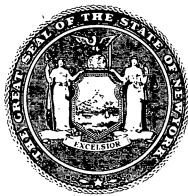


Governor Mario M. Cuomo

**MESSAGE
TO THE
LEGISLATURE**



**Albany, New York
January 8, 1986**

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**ANNUAL MESSAGE
STATE OF NEW YORK
January 8, 1986**

***To the Members of the Legislature
of the State of New York:***

This is my fourth opportunity to present to you my Annual Message — the last of my term. It is an appropriate time to account for our stewardship, and to look to the future.

The efforts of the last three years have produced a record of extraordinary achievement. The State has completed a decade of recovery and is now poised for a grand resurgence.

A little more than a decade ago, many of us sat in this chamber and heard Governor Carey's grim but realistic assessment that the "days of wine and roses" were over. Our population had dropped, employment was down, our infrastructure was deteriorating, and businesses were unable to compete effectively under a crushing tax burden. The State faced hard times, and the greatest city in the world was virtually bankrupt.

Critics said that our great Empire State had lost its dynamism. It was too old, too poor and too weak to survive, and was destined to deteriorate — gradually and inexorably.

The antidote they prescribed was shrinkage! Shrinkage of our aspirations, of our proper responsibilities, of our goals. They urged our young people to move from this historic state of opportunity to other sections of the country.

We rejected that advice. We have spent the last decade lifting ourselves up from that low point. And we have done it successfully.

Three years ago, with the fiscal devastation of the past behind us, we were in a position to begin the work of rebuilding, strengthening and modernizing our State. I asked in my first Annual Message that you embark with me on a campaign for "jobs and justice", working together with a new degree of cooperation and conciliation. I said then and repeat now: "What we achieve, we can only achieve together, without regard for party or personal differences." I believe we have met the test.

We did it by rising above ideology and politics, by developing ideas that were good and sound instead of ideas that simply sound good.

The credit for what has been achieved belongs not solely to the Governor, nor to one political party, nor even to the Legislature — but to all of us, together. That progress was possible because on so many occasions we have been able to come together in a consensus that transcended narrow partisanship.

That cooperation occurred when we acted together as a family. It was not occasional. It happened here one thousand times a year for three years, as upstaters and downstaters, blacks and whites, Hispanics and Asian Americans, men and women, Democrats and Republicans, young and old submerged their differences, and forged laws that made government more efficient, provided more shelter, assisted the needy, reduced taxation, advanced education and expanded opportunity. We followed a New York philosophy that binds common sense to compassion, that demonstrates that government can have a head and a heart at the same time.

Because we in New York stood together as a state, we were able to achieve a significant victory on a national scale. Because we refused to allow political labels to divide us and refused to be cowed by those who said we could not win, we stood up when no one else would to fight the proposed disallowance of deductibility of state and local taxes from the federal income tax. That radical, ill-conceived idea would have devastated New Yorkers and people from many other states, particularly punishing the middle class.

Because the interest of the State was paramount, Warren

Anderson spoke against the idea and locked arms with Stanley Fink. Fred Ohrenstein joined with Clarence Rappleyea. John Marchi, Jerry Kremer, Ned Regan and Bob Abrams teamed up with Pat Moynihan, Al D'Amato, and the other members of our Congressional Delegation on both sides of the aisle. New York's business, financial and labor communities showed their strength. As a result, we rallied much of the nation and the House of Representatives to our view.

I am privileged to serve as Governor of a state whose leaders spoke with one voice in favor of federalism, fairness and real tax reform so insistently and so persuasively that the whole nation listened and agreed — at least so far. We have seen the immense power of this state when all of us pull in the same direction. It serves as a real source of encouragement, even inspiration.

In this election year, I urge you to continue this spirit of cooperation and to assume that the best possible government for the people is also the best possible politics. Consider what we have done in this fashion over the last three years:

We have dramatically begun to rebuild the State. We are rebuilding our highways, bridges and rail systems with the help of the Rebuild New York Bond Issue.

We are rebuilding our economy, with the largest tax reduction program in the State's history — more than \$3 billion returned to our taxpayers over three years, producing the lowest top income tax rate in a quarter of a century.

Our population is up. Jobs are up — 894,000 more people at work today than at the end of 1982. More than eight million people are employed, for the first time in the State's history. Unemployment is down, and November's rate of 6.1% was not only well below the national average but the lowest rate for that month since 1973. Business, labor and government have come together in common cause to make New York a better place in which to live, work and invest.

We are rebuilding the State's financial credibility. We produced a succession of balanced budgets, adopted in a timely manner, and now, for the first time balanced in accordance with generally accepted accounting principles. We established a cap on our annual borrowing and began the long but necessary task of reducing the State's accumulated deficit. And these efforts have been recognized where

it really counts — through an improved credit rating that over the years will save taxpayers hundreds of millions of dollars.

Today we have more children learning how to use computers, more assistance to high technology, a new, dramatic investment in agriculture, expanded skill training opportunities, and the start of a reconfigured mental health system. And the first acid rain law in the nation, the first seat belt law, the first homeless housing program, the first comprehensive program for the prevention and treatment of AIDS.

The list could go on and on.

We could use this year just to sum up, to consolidate our gains. Instead, we want to use the progress of the past three years as our foundation for a new era of progress. If we do it right, if we continue to work together, then I am sure that the New York of the twenty-first century will be the most dynamic place on earth, a center of imagination and innovation, stronger and more compassionate than ever.

We have made progress, but we cannot be complacent.

The battle to preserve federalism is not yet over, and our coalition will be sorely tested in the coming months as the historic battle against double taxation moves to the United States Senate.

For all the affluence and power evident in the Empire State, we still face enormous challenges. While many of us are doing better than we ever have before, our state and nation today cannot ignore the intolerable degree of deprivation and despair present in our communities.

Our children suffer more than anyone when the lack of available housing forces them into armories and emergency shelters, or when malnutrition leads to illness and poor schooling. Too many children drop out of school and too many adults lack the skills required for employment. If we look the other way as a generation of children is denied adequate education and decent employment, none of us will escape their trouble and pain.

Our taxes are still too high. Our debt must be further reduced. Toxic wastes contaminate too much of our environment, our mass transit systems are stretched to the limits of their capacity, and the cost of energy remains astronomical.

To meet these challenges will require innovation and creativity in every program. We will look to the future through Project 2000 and other long-range studies that we have initiated through the State University's Rockefeller Institute. We will attempt to control costs wherever possible. Instead of hospital confinement, we will emphasize prevention, home care, day treatment and health maintenance organizations when appropriate. We will pursue alternatives to incarceration and use the advantages of high technology to make our criminal justice system more effective.

Economic development remains the key to our future. We believe in a free enterprise system that produces what generations of immigrants came here for and what thousands of our people still yearn for — a chance to earn their own bread with dignity.

We believe in a government that cooperates with the private sector, unleashing the natural initiative and power of our people. We believe in a government that helps put people to work and encourages their progress, without despising their success or condemning their profits.

We believe that all who can work, should work and earn a meaningful wage. But we also believe that those of us who have been blessed and who have succeeded should be expected to contribute reasonably to those who, because they are too old or too frail, cannot compete in the free enterprise system. We are not afraid to be called "compassionate."

At the same time, we believe that any public assistance program that discourages employment and perpetuates an inter-generational dependence on government subsidy is not compassionate, but callous.

We are on the move from recovery to resurgence, from repair to renewal. Now we have the base from which to plan our growth.

This State remains the land of opportunity, and this year we have a special obligation to remain true to our heritage.

We celebrate this year the Centennial of one of the world's most inspiring monuments — the Statue of Liberty. May this symbol of Liberty standing in our greatest harbor, steadfastly lifting her torch, show us the way to opportunity. May she remind us that we are a people who, at our best, are unstoppable. New Yorkers bridged rivers, built skyscrapers that pierce the sky, elevated the arts to new levels,

defeated depressions, reached down to lift up millions of immigrants and now are even reaching out to the stars.

In celebrations across New York and throughout America this year, we will commemorate the restoration of the Statue itself. It will remind us again, and dramatically, of the American spirit — a spirit which not only inspired the men and women of republican France to celebrate the Centennial of the United States with their wonderful gift, but which also inspired our parents, grandparents and earlier generations to leave their homes and come to the United States, many arriving on Ellis Island with nothing but a passionate desire to try, to struggle, to create a new society of opportunity and tolerance.

We are indeed the sons and daughters of giants who looked to building a brighter future. Our obligation, working together, is to build that same opportunity for our children and our children's children. I will ask all New Yorkers to celebrate the Statue of Liberty's Centennial this year, not only with an eye to the past but with a vision to the future.

We will ask that the programs and policies we recommend be measured against the standards of freedom, hope and opportunity symbolized to the entire world by Auguste Bartholdi's monument to Liberty Enlightening the World.

RECOVERY TO RESURGENCE A PLAN FOR THE FUTURE

Over the past three years, New York has experienced a powerful economic recovery. Today, more than 8,000,000 New Yorkers are at work across this State. Over 890,000 more people are employed, and our most recent 6.1% unemployment rate for November of 1985 was not only well below the national average but also the lowest for that month since 1973. The strength of New York's recovery is especially stunning when we consider our economy's recent history.

The 1970s were dark economic times in New York. Our population dropped and our tax system became dangerously overburdened. We suffered continuous and devastating losses of industries and jobs. Growth was sluggish and infrastructure, once New York's pride, deteriorated dramatically. The structural weaknesses in the State's economy were exposed for all to see. The future looked bleak.

Despite the gloomy prospects of not so long ago, New York has managed to recover. But we can look back with pride and see that we not only survived the crisis, we fared better than most of our large, industrialized sister states. We did this by liberating our State's economy in a public-private partnership for growth. We took the initiative — with the largest tax reduction program in the State's history, with the Rebuild New York Bond Issue, with the adoption of expanded bonding authority for the Job Development Authority, and many more examples of directed investment.

Our recent history has taught us that the private sector is the engine which drives New York's economy. Government can clear roadblocks, it can help steer, and occasionally it can provide an infusion of fuel. But the fundamental strength of our economy is that of private entrepreneurs, managers and workers — a fact we must never forget.

New York believes in public-private partnership. In 1985, this spirit of cooperation was manifested in the personal income tax reduction program I recommended and that was ultimately passed by the Legislature. This program will reduce personal income taxes to their lowest rate in this State for the past 30 years.

New York's economic recovery is rooted in our people and their commitment to work, as well as in our State's accommodating atmosphere for success. Perhaps most important of all is the driving entrepreneurial spirit of New Yorkers. Their determined, creative, risk-taking character has always energized the State's economy and has made New York the business capital of the United States and of the world.

Two years ago, I presented my initial program to Rebuild New York. As you can tell from the recovery I have just described, that program has worked. Jobs are up, taxes are down, and New York has resumed its place at the leading edge of our nation's economic progress.

Now, building on the recovery and encouraged by the positive response of the business community, I ask for your assistance in taking the next critical steps that will take the New York economy to the next phase: from recovery to resurgence.

Expanding opportunities for all New Yorkers depends upon the continued growth of our private sector. We can no longer look to Washington for previous levels of assistance in facing complex economic and social problems. We must do it ourselves. Even though our own resources are strained, New York must execute an effective economic strategy for long-term growth and opportunity.

Last year, I requested that my Director of Economic Development, Vincent Tese, prepare a strategic plan for increasing economic and job development in New York State. His report was issued on September 30, 1985. The Report outlines the current conditions of the State's economy and interprets the forces which have created those conditions. It objectively assesses the significant strengths and weaknesses of New York's economy. And building on past accomplishments, it proposes new directions and initiatives for the future.

This report and the legislative proposals it has produced provide an agenda for expanding economic opportunity and job development. It is an agenda which requires commitment by all New Yorkers — public and private, upstate and downstate, business and labor, helping others and helping ourselves. It is an agenda for jobs and opportunity, for this year and the future.

ENCOURAGING SELF-HELP

New York's economic needs vary widely across the State. Facing different problems, regions and communities must craft solutions which are appropriate to their own needs and resources. Economic solutions are best determined at the local level, and must be accompanied by high levels of local financial participation.

In the past year, our initiatives have begun to provide real opportunities for many of New York's distressed regions to help themselves. Rather than trying to make all the decisions in Albany — either in the Governor's Office or the Legislature — we have adopted a strategy of supporting local and regional initiative.

Our strategy is predicated on the belief that progress is most likely when it comes from the grass roots. The State can fertilize local and regional growth with matching grants and technical assistance. But the initiative must come from hometowns and regions that want to develop themselves.

Creating Opportunity Zones

New York has recovered from the economic distress of the 1970s. But growth has not yet reached every community in our diverse State.

This year, I am asking you to support me in creating "Opportunity Zones" in selected distressed communities throughout the State. In each of these zones the State and selected localities will provide a broad range of incentives that will attract new investment and encourage existing businesses to expand. Together, the State and local governments can "greenline" chronically distressed communities to pull in jobs and opportunities.

No one should be excluded from New York's economic recovery. Pockets of poverty anywhere in our State hold back economic resurgence for all New Yorkers. Communities with acute economic needs — Buffalo, Oneida County, parts of New York City — require the special attention that Opportunity Zones can provide. The legislation that I will propose can lead to the creation of thousands of jobs in each designated zone within ten years.

Let me emphasize that unlike the proposed national Enterprise Zone program, New York's Opportunity Zone Program will not rely

solely upon tax incentives. Nor will we cut vital public health and safety safeguards or force people to work for less than the minimum wage. Our Opportunity Zones will help end misery, not write it into law.

New York's Opportunity Zones will focus the sum of our community development knowledge and resources on small areas with acute needs. The incentives will be tailored to fit the needs of small, start-up firms and expanding corporations.

My aim is to create lasting opportunities — to open avenues to the middle class and beyond for this generation and the next.

The Opportunity Zone incentive package will include subsidized capital, business cost reductions, tax incentives and technical assistance. The State's contribution will include a JDA loan set-aside, low interest loans, preference in allocation of Industrial Development Bonds, low-cost power, exemption of new manufacturing businesses from utility gross receipts taxes, direct training assistance, expedited on-site permit and licensing assistance, and tax credits for employment of zone residents and members of targeted populations.

Opportunity Zones will encourage community self-help. They will be designated in those areas that demonstrate that they will make the best use of local institutions and voluntary associations. The Director of Economic Development will look for local child-care plans, security efforts and other community self-help initiatives in selecting the Zones. We will explore the possibility of targeting our housing resources on these same communities, creating "Housing Opportunity Zones" to complement this effort.

The State will authorize and assist Opportunity Zones, but they will be community programs. Their success depends upon citizen involvement and local initiative.

Minority and Women Entrepreneurs

In 1983, I established by Executive Order the Office of Contract Compliance and Minority and Women-Owned Business Enterprise to address the unique needs and circumstances of our State's minority and women business sectors. Through the efforts of the Office and our State agencies and authorities, 9.2% of the goods and services

purchased by the State during 1984-85 were obtained from minority owned companies and 2.25% from women owned companies, for a total of more than \$152 million.

This year, in addition to the Opportunity Zones I have previously described, I will also ask you to create a new revolving loan fund for minority and women entrepreneurs, to allow them to contribute their entrepreneurial skills to New York's economic growth. To ensure that the resources of minority and women entrepreneurs are mobilized as part of New York's economic growth strategy, this fund will provide financing in the form of short and medium-term loans for working/expansion capital.

Regional Economic Development

An important aspect of our economic development strategy has been our emphasis on regional development. Last year, we established a Regional Economic Development Fund, and in November, after extensive analysis, we approved 45 projects covering 32 counties. These projects will create 5,200 jobs; retain another 1,700, and leverage over \$105,000,000 in private investments. The Fund combines self-help and economic development to create a model of efficient government for us to strive for in all our endeavors. Due to the success of this year's program, I urge you to join me in continuing this program to create more jobs throughout the State.

A keystone of this regional strategy has been the creation of two new economic development entities in regions of great need. The Western New York Economic Development Corporation, under Bill Donohue's able direction, has become an aggressive mobilizer of resources and a strong advocate in State government for Western New York's economic development needs. Bringing together the resources of over twenty State and public development agencies covering a seven-county area, the Corporation in less than nine months has developed an exciting and ambitious plan for the region. Among other accomplishments, it has initiated a \$150 million leveraged buyout of American Brass Corporation that will bring its corporate headquarters to Buffalo and preserve 750 jobs, an incubator at the State University at Buffalo for new high technology business, and

a new facility to overhaul mass transit cars which will employ 300 workers.

Equally important has been the start-up of the North Country Development Authority. This new Authority, which will serve as a focal point for the economic development of our northern counties, is now concentrating its attention on preparing for the tremendous economic development opportunities resulting from the planned move of the Tenth Mountain Division (Light Infantry) to Fort Drum. This move will bring 29,000 new residents to the area, as well as hundreds of millions of dollars in federal contracts and consumer purchases.

Our strategy has concentrated on assisting the financing of new business starts, locations and expansions in upstate areas. A few projects of particular regional significance include the relocation of the CB Sports headquarters and manufacturing facility to Glens Falls; expansion of LCP Chemical's existing plant in Solvay; renovation of the old Doehler-Jarvis plant in Batavia into an industrial complex; and establishment of an employee-owned foundry in the Village of Waverly for Twin Tiers Castings, Inc.

Assistance to the private sector has been complemented with help to core downtown and civic projects in our major upstate cities. The recent opening of the Rochester Convention Center, for example, was financed in part with State funds. The quality of life and the prospects for economic development will also be brighter in Buffalo, thanks to State financing for the Buffalo Sports Stadium. And State financing for the Albany Civic Center will contribute jobs and revenue to the community as well as pleasure.

In New York City we are moving forward on the Times Square Redevelopment Project to revitalize the 42nd Street corridor, and the Urban Development Corporation has begun the process of building a major new stadium in Queens. And with the opening of the Jacob K. Javits Convention Center this Spring, New York will be back at the forefront of competition for major conventions and exhibitions.

Over the past twenty years, parts of the State have shown a remarkable capacity for economic adaptation and growth; old industries have adjusted to new challenges and new industries have replaced those which departed. In parts of Manhattan, on Long Island, in the Hudson Valley, and in Rochester, Syracuse and Binghamton,

local advantages and resources have been used to create strong, diverse and resilient economies. But there are several regions in New York State that have been unable to regenerate themselves at a comparable pace. In particular, the economic distress suffered by Erie, Oneida and the Southern Tier has been severe. The waste of social resources and individual aspirations bound up in chronic regional and minority unemployment are a glaring challenge to our cities, State and nation.

The success of our regional economic development strategy in the past year has been based in large part on the process we have employed. Rather than trying to make all the decisions in Albany, we have adopted a strategy of supporting local and regional initiatives.

While my aim is to create an indigenous New York culture of investment and entrepreneurialism, we must work together to see that New York continues to be a prime location for new plant locations. We have done this in many parts of the State over the last three years and seen its effect with the Westinghouse — Toshiba plant in Horseheads, Kawasaki in Yonkers, General Motors in Tarrytown and many more. I will ensure that New York continues to package competitive financing and other development inducements to domestic and foreign corporations that will bring new jobs to New York and new taxes to our communities.

REBUILDING NEW YORK'S ECONOMIC BASE

Following the economic distress of the 1970s, New York went back to the basics in order to rebuild the traditional industries and public infrastructure which undergird our entire economy.

New York will not abandon decades of financial and human investment in manufacturing industries which are the economic lifeblood of over 1,300,000 workers, their families and communities.

At the same time, these industries must modernize and retool for heightened competition in the ever-changing world economy. Battered by low levels of capital investment, the high value of the dollar and tough competition from America's trading partners, New York's traditional industries need new productive processes, new products and new workplace relations.

In the past year, we have made substantial progress in mobilizing the investment vehicles required for New York to remain an industrial giant. And this year, with your help, we will make even greater strides.

The \$300 million increase in the lending authority of the Job Development Authority (JDA) approved by voters in November is another important component of our economic development strategy. The JDA has already provided loans to thousands of New York firms to upgrade their equipment — creating or preserving some 45,000 jobs in the last three years alone.

In addition, the New York Science and Technology Foundation has created an Industrial Extension Service pilot project in conjunction with the Rensselaer Polytechnic Institute to bring the latest in industrial technologies and innovations to entrepreneurs as well as mature businesses seeking to create new products and better productive processes.

To build upon the recent success, I am proposing new initiatives to utilize New York's public-private partnership to retool and modernize traditional industries.

As the cornerstone of our efforts to remain an industrial giant, I will ask you to approve formation of the New York Industrial Development and Export Finance Corporation. With only a small State appropriation in each of the next two years, we can stimulate \$180 million in new investment that will stabilize and preserve over 42,000 jobs, directly and indirectly, in our traditional manufacturing industries. This innovative entity will encourage private institutions to finance the modernization of our traditional industries through unique types of loans and equity investments.

The Industrial Development and Export Finance Corporation will give New York a needed advantage in the fight for international markets by helping small and medium-sized businesses which are now effectively denied access to the export market. These firms must export in order to grow, and the State will provide technical assistance, loan guarantee and currency risk insurance to help them successfully compete in the world economy. The Industrial Development and Export Finance Corporation will work in concert with the pioneering

export activities of the Port Authority of New York and New Jersey which are restricted by charter to the New York City area.

To augment the financial and technical assistance provided by the Industrial Development and Export Finance Corporation, I will initiate several additional steps to ensure industrial progress for New York's businesses, workers and communities.

To incorporate advanced technologies into manufacturing, I will ask you to fund retooling investment feasibility studies for individual companies and establish an Industrial Extension Service that disseminates technical information and on-site assistance.

And to foster concurrent progress in labor-management relations, I will establish a top-level Economic Adjustment Team to provide a coordinated response to plant closings and major layoffs and ask the Industrial Cooperation Council to develop new initiatives to encourage economic growth through new forms of ownership, participation and partnership.

Just as New York's traditional industries have progressed down the road to recovery, enormous strides toward rebuilding New York's infrastructure are already underway. Even in this time of fiscal constraint, New York has managed to make massive financial commitments for the rehabilitation of highways and bridges, ports and airports, sewers, roads and mass transit.

While the State's infrastructure is a tremendous foundation for economic progress, maintaining it in order to remain a world industrial leader will require steady, substantial investments. Statewide, our water and sewer infrastructure needs alone total an estimated \$26 billion.

Despite the enormous scale of the Rebuilding New York investments, New York has only begun the long-term challenge presented by the problems of certain aging public facilities. Steady and sensible efforts must be continued.

I will have more to say about specific transportation proposals later in this message. However, at a minimum the business implications of our infrastructure renewal program demand maintaining the Port Authority of New York and New Jersey's large-scale investment in aviation and port development, continuing the State's Industrial Access Program to provide financing for essential

road improvements for specific industrial projects, and establishing a State Infrastructure Financing Center to provide technical assistance to communities developing capital budgets and financing needed infrastructure.

BUILDING NEW INDUSTRIES AND NEW SKILLS

While we will not abandon the fruits of previous generations' work, New York's economic future demands growth of new industries, new firms and new skills. Our economy must be forward-looking — reaching out for new opportunities and striving for excellence in technology and know-how. Stimulating new industries, developing new enterprises and helping workers prepare for the future is a fragile and complex process, but one which New York State must master in order to lead the nation into a bright economic future.

We made substantial progress last year, progress that we must build on in the coming year. Design is now underway for the Cornell University Biological Life Sciences Center, and the State is contributing to the construction of an incubator facility for biotech firms at Columbia University. These public-private-academic facilities will help put New York in the lead of the growing biotechnology industry.

In recognition of the vital role universities play in the development of high technology, I will recommend a continuation of funding for the enormously successful Centers for Advanced Technology at Columbia, Cornell, SUNY Buffalo, SUNY Stony Brook, Rochester, Syracuse, and the Polytechnic Institute of New York. One example of how the Centers have succeeded is the emergence of a new company based on voice recognition technology developed at Columbia University's Center.

New York is actively seeking to assist high tech companies which will open manufacturing facilities in our State. For example, an Urban Development Corporation investment that incorporated a major job training component will create 700 permanent jobs at the Westinghouse-Toshiba joint venture in Horseheads. And last year I signed into law authority for UDC to make direct loans, making the Corporation's investment abilities even more responsive to the needs of businesses around the State. A \$14 million commitment has

been made at my direction by the Port Authority in Metrotech, a planned commercial and high tech development in the heart of downtown Brooklyn.

These small but strategic investments show that government can foster technological development in New York. Building on experience, we now need to supplement our efforts to create a culture of economic progress.

In order to expand the opportunities for New Yorkers to participate in the new high-tech economy, I am proposing creation of a Public Venture Capital Fund to invest in new and expanding companies. Its investments will create over 20,000 new jobs by the end of 1989, directly and indirectly. In addition to its own direct investments, the Fund will also be able to invest in private venture capital firms specializing in certain technologies which benefit New York's regional and local enterprises. I will also ask for your support in recapitalizing the successful Corporation for Innovation Development to provide early stage "seed financing" for new enterprises.

To further enhance our universities' excellence in technology development, I have increased the Science and Technology Foundation's research and development matching grants to public and private research universities. In the next fiscal year, I propose that the State assist in the creation of a unique communications network called NYSERnet which will permit public and private universities throughout New York State access to the region's "super-computers."

New business start-ups across the State often require space, particularly small-scale incubators. I will ask that you further aid business development by supporting the creation of Entrepreneurial Support Centers to provide statewide start-up and technical assistance, and we will use the State Real Property Inventory to develop suitable, vacant, publicly-owned sites for commercial and industrial space.

Skills for the Future

Technology is only half of the equation which will build economic progress for New York. A fully resurgent economy needs people who can work with new technologies and who have the skills to adapt to the workplace of tomorrow.

A diverse, skilled and highly productive work force has been an essential ingredient in New York's economic growth throughout the twentieth century. Not enough people realize it, but New York's manufacturing productivity is 15 percent above the national average. At the same time, New York's average wage in manufacturing has remained near or below the national average every year since 1965.

While we will not compete for prosperity on the basis of low wage rates, we are more than prepared to go into battle riding the skill and productivity of our work force.

To a large degree, New York's economy is its people — and we are strong. In order to maintain this competitive edge, New York must continue to encourage and support skills development to ensure that we keep pace with the rapidly changing technologies and needs of our companies. And we must especially emphasize investment in New Yorkers who are not yet employed. Those whose skills are inadequate or outmoded need our help, as do young people in the inner cities shut out of the work force and women heads of households trying to escape from the world of welfare to the world of work.

Private employers know the skills their firms require, and we should defer to their expertise in deciding how job training should best be done. However, we should also insist that some part of our scarce resources be targeted to expand economic opportunities that focus on the potential workers in greatest need.

I will propose two important new solutions to further cement the public-private bond of partnership required to bring more economic opportunities to New Yorkers. First, as I will describe in greater detail elsewhere in this Message, I will encourage New York businesses to hire and train public assistance recipients for vacant jobs. By targeting our existing welfare grant diversion funds, we can provide permanent, private sector job opportunities for public assistance welfare recipients at no additional expense to our taxpayers. And people already employed will not be displaced. Second, I will seek your help in creating a New York State Skills Development Program to upgrade worker skills. Working together, we can create new Centers of Industrial Training to be established in strategic locations throughout the State. These centers will be part of existing educational institutions, particularly the community colleges. They

will allow business, education and citizen access to training facilities with the latest equipment and techniques, and they will give particular emphasis to the needs of women and minority workers and managers.

In keeping with my Administration's goal of doing more with less, I will ask the Council on Fiscal and Economic Priorities and the Job Training Partnership Council to examine and recommend innovative uses of unemployment insurance trust fund resources for individual retraining and skills upgrading. In addition, within the statutory limits of federal programs, I will earmark a portion of existing training program funds for more sharply focused employer-sponsored, job-specific training programs. Firms will be eligible for financial and technical assistance for customized training of new employees, especially in situations where newly-created jobs are to be filled by the long-term unemployed.

Through prudent investment and proper management, New York's public and private sectors can work together to create new business opportunities and more jobs. Technology and training can combine with New York's favorable business climate to foster a culture of economic progress and a bright economic future for all New Yorkers.

THE SPECIAL CASE OF THE FINANCIAL SERVICES

New York remains, without question, the world's investment and financial center — home to the largest stock exchanges, investment banking firms, brokerage companies, and commercial banks. Unparalleled telecommunications capabilities extend and enhance New York's future as a world financial hub.

We will pursue the intelligent deregulation of the financial services in New York State, continuing to provide an hospitable climate for this all important industry. In 1983, we passed the New York Life Insurance Companies Investment Act and the Bank Stock Conversion legislation. We created the DeWind Commission, charged with responsibility for reviewing the entire financial services industry and making appropriate recommendations that would balance the needs of these productive and expanding industries with those of consumers who are so dependent on their services.

In 1984, the DeWind Commission submitted a report that has been studied and applauded nationwide. We began implementing its recommendations with passage of the Omnibus Banking Act. Last year we modernized the Life Insurance Company Guaranty Corporation to enhance our regulatory protection of life insurance companies and increased the amount of savings bank life insurance that can be offered.

This year we will press for passage of the remaining innovative proposals of the DeWind Commission. I know that you are proud of our accomplishments in this area over the last few years, and we will continue to improve that record.

As everyone knows, we face an acute liability insurance crisis. Whatever the reasons for the crisis, there is no business, governmental entity, non-profit organization or individual that has not been affected by this problem. In order to obtain a solid understanding of the forces which have actually led to this sudden crisis and to protect ourselves from manipulation, I will appoint a special commission to study the causes of the problem and report back to me by March 31. We will then be in a position to consider workable proposals at this legislative session.

A COORDINATED STRATEGY

As you can see, I am asking you to join with me in an ambitious economic development strategy for the rest of the 1980s and the 1990s. But the strategic planning process for jobs and opportunity must look further into the future so that New York can be prepared for the world economy of the next century. Project 2000, which I initiated in my last Annual Message is conducting a long-term examination of New York's economy designed to allow us to leave our children an economy as dynamic as the one we inherited.

As in most states, economic development policies and programs in New York have evolved incrementally — until now. New York is learning to plan ahead — to think and act strategically, like businesses and families always have in their economic decision-making.

One of the reasons I created the position of Director of Economic Development and delegated broad responsibility to that office was

my determination to use the State's scarce economic development resources more effectively. Vince Tese is making this determination a reality and is molding our diverse agencies and programs into a coherent whole.

In addition, I will ask the Director of Economic Development to prepare annually a detailed, multi-year economic development strategic plan that will outline major economic goals, objectives and specific strategies for economic growth.

This year I had the opportunity to expand the concept of strategic planning to tourism. I signed into law a bill that provides for the preparation of a Tourism Master Plan by the Department of Commerce. This plan will be a blueprint that will guide both public and private investment in the State's second largest industry for the next five years.

The importance of the tourism industry to the State's overall economy, especially to the upstate regions, is something I have long acknowledged. Two years ago, I recommended the Tourism Matching Grants Program in the Executive Budget for the first time. This year, in addition to the continuation of the matching grants, I am proposing the creation of a series of Tourist Information Centers throughout the Adirondacks and a Visitors Interpretive Center at Paul Smith's College.

I have also approved the creation of a team of "industry specialists" to identify, monitor and assist firms in the several industry groupings that are key to the State's economy. This deal-making response capacity will improve the State's ability to attract major new business and industry and prevent business departures.

Finally, I have directed Commerce Commissioner Ron Moss, whose skills in marketing and advertising are nationally recognized, to begin to coordinate all State agency marketing and advertising activities and to expand New York's marketing efforts to attract new businesses and more visitors.

OUR ECONOMIC FUTURE

In the infancy of the United States, New York achieved a position of commercial dominance because of superb harbors, access to raw

materials, energy and markets, abundance of skilled and willing labor, and, perhaps most of all, the entrepreneurial spirit bred by the chemistry of location, resources and opportunity.

Opportunity has always been the measure of New York. And the Statue of Liberty has been the beacon of that opportunity — both for the people of the world and for our family of New York.

Since the nation's inception, New York State has been the economic center of the country — first as a leader of trade and commerce and, later, of manufacturing and service industries. From the factory floor to the boardroom, New York State has supplied economic opportunity for generation upon generation.

However, the importance of geography alone has been diminished by the fast-paced development of modern transportation and communications. New York must now plan to capitalize on its many other unique advantages in order to maintain economic vitality and growth, and to guarantee opportunity for its citizens.

Some of the initiatives I am proposing call for increased focus and integration of existing programs. Others require new initiatives and increased levels of appropriations. All are grounded in an understanding of the inherent difficulty of economic development, the reality of resource constraints and the limits of State government's ability to implement change unilaterally. With limited resources, the State will need to target its expenditures in order to create public-private partnerships that address the most important challenges.

Opportunities will only be grasped if we generate innovative ideas and solutions to promote the revitalization of the State's economy. The initiatives presented here are a way to seize the momentum that has been created over the last three years through tax cuts and the design of a more hospitable environment for entrepreneurship and innovation. New York has recovered. We have begun to rebuild. Working together, we can now create an economic resurgence of jobs and opportunities for all New Yorkers.

FISCAL REFORM, TAX REFORM AND EXECUTIVE MANAGEMENT

Key to the restored confidence of the private sector in the State's future has been our determination to reduce taxes, enact far-reaching fiscal reforms and control the growth of State expenditures. We have done so prudently, avoiding the roller-coaster, boom-and-bust pattern of surplus and deficit which has plagued this government and others in the past.

Fiscal Reform

While the federal government's deficit has grown at an unprecedented rate, New York has kept spending and tax cuts in equilibrium — balancing the budget for three successive years, cutting taxes and simultaneously enhancing our commitment to the poor, the ill and the homeless. Our approach has brought the State improved credit ratings, with resulting reduced interest costs to the taxpayer. We have demonstrated that it is possible to meet our social obligations *and* keep the State solvent.

The task of reforming our fiscal system has not been easy. The passage of the Accounting, Financial Reporting and Budget Accountability Reform Act of 1981 signalled a long-term policy commitment to fiscal reform. The need was obvious and overdue, but its implementation would not occur without major effort.

At the end of the 1982-83 fiscal year, the State's finances were badly in need of this reform: we closed the year with a \$1.1 billion operating deficit measured on a Generally Accepted Accounting Principles (GAAP) basis, which increased the accumulated deficit by 37 percent, to \$4.3 billion; we had to borrow \$500 million temporarily to close a cash deficit in 1982-83; the annual Spring Borrowing was at an all-time high, and growing at a record rate.

In 1983, 1984, and again last year, I called for a continuing program of fiscal reform. With your cooperation and that of the State Comptroller, we have made substantial progress: we reduced the growth in the accumulated deficit by two-thirds in 1983-84, and by another two-thirds in 1984-85. In 1985-86, for the first time in the State's history, I proposed, and you adopted, a budget balanced on

a GAAP basis; we capped the accumulated deficit at \$4.4 billion and the Spring Borrowing at \$4.3 billion.

These actions required hard choices and the allocation of real resources. They required sacrificing other program objectives. Now, as we approach the close of the current fiscal year, our budget remains balanced on a GAAP basis, but there is still more to do. We have capped the Spring Borrowing and the accumulated deficit, but as yet we have reduced neither. We still pay more than \$200 million annually in interest costs to service our short-term debt, and too much to service our long-term debt — partly because of investor concern over the accumulated deficit.

At the same time, we committed ourselves to spending only what we would take in. Comptroller Regan has been instrumental in assisting us reach responsible and timely budgetary agreements by reviewing and certifying our revenue and expenditure estimates for the past three years. The Comptroller has agreed to perform this invaluable service again this year.

In the budget I will propose next week, I will ask you to renew your commitment to fiscal reform. For the second year in a row, I will submit a budget balanced according to generally accepted accounting principles. As you undertake your review of this budget, I ask that any changes be made in a manner that maintains GAAP balance, as was the case in 1985. In addition, I will ask you to join me in a multi-year program to reduce the accumulated deficit and the Spring Borrowing. This debt was accumulated over the course of many years, and will not be reduced overnight. Now, however, is the time to take the first steps.

Tax Reduction and Enforcement

Last year's adoption of our personal income tax reform and tax enforcement programs was a major accomplishment.

We demonstrated to the rest of the nation that it is indeed possible to undertake tax reform intelligently, fairly, with consideration for the poor and in a manner which does not pit one region of the State against another. These actions constitute a firm foundation for continuing efforts to refine and improve the tax structure in New

York State, since tax reform and tax simplification are ongoing processes.

We will continue the tax reduction program this year, saving the people of this State more than \$1.0 billion in taxes which they would otherwise have paid.

In 1987, the third year of the program, further savings of \$1.5 billion will accrue, for a total of more than \$3.0 billion.

Government can also encourage economic development by insisting that the tax rules it applies to business are simple and fair. Speaker Fink launched an ambitious effort in this direction last year. I will work with the Speaker to build on that effort, consistent with his objectives of reform, equity and fiscal neutrality.

Comprehensive tax reform demands the highest quality tax enforcement. We will not lose the momentum we gained last year in the battle against tax evaders. We cannot let up until we can assure New York's honest taxpayers that they are not shouldering the additional burden imposed by tax cheats. And from a budget perspective, prudent fiscal planning requires that we collect all the revenues that our tax laws were designed to produce.

Tax evasion is not a victimless crime. The tax evaded by a jeweler falsely claiming that a single necklace was shipped out-of-state could finance seven Regents Scholarships. Every bargeload of gasoline that enters this State untaxed would pay one day's nursing home cost for 2,400 senior citizens. The end result of tax evasion is less school aid, reduced services, and delayed or smaller tax cuts. Thus, I ask for a continuation of your strong support for our tax enforcement program.

Last year we made considerable progress. Under the combined leadership of Tax Commissioner Rod Chu, Assemblyman Jerry Kremer and Senator John Marchi, we restructured our petroleum taxes, enacted the Omnibus Tax Equity and Enforcement Act which dramatically increased the penalties for tax evasion, implemented the Crimes against Revenue Program and complemented all these enforcement efforts with the Tax Amnesty Program.

Together we have put out a clear message: the days when tax cheats can pick the public pocket with impunity are drawing to a close. I will ask you this year to help speed our ability to make tax evaders an endangered species.

Within the Tax Department we will create a Bureau of Alcohol, Tobacco and Petroleum with responsibility for enforcing motor fuel, cigarette, and alcoholic beverage taxes. This bureau, besides building on the State's progress in the past year, will solidify and institutionalize the interstate and interjurisdictional excise tax enforcement efforts we have initiated in the past two years. These efforts require special vigilance because of both the proven involvement of organized crime in major evasion schemes and the interstate nature of the evasion schemes.

And, I will ask you to help me lobby the Congress to expand the jurisdiction of the Federal Bureau of Alcohol, Tobacco and Firearms to include the illegal interstate traffic in motor fuel.

We will press forward with a concerted bipartisan lobbying effort to win passage of two bills introduced last year by Congressmen Addabbo and Nowak. One would make gasoline bootlegging an enumerated crime under the federal RICO statutes. The other would direct the Army Corps of Engineers to share the information it gathers on inland water and barge traffic with state officials.

Tough management goes hand-in-hand with enforcement. With your support and led by Rod Chu's aggressive and intelligent leadership, this administration has moved the Tax Department into the twenty-first century. Our decision to invest in a long-term systems modernization project will bring state-of-the-art technology to the Department's operations.

This year we will begin to see the first payoff on that investment. Greater operating efficiency — as badly as we need it — is only part of the payoff. We will now implement computer applications that bring in more dollars. For example, we will be able to offset tax refunds claimed by taxpayers who owe money to *any* State or local government agency. In the case of individuals and firms who do business with State and local governments, we will be able to deny payment for goods and services until outstanding tax liabilities are paid. No one should have the right to demand "prompt payment" *from* government while he or she neglects obligations *due* the government.

Stopping State payments to tax evaders is only the first step; this year I will ask you to support a concentrated program to prevent abuse.

I propose that we allow *nobody* with outstanding tax obligations to do business with the State. An automated check to verify payment of taxes should become part of the clearance process before any government contract or license is awarded. We can readily demonstrate the effectiveness of such a system by using it to scrutinize those who seek a liquor license or the right to sell lottery tickets.

Within the Executive Branch, we have already begun an extensive effort to insure that policy-making State employees are up-to-date in the filing of their taxes. At my direction, the Department has already reviewed the filing status of every employee in the Executive Chamber, every employee in the Department of Taxation and Finance, and the senior employees of every State agency responsible to the Governor. In addition, we have offered this service to the Attorney General and the State Comptroller, and the reviews which they requested are underway. We have a particular responsibility as State officials to set an example, and this effort allows us to underscore the importance of that responsibility.

The Department's new state-of-the-art telephone system is another example of the computer's versatility. Computerized equipment will increase our responsiveness to honest taxpayers who need information and assistance. But, in the near future this same equipment will also become a valuable collection tool when we begin selected use of an automated dialing system and synthetic voice messages. This technology can dramatically increase collection results by reducing the time that tax agents spend pounding pavement.

As with the refinement and sharpening of our enforcement tools, tax reform is a continuing process. In last year's Annual Message, I asked that Commissioner Chu begin to develop proposals for reforming not only the personal income tax but *all* State taxes. This year I reaffirm that charge: New York State must continue the difficult work of simplifying its tax code. It is a formidable job, one which we can best accomplish by drawing on the public/private partnership we developed to meet the pressing need for tax cuts and effective enforcement tools.

The Tax Department is looking at *all* taxes and all forms. After seeking advice from tax practitioners and private industry, the Department's Simplification Task Force is now reviewing hundreds of suggestions for how we can make things simpler and easier.

I will convene a Governor's Tax Symposium of experts from the private sector, academia and government to develop recommendations for the future direction of tax reform and simplification in this State. We will utilize this expertise to develop specific tax proposals that complement the goals of our economic development program. We will also look to the suggestions of the Council on Fiscal and Economic Priorities' Subcommittee on Tax Reform, chaired by James D. Robinson III. Last year you implemented many of their 1984 recommendations. Our combined efforts to encourage business expansion and the growth of private sector jobs will include reforms that particularly address the tax treatment of such new industries as information services and telecommunications.

Finally, to further our goal of equitable tax administration, I will ask that you authorize the conversion of the State Tax Commission into a State Tax Appeals Commission to adjudicate tax disputes between taxpayers and the State. This reorganization of the existing State Tax Commission is one of the proposals of the Legislative Tax Study Commission and reflects important concerns for taxpayer rights raised by the State Bar Association and State Society of Certified Public Accountants. It will result in separation of the rule-making and enforcement responsibilities of the Tax Department and its Commissioner from the quasi-judicial responsibilities of the Tax Commission. We will also propose a mediation program that offers taxpayers the option of a small claims type of procedure as an alternative to a formal hearing or court proceeding.

Executive Management

During the past three years, we have focused a great deal of attention on looking at New York State government as an organization — like any other organization, private or public. Jay Feeney, who heads my Management and Productivity Office, speaks often of our management culture, the body of beliefs and policies that guide us in our decision making at all levels. When you and I act on legislation and budgets, we are creating that culture. When I ask my commissioners to do more with less, they have to manage better, with intelligence and sensitivity, because that is what our management

culture demands. When I say we have to manage in a more business-like manner, it does not mean "business as usual."

In the year ahead we will begin the process of preparing an annual Governor's Operations Report, establishing performance goals for all State agencies as well as specific objectives for individual departments, reviewing attainment levels and discussing management initiatives required to improve performance. The integrated financial management and personnel information systems now under development will constitute major building blocks of this effort, as will our experience with the Key Item Reporting System already underway as part of the budget process. Our objective will be to increase service at no or little additional cost and, in the process, improve the morale of the work force.

Specific Statewide projects will initially concentrate on such subjects as improving work methods, developing computer systems, enhancing labor-management cooperation and investing capital resources to improve productivity. Particular attention will be given to encouraging the most efficient and cost-effective use of micro- and personal computers throughout State government. We have made dramatic strides within particular agencies, but we need to evaluate, consolidate and replicate these achievements across the State as a whole.

The progress made in the development of new technology is a blessing and a curse: a blessing in that we are able to serve our citizens more efficiently, and a curse in that technology advances at a faster pace than our ability to respond effectively. Accordingly, I shall establish an Information Resources Management Assistance Bureau in the Office of General Services to provide technical consulting services to assist agencies in meeting their information processing objectives. In addition, I will create a statewide Information Resources Management Council responsible for developing State policies on information sharing, systems design standards, space and facility planning, training, security, backup, disaster recovery and other related issues. These activities will be staffed by a small core group, State employees on leave from their home agencies, and loaned staff from business, organized labor and the academic community.

Let me mention a few of the specific managerial accomplishments in the last year for which we can all be proud.

I start with our employees, and particularly the nine recipients of my Productivity Program Awards. These dedicated and creative public servants, and the more than one hundred other nominees, saved the State nearly \$6 million through their individual initiatives. In company with the Civil Service Commission's Employee Suggestion Program award winners, they demonstrate on a daily basis the commitment of our work force to serving the people of New York.

In close cooperation with the Business Council and its support for our Loaned Executive Program, we are looking at paperwork and how the State manages its records. Our initial efforts have already saved the business community, not-for-profit organizations, local government, the general public and our own agencies more than \$16.3 million in personnel, printing and other costs by eliminating needless paperwork and simplifying whatever we can. I issued an Executive Order to expand this effort to encompass every State agency. I also directed the Office of Management and Productivity to work in the year ahead with the Council on Children and Families to streamline and strengthen the paperwork and financial reporting now required from voluntary organizations by the State.

We are now revamping the telecommunications systems that service all our agencies. Our goal is not only to offer the latest, cost-effective technology but also to generate other savings through such innovations as electronic mail. We are already doing more with less with respect to mail, pre-sorting State mail, converting to the Postal Service's Zip + 4 coding and cutting postal fees significantly in the process.

Controlling the cost of health care for employees and retirees is a major problem facing government at all levels. Health insurance premiums for state, city, local and school district employees across the State are in excess of \$2 billion dollars a year. We have demonstrated at the State level that escalating employee health care costs can be contained. As one example, the new Empire Health Plan negotiated with our public employee unions will reduce the State's health insurance expenditures by approximately \$40 million over the next year alone while simultaneously protecting and in many instances improving benefit coverage.

Other public employers have also experimented with innovative

concepts to reduce the cost of health care. Unfortunately, limited information is shared about success stories or innovations. Accordingly, I will seek the creation of a joint labor/management coalition on employee health benefits, under the direction of the Governor's Office of Employee Relations. Membership in the coalition will consist of public employer representatives such as the Association of Counties, Conference of Mayors, Association of Towns, and State School Boards Association. Labor will be represented through the State AFL-CIO, the Public Employee Conference, and the direct representation of New York State public sector labor unions. This coalition will serve as a clearinghouse for vital health insurance information, such as successful cost containment techniques and state-of-the-art benefit design.

These are but a few examples of our managerial efforts, but they clearly show the direction we have taken. When we manage in this cost effective way, everyone wins.

Employee Relations and Human Resource Management

If we are to succeed in improving the ways in which we deliver services to our people, then we must have a relationship with our employees that establishes a foundation for cooperation based upon mutual respect and trust. Tom Hartnett, the Director of my Office of Employee Relations, has worked effectively to establish such a labor-management tenor that combines a concern for the needs of the taxpayer with a respect for the dignity of our employees.

In my 1984 Annual Message, I announced I was directing the President of the Civil Service Commission to undertake a comprehensive analysis of the civil service system. As we approach the twenty-first century, it is essential that this system, which underpins the management of New York's human resources, fully reflect and benefit from current realities — the partnership between labor and management, a sophisticated and educated work force and public demand for efficiency in government.

Karen Burstein has submitted to me a report which analyzes today's civil service/employee relations environment and proposes fundamental structural revisions. She urges a consolidation and

rationalization of executive functions and agencies to enhance accountability and maximize the dollars we spend in defining the work government does and in recruiting and nurturing the talent to do it.

Because this report has far-reaching consequences, it needs and deserves wide-ranging discussion and attention. I will therefore offer the report to you for your careful consideration this year. I know you will invite the views not only of those most directly affected — the State work force — but also business, labor, civic organizations, professional associations and local governments throughout the State. This period of review and comment will give everyone concerned a full opportunity to help us draft the final proposal for enactment in 1987.

State employees share a deep commitment to improving the quality of life of all New Yorkers. If we are to maintain this degree of excellence, New York State must take the lead in giving our employees the knowledge and skills that they need to keep pace with the inevitably increasing demands of the workplace. The training and development opportunities that we provide our employees and our managers are among the best and most comprehensive in the country. Just as our physical infrastructure needs constant investment and attention, so too does the infrastructure of human resources that underlies the efforts of our agencies.

ENERGY—MEETING THE CHALLENGE OF A NEW ERA

Sustained economic growth requires a safe, affordable and reliable supply of energy. The assurance of such a supply will continue to command a high priority within my Administration. To the degree that events and decisions remain within our control, we must both stabilize energy prices and build a more rational and cost-effective energy future.

The Energy Agenda

If we are to remain competitive in the twenty-first century, our challenge today is to develop and implement innovative energy policies and programs. Old solutions are no longer reliable guideposts to the future. In our rapidly changing environment, we are confronted with six important tasks:

First, we must carefully analyze the feasibility, potential benefits, and mechanisms for implementing public power as a strategy to achieve lower costs, to increase public accountability and to promote public confidence in the delivery of electric service, especially on Long Island.

Second, we must examine the need for regulatory reforms that will serve as an effective framework for decision-making. That framework must be flexible and account for economic, financial and technological change.

Third, to protect the economic security of individuals and businesses over the long term, we must ensure that the State's energy policy and regulatory framework contribute to a least-cost energy future.

Fourth, we must renew our commitment to improved energy efficiency and conservation, building upon our past efforts. Recent Federal court decisions clarify the legislative framework and provide a unique opportunity to implement innovative programs in this State.

Fifth, we must see that the State takes full advantage of opportunities for the diversification of energy supplies, including increased Canadian electric and natural gas supplies, small power production facilities and development of renewable and indigenous resources.

Finally, we must act to target the allocation of scarce, available low-cost energy to maximize economic development and jobs. Reducing energy costs is one of the most effective economic development initiatives that the State can undertake.

Our agenda is ambitious. It should be. Inevitably, disagreements will occur regarding details. However, we should not allow disagreement over some elements to preclude action on any. We have an obligation to move forward on those elements where agreement is possible.

Shoreham

The State Assembly has demonstrated its commitment to action on the energy agenda. On the other hand, the Senate Majority has chosen to insist that the fate of the Shoreham nuclear power plant be decided first.

Safety is and will remain my primary concern at Shoreham. I will continue to oppose the operation of Shoreham as long as it fails to meet applicable federal safety requirements. If the effect of my insistence upon safety is continued inaction by the Senate on other aspects of my energy agenda, that will be the Senate's responsibility.

Continued inaction sentences industries and ratepayers throughout the State to uncertainty and higher costs. We can and should separate Shoreham's opening from such important energy issues as hydropower allocation, the rate treatment for Nine Mile Point Two, energy conservation and the need for energy planning and regulatory reform, all of which are susceptible to legislative solution.

Public Power

Fundamental issues must now be considered regarding the provision of electric service throughout the State, particularly on Long Island. The Long Island Lighting Company's preoccupation with Shoreham has seriously undermined both its financial health and the public's confidence in its ability to function effectively. Along with concerns about the future costs of electricity, this has spurred various private sector and governmental leaders, including most recently Senator Anderson, to call for a detailed analysis of the potential for

public power on Long Island as an alternative to the Long Island Lighting Company.

Such an analysis has been underway for some time. Based upon the State Energy Office's 1984 study of public power for Long Island, this effort was intensified in recent months under my Special Task Force headed by Economic Development Director Vincent Tese. The initial results indicate that potential long-run cost savings to ratepayers may be achievable through a transition to public power on Long Island and elsewhere. I have directed the Task Force to continue its efforts, focusing specifically on the feasibility and economic viability of such a transition, and to report to us during this legislative session. I will name a panel of nationally recognized experts to assist the task force in its work.

Utility Rate Reform

The complexity and rate of change in the electric and natural gas industries highlight the need for a comprehensive review and reform of the State's utility regulatory structure.

With revenues in excess of \$15 billion in 1984, the electric and gas industries in New York together represent one of the State's largest industries and provide one of the most critical foundations for sound and sustained economic growth. In an environment of rapid, and often unpredictable economic, financial and technological change, a regulatory system designed to accommodate such change is essential to the provision of affordable and reliable service.

To examine the need for long-term fundamental changes in our regulatory structure and policies, I will establish by Executive Order a Special Commission on Utility Regulatory Review, composed of eminent and knowledgeable public and private sector experts. Dramatic restructuring is underway within the energy marketplace. We need to understand more fully the implications of these changes upon our objectives of an affordable and reliable energy future, a growing economy and a sound environment.

I will ask this commission to examine a set of defined issues, including State regulatory structure and jurisdiction; the regulation of rates and services; oversight of utility planning and construction; the respective roles of the investor-owned utilities, the State Power

Authority and third-party investors; the deregulation of electric generation; utility diversification; and divestiture of combined electric and gas utilities. Meanwhile, I will continue to seek the reorganization of the Public Service Commission (PSC), including the establishment of an independent Office of Utility Consumer Advocate within the Department of Public Service. We need to restore the credibility of the Commission as a protector of the public interest.

Building upon our success with Consolidated Edison and Orange and Rockland Utilities, we will continue our efforts to achieve rate stabilization wherever possible. These existing rate freeze agreements, which I hope to see extended this year, demonstrate that State government and the investor-owned utilities, the public and the private sectors, can work cooperatively and effectively to achieve stable and reliable energy supplies.

I shall again propose legislation to require that the PSC phase in the prudent costs of Shoreham and Nine Mile Point Two, as well as to clarify the applicability of the used and useful principle to protect ratepayers from the mistakes of utility companies.

I shall propose legislation to confirm the Commission's authority to establish a spending cap on construction costs for major new facilities and to provide for an incentive rate of return at the initiation of construction. I shall also seek legislation affirming the Commission's authority to subject utility construction projects to periodic review and approval, including its authority to suspend or terminate an uneconomic project.

I shall continue to seek legislation to limit the amount utilities can automatically recover under the fuel adjustment clause and to authorize incentive rates of return by the Commission for conservation investments.

I will ask the Public Service Commission to consider extending marginal cost based time-of-day rates, which now apply only to large industrial and commercial customers, to small industrial and commercial customers and to residential customers on a voluntary basis where the savings from such rates justify additional metering.

I will also direct the State Energy Research and Development Authority (ERDA) to initiate, in cooperation with the New York Power Pool, a series of demonstration projects to determine the

efficiency of using real-time pricing in customer load management and independent power producer buy-back applications.

Least-Cost Energy Future

Last spring, I directed the State Energy Office to undertake a comprehensive analysis of New York's future electricity supply system, including an updated electricity demand forecast and an assessment of the economic, energy and environmental implications of a series of measures to meet future electricity needs.

The Energy Office report provides a sound foundation for development and implementation of a least-cost electricity supply strategy to support economic growth into the twenty-first century. The analysis demonstrates that we have a unique opportunity to fashion a new electricity supply system and to reorient our energy policies and investments away from continued reliance upon the construction of massive, capital-intensive baseload power plants.

A variety of reliable alternatives to central station generation exist which are generally more cost-effective, have less environmental impact and require less time to put into place than large central station power plants. These alternatives include extending the lives of existing power plants; implementation of more stringent appliance efficiency standards; increased purchases of electricity capacity from Canada; expanded development of small power production facilities; construction of smaller sized coal facilities; use of new, environmentally sound coal technologies, such as fluidized bed combustion; and use of natural gas combined cycle facilities.

Commissioner Bill Cotter and the State Energy Office will prepare a plan outlining actions necessary to implement these alternatives. I have also requested the Office to expand its innovative analysis to include the investigation of additional demand-side management and supply alternatives, including utility end-use conservation programs, load management programs and time-of-use pricing options, and an examination of the alternatives to conventional cost-of-service pricing for any required new capacity.

Comprehensive, integrated energy planning that provides a systematic means for periodic review and revision and that examines all feasible and cost-effective options is needed now more than ever

in New York. The complex changes facing the State and energy industries, especially the electricity industry, demand that there be a public forum in which to deliberate all aspects of our energy future. Only a flexible long-range planning process provides such a forum for the recommendations and perspectives of the electric utility industry, third-party investors, small power producers, energy efficiency advocates, environmental groups and other interested parties. Accordingly, I shall once again propose legislation authorizing the State Energy Office to develop a mandatory long-range energy plan.

In addition, I will request that the Public Service Commission require that any utility seeking a license under Article VIII of the Public Service Law to site a new central station electric generating facility demonstrate that the facility is consistent with a least-cost strategy for meeting its service obligations. These applications should include an evaluation of both the future potential of alternatives to defer new capacity and the economics of comparable investments in small power technologies, conservation, small coal and other electricity supply alternatives.

Small Power Production

Small power production technologies — cogeneration, small hydro, resource recovery, wind, wood and biogas — provide distinct benefits when compared to the construction of large, central-station power plants for meeting future electricity demand. Their principal benefits include potentially shorter construction lead times than conventional plants; smaller financial risk, the use of indigenous fuels or traditional fuels in a more efficient manner, and the adoption of more environmentally acceptable methods to meet future electricity needs.

Over 400 megawatts of small power production supply contracts have been filed with or approved by the Public Service Commission. However, the continued development of these resources is limited by various economic, legal/regulatory, institutional and technological barriers. I have requested the State Power Authority to investigate the feasibility of increased purchases of electricity by the Authority

from small power producers. I shall also propose legislation to assure the ability of the Authority to enter into contracts for the development of small hydroelectric projects, wood-fueled cogeneration projects and refuse-fueled resource recovery projects.

The Public Service Commission can and should perform an invaluable service to promote small power technologies. I recommend that the Commission expand the concept of front-loading buyback rates, already approved by the Commission for hydroelectric development projects, to include all small power production facilities. The Commission should also adopt binding avoided cost rates for all small power production facilities of 80 megawatts or less.

I shall also request the Commission to initiate a formal proceeding to clarify, and if necessary, adopt technical standards for interconnection of utilities and small power producers. In conjunction with this initiative, the Energy Research and Development Authority will initiate a demonstration project to determine the feasibility of wheeling energy from a small hydropower facility to an off-site point of use. Energy sales by small power producers directly to end-use customers will be improved by eliminating the uncertainty of the terms, conditions and cost of such wheeling contracts.

Unique Opportunities for Improving Energy Efficiency

Conservation remains the least costly, most economically productive and environmentally sound strategy to satisfy a significant portion of the State's energy requirements. In recognition of the value of energy conservation, we have invested \$78.9 million over the last six years in State buildings to improve energy efficiency.

This year we are fortunate that we have two unique opportunities to demonstrate our commitment to reduce consumers' energy costs and to strengthen New York's energy efficiency through the creative use of Exxon restitutionary funds and through the adoption of new, stronger State appliance efficiency standards.

New York expects to receive \$150 million as a result of a District Court case involving Exxon Corporation customer overcharges for crude oil during the 1970's. I will propose that this one time Exxon funding be used for a broad range of energy conservation programs.

designed to produce multi-year benefits addressing the needs of all classes of consumers.

Special emphasis will be placed on mitigating the impact of rising energy costs on New York's low-income population by using a significant portion of the Exxon monies for weatherization and other low-income energy conservation services. These programs will be especially helpful to citizens coping with high electricity prices.

I propose to accelerate improvements in the energy efficiency of State agencies and local governments by establishing energy managers at selected State institutions, by accelerating existing State interagency energy management activities, and by providing technical assistance and small grants to local governments to analyze and improve the operation of traffic signals. In conjunction with this program, the New York State Energy Research and Development Authority, in cooperation with the State Energy Office and the Division of the Budget, will establish a pilot State Facilities Conservation Fund to remove the institutional and financial barriers to reducing energy consumption in State-owned and assisted facilities.

We will also expand financial and technical assistance to the State's schools, hospitals, non-profit and public facilities through the Institutional Conservation Program.

We will offer new incentives for conservation improvements which complement the existing Home Insulation and Energy Conservation Act (HIECA) program and the Energy Conservation Bank to assist those low to moderate income families that have been unable to afford investments in energy conservation. We also propose to offer rebates to help homeowners improve the efficiency of their home heating equipment.

To ensure consistent and high quality energy conservation services to the public, we will expand energy conservation and technology training for all sectors. Regional training centers will offer instruction to building owners, managers and operators, energy service providers, builders, contractors, architects and engineers, and they will also provide job training to those entering energy-related industries.

Many New York firms — both services and manufacturers —

are at a serious energy cost disadvantage with their competitors. We must help these consumers reduce their electric costs and improve their energy efficiency. To assist in this effort, I will use a portion of the Exxon monies to expand the Energy Advisory Services to Industry (EASI) program, the Small Business and Non-Profit Energy Efficiency Program and the Energy Investment Loan Program, all of which foster economic development and improve the operating efficiency of small and medium sized manufacturing facilities, commercial buildings and small businesses.

New York remains a leader in achieving energy efficiency and electricity savings through appliance efficiency standards. Our standards currently in effect have saved over 4.5 million barrels of oil since their enactment in 1977. I will seek legislation to expand upon this success through the enactment of State appliance efficiency standards for refrigerators and freezers and new State efficiency standards for commercial air conditioning. We will strengthen both the State Energy Code as it applies to commercial air conditioning and New York's current room air conditioner standards to the levels currently allowed in Article 16 of the Energy Law. We will move aggressively to full implementation of the recently enacted fluorescent lamp ballast efficiency standards, and we will seek to strengthen enforcement of Article 16 by requiring appliance manufacturers to submit certifying compliance documentation for each class of appliance. The State Energy Office estimates that adoption of these cost-effective actions alone could save upwards of 1000 megawatts of electricity by the year 2000, thus eliminating the need to build two new large electric generating facilities.

Also, I will seek legislative authorization for the State Power Authority to initiate aggressive energy conservation programs for its Southeastern New York customers and for the municipal electric and rural cooperative systems it serves.

Energy for Economic Development

Reducing energy costs is one of the most effective techniques available to the State to promote economic development. We have successfully demonstrated the viability of this strategy in the selective allocation of low-cost energy to General Motors, Grumman and

Shearson American Express, allocations which created over 3,600 new jobs.

We should act to target additional supplies of scarce, low-cost energy to those projects which maximize economic development opportunities and new jobs, thereby serving as an inducement either to new industries to locate within New York or to existing industries to expand their production within New York.

To coordinate this effort, I propose the creation of a Business Energy Allocation Board to develop criteria and to recommend the allocation of low-cost energy and other energy incentives within the context of the State's overall economic goals and policies. The Board's efforts would focus upon assisting new industries that provide the maximum jobs per kilowatt, growth industries which are energy intensive, and industries located in economically distressed areas of the State. A separate, independent Board would increase our flexibility to respond to new initiatives and would remove the need for individual legislative action each time a company seeks assistance in obtaining low-cost energy.

I shall also propose legislation to authorize the Board to grant an energy tax credit on utility gross receipts taxes for a period of up to five years to those industries and non-retail companies which either locate or expand within an economic opportunity zone.

I call once again upon the Legislature to act to protect industries in Western New York and the North Country against any loss of the valuable hydroelectric power generated by the Power Authority's facilities at Niagara and St. Lawrence. It is particularly important that legislation be enacted now to assure the continued allocation beyond 1990 at realistic rates of the 250 megawatts of hydroelectric power to expansion industries in Erie and Niagara Counties. Many of these industrial recipients are today making decisions about post-1990 expansion and reinvestment. We should act now to assure that those investments are made in New York.

While I believe that we should increase our ability to utilize low-cost energy for economic development, I shall continue to oppose, as I have always opposed, proposals to reallocate substantial quantities of hydropower downstate. We will not solve the problem of high residential electric rates downstate by increasing such rates upstate.

Extensive reallocation of hydropower away from upstate New York will produce only marginal benefits for ratepayers downstate, while imposing both a severe burden on ratepayers upstate and a substantial drain on the region's economic viability.

We should also act to set aside additional quantities of low-cost hydroelectric power after 1990 for economic development and job creation throughout New York. This should be accompanied by legislation which would permit greater use of electricity for economic development from the Power Authority's Fitzpatrick power plant. Any available power should only be allocated on a project-by-project basis with the approval of the Allocation Board.

More Energy Research

Additional research and demonstration efforts supplement these initiatives. ERDA will initiate a Fuel From Industrial Waste project, which is designed to reduce industrial process energy consumption, to reduce solid waste and pollution, and to produce usable fuel gas through the use of innovative technologies.

ERDA will co-fund both the Economic Development Through Greater Energy Efficiency (EDGE) program and the Energy Products Center. The EDGE program will seek to enhance the competitive edge of New York firms by encouraging industrial investment in productivity-enhancing energy technologies. The Center is intended to support the development of innovative energy related products and services in New York State.

ERDA will also initiate a research, development, demonstration and technology transfer program specifically focused upon the energy related needs of new and existing agricultural businesses.

TRANSPORTATION AND HIGHWAY SAFETY

A balanced transportation network is essential for the effective movement of people and goods. Due to the capital investment and maintenance initiatives enacted over the past three years, the deterioration of the State's mass transportation and highway and bridge network has been slowed. We are now entering the third year of our five-year Rebuild New York program for highways, bridges, ports and air terminals and the fifth year of the capital investment program for the Metropolitan Transportation Authority. Together, they constitute the boldest, most comprehensive infrastructure renewal program in the nation. Although much has been accomplished, it is essential that we maintain the momentum we have established.

Highways and Bridges

A key component of the effort to rebuild New York State was the 1983 Rebuild New York Bond Act endorsed by the voters. During the past year, nearly \$900 million of contracts was bid from all funding sources for transportation work. This is an increase of over \$300 million beyond our pre-Rebuild New York years. The program has put over 30,000 men and women to work with the job of rebuilding New York's transportation network.

The effectiveness of our approach is apparent from the improvements to our highways and bridges. In 1982, the level of deficient State highway pavement peaked at fourteen percent and has subsequently been reduced to under eleven percent. Over the past two years the Department of Transportation has doubled the number of bridge rehabilitations and increased bridge replacements by over forty percent. We have also enhanced our maintenance effort by over \$20 million in real dollars since 1983, thereby preventing the deterioration that leads to costly capital rehabilitation.

Bridge conditions remain a severe problem. To combat this deterioration, I will propose a major increase in the State's bridge preventative maintenance program. This maintenance initiative is a cost effective step that adds ten years to the life of a bridge and thus results in substantial capital savings. To accelerate the process of bringing our deteriorated bridge system back to a state of good repair,

I will also propose the expansion of the Highway Reconditioning and Preservation Program to include bridges. These efforts, along with an improved system to inventory needs and determine the best post-bond act course of action, will assure the uninterrupted rehabilitation of the State's transportation system through the 1990's.

Local roads and bridges are also in need of repair. The Department of Transportation will continue work with local governments to offer improved technical assistance on a broad strategy of local rehabilitation. This will include reviews with local governments on the potential for pooling their local maintenance and rehabilitation equipment, so that more can be accomplished by these governments with less. Local governments will also be encouraged to benefit from the technical research and innovations developed by the Department.

Manhattan's West Side of the Future

When Congress failed to extend the Interstate trade-in deadline, New York was forced to abandon a unique West Side highway and development plan. We formulated the best possible trade-in program, with funds for both mass transit and a replacement highway. This package, developed with Mayor Koch, promises to be successful, and it now appears that approximately \$150 million in trade-in funds will be made available by the federal government to New York State during the current federal fiscal year.

Interstate funding for the transportation and economic development requirements of the West Side of Manhattan was eliminated with the trade-in, but the need for the vision and resources necessary to realize that objective remains. Since we are no longer tied to the interstate specifications for the highway, we can now evaluate the many possibilities for a revitalized West Side, including one served by enhanced public transportation rather than by a dramatically expanded highway. It may well be that changes in the planned economic development of the West Side, as well as automobile congestion elsewhere in Manhattan, now call for us to consider radically different alternatives. I will appoint a task force of State, City, business, labor, environmental, transportation and

community representatives to evaluate the financial and programmatic feasibility of such alternatives before coming to a final decision on the design of the West Side replacement road.

Mass Transit

In the New York metropolitan area we must continue the essential transit and commuter railroad rehabilitation program we have begun. Even with this program, we continue to live with an unacceptable level of service and year-to-year financial crises. We must work together to develop a long-term plan to establish the stable framework necessary to improve the quality of transit service.

The currently authorized Metropolitan Transportation Authority capital plan expires at the end of 1986, but clearly the region's needs do not. The Council on Fiscal and Economic Priorities Subcommittee on MTA Financing, chaired by Felix Rohatyn, will continue to review the MTA's current capital plan and will recommend improvements in its capital construction program. Further, I have asked the Council to evaluate the use of up to \$1 billion of Municipal Assistance Corporation (MAC) revenues as part of the financing effort. I will submit a capital program extension that amends the current capital planning process to improve State oversight and control. The program will fully consider both the needs of the system and the ability of the MTA to spend its revenues effectively while continuing to improve system operations.

The long-term operating needs of mass transit continue to outpace normally available resources, and the expiration of the corporate surcharge this year will further exacerbate the problem. The basic structural imbalance of MTA finances will be dealt with at that time. It is essential that we deal with the long-term problem as well as the short-term.

The lack of adequate financing is not the only problem facing the MTA. The current MTA management team has obtained enhanced management authority and permission to hire additional managers. It is essential that the MTA be held accountable for the positive results promised from these reforms. By February, Chairman Robert Kiley will provide me with an evaluation of his record to date. The year to develop goals and put a system in place for their attainment was

1985. The MTA will be held accountable in 1986 for meeting these goals. Chairman Kiley has informed me that he welcomes the opportunity and believes that improvements will be demonstrable and dramatic. At my direction, the MTA Inspector General will review the MTA's evaluation and the adequacy of its performance goals to ensure that the current management strategy will result in the level of service that subway and bus riders have every right to expect.

An imbalance presently exists within the MTA region, one of apparent inequity among the counties. With the enactment of dedicated regional taxes, three counties — Orange, Rockland and Dutchess — may pay more than the other counties in proportion to the services they receive. I will propose that these counties be given the option of withdrawing from the MTA region while continuing services.

Airport Development

Using funds from the Transportation Capital Facilities Bond Act, I will propose a major development program at Stewart Airport. This program will provide funding for coordinated infrastructure improvements at the airport to attract new firms to the area. The result will be the creation of new jobs and the conversion of the currently State financed deficit to a surplus.

In the New York Metropolitan region the Port Authority will undertake a major capital investment program. Significant improvements to the road network and cargo facilities are planned at Kennedy Airport, and the construction of access road improvements will be initiated at La Guardia Airport. These programs are part of a multi-year effort to upgrade and modernize these airports to handle their rapidly growing cargo and passenger volumes.

Port Development

I will propose a program to continue the State's investment in its upstate ports. The program will assist Albany, Ogdensburg and Oswego in modernizing their port facilities with funding from the Rebuild New York Bond Act program. These projects are part of

the overall master plans for the revitalization of these ports.

In addition, the Port Authority will undertake a major investment in its Howland Hook facility on Staten Island. This will improve the competitiveness of the Port of New York by modernizing this facility to reflect changes in the shipping industry.

Highway Safety

Deaths and injuries on our highway system are a tragedy that have affected nearly all New Yorkers. This senseless loss of life, too often of our young people, is an issue that government must face. We have succeeded in saving over 450 lives and 4,000 injuries annually due to our DWI laws, safety belts, highway safety improvements and other traffic safety efforts. In fact, New York was recently honored as the only state in the nation to show a continuous annual decline in accidents and fatalities since 1980. This record was achieved at a time when New Yorkers were increasing the number of miles they traveled annually by automobile.

Two years ago we enacted a mandatory safety belt law that some people resented as an infringement on their personal liberties. Since then, from Putnam Valley to Lockport to Rensselaer, we have heard the personal stories of people who were "saved by the belt." The testimonies of people like Kevin O'Hanlon, Joseph Frain and Gail and Donna Leary attributing to the safety belt the prevention of serious injury or even death, are clear indications that the law we enacted together has prevented repeated tragedy.

We expect 1986 to show that even more deaths and injuries can be avoided as we step up our efforts to improve compliance. This will be done through improved education of the benefits of wearing safety belts. Public outreach through pamphlets and public service announcements will also carry the safety belt message to New York State's citizens, especially to our young people.

Over the last three years, working together, we have made New York a leader in fighting the evil of Driving While Intoxicated. Stiffer penalties, tougher enforcement, a new emphasis on education and the creative dissemination of information about DWI have combined to produce a substantial decrease in alcohol-related highway deaths and injuries. During the first nine months of 1985, alcohol-related

highway fatalities were down over 24 percent from their level during a comparable period three years ago.

This accomplishment is not due to any one measure, but rather to concerted effort. Increased penalties for second DWI convictions, extended server liability, mandatory chemical tests for accidents involving death or serious injury, and enhanced resources for the State's STOP-DWI program have all helped create a new public awareness of the dangers of DWI.

Last year, you joined with me in raising New York State's purchase age for alcoholic beverages to 21. At that time, we pledged that our efforts would not stop with legislative restrictions. We are keeping that pledge. Our innovative Athletes Against Drunk Driving program has brought together over 350 athletes to talk about DWI with more than 60,000 students in our schools. Operation Save-A-Life has involved a wide variety of groups from both the public and private sectors to distribute brochures, pamphlets and public service announcements about drunk driving. Rock stars, celebrities and many community organizations have made major contributions to our success.

This year we will build on this firm foundation. We will work with private corporations, celebrities, parents, teachers and students to help create new alcohol-free environments where underage New Yorkers can have fun without alcohol. Our sobriety checkpoint program, which has been a major tool in generating increased public awareness of DWI, will continue. Using the experience of the past several years, we will expand even further our dissemination of information to the public about DWI and alcohol abuse. We will also develop initiatives that remove from our highways individuals who operate motor vehicles while under the influence of drugs, and we will implement a program that targets persons who use motor vehicles to transport illegal narcotics.

We have improved the safety of motorists driving on our highways. We are proud of our accomplishments, but I am convinced that deaths and injuries can be reduced even further. The increased purchase age, improved enforcement of traffic regulations and education will accomplish this goal. We remain committed to improving our programs to prevent these senseless tragedies.

Motor Vehicle Service

More than any other State agency, the Department of Motor Vehicles has the most direct contact with the most residents of New York State. I will see that the services rendered by DMV are expeditious, efficient and courteous.

For many years, downstate customers have experienced waits in line at DMV offices of more than one hour. Our goal is to reduce the average peak waiting times in these congested offices. This will be a challenge in 1986, as we issue new license plates for the first time in thirteen years. I will ask your support for a program to reissue these plates while continuing to improve customer service.

HOUSING NEW YORK

As the 1985 Report of the Regional Planning Association documents, the adequate supply of decent, affordable housing is as crucial to a vital economic development strategy as tax cuts and the replacement of obsolete roads, bridges and highways. The RPA calls the shortage of affordable housing in Metropolitan New York "the Achilles heel of our economic recovery."

Further, a recent housing needs analysis concluded that, "The real danger to New York City's economy, for both rich and poor alike, is that a failure to provide an adequate supply of affordable housing may force the new technocracy essential to the City's employment base to leave — and ultimately take their jobs with them."

Americans have historically treated decent affordable housing as a basic human right. Until the recent Federal moratorium on housing production, we as a Nation and New York as a State had made steady progress toward meeting that objective. But a conscious policy of Federal withdrawal has now resulted in a more severe crisis in the availability of affordable housing than at any other time during this century.

The tragic reality of the growing ranks of homeless men, women and children, greater in number than any time since the Great Depression, is evident in virtually every city, town and village across our country. Unfortunately, the homeless are only the most visible victims of a housing crisis that affects Americans at virtually every economic level. Since 1980, Federal expenditures for housing have been slashed from \$27 billion to \$9.9 billion, a reduction exceeding 60 percent. In 1982, housing production reached its lowest level since 1946. One alarming consequence of this massive cutback is that in 1984, for the first time in more than four decades, the number of Americans owning their own homes declined.

The Federal government's retrenchment of its responsibilities in the housing area has had a devastating impact on New York. New housing starts in our State, which totalled as many as 121,000 annually during the Seventies, dropped below 40,000 in 1983, and the imbalance between the demand for and the supply of affordable housing has never been more severe. Today our housing gap stands

at just over one million units. An additional 900,000 units, or 14% of the State's occupied stock, are classified as substandard. Eighty percent of our rental units require some rehabilitation, and more than half of the State's housing stock is in need of substantial rehabilitation or replacement. As disturbing, approximately 28% of our home owners and 40% of our renters pay more than 30% of their income on housing. The extremity of the housing shortage is demonstrated by the nearly one-half million eligible New York families now on waiting lists for various forms of government assisted housing.

The State alone, without substantial additional federal help, cannot solve this national problem, but our *Housing New York* effort does respond to a critical need. It demonstrates that we will not permit the availability of affordable housing to be dictated by intangible market forces and inconsistent Federal policies. In marked contrast to Washington, New York has made the provision of affordable housing a top priority. In the last three years, we have together provided \$3.1 billion in grants, loans and insurance to finance the construction or rehabilitation of nearly 100,000 housing units for the Family of New York.

As I said last year, if we are to expand our effort to provide decent, affordable housing for all New Yorkers, we must have a coherent, comprehensive policy carried out by a strong, centralized administrative structure. Substantial progress has been made on both fronts. Approximately \$1.8 billion of the \$3.5 billion *Housing New York* program I submitted to the Legislature last Spring has been enacted. And, this past June I issued Executive Order No. 67, creating the position of State Director of Housing to coordinate the efforts of all the State housing agencies. In just six months, Bill Eimicke has successfully put in place the key components of our housing agenda.

During the recently completed Special Session, we were able to secure Assembly approval for the cornerstone of our *Housing New York* effort, a \$1 billion program utilizing the wealth generated by the Battery Park City Authority and the Port Authority of New York and New Jersey to finance the construction or rehabilitation of 60,000 units of housing for low, moderate and middle income New Yorkers. I am encouraged by the overwhelming bipartisan support for

the *Housing New York* program, and I call on the Senate Majority to permit the program to come to a vote in the Senate.

With Senate approval of this important initiative, over \$4.1 billion will have been made available for housing by the State since 1983, creating 160,000 units of decent, affordable housing and 80,000 private sector jobs. These are impressive numbers, but the housing crisis is so severe that there remains a great deal more to do. Therefore, I will submit to you a program to enhance and expand *Housing New York* by \$2.5 billion over the next five years to produce 50,000 homes for the people of New York.

I have asked the Director of Housing to implement a program to encourage homeownership in every region of our State. Modeled after the highly successful Nehemiah Plan in East Brooklyn, this program will utilize the resources of DHCR, HFA, SONYMA and the private sector to produce 1,000 new homes annually across Upstate New York. Through a competitive process, the State will make available to the successful applicant municipalities SONYMA mortgages, HFA variable rate financing, DHCR interest-free construction loans and a Special Housing Trust Fund infrastructure grant of \$5,000 per unit. Participating municipalities will agree at least to match the State grant and provide tax incentives to keep carrying charges as low as possible.

SONYMA's Affordable Ownership Program has been instrumental in providing low and moderate income families with the opportunity to own their first home. During the past three years, nearly 26,000 New Yorkers have received \$1.25 billion in low interest mortgages. Adoption of an income ranking system and better targeting has resulted in a higher percentage of these mortgages going to those with the greatest need.

Legislation will be submitted to provide SONYMA with the ability to finance mortgage loans by \$1 billion over the next several years, make permanent its authorization for the forward commitment and housing loan programs, and facilitate the Agency's ability to make available mortgage loans and insurance for cooperative apartments. In partnership with DHCR, SONYMA will develop a Home Improvement Program to provide below market loans for home

owners to make essential repairs on major systems, thereby preventing deterioration and extending a building's useful life.

I will submit legislation to permit HFA to issue taxable bonds. Through this mechanism the agency will finance middle income cooperative and rental housing projects based on the often advocated "contract housing" model. I will also explore the use of existing resources to guarantee the performance bonds of minority and women-owned construction companies, enabling them to participate more actively in State financed housing projects.

A new Participation Loan Program will provide State loans at 1% interest to be blended with an equal amount of market rate bank money, permitting the rehabilitation of aging multiple dwellings at a cost that does not push rents beyond affordability for the tenants in place. SONYMA's Mortgage Insurance Program would be used when credit enhancement is necessary to make a project viable.

To preserve the middle income character of our Mitchell-Lama projects, legislation will be introduced to create an Affordable Cooperative Equity program. The program is designed to extend protection for those residents wishing to remain as tenants and also provide affordable ownership opportunities for those residents interested in doing so.

The Housing Trust Fund legislation we enacted last year has already begun to bear fruit. Awards to 45 projects across the State were announced last month. Under DHCR's portion of the Trust Fund, we will produce approximately 1,000 units for low income New Yorkers. The HFA Home Ownership designation will be made early next month, committing the entire first year's allocation. Therefore, I will request additional funding for a second round of awards, as well as legislation to combine the administrative structure and process of the two components of the program.

A key element of the Omnibus Housing Act of 1983 was the transfer of responsibility for New York City's rent regulation system to the State Division of Housing and Community Renewal (DHCR). On April 1, 1984 DHCR took over a manually maintained system of over 1.1 million regulated apartments with a backlog of 104,000 tenant and landlord complaint cases.

DHCR has already established a computerized information and processing system with all essential information on every rent

regulated apartment. The Division has resolved over 85,000 of the backlogged cases and will eliminate the remaining, most complex cases in advance of the Legislature's target date of December 31, 1986. At the same time, DHCR has successfully resolved more than 87,000 cases instituted after April 1, 1984. Rent refunds and reductions issued by DHCR exceed \$8 million.

The Division has also embarked upon a bold and innovative initiative targeted at special housing needs of people who are elderly or disabled — the Shared Housing Option Program (SHOP). SHOP seeks to identify compatible unrelated households interested in sharing currently underutilized single family homes and large apartments. The program should prove to be particularly beneficial to elderly owners of single family homes who are no longer able to maintain the property in good repair. SHOP also assists groups in overcoming local barriers to shared housing, provides funds for upgrading units and administrative funds to facilitate the establishment of local shared housing networks. I will work with you to formalize and expand SHOP.

Rural areas of our State have unique housing needs, and their shortfall in the supply of decent, affordable units is as severe as the need faced by our major cities. A series of State programs is already in place to address these needs, including DHCR's Rural Preservation program, the Rural Area Revitalization program, and the Rural Rental Assistance program. Since 1983, the Rural Rental Assistance program alone has captured over \$80 million in Federal funds to construct homes for 2,600 low income households.

But the depth of the need for housing in rural areas demands even greater resources, better coordination among existing programs and a greater role for SONYMA and HFA. To achieve these objectives, the Director of Housing has submitted to me a Rural Housing Opportunities Program (RHOP). I ask you to review the plan carefully and work with me to achieve its objectives.

While our emphasis has been on increasing the supply of affordable housing, we cannot neglect the preservation of our existing publicly assisted housing stock. Since 1983, we have utilized a variety of funding sources totaling over \$60 million to restore and upgrade nearly 700 housing projects encompassing 300,000 units. This effort will continue.

The Special Plight of the Homeless

Homelessness is unfortunately a significant and growing problem in New York and across our Nation. It is our modern "Shame of the Cities." The causes are as fundamental as unemployment and an inadequate supply of low income housing.

Recognizing that those in need could not wait for Washington to accept its responsibilities in this area, New York has mounted a substantial effort to combat homelessness. Three years ago, I asked your support for the first installment of a four-year \$50 million Homeless Housing and Assistance Program (HHAP). Your positive response enabled New York to put in place the first state program in the country to provide permanent housing with necessary services for those who would otherwise be homeless. And with your support, we were able to provide \$50 million over three years instead of four.

These State dollars will leverage over \$50 million from other sources and will ultimately provide housing for 5,900 homeless men, women and children. Already 1,450 beds are occupied, and another 2,400 are under construction. While this is an admirable record, there is still much left to do.

I will ask you to join me in providing an additional \$20 million for HHAP next year, so that another 1,800 homeless individuals will have the shelter and services they so desperately need. To make additional projects feasible, I will propose legislation to permit the Office of General Services to sell or lease State-owned properties for as little as one dollar if a nonprofit sponsor intends to convert the property into housing for low income or homeless New Yorkers. I have asked the Director of the Budget to review the entire list of State-owned facilities to identify appropriate locations for this program.

I am especially concerned about the problems faced by homeless families throughout our State. Children and their parents are currently forced to live for extended periods in congregate shelters or deteriorated "welfare hotels," usually far away from their previous residence. There are minimal services available at best; the children are often unable to attend school, and the adults have minimal capacity to return to their original neighborhoods to begin to put their lives back together. Moreover, the State, local and federal governments

are forced to pay an enormous sum for this totally inadequate shelter.

Beginning in New York City, where the problem is most prevalent, Mayor Koch and I are forming a partnership of the private sector, the City of New York and the State to develop a plan to build new, decent transitional housing with essential support services for these most needy families, in the same areas from which they are now displaced. This unique and innovative approach will become a national model for dealing with homeless families, utilizing the cooperative energies of labor and business, City and State, in a public-private partnership. These new housing centers will be operated by experienced not-for-profit social service organizations. When completed, the program will provide transitional housing for the most needy families in an environment that will keep them together and give their children hope for the future.

And just as important, we believe the cost to government for these new housing units will be substantially reduced from the rate now expended for the inadequate congregate and hotel accommodations.

There are also many initiatives to meet the needs of homeless people that are provided by the State through the Division for Youth, the Department of Social Services, the Office of Mental Health, the Office for the Aging and the Division of Alcohol and Substance Abuse which you will find described in other sections of this document. I am confident that, with your support, this multi-faceted program will have an immediate and substantial impact on the problems faced by homeless families. I look forward to working with you to ensure its successful implementation.

NEW OPPORTUNITIES FOR AGRICULTURE

Our economic development package would be incomplete without careful consideration of one of our largest, oldest, and traditionally most productive industries — agriculture. Agriculture and the family farm are part of the backbone of New York's economy, but they are now in a period of transition. The industry is exposed to changing federal policy directions, technological advancements, financial pressures, and shifting consumer demands.

Agricultural Development

Recognizing in 1984 the need to meet the challenges created by a dynamic agricultural economy, I called for the development of a long-term agriculture strategy for New York. Few states in the nation have undertaken such a bold planning initiative. This effort, *New York Agriculture 2000*, identified new State policy directions to enhance the quality and competitive position of New York agricultural products. It illuminated our many strengths, which include proximity to large consumer markets, diversification of our agricultural base, and expertise in the application of new technologies.

We have acted aggressively to exploit these strengths and seize new market opportunities. We did so in part by acknowledging the proposition that applied research will foster agribusiness development in New York State. Last year, we created an Agriculture Research and Development Program to test the feasibility of innovative technologies and to stimulate new product development. The response from the agricultural community was extraordinary, and State resources have been efficiently directed to implement twenty recommendations included in the *New York Agriculture 2000* strategy.

Among the projects we are now examining are the feasibility of creating a New York State speciality cheese industry, locating a turkey production facility in Sullivan County, and expanding on-farm application of an ultra-filtration technology. These endeavors offer the promise of a high rate of return on our investment, and I am therefore recommending the expansion of the Agriculture Research and Development Program to fortify our position as a premier agricultural state in the nation.

Determining that certain applied research techniques are successful is not in itself sufficient to insure that potentially profitable agribusinesses are established. We must connect agricultural innovation to practical applications in order to exploit fully the potential of these new technologies. As a first step, I will ask the Department of Agriculture and Markets and the Regional Economic Development Councils to conduct a series of conferences throughout New York to discuss regional implementation of our *New York Agriculture 2000* plan. I will recommend creation with existing resources of a new Agribusiness Enterprise Program, jointly administered by the Commissioner of Agriculture and Markets and the Director of Economic Development.

Agricultural Marketing

Agricultural economists forecast increased consumer demand for food products as personal incomes rise. Health and nutrition concerns are stimulating significant changes in consumer demand, and the market entry of products from other states and nations will intensify competition for New York consumer dollars. This new competitive environment necessitates aggressive marketing efforts by New York producers. I am convinced that New York's market share products can be increased if consumers and retailers are confident that our agricultural products are high in quality, uniformly packaged, and of adequate volume. The Agricultural Product Quality and Market Development Program, created in 1985, has already designed a market order outreach program, a New York State seal of quality and a food buyer assistance program. This program will be continued in 1986.

We have made noteworthy changes in State procurement practices in the past two years, designed to increase market opportunities for New York State agricultural products in our State institutions. In 1985, the Department of Agriculture and Markets conducted an Electronic Product Marketing program and produced a New York product procurement directory which identifies nearly 1000 New York State producers and their products. New York producers are now able to gain information concerning available State procurement contracts through the use of a toll-free hotline. This year for the first time,

an agricultural exchange network will electronically link State facility purchasing agents with New York State producers.

The wine and grape industries in New York State have experienced difficult times. Our new laws deregulating the wine industry, permitting the sale of wine coolers in grocery stores and authorizing new wine tasting opportunities have provided a much deserved boost to the industry. Retailers, vintners, and grape growers agree that the establishment of a New York State Wine and Grape Foundation in 1985 was most significant. New York State has made a five year multi-million dollar commitment to improve the marketing, production, quality and image of our wines, grapes and grape products.

Milk is one of our State's most precious commodities. The Milk Control Law, enacted fifty years ago, should be amended to reflect the current technological and economic conditions of today's marketplace. I will propose legislation to enlarge the milk marketing regions in the State and to improve the process of granting milk licenses.

Rural Development

The two dominant industries of rural New York, agriculture and manufacturing, are undergoing basic changes, producing new economic and social challenges for rural New York.

Last year, we commissioned a major study conducted by Price Waterhouse and Shearson Lehman Brothers, Inc., to assess the need for long-term business and financial assistance to the agribusiness and other businesses located in rural areas. The study concluded that the Job Development Authority was the best vehicle available to address the emerging rural development needs. The increase of the Authority's bonding authority provides us with a unique opportunity to meet these needs comprehensively. This year I will ask the JDA to pursue the feasibility of establishing a bonding program to recapitalize its Rural Development Loan Fund. I will also appoint a JDA Rural Advisory Committee, consisting of rural and agribusiness representatives, to advise the Authority of development projects in rural areas. Finally, I will seek legislation to make the Commissioner

of Agriculture and Markets an ex-officio member of the JDA board of directors.

Efficient transportation networks are important to agricultural and rural New York. In 1985, the Department of Agriculture and Markets completed a Rural Roads and Bridges study that identified prime agricultural transport routes in need of rehabilitation. Accordingly, I will direct the Department of Transportation to initiate a program that targets resources for the improvement of those roads and bridges vital to the marketing of our New York State products.

Financial Security for Farmers

Dairy farming is the dominant sector of New York agriculture. We are the nation's third largest dairy farming state, producing more than 8% of the nation's milk supply. In the northeast we are number one, supplying 44% of the region's milk.

Dairy farmers in New York and across the nation are concerned that fragmented federal agricultural policies jeopardize their financial security. At the same time, the current structure of our New York State Milk Producer Security Fund necessitates additional legislative changes to insure that dairy farmers receive payment for their production. In 1984 we made major improvements to the Milk Producers Security Fund that enabled the Fund to grow at a faster rate. I also proposed, and continue to support, legislation to establish a milk producers statutory lien on certain milk dealer assets and to revise the Milk Prompt-Payment Law. This year we will propose further improvements to the Milk Producers Security Fund and will urge the adoption of legislation requiring improved milk cooperative reporting to members.

A recent survey conducted by the Department of Agriculture and Markets found that 29% of our farmers seriously considered discontinuing farming in the past year due to their financial situation. For farmers deciding to leave agriculture, efforts will be made to ease their transition. We will explore the use of federal Job Training Partnership funds to create a dislocated farmer retraining program for New York State.

We will make every effort to preserve our family farms.

Individual farm financial structures require periodic evaluation given new federal policies and technological advancements. Therefore, we will examine the creation of a program to expand technical assistance services for farmers requiring help in debt restructuring, legal counseling, on-farm technological improvements, and diversification options.

Environmental Concerns, Health and Farmland Preservation

Maintaining the quality of soil and water is critical for agriculture and the food industry. The need to control crop disease and infestation is clear. The Department of Environmental Conservation has identified improved control and management of pesticide use as a primary component of groundwater quality management. This year, we will implement a Statewide Integrated Pest Management Program to minimize losses caused by agricultural pests, optimize the controlled use of pesticides, and minimize pesticide residues in food and the environment.

In some areas of the State, the lack of adequate drainage poses serious soil productivity problems and constrains land use for farming. I will recommend new funding for a Farmland Water Management Improvement Program, so that these lands may reach their full agricultural potential.

Last year, we made substantial investments in our food processing industry by supporting the expansion of the Cornell Food Science and Biotechnology Research and Development Laboratories. New product development is likely to expand significantly the food processing sector, and this expansion may create conflicts with other users of land, air and water. In an effort to address these environmental regulation concerns, I will ask the Commissioner of Agriculture and Markets to appoint an Environmental Ombudsman to serve as a facilitator and mediator between the food processing industry and the Department of Environmental Conservation.

Rural health concerns remain an important priority. Residents of the North Country are experiencing unprecedented increases in the incidence of rabies. In order to relieve the burden on these local health departments, my Budget will include funds to be made available

to those counties bearing a disproportionate share of the costs associated with treating rabies.

The protection of prime agricultural lands must be an integral part of New York's agricultural development efforts. The agricultural use value assessment provision of the Agricultural Districts Law has provided a significant benefit for many of our farmers. This Administration supports a fair agricultural use value that encourages farmers to keep farmland in production, and in 1985 I signed legislation which related agricultural assessments to the incremental increase in productivity of trees and vines. This new law provides farmers with property tax reductions and incentives to diversify their plantings. In recent years, however, wide fluctuations in the agricultural use values have troubled both the farming community and local taxing jurisdictions. Other states have experienced similar problems with the income capitalization methodology. I will seek a review of this methodology and its use to stem the volatility now associated with the Agricultural Use Value Program.

While the Agriculture District Law will continue to be the State's principal method of preserving farmland, I will ask for a review of additional methods of assuring the protection of agricultural lands. We will examine the need for purchase of development rights and right to farm initiatives. The demographic changes that will occur in the next two decades will increase land-use competition. Accordingly, I will ask the Department of Agriculture and Markets to construct a long-term Farmland Preservation and Soil and Water Conservation Strategy for New York.

As Chair of the Coalition of Northeast Governors and member of the National Governors' Association Committee on Agriculture, I am involved in the Northeast Agricultural Planning Project, Toward 2005. I will ask the Governors and agricultural leaders of our neighboring states to meet and act upon the recommendations of this project designed to strengthen our region's national competitive position.

OPPORTUNITY FOR THE UNEMPLOYED, ELDERLY OR DISABLED

Our role in maintaining and enhancing the health, living conditions and economic well-being of our citizenry is a measure of our belief in the human spirit. I am proud of our progress. Together, we have done more to feed the hungry and shelter the homeless than ever before. Together, we have provided more services for people who are disabled, the frail elderly and others who are less fortunate. Together, we have created new alternatives to hospitalization for the mentally impaired. We have made progress, but within the real limits of our fiscal capacity we must do more.

WORK IS BETTER THAN WELFARE

Everyone agrees that work is better than welfare. Jobs are available for most of our residents, and our economic development program will further increase employment levels in the State. However, for others, especially single parents and young mothers, barriers exist which prohibit or limit their ability to seek gainful employment. Through no fault of their own, they have often become the captives of poverty. This must change.

To help tear down those barriers, I will submit legislation requiring the development statewide of employment readiness and assessment programs for public assistance recipients. Building on the Comprehensive Employment Program we enacted in 1984, the public assistance application process will begin next year to require an employment assessment, and for those applicants deemed employable, a job search. Our experience in several local programs already underway in New York and that of other states tell us that this help alone will be all that some applicants need to gain employment.

We have seen a major change in the employment pattern of New York families. In New York, forty-two percent of mothers of children under six are in the work force out of economic necessity or choice. We want to make it possible for women with children under six on public assistance who want training and who want help in getting a job to be given the help they need to achieve their goals. This purely

voluntary program reflects the fact that the vast majority of people on public assistance want to work, but need a chance.

I will propose legislation to fund six demonstration projects statewide to enable young single parents who want to work to have the opportunity to do so. Those mothers who wish to participate in these projects will enter into "opportunity contracts" to achieve a common goal — a higher standard of living and ultimate independence from public assistance through gainful employment. Participating providers will be responsible for developing individualized service plans and for assuring their implementation. The success of these programs depends on the cooperation of many service systems and their sharing of resources. I am committed to bringing to bear the resources of Executive agencies, and I look to the Board of Regents and the schools of New York to join with us in giving these young parents a new start. Clients will receive training, education, counseling and other supportive services, all leading to one goal — private sector employment.

Adequate State financial support for local administration of employment programs is essential to program integrity and effectiveness. In 1986-87, enhanced State reimbursement for these efforts under the Comprehensive Employment Program is scheduled to expire, with a return to normal 50% State reimbursement of the non-Federal share of these costs. I will ask the Legislature to maintain enhanced State reimbursement at the current 75% level in existing employment service expenditures, and to extend such State financial participation to new expenditures under the *Work Not Welfare* initiative. In addition, the State will finance the full non-Federal cost of the *Work Not Welfare* pilot projects.

My employment program will also include a new emphasis on employer defined training. With assistance from my Council on Fiscal and Economic Priorities (COFEP), chaired by John Brademas, the Job Training Partnership Council, chaired by Jewell Jackson McCabe, and Labor Commissioner Lillian Roberts, we will identify the work force needs of New York's business and industry. COFEP's Job Training Subcommittee, including chairman Bill Ferguson and members Ed Cleary, Bill Tatum, Barbara Blum, Norman McConney, Dolores Wharton, Barry Feinstein and Jack Bierwirth, have

worked hard with my staff and agencies to help us design job training programs for poor people which meet real business needs. Their recommendations for job development and training for other unemployed people, with an emphasis on displaced workers, upgrading job skills for the underemployed and offering new skills for those threatened with displacement, will receive my full attention.

Our new employment efforts will be concentrated in those same areas that become opportunity zones — communities which will experience a growth in job opportunities. Business and labor know that the entire Family of New York benefits from providing solid work opportunities for persons on public assistance. It is good social policy and, as important, good economic policy.

The success of these new initiatives depends in large measure upon a sufficient supply of safe, affordable day care for children. I will build upon our accomplishments by continuing those day care opportunities for the working poor we initiated last year, by permitting wider participation in these programs through raising income eligibility levels to 150 percent of the poverty level in targeted areas, and by continuing the transitional day care program.

New York State has taken significant steps to stimulate the growth of new school-age child care programs. Child care before and after school is essential for many people to maintain employment, and I will submit legislation to permit school districts to transport children to and from nearby child care programs.

My Commission on Child Care has been studying the child care delivery system in New York. Its fifty members have been hard at work on this task, holding public hearings across the State and receiving testimony from working parents, providers and other interested parties. I will review the Commission's forthcoming recommendations for a comprehensive State policy for the provision of accessible, affordable quality child care. I will also have the Council on Children and Families develop a plan for the improved coordination of State child care efforts.

We have now completed two full years of administering the Job Training Partnership Act, bringing together government, business, labor, education and community groups for the purpose of preparing the disadvantaged for jobs in our growing economy. Building on this

experience, the Job Training Partnership Council has recommended a new Coordination and Special Services Plan. This Plan sets forth criteria to improve, coordinate and strengthen our efforts. I endorse these recommendations and will work with the Legislature and our local Private Industry Councils to implement them to the fullest extent.

Youth Services Corps

I will submit for your consideration a new Youth Services Corps program that will provide young people with an exciting opportunity to combine the elements of education, work experience and community service. The Corps will offer a highly attractive opportunity, particularly for the more mature young person who wants to move ahead quickly in an environment that recognizes initiative, to learn the skills required to find and keep a job. Outdoor service will be a major component of the program for many of the participants. I look forward to working with Assemblyman Gary Proud and other members who have given leadership to this issue.

FROM BIRTH TO ADOLESCENCE

The most valuable contribution we can make for the future children of our State is the opportunity for a healthy start in life. It is vital that we provide women with the information and means to understand and practice sound, healthy habits before and throughout pregnancy, and that all women and their newborns have access to the full range of perinatal services.

To reduce infant mortality and developmental disabilities, I am directing the Department of Health to develop a comprehensive perinatal care system that will focus initially on the highest health risk regions in New York State. In addition, my Budget will provide an increase in support for programs providing perinatal care for low income women who have no other form of health insurance coverage.

We cannot ignore the implications of a lack of access to family planning services. There is ample documentation that family planning services prevent thousands of unwanted pregnancies and consequent

abortions. Family planning clinics also provide primary health care for many poor women and are their only source of prenatal care. All women who seek family planning services should find them accessible. I will recommend that we expand our annual commitment to this important prevention work to \$10 million.

Teenage Pregnancy

The tragedy of children having children demands continuing priority attention. Over the past two years, my Task Force on Adolescent Pregnancy, coordinated by the Council on Children and Families, has carefully studied the problems related to adolescent pregnancy and has developed a comprehensive set of recommendations. Some, such as those relating to day care and employment opportunities for teenage mothers, are mentioned elsewhere in this Message. Others, such as expanding family life education and conducting a major media campaign, are under development. This media effort will recognize the fact that young men and women can and should make more informed and intelligent decisions about sexual intimacy. They need to know from their parents, their teachers, their counselors and their athletic and performing artist idols that they can say "no."

Public response to our New Avenues to Dignity program has been positive and overwhelming. I will request additional support to expand significantly these community-based adolescent pregnancy prevention programs throughout the State.

Nutrition

Achieving and maintaining good nutrition for pregnant women, children, the homeless and the frail elderly is essential to the preservation of health and the prevention of costly and unnecessary medical treatment and hospitalization. I am particularly proud of the leadership of Matilda Cuomo, Honorary Chair of the Council of Children and Families, in coordinating the efforts of the Departments of Health and Education and Cornell University in the review and revision of the State's nutrition curricula. The first set of materials

have been completed and is being distributed this year to schools for use in kindergarten through third grade. The components for grades 4-12 will be completed over the next year. Although New York's response to the nutritional needs of its citizens has been significant, the needs remain great. Consequently, I will recommend that we increase significantly the funds to support the State Nutrition Assistance Program.

Many people eligible for food stamps are still not enrolled. Lack of information about the program's availability, the stigma attached to public assistance programs and the reluctance of those eligible to submit to the paperwork involved in determining and sustaining food stamp eligibility remain as barriers to increasing enrollment in the program. Therefore, I have directed the Department of Social Services to implement a statewide "make-easy" food stamp eligibility campaign, using its local offices in concert with county Offices for the Aging, local offices of the Department of Motor Vehicles, local public and voluntary community services agencies and major food chains.

Child Abuse and Neglect

Matilda Cuomo's leadership and commitment to reducing the incidence of child abuse and neglect has been recognized with her appointment to the National Commission on Child Abuse and Neglect. For the first time, a First Lady has been honored with this appointment, and we are pleased with the opportunity this presents for New York State. Specifically, the National Commission has developed plans to reduce the incidence of child abuse and neglect, nationwide, by 20 percent by 1990. In order to join the National Commission in this ambitious effort, I am requesting that the Citizens Task Force on Child Abuse and Neglect, in cooperation with relevant State agencies, provide me with recommendations as to how we can ensure that this goal is met in New York State.

The Special Plight of Homeless Youth and Youth in Foster Care

Although the State is making significant progress in addressing the plight of homeless families, there are still a substantial number of children in such situations who are not receiving appropriate

educational services because of their unstable living situations. In addition, family and other problems often lead a young person to leave both home and school. School officials have been reluctant to allow such youths to attend classes because of an assumption that their place of residence is with their parents. I will introduce legislation to clarify school district responsibility for homeless youth and children in homeless families living outside their boundaries, including youth who are temporarily in emergency shelters or living for longer periods of time in transitional living programs and independent living settings.

We also need to focus our efforts on those children who are unable to live at home and, as a result, reside in child caring agencies. New York is and should be proud of its foster care programs. We are indebted to all those social workers and child care workers in preventive services and foster care who are ultimately responsible for implementing the Child Welfare Reform Act. But we need to do more, especially for young people entering adulthood and leaving the foster care system. My Budget will include funding to assist local social services districts provide the services foster care children need to transition to independent living.

HEALTH CARE FOR THE TWENTY-FIRST CENTURY

AIDS

The AIDS epidemic confronts society with one of the greatest public health challenges in recent times. Our State, which accounts for more than 35 percent of AIDS cases identified nationwide, bears a special responsibility for the prevention, care and treatment of this dread disease. Accordingly, my Budget will include funds to more than double our existing effort. I am also proposing the establishment of Comprehensive AIDS Care Centers designed to organize treatment packages for AIDS patients, including all community-based and in-patient services. We have already undertaken the most extensive, state program of public education on AIDS in the country, and we will intensify our efforts to alert intravenous drug users to the extreme danger incurred when they share their paraphernalia. In the coming year, the oversight and management of the delivery of medical and social services to AIDS patients will be improved as well.

I will also submit legislation to amend the Public Health Law to prohibit the unwarranted use or disclosure of HTLV-III (Human T-cell lymphomatic virus) antibody test results. The release of such information for purposes other than treatment and care could lead to unfair discrimination in employment, health care, insurance and other areas.

Smoking

Since 1964, the United States Surgeon General has consistently identified smoking as the single most important source of preventable illness and premature mortality. The total direct national health care cost associated with smoking is estimated to be in excess of \$16 billion per year. To reduce the incidence of smoking related health problems, I am directing the Commissioner of Health, Dr. David Axelrod, to increase our public education prevention efforts.

Task Force on Life and Law

Last year, I appointed a Task Force on Life and Law to address some of society's most complex and sensitive issues. As a result of the efforts of this Task Force, I will submit legislation to regulate hospital "do not resuscitate orders" and related procedures. The Task Force has recommended that the Commissioner of Health develop regulations on the definition of death consistent with recent judicial determinations. I concur with this recommendation and have asked the Commissioner of Health to proceed. I am also directing Dr. Axelrod to seek the advice of the Task Force on the issue of appropriate State action concerning "living wills."

Redirection and Reform — Health Care Services

We will continue our efforts to maintain a responsive, high-quality, accessible and affordable health care system. Beginning on January 1 of this year, New York joined most other states in receiving Medicare reimbursement based on diagnosis-related groups (DRGs) under the federal prospective payment system. In accordance with legislation adopted last year and to maintain an equitable reimbursement system with adequate cost controls, I will submit

legislation to extend the case payment reimbursement system to all payors, including Medicaid and private insurance plans. The proposal will maintain New York's commitment to assisting hospitals that provide care to the medically indigent, and we will continue our work to establish an equitable mechanism to relieve physicians from the risk of malpractice liability in excess of their insurance coverage.

Proposed federal Medicare changes will reduce capital payments to the State's hospitals, while proposals in the President's tax reform package will limit the availability of tax-exempt financing. Mechanisms must be developed to restructure reimbursement of capital which are consistent with federal capital reimbursement policies or, alternatively, solutions developed which provide substantive capital cost control while recognizing the legitimate hospital needs. Accordingly, I will introduce legislation to establish an equitable method to allocate capital dollars consistent with need and within a fixed capital limit.

The Roswell Park Memorial Institute in Buffalo has played a key role in developing and maintaining a tradition of leadership in biomedical research through its cancer research and treatment efforts. Roswell Park now requires additional investment on our part, if it is to maintain its record of excellence. At my direction, the Department of Health, in conjunction with the State University of New York and leaders in the Buffalo community, is developing a comprehensive plan to revitalize the Institute and to ensure that its facilities are appropriate to maintain its clinical services and research efforts well into the 21st century.

PEOPLE WITH DISABILITIES — NEW OPPORTUNITIES

Persistent attitudinal biases about the capabilities of persons who are disabled or otherwise disadvantaged serve as barriers to productivity and independence. These often unconscious biases serve as self-fulfilling prophecies and undermine our efforts to permit the majority of persons with disabilities to become productive, independent, contributing members of society.

One way to alter attitudes about disabilities and simultaneously

to help people with disabilities realize their full potential is to see that they have access to the complete array of society's technological advances. For many persons with physical and developmental disabilities, the Year 2000 has already arrived. The computer, for example, has a special service to perform for persons with disabilities, and its applications are beginning to become known to people who are blind, visually impaired, deaf and hearing impaired. But the pace of technological change in this field outstrips the organizational, social, and entrepreneurial modifications required to bring these powerful tools to people with disabilities. Drawing upon the resources of the State University at Albany, Baruch College and New York University, I will recommend the creation of a Center for Computing and Disability, charged with the responsibility to undertake research, teaching and outreach functions designed to facilitate the widespread use of computer technology by students and adults with disabilities.

Although New York State has made progress in improving transportation for the disabled, better coordination is needed to achieve consistent policies. I have directed the Department of Transportation, the Office of the Advocate for the Disabled and the Office for the Aging to develop State guidelines for making public transportation accessible to people with disabilities, which will shape the planning and development of efficient mass and special transit systems in the State.

OFFICE OF REHABILITATION SERVICES

In 1984 and again last year, the Assembly endorsed my recommendation for the creation of an independent Office of Rehabilitation Services. With the establishment of this agency, services to persons with disabilities will be the agency's first and only priority.

The overwhelming endorsement of this proposal by the consumers of vocational rehabilitation services, as well as by all of the major provider organizations, has been most gratifying. I call upon the Senate to give this proposal full consideration and to listen to the appeals of the persons most affected — the persons with disabilities.

NEW YORK'S AGING FAMILY

By the year 2000, persons age 60 and older will comprise over 18 percent of New York State's population. Increases in longevity and technological advances will heighten demands for routine and chronic health care. Financing long-term care is a formidable challenge, requiring us to completely rethink our current notions about the types and duration of services needed. A combined public and private response is inevitably necessary. As a result of the work and recommendation of the Project 2000 Panel on Longterm Care, I am directing the Commissioners of Health, Social Services and the Superintendent of Insurance to work with the private health insurance industry to develop a model long-term care insurance policy designed to provide payment for services in institutional, home and community settings.

The Community Services for the Elderly (CSE) program provides over 175,000 senior citizens with a variety of health and social recreational activities each year. In 1983, I signed legislation increasing the per capita State aid for this program from \$3.00 to \$4.00. This year, I will initiate a significant increase in State financial assistance to CSE. The new funding will enable needy elderly citizens to receive essential home care and case management services. Through the use of a sliding fee scale, we will ensure that we serve a maximum number of senior citizens with the available resources.

Since 1983, Community Alternative Systems Agencies (CASAs) have been guiding the elderly to necessary yet affordable health care and supportive services. In the aggregate, CASAs have achieved cost savings, reduced the number of patients backed up in hospitals and provided significant community support to elderly individuals. I am directing the Department of Social Services to assist local social service districts in the development of CASAs.

Older people who go to nursing homes sometimes do so because of a lack of known alternatives. Too often they see a nursing home as their only option and are unaware of the availability of a variety of in-home health care and other supportive programs. Consequently, I will introduce legislation which will require localities to provide

persons applying for long-term care services with information on alternative program choices which may meet their needs. This legislation will help more people receive care in their own homes, thus avoiding costly institutional services.

Last year, I said we would study the policy implications of establishing Continuing Care Retirement Communities (CCRCs). These communities provide independent living for the elderly, combined with a guarantee of lifetime nursing home care. They have been successful in several other states but have not yet been authorized in New York. After extensive analysis, the Long-Term Care Policy Coordinating Council has concluded that there are now sufficient advantages to the State to justify the development of these arrangements, subject to State oversight. Therefore, I will introduce legislation to permit the development of CCRCs, within the guidelines outlined in the study.

The many services currently available to the elderly are often offered in an uncoordinated manner that discourages participation and promotes inefficiency. I am asking the State Office for the Aging and the State Board of Regents to develop a joint plan to better use the State's educational resources to serve older New Yorkers. We need to marshal post-secondary research capacity, intergenerational volunteerism in schools, and education and training programs to improve the lives of our older citizens.

Housing for the Elderly

A growing reliance on in-home services and our continuing respect for the wishes of the elderly require the preservation of their personal residences. The creation of opportunities for the elderly to benefit from their home equity and, thereby, maintain their independence and dignity, is an objective we should encourage. The State Office for the Aging, the Division of Housing and Community Renewal, and the Cornell Cooperative Extension Service are engaged in a variety of efforts to promote housing options for the elderly and to develop "how to" manuals to guide individuals and local groups in implementing such options. I will direct the State Office for the Aging to establish a central information clearinghouse dedicated to promoting community based housing.

Last Spring, I established the Task Force on Aging, chaired by Andrew Stein. As a result of its work, the Task Force has recommended that we improve the effectiveness of existing statutes regarding reverse annuity mortgages. The Task Force has called for legislation to allow for shared appreciation. This provision will allow continued tenancy even though equity in the home may have previously been exhausted. In return, the company participates in the "shared appreciation" of the dwelling.

The spirit of the Housing Trust Fund is to develop decent affordable housing. Yet, the Fund currently requires that a building be below 60 percent occupancy in order to qualify for rehabilitation support. Many elderly people have grown old in large family homesteads that previously housed both children and adults, thus leaving many of these homes underutilized. The conversion of these houses, or parts thereof, to apartments would increase the elderly's ability to pay for ever-rising housing expenses. Accordingly, I will submit legislation amending the Housing Trust Fund to allow for these conversions.

Pharmacy Assistance/Generic Drugs

Last year I proposed the Elderly Pharmaceutical Insurance Coverage Program. This was a targeted initiative intended to provide financial relief to our neediest low income older New Yorkers faced with high prescription drug costs. I will again pursue this initiative, still maintaining its basic tenet — that first priority must be given to the elderly most in need — but modified as to scope and structure. In order to obtain the advice of the people affected by such a program, I am directing Ilene Margolin, Deputy Secretary for Human Services, to work with representatives of the elderly to design the specific elements of the program.

My proposal for a prescription program will require pharmacists to substitute generic drugs for equivalent brand names, except where the prescriber indicates otherwise. All New Yorkers will benefit from this change, but especially the elderly because of their higher use of prescription drugs. Significant savings to the Medicaid Program, as well as to employee and other drug plans, will be achieved through this change.

Technology to Help the Elderly

I have already indicated that technology has great potential to compensate for the physical limitations and sensory losses among persons with disabilities. This is equally true for those who suffer the impairments which accompany old age. Therefore, I am asking the Science and Technology Foundation to encourage the State's research institutions to undertake projects designed to benefit individuals with long-term care needs. In addition, I am asking the Foundation, in conjunction with the Institute on Basic Research in Developmental Disabilities and the Helen Hayes Hospital, to develop a plan for integrating the needs of those receiving long-term care with advances in bio-engineering technology. This will have the benefit of linking such technology to the State's efforts to promote high-tech business and industry.

MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

Last year marked the 10th anniversary of the Willowbrook Consent Decree. As we recall the shameful revelations of the early nineteen-seventies, New Yorkers can be justly proud of the dramatically improved care we provide to our residents who are mentally retarded and developmentally disabled. Our developmental centers now have sufficient staff to provide humane care and treatment. All residents now participate in regular programs which address their needs — whether those needs are for physical therapy or for sheltered work opportunities.

We have also substantially reduced the number of individuals who reside in our developmental centers. As I promised two years ago, we will close Willowbrook, now known as the Staten Island Developmental Center, in 1987. Individuals who formerly were limited by the constraints of a large institution are now thriving in smaller, more home-like community residences.

The current fiscal year marks another, even more important milestone — it is the first year in which we have been able to increase the total number of individuals in residential programs. Although there has been a dramatic increase in the proportion of residential services

provided in small community settings, prior to 1985 the total number of individuals served remained essentially constant. We recognize that the demand for residential services is still greater than the available beds, but we are at a turning point. We can at last move forward to serve more people.

The Office of Mental Retardation and Developmental Disabilities (OMRDD) will continue to expand its community residential and day services programs. In so doing, it will ensure that a block of these beds is targeted for individuals suffering from low incidence disorders such as autism and Prader-Willi Syndrome. These individuals have had limited access to existing community beds, and we need more residences tailored to their particular needs.

Aging Out

Although we have made real progress toward expanding the availability of services, we still face a serious challenge. Every year, many individuals who require continued programming reach the age of 21 and "graduate" from educational and child care programs.

Several years ago we instituted a temporary program of transitional funding to guarantee that individuals receiving care in residential schools could stay there until we located an appropriate placement. While this funding has provided continuity of services for these individuals, it does not address the underlying problem of too little residential capacity in New York State for adults who are mentally retarded and developmentally disabled. Therefore, I will also propose that OMRDD accelerate its development of community residential beds, so that substantially more of these adults can be assured an appropriate, long-term placement.

Day Services

While we have necessarily invested the majority of our resources in the residential programs we either operate or finance, we recognize that families, not these programs, are the most important part of the care system. Over 75 percent of persons who are substantially developmentally disabled live at home. By ensuring these families that their relative who is disabled will have access to a day program

which meets his or her needs for habilitation, training and employment, and that support services such as transportation and respite are available, we can help these families continue to keep their sons and daughters at home. I will therefore seek funds for the first time to establish 700 new day program spaces dedicated to these individuals and to expand the very successful program of Family Support Services which we initiated in 1984.

Research on Mental Retardation

In addition to the steady improvements in the care and treatment we provide, we can also be proud of the accomplishments of the OMRDD Institute for Basic Research (IBR). The Institute's investigations into the cause of mental retardation hold great promise for both prevention and more effective treatment. One of IBR's most dramatic successes has been the discovery that taurine, a component of breast milk but absent in cow's milk, is essential to normal development of the brain and retina. As a result of this finding, the U.S. Food and Drug Administration now recommends adding taurine to cow's milk based infant formulas. Other important contributions include methods for prenatal diagnosis of the Fragile X Syndrome, the most common genetic cause of mental retardation, and a urine test to identify women at high risk of having a child affected by Fetal Alcohol Syndrome.

By preventing retardation, use of IBR's findings will eliminate much human suffering and, not incidentally, avoid substantial costs. Care for a single severely retarded individual can be expected to cost more than \$3 million during his or her lifetime.

Technological advances can give individuals who are severely disabled increased freedom and capacity and allow more individuals to live comfortably in the community. A joint project involving the J. N. Adams Developmental Services Office and the Schools of Allied Health Sciences at SUNY/Buffalo has resulted in construction of a model community residence that among other things includes switches that simply require clients with extremely limited mobility to interrupt a ray of light in order to activate a device.

ALCOHOL AND SUBSTANCE ABUSE

We have made unprecedented strides in increasing the alcoholism treatment services available in New York State.

Perhaps no single accomplishment has had broader impact than our enactment of legislation requiring insurance coverage for outpatient alcoholism treatment services. This legislation has been so important because it not only minimizes the financial obstacles to treatment for many alcoholics and their families, but also because it contributes to society's recognition that alcoholism is indeed a health problem, rather than a stigmatizing personality flaw.

We can also point to State-funded services expansions with pride. A total of 200 new crisis center and community residence beds will soon be operational. In addition, residents in fourteen counties will for the first time have access to local outpatient alcoholism treatment services as a result of our 1985-86 rural county initiative.

We are also making substantial progress in addressing the needs of individuals, especially young people, who have problems with both drugs and alcohol. Pahl House and Queens Outreach now provide residential treatment for adolescents. These facilities are certified by both the Division of Alcoholism and Alcohol Abuse (DAAA) and the Division of Substance Abuse Services (DSAS). In addition to these two initial programs, the two Divisions have worked together and have recently issued regulations for joint licensure. As a result, we expect future increases in the number of programs which provide services for chemically dependent youth.

Last year, I directed DAAA and DSAS to identify changes in our prevention efforts which would permit us to reach a larger population. Based on their findings, during the coming year we will expand school-based prevention efforts to include communities not now served, develop new programs to reach elementary school age children and increase our use of public service announcements and other advertising. In addition, the two agencies will work with the State Education Department to revise and update the drug and alcohol curriculum now in use throughout the State. I am confident that these changes will measurably increase the impact of our efforts to reduce alcohol and drug dependency.

We have long recognized the inherent risks of using substances

like heroin and cocaine. More recently, researchers from DSAS identified evidence that led to the realization that the AIDS virus is frequently transmitted through illicit intravenous drug use. In fact, we now know that intravenous drug users constitute the most rapidly growing category of new AIDS cases. We must make them aware of the enormous risks they are taking and convince them to take steps to protect themselves. I have directed DSAS to begin a major outreach campaign to explain to drug users how and why intravenous drug use transmits AIDS. This program is already underway. I will seek funds to continue and expand our efforts in the coming year.

Clearly, abandoning drug use is the best protection this population can elect. Therefore, the service expansion we have achieved over the past several years is especially important. Passage of legislation increasing home relief payments to residential drug treatment programs has made it possible for us to increase funding for a variety of drug treatment efforts by about \$4 million annually. In addition, approximately 200 new beds for homeless drug abusers are already in operation, and we expect 300 more in 1986. DSAS has expanded its outreach services and participates with the Office of Mental Health and DAHA in a program to evaluate the treatment needs of residents in homeless shelters.

Financing and reimbursement mechanisms too frequently provide strong economic incentives which favor the use of high cost services, even when similar, less expensive services exist. A two-year project to test the impact of expanding Medicare and Medicaid coverage to free-standing alcoholism treatment facilities demonstrated that these facilities provide much needed services and are indeed cost effective. Therefore, I will recommend extension of the Medicaid demonstration project for an additional year.

Long waiting lists, which cause delays in entry into treatment, have been a persistent problem in methadone maintenance programs. Moreover, as knowledge of the serious risks associated with intravenous drug use becomes widespread, more individuals seek alternatives such as methadone maintenance and the waiting lists grow. Therefore, I have directed the Division to establish 500 new methadone treatment slots and to consider whether changes in Federal and State laws and regulations would permit us to serve still more people with the existing capacity.

MENTAL HEALTH

I promised last year that we would embark upon a long-term reconfiguration of the mental health system. Critical elements of that process, including accelerated development of community residences, creation of Residential Care Centers for Adults (RCCAs), and State operation of community services, are already in place.

During the past three years, we have substantially increased the number of individuals who live in supervised environments in the community. Not only have we increased the number of individuals who enjoy the benefit of community life, but we have improved the kinds of services we provide. Legislation I signed in 1984 was the basis for new staffing models for community residences. These new models recognized that the need for supervision varies substantially, depending on the severity of an individual's illness and the degree of rehabilitation which has been achieved. Recognizing that patients are much more likely to live successfully in the community if they have access to structured day programs, increases in residential capacity have been accompanied each year by increases in funding for Community Support Services.

Building upon the recommendations of the Select Commission on the Future of the State-Local Mental Health System, which I appointed, the Office of Mental Health (OMH) has now submitted the outline of a ten-year reconfiguration plan. The goal of that plan is to increase the community services available for our most vulnerable citizens, but to do so by reducing the mental health system's reliance on costly and often inappropriate inpatient hospitalization.

We will continue to provide incentives for hospitals to convert underutilized general medical care capacity to acute psychiatric care wards. Patients in the early acute stages of mental illness need the medical environment that general hospitals offer. My Budget will also support the continued expansion of community residences and residential care centers for adults (RCCA's), including 1600 new beds to be developed over the next two years. Equally important, we have instituted vastly improved financing mechanisms, including capital grants, as recommended by the Select Commission.

This expanded community residential capacity is inseparable from

the changes in our psychiatric centers. We clearly cannot and will not move patients out of an inappropriately restrictive hospital environment unless we have the community beds and programs to do so. But we also will need the savings realized from reducing the size of our psychiatric centers to finance much of the cost of community expansion.

Community residential expansion will not be successful unless these residents have access to appropriate day programs and other supportive services. Last year I promised major changes in our local assistance programs that fund these services. OMH, with the help of its Mental Health Local Assistance Panel, has reviewed existing laws and policies and has initially recommended that two local assistance programs serving the chronically mentally ill, Community Support Services and Chapter 620, be consolidated and have their eligibility criteria revised. Access to the mental health system in the future will be based on current clinical needs rather than on the individual's past contact with the State hospital system. I will propose legislation to implement this recommendation.

As we move closer to our goal of a community based system of care, gaps in services become more apparent. One such gap is a continuum of employment programs. Patients experiencing for the first time the confidence and optimism that result from living in the community, now feel acutely their lack of opportunity for paid employment. Some programs are already in place: the Pie in the Sky Bakery in Albany is a very successful business staffed with residents from OMH group homes. We must expand both the kinds of work experiences available to mentally ill individuals and the number of people we serve. Therefore, I will recommend additional support for the expansion of work programs. In addition to increasing opportunities for employment in traditional sheltered workshops, we will develop satellite workshops at private businesses and involve more individuals in assisted competitive employment, an approach which provides supervision and counseling to both employer and employee to permit the individual to work productively in a competitive employment situation.

As we realize our goal of a community based system, we will continue to rely heavily on the support of our State work force. Last

year, I announced our plan to utilize their skills in State-operated community residences and RCCA's. We further reinforced that commitment with the signing of the Monroe-Livingston Mental Health Demonstration Project, which provides for a continued role for the State work force in the development of all community services in that region. We are similarly indebted to the voluntary agencies that operate so many of our services to mentally ill individuals.

Among the most vulnerable mentally ill individuals are those people who are both homeless and mentally ill. We will see that homeless individuals who are in need of emergency care and treatment receive them promptly and that there is a service system which is responsive to the needs of this difficult group. There has been some confusion about the meaning of the Mental Hygiene Law in this regard. We believe that individuals whose judgment is so impaired that they put themselves at risk of freezing to death are a danger to themselves and can be hospitalized on an emergency basis. However, mental health practitioners and judges sometimes interpret the law too narrowly. I have asked the Commissioner of Mental Health, Dr. Steven Katz, to develop a comprehensive educational program on this issue for legal and mental health personnel.

Quality of Care in Psychiatric Centers

Although we will proceed with downsizing the State psychiatric center network, I am committed to enhancing the quality of care in these facilities. To enhance and maintain patient dignity in our State-operated institutional settings, I will submit legislation to permit a State-funded Personal Needs Allowance for patients who do not meet current federal eligibility criteria.

The Commission on Quality of Care for the Mentally Disabled has identified the need for better coordinated programs to deal with the needs of mentally ill persons who also abuse alcohol or drugs. Accordingly, I am directing OMH to develop a comprehensive approach to this problem in consultation with DSAS and DAAA.

For many chronically mentally ill persons living in an institution or community residential facility, opportunities for socialization and

social contact are limited. And yet, we know the invaluable contribution that occurs through friendships and the simple joys of talking and laughing, and the positive effect that this can have on mental health treatment. I have asked the Office of Mental Health, in conjunction with the Voluntary Enterprise Commission, to develop a program for the organization and substantial improvement of volunteer services in mental health facilities. This program will provide transportation for volunteers to and from mental health care facilities, will focus on regular visiting to mentally disabled people who are socially isolated or forgotten, and on regular phone contact with ambulatory mentally ill persons to encourage social conversation.

Research on Mental Health

New York State is fortunate to have a psychiatric research capability that is both one of the oldest in the nation and one of the most prestigious. The close working relationships between the New York Psychiatric (NYPI) and Nathan Kline Institutes (NKI) and Columbia and New York Universities have both attracted superior talent and facilitated the dissemination of new findings throughout the medical community. The excellence of OMH's research capability has been recognized through the establishment of a Howard Hughes Medical Institute at NYPI. This unique institute is expected to attract approximately \$4 million per year over a thirty year period for research on the basic mechanisms of learning and behavior. It is an outstanding example of our efforts to merge the resources of government, academia and the private sector in the search for knowledge.

Recent OMH research has focused on immediate practical problems as well. For example, NYPI staff developed a program to train families to understand and cope with a schizophrenic family member. OMH has made the training program available to families in several areas of the state, and has already been able to show that family participation in the program significantly reduces the likelihood that the individual will need re-hospitalization. In addition, the Nathan Kline Institute has a liaison program with physicians in the Mid-Hudson region, encouraging them to use NKI's unique laboratories and to consult on the needs of difficult patients. Finally, the Child

Psychiatric Division at NYPI has been at the forefront of research on youth suicide. Results of these studies will be critical to our efforts, as well as efforts nation-wide, to deal with this tragic problem.

The Particular Tragedy of Youth Suicide

In 1984, I established the Council on Youth Suicide Prevention to consider the State's role in dealing with the dramatic and tragic increase in suicides among young people. Recently I expanded the Council to include recognized experts and individuals who work with youth in a variety of settings, as well as representatives of the youth and parents who are directly affected. The Council has not yet completed its work, but it is already clear that we need to know much more about suicide prevention strategies currently in place.

At the Council's recommendation, I have directed OMH to compile a source book which describes existing strategies and provides preliminary evaluations. I will also recommend resources for a more rigorous evaluation of the approaches most commonly used in New York State. I will also direct OMH and the Department of Health to develop a protocol to be used by emergency room personnel to insure that children who attempt suicide receive appropriate follow-up services.

EQUALITY FOR WOMEN

Securing equality for women has been a major priority of my administration. Women comprise more than half of the State's population. There is no justification for denying them equal opportunity and economic equity. We have pursued an agenda to guarantee women equal access to jobs, non-traditional job training and higher paying careers. We expanded the availability of child care to enable women to work outside of the home to support or help support their families, and instituted the State's first women's business enterprise program.

We are the first state in the nation to undertake comprehensive pay equity and classification and compensation system studies, and we are the first to negotiate contracts for our employee bargaining units designed to remove the last vestiges of race and sex-based wage discrimination. We pursued this route because we believed it was right, and we have demonstrated that pay equity can be achieved in a traditional bargaining process without producing dire economic consequences. The second and third years of the current contracts earmarked approximately \$75 million for pay equity and classification and compensation system adjustments.

Lack of child care continues to be an obstacle for many women who wish to participate fully in the public workplace. In cooperation with our public employee unions, we have created a network of on-site day care centers that today totals 24 centers caring for more than 1,200 children of State employees. Last year's collective negotiations reaffirmed our commitment to this effort, which should serve as a model for other employers throughout the State. An additional 51 centers will be added to the network by 1988.

Education has always provided the tools for poor Americans and immigrants to survive and prosper. The education of our sons has permitted them to escape poverty and to surpass the economic success of their fathers. We can do no less for our daughters. I will again propose a Sex Equity in Education Act that will guarantee all students, teachers and administrators an educational environment free of sex stereotyping, sexual harassment and sex discrimination.

Young female students also need role models if they are to feel

confident in their ability to participate equally in society. The Women in Government Mentoring Program developed by the New York State Division for Women and the New York City Board of Education in conjunction with the Center for Women in Government, by making government more accessible to young women, has successfully encouraged them to consider for the first time policy making careers in public service. We will expand this program and will explore the possibilities for developing programs in cooperation with private industry, localities and community based organizations, involving young men as well as young women.

Executive Order #21 established the first women's business enterprise program in the State's history. The State already has almost tripled its business with women's business enterprises from \$8 million in 1983-84 to \$23 million in 1984-85. But this is just a first step. In the Executive Order I called for a study of the status of women-owned business in New York. Based on the study's conclusions, I am asking State agencies to seek to achieve the award to women-owned businesses of at least five percent of the total dollar value of contracts let annually by the State. We have also established a unified certification process to identify for State agencies bona fide minority and women owned businesses, and have initiated a series of technical assistance programs, seminars and conferences to assist minority and women entrepreneurs in developing business in and with the State.

The Law Revision Commission has been working on an extensive review of New York State Law to identify gender-based distinctions still existing in the statutes. This is an excellent step toward eliminating discriminatory language and content and a positive step toward elimination of sex discrimination of any kind. I am directing the Division for Women to work with the Law Revision Commission to complete this work.

We know that the family of New York is changing. "Average family" no longer means husband, wife and two children with the husband as the sole wage earner and the wife at home caring for the children. Economic conditions, the incidence of divorce and unmarried parenting have all contributed to the transformation of the family. In the vast majority of our families, both parents work. Eight hundred thousand of our families are headed by single parents, 90% of whom are women.

Last year I appointed the New York State Commission on Child Support, chaired by the Director of the Division for Women. In the course of its work and through a series of public hearings, the Commission found that many persons seeking support for their children do not get the necessary services or information to enable them to get a support order and enforce it. I have received the Commission's first report, and I plan to introduce additional legislation to implement some of its recommendations.

The Commission also found that current methods for determining the amount of support a non-custodial parent should pay are inconsistent and often fail to consider all aspects of the parents' living and economic circumstances. I will submit legislation that establishes a formula for the courts to utilize in determining appropriate levels of support.

Finally, there can be no doubt that a family is not secure if it is caught in the vicious web of domestic violence. It has become all too apparent that family violence is cyclical — that abused children become abusive parents and spouses; that family violence escalates to violence against community and society. Last September, a unique hearing took place at Bedford Hills Correctional Facility for women. The witnesses were the inmates. The hearing officers were State commissioners. The message was clear — that family violence moves from generation to generation at great cost to the victims, mostly women and children, and later to the families and the State when the victimized strike back or strike out and commit criminal acts. This year, I will direct the Commission on Domestic Violence, the Division for Women, and the involved criminal justice and social service agencies to work together to develop appropriate prevention programs and expand services to break the cycle of abuse and domestic violence.

HUMAN RIGHTS AND OPEN GOVERNMENT

Our history has been a history of inclusion, a history of expanding the promise of the Statue of Liberty to all Americans.

Our founding document gave us a standard in law that we strive to live up to, a document that has repeatedly uplifted the vision of those Americans who have had to struggle for their own freedom, including those whose ancestors came here in chains and had their humanity systematically and legally denied. As we celebrate this year the Centennial of the Statue of Liberty and prepare for the Bicentennial of the United States Constitution, we will not hesitate to show our solidarity with others engaged in the courageous struggle for freedom throughout the world.

South Africa

All of us are affected by the daily reports of repression and violence in the Republic of South Africa. While principal responsibility for the conduct of foreign policy rests with the President and the Congress, there is much that we can do, both individually and collectively as a state, to express our opposition to a society based on racial segregation and discrimination. Last year I called for the enactment of a phased divestment program for State funds invested in corporations doing business in South Africa, as well as a procurement plan to prohibit the State from contracting with entities that do business with the government of South Africa.

Under the leadership of Speaker Fink, the Assembly approved a bill to secure those objectives, and I commend the members of the Assembly for that action. The events of recent months in South Africa have made it all the more apparent that a governmental structure built on racism and repression cannot be supported, either directly or indirectly. As I did during December's Extraordinary Session, I call upon the Senate to follow the Assembly's example at the earliest possible opportunity, and I stand ready to be of whatever assistance I can in that process.

Martin Luther King Day

Martin Luther King, Jr., had a vision of a free and equal society — a vision that did not end with his death, but took hold and grew in the lives of many Americans, both black and white. Our celebration on January 20 of this nation's first official Martin Luther King Day is recognition of his leadership and heroism, and it is an expression of our hope that his great qualities will be mirrored in our achievements.

Expanding Opportunity

In the year ahead, my Black Advisory Committee, chaired by Bernard Charles, will undertake a comprehensive review of the changing nature of the Black Family — its problems, hopes and aspirations. I look forward to receiving the Committee's report.

While New York has significantly expanded its support for minority and women-owned business enterprises, the federal government is planning to abandon forty years of bipartisan support for Executive Order 11246, the historic presidential initiative that requires federal contractors to develop goals and timetables for full and equal employment opportunity. The State Division of Human Rights has led our battle for the preservation of Executive Order 11246 and will continue to mobilize a joint effort of governmental agencies, labor, management, civic, community and religious groups to monitor the actions of the federal government in civil rights.

Within State government, we will continue the progress which has already been made to open our work force to those who in the past have been underrepresented. The recent report of my Hispanic Affairs Advisory Committee, chaired by Manuel Diaz, has been of particular assistance in this regard, identifying a series of concrete steps for improvement that our agencies are now implementing.

Native American Relations

The Indian tribes and nations located throughout the State each have authority for self-government within their territories. The State

has long provided services to help meet the health, educational, social and physical needs of Native Americans.

However, the State has no ongoing mechanism in place to ensure that the needs of Native Americans are met or to see that relations between the various State agencies and the nine recognized Indian tribes and nations within our borders are handled appropriately.

Accordingly, I will promulgate an Executive Order that will assign specific responsibility for coordinating State services and programs which affect Indians to the Department of State. All State agencies will be directed to work with the Secretary of State in fulfilling this important responsibility.

Veterans Services

We have not forgotten those dedicated American men and women who served our country in times of war.

In the last three years we have improved substantially the programs available to Veterans in New York, particularly Vietnam-era Veterans. I am especially proud of the Vietnam-Era Scholarship Program that is now in effect. To see that these programs are provided as effectively and efficiently as possible, we will reorganize the Division of Veterans Affairs. This reorganization will strengthen the Division's analytical capacity, streamline our service delivery network and improve the training for state and local veterans counselors.

In my 1984 Annual Message, I highlighted one of the most profound legacies brought back from Southeast Asia — Post Traumatic Stress Disorder. This year we will develop an extensive training program for State and county agencies to ensure the use of the most up-to-date methods of servicing this troubled population.

I am also pleased to announce plans for the construction of a State-operated veterans nursing home on the campus of the State University at Stony Brook's Health Science Center. Operated by the University pursuant to a multi-agency agreement, the nursing home will not only afford high quality care and treatment for eligible men and women who have served their country with honor, but also will constitute a major resource for the University's educational, research and service programs.

Election and Campaign Finance Reform

The right to vote is at the heart of our governmental system, and that right should be made as readily available as possible. As a result of my Executive Order, our State agencies have facilitated the registration of potentially 85,000 voters, and as a result of your action we will begin this year to print mail registration application forms at the State level. I look forward to reviewing the findings of the Temporary Commission on Voting Machine Equipment, so that our voters can take advantage of the latest technology in voting and registration.

My Advisory Committee on Polling Place Accessibility has reviewed the effects of recent statutory changes designed to increase the accessibility of polling places for voters with disabilities. Based on the Committee's recommendations, I will propose various legislative and administrative initiatives to increase compliance with the law and to promote the full accessibility of all polling places by 1990. We will do everything possible to give all persons with disabilities an opportunity to exercise the right to vote.

Now that the Circuit Court of Appeals has resolved conflicting lower court opinions on the ability of students to register and vote from their campus locations, I will offer legislation to facilitate their ability to vote in their college communities. We must bring young people into the election process as early as possible.

The costs of campaigning for public office today threaten the vitality of the democratic process. We should lower the cap for individual contributions and enact a constitutional and effective mechanism for limiting campaign expenditures. In this statewide election year, I will urge you to approve a public campaign finance bill that will ensure balance and integrity in the electoral system in New York.

Open Government

To demonstrate our continued commitment to open government, I will ask you to consider amendments to the Open Meetings Law to clarify the role of political caucuses in our governmental process.

Concern has been raised that last year's amendments to the Law could impinge upon the State's efforts to expand the public's role in the making of public policy. I will propose legislation that would reduce the potential that local legislatures, dominated by a single political party, might evade the spirit of the Open Meetings Law. In addition, I will resubmit legislation to strengthen the enforceability of existing open government laws to reaffirm New York's commitment to participatory democracy.

Consumer Protection

In addition to incurring debt at record levels, consumers are increasingly availing themselves of agreements that amount to an alternative method of financing a purchase — the rent-to-own agreement. I will propose legislation to regulate such transactions, under which New Yorkers who intend to purchase merchandise by renting it for a fixed period of time are unknowingly spending three and four times the cost of the item. This relatively new service can provide advantages to New Yorkers, but only if we insure that consumers are not charged exorbitant prices for their merchandise.

I will once more ask your consideration of a comprehensive consumer protection act. This act will continue the existing prohibition against deceptive trade practices but will expand the protection afforded to consumers by enumerating specific violations of the law.

I will also propose legislation to improve the "new car lemon law" by strengthening the procedures applicable to informal dispute resolution proceedings and by extending the protections of the law to certain lessees of new motor vehicles.

EDUCATION — INVESTMENT FOR THE FUTURE

During the last three years, many reports have focused on educational improvements required in the United States. There has been a uniform call for improvement in the salaries and working conditions of teachers, upgrading graduation standards and a renewed commitment to education as a national priority. We share that commitment. We are proud of New York's schools, teachers, colleges and universities. But we recognize that there are also major challenges within our educational system, and we know we must address them.

Good schools require strong support. With the proposal I shall submit for the coming school year, State aid for elementary and secondary education will have increased by more than \$1.6 billion or 35%, from \$4.6 billion in 1982-83 to more than \$6.2 billion for the 1986-87 school year. This is an unparalleled increase, targeted in large measure to our highest priorities.

In the last three years, we have together created and funded programs to purchase computer hardware and software, to reduce dropouts and improve attendance, to increase textbook purchases, to purchase library materials, to create teacher centers, to provide teacher scholarships and fellowships for math and science teachers, to expand early childhood education and to eliminate adult illiteracy.

A number of indicators show the positive results of these efforts. We can be pleased with the higher scores earned by New York high school students on the Scholastic Aptitude Tests. This is particularly good news when we note that nearly two-thirds of our seniors take the SAT, while only one-third of the nation's seniors take the test. In scholastic achievement, important gains have been made by pupils in the elementary schools. National Assessment of Educational Progress reading achievement results showed New York State pupils with better reading skills than pupils nationwide. The most recent State Pupil Evaluation Program (PEP) test results from 1984 to 1985 demonstrated improved scores in third and sixth grade mathematics, and in fifth grade writing as well.

The last three years have also been marked by a spirit of peaceful labor relations in school districts. We have avoided disruptive and unproductive work stoppages that adversely affect all concerned. Voters in local school district elections adopted proposed budgets

89% of the time in this period, a rate substantially higher than the 77% in 1981. These approvals reflect an improved level of confidence by voters in their schools and the important role played by State aid increases that have reduced local reliance on the property tax.

We made progress in higher education as well. We enhanced management flexibility in SUNY and CUNY, increased student financial aid through the Tuition Assistance Program, expanded Bundy Aid for independent sector institutions, created a new Part-Time Student Aid Program, embarked on a major capital construction and rehabilitation program at the State and City Universities, created a Supplemental Student Loan Program at no cost to the taxpayers, established a new student financial aid program for Vietnam Veterans, and were blessed with Nobel Prize Winners in both our public and independent institutions.

Excellence In Teaching Program

Last year I proposed a comprehensive Excellence in Teaching Program to address one of the most serious concerns in education today — the recruitment and retention of high quality teachers in our public schools. Report after report has emphasized the need to increase teachers' salaries and improve their working conditions if we are to attract well qualified students to this noblest profession and also retain those skilled teachers who want to remain in our schools. Today I am more convinced than ever that New York must act to resolve this problem.

We should raise minimum salaries where they are an impediment to recruitment, and at the same time address the salaries of teachers generally. I shall propose in the Executive Budget a program of \$91 million to address this salary issue. The funds for this program will be allocated to school districts on an equalized basis, thereby providing more resources to less wealthy districts where the needs are the greatest. Unlike some other states in which local salaries are determined at the state level, salaries in New York are arrived at through a process of collective negotiations at the school district level. My initiative will call for the specific allocation of these added funds for teacher salaries to be determined through the collective negotiations process in each school district.

High Schools Of Excellence

As I stated in this Message last year, "We must enable all children, including the most academically talented, to be all that they can be." New York City has led the way in establishing schools of excellence that have become national models. While other states have followed this lead, we have yet to provide similar, concentrated opportunities for children who live outside New York City.

The initial planning funds you authorized last year have generated exciting proposals across the State. In the coming year we will further refine these plans and organize the coalition of business, labor and educational leaders that will be critical to the success of these schools. This crucial initiative will not only offer a major investment in our most talented young people, but will add one more attractive jewel to our rich array of elementary and secondary schools, magnet schools, community colleges, and public and independent colleges and universities.

Scholarships of Excellence

In addition to the creation of High Schools of Excellence, I will propose special recognition of the scholastic excellence of our ablest high school graduates through the establishment of 1,000 new Scholarships of Excellence. These new scholarships, each of which will carry an award level of \$2,000 per year, will complement the other efforts we are undertaking to acknowledge and enhance the educational performance of our brightest youth.

Computers

We have now completed almost two full years of our State supported computer hardware and software acquisition program. In 1983-84, there were 24,000 microcomputers in the public schools. In 1984-85, this number was more than doubled. We anticipate similar growth for 1985-86. New York leads the nation in this commitment. I propose continuation of this program, and I reaffirm my goal that by the year 2000 every child in our State will have the full opportunity to become computer literate.

Magnet Schools

We are now in the third year of our program to create and support magnet schools in nine city school districts across the State. Their success is overwhelmingly evident. They have improved attendance and are exciting places for both students and teachers. Buffalo, Rochester and Syracuse are but a few of the cities that have been reinvigorated, with magnet schools playing a major role in that change. We can and will do more to support these programs.

Jobs for High School Graduates

Side by side with our many achievements stands a national tragedy: the lives of so many young people that are wasted because they never complete high school and are effectively denied gainful employment. These young men and women become a burden to society and a cost we all bear. Young people drop out of school for many reasons, but particularly because they lose hope — hope for their own individual future. It is our obligation to give young men and women reason to hope, to give them the opportunity to use their talents productively, to succeed. Government can help. We may even be able to show the way. But to succeed, we have to involve the private sector.

We should set a goal for that partnership. As I see it, no other goal is as important as giving young people at risk of failure reason to believe that the effort to stay in school and succeed will be rewarded.

We should begin to work toward the promise of a permanent, private sector job or the opportunity for a college degree. It will not be easy, but working together I believe we can make real progress — first in selected communities and school districts, and then across the State. Business and industry deserve a guarantee as well — that our schools will provide these young people with the basic skills and employability skills necessary to prosper in the work force. Together — businesses, government and schools in partnership — we can make this goal a reality.

In the first year of this effort, we will target our existing programs in dropout prevention, school employment and job training on a

limited number of schools where the challenge is great but the payoff is high. To further this effort, I will create a Governor's School and Business Alliance.

A More Accountable New York City Board of Education

While there are many outstanding features of the New York City public schools, we still confront intolerable dropout rates and unacceptably low levels of student performance. The need to coordinate school programs with other City initiatives is evident, yet the existing structure of the Board of Education diffuses policy accountability too widely. Accordingly, I will propose that the Mayor of the City of New York, already principally responsible for setting the funding level of the City school system, be empowered to appoint a majority of the membership of the New York City Board of Education. Mayor Koch supports this proposal, and I am confident it will prove to be a significant step toward renewed educational excellence in the City's public schools. I will work closely with the Mayor, the restructured Board and the City's dedicated teachers to monitor the improvements which I expect to occur.

Nonpublic Schools

I have continually fought to keep alive the institutional diversity of the educational system in our State, and I will continue to do whatever I can to provide targeted resources to needy students in nonpublic schools within the context of what is constitutionally permissible.

I proposed funding last year to provide services to educationally disadvantaged children in nonpublic schools aimed at giving balance to the services that are provided to similar children in the public schools. The *Felton* decision of last June by the U.S. Supreme Court limited the ways in which federal monies can be used to provide these remedial services to nonpublic school children. I regret that decision. I will recommend funding in the Budget to provide remedial education to nonpublic school pupils in a manner consistent with the Court's determination.

Further, I shall propose a 100% increase in the highly successful library materials program. It addresses one of the most pressing needs of public and nonpublic schools: obtaining up-to-date and often expensive library materials.

Educational Services for Children with Disabilities

Granting diplomas to pupils with disabilities is an issue that has received considerable attention. I believe that a special diploma reflecting successful completion of a child's Individualized Education Program is a fair and just entitlement. It would appropriately recognize the often herculean efforts made by students with disabilities to achieve that goal, and I am sure that it will not impair the statewide academic integrity of the diploma. I ask the Regents to reconsider their opposition. With the leadership of Senator James Lack and Assemblyman Paul Harenberg, we came close to realizing passage last year of legislation to authorize such diplomas, and I now ask your support to complete that effort.

I shall again propose legislation to bring about needed reform of the Family Court process. This legislation would bring an end to the cumbersome petition process and provide a mechanism for an appropriate programmatic review of children before services are provided. It will establish workable procedures to assist preschool children and their families, and if passed, will assure greater coordination between state and local agencies and will bring greater efficiency to the system.

Independent Living Centers

By providing a comprehensive program of assistance of all kinds to individuals with disabilities, the Independent Living Centers have enabled their clients to acquire the full range of skills necessary to live self-sufficient and productive lives in our increasingly complex society. I congratulate the Centers on their excellent record, and in the Budget I shall call for an increased level of support for the Centers and their expansion.

School Aid

Education aid is by far the largest single expenditure in the Budget. While we increase our annual allocations, we must continually review existing programs to identify areas in which we can make improvements. We must see that our investment is made prudently. Money well spent is essential. Public money wasted is a sin.

I shall again call upon the Legislature to address the issue of save harmless. Many school districts have declining enrollments, fewer staff and closed buildings, yet they continue to receive the same operating aid as they did when those pupils who are now long graduated were present. We no longer have the resources to continue this illogical practice. It will be said that save harmless is a sacred cow that cannot be touched in an election year. I fully recognize what year this is, but I am committed to controlling State taxes and providing local assistance only to those communities where it is most needed. The \$210 million now devoted to save harmless is \$210 million unavailable for higher priorities.

Finally, my school aid proposal will contain an initiative similar to one proposed by Assemblyman Alan Hevesi to enable schools to identify troubled youth early and assist them in getting the help they need.

Early Childhood Initiatives

I shall propose the expansion of both the Pre-Kindergarten Program and the Early Grade Intervention Program. Last year, funding for the Pre-Kindergarten Program was increased to \$20 million Statewide. This aid level is still too low to address our needs, and I shall propose its expansion to reach an additional 1,000 pupils. The Early Grade Intervention Program is designed to address early childhood needs by reducing class size in the Big Five city school districts. This program should be expanded to other districts with demonstrated need. Early intervention and pre-k programs are sound investments that will help to break the cycle of costly remediation in later years.

Fort Drum Area School Districts

The arrival of the Tenth Mountain Division at Fort Drum will cause a number of short-term hardships on the school districts in the immediate area. To alleviate these difficulties, I shall propose legislation to allow for the current counting and funding of the suddenly increased number of pupils attending in these districts, rather than waiting the required number of years as statutorily mandated. These lower wealth school districts should not have to carry for years the financial burden of the increased enrollment before our school aid formulas catch up. Fairness requires that such aid be delivered immediately.

Higher Education

This State's colleges and universities are among our most important resources. They have long been a major vehicle for individual opportunity, and more recently they have been a principal source of external research funding and economic development projects.

Ensuring student access to quality higher education is a preeminent State objective. While student aid programs are attacked elsewhere, we in New York have taken a different route. We want to help those in need, most of all those in need who seek an education. To strengthen our ability to serve the research scientists, scholars and professionals of tomorrow and to maintain the ability of students to choose among institutions in both the public and independent sectors, I will recommend that graduate student Tuition Assistance Program (TAP) awards be enhanced in the coming year.

I will also recommend changes to permit full utilization of the Part-Time Aid Program. As presently designed, this program simply does not work effectively. Institutions are not using the full appropriation, because the constraints built into the current law effectively prohibit the neediest students from receiving this aid. I urge your consideration of the corrective amendments I will submit to make the promise of this program a reality for those students who for a variety of circumstances do not have the opportunity to study on a full-time basis. I will also recommend adjustments for financially

needy senior citizens whose particular circumstances preclude their participation in the regular TAP and Part-Time Aid Programs.

Recent years have seen the City University prosper physically and programatically. I will continue my support of the planning and construction of a unified campus for the College of Staten Island. Additional initiatives will include support of the Program for the Deaf and Hearing Impaired at LaGuardia Community College, continuation of the CUNY New York City Board of Education Partnership, including CUNY's Middle College, and appropriate recognition of the senior college programs at Medgar Evers College. A program to recognize the unique contribution of the New York Public Library to the CUNY Graduate Center will also be proposed, as will additional capital construction funds for critically needed expansion of Hostos Community College's physical plant.

Because of existing statutory and bond covenant constraints, CUNY has reached a practical limit in terms of the annual debt service it can incur. Much more needs to be done quickly to renew CUNY's aging physical facilities, so I ask for your speedy approval of legislation I shall submit to create a new financing arrangement for CUNY's capital program.

The flexibility legislation enacted last year will substantially increase SUNY and CUNY's ability to respond to changing priorities, promote greater academic excellence and assist the State's economic development campaign. One critical element not enacted would allow the SUNY Trustees to set the salary of the Chancellor and other senior academic officers. In the highly competitive world of university leadership, this flexibility is essential to maintain SUNY's ability to compete for the finest administrative talent in the nation. We need to resolve this issue on the merits and without regard to peripheral issues, and I ask your support.

Our Cultural Wealth

New York State possesses an unparalleled collection of the finest cultural resources in the nation and in the world. These resources enrich the lives of us all, old and young alike. They provide employment, purchase goods and services, and promote the tourism that serves as one of New York's basic industries.

I shall propose continued support for the Council on the Arts basic support and arts and education programs. The arts and education program enacted last year has enabled expanded access of young people to the arts and museums, while at the same time providing assistance to these institutions. This is a double investment that serves the State well.

The Eastman Museum of Photography in Rochester is the repository of an invaluable collection of photography and photographic equipment. As the recipient of a generous gift from Eastman Kodak for the ongoing operating support of the collection, the Eastman House, under the conditions of this gift, must quickly build a new facility to house the collection. In response to a great outpouring of local support, I will recommend that the State join this partnership of corporate and individual support, with a one-time matching contribution of \$3 million to aid in construction of the new building.

CRIMINAL JUSTICE AND COURT REFORM

Promoting public safety has been government's purpose from the beginning and remains its greatest challenge.

My creation of the position of Director of Criminal Justice brought new coherence and strength to New York's system of justice. Under the guidance of Larry Kurlander, we have reached a new level of excellence and effectiveness.

Our approach has been to seek innovation while applying proven remedies against crime. We have dealt with the problems of the criminal justice system in a comprehensive fashion. There is no single solution; rather, it is a matter of improving the entire system and its elements. With your assistance, we enacted new legislation when needed and added progressive programs to existing operations.

Over the last four years, serious crimes reported to the police have declined nearly 19 percent. Homicide has declined 18 percent, robbery more than 25 percent and burglary more than one-third. At the same time, our law enforcement agencies have arrested more offenders and our criminal courts have convicted more defendants. Arrests of violent felons are up nearly 20 percent and the number of these felons convicted has increased more than 30 percent. As I said in 1982, criminals must learn they will be caught, convicted and canded. Today over 7,000 more inmates are in State prison than on January 1, 1983.

Prison remains the most effective means of keeping criminals off the streets. In 1983, we embarked on an unprecedented prison expansion program. We reduced the extent of dangerous overcrowding while simultaneously opening new cells for more inmates than ever, and we instituted administrative reforms to use existing space as efficiently as possible. Legislation has modified inmate classification procedures for local facilities and provided reimbursement to localities for housing state-ready inmates.

New York's efforts to expand alternative forms of punishment are among our most creative and ambitious. We established the Division of Probation and Correctional Alternatives in 1985 to reflect the priority we attach to this initiative and we will continue to develop specific programs for community-based punishment that protect the public and put offenders to work.

The Criminal Justice Information Systems Improvement Project has made considerable progress utilizing the latest technology to aid the cause of law enforcement. Criminal justice agencies throughout the State are running more smoothly, exchanging crucial data more quickly and finding new time for catching and convicting criminals.

State support and leadership have produced targeted law enforcement initiatives, with special units devoted to apprehending violent offenders, subway criminals and child abusers. The State Police are a vital element of this campaign, adding 200 new investigators exclusively for organized crime and narcotics trafficking.

Local law enforcement is the mainstay of the criminal justice system. The Criminal Justice Institute, founded in 1984, has offered technical expertise and vital resources to sheriffs and police. During this fiscal year, the Major Offense Police Program and transit crime programs are sending over \$16 million to regions most afflicted with crime, and the Target Crime Initiative Program will provide \$49.5 million for the prosecution of recidivist and violent offenders in the twenty-seven counties that together account for more than 90 percent of these offenders. The Neighborhood Preservation Crime Prevention Program doubled our State support of community organizations that rely on voluntarism and neighborhood participation to assist civilian patrols, local watch groups and escort services. In addition, we have begun revamping our training programs for local police and peace officers.

Change has also come to the courtroom. We revised the insanity defense and modified voir dire, joinder, misdemeanor classification and sentence appeals. Our criminal procedures have begun to give victims of crime a meaningful role in the administration of justice. The 1984 Fair Treatment Standards Act remains today a national milestone for victim's rights, guaranteeing victims greater protection, as well as emergency social and medical services. Compensation for injury and loss has increased dramatically.

We have tightened the administration of parole. We implemented a new regional structure that provides more intensive supervision during the critical period when inmates are first released. Parole officers are now better able to monitor parolees in their homes and

neighborhoods, and when parole is violated, parolees will be returned to prison more quickly and surely.

My legislative proposals for the coming year continue the combination of needed innovation and successful traditional law enforcement that has provided us with such favorable results in recent years.

Criminal Procedure Reform

The linchpin of law enforcement is the criminal trial, where judge and jury determine innocence and guilt and set the punishment for crime. Our success in increasing arrests and expanding prisons has put additional pressure on the already overburdened court system. Despite the best efforts of most judges and lawyers, there are simply too many documents, intricate procedures and unneeded postponements. The system has become frustrating for all involved, especially victims and witnesses. The time has come for major overhaul.

This year, I will submit a Comprehensive Trial Practice Act for your consideration. This Act will address the principal sources of delay in our criminal courts, giving all participants in the process the means and incentive for efficient justice.

Under the Act, trial judges will acquire a more active case management role. Their involvement in pre-trial procedures will be less frequent but more firm. They will have broadened discretion to keep lawyers within time limits by sanctioning them for any unexcused delay. They will keep closer control over the scheduling of plea bargaining conferences and trials. Deadlines will also apply to judges. We will work with Chief Judge Sol Wachtler and the Office of Court Administration to implement the new practices, devise ways to monitor judicial caseloads, and provide relief if their burden becomes too great.

Lawyers will have added responsibilities under the Act to conduct discovery more efficiently and to avoid delay. The Act, however, will alleviate existing procedural requirements that hinder lawyers without any benefit to the administration of justice.

Strengthened Investigative Capability

Our current method of identifying criminal offenders is time-consuming and labor intensive. I will call for the development and implementation of highly automated, state-of-the-art technology to provide law enforcement agencies throughout the State with the means to enhance their investigation of criminal cases.

Fingerprints left at the scene of the crime often represent the only tangible evidence of a criminal's identity. Current methods to trace these fingerprints are tedious and inefficient. I propose the implementation of a Statewide Automated Fingerprint Identification System for New York. This system will allow police to find fingerprints and other means of identification that current technology misses. This will enable police to solve cases where they have no other evidence and present stronger proof of guilt in all cases. Implementation of this system will result in the solution of 5,000 to 10,000 additional crimes annually.

I will direct the Division of Criminal Justice Services and the State Police to implement a system that will increase our ability to investigate multiple homicides carried out by the same individual. Our ability to investigate these crimes of violence is presently hampered by a lack of adequate communication among agencies attempting to apprehend such offenders. The Homicide Assessment and Lead Tracking System will establish a central depository for evidence and analysis, and thus substantially improve law enforcement efforts to detect and capture serial murderers.

Along these lines, the State Police will implement a Statewide Forensic Consultant Network to provide technical expertise in the investigation of complex cases. All criminal justice agencies, district attorneys, county coroners and medical examiners throughout the State will be eligible for this service.

Law Enforcement

The presence of more police on the streets and the availability of more officers for special projects are often credited with reducing crime and promoting public security. At the same time, several studies of police practice have agreed on the need to improve the way we

recruit and train officers. Last year, we initiated mechanisms to continue our preeminence in policing through the modernization of our basic and in-service police training curricula. In 1986, we will intensify this initiative through the Criminal Justice Institute.

I will ask the Institute to advise me on how we can best increase the quality and strength of our law enforcement community. In particular, the Institute will devise a program to attract college-educated young men and women into local police departments. The program should contain recruitment, selection, training and funding mechanisms to ensure that well qualified individuals are provided an opportunity to pursue a college education and a career in law enforcement.

Our redeployment initiative substantially improved the investigative capability of the State Police. We established a Special Investigations Unit and bolstered the Bureau of Criminal Investigation to focus on organized crime and illegal narcotics activity. It is now time that we bolster our traditional State Police resources. I will propose that the State Police be increased by 200 sworn uniformed officers. In addition, we will continue our civilianization program by adding thirty-two civilian communicators. Civilianization relieves officers from desk duties and allows them to engage in front line law enforcement. At my direction, Superintendent Donald O. Chesworth will ensure that these officers work in cooperation with local government and are deployed in a fully efficient manner.

In addition, I will direct the Criminal Justice Institute to establish a committee on State accreditation of police departments. The objective of the committee will be to explore the feasibility of implementing a program of accreditation that provides for standardized practices and improved professionalism throughout the State.

Organized Crime

Over the last three years, New York State has intensified its efforts to break the back of organized crime. We now have two highly effective forces waging this fight: the Organized Crime Task Force and the State Police. They have been key silent partners in many of the recent well-publicized prosecutions of organized crime in New

York, and they have also worked together to make several big cases on their own. They have brought indictments against racketeering, conspiracy and corruption in the garbage collection industry, terminated an extortion ring in the restaurant business, convicted major narcotics traffickers and cracked down on loan-sharking and illegal gambling.

The Organized Crime Task Force has received substantially improved resources, and the State Police has created its Special Investigations Unit which focuses exclusively on upper-level drug dealers and organized crime figures.

Although great progress has been made, organized crime remains a serious threat. Legitimate businesses and labor organizations continue to suffer infiltration and corruption by pervasive and ongoing criminal organizations. In conjunction with the Attorney General, I will again call for enactment of an Organized Crime Control Act. This legislation will permit law enforcement authorities to charge and prove patterns of criminal activity and their connection to either legitimate or illegal enterprises controlled or operated by organized crime.

I will also propose changes in the penal law that recognize the increasing incidence of sophisticated economic crime, and treat it with the seriousness that it deserves. Losses caused by this organized criminal activity far exceed the losses from any other property crime. This proposal will increase the penalties for large scale theft and property offenses, and facilitate the prosecution of criminal conspiracies. I will also seek changes in the accomplice corroboration rule that often prevents prosecution of organized crime offenses, which by their very nature depend upon the participation of persons who are now deemed accomplices under applicable law.

I will continue to urge passage of legislation to replace the transactional immunity law with a use immunity provision. Full transactional immunity unnecessarily impedes legitimate enforcement efforts and provides an unwarranted refuge for those who break the law. This proposal would establish a proper balance between the need for public protection and the constitutional rights of grand jury witnesses.

In 1983, we initiated procedures for the institution of civil

proceedings to obtain forfeiture of the proceeds and instrumentalities of crime. This year, I will propose another mechanism, "criminal forfeiture," whereby major organized crime figures can be stripped of their illicit gains at the same time and in the same proceeding as they are convicted for their crimes.

Prosecution and conviction of computer criminals are often difficult due to the present lack of clarity in the criminal law. In addition, I will urge the passage of legislation to provide a comprehensive statutory scheme of criminal penalties for acts involving computer trespass or misuse of computers, computer data or computer services. Such acts may be the principal form of white-collar crime in the coming decade.

Environmental Crime

In order to assure that those who contaminate the environment and endanger public health through misuse of hazardous substances are properly punished for their actions, Attorney General Abrams and I will again propose enactment of an Omnibus Environmental Crime Bill.

The criminal prosecution of those who misuse hazardous substances is now limited to instances where the substance in question meets a narrow and limited definition. As a result, those responsible for the actual release of many hazardous materials are often subject to civil sanctions only. Our proposal provides increased levels of punishment based upon the violator's state of mental culpability, the type and amount of the substance, and whether there was an actual release or physical injury. It will impose a high standard of care upon those persons who use hazardous substances.

Bail Reform

Bail gives real meaning to the fundamental principle "innocent until proved guilty"; all too often, however, it is abused. Especially after conviction, bail should be closely restricted to appropriate cases. Those who jump bail at any time should face clear, stiff sanctions.

To give bail its intended meaning, I will urge passage of several important legislative changes. These will provide clear procedures

and standards for bail pending appeal, toughen penalties for bail jumping, and permit judges to consider witness intimidation in setting bail.

Life Without Parole

At present, the most severe penalty a judge can impose for second degree murder is twenty-five years to life. That is not enough. There should be another, more appropriate penalty available for these most vicious of crimes: life imprisonment without parole. Life without parole is a penalty more feared than the death penalty. Tell a 20-year-old murderer that he will spend the rest of his life behind bars, perhaps sixty more years, and he will wish that God takes him sooner.

Last year, the Assembly saw the wisdom of adding life without parole to our sentencing structure. This year, the Senate should agree.

Statewide Inspector General

Nothing hinders the operation of government as much as the taint of corruption. Our efforts in every area depend on the confidence of the public and the morale of State employees. Therefore, I will designate a State Inspector General to ensure honesty in government.

The Inspector General will have a mandate to prevent and detect corruption, fraud and abuse in specified State agencies. The Inspector General will hold powers of subpoena and contempt, and report directly to the Governor. The operations of the Inspector General will not be costly. Much of the necessary staff and budget will come from existing agencies. Individual agencies will also retain an important self-monitoring role.

I will also propose that the Temporary Commission of Investigation be allowed to continue its operation. Our initial experience with the Inspector General will enable us to reevaluate the Commission's oversight responsibility in light of the functioning of the new office.

Juvenile Justice

A small but significant number of juvenile offenders and delinquents pose a double threat to society. They are just as able as

adults to commit crimes, but have many more years ahead to become hardened criminals. We should intervene quickly and firmly for society's benefit and theirs.

This year, I will propose a series of reforms that will close loopholes, streamline procedures and enhance the family court's oversight of juvenile justice. There are needless and even detrimental differences between family court and criminal court procedures. The reforms will eliminate these unjustified differences while continuing to ensure a fair process for the accused juvenile. From arrest to presentment, from disposition to placement, juveniles who break the law will receive more expeditious justice.

Prison Construction and Prison Industries

New York's multi-year prison expansion program has been one of our most ambitious criminal justice initiatives. We built and filled over 6,000 new cells and are at or ahead of schedule. We have cut crime by keeping more criminals off the streets for longer periods.

The prison expansion program will continue in the next fiscal year with the planned addition of over 2,600 new cells, approaching our target of 10,200.

One area for greater improvement is prison industries. The Department of Correctional Services Division of Industries has done a fine job of putting inmates to work. This work prevents idleness and provides job training, as well as producing items for government use and revenues to offset Industries' cost. In fiscal year 1985-86, the Division projects that it will have sales of \$47 million.

The Department of Correctional Services estimates that revenues from prison industries could be substantially increased, more goods provided for government use at less cost, and job training for inmates greatly expanded and improved if the operation were run more as a business with the guidance and involvement of corporate and labor leaders.

Therefore, I will work with the Legislature to modernize our prison industries. Among the proposals to be studied in cooperation with all appropriate parties will be the establishment of a public benefit corporation to run prison industries in a business-like manner. We must establish a mechanism that allows the correctional industries

to obtain raw materials in a cost efficient manner, provide management flexibility to increase marketing potential, and set pricing that is related to fluctuating marketing conditions.

Comprehensive Community Corrections

A significant number of non-violent offenders are presently sentenced to correctional facilities even though strict alternative punishments and enhanced community surveillance could serve the interests of justice and public safety equally well. While they constitute a relatively small portion of the prison population, check forgers, possessors of stolen property, auto thieves and other non-violent offenders often serve substantial prison terms.

We must supplement our existing community based sanctions with programs that result in real and meaningful punishment. I will propose a comprehensive approach to community based sanctions that mandates specific punishment and enhanced surveillance as an explicit part of an offender's sentence. Elements of these sanctions would include daily monitoring of offender behavior, restitution to victims for financial losses suffered, community service based upon the severity of offense, residential placement for offenders with active drug or alcohol abuse problems, mandatory participation in employment or training, and curfews such as domicile restriction when necessary. We will conduct a careful screening of potentially eligible offenders, develop comprehensive alternative punishment plans and most importantly, increase the level of community surveillance and enforcement to ensure that public safety is not compromised.

Narcotics Enforcement

The evidence is everywhere that drugs and crime, once considered an urban problem only, now reach into every locality and village in the State.

We have greatly expanded our effort to combat drug distribution. This year we will complete our program of assigning over 200 specially trained State Police investigators to narcotics enforcement. These resources have enabled the State to provide a direct and

unrelenting assault on individuals responsible for drug trafficking, while providing assistance to municipalities in their own investigative efforts. In addition, we have initiated a new program to coordinate interstate narcotics investigations. Agencies throughout the State and the Northeast region will be able to respond effectively to sophisticated drug trafficking operations that cross jurisdictional boundaries.

I shall submit new legislation that targets individuals who dispense illegal narcotics to our children. We will increase the penalties for those convicted of selling drugs near schools. This contemptible and harmful behavior warrants special treatment and severe penalties.

I will also continue to urge passage of legislation that defines the prescribing of controlled substances other than in good faith professional practice as a crime under the Penal Law.

Crime Victims

We will continue to improve the manner in which we deliver services to individuals who are victims of crime. We have established standards for the treatment of crime victims, enhanced compensation services, and increased the role of the victim at various stages in the criminal justice process. However, we must do more to provide crime victims with greater protection and services.

Last year, I proposed the establishment of a Witness Protection Program to provide financial assistance and procedural guidelines for district attorneys to deal with witness intimidation. I will continue to urge passage of this crucial legislation. Under this proposal, the Division of Criminal Justice Services will provide funding to district attorneys who have witness protection programs that conform with State rules and regulations. The district attorneys will select eligible witnesses according to established county plans and report to the Division.

Witnesses who face threats and inducements against testifying will be eligible for a variety of services, including temporary relocation, change of employment, transportation to court, moving assistance and personal protection.

Finally, I will propose a Child Victims Bill of Rights. This

legislation will amend our crime victims statutes to address the special assistance and compensatory needs of child victims and their families.

Missing and Exploited Children

In 1984 we enacted the New York State Missing Children Law. This act requires law enforcement agencies to report incidents of missing children to a statewide central registry. Through the registry, our ability to report cases of missing children has improved. The responsibility for publicizing these cases, however, falls upon individual parents, local law enforcement officials, and private agencies.

I propose to expand the commitment of the State to solving the problem of missing children by creating a Missing Children's Clearinghouse. The Clearinghouse will provide a coordinated Executive Department response to the serious problem of missing children. It will allow us to disseminate information effectively, improve the training of law enforcement and social service officials, and help secure the cooperation of federal, State and local agencies.

In addition, the State Police will enhance its investigative capability through the creation of a Missing and Exploited Children's Unit. This pilot program will organize and assist State and local agencies in conducting multi-jurisdictional investigations, improve their ability to track active child molesters, teenage prostitution promoters and pornographers, and conduct training on police response and victim rights issues.

COURT REFORM

The courts guard our liberty, resolve our conflicts and protect our security. For this system to work well, there must be close cooperation between the Executive and Judicial branches in matters of process and structure. The selection of excellent judges is key.

No Governor of this State has been afforded a greater opportunity and challenge to shape one of the State's most important institutions — its highest Court. I have exercised that responsibility by appointing to the Court of Appeals six judges, including the new Chief Judge. Judicial excellence, not political philosophy, has been my determining consideration.

Our Court of Appeals is the premier court of last resort in the nation. Last year we adopted legislation to assist it to discharge its important responsibility of deciding cases of Statewide importance and resolving conflicts among the Appellate Divisions. Chapter 300 of the Laws of 1985, which increased the certiorari jurisdiction of the Court of Appeals in civil cases, enables the Court to do its work more wisely and provides more equal access for all litigants.

Recognizing that the many challenges confronting our court system require collaboration between the Judicial and Executive branches in order to frame innovative and serviceable solutions, Chief Judge Wachtler and I formed a Joint Committee on Judicial Administration. The Committee's mandate is broad: to review all extant studies concerning court administration, engage in an extensive outreach effort with bar associations and all other interested groups and individuals and make recommendations to improve the administration of justice in our State. Its initial report underscores the importance of the administrative reforms now being pursued by the Chief Judge, Chief Administrative Judge Joseph W. Bellacosa and the Office of Court Administration.

The Joint Committee's report also underscores the importance of a constitutional amendment to authorize the merger of the State's trial courts into a single, coherent and unified court system. The existing fragmentation creates delays and hinders the efficient use of resources. The concept of merger has been studied for many years and has received broad-based support. During the last three years, we have worked closely with the Legislature to reach agreement on this long overdue reform. The time is ripe to resolve the few remaining issues necessary to achieve the first legislative approval of this constitutional amendment in 1986. With second legislative approval by a new legislature in 1987, the issue can be presented to the voters in the fall of 1987. If the Legislature does not act this year, the issue will not reach the voters until 1989 at the earliest, and the benefits and efficiencies to be gained by a merged court system will not be realized until the 1990's.

All of us have a stake in court reform. It will enable judges to execute better the high responsibilities of their office and to do their work more efficiently. For the people of our State, it will mean fairer

and speedier resolution of their claims. The members of the bar will make more productive use of their time, and this in turn will benefit their clients. Businesses in our State will also benefit, knowing that they can rely on our State court system as an efficient system for the resolution of disputes. Increased respect for law and justice in our State will accrue to the benefit of all.

ENVIRONMENTAL QUALITY

One of our most fundamental obligations is the preservation and protection of those elemental supports upon which all life depends — air, water and land. The environment is the one common ground we all share. Here we manifest our deepest values, our reverence for the great chain of life, for prior generations who planted and preserved this earth, and for the generations to come.

We have done much to preserve and protect the environment in New York over the last three years. We enacted the first and toughest acid rain control legislation in the nation, provided the largest increase ever in enforcement staffing to the Department of Environmental Conservation, and increased by seven fold the revenues available to the State Superfund to investigate and clean up hazardous waste sites. We closed more than 100 landfills polluting the environment, banned the use of dangerous pesticides such as chlordane, and developed the first standards in the nation regulating discharges of toxic substances in our waterways.

However, much more remains to be done if we are to fulfill our obligation to generations to come. I am confident that with the spirit of bipartisanship that has always characterized the attitude of New Yorkers toward the environment, we will meet those obligations.

Environmental Quality Bond Act

My major environmental priority this year is to secure approval of a \$1.45 billion Environmental Quality Bond Act to remediate hazardous waste sites located throughout the State, to acquire unique and environmentally sensitive lands for future generations, and to promote the acquisition and development of historic sites and urban parks. I am confident that the State's improved fiscal condition will support this full faith and credit issue, and I will work closely with Comptroller Regan to assure that the substantial progress we have already made in improving the State's credit rating will not be impaired by this program.

There are few issues of more far-reaching concern today than the need to remediate the hundreds of hazardous waste sites located throughout the State. These sites damage the environment and

jeopardize public health. The cost of cleanup is massive, but delay cannot be tolerated. Therefore, as part of a comprehensive program for site remediation, I propose that we allocate \$1.2 billion from the Act for the cleanup of hazardous waste sites. This program would be financed one-half by general tax revenues and one-half by industry fees.

In addition, I propose that \$250 million be allocated from the Act for land acquisition, historic preservation and urban parks. Since I became Governor, we have added over 32,000 acres to the State Forest Preserve, including such spectacular parcels as Bog River, Alderbrook Park, Paul Smith's and Esopus Valley. These bond act monies will permit us to continue our efforts to acquire additional forest preserve lands, thereby preserving these wilderness areas for the enjoyment of future generations of New Yorkers. In addition to land acquisition within the forest preserve, these funds will be used to acquire environmentally sensitive parcels, to protect open space areas, to promote historic preservation and, in cooperation with local governments, to promote the acquisition and development of urban parks.

Toxic Torts

For too long, New Yorkers whose health has been damaged by exposure to toxic substances have been denied their day in court. This fundamental injustice must end. I will do whatever I can to secure your adoption of legislation to extend the statute of limitations for toxic torts suits by private citizens against those responsible for such exposures.

Hazardous Materials

Recent accidental releases of toxic materials into the environment, such as the disaster that occurred in Bhopal, India, highlight the need to regulate the storage and use of potentially harmful materials. I will provide additional resources to the Department to enhance its abilities to discharge this responsibility. I will also submit legislation to supplement the existing petroleum bulk storage law with provisions to regulate the bulk storage of other chemicals. In addition, I will

propose legislation to require industries to develop sound emergency plans to respond to chemical accidents and to require immediate reporting of accidents to appropriate State and local agencies.

Last year, as part of a multi-year enhancement program, we provided substantial new resources to the Department of Environmental Conservation to enforce our hazardous waste laws. That multi-year enhancement effort will continue this year.

In order to protect individuals from unknowingly purchasing property contaminated by hazardous substances, I will propose legislation that requires that, as a condition of sale of property, notice be given to the buyer in the title record as to whether hazardous wastes are located at the site. In order to protect the financial resources of the State Superfund, this legislation would also create a lien on property when expenditures are made from the State Superfund for site remediation.

In addition, I will propose an Environmental Cleanup and Responsibility Act that will require that an owner planning to sell an industrial establishment which utilized hazardous materials must submit a preclosure determination that no hazardous wastes exist on the site or, alternatively, provide an approved cleanup plan with financial security. Similar legislation has been successful in encouraging site cleanups in other states.

I will once again propose legislation to strengthen the ability of the State to address problems at hazardous waste sites by imposition of the standards of strict, joint and several liability and to authorize the initiation of private citizen suits to compel remediation programs at such sites. I shall also seek legislation to clarify the responsibility of the Department of Health for the evaluation of health effects at inactive hazardous waste sites.

If we are to undertake a comprehensive program to remediate hazardous waste sites, we must encourage the development of new technologies that destroy or detoxify wastes. This effort should be undertaken by government in partnership with industry and the academic community. The Rockefeller Institute of Government is currently conducting a feasibility study of a joint government-industry-academic Hazardous Waste Research Institute, and I look forward to receiving its recommendations.

I will propose legislation to clarify the Department of Environmental Conservation's authority to seize hazardous materials, containers, and vehicles that are involved in illegal activities and to remove them to a secure impoundment facility. This will serve as a further deterrent to the illegal handling of hazardous substances and will protect the public from unnecessary exposure.

In 1983, I created a Hazardous Waste Treatment Facilities Task Force to study the State's hazardous waste treatment and disposal policies. I will propose legislation to implement the Task Force's recommendations, which were released late in 1985, including a bill to establish a permanent hazardous waste siting board with the authority to override local land use restrictions.

Environmental Enforcement

Enforcement is the cornerstone of successful environmental regulation. Last year, we provided DEC with the largest increase ever in its enforcement budget. We should be proud of the bi-partisan support for that initiative.

If we are to expand and intensify our enforcement activities, as I believe we must, DEC will require the infusion of additional resources for enforcement. The agency's case load continues to increase, and the problems it confronts become more complex. We cannot be content with our successes. We must maintain a visible and aggressive enforcement program, insisting that our environmental laws be respected, and that those responsible for polluting our land, water and air be held accountable.

I shall request a substantial increase in funding for DEC's Division of Environmental Enforcement. I shall direct the Department to focus its new resources on two important issues: the illegal burning of waste oil, especially in the metropolitan New York City area, and the initiation of compliance actions against parties responsible for the creation of hazardous waste sites.

The magnitude and cost of hazardous waste site remediation far exceeds government's limited ability to finance cleanups. We must complement our State Superfund program and my proposed environmental bond act with a strengthened commitment to the enforcement of our laws and, if necessary, prosecution of parties

responsible for hazardous waste sites. Investment in environmental enforcement is prudent fiscal policy and sound social policy. The Omnibus Environmental Crime Bill, which I mentioned previously, will be a major addition to our enforcement arsenal. It is an investment in our future, which will reap rewards for generations of New Yorkers.

The Bottle Bill

Last year I was gratified that the Temporary State Commission on Returnable Beverage Containers concluded, after much study, that the bottle law has been a great success in New York State — reducing litter and solid waste in our landfills and creating new jobs. It is abundantly clear, however, that vast amounts of consumer deposits are being collected by the beverage industry and not returned to the people when containers are not redeemed. These unclaimed consumer deposits will total nearly \$165 million by April 1, 1986. I will once again propose this year that we reclaim these funds that belong to the people of the State and utilize them to continue our efforts to provide greater environmental protection to the people of New York.

Solid Waste Management

Many communities in the State are closing landfills and constructing resource recovery plants. To assure the public that its health will not be damaged by emissions from these plants, I will provide sufficient resources for the Department to complete its efforts to develop emission standards and operating requirements for resource recovery plants.

Although many communities are implementing resource recovery programs, recycling of wastes must not be ignored as a means to address a portion of the solid waste management problem. I will direct the Department of Environmental Conservation to adopt regulations that require local governments applying for permits to construct resource recovery projects to assess and implement feasible recycling alternatives as a condition of being issued a permit for plant construction. To assist municipalities in this effort, I will recommend funding to provide matching grants for the purchase of capital

equipment necessary to implement recycling programs. In addition, I will propose that the Energy Research and Development Authority undertake a materials recycling demonstration program to aid municipalities implementing recycling alternatives.

The absence of strategic planning in solid waste management has exacerbated our present problems. I have directed the Department of Environmental Conservation to complete the statewide solid waste management plan.

Nuclear Materials

In this legislative session, we must act to fulfill New York's responsibility under federal law for the development of permanent disposal facilities for low-level nuclear wastes generated within our borders. Once again, I shall submit legislation to initiate a multi-year site and methodology selection process for such facilities. I shall also provide the Department of Environmental Conservation with the necessary resources to implement its increased regulatory responsibilities in this area.

Water Resources

New York is fortunate to be blessed with abundant supplies of water for drinking, economic development and recreation. However, the growing use of toxic chemicals in our environment makes it imperative that we increase our efforts to protect these supplies from chemical contamination.

New York's State Pollution Discharge Elimination System (SPDES) imposes the toughest limits of any state in the nation on the amounts and types of pollutants which may enter the State's waterways. I will again recommend increased funding for the SPDES program to offset continued federal funding cuts and to increase inspections of significant dischargers into our waterways.

The SPDES program has been remarkably successful in eliminating traditional pollutants from our waterways. However, we face threats from a new generation of toxic pollutants, namely organic chemicals. Last year we became the first state in the nation to develop water quality standards for 95 organic chemicals. We will continue to develop additional standards for these chemicals in the year ahead.

Elimination of toxic discharges from industry before they enter municipal wastewater treatment plants is a critical part of our effort to eliminate toxic substances from our waterways. I will recommend new resources for the Department of Environmental Conservation to increase monitoring of industrial pretreatment programs.

Releases of pollutants into our waterways are typically controlled by wastewater treatment plants. Although municipal plant operators must be properly trained and certified prior to operating plants, there is no such requirement for industrial plant operators. Because of the nature of industrial discharges, as opposed to municipal discharges, it is particularly important that accidents at industrial plants be minimized. Therefore, I will propose legislation to require proper training and licensing for industrial wastewater treatment plant operators.

There are over 7,000 lakes, ponds and reservoirs in the State, most of which are not monitored for water quality on a regular basis. I propose creating a program within the Department of Environmental Conservation to use trained volunteers to collect information on the State's waterbodies. With this information, the Department can more effectively manage and protect our invaluable water resources.

New Yorkers have been reminded often this year of the need to conserve our precious water supplies, especially during this time of limited rainfall in some areas of the State. In order to encourage conservation of water, I will recommend legislation to require metering of all water for residential and industrial use. In addition, I recommend funding to increase the drought emergency equipment stockpile, available for use by local governments during times of emergency. Finally, I will direct the Water Resources Planning Council, which is currently developing regional water management strategies for all areas of the State, to accelerate its examination of the water supply needs of southeastern New York.

Air Quality

We have now witnessed for a decade the mounting effects of acid rain on our forests and water bodies. The greatest damage has been to our magnificent Adirondacks, where hundreds of lakes are too contaminated to support fish and hundreds more are in danger

of becoming so. In some areas of the State, drinking water is being affected, and buildings and other structures are suffering costly damage.

Two years ago, I had the pleasure of signing into law the State Acid Deposition Control Act. This first-in-the-nation act will result in our reducing sulfur dioxide emissions by nearly 40 percent by the 1990's. New York has already done much to reduce these emissions. Since the 1960's, we have achieved a 50 percent reduction in emissions within New York. However, we cannot solve the problem of acid rain alone. A substantial reduction in acid rain can only come through enactment of a national acid rain control program. We shall continue to work with our Congressional delegation to push for such a program.

Air quality is threatened by many other sources, not only sulfur dioxide. The Department of Environmental Conservation must continue its efforts to monitor polluters and take action against those violating our air pollution laws. I will recommend that we again provide resources to the Department to offset federal funding reductions to the air quality control program, to develop air toxics standards and to continue our multi-year effort to rehabilitate and expand the State air quality monitoring network.

Adirondacks

Last year we celebrated the Centennial of the Forest Preserve. We honored the New Yorkers who, in 1885, had the wisdom and foresight to forego immediate economic gain and preserve large parts of our wilderness for the enjoyment of future generations.

If we are to protect the ecological wonders of the Adirondacks and ensure that our children's children have the opportunity to enjoy these splendors, we must be educated about the Adirondacks' delicate web of complex environmental balances. To provide this understanding and encourage appropriate economic growth in the Park, I will recommend funding for construction of a Visitor Interpretive Center at Paul Smith's College, an adjunct facility at Newcomb and a series of satellite tourist information facilities at the major gateways to the Park.

While private citizens must receive approval from the Adirondack Park Agency to undertake development within the Park, the State

of New York is free to develop its facilities without such review. I will recommend legislation to require that, except in times of emergency, State agency projects be required to receive the same level of Park Agency review as is required of private developers.

The State's Wild Scenic and Recreational Rivers are natural resources of which we can all be proud. I will support legislation to add 118 miles of Adirondack rivers to the System.

Great Lakes

The Great Lakes are a fragile ecological system that provides a wealth of recreational and economic benefits for New Yorkers. New York's stewardship of the lakes must promote proper management and conservation and protect the Lakes from those who would divert their waters for use by those outside the Great Lakes Basin.

I am committed to the goals of the Great Lakes Charter that I signed last year. In 1986 we will begin to implement the Charter's recommendations. I also intend to work closely with the other Great Lakes governors and premiers in advancing our mutual goals of proper management and protection of the Lakes.

Attacking water quality problems of the Great Lakes Basin requires a coordinated effort spanning state, provincial and international boundaries. While a framework exists under the 1978 United States-Canada Great Lakes Water Quality Agreement, the Great Lakes states must become much more aggressive in identifying and responding to the Basin's issues. I have instructed the Commissioner of Environmental Conservation to prepare a Great Lakes Management Agenda identifying the major problems facing the Lakes and actions the State should take not only to address these problems but to begin to develop a comprehensive twenty-five year plan for the region.

Our program to provide increased access to Great Lakes waters for fishing and recreation has proved to be immensely successful at spurring economic development and recreational opportunities. I will recommend funds to provide additional Lake access points in the next year.

Natural Resource Protection

New York is endowed with a bounty of natural resources and physical splendors that constitute a priceless asset for us all. The vast majority of New Yorkers have demonstrated a tenacious commitment to the prudent use and protection of these resources. I share their commitment.

To further our efforts to protect our natural resources, we will continue to accelerate the unit management planning process in the Forest Preserve. The Department of Environmental Conservation will also complete the mapping of all freshwater wetlands within its jurisdiction by the end of 1986.

Our successful efforts in recent years to improve water quality in the Hudson River have led to considerable new development of the River shoreline. To assure that environmentally significant areas of the shoreline are protected and public access is provided, the land acquisition portion of my 1986 Environmental Quality Bond Act will include funding for acquisition of critical parcels of land along the Hudson River.

In 1983, I signed legislation permitting the creation of conservation easements as a cost effective means of preserving land for future generations. Unfortunately, the effectiveness of this statute has been limited because of our inability to use 1972 Environmental Quality Bond Act funds to acquire certain types of easements. I will propose legislation to address this problem this year so that the conservation easement program can move forward more rapidly.

The State Environmental Quality Review Act (SEQRA) requires that governmental agencies consider the environmental impacts of public and private sector development projects. I support this landmark legislation. In order to assure that SEQRA reviews are completed in a timely manner and provide a sufficient degree of environmental protection, I will recommend that additional funding be provided to the Department of Environmental Conservation.

Parks and Recreation

New York State Parks enter their second century having drawn 50 million visitors for the first time in history, and fresh from our

gala Centennial celebration at the Niagara Reservation, the nation's oldest state park. We bear great pride in the preservation precedent set at Niagara and hold sacred our stewardship of the largest and finest state park system in the nation. New York will continue in the forefront, providing our people the best in recreational and educational use of state parklands, while also insuring sound and sensitive protection of our magnificent natural treasures.

We shall expand our holdings of environmentally significant areas. In recent years, we successfully negotiated an exchange with the Department of the Interior, adding to our state park system the Montauk Air Force Base (Camp Hero). Through the generous donation of the Rockefeller family, the state park at Pocantico Hills became a reality last year, providing passive recreational activities while protecting an environmentally significant area in the heart of Westchester County.

Expanding upon these successes, we will use remaining allocations from the 1972 Environmental Quality Bond Act to accelerate the acquisition of key environmental areas such as Lake Minnewaska, the Pine Barrens in Albany and Long Island, Hither Woods, Dennings Point in Beacon, and the Greenbelt on Staten Island.

Development of public awareness of the environment and sensitivity to the need for preservation remain ongoing goals of state park programming. Outdoor classrooms and innovative teaching programs have been cooperatively developed with Dutchess Community College at Norrie Point on the Hudson, and with the State University College of Environmental Sciences and Forestry at Allegany State Park. These cooperative educational efforts will be expanded, bringing new perspectives to students and long-range benefits to our parks and the environment.

This year we will see marked progress in some of our major initiatives: the provision of funding to complete the final stages of the rehabilitation at Jones Beach, the dedication of the Visitor's Center at Niagara Reservation State Park, and the opening of the new state park at Point Au Roche in Clinton County. These outstanding recreational facilities will now be equipped to serve the visitors of today and of the future.

Also at Jones Beach Theatre, we have transformed an annual

revenue drain into a revenue-producing enterprise. This exemplary combination of state and private resources returned \$361,000 in 1985 to the State's treasury.

We will continue to promote New York's innovative and highly successful amateur athletic programs. Our Empire State Games, which were held for the first time in Buffalo in 1985, remains the premier state amateur athletic event in the country, a model now duplicated by many other states. Our Senior Games program, which was held in Cortland last year, continues to attract dedicated and enthusiastic participation. We are proud of these competitors and the success of the programs.

For 1986, we will continue these programs while increasing opportunities afforded the physically challenged through additional sport workshops, expansion of the highly successful New York State Games for the Physically Challenged that we initiated last year on Long Island, and an innovative camping program to encourage and educate New Yorkers with disabilities in the use of the New York State parks system.

Twenty years ago, the National Historic Preservation Act, the Magna Carta for preservation of historic structures was adopted. In that same year, New York established the State's Historic Trust to coordinate, protect and interpret the State's historic sites. The work begun by the Trust is today carried out by the Office of Parks, Recreation and Historic Preservation and is evident at 34 historic sites, such as the Schuyler Mansion in Albany, Washington's Headquarters in Newburgh, Lorenzo in Cazenovia, and, most recently, at Gannagaro in Western New York, our first Native American historic site. I will provide new funding in my budget to accelerate our efforts to rehabilitate and preserve our State-owned historic buildings.

We must continue to support the agency's diverse and successful preservation efforts, which serve not only to protect significant elements of our past, but which have brought considerable economic benefit. New York has realized more than one billion dollars of private investment in historic properties, creating more than 35,000 jobs and nearly 7,500 new housing units, mostly for low and moderate-income families.

LOCAL GOVERNMENT

Strengthening the State-Local Partnership

New York is proud of its tradition of strong local governments working with an active state to meet the needs of its residents. This "home rule" tradition, enshrined in our Constitution, ensures that local governments have the authority to tailor their services to local conditions. The State's role in defining broad priorities and setting statewide standards establishes the framework within which localities can act.

There are tensions built into this system. Some localities feel they are not as free as they should be, while State actions are often constrained by the existence of strong local governments.

Over the last three years, we have addressed some of the most pressing and long-standing intergovernmental issues.

Local Medicaid Relief

Three years ago, our counties and New York City were responsible for more than 25 percent of the cost of the Medicaid program. Despite the magnitude of the budget gap we faced in 1983, we were determined to take the first step to address this issue by appropriating \$359 million to fund the Human Services Overburden Aid program.

That same year we restructured financial responsibility for Medicaid through a phased reduction of the local share of providing for long-term care services. Today, the local share of providing Medicaid for long-term care stands at 10 percent — a far cry from the 25 percent localities used to pay. This year alone, the Medicaid pickup will save counties and the City of New York over \$535 million.

The Medicaid pickup represents the underlying philosophy behind our approach to local assistance. Rather than provide aid across-the-board, scarce State resources must be carefully targeted to the areas of greatest need.

Other Targeted Aid Programs

Local governments in Western New York for example, have been hard hit by structural economic problems and increasing service needs.

We responded in 1984 by providing \$1.0 million in additional targeted State aid to Lackawanna; Erie County received \$5.0 million this year and Niagara Falls \$1.2 million. We have provided more than just cash. We have and will continue to work with impacted communities to help improve their tax bases and to authorize reforms that permit them to help themselves. In Niagara Falls we continue to underwrite debt service for the Civic Center. In Lackawanna we helped consolidate the City's sewer district into the countywide district. In Erie County we enacted the tax and financial reforms necessary for the county to meet its fiscal crisis head-on. We have taken similar actions in such diverse communities as Nassau County, Yonkers, Utica and the area surrounding Fort Drum.

This past year, we embarked on a two-year update of the State's \$800 million revenue sharing program. We did not, however, simply pour more money into this program. We adjusted the formula to reflect recent population shifts and enacted a \$39 million need based aid program that distributes this money on the basis of such indicators as level of unemployment and relative social services burden. Next year, the need based program will increase to \$70 million.

The tension between the State and its localities becomes clearest when talking about the "mandates" that we place on localities. We have been sensitive to local concerns about mandates. In 1983 I signed legislation that required sponsors to prepare a fiscal note for all bills having a local fiscal impact.

We have provided mandate relief in other ways as well. Last year, I signed legislation increasing from \$15 to \$20 per day the amount that the State pays localities for jailing State prisoners remanded to local jails awaiting a new hearing or trial, parole violators and certain felons who serve their time in local prisons.

In addition, for the first time, the State now pays localities \$20 per day for prisoners held in local jails awaiting transfer to State correctional facilities — if the prisoner has been held in the jail more than five days after the State receives written notification of transfer.

I also recently signed legislation clarifying the State's obligation to pay all reasonable costs for the prosecution of crimes committed by inmates in the custody of the Department of Correctional Services.

Previously, the State paid only the "necessary and proper incremental expenses" of prosecution.

We have similarly listened to local requests for accelerated payment of State aid. The 1985-86 Budget included \$75 million to cut the lag in State reimbursement for youth programs from over 18 months to less than 3 months, and I have directed the Budget Division to look at other areas where we can speed up state reimbursement to localities.

Maintaining a Strong Intergovernmental System

Today, I renew my commitment to our local governments. Over the next few weeks we will unveil a series of initiatives involving additional mandate reform and encouraging municipal self-help. However, I must again point to the fiscal realities that place very real limits on our ability to fund new local aid programs.

This past August, the Director of the Budget, Wayne Diesel, cautioned local government and school district officials to exercise budgetary restraint. Given the scheduled elimination of Federal Revenue Sharing and the State's inability to make up other Federal reductions, we called on local officials to rethink their programs and priorities.

The State Budget in 1985-86 provided \$1.7 billion in additional funding for local assistance. This represented an increase of more than 13.5 percent over the previous year. If we are to preserve the State's tax reduction program and also meet our other obligations, last year's increase cannot be generally repeated in 1986-87. However, the Budget I will submit later this month does include funding for the implementation of the final stage of the Medicaid pickup and the second year of the State revenue sharing reform.

The Budget Director's letter to the local officials did more than just warn them of the fiscal constraints we face next year. It also challenged them to submit proposals to strengthen the ability of the State and its localities to cope with our changing intergovernmental environment. I am pleased to announce that a number of the recommendations I am about to make came directly from the dialogue that was initiated.

Mandate Reform

Actions such as my proposal to allow Orange, Rockland and Dutchess Counties to opt out of the MTA region demonstrate our sensitivity to legitimate local concerns. I am appointing an intergovernmental task force, chaired by Secretary of State Gail Shaffer in conjunction with the Office of Management and Productivity, to review existing mandates that remain on the books and target those that can be eliminated or reformed.

Construction Contracting Reform

We will also pursue ways to provide local governments, as well as the State, with greater flexibility to manage and reduce the costs of public construction projects. For over 60 years, local governments have been subject to multiple contracting requirements, including the provisions commonly known as the Wicks Law. These provisions require local governments and the State to contract separately for three categories of work, in addition to the general construction contract, on public building projects which cost more than \$50,000. The law also impedes governments in assigning to one contractor the responsibility for coordination of all of the construction work. Over the years, these restrictions have led to claims against government for delays and a diffusion of accountability that adversely impacts both the cost and quality of these projects.

Accordingly, I will propose legislation to replace the Wicks Law with more flexible contracting options that can be expected to decrease costs for government, improve construction management and contract administration, better focus accountability, maintain high quality standards of performance and ensure compliance with prevailing wage requirements.

Municipal Self-Help—Helping Local Governments Do More With Less

For the past three years I have asked State agencies to do more with less, and the office of Management and Productivity has helped State managers save more than \$92 million. My legislative program for 1986 will provide local governments with additional tools to help

them get the most out of their own limited resources and help them generate further revenues without unnecessarily increasing their own broad-based taxes.

Local Borrowing

Proposition 4 on last year's ballot — authorizing local sinking fund bonds — provides local governments with an opportunity to take advantage of newer financial instruments such as Zero Coupon Bonds. We should use this new found local flexibility as a starting point for the comprehensive reform of local borrowing practices. Specifically, I will submit legislation to clarify the complex requirements contained in the Local Finance Law to reduce ambiguity, violations of the Local Finance Law and the need for ex post facto validating acts.

In the spirit of Proposition 4, the legislation I propose will provide local governments more flexibility to meet changing conditions. With additional local flexibility comes a concomitant need for State oversight. Accordingly, additional local borrowing flexibility will be accompanied by enhancements to State oversight over those localities that violate provisions of the Local Finance Law or experience debt problems.

User Fees

Local governments often provide services to individuals that should be borne by users rather than the general taxpayers. User fee financing is a more equitable way to pay for services which benefit only a select clientele, helps to diversify the municipal revenue base and reduces dependence on State aid, and on property, sales and other local taxes.

Accordingly, I will introduce legislation to clarify existing law and facilitate, where appropriate, the ability of local governments to levy realistic fees for services.

Local Government Investment Pool

Revenues from the investment of idle local funds represents a source of additional income that should be maximized. Unfortunately,

some of the localities and school districts that need this “free” income the most — often the smallest and least sophisticated — do not have access to a *safe* high yield investment vehicle. We must learn from the recent failures of several local investment houses and provide localities with a safe means of investing their idle funds for a maximum return on the investment. Members of both the Senate and Assembly, and particularly Assemblyman Jerry Kremer, have introduced bills to establish such an investment mechanism. I will work with the legislative leadership to pass an investment pool bill this year.

Municipal Insurance

We will comprehensively address the municipal liability insurance problem this year. I have already proposed making municipal insurance more available by permitting local governments and school districts to form pools and reciprocals. I will ask the special commission on liability insurance to review the municipal facet of the problem as a top priority.

As instruments of the State, local governments are different than the private sector. I will instruct the commission to be particularly sensitive to these crucial distinctions.

Management Exchange

New York State and its local governments are partners in the service of our citizens. We share the same problems in the delivery of those services, and we must begin to share the solutions. We have much to learn from those who are the closest to the needs of the communities and much to give that derives from our experience in serving those same people. I shall propose a State-Local Management Exchange Program that will allow us to share in each other’s talents and expertise by exchanging our managers for relevant short-term projects.

CONCLUSION

The condition of New York State is good, and getting better. Working together, we have turned the corner from recovery to resurgence. We have built a strong foundation, but much remains to be done.

Will we have the courage and the vision in this election year to transcend our differences and concentrate on our common goals? Will we choose to continue to place the interests of the State beyond partisan advantage?

This is a year in which we will all be held accountable. Let us move forward together to write the record for the future.