

## **NYSUT's Preliminary Analysis of the Governor's 2017-18 Proposed Executive Budget**

Pursuant to the State Constitution, this week Governor Andrew Cuomo released his 2017-18 Executive Budget proposal which totals \$152.3 billion. The following is a preliminary analysis of the Executive Budget submission. NYSUT's legislative staff is still in the process of analyzing the budget and further details will be forthcoming.

### **PK-12**

#### **School Aid**

The 2017-18 Executive Budget proposal allocates \$25.6 billion in funding for education. This represents an increase of \$1 billion, or approximately four percent over the \$24.6 billion allocated in the 2016-17 final Enacted Budget. This year's Executive Budget proposal includes a \$428 million increase in Foundation Aid, \$50 million of which is set aside to transform additional high-need schools into community schools with wrap-around social services.

The school aid is allocated as follows:

- \$427 million in Foundation Aid or 2.6 percent;
- \$333 million in expense based aid, which includes BOCES;
- \$150 million for the creation of community schools; and
- \$89 million in other programs (*e.g.*, after-school programs, expansion of pre-K).

Of the community schools' money, only \$50 million is new money, while \$100 million is continued from 2016-17. Even with this significant school aid proposal, schools are still owed more than \$3.9 billion.

More school aid is needed in the enacted budget, however, to support existing services, especially with a tax cap well below two percent.

There are two areas of major concern contained within the Executive Budget proposal. First, the governor proposes to eliminate the calculation of Foundation Aid going forward thereby eliminating the claim on the \$4.3 billion in Foundation Aid still owed to our schools. Second, and very worrisome, is the attempted legalization of the impoundment of funds (which includes school aid) if revenue falls below projections in the state's financial plan. This action could be taken by the Director of the Division of the Budget, without consultation or approval of the Legislature, at any time.

## **Millionaires' Tax**

The Executive Budget extends the tax on the state's highest earners. This will generate approximately \$4 billion over two years.

## **Receivership and Community Schools**

The Executive Budget requires school districts to set aside \$150 million for community school conversion from Foundation Aid, an increase of \$50 million, for districts with struggling schools or with significant English Language Learner (ELL). These funds continue to be allocated via a formula to all eligible school districts. Rural and small districts are allowed to receive a minimum of \$150,000. In addition, the \$75 million that was included in last year's enacted budget to convert struggling schools into community schools was eliminated.

Community schools will now be able to use these funds to provide needed services to ELLs, in addition to other authorized support services.

## **Charter Schools**

In New York City, the charter school tuition formula is unfrozen and increased and the calculation of rental aid for charter schools is increased to 30 percent, up from 20 percent. Outside NYC, the charter school tuition formula remains frozen and no building aid is provided to charter schools.

In addition, the Executive Budget provides a separate funding increase of \$6 million called "Charter School Transitional Aid" for all charter schools. This additional funding is paid by the state, not by public school districts and is paid on a one-year lag.

In New York City, the Executive Budget also requires: a charter's entire planned grade configuration – elementary, middle or high school, to be located within a single building, including grade levels not yet in operation at the time of offering; charter payments to include lease payments, maintenance, capital improvement and any other costs associated with the rental expenses of such facility; and removes the regional restriction on the number of charter schools permitted, but maintains the existing statewide cap of 460.

## **After-School Programs**

The Executive Budget proposal adds \$35 million to create 22,000 new after-school slots in sixteen high-needs districts.

## **Special Education "Mandate Relief"**

The Executive Budget would again allow districts, BOCES, approved special education providers and private schools the ability to petition the State Education Department for flexibility in complying with certain special education requirements - raising significant concerns about the potential erosion of services to students with disabilities.

## **4201 Schools**

After seeing increases in the last two years, funding for these schools remains flat at \$100.8 million.

## **Minimum Wage Assistance for 4201, 4410, Special Act and 853 Schools**

The Executive Budget provides \$6.2 million for increased salaries for staff in 4201, 4410, Special Act and 853 schools who are covered by the increased minimum wage enacted in 2016, and \$225 million to cover similar cost increases for health care workers.

## **Teacher Programs**

The Executive Budget would completely eliminate funding for Teacher Centers (a cut of \$14.3M) and provides funding for the following programs as follows:

- Mentor/Intern program - \$2 million;
- National Board Certification program - \$368,000; and
- Teachers of Tomorrow - \$25 million.

## **Master Teacher Program**

The Executive Budget proposes an additional \$2 million to add 115 teachers to the Master Teacher Program.

## **Expanding the Definition of Text Book**

The governor proposes to expand the definition of text books, to allow high-quality professional development materials to also be purchased.

## **Early College High Schools**

Early College High School programs will be expanded with a proposed \$5 million allocation in the Executive Budget. These programs target the skills students will need for advanced STEM careers. Students entering this program receive both a high school diploma and an Associate's Degree, at no cost to the student or their family.

## **Mayoral Control**

The Executive Budget would extend mayoral control of New York City's public schools for three years.

## **Specialized High Schools**

The Executive Budget puts forth language to require the New York City Chancellor to provide notice to eighth grade students who have scored "advanced" on either their English Language Arts or Math assessment, about opportunities to apply for admission to specialized high schools.

### **Pre-Kindergarten Expansion**

The Executive Budget proposes an increase of \$5 million to expand pre-kindergarten to three and four-year-olds. The Executive Budget also proposes standardizing different pre-K programs into a single format.

### **Tax Cap**

The Executive Budget does not appear to address the property tax cap. For the 2017-18 school year, the tax levy limit is projected to be a mere 1.26 percent, only generating \$200 million statewide. Eliminating and amending the tax cap continues to be a high priority for NYSUT.

### **Recovery High Schools**

The governor proposes the establishment of two BOCES-run high schools to serve and educate children with substance abuse issues.

### **State Education Department Inspector General**

The Executive Budget proposes the creation of a new Inspector General to specifically oversee the State Education Department. This Inspector General would be appointed for a term of five years by mutual consent of the Senate and Assembly.

### **Contract for Excellence**

The Executive Budget continues the Contract for Excellence unless all schools in the district are identified to be in good standing.

### **Non-public School Aid Increase**

The Executive Budget would increase funding to non-public schools by over three percent or \$6 million.

## **HIGHER EDUCATION**

### **SUNY State-Operated Campuses**

The 2017-18 Executive Budget proposal provides \$726 million for SUNY state-operated campuses - the same level of funding that was provided in the 2016-17 Enacted State Budget. SUNY was given the authority to spend \$69.5 million in tuition revenue.

### **SUNY Capital Funding**

The Executive Budget provides \$550 million for state-operated campuses and allocates \$53 million in funding for SUNY Community Colleges.

## **SUNY Community College Base Aid**

The Executive Budget maintains base aid per FTE student at last year's level. However, the overall base aid amount is reduced by \$21.7 million due to a reduction in enrollment. Rental aid for leased space is maintained at last year's level for a total of \$11.6 million. Graduate Achievement and Placement program (GAP) funding, which was \$1.5 million last year, is completely eliminated in this year's proposal.

Funding for high-need programs (\$1.69 million), contract courses (\$1.88 million) and low enrollment colleges (\$940,000) are maintained at last year's levels. Funding for child care centers was reduced by \$1.1 million for a total of \$1 million. The Executive Budget provides \$3 million in funding for the SUNY Apprenticeship Program.

## **Educational Opportunity Program (EOP)**

The Executive Budget eliminates the \$5.3 million legislative add from last year and provides funding of \$26.8 million.

## **Educational Opportunity Centers (EOC) and ATTAIN Labs**

Funding for these programs is reduced by \$7 million for a total of \$55 million.

## **SUNY Veterans' Homes - Article VII Proposal**

This language authorizes the SUNY Chancellor to certify and approve the disbursement of funds for the veterans' homes operated by SUNY rather than the State Education Department.

## **Life Sciences Tax Credits - Article VII Proposal**

These provisions would provide tax credits to companies in the fields of biotechnology, pharmaceutical, biomedical technology, life system technology, health informatics, health robotics or biomedical devices as well as organizations and institutions that devote a majority of their efforts to the various stages of research, development, technology transfer and commercialization related to life sciences.

## **SUNY Hospitals**

The Executive Budget provides \$69 million to SUNY hospitals which represents a cut of \$18.6 million.

## **Health Care Facility Transformation - Article VII Proposal**

The Executive Budget creates another Health Care Facility Transformation fund in the amount of \$500 million. Entities receiving funds from the Brooklyn or Oneida Health Care Transformation fund are ineligible for this revenue. Of this funding, \$50 million is set aside for Montefiore Medical Center, and \$30 million for community based care.

## **NYSUNY 2020**

The Executive Budget extends SUNY 2020 for five years and allows SUNY to increase the resident undergraduate rate by \$250. The authorization to increase tuition expires in 2022. The language does not reauthorize the Maintenance of Effort provisions. The language states that revenue generated from a tuition increase must be used to support investments in faculty, instruction, initiatives to improve student success, on time completion and a tuition credit for eligible students. This reauthorization will generate \$69.5 million.

### **SUNY Performance Based Funding**

The Executive Budget continues to set aside \$18 million in state aid for institutions to be allocated to state-operated campuses per an approved plan of the Board of Trustees. The budget language does not specify what it is to be used for; we believe it is SUNY's intent to use this funding for performance based initiatives.

### **CUNY Senior College State Funding**

Under the Executive Budget proposal, funding for these campuses remains flat at \$543 million. However, an additional \$41.3 million is authorized through a proposed \$250 tuition increase. The State Financial Plan notes, "the expected sale of certain CUNY capital assets will result in available resources to partially offset state support for CUNY."

### **CUNY Capital Funding**

The Executive Budget provides \$284 million for CUNY Senior Colleges and provides \$80.3 million for CUNY Community Colleges.

## **NYCUNY 2020**

The Executive Budget extends CUNY 2020 for five years and allows CUNY to increase the resident undergraduate tuition rate by \$250. The authorization to increase tuition expires in 2022. The language does not reauthorize the Maintenance of Effort provisions. The language further states that revenue generated from a tuition increase must be used to support investments in faculty, instruction, initiatives to improve student success, on time completion and a tuition credit for eligible students. This reauthorization is expected to generate \$41.3.

### **CUNY Performance Funding**

The Executive Budget continues to set-aside \$12 million in state aid to institutions to be allocated to state-operated campuses per an approved plan of the Board of Trustees. The budget language does not specify what it is to be used for and we believe it is CUNY's intent to use this funding for performance based initiatives.

### **CUNY Community College Base Aid**

The Executive Budget maintains base aid per FTE student at last year's level. However, the overall base aid amount is increased by \$7.7 million due to greater FTE enrollment. Rental aid for leased

space is maintained at last year's funding level of \$8.9 million. Funding for contract courses/workforce development is maintained at last year's level of \$1.9 million. Funding for the ASAP program is eliminated in the Executive Budget proposal. Funding for child care centers is reduced by \$902,000 for a total of \$813,000.

### **CUNY Foundation Funds - Article VII Proposal**

The Executive Budget includes language to allow the CUNY Board of Trustees to collect funds from affiliated organizations and foundations in an amount equal to 10 percent of their revenue for tuition assistance for students in need. The transfer of funds would begin in 2017 and continue every year thereafter.

### **Search for Education, Elevation and Knowledge (SEEK)**

The Executive Budget eliminates funding for the SEEK program.

### **Joseph Murphy Institute**

Funding for this program was reduced by \$1.1 million for a total of \$500,000.

### **Tuition Assistance Program (TAP)**

The Executive Budget provides an increase of \$51 million for a total of \$1.09 billion. This funding includes the Excelsior Scholarship program and the DREAM Act.

### **Tuition Assistance to Part-time Students**

Funding for this program is maintained at last year's level of \$14.4 million.

### **BUNDY Aid**

Funding for BUNDY Aid is maintained by \$35 million.

### **Higher Education Opportunity Programs**

The Executive Budget reduces funding for HEOP by \$5.9 million for a total of \$29.6 million.

### **Liberty Partnership Program**

The Executive Budget reduces funding for this program by \$3 million for a total of \$15.3 million.

### **STEP**

STEP funding is reduced by \$2.6 million for a total of \$13.1 million.

## **Capping Tuition and Fee Increases**

The Executive Budget includes language to limit annual tuition and fee increases to \$500 or the three year average of HEPI (Higher Education Price Index), whichever is greater. If an entity exceeds this threshold, newly enrolled students would be disqualified from receiving TAP.

## **Excelsior Scholarship Program**

The Executive Budget creates the Excelsior Scholarship program to provide middle class New Yorkers with access to SUNY and CUNY. The awards will be given to full-time students attending a SUNY/CUNY institution and are capped at two years for students attending a community college, four years for undergraduates or five years if the undergraduate program requires five years to be completed. The program will be phased in over three years and will be accessible to individuals with a maximum income of \$100,000 for 2017, rising to \$125,000 when fully implemented in 2019. Funding from the scholarship would be applied after financial aid. Students already holding undergraduate and Associate Degrees are excluded from this program.

## **DREAM ACT**

The Executive Budget includes the DREAM Act that will provide undocumented immigrant students with access to state financial assistance to help cover tuition costs for higher education.

## **Licensure and Regulation of Student Loan Servicers**

The Executive Budget includes language to authorize the Department of Financial Services to license and regulate student loan servicers as a way to create accountability and provide consumers with some protections.

## **Infrastructure Investment Act (Design and Build Construction)**

The governor proposes making this Act permanent and extending it to include SUNY, CUNY and their affiliates or subsidiaries. Under this Act a contract award would be given to a single contractor for both the design and construction aspects of a project.

## **Inspector General and SUNY/CUNY**

The governor proposes expanding the Inspector General's oversight to include nonprofit organizations and foundations affiliated with SUNY and CUNY. The State Inspector General would also have the authority to investigate complaints of corruption, fraud, criminal activity, conflicts of interests or abuse within covered entities, including SUNY and CUNY.

## **SUNY and CUNY Foundation Financial Controls**

Legislation accompanying the budget would require SUNY and CUNY affiliated foundations or nonprofit organizations to adopt financial control policies to be overseen by the State Inspector General.



## **LABOR**

### **Buy American Program**

The Executive Budget proposes to expand the existing “Buy American Program” – a proposal long supported by the state AFL-CIO requiring state agencies and authorities to give preference to American made products when making procurement decisions. The current statute narrowly applies to the state’s procurement of steel used in construction where the contract value is greater than \$100,000. The Executive Budget proposal would greatly expand this program to all state contracts and procurements in excess of \$100,000 with specific exemptions for items not easily sourced from American manufactures such as computers and some commodities such as electricity.

### **Payment of Partial Unemployment Benefits**

Included in the Executive Budget proposal is language that will change how unemployment benefits are reduced if a claimant finds work while collecting benefits. Currently, a claimant's benefit is reduced by 25 percent for each day of work, without regard to how much the claimant earns. This often discourages claimants from accepting part-time work. The new proposal will tie the reduction in benefits to earnings with a new formula that, in many cases, will result in a lower benefit payment out of the trust fund, yet will yield more income for the claimant when the reduced benefit is added to their earnings.

## **ELECTIONS AND ETHICS**

### **Election Law and Ethics Proposals**

The Executive Budget proposal puts forth various changes to state election and ethics laws, including:

- Creating a voluntary public campaign financing system;
- Amending the Freedom of Information Law (FOIL) to include provisions making proposed terms of any new collective bargaining agreement open to the public before being voted on by an employee organization;
- Requiring the Legislative Ethics Commission to produce a formal advisory opinion on Legislators’ outside income;
- Prohibiting campaign donations from vendors seeking or engaged in state procurement;
- Imposing automatic voter registration upon receiving a New York State driver’s license;
- Establishing early voting provisions to allow voting to take place up to twelve days prior to an election and increasing the number of polling places within a county;
- Closing the “LLC Loophole” for campaign donations;
- Enacting new limits on campaign financing, including lowering donation limits; and
- Creating new financial disclosure requirements for local elected officials with salaries over \$50,000.

The Executive Budget also includes three proposed constitutional amendments which, if passed, would go before the Legislature in 2019. These proposals include:

- Allowing for same day voter registration;
- Limiting state legislators' outside income to 15 percent of their base salary; and
- Imposing term limits on the governor, lieutenant governor, comptroller, attorney general and members of the state Legislature of two four-year terms.

### **Local Government Consolidation Plans**

The Executive Budget proposal includes language to require county governments to work with municipal officials and other local leaders to establish "County-wide Shared Services Property Tax Savings Plans."

The plans must generate recurring savings for taxpayers by increasing shared services, joint purchasing and the sharing of highway equipment. The plans will also require municipalities to eliminate duplicative services and reduce back office administrative overhead.

The plans would be put before the voters on the November 2017 ballot. If the voters do not approve the plan, it would be revised and resubmitted by the county for another vote in November 2018.

## **HEALTH CARE**

### **Income Related Monthly Adjustment Amounts (IRMAA) for NYSHIP Retirees**

The 2017-18 Executive Budget proposal amends Section 167-a of the Civil Service law. These amendments would:

- Freeze the reimbursement of Medicare Part B premium at \$104.90\* per month for all NYSHIP retirees with Medicare primary insurance; and
- Eliminate the reimbursement of the IRMAA for higher-income retirees. Therefore, as the cost of Part B increases each year, retirees will have additional out-of-pocket health care costs which, NYSUT believes, constitutes a diminution of their established health care benefits.

This change not only affects state retirees for whom Medicare is their primary insurance, but also retirees from school districts and local governments which participate in the NYSHIP Empire Plan.

*\* \$104.90 for those enrolled in Medicare on or before 12/31/15 or the lesser of \$121.80 for those who enrolled on or after 1/1/16. The cap of standard premium rates would take effect on 5/1/17 and cessation of IRMAA would be effective 1/1/17.*

### **Differential Premiums for Future NYSHIP Civilian Retirees**

For the second consecutive year, the Executive Budget proposal seeks to require retired civilian\*\* state employees to begin paying a significantly greater share of their health insurance costs effective October 1, 2017.

*\*\* This amendment does not apply to state and local police officers and firefighters.*

## **Health Care Costs for Retired State Employees**

The Executive Budget proposal also includes the creation of a new benefit trust to cover current and future health care costs for retired state employees. The trust will be overseen by the State Department of Civil Service.