



CBC Statement on Governor Hochul's 2022 State of the State Address

Contact:

Andrew Rein
212-279-2605, ext. 313

Patrick Orecki
518-944-6167

New York, NY – January 5, 2022 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

“In her first State of the State address today, Governor Kathy Hochul laid out an expansive recovery and policy agenda, and presaged elements of the budget she will release by January 18th. Her plans span many areas and we commend her intention to ensure New Yorkers who left return and make New York the most business-friendly state in the nation. We also caution that the programs presented, many of which appear beneficial, must be affordable or they risk the State’s future capacity to serve New Yorkers, including those most in need. Finally, we emphasize that the State must actively manage both new and existing programs to ensure they deliver the results New Yorkers deserve and pay for.

Accelerating the middle-class tax cuts will provide important relief and help make New York more attractive to individuals and families, while not adding to budget gaps further down the road. In the long run, New York will be even more competitive if it allows last year’s personal income and business tax increases to sunset as in law.

Critically needed investments to bring roads and bridges to a state of good repair will both help our economy and reduce long-run costs. There are many other investments identified, importantly including those to increase resiliency, but the State should engage in long-term planning and prioritization to ensure the right projects are pursued.

The effort to identify Medicaid innovations that improve access and care and lower costs is very important to address health care needs and stabilize Medicaid spending, which is a significant risk to the State’s future fiscal stability. This initiative should be expanded to help transform New York’s entire health system.

Importantly, a number of proposals should help increase the supply of housing. These include encouraging transit-oriented development, lifting the floor area ratio cap, and easing the conversion of hotels and offices to residential use.

Still, the proposals' long-term implications are critical to consider. As is customary, the State of the State alone does not provide sufficient details to evaluate most of its proposals. We await those details, especially the fiscal implications.

The State's significant immediate needs can and should be addressed, but this should be done without hampering the State's ability to protect and provide services to New Yorkers in the future. Many potentially impactful programs were proposed, but their likely substantial price tags are still unknown.

To best serve New Yorkers today and tomorrow, these programs must be well managed, accountable to the public for results, and affordable. Reviewing the budget when released will be crucial to identify these programs' impact on the State's finances over the longer term.

While the State's budget appears sound in the short and medium term, there is a looming \$3.5 billion fiscal cliff, uncertainty about the recovery, unknowns about Medicaid spending, and a Rainy Day Fund that should be enlarged (though the Governor deserves great credit for increasing reserves in the Mid-Year Update). Importantly, the financial plan already included a significant increase this year, with additional significant increases already in the plan for next year, before any new proposed programs.

In reviewing the proposals, it is important to note what is not included. The Governor has had an important focus in her tenure on service delivery, but there is no plan to assess and improve State government performance or to implement a performance management system to ensure New Yorkers get the maximum value from their government. This is especially important with the phase-in of planned massive school aid increases, which lacks a plan to actively ensure it accelerates learning and reduces disparities. Also, the funding and scope of economic development programs are increased, but there appears to be no plan to improve the decision-making about or evaluation of those investments to ensure they are delivering results. New York's track record is not good in this area.

Governor Hochul has the opportunity to foster recovery, build a strong fiscal future, and restore transparency and accountability to State government. Our State's leaders should carefully make policy and budget decisions that address immediate needs and strengthen New York's future prospects."