



Testimony of the New York Youth Climate Leaders Before the Joint Legislative Budget Hearing on Environmental Conservation

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Thank you for the opportunity to present testimony on the proposed SFY 2021-22 budget. My name is Liam Smith and I serve as Director of Government Affairs for the New York Youth Climate Leaders. We are a policy-driven organization of youth from across New York State working to improve New Yorkers' quality of life, protect frontline communities, and ensure environmental and economic justice for generations to come.

The COVID-19 pandemic has wrought unprecedented hardship on New York State. Tens of thousands of New Yorkers have died, unemployment has skyrocketed, and people continue to struggle to pay for their basic needs. At the same time, New York faces a massive [\\$15 billion budget deficit](#) in SFY 2021-22. Everyday New Yorkers, already under extreme duress, cannot afford to bear the brunt of the state's fiscal shortfall. The New York Youth Climate Leaders strongly opposes any funding reductions to essential services like health care and education. Working class New Yorkers rely on these programs every day, and losing access to them in the middle of a global pandemic would be catastrophic.

Absent federal aid, Governor Cuomo proposes that we cut funding for essential services and impose a minor, [rebatable tax on high-income earners](#). We propose an alternative: cut fossil fuel subsidies and actually tax the rich. Eliminating non-essential fossil fuel tax expenditures will save the state over \$500 million, align our tax code with our climate law, and protect future generations from the climate emergency. Taxing the rich will generate tens of billions of dollars of revenue -- enough to not only close our gaping budget hole, but also to fight poverty, invest in our schools, and face the climate crisis. These are common sense solutions that simultaneously address New York's budget shortfall and the climate emergency.

The following pages provide explicit details on both proposals. Please review carefully - your children are watching.

Fossil Fuel Related Tax Expenditures

Every year, New York State doles out [approximately \\$1.6 billion](#) in tax breaks to the fossil fuel corporations that pollute our environment and endanger future generations. While some of these subsidies, like the sales tax exemption for residential heating fuel, provide valuable assistance to low and moderate income New Yorkers, others benefit only the fossil fuel industry. As the climate emergency, COVID-19 pandemic, and subsequent financial crisis escalate, we must take a hard look at these subsidies and eliminate those that harm everyday New Yorkers. Reviewing and eliminating fossil fuel tax expenditures is critical to both addressing our state's budget shortfall and combating the climate crisis.

In order to resolve New York's \$15 billion fiscal shortfall, Governor Cuomo suggests that New York [legalize recreational marijuana use and online mobile sports betting](#). These policies are projected to generate hundreds of millions of dollars of annual tax revenue. Eliminating non-essential fossil fuel subsidies would complement these efforts. New York Youth Climate Leaders, in collaboration with 11 other organizations, including New York Public Interest Research Group and Natural Resources Defense Council, evaluated New York's annual tax expenditure report and identified the most harmful subsidies. We found that non-essential fossil fuel tax expenditures sum to \$550.9 million annually. The elimination of these subsidies from the state budget would go a long way towards solving the budget crisis.

Additionally, in the middle of an unprecedented [\\$15 billion fiscal shortfall](#), unnecessary subsidies harm the people of New York State. While some subsidies are necessary to the health of the New York economy, subsidizing industries that damage our future and our climate is fiscally and morally irresponsible. When draconian cuts are proposed to essential public services such as Medicaid and education, spending more than \$1.6 billion every year on the fossil fuel industry is an outrageous and unconscionable waste of money. That money could be better used to help cover the budget shortfall New York State is experiencing in the midst of the COVID-19 pandemic. Spending hard-earned tax dollars on these unnecessary subsidies will cause people to miss out on the basic services that they rely on every day.

Finally, with the passage of the Climate Leadership and Community Protection Act (CLCPA) in 2019, New York established ambitious greenhouse gas emission reduction targets and committed itself to a transition to renewable energy. Putting tax dollars into an industry without a future is poor policy, a waste of public money, and contradictory to the goals of the CLCPA. It's time to review these subsidies and ensure that the fossil fuel industry isn't getting free money from New York taxpayers. We hope that the Senate, Assembly, and Executive will recognize the necessity of reviewing where our tax dollars go and ensuring that they are well spent. Ending unnecessary fossil fuel related tax expenditures is both a moral and financial imperative for every resident of New York State.

To achieve our CLCPA-mandated emissions reduction targets, we must eventually eliminate all fossil fuel subsidies. The following tax expenditures are particularly unnecessary and can be eliminated in the SFY 2021-22 budget without impacting low-income communities.

Total: \$550.9 million of Non-Essential Fossil Fuel Tax Expenditures

Sales and Use Tax: Non-Essential Fossil Fuel Tax Expenditures amount to \$399 Million

- **\$182 Million Annually:** Fuel, gas, coal, electricity, refrigeration and steam used directly and exclusively in **research & development or production** of tangible goods for sale are not subject to sales and use tax. We propose eliminating the subsidies for fuel, gas, and coal.
- **\$8 Million Annually:** Gas and electricity used in operating pipelines and natural gas distribution lines are not subject to sales and use tax. The exemption for **gas and electric distribution infrastructure** incentivizes the operation of dangerous gas pipelines--antithetical to the Climate Leadership and Community Protection Act's requirement to transition to carbon neutrality by 2050.
- **\$90 Million Annually:** Auto fuel is subject to the typical sales and use tax rate up to \$2 per gallon. However, **auto fuel over \$2/gallon** is subject to the tax at a rate of 8 cents per gallon, greatly reducing the tax owed on the fuel. Transportation is the largest source of greenhouse gas emissions in New York, so it is crucial that we incentivize the transition to electrified vehicles and public transportation instead of polluting auto fuel.

- **\$118 Million Annually:** Airline fuel is exempt from sales and use tax in New York, and air travel is an enormous contributor to climate change. Eliminating this subsidy is one way to save money and improve the environment without detrimentally affecting low- and middle-income New Yorkers.
- **\$1 Million Annually:** New York State directly subsidizes the fossil fuel industry by exempting **certain services used in gas or oil production**. The services of installing, maintaining, repairing, or servicing property and land used in the production of oil and gas for sale are not subject to sales and use tax.

Petroleum Business Tax: Non-Essential Fossil Fuel Expenditures amount to \$149.6 Million

- **\$77.3 Million Annually:** Certain **petroleum products** are exempt from the petroleum business tax. These products include kerosene, the highly polluting bunker fuel used for commercial shipping, and liquid petroleum gases.
- **\$66.1 Million Annually:** Petroleum businesses receive additional exemptions or partial exemptions for the **sales of petroleum products** to certain groups, including governments, manufacturing, commercial gallowage (used for electricity generation), and non-residential heating.
- **\$4.2 Million Annually:** While the products and sales described above are exempt or partially exempt from the Petroleum Business Tax, there are also additional **credits, refunds, or reimbursements** for certain products or consumers: governments, electric utilities, manufacturing, commercial gallowage, mining or extracting, non-residential heating, and bad debts.
- **\$2 Million Annually:** Airlines that offer direct flights between four or more cities within New York State are exempt from the Petroleum Business Tax. If we are to adequately address climate change, we cannot subsidize dirty jet fuel for any airlines.

Corporation Franchise Tax: Non-Essential Fossil Fuel Expenditures amount to \$2.3 Million

- **\$2.3 Million Annually:** Public utilities, power producers, and pipeline companies are exempt from the corporation franchise tax. Affordable renewable power production and cheap electricity distribution are necessary to reduce greenhouse gas emissions-- **fossil fuel power producers and pipeline companies** should receive no exemption.

Taxing the Ultra-Wealthy

While the COVID-19 pandemic has decimated the working class, the wealthiest New Yorkers have thrived. Since the onset of the pandemic, tens of thousands of New Yorkers have lost their jobs, while the net worth of New York's billionaires [has grown by 15%](#). Everyday New Yorkers simply cannot afford additional financial harm, but the ultra-wealthy have the means to pay more in taxes. Furthermore, as Figure 1 reveals, our highest income earners actually pay the lowest tax rate in New York State. Our flawed tax code creates loopholes for rich New Yorkers that result in a regressive and oppressive tax structure.

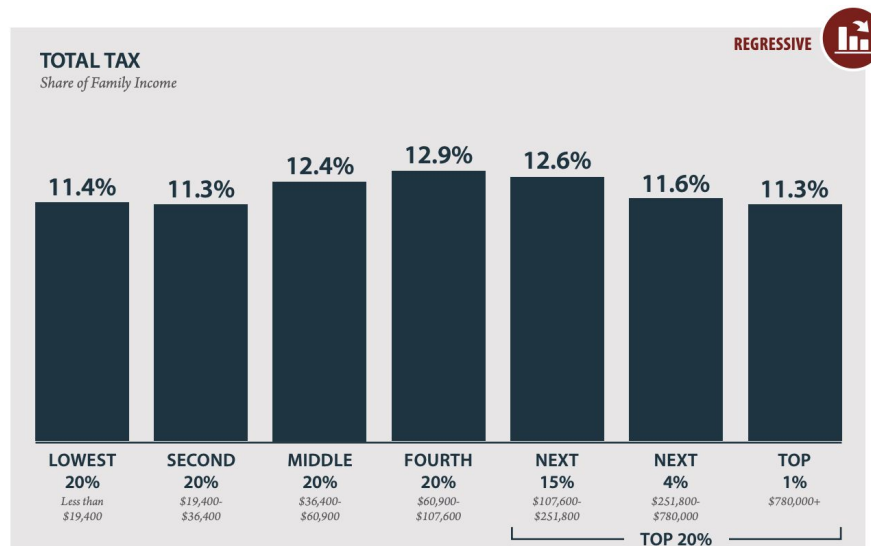


Figure 1: Total tax paid as a share of family income in New York State. Taken directly from [“Who Pays: A Distributional Analysis of the Tax Systems of All 50 States”](#)

This year, as the state faces a steep budget shortfall, New York ought to levy taxes on our wealthiest residents. The alternative -- cutting spending on social programs -- would impose irreparable harm on low and moderate income communities.

Even if New York receives billions of dollars of federal financial assistance, taxing the rich will be highly beneficial. Our state suffers from [greater economic inequality](#) than any other state in the nation and raising taxes on the ultra-wealthy would redistribute wealth. Additional revenue would also free up funding for important initiatives, such as education and mitigating climate change, which have been chronically underfunded for decades.

A common misconception and popular right-wing talking point is that raising taxes on the rich will cause millionaires and billionaires to flee the state. This claim is unfounded, unsubstantiated, and false. In fact, a [Stanford University study](#), which reviewed 13 years of tax returns of all millionaires and billionaires in the country, revealed that the richest Americans move the least out of anyone and tend to stay put despite higher state taxes. Wealthy individuals, who tend to be older and have children, are more likely to be tied down by family responsibilities. They are also more likely to have business ownership and career responsibilities that tie their income to their location.

This year, over 120 student, labor, environmental, activist, and religious organizations -- including the New York Youth Climate Leaders -- have come together to form the [Invest in Our New York](#) coalition. Together, we are fighting against austerity measures and calling on New York to pass the Invest in Our New York Act. This package of bills would raise over \$50 billion of revenue that New York could use to cover our budget shortfall and fund our ailing social programs. If the legislature truly wants to serve and protect New Yorkers during this deficit and for years to come, it must take a hard look at these policies and *incorporate them in the state budget*. What follows is a brief overview of the six bills. Bill numbers are included where possible, but some of them are still pending introduction.

[Invest in Our New York Act](#): \$48-71 Billion in New Annual Revenue

Progressive Income Tax (S2622): \$12-18 Billion Annually

Prime Sponsors: Senator Jackson and Assembly Member Meeks

We propose establishing higher marginal tax rates for single filers with incomes over \$300,000 and joint filers with incomes over \$450,000. These new tax brackets would transform our income tax, which today is practically a flat tax, into a truly progressive and equitable tax system.

Capital Gains Tax (S2522/A3152): \$7 Billion Annually

Prime Sponsors: Senator Rivera and Assembly Member Kim

Although capital gains are essentially income, the federal government taxes capital gains at a far lower rate than income. We propose that New York address this inconsistency by imposing a tax on capital gains equal to the disparity between federal income tax and federal capital gains tax.

Inheritance Tax: \$8 Billion Annually

Prime Sponsors: Senators Sanders and Brisport and Assembly Member Solages

This proposal repeals New York's current estate tax and replaces it with a far more progressive inheritance tax. This inheritance tax applies to inheritances over \$250,000 in value and increases at marginal rates. The bill includes exemptions for family farms, family homes, and inheritances paid from a pension.

Wealth Tax Amendment: No Immediate Revenue

Prime Sponsors: Senator Ramos and Assembly Member De La Rosa

New York's constitution allows for taxes on tangible property like real estate but prohibits them on intangible property like stocks. Since much of the wealth of the middle class is tied up in their houses, while most of the wealth of the upper class is invested in financial acquisitions, the middle class pays higher taxes on wealth. This bill amends the state constitution to allow for the implementation of a true wealth tax. Although it generates no revenue immediately, it could be invaluable in the future.

Financial Transaction Tax: \$12-29 Billion Annually

Prime Sponsors: Senator Salazar and Assembly Member Niou

New York State has placed a fee on financial transactions since the Stock Transfer Tax first passed in 1905. Unfortunately, for decades the tax has been automatically rebated. This bill reinstalls and expands the old Stock Transfer Tax to a more comprehensive Financial Transaction Tax. Other financial centers like London and Hong Kong levy a tax on financial transactions, and New York should too.

Corporation Tax: \$9 Billion Annually

Primes Sponsors: Senator Hoylman and Assembly Members Kelles and Epstein

In 2017, the federal government slashed corporate tax rates and created additional deductions for some businesses. We propose that New York State offset these tax cuts and require businesses to pay the same rate that they did before Trump's disastrous tax reform.

Additional Considerations

Fossil Fuel Divestment: New York Youth Climate Leaders is a proud member of the [#DivestNY Coalition](#), and we campaigned hard to divest the Common Retirement Fund from fossil fuel stocks. We would like to thank all of the state legislators who cosponsored and vocally supported the Fossil Fuel Divestment Act. Because of your strong support, Comptroller DiNapoli agreed late last year to divest the fund from fossil fuel stocks by 2040. His announcement positions New York State as a world leader in climate finance. But the divestment movement has a long way to come, and the #DivestNY Coalition is now campaigning to divest the \$120 billion New York State Teachers' Retirement System (NYSTRS). We believe that teachers who earn their living by preparing students for the future should not earn their retirement paychecks by investing in corporations that damage our future. Students and young people deserve better. The state legislature has the power to require NYSTRS to review and divest from fossil fuel stocks, and we encourage you to do so this year.

Energy Infrastructure: The continued buildout of fossil fuel infrastructure, like the proposed Danskammer, Gowanus, and Astoria power plants exacerbates the climate emergency and undermines the goals of our climate law. It makes no sense to build out fossil fuel infrastructure when the CLCPA mandates that New York State transition to a carbon neutral economy by 2050. New York should deny permits to all proposed fossil fuel infrastructure projects and instead invest heavily in renewable energy, efficiency upgrades, and electricity infrastructure. As a member of the [Movement for a Green New Deal coalition](#), we call on New York to tax the rich and dedicate \$10 billion annually to the construction of renewable energy infrastructure. Devoting significant funding to renewable energy projects will be instrumental to achieving our ambitious emissions reductions targets.

Close the Sheridan Avenue Steam Plant (SASP): Sheridan Hollow and Arbor Hill are low income, predominantly Black neighborhoods that have suffered from environmental racism for over a century. SASP, which burns fracked gas to heat the ESP Complex, has released hazardous pollutants in the area [since its construction in 1911](#). Exposure to such pollutants, including [ozone, nitrogen dioxide, and sulfur dioxide](#) increases the prevalence of respiratory illnesses like lung cancer and asthma. The people of Sheridan Hollow and Arbor Hill deserve better. New

York State ought to protect environmental justice communities from air pollution and fight the climate crisis by closing SASP and installing a sustainable heating source instead. We stand in solidarity with the Sheridan Hollow Alliance for Renewable Energy (SHARE) and support their budget requests:

1. **SHARE supports the New York Power Authority's (NYPA) current projects announced in September 2019 to make the ESP complex more energy efficient and renewably powered.** The legislature should ensure that there is adequate funding to fully realize these projects and reappropriate the \$88 million slated to fund the Sheridan Hollow Project.
2. **SHARE requests \$600,000 for a study to convert the ESP complex to renewable energy with the goal of eliminating steam production at the SASP.** The study should prioritize geothermal and building efficiency measures and involve experts with demonstrated experience in geothermal and thermal load-share technology for large-scale systems. We call on NYPA to rapidly replace all the chillers that are powered by the SASP to chillers that run on electric power provided by renewable sources.
3. **SHARE also calls for a \$250,000 in this year's budget to provide funding for a study and plan to convert Sheridan Hollow and Arbor Hill to a 100% renewable energy community.** Advocates and community residents are already pursuing a number of initiatives that have the potential to increase access to renewables and energy efficiency measures in the community, and significant funding may become available under the 35% mandate for "disadvantaged communities" in the CLCPA, and from other sources. This study would help position this key environmental justice community for just transition funding as it becomes available and ensure effective utilization of the various funding sources. Sheridan Hollow and Arbor Hill have endured a century of pollution to heat and power the state government; this environmental justice community should be first in line for public and private funding to make a transformation to a 100% renewable community. This transformation must bring quality jobs and job training to the community.