



CBC Statement on NYS Legislative Budget Proposals for Fiscal Year 2022

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New York, NY – March 16, 2021 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

"Majority conferences in each house of the State's Legislature put forward budget proposals for fiscal year 2022. While there are differences between them, the Democratic 'supermajorities' in both houses have offered common fiscal and policy approaches. Both one-house budgets would raise various taxes on high income earners and businesses to generate more than \$7 billion annually in new revenue, and increase spending to over \$200 billion for the first time—a doubling over 15 years.

While commendable in their intent to improve the lives of New Yorkers and removal of extraordinary Executive budget powers, both proposals miss the opportunity provided by much stronger than expected receipts and [American Rescue Plan](#) aid to take care of New Yorkers' essential needs now, stabilize the State's long-term finances, and keep New York an attractive place for people to live and businesses to thrive.

These tax increases are both unnecessary and economically risky. Since the State first projected its pandemic-induced revenue shortfalls, tax revenue strength and federal aid have offset at least 94 percent of the original projected four-year revenue loss. In fact, revenues for the current and next two fiscal years are projected to be \$3.7 billion higher than before the pandemic. Adopting the Executive Budget as is would generate a State surplus of \$9.6 billion over the next 2 years, or \$5.9 billion even without the Governor's proposed personal income tax increases. These funds – especially considering the billions of dollars that New Yorkers will receive from the American Rescue Plan – are sufficient to ensure critical services for New Yorkers in need. Personal income and business tax increases are unnecessary.

New York's future depends on being an attractive place to live and conduct business. Critical to New York's future are quality services, social supports New Yorkers want and need, and competitive taxes. The proposed personal income tax increase would vault New York's combined State and City tax from second to the nation's highest. Many high earners also would be hit by the proposed increases in the

capital gains tax, and ultimately, for some, the estate tax. Increasing the tax on capital gains also will increase the volatility of State revenues, which can lead to future fiscal instability.

New Yorkers who earn over \$10 million annually pay an average of \$1.2 million to both the State and City. High earner flight risk is greater than ever, given the federal cap on state and local tax deductions and the now proven viability of working from outside New York. The Legislature's tax proposals present more risk than those proposed by the Governor. They are larger, broader than just the personal income tax, and permanent. The Governor's proposal was structured primarily to assist the State's finances over a three-year period, being refundable and temporary.

The proposed increase in the corporate franchise tax will be levied on firms, many of which are more highly taxed than they would be in other states. For New York City businesses, the current combined State, City and MTA taxes total 16.49 percent, already the [highest in the nation](#).

Importantly, the American Rescue Plan both provides time to restructure State spending to be sustainable and alleviates some near-term pressure on the State budget by supporting New Yorkers in need. Both houses' proposals do not leverage these opportunities, and instead increase, and do not restructure, spending.

Both houses propose to increase education aid significantly, offering multi-year plans to increase aid to all districts. These additional funds are not needed to provide all New York students the resources required for a [sound basic education](#). The State has provided well over \$1 billion annually to districts that already raise enough resources locally to provide a sound basic education. State increases should be directed toward high need districts, and support for districts raising sufficient local resources should be held flat or reduced. The Foundation Aid formula should be modernized to account accurately for support by local resources. The Executive Budget proposed to use funds from the December federal relief package to increase total school aid 7.1 percent for school year 2021-22. The American Rescue Plan will provide even more funds for elementary and secondary education. To the extent allowed, these funds should be spread over the coming years to support the transition to a sustainable system that supports a sound basic education for all students.

Both houses also propose to increase Medicaid spending significantly. The past year has highlighted the problems associated with the health system's lack of coordination and disparate outcomes. Still, New York cannot afford a return to the pre-pandemic situation where Medicaid was causing severe fiscal stress. The State should [revive the MRT](#) and expand its charge to Health System Transformation—first, to identify additional Medicaid efficiencies and program redesign and to fix, rather than eliminate, the Global Cap, then to develop a long-term plan to improve the effectiveness, efficiency, and equity of New York's public health, primary and acute health care delivery, long-term care, and behavioral health systems.

As budget negotiations accelerate over the next two weeks, New York's future would be best strengthened by [enacting a budget](#) that eliminates harmful spending cuts, builds long-term fiscal stability by prudently budgeting federal aid, restructures school aid to focus resources on needy districts, curtails unproductive economic development programs, and does not raise income and business taxes.”