



The Budget I submit today is constructed from a set of explicit choices about public priorities in a time of limited resources.

These choices are necessary because we remain committed to containing costs, to preserving our tax reduction program, and to reducing the burden of government on the private sector.

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Deciding what services cannot be funded with revenues we no longer receive is not as popular as cutting taxes — but it is as essential.

**— HUGH L. CAREY, Governor
Budget Message, January 22, 1980**

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EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
HOWARD F. MILLER, Director of the Budget
Albany, New York, October 1980

State Financial Plan
(millions of dollars)

	April Plan	Budget Summary	Change from April Plan
Income			
Personal Income Tax	6,620	6,805	+ 185
User Taxes and Fees	4,225	4,207	- 18
Business Taxes	2,132	2,170	+ 38
Other Revenues	263	276	+ 13
Miscellaneous Receipts			
Regular	552	554	+ 2
Mental Hygiene Related	896	806	- 90
Reserves	(100)	(100)	NC
Total Available Current Revenue	14,588	14,718	+130
Federal Revenue Sharing	186	186	NC
Bond Funds	191	183	- 8
Total Available Income	14,965	15,087	+122
Expenditures			
Local Assistance	8,466	8,501	+ 35
State Operations	3,942	4,029	+ 87
Legislature and Judiciary	421	486	+ 65
General State Charges	910	917	+ 7
Debt Service/Lease Purchase	663	652	- 11
Capital Construction	563	529	- 34
Total Expenditures	14,965	15,114	+149
Negative Margin		27	+ 27

FINANCIAL SUMMARY

Overview

The 1980-81 Budget was constructed to achieve the following objectives:

- to manage expenditures so as to provide the margin to continue the multi-year tax reduction program;
- to insist that the principle of matching reserves against contingent revenues be accepted as a prudent and necessary budget policy; and
- to begin to close the magic window and to end the practice of putting off this year's bills until next year, particularly with respect to the financing of State aid to local schools.

These objectives have been achieved

Financial Plan

Since the formulation of the Financial Plan in April, there have been several significant developments on both the revenue and expenditure sides of the State Budget. On balance, these developments have exacerbated the difficulty of achieving a balanced 1980-81 Budget. Under a set of assumptions about final action on my program and appropriation recommendations and the continued necessity to maintain certain reserves, current projections show a negative margin of \$27 million.

A number of factors have resulted in this negative margin projection. Basically, increased expenditures and the loss of anticipated Federal funds has exceeded a higher-than-projected level of revenues.

The factors include:

POSITIVE	NEGATIVE
\$218 million: increased tax revenues primarily in business and personal income taxes, resulting from higher than estimated 1979 liability	\$96 million: primarily loss of Federal reimbursement for the developmentally disabled
	\$149 million: increased expenditures primarily from special bills after April and increased spending by Judiciary

\$218 million

\$245 million

\$27 million: Negative Margin

However, a negative margin is *not* a deficit until the fiscal year is over. By taking actions now, it is my objective to successfully manage State spending so as to achieve a positive margin between income and expenditures. That positive margin is absolutely essential if we are to continue the final phases of our multi-year tax reduction program in 1981-82.

Appropriation Shortfall

While the State's cash plan is roughly in balance, potentially serious problems in executing the 1980-81 Budget remain. To understand this, it is important to draw some technical distinctions between the State's Financial Plan and the actions on the State Budget to date. The Financial Plan is a projection of actual cash income and outlays during the fiscal year and is based on a set of assumptions about the level of program activity (staffing levels, etc.), the implementation of new programs, and the pace of construction and State aid activity.

In January, when first proposed, the Plan reflects only the recommendations of the Executive. In April, when the Plan is reformulated, it reflects estimates of cash outlays from appropriation bills enacted into law, and reserves for recommendations of the Executive not yet acted upon, as well as for subsequent legislative initiatives. Customarily, these reserves for recommendations and initiatives are used to fund bills enacted during the balance of the session.

This year, many of the appropriation acts for which reserves were carried in the April Financial Plan have yet to be adopted. In addition, other appropriation authority is necessary for expenditures not known in April. Thus, the total appropriation need of \$400 million includes:

- \$206 million: Personal service and fringe benefit costs, including the cost of the negotiated salary agreements for State workers, employees of CUNY and the Judiciary, and certain general State charges adjustments.
- \$ 56 million: Mitchell-Lama program.
- \$ 28 million: Acquisition and renovation of intermediate care facilities for the developmentally disabled.
- \$ 50 million: Social services expenditures resulting from the impact of an adverse court decision and legislative elimination of certain cost containment initiatives.
- \$ 60 million: Deficiencies, primarily fuel and overtime costs, for 1979-80 and for expected 1980-81 deficiencies.

This appropriation authority does *not* represent new spending requests above the level reflected in the Financial Plan. Rather, it represents the necessary legal authority to meet existing, planned commitments.

Failure to approve the necessary authority would require substantial changes in the current and projected levels of State operations, not the least of which would be the furlough of thousands of State employees in order to keep personal service spending within the currently appropriated levels while meeting contract obligations made to public employees.

It should be re-emphasized that the current Financial Plan assumes adoption of the required appropriations and, thus, the approval of this previously planned-upon spending authority will not "add" to the Budget. Rather, it will make it possible to complete the year in an orderly and prudent fashion.

Developments on the Mental Hygiene Retro Claim

The ultimate ability of the State to retain some \$170 million in Federal reimbursement for certain prior-year expenditures on behalf of the State's developmentally disabled citizens remains outstanding. Since January, we have maintained that it was necessary to keep certain reserves against potential Federal adjustments to our claim. The prudence of that course was proven in May, when the Federal government attempted to deny the State some \$220 million in anticipated Federal aid. Only successful court action prohibited the Department of Health and Human Services from taking such an arbitrary action until the merits of the State's case were decided. That administrative process is now underway.

The timing of the final decision on the claim is uncertain. The complexity of the issues and the size of the disputed amount far exceed those traditionally resolved through the administrative mechanism and a timely, favorable decision is considered unlikely. In light of that evaluation, continued maintenance of the \$100 million reserve in the 1980-81 Financial Plan is recommended.

In the event that the settlement is not final by the conclusion of the fiscal year, the \$100 million reserve will be used to pay income tax refunds on a timely basis. In that event, however, the need for the reserve will remain, and the revenues freed up in 1981-82 by the timely refund payments will be required to fund a similar reserve in that Budget.

In the interim, the Federal government has not paid certain elements of the State's current claim for ongoing services on the grounds they involve many of the same issues that are contained in the retroactive claim. If continued, such a course will reduce anticipated State revenues by about \$100 million in the fiscal year. The loss of the bulk of this revenue is reflected in the current Financial Plan. To the extent the claim is not resolved until the next fiscal year, the State faces the loss of additional revenue.

Financial Goals for 1980-81

The negative margin projected reflects a plan that maintains certain reserves for programs not yet adopted and for contingencies whose ultimate impact is not yet clear. Foremost among the latter items is the \$100 million reserve against an adverse Federal determination on the retroactive Medicaid claim.

The reserves also include: \$206 million for contractual salary agreements; \$56 million for a Mitchell-Lama program; \$28 million for intermediate care facilities for the developmentally disabled; \$50 million in Medicaid spending; \$60 million to fund both 1979-80 and 1980-81 deficiencies; and \$20 million in reserves for other contingencies.

To the extent that the adverse impact of the contingencies must be absorbed within the 1980-81 Budget, other actions, including cancelling certain planned initiatives, generally reducing spending commitments across a wide range of State activities and a special effort to maximize Federal reimbursement for State spending during this fiscal year, will be taken in order to achieve balance in 1980-81.

Conversely, if some of the recommendations which give rise to the need for the reserves are, in fact, not acted upon, the Budget would be in balance with a positive rather than a negative margin.

Indeed, our goal must be more than to achieve simple mathematical balance. We must aim to effect a true positive margin during this fiscal year. To the extent that we are successful in attaining that positive margin will determine our ability to pay income tax refunds on a timely basis, thereby reducing the liability on the 1981-82 Budget. Given the projected baseline gap discussed below, this timely payment of refunds now is an essential component of our 1981-82 Budget plan.

Budget Projections

(millions of dollars)

	1980-81 Estimated	1981-82 Projected	Change
Income			
Personal Income Tax	6,805	7,085	+ 280
User Taxes and Fees	4,207	4,410	+ 203
Business Taxes	2,170	2,295	+ 125
Other Revenues	276	265	- 11
Miscellaneous Receipts	1,360	1,140	- 220
Reserve	(100)		+ 100
Total Available Current			
Revenue	14,718	15,195	+ 477
Federal Revenue Sharing	186		- 186
Bond Funds	183	227	+ 44
Total Available			
Income	15,087	15,422	+ 335
Expenditures			
Local Assistance	8,501	9,097	+ 596
State Operations	4,515	4,859	+ 344
General State Charges	917	940	+ 23
Debt Service/Lease			
Purchase	652	669	+ 17
Capital Construction	529	647	+ 118
Total Expenditures	15,114	16,212	+1,098
Negative Margin	27	790	+ 763

Outlook for 1981-82

As the table shows, we face a significant baseline deficit for 1981-82. The assumptions used in constructing the expenditure side of the Plan are conservative — a continued cap on State revenue sharing and, with only high priority exceptions, an absence of new program commitments. Overall, spending is projected to grow by about seven percent. A significant portion of the higher expenditures represents unavoidable increases for such items as contractual salary obligations, the full-year effect of the 1980-81 education aid increase, continuing takeover of CUNY senior college costs, and inflation-driven costs for fuel, food and other necessities. In addition, the projections continue to reflect the outlay of \$100 million as the initial installment in undoing the historical deferral of State aid to local school

districts, thus beginning to bring our spending patterns into conformity with the accounting principles that will be used after the State's conversion to accounting and reporting in accordance with generally accepted accounting principles (GAAP). In another step toward the goal, the 1981-82 projections reflect timely payment of \$100 million in refunds on 1981 income.

The baseline gap does not come, then, from an overambitious spending program, but rather from the loss of income items that were available to finance the current year's Budget. These include:

- \$186 million in Federal revenue sharing;
- \$219 million from the retroactive mental hygiene claim; and
- \$400 million in accelerated refunds charged against the 1979-80 Budget, that freed an equivalent amount of revenue in 1980-81.

The loss of over \$800 million in available revenue is exacerbated by the fact that 1981 will be the final year of the tax reduction program. The impact of

- the repeal of the sales tax on residential energy uses and certain equipment and supplies;
 - the reduction in the maximum tax rate on personal service income from 11 percent to 10 percent; and
 - the elimination of the unincorporated business income tax
- will reduce revenues by an additional \$300 million below what they would have been in the absence of these actions.

Thus, even though tax revenues for 1981-82 are projected to grow by more than 11 percent, the first \$1 billion in growth only gets us back to the 1980-81 level of available income and leaves little available revenue to finance *any* expenditure increase.

This projected gap is structurally different from deficits New York State has encountered before. In the past, deficits resulted from a multi-year trend of increased expenditures which eventually outgrew revenues. The gap projected for 1981-82 is different in its very essence. This gap is the result of the impact of the loss of certain "one-time" revenue sources and the continued implementation of our multi-year tax reduction program. It is *not* the result of a trend of ever-increasing expenditures.

However, to meet this 1981-82 shortfall requires action now to ensure not only balance but a true positive margin in this fiscal year.

Approaches Toward Balancing 1981-82

Our success in effecting a positive margin during this fiscal year is critical to our ability to balance the Budget in 1981-82. To the degree, for example, we are able to pay income tax refunds on a timely basis, we will lessen rather than increase the problem we face

next year. In addition, we will again seek approval to require that taxes owed the State are paid in a more timely fashion and that fees more accurately meet the costs of services that the State offers.

We will also continue the strong efforts of the past several years to secure the State's fair share of Federal aid. As in the past, this program will encompass not only all our administrative remedies but also vigorous lobbying for reinstatement of the State share of Federal revenue sharing and other Congressional actions to fairly address the disproportionate burden borne by New York taxpayers in financing solutions to such national problems as welfare and health care.

Ultimately, however, the issue will be decided by how well we control costs. Consistent with my call for an overall spending limit we plan to continue aggressively to manage down both the cost and the size of State government, to create savings from additional energy efficiencies, from strict control over OTPS costs, and from reductions in State aid to local governments.

Conclusion

The objectives of the 1980-81 Budget have been achieved, although some fiscal and technical difficulties remain. Within the range of probable outcomes for the economy and State revenues for the balance of the year, the fiscal problems appear manageable. And the technical problem of adequate appropriation authority requires simple legislative approval.

However, the true success of the 1980-81 Budget will be measured by our ability to contain costs and effect a positive margin this year, rather than a simple balance. This goal is critical if we are to continue our tax reduction program and manage the 1981-82 fiscal problems. Although these difficulties do not result from long-term spending excesses but rather from structural problems peculiar to next year, the problem is no less real.

In short, the challenge for the remainder of this year is next year.

FINANCIAL HIGHLIGHTS

Economic Backdrop

Recent Developments The long-awaited national recession arrived with a rush as the State fiscal year began, with a record-breaking decline in the nation's output of goods and services recorded in the second quarter of the calendar year. Since June, however, the national economic indicators have fluctuated around the new lower level of economic activity without convincing evidence of a decisive

movement either up or down. Industrial production, employment and the leading economic indicators have begun to show signs of recovery, while interest rate hikes in recent weeks, coupled with continued signs of the potential acceleration of inflation, have caused analysts to caution against hopes for a speedy recovery from the recession.

The State economy has shown uncharacteristic resilience in the face of the sharpness of the national economic decline. Unlike the two recessions that marked the seventies, when private sector employment in the State dropped at nearly twice the rate experienced in the rest of the nation, the recession of 1980 thus far has proven milder in New York than in the balance of the country.

Unemployment in the State, which had been projected to rise as the national rate did, has, in fact, now fallen below the national rate, for the first time since 1973.

Much of the difference in the pattern of State response can be traced to the improved performance of the economy of the City of New York, where private sector employment, through August of this year, has fallen by less than half the national rate, in sharp contrast to the performance of the City economy during the prior two recessions. Upstate areas generally continued a pattern of responding to national economic developments at a rate roughly comparable to the nation as a whole.

Near-term Outlook The common features of most forecasts for the balance of the fiscal year include continued strong inflation and the absence of any rapid recovery in the nation's economic well-being. It remains unclear whether there will be modest growth or decline in the indicators of real economic activity over the next three months. A small upward movement in the economy followed by another decline, prompted by rising interest rates and accelerating inflation, appears possible, while sluggish national growth over the balance of the fiscal year is somewhat more probable.

Assuming a tentative national recovery and continued rapid inflation, little expansion in employment and real incomes for the State as a whole can be projected. Given the modest impact of the recession to date, little boost from the national recovery can be expected.

State Income

State income in 1980-81 is now expected to total \$15,087 million, including \$13,458 million in current revenue from taxes and fees, \$1,260 million in available revenue from miscellaneous receipts and mental hygiene related sources, \$186 million in Federal revenue sharing and \$183 million from the use of bond funds. This estimate is \$122 million higher than the April estimate, with revenue

from taxes and fees up some \$218 million, offset by a net decline of \$96 million in income from miscellaneous receipts and mental hygiene-related sources and in projected use of bond funds.

The increase in anticipated tax revenues primarily reflects somewhat greater-than-anticipated personal income and business tax receipts attributable to 1979 liability.

Partially offsetting any such increase have been reductions in estimated miscellaneous receipts resulting from Federal disallowance of certain mental hygiene-related payment levels assumed in the April plan.

Personal Income Tax: Personal income tax collections are now estimated at \$6,805 million, reflecting growth of about 11 percent in gross collections over such collections in 1979-80. This estimate is \$185 million higher than the April estimate, largely as a result of higher-than-anticipated 1979 liability reflected in payments accompanying final returns last spring and the higher level of declarations on 1980 income, again largely reflecting the surge in 1979 liability. The October estimate also reflects a level of refund payments some \$45 million higher than projected in April.

User Taxes and Fees: Receipts from these sources are now estimated at \$4,207 million, a decrease of \$18 million from the April estimate. Expectations for sales and use tax revenues, with collections some \$30 million below estimates for the first six months of the year, remain unchanged for the fiscal year, reflecting the improved economic outlook for the balance of the fiscal year. This represents a \$116 million increase from 1979-80 receipts after the elimination of the sales tax on home fuel and energy bills and the phaseout of the tax on certain materials and tools used in the production process. In contrast, motor fuel tax receipts are estimated at \$436 million in 1980-81, down \$24 million from receipts in 1979-80 and \$14 million below the April estimate, as a result of reduced consumption. In addition, receipts from most other user taxes and fees are now projected to total somewhat less than had been projected in April, as a result of collection trends in the first six months of the fiscal year.

Business Taxes: Receipts from business taxes are estimated at \$2,170 million, an increase of \$197 million from 1979-80 receipts and \$38 million from the April estimate. The upward revision reflects increases of \$20 million in estimated bank tax receipts, \$10 million in estimated corporation franchise tax receipts and \$10 million in estimated corporation and utilities tax receipts.

The higher estimates reflect an increase in collections to date resulting from greater-than-projected final payments on 1979

liability and slight upward revisions in projected 1980 liability growth rates for banks and corporation and utilities taxpayers.

The estimate for the unincorporated business income tax has been revised downward by \$2 million, reflecting the anticipated level of stock transfer tax "market-maker" credits.

Revenues from Other Activities: Receipts from other activities are estimated at \$276 million for 1980-81, or \$15 million above 1979-80 revenues from these sources and \$21 million more than had been anticipated in April. Greater-than-expected collections from estate and gift taxes have led to upward revisions in estimated receipts from these sources. Pari-mutuel tax revenues are now estimated at \$129 million, or \$12 million more than the April estimate, due to the failure of the Legislature to extend the takeout reduction at certain thoroughbred racetracks. The estimate assumes adoption of the proposed changes in State tax rates to reflect purse increases at up-state harness tracks and special relief for the Sullivan County Racing Association.

Miscellaneous Receipts: Receipts are estimated at \$1,260 million, a decrease of \$88 million from the April 1980 estimate. The decrease mainly results from the Federal government's action disallowing the current year reimbursement rate for Medicaid funds attributable to certain State-operated programs for the developmentally disabled.

General Federal Aid and Bond Funds: Receipts from Federal general revenue sharing for the year total \$186 million, the final quarterly payment having been received earlier this month. Bond fund use in 1980-81 is now estimated at \$183 million, or \$28 million more than in 1979-80 and \$8 million less than projected in April, reflecting lower-than-projected spending on bondable projects.

State Expenditures . . .

State expenditures for 1980-81 are now expected to total \$15,114 million, an increase of \$149 million from the Financial Plan projection prepared in April. A significant portion of this increase reflects the impact of approximately \$300 million in special appropriation measures enacted by the Legislature subsequent to its action on the main Budget in April 1980. The balance of the increase reflects actual expenditure experience for the first six months of the fiscal year and additional expenditure commitments that were not foreseen at the time of the development of the April Financial Plan.

Local Assistance Fund expenditures are now projected at \$8,501

million, \$35 million more than projected in April. This increase is the result of several offsetting, interacting events since April. Special appropriation measures enacted by the Legislature will add nearly \$180 million in Local Assistance Fund spending during the 1980-81 fiscal year: \$100 million for the Metropolitan Transportation Authority; \$26 million for additional education aid to certain school districts and for certain other education programs; \$26 million for emergency financial assistance to certain municipalities; \$20 million in special mass transportation operating assistance to the MTA and regional transportation authorities; and \$7 million from all other special appropriations.

These expenditure increases are only partially offset by the elimination of certain reserves contained in the April Financial Plan for these and other anticipated actions: \$50 million reserved for changes in Federal procedures under the Letter-of-Credit mechanism; \$23 million for mass transportation operating assistance under the proposed transportation plan; \$15 million as the State share of a prior year's MTA wage settlement; \$12 million reserved for special assistance to the City of Buffalo; and \$10 million reserved for supplemental and special bills.

In addition, the Local Assistance Fund expenditure for the Metropolitan Transportation Authority will result in additional net income on account of first instance transactions in the Local Assistance Fund of \$63 million.

The remaining increase in Local Assistance Fund expenditures results from the negotiated salary agreements reached with City University of New York personnel, additional social services expenditures and expenditure experience during the first half of the fiscal year.

The program to reduce State employment through attrition has more than met its goals during the first five months of the fiscal year. As with most attrition programs, however, the impact was not distributed evenly across State agencies and produced some adverse program consequences. These impacts must be mitigated during the balance of the fiscal year if acceptable standards of care are to be maintained. It is anticipated, therefore, that the level of the State workforce over the balance of 1980-81 will closely approximate the position targets established in April, as staffing ratios rise to maintain necessary service levels.

In addition, some portion of the savings from the greater than anticipated attrition was offset by higher than projected overtime and temporary service costs that were an indirect result of the reduced level of permanent staffing.

Despite the success of the attrition program, State operations

expenditures are now projected to increase \$152 million from the April projection, of which \$65 million represents additional expenditures for the Judiciary; \$27 million from special appropriation measures enacted by the Legislature subsequent to the April plan; \$25 million in additional salary requirements under the collective bargaining agreements reached in 1979; and \$35 million based on expenditure experience during the first six months of the fiscal year

Capital Construction Fund spending is projected to decline \$34 million, largely due to the receipt of an additional \$21 million in net income on account of the MTA repayment transaction noted above under the Local Assistance Fund; a \$6 million decline in bondable expenditures under the Environmental Quality Bond Program; and a \$7 million net decline in expenditures for all other capital construction programs.

Debt service and general State charges are expected to decline \$4 million as a result of a lower rate of interest on the State's spring borrowing than anticipated in April, offset in part by additional fringe benefit requirements

Increases over 1979-80: Total State expenditures for 1980-81 represent an increase of \$1,940 million in spending over actual 1979-80 expenditures, or 14.7 percent. A portion of this increase results from the inclusion in the General Fund of certain expenditures of the Office of Mental Health and the Office of Mental Retardation and Developmental Disabilities, formerly financed from the Mental Hygiene Services Fund. Including expenditures of these agencies formerly financed from such fund in the 1979-80 fiscal year, State expenditures during 1980-81 reflect an increase of \$1,410 million, or 10.3 percent.

Nearly 65 percent of the increase in total General Fund expenditures, after adjustment to reflect the elimination of the Mental Hygiene Services Fund, are for local assistance programs. Local Assistance Fund expenditures are estimated to increase \$901 million in 1980-81, including:

- \$425 million for education aid, reflecting, in part, the State's move to fund education aid increases on a current-year basis;
- \$235 million for social services programs;
- \$60 million for transportation, reflecting the State's commitment to mass transportation facilities and spending under the Energy Conservation Through Improved Transportation Bond Act approved by the voters in 1979;
- \$55 million for higher education programs, essentially reflecting the State's takeover of operating and debt service

costs at the Senior Colleges of the City University of New York;

- \$56 million for a Mitchell-Lama program to aid our authorities that face severe financial problems in housing programs;
- \$50 million for mental hygiene programs, in our efforts to provide for developmentally disabled individuals in the community; and
- \$20 million for all other programs

State operations expenditures are estimated to increase \$390 million from the 1979-80 level, after adjustment, including \$122 million in increased State funding for the judiciary, reflecting, in part, the final step under the four-year takeover of local court costs. The salary and benefit increases provided to State employees under the 1979 collective bargaining agreements and the increased expenditures of State agencies to meet inflationary cost increases as well as to meet expenditures that they were unable to meet during the 1979-80 fiscal year account for the remaining \$268 million of the rise in State operations spending

Gross Capital Construction Fund expenditures are expected to rise \$100 million in 1980-81, reflecting additional State expenditures as a result of the elimination of the East Hudson Parkway Authority, continuation of the State's highway and mass transportation programs, and additional expenditures for Mental Retardation facilities to place such developmentally disabled persons in the community. Net capital construction expenditures reflect a decrease of \$34 million, however, as a result of increased net income from first instance transactions, including a \$41 million repayment from the Department of Transportation for outstanding first instance advances to the East Hudson Parkway Authority, \$25 million from the Triborough Bridge and Tunnel Authority and \$21 million from the Metropolitan Transportation Authority.

General State charges expenditures are estimated to increase \$100 million in 1980-81:

- \$56 million for social security contributions, reflecting the change to a monthly payment schedule;
- \$14 million in pension costs;
- \$7 million for SUNY pension costs;
- \$23 million in all other programs, including health and dental insurance and worker's compensation.

Debt service and lease-purchase expenditures have increased \$68 million over 1979-80, primarily due to higher interest rates incurred on the 1980 Spring borrowing

MAJOR STATE FUNCTIONS

EDUCATION ...

41 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 1980-81 school year, the State will provide \$3.9 billion to help operate public school classes for 3 million pupils. This amount represents an increase of approximately \$350 million over aid distributed during the 1979-80 school year, and no district will face a reduction in the operating assistance it receives.

The State will allocate \$2.8 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 1980 amendments to the law, school districts in the first tier will receive State assistance for approved expenditures of up to \$1,600 per pupil; the less wealthy districts that qualify for second tier payments will receive assistance for expenditures of up to \$1,700 per pupil.

The State's support of public elementary and secondary education increased dramatically this year: the \$350 million school-year increase is the third largest in the State's history. It includes both an operating aid increase of \$157 million, attributable primarily to higher aid formula ceilings, and an increase of \$72 million for a new formula aiding the costs of educating children with handicapping conditions. The 1980-81 fiscal year increase for school aid amounts to more than \$400 million, the largest in the State's history, and represents the State's move to fund education aid increases on a current-year basis (i.e., the State is paying 70 percent of the 1980-81 school year increases for selected aids during the current fiscal year, instead of 25 percent as has historically been the case).

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 meeting public school costs. A Task Force on Equity and Excellence in Education is studying the entire question of school financing in depth and, following a Court of Appeals decision in the *Levittown* case, 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 public transportation costs, which include related Social Security costs borne by districts that own and operate their own school buses;
- Special assistance for public school pupils who are severely

- handicapped or who suffer from learning disabilities;
- 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;
- Categorical grants for school and BOCES programs designed to help talented children develop their full potential;
- Funds to help school districts screen new pupils to identify those in need of special services as a result of handicapping conditions, unusual talents, or low levels of achievement;
- Assistance for projects to eliminate asbestos hazards in school buildings;
- Low-income supplemental school aid, based on income per pupil unit, in recognition of personal income differences between local school districts.

The State helps meet the special problems of big-city school districts by providing funds for special reading programs and 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 licensing and disciplinary functions;
- Programs for 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 1980-81 academic year, approximately 228,200 full-time and 131,700 part-time students are enrolled in undergraduate, graduate, and professional programs in courses covering the full academic spectrum. During

1980-81 the State will spend some \$677 million in direct support of University programs at State-operated campuses.

Despite a largely stabilized enrollment and the imposition of strict expenditure controls, 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 dormitory fee increases to augment the State's own increased support of the University. Meanwhile, the University is undertaking an extensive review of its goals, priorities, and finances.

The University's program to secure long-term financing for construction projects, interrupted by the 1975 financial crisis, is now successfully concluded, and during 1980-81 progress continues to be made on such critically needed programs and facilities as:

- The Binghamton Clinical Campus, which admitted its first medical students in July 1979;
- The Stony Brook Hospital, which opened this spring;
- 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.

The replacement of aging or obsolete equipment is also being accelerated. Campus plans for the College of Technology of Utica-Rome are still being evaluated.

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. For 1980-81 approximately \$125.7 million has been made available for community college operating aid and debt service.

City University of New York City University is the third largest university system 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 in recognition of the University's importance to the City, the State is pledged to a four-year phased takeover of the 1979-80 base level of City University senior college net operating costs:

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

In addition, the City is held harmless for any year-to-year increases in operating costs after 1979-80, with the State meeting the full cost of such increases. Under the takeover plan, the State's actual share of each year's costs prior to 1982-83 will therefore be proportionally greater than shown here.

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

Legislation enacted this year redefines the Federated College of Staten Island and New York City Community College as senior colleges and renames the latter New York City Technical College. Since July 1, 1980, both have been fully funded by the State, with provision for partial reimbursement by the City for students enrolled in associate degree programs at Staten Island.

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

During State fiscal year 1980-81, the State has appropriated some \$304 million to support senior and community college operating and fringe benefit expenses and debt service requirements. Together with an estimated \$61 million to be paid out to University students under the State's Tuition Assistance Program, State spending for City University represents approximately 60 percent of its gross operating and debt service budget.

In parallel with the State University, the City University is being asked to undertake an overall review of its goals, priorities and finances in the context of its special mission of serving a large urban population and its projected long-range enrollment declines.

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

\$85 million based on the following amounts per degree granted, which became effective on July 1:

- \$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 school education and the public services rendered by these schools, the State provides special aid based on enrollment (capitation aid). 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. Under this aid program the State's independent medical schools are also given an additional bonus of \$3,500 for each New York State resident enrolled who participates in the COTRANS, Fifth Pathway, or CUNY Bio-Medical programs. The bonus is designed to encourage those 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 medical training. In addition, the State contracts with the University of Vermont and the Sackler School of Medicine of the University of Tel Aviv in Israel to provide additional medical school placements for New York students who agree to practice medicine for three years in a physician-short area of the State.

Student Assistance The State's centralized 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 \$243.5 million will provide tuition assistance awards for an estimated 355,000 students during the 1980-81 academic year.

For 1980-81 the State is also offering:

- 83,930 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;
- 280 scholarships for doctoral candidates at medical or dental schools and 20 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 also administers the Federal Guaranteed Student Loan Program in New York and expects this year to provide \$825 million in low-interest loans to approximately 385,000 students; 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 \$10.8 million borrowed annually by their students. Pursuant to legislation enacted in 1979, loans under this program will cease as of June 30, 1981, giving the affected institutions another year to obtain the necessary accreditation.

The State also 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 \$22 million was borrowed by such students.

SOCIAL DEVELOPMENT . . . 17 percent of State Budget

Income Maintenance During 1980-81 the State share of income maintenance programs is expected to total approximately \$1.043 billion, an increase of over \$120 million from 1979-80 attributable to increases in the caseload and shelter allowance levels that resulted from an economic downturn in the second quarter of calendar 1980.

To mitigate these unavoidable increases, the State continues to improve the management of all income maintenance programs — Aid to Dependent Children (ADC), Home Relief (HR), and the federally operated Supplemental Security Income program (SSI). 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.

The State also encourages expanded use of the federally financed food stamp program. To this end, it has embarked on a vigorous outreach campaign to acquaint all eligible persons with the program. As a result of recent Federal legislation, approximately \$600 million in food stamp benefits will be provided for needy New Yorkers this year.

Concerned with the effects of escalating home heating costs on

low- and moderate-income families, the State is working to ensure the equitable and timely distribution of the energy assistance funds provided by the Federal government under its revised Home Energy Assistance Program. New York's allocation this year is expected to exceed \$180 million, although the State may be required to share in administrative costs that were formerly 100 percent federally funded.

As in prior years, the State has again assured the timely pass-through of the annual Federal cost-of-living increase for SSI recipients, amounting to 14.3 percent this year. It is also continuing to provide fiscal relief to local governments by assuming all local SSI costs — estimated at \$120 million statewide for 1980-81 — and by offering technical and audit assistance in the administration of all welfare programs. Bonus payments are made to social services districts controlling their 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 initiatives to control Medicaid expenditures, including efforts to maximize and claim such third-party contributions as Medicare to offset Medicaid expenditures and include additional upstate counties in the State's automated Medicaid Management Information System, now operational in New York City and Chemung, Nassau, and Washington counties.

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 include day care, foster care, protective and preventive services, senior citizen services, and appropriate casework and counseling. During 1980-81, local districts will disburse some \$213 million in Federal Title XX funds and an additional \$36 million in State contributions. Unfortunately, however, Title XX moneys are limited nationally and are inadequate to meet all New York's demonstrated needs. State funds support State-mandated services in those districts where program demands cannot be met by available Title XX funds.

The State continues to seek better administration of social services expenditures and is developing a model budgeting rate-setting methodology applicable to foster care programs and schools for the handicapped. It 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. This year it will provide enriched funding for an additional 150 "critical level" beds for multiply handicapped children in the foster care system. Meanwhile, the Child Welfare Reform Act, enacted in 1979, has strengthened the administration and planning of child welfare services, increased reimbursement for adoption services, and required the establishment of a new foster care utilization review system. The Department of Social Services is moving aggressively to implement local district planning requirements and all major provisions of the Act, which become effective in April 1981.

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 patients recently discharged 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 that offer personal care and management services in clustered apartment settings;
- Promoting community-based, in-home services to allow adults to live as independently as possible.

Juvenile Justice/Delinquency Prevention Programs Through its Division for Youth, New York seeks to prevent delinquency and rehabilitate its trouble-prone and wayward young people. Total spending for the Division's programs will amount to \$105 million in 1980-81, a significant increase over last year. Every effort is being made to augment current appropriations with Federal funds, expected to amount to some \$7 million.

This year the Division is realizing the full impact of the 1978 amendments to the State's juvenile justice laws, which call for increased placements and longer periods of confinement in secure facilities. Accordingly, it is expanding capacity at such facilities as Masten Park, Pyramid House, Overbrook, Highland, MacCormick, and Bushwick, and has obtained legislative authority to establish a new secure program at Harlem Valley and a temporary facility on the grounds of Central New York Psychiatric Center.

The Division is also restructuring its non-secure urban home program to better reflect residents' special needs, reviewing staffing patterns and the availability of counseling and vocational training for hard-to-place youths, particularly those returning to the com-

munity after an extended stay in a secure facility. Seven urban home units are being closed to improve facility management and reduce unused capacity.

The Division continues to support locally operated juvenile delinquency prevention programs through two mechanisms. The Youth Development/Delinquency Prevention Program (YDDP), provides 50 percent State reimbursement to local youth bureaus for service and recreation programs throughout the State; the 1980-81 YDDP appropriation is \$25 million. The Special Delinquency Prevention Program (SDPP) provides 100 percent direct State funding for programs operated by community-based organizations. Currently, more than 200 programs are receiving some \$7 million in SDPP funds. In addition to its YDDP and SDPP programs, the Division will provide \$1.25 million in State aid for Runaway and Homeless Youth services in 1980-81, an increase of \$500,000 over last year.

Programs for the Elderly Under the direction of the State's Office for the Aging, 57 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 elder riders.

This marks the first full year of the State's Community Services for the Elderly program. During 1980-81 more than \$8.7 million is available to help 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 — while concentrated outreach efforts seek to acquaint all older people with available services and programs. This year the Office of the Aging is administering a total of \$11.3 million in State funds and \$58 million in Federal grants for senior citizen programs. State support for the Foster Grandparent program, bringing together elderly volunteers and developmentally disabled children, has been increased by almost 20 percent.

Human Rights New York State law forbids discrimination in employment, education, housing, public accommodation, credit determinations, and 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 promote equal opportunity for all persons in the State.

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. Each State agency has assigned a coordinator to ensure that its programs are accessible, with technical assistance and guidance provided through an 11-member interagency working group. To meet these goals, the State has appropriated some \$20 million over the past three years to remove architectural barriers that impede access by handicapped persons to its office buildings, parks, colleges, and universities.

A separate Office of the State Advocate for the Disabled provides information and referral services and coordinates the many State programs serving disabled children and adults. The Advocate is now planning for the statewide activities that will mark the International Year of Disabled Persons in 1981.

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. The Department administers the State unemployment insurance program and helps jobseekers by offering computerized placement services for all qualified workers as well as counseling, testing, and training for applicants lacking employable skills. The State also cooperates 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 conducts an employee safety and health program which complements the Federal Occupational Safety and Health Act (OSHA) and ensures that State safety priorities are met. This year a major new program has been enacted to extend OSHA protection to all public employees in the State.

The State's minimum wage per hour will rise from \$3.10 to \$3.35 on January 1, 1981. The Department of Labor enforces this minimum and all agreed-upon wage contracts and seeks restitution for underpayments. Last year approximately \$2.8 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 The State's Division of Veterans' Affairs provides advocacy and technical assistance to State veterans, military personnel, and their families through 56 field offices that also coordinate services offered by Federal and local governments. The Division's efforts include:

- Counseling veterans regarding their benefits in jobs, housing, education and pensions;
- Assisting eligible veterans to obtain Federal review of less-than-honorable discharges;
- Working with the Department of Social Services to provide necessary medical care and reduce county and State Medicaid expenditures through the Federal Aid and Attendance Program;
- Administering State annuity payments to blind veterans or their widows.

Crime Victims Since 1967 New York has compensated victims of violent crime who consequently face financial hardship. From appropriations totaling \$5.9 million in 1980-81, the Crime Victims Compensation Board 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.

HEALTH... 15 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. Funds for these programs in 1980-81 amount to more than \$190 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: Roswell Park Memorial Institute in Buffalo, one of the nation's foremost cancer centers, and the Helen Hayes Hospital at West Haverstraw, which specializes in

the treatment of neurological and chronic disabilities and now features a new 150-bed clinical facility. 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 to minimize the medical hazards of exposure to toxic substances.

The State's home for veterans and their dependents at Oxford was recently rebuilt and now contains 120 beds for patients needing skilled nursing care and 122 beds for the less critically ill.

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 help 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 Systems 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 published a five-year health plan that addresses such long-range considerations as:

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

The State continues to refine its certificate-of-need process, which governs decisions regarding the construction or renovation of health-care facilities.

Mental Hygiene The Department of Mental Hygiene is divided into three autonomous agencies, each with its own particular mission:

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

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 1980-81, support for State services and local programs will amount to approximately \$1.45 billion.

The Office of Mental Health promotes this linkage between State and local care through its Community Support System (CSS), which provides a wide range of direct treatment and ancillary support services for the mentally ill, particularly those with chronic disabilities. Of special concern is the availability of suitable services to former psychiatric center patients who have returned to the community and need a continuity of care that will prevent their return to institutional living and encourage their successful reentry into the mainstream of community life. To maintain CSS and other critical community programs, the Office has available some \$41.7 million for 1980-81. As patients are discharged, efforts are being made to consolidate the physical plant of the State's psychiatric centers to reduce operating and capital costs and strengthen management controls.

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 support services. During 1980-81, an estimated 2,600 persons will be placed in community residences, family care homes, or intermediate care facilities; some 2,100 of these will have come directly from the State's developmental centers. The Office is concerned with assuring proper placement procedures, effective delivery of care, and close supervision of this growing network of community services. State expenditures for these multiple community programs in 1980-81 are estimated at \$171 million, an increase of \$21.5 million over last year.

The Office of Alcoholism and Substance Abuse comprises the Division of Alcoholism and Alcohol Abuse and the Division of Substance Abuse Services. 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. Responsibility for administering school education and prevention programs has been transferred to the Division of Substance Abuse Services.

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. It inspects and reviews mental hygiene programs, investigates allegations of patient abuse, and develops new policies to improve the quality of care.

TRANSPORTATION... 10 percent of State Budget

Mass Transportation To encourage energy-efficient travel, 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 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 are being used to advance the Accelerated Transit Program. While the Federal government has not yet appropriated moneys to permit the program to proceed on schedule, Federal funds could eventually quadruple amounts from the State and the Port Authority. The State will continue to seek the full sum promised by congressional authorization.

To help meet the severe financial problems faced by New York's public transportation systems, the State has this year adopted a new Transportation Financing Plan for 1980-81, to be financed by a 2 percent tax on the gross receipts of oil companies doing business in the State. During 1980-81, the Plan will provide \$235 million in new funds to local governments and regional transportation authorities to offset the operating deficits of bus, subway, ferry, and commuter rail services. These new funds are in addition to more than \$156 million made available under the ongoing aid program and a \$20 million deficiency appropriation for 1979-80 operating expenses. It should be noted, however, that the tax is now under review by the courts.

Rail Services Substantial improvements continue to be made in passenger and freight rail service as authorized under the 1974 Rail Preservation and 1979 Energy Conservation Through Improved Transportation bond issues. 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 Wellsville,

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 "piggyback" and high-boxcar freight service to the City;
- Improvements to track and signals on the Long Island Railroad and the Hudson-Harlem lines, plus the rehabilitation of a number of locomotives and commuter cars;
- Electrification of the Upper Harlem Commuter Rail line and purchase of 130 new commuter rail electric passenger cars.

Rail preservation bond funds are also securing continuation of a number 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 United States Railway Association in 1976, the State is using its own and Federal funds to develop the effective rail freight network essential to the economic revitalization of New York. The State continues to subsidize the "Adirondack" passenger train that links Albany with Montreal.

Highway Facilities New program commitments of \$160 million in State funds, together with Federal funds, should generate a State highway program of approximately \$500 million during 1980-81. 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 these trends by initiating and providing a substantial increase in funding for the reconstruction or replacement of structurally or functionally deficient bridges and for highway reconditioning and preservation projects. New program commitments, however, will be adversely affected by recent Federal budget actions that have both delayed new construction starts and reduced the level of obligational authority available to New York State. As a result, new highway lettings may be reduced by as much as 10 percent below the level anticipated earlier this year.

As a result of the approved Energy Conservation Through Improved Transportation Bond Act, the State is financing \$100 million of a \$133 million Safer Local Roads and Streets Program to promote the safety and energy-efficient use of some of the 93,000 miles of streets, highways, and bridges under the jurisdiction of local governments. It also continues to assist its localities through the

federally aided \$100 million municipal streets and highways program.

Ports and Waterways New York's ports handle more than 225 million tons of cargo each year, generating some \$2.5 billion in gross annual income, and 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, and Oswego. The construction of a container port at Red Hook on the Brooklyn waterfront is already underway.

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 local-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 1980-81, new appropriations of nearly \$25 million are available to fund the State's share of aviation projects designed to preserve existing facilities, increase safety, and expand airport capacity. At Stewart Airport in Orange County the Metropolitan Transportation Authority is completing construction of 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 some 8,500,000 registered motor vehicles and 7,650,000 licensed drivers, and its Department of Motor Vehicles promotes traffic safety through the regulation and control of both. New controls include:

- More extensive inspections of individual motor vehicles and repair shops to ensure mechanical safety and prevent consumer fraud;
- Initiation in January 1981 of new tests to control noxious emissions from cars, trucks, and buses;
- Installation of new computer terminal systems in county and State licensing offices to tighten security and provide faster and better service to the public.

The Governor's Traffic Safety Committee administers approximately \$18 million in Federal Highway Safety funds annually to provide a coordinated highway safety program through grants-in-aid 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, over time 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, the Project Finance Agency, the Job Development Authority, and the Battery Park City Authority;
- A Buildout Plan, extended to September 1981, that assures adequate financing for public authority construction projects and has thus far secured permanent financing totaling \$2.5 billion from public bond sales (\$1.8 billion) and other sources (\$700 million).

Management Improvements This year the State's management improvement program is seeking better services from State agencies, increased efficiency in agency operations, and the easing of regulatory burdens for businesses and individuals. Recent initiatives include:

- In the critical area of economic development, the staff of the Economic Development Board, as well as the Office of Motion Picture and Television Development and the Council on International Business, have been merged with the Department of Commerce to better coordinate economic policy in the State.
- Executive Order #100 requires that every agency, prior to proposing a rule or regulation, evaluate its potential impact on the group which will be affected. Consistent with the State's commitment to reduce the size and scope of the public sector, this regulatory impact statement will ensure that burdensome and unnecessary requirements will not be placed upon the State's businesses and citizens. The order also requires that all rules, regulations and forms issued by State agencies be written in plain language to facilitate understanding.
- In the Department of Correctional Services, following a joint Department/Budget Division study, an entirely new system for deploying correction officers was successfully field tested at the Mid-Orange Correctional Facility. The system, which is currently being implemented at five other facilities in the State, is expected to reduce unnecessary overtime, improve security, and deploy staff more efficiently.
- In response to inconsistencies in the rate-setting process for the State's 220 private schools for the handicapped and 235 private foster care agencies, the Division of the Budget, in conjunction with the departments of Education and Social Services, is developing a new rate-setting process to incorporate more effective program and financial concerns. In addition, the development of the Child Care Review Service will provide timely information on the assessments and service plans for foster care children and improve the management of the State's foster care program.
- The Office of Mental Health is developing an integrated management information system for local services to provide data essential to the improved management of Local Assistance programs and to simplify reporting requirements for local governments and private providers.
- The departments of Health and Environmental Conservation

and the Adirondaek Park Agency have initiated an integrated process for reviewing permit applications in the Adirondaek Park Permit forms have been reduced from 24 to 6 and processing delays significantly reduced

- The State recently began experimenting with computer output microfilm as a cost-effective alternative for the output of computer data. While most computer reports are printed on standard paper, the use of microfilm enables paper costs, computer printing time, and storage charges to be greatly reduced
- A recently completed procurement of data communications equipment involving a consortium of State agency users is expected to result in rental equipment savings of \$2.7 million over the next five years and a subsequent annual savings of \$2.3 million

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 1980-81, localities will receive direct State assistance amounting to \$8.5 billion, or almost 56 percent of the State's total budget. Included in this local aid is:

- \$4 billion in aid to public school districts;
- \$1 billion for generally unrestricted aid to cities, counties, towns and villages, including State revenue sharing and emergency financial aid to certain distressed urban areas;
- \$3.5 billion under other aid, reimbursement, and tax-sharing programs.

The State also provides many technical, legal and training services to local governments at no charge. Through the State-County Task Force on Mandates, State and municipal officials are identifying and eliminating unnecessary and burdensome financial and administrative requirements on localities. Meanwhile, the Panel on the Future of Government in New York, directed by the Governor to study the structure and relationships of governments in the State, has issued a final report that recommends consolidation of local government services, civil service reforms to encourage the creation of a mobile corps of top professional managers, and the adoption of standardized reporting and budgeting procedures. These recommendations are now under consideration for introduction in future legislative sessions.

Federal assistance to New York for joint Federal, State and local categorical programs will amount to an estimated \$6 billion during 1980-81. Social development programs — welfare benefits and services, Medicaid, and job-training — will account for \$4.1

billion, some 68 percent of these grant moneys. In addition, general purpose support has been distributed according to such indicators of need as population and unemployment. However, the Federal revenue sharing program, as it has operated since 1972, expired on September 30, 1980 and new legislation restricts payments to local governments only. The State has therefore received its full 1980-81 payment of \$186 million for the final three quarters of the 1980 Federal fiscal year, down \$68 million from its allotment in State fiscal year 1979-80.

Public Employees During this, the second year of the State's three-year agreements covering the large majority of its workforce, employees will receive general salary increases as well as raises tied to each employee's performance. Within the guidelines of the existing contracts, continuing negotiations have been taking place. The most significant of these have resulted in:

- Important revisions in the performance evaluation program for some 97,000 employees represented by the Civil Service Employees Association;
- Implementation of the performance evaluation program agreed to in the State's contract with the Public Employees' Federation, covering about 43,000 employees;
- Agreement on a scheduled series of increases in the reimbursement rate for State employees who use personal cars for official State business.

Several joint labor-management committees are now fully operational and have introduced new and innovative programs in such areas as productivity improvement, continuity of employment, and the quality of working life.

Of major significance to all public employees in the State this year was enactment of legislation adopting Federal Occupational Safety and Health Act (OSHA) standards for State and municipal workers. Although these Federal standards are not mandatory for public employers, the State has chosen to provide its workers with the full protection enjoyed by private sector workers and fully expects to reduce the incidence of work-related accidents and sickness. A State task force will resolve any technical problems involved.

The State continues its commitment to provide career advancement opportunities to clerical and secretarial employees and has appointed more than 80 successful candidates for the Public Administration Traineeship Transition (PATT) program to professional positions.

Recognizing the importance of addressing the special needs of its 10,000 managerial and confidential (M/C) employees, the State has created a Division of Management/Confidential Affairs in the Office

of Employee Relations. These employees, prohibited from union representation and collective bargaining by the State's Taylor Law, now have a distinct and visible office charged with developing new programs and clarifying existing ones.

PUBLIC PROTECTION ...

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 dissemination 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). Current budgetary actions at the Federal level, however, threaten severe cut-backs in LEAA funding, including potential elimination of block grants for all but juvenile justice programs. A proposed \$18.6 million reduction in Federal financial support from the \$23.4 million received in Federal fiscal year 1980 would adversely affect the State's crime control efforts both this year and next.

The Division's planning function includes efforts begun in 1978 to improve the enforcement of violent felony warrants, establish a new information system to track rearrests of parolees, and 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 are carried out by the Division's Bureau of Prosecution and Defense Services and its Criminal Justice Appellant Reference Service.

The Division will also play a major role in monitoring the effectiveness of new handgun controls instituted this year.

Three units in the Department of Law, each headed by a Deputy Attorney General, are charged with investigating and reporting on 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 certain nursing home operators and other violators of the law.

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.

The State Felony Court Program funds the nonjudicial components of 76 court parts through the State under three separate programs designed to reduce processing time in felony cases, especially those involving narcotics.

Correctional Services The New York Department of Correctional Services is presently operating 32 facilities having an inmate population of some 21,000. This population is expected to increase to more than 22,000 by April 1981. To meet this expanding workload, the Department will spend approximately \$300 million in capital and operating funds during 1980-81.

Additional cell space for inmates is an urgent necessity, particularly in view of the stricter sentencing provisions contained in the 1978 Criminal Justice Reform Program. Although it had been an essential element of the capacity expansion program, the State was unable to acquire New York City's Rikers Island correctional complex as originally planned. To ensure the future availability of prison space, an alternative building plan includes a 2,300-bed expansion within existing State correctional facilities and the construction of three new 512-bed maximum security facilities. During 1980-81, capacity will be increased by more than 1,400 cells. Capital rehabilitation efforts will add 344 cells at Ossining Correctional Facility, 118 at Mt. McGregor, 198 at Fishkill, and more than 200 at other correctional facilities. Full utilization of the new Downstate Correctional Facility will provide another 572 cells.

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

- Implementation of the comprehensive security deployment and utilization review project, which has identified factors underlying excessive overtime and established a more cost-effective facility staffing system;
- Revitalization of the Correctional Industry Program to

enhance its rehabilitation objective and achieve financial self-sufficiency;

- 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;
- Development of an operational master plan to focus on specific issues facing agency managers over the critical next five years.

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

Parole The Division of Parole includes the 12-member Board of Parole and is responsible for an efficient and equitable parole system in New York State. To accomplish this mandate, the Division:

- Maintains records on all persons eligible for parole, or under parole supervision;
- Prepares material used by the Board of Parole in exercising its authority to decide when and under what conditions inmates will be released to parole supervision;
- Supervises parolees to facilitate their adjustment to the community and ensure community protection.

During the coming year, the Division of Parole will evaluate the effects of an intensive supervision program for high-risk offenders, continue developing a computerized information system, and weigh the effects of parole guidelines on decisions made by the Board. By March 31, 1981 an estimated 19,100 parolees will be under supervision, an increase of some 1,500 from 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.

In 1980-81 the State is reimbursing New York City and 53 counties for 41.5 percent of their approved costs for probation services. Services in Fulton, Montgomery, and Warren counties, currently fully funded by the State, will be locally operated as of

January 1, 1981, thereby providing a unified probation program throughout the State. Continuing responsibilities include 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 absconders and return them to custody.

During 1980-81, total State aid for local probation services, including these initiatives, will exceed \$22 million. With the assistance of Federal funds, the Division and a number of counties are conducting an experimental juvenile restitution program.

State Police The State Police comprises some 4,000 troopers and civilians. It relies on well-trained police professionals and the technical support of its crime laboratories and a sophisticated computer network and communications system to prevent and detect crime and apprehend criminals throughout New York State. An aviation unit can reach any location in the State on short notice and makes both medical emergency rescues and searches for missing persons. The State is divided into ten troop areas, with the State Police serving as the primary police force in many rural and suburban communities. The Division's Bureau of Criminal Investigation Activities (BCI) is responsible for the investigation of serious crimes, and its members are located in troops throughout the State.

On January 1, 1980 the State Police took over from the Office of Parks and Recreation the responsibility for policing the State's parkways on Long Island, along the Palisades, and in Monroe, Orleans, Niagara, and Erie counties.

Guard Forces The Division of Military and Naval Affairs, responsible for the administrative activities required to support the State's military forces, has 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.

As part of its efforts to improve recruitment and retention of guard personnel, the Division has instituted a General Educational Development program which awards a \$500 cash stipend to any guard volunteer taking courses in pursuit of a high school equivalency diploma. Funds are also provided for a \$50 bonus to each guard member who recruits a new member and for a radio advertising campaign to further enhance recruitment.

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 \$1.04 billion 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. During 1980-81, the State's Department of Environmental Conservation is concentrating on toxic substance control, solid waste management, fish and wildlife management, 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 underway 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 efficient conversion of waste materials into fuels and other useful products. Together, the departments of Commerce and Environmental Conservation, the Energy Office, and such public authorities as the Urban Development Corporation, the Power Authority, and the Port Authority of New York and New Jersey are developing a comprehensive resource recovery program to generate energy and extract valuable material from wastes collected throughout the State. Legislation enacted this year will expedite projects under this program.

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 680 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. A new State initiative seeks to determine those parties responsible for hazardous waste accumulations and enforce remedial action where the public's health is threatened.

In order to limit illegal hauling and dumping of wastes, the Department has installed enforcement teams in the Niagara Frontier and mid-Hudson valley, areas where such activities are most prevalent. The Department is also working with the departments of Health and Law in litigation against the Hooker Chemical Company for its chemical dumps in the Love Canal area.

Water Quality The Environmental Quality Bond Act Program for Pure Waters, financed by State bond moneys and Federal and local funds, is meeting the twin goals of cleaner water and increased jobs for the construction industry. Since the program's inception in 1972, the State has appropriated \$645 million as its share of the construction of more than 400 approved water pollution control projects throughout New York. Through direct financial assistance, the Department of Environmental Conservation supports the operation of many of these wastewater treatment plants, meeting as much as 25 percent of the operating and maintenance costs of any facility.

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. Since the program's inception, \$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 places susceptible to flooding. These controls assure a healthy environment not only for the State's citizens but for the crops and animals on which they depend.

Environmental Management New York preserves its wildlife, timber, marine, and mineral resources through carefully planned and executed management programs. In 1980-81 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 9 million seedlings at its tree and shrub nursery in Saratoga County;
- Stocking waterways and lakes with such game fish as salmon, trout, bass, pike, and muskellunge;

- Surveying 600,000 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

HOUSING AND COMMUNITY DEVELOPMENT ...

The past several years have seen significant breakthroughs in New York's long-dormant housing programs, and the State is once more able to undertake new housing projects for both low- and middle-income tenants. Through the issuance of bonds earlier this year, the State of New York Mortgage Agency (SONYMA) has been able to provide \$108 million in mortgage moneys; another bond sale may be held in the near future. Meanwhile a new SONYMA mortgage insurance program is helping declining neighborhoods secure the financing needed for renewal programs.

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. However, these projects cannot afford such expenditures and at the same time retain low rent levels, particularly in view of 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. To date, State-assisted housing projects containing approximately 50 percent of all eligible apartments have been included in this program

Housing Finance Agency Created in 1960, the New York State Housing Finance Agency (HFA) has been the major source of funding for State-assisted middle-income housing throughout New York. When the credit markets were closed to the State in 1975, HFA had 48 projects requiring \$571 million in permanent financing. Today only one project still requires long-term financing, for a remainder of \$20 million.

It is clear, however, that major initiatives for the financing of State-assisted middle-income housing must come from the Federal government. Already Federal subsidies are helping to secure new State-assisted housing projects by making up the difference between

actual economic rentals and the tenants' ability to pay; six projects subsidized under Section 8 of the U.S. Housing Act of 1937 have obtained permanent financing and are now under construction. Meanwhile the State and its financing agencies are exploring the possible use of a variety of Federal programs to stimulate the construction of additional urgently needed housing.

A special task force has been studying the financial and operating problems and energy conservation needs that face public housing projects throughout the State, particularly those constructed under the Mitchell-Lama program. Its work will be reviewed and refined by the new Council on Housing and Community Development announced by the Governor earlier this year.

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. The Division of Housing and Community Renewal's \$7 million Neighborhood Preservation Program provides technical assistance and grants that cover the administrative expenses of nonprofit community organizations seeking to upgrade their urban neighborhoods. Recent legislation has expanded the program to include rural residential neighborhoods.

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.

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.

RECREATION AND CULTURAL ENRICHMENT ...

State Park Activities The vast acreage of New York State's 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 boating facilities. 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. This year the State is working to improve access to Lake Ontario for fishermen. Special roadways, parking areas, launch sites, and shorefront concessions carrying sporting supplies are being constructed on State lands bordering the lake to facilitate safer and more convenient fishing.

The Office of Parks and Recreation also enhances the State's cultural activities by preserving and operating 36 historic sites, helping stage a wide range of warm-weather events at State-owned theaters at Saratoga, Jones Beach, and the Earl W. Brydges Artpark in Lewiston, and arranging summer arts programs in other parks. The State also supports such recreational and cultural 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 of 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 1980-81 it will distribute nearly \$30 million among museums, galleries, music, theater and dance groups, and arts service organizations. The Education Department will provide some \$32.6 million to local libraries and \$11.3 million to public television and radio stations.

Amateur Athletics Underscoring its citizens' growing interest in participatory sports, New York has staged its third successful Empire State Games this year — the largest multi-sport amateur

athletic event in the nation, designed to encourage and reward nonprofessional athletes of all ages and from every area of the State. A Special Olympics is also held annually to encourage sports competition for the handicapped; in 1980 it took place at schools in Elmira.

ECONOMIC DEVELOPMENT AND CONSUMER PROTECTION ...

Economic Development Much of this year's legislative and executive action has focused on strengthening the State's economy through new strategies and programs to attract business expansion. Key measures have included:

- Development by the Office of Business Permits of programs designed to help businesses secure the permits necessary for expansion or location in the State, including a computerized permit information system, a catalogue of existing State permits, and a master form that enables applicants to determine the permits necessary for particular projects;
- Establishment of the Office of Urban Revitalization to help coordinate State policies and programs for distressed urban areas and provide technical and financial assistance to localities and community organizations engaged in revitalizing distressed communities;
- Formulation of comprehensive development policies and strategies, coordination of State development programs, and the provision of essential research and technical services through the new 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 and the New York Science and Technology Foundation, to attract the high-technology industry for which New York provides so favorable a climate. The Foundation is sponsoring a study to determine the feasibility of establishing high technology research and development centers throughout the State;
- The opening of the New York Insurance Exchange and the availability of the Free Trade Zone to enable the State's insurers to accept special and international risks;

- Approval of four additional foreign bank branches, raising the total in the State to 105;
- Reform of State regulatory processes and the elimination of regulations that discourage economic growth.

The Economic Affairs Cabinet, composed of selected agency heads, has been active in developing a coherent economic policy and is now formulating specific proposals to achieve economic development objectives. Tax and other incentives offered by the Urban Development Corporation, the Job Development Authority (JDA), the Job Incentive Program, and On-the-Job Training programs continue to be a mainstay of the State's industrial development efforts. Legislation enacted this year broadens JDA's powers and authorizes it to issue up to \$60 million in non-recourse bonds and notes to finance projects that create jobs in the private sector.

The State Department of Commerce coordinates efforts to motivate business and industry to locate and expand in New York; during 1980-81 it will spend \$20 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. Assisting the Department in its programs to increase the level and scope of international business activities is the recently formed Advisory Council on International Business, which includes agency heads and representatives from business, labor and academic communities. The Office for Motion Picture and Television Development, now within the Department of Commerce, is actively promoting New York as a site for film-making to spur the expansion of these industries.

Public construction projects play a key role in the State's economic development program. A domed athletic facility for Syracuse University, constructed with technical and financial assistance from the Urban Development Corporation, has been completed this fall, and a new Convention Center in New York City is underway.

Energy Improved energy conservation and alternative sources of energy are the two major policy objectives of the State's energy program and the new Energy Master Plan. Key areas of activity include:

- Continued administration of the Schools and Hospitals Program by the State Energy Office, a Federal matching-grant program that involves the completion of detailed energy audits and energy conservation measures for

eligible institutions. The first cycle of this three-year program has already resulted in the allocation of \$11.8 million in Federal grants for technical assistance and capital improvements for institutions in New York; matching funds for State facilities, some \$1.6 million, are contained in the Capital Construction budget.

- Authorization for the Energy Research and Development Authority to implement a significant new financing program through the issuance of non-recourse tax-exempt bonds to provide an incentive to private enterprise to undertake coal conversions, energy conservation projects, and the demonstration, development and financing of alternate indigenous and renewable energy resource projects. Under this program, the Authority may issue bonds to speed construction of new energy generation and conservation facilities such as small hydroelectric plants, cogeneration projects, and solid waste-to-methane projects, with the State utilizing Federal tax-exempt industrial development bond financing available to New York's private industries and utilities under Section 103 of the Internal Revenue Code.
- Removal in large part of cogeneration facilities from the jurisdiction of the Public Service Commission to increase energy conservation in the commercial and industrial sector.
- Expansion by the State Energy Office of its energy conservation program through an award of \$1.5 million from the Federal government to establish an Energy Extension Service. This program provides direct, personalized information and assistance to small energy users to encourage energy conservation and the use of renewable resources. Programs to be undertaken include the Energy Advisory Service to Industry and Small Commercial Businesses, Agricultural Energy Conservation, Local Ridesharing Services, Fleet Management, Multi-Family Housing, Woodlot Management, Wind Feasibility, and Sewage Treatment.

Limited funds this year have forced a sharp reduction in the State's Fuel Allocation Program (also known as the gasoline set-aside program) following its implementation in response to serious gasoline shortages last year. The State Energy Office will operate the program on a curtailed basis but is prepared to reinstate it fully if necessary.

Agriculture Although New York is best known for its business and commerce, farming is its largest single industry: its ten million acres of farmlands yield crops valued at some \$2 billion each year, and it is

a leading producer of apples, sweet corn, 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. Special efforts are underway to eradicate brucellosis, a cattle disease that poses a serious threat to New York's dairy industry. The Federal government requires the State to be free of brucellosis by January 1, 1981 or face quarantine restrictions in the interstate sale of cattle.

To encourage the preservation of farm acreage, the State permits the designation of special agricultural districts qualifying for property tax relief. To date, over 6.2 million acres have been so designated, comprising a total of 426 agricultural districts throughout the State. Recent legislation calls for a revised method of assessing the value of farmland; the new valuation process is based on a land classification system developed by the Department of Agriculture and Markets, now in charge of all programs for developing and controlling the State's rural areas.

Of particular concern at this time are conditions affecting migrant workers and their families, the impact of environmental resource management plans on agricultural industries, and the provision of adequate housing and social services for rural residents. Farmers are exempted from the unincorporated business tax, and the estate tax otherwise payable has been reduced for farms bequeathed to direct family descendants.

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. The State supports this industry with 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 for attractions such as winter sports 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 Japan, the Netherlands, and in this country the cities of Los Angeles,

Chicago, and Houston. The Department has also developed a cooperative promotional campaign with a bus line and a car-rental company to stimulate business in the upstate areas of New York.

This year the State has appropriated approximately \$8.6 million for its tourism promotion campaign, and two recently released studies indicate that this is generating significant new business. A winter sports campaign will capitalize on the increased awareness of New York as a winter sports area, the result of the successful 1980 Winter Olympics at Lake Placid.

Consumer Protection The State's Consumer Protection Board operates as an advocate for the public in the investigation and resolution of consumer welfare problems and the development of legislation. The Board also helps represent customers in utility rate cases before the Public Service Commission. 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 new this year prohibits the establishment of certain insurance rates on the basis of age, sex, or marital status. Also enacted was a prohibition against the sale of industrial insurance requiring weekly payments and limited returns to the consumer.

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, funeral directors, and cosmetologists.

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

	1979-80 Actual	1980-81 Estimated	1980-81 Compared with 1979-80
Income			
Current Revenue			
Personal Income Tax	5,962	6,805	+ 843
User Taxes and Fees	4,114	4,207	+ 93
Business Taxes	1,973	2,170	+ 197
Other Revenues	255	276	+ 21
Miscellaneous Receipts:			
Regular	461	554	+ 93
Mental Hygiene Related Reserves		806 (100)	+ 806 + (100)
Total Available Current Revenue	<u>12,765</u>	<u>14,718</u>	<u>+1,953</u>
Federal Revenue Sharing	254	186	- 68
Bond Funds	155	183	+ 28
Total Available Income	<u>13,174</u>	<u>15,087</u>	<u>+1,913</u>
Expenditures			
Local Assistance Fund	7,600	8,501	+ 901
State Operations	3,295	4,029	+ 734
Legislature/Judiciary	299	486	+ 187
General State Charges	801	917	+ 116
Debt Service/Lease Purchase	595	652	+ 57
Capital Construction Fund	584	529	- 55
Total Expenditures	<u>13,174</u>	<u>15,114</u>	<u>+ 1,940</u>
Negative Margin		<u>27</u>	<u>+ 27</u>

Table 2. CURRENT REVENUE
(millions of dollars)

	1979-80 Actual	Budget Summary	Summary Compared with 1979-80 Actual
Personal income tax	<u>5,962</u>	<u>6,805</u>	<u>+ 843</u>
User taxes and fees	<u>4,114</u>	<u>4,207</u>	<u>+ 93</u>
Sales and use tax	2,824	2,940	+ 116
Motor fuel tax	460	436	- 24
Cigarette tax	332	332	N.C.
Motor vehicle fees	263	264	+ 1
Alcoholic beverage tax	150	150	N.C.
Highway use tax	51	51	N.C.
Alcoholic beverage control licenses	34	34	N.C.
Business taxes	<u>1,973</u>	<u>2,170</u>	<u>+ 197</u>
Corporation franchise tax	1,014	1,075	+ 61
Corporation and utilities taxes	535	600	+ 65
Bank tax	182	240	+ 58
Insurance tax	202	223	+ 21
Unincorporated business income tax	40	32	- 8
Revenue from other activities	<u>255</u>	<u>276</u>	<u>+ 21</u>
Estate and gift taxes	125	134	+ 9
Pari-mutuel tax	116	129	+ 13
Real estate transfer tax	13	12	- 1
Other taxes	1	1	N.C.
Miscellaneous receipts	<u>461</u>	<u>1,260</u>	<u>+ 799</u>
Regular	461	554	+ 93
Mental hygiene related		806	+ 806
Reserves		(100)	+ (100)
Total Available Current Revenue	<u>12,765</u>	<u>14,718</u>	<u>+ 1,953</u>

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

Agency or Purpose	1979-80	1980-81*
Education total	3,982,765	4,437,851
Education Department	3,570,762	4,005,374
Support of public schools	3,310,811	3,713,358
Grants, aids, and subsidies	109,513	180,925
Library aid	31,988	31,493
Specific program grants	31,325	20,701
School lunch and milk program	15,062	16,978
Aid to non-public schools	8,000	8,000
Physically handicapped children	7,639	24,029
All Other	2,424	.....
Higher Education	400,003	432,477
City University of New York	281,237	305,132
State University Community Colleges	124,766	127,345
Social Services Department of	1,879,075	2,047,334
Excitation and Finance total	1,134,280	1,161,408
State revenue sharing	887,100	802,801
Local share of motor fuel tax	89,471	78,862
Local share of motor vehicle fees	21,709	21,275
Lottery aid guarantee	95,000	110,000
Stock transfer incentive fund	59,000	88,200
Mental Hygiene total	223,994	265,771
Office of Mental Health	99,345	99,071
Office of Mental Retardation & D. D.	57,523	92,418
Division of Substance Abuse Services	41,000	57,883
Comm. on Alcohol & Substance Abuse	14,916	.....
Division of Alcoholism & Alcohol Abuse	10,010	16,589
Transportation total	156,607	280,652
Mass transportation subsidies	140,957	177,180
Town highways	9,650	9,472
Safer local roads and streets	.....	100,000
Health total	82,002	70,889
General public health work	52,289	49,686
Operation of medical clinics	14,525	11,974
Laboratories and blood banks	4,800	5,390
Physically handicapped children	4,750	4,655
All Other	5,568	5,284
Housing total	59,630	57,507
Housing subsidies	42,050	42,050
Urban renewal grants & subsidies	2,155	3,111
Housing code enforcement	8,000	4,900
Neighborhood preservation	6,925	7,536
Municipal Overburden	58,750	64,178
Environmental Conservation total	37,593	38,342
Sewage treatment	32,000	34,065
Environmental health	4,204	3,643
All Other	1,389	634
Youth Division for	30,771	39,748
N.Y.S. Council on the Arts	31,000	30,870
Probation Division of	21,381	22,314
Metropolitan Transportation Authority	18,504	118,504
N.Y.C. Rent Control	11,908	9,330
Housing Finance Agency	3,000	.....
Miscellaneous total	32,711	54,484
Total	7,769,731	8,710,322

* Excludes supplemental and deficiency appropriations

Table 4. STATE PURPOSES FUND APPROPRIATIONS
(thousands of dollars)

Agency or Purpose	1979-80	1980-81*
State University	682,541 ^b	740,407 ^b
Mental Health, Office of	380,801 ^b	698,314
Mental Retardation, Office of	197,613 ^b	493,427
Judiciary	257,141	395,004
Transportation, Department of	267,547	288,148
Correctional Services, Department of	251,910	277,057
Higher Education Services Corporation	280,560	269,407
Health, Department of	85,590 ^b	94,400 ^b
State Police, Division of	77,530	80,408
General Services, Office of	85,152	89,078
Taxation and Finance, Department of	75,575	78,574
Legislature	74,307	77,118
Social Services, Department of	69,382	68,249
Education Department	65,031	64,571
Youth, Division for	53,118	62,804
Parks and Recreation, Office of	55,828	58,708
Environmental Conservation, Department of	44,557 ^b	49,723 ^b
Motor Vehicles, Department of	30,028	32,402
Audit and Control, Department of	27,012	28,430
Law, Department of	26,180	27,533
Parole, Division of	22,120	22,743
Commerce, Department of	19,611	19,972
Urban Development Corporation	.....	17,101
Agriculture and Markets, Department of	15,992	16,539
Military and Naval Affairs, Division of	12,908	14,841
Civil Service, Department of	13,395	13,984
State, Department of	12,560	12,561
Alcoholism and Alcohol Abuse, Division of	17,903	12,417
Criminal Justice Services, Division of	11,701	11,777
Equalization and Assessment, State Board of	9,945	11,260
Labor, Department of	11,168	11,233
Budget, Division of the	7,463	8,163
Inter-office Coordinating Council	6,773	7,066
Executive Chamber	6,807	7,915
Housing and Community Renewal, Division of	11,731	7,907
Alcoholic Beverage Control, Division of	7,574	7,563
Crime Victims Compensation Board	6,318	6,884
Emergency Dangerous Drug Control Program	20,067	20,762
Other State Agencies and Commissions	114,109	101,247
All Agencies—Salary Adjustments	240,324	25,805
General State Charges:		
Pension Administration Contributions	461,075	473,780
Social Security Administration Contributions	132,902	176,057
Health, Dental, and Compensation Insurance	154,640	169,008
Taxes on Public Lands, Judgments, etc.	41,700	33,298
Employee Benefit Funds	.....	18,888
Unemployment Insurance	8,165	8,200
Total Current Operations	4,401,809	5,221,428
Debt Service—Lease Purchase Payments	595,750	640,430
Health Insurance Contingency	100,000	110,000
Personal Income Tax Refund Reserve Acct	300,000	.....
Total	5,457,559	6,071,858

^a Excludes supplemental and 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)

	Prior In Force April 1, 1980	Appropriations New 1980-81	Total Available 1980-81
Transportation Dept. of Total	1,160,703	251,800	1,418,500
Highways, parkways, grade crossing eliminations and other highway facilities	372,795	220,925	593,720
Mass Transportation and Aviation	762,214	10,000	772,214
Highway operation and maintenance	13,300	8,160	21,460
Canals and Waterways	8,834	3,130	11,964
Port development	0,630	0,630	1,260
Love Canal	2,811		2,811
Environmental Conservation Department of	473,473	4,048	477,521
Metropolitan Transportation Authority	407,552	31,362	438,914
Correctional Services, Department of	293,185	24,240	317,425
Mental Hygiene Facilities Development Corporation Total	131,735	46,123	177,858
Office of Mental Health	68,800	10,770	79,570
Office of Mental Rehabilitation Administration	52,935	20,240	73,175
Office of Alcoholism and Substance Abuse	5,370		5,370
Executive Department Total	4,921	147	5,068
Executive Department Total	123,539	38,305	161,844
Parks and Recreation Office of	88,649	8,258	96,907
General Services, Office of	17,744	13,256	31,000
Youth, Division for	12,581	8,800	21,381
State Energy Office		0,240	0,240
Military and Naval Affairs Division of	3,818	1,686	5,504
State Policy Division of	747	125	872
Education Total	50,813	24,294	75,107
State University Construction Fund	20,466	12,210	32,676
State University	8,120	93	8,213
Community Colleges	5,943	1,595	7,538
City University of New York Education	0,066	4,151	4,217
	1,212	0,245	1,457
Urban Development Corporation	58,107	308	58,415
Air Quality Improvements	10,665		10,665
Niagara Frontier Transportation Authority	10,300		10,300
Port Authority of New York and New Jersey	10,562		10,562
Agriculture and Markets, Department of	0,193		0,193
Housing Finance Agency			
Health, Department of	2,422	1,677	4,099
Albany Port District	2,750		2,750
State, Department of	0		0
All State Departments and Agencies*	34,825	0,708	35,533
Total	2,765,181	432,120	3,227,301

* Includes amounts for rehabilitation and improvements, handicapped, consultants, flood disaster, energy conservation, construction, and land acquisition supplements.

Table 6. FUNCTIONAL CLASSIFICATION OF ESTIMATED EXPENDITURES, 1980-81
(millions of dollars)

Function	General Fund	Federal Funds	Other Funds	Total
Education	6,262	1,111	796	8,169
Social Development	2,572	4,126	168	6,866
Health	2,298	160	145	2,603
Transportation	1,558	526	132	2,216
Governmental Affairs	1,091	3	77	1,171
Public Safety	569	45	27	641
Environmental Conservation	243	25	52	320
Housing and Community Development	184	10	69	263
Recreation and Cultural Enrichment	177	7	5	189
Economic Development and Consumer Protection	89	4	75	168
Nonallocated General Costs	71 ^a	9	57 ^b	137
Total	15,114	6,026	1,603	22,743

^a Includes repayments to Tax Stabilization Reserve Funds, unallocable salary reserves, certain capital construction expenditures and reserves for deficiencies.

^b Includes unallocable fringe benefits and judgments.

Table 7. NET OUTSTANDING STATE DEBT, MARCH 31, 1980^a
(millions of dollars)

	Long-Term	Temporary	Total
Transportation capital facilities	1,448	25	1,473
Highways	(737)	(. . . .)	(737)
Mass transportation	(601)	(23)	(624)
Aviation	(110)	(2)	(112)
Housing and urban renewal	700	15	715
Pure waters	565		565
Environmental quality	217	9	226
Higher education construction	160		160
Highway construction	149		149
Outdoor recreation development	146		146
Rail preservation	98	6	104
Mental health construction	67		67
Parks and recreation land acquisition	19		19
Grade crossing elimination	15		15
State park system	^b		^b
General State improvements	^b		^b
Total direct State debt	3,584	55	3,639

^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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