News from the
Fiscal Policy Institute

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Statement from the Fiscal Policy Institute on the Proposed Executive Budget:

Budget Austerity will not put New Yorkers back to work
New York needs to grow together, not pull apart

"Our state's economic recovery cries out for a balanced approach to closing New York's budget gap. The budget proposed today by the Governor relies excessively on spending cuts, which increase unemployment and intensify hardships for those bearing the brunt of the recession," said Frank Mauro, Executive Director of the Fiscal Policy Institute, in commenting on Governor Cuomo's proposed 2011-2012 Executive Budget.

The Governor's budget proposal slashes spending for K-12 education aid and calls for 10 percent spending cuts from the current year's level for a host of budget areas affecting New York's disadvantaged and those hardest hit by the recession. These cuts come after several rounds of reductions over the past two years. The $2.85 billion "Gap Elimination Adjustment" for foundation school aid will hit hard at the very school districts with many poor children that are still waiting for the State to make up for years of inadequate aid for a sound basic education.

FPI's Deputy Director and Chief Economist James Parrott said, "The governor's budget plan amounts to an unprecedented retrenchment on New York's commitment to quality public services and affordable and accessible public higher education." The Governor's budget strips $200 million in operating aid away from the MTA, and cuts state funding by 10 percent for SUNY and CUNY community and senior colleges, including cutting back tuition assistance for low-income students. "It is very disturbing that, in the name of improving New York's economy, the Governor is turning his back on precisely those areas that help create and sustain a strong economy and one that provides opportunity for all," Parrott remarked.

Other than some relatively minor corporate tax loophole-closing measures, the Governor proposes to close the state's budget gap almost entirely with dramatic budget cuts. He does not propose any new revenue sources and is allowing the temporary income tax increase for New York's highest income taxpayers to expire. The increase was enacted in 2009 in order to get the state through the period of recession-lowered tax revenues. The weak recovery nationally means that New York's revenues, while improving, are increasing very slowly. The temporary 2009 increase expires at the end of 2011. Extending it will provide over $1 billion for the 2011-2012 state fiscal year, and about $5 billion for the 2012-2013 year.

FPI's Mauro said, "While the Governor talks about bringing all stakeholders to the table, he should be sure to invite New York's wealthiest, particularly those benefiting from the resurgence on Wall Street. It is unfathomable that those who have profited so tremendously from New York's economic growth over the past two decades are not in a position to aid poor and working New Yorkers in this time of need."

FPI's Parrott noted that profits for the five largest Wall Street banks are even greater than last year's record levels. The richest one percent of New Yorkers now receive 35 percent of all income in the state, while they pay a lower state and local tax burden than middle- and low-income state residents.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies and practices that better the economic and social conditions of all New Yorkers.

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