Council
 Rural Health Council
 Spinal Cord Injury Research Board
 State Camp Safety Advisory Council
 State Emergency Medical Advisory Committee (SEMAC)
 State Task Force on Flame Retardant Safety
 State Trauma Advisory Committee
 Strategic Prevention Framework-State Incentive Grant: Prevention
 First NYI Advisory Council
 Task Force on Life and Law
 Tobacco Use Prevention and Control Advisory Board
 Toxic Mold Task Force
 Transplant Advisory Council
 Traumatic Brain Injury Services Coordinating Council
 Willowbrook, Commissioner's Task Force

Human Services and Labor

Major Agencies and Authorities



Other State Authorities and Subsidiaries with Independent Operations

Homeless Housing Assistance Corporation

Non-Advisory Boards, Commissions and Councils

Commission on National and Community Service
 Council on Children and Families
 Hazard Abatement Board

Independent Livery Drivers Benefit Fund Board
 Juvenile Justice Advisory Group
 New York State Veterans Hall of Fame Council

State Employees Federated Appeal Council
 Unemployment Insurance Appeals Board

Advisory Boards, Commissions and Councils

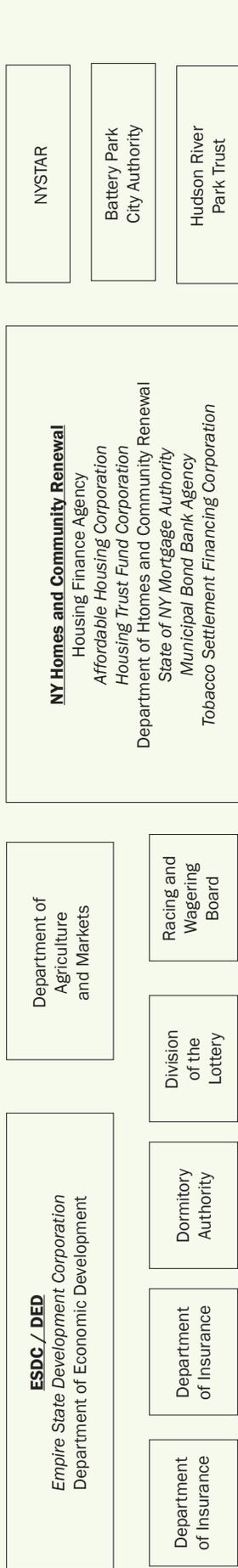
Blaister Board
 Boiler Board of Examiners
 Carnival, Fair, Amusement Park Safety Advisory Board
 CBVH Rehabilitation Council
 Child Performer Advisory Board to Prevent Eating Disorders
 Citizen's Review Panel
 Commissioner's Advisory Committee
 Crane Board
 Disability Advocacy Program Advisory Council
 Executive Board of CBVH
 Forms Workgroup
 Governor's Hate Crime Task Force
 HEAP Block Grant Advisory Council (BGAC)

Hoyt Trust Fund Board
 Independent Review Board
 Individual Self Insurance Advisory Committee
 Industry Board of Visitors
 Interagency Task Force on Human Trafficking
 Joint Enforcement Task Force on Employee Misclassification
 NYS Council on Returning Veterans and their Families
 OCFs Advisory Board
 OCFs Research Advisory Panel
 Out-of-State Placement Committee
 Passenger Tramway Advisory Council
 Public Work Advisory Board
 Pyrotechnician Examining Board

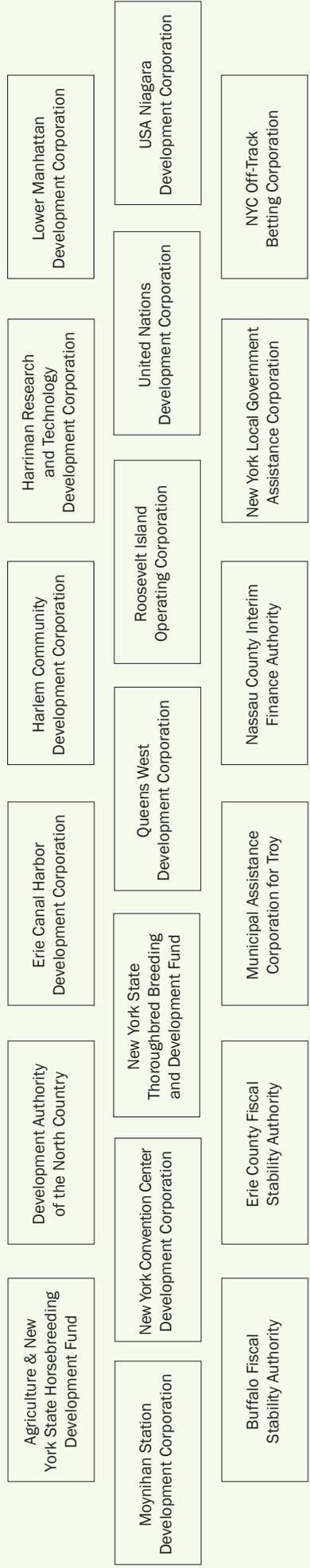
Restraint and Crisis Intervention Technique Committee
 Special Disability Fund Advisory Committee
 State Apprenticeship and Training Council
 State Committee of Blind Vendors
 State Workforce Investment Board
 TANF Block Grant Advisory Council
 Unity Coalition
 Veterans Affairs Commission

Industry and Economic Development (1 of 2)

Major Agencies and Authorities



Other State Authorities and Subsidiaries with Independent Operations



Non-Advisory Boards, Commissions and Councils

- Soil and Water Conservation Committee
- Empire Zone Designation Board
- New York Racing Association Franchise Oversight Board
- New York (Blue Cross/Blue Shield Investment Advisory Board) | Public Asset Fund
- NYC Financial Control Board
- Public Authorities Control Board
- Board of Real Property Tax Services

Industry and Economic Development (2 of 2)

Advisory Boards, Commissions and Councils

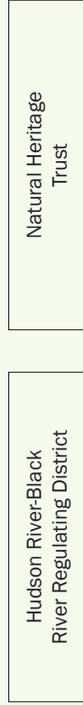
Advisory Board for Small Business	Milk Marketing Advisory Council	Upstate and Downstate Tourism Councils
Advisory Council for Petroleum Product Standards	Most Integrated Setting Coordinating Council (MISCC) Housing Committee	Weatherization Assistance Program Policy Advisory Council
Advisory Council on Agriculture (NYS)	MWBE Advisory Board	Wood Products Development Council
Agricultural Health and Safety Administration Advisory Board	NYS Fair Advisory Board (NYS)/Empire Expo Center Advisory Board)	Banking Board
Agricultural Transportation Review Panel	NYS Task Force on the National Affordable Housing Act (NAHA) and Partnership Advisory Committee	Board of Real Property Tax Services
Animal Health Issues Committee	NYS Tourism Advisory Council	Coastal Market Assistance Program ("CMAP") Advisory Panel
Apiary Industry Advisory Committee	NYS Veterinary Diagnostic Lab Advisory Board	HALT (Halt Abusive Lending Transactions)
Apple Marketing Order Advisory Board	Onion Research and Development Program Adv. Board	Partnership for Long Term Care Evolution Board
Apple Research and Development Program Advisory Board	Organic Food Advisory Committee	Task Force on Retired Race Horses
Cabbage Research and Development Program Advisory Board	Plant Industry Advisory Committee	Task Force on Tax Preparers
Dairy Promotion Advisory Board	Soil and Water Conservation Committee	Temporary Panel on Homeowners Insurance Coverage
Direct Marketing Advisory Council	Sour Cherry Marketing Order Advisory Committee	
Food Policy Council		
Hudson Valley Agricultural Advisory Council		

Environment and Energy

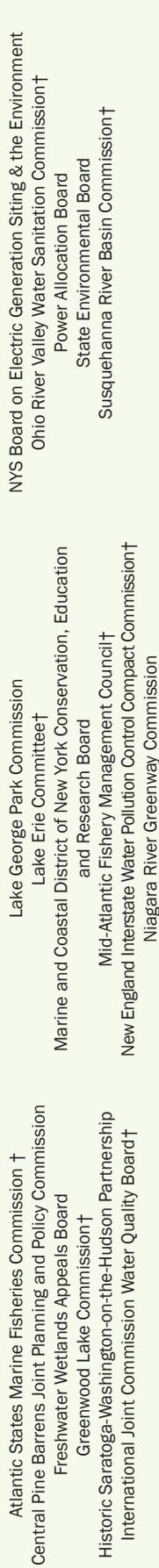
Major Agencies and Authorities



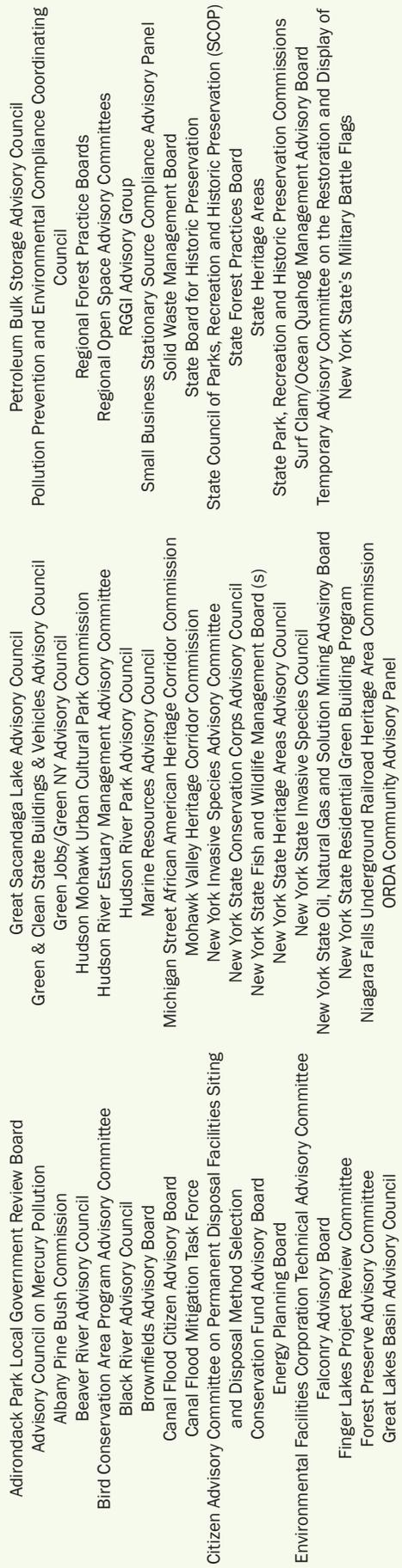
Other State Authorities and Subsidiaries with Independent Operations



Non-Advisory Boards, Commissions and Councils



Advisory Boards, Commissions and Councils



†International or interstate entity

Public Safety

Major Agencies and Authorities



Non-Advisory Boards, Commissions and Councils

Board of Parole
 Board of Examiners of Sex Offenders
 Commission on Forensic Science
 Indigent Legal Services Board
 Interest on Lawyer Account Fund
 Law Enforcement Agency Accreditation Council
 NYS Council for Interstate Adult Offender Supervision†
 Waterfront and Airport Commission of New York and New Jersey†

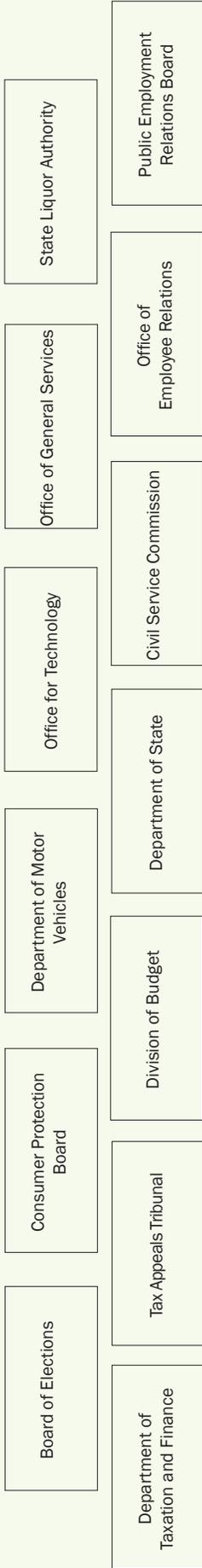
Advisory Boards, Commissions and Councils

Advisory Council for Fire Prevention and Control
 Citizen's Policy and Complaint Review Council
 Correction Medical Review Board
 Domestic Violence Advisory Council
 Drought Task Force
 GIS Coordinating Body
 Internet Crimes Against Children Task Force
 Municipal Police Training Council
 New York Motor Vehicle Theft and Insurance Fraud Prevention Board
 New York State Committee for the Coordination of Police Services to Elderly Persons (TRIAD)
 New York State Statewide Law Enforcement Telecommunications Committee
 NYS OVS Advisory Council
 NYS Probation Commission
 NYSPIN Advisory Committee
 Psychological Screening Advisory Board
 Security Guard Advisory Council
 Service Provider Advisory Council
 Statewide Interoperability Board
 Task Force on Building and Fire Safety

† International or interstate entity

General Government

Major Agencies and Authorities



Other State Authorities and Subsidiaries with Independent Operations



Non-Advisory Boards, Commissions and Councils

- Cemetery Board
- Council on Contracting Agencies
- Interagency Committee on Sustainability and Green Procurement
- NYS Athletic Commission

Uniform Fire Prevention & Building Code Regional Boards of Review

Advisory Boards, Commissions and Councils

- Advisory Council for Technology
- Advisory Council on Procurement Lobbying
- Barbers Board
- Bottled Water Interagency Workgroup
- Broadband Development & Deployment Council
- Citizens Advisory Council
- Clean Fueled Vehicles Workgroup
- Commission on Increasing Diversity in the State Government Workforce (705 Commission)
- Committee on Open Government
- Community Services Block Grant Advisory Council
- Electronic Records Committee (ERC) Task Force
- Empire State Plaza Art Commission

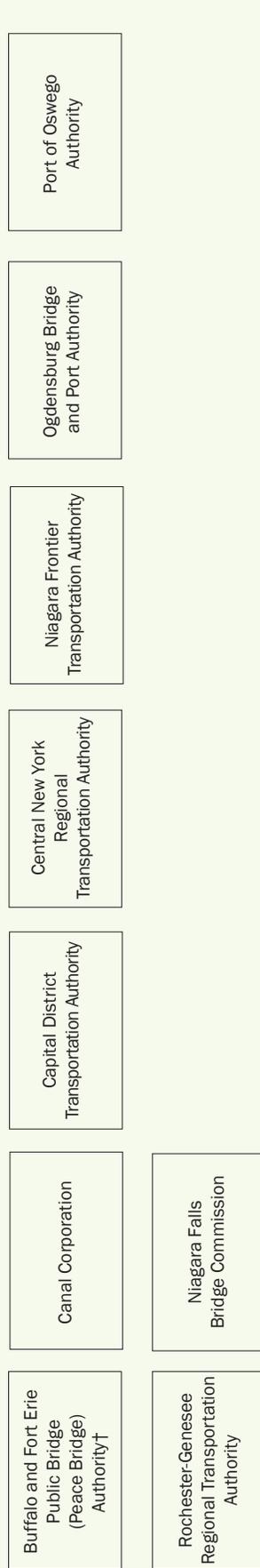
- Governor's Executive Committee on Affirmative Action
- Governor's Traffic Safety Committee
- Long Island Sound Coastal Advisory Commission
- Long Island South Shore Estuary Reserve Council
- Manufactured Housing Advisory Council
- Medical Advisory Board
- New York Ocean and Great Lakes Ecosystem Conservation Council
- NYC Watershed Protection and Partnership Council
- NYS Appearance Enhancement Advisory Committee
- NYS Armored Car Carrier Advisory Board
- NYS Hearing Aid Dispensing Advisory Board
- NYS Home Inspection Council
- NYS Security or Fire Alarm Installer Advisory Committee
- September 11th Workers Protection Task Force
- State Commission on the Restoration of the Capitol
- State Electronic Procurement Opportunity Notification System Workgroup (SEPONS)
- Statewide Wireless Network Advisory Council
- Tow Truck Advisory Board

Transportation

Major Agencies and Authorities



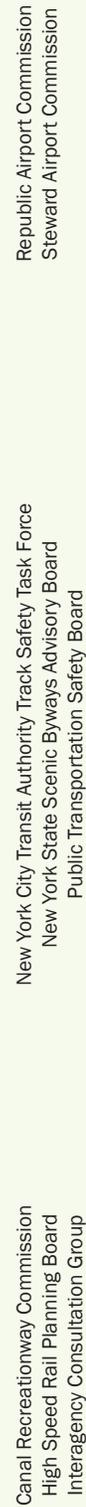
Other State Authorities and Subsidiaries with Independent Operations



Non-Advisory Boards, Commissions and Councils

MTA Capital Program Review Board

Advisory Boards, Commissions and Councils



† International or interstate entity

Education

Major Agencies and Authorities

CUNY

Higher Education
Services Corporation

State Education
Department*

SUNY

Council on the Arts

Other State Authorities and Subsidiaries with Independent Operations

New York State
Theatre Institute

Non-Advisory Boards, Commissions and Councils

Board of Regents
City University Construction Fund

Community College Boards of Trustees
New York School for the Blind Board of Visitors

State University Construction Fund
State University Councils

Advisory Boards, Commissions and Councils

SAGE has not reviewed advisory boards and commissions within
the education cluster.

*The State Education Department reports to the
Board of Regents, not the Executive Chamber

APPENDIX D: Potential Agency Mergers Considered But Not Recommended

DEC/Parks

The Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) are the two main agencies in the State of New York that focus on the environment and outdoor recreation. Despite this commonality, they maintain separate and distinct missions. DEC is responsible for the enforcement of environmental regulations, and the conservation and protection of the State's natural surroundings. In contrast to DEC, which oversees primarily untouched wilderness, OPRHP operates and maintains more developed recreational areas such as Jones Beach and Bear Mountain that together comprise the State's 213 parks and historic sites.

Based on outside input, the SAGE Commission reviewed the potential consolidation of DEC and OPRHP along with related entities like the Environmental Facilities Corporation (EFC) and the environmental functions of DOS and DOH. In doing so, SAGE considered a variety of alternatives, including the development of a single statewide environmental agency and the creation of two new departments, a Department of Environmental Quality and Department of Natural Resources, which would be responsible for regulatory and land stewardship activities respectively. By analyzing models in 15 other states, SAGE identified a variety of ways to realign these agencies. However, of the 15 states SAGE studied, only three had combined all functions into a single environmental agency.

Based on this review, SAGE concluded that a reorganization did not make sense because, as the examples below illustrate, the cost synergies and programmatic benefits of doing so would likely be small. In addition, the idea of reorganizing these departments has received limited support from outside stakeholders.

Enforcement

Both DEC and OPRHP maintain their own police forces to ensure safety in the outdoor areas they oversee. DEC has 290 Environmental Conservation Officers and 134 Forest Rangers, while OPRHP maintains a Park Police force of 245. Over the past few years, the size of OPRHP's police force has declined due to lack of hiring and attrition. Without additional support, OPRHP police staffing levels will fall short of meeting demand for patrol coverage. While OPRHP has undertaken efficiency initiatives to alleviate pressure on its shrinking police force, it has considered additional sharing options, including enhanced collaboration with DEC's enforcement units. However, given OPRHP's seasonal needs (primarily 10 weekends during the summer) and geographic focus (Long Island and Niagara areas), using SUNY police seems more promising to solve the OPRHP shortfall.

Campground Operation

While DEC and Parks both operate recreational areas and campgrounds, they already collaborate by offering a joint camping guide and combined online reservation system. This allows them to create a seamless face to customers. Additionally, it is unclear that there is any benefit to joint management of campgrounds given the remote nature of DEC campgrounds and lack of any geographic overlap. DEC manages 50 campgrounds

located in the Catskill and Adirondack parks, while Parks manages campsites throughout the rest of the State.

There were areas SAGE identified where the two agencies could work together. However, SAGE concluded that this could be accomplished through programmatic realignment rather than a full-scale reorganization:

Land Acquisition

In discussions with SAGE, both DEC and Parks raised land acquisition as a common function that might be consolidated. Both agencies perform essentially the same function and jointly submit an annual report to the Governor and selected legislative leaders detailing their land acquisition activities for that year. DEC currently has a larger group (5-10 FTEs) that does this compared to OPRHP, which has only 2-3 FTEs. Furthermore, DEC takes a more risk-averse approach which results in a more cumbersome and time consuming process – in some cases taking up to 3-4 years simply to accept donated land. SAGE believes there is an opportunity here to not only combine functions but also to streamline DEC's process to achieve efficiencies.

Land Management

Finally, in certain cases where DEC and Parks land border one another, it may make sense to consolidate land management functions under one entity, or at minimum increase land management coordination between the two agencies. One example of this would be where a developed park area is surrounded by forest. Parks and DEC already did a first iteration of this some time ago, however, there are more areas where Parks and DEC have land lying adjacent to one another that could benefit from a more consolidated management approach.

Human Services

Two agencies, the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), are primarily responsible for New York State's social services system. OCFS is responsible for New York's juvenile justice system, the foster care and adoption system, child and adult protective and preventive services, and the regulation of child care. OTDA primarily provides economic related support for low-income New Yorkers through the temporary cash assistance, heating assistance, and food assistance programs. OTDA also has responsibilities relating to homelessness, including the eviction prevention program and oversight of homeless shelters. Both agencies supervise local social services districts and not-for-profit provider organizations in the administration and delivery of their respective services. Additionally, both agencies were formerly part of the NYS Department of Social Services (DSS), and were created as separate entities in 1997 when DSS was legislatively redesigned.

Since these two agencies were previously consolidated within DSS, many presume that a reintegration and merger of OCFS and OTDA would result in enhanced service delivery, better outcomes, and reduced costs. To better understand whether this was the case, the SAGE Commission conducted an in-depth examination of a potential merger between OCFS and OTDA. SAGE Commission staff interviewed thirty-five key external stakeholders, including not-for-profit service provider organizations and officials at the county, city, and federal levels

of government. Internally, staff reviewed any relevant agency data and conducted over thirty focus groups with OCFS and OTDA employees and thirteen executives from the agencies and the Governor's office. Staff also consulted with a variety of national experts from *Governing Magazine*, Harvard's Kennedy School, the Annie E. Casey Foundation, Rockefeller Foundation, nationally recognized consulting firms, and academics from schools of social welfare regarding structural reforms in human services.

While the SAGE Commission's review exposed a range of opinions about whether a merger between OCFS and OTDA was advisable, a majority did not support a merger. After further analysis, the SAGE Commission concurs with this position, and recommends against consolidating OCFS and OTDA. This recommendation is motivated by several concerns.

First, the core missions of OCFS and OTDA do not sufficiently overlap to support the idea of a merger. Though both agencies serve similar populations and oversee the same local social services districts, there are significant differences in the specialized nature of their work. OTDA mostly focuses on administering economic support for low income individuals, while OCFS primarily focuses on child welfare, the operation of juvenile justice facilities, and the regulation of over 22,000 daycare and child care settings.

These differences in the core missions of the respective agencies have resulted in the agencies developing different internal competencies. Generally, OTDA is highly specialized around developing State policy, and providing technical assistance, training, oversight and financial services to local social services districts as they distribute public assistance. In contrast, OCFS's functions are highly operational and include the day to day oversight and operation of juvenile justice facilities and running the State Child Abuse Hotline. Simply put, the primary work and day-to-day focus is different between the two agencies. Second, child welfare and juvenile justice are challenging and crisis-prone areas that often generate negative publicity, and as a result, tend to monopolize management attention. There is a real risk that a merger would result in a reduced quality of service in areas that are today performed by OTDA as management attention is diverted to managing the child welfare and juvenile justices systems. Multiple interviews with local district DSS Commissioners echoed this concern.

Additionally, when DSS was redesigned in 1998, child welfare experts, advocates, legislators, and others pushed for a division of functions between OCFS and OTDA because they wanted to see an undiluted focus on child welfare and the juvenile justice program. While there are many variables involved, this strategy appears to have worked. Separation has allowed each agency to focus more on what needed to be done in their respective programs.

Third, OCFS and OTDA already share a number of services, including cost allocation, some fair hearings, claiming, cash management, auditing, some training contracts and IT. The agencies coordinate closely with each other and are exploring further opportunities to share services. As a result, many of the potential benefits of a

merger have already been achieved through the use of shared services.

Finally, as noted before, because economically disadvantaged New Yorkers are deeply affected by the programs offered by OCFS and OTDA, even the temporary disruption of a merger could have a negative impact on millions of lives. The recent economic crisis, which has increased the need for services to support low-income individuals and families, further amplified this concern. For instance, the Supplemental Nutritional Assistance Program (a.k.a. food stamps) caseload has seen an astounding 60% increase since December 2008. The Commission believes that pursuing a merger of OCFS and OTDA, which would necessarily be time consuming and potentially disruptive, is particularly ill-advised in today's stressed economic environment.

Long-Term Care

The State Office for the Aging's (SOFA) primary function is to provide funding for and oversight of programs that enable hundreds of thousands of the frail elderly to continue to live independently outside of institutional care. These programs include the Supplemental Nutrition Assistance Program (SNAP), the Community Services for the Elderly Program (CSE), and the Expanded In-home Services for the Elderly Program (EISEP). These programs save the State money by helping to avoid the need for much more expensive institutional care that would likely increase Medicaid costs.

The Department of Health administers many programs for Medicaid-eligible New Yorkers that are similar to programs managed by SOFA, but which are much larger because of the vast pool of Medicaid funding. The State's Personal Care Services Program provides services very similar to EISEP. The Long Term Home Health Care Program (LTHHCP) provides Medicaid waiver services such as day care and home delivered meals that are included in SOFA's SNAP and CSE programs. However, because the programs administered by DOH are delivered within a "medical model" per federal law and guidance, they are more expensive than comparable programs offered by SOFA, and in many cases less attractive to the older New Yorkers who need these services. This is driven mainly by the federal Medicaid parameters, which impose a physician order requirement, as well as other, more expensive administrative processes.

In addition to these overlapping functions, there is a significant overlap between DOH's goals in the area of long-term care and that of SOFA, namely, to provide support services to older adults that enable them to live independently rather than being placed in expensive and unwanted institutional care. The Cuomo Administration's policy goals for long-term care include making much greater use of exactly the type of programs and delivery mechanisms that SOFA employs and that DOH uses to the extent possible within federal Medicaid regulations. These programs represent a cost effective and much desired alternative to institutional care.

One of the key recommendations of the Cuomo administration's Medicaid Redesign Team (MRT) adopted in the 2011-12 Budget, was to transition of all Medicaid recipients to a form of managed or coordinated care within

three years. A global or “capitated” payment under Managed Long-Term Care could provide substantially more federal funding for the progressive social supports for activities of daily living now provided by SOFA programs. Similarly, a federal waiver to expand this Managed Long-Term Care program to “dual eligibles” for Medicaid and Medicare would make substantial funding available to the types of cost-effective programs managed by SOFA.

At first blush, the significant overlap of functions and missions between DOH and SOFA suggest that a merger could improve the efficiency and program effectiveness of these two independent agencies. However, after substantial analysis, the Commission has concluded that the conditions that would make it possible to greatly expand the approach used by SOFA to help a broader range of older New Yorkers and other New Yorkers with physical disabilities avoid institutional care do not yet exist. Accordingly, the Commission believes that a better course of action is for the State to closely coordinate the two agencies’ policy objectives and consider a full integration if, and only if, the conditions are in place to ensure that the SOFA approach spreads to DOH’s programs for older New Yorkers who are Medicaid eligible, rather than having DOH’s “medical model” and cost structure spread to SOFA’s efficient and popular programs.

APPENDIX E: List of Unnecessary Boards and Commissions

Boards and Commissions Eliminated in the 2012-13 Budget

Not Active (17)

Direct Marketing Advisory Council
Agricultural Transportation Review Panel
Hudson Valley Agricultural Advisory Council
Statewide Wireless Network Advisory Council
Child Welfare Research Advisory Board
Industry Board of Visitors
Upstate and Downstate Tourism Councils
Solid Waste Management Board
Surf Clam/Ocean Quahog Management Advisory Board
Environmental Facilities Corporation Technical Advisory Committee
Tow Truck Advisory Board
New York State Conservation Corps Advisory Council
NYS Armored Car Carrier Advisory Board
Long Island Sound Coastal Advisory Commission
Barbers Board
Disability Advocacy Program Advisory Council
New York State Veterans Hall of Fame

Mission Complete (1)

NYS Statewide Law Enforcement Telecommunications Committee

Duplicative (2)

Freshwater Wetlands Appeals Board
Organic Food Advisory Committee

Replaced by Informal Dialogue (5)

State Environmental Board
Regional Forest Practice Boards
State Forest Practices Board
NYS Home Inspectional Council
NYS Security or Fire Alarm Installer Advisory Committee

Mergers (3)

NYS Veterinary Diagnostic Lab Advisory Board/ Animal Health Issues Committee
Breast and Cervical Cancer Detection and Education Program Advisory Council/ Ovarian Cancer Information Advisory Council/ Health Research Science Board

Boards and Commissions Recommended for Elimination in the Future

Not Active (11)

MWBE Advisory Board
 Temp. Advisory Committee on the Restoration and Display of NYS's Military Battle Flags
 Manufacture Housing Advisory Council
 Plant Industry Advisory Committee
 Traumatic Brain Injury Services Coordinating Council
 State Cemetery Board Citizens Advisory Council
 NYS Appearance Enhancement Advisory Committee
 HEAP Block Grant Advisory Council (BGAC)
 TANF Block Grant Advisory Council
 Canal Flood Mitigation Task Force
 Canal Flood Citizen Advisory Board

Mission Complete (6)

Child Performance Advisory Board to Prevent Eating Disorders
 Spinal Cord Injury Research Board
 Adult Care Facilities and Assisted Living Resources Task Force
 Alzheimer's Disease and Other Dementia Coordinating Council
 Carnival Fair, Amusement Park Safety Advisory Board
 Bottled Water Interagency Workgroup

Duplicative (1)

Commission on Increasing Diversity in the State Government Workforce (705 Commission)

Replaced by Informal Dialogue (6)

Hoyt Trust Fund Board
 Falconry Advisory Board
 Bird Conservation Area Program Advisory Committee
 Palliative Care Education and Training Council
 Funeral Directing Advisory Board
 NYS Hearing Aid Dispensing Advisory Board

Mergers (6)

State Emergency Medical Services Council (SEMSCO)/ State Trauma Advisory Committee/ Emergency Medical Services for Children Advisory Committee/ State Emergency Medical Advisory Committee (SEAC)*
 NYS Advisory Council on Alcoholism and Substance Abuse Services/ Advisory Council on Underage Alcohol Consumption
 Marine Resources Advisory Council/ Marine and Coastal District of New York Conservation, Education and Research Board
 Public Health and Health Planning Council/ Continuing Care Retirement Community Council

*Included in 2013-14 Budget Proposal

APPENDIX F: List of Preliminary Recommendations by the Commissions Convened by the Governor in Response to Superstorm Sandy

The following are major preliminary recommendations of the NYS Ready Commission, the NYS Respond Commission, the NYS 2100 Commission, and the Moreland Commission on Utility Storm Preparation and Response – all created by Governor Cuomo in response to Hurricane Sandy and other extreme weather events.

- Harden the NYC Subway System: Flood-proof subways and bus depots with vertical roll-down doors, vent closures, inflatable bladders, and upsized fixed pumps (with back-up power sources);
- Harden New York’s airports: Install elevated or submersible pump control panel, pump feeders and tide gates at airports;
- Harden New York’s fuel delivery system: Require that gas stations in strategic locations have on-site back-up power capacity and create a Strategic Fuel Reserve to protect NY from temporary disruptions in fuel supply;
- Harden New York’s utilities. PSC will require utilities to submit detailed implementation plans to harden their facilities, including raising substation wall and elevating transformer installations;
- Redesign New York’s Power System: Put real regulatory and enforcement teeth into the Public Service Commission;
- Privatize LIPA;
- World-Class Emergency Response Network: The state will create uniform training and protocols for all emergency personnel, including a SUNY/CUNY program certificate for all emergency workers in the state.
- Specialized Training for the National Guard: To build on the vital role that the National Guard plays in emergency response, the Governor proposed providing additional specialized training in key emergency response areas like power restoration, search-and-rescue, heavy equipment operation, crowd management and public safety where the Guard’s scale, skills and equipment can have a unique and powerful impact on restoring power faster, saving lives and other critical areas.
- Statewide Volunteer Network: To capitalize on New York’s spirit of volunteerism, the Governor proposed creating a Statewide Volunteer Network to mobilize and organize volunteers based on their skills, interests and resources.

- **Civilian Emergency Response Corps:** To ensure that the necessary skills and expertise are available and can be mobilized to effectively support rapid restoration of essential services and infrastructure, the Governor proposed a Civilian Emergency Response Corps made up of technical and trades personnel—including electricians, pipefitters, line workers, landscapers, public works personnel, civil engineers and debris removal tradespeople—who can be trained, certified, credentialed and deployed to perform disaster response and recovery related tasks as part of a well-coordinated public/private-sector partnership.
- **Private Sector Emergency Response Task Force:** The Governor proposed creating a standing task force made up of chief logistics officers from key industry sectors that will create a plan in advance for the distribution of food, water and other supplies and execute the plan in a declared emergency.
- **Citizen Education Campaign:** The campaign would focus on preparing all New Yorkers as “in-house first responders.”
- **Ensure that Vulnerable Populations Can Receive Help in an Emergency:** The use of voluntary and effective Vulnerable Population databases will be expanded so first responders, outreach workers, and healthcare and human services personnel can find and serve those who may need assistance before, during, and after emergencies, including senior citizens, persons with disabilities, infants and children, and people with chronic medical conditions.
- **Communicating with New Yorkers in an Emergency:** Cell phone networks and other communications systems must be strengthened to ensure that first responders and citizens never lose the ability to communicate fully and instantly. In addition, New York will develop a program to allow mass text messages to be sent to all wireless phones in a chosen geographic area. In addition, the State will explore establishing a one-stop disaster recovery communications hub that is integrated with social networking, mobile messaging and chat tools—using all available means to reach New Yorkers.

APPENDIX G: Acronym Glossary

ABO – Authority Budget Office
AHC – Affordable Housing Corporation
BPCA – Battery Park City Authority
BSC – Business Services Center
CCA – Chicago Civic Consulting Alliance
CDO – Chief Data Officer
CIO – NYS Chief Information Officer
COO – Chief Operations Officer
CPB – Consumer Protection Board
CPO – Chief Portfolio Officer
CQC – Commission on Quality Care and Advocacy for Persons with Disabilities
CSEA – Civil Service Employees Association
CTO – Chief Technology Officer
CUNY – City University of New York
DAR – Digital Audio Recording
DEC – Department of Environmental Conservation
DEEP – Department of Energy and Environmental Protection
DCJS – Division of Criminal Justice Services
DCS – Department of Civil Service
DEC – Department of Environmental Conservation
DFS – Department of Financial Service
DHCR – Division of Housing and Community Renewal
DMNA – Division of Military and Naval Affairs
DMV – Department of Motor Vehicles
DOB – Division of Budget
DOCCS – Department of Corrections and Community Supervision
DOH – Department of Health
DOL – Department of Labor
DOS – Department of State
DOSC – Department of Correctional Service
DOT – Department of Transportation
DPB – Virginia Department of Planning and Budget
DPS – Department of Public Service
DTF – Department of Tax and Finance
EEPS – Energy Efficiency Portfolio Standard
EFC – Environmental Facilities Corporation
EIAM – Enterprise Identification and Access Management
EMS – Emergency Medical Services
EMS-C – Emergency Medical Services for Children Council

EPA – Environmental Protection Agency
ERP – Enterprise Resource Planning
ESDC – Empire State Development Corporation
FFEL – Federal Family Education Loan
FHA – Federal Housing Administration
FTEs – Full-Time Equivalent Personnel
GAO – Government Accountability Office
GMAP – Government Management Accountability and Performance
GOER – Governor’s Office of Employee Relations
HCR – New York Homes and Community Renewal
HESC – Higher Education Services Corporation
HFA – Housing Finance Authority
HRBRRD – Hudson River Black River Regulating District
HR – Human Resources
HRPT – Hudson River Park Trust
HTFC – Housing Trust Fund Corporation
HUD – Department of Housing and Urban Development
IT – Information Technology
ITS – Office of Information Technology Service
ISO – Information Security Officer
LDCs – Local Development Corporations
LIPA – Long Island Power Authority
MassDOT – Massachusetts Department of Transportation
MCOs – Managed Care Organizations
METRIX – Maximizing Essential Tools for Research Innovation and Excellence
MIF – Mortgage Insurance Fund
MTA IG – Metropolitan Transportation Authority Inspector General
MWBEs – Minority- and Women-Owned Business Enterprises
NFPs – Not-For-Profits
NYESS – New York Employment Services System
NYSERDA – New York State Energy Research and Development Authority
NYPA – New York Power Authority
NYSHIP – New York State Health Insurance Plan
NYSIF – Injured Workers’ Insurance Fund
NYSIG – New York State Inspector General
NYSTAR – New York State Foundation for Science, Technology and Innovation
OASAS – Office of Alcoholism and Substance Abuse Services
OCFS – Office of Children and Family Services
OFIG – Worker’s Compensation Fraud Office of the Inspector General
OFT – Office for Technology
OGS – Office of General Services

OHIP – Office of Health Insurance Programs
OMH – Office of Mental Health
OMIG – Office of Medicaid Inspector General
OPDV – Office for the Prevention of Domestic Violence
OPRHP – Office of Parks, Recreation and Historic Preservation
OPWDD – Office of People with Developmental Disabilities
ORDA – Olympic Regional Development Authority
OTDA – Office of Temporary and Disability Assistance
OVS – Office of Victim Services
OWIG – Office of Welfare Inspector General
PEF – Public Employees Federation
PIO – Public Information Officer
PSC – Public Service Commission
PwC – PricewaterhouseCoopers
REMACs – Regional Emergency Medical Advisory Committees
REMSCO – Regional Emergency Medical Service
RFP – Request for Proposal
RIOC – Roosevelt Island Operating Corporation
RPS – Renewable Portfolio Standard
RTACs – Regional Trauma Advisory Committees
SAGE – Spending and Government Efficiency
SBC – Systems Benefit Charge
SBS – Small Business Services
SEMAC – State Emergency Medical Advisory Committee
SEMSCO – State Emergency Medical Services Council
SEQRA – State Environmental Quality Review
SFS – Statewide Financial System
SIF – State Insurance Fund
SLA – State Liquor Authority
SLMS – Statewide Learning Management System
SOFA – State Office for the Aging
SONYMA – State of NY Mortgage Agency
STAC – State Trauma Advisory Committee
SUNY – State University of New York
SWIB – State Workforce Investment Board
TAP – Tuition Assistance Program
UDC – Urban Development Corporation
UVA – University of Virginia
VoIP – voice over Internet protocol
WIBs – Workforce Investment Boards

