



NEW YORK STATE LEGISLATURE

March 10, 2022

Honorable Kathleen Hochul
Governor of New York State
State Capitol Building
Albany, NY 12224

Re: FY 2023 NEW YORK STATE BUDGET

Dear Governor Hochul:

In anticipation of the 2022 Legislative Session, the Senate Republican Conference unveiled the “**Take Back New York**” plan to make our State a better, safer, freer, and more prosperous place. The plan is a commitment to responsible stewardship of tax dollars – bolstering key segments of our economy and supporting vulnerable populations in all of our communities. The FY2023 Budget must focus on:

- Making New York Affordable for All;
- Building a Stronger Workforce for a Stronger Economy;
- Improving our Business Climate and Expanding Economic Opportunity;
- Ensuring Access to a Quality Education for our Students;
- Investing in Infrastructure for the 21st Century and a Clean Energy Future;
- Fighting for a Safer New York; and
- Supporting and Protecting New York’s Vulnerable Populations.

With this in mind, the Senate Republican Conference is advancing the following items as key priorities that must be considered and/or addressed in the FY2023 Enacted Budget:

MAKING NEW YORK AFFORDABLE FOR ALL

Rejecting Tax Increases: The FY 2023 Executive Budget Financial Plan projects a surplus of \$11.5 billion for FY 2022 and FY 2023. More recently, the Consensus Revenue Forecasting process identified an additional range of \$800 million to \$1.2 billion in projected available funds.

This massive, unprecedented influx of funds clearly means that any potential new tax increases can and must be avoided in the final enacted budget. In fact, given New York’s extraordinarily high tax burden, as well as the inflationary pressures now hurting millions of hardworking New Yorkers, the final State Budget should deliver major new tax relief. Simply put, with a surplus of this magnitude there is simply no excuse for lawmakers to enact a budget that fails to cut taxes for New York’s overburdened families and small businesses.

Delivering Gas and Fuel Tax Relief: Throughout New York State, prices at the gas pump are now skyrocketing each and every day. At the same time, millions of homeowners are being rocked by huge increases in monthly utility bills. To address these staggering new costs, our Conference proposes:

- Suspending the State’s gas taxes. This would provide savings of approximately 35 cents per gallon of gasoline.
- Rejecting the outrageous proposal advanced by Senate and Assembly Democrats that would increase gas taxes by 55 cents per gallon.
- Providing nearly \$300 million in energy tax relief by eliminating the two-percent gross receipts tax and the underlying 18-A Assessment on utility bills; and
- Creating a refundable heating tax credit of \$300 per individual making under \$125,000 in annual income and \$600 per married couple making under \$250,000 in annual income.

Providing Relief to Middle-Class Taxpayers: We support the Executive’s proposed acceleration of the Senate Republican Majority-initiated Middle-Class Tax Cuts, which will now be fully phased-in by the 2023 tax year. Especially given the state’s massive surplus, coupled with the inflationary pressures now hurting New Yorkers, this accelerated, \$4.2 billion Senate Republican tax cut must be included in any final budget agreement.

In addition, we should also eliminate “tax benefit recapture” provisions for middle-class taxpayers. New York is one of only a handful of states that have such provisions. This would save middle-class taxpayers roughly \$650 million while also simplifying our tax code and ending a regressive practice.

Targeting Inflation: New Yorkers are facing a cost crisis due to 40-years highs in inflation.[1] To provide relief the FY2023 budget should index New York’s income tax brackets, standard deduction, and dependent exemptions to inflation. Adjusting tax brackets for inflation would prevent further “bracket creep” and “stealth tax increases” that hit taxpayers with higher tax rates without any increase to their real income. Adjusting taxes in this manner could save New Yorkers roughly \$300 million annually.

Property Tax Relief: The Executive’s property tax relief credit builds on the property tax rebate program, a signature policy of the Senate Republican Majority from FY 2016. The Senate Republican Conference supports making the Executive’s property tax relief proposal permanent. At a time when New Yorkers continue to face some of the highest property taxes in the nation, this credit would be the first substantial property tax relief effort since the rebate program ended in 2020. [2]

Supporting Low-Income Working Families by Increasing the State EITC Benefit: The Earned Income Tax Credit is one of the most successful anti-poverty measures ever created, increasing work rates, reducing poverty rates, and supporting families. Currently, New York’s EITC Benefit is equal to 30 percent of a filer’s federal earned income credit. Increasing the benefit to 35 percent of the federal credit would provide relief to low-income workers while also potentially increasing labor force participation as the refundable credit acts as a make-shift wage subsidy. Increasing the benefit would provide roughly \$200 million in targeted tax relief to hardworking families.

[1]<https://www.npr.org/2022/02/10/1079260860/january-inflation-consumer-prices-cpi-economy-federal-reserve#:~:text=From%20restaurant%20meals%20to%20apartment,the%20largest%20increase%20since%201982.>

[2] <https://taxfoundation.org/county-property-tax-paid-2021/>

Supporting Families and Addressing Childcare Costs: The average cost of childcare in New York is over \$12,000 annually. To address rising costs the budget should recouple the Empire State Child Tax Credit to the federal law — providing an additional \$500 million in relief — and expand eligibility to include children under the age of four. Although providing these supports and increasing eligibility for childcare subsidies as the Executive proposes are laudable and potentially necessary, they do not address the roots of childcare costs — the lack of supply. Supply constraints are driven by the high costs of opening a daycare center, burdensome regulatory regimes, and workforce costs. To address this issue we suggest creating a \$5 million Child Care and Early Childhood Education Innovation Fund to support grants for projects that accelerate the start-up and expansion of licensed childcare businesses, increase the employment retention of childcare workers, and improve the economic viability of the childcare sector.

Enacting a Permanent Cap on Runaway State Spending: Over the last two State budgets, the average increase in All Funds spending would be eight percent if this proposed budget were enacted. The two-year average State Operating Funds increase is seven percent, which is well beyond the self-imposed two-percent spending cap that was employed between FY 2012 and FY 2021. To curtail excess spending we suggest making the two-percent spending cap permanent and increasing the State’s authorization to deposit funds in the Rainy Day Fund.

BUILDING A STRONGER WORKFORCE FOR A STRONGER ECONOMY

Supporting Farmers and the Agriculture Industry: New York’s Agriculture industry faces a crisis due to rising energy costs and destructive policies such as the “Farmworker Fair Labor Practices Act” or the Farm Laborers Wage Board decision to lower the overtime threshold to 40 hours. In addition to rolling back these disastrous policies, our Conference supports the Executive’s proposals to provide \$50 million annually to make the Nourish NY program permanent, increasing the Investment Tax Credit (ITC) for farmers, and increasing the per-employee amount of the Farm Workforce Retention Credit from \$600 per employee to \$1,200 per employee. We also support making the Farm Workforce Credit permanent.

Training and Growing our Workforce: For many years, both large and small businesses across New York have found it difficult to find the skilled, trained workforce they need to succeed. Our Conference supports the Executive’s plans to provide \$350 million new funding for workforce development initiatives and expand TAP eligibility to part-time students enrolled in high-demand workforce credential programs at community colleges. New funding should be used to continue to improve the alignment between employers’ needs and workers’ skills. Additionally, a portion of capital funding should be set aside to invest in upgrading workforce development facilities and technology at community colleges, non-credit programs, BOCES, public libraries, and local one-stop career centers. Lastly, we support funding to conduct an audit of the State’s workforce development programs, funding sources, and administering agencies to plot a course to break down barriers, reduce redundancies, and consolidate efforts.

IMPROVING OUR BUSINESS CLIMATE AND EXPANDING ECONOMIC OPPORTUNITY

Cutting Taxes on Small Businesses: Small businesses have gone from facing the economic fallout from the pandemic to facing supply issues, labor shortages, and increasing costs. While our Conference supports the Executive’s proposals related to offering a Small Business COVID-19 Capital Investment Credit, creating Small Business Seed Funding Grant Program, and providing \$100 million annually in

relief by increasing the small business subtraction modification, more must be done. Additional relief should be provided to small businesses and farms by:

- Increasing the corporate tax threshold from \$390,000 to \$500,000 and lowering the rate to 2.5 percent;
- Expanding the small business exemption to all PIT businesses regardless of whether they have employees; and
- Increasing the threshold to \$500,000, the exemption to 15 percent, and the exemption to 20 percent for farmers.

With these changes, small businesses would initially save \$302 million and \$464 million annually when fully phased-in.

Capping Unemployment Taxes to Protect Businesses Still Recovering from the Pandemic: The Unemployment Insurance Enterprise Fund is running a deficit of more than \$9 billion. Creating an Unemployment Insurance Program Solvency Reserve Fund (UI Reserve) would protect employers from yet more taxes and increased unemployment insurance costs. Under this proposal, the Interest Assessment Surcharge would be paid first by the UI Reserve Fund before any levy against employers occurs. The fund would require an allocation of \$125 million for FY 2023. Our Conference also supports additional funds for economic uncertainties, pandemic assistance, and extraordinary monetary settlements- to pay down the \$9 billion owed to the Federal government.

Supporting Manufacturers: Manufacturers are the backbone of our supply chains. To strengthen New York’s manufacturing sector, the budget should include provisions to extend the zero-percent corporate franchise tax rate to small-to-medium-sized manufacturers who are currently paying among the highest tax rates in the nation. Enacting such a policy would “increase private-sector jobs by approximately 5,000 in the first full-year and by 6,264 in 2024” and increase investment by \$150 million.[3]

ENSURING ACCESS TO A QUALITY EDUCATION FOR ALL STUDENTS

Funding our Schools, Supporting our Students, and Investing in Career and Technical Education: Investing in our schools and students is more important than ever. The pandemic took an especially hard toll on our students, who lost a third of a year’s worth of learning between 2019 and 2020 according to some estimates. We support the Executive’s proposal for a \$2.1 billion increase in school aid. We also support the inclusion of \$100 million for Learning and Mental Health Grants to help students recover from the pandemic; however, we believe BOCES should be eligible for said grants and encourage schools to use some portion of their remaining federal relief funding to support similar efforts locally. The Senate Republican Conference also continues to support funding for Charter Schools and strongly urges a larger investment in Career and Technical Education (CTE) including a phased-in increase in the aid-able salaries of CTE teachers (from \$30,000 to \$60,000).

[3] <https://www.macny.org/memo-of-support-tax-equality-for-all-manufacturers/>

INVESTING IN INFRASTRUCTURE AND A CLEAN ENERGY FUTURE

Expanding Access to High-Speed Broadband: A 2021 report from the Comptroller found that “...in some predominantly rural counties, deployment has lagged, and the share of the population without broadband is as high as 23 percent in these communities.”[4] To break down barriers to broadband expansion, our Conference supports eliminating the fee on fiber-optic utilities for the use and occupancy of the right of way of New York State highways. The fee was rejected in 2018 under the Senate Republican Majority, but was included in the 2019 Budget. While we support the \$1.4 billion for broadband included in the Executive Budget, we believe this investment – coupled with eliminating the fee and reducing barriers to expansion – would produce even better outcomes for New Yorkers.

Supporting Investment in Local roads and Bridges and Water Infrastructure: According to the New York County Highway Superintendent Association: *...the state highway surface rated poor or fair has increased from 36% in 2016 to 45% in 2020. Over the same period, pavement rated good to excellent has decreased from 64% to 55%.*[5]

Increasing Consolidated Local Street and Highway Improvement Program (CHIPS) aid by \$200 million over the Executive’s proposal would help address this obvious need. Although we support additional funding to address potholes and roadway pavement issues, we urge that local funds for this program are distributed through the CHIPS formula. The Senate Republican Conference also supports increasing BRIDGE-NY program funding to aid local bridge and culvert projects and new funding for local water and wastewater infrastructure projects.

FIGHTING FOR A SAFER NEW YORK

Addressing Violent Crime and the Fallout of the Disastrous Bail and Discovery Reforms: With New York experiencing a spike in violent crime we call on immediate action and investments to mitigate the impact of these so-called reforms while providing those on the frontlines with the resources they need to ensure public safety for all New Yorkers. We support increasing funding for Pretrial Service Agencies by an additional \$40 million over the Executive’s proposal to mitigate the impact of bail reform on local governments and to ensure public safety. Additionally, we propose providing \$100 Million to local governments to increase the capacity of local District Attorneys to meet the demands of Discovery Reform and to address rising crime rates. Further, we propose creating a grant program to support localities implementing best practices in addressing violent crime (e.g. increasing police presence and community engagement, environmental design solutions such as better street lighting, and increasing investigatory resources to address homicides).

[4] <https://www.osc.state.ny.us/reports/availability-access-and-affordability-understanding-broadband-challenges-new-york-state#footnote-045>.

[5] https://www.nysenate.gov/sites/default/files/nys_county_highway_superintendents_association_22.pdf

SUPPORTING AND PROTECTING NEW YORK'S VULNERABLE POPULATIONS

Serving our Veterans: To address the needs of our veterans we must make funding permanent and double the current \$7.7 million in funding for Joseph P. Dwyer Veterans Peer Support initiative to increase support for current programs and allow expansion into and enhanced funding for additional counties. Further, we strongly support increasing the minimum annual State funding to Veterans' Service Agencies (VSAs) from \$10,000 to \$25,000 to enable VSAs to connect to veterans with their federal benefits as well additional funding proposals for the Division of Veterans' Services.

Caring for Our Seniors: Senate Republicans were proud to lead efforts to expose Governor Cuomo's outrageous cover-up of nursing home deaths and we believe there is more this state can do to support our seniors and retirees. This begins by investing in our nursing homes to ensure they have the resources to provide high-quality care to New York's seniors in a safe and healthy environment. Further, we support efforts to expand home care options for aging New Yorkers including bolstering our home care workforce and providing tax benefits for family caregivers. The Conference also believes we should address the impact of rising inflation on retirees by increasing the amount of private pension and/or retirement income that is tax-free above the current \$20,000 limit.

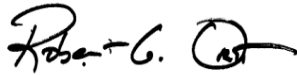
Helping the Healthcare Sector Recover: Healthcare settings (e.g. Hospitals and Nursing Homes) throughout New York State continue to deal with the financial fallout from the pandemic and the challenges of workforce shortages. To provide immediate relief, we should retroactively restore across the board Medicaid rate cuts enacted in FY 2020 and 2021. Further, we should directly address the workforce shortage by adopting proposals the Senate Republican Conference unveiled in the Fall of 2021, including expanding eligibility for STEM scholarships for students pursuing a nursing career and creating the Healthcare Workforce Innovation Fund to support efforts to improve the healthcare workforce pipeline by supporting high-quality training.

Combating the Opioid Epidemic: According to CDC data, overdoses deaths in New York increased by over 30 percent from March 2020 to March 2021. The pandemic, in addition to the increasing prevalence of fentanyl, have pushed the opioid epidemic in an even more deadly direction. The Republican Conference supports increasing opioid prevention and treatment funding by \$75 million over three years. Further, we oppose the Proposal to Unilaterally Allocate Opioid Settlement Funding. The Executive Budget unilaterally bypasses the bi-partisan Opioid Settlement Fund advisory board (Chapter 190 of 2021) by proposing over \$78 million in programmatic substance-use disorder prevention, treatment, recovery, and harm reduction services funding without the board's input. The advisory board was created to prevent the very thing the Governor is proposing, which is programmatic funding without first deliberative input from stakeholders, industry experts, and appointed board members.

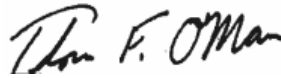
Addressing the Mental Health Crisis: The pandemic has exacerbated the mental health crisis and recent tragedies on the New York City Subway and around the State highlight the need for mental health services. As such, we support doubling the proposed \$27.5 million increase in Medicaid fee-for-service rates to increase beds and enhance access to inpatient psychiatric services to address needed capacity, ensure public safety, and prevent the increased incidence of violence associated with mental illness going untreated and undiagnosed. Further, the Senate Republican Conference supports a permanent extension of Kendra's Law, which requires court-ordered Assisted Outpatient Treatment (AOT) to ensure individuals experiencing mental illness with a history of hospitalization or violence can get the treatment they need and are not a danger to themselves and others.

In conclusion, as negotiations now get underway toward a final State Budget agreement, the Senate Republican Conference urges all decision-makers both to recognize – and to aggressively address – the serious challenges currently facing so many New Yorkers. That means enacting an on-time, fiscally responsible State Budget that will truly make New York a better, safer, freer, and more prosperous place.

Sincerely,



Robert G. Ort
NYS Senate Minority Leader



Thomas F. O'Mara
NYS Senate Finance Ranker

Cc: NYS Senate Majority Leader Andrea Stewart-Cousins