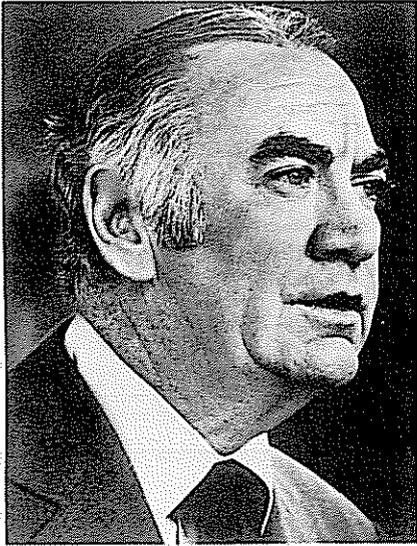


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Difficult decisions lie ahead. But we have made hard choices and we can make them again.

Like the rest of the nation, we face an uncertain future. We will encounter the actions of a Federal government seeking to achieve an austerity that may affect the individual capacities and needs of state and local governments. We remain vulnerable to the twin perils of inflation and recession.

We are challenged by the major fiscal concerns of the next decade—reform of school financing and property taxation. I have enlisted the best minds in the State and nation to propose solutions to these issues. But unless the State and its local governments together exercise discipline and determination and demonstrate a firm grasp of our ongoing responsibilities, New York's ability to implement the necessary reforms will be seriously impaired.

—HUGH L. CAREY, Governor
Budget Message, January 31, 1979

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EXECUTIVE DEPARTMENT
 DIVISION OF THE BUDGET
 HOWARD F. MILLER, Director of the Budget
 Albany, New York, November 1979

FINANCIAL SUMMARY

Introduction

The 1979-80 Budget Summary will serve as more than the traditional mid-year review of the current fiscal period. We are at a critical point in the transition from a free-spending, high-tax era to one of lower taxes and tighter expenditure control. Thus, it is appropriate at this time not only to review the current fiscal year but to assess New York's progress toward its critical long-term fiscal goals: Full restoration of our State's economy, timely implementation of our multi-year tax reduction program, and cost containment.

Five years ago, the State, its major municipalities and its public authorities were threatened with fiscal and economic collapse. It was evident to the Administration, the Legislature and the public that the State needed to gain control over its public economy. The necessity for such action was clear and the constituency for responsible fiscal management was broad.

Since 1975, as the State has regained fiscal stability and structured solutions to the fiscal problems of its municipalities and public authorities, our singular effort has been to revitalize the State's private sector as the only truly effective solution to the problems of the public sector.

To achieve this objective, we embarked upon a major and successful multi-year program to reduce overly high taxes and to change the uncompetitive elements in the State's tax structure. For only with broad changes in tax policies, first at the State level and later by local governments, could we obtain that level of economic stability which provides the basis for economic opportunity for our citizens. However, to gain such tax relief for our people required that we first control expenditures, that we find the equilibrium between government's obligation to provide essential services to its citizens and its responsibility for a healthy economic environment.

And so, for a three-year period, starting in fiscal 1976-77, expenditure growth was drastically reduced, by nearly two-thirds below its historical trend. As a result we were able to generate the annual margins between income and expenditures that made our multi-year tax reduction program possible.

In 1978-79 that margin accumulated to nearly \$700 million. Our ability to carry this amount forward into fiscal 1979-80 was

the key to our ability to finance the growing impact of the tax cut program. Our current estimate for fiscal 1979-80 shows an expected margin of \$303 million, which will have to be carried forward similarly if we are to but be able to match the rising impact of the continuing tax reduction program in 1980-81. This reduction in the margin reflects in part the cost of the tax reduction program in 1979-80. Under this program taxpayer savings in 1980 are estimated to be \$375 million greater than in 1979; in 1981, the additional savings to taxpayers will amount to more than \$450 million. Table I highlights the impact of the tax reduction program now in place and the sums that will be needed to assure its timely implementation this year and in the following two years.

TABLE I
TAX SAVINGS UNDER 1977,
1978 AND 1979 TAX REDUCTIONS
(millions of dollars)

	1979	1980	1981
Personal Taxes	830	1,116	1,440
Personal Income Tax ^{a/}	730	919	1,043
Sales and Use Tax ^{b/}	65	160	360
Estate Tax	35	37	37
Business Taxes	355	444	593
9-A, Bank Insurance ^{c/}	255	303	313
Sales and Use ^{d/}	10	25	80
Other ^{e/}	90	116	200
Total	1,185	1,560	2,033
Increase in tax liability savings	+ 328	+ 375	+ 473

a/ Includes: Maximum Tax, Elimination of 15% Bracket, Personal Exemption and Standard Deduction Hikes, Surcharge Repeal, PASS, Tuition Deduction, Circuit-Breaker, Capital Gains and Minimum Income Tax Reform, Domicile and Lump-Sum Distribution Reforms, Child-care and Household Credits

b/ Includes Repeal of Sales Tax on Home Energy Use

c/ Includes: Elimination of Surcharges, Allocation of Income by New York Firms, Investment and Other Tax Credits, Tax Relief for Regulated Investment Companies, Tax Credit Expansion of Job Incentive Credit, Changes in Stockbroker-dealer Allocation, Bank Tax Credits for Home Energy Loans.

d/ Includes: Exemption for Supplies, Parts and Equipment used in Production and Related Servicing, and Tax Relief for Airlines and Pennysaver Papers

e/ Stock Transfer Tax, Unincorporated Business Income Tax, and Pari-Mutuel Tax.

At the same time that our budgetary margin is decreasing, national economic indicators suggest that 1980 will not be a year of growth. In fact, most forecasters now predict a deepening recession during calendar year 1980. However, because we have reduced taxes and made our industry more competitive, we anticipate that New York will not bear the brunt of the national recession as it did in 1974-1975 and in 1968-1969. Although we will be hurt by any national recession, this time New York has the added strength to withstand fiscal adversity without being plunged into a repeat of the crisis years of the middle 1970's. But to realize fully this ability, we must not compromise it—we must be as resolute in controlling expenditures in the future as we have been in reducing taxes in the past. If we do not control expenditures, we will endanger our carefully constructed program of tax reduction; ultimately, we risk the very economic and fiscal stability that has been the source of our strength during the last three years.

It is for these reasons—the economic uncertainties of 1980, the increasing amount needed to finance the current tax reduction program versus the decreasing amount in our available margin, and the expenditure commitments made in 1979-80—that the Budget Summary this year is both retrospective and prospective about the State's finances. With this view in mind we can better understand the choices we face in 1980 and the premises that must be considered in the preparation of the *Executive Budget* for fiscal 1980-81.

1979-80

The 1979-80 *Executive Budget* was designed to continue our policy of providing long-term tax relief to spur the economy while maintaining and improving essential services. It included recommendations for revisions in education aid formulas, for revamping the basis for revenue sharing, and for creation of the local government expenditure review board, while expanding and extending our multi-year tax cut program.

The expenditure initiatives were constructed to provide adequate, equitable aid in the short term and to control the unrestricted growth in expenditure levels in the long term. Thus, multi-year tax reductions were carefully matched with multi-year expenditure restraints. The Budget as finally adopted, and

as supplemented throughout the 1979 Legislative Session, did not fully reflect the long-term balance we sought.

As a result of programs enacted subsequent to the introduction of the Executive Budget, the cost of the job action at State correctional facilities, a more rapid acceleration of our capital program, and the impact of double-digit inflation, total State spending for 1979-80 is now estimated to be \$189 million higher than the April projection. Table II outlines the modifications in the Budget since the official April estimate.

TABLE II
1979-80 FINANCIAL PLAN
(millions of dollars)

	<u>April Plan</u>	<u>Budget Summary</u>	<u>Change From April Plan</u>
Income			
Personal Income Tax	5,865	6,125 ^a	+260
User Taxes and Fees	4,020	4,045	+ 25
Business Taxes	1,963	2,020	+ 57
Other Revenues	261	254	- 7
Miscellaneous Receipts	461	480	+ 19
	<hr/>	<hr/>	<hr/>
Total Current Receipts	12,570	12,924	+354
Federal Revenue Sharing	256	254	- 2
Bond Funds		140	+140
Total Income	<u>12,826</u>	<u>13,318</u>	<u>+492</u>
Expenditures			
Local Assistance	7,517	7,572	+ 55
State Operations	3,153	3,219	+ 66
Legislature/Judiciary	286	306	+ 20
General State Charges	810	819	+ 9
Debt Service/Lease Purchase	591	592	+ 1
Capital Construction	469	507	+ 38
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>12,826</u>	<u>13,015</u>	<u>+189</u>
Reserve for 1980 Increase in Tax Liability Savings		303	+303

a/ Before payment of refunds on 1979 income during final quarter of 1979-80 fiscal year

Inflation has also affected the income side of the Financial Plan. Its effects, combined with the planned decision to use \$140 million in available bonding authorizations, an underestimate of 1978 personal income tax liability and a generally firmer economy than had been projected, have changed anticipated revenues by \$492 million since the April estimate.

The largest single revision is in the personal income tax, up \$260 million from the April projections. The impact of high inflation on wages and withholding collections, underutilization of certain elements of the 1978 tax reduction program, and the impact of the underestimate of 1978 liability on both final and estimated payments have all contributed to the higher than projected receipts.

Despite the growth in revenues in the current fiscal year, income expansion will not offset the increases in spending and the effects of the tax reduction program as it did in 1978-79. Hence, the margin for 1979-80, available to help finance 1980-81, is \$303 million, nearly \$400 million less than the margin available from 1978-79. As in 1978-79, the margin will permit the State to accelerate the payment of personal income tax refunds during the final quarter of the fiscal year, reducing charges against 1980-81 income, thus permitting continued implementation of the tax reduction program.

1980-81

Budgetary balance in 1980-81 will require lower expenditure expectations. The decreased margin reduces our flexibility for budgeting next year. In addition, the State faces other problems, not all within its control, in shaping the 1980-81 Budget.

First, on the expenditure side there will be significant formula-driven increases, even without consideration of legislative enrichment, in spending for education—up some \$150 million, revenue sharing—up \$50 million and other local assistance categories, including inflation-induced rate adjustments in Medicaid and other social services programs. Total social services spending is currently projected to rise by an amount in excess of \$250 million. The final step in State assumption of local court costs will add an additional \$100 million to State spending and result in equivalent savings for localities. Together, these basically mandatory, formula-driven expenditures will require at least \$550 million in 1980-81.

Secondly, fixed charges such as pensions and social security contributions will be increased \$65 million, interest costs on long-term debt and on our heavy spring borrowing will rise a minimum of \$50 million under probable market conditions, and the second year of the collective bargaining agreements will require \$70 million in new spending. These three items alone will mean an increase of \$185 million in State operating costs, without consideration of any programmatic changes or the influence of inflation on institutional budgets.

Major capital spending items, including a \$50 million expansion in the cost of the Rikers Island leasing program and a \$40 million increase in transportation spending resulting from construction projects under way, must also be factored into budget-making plans for 1980-81.

Most of these increases were included in the long-range planning that preceded the Administration's recommendations for extension and expansion of the tax reduction program, but others were not so anticipated. Legislative action on the 1979-80 Budget, which contributed about \$40 million to spending increases this year, adds \$140 million to spending commitments for 1980-81. Table III shows the multi-year impact of legislative action on the 1979-80 Budget.

TABLE III
EXPENDITURE IMPACT OF
LEGISLATIVE REVISIONS
AND SUPPLEMENTS TO EXECUTIVE BUDGET
(millions of dollars)

<i>Fund/Program</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>
Local Assistance	56.8	162.3	250.0
Education	11.5	63.0	90.4
Social Services	- 4.0	- 3.8	- 3.8
Unrestricted State Aid	43.7	94.2	153.0
Other	5.6	8.9	10.4
State Purposes	-14.2	- 18.4	- 17.2
State Operations	-24.4	- 25.9	- 25.2
Legislative and Judiciary	10.2	7.5	8.0
Capital Construction	- 2.4	- 5.0	- 21.7
Total	40.2	138.9	211.1

The foregoing indicates that, without adjustments in the baseline or changes in current commitments, expenditure increases next year would approach a billion dollars

At the same time, on the income side, we face the virtual certainty of lower revenue growth, as the national economy weakens in the year ahead. We also face a potential loss of more than \$60 million in Federal general revenue sharing if the Congress fails to reenact this program to include a state government sharing component. Recent action repealing the sales tax on home energy use will further reduce that revenue by an estimated \$100 million in 1980-81

Finally, the existing multi-year tax reduction program continues to be implemented in a deliberate and prudent fashion. While it pays dividends in renewed long-term economic activity, its short-term impact will be to lower State revenues in 1980-81. The savings to taxpayers in 1980 income will approach \$1.6 billion, an increase of \$375 million from the savings in calendar 1979. As Table I shows, taxpayers can expect further tax savings of more than \$450 million in 1981.

It is clear from this review of the factors influencing the 1980-81 Budget that achieving and maintaining budget balance will require significant action to contain expenditure growth.

With income growth restrained by a declining national economy and further slowed by additional tax reductions and the loss of Federal aid, it is clear that expansion in available revenues in 1980-81 will not match the growth resulting from our existing expenditure commitments. Despite our ability to carry some \$300 million into 1980-81, baseline reductions in State spending will be necessary if we are to achieve a balanced 1980-81 Financial Plan that preserves our tax reduction program.

1981-82

The need to exhaust the margin in this year's Budget to achieve balance in 1980-81 portends continued fiscal stringency in 1981-82. The cumulative and increasing effect of the tax cut program will continue to reduce revenue growth, while inflation and formula-driven expenditure pressures will not abate

Therefore, the Executive and Legislature alike must adopt a 1980-81 Budget that does not add to long-term financial pressures, but takes positive steps to achieve multi-year expenditure reductions.

That process has begun. The Administration has announced a Statewide hiring freeze and a planned reduction in non-personal service spending as a first step. This action should save \$30 million this year and reduce baseline spending by a minimum of \$70 million annually for State operations. Second, the Governor has directed an energy audit of all State operations, from which a minimum savings of \$30 million is anticipated. Third, the Governor has requested the Division of the Budget to examine the organizational structure of State government and make recommendations for streamlining and consolidating various agency operations for inclusion in the 1980-81 *Executive Budget*.

These steps can be taken now. The longer-term adjustments, especially those relating to expenditure increases that are formula-driven, will require legislative cooperation and therefore must await the submission of the Governor's 1980-81 Budget.

Current Year Financial Plan

The revised 1979-80 Financial Plan shows a margin between estimated income and expenditures of \$303 million, less than half the \$675 million margin recorded in the 1978-79 fiscal year. As in the prior year, the margin will be applied to accelerated payment of income tax refunds during the final quarter of the State's fiscal year.

The margin in the 1979-80 Financial Plan results from three major developments:

- The decision to use bond funds to finance capital projects;
- An increase in revenue above the April projection resulting from a higher-than-expected rate of inflation; and

STATE GENERAL FUND INCOME AND EXPENDITURES

(millions of dollars)

	1978-79 <u>Actual</u>	1979-80 <u>Estimated</u>	1979-80 Compared with 1978-79
Income			
Current revenue			
Personal Income Tax ^{a/}	5,564 ^{b/}	6,125 ^{c/}	+ 561
User Taxes and Fees	3,905	4,045	+ 140
Business Taxes	1,905	2,020	+ 115
Revenue from Other Activities	286	254	- 32
Miscellaneous Receipts	565	480	- 80
Total Current Revenue	<u>12,225</u>	<u>12,924</u>	+ 699
Federal Revenue Sharing	256	254	- 2
Bond Funds	125	140	+ 15
Total Income	<u>12,606</u>	<u>13,318</u>	+ 712
Expenditures			
Local Assistance	7,100	7,572	+ 472
State Operations	2,969	3,219	+ 250
Legislature/Judiciary	235	306	+ 71
General State Charges	724	819	+ 95
Debt Service/Lease Purchase	521	592	+ 71
Capital Construction	382	507	+ 125
Total expenditures	<u>11,931</u>	<u>13,015</u>	+1,084
Margin	675	303	- 372
Payment of or Provision for Accelerated Refunds and Tax Reductions	670	303	- 367
Excess Income over Expenditures	<u>5</u>	<u>...</u>	- 5

^{a/} Before application of margin to accelerated refund payments.
^{b/} Before increase in tax refund reserve account of \$164 million.
^{c/} After reduction in tax refund reserve account of \$194 million.

—An increase in available revenues resulting from underutilization of some elements of the tax reduction program and higher-than-projected 1978 income tax liability

About 40 percent of the increase in revenues represented by these factors has been offset by increased expenditure estimates, reflecting supplemental and special bills enacted by the Legislature after adoption of the main Budget, accelerated capital spending, and the impact of inflation, particularly energy prices, on State spending.

STATE INCOME . . .

Total State income for the 1979-80 fiscal year, before provision for payment of accelerated refunds during the final quarter of the fiscal year, is estimated at \$13,318 million, an increase of \$712 million over comparable 1978-79 income. This amount includes \$12,924 million in current revenue from taxes and fees, \$254 million in Federal general revenue sharing and \$140 million in bond funds.

After adjustment for the accelerated refund transactions in both 1978-79 and 1979-80, total income for 1979-80 is estimated at \$13,018 million, up \$1,082 million from the comparable 1978-79 figure.

Personal Income Tax: Personal income tax gross collections, before consideration of refund payments and reserve transactions, are now estimated at \$6,601 million, \$441 million or 7.2 percent more than in 1978-79. This revised estimate is \$124 million higher than the April estimate. The increase is due to faster-than-expected growth in income during 1979, to underutilization of certain elements of the tax program, and to an underestimate of 1978 liability, resulting in substantially higher-than-expected payments on final returns on 1978 income received in 1979-80.

Refunds on 1978 income also proved to be lower than expected, as a result of the underutilization of the tax program. Consequently, total refunds on 1978 income, which were originally projected to rise nearly 45 percent over the 1977 total, are now estimated to be but 30 percent higher.

As a result of the higher gross collections and lower refund offsets, estimated net personal income tax collections, prior to

accelerated payment of 1979 refunds, have risen \$260 million over the April estimate to \$6,125 million.

User Taxes and Fees: Receipts from these consumption levies are now estimated at \$4,045 million, \$25 million above the April estimate. The sales and use tax, reflecting greater-than-anticipated price inflation, is now expected to yield \$2,755 million, or \$165 million more than receipts during 1978-79. In contrast, motor fuel tax receipts are estimated to total \$460 million, or \$30 million less than 1978-79 revenues, as a result of reduced consumption. Finally, estimated receipts from the cigarette tax, motor vehicle fees, and the highway use tax have been increased slightly to reflect greater-than-expected receipts to date, whereas estimated alcoholic beverage tax receipts have been reduced modestly, to reflect lesser growth than had been forecast in April.

Business Taxes: Receipts from business taxes are estimated at \$2,020 million, an increase of \$115 million from 1978-79 receipts and \$57 million from the April 1979 estimate. The upward revision reflects increases of \$33 million in estimated corporation franchise tax receipts, \$14 million in estimated bank tax receipts and \$10 million in estimated corporation and utilities tax receipts.

Collection experience to date and the continuing growth of profits in the corporate and bank sectors are the major factors contributing to the revised estimates.

Revenue from Other Activities: Receipts from other activities are estimated at \$254 million, down \$32 million from the 1978-79 actual and \$7 million less than estimated in April. Lower-than-expected collections from large estates and strike-related reductions in pari-mutuel activity have resulted in downward revisions of \$6 million and \$2 million, respectively, in tax receipts from these sources. Conversely, an improvement of approximately \$1 million is expected in real estate transfer tax receipts, based on collections to date.

Miscellaneous Receipts: Receipts are estimated at \$480 million, an increase of \$19 million from the April 1979 estimate. The increase primarily results from higher-than-anticipated income from the investment of State funds due in large part to continuing high interest rates and certain "one-time" transactions that were previously unanticipated.

General Federal Aid and Bond Funds: Receipts from Federal general revenue sharing are estimated at \$254 million, \$2 million less than anticipated in April. This reduction, expected in the January 1980 quarterly payment, reflects new information on the State's entitlement for the 1979-80 Federal fiscal year. That entitlement, payable quarterly in January, April, July and October 1980, will total \$8 million less than comparable payments during 1979.

Bond fund use in 1979-80 is now estimated at \$140 million, \$15 million above bond use in 1978-79.

STATE EXPENDITURES . . .

Total State spending for 1979-80 is now estimated at \$13,015 million, up \$189 million from the April plan. The increase is spread throughout virtually every category of State spending, and reflects the full range of events that can adversely impact State spending. These include the effects of the recent acceleration in inflation, legislative initiatives to enrich certain programs, the additional costs of meeting Federal regulations and Administration commitments to advance capital projects, and reestimates based on the experience of the first six months of the fiscal year.

Local assistance spending is up \$55 million: \$36 million in aid to colleges and schools, \$29 million in social services, including SSI increases and reserve for an increased State share of food stamp costs; and \$16 million in increased transportation aid. These increases are only partially offset by a \$26 million net decline in all other programs.

State operations expenditures are projected to be up \$66 million, of which \$33 million represents additional energy costs, \$20 million stems from the security costs associated with the correction officers' job action, and \$10 million results from the additional costs of the negotiated salary package. All other changes accounted for a net \$3 million increase.

Legislative and judiciary spending is up \$20 million, reflecting the supplemental budget action on judicial salaries.

Capital construction spending estimates have risen \$38 million, largely due to acceleration of highway transportation pro-

grams, the agreement to lease Rikers Island, and reestimates based on the spending trend of the first half of the year.

Debt service and general State charges are up \$10 million, of which \$9 million represents an unexpected increase in the cost of judgments levied against the State.

Increases over 1978-79 Total State expenditures for 1979-80, now estimated at \$13,015 million, include a \$10 million contingency reserve for the deficiency budget. This represents an increase of \$1,084 million over actual 1978-79 expenditures, an increase of 9.1 percent. Although the rate is substantially larger than in the last three years, it remains under the current double-digit rate of inflation.

More than 50 percent, or \$543 million, of the \$1,084 million increase in spending over 1978-79 is accounted for by higher Local Assistance Fund spending and the additional State assumption of local court costs. The remaining \$541 million is primarily attributable to the first-year impact of the salary and benefit increases granted to State employees in the 1979 collective bargaining agreements, higher retirement system and social security costs, increased debt service on short-term borrowing, and construction costs under the Accelerated Highway Program.

Local Assistance Fund expenditures are estimated to grow \$472 million in 1979-80, including:

- \$237 million for education aid;
- \$120 million for generally unrestricted grants to local governments;
- \$ 92 million for social services, reflecting, in part, the full-year impact of the State takeover of the local share of the SSI Program;
- \$ 22 million for higher education aid;
- \$ 1 million for all other programs.

The education aid increase is primarily attributable to the full-year impact of the 1978-79 education aid amendments and the initial effect of the various program enrichments enacted this year.

State operations expenditures are projected to increase by \$321 million in 1979-80, including \$71 million in increased State funding of local court costs under the four-year takeover

program. The salary and benefit increases provided to State employees under the 1979 bargaining agreements and a reserve for those units yet to complete negotiations, the costs of the corrections officers' job action, increased tuition assistance payments, and the impact of rapidly rising fuel and utility costs account for \$244 million of such increase. The remaining \$66 million increase reflects expenditures by the departments and agencies.

Gross capital construction expenditures are expected to increase \$88 million in 1979-80, reflecting the State's accelerated highway, environmental conservation, correction and other capital programs. The total increase in capital construction expenditures of \$125 million reflects a decrease of \$41 million in net income from first instance transactions.

Expenditures for general State charges are projected to increase \$95 million, including nearly \$48 million in higher State funded retirement costs. The balance of the increase reflects the increased costs of health and dental insurance and social security contributions.

Debt Service expenditures are projected to rise \$71 million, as a result of first instance funding of \$37 million in debt service on 1978-79 tax and revenue anticipation notes, and the higher rate of interest incurred by the State on such TRANS during 1979-80.

MAJOR STATE FUNCTIONS

EDUCATION. . . 43 percent of State Budget

Elementary and Secondary Education Aid payments to New York's 703 major school districts constitute the State's largest single spending program. During the 1979-80 school year, the State will provide \$3.6 billion to help operate public school classes for 3 million pupils. This amount represents an increase of approximately \$219 million over aid distributed during the 1978-79 school year, and no district will face a reduction in the operating assistance it receives.

The State will allocate \$2.7 billion of these funds according to a two-tiered formula that distributes operating aid in inverse proportion to a district's wealth, as measured by its taxable real property. Based on 1979 amendments to the law, school districts in the first tier will receive State assistance for approved expenditures of up to \$1,500 per pupil; the less wealthy districts that qualify for second tier payments will receive assistance for expenditures of up to \$1,550 per pupil.

In light of the judicial ruling in *Levittown v. Nyquist*, which found the existing system of school financing unconstitutional, the State is actively pursuing alternate methods of supporting public school costs. A Task Force on Equity and Excellence in Education is studying the matter in depth and expects to submit specific proposals for consideration by the Legislature.

In addition to its basic operating support, the State provides school districts with:

- Reimbursement of 90 percent of approved pupil transportation costs, which include related Social Security costs borne by districts that own and operate their own school buses;
- Reimbursement of a share of school construction costs;
- Special assistance for districts unable to maintain essential school programs without imposing inordinately high property taxes;
- Assistance for bilingual school programs;
- Assistance for adult education courses;
- Textbook aid for all students in nonpublic as well as public

- schools, from kindergarten through the 12th grade;
- Support for school lunch and breakfast programs;
- Assistance to 44 Boards of Cooperative Educational Services (BOCES) throughout the State, which offer full-time instruction for 23,000 children with handicapping conditions and part-day classes for 57,000 pupils with special vocational interests;
- Special assistance for public school pupils who are severely handicapped or who suffer from learning disabilities;
- Categorical grants for school and BOCES programs designed to help talented children develop their full potential.

The State helps meet the special problems of big-city school districts by providing incentive grants to improve pupil performance. State funds also support pupils who, because of special needs, are placed in private schools.

These aid programs are all administered by the State Education Department, which also assists private institutions of higher education. In addition, the Department oversees:

- The State Library, the State Archives, the State Museum, and other cultural programs;
- A wide array of higher educational and professional services;
- Programs supporting occupational and continuing education;
- Vocational rehabilitation services.

State University The State University of New York stands as the nation's largest system of higher education, with 34 State-operated campuses and 30 community colleges. For the 1979-80 academic year, approximately 226,700 full-time and 131,500 part-time students are enrolled in courses covering the full range of the sciences and liberal arts and leading to both graduate and undergraduate degrees. During 1979-80 the State will spend some \$104 million in direct support of University programs at State-operated campuses.

Despite a largely stabilized enrollment, University operating

costs continue to increase in the face of heavy inflationary pressures, new programs in the health sciences, phased expansion of the newer schools, and the inevitable expenses of an aging physical plant. This has necessitated the imposition of tuition and dormitory fee increases to augment the State's own increased support payments; they are dedicated to replacing obsolete residential and academic equipment and completing the University's building program. Long-term financing is being obtained on schedule for University construction projects originally funded on an interim basis under the State's Build-out Plan.

During 1979-80 State University is continuing the phased development of such critically needed facilities as:

- The Binghamton Clinical Campus, which admitted its first medical students in July 1979;
- The Stony Brook Hospital, to be opened early in 1980;
- Expansion of the Utica College of Technology;
- Program improvements at the Purchase and Old Westbury campuses;
- Health science projects at the Buffalo—Main Street campus;
- Construction projects at Amherst, Farmingdale, and Fredonia.

Community Colleges The 30 community colleges operated by the State University offer two-year degrees and shorter-term certificates in the liberal arts and practical and paraprofessional technologies. Costs are shared by the State, the counties or other local sponsors, and the students themselves, with the State providing up to 40 percent of the operating funds and 50 percent of the debt service on construction costs. State spending for operating aid and debt service during 1979-80 will amount to approximately \$118 million.

City University of New York City University is one of the largest university systems in the country and an integral part of the State's higher education program. In its active concern for New York City's financial stability and its recognition of the University's importance to the City, the State is pledged to a four-year phased takeover of the current level of operating costs of City

University's senior colleges, as follows:

- CFY 1979-80 - 75% of costs
- CFY 1980-81 - 80% of costs
- CFY 1981-82 - 90% of costs
- CFY 1982-83 - 100% of costs

Beginning in 1980-81 the City of New York will be held harmless for any increase in operating costs above this year's level, with the State meeting the full cost of any such increase. Under the takeover plan the State's actual share of each year's costs could therefore be greater than shown here.

The State will also assume all capital costs for the University's senior colleges by 1982-83. Debt service for senior college projects initially financed after July 1979 will be completely State-funded, and the phased takeover of debt service payments for previously funded construction will proceed in tandem with the operating cost takeover.

The State meets up to 40 percent of the operating costs of the University's community colleges. It also provides 50 percent of debt service payments made under the University's community college capital program.

During City fiscal year 1979-80, the State will spend some \$291 million to support senior and community college operating expenses and debt service requirements. This includes a recommended deficiency appropriation to reflect a tuition increase authorized by the City Board of Higher Education. Together with an estimated \$51.2 million paid out to University students under the State's Tuition Assistance Program, State spending for the University represents approximately 58 percent of the University's gross operating and debt service budget for the current fiscal year.

Private Higher Education

The State's various programs for direct institutional assistance to private colleges and universities in New York are supported this year by appropriations totaling \$90.7 million. The Bundy Aid Program alone will provide approximately \$68 million, based on the following amounts per degree granted:

- \$330 for each associate degree;
- \$940 for each bachelor's degree;

- \$650 for each master's degree;
- \$3,100 for each doctorate

Legislation enacted this year will increase these amounts to the following levels as of July 1, 1980:

- \$450 for each associate degree;
- \$1,200 for each bachelor's degree;
- \$900 for each master's degree;
- \$4,500 for each doctorate.

Recognizing the significant additional cost of a medical or dental education and the public service rendered by these schools, the State provides special aid based on enrollment. Under new legislation, eligible medical schools are offered a basic grant of \$2,000 per student and dental schools \$3,300 per student, up to a specified enrollment ceiling. This "capitation" program also funds an Enrollment Expansion Aid program which allows the State to contract with its medical and dental schools to enroll greater numbers of upper division transfer students who have received their initial professional education outside the country. This enables more New York State residents to return to the State to complete their training. In addition, the State contracts with the University of Vermont and the Sackler School of Medicine in Israel to provide additional medical school placements for New York students.

Student Assistance The State's central Higher Education Services Corporation distributes student aid through grants, scholarships, and loans from State and Federal sources. Under the State's Tuition Assistance Program (TAP), undergraduate students receive annual grants ranging from \$200 to \$1,800, calculated on a sliding scale according to their families' net taxable income. An appropriation of \$253.6 million will permit tuition assistance awards for an estimated 362,000 students during the 1979-80 academic year.

For 1979-80 the State is also offering:

- 77,746 Regents' scholarships of \$250 a year to residents attending college in the State—an average of one scholarship per 40 high school graduates in the State;
- 3,200 Regents' nursing scholarships of \$250 a year to students attending nursing schools in the State;

- 4,000 scholarships of \$450 a year for the children of deceased or disabled veterans;
- 290 scholarships for doctoral candidates at medical or dental schools and 15 scholarships for optometry candidates;
- 240 special scholarships for medical students who agree to practice in areas of the State where doctors are in short supply

The Higher Education Services Corporation administers the Federal Guaranteed Student Loan program in New York and expects to provide \$655 million in low-interest loans to approximately 320,000 students this year; since 1978-79, the full cost of administering this program has been met by Federal subsidies and fees charged to students. The Corporation also guarantees loans for students attending schools in the State that are not approved for the Federal loan program because they lack proper accreditation. Some 150 vocational schools fall into this category, and the State pays both interest subsidies and the full cost of default purchases on approximately \$9.5 million borrowed annually by their students. Pursuant to legislation enacted this year, loans under this program will cease as of July 1, 1981, giving the affected institutions two years to obtain the necessary accreditation.

In addition, the State guarantees special loans to students in the health professions who have exhausted their annual eligibility under the Federal loan program. During 1979-80 more than \$4 million will be borrowed by such students.

SOCIAL DEVELOPMENT . . . 18 percent of State Budget

Income Maintenance Over the past four years, New York State has made significant progress in improving the management of all income maintenance programs—Aid to Dependent Children (ADC), Home Relief (HR), and the federally operated Supplemental Security Income program (SSI). Specifically, the Department of Social Services is refining its automated Welfare Management System, reverifying recipient eligibility via mailed questionnaires, and comparing public assistance computer tapes with employer payroll files. These measures involve no reductions in benefit levels but concentrate instead on eliminating fraud, abuse, and other irregularities through administrative reforms.

In an effort to compensate for rising prices, the State is increasing the monthly payments to SSI recipients who reside in adult care facilities by more than \$21, of which \$10 will be retained by the recipient for personal needs.

Youth Programs Through its Division for Youth, New York seeks to prevent delinquency and rehabilitate its trouble-prone and wayward young people. Total State spending for the Division's programs will amount to \$92 million in 1979-80, a significant increase over the prior year, and every effort is being made to supplement current appropriations with Federal funds, expected to amount to some \$16 million this year.

As part of the State's comprehensive program to reform its criminal justice system, the Division's responsibilities with regard to the violent juvenile offenders placed in its custody have been significantly broadened. Recent legislation has:

- Expanded the list of criminal acts requiring confinement in a secure facility;
- Extended coverage under the Juvenile Justice Reform Act to 13-year olds and all third-time offenders regardless of age;
- Imposed increased minimum periods of confinement for juveniles convicted of certain designated felonies;
- Authorized the Division to retain custody of juvenile offenders tried in adult courts beyond their eighteenth birthday.

Accordingly, the Division is expanding its secure-bed capacity in such secure facilities as Masten Park, Bushwick, Pilgrim, and Highland to meet the increased placements designated by the courts.

The State has also increased its financial assistance for local delinquency programs that provide counseling and shelter for youthful runaways and address such disturbing problems as teenage prostitution and school vandalism, violence, and truancy.

Programs for the Elderly Under the direction of the State's Office for the Aging, 56 local offices coordinate the planning and delivery of a comprehensive network of services to the elderly. These range from direct cash assistance to tuition-free study at

the State University and free weekday admission to State parks for anyone over the age of 62. Property-tax abatements are available to low-income homeowners, and all State-supported public transportation systems offer reduced fares to older riders.

The State subsidizes the basic subsistence allowances granted the elderly under the Federal SSI program and under its new Community Services for the Elderly Program helps local governments improve the services that enable the elderly to live independently in their own homes—home health care, hot meal delivery, housekeeping and chore services, and easy access to senior citizen activity centers. Concentrated outreach efforts seek to acquaint all older people with available services and programs. During 1979-80, the Office for the Aging will spend approximately \$11 million on programs for senior citizens and administer more than \$41 million in Federal funds.

Human Rights New York State law forbids discrimination in employment, education, housing, public accomodation, or union membership whether on the basis of age, sex, race, disability, religion, marital status, or national origin. This year the Division of Human Rights will handle some 7,000 complaints of discriminatory practice and continue to work with local agencies and businesses to encourage the recruitment of women and minority workers. Pursuant to Executive Order 40, issued by the Governor in 1976, all State agencies have prepared affirmative action plans for Divison review.

Federal regulations implementing Section 504 of the Rehabilitation Act of 1973 require any recipient of Federal funds to make all programs and services accessible to handicapped individuals. To ensure New York's compliance with this mandate, an 11-member interagency working group is developing resources and providing technical assistance to all affected State agencies. The Office of the State Advocate for the Disabled, in the Executive Department, furnishes information and referral services and works to coordinate the many State programs serving handicapped children and adults.

Over the past two years, the State has appropriated some \$17 million to remove architectural barriers that impede access by the handicapped to its office buildings, recreation areas, colleges and universities. Working with officials of the 1980 Winter Games at Lake Placid, the State Advocate has estab-

A second major income maintenance priority has been to ensure the availability of a nutritionally adequate diet to needy persons through expanded use of the food stamp program. To this end, the State has embarked on a vigorous outreach campaign to inform eligible persons about this program. Food stamps are financed entirely by the Federal government and are expected to provide needy persons in New York State with well over \$500 million in benefits in 1979-80.

Concerned that the escalating cost of home heating fuel will bring hardship to low- and moderate-income families this winter, the State is working to assure the equitable and timely distribution of energy assistance funds anticipated from the Federal government. New legislation allows New York banks to offer loans to fuel oil dealers that will enable customers to equalize their payments, and administrative measures are being taken to ensure that fuel is available to all who need it.

The State provides significant fiscal relief to local governments in meeting welfare costs and has now assumed all local SSI costs. This takeover is relieving New York City of costs totaling nearly \$82 million in 1979-80 and will provide upstate counties with savings of \$34 million. Other State actions to relieve local governments of the cost of income maintenance programs include increased technical and audit assistance in conjunction with a program of bonus payments for districts controlling ADC ineligibility error rates.

Medical Assistance Under its federally assisted Medicaid program, the State purchases comprehensive health services for those unable to afford the high cost of medical care. In New York State most Medicaid services are financed by the Federal, State, and local governments at respective shares of 50, 25, and 25 percent. Continuation of the State's cost-containment strategy has led to several new initiatives undertaken this year to control Medicaid expenditures, including efforts to maximize and claim such third-party contributions as Medicare to offset Medicaid expenditures and include several upstate counties in the State's automated Medicaid Management Information System, now operational in New York City.

Supportive Services Through local social services districts and a network of not-for-profit community service agencies, the Department of Social Services administers a wide variety of social services programs under the federally sponsored Title XX

program. These cover day care, foster care, protective and preventive services, senior citizen services, and appropriate casework and counseling. During 1979-80 the State will receive \$226 million in Federal Title XX assistance, and its own financial participation will amount to \$52 million. Unfortunately Title XX funding is limited nationally and inadequate to meet all New York's demonstrated needs; additional State support therefore finances State-mandated services in those districts where program demands cannot be met by available Title XX funds.

New York continues to seek better administration of social services funds. New accounting and client information systems govern its foster care program, and similar measures are sought for other Title XX programs. Growing concern with the problems of teenage pregnancy, domestic violence, and child abuse has increased State support for programs in these areas. The State is also helping localities establish new foster care programs for severely disabled children and is working to reduce the number of children placed in out-of-State institutions.

The Child Welfare Reform Act of 1979 offers tangible evidence of the State's conviction that children are best cared for by their own families. Local social services districts are guaranteed reimbursement for direct services to children who might otherwise be taken from their homes or who can be returned to their homes after a period of foster care; where a child has no intact family of his own, adoption incentives will facilitate his placement in a permanent family setting elsewhere.

The State is similarly concerned with providing adequate supportive services to adults. Accordingly, the Department of Social Services is:

- Strengthening the State's monitoring of domiciliary care facilities for adults, especially those caring for the many recent discharges from psychiatric hospitals;
- Cooperating with the Office of Mental Health and the Office for the Aging in improving access to community-based mental health services and senior citizen centers;
- Developing residence programs for adults where personal care and management services are provided in clustered apartment settings;
- Promoting community-based, in-home services to allow adults to live as independently as possible.

lished an Olympic Advisory Council for the Disabled to ensure accessibility and adequate services for handicapped spectators at the 1980 Games.

Labor All workers in New York are protected by standards for wages, hours, and bargaining practices that are enforced by the State Department of Labor. To help match jobseekers with employment opportunities, the Department offers computerized placement services for all qualified workers as well as counseling, testing and job-training for applicants lacking employable skills. The State cooperates fully with the Federal government in administering the Comprehensive Employment and Training Act (CETA), under which training and employment opportunities are made available to economically disadvantaged, unemployed persons. The Department administers an employee safety and health program which complements the Federal Occupational Safety and Health Act (OSHA) and ensures that State priorities for public safety are met.

The State's minimum wage per hour will rise from \$2.90 to \$3.10 on January 1, 1980. The Department of Labor enforces this minimum and all agreed-upon wage contracts and seeks restitution for underpayments; last year, approximately \$2.9 million was collected on behalf of underpaid workers.

Maximum weekly benefits under State-administered social insurance programs are set by law:

- Workers' compensation for permanent and temporary total disability—\$215;
- Unemployment insurance—\$125;
- Compensation to eligible employees for off-the-job disability, including pregnancy—\$95.

Services to Veterans To ensure that all New York State veterans receive the State and Federal benefits to which they are entitled, the Division of Veterans' Affairs conducts a variety of programs and assists local veterans' service agencies in 57 counties and 8 cities. Specific benefits include:

- Up to \$5,000 in real property tax exemptions;
- Preference in middle-income housing projects for Vietnam veterans or widows;

- Point preference in civil service examinations and extra seniority credits in the event of layoff;
- Tuition deferments by the State University of New York, the City University of New York, and all community colleges for veterans awaiting Federal payments for which they have qualified;
- A scholarship program for children of deceased veterans and veterans with more than 50 percent disability;
- Care for eligible persons at the State's Home for Veterans at Oxford.

Crime Victims Since 1967 New York has compensated victims of violent crime who face financial hardship as a consequence. From appropriations totaling \$5.4 million in 1979-80, the State will make weekly payments of up to \$250 in cases involving death or protracted disability, to a maximum of \$20,000. There is no limit on reimbursement for medical or related services necessitated by criminal action.

Legislation new this year has expanded this program:

- The Crime Victims Compensation Board may now act as an advocate for crime victims before Federal, State, and local administrative, regulatory, legislative, judicial, and criminal justice agencies;
- A special investigative unit, supported by a Federal grant, expedites the claims of senior citizens and makes every effort to visit these victims in their own homes;
- Medical examination of sexual offense victims will now be paid for without reference to financial hardship;
- Emergency awards, formerly limited to \$500, have been increased to a maximum of \$1,500.

HEALTH . . .

12 percent of State Budget

The Department of Health administers a wide variety of State-supported programs to ensure efficient and effective health care services for all New Yorkers. Spending for these programs in 1979-80 will amount to more than \$175 million.

Community health programs aided by the State include:

- Maternal and child-care services;

- Protective inoculations against German measles, polio and mumps;
- Demonstration projects for hypertension control;
- Diagnosis and treatment of venereal disease;
- Screening of newborns for hypothyroidism and genetic defects;
- Training in the self-detection of breast cancer;
- Laboratory and blood bank services;
- Outpatient care in inner-city hospitals.

The State itself provides direct health care and conducts research at two State-owned facilities, the Roswell Park Memorial Institute in Buffalo, a nationally known cancer center, and the Helen Hayes Hospital at West Haverstraw, now being rebuilt, which specializes in the treatment of neurological and chronic disabilities. Three State institutes concentrate on research into birth defects, burn treatment, and kidney disease, respectively. In light of findings at the Love Canal area in Niagara County, the Department is actively monitoring chemical disposal sites throughout the State and making sure that all affected residents receive necessary medical treatment.

The State's home for veterans and their dependents at Oxford has now been completely rebuilt; the new 242-bed facility was opened earlier this year.

Charged with regulating the health care industry as a whole, the Office of Health Systems Management in the Health Department has developed management improvements that will make the State more responsive to the needs of hospitals, nursing homes, and outpatient clinics. It is particularly concerned with the burdensome requirements imposed under various regulatory procedures, the methods of Medicaid reimbursement, and the turnaround time for hearings held pursuant to audit findings.

The National Health Planning and Resources Act of 1974 was designed to spur the development of comprehensive regional health plans in the country through a network of Health System Agencies. Today New York's Health Planning Commission is one of the few formally recognized by the Federal government as a primary state agency for health care planning. The Commission has now published a five-year health plan, the first in the State's history, to address such long-range considerations as:

- Control of excess hospital costs;
- Improved access to primary care;
- Development of community-based health services.

A major concern is improvement of the State's certificate-of-need process, which governs decisions regarding the construction or renovation of health-care facilities.

Mental Hygiene The Department of Mental Hygiene is now in its second year of activity following a reorganization that divided it into three separate agencies:

- The Office of Mental Health;
- The Office of Mental Retardation and Developmental Disabilities;
- The Office of Alcoholism and Substance Abuse Services.

Care for the State's mentally disabled is shared by these three agencies and 58 community mental health boards. The central thrust of the State's mental hygiene service delivery system is to provide the most appropriate care in the least restrictive environment. To this end, each agency is working to develop systems that integrate direct State and community prevention, treatment, and education programs. During 1979-80, support for State services and local programs will amount to approximately \$1.4 billion.

The Office of Mental Health continues this linkage between State and local care through its Community Support System, which coordinates a wide range of institutional and community-based services for the mentally ill, particularly those with chronic illnesses. Of special concern is the provision of suitable treatment for former residents of psychiatric facilities who are back in the community and need the sustained care that will prevent their return to institutional living and encourage their successful reentry into the mainstream of community life. To maintain these critical programs in 1979-80, the Office will spend some \$28.5 million.

The Office of Mental Retardation and Developmental Disabilities continues to provide quality services both for those individuals who require institutional care and those who can be appropriately served in the community. This latter group is expanding rapidly, and the Office is accordingly working to develop the necessary community residential facilities and

ancillary support services. During 1979-80 an estimated 1,900 persons are being placed in community residences, family care homes, or intermediate care facilities; some 1,200 of these will have come directly from the State's developmental centers. New staff in the Office are directly concerned with assuring proper placement procedures, effective delivery of care, and close supervision of this growing network of community services. State spending for these multiple programs in 1979-80 will amount to \$149.5 million, an increase of \$21.8 million over last year.

The Office of Alcoholism and Substance Abuse Services is composed of the Division of Alcoholism and Alcohol Abuse, the Division of Substance Abuse Services, and the Commission on Alcohol and Substance Abuse Prevention and Education. Through a network of State and local programs, the Office provides a variety of treatment and preventive services to actual and potential alcohol and substance abusers. All substance abuse services are now community-based; the last State-operated residential drug rehabilitation facility was closed earlier this year. Although the alcoholism service system is primarily community-based, it continues to include 14 State-operated treatment centers.

The State Commission on Quality of Care for the Mentally Disabled was established within the Executive Department in 1978 to provide for independent scrutiny of State and local mental hygiene programs. The Commission is inspecting and reviewing mental hygiene programs, investigating allegations of patient abuse, and developing new policies to improve the quality of care.

TRANSPORTATION . . . 10 percent of State Budget

Mass Transportation To discourage costly travel by personal automobile, New York is reinforcing its commitment to mass transportation systems within its borders. State funds are provided under three grant programs:

- Matching grants make up 50 percent of the non-Federal share of the statewide bus replacement program;
- Programs initiated under the transfer provisions of the laws

governing the Federal Aid Urban Systems are 20 percent funded by the State;

- A limited grant program funds 100 percent of the cost of certain capital rehabilitation projects needed by the metropolitan New York commuter rail system.

Despite the fact that the Federal government has not appropriated mass transportation development funds at the levels authorized by Congress, the State and the Port Authority of New York and New Jersey are independently proceeding with a special program of transit rehabilitation in the New York metropolitan region. Together, a \$120 million contribution from the Port Authority and a State appropriation of \$41 million will permit the inception of the long-awaited Accelerated Transit Program. While the Federal government has not yet appropriated sufficient moneys to permit the program to advance on schedule, Federal funds should eventually quadruple amounts from the State and the Port Authority. The State will continue to seek the full sum promised by congressional authorization.

Meanwhile, the State continues to provide direct operating assistance to local governments and regional transportation authorities to offset the operating deficits of bus, subway, ferry and commuter rail services. More than \$140 million is available for this program in 1979-80, to benefit not only the regional transportation authorities in Central New York, the Capital District, the Niagara Frontier, and the Rochester-Genesee and New York City areas, but also those counties and cities that individually sponsor local public transit services.

Rail Services The State subsidizes two special intercity rail passenger services: the "Washington Irving" linking Albany with New York City, and the "Adirondack" connecting Albany with Montreal. In view of the State's commitment to rehabilitate track and passenger station facilities in the Niagara Falls-Buffalo corridor, Amtrak has designated Niagara Falls as the terminal point for Empire State Corridor service, and passenger trains are servicing Niagara Falls for the first time since the 1950's.

Substantial improvements continue to be made in rail service, as authorized under the 1974 Rail Preservation Bond Act. This year bond moneys are making possible:

- Track and signal improvements on the Southern Tier Main

Line from Binghamton to Port Jervis and Olean to Wells-ville, to enhance service to the farms and industries along this corridor;

- The final phase of high-speed rail service between Schenectady and New York City, permitting 110-mile-an-hour travel along most of the track;
- Improved bridge and tunnel clearances north of Highbridge in New York City to allow "piggy-back" and high-boxcar freight service to the City;
- Improvements to track and signals on the Hudson-Harlem lines, plus the rehabilitation of a number of locomotives and commuter cars;
- Construction of a passenger station at Cheektowaga in the Buffalo metropolitan area.

Rail preservation bond funds are also helping establish a system of branch freight lines to serve upstate industry. Because almost 1,000 miles of branch-line track was excluded from the Conrail system when it was formed by the U.S. Railway Association in 1976, the State is using its own and Federal funds to develop an effective rail freight network that can be self-supporting by 1981.

Approved by the voters at the 1979 general election was a \$500 million Energy Conservation Through Improved Transportation Bond Act, designed to save some 1.4 billion gallons of motor fuel over the life of the bonds, improve both rail facilities and highway traffic conditions, and generate more than \$5 billion in economic activity throughout the State.

Highway Facilities With the interstate highway system approximately 92 percent complete, the State is shifting its focus from new construction to the reconstruction, reconditioning, and preservation of existing highways and bridges. The Federal government has recognized this adjustment by initiating a new program for the restoration of rapidly deteriorating roadways, and is providing a massive increase in the level of funding for the reconstruction or replacement of structurally or functionally deficient bridges. With Federal help, the State is continuing its local assistance program for the improvement of municipal streets and highways. New program commitments of \$200 mil-

lion in State funds, together with Federal and local participation, will generate a total highway facilities program of \$630 million during 1979-80.

Ports and Waterways The State continues to move ahead in its comprehensive port improvement program. With work already in progress at the Port of Albany, various improved facilities are planned for New York City, Buffalo, Ogdensburg, and Oswego; construction of the container port at Red Hook is expected to begin later this year. Already the State's ports handle more than 225 million tons of cargo each year and generate some \$2.5 billion in gross annual income. The State is also preserving its historic Barge Canal System, which spans the State from Lake Champlain to Lake Erie and serves commercial as well as recreational watercraft. The Canal's structural sufficiency, particularly its water impoundment mechanisms, is undergoing thorough review, and its improved lock-area parks and towpath trails are proving increasingly popular tourist attractions. The Canal remains the only major navigable waterway in the United States not supported by the Federal government, and the State continues to seek Federal assistance for the upkeep and improvement of this important economic resource.

Aviation A comprehensive airport and aviation capital grant program provides three-quarters of the non-Federal share of approved aviation facility costs. For 1979-80, new appropriations of more than \$4.8 million are available to fund the State's share of 34 projects designed to preserve existing facilities, increase safety, and expand airport capacity. Special rehabilitation work at the Adirondack and Lake Placid airports will be completed in time for the 1980 Winter Olympic Games. At Stewart Airport in Orange County the Metropolitan Transportation Authority is constructing a \$30 million runway extension and associated taxiway. Through special tax benefits, the State continues to seek expanded service by commuter airlines and smaller air cargo carriers.

Traffic Safety New York State currently has 9,125,000 registered motor vehicles and 8,366,000 licensed drivers, and the Department of Motor Vehicles promotes traffic safety through the regulation and control of both. The Department is strengthening the management of its programs through the following initiatives:

- To improve the security and validity of the Department's license-issuing system and at the same time provide an additional tool for law enforcement agencies, plans are under way to incorporate individual photographs on drivers' licenses and permits. The new photo-license will also serve as a more reliable and acceptable means of personal identification.
- To ensure the mechanical safety of State-licensed vehicles and prevent consumer fraud, additional staff will broaden controls over motor vehicle inspection and repair facilities.
- To provide better and faster service to the public and tighten the security of the license and registration issuing systems, a new computer terminal system will be installed in each county and State issuing office.

The Governor's Traffic Safety Committee administers approximately \$18 million in Federal Highway Safety funds annually to provide a coordinated highway safety program through financial grants to State and local government agencies. These moneys are used for the development of such varied projects as a traffic records system, emergency ambulance services, and innovations to speed traffic flows.

GOVERNMENTAL AFFAIRS . . .

Approximately 7 percent of the State's budget is spent on general government operations, including those of the Legislature and Judiciary. These expenditures cover such functions as the collection of revenues, auditing of accounts, legal affairs, personnel transactions, and the purchase and maintenance of equipment, buildings, and property.

Fiscal Controls On all its activities the State continues to impose stringent spending and borrowing controls, including:

- Austerity measures affecting all State agencies that limit staff, overtime costs, and equipment purchases, restrict travel and publications, and enforce a strict system of expenditure ceilings;
- The periodic issuance of official reports to the public and

to banks and other private credit institutions detailing the State's financial situation;

- A statutory limitation on the amount of "moral obligation" bonds that public benefit corporations may issue;
- The use of a State Securities Coordinating Committee, headed by the State Comptroller, to coordinate and schedule the offerings of the bonds and notes issued by the State and its public authorities;
- Close monitoring by the Public Authorities Control Board of those public benefit corporations that finance major construction projects—the Housing Finance Agency, the Dormitory Authority, the Medical Care Facilities Finance Agency, the Environmental Facilities Corporation, the Urban Development Corporation, and the Project Finance Agency;
- A Build-out Plan, extended to September 1980, that assures adequate financing for public authority construction projects and has thus far secured permanent financing totaling \$1.9 billion from public bond sales (\$1.4 billion) and other sources (\$500 million).

Management Improvements This year the State's management improvement program has sought more effective and efficient governmental operations through the elimination of unnecessary programs and agencies and better use of both staff and equipment resources in the conduct of State business. Thus:

- With the assistance of a fleet management expert borrowed from the New York Telephone Company through the Governor's Loaned Executive Program, the Division of State Police has developed and field-tested new maintenance procedures for its patrol vehicles. When implemented throughout the State, the new procedures will produce savings approaching \$1 million through reduced maintenance costs and improved fuel economy.
- The Division of Substance Abuse Services has phased out its drug abuse treatment facilities in favor of locally operated treatment programs. Annual savings resulting

from this action approximate \$4.6 million

- A joint Department of Correctional Services/Division of the Budget task force has developed an entirely new system for deploying security staff at the State's correctional facilities to reduce unnecessary overtime costs and enhance security. Now being tested at Mid-Orange Correctional Facility with the cooperation of employee representatives, the system will also provide correction officers with better opportunities to make regular use of their earned leave-time.
- Unneeded agencies, such as the Commission on Legislative and Judicial Salaries, have been abolished completely. In other cases, such as the East Hudson Parkway Authority, abolition has been made possible by transferring essential maintenance and policing functions to other State and local agencies.

In addition to such actions, State management is also taking a critical look at the organization of a number of agencies, including the Department of Civil Service and the Office of General Services, to identify ways in which structural change can increase productivity and improve the level and quality of service. Additional agencies will be the subject of similar reviews throughout the coming year.

Intergovernmental Relations To enable local governments to join the State in reducing taxes, New York continues to follow a carefully balanced policy that couples cost controls with targeted aid increases. During 1979-80, localities will receive direct State assistance amounting to \$7.6 billion, or some 60 percent of the total State budget. Included in this amount is:

- \$3.6 billion in aid to public school districts;
- \$1 billion under programs providing generally unrestricted aid to cities, counties, towns and villages, including State revenue sharing;
- \$3 billion under other aid, reimbursement, and tax-sharing programs

The State imposes no charge for the many technical, legal and training services it renders to local governments, and together with municipal officials it is making an exhaustive study

of laws and regulations that represent unnecessary financial or administrative burdens on localities. This has already resulted in the modification or removal of a number of needlessly restrictive measures. A panel made up of business leaders and government officials is examining the structure and organization of State government and the allocation of responsibilities between the State and its localities.

To achieve greater equity in the administration of the tax that is the major support of local governments and school districts and respond to recent court decisions, a Temporary State Commission on the Real Property Tax is studying the impact of full-value assessment and exemptions for certain properties; it will render a final report by March 31, 1980. The State continues to fund a program whereby localities seeking to reform their property tax programs will ultimately be eligible for aid at a maximum rate of \$10 a parcel. The State has also sought to alleviate the hardships imposed on upstate city school districts by judicial decisions that struck down laws allowing certain payments to be excluded from constitutional tax limits.

Federal assistance to New York for joint Federal, State and local categorical programs will amount to an estimated \$5.9 billion during 1979-80. Social development programs—welfare benefits and services, Medicaid, and training—will account for \$3.6 billion, some 61 percent of these grant moneys. In addition, general purpose support is distributed according to such indicators of need as population and unemployment. In 1979-80 the State will receive \$254 million in Federal revenue sharing funds and its local governments twice that amount.

Public Employees This year marks the first year of the multi-year agreements covering the majority of State employees which guarantees adequate raises each year while also recognizing the State's fiscal constraints.

In addition, the State and the employee organizations representing the largest group of State employees agreed to use Last Offer Binding Arbitration (LOBA) as a framework to resolve impasses in negotiations. The presence of this unique tool aided in the negotiations, although agreement was reached without resort to arbitration.

Negotiations were concluded with eight of the ten nego-

tiating units; negotiations with the other two units are unresolved. Not all the agreements were reached without discord, however. The Security Services Unit (correction officers and other security personnel) engaged in a 16-day job action which involved the State's 34 correctional facilities.

The agreements reached with the employee units, including the Security Services Unit, are tailored to meet employee needs in each of the units, and have been determined to be in compliance with the Federal Wage and Price Guidelines.

The agreements contain these improvements:

- Employees received a general salary increase of 7 percent effective April 1, 1979.
- General salary increases of from 3½ to 7 percent, depending on the Consumer Price Index, will be provided to employees in the second and third years of the agreement.
- The old lock-step increment system for employees' movement through the salary range has been replaced by a new performance evaluation system which will tie salary advancement to demonstrated work performance. In addition, employees earning at the top of the range are eligible for performance bonuses in recognition of outstanding performances.
- Affirmative Action programs to provide training, development and expanded advancement opportunities for employees in clerical and secretarial positions have been developed. In addition, a civil service examination will provide a mechanism for such employees to cross over to professional positions.
- Revisions in the health insurance program will provide significant improvements in benefits at a lower cost. The program will offer full coverage for maternity care, place a cap on out-of-pocket expenses, and improve prescription drug benefits. Additionally, the State went to bid for major medical and drug coverage, further helping to hold premium costs in line.
- Improved training programs for security personnel and nonsecurity personnel employed in the State's correctional facilities are being implemented.

The State is continuing its commitment to affirmative action. More than 50 agencies and departments have implemented alternative work schedules acting under Executive Order No. 68 to enhance employment opportunities by increasing hours of public service and improving the quality of State operations and employee productivity. Legislation was enacted this year to provide for the January 1, 1980 transfer of the park police functions on the State's parkways to the Division of State Police. This action will consolidate law enforcement activities on all of the State's major highways and will provide uniform salary and benefits to employees performing these activities.

PUBLIC SAFETY . . .

Crime Control The State's Division of Criminal Justice Services has central responsibility for crime control planning, local police training, and the automated collection and retrieval of fingerprints and other information on crime. The Division prepares an annual statewide plan for improving criminal justice functions, and under the direction of a 30-member Crime Control Planning Board it administers the Federal moneys allocated to New York by the Federal Law Enforcement Assistance Administration (LEAA). Concerned with the overall effectiveness of the State's criminal justice system, the Division is administering some \$40 million in State funds and \$37 million in Federal grants. This is in addition to operating expenses of approximately \$11 million. It is promoting the development of a comprehensive data system for criminal justice statistics that will coordinate statewide crime information with data on felony-case processing.

The Division's planning function includes efforts begun in 1978 to improve the enforcement of violent felony warrants and establish a new information system to track rearrests of parolees are continuing, as is a program to tighten the enforcement of laws governing probation warrants. Two initiatives to provide training and centralized reference and research services for both local prosecutors and defense counsel, originally funded under Federal grants, are now carried out by the Division's Bureau of Prosecution and Defense Services and its Criminal Justice Appellant Reference Service.

Four units in the Department of Law, each headed by a Deputy Attorney General, are charged with investigating and reporting specific violations of State and Federal law:

- The Statewide Organized Crime Task Force is concerned with organized criminal activities that cross county lines or involve the State and other jurisdictions;
- The Office for the Investigation of the New York City Criminal Justice System explores allegations of corruption in any way connected with the enforcement of laws or the administration of criminal justice in the City;
- The Office for Investigation of the Nursing Home Industry investigates and prosecutes instances of fraud on the part of Medicaid providers and has identified millions of dollars in overpayments to nursing homes and other violators of the law;
- The Onondaga County Superseder is actively pursuing allegations of corruption by public officials in that county.

The Temporary State Commission of Investigation is also examining alleged violations of State law, paying particular attention to organized crime and racketeering, and possible misconduct by public officials and employees.

The Major Violent Offense Trial Program was created in 1978 to expedite processing of cases involving major violent or armed felonies. Funding has been provided for the nonjudicial components of 30 court parts and for the processing of certain juvenile cases.

Correctional Services The State's Department of Correctional Services is presently operating 34 facilities with an inmate population of some 21,000. This population is expected to increase to more than 22,000 by April 1980. To meet this expanding workload, the Department expects to spend some \$281 million in capital and operating funds during 1979-80.

Additional cell space for these inmates is an urgent necessity, particularly in light of the tougher sentencing provisions enacted as part of the comprehensive criminal justice reform program. The State has signed a Memorandum of Understanding with New York City for the acquisition of space on Rikers Island. Other measures for coping with the rising inmate population include

an appropriation of funds for the design of a new 500-bed facility and the rehabilitation of approximately 300 cells at the Ossining Correctional Facility. Together with the opening of the Downstate Correctional Facility, this will provide an additional 1,300 beds before the end of the fiscal year.

The Department is helping prepare for the 1980 Winter Olympic Games by renovating the Camp Adirondack Correctional Facility in the town of Raybrook. This facility will be used to house 1,500 State support personnel, including the New York State Police. After the Olympics, the facility will revert to its present status as a correctional institution.

The Department continues its efforts to improve the level of inmate services and the management of its facilities. Current measures include:

- Continued expansion of the successful family reunion program that allows inmates and their families to be together for as long as 46 hours in completely furnished mobile homes on prison grounds;
- Improved manufacturing methods and procedures within the Correctional Industries program that link production requirements to sales and revenue projections;
- Participation in the State's Objective Development Process, under which the Department has identified improved management information systems, significant energy cost reductions, and better specialized medical service to inmates as critical goals at this time.

Commission of Correction In New York, responsibility for the inspection of correctional facilities is vested in a full-time, three-member State Commission of Correction that is wholly independent of the State's Department of Correctional Services and works to improve State and local correctional services. A part-time Citizen's Policy and Complaint Review Council, assisted by a full-time staff, also acts on local grievances submitted in writing, while a Correctional Medical Review Board investigates and reviews the death of any inmate that occurs in a State or local correctional facility.

The Commission is currently being reorganized to heighten

its effectiveness as an independent overseer of the State and local correctional systems

Parole In 1978 the Division of Parole was separated from the Department of Correctional Services under a modified administrative and legal framework of parole operations. Within this framework the Division is:

- Developing and implementing a system of preliminary and final revocation hearings;
- Determining the minimum period of imprisonment within 120 days after an inmate is admitted to a State institution;
- Developing and implementing written guidelines for the Board of Parole to use in establishing minimum periods of imprisonment for parole purposes;
- Emphasizing programs designed to assist inmates and parolees in securing employment, education or vocational training.

Criminal justice reforms initiated in 1978 have tightened supervision of paroled high-risk offenders through greater surveillance and programs specifically designed to promote adjustment to community life. The program includes an absconder search unit to ensure the expeditious apprehension of parole violators. An estimated 17,250 parolees, including local and cooperative cases, will be under supervision as of March 31, 1980.

Probation As a valuable alternative to institutional commitment, probation permits offenders to remain in their own communities throughout their terms of correction. The Division of Probation supervises local probation programs throughout the State and trains both State and municipal personnel. The State provides direct probation services to three upstate counties: Fulton, Montgomery, and Warren. New York City and 53 other counties receive 42.5 percent State reimbursement of certain costs incurred in providing their own probation services.

The Governor's 1978 criminal justice initiatives included both an experimental program of intensive supervision involving over 20 counties to evaluate the expanded use of probation and a New York City-based Warrant Enforcement Program, a multi-agency effort to locate serious absconders and return them to custody.

During 1979-80, total State aid for local probation services, including these initiatives, will exceed \$21 million. In addition, with the assistance of Federal funds, the Division and a number of counties are conducting an experimental juvenile restitution program.

State Police The New York State Police, a highly trained force of nearly 4,000 troopers and civilians, serves the State as a whole and in many rural and suburban areas constitutes the primary police service. It served with distinction during the recent job action by correction officers. The detective arm of the Police, the Bureau of Criminal Investigation (BCI), conducts special criminal investigations necessary to combat serious felonies and organized crime; BCI members are stationed within each of the nine troops throughout the State and staff a small office in New York City. The Division of State Police assists local law enforcement officials, operates a central criminal laboratory and two regional satellite offices to further crime detection, maintains a statewide police communications system, patrols highways to enforce the 55 mile-per-hour speed limit, and regulates truck weights to lessen road deterioration.

Guard Forces The Division of Military and Naval Affairs is responsible for the administrative activities required to support the State's military forces, with a total authorized strength of 35,000 members in the New York Army and Air National Guard, the New York Guard, and the Naval Militia. Under the direction of the Chief of Staff to the Governor, the Division ensures that the militia are trained, equipped and ready for federally or State-mandated missions in times of widespread danger.

The value of this trained force was demonstrated during the job action by correctional officers last April. Nearly 12,000 personnel were activated for duty, representing the largest peacetime mobilization of the Guard in the State's history, and received high praise for their conduct during this difficult and hazardous assignment. No major incidents occurred in any of the State's 34 correctional facilities while guardsmen were on duty.

As part of the Division's efforts to improve recruitment and retention of guard personnel, it has instituted a pilot General

Educational Development program under which volunteers taking courses in pursuit of a high school equivalency diploma receive up to a \$500 cash stipend as an incentive.

ENVIRONMENTAL CONSERVATION . . .

One of the first states to announce a comprehensive policy of improved air, water and land quality, New York continues to honor its commitments. More than \$973 million of the \$1.15 billion authorized by the voters under the 1972 Environmental Quality Bond Act has been appropriated thus far for specific State and local environmental projects. Newly reorganized, the State's Department of Environmental Conservation is concentrating this year on toxic substance control, solid waste management, fish and wildlife control, and environmental quality regulation.

Solid Wastes Although solid waste management is traditionally a local responsibility, the Department offers technical and financial assistance for specific projects. Of immediate concern to the Department are the long-range effects of toxic industrial wastes, and cooperative efforts with the U.S. Environmental Protection Agency are under way to establish an effective management plan for their treatment and disposal. Meanwhile, the State is encouraging both the public and private sectors to utilize new technologies for the conversion of waste materials into fuels and other useful products. The Department of Environmental Conservation is working with the State Energy Office, the Department of Commerce, and such public authorities as the Urban Development Corporation and the Port Authority of New York and New Jersey to mount a comprehensive resource recovery program that will generate energy and recover valuable products from waste materials collected throughout the State.

Toxic Wastes In the wake of the Love Canal findings, one of the State's most urgent tasks is the proper management and clean-up of 528 identified hazardous waste sites, many of which present a threat to health or the environment. As part of a new program, the Department of Environmental Conservation has located and categorized some 4,000 specific toxic substances and is undertaking an ambitious program to limit or prevent their discharge into the State's water sources.

Water Quality The Environmental Quality Bond Act Program for Pure Waters, financed by State bond moneys and Federal and local funds, is meeting the goals of cleaner water and increased jobs for the construction industry. Since the program's inception in 1972, the State has appropriated \$580 million as its share of the construction of more than 400 approved water pollution control projects throughout New York.

Air Quality The Environmental Quality Bond Act of 1972 has also provided funding for projects that reduce air pollution through the control or elimination of contaminants discharged into the atmosphere. Numerous emission control improvements have been installed at State-owned facilities administered by the departments of Correctional Services, Education, Mental Hygiene and Health, the Office of General Services, the Division of Military and Naval Affairs, the State Police, and the State University. Almost \$70 million in local aid has been appropriated for the State's share of the cost of air pollution abatement projects in New York City and municipalities in 15 counties.

Land Use Planning In the absence of a comprehensive Federal land use plan, New York is implementing its own statewide system of land use controls and management practices. Now subject to State control are lands in the Adirondack and Catskill mountain areas, agricultural and forest districts, lands used for mining, tidal and freshwater wetlands, wildlife management areas, and regions susceptible to flooding.

Environmental Management New York preserves its wildlife, timber, marine, and mineral resources through carefully planned and executed management programs. In 1979-80 it is:

- Exercising jurisdiction over 3.5 million acres of State-owned land and 2,000 miles of coastline;
- Managing an accelerated program of forestry maintenance and timber stand improvement;
- Protecting more than 17 million acres of forest from fire;
- Raising approximately 8.5 million seedlings at its tree and shrub nursery in Saratoga County;
- Stocking waterways and lakes with such game fish as salmon, trout, bass, and pike, including muskellunge;
- Surveying 1.2 million acres of shellfish-growing areas;

- Issuing more than two million hunting and fishing licenses;
- Maintaining more than 2,600 miles of forest and wilderness trails;
- Covering some six million patrol miles to enforce the fish, game and pollution control provisions of the Environmental Conservation Law.

RECREATION AND CULTURAL ENRICHMENT . . .

State Park Activities The vast acreage of New York's State park system provides recreational areas ranging from the urban Roberto Clemente Park in New York City to the wilderness of the Adirondack Park. In addition to the traditional beaches, campsites and picnic areas, the State Office of Parks and Recreation operates golf courses, ski centers, snowmobile trails, ice- and roller-skating rinks, fishing areas, and boat-launching sites. A wide attendance is sought for these facilities: special access is provided for the handicapped, a "Golden Park Pass" is available to anyone over 62, and a \$20 "Empire Passport" offers subscribers unlimited access for a full year.

The State's cultural activities are also enhanced by the restoration and operation of 36 historic sites, a summer school for the arts, a wide range of warm-weather events staged at State-owned theatres at Saratoga, Jones Beach, and the Earl W. Brydges Artpark in Lewiston, and arts programming at other parks. The State also supports such recreational and educational amenities as zoos, aquariums, and botanical gardens.

Year-round Cultural Activities Now complete, the Empire State Plaza in Albany contains two theaters for the performing arts, one of the largest collections of contemporary sculpture and paintings in the country, and a Cultural Education Center that houses the State Library, Archives, and Museum. Special exhibits are frequently featured, and the first permanent group for children's theater offers regular performances throughout the year. A new Performing Arts Center Corporation, the first public authority in the State created specifically for arts sponsorship, is charged with the management of the Plaza theaters.

Meanwhile, through its Council on the Arts, the State supports private nonprofit cultural institutions in every county;

during 1979-80 it will distribute \$30 million among museums, galleries, music, theater and dance groups, and arts service organizations. The Education Department will provide some \$34 million to local libraries and \$10 million to public television and radio stations.

Amateur Athletics In recognition of the growing interest in participatory sports, New York has this year staged its second Empire State Games competition as a preliminary for the Olympic Games. The Empire State Games is an amateur multi-sports meet designed to encourage and reward nonprofessional athletes from every area of the State. A Special Olympics has also been organized to encourage sports competition for the handicapped and in 1979 was held at the State University College at Brockport. At the same time, work nears completion on improvements to the competitive sports facilities at the Mt. Van Hoevenberg Recreation Area and the Whiteface Mountain Ski Center in preparation for the 1980 Winter Olympic Games to be held in the Lake Placid region of the Adirondacks. A revitalized Sports Authority has already started programs to improve the status of amateur and professional sports in New York State.

HOUSING AND COMMUNITY DEVELOPMENT . . .

Over the past two years, the State has made significant breakthroughs in its long-dormant housing programs and is now able to undertake new housing projects for both low- and middle-income tenants. It is also seeking to increase the availability of mortgage moneys through the issuance of bonds by the State of New York Mortgage Agency (SONYMA).

Low-Rent Public Housing The Division of Housing and Community Renewal supervises 143 State-assisted public housing projects, many of which are more than 25 years old and require extensive rehabilitation and modernization work. However, these projects cannot afford such expenditures and at the same time retain low rent levels, particularly in view of the financial strains caused by spiraling fuel and operating costs. To resolve these problems, the Division has been working with the U.S. Department of Housing and Urban Development to include State-assisted projects under a Federal program that provides operating support as well as funds for rehabilitation and energy

conservation. A special task force is developing a statewide plan that will address the financial and operating problems facing public housing projects throughout the State.

Housing Finance Agency Created in 1960, the New York State Housing Finance Agency (HFA) has been the major financing source for publicly supported middle-income housing throughout the State. When the credit markets closed to the State in 1975, HFA had 48 projects requiring \$571 million in permanent financing. Today, permanent financing for 44 projects has been obtained from the renewed sale of bonds and a variety of sources, including the Federal Housing Administration's Multi-family Mortgage Program (section 223-f of the Housing and Community Development Act of 1974), which insures first mortgages of eligible housing companies. By making up the difference between actual economic rentals and the tenants' ability to pay, Federal subsidies under the Section 8 Housing Assistance Payments Program are helping to secure the first new State-assisted housing projects to be built in several years. Five Section 8 projects have obtained permanent financing and are now under construction, and Federal commitments for an additional 15 projects are expected shortly. The State is also working on new ways of ensuring the financial stability of existing Mitchell-Lama projects.

Community Development Since 1959 the State has helped its municipalities rebuild blighted areas by paying up to 50 percent of the local cost of federally aided urban renewal projects. Although the Federal government is awarding no new contracts, the State continues to reimburse those communities which have contracts still outstanding. Recent legislation allows the Division of Housing and Community Renewal to meet the administrative costs of nonprofit community-based organizations seeking to preserve their urban neighborhoods and provide extensive technical assistance under the State's expanded \$7 million Neighborhood Preservation Program. To further encourage the rehabilitation of deteriorated urban housing, SONYMA has been empowered to insure outstanding loans on residential structures in "red-lined" areas.

Building Codes On behalf of the State Building Code Council, the Division of Housing and Community Renewal administers

measures designed to safeguard the occupants of various types of housing:

- The State Building Construction Code, a performance code setting standards of acceptability for all building construction materials that has been voluntarily adopted by more than 600 municipalities;
- The Factory Manufactured Homes Act, requiring seals of approval on all prefabricated and modular houses sold in the State;
- The Fire Prevention Code, optional for all municipalities, which sets standards designed to prevent fires, explosions, and poisonous gas leaks.

Under recent legislation, the State Energy Office is working with the Division to develop and implement a statewide Energy Conservation Construction Code for new and rehabilitated structures; the Building Code Council will report annually on the new code's effectiveness in reducing energy consumption.

ECONOMIC DEVELOPMENT AND CONSUMER PROTECTION . . .

Economic Development The principal emphasis of much of this year's legislation and executive action has been to continue revitalizing the State's economy and restore its competitive position vis-a-vis other states. Key measures have included:

- Formation of the Office of Business Permits to ease the problems of business in securing permits necessary for expansion or location in the State;
- Establishment of a Rural Affairs Cabinet under the leadership of the Lieutenant Governor to coordinate Federal and State rural development programs;
- Coordination of State and local policies affecting urban areas through an Urban Affairs Cabinet and a supporting Office of Urban Revitalization;
- Strengthening communications between, and general coordination of, the State's multiple development efforts through an Office of Development Planning within the Executive Chamber;
- Increased availability of financing for urban development

projects by expanded use of such agencies as the Urban Development Corporation and the Port Authority of New York and New Jersey;

- Special efforts, including those of a private sector advisory council, to attract the high-technology industry for which New York provides so favorable a climate;
- Organization of the New York Insurance Exchange and Free Trade Zone to enable the State's insurers to accept special and international risks;
- Approval of 14 additional foreign bank branches, raising the total of such organizations in the State to 163, and formation of a new bank predominantly owned by foreign investors which is to engage primarily in the financing of international trade;
- Enactment of legislation to assure the continued availability of product liability insurance.

The Economic Affairs Cabinet, created last year and composed of selected agency heads, has been instrumental in the development of many of these measures, as has the New York Science and Technology Foundation, now redirected to focus on economic development. Tax and other incentives offered by the Urban Development Corporation, the Job Development Authority, the Job Incentive Program and On-the-Job Training programs continue to be a mainstay of the State's industrial development efforts.

Coordinating State efforts to motivate business and industry to locate and expand in New York is the Department of Commerce; during 1979-80 it will spend \$19 million on programs to strengthen and enhance the State's economy. To encourage the purchase of New York products in overseas markets and to attract foreign capital for investment here, the State has extensive direct representation overseas. The Department of Commerce has offices in London and Tokyo and field personnel specifically assigned to Canada. The Banking Department's London office permits on-site examination of foreign branches of New York banks.

Energy This year the State Energy Office has successfully administered an emergency gasoline distribution system and

issued its mandated draft of New York's first comprehensive "Energy Master Plan and Long Range Gas and Electric Report." The Master Plan provides the fundamental basis for the analysis of policy and technical issues confronting New York as it seeks to manage its energy resources and develop strategies for State response to national and international energy contingencies.

Experience gained by the Energy Office in administering the emergency gasoline distribution system this summer will be valuable in planning for potential heating-oil shortages this coming winter. Through the coordination offered by an inter-agency task force, the Office will provide technical expertise regarding supply and distribution to reduce the impact of possible shortages and escalating prices on low-income residents.

In addition to anticipating future emergencies, the Office works in concert with the State's Energy Research and Development Authority to promote efficient and innovative means of energy production and use. According to the draft Master Plan, highest priority is being placed on the development of clean and economic methods of using coal and coal-based "synthetic" fuels. This year the Authority will administer \$9 million in research funds for development and demonstration projects using technologies that can be commercialized within five years.

The 1979-80 budget includes funds to enable the Office to participate in a major new Federal matching grant program to improve energy conservation in public and nonprofit schools, hospitals, and government buildings. This program will involve the identification of eligible structures, the completion of preliminary and detailed energy audits, and the actual implementation of energy conservation measures. The Office will start this program by developing a comprehensive State Plan outlining program administration, equitable eligibility rules, accurate estimates of energy savings, and methods to encourage the use of solar heating systems. Meanwhile the State is continuing its comprehensive efforts to reduce fuel consumption in all its facilities; a refuse-fired installation in Albany, expected to be operational in 1980, will save more than 10 million gallons of oil a year.

Agriculture Although New York is best known for its businesses and commerce, farming is its largest single industry: its 10

million acres of farmlands yield crops valued at some \$2 billion each year, and it is a leading producer of apples, maple syrup, dairy products, grapes and wine. Advertising campaigns successfully promote products that are "Grown in New York," "Produced in New York," and "Processed in New York."

The Department of Agriculture and Markets conducts extensive research to improve both crop and livestock yields and issues daily marketing reports to keep farmers, merchants, and consumers abreast of current prices. The State continues to enforce regulations governing the production, packaging, and distribution of all foods except meat and poultry products, which are inspected by the Federal government.

To encourage the preservation of farm acreage, the State permits the designation of special agricultural districts qualifying for property tax relief. To date, over 5.8 million acres have been so designated, comprising a total of 398 agricultural districts throughout the State. Farmers are exempted from the unincorporated business tax, and the estate tax otherwise payable has been reduced for farms bequeathed to direct family descendants. The Department of Agriculture and Markets is now in charge of all programs that affect the State's rural economy. Of particular concern are conditions affecting migrant workers and their families and the impact of environmental resource management plans on agricultural industry.

Tourism More than 35 million travelers visiting cities, parks, wilderness areas and art centers make tourism an industry that brings billions of dollars into New York State. This is supported by the State through a variety of promotional efforts, including national and international advertising campaigns ("I Love New York"), seasonal posters, a full-color annual Tour Guide, and special guides to geographical regions in the State and attractions such as winter tours and Broadway theatre productions. Several promotional campaigns have extended beyond the northeast through a cooperative arrangement between the New York State Department of Commerce and various airlines, with the airlines paying for about 50 percent of the television advertising costs. Markets reached have included Los Angeles, Chicago, Houston, Tokyo, and the Netherlands.

This year the State has appropriated approximately \$11

million for its tourism promotion campaign, resulting in greatly enhanced tourist revenues over previous years. These revenues should increase further, with some 30,000 tourists per day expected to attend the 1980 Winter Olympics in Lake Placid and a consequent increase in tourist interest in the Adirondack region.

Consumer Protection The State's Consumer Protection Board operates as an advocate for the consuming public in the investigation and resolution of consumer welfare problems and the development of legislation. The Board also assists in representing utility users before the Public Service Commission in utility rate cases. The Consumer Frauds Bureau in the Department of Law educates consumers and investors against deceptive trade practices and takes punitive action in cases of fraudulent business activity. The State's consumers are now able to take effective class action against illegal business behavior.

Legislation enacted in 1979 offers greater protection to the consumer against the arbitrary cancellation and nonrenewal of fire and extended insurance coverage. Also enacted was a prohibition against insurers discriminating against persons solely on the basis of the geographical location of an insurance risk.

Other State agencies enforce consumer safeguards in such fields as banking, insurance, public utilities, food processing, real estate transactions, charitable fund raising, automobile repair, and weights and measures. The Education Department and other agencies guard against deceptive professional practices by examining and licensing such practitioners as nurses, doctors, engineers, barbers and funeral directors.

Table 1. STATE GENERAL FUND INCOME AND EXPENDITURES
(millions of dollars)

	1978-79 Actual	1979-80 Estimated	1979-80 Compared with 1978-79
Income			
Current revenue			
Personal Income Tax ^{a/}	5,564 ^{b/}	6,125 ^{c/}	+ 561
User Taxes and Fees	3,905	4,045	+ 140
Business Taxes	1,905	2,020	+ 115
Revenue from Other Activities	286	254	- 32
Miscellaneous Receipts	565	480	- 80
Total Current Revenue	12,225	12,924	+ 699
Federal Revenue Sharing	256	254	- 2
Bond Funds	125	140	+ 15
Total Income	12,606	13,318	+ 712
Expenditures			
Local Assistance	7,100	7,572	+ 472
State Operations	2,969	3,219	+ 250
Legislature/Judiciary	235	306	+ 71
General State Charges	724	819	+ 95
Debt Service/Lease Purchase	521	592	+ 71
Capital Construction	382	507	+ 125
Total expenditures	11,931	13,015	+1,084
Margin	675	303	- 372
Payment of or Provision for Accelerated Refunds and Tax Reductions	670	303	- 367
Excess Income over Expenditures	5	...	- 5

^{a/} Before application of margin to accelerated refund payments.
^{b/} Before increase in tax refund reserve account of \$164 million.
^{c/} After reduction in tax refund reserve account of \$194 million.

Table 2. CURRENT REVENUES
(millions of dollars)

	1978-79 Actual	Budget Summary	Summary Compared with 1978-79 Actual
Personal income tax	4,894	5,822 ^{a/}	+ 928
User taxes and fees	3,905	4,045	+ 140
Sales and use tax	2,590	2,755	+ 165
Motor fuel tax	490	460	- 30
Cigarette tax	328	330	+ 2
Motor vehicle fees	264	267	+ 3
Alcoholic beverage tax	150	149	- 1
Highway use tax	49	50	+ 1
Alcoholic beverage control licenses	34	34
Business taxes	1,905	2,020	+ 115
Corporation franchise tax	1,005	1,050	+ 45
Corporation and utilities taxes	480	530	+ 50
Insurance taxes	201	215	+ 14
Bank tax	169	185	+ 16
Unincorporated business income tax	50	40	- 10
Revenue from other activities	286	254	- 32
Estate and gift taxes	155	127	- 28
Pari-mutuel taxes	119	114	- 5
Real estate transfer tax	11	12	+ 1
Other taxes	1	1
Miscellaneous receipts	565	480	- 85
Total current revenues	11,555	12,621	+1,066

^{a/} After payment of \$303 million in refunds on 1979 income.

Table 3. LOCAL ASSISTANCE FUND
APPROPRIATIONS
(thousands of dollars)

Agency or Purpose	1978-79	1979-80 ^{a/}
Education, total	3,772,840	3,982,765
Education Department	3,385,956	3,576,762
Support of public schools	3,134,308	3,299,341
Grants, aids, and subsidies	161,539	169,513
Library aid	32,890	31,988
Specific program grants	26,168	31,325
School lunch and milk program	14,462	15,062
Aid to non-public schools	8,000	8,000
Physically handicapped children	6,220	7,639
Learning disabilities	2,369	11,470
All Other		2,424
State University	386,884	406,003
City University of New York	269,043	281,237
Community Colleges	117,641	124,766
Social Services, Department of	1,781,526	1,857,175
Taxation and Finance, total	1,035,294	1,134,280
State revenue sharing	809,614	887,100
Local share of motor fuel tax	80,471	80,471
Local share of motor vehicle fees	21,709	21,709
Railroad tax relief	12,500	
Lottery aid guarantee	95,000	95,000
Stock transfer incentive fund	16,000	50,000
Mental Hygiene, total	207,897	223,994
Office of Mental Health	101,693	99,345
Office of Men, Retardation & D.D.	43,240	57,523
Division of Substance Abuse Services	38,714	41,600
Comm. on Alcohol & Substance Abuse	13,616	14,916
Division of Alcoholism & Alcohol Abuse	10,634	10,610
Transportation, total	156,470	156,607
Mass transportation subsidies	146,820	146,957
Town highways	9,650	9,650
Health, total	79,163	82,002
General public health work	53,580	52,299
Operation of medical clinics	10,400	14,525
Laboratories and blood banks	4,860	4,860
Physically handicapped children	4,750	4,750
Primary care	2,250	1,750
Nursing home construction	1,850	2,040
Family planning and kidney disease	1,073	1,378
German measles immunization	400	400
Housing, total	65,680	59,630
Housing subsidies	42,050	42,050
Urban renewal grants & subsidies	10,705	2,655
Housing code enforcement	8,000	8,000
Neighborhood preservation	4,925	6,925
Youth, Division for	45,410	36,771
Environmental Conservation, total	33,449	37,593
Sewage treatment	28,135	32,000
Environmental health	4,204	4,204
All other	1,110	1,389
N.Y.S. Council on the Arts	30,000	31,000
Municipal Overburden	28,600	58,750
Probation, Division of	20,332	21,381
Housing Finance Agency	20,000	3,000
Metropolitan Transportation Authority	19,292	18,564
N.Y.C. Rent Control	11,730	11,008
Miscellaneous, total	19,871	32,711
Total	7,327,554	7,747,231

^{a/}Excludes allowance for possible deficiency appropriations.

Table 4. STATE PURPOSES FUND
APPROPRIATIONS

(thousands of dollars)

Agency or Purpose	1978-79	1979-80 ^{a/}
State University	651,443	682,541 ^{b/}
Mental Health, Office of	423,190	386,861 ^{b/}
Higher Education Services Corporation	267,425	280,569
Transportation, Department of	252,097	267,547
Judiciary	168,405	257,141
Correctional Services	244,772	251,919
Mental Retardation, Office of	219,846	197,613 ^{b/}
Health, Department of	87,551	85,590 ^{b/}
General Services, Offices of	81,956	85,152
State Police, Division of	79,194	77,536
Taxation and Finance, Department of	80,433	75,575
Legislature	69,004	74,307
Social Services, Department of	64,695	69,382
Education Department	64,915	65,031
Parks and Recreation, Office of	61,260	55,828
Youth, Division for	38,129	53,118
Environmental Conservation, Department of	45,073	44,557 ^{b/}
Motor Vehicles, Department of	30,306	30,628
Audit and Control, Department of	27,385	27,012
Law, Department of	26,502	26,180
Parole, Division of	22,634	22,126
Commerce, Department of	20,360	19,611
Alcoholism and Alcohol Abuse, Division of	17,503	17,903
Agriculture and Markets, Department of	16,797	15,992
Civil Service, Department of	13,034	13,395
Military and Naval Affairs, Division of	12,798	12,908
State, Department of	10,837	12,569
Criminal Justice Services, Division of	15,799	11,761
Housing and Community Renewal, Division of	12,851	11,731
Labor, Department of	15,390	11,168
Equalization and Assessment, State Board of	9,089	9,945
Alcoholic Beverage Control, Division of	7,746	7,574
Budget, Division of the	7,235	7,463
Executive Chamber	6,421	6,807
Inter-office Coordinating Council	1,448	6,773
Crime Victims Compensation Board	6,292	6,318
State Racing and Wagering Board	4,871	5,390
Emergency Dangerous Drug Control Program	19,642	20,667
Other State Agencies and Commissions	98,172	107,063
All Agencies—Salary Adjustments	10,199	240,324
General State Charges:		
Pension Administration, Contributions	415,636	461,075
Health, Dental, and Compensation Insurance	151,805	154,646
Social Security Administration Contributions	125,346	132,902
Taxes on Public Lands, Judgments, Etc.	28,753	41,790
Unemployment Insurance	9,095	8,165
Total Current Operations	4,043,334	4,460,153
Debt Service—Lease Purchase Payments	527,886	594,728
Health Insurance Contingency	90,000	100,000
Personal Income Tax Refund Reserve Acct.	—	300,000
TOTAL	4,661,220	5,454,881

^{a/} Excludes allowance for possible deficiency appropriations.

^{b/} Excludes amounts financed from respective offset funds (State University Income Fund, Mental Hygiene Services Fund, Health Services Fund, Conservation Fund.)

Table 5. CAPITAL CONSTRUCTION FUND
APPROPRIATIONS—REGULAR
(thousands of dollars)

	Appropriations		Total Available 1979-80
	Prior in Force April 1, 1979	New 1979-80	
Transportation, Dept. of, total	780,749	280,439	1,061,188
Highways, parkways, grade crossing eliminations and other highway facilities	397,351	204,019	601,370
Mass Transportation and aviation	355,405	56,770	412,175
Highway operation and maintenance	13,620	5,900	19,520
Canals and Waterways	6,705	6,250	13,655
Port development	7,668	3,000	10,668
Love Canal	—	3,800	3,800
Environmental Conservation, Department of	552,755	3,357	556,112
Metropolitan Transportation Authority	455,630	25,842	481,472
Correctional Services, Department of	51,510	255,457	306,967
Mental Hygiene, Facilities Development Corporation, total	112,125	48,780	160,905
Office of Mental Health	50,827	27,155	77,982
Office of Mental Retardation Administration	48,024	20,925	68,949
Office of Alcoholism and Substance Abuse	7,855	—	7,855
—	5,419	700	6,119
Executive Department, Total	119,763	26,642	146,405
Parks and Recreation, Office of	95,851	9,787	105,638
General Services, Office of	11,831	8,611	20,442
Youth, Division for	3,231	6,248	14,479
Military and Naval Affairs, Division of	2,266	1,995	4,261
State Police, Division of	1,584	1	1,585
Urban Development Corporation	63,875	32,214	96,089
Education, total	48,982	17,322	66,304
State University Construction Fund	27,465	10,447	37,912
State University	8,871	302	9,173
Community Colleges	5,610	3,108	8,718
City University of New York	6,032	3,222	9,254
Education	1,004	243	1,247
Air Quality Improvements	17,941	—	17,941
Niagara Frontier Transportation Authority	16,300	200	16,500
Port Authority of New York and New Jersey	12,000	—	12,000
Agriculture and Markets, Department of	4,176	3,350	7,526
Housing Finance Agency	3,754	—	3,754
Health, Department of	1,308	1,616	2,924
State, Department of	575	—	575
All State Departments and Agencies ^{a/}	26,431	19,500	45,931
Total	2,267,874	714,719	2,982,593

^{a/} Includes amounts for rehabilitation and improvements, handicapped, consultants, flood disaster, energy conservation, construction and land acquisition supplements.

Table 6. FUNCTIONAL CLASSIFICATION OF ESTIMATED EXPENDITURES, 1979-80
(millions of dollars)

Function	General Fund	Federal Funds	Other Funds	Total
Education	5,616	952	719	7,287
Social Development	2,317	3,596	192	6,105
Health	1,496	635	200	2,331
Transportation	1,351	615	107	2,073
Governmental Affairs	882	3	197	1,082
Public Safety	531	51	30	612
Environmental Conservation	219	26	39	284
Recreation and Cultural Enrichment	180	9	5	194
Housing and Community Development	145	7	96	248
Economic Development and Consumer Protection	69	4	84	157
Nonallocated General Costs	209 ^{a/}	—	11 ^{a/}	220
Total	13,015	5,898	1,680	20,593

^{a/} Includes unallocated salary reserve and repayments to Tax Stabilization Reserve Funds.

Table 7. NET OUTSTANDING STATE DEBT, MARCH 31, 1979^{a/}
(millions of dollars)

	Long-term	Temporary	Total
Transportation capital facilities	1446	9	1455
Highways	(797)	(—)	(797)
Mass transportation	(561)	(8)	(569)
Aviation facilities	(88)	(1)	(89)
Housing and urban renewal	721	15	736
Pure waters	583	—	583
Environmental quality	177	8	185
Highway construction	170	—	170
Higher education construction	170	—	170
Outdoor recreation development	158	—	158
Mental health construction	80	—	80
Rail preservation	72	2	74
Park and recreation land acquisition	24	—	24
Grade crossing elimination	19	—	19
State park system	— ^{b/}	—	— ^{b/}
General State improvements	— ^{b/}	—	— ^{b/}
Total direct State debt	3,620	34	3,654

^{a/} Exclusive of State-guaranteed debt of the New York State Thruway Authority, the Port Authority of New York and New Jersey, and the Job Development Authority, which is not financed from State revenue.

^{b/} Less than \$500,000.

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