News from the Fiscal Policy Institute

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Fiscal Policy Institute Critical of Governor Cuomo's Tax Plans and Austerity Budget Proposal

Institute calls various tax proposals "ill-conceived," "ineffective," "unnecessary" or "ironic"

ALBANY, N.Y. – The Fiscal Policy Institute (FPI) released its 24th annual assessment of the proposed New York State Executive Budget earlier this week in Albany. The assessment reviews the major spending and tax reduction proposals contained in Governor Andrew Cuomo's 2014-2015 Executive Budget, and discusses those proposals in relation to an in-depth review of the economic and social conditions affecting New York's population.

The FPI report notes that the governor is proposing an "austerity" budget for 2014-2015 along with a multi-year plan of steep spending cuts that will extend the austerity measures for three more years. Coming on the heels of six years of austerity budgets beginning in 2008, this will give New York an "austerity decade," despite moderate actual or projected state personal income growth over most of the years in that period.

On top of $1.7 billion in spending cuts for 2014-2015, the budget proposal calls for further cuts of $4.4 billion in 2015-16, $5.6 billion in 2016-17, and $7.1 billion in 2017-18. This includes an average of $2.7 billion in unspecified cuts in future years to justify multi-year tax cuts that grow to more than $2.5 billion annually. The budget plans are presented to show an apparent "surplus" in future years, a surplus called into being by severe budget cuts. That manufactured surplus is used to pay for an array of "something for everyone (but the poor)" tax cuts.

FPI's report sums up some of the major spending reductions instituted over the past few years:

- State school aid is $5 billion below where it would be had the state honored its 2007 legislative response to the Campaign for Equity lawsuit. In relation to total school spending, school aid is at its lowest level in 65 years;

- State aid to SUNY has declined by nearly $500 million (over 40 percent) in real terms since the start of the Great Recession;
- State funding for various human services agencies has fallen over the past three years and is projected to decline by 12 percent in real terms from 2011-12 to 2014-2015; and
- At a time when a growing number of local governments are fiscally stressed, the proposed budget holds aid to municipal governments flat for the next four years despite an inflation-adjusted 75 percent reduction in such aid since 1980.

In assessing the tax cuts proposed in the 2014-2015 Executive Budget, FPI finds that:

- the property tax freeze is ill-conceived and will disproportionately benefit wealthier localities;
- the homeowners' and renters' personal income tax credits are ineffectively targeted;
- the proposed business tax reductions should be put in the context of an already declining corporate share of state tax collections, and the tripling in business tax credits to $1.7 billion over the past 8 years (over $1 billion of those credits are refundable and represent checks written by the state to individual companies);
- the proposed bank tax repeal and its replacement are likely to mean a sharp reduction in state tax payments by the largest New York City banks; and
- the proposal to slash the estate tax by 40 percent holds great irony given the state's pronounced income polarization in recent years. This cut will cost almost $800 million annually, with more than half going to just 200 super-wealthy households a year.

The FPI report responds to hype about high-income households fleeing New York for lower tax havens by presenting data from the Internal Revenue Service showing that New York has a rising national share of households with incomes of $1 million or more from 2000 to 2011.

In his budget presentation last month, Governor Cuomo asserted that state spending had risen faster than total personal income over the past 50 years. However, the FPI report points out that state taxation (a better measure of what New Yorkers have actually paid) rose faster than personal income from the early 1960s to the mid-1970s, when Medicaid was established and the SUNY system expanded, but that since then, personal income had grown faster than taxation, turning the Governor's argument on its head for the past 35 years. Moreover, the personal income measure excludes capital gains and commuter incomes that would further increase the income base and result in an even greater income growth margin over state taxation.

FPI's briefing provides an overview of economic conditions in the Empire State and suggests that budget-makers do more to respond to those conditions. Although New York 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.

FPI suggests several budget, tax and economic policy ideas that New York's leaders should consider to address this heightened economic insecurity and the growing income polarization that has spawned that insecurity. Four more years of budget austerity will only serve to further exacerbate economic insecurities. Among other things, FPI proposes:

- accelerating the increase in the minimum wage and covering tipped workers,
- establishing a paid family leave insurance system (like California and New Jersey),
- raising the state's Earned Income Tax Credit,
- raising the maximum award under the State's Tuition Assistance Program, and
- raising the wages of low-wage workers in non-profit social and health service agencies working under state contracts.

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The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers.

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