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TABLE OF CONTENTS

MESSAGE FROM THE CHAIRMAN
Assemblyman Karim Camara
SFY 2012-2013

It is with great optimism and enthusiasm that I greet you, as chairman of the forty-eight member New York State Black, Puerto Rican, Hispanic & Asian Legislative Caucus. It is our hope that this weekend's conference proves to be an enriching experience for all attendees.

Caucus Weekend has always been an ideal setting to attend workshops, network and share vital information that our community desperately needs. Moreover, these conference activities also assist us, your state representatives, in crafting a Legislative agenda and plan of action that fully voices your concerns and interests.

This document entitled The People's Budget represents a collaborative effort by numerous organizations and offers an alternative view on how to remedy the various long standing issues in our communities, through the fair and equitable distribution of state resources.

As we confront continuing economic uncertainty such as unemployment, property foreclosures, health care costs and education spending, we must work together to solve the enormous gaps in services for New York State residents.

As you examine this document, please bear in mind that our goal is to make this year's budget submission the very best it can be for all the State's residents, especially those individuals that have been historically excluded from experiencing the full benefits of all this State has to offer.

This document represents our due diligence to articulate the needs of our communities. We worked in consultation with individuals and organizations throughout the state. However, we welcome continued comments.

Message from Budget Co-Chair
Assemblywoman Crystal D. Peoples-Stokes
SFY: 2012-2013

In his Executive Budget proposal for the 2012-13 fiscal years, Governor Andrew Cuomo has presented the members of the New York State Black, Puerto Rican, Hispanic and Asian Legislative Caucus with some unique challenges. Chiefly, the challenge as to how best to respond to the after effects of the Great Recession of 2008-09 and the consequences of severe budget cuts implemented over the last two budget rounds totaling about $13.5 billion. These cuts have had a dramatic impact upon services in many of our communities here in New York and now again we must confront head on yet another austere budget.

Without continued Federal Recovery Act stimulus support that helped to mitigate the peak recessionary crisis, we here in New York must work effectively to deal with the consequences of the loss of those revenues. Although some measure of relief will be produced from the tax restructuring accomplished in cooperation with the Governor this past December, it should be noted that the revenues produced are less than half of what would have been collected if the surcharge on millionaires were extended.

It is profoundly unacceptable and sad that since the peak of the recession 1.2 million more New Yorkers are receiving food stamps, an increase of 63% bringing the total to 3 million. This growth has been steady and significant across all regions of the state. Homelessness is at an all time high; poverty has risen to record levels and is twice the national average in New York's four major upstate cities. Minimum wage has not been raised since 2009 while struggling families continue to deal with higher food bills.

This years' theme, "Open Doors to Employment; Open Doors to Empowerment", has a resonance and importance given the challenges we face in finding the resources and opportunities to get these doors open during this critical time in the recovery. Over the last 28 months, despite all of the obstructive tactics employed by the tea party radicals and the "just say no" congressional leadership we are finally now seeing the economy pick up and unemployment begin to come down. That is why now it is critical that we focus on areas we know can help propel us further through this recovery. State and Federal investments in infrastructure, job creation programs that focus on innovation, skills training and investments in our educational system long overdue are areas that I am sure we can find common ground and pursue as we move forward in dealing with this years Executive Budget proposal.

ACKNOWLEDGEMENTS

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The Assembly Ways & Means Committee
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EXPLANATION OF TERMS

New York State's Annual Budget contains the financial resources that allow many programs throughout the State to operate in an efficient and effective manner. The appropriations contained in the state budget are presented in specific fund types and categories or purposes. The presentation is simply distinguishing where the money comes from and where it goes or for what purpose is it spent. The following definitions are meant to be a non-technical description of funding structure of the state budget.

Fund Types: How does NYS derive its money for the programs?

General Fund (GF): Represents funds derived from the income taxes of New York State residents. These "TAX DOLLARS" can generally be spent for any purpose within the budget as designated by the Legislature and Governor.

Special Revenue Fund: Represents funds derived from a "SPECIAL SOURCE" and generally fall in two categories, State and Federal. These funds may be restricted in their usage and could prohibit appropriation for general purposes in the Budget.

The Special Revenue Fund (SRO) -State: dollars come from special agency sources like user fees, fines, penalties, student tuition, etc. charged to New York State residents.

The Special Revenue-Federal (SRF): Dollars come from the federal government usually in the form of a Grant and are for program-specific purposes in most cases. An example of these funds would be Federal Pell Grant funding for students at the State University of New York.

Capital Projects Revenue: Represents funds derived Tax Revenue or the sale of New York State Revenue Bonds. These funds are specifically targeted for major infrastructure and capital improvements like roads, bridges, buildings, and computer upgrades.

Debt Service Funds (DSF): Represents tax dollars and special revenue sources set aside to pay for the various revenue bonds issued by the State of New York.

Categories and Purposes

State Operations: Funds in this category are used to support the primary operations of an agency such as administration and core programmatic activities.

Aid to Localities: Funds in this category are used to support the operations of local municipalities, community organizations, or direct grants to New York State residents (e.g. Tuition Assistance Grants for eligible college students).

General State Charges: Funds in this category are used to pay for the employee benefits of the state work force (e.g. medical insurance, retirement etc.).

Capital Projects Revenue: These funds are specifically target for major infrastructure or capital improvements like roads, bridges, buildings, and computer upgrades.

Debt Service Funds (DSF): Set aside to pay for the various revenue bonds issued by the State of New York.

PRELIMINARY ANALYSIS OF THE

2012-13 EXECUTIVE BUDGET PROPOSAL

BALANCING STATE BUDGETS DURING RECESSIONS AND TENUOUS RECOVERIES

Neither tax increases nor service cuts are desirable during recessions or during tenuous recoveries such as the one currently being experienced and the one that we experienced in 2003. They are both likely to make recessions longer and deeper, and recoveries weaker because, to some degree or other, they take demand out of the economy. Ironically, state and local governments are much more likely to increase taxes and/or cut spending during economic downturns because of their balanced budget requirements.

The result is that state government policymakers face the following challenge during times such as the present: they have to do their best to come up with that mix of spending cuts and tax increases that will do the least harm to their states' economies.

There is no universally accepted wisdom for making these choices; but basic macroeconomic principles provide the best guide available. In a classic 2001 paper on this subject, Nobel laureate Joseph Stiglitz and Peter Orszag, then of the Brookings Institution, concluded that for a given amount of budget balancing a temporary increase in the tax on the portion of family income over some relatively high level will take less demand out of the economy than a temporary consumption tax increase or cuts in locally produced goods and services or cuts in transfer payments to low-income families. That is because the portions of family income over some relatively high level are much less likely to be spent than are the portions of family income that are necessary to meet the cost of life's necessities.

Reductions in government spending on goods and services that are produced locally (like education and healthcare) and reductions in transfer payments to lower-income families are most damaging to the economy since they come closest to taking dollar for dollar out of the local economy. Increases in consumption taxes and fees will take more demand out of the economy than tax increases on the portion of income over some relatively high level but less demand than cuts in locally-produced goods and services or transfer payments to lower-income families.

FACING BUDGETING CHALLENGES IN A TOUGH ECONOMY

In the preliminary data for 2011, New York's move to austerity budgeting in its 2010-11 budget and even more so in 2011-12 budget appears to be having a negative impact on New York's relative performance in terms of private sector employment. The number of private sector jobs in New York in 2011 was up 1.35% but in the other 49 states collectively it was up 1.55% ranking New York 25th nationally among the states. Not bad for a mature northeastern states, but not as good as the ranks of 10th, 7th, and 4th during 2008, 2009 and 2010 respectively.

According to the 2012-13 Executive Budget, New York State's projected budget gap for the upcoming fiscal year stood at $3.5 billion before the December 7, 2011, special session at which the Governor and the Legislature agreed on a plan to continue a portion of the temporary high-end income tax rates that were scheduled to sunset on December 31, 2011. Also according to the 2012-2013 Executive Budget, the package of top rate extensions, top rate expirations, and tax cuts that were enacted at that special session have served to reduce the projected gap for 2012-2013 from $3.5 billion to $2 billion.

The Executive Budget is proposing to close this remaining gap with $750 million in cuts in local assistance spending and another round of cuts in state agency operations, totaling a projected $1.1 billion. In the New York State budget process "local assistance" spending does not refer solely to financial aid to local governments. It also includes payments to non-profit organizations for the provision of services, as well as entitlement payments to individuals. So, for example, this year's proposed cuts in local assistance include a reduction in a scheduled increase in the level of public assistance payments to needy families.

DOES NEW YORK STATE HAVE A SPENDING PROBLEM OR A REVENUE PROBLEM?

Some critics like to say that New York State's budget gap is proof that New York State has a "spending" problem and that state spending is growing faster than state revenues. Their implication is that New York State agencies are not managed well and that spending is out of control.

But a careful analysis of the changes in state revenues and expenditures over the last 20 years shows that revenues would have grown faster than expenditures IF (1) New York State had not enacted multi-year, back-loaded tax cuts annually from 1994 to 2000, and then again in 2006; and (2) Three important new spending commitments (the STAR property tax exemptions enacted in 1997; the state takeover of the full cost of Family Health Plus and the three percent cap on the annual growth in county Medicaid costs as enacted in 2005; and the statewide solution to the court decisions in the Campaign for Fiscal Equity lawsuit as enacted in 2007) had been accompanied by new revenues (i.e., if they had been paid for).

The annual impact of those tax cuts peaked at $21 billion in 2007. Taking into consideration both (1) the economic downturn which significantly reduced state revenue in 2008 and 2009, and (2) the offsetting tax increases enacted in 2009, the Fiscal Policy Institute has estimated that the tax cuts enacted from 1994 through 2006 are currently reducing state tax revenue by about $15 billion per year.

The STAR program currently costs the state treasury more than $3 billion per year while the state takeover of the full cost of Family Health Plus and the cost of local share Medicaid increases of more than 3% per year costs the state budget between $2.6 and $3 billion per year. The statewide solution to the Campaign for Fiscal Equity, as enacted in 2007, called for a 4-year phase-in of a "foundation aid" program that would increase general operating aid to school districts by $5.5 billion by 2010-11. Unfortunately that commitment has been frozen, stretched out, made subject to across-the-board cuts called Gap Elimination Adjustments, and, most recently, made subject to an annual growth cap. And the 2012-13 Executive Budget is proposing to divert 31% of the capped amount to the funding of a competitive grant program.

There may well have been better ways of designing some of these new commitments. For example, the money going to the STAR program could have funded a real property tax circuit breaker that would have provided property tax relief in a much more effective and efficient manner. But, it is clear that all of these new commitments addressed important priorities.

By adding these important new commitments to the state budget without adding revenue to pay for them, the state was on course to face large projected budget gaps unless the revenue produced by the existing tax system were to grow fast enough to cover both the ordinary growth in the cost of existing programs and the cost of these new commitments. Not only did revenues not grow fast enough to accomplish that feat but the meltdown of the finance sector and the subsequent Great Recession resulted in actual year to year reductions in state revenues.

ESTABLISHING A FAIR, ADEQUATE & ECONOMICALLY SENSIBLE STATE-LOCAL TAX SYSTEM

To address the unmet needs identified in this edition of Budget Equity, and to avoid those costs savings proposals advanced by the Executive Budget that are likely to have negative effects on the state's economy or on the wellbeing of New York residents, state policymakers should balance the 2012-2013 budget in an economically sensible manner.

New York State should not balance its 2012-2013 Budget in ways that will make economic conditions worse or place a drag on the recovery by further cutting the staffing levels of state and local government agencies and nonprofit service-providing agencies. The Governor and the Legislature should make policy choices that will take the least amount of demand possible out of the state economy.

Rather than cutting essential services, the Legislature should consider progressive revenue alternatives such as those outlined in the final section of this edition of Budget Equity.

EDUCATION

The 2012-2013 Executive Budget provides for a year-to-year increase of $805 million or 4.1% as tied to the personal income growth index cap in New York State as agreed to in last year's Budget. This amount includes $290 million for additional school aid distributed through a Gap Elimination Adjustment, $265 million to reimburse for expense based programs such as Building Aid and Transportation and $250 million for the Governor's initiatives for School District Performance Improvement and School District Management Efficiency Grants. This represents a $200 million shift in funds to the competitive grant process. The Governor continues the Gap Elimination Adjustment reducing it by $290 million to $2.267 billion.

School districts are not eligible for any of their school aid increase if they do not fully implement the new teacher and principal evaluation system, and obtain approval by the Commissioner of SED, by January 17, 2013.

The Governor's Budget provides for a two-year school aid appropriation with funding for 2013-2014 increased by 3.5% over the base year. The school aid database is frozen as of November, 2011.

The Governor's proposed 2012-2013 budget would provide an additional $200 million in new grant funding for the 2012-2013 school year in addition to $50 million earmarked for year two of the three-year funding cycle for grants first awarded during the 2011-2012 school year for these programs. The RFP for Management Efficiency Grants for the 2011-2012 school year has not been released at this point in time. It is expected that the RFP for Performance Improvement Awards for new grants in 2012-2013 will differ from the one previously issued but no details are available.

The proposed Budget continues the freeze of Foundation Aid at 2008-2009 levels for the fifth year, while providing present law funding for expense based aids such as Private Excess Cost, Public Excess Cost High Cost, Transportation and Building Aids.

The Governor's proposed Budget language would shift preschool special education costs whereby the county's 40.5 percent share of any increases in costs over 2011-2012 would be divided equally among the school district, the county and the State. In addition, the proposed Budget would alter the payment structure to require school districts and the employee bargaining unit or employee if not represented to share costs of teacher disciplinary hearings. Lastly, the Budget provides language that would establish a pilot program authorizing SED to require school districts to provide educational services to students ages 5-21 hospitalized in facilities operated by the Office of Mental Health where the facility is located within the school district.

There are 29 school districts in New York State that are classified as high needs by the State Education Department and have high concentrations of Black and Hispanic Students (ranging from 42% Monticello in Sullivan County to 100% Roosevelt in Nassau County). In total, these districts serve a student population that is 73% Black & Hispanic with 69% of the students living in poverty. In the past two years, $1.25 billion has been cut from these high poverty school districts with high percentages of Black and Hispanic students.

These schools had cuts that were much larger per pupil than wealthy schools. These cuts have translated into larger class sizes, cuts in college preparatory, Advance Placement, and Career and Technical courses, cuts in arts, music and sports, cuts in tutoring and Academic Interventions and in some districts cutting Kindergarten or Pre-Kindergarten from full day to half day. The proposed budget would only restore $1 out of every $5 dollars that has been cut from these schools.

Taking the $250 million out of competitive grants and putting it into classroom restorations for high needs school districts is necessary to begin to bridge the education gap. Competitive Grants Create Winners and Losers but every child deserves the opportunity for success.

Keeping the Promise

The Campaign for Fiscal Equity

In 1993 Robert Jackson and a group of New York City parents organized the Campaign for Fiscal Equity. CFE sued the State of New York on the grounds that the State was failing to provide students the “sound basic education” or “meaningful high school education” that is their constitutional right. Over the next 13 years the CFE lawsuit faced a series of delays and appeals to try and stave off the State’s constitutional responsibilities to our school children. But, the New York State Court of Appeals, as well as the trial and appellate courts, repeatedly found that the state was failing in its constitutional obligations to provide for the classroom resources necessary to educate every student.

While the CFE case was specific to New York City, the CFE plaintiffs argued for a statewide solution because students in many schools faced the same lack of adequate classroom resources--whether upstate or downstate, rural or suburban, in large cities or small cities. In fact, the Court of Appeals recognized that the State, in formulating a remedy to CFE, "may of course address statewide issues if it chooses."

In 2007, the Caucus joined with all of our state elected officials in enacting the historic school reforms that were designed to provide a statewide resolution to CFE. The 2007 education reforms were designed to finally end the delays and excuses that stood between too many of our students and the quality education that is their constitutional right. Under this statewide CFE resolution, the state replaced a complex maze of 30 school aid formulas with a single foundation formula designed to fairly distribute classroom aid based on student need and community income and property wealth. The state committed to phase-in a $5.5 billion increase in foundation aid over four years. In 2007 and 2008 the state fulfilled this commitment by adding $2.3 billion in classroom funding through school aid. These funds were used to reduce class size, expand the school day and the school year, provide specialized programs for English language learners, reform high schools and middle schools, invest in professional development for teachers and principals, and create opportunities for full-day pre-kindergarten and kindergarten programs. The funds invested created highly effective educational programs in schools across the state.

But in 2009, the fiscal crisis took hold and since then our schools have faced retrenchment. The State has cut $2.7 billion in school aid. Once again, CFE was delayed and the cuts were terribly inequitable because they were two to three times as large per pupil in poor and average need districts as in wealthy districts. As a result, schools have increased class sizes, cut summer school programs, tutoring, college preparatory and Advance Placement courses, Career and Technical Education, arts, music, sports and in some cases kindergarten and pre-kindergarten. Finally, in 2012 there is an opportunity for restoring some of these classroom cuts. The Executive Budget will restore $805 million in school aid; however, this amount of money does not begin to put our schools back on track to restore the quality programs that our students lost in the past two years. Furthermore, $250 million of these funds would be diverted into competitive grants instead of being invested directly into the classroom. Before the state considers instituting a new program to replace the foundation formula, we must fulfill the obligations we committed to in 2007 when we settled CFE. Our CFE commitments statewide must be kept front and center, not pushed to the back of the line.

The following is an outline of the major provisions of the 2012-2013 Executive Budget as it relates to elementary and secondary education.

Formula Based Aids

Foundation Aid: Frozen at 2008-2009 level of $14.9 billion with planning requirements for Limited English Proficiency and set-a-side requirements maintained for Magnet Schools, Teacher Support Aid and New York City Attendance Improvement/Dropout Prevention.

Gap Elimination Adjustment (GEA): The Executive Budget proposes a reduction of formula aids (with the exception of Universal Pre-K and Building Aid) by a Gap Elimination Adjustment (GEA) totaling $2.267 billion, a decrease of $289.79 million. The adjustment for each district is calculated utilizing a number of factors including the Extraordinary Needs Percent, total general fund expenditures and the 2011-2012 GEA amount with districts receiving up to 25 percent of their 2011-2012 GEA.

Public Special Education Excess Cost High Cost Aid: Funded at present law level of $498.09 million.

BOCES Aid: Funded at present law level of $720.88 million.

Special Services Aid (Big 5 funds for Career Education and Computer Services): Funded at present law level of $219.3 million.

Transportation Aid: Funded at present law level of $1.68 billion. Language is included that would require school districts to purchase buses through the use of a State contract, except in extraordinary circumstances, in order to receive reimbursement.

Textbook Aid: Maintained at $58.25 per pupil with flexibility provided to use funds for software, library materials and hardware and technology.

Computer Software Aid: Funded at 2000-2001 per pupil amount of $14.98 with flexibility provided to use funds for textbooks, library materials and hardware and technology.

Hardware and Technology: Funded at present law level of $39.27 million with flexibility provided to use funds for textbooks, library materials and software.

Library Materials Aid: Maintained at $6.25 per pupil with flexibility provided to use funds for software, textbooks and hardware and technology.

Universal Pre-kindergarten: Frozen at $384 million.

Full-Day K Conversion Aid: Funded at $6.76 million.

Building Aid: Funded at present law level of $2.72 billion**.** No changes are proposed to Chapter 97 of the Laws of 2011 requiring submission of final cost reports and certificates of substantial completion for projects in order to begin the 18-month period prior to the start of assumed amortization payments.

Teacher Support Aid: Included in Foundation Aid with a set-aside requirement.

Teacher Centers: Eliminated for a cut of $20.4 million.

New York City Academic Achievement Grant: Maintained at $1.2 million.

MTA Payroll Tax Payments: Funded at $60 million for payments to school districts for reimbursement of costs associated with the payment of the MTA mobility tax.

Math and Science High Schools: Maintained at $1.4 million.

Student Mentoring and Tutoring Program: Maintained at $490,000.

Employment Preparation Education (EPE) Aid: Maintained at $96 million.

Homeless Children: Maintained at present law level of $18.23 million.

Incarcerated Youth: Maintained at present law level of $20.5 million.

Bilingual Education Grants: Maintained at $12.5 million.

Education of OMH/OMR Pupils: Maintained at present law level of $80 million.

Learning Technology Grants: Maintained at $3.3 million.

Other Aid Programs

Health Education Program: Maintained at $691,000.

Basic Education for Public Assistance Recipients: Maintained at $1.84 million.

Extended Day and School Violence Prevention Programs: Funded at present law level of $24.3 million.

New York State Center for School Safety: Maintained at $466,000.

Preschool Special Education: Funded at $936.7 million. Under the Governor's proposal, there would be a three-way split of the county's 40.5 percent share of any increases in costs over 2011-2012 that would be equally divided among the school district, the county and the State.

Children of Migrant Workers: Maintained at $89,000.

Other Programs

Contracts for Excellence: All districts required to submit contracts in the 2011-2012 school year are again required to do so in 2012-2013 unless all schools in the district are identified as in good standing. Set-aside requirements are equal to those for 2011-2012.

HIGHER EDUCATION

During this nation's difficult economic circumstances and high unemployment, the importance of obtaining a higher education is vital for our youth to succeed. Economic growth in New York State relies heavily on how well we educated and prepared our states workforce. In Governor Andrew Cuomo's State of the State address, he stated that "Higher Education will be the key economic driver. We look to partner with our great SUNY system, especially across upstate New York in making this a reality."

According to the Executive's Budget, on a yearly basis New York State's higher education institutions educate about 1.3 million students. The State University of New York (SUNY) and the City University of New York (CUNY) oversee 47 four-year colleges and graduate schools that provide about 400,000 full-time students with a selection of undergraduate, and graduate degrees SUNY and CUNY support 36 community colleges, that service approximately 330,000 students. About 540,000 students attend one of the many private institutions across New York State.

On August 1st, 2011 the legislature enacted a graduated 3 year tuition increase. With tuition increases added to already high cost for a higher education, attending college seems out of reach for many students. In order for people to have a well paying job today higher education is needed. The Governor's proposal of increases in the Tuition Assistance Program and the Higher Education Opportunity Program, gives students hope for obtaining a higher education and the resources to cover high tuition cost.

City University of New York (CUNY) was established in 1847 and is currently the third largest public university system in the nation. It is comprised of 23 colleges including eleven four-year colleges and six community colleges, one technical college, a law school, a graduate school and an affiliated medical school. CUNY's mission is to provide affordable higher education with a focus on the urban community of New York City. As almost 70% of CUNY students are African American, Hispanic, Asian or other ethnic background, any cuts to CUNY affects students of color. One of our main themes this year is to point out that it is completely counter productive to cut higher education in an economy where individuals are coming back to college because of the economy. The Executive Budget recommends state operating support of $523.5 million for CUNY colleges, a decrease form $513.6 million from 2011-2012 SFY.

The State University of New York (SUNY) was founded at Potsdam in 1816 and is the nation's largest state university system with 64 separate campuses and more than 7,600 degree and certificate programs. Students are also afforded the convenience of the SUNY Learning Network, which is comprised of online courses from each of the campuses. In January 2008, 19.9% of all enrolled students were minorities. SUNY is devoted to providing affordable education to students from New York and around the world. The Executive budget recommends state operating support of $968.6 million which is maintained from the previous year.

Tuition: The Executive Budget recognizes the $300 in-state tuition increase enacted by Chapter 260 of the Laws of 2011. In-state undergraduate tuition at SUNY is $5,270 and at CUNY is $5,130 for the academic year 2011-2012. The SUNY and CUNY Board of Trustees also raised tuition for graduate and out-of-state residents for the fall 2011 semester. The Executive Budget includes $113.2 million for SUNY and $66.6 million for CUNY in additional spending authority to account for these tuition increases.

Tuition Assistance Programs: The Executive Budget recommends $930.6 million for the Tuition Assistance Program (TAP) for the 2012-2013 Academic Year, representing a $28.1 million SFY increase to the program due to increases in tuition. The Executive Budget does not include any programmatic changes to TAP.

Opportunity Programs

During Special Session in December 2011, an additional $9 million was provided to opportunity programs administered by SUNY, CUNY, and the State Education Department (SED).

Education Opportunity Program (EOP) $21.1 million, which includes a continuation of the additional $955,000 approved during December's Special Session. The State University of New York's Educational Opportunity Program provides access, academic support and financial aid to students who show promise for succeeding in college but who may not have otherwise been offered admission.

Search for Education, Elevation, and Knowledge (SEEK) $18.4 million which includes a continuation of the additional $1.0 million approved during December's Special Session. This is a CUNY based program that applies to first college students who would not have been able to attend a higher education institution due to economic or educational conditions. This is restricted to college seniors.

College Discovery $883,390, which includes a continuation of the additional $55,000 approved during December Special Session. CUNY's College Discovery program is a higher education opportunity program at the two year CUNY colleges. It was established to provide comprehensive academic support to assist capable students who otherwise might not be able to attend college.

These programs return to their enacted 2011-2012 levels. These programs are funded at pre-Special Session Levels.

Higher Education Opportunity Program (HEOP) $20.8 million HEOP Has Been a Program for All New Yorkers**:** Serving the urban, suburban and rural disadvantaged population, HEOP students come from every county in the state. HEOP students come from those populations traditionally underrepresented in higher education. 32% of the HEOP student population is Black, 35% Hispanic, 10% Caucasian, 13% Asian, and less than 1% Native American. HEOP students bring a diversity of cultures, life experiences and challenging academic needs to our campuses, which enrich the educational experience for all students. 4,600+ HEOP Students with More Waiting to Be Served: There are not enough spaces in our opportunity programs to meet the demands of our disadvantaged population. Studies continually document that higher education is the way out of poverty. Continued State support is needed to meet the needs of New York State citizens whose lives can be changed because of HEOP.

The Science and Technology Entry Program and Collegiate Science and Entry Technology Program (STEP $9.8 million and C-STEP $7.4 million) These are academic enrichment programs designed to foster a student's success in preparing for professional licensure and careers in medicine, law, business, education, science, technology, engineering, mathematics, and health. STEP is for students in grades 7-12 while C-STEP is for students engaged in higher education. In the Governor's budget funding for the Science and Technology. STEP maintained $9.8 million and CSTEP maintained SFY funding.

The Liberty Partnerships Program (LPP) provides funding and collaborative opportunities for basic and advanced academic skills development through special classes and tutorial services; educational, personal and family counseling, career and college exploration activities, mentoring and a variety of enrichment activities for students. All students enrolled in LPP are counseled on academics, life situations, and career and college choices. LPP staff members consistently advocate for students and their families. This program maintained $10.8 million in SFY funding.

OTHER HIGHER EDUCATION PROGRAMS

Empire State Diversity Honors Scholarships (ESDHS) is a scholarship awarded to students attending SUNY campuses who have proven their high academic achievements and who would contribute to the diversity of their campuses. This program was awarded $621,900 in 2012-2013 SFY.

Graduate Diversity Fellowship Program is a program available to SUNY graduate fellows who have been admitted to a graduate or professional degree program and will contribute to the diversity of their programs. This program seeks to enroll students who bring diversity and who can demonstrate that they have overcome a disadvantage or other impediment to success in higher education. The program was awarded $6,039,300 million in SFY 2012-2013.

Faculty Diversity Program/Native American Opportunity Program/Office Diversity Program: The Faculty and Office Diversity Program was established in 2008 and assists SUNY campuses in recruiting diverse faculty from various backgrounds to enhance the academic environment of the campuses. Recipients of these awards are scholars who have distinct academic accomplishments early in their careers and demonstrate progress for continued success. Native American Opportunity Program is a SUNY program aimed at addressing the specific educational needs of Native American students. This initiative currently funds programs at two campuses: Fredonia and Potsdam. The goal of the program is to recruit and retain Native

Americans by providing essential activities and services to enable their success. These 3 programs funding were combined and were awarded $1,217,000 million in 2012-2013 SFY.

DREAM Legislation

Recently, both Illinois and California have passed DREAM (Development, Relief, and Education for Alien Minors) Act legislation. This legislation creates scholarship funds for children of immigrants who are not able to readily obtain access to the traditional financial aid.

THE DREAM ACT (A.6829)
This legislation will allow undocumented young adults who entered into the country before the age of 18, have lived in New York State for a minimum of 2 years, are under-the age of 35, and have demonstrated a commitment to education and good moral character to have access to financial aid opportunities within the state.

THE DREAM FUND (A.8689)
New York has proposed similar DREAM FUND legislation which makes family tuition accounts available to account owners who provide a valid taxpayer identification number. DREAM legislation creates a private fund commission, which shall be committed to advancing the educational opportunities of children of immigrants through scholarship programs that provide assistance with the costs of higher education. This bill also establishes a commission that is tasked with raising money for the DREAM Fund in order to provide scholarships to college bound children who are the children of immigrants. The commission would be required to establish the criteria for the scholarships, to create and publicize a training program for education professionals, and to develop a public awareness campaign for the DREAM Fund awards.

Providing higher education opportunities to children of immigrants with the DREAM bills welcomes immigrants to New York with open arms. The higher education opportunities primary benefit is to the students of the immigrants but better educated people add value to the work force of New York. The success of immigrant students helps the success of New York. Better education leads to higher paying jobs, which brings in more tax revenue to the state.

HEALTH AND AGING

In 2011, the budget cuts to health care resulted in the reduction access for groups of people in the lower economic status. Routine layoffs as well as hospital department closures were occurring. In prior years, hospitals and nursing homes in New York were already affected by decreased funding; this occurred nine times over four years. The healthcare providers demanded payment increases from patients.

Governor Cuomo's Medical Redesign Team (MRT) tried to reduce Medicaid cost by providing better management. This team was created by the governor to develop ways to cut Medicaid spending by $2.85 billion dollars. This team includes state lawmakers, the commissioners for health, mental health, developmental disabilities and substance abuse; and the CEOs of health systems. The Executive Budget eliminated certain "lower" priority programs such as: Community Empowerment Initiative, Enriched Social Adult Day Centers Program and other important programs. These cuts in the Budget can become an ongoing problem due to the increased number of unemployed, underemployed and uninsured New Yorkers that will look for medical due to the economic recession. Many emergency rooms have been overcrowded and overall, the health care industry is struggling to maintain any type of stability.

Medicaid Overview

The Executive Budget continues $3.3 billion in savings actions enacted in the SFY 2011-12 Budget, including 78 discrete cost containment initiatives as recommended by the MRT; the elimination of scheduled Medicaid inflationary rate increases; and the implementation of a two percent across-the-board reduction in Medicaid rates. The Executive's proposal has a four percent increase in total spending that largly will cover the increased enrollment in Medicaid and expanding Medicaid coverage.

Expanded Medicaid Coverage

The Governor proposes to expand Medicaid program coverage to the following services: podiatry visits for adults with diabetes mellitus, services provided by certified lactation consultants to pregnant and postpartum women, harm reduction counseling and services, and services to promote care coordination and integration for individuals with hepatitis C.

State Takeover of Medicaid Administration: The Executive's budget proposal provides for a phased-in state assumption of the three percent growth in the local share of Medicaid expenditures for all counties and New York City, at a rate of one percent per year, and modify the Department of Health Medicaid State funds spending cap to allow for increased state spending on local government Medicaid relief beginning on April 1, 2013.

Cap on Medicaid Expenditures

One major concern is the proposal's spending cap on Medicaid Expenditures. This would instate a four percent limit on year to year growth of the state's share of Medicaid spending. If spending goes over this small percentage, a Medicaid saving allocation will be put in place to reduce spending. In 2010 and 2011, Medicaid enrollment increased about sixteen percent. If this trend continues, there will certainly be a shortfall in funding.

Preventative Care
There should be a focus on preventive care, as well as providing services for people with chronic issues. If people were properly educated, they can take the proper steps to reduce some health concerns; this can decrease the spending of expensive treatment. This will not reduce the amount of people that will apply for Medicaid, but it can reduce how much is spent through Medicaid, while improving the lives of many.

2% Across the Board Cut
Last year's Budget authorized for two years, until March 31, 2013, a 2% across-the-board reduction to Medicaid payments or an alternative equivalent reduction developed by DOH and the Division of the Budget (DOB) in consultation with a specific health care provider sector. Health care providers will continue to take this reimbursement reduction through the end of SFY 2012-2013, ending March 31, 2013.

Trend Factor Elimination
Last year's enacted Budget authorized for two years, until March 31, 2013, an elimination of the trend factor for health care providers, excluding pediatric nursing homes. Therefore, health care providers will continue to receive no trend factor for SFY 2012-2013, ending March 31, 2013.

Early Intervention (EI)
The Executive proposes to require commercial health insurance carriers to include EI service providers in their networks; to establish a central fiscal intermediary for the EI program; and to reduce the local share of EI program costs.

Cost of Living Adjustment Elimination (COLA)
The Executive proposes to eliminate the 3.6 percent annual human services Cost of Living Adjustment (COLA) and maintain existing rates for programs supported by DOH. A new program would be established in State Fiscal Year (SFY) 2013-14 to provide reimbursement increases that are based on quality indicators and provider costs. Elimination of the COLA would reduce DOH and Office for the Aging expenditures by $11.4 million.

Implementing Federal Health Care Reform
Governor Cuomo's Budget includes a proposed "New York Health Benefit Exchange Act" which would create a new public benefit corporation charged with helping individual New Yorkers and small employers purchase and enroll in qualified health plans. The goal is to secure legislative authorization for the Exchange and position New York for a) level II federal funding to take us through 2014, and b) successful certification of an operational state exchange on 1/1/13.

Tobacco Prevention and Control Program
The Executive proposal would reduce funding for the Tobacco Prevention and Control Program by $5 million which would bring the funding level down to $36.4 million. New York State's Tobacco Control Program is a program that works in communities across the state to reduce smoking by adults and by children. Tobacco use in New York is estimated to cost the state over

$8 billion in health care costs, including $3 billion in Medicare. New York should reinvest more money into Tobacco Control Programs to reach all communities and improve public health.

Require Uniform Data Collection and Reporting of Health Outcomes

Studies have found that people of color have inferior health outcomes, even when you control for income. Reliable data is critical to identifying disparities as to health outcomes based on race and other factors, determining the right strategies to address disparities, and holding institutions accountable for falling short. The state has no clear system of collecting information on disparities and disseminating it to the public in a manner useful to policymakers and the general public. The 2012-13 Executive Budget, following the recommendations of a task force of the Medicaid Redesign Team (MRT), has provided funding for improving the ways the state collects and disseminates data stratified by race, ethnicity, disability status, gender, gender identity and language spoken. These funds should be retained in the final enacted state budget.

Office of Minority Health

The Executive proposal wants to eliminate the Office of Minority Health and use those resources to expand a Local Competitive Grant Program. This office should not be eliminated; it should be strengthened so that more people can get access to health and in the long run, maintain a healthy living status.

Indigent Care Pool

Each year, New York's hospitals receive over $1 billion in funding from New York's Indigent Care Pool (ICP, sometimes called the state "charity care pool") to help pay for the cost of providing health care for uninsured and underinsured New Yorkers. However, due to lack of effective reporting procedures, it is now impossible to know the extent to which ICP funds represent actual care to the people that the ICP was intended to serve. Steps should be taken in the state budget to tie 100% of ICP payments to the provision of services to the uninsured or underinsured.

Improved language access for prescriptions

The Caucus supports the Article VII provision incorporating improved language access protections for pharmacy consumers with Limited English Proficiency (LEP). Offering translation and interpretation of prescription information and warning labels to LEP speakers who use chain or mail order pharmacies should help ensure medication adherence and improve health outcomes for this population.

Primary Care Service Corps Practitioner Loan Repayment Program

The Budget would establish the Primary Care Service Corps Practitioner Loan Repayment Program for non-physician practitioners. Loan repayment awards would be made to these practitioners who agree to practice full-time in an under-served area in New York State, in amounts to be determined by the Commissioner of Health and not to exceed 32,000 per year. This proposal requires an annual state investment of $500,000 ($1 million total investment).

Mental Health Hospital Closures

Kingsboro Psychiatric Center
The Office of Mental Health is looking to close the Kingsboro Psychiatric Center in Brooklyn, New York. Kingsboro Psychiatric Center is the only state-operated inpatient psychiatric center in Brooklyn. Closing it will deny mental health care services to hundreds of seriously mentally ill and persistent mental ill people and their families.

SUNY Downstate Hospital
SUNY Downstate Hospital, which is located in East Flatbush, is looking to eliminate its inpatient service. If these hospitals close, thousands of patients in Brooklyn will have their ongoing treatment disrupted and many will lose access to quality care. Thousands of nurses and other health care workers and mental health professionals may lose their jobs. Closing the Kingsboro Psychiatric Center and SUNY Downstate Hospital will negatively impact on the health, morale and economic stability of Brooklyn.

Aging and Long Term Care

Supportive Housing Development Reinvestment Program

The budget would reinvest funds for supportive housing for vulnerable populations from savings related to inpatient hospital and nursing home bed decertification and/or facility closure, to be allocated annually based on: efficiency and effectiveness of the use of funding for development of accessible housing to support vulnerable people in the community; and other relevant factors relating to the maintenance of existing supportive housing and the development of new supportive housing and associated services.

Assisted Living Reform
DOH intends to make various changes to reflect recommendations of the Affordable Housing Work group, including:

- allow nurses to conduct assessments to determine initial and ongoing clinical eligibility for assisted living program (ALP) services;
- receive additional Medicaid reimbursement for pre-admission assessments;
- expedite enrollment by conducting post-admission audits to ensure appropriate admissions;
- repeal the statute that requires a reduction in nursing home beds to create new ALP beds;
- lift the moratorium on CHHAs to enable ALPs to serve their residents;
- allow ALPs the option to utilize their licensed home care service agency (LHCSA) home health aides to perform all functions within their scope of practice/tasks;
- enable the ALPs to contract with more than one CHHA or long-term home health care program (LTHHCP);

- allow ALPs to access Medicare-covered therapy services from providers other than CHHAs or LTHHCPs;
- improve the ALP survey process; and
- develop a forum to revisit the ALP in one year to evaluate implementation of these reform measures and determine what more change is needed.

Naturally Occurring Retirement Communities (NORCs)

The Executive proposes to reduce funding for the Naturally Occurring Retirement Communities (NORC) program and the Neighborhood NORC program by $460,000 and would discontinue $115,000 in funding for Regional Caregivers Centers of Excellence Program.

EPIC

EPIC will be changing as of January 1, 2012, to provide assistance with prescription drugs only during the coverage gap ("donut hole") phase of Medicare Part D, and only for drugs on their Part D plan formulary with certain narrow exceptions. All EPIC participants will be required to be enrolled in a Medicare Part D plan without exception. There will only be one type of coverage instead of the current two levels; however, the income eligibility will remain $35,000 for single participants and $50,000 for married participants. There will be no registration fees or deductibles for EPIC coverage and no annual limits on co-payments. EPIC will be facilitating enrollment into Medicare Part D until the end of the year for those participants who are not already enrolled in a Part D plan.

Spousal Refusal

The Executive proposes to eliminate "spousal refusal" by prohibiting a spouse or parent from refusing to contribute any available income or assets towards the costs of health care services being provided to a spouse or family member to reduce Medicaid financing of long-term care services. This policy was implemented because Medicaid applicants were getting divorces in order to qualify for coverage.

Family Welfare and Public Assistance

Food Stamps
New Funding for Food Stamp Outreach: The Governor has added $1 million to the Nutrition Outreach and Education Program (NOEP), the state food stamp outreach program, bringing total funding up to $3 million. This funding boost will expand NOEP to every county in the state. Given the amount of hardship New Yorkers are suffering as a result of the poor economy, every effort to improve access to nutritional assistance is a step in the right direction.

Child Care: Low Income Working Families lose Child Care subsidies as Local Social Services Districts Struggle with Reduced Funding:
This year, New York State has less than $70 million to spend for child care than it did in 2009-2010 and $60 million less than it had in 2010-11. Even with the Governor's addition of $93 million in state funding to the New York State Child Care Block Grant (NYSCCBG), the proposed budget reflects an overall reduction in child care funding from over $974 million in 2009-2010 to $904 million in the Executive Budget submitted to the legislature this January. This is because the NYSCCDBG is primarily funded with federal funds - the federal Child Care Development Fund and the Temporary Assistance to Needy Families (TANF) Block Grant, and both of those funding streams have been reduced. Additionally, in fiscal years 2009-2010 and 2010-2011, the State was able to increase the NYSCCBG using federal American Recovery and Reinvestment Act ("ARRA") funds.

Child care faced a particularly huge crisis this year because of Congress's total elimination of the federal TANF Emergency Contingency Fund (ECF). Historically, New York State has transferred a portion of the TANF ECF to the NYSCCBG. As a result of the elimination of the ECF, the TANF transfer into the NYSCCDBG was reduced in the Governor's budget by $93 million. The Governor has restored this significant loss with an equal amount of state funding, which essentially maintains child care at close to the same amount as in last year's budget – an investment we are grateful for.

Under State Law, families with incomes up to 200% of poverty are eligible for financial assistance paying for child care. Families that are not on public assistance pay a family share, or co-payment, as their income increases.

Every dollar invested in child care saves a job for a working parent and creates a job for a child care provider. Further, since all parents share in the cost of child care by making co-payments, this is a cost that is shared by workers and the government. It is a solid investment in job creation. **New York should invest an additional $70 million to bring our child care investment to the 2009-10 levels.**

Public Assistance: Restore the Welfare Grant Increase:

In 2009, the State adopted a modest grant increase, to be phased in over three years, the first increase in the basic allowance in 19 years. The first two steps were enacted, but in 2011, the State failed to implement the final stage. The Executive Budget proposes to further delay the final installment by phasing in half of the third step this year and half next year. If this proposal is adopted, this very limited increase will have taken five years, instead of the intended three, to be fully realized.

The welfare population is overwhelmingly comprised of two main groups: People who had or soon will have employment and need assistance for a relatively short period of time, and people who do not have as firm a connection to the labor market because of a range of serious limitations, such as mental or physical disabilities, limited levels of literacy and educational attainment, or domestic violence. The public assistance grant should afford all of these people the capacity to meet their most basic needs.

Even when fully implemented, the grant will still bring families to an income level that is less than half of the federal poverty level. In Monroe County, the maximum grant for a family of three will rise to 48% of the poverty level. Even with food stamps added in, the household income will fall well under 75% of the poverty level. While this grant theoretically enables them to provide for their essential needs, the reality falls far short. The full grant increase, estimated to cost the State only an additional $6 million, nevertheless will provide a small but very meaningful supplement to poor families.

Non-profit agencies provide a wide range of services to poor New Yorkers, but they are often compelled to devote inordinate time dealing with housing, utility and food emergencies. One undeniable factor in this situation is the inadequacy of the welfare grant. **At a bare minimum, the increase pledged by the legislature and the governor in 2009 must be implemented in the 2012 session.**

Neighborhood Preservation Program

The Governor has proposed eliminating the funding for the Neighborhood Preservation Program. This crucial funding allows us to deliver affordable architectural services to people in need and planning to improve distressed neighborhoods and communities.

This funding has provided for the rehabilitation of hundreds of housing units in throughout the State. This funding pays for housing counseling, tenant advocacy and production of hundreds of affordable housing units statewide.

It is recommended that the State restore funding for Neighborhood Preservation Programs to $8.5 million.

AID TO MUNICIPALITIES, JUSTICE, & LEGAL SERVICES

Criminal Justice Services

New York State prisons remain overcrowded with a disproportionate number of minorities serving sentences as the result of the Rockefeller Drug Laws. The causes for this minority jail population are largely due to difficulty securing adequate representation as counsel and drug prevalence in urban communities.

Incarceration remains a costly and ineffective manner to address chemical dependencies. Many prisons still lack programs that assist inmates in dealing with the addiction that has lead to their incarceration. This situation leads to high rates of recidivism as the inmates are not prepared to deal with their addiction when they are released from prison.

With the recent implementation of alternatives to incarceration programs and drug treatment facilities, non-violent offenders are returning to the community rehabilitated, saving the State substantial costs.

In recent years, Drug Courts have begun to help divert low-level drug offenders away from prisons into rehab programs. These programs ensure that these offenders receive the treatment they desperately need while ensuring they receive appropriate supervision.

THE DEATH PENALTY

Many opponents of the death penalty believe it should not be reinstated on moral grounds, because human life is sacred, because it is racist or because of the risk of killing the innocent. Current law has a maximum sentence of life imprisonment without parole (LWOP) and if nothing is done legislatively, the decision in People v. LaValle will make LWOP our highest punishment for first degree murder.

The death penalty is also inordinately expensive. In the decade that we have allowed capital punishment to divert money and resources from local and state treasuries, conservative estimates are that we have spent more than $170 million to obtain seven death sentences. Assuming that figure to be correct, each death sentence has cost $24 million to achieve. There are many more important uses for the money than to try to kill human beings with it.

Prisons Closures

The Caucus supports the Governor’s efforts to downsize the State’s bloated prison system. Alternatives to incarceration and work release programs have proven to be far more cost effective programs with better recidivism rates.

A State Role in Public Defense Reform

The Caucus continues to support Independent Public Defense Commission overseeing an adequately state-funded, statewide defender system. This year an opportunity for interim reform has been presented. With necessary changes, a proposed office and board housed in the Executive Branch could be a good first step toward the full reform we seek.

Adequately Fund the Public Defense Backup Center of New York State Defenders Association

The mission of the New York State Defenders Association (NYSDA) is to improve the quality and scope of publicly supported legal representation to low income people. NYSDA's 18 staff members work daily to enhance the delivery of public defense services in the state's 62 counties saving the amount those services would otherwise cost localities and protecting the rights of poor people in criminal and adult family court cases. NYSDA lawyers and researchers hourly answer legal questions, train statewide in small, medium, and large-scale programs; respond to county requests for data; and annually assist with well more than 3000 calls for assistance from the public defense community, including immigration-related inquiries. NYSDA's Backup Center also contracts with the State to provide service upon request to nearly 6,000 lawyers in more than 120 county-based programs and to maintain the Public Defense Case Management System (PDCMS) in 44 offices in 33 counties.

To maintain its current program of backup support and to restore its entry level training program for new defenders NYSDA's Public Defense Backup Center requests $2,211,800.

Aid and Incentives to Municipalities (AIM) Program

The Executive Budget for SFY 2012-13 would provide $715 million in AIM for cities, towns and villages, maintaining the same level of funding from the prior year. The Executive is also proposing language to authorize an accelerated payment (spin-up) of $28 million of AIM funding to the City of Rochester.

The Caucus supports the Executive's AIM proposal for cities with the exception of New York City. The Caucus urges the Legislature to restore full AIM funding to New York City ($328 million).

CIVIL LEGAL SERVICES

Unfortunately, the Executive proposal eliminates all legislative moneys previously used to restore and support civil legal services. Furthermore, it allocates no moneys for the continuation of foreclosure prevention services in New York State, which services are essential to addressing the foreclosure crisis that has besieged our state and that continues to destabilize our communities and families.

Providing meaningful access to the courts is crucial. In this time of economic crisis with the greatest impact on low-income households, legal services are even more essential to meet the increasing demand. Civil legal service providers have been facing a crisis for the past few years, confronted with rising demands for their services by at-risk New Yorkers while facing a sharp decline in funding to support these services. The number of people in poverty is rising and as the impact of the economic crisis continues, increasing numbers are seeking legal services. They have lost their jobs, their housing, health benefits, disability assistance and/or their subsistence income among other basic necessities of life. They are in foreclosure or facing wrongful evictions, and without the ability to afford a lawyer they need help. At the best of times, due to insufficient resources, legal services providers are barely able to meet 20% of the legal needs of the poor, and are now having to turn away increasing numbers of eligible low-income New Yorkers seeking their services.

With New York State's high unemployment and increasing poverty rates the prospects for the neediest New Yorker's are dire. African Americans and Hispanics are hit particularly hard. By 2010, the number of people living in poverty rose to 46.2 million and has continued to grow. About one in four African Americans and Hispanics is recorded as living in poverty.

In light of the crushing impact of the financial crisis on the most vulnerable of our state's population, and the exponentially rising demand for these services, it is imperative that civil legal services be funded at a level that will enable our not-for-profit providers to continue to assist low income New Yorkers.

It is also imperative to restore funding for domestic violence legal services programs to help ensure that low-income New Yorkers have the necessary assistance of legal services providers to access justice.

IOLA (The Interest on Lawyer Account Fund)
Volunteer legal services effectively complement the vital work of those lawyers who are employed full-time in providing legal services to the poor; much of this support has come from the IOLA Fund. The Interest on Lawyer Account Fund has played a vital role in providing funding to civil legal services statewide; however, with the decline in the housing market and historically low interest rates over the past several months, this source of funding is seeing a steep decrease in revenue – in December 2008, IOLA made grants totaling over $31 million covering a 15-month period ($24.8 million annualized over 12 months); it may have less than half this amount to distribute for the next funding cycle.

While the Executive Budget eliminates all state funding for civil legal services, the Judiciary budget includes a temporary $15 million appropriation that seeks to avoid an even deeper crisis in civil legal services, by addressing the decimation of the Interest on Lawyers Account (IOLA) Fund. IOLA is the primary state level funding source for civil legal services. Every IOLTA fund in the United States has been impacted by the exceedingly low federal funds rate (currently .25%) that has hovered near zero since December of 2008.

The work performed by legal services programs and funded through IOLA saves New York State millions of dollars a year and is a proven, tested, wise investment that provides a necessary service to the community. To that end, it is essential to support and preserve appropriations for civil legal services and the Interest on Lawyer's Account (IOLA) in this year's Judiciary budget. It is equally important to restore funding for civil legal services to last years level.

Debt and Foreclosure

Another issue of great concern to the caucus is the protection of homeowners. It is no secret that foreclosures are devastating homeowners, our children, families and our neighborhoods, with minority communities experiencing a disproportionate impact. Since the onset of the financial crisis, the Assembly has been a champion of protections for homeowners and of funding for vital foreclosure prevention services to help homeowners retain their homes. In 2008 the Foreclosure Prevention Services Program was launched with the help of legislative appropriations in the amount of $25 million. With the help of renewed funding, over the past few years, this program has developed into a cost-effective network of 120 not-for-profit organizations comprising a complimentary collaboration of housing counselors and legal service lawyers across the State that provide direct foreclosure prevention assistance to distressed homeowners free of charge. Funding for these services expired last year, and despite our best efforts renewed funding is not in the executive budget this year.

The Foreclosure Prevention Program helps avert economic costs to the state and helps save the state money. It is well documented that foreclosures have a devastating impact not just on the homeowners loosing their homes, but also their children, tenants, neighborhoods, court systems and local governments. Many homeowners are unable to access affordable modifications without assistance making it more likely they will either obtain an unaffordable modification or needlessly lose their home to foreclosure.

Restore funding for the Foreclosure Prevention Services Program. New Yorkers need well trained advocates to help them obtain affordable, sustainable modifications and avert unnecessary foreclosures. Without restoration of funding for the FPSP, service providers will soon begin to shut down services across the State, leaving thousands of New York homeowners without the services on which they have come to rely, to say nothing of the hundreds of well-trained advocates whose jobs will be lost.

Without restoration of the $25 million for the Foreclosure Prevention Program, funding for these essential services will disappear, the strong and effective network created over the last three years will fall apart and the vast majority of New York's distressed homeowners will lose access to the housing counseling and legal assistance essential to saving their homes.

RESTORATIONS REQUESTED BY ADVOCATES

Restore funding to the Indigent Parolee Program	$1,600,000
Fund Prisoners' Legal Services of New York	$2,500,000
Fund the Office of Indigent Legal Services	$3,000,000

Women's Issues

The Displaced Homemaker Program (Recommended restoration $2.5 million) provides support services for individuals who have experienced a loss of income due to separation, divorce, disability or death of an income-providing family member.

The Executive Budget for 2012-2013

Adolescent Pregnancy Prevention Programs	$11,259.000
Nutritional for WIC	$27,804,900
Rape Crisis Center	$1,999,000
Osteoporosis Prevention Education	$32,500
Domestic Violence Hotlines	$515,000
Domestic Violence Services	$170,000

The following are being merged: Breast and Cervical Cancer Detection and Education Program Advisory Committee and the Ovarian Cancer Information Advisory Committee to create the Breast, Cervical, and Ovarian Cancer Detection and Education Program Advisory Council.

Medical Assistance Program related to treatment of breast and cervical cancer
$4,300,000

Regional and targeted HIV, STD, hepatits C services	$29,387,600
HIV, STD, and hepatitis C prevention	$32,922,850
HIV health care and support services	$30,975,100
HIV clinical and provider education programs	$2,751,400
Childcare for SUNY/CUNY	$334,000

WORKFORCE INITIATIVES

Minimum Wage (A.9148 Silver/Wright)
In these tough economic times it is imperative to prevent more families from falling into poverty. The caucus supports legislation to raise the minimum wage in New York to $8.50 an hour. This wage will also be indexed annually to adjust for inflation. The legislation will also set wages for food service workers who receive tips at $5.86. This legislation would repair the ladder to success to many working families in New York State struggling to make ends meet.

New York Youth Works Program
As part of a December agreement a new tax credit to encourage businesses to hire disadvantaged youth will take effect this year. A total of $25 million in refundable tax credits will be available to businesses that hire at risk or disadvantaged youths equal to $250 per month for part-time work or $500 per month for full-time work for six months. An additional $500 would be available if a part-time employee is employed for an additional six months, and $1,000 for an additional six months of full time employment. The tax credit program would be administered by the Department of Labor, and apply to tax years 2012 and 2013, with employment beginning before July 1, 2012.

Tier VI Pension System
The Executive Budget proposes the creation of a Tier VI pension system for new employees. Among the changes are increasing employee contributions from 3 percent to 4, 5 or 6 percent depending on salary level; implementing a variable "risk/reward" system under which employee contributions would decrease or increase, within limits, tied to economic conditions; raising the retirement age from 62 to 65 and prohibiting early retirements; decreasing the pension multiplier from 2 percent to 1.67 percent for each year of credited service (e.g. employees with 30 years of service would receive a pension equivalent to 50 percent of final average salary versus 60 percent of final average salary under Tier V); and, excluding overtime and other payments from the formula used to calculate final average salary for pension allowances. This proposal has raised many concerns.

Appropriations to Support the Workforce & Education Initiatives

The Special Session agreement made in December has provided $54 million for the following programs, which will prepare individuals for entry into the workforce:

The Summer Youth Employment Program (Restoration: $25 million) provides summer employment and educational experiences that enable youth to acquire work skills.

Career Pathways (Restoration: $2.5 million) is a workforce development program that uses basic education and occupational training, combined with integrated support services to help participants continue to advance their career.

The Advanced Technology Training and Information Networking (ATTAIN) (Restoration: $2 million) Technology labs are placed in communities where residents have limited access to the Internet, to allow Lab participants to improve their academic skills and their employability.

Childcare Facilitated Enrollment Demonstration Programs (Restoration: $7 million) increase access to child care subsidies through an increase in income eligibility for working families to 275% of the Federal Poverty Level.

The Center for Employment Opportunities (CEO) (Restoration: $1 million) offers comprehensive employment services for people with criminal records, including: short-term paid transitional employment; full-time job placement; and post-placement services.

A Youth Employment Readiness Training Program (New funding: $12 million) will provide a new tax credit for the hiring of at-risk or disadvantaged youths. Funds would support stipends and training activities.

MINORITY AND WOMEN BUSINESS ENTERPRISES

Minority and Women Owned Businesses

Article 15-A of the New York State Executive Law was signed into law on July 19, 1988. Under this statute, State Agencies are charged with establishing employment and business participation goals for minorities and women.

In 2010, Governor Paterson signed into law four ground-breaking pieces of legislation, including legislation that assisted in establishing a level playing field for Minority and Women-Owned Business Enterprises (MWBEs) in New York State.

Upon ascending into office in January 2011, Governor Andrew M. Cuomo has upped the ante by increasing New York State goals for MWBE expenditures from 10% to 20% .

While the Caucus applauds the Governor's efforts, there are still key pieces of legislation that are of particular importance to creating more parity in the arena of business opportunities:

- $3.5 million personal net worth test for MWBE certification and
- the status of the Common Retirement Fund Implementation of Chapter 175 of the Laws 2010

Given New York's demographics, history of leadership in progressive policies and position as the center of the financial world, CRF is well positioned to be the standard bearer for emerging manager programs. CRF should be unmatched in encouraging competition and demanding performance from a wide range of asset managers and other financial service providers.

The Caucus urges the common Retirement Fund to meet its obligation to implement the law through developing regulations and complying with the reporting requirements of Chapter 175 of the Laws of 2010. We also support the $1.6 million Executive appropriation to support the DMWBE.

The Right Choice for New York:
A Fair, Adequate and Economically Sensible Tax System

In December of 2011, the Legislature passed new tax rates that reduce taxes for all New Yorkers. This new tax code has brought a more progressive approach to the state budget by having the extremely wealthy pay more of their fair share. This new tax code also provided the state with and additional $1.9 billion dollars in revenue. Personal Income Tax rates for married taxpayers with taxable incomes between:

- $40,000-$150,000 have been decreased from 6.85% to 6.45%.
- $150,000-$300,000 have seen their tax rates decline from 6.85% to 6.65%.
- $300,000-$2 million have seen their tax rate go from 7.85% to 6.65%
- Those making more then $2 million had their 2012 tax rates go from 8.97% to 8.82% (this is actually a tax increase as the temporary tax on high income earners was set to expire this March)

The Caucus has been a vocal advocate for this type of legislation for many years and we applaud the governor and legislature for this accomplishment. This is a great first step, the caucus supports creating a more progressive tax code.

A Blueprint for Corporate Tax Fairness

New York could raise needed revenue and restore fairness to the tax code by reforming our state corporate tax structure and closing a variety of corporate tax loopholes to make sure small business and big business play by the same rules, and that higher profits are taxed at reasonably higher rates.

Last year's effort to make the PIT more progressive and more fair should continue in 2012 by reforming corporate taxes to close loopholes, end costly and ineffective tax subsidies, fix shortcomings that unnecessarily reduce tax collections and limit resources needed to maintain and invest in the infrastructure, services and educated workforce that foster long-term economic growth.

- REFORM PRINCIPLES: ENFORCEMENT, FAIRNESS AND TRANSPARENCY
- TARGETS: CORPORATE TAX EVADERS, REAL ESTATE PARTNERSHIP ABUSES AND HEDGE FUNDS INCOME TREATMENT
- METHODS: TOUGH AUDITS, REASONABLE MINIMUM TAX FOR BIG BUSINESS, ELIMINATE HEDGE FUND SUBSIDIES AND MANDATORY TAX REPORTING FOR PUBLIC COMPANIES

A simple, targeted corporate tax reform effort would provide over $1 billion in revenue for this year's state budget, and provide a start for the Tax Reform and Fairness Commission to continue reforms.

Tax Reform and Fairness Commission

In a press release that was issued by the three leaders after the December tax law changes were enacted, it was announced that they had agreed to the creation of a Tax Reform and Fairness Commission. The release stated that, "The Governor is also establishing a commission to examine a comprehensive overhaul of the state's entire tax code that will make it simpler and fairer for all taxpayers and to create economic growth in the state."

In a later section of that press release, which provides additional detail on the agreed-upon "Fair Tax Code Reform," it is noted that "Through an executive order, the Governor **has created** the New York State Tax Reform and Fairness Commission to address long term changes to the tax system and create economic growth. The commission will have thirteen members, including four recommended by the Senate and Assembly majority leaders and two recommended by the Senate and Assembly minority leaders. The Chair of the Commission will be appointed by the Governor. All members are required to have expertise in the tax field and will receive no compensation. The Commission will conduct a comprehensive and objective review of the State's taxation policy, including corporate, sales and personal income taxation and **make revenue-neutral policy recommendations** to improve the current tax system. In its review, the Commission will consider ways to eliminate tax loopholes, promote administration efficiency and enhance tax collection and enforcement."

The Governor intends to continue efforts that began at the end of 2011 to reform the state tax code to boost job creation and improve fairness. Governor Cuomo announced the creation of the Tax Reform and Fairness Commission to propose additional, long-term changes to corporate, sales, and personal income tax systems, and to find ways to close tax loopholes, promote efficiency in administration, improve New York's business climate, and enhance collection as well as enforcement.

In the published version of the State of the State message the Governor, in relation to the **Establish(ment of) a Tax Reform and Fairness Commission**, said, "Our recent reforms to the state's tax code will boost job creation and restore fairness to the tax system. While these reforms were huge steps forward, there is more work to be done to create a complete fair tax plan. That is why I am creating a Tax Reform and Fairness Commission to propose additional, long-term changes to our corporate, sales, and personal income tax systems. We will find ways to close tax loopholes, promote efficiency in administration, enhance collection and enforcement, and simplify the tax code to improve New York's business climate, especially for small businesses."

The Caucus recommends that property taxes be included under the pervue of the Commission. We cannot continue to look at taxes in a silo. No residents pay just sales and income taxes and no corporations pay just corporate taxes. If we are to fairly examine our tax structure we must look at it in its entirety.

Right now, according to an analysis from the Fiscal Policy Institute, we know that over 675,000 New Yorkers, with incomes under $100,000 per year, are paying over 10% of their income in property taxes. We also know that about a third of those same tax payers are paying more than 20% of their income in property taxes. To not include property taxes in the Commission's purvue would be a disservice to the tax payers of New York State.

The charts below illustrate the need to include all state and local taxes when trying to determine tax burdens and issues of fairness within our current tax structure.

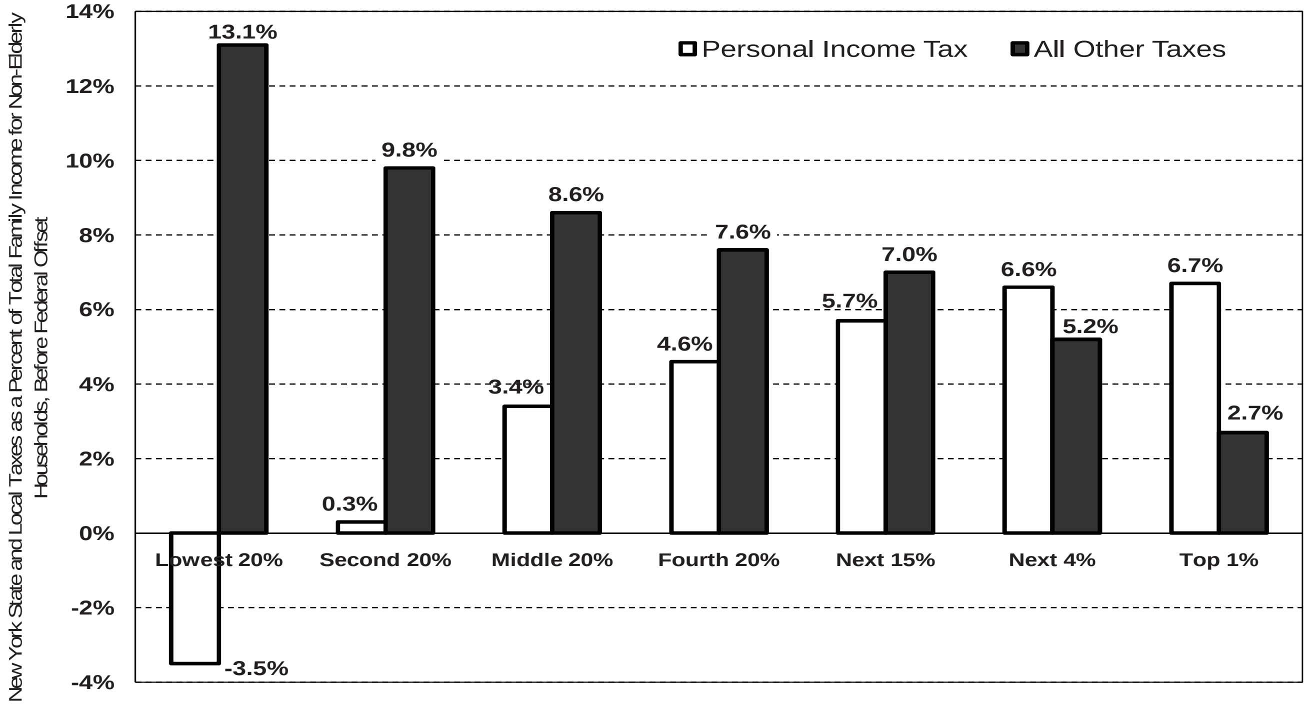
3. New York State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers

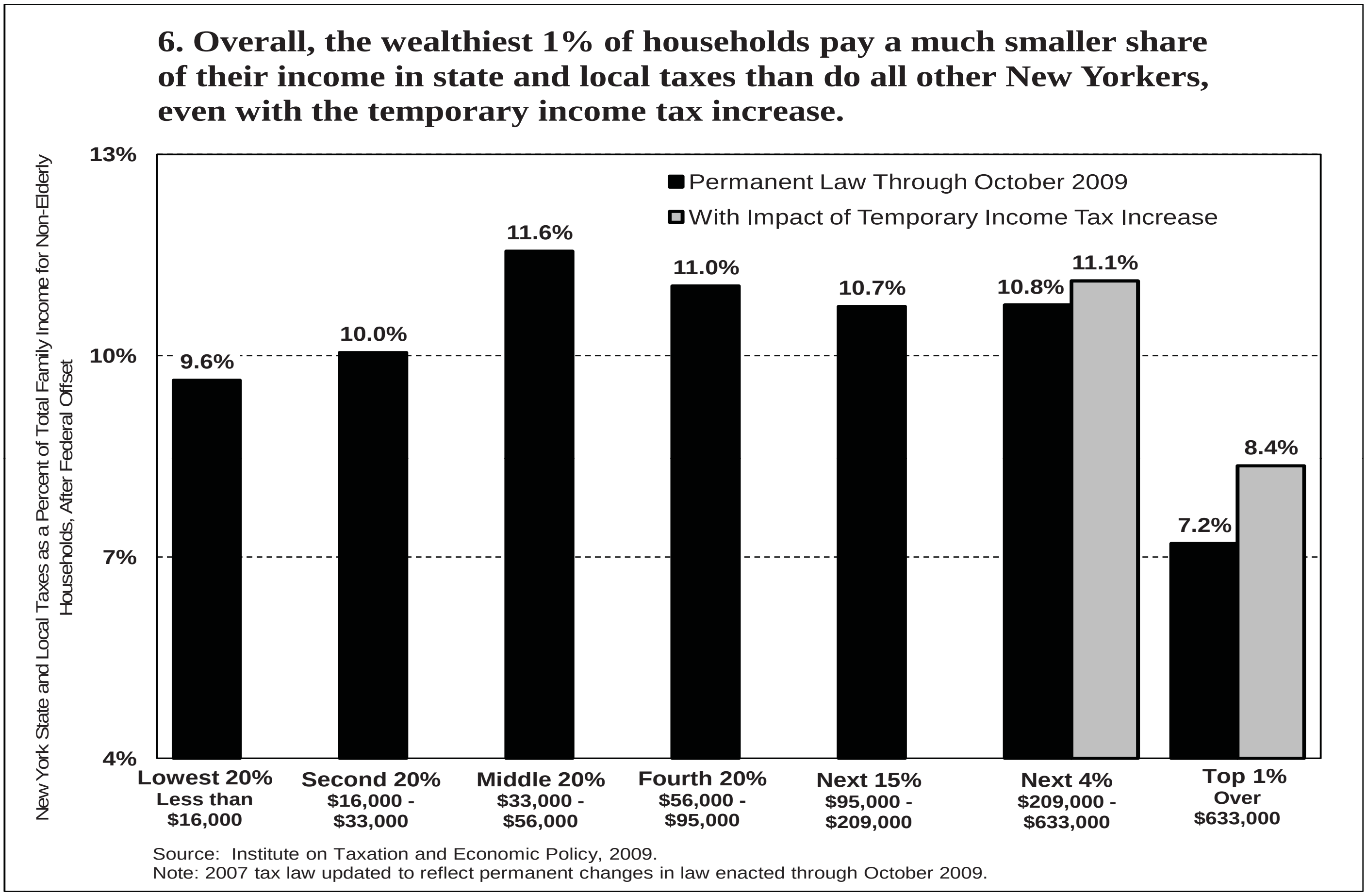
Income group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income range	**Less than $16,000**	**$16,000 - $33,000**	**$33,000 - $56,000**	**$56,000 - $95,000**	**$95,000 - $209,000**	**$209,000 - $633,000**	**$633,000 or more**
Average income in group	**$9,600**	**$24,400**	**$43,800**	**$73,100**	**$133,000**	**$338,100**	**$3,065,800**
Sales & excise taxes	**7.3%**	**6.0%**	**4.7%**	**3.7%**	**2.8%**	**1.7%**	**0.9%**
General sales - iIndividuals	3.6%	3.3%	2.8%	2.3%	1.8%	1.1%	0.6%
Other sales & excise - ind.	1.5%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & excise on business	2.2%	1.8%	1.4%	1.0%	0.7%	0.4%	0.2%
Property taxes	**5.8%**	**3.8%**	**3.9%**	**3.8%**	**4.1%**	**3.3%**	**1.5%**
Property taxes on families	5.3%	3.3%	3.4%	3.4%	3.6%	2.6%	0.6%
Other property taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	0.9%
Income taxes	**-3.5%**	**0.3%**	**3.4%**	**4.7%**	**5.8%**	**6.8%**	**7.0%**
Personal Income Tax	-3.5%	0.3%	3.4%	4.6%	5.7%	6.6%	6.7%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
TOTAL TAXES	**9.6%**	**10.1%**	**12.0%**	**12.2%**	**12.7%**	**11.8%**	**9.4%**
Federal Deduction Offset	-0.0%	-0.1%	-0.5%	-1.1%	-1.9%	-1.1%	-2.2%
TOTAL AFTER OFFSET	**9.6%**	**10.0%**	**11.6%**	**11.0%**	**10.7%**	**10.8%**	**7.2%**

Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

4. New York's income tax is progressive, but not progressive enough to balance out the regressivity of the rest of the state-local tax system.



Source: Institute on Taxation and Economic Policy, 2009. Note: 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

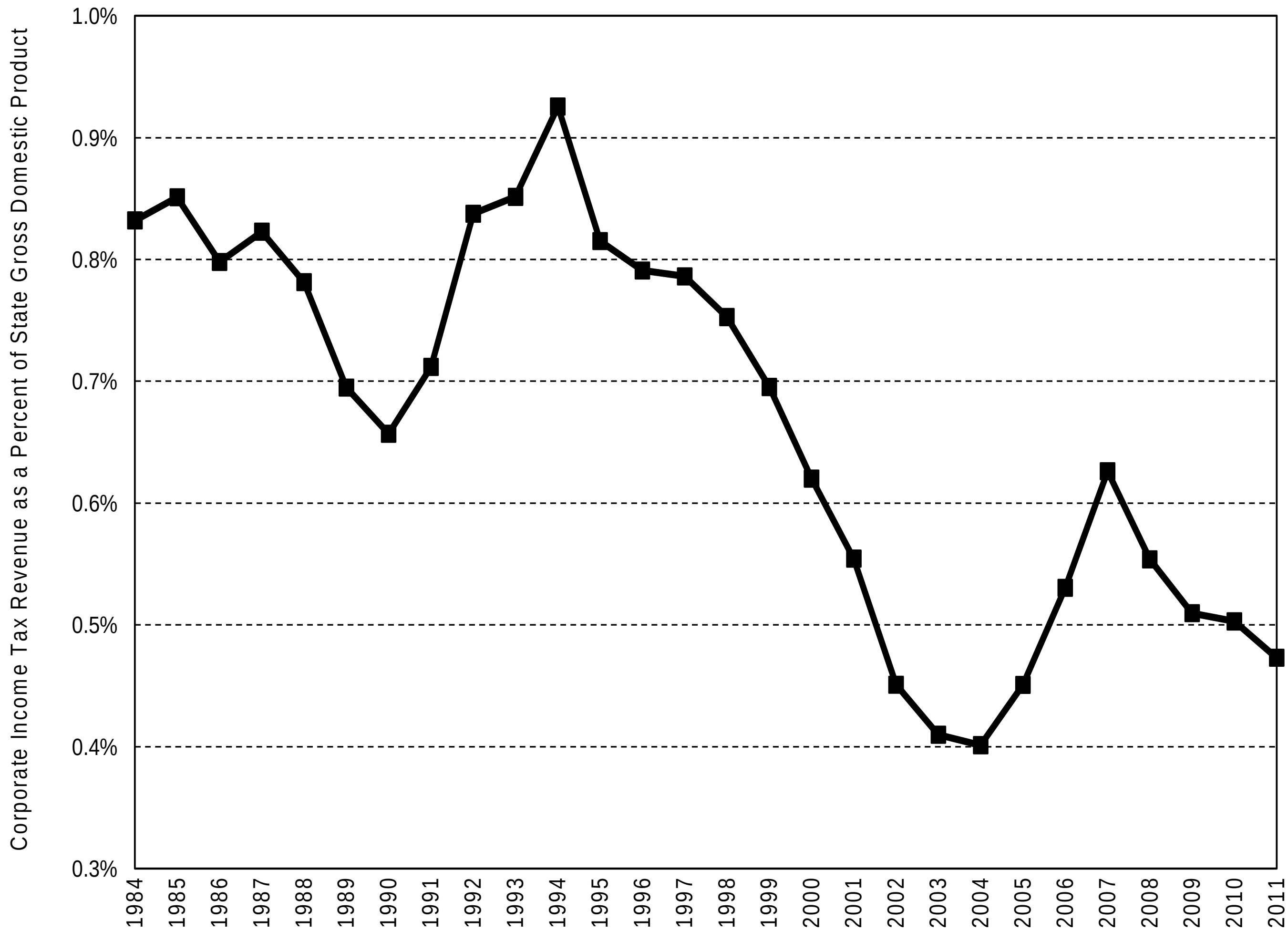


It is recommended that the Commission not be bound to make "revenue neutral" decisions. If the Commission is to operate properly it should not be bound by politically motivated and predetermined outcomes.

The Need for Corporate Tax Reform:

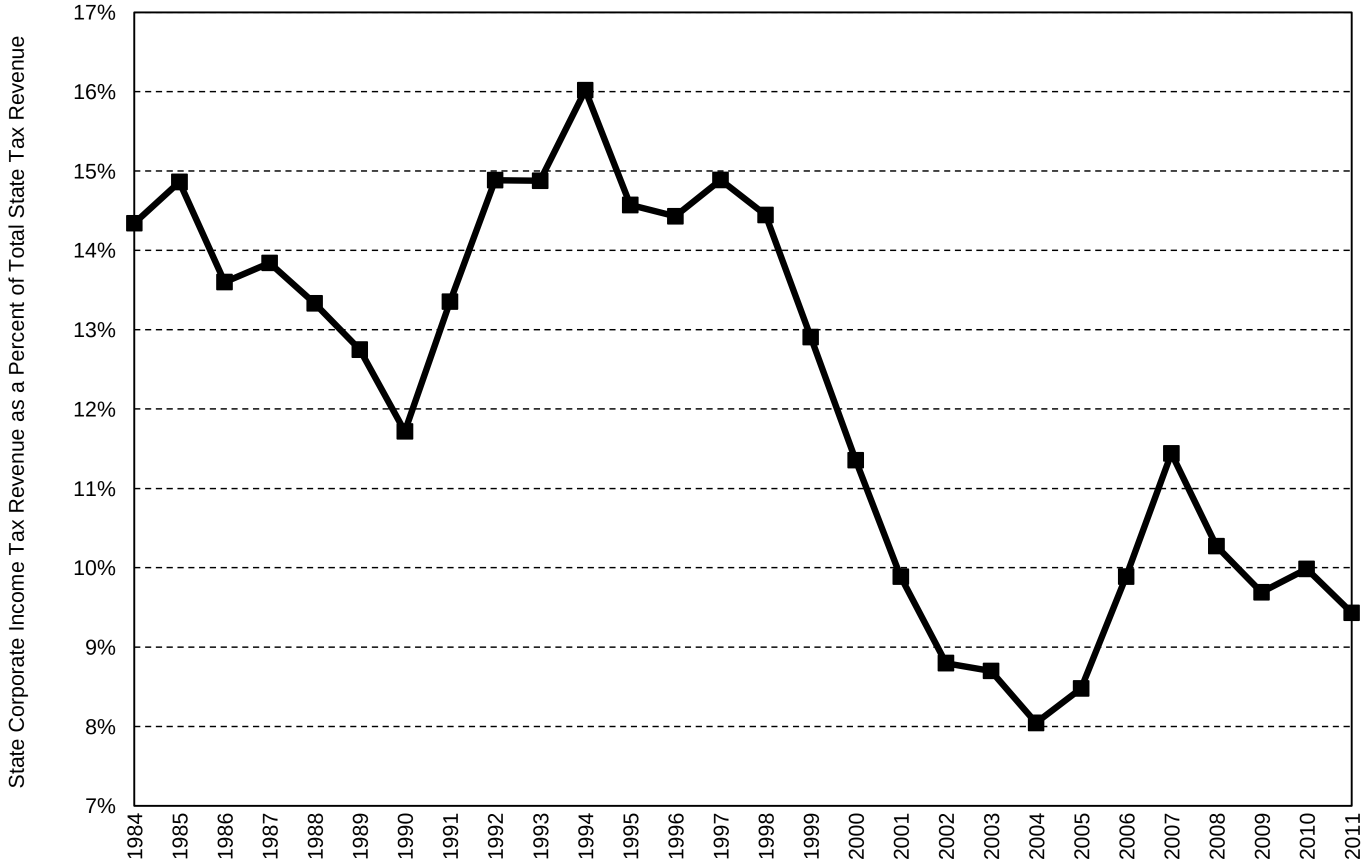
Prior to the development of the tax commission we can take steps to immediately close some loopholes, create tax fairness and enforce our current tax laws adequately. The charts below from the Fiscal Policy Institute show how corporate taxes have fallen relative to the size of the state's economy and as a share of the state's total tax revenue.

New York's corporate income tax revenues have fallen substantially relative to the size of the economy.



Source: New York State Department of Taxation and Finance; U.S. Bureau of Economic Analysis (NYS GDP data).

New York's corporate income tax revenues have declined as a share of total state tax revenues.



Source: New York State Department of Taxation and Finance; U.S. Bureau of Economic Analysis (NYS GDP data).

Enforcement
Require Real Estate Partnerships To Pay The Taxes They Owe

New York must undertake a new intensive review of the tax returns of investors in real estate partnerships to ensure compliance with tax laws. In an examination of just one year's tax returns (2005), a former special agent for the IRS estimated that real estate investors underpaid $5 billion in taxes to the federal government and **$385 million** to New York State.

Underreporting or misreporting of capital gains from real estate investments is the main cause of tax underpayments. New York could recover as much as $1 billion from prior-year audits, with annual revenues thereafter well over $100 million. The state of Pennsylvania recently discovered over $700 million in unreported gains and then made sure that the investors in Real Estate Partnerships paid the proper taxes on those overall gains.

<u>Fairness</u>
Reform New York's Corporate Alternate Minimum Tax (AMT)

Several significant loopholes that favor multi-state corporations were added to New York's Corporate AMT beginning in 1994 and the AMT rate was cut from 3.5% to 2.5% in 1999 and then to 1.5% in 2005 for non-manufacturers and most recently .75% for manufacturers (manufacturers rate was recently changed in the tax refrom package of December 2011).

These changes should be repealed or the AMT should be replaced with a variation of the Alternative Minimum Assessment (AMA) adopted by New Jersey in 2002. To ensure that such an assessment would *not* hurt small business, it should only be applied to businesses with annual gross profits of $5 million or more. We need to level the playing field between large and small businesses by making sure that large multinational corporations pay a minumum corporate income tax in NYS. NYS should increase the Corporate AMT to where it was a decade ago (3.5%) which would generate hundreds of millions in additional revenue.

Tax Nonresident Hedge Fund Management Fees

In his 2010 Executive Budget proposal, Governor Paterson proposed to "expand the nonresident personal income tax to include income received from hedge fund management fees."

As the Governor's proposal explained, "Currently, only a small portion of such income is taxed as compensation, with the remainder deemed tax-free capital gains. This proposal would result in equal treatment of this income for residents and nonresidents." This proposal would generate $50 million in additional revenue.

Eliminate the Carried Interest Exemption Under New York City's Unincorporated Business Tax

The State Legislature should eliminate the carried interest exemption loophole in the New York City Unincorporated Business Tax, to put the taxation of private equity and hedge funds on the same footing as that of thousands of smaller businesses.

Right now, the UIB taxes fees received by managing partners in private equity and hedge funds but actually exempts profits from taxation. "Carried interest" is the technical industry term for the profit share received by managing partners (usually 20 percent of pooled investment profits) in hedge funds – anyone else would call it corporate profits.

The New York City Independent Budget Office estimated that eliminating the carried interest exemption for the Unincorporated Business Tax would yield $200 million a year for New York City. This reform was recently supported by Mayor Bloomberg at the federal level.

Transparency

Crackdown on Schemes that Create "Nowhere Income"

Multi-state corporations pay no taxes on profits attributable to sales made in states in which they do not have a physical presence. To address this situation, 25 of the 44 states with corporate income taxes, including California, Utah and West Virginia have "throw-back" or "throw-out" rules to limit this drain on state revenues.

In contrast, New York actually went backwards on this issue in 2005, instituting a wasteful “Single Sales Factor” method for apportioning multi-state corporate profits that actually increase “nowhere income” and opportunities to evade taxes. It’s time to institute reforms that have worked for other states.

Require Public Disclosure of Corporate Tax Payments for Publicly-Traded Companies

This proposal is revenue neutral, but disclosure and transparency measures are a good addition to any corporate tax reform package. We urge the State to adopt corporate tax disclosure for publicly traded firms subject to taxation under 9-A and 32 and any successor taxes. We need to know how much our state’s corporations are actually paying in taxes in order to determine if it is too much or too little. Simply taking their word for it is simply not good enough.