THE STATE BUDGET---WHAT HAPPENED?

In December, 2018 the New York State Council of Churches submitted to our law makers the New Hope, New York Budget Principles which offered them guidance on creating a moral budget. The Principles were developed in collaboration with the Fiscal Policy Institute, Strong Economy for All, the Labor-Religion Coalition of New York, Metro-New York Health and 26 other organizations. Now that the New York budget has been approved, we wish to take this opportunity to see how our lawmakers measured up and what we can learn from this experience as we go forward.

The bright spot in the budget was the passage of the criminal justice reform package to drastically lessen the use of cash bail and put in place strong discovery and speedy trial reforms. For the thousands of New Yorkers who have been needlessly incarcerated, passage of these reforms is such a welcome development. In the end, our lawmakers did not succumb to grandstanding for a bad bill but put in place really strong reforms which avoided the pitfalls of other states like California which passed very flawed laws. As Speaker Heastie said he wanted to do this right. Albany delivered. We thank Katal Center, Public Defenders Association, Trinity Wall Street, Central Synagogue, Riverside Church, the Presbytery of New York, #FREENewyork and many, many other individuals and groups for helping bring about this reform.

One wishes the bold steps that were taken by law makers around criminal justice reform could be seen when it came to the rest of the budget. The New Hope, New York Principles identified massive wealth inequality in the state and asked the very wealthy, who overwhelmingly benefited from the Federal Tax Cut and Jobs Act, to contribute more to the budget. We applaud the passage of congestion pricing, the internet sales tax, and some modest revenue from the imposition of a real-estate transfer tax and mansion dedicated to the MTA. For the most part, however, the very wealthy, unlike most other New Yorkers, were not asked to contribute more. No carried interest fairness fee (3.5 billion loss) No Ultra-Millionaires Tax ($2.1B loss), and no Pied-a-Terre Tax ($650M loss).

The result of our state’s failure to ask very wealthy to pay more is predictable. Most grievous was that the human service sector of the budget was flat lined or cut as it has been since 2011. There were a lot of casualties, but a few examples highlight the problem. The majority of the human services workforce was once again denied a Cost of Living Adjustment (COLA) in the budget for what is now 10 years running with the exception of direct care workers. The final budget also included less than half the funding needed to bring human service contracts up to the minimum wage. The proposed 20 million-dollar increase in child care subsidies was also cut out of the budget. No additional funding, beyond a small pilot program, was included for the bi-partisan Home Stability Support Act which would be cost effective in keeping people in their homes and would have substantively addressed the homeless crisis.

Education, to be sure, received an increase targeted to the poorer school districts but the figure fell far short of taking a significant step needed towards fulfilling the state’s commitment to foundation aid. Health care saw a 3.6% increase, but this was just to keep pace with increased
costs and did not result in relieving additional health care burdens including health care for immigrants and help with paying for high deductible policies.

If revenue would have gone up, the above austerity would not have been necessary. The other dynamic, however, was the imposition of the 2% spending cap which means that if you go above 2% of the budget for education and health care, the rest of the budget gets flat-lined or cut. This cap creates a situation where groups with legitimate needs must compete for one piece of pizza. Lifting the cap and adding revenue would stop this “hunger games” dynamic where the very wealthy who are not doing their part while watch everyone else, with legitimate claims, fight it out for a limited resource pie.

The principles also highlighted the need for significant tax relief. Property taxes in most parts of the state are too high because the state cost shifts its responsibilities onto counties and towns who must figure out how to pick up the burden. This has resulted in high property taxes. The “solution” offered was to cap property taxes at two percent or the rate of inflation whichever is less. This is an austere political gimmick which does not provide real property tax relief. Instead of asking the very wealthy to give a bit more so the state can pick up more of its responsibility and relieve burdens on homeowners, we force towns to come up with other revenue sources like fines and fees to make up for the lost revenue from property taxes because of the cap. The people who end up shouldering the most burden are the poor who can least afford these fines and fees while offering no significant relief for over taxed homeowners many of whom are on fixed incomes. These higher taxes are the consequence of not asking the wealthy to do more.

One obvious systemic solution to wealth inequality is to institute a small donor matching system. For example, when you have politicians in a poorer rural district having to beg hat in hand for donations from say the real estate or charter school industry which is centered far away from those districts, those politicians are less inclined to represent their constituents as they seek to keep their big money donors happy. The result is that we make costly budget decisions to favor the wealthy with lower taxes and sweet heart economic development deals than spending the money on what makes economic and social sense. The recent lobbying efforts of the big donors who made sure there was no ultra-millionaires tax and carried interest fee, and the work of the real estate industry to pull the Pied d’ Terre Tax off the table was a graphic illustration of the cost of not having a small donor system. Poor people don’t get high powered lobbyists and end up holding the bag.

One can hope that the public financing commission will propose reforms that will allow for constituents, through their small donations, to make the primary claim on the people they elect. We are concerned, however, that the commission will be used as a political cover to kill public financing. There is also the danger the commission will be ruled unconstitutional which would further delay passage of reforms in the legislature where the decision properly belongs. We are hoping for the best but there is good reason for us to remain skeptical and vigilant in our advocacy.

Finally, Albany failed to take even modest steps to address the abuse and inefficiencies of its economic development programs. A data base of deals was passed but it is rather toothless
since it conceivably will still not provide the public the most transparent information about the return they are receiving from businesses in terms of promised jobs. It’s important to note that the congestion pricing plan, which does not come under the rubric of economic development, offers one of the most cost effective programs because the parts and subways cars for the MTA made in upstate New York will result in thousands more good jobs than was offered up by the more-costly Buffalo Billion and Amazon proposals. MTA investment is an example of economic development approaches that do work.

Where do we go from here as we look towards the 2020 budget? Here are some initial thoughts.

1. An all-out campaign to add the ultra-millionaire’s tax, impose a Carried Interest fee, keep the stock transfer tax we already collecting and impose a stock buyback. None of these taxes impact the vast majority of New Yorkers but it will make all the difference in the budget to address wealth inequality which is greater in New York than any other state in the union.

2. We must lift the 2% spending cap to help the state assume more of its responsibilities and not cost shift to the cities and counties making property tax relief and funding of needed services and infrastructure development much more difficult.

3. We need to be sure we put in place a strong public financing system so politicians are making more cost-efficient policy choices which are not primarily designed to appease big donors.

4. We need to revisit how we use our economic development dollars and consider more bottom up investments in clean energy, housing, roads, mass transit, job training and other infrastructure.

These moves and some others will allow the state to pick up more of its responsibility for county and town costs to offer really property tax relief for home owners and businesses while more properly funding human services, health care and education which not only lift people up out of poverty but are better economic drivers than misguided economic development programs.