



Legislative Update April 2011

On March 28, 2011, the 2011/ 2012 NYS Budget was enacted. The approximately \$132.5 billion budget will reduce spending overall by over 2 percent from the current year, eliminate 3,700 prison beds, establish regional economic development councils, bring performance funding to education, redesign Medicaid, and cap next year's education and Medicaid spending. The budget reaches its financial goals with no new taxes and no borrowing, and will also cut next year's projected budget deficit from \$15 billion to about \$2 billion.

The 2011-2012 budget agreement includes a redesigning of Medicaid and recalibrating the cost of state government, in part, by merging and consolidating agencies as well as curbing spending growth to sustainable and affordable levels.

Policy reforms in the 2011-2012 Budget include:

■ **Creating Regional Economic Development Councils:** The budget establishes 10 Regional Economic Development Councils, chaired by Lieutenant Governor Robert Duffy. These councils will create a region-based approach to allocate economic development funds to speed up the creation of jobs. They will act as one-stop shop for all State-supported economic development and business assistance programs in each region, and will be supported with \$130 million in capital that is reprogrammed from existing resources.

■ **Creating the Recharge NY Power Program:** Recharge New York will enhance and make permanent the current Power for Jobs Program that will significantly boost the state's economy by creating and maintaining hundreds of thousands of jobs. Recharge New York will improve upon the existing program by opening it to new participants and allocating a blend of stable, low-cost hydropower and market power for use by businesses that seek to grow and create jobs in New York state.

■ **Improving the Excelsior Jobs Program:** As proposed in the executive budget, the budget strengthens the Excelsior Jobs Program, which was created in 2010 to provide job creation and investment tax credit incentives to businesses in targeted industries.

■ **Changing Permanent Law and Provides 2-Year Appropriations and Caps for Education and Medicaid:** Education will be increased at a rate of personal income growth next year – roughly 4 percent. Medicaid will be increased at a rate tied to healthcare CPI which is roughly 4 percent.

■ **Creating New Education Performance and Efficiency Grants:** The budget enacts proposals to make districts more efficient and improve student performance. Funds totaling \$500 million will be awarded competitively to districts that demonstrate significant improvements in student performance and to districts that undertake long term structural changes to reduce costs and improve efficiency. The budget also restores \$270 million in education related funding.

■ **Redesigning the Medicaid System:** The budget includes a global cap on State Medicaid expenditures of approximately \$15 billion and implementation of the majority of recommendations by the Medicaid Redesign Team (MRT) to redesign and restructure the Medicaid program to be more efficient and get better results for patients. There are reallocations within the MRT cap that reduce some areas while targeting increases to others. Among the notable changes: the cap on medical malpractice is not included and EPIC is increased by \$22 million. The MRT reduction of \$2.8 billion and the overall spending cap to the state will be enforced by the Department of Health’s “superpower” provision, whereby the commissioner has authority to make reductions during the year to enforce the cap.

■ **Authorizing the SAGE Commission:** The budget authorizes Governor Cuomo’s Spending and Government Efficiency (SAGE) Commission to reduce the number of agencies, authorities, and commissions by 20 percent. Currently, the consolidation of Parole and Corrections will save \$16.8 million, the merging of NYSTAR into Department of Economic Development will save \$1.9 million, and the merging of Consumer Protection into the Department of State will save \$500,000.

■ **Creating the Department of Financial Services:** The budget merges the state’s Banking and Insurance Departments into a new Department of Financial Services.

■ **UB 2020:** The Governor has also agreed to hold a summit with stakeholders to discuss how to make UB 2020 a reality.

■ **Authorizing Governor to Close Prisons:** The state will eliminate 3,700 prison beds throughout New York at the sole discretion of the administration in consultation with the Legislature.

Absent from the Budget was any change to the WICK’S Law, which currently requires separate contracts on public works projects in excess of \$500,000

upstate, \$1.5 million for Westchester and LI, and \$3 million in NYC. The Governor appears to be taking a different tact, and will likely tie “mandate relief” to the hot issue of a property tax cap. The Governor’s property tax cap legislation, effectively capping taxes at a maximum 2% growth rate, has already passed the Senate with bi-partisan support in January.

In March, the Governor’s Mandate Relief Redesign Team released its report. Among the many recommendations, the MRRT sited changes to WICK’S with regard to promotion of PLA’s. Elimination of the “study” requirement, and creation of regional PLA templates were suggested. You can view the report at: <http://www.governor.ny.gov/assets/documents/finalmandate.pdf> Scroll to page 15 for WICK’S recommendations.

The Budget provided much needed relief to closed self-insurance trusts. PART G of the Budget eliminates Workers Comp Board assessments (other than Section 50-5 assessments) on inactive self-insured groups effective January 1, 2011. While we fought very hard for this legislation, we were disappointed that the effective date was not made retroactive to January 1, 2010. Section 50-5 assessments are the subject of the Association’s ongoing Constitutional law suit. The case is currently being adjudicated at the NYS Appellate Division, after our victory at the trial court level.

Part G also sets new standards for continuance of group self-insured trusts, including standards by which full funding will be determined; and standards around security deposits on behalf of the members of the group trust.

A list of significant bills currently being monitored by the Association’s Legislative Counsel can be accessed at www.nysaec.org

* * * * *