

New York State's Economic and Fiscal Outlook for 2010-2011

February 2010

Fiscal Policy Institute

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I. The Economic Context

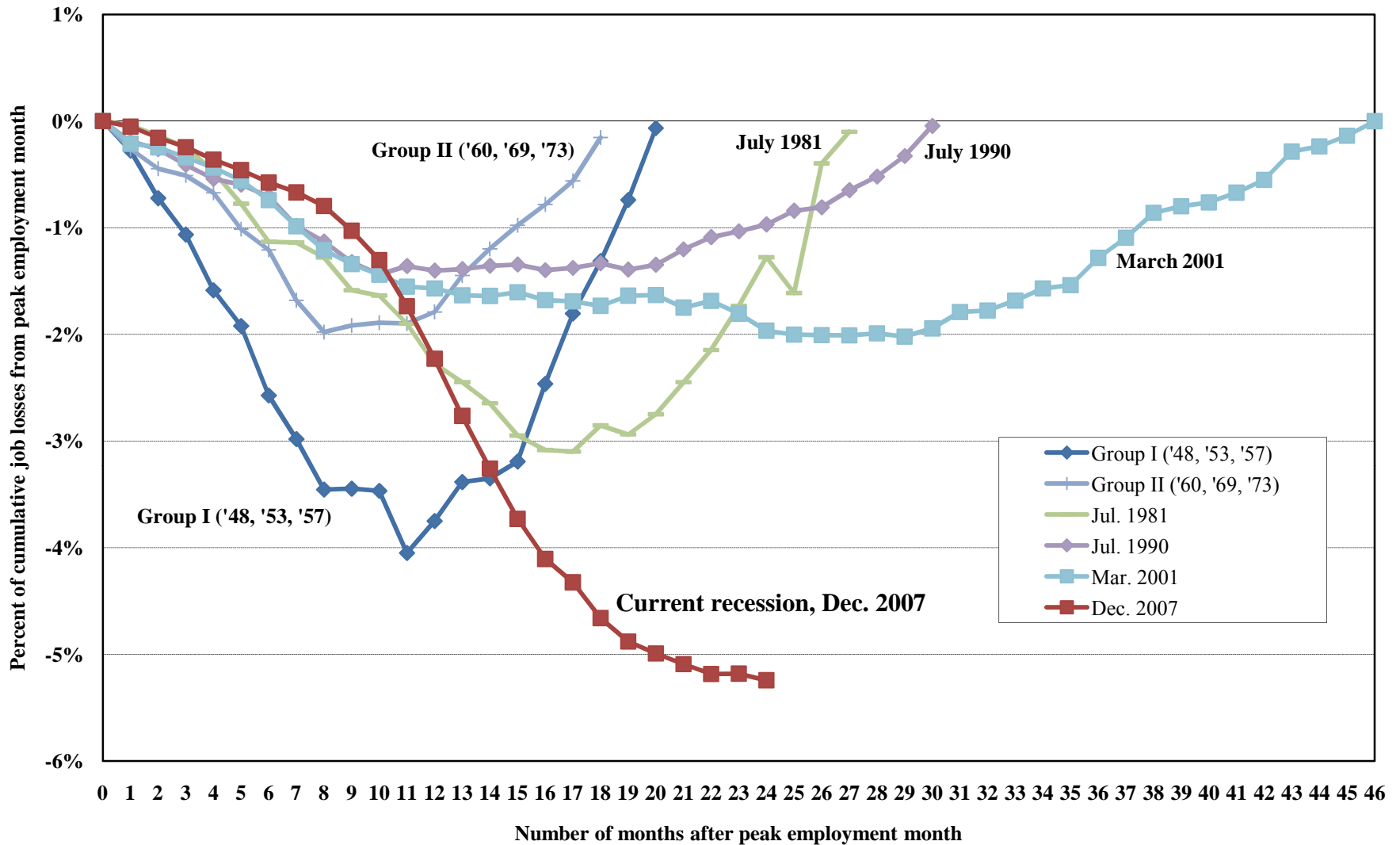
The Economic Context — February 2010

The recession that began in December 2007 has been the steepest and the longest since the Great Depression. Gross Domestic Product (GDP) began to increase in the second half of 2009, but the recovery is extremely tentative. The federal stimulus accounts for much of the GDP growth and the outlook is for very modest job growth and continued high unemployment. The Congressional Budget Office (CBO) forecasts that unemployment will be 10% at the end of 2010 and 9.1% at the end of 2011.

For the first time in three decades, New York's job loss has been less than the nation's in a recession (-3.7% vs. -5.2%). Still, New York has lost 329,300 jobs since July 2008. Also, the Empire State has seen greater total wage and personal income declines since it has lost many high-wage finance sector jobs. New York City's unemployment rate recently jumped to 10.6%, surpassing the nation, while unemployment in the rest of the state trails the national rate. In December 2009, 850,000 New Yorkers were unemployed.

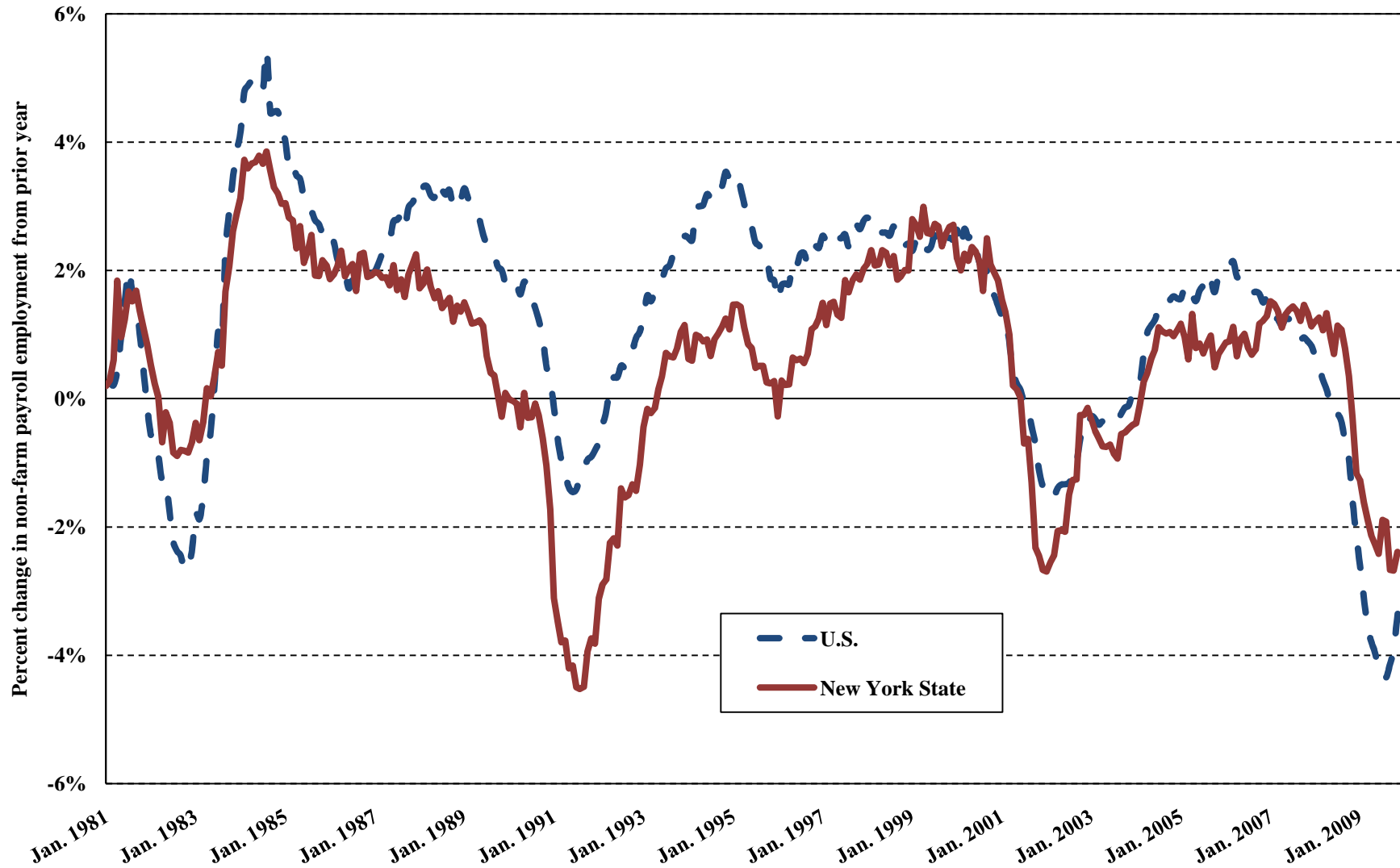
New York's outlook is for modest job growth beginning in the second half of 2010, and for moderate wage and income growth. The 2010-11 Executive Budget predicts some modest adjusted gross income growth in 2010 due in part to "taxpayers' anticipation of higher Federal tax rates" in 2011.

The current Great Recession is the longest and steepest recession since the 1930s.



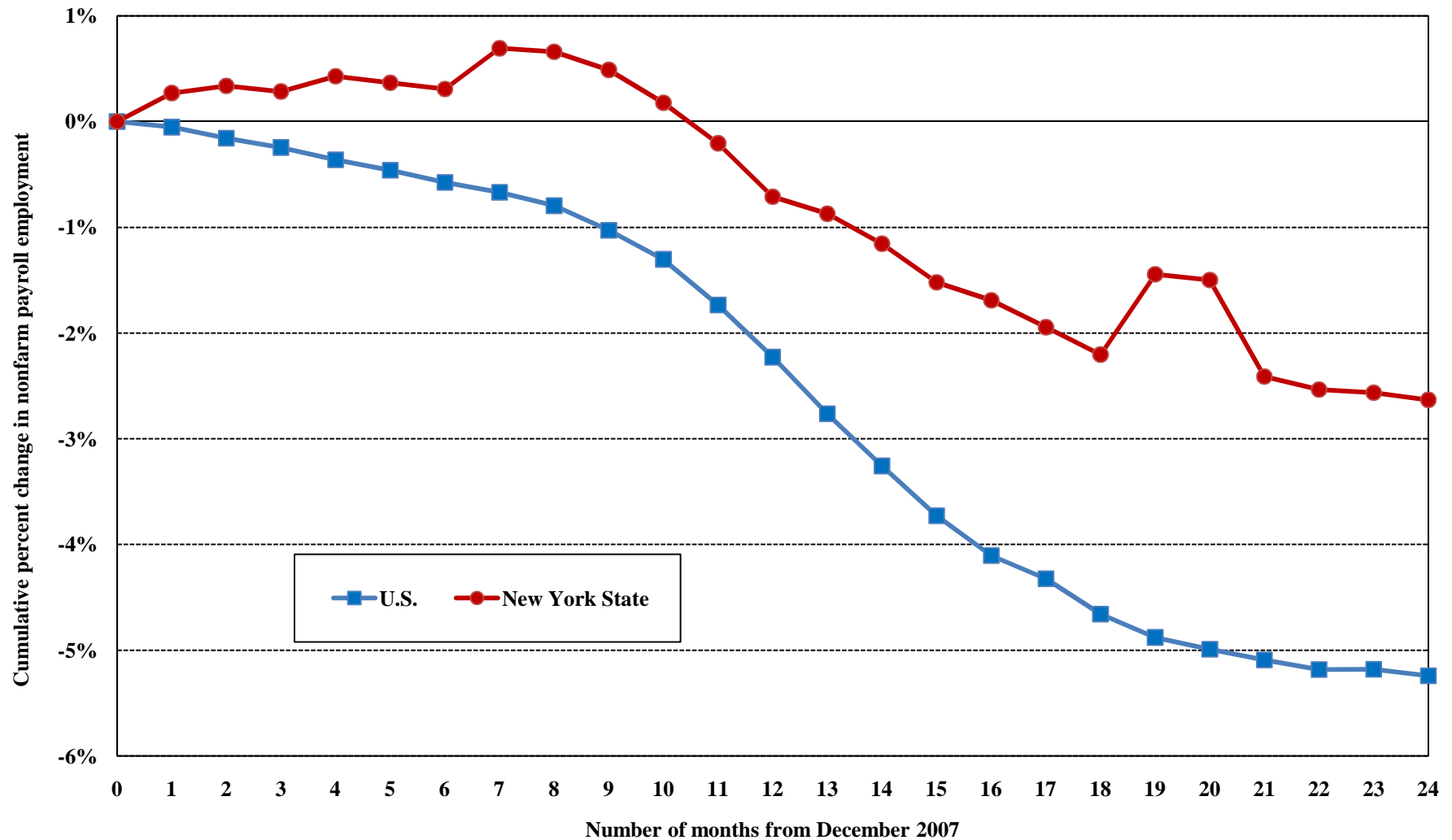
Source: U.S. Bureau of Labor Statistics total non-farm employment (seasonally adjusted).

In contrast to the last two recessions, New York has had less job loss than the U.S.



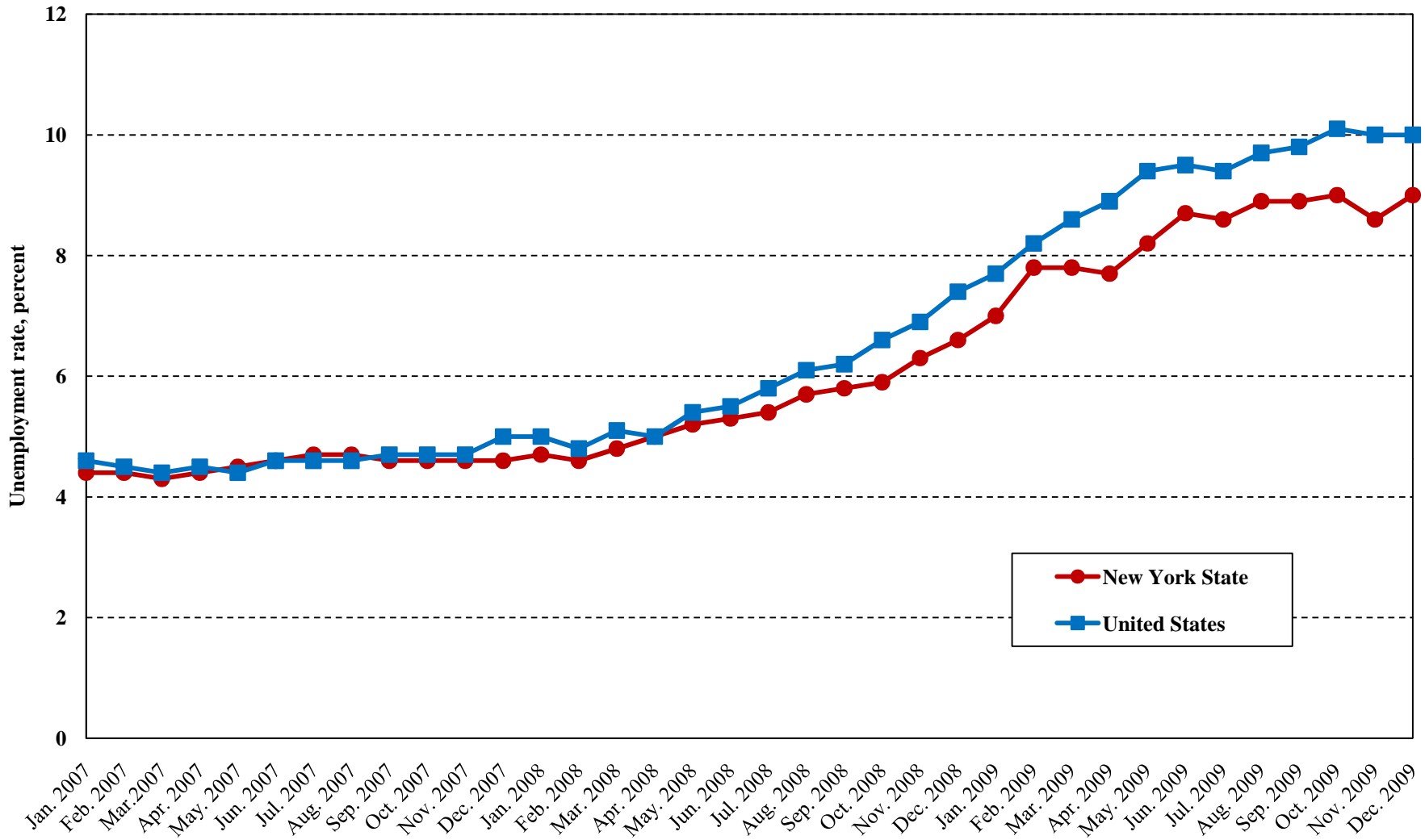
Source: Bureau of Labor Statistics Current Employment Statistics data.

New York State's job losses began in August 2008, eight months after the U.S. entered the recession.



Source: Bureau of Labor Statistics.

Beginning in 2008, unemployment has risen sharply for both New York State and the U.S.



Source: New York State Department of Labor and U.S. Bureau of Labor Statistics.

While New York State's job decline has been severe, job losses have been greater in many states.

Employment changes from December 2007 through December 2009

State	Rank	Change in jobs (thousands)	State	Rank	Change in jobs (percent)	State	Rank	Unemployment rate, December 2009	State	Rank	Unemployment percent point change
United States		-7,242.0	United States		-5.2%	United States		10.0%	United States		5.0
New York	9	-231.0	New York	43	-2.6%	New York	26	9.0%	New York	27	4.4
California	1	-1,041.3	Nevada	1	-10.7%	Michigan	1	14.6%	Alabama	1	7.2
Florida	2	-607.6	Arizona	2	-9.8%	Nevada	2	13.0%	Nevada	2	7.8
Michigan	3	-411.0	Michigan	3	-9.7%	Rhode Island	3	12.9%	Michigan	3	7.3
Illinois	4	-379.0	Florida	4	-7.6%	South Carolina	4	12.6%	Florida	4	7.0
Ohio	5	-331.8	Georgia	5	-7.6%	California	5	12.4%	Rhode Island	5	6.9
Georgia	6	-314.5	Rhode Island	6	-7.1%	DC	6	12.1%	South Carolina	6	6.8
Arizona	7	-261.6	Idaho	7	-7.0%	Florida	7	11.8%	California	7	6.5
North Carolina	8	-248.0	Oregon	8	-7.0%	North Carolina	8	11.2%	DC	8	6.3
New York	9	-231.0	California	9	-6.9%	Illinois	9	11.1%	North Carolina	9	6.2
Pennsylvania	10	-214.1	Hawaii	10	-6.5%	Alabama	10	11.0%	Oregon	10	5.7

Source: Bureau of Labor Statistics, analysis by the Economic Policy Institute.

Most metro areas in NYS have had smaller job declines than metro areas in other states.

Nonfarm payroll employment	<u>Change from Dec. 2007 to Dec. 2009</u>	
<u>Metropolitan Statistical Areas (MSAs)</u>	<u>Percent change</u>	<u>Ranking among 402 MSAs in the U.S.</u>
United States metropolitan and non-metropolitan average	-5.1%	
Ithaca, NY	-0.6%	31
Rochester, NY	-1.4%	50
Syracuse, NY	-1.7%	64
Utica-Rome, NY	-2.1%	80
Kingston, NY	-2.6%	100
Buffalo-Niagara Falls, NY	-2.6%	101
Binghamton, NY	-3.1%	115
New York City, NY	-3.1%	117
Poughkeepsie-Newburgh-Middletown, NY	-3.2%	124
Putnam-Rockland-Westchester, NY	-3.3%	128
Albany-Schenectady-Troy, NY	-3.5%	143
Nassau-Suffolk, NY Metropolitan Division	-3.8%	162
Glens Falls, NY	-4.3%	180
Elmira, NY	-5.4%	253

Source: BLS State and Local Area Employment Data (not seasonally adjusted).

**Although job losses have been less in New York than in the nation,
according to the 2010-2011 Executive Budget,
wage and income losses likely will be greater in New York.**

	Calendar years, annual percent changes					
	2008 actual	2009 estimate	Forecast			
			2010	2011	2012	2013
United States						
Real Gross Domestic Product	0.4	-2.5	2.8	3.3	3.6	3.6
Personal income	2.9	-1.4	4.2	4.6	6.0	6.0
Total wages	2.1	-3.3	4.1	4.4	6.7	6.3
Employment	-0.4	-3.7	0.0	1.5	2.1	2.3
New York State						
Personal income	2.7	-3.5	3.8	4.2	5.6	5.0
Total wages	2.0	-6.1	3.8	3.1	5.6	4.6
Employment	0.7	-2.6	-0.4	0.8	0.8	0.7

Source: 2010-2011 Executive Budget Economic and Revenue Outlook, p. 153.

Total NYS wages fell by 6.1 percent in 2009, according to the 2010-2011 Executive Budget. The volatility in capital gains remains a big factor in the year-to-year changes in the state's income tax base (AGI).

	Calendar years, actual				Calendar years, estimated			
	2004	2005	2006	2007	2008	2009	2010	2011
NYSAGI								
Level (\$billions)	\$526.0	\$571.9	\$632.6	\$725.2	\$665.9	\$607.0	\$659.2	\$657.1
Change (\$billions)	\$52.2	\$46.0	\$60.7	\$92.6	-\$59.3	-\$58.9	\$52.2	-\$2.1
% change	11.0%	8.7%	10.6%	14.6%	-8.2%	-8.8%	8.6%	-0.3%
Wages								
Level (\$billions)	\$397.4	\$417.0	\$445.2	\$485.6	\$494.4	\$464.1	\$481.8	\$496.8
Change (\$billions)	\$24.1	\$19.6	\$28.2	\$40.4	\$8.9	-\$30.3	\$17.7	\$15.0
% change	6.5%	4.9%	6.8%	9.1%	1.8%	-6.1%	3.8%	3.1%
Capital gains								
Level (\$billions)	\$53.8	\$66.7	\$84.4	\$118.3	\$56.0	\$36.4	\$57.7	\$30.8
Change (\$billions)	\$22.6	\$12.9	\$17.8	\$33.9	-\$62.3	-\$19.7	\$21.3	-\$27.0
% change	72.5%	24.0%	26.6%	40.1%	-52.6%	-35.1%	58.7%	-46.7%
Partnership/S corp								
Level (\$billions)	\$45.9	\$53.8	\$61.2	\$70.7	\$73.1	\$68.4	\$76.0	\$84.0
Change (\$billions)	\$4.8	\$7.9	\$7.4	\$9.5	\$2.4	-\$4.7	\$7.6	\$8.0
% change	11.6%	17.3%	13.8%	15.5%	3.3%	-6.4%	11.1%	10.5%

Source: 2010-2011 Executive Budget Economic and Revenue Outlook, p. 137.

Unprecedented financial bailout measures, but few signs of a broader recovery

The largest finance firms have benefitted from hundreds of billions of taxpayer dollars through TARP, several Federal Reserve special programs, and federal guarantees, as well as from the Fed's very low-interest rate and accommodative monetary policy.

While these resources have not restored lending throughout the economy or supported a recovery in the "real" sector, they have made possible enormous Wall Street profits and bonuses. Mayor Bloomberg's January Financial Plan for 2010-14 estimates that 2009 Wall Street profits were a record \$58 billion, nearly three times the previous record (2006).

Although housing prices have fallen 30 percent and mortgage rates are low, there are still millions of foreclosures in the pipeline. Since housing is such a big part of the economy, turmoil there impedes recovery.

Consumer spending accounts for two-thirds of GDP, but high unemployment and high consumer debt burdens will temper consumer spending and restrain the pace of recovery.

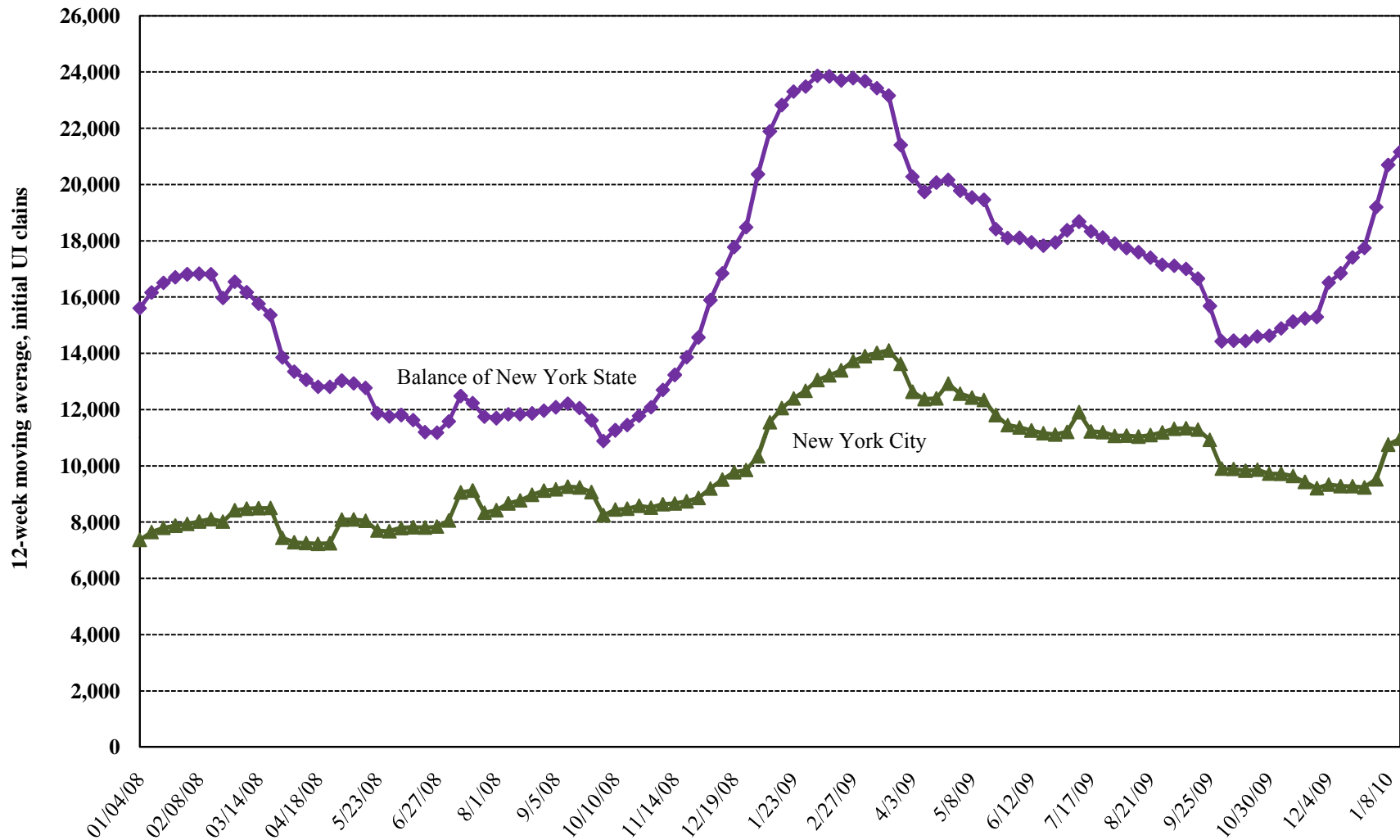
The Obama stimulus pulled the economy back from the brink, but further actions are needed to produce a sustainable recovery.

Following the September 2008 financial meltdown, GDP fell at an annual rate of 6 % in the 4th quarter 2008 and the 1st quarter 2009. Nationally, 625,000 jobs were lost monthly in those six months following the meltdown. NYS lost 180,000 jobs over those six months.

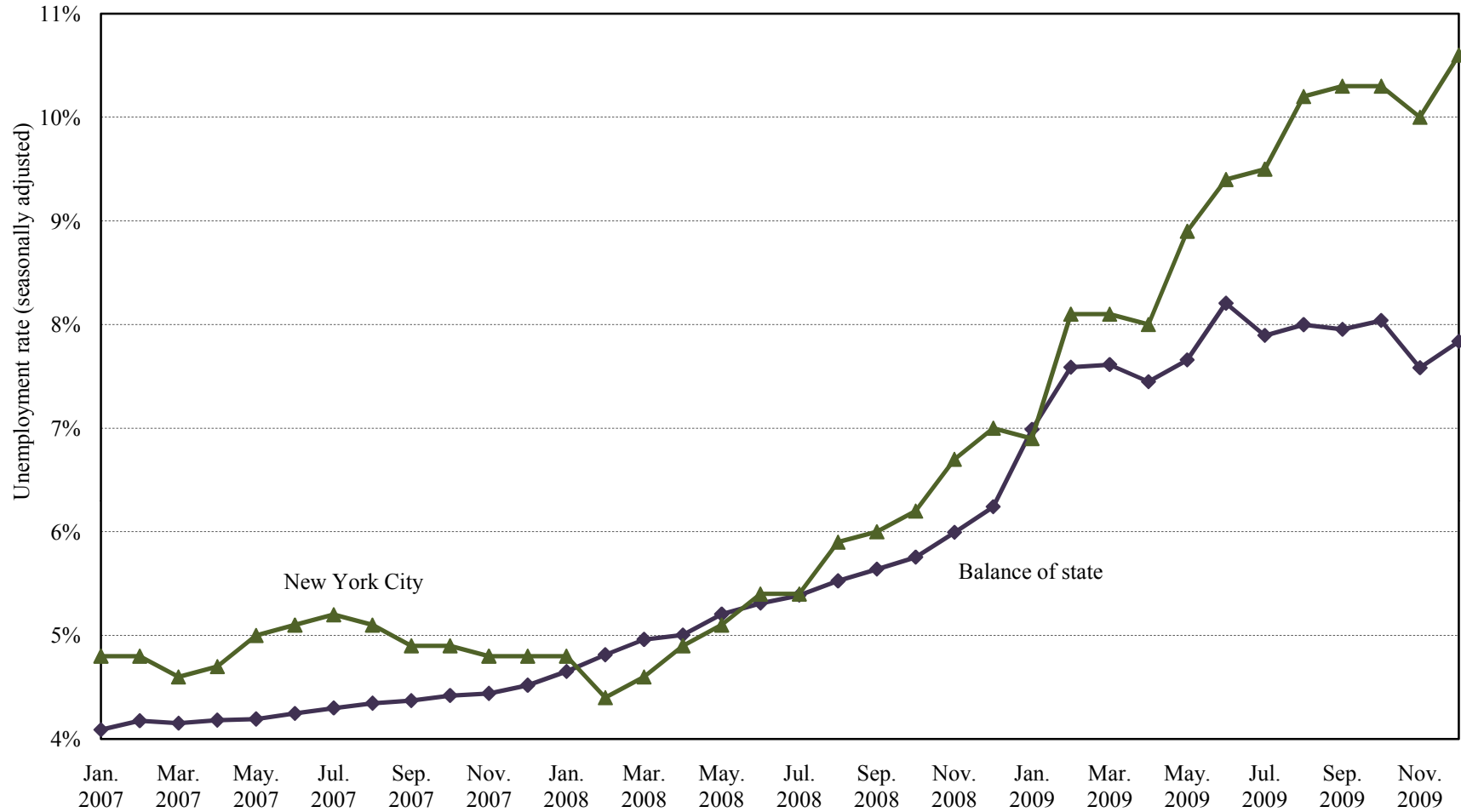
In response, the new president pushed through the \$787 billion American Recovery and Reinvestment Act (ARRA) in February. ARRA included close to \$500B in various forms of spending, and \$288B in tax cuts, most geared to moderate- and middle-income families. ARRA injected considerable demand into the economy when it was in a freefall.

The Council of Economic Advisers (CEA) estimates that ARRA raised GDP by 2 to 3 percentage points in the last 3 quarters of 2009, and that it raised employment by 1.5 to 2 million jobs relative to what otherwise would have been. These estimates are within the ranges seen by the CBO. Still, there is widespread concern that unemployment will remain high for a long time.

**Initial unemployment claims in NYC and the rest of the state
are down only slightly from a year ago,
when the recession was at its worst.**

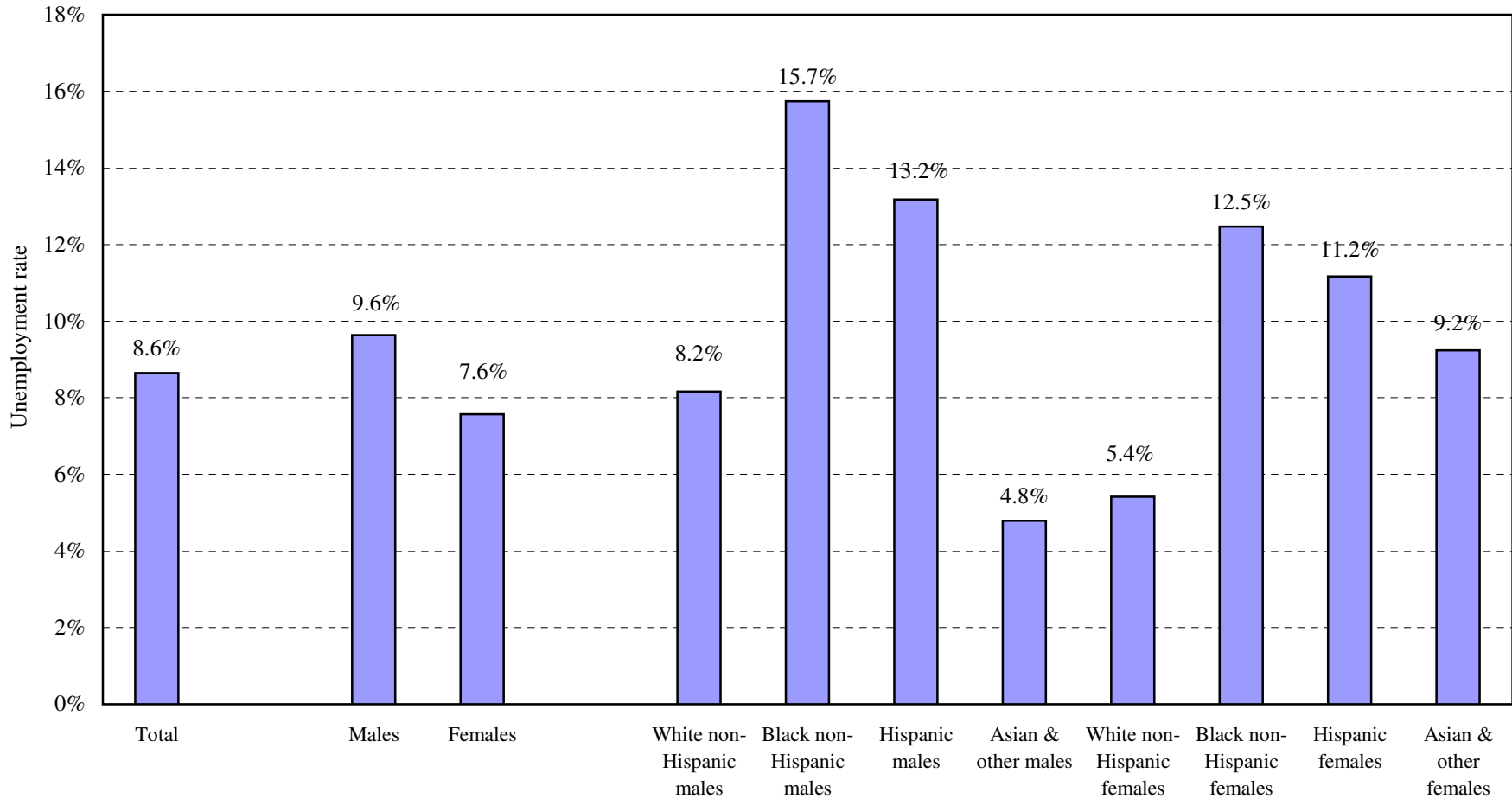


Unemployment has risen more in New York City than in the rest of the state.



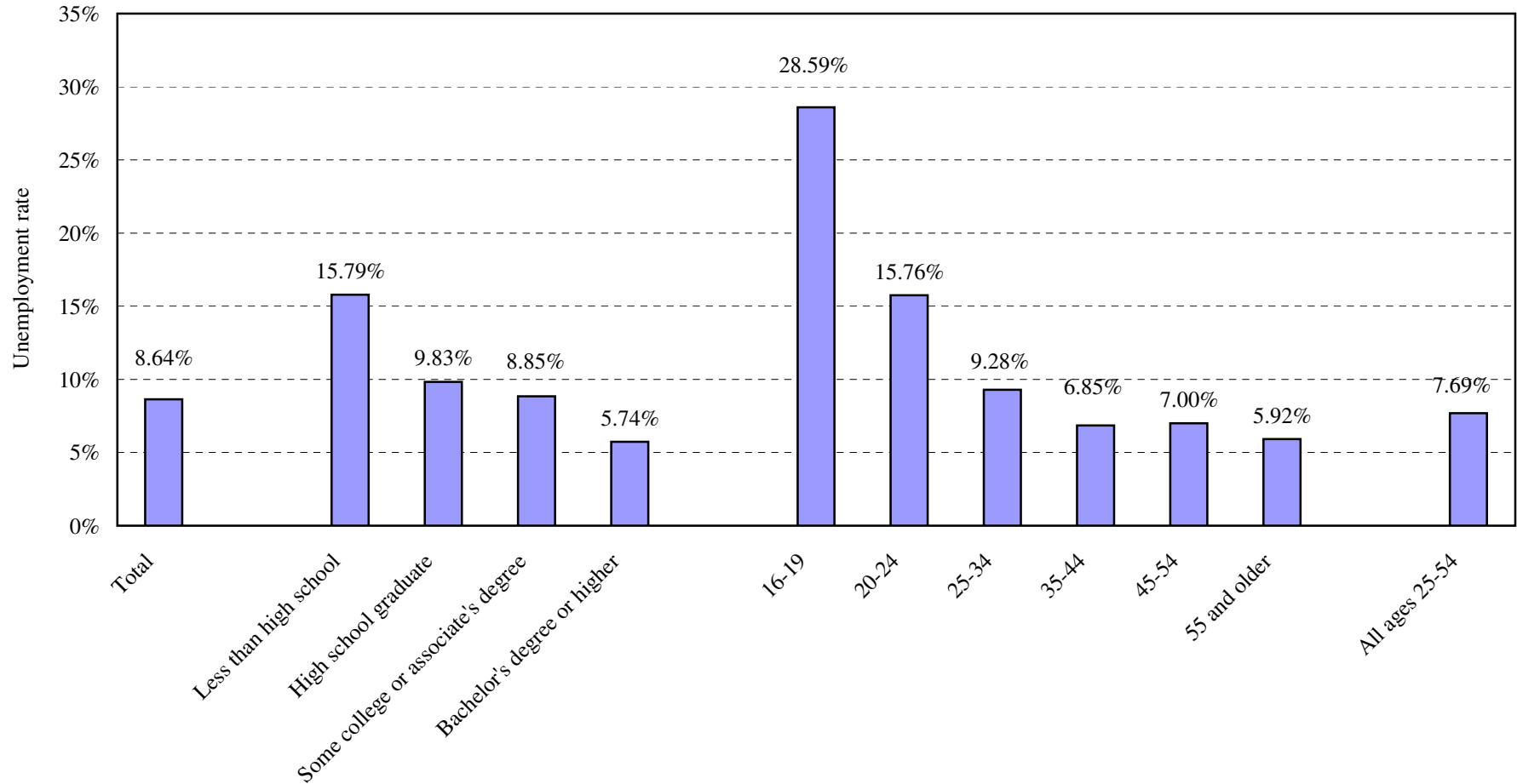
Source: Fiscal Policy Institute analysis of Bureau of Labor Statistics data.

New York State's overall unemployment rate for the fourth quarter 2009 was 8.6 percent; it was higher for men, blacks and Hispanics.



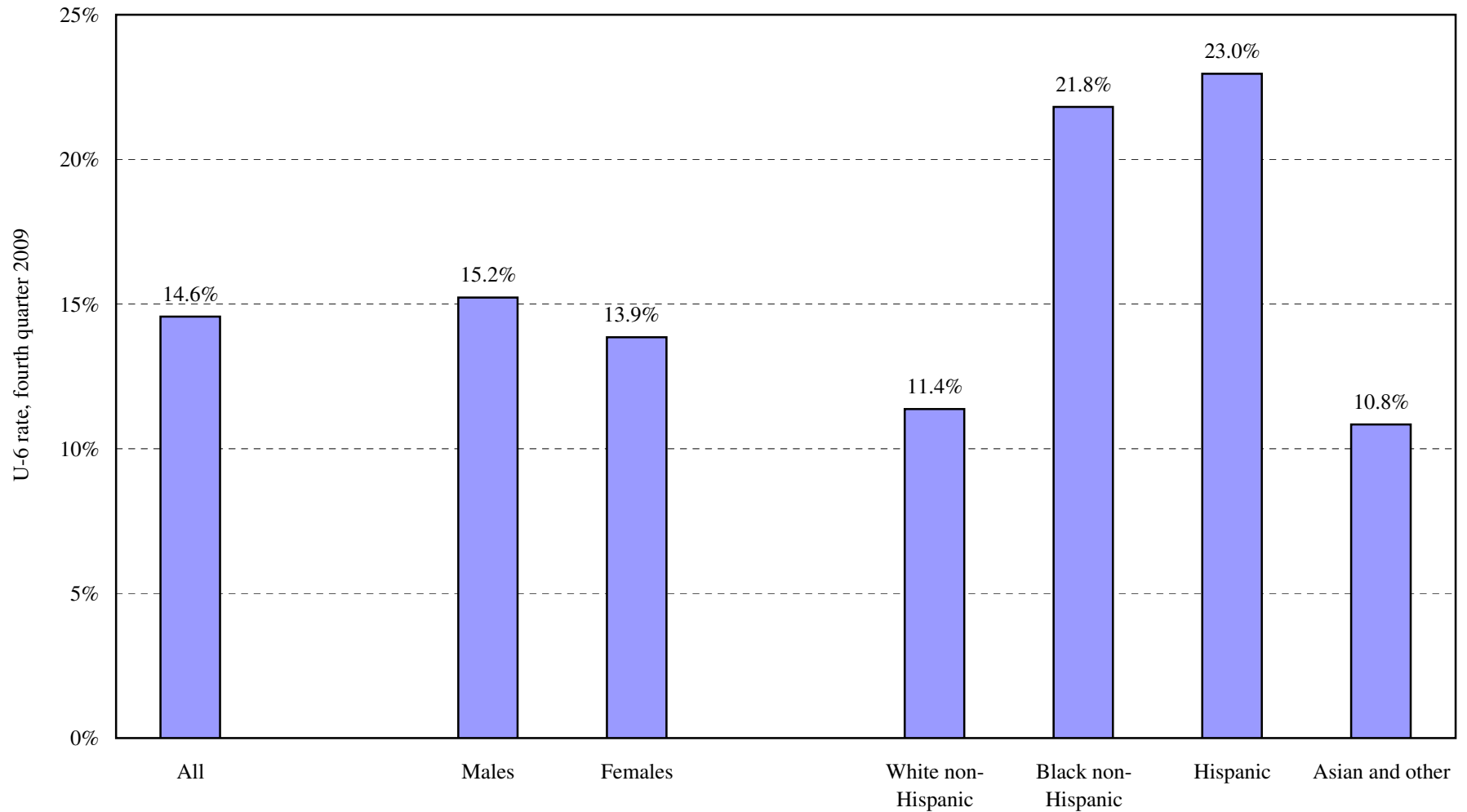
Source: Fiscal Policy Institute analysis of Current Population Survey data for fourth quarter 2009.

New York's unemployment is higher among less educated and younger workers.



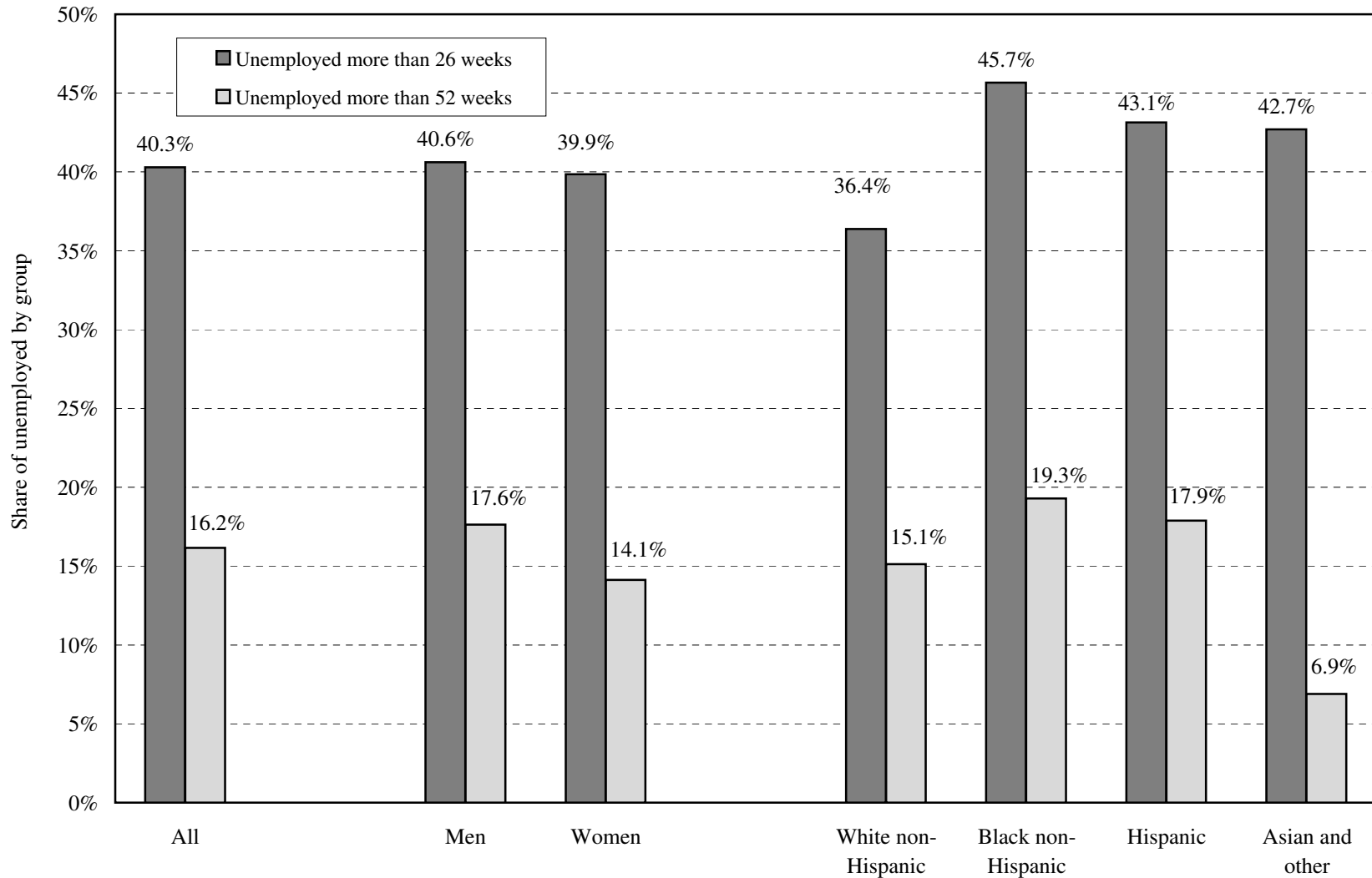
Source: Fiscal Policy Institute analysis of Current Population Survey data for fourth quarter 2009.

Unemployment rates are much higher when discouraged workers and the underemployed are included.



Source: Fiscal Policy Institute analysis of Current Population Survey data.

Two fifths of New York's unemployed have been out of work for more than six months, and one in six for over a year.



Source: Fiscal Policy Institute analysis of Current Population Survey data for fourth quarter 2009.

**Most sectors in New York's economy have seen job losses:
Seven sectors have had more than 6 percent job declines in the two years
since the recession began.**

	NEW YORK STATE						U.S.		
	Employment level (seasonally adjusted)	Absolute change in employment			Percent change in employment			Percent change	
		Dec. 2009	Dec. 2007- Dec. 2008	Dec. 2008- Dec. 2009	Dec. 2007- Dec. 2009	Dec. 2007- Dec. 2008	Dec. 2008- Dec. 2009		Dec. 2007- Dec. 2009
Total Nonfarm	8,508,823	-100,205	-165,948	-266,153	-1.1%	-1.9%	-3.0%	-5.2%	
Construction	320,434	-13,363	-25,282	-38,645	-3.7%	-7.3%	-10.8%	-20.8%	
Manufacturing	479,707	-27,131	-38,531	-65,662	-5.0%	-7.4%	-12.0%	-15.4%	
Wholesale Trade	327,036	-10,963	-17,414	-28,377	-3.1%	-5.1%	-8.0%	-6.8%	
Retail Trade	867,107	-24,065	-7,471	-31,536	-2.7%	-0.9%	-3.5%	-6.0%	
Utilities	39,065	599	-96	503	1.6%	-0.2%	1.3%	1.9%	
Trans. & Warehousing	219,938	-10,774	-7,920	-18,694	-4.5%	-3.5%	-7.8%	-8.6%	
Information	245,887	-3,632	-13,516	-17,148	-1.4%	-5.2%	-6.5%	-7.0%	
Finance and Insurance	497,029	-24,653	-23,317	-47,970	-4.5%	-4.5%	-8.8%	-6.0%	
Real Estate	179,146	257	-7,093	-6,836	0.1%	-3.8%	-3.7%	-8.6%	
Prof., Sci., & Tech.	559,804	-1,828	-20,496	-22,324	-0.3%	-3.5%	-3.8%	-2.8%	
Mgmt. of Companies	132,599	1,713	971	2,685	1.3%	0.7%	2.1%	-5.1%	
Admin. & Support	403,864	-18,122	-19,600	-37,723	-4.1%	-4.6%	-8.5%	-12.2%	
Educational Services	398,227	10,642	16,952	27,594	2.9%	4.4%	7.4%	3.9%	
Health Care & Social	1,288,244	16,149	27,853	44,002	1.3%	2.2%	3.5%	4.7%	
Leisure and Hospitality	700,699	-352	-9,537	-9,889	0.0%	-1.3%	-1.4%	-3.2%	
Other Services	365,149	5,031	-4,206	825	1.4%	-1.1%	0.2%	-2.5%	
Government	1,493,133	2,455	-16,639	-14,184	0.2%	-1.1%	-0.9%	0.5%	

Source: U.S. Bureau of Labor Statistics; NYS Department of Labor, seasonal adjustment by Fiscal Policy Institute. NYS DOL separately estimates Nonfarm total and individual sectors so the sum of the sectors may not equal the Nonfarm total.

All areas within New York State have seen considerable job losses during this recession.

	Employment (in thousands)	Absolute changes in December to December employment			Percent changes in December to December employment		
	December 2009	12/07-12/08	12/08-12/09	12/07-12/09	12/07-12/08	12/08-12/09	12/07-12/09
United States	62.6	-2,958.0	-4,096.0	-7,054.0	-2.1%	-3.0%	-5.1%
New York State	8,648.3	-103.4	-169.8	-273.2	-1.2%	-1.9%	-3.1%
New York City	3,717.8	-45.8	-75.0	-120.8	-1.2%	-2.0%	-3.1%
Eastern New York	2,686.2	-45.2	-55.2	-100.4	-1.6%	-2.0%	-3.6%
Nassau-Suffolk, NY Metropolitan Division	1,244.5	-24.9	-24.6	-49.5	-1.9%	-1.9%	-3.8%
Putnam-Rockland-Westchester	573.8	-6.9	-12.5	-19.4	-1.2%	-2.1%	-3.3%
Albany-Schenectady-Troy, NY MSA	441.3	-6.9	-9.3	-16.2	-1.5%	-2.1%	-3.5%
Glen Falls, NY MSA	51.7	-1.0	-1.3	-2.3	-1.9%	-2.5%	-4.3%
Kingston, NY MSA	62.6	-1.3	-0.4	-1.7	-2.0%	-0.6%	-2.6%
Poughkeepsie-Newburgh-Middletown, NY MSA	251.7	-2.9	-5.5	-8.4	-1.1%	-2.1%	-3.2%
Columbia County	20.4	-0.6	-0.6	-1.2	-2.8%	-2.9%	-5.6%
Greene County	14.6	-0.7	-0.2	-0.9	-4.5%	-1.4%	-5.8%
Sullivan County	25.6	0.0	-0.8	-0.8	0.0%	-3.0%	-3.0%
Western and Northern New York	2,308.2	-10.4	-41.4	-51.8	-0.4%	-1.8%	-2.2%
W&N New York Metropolitan Areas	1,693.1	-6.0	-28.6	-34.6	-0.3%	-1.7%	-2.0%
Binghamton, NY MSA	112.1	-0.7	-2.9	-3.6	-0.6%	-2.5%	-3.1%
Buffalo-Niagara Falls, NY MSA	544.2	-3.5	-11.3	-14.8	-0.6%	-2.0%	-2.6%
Ithaca, NY MSA	66.1	-0.3	-0.4	-0.4	-0.5%	-0.2%	-0.6%
Rochester, NY MSA	515.2	0.4	-7.6	0.0	0.1%	-1.5%	-1.4%
Syracuse, NY MSA	323.5	-1.1	-4.6	-5.7	-0.3%	-0.3%	-1.7%
Utica-Rome, NY MSA	132.0	-0.8	-2.1	-2.9	-0.6%	-1.6%	-2.1%
W & N NY Non-metropolitan areas	615.1	-4.4	-12.8	-17.2	-0.7%	-2.0%	-2.7%

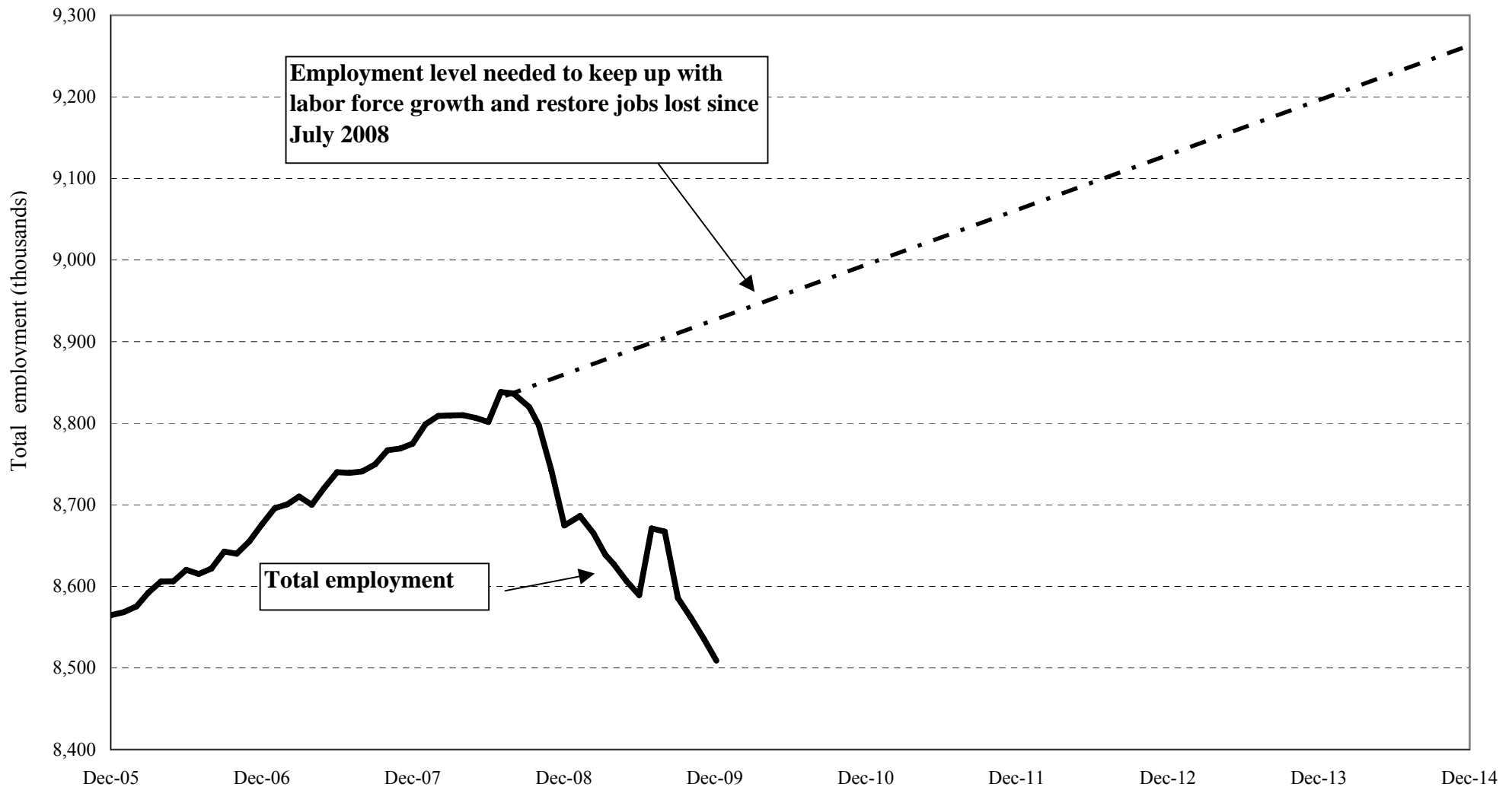
Source: Bureau of Labor Statistics Current Employment Statistics (not seasonally adjusted).

The number of unemployed has jumped by 90 percent over the past two years, with substantial increases all across the state.

	Unemployed (in thousands)			Unemployed % increase	Unemployment rate, Dec. 2009
	Dec. 2007	Dec. 2009	Abs.change		
United States	7,371.0	14,740.0	7,369.0	100.0%	9.7%
New York State	445.7	848.8	403.1	90.4%	8.8%
New York City	186.6	414.7	228.1	122.2%	10.4%
Eastern New York	130.8	226.6	95.8	73.2%	
Nassau-Suffolk, NY Metropolitan Division	58.3	102.3	44.0	75.5%	7.0%
Putnam-Rockland-Westchester	26.9	47.5	20.6	76.6%	6.8%
Albany-Schenectady-Troy, NY MSA	19.4	31.4	12.0	61.9%	7.0%
Glens Falls, NY MSA	3.5	5.8	2.3	65.7%	8.8%
Kingston, NY MSA	4.3	7.0	2.7	62.8%	7.8%
Poughkeepsie-Newburgh-Middletown, NY MSA	13.7	24.9	11.2	81.8%	7.7%
Columbia County	1.3	2.3	1.0	76.9%	7.5%
Greene County	1.3	2.1	0.8	61.5%	8.8%
Sullivan County	2.1	3.3	1.2	57.1%	9.5%
Western and Northern New York	128.3	207.7	79.4	61.9%	
W&N New York Metropolitan Areas	90.0	147.2	57.2	63.6%	
Binghamton, NY MSA	6.0	10.7	4.7	78.3%	8.7%
Buffalo-Niagara Falls, NY MSA	31.2	49.0	17.8	57.1%	8.5%
Elmira, NY MSA	1.9	3.5	1.6	84.2%	8.8%
Ithaca, NY MSA	1.8	3.0	1.2	66.7%	5.3%
Rochester, NY MSA	26.4	42.6	16.2	61.4%	8.0%
Utica-Rome, NY MSA	7.0	11.0	4.0	57.1%	7.8%
Syracuse, NY MSA	15.7	27.4	11.7	74.5%	8.2%
W & N NY Non-metropolitan areas	38.3	60.5	22.2	58.0%	7.5 to 11.2%
10-county downstate area	271.8	564.5	292.7	107.7%	
52-county upstate area	173.9	284.5	110.6	63.6%	

Source: Bureau of Labor Statistics, New York State Department of Labor.

New York will need to add over 750,000 jobs over the next five years to restore jobs lost in the recession and to keep up with labor force growth.

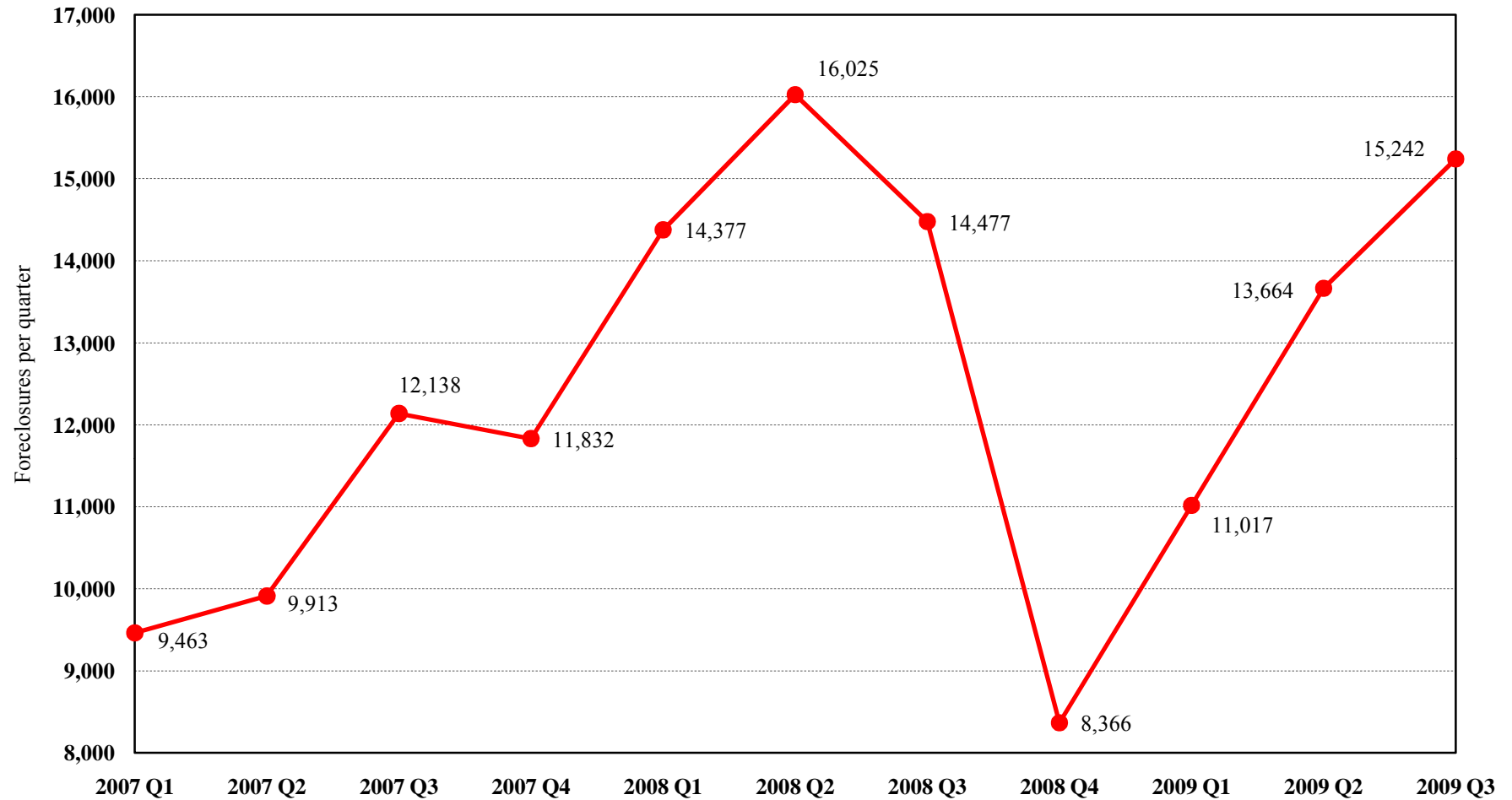


Source: FPI analysis of Current Employment Statistics and Local and Area Unemployment Statistics.

New York needs 750,000 jobs over the next five years to bring the unemployment rate down to 5.5 percent

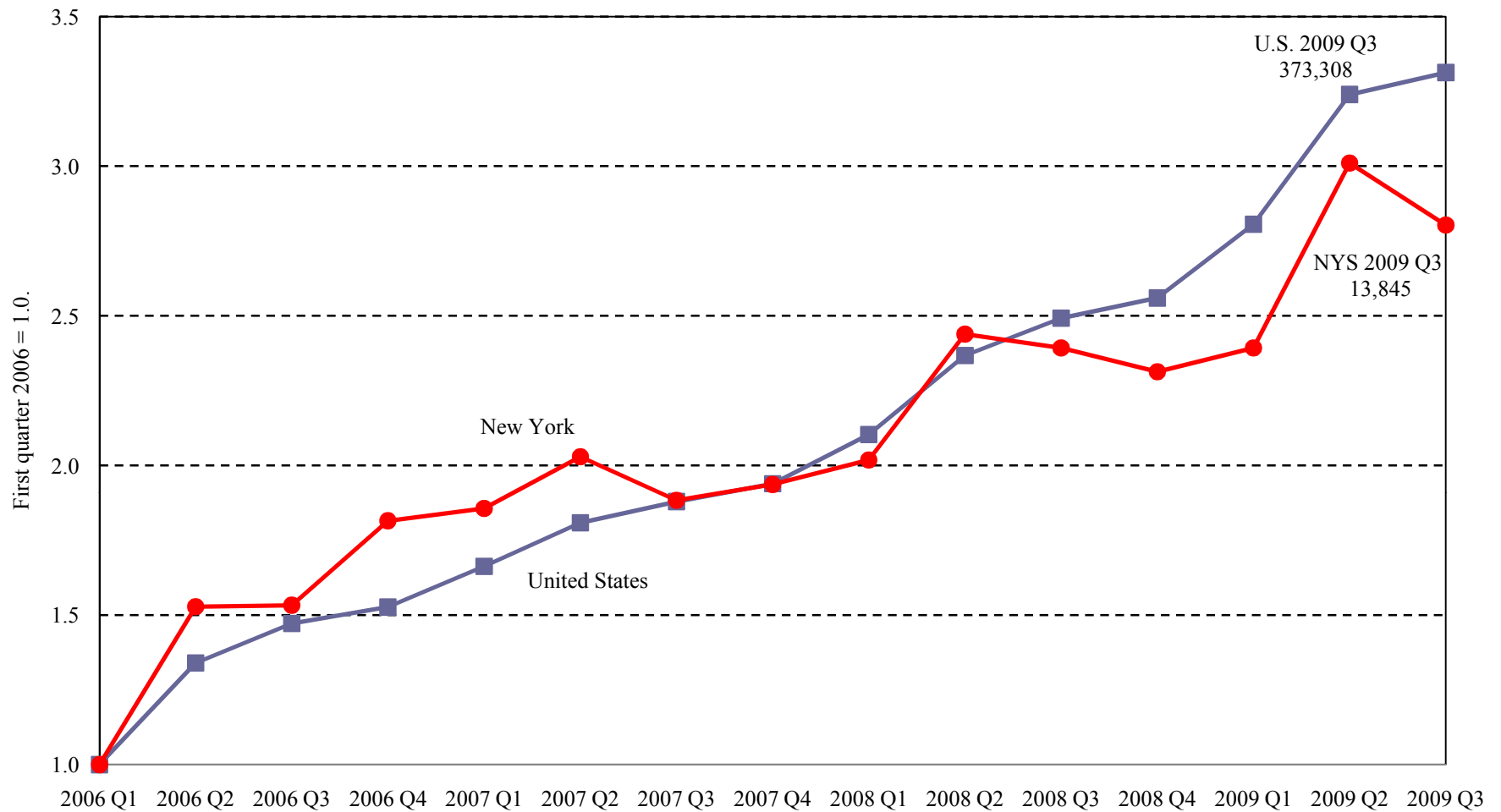
- To restore the 330,000 jobs lost in the recession (as of December 2009) and to keep up with labor force growth, New York needs 750,000 jobs over the next five years.
- The state's labor force grew 0.7% a year from 2000 to 2008. This 0.7% growth rate is projected forward for 5 years.
- Job growth of 750,000 by December 2014 would bring the unemployment rate to 5.5%, a modest goal considering that unemployment averaged 4.6% in 2006 and 2007.
- 750,000 jobs a year over 5 years means New York needs 150,000 jobs a year. This is not unattainable since New York gained 164,000 jobs a year for the 5 years from 1995 to 2000.
- This would be an annual job growth rate of 1.7%, less than the 1995-2000 average of 2.0%, but more than the 1.04% annual growth during the last expansion (July 2003-July 2008).

Foreclosures in New York dropped dramatically after the state introduced a waiting period, but rose again in 2009.



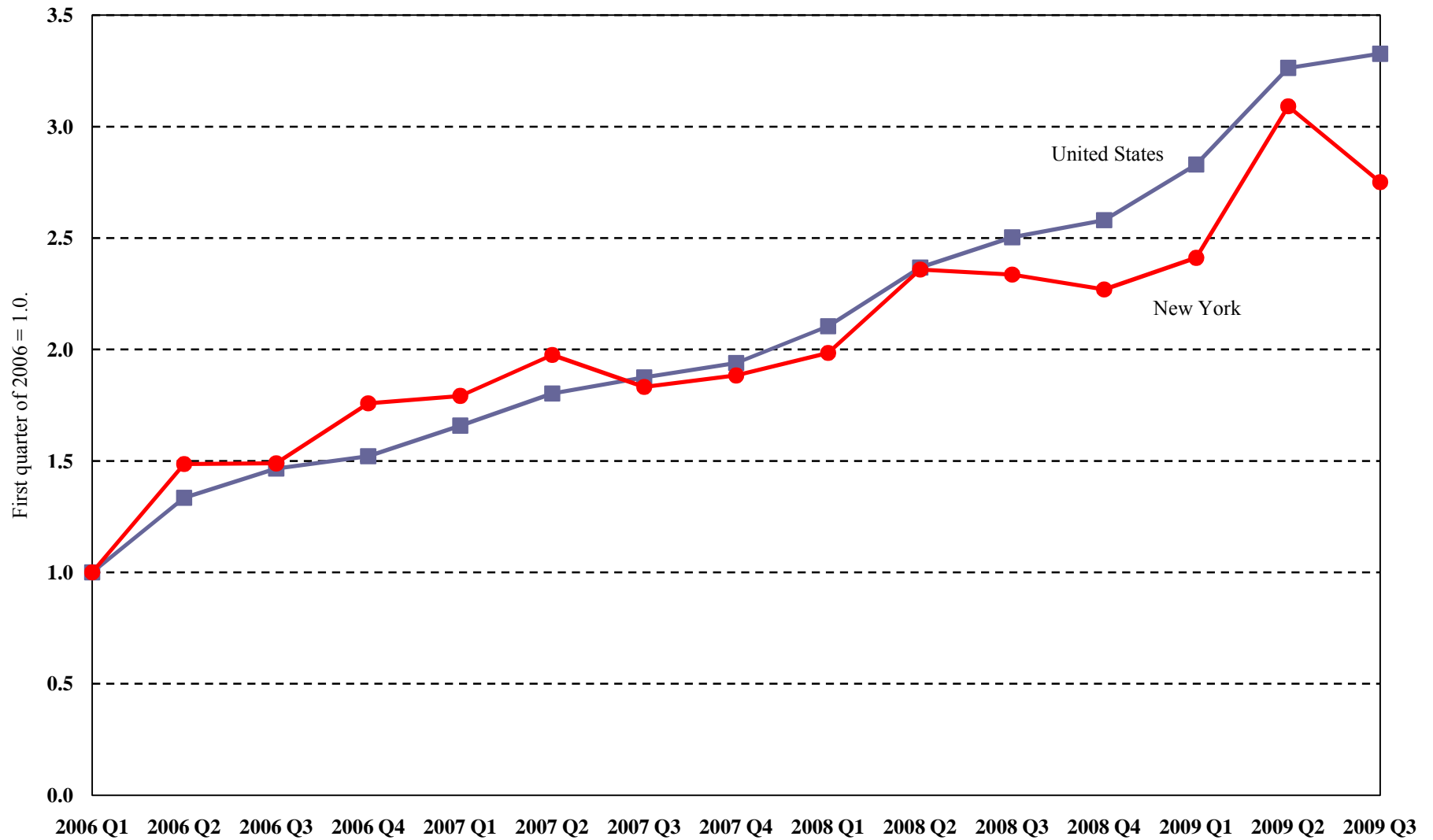
Source: New York State Banking Department & RealtyTrac.

Personal bankruptcies have increased sharply over the past year in New York and across the country.



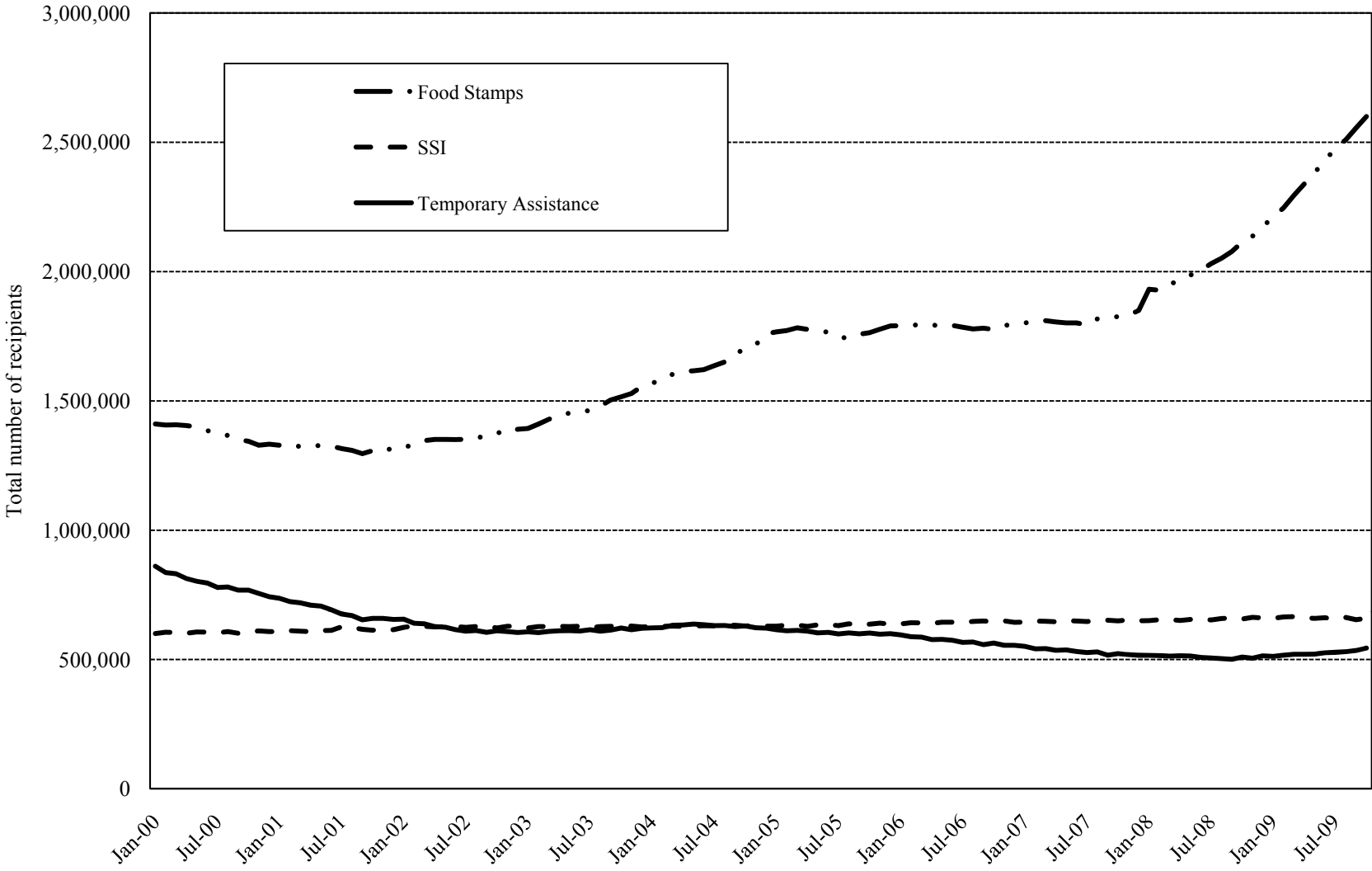
Source: American Bankruptcy Institute, quarterly non-business filings by district.

Business bankruptcies are mounting in New York and the nation.

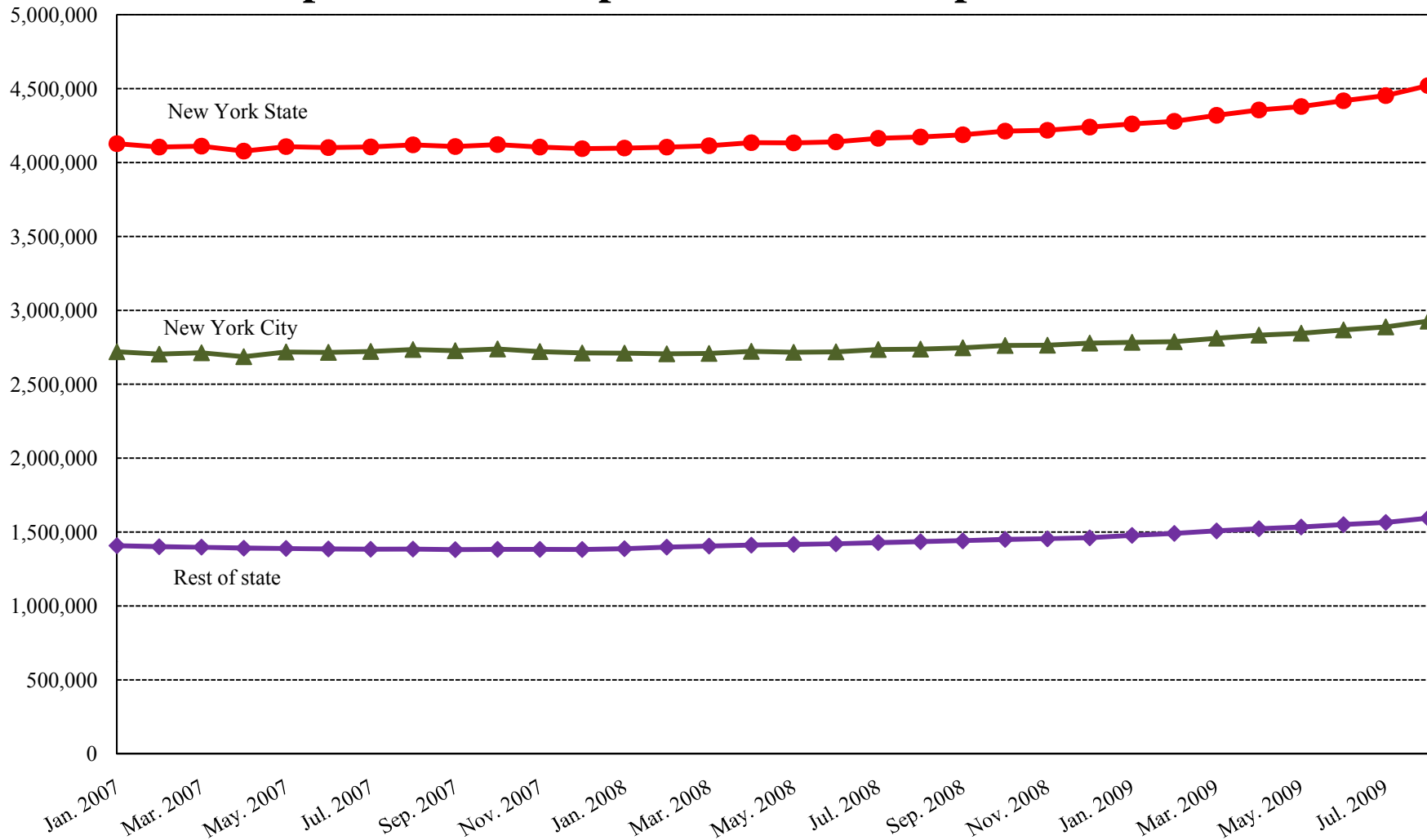


Source: American Bankruptcy Institute (ABI).

The total number of food stamp recipients in New York increased 40 percent since December 2007, while those on temporary assistance increased only 5.5 percent during the same time.



The number of Medicaid enrollees in New York State increased 7.9 percent from September 2008 to September 2009.



Source: New York State Department of Health, Medicaid eligibles and expenditures by county.

New York's economic outlook

The pace of national economic growth is the main determinant of New York's outlook. Severe problems related to housing and consumer debt burdens likely will operate to keep the pace of recovery slower than that following most recessions.

The 2010-11 Executive Budget forecasts moderate real GDP growth of 2.8% in 2010 and 3.3% in 2011. This GDP outlook is about the same as that of the Blue Chip Consensus forecasters, and more optimistic than the January forecast by the CBO.

For both New York and the U.S., most projections foresee a weak and gradual recovery for the job market, with the unemployment rate not reaching pre-recession levels for several years. The 2010-11 Executive Budget is projecting that New York will see much less than half of the 750,000 growth in jobs needed by the end of 2014 to bring the state's unemployment rate to 5.5%. New York's wage and income growth are also likely to remain restrained.

Economic policy considerations

With states facing combined budget deficits of \$350 billion for 2010 and 2011, and state revenues lagging the recovery, more federal fiscal relief to states would help to minimize damaging state budget cuts or tax increases that will dampen consumer spending and business investment.

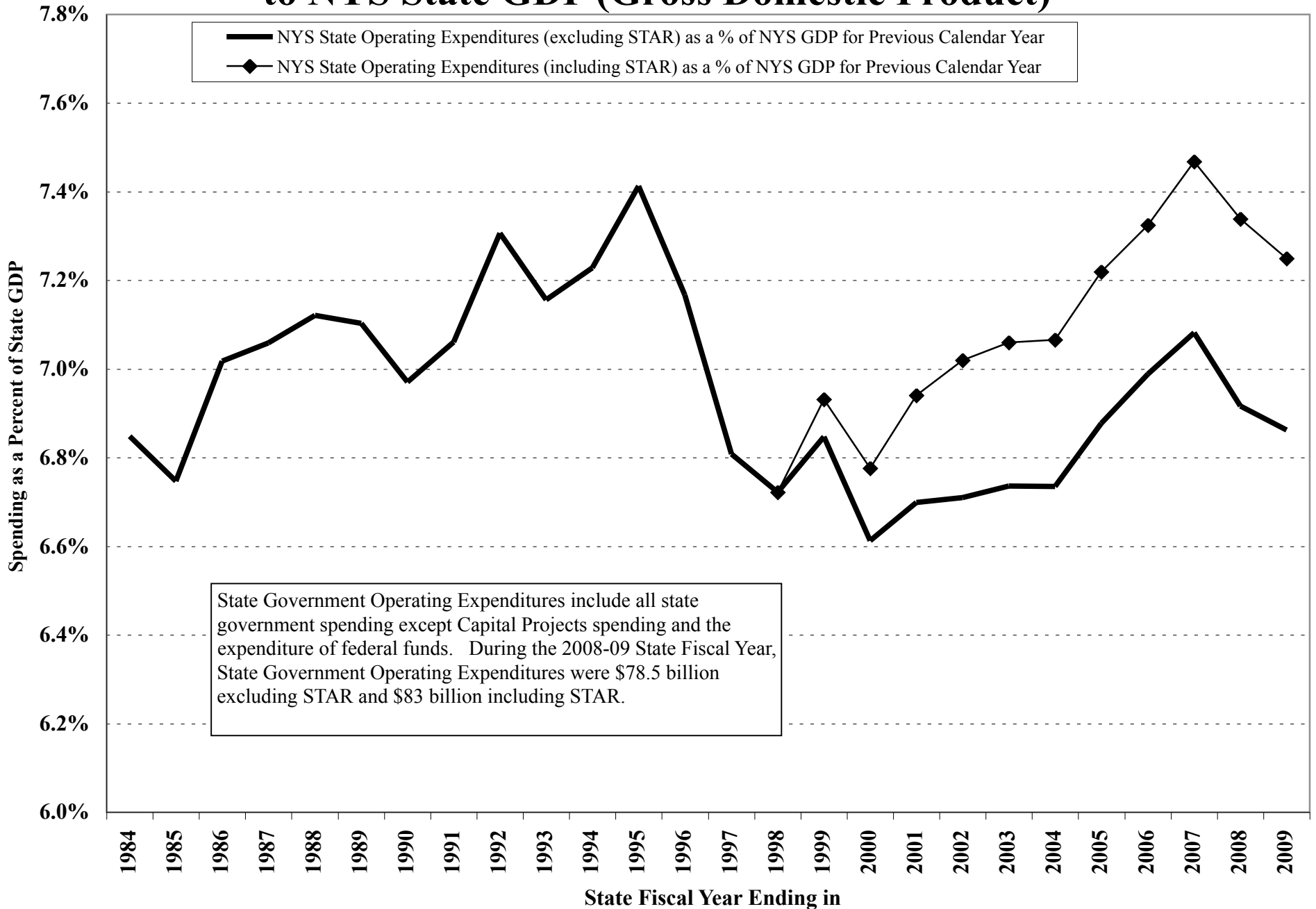
Given the prospect of prolonged high unemployment and the long-term damage that would create, a robust job creation program that includes targeted wage subsidies, public service jobs, and infrastructure investments would boost short- and long-term economic growth.

Near-term economic recovery is more important than reducing the deficit; there is a real risk that a freeze in government spending now could stall the economic recovery.

Finance regulation that protects consumers, pension funds and state/local governments, and that separates proprietary trading from commercial banking (the “Volcker” rule) would lessen the risks of another damaging financial bubble.

II. The Fiscal Context

NYS State Gov't Operating Expenditures Relative to NYS State GDP (Gross Domestic Product)



In constant dollars, New York State spends less for employee wages and salaries now than it did in 1990.

Personal Service expenditures in millions of SFY 2009 dollars

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
State FY 1989-90	\$8,208.9	\$4,693.2	\$12,902.2
State FY 1994-95	\$6,587.4	\$5,498.8	\$12,086.1
State FY 2005-06	\$6,233.5	\$5,404.2	\$11,637.7
State FY 2006-07	\$7,063.3	\$5,205.9	\$12,269.2
State FY 2007-08	\$6,845.5	\$5,339.8	\$12,185.3
State FY 2008-09	\$6,168.1	\$6,440.9	\$12,609.0
Average Annual Change	-\$107.4	\$92.0	-\$15.4
Average Annual Percent Change	-1.49%	1.68%	-0.12%
<u>Total 19 -Year Change</u>			
Amount	-\$2,040.8	\$1,747.7	-\$293.2
Percent	-24.86%	37.24%	-2.27%

Budget Cuts, Revenue Increases, and the State Fiscal Relief part of the American Recovery and Reinvestment Act (ARRA) all played major roles in the balancing of New York State's 2009-10 Budget.

The federal government's state fiscal relief should be extended so that its phase-out dovetails more closely with the recovery of the 50 states' economies and finances.

	Amounts in millions of dollars					
	2008-09	2009-10	2-year Total	2010-11	2011-12	2012-13
Budget Division Forecasts of Current-Services Budget Gaps Before January 2009 through April 2009 Budget Actions	(2,219)	(17,857)	(20,076)	(20,374)	(21,900)	(22,845)
<u>Gap Closing Actions</u>						
Spending Actions	413	6,047	6,460	7,360	8,234	8,138
Revenue Actions	118	5,279	5,397	6,443	4,974	1,110
Non-Recurring Resources	1,064	1,006	2,070	(9)	(64)	(34)
ARRA: Enhanced FMAP/Medicaid Relief	1,299	3,702	5,001	3,387	-	-
ARRA: State Fiscal Stabilization Relief	-	1,150	1,150	1,508	359	-
ARRA: Federal Tax Relief Extended to State Tax Code	-	(2)	(2)	(481)	(360)	(75)
Net Available Resources Applied in 2009-10	(675)	675	-	-	-	-
Total	2,219	17,857	20,076	18,208	13,143	9,139
Projected Current-Services Budget Gaps After Actions	-	-	-	(2,166)	(8,757)	(13,706)

New York State ARRA stimulus spending, by category and county

(Millions of dollars, as of November 2, 2009)

	<u>Total Spending</u>	<u>Food Stamps</u>	<u>Unemployment</u>	<u>Medicaid</u>	<u>Education</u>	<u>Infrastructure</u>
Total	\$18,031.4	\$1,295.9	\$3,940.3	\$2,694.4	\$2,875.9	\$2,010.8
Albany	\$303.1	\$13.5	\$37.1	\$22.3	\$34.3	\$58.9
Allegany	\$36.9	\$2.6	\$5.3	\$3.5	\$7.5	\$16.7
Broome	\$105.0	\$12.3	\$28.2	\$13.2	\$26.7	\$12.7
Cattaraugus	\$135.1	\$4.3	\$12.5	\$5.9	\$12.1	\$14.2
Cayuga	\$74.0	\$4.1	\$11.8	\$4.9	\$9.5	\$16.2
Chautauqua	\$94.6	\$10.0	\$18.4	\$11.2	\$18.9	\$18.8
Chemung	\$45.4	\$5.9	\$12.7	\$7.1	\$11.9	\$4.3
Chenango	\$27.9	\$3.3	\$7.8	\$3.4	\$7.6	\$3.8
Clinton	\$58.0	\$4.9	\$14.4	\$6.1	\$12.1	\$12.5
Columbia	\$45.7	\$2.0	\$7.7	\$3.7	\$8.2	\$22.4
Cortland	\$29.3	\$2.8	\$6.5	\$3.5	\$7.2	\$5.4
Delaware	\$31.8	\$2.1	\$6.5	\$3.2	\$5.8	\$7.3
Dutchess	\$153.2	\$8.1	\$46.4	\$14.8	\$37.8	\$31.4
Erie	\$595.1	\$59.6	\$146.8	\$74.2	\$125.6	\$58.8
Essex	\$47.8	\$1.4	\$4.6	\$2.2	\$3.9	\$19.6
Franklin	\$27.6	\$2.9	\$6.5	\$3.3	\$6.6	\$6.4
Fulton	\$35.0	\$4.0	\$9.0	\$4.8	\$7.9	\$8.0
Genesee	\$37.6	\$2.3	\$9.3	\$3.4	\$8.7	\$4.3
Greene	\$23.9	\$2.3	\$7.1	\$3.3	\$6.5	\$3.2
Hamilton	\$2.8	\$0.1	\$0.4	\$0.2	\$0.4	\$1.5
Herkimer	\$34.7	\$3.9	\$7.4	\$4.7	\$7.9	\$9.7
Jefferson	\$68.7	\$5.7	\$13.8	\$7.4	\$15.3	\$20.6
Lewis	\$16.5	\$1.3	\$3.0	\$1.9	\$3.9	\$5.7
Livingston	\$32.0	\$2.8	\$8.1	\$3.2	\$8.2	\$7.7
Madison	\$36.6	\$3.4	\$8.2	\$3.9	\$9.8	\$5.2
Monroe	\$540.9	\$46.3	\$126.3	\$66.2	\$114.3	\$80.9
Montgomery	\$38.6	\$4.0	\$10.9	\$4.2	\$6.2	\$10.9
Nassau	\$631.6	\$19.8	\$242.0	\$83.0	\$127.7	\$79.6

Notes: "Total Spending" includes all identified ARRA spending in each county. The three categories include only selected areas of spending and therefore do not add up to the county totals.

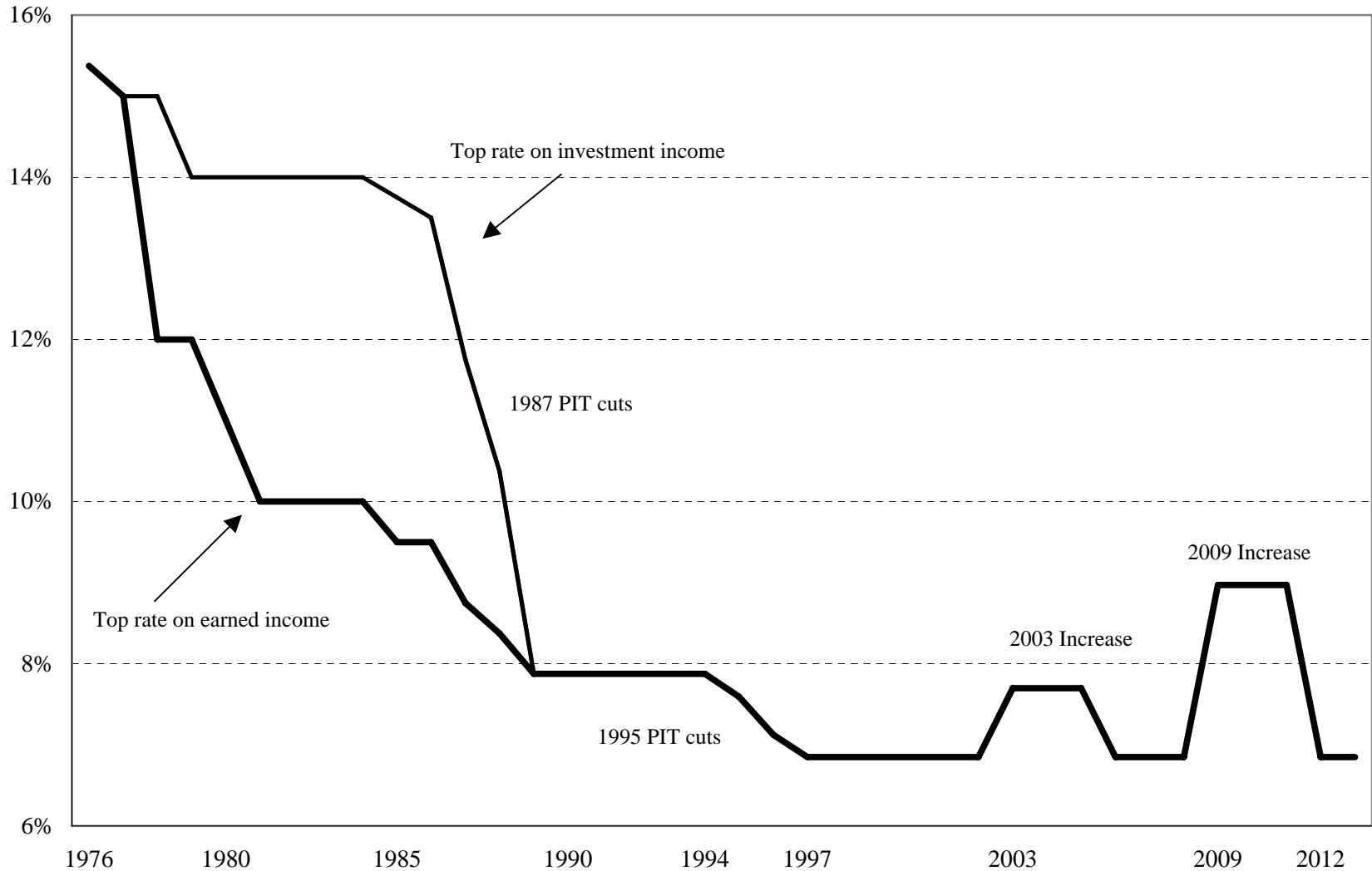
New York State ARRA stimulus spending, by category and county

(Millions of dollars, as of November 2, 2009)

	<u>Total Spending</u>	<u>Food Stamps</u>	<u>Unemployment</u>	<u>Medicaid</u>	<u>Education</u>	<u>Infrastructure</u>
New York City	\$8,159.6	\$837.8	\$1,760.6	\$1,918.5	\$1,419.3	\$632.3
Niagara	\$160.4	\$12.0	\$41.5	\$16.4	\$28.0	\$30.0
Oneida	\$153.6	\$15.5	\$24.2	\$19.1	\$34.7	\$8.5
Onondaga	\$315.8	\$26.1	\$70.5	\$36.3	\$71.6	\$58.3
Ontario	\$55.0	\$3.8	\$13.3	\$5.6	\$15.4	\$6.3
Orange	\$221.8	\$15.8	\$56.6	\$25.2	\$57.8	\$49.8
Orleans	\$35.6	\$2.4	\$5.7	\$3.1	\$6.3	\$16.4
Oswego	\$80.1	\$7.4	\$22.3	\$8.9	\$20.6	\$11.0
Otsego	\$39.5	\$2.3	\$6.0	\$3.7	\$7.6	\$13.9
Putnam	\$39.0	\$0.6	\$17.4	\$3.2	\$9.8	\$7.1
Rensselaer	\$103.3	\$7.4	\$22.6	\$13.1	\$22.4	\$20.1
Rockland	\$172.4	\$14.2	\$45.3	\$22.5	\$36.6	\$31.1
Saratoga	\$89.8	\$5.3	\$27.6	\$8.7	\$27.4	\$14.0
Schenectady	\$150.9	\$7.7	\$23.0	\$12.3	\$28.4	\$11.7
Schoharie	\$20.9	\$1.3	\$4.4	\$2.0	\$4.7	\$7.5
Schuyler	\$10.6	\$1.0	\$2.7	\$1.4	\$2.2	\$2.6
Seneca	\$21.5	\$1.2	\$3.7	\$2.0	\$4.2	\$3.9
St. Lawrence	\$74.8	\$6.3	\$16.4	\$7.9	\$15.2	\$16.9
Steuben	\$157.9	\$4.5	\$15.3	\$7.0	\$14.7	\$34.8
Suffolk	\$1,110.1	\$30.7	\$283.6	\$90.4	\$206.5	\$140.1
Sullivan	\$57.7	\$4.3	\$13.5	\$7.1	\$11.0	\$5.4
Tioga	\$46.0	\$2.5	\$6.5	\$3.0	\$6.5	\$26.1
Tompkins	\$119.4	\$3.6	\$7.1	\$4.0	\$11.5	\$12.7
Ulster	\$103.6	\$6.9	\$27.8	\$12.5	\$23.7	\$25.2
Warren	\$40.2	\$2.8	\$9.4	\$4.4	\$10.2	\$8.9
Washington	\$30.7	\$3.0	\$6.8	\$4.0	\$8.6	\$7.1
Wayne	\$52.8	\$3.9	\$15.1	\$4.8	\$15.7	\$5.3
Westchester	\$552.0	\$27.2	\$162.8	\$75.0	\$95.6	\$109.6
Wyoming	\$25.1	\$1.3	\$5.7	\$2.0	\$4.6	\$2.8
Yates	\$18.9	\$1.2	\$2.2	\$1.5	\$2.4	\$9.0
Other**	\$2,502.9	\$0.0	\$402.0	\$0.0	\$0.0	\$135.9

Notes: "Total Spending" includes all identified ARRA spending in each county. The three categories include only selected areas of spending and therefore do not add up to the county totals. "Other" includes funds where multiple counties share an award and/or where an award is not yet completely distributed.

New York's top personal income tax rate was 15.375% in the early 1970s. It is now 6.85% and was temporarily raised to 8.97% for 2009 through 2011.

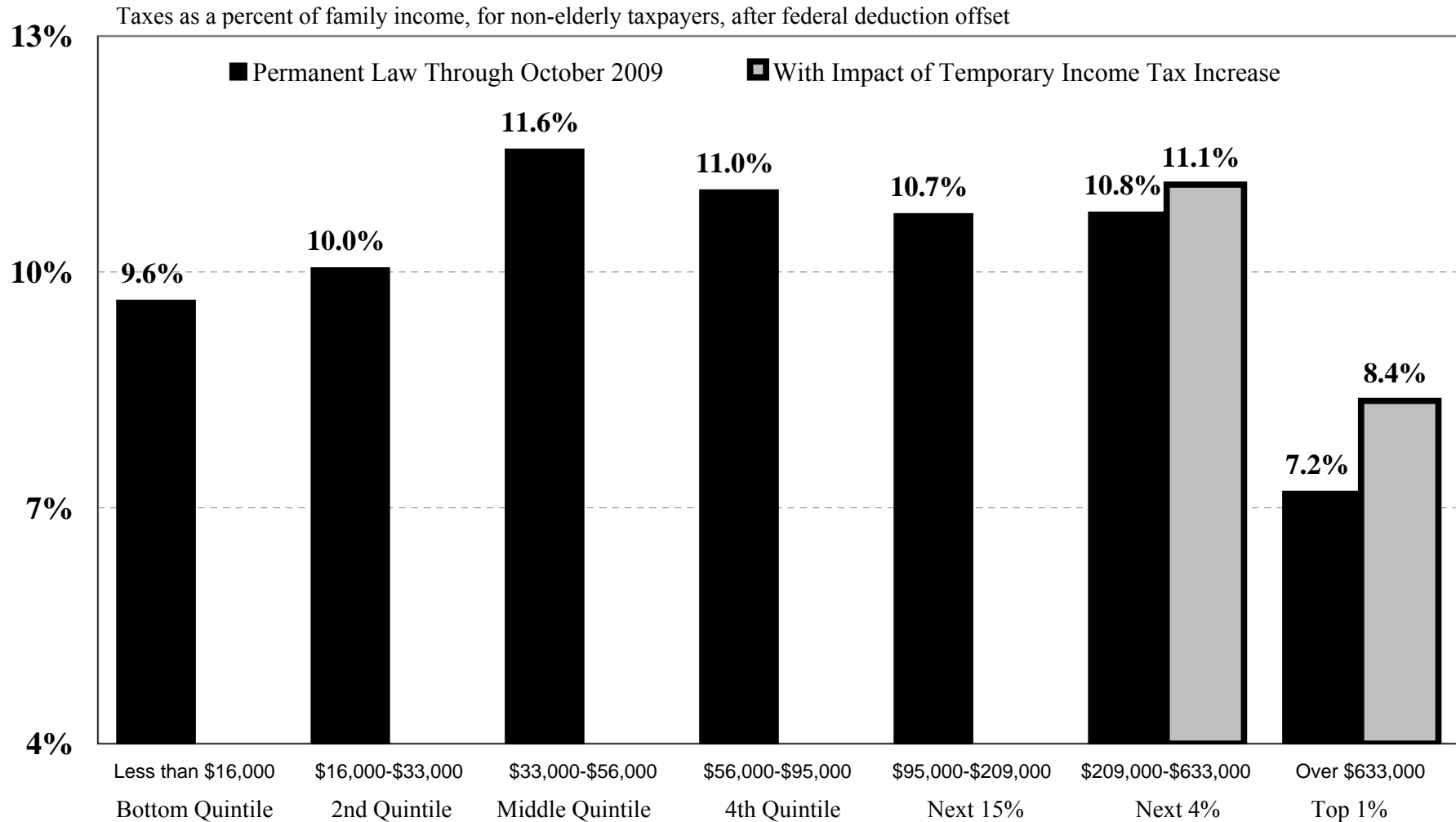


In 2009, New York, New Jersey and Connecticut all raised their top income tax rates on high income taxpayers. These increases were temporary in New York and New Jersey.

	<u>1976</u>	<u>1985</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2006</u>	<u>2008</u>	<u>2009</u>
New York	15.375%	9.5%	6.85%	7.7%	7.7%	6.85%	6.85%	8.97%
New Jersey	2.5%	3.5%	6.37%	6.37%	8.97%	8.97%	8.97%	10.75%
Connecticut	0	0	4.5%	4.5%	5.0%	5.0%	5.0%	6.50%

Note: The tax rates shown above are for wages, salaries and business income. Prior to 1991, Connecticut taxed the interest, dividends and capital gains of high income residents but it did not tax business income, wages, salaries and other income. From 1978 through 1988, New York employed a dual rate system in which it applied a higher top rate to investment income than to wages, salaries and business income. For 1985, the top rate applicable to investment income was 13.5%.

Overall, the wealthiest 1% of households pay a much smaller share of their income in state and local taxes than do all other New Yorkers, even with the temporary income tax increase.



Source: Institute for Taxation and Economic Policy, 2009. Note: 2007 tax law updated to reflect changes in law enacted through October 2009.

State & Local Taxes in 2007 With Temporary PIT Surtax for 2009 - 2011

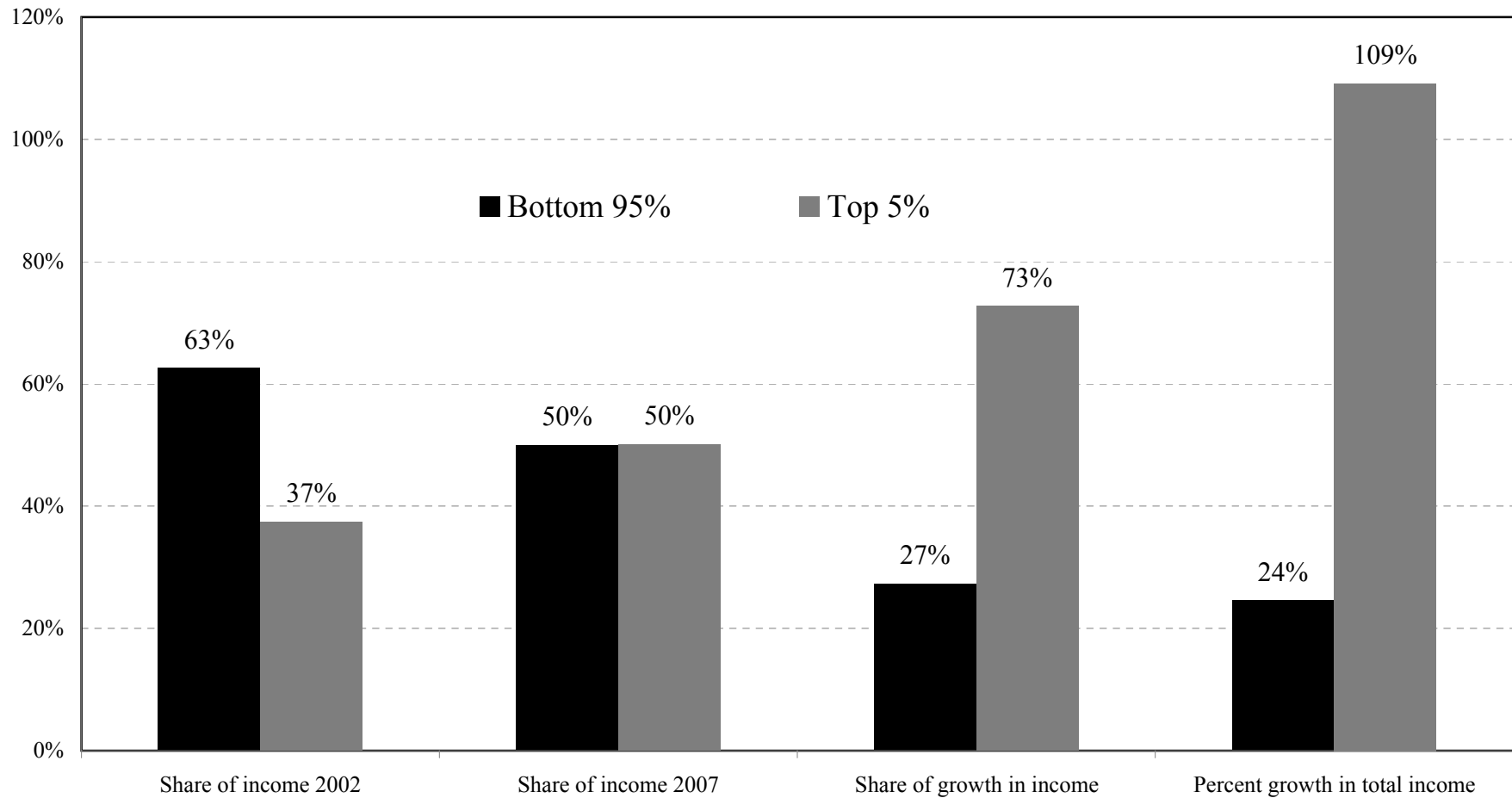
Shares of family income for non-elderly taxpayers

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$16,000	\$16,000 – \$33,000	\$33,000 – \$56,000	\$56,000 – \$95,000	\$95,000 – \$209,000	\$209,000 – \$633,000	\$633,000 or more
Average Income in Group	\$9,600	\$24,400	\$43,800	\$73,100	\$133,000	\$338,100	\$3,065,800
Sales & Excise Taxes	7.3%	6.0%	4.7%	3.7%	2.8%	1.7%	0.9%
General Sales—Individuals	3.6%	3.3%	2.8%	2.3%	1.8%	1.1%	0.6%
Other Sales & Excise—Ind.	1.5%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	2.2%	1.8%	1.4%	1.0%	0.7%	0.4%	0.2%
Property Taxes	5.8%	3.8%	3.9%	3.8%	4.1%	3.3%	1.5%
Property Taxes on Families	5.3%	3.3%	3.4%	3.4%	3.6%	2.6%	0.6%
Other Property Taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	0.9%
Income Taxes	-3.5%	0.3%	3.4%	4.7%	5.8%	7.2%	8.6%
Personal Income Tax	-3.5%	0.3%	3.4%	4.6%	5.7%	7.0%	8.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
TOTAL TAXES	9.6%	10.1%	12.0%	12.2%	12.7%	12.2%	11.0%
Federal Deduction Offset	-0.0%	-0.1%	-0.5%	-1.1%	-1.9%	-1.1%	-2.7%
TOTAL AFTER OFFSET	9.6%	10.0%	11.6%	11.0%	10.7%	11.1%	8.4%

Table shows 2007 tax law updated to reflect changes in law enacted through October 2009.

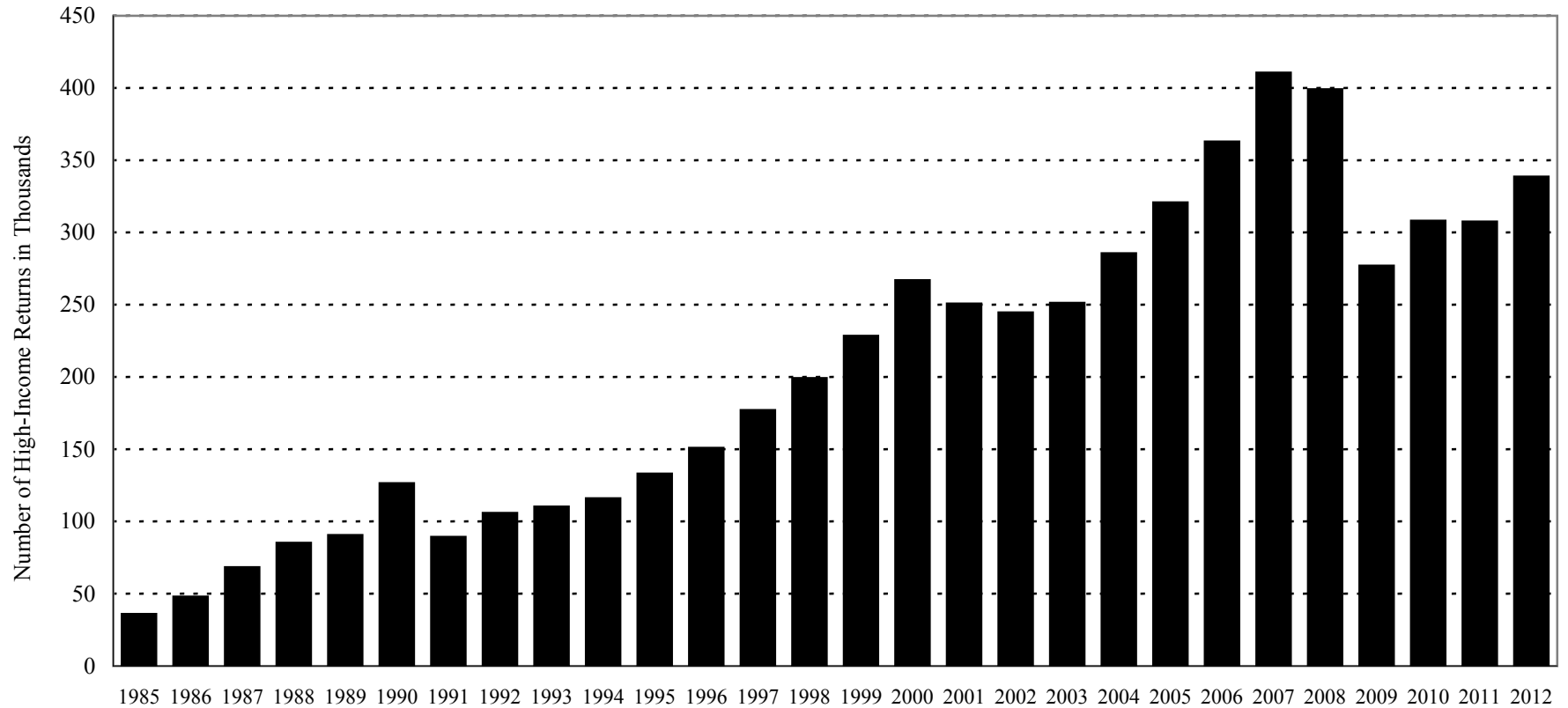
Source: Institute on Taxation & Economic Policy (ITEP), *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*.

**Nearly three-quarters of income growth in New York between 2002 and 2007 went to a small number of families at the top,
The total income of the top 5 percent grew more than four times as fast as total income of the other 95 percent.**



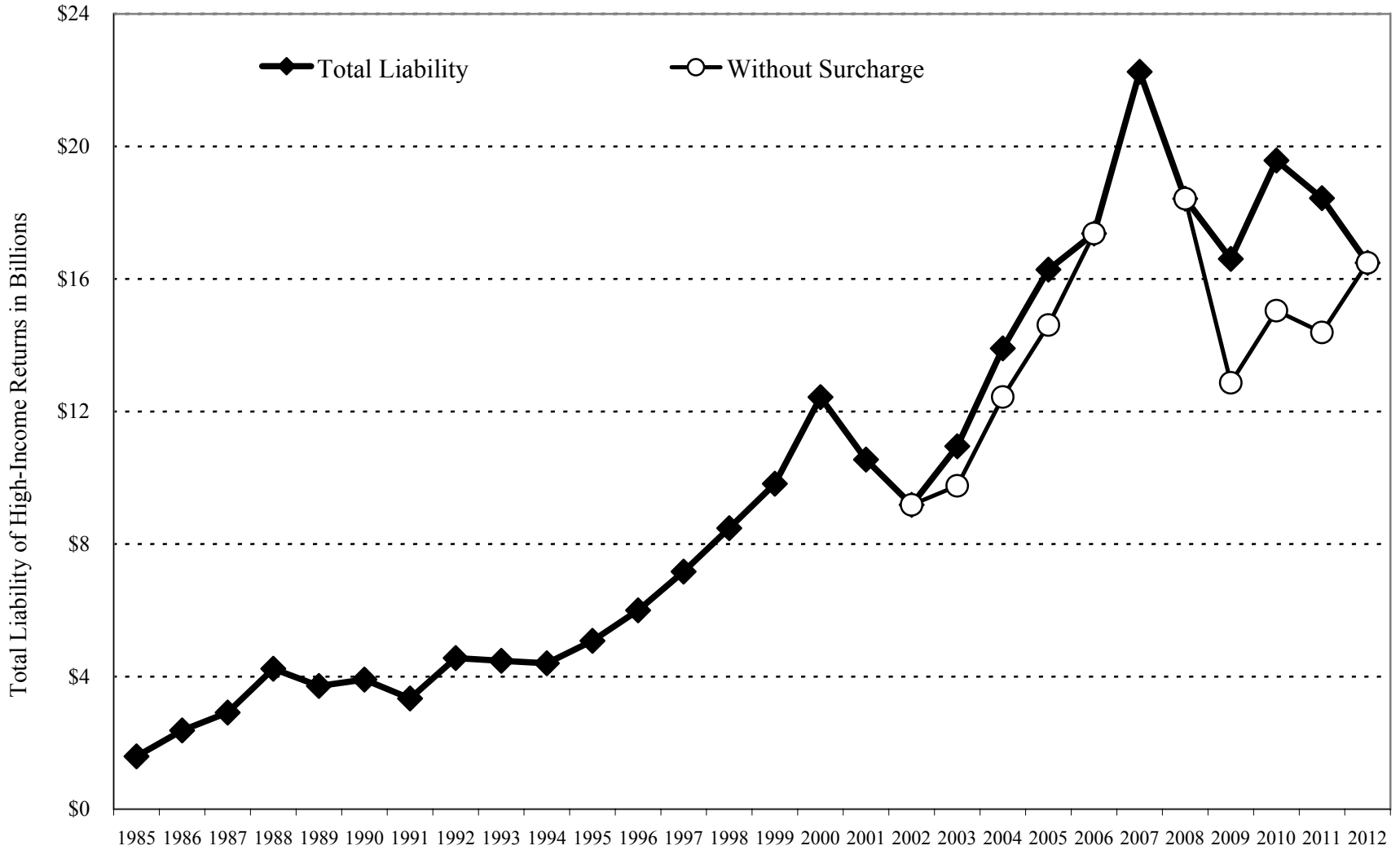
Source: New York City Independent Budget Office, analysis of NYS income tax files

The 2010-11 Executive Budget projects a much weaker recovery in the number of high-income taxpayers than New York experienced after the last recession.



The Division of the Budget defines high-income returns as those reporting NYS Adjusted Gross Income (NYSAGI) of \$200,000 or more.
Source: New York State Division of the Budget, includes DOB estimates for 2008 through 2012.

The 2010-11 Executive Budget estimates that the temporary high-income surcharge will yield \$3.8 billion in 2009, \$4.9 billion in 2010, and \$4.1 billion in 2011.

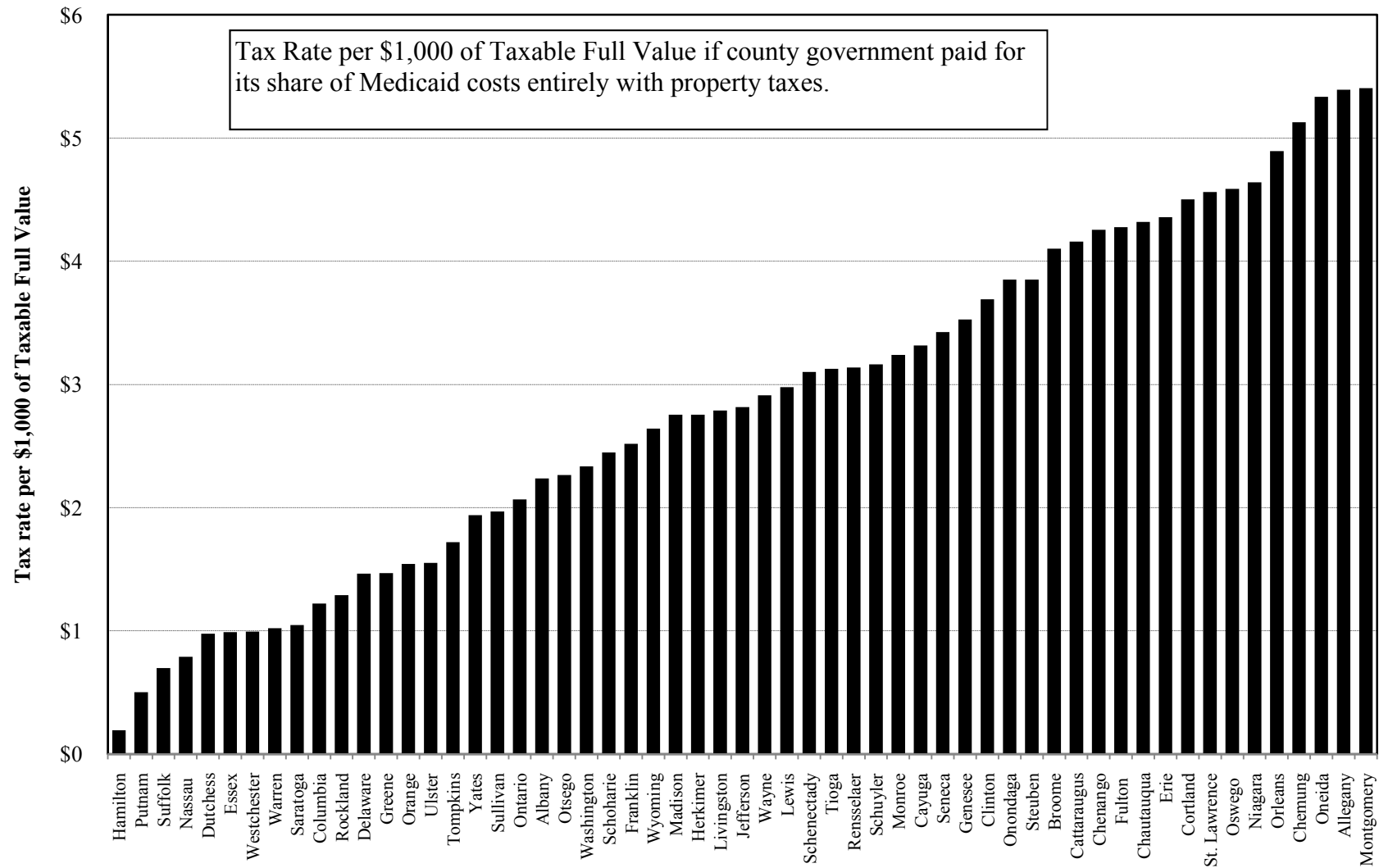


Source: New York State Division of the Budget. Includes DOB estimates for 2008 through 2012.

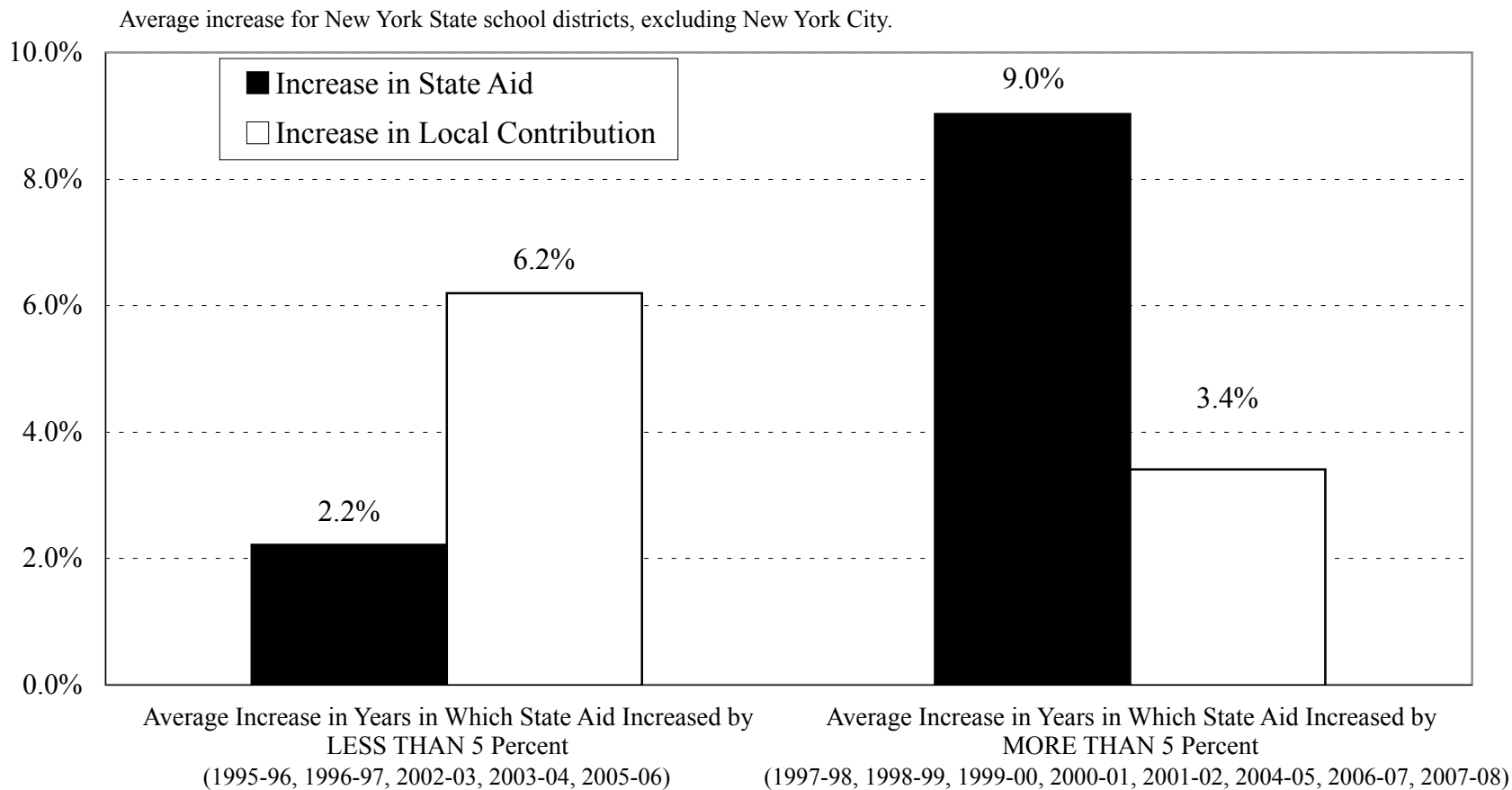
State policy choices have placed great pressure on local property and sales tax bases.

- New York State divides responsibility for the financing of important public services between itself and its local governments in ways that place great pressure on the local property and sales tax bases.
- This is particularly problematical for those localities that have relatively weak tax bases compared to their needs. For example, to cover the local share of Medicaid costs in 2003, it took the equivalent of \$6 per \$1000 of taxable full value in Montgomery and Fulton counties but only \$1 per \$1000 of taxable full value in Nassau and Putnam counties.
- That is because New York divides responsibility for the financing of the non-federal share of Medicaid costs between itself and its local governments on a “one size fits all” basis rather than taking the relative “ability to pay” of various localities into consideration.
- The result is that most of the counties for which local Medicaid costs are high relative to their tax bases are also very close to their constitutional tax limits; and they are counties in which the county government tax levy accounts for a much larger percentage of the total real property tax bill for all purposes (i.e., county, city, town, village, school district, etc.).

Capping the growth in the local share of Medicaid costs has institutionalized the inequity that existed previously.



There is a strong inverse relationship between changes in state aid to education and changes in local property tax levies.



Source: New York State Education Department, Fiscal Profiles. State Aid includes STAR reimbursements.

A Circuit Breaker is the Right Choice for Property Tax Relief but the Executive Budget Circuit Breaker Proposal Has Serious Flaws

- Applies only to school taxes - does not include county and municipal taxes.
- Allows the state to change the credit calculation formula annually.
- The \$2,000 maximum credit eliminates the ability to give meaningful relief to households that are seriously overburdened by property taxes.
- Use future increases in available funding to increase the number of households that will receive benefits rather than providing meaningful relief to households who are most overburdened.
- Reduces the level of circuit breaker relief for those whose local school tax levy increase **exceeds** inflation in a given year and **increases** the level of relief when the levy only rises at the inflation rate or less.
- Does not include renters. Has different income brackets for upstate and downstate which are unnecessary and create inequities.
- Does not address the adequacy and consistency of state aid which directly affects the level of local school property taxes.

III. Economic Security

Economic Security

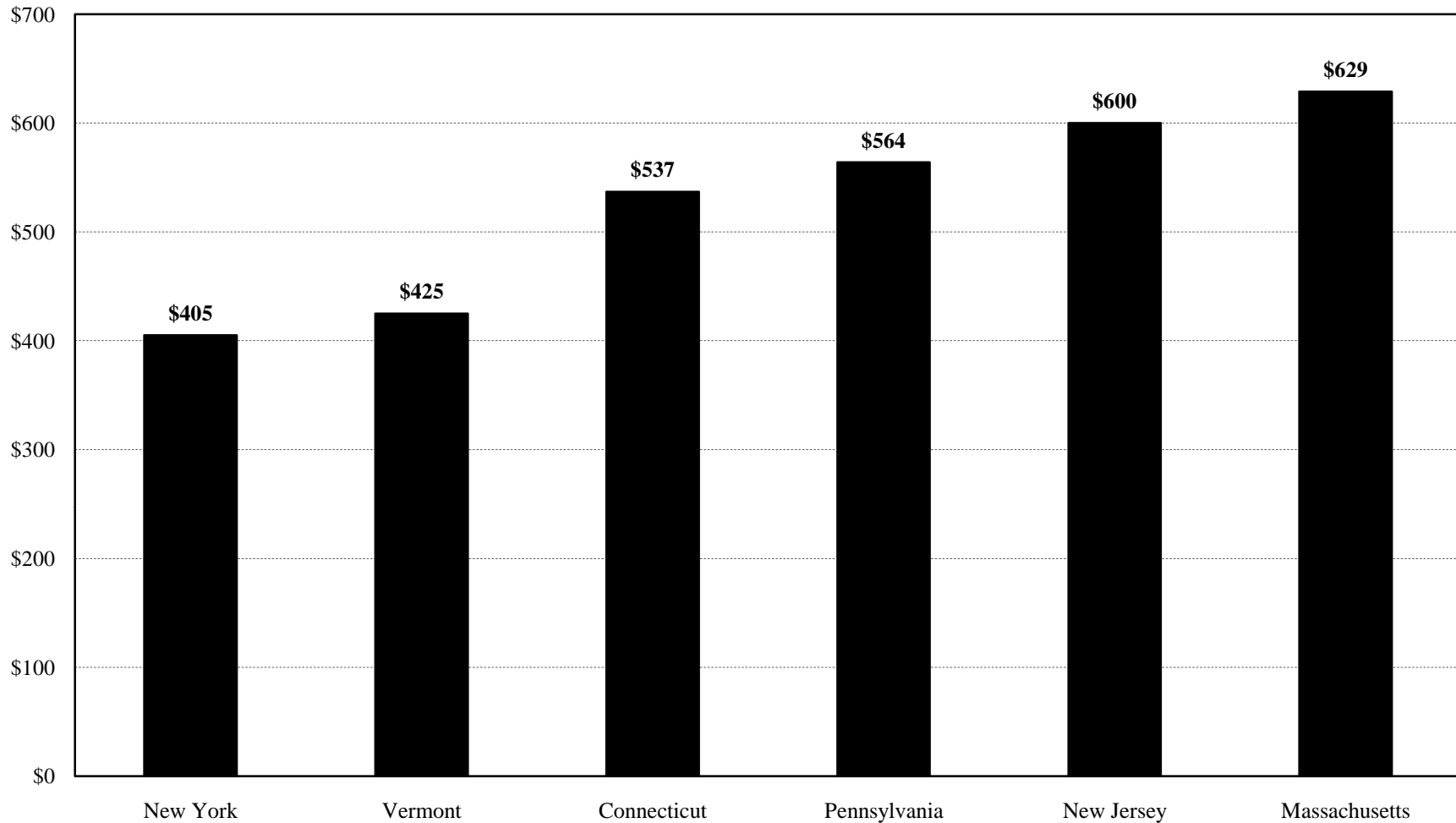
The Great Recession rapidly pushed up the number of unemployed New Yorkers to 850,000, and it looks like unemployment will stay at very high levels for the next 2 to 3 years. Other New Yorkers face crushing debt burdens and many have either already lost their homes or are facing foreclosure and/or bankruptcy. The economic crisis has jeopardized the retirement security of thousands.

Under these circumstances, the state's social safety net that provides assistance to New Yorkers facing hard times is particularly important. There has been a substantial increase over the past two years in the number of New Yorkers receiving food stamps. However, in the wake of "welfare reform" in the mid-1990s, public assistance has served far fewer needy New Yorkers, with the number of recipients more than halved. And, federal and state temporary assistance programs have been slow in helping the vulnerable during the current recession.

State-administered unemployment insurance benefits also have a critical safety net role to play, partially replacing wages for unemployed workers as well as providing a critical injection of spending into local economies. Economists recognize unemployment insurance benefits as one of the most effective forms of economic stimulus. Yet the state's maximum weekly unemployment benefit has remained unchanged since 2000, lagging far behind the level of neighboring states.

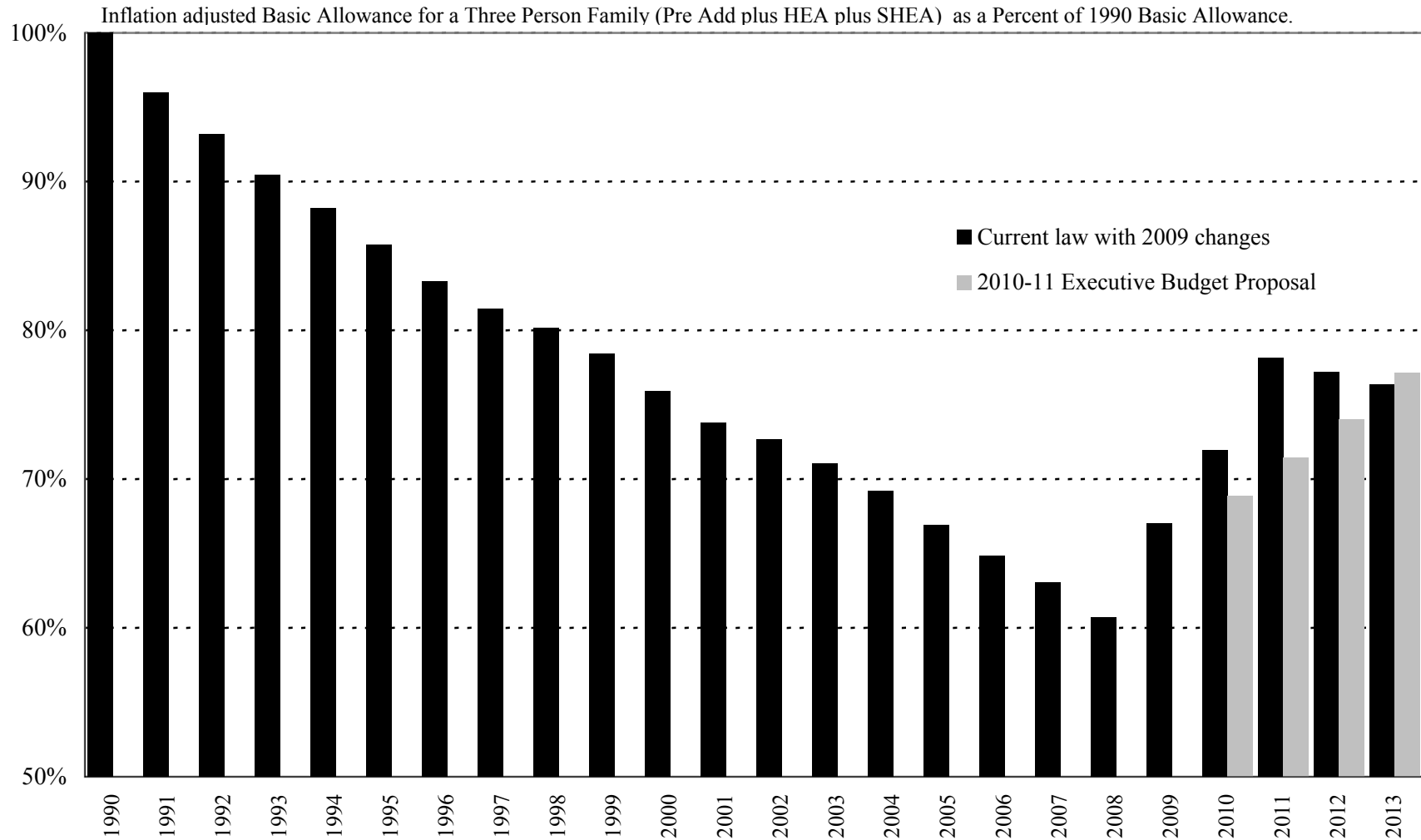
New York faces a 750,000 job gap—the jobs needed over the next five years to restore those lost during the recession and to keep up with labor force growth—to bring the unemployment rate back close to where it was before the downturn. Sound economic development approaches and strong wage and labor standards are both critical to achieving more broadly shared prosperity.

New York's maximum weekly Unemployment Insurance benefit lags behind that of neighboring states.



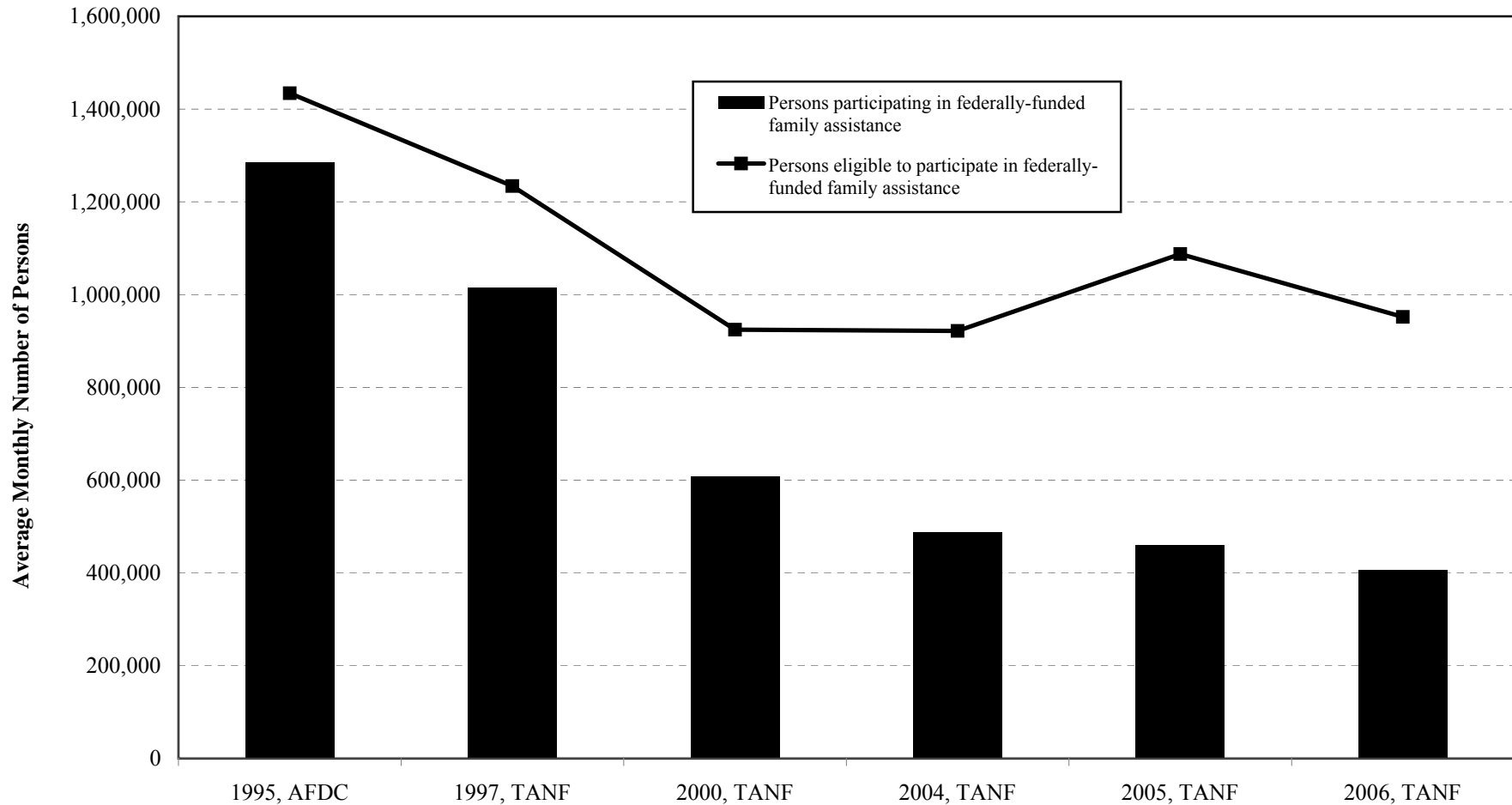
Source: State departments of labor.

In 2009, the Legislature adopted Governor Paterson's proposal for the first welfare grant increase in 19 years. This year the Governor is proposing to stretch out the implementation of that grant increase.



Uses actual CPI-U through 2008, forecasted CPI-U through 2012 are from the Congressional Budget Office.

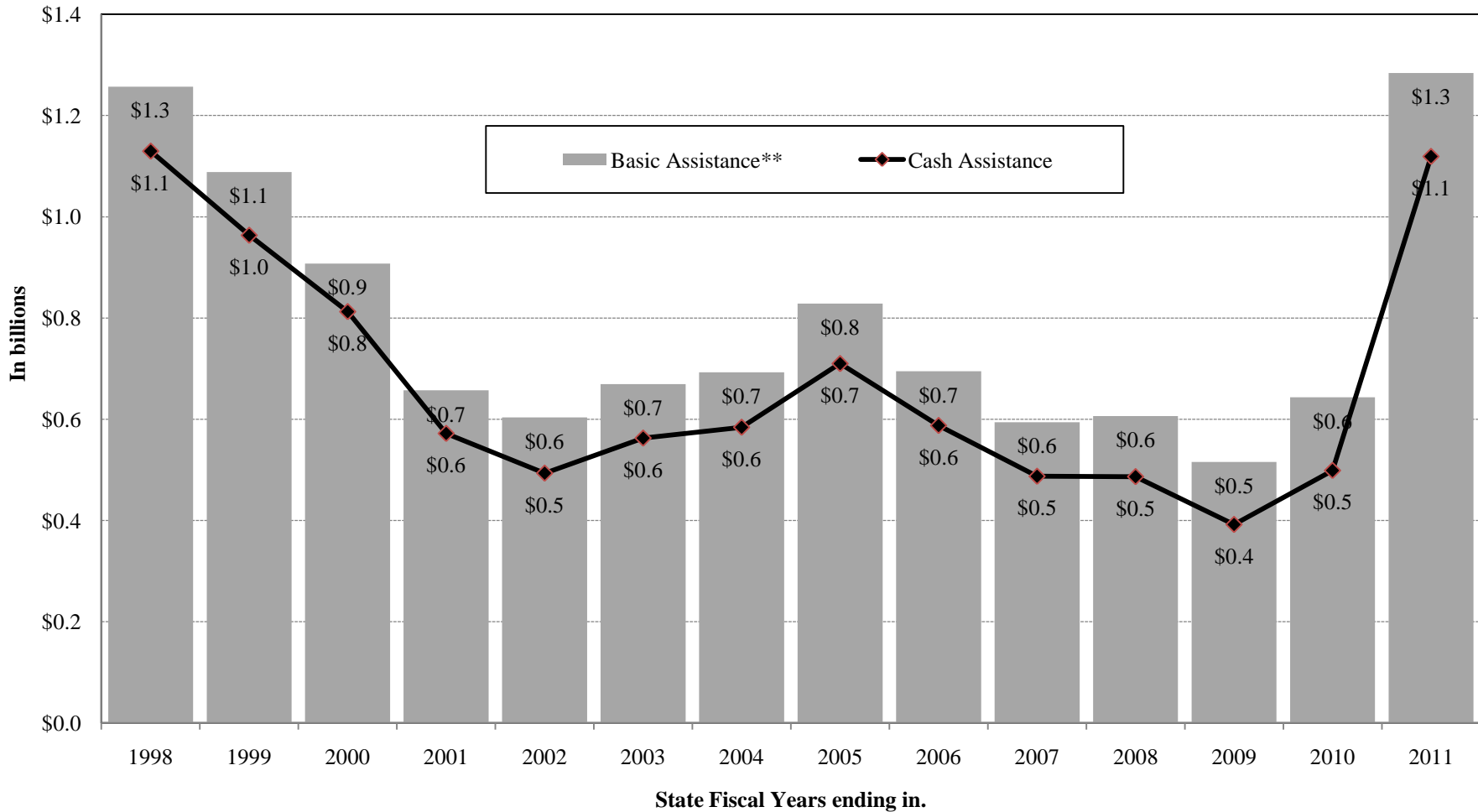
Of those New Yorkers eligible for federally-funded family assistance, the number of persons actually participating decreased from 90% before welfare reform to 43% in 2006.



Before 1997, model makes no inference about undocumented aliens. In 1997 and later, models impute immigration status.

Source: Center on Budget and Policy Priorities use of HHS/Urban Institute TRIM policy microsimulation model, baseline summary tables.

Until 2010, New York's spending on basic assistance from the federal TANF block grant fell by more than half, primarily due to lower spending on cash assistance. In the proposed budget, the TANF block grant will be used to pay for all federal, state and local cash assistance costs.*



*According to the state Division of Budget, adjustments would be made to ensure the local share on total public assistance costs remains the same. **Basic Assistance includes cash assistance, emergency assistance and state operations. New York's fixed annual TANF block grant is \$2.442 billion. Uses enacted figures; 2010-11 is proposed.

New York has made good use of the federal government's TANF Contingency Funds during the current recession. It should continue to do so.

New York's Maximum Allocation of TANF Contingency and TANF Emergency Contingency Funds	TANF Contingency and Emergency Contingency Funds Awarded to New York State to Date		Percent of Maximum Allocation Awarded to Date	Additional Amount Available to New York (by Sept. 30, 2010)
	Pre-ARRA Contingency Fund (now exhausted)	ARRA-created Emergency Contingency Fund		
	\$488.6 million	\$191.4 million		
\$1,221 million	\$680.0 million		55.7%	\$541.5 million

In 2009, Contingency Fund awards allowed New York State to:

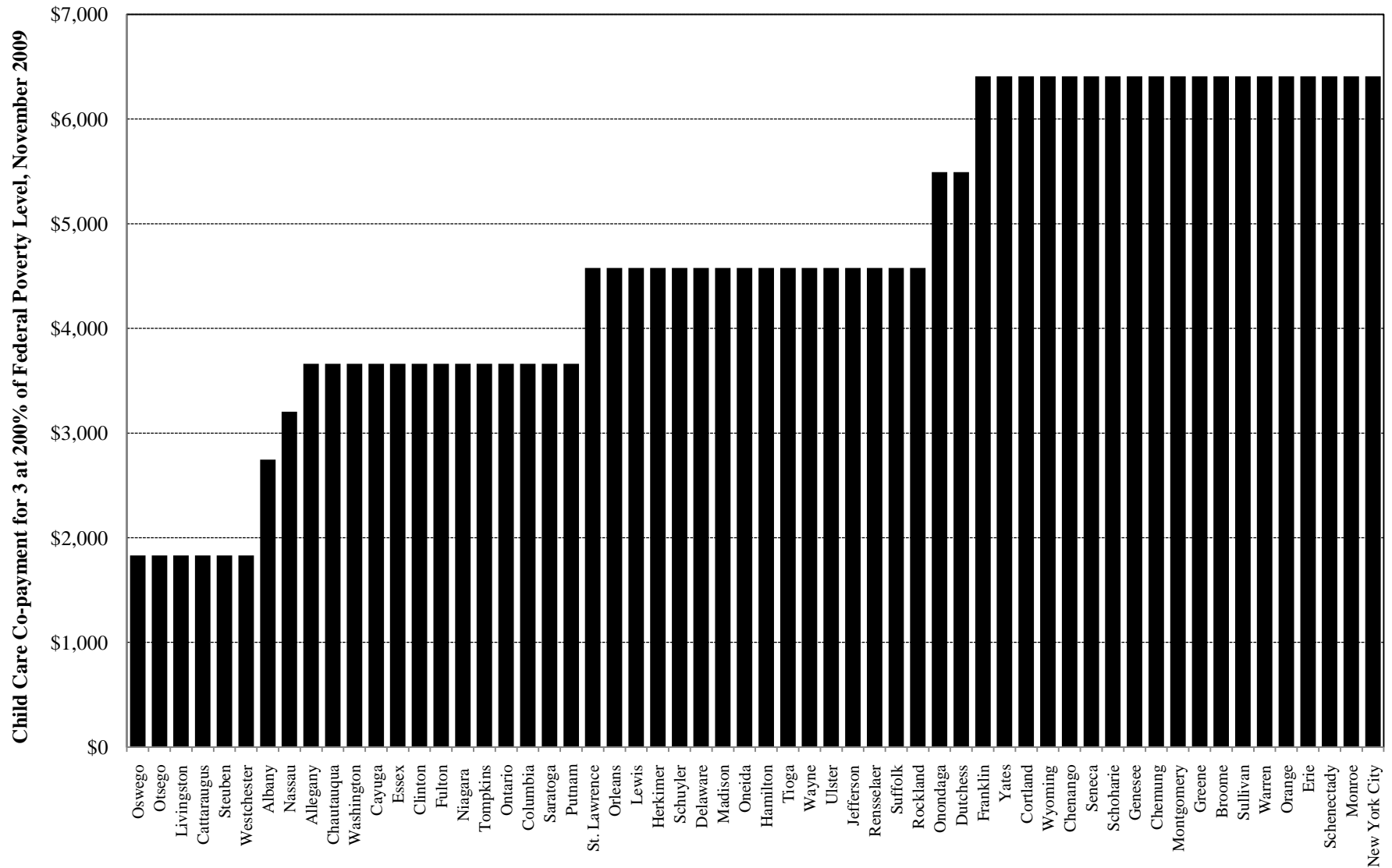
- accelerate the grant increase and set aside funds to pay for 3 years of the local share of the cost of that increase
- restore and initiate TANF services including new subsidized employment programs
- allocate more funds to child care

To date, ARRA Emergency Contingency Funds have been approved on the basis of:

- increased basic assistance costs, \$33 million
- new and expanded subsidized employment program costs, \$18.4 million
- Back to School allowance for over 800,000 children, \$140 million

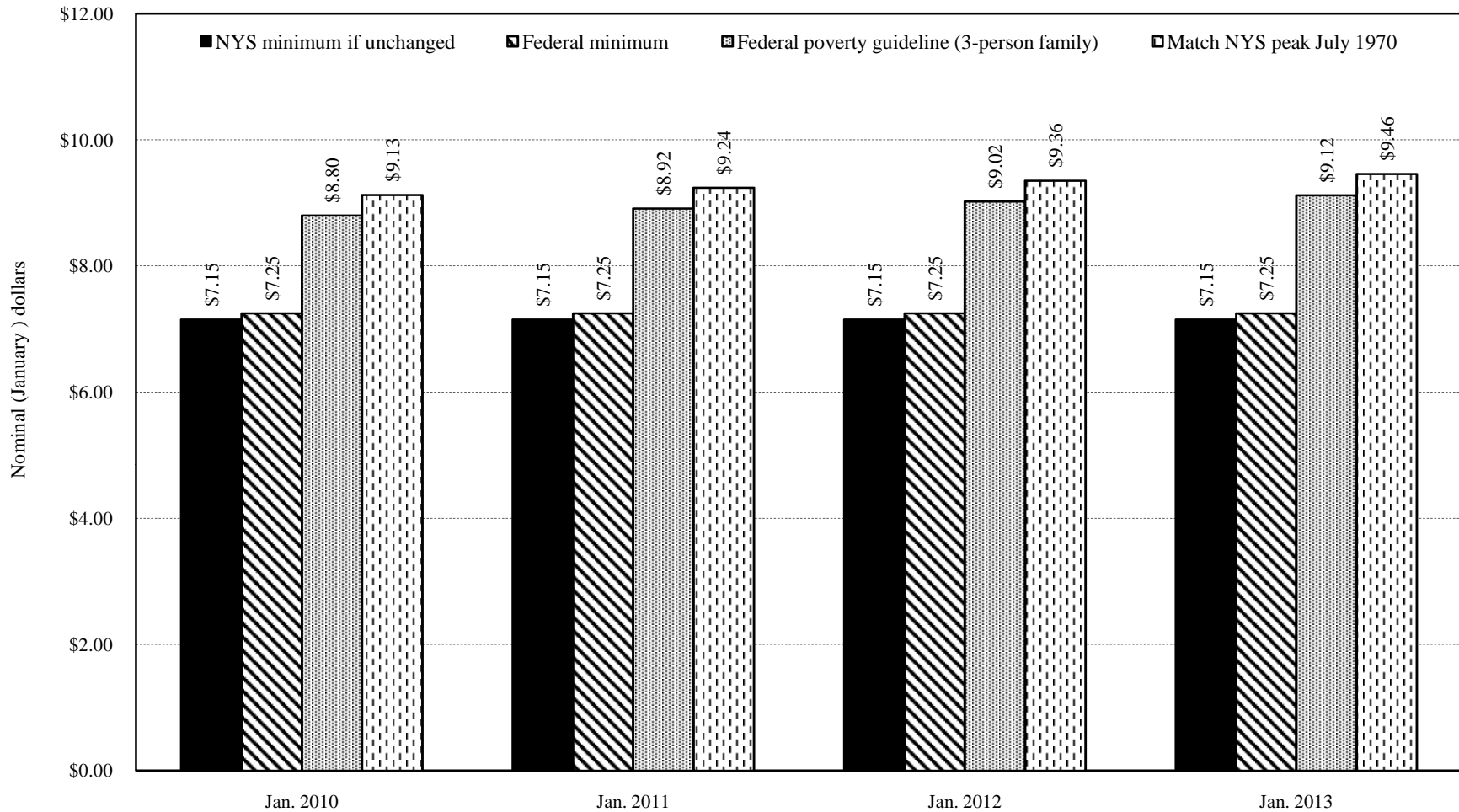
New York State is likely to qualify for additional TANF Emergency Contingency Fund awards of more than \$450 million because of growth in the cost of the state EITC and similar credits for TANF-eligible recipients growth in public assistance and non-recurrent benefit costs.

Inequities in child care subsidies exist in all regions of the state. Families may pay up to 4 times what similarly situated families elsewhere pay.



New York City has a 12% cap that results in lower co-payments depending on family income .

To restore the state minimum wage to its July 1970 peak purchasing power, New York would have to increase its minimum wage to \$9.46 by January 2013.



Note: Inflation (CPI-U) forecasts are based on Congressional Budget Office inflation rate forecasts.

Increased labor standards enforcement is paying off

Since 2007, New York State has sharply increased labor standards enforcement activity, cracking down on worker misclassification and other labor violations. Greater coordination among agencies and agency divisions as well as a more proactive approach to investigations has generated results.

- Almost \$29 million in *unpaid wages* was recovered and disbursed to 18,000 workers in 2009.
- Nearly \$400 million in *unreported wages* and more than \$11 million in *unpaid unemployment insurance taxes* have been identified since September 2007.
- *Fraud complaints and referrals* received by the Department of Labor increased from 325 in 2006 to almost 3,000 in 2009.
- The Workers' Compensation Board has issued 4,000 *stop-work orders* to non-compliant firms since 2007, with over \$32 million in penalties collected from firms for *workers' compensation violations*.

Worker misclassification occurs when an employer treats a worker as an independent contractor in order to avoid paying payroll taxes or pays an employee entirely off the books. Workers lose social insurance and other protections. Ten percent of the state's private sector workforce is misclassified.

The misclassification of workers not only harms workers, but also law-abiding firms who are forced to compete on an unlevel playing field. It shifts costs to workers, businesses and taxpayers.

Retirement Security

The financial meltdown of 2008-09 reduced the retirement savings and jeopardized the retirement security of thousands of New Yorkers. In most states, institutional investors such as pension funds are able to bring civil legal actions against investment advisors in cases where fraudulent activities contributed to investment losses.

Since 1987, New York courts have held that state law does not permit such private legal recourse against securities fraud. State legal actions alleging securities fraud brought by or on behalf of institutional investors in states such as Connecticut, Ohio and California have resulted in settlements worth hundreds of millions of dollars. Settlements have been agreed to by financial firms against which allegations have been made regarding activities such as faking bids, illegal trading, over-charging, and providing misleading advice regarding risky securities.

Proposed legislation in the NYS legislature would establish a private, civil right of action when the state's securities laws (notably the Martin Act) are violated. This would enable institutional investors such as public and private pension funds (as well as university endowments and charitable foundations) to make damage claims to recoup investment losses stemming from fraudulent action.

Economic development in the Governor's budget

Excelsior Jobs Program to Replace Empire Zone Program

The Empire Zone program, offering about \$550-\$600 million in tax credits annually, suffers from a lack of accountability and targeting. The Governor proposes scrapping the program (though some recipients will continue to enjoy benefits for up to ten more years) and replacing it with the Excelsior Jobs Program which would offer credits for job creation, investment, and research and development in specified industries. Targeted industries are manufacturing, internet publishing, software development, scientific research and development, financial services (limited to data or customer service centers), and other industries “with significant potential for private sector economic growth and development in New York state.”

Tax credits for new jobs would range from \$2,500 to \$10,000 per job created, with the level determined by various factors including wages, benefits, and location in a Census tract deemed to be distressed. However, the commissioner of economic development has considerable discretion in determining benefits. Benefits would be limited to five years, and beneficiaries would be required to document jobs created and investments and research undertaken. Recipient firms would be required to be in “substantial compliance with all worker protection and environmental laws and regulations.” The overall cost of the program would be \$50 million per year for five years beginning in tax year 2011 and ending with tax year 2015, with the maximum annual cost projected to be \$250 million in 2016-17.

- *The proposed limit on the cost of the Excelsior program should be tied to the savings that are realized from the phasing out of the Empire Zones program. The annual cost of the two programs together should decline gradually as the cost of the new program phases in and grows to the maximum \$250 million level.*
- *The program needs a stronger clawback policy. Firms that do not meet their obligations under the program should repay in full the amount of the credits received.*
- *The level of tax credits for newly-created jobs should be tied to strong job standards and the process to determine the level of benefits should be transparent.*

Other economic development initiatives in the Governor's proposed budget

The Urban Development Corporation and the Department of Economic Development would be merged into the New York State Job Development Corporation (JDC). JDC will have three principal responsibilities: economic and real estate development; State facility financing; and housing portfolio maintenance.

Small Business Revolving Loan Fund (\$25 million): Improves access to credit for small businesses, particularly minority and women-owned businesses and others having difficulty accessing regular credit markets. (This initiative was one of the main recommendations of the Governor's Task Force on Small Business.)

New Technology Seed Fund (\$25 million): Funds institutions of higher education to develop marketable products, strengthen partnerships with the private sector, and advance the commercialization of new products. [This proposal appears to be very similar to the purposes of the existing Technology Transfer Incentive Program and the existing Small Business Technology Investment Fund, both of which are operated by the New York State Foundation for Science, Technology and Innovation (NYSTAR.) The relationships among these programs should be designed and implemented in ways that will maximize program effectiveness.]

Options for improving the economic security of New Yorkers

Unemployment Insurance

- Phase in an increase in the maximum weekly benefit until it reaches half the state's average wage; index the benefit for inflation thereafter.
- Raise the taxable wage base in order to restore the system's solvency.
- Increase the rate of wage replacement for low-wage workers.

Temporary Assistance

- Phase in the basic assistance grant increase as scheduled.
- Address the barriers that eligible families face in receiving basic assistance.

Child care

- In the short term, cap child care co-payments at 12% of household income. In the long term, implement a co-payment structure that is based on a family's ability to pay.

Minimum wage

- Raise the minimum wage to \$9.46 by 2013 to restore its peak (1970) purchasing power.
- Then index the minimum wage annually to keep inflation from eroding its real value.

Labor standards enforcement

- Benefits to workers, state social insurance programs, state revenues, and responsible employers from vigorous labor standards enforcement justify an expansion of the state's efforts in this area.

Retirement security

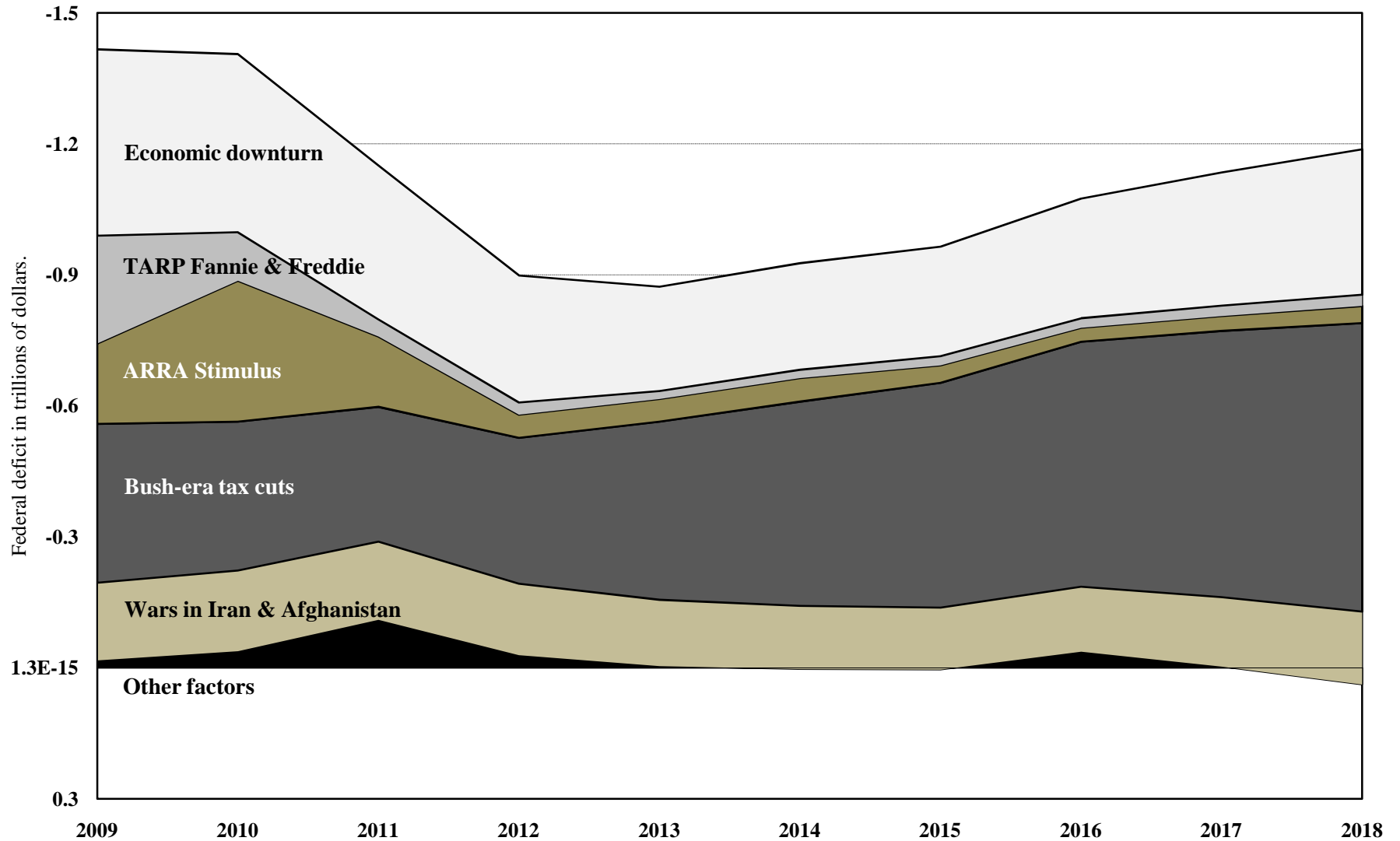
- Empower pension funds to bring civil legal action against New York corporations under the state Martin Act to recoup investment losses resulting from unsound investment practices.

Economic development policy options

- Scrap the Empire Zone Program. Ensure that the Excelsior Program is accountable and efficient.
- Reform the Industrial Development Agencies (IDA). IDAs are locally-controlled authorities that provide such businesses incentives as below-market financing and property, sales and mortgage tax breaks. Too often, IDAs have subsidized poorly-paid jobs that undermine economic development. IDA decision-making should be accountable and more transparent, and the program should require prevailing wage for construction projects and living wages for permanent jobs.
- IDAs now have authority to grant exemptions on a portion of the mortgage transfer tax that is dedicated to transit systems. Legislation submitted with the 2010-11 Executive Budget would restore funding for public transit by revoking the ability of IDAs to grant this exemption.
- When the state invests in promoting technology development or in large projects (such as AMD/Global Foundries,) it should pursue some form of “fair exchange” that enables the state to share in the success of state-funded investments.
- The Green Jobs/Green New York program will leverage Regional Greenhouse Gas Initiative (RGGI) funds to secure private financing to retrofit homes and businesses, creating jobs, reducing greenhouse emissions, and lowering New Yorkers’ energy bills. About 30,000 retrofits will be done in the first year. Ensure that green jobs are good jobs, with strong wage and labor standards.
- New York’s generous Investment Tax Credit (ITC) allows companies to carry forward unused credits for years, even if their investment in the state has ceased. The ITC should be modified to reduce credits provided without any requirement for job creation or retention; and to increase the credits available for creating and then retaining additional jobs in the state.

IV. Federal Issues

Federal deficits and selected components, 2010-2018.



Source: Center on Budget and Policy Priorities analysis of Congressional Budget Office estimates.

The Federal Government and State Budgets During Recessions

- During recessions the federal government tries to stimulate the economy (i.e., “prime the pump”) by increasing spending and cutting taxes. This requires deficit spending. But state governments have to balance their budgets in both good times and bad. So, to balance their budgets during recessions, states almost always end up cutting spending and/or increasing taxes, thus putting more drag on the economy rather than less.
- Since the federal government is responsible for overall macroeconomic management, it makes sense for the federal government to provide fiscal relief to the states during recessions to reduce the amount of budget cutting and tax increasing necessary at the state level. If the federal government doesn’t help the states during recessions, then state budget-balancing actions will cancel out a greater portion of the positive impact of federal stimulus efforts.
- The “state fiscal relief” that was included in the American Recovery and Reinvestment Act (ARRA) played a major role in allowing New York and the other states to balance their 2009-10 with fewer budget cuts and fewer tax increases than would have been necessary otherwise. This “state fiscal relief” should be extended so that its phase-out dovetails more closely with the recovery of the 50 states’ economies and finances.

Climate change

Climate change must be addressed meaningfully and equitably. The Senate should follow the House's lead and include low-income consumer relief in its climate legislation, protecting low-income Americans from the impact of slightly higher prices for food, energy, and other products that climate protection will entail.

Federal minimum wage

The federal minimum wage (currently \$7.25) should be increased to half of the average national wage—about \$9.50 in 2011. The federal minimum wage for tipped workers is only \$2.13. It should be raised to 70 percent of the regular minimum wage. Keep the value of minimum wage workers' earnings from eroding once the minimum reaches 50 percent of the average wage by indexing the wage to annual increases in the average wage.

Employee Free Choice Act (EFCA)

Unionization is key to creating and maintaining the middle class. In the U.S., the typical (median) unionized worker earns about 14 percent more than their non-union counterpart (when relevant individual and employment characteristics are factored in.) For low-wage workers, the union wage premium rises to about 21 percent. EFCA would require a company to recognize a union once a majority of workers have signed a card indicating their desire to unionize. This would avoid a prolonged election process during which employers often fight the unionization drive by intimidating and firing workers. Between 2001 and 2007, pro-union workers were illegally fired in 26 percent of union representation campaigns.

Federal labor standards enforcement

Congress should enact President Obama's proposal to hire new inspectors and investigators for worker protection programs, including additional personnel to crack down on worker misclassification. The President is also supporting legislation to tighten the IRS provision pertaining to employee classification. Joint efforts by the Departments of Labor and the Treasury to target worker misclassification will generate an estimated \$7 billion-plus in additional Treasury receipts over 10 years.

Federal TANF Reauthorization

- Renew focus on temporary assistance as a primary mechanism for alleviating poverty.
- Increase the TANF Block Grant and adjust it annually for inflation. It has declined in real dollars by 27% since the level of the block grant was set in 1996 as part of welfare reform.
- Make it easier for qualified families to apply for and remain enrolled in TANF programs.
- Increase economic opportunities for recipients through broader access to education and training.
- Increase child care funding to support families' efforts to meet work participation requirements.
- Provide more flexibility to states in counting and fulfilling work requirements for individuals with disabilities; families with multiple barriers to work; and, two-parent families.
- Permanently establish or build on the current Emergency Contingency Fund so states can provide the kinds of additional assistance during economic downturns as intended under the ECF.

National health care reform

- **Health care reform is a national priority, and critical for New York State**

The lack of affordable, universal health insurance is one of the most pressing problems facing millions of Americans—whether because they work for a small business, can't afford individual coverage, or have a pre-existing condition that disqualifies them for coverage. There are currently 2.7 million New Yorkers without health insurance.

- **Fiscal impact on New York**

Both the Senate and House health care bills require the states to extend Medicaid coverage (to 150% of poverty and 133% of poverty, respectively). And, both provide aid (an “enhanced match”) to states to help defray costs of people “newly eligible” for Medicaid. But there are significant differences in the formulas for the federal match for people who are newly eligible, and very different definitions of who is “newly eligible.” New York and other states that have been leaders in extending coverage would receive considerably less federal aid if the final legislation does not provide enhanced funding for people in the increased income ranges that these states have already taken the initiative to cover.

- **Funding for hospitals' uncompensated care**

Both the House and Senate proposals would increase the number of people who have coverage while decreasing the Disproportionate Share Hospital (DSH) funding intended to help hospitals with the cost of uncompensated care. The House bill would reduce funding as it is demonstrated that fewer patients are without coverage; the Senate bill is not linked to any measurement of whether or not patients have coverage, making it much more risky.

