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CBC Statement on NYS Executive Budget for FY2019

New York, NY - January 17, 2018 - Today, CBC President Carol Kellermann issued a statement on behalf of the Citizens Budget Commission regarding the New York State Executive Budget for Fiscal Year 2019:

Governor Andrew Cuomo's State Fiscal Year 2019 Budget was released yesterday and, while details continue to emerge, the overall approach is to use short-term fixes that do not address the long-term structural problem of spending outpacing revenues. The budget gap is being closed with one-time resources, such as settlement funds and speculative revenues from possible health insurance company conversions to for-profit entities. While agency spending growth is again held flat, school aid and Medicaid continue to grow without needed reforms.

Areas of most concern include:

Economic Development Spending: Despite a lack of tangible success, the Governor continues to propose excessive spending on economic development initiatives, including a \$300 million High Technology Innovation and Economic Development Infrastructure Program and \$600 million for a life sciences laboratory in the Capital District. The Governor and Legislature need to [adopt significant reforms](#) to the State's economic development program.

Health Insurance Conversion Proceeds: The Financial plan includes \$3 billion in revenue attributed to non-profit health insurers converting to for-profit status. These conversions may not occur and the method for estimating the revenue they would generate is not specified. If the assumptions are not met the State's operating budget will be short \$2 billion, and \$1 billion would not be available to offset the loss of federal healthcare subsidies.

Unjustified Shift of MTA Costs to New York City: The Executive Budget asserts the responsibility for funding New York City subway and bus capital improvements should rest solely with the City of New York, which would require a sevenfold increase in City capital contributions. In addition, the Metropolitan Transportation Authority (MTA) would be authorized to establish Transportation Improvement Districts within New York City that capture revenues from rising property values-without the City's approval. These proposals are an attempt to impose an onerous cost shift onto New York City residents and businesses, who already pay an estimated [72 percent of MTA dedicated taxes and subsidies](#).

Executive Power to Cut the Budget: If threats to federal revenue for Medicaid and other programs are real, the budget should be conservative in its forecasts and include spending constraints. Instead the proposal defers making difficult choices by extending the authorization for the Division of the Budget to cut state spending if federal Medicaid revenues decline by more than \$850 million, or if all other federal revenues decline by \$850 million. In addition, the Governor has proposed authorization to cut local aid by up to 3 percent if state tax revenues fall short of expectations by \$500 million or more.

Tax Credit Deferral: The Executive Budget would defer, for up to three years, businesses tax credits that exceed \$2 million, shifting \$82 million of liability out of fiscal year 2019, but creating larger budget gaps in future years.

Education Aid: A 2 percent cap on the growth of expense-based aid is a welcome proposal, but fundamental reforms to the Foundation Aid Formula are not proposed. The Governor's Foundation Aid proposal is based on the existing \$17 billion [flawed distribution](#), with only minor adjustments to the \$338 million increase.

Design-Build Authorization: While the proposal expands the number of state agencies and authorities that can use this tool, authority has not been granted to New York City.

Worthwhile initiatives include:

Congestion Pricing: The concept of a congestion zone is promising, but details are needed, especially how much revenue will be provided for the MTA.

Response to Federal Tax Changes: The Governor is being appropriately judicious in crafting a response to the recently enacted federal tax law. The law was passed only a month ago and the State's response should be thoughtful and pragmatic. CBC has formed a [special committee](#) to evaluate the impact of the tax law and options to respond.

Retiree Health Insurance: The Executive Budget includes a [number of reforms](#) to provide needed long-term savings, including ending reimbursement of Medicare premiums for high income earners and capping Medicare reimbursement at current rates.

Spousal Refusal: The Governor has once again proposed [the repeal of spousal refusal](#), which allows an individual to refuse to pay the medical bills of a spouse or dependent.

Extension of Sales Tax to All Internet Purchases: This is a fair and appropriate broadening of the sales tax base.

About Citizens Budget Commission

The Citizens Budget Commission (CBC) is a nonpartisan, nonprofit civic organization whose mission is to achieve constructive change in the finances and services of New York City and New York State government. CBC's mission is rooted in serving the citizenry at large, rather than narrow special interests; preserving public resources, whether financial or human; and focusing on the well-being of future New Yorkers, the most underrepresented group in city and state government.