



# 2013-14 Executive Budget & Management Plan

Governor Andrew M. Cuomo  
January 22, 2013



**Two years ago...**



**Needed...**

**“Fundamental Change”**



**REBUILD GOVERNMENT**  
**From the ground up...**



**RESTORE TRUST + RENEW PURPOSE**



**...to make it work once again.**



**ECONOMIC  
DEVELOPMENT/  
FISCAL  
RESPONSIBILITY**

**SOCIAL  
PROGRESS**



**ECONOMIC  
DEVELOPMENT/  
FISCAL  
RESPONSIBILITY**



**GOVERNMENT  
OPERATIONS**



**SOCIAL  
PROGRESS**

**"TAX REALITY"**

**ECONOMIC  
DEVELOPMENT/  
FISCAL  
RESPONSIBILITY**

**GOVERNMENT  
OPERATIONS**

**SOCIAL  
PROGRESS**

**PROPERTY  
TAX CAP**

**'TAX CAP'**

**ECONOMIC  
DEVELOPMENT/  
FISCAL  
RESPONSIBILITY**

**GOVERNMENT  
OPERATIONS**

**SOCIAL  
PROGRESS**

**LOWEST  
TAX RATE IN  
60 YEARS**

**PROPERTY  
TAX CAP**

**TAX**

**ECONOMIC  
DEVELOPMENT/  
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RESPONSIBILITY**

**GOVERNMENT  
OPERATIONS**

**SOCIAL  
PROGRESS**





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TAX RATE IN  
60 YEARS

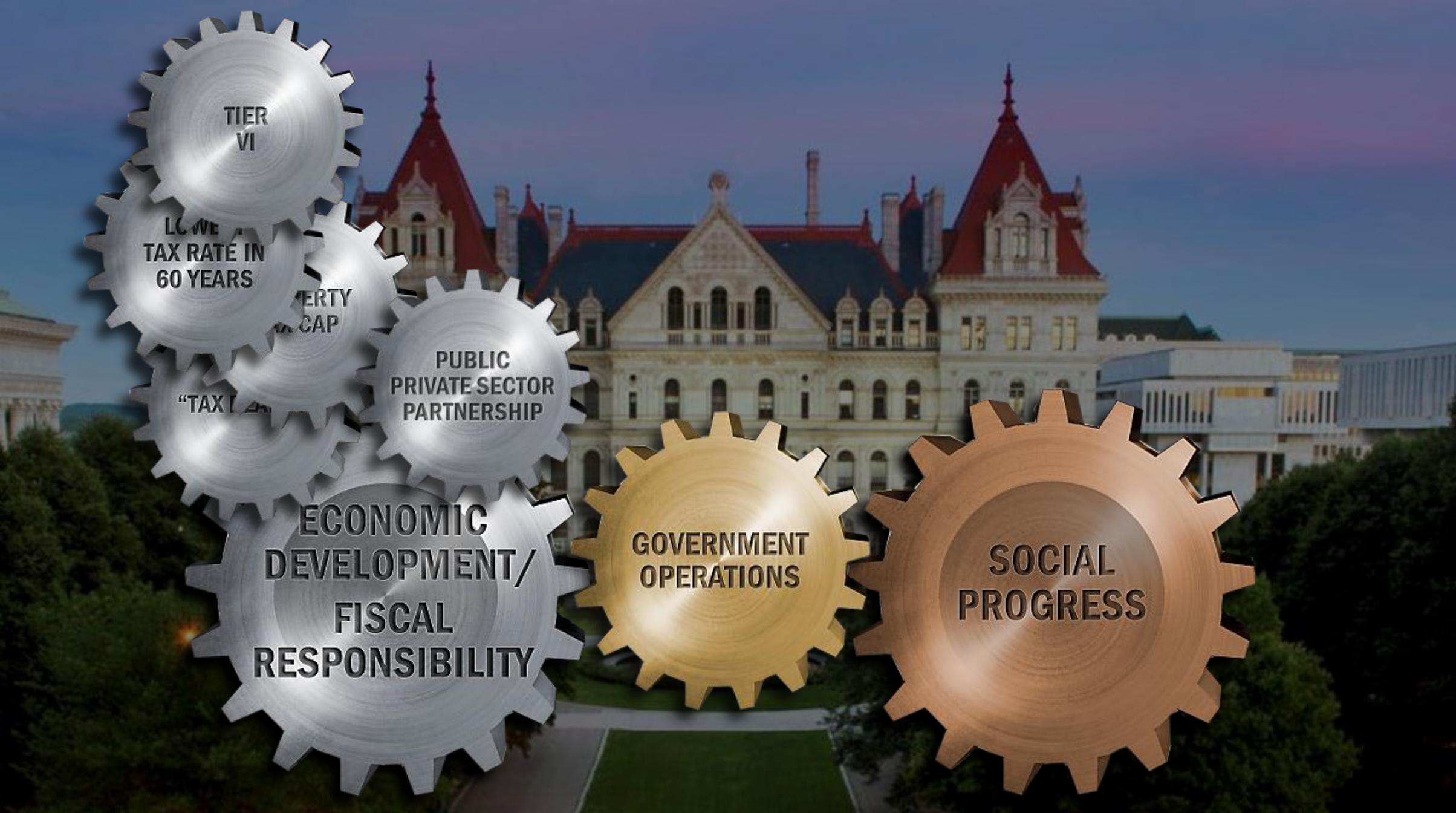
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TIER VI

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LOWEST TAX RATE IN  
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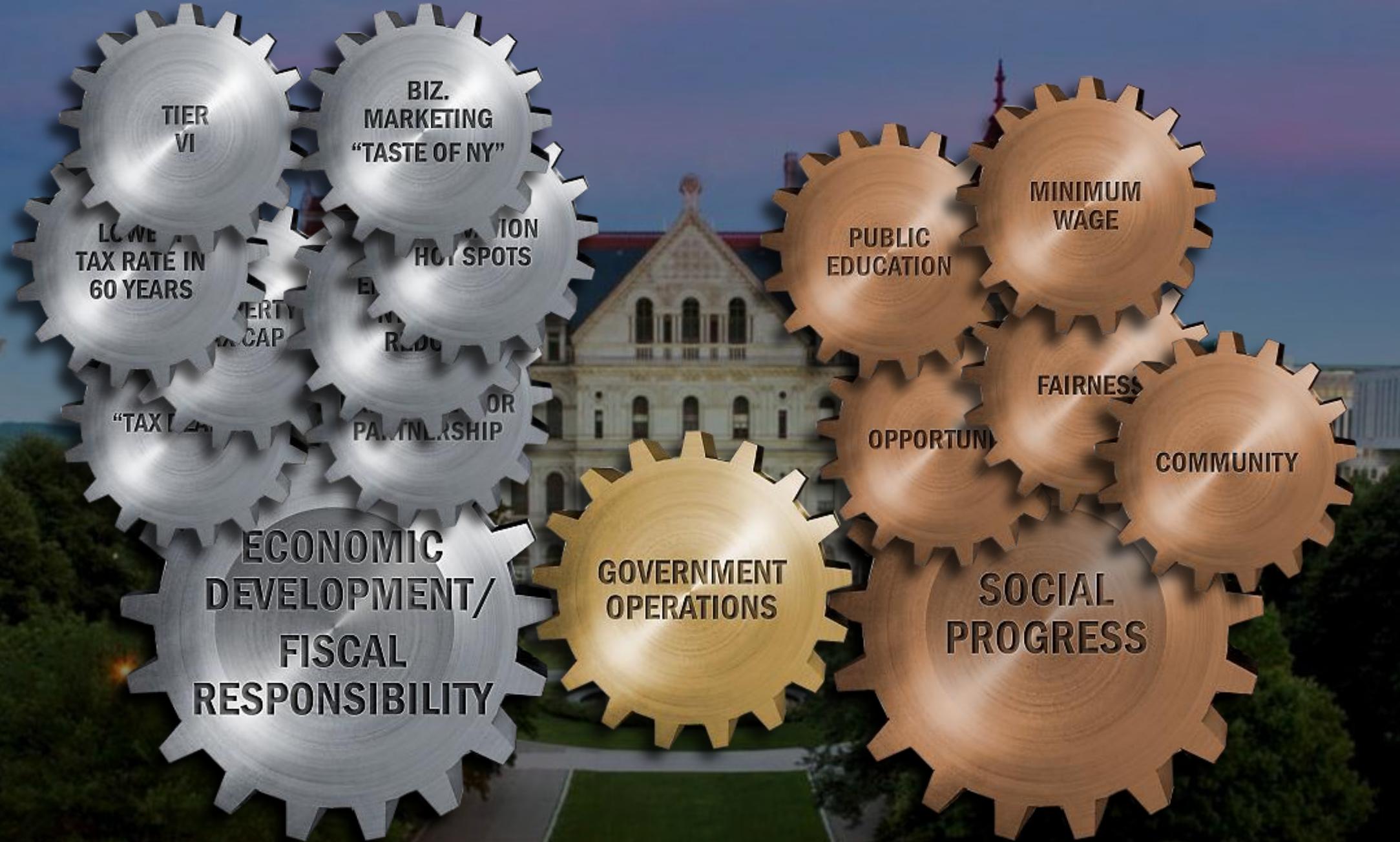
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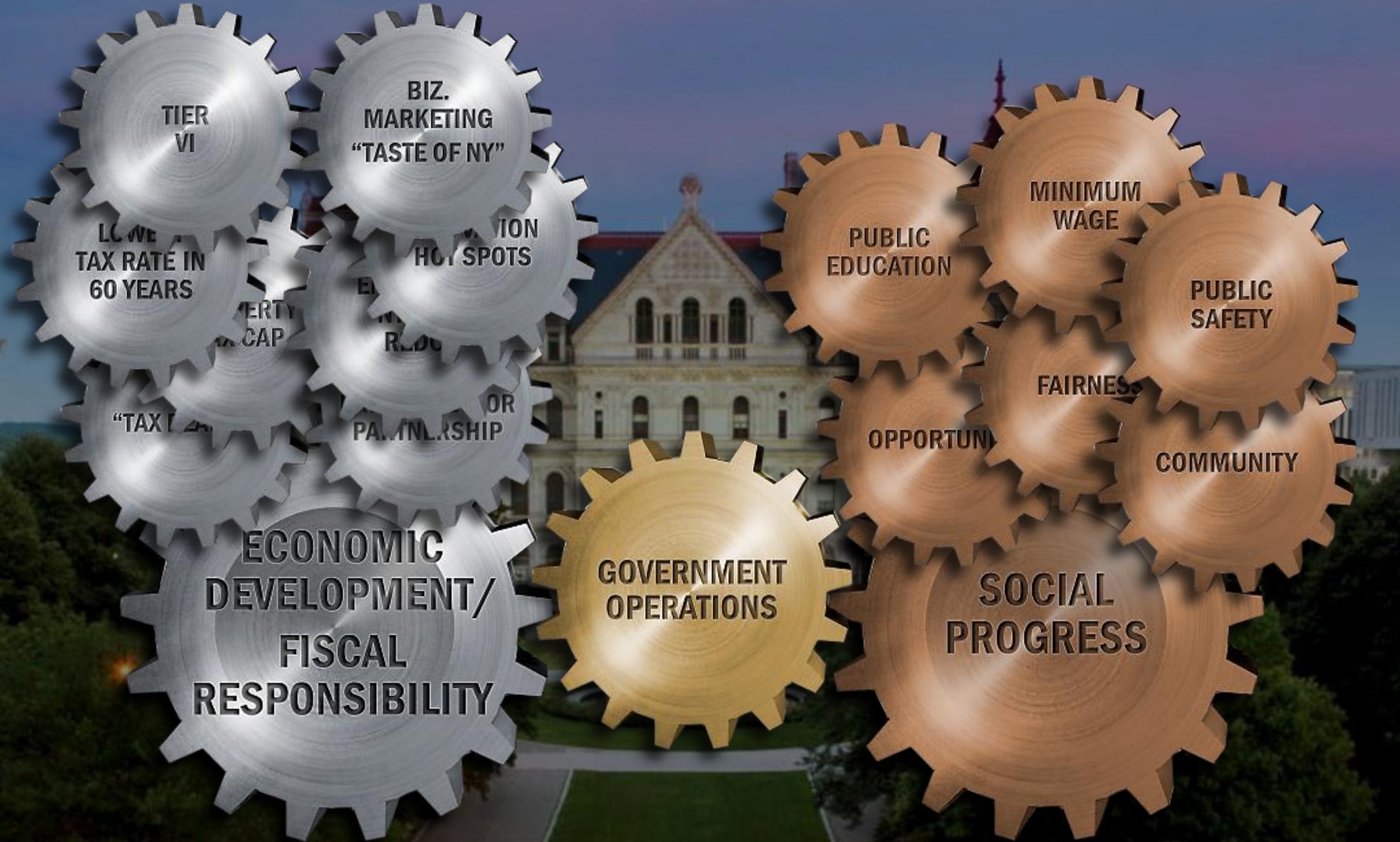
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"TASTE OF NY"

LOWEST TAX RATE IN 60 YEARS

INNOVATION HOT SPOTS

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OR PARTNERSHIP

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FISCAL RESPONSIBILITY

GOVERNMENT OPERATIONS

PUBLIC EDUCATION

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PUBLIC SAFETY

FAIRNESS

OPPORTUNITY

COMMUNITY

SOCIAL PROGRESS



TIER VI

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60 YEARS

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TIER VI

BIZ. MARKETING  
"TASTE OF NY"

HELPING PEOPLE REBUILD

QUALITY ALL

LOWEST TAX RATE IN 60 YEARS

INNOVATION HOT SPOTS

PUBLIC EDUCATION

PUBLIC SAFETY

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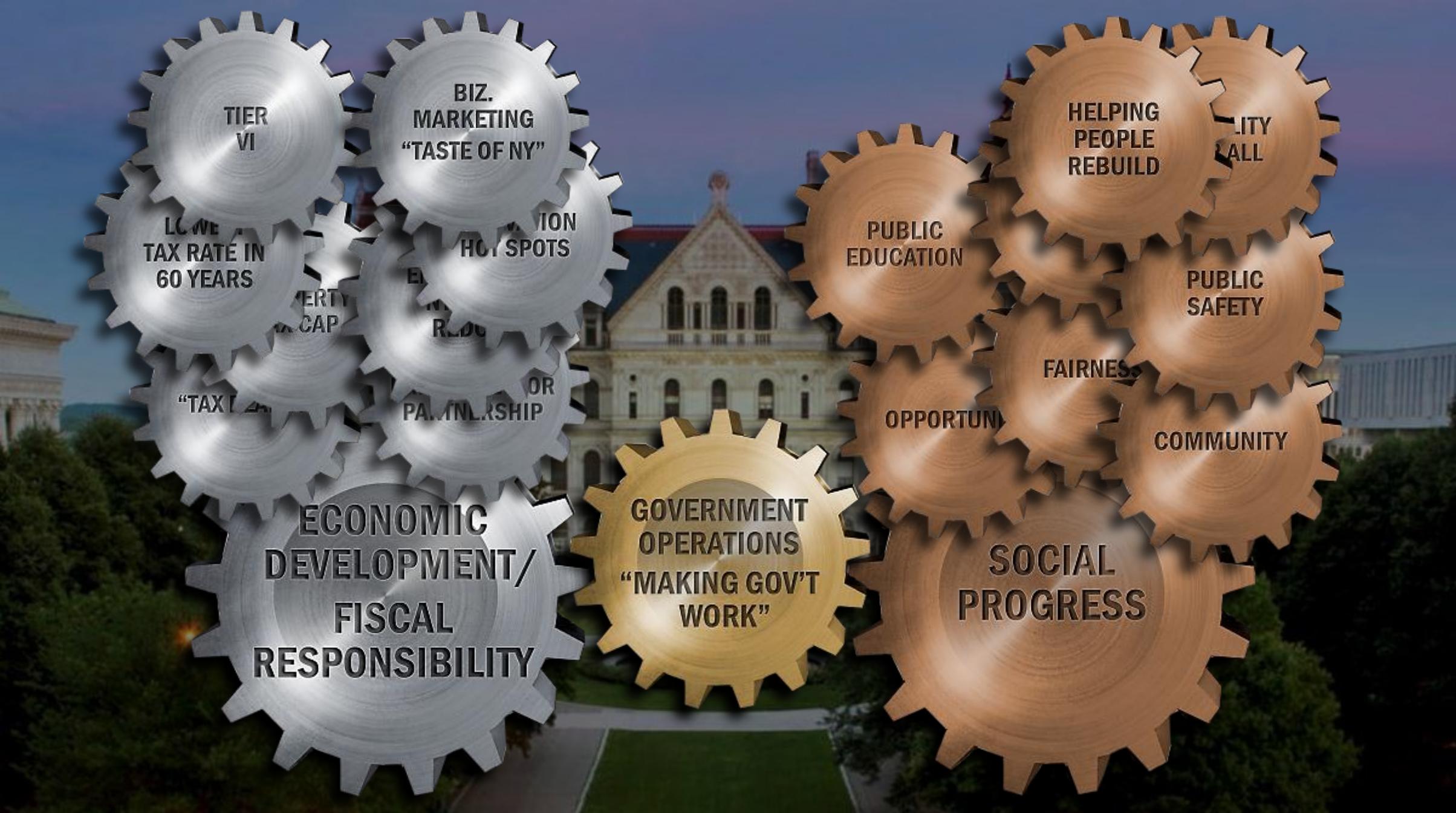
FAIRNESS

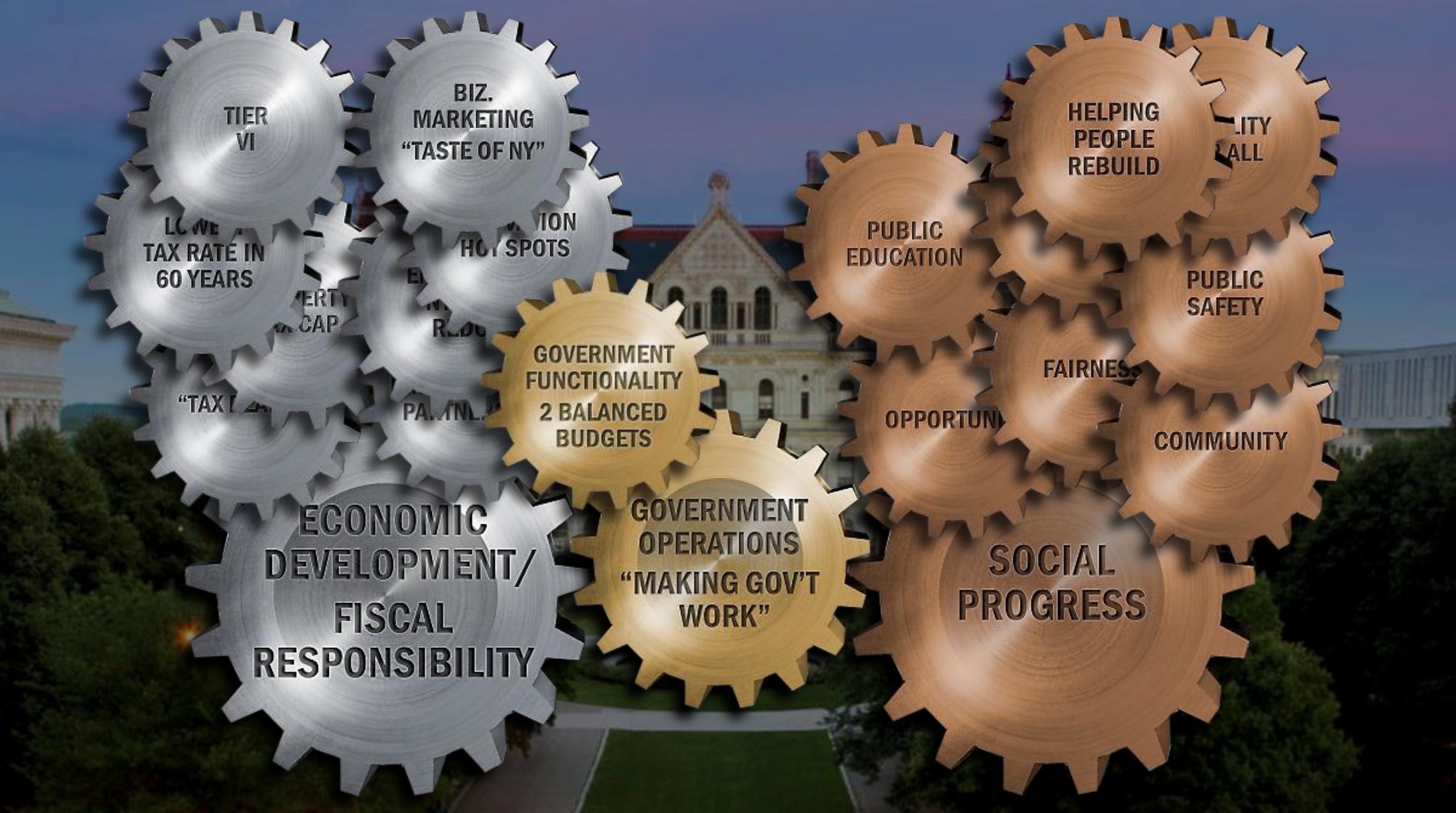
COMMUNITY

ECONOMIC DEVELOPMENT/  
FISCAL RESPONSIBILITY

GOVERNMENT OPERATIONS  
"MAKING GOV'T WORK"

SOCIAL PROGRESS





TIER VI

BIZ. MARKETING  
"TASTE OF NY"

HELPING PEOPLE REBUILD

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LOWEST TAX RATE IN 60 YEARS

INNOVATION HOT SPOTS

PUBLIC EDUCATION

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COMMUNITY

ECONOMIC DEVELOPMENT/  
FISCAL RESPONSIBILITY

GOVERNMENT OPERATIONS  
"MAKING GOV'T WORK"

SOCIAL PROGRESS

TIER VI

BIZ. MARKETING  
"TASTE OF NY"

HELPING PEOPLE  
REBUILD

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RESULTS/  
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RESULTS/  
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FISCAL  
RESPONSIBILITY

GOVERNMENT  
OPERATIONS  
"MAKING GOV'T  
WORK"

SOCIAL  
PROGRESS

**Two years later...  
...Government is working.**

TIER VI

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FISCAL  
RESPONSIBILITY

GOVERNMENT  
OPERATIONS  
"MAKING GOV'T  
WORK"

SOCIAL  
PROGRESS

# The budget was a flashpoint for dysfunction.

**The New York Times**

## **125 Days Late, a State Budget With New Taxes**

By DANNY HAKIM, August 3, 2010

**NEW YORK POST**

## **NO FOOLING: BUDGET DEADLINE MISSED**

By KENNETH LOVETT, Post Correspondent  
April 1, 2007

**DAILY NEWS**

NEW YORK'S HOMETOWN NEWSPAPER

www.nydailynews.com

**DAILY NEWS**

NEW YORK'S HOMETOWN NEWSPAPER

www.nydailynews.com

## **State Budget Watch 76 Days Late**

Saturday, June 15, 1996

## **Another Late State Budget**

BY JOE MAHONEY  
March 25, 2003

**Now the budget is the symbol of government working.**

**New York has a promising economic outlook.**

**““ Over the last two years New York State has successfully tackled serious budget issues...these actions helped improve the State’s fiscal condition... --Citizens Budget Commission ””**

## THE WALL STREET JOURNAL

S&P Raises Outlook on New York State to Positive

August 27, 2012  
By Tess Stynes

## CRAIN'S

NEW YORK BUSINESS

S&P raises NY debt outlook

By Jeremy Smerd

## GANNETT

It's all within reach.

S&P Bumps Up NY's Credit

By Jon Campbell  
August 27 2012



**2013-14 Executive Budget is...**  
**...simple and straightforward.**



**...It's not supposed to be traumatic.**



**2013-14 budget gap is.....**

**\$13 billion.**



**2013-14 budget gap is....**

**\$1.3 billion.**

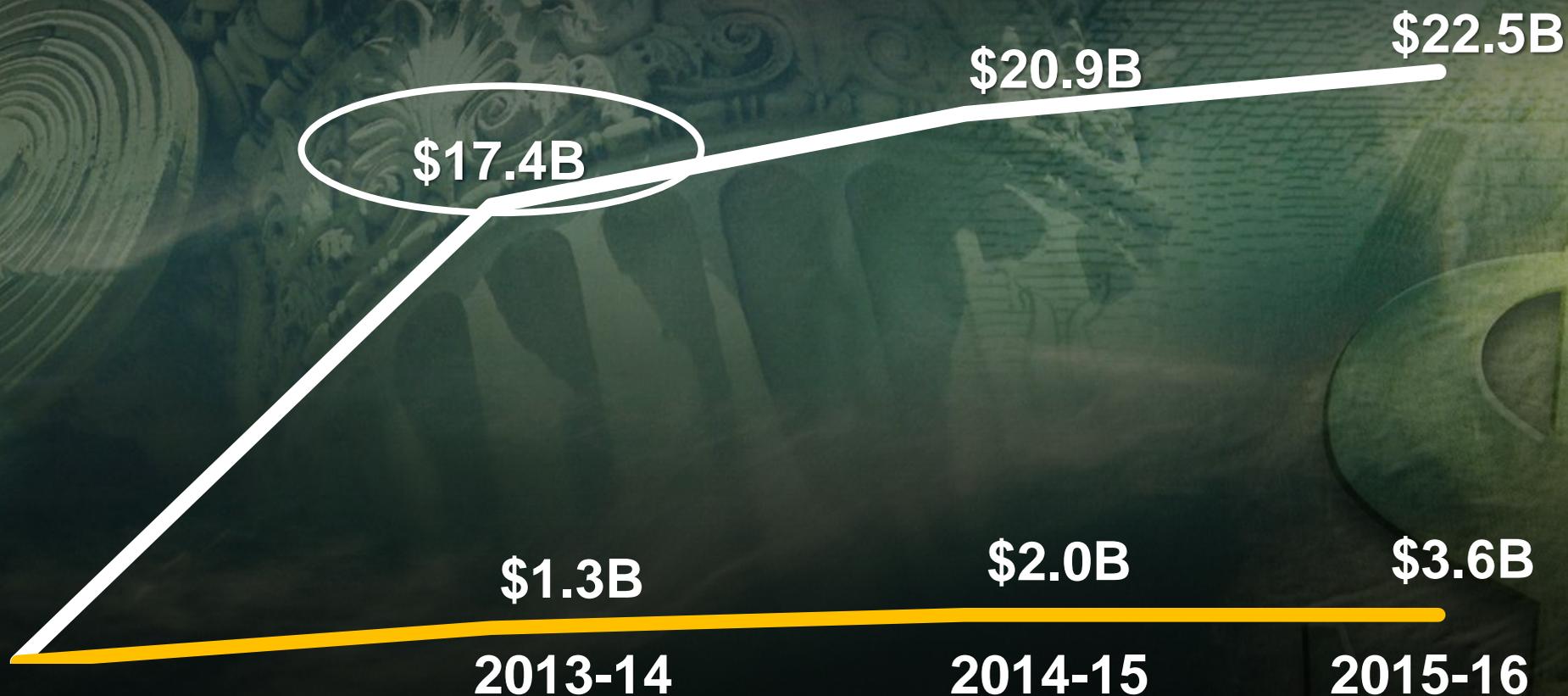


# **2013-14 Executive Budget: Financial Plan**



# Financial Plan

If we didn't take action in 2011 and 2012, budget gaps would have been in the double-digits





## Fiscally responsible budgets have closed the gaps

	2011-12	2012-13	2013-14
Estimated Gap to Close	\$10.0B	\$3.5B	\$1.3B
Estimated State Operating Funds Receipts	\$81.9B	\$84.1B	\$86.9B
Gap as a Percentage	12.2%	4.2%	1.6%



How do we close a **\$1.3B** deficit?



**First, what we don't do...**





**NO NEW TAXES.**





## How do we close \$1.3B?

	Scheduled Increase	Proposed Increase	Savings
State Operations (NPS, consolidating State back office functions)	1.4%	FLAT	\$434M
Local Aid	3.1%	2.3%*	\$509M
Debt Management (Smarter debt practices and refinancing)	5.2%	1.1%	\$128M
Workers' Comp Reform/Rightsizing SIF	—	—	\$250M
Sales and other tax enforcement	—	—	\$35M
<b>TOTAL Gap Closing</b>			<b>\$1.3B</b>
State of the State Investments	—	—	\$543M

\*Inflation is 2.1%.



## State of the State Initiatives

Initiative	Total
<b>General Fund Spending</b> Education (Full-Day Pre-K, Longer Day and Year, Incentivizing High Performing Teachers, Community Schools), Upstate Tourism (Market-NY), Taste-NY and Innovation Hot Spots Professional Support	\$89M
<b>Capital Spending</b> NYSUNY 2020, NYCUNY2020	\$110M*
<b>Affordable Housing (\$1B over 5 years)</b> First year of a multi-year plan (HFA mortgage refinancing, housing fund reserves and capital)	\$194M*
<b>NYS Innovation Capital Fund Financed by ESDC</b>	\$50M*
<b>NY Green Bank/Solar Jobs/Charge-NY</b>	\$100M*
<b>TOTAL</b>	<b>\$543M</b>
<b>Proposed Hurricane Sandy Funding</b>	<b>\$3.6B</b>

\*Does not count in annual operating expenses.



## Partners in Government

	2012-13	2013-14	Change
OSC	\$139M	\$139M	FLAT
OAG	\$163M	\$163M	FLAT
OCA	\$1.87B	\$1.87B	FLAT



## Summary: State Operating and All Funds

	2012-13	2013-14 Proposed	Change	Percent Change
State Operating	\$89.4B	\$90.8B	\$1.4B	1.6%
All Funds (w/o Hurricane Sandy Aid and w/o Affordable Care Act)	\$134B	\$136.5B	\$2.5B	1.9%
All Funds (w/Affordable Care Act)	\$134B	\$137.5B	\$3.5B	2.6%
All Funds (w/ Hurricane Sandy Aid and Affordable Care Act)	\$135.5B	\$142.6B	\$7.1B	5.2%



Education and Medicaid spending  
make up **50%** of the total state budget.



In 2011 we eliminated the unsustainable automatic **13%** annual increases in Medicaid and education spending.



**The law replaced them with reality-based growth indices in education and Medicaid.**



**This budget continues a fiscally responsible course.**





# 2013-14 Executive Budget: Education





## Education

**Current law links the annual education spending index to the rate of that year's growth in State personal income.**



## Education

Education index applied to this year =  
3% growth (additional **\$611M**).



However, we propose a **pension and fiscal stabilization adjustment.**

Would add an additional 1% for pension and fiscal stabilization for districts, which equals **\$203M.**



# Education State of State Initiatives

- Full-day pre-k for highest needs students: **\$25M\***
- Extending school year and day: **\$20M\***
- Community schools: **\$15M\***
- Master teachers: Pay for performance: **\$11M\***

\*Would be funded through unallocated education performance grants.



## Education aid increase

Formula-Based Aid	\$611M
Fiscal Stabilization Funding	\$203M
SOS Initiatives	<u>\$75M</u>
<b>TOTAL</b>	<b>\$889M</b>



**Total Education Spending=**  
**\$889M or 4.4% increase.**

**Last year's increase was \$805M or 4%.**

**\$300 per student average increase over last**  
**year's increase.**

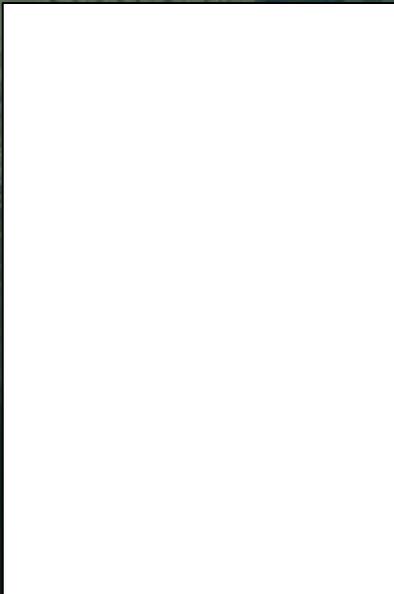


# Education

Total education aid increase over

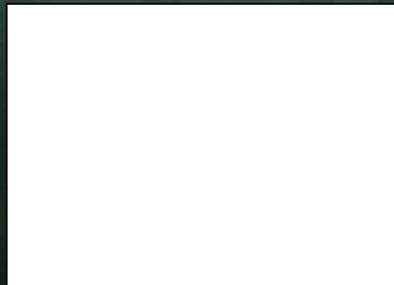
2-years is **\$1.7B**

8.6%



2-year education spending increases

4.1%



2-year inflation rate

1.6%



2-year growth in home values

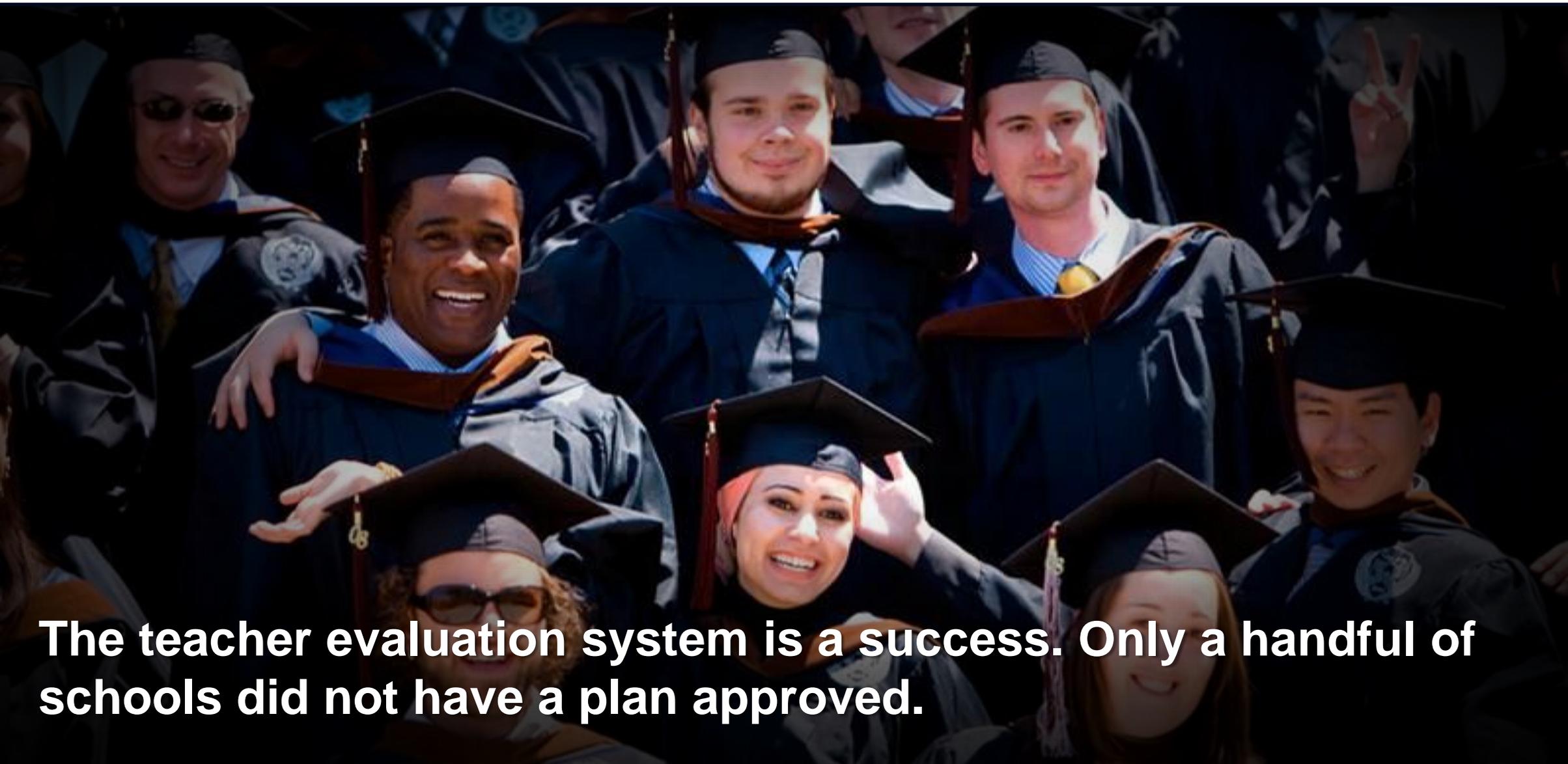
-0.8%



2-year student enrollment



# Education: Teacher Evaluation System

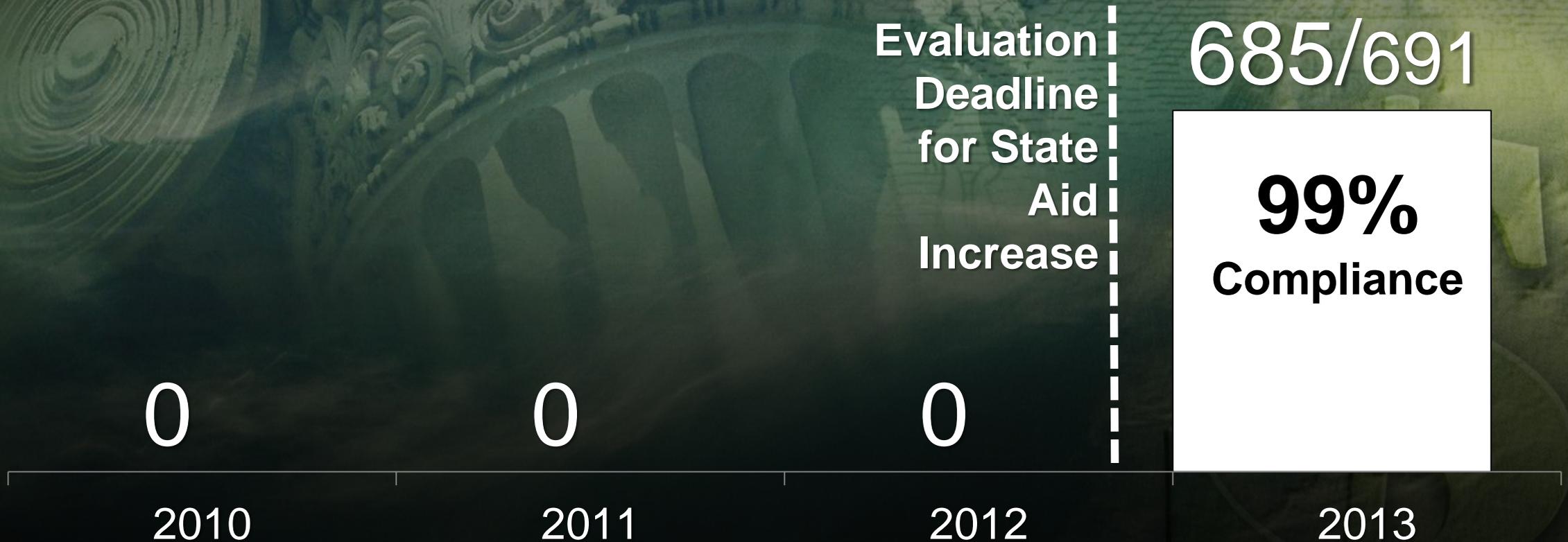


**The teacher evaluation system is a success. Only a handful of schools did not have a plan approved.**



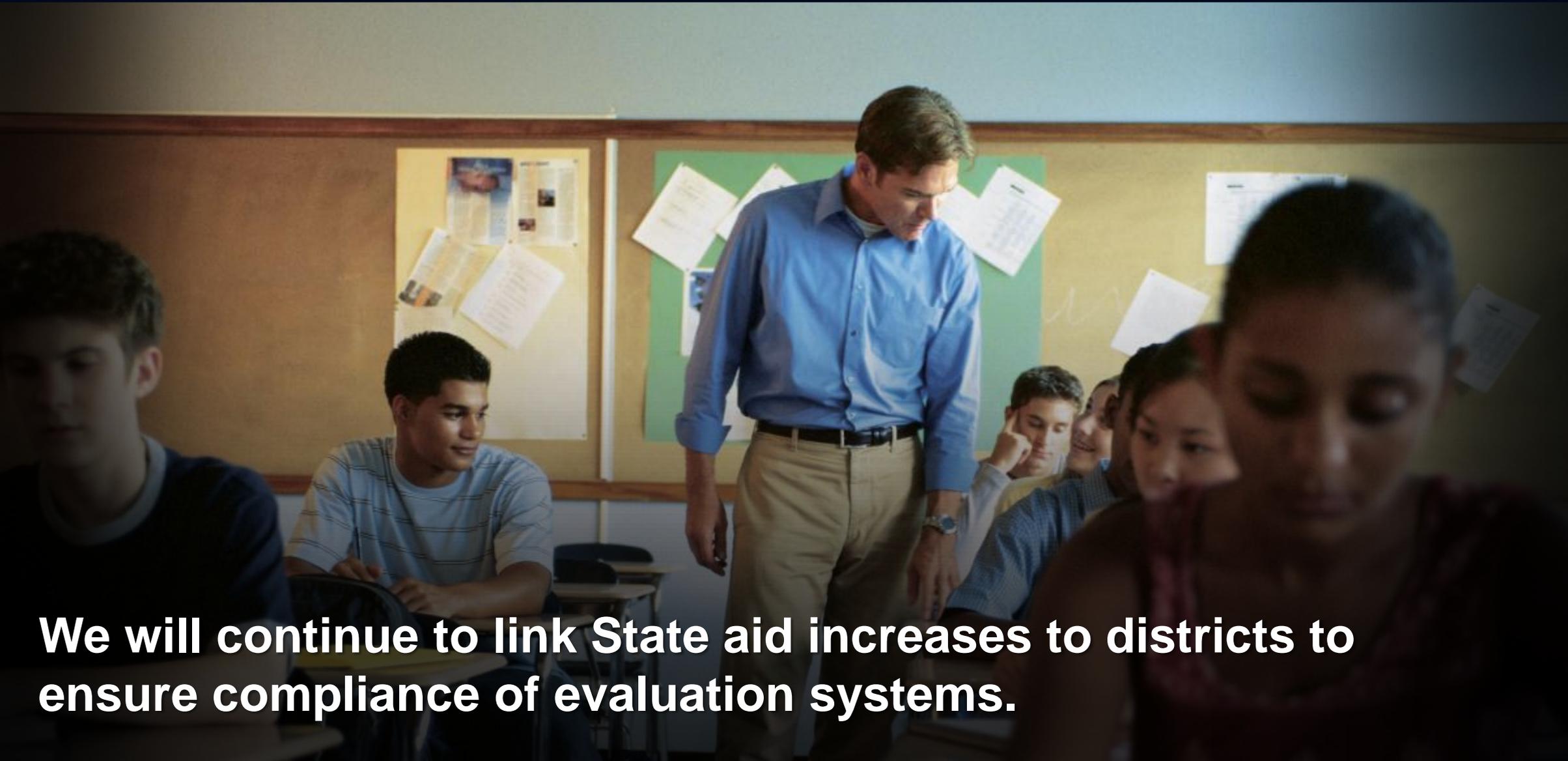
# Education: Teacher Evaluation System

Evaluation systems implemented before and after our evaluation system and state aid increase linkage





# Education: Teacher Evaluation System



**We will continue to link State aid increases to districts to ensure compliance of evaluation systems.**



## 2013-14 Executive Budget: Medicaid



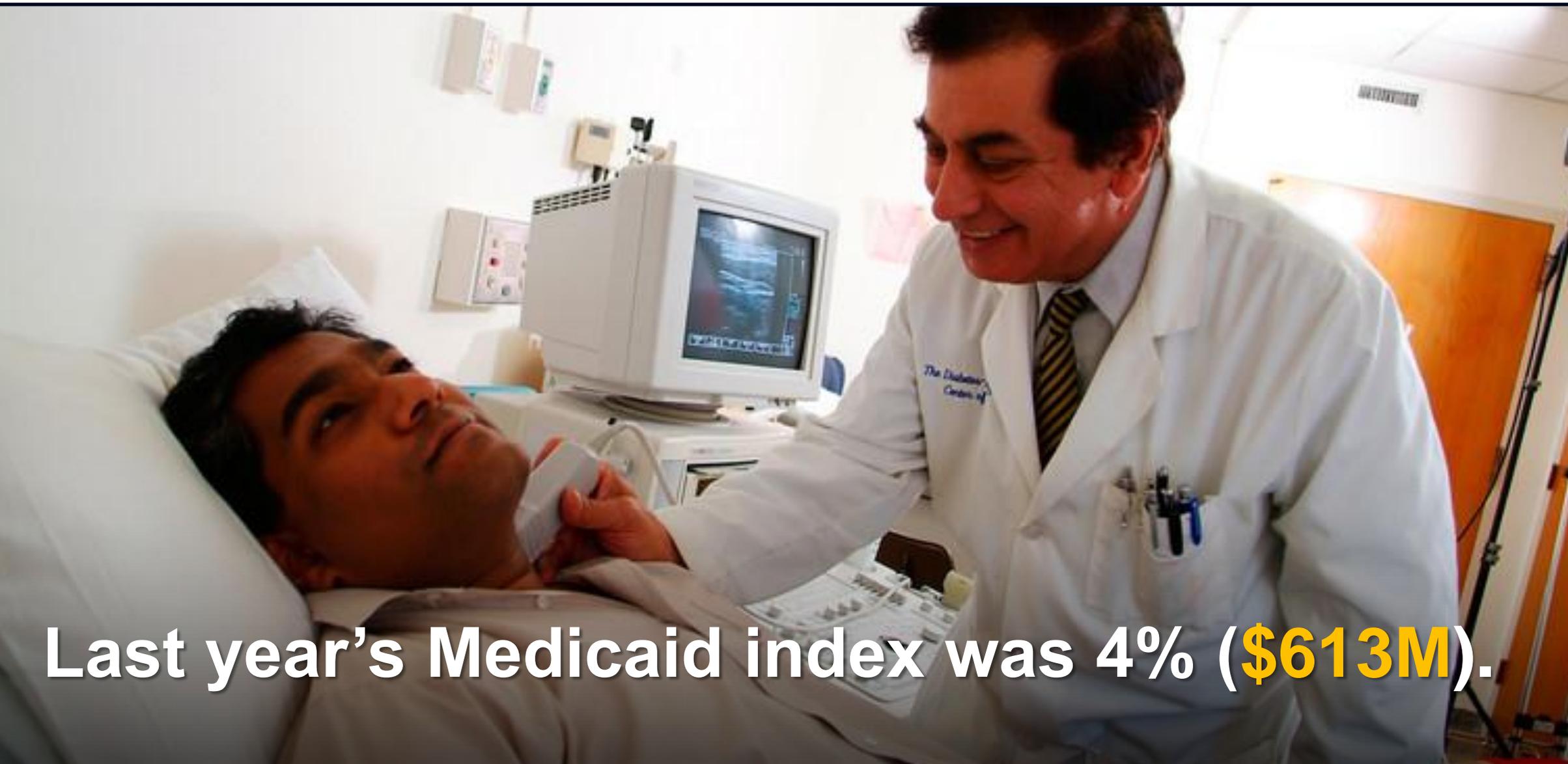


**Medicaid**

**Like education, current law sets Medicaid growth to the index of the 10-year average of healthcare CPI.**



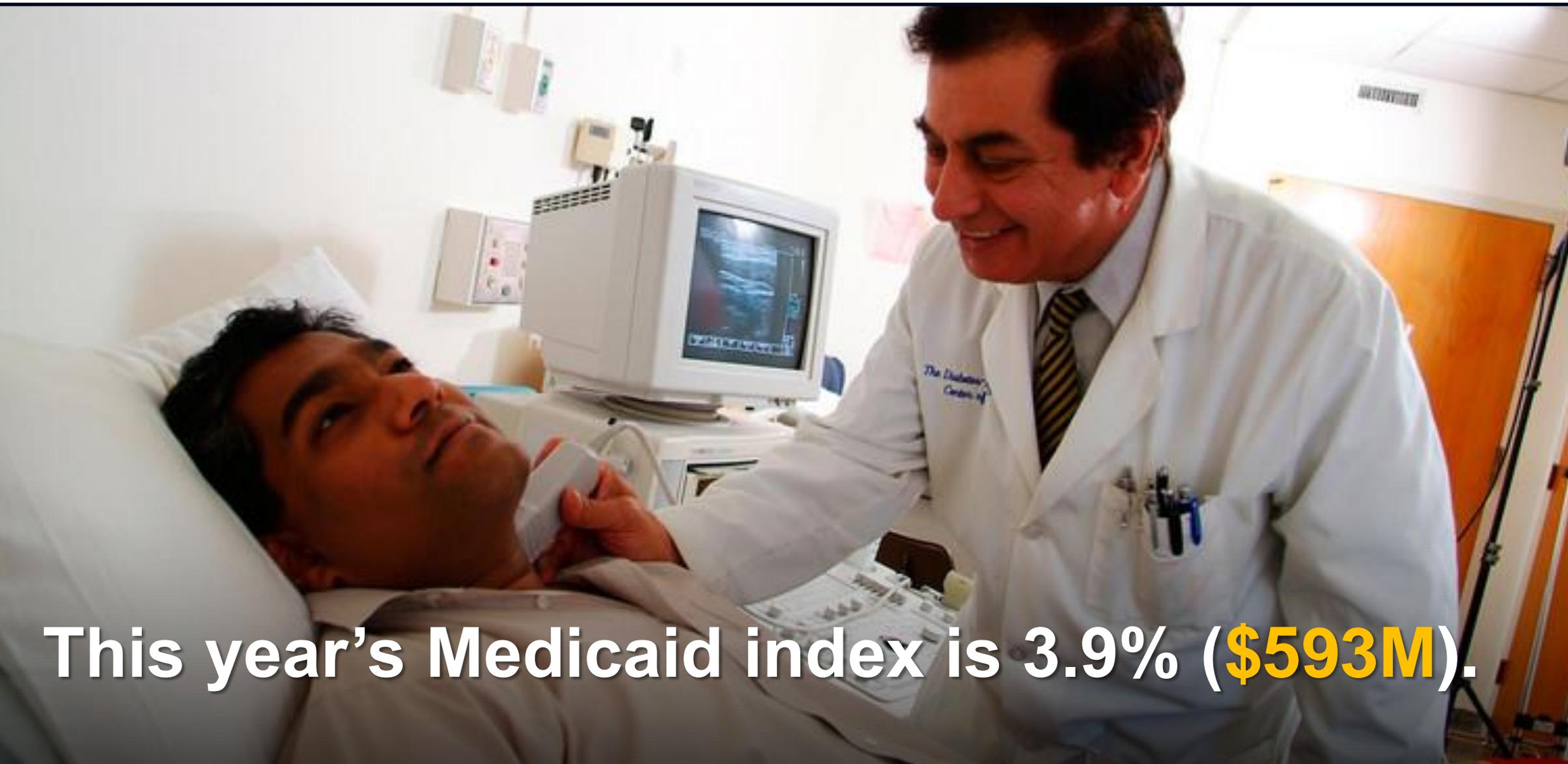
# Medicaid



Last year's Medicaid index was 4% (**\$613M**).



# Medicaid



This year's Medicaid index is 3.9% (**\$593M**).



**Medicaid**

**2 years ago we established an MRT process—  
it's working.**



# **The MRT Process is Controlling Costs and Improving Care**

- **Spending has stayed under the Medicaid index for 2 years.**
- **Planned savings of \$17 billion over next five years.**



## **2013-14 Executive Budget: Economic Development**





## Economic Development: Next Round of Regional Councils



**Round II of the Regional Economic Development Councils was a great success.**



## Economic Development: Next Round of Regional Councils



We propose a Round III of the REDCs: **\$150M** in capital and **\$70M** in tax credits for next round of awards.



## Innovation Hot Spots

**\$50M** innovation venture capital fund for State to make investments in commercialization deals and **\$5M** for professional services for winning incubators.



# Economic Development: Next Generation Job Linkage Program

**Next Generation Job Linkage Program**  
**\$5M** performance grant to incentivize community colleges to place students in high demand jobs.



# Economic Development: Buffalo Billion

**Buffalo Billion**

**\$1B** over 10 years.

**\$100M** for second installment.

Total investment to date: **\$200M.**



## Economic Development: Buffalo Bills



**Buffalo Bills**

**\$60M** for stadium renovation and annual support.



## Economic Development: Taste-NY



# Taste-NY

**\$2M** for initial implementation costs of Taste-NY specialty stores and kiosks featuring tax-free New York products.



# Economic Development: Upstate Regional Marketing Competition



**Upstate NY Marketing Campaign**

**\$5M** for competitive Upstate NY Marketing Campaign.



# Economic Development: NYSUNY 2020 & NYCUNY 2020



**NYSUNY 2020 & NYCUNY 2020**

**\$110M** for NYSUNY 2020 Round III & **NYCUNY 2020**.



## Film Production Tax Credit

Extend for an additional 5 years (**\$420 million annually**) and increase accountability and transparency.



# Economic Development: Historic Preservation Tax Credit



## Historic Preservation Tax Credit

Extend for an additional five years **(\$5 million per project)** and increase the credit value by making it refundable.



## Economic Development: Casino Gaming



# Upstate Destination Resort/Casinos

3 new Upstate casinos

**Est. \$150M** revenue for schools and property tax relief beginning 2016.



## Economic Development: Minimum Wage

**Increase the Minimum Wage**  
**From \$7.25 to \$8.75 effective July 1, 2013.**



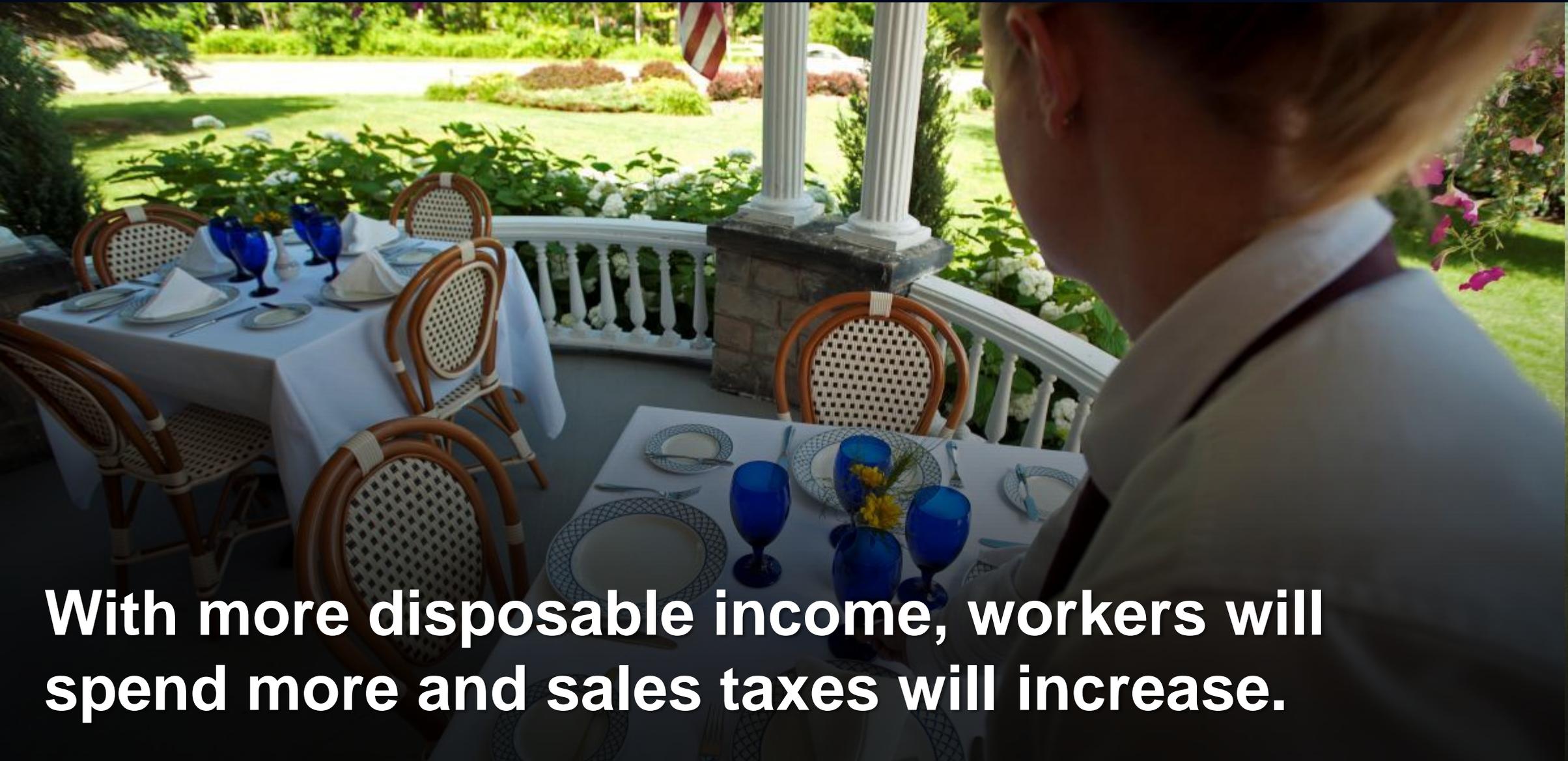
## Economic Development: Minimum Wage



More than **705,000** workers would be affected.  
Total wages would increase by **\$1B** per year.



## Economic Development: Minimum Wage



**With more disposable income, workers will spend more and sales taxes will increase.**



# 2013-14 Executive Budget: Government Operations





### Grow the Environmental Protection Fund

- EPF has been held harmless at **\$134M** for the past 2 years. We propose a two-prong approach to grow the EPF.
- First, we propose adding **\$15M** to the EPF.



### Grow the Environmental Protection Fund

- Second, we propose strengthening the Bottle Bill law's enforcement provisions which will result in an additional **\$4M** this year and **\$8M** in the out years that will go to the EPF.
- Both actions will increase the EPF by **\$19M** from **\$134M** to **\$153M** this year.



## **\$1B** House NY Affordable Housing Initiative

- **\$100M** for Hurricane Sandy recovery.
- **\$706M** for preservation of 8,600 units of Mitchell Lama housing.
- **\$230M** for 5,400 new units of affordable housing.
- Funding from HFA mortgage refinancing, housing fund reserves and capital.



## Government Operations: Corrections Facilities Consolidation

State continues to have excess prison beds—  
estimated **2,300 (4%)** decline in prison population  
over next four years.



## Plan to close least efficient prison facilities

- Bayview (Manhattan). Already vacant due to Superstorm Sandy. Total staff cost per inmate is \$74,385 vs. \$34,193 benchmark against most efficient DOCCS facilities
- Beacon (Dutchess). 53% vacancy rate. \$69,863 staff cost per inmate vs. \$34,193 efficient facility benchmark.



# Juvenile Justice

- Extends the “Close to Home” model to the rest of the State for youth in non-secure settings, which builds on successful initiative to move NYC juvenile delinquents out of institutional settings to more appropriate, community-based settings.
- Reduces capacity of the State system by an additional 88 beds by closing 4 non-secure institutions: Redhook (Dutchess), Middletown (Orange), Lansing (Tompkins), Brentwood (Suffolk).
- State savings of \$1.4 million annually, and local savings of \$2.8 million annually.



# **2013-14 Executive Budget: Financial Relief for Local Governments**



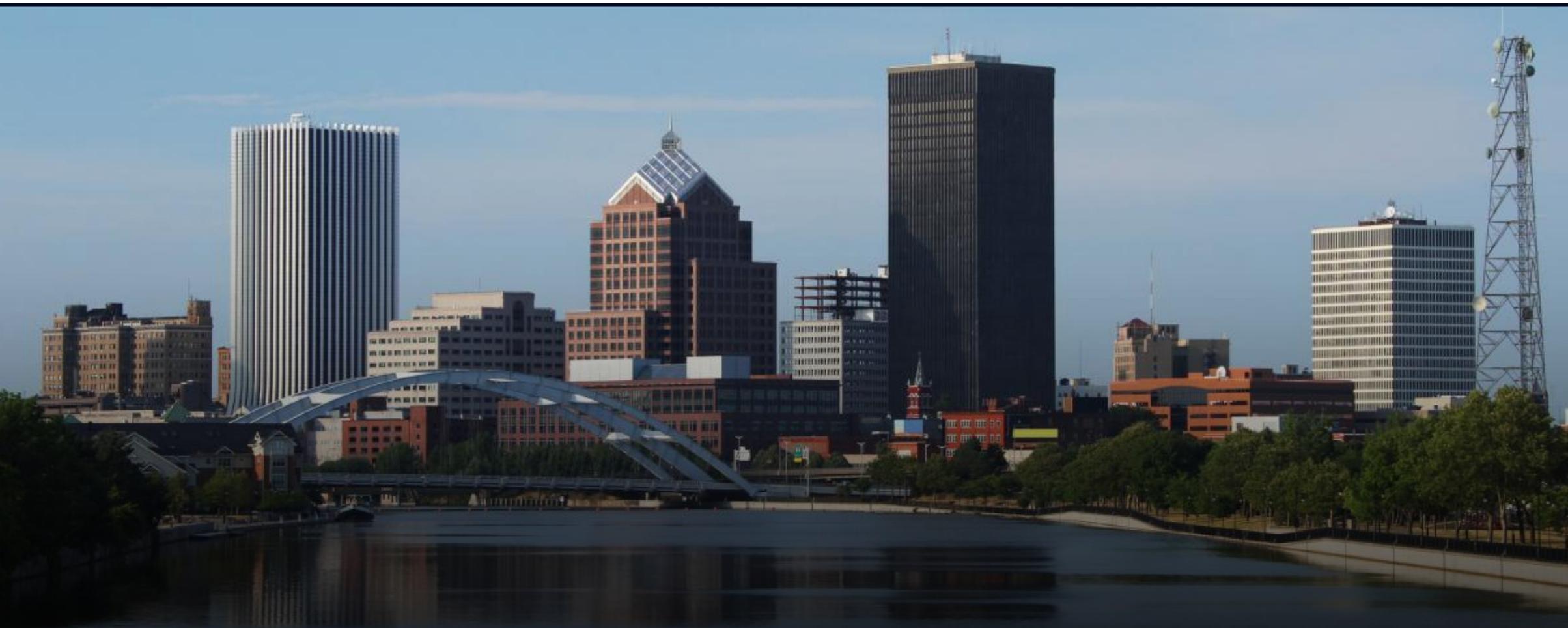


# Financial Relief for Local Governments

**National economic downturn puts local governments under significant fiscal stress.**



# Financial Relief for Local Governments



**Last year we began enacting mandate relief.**



# Financial Relief for Local Governments



**Pension Reform (Tier VI), Medicaid Relief and Early Intervention.**



## Financial Relief for Local Governments: Medicaid

We capped the local growth in Medicaid to 3%. Last year we started taking over growth of Medicaid.

	FY13	FY14	FY15	FY16
	3%	2%	1%	0%
Local Savings:		\$111 million	\$260 million	\$370 million



## Financial Relief for Local Governments: Binding Arbitration

**One of the most common complaints from municipalities is the process of binding arbitration.**



# Reform binding arbitration process

- “Binding arbitration” expires on July 1, 2013. Current statute directs arbitrators to consider a government’s “ability to pay” but it is not defined.
- If a government is under “fiscal distress”, ability to pay cannot exceed 2%, like their property tax cap.



## Financial Relief for Local Governments: Pension Crisis



**Local governments and school districts continue to struggle with pension costs.**



# Financial Relief for Local Governments: Pension Crisis

## ERS and PFRS local pension cost increase

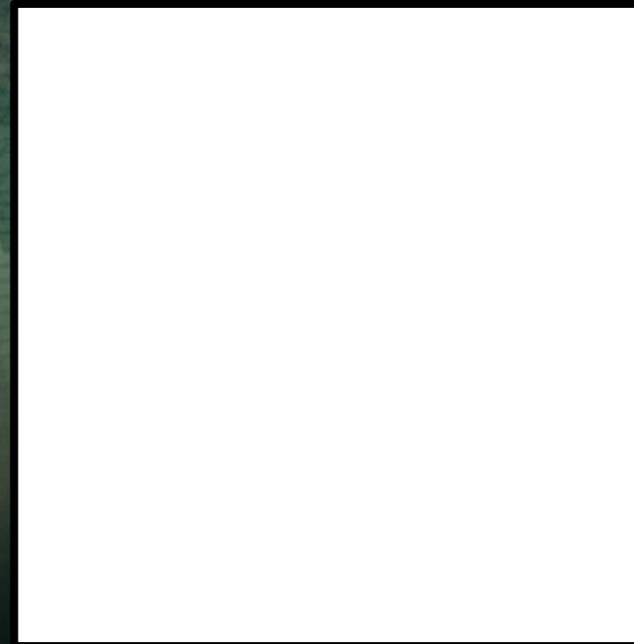
**\$2.2B**

**1,000%  
increase**

**\$190M**

**2002**

**2012**





## Tier VI Savings Financing Plan

- We propose offering local governments and school districts the option to “lock in” long-term stable rate pension contributions for ERS, PFRS, and TRS in FY 2014.
- Pension system will be fully funded – safeguards in place.

	TRS	ERS	PFRS
Current Rates (12-13)	11.8%	18.9%	25.8%
Scheduled Rates (13-14)	16.5%	20.9%	28.9%
Financing Plan Rates	12.5%	12.0%	18.5%
<b>Reduction in Rates</b>	<b>4.0%</b>	<b>8.9%</b>	<b>10.4%</b>



# Financial Relief for Local Governments: Pension Crisis

## Tier VI Savings Financing Plan Impact for Big 5 Cities

	First Year Significant Savings	As a Percent of Budget
Syracuse	\$12M	4.0%
Rochester	\$21M	5.6%
Buffalo	\$19M	5.0%
Yonkers	\$21M	4.7%
Albany	\$8M	4.7%



# Financial Relief for Local Governments: Financial Restructuring

**No one-size solution to local fiscal stress.**

**The **Financial Restructuring Assistance Task Force** made up of the Comptroller, Attorney General, Division of Budget and private-sector restructuring consultants will provide assistance to localities. The Task Force could recommend a range of financial options, including the creation of a financial control board.**



## 2013-13 Executive Budget

**This year's budget is straightforward.**





**The machinery of government is  
working again.**





**We resolved a crisis...**





**But now we have another crisis that will test us once again to deliver for our people.**





## Responding to the Crisis



**Hurricane Sandy was the largest storm to hit the Northeast in recorded history.**



## Responding to the Crisis

**We have 300,000 properties damaged, 2,000 miles of affected roads and massive infrastructure rebuilding projects.**





## Responding to the Crisis



**We must make government work for the people smarter, faster and more efficiently than ever before.**



## Responding to the Crisis



**A positive development is it looks like we will get \$30B in the Sandy Aid package.**



## Responding to the Crisis



**But it will not be easy.**



## Responding to the Crisis



**The management challenge is great, but we have proven over the past two years that we can accomplish great things.**



## Responding to the Crisis

**Rebuilding plans will be executed on 2 levels:**

- 1. State planned and executed.**
- 2. Community driven.**



## Responding to the Crisis: State Planned and Executed

**State Planned and Executed**

# Disaster Reconstruction Task Force

We propose creating the Disaster Reconstruction Task Force to oversee our Sandy recovery and rebuilding.



# Responding to the Crisis: State Planned and Executed

## **State Planned and Executed**

**The Task Force will expand the NY Works Board and will use independent experts for planning and internal control, like McKinsey & Co. and PwC. The Rockefeller Foundation will also be advisors to the Task Force.**



## Responding to the Crisis: State Planned and Executed

Our agencies must be empowered to work smarter and faster to rebuild.

- **Design Build works**—it reduced the cost of the Tappan Zee bridge by over \$1.0B—approximately 20 percent of the originally estimated cost.
- **We will expand Design Build** to all State agencies and Authorities.



# Responding to the Crisis: State Planned and Executed

Don't just build **back**. Build back **better**.  
State Projects



# Highways

**More than 2,000 miles affected.**

- **Build it Back: Ocean Parkway, in Nassau County (\$81M).**
- **Build it Better: Replace or mitigate roads prone to flood damage (\$1.9B).**



## Responding to the Crisis: Transportation



### Transit

- **Build it Back:** \$6B in damage to the MTA and PA.
- **Build it Better:** Vent covers, tunnel bladders, pumping capacity and other mitigation measures.



# Coasts

More than \$600M in damage.

- **Build it Back:** Fire Island inlet repair (\$34M).
- **Build it Better:** Mitigation construction of beaches, dunes, wetlands and reefs to protect coastal communities (\$125M).



## Responding to the Crisis: Housing



# Housing

- **Build it Back:** Homeowner assistance to repair homes.
- **Build it Better:** Recreate NY-Smart Homes Program will allow owners rebuild to new mitigation standards.



## Responding to the Crisis: Housing

# Housing

- **Build it Better:** And where it doesn't make sense to build, **Recreate NY-Home Buyout program** will give homeowners who want to relocate a buyout option.



## Responding to the Crisis: Healthcare Facilities

### Healthcare

- **Build it Back:** Repair hospitals, nursing homes and clinics (\$2.2B).
- **Build it Better:** Mitigation construction of new backup power systems and new patient tracking systems to prepare for emergencies (\$100M).



## Fuel Supply

- **Build it Back: Terminal repairs.**
- **Build it Better: Fuel system backup power, reserves and new pumping capacity (\$160M).**



# Responding to the Crisis: Water Supply System



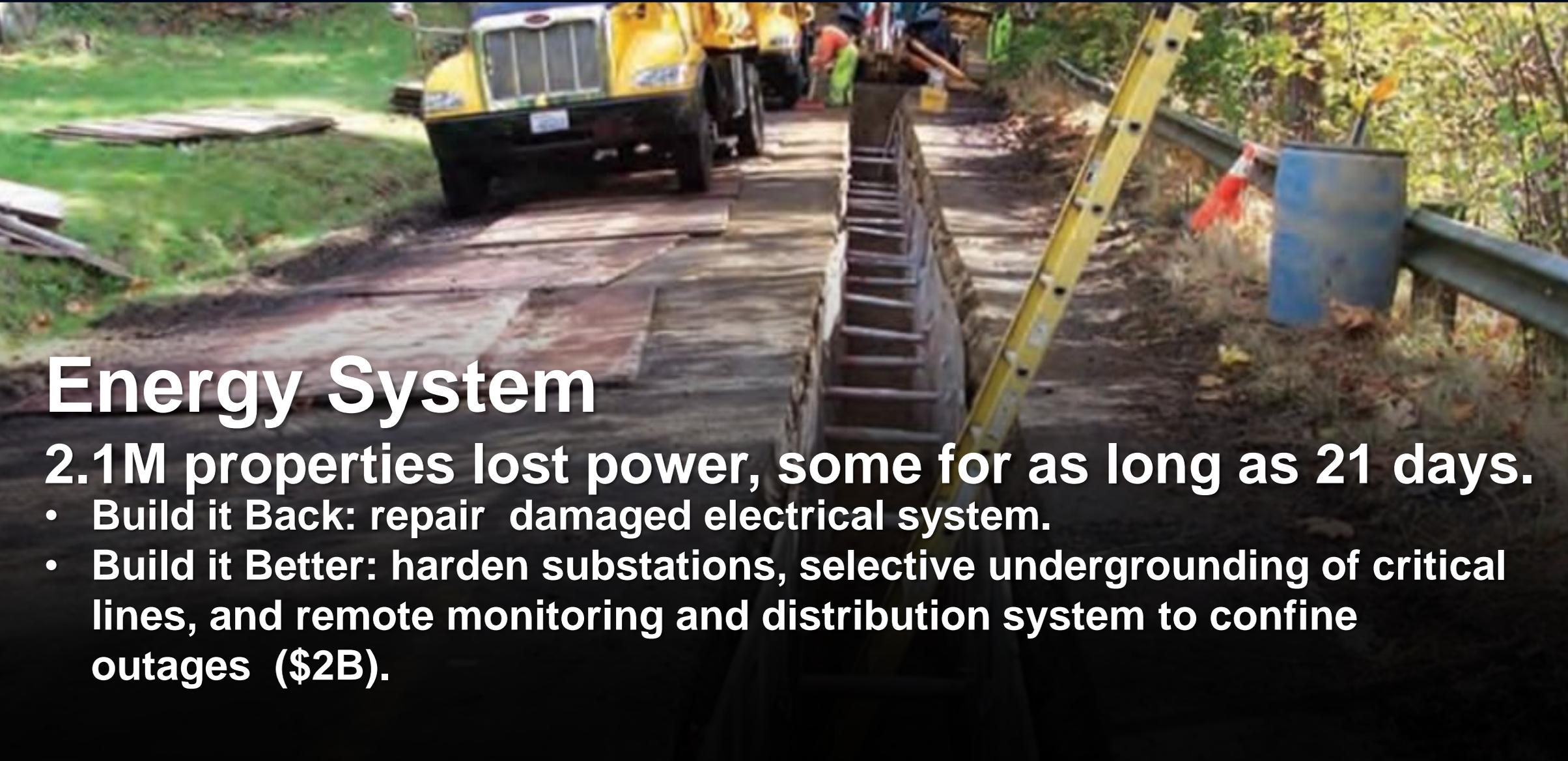
## Water Supply

At least 21 facilities were damaged, some severely.

- **Build it Back:** Repair treatment plants (\$600M).
- **Build it Better:** Harden with flood walls and new disinfection systems (\$600M).



## Responding to the Crisis: Energy System



# Energy System

**2.1M properties lost power, some for as long as 21 days.**

- **Build it Back: repair damaged electrical system.**
- **Build it Better: harden substations, selective undergrounding of critical lines, and remote monitoring and distribution system to confine outages (\$2B).**



## Responding to the Crisis: Community Driven



**While the State will develop a “top-down” recovery plan, it’s important that plans from the “bottom up” be developed by local communities.**



## Responding to the Crisis: Community Driven

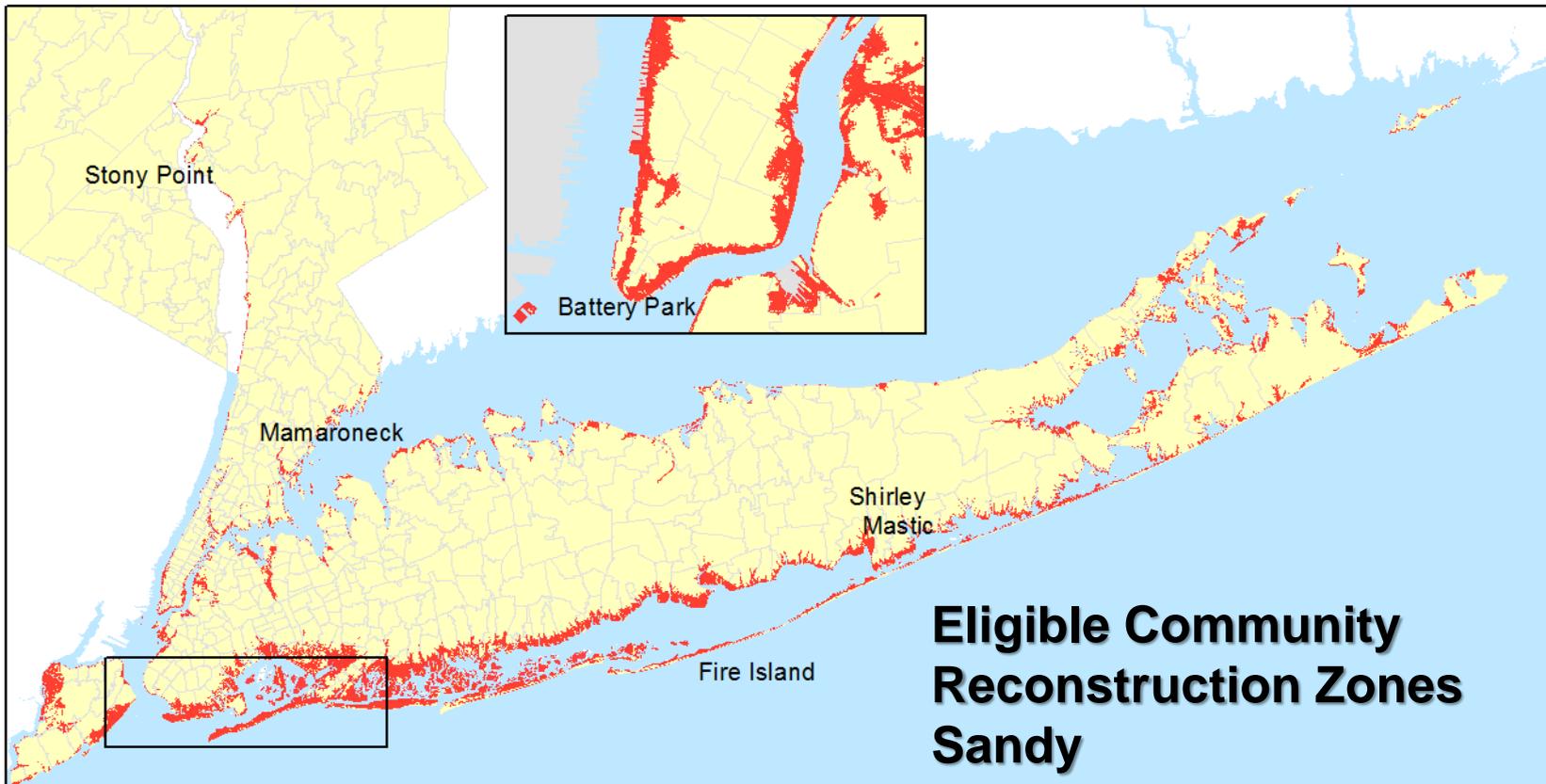


**Therefore, we will also empower communities to create their own recovery, reconstruction and mitigation plans.**

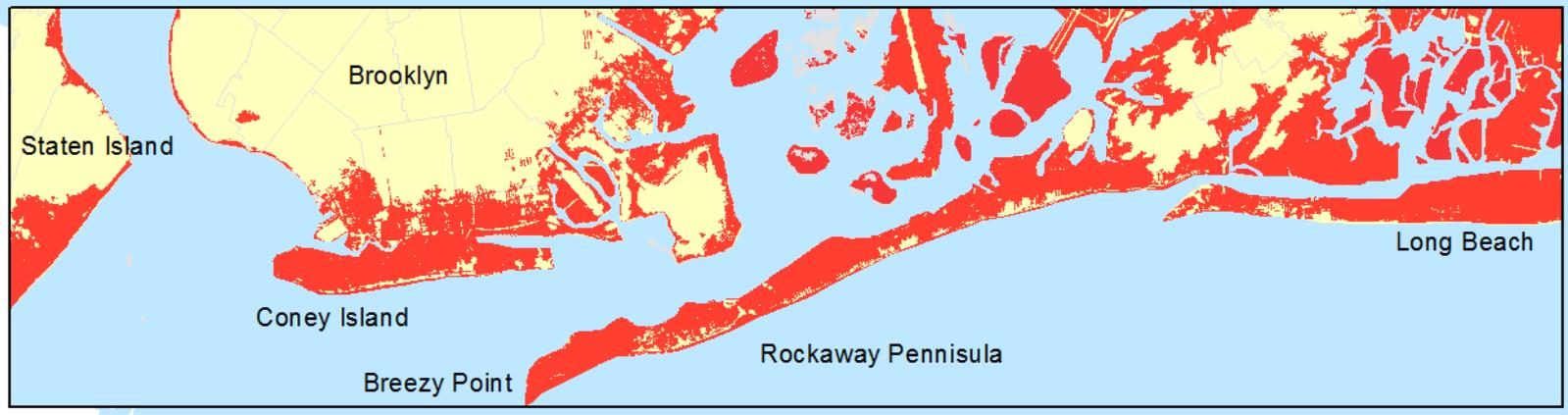


# Community Reconstruction and Mitigation Plans

- Redevelopment plans will be created in Community Reconstruction Zones and communities in affected disaster declaration zip codes are eligible.
- CDBG program criteria and target numbers will be used to govern the program.
- Formula for funding will be based on population, number of claims filed and damage assessments (e.g. housing units damaged and number of businesses impacted).



## Eligible Community Reconstruction Zones Sandy





## Responding to the Crisis: Community Driven



**Not just Hurricane Sandy, federal relief package also covers storms Irene and Lee.**





**To recap.**





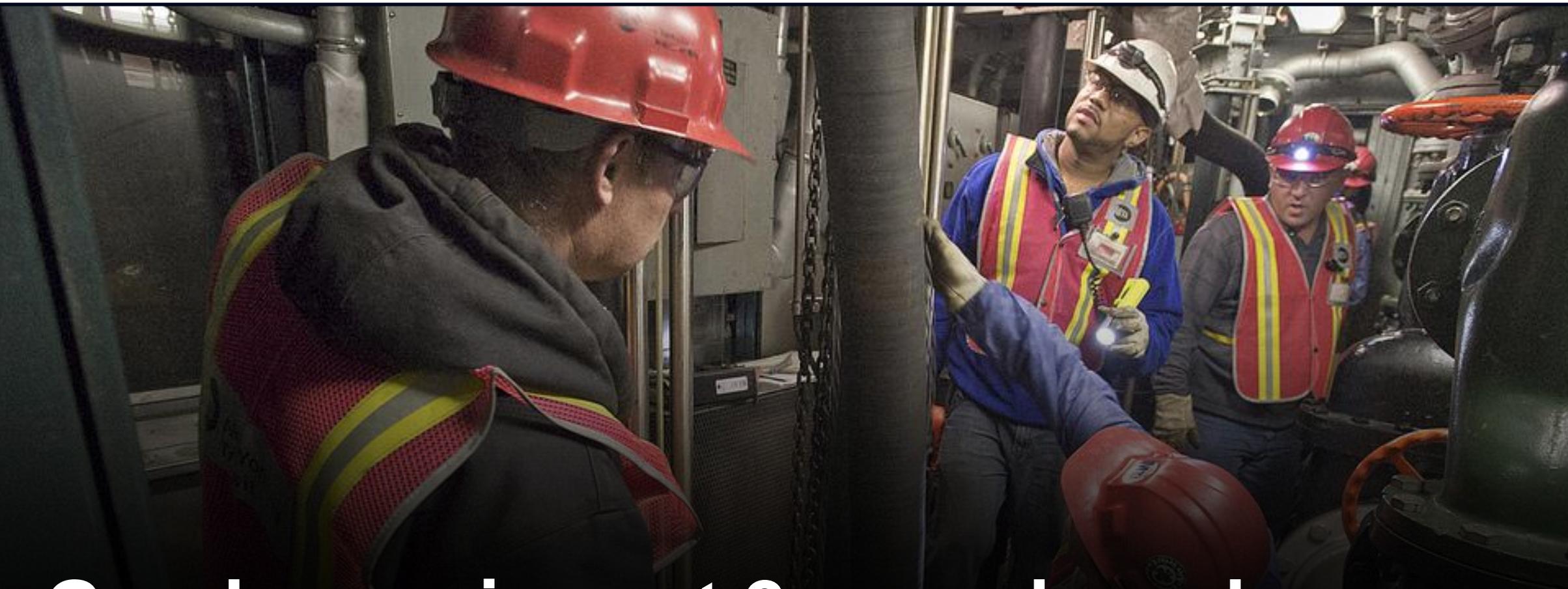
## 2013-14 Executive Budget



**Bad news is we have a lot of work to do.**



## 2013-14 Executive Budget



**Good news is past 2 years has shown  
we can do it.**



## 2013-14 Executive Budget



**Better news is \$30B is a lot of money.**



**Best news is we are New Yorkers.**



January 2013

# NY RISING

October 2012