LOWEST STATE SPENDING INCREASES IN HISTORY

ANNUAL INCREASE

Rockefeller/Wilson 1959 - 16 YEARS

11.1%

Carey 1975 - 8 YEARS

7.9%

M. Cuomo 1983 - 12 YEARS

6.9%

Pataki 1995 - 12 YEARS

5.2%

A. Cuomo 2011 - 7 YEARS

1.4%

4.1% INFLATION
Because we controlled spending, we were able to lower taxes.
Today every New Yorker pays a lower tax rate than they did seven years ago.

- Corporate tax rates lowest since 1968
- Manufacturing tax rates lowest since 1917
- And middle class tax cut for the New Yorkers who need it the most -- lowest since 1947
This year, we are giving the average New Yorker a tax cut of $250.
When fully phased in, the savings will rise to $698.
Our statewide unemployment is down from 8.3% 7 years ago to 4.6% today.
UNEMPLOYMENT DOWN ACROSS THE STATE
FY 2019 Executive Budget
By the numbers
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Budget Gap – FY 2019</td>
<td>$4.4 billion</td>
</tr>
<tr>
<td>Baseline Spending Growth – 4.8%</td>
<td>$4.7 billion</td>
</tr>
<tr>
<td>Spending Reductions to Stay at 2%</td>
<td>$2.7 billion</td>
</tr>
<tr>
<td>Budget Gap Remaining After 2%</td>
<td>$1.7 billion</td>
</tr>
</tbody>
</table>
Surpluses/Gaps at 2 Percent Growth

<table>
<thead>
<tr>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>530</td>
<td>1,079</td>
<td>678</td>
<td>388</td>
<td>243</td>
<td>252</td>
<td>187</td>
<td>1,737</td>
</tr>
</tbody>
</table>
TWO YEARS OF REVENUE REDUCTIONS

FY16  FY17  FY18  FY19

$64B  $70B  $78B

JAN-16  JAN-17  JAN-18
ELIMINATES THE 2019 BUDGET GAP

• $2.7 billion in spending reductions
• $0.7 billion in new resources
• $1.0 billion in revenue actions
• Holds spending increase to 1.9% - lower than 2% growth cap
PROPOSED Sending AT 1.9 PERCENT

Current Year Estimate: $98.1

2019 "Current Services" Before Actions: $102.8 (+4.8%)

$2.7 Billion Spending Reduction Needed to Achieve 2% Growth

2019 Proposed Spending: $100.0 (+1.9%)

$1.9 Billion Proposed Spending
### SUMMARY: STATE OPERATING & ALL FUNDS

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Operating</strong></td>
<td>$98.1B</td>
<td>$100.0B</td>
<td>$1.9B</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>All Funds</strong></td>
<td>$164.4B</td>
<td>$168.2B</td>
<td>$3.8B</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

Excludes extraordinary Federal aid and storm disaster relief.
<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Operating</td>
<td>$98.1B</td>
<td>$100.0B</td>
<td>$1.9B</td>
<td>1.9%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$18.3B</td>
<td>$18.9B</td>
<td>$593M</td>
<td>3.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(3.2% growth cap)</td>
</tr>
<tr>
<td>School Aid</td>
<td>$25.6B</td>
<td>$26.4B</td>
<td>$769M</td>
<td>3.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1.5% growth cap + $384 M)</td>
</tr>
<tr>
<td>Executive Agencies</td>
<td>$10.0B</td>
<td>$10.0B</td>
<td>$80M</td>
<td>0.8%</td>
</tr>
<tr>
<td>All Other</td>
<td>$44.2B</td>
<td>$44.7B</td>
<td>$409M</td>
<td>0.9%</td>
</tr>
</tbody>
</table>
HOW IT GROWS

- SCHOOL AID: 3.0%
- MEDICAID: 3.2%
- OPERATIONS: 0.8%
- DEBT SERVICE: 0.3%
- ALL OTHER: 1.0%
CLOSING THE GAP

• Opioid Epidemic Surcharge: 2 cents per milligram to fund the Opioid Prevention and Rehabilitation Fund.

• Health Tax on Vapor Products: 10 cents per fluid milliliter on vapor products at the distributor level.

• Internet Fairness Conformity Tax: apply tax policy uniformly to online sellers by requiring marketplace providers to collect a sales tax.
• Invest $26.4 billion in School Aid.

• Represents a $769 million annual increase in School Aid, doubling the statutory School Aid growth cap.

• School Aid will have increased by 35% since 2012.
INVESTING IN HEALTH CARE

- Fund Medicaid at 3.2% growth, consistent with the growth cap.
- Continue Medicaid Redesign Team efforts to improve health of New Yorkers at a sustainable cost.
- Build on investments in health care infrastructure.
- Protect vital services in the face of Federal reductions.
## STATEWIDE INVESTMENTS

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTA Capital Plan</td>
<td>$29.9 billion</td>
<td>Over 5 Years</td>
</tr>
<tr>
<td>Roads and Bridges Capital Plan</td>
<td>$29.2 billion</td>
<td>Over 5 Years</td>
</tr>
<tr>
<td>Subway Action Plan</td>
<td>$836 million</td>
<td>Over 2 Years</td>
</tr>
<tr>
<td>Housing and Homelessness</td>
<td>$20 billion</td>
<td>Over 5 Years</td>
</tr>
<tr>
<td>Clean Water Infrastructure Act</td>
<td>$2.5 billion</td>
<td>Over 5 Years</td>
</tr>
<tr>
<td>REDC Round VIII</td>
<td>$750 million</td>
<td>FY 2019</td>
</tr>
<tr>
<td>Upstate Revitalization Fund</td>
<td>$1.7 billion</td>
<td>Over 5 Years</td>
</tr>
<tr>
<td>Downtown Revitalization Initiative</td>
<td>$100 million</td>
<td>FY 2019</td>
</tr>
<tr>
<td>Environmental Protection Fund</td>
<td>$300 million</td>
<td>FY 2019</td>
</tr>
<tr>
<td>State Parks</td>
<td>$90 million</td>
<td>FY 2019</td>
</tr>
<tr>
<td>I ❤ NY/Taste NY</td>
<td>$74 million</td>
<td>FY 2019</td>
</tr>
<tr>
<td>Opioid Epidemic</td>
<td>$200 million</td>
<td>FY 2019</td>
</tr>
<tr>
<td>Raise the Age</td>
<td>$100 million</td>
<td>FY 2019</td>
</tr>
</tbody>
</table>
State debt declined for 5 consecutive years and is projected to continue to be below when the Governor took office.
LOWEST DEBT BURDEN SINCE THE 1960s

State debt as percent of NYS personal income
The main issue for 30-Day Amendments is to Protect New Yorkers from the Federal limitations on SALT
NY SENDS THE MOST TO WASHINGTON

NY Contributes more to the Federal Government than any other state – net $48B. We are the #1 donor state. Federal bill has New Yorkers picking up an even larger share.
Sen. Daniel Patrick Moynihan annually published a report called the *fisc* on the imbalance of finances that afflicts New York.
The cap on SALT deductions costs New York $14.3 billion.
Some New Yorkers have suggested that the Federal changes will be good for them or their communities.
Elimination of full SALT harms every New Yorker
Why is SALT bad for ALL New Yorkers?

Reason #1:
It’s a statewide problem

According to the State Comptroller, 52 of New York’s 62 counties have average SALT above $10,000. SALT impacts people in every community.
Why is SALT bad for ALL New Yorkers?

Reason #2:
Statewide, average SALT is $22,168

According to the State Comptroller, citing IRS data, the average New York taxpayer has SALT deductions that are more than twice the $10,000 cap.
Why is SALT bad for ALL New Yorkers?

Reason #3:
New York is has a higher percentage of “losers” than any other state.

New York has the largest percentage of taxpayers getting a tax hike of any state.

Source: Institute of Taxation and Economic Policy
Why is SALT bad for ALL New Yorkers?

Reason #4: New York is paying for tax cuts for other states.

New York represents 7.3 percent of the pre-cut tax base but we’re only getting 5.1 percent of the cuts, by far the worst relative share of any State.

Source: Institute of Taxation and Economic Policy
Why is SALT bad for ALL New Yorkers?

**Reason #5:**
For most taxpayers receiving a federal tax cut, it’s temporary.

The benefits that do exist for middle class taxpayers are temporary, expiring in 2025. By 2027, 53 percent of taxpayers will actually pay more tax than before the law.

*Source: Tax Policy Center*
Reason #6: Relative to the wealthy, middle class taxpayers are getting poorer.

The largest cuts are going to high-income taxpayers. As a share of total wealth, middle class taxpayers – even those getting a tax cut – are getting poorer because of the modest size of their cut.
Why is SALT bad for ALL New Yorkers?

**Reason #7:**
SALT is decimating middle class home values – stealing amassed wealth.

Home values are the principle source of wealth for our middle class. According to Moody’s, home values in many New York counties will drop by as much as 10 percent. Along with New Jersey, this is the largest impact of any State.
Why is SALT bad for ALL New Yorkers?

Reason #8: SALT threatens the state budget.

SALT encourages high-income New Yorkers to move to other states. If even a small number of high-income taxpayers leave the state it would cripple our revenues, leading to large budget deficits.
By shrinking the State tax base, SALT will impact funding for many programs that New Yorkers depend on, including School Aid, Medicaid and a wide range of services.
Why is SALT bad for ALL New Yorkers?

Reason #10:
It threatens jobs by making New York less competitive.

Capping SALT makes NYS and NYC relatively more expensive places to live, effectively increasing the State and City income tax rate. Anyone’s job could be tied to someone who is now reconsidering New York.
30-Day Amendments to the FY 2019 Executive Budget
Create a new employer compensation expense tax
EMPLOYER COMPENSATION EXPENSE TAX

- Federal Law limits deductions for individuals – employer side taxes on payroll remain deductible.

- To maximize deductibility, provide an option for employers to protect their employees.
Employers could opt-in, annually, with the first enrollment deadline October 1, 2018.

Employers would be subject to a 5% tax on all annual payroll expenses in excess of $40,000 per employee.

Program is phased in over three years beginning on January 1, 2019.

1.5% in first year, 3% in second year, 5% in third year.
Employees receive a tax cut on their wages via new tax credit to ensure no decline in take-home pay.

Progressive personal income tax system remains in place.

Designed to be revenue neutral for the state.

Gives employers the opportunity to reduce their employees’ federal taxes while keeping overall business expenses unchanged.
It costs employers nothing. Their employees are protected from federal tax increases.
Expand Charitable Contribution Options
EXPAND CHARITABLE CONTRIBUTION OPTIONS

• Legislation creates two new Charitable Contribution Funds to accept donations to fund health care and education programs.
• Taxpayers who itemize deductions could claim these charitable contributions as deductions on their Federal and State tax returns.
• Any taxpayer making a donation could also claim a State tax credit equal to 85 percent of the donation amount for the tax year after the donation is made.
Contributions offer federal deduction and an offsetting state tax credit.
LOCAL OPTION:

- The amendment authorizes school districts and local governments to create charitable funds for education and health care, respectively.
- Donations to these funds would provide a reduction in local property tax bills (via a local credit) equal to a percent of the donation.
30-DAY AMENDMENT

Decouple from Federal Tax Law
Avoid more than $1.5 \text{ billion} in State tax increases brought solely by increases in Federal taxes.

- Decouple from the Federal $10,000 cap SALT ($441M).
- Decouple from other Federal deduction changes ($269M).
- Decouple to maintain the State single filer standard deduction. Without this change, single filers would not be able to take the standard deduction on their State return ($840M).
NEW YORK STATE
EXCELSIOR
EVER UPWARD

Robert F. Mujica, Jr.
NEW YORK STATE DIVISION OF THE BUDGET