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New York State
Economic and Fiscal Outlook

2018-2019

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Additional information on state fiscal and economic issues and copies of the Fiscal Policy Institute's publications (including a PDF version of this briefing book) are available online at www.fiscalpolicy.org.

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Executive Summary

The Trump Administration's tax law, looming federal budget cuts, multi-billion-dollar state budget deficits, glaring unmet human and physical infrastructure needs throughout the state...this year's New York State budget negotiations are taking shape against a worrisome and uncertain backdrop. The president and congress are threatening to dismantle decades-old federal entitlement programs, make drastic cuts to programs that help millions of struggling New Yorkers, and create a hostile environment for the state's four and a half million immigrants. The state has an important role to play to help make life better for all New Yorkers—and we must provide protections to our residents even if the federal government won't.

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

Financial Plan and Reform

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

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

Education at a Glance

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

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

What's *Not* New in Local Governments

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

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

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

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

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

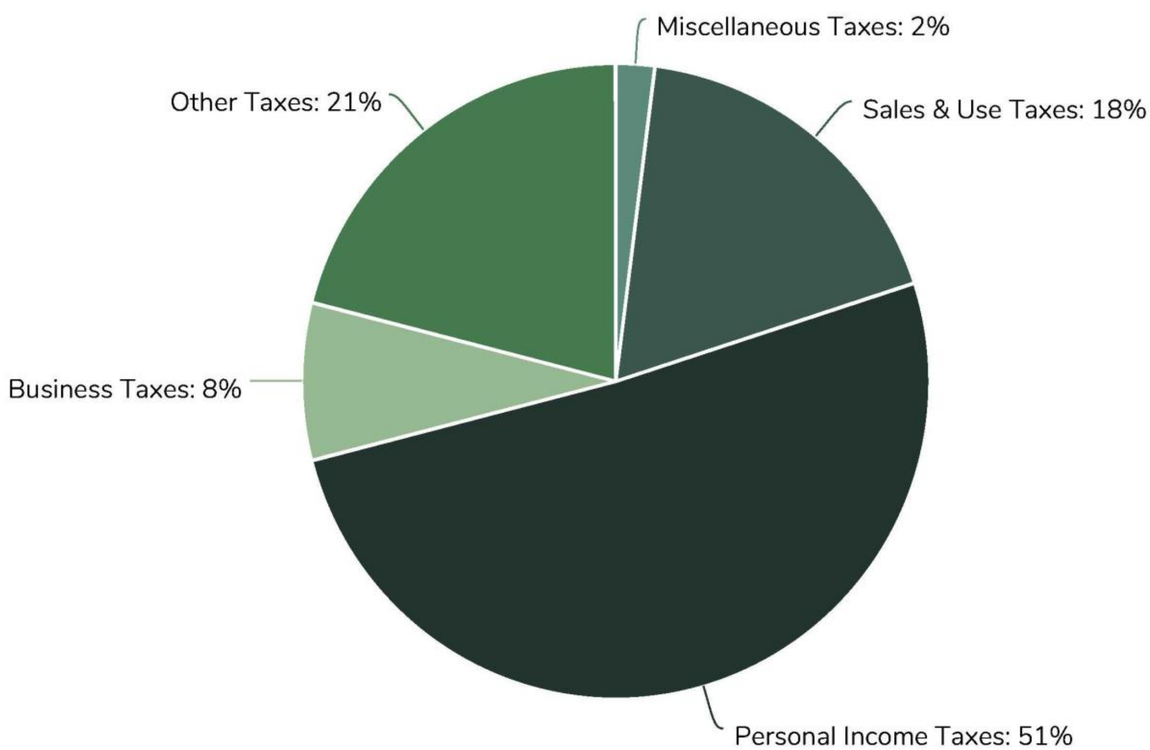
Immigration

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

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

NEW YORK STATE 2019 EXECUTIVE BUDGET
STATE OPERATING BUDGET - $96.2 BILLION

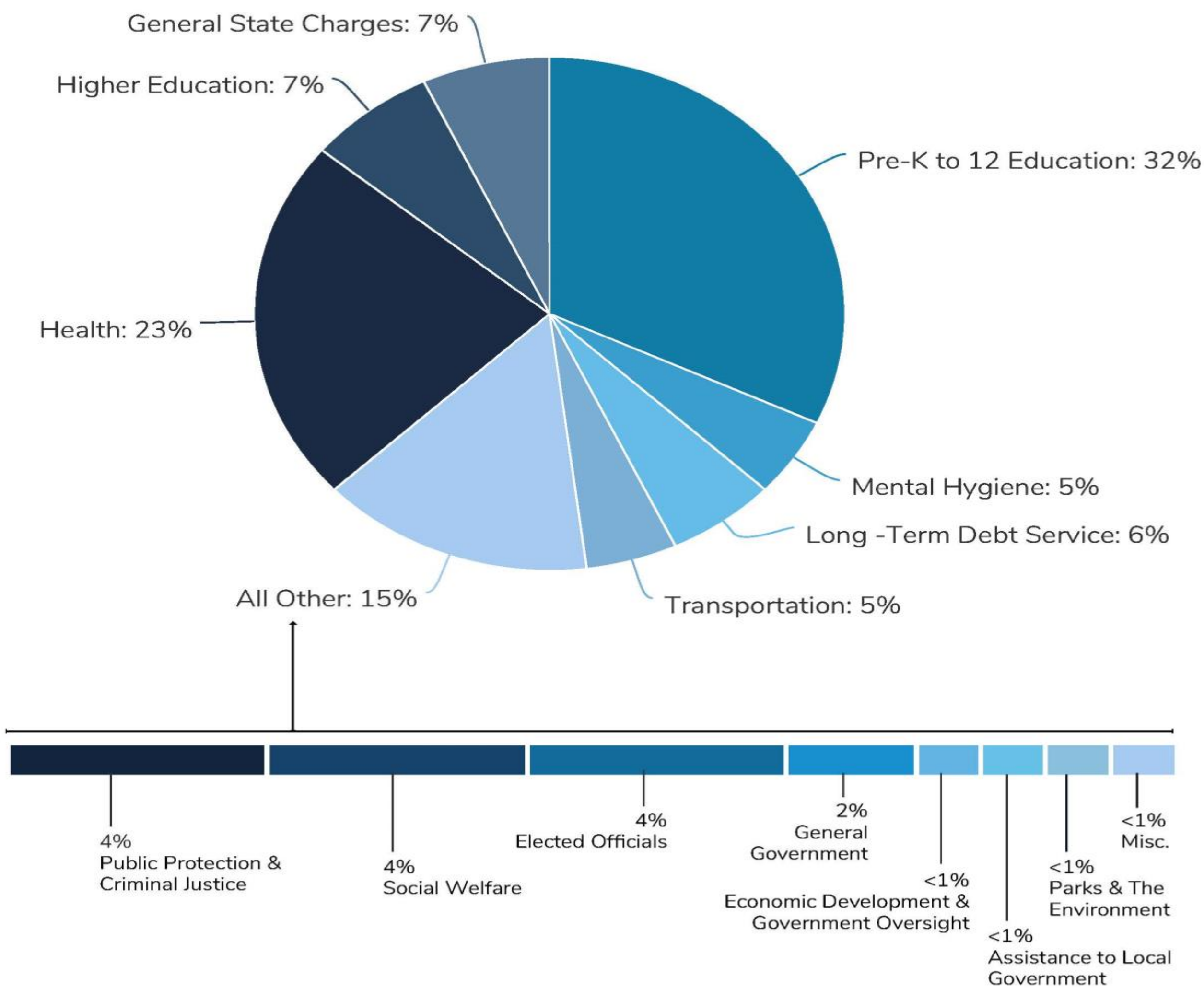
Revenues



Note: Components may not sum to total due to rounding. The State Operating Budget is one component of the All Funds Governmental Budget. $55.4 billion.
Source: FY2019 Executive Budget Financial Plan, Table T-26.

NEW YORK STATE 2019 EXECUTIVE BUDGET
STATE OPERATING BUDGET - $99.8 BILLION

Expenditures



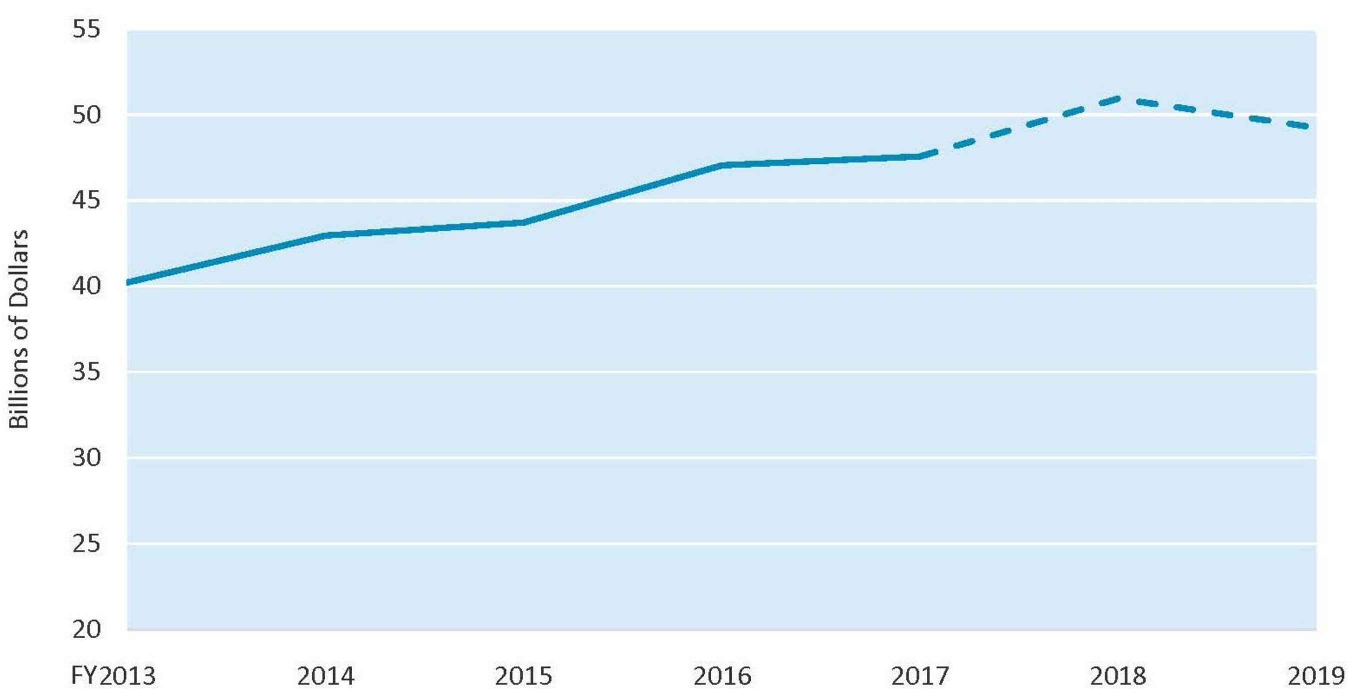
Note: Components may not sum to total due to rounding.
Source: State Budget documents, https://openbudget.ny.gov/overview.html

Financial Plan

The budgetary situation this year presents a number of very serious challenges.

First, the State of New York has a budgetary gap of $4.4 billion. There are several reasons for the gap, the biggest single reason is the 3.3 percent decline in the personal income tax (PIT) collections. New York State has been overly ambitious in its tax reductions, continuously lowering personal income tax rates over many years to what is currently a historical low level. This has, unsurprisingly, meant a significant decline in state revenue, opening a predictable budget gap. The PIT accounts for about 60 percent of the state's tax receipts. The shortfall in PIT stands at -$1.69 billion this year and projected to grow to -$2.5 billion next year. Therefore, unless the tax collections increase spontaneously, the state needs an appropriate plan to approach the matter of deficit reduction.

Fig 1. Personal Income Tax



FY 2019 Executive Budget Financial Plan (page 10).

Second, the new federal tax law, the Tax Cuts and Jobs Act of 2017 (TCJA), introduces a new fiscal environment that could pose real problems for New York's taxpayers and economy unless meaningful adjustments are made at the state level.

Third, the adoption of the federal tax law is projected to cost $1.5 trillion in lost revenue at the federal level. There is a high probability for the near future where this may prompt the federal government to cut back on state funding or reform some of its programs, such as Medicaid and social services. If it happens, it will have a profound negative impact on New York. After sending much more to Washington, New York receives back over $70 billion annually in federal funds, of which over $37 billion goes to Medicaid. Thus, the long-term state budget gap may be much larger than what most current projections show.

In order to avoid being short-sighted and imprudent, and in anticipation of looming financial hits from the federal government or from eventual potential downturns in the market, New York should seek to optimize its fiscal policy with a view to further increasing revenues to preserve and expand services for the state's most vulnerable populations. The solution, however, is not austerity. The Executive Budget proposes highly limited and unnecessarily restricted spending growth. Austerity is an unimaginative policy stance; it is not a hallmark of good governance. A better solution is to sustainably raise the revenues adequate to meet the state's needs.

Spending Growth

The state of New York has enjoyed quite a bit of growth since the Great Recession.

Fig 2. While the Economy is Expected to Continue Its Slow Growth in 2018, the Forecast is for Better Economic, Wage, and Income Growth in Out-Years

Source: NY FY2019 Economic and Revenue Outlook, Economic Backdrop section

New York City real estate benefitted from historically low interest rates and the financial sector used the forced consolidation and bail-out cash to its advantage. Overall, NYC survived the depths of the Great Recession as one of the most attractive job markets in the country where despite increasing polarization the median income has been growing steadily since 2008.

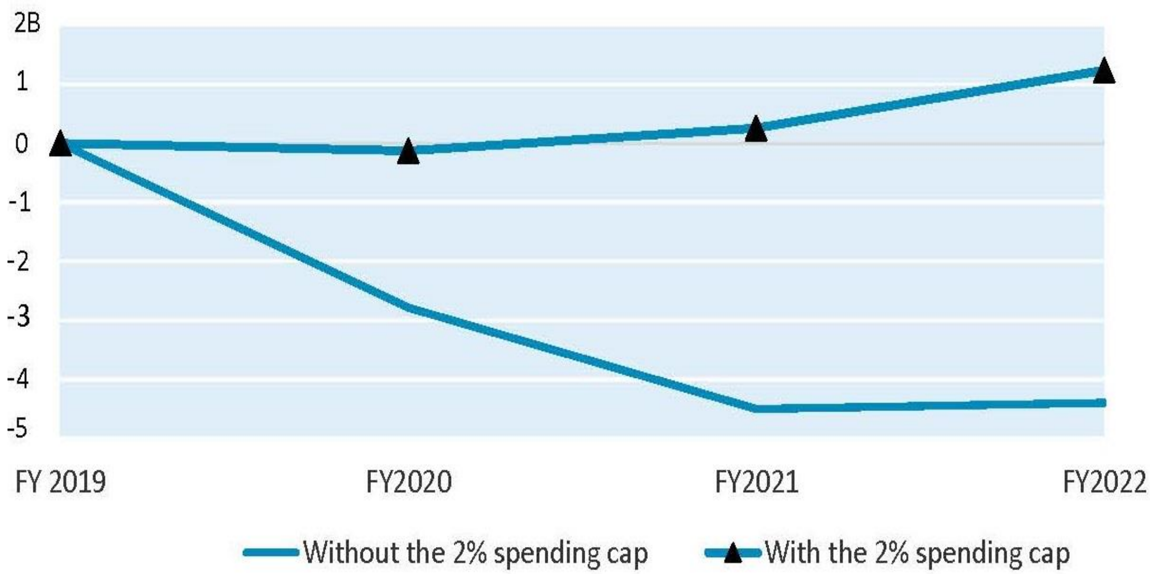
Austerity was never a good approach to state budgeting, but it is now stretched beyond its limit. For one thing, further draining of resources from state services is hardly possible without rapid deterioration of quality, since most of the low-hanging-fruit efficiencies have been picked. Further cuts are more likely than before to cripple operations and lower output quality. In addition, the economic environment has changed and the state needs to face new challenges and adapt to the shifting legislative and policy landscape.

Governor Cuomo's Executive Budget continues to be constrained by a self-imposed two-percent spending growth cap. The total state operating funds' spending measures are projected to increase by $1.85 billion or 1.9 percent during FY 2019. (The total of all government spending—which also includes capital funds and federal aid—is expected to grow by $3.75 billion or 2.3 percent.) Over the years the two-percent cap has become Governor Cuomo's trademark budget policy principle, meant to signify his strict adherence to fiscal discipline. But the self-imposed austerity does not represent good governance at a time when the state population is growing and needs from poverty relief to transit investment are going unmet.

While the overall state operating funds expenditure is proposed to increase by only 1.9 percent, just under the two-percent cap, there are spending categories the governor expects to grow by a lot more and a lot less. Medicaid spending is projected to increase the most among all spending categories, rising by $1.23 billion or 6.5 percent. Other notable increases are in School Aid, $769 million or 3.0 percent, and Higher Education, $228 million or 8.1 percent. Overall growth in Local Assistance is up by a mere 0.9 percent or $619 million, while at the same time, the State Operations spending is up by $644 million or 3.4 percent. Transportation will see the largest decrease in spending by both the dollar amount (-$1.06 billion) and growth rate (-21 percent), followed by Mental Hygiene (-$199 million or 8.4 percent).

The state's deficit reduction plan mainly relies on adherence to the two-percent spending benchmark. If the spending growth is limited at two percent, then, according to the financial plan, the executive budget gap will be positive by FY 2021 at $256 million and will increase to reach $1.24 billion by FY 2022. The proposed plan also features a number of modest revenue actions that are projected to yield just over $1 billion in FY 2019, followed by $1.4, $1.3 and $1.2 billion in Fiscal Year 2020, 2021 and 2022 respectively. The projected 2022 surplus, it should be noted, is entirely dependent on the proposed revenue actions. If those are not enacted, even with the unforced austerity there will be no new capacity for meaningful spending maneuvers in the short- to medium-run.

Fig 3. Projected Budget Gaps (Surpluses) with and without 2% cap, to 2022



Source: FY 2019 Executive Budget Financial Plan (page 10).

Proposed Revenue Plan

The executive budget proposal lists a few revenue raisers totaling just over $1 billion. The revenue plan is rather timid and does not go nearly far enough to address the state's budget problems. In fact, the plan presents an array of missed opportunities to advance a truly progressive vision.

Health Insurance Conversions and Similar Transactions ($500 million)

This is largest revenue raiser. The Division of Budget (DOB) expects to see for-profit companies buy not-for-profit health insurance companies. This activity, if taxed, is estimated to generate $500 million annually over the next four years.

Healthcare Insurance Windfall Profit Fee ($140 million)

The governor seeks to recapture $140 million annually of the health insurance companies' corporate tax savings produced by the federal tax law. The revenue will be used to pay for vital health care services.

Opioid Epidemic Surcharge ($127 million)

The governor proposes a 2-cent per milligram surcharge on the active opioid ingredients in prescription drugs. All revenues are to be used for the Opioid Prevention, Treatment and Recovery Fund.

Discontinue Energy Service Company (ESCO) Sales Tax Exemption ($90 million)

This measure eliminates the sales tax exemption on the non-residential transmission and distribution of gas and electricity for commercial customers. After bringing $90 million in FY 2019, the measure is projected to yield $120 million in subsequent years.

Defer Business Related Tax Credit Claims ($82 million)

Business tax credits over $2 million are deferred through FY 2020, and become refundable at 50 and 75 percent in FY 2021 and 2022 respectively. It is expected to generate $82 million in revenue in FY 2019, $278 million in 2020, $199 million in 2021, and $164 million in 2022.

Internet Fairness Conformity Tax ($75 million)

Expand the tax on internet sales to New York residents that large online retailers like Amazon already pay to include all online marketplaces. The governor projects this measure will generate $75 million in FY 2019 and $150 million thereafter.

Improve Cigar Tax Enforcement ($12 million)

Change the definition of "wholesale price" for manufacturers and distributers of cigars so that the industry cannot use a pricing survey to determine the tax on its own products. The projected revenue is $12 million FY 2019 and $23 million in the following years.

All Other Revenue Actions ($9 million)

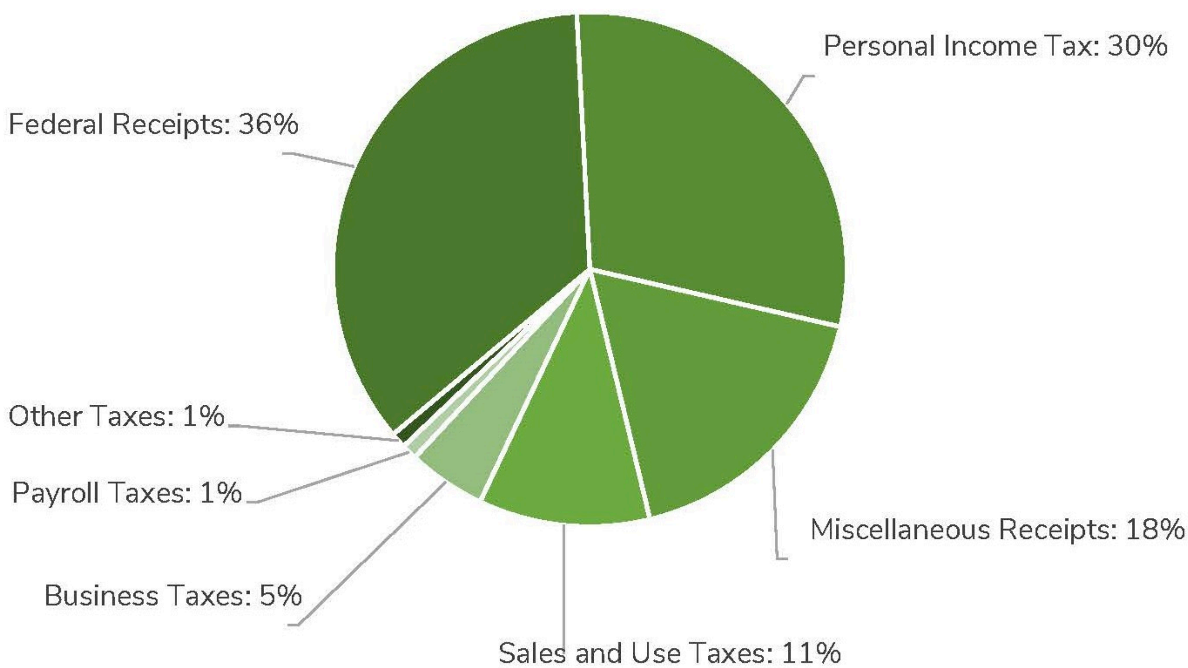
Among them: a new "health tax" of 10 cents per fluid milliliter on vapor products, an increase in the vending machine food and drink sales tax exemption, and a Hire a Vet Tax Credit extension to 2020. The governor expects these to result in $9 million in FY 2019, $21 million in FY 2020 and turn negative becoming -$11 million and -$10 million in FY 2020 and 2021 respectively

The Importance of Federal Funding in NYS

Over one-third of New York State's FY 2019 All Funds Budget, $57.87 billion, is comprised of federal funds. With President Donald J. Trump and a Republican-dominated congress taking control of the federal budget, the potential for substantial cuts in domestic spending poses gargantuan challenges for the New York State budget and the budgets of local government entities throughout the state, as it does for other states and localities around the country.

Fig 4. Revenue: 2019 Executive All Funds Receipts

TOTALS $168.2 BILLION



Source: FY 2019 Executive Budget Financial Plan, Jan. 2018.

Federal funds represent a larger share of the All Funds budget than even personal income tax revenues.
The $37 billion in federal Medicaid dollars represent, by far, the biggest federal contribution to the state budget. New York is scheduled to receive an additional $3.78 billion in the coming fiscal year as the federal share of the state's Essential Plan, which provides health insurance to low- and moderate-income households not qualifying for Medicaid. New York is also scheduled to receive approximately $4.2 billion in social welfare spending to cover vital services for children and other low-income New Yorkers.

Many New Yorkers benefit one way or another from the broad range of programmatic areas in which the state receives federal categorical funds. The chart below shows only funds that flow through the state budget; it does not include the billions of federal dollars that flow directly to New Yorkers for Social Security, Supplemental Nutritional Assistance, or federal pensions.

Fig 5. The Importance of Federal Funding in the NYS Budget

PROGRAM	FEDERAL $	MAIN BENEFICIARIES AMOUNG NEW YORKERS
Medicaid	$37.08B	6.5 million New Yorkers: low income households, low wage workers, the elderly, the disabled and patients with high cost chronic conditions
Essential Plan	$3.78B	620,000 covered: low and moderate-income households that don't qualify for Medicaid or Child Health Plus
Other Health & Social Welfare*	$7.57B	The elderly, people with addictions or mental health issues.
Education	$4.02B	All children; special-needs children; college students from low- and middle-income families
Transportation	$1.81B	Everyone
Public Protection	$1.10B	Everyone
All Other	$2.51B	
Total Federal Funds, FY 2019	**$57.87B**	

**Includes Temporary & Disability Assistance; Public Health; Children's Services, Mental Hygiene; Senior Services & others*

Source: NYS Division of the Budget, FY 2019 Executive Budget Financial Plan.

Local governments in New York are also dependent on federal aid. Housing agencies, school districts, and local general-purpose governments receive a total of approximately $16 billion annually in federal funds, which goes to social welfare, public health and transportation. A little less than half of this, $7.2 billion, goes to New York City, where social welfare funding accounts for the largest share, followed by education and housing—over 60 percent of the New York City Housing Authority's budget comes from federal housing funds. Federal, state and local funding are all interconnected: federal aid represents approximately six percent of local government revenues and state aid accounts for 23 percent of local revenue. Thus, local governments would certainly be affected if significant federal budget cuts severely constrain the state's financial picture and its ability to provide local assistance.

As a contingency measure, in case of significant federal aid reductions, last year's Enacted Budget stipulated that federal funding cuts exceeding $850 million would trigger the NYS Division of Budget to release a proposed plan on how to close the gap. Once the plan was released the legislature would then have 90 days to come up with their own plan or accept the governor’s plan. This is a very likely scenario given the cuts that were proposed in last year's House and Senate budget resolutions.

A few short months ago, the House Republican budget resolution, the Trump Administration budget, and the Senate budget resolution all called for trillions in cuts to entitlement programs over the next 10 years. The House and Trump budgets suggested cutting SNAP by at least $140 billion over 10 years. Under the house plan, by 2027 SNAP would be cut by about 40 percent even though SNAP serves 20 million children and two-thirds of SNAP benefits go to households with children. The House Budget plan also called for harmful changes in the Earned Income Tax Credit (EITC) and more steep cuts (about 18 percent by 2027) from multiple areas like child care subsidies and the Head Start program, K-12 public education, housing assistance, job training, and student aid to name but a few.

One of the biggest risks to the New York State budget remains the potential repeal of the Affordable Care Act (ACA). So far, efforts at repeal have failed, except for the repeal of the individual mandate in the recently passed tax bill. But the threat is still real, and repealing the ACA would jeopardize health insurance for more than 2.7 million New Yorkers, according to the Governor’s Office. With the ACA, the portion of the state's population without health insurance has fallen from 10 percent to five percent.

The adverse impacts of the new federal tax plan have already begun to shape in New York (see tax section). Under the Republican-controlled Congress, progress that the federal government made under the Obama Administration in using federal tax policy to reduce income inequality is being unraveled in favor of benefitting the wealthiest Americans and corporations. A recent Economic Report demonstrated that the Obama Administration policies delivered the most significant reduction in market-generated inequality since the Great Society programs in the mid-1960s. The combined impact of the Obama Administration’s tax policy changes and taxing the wealthy to pay for expanded health coverage under the ACA cut by 20 percent the ratio of average income of the top 1 percent to the bottom 20 percent.[1]

Given the recent passage of the tax bill and the proposed draconian federal spending cuts that threaten the well-being of millions of New Yorkers, the governor and legislature should consider multiple tax approaches to recapture some of the federal windfall that would flow to the state’s richest individuals and businesses.

[1] President’s Council of Economic Advisors, 2017 Economic Report of the President, January 2017, chapter 3.

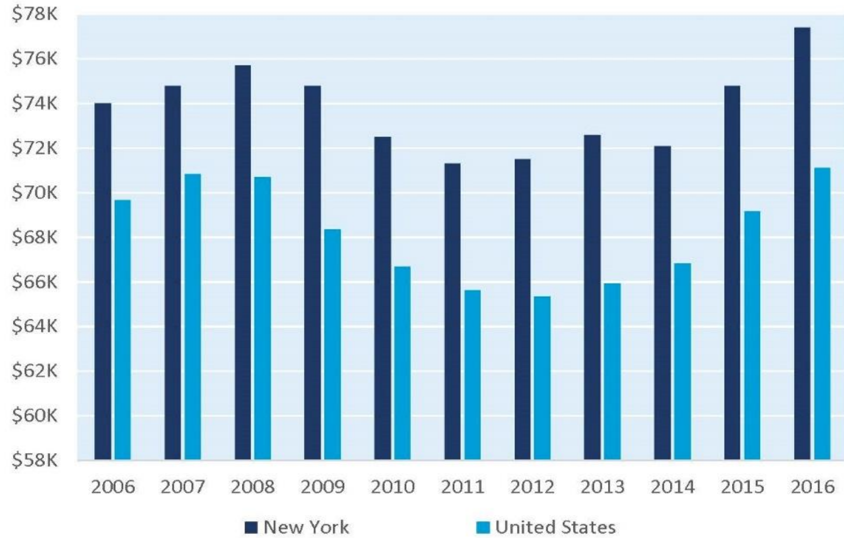
New York’s Pronounced Income Inequality and Evolving Tax Structure

The sweeping changes introduced by this year’s very partisan federal tax bill drastically altered the tax environment for individuals and businesses. One-way congress held down the already enormous expense of the tax bill to the federal government was to grab revenues from the states by significantly limiting the deductibility of state and local taxes. These changes compel states to adapt and pursue defensive fiscal reforms that can protect and potentially benefit their residents. The need to react is especially pronounced in New York, whose taxpayers may face additional tax-related costs of over $14 billion annually unless something is done at the state level. The new federal tax law also puts New York’s tax system progressivity at risk, and has the potential to severely impact the state’s investments, services and economy as a whole. To address these problems the state’s leadership must demonstrate a bold vision for innovative strategies and sensible, realistic solutions in the arena of fiscal policy.

Inequality

New York State has a pronounced income inequality that has been getting drastically worse over the past 35 years. The dimension across which inequality manifests itself are geographic and ethnic. Vastly more high-paying jobs are created in NYC than upstate New York. While household incomes recovered from the Great Recession, with median household incomes showing positive growth since 2008, if broken down by demographic categories the picture looks mixed and uneven.

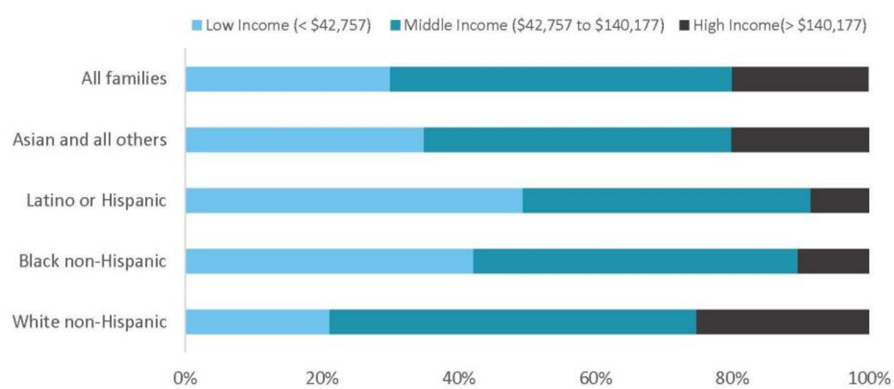
Fig 6. NYS Median Family Real Income



Source: American Community Survey data, Income in 2016 constant dollars.

The income of a typical (median) white family is almost double that of a typical black family. Black families are in fact twice as likely to be low-income. The state of New York has increased its minimum wage to boost the incomes at the low end of the income structure, but it needs to do more. Most directly it should increase the progressivity of the state taxes.

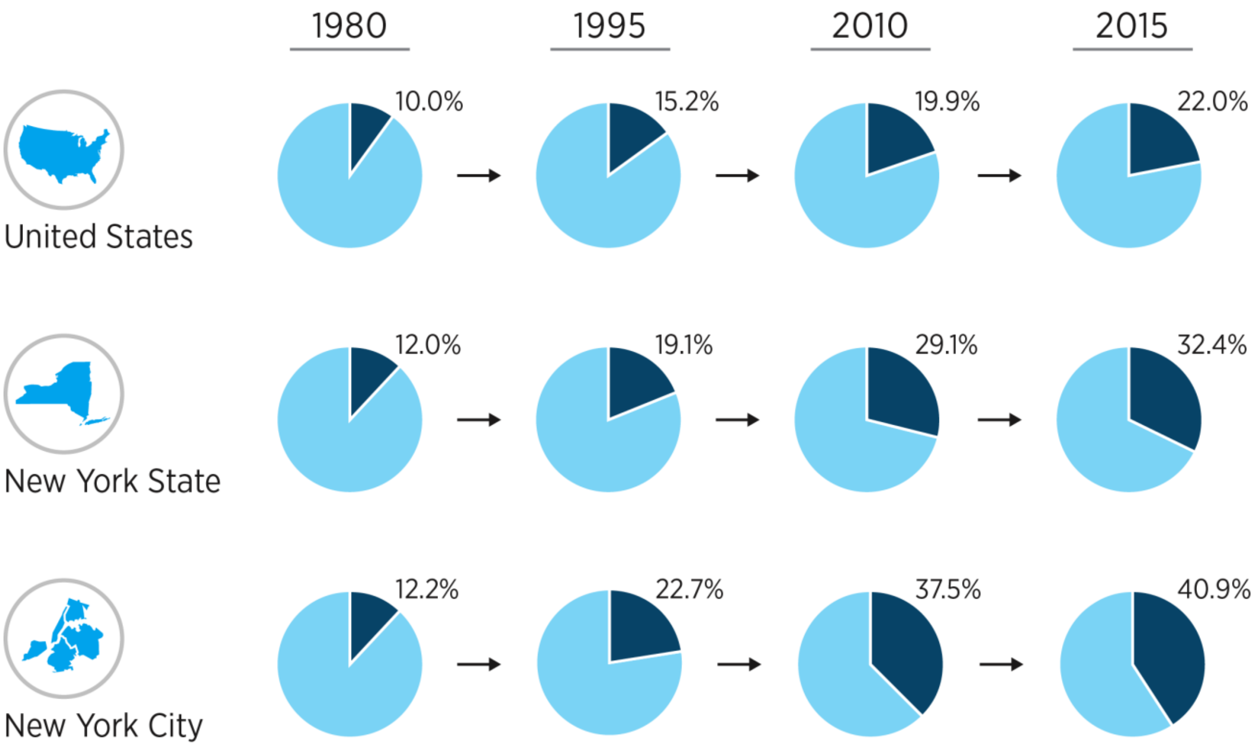
Fig 7. New York's Black and Latino Families Much More Likely to Have Low Incomes



Source: FPI analysis of 2014-2015 American Community Survey microdata. Income analysis done using 2015 constant dollars.

The share of income going to the top 1 percent has been steadily increasing since the 1980s nationally, statewide and in New York City. The upper end of the state's income distribution has benefitted greatly and disproportionately from the state's economic growth. The top one percent of New Yorkers have realized a significant portion of the income gains since 2008.

Fig 8. A Bigger Slice of the Pie
The Growing Share of All Income Going to the Top 1 Percent



Source: Emmanuel Saez, U.S. data updated June 2016; Estelle Sommeiller, Mark Price, and Ellis Waezeter, Income inequality in the U.S. by state, metropolitan area, and county, Economic Policy Institute, June 16, 2016, New York state data; Independent Budget Office data for New York City; and FPI estimates updated by Dr. James Parrott.

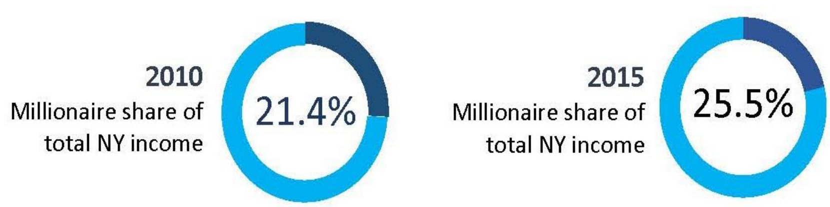
Income inequality and social polarization are serious problems and as the state seeks to create opportunities for shared prosperity and equitable growth, it must also pursue meaningful measures aimed at enhancing the progressivity of its tax regime. Moreover, forcing the state into austerity, by depriving state agencies of resources in order to make the top one percent better off is not a sign of good governance, but rather the opposite. An enhanced millionaire's tax and various federal recapture taxes should be applied to generate the much-needed revenues, to fund essential services and make progress in addressing income inequality issues.

[2] Cristobal Young, Charles Varner, Ithai Z. Lurie, and Richard Prisinzano, "Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data," *American Sociological Review*, 2016, vol. 81(3), pp. 421-446.

Contrary to the conservative insistence that progressive taxation will drive away the wealthiest taxpayers, recent research on "millionaire taxes" by Cristobal Young of Stanford University and colleagues shows the rich are generally so tied to local economic and social networks that they have largely not moved out of the states that have imposed higher income taxes.[2] New York's experience corroborates these academic findings. Since the enactment of the millionaire's tax in 2009, the number of millionaires in New York has climbed, and their incomes have grown much faster than that of non- millionaires. The number of resident millionaire returns grew by 40 percent from 2010 to 2015—10 times the four percent growth in the number of non-millionaire returns. The total income on millionaire returns grew by 49 percent nearly three times faster than all other New York tax returns. Needless to say, this is contrary to the predictions of opponents of the millionaire's tax who claimed wealthy people would flee the state in the face of higher taxes.

Fig 9. Number of Millionaire Tax Returns Increased by Forty Percent from 2010 to 2015

	2010	2015	% Change
Number of millionaire tax returns	35,802	50,080	40%
Total income on millionaire returns	$134.5 billion	$199.8 billion	49%
Number of non-millionaire tax returns	9,236,260	9,564,530	4%
Total income on non-millionaire returns	$493.9 billion	$582.8 billion	18%
All NYS tax returns	9,272,062	9,614,610	4%
Total income on all returns	$628.4 billion	$782.6 billion	25%



Source: Internal Revenue Service, Statistics of Income data.

New Tax Law

The federal Tax Cuts and Jobs Act of 2017 disrupted the tax regime. This will cause a massive readjustment in the behavior of individuals and businesses as they start to consider and gradually adapt to the new set of incentives and stimuli. The changing environment will produce its winners and losers, and the role of the state is to mitigate unnecessary losses while maintaining fairness and opportunity for all New Yorkers.

Who Gains?

Corporations
The main beneficiaries of the new tax law are corporations. The corporate tax rate has been lowered substantially and permanently: the top rate was slashed from 35 to 21 percent—without closing the loopholes that allow many corporations to escape the tax entirely. In this new regime, corporations exist in a "territorial" tax system: they are no longer liable to pay taxes for their worldwide income. The corporate alternative minimum tax has been repealed. Previously, corporations were subject to an Alternative Minimum Tax of 20 percent, exempting only those with 3-year average annual gross receipts of less than $7.5 million. Additionally, the federal tax law features several generous asset expensing and depreciation provisions.

People with Limited Liability Company's (LLCs) and other vehicles for pass-through income
Most people with pass-through business income, a group that is sure to rapidly bloat, benefit from a 20 percent deduction. Pass-through companies with a substantial quantity of qualified property are set to benefit greatly. As an industry, real estate, where businesses that own and operate properties are routinely set up as LLCs and partnerships to generate this kind of pass-through business income, is poised to gain from the structure of the provision and the definitions it supplies.

The super-wealthy
The federal tax law also vastly increases the amount wealthy individuals can transfer to others—their children, for example—tax free. In a stunningly regressive manner, the new law reduces the estate tax exposure for high net worth individuals by doubling the amount of their "applicable exclusion amount" for both gift tax and estate tax purposes. Under the prior law, the amount in 2018 would have been $5.6 million per person but it will now be approximately $11.2 million per person. The tax provisions benefitting individual taxpayers are set to expire in 2025, in order to avoid triggering different senate rules needed to pass measures that vastly increase the deficit after 10 years.
The new federal tax law allows many individuals to enjoy some modest temporary tax benefits, such as lower top tax rates or increased child deduction. But despite short term gains for many, most taxpayers will see their taxes increase in the end.

Who Loses?

Itemizers, who pay more than $10,000 in State and Local Taxes. **T**he new federal tax law has a starkly negative impact on many middle-class taxpayers in New York. The new cap on the state and local tax (SALT) deductions of $10,000, unless appropriate measures are taken, will hurt financially many of the state's taxpayers whose state and local tax liability exceeds the new cap, effectively exposing them to double-taxation on a part of their income. It will also hurt the state itself, and local governments, by effectively doubling the impact of any tax increases for the many taxpayers who previously would have been able to deduct them from their federal tax returns. The immediate overall annual cost to New Yorkers is an estimated $14.3 billion.

Everyone Who Is Affected by Inflation Indexing
The new federal tax law's use of the chained Consumer Price Index (CPI), effectively a lower gauge of inflation, will have a lasting negative impact on taxpayers by pushing some prematurely into higher tax brackets— "bracket creep." The standard deduction and the Earned Income Tax Credit are also set to this lower inflation index. The difference is significant: since 2000, the regular CPI grew by 45.7 points while the chained CPI grew by 39.7 percent, a difference of 6 percentage points. People at the lower end of income distribution as well as the middle class tend to rely more on these deductions and tax credits and will as a result of this
suffer the most in the long run. This has the potential to become a major hidden federal tax increase. An estimated $5

billion will be generated by 2020, $128.2 billion over the next ten years, and $500 billion in the decade that follows. As a major economic center in the nation and one of the top drivers of growth, New York will be disproportionately negatively impacted.

What's the Problem?

In the final analysis, many New Yorkers will pay more in taxes unless the state reacts appropriately and provides relief to the taxpayers who may be negatively affected, while some New Yorkers reap enormous and unwarranted tax decreases. The state must also protect its own budget revenue. New York already pays far more to the federal government than it gets in return. That's as it should be; New York is a wealthy state. But this goes far beyond the pale in restricting New York's capacity to raise and keep its own tax revenue. The kind of reform that is needed presents the governor and legislature with a major legislative and policy challenge by its scope, complexity, and timeframe. If nothing is done, we may expect the adjustment to be mainly made in the economy. If the SALT situation isn't resolved, it could depress property prices and therefore *property tax revenues*—creating pressure for higher *property tax rates*. If low- and middle-income families are negatively impacted in the long run that will take money out the state economy causing it to stagnate or even shrink, limiting opportunities and growth.

Proposed Solutions

The new federal tax law is clearly disruptive, but it also presents a valuable opportunity for the state to reevaluate its tax system. While a sudden and complete revamping of New York's taxation could yield unpredictable and undesirable results, a sensible and staged approach designed to advance the vital economic interests of all New Yorkers would work best. New York has historically been a progressive state. Its economic and tax policies reflect that, and must continue to do so in the future.

The challenge now is to recognize the changing fiscal landscape at the national level and adapt promptly. This ought to be done, in part, by reacting to the federal pressures, but mostly by reexamining tried and trusted methods and proactively advancing new solutions and ideas for ensuring the state's economic success through inclusive growth and shared prosperity. Policymakers must prioritize measures and policies whose distributional effects provide lower- and middle-income New Yorkers with opportunities to succeed in the state's highly dynamic economy. Otherwise, the state's aggressive pro-growth, business friendly "state of opportunity" agenda rings hollow against the background of rapidly deteriorating and chronically underfunded local services. Those in New York who lose in the economic competition keep falling behind, while the winners win more. New York's Gini coefficient, a measure of economic inequality, is 0.5129, the highest among all fifty states. There must be a better balance of winners and losers across the policies New York State adopts; and its tax policy is a key element in the mix.

The new policy direction must deal with the issue of an anticipated reduction in federal funding for state programs, as well as the loss of deductibility of state and local taxes. Therefore, the state must creatively take strong preemptive action in the realm of its fiscal policy in order to resolve its problems successfully, rather than relying on either an array of disconnected piecemeal solutions or a dogmatic adherence to austerity.

Three Problems Require a Threefold Solution

The new federal tax law impacts New York in three important ways that should all be addressed as the state tax code is revamped.

The new federal tax law affects taxpayers directly

Many of New York State's taxpayers face new set of tax liabilities under the new federal law. The most prominent issue is that state and local tax deductions, previously unlimited, are now capped at the maximum of $10,000. As a result, residents of many areas in New York will end up paying more in taxes unless something is done legislatively to provide relief. In Nassau, Rockland, and Westchester counties, some of the most severely affected, more than half of taxpayers have a property tax bill alone that is greater than $10,000.

There will be positive direct effects for some taxpayers as well. Not everyone itemizes deductions such as the one for state and local taxes; some residents take a standard deduction, and that has in fact been increased by the federal tax law. The standard deduction has been increased to $12,000 from $6,500 for single filers, to $18,000 from $9,550 for heads of household, and to $24,000 from $13,000 for joint filers in 2018.

Some individual taxpayers stand to gain through this combination of lost deductibility and higher standard exemptions and some stand to lose a lot, the aggregate added cost to New York taxpayers overall is an estimated $14.3 billion. The state should look into providing tax relief wherever possible or prudent.

The new law affects the New York state and local government revenues

This impact is multifold. Local tax collections may shrink, for example, if loss of state and local tax deductibility translates into lower home values and thus reduced property tax revenues. It is also clear that the other shoe that has not yet dropped in congress is large cuts to funding for states to accommodate loss of federal revenue associated with the massive tax cut. That looming cut is sure to put a major strain on New York's budget; Medicaid funding is a particularly high risk. The new tax code also moves corporations to a "territorial" tax system. Under such a system foreign earnings are not subject to domestic tax. Since New York has a border with Canada, some firms may decide to relocate some or part of their operations to Canada for tax advantages. Canadian net corporation tax rate is 15 percent at the federal level; adding in Ontario's 11.5 percent province-level tax gives a total rate of 26.5 percent, compared to 27.5 percent in New York—the new federal corporate tax rate of 21 percent plus New York's top marginal rate of 6.5 percent. New York has invested a lot of time and resources in economic and industrial development in upstate New York; corporate tax-optimization schemes that involve capacity transfer to Canada resulting in job destruction in New York would undermine that effort.

The new law affects New York's tax system progressivity

The law introduces changes to the child tax credit (CTC) by both increasing the maximum credit to $2,000 and making it available singles with incomes up to $200,000 and couples with incomes up to as much as $400,000. This move helps some lower-income New Yorkers, but it is also expensive to the federal government because it extends well past the middle class into the upper income echelons, thereby also reducing the measure's intended progressivity. The federal measure also has impact on New York's tax revenues, which will suffer considerably as a result of a higher number of claims. To save the state an estimated $500 million annually, it would be reasonable to decouple from the federal law in this instance and provide an enhanced version of the state-based child credit for low-income families along with changing the age of eligible children to include children under the age of four.

In response to these challenges, Governor Cuomo has proposed several different approaches

Lawsuits

Governor Cuomo has pledged to sue the federal government for the restricted deductibility of state and local taxes, as have several other Democratic governors in states adversely affected by the tax law, arguing that the SALT cap is unconstitutional. Historically, the federal government has not taxed residents on their taxes paid to state and local government. This arrangement is older than the federal income tax itself. The federal claim to primacy in the matters of taxation may thus violate the Constitution and upset the traditional balance of power between the federal government and the states.

Charitable Organizations

Since the federal tax law still allows for charitable deductions, Governor Cuomo has floated the idea that charitable organizations could be set up that would let taxpayers finance local services (normally paid for with state and local taxes) and still retain deductibility. It may be argued that the charitable intent is not evident given what appears to be a veiled quid-pro-quo nature of the arrangement. This method could work to help at least partially restore the dollar value of deductions lost due to the SALT cap. However, creating charitable organizations to fund public services seems to open the door to unpredictable funding levels for essential services.

Payroll Tax

Swapping a payroll tax for the personal income tax could be a very large project. There are plenty of complexities and nuances to address. But, done right, there are also potential advantages both in addressing the new federal fiscal environment and in improving the New York State tax code.

The objectives and design requirements of a tax swap are clear. Shifting the tax incidence from the employee to the employer allows the employer to deduct the payroll tax while the employee could still enjoy the same take-home pay as before. In order to preserve a progressive system a payroll tax should vary depending on the size of earned income, or should be supplemented by a progressivity-enhancing mechanism. The latter is more reasonable and fully falls under the widely accepted definition of a payroll tax: a flat tax on a firm's wage bill.

If a flat payroll tax is set above the average income tax rate, the additional funds collected may be channeled to support low-income New Yorkers and fund essential services. Daniel Hemel, a law professor at the University of Chicago, estimated the average income tax rate in New York to be 4.76 percent in 2015, while the state's wage income was $516.8 billion. Accounting for inflation that would be $ 537.7 billion in wages and $25.59 billion in tax revenues in 2017. While this figure is low relative to the entire PIT, what is important to note is that increasing the tax by 0.2 percent the corresponding revenue increases by $1.07 billion; that is more than the entire list of revenue raisers proposed by the governor.

Progressive alternatives: fair-share tax proposals for New York 2018-2019

The plans outlined above and presented by the governor in his Executive Budget fall short of generating the kind revenue that New York needs to remain competitive in the future. FPI suggests considering the following list of additional pro-revenue fair share proposals that could raise billions in estimated new revenue.

***Close the carried interest loophole at the state level (approximately $3.5 billion annually*)**

Billionaire real estate investors got a special loophole in the new federal tax law. Hedge funds and private equity funds are using the loophole too – they'll all pay lower tax rates than teachers and truck drivers.

Recapture – Unincorporated Business Tax (UBT)

A state surtax on high-dollar pass-through LLCs could raise over a billion per year without negatively impacting small businesses or freelancers. At a time when many people will be looking to start such corporations to game the new tax law, this should be coupled with an increase in LLC filing fees both to raise revenue and discourage gaming.

Claw back the federal tax cut for large corporations that do not raise pay or create jobs

Multinational corporations are executing hundreds of billions of dollars in stock buybacks, providing returns to rich investors – not their workers. New York should impose a "claw-back tax" on publicly traded companies that received tax breaks but do not create jobs or raise pay of workers. The state should exempt small businesses or start ups from this measure that could raise a billion per year and/or compel companies to do the right thing for New York's working families.

Fee on opioid medication and windfall profits tax on opioid wealth

New York is facing a deadly public health crisis of addiction and overdose, driven by prescription painkillers and other narcotics. Pharmaceutical companies and pharmacy benefits managers have abused the prescribing system to explode sales and distribution of dangerous painkillers beyond their proper use. A state surtax on prescription painkillers, as the governor suggests, and an assessment on company fortunes built on opioids could raise billions for treatment, public health and overdose prevention.

Reinstitute Stock Transfer Tax

Large banks and Wall Street traders get the biggest benefits from the new federal tax law. In fact, New York still collects a multi-billion-dollar ($13.8 billion per year) Stock Transfer Tax, but it is currently fully rebated back to the brokers. It is possible to exempt small investors while imposing a negligible transfer tax on high-frequency and high-dollar trades. Rebating 60 percent of the tax, rather than the full 100 percent could raise $5.5 billion per year.

Multi-millionaires tax

New York's tax brackets are antiquated and should be made more progressive. It makes sense to adjust brackets upward for the wealthiest residents, to reflect explosive income gains of the recent decades—as well as some of the newly created gains from the new federal tax law. New progressive brackets at $5 million, $10 million and $100 million per year would raise over $2 billion annually and would still leave these multi-millionaires as the big winners in the economy of these last years.

New York City land tax to fund transit, jobs and climate adaptation

New York City real estate has soared in value, while the transportation, infrastructure, housing and energy systems that make it so valuable have suffered. We can create thousands of jobs all over New York with funding from a reasonable land tax on just the most valuable Manhattan office buildings and speculative luxury housing that could well over a billion dollars.

The best course of action is one that combines multiple approaches sketched above and applies them simultaneously in parallel. The best approach is decidedly pro-growth and pro-revenue

Education

This year's Executive Budget attempts to appear generous to education funding despite the budget deficit. There are some proposals that continue from last year, including a paltry increase in K-12 school aid, another small expansion of the Universal Pre-Kindergarten program, additional funding for after-school program slots for some communities, and the second phase-in of the Excelsior Scholarship, which provides extra funds for certain full-time SUNY and CUNY students. On top of that, the governor proposed new legislation and funding for students to access healthy, locally sourced school meals to address child hunger. However, beneath the surface woes of the deficit and the half-hearted attempts to tackle educational inequity, there is still a perpetuation of educational poverty and economic inequality.

Insufficient Funding for K-12 Education

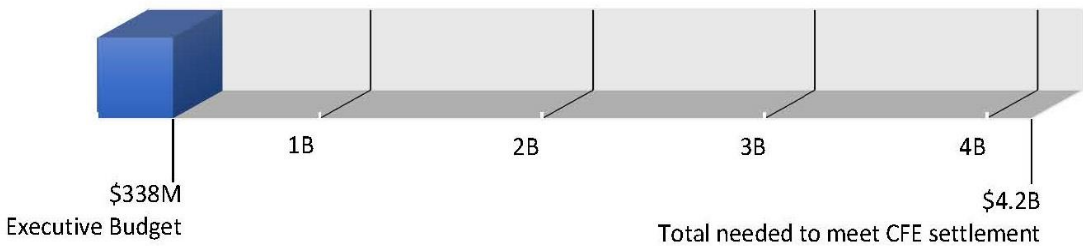
The Executive Budget proposes a $769 million increase in school aid this year, totaling to approximately $26.4 billion or a three percent increase compared to last year. That amount breaks down to $338 million in Foundation Aid, $317 million in Expense-Based Aid, $64 million in the Fiscal Stabilization Fund, and $50 million in Competitive Grants (Universal Pre-Kindergarten Expansion at $15 million, Empire After School Program at $10 million, Early College High Schools at $9 million, Smart Start Computer Science Program at $6 million, Breakfast After the Bell at $5 million, Test Fee Assistance at $2.5 million, Master Teacher Program at $1 million, Gang Prevention Education Programming to At-Risk Students at $500,000, and $400,000 for Excellence in Teaching Awards).[3]

This is a less ambitious step toward closing the needed funding gap than last year's increase for K-12 education, which totaled to nearly $1 billion in school aid and included $428 million in Foundation Aid. This year's allocation, while still a three percent increase, is still nowhere near enough to guarantee adequate resources for all students, especially for poorer districts. Once again, additional state support remains critical, as the property tax cap will allow limited growth in schools' primary local revenue source. To get closer to meeting the constitutionally mandated minimum funding level required, the state would need to invest an additional $1.5 billion to continue school services, based on current projections for school costs and the tax cap and another $500 million to address priorities such as supporting schools in receivership, college and career pathways and professional development. [4]

[3] New York State Department of Education, "State Aid Overview," January 2018.

[4] New York State Educational Conference Board, "Public schools remain the best investment in the future," January 2018.

Fig 10. School Aid Funding Falls Far Short of Promise of Campaign for Fiscal Equity Settlement



Sources: Board of Regents, "State Aid - Review of the 2018-19 Executive Budget Handout," January 2018; New York State Educational Conference Board, "Public Schools Remain the Best Investment in the Future," January 2018; FPI Calculation, NYS Financial Plan, January 2018.

The Campaign for Fiscal Equity (CFE) lawsuit was a 2003 landmark court case which upheld that the state must 1) "ascertain the actual cost of providing a sound basic education;" and 2) "[ensure] that every school… would have the resources necessary for a sound, basic education;" and 3) "ensure system of accountability to measure whether the reforms actually provide the opportunity for a sound, basic education."[5] The court ordered the governor and the legislature to determine an actual cost level, which became the Foundation Aid formula.

The Foundation Aid formula determines how much Foundation Aid each school district requires to provide students with an adequate education, and offers a total amount of Foundation Aid that the state must provide for each district. The formula uses a series of factors and weightings based upon local income levels, property values, number of English Language Learners, student poverty, and other criteria. The Board of Regents has calculated that $4.2 billion more is owed to school districts statewide since the implementation of the formula. The $338 million allocated for Foundation Aid in this year's budget still leaves an approximate $3.9 billion shortfall.

State Support for Schools Has Declined While Property Tax is Capped

Since 2011, state aid as a percent of total spending has been at historic lows. Inadequate state aid not only hampers the ability of disadvantaged students to catch up, but also places pressure on local property taxes as school districts attempt to compensate for the unmet commitment of state funds.[6] However, housing values, which are the base for the property tax, are often lower in low-income neighborhoods. This goes a long way toward explaining why the 10 percent of school districts with the highest need relative to resources raises less than one-sixth the amount of taxes per student than the top 10 percent.[7]

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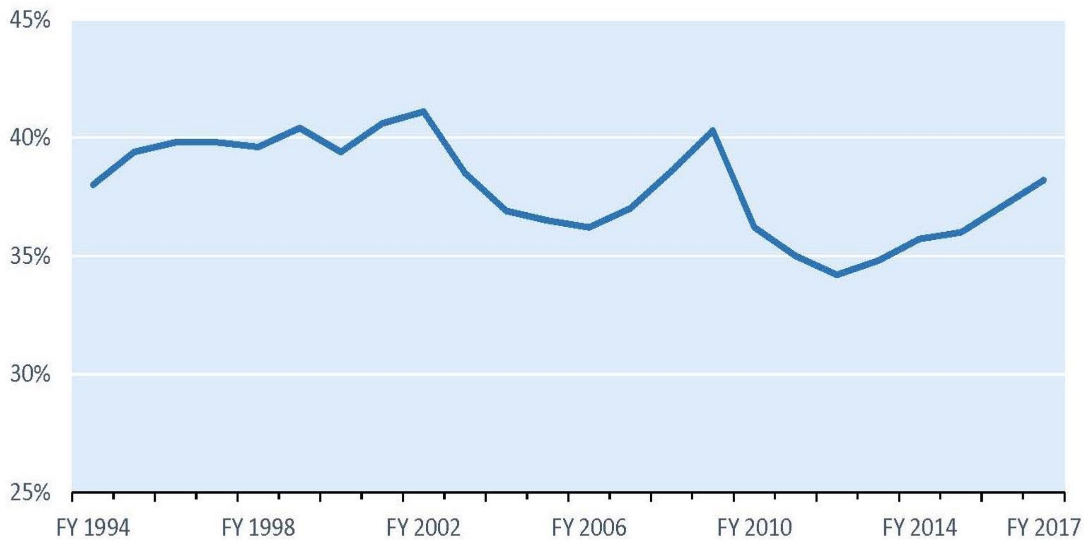
[5] Michael Rebell, "Students Constitutional Rights Are Obligatory, Not 'Symbolic' or 'Aspirational'," https://educationalequityblog.org/2017/01/26/students-constitutional-rights-are-obligatory-not-symbolic-or-aspirational/, January 26, 2017.

[6] Rajashri Chakrabarti, Max Livingston, Joydeep Roy, "Did Cuts in State Aid During the Great Recession Lead to Changes in Local Property Taxes?," Staff Report No. 643, Federal Reserve Bank of New York, October 2013. See also section of this briefing book on Local Government.

[7] Analysis of School Finances, New York State Education Department, January 2015. The need to resource index is designed to measure each district's student need in relation to its capacity to raise local revenues, indexed to state averages. See page 14 of the Analysis of School Finances report for a more detailed explanation.

Fig 11. State Support of Schools Has Not Returned to Pre-Great Recession Levels
STATE AID AS A PERCENT OF SCHOOL SPENDING



Note: State aid excludes School Tax Relief (STAR) Program
Source: NYS Department of Education, Analysis of School Finance, January 2017.

Moreover, the state-imposed property tax cap makes it very difficult for school districts to use their own resources to make up for the shortfalls in state aid. For the upcoming school year, minimal growth in property taxes will be allowed under the cap. Current projections are that the property tax cap will allow growth of just 1.26 percent, resulting in the loss of hundreds of millions of dollars in funding for New York's schools.

Universal Pre-Kindergarten Funding Continues and Still Falls Short

Research indicates that high-quality early childhood education is crucial to reach goals of educational equity and excellence. Early childhood programs often result in better educational outcomes for children by promoting cognitive, social, emotional and physical development in all settings. The Universal Pre-Kindergarten program (UPK) for four-year-old children was first enacted in FY 2016 and expanded in FY 2017 to include three-year-old children. This year, funding for UPK continues with a modest increase of $15 million on top of the $822 million annual funding level.

The expansion of UPK throughout the state over the last few years is a step in the right direction toward ensuring that the youngest New Yorkers develop learning skills and have better overall educational outcomes. However, more than 81,000 four-year-old children outside of New York City are without full-day pre-kindergarten services despite growing demand from school districts and parents.[8] In contrast, New York City now offers Pre-K for all and is now rolling out Pre-K to all its three-year-old children. The New York City UPK program supports more than 70,000 four-year-old children. This progress is groundbreaking but of course it does not resolve the lack of UPK funding and slots for children elsewhere in New York. Additionally, since Governor Cuomo boldly pledged to make full-day UPK

[8] Alliance for Quality Education, "Opportunities Foreclosed Equity Denied New York's Youngest Learners Still Left Out!" January 2018.

available to every four-year-old in New York in 2014 and agreed to invest $1.5 billion in it, the expansion has been scaled back every year.[9] Last year saw a meager $5 million investment, less than 500 seats, for four-year-old children. For this reason, this year's $15 million in additional funding for UPK still falls far short of the amount needed to fulfill need across the state.[10]

Rising poverty, changing state demographics, and an increasing number of English Language Learners throughout the state are all signs that New York must invest in the success of its children.[11] Many school districts already have waiting lists and/or are forced to use lotteries to award seats to eligible children. Maintaining all current funding levels for UPK and investing an additional $150 million would help expand access to both three- and four-year old children outside of New York City and ensure programs have sufficient resources and technical assistance to meet the quality standards.[12]

Investing in the Empire State After-School Program Helps to Address Child Poverty

After-school and summer programs provide safe, educational spaces for children to go after the school day ends and during the summer in all communities throughout the state. Successful high-quality after-school programs increase student engagement and attendance, as well as improve test scores and reduce negative behaviors among other benefits. Last year, the Enacted Budget invested $35 million in public after-school programs in the state's sixteen Empire State Poverty Reduction Initiative (ESPRI) communities. This year, the Executive Budget proposes an additional $10 million to fund more after-school program slots in ESPRI communities. The new funding will create an additional 6,250 slots for students in high-needs districts on top of the 22,000 slots created last year.

The $35 million for after-school and summer programs that was included in the SFY 17-18 Enacted Budget is a necessary investment and clearly displays the effectiveness of these programs, which is why the additional $10 million proposal for this year is encouraging. Continuing to build on the combined $45 million proposals would help sustain these programs and provide meaningful support and technical assistance.[13] Investing in after-school and summer programs does not only prepare children for success in school and life but it also supports New York's workforce, decreases child abuse and neglect, increases health and educational outcomes, and builds the economy.

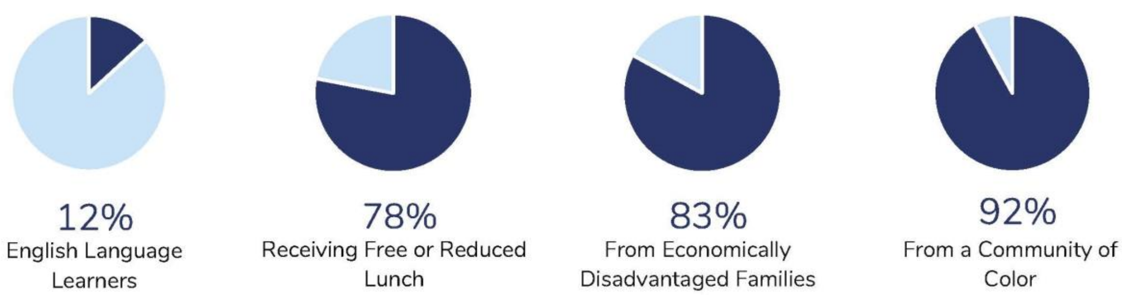
[9] Alliance for Quality Education, "Opportunities Foreclosed Equity Denied New York's Youngest Learners Still Left Out!" January 2018.
[10] Winning Beginnings NY, "Keep the Promise of Quality Pre-K for All New York's Children," January 2018.
[11] Ibid.
[12] Ibid.
[13] Winning Beginnings NY, "Afterschool Programs," January 2018.

Priority Schools Face Uphill Battles

Priority Schools are schools that the New York State Department of Education (NYSED) identified as failing and/or high-needs. The students at these schools generally score in the bottom five percent in student proficiency tests and/or have low graduation rates. Throughout the state, Priority Schools are generally constrained by inadequate funding because they are generally located in areas with high rates of poverty.

FPI found in an analysis of the original list of priority districts in 2015 that three times as many school-age children live in families below the poverty line than those in non-priority districts. Over three-fourths of the students in Priority Schools are eligible for the federal free or reduced lunch program, another indicator of economic hardship. More than nine out of ten are students or color, compared to 52 percent in non-priority schools, and over 12 percent of children do not speak English as their first language.[14]

Fig 13. Students in Priority Schools Face an Uphill Battle



Sources: FPI Calculation of Census Data, "The State of New York's Failing Schools," Office of Governor Cuomo, January 2015.

Poverty, School Performance, and Why We Need to Do Better for New York's Students of Color

In New York State, as in the rest of the nation, structural racism has left schools with majority black and Latino students inadequately funded. Structural racism refers to a system in which public policies, institutional practices, cultural representations, and other norms work in various, often reinforcing ways to perpetuate racial group inequity.[15] It identifies dimensions of our history and culture that have allowed privileges associated with "whiteness" and disadvantages associated with "color" to endure and adapt over time.[16]

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[14] NYSED released a new list of Priority Schools in December 2017, which removed 27 schools from Priority School Status. One school each from Albany, Buffalo, and Wyandanch, and the remaining 24 in New York City were removed from the list. Districts with current Priority Schools include schools in New York City, Yonkers, Buffalo, Rochester, Syracuse, Hempstead, Binghamton, Gloversville, East Ramapo, Mount Vernon, Poughkeepsie, Troy, Schenectady, Salamanca, Utica, Central Islip and Wyandanch. In 2016-17, Binghamton, Gloversville, East Ramapo, and Salamanca were added to the list, while Roosevelt, Amsterdam, and Newburgh were dropped.

[15] The Aspen Institute, "Glossary for Understanding the Dismantling Structural Racism/Promoting Racial Equity Analysis," July 2016.

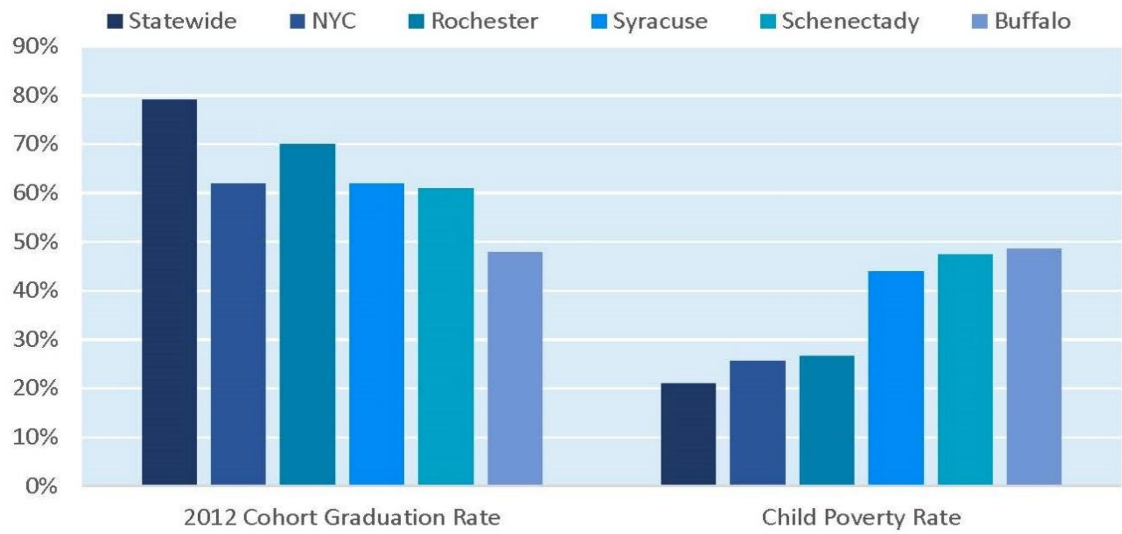
[16] Ibid.

Educational inequity is often the result of housing, income, and labor inequities among other reinforced barriers that prevent families of color from reaching economic opportunity. New York's students of color have been and continue to be shortchanged even fifteen years since the decision of the Campaign for Fiscal Equity (CFE) case, which determined that the state was violating the New York State Constitution by underfunding schools in low-income communities.

The perpetuation of educational inequity ties directly to high levels of child poverty. Research shows that students in

low-performing schools often come from low-income households and often do not perform as well in school as those from more advantaged households.[17] In large school districts in upstate New York, those including Priority Schools, have lower high school graduation rates than the state average, and a much higher proportion of children in poverty.

Fig 14. Large Upstate School Districts Have Lower Graduation Rates and Higher Poverty Than Average



Sources: FPI Calculations of U.S. Census, 2016 American Community Survey 1-Year Estimates, January 2018; New York State Education Department, Graduation Rates: Students Who Started 9th Grade in 2012, December 2015.

According to Helen Ladd, a noted education policy expert, school performance by students from low-income households is heavily affected by "poor health, limited access to home environments with rich language and experiences, low birth weight, limited access to high-equality preschool opportunities, less participation in many activities in the summer and after-school that middle-class families take for granted, and more movement in and out of schools because of the way the housing market operates for low-income families." New York has long ignored the ill effects of poverty on student learning and despite some new reforms, continues to drag its feet in addressing the barriers that disadvantaged children face.

However, these barriers can be broken. For example, poor health and nutrition can be corrected by further investment in high-quality early childhood and UPK programs. Additionally, low-income families cannot always give children

[17] See, for example: "The Long Reach of Early Childhood Poverty," Greg Duncan and Katherine Magnuson, Pathways (Winter 2011); and "Education and Poverty: Confronting the Evidence," "Whither Opportunity? Rising Inequality and the uncertain life changes of low-income children", Greg Duncan and Richard Murnane, Russell Sage, New York, 2011. Helen F. Ladd, Journal of Policy Analysis and Management, Vol. 31, No. 2, 1-25 (2012).

the enrichment experiences privileged families routinely provide. High-quality after-school and summer programs mitigate this issue and give students a safe place to learn and succeed.[18]

In the end, money matters the most to low-income communities and to communities of color. Students are more likely to graduate high school, and attend college if per pupil spending is increased by just 10 percent.[19]

Higher Education

Educating students, contributing to groundbreaking academic research, enriching the state's cultural environment, and robustly contributing to the state's economy are all reasons for New York to take immense pride in SUNY and CUNY. Unfortunately for these institutions, the state has starved them of resources, forcing them to make do with less and pass along burdens to the students.

The twin needs of SUNY and CUNY are quality and affordability. Investment in New York's higher education system make it possible for colleges and universities to maintain and expand on a high level of quality. Funding must make it possible to hire and retain great professors, keep student-faculty ratios at a reasonable level, and provide for the buildings and equipment that make for good learning environments. At the same time, higher education must be affordable to students, irrespective of their family income or life circumstances.

An Update on the Excelsior Scholarship

Last year, the Excelsior Scholarship caused a stir because it was a "conceptual breakthrough," elevating the idea of free college tuition and suggesting that free public college is a realistic goal. The program helps make college more affordable for some working- and middle-class students whose families earn up to $110,000 beginning this year.[20]

To qualify, students must be residents of New York State and complete their chosen degree in two or four years. Students must also maintain good academic standing and be enrolled full-time in their program. Upon graduation, there is a post award state residency requirement of up to four years (one for each year of the scholarship), which will convert to a zero-interest loan if the recipient moves out of New York State or fails to complete the degree. Students who attend graduate programs afterwards can go out of state but then must return after they complete their degree. There is a 10-year loan repayment term if the student does not meet the requirements. The funding for the scholarship covers the cost of tuition after TAP, Pell grants, and other financial aid awards and tuition credits are applied, limiting the group of students who could become eligible for the scholarship.[21]

Approximately 45,000 students applied for the scholarship, of which 23,000 were fully covered by TAP and Pell grants, leaving 22,000 students benefiting directly from the program. Last year's financial plan estimated a total cost of $163 million, breaking down to $41 million to cover the first year of the program in FY 2018 and $118 million for FY 2019.[22]

[18] *Helen Ladd, https://www.scholarsstrategynetwork.org/sites/default/files/ssn_key_findings_ladd_on_education_and_poverty_1.pdf, 2013.*
[19] *Alliance for Quality Education, http://www.aqeny.org/wp-content/uploads/2017/02/NYS-Perpetuates-educational-inequity-on-Long-Island-final-2.pdf, 2017.*
[20] Fred Floss, "Excelsior Scholarship," Fiscal Policy Institute, January 2018.
[21] Fred Floss, "Excelsior Scholarship," Fiscal Policy Institute, January 2018.
[22] Ibid.

Affordability and Quality Go Together

The Excelsior Scholarship only addresses part of the need to make college affordable, since it does not address the many needs of lower-income, part-time, or non-traditional students, and it explicitly excludes the undocumented students who have for years been advocating for the NYS Dream Act (see immigration section). New York ranks 5th among the states when it comes to the average amount of cumulative student debt borrowed by its students. In 2014, the average amount of debt was $14,000 for undergraduate students. Part of the reason for the high debt is the number of private schools with higher tuition and fees.[23]

As with other loan programs, students who drop out before they complete their degree or are not full-time students, will be saddled with a loan and an increase to their debt. Luckily, this does not happen under the current TAP program, which allows students to take 12 credit hours per semester instead of 15 credits. For many students who pay for college, the choice will be to take the Excelsior Scholarship and try to go full-time with a high probability they will not perform well in their classes versus not taking the scholarship and going to school part-time.

Adequate Funding for SUNY and CUNY Would Enhance the Quality of Public Higher Education

Affordability is just one half of the need; the other half is quality. The Executive Budget does not provide a corresponding investment in expanding capacity or ensuring quality education at the state's chronically underfunded universities. Inflation-adjusted operational funding for SUNY and CUNY has declined for some time (measured on a per student, full-time equivalent basis). Both university systems need a restoration of public funding to address the systematic disinvestment in academic quality.

For both SUNY and CUNY, the most immediate step in restoring public funding is covering the "TAP gap" caused by the legal requirement that CUNY provide eligible students with a "TAP waiver credit," covering the difference between the rate of tuition and the maximum TAP award.[24] CUNY currently requests $59 million in covering their "TAP gap"[25] and SUNY requests $65 million.[26] Closing the "TAP gap" would go a long way in relieving some of the financial stresses on SUNY and CUNY campuses.

Additionally, it is critical to preserve the quality of education by reducing student-faculty ratios, making needed capital improvements, and improving working conditions for underpaid adjunct and part-time faculty. As enrollment continues to grow at both SUNY and CUNY, state support has decreased, leaving decreased numbers of full-time faculty, larger class sizes, and limited courses due to budget cuts. In 2000, SUNY employed more than 10,000 full-time faculty to instruct 185,000 students, and today there are just over 8,000 full-time, tenure-track faculty to teach over 222,000 students.[27] Today at CUNY, there are 7,600 full-time faculty and 274,000 students compared to 11,5000 full-time faculty and 250,000 students in 1975.[28]

For both institutions, there is the persistent problem of fair pay for adjunct faculty. Both CUNY and SUNY, like many other academic institutions across the country, have tried to cope with the decrease in per-student funding and growth in enrollment through relying on adjunct faculty. Adjunct faculty are paid less than half the rate of full-time faculty,

[23] U.S. Department of Education, National Center for Education Statistics, 2011-12 Beginning Postsecondary Students Longitudinal Study, First Follow-up (BPS:12/14).
[24] Professional Staff Congress, "Testimony of the Professional Staff Congress/CUNY," January 2018.
[25] Ibid.
[26] United University Professions, "Testimony on the 2018-19 Executive Budget," January 2018.
[27] United University Professions, "Testimony on the 2018-19 Executive Budget," January 2018.
[28] Professional Staff Congress, "Testimony of the Professional Staff Congress/CUNY," January 2018.

despite many adjuncts having the exact same qualifications as their full-time, tenure-track colleagues.[29] In 2000,

CUNY employed 7,800 adjunct faculty and in 2016, it employed 14,400 adjuncts.[30] This staggering increase in adjunct faculty signifies the lack of state support and difficult decisions forced by budget cuts.

It is deeply inequitable and shameful to expect part-time, underpaid, and contingent faculty to be able to provide the same level of opportunities for mentorship, individual attention, and access to resources as people who are paid as full-time permanent employees. Many adjuncts rely solely on their adjunct teaching for their entire income. Teaching as a full-time lecturer at CUNY, for example, nets about $25,000 in annual income.[31] To put that into perspective, the ALICE report, mentioned in the Human Services section of this report, says that the average annual household survival budget for a single adult in Kings, Queens, and New York counties is approximately $27,300.[32]

Further stories in the media about adjuncts living in their cars and enrolling in public assistance programs like Medicaid show the plight of a highly educated workforce living in poverty.[33] Institutions like SUNY and CUNY should be able to continue to provide the quality education that they are known for without having to compromise on faculty, students, and their infrastructure because of the lack of funding.

[29] Ibid.
[30] Ibid.
[31] Ibid.
[32] United Way of New York, ALICE Report, 2016.
[33] The Guardian, “Facing poverty, academics turn to sex work and sleeping in cars,” https://www.theguardian.com/us-news/2017/sep/28/adjunct-professors-homeless-sex-work-academia-poverty, September 2017.

Human Services, Housing, and Healthcare

The State of the State

The recent passage of the federal tax bill, which overwhelmingly favored the most well-off Americans and profitable corporations, and the potential impending cuts to healthcare, nutrition benefits, and other assistance programs, will only widen income inequality further in this country. While no state will make it through the 2018-2019 budget year unscathed, New York will feel the punishing impacts of the actions of the federal administration more than most states.

The new tax cuts will increase taxes for many lower- and middle-income families while favoring the wealthiest New Yorkers. These tax cuts will increase the federal deficit by $1.6 trillion over the next ten years, and because of that increase, GOP leaders want to make massive cuts to entitlement programs like Medicaid and SNAP. Congressional leaders are trying to promote this as "welfare reform" or "entitlement reform," but it is neither—it is benefit cutting. They are also considering adding more rigid work requirements to those enrolling in entitlement programs like Medicaid, something they are billing as "workforce development," despite the large numbers of enrollees who already work.

According to the Talk Poverty project by the Center for American Progress (CAP), New York ranks as having the highest income inequality in all fifty states since 2011 when CAP began the project. There are over 2.8 million New Yorkers living in poverty, almost 15 percent of the population, and millions more who are struggling to make ends meet.[34]

The 2015 ALICE (Asset Limited, Income Constrained, Employed) report published by United Way was compiled to identify people who work hard, often at more than one job, whose wages are not sufficient to sustain them and their families, and who are one small emergency away from a major financial crisis. The report determined that in New York State:

- 44 percent of working households struggled to afford basic household necessities in 2014 (15 percent living in poverty as defined by the Federal Poverty Level, with an additional 29 percent qualifying as ALICE)[35]
- There are almost 2 million families with children in New York, and 44 percent of them have income below the ALICE threshold[36]
- More than one-third (36 percent) of senior households qualify as ALICE, more than double the 14 percent

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[34] Talk Poverty Data: New York, Center for American Progress, https://talkpoverty.org/state-year-report/new-york-2017-report/

[35] United Way of New York State, "ALICE – Asset Limited, Income Constrained, Employed," Fall 2016

[36] Ibid.

- of senior households in poverty[37]
- Women, LGBTQ people, people of color, those with lower levels of education, those with a disability, undocumented or unskilled immigrants, younger veterans, ex-offenders, and immigrants facing language barriers are more likely to fall into the ALICE population[38]

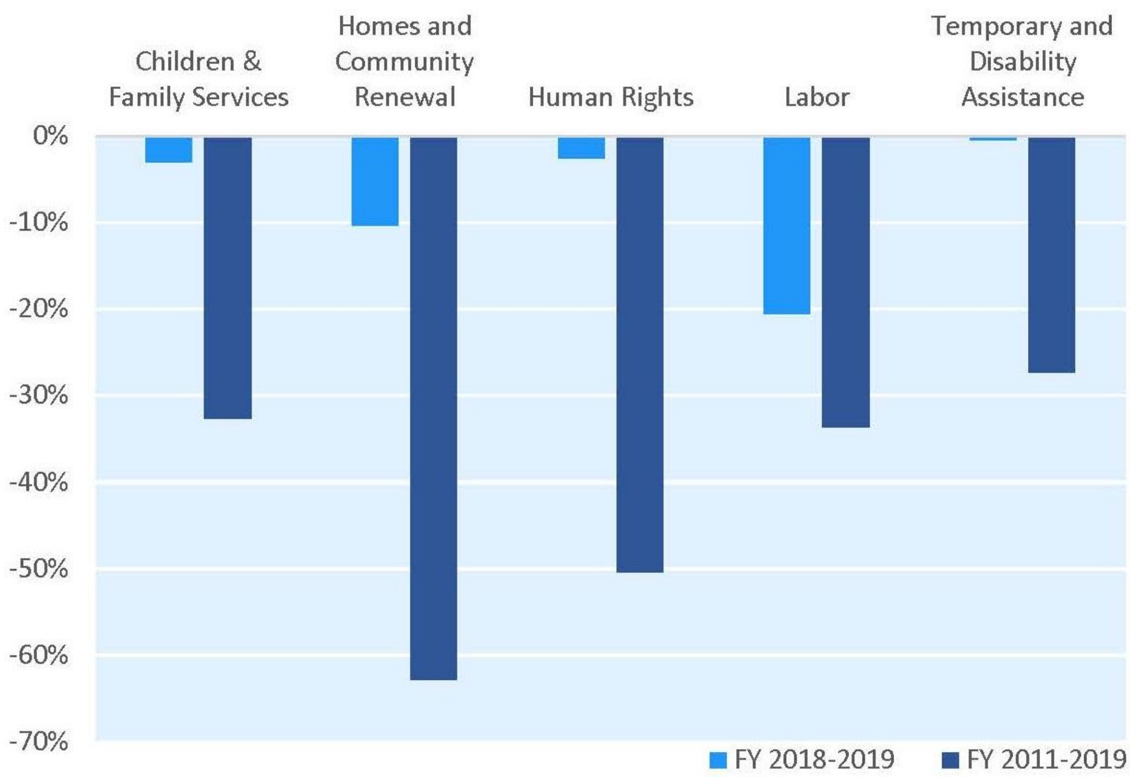
The enactment of a gradually phased in $15 minimum wage, Paid Family Leave, the Affordable Housing and Homelessness Initiative, the Empire State Poverty Reduction Initiative, and raising the age on criminality are all steps in the right direction to addressing New York's high levels of poverty and racial and gender inequity. The continuation of some elements of the governor's agenda to address homelessness, poverty, gender and racial inequity are a welcome sign amidst the worsening federal landscape. Continual investment in these programs is an acknowledgement that the state's future economic growth is at stake, but ultimately, there are still plenty of things to work on.

More Cuts to Social Welfare Agencies Exacerbates New York's Growing Inequality

Spending on social welfare agencies represents less than six percent of the total state operating budget, at approximately $9.3 billion dollars.[39] The state operating fund support for social welfare agencies for FY 2019 remains over $900 million below FY 2011 levels, representing an overall 32 percent decrease since the governor took office in 2011. For FY 2019, the Department of Labor and the Division of Housing and Community Renewal (DHCR) see the largest decreases, compared to last year's budget, at a 21 percent and a 10 percent decrease respectively.[40] Since 2011, DHCR saw the largest decrease at over 62 percent, followed by the Division of Human Rights (DHR) and Office of Children and Family Services (OCFS) at 50 percent and 33 percent.

[37] Ibid.
[38] Ibid.
[39] Social Welfare agencies include Office of Temporary and Disability Assistance (OTDA), Office of Children and Family Services (OCFS), Division of Housing and Community Renewal (DHCR), Department of Labor (DOL), Nonprofit Infrastructure Capital Investment Program (NICIP), National and Community Service, Division of Human Rights.
[40] All calculations have been adjusted for inflation.

Fig 15. Funding for Social Welfare Agencies Continues to Decrease



Sources: FPI Calculation of FY18-19 Executive Budget, NYS Division of the Budget, January 2018.

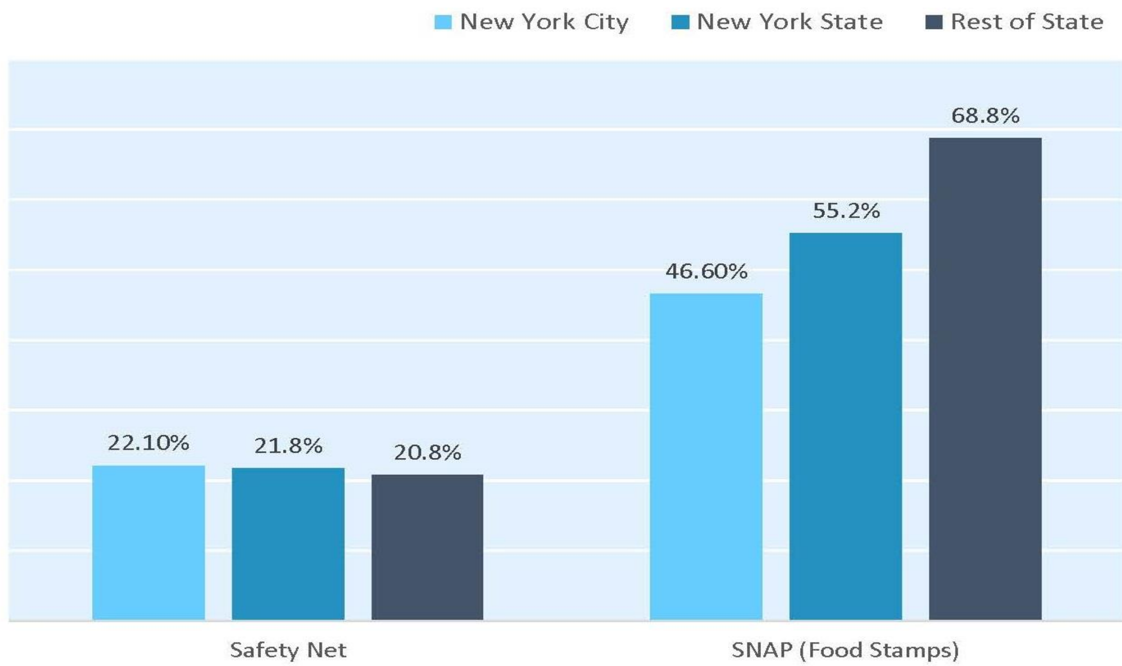
Growing income and wealth inequality, rising homelessness, and a high rate of child poverty are all reasons to support properly funding social welfare agencies. Lower-income families rely on services and programs like food assistance, child care subsidies, and job development to meet their basic needs and even pursue further economic opportunity. Cutting funding to these agencies might look like savings on paper, but it only increases social and economic problems like homelessness, child care costs, or job scarcity and in the long run may even expand the need for further social spending. Furthermore, these agencies are literally the backbone of every basic need – food, shelter, income – and if New Yorkers are going to economically prosper, it makes sense to adequately fund them.

SNAP and TANF Helps Our Children and Their Families

Continual cuts to poverty alleviation programs pose a real threat to New Yorkers most in need. The number of Supplemental Nutrition Assistance Program (SNAP) recipients has grown by more than 40 percent since the Great Recession began in late 2007, with an increase of 69 percent outside of New York City.

Figure 16. Safety Net and SNAP Recipients Have Increased Dramatically in the Past Years, Especially in Upstate New York

PERCENT CHANGE OCTOBER 2007 TO OCTOBER 2017



Source: Office of Temporary and Disability Assistance, January 2018, http://otda.ny.gov/resource/caseload/.

Funding commitments to Temporary Assistance for Needy Families (TANF) and Safety Net Assistance (SNA) did increase by $99.3 million and $14.7 million respectively. These increases are driven by several factors: a recent policy change allowing all income eligible individuals with HIV/AIDS in New York City to access services; a recent judicial decision that found OTDA's refusal to provide Safety Net Assistance benefits to immigrants with Temporary Protected Status to be unconstitutional; and an increase in Emergency Assistance claims. However, these increases are partially offset by reductions of $23 million in TANF support for child care subsidies, $3 million for the Nurse-Family Partnership that was moved to Department of Health, and the elimination of $19 million in TANF initiatives. The elimination of the TANF initiatives includes programs like: Access - Welfare to Careers, ATTAIN, Career Pathways, Centro of Oneida, Facilitated Enrollment, Fatherhood Initiative, Preventative Service Initiative, Rochester-Genesee Regional TA, SUNY/CUNY Child Care, Wage Subsidy Program, and Wheels for Work.[41]

While many of the proposed eliminated programs have small budgets and often target a specific group or population, they still make big impacts on communities and defunding them because of the self-imposed two percent budget spending cap does more harm than good. If Governor Cuomo maintains his two percent cap on spending, forcing subsequent budget cuts for this budget year and future years, these programs and services will become even less effective for millions of New Yorkers.

[41] New York State Assembly, "Yellow Book, January 2018.

The New Anti-Hunger Program

The Executive Budget introduces a "No Student Goes Hungry" program, which aims to combat hunger for students in kindergarten through college. This effort is necessary and encouraging given that students of all ages suffer from hunger. The program proposes:

- the creation of food pantries on SUNY and CUNY campuses for college students, a group that experiences significant food insecurity
- a statewide lunch shaming ban, meaning that families who don't have money to pay for lunch or receive a reduced-price lunch will not be publicly humiliated anymore
- state support of $17 million in capital funds and reimbursement of anticipated increases in local food costs for the Breakfast After the Bell program, which offers breakfast for students after the school day starts
- an expansion of the use of farm-fresh, locally grown foods at school, called the Farm to School Program, which encourages students to eat healthy and eat from local sources

These proposals target the issues of students having difficulty focusing, receiving lower grades, and absenteeism due to food insecurity. It also incentivizes schools to increase the offering of locally sourced, healthier food options.

The Empire State Poverty Reduction Initiative: An Update and An Appeal for More Support

In FY 2016, Governor Cuomo introduced the $25 million Empire State Poverty Reduction Initiative (ESPRI), a community-driven, poverty reduction measure intended to increase economic opportunity for all New Yorkers. There is no new funding in the Executive Budget specifically designated for ESPRI, but as also discussed in the Education section of this report, the governor has proposed an additional $10 million for public after-school programs (on top of the original $35 million from last year). This funding will be used to expand the program to new school districts or community-based organizations in eligible communities, with $8 million targeted to districts with high rates of student homelessness.[42]

For the 16 ESPRI communities, which are almost one-year into their efforts, the Anti-Poverty task forces are hard at work in collecting data, testing new models of thinking, and working on outreach. There is hope that investing in ESPRI communities through the expansion of public after-school programs[43] and the Empire Corps program created last year will help improve conditions for low-income children and families.

However, the funding on the table remains woefully inadequate for the target communities, and other non-ESPRI communities who were passed over for funding. For this reason, communities are limited on how much they can accomplish. The state needs to become a partner in this process by developing a statewide agenda to complement local efforts and support innovative approaches that combine child development investments, work and family supports, and greater economic opportunities to alleviate the concentrated poverty plaguing the target cities. ESPRI communities are some of the poorest communities in the state, and typically have astronomical child poverty rates.

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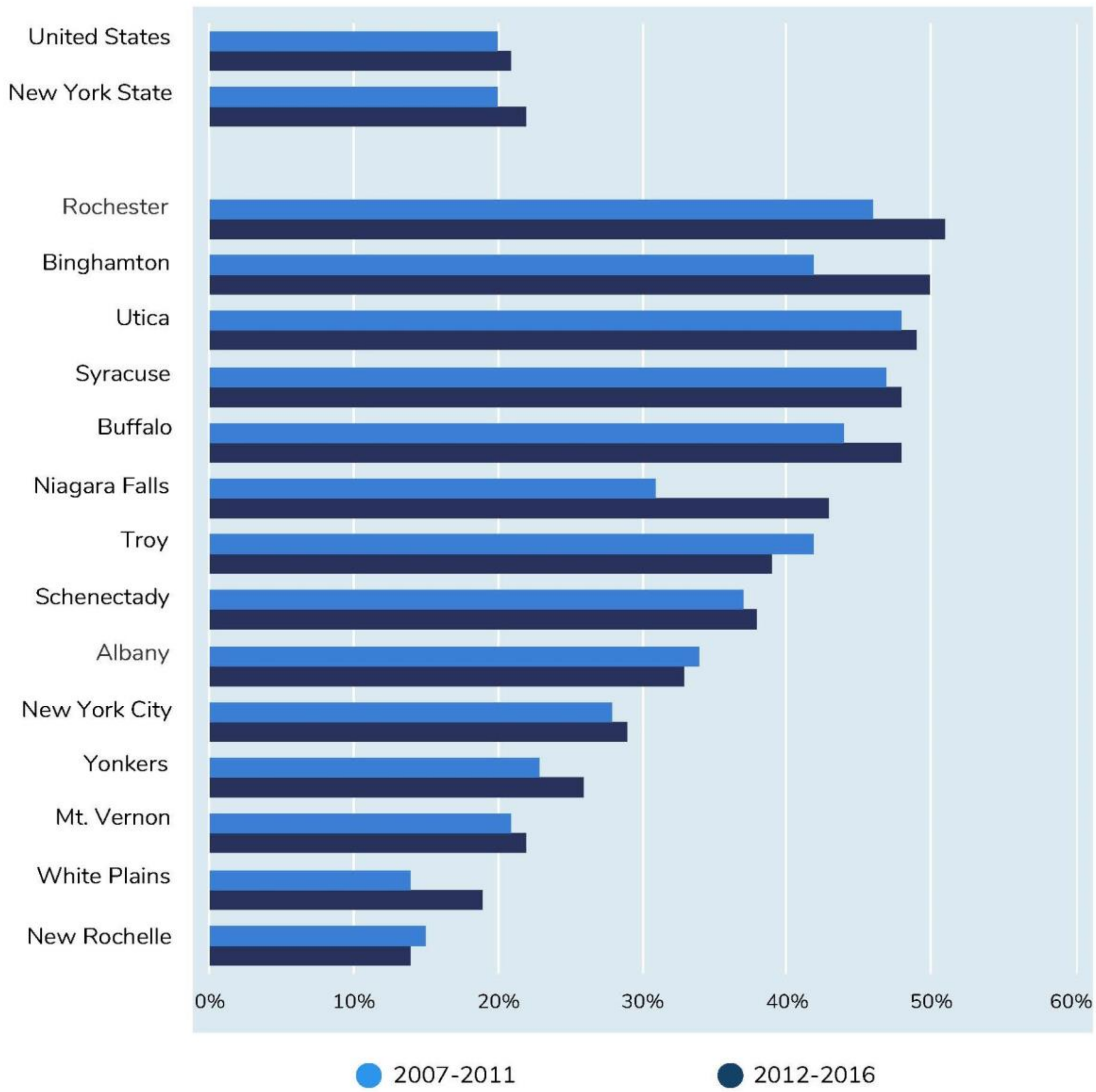
[42] Schuyler Center for Analysis and Advocacy, "Schuyler Center's First Look at the NYS 2018-19 Executive Budget,", January 2018.
[43] For more information about after-school programs, refer to FPI's "Education" chapter.

Fig 17. Child Poverty Rates in Many Upstate Cities Are Abysmally High

PERCENT OF CHILDREN LIVING BELOW THE FEDERAL POVERTY LINE



Source: American Community Survey 2007-2011 and 2012-2016 five-year data

Enough is Enough: Stop Ignoring the Homelessness Crisis and Address New York's Housing Problems

The FY 2019 Executive Budget continues the $20 billion, comprehensive five-year investment in affordable housing, supportive housing, and related services through the Affordable Housing and Homelessness Initiative. Beginning in FY 2017, the initiative aims to create or preserve over 100,000 units of affordable housing and 6,000 units of supporting housing.[44]

As of November 2017, over 63,000 people were homeless and sleeping in New York City shelters, including 16,000 families with 24,000 homeless children.[45] This number does not include the thousands of unsheltered homeless people sleeping on the streets and other public spaces, and it does not account for the thousands more throughout the rest of downstate and upstate. Advocates estimate that over 80,000 individuals are homeless throughout the state. According to the Coalition for the Homeless, the primary cause of homelessness, especially among families, is the lack of affordable housing. Eviction, doubled-up or severely overcrowded housing, domestic violence, job loss, and hazardous housing conditions are all immediate causes of homelessness.[46] Research shows that the large majority of homeless New Yorkers are living with mental illness or other severe health problems, and homelessness disproportionally affects black and Latino New Yorkers. [47]

Given the record levels of homelessness and the affordable housing crisis, permanent supportive housing is the realistic solution. Permanent supportive housing combines affordable housing assistance with vital support services for individuals living with mental illness, HIV/AIDS, or other serious health concerns. There are several different models of supportive housing, including single site, "congregate" supportive housing (located in a single building) and "scattered-site" supportive housing, where apartments are rented in the community and social workers visit tenants. Supportive housing is not only better for those in need, but it saves the state money in the long run. Research has shown that permanent supportive housing costs far less than emergency and institutional care.[48]

Home Stability Support Program

The Home Stability Support (HSS) program proposes a new statewide rent supplement for families and individuals who are eligible for public assistance benefits and who are facing eviction, homelessness, or loss of housing due to domestic violence or hazardous living conditions. It replaces all existing optional rent supplements, and is 100 percent federally and state-funded. The rent supplements would act as a bridge between the current shelter allowance and 85 percent of the fair market rent determined by the U.S. Department of Housing and Urban Development (HUD). Localities will have the option to further raise HSS up to 100 percent of the fair market rent, at local expense. The program would keep families and individuals in their homes and out of homeless shelters by providing sufficient rental assistance. It also reduces costs to the state and taxpayers by preventing evictions, reducing the costs of other homeless services and emergency shelter utilization.[49]

[44] NYS Division of the Budget, "Human Services Brief,", January 20-18.

[45] Coalition of the Homeless, "New York City Homelessness: The Basic Facts,", January 2018.

[46] Ibid.

[47] Coalition of the Homeless, "New York City Homelessness: The Basic Facts," January 2018.

[48] Coalition for the Homeless, "Ending Homelessness: Proven Solutions," January 2018.

[49] Home Stability Support, "Overview", January 2018.

Human Services Are Vital to Our Communities, But Why Aren't We Funding Them?

Human services are the foundation of our communities, providing critical services through after-school programs, supportive housing, job training, senior care, community centers, and food assistance, just to name a few. However, recent funding cuts and outdated contracting policies and processes are undermining the sector's ability to meet current community needs and plan. Because in the era of dwindling funding for our safety net programs, human services nonprofits close a necessary and critical gap for lower- and middle-income New Yorkers. It is utterly baffling and insulting that such a workforce, one that is predominantly made up of women (81 percent) and largely people of color (46 percent), remains underfunded, undervalued, and unsupported by the state. Recognizing this immense need, the Strong Nonprofits for a Better New York[50] coalition that represents 350 nonprofit human services providers is calling for increased state investment in the sector's workforce and infrastructure.

Despite the commendable effort of gradually raising the minimum wage to $15, the Executive Budget fails to adjust nonprofit contracts to account for funding the new wage levels. Most of the employers in the human services sector are nonprofit organizations that provide services under government contracts or are reimbursed through Medicaid. As such, employers cannot raise their wages or provide better fringe benefits. To rectify this, the Strong Nonprofits coalition calls for $23 million to fund the minimum wage increase for state contracts not yet adjusted to reflect the increased cost of service provision.[51] Without this critical increase, state contracts leave nonprofits to fill the gap, inevitably at the cost of services.

Additionally, human services contracts have not seen an increase in their salaries in eight years, due to deferment of the statutory cost of living adjustment (COLA).[52] Deferring the COLA for human services for eight years has added up to more than $540 million in lost wages, an excuse for "savings" on the backs of the nonprofit workforce. Furthermore, contracts have not been adjusted to account for any increase to the cost of doing business, and without this necessary increase and competitive wages for staff, services cannot be fully operational and serve communities.[53] The Strong Nonprofits coalition calls for $65 million in salary increases for workers who have not seen an increase in over 8 years, and were not covered by the FY 2018 increases for direct care workers at an equivalent 3.25 percent per year for two years.[54]

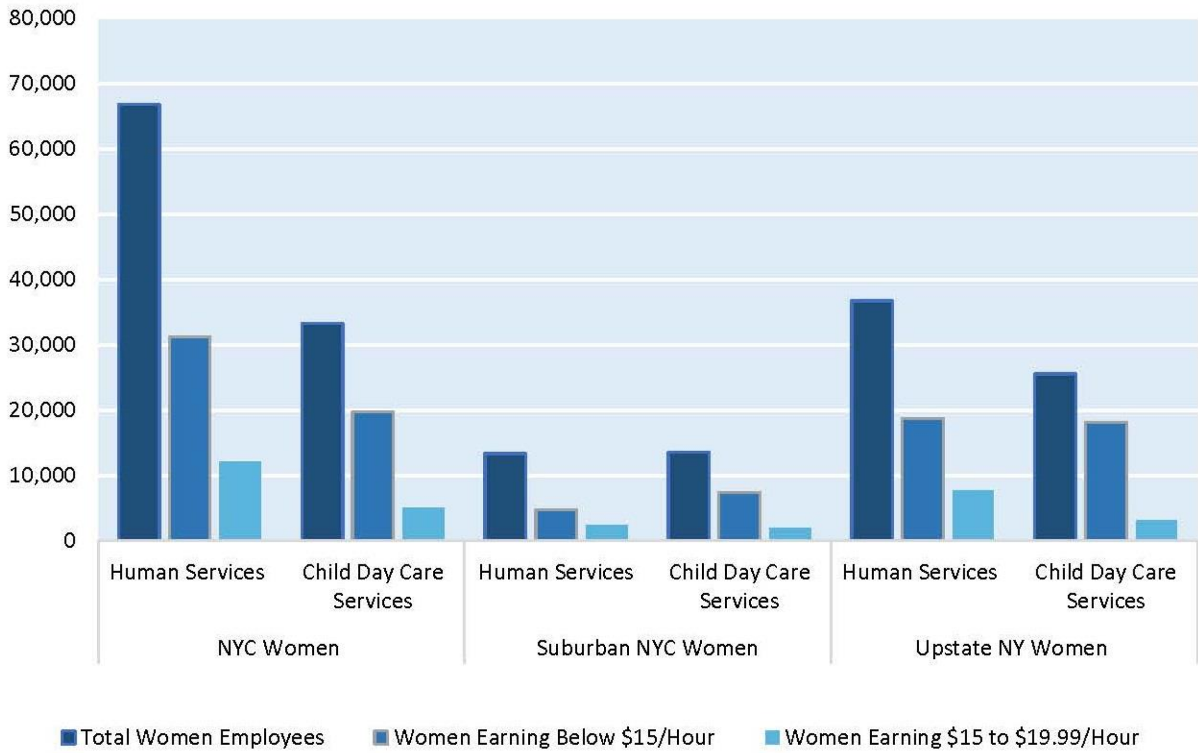
There is also no new funding this year for capital projects for nonprofits. The Nonprofit Infrastructure Capital Investment Program (NICIP) received $20 million in last year's budget for a total of $120 million since 2015, but fewer than one-third of the 637 nonprofits that applied for funding received it.[55] There is a massive need for infrastructure funding, and if nonprofits are unable to meet those needs, quality of services will decrease. On top of benefiting the nonprofit itself, infrastructure upgrades utilize local contractors and labor, stimulating the local economy. For this reason, the recurring investment of $100 million in NICIP is necessary to sustain a sector that delivers nearly $6.8 billion in essential services annually.[56]

[50] Referred to as the "Strong Nonprofits coalition."
[51] Strong Nonprofits for a Better New York, January 2018.
[52] Ibid.
[53] Ibid.
[54] Ibid.
[55] NYS Coalition for Children's Behavioral Health, A Child and Family Budget Analysis of the 2018-19 Executive Budget Recommendation to the Legislature, January 2018.
[56] Strong Nonprofits for a Better New York, January 2018.

Child Care Workforce and Child Care Subsidies

Child care workers are among the lowest paid of all workers in New York State. In 2016, median pay for workers in the child care industry was $12.83 per hour.[57] In some areas upstate, that median pay is $10.63. Almost 92 percent of all child care workers are women, with over 45 percent of whom are women of color.[58] Since the state has yet to adjust roughly $1.5 billion (annualized) in state contracts to nonprofit organizations, including child care agencies, many child care workers will not see a wage increase. Additionally, child care workers not on the payroll of an organization under a state contract also equally deserve to be included in any across-the-board increase, but this will mean that state-funded child care subsidies should be adjusted to reflect wage increases.

Fig 18. Women Employees in Human Services and Child Care Are Paid Much Less Than Women in New York's Other Industries



Note: Notes: 18 years of age and older. Suburban NYC includes Nassau, Suffolk and Westchester Counties. Human Services does not include Child Day Care Services.

Source: Undervalued and Underpaid Workforce report, Fiscal Policy Institute analysis of 2011-2015 AME

[57] Bureau of Labor Statistics, Occupational Employment Survey data for New York.
[58] Undervalued and Underpaid: How New York State Shortchanges Nonprofit Human Services Providers and Their Workers, February 2017, pg. 14.

In the FY 2019 Executive Budget, Governor Cuomo restored the $7 million in child care subsidies that was taken out of last year's budget, maintaining the same level of funding of $806 million from FY 2017. While this restoration of funding is a welcome relief, it is not nearly enough to increase access to quality child care. According to a study by Child Care Aware, New York is the second most expensive state in the nation for child care and that a single-parent household may have to spend up to 45 percent of their income on child care.[59] Given this astronomical cost for families, child care advocates recommend expanding the Child and Dependent Care Tax Credit; creating a dedicated fund that will allow local governments that have exhausted their child funding allocations to apply for the dedicated funds that serve all eligible low-income families; and using economic development funds to expand access to quality child care to low-income families that cannot afford it.[60]

Healthcare and Medicaid

Like last year, the future of healthcare in New York, especially Medicaid, hinges upon decisions from the federal administration. For example, the Trump Administration is now allowing states to impose work requirements on adult Medicaid enrollees, other than those who qualify for disability benefits like Social Security Disability Insurance (SSDI).[61] However, research shows that such work requirement won't increase economic mobility because states don't have to provide supportive services such as transportation or job training for work-eligible individuals.[62]

Regardless, there is tremendous uncertainty surrounding healthcare and its future, and the Executive Budget reflects that uncertainty through its anemic, bare-bones proposals. However, there are several healthcare and Medicaid-related proposals in the Executive Budget that should be highlighted:

First 1,00 Days Initiative. An investment of $2.9 million (administratively invested, no appropriation) to support the development of the First 1,000 Days Initiative, which focuses on improving outcomes and access to services for children in their first 1,000 days. The plan has 10 different mini-initiatives, which won't all be funded with the $2.9 million, but some of the mini-initiatives are worthy of support like expanding home visiting and adding data systems for crossing sector referrals. [63]

Eliminating the Prescriber Prevails Initiative. Supports providers in determining the best course of treatment for patients, only covering some classes of medications.[64]

[59] Child Care Aware, "Checking In: A Snapshot of the Child Care Landscape," https://usa.childcareaware.org/wp-content/uploads/2017/07/FINAL_SFS_REPORT.pdf, 2017.
[60] Winning Beginnings NY, "Winning Beginning New York State Executive Agenda 2018-19," January 2018.
[61] Center on Budget and Policy Priorities, "How the Medicaid Work Requirements Will Harm People with Disabilities…", January 2018.
[62] Center on Budget and Policy Priorities, "How Medicaid Work Requirements Will Harm People With Disabilities and Serious Illnesses," https://www.cbpp.org/research/health/how-medicaid-work-requirements-will-harm-people-with-disabilities-and-serious, January 2018.
[63] NYS Coalition for Children's Behavioral Health, A Child and Family Budget Analysis of the 2018-19 Executive Budget Recommendation to the Legislature, January 2018.
[64] Ibid.

Medicaid Global Cap. The Executive Budget proposes reauthorizing the Medicaid Global Cap through March 2018 to be $19.7 billion and then to $20.79 billion from April 2018-March 2019.[65]

Consolidating and cutting. The Executive Budget proposes consolidating funds from 30 public health programs into four pools with a 20 percent cut to each pool, culminating in $9.2 million in annual savings.[66]

Spouse responsibility for long-term care. Eliminates the ability for spouses living in the community to decline payment for a spouse in long-term care, which would result in $7.8 million reduction.

Marijuana study. Proposes a study of the impacts of a regulated marijuana program.

What the Repeal of the Individual Mandate Means for New York

Wedged into the new federal tax bill is the repeal of the individual mandate of the Affordable Care Act (ACA). The individual mandate requires every American to acquire health insurance to decrease the overall cost of healthcare by increasing the number of healthy people within the pool of insured. The individual mandate and the subsequent creation of the healthcare marketplaces allowed millions of people to purchase health insurance for their families and their children, many of whom were unable to afford it before its introduction.

Repealing the individual mandate causes two effects on the individual market: 1) some healthy enrollees would drop out of ACA-compliant plans and become uninsured or underinsured; and 2) insurance companies would need to raise rates by about 10 percent to cover the increased costs because the remaining enrollees in the risk pool would be sicker on average.[67] According to estimates by the Center for American Progress, approximately 843,000 New Yorkers will become uninsured by 2025 as a result of these effects on the individual market.[68]
Without health insurance, people have worse access to care than people who are insured and face unaffordable medical bills when they do seek care. One in five uninsured adults in 2016 went without needed medical care due to cost. Studies show that uninsured people are less likely than those with insurance to receive preventative care and services for major health conditions and chronic diseases.[69]

The Restoration of the Children's Health Insurance Program (CHIP) Funding

The Children's Health Insurance Program (CHIP) provides health coverage to eligible children, through both Medicaid and separate state-administered CHIP programs. Created in 1997, CHIP provides low-cost health insurance to 9 million children across the nation[70], including 360,000 children in New York.[71] New York's CHIP program, otherwise known as Child Health Plus (CHP), covers numerous services ranging from emergency care,

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[65] Ibid.
[66] Schuyler Center for Analysis and Advocacy, "Schuyler Center's First Look at the NYS 2018-19 Executive Budget," January 2018.
[67] Center for American Progress", Estimates of the Increase in Uninsured by Congressional District Under the Senate GOP Tax Bill,", December 5, 2017.
[68] Ibid.
[69] Kaiser Family Foundation, "Key Facts About the Uninsured Population," https://www.kff.org/uninsured/fact-sheet/key-facts-about-the-uninsured-population/, November 2017.
[70] NPR, https://www.npr.org/sections/health-shots/2018/01/05/576096900/chip-funding-could-run-out-on-jan-19-for-some-states, January 2018.
[71] FPI estimates, January 2018.

well-child care, immunizations, and dental care. The Executive Budget allocates $297 million for its CHP program for FY 2019.

On October 1, 2017, Congress allowed CHIP to expire, pumping enough emergency funds to sustain the program for a few months. Letting CHIP expire left the program in budgetary limbo as states scrambled to freeze enrollment and send out warning letters to families that coverage could end. Finally, 114 days after its expiration and one government shutdown later, Congress agreed to support a budget extension with a six-year extension of CHIP.

However, this saga of dysfunction is a cautionary tale for other areas of human services and healthcare; it is not the way the government should be run and the stress, worry, and confusion for states and families is unnecessary and feeds into public distrust of the government. New Yorkers rely on important state- and federally administered programs and services to meet their basic needs and pursue further economic opportunity.

Local Government

Local governments in New York State have come under tremendous pressure in recent years to cut expenses, with a real cost to the quality of life and economic well-being of communities around the state. Government employment just began to turn around between 2015 and 2016; both in New York City and in the rest of the state, there have been very moderate increases in government jobs. There is clearly a long way to go, however, as total local government employment outside of New York City fell by 55,100 between 2009 and 2016, an 8.2% decline, with 26,800 of these lost jobs in local school systems (-7.3%) and 28,300 of them in other local government positions (-9.2%).

Fig 19. State and Local Government Employment, Including Public Schools

CES EMPLOYMENT, NEW YORK 2009-2016

	2009	2016	% CHANGE
NEW YORK STATE			
State Government Employment	261,200	252,600	-3.3%
Local Government Employment (except schools)	619,200	589,700	-4.8%
Local Schools Employment	516,600	487,900	-5.6%
NEW YORK CITY			
State Government Employment	49,400	43,600	-11.7%
Local Government Employment (except schools)	312,200	311,000	-0.4%
Local Schools Employment	149,900	148,000	-1.3%
REST OF NEW YORK STATE			
State Government Employment	211,800	209,000	-1.3%
Local Government Employment (except schools)	307,000	278,700	-9.2%
Local Schools Employment	366,700	339,900	-7.3%

ALL STATE AND LOCAL GOVERNMENT EMPLOYMENT 2009-2016		
New York State	New York City	Rest of New York State
66,800 JOBS ⬇	8,900 JOBS ⬇	57,900 JOBS ⬇

** CES numbers adjusted each year for the prior year*

Source: Fiscal Policy Institute analysis of NYS Dept. of Labor, Current Employment Statistics, revised to October 2017.

For decades now, New York State has put local governments in a terrible bind. First the state reduced its contribution to joint state/local expenditures, while it simultaneously reduced state Aid to Municipalities (AIM) funding, forcing localities either to increase property taxes or cut services. In 2012, local government options were further restricted by placing a cap on the amount that property taxes could be raised. Since the cap is the lesser of inflation or two percent growth—and inflation was fairly low from 2015 to 2017—the allowable property tax levy growth in 2017 was only 0.68 percent. This followed a comparably miniscule growth factor of 0.73 percent in 2016. As inflation has crept up the levy growth will be approximately 1.8 percent for 2018 according to the state comptroller.

The state's agreement to take over increases in Medicaid expenses was a positive step that helped ease the pressure on local government to some degree, but it was not enough to offset the longstanding erosion of other forms of state aid to localities. Rather than recognizing the unreasonable fiscal strain localities face and reversing it, New York State government has added to the burden of localities and restricted their options for dealing with it.

In a recent report from Cornell University, over 900 local governments were surveyed to determine the leading causes of their fiscal stress. At the very top of the list is stagnant state aid. Indeed, the report finds "the primary sources of this stress come from state level policy – shifting service and expenditure responsibilities to local government and restricting their ability to raise revenue and innovate in service delivery." Most respondents believed that in future years the property tax cap will significantly impair their jurisdiction's ability to meet their budgetary needs.[72]

According to the Cornell report, of the 21 individual services reported in the survey the most likely to be cut because of fiscal stress were road repair, police, youth recreation and public relations/online services. (see figure x below). Among the governments that provided the service to begin with, 28 percent reduced road repair because of fiscal stress, 10 percent reduced police staffing, and 11 percent reduced youth recreation.

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72 A. Aldag, M.E. Warner, and Y. Kim, "What Causes Local Fiscal Stress? What Can Be Done About It?," available at http://cms.mildredwarner.org/p/268.

Fig 20. A Closer Look at Service Cut Backs

	Road Repair	Police	Youth Recreation	PR/Online Services
Service Provided	89%	34%	41%	53%
Cut back because of fiscal stress	28%	10%	11%	8%
Reduced frequency/hours	20%	35%	28%	35%
Reduced staff	20%	61%	42%	11%
Reduced budget	68%	49%	51%	46%
Eliminate service	1%	10%	12%	19%
Community Opposition Present	56%	64%	64%	52%

Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=747

The need in many parts of the state is extremely serious, and localities in many cases simply cannot make up for the absence of adequate state aid. Metro areas in upstate New York stand out dramatically, as evidenced in a 2015 Century Foundation report (see the following figure). Looking at segregation and concentration of poverty in the 100 largest metropolitan areas of the United States, the report finds that Syracuse, Rochester, and Buffalo are among the top ten metro areas with the most concentrated poverty for both black and Hispanic residents. Nearly two-thirds of both African Americans and Latinos living in metro Syracuse reside in high-poverty neighborhoods, more than any other metro area of the United States. Metro Rochester ranks fourth in the country for African Americans living in high-poverty neighborhoods and sixth for Latinos; metro Buffalo is sixth for African Americans and ninth for Latinos.

Fig 21. New York Needs to Address the High Concentration of Black and Latino Poverty Upstate Metro Areas

10 METRO AREAS WITH HIGHEST CONCENTRATION OF POVERTY IN THE U.S.

Percent of African Americans Living in High-Poverty Neighborhoods

1.	**Syracuse, NY**	**65.2**
2.	Detroit, MI	57.6
3.	Toledo, OH	54.5
4.	**Rochester, NY**	**51.5**
5.	Fresno, CA	51.4
6.	**Buffalo, NY**	**46.4**
7.	Cleveland, OH	45.5
8.	Gary, IN	45.2
9.	Milwaukee, WI	44.8
10.	Louisville, KY	42.6

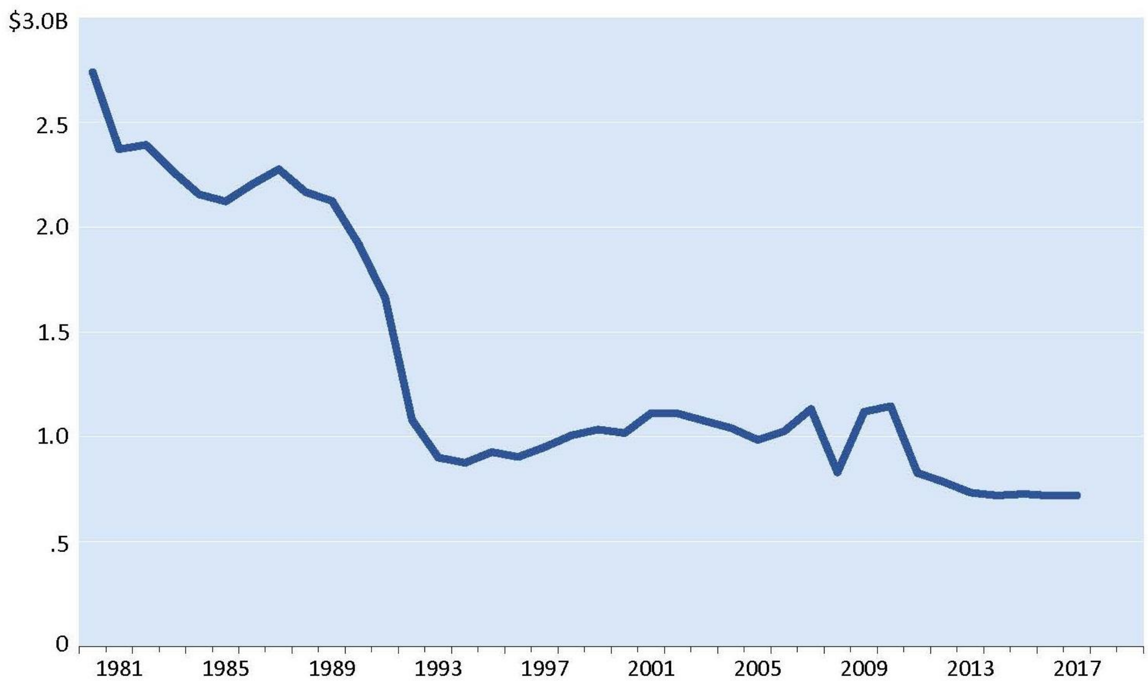
Percent of Hispanics Living in High-Poverty Neighborhoods

1.	**Syracuse, NY**	**62.2**
2.	Philadelphia, PA	54.0
3.	McAllen, TX	51.8
4.	Detroit, MI	51.1
5.	Springfield, MA	49.3
6.	**Rochester, NY**	**45.7**
7.	Milwaukee, WI	43.2
8.	Fresno, CA	43.0
9.	**Buffalo, NY**	**41.6**
10.	Cleveland, OH	36.9

Source: Paul A. Jargowsky, Architecture of Segregation, The Century Foundation, 2015.

Decreases in funding for general-purpose Aid to Municipalities only further exacerbates the difficulty localities have in addressing the challenges they face. AIM funding is flat in nominal terms, which means that it is down in inflation-adjusted terms by well over 75 percent since 1980. The state should dramatically increase AIM funding to make up for years of inadequate funding levels.

Fig 22. Aid and Incentives to Municipalities has fallen by almost three-fourths since 1980.



Note: Adjusted for inflation, 2016 dollars. New York City last received this aid in state fiscal year 2010.

The state's commitment to absorb increases in Medicaid spending starting in FY 2014 has saved counties outside of New York City roughly $204 million in FY 2017. That's welcome, but an even better approach would be to provide Medicaid funding relief in a way that recognizes the differences in ability to pay at the local level, and to increase the amount provided. As it stands, the Medicaid spending is not enough to offset the fiscal strain of other state actions. New York is one of the only states that forces local governments to contribute to Medicaid. If New York were to pick up the full local share of Medicaid for upstate counties, it would provide over $2 billion in needed mandate relief to counties and allow them to reduce property taxes rather than limit their growth.

MORE Shared Services

The FY 2019 Executive Budget continues the governor's misguided efforts to relieve the property tax burden through county-wide shared services plans/panels. The Executive Budget proposes a $225 million appropriation to fund a one-time savings match for actual and demonstrable savings in the first year of the plan's implementation. The Executive Budget proposal does not anticipate any disbursement from this appropriation until SFY 2019-20, as any savings achieved in 2018 will need to be certified. A county and all of the local governments within the county that took part in the plan must collectively apply for the matching funding and agree on the distribution and use of any matching funding before such funds are disbursed. The Executive Budget proposal seeks to make the panels established pursuant to the County-Wide Shared Services Initiative permanent and provides for optional participation by fire districts and fire protection districts.

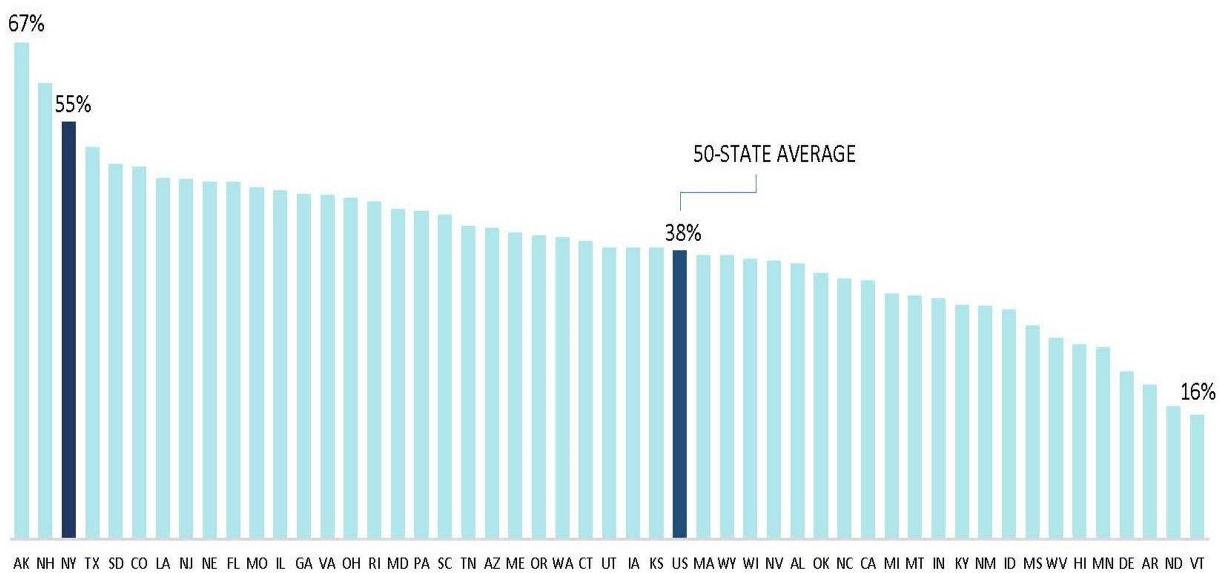
Across the state, numerous local government services are provided through sharing arrangements, but a recent Cornell University study found that lower costs were reported only about half the time.[73] The academic literature on consolidation in the United States and internationally found mixed results on whether consolidation resulted in cost savings, concluding that "overall, the literature indicates that there is no compelling evidence for consolidation except as warranted on a case-by-case basis."[74] There are instances where consolidation may be a way to reduce costs, and there are often good arguments for consolidation, such as equity in services between different municipalities. But as a response to the fiscal strain the state has placed localities under, consolidation of services is hardly an adequate solution.

Reducing the High Burden New York State Places on Local Governments

Increasing fiscal pressures on New York's local governments come atop an already high burden the state asks localities to carry. Local governments in New York carry a portion of the shared state/local expenses that is nearly unparalleled in the rest of the country. Drawing on data from the governor's own economic and revenue analysis, the following figure shows the local share of combined state/local funding responsibilities is higher in New York State than in almost all states.

Fig 23. Localities in NY Carry Over 50% of State/Local Tax Burden; 3rd Highest in U.S.

LOCAL TAX REVENUES AS A SHARE OF ALL STATE AND LOCAL TAX REVENUES



Note: Tax burden per $100 personal income.
Source: Governor's FY 2019 Economic and Revenue Outlook, data for 2015.

73 G Homsy, B. Qian, Y. Wang and M. Warner, "Shared Services in New York State: A Reform that Works, Summary of Municipal Survey in NYS," (Ithaca, NY, Shared Services Project, Department of City and Regional Planning, Cornell University, 2013).

74 Mark Holzer et al, "Literature Review and Analysis Related to Municipal Government Consolidation," Rutgers School of Public Affairs and Administration, May 9, 2009.

Governor Cuomo misleadingly suggests that local governments can solve their fiscal dilemmas by finding substantial efficiencies. Many localities simply do not have the means to make up for the lack of sufficient state aid, and even those that might are constrained by the property tax cap. The governor relies heavily on the notion that consolidating government services could save enormous amounts of money, yet consolidations that make sense have mostly already happened. The political cost of further consolidation is sometimes very great, and the gains are often far less than the governor anticipates. While consolidation can be a useful tool, it is by no means a solution to the local fiscal crisis that is primarily a product of flawed state policies.

Many New Yorkers face an unmanageably high property tax burden, as the governor suggests. But, the property tax cap is the wrong solution to the problem. Increasing the state share of state/local responsibilities is a more sensible way to address the problem, together with targeted relief through an improved property tax circuit breaker to those truly straining under a tax burden (since STAR and the property tax rebate checks do not target property tax relief where it is needed most).

The property tax cap should be eliminated entirely. If, however, the property tax cap is not eliminated, it should, at a minimum, be amended. For planning purposes, a two percent minimum would work best, rather than tying it to inflation, significantly straining local finances and services. Because of low inflation, the property tax cap has been less than 1 percent for the past two years, but is now creeping up to 1.8 percent in the coming year, according to the state comptroller. The cap has resulted in the loss of millions of dollars in revenues to school districts and local governments at a time when they are already stretched thin.

The property tax cap currently contains exclusions for a small portion of local pension costs, PILOTs, BOCES capital costs, and settlement expenses arising from tort actions. Several additional exclusions would make just as much sense. Among them:

- emergency expenditures resulting from damage to municipal infrastructure or equipment;
- expenses related to capital improvements for local governments (similar to schools);
- infrastructure investments intended to enhance the economic development capacity of a community (such as improvements related to municipal water, sewer, or transportation); and
- costs related to increased enrollment in schools (especially in high-needs urban school districts).

Moreover, the property tax cap should be amended to allow for a simple majority override—in place of the current requirement of a 60 percent supermajority—as is the case with a similar cap in Massachusetts. This particularly makes sense with school districts, where the state should also not penalize districts if an override attempt fails.

Immigration

When immigrants are under attack, what do we do?

The thunderous reply at rallies around the state has been: "stand up, fight back."
Governor Cuomo, the Assembly, and the Senate would do well to adopt a similarly bold attitude. At a time when the federal government seems intent on demonizing and deporting immigrants, state governments can make a big difference in defending American values.

New York has a lot at stake. Immigrants make up 23 percent of the state's population, 27 percent of the state's working-age population, and 25 percent of the state's economic output. Immigrants are centrally important in New York City, where people born in another country make up more than one out of every three residents. But they are also playing a big role on Long Island and the Hudson Valley, where they make up 19 and 15 percent of local residents, respectively. And, in Northern and Western New York, immigrants often make the difference between overall population gain and population loss. Just six percent of residents in Northern and Western New York are foreign-born, but the immigrant and refugee population has been growing at a time when virtually every other demographic is shrinking or moving into retirement age. That means immigrants and refugees are critical to reversing population loss and driving a much-needed expansion of people in prime working age.[75]

Yet, New York has fallen substantially behind other states in protecting immigrant residents, fostering their educational and economic advancement, and in the process helping our local economies grow to their fullest potential.
If the governor and the legislature want to think big, they would do well to study the New York Immigration Coalition's new *Blueprint for Immigrant New York*.[76] FPI was a participant in the process of developing the blueprint, and enthusiastically endorses its agenda. Below are immigration priorities, reflected in the blueprint, that FPI recommends should be addressed in this year's budget.

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[75] Figures are based on FPI's analysis of the 2015 American Community Survey.
[76] Blueprint for Immigrant New York, New York Immigration Coalition, November 2017, available at http://www.thenyic.org/blueprint.

Education

English Language Learners (ELL)

Immigrant children, Puerto Ricans, and U.S.-born children of immigrant parents often speak a language other than English at home. In the 2015-16 school year, there were 250,000 English Language Learners (ELL) in New York State schools, which was 8.8 percent of the total student population.[77]
English language programs are essential in helping students communicate with peers and others in the community and helps promote integration for the student and the whole family. Ultimately, strong English language skills also translate into far better job opportunities and greater contribution to the state's economy and tax base.

In recent years, schools around the state have also seen increases, sometimes suddenly, of ELLs. When the children are refugees, as is common in upstate New York schools, the challenge is multiplied by the large number of different languages spoken by the newcomers. Having the resources to be able to properly serve these students without having it be an undo strain on the school and its faculty is both a moral and a legal requirement.

The New York State Department of Education's mission statement includes the goal to "raise the knowledge, skill, and opportunity of all the people in New York." Doing that requires expaning the funding for English language programs in public schools. Advocates have proposed a $100 million increase in funding to schools to help them address ELLs, which is well justified and much needed.

Adult Literacy

New York's vibrant linguistic diversity is advantageous, but it also poses a challenge. Among immigrants living in New York State, 32 percent who have been here less than five years report speaking no or little English, a number that drops only to 27 percent for those who have been here over 10 years.[78] New York can do better than that. Around the state, there are long lists of people waiting to be able to take English language classes who can't get in. Investing in teaching English seems like an obvious benefit to the community and the local economy as well as to immigrants themselves.

Funding for Adult Literacy Education (ALE) has long been at a level that is far below the need. Last year $7.3 million was allocated to ALE. This year the governor's executive budget cuts that by $1 million which will reduce the total to an even more insufficient amount of $6.3 million.

Both state and federal changes that shift the emphasis and priorities of funding to educating higher skilled immigrants will create challenges for ALE programs in obtaining the resources to educate

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[77] New York State Education Department ELL Demographics & Performance 2015-2016. See: http://www.nysed.gov/common/nysed/files/ell_demographicperformance_2017-ver-1516.pdf
[78] FPI analysis of ACS 2015.

lower-skilled immigrants who want to learn English to help them integrate. Program goals have shifted for the Workforce Innovation and Opportunity Act (WIOA) system and the English Language and Civics program, so that their focus is now on post-secondary and workforce education. Added attention to these more advanced students is welcome, but it should not come at the cost of taking funding away from helping those with even greater needs. It is estimated that as some 17,000 lower-skilled students may no longer be able to benefit from these programs as a result of the shift to higher-skill students and the repurposing of $8 million worth of WIOA funding in New York.[79] New York should increase the funding for Adult Literacy Education by $8 million, to $15.3 million to help address the gap.

Excelsior Scholarships/Dream Act

Last year, Governor Cuomo introduced the idea of making public universities tuition-free for middle class students. The Excelsior Scholarships were enacted, ensuring that no one struggles to pay tuition. It was an ideal opportunity to include undocumented students, who had for years been pressing for the New York State Dream Act that would have helped them finance college. Instead, the governor and the legislature explicitly wrote Dreamers out of the Excelsior Scholarships. This is the year to fix that. New York is the third state with the largest undocumented population, however, it is also falling behind seven states and D.C. (California, Minnesota, New Mexico, Oklahoma Oregon, Texas and Washington) that already allow access to financial aid without regard to immigration status. Two other states allow undocumented students to apply for scholarships (Utah and Illinois).[80] New York allows undocumented students to pay the in-state tuition rates, however it excludes them from the Tuition Assistance Program (TAP), that helps cover the costs. In 2012, FPI calculated the cost of the Dream Act to New York State if it were financed through an expansion of the personal income tax, which would cost the typical taxpayer 87 cents each year – less than the cost of replacing a lightbulb in the home once a year.[81] Both the Fiscal Policy Institute and the state comptroller estimated that the cost of the Dream Act would have been about $20 million, a 2 percent increase to TAP expenditures.[82] While the cost is minimal, there is a very strong return on investment. The 76,000 Dreamers in New York currently contribute $115 million in state and local taxes. As immigrant youth graduate from college, their earnings increase which translates into higher tax revenues, as well as provide skilled labor for the workforce. The median wage for an immigrant with only a high school degree is $33,000. However, with a college degree, their wages almost double to $62,000 and increase to $80,000 with an advanced degree.[83]

Governor Cuomo put funding for the Dream Act in his executive budget. The Assembly has been supportive for years. In the Senate, the leader of the Independent Democratic Conference, Jeffrey D. Klein, has expressed his support for the measure. Given this level of support, it is hard to understand how the Dream Act has gone so many years without making it into the budget. It is time to set that right.

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[79] New York State Education Department as referenced by Assembly Member Patricia Fahy and Assembly Member Ron Kim in a sign on letter to Hon. Carl Heastie, The Assembly State of New York, 2018.
[80] Maps: State Laws & Policies on Access to Higher Education for Immigrants. See: https://www.nilc.org/issues/education/eduaccesstoolkit/eduaccesstoolkit2/
[81] “The New York State DREAM Act: A Preliminary Estimate of Costs and Benefits,” Fiscal Policy Institute, March 9, 2012.
[82] Ibid..
[83] FPI analysis of ACS 2015 1-year estimates.

Health Care

Making sure immigrant communities are healthy is good for the people who get coverage, of course, but it's also good for their classmates, colleagues, and employers, all of whom benefit when the people they work and study with are healthy. As the governor noted in his Executive Budget, "An investment in young immigrants' futures is an investment in New York's future."[84]

Child Health Plus

Governor Cuomo recently announced that recipients of the Deferred Action for Childhood Arrivals (DACA) policy will continue to qualify for state-funded Medicaid and Child Health Plus (CHP) irrespective to a federal change or termination of the program. Of the 42,000 DACA recipients in the state, about 5,000 currently receive state-funded Medicaid. Continuing their coverage, irrespective of what happens to DACA in Washington, is the right thing to do. Now New York should go further.

Allocating $83 million to raise the upper age limit of CHP from 18 to 29, would allow the state to offer quality subsidized health care coverage to undocumented and DACA young adults who are ineligible for Medicaid, Essential Plan, or Marketplace coverage due to their immigration status.[85] That's a well-grounded idea based on expansion of a program that has proven its value.

Extending the upper age limit of CHP from 18 to 29 is a deliberate effort to afford immigrant New Yorkers, regardless of immigration status, with equivalent access to health insurance as other New Yorkers, who can be covered up to the age of 29 under New York's Insurance law permitting parents to keep their adult children on their job-based plans.[86] The Community Service Society estimates that of the 90,000 young adults who will become eligible for this program, 27,900 will sign up for CHP.[87]

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[84] Governor Andrew Cuomo, FY 2018-2019 Executive Budget https://www.budget.ny.gov/pubs/archive/fy19/exec/fy19book/BriefingBook.pdf

[85] Elisabeth R Benjamin, "How Can New York Provide Health Insurance Coverage to its Uninsured Immigrant Residents?: An Analysis of Three Coverage Options," (New York: Community Service Society, January 2016). Cost estimate has been adjusted for inflation since publication.

[86] On July 29, 2009, Governor David A. Paterson signed into law Chapter 240 of the Laws of 2009, which extends the availability of health insurance coverage to young adults through the age of 29. Available from: http://www.dfs.ny.gov/consumer/S6030_Age29.htm

[87] This estimate is based on a once-a-year open enrollment period (to reduce the risk of adverse selection) and lower take up rates for young adults compared to older adults

Disproportionate Share Hospital Payments

SUNY Hospitals and Academic Health Centers are examples of institutions which serve the sickest and

most vulnerable patients and are at risk of collapsing. They are very important to many immigrant communities, as they are to other low- and moderate-income communities around the state. These SUNY hospitals depend on Disproportionate Share Hospital (DSH) payments which are reimbursements for the care and services they have already provided to patients who receive Medicaid and the uninsured. Although these reimbursements are supposed to come from the Department of Health, and are required by law, a new spending cap has put SUNY hospitals in the red and under great fiscal stress. These hospitals are vital institutions to the communities they serve and to the State of New York. They must continue to receive the financial support that they are entitled to by law.

Equal Opportunity

Driver's Licenses

Undocumented immigrants can currently apply for driver's licenses in 12 states, the District of Columbia and Puerto Rico. On this issue, New York is embarrassingly far behind the curve.

Driver's licenses are essential for taking kids to school, getting to doctor's appointments, shopping for everyday goods, and going to work. Yet today, for undocumented people the draconian penalty for driving without a license can be permanent separation from your family and deportation. For undocumented immigrants, a routine traffic stop can turn into a life-changing nightmare.

One day, the federal government will have to find some way to allow the 11 million undocumented immigrants who are already living in the United States—including 800,000 in New York State—to get right with the law. In the meantime, states can take the common-sense measure of making sure everyone on the road is tested, licensed, and insured.

FPI estimates that if the law changed, the revenues would easily outweigh the costs. Allowing all residents to apply for driver's licenses would bring in revenues in the form of driver's license fees, additional gasoline taxes, and sales tax on cars sold.

The total revenue to state and local governments, as well as transit authorities, would be $57 million annually, plus an additional $26 million in one-time revenue from fees. The revenues include $28 million to New York State, $21 million to county governments, $8.6 million to MTA and $288,000 to the upstate mass transit authorities.

Research on the issue has also shown that undocumented immigrants are particularly careful drivers today, but that they are safer drivers still in states that allow them to get driver's licenses.[88]

[88] David Dyssegaard Kallick and Cyierra Roldan, "Expanding Access to Driver's Licenses: Inclusion of Immigrants Without Regard to Legal Status," (New York: Fiscal Policy Institute, 2016.) See footnote 7.

The fee charged for getting a license—typically $64.25, making New York a relatively high-fee state—should be enough to cover any costs to the Department of Motor Vehicles. Still, it would be wise for the governor and legislature to allocate advance funding to the Department of Motor Vehicles to hire and train staff to prepare them for the higher demand. The change in law would be expected to generate revenue that would outweigh the initial start-up costs.

This would be life-changing for an estimated 265,000 undocumented immigrants around the state, including 4,500 in Albany, 3,000 in Rochester, 2,500 in Buffalo, and 1,000 in Syracuse metro areas; 51,000 on Long Island, 53,000 in the Hudson Valley, and 150,000 in New York City.

Expansion of Executive Order 26 to Respond to Upstate Needs

New York State is well-known for its diversity and this can be seen in the range of languages spoken throughout the state—with 30 percent of New York residents speaking a language other than English at home.[89] In 2011, Governor Cuomo acknowledged the need for translated documents from state services and programs through executive order 26. However, translated information was limited to the six most common non-English languages statewide—Spanish, traditional Chinese, Russian, Haitian-Creole, Korean and Italian. This limited list of languages does not fully represent the translation needs and language diversity of New York State, and is particularly problematic in upstate New York, where refugees come from a very wide range of backgrounds.

Making this change would entail a miniscule budget cost, but would be a strong signal that the state government welcomes immigrants and recognizes the special challenges upstate areas face in addressing immigrant integration.

Fairness in the Justice System

Liberty Defense Program

Last year, Governor Cuomo and the legislature put in place the Liberty Defense Program and allocated $10 million to implement it. FPI applauds the effort, which was much needed. This year, the amount should be increased to $20 million.

Ten million dollars is a woefully small amount to hope to cover the legal needs of immigrants in New York State. Even with New York City's legal services program covering a substantial portion, covering the remaining need requires far more than $10 million.

The Safe Passage Project, which uses a private/public model similar to the Liberty Defense Programs, estimates the cost of one case at $3,000 annually, and an average case takes two years, or $6,000.[90] In FY 2016, there were 220,000 removal cases in New York State.[91]

[89] FPI analysis of ACS 2016 5-year estimates.
[90] Safe Passage Project estimates provided in correspondence to the Fiscal Policy Institute by the executive director of the program, Richard Leimsider in 2016.
[91] Department of Justice FY 2016 Statistics Yearbook. See: https://www.justice.gov/eoir/page/file/fysb16/download

Governor Cuomo and the legislature should expand the funding for the Legal Defense Project to $20 million, which would help 6,700 immigrants obtain legal representation for a year. Deportation can rip families apart and cause huge disruption in local communities. Providing legal representation is only a matter of fairness in making sure people are not unnecessarily deported or otherwise mistreated by the immigration system. Fair representation is the least we should expect for all New Yorkers.

Economic Development

Refugee Resettlement's Role in Upstate Urban Revitalization

In a state where 23 percent of residents are immigrants, nearly all aspects of immigrant integration could, in a sense, be considered economic development. Immigrants are helping expand and diversify the state's labor force. Helping immigrants do better is also a way of helping the overall economy expand. Education, health care, access to services are all part of helping boost the well-being and productive capacity of the community.

The case is special, however, in the cities of upstate New York. Buffalo, Rochester, Syracuse, Albany, Utica, Binghamton and other upstate cities have followed a similar pattern of population decline over the past several decades. All are at a point where the population seems to be stabilizing, and in some cases even growing again. In all cases, immigrants and refugees are an important part of that story. That's no surprise: around the country, the only cities that have seen a population rebound are cities where immigrants have been a substantial part of that picture.

Upstate cities have a long and strong tradition of refugee resettlement, with refugees making up many, and in some areas even most, of the immigrants. Within New York State, while downstate areas have far more immigrants in general, nearly all of the refugee placement is in upstate New York, where housing is less expensive and there are institutions well prepared to help them get started. Indeed, over 92 percent of all refugees placed in New York over the past 10 years were placed in either Northern and Western New York (83 percent) or in the Hudson Valley (9 percent); the large majority in the Hudson Valley were placed in Albany county.

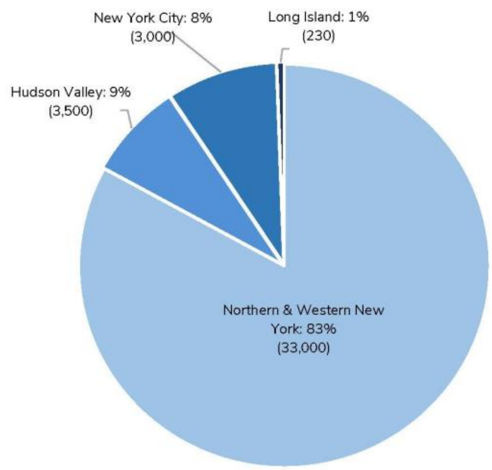
Last year, the state budget included $2 million to help refugee resettlement agencies address a sudden shortfall in funding resulting from the Trump Administration's travel ban and reduction in refugee numbers. This provided critical support to anchor institutions in cities across upstate, allowing them to provide extended integration services to refugees who are already here, and helping them retain skilled staff and institutional capacity.

This year, it would make sense to double that funding, to $4 million. Agencies are even more stressed than last year, with reductions in refugee resettlement squeezing institutions that have had decades-long federal funding and built up a very strong capacity. Four million dollars is a small amount in the context of the state budget, but a real help to refugees and to upstate urban economic development. Even this small amount of money spread across institutions in a number of cities is genuinely important in keeping resettlement agencies open, helping keep buildings activated that might otherwise have become abandoned and put a downward drag on already stressed neighborhoods. This state money has the benefit of being more flexible than the federal funding the agencies receive, and can be designed to allow the resettlement agencies to help refugees beyond their first 90 days in the country, can help them to be prepared for higher-skilled jobs, or learn better English, for example. It could also help refugees moving to places like Buffalo, Rochester, Syracuse, Albany, or Utica who were first settled in other parts of the United States. And it could be used for people not formally designated as refugees but who meet many of the same conditions, such as people fleeing Puerto Rico. Receiving these people in upstate cities and helping them get their feet on the ground to contribute to the local economy is a great way to help them and help the cities' revitalization at the same time.

FPI roundly applauds the governor for including in the executive budget includes $1.5 million for Utica's One World Welcome and Opportunity Center. The center is an excellent way to leverage the longstanding tradition of refugee resettlement, and to anchor downtown revitalization. As the Buffalo News recently noted in an editorial, similar center would make sense in all of upstate New York's cities, all of which have strong traditions of refugee resettlement that could be put to use in attracting and settling both refugees and others in areas that would benefit from population growth.[92]

Fig 24. Upstate New York Is the State's Main Location for Refugee Resettlement

County	Number of Refugees Placed	Share of State Total
Erie	12,744	32%
Onondaga	9,536	24%
Monroe	6,332	16%
Oneida	4,163	10%
Albany	3,048	8%
All Other (including NYC)	4,107	10%
New York State	39,930	100%



Source: FPI analysis of data from WRAPS, 2008-2017.

Professional Licensing

Across New York State there are taxi cab drivers, dishwashers, and home care aides who were once doctors, teachers, and engineers before being settled or coming to the United States. It is sadly common for immigrants who received a foreign degree to accept a low wage position, a phenomenon often termed "brain waste." when they could be working in much more productive jobs with only small changes in the state's licensing systems. This "brain waste," prevents immigrants from receiving the wages they worked hard for, and the workforce loses skilled individuals for positions that need to be filled.

[92] "Editorial: Buffalo Relies on Immigration," Buffalo News, February 3, 2018.

Almost half (47 percent) of the foreign-born population has at least some college.[93] Immigrant college graduates who are working in low-wage positions are losing a cumulative $5 billion in wages compared to what they would make if their skills were fully engaged.[94] Brain waste is not only detrimental to the immigrants, but the economy as well. And, when people's wages are higher they also pay more in taxes. Brain waste prevented the New York economy from receiving an additional $594 million in local and state tax revenue.[95]

The state budget should add funding to community colleges, non-profit organizations and public institutions to help re-credential immigrants who qualify. There are well established models for this, and organizations that work exactly in this area—for example Upwardly Global and World Education Services—as well as other states that can provide models for moving forward.

Expansion of resources and guidance

Civic Engagement
2020 Census

Recently the governor of California proposed to invest $40.3 million to implement a census outreach program to guarantee that attempts to discourage participation and defund the census do not impact receiving a statistically sound count of the number of Californians in the 2020 census.[96] Governor Cuomo and the New York State legislature should make a similar investment in ensuring that New Yorkers are fully enumerated in 2020.

It is crucial that New York State receives an accurate count of its residents. The economic, social, and demographic statistics produced by the population survey influences business, city planning, and policy decisions at every level of government. Furthermore, the information collected in the census survey is used to determine electoral representation in the U.S. House of Representatives, to realign boundaries of legislative districts, and to allocate billions of dollars in federal aid to state and local programs.

Since 1790 the decennial population survey has collected vital information about the residents of our nation, as is mandated in the Constitution. Today, the data gathered by the U.S. Department of Commerce through the U.S. Census Bureau is essential to policymakers, business leaders, the media, academics, and the general public: it's an important part of how we understand who we are and how we're doing. Each year the Census Bureau collects survey data, but it is in the decennial census that the data are recalibrated to a full population count. And it is the decennial census that is the basis for apportionment of seats in congress. Getting this right is of the utmost importance.

[93] Population is restricted to 25 years or older. FPI analysis of 2016 ACS 5-year estimates data.
[94] Ariel G. Ruiz Soto, Jeanne Batalova, and Michael Fix, "The Costs of Brain Waste Among Highly Skilled Immigrants in New York State, Migration Policy Institute, 2016. The Migration Policy Institute was, to our knowledge, the first to coin the term "Brain Waste."
[95] Ibid.
[96] State of California Governor Brown, Governor's Budget Summary 2018-2019, Available from: http://www.ebudget.ca.gov/2018-19/pdf/BudgetSummary/FullBudgetSummary.pdf

The decennial census always requires preparation, and the state and local governments can do a great deal to ensure that the census goes well, from helping identify dwellings to engaging nongovernment organizations in outreach. The 2020 Census promises to be a far greater challenge, potentially even a battleground. Last year the U.S. Government Accountability Office added the 2020 Census to its list of federal programs at "high risk" of failure. And, in May 2017, John Thompson, Director of the Census Bureau and 27-year veteran of the agency, resigned over a congressional budget forecast that he found to be inadequate to carry out the 2020 census.[97]

The Trump Administration is also taking actions that could significantly lower participation by immigrants. For example, on December 12th, 2017 the U.S. Department of Justice requested that the Census Bureau adds the question of citizenship on the 2020 Census questionnaire.[98] Although the Census Bureau is legally required to keep the data that it collects confidential, it is always challenging to convince the public, particularly immigrants, to fully participate in the survey. In New York State, where 4.5 million immigrants represent 23 percent of the population, reducing participation in the census by a few percentage points could mean loss of a congressional seat, loss of federal funding, and more.[99]

At the Fiscal Policy Institute, we work with census data every single day. We know the tremendous work the Census Bureau has done over many, many decades. Every decade media and political leaders in Buffalo, Rochester, Syracuse and Albany wait for the Census with baited breath to see whether this might be the year their populations begin to rebound. Business owners and real estate businesses turn to the census for reliable data about trends in market size. School districts look to the census to project future school building needs. And federal funding and representation in congress is at stake. California's proposed $40 million investment would be $20 million in New York, adjusting based on population size (39.3 million in California, 19.7 million in New York). The governor and the legislature should be able to agree on at least that much: A state investment in making sure the count is right is a bipartisan issue that has broad benefits to multiple sectors around the state.

[97] U.S. Government Accountability Office, https://www.gao.gov/highrisk/2020_decennial_census/why_did_study

U.S. Census director resigns amid turmoil over funding of 2020 count, Washington Post, Available from: https://www.washingtonpost.com/local/social-issues/us-census-director-resigns-amid-turmoil-over-funding-of-2020-count/2017/05/09/8f8657c6-34ea-11e7-b412-62beef8121f7_story.html?utm_term=.e0ebda657eb7

[98] U.S. Department of Justice, citing the need for "a reliable calculation of the citizen voting age population" and "protecting all American citizen's voting rights" https://www.documentcloud.org/documents/4340651-Text-of-Dec-2017-DOJ-letter-to-Census.html

[99] The U.S. Census Bureau, American Community Survey, Available from: https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_5YR_S2701&prodType=table

A Shared Opportunity Agenda

The Trump Administration's tax law, looming federal budget cuts, multi-billion-dollar state budget deficits, glaring unmet human and physical infrastructure needs throughout the state...this year's New York State budget negotiations are taking shape against a worrisome and uncertain backdrop. The president and congress are threatening to dismantle decades-old federal entitlement programs, make drastic cuts to programs that help millions of struggling New Yorkers, and create a hostile environment for the state's four and a half million immigrants. The state has an important role to play to help make life better for all New Yorkers—and we must provide protections to our residents even if the federal government won't.

The Shared Opportunity section lays out recommendations for policy changes that we believe will improve the lives of struggling New Yorkers and begin to address the glaring racial, gender, and income inequality that exists in our state.

Reduce Income Inequality and Help Those Living in Poverty

- **Increase the State Earned Income Tax Credit (EITC)**
  The state EITC is currently set at 30 percent of the federal EITC. Increasing the state EITC to 40 percent would help lift many hard-working families out of poverty. State EITC benefits should also be expanded to aid childless workers ages 20-24 and those 65-66, and to increase amounts for childless couples. We should also look to expand the credit to provide benefits to those not currently covered including the unemployed, immigrants, and seniors.

- **Decouple from the Federal Child Tax Credit and Expand the State Child Tax Credit**
  The new federal tax law makes significant changes to the child tax credit (CTC) both by increasing the maximum credit to $2,000 and making it available to singles with incomes under $200,000 and couples with incomes under $400,000. This move increases the measure's cost while reducing its progressivity as more families with higher incomes are able to claim the credit intended to help low-income families with children. Additionally, since the state CTC is linked to current federal tax law, New York's revenues will suffer considerably as a result of a higher number of claims from higher income individuals (estimated to cost $500 million annually). It would be reasonable to decouple from the federal law in this instance and provide an enhanced version of the state-based child credit for low-income families along with changing the age of eligible children to include children under the age of four.

- **Create the Home Stability Support Program**
  Addressing the state's growing homeless population by introducing rent subsidies for families facing homelessness or eviction due to domestic violence or hazardous living conditions is the goal of the Home Stability Support program. It costs $11,224 per year for a household of three in direct subsidies, compared to the $38,460 it costs for housing that same family of three in the New York City shelter system. This will save the taxpayer $22,756 per household per year, and will reduce the use of shelters, and lower the costs of temporary housing, soup kitchens, emergency room visits, law enforcement, housing court, and other homeless programs.

- **Invest in the Human Services Sector**
  The Strong Nonprofits for a Better New York coalition calls for increased state investment in the human services workforce and infrastructure. The state government must increase funding for human services contracts and change Medicaid reimbursement rates to ensure that nonprofits can meet the wage requirements established as part of the minimum wage increase. The Strong Nonprofits coalition calls for $65 million in salary increases for workers who have not seen an increase in over eight years and another $23 million to fund the minimum wage increase for state contracts not yet adjusted to reflect the increase cost of service provision. Furthermore, the Nonprofit Infrastructure Capital Investment Program (NICIP), which received no funding whatsoever in this year's Executive Budget, should also become a recurring investment of $100 million so that nonprofits statewide can meet their infrastructure and technology needs.

- **Increase Funding for the Empire State Poverty Reduction Initiative (ESPRI) Communities and Expand to Other Cities**
  The governor's budget includes no new funding for the 16 ESPRI communities. ESPRI groups are one year into their work in finding new ways to alleviate poverty in their communities, but other than a $10 million additional boost in funding the Empire State After-School programs, the communities have received minimal state support and no additional funding. While the continual investment in the Empire State After-School programs is well-intentioned, this initiative should be funded on a level more commensurate with the magnitude of the challenges local communities face, including extraordinarily high child poverty and concentrated overall poverty.

- **Expand Investments in Child Care**
  Child care is a pressing need for New York families, but one that put far too much strain on the budgets of low-income families who need it. The FY 2019 budget restores the $7 million in child care subsidies taken out of last year's, maintaining the same level of funding of $806 million from FY 2017. However, this amount is not nearly enough and further investments in child care should be considered to alleviate the financial burden for working families.

- **Increase Funding for Universal Pre-Kindergarten**

  The Universal Pre-Kindergarten program (UPK) for four-year-old children was first enacted in FY 2016 and expanded in FY 2017 to include three-year-old children. This year, funding for UPK continues with a modest increase of $15 million on top of the $822 million prior annual funding level. Unfortunately, more than 81,000 four-year-old children outside of New York City are without full-day pre-kindergarten services despite growing demand from school districts and parents. Since Governor Cuomo boldly pledged to make full-day UPK available to every four-year-old in New York in 2014 and agreed to invest $1.5 billion in it, the scope of the expansion has been scaled back every year. This year's $15 million in additional funding for UPK still falls far short of the amount needed to fulfill need across the state. Maintaining all current funding levels for UPK and investing an additional $150 million would help expand access to both three- and four-year old children outside of New York City and ensure programs have sufficient resources and technical assistance to meet the quality standards.

Restore Balance to the State/Local Fiscal Relationship

- **Move Toward Having the State Carry a Fair Share of Joint State/Local Costs**
  Restore the state's role as a reliable partner to local governments. Rather than assisting local governments, the state has put them in a position where they first had to choose between raising taxes and cutting local services, and more recently only had the option to cut services with the false promise of huge savings through shared services and other efficiencies.

- **Scrap the State 2% Spending Cap**
  Eliminate the governor's self-imposed two percent cap on state spending. There is no reason to hold annual spending growth below two percent if it means that we are under-investing in education and poverty reduction. This unforced austerity, that is to say budget decisions driven by policy choice rather than by necessity, has already caused the state to underinvest in several critical areas, and the continuation of the cap guarantees further harmful cuts to local governments, education and human service programs.

- **Eliminate or Amend the Property Tax Cap**
  The property tax cap is the wrong solution to the state/local tax problem, and it should be eliminated. Short of being eliminated, there are modifications that would at least minimize its damage to schools and local governments. The cap should be amended to allow for a simple majority override, rather than requiring a 60 percent supermajority. The cap should also have exclusions for local expenditures for emergencies, capital improvements, infrastructure, and increased school enrollment. We should also consider making the cap a true two percent cap, rather than tying it to inflation.

- **Increase K-12 School Aid**
  Make a serious down payment on meeting the commitments of the Campaign for Fiscal Equity settlement by increasing aid by at least $2 billion and distributing a large percentage of it through the foundation formula to ensure funds are targeted to school districts with high levels of child poverty.

- **Restructure and Expand the State Takeover of County Medicaid Costs**
  The state should build on the takeover of all county increases in Medicaid costs by starting to provide additional relief for low-wealth counties who bear a greater burden relative to their ability to sustain the local cost share. This would be the best way to provide tax cuts for middle class families and small businesses.

- **Increase Aid and Incentives to Municipalities (AIM)**
  This year's Executive Budget once again holds Aid and Incentives for Municipalities (AIM) funding flat at $715 million, the same level it has been for nearly a decade. Over the last few decades AIM funding has fallen more than 75 percent in inflation adjusted dollars. Cities, towns and viillages desperately need this unrestricted funding to adequately provide public services.

Invest in the State's Economic Vitality

- **Reform and Curtail Business Tax Credit Programs**
  Reduce the amount of money ill-used in the name of economic development and redirect it to bolster economic growth. Tax credits have more than tripled in the past decade, yet they have a negligible impact on job creation. The governor's own tax commission recommended curtailing the scattershot use of tax credits. These funds can be better used to create jobs if invested in infrastructure or picking up more costs the state currently pushes down to the local level.

- **Increase State Aid to SUNY/CUNY**
  Educating students, contributing to groundbreaking academic research, enriching the state's cultural environment, and robustly contributing to the state's economy are all reasons for New York to take immense pride in SUNY and CUNY. The state continues to starve these institutions of funding, forcing them to make difficult fiscal decisions that adversely impact students and faculty. Closing the "TAP gap" with $59 million for CUNY and $65 million for SUNY would immediately alleviate financial stress. Increased enrollment has caused SUNY and CUNY to rely on adjunct faculty, a workforce that is shamefully underpaid with poverty-level wages. Adequately funding SUNY and CUNY would allow them to fairly pay their adjunct faculty, hire more full-time, tenure-track faculty, finance furth infrastructure and technological upgrades, and provide the quality education that they are reknown for.

Help New York's Immigrants Thrive

- **Invest in Schools with ELL students.**
  Schools are a key institution to integrating all of our kids into American society, and this role is all the more important—and also challenging—for students who don't speak English as a native language. Schools around the state need added funds to help them adapt as refugees, immigrants, unaccompanied minors, and Puerto Ricans fleeing the aftermath of Hurricane Maria add to their student populations. These are challenges around the state, and in some ways are particular challenges in upstate cities where the level of immigration is not so high but the diversity of langauges spoken is very great. A $100 million investment in schools serving ELLs is a reasonable response to these added pressures.

- **Expand Adult Literacy Education**
  Providing opportunities for adult immigrants to learn English would seem like an obvious win-win-win-win: for immigrants, their employers, their kids, and their communities. Yet today, there are long wait lists and far too few high-quality classes available around the state. As the state shifts $8 million in the Workforce Innovation and Opportunity Act funding away from less well educated immigrants in order to serve a higher-skilled group, the Adult Literacy Education program should expand by the same amount, from $7.3 to $15.3 million, to make up for the gap and serve an estimated 17,000 students who will otherwise lose the opportunity to improve their English.

- **Raise the Age for Child Health Plus**
  Allocating $83 million to raise the upper age limit of CHP from 18 to 29, would allow the state to offer quality subsidized health care coverage to undocumented and DACA young adults who are ineligible for Medicaid, Essential Plan, or Marketplace coverage due to their immigration status. That's a well-grounded idea based on expansion of a program that has proven its value.

- **Expand the Liberty Defense Fund**
  Last year, Governor Cuomo and the legislature put in place the Liberty Defense Program and allocated $10 million to implement it. Expanding that fund to $20 million would allow the fund to serve about 6,700 immigrants per year. At a time when immigrants are increasingly under attack, that's a much-needed resource to make sure our justice system functions properly.

- **Expand on Last Year's Support for Refugee Resettlement and Upstate Urban Revitalization.**
  In a move that garnered attention around the country, the state budget last year included $2 million to help refugee resettlement agencies address a sudden shortfall in funding resulting from the Trump Administration's travel ban and reduction in refugee numbers. The federal situation has only gotten worse, but it makes more sense than ever to continue to support refugee resettlement agencies, the vast majority of which are in upstate cities where attracting and supporting newcomers matches a humanitarian mission with a vital economic development agenda. Doubling last year's funding, to $4 million, could allow these agencies to provide extended support to refugees in their system and help provide funds so they can serve the secondary migrant refugees who come to upstate New York.

- **Really Move the Dial on Immigrant Integration**
  Make sure hospitals get the Disproportionate Share Hospital payments they deserve, extend the Utica One World Welcome and Opportunity Center model to all upstate cities, allow undocumented immigrants to apply for driver's licenses, expand Executive Order 26 to meet the needs of upstate cities where refugees speak languages other than the major second languages in the state, fund programs to help smooth the way for professional licensing of immigrants who are trained in other countries but not yet licensed in the United States, provide support to local government and nonprofit groups to make sure there is a robust 2020 Census, and of course, after all this time, finally pass the New York State Dream Act.

Make the State Tax System More Progressive and Raise Needed Revenue

The plans presented by the governor in his Executive Budget fall short of generating the kind revenue that New York needs to remain competitive in the future. The governor and legislature should consider the following list of additional pro-revenue fair share proposals that could raise billions in estimated new revenue.

- *Close the carried interest loophole* at the state level (approximately $3.5 billion annually) Billionaire real estate investors got a special loophole in the new federal tax law. Hedge funds and private equity funds are using the loophole too—under the new law, they will all pay lower tax rates than teachers and truck drivers.

- *Recapture—Unincorporated Business Tax (UBT).* A state tax on high-dollar pass-through LLCs could raise over a billion per year without negatively impacting small businesses or freelancers. At a time when many people will be looking to start such corporations to game the new tax law, this should be coupled with an increase in LLC filing fees both to raise revenue and discourage gaming.

- *Claw back the federal tax cut for large corporations that do not raise pay or create jobs.* Multinational corporations are executing hundreds of billions of dollars in stock buybacks, providing returns to rich investors—not their workers. New York should impose a "claw-back tax" on publicly traded companies that received tax breaks but do not create jobs or raise pay of workers. The state should exempt small businesses or start-ups from this measure that could raise a billion per year and/or compel companies to do the right thing for New York's working families.

- *Fee on opioid medication and windfall profits tax on opioid wealth.* New York is facing a deadly public health crisis of addiction and overdose, driven by prescription painkillers and other narcotics. Pharmaceutical companies and pharmacy benefits managers have abused the prescribing system to explode sales and distribution of dangerous painkillers beyond their proper use. A state surtax on prescription painkillers, as the governor suggests, and an assessment on company fortunes built on opioids could raise billions for treatment, public health and overdose prevention.

- *Reinstitute Stock Transfer Tax.* Large banks and Wall Street traders get the biggest benefits from the new federal tax law. In fact, New York still collects a multi-billion-dollar ($13.8 billion per year) Stock Transfer Tax, but it is currently fully rebated back to the brokers. It is possible to exempt small investors while imposing a negligible transfer tax on high-frequency and high-dollar trades. Rebating 60 percent of the tax, rather than the full 100 percent could raise $5.5 billion per year.

- *Multi-millionaires tax.* New York's tax brackets are antiquated and should be made more progressive. It makes sense to adjust brackets upward for the wealthiest residents, to reflect explosive income gains of the recent decades—as well as some of the newly created gains from the new federal tax law. New progressive brackets at $5 million, $10 million and $100 million per year would raise over $2 billion annually and would still leave these multi-millionaires as the big winners in the economy of these last years.

- *New York City land tax to fund transit, jobs and climate adaptation.* New York City real estate has soared in value, while the transportation, infrastructure, housing and energy systems that make it so valuable have suffered. We can create thousands of jobs all over New York with funding from a reasonable land tax on just the most valuable Manhattan office buildings and speculative luxury housing that could raise well over a billion dollars.

The best course of action is one that combines multiple approaches sketched above and applies them simultaneously in parallel. The best approach is decidedly pro-growth and pro-revenue.