

The City of New York
Executive Budget
Fiscal Year 2002
Rudolph W. Giuliani, Mayor

Office of Management and Budget
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**Analysis of
Agency Budgets:
Covered
Organizations**

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BOARD OF EDUCATION

The New York City Board of Education provides primary and secondary education for over one million school age children. Through a network of more than 800 elementary, junior high and intermediate schools, more than 200 high schools, and 60 special education schools, the Board provides basic instructional services and offers students special and bilingual education, and vocational training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of over 1,100 school facilities.

Financial Review

The Board of Education's 2002 Operating Budget, which includes \$80 million held in escrow for privatization, is \$11,597.2 million, a \$249.3 million or 2.2 percent increase from the 2001 forecast. In addition, education-related pension and debt service costs of \$713.7 million are budgeted in separate agencies. These additional costs include a pension increase of \$69.3 from 2001 and a debt service decrease of \$234.7 million because of pre-payments in 2001. City funds excluding pensions and debt service will support \$4,946.5 million of the Board of Education's expense budget in 2002, an increase of \$33.8 million, or 0.7 percent, from 2001. State funds will support \$5,579.7 million or 45.6 percent of the education budget in 2002. This appropriation level is subject to change after the State budget is finalized. The balance of the education budget is supported by \$1,051.5 million in Federal aid (down from \$1,073.7 million in 2001), \$7.4 million in intra-city funds and \$15.3 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Board will increase from \$12,227.0 million in the 2001 forecast to \$12,310.9 million in the 2002 Executive Budget. The Board's share of the City's overall budget will grow from 30.2 percent to 31.1 percent.

Total Board of Education Expenses* 1997-2002 (\$ millions)

	1998		1999		2000		2001 Forecast		2002 Executive Budget		1997-2002	
	1997 Amount	Amount	Change from 1997	Amount	Change from 1998	Amount	Change from 1999	Amount	Change from 2000	Amount	Change from 2001 Forecast	Change from 1997
Board Of Education . . .	\$8,101	\$8,911	\$810	\$9,626	\$715	\$10,756	\$1,130	\$11,348	\$592	\$11,512	\$164	\$3,411
Escrow Fund For Privatization	0	0	0	0	0	0	0	0	0	85	85	85
Subtotal	8,101	8,911	810	9,626	715	10,756	1,130	11,348	592	11,597	249	3,496
Pension	313	379	66	406	27	101	(305)	453	352	523	70	210
Debt Service	561	405	(156)	534	129	537	3	426	(111)	191	(235)	(370)
Labor Reserve as of Previous Plan	0	0	0	23	23	10	(13)	0	(10)	0	0	0
Total Expenditures . .	\$8,975	\$9,695	\$720	\$10,589	\$894	\$11,404	\$815	\$12,227	\$823	\$12,311	\$84	\$3,336
Funding												
City	4,082	\$4,479	\$397	\$5,025	\$546	\$5,334	\$309	\$5,789	\$455	\$5,658	(\$131)	\$1,576
Other Categorical . . .	38	40	2	34	(6)	68	34	27	(41)	15	(12)	(23)
State	3,915	4,155	240	4,469	314	4,867	398	5,327	460	5,580	253	1,665
Federal	933	1,014	81	1,054	40	1,128	74	1,074	(54)	1,051	(23)	118
Intra-City	7	7	0	7	0	7	0	10	3	7	(3)	0

* The amounts shown for 1997 through 2000 represent actual expenditures including pensions and debt service funds, as reported in the Comptroller's year-end audited financial statements. The 2001 amounts represent the latest forecast as per the 2002 Executive Budget.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- setting aside \$80.0 million of the Board's budget to install private management of failing public schools.
- an additional \$40.8 million for the cost of providing transportation to general and special education students.
- funding of \$31.5 million over two years for customized classroom libraries in all 21,000 K-8 classrooms.
- an additional \$31.4 million for fringe benefit costs.
- an additional \$25.4 million for the cost of energy and leases.
- funding of \$25.0 million for Project Science, an intensive weekend and after-school program designed to provide math and science instruction for 45,300 students.
- an additional \$23.4 million to expand summer school by 50,000 more students for a total of 370,000.
- an additional \$19.5 million for charter school enrollment growth.
- funding of \$19.1 million to hire almost 500 specially trained teachers for newly designated In-School Suspension classrooms, where disruptive students will receive additional support and instruction.
- an additional \$10.5 million to allow for the hiring of 800 new school safety officers.
- an additional \$10.5 million for the transportation and instruction of special education Pre-Kindergarten students.
- funding of \$8.9 million for Project English, an intensive weekend and after-school program designed to help 38,600 bilingual education students gain English proficiency.
- an additional \$4.9 million for the cost of school-age special education students attending specialized schools.

Streamlining

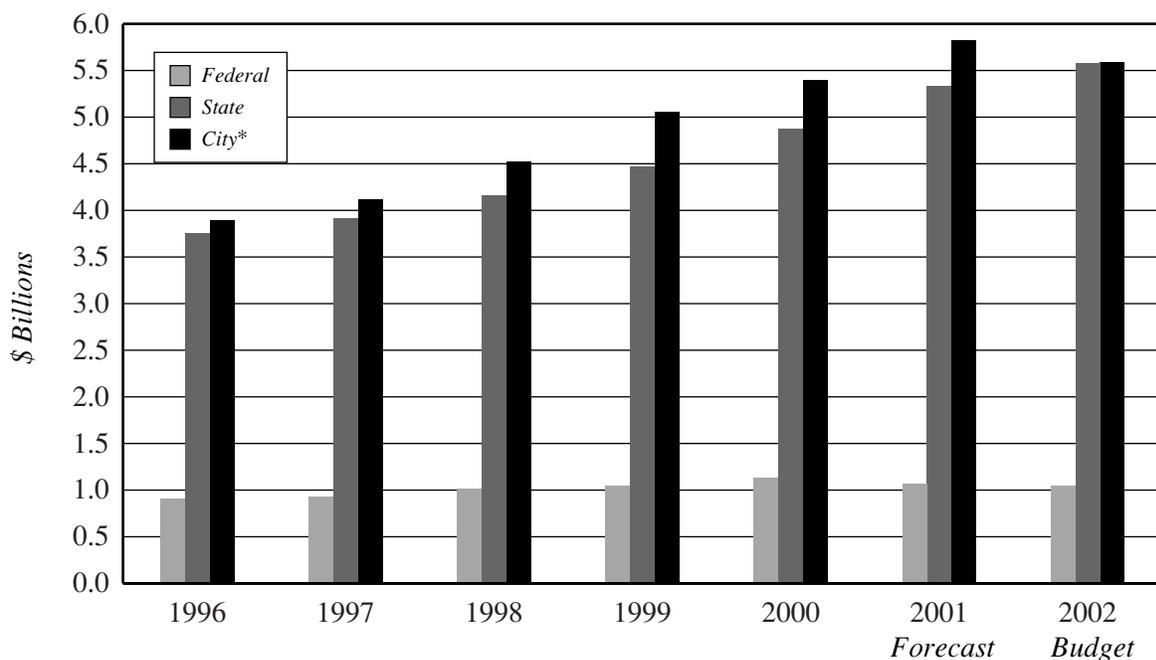
Despite pressure to make reductions in an area that represents 31.1 percent of the City's budget, the Board of Education has been exempted from any reduction target for 2002. This continues an exemption that started in October 1996, when additional reduction targets were issued to other agencies in order to maintain a balanced budget condition.

Summary of Agency Financial Data

(\$000's)

	2000 Actual	2001 Forecast	2002		Increase/(Decrease)	
			Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
			<i>Expenditures</i>			
Personal Service	\$7,945,931	\$8,404,872	\$8,428,728	\$8,596,275	\$191,403	\$167,547
Other Than Personal Service	2,810,387	2,943,071	3,018,678	2,916,289	(26,782)	(102,389)
Total	<u>\$10,756,318</u>	<u>\$11,347,943</u>	<u>\$11,447,406</u>	<u>\$11,512,564</u>	<u>\$164,621</u>	<u>\$65,158</u>
<i>Funding</i>						
City	\$4,685,094	\$4,912,720	\$4,989,962	\$4,861,866	(\$50,854)	(\$128,096)
Other Categorical Grants	67,529	27,094	15,318	15,318	(11,776)	—
Capital IFA	—	—	—	—	—	—
State	4,864,136	5,324,317	5,388,254	5,576,508	252,191	188,254
Federal						
• JTPA	—	—	—	—	—	—
• CD	5,000	5,000	—	5,000	—	5,000
• Other	1,127,540	1,068,700	1,046,465	1,046,465	(22,235)	—
Intra-City Other	7,018	10,112	7,407	7,407	(2,705)	—
Total	<u>\$10,756,318</u>	<u>\$11,347,943</u>	<u>\$11,447,406</u>	<u>\$11,512,564</u>	<u>\$164,621</u>	<u>\$65,158</u>
<i>Personnel (at fiscal year-end)</i>						
City	84,041	83,656	83,805	83,805	149	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	16,707	19,370	19,370	19,370	—	—
Total	<u>100,748</u>	<u>103,026</u>	<u>103,175</u>	<u>103,175</u>	<u>149</u>	<u>—</u>

FUNDING SOURCES 1996-2002



* City funds include debt service, pensions, other categorical, capital IFA, but not intra-city.

New York City Public School Enrollment

School Year 1998-2002

	FY98 Actual	FY99 Actual	FY00 Actual	FY01 Projection	FY02 Projection
BOE Facilities Enrollment					
General Education	972,503	969,294	966,909	960,208	958,830
Special Education*	81,509	81,562	80,568	82,538	81,400
Pre-Kindergarten**	13,964	24,275	23,937	26,993	32,212
Subtotal	1,067,976	1,075,131	1,071,414	1,069,739	1,072,442
Non-BOE Facilities Enrollment					
Charter Schools	NA	NA	1,308	3,274	6,600
Special Ed Pre-Kindergarten	20,103	20,109	20,631	20,812	20,995
Universal Pre-Kindergarten	0	0	10,089	14,112	17,590
Subtotal	20,103	20,109	32,028	38,198	45,185
TOTAL PUBLIC SCHOOL ENROLLMENT	1,088,079	1,095,240	1,103,442	1,107,937	1,117,627

* Special Education enrollment includes: Community School Districts (CSD) and High School Full-Time Special Ed, Citywide, Home and Hospital Instruction, and Integrated students.

** Pre-Kindergarten at BOE facilities includes Superstart, Superstart Plus, and Universal Pre-K.

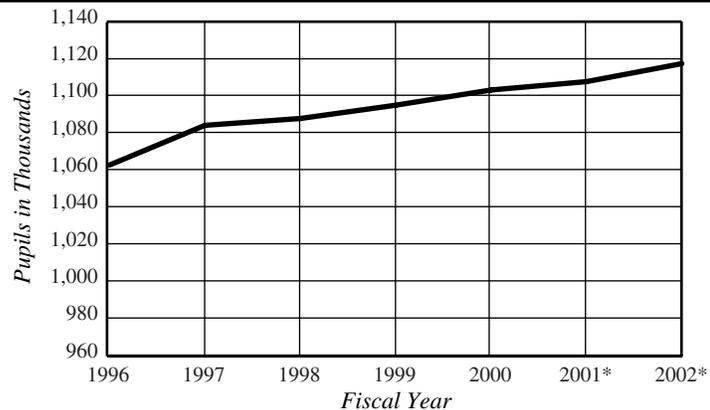
Programmatic Review

The Student Population

Total public school enrollment, including pre-kindergarten and charter school students, will increase 2.7 percent from 1,088,079 in 1998 to a projected 1,117,627 in 2002. In the coming fiscal year, the City projects that general education public school enrollment for K-12 will be 965,430, or 1,948 higher than in 2001. Of these students, 958,830 are expected to attend schools run by the Board of Education and 6,600 are expected to attend charter schools, more than doubling the 2001 charter school enrollment.

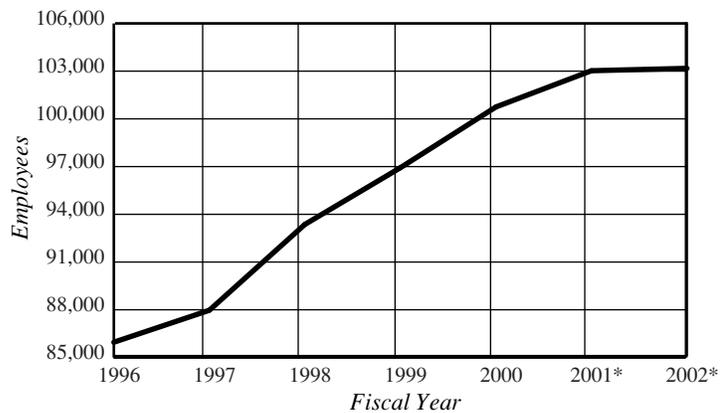
In 2002, the number of students receiving full-time special education services at Board facilities is projected to reach 81,400, or 7.6 percent of the Board's enrollment, representing 1,138 fewer students than in 2001. The City's total special education population also includes approximately 21,000 pre-kindergarten students and over 5,000 school-age students who attend specialized private facilities paid for through the Board's budget.

NYC PUBLIC SCHOOL ENROLLMENT 1996-2002



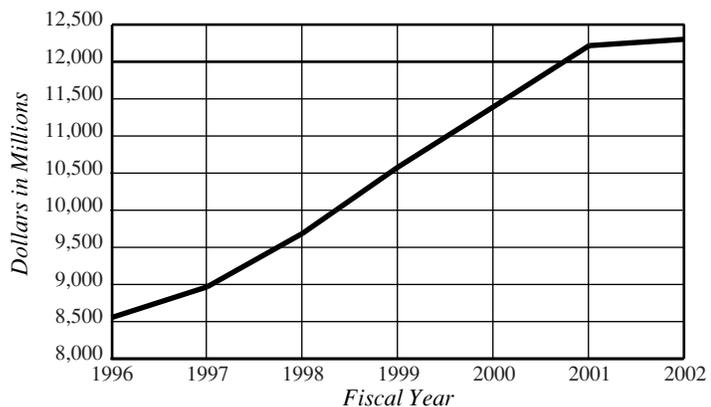
* Includes Charter Schools, Special Ed Pre-K, Universal Pre-K, Superstart and Superstart Plus. Excludes LTA's.

FULL TIME BOARD OF EDUCATION EMPLOYEES 1996-2002



* Projected as of FY02 Executive Budget

TOTAL BOARD OF EDUCATION EXPENDITURES 1996-2002*



* Total BOE expenditures include pensions, debt service and labor reserve amounts and exclude Intra-City funds.

Raising Standards and Ending Social Promotion

Raising standards in the classroom and ending social promotion are agenda items that continue to drive Board of Education programmatic and fiscal decisions. The 2002 Executive Budget will continue to address the needs of the system's diverse student population, including the 160,000 English Language Learners (ELL), who currently take part in English as a Second Language (ESL) classes and Bilingual Education programs. A combination of increasingly diverse demographics, new Regents requirements for ELL students, and the 1998 California referendum rejecting bilingual education has led the Board to reform its policies. This new approach focuses on creating instructional practices tailored to the individual needs of students, and on giving parents greater control over their children's education.

In 2002, the City will provide additional assistance to bilingual education students who have made little-to-no progress toward English proficiency during the three-year State mandated transition period. Project English will provide 20 weeks of individualized Saturday and after-school intensive English preparation for 38,600 students in Grades 2-12. Teachers involved in the program will receive three hours a week of professional development from ELL specialists.

The 2002 budget also provides funding for Project Science, a new program consisting of weekend and after-school intervention, enrichment and Regents preparation in math and science. For a period of 40 weeks, 45,300 under-performing middle and high school students will take classes conducted in well-equipped sites such as Science high schools and college campuses. Collaboration with organizations such as the New York Academy of Sciences will offer teacher preparation and curriculum development.

This science education initiative will employ three program models. Intensive Intervention is a highly structured and individualized program for those students in Grades 6-12 who are performing furthest from New York City standards. Last year less than 50 percent of New York City's fourth-grade students and less than a quarter of eighth grade students met the math standards on the State assessments. This program will increase math and science proficiency and prepare students for the State Math Assessments and the State Science Assessments currently being phased in for eighth-grade and high school. Accelerated Enrichment will stimulate interest and involvement in math and science for students in Grades 7-12 who need additional instructional support. Experimental learning and inquiry-based investigations will develop knowledge and deepen student understanding of science and math concepts. The third program model, Regents Tutorials, will provide additional help for those middle and high schools students at risk of failing the science and math Regents examinations.

The 2001 summer program focused on ending social promotion by serving the needs of more than 290,000 mandatory and voluntary student participants in kindergarten through twelfth grade. Of the 60,765 students in Grades 3-8 mandated to attend summer school in 2000, 64 percent were promoted to the next grade. Building upon this initial success, the 2002 budget includes \$23 million to serve 50,000 additional students in Grades 3-12. These students will receive intensive literacy and math instruction in classes limited to 15. High school students who have failed core subjects and/or one or more Regents exams will receive both Regents preparation and subject immersion. In addition, greater attention will be paid to the attendance of the mandatory student population via outreach services that include telephone calls, home visits and mailings both prior to and during the summer school session.

The 2002 Executive Budget also includes funds for a public-private initiative with the Book Project to create libraries in each of the 21,000 kindergarten through eighth-grade classrooms. The program is designed to build upon other literacy efforts, such as Project Read, by instilling a passion for reading. Teachers will be trained to customize their libraries to better meet the needs and interests of individual students. Each library will contain 300 books, the equivalent of nine books per child.

Making Our Schools Safe, Orderly and Drug-Free

In 1998, the NYPD assumed responsibility for providing school safety services in order to create a safer school environment. Statistics speak to the success of this transition: a 17 percent reduction in criminal incidents; an 11 percent reduction in serious non-criminal incidents; and a 23 percent reduction in arrests. To build on this success, the City is providing \$10.5 million to allow for the hiring of 800 school safety officers.

Prompted by a recent law that tightened disciplinary measures throughout the state, and increased mainstreaming of New York City special education students, teachers will now have new recourse with respect to disruptive student behavior. In 2002, teachers will have the authority to send students exhibiting excessively disruptive behavior to In-School Suspension Classrooms in elementary, middle, and high schools. City funding totaling \$19 million will go toward hiring approximately 500 teachers trained in behavior management to oversee these classrooms. Each classroom will provide support services for the emotional and character development of up to 45,000 students during the school year. In the past, disruptive students removed from classrooms received no instructional or behavioral services. For example, during the 1999-2000 school year, suspensions resulted in 1.35 million missed days from school. This new in-school suspension program will keep disruptive students in school and learning as well as allow regular classrooms to function without interruption.

The 2002 Executive Budget includes \$3.5 million for three additional Second Opportunity Schools in Manhattan, Brooklyn, and Queens that will continue to build upon the success of those currently operating in the Bronx. Second Opportunity Schools (SOS) were created to serve the compulsory education needs of students suspended from traditional school placements due to their violent or antisocial behavior. In addition to traditional general and special education classes, these schools offer technical and vocational training, as well as a mandatory summer program.

Building a System Based on Accountability, Competition and Choice

Throughout the country, private management has shown excellent results in improving school performance. The Executive Budget sets aside \$80 million for the private management of Schools Under Registration Review (SURR). For years, the Board has had over 90 failing schools on the SURR list. Parents and students can no longer wait for reform that will offer them the educational opportunities to which they are entitled. Private management will introduce ideas and strategies that may finally reduce the number of failing schools in the New York City system.

Recognizing the importance of increased competition, the City continues to support the opening of charter schools, which are free from state and local regulations that stifle innovation. In 2002, two new and ten converted charter schools are expected to open, bringing the total number in operation to 26. These schools, which are located in four of the five boroughs, include a technology-focused extended day program, as well as a night school for older students ages 17-21 years old.

If Charter Schools are to succeed they must compete on a level playing field. To help address inadequate funding for charter facilities, the City has created the Charter School Improvement Fund. This fund assists schools by providing grants of up to \$250,000 for facilities needs, such as the construction and renovation of classrooms, libraries and computer laboratories, and the purchase of equipment. Ten schools will receive grants of \$250,000 early this summer and the City expects to fund additional charter school requests through the fall of 2001.

Reforming Special Education

The Board of Education has created a new Continuum of Services for Special Education that will ensure all students with disabilities access to the general education curriculum and allow districts to individualize instructional programs. In recognizing special education as a service rather than a place, the Board can better serve students who may require specific special education services but can otherwise do well in general education. This theoretical shift has already produced tangible results in the form of a declining full-time special education population. From July 2000 to January 2001, special education referrals have decreased by 1,750, and 489 more students have been decertified than during the same time period last year. To ensure a smooth transition for these decertified students, supplemental services, such as Project Read and regularly scheduled meetings with guidance counselors, may continue for up to one year.

The continuum fosters the philosophy that all students deserve the opportunity to achieve high educational outcomes. As such, those students remaining in the full-time special education program will be educated in a general education setting whenever possible. During this school year, more than 5,000 special education students were taught in integrated classroom settings with their general education peers, an increase of 2,000 students from the prior school year.

Capital Review

The City's Four-Year Plan for 2002-2005 anticipates spending \$4.7 billion on school construction projects and includes three years of the Board of Education's Five-Year Plan for 2000-2004. The capital program's primary objectives are to provide additional capacity and arrest deterioration of the physical plant. The School Construction Authority (SCA) is responsible for acquiring the new school sites, and for the design and construction of capital projects that will meet these objectives. Since 1997, the Department of Design and Construction (DDC) has also participated in the rehabilitation of school buildings. Each year, the Board allocates funding to both SCA and DDC.

To address the seating shortage, the City's Four-Year Plan provides \$2.2 billion for the construction of new schools. An additional \$650.0 million is allocated for system expansion associated with new leases, building additions, transportables, modular classrooms, athletic fields and playgrounds. The Plan provides \$1.3 billion to rehabilitate, replace and upgrade building components. In order to meet high standards for entire school buildings, \$179.3 million is designated for existing buildings to undergo major modernizations. Additionally, \$83.1 million funds capital improvements associated with programmatic needs, including computers and science labs. Other miscellaneous capital improvements make up the balance of funding. These include emergency projects, research and development, and prior plan completion costs (\$200.5 million); and security systems, emergency lighting and code compliance (\$124.8 million).

The table below shows the capital commitments by program area over the 2000-2005 period.

Capital Commitments

(\$000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
System Expansion												
New Schools	\$391,007	\$391,007	\$758,644	\$758,644	\$444,630	\$444,630	\$774,813	\$774,813	\$430,252	\$430,252	\$524,371	\$524,371
System Expansion												
Other	161,568	161,568	236,936	236,936	183,726	183,726	59,780	59,780	192,977	192,977	213,470	213,470
School Modernizations	33,604	33,604	2,262	2,262	38,213	38,213	51,208	51,208	43,600	43,600	46,289	46,289
Rehabilitation of School												
Components	358,321	601,471	883,933	905,902	407,462	407,462	146,969	146,969	368,465	368,465	379,434	379,434
Educational Enhancements	17,316	17,316	95,735	102,735	19,691	19,691	17,243	17,243	22,360	22,360	23,853	23,853
Emergency, Inspection												
And Miscellaneous	35,973	35,973	341,017	358,226	40,906	50,906	35,032	45,032	45,038	55,038	49,551	49,551
Safety and Security	25,427	25,427	32,751	32,751	28,914	28,914	27,615	27,615	33,229	33,229	35,025	35,025
Total	\$1,023,216	\$1,266,366	\$2,351,278	\$2,397,456	\$1,163,542	\$1,173,542	\$1,112,660	\$1,122,660	\$1,135,921	\$1,145,921	\$1,271,993	\$1,271,993

Table includes all budget lines

Capital Highlights

The Board of Education's 2002-2005 Plan features the following initiatives:

- accelerate the construction of 12 new school buildings by shifting \$359 million of 2002- 2004 funding into 2001.
- advance \$300 million of funding from 2003-2004 into 2001 for capital improvement projects.
- add \$60 million of City funds in 2002 – 2004 to the \$25 million private sector donation for the Take the Field public/private initiative to repair 52 ball fields throughout the City.
- allocate 50 percent of the 2002 Board of Education appropriation to new capacity projects.
- initiate the construction of 16 new schools in 2002-2003.
- convert coal-fired burners to gas or electric in the remaining 114 schools by Fall 2001.

Capital Commitments

The 2002-2005 Plan provides \$4.7 billion. The funding level for each type of work is determined by the Board of Education. The Plan includes the following elements:

- construct new schools to relieve overcrowding.
- create additional instructional space in existing physical plants to meet the needs of present educational programs, new initiatives and fluctuating enrollments.

- restore the system to a state of good repair and maintain facilities via building upgrades.
- rehabilitate physical education facilities in order to provide access to all students.
- produce a physically-modernized school system for enhanced student learning.
- provide capital upgrades to support programmatic needs such as science labs, computer centers and smaller classrooms.
- upgrade existing support space to provide more efficient administrative operations for all school districts.
- halt and reverse the deterioration of school buildings by addressing emergency and other miscellaneous needs.
- ensure that all buildings meet fire code requirements and comply with Federal, State and local mandates.

CITY UNIVERSITY OF NEW YORK

The City University of New York (CUNY) includes ten senior colleges, six community colleges, one technical school, the Graduate Center, a law school, and an affiliated medical school. CUNY also sponsors Hunter Campus Schools. The CUNY colleges, some of which date back to the nineteenth century, were federated in 1961. The University is governed by a 17-member Board of Trustees. Ten members are appointed by the Governor with the advice and consent of the New York State Senate, five are appointed by the Mayor, and two, the chairpersons of the Faculty and Student Senates, serve as ex-officio members.

CUNY is the largest municipal university system in the United States and ranks third in number of students among the public university systems in the nation. In 2001 CUNY will serve approximately 196,000 students in degree programs with approximately 132,000 in the senior colleges and 64,000 in the community colleges. In addition, CUNY will serve approximately 181,000 non-degree students. Similar levels of enrollment are anticipated in 2002.

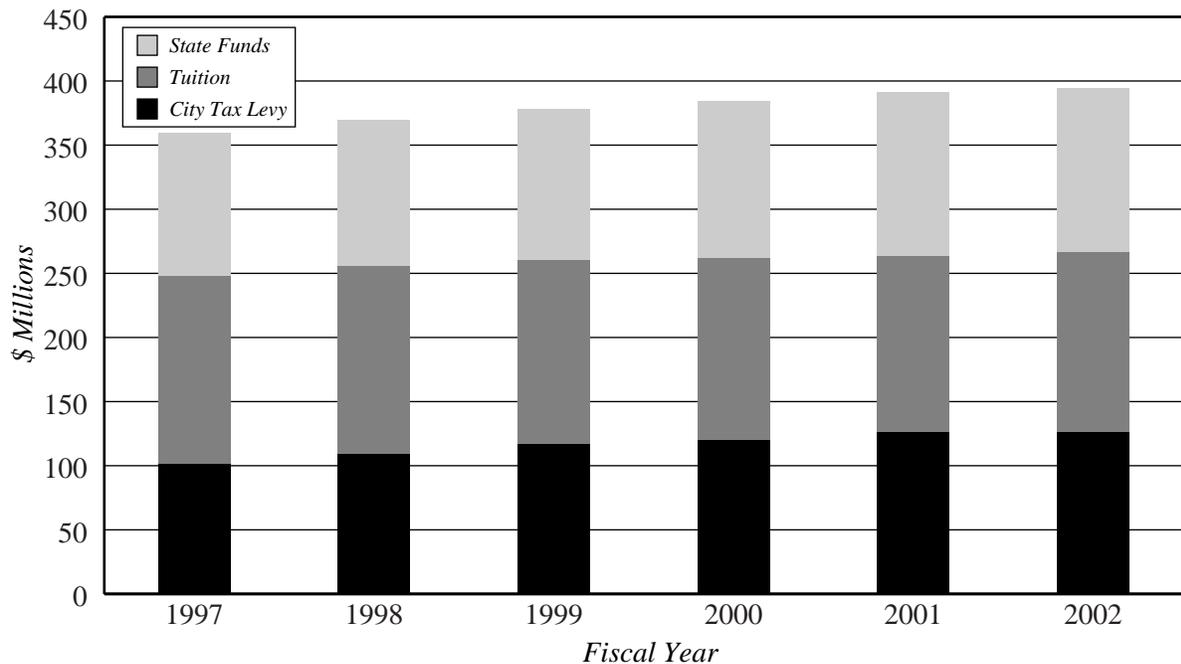
Financial Review

The City University of New York's 2002 Executive Budget is \$432.1 million, a net decrease of \$7.2 million from the 2001 forecast of \$439.3 million. This change is due to a decrease of \$7.4 million in City Funds, of \$2.3 million in Intra-City funds and approximately \$600,000 in Federal-Other funds, which was partially offset by a \$3.1 million increase in Other Categorical funds. The community college budget decreased by approximately \$600,000 from \$387.2 million to \$386.6 million. The funds provided for the prefunding of the senior colleges have remained unchanged at \$35 million. However, funds for the Senior College Merit Scholarship program decreased by \$6.5 million and Hunter Campus School's budget decreased by approximately \$100,000, from \$10.1 million to \$10.0 million. Due to delays in finalizing the State budget, all State allocations for the 2001-2002 school year contained in these figures are estimates based on 2001's State aid levels.

Revenue Forecast

The CUNY expense budget is funded by four major sources of revenue: State aid; tuition, fees and miscellaneous income; City tax levy funds; and other categorical grants. The 2002 Executive Budget appropriates \$128 million in State aid for the community colleges, the same as the amount of \$128 million projected for 2001. This level is subject to change when the State budget is approved. The other major source of 2002 revenue, namely tuition, fees and miscellaneous income, is projected at \$135.5 million, the same as the 2001 forecast level. The City's tax levy funds in the 2002 Executive Budget, inclusive of pension contributions budgeted separately in the Pension Agency, are \$142.9 million. This is \$7.6 million lower than the 2001 forecast level of \$150.5 million. Other categorical funds, which consist of non-governmental grants, increased by \$3.1 million, from \$1.9 million in 2001 to \$5.0 million in 2002. These funds were previously included in City funds along with tuition and miscellaneous fees.

COMMUNITY COLLEGE FUNDING 1997-2002



* Funding which supports senior college and Hunter Campus Schools activities is not included here. City tax levy includes pension contributions which are budgeted in the Pension Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2001 amounts are as per the Executive forecast.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of \$5.5 million in tax levy funds for the replacement of 100 FTE part-time adjuncts with 100 full-time faculty.
- an increase of \$5.0 million in tax levy funds for the College Now program.
- a reduction of \$10.5 million in tax levy funds for maintenance of effort required by local sponsors as per the State budget appropriation law.
- a reduction of \$6.5 million in tax levy funds for the Senior College Merit Scholarship program.

The following table compares the 2002 Executive Budget with the 2002 Preliminary Budget.

Summary of Agency Financial Data
(\$000's)

	2000 Actual	2001 Forecast	2002		Increase/(Decrease)	
			Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
<i>Expenditures</i>						
Personal Service	\$295,492	\$284,287	\$279,554	\$282,933	(\$1,354)	\$3,379
Other Than Personal Service	101,715	155,041	149,185	149,165	(5,876)	(20)
Total	<u>\$397,207</u>	<u>\$439,328</u>	<u>\$428,739</u>	<u>\$432,098</u>	<u>(\$7,230)</u>	<u>\$3,359</u>
<i>Funding</i>						
City	\$255,988	\$262,324	\$254,389	\$254,892	(\$7,432)	\$503
Other Categorical Grants	4,567	1,890	5,000	5,000	3,110	—
Capital IFA	—	—	—	—	—	—
State	123,799	164,302	159,489	164,301	(1)	4,812
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	696	645	—	—	(645)	—
Intra-City Other	12,156	10,167	9,861	7,905	(2,262)	(1,956)
Total	<u>\$397,207</u>	<u>\$439,328</u>	<u>\$428,739</u>	<u>\$432,098</u>	<u>(\$7,230)</u>	<u>\$3,359</u>
<i>Personnel (at fiscal year-end)</i>						
City	3,735	3,522	3,640	3,640	118	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	21	47	47	47	—	—
Total	<u>3,756</u>	<u>3,569</u>	<u>3,687</u>	<u>3,687</u>	<u>118</u>	<u>—</u>

Programmatic Review

The Executive Budget contains initiatives that support the City's efforts to raise standards and increase accountability at CUNY. Several programmatic enhancements, such as the recent \$5 million expansion of College Now, have helped move CUNY toward this goal. However, many incoming community college students are still unprepared for college level work and often fail to rapidly move out of CUNY's remedial education program.

To enhance existing reform efforts, the Executive Budget includes an initiative to require CUNY to contract out the remediation of one thousand students. This use of private sector resources and expertise should lead to more effective remediation for this particular group of in-coming students as well as introduce CUNY to models of effective educational programs for unprepared students. The Executive Budget also requires CUNY to appoint outside reviewers to independently review the testing process. The involvement of an impartial third party will ensure that the implementation of higher standards is not diluted by lowering passing scores or the grade level of material tested.

Along with programs to help its least prepared students, the Executive Budget includes an initiative to attract the City's brightest high school graduates to CUNY for their college education. The City has requested that CUNY reduce its central administration budget and redirect the funding for a doubling of enrollment in its newly established Honors College. The Honors College program seeks to attract students with a record of academic achievement and high SAT test scores. Selected students receive free tuition, a laptop computer and a \$7,500 academic spending account. These students will work with CUNY's most distinguished faculty and receive special attention and academic support throughout their college careers.

Program Highlights

CUNY is expected to engage in numerous independent and collaborative programs, including:

- CUNY/Board of Education Partnership - CUNY maintains a number of successful collaborative programs with the Board of Education. The College Now/College Tomorrow program, which served 25,000 students in 2001, will expand to 37,500 students in all City public high schools. This program instructs students at high schools and in the colleges, helping twelfth graders acquire skills necessary to graduate, pass Regents and college entrance examinations, and ultimately succeed in college. The Middle College High School Program, which operates at Brooklyn and Medgar Evers colleges, and Hostos, Bronx, LaGuardia, and Kingsborough community colleges, operates alternative high schools within college settings for students identified as being at high risk of dropping out. The College Preparatory Initiative (CPI), launched in 1992, brings together the New York Public Schools and the University to improve academic preparation for college.
- Language Immersion Program - This program provides up to 900 hours of classroom work over three or four annual cycles to immigrant students who require better knowledge of English to be more effective students. The program serves over 2,500 immigrants at eight locations.
- Workforce Development Initiative (WDI) - This program promotes and supports small businesses by retraining and upgrading employee skills, meeting qualified teacher shortages, preparing undergraduates for skill-shortage occupations, creating jobs, providing for economic development, and performing labor market research, planning and coordination.
- Adult Literacy Program - This program is budgeted at \$3.0 million in 2002. It will help approximately 7,000 students meet program and employment requirements in the labor market, including English-as-a-Second-Language education.
- Child Care - This program provides child care in 16 centers throughout CUNY. The program serves approximately 1,600 children and provides early child care, infant/toddler care, training for families and early childhood education.

Capital Review

The City University of New York's Four-Year Capital Plan totals \$39 million, including \$26.2 million in City funds and \$12.8 million in State funds. The table below shows capital commitments by program area over the 2000-2005 period.

Capital Commitments (\$000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Replacement/Rehabilitation of Roofs, Windows, etc. . . .	\$2,944	\$ 3,380	\$20,662	\$26,364	\$5,101	\$ 5,871	\$1,114	\$2,228	\$2,151	\$4,302	\$4,040	\$8,080
Purchase & Installation of EDP and Other Equipment . .	4,037	4,183	14,556	17,581	7,076	7,076	400	400	-	-	-	-
Plant Upgradings	342	552	1,496	2,248	409	496	415	830	1,197	2,394	968	1,536
Federal, State and Local Mandates	20	20	775	1,199	100	200	300	600	509	1,018	193	203
Other Projects	2,,218	2,931	8,564	12,043	1,237	1,943	535	965	71	142	382	764
Total	<u>\$9,561</u>	<u>\$11,006</u>	<u>\$46,053</u>	<u>\$59,435</u>	<u>\$13,923</u>	<u>\$15,586</u>	<u>\$2,764</u>	<u>\$5,023</u>	<u>\$3,928</u>	<u>\$7,856</u>	<u>\$5,583</u>	<u>\$10,583</u>

The 2002-2005 Plan includes \$39 million to upgrade and maintain the community college physical plant. The major elements of the program include:

- rehabilitation of roofs, windows, doors and structural elements (\$20.4 million).
- plant upgrading of electrical/mechanical systems (\$5.2 million).
- installation and upgrading of security systems, including video surveillance (\$2.3 million).

In addition, the City approves funding for major community college projects which are financed through the sale of bonds by the New York State Dormitory Authority in conjunction with the City University Construction Fund. The City and State fund these community college projects equally. Recently funded projects include reconstruction of the seawall and building of the Academic Village at Kingsborough Community College, and completion of Fiterman Hall renovations at the Borough of Manhattan Community College.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

The Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to New York City residents, regardless of their insurance status. Through its six regional health care networks, HHC operates 11 acute care hospitals, four long-term care facilities, six diagnostic and treatment centers, a certified home health program, and a large number of community-based primary care, dental, and child health clinics. HHC provides services in the City's correctional facilities and conducts mental health evaluations for the Family Courts in the Bronx, Brooklyn, Queens, and Manhattan.

HHC facilities also serve as the primary provider network for MetroPlus, the third largest health maintenance organization in New York City and an HHC subsidiary.

In 2000, HHC's acute care hospitals operated 4,625 beds and generated 209,533 hospital discharges and 993,989 emergency room visits. The hospitals, diagnostic and treatment centers, and community-based clinics provided 4,486,897 clinic visits, of which 1,887,443 were primary care visits, and 359,332 methadone maintenance visits.

In 2000, HHC facilities served more than 1.5 million people. Of that number, 560,476 were uninsured. In 1999, HHC served 494,314 uninsured patients.

The growth in the numbers of uninsured patients, the implementation of mandatory Medicaid managed care, Federal Medicare Balanced Budget Act reductions, implementation of the Medicare Outpatient Prospective Payment System, and the loss of health coverage for immigrants due to Federal welfare reform have had a negative impact on HHC's revenues. In addition, HHC experienced a 16 percent increase in the cost of pharmaceuticals between 1999 and 2000 and an 11 percent increase in collective bargaining expenses between 1998 and 2000. Consequently, HHC has implemented many strategies to improve its competitive position, increase cost-effectiveness, and obtain additional funding while ensuring the provision of quality care to its patients.

Financial Review

For the fifth consecutive year, HHC has ended its fiscal year with a positive balance. The Corporation posted a positive accrued balance of \$9 million for 2000. HHC's financial success, combined with its facilities' receipt of high scores from the Joint Commission on the Accreditation of Healthcare Organizations, has enabled HHC to obtain the competitive bond ratings necessary to modernize its hospitals.

HHC's operating expenses in the 2002 Executive Budget total \$3.85 billion. The revenue derived from third party payors is \$3.10 billion. HHC will also receive \$303.1 million through intra-city payments and other contractual agreements with the City. The City will provide \$52.6 million for treatment of prisoners and uniformed services at HHC facilities, \$10.3 million for other City services, and \$61.5 million for debt service costs associated with HHC bonds. The City's total payment of \$974.1 million in 2002 also includes \$710.3 million to cover the City's share of HHC's projected Medicaid collections and bad debt and charity care pool contributions.

In lieu of a general support payment, the City has established a Purchase of Services Agreement with HHC which covers the costs of providing care to the City's inmates and uniformed services personnel, as well as expenses associated with other City services. As part of the City's continuing efforts to expand health coverage for the indigent, HHC's 2001 allocation from the City also includes \$20 million to offset the Corporation's unreimbursed costs for treating uninsured immigrants.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

In an effort to control the rising costs of medical malpractice, the City will enter into a memorandum of understanding with the Corporation to transfer management and financial responsibilities for medical malpractice to HHC beginning in 2002. In return, the City will assume all debt service costs associated with general obligation bonds and Housing Finance Authority (HFA) leases issued on behalf of HHC. Furthermore, in order to insure that the Corporation is not financially harmed by this transaction, the City will also assume the debt service costs associated with HHC bonds issued to date. Overall, this new arrangement will provide HHC with additional City support of \$20 million in 2002 and \$9 million in 2003.

The significant reduction in expenditures due to lower public assistance caseloads, coupled with the Federal requirement for maintenance of effort (MOE) on the Temporary Assistance for Needy Families (TANF) program, provide a unique opportunity to fund a new health care program that will assist families in maintaining self-sufficiency. The City will apply to the State to recognize expenditures for this program as eligible for its share of the MOE. The program – HHC Plus – will provide outpatient health services at HHC facilities to parents of needy children who are not currently eligible for Medicaid or other public health insurance programs. HHC Plus will provide services to families with incomes below 200 percent of the Federal poverty level through a capitated health management program. The Corporation is expected to enroll up to 100,000 eligible adults into HHC Plus at an annual cost of \$67 million.

HHC has continued initiatives begun last year to minimize possible accrued and cash deficits. From July 1999 through June 2000, the Corporation decreased its non-resident workforce by 393 full-time equivalents (FTEs), while the number of residents decreased by 20 FTEs, for a total decrease of 413 FTEs.

HHC will take several actions in the next year that may partially mitigate the impact of declining revenues. These include: an early retirement incentive program; reduction in expenses through lab consolidations; expansion of the prime vendor program for pharmaceutical purchases; collaboration with the Human Resources Administration (HRA) to increase the conversion of uninsured patients to Medicaid and Child Health Plus; reduction in expenses through the implementation of Kings County's Cook Chill program throughout the Corporation; savings from the continued outsourcing of laundry services; savings from the implementation of a corporate-wide hiring freeze; and reduction in other than personal services (OTPS) spending through the implementation of centralized purchasing caps.

Legislative strategies will also be undertaken to address funding shortfalls for services provided to the uninsured that are reimbursed through the disproportionate share program and the bad debt and charity care pools.

HHC continues to strengthen its position in the managed care environment through its health maintenance organization (HMO), MetroPlus, and contracts with other managed care plans. As of December 2000, MetroPlus had 46,841 Medicaid enrollees and 20,988 Child Health Plus enrollees. HHC facilities have also implemented 172 Medicaid managed care contracts with 13 managed care plans for a total of 73,546 enrollees, of which 49,872 are enrollees in Child Health Plus.

Streamlining & Service Improvements

- in March 2000, HHC began to implement a landmark agreement with District Council 37 and Local 320 to outsource and process one-half of HHC's Brooklyn Central Laundry services under a five-year contract with an outside vendor. Estimated annual savings of \$3.1 million will be redirected to core patient care

services. In addition, a one-year competitive demonstration project will commence on July 1, 2001, to determine the future servicing of the entire laundry function.

- in March 2000, the Generations+/Northern Manhattan Health Network re-opened Lincoln Medical & Mental Health Center's Cancer Prevention and Treatment Center. All oncology, nutritional, pain management, and other cancer related services offered by the hospital have been consolidated under one roof, enabling the hospital to improve continuity of care for patients served.
- in August 2000, the North Bronx Healthcare Network established a Traumatic Head Injury Clinic which will address the multiple needs of head trauma patients, including physical therapy, psychological support, or medical management.
- in October 2000, the North Brooklyn Health Network opened the Greenpoint Primary Care Center, which provides obstetrics/gynecology, family planning, pregnancy testing, HIV counseling and testing, and pediatric care.
- the Queens Health Network expanded its primary care capacity by opening the Women's Medical Center. The Center provides prenatal and post-partum care, gynecology services, pap smears, breast exams, colposcopic exams, pregnancy testing, and preventive and primary care.
- in November 2000, Bellevue Hospital Center opened the Frances L. Loeb Child Protection and Development Center. The Center provides medical and psychological evaluations and treatment services for approximately 400 children per year and reviews approximately 2,200 cases per year for possible abuse and neglect. Services provided by the Center also include preparation for investigative interviews and court proceedings, counseling to children and caregivers, and training and education.
- Kings County Hospital Center redesigned its obstetrics/gynecology, primary care, family planning, and other related services to create a Women's Health Center in newly renovated space in 2000.

Programmatic Review

Major Corporate Initiatives

The Community Health Partnership

In July 1998, the New York State Department of Health (SDOH) awarded HHC approximately \$500 million in Community Health Care Conversion Demonstration Project (CHCCDP) funding to be disbursed over a five-cycle period. The funding is drawn from savings to be generated through the implementation of the 1115 Medicaid Managed Care Waiver. Through its Community Health Partnership (CHP) program, HHC has developed initiatives to position the Corporation to succeed in a Medicaid managed care environment while continuing to fulfill its mission as New York City's principal safety net provider.

During the first CHCCDP funding cycle, HHC's networks used CHCCDP funding to effect Corporate-wide goals and to implement priorities specific to their respective patient populations. Significant improvements were made in technology capabilities in the areas of appointment scheduling, clinical information systems, billing and coding systems, and intra- and inter-facility communications systems. In addition, corporate-wide worker retraining programs were implemented in order to foster a learning environment throughout HHC and to ensure that HHC employees possess the array of skills necessary to work effectively in an integrated health care delivery system.

Expansion of primary care capacity was achieved at more than 40 existing sites through the reconfiguration of physical space, increased clinical staffing, and additional hours of operation. Five new primary care sites were opened to increase access to primary care services in targeted underserved neighborhoods or for targeted populations. Linkages were also developed between HHC networks and community-based health and mental health service providers to enhance patient access to primary care and other health services.

In January 2001, HHC facilities were awarded cycle two and three CHCCDP funds totaling \$173.8 million for a five-year contract period retroactive to 1998. HHC facilities will conduct a broad range of activities that will continue the strategy of a measured, effective transition to managed care. These activities fall into four broad categories: investment in new technologies and enhancement of existing systems; restructuring of service delivery systems to promote economies of scale and program efficiencies; analysis/administration activities that enable HHC to plan strategically for future programs; and community outreach and health promotion programs. HHC facilities will also use CHCCDP worker retraining funds to ensure an adequate training infrastructure, address workforce shortage needs, promote the professional growth of current and new staff, and restructure ambulatory care operations.

Ambulatory Care

Expansion of primary care and other ambulatory care services is essential to improving the health status of communities and competing effectively in a managed care environment. Since 1995, HHC facilities have increased primary care visit volume by almost eight percent, ambulatory care surgery volume by almost 24 percent, and clinic visits by 1.2 percent. Conversely, the average daily census at HHC's acute hospitals has declined by 34 percent, and acute care lengths of stay have declined by 26 percent.

However, while continuing its efforts to expand outpatient services, HHC must also reevaluate its ambulatory care capacity development strategies. Medicaid reimbursement rates for ambulatory care visits have remained unchanged for 10 years. HHC hospitals lose \$58 per outpatient visit for every Medicaid patient served, and HHC diagnostic and treatment centers (D&TCs) lose \$104 per visit. HHC subsidizes the cost of providing outpatient services to uninsured and underinsured patients. Approximately 23 percent of all HHC hospital clinic patients and 31 percent of HHC D&TC patients are uninsured.

HHC has made significant progress in reducing the cost per outpatient visit at both hospital-based and D&TC clinics. In fact, HHC's average cost per ambulatory care visit is competitive with that of voluntary hospitals, notwithstanding the greater percentages of uninsured patients served and additional services such as pharmacy benefits provided by HHC facilities.

While HHC has used CHCCDP monies, grants, and other funds to expand primary care and other ambulatory care services over the last several years, HHC's prospective efforts will be aimed at restructuring existing ambulatory care service delivery. The Corporation will focus on reducing waiting times, increasing physician productivity, and improving outcomes of outpatient care. One of the approaches to be employed will be the implementation of the Open Access program. Open Access requires staff function and system changes that include matching the supply of providers with anticipated and quantified visit demand, decreasing visit/scheduling backlogs, and reducing demand for unnecessary visits. Using the Open Access approach, patients are seen within 1-3 days of their request for an appointment. Open Access will be initiated at Bellevue Hospital and Gouverneur D&TC over the latter part of 2001 and early 2002.

In addition, HHC will continue to assess its facilities' ambulatory care clinic operations for opportunities to reduce expenses while pursuing efforts to obtain adequate funding for the costs of serving uninsured patients.

Asthma Initiative

Asthma is the leading cause of hospitalization for New York City's children, and the communities served by HHC hospitals and health centers are some of the hardest hit. Presently, asthma is HHC's top pediatric admission diagnosis and one of its top ten adult admission diagnoses. Treatment for asthma accounts for almost 12 percent of all outpatient pediatric visits at HHC facilities.

The HHC Board of Directors, in conjunction with the Corporation's network leadership, has declared a "war on asthma." HHC has made the reduction of the deleterious impact of this disease a top priority by enhancing its facilities' capacity to treat adults and children through the use of state-of-the-art clinical protocols and expanding community-based asthma education and outreach programs aimed at decreasing asthma hospitalization rates and emergency room visits and improving patients' self-management skills.

HHC uses an asthma care plan in every asthma patient's medical record. The purpose of the plan is to assist patients in self-management. Patients are instructed on how to monitor their breathing with the regular use of a peak flow meter, how to anticipate asthma flare-ups, and how to communicate their condition to their providers. Each HHC facility provides asthmatic patients with the medical equipment they need to monitor their breathing, such as peak flow meters and spacers. Moreover, asthma best practice guidelines have been incorporated into HHC's electronic medical records and are integrated into the automated problem list so that the providers can have ready access to them in the treatment of patients with asthma.

In addition, several facilities have created Centers of Excellence for asthma treatment and education.

- Harlem Hospital Center's Asthma Prevention Program implemented an asthma support group to assist patients and families to maintain appropriate treatment regimens. Harlem Hospital provides patient education programs with specific emphasis on self-management methods and the appropriate use of either the outpatient asthma clinic or the emergency room for asthma problems.
- Kings County Hospital Center has a partnership with the Caribbean Women's Health Association (CWAHA) to identify patients in need of case management and home visits to ensure compliance with treatment and effective asthma management.
- Metropolitan Hospital Center has developed The Family Centered Asthma Program, which offers treatment and educational programs for moderately to severely ill children and adults with asthma. Project staff include pediatric pulmonologists, general pediatricians, internists, nurse clinicians, and health educators.
- North Central Bronx Hospital opened The Family Asthma Center, which provides education and medical care to asthma patients of all ages. The Center also operates as a primary care providers' referral center for asthma care and disease management education.
- Woodhull Medical and Mental Health Center instituted a Community Asthma Demonstration Project and began the Attach Back Education Program, a school-based asthma initiative consisting of 15 schools that are electronically linked to Woodhull's primary care clinics, pediatric clinics, and inpatient units. Woodhull's computerized asthma monitoring system, called Care Call, records children's daily peak flow meter readings and diagnoses asthma symptom severity. It also provides instructions on retesting and medication. Woodhull has the lowest emergency room recidivism rate for asthma patients within HHC.
- in November 2000, HHC unveiled another phase of its Corporate-wide asthma initiative – the HHC Asthma Van. HHC has purchased 12 customized vans that provide asthma screenings, counseling,

education, and referral in high need communities. The vans are staffed with health educators, nurses, and respiratory therapists. Each asthma van contains a telephone and computerized workstation connected to an HHC hospital's appointment scheduling system; a video system and written materials for asthma education; and a state-of-the-art sound system that facilitates communication and marketing to large groups of people during health fairs and other public events.

Quality Improvements

Full Accreditation

In an increasingly competitive marketplace, a healthcare facility's viability depends on the quality of care that it provides. HHC's commitment to service excellence is confirmed by the receipt of full accreditation from the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). During the fall of 2000, Coler-Goldwater Memorial Hospital, Coney Island Hospital Center, Kings County Hospital Center, Lincoln Medical and Mental Health Center, and Sea View Hospital Rehabilitation Center and Home received full JCAHO accreditation. The facilities surveyed demonstrated a high degree of excellence, with scores ranging from 93 to 97, well above the national average of 86.

Women's Health Quality Indicators

HHC seeks to increase the percentage of women entering its facilities for prenatal care during their first trimester of pregnancy. In 2000, HHC succeeded in serving 66 percent of women in prenatal care during their first trimester, exceeding its goal of 60 percent. Family planning visits were provided within six days in 2000, compared with seven days during 1997. In 2000, the Corporate-wide average waiting time for mammography screening appointments was three days, compared with five days during 1998.

System Restructuring

Substance Abuse Treatment

HHC's substance abuse programs prioritize the goals of a drug-free lifestyle and abstinence from illicit drug use, focus on self-sufficiency and job skills development, and ensure involvement of clients in work activities. Vocational rehabilitation staff have been hired at most HHC facilities to provide employability assessments, work readiness training, and education and skills training opportunities. The Corporation's major substance abuse treatment initiatives include:

- overhaul of methadone treatment programs. Staff-client ratios have been reduced, state-of-the-art computerized liquid methadone dispensing systems have been installed, evening hours have been established for working patients, and career centers have been established.
- implementation of an innovative partnership between the Lower Eastside Service Center, a community-based organization, and Kings County Hospital to provide residential services for methadone patients who require the structure and support of residential care to assist them with their goal of tapering off of methadone.
- use of a comprehensive care management approach at Jacobi and North Central Bronx Hospitals to coordinate and integrate substance abuse treatment with primary health care, mental health, and social services and provide enhanced support and assistance to patients who are severely disabled due to their substance abuse.

- establishment of adolescent programs at Harlem and Lincoln Hospitals which provide substance abuse prevention and treatment services within a primary care setting.

Child and Adolescent Health

HHC pediatric and adolescent health care providers continue to offer high quality services to patients from birth through adolescence. These services include a wide range of routine primary and preventive services, as well as subspecialty/consultative care. In order to keep pace with current technology, HHC facilities have begun to implement age-specific computerized medical records for this population. Quality assurance indicators that measure compliance with accepted pediatric/adolescent standards of care have been adapted system-wide. Several HHC staff workgroups have been created to address new developments in the provision of pediatric and adolescent health care. In 2000, there were 1,836,124 visits to HHC clinics, including the Child Health and Communicare sites previously managed by the Department of Health (DOH), and 54,341 inpatient admissions for patients from birth through 20 years of age.

Affiliation

In 2000, HHC spent approximately \$464.6 million on contracts with its affiliates, including medical schools and professional corporations, for the provision of all or some medical staff and services at 16 facilities. HHC anticipates that it will spend \$492 million on affiliate contracts in 2001 and \$507 million in 2002. The projected increase in costs is the result of cost of living adjustments, reimbursement for improved provider activity, and expansion of services.

In 1995, the Corporation spent approximately \$534 million on affiliate contracts. Expenses associated with these contracts have decreased by \$100 million between 1995 and 1998 as a result of the implementation of a performance-based productivity contract model that more closely links provider payment to performance. Had the Corporation's affiliation expenses continued to increase at the previous 7.2 percent annual rate, costs in 2000 would have totaled \$757.4 million. Based on this estimate, HHC has achieved \$986 million in cumulative savings between 1996 and 2000 through the implementation of performance-based contracts.

These agreements also contain measurable indicators that allow the Corporation to monitor the quality of services and the quality of providers – important tools for maintaining and improving the Corporation's high standard of service delivery.

Graduate Medical Education (GME)

Six HHC hospitals (Harlem, Metropolitan, North Central Bronx, Jacobi, Lincoln, and Queens) continue to participate in the Health Care Financing Administration (HCFA) GME Demonstration Project. The demonstration project provides incentive payments to teaching hospitals in New York State to reduce the number of residents trained by at least 20 percent while maintaining or increasing the number of primary care residents. Subsequent passage of the Federal Balanced Budget Act has provided more advantageous financial incentives on a nationwide basis to hospitals that reach similar goals. Therefore, HHC facilities are evaluating the financial and programmatic benefits of remaining in the project.

For the fourth year, HHC hospitals will continue their participation in the New York State initiative coordinated by the Council on Graduate Medical Education (COGME). This initiative, the New York State Professional Education Supplemental Incentive Pool, provides financial inducements for the restructuring of GME to achieve the State's priorities for post-graduate medical training. The program has been renewed under the Health Care Reform Act (HCRA) of 2000. In the first three years of the program, HHC facilities received approximately \$38.9 million from the pool. Because HCRA 2000 reduced the annual Statewide incentive pool from \$54 million to \$31 million, HHC anticipates receiving less incentive money in subsequent years.

Capital Review

The HHC Capital Plan focuses on rehabilitating its network of acute care, long-term care, and ambulatory care facilities. HHC's capital strategy is driven by the changes that have occurred in health care delivery and financing. In particular, the advent of managed care, new technology, and new treatment approaches for certain diseases such as AIDS have significantly affected inpatient utilization. Moreover, patient demands and competition for clients have created the need for greater privacy, more convenient and efficient patient flow, and different configurations of hospital and clinic space.

The HHC Capital Plan includes six major projects. The first is the reconstruction of Kings County Hospital Center. Phase I of this project involves the construction of a new 340-bed inpatient hospital scheduled to open by January 2002 at a cost of \$90 million. Phase II of this project, which is currently estimated to cost \$136 million, includes the construction of a new diagnostic, treatment, and emergency/trauma services facility scheduled to open in 2004. This structure will also house the hospital's operating rooms, comprehensive radiology unit, labor and delivery suite, and laboratories. Phase II also includes a major renovation of an existing building to accommodate medical ambulatory care clinics currently scattered throughout nine locations on the campus.

The second major project is the reconstruction of Queens Hospital Center. This project involves the construction of a 200-bed acute care hospital scheduled for completion in March 2002 at a cost of \$149 million. This 360,000 square foot facility will also include Centers of Excellence in women's health and cancer care services.

The third major project is the modernization of Bellevue Hospital Center at an estimated cost of \$175 million. The primary component of this project is the construction of a new ambulatory care building to provide general care, specialty care, mental health, substance abuse, ambulatory surgery, dental, and dialysis services. This project, which is now in design development, also includes the consolidation of six intensive care units onto one floor, the conversion of four-bedded inpatient hospital rooms in the medical/surgical units to one- or two-bedded rooms, and the upgrading of 30-year-old heating, ventilation, and air conditioning (HVAC) systems.

The fourth major project, financed with HHC bonds, is the modernization of Jacobi Medical Center, which is estimated to cost \$160 million. This project, currently in design development, involves the construction of a replacement acute care facility of 339 beds. This 365,000 square foot facility will also house the hospital's operating rooms, radiology units, labor and delivery suite, critical care units, and emergency department services.

The fifth major project, also financed with HHC bonds, is the modernization of Coney Island Hospital, which is estimated to cost \$91 million. This project, now in design development, involves the construction and renovation of ambulatory care and acute care facilities.

Another major capital project at Bellevue Hospital Center is the construction of a new state-of-the-art DNA laboratory for the Office of the Chief Medical Examiner (OCME), which is estimated to cost \$247 million. This facility will consolidate the OCME's Forensic Biology Laboratory, its Bellevue Annex, and the interim High Sensitivity Laboratory. With this laboratory, the OCME will increase the analysis capabilities of its DNA program, enabling the expanded use of DNA as a forensic tool to assist the New York City Police Department and the courts in identifying perpetrators.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, serving nearly 2.1 billion subway and bus passengers in calendar year 2000 with almost 1.4 billion passengers riding the subway system.

The subway system operates on 722 miles of track extending over 238 directional route-miles, serving 468 stations throughout the Bronx, Brooklyn, Manhattan, and Queens. The bus system consists of a fleet of over 4,300 buses on approximately 230 local and express routes in all five boroughs.

New York City Transit has been an affiliate of the Metropolitan Transportation Authority (MTA) since the inception of the MTA in 1968. The MTA is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and the seven adjacent counties. The MTA Board also oversees the development of NYCT's operating budget and coordinates its capital expenditures. NYCT is divided into several operating departments, most notably the Department of Subways and the Department of Buses.

The Staten Island Railway (SIR) is also a subsidiary of the MTA. SIR operates a 14-mile rapid transit line which links 22 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately 5 million passengers per year.

The introduction of the City's successful "One City, One Fare" initiative, as well as increased employment and tourism and a decrease in citywide crime, has resulted in a 19 percent increase in subway and bus ridership since July 1997, reaching its highest level in over twenty-five years. This increase resulted in part from the introduction of free intermodal transfers in July 1997, the introduction of the 10 percent bonus program in January 1998, the 25 percent reduction in express bus fares in March 1998, and the introduction of the unlimited ride program in July 1998.

Financial Review

New York City Transit's Financial Plan for calendar years (CY) 2001 through 2005 will be submitted to the Financial Control Board following the presentation of the 2001 Executive Budget. The plan for CY 2001 incorporates the following key elements:

- CY 2001 fare revenue is projected to be \$2,153.3 million, a 2.5 percent increase from CY 2000, mostly due to the increasing use of the various and recently introduced fare discounts that have stimulated ridership. Following a higher-than-expected increase in ridership during CY 2000, a further increase in ridership is expected in CY 2001.
- Tax revenues dedicated for NYCT's use are projected to total \$1,029.9 million; \$581.7 million from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), \$310.6 million from the State "Locked Box" Petroleum Business Tax, and \$137.3 million from the Urban Mass Transportation Operating Assistance Account (Urban Account).
- The City's contribution to NYCT's operating budget for CY 2001 totals \$235.6 million, including \$158.1 million in operating assistance, \$45.0 million for student fare discounts, \$14.3 million for the Paratransit program, \$13.8 million for elderly and disabled fare discounts and \$4.4 million for Transit Police.

Due in part to a \$22.8 million surplus in CY 2000, NYCT is projecting a budget surplus for CY 2001. Despite this, the MTA is projecting budget shortfalls totaling \$1.3 billion for the CY 2002-05 period. It is the MTA's obligation to propose gap-closing measures where necessary in order to bring the financial plan into balance.

New York City Transit Financial Plan
(\$ in millions)

	Calendar Years				
	2001	2002	2003	2004	2005
<i>REVENUES</i>					
Subway / Bus Fare Revenue	\$2,153.3	\$2,184.6	\$2,220.3	\$2,259.8	\$2,298.2
Other Operating Revenue	73.0	71.9	75.1	78.4	83.1
Transit Tax Revenue	1,029.9	1,119.2	1,176.0	1,228.4	1,290.4
City Subsidies	235.6	238.5	242.0	246.1	251.1
State Subsidies	203.1	203.1	203.1	203.1	203.1
TBTA Surplus Transfer	113.6	70.7	63.3	60.5	64.1
Miscellaneous Revenue	751.1	717.9	723.0	730.5	741.5
TOTAL REVENUE	\$4,559.6	\$4,605.9	\$4,702.8	\$4,806.8	\$4,931.5
<i>EXPENSES</i>					
Salaries & Wages	\$2,317.4	\$2,412.5	\$2,481.1	\$2,559.7	\$2,559.7
Fringes	696.4	731.9	756.8	785.2	785.2
OTPS	604.9	534.9	500.2	521.7	550.1
Paratransit Expenses	115.9	124.1	148.6	173.1	201.0
Transit Police	4.4	4.4	4.5	4.5	4.5
Capital Expenses	738.5	704.5	709.8	717.3	728.3
Debt Service	320.8	377.1	489.7	610.8	748.3
TOTAL EXPENSES	\$4,798.3	\$4,889.4	\$5,090.7	\$5,372.3	\$5,577.1
Balance before Adjustments	(\$238.7)	(\$283.5)	(\$387.9)	(\$565.5)	(\$645.6)
Cash Flow Adjustments	236.3	175.4	69.4	159.4	160.1
Net Cash from Prior Year	22.8	20.4	0.0	0.0	0.0
Net Surplus / (Deficit)	20.4	(87.7)	(318.5)	(406.1)	(485.5)
• Actions Available to Offset Outyear Budget Gaps, Including Increased Ridership Revenue, Increased State Subsidies, Use of Cash Reserve and Expenditure Reductions	0	87.7	318.5	406.1	485.5
Surplus / (Deficit)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2001 will total \$235.6 million. The City continues to provide a \$45.0 million subsidy to transport school children (one-third of the total estimated program costs), while also subsidizing the elderly and disabled reduced-fare program (\$13.8 million) and the paratransit program (\$14.3 million). In addition, the City match of State 18b operating assistance, in the amount of \$158.1 million, supports a portion of NYCT's overall operating costs and \$4.4 million is used to fund costs associated with the Transit Police. The City also provides over \$65.6 million directly to the MTA to maintain Long Island Railroad and Metro-North Commuter Railroad stations in the five boroughs and for operating assistance for the commuter railroads as part of the local match of State 18b aid.

The following chart summarizes the City's subsidies to NYCT for CY 2001:

City Payments to the NYCT, CY 2001 (\$ in millions)

• Elderly and Disabled Subsidy	\$13.8
• School Fare Subsidy	45.0
• Operating Assistance	158.1
• Police Reimbursement	4.4
• Paratransit	14.3
	<hr/> <hr/>
TOTAL	\$235.6

Capital Review

The City's ten-year Capital Plan totals \$1.40 billion: \$1.39 billion for NYCT and an additional \$10.0 million for Staten Island Railway. These funds will be used to support NYCT's most essential work: to help bring the entire mass transit system to a state of good repair, to maintain that level on a normal replacement cycle, and to help expand the transit system to include subway access to both the Javits Convention Center and LaGuardia Airport. City capital funds are used in conjunction with other sources (Federal, State, and Private) towards NYCT's Capital Program. The Plan includes an additional \$345 million of funding for Mass Transit purposes as a result of the planned sale of the New York Coliseum site. Through a Memorandum of Agreement between the MTA and the City, all sale proceeds of the Coliseum site will be paid to the City's General Fund, and an equal amount of City funds will be allocated to the NYCT capital plan.

The City's 2002-2011 ten-year Plan for NYCT and SIR includes the following key elements:

- funds to help provide for various NYCT infrastructure improvements including the extension of the #7 subway line to the West Side of Manhattan and also subway access to LaGuardia Airport, \$650.8 million.
- funds as a result of the sale of the New York Coliseum, also dedicated for infrastructure improvements, \$345.0 million
- funds for NYCT trackwork, \$350.0 million
- funding for the NYCT rapid and surface transit revolving funds, \$50.0 million
- funds for the reconstruction of the Victor Moore Arcade Intermodal Transit Facility, \$2.5 million
- funds for SIR's track replacement and infrastructure programs, including improvements at the St. George Station and Ferry Terminal, \$10.0 million

The table below outlines the City's Capital Commitments to NYCT and SIR for the 2000-2005 period:

Capital Commitments

(\$000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds										
Coliseum Funds	0	0	0	0	345,000	345,000						
Infrastructure	75,000	75,000	67,000	67,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Trackwork	28,000	28,000	42,000	42,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Revolving Fund	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
SIRTOA	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	0	0	5,362	5,362	250	250	250	250	250	250	0	0
Total	\$109,000	\$109,000	\$120,362	\$120,362	\$451,250	\$451,250	\$106,250	\$106,250	\$106,250	\$106,250	\$106,000	\$106,000

In the four-year period covering 2002-2005, the City's Capital Plan provides a total of \$769.8 million towards the entire NYCT/SIR capital program. This includes \$260.8 million for infrastructure improvements, such as an extension of the #7 line to the Javits Convention Center and a new rail link to LaGuardia Airport, \$140 million for the trackwork program and \$20 million for miscellaneous work funded through the "revolving fund". Also included is \$345 million, resulting from the sale of the New York Coliseum, which will be used for infrastructure improvements. An additional \$4 million is allocated for various improvements to the Staten Island Railway.