



CBC Statement on the NYS Executive Budget for FY 2022

Contact:

Andrew Rein
646-402-3311

Patrick Orecki
518-944-6167

New York, NY – January 19, 2021 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on the New York State Executive Budget for Fiscal Year 2022:

"The Executive Budget reflects the grim reality that the pandemic continues to devastate parts of the State and presents long-term risks to the economy and State finances. Fortunately, the State will benefit from higher-than-previously-expected tax receipts that will reduce budget gaps in fiscal years 2021, 2022, and beyond; however, the gaps are still significant and the fiscal problems extend well past fiscal year 2023.

The Executive Budget proposes closing the fiscal year 2021 and 2022 gaps with a combination of federal aid, spending decreases, and increased revenues. The State is right to consider contingencies given the uncertainty, but promise, of federal aid. Its baseline assumption of \$6 billion in federal aid may be realistic since it is roughly in line with previous recessions, but still leaves significant gaps. To address these, the budget includes new taxes on high-earners—driving combined State and City personal income tax rates to the highest in the nation. The Governor is right to caution that this increase is likely harmful. The cap on state and local tax deductions (SALT) and prolonged recent remote work experience only heighten the potential damage to New York's competitiveness.

Before considering personal income tax increases, the State should adopt other less harmful measures identified by CBC. These include reducing aid to wealthy school districts, eliminating wasteful economic development spending, and shifting cash spending on capital projects to debt.

The State hopes to receive \$15 billion in federal aid, which would wipe out its near-term deficits, obviating proposals to increase taxes or reduce spending. While that would be beneficial in the short run, it still would leave the State with significant future gaps. No matter the level of federal aid, the State should be pursuing structural spending reforms to ensure that its finances are stable coming out of the recession."