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Notes from NYS Budget Director Mujica's Q&A:

FY 2020:

- Mujica highlights Medicaid, record school funding, then the consequences of the COVID-19 pandemic
- Consequences: \$63 billion revenue loss, general fund & executive budget losses, and lost tax receipts

Economic Outlook for 2021:

- Mujica "sees a long road" before we restore employment levels
- Mujica reiterates the need for Federal funding
- There was a \$8.2 billion revenue shortfall this year
- Real GDP is projected to return to normal levels by the second half of 2021
- The state is facing a \$14.9 billion deficit
- Revenues into next year will be lower than they were in FY 2020

Tools for Controlling Spending:

- DOB can establish a process for permanent spending cuts and withhold spending to local aid
- The state preserved cash, fully-funded covid expenses, and funded nearly all of school aid
- The state established a hiring freeze, froze pay raises, and temporarily withheld certain payments
- Spent less in 2021 than in 2020

FY Gap Closing Plan:

- Federal funds to offset spending, other spending reductions
- The budget presents two options to the Federal government:
 - Deliver \$15 billion
 - Fail us, deliver \$6 billion
- New revenue sources:
 - Mobile sports betting
 - Adult-use Cannabis

Risks:

- SALT cap
- Sustained telework likely to continue
- Uncertainty around commercial real estate (18% drop in 2020)
- Pocket recessions (MTA, clothing retailers, restaurants)
- Revenue sensitivity to volume of commuters
- New Yorkers left during COVID - if/when will they return?

Q&A:

- Will the Gov have a millionaires tax/stock transfer tax if the Federal government provides \$15 billion?
- Mujica: some tax proposals in the legislature are unconstitutional
- People can do business anywhere, so these proposals will encourage people to move
- There won't be a need to raise taxes if NY receives \$15 billion

- How optimistic is Mujica about getting \$15 billion?
- Mujica: the budget currently assumes NY will receive \$6 billion minimum
- \$15 billion is fair because NY was impacted by COVID more than other states
- This presumes that the federal government acts, but the federal government has already waited a long time to act
- If they don't act by March 31st, the state will need to have contingencies

- On Education, what is the difference between current education numbers and numbers if the federal government provides more?

- Mujica: The state will not have to reduce school aid funding
- Every district is getting either flat-funding or an increase

- What budget actions will take priority?
- Mujica: The Gov will have to work with the legislature and consider what will hurt the state the most
- Do we want to increase/decrease competition with other states?
- We have reduced workforce and spending dramatically without severe drawbacks

- On having the highest taxes in the nation, why put that on the table?
- Mujica: the gap is \$15 billion, DOB is proposing a tax identical to what the legislature posed
- It doesn't make sense to pass a tax before you know what the need is
- It is unfair to tax New Yorkers when NY annually gives more to the federal government than it receives
- It is a small portion of a \$15 billion gap closing plan

- Can we expect a 30-day amendment to this plan and how is the state funding the infrastructure plan?
- Mujica says they are not expecting amendments at this time
- Roughly 25-30% is public funding, the rest is private

- On the \$15 billion, is that for the current FY or 2 years?
- Mujica: we have to spread it out over multiple years (this year and the year after)
- It's not even half of the revenue loss, there's a lot of risk

- On COVID recovery programs, does that depend on federal aid?
- Mujica: if the state does not receive \$6 billion, we would have to revisit these programs
- There is a contingent appropriation if the federal government provides \$15 billion

- Run-down of how much NY has used in federal aid
- Mujica: \$2 1/2 billion from the coronavirus relief fund and \$500 million from FMAP (increased reimbursement for Medicaid)

- On CLCPA, does this budget have an impact on the time table?
- Mujica says there is no slow-down
- Assuming the federal government provides at least \$6 billion, there will not be an impact

- On Gov.'s briefing, on what grounds would the state sue? What if the state receives federal funding?
- Mujica: we should focus on the fact that the federal government knew that COVID would come from Europe and that NY was a port of entry
- The lawsuit is based on the impact of SALT on the state and whether or not taking SALT away from only a few states was fair

- How would small business tax credits work?
- Mujica: \$5,000 credit per employee to encourage hiring back workers
- \$50,000 per business for re-hiring
- Advanced funding for restaurants in areas where prohibitions remain in place

- On debt picture for the state, why not propose \$3 billion bond act nor additional revenues from renewable energy/taxing fossil fuel?
- Mujica: new taxes are targeted towards the wealthy
- Carbon credits are an option, but with record unemployment, now is not the right time
- \$3 billion bond act depends on an agreement with the legislature

- Is there language in the budget that will restore the governor's emergency powers?
- Mujica: No, there is not
- If we do not get at least \$6 billion, there are automatic triggers in place for reductions to the budget

- On state court system, there are plans to force out old judges.
- Will the state court system continue to face a budget shortfall if the federal government provides aid?
- Mujica: the executive can't cut the judiciary's budget, that is the legislature's role

- The judiciary was asked to use their discretion

- On health care and education cuts, why not move forward with the 1115 waiver?

- Mujica: the Trump administration has been hostile towards most proposals, but now the 1115 waiver is an option

- If NY receives \$15 billion, will there be a middle-class tax cut and how will this affect school aid?

- Mujica: Yes, and most districts would receive an increase in funding