



# Governor Cuomo’s Fiscal Policies: How Will New York’s Economy Be Affected?

Frank Mauro, Executive Director, Fiscal Policy Institute  
June 24, 2011

Governor Cuomo won a great political victory in getting his 2011-2012 budget adopted on time and with very few changes. And it now looks like the Legislature will be enacting—again with very few changes—the very tight cap on property tax levies that the Governor spelled out during his 2010 campaign.

What remains to be seen is how the economy will respond to the Governor’s budget and the tax cap as they are implemented. Counties, towns and most cities have calendar fiscal years,<sup>1</sup> so we will see the initial impact of the cap on those governments during calendar year 2012. But for school districts, which face the most restrictive caps,<sup>2</sup> the caps will first apply to the school years that run from July 1, 2012, through June 30, 2013.

In recent years, neither the U.S. nor the New York economies have been doing well in terms of private sector employment gains and losses. But, on this yardstick, New York has been doing better than the nation as a whole—and better than virtually all the other states. The heads of the New York City Partnership and the Business Council of New York State talk as though New York is doing worse economically than the rest of the nation, and imply that the 2011-12 budget and the new property tax cap will somehow spur a burst of private sector job creation. Their characterization of New York’s economic situation is incorrect and their predictions for the future are based more on anti-government rhetoric than on sound economic reasoning. In fact, the greater risk is that New York’s 2011 fiscal policy changes will slow the recovery down rather than speed it up.

The table at the end of this brief has the latest information from the U.S. Bureau of Labor Statistics on the annual average number of private sector non-agricultural jobs by state, for 2007 through 2010. The table also shows the year-to-year change for 2007-2008, 2008-2009 and 2009-2010 and the three-year change 2007-2010.

Over the period 2007 to 2010, all of New York’s neighboring states had greater net job losses than New York

State	Change in private sector non-farm jobs 2007-2010	Rank among 50 states (from smaller to larger declines)
Connecticut	-5.91%	23
Massachusetts	-3.50%	9
New Jersey	-6.39%	25
New York	-2.62%	5
Pennsylvania	-3.85%	10
Vermont	-4.56%	13

<sup>1</sup> See [www.osc.state.ny.us/localgov/finreporting/fyes.pdf](http://www.osc.state.ny.us/localgov/finreporting/fyes.pdf).

<sup>2</sup> See Robert Lowry, “The Tax Cap Deal,” May 25, 2011 (<http://blog.nycoss.org/2011/05/25/the-tax-cap-deal/>) and Frank Mauro, *Proposed New York property tax cap is much more restrictive than the Massachusetts cap after which it is supposedly modeled*, June 22, 2011 ([www.fiscalpolicy.org/FPI\\_TaxCapComparisonMassNY\\_20110622.pdf](http://www.fiscalpolicy.org/FPI_TaxCapComparisonMassNY_20110622.pdf)).

What the record shows is that in terms of private sector employment, New York did better (or less badly) than the nation as a whole throughout this tumultuous period. For the entire three-year period, only four states (North Dakota, Alaska, Texas and South Dakota) did better than New York. North Dakota and Alaska were the only two states in which private sector employment was higher in 2010 than in 2007. Texas and South Dakota were the only two states that had smaller private sector job reductions than New York.

For each of the last three years, New York did better than the nation as a whole and better than virtually all of the states.

- New York had the 10th best performance from 2007 to 2008, when private sector employment in New York was up 0.61 percent while the other 49 states collectively were down 0.87 percent.
- New York had the 7th best performance from 2008 to 2009, when private sector employment in New York was down 3.37 percent while the other 49 states collectively were down 5.62 percent. Every state in the nation showed a net loss of private sector jobs from 2008 to 2009.
- New York had the 5th best performance from 2009 to 2010, when private sector employment in New York was up 0.16 percent while the other 49 states collectively were down 0.84 percent.

In only one of these three years did any of New York's neighboring states do as well as New York in terms of the net change in its number of private sector jobs. This was from 2009 to 2010 when private sector employment in Massachusetts grew by 0.17 percent while the comparable figure in New York was 0.16 percent.

In 2010, when New York's balanced approach to balancing the budget (including the temporary surcharge on high income taxpayers) was in effect for the full calendar year, only four states in the entire country exceeded New York's modest rate of private sector job growth; and only three additional states had any private sector job growth at all. In fact, if it were not for the reduction in government employment in New York State in 2010, private sector employment would have undoubtedly grown even more than it did.

In the year before Governor Cuomo took office, from January 2010 to January 2011, the total number of non-farm payroll jobs in New York State was up by 56,300.<sup>3</sup> But private sector employment was up by 88,300. The difference between these two figures is explained by the fact that government employment was down, over this one year period, by 32,000.

Under the Governor's budget, as adopted, and with the imposition of the new cap on property tax levies, there are likely to be additional reductions in state and local government employment. This, in turn, will place additional drag on the private sector recovery that is clearly trying to gain traction.

---

<sup>3</sup> See [http://www.labor.ny.gov/stats/ces\\_sa.xls](http://www.labor.ny.gov/stats/ces_sa.xls).

## **Summary and Conclusion**

Every state in the union lost jobs in at least one of the last two years; and 46 states lost jobs in at least two of the last three years. At the other end of the spectrum, New York was one of only four states that had private sector job increases in two of the last three years. That does not mean that the rate of job growth in New York was sufficient. It was not. But the record of the last several years should disabuse policymakers and the media of the notion that New York's fiscal policies are somehow causing it to do worse than the rest of the nation since it has, in fact, been doing better than the rest of the nation.

It remains to be seen if the New York economy will continue to do as well, relative to the nation as a whole, under Governor Cuomo's fiscal policies as it has done under the more balanced fiscal policies of recent years. Hopefully, the private sector recovery will not be undercut by the reductions in jobs in the public and non-profit sectors that are likely to result from the implementation of Governor Cuomo's fiscal policies here in New York and the implementation of similar austerity budgets by many other states and by the federal government.

*The Fiscal Policy Institute ([www.fiscalspolicy.org](http://www.fiscalspolicy.org)) is an independent, nonpartisan, nonprofit research and education organization committed to improving policies and practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.*

*Governor Cuomo's Fiscal Policies: How Will New York's Economy Be Affected?*

**Private Sector Non-Agricultural Employment (in thousands)**

	2007 Annual Average	2008 Annual Average	2009 Annual Average	2010 Annual Average	2007 to 2008 % Change	2008 to 2009 % Change	2009 to 2010 % Change	2007 to 2008 % Change Rank	2008 to 2009 % Change Rank	2009 to 2010 % Change Rank	2007 to 2010 % Change	2007 to 2010 % Change Rank
50-State Total	114,639.5	113,754.4	107,524.5	106,687.3	-0.77%	-5.48%	-0.78%				-6.94%	
Other 49 States	107,406.5	106,477.1	100,492.6	99,643.9	-0.87%	-5.62%	-0.84%				-7.23%	
<b>New York</b>	<b>7,233.0</b>	<b>7,277.3</b>	<b>7,031.9</b>	<b>7,043.4</b>	<b>0.61%</b>	<b>-3.37%</b>	<b>0.16%</b>	<b>10</b>	<b>7</b>	<b>5</b>	<b>-2.62%</b>	<b>5</b>
Alabama	1,629.0	1,608.4	1,502.5	1,482.3	-1.26%	-6.58%	-1.34%	37	39	41	-9.01%	41
Alaska	236.8	240.0	237.2	239.2	1.35%	-1.17%	0.84%	5	2	2	1.01%	2
Arizona	2,255.7	2,187.2	2,006.2	1,960.8	-3.04%	-8.28%	-2.26%	49	49	49	-13.07%	49
Arkansas	993.7	988.8	947.8	945.0	-0.49%	-4.15%	-0.30%	23	16	10	-4.90%	15
California	12,679.0	12,462.5	11,605.2	11,469.3	-1.71%	-6.88%	-1.17%	43	43	35	-9.54%	44
Colorado	1,956.6	1,966.2	1,855.1	1,826.6	0.49%	-5.65%	-1.54%	12	30	43	-6.64%	26
Connecticut	1,449.0	1,446.5	1,378.4	1,363.3	-0.17%	-4.71%	-1.10%	20	21	34	-5.91%	23
Delaware	377.0	374.0	353.3	348.8	-0.80%	-5.53%	-1.27%	30	29	36	-7.48%	33
Florida	6,895.9	6,608.8	6,139.2	6,060.3	-4.16%	-7.11%	-1.29%	50	44	37	-12.12%	48
Georgia	3,473.0	3,411.5	3,191.3	3,148.1	-1.77%	-6.45%	-1.35%	45	38	42	-9.36%	43
Hawaii	502.8	494.2	466.0	461.7	-1.71%	-5.71%	-0.92%	44	31	28	-8.17%	37
Idaho	538.2	529.6	490.4	483.9	-1.60%	-7.40%	-1.33%	41	46	39	-10.09%	46
Illinois	5,131.1	5,093.8	4,799.8	4,753.7	-0.73%	-5.77%	-0.96%	29	32	31	-7.36%	32
Indiana	2,554.6	2,516.2	2,348.7	2,355.0	-1.50%	-6.66%	0.27%	40	41	3	-7.81%	35
Iowa	1,269.2	1,271.5	1,224.2	1,215.6	0.18%	-3.72%	-0.70%	14	8	19	-4.22%	11
Kansas	1,121.8	1,130.6	1,081.8	1,061.1	0.78%	-4.32%	-1.91%	8	18	47	-5.41%	19
Kentucky	1,543.4	1,528.8	1,444.9	1,438.4	-0.95%	-5.49%	-0.45%	34	27	13	-6.80%	28
Louisiana	1,560.0	1,573.0	1,532.3	1,518.1	0.83%	-2.59%	-0.93%	7	3	29	-2.69%	6
Maine	513.5	512.8	492.6	489.1	-0.14%	-3.94%	-0.71%	19	13	20	-4.75%	14
Maryland	2,129.9	2,112.2	2,029.4	2,012.3	-0.83%	-3.92%	-0.84%	32	12	26	-5.52%	20
Massachusetts	2,847.9	2,853.0	2,743.4	2,748.2	0.18%	-3.84%	0.17%	15	10	4	-3.50%	9
Michigan	3,612.1	3,512.1	3,225.5	3,225.7	-2.77%	-8.16%	0.01%	47	48	7	-10.70%	47
Minnesota	2,356.7	2,344.1	2,237.8	2,220.5	-0.53%	-4.53%	-0.77%	26	19	23	-5.78%	22
Mississippi	908.8	899.7	846.5	840.6	-1.00%	-5.91%	-0.70%	35	34	18	-7.50%	34
Missouri	2,354.8	2,342.8	2,232.0	2,196.6	-0.51%	-4.73%	-1.59%	25	22	44	-6.72%	27
Montana	357.6	357.6	340.3	337.7	0.00%	-4.84%	-0.76%	17	24	22	-5.56%	21
Nebraska	795.0	801.0	776.1	770.0	0.75%	-3.11%	-0.79%	9	5	25	-3.14%	7
Nevada	1,135.5	1,101.4	989.8	960.6	-3.00%	-10.13%	-2.95%	48	50	50	-15.40%	50
New Hampshire	554.2	552.9	529.8	525.7	-0.23%	-4.18%	-0.77%	21	17	24	-5.14%	17
New Jersey	3,431.2	3,401.7	3,242.5	3,212.0	-0.86%	-4.68%	-0.94%	33	20	30	-6.39%	25
New Mexico	648.9	649.2	613.4	602.3	0.05%	-5.51%	-1.81%	16	28	46	-7.18%	30
<b>New York</b>	<b>7,233.0</b>	<b>7,277.3</b>	<b>7,031.9</b>	<b>7,043.4</b>	<b>0.61%</b>	<b>-3.37%</b>	<b>0.16%</b>	<b>10</b>	<b>7</b>	<b>5</b>	<b>-2.62%</b>	<b>5</b>
North Carolina	3,457.3	3,429.4	3,200.2	3,157.6	-0.81%	-6.68%	-1.33%	31	42	40	-8.67%	40
North Dakota	282.7	291.0	288.8	295.7	2.94%	-0.76%	2.39%	2	1	1	4.60%	1
Ohio	4,630.9	4,566.2	4,284.6	4,248.3	-1.40%	-6.17%	-0.85%	38	36	27	-8.26%	39
Oklahoma	1,243.0	1,264.0	1,202.1	1,186.6	1.69%	-4.90%	-1.29%	4	25	38	-4.54%	12
Oregon	1,441.6	1,420.4	1,313.1	1,300.4	-1.47%	-7.55%	-0.97%	39	47	32	-9.79%	45
Pennsylvania	5,053.1	5,050.1	4,858.4	4,858.7	-0.06%	-3.80%	0.01%	18	9	8	-3.85%	10
Rhode Island	428.2	418.4	398.4	397.0	-2.29%	-4.78%	-0.35%	46	23	11	-7.29%	31
South Carolina	1,607.5	1,580.2	1,467.5	1,460.0	-1.70%	-7.13%	-0.51%	42	45	15	-9.18%	42
South Dakota	331.0	335.2	325.9	324.1	1.27%	-2.77%	-0.55%	6	4	16	-2.08%	4
Tennessee	2,376.1	2,347.1	2,191.4	2,180.6	-1.22%	-6.63%	-0.49%	36	40	14	-8.23%	38
Texas	8,660.0	8,828.1	8,486.0	8,481.7	1.94%	-3.88%	-0.05%	3	11	9	-2.06%	3
Utah	1,046.4	1,040.8	974.2	964.6	-0.54%	-6.40%	-0.99%	27	37	33	-7.82%	36
Vermont	254.5	253.0	242.7	242.9	-0.59%	-4.07%	0.08%	28	14	6	-4.56%	13
Virginia	3,078.4	3,068.5	2,942.1	2,924.4	-0.32%	-4.12%	-0.60%	22	15	17	-5.00%	16
Washington	2,399.8	2,412.6	2,271.7	2,230.7	0.53%	-5.84%	-1.80%	11	33	45	-7.05%	29
West Virginia	613.0	615.0	595.8	593.4	0.33%	-3.12%	-0.40%	13	6	12	-3.20%	8
Wisconsin	2,468.4	2,456.2	2,331.5	2,314.7	-0.49%	-5.08%	-0.72%	24	26	21	-6.23%	24
Wyoming	221.7	228.8	214.8	210.0	3.20%	-6.12%	-2.23%	1	35	48	-5.28%	18

Source: U.S. Bureau of Labor Statistics.