

Executive Summary

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.

Based on last year's congressional budget resolutions and what lies on the horizon in terms of cuts to federal programs, we know that things are going to change, and likely not for the better. The policy ideas advanced by Washington thus far do not bode well for New York State. While New York sends more in tax dollars to Washington than we get back, over one-third, or \$57 billion, of New York State's FY 2019 All Funds Budget is comprised of federal funds. The potential for substantial cuts in domestic spending poses gargantuan challenges for the state budget and budgets of local government entities throughout the state.

Financial Plan and Reform

The state of New York has a budget gap of \$4.4 billion. The main contributing factor is the weak tax collections based on overly ambitious previous tax cutting. The proposed Executive Budget shows the governor's commitment to the two-percent spending growth cap. Coupled with an array of modest revenue raising actions the spending growth restraint is the main strategic feature of the state's financial plan, the document shows.

The new federal tax law SALT deduction limits will cost New York's taxpayers roughly \$14.3 billion in additional taxes. The governor has outlined a series of measures called to diminish the tax reform's negative and disruptive impact on New Yorkers. The law creates winners, mainly large corporations and the super-wealthy, and losers, mostly the low-income and middle class. It has a negative effect on the state's tax progressivity and puts state and local funding of many essential services in jeopardy. The Fiscal Policy Institute (FPI) recognizes the objective need to explore all available options such as the state's migration to a payroll-tax based system, creation of charitable organizations to fund local services with tax-deductible donations, and filing lawsuits against the federal government. At the same time, FPI's research suggests that the set of proposed measures may be incomplete or insufficient to ensure New York's economic success. The state's policy should also include a reasonable combination of progressive revenue-raising measures.

Education at a Glance

This year's Executive Budget attempts to appear generous to education funding despite the budget deficit. There are some proposals that continue from last year, including a paltry increase in K-12 school aid, another small expansion of the Universal Pre-Kindergarten program, additional funding for after-school program slots for some communities, and the second phase-in of the Excelsior Scholarship, which provides extra funds for some full-time SUNY and CUNY students. Additionally, the governor proposes new legislation and funding for students to access healthy, locally sourced meals to address child hunger. For school aid, the Executive Budget proposes only a \$769 million increase in school aid this year, significantly less than last year's \$1 billion step-up in funding for K-12 education. This includes only \$338 million in Foundation Aid (a \$90 million decrease from last year) that still leave the state approximately \$3.9 billion short on honoring its funding commitment to the Campaign for Fiscal Equity lawsuit.

However, beneath the surface woes of the deficit and the half-hearted attempts to tackle inequity, there is still a perpetuation of educational poverty and racial and economic inequality. The perpetuation of educational inequity ties directly to high levels of child poverty and to the racial characteristics of the school population. Research shows that students in low-performing schools often come from low-income households and communities of color, and often do not perform as well in school as those from more advantaged households. Further critical investments in education would help to alleviate these issues and break down barriers of inequity.

What's *Not* New in Local Governments

For decades now, New York State has put local governments in a terrible bind. First the state reduced its contribution to joint state/local expenditures, while it simultaneously reduced state Aid to Municipalities funding, forcing localities either to increase property taxes or cut services. Then, in 2012, local government options were further restricted by placing a cap on the amount that property taxes could be raised. As a result, local governments have been under grinding pressure continually to cut expenses, with a lasting cost to the quality of life and economic well-being of communities around the state.

The state's agreement to take over increases in Medicaid expenses was a positive step that helped ease the pressure on local government to some degree, but it was not enough to offset the longstanding erosion of other forms of state aid to localities. Government employment just began to turn around between 2015 and 2016, but there is clearly a long way to go. New York State government should recognize the unreasonable fiscal strain localities face and work to reverse it, rather than seeking to blame local officials for a problem that is mostly not of their own creation.

Social Welfare Agencies, Human Services, and Housing Can't Catch a Break Despite New York's Growing Inequities

The self-imposed two-percent spending cap rears its ugly head once again in the budgets for social welfare agencies. State operating funding support for FY 2019 remains over \$900 million below FY 2011 levels, representing a 32 percent decrease since Governor Cuomo took office. For FY 2019, the Department of Labor and the Division of Housing and Community Renewal see the largest decreases compared to last year's budget: 21 percent and 10 percent respectively. These tremendous cuts do not come without a price as growing income and wealth inequality, rising homelessness, and a high rate of child poverty continue to be prevalent socioeconomic ills within our society. Lower-income families rely on services and programs like food assistance, child care subsidies, and job assistance to meet their basic needs and even pursue further economic opportunity. As these agencies are literally the backbone of every basic need—food, shelter, income—it makes sense to adequately fund them to ensure New York's prosperity.

Despite the difficult budget constraints, there are several encouraging proposals that do work to alleviate poverty and homelessness. The Executive Budget proposes an additional \$10 million for Empire State After-School programs; a new Anti-Hunger Initiative that bans lunch shaming statewide and creates food pantries for SUNY and CUNY campuses; another round of funding for the five-year, \$20 billion Affordable Housing and Homelessness Initiative; and the reinstatement of the \$7 million in child care subsidies that was taken out of the budget last year. However, with the potential budget cuts at the federal level, particularly those related to entitlements like Medicaid and Supplement Nutrition Assistance Program (SNAP), there is more than enough cause for concern to protect all of New York's families. The slow but continual erosion of the safety net over the last several decades has left families struggling to find housing and jobs, pay for child care and education, and even put food on the table. It is imperative that the state rises above and reconsiders putting critical programs and services on the chopping block.

Immigration

Immigrants should not be an afterthought in the New York State budget process. Immigrants make up 23 percent of the state's population, 27 percent of the state's working-age population, and 25 percent of the state's economic output. Immigrants are centrally important in New York City, where people born in another country make up more than one out of every three residents. But they are also playing a big role on Long Island and the Hudson Valley. And, in Northern and Western New York, immigrants often make the difference between overall population gain and population loss. Yet, New York has fallen substantially behind other states in protecting immigrant residents, fostering their educational and economic advancement, and in the process helping our local economies grow to their fullest potential.

For years, the main discussion in the state budget negotiations has been the small and obvious request to pass the New York State Dream Act that would allow undocumented students who go to college to apply for the state's Tuition Assistance Program. The governor and the legislature should do that, but they should also look at: a \$100 million expansion of funding to schools around the state with English Language Learner students; raising the age limit on the state's Child Health Plus which at \$83 million would cover an additional 27,900 people; expanding the state's legal assistance fund for immigrants from \$10 million to \$20 million; increasing support to Adult Literacy Education by \$8 million in response to program changes that are shifting funds away from some immigrants who want to learn English; and increase from \$2 million to \$4 million the amount of state funding that last year was directed to refugee resettlement agencies, almost all of them in upstate New York cities, as a way of mutually benefitting refugees and upstate urban communities.