



A LOOK AT THE CARING ECONOMY, ECONOMIC DEVELOPMENT, STATE FINANCES AND TAX PROVISIONS IN INFLATION REDUCTION ACT

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CHILDCARE AND HOME CARE ARE ECONOMIC DEVELOPMENT

NEW YORK STATE AND ITS LOCAL GOVERNMENTS CURRENTLY SPEND IN THE NEIGHBORHOOD OF \$10 BILLION ANNUALLY ON A BROAD ARRAY OF ECONOMIC DEVELOPMENT PROGRAMS, LARGELY BENEFITING BIG BUSINESSES, WITH RESULTS THAT LEAVE MUCH TO BE DESIRED. IT'S TIME FOR NEW YORK TO BEGIN TO REDEFINE "ECONOMIC DEVELOPMENT" AS IMPROVING THE QUALITY OF LIFE FOR REGULAR NEW YORKERS AND CHALLENGE TRADITIONAL TAX ABATEMENT AND CORPORATE SUBSIDY STYLE ECONOMIC STIMULUS.

CHILD CARE IS ECONOMIC DEVELOPMENT

- Businesses Need Child Care!
- REDC's already acknowledge Childcare as Economic Development
- A report from the Federal Reserve Bank of Minneapolis demonstrated that early childhood investments provide an amazing return on investment, up to \$16 in benefits
- early childhood education programs attracts homebuyers and increases property values by \$13 for every dollar invested
- reduces grade retention and is shown to save school systems money for K-12 education
- lower rates of incarceration (46% reduction), lower rates of arrest for violent crimes (33% reduction) and a reduced likelihood of receiving government assistance (26% reduction).

HOME CARE IS ECONOMIC DEVELOPMENT

- Rigorous academic studies have found that public funding to raise home care wages would require significant resources, but those costs would be surpassed by the resulting savings, tax revenues, and economic spillover effects.
- Raising Wages to 150% of the current state minimum wage would result in:
 - net economic gain of nearly \$6.3 billion annually when fully phased in with 50% of costs being paid by the federal government
- Raising wages will also reduce turnover and increase productivity among home care workers. This effect would produce a projected \$2 billion in savings in the first full year.
- Would create over 200,000 home care (and 176,000 additional) jobs over the next 10 years and lift 200,000 workers out of poverty.
- 42% of the home care workforce live in poverty

CARING ECONOMY/HUMAN SERVICES

- Homecare workers: Will receive a \$3-an-hour boost to the wages of home health care workers. They will receive a \$2-per-hour raise this October, and an additional \$1-per-hour raise next year. Home care advocates, had been pushing for a wage increase up to 150% of the local minimum wage.
- Childcare: The budget includes \$7 billion (in reallocated and reappropriated funds) over the next four years in [economic support for child care centers](#) and tuition subsidies for low- and moderate-income families. In August, eligibility for state-funded tuition subsidies will be extended from 200% of the federal poverty level to 300%, or about \$83,000 for a family of four
- Human Services: \$500 million will be dedicated to 5.4% cost-of-living adjustments to raise wages for human services workers.

- **Childcare/Early Childhood Workforce:** The early childhood workforce in New York State is 96 percent female. In addition, over half of the overall early childhood workforce identifies in racial categories other than white, with 23% identifying as Latinx, 17% as Black, 7% as Asian, and 9% as other. New York's gradual adoption of a \$15/hour minimum wage has created some improvements in compensation; however, nearly two-thirds (65%) of childcare worker families across the state receive support from one or more public income support programs.
- **Homecare Workforce:** Fully 91% of direct care workers are women and nearly 77% are women of color. Despite their important contributions to long-term care and the broader economy, economic self-sufficiency remains an elusive goal for many direct care workers. Median annual earnings for these workers in New York State are only \$21,100. As a result of low wages and annual earnings, 45 percent of the state's direct care workers live in or near poverty (below 200 percent of the federal poverty level) and 51 percent rely on public assistance.
- **Human Service Workforce:** Human services workers are overwhelmingly female (66%), over two-thirds are full-time workers of color (68%), and nearly half (46%) are women of color. As such, pay disparities in this sector have important consequences for race and gender equity. New York State's statutory cost of living adjustment (COLA) was deferred for over a decade which stripped essential human services workers of over a half-billion dollars in pay. Poverty pay in the core human services sector means that 15% of all workers (both full- and part-time) qualified for food stamps in 2016-18.



A LOOK AT THE ADOPTED 2022- 23 NYS BUDGET FOR NYFA

THE BIG PICTURE

- Total Spending: \$220 billion – larger than last years \$216 billion budget but less when you account for inflation.
- Reserves (\$5 billion): increase New York's reserves to 15% of the state's operating funds by 2025, through a \$5 billion deposit to the state's reserve funds this year, and another \$5.3 billion over the next two years
- The new state budget reflects robust tax revenue growth and an unprecedented infusion of federal money.

REVENUE ACTIONS

- **Middle Class Tax Cut:** The final budget speeds up the time frame on income tax cuts for middle-class New Yorkers. The cuts began in 2018 and were scheduled to continue through 2025. The budget implements all the remaining cuts in 2023, at an estimated cost of \$162 million for the state over the next fiscal year.
- **Gas Tax Holiday (\$585 million)** New York will suspend the state sales tax imposed on fuel, the motor fuel tax, and the metropolitan commuter transportation district sales tax imposed on gasoline and highway diesel from June through December 2022.

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REVENUE ACTIONS

- **Small Business COVID Relief:** The Budget provides support for New York's small businesses, including a new capped refundable tax relief program targeting COVID-19-related expenses. The program provides up to \$250 million in additional relief to small businesses.
- **Property Tax Rebates:** Basic STAR exemption and credit beneficiaries with incomes below \$250,000 and Enhanced STAR recipients are eligible for the property tax rebate where the benefit is a percentage of the homeowners' existing STAR benefit. This \$2.2 billion investment is anticipated to help approximately 2.5 million homeowners.

ECONOMIC DEVELOPMENT

- Database of Deals
- Audit of ESD Programs
- Buffalo Bills Stadium

Most important points about the Database of Deals bill:

- **Brings sunlight to an estimated \$4-5 billion in annual state spending on business incentives.** We currently do not exactly how much NYS spends on EconDev, who receives it, and whether or not jobs are being created.
- **Mandates that Empire State Development maintains a database.** ESD's current "Database of Economic Incentives" could be shut down at any time and leaves out crucial subsidy information (more on that later).
- **Contains a uniform definition of job.** Many press releases from the Governor's office or ESD celebrate the creation of "jobs," without noting whether or not these are full-time, part-time, or temporary jobs (example: Film/TV tax credits).

Other facts worth noting:

- In an October 2021 [audit](#), New York State Comptroller Tom DiNapoli found ESDC “does not evaluate its economic assistance programs to ensure they are meeting their intended goals.”
- Most studies find that business subsidies are not an effective way of creating jobs. A meta-analysis by Tim Bartik at the Upjohn Institute for Employment Research found that subsidies affect where businesses decide to locate [at best 25% of the time](#), and at worst 2%.
- A Database of Deals is not a novel concept. NYC maintains a database, and other states such as Florida, Indiana, Illinois, North Carolina, and Maryland do as well.

LOOKING TO NEXT YEARS BUDGET

- DOB is projecting All Funds receipts to total \$212.3 billion in SFY 2022-23, a decline of \$32.1 billion or 13.1 percent from actual collections in SFY 2021-22. **The decline is primarily in personal income tax (PIT) collections, mostly attributable to credits related to the new Pass Through Entity Tax (PTET) enacted in 2021, which are expected to cease in SFY 2026-27.**
- Despite DOB's weaker economic forecast, SFY 2022-23 revenues are estimated by DOB to be \$623 million higher than those projected in the Executive Budget (published in February). This is primarily due to federal receipts that are anticipated by DOB to be \$3.3 billion higher, largely resulting from the timing of certain federal reimbursements that were expected to occur in SFY 2021-22 but are now expected in SFY 2022-23, partially offset by lower projected tax revenues and miscellaneous receipts.

FUTURE SPENDING RISKS ACCORDING TO COMPTROLLER

- The Financial Plan assumes Medicaid enrollment will peak at nearly 7.7 million in SFY 2022-23 and return to near pre-pandemic levels of 6.1 million in SFY 2023-24, if Medicaid enrollment declines at a slower rate than projected or fails to decline as much as projected, the State will incur significant additional costs.
- There is also a risk that pandemic recovery initiatives such as the ERAP and health care bonus payments, currently expected to be non-recurring, will be continued.

INFLATION REDUCTION ACT: TAX PROVISIONS

- Imposes a 15 percent minimum tax on corporate book income for corporations with profits over \$1 billion, effective for tax years beginning after December 31, 2022.
- Creates a 1 percent excise tax on the value of stock repurchases during the taxable year, net of new issuances of stock, effective for repurchases after December 31, 2022. Excluded from the tax are stock contributed to retirement accounts, pensions, and employee-stock ownership plans (ESOPs).

