

New York State's Economic and Fiscal Outlook for 2011-2012

February 2011

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I. Introduction and Overview

New York State's Economic and Fiscal Outlook for 2011-12

- Economic trends, impacts on government, and how these trends are playing out in New York
- New York's current economic and budget situation
 - New York's economic and fiscal strengths and weaknesses
 - What's driving New York's budget gaps
- State budget policy choices; why a balanced approach to balancing the budget would do much less harm to the economy than relying almost entirely on deep cuts to local assistance and state operations.

An overview

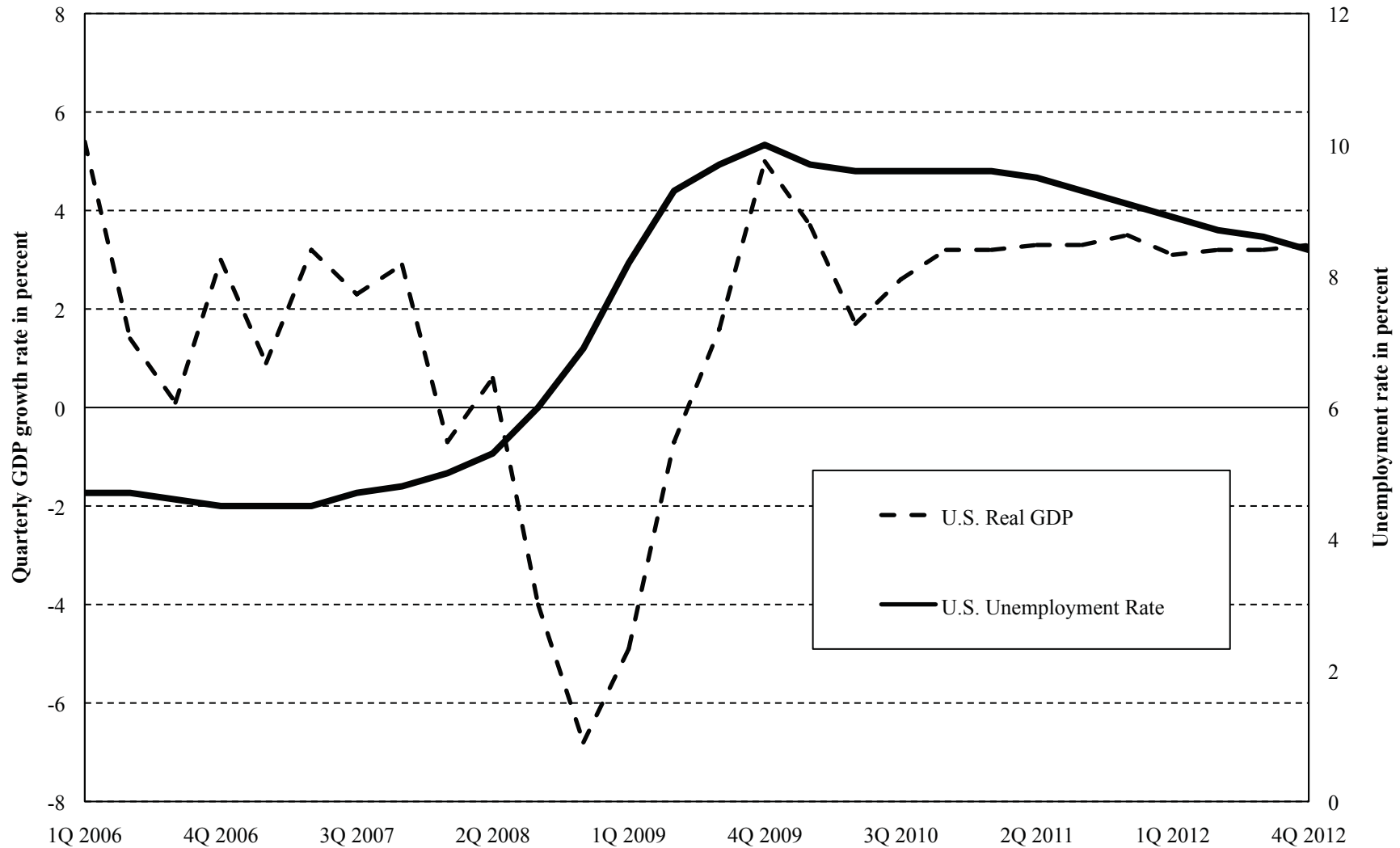
- The 2011-12 Executive Budget proposes to close a projected \$10 billion budget gap with \$9 billion in spending cuts – the most unbalanced approach to budget balancing in memory and at a time when joblessness and other recession-induced hardships are widespread.
- Rather than promote job growth and long-term economic recovery, the proposed budget would increase unemployment, disinvest in New York’s infrastructure and K-16 education systems, and undermine the state’s growth potential.
- State spending has been growing roughly in line with New York’s economy, but New York’s revenues have not kept pace. The Great Recession resulted in unprecedented reductions of state revenue in New York and the rest of the states, but New York is also still living with the impact of the large multi-year tax reduction packages of the 1990s and some years in the first decade of this century creating a situation that is very similar to what has happened at the federal level. But unlike the federal government which can run deficits in bad times to stimulate demand, New York and the other states must balance their budgets in both good times and bad.
- The economic impact of trying to balance the 2011-12 and 2012-13 budgets without extending the temporary personal income tax surcharge would be devastating. New York also faces a major challenge in reducing its over reliance on property taxes as the way to fund essential services. But a one-size-fits-all cap is not the answer.

II. Economic trends, impacts on government, and how these trends are playing out in New York

The Great Recession lingers with forecasts for only a moderate recovery that keeps unemployment rates high.

- The recession officially lasted from December 2007 to June 2009 and was the longest and steepest since the Great Depression of the 1930s.
- Nationally, job losses continued through December 2009, with the loss of 8.7 million jobs over the two years since the recession began.
- Gross Domestic Product (GDP) grew at an annual average of 3 percent in the first year-and-a-half of recovery, a pace that is weak by historical standards for recovery periods.
- Consensus projections expect GDP to grow by 3 to 3.5 percent annually in 2011 and 2012, and that the unemployment rate will remain above 8 percent at the end of 2012.

With GDP expected to grow at a moderate 3-3.5% pace in 2011 and 2012, unemployment is projected to stay high.



Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Blue Chip Economic Indicators; figures from 1Q 2011 are Blue Chip's forecast.

**With only moderate recovery in GDP forecast,
unemployment in both New York and nationally likely
will stay high over the next few years.**

	Calendar years, annual percent changes						
	2008	2009	2010	Forecast			
				2011	2012	2013	2014
	actual	actual	estimate				
United States							
Real Gross							
Domestic Product	0.0	-2.6	2.8	3.0	3.6	3.6	3.4
Personal income	4.0	-1.7	3.0	5.0	3.9	5.7	6.0
Total wages	2.1	-4.3	2.1	4.6	5.6	5.8	5.9
Employment	-0.6	-4.3	-0.5	1.3	2.0	2.0	2.0
Unemployment rate	5.8	9.3	9.6	9.3	8.3	7.4	6.6
New York State							
Personal income	2.2	-3.1	3.9	5.0	3.1	5.2	5.3
Total wages	2.1	-7.2	4.0	3.2	5.2	5.2	5.0
Employment	0.7	-3.1	-0.1	0.7	1.3	1.2	1.0
Unemployment rate	5.3	8.4	8.4	8.1	7.7	7.3	6.9

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and NYS Division of the Budget, *2011-2012 Executive Budget Economic and Revenue Outlook*, p. 163.

The recovery remains weak primarily because the bleak job outlook and high debt burdens have limited consumer spending.

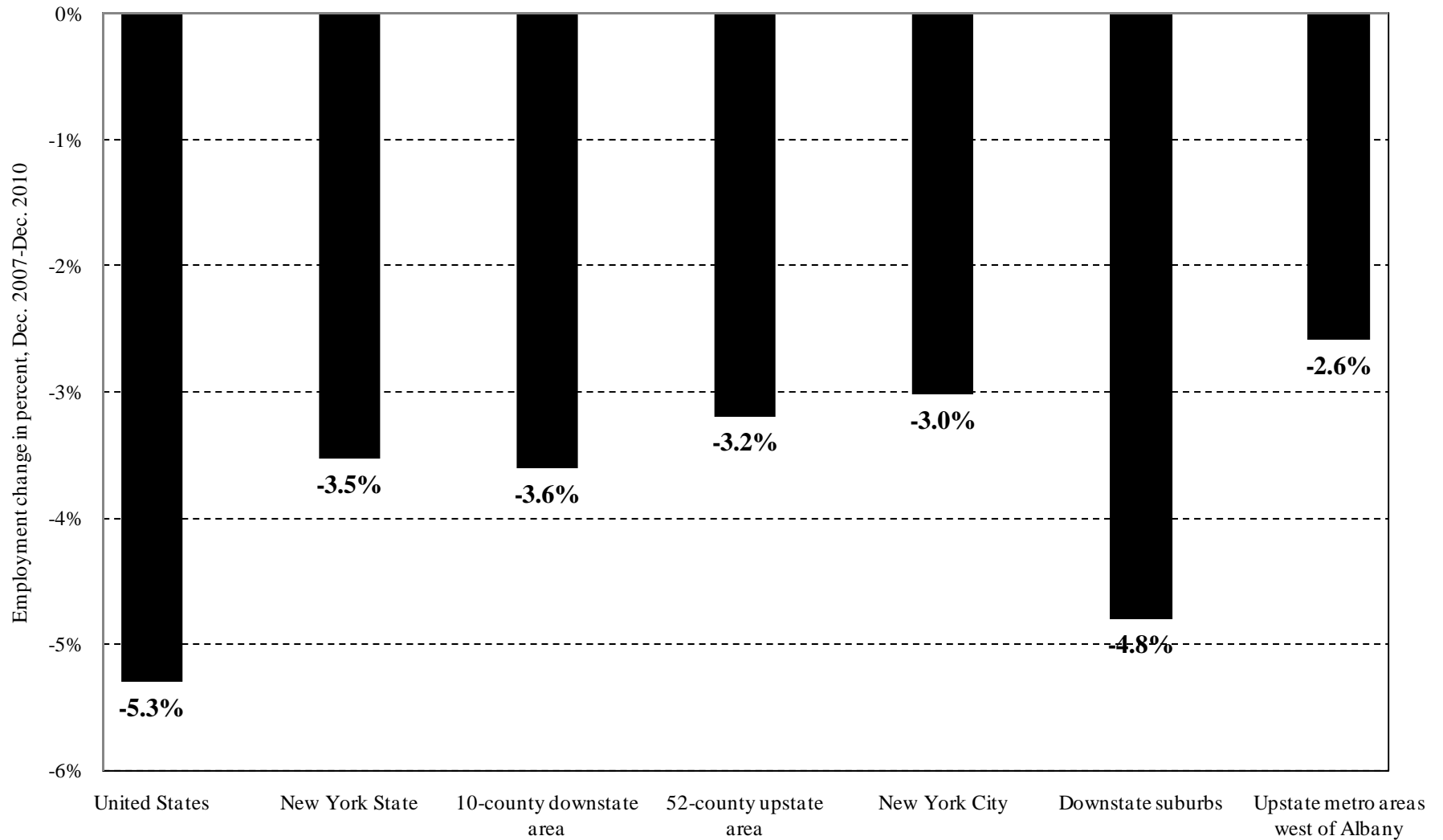
- There is no recovery in the housing market and foreclosures continue at worrisome levels.
- An unusually large proportion of the increase in GDP has gone to corporate profits rather than labor compensation. In a normal recovery, increased revenue fuels hiring and wage gains.
- Workers are not sharing in the economy's growth or in the growth in productivity. The pronounced concentration of income in the hands of a few at the top of the income spectrum is a drag on recovery. If there were strong consumer demand, businesses would be hiring and investing more.
- The large banks and Wall Street firms, which had extraordinarily record profits in 2009, chalked up large profits again in 2010 and will be paying out billions in bonuses. Small businesses, on the other hand, still find credit access extremely limited. Business bankruptcies continue at very high levels.

New York's net payroll job decline since the beginning of the national recession in December 2007 has been exceeded by 39 states, including all of our neighboring states

	Rank	% change in jobs, Dec. 2007 - Dec. 2010
United States	-	-5.2%
New York	40	-3.2%
10 states of greatest job loss		
Nevada	1	-14.4%
Michigan	2	-9.8%
Florida	3	-9.5%
Arizona	4	-9.5%
California	5	-8.5%
Georgia	6	-8.3%
Rhode Island	7	-8.0%
Oregon	8	-7.8%
Ohio	9	-7.7%
Alabama	10	-7.6%
NYS neighboring states		
Connecticut	26	-5.3%
Massachusetts	39	-3.2%
New Jersey	17	-6.3%
Pennsylvania	37	-3.3%
Vermont	32	-4.3%
Other states to which NYS is often compared		
North Carolina	14	-6.5%
Illinois	16	-6.3%
Texas	48	-0.7%

Source: EPI and FPI analysis of BLS employment data (seasonally adjusted)

In the three years since the recession began, New York has lost fewer jobs than the nation overall



Source: BLS US total nonfarm employment data and NYS DOL MSA and minor county employment data (not seasonally adjusted).

New York's recession job loss has been less than in the U.S. but unemployment increased rapidly and remains very high.

- Unemployment averaged 811,000 in 2010, 90 percent greater than in 2007. Counting discouraged workers and the under-employed, over 1.3 million New Yorkers are directly affected by a lack of employment.
- Unemployment has risen much more among blacks and Hispanics. The underemployment rate among blacks was 22 percent in the fourth quarter of 2010, and 19 percent for Hispanics.
- The recession pushed New York's poverty up from 14.2 percent in 2008 to 15.8 percent in 2009. A little over three million New Yorkers are below the federal poverty line. Over the last 30 years, there was only one other year when the poverty rate increased this fast.
- The number of New Yorkers receiving food stamps has grown by over one million (+60 percent) since the recession began.
- A record one million New Yorkers lost employer-provided health insurance in 2009, contributing to a projected 4-year 30 percent increase in Medicaid enrollment. Medicaid now covers 40 percent of New York children.
- As at the national level, after a mild recovery in the first half of 2010, job growth slowed in the second half of the year. The unemployment rate in the U.S. and in New York City and the rest of the state only declined in the second half of 2010 because people left the labor force.

Budget austerity at either the federal or the state level will worsen unemployment and slow the recovery.

- The adversity experienced by many people as a result of the continuing effects of the recession is severe and high levels of long-term unemployment will entail substantial individual and societal costs.
- Republicans in Congress are intent on making draconian 15-20 percent cuts in non-security discretionary domestic spending. Consideration is being given to a constitutional amendment to limit total federal spending to 20 percent of GDP. Such a step would likely force steep cuts in Social Security, Medicare, and many other areas.
- Federal fiscal relief to the states is winding down and the failure to extend fiscal relief dramatically worsens state budget problems, and will exacerbate unemployment.
- The federal tax cuts recently agreed to by the President and Congressional Republicans could provide some stimulus but a far more effective approach would have been to rescind the tax cuts at the top to pay for more state fiscal relief or to fund direct public service job creation.
- Mark Zandi, chief economist for Moody's Analytics, concluded that the extension of the upper-income Bush tax cuts and a substantially weakened estate tax will provide little or no economic boost.

Around the country, state revenues have dropped more than at any time since the Great Depression.

- While revenues fell sharply and have been very slow to recover, safety net needs have risen as recession-induced adversity has mounted.
- New York is far from alone in facing huge budget challenges; 46 states struggled last year to close budget shortfalls and several states all across the country have larger proportionate budget gaps than New York. Even Texas, which had one of the smaller job losses among all states, is facing a budget gap that is nearly a third of its last year's budget.
- One of the biggest drags on recovery has been the loss of 400,000 state and local government jobs around the country. New York state government and local governments have cut jobs at a faster pace than nationally. According to the state Labor Department, 44,000 state and local government jobs were cut over the last two years.

While serious, New York's budget problems are not among the 10 most severe in the country, and are less severe than the average state shortfall for FY 2012

State	FY 2012 projected shortfall \$ billions	Shortfall as percent of FY 2011 budget
1. Nevada	\$1.5	45%
2. Illinois	\$15.0	45%
3. New Jersey	\$10.5	37%
4. Texas	\$13.4	32%
5. California	\$25.4	29%
6. Oregon	\$1.8	25%
7. Minnesota	\$3.9	25%
8. Louisiana	\$1.7	22%
9. Connecticut	\$3.7	21%
10. North Carolina	\$3.8	20%
14. New York	\$9.0	17%
States overall	\$124.7	20%

Note: Kentucky and Virginia have two-year budgets. They closed their FY2012 shortfalls when they enacted their budgets for the FY2011-FY2012 biennium. California's shortfall includes an \$8.2 billion shortfall carried forward from FY2011. Oregon's shortfall is one half of the state's total projected shortfall for the 2011-2013 biennium.

Source: Elizabeth McNichol, Phil Oliff, and Nicholas Johnson, *States Continue to Feel Recession's Impact*, Center on Budget and Policy Priorities, January 21, 2011

Over the past two years, New York has been losing state and local government jobs faster than the U.S. average.

	Abs.change % change			
	Dec. 2008	Dec. 2010	2008-10	2008-10
United States	20,141,000	19,755,000	-386,000	-1.9%
New York State	1,412,200	1,367,900	-44,300	-3.1%
New York City	511,100	485,300	-25,800	-5.0%
Albany-Schenectaday-Troy	104,000	97,500	-6,500	-6.3%
Binghamton	25,200	25,300	100	0.4%
Buffalo-Niagara Falls	87,400	86,900	-500	-0.6%
Ithaca	8,600	9,000	400	4.7%
Kingston	15,200	14,700	-500	-3.3%
Nassau-Suffolk	190,400	188,500	-1,900	-1.0%
Poughkeepsie-Newburgh-Middletown	46,900	44,900	-2,000	-4.3%
Putnam-Rockland-Westchester	93,600	89,400	-4,200	-4.5%
Rochester	78,500	79,600	1,100	1.4%
Syracuse	54,600	53,000	-1,600	-2.9%
Utica-Rome	32,300	31,300	-1,000	-3.1%

Source: US Bureau of Labor Statistics and NYS Department of Labor (NSA). Data for Glens Falls MSA are not available.

III. Setting the record straight

Why do many public officials and some advocacy groups accentuate the negative about New York and its tax, spending and economic features?

- Are they doing that to argue for policies they prefer?
- These are some of the claims routinely made about New York:
 - Our tax burden is holding back economic recovery and growth.
 - New York State has the worst business tax climate among all states.
 - Upstate is mired in stagnation.
 - People are leaving New York in droves (mainly because of taxes).
 - Public employee pay and benefits are busting the budget.
 - State spending consistently grows faster than state revenue
- These claims need be examined, and the record needs to be set straight.

“Our tax burden is holding back economic recovery and growth.”

- As noted before, New York State lost proportionately fewer jobs during the recession. New York’s recovery following the end of the recession is moderate, but in line with the pace of the national recovery.
- Continuing the decades-long trend, states in the West and South had faster population growth over the past decade than New York and other Northeastern and Midwestern states. However, employment and per capita income grew faster in New York than nationally over the decade.
- While New York’s overall state and local tax burden is high, the main problem is that it is regressive, with middle and lower income families paying a higher share of their income in taxes than those at the top. (Excessive income tax cuts at the top in the 1990s reduced school and other local aid, putting upward pressure on regressive local property taxes—more on that later.)
- New York’s corporate income tax system is a Swiss cheese product laced with loopholes and tax breaks. A study for the business-backed Citizens Budget Commission found that, compared to six other states (CA, CT, FL, MA, NJ and TX), businesses operating upstate had the lowest effective state and local tax burden.
- New York’s tax system supports the most productive economy in the U.S. as measured by value added per worker. Profit per worker in New York is also well above the national average and second only to California among the 10 largest states.
- The reality is that taxes support the extensive infrastructure and quality public services necessary for a highly dense, urbanized economy to efficiently and profitably function.

While New York's population is growing slowly, the state has done reasonably well in job growth and per-capita income growth.

Total Resident Population by State, 2000-2010			Total Employment by State, 1999-2009			Per Capita Personal Income by State, 1999-2009		
State	Percentage change	Rank	State	Percentage change	Rank	State	Percentage change	Rank
United States*	9.7%	-	United States*	7.6%	-	United States*	39.9%	-
Nevada	35.1%	1	Nevada	26.1%	1	Wyoming	77.2%	1
Arizona	24.6%	2	Wyoming	23.2%	2	North Dakota	73.3%	2
Utah	23.8%	3	Utah	21.3%	3	Louisiana	67.1%	3
Idaho	21.1%	4	Texas	19.5%	4	Montana	57.8%	4
Texas	20.6%	5	Arizona	19.0%	5	Oklahoma	57.5%	5
North Carolina	18.5%	6	Alaska	17.6%	6	New Mexico	54.8%	6
Georgia	18.3%	7	Idaho	17.3%	7	South Dakota	54.0%	7
Florida	17.6%	8	Montana	15.1%	8	Hawaii	53.2%	8
Colorado	16.9%	9	Florida	14.6%	9	West Virginia	52.3%	9
South Carolina	15.3%	10	Hawaii	14.2%	10	Alaska	51.4%	10
New York	2.1%	46	New York	8.4%	22	New York	42.4%	24

*All entries for the United States include population, employment, and personal income data for the District of Columbia.
Source: Census Bureau; Bureau of Economic Analysis.

New York's GDP per worker, a common productivity measure, puts it first among the nation's 10 largest states.

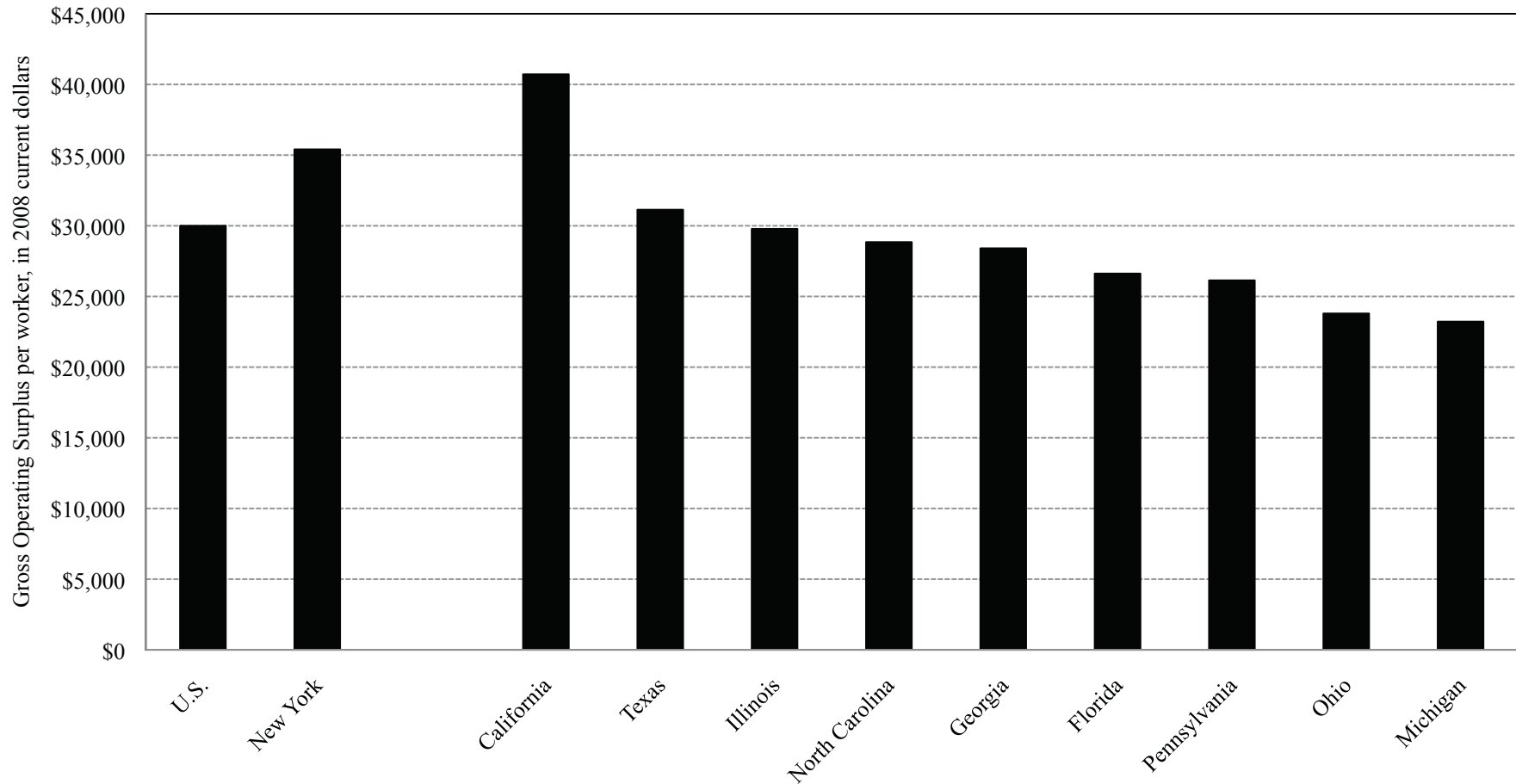
GDP per Worker for the Ten Most Populous States

State	2007 GDP	Rank
United States	\$73,172	-
New York	\$92,320	1
California	\$85,029	2
Illinois	\$78,052	3
Texas	\$75,902	4
North Carolina	\$69,640	5
Pennsylvania	\$68,569	6
Georgia	\$68,476	7
Michigan	\$67,862	8
Florida	\$67,553	9
Ohio	\$65,320	10

Note: Real GDP in millions of chained 2005 dollars.

Source: Census Bureau; Bureau of Economic Analysis.

New York is second only to California among the 10 largest states in gross operating surplus (“profit”) per worker in all private industry leaving out atypical sectors including agriculture, mining, and finance and insurance, 2008.



Source: Bureau of Economic Analysis

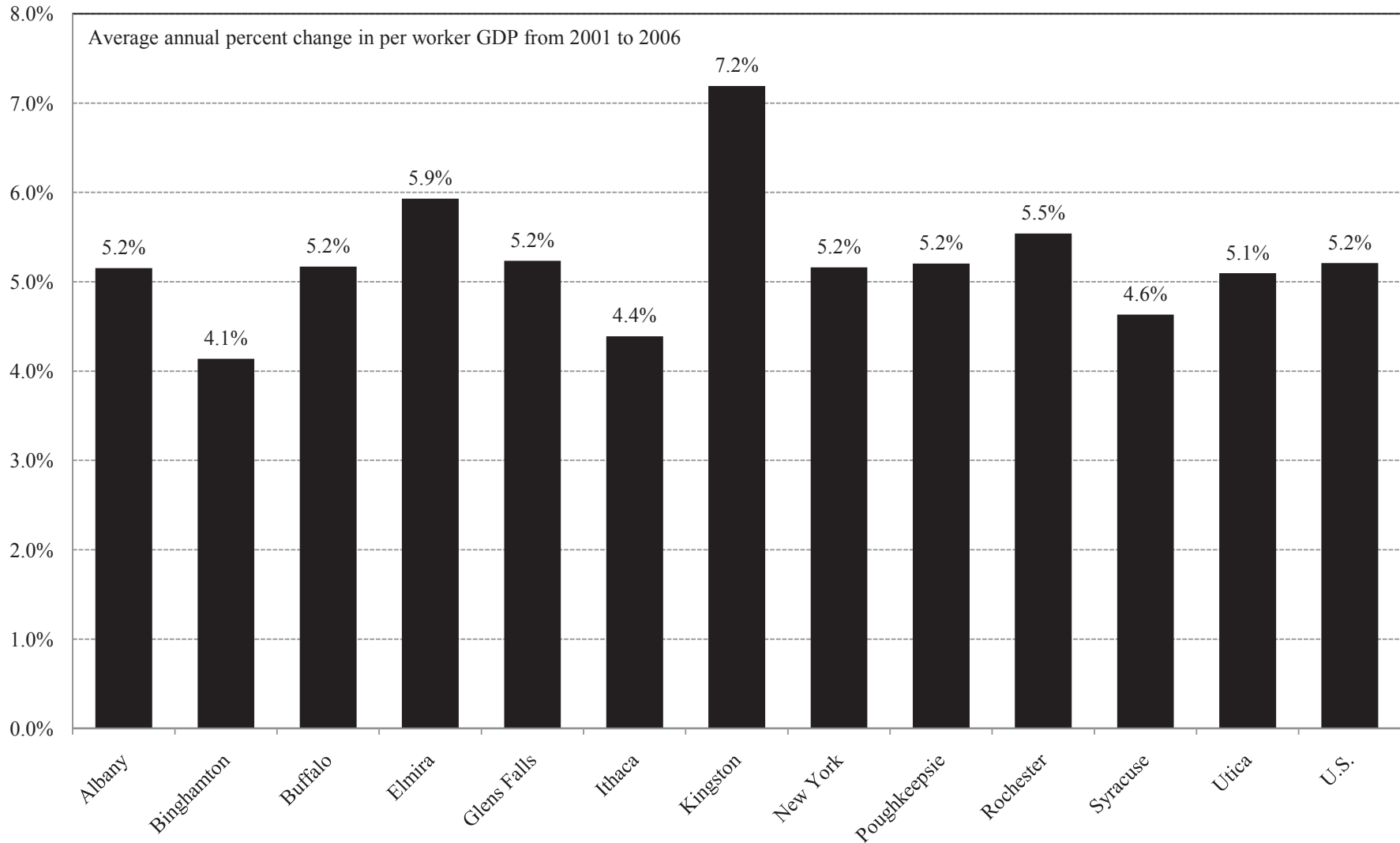
“New York has the worst business tax climate among all states.”

- According to the Tax Foundation, New York’s business tax climate ranks 50th, or at the very bottom, among all states. Of the 10 top-ranked states, the top eight have either no corporate income tax, no personal income tax, or no sales tax, or lack some combination of these.
- The Tax Foundation claims: “states with the best tax systems will be the most competitive in attracting new businesses and growth and most effective at generating economic and employment growth.”
- However, the states that the Tax Foundation considers having the best business tax climates are not all exactly economic powerhouses. The top 10, in order, are: SD, AK, WY, NV, FL, MT, NH, DE, UT, and IN. Some had much greater population growth than NY (6 are in the South or West), but three (NH, DE, and IN) had less job growth over the past decade than NY, and six (FL, UT, DE, NH, IN, and NV) had smaller growth in per capita income over the decade. Only DE comes close to NY in terms of GDP per worker (largely because of the state’s large chemical industry). IN actually lost jobs over the decade and NV ranked 48th in per capita income growth and currently has the highest unemployment rate in the U.S.
- The fact is that many of the states that rank the highest are resource-intensive and can rely on mineral extraction taxes and thus do not need a corporate or personal income tax.
- The reality is that while the Tax Foundation acknowledges that factors such as transportation, a quality educational system, and a skilled workforce affect a state’s business climate, their ranking DOES NOT CONSIDER THESE FACTORS, nor does their analysis of tax policies acknowledge how critically these human and physical infrastructure capacities rest on a state government’s ability to invest in them.
- Does it make sense to only look at the “cost” side of government, without considering the “benefit” side? No business would operate that way. Isn’t value added per worker and profit per worker the “bottom line”? On those measures, NY ranks at or close to the very top. Maybe taxes have something to do with that.

“Upstate is mired in stagnation.”

- “In real GDP, from 2001-2006, upstate New York grew about 1.7 percent per year while the average in the nation was 2.7%.” This comparison is dated and does not tell the whole story.
- During this same time period, productivity for workers in eight out of all eleven upstate metro areas was growing the same or faster than for the U.S. overall – at or above 5.2 percent per year (in nominal, not real terms). And the per capita income growth from 2005 to 2009 in ten of these areas was one and a half times such growth in U.S. metropolitan areas overall – 15 to 21 percent, compared to 10 percent for the country, placing these areas in the top 100, or even 50, of 366 metropolitan areas.
- In fact, President of the New York Federal Reserve Bank, William Dudley, visited upstate New York in October 2010 and stated that the ‘Upstate New York economy has weathered the Great Recession relatively well.’
 - Upstate homeowners have held less debt and fewer risky loans resulting in decreased loan delinquency and foreclosure activity than elsewhere.
 - Buffalo’s employment, as elsewhere in upstate New York, has not been based on growth in the housing construction sector like in California and Florida; therefore, comparatively fewer jobs were lost upstate as this sector collapsed.
- Higher education in upstate New York has contributed to growth in the health care and information technology sectors as it partners in research and development with business and other sources of investment.

Productivity for workers in most upstate metro areas was about the same or stronger than for the country between 2001 and 2006



Source: Bureau of Economic Analysis

During the last two years of the expansion (2005-2007), and during the first two years of the Great Recession (2007-2009), most metro areas in New York State had faster per capita personal income growth than the metropolitan average for the nation.

Metropolitan Statistical Area (MSA)	Per capita personal income			Per capita income growth rate			Rank among 366 MSAs, 2005-2009 growth rate
	2005	2007	2009	2005 to 2007	2007 to 2009	2005 to 2009	
United States metropolitan portion	\$37,082	\$41,260	\$40,757	11.3%	-1.2%	9.9%	
Binghamton MSA	\$28,262	\$32,870	\$34,116	16.3%	3.8%	20.7%	14
Ithaca MSA	\$28,272	\$32,374	\$33,632	14.5%	3.9%	19.0%	27
Kingston MSA	\$30,677	\$35,738	\$36,481	16.5%	2.1%	18.9%	28
Utica-Rome MSA	\$27,972	\$31,614	\$33,069	13.0%	4.6%	18.2%	32
Buffalo-Niagara Falls MSA	\$31,801	\$36,216	\$37,511	13.9%	3.6%	18.0%	36
Elmira MSA	\$27,952	\$31,656	\$32,814	13.3%	3.7%	17.4%	44
Syracuse MSA	\$31,474	\$35,797	\$36,784	13.7%	2.8%	16.9%	50
Albany-Schenectady-Troy MSA	\$36,239	\$40,941	\$42,318	13.0%	3.4%	16.8%	52
Rochester MSA	\$34,114	\$38,635	\$39,192	13.3%	1.4%	14.9%	92
Glens Falls MSA	\$28,740	\$31,833	\$32,994	10.8%	3.6%	14.8%	98
Poughkeepsie-Newburgh-Middletown MSA	\$34,396	\$39,109	\$39,282	13.7%	0.4%	14.2%	111
NY-No. NJ -Long Island, NY-NJ-PA MSA	\$45,952	\$53,864	\$52,375	17.2%	-2.8%	14.0%	116

Note: All income figures are in current dollars.

Source: Bureau of Economic Analysis, Regional Income Division.

“People are leaving New York in droves (mainly because of taxes).”

- The claim is often made that taxes are driving people and businesses from New York, yet absolutely no evidence is ever provided to back this up. There are no studies that provide an empirically-based analytical link between the migration behavior of New Yorkers and state and local taxes. A study claiming to show a lot of out-migration and an assertion that says it must be because of taxes is not evidence of a causal relationship.
- After a surcharge was placed on New York’s top personal income tax in 2002 to address revenue shortfalls brought about by the early-2000s recession, the number of filers in the top bracket increased by nearly 80 percent between 2003 and 2008, the peak of the business cycle. This was exactly the opposite of claims made by Governor Pataki that the policy would drive people from the state.
- A Princeton University study found that the impact of New Jersey’s 2004 increase on family incomes greater than \$500,000 was cost-effective for the state, raising revenue by over \$1 billion in 2006 while costing at most about \$38 million in tax revenues that would have been paid by people who left the state or might have been deterred from coming. Thus, the state recorded a net gain of more than \$962 million.
- A recent Wall Street Journal editorial claimed that a 2009 Oregon income tax increase (approved by the voters in a statewide referendum) on the state’s richest two percent had driven up to 10,000 people to leave the state by the following year. The reality is that the number of top income filers was 10,000 lower than that originally projected by the Oregon Legislative Revenue Office, while the

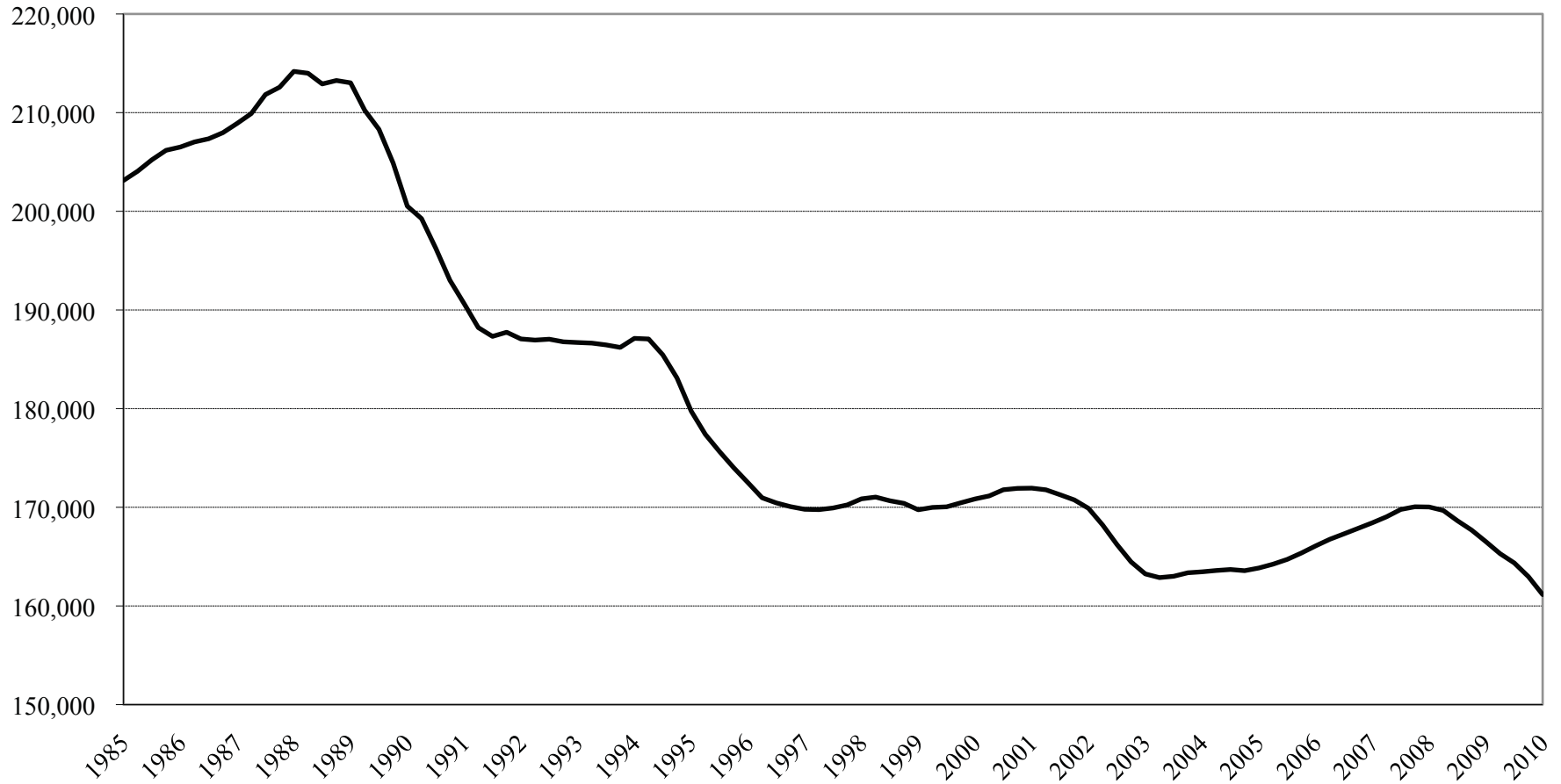
number of people filing in lower brackets increased, presumably the result of lower incomes brought about by the recession. The Wall Street Journal failed to substantiate its claim of a high-income exodus from Oregon with any actual evidence.

- Between 2000 and 2010, New York’s population grew by a modest 2.1 percent, ranking it among the states with the slowest population growth over the decade. All of the fast-growing states are in the South or West, continuing a decades-long trend. Some argue that New York’s low population growth is because we have a very high out-migration rate.
- Yet, the vast majority of the state’s domestic out-migration comes from New York City, which also has a lot of international in-migration not reflected in the net “domestic out-migration” figure. Moreover, no one disputes that New York City has the most dynamic economy among the state’s various regions. The city’s population flows are also dynamic:
 - NYC is a national and international magnet for people in many fields. They come to the city to pursue education and establish themselves professionally. Some stay permanently, while others eventually leave, most likely for a variety of family and career reasons.
 - The same is true for immigrants who are drawn by the opportunities the city affords and its cultural diversity. Some stay and raise families and build businesses, while others, having gained a foothold in America, eventually move on to other areas.
- The reality is that our net population level is growing slowly overall, but what’s important is that New York has a growing economy, and high productivity. High out-migration in the downstate area needs to be considered along with high international in-migration and the fact that New York City is a magnet for opportunity-seeking high achievers.

“Public employee pay and benefits are busting the budget.”

- *“We have a new privileged class in America. We used to think of government workers as underpaid public servants. Now they are better paid than the people who pay their salaries.”* Indiana Governor Mitch Daniels, June 6, 2010
- However, when such pay comparisons are done properly and adjust for age, education and occupation, a different picture emerges. U.S. state and local government workers actually suffer a wage penalty of four percent when compared to private sector workers with similar characteristics, such as age and educational attainment. When comparing workers in similar occupations, public sector employees tend to be more educated, to be older (and therefore to have more labor market experience), and to have longer tenure on their jobs.
- Research also shows that the state and local public sector wage penalty rises to about 11 percent for higher-wage workers, such as college professors.
- State and local public sector jobs are an especially important source of employment for women. Females represent 60 percent of state and local workers but only 46 percent of private sector workers.
- The size of the New York State government workforce has declined significantly over the past two decades and has already declined by 10,000 in the past two years. The total state agency payroll has been fairly flat in inflation-adjusted dollars in recent years and is down considerably from its late 1980s peak.

**New York State government agency Full Time Equivalents (FTEs)
dropped 24 percent between their late 1980s peak and 2010.**



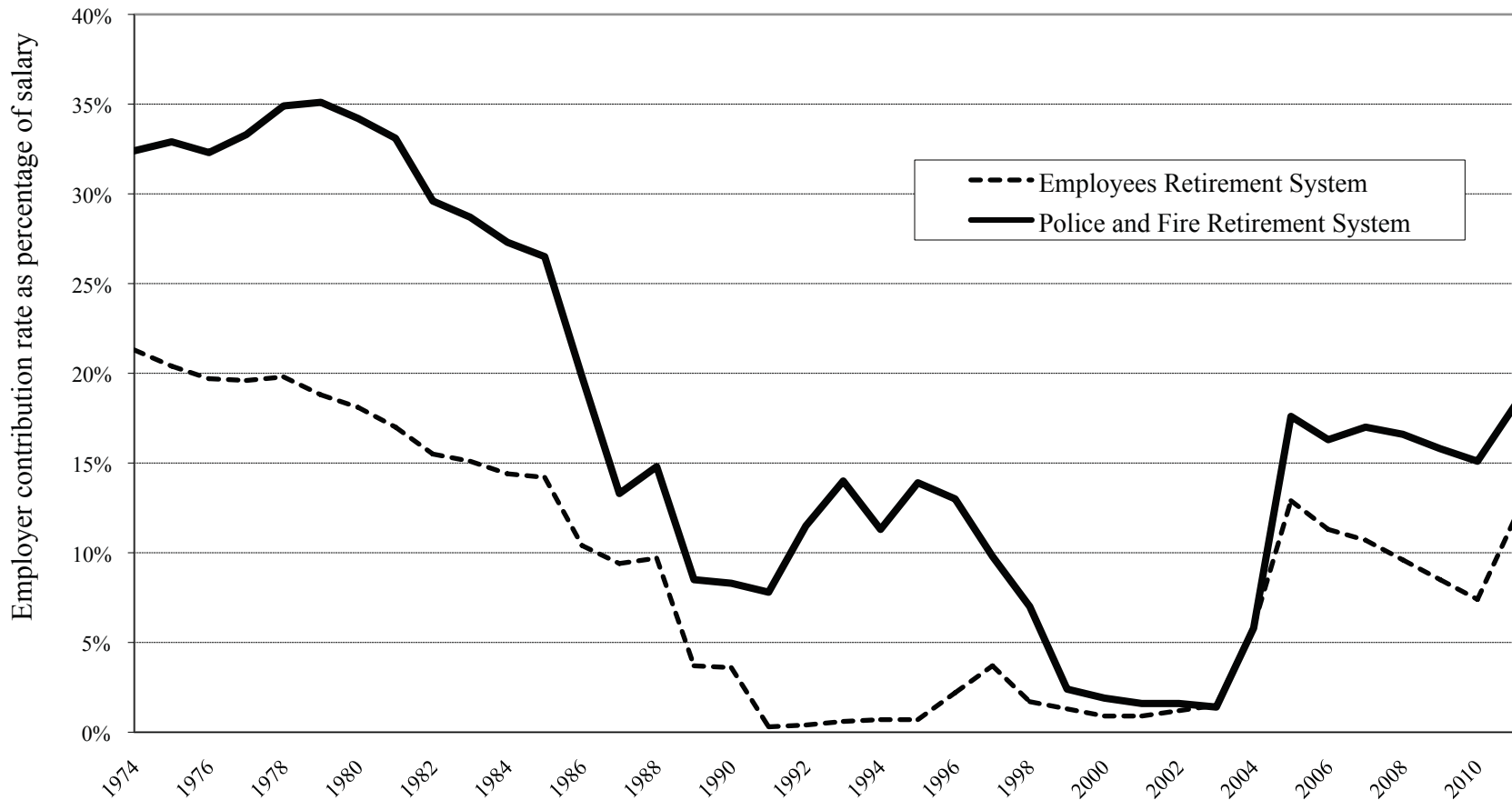
Note: excludes SUNY & CUNY. Source: NYS Office of the State Comptroller.

“Public employee pay and benefits are busting the budget.”

- Pensions are the deferred wages of workers—an essential part of the compensation that is bargained with the employer.
- There has been a steady decline in employer-sponsored retirement plans in the private sector. These plans include both traditional defined benefit plans and defined contribution plans such as 401(K)s.
- New York has fared worse than the national average with respect to private sector pension coverage. Since the early 1980s, the percentage of New York’s private sector employees with an employer-sponsored retirement plan dropped 11 percentage points, from 52 percent to 41 percent. This drop was twice as great as the national average, and proportionately fewer New York private workers now have employer-sponsored retirement plans than the national average.
- Besides the nationwide decline in private sector employer-sponsored retirement plans, there has also been a shift away from defined benefit (DB) plans towards individual defined contribution (DC) plans. DB plans offer substantial efficiencies over DC plans, resulting in DB plans costing *46 percent less* than DC plans for a given benefit level.
- New York’s public sector pension funds have suffered from decreased contributions and a decline in investment returns. About a decade ago, New York state and local governments took advantage of the late 1990s high stock market earnings and decreased their contributions in the early 2000s.

- More recently, the assets of New York's seven largest state and local public sector pension funds suffered combined declines of \$110 billion (29 percent) during the 2008 and 2009 finance market meltdown. Nationally, according to the Census Bureau, state government employee pension systems suffered over \$500 billion in investment losses in 2009.
- Despite decreased contributions and sizable investment losses, New York's combined pension and long-term debt liabilities are proportionately much lower than those of other states. According to Moody's, New York's combined liabilities rank 35th lowest as a share of personal income, 35th lowest as a share of Gross Domestic Product (GDP), and 32nd lowest as a share of state operating revenue.

Employer pension contribution rates for New York State and Local government employers were unusually low from 1999 - 2003 and increased recently because of investment losses.



Source: New York State and Local Retirement System.

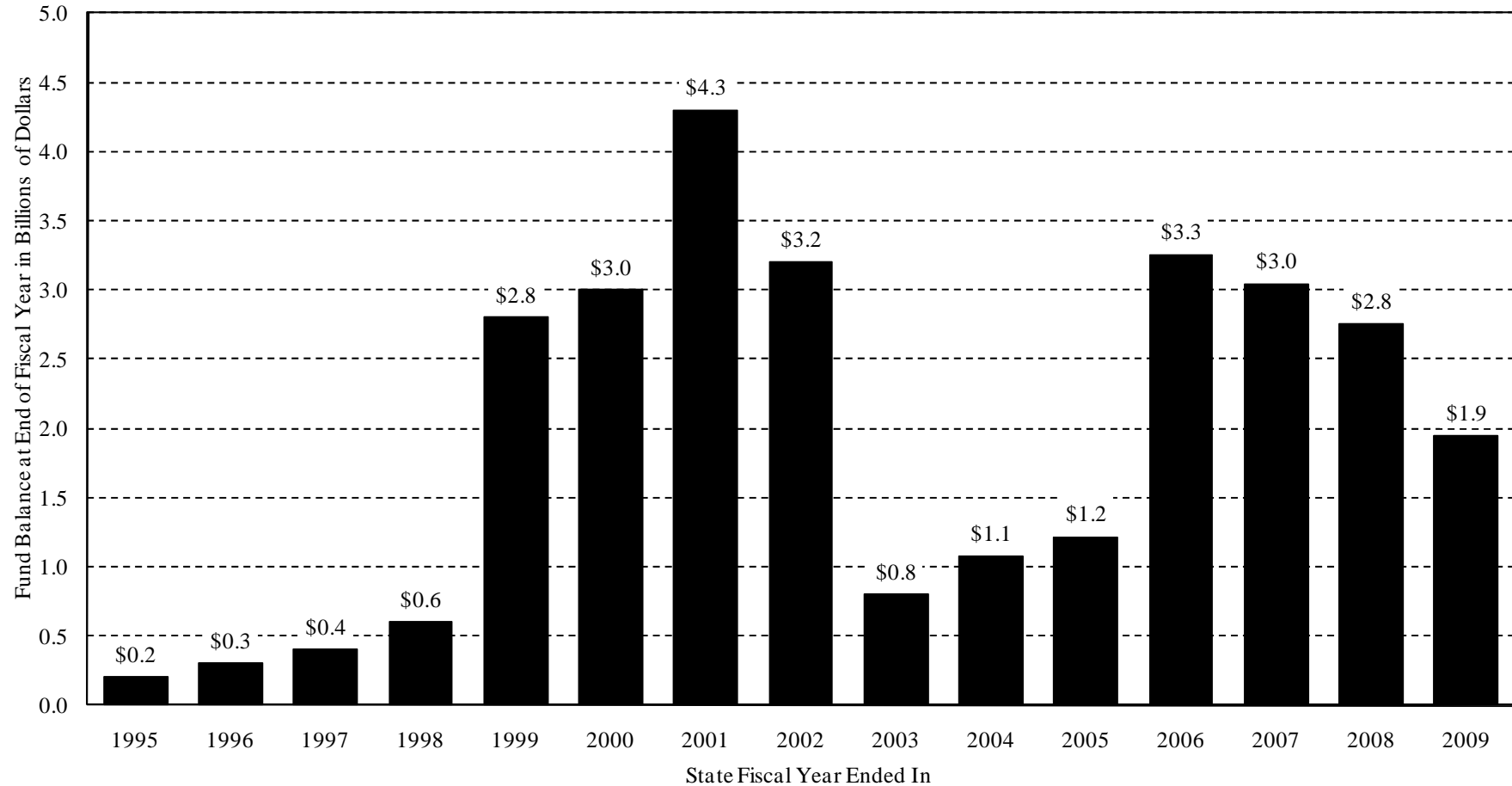
New York City and State Public Pension Fund Losses from Wall Street Meltdown, 2007-09

	(\$ billions)	(\$ billions)	(\$ billions)	(\$ billions)	
	Net Assets as of 6/30/07	Net Assets as of 6/30/08	Net Assets as of 6/30/09	2-yr Losses as of 6/30/09	% of assets lost 2007- 09
<i>New York City pension funds</i>					
New York City Employee Retirement System	\$42.5	\$39.7	\$31.9	-\$10.6	-25%
New York City Teachers' Retirement System	\$37.1	\$32.3	\$23.1	-\$14.1	-38%
New York City Police Pension Fund	\$21.9	\$21.1	\$17.4	-\$4.5	-20%
New York City Fire Pension Fund	\$7.2	\$6.8	\$5.6	-\$1.6	-23%
Board of Education Retirement System	\$2.2	\$2.0	\$1.5	-\$0.6	-29%
<i>Total, 5 New York City Funds</i>	<i>\$110.9</i>	<i>\$101.9</i>	<i>\$79.5</i>	<i>-\$31.4</i>	<i>-28%</i>
<i>New York State pension funds</i>					
New York State Teachers' Retirement System	\$104.9	\$95.8	\$72.5	-\$32.4	-31%
	Net Assets as of 3/31/07	Net Assets as of 3/31/08	Net Assets as of 3/31/09	2-yr Losses as of 3/31/09	% of assets lost 2007- 09
New York State and Local Retirement System	\$156.6	\$155.8	\$110.9	-\$45.7	-29%
<i>Total, 2 New York State pension funds</i>	<i>\$261.5</i>	<i>\$251.6</i>	<i>\$183.4</i>	<i>-\$78.1</i>	<i>-30%</i>
TOTAL, 7 New York Public Employee Funds	\$372.5	\$353.5	\$262.9	-\$109.6	-29%

“State spending consistently grows faster than state revenue.”

- The real measure for determining when the state spends more (and when it spends less) than it takes in is the change in the state’s fund balance between the beginning of a fiscal year and the end of that fiscal year. New York’s fund balance consists of both restricted reserves (like its two rainy day funds) and unrestricted reserves that are rolled over from one year to the next.
- Because of the fiscal challenges that New York and virtually all of the other states are currently facing, it may be hard to remember that the state’s budget situation is not always so glum. But the reality of the situation is that in some years the state’s financial situation has been so good that there have been big debates about whether or not to cut taxes and by how much.
- In fact, during nine of the last 14 fiscal years, New York State actually increased its fund balance between the beginning and end of its fiscal years.
- And this happened during a period when New York was enacting a series of large, multi-year back-loaded tax cut packages.

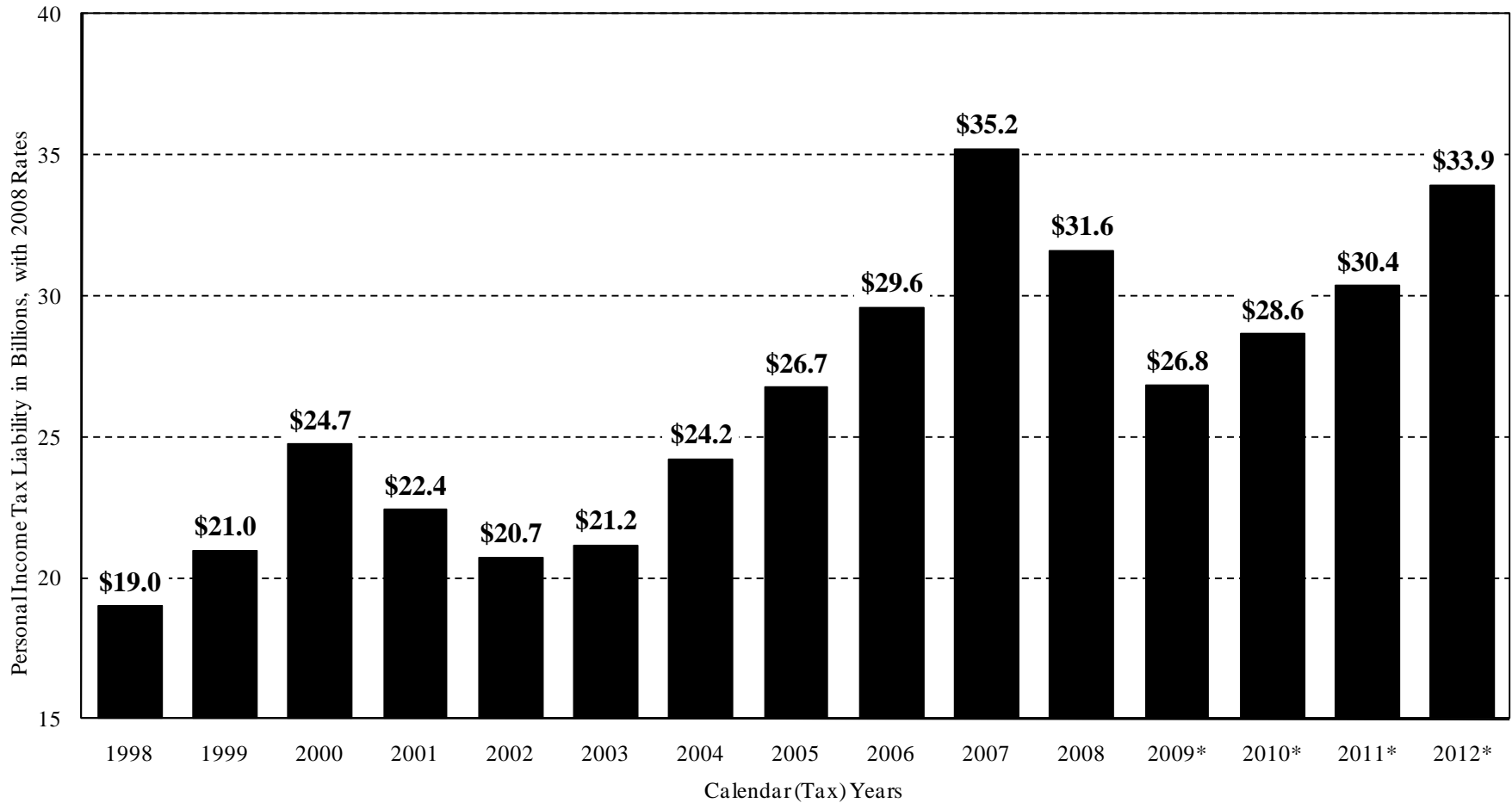
In years when New York takes in more than it spends, its fund balance goes up. This has happened in 9 of the last 14 years.



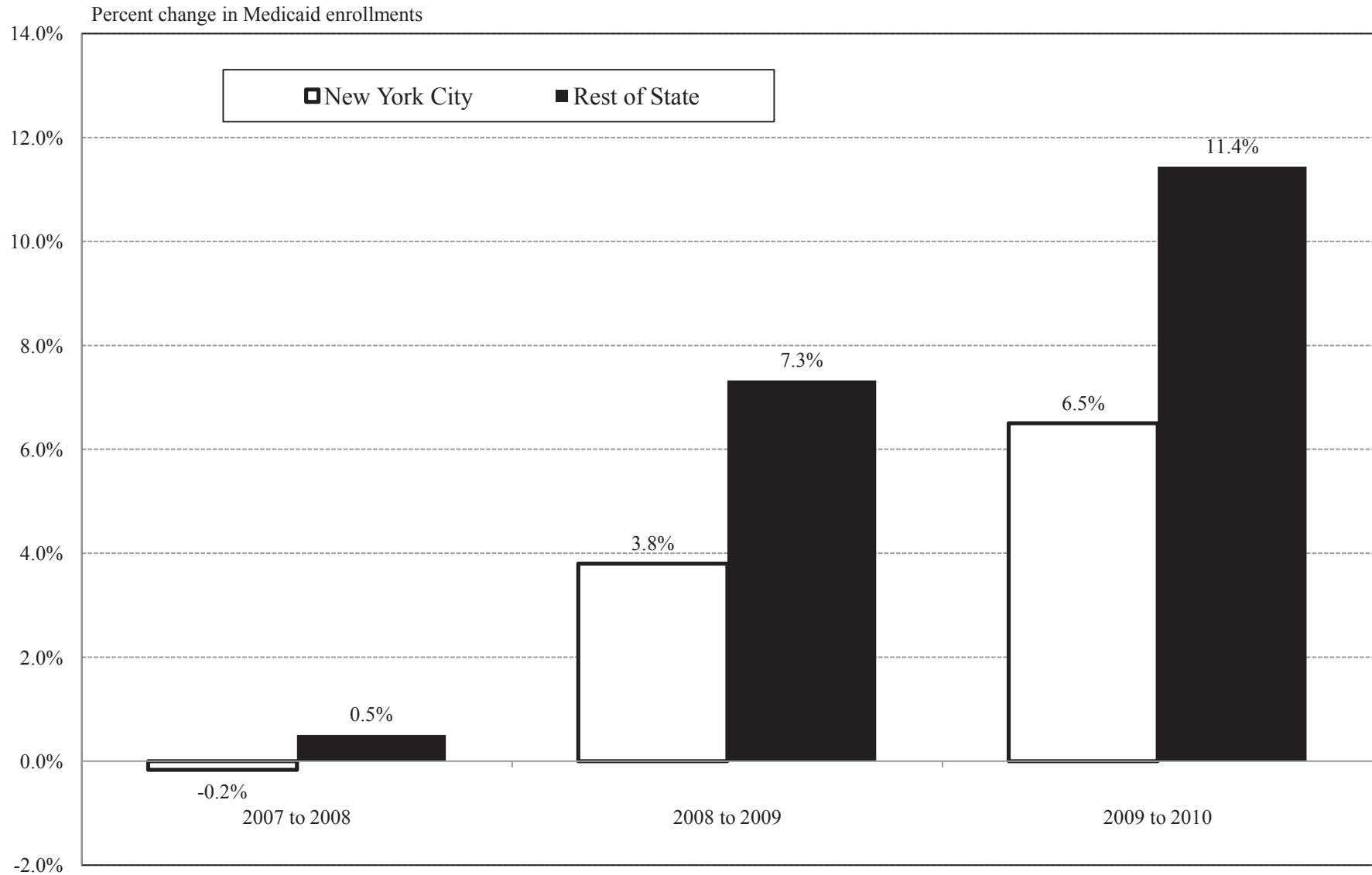
What's driving New York's budget gaps?

- New York State has faced significant and recurring budget gaps since the summer of 2008. These gaps are overwhelmingly attributable to the Great Recession which has had a very negative impact on the finances of state governments throughout the country.
- The Great Recession has affected both the revenue and the expenditure sides of state budgets, driving up the cost of safety net programs as people lost jobs and driving down revenues. New York has not been immune from this double whammy. For example:
 - If it were not for the temporary increases in New York State's top tax rates that were enacted in 2009, Personal Income Tax revenues would have fallen by \$8.4 billion between 2007 and 2009, a 24% decline in revenue in just two years.
 - On the expenditure side of the budget, Medicaid costs have increased as large numbers of New Yorkers lost their jobs and/or their health insurance. The result is that Medicaid enrollment in New York State has increased by 18% over the last three years.
- Ironically, the budget gaps forecast by the Division of the Budget (DOB) for the next two state fiscal years (2011-12 and 2012-13) are attributable in an immediate sense to the scheduled expiration of two actions that helped New York make it through the depths of the recession. These actions were (1) the provision by the federal government of an enhanced level of aid to the states; and (2) an increase in the state's personal income tax rates for married couples with taxable incomes above \$300,000, and individuals with taxable incomes above \$200,000.

Without the top rates enacted in 2009, personal income tax revenue would have fallen by 24% in just two years because of the Great Recession.



Growth in Medicaid enrollments is escalating sharply



Source: NYS Department of Health at <http://www.health.state.ny.us/nysdoh/medstat/medicaid.htm>

The federal American Recovery and Reinvestment Act (ARRA) helped the states through the budget challenges of the last two years but its state fiscal relief provisions are now expiring.

- About \$135 billion or 17% of the funding provided by the ARRA, as signed into law by President Obama on February 17, 2009, was dedicated to “state fiscal relief.”
- Most of this aid was in the form of a temporary increase in the federal share of state and local Medicaid costs for the period from October 1, 2008, and December 31, 2010. In August 2010, Congress and the President acted to extend this relief until June 30, 2011.
- The second largest component of the ARRA’s state fiscal relief was provided through a new State Fiscal Stabilization Fund which was dedicated primarily to helping states fund their education programs during this period of greatly reduced state revenues. In August 2010, Congress and the President provided an additional year of aid through an Education Jobs Fund that was similar in operation to the State Fiscal Stabilization Fund.
- The Division of the Budget has estimated that the expiration of this extraordinary level of federal funding will result in approximately \$5.4 billion in costs reverting to New York State’s General Fund, during the 2011-12 state fiscal year.

Why it makes sense for the federal government to help the states during recessions.

- In the United States, the federal government is responsible for overall macroeconomic management. The federal government uses both monetary policy and fiscal policy to smooth out the ups and downs in the economy – stimulating the economy during economic downturns, slowing it down when it gets overheated and high rates of inflation are a threat, and keeping it growing at a sustainable rate during good times.
- During bad times, the federal government can increase spending and reduce taxes to stimulate the economy since it does not have to balance its budget. The states, however, have to balance their budgets in both good times and bad. The result is that at the very time that the economy needs an infusion of demand, the states are required to go in the opposite direction - cutting spending and/or raising taxes.
- In this context, it makes a great deal of sense for the federal government to provide additional aid to the states during recessions. By doing this, the federal government can reduce the amount of budget cutting and tax increasing that the states have to do during the recession. While the recession is officially over, neither the job market nor the states' finances have recovered sufficiently for the states to accommodate the abrupt expiration of the ARRA's state fiscal relief without doing harm to the emerging recovery.

New York's temporary income tax increase has helped the state to balance its budget during the Great Recession and its aftermath.

- The revenue generated by the high-end income tax increases enacted in 2009 and 2010 allowed New York State to reduce greatly the magnitude of the budget cuts, and the magnitude of the regressive property and sales tax increases, that would have otherwise been necessary. As explained in other sections of this briefing book, progressive tax increases on the portions of household incomes over a very high level are the least damaging kind of budget-balancing action available to state governments during recessionary periods of greatly reduced consumer spending.
- Despite claims by critics that the high-end income tax increases were “not working,” the Division of the Budget’s original forecasts are proving to be very much on target. In the recently released Executive Budget, DOB estimates the revenue from these provisions during the current state fiscal year at approximately \$5.266 billion.
- But the high-end rate increases enacted in 2009 are scheduled to expire at the end of the 2011-12 calendar years. This would reduce state revenues for the 2011-12 fiscal year by about \$1 billion and by about \$5 billion in 2012-13. This represents virtually all of the increase in the projected deficit in 2012-13 over 2011-12.

Original and Current Revenue Forecasts for High End Income Tax Increases

(Amounts in Billions of Dollars)

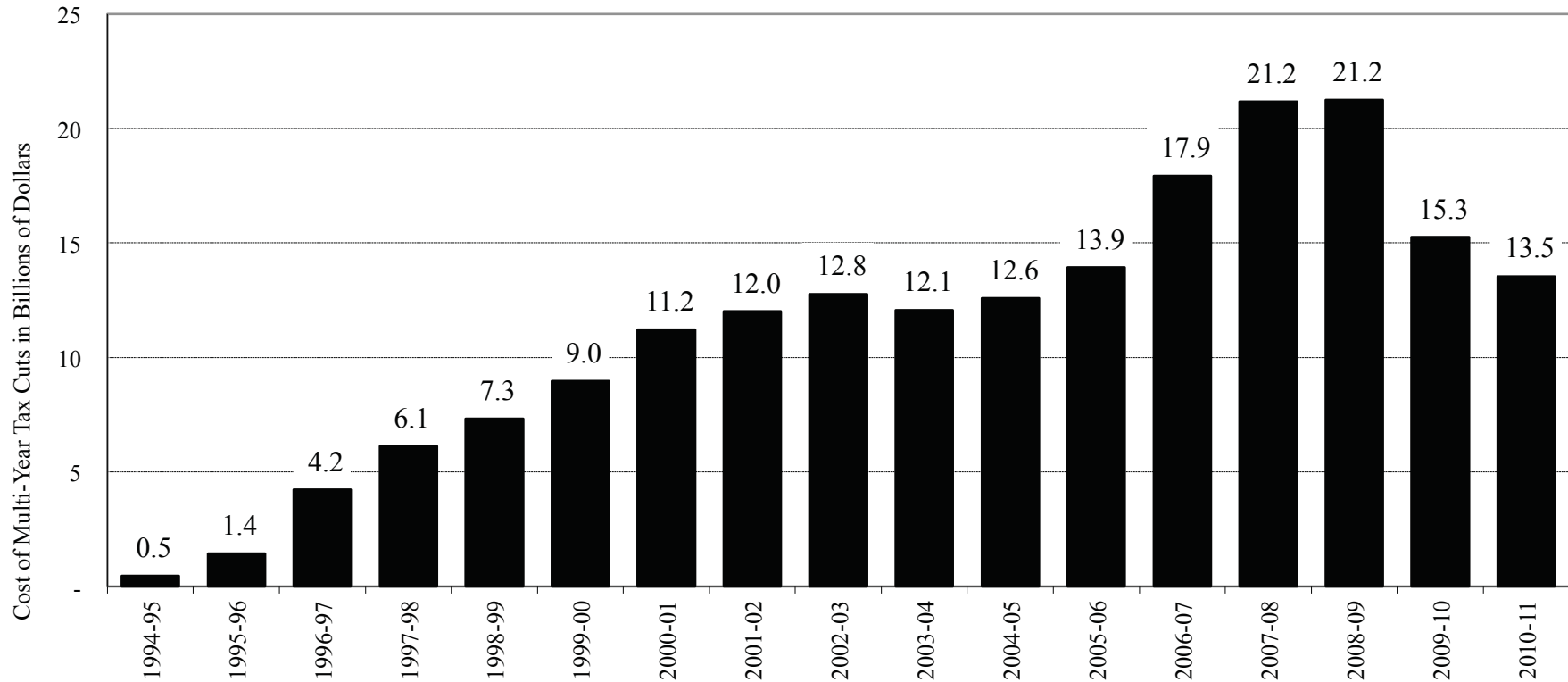
	State Fiscal Years		
	2009-10	2010-11	2011-12
Original Division of the Budget Forecasts			
Rate Increases	3.948	4.778	3.720
Reduction in Itemized Deductions for Taxpayers with Incomes Over \$1 Million	0.140	0.200	0.150
Reduction in Charitable Contribution Deductions for Taxpayers with Incomes Over \$10 Million		0.100	0.135
TOTAL	4.088	5.078	4.005
Latest Division of the Budget Estimates and Forecasts			
TOTAL	4.067	5.266	3.658
Latest Estimates and Forecasts as a Percent of Original Forecasts			
	99.5%	103.7%	91.3%

Note: The rate increases are scheduled to expire at the end of calendar year 2011. The Division of the Budget estimates that the inapplicability of these rate increases to 2012 would result in a reduction of withholding and estimated payments during January, February and March of 2012 of about \$1 billion.

New York’s projected budget gaps are also attributable in the longer run to the repeated rounds of multi-year tax cuts enacted between 1994 and 2006, and to several important commitments made in recent years but not paid for.

- By the end of the Pataki Administration, the Division of the Budget was estimating that the multi-year tax reductions enacted from 1994 through 2006 were reducing state revenue by over \$20 billion a year.
- In 2005, the state government agreed to take over both the full cost of the non-federal share of Family Health Plus and any growth in local Medicaid costs in excess of 3% per year.
- The STAR program did not exist prior to the 1998-99 state fiscal year. It now costs the state approximately \$3.3 billion a year.
- In 2005, the state settled the school facilities part of the CFE lawsuit by creating the Excel program and in 2007 it adopted a legitimate statewide solution by establishing a foundation aid formula. But the Governor is now proposing to freeze foundation aid at its 2008-09 level for another year and cut it deeply with a “Gap Elimination Adjustment.”

The multi-year backloaded tax cuts enacted since the mid-1990s are having a continuing impact on state revenues.



For 2009-10 and 2010-11, the amounts shown reflect FPI's estimate of the impact of recessionary revenue losses, the temporary tax increases on the wealthy, and the elimination of the STAR rebates.

IV. The economic impact of this year's budget choices

The Economic Impact of This Year's Budget Choices

- A balanced approach to balancing the state budget would do much less harm to the economy than a strategy that relied almost entirely on budget cuts or on a strategy that relied almost entirely on revenue increases. Relying entirely or almost entirely on deep cuts to local assistance and state operations would do great damage to the state's economy in the short run. But it would also hurt the state's long run economic competitiveness by the impact of such a strategy of the state's human capital and its physical infrastructure.
- The least damaging strategy for balancing the state's budget during periods like the present when consumer spending is depressed is an increase in taxes on the portion of household incomes that is least likely to be spent. For New York, this year, that choice is somewhat simpler since the state has an income tax surcharge in place that is scheduled to expire at the end of the current calendar year.
- New York also faces major choices in regard to the funding of essential services. In dollar terms, the biggest cuts proposed in the Executive Budget would be in Elementary and Secondary Education and Health Care both of which are areas of great importance to the state's quality of life and its long term economic prospects. But other areas also face cuts that would be as devastating on a percentage or relative basis.

Elementary and secondary education faces unprecedented challenges.

- Under the proposed Executive Budget, public schools would face the third year in a row of an austerity budget approach to state aid.
 - In 2009-10, with the benefit of extraordinary federal aid, “foundation aid” (the targeted aid program established as part of a statewide solution to the court decisions in the Campaign for Fiscal Equity lawsuit) was frozen at its 2008-09 level and expensed-based aids like transportation aid were funded at their 2009-10 formula levels. But foundation aid represents about 80% of school aid on average statewide but much more for the state’s neediest school districts.
 - In 2010-11, foundation aid was again frozen at its 2008-09 level, but this time there was not enough federal aid to make up for all of the state’s \$2.1 billion Gap Elimination adjustment. The net cut ended up at about \$800 million
 - This year the Governor is proposing to continue to freeze foundation aid at its 2008-09 level and to apply a cut (called a Gap Elimination Assessment) of \$2.8 billion with foundation aid, on average, getting about 80% of that cut.
- But at the same time that the Governor’s Executive Budget is proposing a cut of this magnitude in the 2008-09 level of funding, the Governor is also proposing a 2% cap on the rate at which school property tax levies could be increased each year. This combination of a deep cut in state aid and a limit on property taxes is a recipe for economic and educational disaster.

Medicaid spending is projected to rise rapidly due to increased enrollment and higher health care costs

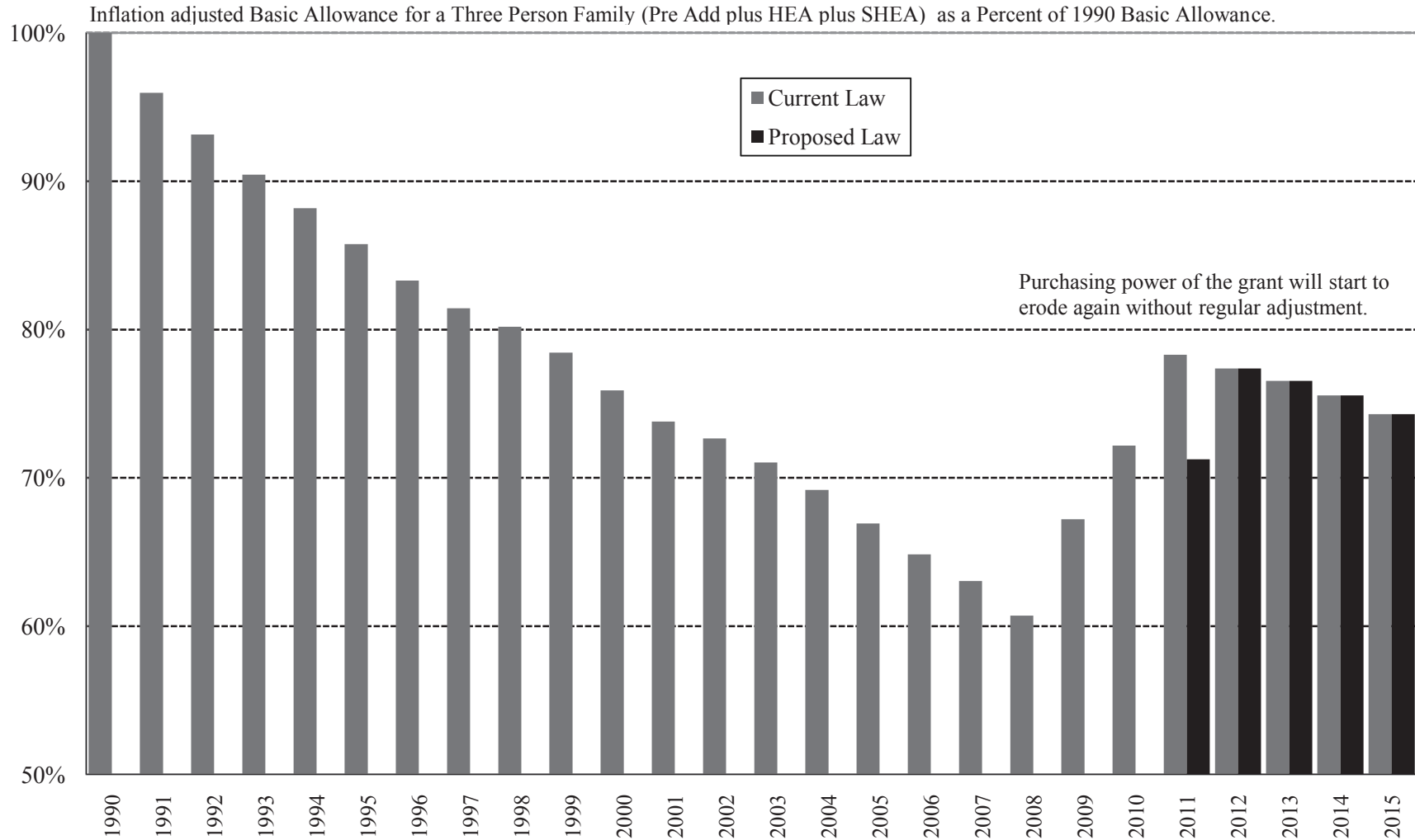
- The governor proposes that the Medicaid Redesign Team find ways to reduce spending by \$2.85 billion in 2011-12 and limit future growth to increases in the medical services component of the CPI.
 - The governor argues that there is a need for such an objective growth measure because of the projected 13.3 percent increase in Medicaid costs in the Division of the Budgets ‘current services’ projections.
 - In the November 1, 2010, update of the state’s Financial Plan, DOB explained this projection as follows:
 - ‘Overall Medicaid growth results, in part, from the takeover of local Medicaid costs under the cap, the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels. In addition, the payment of an extra weekly cycle to providers adds an estimated \$400 million in 2011-12.’
- But, the Governor’s ‘rational’ limit on Medicaid spending growth may not be sufficient in years like the present when enrollment is also projected to increase substantially. Medicaid enrollment grew by 18% from 2008 to the present and DOB forecasts that it will grow by an additional 6 percent in 2011-12.

- State Medicaid spending has a net positive economic impact because of the large infusion of federal dollars it brings to the state. A cut of \$2.8 billion would, according to FamiliesUSA's Medicaid calculator for 2008 result in a loss of \$5.8 billion in economic activity; a loss of almost 45,000 jobs; and a loss of over \$2 billion in wages and salaries.

At a time of increasing enrollments, the Executive Budget proposes further cuts for SUNY and CUNY

- In the Executive Budget, the governor proposes:
 - To reduce direct state aid to CUNY and SUNY by 10 percent compared to 2010-11 spending. That translates into cuts of \$213 million for 4-years colleges and \$47 million for 2-year colleges.
 - To reduce expenditures for the Tuition Assistance Program (TAP) by continuing limitations on TAP eligibility that were scheduled to expire during 2011-12. Overall, expenditures for the Higher Education Service Corporation, which administers TAP, would be allowed to increase by only half of what is projected as needed. This entails a \$44 million reduction from the Division of the Budget's projected "current services" baseline for this program.
- Since the recession began three years ago, public higher education enrollments have increased. SUNY enrollment is up by about 10 percent while CUNY enrollment has climbed by 14 percent since 2007. But funding for the system has not kept pace.
- The Governor's proposed reductions come on top of reductions in aid per student (FTE) over the past three years that total 10 percent at 4-year colleges and 13 percent at 2-year colleges. (These cuts are measured on a total state support basis, including direct state aid, fringe benefits, and TAP.)

After the first two increases to the basic cash grant in 2009 and 2010, the delay of the third increase will leave the grant at close to 70% of its 1990 purchasing power.



Based on 2009 dollars. Uses actual CPI-U through 2010 and projected CPI-U for 2011-2013 are from the Congressional Budget Office at <http://www.cbo.gov/ftpdocs/108xx/doc10871/AppendixE.shtml#1045449>.

Further cuts to the Metropolitan Transportation Authority

- The Metropolitan Transportation Authority (MTA) provides mass transportation services in the 12-county downstate region.
- The Executive Budget is proposing to reduce funding for the MTA in 2011-12 by \$200 million, primarily by diverting funds from dedicated tax revenues to the state's general fund.
- This latest reduction in state support comes on top of a \$143 million cut as part of the State's December 2009 Deficit Reduction program, and a \$104 million reduction in last year's Executive Budget. Moreover, the MTA has suffered downward revisions in dedicated tax collections of \$600 million in late 2009 and during 2010. In response the MTA has curtailed service and laid off staff. Transit fares were increased by 7.5 percent at the end of December 2010, with a similar hike scheduled for 2013.
- The 2011-12 Executive Budget also proposes to redirect \$100 million of existing economic development capital funds to the MTA capital program. However, this amount is far short of funding the MTA needs from the state in order to complete a reduced 2010-2014 capital program.

Extending the personal income tax surcharge will help foster New York's economic and fiscal recovery from the Great Recession.

- To help recover from severe economic downturns, New York State adopted a temporary personal income tax (PIT) surcharge in 2003 and in 2009. Both were established for 3-year periods, 2003-06 and 2009-11.
- The surcharge rates differed slightly, but both were progressive surcharges that affected only the wealthiest three or four percent of New York taxpayers. Because the New York income tax is paid by non-residents working in New York and because many of these non-resident commuters receive very high incomes, non-residents pay a significant fraction of the surcharge.
- The Great Recession was the longest and steepest economic downturn since the Great Depression of the 1930s. It will take years to fully recover the jobs and revenues lost as a result of this downturn, particularly since the recovery has started out at such a gradual pace. New York should continue the PIT surcharge until tax revenues fully recover.
- Unemployment in New York remains very high and projections are that it will not go below seven percent until 2014. Before the recession began, unemployment was under five percent. Unemployment above seven percent certainly has to be considered a recession in the job market.
- The surcharge is currently set to expire at the end of 2011. If New York does not extend the surcharge, the state will have to reduce expenditures by \$4-5 billion beginning in the 2012-13 fiscal year. This will further exacerbate the loss of state and local government jobs. Over the past two years, the State Labor Department reports that New York has already lost 44,000 state and local government jobs.

- In a 2001 paper, Nobel economist Joseph Stiglitz and former Obama Budget Director Peter Orszag wrote that states, given the requirement that they balance their budgets even during recessions, must either cut spending or raise taxes. States do not have the latitude the federal government has in engaging in counter-cyclical deficit spending. Either action, cutting spending or raising taxes, will weaken state economies. Reducing government spending on goods and services provided or produced locally and reductions in transfer payments to lower-income families are most damaging to the economy since they take dollar for dollar out of the local economy. However, Stiglitz and Orszag note that it is less harmful to a state's economy to raise taxes in a progressive manner than it is to cut spending on programs that mainly serve the poor and the middle class.
- The economic rationale for the Stiglitz-Orszag argument is that high income taxpayers are more likely to save a high portion of their incomes because that portion is not needed for essential consumption. Thus, levying a modest tax on high income taxpayers in a downturn to pay for basic government services will have a net positive economic effect since a dollar in taxes levied on high incomes takes less than a dollar out of the spending stream in the local economy.
- In an empirical study of this trade-off made using a well-known economic model also used by the state's economic development department, FPI found that raising income taxes in a progressive manner to avert a \$1.84 billion proposed cut in local school aid in New York had a positive employment impact of 61,400 jobs. (FPI, *Schools, Taxes and the New York Economy: An Economic Analysis of a Balanced Budget Alternative to the Governor's School Aid Cuts*, April 24, 2003.)
- Policy-makers should also keep in mind the significant concentration of income growth among the very wealthiest that has taken place in recent years. Since 1980, the richest one percent of New Yorkers have increased their share of all incomes from 10 percent to 35 percent in 2007. While the richest one

percent saw their real incomes increase six-fold, those in the middle gained at only a quarter of the pace of overall income growth and the bottom half saw their incomes fall by over 10 percent. Income concentration accelerated in the 2000s. These trends have helped make New York the most polarized among all fifty states, and contributed to making New York City the city among the 25 largest cities in the country with the greatest divide between the rich and everyone else. (See the charts in the Appendix.)

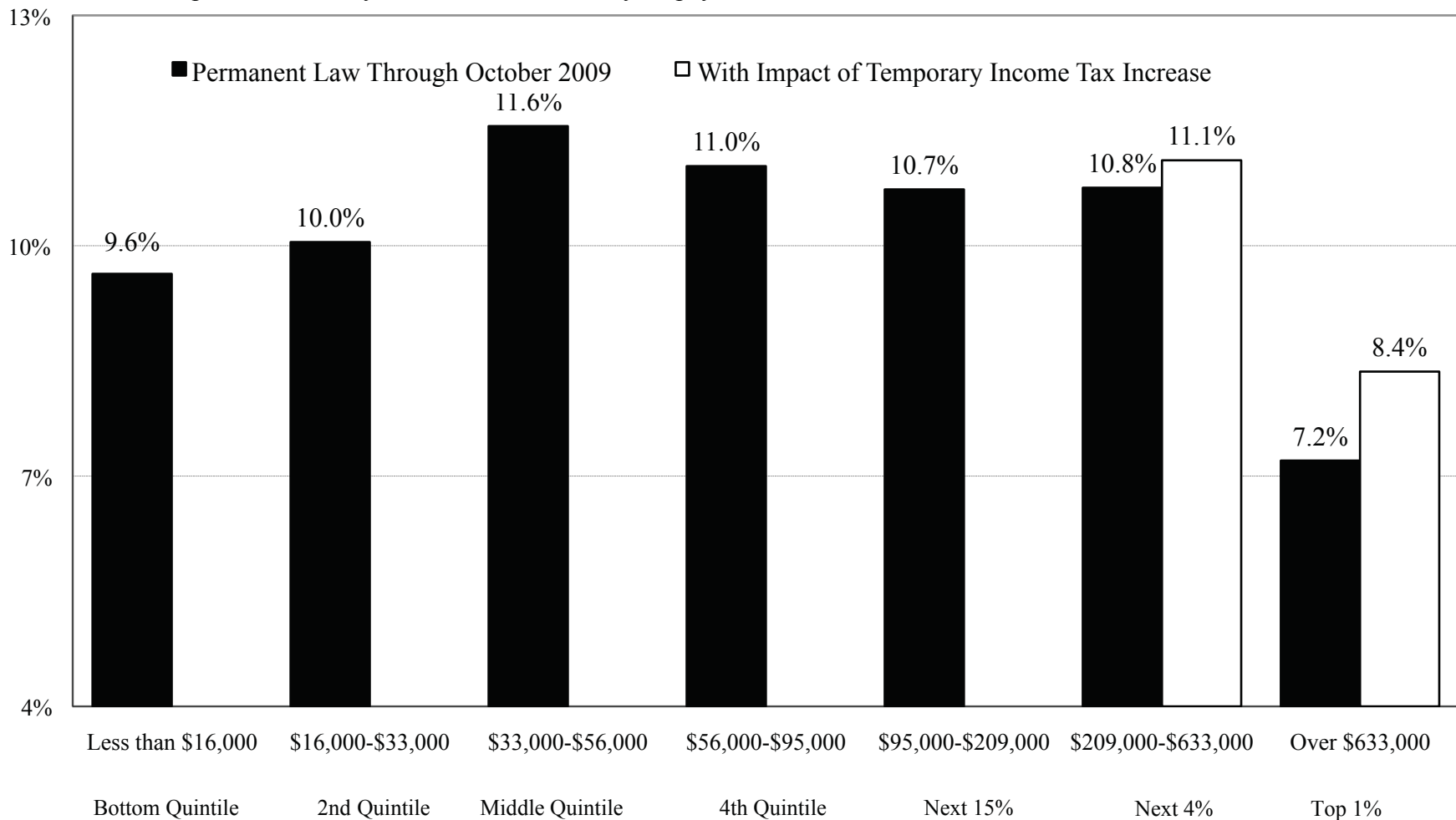
- The agreement between President Obama and the Republican leadership in Congress to extend the high-end income taxes first passed under President George W. Bush will provide an enormous windfall to the very rich. The wealthiest one percent of New Yorkers will receive an average federal tax cut windfall of \$124,000.
- Extending the PIT surcharge will foster New York's economic and fiscal recovery and will not lead to a significant out-migration of those who benefit so greatly from New York's high productivity economy.

Agenda for corporate tax fairness: closing loopholes, limiting tax expenditures and adapting the tax structure to an evolving finance sector

- Corporate income taxes averaged only 0.5 percent of New York’s GDP over the past 10 years, a share that is more than a third smaller than over the prior decade.
- In a budget year when “everything is on the table,” New York’s \$5.4 billion in annual business tax expenditures should be closely examined. This “back door” spending has grown rapidly since 2000, and lacks transparency and accountability. In 2010-11, business tax breaks used to reduce tax payments under the Corporate Franchise Tax are projected at \$3 billion, over 90 percent of the \$3.27 billion in projected collections. This spending should be carefully examined to determine whether the promised benefits are real, and if so whether the expense entailed is justified.
- As an increasing number of states, including New York, have adopted the Single Sales Factor method of apportioning multistate corporate income for state tax purposes, the amount of “nowhere income” (income not subject to taxation by any state) is increasing dramatically. Legal experts seeking to establish a uniform and fair system of corporate state-level taxation have long recommended the inclusion of a “throw-back” or “throw-out” rule, which half of the states using Single Sales Factor have adopted.
- New York’s tax structure has not kept pace with changes in the structure and nature of financial sector firms. Since many sizable financial businesses are organized as Limited Liability Companies (LLCs) and Limited Liability Partnerships (LLPs), New York should raise the maximum filing fee for LLCs and LLPs as it did for tax years 2003-2006. New York should also expand the nonresident personal income tax to include income received from hedge fund management fees earned in New York.

Overall, the wealthiest 1% of households pay a much smaller share of their income in state and local taxes than do all other New Yorkers, even with the temporary income tax increase.

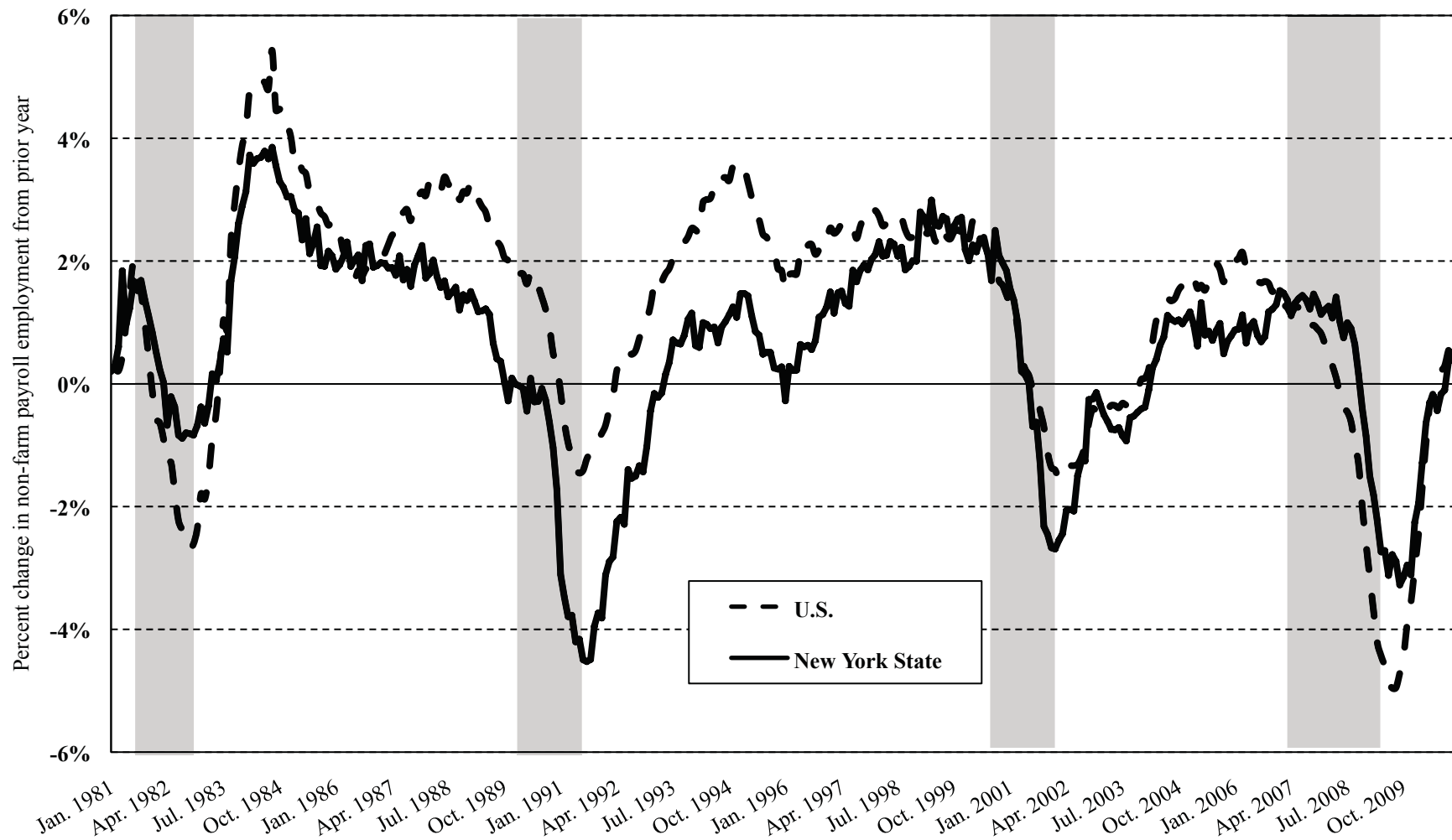
Taxes as a percent of family income, for non-elderly taxpayers, after federal deduction offset



Source: Institute on Taxation and Economic Policy, 2009. Note: 2007 tax law updated to reflect changes in law enacted through October 2009.

V. Appendix

**In contrast to the recessions of the early 1990s and early 2000s,
New York had less job loss than the U.S. in the recent
recession.**



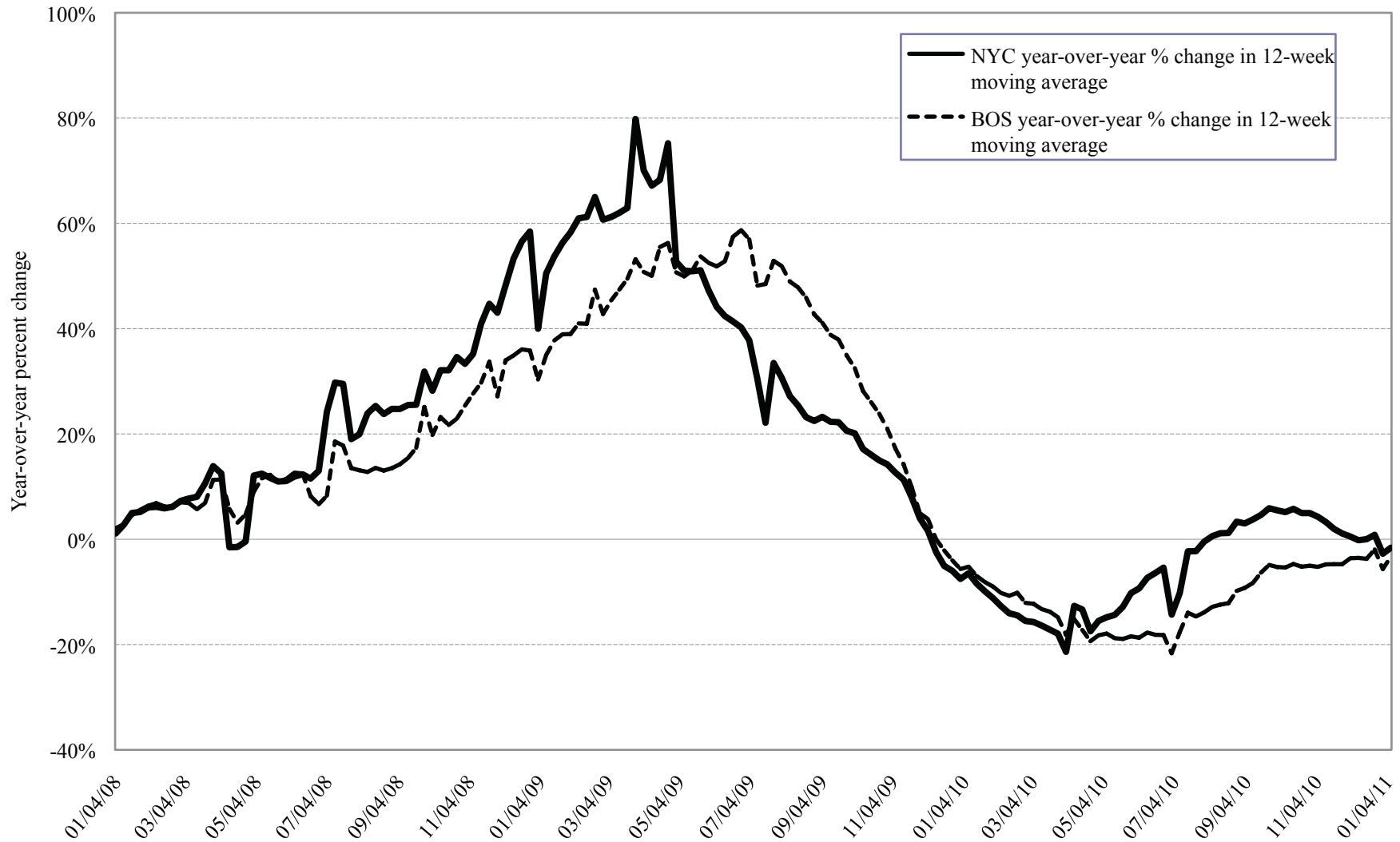
Source: Bureau of Labor Statistics Current Employment Statistics data.

Total non-farm employment by MSA and non-metropolitan county in New York

	Non-farm employment in December				Absolute change				Percent change			
	2007	2008	2009	2010	2007-08	2008-09	2009-10	2007-10	2007-08	2008-09	2009-10	2007-10
United States	138,875.0	135,254.0	130,448.0	131,514.0	-3,621.0	-4,806.0	1,066.0	-7,361.0	-2.6%	-3.6%	0.8%	-5.3%
New York State	8,921.5	8,845.9	8,570.6	8,606.7	-75.6	-275.3	36.1	-314.8	-0.8%	-3.1%	0.4%	-3.5%
New York City	3,838.6	3,828.2	3,680.9	3,722.7	-10.4	-147.3	41.8	-115.9	-0.3%	-3.8%	1.1%	-3.0%
Eastern New York	2,786.6	2,739.8	2,661.3	2,660.5	-46.8	-78.5	-0.8	-126.1	-1.7%	-2.9%	0.0%	-4.5%
Albany-Schenectady-Troy MSA	457.5	454.6	443.4	439.2	-2.9	-11.2	-4.2	-18.3	-0.6%	-2.5%	-0.9%	-4.0%
Glens Falls MSA	54.0	52.4	52.8	53.1	-1.6	0.4	0.3	-0.9	-3.0%	0.8%	0.6%	-1.7%
Kingston MSA	64.3	62.7	61.2	61.7	-1.6	-1.5	0.5	-2.6	-2.5%	-2.4%	0.8%	-4.0%
Nassau-Suffolk Metropolitan Division	1,294.0	1,269.6	1,238.7	1,243.0	-24.4	-30.9	4.3	-51.0	-1.9%	-2.4%	0.3%	-3.9%
Poughkeepsie-Newburgh-Middletown MSA	260.1	257.0	249.7	249.7	-3.1	-7.3	0.0	-10.4	-1.2%	-2.8%	0.0%	-4.0%
Putnam-Rockland-Westchester	593.2	581.5	555.2	553.7	-11.7	-26.3	-1.5	-39.5	-2.0%	-4.5%	-0.3%	-6.7%
Columbia County	21.6	21.0	20.3	20.3	-0.6	-0.7	0.0	-1.3	-2.8%	-3.3%	0.0%	-6.0%
Greene County	15.5	15.2	14.8	14.9	-0.3	-0.4	0.1	-0.6	-1.9%	-2.6%	0.7%	-3.9%
Sullivan County	26.4	25.8	25.2	24.9	-0.6	-0.6	-0.3	-1.5	-2.3%	-2.3%	-1.2%	-5.7%
Western and Northern New York	2,296.5	2,278.8	2,224.8	2,230.1	-17.7	-54.0	5.3	-66.4	-0.8%	-2.4%	0.2%	-2.9%
<i>W&N NY Metropolitan Areas</i>	<i>1,727.7</i>	<i>1,717.5</i>	<i>1,677.4</i>	<i>1,683.0</i>	<i>-10.2</i>	<i>-40.1</i>	<i>5.6</i>	<i>-44.7</i>	<i>-0.6%</i>	<i>-2.3%</i>	<i>0.3%</i>	<i>-2.6%</i>
Binghamton MSA	115.7	114.9	110.9	111.1	-0.8	-4.0	0.2	-4.6	-0.7%	-3.5%	0.2%	-4.0%
Buffalo-Niagara Falls MSA	559.0	556.2	541.2	543.2	-2.8	-15.0	2.0	-15.8	-0.5%	-2.7%	0.4%	-2.8%
Ithaca MSA	66.5	66.2	66.2	66.8	-0.3	0.0	0.6	0.3	-0.5%	0.0%	0.9%	0.5%
Rochester MSA	522.4	519.5	507.9	510.4	-2.9	-11.6	2.5	-12.0	-0.6%	-2.2%	0.5%	-2.3%
Syracuse MSA	329.2	326.3	318.7	320.1	-2.9	-7.6	1.4	-9.1	-0.9%	-2.3%	0.4%	-2.8%
Utica-Rome MSA	134.9	134.4	132.5	131.4	-0.5	-1.9	-1.1	-3.5	-0.4%	-1.4%	-0.8%	-2.6%
<i>W & N NY Non-metropolitan Areas</i>	<i>568.8</i>	<i>561.3</i>	<i>547.4</i>	<i>547.1</i>	<i>-7.5</i>	<i>-13.9</i>	<i>-0.3</i>	<i>-21.7</i>	<i>-1.3%</i>	<i>-2.5%</i>	<i>-0.1%</i>	<i>-3.8%</i>
10-county downstate area	5,725.8	5,679.3	5,474.8	5,519.4	-46.5	-204.5	44.6	-206.4	-0.8%	-3.6%	0.8%	-3.6%
52-county upstate area	3,195.9	3,167.5	3,092.2	3,093.9	-28.4	-75.3	1.7	-102.0	-0.9%	-2.4%	0.1%	-3.2%

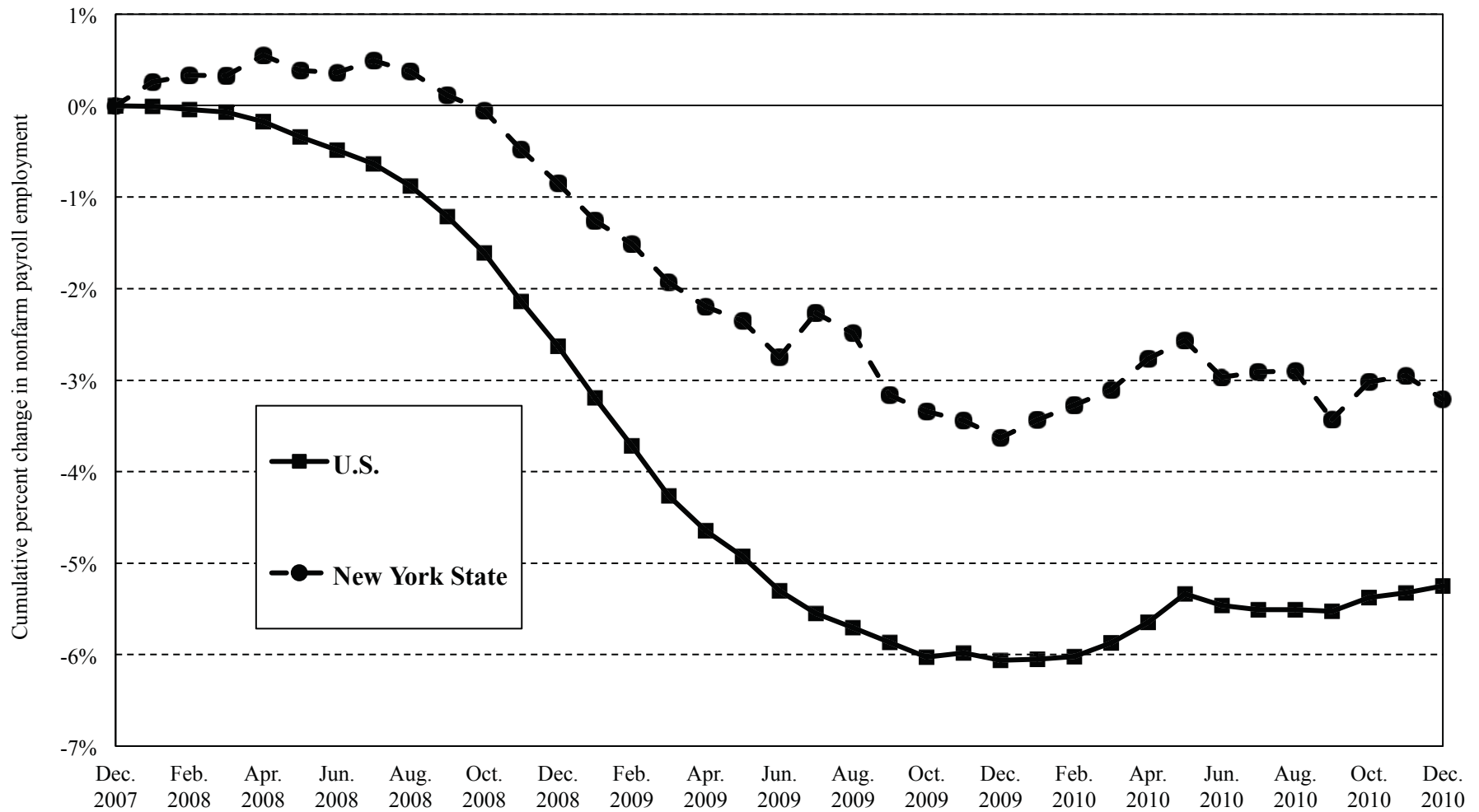
Source: BLS US total nonfarm employment data and NYS DOL MSA and minor county total nonfarm employment data (not seasonally adjusted).

Initial unemployment claims increased in the second half of 2010 for both NYC and the balance of the state.



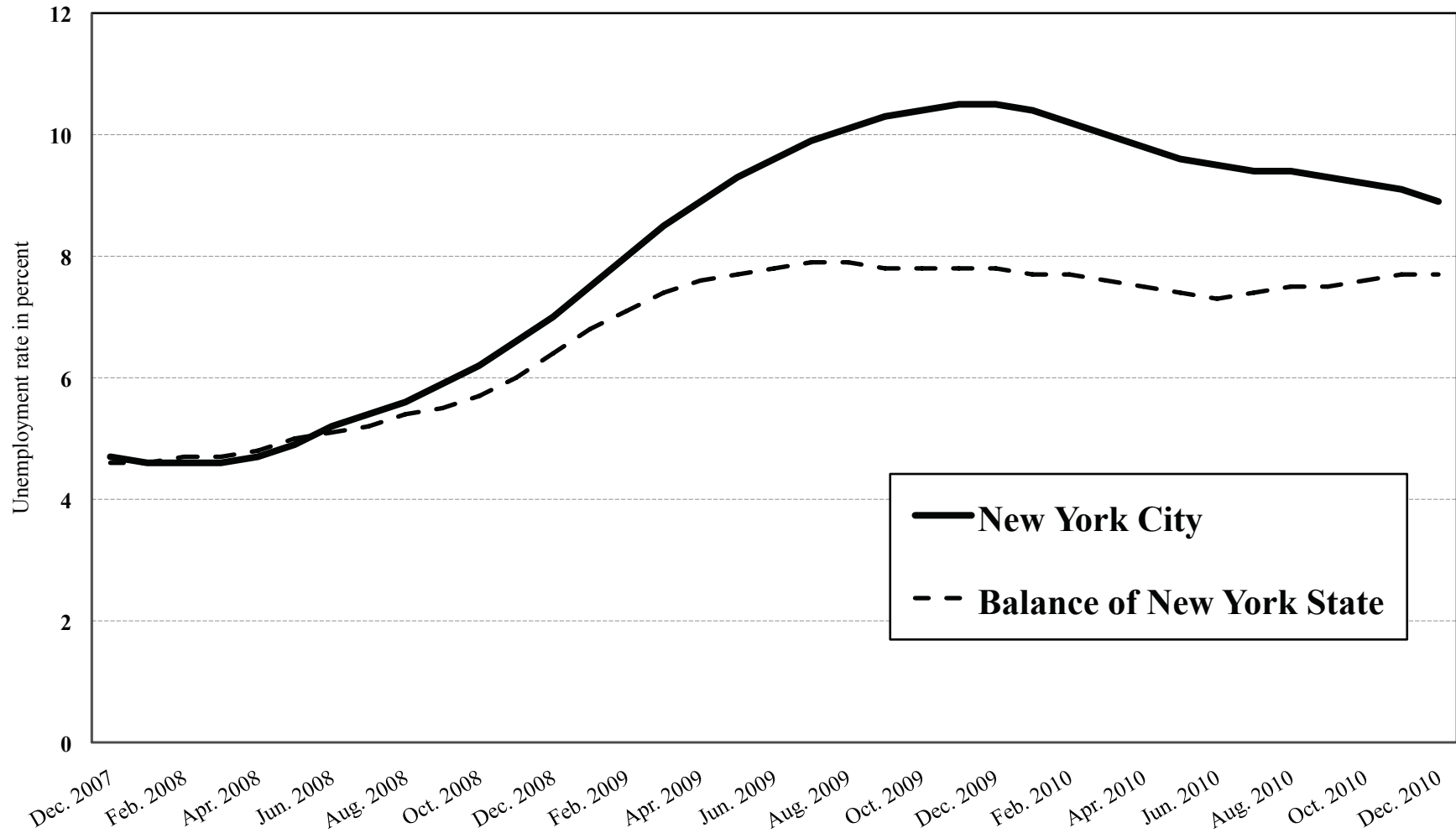
Source: New York State Department of Labor.

New York lost proportionately fewer jobs than the nation, but neither NYS nor the U.S. have re-gained very much of the recession job loss.



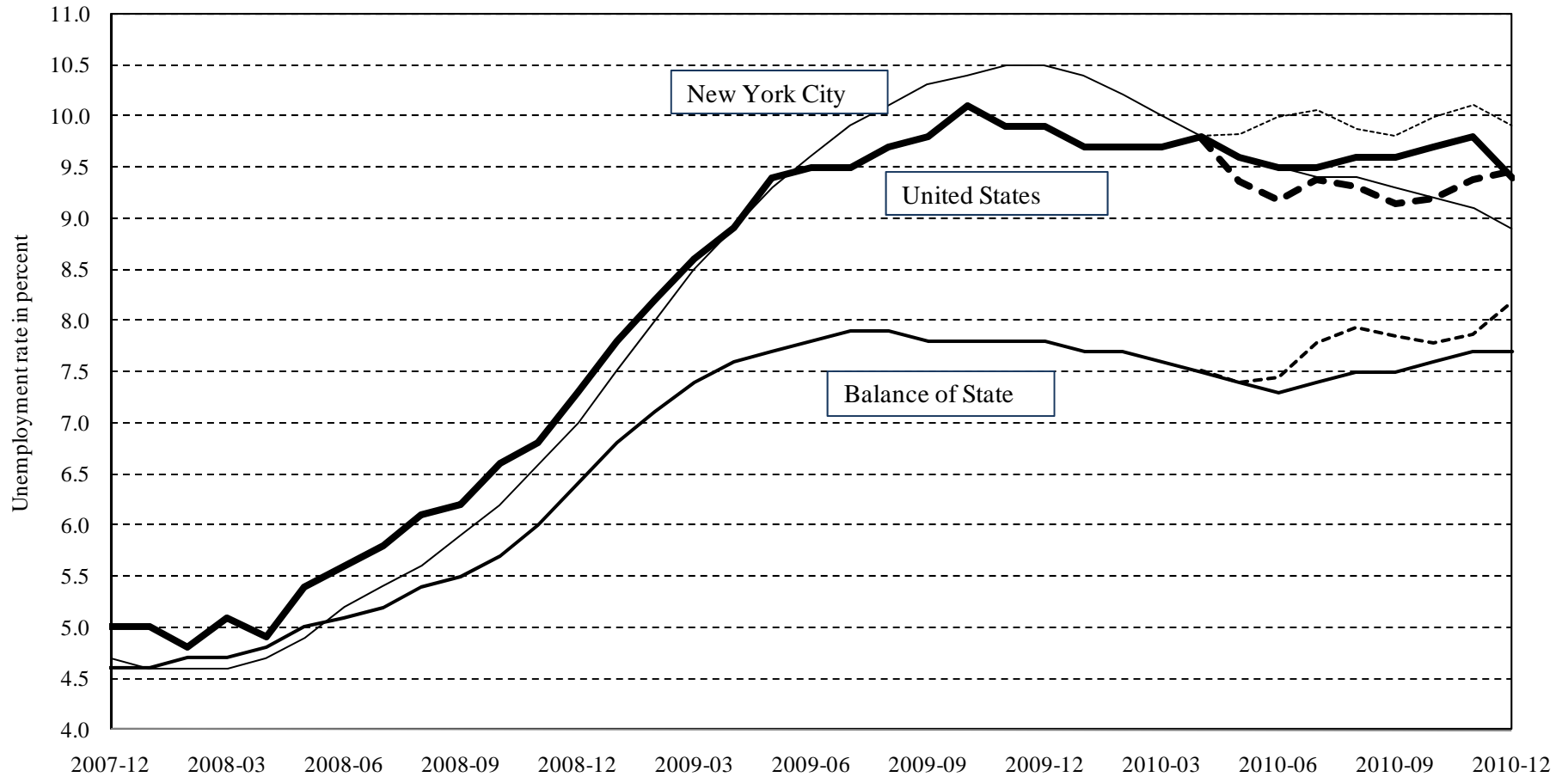
Source: Bureau of Labor Statistics.

**New York City's unemployment rate declined slightly in 2010,
but there has not been much improvement in
the rest of the state.**



Source: NYS DOL Local Area Labor Statistics and the US BLS Unemployment Statistics (seasonally adjusted)

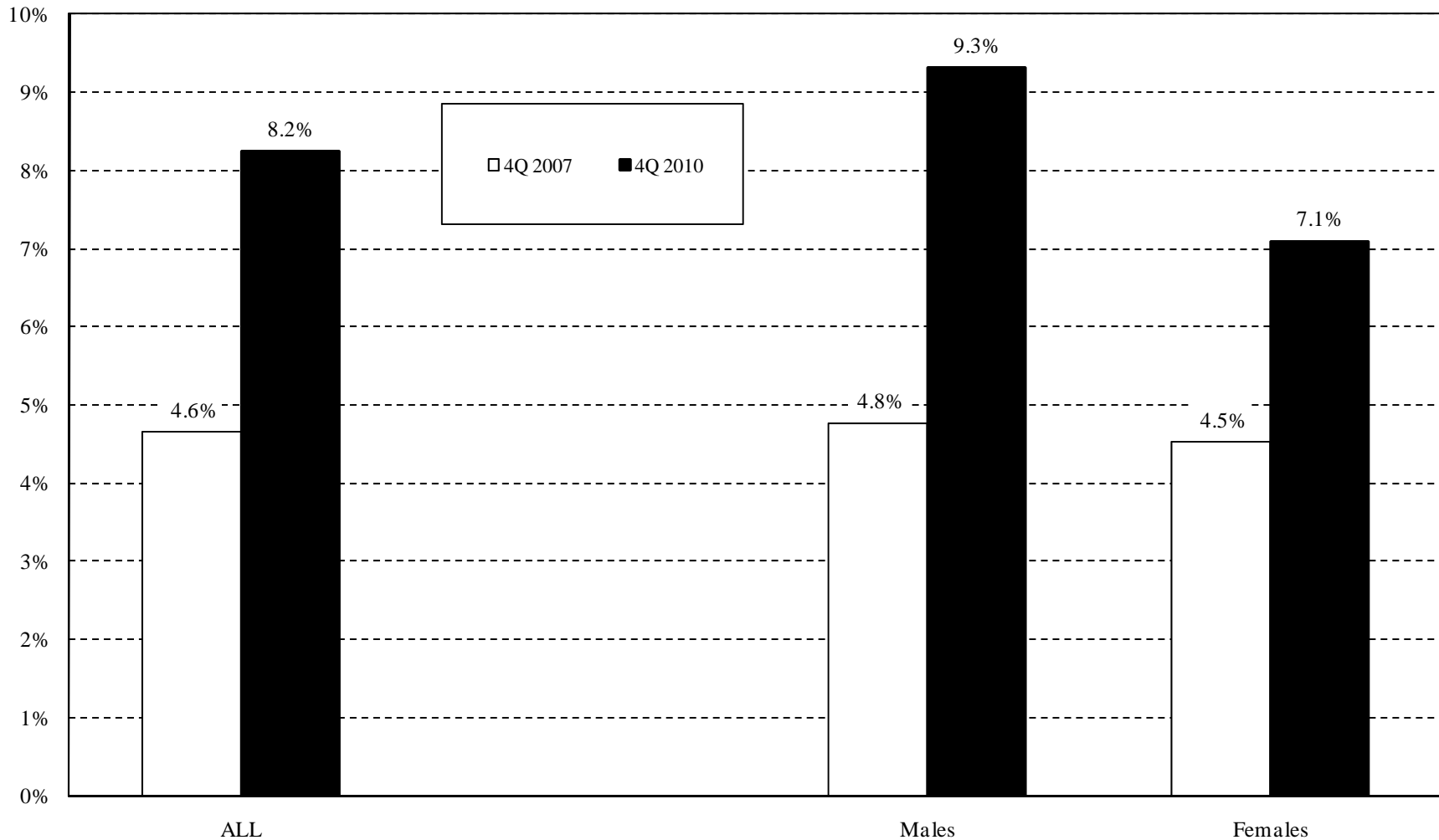
While reported unemployment rates fell in 2010, unemployment rates would be higher by about a half percent if the labor force had not declined since April 2010.



Source: US BLS and NYS Department of Labor.

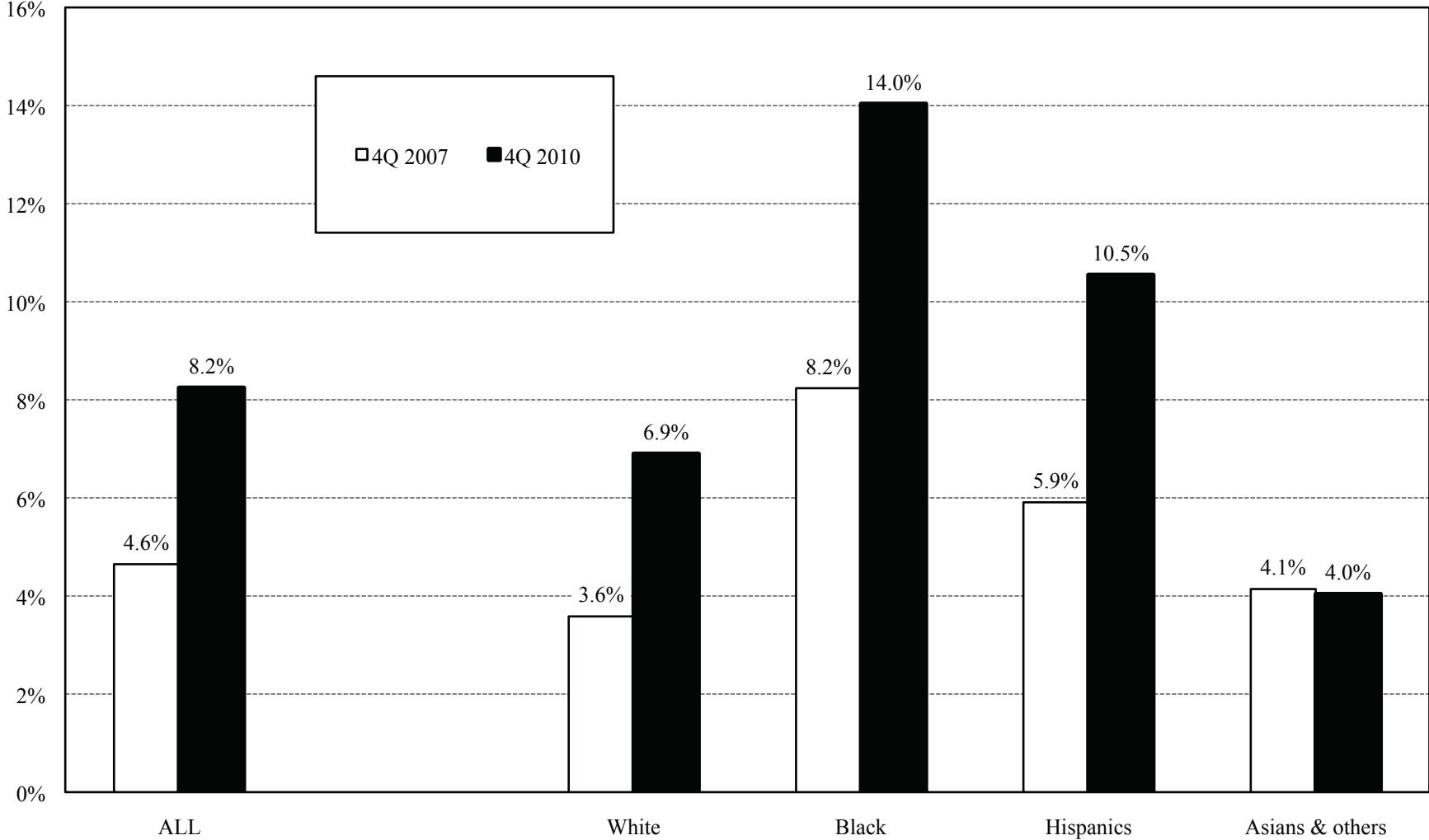
Dashed lines indicate hypothetical unemployment rates assuming that the April 2010 level of labor force holds.

New York's unemployment rate is still much higher than when the recession began; unemployment is higher for men than for women.



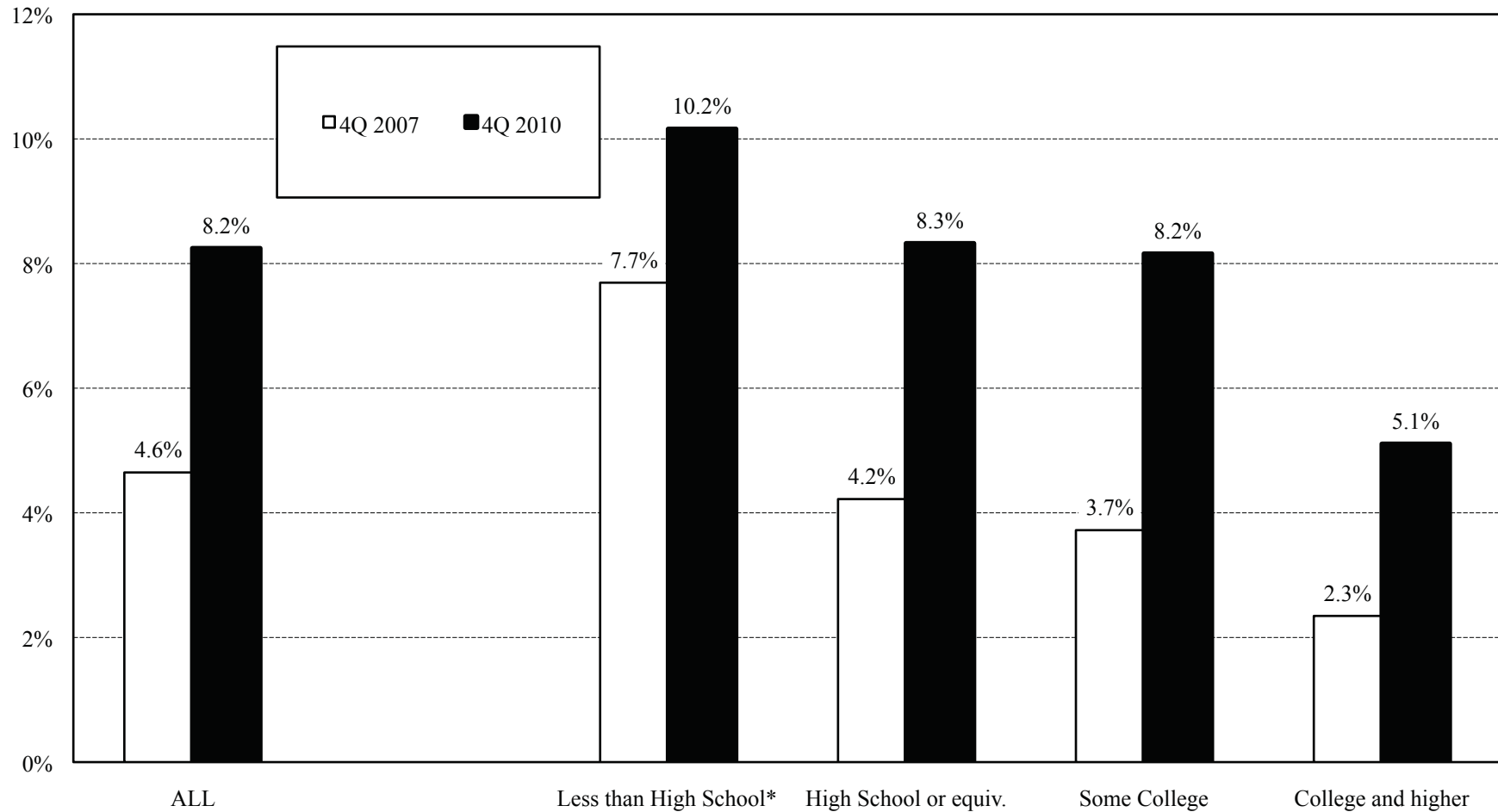
Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Department of Labor.

Unemployment rose much more in the recession and is much higher for blacks and Hispanics than for whites and Asians in New York.



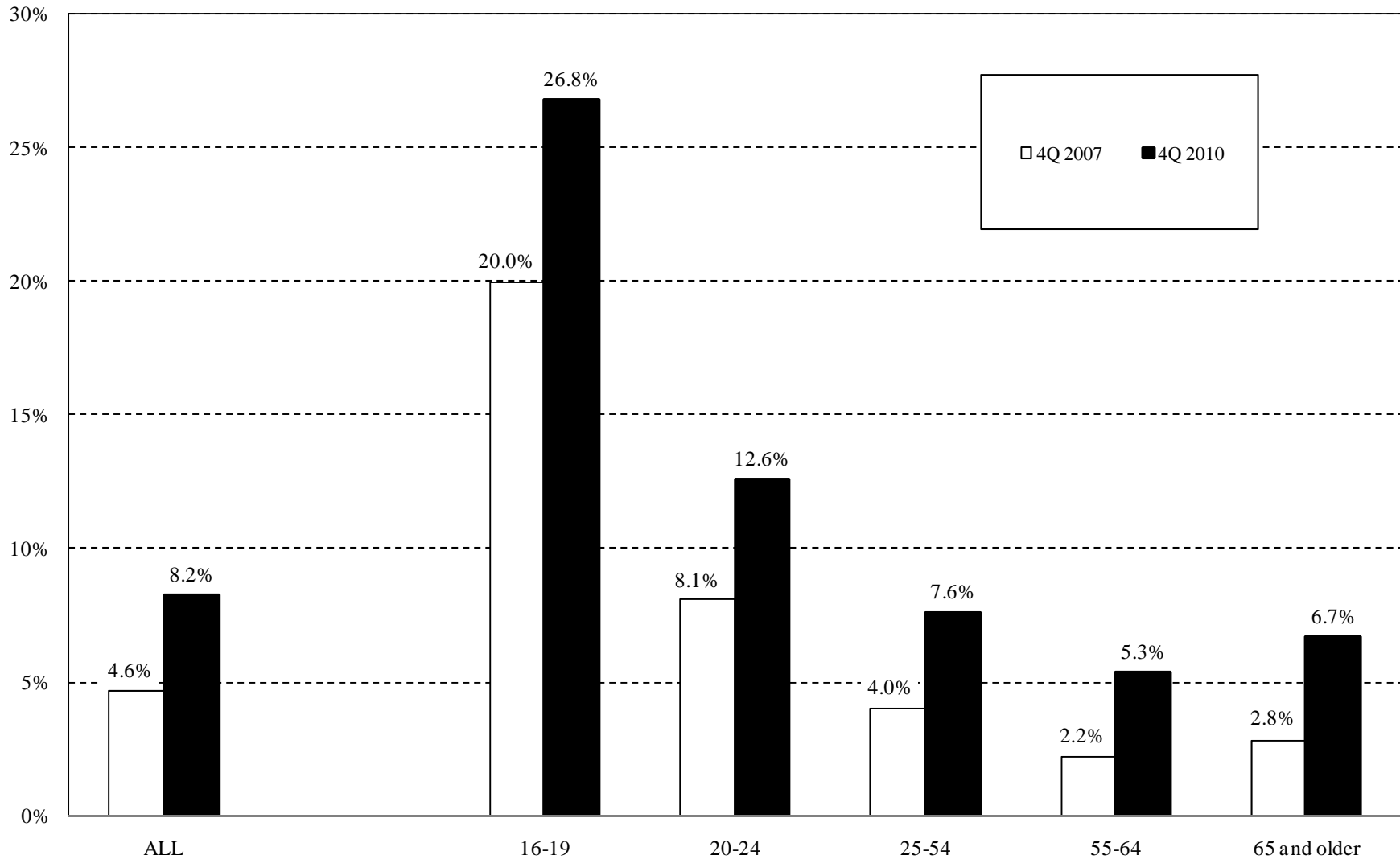
Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Department of Labor.

Unemployment has risen for all levels of educational attainment in New York since the recession began.



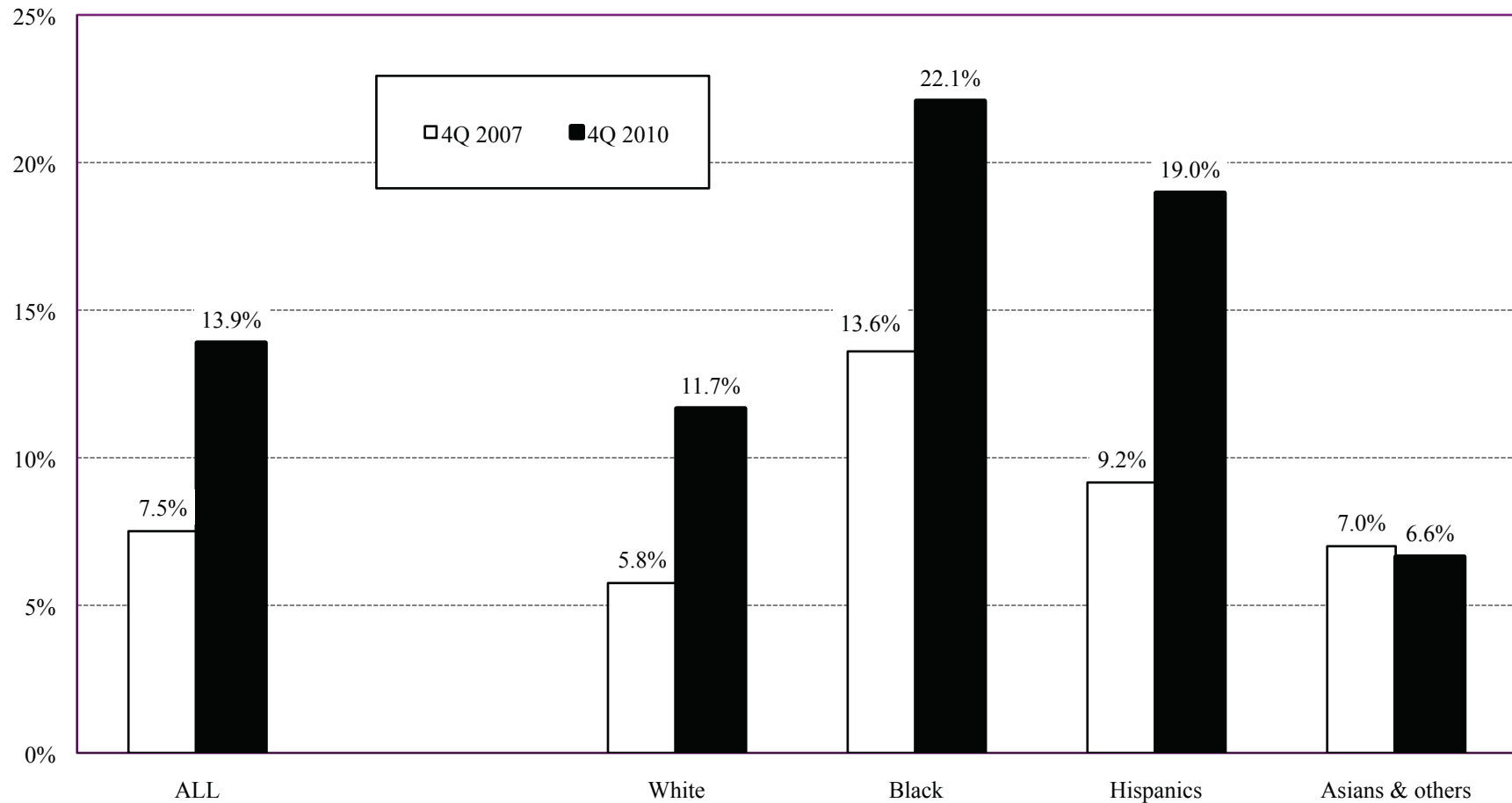
Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Department of Labor.

Unemployment is highest among younger workers in New York.



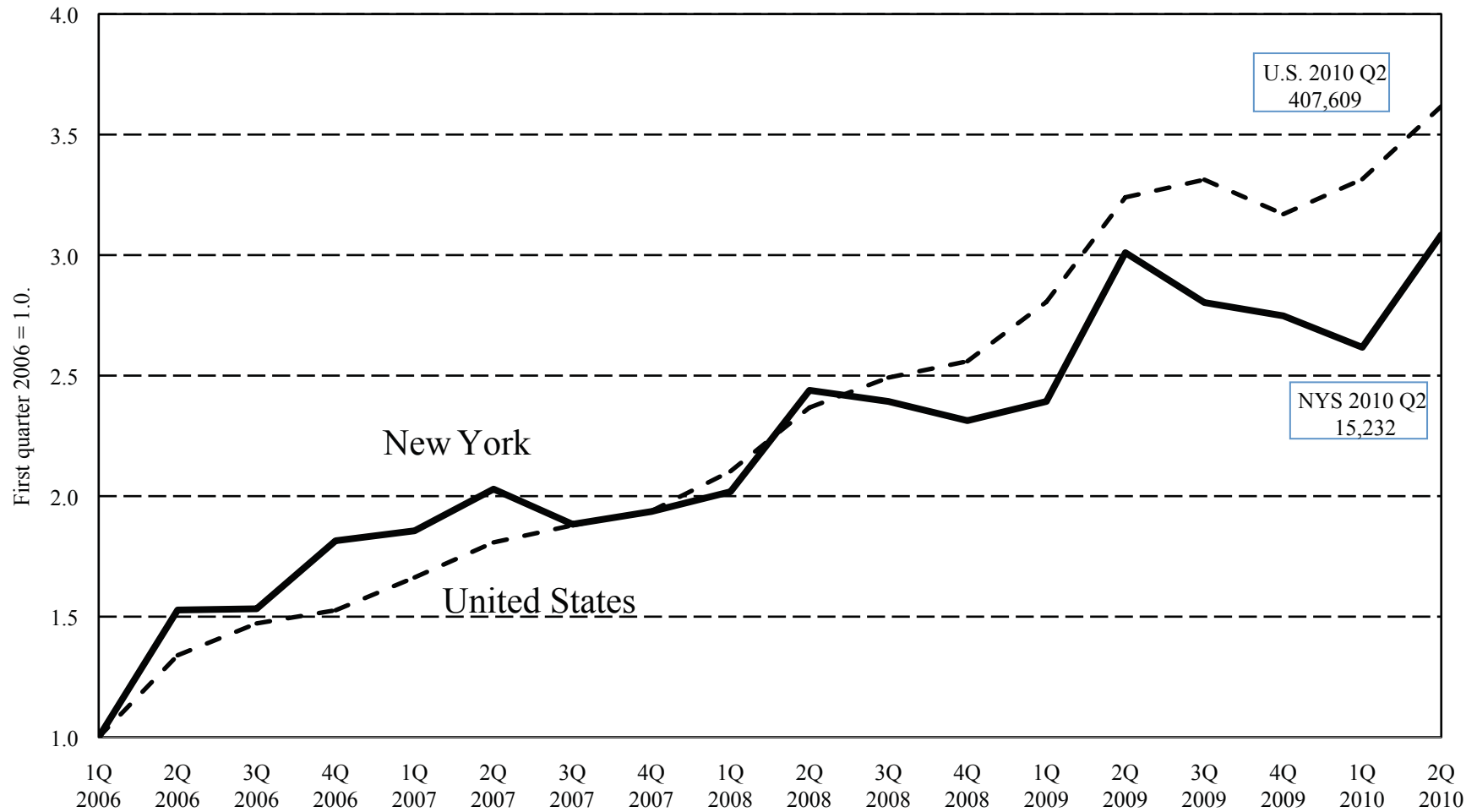
Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Department of Labor.

Underemployment, which includes discouraged workers and involuntary part-time workers, hovers near or over 20% for blacks and Hispanics in New York



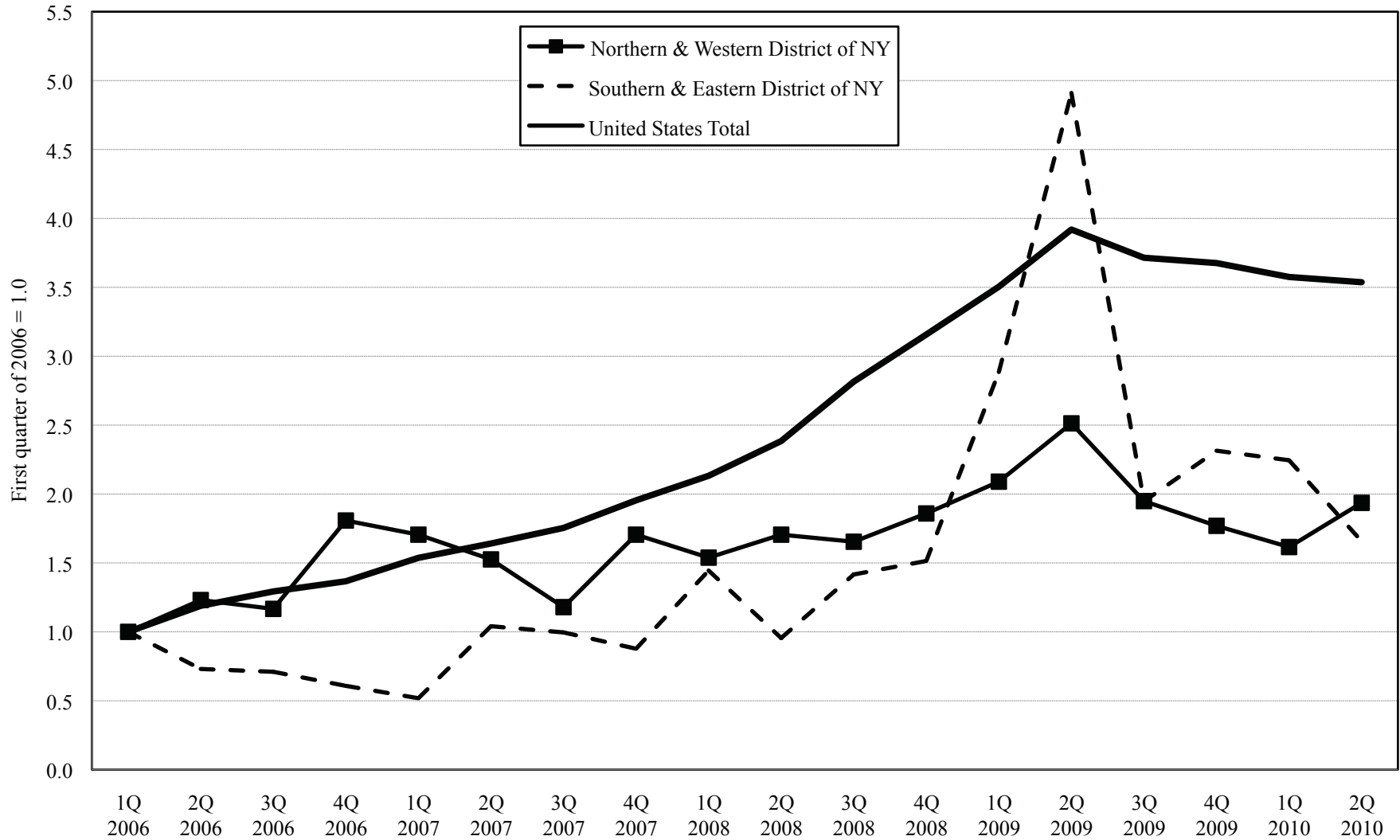
Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Department of Labor.

New York's recession-related rise in personal bankruptcies trails the national average.



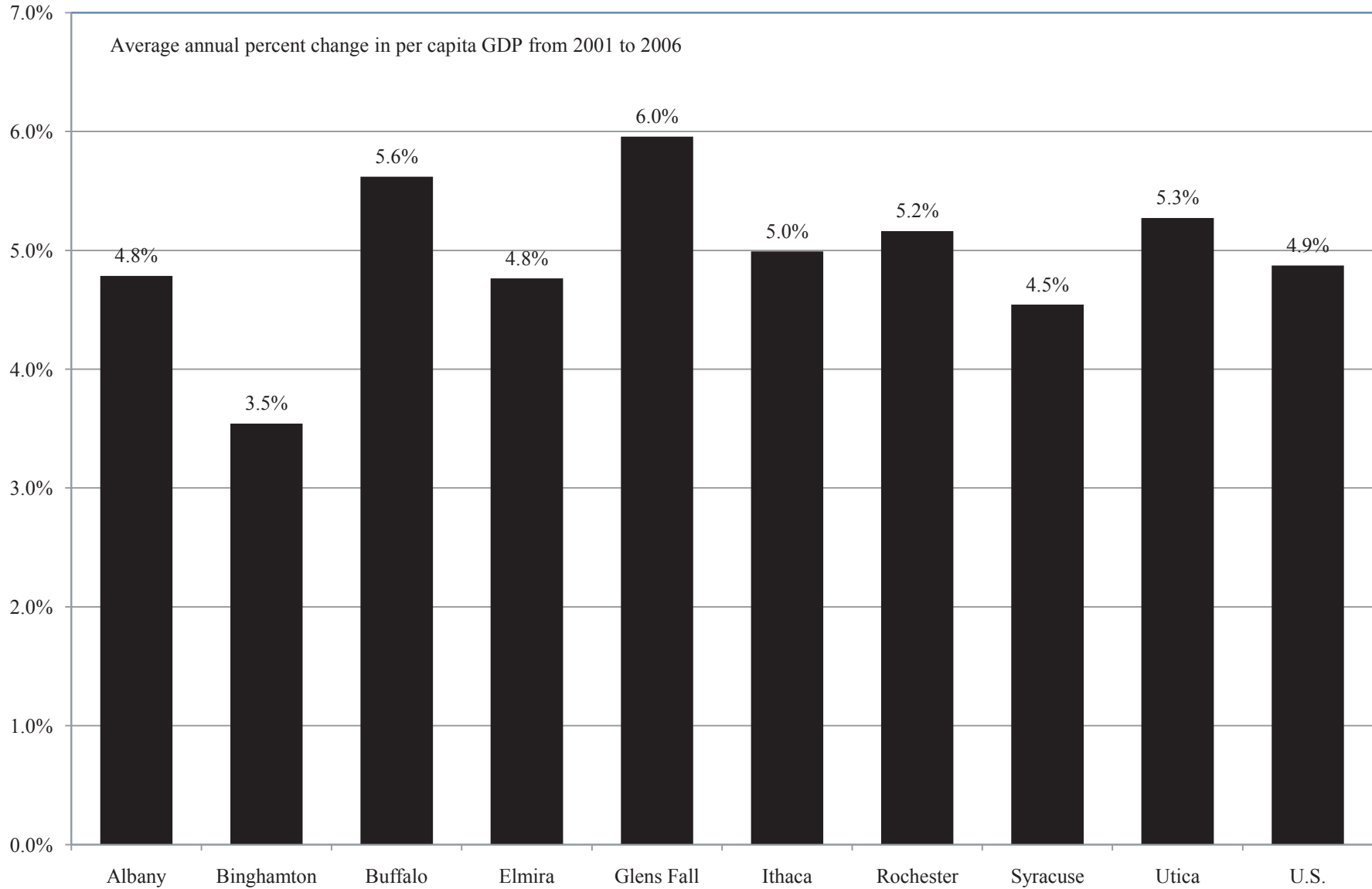
Source: American Bankruptcy Institute, quarterly non-business filings by district

Except for a spike in the spring of 2009, business bankruptcies have been higher in the U.S. than in New York.

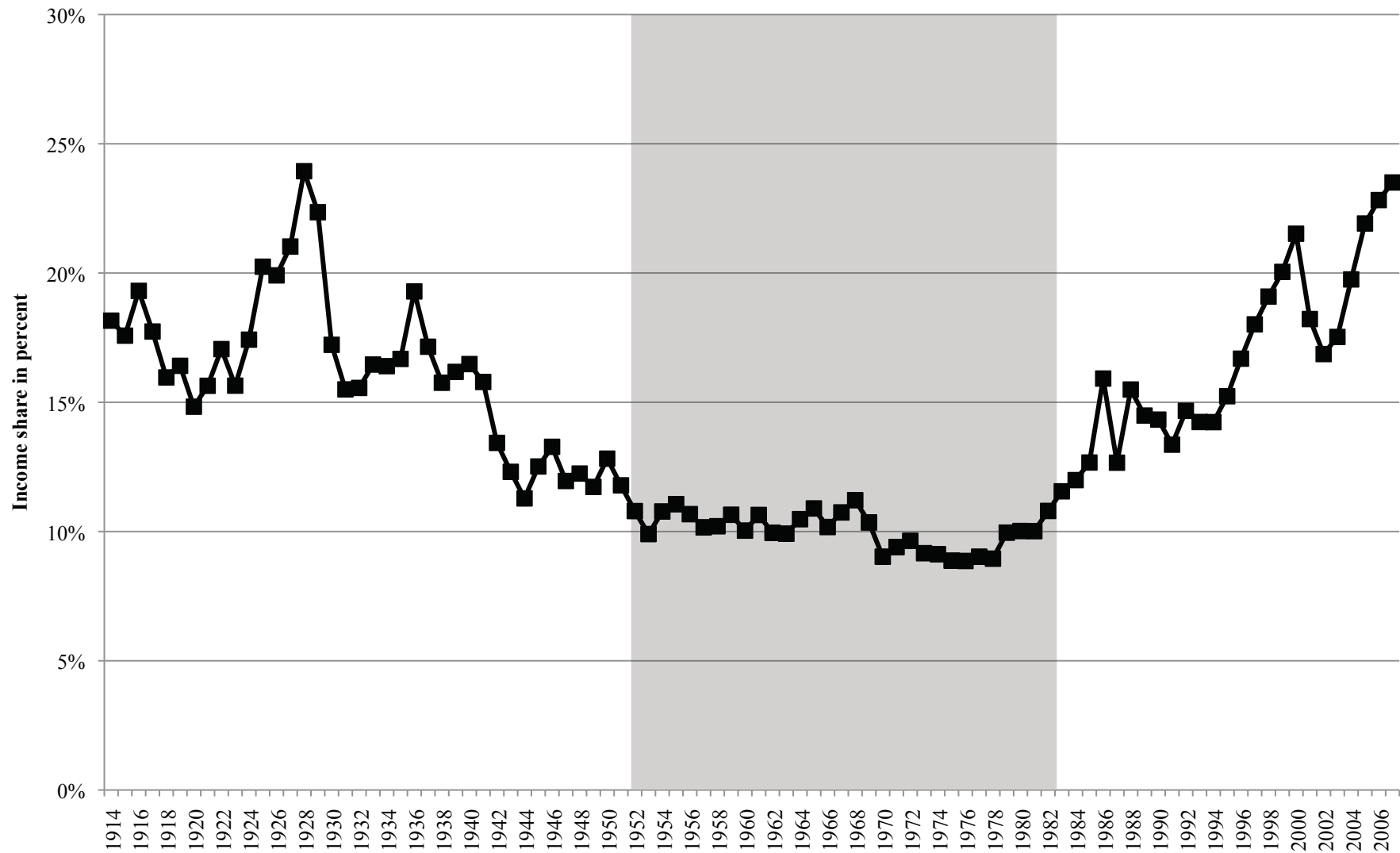


Source: American Bankruptcy Institute

Most upstate metro areas fared as well or better than the nation between 2001 and 2006 in terms of per capita growth

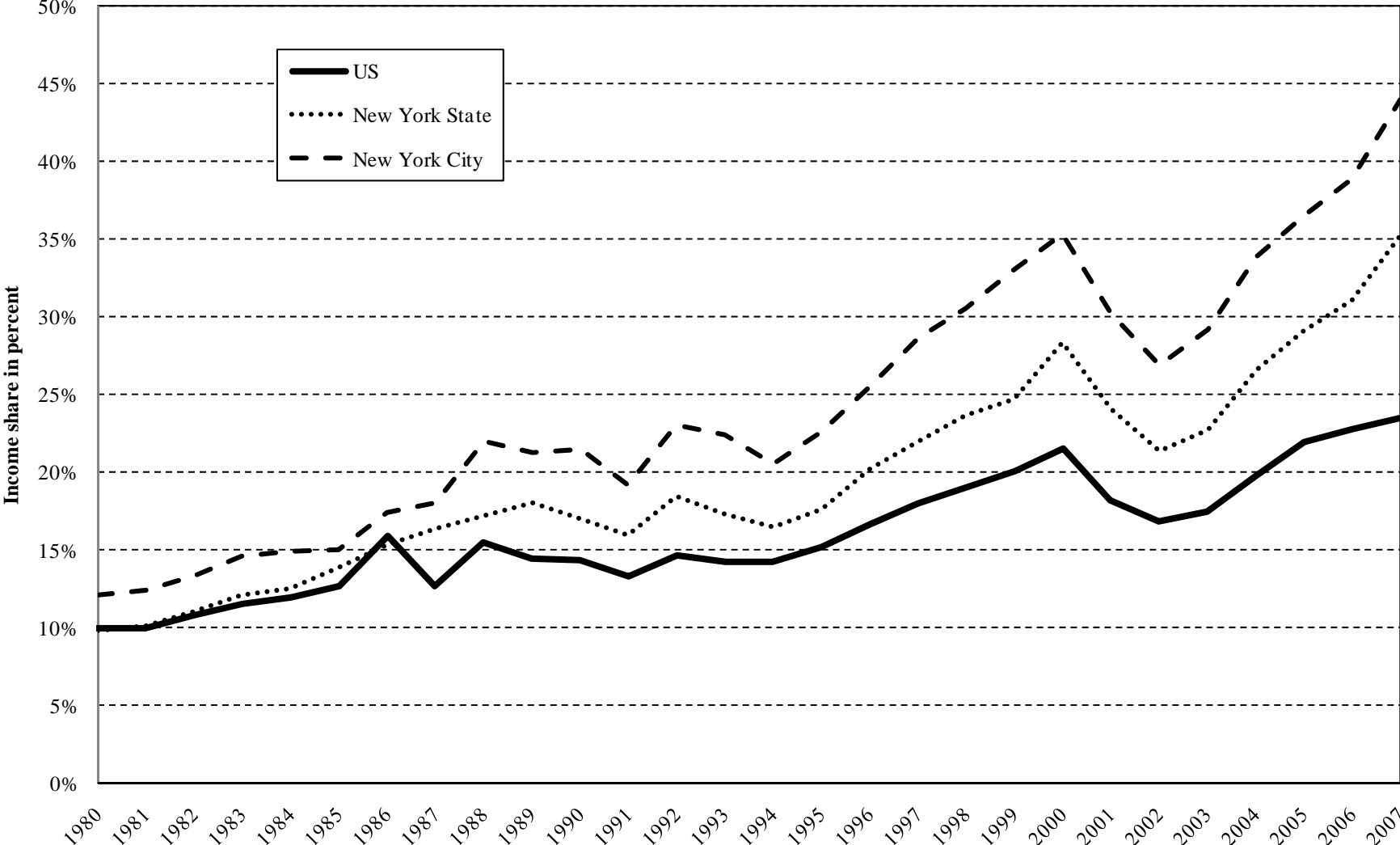


During the heyday of America's middle class (1950-80), the top 1% had about 10% of total income. Now, it is back to 23.5%.



Source: Piketty and Saez's analysis of the US income share (<http://www.econ.berkeley.edu/~saez/index.html>)

The top 1% share in NYC and NYS has risen rapidly since the mid-1990s.

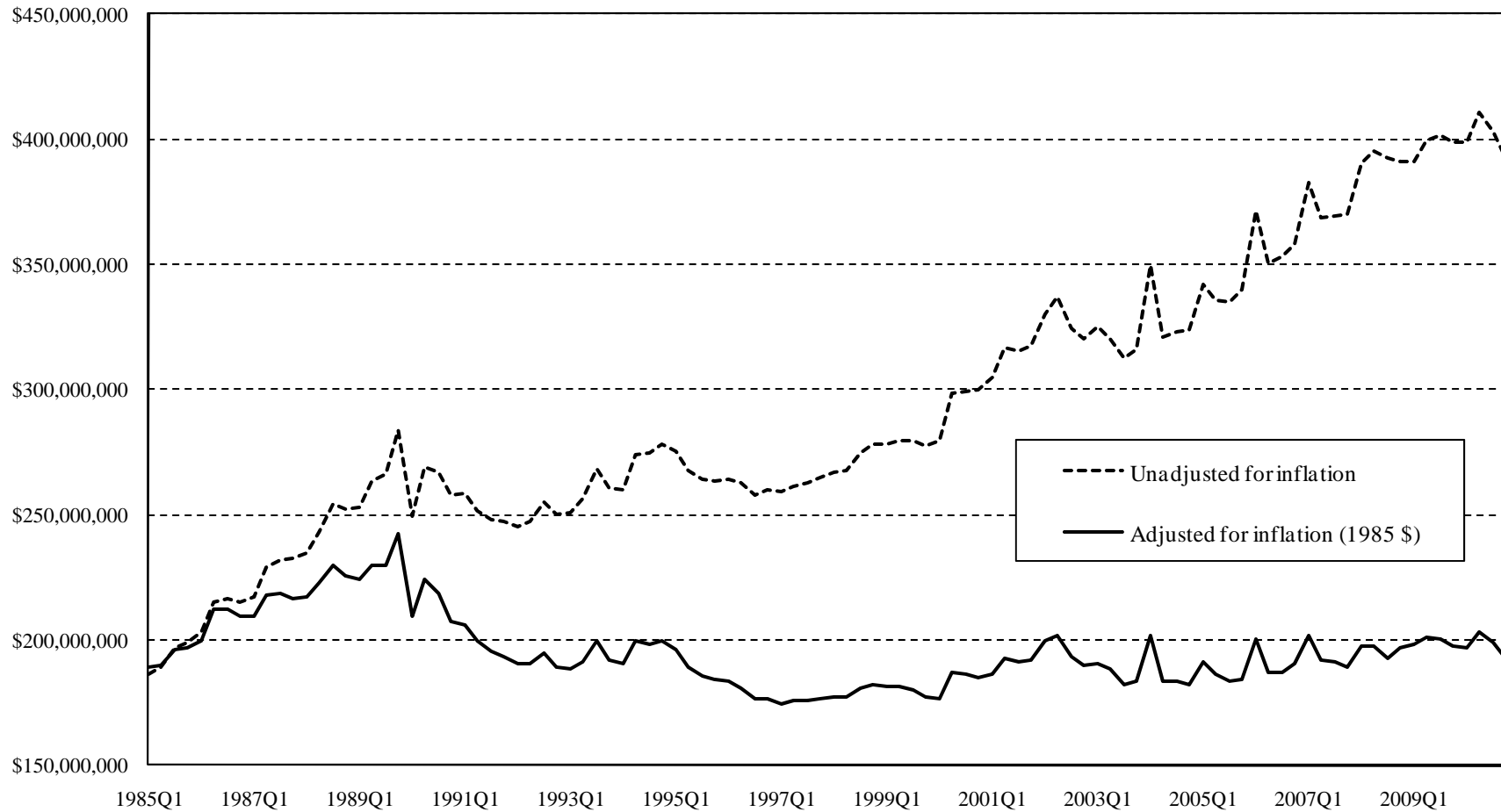


Source: Piketty & Saez's analysis of the US top 1% income share (<http://www.econ.berkeley.edu/~saez/index.html>); FPI analysis of NYS and NYC personal income data from the Department of Taxation and Finance

There has been considerable growth in the NYS economy since 1990 (2.4% annually), and higher educational attainment, but it has not meant lower poverty or higher real wages or higher family income for most New Yorkers; however, the income share of the top 5% and average Wall Street wages increased rapidly.

	1990	2007	1990-2007
(1) Real NYS Gross Domestic Product (\$2005 in billions)	\$687.8	\$1,022.11	48.6%
(2) Per Capita Real Personal Income, NYS (\$2007)	\$37,624	\$47,188	25.4%
(3) Real Hourly Median Wage, NYS (\$2007)	\$15.86	\$16.00	0.9%
(4) Real average annual Wall Street salary (including cash bonus) (\$2007)	\$190,400	\$403,358	111.8%
(5) Real Median Family Income, NYS (\$2007)	\$49,722	\$53,400	7.4%
(6) Poverty Rate, NYS	14.3%	14.5%	+ 0.2 ppts
(7) Percent of age 25-64 workforce with bachelor's degree or higher, NYS	26.2%	34.1%	+ 7.9 ppts
(8) Average earnings for full-time, year-round NYS worker with bachelor's degree or higher, age 25-34	\$60,283	\$52,000	-13.7%
Income Shares			
(9) Share of Total NYS income received by the top 5 percent (in 2007, incomes above \$176,400)	30.9%	49.4%	+ 18.5 ppts
(10) Share of Total NYS income received by the "middle" 45 percent (the 51st to the 95th percentile, in 2007, income range from \$32,600 to \$176,400)	55.2%	41.5%	- 13.7 ppts
(11) Share of Total NYS income received by the "bottom" 50 percent (in 2007, incomes below \$32,600)	13.9%	9.1%	- 4.8 ppts

When adjusted for inflation, bi-weekly state payroll disbursements have not changed much over the past two decades.



Source: NYS Office of the State Controller quarterly payroll data. Data exclude SUNY & CUNY.