The Fiscal Policy Institute (FPI) wishes to thank the Ford and Charles Stewart Mott Foundations for their support of the state fiscal analysis work that makes this briefing book and the briefings at which it is being presented possible. FPI also wishes to thank the many organizations, including other foundations, labor unions, faith-based organizations, human services providers and advocates, and community and good government groups that support FPI's work and/or disseminate the results of FPI’s analysis.

Additional information on state fiscal and economic issues and copies of the Fiscal Policy Institute’s publications are available via the Internet at www.fiscalpolicy.org.

January 31, 2012
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I. Budget Overview
A New Era in Budgeting for New York State

- According to the 2012-13 Executive Budget, New York State’s projected budget deficit for the upcoming state fiscal year stood at $3.5 billion before the December 7, 2011, special session of the Legislature at which the Governor and the Legislature agreed on a plan to continue a portion of the high-end income tax brackets which were scheduled to sunset on December 31st.

- Since the estimated annual yield, at the time, of those temporary top income tax rates was approximately $4.7 billion, it appears that New York State was clearly living within its means—contrary to the opinion of its critics. Quite simply, if the then current law were not about to sunset, New York would have had a projected surplus of about $1.2 billion rather than a projected deficit of $3.5 billion.

- But the state’s projected deficit could have also been greater than $3.5 billion; if, for example, the Governor and the Legislature had not amended the school finance reforms enacted in 2007 to provide that School Aid could not grow faster than the growth in NYS personal income.

- The reality of this situation is that New York State has now established a version of “current services” budgeting that is quite malleable. In its multi-year financial planning, New York State has traditionally attempted to forecast the relationship between (1) the disbursements necessary to maintain current service levels and to meet other commitments and (2) the moneys and revenues estimated to be available therefor. The new twist is that those other commitments can be to do less than is necessary to maintain current services.
The New York State budget in the context of the Great Recession

- During the Great Recession, New York State has done better economically than the nation as a whole and better than virtually all the other states. But this is of little consolation given how hard the national and state economies have been hit.

- In 2009, New York faced a budget gap that kept growing and growing during the budget process. The 2009-2010 budget ended up being balanced in a very balanced way, which helps to explain New York’s relatively strong economic performance during the horrific downturn of 2008 and 2009. One third of the 2009-10 gap was closed with revenues primarily from a temporary high end income tax increase; one third with state fiscal relief from the federal government via the American Recovery and Reinvestment Act (ARRA); and one third with spending cuts.

- Two thirds of the 2010 two-year gap of $9.2 billion was closed with spending cuts, about 15% with new revenues and about 12% with additional federal aid.

- The current 2011-2012 budget saw a further increase in the reliance on spending cuts to close 85% of a $10 billion gap, with only 3% coming from new revenues.

- Depending on whether you consider this past December’s personal income tax restructuring to be a tax increase or a tax reduction, those changes either reduced the gap from $3.5 billion to $2 billion or simply reduce the gap that was being created by the expiration of the top rates that had been in effect from 2009 through 2011.

- Regardless of where one comes down on that philosophical debate, the current reality is that the Executive Budget now before the Legislature is proposing an additional $1.1 billion in cuts in state agency operations and $750 million in cuts in local assistance.
Great disparities exist among the state's counties in their "ability to pay" for the local share of Medicaid. A cap on the growth of county Medicaid costs exacerbates these inequities.

Sources: Fiscal Policy Institute analysis of data from the New York State Department of Health; and the Office of the (New York) State Comptroller.
There is a very strong correlation between counties' Medicaid costs relative to the strength of their tax bases and high residential property tax bills as a percentage of home values.
Inequities in child care subsidies exist in all regions of the state. Families may pay up to 3 and one-half times what similarly situated families elsewhere pay.

New York City has a 17% cap that results in lower co-payments depending on family income.

Source: FPI analysis of County Child Care Copayment Multipliers, October 1, 2011.
### Change from 2007 to 2010 in State and Federal Aid for Social Services and Community Services.

(In 2010 dollars, excludes New York City)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Social Services</td>
<td>Community Services</td>
</tr>
<tr>
<td><strong>Statewide</strong></td>
<td>-6.9%</td>
<td>-8.3%</td>
</tr>
<tr>
<td><strong>Counties with the Four Largest Upstate Cities [2]</strong></td>
<td>-18.6%</td>
<td>-21.4%</td>
</tr>
<tr>
<td><strong>Upstate Lower Income Counties [3]</strong></td>
<td>3.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>MTA Region Counties Outside New York City [4]</strong></td>
<td>-1.0%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

[1] State Aid for Social Services includes aid for family assistance, social services administration, child care programs, juvenile delinquency programs, Safety Net, burials, and other social services. State Aid for Community Services includes aid for veterans’ service agencies, programs for the aging, conservation programs, natural resource programs, and other community service programs. Federal Aid for Social Services includes aid for early intervention programs, WIC program, family assistance programs, social services administration, food stamp program, Safety Net programs, and Home Energy Assistance. Federal Aid for Community Services includes aid for foster grandparent programs and programs for the aging.


[3] Includes Allegany, Broome, Cattaraugus, Chautauqua, Chemung, Chenango, Cortland, Delaware, Essex, Franklin, Fulton, Herkimer, Jefferson, Lewis, Montgomery, Otsego, Schuyler, St. Lawrence, Steuben and Yates counties. These are the 20 upstate counties in New York with median household income for 2005 through 2009 below $45,000.


TANF funding for support services for needy families has gone down by 95 percent in two years. There is no TANF funding for these initiatives in the executive budget.

Note: Represents funding from the federal TANF block grant and TANF contingency funds. Does not include funding for Earned Income Tax Credit payments, the Flexible Fund for Family Services and child care subsidies (does include child care demonstration projects and child care for migrant workers and SUNY and CUNY students).
Budget cuts to human services have impacted many programs.

<table>
<thead>
<tr>
<th>OTDA TANF Initiatives: Funding from TANF and other Sources</th>
<th>2009-10 Enacted Budget</th>
<th>2010-11 Enacted Budget</th>
<th>Change from Prior Year</th>
<th>2011-12 Enacted Budget [1]</th>
<th>Change from Prior Year</th>
<th>Percent Change in 2011-12 from 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Programs</td>
<td>$11,325</td>
<td>$812</td>
<td>($10,513)</td>
<td>$363</td>
<td>($449)</td>
<td>-97%</td>
</tr>
<tr>
<td>Housing and Homelessness Prevention Programs</td>
<td>$12,000</td>
<td>$3,631</td>
<td>($8,369)</td>
<td>$889</td>
<td>($2,742)</td>
<td>-93%</td>
</tr>
<tr>
<td>Education, Training and Employment Programs</td>
<td>$121,003</td>
<td>$30,875</td>
<td>($90,128)</td>
<td>$46,302</td>
<td>($15,427)</td>
<td>-62%</td>
</tr>
<tr>
<td> Transitional Jobs</td>
<td>$25,000</td>
<td>$5,000</td>
<td>($20,000)</td>
<td>$0</td>
<td>($5,000)</td>
<td>-100%</td>
</tr>
<tr>
<td> Career Pathways</td>
<td>$12,500</td>
<td>$5,000</td>
<td>($7,500)</td>
<td>$2,500</td>
<td>($2,500)</td>
<td>-80%</td>
</tr>
<tr>
<td> Other Programs</td>
<td>$83,503</td>
<td>$20,875</td>
<td>($62,628)</td>
<td>$43,802</td>
<td>$22,927</td>
<td>118%</td>
</tr>
<tr>
<td>Other Programs</td>
<td>$26,380</td>
<td>$11,017</td>
<td>($15,363)</td>
<td>$9,875</td>
<td>$858</td>
<td>37%</td>
</tr>
<tr>
<td> Nurse Family Partnership</td>
<td>$5,000</td>
<td>$2,000</td>
<td>($3,000)</td>
<td>$0</td>
<td>($2,000)</td>
<td>-100%</td>
</tr>
<tr>
<td>Other Programs</td>
<td>$21,380</td>
<td>$9,017</td>
<td>($12,363)</td>
<td>$9,875</td>
<td>$858</td>
<td>37%</td>
</tr>
<tr>
<td>Total Funding for OTDA TANF Initiatives</td>
<td>$170,708</td>
<td>$46,335</td>
<td>($124,373)</td>
<td>$57,429</td>
<td>$11,094</td>
<td>-66%</td>
</tr>
<tr>
<td>TANF Funding for Non-OTDA TANF Initiatives [2]</td>
<td>$78,810</td>
<td>$32,820</td>
<td>($45,990)</td>
<td>$13,900</td>
<td>($18,920)</td>
<td>-82%</td>
</tr>
<tr>
<td> Alternatives to Detention / Alternatives to Residential Placement</td>
<td>$10,752</td>
<td>$6,000</td>
<td>($4,752)</td>
<td>$0</td>
<td>($6,000)</td>
<td>-100%</td>
</tr>
<tr>
<td>Other Programs</td>
<td>$68,058</td>
<td>$26,820</td>
<td>($41,238)</td>
<td>$13,900</td>
<td>($12,920)</td>
<td>18%</td>
</tr>
</tbody>
</table>

Note: This funding does not include amounts from localities’ Flexible Fund for Family Services allocations.

[1] This includes December 9, 2011 special session legislation in which $25 million from the General Fund was appropriated to Summer Youth Employment and $7 million from the General Fund was appropriated to other OTDA TANF Initiatives.

[2] This includes programs that receive TANF funding but are not administered by the Office of Temporary and Disability Assistance. They provide support in the following areas: food pantries, housing, education, domestic violence screening, preventive services for at-risk children, youth and families and child care for migrant workers, SUNY and CUNY students and child care demonstration projects. It does not include funding sources other than TANF.

<table>
<thead>
<tr>
<th>Other Programs</th>
<th>2010-11</th>
<th>2011-12</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City Work Advantage Shelter Supplement Program/New York City Shelter Supplement Program</td>
<td>$33,000</td>
<td>$15,000</td>
<td>($18,000)</td>
</tr>
<tr>
<td>Preventive Services Programs for At-Risk Children and Youth</td>
<td>$84,800</td>
<td>$54,060</td>
<td>($30,740)</td>
</tr>
</tbody>
</table>
Comparison of 2011-2012 and 2012-2013 TANF Funding Commitments
(in thousands)

<table>
<thead>
<tr>
<th>Program</th>
<th>2011-2012 Enacted</th>
<th>2012-2013 Executive</th>
<th>Change</th>
<th>Program</th>
<th>2011-2012 Enacted</th>
<th>2012-2013 Executive</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Assistance Benefits</td>
<td>$1,183,646</td>
<td>$1,149,813</td>
<td>($33,833)</td>
<td>Community Solutions to Transportation</td>
<td>$112</td>
<td>($112)</td>
<td></td>
</tr>
<tr>
<td>Public Assistance Grant Increase</td>
<td>$9,216</td>
<td>$18,000</td>
<td>$8,784</td>
<td>Disability Advocacy Program (DAP)</td>
<td>$98</td>
<td>($98)</td>
<td></td>
</tr>
<tr>
<td>Emergency Assistance to Families</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$0</td>
<td>Displaced Homemakers</td>
<td>$546</td>
<td>($546)</td>
<td></td>
</tr>
<tr>
<td>State Operations</td>
<td>$69,700</td>
<td>$30,000</td>
<td>($39,700)</td>
<td>Emergency Homeless Program</td>
<td>$176</td>
<td>($176)</td>
<td></td>
</tr>
<tr>
<td>AFIS, EBICS</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$0</td>
<td>Flexible Fund for Family Services</td>
<td>$951,000</td>
<td>$964,000</td>
<td>$13,000</td>
</tr>
<tr>
<td>Welfare to Work Staff</td>
<td>$12,600</td>
<td>$0</td>
<td>($12,600)</td>
<td>Food Pantry Initiative</td>
<td>$1,000</td>
<td>($1,000)</td>
<td></td>
</tr>
<tr>
<td>Systems</td>
<td>$4,000</td>
<td>$0</td>
<td>($4,000)</td>
<td>Non-Residential Domestic Violence Screening</td>
<td>$510</td>
<td>($510)</td>
<td></td>
</tr>
<tr>
<td>Welfare Fraud and Prevention</td>
<td>$5,500</td>
<td>$0</td>
<td>($5,500)</td>
<td>Preventive Services</td>
<td>$610</td>
<td>($610)</td>
<td></td>
</tr>
<tr>
<td>ACCESS - Welfare to Careers</td>
<td>$250</td>
<td>($250)</td>
<td></td>
<td>Refugee Resettlement Program</td>
<td>$102</td>
<td>($102)</td>
<td></td>
</tr>
<tr>
<td>Advantage After Schools</td>
<td>$500</td>
<td>($500)</td>
<td></td>
<td>Rochester-Genesee Regional Transportation Authority</td>
<td>$82</td>
<td>($82)</td>
<td></td>
</tr>
<tr>
<td>Bridge</td>
<td>$102</td>
<td>($102)</td>
<td></td>
<td>Settlement House</td>
<td>$500</td>
<td>($500)</td>
<td></td>
</tr>
<tr>
<td>Caretaker Relative</td>
<td>$51</td>
<td>($51)</td>
<td></td>
<td>Strengthening Families Through Stronger Fathers</td>
<td>$200</td>
<td>($200)</td>
<td></td>
</tr>
<tr>
<td>Centro of Oneida</td>
<td>$25</td>
<td>($25)</td>
<td></td>
<td>Supplemental Homeless Intervention Program</td>
<td>$205</td>
<td>($205)</td>
<td></td>
</tr>
<tr>
<td>Child Care CUNY</td>
<td>$141</td>
<td>($141)</td>
<td></td>
<td>Supportive Housing for Families</td>
<td>$508</td>
<td>($508)</td>
<td></td>
</tr>
<tr>
<td>Child Care Demonstration Projects</td>
<td>$3,395</td>
<td>($3,395)</td>
<td></td>
<td>Wage Subsidy Program</td>
<td>$950</td>
<td>($950)</td>
<td></td>
</tr>
<tr>
<td>Child Care Subsidies</td>
<td>$392,967</td>
<td>$299,667</td>
<td>($93,300)</td>
<td>Wheels for Work</td>
<td>$144</td>
<td>($144)</td>
<td></td>
</tr>
<tr>
<td>Child Care SUNY</td>
<td>$193</td>
<td>($193)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL $2,792,029 $2,614,480 ($177,549)
The 2012-13 Executive Budget TANF Spending Plan

- The proposed $2.614 billion in TANF spending for 2012-13 consists of New York’s annual $2.442 billion TANF block grant, $162.8 million in TANF contingency funds that the state has earned so far in the current federal fiscal year, and about 9 million in TANF funds rolled over from the previous year.

- For the second year in a row, federal TANF funds will be used to pay for 100 percent of Family Assistance benefit costs (includes Emergency Assistance to Families), and New York state will pay 29 percent of Safety Net Assistance benefit costs while local social services districts will be responsible for 71 percent of these costs (includes Emergency Safety Net Assistance). Before the current state fiscal year, local social services districts paid 25 percent of Family Assistance costs and 50 percent of Safety Net Assistance costs.

- Over time, the number of Safety Net Assistance recipients has increased and the number of Family Assistance recipients has decreased. This arrangement, therefore, may become more costly for localities in the future.
  - The total number of Family Assistance recipients decreased by over 52 percent from October 2001 to October 2011. This decline was 63 percent for New York City. During that same period, the total number of Safety Net Assistance recipients went up by 155 percent in New York City and 222 percent in the rest of the state.
  - In October 2011, in New York City, there were 200,737 Safety Net Assistance recipients – 56,675 more than in Family Assistance, and total expenditures for Safety Net Assistance were almost twice that for Family Assistance.

- Over half of the projected TANF spending for 2012-13 is for public assistance benefit costs (this includes the proposed grant increase) and Emergency Assistance to Families. The next largest component of TANF spending is the Flexible Fund for Family Services, which provides funds to local social services districts totaling $964 million. Over half of the total amount is used by counties for child welfare purposes.

- Overall, TANF spending as proposed will be $177.5 million less for 2012-13 compared to the enacted 2011-12 budget. This reduction reflects the loss of TANF Emergency Contingency Funds provided through the American Recovery and Reinvestment Act. This funding reduction would be offset by:
  - A $34 million reduction in public assistance benefit costs due to a 2.6 percent decrease in projected TANF caseload,
  - A decrease of $93.3 million in child care subsidies which will be offset by $93 million in General Fund money,
  - The elimination of $10.4 million for various ‘TANF initiatives’, or, support services, and
  - A decrease in over $60 million in state operations and administration.
Safety Net Assistance caseloads are going up while Family Assistance participation is going down.

The two-year delay to full implementation of the last increase for the monthly public assistance grant, originally scheduled for July 1, 2011, has eroded some return of the grant's 1990 purchasing power.

Inflation-adjusted Basic Allowance* for a Three-Person Family as a Percent of 1990 Basic Allowance, in 2011 dollars.

Purchasing power of the grant will start to erode again without regular adjustment.

* Basic allowance is the non-shelter portion of recipients' monthly assistance; it consists of the grant for recurring needs, home energy allowance and supplemental home energy allowance. This graph uses actual CPI-U through 2011 and the forecast composite CPI for New York from the New York State Division of Budget, Economic and Revenue Outlook, January 2012, p. 160.
Increases to the Public Assistance Grant

- The 2009-2010 enacted budget increased the basic allowance portion of the public assistance grant by 10 percent a year for three consecutive years, starting on July 1, 2009. The state agreed to pay the local share of this increase for the first three years of its implementation (through use of TANF Contingency Funds).

- While the first increase occurred as scheduled, both Governors Paterson and Cuomo have sought to delay full implementation of the remaining increases.
  - In his 2010-2011 Executive Budget, Governor Paterson proposed reducing the second increase to five percent and to implement five percent increases for the next three successive years. This proposal was not adopted.
  - In his 2011-2012 Executive Budget, Governor Cuomo proposed delaying the third and final 10 percent increase by one year, to July 1, 2012. This proposal was adopted as part of the enacted budget.

- In the current Executive Budget, Governor Cuomo is proposing to phase in this last delayed increase by implementing a five percent increase on July 1, 2012 and another five percent increase on July 1, 2013.

- This proposal provides a savings of $6 million to the state – a little more than .01 percent of the total proposed General Fund budget ($51,425 million).

- It represents a loss of $18 per month or $216 per year for a family of three; money that would likely be spent in surrounding communities for meeting basic needs.
New York State government agency employment declined by more than 26 percent between the late 1980s and 2011.

Note: excludes SUNY & CUNY. Source: NYS Office of the State Comptroller.
Retirement system contribution rates for New York State and local government employers have risen to 1970s and 1980s levels due to investment losses from the financial sector meltdown.

Source: New York State and Local Retirement System.
The multi-year backloaded tax cuts enacted during Governor Pataki's administrations are having a continuing impact on state revenues.

Note: For 2009-10 and 2010-11, the amounts shown reflect FPI's estimate of the impact of recessionary revenue losses, as well as the temporary tax increases enacted in 2009 and the elimination of the STAR rebate checks.
Without the temporary top rates enacted in 2009, personal income tax revenue would have fallen by over $7.5 billion in just two years (2008 and 2009) because of the Great Recession.

Source: Table 7, Page 198, *Economic and Revenue Outlook*, 2012-13 Executive Budget.
In years when New York takes in more than it spends, its "fund balance" increases. Despite the significant reduction in taxes now taking effect, the state's "fund balance" is now increasing.

Note: The 2009-2010 fund balance would have been much less if certain school aid payments had not been delayed to the 2010-11 fiscal year.
Graduation rates for the Big 5 city school districts.

Outside of the Big 5, graduation rates for high need urban/suburban and rural districts have increased by 4 to 5 percentage points over the past six years. Average and low need districts have the highest graduation rates.

II. The Economic Context
The Great Recession has been followed by the weakest recovery since the 1930s. The outlook is for moderate growth, prolonged high unemployment, and a continued squeeze on lower- and middle-income New Yorkers.

- New York lost proportionately fewer payroll jobs during the recession, but high and long-term unemployment is as bad here as it is for the nation overall.

- New York can’t recover on its own without a stronger national recovery. For that, more federal spending stimulus is needed, including for state fiscal relief. But, for the first time in memory, partisan forces in Washington prevent action to spur the economy and alleviate unemployment.

- Rising poverty, persistent unemployment, faltering wages and other indicators of widespread economic distress should be addressed by Albany lawmakers.

- Wall Street’s role in the economy may be permanently changing. That transition can and should be the occasion for adopting policies to move toward more broadly shared prosperity.
National economic growth during the first two-and-half years of the current recovery (2Q 2009-4Q 2011) is less than half the pace of previous recoveries.

Average share of selected GDP components in current recovery (3Q 2009 through 4Q 2011):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>4.7%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Personal consumption</td>
<td>4.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Nonresidential</td>
<td>5.4%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Residential</td>
<td>13.7%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Residential investment</td>
<td>13.7%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Residential investment*</td>
<td>13.7%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Exports</td>
<td>9.3%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Imports (-)</td>
<td>6.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Federal govt. exps.</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>State &amp; local govt.</td>
<td>-2.2%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>BLS total nonfarm employment</td>
<td>6.2%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

Note: The private residential investment share of GDP in the current recession is unusually small because of the depressed condition of the housing market. In the early 2000s recovery, the residential investment share of GDP was 5.6 percent.
Source: BEA NIPA table 1.5.1 and 1.5.6 for GDP components and BLS CES employment data for total nonfarm employment level.
The national recovery has been buffeted by various setbacks over the past two years.
NYS unemployment has been over 750,000 for nearly 3 years; it has come down only because discouraged workers have dropped out.

Source: New York State Department of Labor seasonally adjusted labor force statistics.
NYS unemployment and underemployment rates have not come down very much despite two years of "recovery."

Source: FPI analysis of CPS data adjusted to NYS LAUS labor force statistics
Unemployment and underemployment are hitting particularly hard at Black and Hispanic workers in New York State.

Source: FPI analysis of CPS adjusted to New York State LAUS labor force statistics.
The recession plus the weak recovery cost New York's workers and small businesses 475,000 jobs and over $29 billion in lost earnings in 2011.

<table>
<thead>
<tr>
<th>Lost employment opportunities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of wage &amp; salary jobs lost in 2011</td>
<td>384,400</td>
</tr>
<tr>
<td>Number of proprietors losing small business opportunities in 2011</td>
<td>90,100</td>
</tr>
<tr>
<td>TOTAL number of New Yorkers losing job and small business opportunities in 2011</td>
<td>474,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lost earnings</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor compensation lost in 2011 by wage &amp; salary workers</td>
<td>$25.3 billion</td>
</tr>
<tr>
<td>Earnings lost by proprietors in 2011</td>
<td>$3.9 billion</td>
</tr>
<tr>
<td>TOTAL labor compensation and earnings lost by New York wage &amp; salary workers and proprietors</td>
<td><strong>$29.2 billion</strong></td>
</tr>
</tbody>
</table>

Notes: Estimates of cumulative lost employment opportunities for 2008-2011 are made assuming the 2008 annual average resident employment level and the 2009 annual average labor force peak level. Even with an additional 474,500 employment opportunities in 2011, the unemployment rate would still be 5.6 percent, well above the 4.5 unemployment rate average for 2007. Proprietors are assumed to represent 19 percent of the total lost employment opportunities, the proprietors’ share of total NYS employment in 2009 and 2010. Estimate of lost earnings excludes the Finance and Insurance sector, where the average labor compensation and average proprietors’ earnings are several times that of other sectors.

Source: FPI estimates using BEA personal income series and NYS DOL Local Area Unemployment Statistics series.
Over three million New Yorkers now receive food stamps*, a number that has increased by two-thirds since the start of the recession.

Source: NYS Office of Temporary and Disability Assistance (http://otda.ny.gov/resources/caseload/).
Note: *This is now the Supplemental Nutrition Assistance Program, SNAP.
While New York has homeowner protections to slow the foreclosure process, the percentage of home mortgage debt that is more than 90 days late is higher than the national average.

The average duration of unemployment in New York State is 9 months; for older workers, age 55-64, it's a full year.

Source: FPI analysis of CPS adjusted to NYS Department of Labor Local Area Unemployment Statistics data.
While the pace of GDP growth in 2012 will improve compared to 2011, the outlook for New York State and national economic growth remains subpar.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Gross Domestic Product</td>
<td>0.0</td>
<td>-2.6</td>
<td>3.0</td>
<td>1.7</td>
<td>2.2</td>
<td>2.9</td>
<td>3.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Personal income</td>
<td>4.0</td>
<td>-1.7</td>
<td>3.7</td>
<td>4.7</td>
<td>3.4</td>
<td>4.0</td>
<td>5.9</td>
<td>5.7</td>
</tr>
<tr>
<td>Total wages</td>
<td>2.1</td>
<td>-4.3</td>
<td>2.2</td>
<td>3.5</td>
<td>3.2</td>
<td>4.7</td>
<td>5.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Employment</td>
<td>-0.6</td>
<td>-4.3</td>
<td>-0.7</td>
<td>1.0</td>
<td>1.3</td>
<td>1.7</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>5.8</td>
<td>9.3</td>
<td>9.6</td>
<td>9.0</td>
<td>8.6</td>
<td>8.2</td>
<td>7.6</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>New York State</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal income</td>
<td>2.2</td>
<td>-3.1</td>
<td>4.1</td>
<td>4.5</td>
<td>3.3</td>
<td>4.3</td>
<td>5.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Total wages</td>
<td>2.1</td>
<td>-7.2</td>
<td>4.4</td>
<td>3.8</td>
<td>1.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Employment</td>
<td>0.7</td>
<td>-3.1</td>
<td>0.1</td>
<td>1.1</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>5.3</td>
<td>8.4</td>
<td>8.6</td>
<td>7.9</td>
<td>7.6</td>
<td>7.1</td>
<td>6.6</td>
<td>6.2</td>
</tr>
</tbody>
</table>

New York State's Index of Coincident Economic Indicators tapered off in the last half of 2011.

Source: New York State Department of Labor Index of Coincident Economic Indicators; shaded areas represent New York recession periods determined by major turning points in the index.
While New York State's job growth trailed the nation's in 2011, New York State is much closer to its 2007 level than the U.S.
New York State's unemployment rate was flat for most of 2011, and well above pre-recession level.

Source: Bureau of Labor Statistics and NYS Department of Labor.
New York's net job loss since the beginning of the national recession in December 2007 is less than that in 40 other states.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Percent change in jobs Dec. 2007 to Dec. 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>-4.4%</td>
</tr>
<tr>
<td>New York</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

10 states with greatest job loss

<table>
<thead>
<tr>
<th>State</th>
<th>Rank</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada</td>
<td>1</td>
<td>-13.6%</td>
</tr>
<tr>
<td>Arizona</td>
<td>2</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Florida</td>
<td>3</td>
<td>-8.3%</td>
</tr>
<tr>
<td>Georgia</td>
<td>4</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Michigan</td>
<td>5</td>
<td>-7.3%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>6</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Alabama</td>
<td>7</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Idaho</td>
<td>8</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Delaware</td>
<td>9</td>
<td>-6.8%</td>
</tr>
<tr>
<td>California</td>
<td>10</td>
<td>-6.5%</td>
</tr>
</tbody>
</table>

States neighboring New York State

<table>
<thead>
<tr>
<th>State</th>
<th>Rank</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>25</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>40</td>
<td>-1.7%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>23</td>
<td>-5.0%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>38</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Vermont</td>
<td>39</td>
<td>-1.9%</td>
</tr>
</tbody>
</table>

Other states often compared to New York State

<table>
<thead>
<tr>
<th>State</th>
<th>Rank</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>19</td>
<td>-5.2%</td>
</tr>
<tr>
<td>Texas</td>
<td>48</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Source: Economic Policy Institute’s analysis of BLS CES employment change (seasonally adjusted).
From 2004 to 2010, most upstate metro areas ranked high in per person GDP growth compared to all 366 U.S. metro areas.

<table>
<thead>
<tr>
<th>Metropolitan Statistical Area (MSA)</th>
<th>Per capita real GDP</th>
<th>Growth rate</th>
<th>Rank among 366 MSAs by 2004-10 growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Metropolitan Portion</td>
<td>$44,953</td>
<td>1.3%</td>
<td>--</td>
</tr>
<tr>
<td>Binghamton, MSA</td>
<td>$26,124</td>
<td>17.7%</td>
<td>15</td>
</tr>
<tr>
<td>Elmira, MSA</td>
<td>$26,039</td>
<td>11.0%</td>
<td>26</td>
</tr>
<tr>
<td>New York-Northern New Jersey-Long Island, NY-NJ-PA MSA</td>
<td>$55,533</td>
<td>9.3%</td>
<td>33</td>
</tr>
<tr>
<td>Poughkeepsie-Newburgh-Middletown, MSA</td>
<td>$28,488</td>
<td>7.0%</td>
<td>53</td>
</tr>
<tr>
<td>Buffalo-Niagara Falls, MSA</td>
<td>$33,289</td>
<td>6.1%</td>
<td>60</td>
</tr>
<tr>
<td>Kingston, MSA</td>
<td>$21,932</td>
<td>4.9%</td>
<td>72</td>
</tr>
<tr>
<td>Syracuse, MSA</td>
<td>$35,285</td>
<td>4.7%</td>
<td>73</td>
</tr>
<tr>
<td>Utica-Rome, MSA</td>
<td>$25,868</td>
<td>4.4%</td>
<td>78</td>
</tr>
<tr>
<td>Albany-Schenectady-Troy, MSA</td>
<td>$40,338</td>
<td>2.9%</td>
<td>107</td>
</tr>
<tr>
<td>Glens Falls, MSA</td>
<td>$26,327</td>
<td>2.3%</td>
<td>115</td>
</tr>
<tr>
<td>Ithaca, MSA</td>
<td>$33,349</td>
<td>-0.4%</td>
<td>174</td>
</tr>
<tr>
<td>Rochester, MSA</td>
<td>$38,726</td>
<td>-1.3%</td>
<td>196</td>
</tr>
</tbody>
</table>

Note: all per capita real GDP in chained 2005 dollars.

Source: Bureau of Economic Analysis per capita real GDP by metro area.
In New York State in 2011, construction and durables manufacturing saw moderate job growth; job gains were led by professional services, restaurants and retail trade.
Wall Street’s role in the economy may be permanently changing. Policies are needed more than ever to move toward broadly shared prosperity.

- The still-fresh memory of financial sector misdeeds and the re-regulation of the sector appear to be changing the finance sector in significant, and possibly permanent, ways.

- While 2011 Wall Street profits and bonuses are forecast to be down from 2010, the Division of the Budget reports that total compensation might be slightly higher in 2011. The cash portion of bonuses may be less, but base compensation may actually be rising.

- Capital gains, associated with activity in financial and real estate markets, are expected to increase in 2011 and to grow even more in 2012 (part of 2012’s growth is related to a provision of health care reform that takes effect in 2013.)

- Also, income from limited liability partnerships—a category of business that includes hedge funds and private equity funds—is expected to continue rising in 2012 and 2013.

- New York policy makers should not seek to deter the much-needed re-regulation of the finance sector, even if it means that Wall Street’s prominence as a source of revenue recedes. Rather, we need to bolster our economy’s long-term growth potential and ensure more broadly shared prosperity—including through policies like restoring the minimum wage’s purchasing power.
The real hourly wage for the typical low-wage New York worker has fallen by nearly 5 percent in the last two years.

Source: FPI analysis of CPS adjusted to CPI-U; all real hourly wages in 2011 dollars.
The number of people in poverty and in "near-poor" households, whose income is just above the federal poverty threshold, rose across the board in the U.S., New York State and New York City from 2008 to 2010.

Poverty in New York State's four major upstate cities is roughly twice the national average.

Source: FPI's analysis of the American Community Survey (ACS) 2010 estimates.
Income concentration at the top was not significantly moderated by federal taxes and government transfers, U.S., 1979-2007.

Real after-tax income grew much faster for the top 1 percent than for all others from 1979 to 2007.

While the income share of the top one percent may have receded a little from its 2007 high-point, extreme income polarization remains the major impediment to broadly shared growth.

- An unusually large proportion of the increase in GDP has gone to corporate profits rather than labor compensation which, in a normal recovery, fuels hiring and wage gains. The top 1% receive half of corporate dividends and 85 percent of capital gains.

- Workers are not sharing in the economy’s growth or in the growth in productivity. The pronounced concentration of income in the hands of a few at the top of the income spectrum is a drag on recovery. If there were strong consumer demand, businesses would be hiring and investing more.

- As noted before, while Wall Street bonuses might be less this year, capital gains, corporate dividends and business and partnership income are all rising (the top 1 percent receive over 60 percent of all business and partnership income.)

- Meanwhile, prolonged high unemployment is depriving New Yorkers of 475,000 job and small business opportunities at an annual cost in lost wages and earnings of over $29 billion.

- Data from the Federal Reserve’s Survey of Consumer Finance indicates that the wealth decline from 2007 to 2009 was much greater for those in the bottom 80 percent.
III. Tax Policy Issues
Progressive, Proportional and Regressive Tax Systems
Since cutting its top income tax rate by more than 50%, from 15.375% to 6.85%, New York has enacted three 3-year temporary increases (for 2003-05, 2009-11 and 2012-14).

Note: From 1978 through 1988, New York taxed investment income at a higher rate than it taxed wages and business income.
Nearly half of New York households with incomes of $50,000 or less pay 10 percent or more of their income in property taxes.

<table>
<thead>
<tr>
<th>Household income range</th>
<th>Less than 10% of income</th>
<th>10% to 19.99% of income</th>
<th>20% or more of income*</th>
<th>10% or more of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000 or less</td>
<td>36%</td>
<td>24%</td>
<td>40%</td>
<td>64%</td>
</tr>
<tr>
<td>Above $25,000 but not above $50,000</td>
<td>65%</td>
<td>24%</td>
<td>11%</td>
<td>35%</td>
</tr>
<tr>
<td>Above $50,000 but not above $100,000**</td>
<td>82%</td>
<td>N/A</td>
<td>N/A</td>
<td>18%</td>
</tr>
<tr>
<td>TOTAL: All $100,000 or less</td>
<td>68%</td>
<td>N/A</td>
<td>N/A</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: Fiscal Policy Institute analysis of microdata from the U.S. Census Bureau's 2009 American Community Survey. Estimates shown are for homeowning households that meet the 5-year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker bills.

Notes: * This column, for the $25,000 or less income category, includes 15,945 households with zero or negative income that paid property taxes in 2009.
** The subtotal of all households in this income range paying 10% or more of income in property taxes in 2009 includes (a) 103,075 households that paid between 10% and 19.99% of income in property taxes; and (b) 81,348 households that paid $10,000 or more in property taxes and who, because of top coding, cannot be apportioned between the “10% to 19.99% of income” property tax category and the “20% or more of income” property tax category.
More than 675,000 New York households pay 10 percent or more of their income in property taxes. A quarter million pay 20 percent or more.

<table>
<thead>
<tr>
<th>Household income range</th>
<th>Estimated number of households whose property taxes paid in 2009 were:</th>
<th>Total number of households in income range</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 10% of income</td>
<td>10% to 19.99% of income</td>
</tr>
<tr>
<td>$25,000 or less</td>
<td>150,496</td>
<td>101,851</td>
</tr>
<tr>
<td>Above $25,000 but not above $50,000</td>
<td>404,899</td>
<td>149,117</td>
</tr>
<tr>
<td>Above $50,000 but not above $100,000**</td>
<td>859,739</td>
<td>N/A</td>
</tr>
<tr>
<td>TOTAL: All $100,000 or less</td>
<td>1,415,134</td>
<td>354,043</td>
</tr>
</tbody>
</table>

Source: Fiscal Policy Institute analysis of microdata from the U.S. Census Bureau's 2009 American Community Survey. Estimates shown are for homeowning households that meet the 5-year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker bills.

Notes: * This column, for the $25,000 or less income category, includes 15,945 households with zero or negative income that paid property taxes in 2009.
** The subtotal of all households in this income range paying 10% or more of income in property taxes in 2009 includes (a) 103,075 households that paid between 10% and 19.99% of income in property taxes; and (b) 81,348 households that paid $10,000 or more in property taxes and who, because of top coding, cannot be apportioned between the "10% to 19.99% of income" property tax category and the "20% or more of income" property tax category.
New York's corporate income tax revenues have fallen substantially relative to the size of the economy.

Source: New York State Department of Taxation and Finance; U.S. Bureau of Economic Analysis (NYS GDP data).
New York's corporate income tax revenues have declined as a share of total state tax revenues.

Source: New York State Department of Taxation and Finance; U.S. Bureau of Economic Analysis (NYS GDP data).

<table>
<thead>
<tr>
<th>NYS-Headquartered Fortune 500 Companies That Were Profitable in All 3 Years</th>
<th>2010</th>
<th></th>
<th>2009</th>
<th></th>
<th>2008</th>
<th></th>
<th>3-Year Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profit in millions</td>
<td>Tax in millions*</td>
<td>Rate</td>
<td>Profit in millions</td>
<td>Tax in millions*</td>
<td>Rate</td>
<td>Profit in millions</td>
<td>Tax in millions*</td>
</tr>
<tr>
<td>Corning</td>
<td>975</td>
<td>1</td>
<td>0.1%</td>
<td>202</td>
<td>0</td>
<td>0.0%</td>
<td>801</td>
<td>0</td>
</tr>
<tr>
<td>Loews</td>
<td>2,236</td>
<td>21</td>
<td>0.9%</td>
<td>2,025</td>
<td>7</td>
<td>0.3%</td>
<td>1,202</td>
<td>21</td>
</tr>
<tr>
<td>American Express</td>
<td>6,112</td>
<td>110</td>
<td>1.8%</td>
<td>3,131</td>
<td>40</td>
<td>1.3%</td>
<td>3,322</td>
<td>(28)</td>
</tr>
<tr>
<td>ITT</td>
<td>737</td>
<td>17</td>
<td>2.3%</td>
<td>670</td>
<td>7</td>
<td>1.0%</td>
<td>665</td>
<td>4</td>
</tr>
<tr>
<td>Consolidated Edison</td>
<td>1,551</td>
<td>23</td>
<td>1.5%</td>
<td>1,319</td>
<td>(12)</td>
<td>-0.9%</td>
<td>1,457</td>
<td>53</td>
</tr>
<tr>
<td>Omnicom Group</td>
<td>573</td>
<td>4</td>
<td>0.7%</td>
<td>599</td>
<td>12</td>
<td>2.0%</td>
<td>752</td>
<td>14</td>
</tr>
<tr>
<td>Arrow Electronics</td>
<td>313</td>
<td>13</td>
<td>4.2%</td>
<td>108</td>
<td>1</td>
<td>0.9%</td>
<td>473</td>
<td>5</td>
</tr>
<tr>
<td>IBM</td>
<td>9,140</td>
<td>279</td>
<td>3.1%</td>
<td>9,524</td>
<td>120</td>
<td>1.3%</td>
<td>8,424</td>
<td>216</td>
</tr>
<tr>
<td>Time Warner</td>
<td>3,518</td>
<td>119</td>
<td>3.4%</td>
<td>3,231</td>
<td>51</td>
<td>1.6%</td>
<td>2,073</td>
<td>42</td>
</tr>
<tr>
<td>Verizon</td>
<td>11,921</td>
<td>(42)</td>
<td>-0.4%</td>
<td>12,625</td>
<td>364</td>
<td>2.9%</td>
<td>8,838</td>
<td>544</td>
</tr>
<tr>
<td>PepsiCo</td>
<td>4,008</td>
<td>118</td>
<td>2.9%</td>
<td>4,209</td>
<td>117</td>
<td>2.8%</td>
<td>3,274</td>
<td>68</td>
</tr>
<tr>
<td>Phillips-Van Heusen</td>
<td>22</td>
<td>1</td>
<td>4.5%</td>
<td>210</td>
<td>7</td>
<td>3.3%</td>
<td>149</td>
<td>4</td>
</tr>
<tr>
<td>Goldman Sachs Group</td>
<td>7,353</td>
<td>264</td>
<td>3.6%</td>
<td>10,915</td>
<td>571</td>
<td>5.2%</td>
<td>4,894</td>
<td>(15)</td>
</tr>
<tr>
<td>News Corp</td>
<td>3,259</td>
<td>77</td>
<td>2.4%</td>
<td>2,889</td>
<td>114</td>
<td>3.9%</td>
<td>2,502</td>
<td>127</td>
</tr>
<tr>
<td>CA</td>
<td>751</td>
<td>48</td>
<td>6.4%</td>
<td>699</td>
<td>15</td>
<td>2.1%</td>
<td>633</td>
<td>14</td>
</tr>
<tr>
<td>Viacom</td>
<td>1,579</td>
<td>67</td>
<td>4.2%</td>
<td>1,982</td>
<td>38</td>
<td>1.9%</td>
<td>1,490</td>
<td>96</td>
</tr>
<tr>
<td>L-3 Communications</td>
<td>1,258</td>
<td>52</td>
<td>4.1%</td>
<td>1,210</td>
<td>57</td>
<td>4.7%</td>
<td>1,272</td>
<td>45</td>
</tr>
<tr>
<td>Interpublic Group</td>
<td>216</td>
<td>17</td>
<td>7.9%</td>
<td>142</td>
<td>(6)</td>
<td>-4.2%</td>
<td>241</td>
<td>18</td>
</tr>
<tr>
<td>Henry Schein</td>
<td>344</td>
<td>20</td>
<td>5.8%</td>
<td>308</td>
<td>16</td>
<td>5.2%</td>
<td>300</td>
<td>12</td>
</tr>
<tr>
<td>Polo Ralph Lauren</td>
<td>578</td>
<td>37</td>
<td>6.4%</td>
<td>448</td>
<td>12</td>
<td>2.7%</td>
<td>351</td>
<td>24</td>
</tr>
<tr>
<td>NYSE Euronext</td>
<td>166</td>
<td>17</td>
<td>10.2%</td>
<td>52</td>
<td>(15)</td>
<td>-28.8%</td>
<td>181</td>
<td>20</td>
</tr>
<tr>
<td>McGraw-Hill</td>
<td>1,064</td>
<td>54</td>
<td>5.1%</td>
<td>879</td>
<td>46</td>
<td>5.2%</td>
<td>981</td>
<td>78</td>
</tr>
<tr>
<td>J.P. Morgan Chase</td>
<td>10,226</td>
<td>1,740</td>
<td>17.0%</td>
<td>14,526</td>
<td>968</td>
<td>6.7%</td>
<td>7,924</td>
<td>281</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67,900</strong></td>
<td><strong>3,057</strong></td>
<td><strong>4.5%</strong></td>
<td><strong>71,903</strong></td>
<td><strong>2,530</strong></td>
<td><strong>3.5%</strong></td>
<td><strong>52,199</strong></td>
<td><strong>1,643</strong></td>
</tr>
</tbody>
</table>


Note: *Corporate income taxes paid to all state and local governments in the United States.
New York State Business Tax Expenditures 2007-2011  
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation Franchise (Article 9A) Tax</td>
<td>$2,585</td>
<td>$3,006</td>
<td>16%</td>
</tr>
<tr>
<td>Bank Tax</td>
<td>$158</td>
<td>$164</td>
<td>4%</td>
</tr>
<tr>
<td>Insurance Tax</td>
<td>$293</td>
<td>$301</td>
<td>3%</td>
</tr>
<tr>
<td>Corporation (Article 9) Tax</td>
<td>$34</td>
<td>$6</td>
<td>-82%</td>
</tr>
<tr>
<td><strong>Subtotal, Business Taxes</strong></td>
<td><strong>$3,070</strong></td>
<td><strong>$3,477</strong></td>
<td><strong>13%</strong></td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>$323</td>
<td>$527</td>
<td>63%</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>$890</td>
<td>$1,021</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total, NYS Business Tax Expenditures</strong></td>
<td><strong>$4,283</strong></td>
<td><strong>$5,025</strong></td>
<td><strong>17%</strong></td>
</tr>
</tbody>
</table>

Does New York really have a bad business climate?

- According to the Tax Foundation, New York’s business tax climate ranks 49th, or nearly at the bottom among all states. Of the top-ranked states, most lack a corporate income tax, personal income tax, sales tax, or some combination of these.

- The Tax Foundation claims: “states with the best tax systems will be the most competitive in attracting new businesses and growth and most effective at generating economic and employment growth.”

- However, the states that the Tax Foundation considers having the best business tax climates are not all exactly economic powerhouses.
  - Among the Tax Foundation’s Top 10, Nevada has had the sharpest job decline since the recession began and Florida the 3rd sharpest.
  - Wyoming was ranked as having the best business tax climate yet it had the weakest GDP performance among all 50 states in 2010, while New York had the second fastest GDP growth and the 2nd fastest personal income growth.
  - 3 other states in the Tax Foundation’s top 10 (NV, NH and MT) ranked 43rd or worse in terms of 2010 GDP growth.

- The reality is that while the Tax Foundation acknowledges that factors such as transportation, a quality educational system, and a skilled workforce affect a state’s business climate, their ranking DOES NOT CONSIDER THESE FACTORS, nor does their analysis of tax policies acknowledge how critically these human and physical infrastructure capacities rest on a state government’s ability to invest in them.
IV. Economic Policy Issues
There has been no meaningful increase in New York’s minimum wage in five years, and its purchasing power was far higher in the 1960s and 1970s.

- The New York minimum wage reached a peak in 1970 at $10.70 in today’s dollars, 48 percent greater than the current $7.25 minimum.

- 18 states have a higher minimum than the $7.25 federal minimum level in New York, and eight states adjust their minimums annually along with the change in consumer prices.

- The recession has further weakened workers’ bargaining power to achieve wage gains on their own, and low-wage occupations are expected to add the most jobs in coming years.

- For nearly two decades from 1962-1979, a full-time minimum wage worker earned on average the equivalent of 108 percent of the 3-person federal poverty threshold. Today, the minimum wage is only 82 percent of 3-person poverty.

- Increasing the minimum wage in three steps to $10 an hour by 2014 would return the minimum wage to 108 percent of 3-person poverty. Once restored to a reasonable standard, it should be indexed for inflation.

- An increase to $10 an hour would benefit 1.6 million New York workers, and, disproportionately help women and workers of color who are heavily concentrated in low-wage jobs. It would boost the spending of low-wage workers and create 25,000 new jobs.
While New York's minimum wage is $7.25 an hour (the federal minimum wage), 18 states and the District of Columbia have minimum wages above the federal $7.25 level.

<table>
<thead>
<tr>
<th>State</th>
<th>Minimum wage, Jan. 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington*</td>
<td>$9.04</td>
</tr>
<tr>
<td>Oregon*</td>
<td>$8.80</td>
</tr>
<tr>
<td>Vermont*</td>
<td>$8.46</td>
</tr>
<tr>
<td>Nevada*</td>
<td>$8.25</td>
</tr>
<tr>
<td>Illinois</td>
<td>$8.25</td>
</tr>
<tr>
<td>Connecticut**</td>
<td>$8.25</td>
</tr>
<tr>
<td>District of Columbia**</td>
<td>$8.25</td>
</tr>
<tr>
<td>California</td>
<td>$8.00</td>
</tr>
<tr>
<td>Massachusetts**</td>
<td>$8.00</td>
</tr>
<tr>
<td>Alaska</td>
<td>$7.75</td>
</tr>
<tr>
<td>Ohio</td>
<td>$7.70</td>
</tr>
<tr>
<td>Florida*</td>
<td>$7.67</td>
</tr>
<tr>
<td>Arizona*</td>
<td>$7.65</td>
</tr>
<tr>
<td>Montana*</td>
<td>$7.65</td>
</tr>
<tr>
<td>Colorado*</td>
<td>$7.64</td>
</tr>
<tr>
<td>Maine</td>
<td>$7.50</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$7.50</td>
</tr>
<tr>
<td>Michigan</td>
<td>$7.40</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>$7.40</td>
</tr>
</tbody>
</table>

Note: * Automatically adjusts annually according to the change in the Consumer Price Index.

** Automatically adjusts upward to stay above the federal minimum wage if that increases.
Speaker Silver proposed to increase the NYS minimum wage to $8.50 on January 1, 2013, and index it to changes in the Consumer Price Index annually beginning in 2014.

- A. 9148 and S. 6413 have been introduced to implement the Silver proposal.
- An increase to $8.50 would benefit about 1 million New York workers, including 880,000 currently paid below $8.50, and 120,000 making $8.50 or slightly more who likely would see a wage increase as employers seek to maintain relative wage patterns.
- Women, blacks and Hispanics would disproportionately benefit since they are more likely to be low-wage workers. Women represent 55 percent of those who would see an increase and blacks and Hispanics together constitute about 40 percent. Adults account for more than 84 percent of those who would benefit. Half of minimum wage workers are full-time workers and another third work between half-time and full-time.
- An increase in the state minimum to $8.50 an hour in 2013 would put the wages of a full-time minimum wage worker at 95 percent of the 3-person federal poverty line.
- The increased purchasing power of low-wage workers would pump much-needed spending into local businesses and communities and create roughly 7,500 jobs around the state.
- New York’s Earned Income Tax Credit (EITC) is an important complement to a higher minimum wage, and not a substitute for raising the state’s minimum to a level where it can function more effectively as a wage floor for all workers.
The full-time, full-year income of the New York State minimum wage falls far short of the federal poverty threshold, and is far below its peak 40 years ago. An $8.50 minimum will bring the income of a full-time minimum wage worker to nearly 95% of the poverty level.

At $8.50 an hour, a full-time, year-round worker would earn 94.6% of the 3-person poverty level in 2013.

Note: Annual income calculated assuming full time work, 40 hours per week, 52 weeks per year at the minimum wage. 2012 and 2013 thresholds estimated using NYS Division of the Budget forecasts for inflation. Assumes an $8.50 minimum as of January 1, 2013.
Unemployment insurance (UI) has been a critical part of New York’s safety net during the recession and weak recovery, but needs to be modernized.

- From July 2008 to December 2011, unemployed New York workers received $26.7 billion in UI compensation. This has been one of the most effective forms of stimulus.
- While initial UI claims have come down from the worst point in the recent recession, they are still higher relative to total employment than during the early 2000s recession.
- In New York, eligible unemployed workers can receive UI for 26 weeks through the regular state program and federal extended benefits for an additional 67 weeks for a total of 93 weeks.
- Congress recently continued federal extended payments, but only through March 4, 2012.
- Because prolonged high unemployment has made it difficult for workers to find jobs, 300,000 New York workers have exhausted eligibility for extended benefits.
- New York’s UI program needs to be modernized:
  - Phase in an increase in the maximum weekly benefit, which hasn’t been raised since 1999, until it reaches half of the state’s average weekly wage, then peg it to 50 percent of the average weekly wage thereafter.
  - Raise the taxable wage base in stages to restore the system’s financial solvency.
  - Increase the rate of wage replacement for low-wage workers.
- New York’s UI trust fund ran out of money early in the recession and the state has had to rely on federal loans to keep paying benefits. Because Congress hasn’t waived loan repayments since 2010, New York employers had to start making special payments last August to pay interest on the federal loan. And because the federal loan was not repaid by last November, New York employers were billed this month to begin paying penalties. These penalties will continue until the $3.6 billion loan is repaid.
New York's maximum weekly unemployment benefit has not changed in over a decade and now lags behind all of our neighboring states.

Source: Maximum weekly unemployment benefit data from labor department of each state.
Over the past decade, the value of New York's maximum unemployment insurance benefit has fallen from half of the average weekly wage to less than 35 percent.

Note: New York State’s maximum weekly unemployment insurance benefit was set at $405 in 1998 and has not been adjusted since then. Average weekly wages estimated for 2011 based on change in total private average weekly earnings from 2010 to 2011.
Source: New York State Department of Labor, Quarterly Census on Employment and Wages (QCEW) average annual wage data.
V. Appendix
In contrast to the recessions of the early 1990s and early 2000s, New York had less job loss than the U.S. in recent recession.

The pace of job recovery has been very slow for both the U.S. and New York.

Source: Bureau of Labor Statistics total non-farm employment data (seasonally adjusted).
Unemployment rates are higher for New York's young workers during the last half of 2011.

Source: FPI analysis of CPS adjusted to New York State LAUS labor force statistics.
The proportionate increase in unemployment rates since the recession began is even greater for more educated New York workers.

Source: FPI analysis of CPS adjusted to New York State LAUS labor force statistics; age restricted to 24 years old and older.
New York State's initial unemployment insurance claims rate has come down since 2009, but is still greater than during the 2001-2003 recession.

Source: Initial unemployment insurance claim data from the U.S. Department of Labor and total nonfarm employment data from New York State Department of Labor; data are not seasonally adjusted.

<table>
<thead>
<tr>
<th>Labor Force</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albany-Schenectady-Troy, NY MSA</td>
<td>453,242</td>
<td>441,067</td>
<td>-12,175 -2.7%</td>
</tr>
<tr>
<td>Albany city</td>
<td>46,825</td>
<td>45,567</td>
<td>-1,258 -2.7%</td>
</tr>
<tr>
<td>Schenectady city</td>
<td>29,517</td>
<td>28,925</td>
<td>-692 -2.3%</td>
</tr>
<tr>
<td>Troy city</td>
<td>23,333</td>
<td>22,717</td>
<td>-617 -2.6%</td>
</tr>
<tr>
<td>Outside of cities</td>
<td>353,567</td>
<td>343,958</td>
<td>-9,608 -2.7%</td>
</tr>
<tr>
<td>Binghamton, NY MSA</td>
<td>123,217</td>
<td>119,833</td>
<td>-3,383 -2.7%</td>
</tr>
<tr>
<td>Binghamton city</td>
<td>20,775</td>
<td>20,158</td>
<td>-617 -3.0%</td>
</tr>
<tr>
<td>Schenectady city</td>
<td>29,517</td>
<td>28,825</td>
<td>-692 -2.3%</td>
</tr>
<tr>
<td>Troy city</td>
<td>23,333</td>
<td>22,717</td>
<td>-617 -2.6%</td>
</tr>
<tr>
<td>Outside of cities</td>
<td>353,567</td>
<td>343,958</td>
<td>-9,608 -2.7%</td>
</tr>
<tr>
<td>Outside of cities</td>
<td>353,567</td>
<td>343,958</td>
<td>-9,608 -2.7%</td>
</tr>
<tr>
<td>Outside of cities</td>
<td>353,567</td>
<td>343,958</td>
<td>-9,608 -2.7%</td>
</tr>
<tr>
<td>Cities</td>
<td>96,565</td>
<td>94,500</td>
<td>-2,065 -2.1%</td>
</tr>
<tr>
<td>Outside of cities</td>
<td>353,567</td>
<td>343,958</td>
<td>-9,608 -2.7%</td>
</tr>
<tr>
<td>Rest of State</td>
<td>1,532,171</td>
<td>1,519,730</td>
<td>-12,441 -0.8%</td>
</tr>
<tr>
<td>Total of six major metropolitan areas</td>
<td>2,011,942</td>
<td>1,985,325</td>
<td>-26,617 -1.3%</td>
</tr>
<tr>
<td>Five major upstate NY MSAs</td>
<td>2,011,942</td>
<td>1,985,325</td>
<td>-26,617 -1.3%</td>
</tr>
<tr>
<td>Cities</td>
<td>96,565</td>
<td>94,500</td>
<td>-2,065 -2.1%</td>
</tr>
<tr>
<td>Outside of cities</td>
<td>1,915,377</td>
<td>1,910,825</td>
<td>-4,552 -0.3%</td>
</tr>
<tr>
<td>Five major upstate NY MSAs</td>
<td>2,011,942</td>
<td>1,985,325</td>
<td>-26,617 -1.3%</td>
</tr>
<tr>
<td>Cities</td>
<td>96,565</td>
<td>94,500</td>
<td>-2,065 -2.1%</td>
</tr>
<tr>
<td>Outside of cities</td>
<td>1,915,377</td>
<td>1,910,825</td>
<td>-4,552 -0.3%</td>
</tr>
<tr>
<td>Total of six major metropolitan areas</td>
<td>2,011,942</td>
<td>1,985,325</td>
<td>-26,617 -1.3%</td>
</tr>
<tr>
<td>New York City</td>
<td>3,873,683</td>
<td>3,988,242</td>
<td>114,558 3.0%</td>
</tr>
<tr>
<td>Five NYC suburban counties</td>
<td>1,815,283</td>
<td>1,815,283</td>
<td>0.0%</td>
</tr>
<tr>
<td>Nassau county</td>
<td>695,958</td>
<td>677,992</td>
<td>-17,967 -2.6%</td>
</tr>
<tr>
<td>Putnam county</td>
<td>55,750</td>
<td>53,908</td>
<td>-1,842 -3.3%</td>
</tr>
<tr>
<td>Rockland county</td>
<td>154,125</td>
<td>150,525</td>
<td>-3,600 -2.3%</td>
</tr>
<tr>
<td>Suffolk county</td>
<td>789,133</td>
<td>776,850</td>
<td>-12,283 -1.6%</td>
</tr>
<tr>
<td>Westchester county</td>
<td>490,317</td>
<td>476,625</td>
<td>-13,692 -2.8%</td>
</tr>
<tr>
<td>10 downstate counties</td>
<td>5,568,650</td>
<td>5,647,517</td>
<td>78,867 1.4%</td>
</tr>
</tbody>
</table>

Source: FPI analysis of NYS Department of Labor Local Area Unemployment Statistics.

73
### Real GDP

<table>
<thead>
<tr>
<th>State name</th>
<th>(millions of 2005 chained dollars)</th>
<th>% change, 2009-10</th>
<th>Rank of % change, 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>12,773,853</td>
<td>2.55</td>
<td>--</td>
</tr>
<tr>
<td>North Dakota</td>
<td>29,188</td>
<td>7.08</td>
<td>1</td>
</tr>
<tr>
<td><strong>New York</strong></td>
<td>864,437</td>
<td>5.07</td>
<td>2</td>
</tr>
<tr>
<td>Indiana</td>
<td>234,752</td>
<td>4.52</td>
<td>3</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>328,247</td>
<td>4.23</td>
<td>4</td>
</tr>
<tr>
<td>West Virginia</td>
<td>53,842</td>
<td>3.99</td>
<td>5</td>
</tr>
<tr>
<td>Tennessee</td>
<td>220,936</td>
<td>3.52</td>
<td>6</td>
</tr>
<tr>
<td>Oregon</td>
<td>161,191</td>
<td>3.43</td>
<td>7</td>
</tr>
<tr>
<td>North Carolina</td>
<td>368,933</td>
<td>3.42</td>
<td>8</td>
</tr>
<tr>
<td>Kentucky</td>
<td>140,071</td>
<td>3.24</td>
<td>9</td>
</tr>
<tr>
<td>Vermont</td>
<td>22,432</td>
<td>3.10</td>
<td>10</td>
</tr>
<tr>
<td>Minnesota</td>
<td>235,939</td>
<td>3.11</td>
<td>11</td>
</tr>
<tr>
<td>Connecticut</td>
<td>204,995</td>
<td>3.10</td>
<td>12</td>
</tr>
<tr>
<td>Iowa</td>
<td>123,636</td>
<td>3.09</td>
<td>13</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>490,996</td>
<td>3.04</td>
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<td>Michigan</td>
<td>335,007</td>
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<tr>
<td>Maryland</td>
<td>257,382</td>
<td>2.91</td>
<td>16</td>
</tr>
<tr>
<td>Texas</td>
<td>1,076,412</td>
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<td>17</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>42,835</td>
<td>2.75</td>
<td>18</td>
</tr>
<tr>
<td>Louisiana</td>
<td>190,138</td>
<td>2.65</td>
<td>19</td>
</tr>
<tr>
<td>Virginia</td>
<td>370,872</td>
<td>2.63</td>
<td>20</td>
</tr>
<tr>
<td>South Carolina</td>
<td>141,433</td>
<td>2.62</td>
<td>21</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>215,892</td>
<td>2.50</td>
<td>22</td>
</tr>
<tr>
<td>New Jersey</td>
<td>428,222</td>
<td>2.45</td>
<td>23</td>
</tr>
<tr>
<td>Arkansas</td>
<td>69,742</td>
<td>2.32</td>
<td>24</td>
</tr>
<tr>
<td>South Dakota</td>
<td>35,495</td>
<td>2.19</td>
<td>25</td>
</tr>
<tr>
<td>Ohio</td>
<td>417,303</td>
<td>2.11</td>
<td>26</td>
</tr>
<tr>
<td>Maine</td>
<td>45,002</td>
<td>2.11</td>
<td>27</td>
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<tr>
<td>Kansas</td>
<td>111,721</td>
<td>2.06</td>
<td>28</td>
</tr>
<tr>
<td>Alabama</td>
<td>151,044</td>
<td>2.04</td>
<td>29</td>
</tr>
<tr>
<td>Idaho</td>
<td>49,717</td>
<td>1.98</td>
<td>30</td>
</tr>
<tr>
<td>Illinois</td>
<td>570,292</td>
<td>1.92</td>
<td>31</td>
</tr>
<tr>
<td>Nebraska</td>
<td>78,179</td>
<td>1.91</td>
<td>32</td>
</tr>
<tr>
<td>Alaska</td>
<td>44,207</td>
<td>1.90</td>
<td>33</td>
</tr>
<tr>
<td>California</td>
<td>1,701,283</td>
<td>1.80</td>
<td>34</td>
</tr>
<tr>
<td>New Mexico</td>
<td>71,555</td>
<td>1.74</td>
<td>35</td>
</tr>
<tr>
<td>Utah</td>
<td>101,072</td>
<td>1.71</td>
<td>36</td>
</tr>
<tr>
<td>Washington</td>
<td>301,911</td>
<td>1.56</td>
<td>37</td>
</tr>
<tr>
<td>Colorado</td>
<td>231,848</td>
<td>1.43</td>
<td>38</td>
</tr>
<tr>
<td>Missouri</td>
<td>214,283</td>
<td>1.42</td>
<td>39</td>
</tr>
<tr>
<td>Florida</td>
<td>664,084</td>
<td>1.40</td>
<td>40</td>
</tr>
<tr>
<td>Georgia</td>
<td>357,160</td>
<td>1.35</td>
<td>41</td>
</tr>
<tr>
<td>Delaware</td>
<td>55,472</td>
<td>1.31</td>
<td>42</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>53,877</td>
<td>1.30</td>
<td>43</td>
</tr>
<tr>
<td>Hawaii</td>
<td>58,602</td>
<td>1.24</td>
<td>44</td>
</tr>
<tr>
<td>Mississippi</td>
<td>86,096</td>
<td>1.14</td>
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<tr>
<td>Montana</td>
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<tr>
<td>Nevada</td>
<td>111,652</td>
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<tr>
<td>Wyoming</td>
<td>34,502</td>
<td>0.27</td>
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</table>

### Personal income

<table>
<thead>
<tr>
<th>State name</th>
<th>(millions of current dollars)</th>
<th>% change, 2009-10</th>
<th>Rank of % change, 2009-10</th>
</tr>
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<tr>
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<tr>
<td>Maine</td>
<td>47,942</td>
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</tbody>
</table>

Source: Real GDP and personal income by state from U.S. Bureau of Economic Analysis; 2010 is the latest year these data are available.

NYS had the second fastest growth in GDP and 10th fastest growth in personal income in 2010.
### 2012-13 Executive Budget Estimates of Personal Income Tax Liability, by Tax Year, With and Without Temporary Rate Increases (in Millions of Dollars)

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Permanent Law</th>
<th>Temporary Higher Rates</th>
<th>Permanent Law Plus Temporary Higher Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Liability, Top 1%</td>
<td>Liability, 99%</td>
<td>Liability, All Taxpayers</td>
</tr>
<tr>
<td>1998</td>
<td>6,654</td>
<td>12,332</td>
<td>18,986</td>
</tr>
<tr>
<td>1999</td>
<td>7,462</td>
<td>13,515</td>
<td>20,977</td>
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<tr>
<td>2000</td>
<td>9,644</td>
<td>15,089</td>
<td>24,733</td>
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<tr>
<td>2001</td>
<td>7,864</td>
<td>14,542</td>
<td>22,406</td>
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<tr>
<td>2002</td>
<td>6,681</td>
<td>14,050</td>
<td>20,731</td>
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<tr>
<td>2003</td>
<td>7,146</td>
<td>14,027</td>
<td>21,173</td>
</tr>
<tr>
<td>2004</td>
<td>8,487</td>
<td>15,731</td>
<td>24,218</td>
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<tr>
<td>2005</td>
<td>9,794</td>
<td>16,947</td>
<td>26,741</td>
</tr>
<tr>
<td>2006</td>
<td>11,539</td>
<td>18,066</td>
<td>29,605</td>
</tr>
<tr>
<td>2007</td>
<td>15,195</td>
<td>20,020</td>
<td>35,215</td>
</tr>
<tr>
<td>2008</td>
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<td>19,731</td>
<td>31,621</td>
</tr>
<tr>
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<td>18,384</td>
<td>27,522</td>
</tr>
<tr>
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<tr>
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<tr>
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<tr>
<td>2013</td>
<td>12,534</td>
<td>24,284</td>
<td>36,818</td>
</tr>
</tbody>
</table>

Source: Fiscal Policy Institute analysis of data from Table 7, Page 198, Economic and Revenue Outlook volume, 2012-13 Executive Budget.