New York State

Economic and Fiscal Outlook 2014-2015

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Overview

- The proposed 2014-2015 Executive Budget embodies several fundamental assumptions about the preferred size of New York government, the optimal growth rate of state spending, and the linkage between taxes and New York's economic performance.

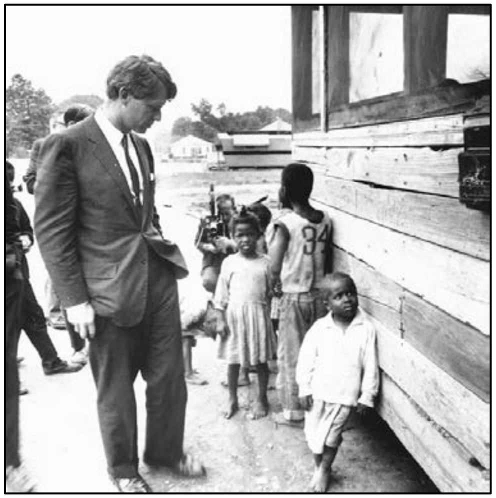
- On the heels of six years of austerity budgets, the Executive Budget proposes another year of spending cuts in a host of areas, and lays out a multi-year plan of steep spending cuts that will extend the austerity measures for three more years, and that will result in an "austerity decade" for New York. One purpose of the multi-year expenditure cutting plan is to create the appearance of a budget "surplus" in order to justify multi-year tax cuts.

- This briefing will assess those proposed tax cuts. In the case of the homeowners' and renters' personal income tax credits, more equitable alternatives will be suggested. In the case of the tax cuts geared to big business and the wealthiest New Yorkers, the underlying rationale will be examined, and suggestions made for other reforms.

- Although New York State has fared better than many states during the Great Recession and the weak recovery, income gains have been concentrated at the top and pronounced economic hardships have taken a toll on millions of New Yorkers. The indicators are disturbing: continued high and prolonged unemployment; high mortgage debt burdens; and faltering wages, incomes and living standards, precipitating a rise in poverty, hunger, homelessness, and economic insecurity.

- New York's policy makers need to use various budget, tax and economic policy levers to address this heightened economic insecurity and the growing income polarization that has spawned that insecurity.

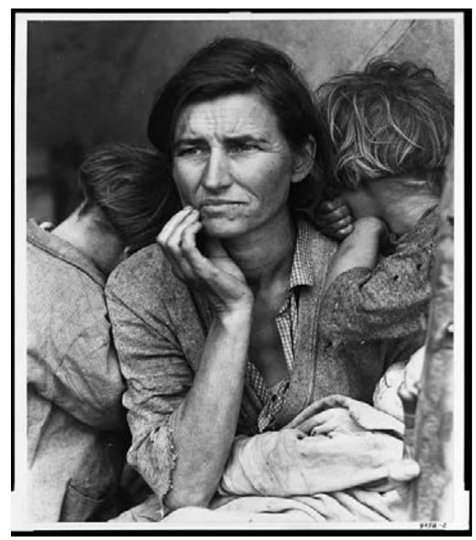
50th Anniversary of the War on Poverty



"Each time a man stands up for an ideal, or acts to improve the lot of others, or strikes out against injustice, he sends forth a tiny ripple of hope, and those ripples build a current which can sweep down the mightiest walls of oppression and resistance."
— Robert F. Kennedy

We are a country that keeps the promises we've made. And in a 21st century economy, we will make sure that as America grows stronger, this recovery leaves no one behind. Because for all that has changed in the 50 years since President Johnson dedicated us to this economic and moral mission, one constant of our character has not: we are one nation and one people, and we rise or fall together.

— President Barack Obama



I. Executive Budget Proposal

A. Budget Basics

The proposed Executive Budget reflects the policy choices and priorities of the governor's administration.

- It sends a message of the administration's priorities to state residents, businesses, various organizational entities and those living outside the state.

- Decisions about the appropriate mix of state and local government responsibilities in funding and spending for programs can have major impacts on how programs are implemented and whether they will ultimately succeed.

- The Executive Budget sets a baseline from which the legislative process starts and its premises and major thrusts determine the focus of budget debates.

- The Executive Budget includes proposals for tax actions; tax increases and cuts will impact different groups and affect the progressivity of the system.

- The timing of tax and spending actions, either in the current year or out-years determines how much revenue is available for programs and agencies.

The 2014-15 Executive Budget at a Glance

The Executive Budget is the projected income and expense statement for the state government, as proposed by the Governor. It shows how much revenue the state is projected to receive and how much the Governor is proposing the state to spend during the current and upcoming state fiscal years.

Category	Description	SFY 2014 Estimated, in Millions	SFY 2015 Proposed, in Millions	Change, in Millions	Percent Change
Disbursements by Fund					
General Fund	**Spending of state revenues not earmarked for specific purposes.**	**52,941**	**54,891**	**1,950**	**3.7%**
State Special Revenue Funds	Spending of state revenues (such as the tuition paid by SUNY students) that are legally restricted to use for specific purposes.	31,457	31,405	(52)	-0.2%
Debt Service Funds	Payments of principal and interest on long-term debt and payments on lease-purchase agreements and other debt-like contractual obligations.	6,100	5,731	(369)	-6.0%
State Operating Funds	**General Fund spending PLUS State Special Revenue Funds spending PLUS Debt Service Funds spending.**	**90,498**	**92,027**	**1,529**	**1.7%**
State Capital Projects Funds	Spending of state funds for capital construction, land acquisition, and payments to local governments to help finance their capital programs.	6,126	6,847	721	11.8%
State Funds	**State Operating Funds spending PLUS State Capital Projects Funds spending.**	**96,624**	**98,874**	**2,250**	**2.3%**
Federal Special Revenue Funds	Spending of aid from the federal government for operating purposes.	42,375	41,588	(787)	-1.9%
Federal Capital Projects Funds	Spending of aid from the federal government for capital projects.	1,866	1,679	(187)	-10.0%
All Funds	**State Funds spending PLUS Federal Special Revenue Funds spending PLUS Federal Capital Projects Funds spending.**	**140,865**	**142,141**	**1,276**	**0.9%**
Extraordinary Federal Aid	Superstorm Sandy aid ($5.1 billion in FY 2014 and $2.4 billion in FY 2015) and aid under the Affordable Care Act ($400 million in FY 2014 and $2.6 billion in FY 2015).	5,515	4,973	(542)	-9.8%
All Funds (Excluding Extraordinary Federal Aid)	**All Funds spending MINUS spending of Extraordinary Federal Aid.**	**135,350**	**137,168**	**1,818**	**1.3%**
All Funds Revenues by Type					
Taxes		69,414	70,794	1,380	2.0%
Fees and Other Miscellaneous Receipts		23,850	25,315	1,465	6.1%
Federal Aid		47,506	45,792	(1,714)	-3.6%
Total Receipts		**140,770**	**141,901**	**1,131**	**0.8%**

I. Executive Budget Proposal

B. Over-Arching Assumptions Underlying the Proposed Budget

Fundamental assumptions shaping the proposed 2014-2015 New York State Executive Budget

- In his budget address, Governor Andrew Cuomo emphasized that for the fifty years until he took office, state spending had grown faster than New York's total personal income. If spending had grown at the same pace as personal income, the state budget would be $40 billion lower. The implication clearly is that state government is too big relative to our economy.

- For the past three years, state spending growth has been limited to about 2 percent a year (before inflation). The proposed budget sets 2 percent annual growth as "the spending benchmark in each of the next four fiscal years." This "spending benchmark" is set at 2 percent despite projected average inflation growth of 2.2 percent and higher projections for personal income and tax growth.

- In linking a proposed personal income tax credit to homeowners in jurisdictions that freeze property taxes and that act to consolidate services, the Governor argues that failure to consolidate services and local governments is at the root of the fiscal pressures felt by local governments around New York.

- Nearly half of the value of the fully-phased in proposed tax cuts stems from tax cuts for big businesses and estate taxes paid by the wealthiest New York households. These cuts are justified on the grounds that they will enhance New York's economic performance.

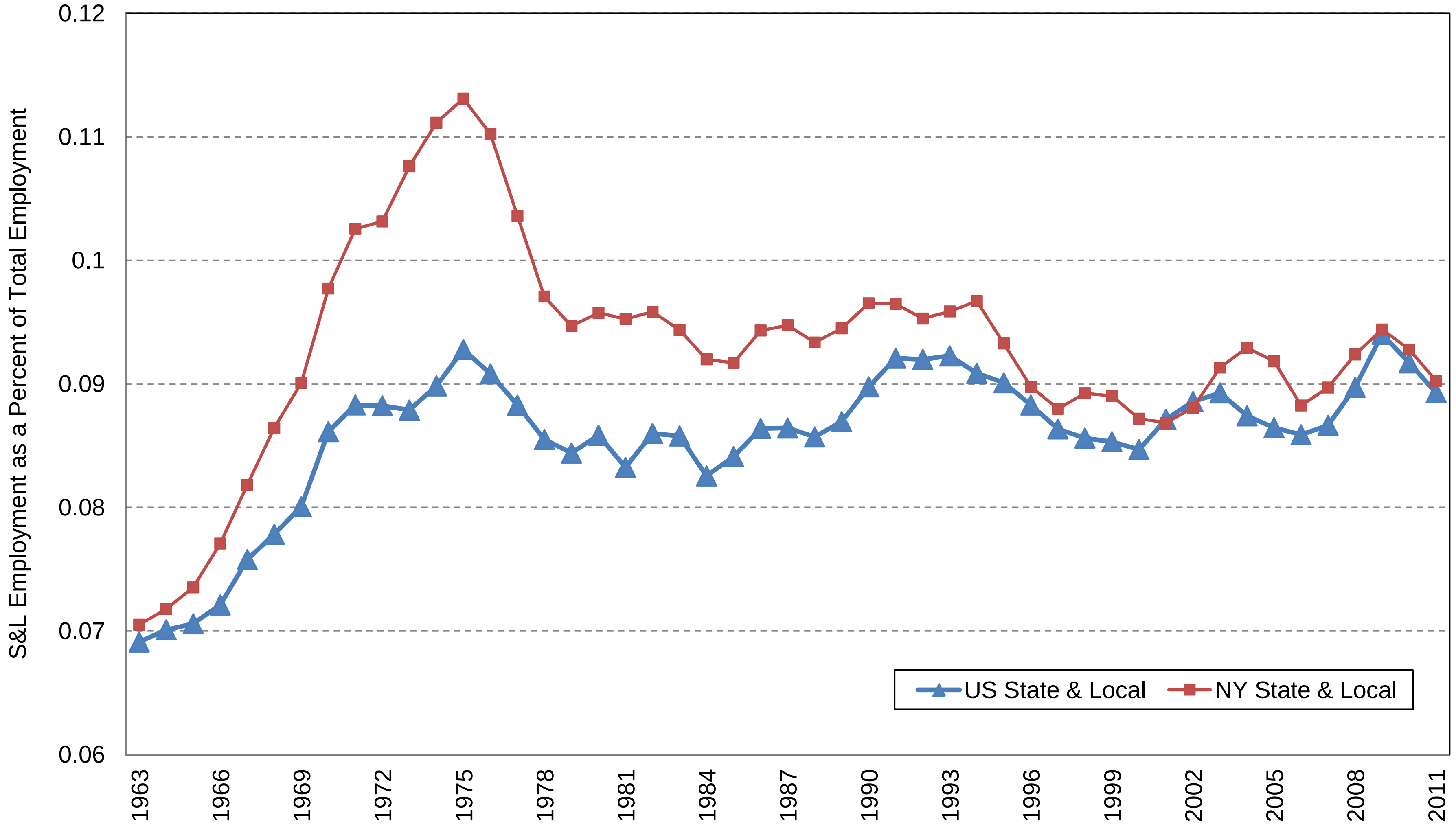
In what respect have state taxes grown faster than total personal income over the past 50 years?

- In his budget presentation, Governor Cuomo stated that, from 1962 to 2010, state spending grew an average of 6.8% per year while total New York personal income rose by 6.2% per year (inflation averaged 4.1% per year over that period.) He emphasized that it is not sustainable for spending to grow faster than personal income and he implied that this pattern prevailed over the entirety of this 48-year period.
- Other than federal grants (mainly for Medicaid but also for education, public assistance, and human services), state taxes largely fund state spending. It is appropriate, therefore, to examine the Governor's analysis by comparing the respective growth in state taxes and personal income.
- Using Census Bureau data on state revenues (which are mainly tax collections but include fees and MTA tax collections) and Bureau of Economic Analysis (BEA) data on New York personal income, state tax collections grew faster than personal income from 1962 until 1973. Since then, however, personal income has grown faster than tax revenue.
- New York State government grew rapidly from the mid-1960s to the mid-1970s as the Medicaid program for the poor was established, public assistance expanded, and the number of SUNY facilities dramatically increased. State spending, and the taxes to support that spending, grew rapidly during that period—greater than the rise in personal income.
- **For the 39 years from 1973 to 2012, New York personal income has grown by 6.1% a year, faster than the 5.7% annual growth in New York state tax revenues. (If you exclude fees and MTA tax revenues, state tax revenue has grown by 5.6% per year, half of one percent slower than personal income growth.)**
- The graph on the following page shows this trend as the ratio of state taxes to personal income. A rising ratio means faster tax growth; a downward sloping ratio shows faster income growth.
- This measure overstates the level of taxation relative to the state's income base since personal income does not include capital gains and a good share of New York's income tax is paid by high-income out-of-state residents working in New York.

New York State tax revenue grew rapidly as a share of state personal income in the 1960s until the 1970s, and has trended downward since then. From 1973 to 2012, income grew 6.1% per year while state taxes rose annually by 5.7%.

Note: The U.S. Census Bureau includes in its state tax series certain fees (such as motor vehicle license and registration fees) as well as regional taxes (of which MTA taxes are the largest component in NYS.)
Source: U.S. Census Bureau and Bureau of Economic Analysis.

The size of New York State's government as measured by state and local employment was larger compared to the rest of the United States in the 1970s, but is now on par with the rest of the country.



Source: Bureau of Economic Analysis, REIS data.

Is 2% a reasonable benchmark to limit annual growth in state spending?

- When overall inflation runs at 2% per year, as in recent years, and is projected to do so over the next four years, a 2% limit in spending means real spending is flat overall. This spells austerity in the context of unmet needs. And since Medicaid has grown faster than that in recent years and is a sizable part of the state budget, many state programs have experienced several years of real spending cuts.

- An arbitrary adherence to 2 percent spending growth means that in a time of increased hardship, the state is failing to respond to heightened need for child care subsidies, social service safety net supports, and food assistance, and will find it difficult to fund a long-overdue commitment to full-day, high-quality, Pre-K education.

- Local aid, whether for schools or revenue sharing, is a prominent part of the state budget. Budget cuts for state agencies and in local aid have contributed to the loss of more than 70,000 state and local government workers in New York over the past four years. This presents a five percent decrease at a time when average private sector job growth has been less than one percent per year.

- Most economists agree that the pursuit of austerity federal budgets has hampered the national economy's recovery. A later chart makes clear that the 1.6 percent average real decline in government spending in this recovery, compared to 2.7 percent growth in spending in prior recoveries, is a major reason for the historically weak current recovery.

- New York needs to pull out from austerity mode. A 2 percent spending limit ignores heightened need and restrains our recovery. At a time when, over the next four years, personal income is projected to grow by 5 percent per year, adjusted gross income by 5.3 percent, and tax collections are forecast to rise by 4.3 percent, there is little basis for 2 percent austerity state budgets.

Can consolidation of local governments save substantial amounts of tax dollars without cutting badly needed services in the community? Will overstating the number of actual governments make it harder for communities to work together to find actual savings?

- The budget relies on the number of 10,500 governments in New York State, but a closer look reveals there are: 1,607 General Local Governments, 1,811 Special Purpose Governments, and 1,302 Other Entities for a total of 4,720 non-paper governments.

- The budget estimate includes 5,780 additional special tax districts to get to the 10,500 number; these are nothing more than accounting entries that allow communities to tax certain areas of a town or county for services they receive, such as lighting. There is no government or there are no employees so no potential savings would result from consolidation.

- There is no guarantee that consolidation will save money. If two school districts with no transportation budgets merge and now students are bussed because of the long distances involved, costs go up, not down. Forcing consolidations in a one-size-fits-all manner is not the best way to right size government.

Are the proposed “corporate tax reform” and estate tax reductions justifiable on the grounds that they will spur economic growth?

- When fully phased in, the proposed business and estate tax cuts will reduce state tax collections by $1.2 billion a year. This is a bold proposal considering that corporate taxes have been declining as a share of total state taxes over the past two decades. And, given New York’s pronounced income inequality and the overall regressive quality of New York’s state and local taxes, a significant impact would result from the reduction of estate tax collections by 40 percent through enacting the Governor’s estate tax proposal, with most of the benefit flowing to a handful of the wealthiest estates.

- Part III of this briefing will take a close look at these and the other tax proposals in the Executive Budget and will argue that the large Wall Street banks that are the main beneficiaries of the proposed “corporate tax reform” are unlikely to change their location decisions as a result of “corporate tax reform.” This section will also present data on the continued rise in the number of wealthy households in New York under our current estate tax structure and cite a finding by the state’s own tax policy experts that estate tax differences across states do not have a detectable effect at an aggregate level beyond the realm of anecdote.

I. Executive Budget Proposal

C. Gap-Closing Cuts and Beyond

To close the budget gap, the proposed 2014-2015 Executive Budget cuts spending by $2 billion while cutting election-year taxes by $500 million (on top of the $410 million Family Tax Credit enacted last spring.)

- The October mid-year budget update pegged the 2014-2015 budget gap at $1.7 billion. By December 31, 2013, a shortfall in expected bank and insurance taxes was largely offset by settlement payments from two foreign-owned banks for violating international sanctions. The net effect of receipt and expenses changes by the end of December, however, left the gap amount basically unchanged.

- Part of the $1.7 billion gap for 2014-2015 results from the $410 million Family Tax Credit that was enacted last spring and is scheduled to be sent to taxpayers on the eve of this coming November's election.

- To close the gap, and to fund about $150M in new initiatives, including a $100M increase for Pre-K, the proposed 2014-2015 Executive Budget cuts agency spending by $360M, and reduces local assistance by $1.6B, for a total of nearly $2B in new cuts in the coming budget year.

- New spending cuts (discussed in Part II of this briefing) exceed the sum of the gap and new initiatives by roughly $150M ($2B cuts -$1.7B gap + $150M new initiatives). This amount is added to a projected $310M surplus from the current 2013-2014 year (along with some smaller items) and results in a projected $486M surplus for 2014-2015.

- The Executive Budget takes the projected surplus of $486M, and proposes a set of new multi-year tax cuts. The 2014-2015 cost of these tax cuts is also $486M. (These new tax cuts will be discussed in Part III.)

The proposed FY 2015 Gap Closing Plan cuts spending by $2 billion in 2015, and grows to $7 billion in 2018 in order to make room for substantial new tax cuts.

($ millions)	FY 2015	FY 2016	FY 2017	FY 2018	Cumulative 2015-2018
Mid-Year Budget Gap Estimate	**-$1,742**	**-$2,889**	**-$2,948**	**-$3,887**	**-$11,466**
Tax and Other Resource Changes	$286	$31	-$153	-$129	
Surplus Available from FY 2014	$310				
Total Specified Spending Cuts	**-$1,982**	**-$2,684**	**-$3,257**	**-$3,446**	**-$11,369**
Agency Operations spending cuts	-$358	-$708	-$990	-$1,342	
Local Assistance spending cuts	-$1,624	-$1,976	-$2,267	-$2,104	
Savings on Capital Projects & Debt Management	-$116	-$110	-$118	-$158	**-$502**
Initiatives (new spending proposals)	$156	$232	$394	$499	**$1,281**
Adherence to 2% State Operating Funds Spending Benchmark * [resulting in substantial uspecified spending cuts beyond that needed to close the budget gap]		**-$1,685**	**-$2,367**	**-$3,618**	**-$7,670**
TOTAL SPENDING CUTS (specified plus unspecified)	**-$1,982**	**-$4,369**	**-$5,624**	**-$7,064**	**-$19,039**
SURPLUS BEFORE NEW TAX CUT PROPOSALS Mid-year budget gap + tax and other resource changes + spending cuts + savings on capital - new initiatives	$486	$1,389	$2,247	$2,707	**$6,829**
NEW TAX CUT PROPOSALS	**-$486**	**-$1,234**	**-$2,082**	**-$2,534**	**-$6,336**
SURPLUS AFTER NEW TAX CUT PROPOSALS	$0	$155	$165	$173	**$493**

* FY 2015 Executive Budget: "Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiatiate with the Legislature to enact budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund."

Source: FPI analysis based on NYS Division of the Budget, *FY 2015 Executive Budget Financial Plan* , p. 23.

How much will the 2015-2018 gap closing plan, which proposes a total of $19 billion in spending cuts, slow New York's economy?

- The 2014-2015 Executive Budget proposes $2 billion in spending cuts and $486 million in tax cuts. On net, these actions would place a drag on the state's economy.[1]
- Over the entire four years of the gap closing plan $11.4 billion in cuts have been specified. An additional $7.6 billion in reduced spending is unspecified and tied to keeping spending under the 2 percent imposed cap. Together, these cuts in disbursements will total $19 billion, or 10 percent of the General Funds budget.
- The tax cut proposal grows from $486 million in 2015 to over $2.5 billion in 2018 or a 4-year total of $6.3 billion in tax cuts. This underestimates the size of the tax cuts because the impact of many of the cuts continues past 2018. Two examples are the revenue lost from the proposed cut to the estate tax that increases from $612 million to $757 million in 2019, and non-recurring one-time increases in revenues like the audit streamlining program.
- The gap closing proposal uses much of the savings from the expenditure cuts to fund tax cuts leaving only a modest surplus of $173 million in 2018. This leaves little room for adjustments if the Executive Budget's assumptions do not come to fruition.

[1] Even if the Executive Budget was proposing as much in tax cuts as it is proposing in spending cuts, it would create a drag on the economy. This is because the spending cuts will reduce economic activity dollar for dollar in the year they are made, while the tax cuts will be saved in some portion and will not go back in the economy until later.

II. Impact of Proposed Spending Cuts 2014-2015

Education

Universal Pre-Kindergarten

- The Executive Budget proposes to commit $1.5 billion over the next five years to provide universal pre-kindergarten to New York children.

- This amount represents the cumulative total over five years and not the amount provided in the fifth year of this proposal. This is insufficient to provide high-quality universal pre-kindergarten across the state. New York City Mayor DeBlasio estimates that provision of universal Pre-K in New York City alone would cost $340 million per year. And at the current level of Pre-K in New York, the state and local school districts together spend close to $500 million per year.

School Aid

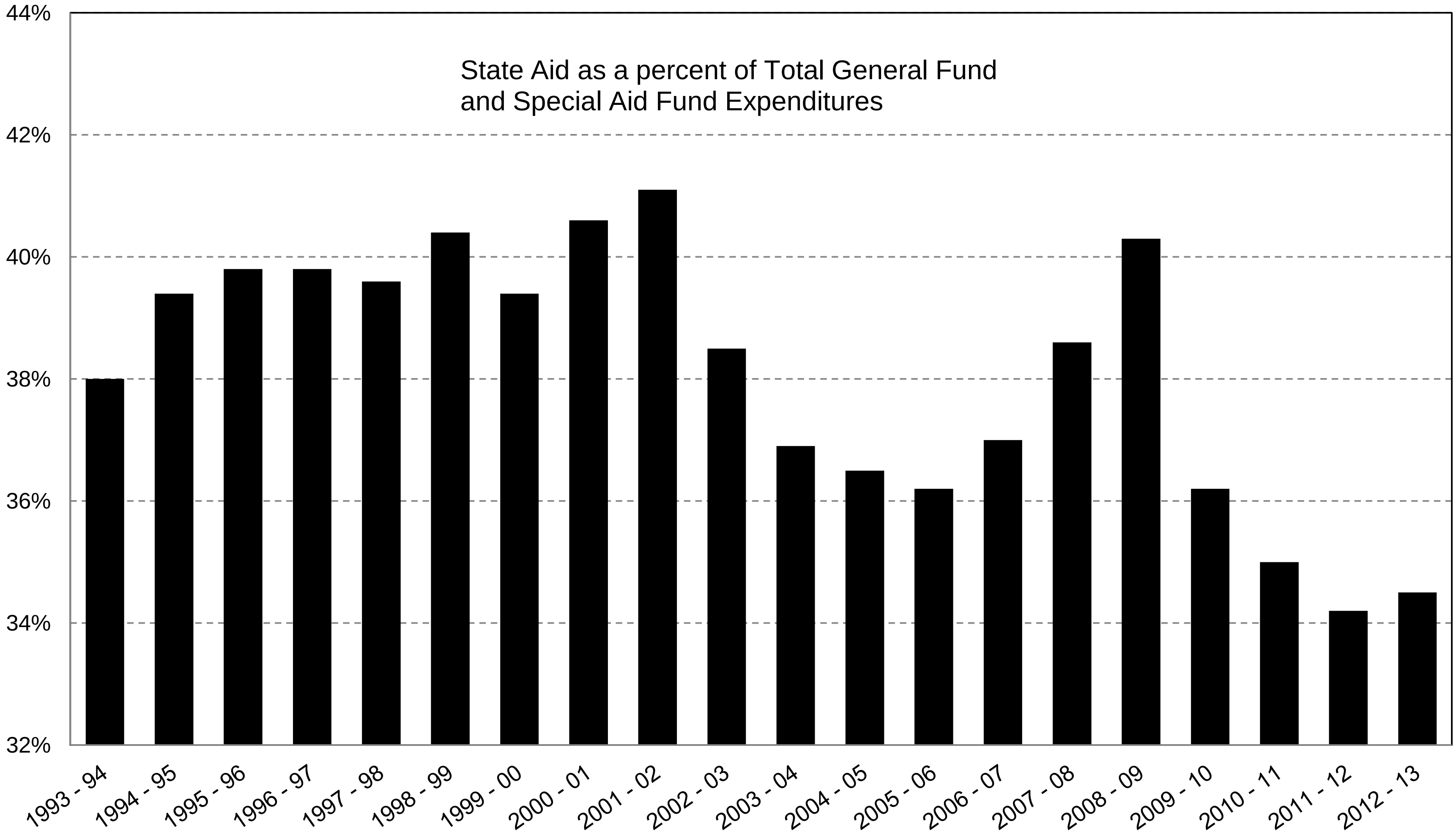
- The budget proposes to freeze the implementation of Foundation Aid and makes a minimal $323 million reduction in the Gap Elimination Adjustment.

- State aid, as a percentage of total school spending, fell from 40 percent in 2008-2009 to 35 percent or less of school costs in each of the last three years; this is its lowest level in 65 years.

- Six years of austerity budgets in New York State have undone the promise of the Campaign for Fiscal Equity (CFE) settlement legislation and have left school districts just about where they were in 2006-2007, and far behind where they were supposed to be by 2010-2011. In the 2014-15 Executive Budget, proposed total Foundation Aid is $5 billion below what it would have been if this aid had been fully implemented after enactment of the CFE settlement legislation.

- If Governor Cuomo is serious about increasing the statewide average graduation rate, he should support the full implementation of the CFE settlement legislation’s aid increases and its accountability requirements. What we have learned from NCLB at the federal level is that accountability without resources does not work.

Even though total elementary and secondary school spending, when adjusted for inflation, has been virtually flat since 2008-2009, state aid as a percentage of those expenditures has fallen to 35% or less since 2010-2011. Including STAR, state revenue fell from almost 47% to 40% since 2008-2009.



Source: New York State Department of Education, Analysis of School Finances in New York State School Districts, January 2014.

The "STATE Gap Elimination Adjustment" has been a "Local Gap Creation Adjustment" for the state's school children. Now it is one of the Governor's "STATE Surplus Creation Adjustments."

The 2007 Promise: Foundation Aid Under the Campaign for Fiscal Equity Settlement Legislation

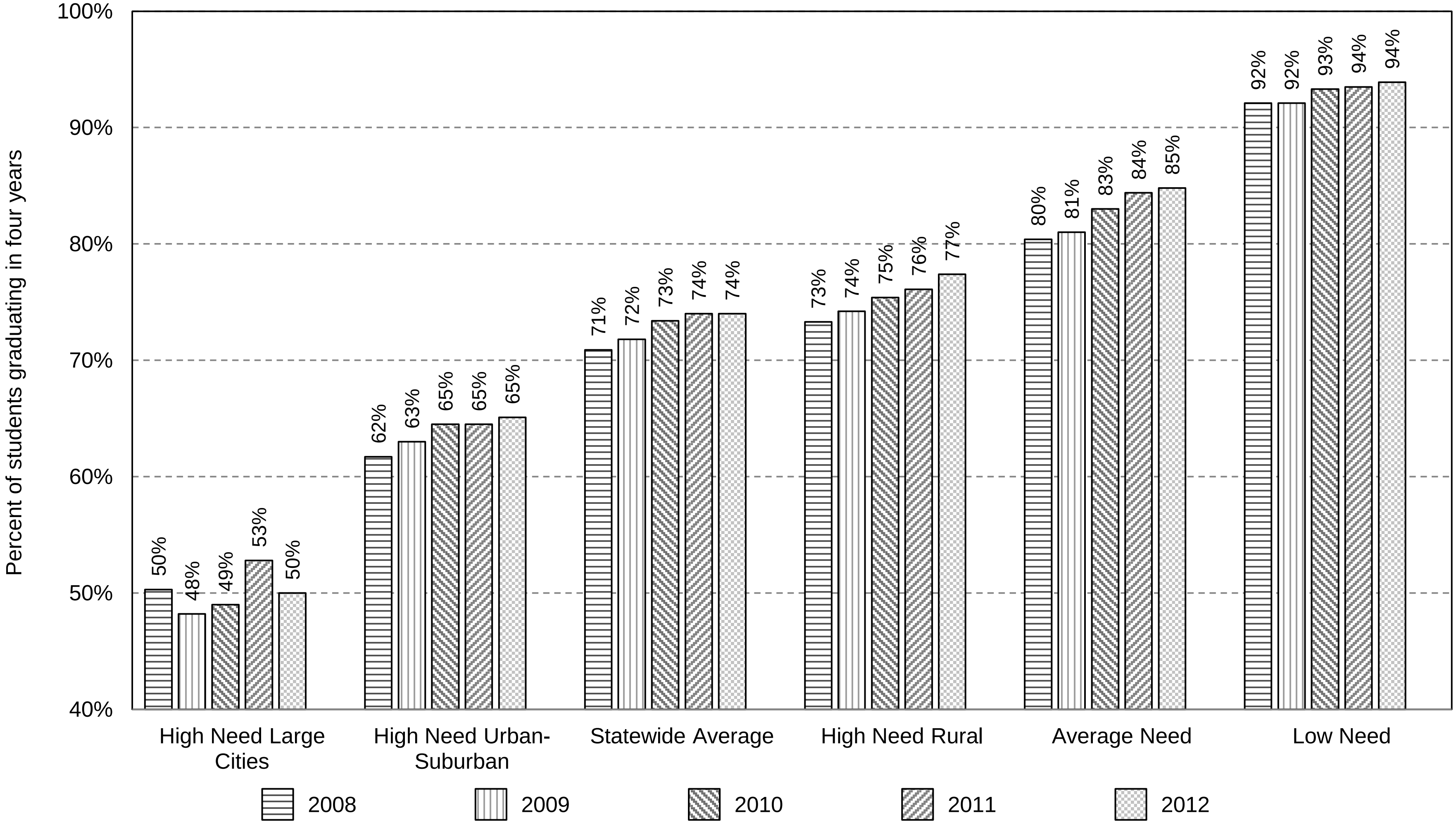
In millions

	New York City	Albany	Brentwood
2006-07: Base Year State Aid	$5,063.4	$42.6	$139.6
Foundation Aid, as Enacted			
2007-08: First Year	$5,533.0	$48.6	$155.5
2008-09: Second Year Target	$6,061.4	$55.5	$173.3
2009-10: Third Year Target	$6,707.1	$63.8	$195.1
2010-11: Fourth Year Target (Fully Phased-In)	$7,411.5	$72.9	$218.8
Adjusted for Inflation, 2014 Dollars			
2006-07: Base Year State Aid	$5,851.0	$49.2	$161.3
2010-11: Fourth Year Target (Fully Phased-In)	$7,918.0	$77.9	$233.8

Actual Situation Now for the 2013-14 School Year			
	New York City	Albany	Brentwood
Actual Foundation Aid	$6,374.4	$57.4	$168.2
Actual Gap Elimination Adjustment (GEA)	($502.6)	($7.6)	($7.5)
Actual Current Bottom Line: Foundation Aid Minus GEA	$5,871.9	$49.9	$160.7

Freezing Foundation Aid and Applying an Across-the-Board Cut Called the Gap Elimination Adjustment: Impact on Children and Taxpayers in Three School Districts			
	New York City	Albany	Brentwood
Difference between now and situation in 2006-2007 (2013-14 Foundation Aid Minus GEA VS. Adjusted 2006-07 Base Year State Aid)	$20.8	$0.7	($0.6)
	0.36%	1.35%	-0.40%
Difference between now and where district should be based on objective standards (2013-14 Foundation Aid Minus GEA VS. Adjusted 2010-11 Projected Foundation Aid)	($2,046.2)	($28.0)	($73.1)
	-25.84%	-35.98%	-31.27%

New York's 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.



Note: The students in the above cohorts started ninth grade four years prior to the cohort year. For example, students in the 2012 cohort started ninth grade in 2008 and graduated in June 2012.
Source: New York State Education Department, *Graduation Rates: Students Who Started 9th Grade In 2004, 2005, 2006, 2007, and 2008,* June 2013.

Higher Education

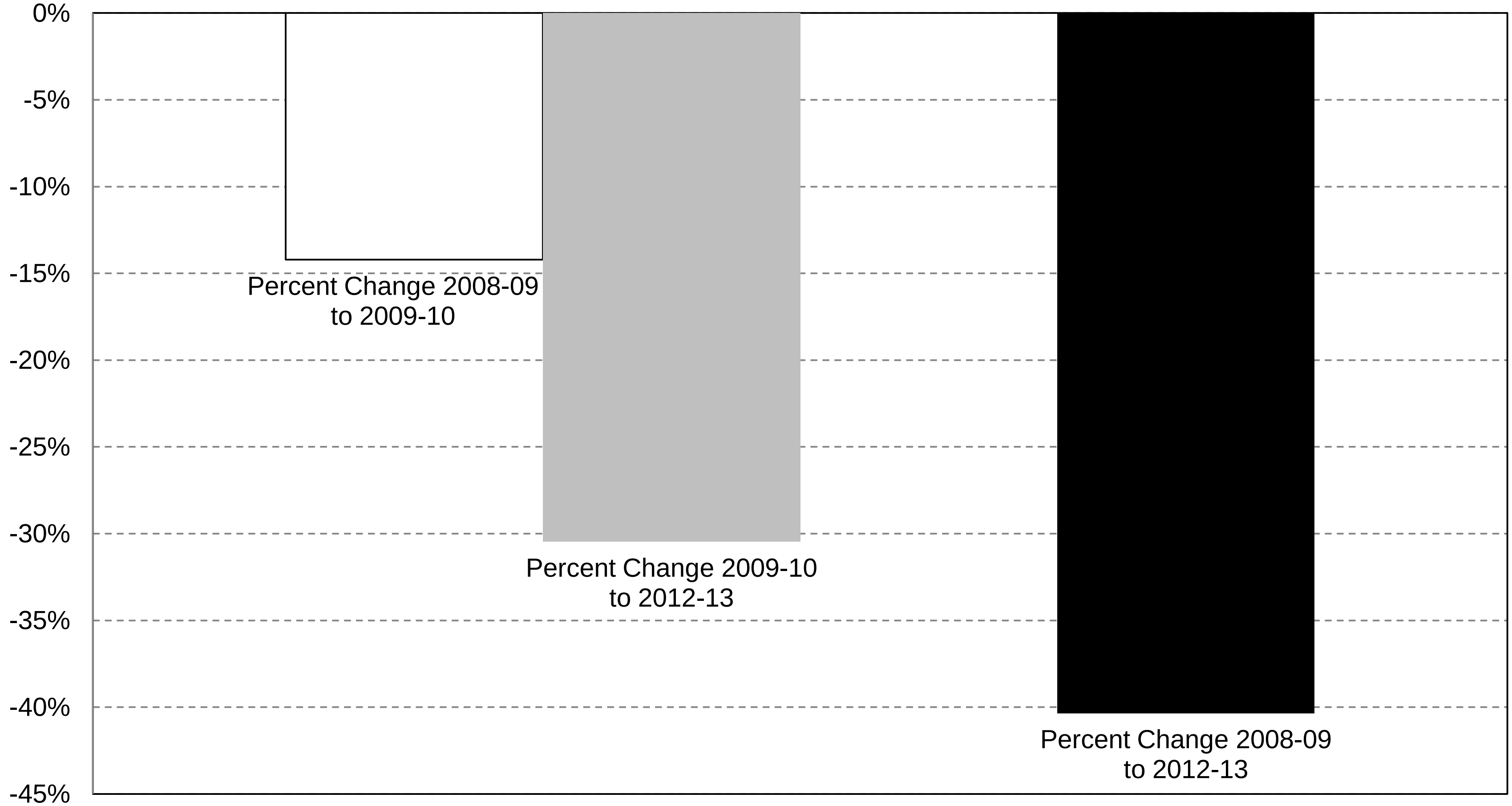
- As state aid for SUNY has decreased since 2006-2007, tuition for in-state and out-of-state students has increased. Adjusted for inflation, state support went down 40 percent from 2008-2009 to 2012-2013. During this same period, in-state tuition went up almost 17 percent, and out-of-state tuition rose more than 28 percent.

- TAP grants have not kept pace with the rising costs of tuition. And even though the Executive Budget provides $8 million in funding for a new tuition scholarship program[1], the proposed increase for the total Tuition Assistance Payment program in FY 2014-2015 from the current budget year is two-thirds of one percent.

- Over time, the percentage of total SUNY faculty represented by full-time faculty has gone down while the percentage of part-time faculty has increased. The modest changes from the start of the Great Recession through 2011-2012 (available data) masks the significant decrease in full-time faculty that has occurred over time. From 1995-1996 to 2011-2012, the percentage of full-time faculty decreased by over one-sixth, from over 72 percent of total faculty to less than 60 percent. By contrast, the percentage of part-time faculty increased by almost half, from almost 28 percent of total faculty to 45 percent.

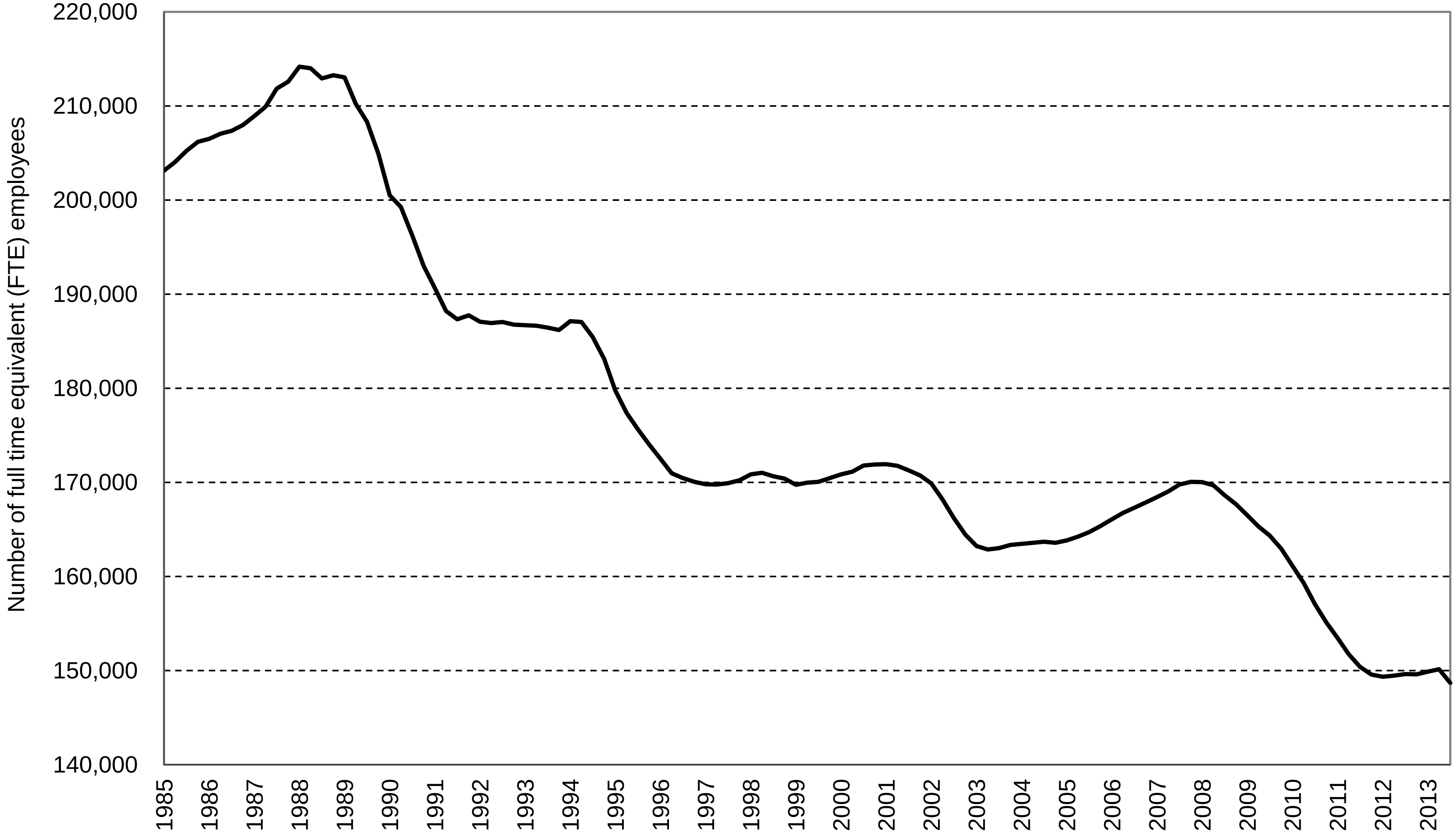
[1] The Executive Budget provides $8 million in new funding for a full tuition scholarship program for the top ten percent of high school graduates that pursue degrees and careers in the Science, Technology, Engineering and Math (STEM) sector and commit to work in New York for five years.

In real terms, state aid to SUNY decreased over 40 percent from the start of the Great Recession through 2012-2013. Moreover, on average, state aid has decreased each year more than 12 percent since 2008-2009.



Note: In 2013 dollars.
Source: State University of New York and New York State United Teachers.

The modest overall reduction in state government staffing reported in the 2014-2015 Executive Budget masks substantial cuts and dislocations and comes on the heels of a 30 percent reduction in staffing between the late 1980s and 2013.



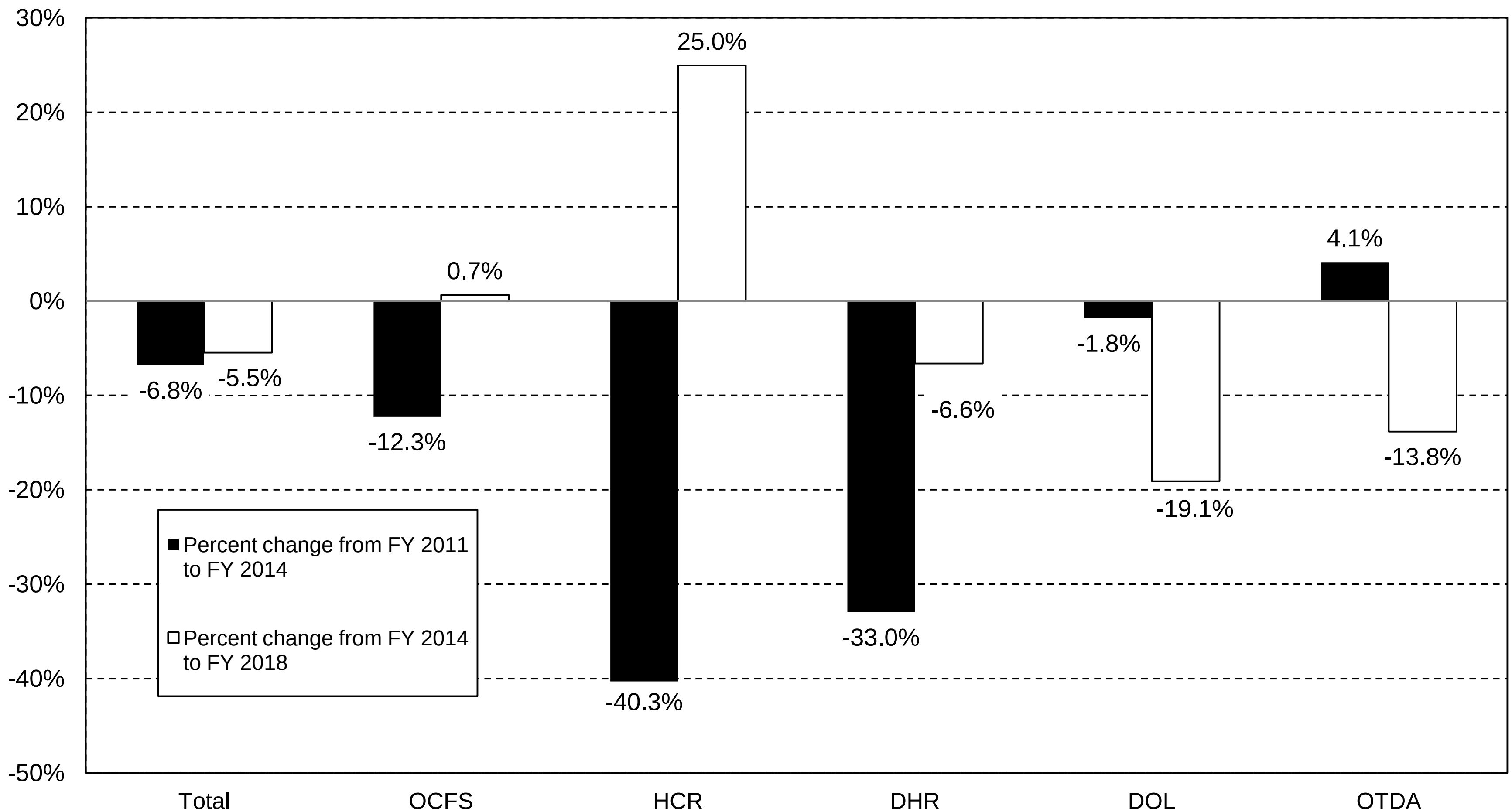
Note: Uses a four-quarter moving average; excludes SUNY & CUNY.
Source: New York State Office of the State Comptroller.

Since 1990, New York State's expenditures for employee wages and salaries have declined in real terms by almost $1.4 billion. By 2017-2018, inflation-adjusted expenditures are projected to decrease by another $267 million.

		Personal Service expenditures in millions of SFY 2013 dollars		
State Fiscal Year	New York CPI	General Fund	Special Revenue Funds	Total
1989-90	130.0	$9,049.4	$5,173.8	$14,223.2
1994-95	155.3	$7,224.8	$6,030.8	$13,255.6
2005-06	208.1	$6,736.9	$5,840.6	$12,577.5
2006-07	215.2	$7,596.0	$5,598.6	$13,194.6
2007-08	222.0	$7,372.4	$5,750.8	$13,123.2
2008-09	228.9	$6,621.2	$6,914.1	$13,535.3
2009-10	230.1	$7,061.1	$7,257.2	$14,318.3
2010-11	233.9	$6,463.2	$7,305.9	$13,769.1
2011-12	241.2	$5,885.9	$7,022.5	$12,908.5
2012-13	245.7	$6,129.7	$6,881.9	$13,011.6
2013-14	249.5	$5,618.3	$7,220.8	$12,833.2
2014-15	254.1	$5,684.9	$7,092.8	$12,874.4
2015-16	259.6	$5,677.7	$7,084.1	$13,055.2
2016-17	265.9	$5,508.9	$6,936.7	$12,880.9
2017-18	272.6	$5,374.3	$6,811.4	$12,566.2
1989-90 to 2013-14 Change		-$3,431.2	$2,047.0	-$1,390.1
2013-14 to 2017-18 Change		-$244.0	-$409.4	-$267.0

Source: Estimates for 2014-2015 and projections for 2015-2016 through 2017-2018 are from the 2014-2015 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.

The Executive Budget projects a decrease of almost 5.5 percent from current state spending for social welfare through FY 2018. This is before the Governor's second round of budget cuts for the out-years and on top of a 7 percent reduction in state spending for these services since the Governor took office.



Note: Adjusted for inflation, 2013 dollars. Includes the following agencies: Office of Children and Family Services, Division of Housing and Community Renewal, Division of Human Rights, Department of Labor, Office of Temporary and Disability Assistance.
Source: *Executive Budget Financial Plan*, FYs 2012-2013, 2013-14, 2014-2015.

Human Services Actions Proposed in the Executive Budget

Housing

The Executive Budget provides significant funding for housing by maintaining or expanding the following programs:

State Spending, in millions	**FY 2013-14**	**FY 2014-15**	**Percent change**
Homeless Housing Assistance Program (capital development)	$30	$63	+ 110.0%
Housing Trust Fund	$32.2	$46.7	+ 45.0%
Homeless Housing Prevention Services Program	$30.3	$30.3	0
MRT Supportive Housing Fund	$86	$100	+ 16.3%
Federal Spending, in millions			
Housing Trust Fund Corporation (capital development)	0	$100	New (‘Sandy’ funds)

- However, the discontinued funding by New York State of the New York City Advantage Voucher program, as of FY 2012-2013, has precluded access to rent assistance by homeless families that would have otherwise enabled these families to move from shelters to permanent housing.

- Also, current and proposed funding for the Division of Homes and Community Renewal Tenant Protection Unit is $5.7 million. This is insufficient to address the existing level of tenant abuse in New York City.

Child Care

- The Executive Budget proposes an increase of $85 million to approximately $245 million in state spending for child care subsidies to counteract the $64 million reduction from $374 million to $310 million in federal Temporary Assistance for Needy Families (TANF) block grant dollars for this purpose. The resulting net increase of $21 million in General Fund spending will be used to meet the increase in market rates for child care.

- This level of funding is not sufficient to meet the needs of the approximately 600,000 eligible children in New York State (in families with incomes under 200% of the federal poverty level) for such assistance. Even though up to half of these children may not use a subsidy, only 129,700 subsidies were available in 2012. Since TANF public assistance recipients are automatically eligible for child care subsidies, shortages of child care funding reduce the availability of subsidies for the working poor. In response, a number of counties have lowered eligibility thresholds in order to reduce the number of families that qualify for this support.

Other Human Services Programs

- Defunded Programs

  - OTDA-Administered 'TANF' Initiatives – $18.5 million (federal TANF block grant dollars) for 20 programs including the Nurse-Family Partnership program, Non-Residential Domestic Violence Services, and Advanced Technology Training and Information Networking (ATTAIN).
  - OCFS-Administered Community Initiatives - $7.7 million for 14 programs including Community Reinvestment and Safe Harbor for Sexually Exploited Children.

- Funding Reductions

  - Advantage After-School Program - $500,000: decrease from $17.75 to $17.25 million.
  - Youth Development and Delinquency Program - $1.3 million: decrease from $15.4 to $14.1 million.
  - Child Advocacy Centers - $750,000: reduction from $5.98 to $5.23 million.
  - DOL-Administered Community Initiatives – total decrease of $8.6 million for various programs including the Displaced Homemakers Program (some programs eliminated).
  - Low-Income Housing Trust Fund Program –$500,000: decrease from $3 to $2.5 million.

Other Human Services Programs (continued)

- Other
  - Summer Youth Employment Program – even though funding for this program increases 10% to $27.5 million in the FY 2014-2015 budget, this may not be sufficient to serve the same number of youth as currently given the increase in the minimum wage.
  - Open-ended Preventive Funding – the state share of this program to prevent foster care placement of children decreased in the current budget year from 65% to 62%; counties would be able to serve more families if the state share returned to its former level.
  - Deferment of the Human Services cost-of-living-adjustment of 2 percent in FY 2014-2015 – this is the sixth year of deferment and results in difficulties for providers to meet the increase in the minimum wage.

Health and Medicaid

- The Executive Budget proposes to continue the Medicaid Global Cap through SFY 2015-2016 and to distribute '*available*' Medicaid Global Cap savings to Medicaid providers. Medicaid spending growth is limited to the 10-year rolling average of the medical component of the CPI, currently 3.8 percent.

- New York is expected to receive the following additional funding:
  - $2 billion during FY 2014-2015 (total $10 billion over five years), as a result of the Federal Medicaid Waiver. This will be used for alternative care models, primary care access and health workforce development.
  - $2 billion during FY 2013-2014 through FY 2016-2017, due to the Affordable Care Act's enhanced matching rates for single childless adults on Medicaid; local districts, or counties, will receive $875 million during this same period.

- The Executive Budget proposes creation of the Basic Health Program (BHP) that will provide health insurance coverage to people with incomes between 133 and 200 percent of the federal poverty level.
  - Approximately 600,000 people would likely enroll, including 200,000 legal immigrants for whom the state presently pays full costs of care. The ACA-authorized BHP would provide coverage for these individuals along with a federal share of costs. While estimates are not available yet, State savings from this shift are expected. However, individuals who enroll for coverage under BHP instead of New York's marketplace exchange may reduce the pool of 'covered lives' there affecting premium costs for all.

- The current Executive Budget proposal for consolidation of 36 health and awareness programs into 10 pools of similarly-comprised programs maintains the current total level of funding for these programs. While any funding shifted within these pools would impact relevant programs, this structure may increase flexibility for human service providers.

Local Government Assistance

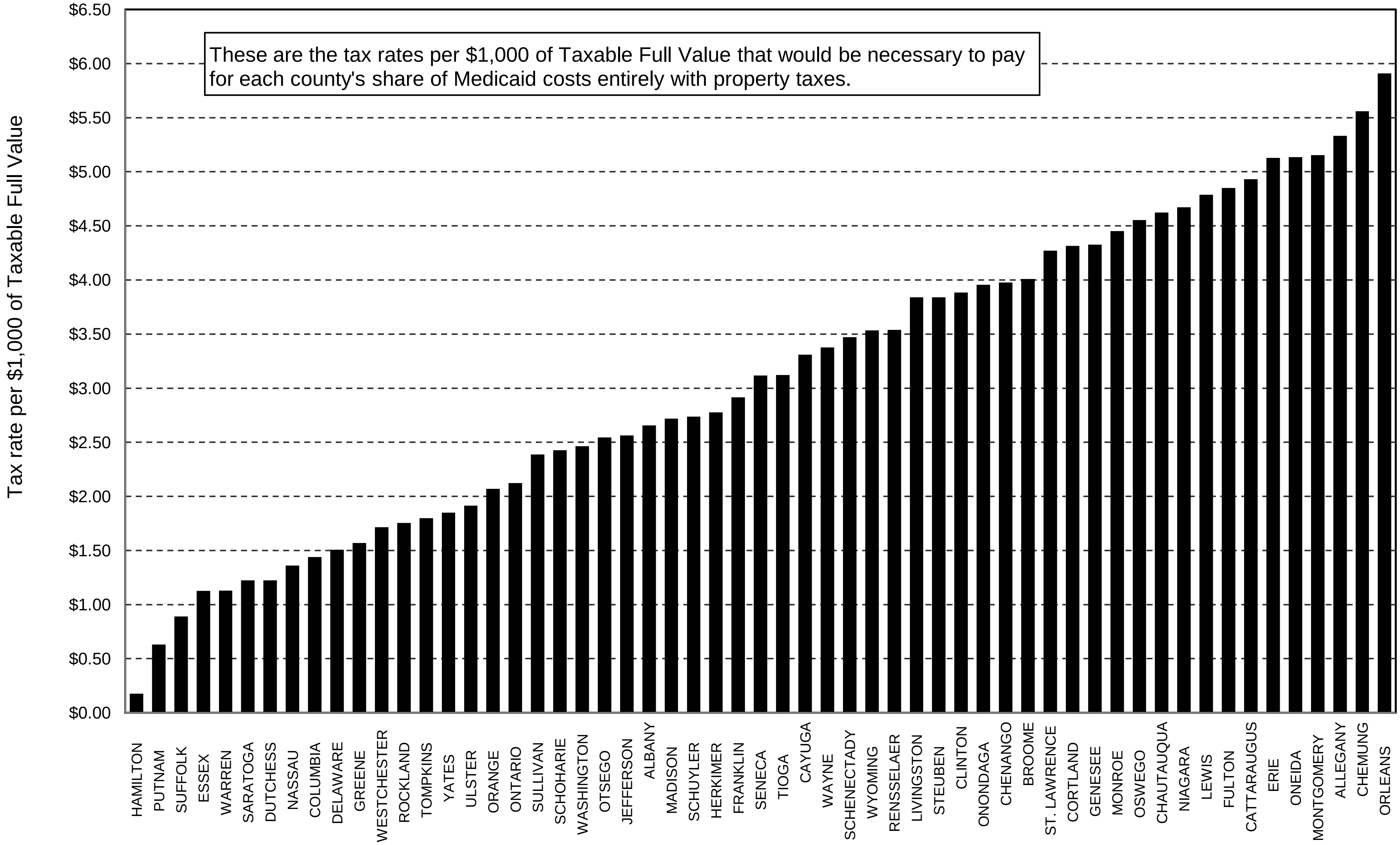
Counties

- The state's counties vary greatly in terms of the local property tax effort necessary to cover the local share of Medicaid costs. Some counties simply have much less taxable value per capita and per needy resident than do others. The cap in the growth of local Medicaid costs institutionalizes this inequity.
- Counties' share of public assistance benefit costs for the state and locally-funded Safety Net Assistance program is imposing greater costs on local social services districts (or counties, with the exception of New York City which is the local social service district for the five counties which compose it) since the local share of these costs was increased from 50 percent to 71 percent three years ago.
- In SFY 2014-2015, the counties and New York City will receive $2 billion in relief as the result of the 3% Medicaid growth cap, together with the state's further takeover of all the growth in counties' Medicaid expenditures and the state's assumption of the local share of Family Health Plus costs.

Cities, Towns and Villages

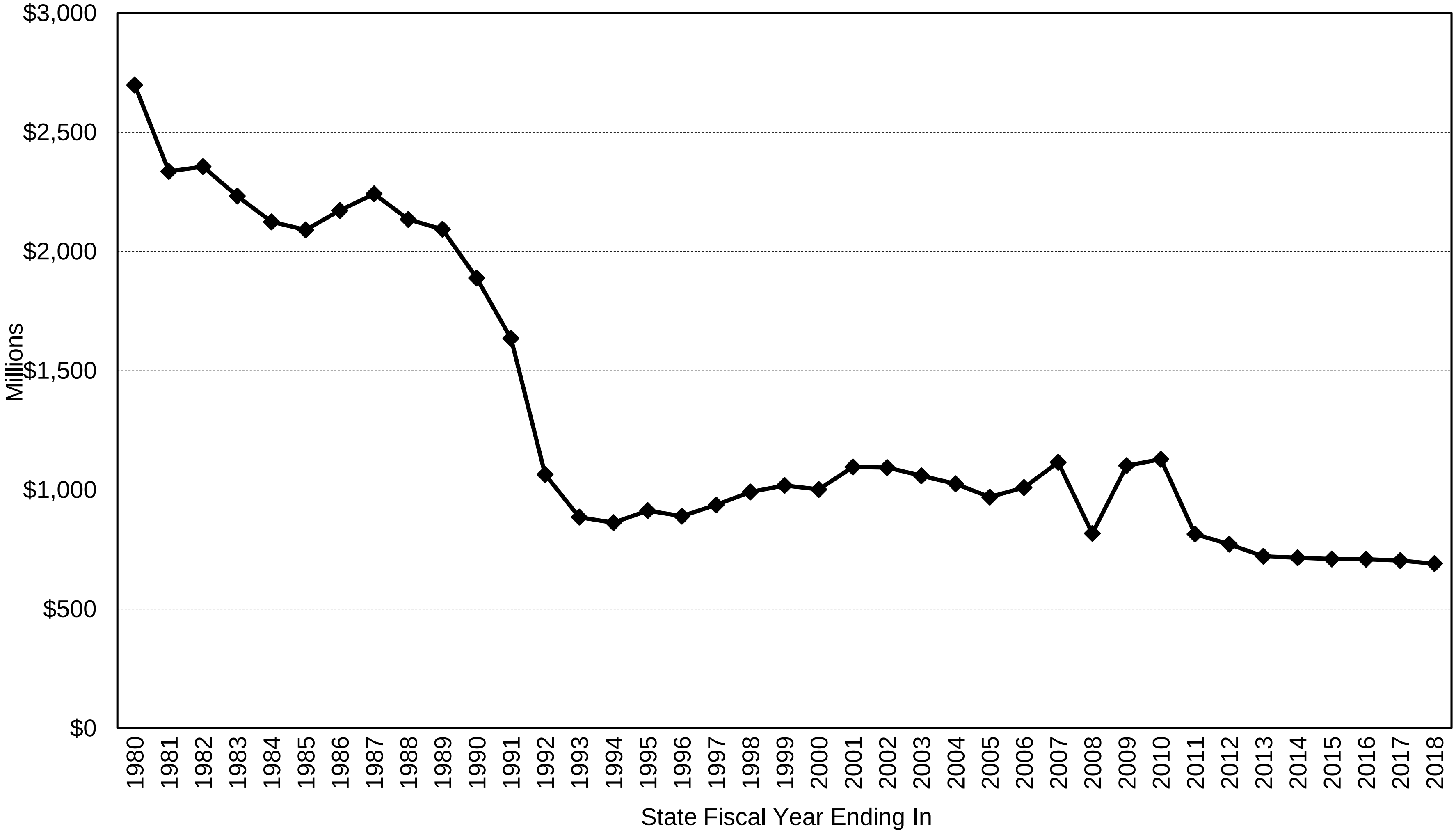
- While counties have received some fiscal relief, school districts and general purpose municipalities also have service obligations. It is good that the state has provided relief to counties in the form of taking over growth in their Medicaid costs, but this does not make up for cuts in school aid and revenue-sharing, the unrestricted aid that cities, towns and villages receive from the state (now Aid and Incentives for Municipalities, AIM). So we need effective property tax relief for all classes of local governments.
- Even without adjusting for inflation, revenue-sharing in FY 2012-2013 was lower than in FY 1979-1980; $721 million and $829 million respectively. Taking into account changes in the cost of living, the decrease is much more dramatic; total revenue-sharing in 1980 was $2.7 billion compared to $721 million in 2012-2013.
- Of the total $715 million AIM allocation proposed in the FY 2014-2015 budget, cities receive 90.5 percent, towns receive 6.7 percent and villages receive 2.7 percent of funds.

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."



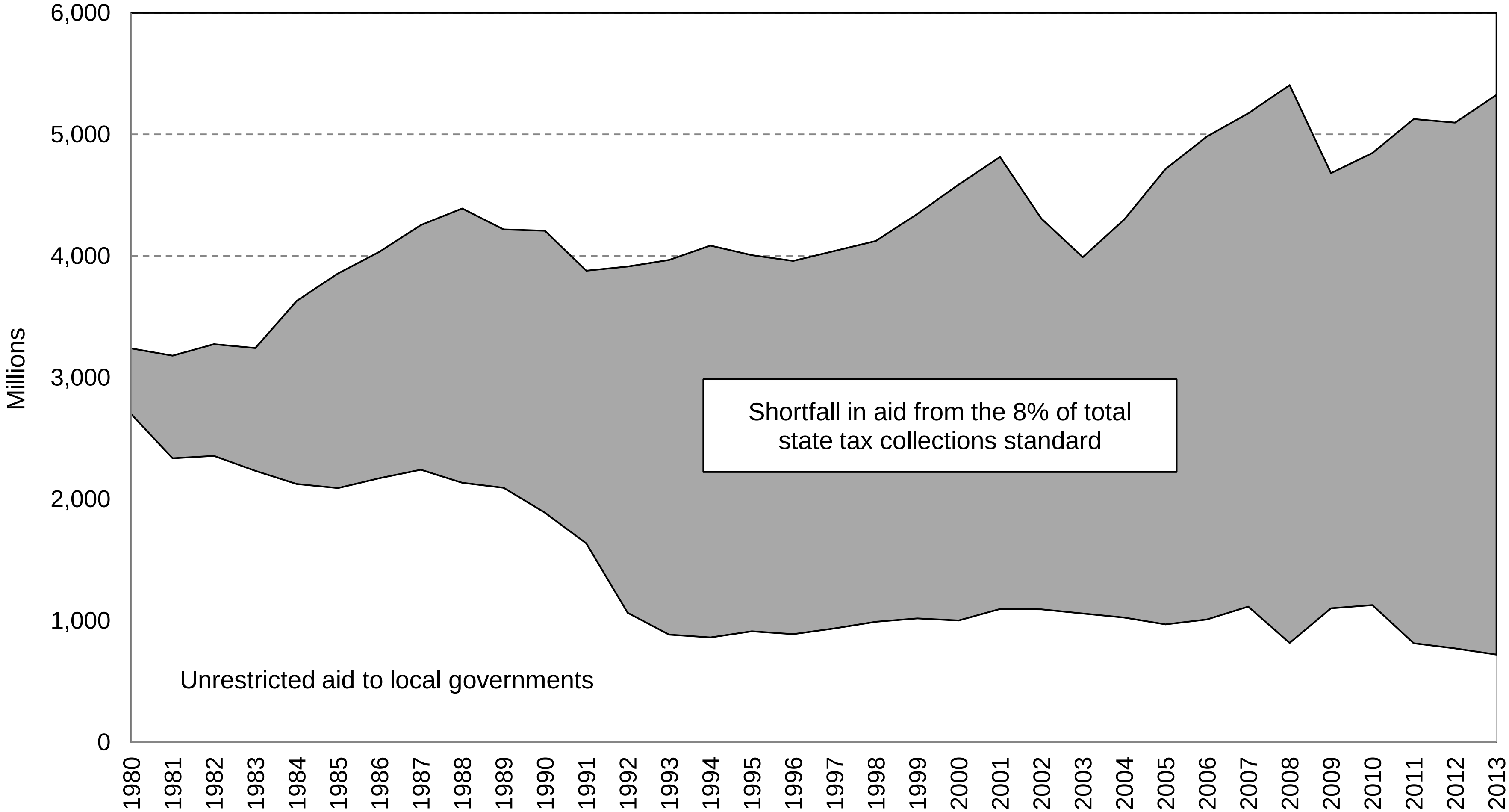
Sources: Fiscal Policy Institute analysis of data from the New York State Department of Health and the NYS Office of the State Comptroller.

In real terms, general purpose, or unrestricted, aid to local governments (currently, Aid and Incentives to Municipalities, AIM) has fallen by almost three-fourths since 1980.



Note: Adjusted for inflation, 2013 dollars. New York City last received this aid in state fiscal year 2010.

As a percentage of total state tax collections, unrestricted aid to local governments, now AIM, has decreased by more than 80 percent since 1989. Cumulative funded aid since that time represents only one-third of what cumulative aid would have been if New York met the former 8 percent of total state tax collections 'standard'.



Note: Adjusted for inflation, 2013 dollars. New York City last received this aid in state fiscal year 2010.

III. Governor's Tax Policy Proposals

The tax freeze is ill-conceived and will send more money to wealthier localities, the circuit breaker and the renter's credit are ineffectively targeted, the bank tax repeal is a windfall for large banks, and New York simply can't afford costly estate tax cuts.

(in millions)

	2014-15	2015-16	2016-17	2017-18	Cumulative
Personal Income Tax	**$ (325)**	**$ (735)**	**$ (1,248)**	**$ (1,658)**	**$ (3,966)**
Close the Resident Trust Loophole	75	225	150	150	600
Establish the Real Property Tax Freeze Personal Income Tax Credit	(400)	(976)	(475)	-	(1,851)
Establish the Residential Real Property Personal Income Tax Credit	-	(200)	(525)	(1,000)	(1,725)
Establish a Renter's Personal Income Tax Credit	-	(200)	(400)	(400)	(1,000)
Other	-	416	2	(408)	10
Business Taxes	**$ 67**	**$ (118)**	**$ (271)**	**$ (267)**	**$ (589)**
Streamline Corporate Audit Procedures (Administrative)*	-	172	172	172	516
Reform the Investment Tax Credit	65	65	65	65	260
Repeal the Financial Services Investment Tax Credit	30	30	30	30	120
Subtotal Total Business Tax Increases	95	267	267	267	896
Corporate Tax Reform	-	(205)	(346)	(346)	(897)
Establish a 20 Percent Real Property Tax Credit For Manufacturers	-	(136)	(136)	(136)	(408)
Eliminate the Net Income Tax On Upstate Manufacturers	(24)	(24)	(25)	(25)	(98)
Subtotal Other Business Tax Decreases	(24)	(365)	(507)	(507)	(1,403)
Other Business Tax Cuts	(4)	(20)	(31)	(27)	(82)
Other Actions	**$ (40)**	**$ (183)**	**$ (375)**	**$ (612)**	**$ (1,210)**
Reform the Estate Tax**	(33)	(175)	(371)	(612)	(1,191)
Other	(7)	(8)	(4)	-	(19)
Total All Funds Legislation Change	**$ (298)**	**$ (1,036)**	**$ (1,894)**	**$ (2,537)**	**$ (5,765)**

* After 2018, the streamline audit saving will sunset and not reoccur.

** Estate Taxes continue to rise in the outyears, in 2019 these cuts will be 757 million

Source: 2014-15 Executive Briefing Book (p. 67) and FPI calculations.

There is a real question whether New York can afford sizable multi-year tax cuts while enduring 4 more years of austerity budgets on top of the past 6. In addition, the specific tax changes proposed are all highly problematic.

- We will discuss the proposed tax cuts in three categories:
  - A real property tax "freeze" as a personal income tax credit
  - Two personal income tax credits, with one geared to provide property tax relief to low- and middle-income homeowners (defined as those with total incomes up to $200,000), and the other geared to renters with federal adjusted gross incomes up to $100,000
  - Repeal of the bank tax and other business tax cuts, and a substantial estate tax reduction

- The 2-year property tax "freeze" costs $1.8 billion over the next three fiscal years. It adds a perverse incentive to the pressure already created by the statewide 2% property tax cap enacted 3 years ago. This pressure already has forced drastic cuts in schools and other important public services. Under the new proposal, a homeowner only gets an income tax credit in the first year for taxes levied by jurisdictions that stay within the 2 percent property tax cap. In the second year, local governments or school districts must continue to stay within the cap and must develop a plan for sharing or consolidating services to achieve savings.

- Because the property tax cap is instituted as a percentage limit on the growth of a locality's tax levy, the property tax increases possible under the cap are greater for wealthy school districts than for needy school districts. Under the freeze proposal, benefits likely will be concentrated in wealthier districts. Poor and rural governments will receive less because they have greater needs, smaller tax bases and fewer opportunities for consolidation.

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: Less than 10% of income	10% to 19.99% of income	20% or more of income**	10% or more of income	Total number of households in income range
$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 homeowning 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.

How “Circuit Breaker” credits work and why they make sense.

- A property tax Circuit Breaker is a targeted form of property tax relief. It provides relief to households on the basis of the household’s property tax bill (or, its property tax equivalent, for a household that rents its primary residence) and the household’s income and the relationship between those two factors.

- The name “Circuit Breaker” is used to describe this type of tax credit since it works to prevent households from being overburdened by property taxes just as an electrical circuit breaker interrupts the flow of current when a circuit becomes overloaded.

- A statute establishing a property tax Circuit Breaker has several key elements.
  - It sets an “affordability threshold” as a percentage of a household’s income and it usually defines income very broadly to include all the income available to a household to pay its property taxes.
  - It sets a “credit percentage” and provides for a credit equal to that “credit percentage” times the portion of the household’s property taxes in excess of the “affordability threshold” percentage of its income. By not providing a credit for 100% of a household’s property tax overburden, households still have a stake in the efficiency and effectiveness of their local governments. But setting the credit percentage too low undercuts the ability of the circuit breaker to provide a meaningful amount of relief to those households that are truly overburdened.
  - It can set a residency requirement (such as the 5-year residency requirement in the most widely supported legislative bills) to ensure that the existence of the Circuit Breaker does not encourage people to buy homes or rent apartments that they cannot afford while still ensuring that relief is available for households whose property taxes have become an inordinate share of their income through no fault of their own because of losing a job or becoming disabled or becoming too old to work.

The "Circuit Breaker" credit proposed in the Executive Budget is not effectively targeted.

- Despite its high price tag ($1 billion a year when fully implemented), the "Circuit Breaker" credit proposed as part of the Executive Budget will not provide meaningful relief to those long time residents who are faced with property tax bills that represent an inordinate portion of their income.

- The design of the Executive Budget's Circuit Breaker proposal ensures many households that are not overburdened by property taxes will receive Circuit Breaker credits BUT many households that are truly overburdened will not receive a sufficiently large credit to ameliorate their situation. The Executive Budget proposal has this effect by simultaneously setting
    - A low "affordability threshold" of 3%, 4% and 5%, and
    - A low credit percentage (20%, 15% and 10% when fully implemented and even lower during the proposal's first two years of operation), and
    - A low maximum credit of $500 in Year 1, $750 in Year 2, and $1,000 in Year 3.

- The most widely supported legislative bills (S3266/A5884 and S1002/A1941) have credit percentages of 70% and higher affordability thresholds than those being proposed by the Governor. For example, S3266/A5884, when fully phased in, would have affordability thresholds of 6%, 7% and 8.5% compared to the Executive Budget proposal of 3%, 4% and 5%.
    - On a technical matter, S3266/A5384 uses a graduated rate structure to avoid cliff or notch effects but the Executive Budget proposal does not. For example, under the Governor's proposal, a household with a property tax bill of $6,000 would receive a credit of $480 if its income is $119,999 but its credit would only be $180 if its income was $120,001, a mere two dollars more.

The “Renter’s Credit” proposed in the Executive Budget is even more poorly targeted.

- Rather than including renters in the proposed circuit breaker credit through the establishment of a “property tax equivalent” similar to the one included in New York State’s decades old low-income Circuit Breaker credit (see the New York State tax form IT-214 and the accompanying instructions), the Executive Budget proposes a stand-alone renter’s credit. In Circuit Breaker statutes, the property tax equivalent for renters is usually established as a percentage of a household’s rent.

- While the Executive Budget calls its proposal a “Renter’s Credit,” the determination of a household’s credit under this proposal would not take the amount of rent paid by the household into consideration in any way, let alone by a comparison to the household’s income. The amount of a taxpayer’s credit is based on his or her, age and number of dependents for federal income tax purposes. Taxpayers younger than 65 are not eligible unless they have more than one dependent.

- By using Federal Adjusted Gross Income as the measure of income for determining eligibility for this credit, rather than a broader definition of income as in the circuit breaker, this Executive Budget proposal leaves open the possibility that high income households with income that is not included in FAGI will benefit.

- Victor Bach, Senior Housing Policy Analyst for the Community Service Society, in testimony prepared for the joint legislative budget hearings, characterized the renter’s credit as “an arbitrary ‘scattershot’ approach to rent relief that is unrelated to household need—something nearly for everyone, like STAR, a squandering of scarce state resources on an unidentified problem.”

- Based on this and numerous other technical policy and technical shortcomings, Bach recommends a “circuit breaker” approach to rent relief which scales the benefit in proportion to need and that integrates rent relief into a comprehensive circuit breaker approach that includes homeowner relief.

The Executive Budget's proposed Circuit Breaker is not effectively targeted.

Comparison of Parameters of Executive Budget Circuit Breaker and Composite of Most Widely Supported Legislative Proposals (S3266, A5834, S1002, A1941), When Fully Phased-In

		Executive Budget Proposal			Brackets From S3266/A5834 and Maximum Credit From S1002/A1941		
		Affordability Threshold	**Credit Percentage**	**Maximum Credit**	**Affordability Threshold**	**Credit Percentage**	**Maximum Credit**
Income Brackets	$0 - $100,000	3%	20%	$1,000	6%	70%	$5,000
	$100,000 - $120,000	3%	20%	$1,000	7%	70%	$5,000
	$120,000 - $150,000	4%	15%	$1,000	7%	70%	$5,000
	$150,000 - $200,000	5%	10%	$1,000	8.5%	70%	$5,000
	$200,000 - $250,000	-	-	-	8.5%	70%	$5,000
	$250,000 and above	-	-	-	-	-	-

The Executive Budget's proposed Circuit Breaker provides relief to many households that are not overburdened while providing insufficient relief to many who are.

Comparison of Impact of Executive Budget Circuit Breaker and Composite of Most Widely Supported Legislative Proposals (S3266, A5834, S1002, A1941), When Fully Phased In						
			Executive Budget Proposal (Maximum Credit When Fully Phased In = $1,000)		Brackets From S3266/A5834 and Maximum Credit of $5,000 From S1002/A1941	
Income	Tax Bill	Tax Before Credit as a Percent of Income	Credit	Tax After Credit as a Percent of Income	Credit	Tax After Credit as a Percent of Income
$50,000	**$2,500**	**5.0%**	$200	4.6%	$0	5.0%
$50,000	**$5,000**	**10.0%**	$700	8.6%	$1,400	7.2%
$50,000	**$7,500**	**15.0%**	$1,000	13.0%	$3,150	8.7%
$50,000	**$10,000**	**20.0%**	$1,000	18.0%	$4,900	10.2%
$95,000	**$2,500**	**2.6%**	$0	2.6%	$0	2.6%
$95,000	**$5,000**	**5.3%**	$430	4.8%	$0	5.3%
$95,000	**$7,500**	**7.9%**	$930	6.9%	$1,260	6.6%
$95,000	**$10,000**	**10.5%**	$1,000	9.5%	$3,010	7.4%

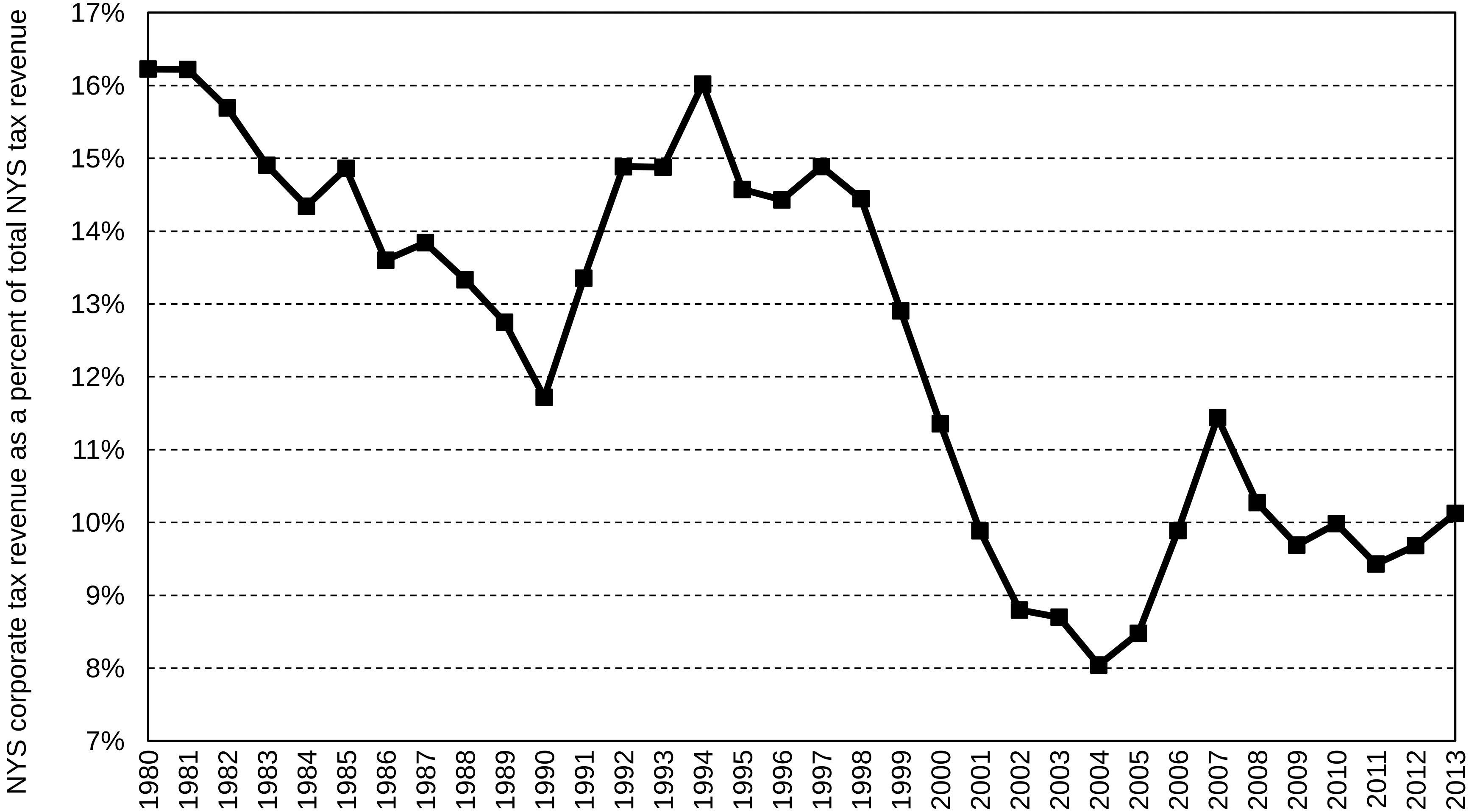
The "corporate tax reform" component of the Governor's multi-year tax cut package will cost roughly $400M a year when fully phased in.

- The key elements of the tax program affecting business taxes, include:
  - Corporate tax reform: **-$346M in 2017-2018**
    - Main component is repeal of the bank tax and switching banks to the Corporation Franchise Tax. This enables the large NYC-based banks to benefit from the Single Sales Factor net income allocation basis.
    - Reduce corporate tax rate from 7.1% to 6.5%, effective for tax year 2016.
    - The MTA receives roughly $1B a year levied as a surcharge on businesses operating in the MTA area. The surcharge rate will be raised to maintain the amount of MTA funding.
  - Tax cuts targeted to manufacturers: **-$161M in 2017-2018**
    - The corporate income tax rate would be reduced to zero for upstate manufacturers, and manufacturers statewide would receive a refundable 20% real property tax credit.
  - Changes that raise revenues: **+$267M in 2017-2018 (but dropping to $95M in 2018-2019)**
    - Streamline corporate audit procedures: changes intended to improve voluntary compliance will effectively accelerate the receipt of taxes that otherwise would be collected during audits in subsequent years. This affects the timing of collections, but doesn't raise taxes.
    - The tax proposal includes reforming the general Investment Tax Credit (ITC) to save $65M a year, and repealing the financial services ITC to save $30M annually.
- Even before this new round of business tax cuts, total state business tax collections have fallen dramatically as a share of total state taxes. See the chart on the next page. Current tax forecasts, assuming the implementation of the proposed cuts, will reduce the business share of state taxes from 10% in 2013 to 8% in 2017, a level about half of the average that prevailed during most of the 1980s and mid-1990s.
- Projected corporate and bank tax collections for 2014-2015 are forecast to decline by several hundred million dollars because of the "payback" of business tax credits that were deferred during the years 2010-2012 to provide the state with temporary budget relief.

Is it justifiable to further reduce New York's corporate income taxes?

- The Governor's Tax Reform and Fairness Commission, chaired by investment banker Peter Solomon and former Comptroller H. Carl McCall, closely examined the burgeoning array of New York's business tax incentives. An in-depth analysis prepared for the Commission by economists Don Boyd and Marilyn Rubin documented the explosion in credits from 33 in 2005 to 50 in 2013, with the annual cost of business tax credits rocketing from $600M in 2005 to nearly three times that, $1.7B, in 2013. [see "New York State Business Tax Credits: Analysis and Evaluation," November 2013, at www.pjsolomon.com/news/media/2013-11-13-Tax_Incentive_Study_Final.pdf]
- Among other findings of the Boyd-Rubin report:
  - Business tax credits adjusted for inflation were 9 times larger in 2013 than 20 years earlier in 1994;
  - Benefits are highly concentrated among a small number of firms—only 1 percent of general corporation tax filers are credit users. Lower taxes for some businesses mean higher effective tax rates for the vast majority of taxpayers;
  - Despite the high and growing cost, New York's tax credits are "rarely evaluated rigorously and independently against their goals;"
  - Refundable credits accounted for 92% of all credits in 2013. Under a refundable tax credit, if the benefit exceeds the business' tax liability, the state writes a check to the business for the difference. The state has been busy writing more and more such checks.
- Boyd and Rubin also emphasize that despite the sharp rise in the cost of New York's business tax credits, "there is no conclusive evidence from research studies conducted since the mid-1950s to show that business tax incentives have an impact on net economic gains to the states above and beyond the level that would have been attained absent the incentives."
- It is no surprise that the Solomon-McCall Tax Reform and Fairness Commission recommended that New York curtail the use of business tax credits.

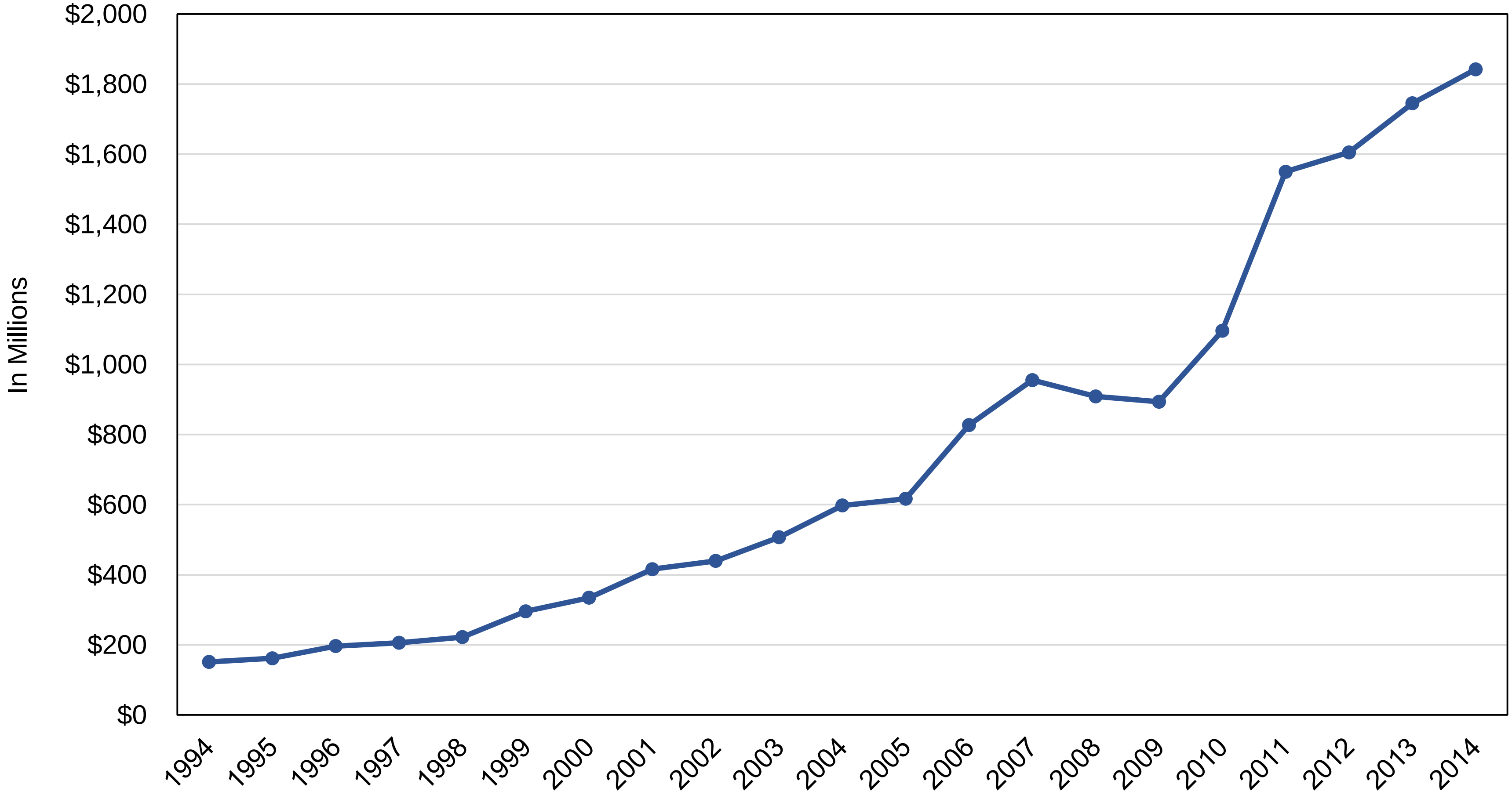
State corporate tax revenues have also declined significantly as a share of total state tax revenues.



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).

The Taxpayer Cost of NYS Business Tax Credits Has Tripled since 2005, and Now Exceeds $1.8 billion.



Note: Actual data 1994-2010, New York State Department of Tax and Finance; 2011 to 2014 estimated jointly by the NYS Department of Tax and Finance and the New York State Division of the Budget, subject to revision.
Source: Marilyn M. Rubin and Donald J. Boyd, New York State Business Tax Credits: Analysis and Evaluation, A Report Prepared for the New York State Tax Reform and Fairness Commission, November 2013. Updated Feb. 2014 based on 2014-2015 Tax Expenditure Report.

Bank tax reform provides an unnecessary windfall to the largest banks based in New York

- The rationale behind repealing the bank tax is that financial de-regulation has eliminated most distinctions between commercial and investment banks, and entities historically subject to the bank tax are at a disadvantage since New York adopted single sales factor (SSF) as the basis for apportioning business profits for state tax purposes.
    - Banks are currently subject to a 3-factor apportionment basis that includes payroll, deposits and receipts.
    - If the bank tax is repealed and banks then file under the Corporate Franchise Tax, they would be able to use SSF (receipts) to apportion net income to New York for tax purposes.
    - In effect, extending SSF to banks that have a large presence and payroll in New York allows them the potential to reduce their tax liability if the share of their customer base (by dollar volume) in New York is less than the firm's payroll share.

- The Budget Division has not indicated how much of the projected tax loss resulting from corporate tax reform is due to the repeal of the bank tax versus reducing the corporate tax rate from 7.1% to 6.5%. It could be that the tax loss associated with bank tax repeal is much greater than the net future-year tax $364M loss because other corporate taxpayers might end up paying more as a result of other changes in the corporate franchise tax.

- A provision of the tax reform legislation submitted by the Governor allows financial institutions to use a "fixed percentage method" in lieu of identifying the address of all their customers under a traditional SSF approach. The legislation specifies the "fixed percentage method" number as 8%, apparently determined by New York's share of GDP. However, given the fact that New York has such a concentration of financial activities and that many transactions are between financial institutions, 8% seems like a low figure to use as a proxy for the share of financial business transacted in New York. A more appropriate proxy might be New York State's share of the total securities business nationally—in 2011, that was 39%.

Proposed estate tax reductions will cost $800M or more when phased in

- There are three main elements in the estate tax proposal:
  - Raising the exemption from estate taxation from the current $1 million to $5.25M, the current federal exemption level;
  - Reducing the top rate in stages from 16 to 10%; and
  - Require the value of gifts to be added back to the estate tax (New York State eliminated its gift tax years ago).

- The estate tax has been generating $800M to $1.2B a year in revenue for New York so a proposal that rises in costs to $612M in 2017-18 and $757M in 2018-19 will seriously erode the estate tax as a significant revenue source for the state. Because of increasing income concentration at the top, in the absence of the proposed reductions in the estate tax, the estate tax would be the fastest growing source of tax revenue for New York State. Before the tax cuts, the estate tax is estimated to double between 2013 and 2019, to $2 billion. The tax cuts will reduce that amount by roughly 40%.

- Because the estate exemption is being raised, all estates paying taxes will pay less. The reduction in the top tax rate from 16 to 10% will be heavily concentrated among a relatively small number (150-200) of very large estates (greater than $10 million.) These large estates likely will see an average tax reduction of $1.5 million or more.

- While the Executive Budget states that "the state's current estate tax policy encourages elderly New Yorkers to leave …," in a report prepared for the Solomon-McCall Tax Commission, the state's own tax policy experts concluded: "Migration studies regarding the impact of taxes such as the estate tax have shown that taxes generally are not a major factor in the decision of where to live or retire. … These papers generally show that taxes have very little impact on cross-state migration and estate tax revenues."

- As the table on the following page shows, federal tax data clearly indicate that the number and total incomes of millionaires are rising much faster in New York than in the U.S. overall. Thus, it appears that New York's estate and personal income tax policies are not having a detectable effect in discouraging millionaires from living in New York.

Even though New York's share of U.S. population declined slightly from 2000 to 2011, New York's share of millionaires rose, and the total income of millionaires rose much faster in New York than in the U.S.

	2000	2011	2000 to 2011
New York State			
Total population	18,976,457	19,465,197	2.6%
Number of tax returns with AGI of $1 millon and over	25,780	38,240	48.3%
Total income on returns of $1 millon and over	$85,466,363,000	$139,387,527,000	63.1%
United States			
Total population	281,421,906	311,591,917	10.7%
Number of tax returns with AGI of $1 millon and over	241,068	304,118	26.2%
Total income on returns of $1 millon and over	$760,954,547,000	$947,002,288,000	24.4%
New York State share of United States			
Total population	6.7%	6.2%	
Number of tax returns with AGI of $1 millon and over	10.7%	12.6%	
Total income on returns of $1 millon and over	11.2%	14.7%	

Note: AGI = Adjusted Gross Income
Source: Tax data from Internal Revenue Service, population from the U.S. Census Bureau.

IV. The Economic and Social Context

While we're in the fifth year of "recovery," this has been the weakest since the 1930s. Unemployment has started to come down, but pronounced income inequality has restrained growth and recovery in living standards.

- In the context of the weakest national recovery, New York State has fared about average in terms of the growth in jobs, total personal income, and GDP. Statewide job growth has trailed the nation over the last two years, but that is not surprising considering that NYS lost fewer jobs in the downturn so the rebound here is muted. NYS was spared the worst of the national recession largely because of the massive taxpayer-supported financial bailout.

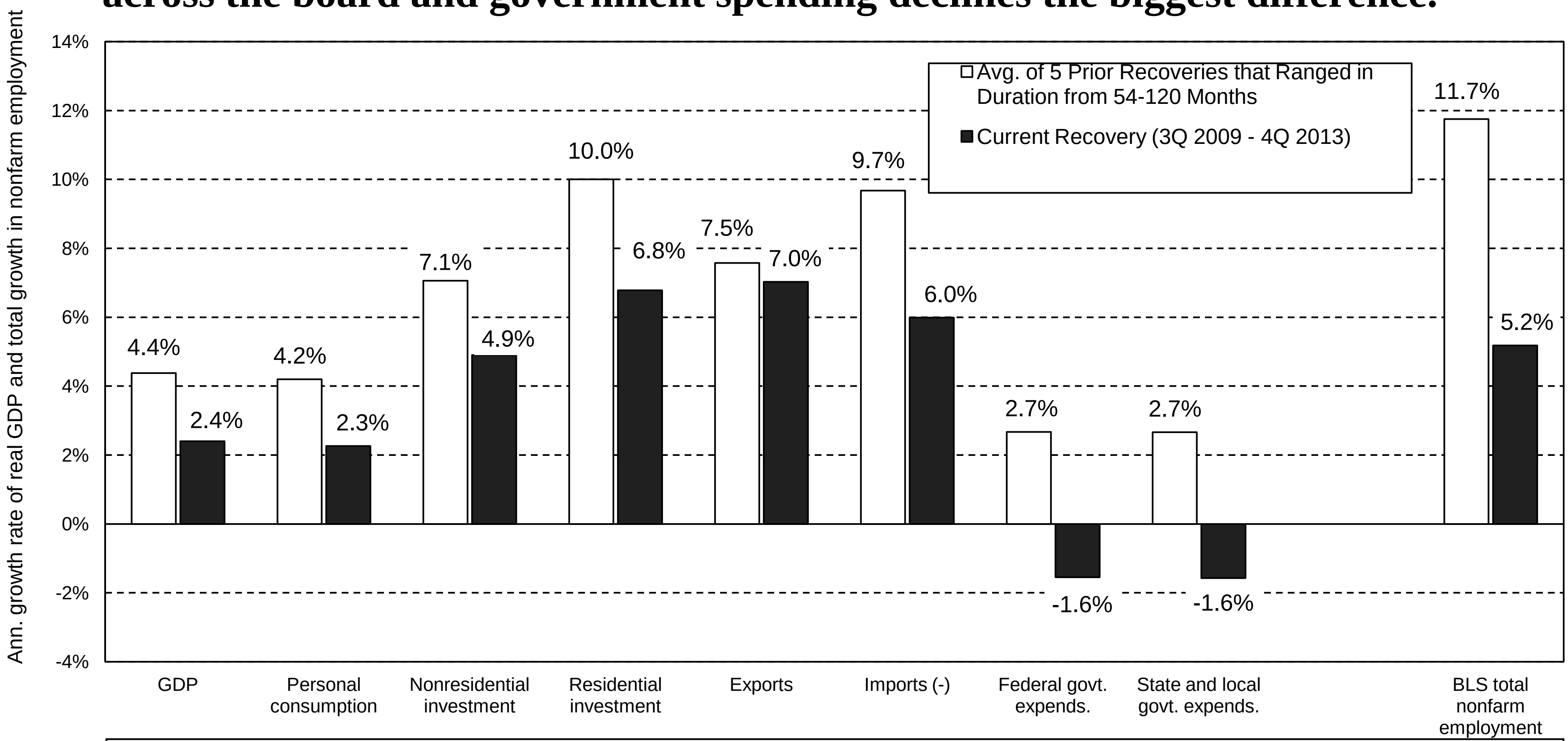
- Unemployment started to recede in 2013 but high and long-term unemployment persists with 500,000 New Yorkers either experiencing long-term unemployment and/or too discouraged to continue looking for work.

- New York City's job growth is faring much better than the suburbs and upstate. However, most of the net job growth in NYC and around the state has been in low-wage jobs, and low- and middle-income workers everywhere have suffered.

- Federal and state budget austerity policies have sharply reduced government employment with some areas in the Hudson Valley and the Southern Tier seeing 10% declines. Private sector job growth has been weakest in areas where government employment has declined the most.

- Most of the income growth is going to the top while median wages and median family income have fallen and poverty stays high.

National economic growth during the first 4-and-a-half years of the current recovery is much slower than the pace of previous recoveries, with weakness across the board and government spending declines the biggest difference.

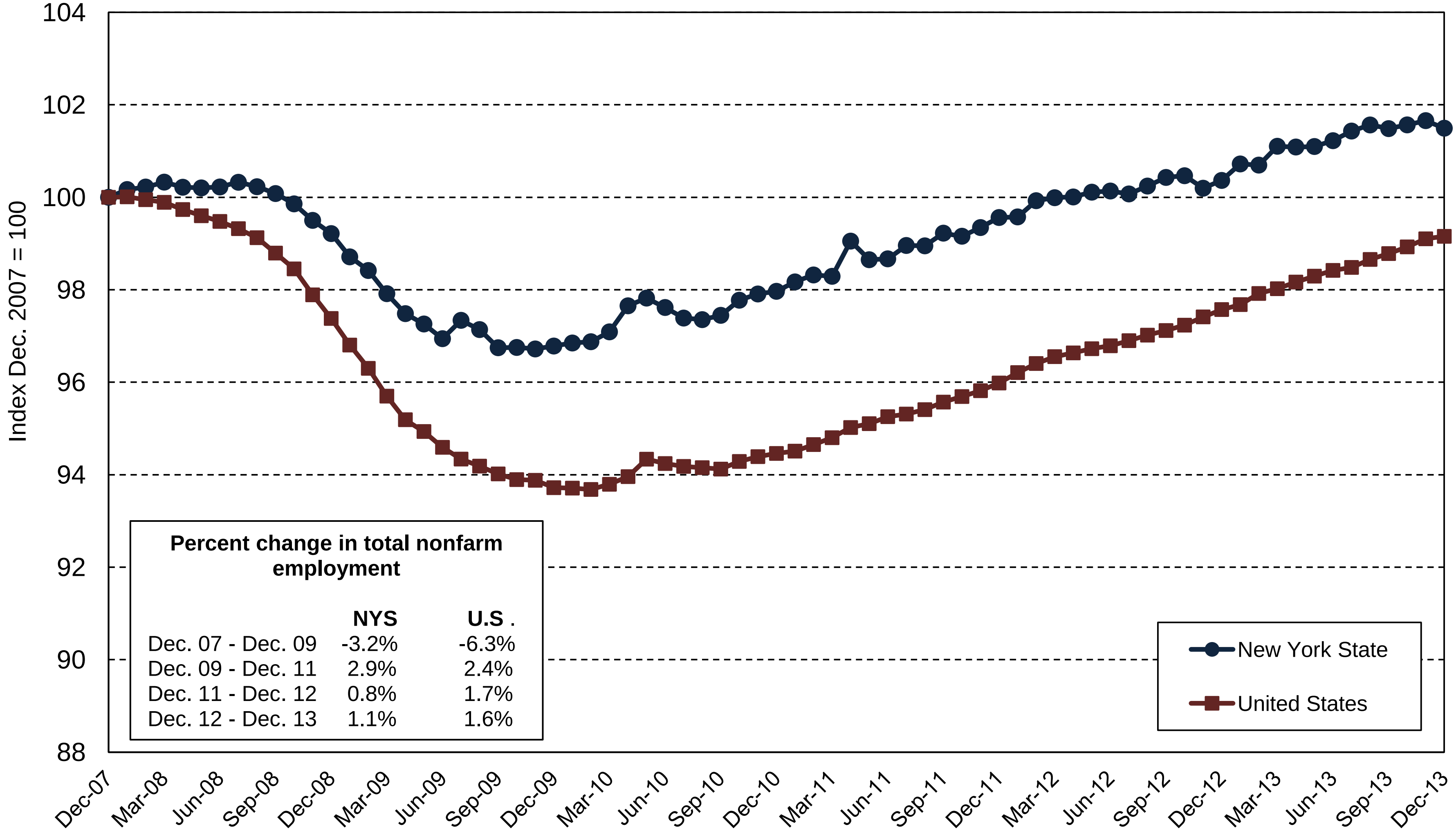


Average share of selected GDP components in current recovery (2Q 2009 through 4Q 2013):

GDP	Personal consumption	Nonresidential investment	Residential investment*	Exports	Imports(-)	Federal govt. expends.	State & local govt. expends.
100.0%	68.1%	12.0%	2.8%	12.4%	-15.2%	8.1%	11.7%

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.

While NYS's job growth trailed the nation's in 2012 and 2013, NYS lost fewer jobs in the recession and now has more jobs than 6 years ago.

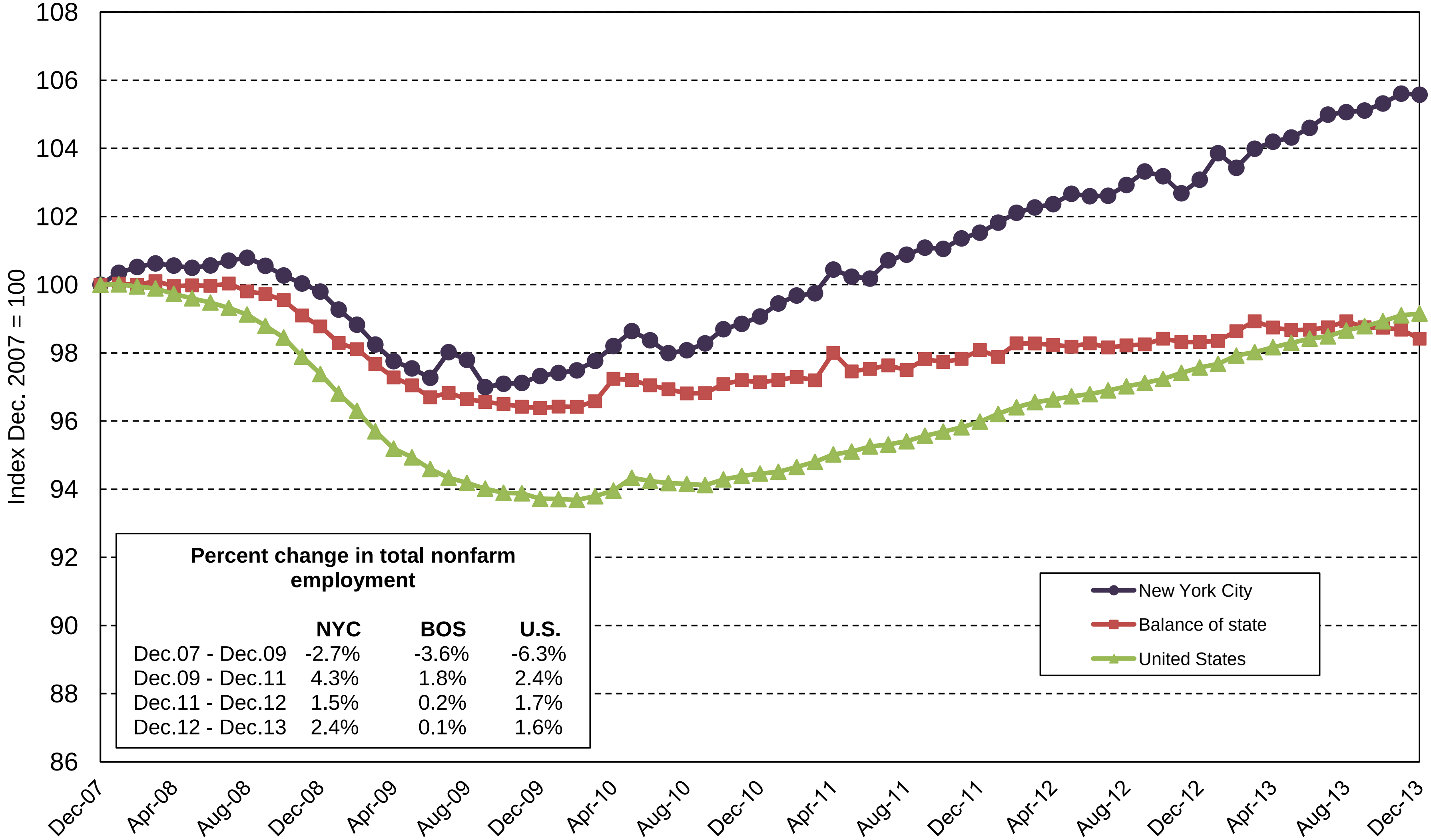


Percent change in total nonfarm employment

	NYS	U.S .
Dec. 07 - Dec. 09	-3.2%	-6.3%
Dec. 09 - Dec. 11	2.9%	2.4%
Dec. 11 - Dec. 12	0.8%	1.7%
Dec. 12 - Dec. 13	1.1%	1.6%

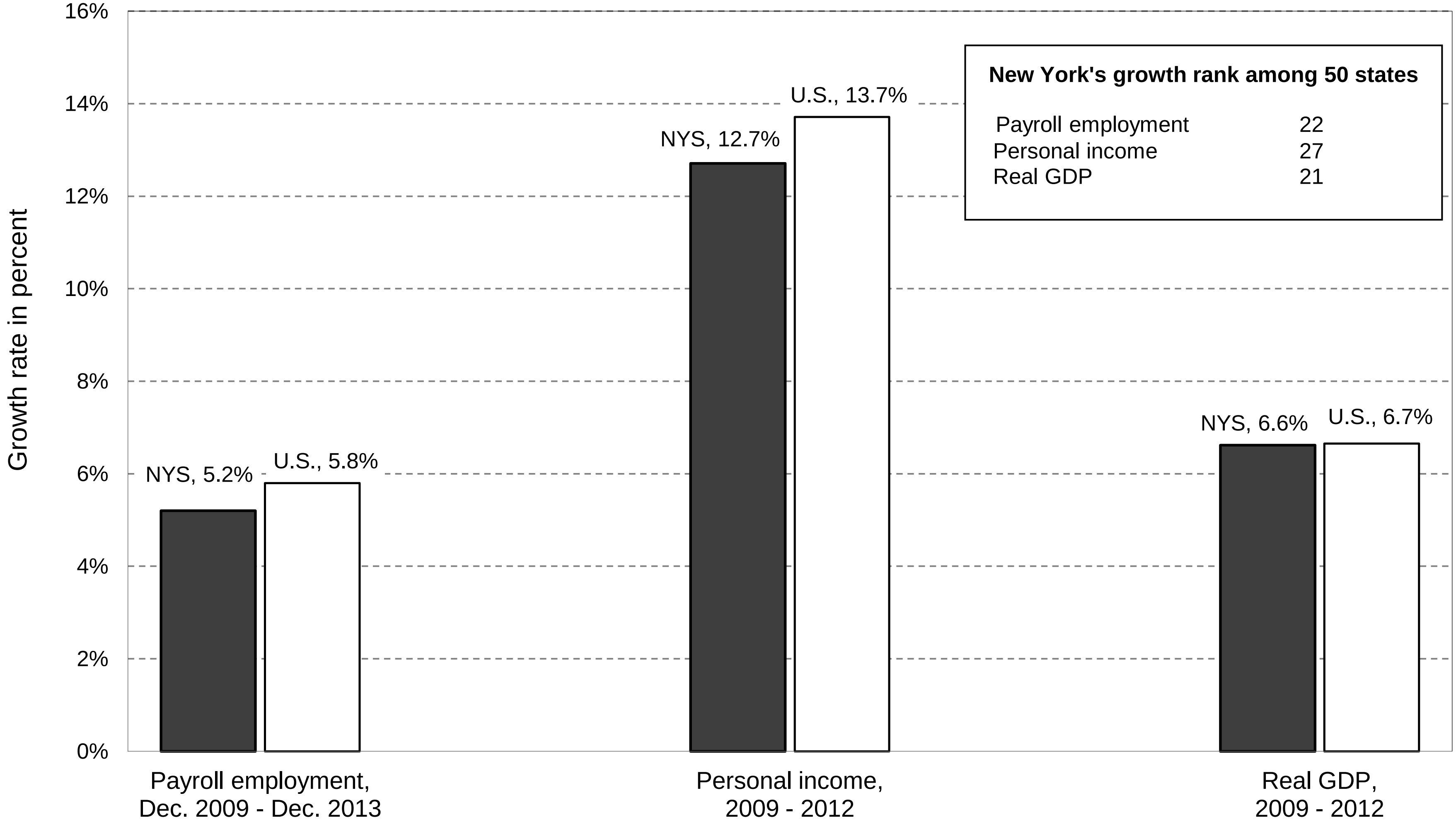
Source: FPI analysis of Bureau of Labor Statistics and NYS Department of Labor employment data; FPI seasonal adjustment of NYS employment data.

NYC's job growth in the recovery has been substantial, but the rest of NYS and the U.S. are not back to their pre-recession levels.



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 the 3 top measures of economic growth, NYS's performance is on a par with the nation's during the recovery, and the state ranks favorably compared to other states.



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

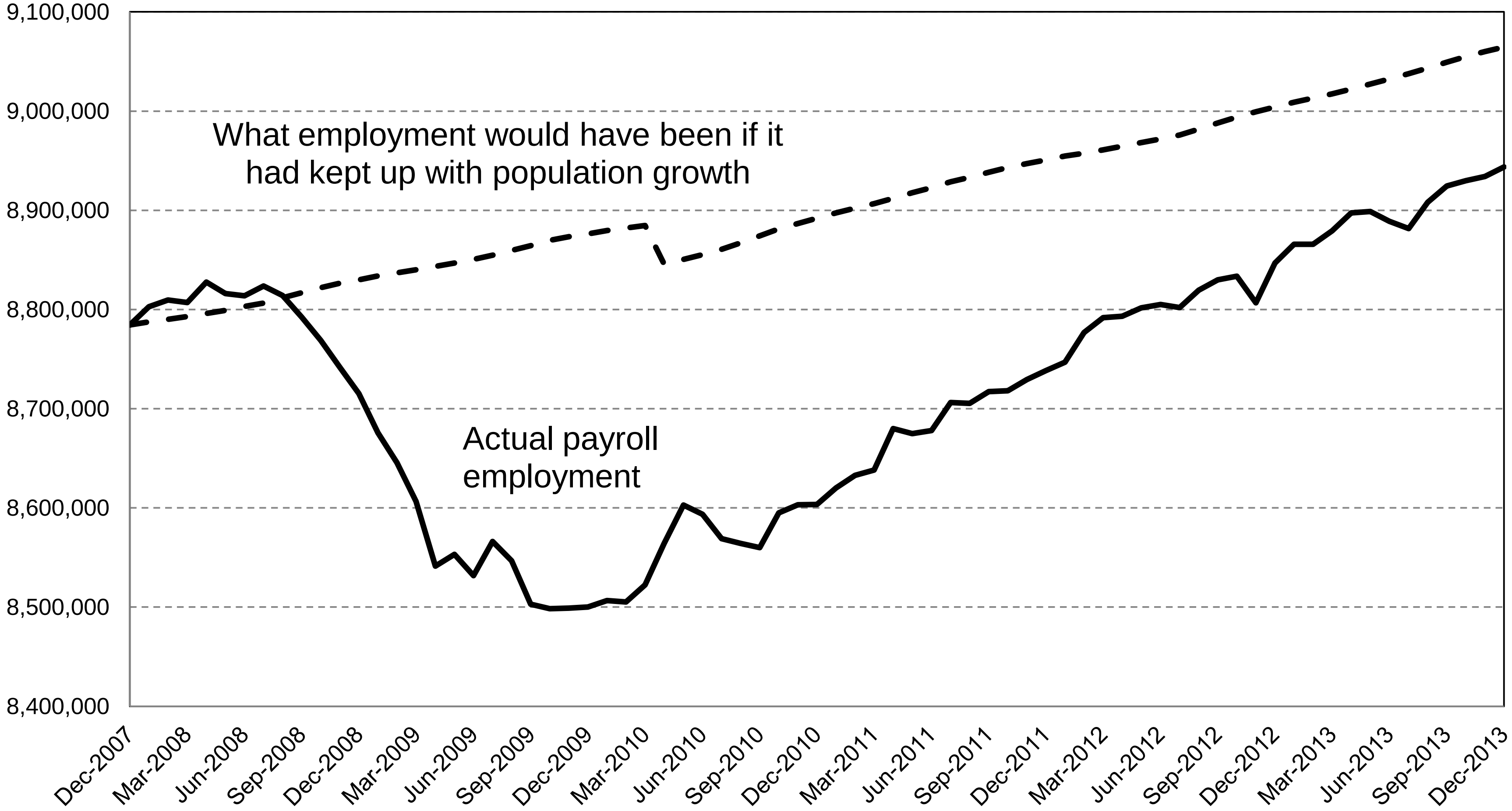
Seven out of 11 of New York State's metro areas, including many upstate, ranked higher than the national average in per capita personal income growth, 2009-2012

Metropolitan area	Per capita income 2009	Per capita income 2012	Growth rate, 2009-12	Growth ranking among 381 metros
United States (metropolitan portion)	**$40,816**	**$45,188**	**10.7%**	
Glens Falls, NY	$35,260	$40,058	13.6%	49
Buffalo-Niagara Falls, NY	$38,063	$42,788	12.4%	76
Syracuse, NY	$37,247	$41,774	12.2%	86
Rochester, NY	$39,047	$43,780	12.1%	88
Kingston, NY	$38,442	$42,937	11.7%	106
Ithaca, NY	$34,839	$38,852	11.5%	114
Elmira, NY	$34,127	$38,056	11.5%	115
New York-Northern New Jersey-Long Island, NY-NJ-PA	$52,846	$58,403	10.5%	165
Binghamton, NY	$35,024	$38,365	9.5%	219
Utica-Rome, NY	$34,657	$37,949	9.5%	222
Albany-Schenectady-Troy, NY	$43,626	$47,763	9.5%	224

Note: Ranking among total 381 Metropolitan Statistical Areas by 2009-12 growth rate in per capita personal income.

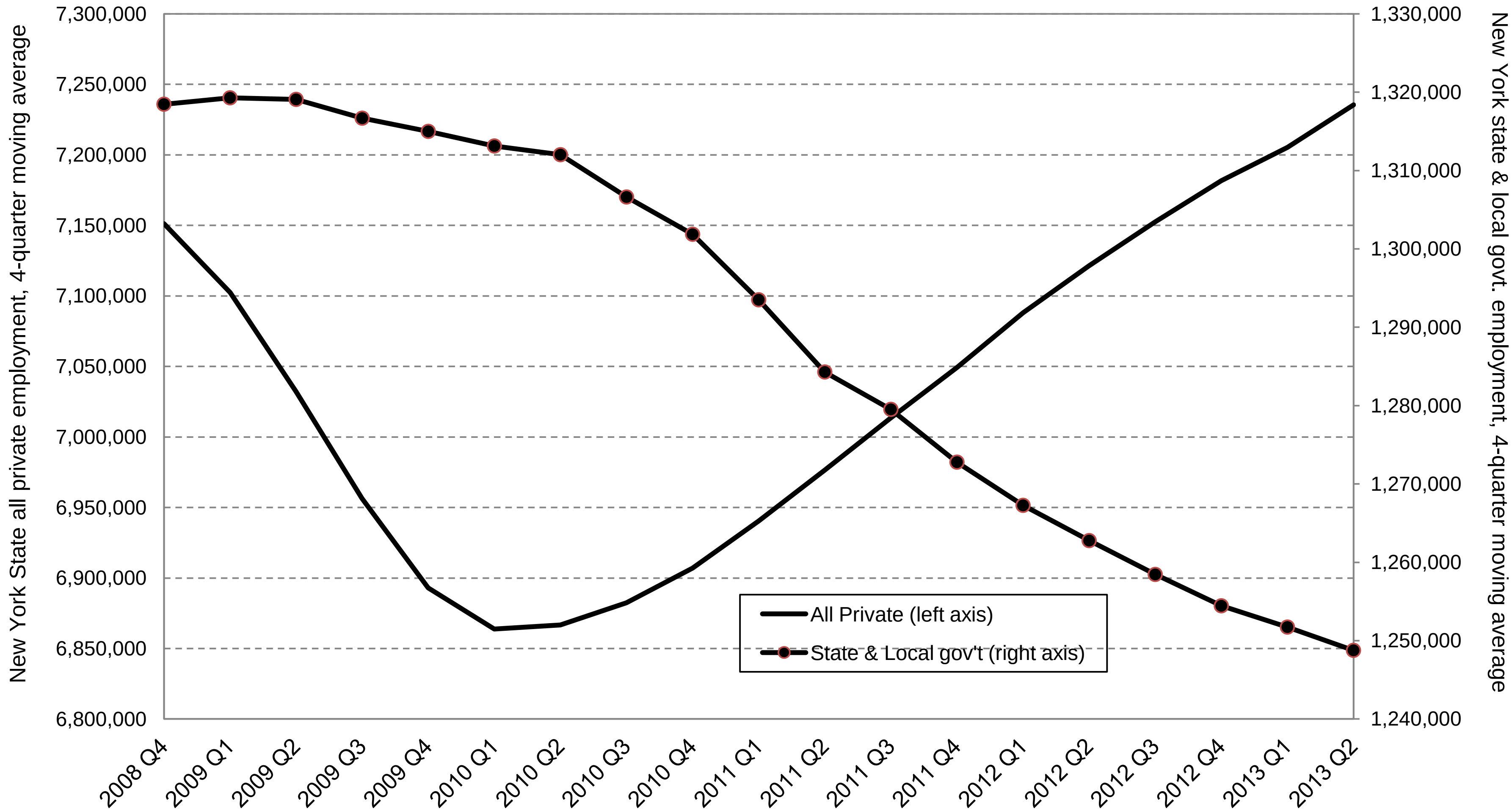
Source: FPI analysis of MSA personal income data from Bureau of Economic Analysis.

NYS still has a 120,000 "Jobs Deficit." That is the number of additional jobs needed for the state to re-gain its pre-recession (Dec. 2007) employment rate relative to the working age population.



Source: Payroll employment, seasonally adjusted, from NYS DOL Current Employment Statistics. Population 16 and over from U.S. BLS, at http://www.bls.gov/lau/ststdsadata.txt. The apparent April, 2010, discontinuity is due to the decennial Census population adjustments. In December 2007, payroll employment was at 57.7% of state population 16 years old and over; in December 2013, it was 56.9%.

New York State lost 71,000 state and local government jobs between Q2 of 2009 and Q2 of 2013. Since the recovery began, state and local government employment has fallen by 4.9% while the number of private sector jobs grew by 5.4% through mid-2013.



Source: Fiscal Policy Institute's analysis of New York State Department of Labor QCEW data, 1Q 2008-2Q 2013.

With the exceptions of New York City, Long Island and Ithaca, four years of recovery have not yet made up for two years of recession job losses in the rest of downstate or upstate New York, or in the U.S. overall.

	Total non-farm employment	Absolute change in employment, Dec. - Dec.			Percent change in employment, Dec. - Dec.		
Total non-farm employment in thousands	**Dec. 2013**	**2007 - 2009**	**2009 - 2013**	**2007 - 2013**	**2007 - 2009**	**2009 - 2013**	**2007 - 2013**
United States	137,753.0	-8,687.0	7,511.0	-1,176.0	-6.3%	5.8%	-0.8%
New York State	9,016.0	-297.7	392.1	94.4	-3.3%	4.5%	1.1%
New York City	4,038.4	-108.4	307.4	199.0	-2.8%	8.2%	5.2%
Eastern New York	**2,758.8**	**-116.4**	**89.4**	**-27.0**	**-4.2%**	**3.3%**	**-1.0%**
Albany-Schenectady-Troy, NY MSA	450.7	-13.5	8.1	-5.4	-3.0%	1.8%	-1.2%
Glens Falls, NY MSA	55.0	-2.8	2.4	-0.4	-5.1%	4.6%	-0.7%
Kingston, NY MSA	61.2	-3.0	-0.1	-3.1	-4.7%	-0.2%	-4.8%
Nassau-Suffolk, NY Metropolitan Division	1,309.2	-54.0	69.2	15.2	-4.2%	5.6%	1.2%
Poughkeepsie-Newburgh-Middletown, NY MSA	251.5	-8.2	0.4	-7.8	-3.2%	0.2%	-3.0%
Putnam-Rockland-Westchester, NY MSA	570.0	-31.7	8.5	-23.2	-5.3%	1.5%	-3.9%
Eastern NY non-metropolitan areas	61.2	-3.2	0.9	-2.3	-5.0%	1.5%	-3.6%
Western and Northern New York	**2,221.2**	**-71.6**	**38.7**	**-32.9**	**-3.2%**	**1.8%**	**-1.5%**
W & N NY Metropolitan Areas	1,710.1	-52.4	34.8	-17.6	-3.0%	2.1%	-1.0%
Binghamton, NY MSA	107.1	-4.7	-3.9	-8.6	-4.1%	-3.5%	-7.4%
Buffalo-Niagara Falls, NY MSA	556.9	-16.0	13.9	-2.1	-2.9%	2.6%	-0.4%
Ithaca, NY MSA	69.8	0.0	3.3	3.3	0.0%	5.0%	5.0%
Rochester, NY MSA	522.5	-15.6	15.7	0.1	-3.0%	3.1%	0.0%
Syracuse, NY MSA	323.2	-12.6	6.6	-6.0	-3.8%	2.1%	-1.8%
Utica-Rome, NY MSA	130.6	-3.5	-0.8	-4.3	-2.6%	-0.6%	-3.2%
W& N NY non-Metropolitan Areas	511.1	-19.2	3.9	-15.3	-3.6%	0.8%	-2.9%
10-county downstate area	**5,917.6**	**-194.1**	**385.1**	**191.0**	**-3.4%**	**7.0%**	**3.3%**
52-county upstate area	**3,100.8**	**-102.3**	**50.4**	**-51.9**	**-3.2%**	**1.7%**	**-1.6%**

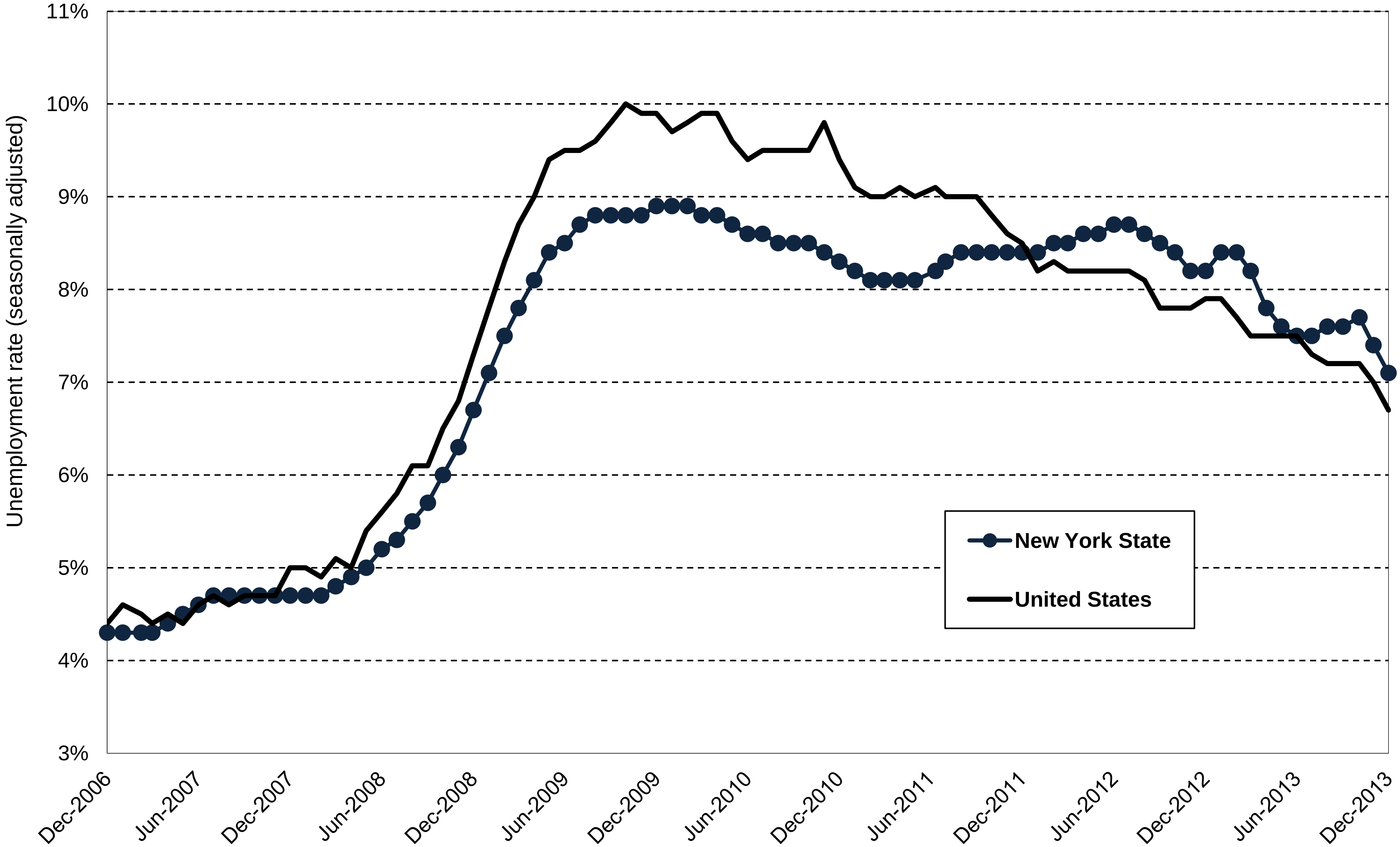
Source: FPI analysis of BLS and NYS DOL Current Employment Statistics(Dec. of each year, not seasonally adjusted). NYS total separately estimated and not equal to the sum of the substate areas. 2012 and 2013 data will be revised in March 2014.

In the Hudson Valley, Binghamton, Elmira and Utica metro areas, government job declines over the past four years have been in the 6-to-12 percent range, much steeper than at the national level.

	December 2008, government share of employment	Employment change Dec. 2008-Dec. 2013		
		Total	Private	Gov't.
United States	**16.9%**	**1.8%**	**2.8%**	**-3.1%**
New York State	**17.4%**	**1.9%**	**3.4%**	**-5.1%**
New York City	**14.8%**	**5.5%**	**7.1%**	**-4.0%**
Eastern New York (Downstate suburbs and Hudson Valley)	**18.8%**	**0.7%**	**2.4%**	**-6.5%**
Albany-Schenectady-Troy, NY MSA	24.5%	-0.6%	1.4%	-6.9%
Glens Falls, NY MSA	20.7%	2.8%	4.5%	-3.6%
Kingston, NY MSA	25.0%	-2.4%	-1.1%	-6.4%
Nassau-Suffolk, NY Metropolitan Division	16.4%	3.1%	4.4%	-3.5%
Poughkeepsie-Newburgh-Middletown, NY MSA	20.8%	-1.8%	0.5%	-10.9%
Putnam-Rockland-Westchester, NY MSA	17.0%	-2.0%	-0.4%	-9.8%
Columbia County	25.2%	0.5%	4.5%	-11.3%
Greene County	30.9%	0.0%	0.0%	0.0%
Sullivan County	26.0%	-3.5%	-1.0%	-10.4%
Western and Northern New York	**20.0%**	**-0.7%**	**0.0%**	**-3.6%**
Metropolitan Areas	18.0%	-0.5%	0.0%	-2.6%
Binghamton, NY MSA	22.7%	-6.8%	-6.0%	-9.6%
Buffalo-Niagara Falls, NY MSA	17.5%	0.1%	1.2%	-5.1%
Elmira, NY MSA	18.0%	-2.0%	0.3%	-12.2%
Ithaca, NY MSA	13.4%	5.4%	3.5%	18.0%
Rochester, NY MSA	16.0%	0.6%	0.6%	0.2%
Syracuse, NY MSA	18.1%	-1.0%	-1.4%	1.2%
Utica-Rome, NY MSA	26.0%	-2.8%	-1.4%	-6.9%
Non-Metropolitan Areas	26.7%	-1.7%	-0.2%	-5.7%
10-county downstate area	**15.4%**	**4.2%**	**5.8%**	**-4.6%**
52-county upstate area	**21.0%**	**-0.8%**	**0.3%**	**-4.9%**

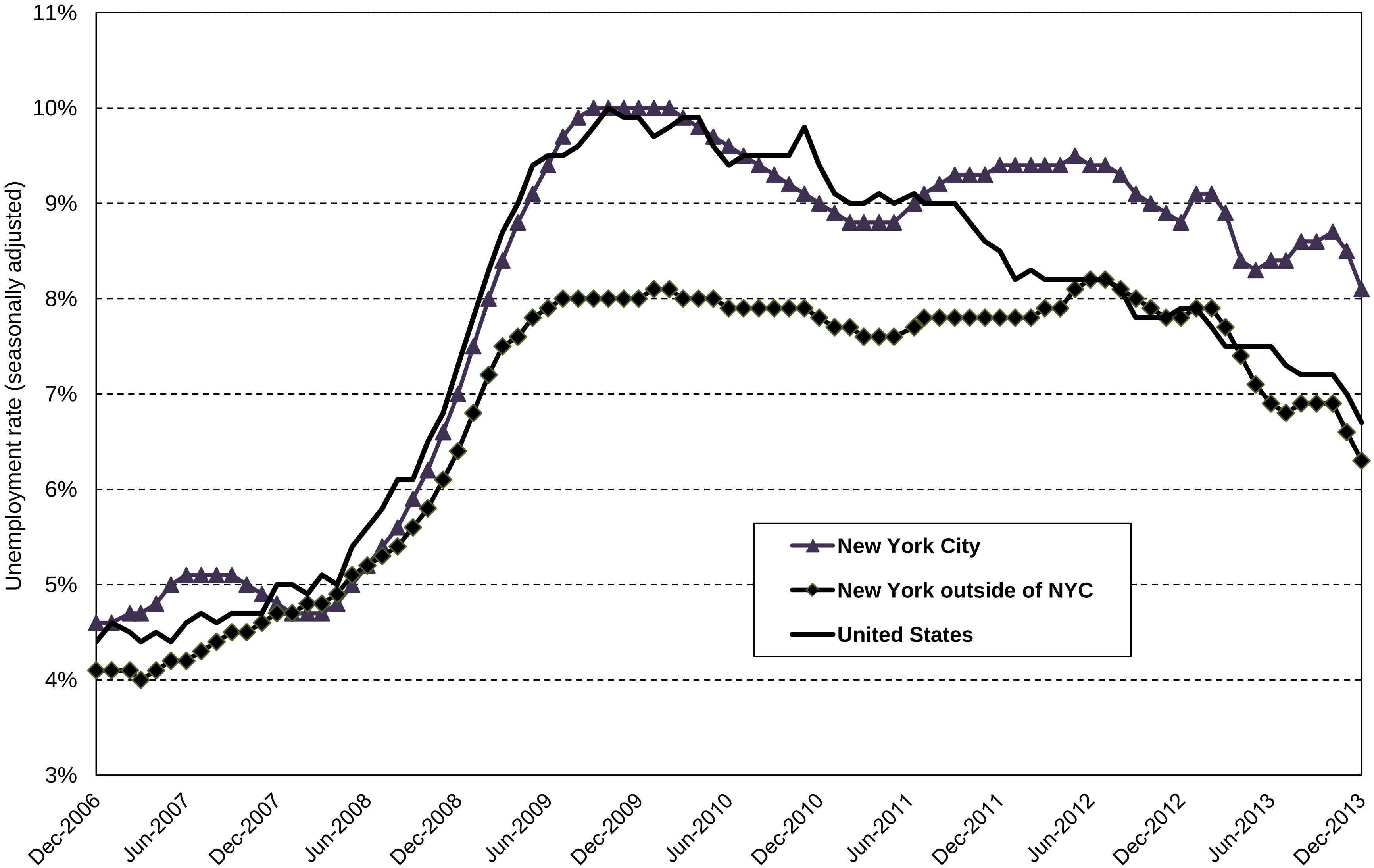
Source: FPI analysis of Bureau of Labor Statistics (U.S. total) and NYS Department of Labor Current Employment Statistics (CES).

NYS's unemployment rate fell by 1.1% in 2013, and is now more closely tracking the nation's after two years when it did not fall.



Source: Bureau of Labor Statistics and New York State Department of Labor.

Unemployment fell in NYC and around the state in 2013, yet it remains well above the 4-5% range that prevailed in 2007 before the recession.



Source: Bureau of Labor Statistics and New York State Department of Labor.

Unemployment remains high in the upstate cities and in New York City, and higher than in suburban areas.

Labor force statistics, 2H, 2013	Labor force	Employed	Unemployed	Unempl. rate
Upstate Metropolitan Areas (MSAs)				
Albany-Schenectady-Troy, NY MSA	445,367	418,650	26,717	**6.0%**
Albany city	46,967	43,683	3,283	**7.0%**
Schenectady city	30,850	28,467	2,350	**7.6%**
Troy city	23,817	21,850	1,950	**8.2%**
Outside of cities	343,733	324,650	19,133	**5.6%**
Binghamton, NY MSA	114,917	106,500	8,400	**7.3%**
Binghamton city	19,967	18,383	1,567	**7.8%**
Outside of city	94,950	88,117	6,833	**7.2%**
Buffalo-Niagara Falls, NY MSA	575,650	535,333	40,317	**7.0%**
Buffalo city	115,900	105,117	10,800	**9.3%**
Niagara Falls city	22,783	20,750	2,050	**9.0%**
Outside of cities	436,967	409,467	27,467	**6.3%**
Rochester, NY MSA	521,467	486,700	34,783	**6.7%**
Rochester city	93,250	84,567	8,683	**9.3%**
Outside of city	428,217	402,133	26,100	**6.1%**
Syracuse, NY MSA	320,467	298,067	22,367	**7.0%**
Syracuse city	63,033	57,750	5,267	**8.4%**
Outside of city	257,433	240,317	17,100	**6.6%**
Five major upstate NY MSAs	1,977,867	1,845,250	132,583	**6.7%**
Cities	416,567	380,567	35,950	**8.6%**
Outside of cities	1,561,300	1,464,683	96,633	**6.2%**
New York City	4,061,750	3,721,233	340,517	**8.4%**
Five NYC suburban counties	2,188,850	2,061,933	126,900	**5.8%**
Nassau county	701,217	662,417	38,817	**5.5%**
Putnam county	54,033	51,117	2,933	**5.4%**
Rockland county	157,700	148,783	8,883	**5.6%**
Suffolk county	799,450	751,383	48,050	**6.0%**
Westchester county	476,450	448,233	28,217	**5.9%**
10 downstate counties	6,250,600	5,783,167	467,417	**7.5%**
Total of six major metropolitan areas	8,228,467	7,628,417	600,000	**7.3%**
Rest of State	1,430,783	1,330,133	100,700	**7.0%**
New York State	9,659,250	8,958,550	700,700	**7.3%**
United States	155,512,500	144,602,500	10,909,667	**7.0%**

Source: FPI analysis of New York State Department of Labor Local Area Unemployment Statistics, not seasonally adjusted.

The average duration of unemployment in New York is 9 months, higher than for the nation overall, and it is nearly a year for college-educated New York City residents.

Second half of 2013, Average duration of unemployment (weeks)

	US	NYS	NYC	Balance of NYS
ALL				
Number unemployed	10,398,000	690,000	348,000	342,000
Avg. weeks unemployed	33	38	41	34
Gender				
Males	34	37	40	34
Females	32	38	42	34
Race and Ethnicity				
White non-Hispanics	33	36	45	32
Black non-Hispanics	36	36	33	40
Hispanics	30	39	42	30
Asians & others	34	51	53	46
Education Attainment Level				
Less than high school	37	38	41	33
High school or equivalent	37	41	42	39
Some college	36	43	45	41
College and higher	34	42	50	33
Selected Age Groups				
18-24	24	26	26	25
25-34	32	44	46	42
35-44	35	40	47	31
45-54	37	35	38	32
55 and older	42	44	47	42

Note: Analysis of education breakouts for those 25 and older only.
Source: FPI analysis of Current Population Survey microdata, ages 18 and older.

After four years of recovery, unemployment is still much higher than before the recession; black and Hispanic unemployment is twice or more that for non-Hispanic whites.

	New York (statewide)			New York City			NYS outside of NYC			United States		
	2H of 2008	2H of 2013	Change in pct. point	2H of 2008	2H of 2013	Change in pct. point	2H of 2008	2H of 2013	Change in pct. point	2H of 2008	2H of 2013	Change in pct. point
ALL	5.9%	**7.5%**	1.6%	6.1%	**8.5%**	2.4%	5.8%	**7.5%**	1.7%	6.4%	**7.1%**	0.7%
Gender												
Males	6.5%	**8.3%**	1.8%	6.8%	**9.3%**	2.5%	6.3%	**7.7%**	1.4%	6.8%	**7.3%**	0.5%
Females	5.3%	**6.6%**	1.3%	5.4%	**7.6%**	2.2%	5.2%	**7.3%**	2.1%	6.0%	**6.9%**	1.6%
Race and Ethnicity												
White non-Hispanics	4.7%	**5.5%**	0.8%	3.6%	**5.3%**	1.7%	5.2%	**6.6%**	1.4%	5.3%	**5.6%**	0.4%
Black non-Hispanics	11.2%	**13.3%**	2.2%	11.0%	**12.0%**	1.0%	11.1%	**10.3%**	-0.8%	11.4%	**12.9%**	1.4%
Hispanics	7.1%	**10.8%**	3.7%	7.0%	**11.3%**	4.3%	7.0%	**13.4%**	6.4%	8.4%	**9.0%**	0.6%
Asians & others	4.2%	**6.0%**	1.9%	3.6%	**6.6%**	3.0%	5.5%	**7.8%**	2.3%	5.7%	**7.1%**	1.4%
Educational Attainment Level*												
Less than high school	8.6%	**13.4%**	4.7%	9.0%	**13.4%**	4.5%	7.9%	**12.9%**	5.1%	9.9%	**10.4%**	0.6%
High school or equiv.	5.4%	**8.1%**	2.7%	5.4%	**10.9%**	5.6%	5.5%	**7.9%**	2.4%	6.3%	**7.2%**	0.9%
Some college	5.5%	**6.1%**	0.6%	6.5%	**7.0%**	0.5%	4.9%	**5.9%**	1.0%	5.2%	**6.2%**	1.0%
College and higher	3.5%	**4.5%**	1.0%	3.7%	**5.0%**	1.2%	3.3%	**3.7%**	0.4%	3.1%	**3.6%**	0.6%
Selected Age Groups												
16-19	17.0%	**18.5%**	1.5%	21.0%	**24.0%**	3.0%	16.2%	**25.3%**	9.0%	19.4%	**21.2%**	1.8%
20-24	10.1%	**12.6%**	2.6%	11.3%	**12.1%**	0.8%	9.5%	**14.5%**	5.0%	11.0%	**12.2%**	1.1%
25-34	6.2%	**7.2%**	1.0%	6.0%	**7.6%**	1.6%	6.4%	**6.6%**	0.2%	6.5%	**7.4%**	0.8%
35-44	5.1%	**5.3%**	0.2%	5.0%	**7.0%**	1.9%	5.2%	**5.7%**	0.4%	5.3%	**5.6%**	0.3%
45-54	4.2%	**7.0%**	2.7%	5.7%	**8.3%**	2.6%	3.2%	**5.8%**	2.6%	4.6%	**5.5%**	0.9%
55 and older	4.2%	**6.2%**	2.0%	4.4%	**8.1%**	3.7%	4.1%	**5.7%**	1.5%	4.4%	**5.1%**	0.7%

*Analysis by educational attainment restricted to those 25 and older.

Note: Adjusted to 6-month average LAUS for state, city, and balance of NYS.
Source: FPI analysis of Current Population Survey and New York State Department of Labor Local Area Unemployment Statistics (LAUS).

In addition to persistently high unemployment, many workers are discouraged and there has been an increase in involuntary part-time employment. NY's under-employment rate was 13.1% in the second half of 2013, and 14.4% in NYC, both higher than the U.S.

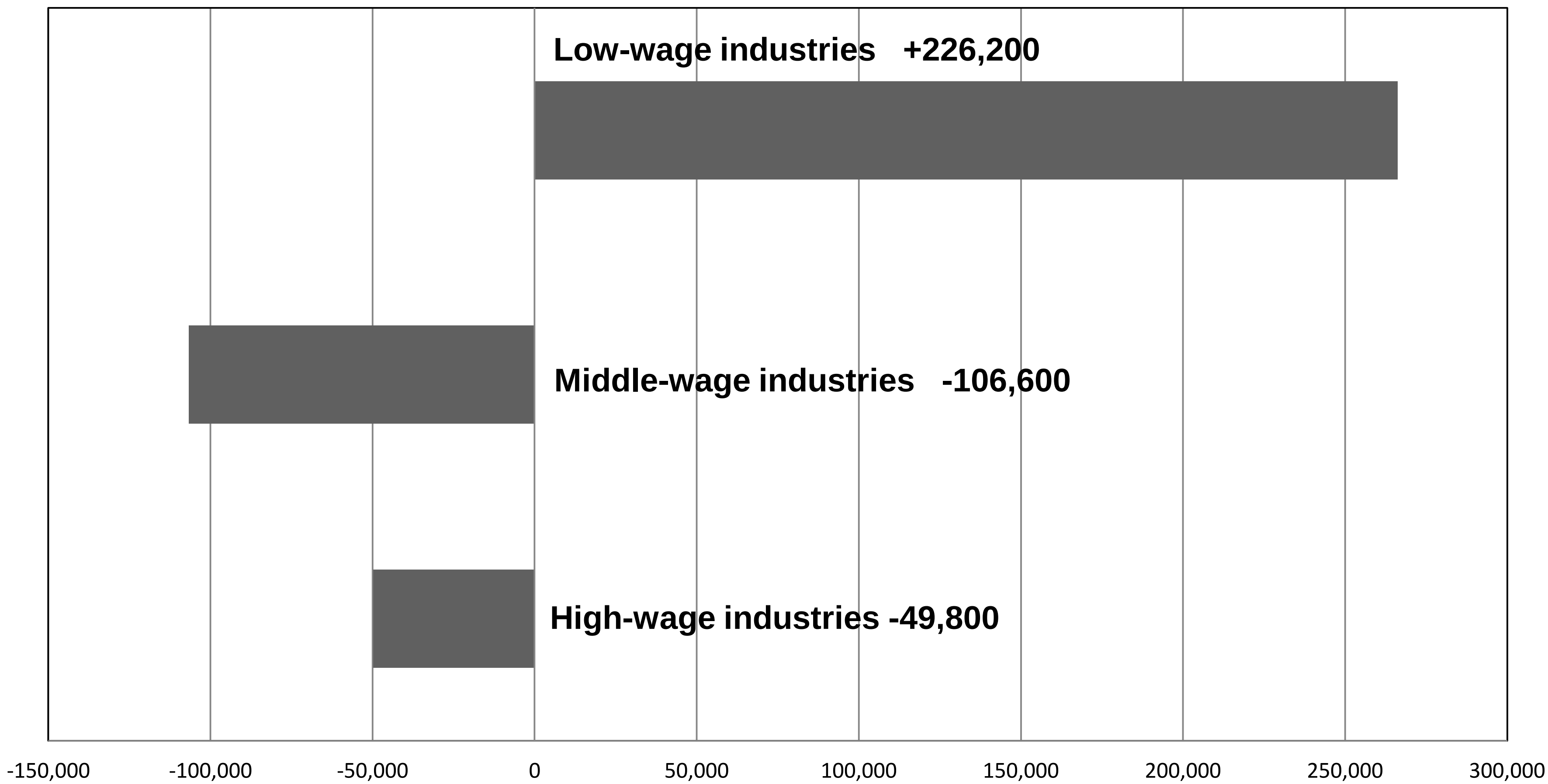
	New York (statewide)			New York City			NYS outside of NYC			United States		
	2H of 2008	2H of 2013	Change in pct. point	2H of 2008	2H of 2013	Change in pct. point	2H of 2008	2H of 2013	Change in pct. point	2H of 2008	2H of 2013	Change in pct. point
ALL	9.7%	**13.1%**	3.4%	10.0%	**14.4%**	4.4%	9.5%	**12.1%**	2.6%	10.2%	**12.6%**	2.4%
Gender												
Males	10.3%	**12.8%**	2.5%	10.8%	**14.0%**	3.2%	9.9%	**12.0%**	2.1%	10.2%	**12.2%**	1.9%
Females	9.1%	**13.4%**	4.2%	9.2%	**14.9%**	5.7%	9.1%	**12.2%**	3.5%	10.2%	**13.1%**	4.7%
Race and Ethnicity												
White non-Hispanics	8.1%	**9.9%**	1.8%	6.5%	**9.1%**	2.6%	8.7%	**10.4%**	1.7%	8.4%	**10.1%**	1.7%
Black non-Hispanics	17.0%	**22.2%**	5.1%	16.8%	**21.1%**	4.4%	17.2%	**23.9%**	6.6%	16.7%	**21.0%**	4.2%
Hispanics	11.8%	**18.6%**	6.8%	11.6%	**19.0%**	7.4%	11.9%	**16.8%**	4.9%	14.1%	**16.6%**	2.6%
Asians & others	6.5%	**10.9%**	4.5%	5.8%	**10.0%**	4.2%	7.9%	**12.4%**	4.4%	9.4%	**12.5%**	3.1%
Educational Attainment Level*												
Less than high school	14.9%	**22.9%**	8.0%	14.4%	**21.9%**	7.5%	15.4%	**24.1%**	8.7%	16.9%	**19.9%**	3.1%
High school or equiv.	9.1%	**13.8%**	4.7%	9.4%	**18.0%**	8.5%	8.9%	**10.7%**	1.8%	10.2%	**12.9%**	2.7%
Some college	8.8%	**11.1%**	2.2%	10.1%	**13.4%**	3.3%	8.2%	**9.8%**	1.7%	8.1%	**11.0%**	2.9%
College and higher	5.4%	**8.1%**	2.6%	6.1%	**8.2%**	2.1%	4.9%	**7.9%**	3.1%	4.7%	**6.3%**	1.6%
Selected Age Groups												
16-19	25.1%	**27.8%**	2.6%	27.6%	**29.4%**	1.8%	24.7%	**27.5%**	2.7%	28.1%	**31.4%**	3.2%
20-24	18.0%	**23.0%**	5.0%	18.8%	**22.5%**	3.7%	17.5%	**23.5%**	5.9%	17.7%	**22.7%**	5.0%
25-34	10.0%	**12.8%**	2.8%	9.0%	**13.7%**	4.7%	11.0%	**11.8%**	0.8%	10.4%	**13.1%**	2.7%
35-44	7.8%	**10.5%**	2.7%	7.9%	**12.5%**	4.6%	7.7%	**8.9%**	1.2%	8.2%	**9.9%**	1.7%
45-54	7.6%	**11.0%**	3.3%	10.7%	**12.5%**	1.8%	5.6%	**10.0%**	4.5%	7.5%	**9.7%**	2.2%
55 and older	6.9%	**11.1%**	4.2%	7.3%	**13.6%**	6.3%	6.6%	**9.5%**	2.9%	7.3%	**9.4%**	2.1%

*Analysis by educational attainment restricted to those 25 and older.

Note: Adjusted to 6-month average LAUS for state, city, balance, and US.

Source: FPI analysis of Current Population Survey and New York State Department of Labor Local Area Unemployment Statistics (LAUS).

New York State's net job gains since the recession began have been concentrated in industries with low average wages while there are more than 100,000 fewer jobs in middle-wage industries.



Note: Low wage industries have annual average wages below $45,000. Middle wage industries have annual average wages of $45,000-$75,000. High wage industries are those with annual average wages over $75,000.
Source: FPI seasonal adjustment of Current Employment Statistics data and QCEW 2012 annual average wage data from NYSDOL.

While 2013 wage and income growth was less than in 2012, the unemployment rate fell more than expected, and the outlook is for moderate growth over the next four years.

Calendar years, annual percent changes

	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	Forecast 2013	2014	2015	2016	2017
United States										
Real Gross Domestic Product	-0.3	-3.1	2.4	1.8	2.8	1.9	2.7	2.9	2.9	2.8
Personal income	4.6	-4.8	3.8	5.1	4.2	2.9	4.3	5.3	5.3	5.1
Total wages	2.0	-4.3	2.1	4.0	4.3	3.1	4.5	5.6	5.4	4.9
Employment	-0.6	-4.4	-0.7	1.2	1.7	1.6	1.7	2.0	1.9	1.7
Unemployment rate	6.1	9.9	10.2	8.9	8.1	7.4	6.8	6.3	5.9	5.7
New York State										
Personal income	3.7	-4.9	5.6	4.5	3.1	1.9	5.2	4.9	5.0	5.1
Total wages	2.1	-6.9	4.4	3.8	2.9	1.6	5.4	4.6	4.6	4.6
Employment	0.7	-2.7	0.1	1.3	1.3	1.2	1.2	1.2	1.2	1.1
Unemployment rate	5.3	8.3	8.6	8.2	8.5	7.7	7.5	6.8	6.2	5.8

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and NYS Division of the Budget, *2014-2015 Executive Budget Economic and Revenue Outlook* , p.136.

Pronounced income inequality persists in NY with most of the income gains in the recent years going to the very top. Median wages and family incomes have fallen, and poverty and hardships have risen since the recession began.

- 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 over half of corporate dividends and 90 percent of capital gains. According to economist Emanuel Saez, 95% of national income growth in this recovery has gone to the wealthiest top 1%.

- Nobel-laureate economist Joseph Stiglitz notes four reasons inequality retards growth:
    - Stagnant incomes and high debt burdens make it hard for the middle class to support consumer spending, which accounts for two-thirds 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.

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 1.34 million, or by 74%, since the recession began, and outside of NYC, the increase was 86%.

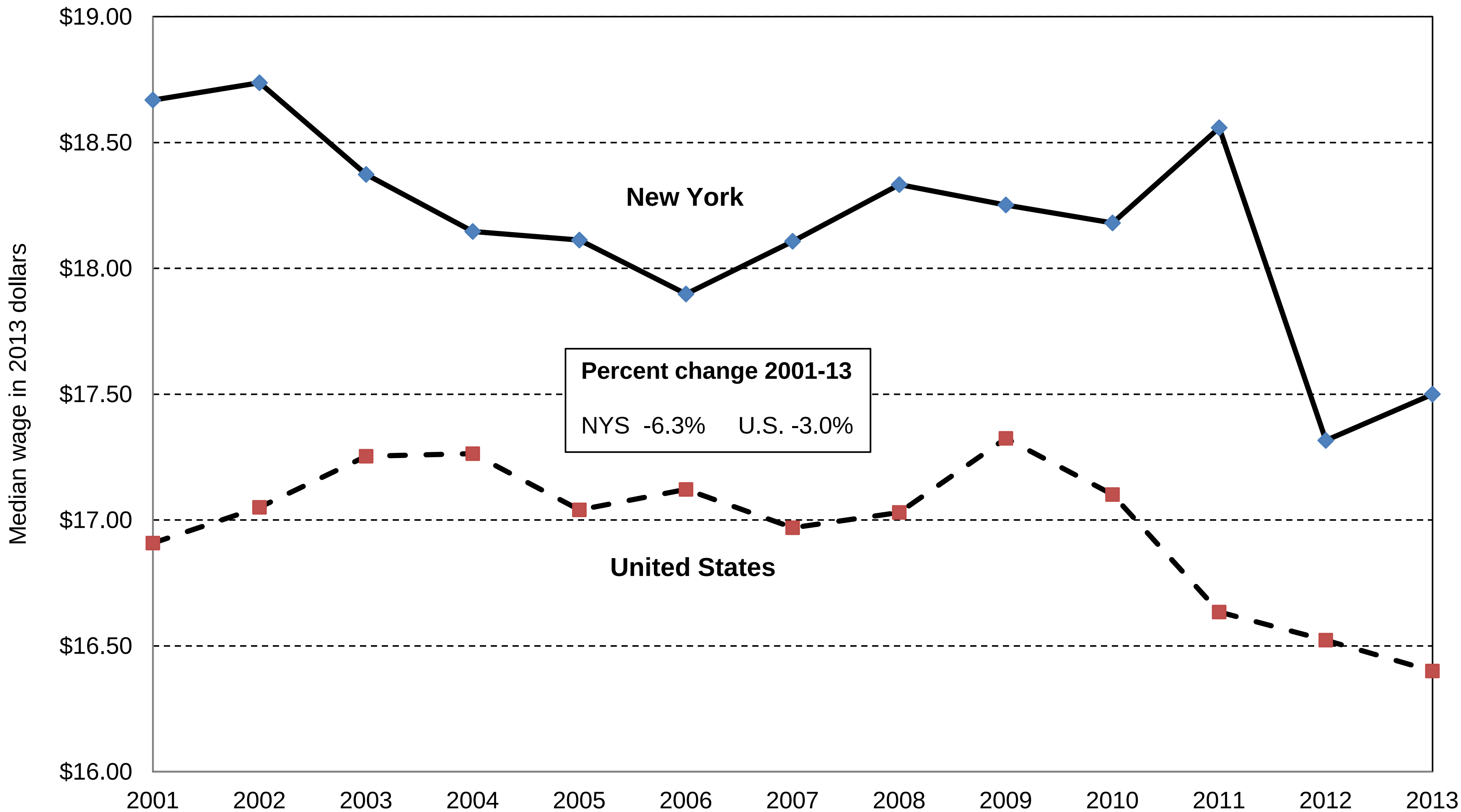
- Over 13 percent of New York households experienced food insecurity in 2010-12, according to the U.S. Department of Agriculture in their most recent national survey. The USDA defines food insecurity as "at times during the year, these households were uncertain of having, or unable to acquire, enough food to meet the needs of all their members because they had insufficient money or other resources for food."

- More than 1.2 million New Yorkers were added to the **Medicaid** rolls from August 2007 to August 2013, bringing the total to 5.34 million, or more than 27% of state residents.

- The number of people receiving **public assistance** grew by one-third outside of New York City over the past 5 years, while the previous administration in NYC discouraged people from accessing public assistance.

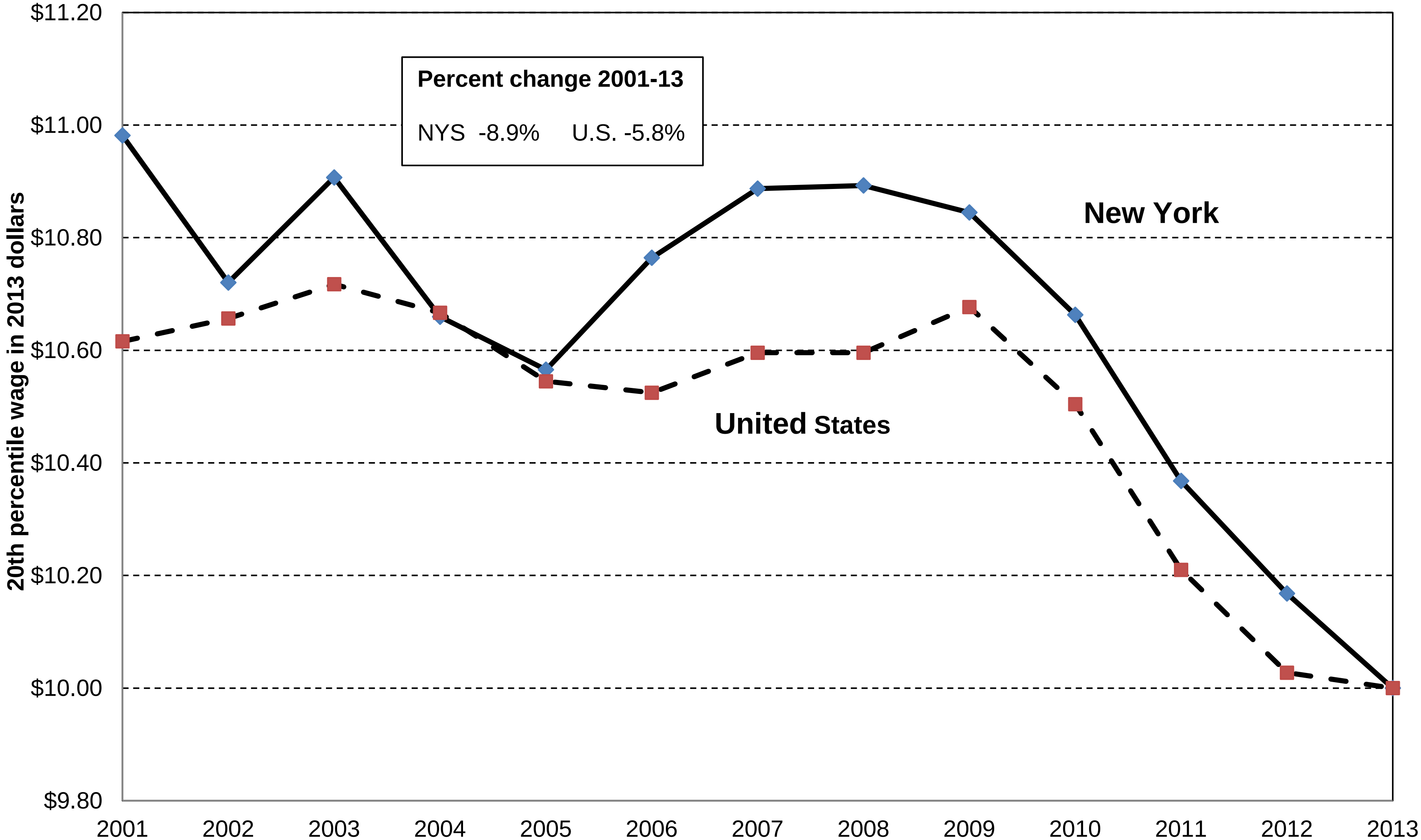
- New York has better protections than most states to help people slow the mortgage foreclosure process and stay in their homes. Even though foreclosures were not as severe as in many states during the worst of the 2008-2012 housing crisis, nearly 10 percent of New York home mortgage debt is more than 90 days overdue, more than twice the national average.

Real median wages in New York State and the U.S. are still below levels from the early 2000's.



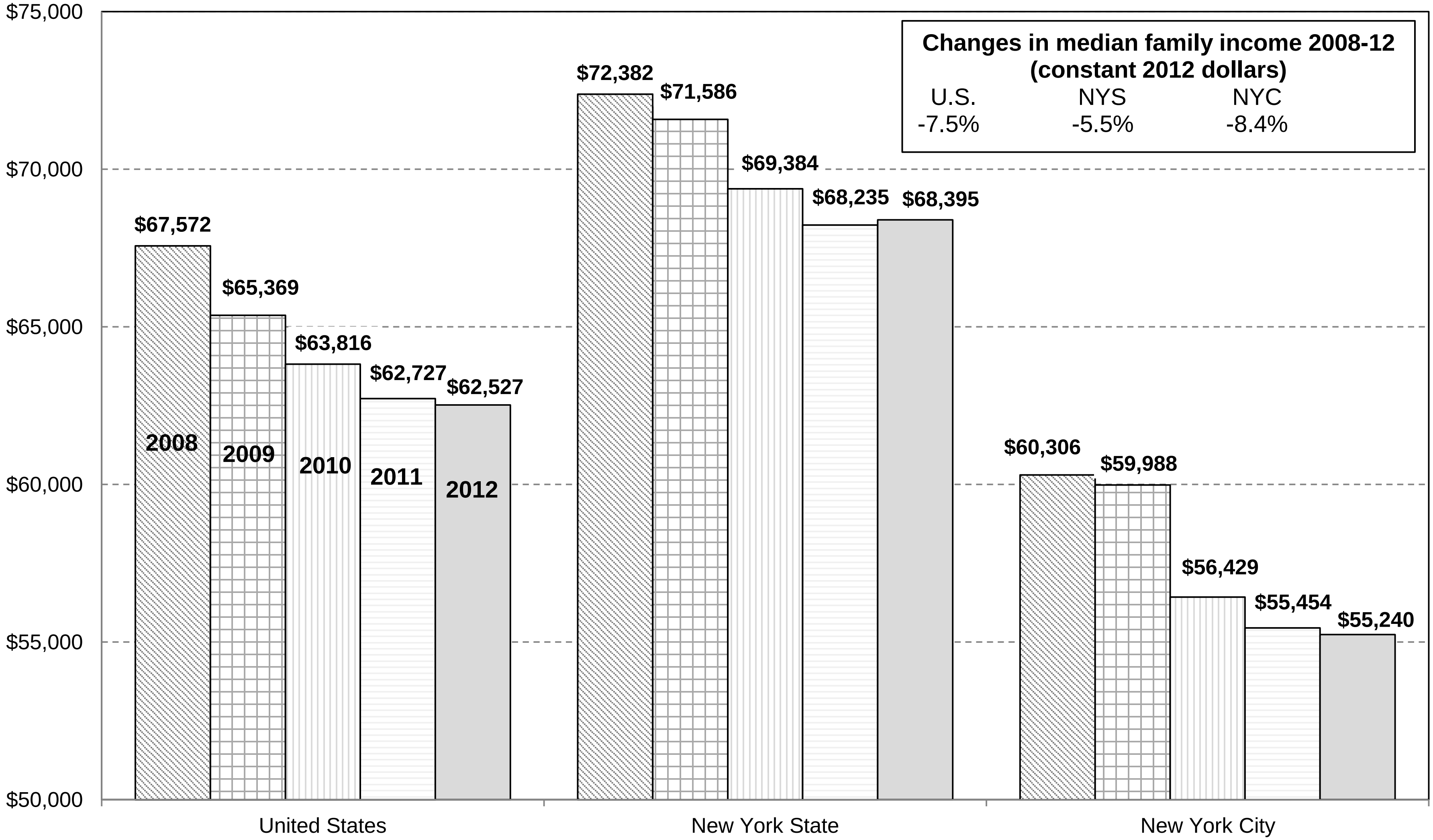
Source: FPI analysis of Current Population Survey (CPS) Outgoing Rotation Group data provided by the Economic Policy Institute.

Real hourly wages for the typical low-wage worker in NYS and the U.S. have fallen more since 2001 than for median-wage workers.



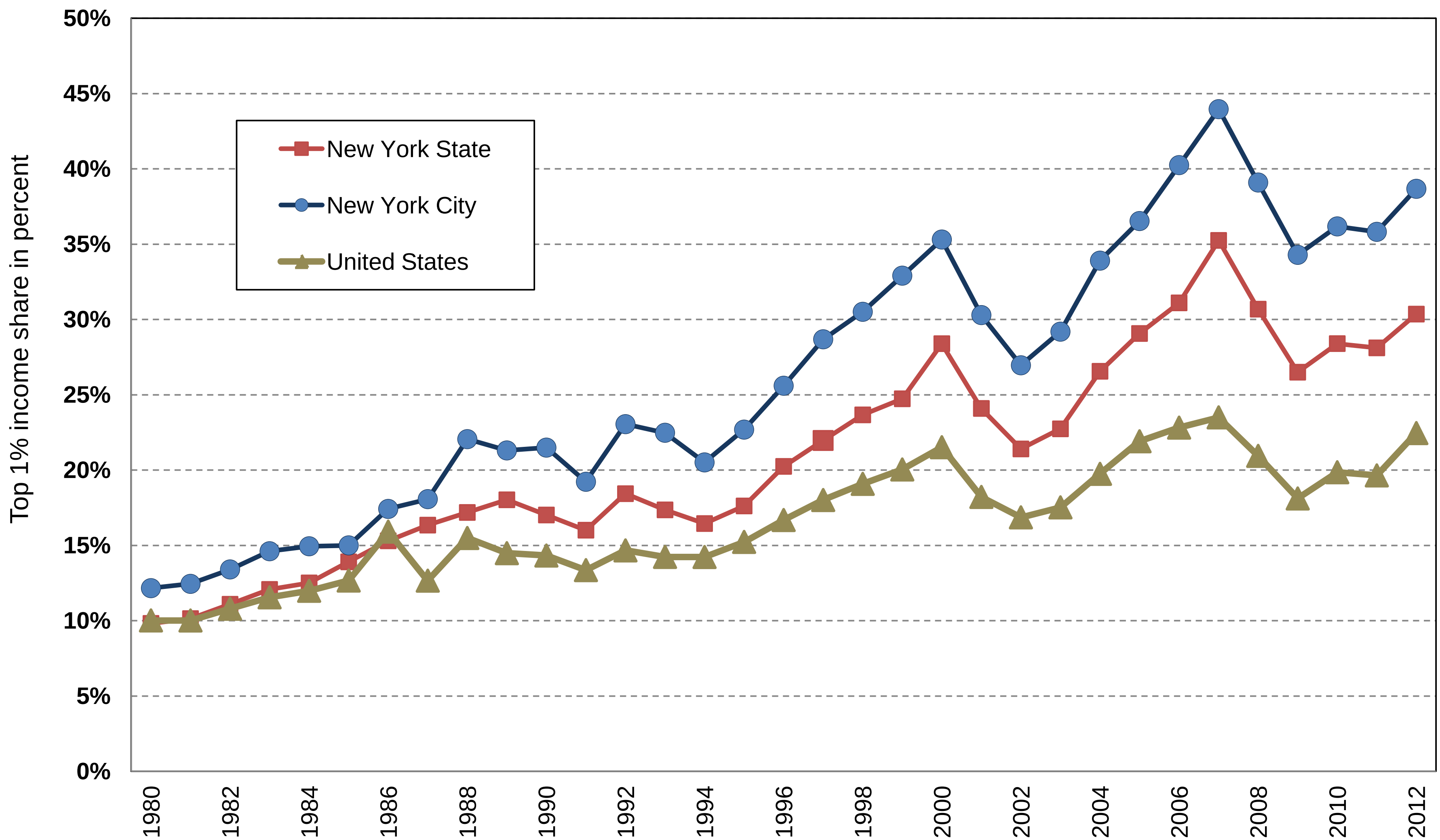
Source: FPI analysis of Current Population Survey Outgoing Rotation Group data provided by EPI

Inflation-adjusted median family income has fallen sharply 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 2008-2012 1-year estimates.

The income share of the top 1% in the U.S. and New York rose sharply in 2012; in NYS, the top 1% has 30% of all income, three times its 1980 share.



Source: Piketty and Saez's top 1% income share for the US and FPI analysis of NYS Department of Tax and Finance and Division of the Budget data for NYS and NYC top 1% income share, 2011-2012 projected.

Extreme income polarization dates from the late 1970s and results from policy choices, not technological change or globalization.

- Income polarization is more extreme in the U.S. than in 20 other developed economies, according to Professor Janet Gornick of the Luxembourg Income Study and CUNY Grad Center. (Analysis of income after taxes and transfers, based on data for 2003-2010.)

- For 35 years after W.W. II, the richest 1% in the U.S. had a remarkably stable 10% share of national income. Since the late 1970s, the income share going to the top 1% has steadily risen to 22.5% in 2012, although the share tends to rise and fall around the upward trend line due to the volatility of capital gains. (Piketty and Saez data.)

- Political scientists Jacob Hacker and Paul Pierson trace the roots of the pronounced income polarization in the U.S. to a series of public policy choices made in Washington in their new classic, <u>Winner-Take-All Politics: How Washington Made the Rich Richer—And Turned Its Back on the Middle Class</u>. Some of the major policy changes they point to that re-wrote the social contract involved de-regulation (including financial de-regulation), international trade, taxes, executive pay, minimum wages, and labor unions.

- NYS tracks the national trend although income polarization is more pronounced here, partly because of the concentration of the finance sector (the sector with the highest compensation) and the large poverty populations in NYC and the upstate cities.

Taking stock of the War on Poverty, and of how well our economy enables people to achieve economic security.

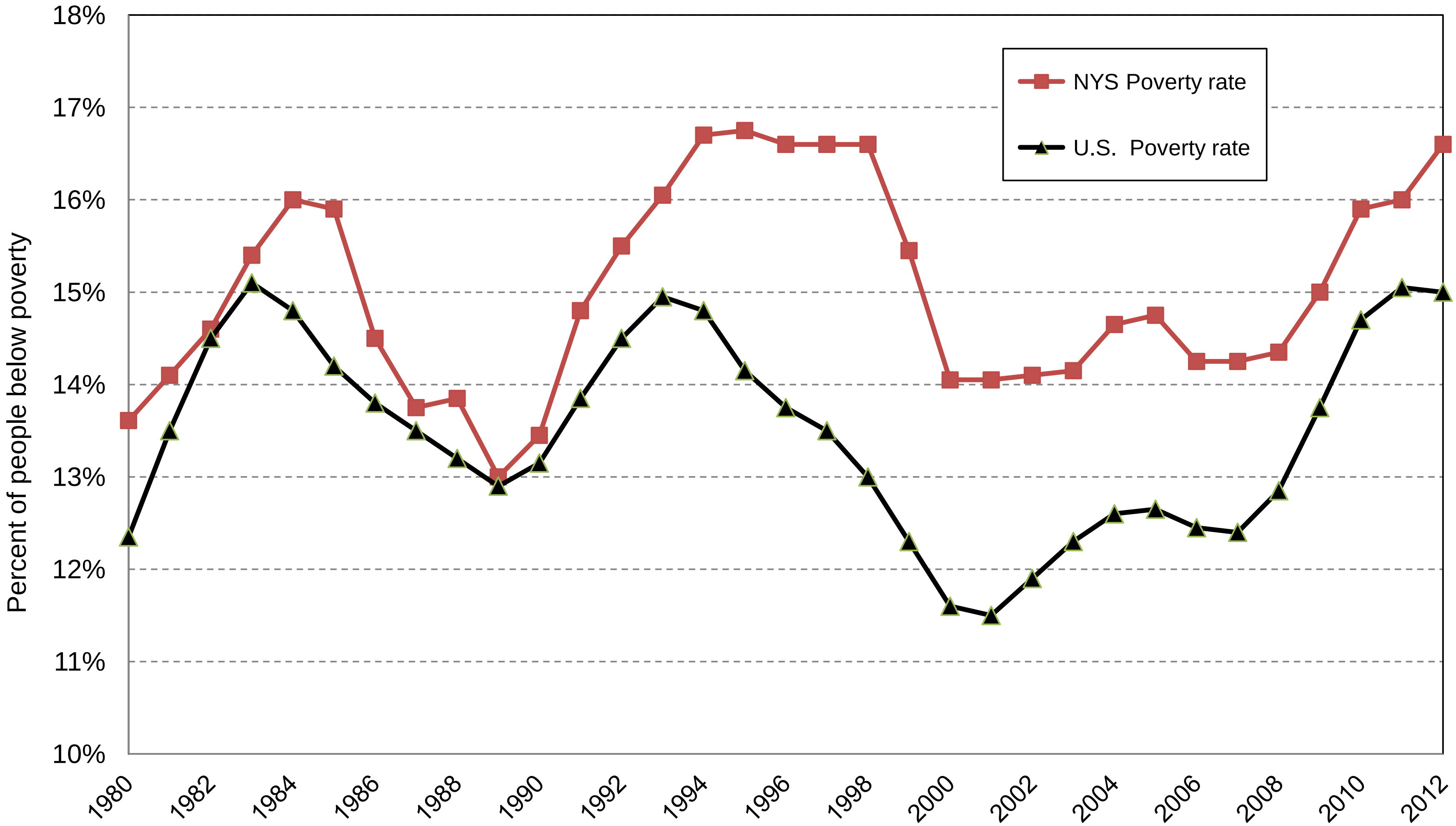
- The War on Poverty has made a huge difference in addressing poverty and in keeping millions of Americans out of poverty. Yet, nearly 50 million people (including 3 million New Yorkers) were poor in 2012, with 13 million children (1 million in New York) living in poverty. Large racial disparities remain, with child poverty much higher and the share of blacks with a college degree much lower than among whites. The Center on Budget and Policy Priorities (CBPP) also notes that poverty is much higher in the U.S. than in other wealthy nations largely because our safety net does less to lift people out of poverty.

- The nation's record in fighting poverty is mixed. On the one hand, our safety net along with rising education levels, higher female employment, and smaller families have helped to reduce poverty. On the other hand, rising numbers of single-parent families, growing income inequality, and worsening labor market prospects for less-educated workers have pushed in the other direction.

- Using the Census Bureau's Supplemental Poverty Measure (which factors in critical safety net programs like low-income tax credits and non-cash assistance like SNAP), CBPP analysts calculated the effect of the safety net in keeping 40 million people out of poverty, including 2.4 million New Yorkers.
    - Social Security kept 26 million people above the poverty line;
    - The EITC kept 6.1 million people out of poverty, and is the most effective program other than Social Security in lifting children out of poverty (3.1 million);
    - The SNAP Program kept 4.7 million Americans out of poverty; and
    - Unemployment insurance helped 3.5 million people stay above the poverty line in 2011.

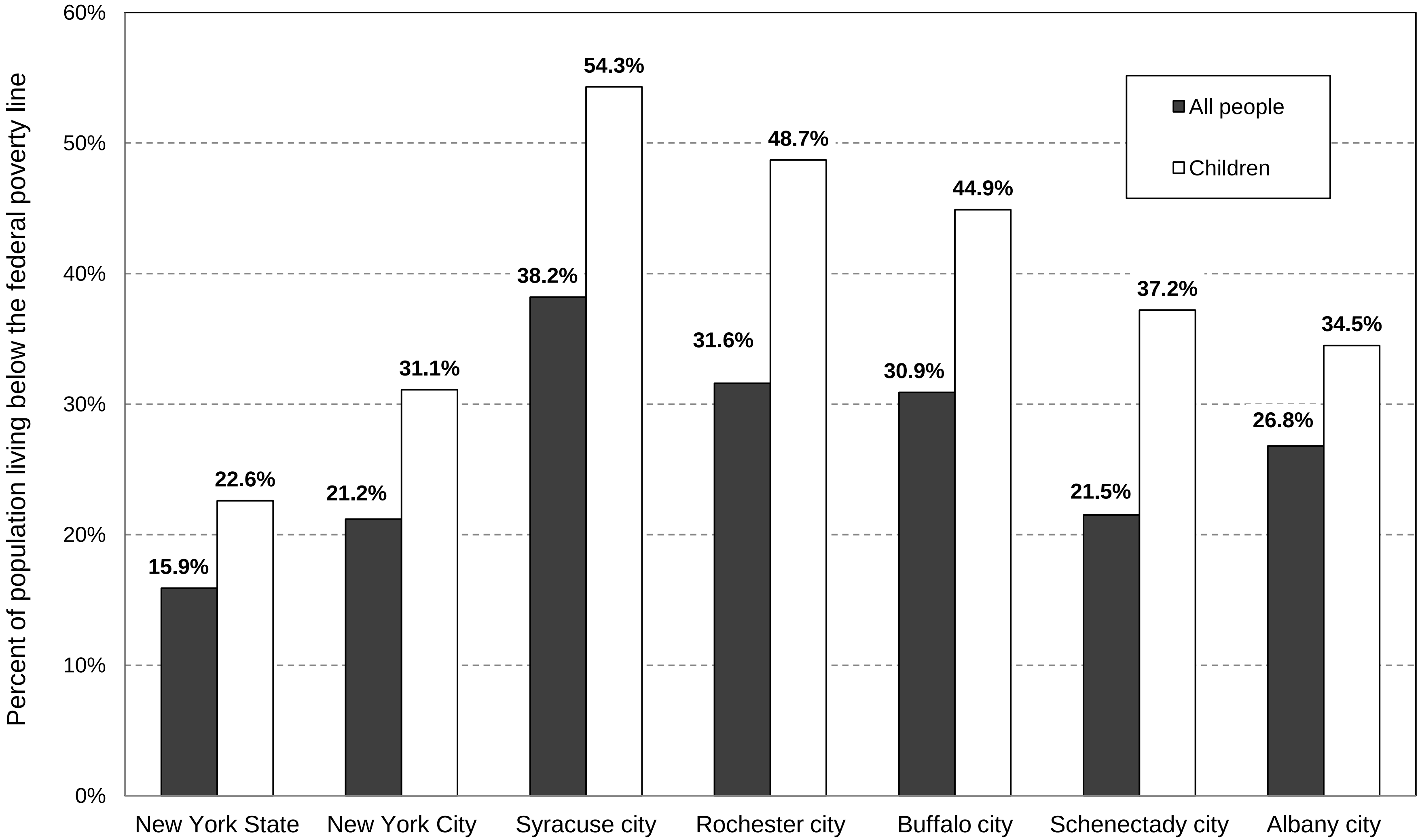
- In a new report from the Stanford Center on Poverty & Inequality looking at the persistence of poverty in the U.S., researchers found that the main culprit is that our "economy is failing to deliver the jobs, a failure that then generates much poverty, that exposes the safety net to demands well beyond its capacity to meet them, that produces too many children poorly prepared for school, and that places equally harsh demands on our healthcare, penal, and retirement systems."

Poverty has risen sharply since the onset of the 2008-09 recession.



Note: According to Census Bureau data, the one-year change in New York State poverty rate from 2011 to 2012 was not statistically significant.
Source: FPI's analysis of CPS March supplement poverty data from Census Bureau, two-year moving averages (second year marked on axis.

Poverty rates for all persons and for children are much higher in the major upstate cities than in New York City and New York State overall.



Source: American Community Survey (ACS) 2012 single-year estimate data.

IV. An Economic Policy Agenda to Address Income Inequality

This overview of New York's performance during this historically weak recovery points up the critical need for New York's policy makers to use various state budget, tax and economic policy levers to address the current economic insecurity experienced by millions of New Yorkers.

- Fundamentally, New York needs to enact policies that boost economic and job growth and that improve and enforce labor standards and opportunities for advancement. Accelerating the increase in the minimum wage creates a more meaningful floor under the labor market.

- Continued self-inflicted austerity budget policies are counter-productive: they weaken current job growth and by forcing under-investment in education they undermine New York's long-term growth prospects.

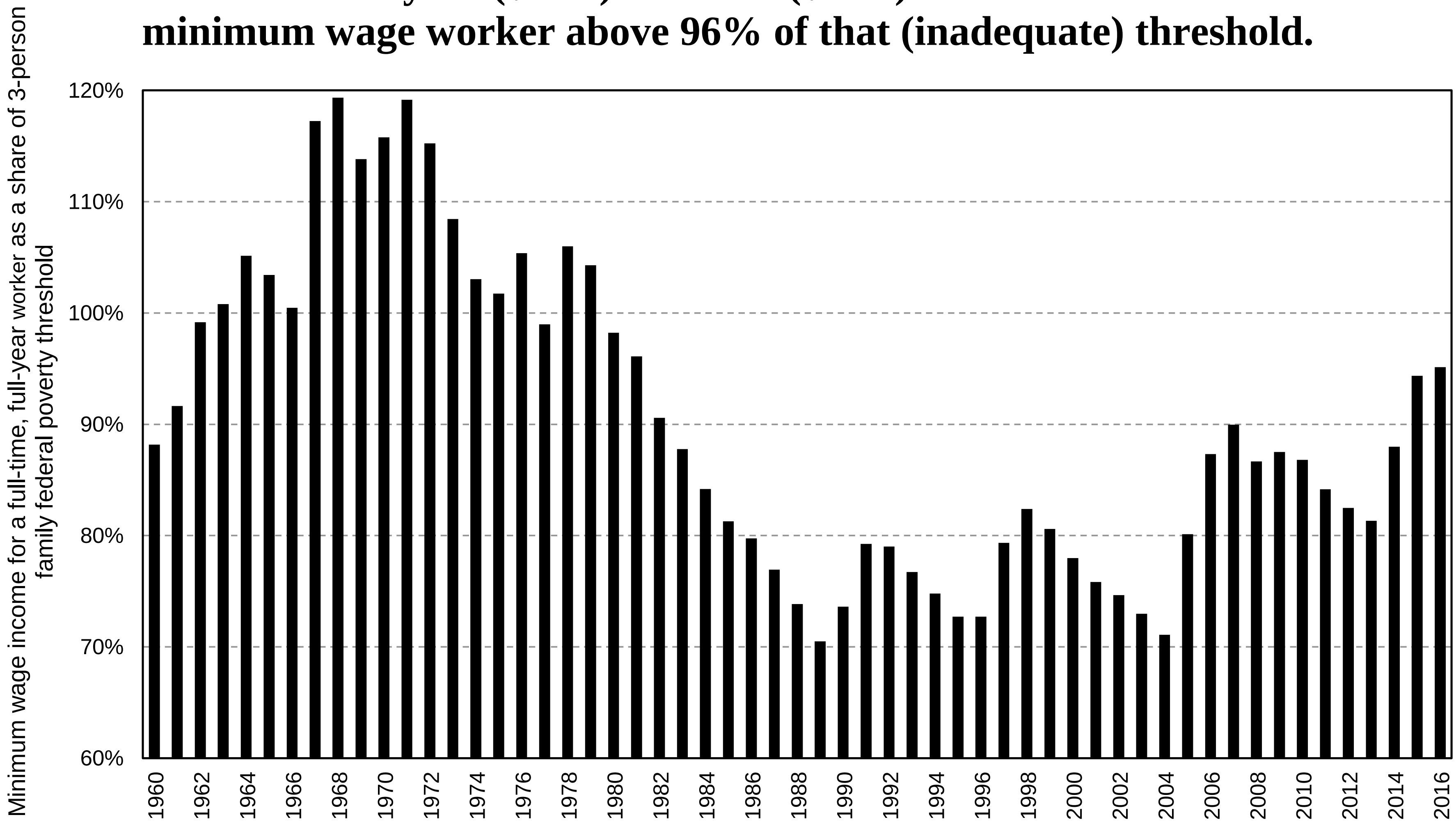
- Rather than walking away from our safety net, we should reinvest in it to give those disadvantaged through no fault of their own a leg up so they can better make their way out of poverty with the job market preparation, skills and education they need.

- Rather than more pointless tax cuts for big business and the wealthy, New York should start directing needed resources to a range of priorities, including fulfilling its long-standing commitment to fund a sound, basic education; fully funding quality statewide pre-K; expanding the availability of subsidized child care; and enhancing the state's EITC.

In addition to smart budget and tax policies, New York's policy makers should enact measures that address income inequality by putting a better floor under the labor market, expanding opportunities, and improving living standards.

1. **Increase the Minimum Wage**: Accelerate the increase in New York's minimum wage, end the separate treatment of tipped workers, and repeal the fatally flawed Minimum Reimbursement Tax Credit.
2. **Establish Paid Family Leave Insurance and Raise the Temporary Disability Insurance (TDI) Benefit**: Establish a paid family leave insurance program and raise the maximum benefit under the state's existing TDI program.
3. **Raise the NYS Earned Income Tax Credit (EITC)**: Raise the state's EITC to 40 percent of the federal EITC from 30 percent helps boost the disposable income of low-income working families with children.
4. **Reform Unemployment Insurance (UI) Partial Benefits:** Correct the shortcomings in how NYS structures UI benefits for the growing ranks of part-time workers.
5. **Raise the Maximum Award under New York's Tuition Assistance Program (TAP)**: Raise the $5,000 maximum TAP benefit to $6,500. It has not been raised for over a decade, while tuition and other costs have increased, forcing students to rely more heavily on loans to finance higher education.
6. **Increase Labor Standards Enforcement**: Increase Labor Department enforcement staff to curb wage theft and the rampant abusive misclassification of de-facto employees as independent contractors.
7. **Better Integrate Workforce Development into the Regional Economic Development Councils:** Increase the state's commitment to investing in its workforce, assist the re-employment of 500,000 long-term unemployed New Yorkers, and link living wage, prevailing standards, and new-hiring targets to government subsidies to business.
8. **Expand Transitional and Public Service Jobs and Improve Low-Wage Jobs in the Non-Profit Social Service Agencies Working under State Contract**: Expand transitional employment programs to better assist welfare recipients and the unemployed while protecting against the displacement of existing public sector workers, and increase funding in state human service contracts to provide long overdue wage increases to low-wage workers providing essential services.

At $8.00 an hour, a full-time minimum wage New York worker will be at only 88% of the 3-person poverty threshold. The enacted increases at the end of this year ($8.75) and next ($9.00) will not lift a full-time minimum wage worker above 96% of that (inadequate) threshold.



Source: FPI analysis. Poverty threshold for 2013 projected using 2012-2013 CPI change; 2014-2016 projected assuming 2% per year change in CPI.

NYS should enact Family Leave Insurance and raise the TDI benefit

- 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.

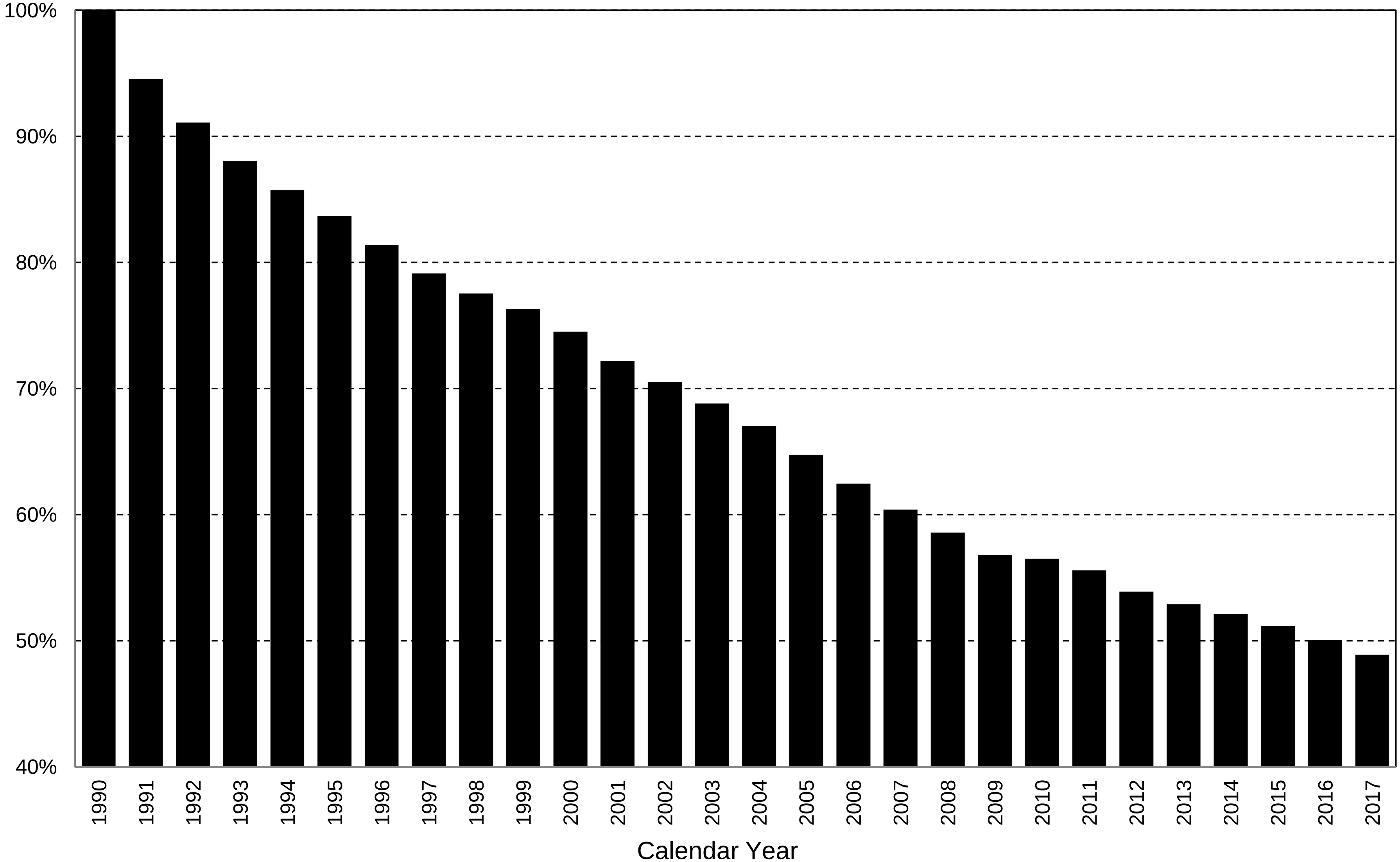
- New York's current Temporary Disability Insurance (TDI) benefits are much less than the benefits in the other states with such programs.

- 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.)

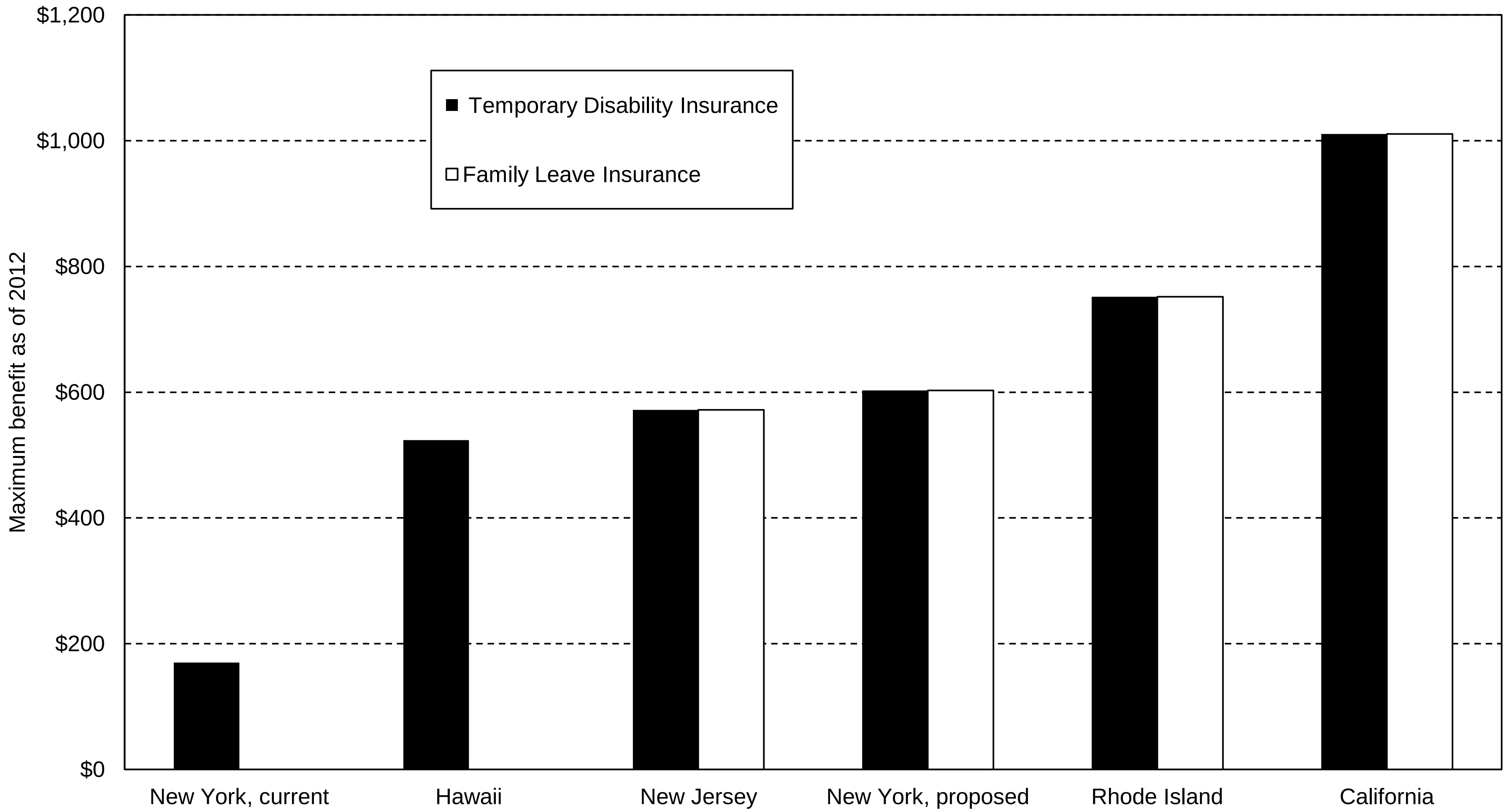
- New York City and Rhode Island enacted paid sick day and paid family leave programs, respectively over the last year. Other cities and states, such as Newark and Connecticut, are taking steps toward similar actions. On January 14, 2014, Senator Kirsten Gillibrand introduced the Family and Medical Insurance Leave Act to establish a national paid family and medical leave insurance program.

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



Note: Inflation-adjusted maximum weekly benefit as a percent of 1990 maximum weekly benefit, 2013 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: 2013 Assembly bill 1793, sponsored by Assemblywoman Catherine Nolan. When fully phased-in (year 4 of the proposal), New York's maximum weekly benefit will be half of the state's average weekly wage; that amount in 2012 would be approximately $603.
Source: Fiscal Policy Institute analysis of state agency information and proposed legislation.

VI. Appendix

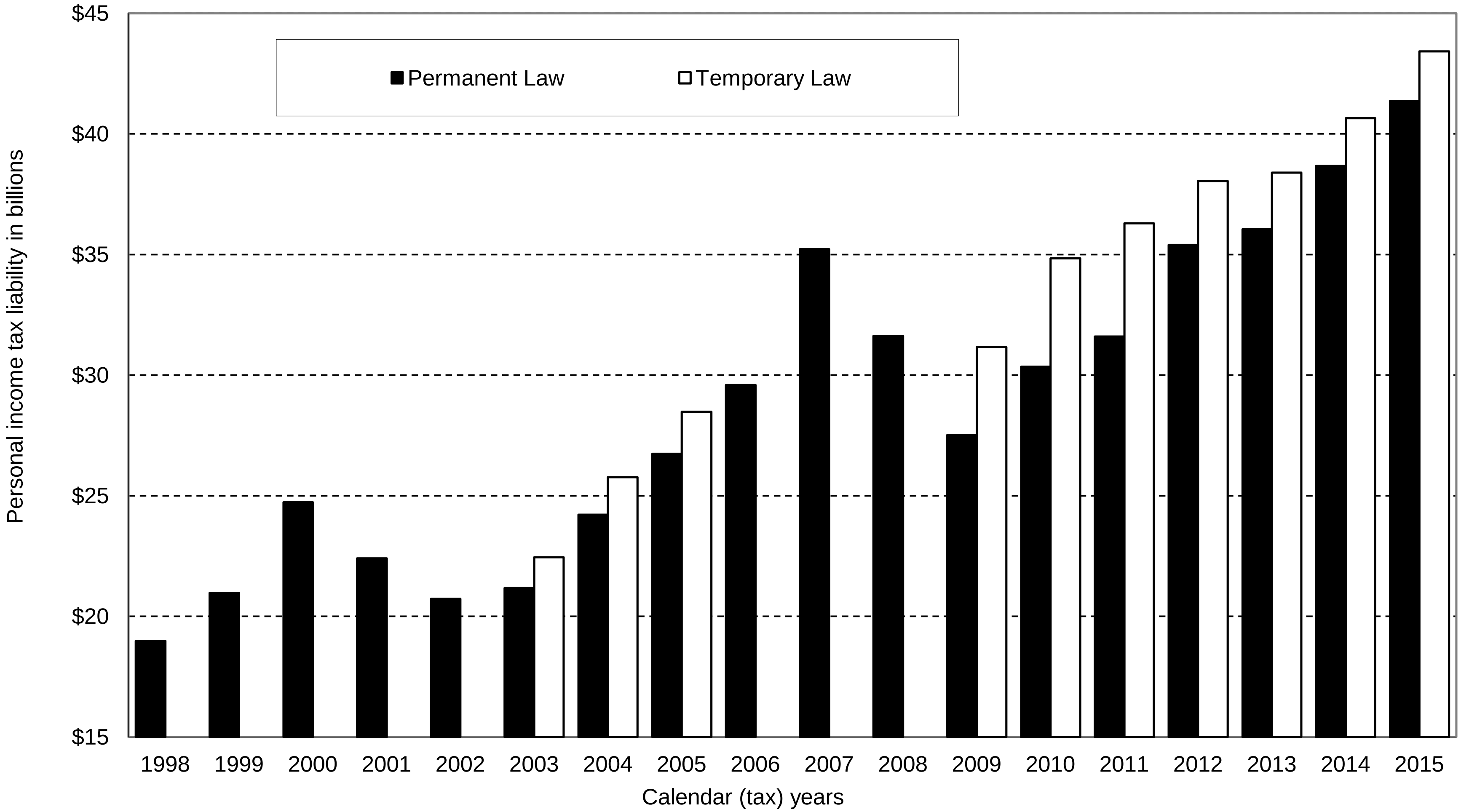
2014-2015 Executive Budget Estimates of Personal Income Tax Liability, by Tax Year, With and Without Temporary Rate Increases (in Millions of Dollars)

	Permanent Law				Temporary Higher Rates **				Permanent Law Plus Temporary Higher Rates **			
Tax Year	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	18,048	29,587	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	10,733	20,863	31,596	34.0%	3,780	920	4,700	80.4%	14,513	21,783	36,296	40.0%
2012*	12,983	22,414	35,397	36.7%	3,331	-682	2,649	125.7%	16,314	21,732	38,046	42.9%
2013*	13,017	23,026	36,043	36.1%	3,222	-871	2,351	137.0%	16,239	22,155	38,394	42.3%
2014*	13,849	24,828	38,677	35.8%	3,479	-1,511	1,968	176.8%	17,328	23,317	40,645	42.6%
2015*	14,759	26,603	41,362	35.7%	3,733	-1,679	2,054	181.7%	18,492	24,924	43,416	42.6%

Note: * Estimated; ** For 2012-2015, 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.

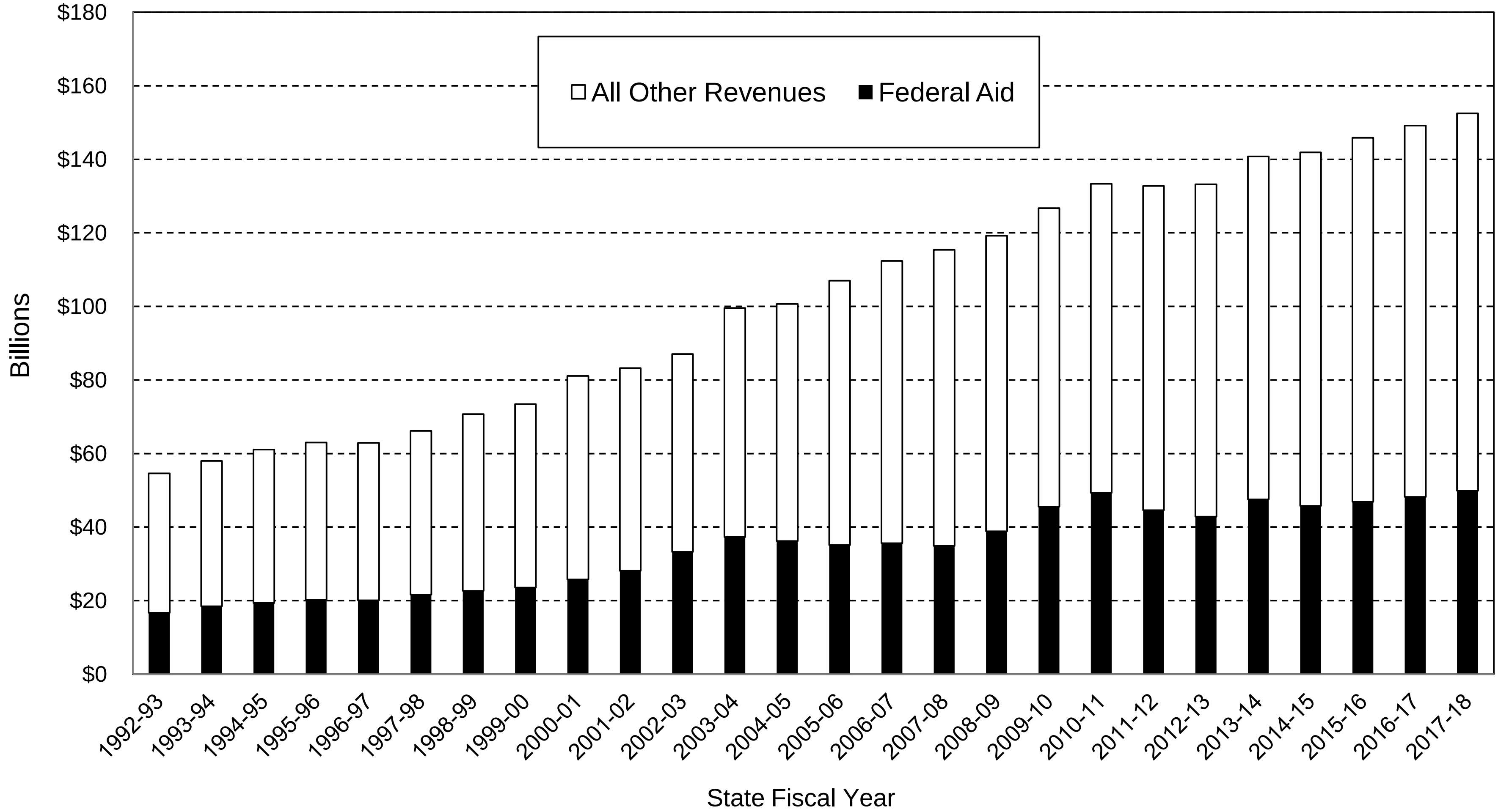
Source: FPI analysis of data from Executive Budget, *Economic and Revenue Outlook*, Table 7, volumes 2010-2011 through 2014-2015.

The temporary PIT surcharge, projected to bring in an additional $21.9 billion in revenue to New York State from 2009 through 2015, has not only been beneficial to the state coming out of the Great Recession but is essential given the overall regressivity of New York's state and local taxes.



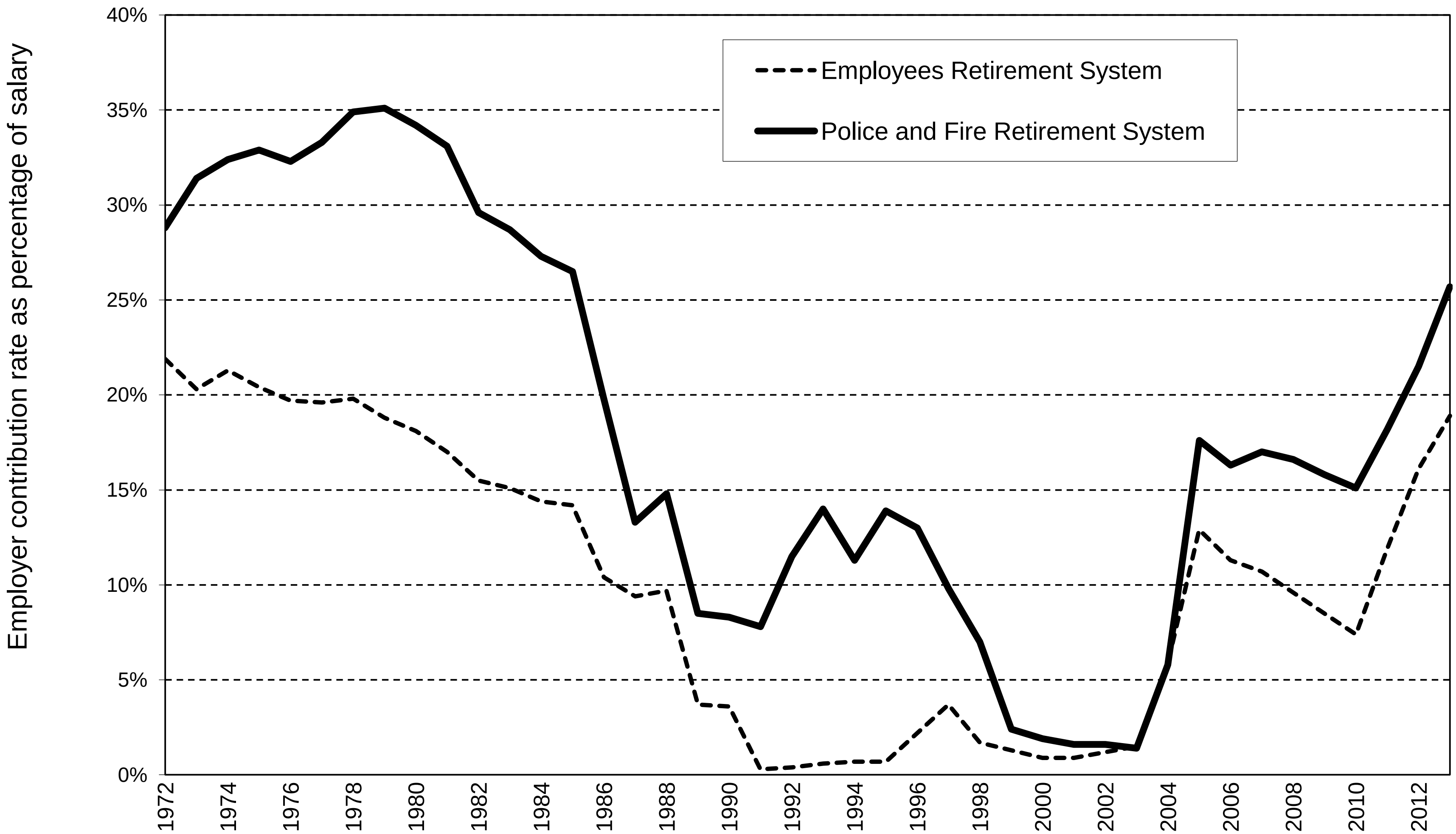
Note: Shows impact of surcharges enacted for 2003-2005, in 2009 AND as modified and extended in 2011 and 2013; temporary top PIT rates will expire at the end of 2017. Estimates for 2012 forward.
Source: Executive Budget, *Economic and Revenue Outllook,*Table 7, volumes 2010-2011 through 2014-2015.

The substantial amounts of aid New York State receives from the federal government could be reduced by federal actions currently under consideration.



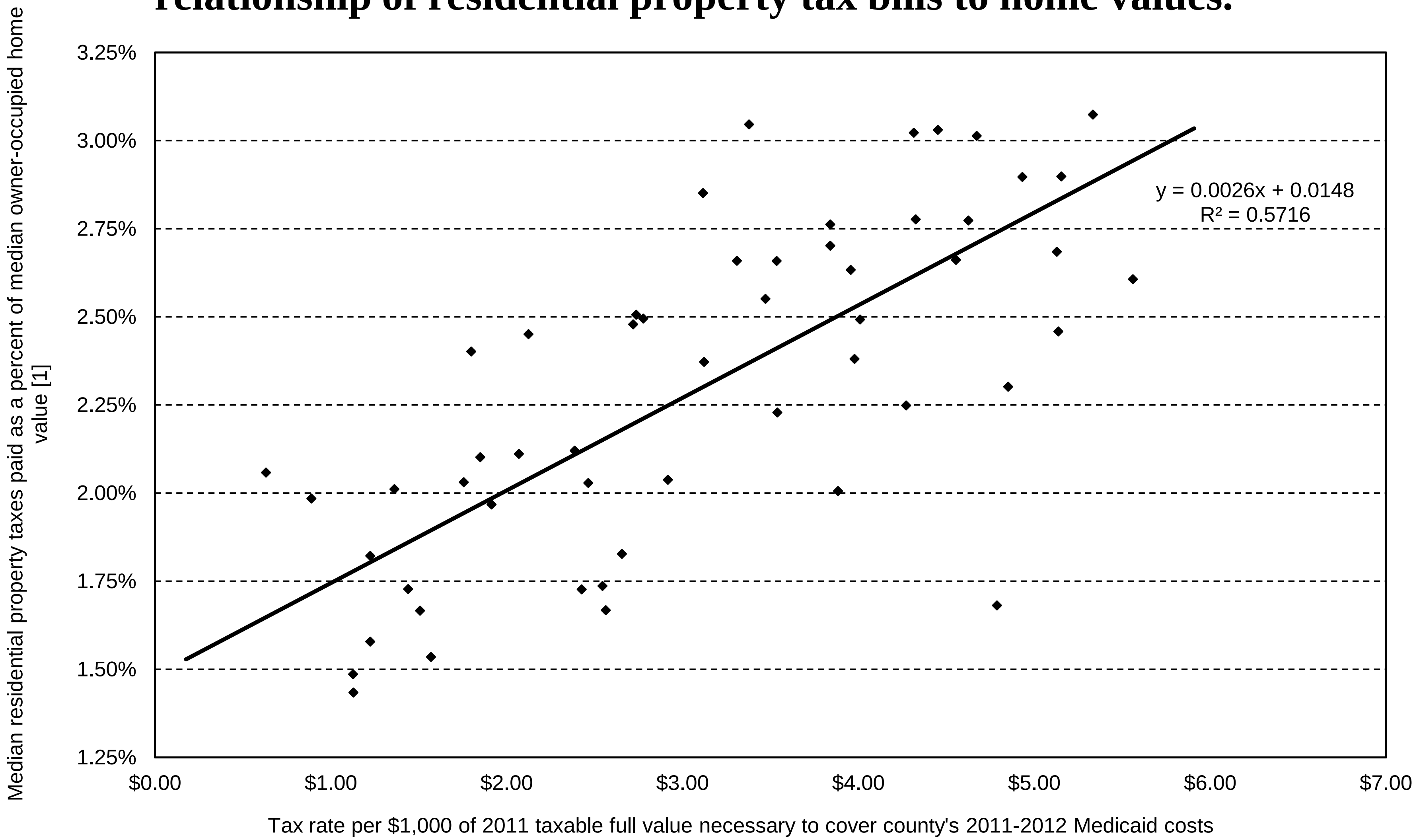
Note: The federal aid projected for 2014-2015 and beyond could be affected by receipt of any federal storm recovery funds, efforts to reduce the federal government's operating deficit,and by recovery of federal funds for payments of Medicaid services in excess of federal requirements.

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.



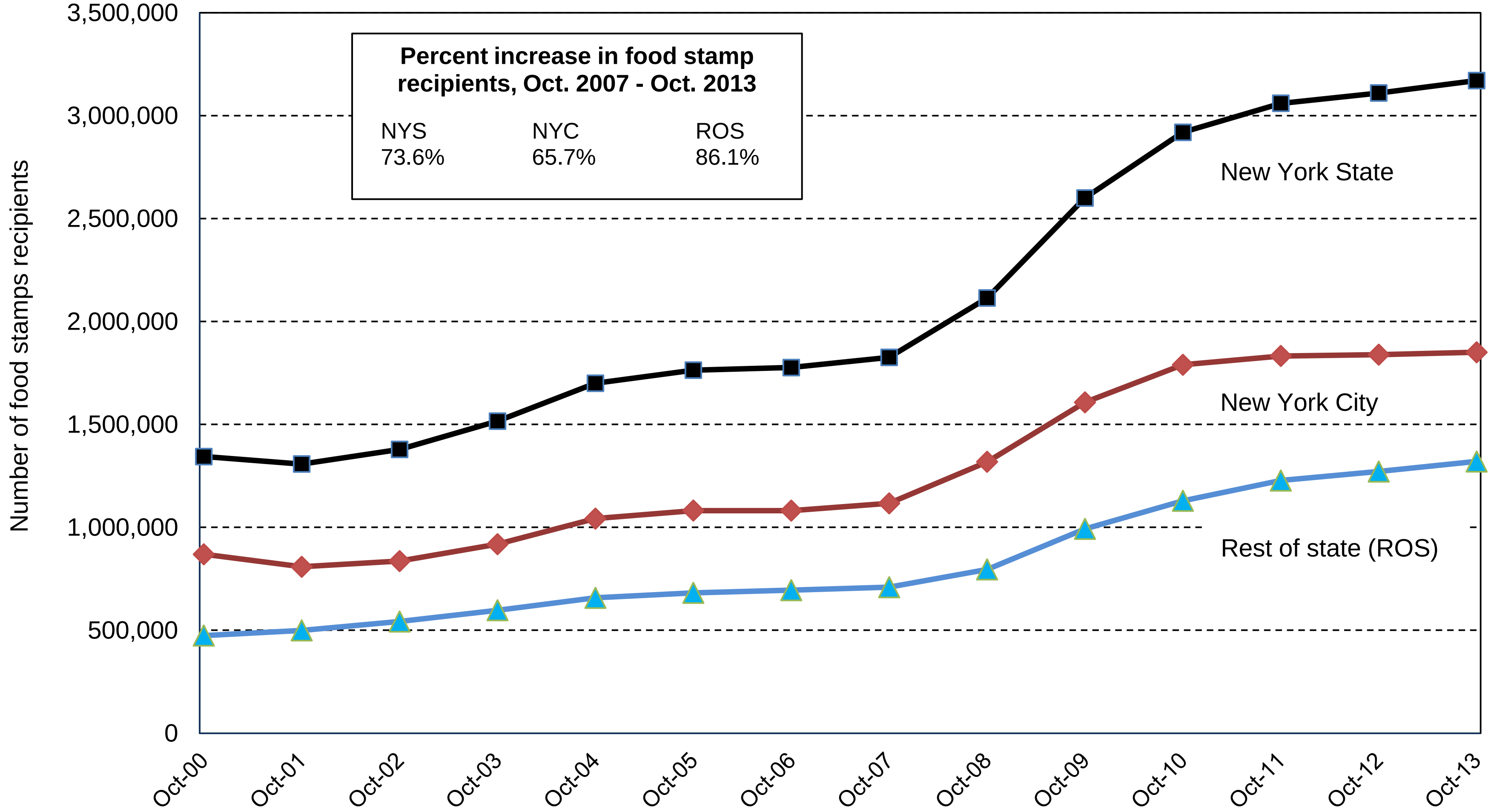
Source: New York State and Local Retirement System.

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.



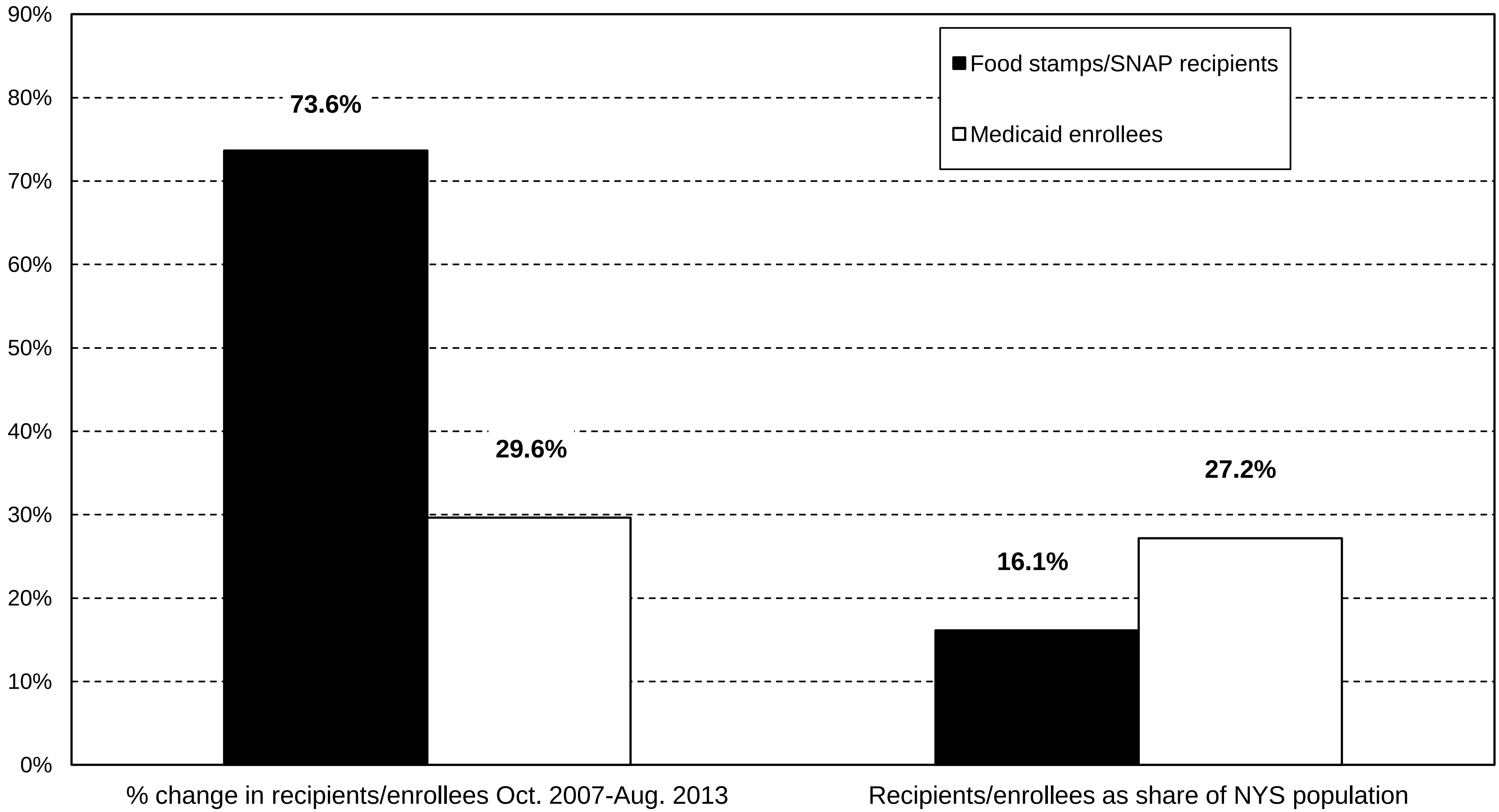
[1] Uses 2008-12 American Community Survey county level data. Does not include Westchester County where the ACS estimate for median real estate taxes paid is "$10,000+".

Close to 3.2 million New Yorkers now receive food stamps, a number that has increased by three-fourths since the start of the 2008-2009 recession.



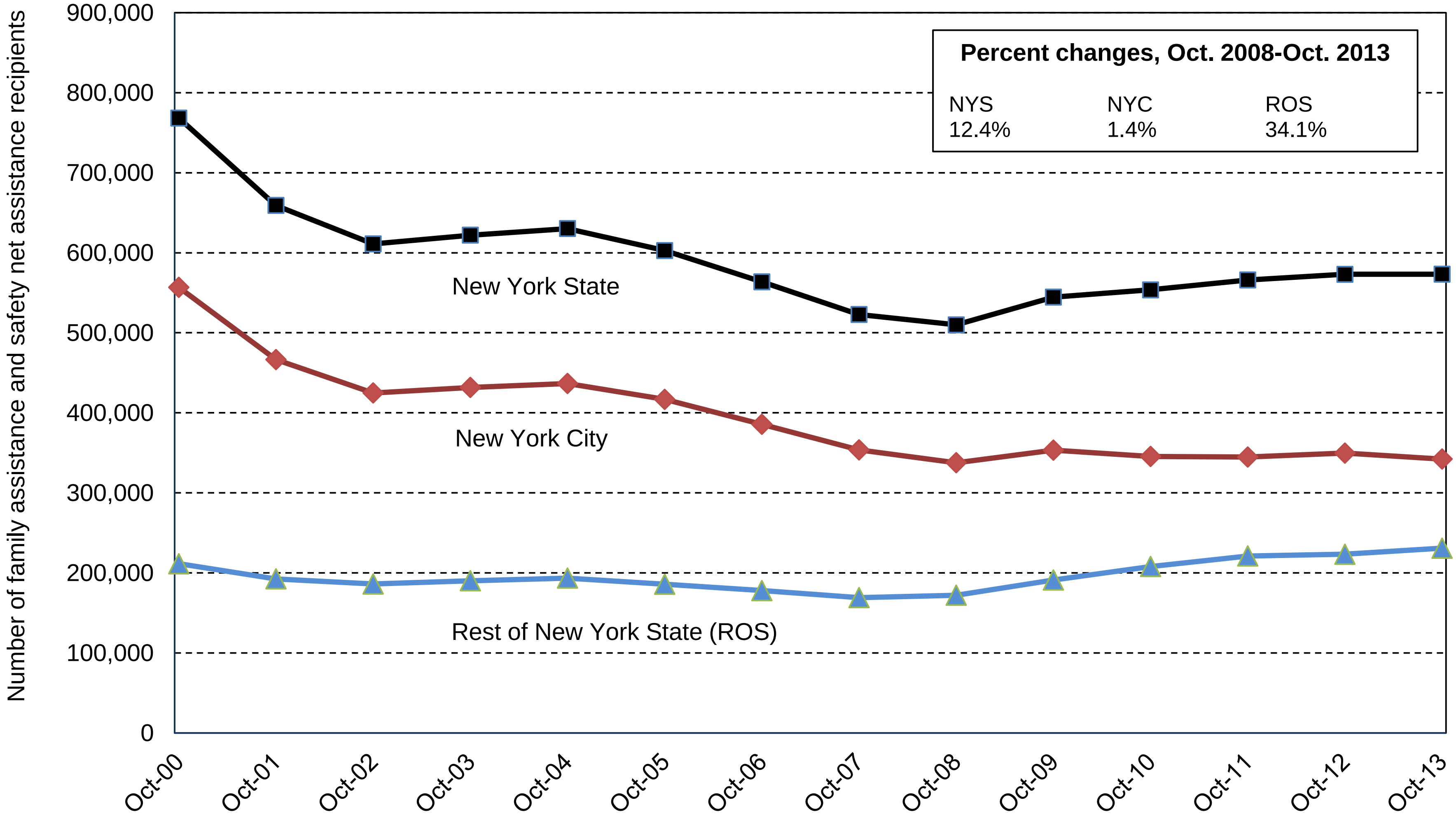
Source: NYS Office of Temporary and Disability Assistance.

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 Department of Health.

The number of public assistance recipients grew by a third in NYS outside of NYC over the past 5 years. City policy under the previous administration discouraged needy NYC residents from applying for help.



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

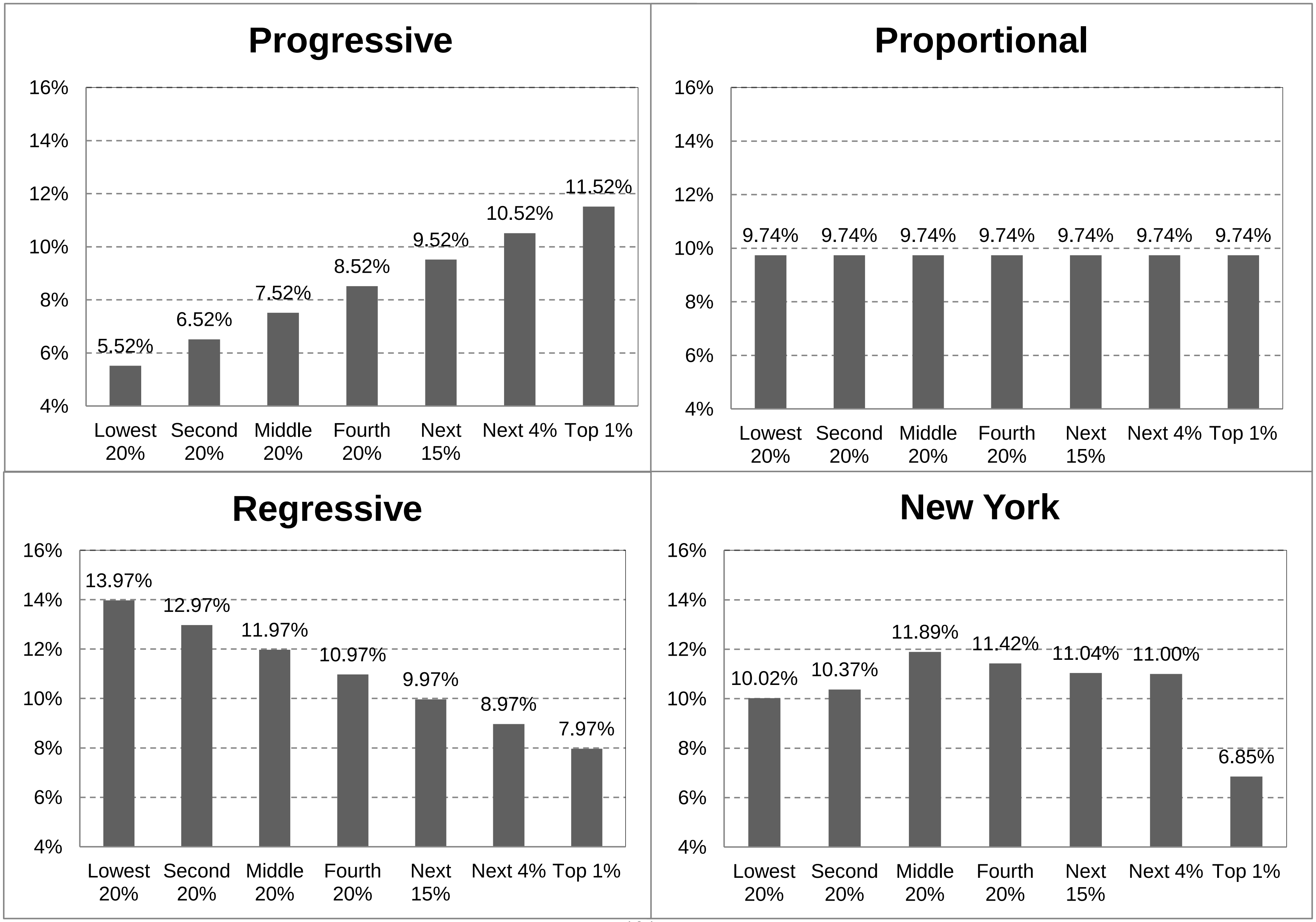
Comparison of 2013-2014 and 2014-2015 TANF Funding Commitments

(in thousands)

Program	2013-2014 Current	2014-2015 Executive	Change	Program	2013-2014 Current	2014-2015 Executive	Change
Public Assistance Benefits	$1,151,904	$1,104,922	($46,981)	Child Care SUNY	$193	$0	($193)
Public Assistance Benefits resulting from Grant Increase	$30,000	$36,000	$6,000	Community Solutions to Transportation	$112	$0	($112)
Emergency Assistance to Families	$182,000	$182,000	$0	Educational Resources	$250	$0	($250)
State Operations	$30,000	$30,000	$0	Emergency Homeless Program	$500	$0	($500)
AFIS, CBIC, EBT	$3,000	$0	($3,000)	Flexible Fund for Family Services	$964,000	$964,000	$0
				Food Banks (New York State)	$4,000	$2,000	($2,000)
ACCESS - Welfare to Careers	$800	$0	($800)	Non-Residential Domestic Violence Screening	$1,210	$0	($1,210)
Advanced Technology Training and Information Networking (ATTAIN)	$4,100	$0	($4,100)	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	$101	$0	($101)	Strengthening Families Through Stronger Fathers	$200	$0	($200)
Centro of Oneida	$25	$0	($25)	Summer Youth Employment Program	$25,000	$27,500	$2,500
Child Care CUNY	$141	$0	($141)	Wage Subsidy Program	$950	$0	($950)
Child Care Demonstration Projects	$7,265	$0	($7,265)	Wheels for Work	$144	$0	($144)
Child Care Subsidies	$373,932	$310,035	($63,897)				
				TOTAL	**$2,784,871**	**$2,656,457**	**($128,413)**

[1] AFIS, CBIC and EBT refer to Automated Finger Imaging System, Common Benefit Identification Cards and Electronics Benefits Transfer.

Progressive, Proportional and Regressive Tax Systems



New York State's net job gains since the recession began have been concentrated in industries with low average wages while there are more than 100,000 fewer jobs in middle-wage industries.

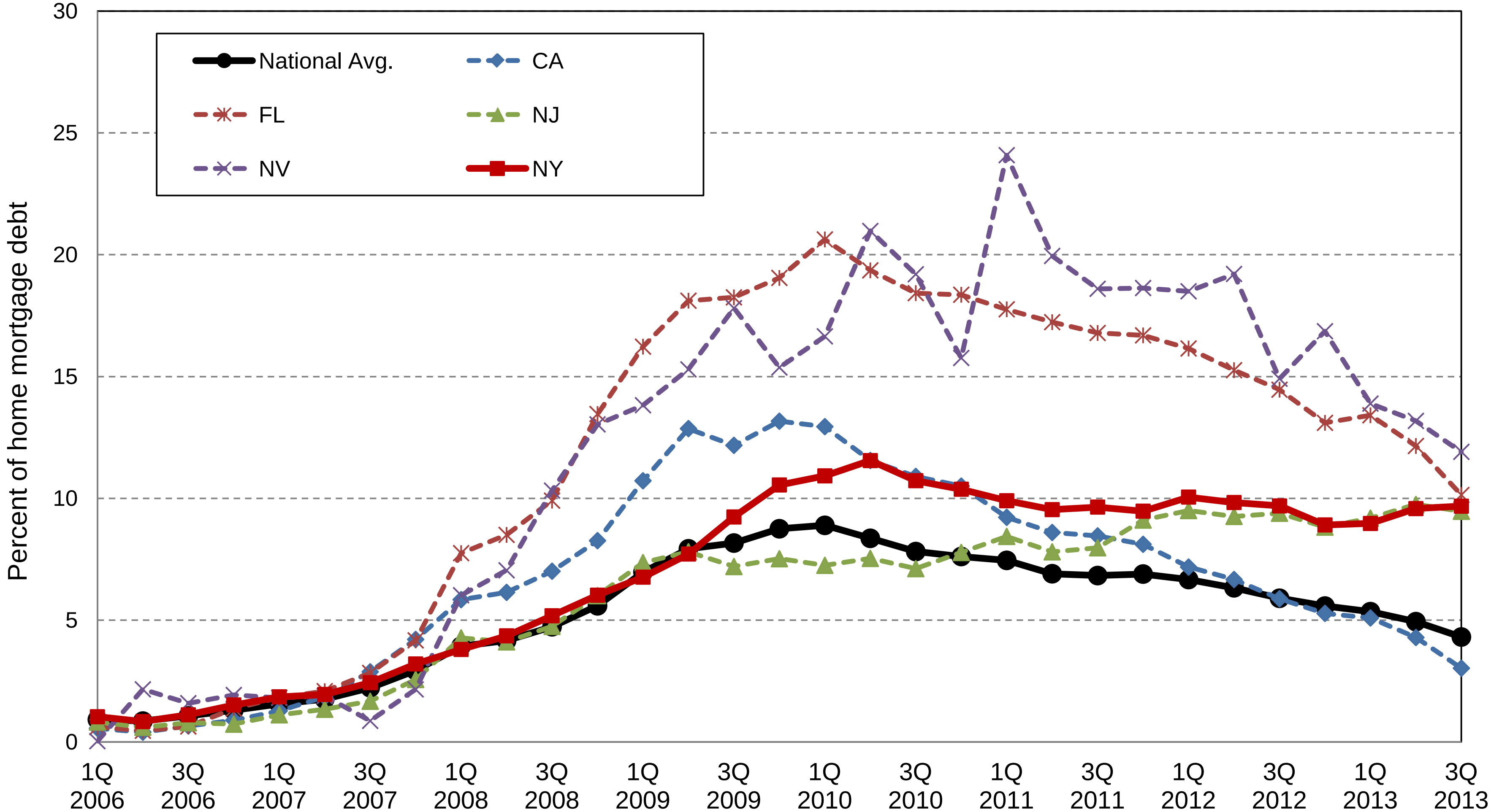
NYS seasonally adjusted employment	Mar-2008	Dec-2013	Change 03/08 - 12/13	% change 03/08 - 12/13	2012 avg. ann. wage
High wage industries (>$75,000)					
Finance and Insurance	541,702	500,928	-40,774	-7.5%	$200,669
Management of Companies and Enterprises	132,067	133,565	1,498	1.1%	$144,487
Utilities	38,460	35,774	-2,687	-7.0%	$109,061
Information	270,049	255,880	-14,169	-5.2%	$100,346
Professional and Technical Services	580,310	607,881	27,571	4.8%	$96,222
Performing Arts and Spectator Sports	49,031	49,214	183	0.4%	$85,163
Wholesale Trade	355,766	334,386	-21,379	-6.0%	$77,874
Sub-total high-wage industries	**1,967,385**	**1,917,628**	**-49,757**	**-2.5%**	
Middle-wage industries ($45,000-$75,000)					
Hospitals	341,237	358,635	17,397	5.1%	$65,292
Private colleges and universities *	237,420	296,598	59,178	24.9%	$64,040
Construction	363,038	317,027	-46,011	-12.7%	$62,461
Ambulatory Health Care (ex. Home Health)*	285,207	319,773	34,566	12.1%	$61,640
Manufacturing	539,593	442,857	-96,736	-17.9%	$61,025
Real Estate	159,141	153,646	-5,495	-3.5%	$60,100
Government	1,507,433	1,440,911	-66,521	-4.4%	$56,252
Transportation and Warehousing	238,632	235,702	-2,930	-1.2%	$45,435
Sub-total middle-wage industries	**3,671,701**	**3,565,149**	**-106,552**	**-2.9%**	
Low-wage industries (<$45,000)					
Museums, Parks and Historical Sites	16,734	18,050	1,317	7.9%	$43,993
Administrative and Waste Services	443,408	454,885	11,477	2.6%	$43,778
Accommodation	82,041	86,966	4,926	6.0%	$42,210
Educ. Serv. (ex. private colleges & univs.)*	134,295	144,453	10,158	7.6%	$39,875
Other Services	367,295	384,096	16,800	4.6%	$34,879
Nursing and Residential Care Facilities	231,052	237,259	6,207	2.7%	$33,288
Retail Trade	904,209	939,385	35,176	3.9%	$30,734
Home Health Care Services*	95,242	144,457	49,215	51.7%	$27,686
Social Assistance	296,825	327,359	30,534	10.3%	$26,206
Amusement, Gambling & Recreation	74,794	77,916	3,122	4.2%	$23,310
Food Services and Drinking Places	493,584	590,807	97,222	19.7%	$20,519
Sub-total low-wage industries	**3,139,478**	**3,405,634**	**266,156**	**8.5%**	
Sum of sub-totals	**8,778,565**	**8,888,411**	**109,846**	**1.3%**	
Share of high wage industries in total jobs	**22.3%**	**21.5%**			
Share of middle wage industries in total jobs	**41.6%**	**40.0%**			
Share of low wage industries in total jobs	**35.6%**	**38.2%**			
Total Private	**7,306,082**	**7,476,317**	**170,236**	**2.3%**	
Total Nonfarm	**8,817,714**	**8,920,234**	**102,520**	**1.2%**	

Note: Low wage industry: ann. avg. wage is below $45K; high wage industry is those whose ann. avg. wage is above $75K. The middle wage industry is in between.

*****Because the New York State Department of Labor stopped reporting annual wages at this industry level in 2012, 2011 annual wage levels used for the purposes of assigning these industries to a wage group.

Source: FPI's seasonal adjustment of CES employment data and QCEW annual average wage data from NYSDOL.

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 double 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 2013.