COURT OF APPEALS OF NEW YORK

Matter of Transitional Services of New York for Long Island, Inc. v. New York State Office of Mental Health et al.

13 N.Y.3d 801 (2009) · Decided October 15, 2009

SUMMARY

The New York Court of Appeals held that the New York State Office of Mental Health acted rationally and reasonably in classifying a nonprofit mental-health provider's apartment leasing expenses as operating costs rather than housing costs for reimbursement purposes. The court reversed the Appellate Division's order insofar as appealed from and dismissed the relevant portion of the CPLR article 78 petition; a related cross appeal was dismissed as moot.

CASE DETAILS

COURT	Court of Appeals of New York
WRITING FOR THE COURT	Chief Judge Lippman; Judge Ciparick; Judge Graffeo; Judge Read; Judge Smith; Judge Pigott; Judge Jones
JURISDICTION	New York
DECIDED	October 15, 2009
DISPOSITION	reversed
PROCEDURAL POSTURE	Transitional Services commenced a CPLR article 78 proceeding challenging two determinations of the New York State Office of Mental Health. The Court of Appeals reviewed an Appellate Division order that had annulled the agency's determination concerning the classification of certain leasing expenses for reimbursement purposes.
STANDARD OF REVIEW	An agency's interpretation of statutes it administers is upheld when the agency acted within its area of expertise and its construction is not irrational or unreasonable.
PRECEDENTIAL VALUE	Published opinion of the New York Court of Appeals; binding precedent in New York.
PARTIES	New York State Office of Mental Health et al. v. Transitional Services of New York for Long Island, Inc.

TOPICS

judicial review of agency action | administrative law | statutory interpretation | medical licensing | mootness

PRACTICE AREAS

administrative law | health law | statutory interpretation | appellate procedure

QUESTIONS PRESENTED

1. Whether the Office of Mental Health rationally and reasonably interpreted the Mental Hygiene Law and its regulations to classify expenses for residential apartments used as offices as operating costs rather than housing costs for reimbursement purposes.

HOLDINGS

1. The Office of Mental Health's determination that the expenses were operating costs rather than housing costs was not irrational or unreasonable and therefore had to be upheld.

KEY QUOTATIONS

> *"It was not irrational or unreasonable for OMH to determine that, for reimbursement purposes, under the Mental Hygiene Law and the regulations promulgated thereunder (see Mental Hygiene Law § 41.38; 14 NYCRR 595.12), the expenses TSLI incurred in leasing residential apartments it used as offices must be accounted for as operating costs rather than as housing costs."* (13 N.Y.3d at 803)

FACTUAL BACKGROUND

Transitional Services of New York for Long Island, Inc. is a private not-for-profit entity that provides housing and care to individuals with mental illness. It leased residential apartments that it used as offices and sought reimbursement treatment for those expenses under the Mental Hygiene Law and related regulations. The Office of Mental Health classified the expenses as operating costs rather than housing costs.

PROCEDURAL HISTORY

The Office of Mental Health determined that expenses for residential apartments used by Transitional Services as offices had to be accounted for as operating costs rather than housing costs. The Appellate Division ruled otherwise. The Court of Appeals reversed the portion of the Appellate Division order under review and dismissed the petition insofar as it sought to annul the April 19, 2004 determination.

DISPOSITION

reversed

CASES CITED

- Matter of Brooklyn Assembly Halls of Jehovah's Witnesses, Inc. v. Department of Environmental Protection of City of New York, 11 N.Y.3d 327, 334 (2008)
- Saratoga County Chamber of Commerce v. Pataki, 100 N.Y.2d 801, 810-811 (2003)

OPINION

MATTER OF TRANSITIONAL SERVICES OF NEW YORK FOR LONG ISLAND, INC. v. New York State Office of Mental Health 13 N.Y.3d 801

PER CURIAM.

13 N.Y.3d 801 (2009) In the Matter of TRANSITIONAL SERVICES OF NEW YORK FOR LONG ISLAND, INC., Respondent-Appellant, v. NEW YORK STATE OFFICE OF MENTAL HEALTH et al., Appellants-Respondents. Court of Appeals of New York. Argued September 15, 2009. Decided October 15, 2009.

*802 Andrew M. Cuomo, Attorney General, New York City (Benjamin N. Gutman, Barbara D. Underwood and Carol Fischer of counsel), for appellants-respondents.

Garfunkel, Wild & Travis, P.C., Great Neck (Roy W. Breitenbach of counsel), and Law Office of Bruno La Spina, Brentwood, for respondent-appellant. Manatt, Phelps & Phillips, LLP, Albany (James W. Lytle of counsel), for Association for Community Living, amicus curiae.

*803 Chief Judge LIPPMAN and Judges CIPARICK, GRAFFEO, READ, SMITH, PIGOTT and JONES concur in memorandum.

OPINION OF THE COURT

MEMORANDUM. The order of the Appellate Division, insofar as appealed from, should be reversed, with costs, and the petition, insofar as it seeks to annul the determination of the New York State Office of Mental Health dated April 19, 2004, dismissed. Transitional Services of New York for Long Island, Inc. (TSLI) is a private not-for-profit entity that provides housing and care to individuals with mental illness. Pursuant to statute (see Mental Hygiene Law §§ 41.38, 41.44), the New York State Office of Mental Health (OMH) works with and provides state aid to entities like TSLI. TSLI commenced this CPLR article 78 proceeding to challenge two OMH determinations. It is well settled that when an agency acts within its area of expertise in interpreting statutes it is responsible for administering, its construction of those statutes is to be upheld if its decision is not irrational or unreasonable (see e.g. Matter of Brooklyn Assembly Halls of Jehovah's Witnesses, Inc. v Department of Envtl. Protection of City of N.Y., 11 NY3d 327, 334 [2008]). It was not irrational or unreasonable for OMH to determine that, for reimbursement purposes, under the Mental Hygiene Law and the regulations promulgated thereunder (see Mental Hygiene Law § 41.38; 14 NYCRR 595.12), the expenses TSLI incurred in leasing residential apartments it used as offices must be accounted for as operating costs rather than as housing costs. The Appellate Division's order to the contrary should be reversed.[*] Order, insofar as appealed from, reversed, etc.

NOTES

[*] TSLI cross-appealed from the portion of the Appellate Division order that obligated TSLI to remit the amount of $563,820 to OMH, representing half of the income TSLI received from Medicaid funds above the amount of Medicaid income budgeted for the years 1996 through 2002. However, after TSLI took its cross appeal, OMH waived liability under its turnover policy as to all

providers, including TSLI, for the years 1996 through 2002. OMH moved to dismiss the cross appeal for mootness and by motion, decided with this appeal, the cross appeal is being dismissed (13 NY3d 810 [2009] [decided today]). There being no live controversy with respect to the turnover determination challenged, TSLI's cross appeal is moot (Saratoga County Chamber of Commerce v Pataki, 100 NY2d 801, 810-811 [2003]).