

We Must Boost New York's Fighting Chance

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NEW YORK STATE IS DEALING WITH A PANDEMIC THAT DEMANDS SUDDEN and unusual changes in our everyday lives. The need for societal change including social distancing and restricting public gatherings to protect our health is clear. We know the potential costs of doing nothing about the COVID-19 would go far beyond the financial as proven during the 1918 flu pandemic. When Philadelphia did not cancel its St. Patrick's Day parade and festivities, but St. Louis did, Philadelphia paid the price in lives lost (Hatchett, et al., 2007). The question now is what is the economic cost of our necessary public health policy and how will we pay for it?

The economic disruption caused by a combination of travel, work, and assembly restrictions necessitated by COVID-19 and put in place by the city, state, and federal governments are dramatic and potentially long-lasting. New York City alone receives over 65 million visitors annually of whom, almost 14 million are international. Visitor spending at over \$46 billion is a substantial part of the city economy with a total economic impact through adjacent sectors totaling around \$70 billion (NYC & Company, 2019).

Thousands of workers will be impacted, and many may find their livelihoods in jeopardy which will ripple throughout industries and communities statewide. Holding all else equal, business and income losses invariably lead to decreases in tax revenue. Therefore, in order to sustain the present level of services the state ought to either obtain additional funds from the federal government or raise new revenue or do both.

In the best-case scenario, the state together with the rest of the nation will have a technical recession confined to the first half of this year with the output and economic activity poised to pick up in the second half of the year propelled by low-interest rates and fuel prices.

China shows us we need to prepare for the worst. Since the start of the year the country's major indicators went significantly down year on year: industrial production down 13.5 percent, retail sales down 20.5 percent, and fixed-asset investment down by 24.5 percent. China's first-quarter real GDP is likely to drop 6 percent year over year, and the second quarter may drop even further.

In our worst case scenario, we will see a prolonged recession and the damage done by stopping our economy while we fight the coronavirus will be sustained through the period of adjusted recovery bringing significantly lower than previously projected revenues and thereby making the state budget gap wider (than the current \$6 billion) and more difficult to handle without a major departure from the governor's preferred conservative approach to fiscal policy.

At the time of this writing, our state is trying to reach the short-term goal of sufficiently “flattening the curve” of infection to keep hospitalization rates within our state's healthcare capacity. That is paramount now. What is not clear is the inevitable economic fallout. While it might seem counterintuitive at this time, substantial new revenue options must invariably be considered. Recognizing the challenges New York must face, the Fiscal Policy Institute, advanced a set of progressive revenue options earlier this year (Fiscal Policy Institute, 2020) that are still relevant now as the state's challenges have grown, together with its revenue needs.

As the New York State Comptroller pointed out, the full impact of the coronavirus is still unknown, but it looks like revenue projections for SFY 2020-2021 could be \$7 billion dollars below Executive Budget projections. Raising revenue will be necessary and all options must be explored for the state to meet its' needs and obligations to New Yorkers.

At this time, we must examine the continued use of the 2 percent spending cap and its' impact on the state. While the idea of such a cap may have resonated with voters concerned with fiscal oversight and limited government spending, the pandemic has taken us into new territory. Forced austerity means essential state services are already provided by organizations and agencies operating on a shoestring with little room to maneuver or handle the level of need created by this health crisis.

Our federal and state governments must accomplish several objectives:

1. **Competently lead the public health campaign.** The House COVID-19 bill's temporary Medicaid funding boost would deliver nearly \$35 billion in relief, with an estimated \$6.7 billion or 19 percent of this funding allocated for New York State. New York State can expand on this pool of funding by committing to end its search for \$2.5 billion in Medicaid cuts by ending its Medicaid Redesign Team. In the worst-case public health scenario, the COVID-19 pandemic will lead to a profound economic downturn in New York State. Due to increased economic hardship, Medicaid enrollment may, in fact, grow rapidly and soon. Correctly anticipating greater coverage need along with the current public health crisis should make it reasonable for the governor and legislature to urgently reassess the suitability of any previously outlined budget cuts to Medicaid. The state has a low, but significant population of uninsured. It is estimated to be at a relatively low 5.2 percent in 2018 (Berchick, et al., 2019) after declining from 5.7 percent in 2017; similarly, a report by the CDC shows a lower 2018 estimate of 4.7 percent (Cohen, et al., 2019). Both reports show a significant decline, despite using different methods and samples. To ensure the success of the public health effort of addressing the COVID-19, the state must expand access to Medicaid and commit more, not fewer funds and other resources to the task. Holding on to the pre-pandemic budget priorities may prove to be reckless and potentially dangerous. Most importantly, proper deployment of the state's resources, in this emergency situation also requires pausing the adherence to the two percent spending growth cap together with the practice of fiscal austerity as inappropriate during this quickly evolving state of emergency.

2. **Take care of our most economically vulnerable.** The state, together with the federal government must ensure food security for New York's low-income families by expanding access to SNAP

and TANF benefits. The state's child poverty and child hunger problems are especially pressing. In 2016/17, almost 53 percent of New York State's public school students in grades K-12 received free or reduced-price school lunch—about 72 percent in New York City and 41 percent outside the city (NYS Education Department, 2019). Another major problem: our state has over 4,000 unsheltered homeless people (Office of Community Planning and Development, 2020). The unsheltered homeless lack the ability to self-quarantine and do not have regular access to medical care. The homeless will need shelter, medical treatment, and emergency homeless services. Therefore, the state must urgently convert its unused/underused spaces into shelters.

3. **Stabilize the economy and prevent income loss to workers and businesses.** The Centers for Disease Control recommends everyone stay at home if they have any symptoms of the coronavirus. However, for many New Yorkers, it could be extremely challenging as we have not enacted a policy of paid sick leave, so employers do not have to offer paid sick leave to employees. Expand worker protections like paid sick leave and health care to more workers in New York, especially domestic workers, home health aides that care for the elderly, gig economy workers, and all others in low wage jobs. Additionally, granting everyone access to paid leave would remedy some racial inequities within our current labor market. Low wage workers are less likely to have access to paid time off and are more likely to be found in jobs where they have close contact with the public (Gould, 2020). Previously, Governor Cuomo outlined a policy that would provide sick leave to almost all employees in New York State, based on the size of the employer. For employers with 5 to 99 employees, the proposal is for 5 days; for those with 100 or more, 7 days is proposed. For employers with fewer than 5 employees, the proposal is for 5 days of unpaid sick time (Cuomo, 2020). A paid leave policy specific to the coronavirus, which would cover anyone sick with COVID-19, needs to be enacted to protect and promote economic security for all workers, including gig economy workers.

4. **Minimize the stress to financial markets.** In order to calm the financial markets, the Federal Reserve announced a set of bold policy actions: The overnight policy interest rate target lowered to 0-0.25 percent, its lowest level since the Great Recession; discount rate cut to 0.25 percent making elastic liquidity more available; the required reserve ratio is reduced to zero; the Fed agreed to purchase \$700 billion in securities in a new round of quantitative easing. The immediate market reaction has been negative, which indicates that the steps the Fed has taken were seen as either insufficient or irrelevant, and it is likely more aggressive monetary action will follow. The Federal Reserve should open a special lending facility to better accommodate local business needs and provide them with expanded credit access.

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