A Shared Opportunity Agenda

The Trump Administration's tax law, looming federal budget cuts, multi-billion-dollar state budget deficits, glaring unmet human and physical infrastructure needs throughout the state...this year's New York State budget negotiations are taking shape against a worrisome and uncertain backdrop. The president and congress are threatening to dismantle decades-old federal entitlement programs, make drastic cuts to programs that help millions of struggling New Yorkers, and create a hostile environment for the state's four and a half million immigrants. The state has an important role to play to help make life better for all New Yorkers—and we must provide protections to our residents even if the federal government won't.

The Shared Opportunity section lays out recommendations for policy changes that we believe will improve the lives of struggling New Yorkers and begin to address the glaring racial, gender, and income inequality that exists in our state.

Reduce Income Inequality and Help Those Living in Poverty

- **Increase the State Earned Income Tax Credit (EITC)**
  The state EITC is currently set at 30 percent of the federal EITC. Increasing the state EITC to 40 percent would help lift many hard-working families out of poverty. State EITC benefits should also be expanded to aid childless workers ages 20-24 and those 65-66, and to increase amounts for childless couples. We should also look to expand the credit to provide benefits to those not currently covered including the unemployed, immigrants, and seniors.

- **Decouple from the Federal Child Tax Credit and Expand the State Child Tax Credit**
  The new federal tax law makes significant changes to the child tax credit (CTC) both by increasing the maximum credit to $2,000 and making it available to singles with incomes under $200,000 and couples with incomes under $400,000. This move increases the measure's cost while reducing its progressivity as more families with higher incomes are able to claim the credit intended to help low-income families with children. Additionally, since the state CTC is linked to current federal tax law, New York's revenues will suffer considerably as a result of a higher number of claims from higher income individuals (estimated to cost $500 million annually). It would be reasonable to decouple from the federal law in this instance and provide an enhanced version of the state-based child credit for low-income families along with changing the age of eligible children to include children under the age of four.

- **Create the Home Stability Support Program**
  Addressing the state's growing homeless population by introducing rent subsidies for families facing homelessness or eviction due to domestic violence or hazardous living conditions is the goal of the Home Stability Support program. It costs $11,224 per year for a household of three in direct subsidies, compared to the $38,460 it costs for housing that same family of three in the New York City shelter system. This will save the taxpayer $22,756 per household per year, and will reduce the use of shelters, and lower the costs of temporary housing, soup kitchens, emergency room visits, law enforcement, housing court, and other homeless programs.

- **Invest in the Human Services Sector**
  The Strong Nonprofits for a Better New York coalition calls for increased state investment in the human services workforce and infrastructure. The state government must increase funding for human services contracts and change Medicaid reimbursement rates to ensure that nonprofits can meet the wage requirements established as part of the minimum wage increase. The Strong Nonprofits coalition calls for $65 million in salary increases for workers who have not seen an increase in over eight years and another $23 million to fund the minimum wage increase for state contracts not yet adjusted to reflect the increase cost of service provision. Furthermore, the Nonprofit Infrastructure Capital Investment Program (NICIP), which received no funding whatsoever in this year's Executive Budget, should also become a recurring investment of $100 million so that nonprofits statewide can meet their infrastructure and technology needs.

- **Increase Funding for the Empire State Poverty Reduction Initiative (ESPRI) Communities and Expand to Other Cities**
  The governor's budget includes no new funding for the 16 ESPRI communities. ESPRI groups are one year into their work in finding new ways to alleviate poverty in their communities, but other than a $10 million additional boost in funding the Empire State After-School programs, the communities have received minimal state support and no additional funding. While the continual investment in the Empire State After-School programs is well-intentioned, this initiative should be funded on a level more commensurate with the magnitude of the challenges local communities face, including extraordinarily high child poverty and concentrated overall poverty.

- **Expand Investments in Child Care**
  Child care is a pressing need for New York families, but one that put far too much strain on the budgets of low-income families who need it. The FY 2019 budget restores the $7 million in child care subsidies taken out of last year's, maintaining the same level of funding of $806 million from FY 2017. However, this amount is not nearly enough and further investments in child care should be considered to alleviate the financial burden for working families.

- **Increase Funding for Universal Pre-Kindergarten**

  The Universal Pre-Kindergarten program (UPK) for four-year-old children was first enacted in FY 2016 and expanded in FY 2017 to include three-year-old children. This year, funding for UPK continues with a modest increase of $15 million on top of the $822 million prior annual funding level. Unfortunately, more than 81,000 four-year-old children outside of New York City are without full-day pre-kindergarten services despite growing demand from school districts and parents. Since Governor Cuomo boldly pledged to make full-day UPK available to every four-year-old in New York in 2014 and agreed to invest $1.5 billion in it, the scope of the expansion has been scaled back every year. This year's $15 million in additional funding for UPK still falls far short of the amount needed to fulfill need across the state. Maintaining all current funding levels for UPK and investing an additional $150 million would help expand access to both three- and four-year old children outside of New York City and ensure programs have sufficient resources and technical assistance to meet the quality standards.

Restore Balance to the State/Local Fiscal Relationship

- **Move Toward Having the State Carry a Fair Share of Joint State/Local Costs**
  Restore the state's role as a reliable partner to local governments. Rather than assisting local governments, the state has put them in a position where they first had to choose between raising taxes and cutting local services, and more recently only had the option to cut services with the false promise of huge savings through shared services and other efficiencies.

- **Scrap the State 2% Spending Cap**
  Eliminate the governor's self-imposed two percent cap on state spending. There is no reason to hold annual spending growth below two percent if it means that we are under-investing in education and poverty reduction. This unforced austerity, that is to say budget decisions driven by policy choice rather than by necessity, has already caused the state to underinvest in several critical areas, and the continuation of the cap guarantees further harmful cuts to local governments, education and human service programs.

- **Eliminate or Amend the Property Tax Cap**
  The property tax cap is the wrong solution to the state/local tax problem, and it should be eliminated. Short of being eliminated, there are modifications that would at least minimize its damage to schools and local governments. The cap should be amended to allow for a simple majority override, rather than requiring a 60 percent supermajority. The cap should also have exclusions for local expenditures for emergencies, capital improvements, infrastructure, and increased school enrollment. We should also consider making the cap a true two percent cap, rather than tying it to inflation.

- **Increase K-12 School Aid**
  Make a serious down payment on meeting the commitments of the Campaign for Fiscal Equity settlement by increasing aid by at least $2 billion and distributing a large percentage of it through the foundation formula to ensure funds are targeted to school districts with high levels of child poverty.

- **Restructure and Expand the State Takeover of County Medicaid Costs**
  The state should build on the takeover of all county increases in Medicaid costs by starting to provide additional relief for low-wealth counties who bear a greater burden relative to their ability to sustain the local cost share. This would be the best way to provide tax cuts for middle class families and small businesses.

- **Increase Aid and Incentives to Municipalities (AIM)**
  This year's Executive Budget once again holds Aid and Incentives for Municipalities (AIM) funding flat at $715 million, the same level it has been for nearly a decade. Over the last few decades AIM funding has fallen more than 75 percent in inflation adjusted dollars. Cities, towns and viillages desperately need this unrestricted funding to adequately provide public services.

Invest in the State's Economic Vitality

- **Reform and Curtail Business Tax Credit Programs**
  Reduce the amount of money ill-used in the name of economic development and redirect it to bolster economic growth. Tax credits have more than tripled in the past decade, yet they have a negligible impact on job creation. The governor's own tax commission recommended curtailing the scattershot use of tax credits. These funds can be better used to create jobs if invested in infrastructure or picking up more costs the state currently pushes down to the local level.

- **Increase State Aid to SUNY/CUNY**
  Educating students, contributing to groundbreaking academic research, enriching the state's cultural environment, and robustly contributing to the state's economy are all reasons for New York to take immense pride in SUNY and CUNY. The state continues to starve these institutions of funding, forcing them to make difficult fiscal decisions that adversely impact students and faculty. Closing the "TAP gap" with $59 million for CUNY and $65 million for SUNY would immediately alleviate financial stress. Increased enrollment has caused SUNY and CUNY to rely on adjunct faculty, a workforce that is shamefully underpaid with poverty-level wages. Adequately funding SUNY and CUNY would allow them to fairly pay their adjunct faculty, hire more full-time, tenure-track faculty, finance furth infrastructure and technological upgrades, and provide the quality education that they are reknown for.

Help New York's Immigrants Thrive

- **Invest in Schools with ELL students.**
  Schools are a key institution to integrating all of our kids into American society, and this role is all the more important—and also challenging—for students who don't speak English as a native language. Schools around the state need added funds to help them adapt as refugees, immigrants, unaccompanied minors, and Puerto Ricans fleeing the aftermath of Hurricane Maria add to their student populations. These are challenges around the state, and in some ways are particular challenges in upstate cities where the level of immigration is not so high but the diversity of langauges spoken is very great. A $100 million investment in schools serving ELLs is a reasonable response to these added pressures.

- **Expand Adult Literacy Education**
  Providing opportunities for adult immigrants to learn English would seem like an obvious win-win-win-win: for immigrants, their employers, their kids, and their communities. Yet today, there are long wait lists and far too few high-quality classes available around the state. As the state shifts $8 million in the Workforce Innovation and Opportunity Act funding away from less well educated immigrants in order to serve a higher-skilled group, the Adult Literacy Education program should expand by the same amount, from $7.3 to $15.3 million, to make up for the gap and serve an estimated 17,000 students who will otherwise lose the opportunity to improve their English.

- **Raise the Age for Child Health Plus**
  Allocating $83 million to raise the upper age limit of CHP from 18 to 29, would allow the state to offer quality subsidized health care coverage to undocumented and DACA young adults who are ineligible for Medicaid, Essential Plan, or Marketplace coverage due to their immigration status. That's a well-grounded idea based on expansion of a program that has proven its value.

- **Expand the Liberty Defense Fund**
  Last year, Governor Cuomo and the legislature put in place the Liberty Defense Program and allocated $10 million to implement it. Expanding that fund to $20 million would allow the fund to serve about 6,700 immigrants per year. At a time when immigrants are increasingly under attack, that's a much-needed resource to make sure our justice system functions properly.

- **Expand on Last Year's Support for Refugee Resettlement and Upstate Urban Revitalization.**
  In a move that garnered attention around the country, the state budget last year included $2 million to help refugee resettlement agencies address a sudden shortfall in funding resulting from the Trump Administration's travel ban and reduction in refugee numbers. The federal situation has only gotten worse, but it makes more sense than ever to continue to support refugee resettlement agencies, the vast majority of which are in upstate cities where attracting and supporting newcomers matches a humanitarian mission with a vital economic development agenda. Doubling last year's funding, to $4 million, could allow these agencies to provide extended support to refugees in their system and help provide funds so they can serve the secondary migrant refugees who come to upstate New York.

- **Really Move the Dial on Immigrant Integration**
  Make sure hospitals get the Disproportionate Share Hospital payments they deserve, extend the Utica One World Welcome and Opportunity Center model to all upstate cities, allow undocumented immigrants to apply for driver's licenses, expand Executive Order 26 to meet the needs of upstate cities where refugees speak languages other than the major second languages in the state, fund programs to help smooth the way for professional licensing of immigrants who are trained in other countries but not yet licensed in the United States, provide support to local government and nonprofit groups to make sure there is a robust 2020 Census, and of course, after all this time, finally pass the New York State Dream Act.

Make the State Tax System More Progressive and Raise Needed Revenue

The plans presented by the governor in his Executive Budget fall short of generating the kind revenue that New York needs to remain competitive in the future. The governor and legislature should consider the following list of additional pro-revenue fair share proposals that could raise billions in estimated new revenue.

- *Close the carried interest loophole* at the state level (approximately $3.5 billion annually) Billionaire real estate investors got a special loophole in the new federal tax law. Hedge funds and private equity funds are using the loophole too—under the new law, they will all pay lower tax rates than teachers and truck drivers.

- *Recapture—Unincorporated Business Tax (UBT).* A state tax on high-dollar pass-through LLCs could raise over a billion per year without negatively impacting small businesses or freelancers. At a time when many people will be looking to start such corporations to game the new tax law, this should be coupled with an increase in LLC filing fees both to raise revenue and discourage gaming.

- *Claw back the federal tax cut for large corporations that do not raise pay or create jobs.* Multinational corporations are executing hundreds of billions of dollars in stock buybacks, providing returns to rich investors—not their workers. New York should impose a "claw-back tax" on publicly traded companies that received tax breaks but do not create jobs or raise pay of workers. The state should exempt small businesses or start-ups from this measure that could raise a billion per year and/or compel companies to do the right thing for New York's working families.

- *Fee on opioid medication and windfall profits tax on opioid wealth.* New York is facing a deadly public health crisis of addiction and overdose, driven by prescription painkillers and other narcotics. Pharmaceutical companies and pharmacy benefits managers have abused the prescribing system to explode sales and distribution of dangerous painkillers beyond their proper use. A state surtax on prescription painkillers, as the governor suggests, and an assessment on company fortunes built on opioids could raise billions for treatment, public health and overdose prevention.

- *Reinstitute Stock Transfer Tax.* Large banks and Wall Street traders get the biggest benefits from the new federal tax law. In fact, New York still collects a multi-billion-dollar ($13.8 billion per year) Stock Transfer Tax, but it is currently fully rebated back to the brokers. It is possible to exempt small investors while imposing a negligible transfer tax on high-frequency and high-dollar trades. Rebating 60 percent of the tax, rather than the full 100 percent could raise $5.5 billion per year.

- *Multi-millionaires tax.* New York's tax brackets are antiquated and should be made more progressive. It makes sense to adjust brackets upward for the wealthiest residents, to reflect explosive income gains of the recent decades—as well as some of the newly created gains from the new federal tax law. New progressive brackets at $5 million, $10 million and $100 million per year would raise over $2 billion annually and would still leave these multi-millionaires as the big winners in the economy of these last years.

- *New York City land tax to fund transit, jobs and climate adaptation.* New York City real estate has soared in value, while the transportation, infrastructure, housing and energy systems that make it so valuable have suffered. We can create thousands of jobs all over New York with funding from a reasonable land tax on just the most valuable Manhattan office buildings and speculative luxury housing that could raise well over a billion dollars.

The best course of action is one that combines multiple approaches sketched above and applies them simultaneously in parallel. The best approach is decidedly pro-growth and pro-revenue.