New York State NURSES ASSOCIATION® One strong, united voice for nurses and patients

# NY State Senate and Assembly Joint FY2022 Budget Hearing: Taxes

**NYSNA Testimony Submitted by Judy Sheridan Gonzalez, RN**
**NYSNA President**
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The New York State Nurses Association (NYSNA) represents more than 40,000 registered nurses across New York State for collective bargaining. We are the state's largest RN union and are on the forefront of the fight to expand health care to all New Yorkers, to protect the rights of nurses and other healthcare workers, and to maintain safe, high quality care for all New Yorkers.

**NYSNA supports bold and substantial measure to increase revenues and spending on vital programs**
In the face of a serious fiscal crisis at the State and local level, NYSNA strongly supports bold action to increase revenues in the FY2022 State budget.

The FY2022 Executive Budget proposes the following measures, which NYSNA believes do not go far enough:

- Enacting a temporary personal income tax surcharge on incomes above $5 million through 2023;
- Legalizing adult use Cannabis to generate state and local wholesale and retail sales taxes;
- Expanding gaming/gambling industry, including mobile wagering and various other measures.

NYSNA, however, believes that these limited measures are inadequate to meet the demands of the current crisis. New York must substantially increase revenues by targeting those who are most able to pay and who have seen their wealth grow substantially during the current crisis.

New York needs bold action to increase state revenues on a massive, sustained and long-term basis to address ingrained income and wealth inequality, fix systemic racial inequality, provide a foundation for rapid economic recovery, and expand vital health care, education, housing and other essential infrastructure needs across the state.

To accomplish these vital and necessary goals, NYSNA urges the Legislature to implement the following additional revenue measures:

- **Enact a progressive income tax by *permanently* increasing rates on high income earners;**
- **Tax investment income at the same rate as wage income;**
- **Increase the inheritance tax on the largest estates;**
- **Institute a tax on net wealth for the richest New Yorkers on an annual mark-to-market basis;**
- **Authorize NYC and other local governments to impose a pied-a-terre tax on luxury housing;**
- **Reinstate the Stock Transfer Tax to collect a small fee for every Wall Street stock trade;**
- **Impose a tax on corporate stock buy-backs; and,**
- **Increase corporate tax rates to offset the reductions of the 2017 Trump tax cuts.**

**COVID has severely affected NY State and Local Budgets**

The COVID pandemic and the economic crisis that it triggered has wreaked havoc on state and local budgets. NY State faces a $14.9 billion deficit in FY2022, and many local governments face fiscal shortfalls of even greater relative magnitude – NY City, for example, faces a $12 billion deficit on a total budget that is half the size of the state budget.

**New York has the worst level of income and wealth inequality - and it is getting worse**

Even before the onset of COVID and the economic crisis, New York ranked as the most unequal state in America in terms of incomes and total wealth. In New York, the top 1% make *44 times the average income of the bottom 99% and rake in more than 30% of total income.* Similar inequalities are evident in the distribution of net worth. The top 1% of New Yorkers own more than *40% of total net wealth, representing more total wealth than the bottom 90% combined*.

The degree of income and wealth inequality has actually worsened during the COVID pandemic and the ongoing economic crisis. Billionaires, Wall Street investors, banks and financial entities, and certain industries have seen their incomes and wealth soar during the crisis.

At the same time, the economic "recovery" that began in the spring of 2020 has taken on an increasingly "K" shaped form – for the wealthy things have been great, but for the vast majority of lower income and working people, the situation is increasingly dire:

- Food insecurity and hunger are widespread;
- Millions face foreclosure or eviction when current moratoriums on legal collection actions are finally lifted (but the missed mortgage and rent payments will still owed);
- The official unemployment rate in NY is currently 8.2% (versus 3.9% a year ago);
- More than 2.71 million New Yorkers are still receiving traditional unemployment or special pandemic unemployment benefits as of January 2021, representing 21.8% of the total working age population; and
- 40% of households are unable to raise $400 to pay for an emergency expense, according to a survey by the U.S. Federal Reserve.

**COVID has disproportionately affected working people and communities of color**

The inequalities exposed by the pandemic have been particularly hard on low-income New Yorkers and communities of color, further exacerbating entrenched racial and socio-economic disparities.

Black and Latino/Latinx New Yorkers are disproportionately affected by the crisis:

- Disproportionately employed in public-facing "essential" industries that are expose to COVID;
- COVID hospitalization and mortality rates are more than *double* the rate of whites;
- Unemployment rates are significantly higher than that of whites – 9.2% for Blacks and 8.6% for Latinos/Latinx, as opposed to 5.7% for whites;
- Median net-worth is significantly lower than that of whites - $17,000 for Blacks and $20,000 for Latinos/Latinx, compared to $171,000 for whites;
- Median household income is also lower - $41,692 for Black households, $51,450 for Latino/Latinx households, compared to $70,642 for white households;
- Median weekly pay is about 73% that of whites - $735 for Blacks, $720 for Latinos/Latinx, compared to $1,001 for white workers.

**Austerity measures in the Executive Budget will make the situation worse**

The Executive Budget proposes substantial budget cuts that will affect health care and other vital services. These austerity cuts are based on the assumption that the State will receive substantial Federal assistance as part of a new COVID relief package. If the federal aid package for New York is less than $15 billion, however, the budget calls for additional, undetermined budget cuts.

The specific cuts to health care in the Executive Budget include the following:

- Extension of the Medicaid Global Cap – the Cap has limited the growth in Medicaid spending to 2.9%, but enrollment in the program has increased by more than 700,000 (an 11.7% increase since January of 2020); the Medicaid Cap limits growth in spending below actual needs and leaves billions in federal matching money on the table;
- An Additional 1% across-the-board cut in Medicaid provider reimbursement rates; this is on top of a 1.5% cut implemented in 2020; the latest cut will save the state $94 million, but will cost providers $217 million when the federal match is added; this cut will disproportionately affect safety-net hospitals that serve the highest proportions of Medicaid and uninsured patients;
- Elimination of the state share of Indigent Care Pool funding for public safety net hospitals – this cut will save the state $65 million, but will cost public hospitals $139 million when the federal share is added;
- Implementation of 340B Drug Program cuts for safety net providers – safety net hospitals will lose $200 million or more because they are being excluded from the $102 million compensation pool that applies only to FQHCs and non-hospital providers;
- Elimination of $99 million in Vital Access Provider Assurance Program (VAPAP) funding for financially distressed safety net hospitals;
- Reduction of the Medicaid Hospital Capital Rate Add-On for Medicaid providers from 10% to 5%, saving the state $18.5 million, but costing hospitals $17 million when the federal share is added;
- Termination of the Value Based Payment funding pool (supplemental funding for the transition to value-based-payment reimbursement models), saving $7.6 million in state share, but costing providers $20 million when the federal share is added;
- Various cuts in Long-Term care programs, saving $116 million in state share, and $232 when the federal share is included;
- Eliminating “prescriber prevails” in Medicaid, saving the state $15.4 million, but costing providers and patients $30.8 million when the lost federal share is added;
- Reductions in Early Intervention Programs totaling $11 million;
- Reduction in General Public Health Works reimbursement to the NY City Department of Health for public health programs by $20 million in FY22, $38 million annually thereafter (in the middle of a pandemic)

These cuts will disproportionately affect safety-net hospitals and the low-income people that rely on them for vital services. This will further exacerbate existing racial and socio-economic disparities that have become so stark during the crisis.

**Austerity budgets cuts will jeopardize the jobs of health workers, first responders, teachers and other essential workers**

During the height of the pandemic in the spring and summer, hundreds of NYSNA nurses were placed on furlough or laid off as hospitals shut down many psychiatric, outpatient and elective procedure units.

Similar patterns emerged in our schools, higher education, and other public and private service sectors.

According to data from the Bureau of Labor Statistics, the crisis has significantly impacted health care and state and local government workforces:

- State workforces have been reduced by 380,000 in the last year, including 280,000 in public educational institutions;
- Local governments have reduced their workforces by 981,000, including 650,000 teachers and educational support staff;
- Health industry employment has declined by 500,000, including 61,000 hospital staff and 300,000 long-term care staff;
- In New York state, there are now 5,300 fewer hospital workers, 19,300 fewer ambulatory/outpatient workers, and 19,200 fewer workers in nursing homes and long-term care settings;
- In New York City, the Mayor has announced that the proposed cuts to hospitals, safety net providers, local public health programs and other services will result in the closure of 19 Health + Hospitals primary care clinics that provide services to more than 140,000 patients and result in the layoff of up to 900 doctors and nurses.

The extent of the job losses in health care are particularly concerning in the context of an ongoing pandemic. It should be particularly noted that the most severe job losses were in long-term care facilities, which contributed to the high COVID death toll of residents and other issues highlighted in the NY State Attorney General report on the disastrous impact of COVID in those facilities.

The proposed cuts will only worsen the situation, forcing more reductions in government workers, including nurses, health care workers, teachers, first responders and other vital services.

The middle of a raging pandemic and the deepest economic crisis since the Great Depression is not the time to be slashing budgets, reducing vital services, laying off nurses, health care workers, teachers and first responders, and further worsening a dire employment situation.

**To get out of this crisis we need to increase government spending and expand vital services**
Increased state and local spending will help to lessen the impact of the public health and economic crisis, speed economic recovery, and lay the foundation for addressing ingrained racial and social inequality.

With respect to the healthcare system, public funding is necessary to fight the pandemic and prepare the broader health system to respond to future health emergencies and to improve the quality of care and health outcomes of all New Yorkers, including particularly Black and Latino/Latinx people who have been subjected to a two-tiered and unequal health system.

Among the measures that should be implemented with increased government funding:

- Increasing hospital and nursing home funding to improve staffing levels and protect the health and safety of patients and residents;
- Expanding access to testing, vaccination, and other health services in the communities that have been hardest hit by COVID;
- Providing assistance to financially distressed hospitals and other safety-net providers;
- Building a robust, well-staffed public health infrastructure in every local community to fight

COVID and to improve local health and wellness, including testing and tracing, vaccination capacity, basic primary and acute medical care, psychiatric and substance use services, and basic community health networks – all of which have been shown to be insufficient to respond to the current health care crisis.

**It's time to make the rich and powerful pay their fair share**

The Executive Budget proposal approaches the current budget gaps in an entirely predictable and conventional manner – we have to balance the budget by slashing expenses. This approach is based on certain neo-liberal assumptions about the economy and fiscal problems that are increasingly irrelevant and obsolete.

To paraphrase President Biden, we are in the middle of a crisis and its time that we acted like we are in the middle of a crisis.

To protect the health of our people, to address systemic inequalities, and to build back our economy and society, we need to take bold action. Now is not the time for outdated notions of austerity, but rather to demand that the best-off among us, those who have profited from the crisis, should now pay to heal our people and our economy.

To that end, NYSNA support and urges the Legislature to implement the following revenue measures in the FY2022 budget:

- **Billionaires Wealth Tax** - taxes unrealized capital gains of billionaires net wealth as annual income (currently unrealized gains are not taxed) – estimated revenue $5.5 billion;
- **Ultra-Millionaires Tax Proposals** – various bills that would increase income taxes on the ultra-rich – estimated revenue $2.2 to $4.5 billion;
- **Pied-a-Terre Tax** – tax luxury second homes in NY City that are valued above $5 million - estimated revenue $650 million;
- **Stock Transfer Tax** – unfreeze and collect the already existing stock transfer tax on each stock sale/purchase that was suspended in the 1970s – estimated revenue $13 to $25 billion;
- **Stock Buyback Tax** – impose a 0.5% tax on all corporate stock buybacks of issued shares, which is how most corporations used their 2017 tax cuts - estimated revenue $3.2 billion;
- **Taxes on Derivatives** – impose a tax on the sale/purchase of futures, derivatives, credit default swaps, collateralized debt obligations, and other speculative transactions – estimated revenue $12 to $29 billion;
- **Mezzanine Debt/Preferred Equity Tax** – discourage real estate tax evasion schemes by taxing "exotic" real estate financing structures the same as ordinary recorded mortgages – estimated revenue $500 million;
- **Excessive CEO Pay Tax** - impose a special tax 10% on corporations that pay their CEOs more than 100 times the pay of lowest paid employees, and 25% if paid more than 250 times that of employees – estimated revenue TBD;
- **Eliminate the 421-A and 485-A Real Estate Tax Abatements** – these tax breaks are abused by developers who agree to set aside a percentage of "affordable" units, but instead subsidize luxury real estate profits and gentrification – estimated revenue $4 billion;
- **Tax Capital Gains as Ordinary Wage Income** – tax realized capital gains at the same rate as ordinary wages, effectively eliminating the federal tax advantage of investment profits –

estimated revenue $7 to $8.8 billion;

- **Reinstate the Franchise Tax on Bank Corporations** – eliminate the right of banks to categorize income as investment gains that are taxed at a lower rate – estimated revenue $200-$250 million;
- **Implement a Carbon Tax** – would tax various greenhouse gas emissions – estimated revenue TBD.

By implementing these measures, the state would be generating significant new revenues, ranging from $50 billion to $82 billion.

These tax revenues, all of which would be borne by extremely wealthy individuals and profitable corporations, should aim not just to close the budget gap. These revenues would instead allow the state to embark on a sustained economic recovery, to support health care, education, social and economic equality, and help to create a fairer, healthier and more vibrant New York.