

2008-2009 Executive Budget:

Overview of Taxes, Health, Economic Development, Housing and Education

Tax Relief

Investments

- **Property Tax Commission.** Creates a new bipartisan commission to study the root causes of New York's high property taxes, evaluate ways to increase the fairness of current property tax relief programs, identify ways to reduce local government costs, and recommend a school tax cap proposal.
- **STAR Program.** Overall funding for the STAR program will total nearly \$5 billion, an increase of \$134 million over 2007-2008.
- **Tax Relief for Seniors.** Increases property tax rebates for senior citizens participating in the Enhanced STAR program by 40 percent – a total increase of \$91 million compared to last year's levels.
- **Middle Class STAR Rebates.** Maintains property tax rebates for all other taxpayers, excluding seniors, at the level provided in 2007-2008. Expanded participation in the program, however, will increase spending by \$32 million. Combined Middle Class STAR and Enhanced STAR spending will total \$1.25 billion.
- **Mandate Relief.** Increases Wicks Law thresholds, which will help reduce property taxes by lowering construction costs. In addition, local governments will benefit from increased flexibility to form cost-saving municipal health insurance consortiums and realize purchasing savings with procurement reforms.
- **Preschool Special Education Cap.** Caps the annual growth in local preschool special education costs for counties outside of New York City. Under this initiative, counties will realize savings of \$31 million in their 2009 fiscal year, growing to \$90 million by 2011-12.
- **Enhanced Local Revenue Flexibility.** Proposes new local revenue options to help relieve pressure on property taxes. Counties will be given the option to increase mortgage recording fees, a loophole will be closed to allow cities and villages to collect gross receipts taxes on cellular phone services, and certain cities and counties will be able to implement red light camera traffic safety programs similar to that in New York City.
- **Local Government Efficiency.** Advances a series of recommendations from the Governor's Commission on Local Government Efficiency and Competitiveness to help local governments save property tax dollars through shared services and municipal consolidation. Key initiatives include: \$25 million in Local Government Efficiency Grants with a new focus on transforming the structure of local government, financial incentives and statutory changes to promote the consolidation of both highway services and property tax administration, and an

initiative to collect fiscal performance data to facilitate peer comparisons on efficiency and help identify opportunities for service consolidation.

Savings

- **Middle Class STAR.** Delays the planned 17 percent increase in the Basic Middle Class STAR rebate for 2008-2009, saving the State \$169 million. This increase would have provided the average homeowner with a benefit increase of \$65.
- **Assessed Value Changes.** Increases from 5 percent to 10 percent the maximum reduction that can occur in a taxpayer's STAR benefit based on changes in assessed value or market value. For the 2.6 million taxpayers likely to be affected, this will reduce exemption savings by an average of \$40 for a savings to the State of \$110 million.
- **NYC Personal Income Tax Credit.** The scheduled increase in the New York City personal income tax credit will be delayed by one year, producing savings of \$40 million. In addition, this credit will be eliminated for New York City taxpayers with incomes above \$250,000, providing savings of \$20 million. If they are homeowners, these taxpayers will continue to receive the benefit of the STAR rate reduction and basic STAR benefits.

Economic Development Initiatives

Investments

- **Upstate Revitalization Fund.** \$1 billion for an Upstate Revitalization Fund that will drive substantial and immediate investments into the Upstate economy. These investments will help fund the Governor's City-by-City Plans; restore our parks; support the development of affordable and supportive housing; invest in our aging infrastructure; and increase access to capital for businesses, municipalities, arts and cultural institutions, and agribusinesses.
- **Bridge Safety.** As part of the Upstate Revitalization Fund, the Budget provides \$100 million in new funding for State and local bridge preservation. This commitment will be financed through an increase in the fee on auto insurance policies, providing a permanent source of revenue for these improvements.
- **Low Cost Power.** Extends the two primary State power programs – Power for Jobs and Energy Costs Savings Benefit – through June 30, 2009. Further, in recognition of inefficiencies within the current programs, a revised program will be implemented on July 1, 2009 that will target those companies for which electricity is the primary component of overall costs; and reward companies with the greatest commitment to job creation and energy efficiency with up to seven year contracts.
- **Brownfields Reform.** Revises the existing State Brownfields program to ensure that this resource will remain available for critical environmental remediation and

economic development projects so that brownfields across the State can once again contribute to economic growth and livable communities.

Savings

- **Empire Zone Reform.** Undertakes reforms and administrative changes to improve overall program performance. This will include raising requirements for entry to the program to ensure that only those projects that offer the promise of significant economic growth will gain valuable State tax incentives; and removing businesses from the program that have failed to meet their job creation and investment pledges. These actions are expected to produce savings of \$50 million.
- **Neighborhood and Rural Preservation Program.** Reforms the Neighborhood and Rural Preservation Program, resulting in \$4.9 million of savings.

Health Care Initiatives

Investments

- **Universal Access for Children.** Fully funds the federal share of the expansion of Child Health Plus, which was blocked by the Bush Administration. This will ensure access to health care for all the 400,000 children in New York State who currently lack insurance. This represents an additional investment of \$19 million, bringing total spending to \$37 million in 2008-09. The expansion will be partially funded through an increase in family contribution levels for the program based upon income level.
- **Doctors Across New York.** Provides a new tuition loan repayment program to encourage primary care and specialist physicians either to establish or to join practices and providers in rural and inner-city medically underserved areas.
- **Nursing Scholarships.** An existing scholarship program to assist nurses in their pursuit of higher education will be expanded in the SUNY budget, and a new program will be established in the CUNY budget.
- **Ambulatory and Primary Care.** Offers improved access to primary care and preventive medicine by redirecting \$84 million through the updating of reimbursement methodologies for hospital inpatient care.
- **Public Health Investments.** Provides \$15 million for new investments in public health and aging programs, including anti-smoking, pregnancy and obesity prevention, services for the frail and elderly, and others.
- **Fighting Medicaid Fraud.** Expands the State's ability to combat waste, fraud and abuse through \$5 million of additional funding for the Office of Medicaid Inspector General. This funding will be used to add 75 new staff, including 55 auditors and investigators, upgrade the Office's data mining technology, and to expand its Card Swipe Program. These new investments are expected to increase fraud collections by \$160 million compared to the levels initially projected in the 2007-08 Enacted Budget.

Savings

- **Overall Cost Containment.** Reduces overall costs by \$980 million, including decreases in pharmacy reimbursement, significant increases in Medicaid audit savings, modifications in acute and long-term care reimbursement methodologies, a partial elimination of inflationary increases for hospitals, nursing homes and home care providers, increased assessment on insurers, reductions in planned premium increases for managed care, managed long-term care and Family Health Plus, better managing high cost users and eliminating the inflationary increase for the Early Intervention Program. This year, Medicaid spending is projected to be \$46.3 billion, an increase of 2.7 percent.
- **Preferred Drug List.** Saves \$18 million by expanding the State's Preferred Drug List (PDL) to cover additional drugs, including anti-depressants. This will allow the Department of Health to control the inappropriate utilization of these drugs. This proposal would still maintain the provision that the prescribing physician's decision prevails in all instances. Additional savings of \$18 million will be achieved by expanding the Clinical Drug Review Program.
- **Nursing Home Reimbursement.** Saves \$85 million by not allocating nursing home rebasing funds from the prior year because a plan for expending them has not been approved by the Federal government. However, nursing homes will still receive \$90 million in 2008-09.

Education:

Investments:

- **Record Aid Increases.** Provides a \$1.46 billion (7.5 percent) increase for school aid – the largest ever increase proposed by a Governor. This brings the cumulative, two-year school aid increase under Governor Spitzer to \$3.2 billion.
- **Foundation Formula.** Retains the key elements of the Foundation Formula created last year, to distribute funding based on objective measures of student need and district wealth, while making adjustments to further target aid to high needs districts.
- **Contracts for Excellence.** Requires that Contracts for Excellence accountability measures apply to districts' annual school aid expenditures for at least three years once they have qualified for program. Districts that make adequate yearly progress in school improvement would no longer be subject to these requirements.
- **Reforming High Tax Aid.** Provides High Tax Aid and reforms the distribution formula to better target funding to individual municipalities where the property tax burden is greatest relative to income.
- **Universal Prekindergarten.** Increases funding for Universal Prekindergarten to a total of \$452 million, providing funding for over 120,000 four-year-old children to receive these services, an increase of over 27,000.

- **Healthy Schools.** Increases reimbursement to schools for the expansion of access to healthy meals – particularly for low-income students — by \$5 million (\$9 million 2008-09 school year).
- **Public Libraries.** Includes \$14 million in additional funding for the New York State Public Library Construction Grant Program. Funds will be provided to upgrade facilities and buildings at public libraries statewide.

Savings

- **Foundation Aid.** Provides a smaller year-to-year increase than originally anticipated under the Governor’s four-year plan. While the Budget still retains the Governor’s four-year \$7 billion commitment to increased education funding, the Budget reduces the projected growth of Foundation Aid by \$93 million by phasing in the program at a slower rate and reducing the minimum and maximum increase provided to districts. These reductions are offset by increases in other aid categories, such as expense based aids. The total Foundation Aid increases would be \$899 million and the total 2008-09 school aid increase would be \$1.46 billion.
- **Preschool Special Education.** Requires school districts to assume a portion of the costs associated with administering committees on preschool special education (CPSEs) and providing student evaluations. This action is consistent with the recommendations of the temporary Task Force on Preschool Special Education. The State’s commitment to preschool special education will continue to be \$681 million.
- **BOCES Reform.** Alters BOCES Aid to distribute funding through that program in a more equitable manner consistent with the Foundation Aid formula. These actions will provide savings of \$31 million, with overall BOCES funding totaling approximately \$595 million.

Housing: Housing Opportunity Fund

Governor Spitzer today proposed a \$400 million Housing Opportunity Fund to improve the availability of affordable and supportive housing statewide.

This \$400 million investment will be used to provide housing opportunities statewide for low and moderate income New Yorkers, as well as those in need of supportive services.

The program will be administered by the State of New York Mortgage Agency (SONYMA) with the assistance of an advisory panel consisting of representatives from the Division of Housing and Community Renewal (DHCR), the Office of Temporary Disability Assistance (OTDA), the Office of Alcoholism and Substance Abuse Services (OASAS), the Office of Mental Health (OMH) and the Office of Mental Retardation and Developmental Disabilities (OMRDD).

Of the total \$400 million investment, \$100 million will be dedicated to projects located upstate, as part of the Governor's \$1 billion Upstate Revitalization Fund. The remaining \$300 million will be used to help provide housing opportunities in the downstate region.

This initiative will be financed entirely on a pay-as-you-go basis, with no borrowing required. **SONYMA will release \$100 million in excess reserves from its Mortgage Insurance Fund to finance the upstate portion of the fund. Additionally, part of the proceeds from the sale of property located at the Jacob K. Javits Convention Center is expected to finance \$300 million for downstate housing efforts.**