



CBC Statement on NYS Legislative Budget Proposals for Fiscal Year 2022

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New York, NY – April 6, 2021 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

“Today, New York State’s leaders announced their fiscal year 2022 budget agreement. This budget has been forged as the pandemic continues to affect the public’s health and economic well-being, and as unprecedented federal aid to the State and New Yorkers combines with stronger than expected State tax revenues. These resources provide the important opportunity to help New Yorkers in need, reverse planned budget reductions, and stabilize the State’s finances now and over the long-run.

Unfortunately, the State’s leaders did not appropriately leverage the opportunity provided by the infusion of funds to stabilize New York’s fiscal picture and maintain its economic competitiveness, which would best sustain the State’s ability to help all New Yorkers over time. Despite having \$22 billion more in funds available over the next two years than when the Governor proposed the budget in January, leaders agreed to raise personal income and business taxes and to use some portion of federal funds to inflate spending that likely cannot be supported in the out-years.

The tax increases simply are unnecessary and economically risky. Sufficient resources already are available to New York’s governments, people, businesses, and institutions to address the continued substantial needs. Additionally, the tax increases both provide incentive for highly taxed New Yorkers to leave or not return to the State, and increase the cost of doing business here. Furthermore, using temporary federal funds to support recurring spending sets the stage for future budget cuts or tax increases when the federal aid is exhausted.

Lawmakers agreed to raise personal income and corporate taxes over \$4.3 billion annually. Combined with New York City’s local taxes, the State’s top personal income tax rates now will be the highest in the country. This raises the departure risk of individuals that support a substantial portion of State spending at a time when the recovery is fragile and many have been able to successfully live and work outside New York. Corporate taxes, which are already the highest in the

nation when combined with NYC and MTA taxes, will be increased another 0.75 percentage points, further increasing the cost of doing business in New York, which may be partially passed on to consumers.

Planned All Funds spending vaults to \$212 billion—a massive increase. Supported partly by non-recurring federal aid and the tax increases, school aid will see its largest increase in recent history, likely over \$5 billion. Some of these funds will be used appropriately for one-time needs associated with the learning gaps created and widened by the pandemic. However, over the long run this budget fails to balance much greater targeting of school aid to districts with the greatest needs with long run fiscal sustainability, instead continuing to send billions of dollars to districts that already support a sound basic education with their own local resources and overly supplementing other wealthy districts. Furthermore, this education aid increase is not combined with a plan to measure impact. New Yorkers deserve to know how the massive spending increase will improve learning and social outcomes for students.

The budget extends the Medicaid Global Cap for one year—a welcome change from the original legislative proposals—and appropriately rejects the Governor’s proposal to cut New York City’s public health matching funds. The pandemic has laid bare the problems of an uncoordinated, costly health system that yields poor, disparate outcomes for too many. Medicaid spending growth was already unsustainable before the pandemic, and efforts to improve the system and make it fiscally sustainable are crucial to the State’s health and fiscal futures. The State should empanel a Health System Transformation team to reform the Global Cap, address long term Medicaid spending, and focus on health system-wide reforms to restrain cost, reduce disparities, and improve quality.

Importantly, New York State does not produce a financial plan—the elemental fiscal representation of the budget—until weeks after the agreement is announced and bills are passed. We await the enacted budget financial plan, which will identify the budget’s contents and long run implications. It is critical that the enacted budget report identify how the federal funds are being used, so New Yorkers can determine if those uses are wise and how they affect New Yorkers now and the State in the long-run. Overall, the budget grows significantly and rapidly, temporarily inflated by one-time federal relief, and it is devoid of systemic improvements needed to make recurring spending sustainable and maximize New York’s competitiveness.”