

PREFACE

This 1984 *Budget Summary* contains a mid-year account of the operation of State programs and the second quarterly update of the State Financial Plan, which is required by the Accounting, Budgeting and Financial Reporting Act of 1981 and was transmitted separately to the Legislature.

The *Summary* reviews the current and projected condition of the State and national economy. Based on these factors and an analysis of actual results for the first six months of the fiscal year, the revenue forecasts for the current year have been revised. In addition, based upon the experience of the first half of the year, disbursement estimates have been updated. The revised financial plan reflecting these re-estimates provides a solid base for managing a balanced budget for the remainder of the fiscal year.

The second part of the *Summary* reports on progress toward the goals set forth in the 1984-85 Executive Budget Message. This section includes a comprehensive report on those programs that may have a significant impact on State financial planning during this fiscal year or in the foreseeable future.



"The investments we make in this budget... are critical for the next year and for the next century. If we build on the partnerships so carefully and productively forged over the past year... and if we manage our resources prudently and responsibly, then we shall meet the challenges of the future and rebuild the Empire State."

MARIO M. CUOMO, Governor
Budget Message, January 17, 1984

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Introduction

This document reflects the General Fund portion of the statutorily required second quarterly update of the State's 1984-85, cash-based financial plan. It also includes a discussion of State government activity by major program area.

The revision to the financial plan continues to indicate that execution of a soundly based, balanced budget for 1984-85 remains probable, despite the presence of several risks still outstanding.

The discussion of State programs indicates the extent to which essential public services are being provided in a fiscally responsible fashion.

GENERAL FUND FINANCIAL PLAN

The second quarterly revision to the State's 1984-85 cash-based financial plan shows a margin between anticipated receipts and expected disbursements in the General Fund of \$207 million. The revised plan indicates projected receipts of \$21,231 million and forecasts disbursements and required additions to the Tax Stabilization Reserve Funds of \$21,024 million.

Perspectives on the Margin

The projected cash margin of \$207 million, or slightly less than 1 percent of annual disbursements, provides a margin of safety against unanticipated events, be they economic, legal or related to Federal actions. This is the first time in four years that the State has managed to create such a buffer against fiscal adversity.

The projected cash margin would not be adequate to finance the additional disbursements that would result if expected outlays grew in the second half of the year by the amount by which they have increased during the first half of the fiscal year. While, in fact, no increases of such a magnitude are expected during the balance of the year, the risks to the plan, described in more detail below, indicate that such an outcome cannot be ruled out.

The composition of the increases in expected receipts does not suggest they result from an unanticipated, widespread economic boom, except in the State's corporate sector, where profits are rising at rates substantially greater than the pace of expansion of the overall economy. The other major contributors to the higher margin, increases in expected lottery receipts and in collections from the real estate capital gains tax appear only tenuously related to overall economic growth. The original underestimates of these sources result more from inexperience with these elements of the State's revenue structure rather than from economic realities proving materially different from expectations.

GENERAL FUND
1984-85 Financial Plan
(millions of dollars)

	July	October	Change
Receipts			
TAXES			
Personal income	10,517	10,480	-37
User taxes and fees	5,584	5,617	+33
Business taxes	2,920	3,055	+135
Other Revenues	684	732	+48
Miscellaneous receipts	1,149	1,149
Federal grants	54	54
Subtotal	20,908	21,087	+179
Transfers from other funds	148	144	-4
Total receipts	21,056	21,231	+175
Disbursements			
Grants to local governments	12,323	12,333	+10
State operations	5,551	5,566	+15
General State charges	1,559	1,622	+63
Debt service	246	249	+3
Subtotal	19,679	19,770	+91
Transfers to other funds	1,202	1,203	+1
Total disbursements	20,881	20,973	+92
Required addition to fund balance	51	51
Margin	124	207	+83

Receipts

Overall receipts in the General Fund for the 1984-85 fiscal year are now projected to be \$21,231 million, up \$175 million from the amount projected in July. After the repayment of \$51 million to restore required balances in the Tax Stabilization Reserve Funds, \$21,180 million is expected to be available to finance 1984-85 disbursements.

Personal income tax receipts are now projected at \$10,480 million, down \$37 million from July. Virtually all of the change results from the slightly lower-than-projected withholding and estimated tax collections during the second quarter of the fiscal year.

Receipts from user taxes and fees are projected to total \$5,617 million, up \$33 million from July estimates. These receipts reflect a \$15 million increase in anticipated sales use tax collections, augmented by smaller increases in expectations of the yield of other sources, primarily the motor fuel tax and motor vehicle fees.

Business tax receipts are now projected to total \$3,055 million, \$135 million above the level that had been expected in July. These revised projections result, in large part, from collections received under the State's general business tax (Article 9-A). The estimate for collections from Article 9-A has been increased by \$120 million from the July estimate, and now is at \$1,470 million.

A continuing high level of real estate activity and improved tax enforcement have also compelled upward revisions of \$48 million in projections for receipts from the realty gains and real estate transfer tax, leading to total expected receipts from other taxes of \$732 million.

The projection of total miscellaneous Receipts and Federal grants remains unchanged from July at \$1,203 million, reflecting offsetting changes among the several components. Anticipated transfers from other funds have been reduced by \$4 million, to \$144 million, largely reflecting experience to date.

Disbursements

General Fund disbursements are now projected to total \$20,973 million, an increase of \$92 million from the July projection.

Grants to local governments are projected at \$12,333, an increase of \$10 million from the July projection. This increase reflects the net General Fund impact of an estimated \$40 million increase in lottery proceeds that will be available during 1984-85 to support education aid, which is more than offset by additional disbursements expected to be required for payment of education aid to the City of New York as a result of a prior-year claim and the impact of such claim on 1984-85 school year aid and certain social services programs during the fiscal year and minor increases in certain other programs reflecting actual disbursements for the first six months of the fiscal year.

Disbursements for State operations are projected at \$5,566 million, up \$15 million from July, principally reflecting higher anticipated disbursements for correctional programs as a result of higher-than-budgeted inmate population levels and a court-ordered delay in the closing of the Long Island Correctional Facility.

The \$63 million increase in estimated disbursements for General State Charges from the July projection principally reflects greater-than-anticipated costs for social security, health insurance and workers' compensation, based on actual disbursement experience for the first six months of the fiscal year.

The increase in the short-term debt service projection reflects the 1984-85 impact of the issuance of commercial paper by the State Comptroller, although this additional expense is offset by additional investment income.

Transfers to other funds, projected at \$1,203 million, reflect an increase of \$1 million from July, based on experience for the first six months of the fiscal year.

Risks to the Plan

Like any other projection, the October update of the 1984-85 State Financial Plan contains certain elements of risk that could materially affect the outcome for the fiscal year and substantially affect the cash-basis margin reflected in the plan.

- The economic assumptions underlying the receipts projected for the 1984-85 fiscal year reflect a relatively optimistic outlook for the balance of the fiscal year, despite the fact that the national economic growth experienced during the first three quarters has begun to show sharp moderation.
- The projections continue to assume favorable resolution of the Urban Development Corporation lease-purchase court suit which is scheduled to be heard in the Court of Appeals during November. It also assumes that the Corporation, and the New York State Thruway Authority will be able to market their bonds or notes to reimburse the State for disbursements already made or to be made by the State during the 1983-84 and 1984-85 fiscal years for the construction and rehabilitation of correctional facilities and highways prior to the close of the fiscal year. The October update of the 1984-85 State Financial Plan assumes the receipt of \$247 million in reimbursements by March 31, 1985.
- The State has received Federal Medicaid disallowances totalling approximately \$125 million for which the State had drawn the funds prior to such Federal action. Like the July plan, the October update reflects \$37 million in General Fund disbursements for the Office of Mental Retardation and Developmental Disabilities to replace the moneys lost to the Office as a result of these disallowances. While it is believed that the State has reasonable defenses against the balance of these disallowances, an unfavorable ruling by the Federal Grant Appeals Board would require the State to return the funds to the Federal government during the 1984-85 fiscal year. Maintaining staffing and service standards would require increasing the projection of State operations spending commensurately.
- The State University of New York was budgeted to receive some \$41 million in additional receipts from collection of aged accounts receivables and from increased Medicaid payments as the result of certain rate appeals. As of September 30, 1984, none of these additional funds had been received by SUNY. To the extent that SUNY does not receive such funds during the 1984-85 fiscal year, additional General Fund spending may be necessary, unless economies can be found in the University budget to offset the revenue shortfall.

OUTLOOK FOR 1985-86

The currently projected margin between receipts and disbursements, if realized and available in the subsequent fiscal year, suggests that the 1985-86 budget may offer an opportunity to make strides toward the achievement of several of the Administration's fiscal objectives. Tax reduction, the achievement of GAAP balance and the provision of adequate funding to maintain essential services would appear possible.

However, the 1985-86 Budget will be crafted in a potentially volatile economic and intergovernmental environment. The duration of the national economic recovery, the future course of inflation, and the impact of future Federal government actions to reduce its own deficits will all have material and, at this point, unquantifiable impacts on the execution of the 1985-86 Budget.

Based on the Budget adopted for 1984-85 and existing laws, State spending in 1985-86 will again rise somewhat more rapidly than inflation. Simply to annualize this year's initiatives in education aid will add \$375 million in spending. To replace nonrecurring receipts in other funds that are offsetting General Fund spending this year will require nearly \$150 million. To annualize the expiring collective bargaining agreements will add more than \$100 million, and inflation, even at four percent, another \$100 million. Full-year funding must be provided for the new jobs added in the 1984-85 budget and social services spending, already a rapidly rising component, will be swollen by the next step in the long-term care takeover.

Major fiscal issues will also arise because of the absence of continuing laws and agreements. The State's collective bargaining agreements expire this year, and new ones must be factored into the outlook for 1985-86. At current personal service levels, each one percentage point increase in salaries adds \$50 million to annual State spending. A variety of tax provisions expire, beginning with the regional business tax surcharge dedicated to transit financing in the MTA region, that must be dealt with before the end of 1984, and extending to several General Fund revenue sources which, if not continued, will reduce State receipts by more than \$600 million in 1985-86.

Finally, the 1985-86 Budget will be the first to be prepared with one of its objectives as the achievement of balance not only on a cash basis but also when measured against Generally Accepted Accounting Principles. A significant educational effort will be required in both the Executive and Legislative branches to assure common understanding of the full implications of the change.

GAAP

The State Comptroller released the financial statements for the State's 1983-84 fiscal year in mid-summer. They indicated that, despite the State's ability to achieve a cash balanced budget in 1983-84, indeed to actually add \$51 million to cash balances in the Tax Stabilization Reserve Funds, it still recorded a GAAP operating deficit in the General Fund of \$345 million. While this represents a material improvement from the more than \$1 billion deficit recorded in 1982-83, it clearly indicates that the State has further steps to take to achieve a GAAP-balanced operating budget. More timely payment of refunds, as reflected in the State's cash plan for the current fiscal year, can contribute to such an achievement, as can other changes in State disbursement practices. The 1985-86 Executive Budget will contain a comprehensive plan reflecting the adjustments required to achieve GAAP balance in 1985-86 and maintain it thereafter.

CAPITAL PLANNING

Chapter 837 of the Laws of 1983 amended the State Finance Law to create a formal five-year capital planning process for New York State. Specifically, Chapter 837 requires the Governor to prepare an annual Five-Year Capital Plan. The first of these plans, presented in January 1984, included information on new and existing capital projects and the financial resources to support them. It was presented on an "all funds" basis, including spending to meet capital needs from the Capital Projects Fund and the General Fund-Local Assistance Account as well as Special Revenue, Proprietary, and Fiduciary funds. New comprehensive capital budget formats were enacted in the 1984-85 Capital Projects Budget, and at the same time new restrictions were imposed on certain transfers of funds among capital project appropriations.

The plan preparation process for 1985-86 is beginning as agencies and authorities are submitting Capital Projects Statements to the Division of the Budget. These statements include descriptions of projects; appropriation, expenditure and disbursement data; and information on proposed sources of financing for all projects that an agency proposes to undertake or continue in the next five years. The Budget Division will use these statements, together with information from other sources, to make capital plan recommendations which will be submitted to the Legislature as part of the 1985-86 Executive Budget.

Among other improvements, the Governor's 1985-90 Capital Plan will provide additional information on the role of the State's public authorities in providing and financing facilities to meet future capital needs in the State. These will include data on authority programs to provide public works, such as roads and bridges, as well as programs to finance hospitals and other private sector facilities that serve public needs.

A separate update on changes in the Five-Year Capital Plan, to reflect legislative actions and significant changes in the plan, is being submitted as required by Chapter 837. In addition, the Comptroller prepares quarterly reports on capital projects to monitor the progress of appropriations that support the plan.

ECONOMIC DEVELOPMENT AND EMPLOYMENT

Economic development and employment programs seek to create permanent jobs through preserving and expanding the State's economic base. Although several State agencies and authorities are charged with this mission, a theme common to all is the investment of State resources in projects that have clear and predictable results. Equally important is the ability of State decision makers to invest in projects that not only make "business sense" but also attract substantial levels of private and public money.

INVESTMENTS IN TECHNOLOGY

Advances in high technology are central to protecting the State's traditional manufacturing base and creating new employment in other manufacturing and related industries. New York State's strategy for taking advantage of job growth in this area rests on a strong partnership among industry, higher education and government. It is designed, among other things, to facilitate advances in research, translate those advances into start-up companies, and assist such companies to expand in due course into full-fledged manufacturing concerns with accompanying long-term job creation and growth.

One of the best known and most visible efforts in the high technology program is the Center for Industrial Innovation on the campus of the Rensselaer Polytechnic Institute in Troy. Under legislation enacted in 1982, the State will invest an estimated \$30 million in constructing a facility intended to create and develop innovative manufacturing processes. This investment, which will be repaid by the Institute, will be matched by private support for acquiring state-of-the-art equipment. Construction has recently commenced on the Center, with a planned completion date of October 1986.

Also in its second year of operation is the program of the Science and Technology Foundation's Centers for Advanced Technology. This program will provide an estimated \$7.0 million in 1984-85 to seven universities that conduct research in promising fields of high technology. As with the RPI Center, the universities will match the State's investment with private and university funds and will emphasize the translation of research findings into practical, ongoing industrial and commercial applications.

An additional program administered by the Foundation, the Corporation for Innovation Development, provides financial assistance to promising start-up companies. During the first half of 1984-85, the Corporation invested in five companies that are experimenting with new products ranging from semi-conductors to robotics; it expects to make four to six additional investments before the end of the current fiscal year.

The State Urban Development Corporation (UDC) and the Job Development Authority (JDA) also play key roles in high technology development. UDC is actively pursuing plans to finance "incubator

facilities" — facilities in which new companies locate during their financially tenuous formative stages. JDA, on the other hand, makes tax-exempt loans to assist generally established firms develop or expand production facilities.

Finally, ensuring a sound base for an advanced and aggressive economy — in an age that places a premium on competence and the ability to apply the most advanced technology productively — requires solid support at all levels of the State's educational system. This is not a moot issue. Survey after survey of business climate, conducted by and for industry, have revealed the growing importance placed on the "availability of quality education in a society being changed by technology" as a factor in decisions to develop, expand or relocate.

And, despite the significant budgetary constraints of recent years, the State University continues to play a vital role in fostering and harnessing high technology and in promoting the State's economic future. For example, the University is expanding its support for State economic development by establishing a new engineering school at New Paltz and strengthening existing engineering programs at Binghamton, Buffalo and Stony Brook. In addition, the University has broadened its participation in high technology development, particularly at Buffalo, Cornell and Stony Brook, and a new program of Teacher Scholarships and Fellowships in science and mathematics was also initiated in 1984-85 at a first-year cost of \$2.0 million.

IMPROVING THE BUSINESS CLIMATE

Nevertheless, investments in high technology alone will not protect and preserve the State's economic base. Creating and retaining jobs in other sectors of the State's economy are also essential, and investments designed to attract private and other public capital for worthy projects play an important part in the State's overall economic strategy.

UDC's Targeted Jobs Program is perhaps the best example of government facilitating public and private investments in areas where they otherwise might not occur. This innovative program seeks to encourage development in economically distressed locations often characterized by a history of decline and disinvestment of human resources and private capital. Arranging financing for these projects is often complex, but in the first half of 1984-85 UDC has brought some 12 projects valued at over \$25 million to the stage where construction can begin.

State public authorities are also involved in some of the largest construction projects in the nation, projects which will create thousands of jobs and reinforce the economies of the cities in which they are located. The World Financial Center, rising rapidly at Battery Park City, will house several of the leading financial services firms so critical to the economic health of New York City. Substantial progress has also been made on the New York Convention Center, a facility that will be the most modern of its kind in the country and that will generate significant tax revenues for the

City of New York and the State. Expenditures on the project passed the \$300 million mark in 1984-85 and bidding on the balance of the construction work is nearly complete. There has been similar progress on the 200,000-square foot Rochester Convention Center, now almost 60 percent complete. Construction of the Buffalo parking garage, a key component of downtown Buffalo's redevelopment, has been essentially completed in 1984-85.

In addition to its role as a source of financing for high technology companies, JDA also actively assists other, more traditional, types of firms by financing company expansions, replacement facilities and equipment. So far in 1984-85, JDA has approved projects with a total development cost of \$67 million that will create or retain an estimated 4,800 jobs.

EMPLOYMENT AND TRAINING

This Administration continues to emphasize job training and placement programs, with an increased focus on preparing youth for employment.

A new \$5.0 million School-to-Employment Program (STEP) will assist economically disadvantaged 16- and 17-year-old youth to acquire the education, skills and counseling necessary to enter the workforce. In cooperation with the State's employers, this program is providing these youth with incentives to remain in school while offering an opportunity for subsidized work experiences or on-the-job training in combination with their continuing education. The Department of Labor has awarded 14 project grants which are in the initial stages of implementation.

STEP is complemented by the Adolescent Vocational Exploration Program (AVE). With \$1.8 million available in 1984-85, AVE enables high-risk youth, ages 14 through 17, to participate in a summer career exploration and education program with follow-up counseling during the ensuing school year.

Summer employment and training programs are also primary targets for funding under the Federal Job Training Partnership Act (JTPA). Approximately \$62 million in funds available through local service delivery areas (SDA's) supported summer programs this year for economically disadvantaged 16- to 21-year-old youth.

The State has completed the transition from the former Federal Comprehensive Employment Training Act Program (CETA) to the JTPA Program. During the transition year, such local entities as SDA's, community-based organizations and Private Industry Councils received approximately \$163 million in JTPA funds. These funds were primarily used by local SDA's to help the chronically unemployed and underemployed obtain gainful work. In addition, special purpose funds assigned to the Governor under the Job Training Partnership Act are being used for coordinating and financing educational agencies in training the disadvantaged and unemployed, supporting training and employment opportunities for the economically disadvantaged older worker, and retraining and reemploying

the dislocated worker. Finally, New York State receives discretionary funds under the act for grants to programs exceeding performance standards that include incentives for assisting hard-to-serve individuals. In the first year, incentive grants were provided to those local SDA's listing employment of public assistance recipients as a priority in their local plans. Future incentive grants will be distributed to those SDA's exceeding established performance standards.

At the same time, however, Job Service and JTPA funding formula changes have reduced the Federal employment and training funds received by New York State. As a result, the Department of Labor has reorganized its Employment and Training field staff to mitigate the impact of dwindling Federal resources on job training and placement programs.

COMPETITION FOR THE FEDERAL INVESTMENT DOLLAR

Continuing efforts to obtain a fair share of defense expenditures are at long last bearing fruit. Federal authorities have recently announced that a newly activated Army Light Infantry Division will be stationed at Fort Drum near Watertown. Following a four-year build-up period, it is estimated that the local economy will benefit from the addition of approximately 10,000 military personnel, 13,000 dependents and some 2,000 civilian jobs. Annual military and civilian payrolls will approach \$240 million. Up to \$800 million in Federal funds will be spent to expand base facilities and local purchases of supplies and services will increase by \$4.7 million annually.

In addition, over a three-to-four year period beginning this year, 3,000 full- and part-time military personnel are being added to the new Stewart Air Force Base in Orange County. Federal purchases in support of the Stewart facility will not only aid the local economy, but enhance general aviation services and increase local commercial activity formerly handled by the three New York City metropolitan airports.

TRANSPORTATION

HIGHWAYS AND BRIDGES

Capital. The continued industrial development and economic growth of New York depends on effectively maintained highways and bridges. Much of New York's industry is located outside large metropolitan centers, and 70 percent of the communities in the State are not served by railroads. Consequently, the State highway system, which accommodates over 60 percent of all automobile and truck traffic, plays a vital part in sustaining the State's economic vitality. New York remains committed to the improvement of this system, with the principal emphasis on the reconstruction and preservation of existing highways and bridges.

The 1984-85 State Highway and Bridge Program, combined with improvements to rail, transit, port, aviation and waterway facilities, constitutes the initial year of the five-year Rebuild New York Bond Program. Through the success of the State Department of Transportation (DOT) in responding to a rapid acceleration of activity, the program is proceeding on schedule. Compared to 1983-84, highway and bridge program commitments alone during 1984-85 will increase by \$115 million to a total of \$800 million. This increase reflects both enhanced Federal aid resulting from the recent five-cent per gallon fuel tax increase and the \$1.25 billion Rebuild New York Act approved by the voters in November 1983. Without such new funding sources, the backlog of deteriorated highways and structurally deficient bridges would have continued to grow, with increasing hazards to the road users and a loss of our competitive economic edge.

Operations. At the same time, the State has taken a number of steps to eliminate the backlog of deferred maintenance on existing facilities, protect the State's capital investment in new construction, and maintain the highways and bridges reconstructed under the Rebuild New York Program. It has added staff for bridge maintenance and increased the frequency of painting bridges by 50 percent. In addition, the State is contracting preventive maintenance on a selective basis to allow redeployment of existing personnel and resources to reduce pavement maintenance backlogs.

Moreover, full-time DOT teams are conducting safety inspections of State bridges, while the frequency of inspection of local bridges by contract engineers is being increased by 50 percent.

MASS TRANSIT

The safe and efficient operation of the metropolitan public transportation systems is a matter of fundamental importance to New York State. The availability of economical transit services in the metropolitan area has a substantial impact on the economy of New York City and adjacent suburban counties. In response to the progressive deterioration of mass transit in the metropolitan region during the 1970's, the State authorized a massive

\$8.5 billion five-year capital program to begin the vitally needed rebuilding process. This capital program, approved in October 1982 by the Metropolitan Transportation Authority (MTA) Capital Program Review Board, should reestablish reliable operations on metropolitan subways, buses and commuter rail facilities and ensure the long-term survival of the transit system.

To date the MTA has committed about \$4.2 billion in capital improvements. Initial emphasis has focused on the acquisition of rolling stock. At present, the Authority is reviewing the capital program to determine whether planned capital projects correspond to the needs and priorities of its operating system. This dynamic process recently resulted in reallocating an additional \$200 million for track improvements in reaction to the findings of independent engineering studies.

In June 1983, New York enacted legislation to require the MTA to prepare strategic plans for its constituent mass transportation operating agencies. The initial plans, covering the period 1985-89, will provide a general blueprint to restore the systems to a state of good repair and enable the Authority to provide safer, more dependable and more attractive service at a reasonable cost. These plans will serve as a guide for the Authority to control transit operating costs and deficits, to improve work productivity and to strengthen Authority management. Long-range goals and objectives for the operation of services and facilities will be provided.

The corporate franchise tax surcharge, which is dedicated to the provision of State transit operating aid in the 12-county MTA region, is scheduled to expire on December 31, 1984. The revenue from this tax surcharge represents a substantial portion of transit operating subsidies. Accordingly, a detailed review of the financial needs of the State's transit systems for 1985 and beyond is now under way.

In July 1984, the Governor approved legislation to create a transportation system in New York City equipped to serve disabled persons through the integration of accessible key subway stations, accessible buses and paratransit transportation. The act authorizes the expenditure of \$40 million over an eight-year period to make certain subway stations accessible to the disabled and provides a dedicated funding source to finance a paratransit system. When functional, the system will allow an estimated 350,000 mobility-impaired New York City residents to participate fully in the City's cultural and economic life.

The Buffalo Light Rail Rapid Transit System is nearing completion and a limited service demonstration is now under way. Revenue service operations are scheduled to begin in April 1985, with the entire 6.4-mile system open in the fall of 1986. A total of \$6.0 million appropriated from 1983 bond funds will finance the State's share of the final construction cost of the \$535 million project, which is funded by Federal and State aid. Studies are under way to identify warranted and feasible system extensions.

RAIL SERVICES AND WATERWAYS

To carry out Federal policy for the full return of ConRail to the private sector, the Secretary of Transportation has sought and received a number of offers from private institutions to purchase the system. New York State has heavy financial and economic stakes in the execution of a properly structured sale of the giant northeastern rail corporation. As a result, the State is monitoring these negotiations and has proposed the following suggested sale conditions:

- First, the State has supported Federal legislation that would return the purchase moneys to eligible northeastern states based on the proportion of ConRail track mileage in each state. If successful, New York State could receive over \$200 million to use in rail development.
- Second, upon the sale of ConRail the State will seek Federal legislation to terminate the expedited abandonment procedures which Congress granted ConRail as a means of eliminating marginal branchline service. By the end of the current fiscal year, the State will have committed some \$24 million to establish a network of privately owned, for profit, shortlines to continue vital service to the State's industry in rail-dependent areas affected by ConRail abandonments.
- Third, the State has numerous contracts with ConRail which require specified levels of track maintenance and service in return for the State's financial support of certain ConRail infrastructure improvement projects. The State will seek through Federal legislation to ensure that the obligations assumed by ConRail in these contracts are passed on to ConRail's successor.

With nearly 100,000 pleasure boats passing through its 57 locks last year, the New York State Barge Canal System has become a significant artery of tourism and recreation. At the same time, development of hydroelectric generating capacity has progressed at a rate that will provide a billion kilowatts of electricity annually by the year 2000. Recognizing the significant role of the Canal, the State has not only stepped up maintenance, but has doubled its normal capital investment for rehabilitation to \$50 million over the next five years through the Rebuild New York Program and has passed legislation designed to facilitate the development of hydroelectric sites.

HOUSING

The State's housing program is one of the largest and most aggressive in the nation. Functioning in the environment of increasingly limited Federal support, the housing program is geared to preserving existing public or publicly assisted housing stock. As with economic development, housing programs are largely dependent on a partnership between government and the private sector to combine public and private capital to create new housing or to preserve existing structures.

A number of State agencies or authorities develop and carry out housing programs. The Division of Housing and Community Renewal (DHCR) develops housing policy, administers a major community renewal program and regulates certain types of privately owned housing. Two public authorities — the Housing Finance Agency (HFA) and the State of New York Mortgage Agency (SONYMA) — finance the development of multi-family and single-family housing. The Battery Park City Authority (BPCA), in addition to its commercial development, is also developing 14,000 units of housing at Battery Park City in lower Manhattan. The Mortgage Loan Enforcement and Administration Corporation (MLC) manages the portfolio of the 113 projects financed by the Urban Development Corporation.

DHCR's principal concern in 1984-85 has been by far the assumption of responsibility for rent control and rent stabilization in the City of New York. Under legislation enacted in 1983, the Division acquired responsibility for the rent control functions of the City's Department of Housing and Preservation Development and the rent stabilization functions of the Conciliation and Appeals Board. With this transfer, DHCR now regulates the rents of some 1.2 million units across the State.

The magnitude of this task should not be underestimated. As a result of the takeover, DHCR's staff more than doubled — increasing from 383 to 904. Its appropriations for operations increased by approximately 45 percent. In addition to its substantial administrative responsibilities, the Division is also charged with modernizing rent regulations. Two key components of the modernization include creating a computerized system for registering the rents of an estimated one million stabilized units and streamlining the processing of tenant challenges of the rents included on the registry. DHCR is also reviewing the functions of its nine district rent offices to improve their services to landlords and tenants.

MLC is in the midst of a major effort to raise private capital to invest in the modernization of the residential projects. The capital would result from the resyndication of as many as 62 projects. Under this process, investors would, in effect, purchase tax depreciation benefits from the existing private owners. The proceeds from the purchase would be partly used for needed project repairs and energy improvements. If successful, this would contribute significantly toward preserving the UDC portfolio.

MLC's effort to protect existing housing stock is also buttressed by DHCR's modernization and energy conservation programs. HFA is also making a substantial multi-year commitment to repair and improve the energy efficiency of its projects through its \$127 million repair program.

Although the preservation of the existing housing stock has received the most attention, the State's effort to increase the supply of housing has also made progress during the first half of the fiscal year. HFA, for example, has issued approximately \$175 million in bonds under its new loans-to-lenders program. This program in conjunction with other innovative financing techniques will assist in the creation of approximately 1,500 units in 11 projects across the State.

BPCA and UDC have also made substantial gains in creating new housing stock. Battery Park is actively negotiating with firms for the development of 2,200 units comprising phase II of its housing development plan. If negotiations continue on schedule, construction will expand appreciably the last half of 1984-85. In addition, an expected 1,100 units will be constructed on Roosevelt Island, an area that will be operated through a newly created public benefit corporation. Construction of these units will not only provide much-needed housing in the City, but will also help to stabilize the Island's financial operations.

SONYMA has greatly enhanced the ability of homebuyers to purchase their first home. During the first part of 1984-85, SONYMA issued \$445 million in bonds under its Affordable Housing Program: \$397 million of this amount will be made available as 30-year, fixed-rate mortgages. Because of SONYMA's tax-exempt status, the estimated 7,200 homebuyers expected to participate in the program will receive mortgages bearing interest rates about four percentage points lower than conventional fixed-rate mortgages.

EDUCATION

ELEMENTARY AND SECONDARY EDUCATION

Financial assistance for New York's 703 major school districts constitutes the State's largest single spending program. During the 1984-85 school year, the State will provide an estimated \$5.3 billion to help operate classes for approximately 2.63 million public school pupils. This amount represents an increase of \$511 million above the amount of aid distributed during the 1983-84 school year.

These moneys will fund a new basic formula that allocates operating aid in inverse proportion to a school district's wealth. Where the previous formula tended to emphasize real property in computing the comparative wealth of a district, the new formula places equal weight upon its real property value and personal income behind each pupil. The overall operating aid ceiling will increase to \$2,770 per pupil, including a basic grant for staff development of \$20 per pupil.

Other school aid provisions enacted in 1984 include:

- A new \$28 million formula to improve attendance and prevent dropouts in districts with the lowest attendance rates;
- A new \$10 million program to assist districts in the lease or purchase of computer hardware;
- A new \$8 million program to provide up to \$2.50 per pupil enrolled in public and nonpublic schools for the purchase of computer software;
- A textbook aid increase of \$5 per pupil, to provide each district with a total of \$25 per public and nonpublic school pupil;
- An increased magnet school aid program;
- Increased aid for bilingual school programs;
- An increase in the aid salary ceiling from \$19,000 to \$21,000 for aid to Boards of Cooperative Educational Services (BOCES);
- Increased special services aid for the Big Five city school districts (which are ineligible to join BOCES);
- The provision of \$78.6 million in Hurd grants to small city school districts adversely affected by constitutional real property tax limits;
- A new education aid program to prepare adults for employment; and
- Increased aid for gifted and talented pupils.

In addition to the programs noted above, the State will also provide its school districts with:

- Reimbursement of 90 percent of approved transportation costs, plus the added provision of 80 percent of approved retirement expenses for districts providing their own transportation services;
- Special assistance for pupils with handicapping conditions, including those pupils 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;
- Support for school lunch and breakfast program; and
- Funds to help school districts screen new pupils to identify those in need of special services as a result of unusual talents, handicapping conditions or low levels of achievement.

These aid programs are all administered by the State Education Department.

HIGHER EDUCATION

State University of New York (SUNY). New York State remains at the forefront of the 50 states in support for higher education generally, and in particular for support of the largest university system in the nation. The State University of New York receives some 60 percent of the total State funds available in New York for higher education — \$1.6 billion in 1984-85 alone.

Nevertheless, SUNY has had to cope with the same fiscal pressures experienced throughout the State over the past several years. Rising costs associated with maintenance of an extensive and aging physical plant, along with rising costs for utilities, educational supplies and negotiated salary increases, have tested the University's ability to maintain program quality while adhering to an overall fiscal policy aimed at reducing the State's relative tax burden. The result has been the cooperative development and implementation of a series of initiatives designed to give University administrators greater freedom to manage the resources available to them within the bounds of broad policy and budgetary guidelines.

Selective application of managerial flexibility in University operations has begun to pay dividends in both program and administration. For example:

- A \$3.9 million program was established in 1983-84 to enhance student access to computers. The program rests on advance approval of an overall fund allocation plan rather than on detailed review and approval of individual requests to purchase equipment. As a result, nearly 21,000 students have gained access to computers for the first time, while enhanced access has benefited some 52,000 others.
- Retirement incentives, enacted under Chapter 665 of the Laws of 1984, will allow campuses to reallocate faculty resources among disciplines to enhance student-faculty ratios in high demand areas.
- Modifications to the capital approval process have streamlined the system for project review and expedited capital improvements at the campuses.

In the months ahead, it can be expected that the success of these initial steps will form the basis for continuing efforts to strengthen administrative

discretion, while maintaining overall accountability for meeting program goals and objectives. Plans now being developed will extend the approval process used to acquire computers for academic purposes to most other computer-related acquisitions, thereby allowing SUNY managers to set their own academic and administrative computing priorities. Additionally, a system now being developed will make it possible to abandon the detailed process now used to approve personnel transactions in favor of a basic organizational plan for each campus.

Maintenance of academic quality is clearly a key priority for the State University system. To achieve this within the limits of available resources, however, requires innovative program management and planning techniques to maximize cost-effectiveness and focus program objectives. During the current year, SUNY has received the resources necessary to strengthen selected programs throughout the University, with particular emphasis on instruction, maintenance and rehabilitation, and student services. Staffing plans and periodic monitoring will help the University and control agencies review progress in achieving agreed-upon program enhancements while holding red tape to a minimum.

City University of New York (CUNY). The City University's appropriation of \$597.3 million for operating costs and fringe benefits represents approximately 30 percent of the total State funding available for higher education. The 1984-85 appropriation provides additional funding for selective program improvements, which, in conjunction with the early retirement program, will allow the University to respond better to new program needs while protecting the quality of existing programs.

In an additional effort to protect quality and access, a new staffing plan, with comprehensive reporting requirements, will help monitor the University's filled permanent position level and provide an early warning of potential problems. Enrollment levels continue to be stable, with a few campuses experiencing growth despite downward demographic projections for students from traditional sources of recruitment. A new program, the Queens Clinical Campus, has begun with an initial appropriation of \$1.6 million. Based on the Sophie Davis Biomedical Program at City College, it will facilitate medical education for minorities and improve primary care in the Queens area.

The budget for the City University also continues to support infrastructure improvements, with major renovation projects under way at New York City Technical College, the Law School, City and Lehman Colleges, and new buildings at the planning or construction stage at Queens and York. In addition, the 1984-85 budget provides about \$17 million in new money for minor renovations and repairs to existing University facilities.

New and continued appropriations fund the replacement of academic equipment and overall equipment inventory. A computer charge of \$25 per student, instituted in 1984, will generate \$2.2 million to provide additional revenues for the acquisition of microcomputers and related equipment for students.

Community Colleges. The State's 37 community colleges have continued to strengthen their position as a primary source of trained personnel for the State's services and industries. In 1984-85, State appropriations of \$226.3 million represent an increase of \$26.2 million in State aid, including additional funding for the Structural Unemployment Program and support of a new program, the Youth Internship Program, designed to improve the employability of disadvantaged youth.

Student Aid. New student aid legislation enacted this year includes special tuition awards for a limited number of students engaged in part-time undergraduate study, at a cost of \$11 million annually, and special tuition awards for undergraduate study by Vietnam veterans, at a first-year cost of \$3.0 million.

Minimum and maximum awards under the Tuition Assistance Program were expanded and family income ceilings for TAP eligibility raised, at an increased cost of \$53 million for 1984-85. State appropriations in 1984-85 for the Tuition Assistance and Supplemental Tuition Assistance programs, exclusive of awards for part-time undergraduate study and awards for Vietnam veterans, will total \$380.5 million, or \$53 million more than in 1983-84.

Under the State Student Incentive Grant Program (SSIG), New York also receives Federal funds which are used as a direct offset to the expenses of the State's Tuition Assistance Program. The State will receive approximately \$6.5 million in SSIG funding in 1984-85.

Legislation authorizing a program of supplemental educational loans was also enacted in 1984-85. The Dormitory Authority will make direct loans to students and/or parents and will finance educational loan programs administered by individual independent higher education institutions. Students and parents will be eligible for these loans if students still have an unmet financial need after exhausting all other available grants and loans from Federal, State and private sources.

HUMAN SERVICES

MENTAL HEALTH/MENTAL RETARDATION/ALCOHOL AND SUBSTANCE ABUSE

During 1984-85, the State has significantly enhanced services to dependent populations served by the Office of Mental Health, the Office of Mental Retardation and Developmental Disabilities, the Division of Alcoholism and Alcohol Abuse, and the Division of Substance Abuse Services. Specifically, additional staffing for institutional programs, coupled with increased funding for innovative community-based programs, has resulted in a systemwide improvement in both the quality and variety of services available to mentally disabled residents of New York.

The Office of Mental Health (OMH) provides direct services to approximately 22,700 individuals who receive inpatient services in adult and children's psychiatric centers and forensic hospitals. Moreover, OMH operates a broad spectrum of State-staffed outpatient programs and two research institutes.

Consistent with the 1984-85 appropriation language, OMH has developed a comprehensive staffing plan for these programs through the remainder of the fiscal year. It is expected that, within timeframes specified in the plan, OMH will attain and maintain staffing levels of 31,646 positions for the Adult Program, 2,392 for Children's Services, 564 for Research, and 1,357 for Forensic Services. Moreover, the State will open a new forensic hospital on the grounds of Manhattan Psychiatric Center in early 1985, using funds for an additional 262 positions appropriated for this purpose.

The State has made major progress in carrying out its commitment to increase the availability of residential alternatives to inpatient psychiatric hospitalization. To achieve the Governor's goal of expanding the Community Residence Program by 1,600 beds over a two-year period, OMH has developed and implemented an enriched program and funding model, which increases the incentives for providers to develop and maintain this essential residential resource. At the same time, the Residential Treatment Facility Program (RTF) for mentally ill children has experienced rapid growth toward its planned goal of 600 beds. And, in conjunction with other State agencies, OMH is also investigating the potential for expanding domiciliary care for the mentally ill, both in the community and on the grounds of State psychiatric centers.

The Select Commission on the Future of the State-Local Mental Health System, appointed by the Governor to develop recommendations on the prospective configuration and funding of mental health services in New York State, has completed its initial work and submitted a report for public review and comment. At a series of public hearings, the Commission elicited additional suggestions for its final report, which is expected to be submitted to the Governor in late 1984.

In addition to improving services in its 20 developmental centers, the Office of Mental Retardation and Developmental Disabilities (OMRDD) has been working to ensure appropriate community placements in State- and voluntary-operated residences for clients now in developmental centers, and for those disabled persons in the community who are presently underserved. More than 1,400 such residential placements are expected to be made during this fiscal year.

In response to isolated instances of inadequate service at developmental centers, OMRDD has undertaken several management changes to ensure the prompt achievement and subsequent maintenance of quality services. Among other steps, the Office is establishing a key position at each developmental center to ensure that all Federal and State standards are continually met, and has established a "Compliance Task Force" to help the developmental centers achieve and maintain them.

As part of its commitment to quality institutional services, the Office is enriching direct-care staffing ratios throughout its developmental centers by redeploying staff made available through census reductions. This redeployment is consistent with the intent of the 1984-85 *Executive Budget* and appropriation language.

In addition to continued placement efforts, the Office is carrying out the Governor's initiatives to provide support and ancillary services to the families of disabled citizens. In implementing these family-support services, OMRDD will conduct service demonstration projects which will provide at-home care and support services to the developmentally disabled and their families. A similar effort is under way in the Office of Mental Health.

The expansion of a comprehensive community service system is a continued goal of OMRDD. This fiscal year, the Office implemented a cost-based, rate-setting mechanism for all intermediate care facilities for the mentally retarded (ICFs/MR) and, based on this experience, is developing a similar reimbursement system for community residences. These steps will ensure more effective and efficient services to clients in community-based residences and, at the same time, will help providers to identify available resources so that programs can be appropriately structured.

The Division of Alcoholism and Alcohol Abuse (DAAA) and the Division of Substance Abuse Services (DSAS) have similarly emphasized the development of a comprehensive, community-based services system for substance and alcohol abusers. DSAS no longer operates inpatient programs, but supports more than 42,000 treatment slots in a variety of residential and outpatient settings.

Legislation passed in June increases the amount of Home Relief paid to programs providing residential services to convalescent substance abusers. The increase in local support for these programs will allow a modest expansion of DSAS services across the State, particularly in areas where many additional people are awaiting treatment. In addition, through

the issuance of a request for proposal, DSAS will expand prevention services and initiate innovative prevention programs.

Unlike DSAS, the Division of Alcoholism and Alcohol Abuse provides direct services in addition to funding locally operated programs. As provided for in the 1984-85 *Executive Budget*, DAAA is increasing the capacity of the State-operated Alcoholism Services system to serve an additional 300 patients per year by adding staff and increasing bed capacity.

At the local level, legislation enacted this year will allow counties to retain 100 percent of STOP DWI-related fines, rather than requiring them to return 50 percent of the fines to offenders completing an approved alcohol or drug rehabilitation program. As instructed by the Governor, DAAA and the Department of Motor Vehicles will work with county STOP DWI programs to direct these additional funds toward the establishment of local alcoholism treatment programs.

INCOME MAINTENANCE

New York State's income maintenance programs are designed to provide adequate cash assistance to the needy, yet foster recipient self-sufficiency through employment incentives and training. Disturbing trends in these programs are, however, raising some serious questions about both the structure of the economy and the nature of dependency.

In the face of the recent economic recovery, public assistance caseloads in New York and other states began to grow at a rate unprecedented in the past decade, challenging the State and its local governments to find ways to reduce dependency while continuing to support its needy population. The magnitude of recent caseload increases is best illustrated by the State-local Home Relief Program. Home Relief has experienced a caseload growth of nearly 40 percent, or 80,000 recipients, since the spring of 1982, with the number of recipients climbing to over 270,000. Similarly, the Aid to Families with Dependent Children Program (AFDC) has placed an additional 75,000 recipients on the public assistance rolls in New York State since July 1982. Nationally, the AFDC rolls increased by more than 700,000 recipients during the same period.

To fully understand and address this increase in dependency, which has important long-term as well as short-term implications for the State Financial Plan, government must look to such factors as the structure of the economy, which offers limited employment opportunities for public assistance recipients; the rise in the number of persons living below the poverty standard, which triggers demand for public financial support and services; and restrictive Federal policies, which deny or terminate Federal financial support for the needy disabled and force them to seek assistance through AFDC or Home Relief. This Federal retreat from responsibility for the needy disabled is especially alarming since many of these individuals would otherwise receive benefits through Social Security disability insurance (OASDI) or Supplemental Security Income (SSI), the first federally administered income maintenance program. However, a

welcome harbinger of greater stability in the State's welfare caseloads appears in several recent court actions which have invalidated many restrictive Federal policies in this area, and by successful congressional efforts to reform the disability determinations process.

A cornerstone of the State's response to these problems has been to increase resources in programs aimed at moving dependent persons toward self-sufficiency wherever possible. As a case in point, legislation enacted this year has revamped previous public assistance work-rule requirements. This new law gives local social services districts the administrative flexibility and enriched financial support to design innovative job training and placement programs for employable recipients. In addition, funding for the teenage pregnancy-prevention program has been increased by \$5.0 million in an effort to reduce the number of unwanted pregnancies among this age group and limit consequent increases in financial dependency.

To make the most of the dollars available, New York State also continues to tighten its management of welfare programs. The Department of Social Services has bolstered its eligibility determination and grant calculation processes by developing and operating management information systems for wage reporting and child support. Legislation also was enacted in 1984-85 to strengthen procedures used to locate absent parents, establish paternity, and collect child support payments. These changes should help reduce financial dependency resulting from parental desertion, and thereby cut overall public assistance expenditures. Moreover, a modified and enhanced version of the Welfare Management System (WMS), a system devised for automating information and eligibility determination, which has been fully operational in all 57 upstate counties for three years, is currently being tested in New York City. In the meantime, the Benefit Insurance and Control System (BICS), a major enhancement to the upstate WMS, will be implemented in 15 upstate counties by the end of 1984-85.

The State, of course, is continuing its efforts to ensure that eligible needy persons receive the assistance to which they are entitled. Accordingly, a program of legal assistance has been implemented to assist the disabled to establish their eligibility for Old-Age, Survivors, and Disability Insurance or Supplemental Security Income. A campaign also will begin during this fiscal year to instruct low-income households in the use of food stamps and other nutrition assistance programs. Finally, during 1984-85 the State will complete installation of the January 1, 1984 public assistance shelter allowance increase. This measure, which increased maximum shelter payments by an average of 25 percent statewide at an annual cost exceeding \$200 million, should allow public assistance recipients to compete more equitably for standard housing. This increase represents the first change in ceilings governing recipient shelter allowances in nearly a decade.

SERVING THE HOMELESS

Meeting the health, service and housing needs of the increasingly visible and vulnerable homeless population is a classic illustration of a problem that can only be addressed by mustering the coordinated resources and energy of every level of government and all sectors of society. To this end, the Department of Social Services, with the assistance of the Interagency Task Force on the Homeless, is preparing a statewide plan to define the needs of the homeless population, establish programmatic priorities, allocate responsibilities to State agencies, local governments and voluntary agencies and develop effective strategies for coping with the issue on a long-term basis.

Last year, the Legislature approved a multi-year Homeless Housing and Assistance Program (HHAP) proposed by the Governor to provide temporary shelter, permanent housing, and services to homeless persons. In response to the critical need to house the homeless, the Department of Social Services awarded \$12.3 million in grants to municipalities, voluntary agencies and charitable organizations to develop housing resources in communities across the State. In the current State fiscal year, \$20 million is available for HHAP, and the Department will take the lead in projecting the cost of meeting the housing and service needs of the population, developing long- and short-term strategies to reduce the numbers of homeless now housed in public shelters, and improving housing alternatives available to this population. The Facilities Development Corporation (FDC) will provide the Department with the necessary expertise in real estate and construction to ensure that approved projects are completed on a timely basis and according to contract specifications. At the same time, the Department will make short-term technical assistance available to community groups that have sound housing proposals but need supplementary legal, financial, accounting or architectural assistance.

In addition to the \$20 million appropriated for HHAP, the State is providing approximately \$37 million this year to support public shelters and emergency housing for short-term residency. Although this housing is viewed as temporary, the Department has developed standards for hotels and motels, and is developing standards for family shelters to protect the health and safety of the residents. To enhance nutritional services for this group, composed mainly of women and children, the Department has also launched a demonstration project that allows the use of food stamps in restaurants and community living facilities.

Other State departments, Federal agencies and not-for-profit organizations will also continue to address the problems of the homeless. The Office of Mental Health, for example, has worked cooperatively with other local and State agencies and has also provided space and financial support for the operation of a specialized sheltered program on the grounds of Creedmoor Psychiatric Center. Other high-risk populations for which specialized services are being expanded include minority populations, children, and individuals involved with the criminal justice system.

SUPPORTIVE SERVICES

In the *Executive Budget* the Governor reaffirmed his commitment to provide supportive services for those who, for a variety of reasons, are unable to provide effectively for themselves — the elderly, the weak and abused, the unmarried parent, the homeless and the jobless. In 1984-85, this Administration will initiate several new programs to reduce long-term welfare dependency, strengthen community supports for families in need of services, improve the State's capacity to protect children from abuse, and meet the needs of children in out-of-home residential care.

To enable pregnant adolescents and teenage parents to achieve self-sufficiency, the Department of Social Services, in conjunction with the Council of Children and Families, will implement the Adolescent Pregnancy Prevention and Services Act of 1984. This new \$5.0 million program will expand and coordinate services and target resources to high-risk communities. The Department and the Council are currently developing a request for proposals to expedite program development and start-up, and, in a related area, the Department is also developing a case-management approach to teenage pregnancy services. In addition, concomitant with the implementation of new legislation, the Governor's Task Force on Adolescent Pregnancy will be studying the availability and accessibility of services to high-risk adolescents, and by January 31, 1985 will recommend improvements for service delivery, coordination and funding to the Governor and the Legislature.

Besides intensifying efforts to improve services to pregnant adolescents, New York State will provide over \$100 million in 1984-85 for essential supportive social services to children, families, the elderly and disabled. To address the needs of children specifically, the State will continue to support innovative projects in day care, protective services, and residential services for the disabled. To take care of the so-called "latch-key" children, for example, \$300,000 will be dedicated to start approximately 30 after-school day care programs. The Department of Social Services will also take action to deal with the increasing incidence of child abuse and neglect by upgrading its computer and telecommunications capabilities and streamlining reporting for the State Central Register. More emphasis will also be placed on following up investigations of reports and case outcomes by local social services districts.

Finally, to plan for the residential needs of the many disabled children whose interests are best served by institutional rather than community-based care, the Council on Children and Families will develop a statewide comprehensive plan this year to project the short- and long-range needs for bed space in the State's residential system, and to lay the groundwork for continuing interagency program development, modification or decertification on an interagency basis.

In addition to improved services for children, the Council on Children and Families, the Office of Mental Health (OMH) and the Office of Mental Retardation and Developmental Disabilities (OMRDD) will address the

needs of families through the Governor's \$2.0 million Family Support Program. OMRDD and OMH will fund such projects as psychoeducational training, respite, counseling and advocacy services, and the Council will support the development of the New York State Self-Help Clearinghouse to provide self-help resources.

The Administration's concern for New York's elderly residents also remains a priority. Besides providing medical and nutritional assistance, the State will continue to offer social and recreational services to elderly persons to enhance their ability to enjoy their senior years in their homes and communities, and to obviate providing high cost, long-term care for them in State facilities. The *Executive Budget* included full per capita funding of \$14.2 million for the Community Services for the Elderly Program and \$2.5 million for the Recreation Program for the Elderly.

MEDICAL ASSISTANCE

Over the past several years, the State has acted aggressively to contain the rapid growth of health care costs without compromising the care provided to deserving recipients. In 1984-85, the State will continue this effort and take the first step toward a multi-year restructuring of the health care delivery system. With the enactment of Medicaid reform legislation, the State can now proceed to encourage the development and use of less costly alternatives to institution-based settings for both primary and long-term health care.

The creation of Special Purpose Certificates of Authority, for example, will now enable health care providers to offer comprehensive health services on a prepaid contractual basis to Medicaid clients. During 1984-85, the State will solicit proposals for such comprehensive plans from the provider community with the objective of issuing up to seven such certificates on or after April 1985. To facilitate the development of these comprehensive health plans, the State will invest \$1.5 million in grants to hospitals and diagnostic and treatment centers for the cost of conversion from a fee-for-service to a prepaid capitation basis.

Comprehensive and preventive health care for Medicaid recipients will also be enhanced by the development of primary care case-management programs within ten local social services districts. Under this concept, private physicians will be encouraged, through the use of innovative payment mechanisms, to serve as case managers for Medicaid patients, with responsibility for coordinating all health care services provided to the individual. Additionally, reimbursement for office-based physician and dental services will be increased in January 1985 by an aggregate 30 percent, and fees for prenatal care and deliveries will be doubled. Increasing these Medicaid fees will provide physicians with additional incentives to participate in the Medical Assistance Program, thereby reducing the current reliance on more costly institution-based primary health care.

Reform of the health care delivery system cannot be accomplished without addressing the needs of the State's growing long-term care popula-

tion. This year, New York will institute changes in Medicaid eligibility requirements to remove existing financial incentives for institutional placement for the frail elderly, and encourage instead the provision of long-term care in community-based settings. In the coming year, the State will focus its efforts on developing innovative approaches for meeting the increasing demand for long-term care.

For the past three years, the Federal government has shifted the growing cost of medical care for the needy to the states and localities. During the current year, however, New York, in conjunction with other states, was successful in persuading Congress to eliminate the arbitrary 4.5 percent reductions in Federal aid imposed nationwide on the Medicaid Program. As a result, the Federal share of Medicaid costs will revert to the traditional 50 percent effective October 1, 1984, a step that will provide some fiscal relief to both the State and its localities.

IMPROVING PUBLIC HEALTH SERVICES

Protecting the health and well-being of the State's citizens remains a high priority for this Administration, and to this end the Department of Health will initiate several major new programs during the current fiscal year.

The Supplemental Nutrition Assistance Program is a \$7.5 million initiative, designed to address the nutritional deficiencies of the State's needy mothers and children, frail elderly, and homeless individuals. These funds will be directed to communities with the highest concentration of persons at nutritional risk, and will be targeted specifically to those individuals currently receiving no nutritional support. To minimize program start-up time and administrative costs, the Department will make maximum use of State and local organizations that already deliver nutritional services to persons in need. Full implementation of this program will provide nutritional services to 10,000 mothers and children, 5,000 elderly and 2,000 homeless individuals during the current year.

Prenatal care is essential in reducing the incidence of infant mortality and morbidity, but many low-income pregnant women in the State are unable to afford such necessary care. To address this need, the Department is implementing a \$7.5 million Prenatal Care Program, that, through contracts with primary care providers, will provide comprehensive prenatal services, postpartum checkups, health education, and nutritional assessments to 10,000 women ineligible for medical care through the State's Medical Assistance Program. In addition, a total of \$2.5 million will be made available to primary health care clinics during the current year to help meet the costs of providing general medical care to the medically indigent. These two programs will increase access to necessary medical care for individuals with high risk and low income.

JUVENILE JUSTICE

The Division for Youth (DFY), responsible for programs to aid in the prevention of delinquency and the rehabilitation of trouble-prone youth, operates residential facilities for youth placed under its supervision by the criminal and family courts, and also provides aftercare services for youth released from its facilities. DFY also allocates financial assistance among community-based organizations for delinquency-prevention programs, and among local social services districts for the care and maintenance of juvenile delinquents and persons-in-need-of-supervision.

From the enactment of the Juvenile Offender Law in 1978 until 1983, the Division witnessed an extraordinary growth in the number of juvenile offenders remanded to its secure facilities by the criminal courts. During this period, additional secure centers were brought on line, with the built-in structural capability of being converted to a "limited secure" operation. This operational flexibility is now paying dividends because a substantial decline in juvenile offender arrests has reduced the demand for secure beds, while the demand for limited secure beds continues. After trimming excess secure capacity early in 1984-85, the Division is now evaluating the feasibility of converting an entire secure facility to limited secure operation. These moves, together with the phase-in of the cost-effective Tryon Secure Center near Amsterdam, and the recent deployment of 33 new vocational teaching positions, will make the Division's programs more efficient and more responsive to current placement patterns and the needs of the youth in care.

The Division is also seeking to strengthen its program administration and oversight this year by developing an expanded audit function to perform on-site management and financial reviews of DFY's institutional operations and local assistance programs. Moreover, it is realigning the responsibilities of its Support Services and Program Services units to minimize duplication of effort and improve accountability for program development, standards formulation and performance monitoring.

DFY continues to support local efforts to prevent delinquency through its Youth Development and Delinquency Prevention Program and its Special Delinquency Prevention Program, which provide 50 percent and 100 percent State aid, respectively. In addition, as a result of greater administrative costs which, in some counties, have exceeded the State aid limit over the past two years, legislation was enacted this year which will increase local assistance for youth bureaus.

PUBLIC SAFETY

With 13,000 fewer reports of murder, rape, robbery and aggravated assault, reported violent crime in New York State declined by more than 7 percent in 1983, the second such annual decrease after four years of rapid growth. Regionally, the most substantial decrease in crime between 1982 and 1983 occurred in suburban counties (-10.1 percent) and New York City (-9.5 percent). Upstate counties experienced the smallest decline in crime, but even here the decrease reached -6.6 percent. While experts differ as the causes of the decline, many suggest that it results from the concerted attention of the criminal justice system on violent and repeat offenders.

State and local efforts to control serious crime — identification, apprehension, prosecution and punishment — are showing positive results. Although the incidence of reported crime is down, the level of activity throughout the criminal justice system is increasing. Court dispositions and convictions were up by 16 percent in 1983 compared with 1982. Each facet of the criminal justice system is processing more criminal cases, resulting ultimately in 1983 in a 15.3 percent increase in admissions to State correctional facilities over 1982. As a result, despite the welcome decline in violent crime, the criminal justice system as a whole continues to claim a significant share of State resources for increased funding for police, prosecution and corrections programs.

At the same time, the Governor has approved a comprehensive package of anti-crime legislation as a part of the State's sustained effort to improve the performance of the courts in the interest of both greater productivity and equity. Among the major features of the package are the following:

- *Forfeiture*, improving upon a 1983 law to recover the proceeds from, and instruments used in, criminal activity;
- *Insanity Defense*, shifting the burden of proof from the prosecution to the defense counsel;
- *Speedy Trial*, correcting procedural obstacles to the timely prosecution of both felony and misdemeanor cases;
- *Appeals*, cutting court delays and conserving appellate court resources by making certain appeals on sentencing issues permissive rather than a matter of right;
- *Misdemeanor Reclassification*, reducing criminal court backlogs by reclassifying certain misdemeanors to allow trials before judges rather than juries; and
- *Joinder*, streamlining the prosecution of criminal cases involving multiple defendants, or multiple offenses by one defendant, by allowing joint trials.

Coupled with the effort to expedite court proceedings, the State has also recognized the need to provide greater protection for the rights and

interests of the victims of crime. Accordingly, the Governor signed legislation this year giving increased attention to the fair treatment of victims during criminal investigations and prosecutions, strengthening guidelines for the enforcement of restitution orders and enhancing protection for children as witnesses in criminal proceedings.

CORRECTIONS

Overcrowding in State and local correctional facilities continues to be one of the most pressing problems facing the criminal justice system. More stringent sentencing laws in concert with higher rates of conviction and commitment over the last two years have been major contributors to the faster-than-anticipated increase in the inmate population of prisons operated by the Department of Correctional Services (DOCS). Despite some slowing in the population growth in the last few months, the year-end census is expected to approach 35,000 inmates.

The multi-year program to alleviate prison overcrowding, announced by the Governor in 1983, continues to move ahead effectively through expanding the capacity of correctional facilities. In this, the second year of the plan, additional space for 3,000 inmates was expected to become operational. While litigation and other construction-related delays have slowed occupancy of certain sites, construction projects are now for the most part on schedule. At mid-year, capacity for some 1,300 inmates has been completed through expansion projects at Groveland and Ogdensburg and at the new Greene Correctional Facility. Over the balance of the year, separate 500-bed medium security facilities will be completed at Albion, Attica and Great Meadow correctional facilities.

A phased plan for closing the Long Island Correctional Facility (LICF) was developed this year. Although problems resulting from construction delays elsewhere have been overcome, continuing litigation in both Federal and State courts succeeded in delaying the closing of LICF beyond the scheduled date of October 1. All current DOCS and Parole employees working at LICF will be offered employment at other Department facilities upon the anticipated successful conclusion to court challenges.

In addition to the construction of additional bed space for 1984-85 occupancy, preparation continues for future projects. Plans for renovation of space at Erie County Penitentiary and added capacity at Mid-State Correctional Facility are also well under way. Moreover, earlier this year the State announced plans to construct a 1,000-bed maximum security facility on North Brother Island in New York City. Upon completion of preliminary estimates of construction costs and site feasibility, a decision to advance the project to design will be made. These projects will supplement the construction now under way at Wallkill and Woodbourne correctional facilities to provide two new 512-bed maximum security facilities scheduled for completion in 1985.

The majority of planned expansion is being financed through the

Urban Development Corporation pursuant to legislation enacted in 1983, with bond financing authorized to a maximum of \$380 million. Assuming successful resolution of litigation related to the use of this financing mechanism, a bond sale is anticipated later this year.

Overcrowding in local correctional facilities has also been of concern to this Administration, and the Governor signed legislation this year establishing a comprehensive planning process for development of effective alternatives to incarceration. A total of \$3.0 million is available on a 50/50 matching basis to counties which elect to participate. Guidelines for plan development will soon be available from the Division of Criminal Justice Services — the administering agency — with local plans due by February 1985 unless a request for extension is submitted.

The same legislation also relaxes jail classification standards for those counties which both participate in the alternatives to incarceration program and meet specified security standards. Under the new classification system, facilities have greater flexibility with respect to segregation of certain classifications of offenders, thereby eliminating one cause of overcrowding.

STATE POLICE

During 1984, the State continued its efforts to improve and expand the criminal investigative capability of the State Police, through redeploying existing staff and adding new resources. The number of investigators assigned to combat narcotic trafficking and drug-related crime has more than doubled, and both an auto theft investigation unit and a criminal intelligence/crime analysis unit have been established by redeploying uniformed troopers. Furthermore, hiring civilian communications specialists has allowed the reassignment of troopers from technical functions to police work and facilitated the phased statewide implementation of the Traffic Safety Law Enforcement Disposition system. And, in order to maintain police strength and offset the effect of projected retirements, an academy class of 90 recruits began in October with another of similar size scheduled for March 1985. Finally, both laboratory services and computer systems have been bolstered by the addition of staff and equipment.

SENTENCING REFORM

The Committee on Sentencing Guidelines was established to develop guidelines and statutory amendments for the imposition of definite incarcerative sentences or alternatives to incarceration upon conviction of a crime. The Committee is charged with developing sentences which will be considered presumptively correct on the basis of the seriousness of the offense and the prior criminal history of the offender. It will develop a detailed policy authorizing courts to make limited departures from the sentencing guidelines, a mechanism for good time allowances and

guidelines for appeal. The Committee's final document, which will include a statement of estimated impact on the criminal justice system, is due for presentation to the Governor and Legislature on January 15, 1985.

THE ENVIRONMENT

New York is reinforcing its commitment to safeguard the environment and protect the State's natural resources. Achieving these objectives is essential to New York's public health, recreation areas and economic well being.

HAZARDOUS AND SOLID WASTE

Contamination from toxic and hazardous materials poses one of the most ominous threats to our environment and the clean-up of inactive hazardous waste disposal sites continues to have a high priority for both the Department of Environmental Conservation and the Department of Health. The report of the Superfund Management Board underscored the need to accelerate this effort and to bolster the State Superfund. In response, the Governor has proposed legislation to initiate a multi-year \$850 million program to clean up inactive hazardous waste sites. This program includes the immediate imposition of annual assessments on industry of \$31 million. In addition, resources have been provided to the Department of Health to evaluate over two years the potential health threats of these inactive hazardous waste sites identified throughout the State. The departments are also developing health standards for drinking water and ambient air levels for resource recovery projects.

RESOURCE RECOVERY

The accelerated development of resource recovery facilities helps alleviate both water and solid waste pollution by permitting the closing of landfills and the burning of solid waste that cannot be recycled. At the same time, the sale of energy generated by these facilities helps pay their operating costs. Over \$11 million was appropriated for facility construction grants in 1984-85.

WATER RESOURCES

New York is fortunate in its plentiful water supply — for drinking, industrial use and recreation. To reduce the threat of contamination to groundwater, legislation enacted in 1983 has established a program to control bulk petroleum storage facilities and to ban the use of landfills for solid waste disposal on Long Island — a particularly important step inasmuch as groundwater is the sole source of the Island's drinking water.

A comprehensive water resources management strategy for the State will also be developed as the result of legislation enacted this year. A new Water Resources Planning Council will guide this effort, which will begin with an inventory of the quantity and condition of our water supplies, identification of future water needs and a projection of the costs of meeting those requirements. Legislation was also enacted this year to create the

New York City Water Finance Authority, enabling the City to finance major improvements to its water supply system.

An increase in the State share of financing sewage treatment plant construction represents another substantial State financial commitment to water quality this year. The State has raised its share from 12.5 to 30 percent to compensate for a reduction in the Federal government's contribution from 75 to 55 percent that took effect on October 1. The local share increase has thus been held to a minimal 2.5 percent. Moreover, more than \$72 million was made available in new State construction funding for sewage treatment plants.

Finally, the State also appropriated an additional \$2.0 million to aid localities to operate and maintain local sewage plants. Although these new funds add to the \$33.8 million already distributed annually, they are tied to more stringent requirements to limit the discharge of untreated wastes and thus introduce, for the first time in this aid program, an incentive for improved performance.

**1984-85 STATE FINANCIAL PLAN
Receipts and Disbursements**
(Millions of Dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(memo) Total
Opening Fund Balance.....	51	179	91	162	483
Receipts					
Taxes.....	19,884	396	—	25	20,305
Miscellaneous receipts.....	1,149	783	355	1,121	3,408
Federal grants.....	54	7,729	597	11	8,391
Bond funds.....	—	—	305	—	305
Subtotal.....	21,087	8,908	1,257	1,157	32,409
Transfers from other funds.....	144	1,428	637	1,151	3,360
Total Receipts.....	21,231	10,336	1,894	2,308	35,769
Disbursements					
Grants to local governments.....	12,333	7,293	—	—	19,626
State operations.....	5,566	2,260	5	—	7,831
General State charges.....	1,622	116	—	—	1,738
Debt service.....	249	—	—	916	1,165
Capital projects.....	—	19	1,807	—	1,826
Subtotal.....	19,770	9,688	1,812	916	32,186
Transfers to other funds.....	1,203	697	27	1,432	3,359
Total Disbursements.....	20,973	10,385	1,839	2,348	35,545
Required addition to fund balance.....	51	—	—	—	51
Increase (Decrease) in fund balance.....	207	(49)	55	(40)	173
Closing Fund Balance.....	309	130	146	122	707

**ESTIMATE OF 1984-85 RECEIPTS,
General Fund, September vs. July**
(millions of dollars)

	July Plan	September Plan	Change
Personal income tax	10,517.0	10,480.0	(37.0)
User taxes and fees	5,584.0	5,617.0	33.0
Sales and use tax	4,065.0	4,080.0	15.0
Cigarette tax	441.0	436.0	(5.0)
Motor vehicle fees	435.5	449.0	13.5
Motor fuel tax	372.0	381.0	9.0
Alcoholic beverage tax	171.0	173.0	2.0
Highway use tax	63.5	65.0	1.5
Alcoholic beverage control license fees	36.0	33.0	(3.0)
Business taxes	2,920.0	3,055.0	135.0
Corporation franchise tax	1,350.0	1,470.0	120.0
Corporation and utilities tax	964.0	964.0	0.0
Insurance taxes	223.0	233.0	10.0
Bank tax	200.0	205.0	5.0
Petroleum gross receipts taxes	183.0	183.0	0.0
Other taxes	684.0	732.0	48.0
Estate and gift taxes	205.0	205.0	0.0
Real property gains tax	280.0	320.0	40.0
Pari-mutuel tax	118.0	118.0	0.0
Real estate transfer tax	80.0	88.0	8.0
Other taxes	1.0	1.0	0.0
Miscellaneous receipts	1,203.0	1,203.0	0.0
Subtotal	20,908.0	21,087.0	179.0
Transfers from other funds	148.0	144.0	(4.0)
 Total receipts	<u>21,056.0</u>	<u>21,231.0</u>	<u>175.0</u>

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NEW YORK STATE ECONOMIC INDICATORS

Quarterly Values
(seasonally adjusted at average annual rates)

Indicator	1983:4	1984:1	1984:2	1984:3	1984:4	1985:1
National						
Real Gross National Product (billions of \$)	1,572.7	1,610.9	1,638.8	1,649.6	1,667.5	1,686.8
Percent change	5.9	10.1	7.1	2.7	4.4	4.7
Personal Income (billions of \$)	2,836.3	2,921.0	2,985.0	3,048.0	3,114.0	3,188.0
Percent change	11.0	12.5	9.1	8.7	8.9	9.8
Statewide						
Personal Income (billions of \$)	239.8	245.5	252.0	256.9	262.0	268.1
Percent change	11.0	9.9	11.0	8.0	8.2	9.6
Nonag. Employment (000s)	7,406.2	7,499.0	7,532.0	7,571.8	7,625.1	7,674.1
Percent change	5.3	5.1	1.8	2.1	2.8	2.6

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SOURCE: U.S. Department of Commerce, New York State Labor Department: Forecasts and certain adjustments to published historical information made by the Division of the Budget.

STATE GENERAL OBLIGATION DEBT
As of March 31, 1984

Purpose	Authorized (Millions of Dollars)		Amount of Debt Outstanding		
	Total Authorized	Authorized but Unissued	Bonds	Notes	Total
Grade Crossing Elimination	\$240.0		\$4.5		\$4.5
Highway Construction	500.0		67.3		67.3
Transportation Capital Facilities:					
Highways	1,250.0		495.7		495.7
Mass Transportation	1,000.0	\$6.1	735.3		735.3
Aviation	250.0	81.3	125.9		125.9
Pure Waters	1,000.0	252.2	531.3	\$1.8	533.1
Low-Income Housing	960.0	7.9	484.9		484.9
Middle-Income Housing	150.0	0.5	123.1		123.1
Urban Renewal	25.0	2.8	6.1	3.8	9.9
Mental Health Facilities	350.0		19.8		19.8
Higher Education Facilities	250.0		115.7		115.7
Park & Recreation Land Acquisition	100.0	1.4	10.7		10.7
Outdoor Recreation Development	200.0	2.3	99.0		99.0
Environmental Quality:					
Water	650.0	387.7	216.7		216.7
Air	150.0	83.8	52.2		52.2
Land	350.0	213.4	106.6		106.6
Rail Preservation	250.0	39.5	178.7	1.8	180.5
Energy Conservation through Improved Transportation:					
Local Streets and Highways	100.0	3.2	79.3	2.6	81.9
Rapid Transit and Rail Freight	400.0	97.8	291.5		291.5
Rebuild New York through Transportation Infrastructure Renewal					
Highway Related Projects	1,067.5	1,067.5			
Rapid Transit, Rail and Aviation Projects	111.3	111.3			
Ports, Canals and Waterways	71.2	71.2			
Total General Obligation Debt	\$9,425.0	\$2,429.9	\$3,744.3	\$10.0	\$3,754.3

FOR ADDITIONAL READING OR REFERENCE

The books and reports listed are of recent origin and for the most part available in libraries or from the appropriate agency. Except as indicated, all agencies referred to are units of the State government.

Annual Message of the Governor. Presented to the Legislature at the beginning of each session; sets forth policy or program proposals and outlines the Chief Executive's perspective on central issues facing the State; often includes a preview of critical problems to be addressed in the forthcoming *Executive Budget*. The Governor also issues special messages from time to time on individual programs or issues.

Department of Audit and Control, **Annual Report of the State Comptroller.** In addition to financial statements on New York State government, the reports provide an overview of the State's financial systems. The 1981 and 1982 reports also discuss the State's conversion to GAAP.

—**Special Report on Municipal Affairs.** Includes financial data for counties, cities, towns and villages; the latest report (Legislative Document 92, 1982) covers local fiscal years ending in 1982.

—**State Aid to Local Government.** Issued annually; describes each aid formula and sets forth trend data on payments.

—and the Division of the Budget, **Official Statement.** A detailed but readable discussion of the State's financial condition, issued and updated as required to support offerings of the State's notes and bonds; public authorities and local governments also issue official statements in connection with their sales of notes and bonds.

Department of Taxation and Finance, **Annual Report.** Last issued for 1981-82; the report for 1979-80 includes a history of the New York State tax system. A statistical supplement to each annual report contains data on various revenues collected, by taxing jurisdiction, and recent trends.

Division of the Budget, **Description of 1984-85 New York State School Aid Programs, September 14, 1984.** Describes the school aid programs funded within the appropriation for General Support for Public Schools, as well as other State appropriations affecting public schools during 1983-84.

—**Executive Budget,** including the Message of the Governor. The annual budget is presented to the Legislature in January and discusses the State Financial Plan, the programs of each State agency, and the basis of expenditure and revenue recommendations. The Budget for fiscal year 1983-84 included a discussion of GAAP, its implications for budgeting, and a prototype GAAP financial plan.

—**The Executive Budget in New York State: A Half-Century Perspective** (Albany: Division of the Budget, 1981). An account of the development and evolution of the New York State executive budget system through the late 1970's.

—and others, “Fifty Years of Executive Budgeting: *Empire* takes you inside the Budget Division,” *Empire State Report*, V (June-July 1979). A 30-page symposium on the history and day-to-day workings of the executive budget system.

Education Department, *Annual Educational Summary*. Statistical and financial summary of elementary, secondary and postsecondary education, including data for both public and nonpublic schools; also includes data on professions, cultural institutions and other areas of Department concern.

Legislative Commission on Economy and Efficiency in Government, *Accounting and Financial Reporting Reform in New York State* (2 vols ; Albany, July 1980). A clearly written discussion of the arguments for converting the State’s financial reporting to conform with generally accepted accounting principles (GAAP).