Economic and Fiscal Outlook 2020

New York's Pathway to Shared Prosperity

Financial Plan and Income Inequality

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The Fiscal Policy Institute is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared. FPI's Immigration Research Initiative looks at immigration in New York State and around the country.

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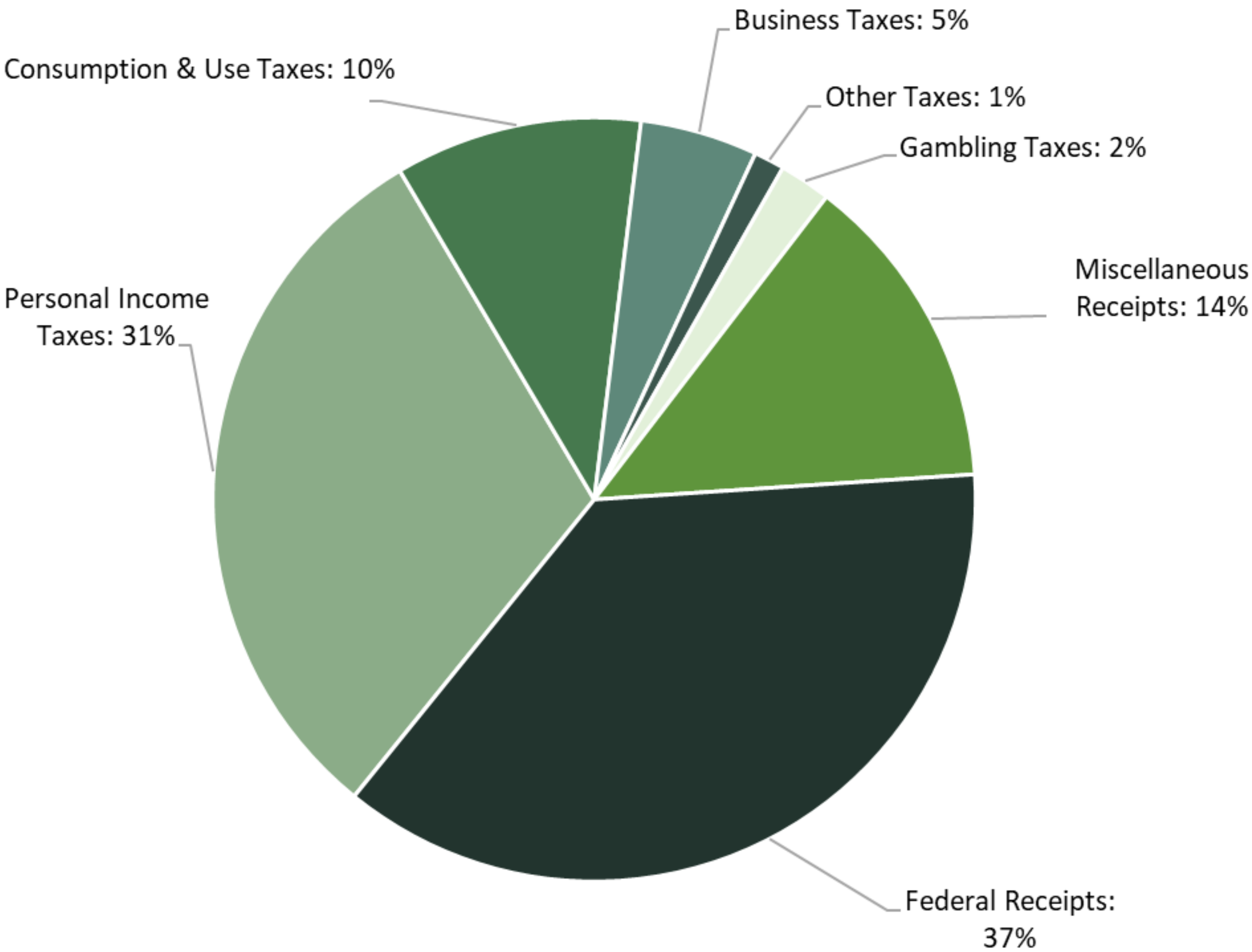
Additional information on state fiscal and economic issues and copies of the Fiscal Policy Institute's publications (including a PDF version of this briefing book) are available online at www.fiscalpolicy.org.

Revenues

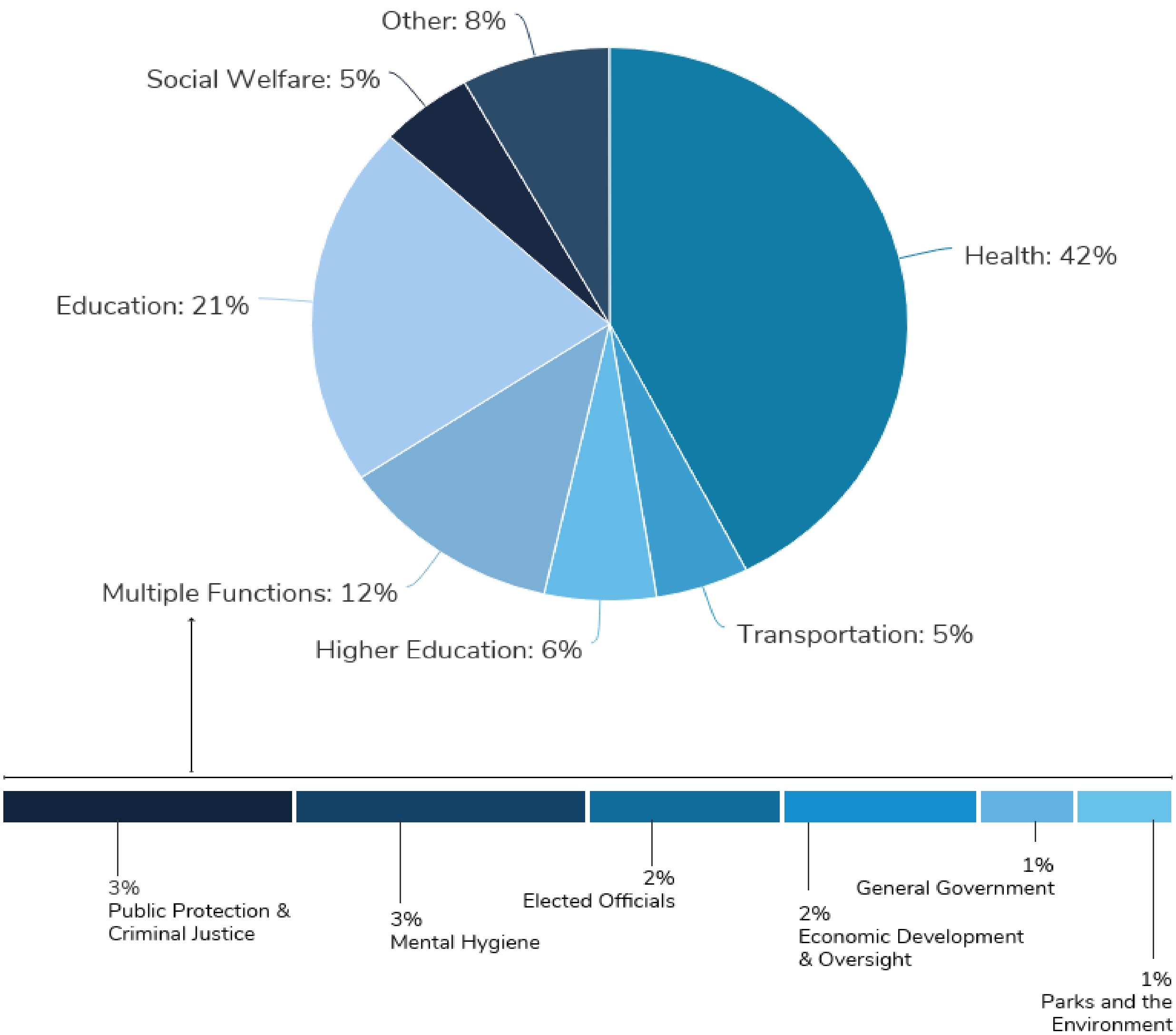


ALL GOVERNMENTAL FUNDS, STATE FISCAL YEAR 2019-20. TOTAL CASH RECEIPTS OF $172.909 BILLION.

NOTE: COMPONENTS MAY NOT SUM TO TOTAL DUE TO ROUNDING.

Source: FY 2020 NYS Executive Budget Financial Plan, T-27, January 2019.

Expenditures



ALL GOVERNMENTAL FUNDS, STATE FISCAL YEAR 2019-20. TOTAL CASH DISBURSEMENTS OF $175.188 BILLION.

NOTE: COMPONENTS MAY NOT SUM TO TOTAL DUE TO ROUNDING.

Source: FY 2020 NYS Executive Budget Financial Plan, T-145, January 2019.

Financial Plan and Fiscal Outlook

New York is a wealthy state with a growing economy and solid economic indicators. Yet, New York also has a backlog of unmet needs in education, health care, human services, infrastructure, and more. Despite some of New York' advantages and leadership on several economic and policy issues, the state falls far short of meeting the needs of New Yorkers. We can, and should, do better.

Below are several proposals for how to set the state onto a better course. We examine where the governor's Executive Budget makes good progress, and where it falls short. The Fiscal Policy Institute's top three recommendations as the legislature and governor begin to debate these issues are:

1. Abandon the Artificial Two Percent State Spending Cap

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. However, unforced austerity does not represent good governance at a time when so many needs are going unmet. An arbitrary two percent cap at a time when health and education spending is rightly growing means not just a cap but often a reduction in spending in many other areas where it is needed, and where the state could well afford it. The governor's evident lack of interest in growing the rainy-day fund during an economic expansion also hardly reflects sound fiscal management.

It is difficult to assess true spending growth precisely, as the Executive Budget continues the past practices of using reclassifications, prepayments, and other budgetary maneuvers that mask actual expenditure. One thing that is clear is that overall spending is being unnecessarily constrained. The lack of transparency, however, may suggest that behind the budget curtain the governor is also finding a rigid cap to be problematic.

2. Enhance the Millionaires Tax and Make it Permanent

The Executive Budget proposes to extend the existing "millionaires' tax" for five more years, but it remains temporary. And, the Executive Budget does not expand the tax to include additional brackets at the $5 million, $10 million and $100 million levels. The millionaires tax needs to be revised and improved with a view to ensuring sufficient state revenues and a progressive structure in the state's tax system.

Prior to the enactment of New York State's Personal Income Tax reforms in 2012, the highest tax rate was 8.97 percent. It was levied on all taxpayers, irrespective of tax filing status, if their annual incomes exceeded $500,000. Under current law, the top bracket of 8.82 percent begins at $1,077,550 for single filers, $1,616,450 for head of household filers, and $2,155,350 for married taxpayers filing jointly. This rate structure is set to expire at the end of 2019. Once expired, the top tax bracket would begin, for married taxpayers filing jointly, at $323,200 and the tax rate would be 6.85 percent. The governor proposed a 5-year extension in this year's Executive Budget.

In 2017, the New York State Assembly majority proposed making the personal income tax code permanently more progressive by creating additional brackets for taxpayers earning more than a million dollars annually. The top rate of 8.82 percent would begin at one million in annual revenue.

This rate would increase by half a percentage point for those earning more than $5 million, it would increase another half a percentage point for those earning more than $10 million, and the top rate would be 10.32 percent for those earning more than $100 million annually.

If this same proposal were enacted for tax year 2020, the state could anticipate an additional $2 billion in revenue, in addition to the revenue expected from the governor's temporary extension of current law, from high income taxpayers. The Fiscal Policy Institute estimates that $330 million of this amount would be from people living out-of-state, but earning money in New York State, like commuters from New Jersey and Connecticut. The Department of Taxation and Finance does not provide tax data on those earning more than $100 million annually, but using a Pareto distribution of personal income, FPI estimates that $236 million in additional revenue would be raised from taxpayers in the highest proposed tax bracket.

Figure 1. The Enhanced Millionaires' Tax Can Generate $2 Billion in Additional Revenue for FY 2020

Proposed Personal Income Tax Brackets for all Filing Statuses	Current Law Tax Rates	Proposed Tax Rates	Additional Revenue from State Residents	Additional Revenue from Non-Residents	Total Additional Revenue
$1 million to $5 million	6.85%/8.82%*	8.82%	$ 727,320,779	$ 195,591,384	$ 922,912,164
$5 million to $10 million	8.82%	9.32%	$ 137,563,815	$ 24,908,276	$ 162,472,091
$10 million to $100 million	8.82%	9.82%	$ 620,823,723	$ 97,671,229	$ 718,494,952
Above $100 million	8.82%	10.32%	$ 224,877,219	$ 11,243,861	$ 236,121,080
Total			$ 1,710,585,536	$ 329,414,750	$ 2,040,000,286

Source: New York State Department of Taxation and Finance: Personal Income Tax Filers Summary Datasets through tax year 2016, Table 3; New York State Division of the Budget: FY 2020 Economic and Revenue, February 2019. Note: under current law, the top bracket of 8.82 percent begins at $1,077,550 for single filers, $1,616,450 for head of household filers, and $2,155,350 for married taxpayers filing jointly. The tax rate for the second-highest bracket under current law is 6.85 percent.

3. Fix Property Taxes by Increasing the State Share of Spending and Creating a Middle-Class Circuit Breaker, not Through a Rigid Tax Cap

One of the biggest complaints about taxes in New York State is that property taxes are too high. Residents are beginning to understand however, that the prime reason lies not in local government but in Albany. As the state reduces its share of funding in areas of joint responsibility between the state and its localities, local governments raise property taxes to pick up the burden where the state has fallen short. The state's answer has not been to increase its share of funding, but to put a state-imposed cap on property taxes. The result is localities that are forced to cut services or look to other, even less attractive, sources of revenues such as fees and fines. The Executive Budget proposes to make the property tax permanent. That would be a move in exactly the wrong direction.

If the legislature is not yet ready to fully repeal the property tax cap, steps can be taking to loosen the fiscal straightjacket at least a bit. Making it a cap of inflation or two percent, whichever is *higher*, would be better than the current formula that is whichever is *lower*. And numerous areas should be exempted, especially if they are out of the control of the local government.

In addition, a targeted, middle-class circuit-breaker would make sense to immediately relieve the burden of high property taxes to people who truly cannot afford them. An extensive discussion of this issue can be found in the Local Government section of this Budget Briefing Book.

A Few Good Proposals in the Executive Budget

Congestion Pricing

The Executive Budget's proposal for congestion pricing is an effective way to meet two goals at the same time: raise much-needed funds for the subway system that is in dire need of improvement; and reduce the intense and worsening traffic in the central business district of Manhattan. The Executive Budget mandates that the system finance a minimum of $15 billion in capital funding. That would imply a revenue stream of roughly $1 billion per year, at current interest rates.

In recent years, the need to fund major improvements in the Metropolitan Transit Authority has moved from an urgent priority to a real crisis. People who live in New York City or commute there face long delays and crushing overcrowding daily. But people who don't live in the region should also be looking at the situation with heightened concern. If the public transportation system does not improve quickly, business growth is likely to slow down because the infrastructure simply cannot sustain further stress. If economic growth slows in the state's largest business center, state tax revenues will be directly affected.

The MTA's operating and capital budgets have multiple sources of funding, from fares paid by riders to the mortgage recording tax paid in the 12-county region served by the MTA. While adding $1 billion per year to the capital budget will not close the gap in what is needed to meet the MTA's capital needs, it would be a significant increase.

There is no painless way to raise $1 billion per year, but the congestion pricing plan can be fair, and it will help reduce traffic.

The burden of the fee would fall on commuters and other drivers who currently do not pay a toll to cross into the central business district. The fee would be paid by people driving into Manhattan from other parts of the city, as well as those living in New Jersey, Connecticut, and Long Island, along with other people driving to the city, and by people with cars in the boroughs of New York City. People who live in Manhattan and own cars would also pay the fee, but that represents an even smaller portion of Manhattanites than other city residents. To rectify that imbalance, the congestion fee on taxis and other for-hire vehicles that began in January of this year was initially intended as part of a package to ensure that Manhattan residents were also contributing to the fees raised by the congestion chart. The two congestion pricing plans should never have been separated; passing the general fee would be a way to restore the imbalance that now has Manhattanites paying far more than others.[1]

At the same time, New York State and New York City must recognize that there are enormous problems within the for-hire vehicle industry, with Uber and Lyft largely playing by a different set of rules than taxis. There is an urgent need to address those problems, which are severe enough that they have led to a rash of suicides by medallion-owning drivers. Congestion pricing is not the primary way to fix these problems, but it should be designed to improve the situation for taxi drivers rather than to make it worse.

The other goal of congestion pricing is: reducing congestion. Putting a higher price on driving into the central business district will reduce the number of cars that come in. Fewer cars on the street will improve conditions for other drivers, bicycle riders and pedestrians, and will also reduce carbon emissions and concentrated airborne pollutants. There has been some concern raised about the burden it may put on people who have to drive into Manhattan and don’t have other good options. This is a legitimate concern, but as a study by the Community Service Society suggests, far more people would benefit from the public transit system working better than would be hurt by congestion pricing. Just four percent of outer-borough residents drive to Manhattan for work, and a congestion fee would affect just two percent of the working poor.[2]

Congestion pricing is not a standalone or complete answer and must be used as an important element in a package of measures to raise the needed funds, improve MTA’s operation, ease traffic and help reduce pollution in the city. The inadequate condition of our public transportation system is a compelling reason to support this proposal.

Closing the Carried Interest Loophole at the State Level

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—many pay lower tax rates than teachers and truck drivers. The Executive Budget suggests that this loophole be closed, as FPI also supports. The Executive Budget, however, envisions zero dollars from the action, because it envisions a multi-state compact to close the Carried Interest loophole simultaneously in New York and the surrounding states. A multi-state compact would be desirable, but New York could also act on its own if such a compact is not readily achieved. The estimated annual revenue from this single measure is $3.5 billion.

“Internet Tax Advantage” Elimination ($119 million)

This proposal mandates that sales taxes are collected by online marketplaces for third party sellers, as well as well as out-of-state merchants. It would extend the state’s current statutes that ensure New York’s brick and mortar stores are competing on a level playing field with e-commerce businesses. This measure was proposed but not enacted last year.

Energy Services Sales Tax Exemption Discontinuation ($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 2020, the measure is projected to yield $120 million in the subsequent year. This measure was also proposed but not enacted last year.

All Other Revenue Actions ($31 million)

Among them: additional tax shelter preparer penalty expected to generate $14 million as the tax shelter reporting requirement is extended, increased tax return audits yielding $12 million in additional funds, and other minor fee actions.

Other Good Proposals Not in the Executive Budget

Because the plans presented by the governor in his Executive Budget fall short of generating the level of revenue that New York needs to remain competitive in the future, we suggest considering the following list of additional pro-revenue fair share proposals that could raise billions in estimated new revenue.

Pied-à-Terre Tax

The state of New York can generate additional revenue and address its housing crisis by taxing luxury homeowners' residential property which they do not use as a primary residence. This tax will also improve housing market resource allocation function by discouraging the inefficient utilization of housing that takes place when homes are left unused. Recent data from the New York City Housing and Vacancy Survey shows the number of residences held vacant by their owners has increased by 37 percent in the last three years reported. In 2017, almost 75,000 units were held vacant for occasional, seasonal, or recreational use. This represents 2.2% of the total number of housing units in New York City, and the combined market value of these homes is many millions of dollars and, therefore, a potential source of revenue that has gone ignored by the state.

For scale and comparison, the number (75,000) of these second and third homes, rarely used by their owners, is greater than 63,500, the number of people who were homeless in December 2018, as reported by the Coalition for the Homeless.[3] A pied-à-terre tax would help provide Governor Cuomo with additional resources he needs to achieve his 2019 Justice Agenda goal of making housing in New York affordable. Depending on the structure of the tax, this could raise well over half a billion dollars.[4]

Real Estate Transfer Tax and Mortgage Recording Tax

There is an important way to make state and local taxes on real estate transactions more progressive and to raise more revenue: rely less, or perhaps not at all, on the Mortgage Recording Tax (MRT), and make the Real Estate Transfer Tax (RETT) more progressive.

The state's RETT (and, in parallel, a New York City Real Property Transfer Tax) liability increases together with the value of the property conveyed, but the top rate is reached at $1 million. In 2018, the Assembly majority advanced a progressive RETT structure that would apply to all property conveyances, residential and commercial, in excess of $5 million. It was estimated, the new RETT would raise over $400 million for the state in 2019-20. A similarly structured city tax would generate additional revenue.

At the state level, the Mortgage Recording Tax is the same regardless of the size of the mortgage secured, while at the city level the tax is slightly higher for debt in excess of $500,000. However, as the New York City Comptroller points out in his recent report, this tax is avoided entirely in cash purchases. The report reveals that in the second half of last year, 54 percent of property purchases in Manhattan were made with cash, as were almost 80 percent of apartment sales in excess of $5 million. [5] As a result, people with modest means end up paying close to double the taxes that people with enough assets to avoid incurring a mortgage pay. The MRT should be reconfigured or eliminated if the RETT is at the same time adjusted and made more progressive.

Recapture—Unincorporated Business Tax (UBT)

A state surtax on high-dollar pass-through entities (LLCs) could raise a substantial amount of revenue 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 tax avoidance. Estimated annual revenue is over $1 billion.

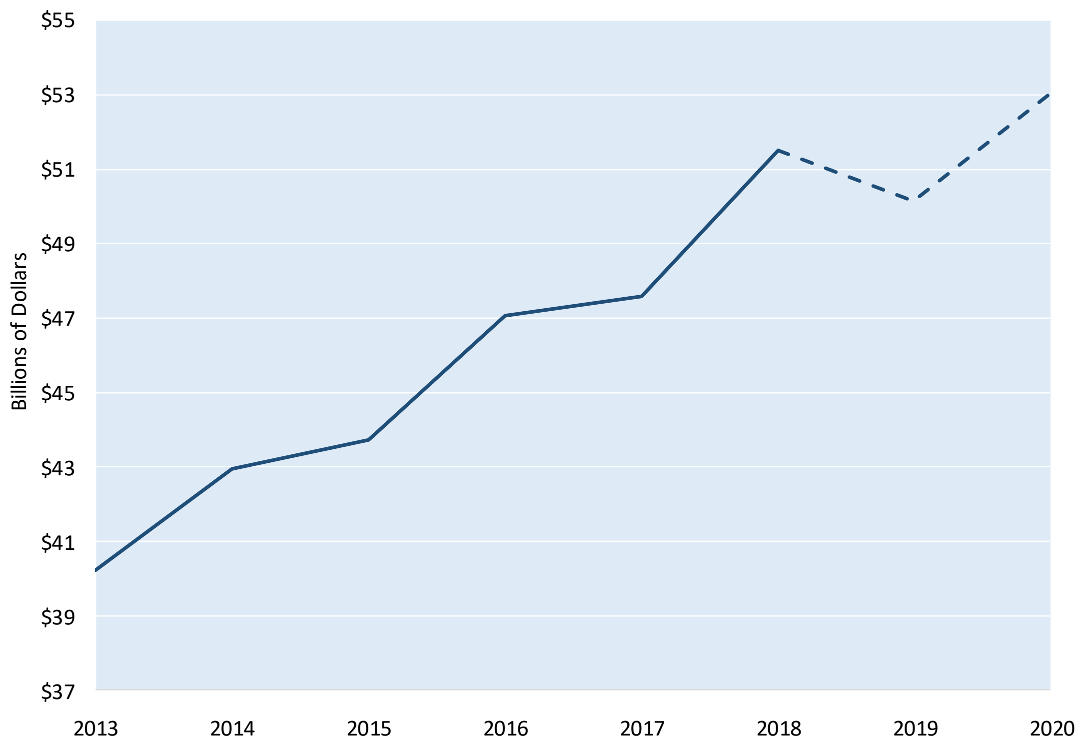
Claw Back the Federal Tax Cut for Large Corporations that Do Not Raise Pay or Create Jobs

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 startups 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. Depending upon the structure of the mechanism and taxpayer behavior, this proposal could raise significant revenue for the state.

Fiscal Outlook

The midyear financial plan reported a budget gap of $3.1 billion for FY 2019-20. The governor’s Executive Budget introduces a series of proposals that would close this gap but increase spending by less than two percent, under the governor’s self-imposed cap. In the Executive Budget proposal for FY 2020, total state operating funds spending is projected to increase by $1.88 billion or 1.9 percent. The total of all government spending—which also includes capital funds and federal aid—is expected to grow by $3.52 billion or 2 percent. Better fiscal management would call for increasing revenues further, to meet past and current needs, and to build a reserve fund for the future.

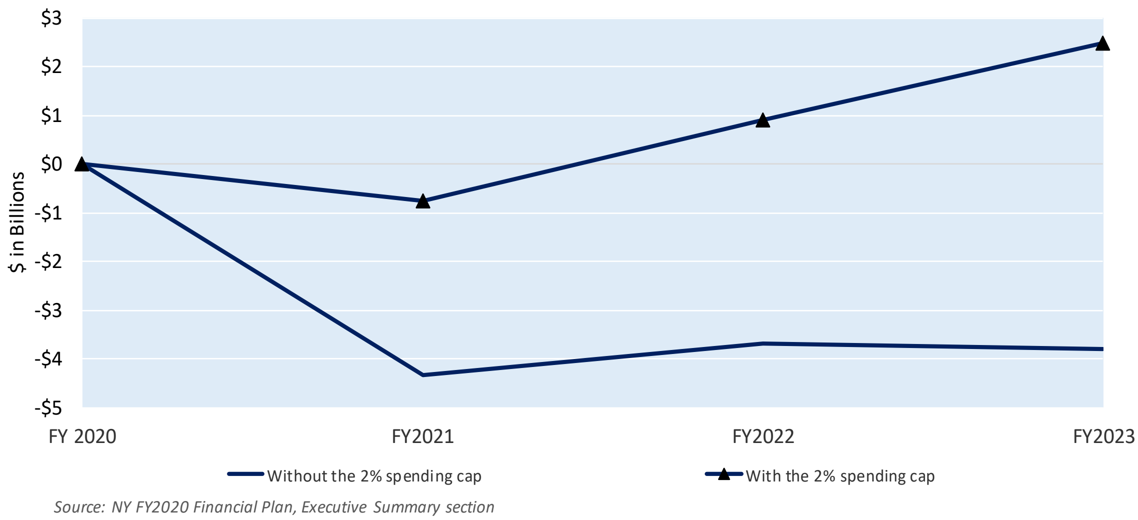
Figure 2. Personal Income Tax Revenues



Source: NYS FY2020 Executive Budget Financial Plan, January 2019.

While state operating funds expenditures are proposed to increase by only 1.9 percent, Medicaid spending is projected to increase the most among all spending categories, rising by $1.29 billion or 6.3 percent (down from 6.5 percent last year), and school aid is up by $956 million or 3.6 percent (more than last year's $769 million or 3.0 percent but still far from sufficient meet the state commitment under the foundation aid formula). These increases are necessary, yet if some categories grow by more than two percent, the two percent cap forces other categories to be considerably less or even negative. On-budget transportation spending will again see the largest cut in spending, proportionately, dropping by 10.3 percent.

Figure 3. Projected Budget Gaps or Surpluses, With and Without the Two Percent State Spending Cap



Source: NYS FY2020 Financial Plan, Executive Summary section, January 2019.

The state's financial plan is built around adherence to the two-percent spending benchmark. The Executive Budget projects the budget gap to turn into a surplus by FY 2022 at $904 million and to increase to $2.5 billion by FY 2023. The proposed financial plan also features several revenue actions or resource changes that are projected to yield $1.3 billion in FY 2020, followed by $4.4, $5.7 and $6.3 billion in Fiscal Years 2021, 2022 and 2023. The projected 2023 surplus, it should be noted, is significantly dependent on the proposed revenue actions. If those are not enacted, even with the unforced austerity there will be no capacity for meaningful new spending in the short- to medium-run.

In anticipation of an eventual economic downturn, New York State should seek to increase revenues. Many economic analyses indicate that the country is in the late stages of the business cycle. The economic expansion will end sooner or later. Then New Yorkers will realize that their state government has failed to grow its reserves and is woefully unable to respond to the growing needs and decreased revenues associated with a recession.

Figure 4. As the Economy is Expected to Start Slowing down in 2019, the Forecast is for Modest Price, Wage, and Personal Income Growth in Out-Years

Source: NYS FY2020 Economic and Revenue Outlook, Economic Backdrop section, January 2019.

A better solution is to sustainably raise revenues, so they are adequate to meet the state's current and future needs. New York has been operating under austerity budgets for many years now, which makes future cuts even more likely. Recessionary cuts could undermine essential operations and lower output quality.

New Tax Environment

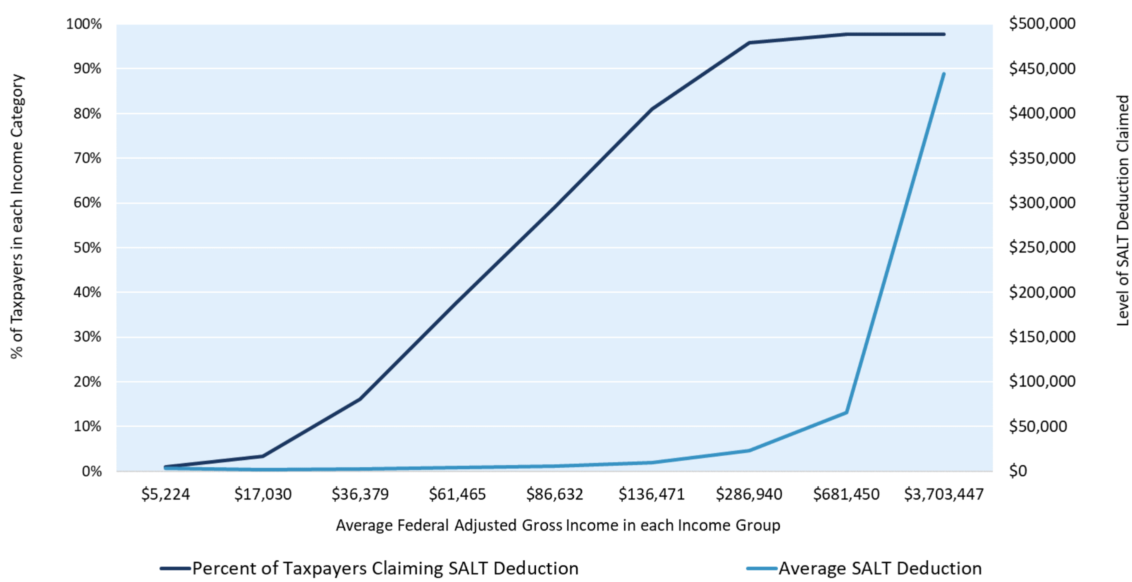
The Federal Tax Cuts and Jobs Act (TCJA) of 2017 made sweeping reforms to the federal personal income, business and estate tax laws. It created multiple winners and losers across income distributions, industries, and geographies. The state of New York implemented, with varying degrees of success, several response measures to provide fiscal relief to some of its residents. The state response included: participating with three other states to file lawsuit against the federal government to strike down the cap on personal income tax deductions; the creation of public charitable organizations to accept taxes as charitable contributions; a decoupling of the state tax code from many federal tax changes; and an opt-in mechanism for employers to elect to replace their employees' income taxes with payroll taxes. This new tax scheme benefits some taxpayers, but the vast majority of employers have not chosen to participate because of the multiple problems it creates for businesses and employees. The new federal tax law created its winners and losers and resulted in large changes in individual taxpayers' federal tax liabilities on a massive scale. The system keeps adjusting, and states have to react to offset undesirable changes.

In addition to these workarounds, the NYS Department of Taxation and Finance solicited public comment of the feasibility of instituting a state Unincorporated Business Income Tax, a measure that could help those who receive pass-through income. The governor doesn't seem to be following through on this initiative at the moment; it is notably absent from the Executive Budget.

State and Local Tax Deductions

An aspect of the TCJA that was particularly contentious in New York State was the capping of the State and Local Tax (SALT) deduction at $10,000. Due to the high level of services residents of New York expect from their state and local governments, the capping of this deduction has more of an impact on the state of New York compared to other states.

Figure 5. NYS Taxpayers Claiming a SALT Deduction in 2016



Source: IRS Individual Income and Tax Data, by State and Size of AGI, 2016; Fiscal Policy Institute.

According to IRS income data from 2016, 30.5 percent of all New York State residents claimed the SALT deduction. For those taxpayers earning less than $200,000, which is 94.4 percent of all state residents, their average SALT deduction was $6,324. Only 26.6 percent of taxpayers in this category claimed the SALT deduction. The average SALT deduction for those earning between $200,000 and $500,000 was $23,200 in 2016. For New York residents earning more than one million dollars, the average SALT deduction was 12 percent of their income, or $444,085. For these high-income earners, 97.7 percent claimed the SALT deduction. Prior to the enactment of the TCJA, 5.6 percent of the highest earning New Yorkers claimed 69.8 percent of this federal tax expenditure.

The Tax Cuts and Jobs Act will reduce federal tax collections by $280 billion in 2019, according to the Joint Committee on Taxation. Over 6.2 million New Yorkers will have their federal taxes reduced either through smaller tax bills or larger tax refunds this filing season. While only 25.3 percent of state taxpayers in the bottom quintile of income will see positive tax benefits, 84.2 percent of taxpayers in the top quintile, whose average income is over $270,000, will experience a tax cut from the TCJA.

Figure 6. Who Receives a *Tax Cut* from the TCJA in New York State?

Expanded Cash Income Percentile		Average Income	Percent of Taxpayers in Quintile	Number of Taxpayers	Average Tax Cut
Quintiles	0-20	$ (3,138)	25.3%	521,906	-$190
	21-40	$ 16,747	61.4%	1,266,602	-$540
	41-60	$ 35,459	80.0%	1,650,296	-$1,050
	61-80	$ 68,258	83.6%	1,724,559	-$1,790
	81-100	$ 277,961	84.2%	1,736,937	-$8,010
Top Quintile Detail	81-90	$ 127,524	83.4%	860,217	-$2,720
	90-95	$ 195,062	84.8%	437,328	-$3,740
	95-99	$ 345,022	89.9%	370,904	-$11,760
	Top 1 Percent	$ 2,090,537	70.5%	72,716	-$52,350
	All	**$ 77,564**	**60.9%**	**6,281,439**	**-$2,400**

Source: The Urban Brookings Tax Policy Center, The New York State Department of Taxation and Finance, and the Fiscal Policy Institute. Income represents adjusted taxable income.

There are a few provisions besides the capping of the SALT deduction, as well as the elimination of multiple other deductions, that raise revenue for the federal government. The repeal of the deduction for personal exemptions is expected to generate $1.2 trillion from 2019 through 2026, according to the Joint Committee on Taxation, and the treatment of deferred foreign income is expected to raise $339 billion for the federal government.

It is expected that 850,000 New York taxpayers, 8.3 percent of the total, will face higher taxes because of all the changes in the Tax Cuts and Jobs Act. The majority of the taxpayers impacted will not face an overall tax increase as a result of capping the state and local tax deduction at $10,000, because they don’t itemize their deductions. For example, only 6.6 percent of taxpayers in the bottom four quintiles will face a tax increase because of the SALT cap, while 11.4 percent of tax payers in the top quintile will. As seen in the IRS data above, as well as in the top quintile detail below, the top 1 percent of income earners will face the largest tax increases due to the SALT cap. In this elite group, 23.9 percent of taxpayers, or a quarter of one percent of all taxpayers, will face a tax increase from the TCJA because of the SALT cap. On average, and assuming there is no change in taxpayer behavior and holding everything else constant, slightly over 25,000 taxpayers in the top 1 percent will see their federal tax liability due to SALT increase an amount that is equivalent to 2.2 percent of their income. The corresponding tax increase, for taxpayers in other income groups with tax liabilities increasing as a result of the SALT cap, which account for 6.1 percent of all taxpayers, is 1 percent or less.

Figure 7. Who Receives a *Tax Increase* from the TCJA in New York State?

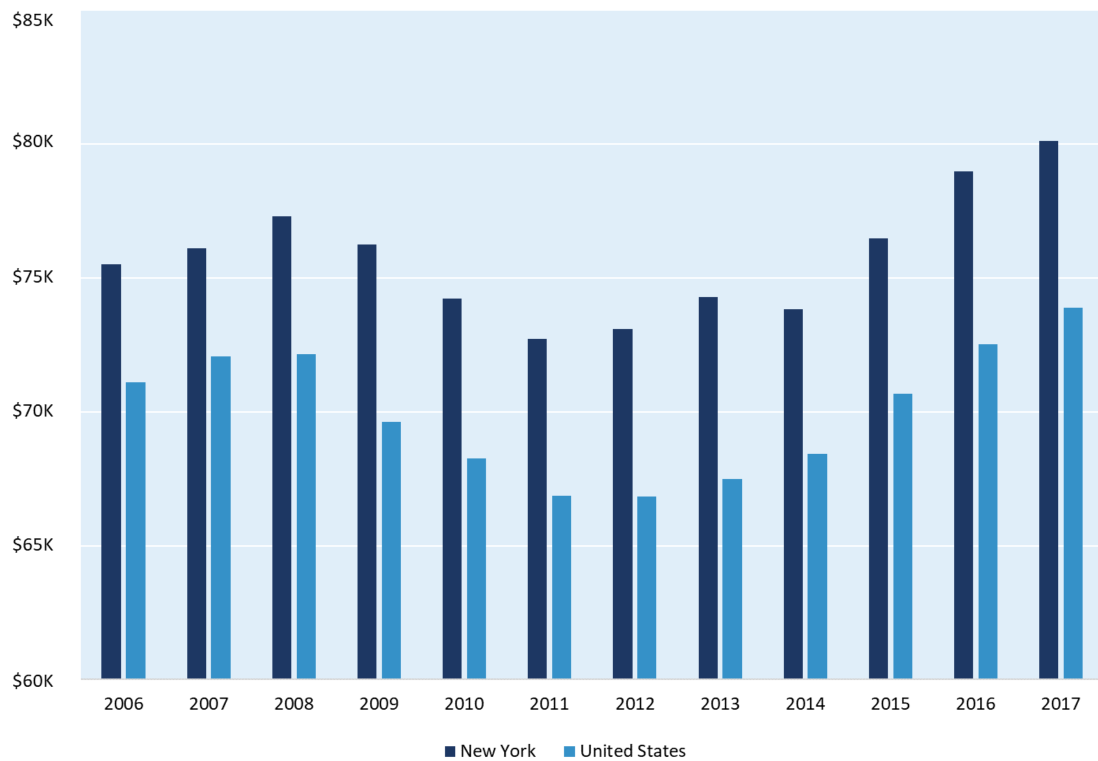
Expanded Cash Income Percentile		Average Income	Percent of Taxpayers in Quintile	Percent of Taxpayers Receiving a Tax Increase NOT due to SALT Cap	Percent of Taxpayers Receiving a Tax Increase due to SALT Cap	Change in Average Tax Increase as a Result of the SALT Cap	SALT Increase as a Percentage of Average Quartile Income
Quintiles	0-20	$ (3,138)	1.2%	1.2%	0.0%	$ -	-
	21-40	$ 16,747	5.6%	5.3%	0.3%	$ 60	0.4%
	41-60	$ 35,459	11.0%	10.1%	0.9%	$ 280	0.8%
	61-80	$ 68,258	15.3%	9.9%	5.4%	$ 690	1.0%
	81-100	$ 277,961	15.5%	4.1%	11.4%	$ 7,400	2.7%
Top Quintile Detail	81-90	$ 127,524	16.2%	6.0%	10.2%	$ 670	0.5%
	90-95	$ 195,062	14.9%	2.8%	12.1%	$ 740	0.4%
	95-99	$ 345,022	9.7%	1.2%	8.5%	$ 3,110	0.9%
	Top 1 Percent	$ 2,090,537	29.0%	5.1%	23.9%	$ 46,300	2.2%
	All	**$ 77,564**	**8.3%**	**5.6%**	**2.7%**	**$ 2,460**	**3.2%**

Source: The Urban Brookings Tax Policy Center, the New York State Department of Taxation and Finance, and the Fiscal Policy Institute. Income represents adjusted taxable income.

New York's Income Inequality

New York State has a pronounced income inequality that has been getting worse over the past four decades. The dimensions across which inequality manifests itself are both geographic and ethnic. New York City is a more dynamic economic environment than upstate. 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 is mixed and uneven.

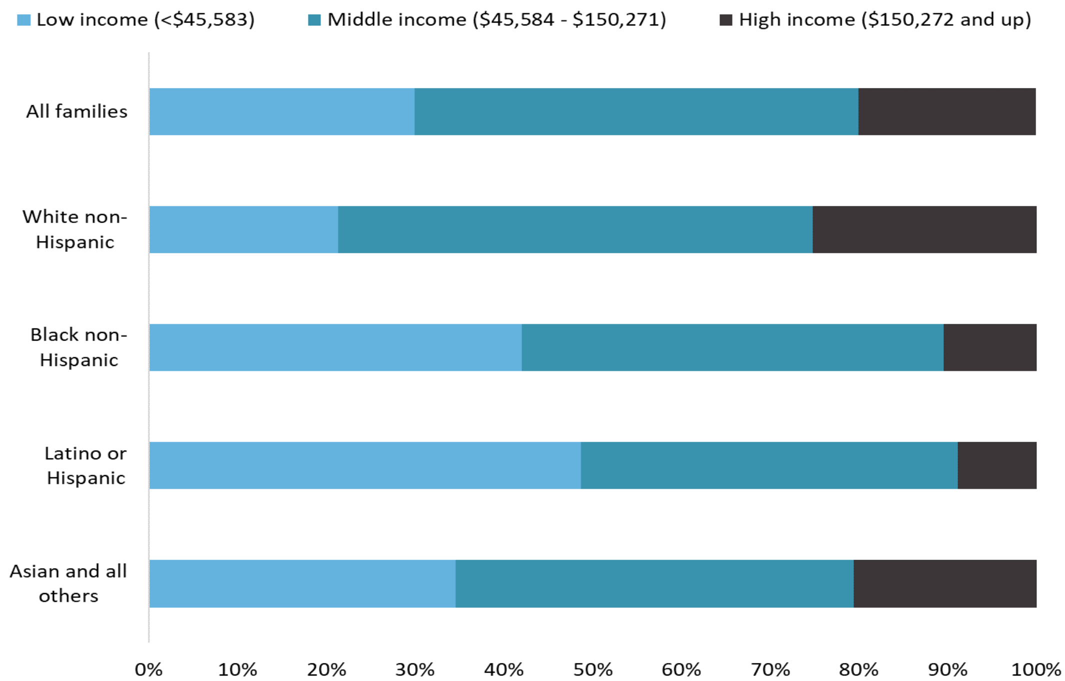
Figure 8. Median Real Family Incomes in NYS, 2006-2016



Source: Fiscal Policy Institute presentation of American Community Survey data. 2017 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 make the overall tax code progressive, instead of the regressive structure it now utilizes. According to the Institute for Taxation and Economic Policy's 2018 publication 'Who Pays: A Distributional Analysis of the Tax Systems in all 50 States', taxpayers in New York's top quintile with incomes ranging from $107,600 to $780,000 or percentiles 80 to 99, pay less of their total income in taxes than those in the fourth quintile or those earning between $60,900 and $107,600.

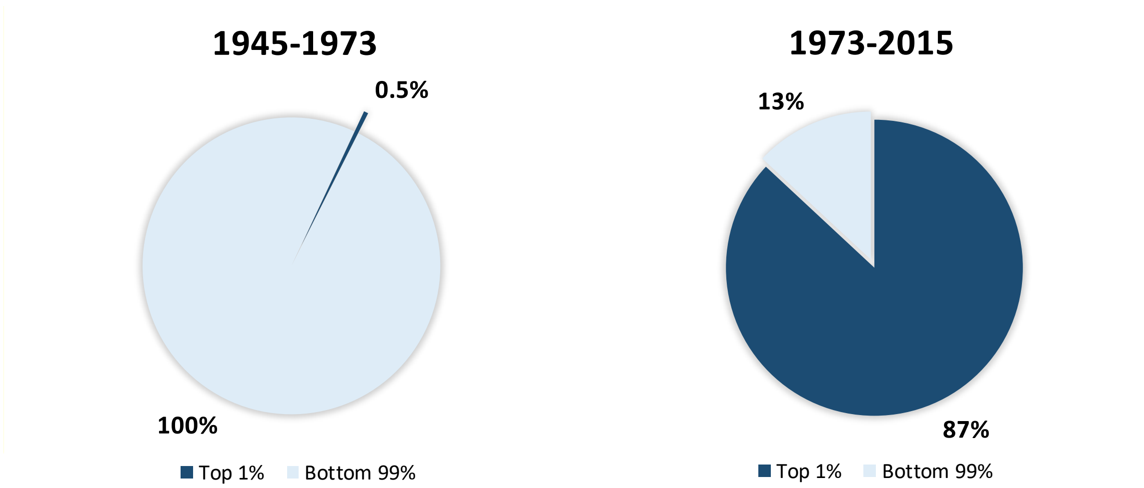
Figure 9. New York's Black and Latino Families Are Much More Likely to Have Low Incomes



Source: Fiscal Policy Institute analysis of 2013-2017 American Community Survey microdata. All in 2017 dollars.

As the state economy grew in the post-World War II period, from 1945 to 1973, the share of growth that went to the top 1 percent was not unduly high: the top 1 percent captured a half a percent of the income growth over that period. This does not mean the growth was evenly distributed among New Yorkers—there were still large racial and gender disparities. But the concentration at the top was in retrospect not particularly pronounced. Compare that, however, the period from 1973 to 2015: the top 1 percent took 87 percent of all income growth over those four decades, while everyone else—the other 99 percent—took just 13 percent of the income gains.

Figure 10. New York's Top One Percent Captured Nearly 87 Percent of All Income Since 1973



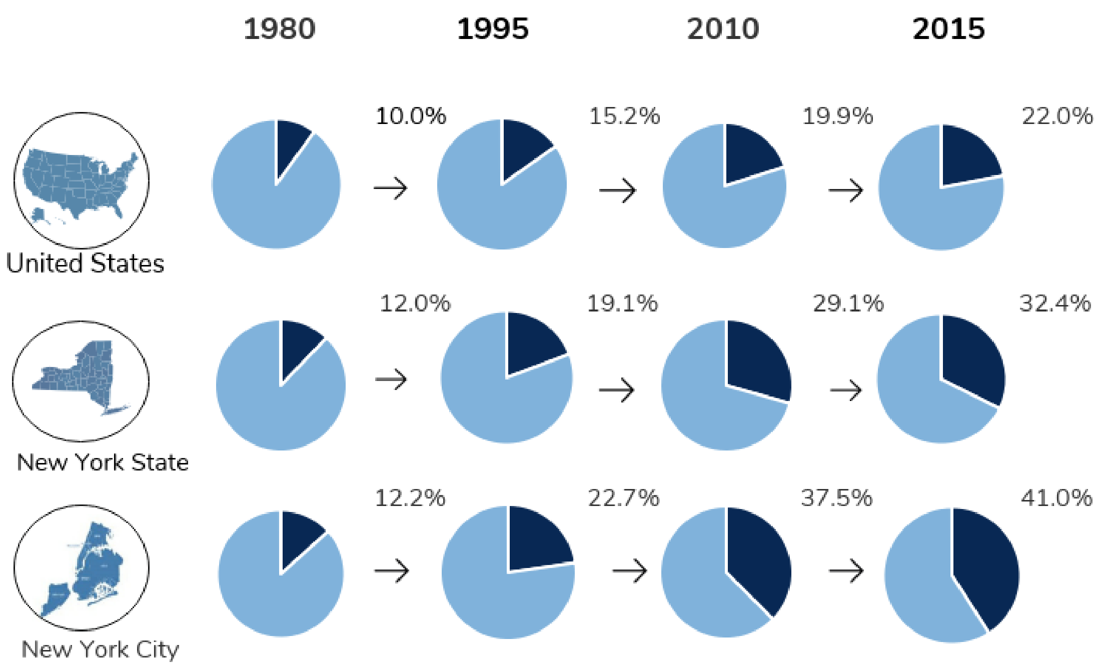
Source: Sommeiller, Estelle, and Mark Price. 2018. The New Gilded Age: Income Inequality in the U.S. by State, Metropolitan Area, and County. Economic Policy Institute, July 2018.

Figure 11 shows the trend as a series of snapshots in time. For the United States, New York State, and New York City, the figure shows the top one percent share of income in a given year. In 1980, in New York State the top one percent received 12.0 percent of all income, while in 2015 that rose to 32.4 percent. In New York City, the top one percent's share went from 12.2 percent to 41 percent.

The upper end of the state's income distribution has benefitted greatly and disproportionately from the state's economic success. It has become a long-term trend that will require a systemic adjustment to correct. New York has steadily grown more unequal over the years at an accelerated rate as compared to the rest of the country. The top one percent takes a higher share of all income in New York City than in New York State while it takes a higher share of all income in New York State than in the US. The pie of our economy is growing, but for the top one percent it is growing faster than for the rest and faster than before.

Figure 11. 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.

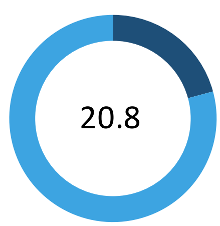
Income inequality is a serious problem. As the state seeks to create opportunities for shared prosperity and equitable growth, it must also pursue meaningful measures aimed at enhancing the progressivity of its tax regime. The federal TCJA raises taxes on less than ten percent of New Yorkers, but the majority of the revenue raised is from the top 1 percent of all income earners. The state needs to avoid forcing austerity on essential services provided by the state by depriving them of resources in order to avoid any increased progressivity in the tax code. An enhanced millionaire's tax and other progressive taxes should be enacted to fund essential services and make progress in addressing income inequality issues.

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. When the millionaire's tax was first implemented, critics claimed millionaires would flee the state. However, the number of resident millionaire tax returns grew by 72 percent from 2009 to 2016. The total income on millionaire returns grew by 54 percent, nearly three times faster than all other New York tax returns. Perhaps the number of millionaires would have grown even faster without a tax, but a more likely explanation is that millionaires like living in New York and are willing to pay a little more for it.

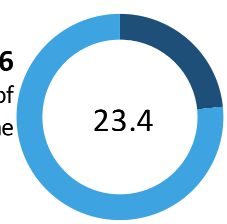
Figure 12. The Number of Millionaire Tax Returns Increased by 72 Percent from 2009 to 2016

	2009	2016	% change
Number of millionaire tax returns	28,314	48,570	72%
Total income on millionaire returns	$104.2 billion	$179.9 billion	54%
Number of non-millionaire tax returns	5,583,311	9,540,840	71%
Total income on non-millionaire returns	$396.9 billion	$589.8 billion	33%
All NYS tax returns	5,611,626	9,589,410	71%
Total income on all returns	$501.1 billion	$769.6 billion	37%

2009
Millionaire share of total NY income



2016
Millionaire share of total NY income



Source: From New York State tax tables, Adjusted Gross Incomes, not adjusted for inflation. Full-year resident returns. (1) Fiscal Policy Institute estimates, using Pareto distribution. (2) CPI-U adjustment: each 2009 dollar is worth 1.11872 in 2016 dollars.

Almost one fifth of New York's personal income tax filers earned more than $100,000 in 2016. This group earned almost 70 percent of the income in the state. Tax filers earning more than $1 million in 2016, less than one percent of all tax filers, earned over one quarter of all reported income. Among those with over $10 million in income—6,495 tax filers or 0.06 percent of the total—the average income was $11,522,920, and they collected 9.4 percent of all income earned in the state.

Figure 13. Income Shares in New York's Top Quintile in 2016

	Percent of Total Personal Income Tax Filers	Share of Total Adjusted Gross Income
More than $100,000	19.32%	69.6%
More than $200,000	7.31%	49.6%
More than $500,000	2.19%	33.4%
More than $1,000,000	0.95%	25.4%
More than $5,000,000	0.15%	13.0%
More than $10,000,000	0.06%	9.4%

Source: The New York State Department of Taxation and Finance's Personal Income Tax Filers Summary Datasets Through 2016, Table 3; Fiscal Policy Institute.

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[1] An analysis by Charles Komanoff of the Fix NYC plan, which included both congestion pricing as it is now proposed and the for-hire fare that primarily affects people living in Manhattan, showed that 33 percent of funds generated by that plan would be paid by people living in Manhattan (mostly by the for-hire charge), 37 percent would be from all other boroughs of the city combined (mostly from Brooklyn and Queen, also from the Bronx and some from Staten Island), 16 percent from the New York City suburbs in New York State, and 14 percent from New Jersey and Connecticut. Analysis available from a database regularly updated by Charles Komanoff.

[2] "Congestion Pricing: A CSS Analysis," October 25, 2017.

[3] New York City Homelessness: The Basic Facts, The Coalition for the Homeless, http://www.coalitionforthehomeless.org/basic-facts-about-homelessness-new-york-city/

[4] James Parrott, 2014, FPI proposes a new tax on the most expensive pied-à-terre residential units, http://fiscalpolicy.org/fpi-proposes-tax-on-most-expensive-nyc-pied-a-terre-residential-units

[5] Office of the New York City Comptroller, "NYC For All: The Housing We Need," November 29, 2018.

Economic and Fiscal Outlook 2020

New York's Pathway to Shared Prosperity

Economic Development

FPI

Fiscal Policy Institute

Economic Development

New York State and its local governments currently spend over $9 billion annually on a broad array of economic development programs throughout the state. There are dozens of different programs that provide a myriad of benefits, from cash grants to tax exemptions, tax credits (including many that are refundable and therefore paid in cash), and tax-exempt bonds. The vast majority of these benefits go to big businesses in the name of job creation and economic growth, but the results are very far from clear.

Tax Incentives – A Failed Approach

The state's heavy reliance on tax incentives as an economic development strategy is a misguided approach. After many decades, there is little to show beyond a trail of political scandals. A detailed study of New York's business tax credits, prepared in 2013 by economists Donald Boyd and Marilyn Rubin for the Tax Reform Commission empaneled by Governor Cuomo, firmly stated that "there is no conclusive evidence from research studies conducted since the mid-1950s to show that business tax incentives have an impact on net economic gains to the states above and beyond the level that would have been attained absent the incentives." The governor and the legislature should pay attention to the findings of this thorough analysis.

At the same time that job-creation results have been meager, political scandals have been in abundance, centering around bid rigging of state contracts, transparency and accountability—issues that have not been substantively addressed, despite repeated media coverage and more than a few indictments. Lack of accountability masks the failings of these development programs.

Regional Economic Development Councils

In 2011, to stimulate regional economies in the wake of the Great Recession, the newly-elected Governor Cuomo restructured the distribution of New York State's economic development funds by creating ten Regional Economic Development Councils (REDCs). These REDCs are tasked with formulating regional strategies based on strengths and needs identified by local stakeholders. Every year, the regions compete for approximately $750 million in state subsidies to implement regional strategies through grants from Empire State Development (ESD) and other state agencies.

For the most part, the REDC program does not represent a new investment in regional economic development and simply is a reorganization of how the state disburses funds. The majority of these funds, roughly $530 million out of $750 million, represent money the state previously allocated through other means. The remainder is new funding that the ESD allocates to the REDCs.

According to the governor, in the past eight years the state has awarded over $6.1 billion to more than 7,300 projects that are aligned with the regional plans. Even without the transparency and accountability that would allow for a more thorough analysis, a mere glance at the REDC projections raises questions of efficiency.

The observable outcomes suggest that the numbers may be far worse than the projections suggest. The Start-Up New York projected to create 4,100 jobs by 2020, but it has in the past fallen woefully short of its goals. In 2014, the program only created 76 jobs and now many businesses are leaving the program. Last year, New York State sold a film hub in Syracuse for one dollar after pouring $15 million into it.[1] A 2015 Citizens Budget Commission report found that only seven percent of sampled REDC projects even reported both projections and results for job creation.[2]

Corruption and Conflicts of Interest

At its inception, Governor Cuomo touted the REDC structure as a shift from New York's previous "top-down development model to a community-based approach." Rather than pork barrel spending decisions being made behind closed doors in Albany, the promise of the REDC model was a transparent decision-making process based on local knowledge of regional strengths and needs. Economic development—a keystone of Cuomo's promise to reform state politics—has been at the center of some of the most damning corruption allegations against Governor Cuomo and his administration.

A 2013 *New York Times* investigation found that in Governor Cuomo's first 20 months, a third of the ESD's 49 hires had ties to governor, including numerous relatives of donors.[3] In 2015, Howard Zemsky became ESD's president and chief executive; Zemsky and his wife have donated a combined $125,000 to Cuomo.

Economic development projects have been at the center of numerous "pay-to-play" schemes. One of the most scandalous involved the conviction of Governor Cuomo's former top aide, Joseph Percoco, on three corruption charges for soliciting and accepting more than $300,000 in bribes from executives from two companies receiving state funding, including a $35,000 bribe from COR Development.[4] COR Development is a Syracuse company that received a $1.5 million ESD grant for infrastructure improvements. In exchange for a $35,000 bribe, Percoco convinced the state to drop a union requirement.

Similarly, a federal jury convicted Alain Kaloyeros, former president of the State University of New York Polytechnic Institute, of a bid-rigging scheme that involved hundreds of millions of dollars. The ESD-administered projects were part of the governor's "Buffalo Billion" revitalization initiative and often went to the governor's campaign donors. Questions have also been raised about "silver-bullet" projects that receive economic development funds without clear criteria. More than a billion dollars was spent on projects such as a Tesla factory, for example, before any jobs were created.

State Assembly members have criticized the REDC structure for the lack of transparency in decision makers' financial investments, which may result in conflicts of interest. Currently, REDC council members must produce "statements of interest," but these are not public records. During a January 2018 hearing on economic development, the state lawmakers pressed to make REDC members subject to the same financial disclosure requirements as thousands of state workers.[5] Governor Cuomo and ESD president and CEO, Howard Zemsky, have pushed back against that proposal. Zemsky asserted, "These folks don't have any statutory responsibility. They can't actually enact anything based on their decision-making."[6] Proponents of the disclosure requirement claim that the public should have the right to see if the projects being scored by REDC council members have connections to those making funding recommendations.

Accountability and transparency are particularly important given that council members are appointed by the governor's office, which often selects for the job business leaders vying for state funds. For example, the Southern Tier REDC is co-chaired by Dr. Harvey Stenger, president of Binghamton University (BU), and Tom Trater, president of Corning Enterprises. Through the first six rounds of REDC funding, BU and Corning in total won $51 million in state funds, approximately 11 percent of the region's $481 million total.[7] Though council members are asked to recuse themselves when discussing proposals where they may have a conflict of interest, critics worry that their influence may remain. In an effort to mitigate these serious conflicts of interest, the state should not allow any sitting member's business or organization to receive awards.

Solutions to Address a Lack of Transparency and Accountability: Procurement Reform and Database of Deals

Governor Cuomo announced during his budget presentation that he and Comptroller Tom DiNapoli had agreed to restore the comptroller's authority to review contracts before they are executed. The governor inserted into the state operations appropriation bill that funds the comptroller's office a provision allowing the comptroller to pre-audit SUNY and CUNY construction, commodities, computer equipment and printing contracts valued in excess of $250,000. The comptroller can also pre-audit SUNY Research Foundation contracts above $1 million and Office of General Services' contracts above $85,000. The comptroller must complete the pre-audit process within 30 days of submission of the contract. The state operations appropriations bill also provides $500,000 to the Department of Economic Development to create an online Database of Deals for economic development projects. This is a very positive move that FPI has long advocated. Because it is written in the appropriations part of the budget, however, this language would only be in effect for one year. It should be made permanent.

The comptroller's Procurement Integrity Act provides a model for amending state law to integrate the changes agreed to by the governor and comptroller. There are also several sections of this bill that are not part of the announced agreement that are worth enacting, including requiring authorities to follow procurement rules of state agencies, restricting authorities from contracting with nonprofits for procurement, and requiring non-competitive contract opportunities be published in the NYS Contract Reporter before they are awarded. The governor, as part of his address, also said he would require contractors, vendors and grantees with state agencies to certify no collusion or conflicts of interest occurred in state bidding, and to disclose family, financial, and employment relationships with state employees. This proposal does not appear to be in any of the budget bills.

The Fiscal Policy Institute, along with Citizens Budget Commission and Reinvent Albany, have proposed creating a single "Database of Deals," managed by ESD, for all state subsidies to businesses, including grants, loans, tax credits, tax-exempt financing, as well as discounted energy. Businesses also often receive subsidies from multiple programs, but it is difficult for the public to tally the full cost to the state. A new portal will provide a clear picture of the state's economic development projects, as well as enhance the state's ability to track the return on its investments. Other states have moved forward on this front. It's time for New York State to catch up.

A.2334 of 2019 (and previously A.8175-A/S.6613-B of 2018) provides a model for statutory change to create a Database of Deals. The language in the appropriations bill in this year's Executive Budget does not contain any requirements for the design and functionality of the Database of Deals, nor does it specify tracking or publication of different types of jobs created or retained or the variety of business subsidies received.

The governor can put statutory language codifying the agreement with Comptroller DiNapoli and the Database of Deals in the Transportation, Economic Development and Environmental Conservation (TED) Article VII bill as part of the 30-day budget amendments. The assembly and senate can also include these proposals in their budget resolutions, as they did last year for the Database of Deals.

Smart Investing and Careful Accounting Promote Real Economic Growth

Rather than chasing smokestacks or throwing tax cuts at business, the state's economic development policy should be focused on smart investments that improve the local economic climate, with careful accounting of benefits to local communities. The goal must be overall economic growth, not the mere shifting of activity from one area or one state to another.

Smaller scale programs like the Innovations Hot Spots Program (small business incubators that share services and work closely with universities) make more sense than traditional mega-deals and there are also long-overlooked and underfunded programs that have a successful track record such as the Entrepreneurial Assistance Program (EAP) and the Community Development Financial Institutions (CDFI) fund. These two programs have been in operation for decades and are designed to provide training and technical assistance to individuals who want to start their own business (EAP) and provide the capital needed to create these small enterprises (CDFIs).

Another policy with significant employment potential would be to provide contract procurement preference to bidders committed to domestic and New York manufacturing, particularly important in the case of large transportation equipment orders under the Metropolitan Transportation Authority's five-year capital plan. Let us not forget that investing in new busses and subway cars are real upstate economic development initiatives as many of them are made upstate.

We must also accept the fact that what ultimately makes for the best business climate is investments in public schools and institutions of higher education, labor force development, transportation, parks, and other infrastructure that build a skilled labor force and attract business owners and workers based on quality of life. It is these fundamentals that will make the biggest difference in whether or not New York State is an attractive place for employers to locate and employees to live. What we typically call "economic development" is in the end marginal to what makes New York an attractive place to do business.

[1] Jesse McKinley, "New York Spent $15 Million to Build a Film Hub. It Just Sold for $1," New York Times, June 1, 2018.

[2] Mckinley, Jesse. "New York Spent $15 Million to Build a Film Hub. It Just Sold for $1." The New York Times. June 01, 2018.

[3] Hakim, Danny. "Many Openings at State Agency Go to Those with Ties to Cuomo." The New York Times. April 27, 2013.

[4] Knauss, Tim. "NY Corruption Trial: Feds Say Email Trail Lays out Crime in Syracuse." Syracuse.com. January 22, 2018

[5] Jain, Rahul, and Riley Edwards. An Assessment of Performance Reporting by Regional Economic Development Councils. Report. Citizens Budget Commission, https://cbcny.org/sites/default/files/media/files/REPORT_REDC_11302015_0.pdf

[6] Precious, Tom. "Zemsky Says Regional Council Members' Finances 'not Public Records.'" The Buffalo News. January 29, 2018. http://buffalonews.com/2018/01/29/zemsky-says-regional-council-members-finances- not-subject-to-sunshine-law/.

[7] Sharp, Brian. "Transparency, Accountability at Issue in Handling Billions of Taxpayer Dollars." Rochester Democrat and Chronicle. June 09, 2017. https://www.democratandchronicle.com/story/news/2017/06/07/ny-regional-economic-development-councils-lack-oversight-handle-billions/360099001/.

Economic and Fiscal Outlook 2020

New York's Pathway to Shared Prosperity

Local Government

Fiscal Policy Institute

Local Government

Governor Cuomo continues to misleadingly suggest that local governments can solve their fiscal dilemmas by finding substantial efficiencies. But after years of starvation diets, there is simply not much fat to cut. While there may be occasional efficiencies that can be found, the larger answer must be adequate revenues rather than cuts in spending.

Many locally provided services are jointly funded by the state and the locality, from education to Medicaid to social services. When the state abdicates responsibility for its share of funding, localities must step up to make up the difference. When local governments face significant obstacles to providing sufficient funding they have to make cuts to services.

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. 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 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 state-imposed property tax cap. Faced with a declining state share of funding, localities look to cut services that have already been constrained for years. Or they turn to even more unattractive sources of revenue, such as fees and fines. Using law enforcement agencies to raise money—what has come to be known as "revenue policing," is not only massively regressive fiscal policy, it also creates enormous tensions between law enforcement agents and the communities they serve.

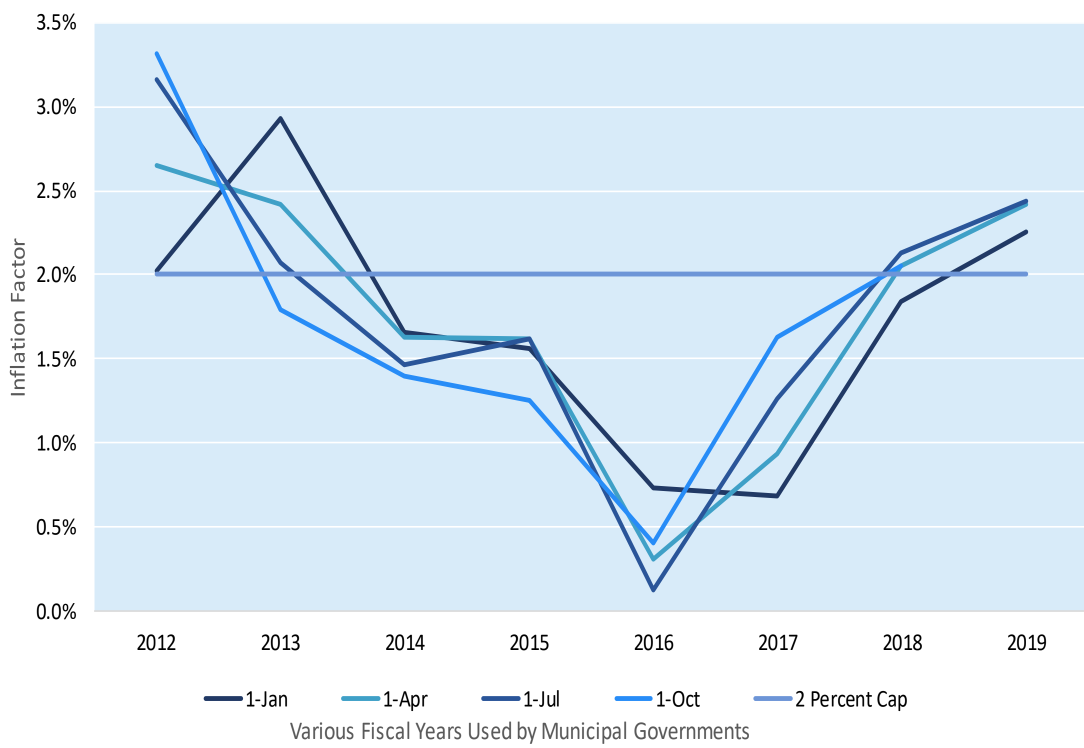
The governor is right that many New Yorkers face an unmanageably high property tax burden. However, a property tax cap is the wrong solution to the problem. Increasing the state share of joint state and local responsibilities is a more sensible way to address the problem, together with targeted relief through an improved property tax circuit breaker to those truly straining under a tax burden.

Let's Not Make the Property Tax Cap Permanent

In December 2018, Governor Cuomo announced his Justice Agenda, invoking Franklin D. Roosevelt's New Deal and the importance of his four freedoms as a model. Incongruously, in his executive budget this year, the governor urges the legislature to make the service-strangling property tax cap permanent. Additionally, the budget proposes to eliminate Aid and Incentives to Municipalities (AIM) funding for 1,306 municipalities, but not cut it at all for municipalities for which AIM comprises more than two percent of their budget. The dissonance is stunning. Spending cuts and property tax limits have more in common with the conservative taxpayer revolt in the 1970s California than with the progressive FDR agenda that set our country on a path to middle-class growth for decades.

The Fiscal Policy Institute has for years argued that the property tax cap is the wrong way to fix the glaring inequities in our state and local tax structure. The state has reneged on its funding commitments to both schools and local governments. The state has yet to provide adequate school funding to address the shortfall in foundation formula funding for school aid that was the resolution the Campaign for Fiscal Equity law suit, and currently amounts to $4.1 billion. It has also squeezed local governments by for years flatlining AIM funding, and now cutting it by $52 million or 7.2 percent. The better solution is for the state to act as a reliable partner and carry more of the costs they push down to school districts and local governments. Then, the state can also enact meaningful, targeted property tax relief in the form of a circuit breaker that will provide more substantial property tax relief to those who really need it.

Figure 1. Property Tax Cap: The Allowable Growth Has Been *Under* Two Percent



Source: Fiscal Policy Institute analysis of NYS Comptroller data, February 2019.

The property tax cap is altogether too blunt an instrument: eliminating it would be better than extending it. For as long as the cap is in place, however, there are ways its damage could at least be mitigated. First, we should make it a true two percent cap. The cap should be set at two percent or the rate of inflation, whichever is higher, not whichever is lower as is current law. The higher of the two thresholds is how Massachusetts—the model for New York's tax cap—encourages low growth budgets from its municipalities. Establishing a property tax cap that is the higher of the two thresholds, inflation and two percent, would give local governments and school districts the certainty of a floor and allow them to better plan their budgets on an annual basis.

The state should also remove the undemocratic supermajority provision for school budgets and allow exemptions for matters beyond the control of local governments and school districts.

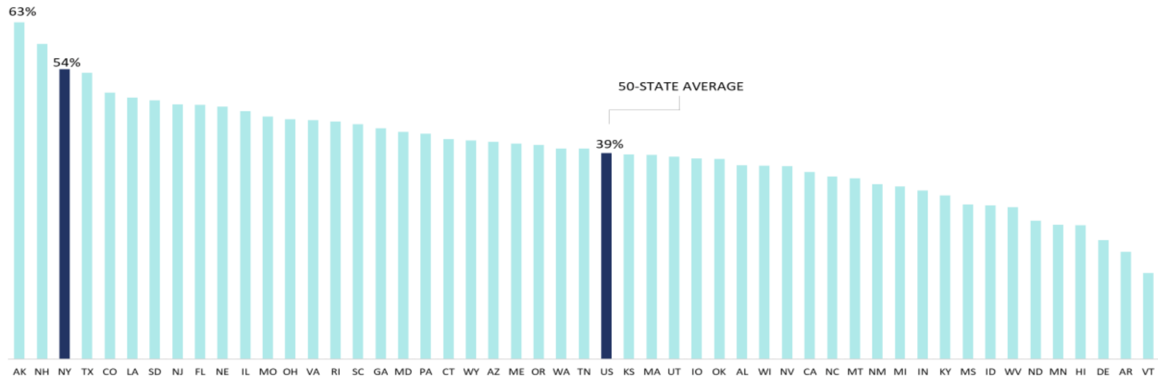
Exemptions for schools should also be made for BOCES services and program costs, enrollment growth (which is surging in some localities, especially on Long Island), payments and projects related to natural disasters, school safety and school resource officers, PILOTS (to mitigate the effects of IDA decisions on school districts), tuition payments for both general and special education, maintenance and repair of school buildings, retirement and healthcare costs, cost of energy (fuel for heating, cooling and transportation) and the effect of failed add-on ballot propositions.

Exemptions for local governments should include emergency expenditures resulting from damage to municipal infrastructure or equipment, expenses related to capital improvements for local governments and infrastructure investments intended to enhance the economic development capacity of a community, such as improvements related to municipal water, sewer, or transportation.

Increase AIM Funding to Decrease the Pressure on Local Governments

Local governments in New York carry a portion of the shared state/local expenses that is nearly unparalleled in the rest of the country. Figure 2 shows that the local share of combined state/local funding responsibilities is higher in New York State than in almost all other states.

Figure 2. The Local Share of Combined State and Local Taxes Is Very High in New York



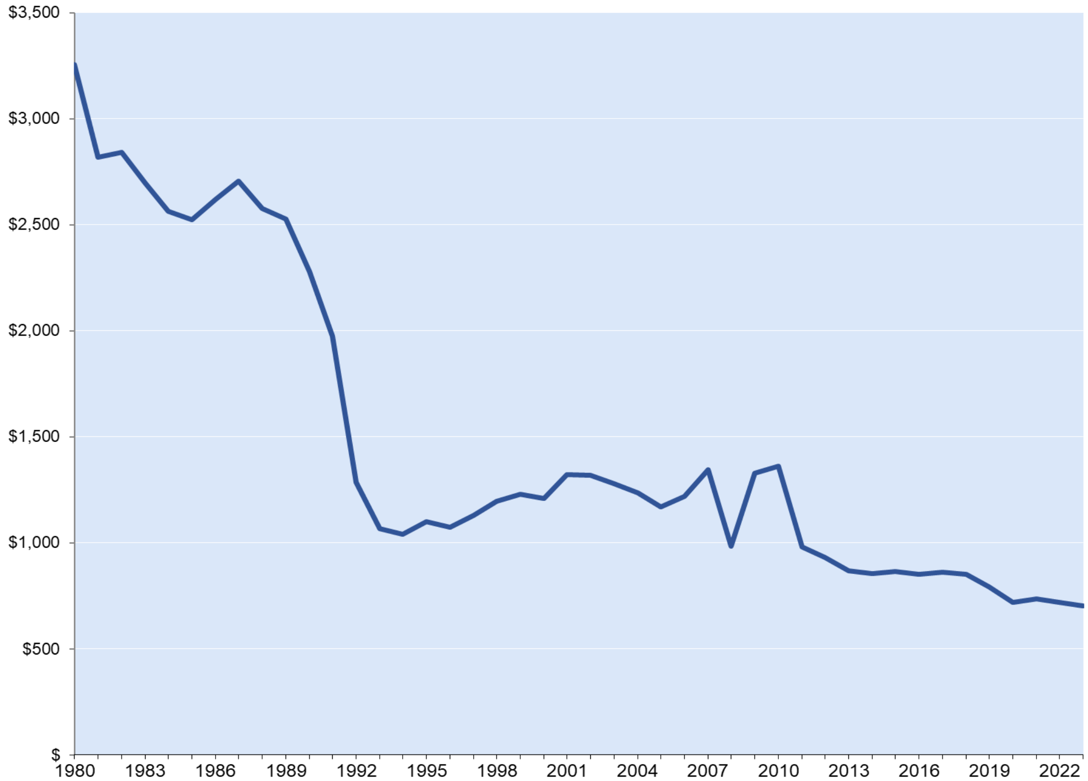
Note: Tax burden per $100 personal income.
Source: Governor's FY 2020 Economic and Revenue Outlook, data for 2016.

Decreases in funding for general-purpose Aid and Incentives to Municipalities, as the governor has proposed in his executive budget, will only further exacerbate the difficulty localities have in addressing the challenges they face. AIM funding has been flat in nominal terms for many years, which means that it is down significantly in inflation-adjusted terms, and by well over 75 percent since 1980. This year, the governor seeks to cut funding overall by $52 million or 7.2 percent. This is accomplished by eliminating AIM for the 1,306 municipalities that AIM comprises less than two percent of their budget. However, under the governor's proposal, if a municipality is receiving more than two percent of its budget in AIM, it will not face any cuts.

For example, the village of Camillus, in Onondaga County, received AIM funding the equivalent of 1.98 percent of its budget in 2017, so the proposal would cut all of their $27,677 in funding. The village of Wampsville, in Madison County, gets to keep all its AIM funding, because it comprised 2.03 percent of its budget. If their AIM funding were $76 less, they would have lost all of it, under the governor's proposal.[1]

Rather than continuing to put more fiscal pressure on local governments the state should dramatically increase AIM to make up for years of inadequate funding levels.

Figure 3. General Purpose Aid to Local Governments Has Fallen by Over Three-Fourths Since 1980



Source: Fiscal Policy Institute of NYS Division of the Budget Executive Budget FY19-20, January 2019. Measures unrestricted Aid and Incentives to Municipalities. Amount of aid is adjusted for inflation.

As local governments in New York State have come under tremendous pressure in recent years to cut expenses, it has come at a real cost to the quality of life and economic well-being of communities around the state. Government employment just began to turn around in 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 37,600 between 2009 and 2018, a 5.6 percent decline, with 4,300 of these lost jobs in local school systems (-1.2 percent) and 33,000 of them in other local government positions (-10.8 percent).

Figure 3. State and Local Government Employment, Including Public Schools

NEW YORK STATE	2009		2018	% Change
State Government Employment	261,200	→	257,400	-1.5%
Local Government Employment, excluding schools	619,200	→	584,600	-5.6%
Local Elementary and Secondary School Employment	516,600	→	514,800	-0.3%
NEW YORK CITY				
State Government Employment	49,400	→	43,000	-13.0%
Local Government Employment, excluding schools	312,200	→	310,900	-0.4%
Local Elementary and Secondary School Employment	149,900	→	152,400	1.7%
REST OF NEW YORK STATE				
State Government Employment	211,800	→	214,400	1.2%
Local Government Employment, excluding schools	307,000	→	273,700	-10.8%
Local Elementary and Secondary School Employment	366,700	→	362,400	-1.2%

CHANGE IN TOTAL STATE AND LOCAL GOVERNMENT EMPLOYMENT 2009-2018		
New York State	New York City	Rest of New York State
-40,200 JOBS	-5,200 JOBS	-35,000 JOBS

Source: New York State Department of Labor, Current Labor Statistics, Fiscal Policy Institute analysis, January 2019.

Adopt a Middle-Class Circuit Breaker

In the long run, New York State needs to dramatically reverse the fiscal pressure it puts on local governments by covering its fair share of the shared local/state expenses. That is the best way to reduce property taxes, and it would also help reduce the use of fees and fines as a source of revenue rather than a tool of governance.

As it moves toward this long-term goal, however, the state should also provide immediate aid to those who need relief from an unsustainably high property tax bill right now. The best way to do this is with a property tax circuit breaker.

A property tax circuit breaker is a targeted form of property tax relief. The name "circuit breaker" is used to describe this type of tax credit since it is designed to prevent households from being overburdened by property taxes just as electrical circuit breakers interrupt the flow of electrical current when a circuit becomes overloaded. A property tax circuit Breaker has several key elements. It should:

- Set an "affordability threshold" as a percentage (such as 6-9 percent) of household income.
- Calculate a household's property tax "overload": the portion of the property taxes (on the household's primary residence) in excess of the "affordability threshold."

- Set a "benefit" percentage (such as 70 percent). A household's circuit breaker credit would then be calculated by multiplying the household's "overload" by the benefit percentage. The benefit level should be high enough to provide meaningful relief to overburdened households.

The following table shows how a circuit breaker with an "affordability threshold" of nine percent of household income and a benefit percentage of 70 percent would affect households with different incomes and different property tax bills on their primary residences.

Figure 4. Circuit Breaker Scenario for Property Tax Relief with a 9 Percent Affordability Threshold and a 70 Percent Benefit, for Households at Different Income Levels

Total Household Income	Property Tax Bill on Household's Primary Residence	Affordability Threshold Percentage	"Overload"	Benefit Percentage	Circuit Breaker Benefit
$35,000	$6,000	9%	$2,850	70%	$1,995
$35,000	$8,000	9%	$4,850	70%	$3,395
$55,000	$6,000	9%	$1,050	70%	$735
$55,000	$8,000	9%	$3,050	70%	$2,135
$75,000	$6,000	9%	$0	70%	$0
$75,000	$8,000	9%	$1,250	70%	$875

Source: Fiscal Policy Institute calculations, February 2019. Note: "overload" is the portion of tax bill above threshold percentage of income; circuit breaker benefit is the "overload" multiplied by the benefit percentage.

Renters are also affected by the high burden of property taxes—even though they do not directly pay the tax, they indirectly cover its cost through their rent payments. A well-designed circuit breaker should make sure that the effect of high property taxes on renters is also considered.

A well-designed circuit breaker should not need to have different rules for people in different age groups or different geographic areas. And, the circuit breaker should include all the income of all the members of a household in calculating the household's eligibility benefit.

[1] New York State Division of the Budget, https://www.budget.ny.gov/pubs/archive/fy20/exec/local/aim/fy20aim-villages.pdf

Economic and Fiscal Outlook 2020

New York's Pathway to Shared Prosperity

Human Services Housing and Health

Fiscal Policy Institute

Human Services, Housing and Health

The Federal Government Moves Backwards, But New York State Moves Forward

The federal government has made a concentrated effort to reduce, eliminate, or make ineffective our country's anti-poverty programs such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP) in the last years. While this is not the first time that a federal administration has tried to chip away at our country's social welfare system, it is worrisome and heartbreaking for families and children who rely on these safety nets.

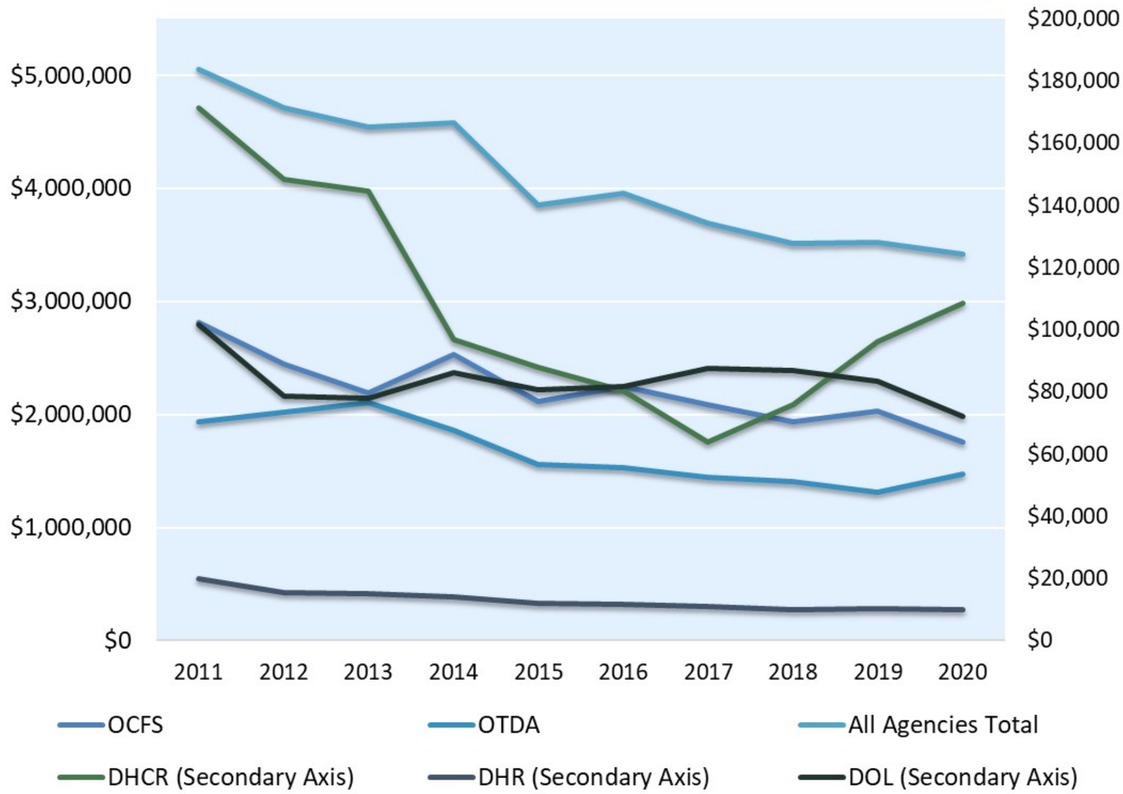
Commendably, New York continues to move forward and strive to protect and sometimes expand anti-poverty programs. The Executive Budget contains several progressive policies, but to truly make an impact on families and children, economic security must be at the top of the list. New York has made some policy gains in recent years, including the major advance of a $15 minimum wage. However, the governor and legislature must do more to ensure that all families can pursue economic opportunity.

Human Services

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

The Governors adherence to a two percent spending cap has had a chilling effect on social welfare agency spending in New York. Spending on social welfare agencies represents less than six percent of the total state operating budget at approximately $9.3 billion.[1] The state operating fund support for social welfare agencies proposed in the Executive Budget for FY 2020 remains $1.62 billion below the level when Governor Cuomo took office, a 32 percent decrease since FY 2011. For FY 2019, the Office of Children and Family Services (OCFS) and Division of Human Rights (DHR) saw the largest decreases in state operating funds.[2] Since 2011, all agencies have seen significant decreases, but OCFS, DHR and the Division of Homes and Community Renewal (DHCR) have seen the largest decreases at 38 percent, 51 percent, and 36 percent, respectively. Funding reported for social welfare agencies has fluctuated since 2011 with some financing and some accounting changes, but overall funding is clearly decreasing for these agencies.[3]

Figure 1. Funding for Social Welfare Agencies is Inconsistent

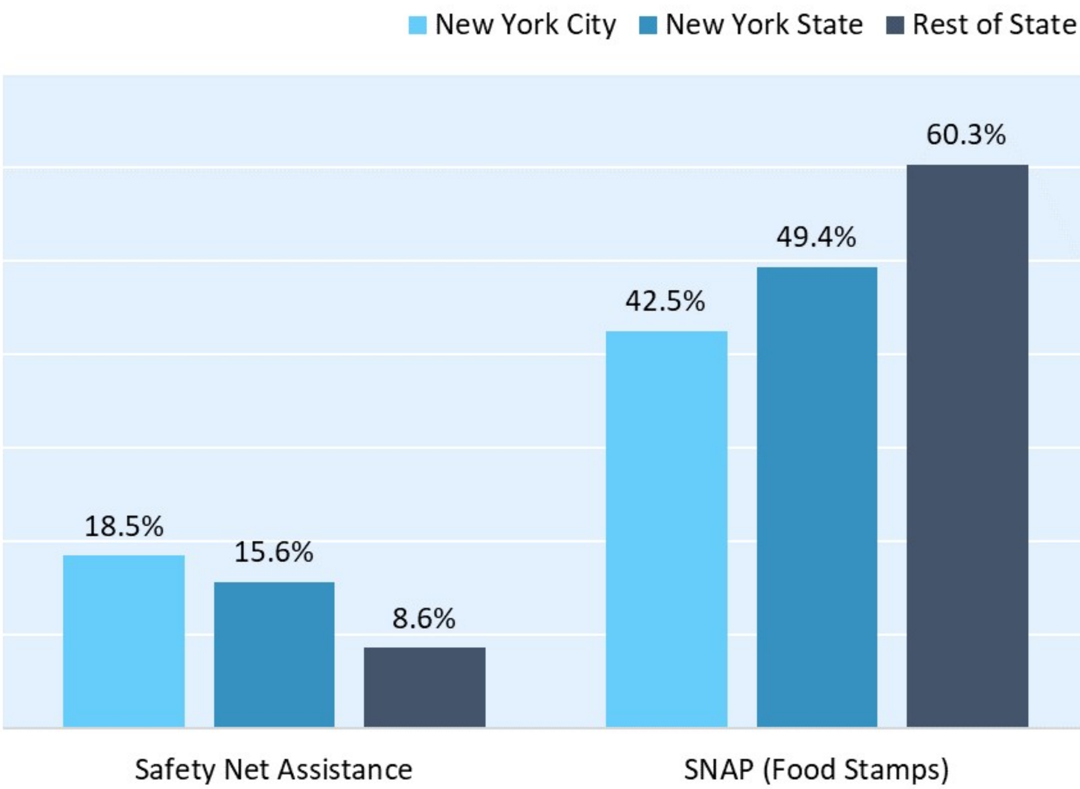


Growing income and wealth inequality, rising homelessness, and a high rate of child poverty are all important reasons to support adequately funded social welfare agencies. Low-income families rely on services and programs such as food assistance, child care subsidies, and job development to meet their basic needs and even pursue further economic opportunity. Cutting funding to these agencies may look like savings on paper, but short-term savings in budget cuts may wind up not just harming vulnerable populations but may actually increase long-term spending on homelessness, medical care, child services, and more. These agencies are 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.

Social Programs Help Families and Children Meet Their Needs

The persistence of the current federal government's attempts to undermine social welfare programs like Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Medicaid hangs heavily over state governments. Potential cuts to poverty-alleviating social programs pose a real threat to New Yorkers most in need. Despite small fluctuations in the number of social welfare program recipients in the last few years, the number of New Yorkers receiving aid like SNAP and Safety Net Assistance has increased since the onset of the Great Recession in 2007. SNAP recipients increased by almost 50 percent statewide and safety net recipients increased by nearly 16 percent.

Figure 2. SNAP and Safety Net Recipients Have Dramatically Increased Since 2007



The Executive Budget proposes an appropriation of $1.49 billion for TANF initiatives under the Office of Temporary and Disability Assistance, an increase of $15.7 million from FY 2019. The increase includes $28 million for the Advantage After School program, which was previously funded through Office of Children and Family Services, offset by the elimination of $18.97 million in TANF initiatives enacted in FY 2019. The Executive Budget also proposes $44 million for Summer Youth Employment, which is an increase of $4 million due to a higher minimum wage, and funding for the Non-Residential Domestic Violence Program for $3 million.[4]

There is also a proposal to reform residential domestic violence shelter requirements, which changes the statutory provisions that require domestic violence victims to apply for Public Assistance and permit providers to charge victims with enough resources a fee for services. This is due to a violation of federal rules for Family Violence Prevention Services Act funding, which has resulted in a freeze of federal dollars for domestic violence services in New York. The Executive Budget does not specify any funding tied to the changes and has not identified the amount of TANF which has previously been used for domestic violence services.[5]

Expand the State Earned Income Tax Credit (EITC) and State Child Tax Credit (CTC) To Bring Relief to Families

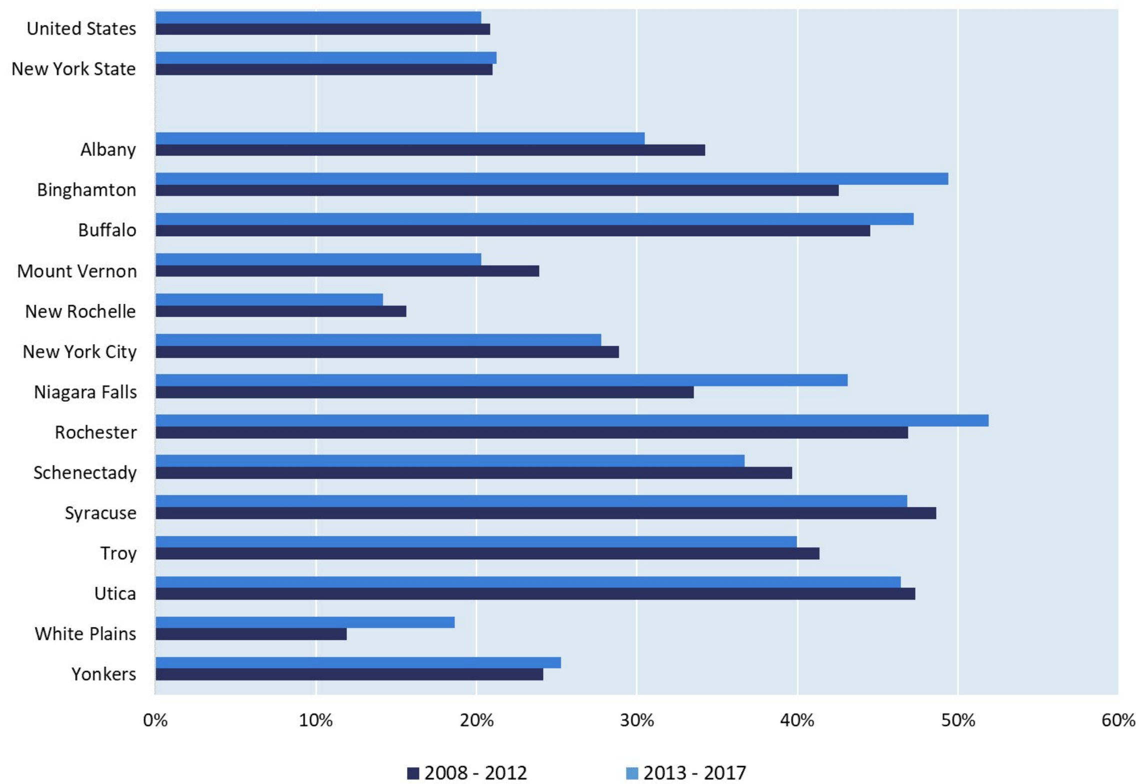
Working family refundable tax credits are one important means of building family economic security and independence and pulling families and children out of poverty. New York's EITC should be improved by increasing the percentage of the federal credit paid by families from 30 percent to 40 percent, and by expanding the credit to include young adults without children (under age 25).[6] Childless young adults ages 18-24 are excluded from the federal and state EITC at exactly the period in their lives when they are struggling to gain their footing in the workforce and build a nest egg for a future family. The poverty rate for young New York adults is 20 percent, far exceeding the 14 percent poverty rate for New York overall.[7] New York's CTC should be expanded to cover children under age four and doubling the credit for young children. Inexplicably, this credit—designed to offset the high costs of raising a child—does not cover children under age four, precisely when children are most apt to living in poverty and are most vulnerable to its devastating effects.[8]

Revisiting the Empire State Poverty Reduction Initiative (ESPRI)

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. The FY 2020 Executive Budget provides $4.5 million to continue supporting the 16 ESPRI communities, ensuring that all 16 communities can provide services to their communities throughout the upcoming fiscal year.[9] As discussed in the Education section of this report, Governor Cuomo has proposed $10 million for the Empire State After-School Grants and $45 million to support continuation of previous ESPRI after-school grants made in 2017 and 2018.[10] Continual funding support of the Empire State After-School Grants in the coming years will help working families ensure their children are being taken care of while they are on the job.

The Executive Budget also includes a proposal to establish ESPRI representation on the Workforce Development Committees of Regional Economic Development Councils. This a positive step towards integrating anti-poverty and economic development efforts into one wheelhouse because implementing innovative solutions to struggling communities is a team effort between state, local, and nonprofit partners. For example, combining child development investments, work and family supports, and greater economic opportunities would alleviate the concentrated poverty that plagues ESPRI cities and towns. Current ESPRI communities are some of the poorest communities in the state—they typically have shockingly high child poverty rates—but there is hope that ESPRI efforts will expand and that improvements based on this model can happen on a statewide level.

Figure 3. Child Poverty



Funding the Minimum Wage Increase at Human Service Agencies

New York's $15 minimum wage was an important step toward fair wages for New York workers, but it created a challenge for nonprofit agencies providing human services. Unless the state increases their funding, they have no way to both increase wages and provide the services needed. Last year's enacted state budget included the investment of $15 million to fund the minimum wage increase for contracted nonprofit human services organizations, but that was only the first step. Without funding the minimum wage in subsequent years, nonprofits are forced to stretch already limited funds to an unsustainable degree. 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. The human services workforce is predominately made up of women (81 percent) and almost half (46 percent) are women of color. Making sure these groups can pay them the minimum wage is the very least the state can do to respect their work.

Additionally, recent funding cuts and outdated contracting policies and processes undermine the sector's ability to meet current community needs and plan. Underfunding the sector ultimately devalues the crucial work that this workforce does. Thus, increased overall state investment in the sector's workforce and infrastructure would vastly help stabilizing the sector, beyond simply raising wages up to the minimum level.

This year, 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. The Strong Nonprofits for a Better New York[11] coalition, which represents 350 nonprofit human services providers, is calling for **$25 million to fund the minimum wage increase** for state contracts not yet adjusted to reflect the increased costs of service provision.

Fund the COLA and Nonprofit Infrastructure

Human services contracts have not seen an increase in their salaries in nearly a decade, due to deferment of the statutory cost-of living-adjustment (COLA), **withholding over half a billion dollars from human services employees**.[12] The Strong Nonprofits coalition calls for $140 million to fund the COLA to ensure that the 269,000 skilled, well-educated workers are paid equitably and organizations can stay afloat without jeopardizing the quality of service delivery and deter staff turnover.

There is also no new funding this year for capital projects for nonprofits. The Nonprofit Infrastructure Capital Investment Program (NICIP) received $20 million in FY 2018's state budget for a total of $120 million since 2015, but fewer than one-third of the 637 nonprofits that applied for funding received it.[13] There is a massive need for infrastructure funding, and if nonprofits are unable to meet their infrastructure 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.[14]

The Governor's Progressive Women's Agenda

For the last few years, Governor Cuomo has spoken about an extensive women's agenda, including the launch of a gender gap study and the Women's Economic Empowerment Initiative to provide training and job placement services for women. This year's Executive Budget includes protections against sexual harassment in the workplace and guarantees of workplace breastfeeding rights. These are all commendable steps towards ensuring that all New Yorkers are protected at work and at home.

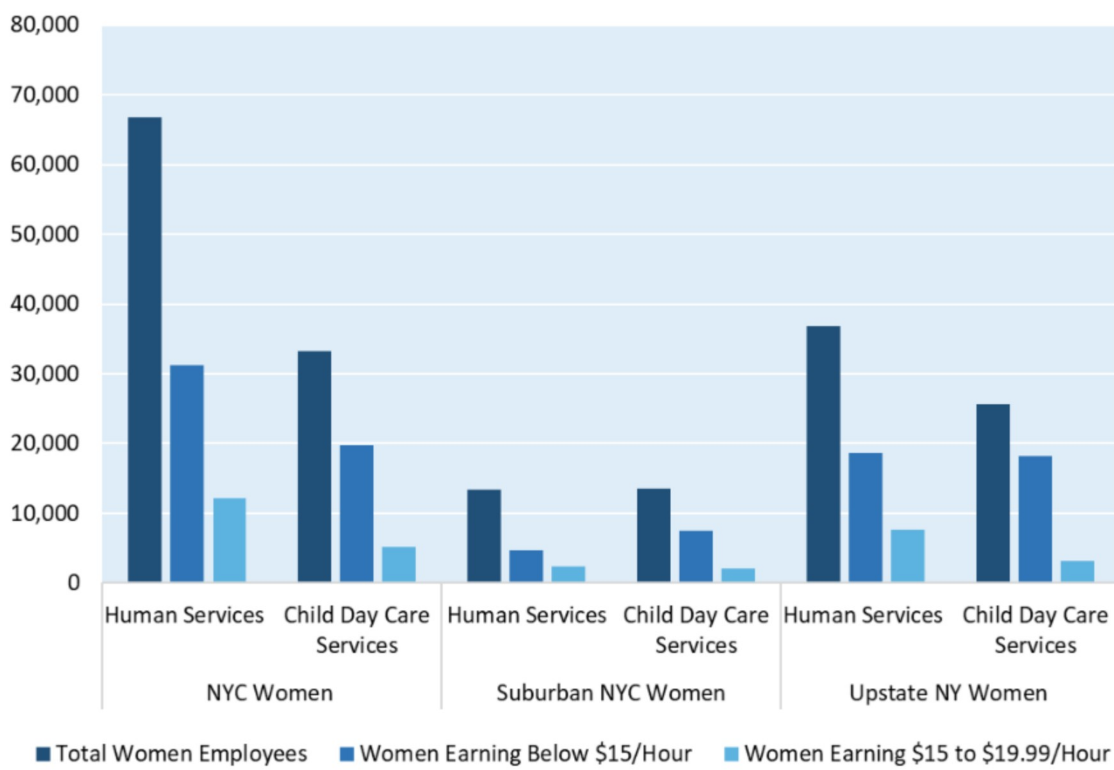
However, there is much more that needs to be done. National research shows that women in New York have made considerable advancements in recent years, but still face inequities that often prevent them from reaching their full potential. Women in New York aged 16 and older who work full-time, year-round have median annual earnings of $47,500, which is 90 cents on the dollar compared to white men.[15] For Asian women that amount is 83 cents, for black women it is 66 cents, and for Hispanic women it is 56 cents.

New York ranks an abysmal 42nd among states around the country for the share of women in poverty, with almost 18 percent of adult women living in poverty.[16] According to research conducted by the Institute for Women's Policy Research, if employed adult women in New York were paid the same as comparable men, their poverty rate would be reduced by more than half and poverty among employed single mothers would drop by nearly half.[17]

Supporting Women Means Supporting Their Economic Security: An Examination of the Childcare Workforce

Childcare workers are among the lowest paid of all workers in New York State, and they also fall under the human services workforce umbrella.[18] In 2017, national median pay for workers in the childcare industry was $12.38 per hour.[19] In some areas upstate, that median pay is $10.63 an hour. Almost 92 percent of all childcare workers are women, over 45 percent of whom are women of color.[20] The reality is that low wages and inconsistent expectations pose risks to the well-being and effectiveness of early childhood educators and undermine our state's ability to ensure equitable and high-quality services for all younger children. However, since the state has yet to adjust state contracts and fund the minimum wage to nonprofit organizations, including childcare agencies, many childcare workers will not see a wage increase. Childcare workers not on the payroll of an organization under a state contract should also be included in any across-the-board increase, but this will mean that state-funded childcare subsidies must be adjusted to reflect wage increases.

Figure 4. Women Employees in Human Services and Childcare Are Paid Much Less Than



Women have lower wages than men, on average, but women in the human services sector have considerably lower wages than other women. Women employees in human services in upstate New York earn a median hourly wage of $14.57 per hour but make up over 53 percent of all women employees in the sector. Only a handful of women make more than $15 per hour in the sector throughout the state. Raising wages in this industry would be a way to make sure the state has high quality services. And, because of the high concentration of women and especially women of color in these fields, raising wages would also a step toward addressing the persistent racial and gender inequities.

Housing

Combatting Homelessness and the Affordable Housing Crisis

Eliminating homelessness and ensuring that housing is affordable for all New Yorkers is an undeniably tall order. Both New York State and New York City have dragged their feet on funding proven solutions on a scale to match the need, but the reality is that homelessness can be solved.

Unfortunately, this year's Executive Budget does not appear to address the dilemma of homelessness and lack of affordable or supportive housing except for a few bullet points and reference to a previous budget year's effort. The Executive Budget mentions the continuation of the comprehensive five-year, $20 billion investment in affordable housing, supportive housing, and related services through the Affordable Housing and Homeless Initiative.[21] Certainly, this investment is necessary because thousands of New Yorkers are homeless or need affordable housing, but will a five-year investment satisfy the overwhelming long-term need?

In recent years, homelessness in New York City has reached the highest levels since the Great Depression and the number of homeless New Yorkers sleeping each night in municipal shelters is now 72 percent higher than it was ten years ago. As of November 2018, there were over 63,600 homeless people sleeping in the New York City municipal shelter system, including 15,580 homeless families with 23,065 homeless children.[22] This number does not include the thousands of people sleeping on the streets and other public spaces, and it does not account for the rest of downstate and upstate. Advocates estimate that over 80,000 individuals are homeless throughout the state.[23] 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.[24]

Rent Burdened Families and the Home Stability Support Program

The affordable housing crisis is particularly severe throughout New York State, especially for families of color, due to the widening gap between housing costs and stagnant or falling incomes. More than two out of every five families (46.3 percent) spend over 30 percent of their incomes on rent, the Department of Housing and Urban Development's standard for families that are cost-burdened by housing, while only 32 percent of families spend less than 20 percent of their income on rent. Breaking that down further:[25] 50 percent of all Hispanic or Latino and Asian and mixed-raced families spend over 30 percent of their incomes on rent, followed closely by black families at 47 percent and white families at 37 percent.[26] It's unacceptable that so many families are cost-burdened by housing in New York State, and the lack of an adequate response of the state government—and the New York City and other local governments—to the affordable housing crisis only exacerbates socioeconomic issues like homelessness and child poverty.

A well-crafted way to reduce homelessness and housing instability is found in the Home Stability Support (HSS) program. HSS was developed during the 2017 state budget season and it proposed 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.[27] HSS would replace all existing optional rent supplements and would be funded by the federal and state governments. 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. Localities would 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 enough rental assistance. Although the program would have a cost, there would also be some offsetting government savings by preventing evictions, reducing the costs of other homeless services and emergency shelter utilization.[28]

Other Policy Options for Helping New Yorkers Stay in Their Homes

In addition to the above approaches, there are other approaches that would make sense for New York State, and in some cases for New York City and other localities:

- Implement anti-discrimination law that prevents source-of-income discrimination in all localities of New York.
- Expand the Disability Rent Increase Exemption program (DRIE) to include households with a family member with a disability who is a child or an adult who is not the head of household. Expanding DRIE would help families retain their rent-stabilized housing, prevent their displacement to a system ill-equipped to meet their needs, and at the same time, prevent deregulation of their apartments.
- Accelerate the pace of production for the 20,000 supportive housing units proposed by the governor by scheduling their completion within 10 rather than 15 years.
- Adequately fund community-based housing programs for individuals living with mental illnesses.
- Implement effective discharge planning for individuals being released from state prisons to identify viable housing options prior to every individual's scheduled date of release.
- Reverse harmful cuts to New York City's emergency shelter system that have resulted in the state short-changing the city by $257 million over the past six years and have the state fund their share of the non-federal cost of sheltering families and individuals.
- Implement a less onerous shelter intake process for homeless families in which 1) applicants are assisted in obtaining necessary documents, 2) the housing history documentation requirement is limited to a list of prior residences for six months, and 3) recommended housing alternatives are verified as actually available and pose no risks to

the health and safety of applicants or to the continued tenancy of a potential host households.[29]

Health

New York has a proud history of expanding access to healthcare coverage for all New Yorkers. Statewide, more than 7 million residents have health insurance coverage through Medicaid, Child Health Plus, programs established under Affordable Care Act (ACA) and other government initiatives.[30] That's more than one in every three residents in the state.

The Executive Budget proposes $74 billion in healthcare spending, which is a spending increase of 4.5 percent from last year's state budget. The Executive Budget recommends an All Funds appropriation of $160 billion for the Department of Health (DOH) including $148 billion for Medicaid (represents two-year appropriation authority), $5 billion for the Essential Plan and $7 billion for the remaining health program spending. This reflects an increase of $7.5 billion (4.91 percent) from the FY 2019 budget.

Protecting Health Care from Federal Threats

Amid threats to the Affordable Care Act (ACA) from the White House, the governor leveraged this year's budget to protect New Yorkers' access to healthcare. The Executive Budget proposes codifying key provisions of the ACA and enhancing state regulatory protections into state law. These provisions include banning insurance limitations for preexisting conditions; ensuring that all insurance policies sold in New York cover the ten essential benefits as defined in the ACA's requirements; requiring insurers to publish an up-to-date list of all formulary drugs accessible to consumers; prohibiting discriminatory benefit designs; and creating a standard and expedited formulary exception process for prescription drugs. The Executive Budget also codifies New York State of Health, the official state health plan marketplace established in 2013, by executive order to expand access to New Yorkers.

Missing from the Executive Budget is a proposal for universal healthcare, a frequently discussed policy solution that would complement Governor Cuomo's progressive agenda. The Executive Budget does, however, establish a universal healthcare access commission supported by the Department of Health and Department of Financial Services. The commission would be comprised of health policy and insurance experts to develop options for achieving universal access to high quality, affordable healthcare. Developing a study would ensure that such a complex topic could be thoroughly analyzed.

Medicaid Spending Has Increased

Established in 1965, Medicaid provides health coverage that helps low-income seniors, children, and people living with disabilities get needed healthcare. It gives parents and other adults economic security through health coverage, protects them from medical debt, and allows them to stay healthy and engaged in their community. In New York, 6.63 million people get health coverage through Medicaid, the majority of whom are children, seniors, or people living with disabilities.[31] It is one of the country's most effective anti-poverty programs and has a larger effect on child poverty than all non-health means-tested benefits combined. Its poverty-reducing effects most impact adults with disabilities, elderly, children, and people of color.[32]

Medicaid is a jointly run program between state and federal governments. Total federal, state, and local Medicaid spending is expected to be approximately $74 billion (or 42 percent of the total budget) in FY 2020. The state portion of Medicaid funding, including the state share of Healthcare transformation investments and Medicaid, is $19.6 billion, reflecting growth of 3.6 percent in FY 2020. For the first time since the Medicaid Redesign Team introduced a global spending cap, the governor has proposed increasing the Medicaid spending by more than the global cap: 3.6 percent versus the 3 percent allowed under the global cap.

Advancing Health Proposals in the Women's Agenda

The Executive Budget takes several important measures to defend women's health, including reproductive rights, ensuring comprehensive contraceptive coverage, and more. Research shows that being able to make decisions about one's own reproductive life and the timing of one's entry into parenthood is associated with more work experience among women, increased wages and average career earnings, and greater relationship satisfaction.[33] While access to safe, accessible, and medically competent reproductive health care is under attack across the nation, New York has separated itself as a progressive leader in this sphere.

The Executive Budget includes $4 million to establish a Maternal Mortality Review Board (MMRB) to conduct a multidisciplinary review of every maternal death and develop recommendations to improve care and management. In addition to the MMRB, there are proposals for an advisory council on maternal mortality and severe maternal morbidity, consisting of a diverse group of women and communities disproportionally affected by maternal mortality and morbidity in New York. Also included under the $4 million proposal are expanded Community Health Worker programs in key communities; a new data warehouse to provide real-time data on maternal mortality and morbidity; and the creation of an expert panel on postpartum care to develop recommendations targeting the time immediately after birth. Maternal health is essential to ensure the health of children, and it's admirable that the Executive Budget recognizes that so many mothers still suffer from the lack of access to healthcare, poor conditions, and poor quality of life.[34]

Addressing the Opioid Crisis

In 2017 there were 4,303 deaths caused by opioid overdoses in New York State.[35] The Executive Budget proposes an increase of nearly $26 million (4.1 percent) in operation and capital support for the Office of Alcoholism and Substance Abuse Services (OASAS). This would be used to continue to enhance prevention, treatment and recovery programs targeted toward chemical dependency, residential service opportunities and public awareness and education activities. This would be achieved through:

- An additional 260 residential treatment beds are in capital development and are expected to open over the next three fiscal years
- Opioid treatment slots
- Prison- and jail-based substance use disorder services

- Creating the office of a substance use disorder and mental health ombudsman

The governor has also proposed an Employer Recovery Hiring Tax Credit. This new tax credit would give employers up to $2,000 for each person in drug abuse recovery that they employ. This is an innovative tax credit that will incentivize participation in recovery programs, and it will help to de-stigmatize the negative stereotypes that prevent people who are recovering from an addiction to re-enter the workforce. This should also help stimulate job growth in counties that have seen a decline in jobs, as this tax relies on employers and the business community to help combat the opioid crisis.

Marijuana Legalization and Regulation, New Tobacco Policy, and Protecting Children from Lead Paint

Cannabis Regulation and Taxation Act

FPI supports Governor Cuomo's proposal in this year's Executive Budget to make marijuana legal for use by adults, and to regulate and tax its production and sale. The Executive Budget projects revenues of $83 million from a tax on cultivation of 25 cents per gram and a tax on sales from the wholesaler to the retailer of 22 percent: 20 percent for the state, and two percent that would go to the county in which the retail dispensary is located.

While the revenue is welcome, legalization of marijuana is not primarily a tax question, but more importantly about public health and criminal justice reform. Creating a well-regulated market for the legal sale of marijuana should reduce the dangers of buying it, making sure a product is what it says, and making it possible to purchase from a legal vendor. If done properly, establishing regulated marijuana dispensaries should reduce the illegal drug traffic, and with it reduce crime. A central benefit of this proposal is the reduction in the number of people who get entangled in the criminal justice system, with the huge racial disparities in who winds up incarcerated.

A sea change of this kind, however, must be entered into with due preparation. A campaign around public health and educating people, especially young people, about marijuana should precede the broad availability of marijuana. And, the impacts on communities should be studied and adjustments or additions to the policy made as needed in order to ensure that the public health and criminal justice goals are met, and that this important public policy does not wind up as just a way to raise revenues.

Comprehensive Tobacco Control Policy

Proposes raising the minimum age to purchase cigarettes from 18 to 21 and proposes a new 20 percent tax on e-cigarettes. Additionally, this proposal gives DOH additional authority to regulate the sale and distribution of flavored vapor products.

Protect our Children from Exposure to Lead Paint

Lead poisoning is preventable, and the major source of lead is exposure to lead-based paint and lead-contaminated dust found in older buildings. The Executive Budget includes an investment of $28.6 million for childhood lead poisoning and prevention. New policy proposals would reduce the threshold for medical intervention for elected blood lead levels from 10 micrograms per deciliter to five micrograms per deciliter, and there are provisions for new standards requiring residential housing to be maintained as lead free.[36]

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[1] Social Welfare agencies include Office of Temporary and Disability Assistance (OTDA), Office of Children and Family Services (OCFS), Division of Homes and Community Renewal (DHCR), Department of Labor (DOL), Nonprofit Infrastructure Capital Investment Program (NICIP), National and Community Service (NCS), and the Division of Human Rights (DHR).
[2] All calculations have been adjusted for inflation.
[3] The FY 2020 Executive Budget appropriates $28 million for the Advantage After School Program and moves this
[4] NYS Assembly 2019 Yellow Book, "Human Services," January 2019.
[5] NYS Division of the Budget, "Human Services Budget Brief," January 2019.
[6] Schuyler Center for Analysis and Advocacy, "2019-2020 Legislative Priority," January 2019.
[7] Ibid.
[8] Ibid.
[9] ESPRI cities and towns include: Albany, Binghamton, the Bronx, Buffalo, Elmira, Hempstead, Jamestown, Newburgh, Niagara Falls, Rochester, Oneonta, Oswego, Syracuse, Troy, Utica and Watertown.
[10] For more information, see the Education section of this report.
[11] Referred to as the "Strong Nonprofits coalition" or SNP.
[12] Strong Nonprofits for a Better New, "Chronic Human Services Underfunding Undercuts a Progressive Women's Agenda," December 2018.
[13] Strong Nonprofits for a Better New, "Nonprofit Infrastructure Needs," December 2018.
[14] Ibid.
[15] Institute for Women's Policy Research, "The Status of Women in the States: New York," March 2018.
[16] Ibid.
[17] Ibid.
[18] See above section on Human Services Nonprofits for more information.
[19] Bureau of Labor Statistics, Occupational Employment Survey Data for New York State, May 2017.
[20] "Undervalued and Underpaid: How New York State Shortchanges Nonprofit Human Services Providers and Their Workers," February 2017, pg. 14.
[21] NYS Division of the Budget, "Human Services Brief, January 2019.
[22] The Coalition for the Homeless, "New York City Homelessness: The Basic Facts," 2018.
[23] Ibid.
[24] Ibid.
[25] Families are designated according to a self-report of the person as "householder." In this analysis, families that have a white head of household are considered white, those with a black head of householder, and so on.
[26] Fiscal Policy Institute, "New York's Rent Affordability Crisis Harshly Impacts Families of Color," April 2018.
[27] Home Stability Support, "Overview," January 2019.
[28] Ibid.
[29] Coalition for the Homeless, "State of the Homeless 2018," March 2018.
[30] 7 Million and Counting: More New Yorkers Benefit from State Health Coverage, 2018, Office of the New York State Comptroller.
[31] Center on Budget and Policy Priorities, "Medicaid Words in New York," January 2019.
[32] Georgetown University, Center for Children and Families, "Research Update: Medicaid Pulls Americans Out of Poverty, Updated Edition," March 8, 2018.
[33] Institute for Women's Policy Research, https://iwpr.org/issue/health-safety/reproductive-health-rights/
[34] The Schuyler Center for Advocacy and Analysis, "Schuyler Center's First Look at the NYS 2019-20 Executive Budget," January 2019.
[35] New York State- County Opioid Quarterly Report, Department of Health, https://www.health.ny.gov/statistics/opioid/data/pdf/nys_jan19.pdf
[36] The Schuyler Center for Advocacy and Analysis, "Schuyler Center's First Look at the NYS 2019-20 Executive Budget," January 2019.

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Immigration

Nationally, immigration is at the center of politics more than at any time in recent history, but unfortunately it seems to be for all the wrong reasons. In New York, Governor Cuomo has often set a very different and positive tone. But he has not done much to enact in the budget what he says in his speeches. This year, with a new legislature in office, the time is ripe to take some bold steps to catch up with and surpass what other states have done.

There's more than enough justification to pay close attention to immigration in New York. Immigrants play an important role in economic, cultural, and social life around the state. New York City wouldn't be the vibrant global hub that it is without immigrants. In upstate cities—Buffalo, Rochester, Syracuse, Albany, Utica, Binghamton—immigrants and refugees are a key to stemming population decline and fueling a population rebound, which is a key to upstate cities' fiscal health. Rural areas around the state benefit from the farm labor of immigrants, as well as the role immigrant small businesses play in revitalization of some local downtown areas. And Long Island and Westchester benefit more than residents may realize, with immigrant working as doctors, nurses, accountants and architects as well as in retail, restaurant and construction jobs.

If the governor and the legislature want to think big, they would do well to study the New York Immigration Coalition's *Blueprint for Immigrant New York*, issued now for the second year running.[1] FPI was a participant in the process of developing the blueprint, and enthusiastically endorses its agenda.

Driver's Licenses: Access for All

Undocumented immigrants can currently apply for driver's licenses in 12 states, the District of Columbia and Puerto Rico. Indeed, until 2003 they could also apply for licenses in New York. On this issue, New York's current exclusion of undocumented immigrants from access to driver's licenses is embarrassingly outmoded. Governor Cuomo acknowledged the federal attack on immigrants in his "Justice Agenda" and declared that New York will stand up for its immigrant community. It is time for New York to put an end to a situation in which a routine traffic stop can turn into a life-changing nightmare for the 800,000 undocumented immigrants in New York State.

Driver's licenses are essential for picking kids up from school, getting to doctor's appointments, shopping for everyday goods, and going to work. FPI estimates that if the law changed, the revenues would easily outweigh the costs. 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.

While the cost of producing licenses and administering driver's tests is covered by the price of getting a license, it would be wise to make an up-front investment to make sure the Department of

Motor Vehicles is well prepared for the initial period of implementation. FPI did not estimate the amount that might be spent hiring and training staff to prepare them for an increase in demand, but the amount would likely be quickly recouped by the significant increased revenues described above.

Being able to apply for a driver's license like anyone else 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.[2] It is time for New York to take the common-sense measure of making sure everyone on the road is tested, licensed, and insured.

Refugee Resettlement: NY Steps in at a Critical Moment

Refugee resettlement agencies are in crisis around the country. The number of refugees being admitted to the United States has dropped precipitously since the start of the new administration in 2017. That has hurt New York State, where refugees make numerous contributions to our communities, and where refugee resettlement agencies serve an important role as anchor institutions. The importance of refugees, and of refugee resettlement agencies, spreads across the state, but it is nowhere more visible than in our upstate cities, where resettlement is concentrated and where in recent years refugees are close to the balance between population growth and population decline.

Two years ago, at a time when the federal administration was proposing a temporary travel ban that restricted refugee resettlement, New York State stepped up with a nation-leading program. The New York State Enhanced Services to Refugees Program (NYSESRP) allocated $2 million to this program. In FY 2020 it should build on this success and respond to what amounts to both a crisis and an opportunity by expanding that funding to $4.5 million.

NYSESRP has gained national attention by meeting two goals simultaneously.

First, NYSESRP creates a bridge for refugee resettlement agencies between a period of declining federal funding and a future when we expect resettlement will be reinstated, recognizing that the capacity to provide resettlement services cannot be turned off and on like a light but must be cultivated and maintained over time.

Second, NYSESRP creates an opportunity for resettlement agencies to expand their role in their communities, with state funding that is less restrictive than federal dollars they receive. The agencies can do more to make sure refugees are fully integrated into the local community. They can help refugees get more extended training for employment, as well as other services that in turn boosts refugees' own success and their contributions to the local economy. When refugees succeed, it also helps the cities they call home to retain current residents and to attract others.

The NYSESRP funding allows resettlement agencies to serve more secondary migrants (refugees who move to New York from other parts of the United States where they were first settled), and to serve people with special immigrant visas who worked with U.S. armed forces in Iraq or Afghanistan. It helps the agencies support and strengthen a Bosnian community in Utica, a Burmese community in Buffalo, a Somali community in Rochester, and Cubans, Bhutanese, Ukrainians, and so many others in these cities and around the state. Creating a deeper and more visible sense of community is also a good way to make it attractive for others—both people from these and from other communities—to move to and stay in upstate cities. In downstate New York, the funding can make sure the resettlement agencies are not financially burdened by the drop-in refugee funding at a time when they are strained by asylees and asylum seekers.

If experienced staff and licensed facilities are lost because of a temporary drop in funding, cities in upstate New York could be permanently diminished in their capacity to welcome newcomers, and places like New York City, Westchester and Long Island would lose important resources in their communities. That would hurt the communities they are in, and it would put the state at a real disadvantage if refugee resettlement is resumed at a more historically typical pace in the future.

The basis for the $2 million investment in FY 2018 was a calculation based on the per-capita funding from the federal government and the drop in the number of refugees predicted at that time. Since then, the drop has increased significantly: there is a 77 percent decline in refugee resettlement between 2016 and 2018, a difference of 4,500 refugees. Federal funding for resettlement is typically $1,000 per refugee, which means the agencies collectively have lost $4.5 million per year.

Making up for that loss is something the state can readily manage, expanding NYSESRP funding from $2 million to $4.5 million and turning a crisis into an opportunity. The increased funding should mean more funding to each agency, but small adjustments should be made in the allocation formula, to establish a minimum level for each agency and to provide some equity among the agencies.

That added state expense will be at least partly offset by increased state revenues as refugee communities have better employment outcomes and pay more in state taxes. More importantly, that funding is an investment in the best kind of economic development possible: helping cities and neighborhoods by investing in some of the people who need it most.

New York State Dream Act

After many years of advocacy for the Dream Act, this January, Governor Cuomo declared that our state should "open the door of opportunity to all of our children" and that this is the year to ensure that all of New York's children have access to higher education by passing the New York State Dream Act.[3] Even before this year's budget was passed, the legislature did just that. This is welcome and long overdue.

The New York State Dream Act will allow undocumented students, who have graduated from New York high schools, access to state financial aid, including the Tuition Assistance Program (TAP) and the Excelsior Scholarship, and will create a Dream Fund to provide scholarships to college bound undocumented students. The governor has proposed to allocate $19 million this year and $27 million on an academic year basis for the Dream Act which is in line with an estimate calculated in 2012 that estimated the Dream Act to cost about $20 million, a two percent increase to TAP expenditures.[4]

While the cost is modest, there is a very strong return on investment. The 76,000 Dreamers in New York currently contribute $113 million in state and local taxes.[5] 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 $28,600. However, with a college degree, their wages significantly increase to $50,000 and increase higher to $78,000 with an advanced degree.[6]

New York has the third-largest largest undocumented population. It is now the eighth state to allow access to financial aid without regard to immigration status, along with California, Minnesota, New Mexico, Oklahoma, Oregon, Texas and Washington, plus the District of Columbia.[7]

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. 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.

The change should account for the most common languages spoken in a local area, rather than the most common languages statewide. Making this change would entail just a small budget cost, but it would be a strong signal that the state government welcomes immigrants and recognizes the special challenges upstate areas in particular face in addressing immigrant and refugee integration.

Investing in Multi-Lingual Learners

Immigrant children, Puerto Ricans, and U.S.-born children of immigrant parents often speak a language other than English at home. In the 2016-17 school year, there were 237,000 English Language Learners (ELL) who need help with English in New York State schools, which was nine percent of the total student population. 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.

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 expanding 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 Is a Key

New York's vibrant linguistic diversity is a benefit to the state, but it also poses a challenge. Among immigrants living in New York State, 34 percent who have been here less than five years report speaking no or little English, a number that drops only to 24 percent for those who have been here over 10 years.[9] New York can do better at reducing that number more quickly. 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 $7.79 million was allocated to ALE.[10] This year, the Executive Budget absurdly proposes a $1.5 million *decrease* in ALE funding which will reduce the total to an even more insufficient amount of $6.3 million.

Both state and federal changes are shifting the emphasis and priorities of funding to educating higher-skilled immigrants. 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. New York should increase the funding for Adult Literacy Education by $8 million, to $15.3 million to help address the gap.

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." With just small changes in the state's licensing laws, they could be working in much more productive jobs.

Almost half (49 percent) of the foreign-born population in New York has at least some college.[12] 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.[13] Brain waste is detrimental to immigrants, and it is a huge loss to the New York economy. It is also a loss to the state treasury: as people's wages increase, so do the taxes they pay. Brain waste prevented the New York economy from receiving an additional $594 million in local and state tax revenue.[14]

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.

Reduction of Maximum Sentences for Misdemeanors

The governor has proposed to reduce the maximum allowable sentence of imprisonment for class A misdemeanors from one year to 364 days. This would keep punishment under New York law effectively the same, but it would avoid unintentionally triggering unduly harsh immigration consequences under federal law. New York State is currently falling behind 10 other states who already have changed their maximum sentence for class A misdemeanors to less than one year (Arizona, California, Illinois, New Jersey, New Mexico, North Carolina, Ohio, Tennessee, Washington, Wisconsin).[15]

The Trump Administration's attack on immigrants has meant that under federal law, green card holders, asylees, and victims of domestic violence, could face detention, denial of necessary forms of immigration relief, and deportation for a conviction of a crime that is punishable with one year or more of imprisonment. Even if an immigrant does not receive jail time for their conviction—for example the person may receive a fine for a first offense—they can still face harsh immigration consequences. The federal law does not consider the actual punishment, the consequences are linked only to the definition of the crime. The change in Class A misdemeanors that would mean they carry a maximum sentence of 364 days would save many immigrant families from the disastrous consequences of having a family member detained or deported.[16] Only four percent of individuals who are convicted of a class A misdemeanor are sentenced to 365 days of jail time.[17]

Changing the maximum sentence for class A misdemeanors would also give back discretion and decision-making power to immigration judges. Some immigrants, who have lived in the United States for many decades, may find themselves in a deportation case for a misdemeanor they committed during their youth. Immigration judges will have the opportunity to consider all aspects of the case.[18] This is a common sense, no-cost action that could change the lives of many New York families.

Liberty Defense Program

Governor Cuomo has frequently taken credit for the Liberty Defense Project, calling it the first State-Led Public-Private Legal Defense program. However, the governor has repeatedly talked a good game without putting money in his budgets to support this initiative. In FY 2018, when Governor Cuomo announced the creation of the program, he did not include any funding for it at all in his executive budget; he left the job of adding funding to the legislature. The result was an excellent program that was funded at $10 million when it should have been at least $20 million. This year, once again, the governor *has not included any funding* in the state budget for the Liberty Defense Fund. Meantime, *the Executive Budget proposes eliminating $5 million in legal services* from the budget of the Office of New Americans, which will put and even greater burden on the legal system and generate an increased demand for legal representation.

It is time for the governor to stop playing games with this important program while immigrants are under attack by the federal administration. 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.

Expanded Health Care Eligibility

The Affordable Care Act (ACA) and other changes in federal and state health care policies have helped reduce the percentage of people lacking health insurance by more than half over the past decade. The share of New Yorkers without health insurance fell from 11 percent in 2010 to 4.9 percent in 2017.[19] That's a huge success, but there are still major improvements that must be made to expand access to health coverage for all New Yorkers. Immigrants make up a disproportionate share of New Yorkers without health insurance. In New York City, for example, while the share of U.S.-born people who lack health insurance is six percent, the share of immigrants who lack health insurance is 19 percent, and the share of undocumented immigrants without coverage is 58 percent.[20]

The Health Care for all New York coalition estimates that $532 million would be enough to provide coverage to 110,000 people in 2019.[21]

Creating a coverage program to ensure that individuals excluded from federal programs are able to access health insurance is not only good for immigrant communities: having health residents is good for employers, colleagues, neighbors, and ultimately everyone in the state. It also strengthens the fiscal stability of the health care providers that care for people whether or not they have insurance, thereby strengthening the fiscal health of municipalities across New York State. Expanding coverage with state dollars represents an investment with ample returns. Individuals with insurance are more likely to receive timely and preventive care, are less likely to incur medical debt, and on average experience improved mental health and reduced mortality. The healthcare system will work better for everyone if New York State continues to be a leader in working toward insuring everyone.

State Coverage for Threatened Immigrants

New York State should continue to offer state-funded Medicaid for Temporary Protective Status (TPS) beneficiaries, even if their status expires.

TPS provides protection from deportation and work authorization to individuals from countries that are experiencing conditions such as civil war, natural disasters, epidemics and other temporary conditions that prevent the safe return of their citizens. There are at least 26,000 New Yorkers who are at risk of having their Temporary Protected Status terminated.[22] The average TPS recipient has spent over a decade in this country, working, paying taxes, and raising American children.

For now, the TPS program is still in effect for people from many countries, but the Trump Administration has voiced its intent to limit or end TPS in many cases.[23] If TPS for these countries are terminated, these immigrants may never get to experience the benefits of the services that they helped contribute to.

The legislature should pass and the governor should sign Assembly Bill 10607,[24] which ensures that temporary protected status beneficiaries continue to receive Medicaid benefits if the federal government ends the program. Last year, Medicaid coverage for DACA recipients was threatened by the Trump administration, and Governor Cuomo ensured that, irrespective of what happened in

Washington, DACA recipients would be cared for in New York state. This year, New Yorkers with TPS need the same guarantee from their governor and legislators.

A Full Count in the 2020 Census

This fiscal year's budget is the last opportunity that the governor and legislature will have to invest in making sure that New Yorkers are fully counted in the 2020 census that will take place on April 1st, 2020. The federal administration has already made attempts to undermine census efforts by proposing the addition of a citizenship question, which has so far been denied. However, this proposal has spurred fear and distrust among immigrants to share their personal information. 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 the loss of a congressional seat, loss of federal funding, and more. The governor and legislature of California understood the gravity of what an inaccurate census would mean for their state which is why they included over $100 million in their FY2019 budget. This is hardly just an issue for immigrants, but it is of particular concern that immigrants and other hard-to-count populations get fully included in the count.

Although Governor Cuomo highlighted the importance of the decennial census in his State of the State address he did not allocate any funding for local governments to conduct outreach, the state's own media campaign, or funding for community-based organizations (CBOs). Budgets are the greatest demonstration of priorities for governments. With heightened fears among immigrant populations convincing people to fill out and return the census questionnaire will be especially difficult. Luckily, community-based organizations have already begun planning how they will leverage their connections with hard to count communities to ensure that every New Yorker is counted. FPI estimated the state should invest $40 million in CBO outreach to ensure a robust ability of groups that are trusted in their communities to explain how the Census works and why it is important.[25]

The economic, social, and demographic statistics produced by the population survey influences business, city planning, and policy decisions at every level of government. Without the census, largest sections of this briefing book would not have been possible, and without it, the governor and state agencies would not know how to budget for the next fiscal year.

In addition, Census data are used once every decade in state legislatures across the country to redraw boundaries for the congressional districts on the basis of population changes that have been recorded in the census. There are currently 435 seats in the House of Representatives. New York State has lost 12 seats in the House since 1980. Losing seats because of relative loss of population is only fair, and the way democracy is supposed to work. But losing seats because of an undercount is not democratic and not good politics.

New York State is already projected to lose two seats in congress based on the most recent population estimates. The Census is not an issue that can just be a footnote in an address.

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[3] "Governor Cuomo Unveils Agenda for First 100 Days - 2019 Justice Agenda" See: https://www.governor.ny.gov/news/governor-cuomo-unveils-agenda-first-100-days-2019-justice-agenda
[4] "The New York State DREAM Act: A Preliminary Estimate of Costs and Benefits," Fiscal Policy Institute, March 9, 2012.
[5] Institute on Taxation and Economic Policy, "State and Local Tax Contributions of Young Undocumented Immigrants," itep.org/wp-content/uploads/2018DACA.pdf
[6] FPI analysis of ACS 2017 1-year estimates.
[7] Maps: State Laws & Policies on Access to Higher Education for Immigrants. See: https://www.nilc.org/issues/education/eduaccesstoolkit/eduaccesstoolkit2/
[8] NY State Public School Enrollment (2016-17). See: https://data.nysed.gov/enrollment.php?year=2017&state=yes
[9] FPI analysis of ACS 2017.
[10] New York State Education Department, http://www.nysed.gov/budget-coordination/adult-literacy-education-ale-program
[11] 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.
[12] FPI analysis of ACS 2017 1-year estimates.
[13] 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."
[14] Ibid.
[15] New York City Bar, "Report on Legislation by the Criminal Courts Committee, The Criminal Courts Committee and the Immigration and Nationality Law Committee," See: https://www2.nycbar.org/pdf/report/uploads/20073134-One_Day_to_Protect_NYers_Crim_CourtsandCJO_Report_FINAL_7.21.16.pdf
[16] Ibid.
[17]Immigrant Defense Project See: https://www.immigrantdefenseproject.org/wp-content/uploads/1DayforNYersQA-.pdf
[18] New York City Bar, "Report on Legislation by the Criminal Courts Committee, The Criminal Courts Committee and the Immigration and Nationality Law Committee," See: https://www2.nycbar.org/pdf/report/uploads/20073134-One_Day_to_Protect_NYers_Crim_CourtsandCJO_Report_FINAL_7.21.16.pdf
[19] U.S. Census Bureau, 2010 American Community Survey 1-Year Estimates, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_10_1YR_B27020&prodType=table
[20] State of Our Immigrant City, Annual Report March 2018, NYC Mayor's Office of Immigrant Affairs.
[21] 2019 Policy Agenda, Health Care for All New York, http://hcfany.org/wp/wp-content/uploads/2018/12/HCFANY-2019-Policy-Agenda.pdf
[22]Termination of TPS Hurts Families and the Economy, http://fiscalpolicy.org/termination-of-tps-hurts-families-and-the-economy
[23] President Trump has announced that he is ending the TPS program for individuals from El Salvador, Haiti, Nepal, Nicaragua, Somalia, Sudan, South Sudan, Syria, and Yemen.
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Economic and Fiscal Outlook 2020

New York's Pathway to Shared Prosperity

Education

Fiscal Policy Institute

Education

There are no two ways about it: The Executive Budget dramatically underfunds public education. At the heart of the story is a gaping $4.1 billion gap between the state's actual funding of K-12 education and the formula it put in place to ensure that all students get a sound basic education. The years-long starvation diet for CUNY and SUNY has put those institutions under immense strain. CUNY and SUNY are great institutions with a storied history, but they are now also places where buildings leak, professors are underpaid, and students are in overcrowded classes.

Some progress has been made as well. Universal pre-kindergarten is a laudable initiative, even if there is a long way to go before it is truly universal. The New York State Dream Act is a great step forward for the state. It means an enormous amount to immigrants and their families for even undocumented immigrants to have access to state aid for college, and the small cost is more than repaid by the increased economic contribution of these students in the long run.

Money Matters in Education – K-12 Funding Continues to Be Insufficient

The Executive Budget proposes a school aid budget of $27.7 billion, an increase of $956 million in school aid or 3.6 percent increase over last year. The increase to school aid is comprised of: foundation aid at $338 million; expense-based aids at $410 million; a fiscal stabilization fund at $157 million, and competitive grants at $50 million.

Foundation aid increased by just $288 million, far short of the need, and just a 1.6 percent increase over last year's budget. In addition, the Executive Budget adds $50 million to the community schools fund, which the Executive Budget considers part of foundation aid, and thus gives its own total of the foundation aid increase as $338. The community schools initiative is one that we roundly applaud, and the funding for it is well deserved. But it is not foundation aid, it is an additional program.

The budget also includes $50 million in new competitive grants, including $15 million for expanded universal pre-kindergarten programs; $10 million for the Empire State After-School programs; $9 million for early college high schools; $3 million for alternative discipline grants; $3 million for a We Teach New York grant program to address the teacher shortage; $1.8 million for AP/IB fees;

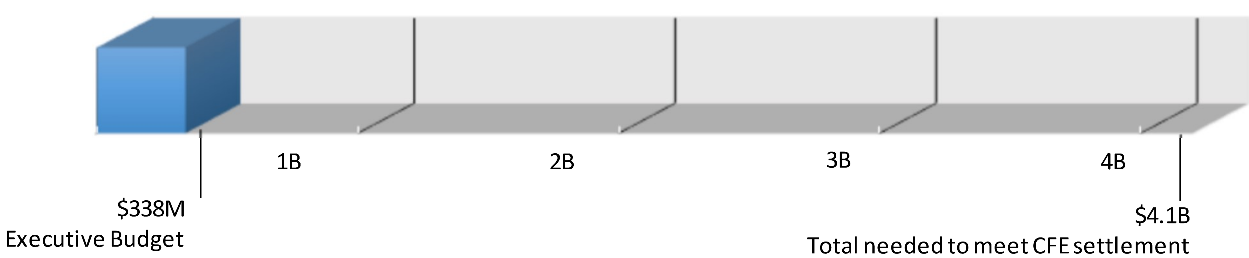
$1.5 million each for master teachers, a refugee and immigrant student welcome program (see the immigration section), school mental health programs, an expanded mathematics access program; $1 million each for an advanced courses access program and recovery high schools; and $200,000 for the New York State Youth Council.[1] All of these initiatives are welcome enhancements to education funding.

Every Child in New York State Is Entitled to A Sound, Basic Education

The Executive Budget tries to shift responsibility away from the state and suggests that school funding inequity is a local problem. This is simply a skirting of the state's responsibility to carry its fair share of school funding, and to guarantee a sound basic education for all children. New York's school districts are highly segregated by income—the average poor student attends school districts with poverty rates that are 40 percent higher than those nonpoor students attend.[2] There may be some opportunities for districts to pay more attention to their schools with the highest need, though given the state-imposed property tax cap that would almost by necessity mean taking funding away from higher performing schools—an unattractive prospect politically, socially, and educationally. There is no way around the state's responsibility to provide foundation aid that ensures a sound, basic education for all.

This is, in fact, not only the right thing to do, it is a legal responsibility, however much the governor would like to claim otherwise. 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."[3] Then the New York State Court of Appeals ordered the governor and the legislature to determine an actual cost level. The legislative action in response became known as the foundation aid formula.

Figure 1. School Aid Funding Falls Far Short of Promise of Campaign for Fiscal Equity Settlement



The foundation aid formula determines how much the state is required to spend in each school district to provide students with a sound, basic 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 without any further inflationary adjustments, **$4.1 billion more** is owed to school districts statewide since the implementation of the formula.[4] Assuming a three-year phase-in schedule, and adjusting for inflation, the phase-in amount is $4.9 billion. The Board of Regents has requested a three-year phase-in amount of $1.58 billion every year to fully fund foundation aid obligations.[5]

The governor and legislature should fully fund foundation aid with a three-year phase-in plan. New York's students have been shortchanged for decades. Children *born* in 1993, when the lawsuit was first filed, would have been 18 years old and if they graduated on track would have finished high school in 2011. Ensuring a sound basic education is not a choice for the state government, it is a moral responsibility and, as the courts have said, also a constitutional requirement. Localities and the state government must both be reliable partners in those efforts.

State Support for Schools Continues to Decline Under the Property Tax Cap

Inadequate state aid not only hampers the ability of disadvantaged students to catch up, but it also places pressure on local property taxes as school districts attempt to compensate for the unmet commitment of state funds.[6] Housing values, which are the base for the property tax, are almost by definition lower in low-income districts. 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]

Even if localities want to prioritize school funding over an intense property tax burden, as many do, 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. Current projections are that the property tax cap will allow growth of just two percent for 2019, resulting in the aggregated loss of hundreds of millions of dollars in funding for New York's schools.[8] Under this year's tax cap, only $400 million can be generated locally by school districts across the state. On average, only 38 percent of a school district's funding comes from state aid. This puts an even greater importance on state school aid, as it is an integral source of revenue for many school districts.[9] In order to compensate for the property tax cap, the state must put more funding into education.

Lastly, there is an issue related to the expense-based aids in the Executive Budget, which merges eleven expense-based aids (BOCES, transportation, special services, high tax, textbook, school library materials, computer software, computer hardware and technology, supplemental public excess cost, transitional aid and academic enhancement) into one category called services aid. The growth in this aid category would be tied to inflation and student enrollment growth rather than actual expenditures in these critical areas. The Executive Budget would also create a new tier in building aid for new projects that would reduce state funding for capital programs across the state. This proposed cap on expense-based aids would damage BOCES programs and services and reduce building and transportation aid reimbursement to districts. These proposed provisions are serious changes that force school districts to make tough decisions that could affect the quality of education that students receive. For example, this could cause a school district to choose between providing school buses for children or shuttering programs and enrichment for students.[10]

Examining Early Learning in New York – Universal Pre-Kindergarten and Child Care

High-quality early childhood education is crucial to reach goals of educational equity and excellence—this is widely understood and has been proven time and again by empirical research.[11] 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 $834 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, the governor's proposal to add just $15 million for UPK for three- and four-year-old children cannot add even 3,000 new seats, falling dismally short of the rising need and unmet demand. At the current pace of investment in UPK, it would take 57 years to make UPK truly universal for four-year-old children, even though the governor pledged to meet that goal in 2019.[12]

There are more than 80,000 four-year-old children across the state—mostly outside New York City—that still do not have full-day UPK. 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.[13] Many school districts already have waiting lists 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 enough resources and technical assistance to meet the quality standards.[14]

New York has completely missed the mark on child care. High quality child care promotes school readiness and economic advancement by keeping children learning and parents earning. For many years, the state's investments in child care have been shamefully inadequate, and this year's paltry $26 million increase is not enough even to maintain current child care services, much less to step up to the enormous unmet need. This drastic shortfall is bad news for children and for parents, and it is also bad news for the early childhood workforce, which is disproportionately made up of women, especially women of color.[15]

To make a significant impact on working families and help stabilize the workforce and infrastructure, the state should invest at least $100 million to expand access to child care.[16] Breaking down the $100 million for expanding child care includes: 1) $15 million to restore the state's child care assistance program to 2016 levels, adjusted for four years of inflation; 2) $20 million to improve quality and increase slots for babies and toddlers; 3) $26 million to revise the copayment formula to make fees more affordable and equitable across counties and to allow copayments to be capped at 20 percent of all income over the poverty level. In addition to that $100 million, the state must restore the state reimbursement rate for child care services to the 75th percentile to stabilize child care capacity. The $26 million included in the Executive Budget only maintains the current reimbursement rate at the 69th percentile, and only outside of New York City.[17]

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

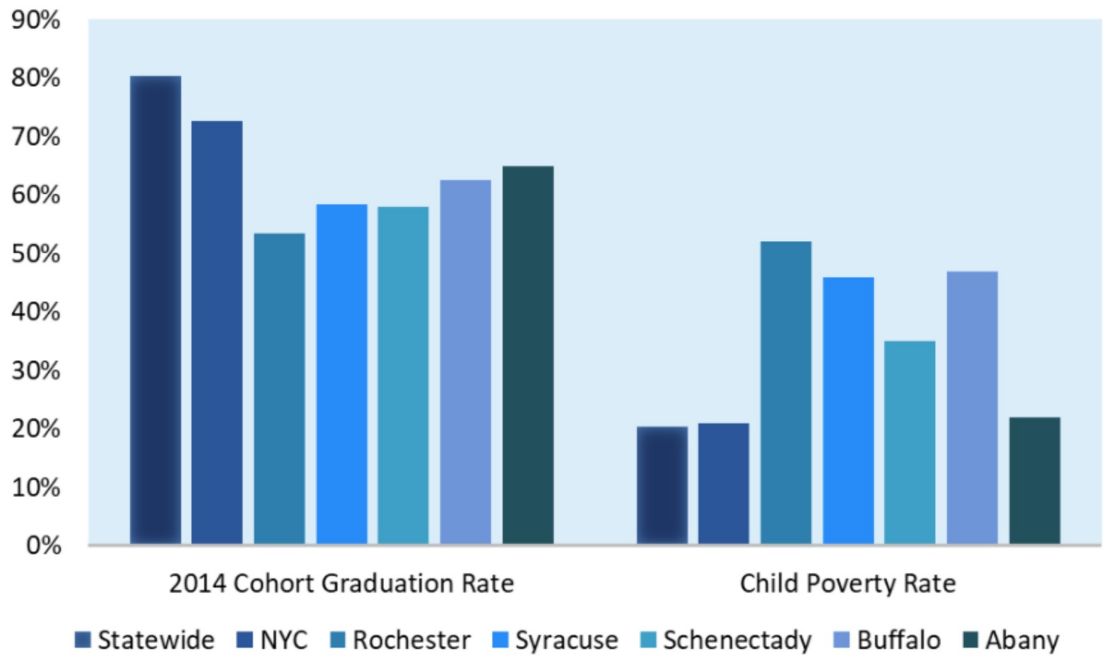
After-school and summer programs provide safe, educational spaces for children to go to after the school day ends and during the summer in all communities throughout the state. Successful high-quality after-school programs increase student engagement and attendance, as well as improve test scores and reduce negative behaviors among other benefits. This year, the Executive Budget proposes $45 million in public after-school programs in the state's 16 ESPRI communities, or in school districts with high rates of student homelessness or located in a school district in at-risk areas of Nassau or Suffolk county, an increase of $10 million from last year's $35 million commitment. Investing in after-school and summer programs prepares children for success in school and life, and it also supports New York's workforce, decreases child abuse and neglect, increases health and educational outcomes, and builds the economy. Forty-five million dollars is a sound investment, and more would be well justified.

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, and students of color with more troubled schools in general. 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. 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. [18]

Educational inequity is often the result of housing, income, and labor inequities, among other reinforced barriers that prevent families of color from reaching economic parity. The perpetuation of educational inequity is directly connected to high levels of child poverty. In large school districts in upstate New York, we can see that high school graduation rates are lower than the state average and the proportion of students living in poverty is higher.

Figure 2. Graduation Rates Are Lower Where Child Poverty Is Higher



New York has long ignored the ill effects of poverty on student learning, and despite some new reforms and policies, it continues to drag its feet in addressing the barriers that disadvantaged children face. These barriers can and need to be broken down. For example, poor health and nutrition can be corrected by further investment in high-quality early childhood and UPK programs. High quality after-school and summer programs mitigate this issue and give students a safe place to learn and succeed.

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 the State University of New York (SUNY) and the City University of New York (CUNY). SUNY is composed of 64 campuses with over 424,000 enrolled students[19] and CUNY is composed of 24 campuses with 274,000 full-time and part-time students.[20] 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, faculty, and staff.

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 and the New York Dream Act

In 2017, 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 a certain income threshold. The Excelsior Scholarship program awarded 20,086 scholarships in 2017-18, 3.2 percent of the 633,543 undergraduate students in New York.[21] This year, the Excelsior Scholarship moves its income threshold from $110,000 per year to $125,000 per year, and it's likely that student enrollment will rise as a result.[22]

Undocumented students should have been included in the Excelsior legislation, but it is a breakthrough that legislation passed in early 2019, the Jose Peralta New York Dream Act, will finally make these longtime New Yorkers eligible for this and other tuition assistance. The Executive Budget proposal includes $27 million to fund the Dream Act.[23] For more information, see the Immigration section of this report.

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

Affordability is one half of the balanced equation of higher education in New York. The other half is quality. A genuine commitment to a public college education must include investing in the universities that provide it. The Executive Budget does not provide a corresponding investment in expanding capacity to ensure a 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, and a pledge to maintain that funding in the future.

For both SUNY and CUNY, the most immediate step in restoring public funding is covering the "TAP gap" caused by the legal requirement that SUNY and CUNY provide eligible students with a "TAP waiver eligible credit," covering the difference between the rate of tuition and the maximum TAP award.[24] CUNY requests $86 million[25] and SUNY requests an additional $25 million[26] to cover the "TAP gap." Closing the "TAP gap" would go a long way in relieving some of the financial stresses on SUNY and CUNY campuses.

Adjunct Faculty Need Better Wages

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 by relying on adjunct faculty. Adjunct faculty are typically paid less than half the rate of full-time faculty, despite many adjuncts having the exact same qualifications as their full-time, tenure-track colleagues. Today more than 12,000 adjuncts teach at CUNY; in fact they teach most of CUNY's courses.[27] This staggering increase in adjunct faculty signifies the lack of state support and difficult decisions forced by adherence to the two percent state spending cap and subsequent 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 on their adjunct teaching for their entire income. Teaching as a full-time lecturer at CUNY, for example, nets about $28,000 in annual income.[28] 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 Brooklyn, Queens and the Bronx is $30,400.[29]

Underfunding CUNY and SUNY for the last decade has taken a physical and mental toll on its faculty, staff and students. The shortage of academic advisors, understaffed mental health and wellness resources, reduced course offerings and elimination of whole programs or majors, overcrowded classes and underpaid adjunct faculty, inadequate and broken technology, and limited access to libraries and tutoring or writing centers all severely impede CUNY and SUNY's abilities to provide high quality education. 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.

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