

New York State

Economic and Fiscal Outlook 2013-2014



A Fiscal Policy Institute Report
www.fiscalspolicy.org

January 2013

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 (including a PDF version of this briefing book) are available via the Internet at www.fiscalpolicy.org

January 2013

Fiscal Policy Institute

One Lear Jet Lane
Latham, New York 12110
518-786-3156

11 Park Place, Suite 701
New York, NY 10007
212-721-5624

www.fiscalpolicy.org

info@fiscalpolicy.org

Table of Contents

I. Budget Overview.....	1
II. The Economic Context.....	23
III. Tax Policy Issues	51
IV. Economic Policy Issues	67
V. Appendix.....	81

I. Budget Overview

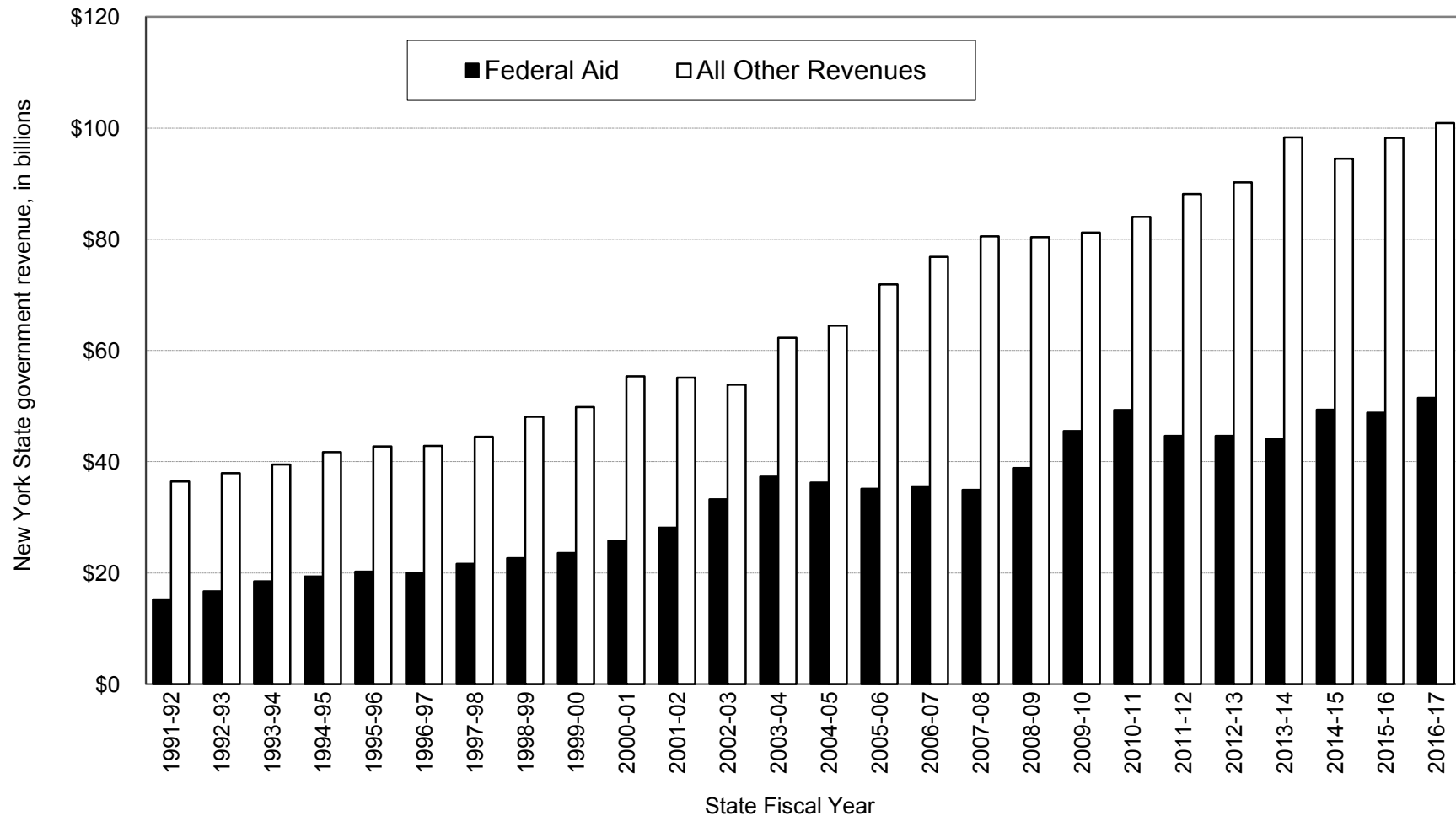
The 2013-2014 Executive Budget

- Every year, the Executive Budget submitted by New York State's Governor raises questions regarding a wide range of policy issues. New York budgets are not about the balancing of revenues and expenditures in a narrow sense.
- This year, Governor Cuomo has included a number of important economic policy proposals in the bills that he submitted with his budget documents, with his proposal for an increase in the minimum wage receiving the most attention so far. To be clear, this proposal is included in a so-called Article VII "language" bill and not in an appropriations bill. This distinction is important since the Legislature is not limited in the ways in which it can amend and otherwise dispose of "language" bills. This is very different from the limited ways in which the Legislature can change the Governor's appropriations bills as a result of important court decisions in the last two decades.
- Since the Fiscal Policy Institute has done a good deal of analytical work over the years on the minimum wage and Unemployment Insurance, this briefing includes a discussion of the Executive Budget's proposals in these two areas. The Economic Policy portion of this briefing also includes a discussion of issues related to New York's Temporary Disability Insurance (TDI) program, a part of the social safety net that is not addressed by this year's Executive Budget.
- In addition to this Budget Overview section, this briefing also includes a section on the Economic Context for deliberations regarding the state's 2013-2014 budget and a section on Tax Policy, a major focus of the Fiscal Policy Institute's work.

New York's 2013-14 Budget and Intergovernmental Fiscal Relations

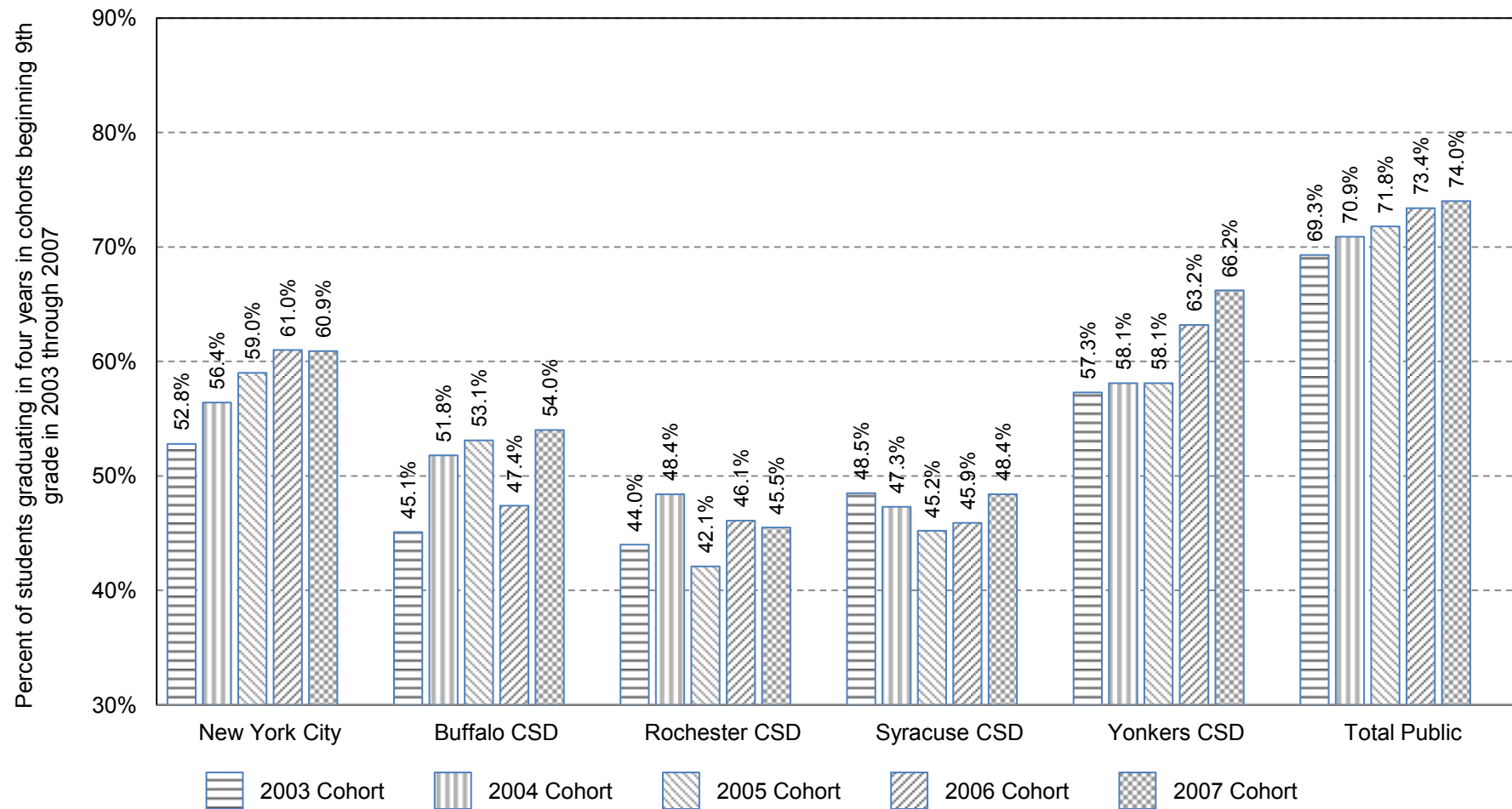
- As New York's budget priorities and its fiscal situation are debated during 2013, issues related to federal-state fiscal relations and state-local fiscal relations will be extremely important.
- New York State receives substantial amounts of aid from the federal government for important capital and operating budget priorities. Over the past decade, federal aid as a percentage of all New York State revenues has ranged from a low of 30.2 percent in 2007-08 to a high of 38.2 percent in 2002-03. While the Executive Budget projects increased federal funding due to the implementation of the federal Affordable Care Act and federal disaster aid for Superstorm Sandy, other federal aid is at risk as the federal government moves to reduce its operating deficit through the scheduled "sequestration" or other means. There is also the possibility of "tax reform" at the federal level as part of deficit reduction. This could include changes that pass through to New York in both positive and negative ways.
- In regard to state-local fiscal relations, New York is in the process of taking over an increased share of local Medicaid costs but it is projecting flat funding for revenue sharing (now called Aid and Incentives for Municipalities) with cities, towns and villages for the foreseeable future. For public school districts, the state is continuing to freeze the implementation of the Foundation Aid formula adopted in 2007 as part of the settlement of the Campaign for Fiscal Equity lawsuit. This is particularly ironic since the relatively low statewide graduation rate is driven by the low graduation rates in districts (such as Buffalo, Rochester and Syracuse) which were scheduled to receive large aid increases under the settlement and which were required to enter into Contracts for Excellence with the State Education Department.

The substantial amounts of aid New York State receives from the federal government for important capital and operating budget priorities could be reduced by federal actions currently under consideration.



Note: The federal aid projected for 2013-2014 and beyond could be reduced substantially by efforts to reduce the federal government's operating deficit; and by negotiations between New York State and the federal government over Medicaid reimbursement rates.

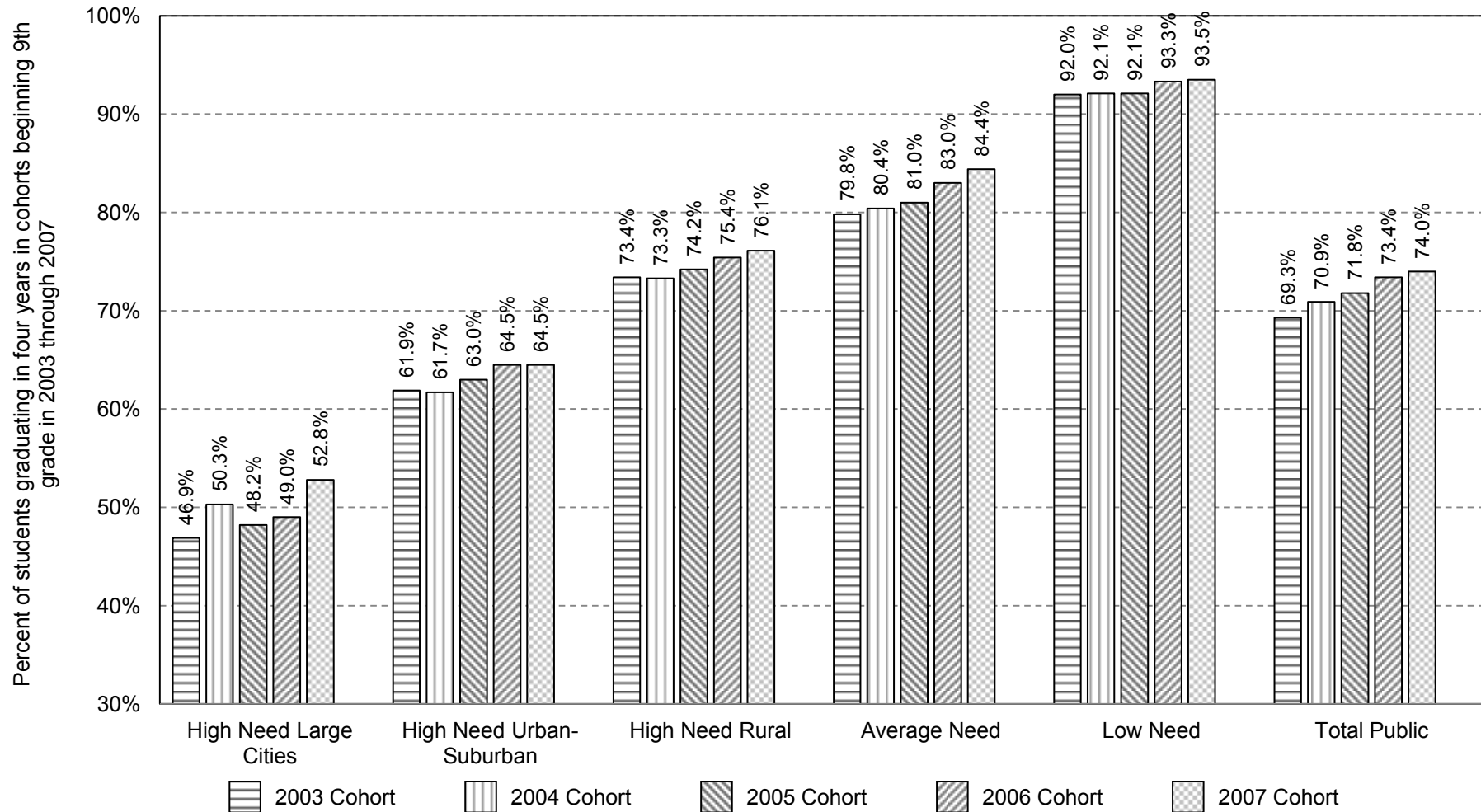
New York's relatively low statewide graduation rate is driven by the low graduation rates in districts such as Buffalo, Rochester and Syracuse which were scheduled to receive large aid increases under the settlement of the Campaign for Fiscal Equity lawsuit.



Note: The year of each cohort is the year in which the students in that cohort began ninth grade. For example, students in the 2007 Cohort who finished high school in four years, graduated in June 2011.

Source: New York State Education Department, *Graduation Rates: Students Who Started 9th Grade In 2003, 2004, 2005, 2006, and 2007*, June 2012. See this report for explanation of recent changes to Buffalo's cohort size.

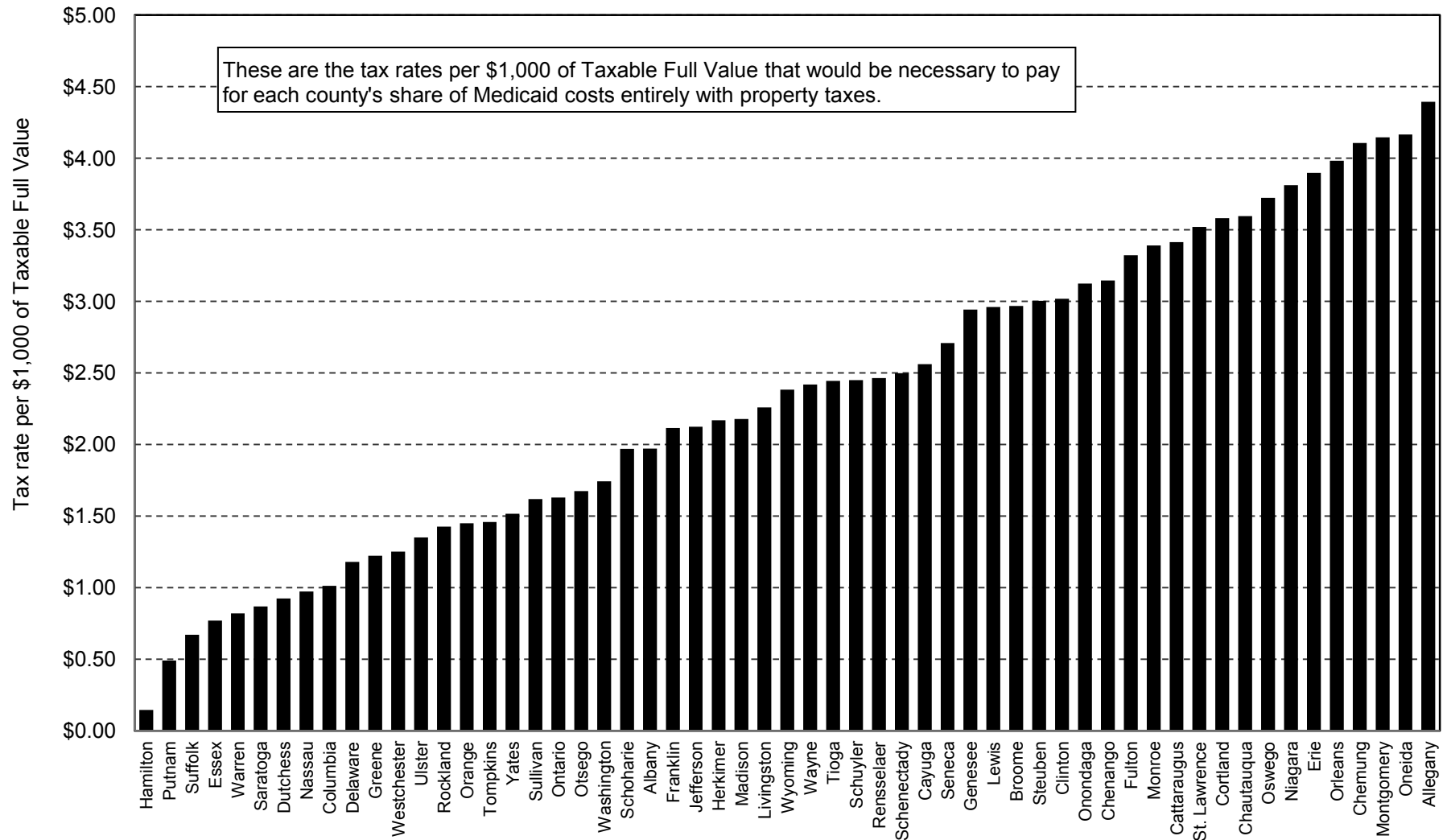
New York's relatively low statewide graduation rate is a weighted average of many districts with relatively high graduation rates and a smaller number of large districts with very low graduation rates. To increase the statewide graduation rate, New York State must provide sufficient resources to high need districts.



Note: The year of each cohort is the year in which the students in that cohort began ninth grade. For example, students in the 2007 Cohort who finished high school in four years, graduated in June 2011.

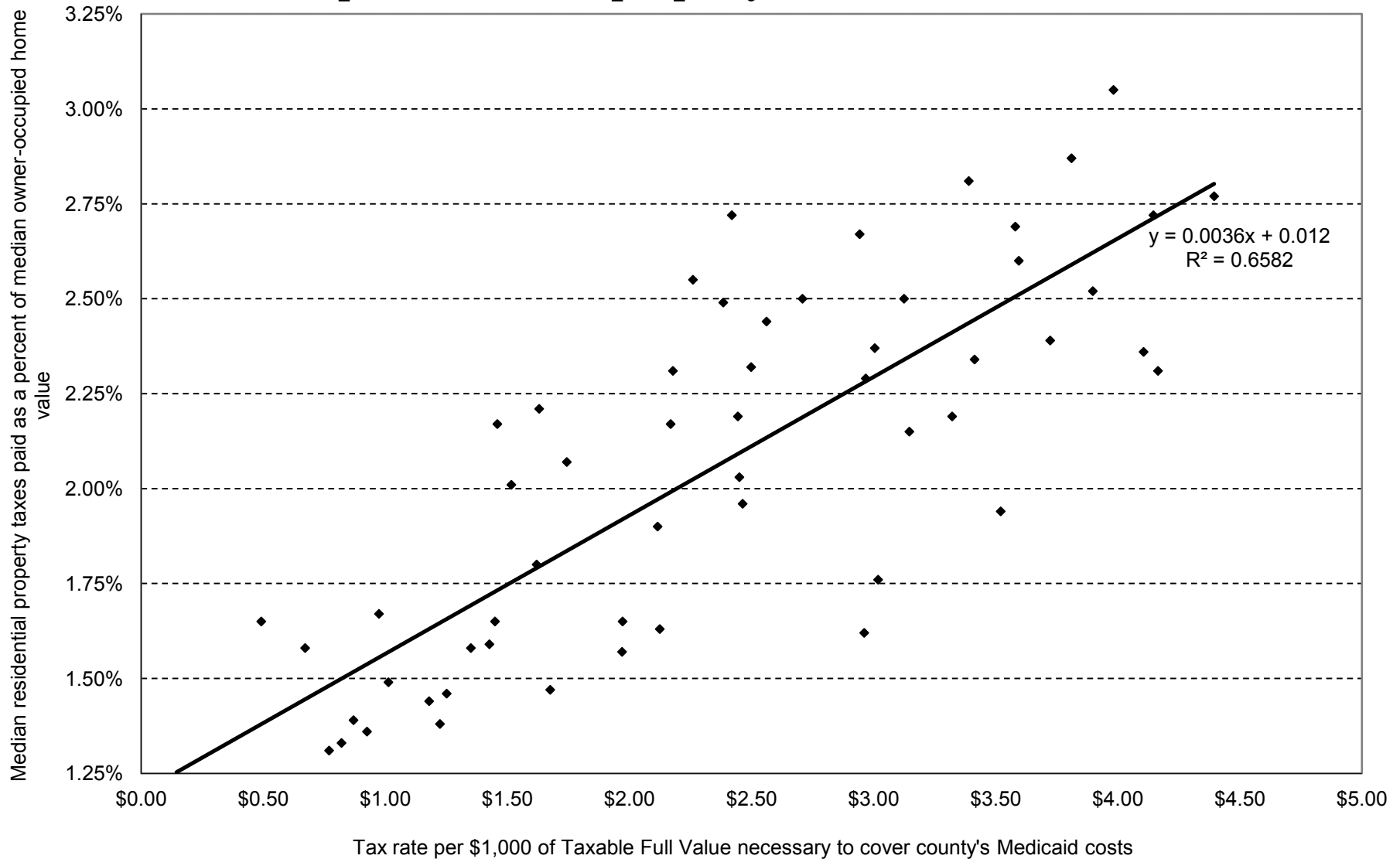
Source: New York State Education Department, *Graduation Rates: Students Who Started 9th Grade In 2003, 2004, 2005, 2006, and 2007*, June 2012.

Because of the great disparities that exist among the state's counties in their "ability to pay" for the local share of Medicaid, the state government should take over a greater share of Medicaid costs in counties with significant Medicaid "over-burdens."



Sources: Fiscal Policy Institute analysis of data from the New York State Department of Health; and, the NYS Office of the State Comptroller.

There is a very strong correlation between (a) counties' Medicaid costs relative to the strength of their tax bases and (b) the relationship of residential property tax bills to home values.



The 2013-2014 Executive Budget TANF Spending Plan

- The proposed \$2.679 billion in TANF spending for 2013-2014 consists of New York's annual \$2.443 billion TANF block grant, \$215 million in TANF contingency funds that the state will earn in the current federal fiscal year, and about \$22 million in TANF funds rolled over from previous years.
- Almost half (\$1.3 billion) of the projected TANF spending for 2013-2014 is for public assistance benefit costs and Emergency Assistance to Families. The next largest component of TANF spending is for the Flexible Fund for Family Services (FFFS), which provides funds to local social services districts totaling \$964 million. Over half of total FFFS spending is for child welfare purposes and over half of the total 2012-2013 amount, also \$964 million, was allocated to New York City – \$550 million.
- TANF spending as proposed will be \$50 million more in 2013-2014 than in the current state fiscal year. This net growth is made up of the following increases and decreases:
 - A 3 percent decline in public assistance benefit costs due to a 2.7 percent decrease in projected TANF caseloads,
 - A net reduction of \$14.7 million for a range of support services,
 - An increase of \$71 million for child care subsidies (which offsets a reduction in General Fund support for this purpose),
 - A commitment of \$25 million for the Summer Youth Employment, and
 - New funding of \$2 million for food banks.

The 2013-2014 Executive Budget TANF Spending Plan, continued

- For the third year in a row, federal TANF funds will be used to pay 100 percent of Family Assistance benefit costs (including Emergency Assistance to Families), while New York State will be responsible for 29 percent of Safety Net Assistance benefit costs (including Emergency Safety Net Assistance) and local social services districts will pay 71 percent of these costs. Before the 2011-2012 state fiscal year, the state and local social services districts each were responsible for 25 percent of Family Assistance costs and 50 percent of Safety Net Assistance costs (TANF funds were used to help pay these shares in 2009-2010 and 2010-2011).
- Since 2001, the number of Safety Net Assistance recipients has increased and the number of Family Assistance recipients has decreased. The recent cost-sharing arrangement, therefore, may become more costly for localities in the future.
 - The total number of Family Assistance recipients decreased by 57 percent from March 2001 to March 2012. This decline was 67 percent for New York City. During that same period, the total number of Safety Net Assistance recipients went up by 136 percent in New York City and 226 percent in the rest of the state for a statewide average increase of 161 percent.
 - In March 2012, in New York City, there were 207,227 Safety Net Assistance recipients – 66,547 more than in Family Assistance, and total monthly expenditures for Safety Net Assistance (\$74 million), were more than twice the expenditures for Family Assistance.

Comparison of 2012-2013 and 2013-2014 TANF Funding Commitments

(in thousands)

Program	2012-2013 Current	2013-2014 Executive	Change	Program	2012-2013 Current	2013-2014 Executive	Change
Public Assistance Benefits	\$1,113,374	\$1,080,497	(\$32,876)	Child Care Subsidies	\$324,276	\$394,967	\$70,691
Public Assistance Benefits resulting from Grant Increase	\$30,000	\$30,000	\$0	Child Care SUNY	\$193	\$0	(\$193)
Emergency Assistance to Families	\$150,000	\$150,000	\$0	Community Solutions to Transportation	\$112	\$0	(\$112)
State Operations	\$30,000	\$30,000	\$0	Displaced Homemakers	\$546	\$0	(\$546)
AFIS, EBICS [1]	\$3,000	\$3,000	\$0	Educational Resources	\$250	\$0	(\$250)
Welfare to Work Staff	\$0	\$0	\$0	Emergency Homeless Program	\$500	\$0	(\$500)
Systems	\$0	\$0	\$0	Flexible Fund for Family Services	\$964,000	\$964,000	\$0
Welfare Fraud and Prevention	\$0	\$0	\$0	Food Banks (New York State)	\$0	\$2,000	\$2,000
				Food Pantries (Non Metro New York)	\$250	\$0	(\$250)
ACCESS - Welfare to Careers	\$800	\$0	(\$800)	Non-Residential Domestic Violence Screening	\$1,210	\$0	(\$1,210)
Advanced Technology Training and Information Networking (ATTAIN)	\$3,000	\$0	(\$3,000)	Nurse-Family Partnership	\$2,000	\$0	(\$2,000)
Advantage After Schools	\$500	\$0	(\$500)	Preventive Services	\$610	\$0	(\$610)
Bridge	\$102	\$0	(\$102)	Rochester-Genesee Regional Transportation Authority	\$82	\$0	(\$82)
Career Pathways	\$750	\$0	(\$750)	Settlement House	\$1,000	\$0	(\$1,000)
Caretaker Relative	\$51	\$0	(\$51)	Strengthening Families Through Stronger Fathers	\$200	\$0	(\$200)
Centro of Oneida	\$25	\$0	(\$25)	Summer Youth Employment Program	\$0	\$25,000	\$25,000
Child Care CUNY	\$141	\$0	(\$141)	Wage Subsidy Program	\$950	\$0	(\$950)
Child Care Demonstration Projects	\$1,265	\$0	(\$1,265)	Wheels for Work	\$144	\$0	(\$144)
				TOTAL	\$2,629,331	\$2,679,464	\$50,134

[1] AFIS and EBICS refer to Automated Finger Imaging System, Electronic Benefit Issuance and Control System.

Comparison of 2012-2013 and 2013-2014 General Fund Commitments for TANF-related Programs

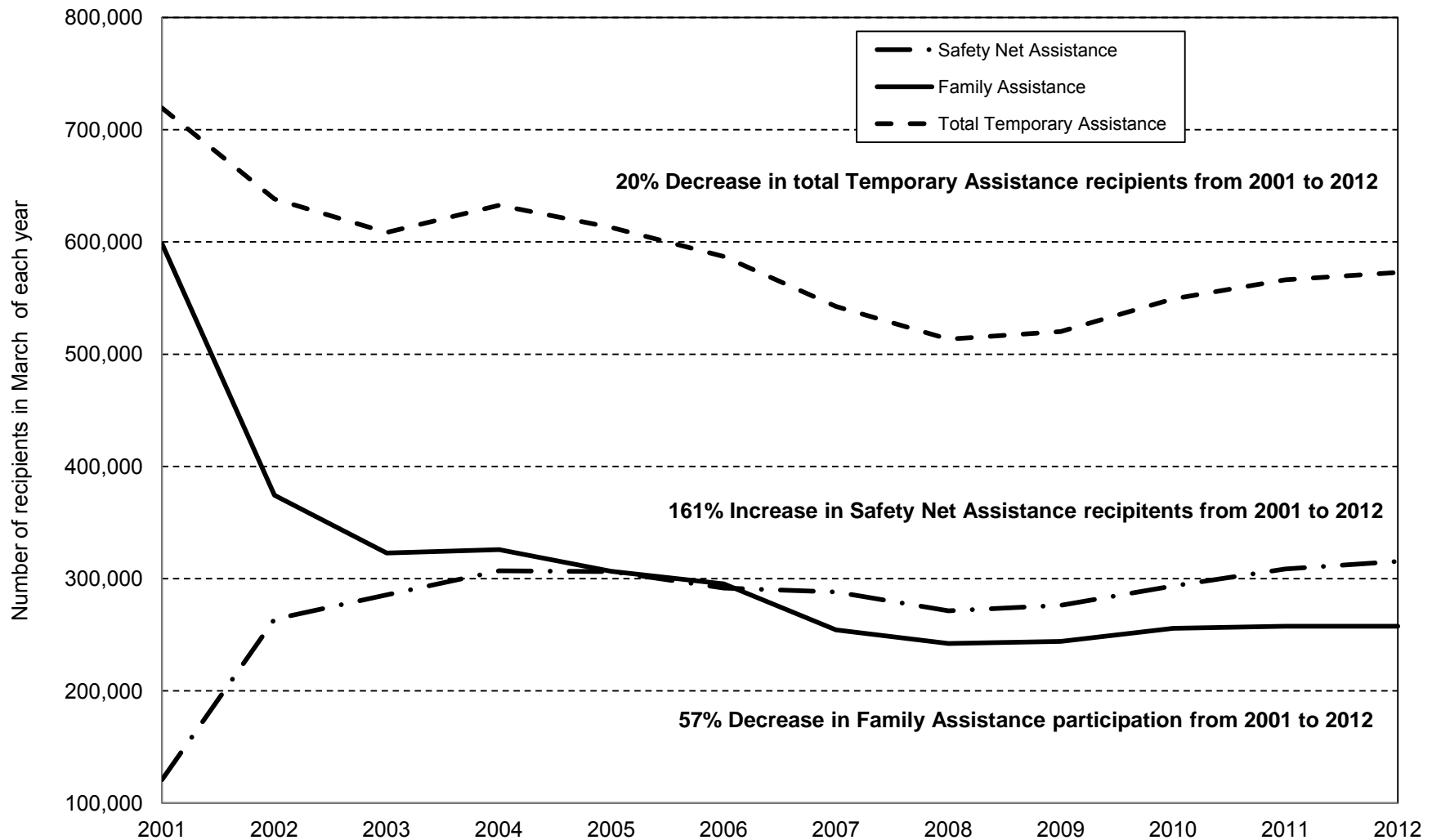
(in thousands)

Program	2012-2013 Current	2013-14 Executive	Change
Public Assistance Benefits - 29% Share of Safety Net Cost [1]	\$418,979	\$413,738	(\$5,241)
Public Assistance Benefits resulting from Grant Increase	\$10,000	\$10,000	\$0
TOTAL	\$428,979	\$423,738	(\$5,241)
Disability Advocacy Program	\$2,630	\$2,380	(\$250)
HIV/AIDS Welfare to Work	\$1,161	\$1,161	\$0
Nutrition Outreach and Education Program (NOEP)	\$3,018	\$3,018	\$0
Administrative Cap Waivers	\$2,000	\$2,000	\$0
AFIS, EBT, CBIC [2]	\$10,000	\$10,000	\$0
ESL and ABE [2]	\$250	\$0	(\$250)
Summer Youth Employment Program	\$25,000	\$0	(\$25,000)
Adult Shelters - New York City	\$69,018	\$69,018	\$0
Adult Shelters - Rest of the state	\$3,797	\$5,000	\$1,203
NYSSHP/ STEHP/ OSAH [2]	\$30,281	\$28,681	(\$1,600)
Human Trafficking	\$397	\$397	\$0
TOTAL	\$147,552	\$121,655	(\$25,897)
Child Care	\$211,789	\$137,363	(\$74,426)
Child Care for Migrant Workers	\$1,754	\$1,754	\$0
TOTAL	\$213,543	\$139,117	(\$74,426)

[1] The difference between the 2012-2013 figure of \$429 million and the cash amount in the *Executive Budget FY 2014 Financial Plan*, \$620 million, is due to disbursements for delayed benefit payments of \$191 million. [2] AFIS, EBT, CBIC refer to Automated Finger Imaging System, Electronics Benefits Transfer and Common Benefit Identification Cards. ESL and ABE refer to English as a Second Language and Adult Basic Education. NYSSHP/STEHP/OSAH refer to New York State Supportive Housing Program/Solutions to End Homelessness Program/Operational Support for AIDS Housing.

Note: Some of these programs currently receive TANF funding, or have received it in past state fiscal years.

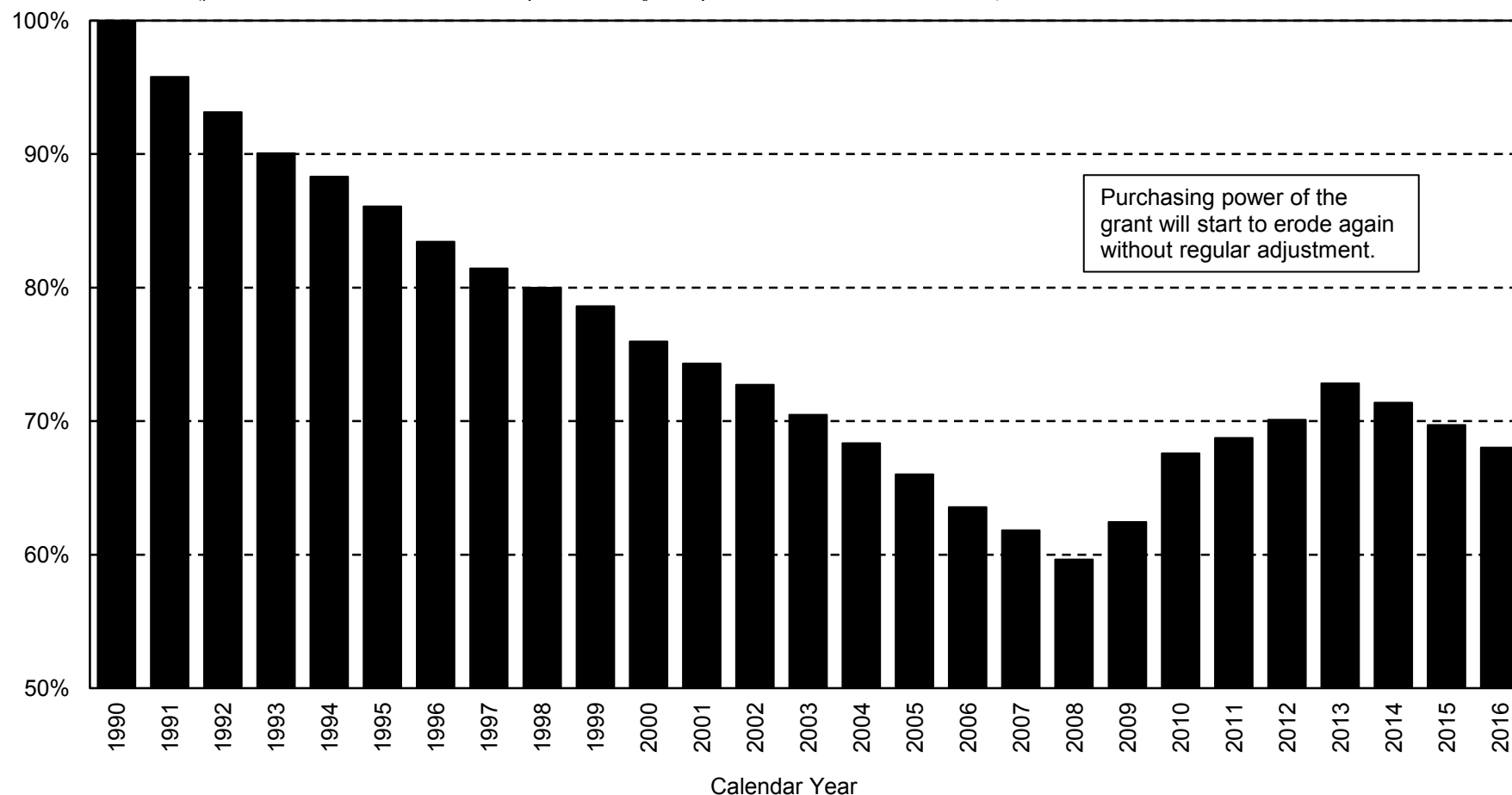
Safety Net Assistance participation is going up while Family Assistance participation is going down.



Source: New York State Office of Temporary and Disability Assistance, *Temporary and Disability Assistance Statistics* at <http://otda.ny.gov/resources/caseload/>, March series.

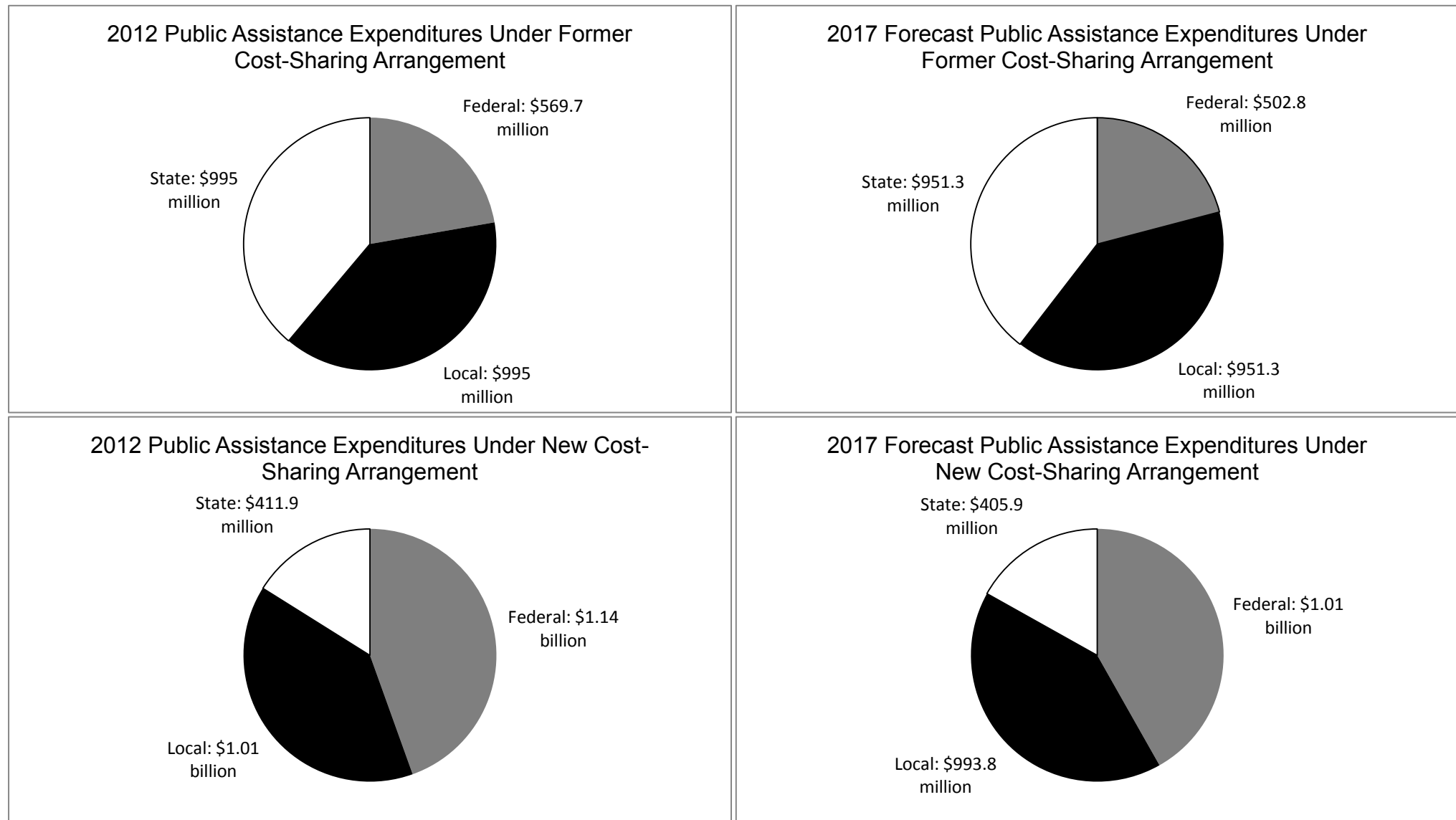
Even with the recent implementation of increases to the monthly public assistance grant, its purchasing power in 2016 will be 68 percent of what it was in 1990.

Inflation-adjusted basic allowance* for a three-person family as a percent of 1990 basic allowance, in 2012 dollars.



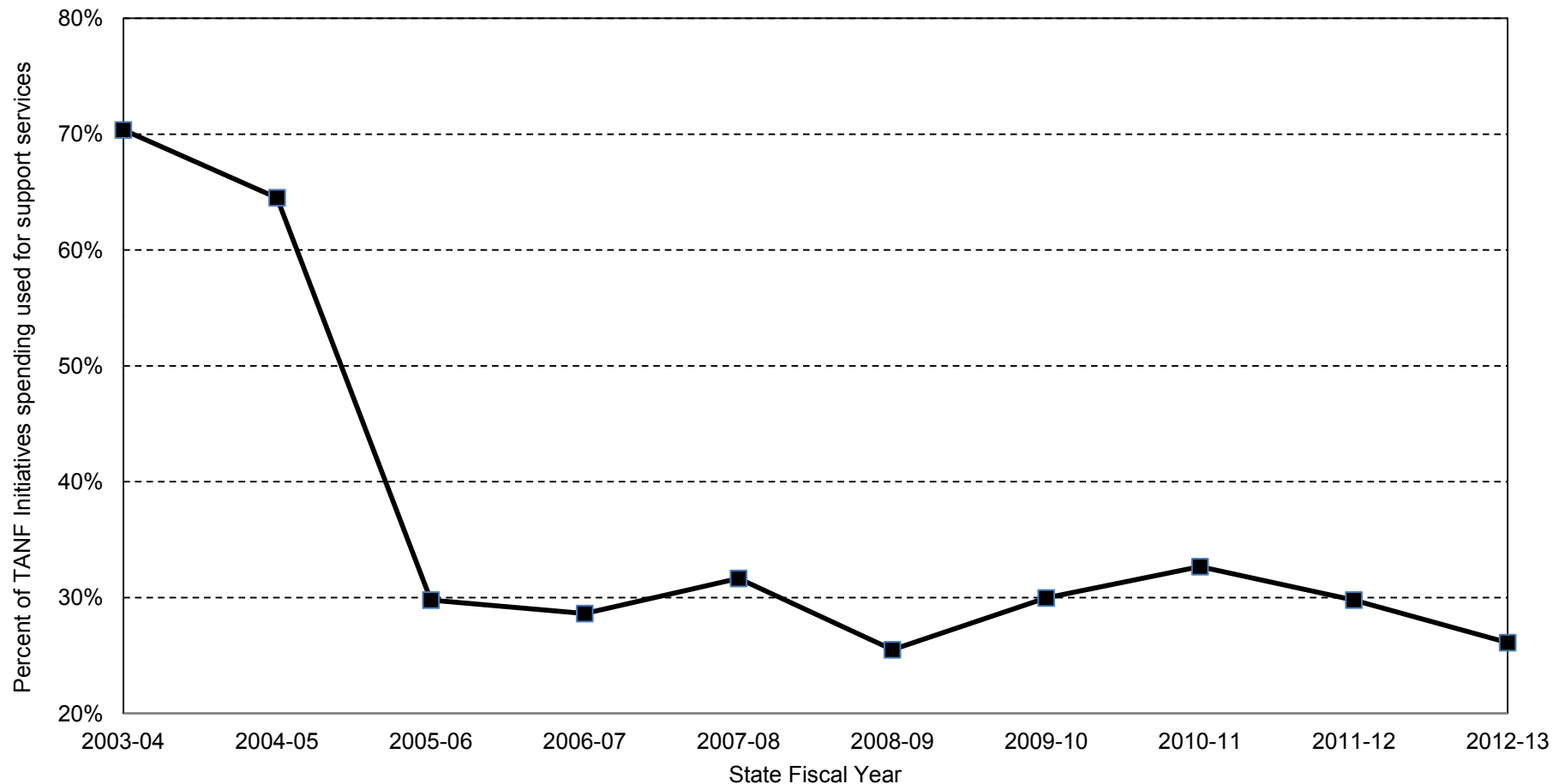
Note: * Basic allowance is the non-shelter portion of recipients' monthly assistance; it consists of the grant for recurring needs, home energy allowance and supplemental home energy allowance. Source for actual and forecast composite CPI for New York is the New York State Division of the Budget.

The new cost-sharing arrangement for total public assistance costs may become more burdensome for localities in the future. In 2017, if Division of the Budget forecasts are accurate, localities' share will be \$40 million more than if the cost-sharing arrangement had not been changed.



Source of expenditure information: New York State Division of the Budget, *Economic, Revenue and Spending Methodologies*, November 2012.

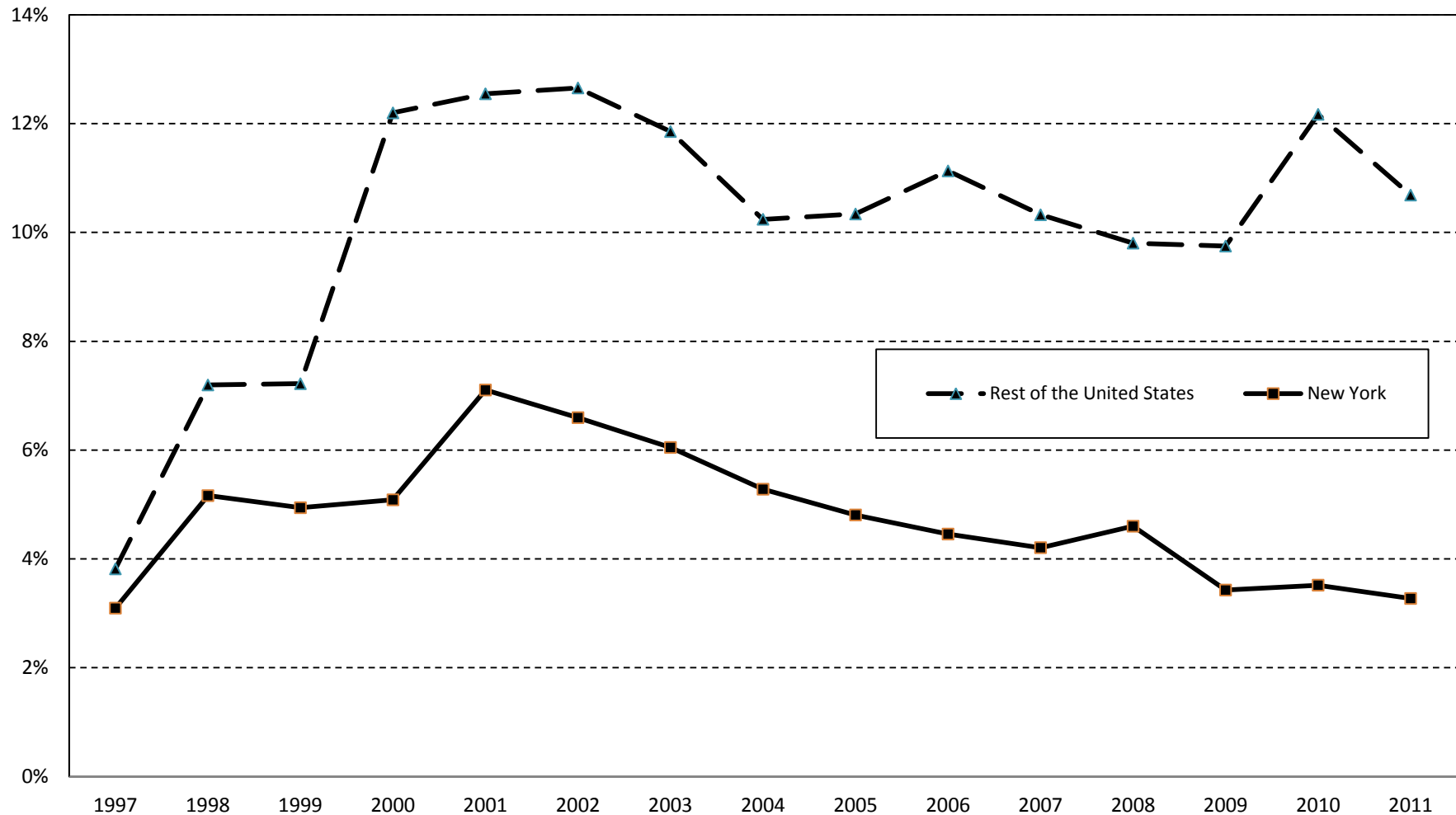
The TANF Initiatives spending used for support services has declined dramatically as the state has used TANF block grant surpluses for tax credit payments (stopped in 2010-11), fiscal relief and block grants to local social services districts.



Note: Represents funding from the federal annual TANF block grant and TANF contingency funds (SFY 2009-10 forward). Does not include spending on tax credit payments and the Flexible Fund for Family Services.

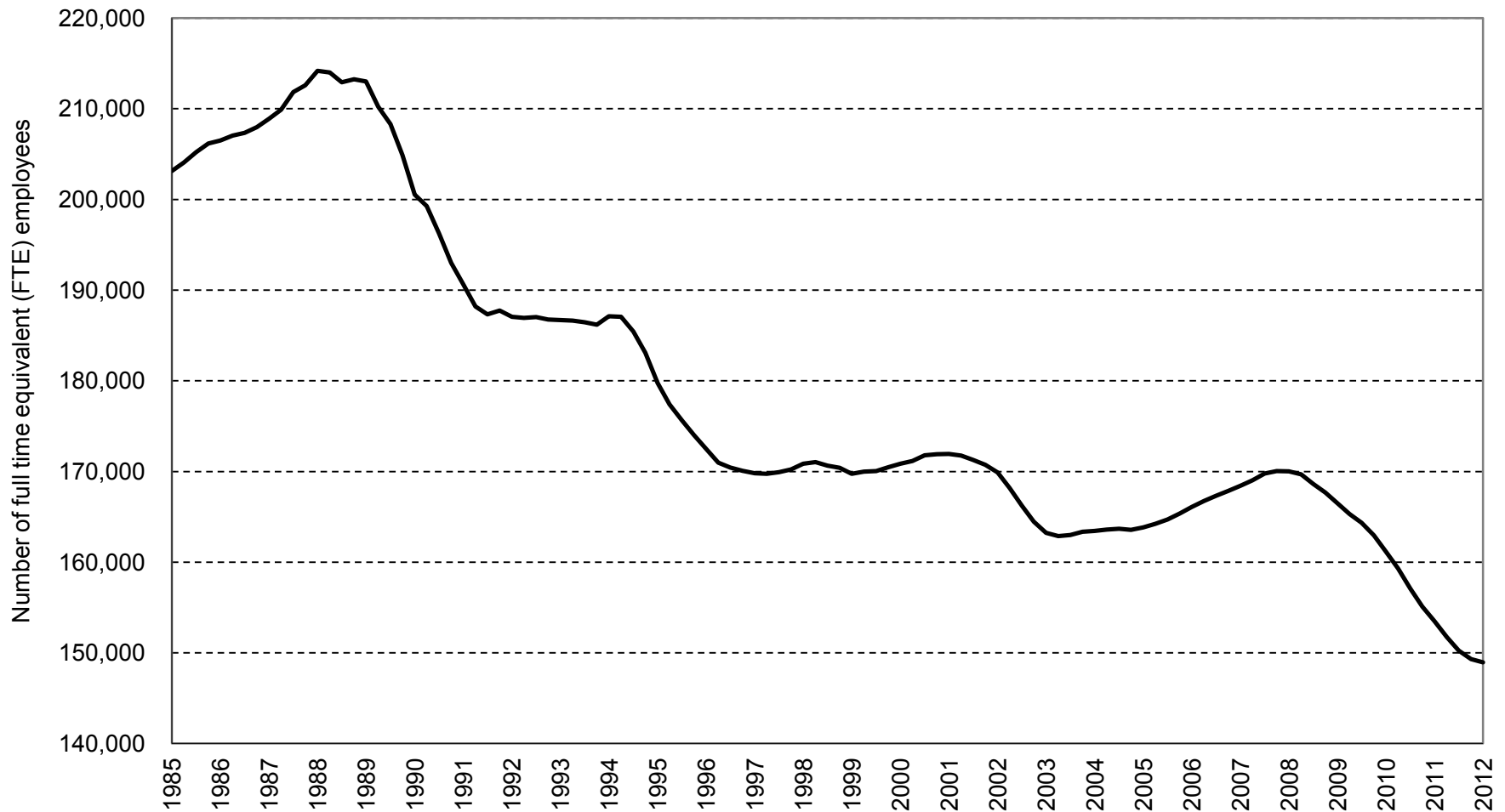
Source: New York State Division of the Budget and Office of Temporary and Disability Services, online *Program and Accountability Matrix*.

A much lower portion of total federal and state funding under the TANF block grant is spent on work-related activities and supports in New York than in the rest of the country.



Source: Schott, Liz, LaDonna Pavetti and Ife Finch, Center on Budget and Policy Priorities, *How States Have Spent Federal and State Funds Under the TANF Block Grant*, August 7, 2012 at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3808>.

The modest overall reduction in state government staffing reported in the 2013-2014 Executive Budget masks substantial cuts and dislocations and comes on the heels of a 30 percent reduction in staffing between the late 1980s and 2012.



Note: excludes SUNY & CUNY.

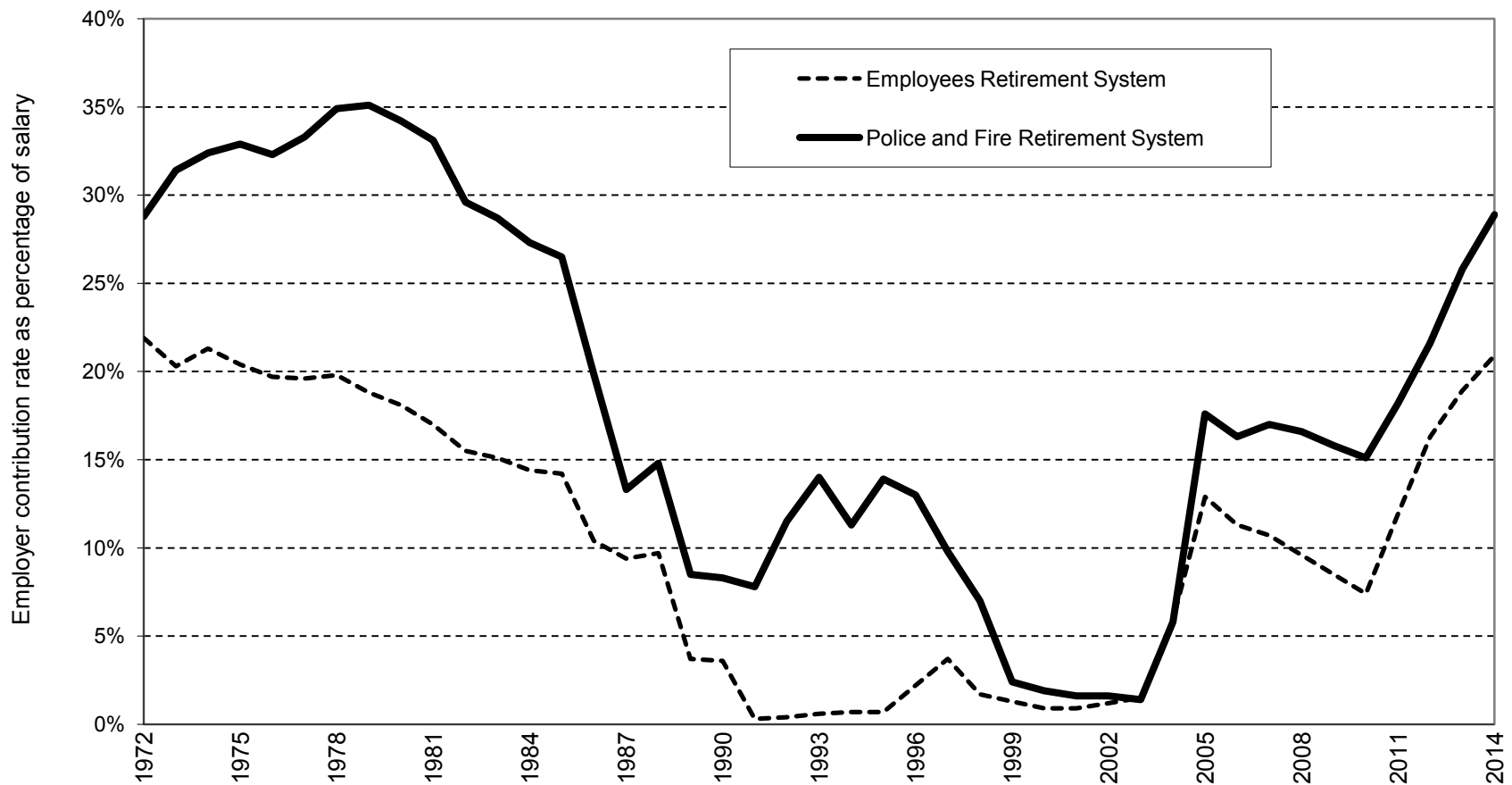
Source: NYS Office of the State Comptroller.

Since 1990, New York State's expenditures for employee wages and salaries have declined in real terms by \$999 million. By 2016-2017, inflation-adjusted expenditures are projected to decrease by another \$438 million.

State Fiscal Year	New York CPI	Personal Service expenditures in millions of SFY 2012 dollars		
		General Fund	Special Revenue Funds	Total
1989-90	1.30	\$8,875.6	\$5,074.4	\$13,950.1
1994-95	1.55	\$7,101.6	\$5,928.0	\$13,029.5
2005-06	2.08	\$6,610.5	\$5,731.1	\$12,341.6
2006-07	2.15	\$7,458.3	\$5,497.1	\$12,955.4
2007-08	2.22	\$7,229.3	\$5,639.2	\$12,868.5
2008-09	2.29	\$6,491.3	\$6,778.4	\$13,269.7
2009-10	2.30	\$6,926.9	\$7,119.2	\$14,046.1
2010-11	2.34	\$6,046.2	\$6,834.5	\$12,880.8
2011-12	2.41	\$5,781.0	\$6,898.9	\$12,679.9
2012-13	2.46	\$6,064.2	\$6,887.1	\$12,951.3
2013-14	2.50	\$5,467.8	\$7,092.1	\$12,560.0
2014-15	2.56	\$5,507.6	\$7,050.8	\$12,558.4
2015-16	2.62	\$5,619.0	\$7,087.3	\$12,706.2
2016-17	2.68	\$5,490.9	\$7,022.6	\$12,513.5
<u>1989-90 to 2012-13 Change</u>		-\$2,811.5	\$1,812.7	-\$998.8
<u>2012-13 to 2016-17 Change</u>		-\$573.3	\$135.5	-\$437.8

Source: Estimates for 2012-2013 and projections for 2013-14 through 2016-2017 are from the 2013-2014 Executive Budget. Historical data is from the NYS Office of the State Comptroller's annual reports to the Legislature on the cash basis of accounting.

Retirement system contribution rates for New York State and local government employers have risen to 1970s levels due to investment losses from the financial sector meltdown.



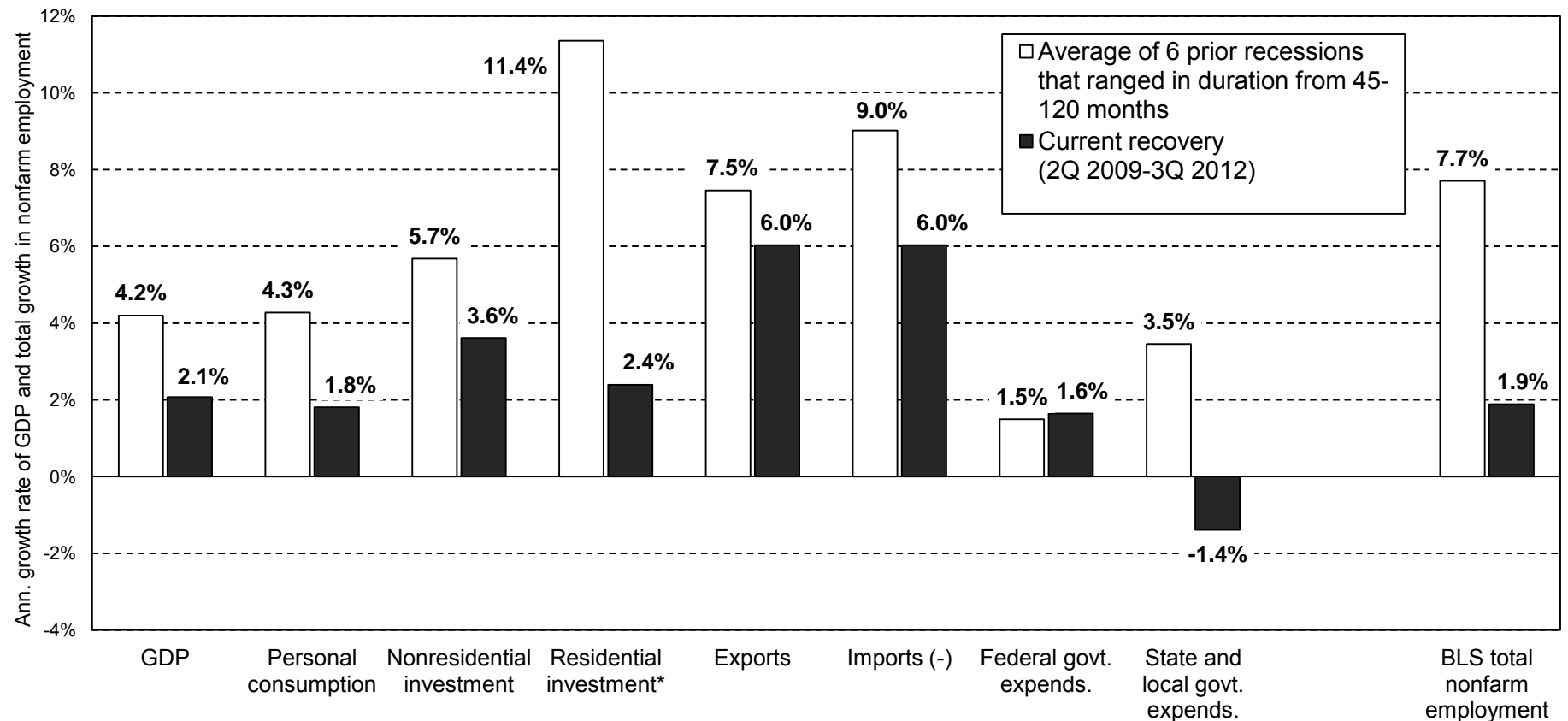
Source: New York State and Local Retirement System.

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 low- and middle-income New Yorkers.

- New York State lost proportionately fewer payroll jobs during the recession, but high and long-term unemployment will persist. Overall, New York City is faring much better than the suburbs and upstate, though low- and middle-income workers everywhere have suffered.
- New York can't recover on its own without a stronger national recovery. For that, more federal spending stimulus is needed, but Washington seems intent on cutting spending and creating "fiscal drag" that will slow economic growth.
- The Great Recession and historically weak recovery have generated rising poverty, persistent unemployment, faltering wages and other indicators of widespread economic distress. The concentration of income growth at the top has resumed and income polarization is impeding recovery.
- Wall Street's role in the economy seems to be permanently changing. That transition should be the occasion for adopting—at all levels of government—a comprehensive set of budget, tax and economic policy changes that will reduce polarization and foster sustained and broadly shared prosperity.

National economic growth during the first 13 quarters of the current recovery is half the pace of previous recoveries.

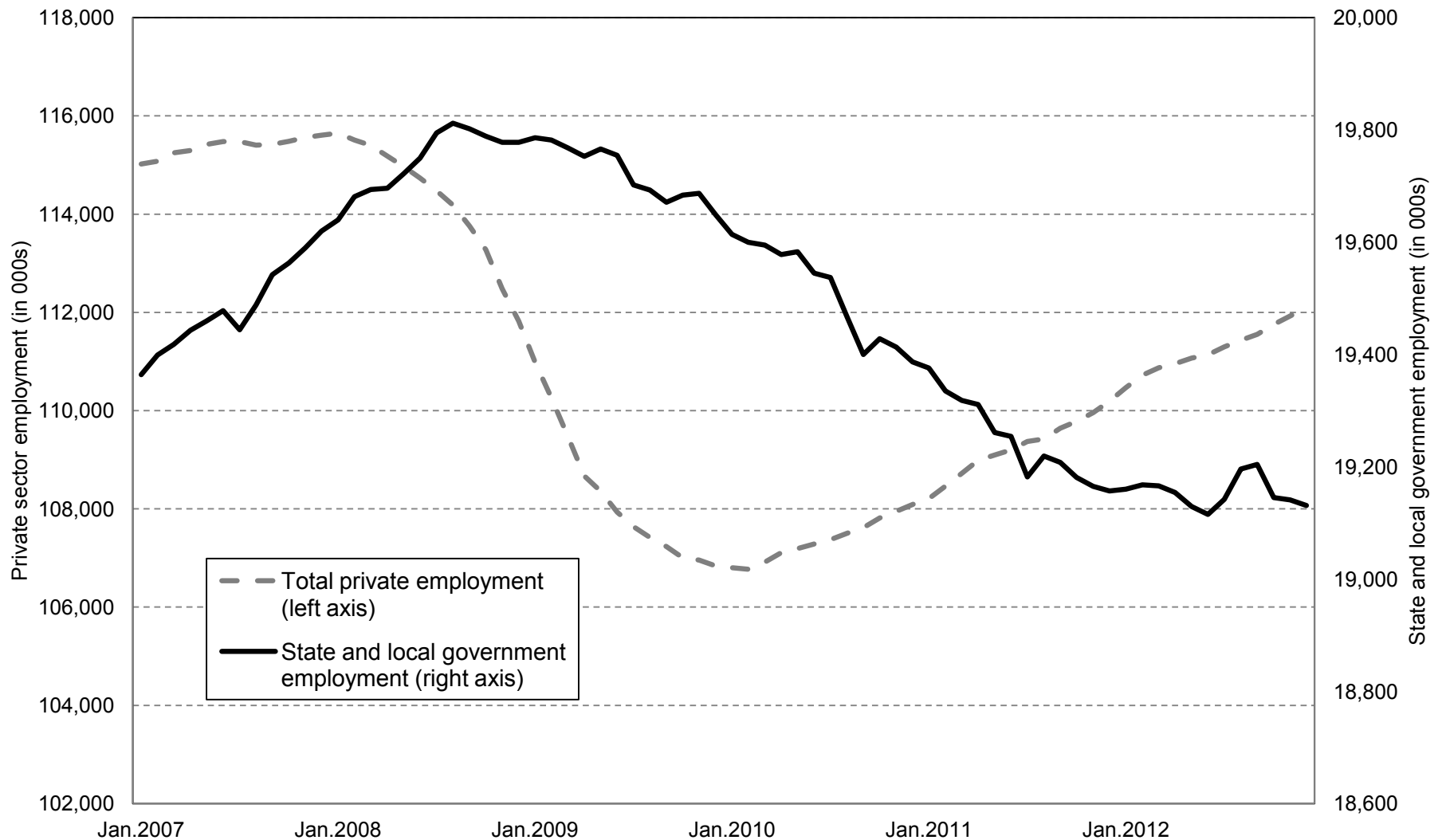


Average share of selected GDP components in current recovery (2Q 2009 through 3Q 2012):							
GDP	Personal consumption	Nonresidential investment	Residential investment	Export	Import(-)	Federal govt. expends.	State & local govt. expends.
100.0%	70.7%	10.2%	2.6%	12.9%	-15.9%	8.0%	11.5%

Note: The private residential investment share of GDP in the current recovery is unusually small because of the depressed condition of the housing market. In the early 2000s recovery, the residential investment share of GDP was 5.4 percent.

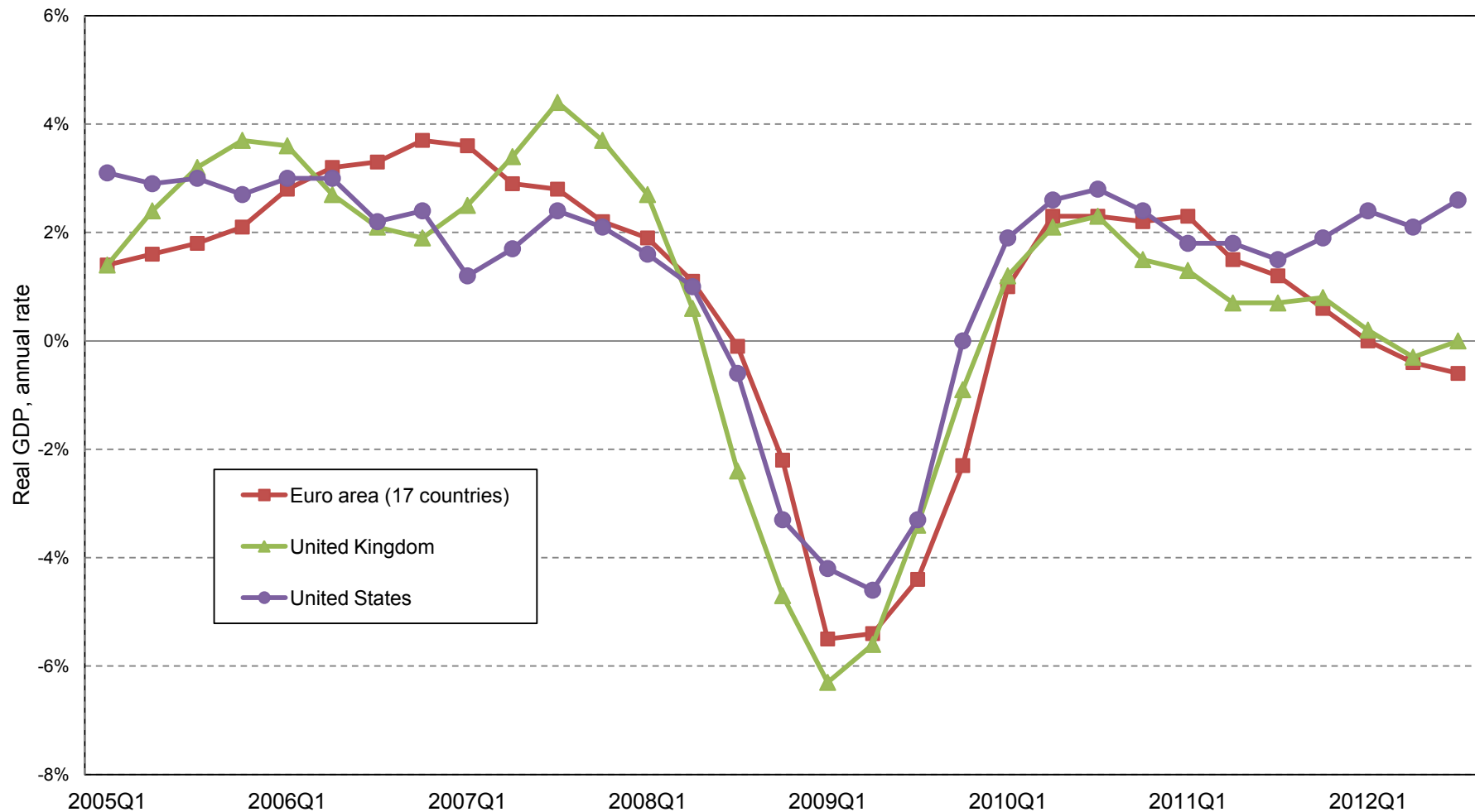
Source: BEA NIPA table 1.5.1 and 1.5.6 for GDP components and BLS CES employment data for total nonfarm employment level.

State and local government job declines have slowed the job recovery; over the past 3 years, the private sector has gained about 5.3 million jobs, but state and local governments have lost 520,000 jobs since December 2009.



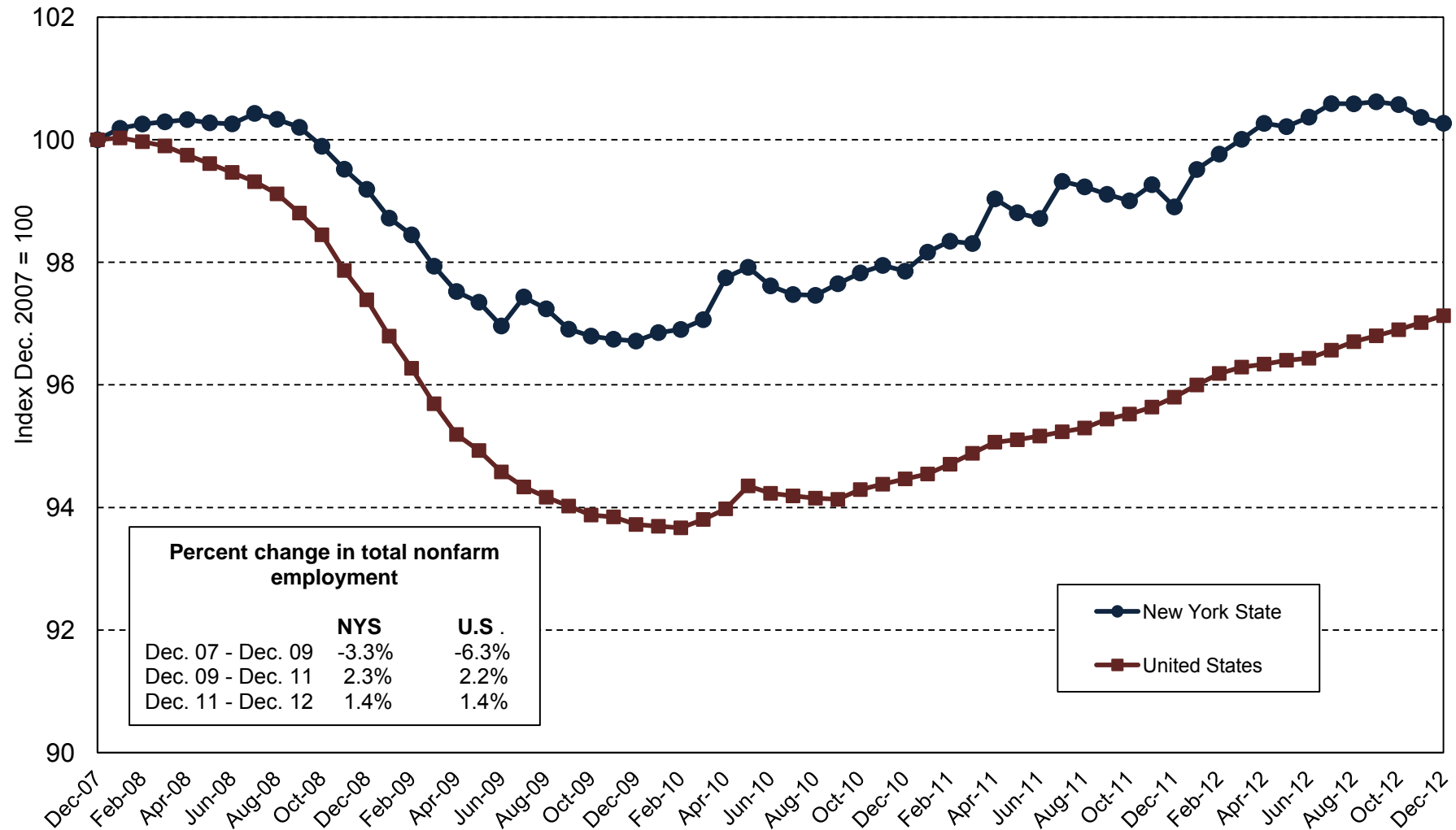
Source: FPI's analysis of Bureau of Labor Statistics seasonally adjusted employment data.

Severe austerity policies have pushed Europe and the U.K. back into recession; by contrast, the U.S. economy posted moderate growth in 2012.



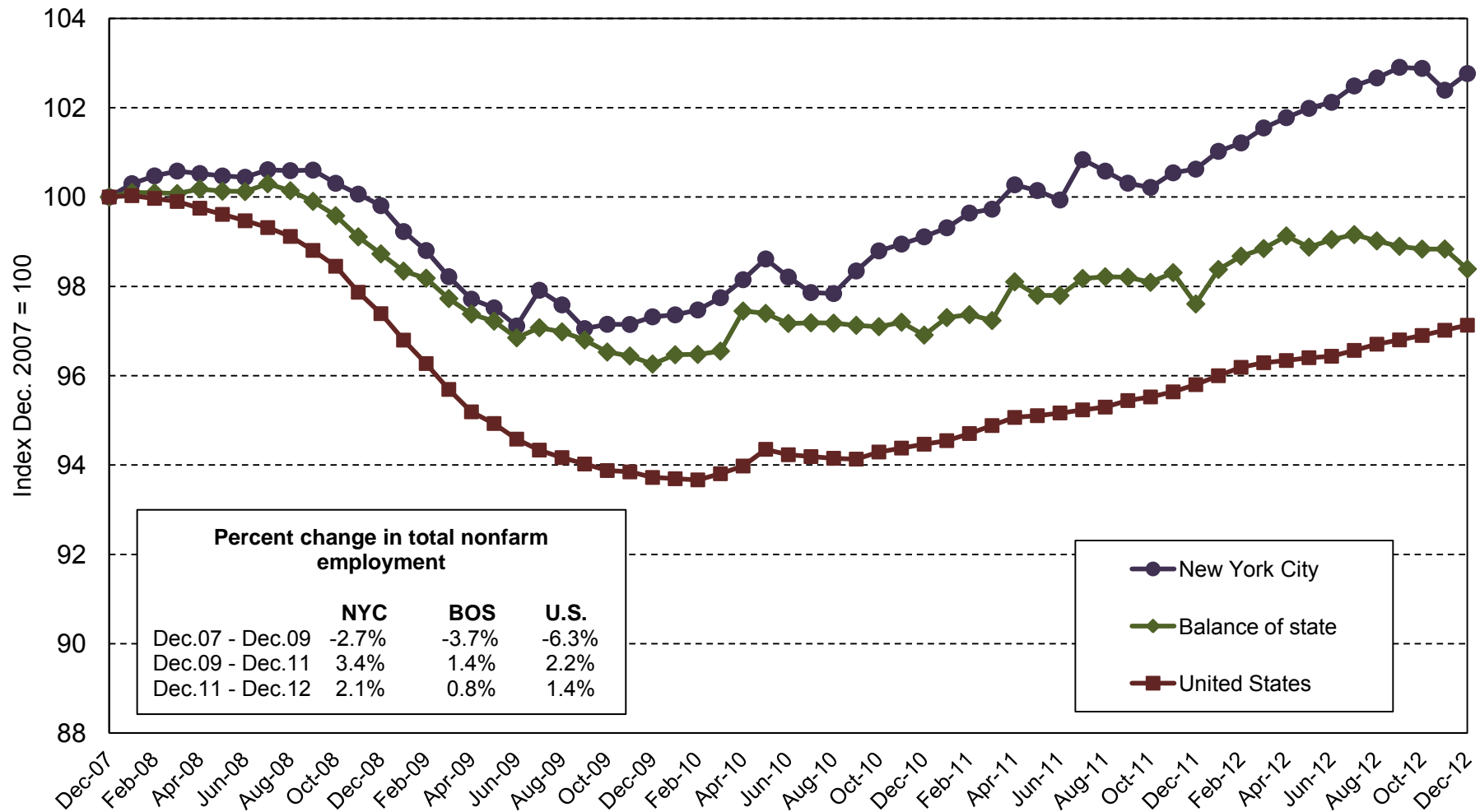
Source: FPI's analysis of European Commission Eurostat data.

Although New York State's job growth has slowed in recent months, it has matched the nation's job growth during the recovery since late 2009.



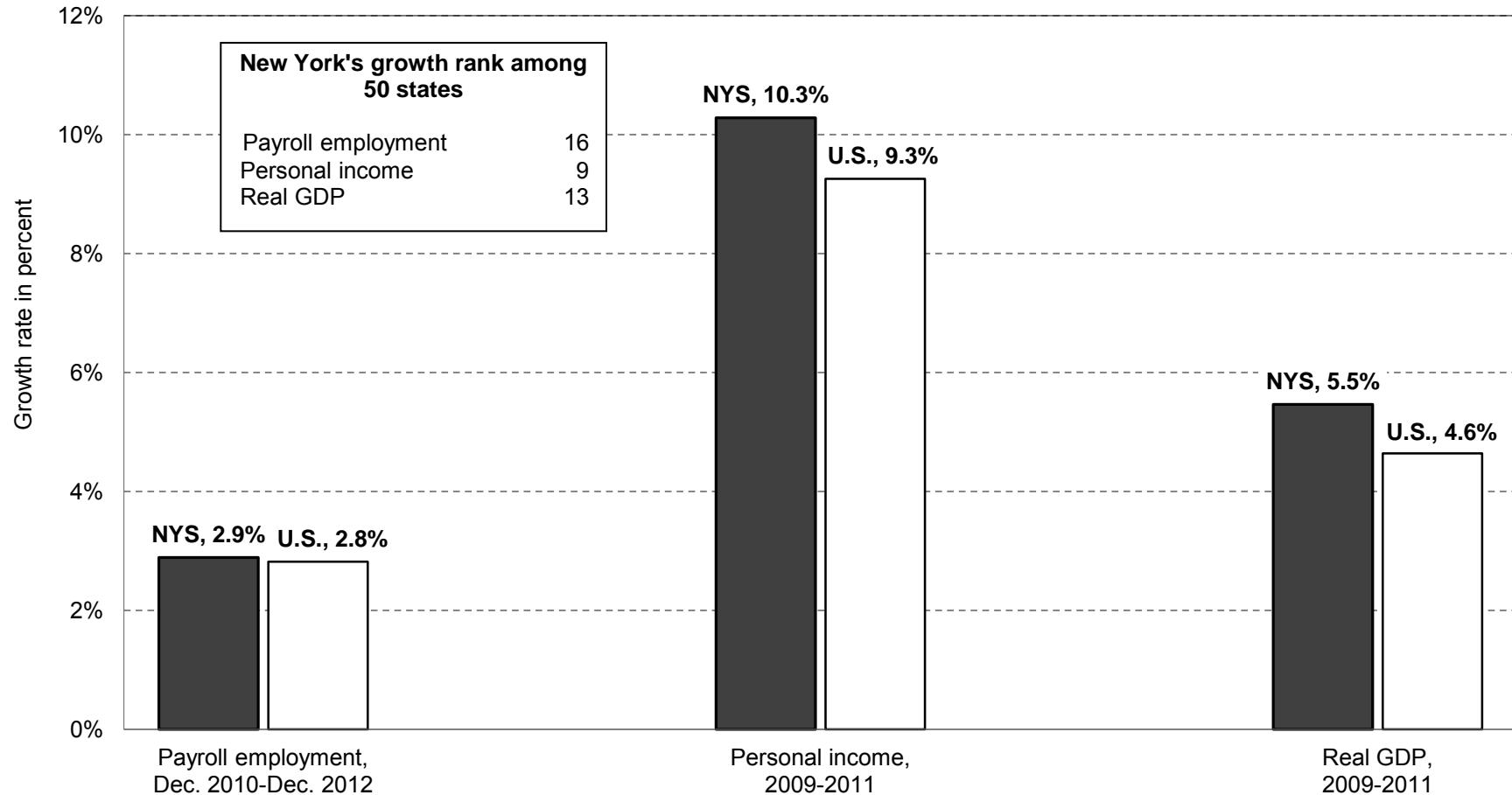
Source: FPI analysis of Bureau of Labor Statistics and NYS Department of Labor employment data; FPI seasonal adjustment of NYS employment data.

NYC's job growth in the recovery has surpassed U.S. growth; while the rest of New York State has had slower growth than the U.S., it is closer to pre-recession levels since its recession job loss was much less than for the U.S.



Source: FPI analysis of Bureau of Labor Statistics and NYS Dept. of Labor employment data; FPI seasonal adjustment of NYC and BOS employment data.

On 3 measures of economic growth, New York State has matched or exceeded the U.S. average over the past 2 years and ranks high among all 50 states.



Sources: FPI analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data.

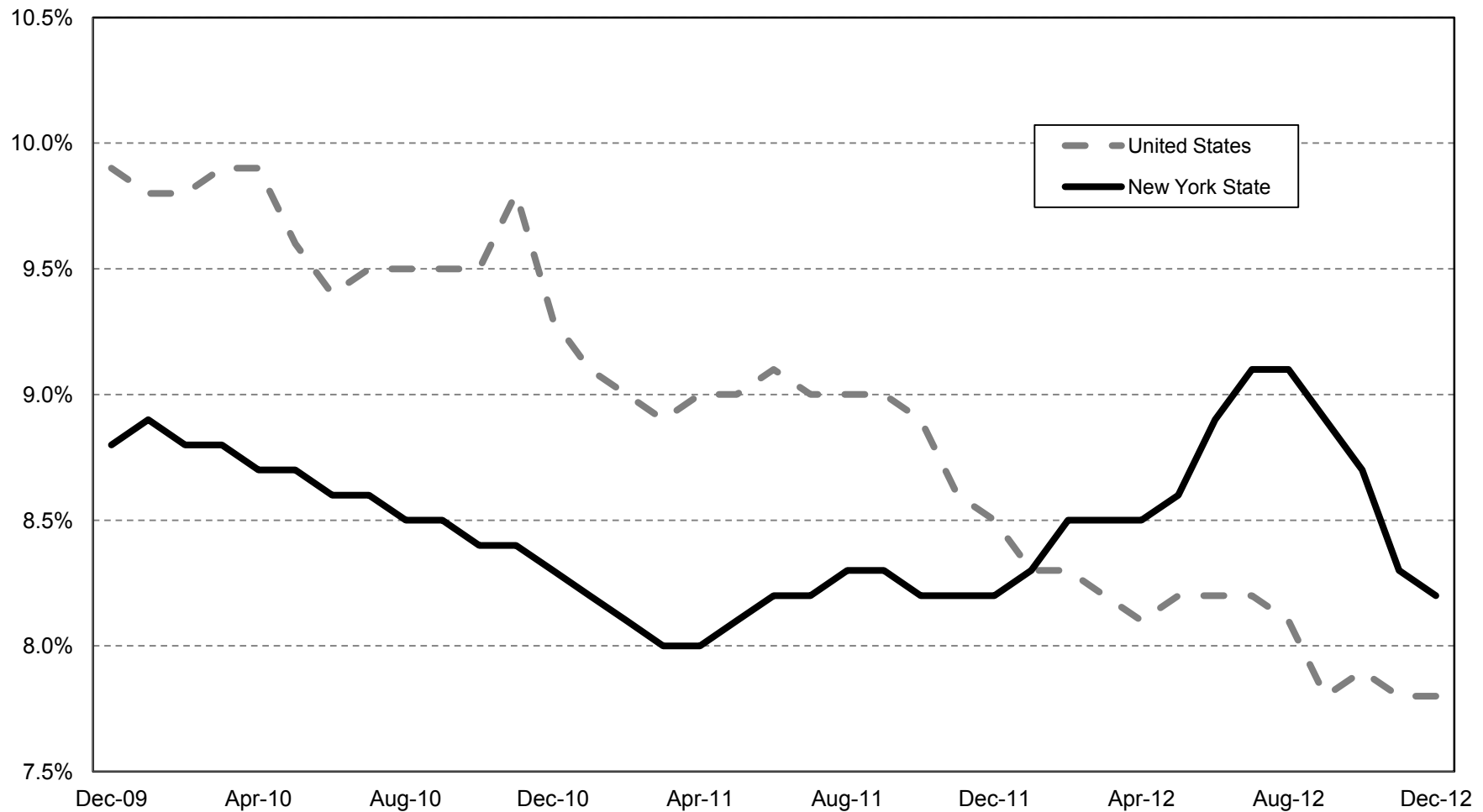
New York State's metro areas ranked high nationally in per capita personal income growth, 2009-11.

Metropolitan area	2009	2011	Growth rate	Ranking
United States (Metropolitan Portion)	\$40,227	\$43,169	7.3%	0
Glens Falls, NY	\$33,634	\$37,216	10.6%	24
Elmira, NY	\$32,381	\$35,517	9.7%	38
Albany-Schenectady-Troy, NY	\$41,193	\$44,944	9.1%	61
Buffalo-Niagara Falls, NY	\$36,830	\$40,121	8.9%	64
Kingston, NY	\$36,462	\$39,589	8.6%	81
New York-Northern New Jersey-Long Island, NY-NJ-PA	\$52,286	\$56,770	8.6%	82
Rochester, NY	\$38,392	\$41,683	8.6%	84
Utica-Rome, NY	\$32,770	\$35,406	8.0%	114
Syracuse, NY	\$35,880	\$38,668	7.8%	130
Binghamton, NY	\$33,405	\$35,990	7.7%	133
Poughkeepsie-Newburgh-Middletown, NY	\$39,449	\$42,482	7.7%	140
Ithaca, NY	\$33,863	\$36,263	7.1%	186

Note: Ranking among total 366 Metropolitan Statistical Areas by 2009-11 growth rate in per capita personal income.

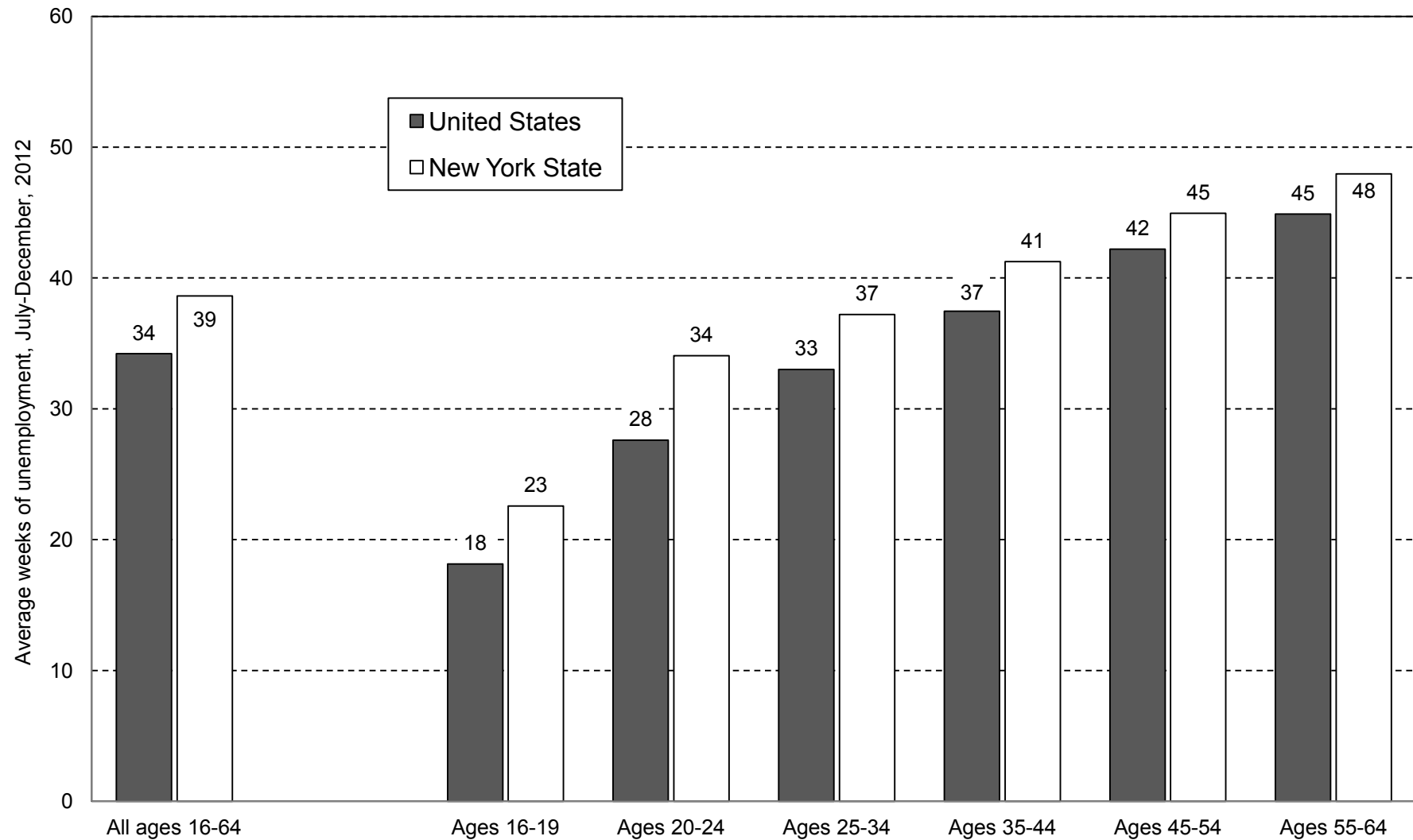
Source: FPI analysis of MSA personal income data from Bureau of Economic Analysis.

Although New York State's payroll jobs have increased over the past 3 years, the state's unemployment rate inexplicably rose sharply in the first 8 months of 2012 and since then appears to be adjusting.



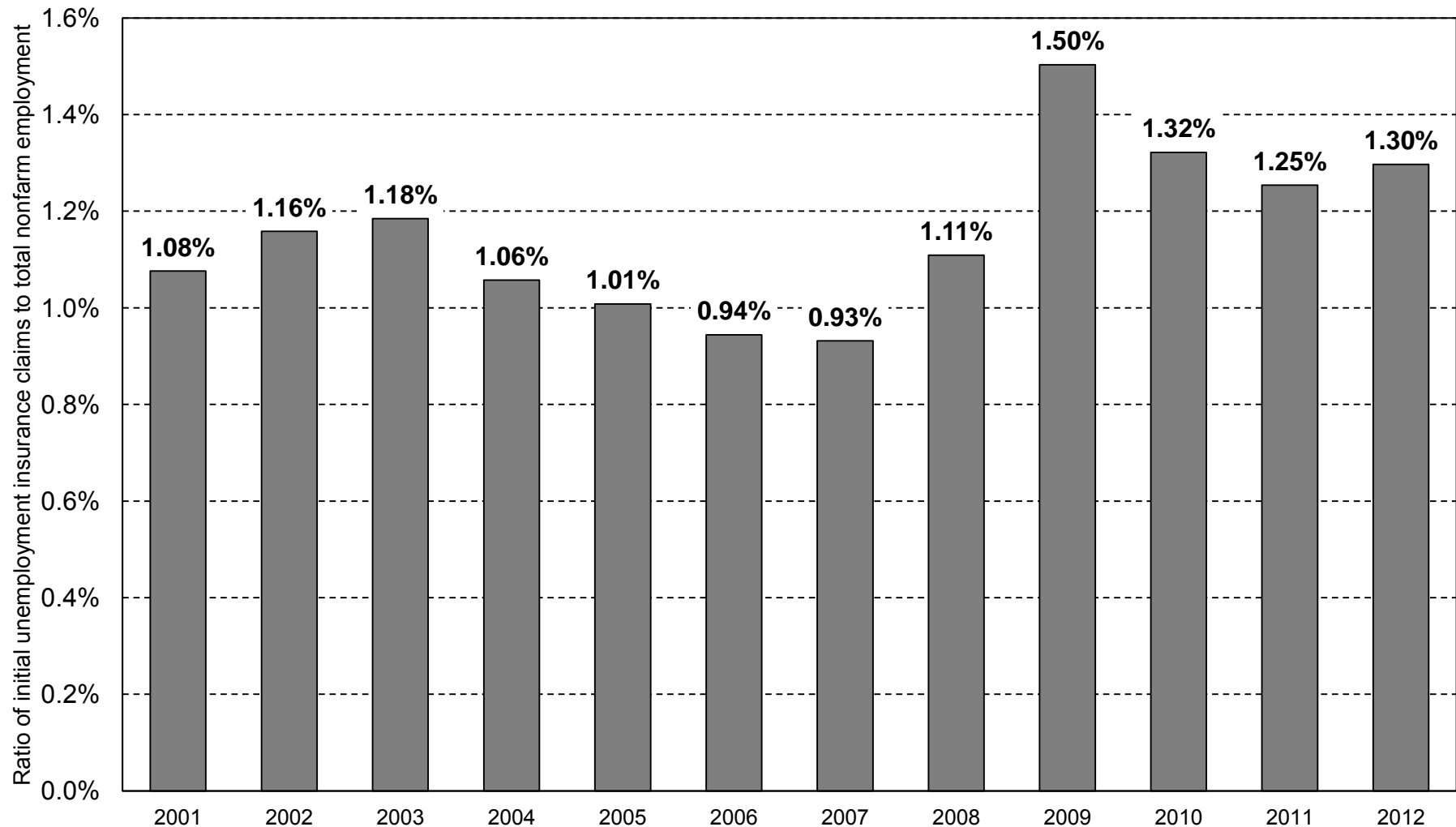
Source: FPI analysis of Bureau of Labor Statistics unemployment rate data.

The average duration of unemployment in New York State is greater than for the U.S.; for New York's older workers, ages 55-64, it's 48 weeks.



Source: FPI analysis of Current Population Survey microdata.

New York State's layoff rate rose in 2012 due to Hurricane Sandy, but before that, it was still higher than during the 2001-2003 recession.



Source: FPI analysis of annual layoff rates; initial unemployment insurance claims data from the U.S. Department of Labor and total nonfarm employment data from NYS Department of Labor (data are not seasonally adjusted).

While payroll job growth continued strong in NYC in 2012, it slowed in the suburbs and upstate, with the exception of the Ithaca and Syracuse metro areas.

Total non-farm employment in thousands	Total non-farm employment in December of each year				Absolute change in employment, Dec.-Dec.				Percent change in employment, Dec.-Dec.			
	2009	2010	2011	2012	2009-2010	2010-2011	2011-2012	2009-2012	2009-2010	2010-2011	2011-2012	2009-2012
United States	130,178.0	131,185.0	132,965.0	134,822.0	1,007.0	1,780.0	1,857.0	4,644.0	0.8%	1.4%	1.4%	3.6%
New York State	8,623.8	8,719.9	8,809.2	8,927.5	96.1	89.3	118.3	303.7	1.1%	1.0%	1.3%	3.5%
New York City	3,731.0	3,794.8	3,848.8	3,927.5	63.8	54.0	78.7	196.5	1.7%	1.4%	2.0%	5.3%
Eastern New York	2,669.4	2,685.5	2,706.8	2,714.1	16.1	21.3	7.3	44.7	0.6%	0.8%	0.3%	1.7%
Albany-Schenectady-Troy, NY MSA	442.6	439.7	441.6	442.0	-2.9	1.9	0.4	-0.6	-0.7%	0.4%	0.1%	-0.1%
Glens Falls, NY MSA	52.6	53.0	55.7	57.0	0.4	2.7	1.3	4.4	0.8%	5.1%	2.3%	8.4%
Kingston, NY MSA	61.3	61.0	63.0	62.6	-0.3	2.0	-0.4	1.3	-0.5%	3.3%	-0.6%	2.1%
Nassau-Suffolk, NY Metropolitan Division	1,240.0	1,253.8	1,260.3	1,263.0	13.8	6.5	2.7	23.0	1.1%	0.5%	0.2%	1.9%
Poughkeepsie-Newburgh-Middletown MSA	251.1	253.4	255.6	256.5	2.3	2.2	0.9	5.4	0.9%	0.9%	0.4%	2.2%
Putnam-Rockland-Westchester, NY MSA	561.5	564.3	570.0	572.6	2.8	5.7	2.6	11.1	0.5%	1.0%	0.5%	2.0%
Eastern NY non-metropolitan areas	60.3	60.3	60.6	60.4	0.0	0.3	-0.2	0.1	0.0%	0.5%	-0.3%	0.2%
Western and Northern New York	2,182.9	2,195.1	2,204.1	2,205.0	12.2	9.0	0.9	22.1	0.6%	0.4%	0.0%	1.0%
<i>W & N NY Metropolitan Areas</i>	1,675.3	1,685.9	1,693.5	1,694.2	10.6	7.6	0.7	18.9	0.6%	0.5%	0.0%	1.1%
Binghamton, NY MSA	111.0	109.6	110.5	109.9	-1.4	0.9	-0.6	-1.1	-1.3%	0.8%	-0.5%	-1.0%
Buffalo-Niagara Falls, NY MSA	543.0	548.4	546.5	544.4	5.4	-1.9	-2.1	1.4	1.0%	-0.3%	-0.4%	0.3%
Ithaca, NY MSA	66.5	67.9	64.1	67.1	1.4	-3.8	3.0	0.6	2.1%	-5.6%	4.7%	0.9%
Rochester, NY MSA	506.8	511.3	520.6	519.1	4.5	9.3	-1.5	12.3	0.9%	1.8%	-0.3%	2.4%
Syracuse, NY MSA	316.6	316.9	317.5	319.0	0.3	0.6	1.5	2.4	0.1%	0.2%	0.5%	0.8%
Utica-Rome, NY MSA	131.4	131.8	134.3	134.7	0.4	2.5	0.4	3.3	0.3%	1.9%	0.3%	2.5%
<i>W& N NY non-Metropolitan Areas</i>	507.6	509.2	510.6	510.8	1.6	1.4	0.2	3.2	0.3%	0.3%	0.0%	0.6%
10-county downstate area	5,532.5	5,612.9	5,679.1	5,763.1	80.4	66.2	84.0	230.6	1.5%	1.2%	1.5%	4.2%
52-county upstate area	3,050.8	3,062.5	3,080.6	3,083.5	11.7	18.1	2.9	32.7	0.4%	0.6%	0.1%	1.1%

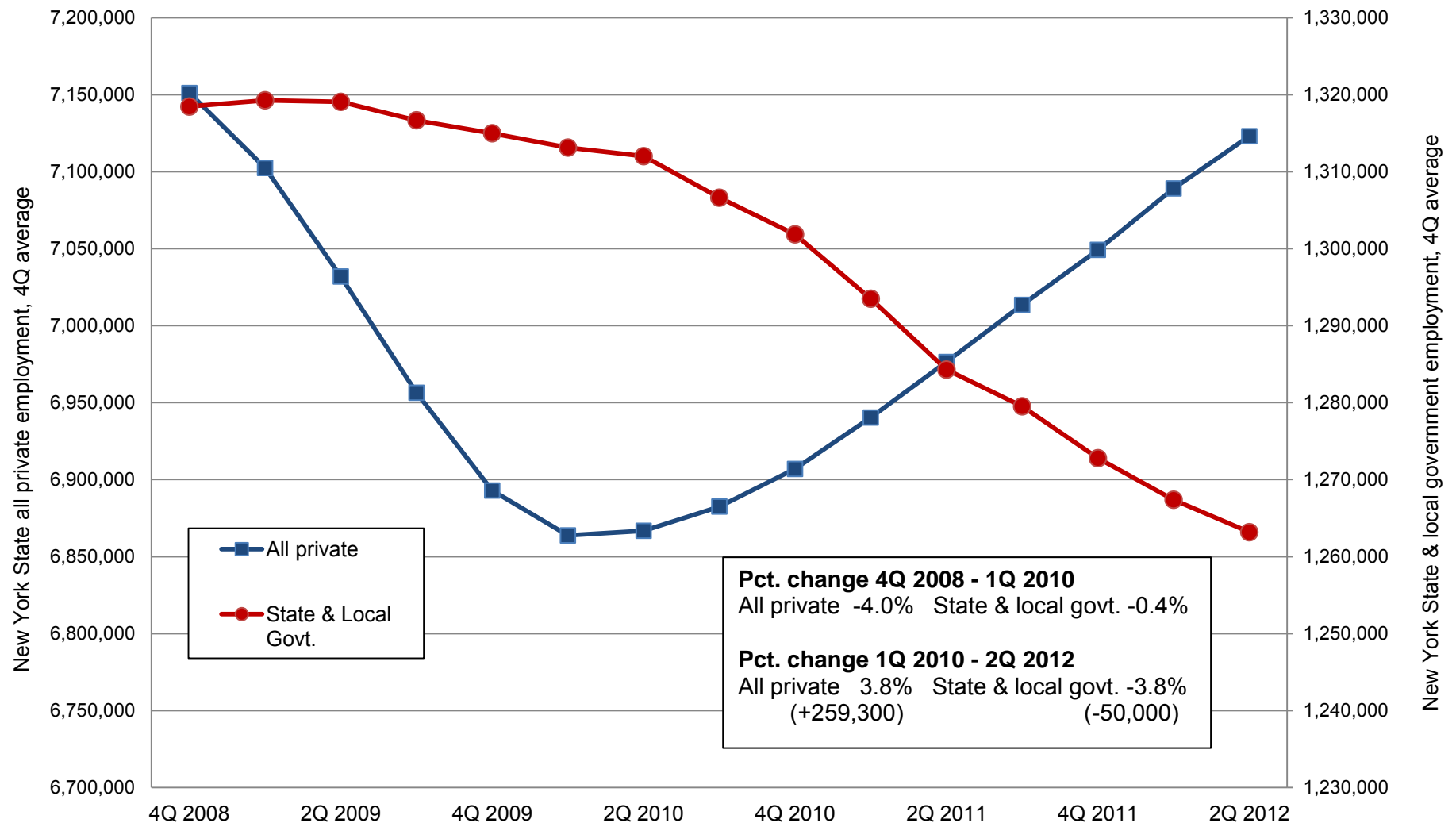
Source: FPI analysis of BLS and NYS DOL Local Area Unemployment Statistics (Dec. of each year, not seasonally adjusted). NYS total separately estimated and not equal to the sum of the substate areas. 2011 and 2012 data will be revised in March 2013.

In NYS in 2012, job gains were led by retail, admin. services, educ. services, prof. services, and restaurants. Annual revisions in March are likely to show construction and transportation job gains, less growth in prof., admin. and educ. services, and greater job losses in state and local gov't.

Selected industries	Total empl. in Dec. of each year				Abs. empl. changes, Dec. -Dec.				Percent empl. changes, Dec.-Dec.			
	2009	2010	2011	2012	2009-2010	2010-2011	2011-2012	2009-2012	2009-2010	2010-2011	2011-2012	2009-2012
Total Nonfarm	8,623,800	8,719,900	8,809,200	8,927,500	96,100	89,300	118,300	303,700	1.1%	1.0%	1.3%	3.5%
Total Private	7,089,800	7,208,000	7,300,800	7,420,600	118,200	92,800	119,800	330,800	1.7%	1.3%	1.6%	4.7%
Construction	310,500	300,200	299,400	292,500	-10,300	-800	-6,900	-18,000	-3.3%	-0.3%	-2.3%	-5.8%
Manufacturing	462,200	459,000	455,200	449,400	-3,200	-3,800	-5,800	-12,800	-0.7%	-0.8%	-1.3%	-2.8%
<i>Durable Goods</i>	271,800	270,500	272,400	270,700	-1,300	1,900	-1,700	-1,100	-0.5%	0.7%	-0.6%	-0.4%
<i>Non-Durable Goods</i>	190,400	188,500	182,800	178,700	-1,900	-5,700	-4,100	-11,700	-1.0%	-3.0%	-2.2%	-6.1%
Wholesale Trade	326,300	331,300	331,800	337,100	5,000	500	5,300	10,800	1.5%	0.2%	1.6%	3.3%
Retail Trade	906,800	923,300	944,000	950,000	16,500	20,700	6,000	43,200	1.8%	2.2%	0.6%	4.8%
Transportation, Warehousing, and Utilities	271,200	272,700	269,100	268,700	1,500	-3,600	-400	-2,500	0.6%	-1.3%	-0.1%	-0.9%
Utilities	39,100	37,800	37,300	36,800	-1,300	-500	-500	-2,300	-3.3%	-1.3%	-1.3%	-5.9%
Information	257,300	258,600	251,200	253,600	1,300	-7,400	2,400	-3,700	0.5%	-2.9%	1.0%	-1.4%
Finance and Insurance	490,500	501,200	507,900	514,000	10,700	6,700	6,100	23,500	2.2%	1.3%	1.2%	4.8%
Real Estate and Rental and Leasing	177,800	177,200	178,800	180,100	-600	1,600	1,300	2,300	-0.3%	0.9%	0.7%	1.3%
Professional, Scientific, and Technical Services	551,100	564,900	591,100	611,400	13,800	26,200	20,300	60,300	2.5%	4.6%	3.4%	10.9%
Management of Companies and Enterprises	132,600	132,700	136,000	139,000	100	3,300	3,000	6,400	0.1%	2.5%	2.2%	4.8%
Administrative & Support Services	407,500	421,400	435,100	459,700	13,900	13,700	24,600	52,200	3.4%	3.3%	5.7%	12.8%
Education and Health Services	1,717,300	1,754,000	1,774,100	1,807,900	36,700	20,100	33,800	90,600	2.1%	1.1%	1.9%	5.3%
<i>Educational Services</i>	412,100	425,100	434,100	453,500	13,000	9,000	19,400	41,400	3.2%	2.1%	4.5%	10.0%
<i>Health Care</i>	995,600	1,013,500	1,025,300	1,042,900	17,900	11,800	17,600	47,300	1.8%	1.2%	1.7%	4.8%
<i>Social Assistance</i>	309,600	315,400	314,700	311,500	5,800	-700	-3,200	1,900	1.9%	-0.2%	-1.0%	0.6%
Leisure and Hospitality	707,300	736,900	755,200	772,300	29,600	18,300	17,100	65,000	4.2%	2.5%	2.3%	9.2%
<i>Arts, Entertainment, and Recreation</i>	129,900	131,900	125,400	121,400	2,000	-6,500	-4,000	-8,500	1.5%	-4.9%	-3.2%	-6.5%
<i>Accommodation and Food Services</i>	577,400	605,000	629,800	650,900	27,600	24,800	21,100	73,500	4.8%	4.1%	3.4%	12.7%
Other Services	366,200	369,500	367,000	380,000	3,300	-2,500	13,000	13,800	0.9%	-0.7%	3.5%	3.8%
Government	1,534,000	1,511,900	1,508,400	1,506,900	-22,100	-3,500	-1,500	-27,100	-1.4%	-0.2%	-0.1%	-1.8%
<i>Federal Government</i>	124,300	122,600	120,100	116,900	-1,700	-2,500	-3,200	-7,400	-1.4%	-2.0%	-2.7%	-6.0%
<i>State Government</i>	262,600	263,800	264,500	264,400	1,200	700	-100	1,800	0.5%	0.3%	0.0%	0.7%
<i>Local Government</i>	1,147,100	1,125,500	1,123,800	1,125,600	-21,600	-1,700	1,800	-21,500	-1.9%	-0.2%	0.2%	-1.9%

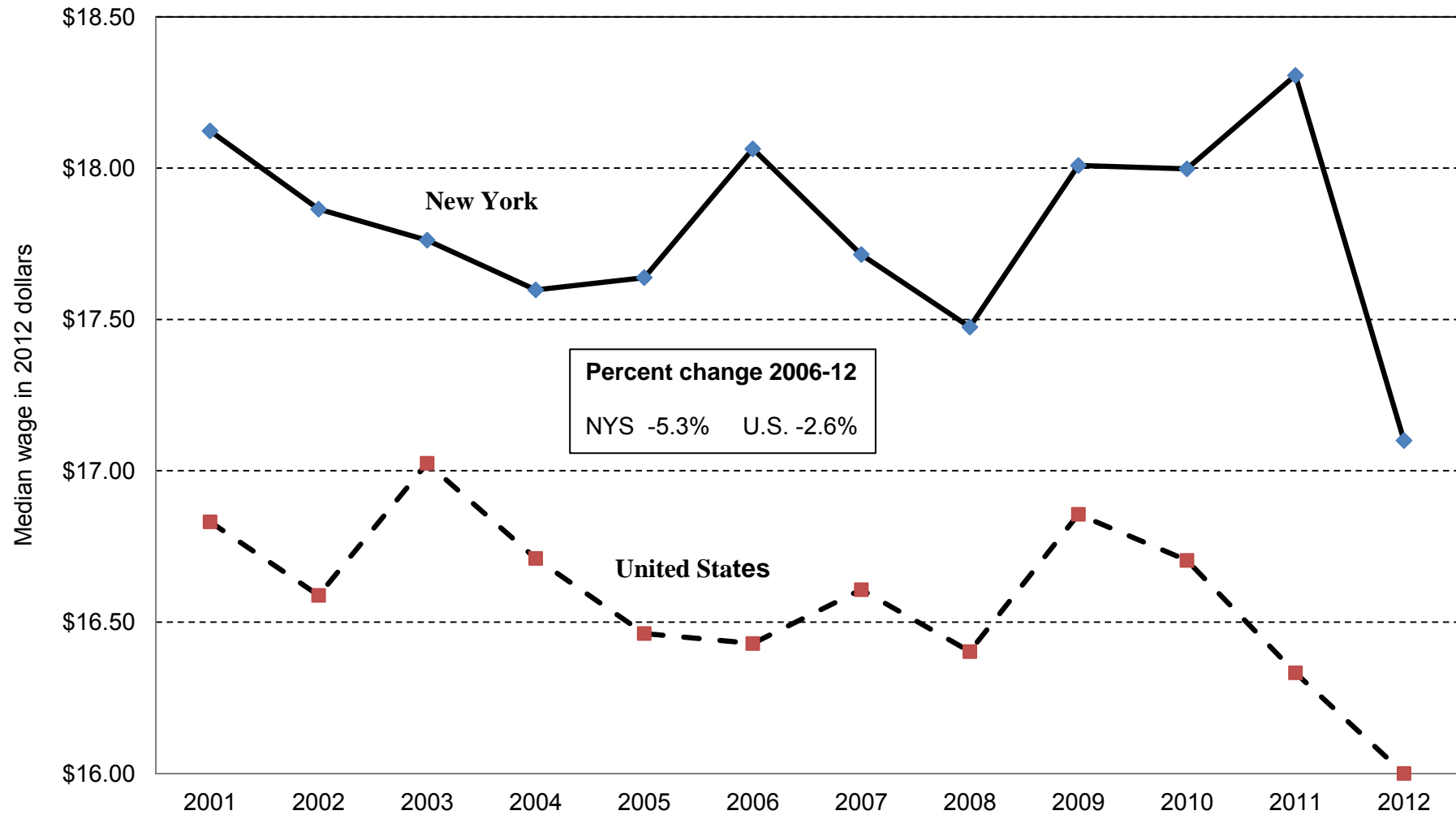
Source: FPI analysis of NYS DOL Current Employment Survey (CES) employment data (not seasonally adjusted). 2011 and 2012 data will be revised in March 2013.

If state & local gov't. employment had not declined by 50,000, New York State's total job growth would have been 20% greater since early 2010.



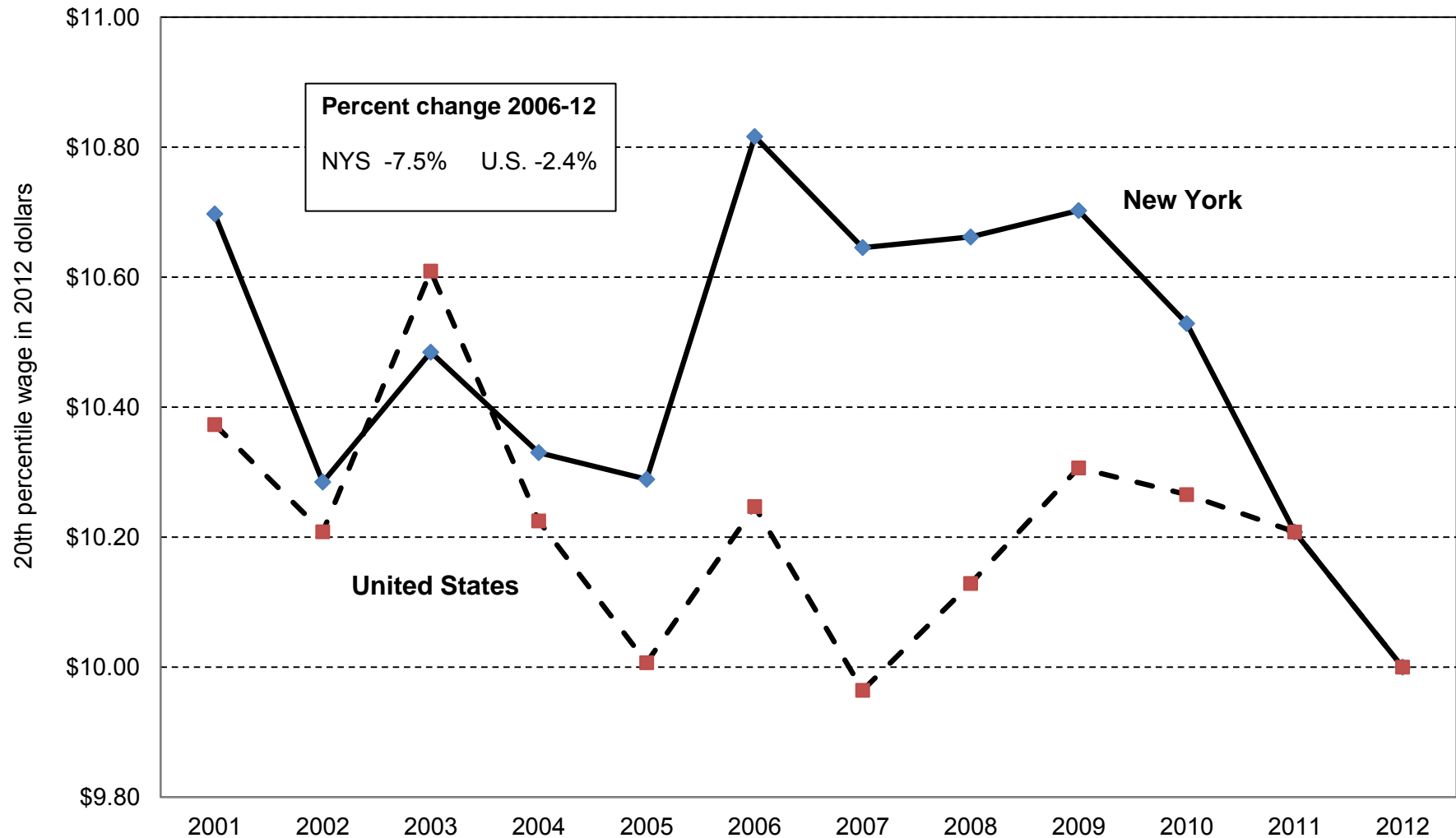
Source: Fiscal Policy Institute's analysis of New York State Department of Labor QCEW data, 1Q 2008-2Q 2012.

Real median wages in New York State dropped 5.3% from 2006 to 2012, twice the national decline.



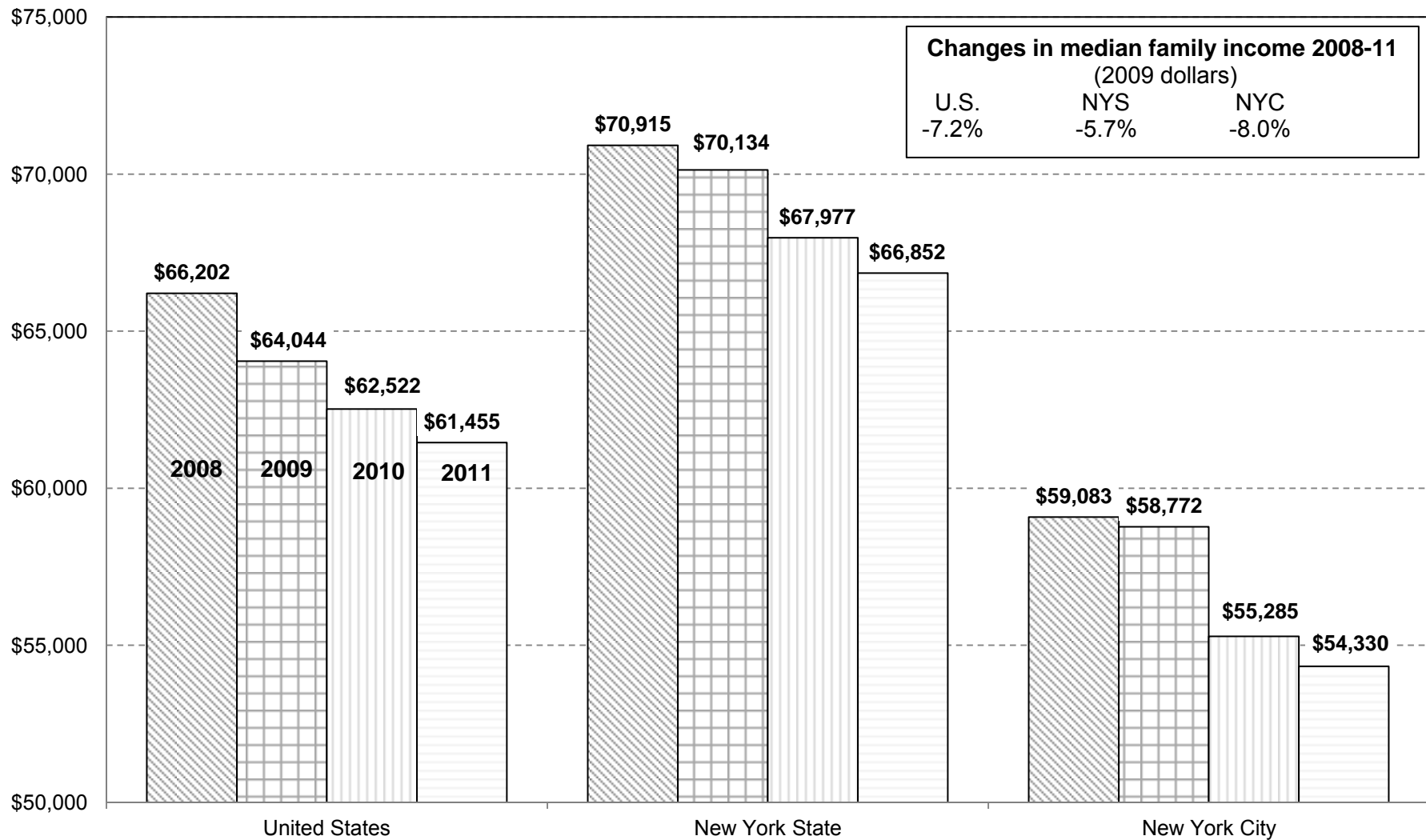
Source: FPI analysis of Current Population Survey (CPS) Outgoing Rotation Group data provided by the Economic Policy Institute.

The real hourly wage for the typical low-wage New York worker fell by 7.5% from 2006 to 2012, three times the national decline.



Source: FPI analysis of Current Population Survey Outgoing Rotation Group data provided by the Economic Policy Institute.

Inflation-adjusted median family income has fallen nationally and in New York State and City since the 2008-09 Great Recession.

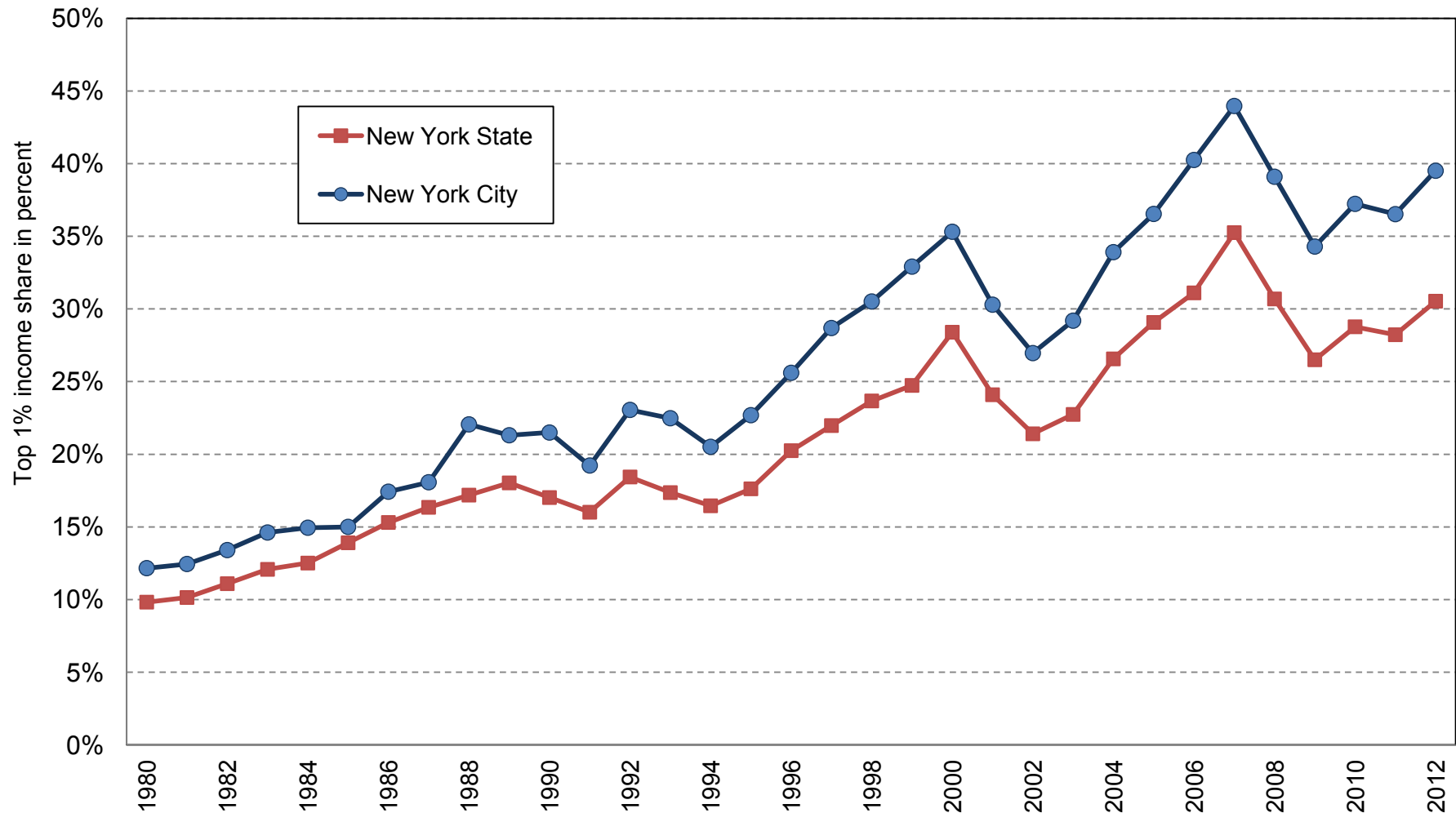


Source: FPI analysis of the American Community Survey (ACS) data for 2008-2011 1-year estimates.

Although New York State fared better than many states during the Great Recession, economic hardships have been pronounced and have taken an enormous toll on millions of New Yorkers.

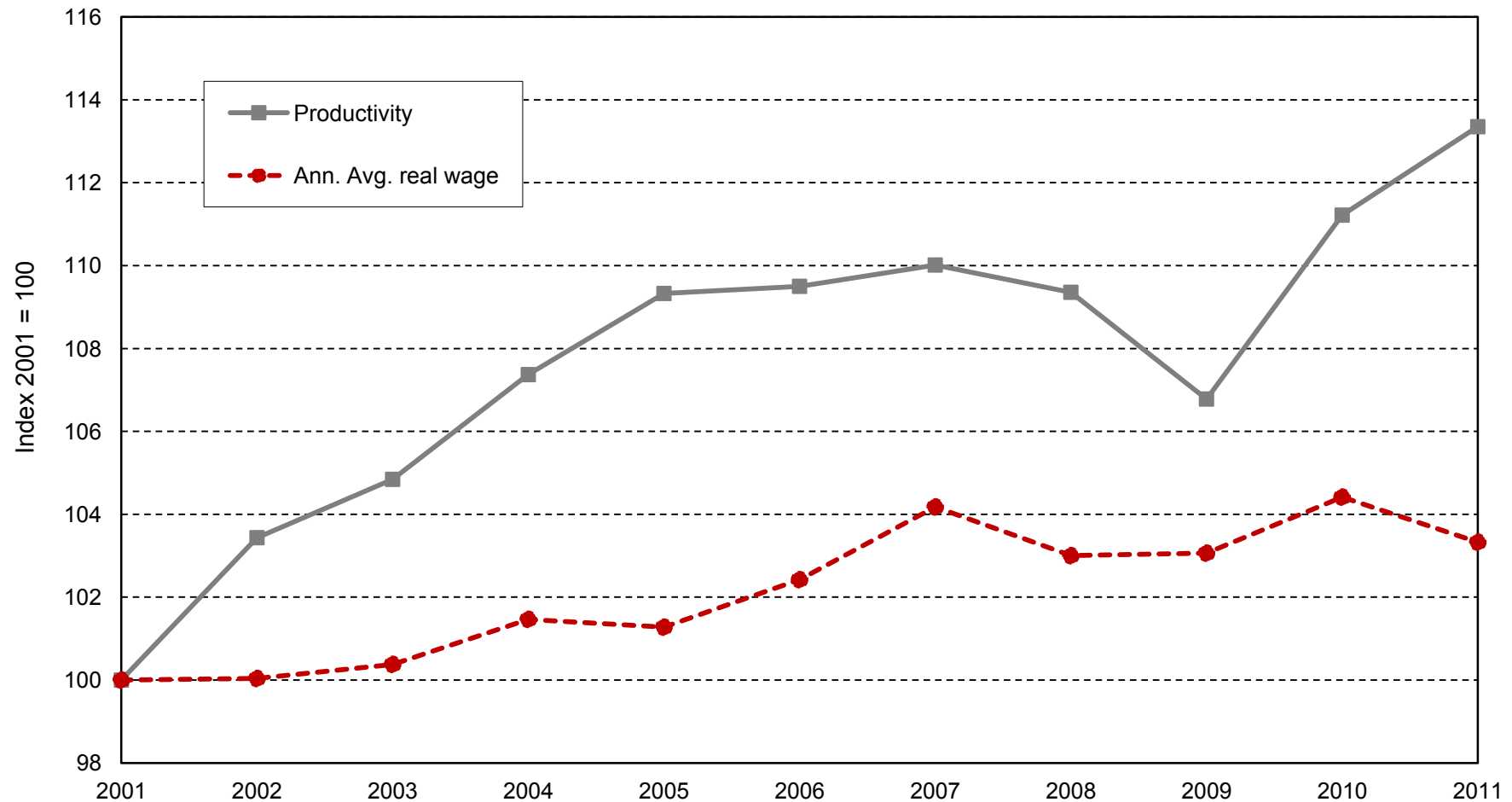
- The number of New Yorkers receiving **food stamps** jumped by 1.26 million, or by 68%, since the recession began, and outside of NYC, the increase was 76%.
- More than a million New Yorkers were added to the **Medicaid** rolls, bringing the total to 5.1 million, or more than one out of every four state residents.
- The number of people receiving **public assistance** grew by one-third outside of New York City, while the city administration in NYC discouraged people from accessing public assistance.
- New York has better protections than most states to help people slow the mortgage foreclosure process and stay in their homes. Even though the foreclosure problem was not as severe as in many states, 9% of New York homeowners are more than 90 days **overdue on their mortgages**, a higher share than in the nation overall.
- The Federal Reserve's Survey of Consumer Finances reported that median **household net worth** in the U.S. fell by 39% between 2007 and 2010, wiping out 18 years of gains since 1992. In the wake of the 2008 financial crash, home values and family savings for middle income families plummeted, robbing many families of their hard-won economic security. Meanwhile, the median net worth of the wealthiest 10% of families actually rose by 2%.

Polarization is not over; the income share of the top 1% in New York has started to rise again, as was the case after previous recessions.



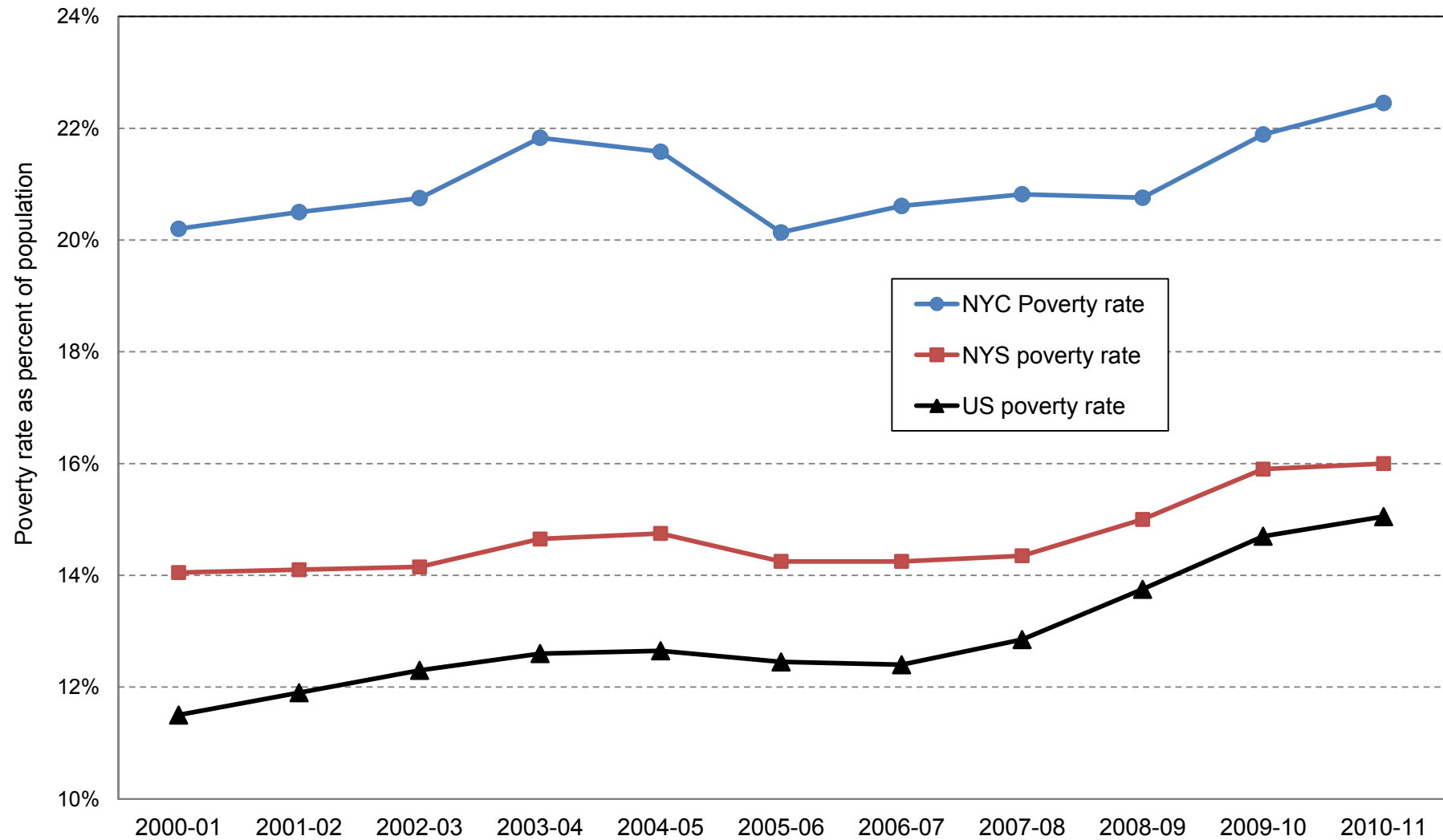
Source: FPI analysis of data from NYS Department of Tax and Finance (1980-2009) and NYC Independent Budget Office, and FPI projections for 2010-2012 based on Division of the Budget tax liability data and estimates 2010-2012.

Average wages for New York State workers have not kept pace with productivity over the past decade; productivity gains have boosted profits instead.



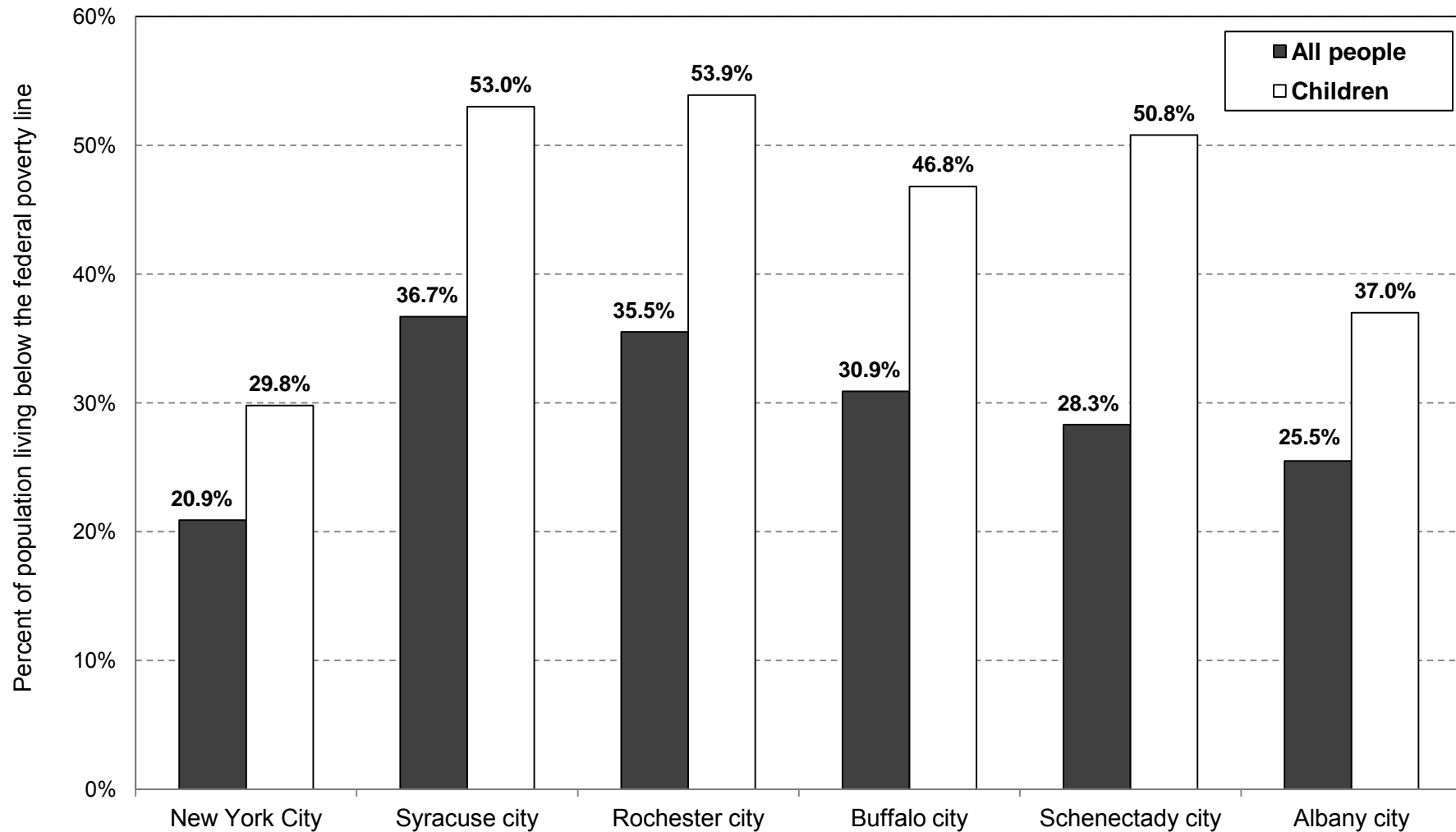
Source: FPI analysis of Bureau of Economic Analysis NYS non-finance GDP and employment data and NYS DOL annual average wage data, excluding finance, insurance and real estate.

Poverty rates have stayed high over the past decade, and have risen sharply since the 2008-09 recession began.



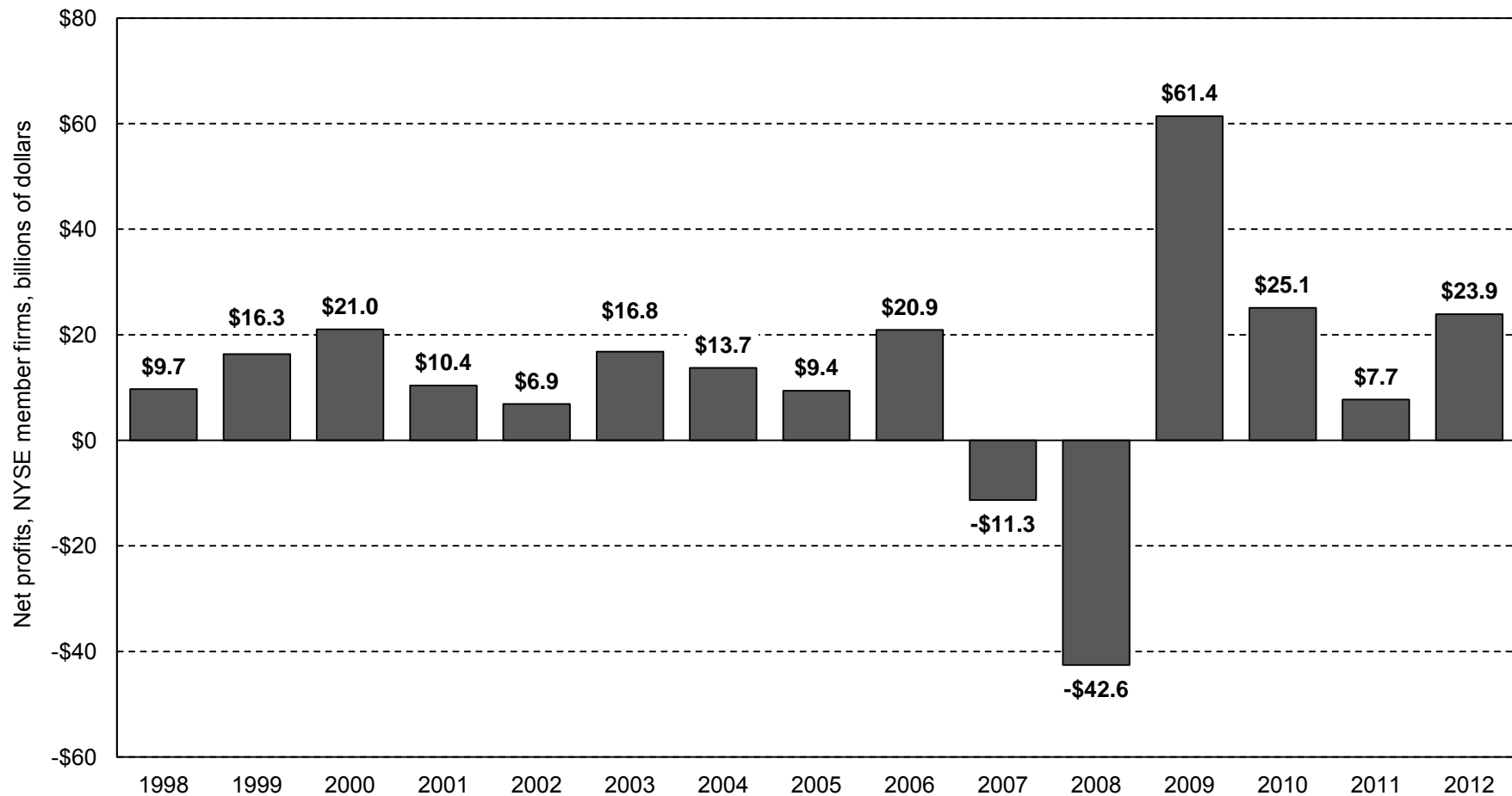
Source: FPI analysis of Current Population Survey (CPS) data, 2-year averages.

Poverty rates are far higher in the major upstate cities than in NYC or in the state overall, and half of all children in Syracuse, Rochester, Buffalo and Schenectady live in poverty.



Source: FPI analysis of the American Community Survey (ACS) 2011 1-year estimate data.

Wall Street profits rebounded in 2012. Cash bonuses paid for 2012 are estimated by the State Comptroller at \$20 billion, well below the peak level of 2006 and 2007.



Source: New York Stock Exchange member firms' profits from NYSE Euronext and Securities Industry and Financial Markets Association (SIFMA), updated February 2013.

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.
- 2012 Wall Street profits are projected to be the second highest ever. Cash bonuses are forecast to be only slightly higher than in 2011 as the trend continues for firms to rely more heavily on providing bonus compensation in the form of stock options or other deferred compensation. Average annual cash compensation among New York's financial firms is expected to stay high at around \$360,000.
- Capital gains and partnership income, both associated with activity in financial and real estate markets, are expected to increase strongly in 2012. Both capital gains and partnership income are highly concentrated among those with high incomes, and part of the 2012 growth resulted from the expectation that top federal income tax rates would rise in 2013, and because of a provision of health care reform that takes effect in 2013 which raises federal tax on capital gains realizations.
- With renewed growth in the concentration of income at the top in New York, policy makers should do more 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.

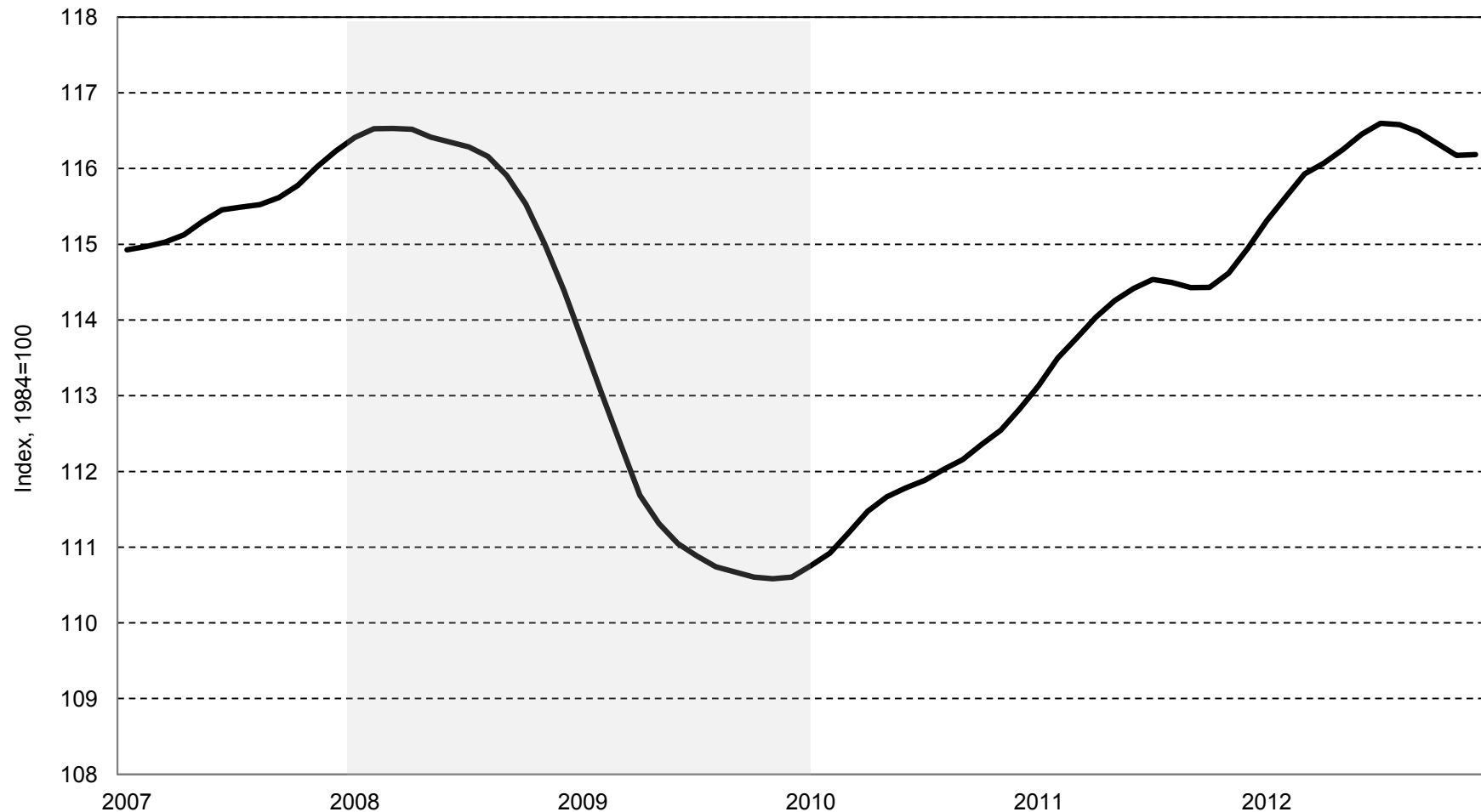
While the pace of GDP growth in 2012 improved compared to 2011, the outlook for New York State and national economic growth remains subpar.

Calendar years, annual percent changes

	2008 actual	2009 actual	2010 actual	2011 actual	Forecast				
					2012	2013	2014	2015	2016
United States									
Real Gross Domestic Product	-0.3	-3.1	2.4	1.8	2.3	2.0	2.7	3.1	2.8
Personal income	4.6	-4.8	3.8	5.1	3.5	3.0	6.2	6.1	5.3
Total wages	2.0	-4.3	2.1	4.0	3.2	4.5	6.2	6.4	5.6
Employment	-0.6	-4.4	-0.7	1.2	1.4	1.4	1.9	2.2	2.2
Unemployment rate	6.1	9.9	10.2	8.9	8.1	7.6	7.1	6.4	6.0
New York State									
Personal income	3.7	-4.9	5.6	4.5	2.8	2.9	6.2	5.7	5.4
Total wages	2.1	-6.9	4.4	3.8	2.0	4.6	4.8	5.1	5.2
Employment	0.7	-2.7	0.1	1.3	1.3	1.3	1.2	1.4	1.3
Unemployment rate	5.3	8.3	8.6	8.2	8.6	8.2	7.7	7.0	6.4

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and NYS Division of the Budget, *2012-2013 Executive Budget Economic and Revenue Outlook*, p.160.

New York State's Index of Coincident Economic Indicators declined in the last half of 2012, just as it did in the last half of 2011; growth is expected to resume.

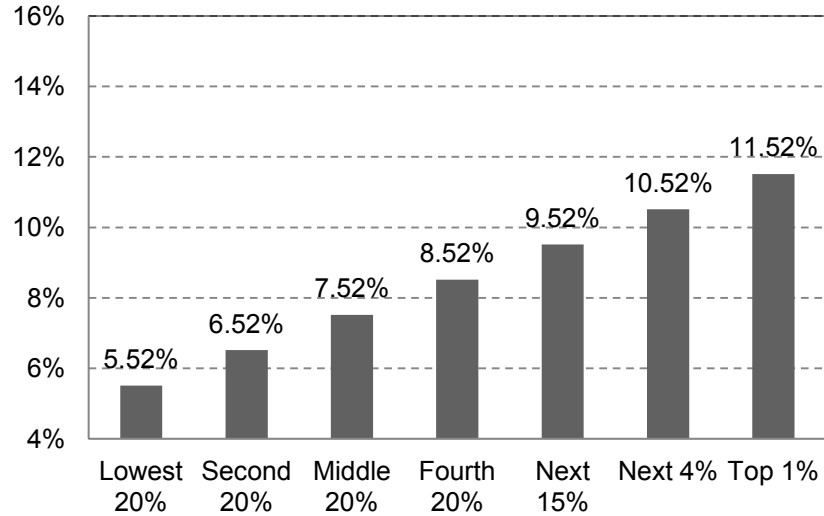


Source: New York State Department of Labor Index of Coincident Economic Indicators; shaded area represents the latest recession.

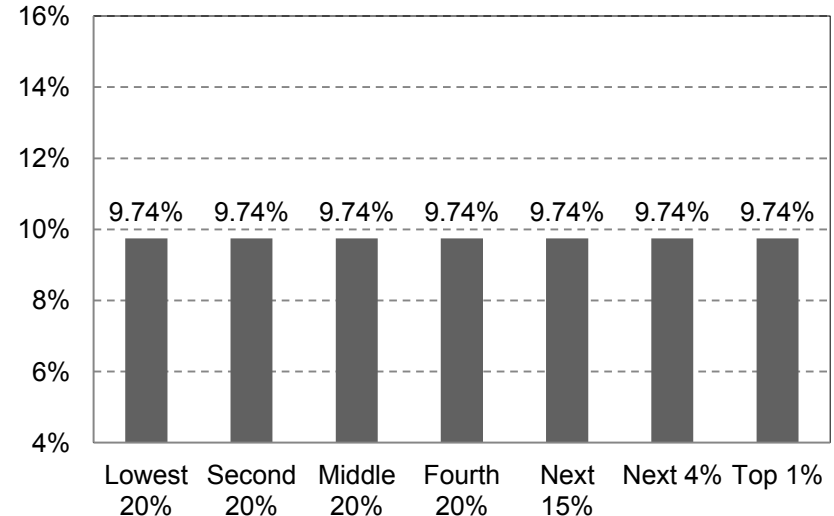
III. Tax Policy Issues

Progressive, Proportional and Regressive Tax Systems

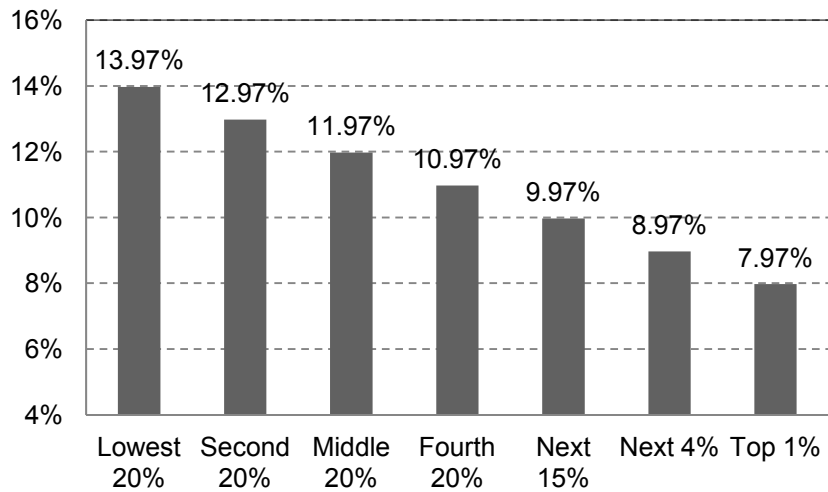
Progressive



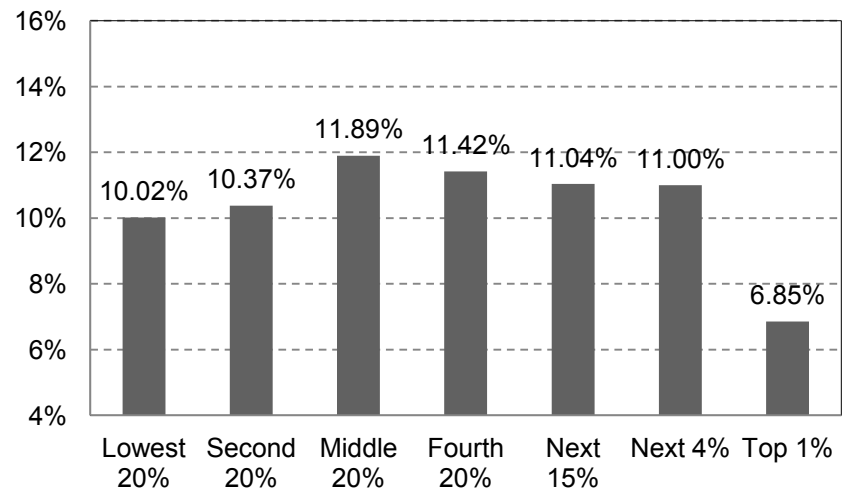
Proportional



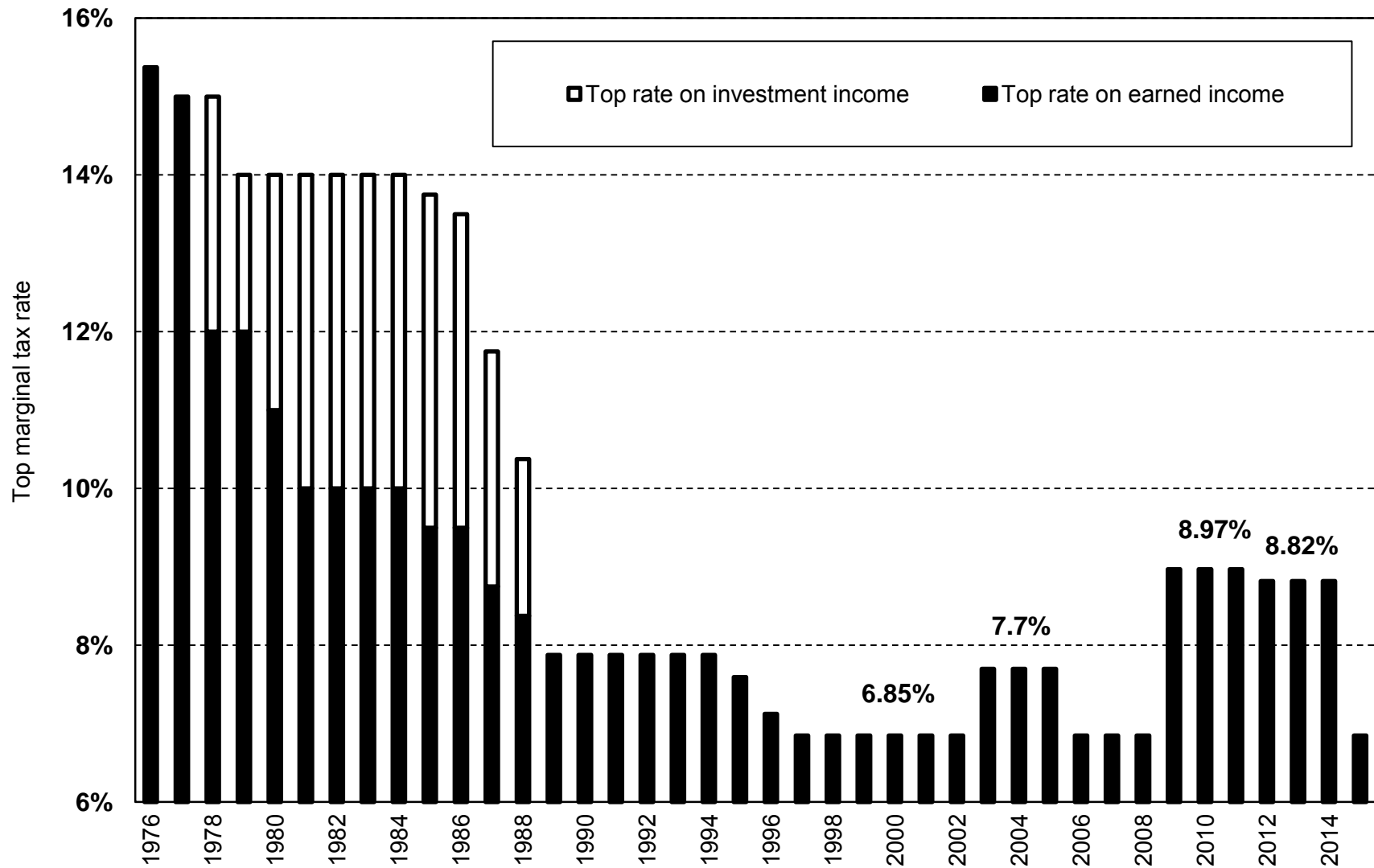
Regressive



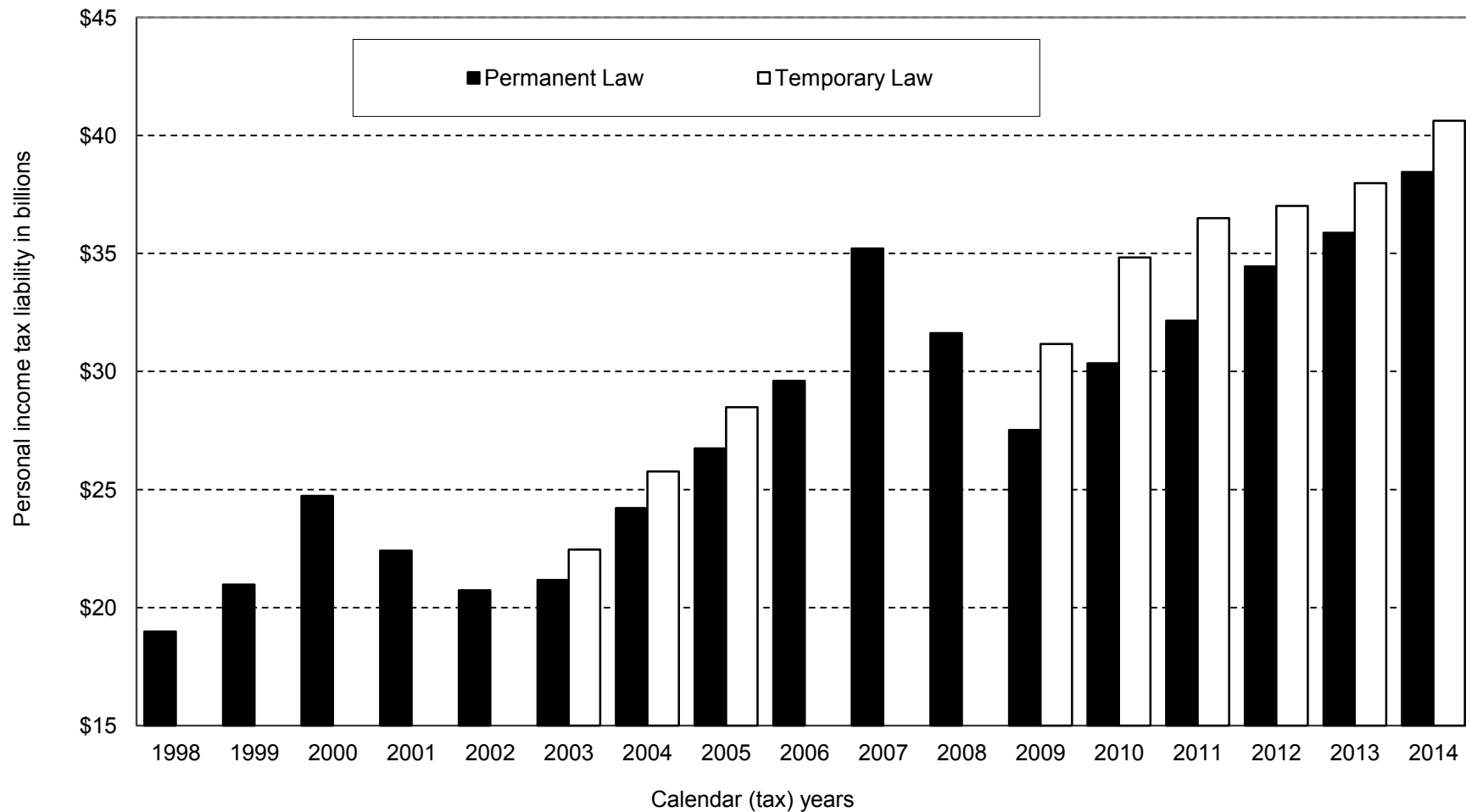
New York



After cutting its top personal income tax rate by more than 50%, from 15.375% to 6.85%, New York has enacted several changes—increasing the top rate to 8.97% and then decreasing it to 8.82%.



Without the temporary top rates enacted in 2009, personal income tax revenue would have fallen by over \$7.5 billion from 2007 to 2009 because of the Great Recession.



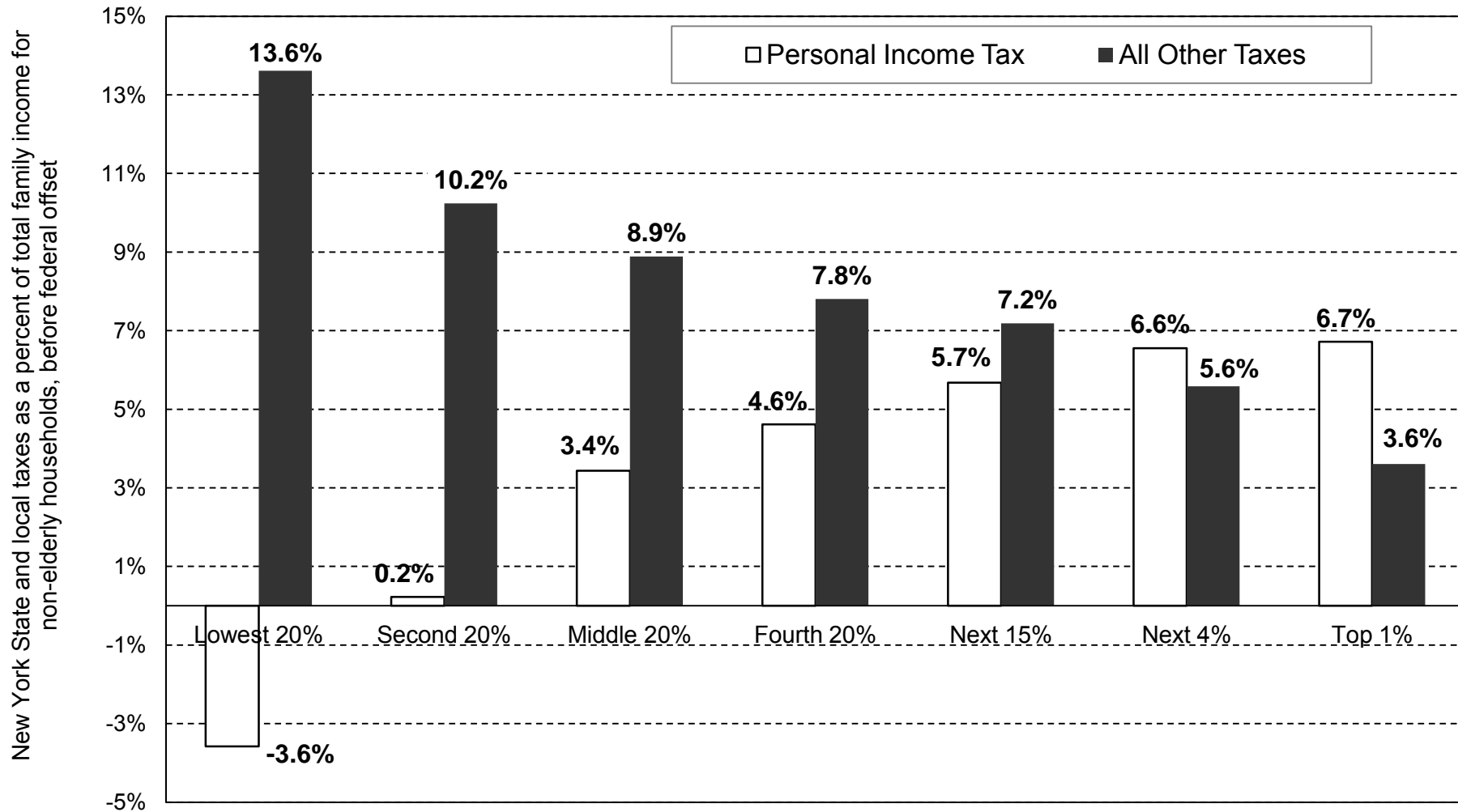
Source: Table 7, *Economic and Revenue Outlook* volumes, 2012-2013 and 2013-2014 Executive Budgets.

The tax cuts enacted for 2012-2014 provided the biggest tax reductions to married couples with taxable incomes between \$500,000 and \$2 million, and single individuals with taxable incomes between \$500,000 and \$1 million.

Taxable Income Range *	NYS Personal Income Tax Rates for Married Couples Filing Joint Returns			
	2009 to 2011	2012 to 2014	Percentage Point Change	Percent Change
Up to \$16,000	4.00%	4.00%	No change	No change
\$16,000 to \$22,000	4.50%	4.50%	No change	No change
\$22,000 to \$26,000	5.25%	5.25%	No change	No change
\$26,000 to \$40,000	5.90%	5.90%	No change	No change
\$40,000 to \$150,000	6.85%	6.45%	-0.40%	-5.8%
\$150,000 to \$300,000	6.85%	6.65%	-0.20%	-2.9%
\$300,000 to \$500,000	7.85%	6.85%	-1.00%	-12.7%
\$500,000 to \$2,000,000	8.97%	6.85%	-2.12%	-23.6%
\$2,000,000 and above	8.97%	8.82%	-0.15%	-1.7%

Note: * In 2013 and 2014, these brackets will be adjusted based on changes in the Consumer Price Index. Under current law, the 2014 brackets will carry over to 2015 and beyond.

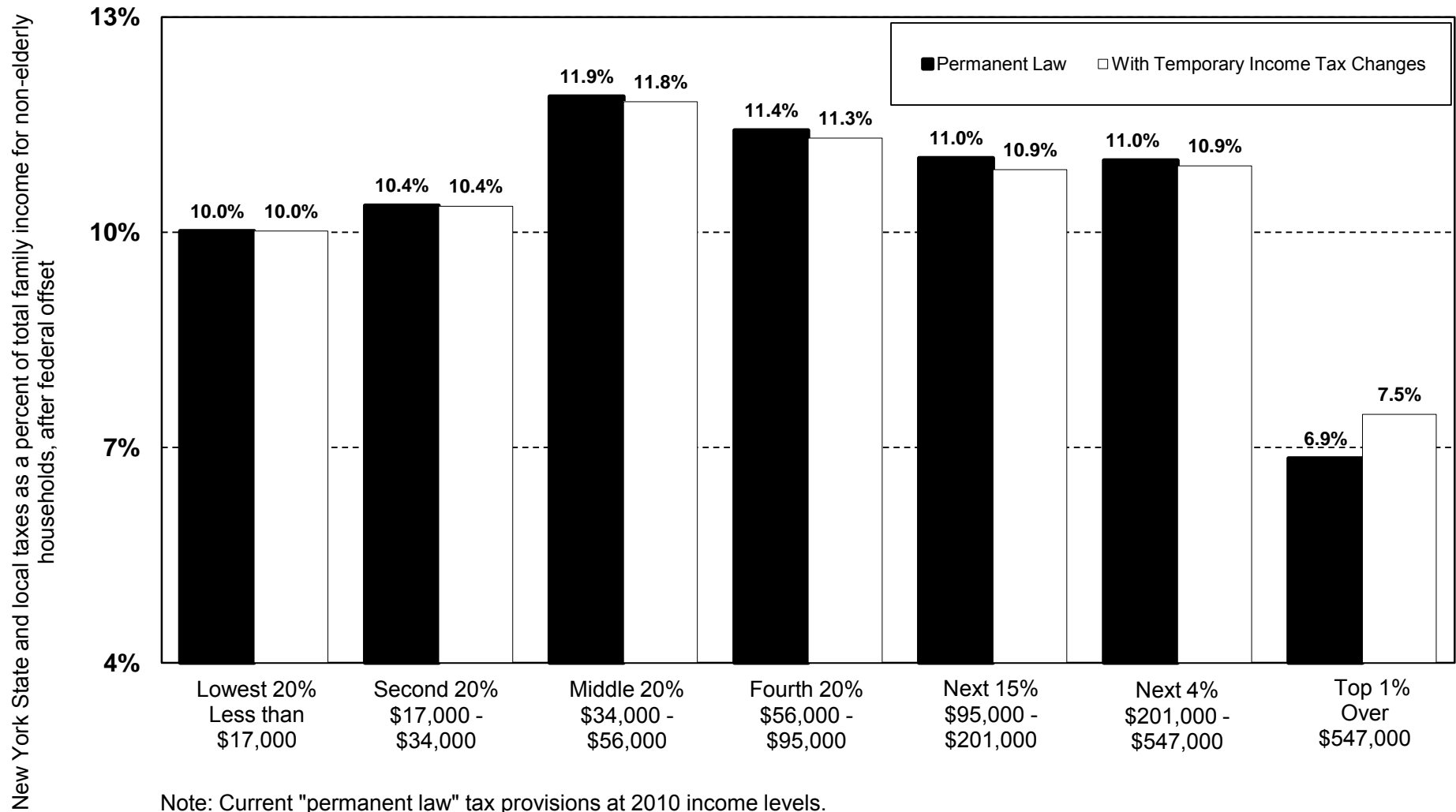
New York's income tax is progressive, but not progressive enough to balance out the regressivity of the rest of the state-local tax system.



Note: Data is for current "permanent law" tax provisions at 2010 income levels.

Source: Institute on Taxation and Economic Policy, January 2013.

Overall, the wealthiest 1% of households pay a much smaller share of their income in state and local taxes than do all other New Yorkers, even with the temporary income tax changes now in effect.



Source: Institute on Taxation and Economic Policy, January 2013.

More than 700,000 New York lower- and middle-income households* pay 10 percent or more of their income in property taxes. A quarter million pay 20 percent or more.

Household income range	Estimated number of households whose property taxes paid in 2011 were:				Total number of households in income range
	Less than 10% of income	10% to 19.99% of income	20% or more of income**	10% or more of income	
\$50,000 or less	539,479	250,948	237,677	488,625	1,028,104
\$25,000 or less	152,513	101,865	153,013	254,878	407,391
Above \$25,000 but not above \$50,000	386,966	149,083	84,664	233,747	620,713
Above \$50,000 but not above \$100,000***	832,026	N/A	N/A	213,667	1,045,693
TOTAL: All \$100,000 or less	1,371,505	N/A	N/A	702,292	2,073,797

Notes: *Estimates are for homeownership households with income of \$100,000 or less and who meet the 5-year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker proposals. **This column, for the \$25,000 or less income category, includes households with zero or negative income that paid property taxes in 2011. *** The subtotal of all households in this income range paying 10% or more of income in property taxes in 2011 includes (a) households that paid between 10% and 19.99% of income in property taxes; and (b) households that paid \$10,000 or more in property taxes and who, because of top coding, can not be apportioned between the "10% to 19.99% of income" category and the "20% or more of income" category.

Source: Fiscal Policy Institute analysis of microdata from the U.S. Census Bureau's 2011 American Community Survey.

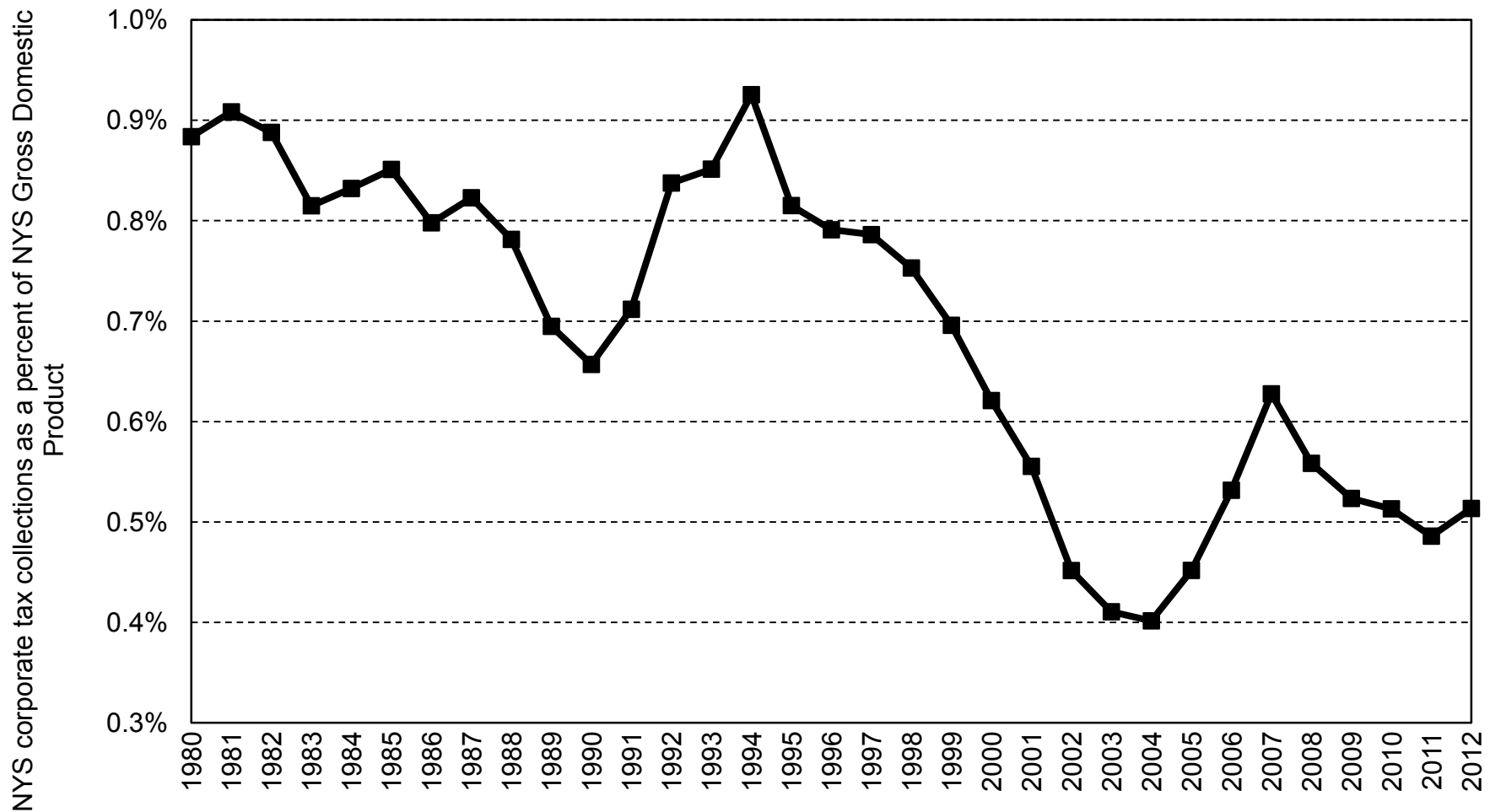
Nearly half of New York households* with incomes of \$50,000 or less pay 10 percent or more of their income in property taxes.

Household income range	Estimated percent of households whose property taxes paid in 2011 were:			
	Less than 10% of income	10% to 19.99% of income	20% or more of income**	10% or more of income
\$50,000 or less	52%	24%	23%	48%
\$25,000 or less	37%	25%	38%	63%
Above \$25,000 but not above \$50,000	62%	24%	14%	38%
Above \$50,000 but not above \$100,000***	80%	N/A	N/A	20%
TOTAL (All) \$100,000 or less	66%	N/A	N/A	34%

Notes: *Estimates are for homeownership households with income of \$100,000 or less and who meet the 5-year residency requirement in the Galef/Little and Krueger/Engelbright Circuit Breaker proposals. **This column, for the \$25,000 or less income category, includes households with zero or negative income that paid property taxes in 2011. *** The subtotal of all households in this income range paying 10% or more of income in property taxes in 2011 includes (a) households that paid between 10% and 19.99% of income in property taxes; and (b) 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" category and the "20% or more of income" category.

Source: Fiscal Policy Institute analysis of microdata from the U.S. Census Bureau's 2011 American Community Survey.

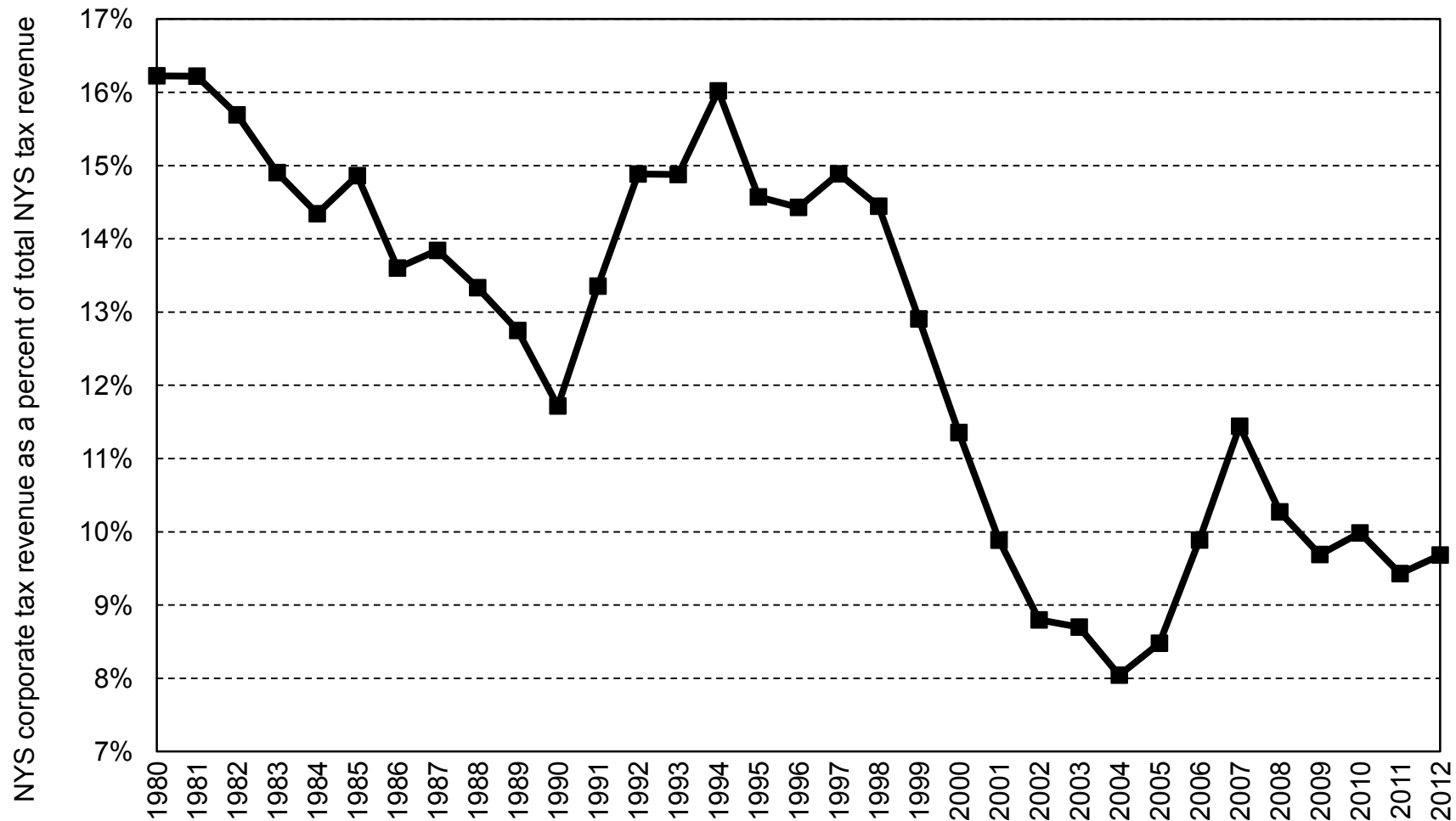
State corporate tax revenues have fallen substantially relative to the size of New York's economy.



Note: Tax collections (including collections on audit) for each state fiscal year are compared to NYS GDP for the prior calendar year. Includes bank tax, insurance tax, corporate franchise tax, and corporations & utilities tax.

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

State corporate tax revenues have also declined significantly as a share of total state tax revenues.



Note: Includes bank tax, insurance tax, corporate franchise tax, and corporations & utilities tax.

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

Does New York really have a bad business climate?

- According to the Tax Foundation 2013 State Business Tax Climate Index, New York's business tax climate ranks 50th, or dead last among all states. Last year NY was 49th and NJ was 50th.
- 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, most of the states that the Tax Foundation considers as having the best business tax climates are not exactly economic powerhouses.
 - Wyoming was ranked as having the best business tax climate yet it had the weakest GDP growth among all 50 states from 2009-11, while New York had the 13th fastest GDP growth.
 - Nevada ranked 3rd for best business tax climate yet its per capita personal income growth ranked dead last while New York had the 9th best income growth from 2009-11.
 - For the past 2 years (Dec. 2010-Dec. 2012), NY had the 16th best payroll job growth among all states. The Tax Foundation's Top 10 had an average ranking of 24th.
 - On three key measures of recent economic performance (growth in jobs, per capita income and GDP), NY ranked 13th among the 50 states, while only two of the Tax Foundation's top 10 states (TX and UT) did better. The other 8 states among the Tax Foundation's top 10 (WY, SD, NV, AK, FL, WA, NH and MT) had an average ranking of 29th.
- 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.

New York State Business Tax Expenditures 2008-2012

(in millions dollars)

Category	2008	Forecast 2012	Percent Change 2008-2012
Corporation Franchise (Article 9A) Tax	\$1,134	\$1,575	39%
Bank Tax	\$150	\$136	-9%
Insurance Tax	\$851	\$887	4%
Corporation (Article 9) Tax	\$138	\$145	5%
<i>Subtotal, business taxes</i>	<i>\$2,273</i>	<i>\$2,743</i>	<i>21%</i>
Personal Income Tax	\$253	\$546	116%
Sales and Use Tax	\$957	\$1,002	5%
Total, NYS Business Tax Expenditures	\$3,483	\$4,291	23%

Source: New York State Division of the Budget and Department of Taxation and Finance. Annual Report on New York State Tax Expenditures, 2012-13 State Fiscal Year.

National study shows that the state income taxes for many major NYS-headquartered corporations in 2008-2010 was very low.

NYS-headquartered Fortune 500 companies that were profitable in all 3 years	2010			2009			2008			3-Year Total		
	Profit in millions	Tax in millions*	Rate	Profit in millions	Tax in millions*	Rate	Profit in millions	Tax in millions*	Rate	Profit in millions	Tax in millions*	Rate
Corning	975	1	0.1%	202	0	0.0%	801	0	0.0%	1,978	1	0.1%
Loews	2,236	21	0.9%	2,025	7	0.3%	1,202	21	1.7%	5,463	49	0.9%
American Express	6,112	110	1.8%	3,131	40	1.3%	3,322	(28)	-0.8%	12,565	122	1.0%
ITT	737	17	2.3%	670	7	1.0%	665	4	0.6%	2,072	28	1.4%
Consolidated Edison	1,551	23	1.5%	1,319	(12)	-0.9%	1,457	53	3.6%	4,327	64	1.5%
Omnicom Group	573	4	0.7%	599	12	2.0%	752	14	1.9%	1,924	30	1.6%
Arrow Electronics	313	13	4.2%	108	1	0.9%	473	5	1.1%	895	20	2.2%
IBM	9,140	279	3.1%	9,524	120	1.3%	8,424	216	2.6%	27,088	615	2.3%
Time Warner	3,518	119	3.4%	3,231	51	1.6%	2,073	42	2.0%	8,822	212	2.4%
Verizon	11,921	(42)	-0.4%	12,625	364	2.9%	8,838	544	6.2%	33,384	866	2.6%
PepsiCo	4,008	118	2.9%	4,209	117	2.8%	3,274	68	2.1%	11,491	304	2.6%
Phillips-Van Heusen	22	1	4.5%	210	7	3.3%	149	4	2.7%	381	12	3.1%
Goldman Sachs Group	7,353	264	3.6%	10,915	571	5.2%	4,894	(15)	-0.3%	23,162	820	3.5%
News Corp	3,259	77	2.4%	2,889	114	3.9%	2,502	127	5.1%	8,650	318	3.7%
CA	751	48	6.4%	699	15	2.1%	633	14	2.2%	2,083	77	3.7%
Viacom	1,579	67	4.2%	1,982	38	1.9%	1,490	96	6.4%	5,051	201	4.0%
L-3 Communications	1,258	52	4.1%	1,210	57	4.7%	1,272	45	3.5%	3,740	154	4.1%
Interpublic Group	216	17	7.9%	142	(6)	-4.2%	241	18	7.5%	599	29	4.8%
Henry Schein	344	20	5.8%	308	16	5.2%	300	12	4.0%	952	49	5.1%
Polo Ralph Lauren	578	37	6.4%	448	12	2.7%	351	24	6.8%	1,378	72	5.2%
NYSE Euronext	166	17	10.2%	52	(15)	-28.8%	181	20	11.0%	399	22	5.5%
McGraw-Hill	1,064	54	5.1%	879	46	5.2%	981	78	8.0%	2,923	178	6.1%
J.P. Morgan Chase	10,226	1,740	17.0%	14,526	968	6.7%	7,924	281	3.5%	32,676	2,989	9.1%
Total	67,900	3,057	4.5%	71,903	2,530	3.5%	52,199	1,643	3.1%	192,003	7,232	3.8%

Note: *Corporate income taxes paid to all state and local governments in the United States.

Source: Citizens for Tax Justice and the Institute on Taxation and Economic Policy, *Corporate Tax Dodging in the Fifty States, 2008-2010*, December 2011.

Tax Policy Priorities for a Strong Economy

- New York State should not cut taxes while the resources available for education and other essential services are being hit with “Gap Elimination Adjustments” and other austerity measures.
- Neither the federal government nor New York State should provide tax subsidies for companies that outsource jobs. Economic development tax breaks should be for businesses that create and maintain jobs.
- Loopholes and tax breaks that allow large, multi-state and multi-national corporations to pay proportionately less in state income taxes than small businesses should be fixed or eliminated.
- Provisions of law that allow investment management income to be taxed less than wages or business income should be eliminated.
- New York State should reduce the pressure that it places on the local property tax by increasing revenue sharing (now called Aid and Incentives for Municipalities) and by increasing the state share of the cost of education and Medicaid on an “ability to pay” basis.
- New York State should provide targeted tax relief to long-time residents for whom, through no fault of their own, property taxes on their primary residences have come to represent an inordinate share of their income.

IV. Economic Policy Issues

While the income share of the top 1% may have receded a little from its 2007 high-point, the 1%'s share is rising again and extreme income polarization remains the major impediment to broadly shared growth in the nation and in New York.

- An unusually large proportion of the increase in GDP in the recovery 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. In 2010, 93% of income growth went to the top 1%.
- Nobel-laureate Joseph Stiglitz notes 4 reasons inequality retards growth:
 - Stagnant incomes and high debt burdens make it hard for the middle class to support consumer spending, which accounts for 70% of the economy.
 - The hollowing out of the middle class job structure has eroded economic security and made it difficult to invest in the future.
 - Tax revenues have faltered because of weak middle class incomes and because those at the top have been able to keep their taxes low. This has made it difficult for government to invest in infrastructure, education, research and health crucial for long-term growth.
 - Extreme inequality is associated with financial speculation and frequent and more severe boom-and-bust cycles.
- Policy makers should do more 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.

There has been no meaningful increase in New York's minimum wage in six years, and its purchasing power was far higher in the 1960s and 1970s.*

- The New York minimum wage reached a peak in 1970 at \$11.15 in today's dollars, 54 percent greater than the current \$7.25 federal minimum.
- 19 states (& D.C.) have a higher minimum than the \$7.25 federal minimum level, and ten states adjust their minimums along with the change in consumer prices.
- The recession and slow recovery have 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. Weak wage growth, in turn, has dampened the recovery.
- For nearly two decades from 1962-1979, a full-time minimum wage worker in New York earned on average the equivalent of 108 percent of the 3-person federal poverty threshold. Today, the minimum wage is only 81 percent of 3-person poverty.
- The best approach would be to increase the minimum wage in reasonable steps to match the 1970 peak purchasing level (\$11.15 now but adjusted for inflation during the phase-in period). Once restored to its 1970 purchasing level, New York should index the level annually for inflation.

Note: * For more information, see January 2013 FPI/NELP report entitled *Over 1.5 Million New Yorkers Would Benefit from Gov. Cuomo's Proposed Minimum Wage Increase* (available at <http://fiscalpolicy.org/wp-content/uploads/2013/01/Raising-New-York-Min-Wage-FPI-NELP.pdf>).

While New York's minimum wage is \$7.25 an hour (the federal minimum wage), 19 states and the District of Columbia have minimum wages above the federal \$7.25 level.

State	Minimum wage, January 2013
Washington*	\$9.19
Oregon*	\$8.95
Vermont*	\$8.60
Connecticut**	\$8.25
District of Columbia**	\$8.25
Illinois	\$8.25
Nevada*	\$8.25
California	\$8.00
Massachusetts**	\$8.00
Ohio*	\$7.85
Arizona*	\$7.80
Montana*	\$7.80
Florida*	\$7.79
Colorado*	\$7.78
Alaska	\$7.75
Rhode Island	\$7.75
Maine	\$7.50
New Mexico	\$7.50
Michigan	\$7.40
Missouri*	\$7.35

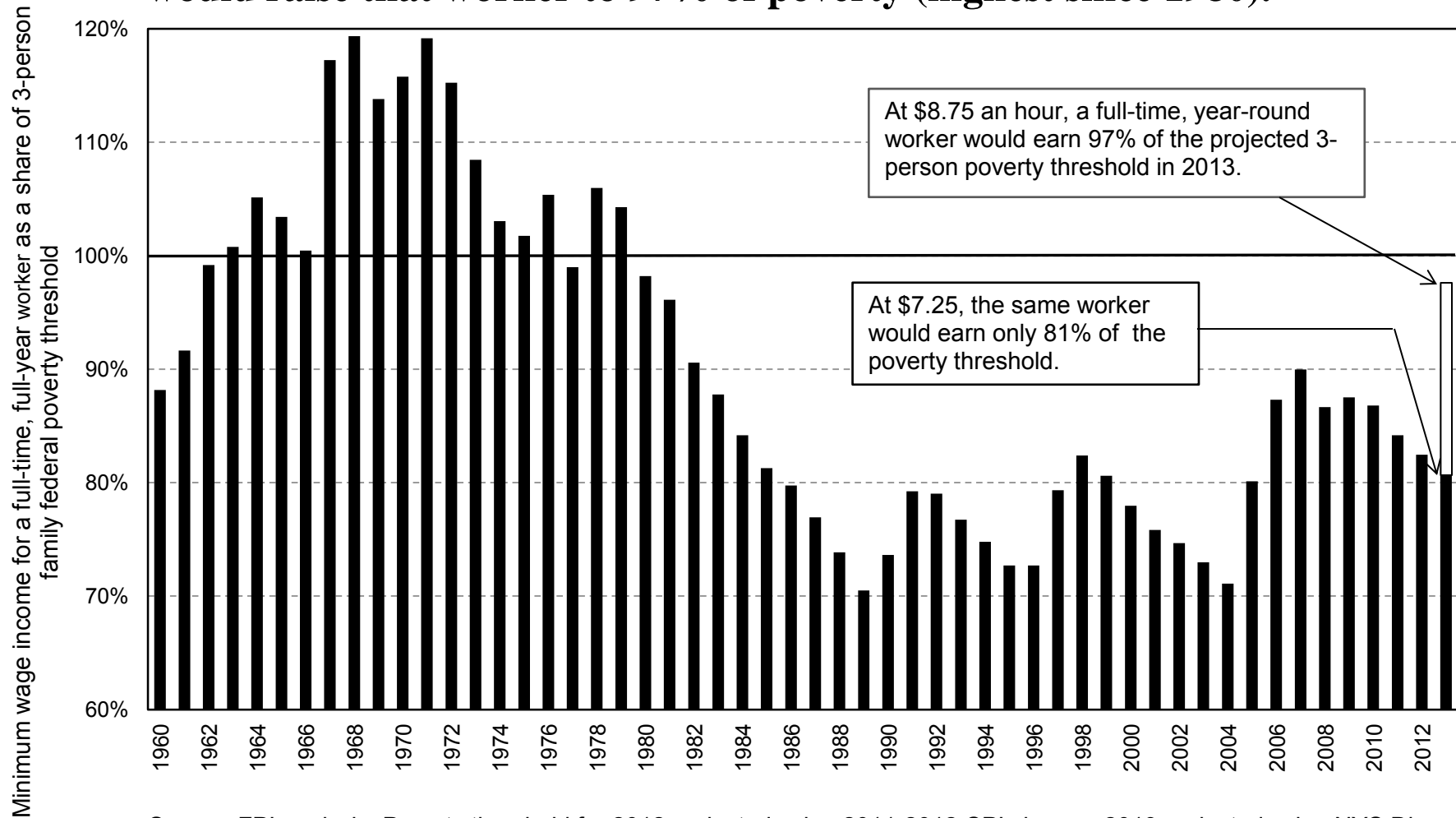
Note: * Automatically adjusts annually according to the change in the Consumer Price Index; Missouri and Nevada have modified indexation provisions.

** Automatically adjusts upward to stay above the federal minimum wage if that increases.

Governor Cuomo has proposed an increase in the New York State minimum wage to \$8.75 effective July 1, 2013.

- An increase to \$8.75 would benefit nearly 1.6 million New York workers, including 747,000 currently paid below \$8.75, and 813,000 making \$8.75 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 54 percent of those who would see an increase and blacks and Hispanics together constitute about 40 percent. Adults account for 90 percent of those who would benefit. Eighty-four percent of those earning less than \$8.75 work 20 or more hours per week.
- An increase in the state minimum to \$8.75 an hour in 2013 would put the wages of a full-time, year-round minimum wage worker at 97 percent of the 3-person federal poverty line.
- The proposed minimum wage boost would raise wages paid to low-wage workers by \$1.3 billion and the increased purchasing power would pump much-needed spending into local businesses and communities, creating roughly 7,300 full-time 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.
- Assembly Speaker Silver has proposed raising the minimum wage to \$9.00 an hour, effective January 1, 2014, and indexing the minimum to rise with the change in the consumer price index. That would put the annualized value of the minimum at 98 percent of the 3-person federal poverty line.

At \$7.25 an hour, a full-time minimum wage worker would receive only 81% of the 3-person poverty threshold. An increase to \$8.75 an hour would raise that worker to 97% of poverty (highest since 1980).

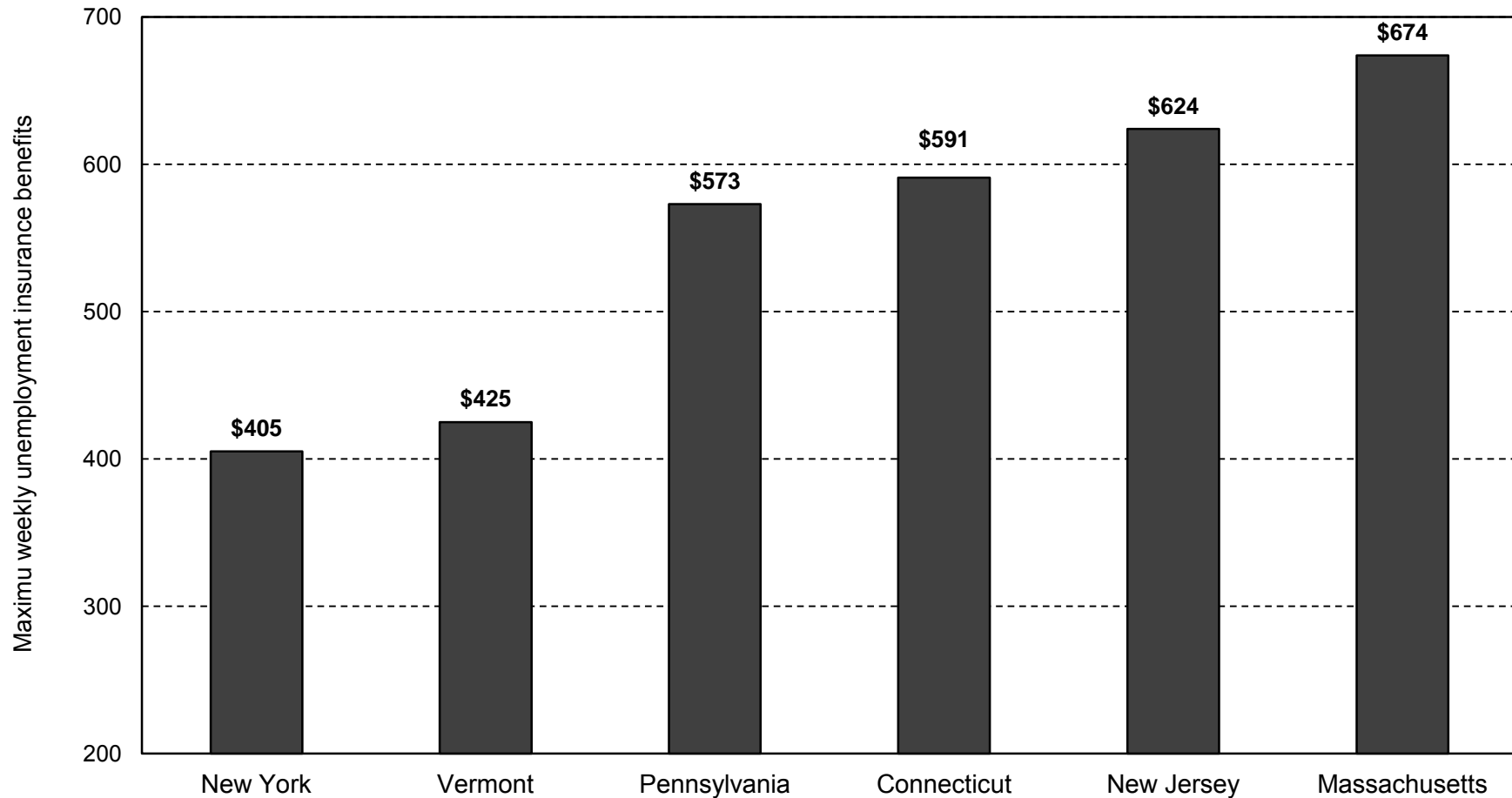


Source: FPI analysis. Poverty threshold for 2012 projected using 2011-2012 CPI change, 2013 projected using NYS Div. of the Budget 2013 CPI forecast.

Unemployment insurance (UI) has been a critical part of New York's safety net during the recession and weak recovery.

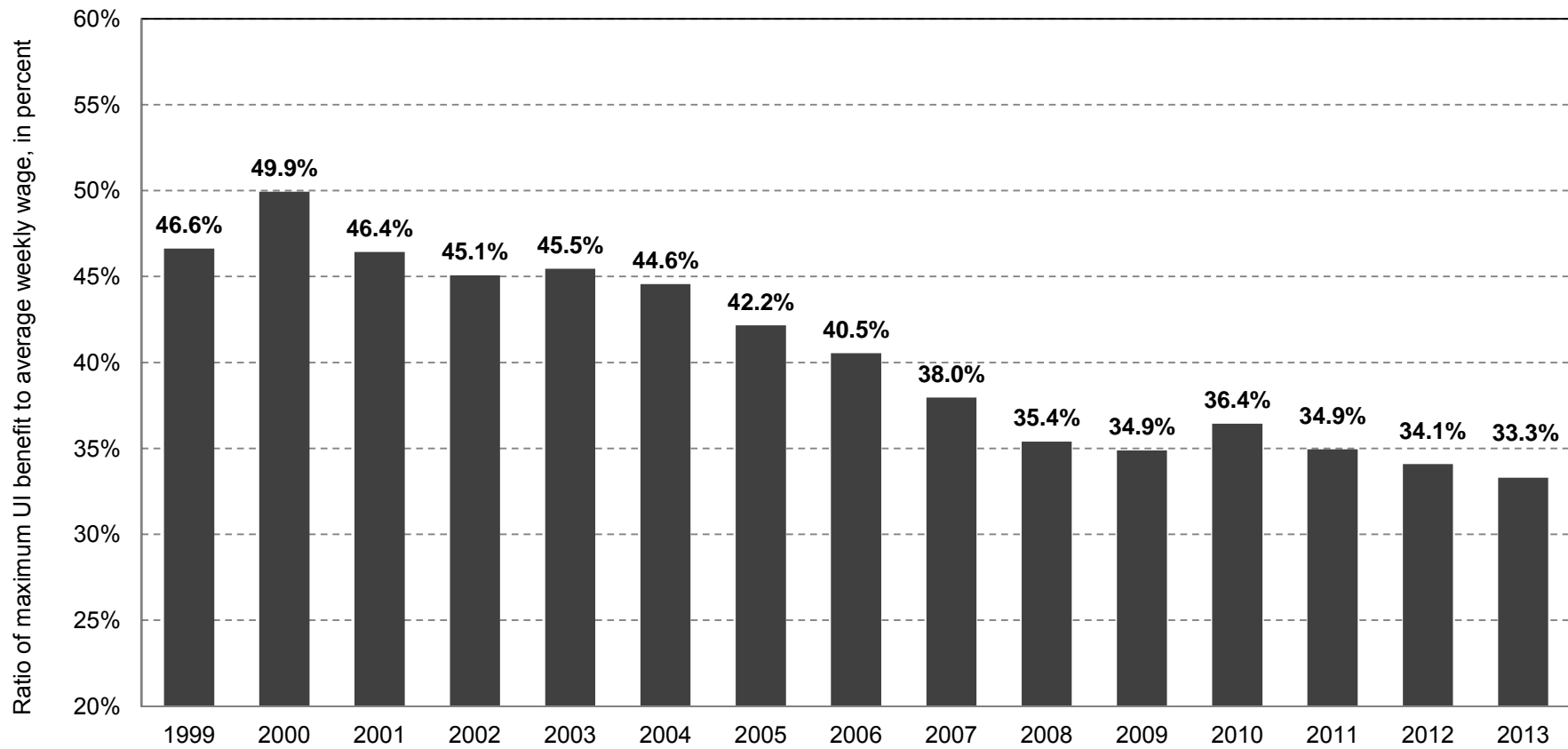
- From July 2008 to December 2012, over 2 million unemployed New Yorkers received \$36 billion in UI compensation. This has been one of the most effective forms of stimulus. Half of this amount came from the regular 26-week state UI program and half came from various federally-funded extensions.
- While 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. For the second half of 2012, unemployment spells for New York workers averaged 39 weeks.
- In New York, eligible unemployed workers can receive UI for 26 weeks through the regular state program and, with the early January continuation of federal extended benefits through the end of 2013, New Yorkers can receive up to 37 weeks of federally-funded benefits.
- New York's UI program needs to be modernized:
 - The maximum weekly benefit of \$405 hasn't been raised since 2000, and is lower than in all neighboring states.
 - New York's average weekly benefit (\$303) is only 25% of the state's average weekly wage, a lower "wage replacement" rate than in 47 states.
 - New York's taxable wage base is \$8,500, well below the national average of \$12,783 and lower than in 42 other states.
- 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 have had to start making special payments to pay interest and penalties on the money borrowed from the federal treasury.

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, updated January, 2013.

Over the past decade, the value of New York's maximum unemployment insurance benefit has fallen from half of the average weekly wage to one-third of the average.



Note: New York State's maximum weekly unemployment insurance benefit was set in 2000 at 50% of the average weekly wage (AWW) for the prior year (rounded down to the nearest dollar), but it was not indexed to the AWW and has not been adjusted since. AWW estimated for 2012 based on change in total private average weekly earnings from 2011 to 2012.

Source: New York State Department of Labor, Quarterly Census on Employment and Wages (QCEW) average annual wage data.

Governor Cuomo's proposed Unemployment Insurance (UI) reform

New York State's **UI trust fund is insolvent** and has had to borrow over \$4 billion from the federal UI trust fund to pay benefits since January 2009. New York's outstanding UI debt is \$3.5 billion, and New York State employers had to pay \$102 million in interest in 2012, and pay an additional amount of up to \$42 per covered employee in 2012 because the debt was not paid off within two years.

Noting that worker UI benefits in NYS are "inadequate and lower than national averages," the **Governor's UI reform legislation** sets out to "reform both the tax and benefit structure to eliminate the current deficit, decrease costs to employers, increase claimant benefits, and relieve businesses of uncertainty due to repeated Trust Fund deficit cycles." The reforms would return the fund to solvency in 2016.

- The current \$405 **maximum weekly benefit** is gradually raised, beginning in October 2014, to 50% of the average weekly wage by 2026. The minimum benefit increased from \$64 to \$100.
- The **taxable wage base** is raised from \$8,500 to \$10,300 in January 2014 and then raised in \$200-\$300 increments to \$13,000 in 2026 (that's about the national average in 2013). After 2026, it is pegged at 16% of the state's average annual wage. The rate schedule is also modified to increase revenues to help stabilize the state trust fund.
- Employee benefits are reduced when employees receive severance or pension benefits.
- Changes are made to encourage increased work search (claimants are subject to random audit and must maintain proof of work search). The time period is shortened from 13 to 10 weeks after which benefits end if a worker refuses an offer of employment, provided it pays no less than 80% of prior wages and is "not substantially less than the prevailing wage for similar work."

Putting unemployment insurance reform in perspective

- The New York UI Trust Fund's chronic insolvency (federal borrowing was also necessary in the 2001-03 recession) results from New York's very low **taxable wage base** of only \$8,500; this is well below the national average of \$12,783 (3rd Q of 2012) and lower than the level in 42 states. As a result, New York's employers have to pay hundreds of millions of dollars in interest and penalties for several years until the debt is paid off. The proposed reform would only raise the taxable wage base to \$13,000 in very small steps over the next 13 years.
- Relative to total wages paid by covered employers, the **average UI tax rate** New York employers paid was 0.73% in 2012, nearly a quarter lower than the national average of 0.95%, and lower than in 42 other states. All of our neighboring states have an average tax rate of over 1.00%; Pennsylvania's is 1.32% and New Jersey's is 1.37%.
- None of the 18 states that currently index their taxable wage base as a percent of the state's average annual wage, indexes at a rate less than 46%. The proposal to index at 16% of New York's average wage beginning in 2026 likely will not prevent the need to borrow in future recessions. (New Jersey's formula works out to about 54% of its annual wage.)
- Relative to the state's average weekly wage (AWW), New York's average UI benefit ranks 48th among the 50 states. The increase in the **maximum weekly benefit** is so gradual through the first five years, that when it reaches \$450 in Oct. 2018, it may not be any higher than the current 33% in relation to the AWW.
- Under the reform proposal, the maximum benefit wouldn't reach 50% of the AWW until 2026. However, 12 states already have a maximum benefit that is 2/3 of their AWW, and another 10 states set their maximum at between 60-65% of AWW.
- If New York State's maximum weekly UI benefit in 2012 had been 50% of the AWW (that would have made the maximum benefit \$594 instead of \$405), New York State unemployed workers would have received an additional \$675 million in federally-funded UI benefits in 2012. That additional infusion of federal dollars into the state's economy would have supported several thousand more jobs.

Temporary Disability Insurance and Family Leave Insurance Programs

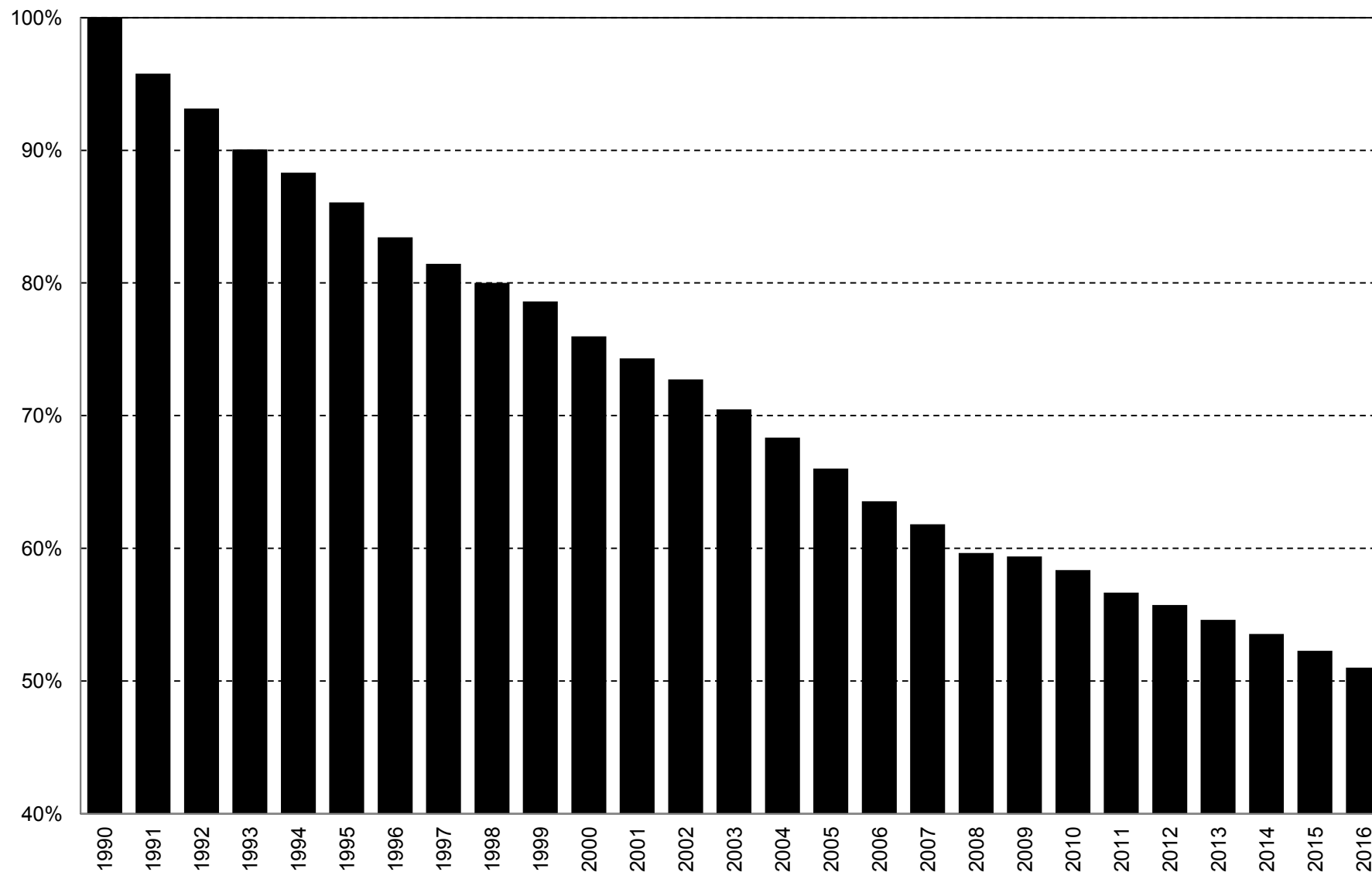
			Maximum Leave Length (Number of Weeks)	
	Maximum Benefit	Reimbursement Rate [1]	Temporary Disability	Family Leave
California	\$1,011	55%	52	6
Hawaii	\$524	58%	26	NA
New Jersey	\$572	66 2/3%	26	6
New York, current	\$170	50%	26	NA
New York, proposed	\$594	50%	26	12
Rhode Island	\$736	4.62%	30	NA
Washington, current [2]	\$250	67%	NA	5
Washington, proposed	\$1,000	67%	12	12

[1] Per weekly wages except for Rhode Island, whose rate is per quarterly wages. [2] Legislation for a paid family leave program in Washington has passed, but it has not been implemented. NA - not applicable; program does not exist.

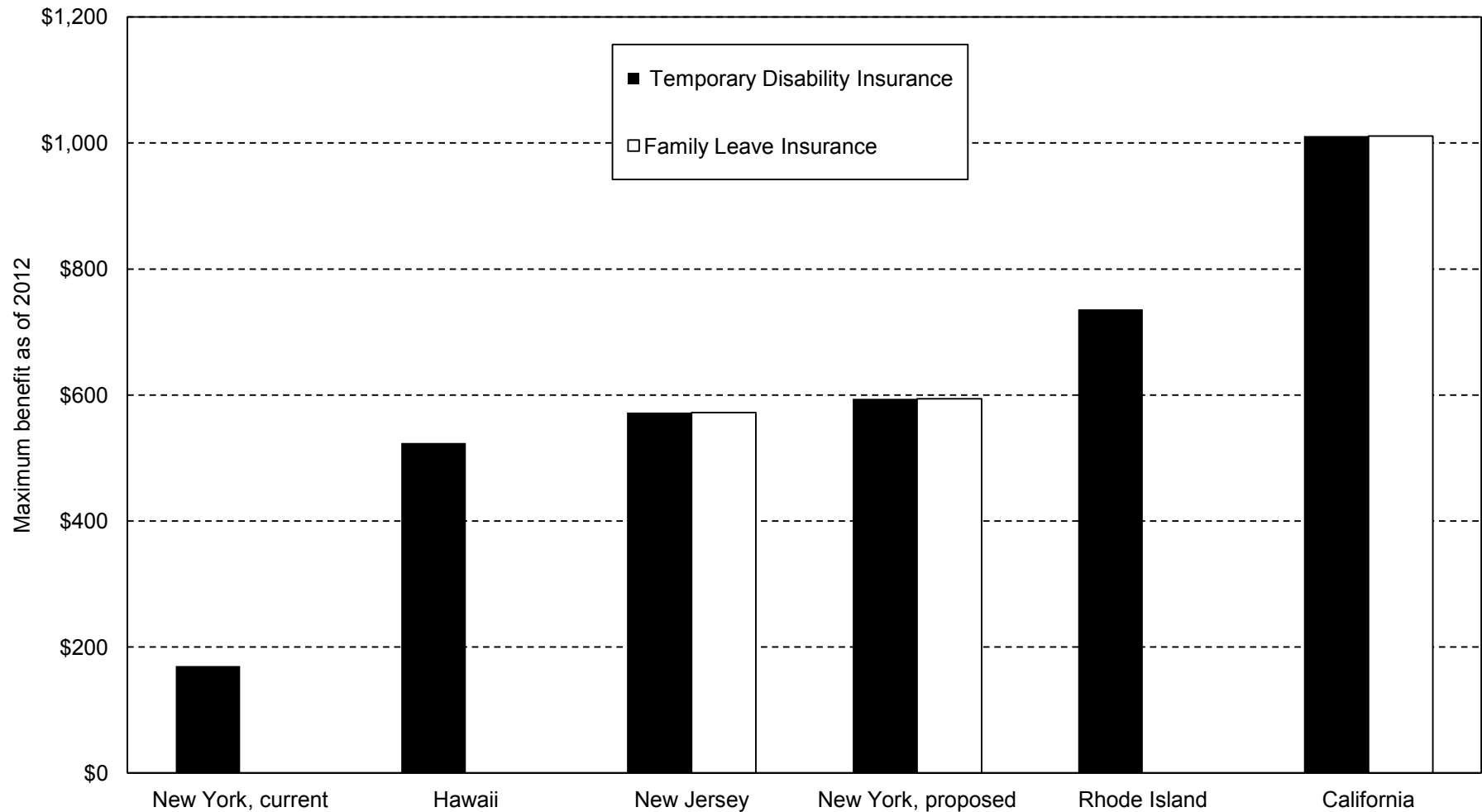
- New York's current Temporary Disability Insurance (TDI) benefits are much less than the benefits in the other states with such programs.
- New York currently does not have a family leave insurance program. This impacts low- and moderate-income families who more often lack the financial resources to take unpaid time off during family health crises or in conjunction with the birth or adoption of new children which require leave from work.
- Proposed legislation would increase the maximum benefit and establish a family leave insurance program that would be financed through employee payroll contributions with no cost to employers.
- Experience under the paid family leave program in California (implemented in 2004) has shown that it results in lower employee turnover, higher morale, and decreases reliance on public assistance since employees remain in the workforce. Additionally, a large majority of businesses have found that paid family leave has not resulted in cost increases and has had a positive or no noticeable effect on productivity. (See E. Appelbaum & R. Milkman, *Leaves that Pay: Employer and Worker Experiences with Paid Family Leave in California*, CEPR (Jan. 2011), E. Rudd, *Family Leave: A Policy Concept Made in America*, Sloan Work and Family Research Network, 2004; and A. Dube & E. Kaplan, *Paid Family Leave in California: An Analysis of Costs and Benefits*, Labor Project for Working Families (July 2002).)

The current Temporary Disability Insurance (TDI) maximum weekly benefit has lost almost 50% of its purchasing power since it was raised to \$170 in 1989.

Inflation-adjusted maximum TDI weekly benefit in 2012 dollars.



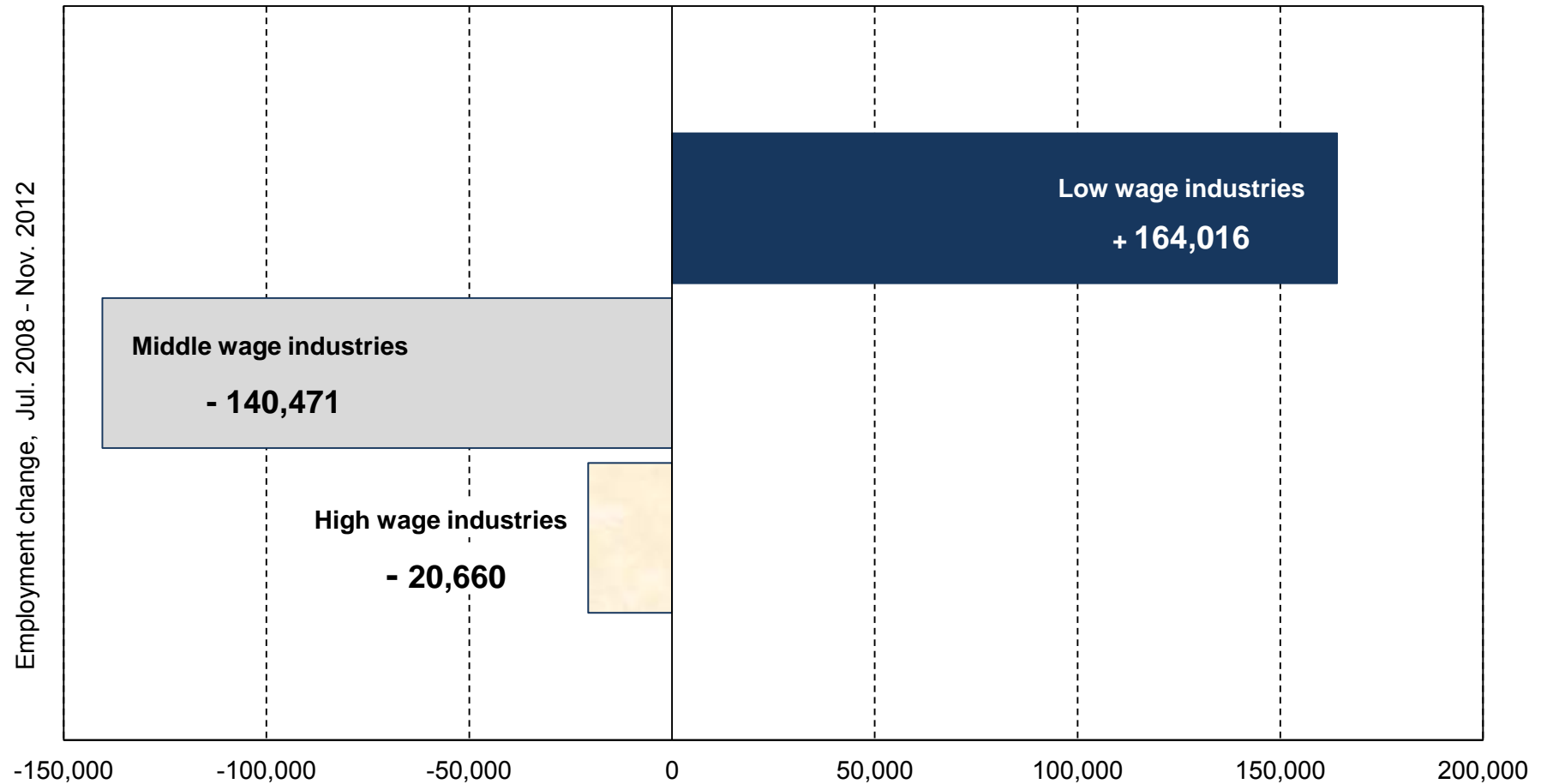
A legislative proposal would increase New York's maximum weekly benefit for the Temporary Disability Insurance program, and add a family leave insurance component.



Note: Under this proposal, when fully phased-in over 4 years, New York's maximum weekly benefit would be half of the state's average weekly wage; that amount in 2011 would be \$594.

V. Appendix

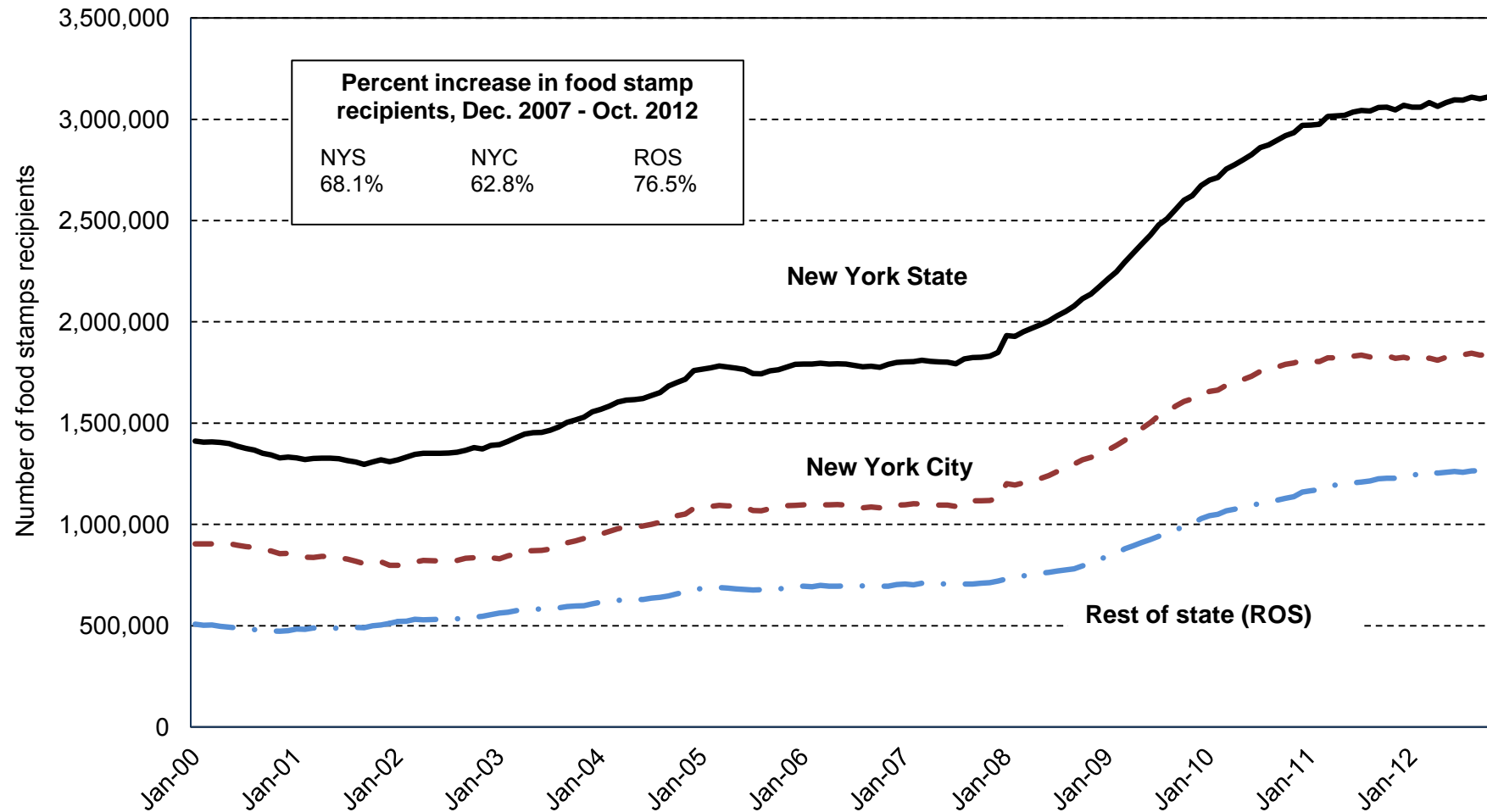
Net job gains since the recession began in New York State in mid-2008 have been concentrated in industries with low average wages.



Note: Low wage industries are those whose annual average wage is below \$45,000. Middle wage industries have annual average wages of \$45,000-\$75,000. High wage industries are those whose annual average wage is over \$75,000.

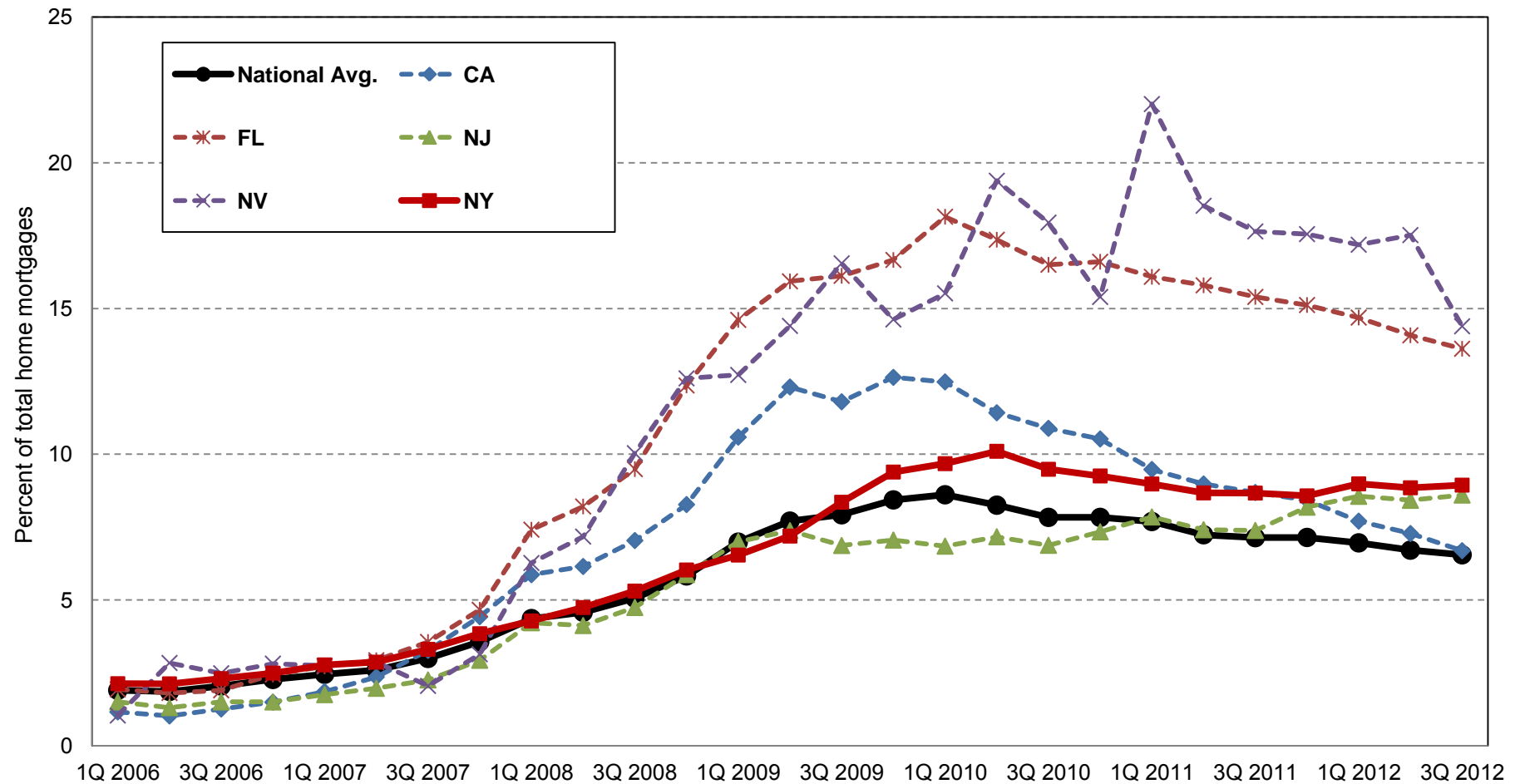
Source: FPI seasonal adjustment of CES employment data and QCEW 2011 annual average wage data from NYS DOL.

Over three million New Yorkers now receive food stamps, a number that has increased by two-thirds since the start of the 2008-09 recession.



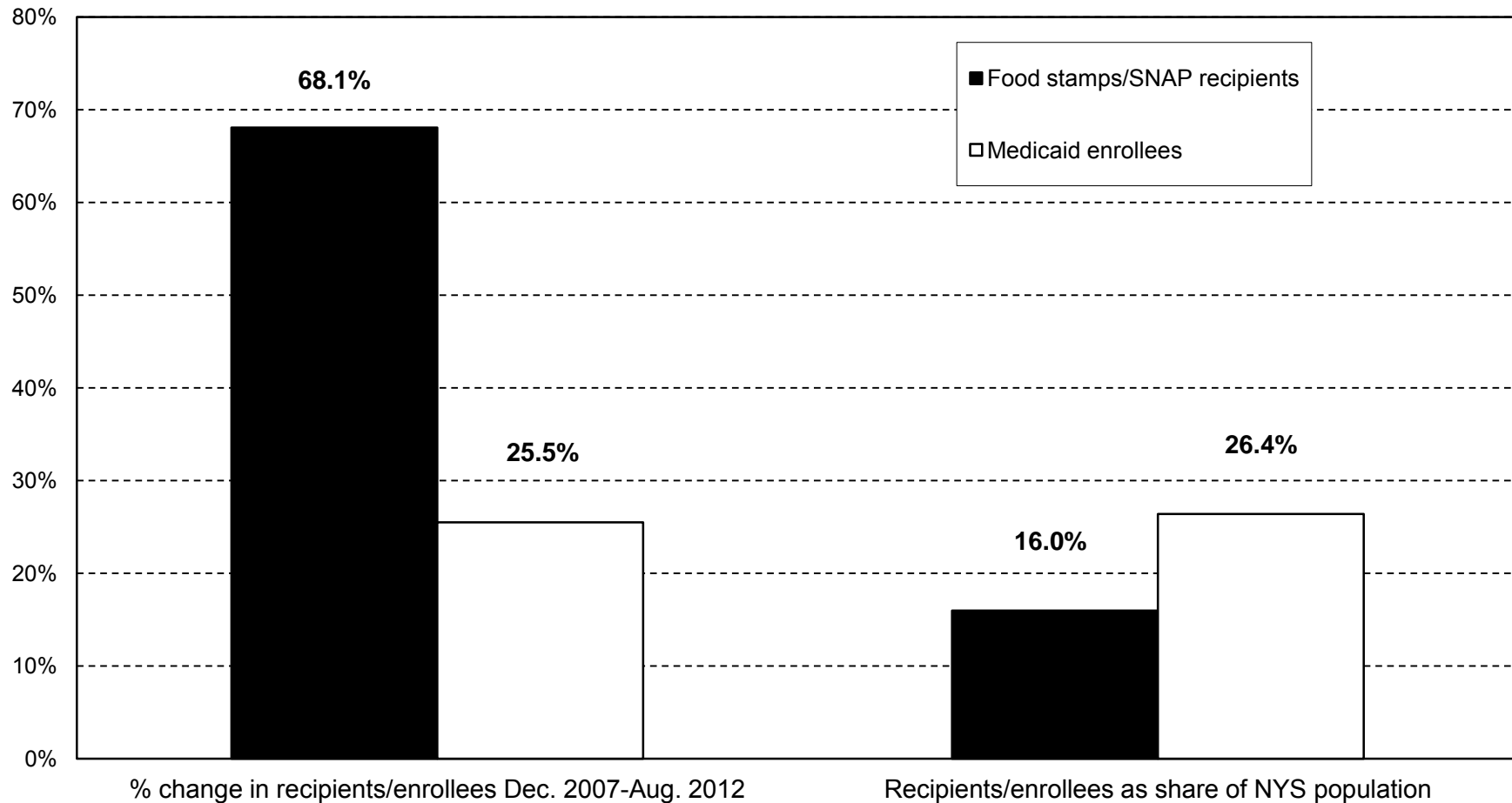
Source: NYS Office of Temporary and Disability Assistance

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.



Source: Federal Reserve Bank of New York, *Percent of Mortgage Debt 90+ days late by state*, Quarterly Report on Household Debt and Credit, November 2012.

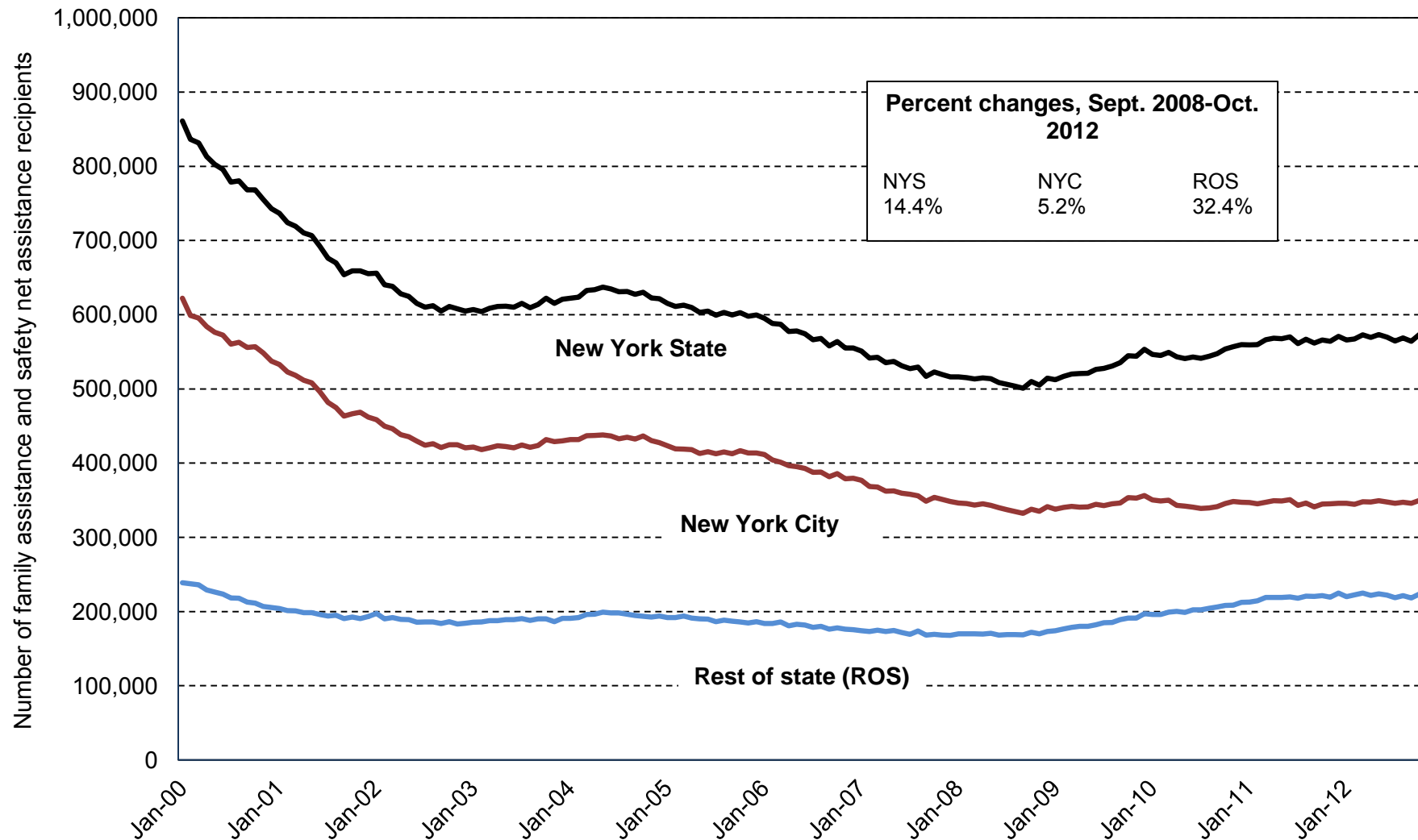
Participation in food stamps* and Medicaid has risen sharply since the start of the Great Recession. One in six New York State residents now receive food stamps, and more than one in four are enrolled in Medicaid.



Note: *The federal food stamp program is now called Supplemental Nutrition Assistance Program (SNAP).

Source: FPI's analysis of data from NYS Office of Temporary and Disability Assistance and NYS Dept. of Health.

The number of public assistance recipients grew by a third outside of NYC, where city policy has discouraged needy people from applying.



Source: NYS Office of Temporary and Disability Assistance (<http://otda.ny.gov/resources/caseload/>).

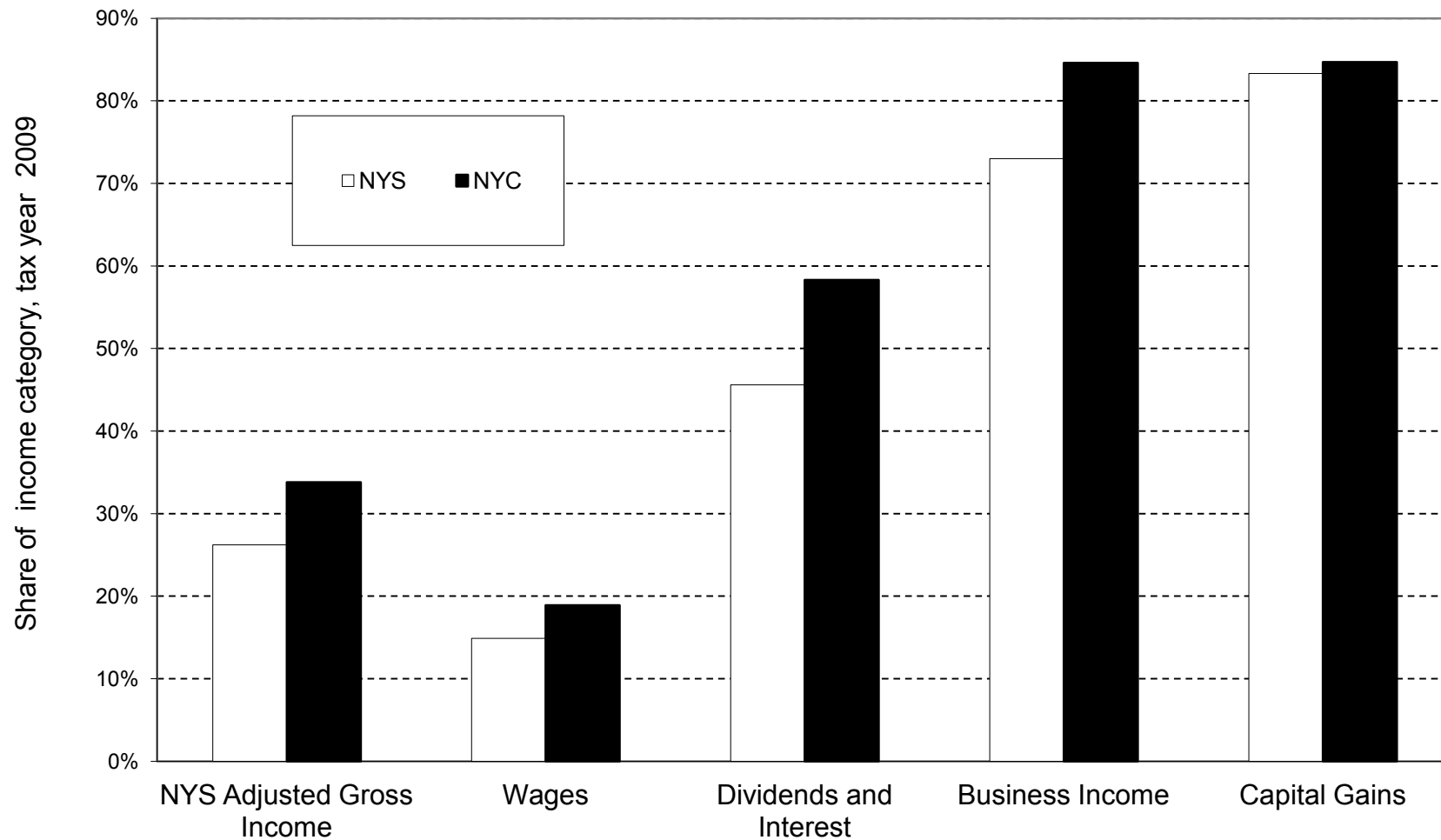
2013-2014 Executive Budget Estimates of Personal Income Tax Liability, by Tax Year, With and Without Temporary Rate Increases (in Millions of Dollars).

Tax Year	Permanent Law				Temporary Higher Rates **				Permanent Law Plus Temporary Higher Rates **			
	Liability, Top 1 %	Liability, 99%	Liability, All Taxpayers	Top 1%'s Share of Liability	Liability, Top 1 %	Liability, 99%	Liability, All Taxpayers	Top 1%'s Share of Liability	Liability, Top 1 %	Liability, 99%	Liability, All Taxpayers	Top 1%'s Share of Liability
1998	6,654	12,332	18,986	35.0%	-	-	-	-	-	-	-	-
1999	7,462	13,515	20,977	35.6%	-	-	-	-	-	-	-	-
2000	9,644	15,089	24,733	39.0%	-	-	-	-	-	-	-	-
2001	7,864	14,542	22,406	35.1%	-	-	-	-	-	-	-	-
2002	6,681	14,050	20,731	32.2%	-	-	-	-	-	-	-	-
2003	7,146	14,027	21,173	33.8%	933	350	1,283	72.7%	8,079	14,377	22,456	36.0%
2004	8,487	15,731	24,218	35.0%	1,120	431	1,551	72.2%	9,607	16,162	25,769	37.3%
2005	9,794	16,947	26,741	36.6%	1,299	444	1,743	74.5%	11,093	17,391	28,484	38.9%
2006	11,539	18,066	29,605	39.0%	0	0	-	-	-	-	-	-
2007	15,195	20,020	35,215	43.1%	0	0	-	-	-	-	-	-
2008	11,890	19,731	31,621	37.6%	0	0	-	-	-	-	-	-
2009	9,138	18,384	27,522	33.2%	3,056	584	3,640	84.0%	12,194	18,968	31,162	39.1%
2010	10,548	19,801	30,349	34.8%	3,734	753	4,487	83.2%	14,282	20,554	34,836	41.0%
2011*	10,965	21,195	32,160	34.1%	4,012	329	4,341	92.4%	14,977	21,524	36,501	41.0%
2012*	12,708	21,747	34,455	36.9%	3,235	-673	2,562	126.3%	15,943	21,074	37,017	43.1%
2013*	12,586	23,295	35,881	35.1%	2,969	-870	2,099	141.4%	15,555	22,425	37,980	41.0%
2014*	13,416	25,031	38,447	34.9%	3,203	-1,026	2,177	147.1%	16,619	24,005	40,624	40.9%

Note: * Estimated; ** For 2012-2014, in addition to an increase in the top rate to 8.82%, rates were slightly reduced for other taxpayers, e.g., married couples filing jointly with incomes from \$40,000.

Source: FPI analysis of data from Table 7, page 208, *Economic and Revenue Outlook* volume, 2013-2014 Executive Budget (data for 1998 and 1999 from 2012-2013 revenue volume.)

The top 1% had 15 percent of total wages in New York State and NYC, and 45-85 percent of other major forms of income.



Source: FPI analysis of NYC Independent Budget Office data.

Distributional Impact of New York State & Local Taxes under "Permanent Law"

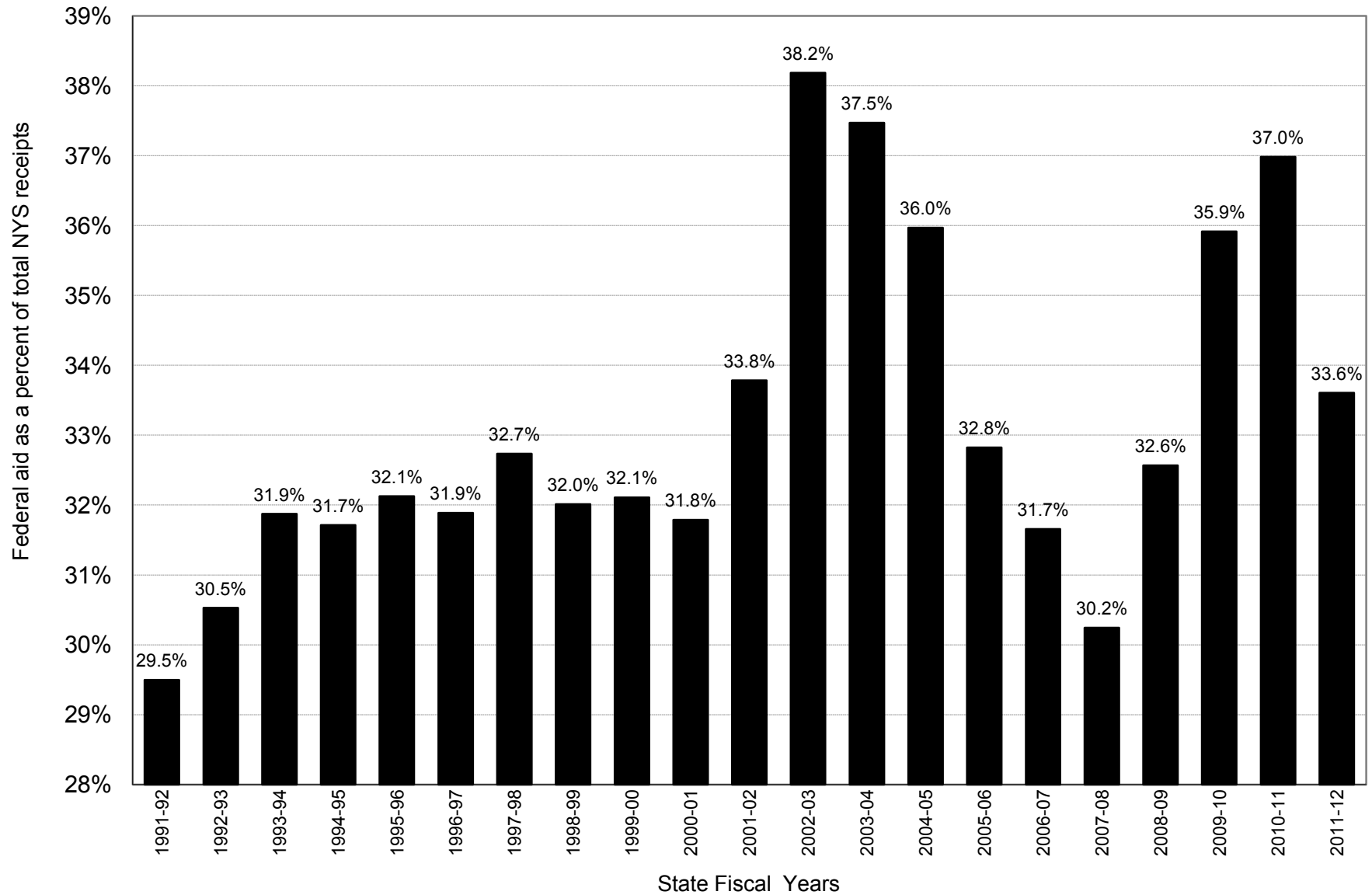
Shares of family income for non-elderly taxpayers

Income group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income range	Less than \$17,000	\$17,000 - \$34,000	\$34,000 - \$56,000	\$56,000 - \$95,000	\$95,000 - \$201,000	\$201,000 - \$547,000	\$547,000 or more
Average income in group	\$10,000	\$25,400	\$44,700	\$73,300	\$130,800	\$311,900	\$2,235,300
Sales & excise taxes	7.4%	6.1%	4.8%	3.7%	2.8%	1.7%	0.9%
General sales - individuals	3.7%	3.4%	2.8%	2.3%	1.8%	1.1%	0.6%
Other sales & excise - ind.	1.5%	0.9%	0.6%	0.4%	0.3%	0.1%	0.0%
Sales & excise on business	2.2%	1.8%	1.4%	1.0%	0.7%	0.4%	0.3%
Property taxes	6.2%	4.1%	4.0%	4.0%	4.3%	3.6%	2.2%
Property taxes on families	5.6%	3.6%	3.5%	3.5%	3.7%	2.8%	0.8%
Other property taxes	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	1.3%
Income taxes	-3.5%	0.3%	3.5%	4.7%	5.8%	6.9%	7.3%
Personal Income Tax	-3.6%	0.2%	3.4%	4.6%	5.7%	6.6%	6.7%
Corporate Income Tax	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	0.6%
TOTAL TAXES	10.0%	10.5%	12.3%	12.4%	12.9%	12.1%	10.3%
Federal Deduction Offset	-0.0%	-0.1%	-0.4%	-1.0%	-1.8%	-1.1%	-3.5%
TOTAL AFTER OFFSET	10.0%	10.4%	11.9%	11.4%	11.0%	11.0%	6.9%

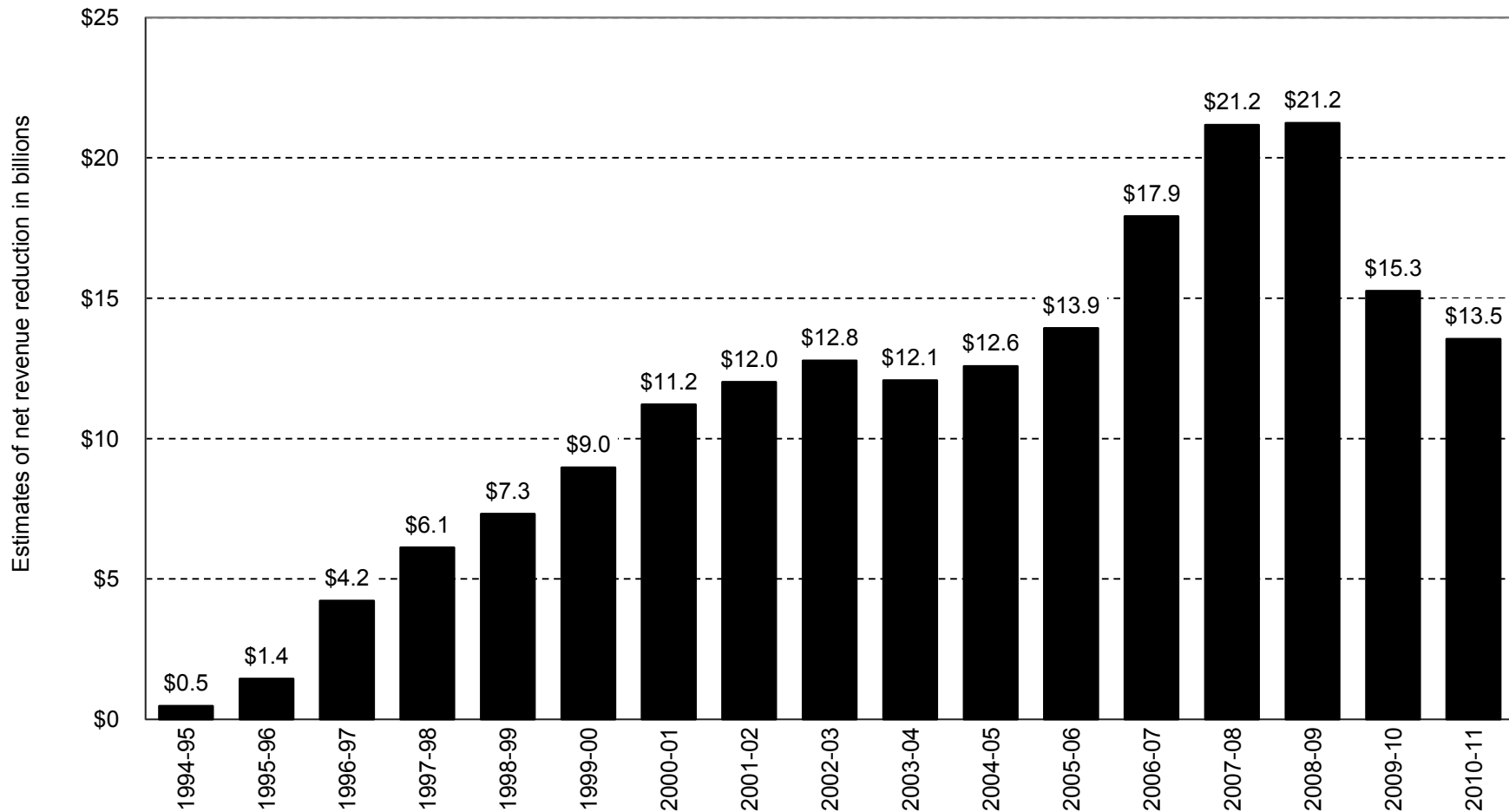
Note: Table shows the impact of "permanent law" tax provisions at 2010 income levels.

Source: Institute on Taxation and Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*, Fourth Edition, January 2013.

Federal aid accounts for an important part of New York State government revenues, particularly during economic downturns.

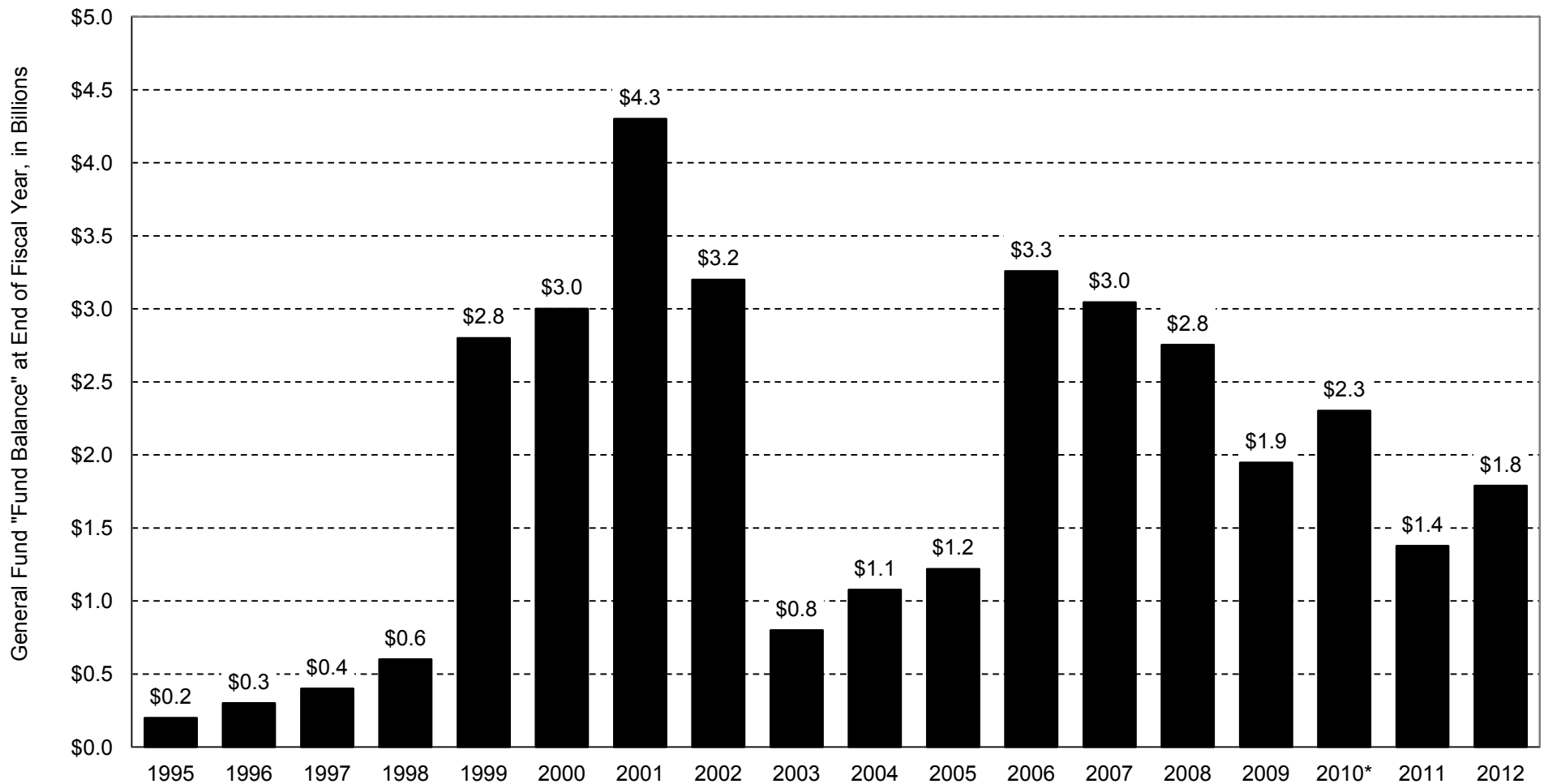


The multi-year backloaded tax cuts enacted in the 1994-2006 period exacerbated the fiscal problems created by the Great Recession.



Note: Estimates for 1994-95 through 2008-09 are from Executive Budget documents and the Department of Taxation and Finance's summaries of tax provisions for various years. 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.

In years when New York takes in more than it spends, its "fund balance" increases. In years when it spends more than it takes in, its "fund balance" decreases.



Note: The 2009-2010 fund balance would have been much less if certain school aid payments had not been delayed to the 2010-2011 fiscal year.