



TESTIMONY

OF

JENNIFER MARCH-JOLY

EXECUTIVE DIRECTOR

CITIZENS' COMMITTEE FOR CHILDREN OF NEW YORK, INC.

PRESENTED TO THE

NEW YORK STATE SENATE FINANCE COMMITTEE

AND

NEW YORK STATE ASSEMBLY COMMITTEE ON WAYS AND MEANS

REGARDING THE

NEW YORK STATE EXECUTIVE BUDGET REVENUE PROPOSALS

STATE FISCAL YEAR 2009-2010

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Good Afternoon. My name is Jennifer March-Joly and I am the Executive Director at Citizens' Committee for Children of New York (CCC). CCC is a 65- year old privately supported, independent, multi-issue child advocacy organization. CCC does not accept or receive public resources nor do we provide direct service or represent a sector or workforce; rather for 65 years we have undertaken public policy research, community education and advocacy activities to draw attention to what is or is not for working for children in New York and to advance budget, legislative, and policy priorities—all with the goal of ensuring that children are healthy, housed, educated and safe. I would like to thank Chairman Farrell and Chairman Kruger and members of the Assembly Ways and Means and Senate Finance Committees for this opportunity to testify on the Governor's Executive Budget for FY 2009-2010.

All New Yorkers are reeling from the current economic downturn, but few are likely to be hit harder than poor children and their families. While the SFY10 Executive Budget attempts to address both the revenue and expense sides of the budget ledger, we do not believe that it goes far enough to protect the neediest New Yorkers from shouldering a disproportionate share of the burden. The Executive Budget has put badly needed revenue on the table, through a long list of fees, fines and taxes, but the budget fails to advance the most equitable and least painful means to raise revenue -- increasing personal income taxes on New York's highest earners.

On the expense side of the budget ledger, despite some desperately needed protections for New York's neediest - such as an increase in the public assistance grant, expansion of health insurance coverage to older youth, and preservation of uncapped funds for child abuse and neglect prevention - the Executive Budget relies heavily on cost shifts to local governments and focuses on closing budget gaps as short term gains rather than as long term investments that could ultimately reduce costs and produce better outcomes for children.

There are several cost shifts to localities that are also of profound concern – including the proposal to eliminate the Aid to Municipalities (AIM) for New York City, shift significant preschool special education costs to counties and proposed changes to the Flexible Fund for Family Services (FFFS). Cuts to cost effective programs, such as home visiting, homelessness prevention, child abuse prevention, youth programs and child care among others, are also cause for concern – they will cause harm to real people with real needs and will trigger more costly interventions in long run. This shortsightedness is continued as the budget proposes to close and consolidate underutilized juvenile placement facilities, but fails to invest even a single

dollar into community-based alternatives that prevent teens from entering the system in the first place.

CCC would argue that the economic crisis offers the State Legislature and Governor an opportunity like no other – to articulate the priorities that you hold for New York’s children and families. We offer the following tax policy proposals that reflect our interest in ensuring that every child is healthy, housed, educated and safe:

Increase the Personal Income Tax for those earning over \$250,000:

New York State’s personal income tax structure has evolved over the past 30 years from one with 14 brackets ranging from 2% to 15% to one with five brackets in a very narrow range – from 4% to 6.85%. As the top rate fell from 15.375% to 6.85%, an income tax that was once fair and progressive has become almost flat. Today a nurse or police officer or a child care worker trying to support a family on an adjusted gross income of \$40,000 a year is taxed at the same rate as a doctor or lawyer earning \$400,000 or a CEO earning \$4,000,000.

Restoring progressivity to the state’s personal income tax by increasing the rate for those earning over \$250,000 would affect fewer than 4 percent of New York State households. This tax increase would more fairly and equitably raise the revenue needed to protect core and essential services for our neediest residents. CCC’s recently commissioned poll found that New Yorkers (73 %) overwhelmingly support a progressive income tax increase on individuals and households earning \$250,000 or more a year over reductions in government services.

And history suggests that high-income earners will not leave New York if the top tax bracket is increased. When New York temporarily increased the income tax on high-income households between 2003-2005, which state actually experienced growth in the number of households earning over \$200,000, increasing from 245,000 to 321,000. Furthermore, a recent Princeton University study concluded that no net out-migration of when income taxes were raised on “half-millionaires” in New Jersey.

Amend sugar sweetened beverage tax proposal – create a penny-an-ounce excise tax.

CCC supports taxing sugar-sweetened beverages as a means to raise needed revenue, promote healthier beverage choices, and invest in preventive programming –we would amend the Governor’s proposal to create an excise tax of a penny per ounce, to be paid by manufacturers and distributors, rather than a sales tax that is tacked on at the retail register. This would raise more revenue; more greatly deter consumption, and allow for greater investments in obesity prevention.

Our proposal would generate approximately \$1.2 billion in revenue - \$600 million more than the Executive Budget’s proposed sales tax. While this proposal has garnered a great deal of attention, I would underscore the public health benefits of the tax. Our estimates suggest 12 percent reduction in consumption and allows for greater investments in preventive programming. Our recent poll documented broad support for this type of tax –52% of New York voters supported a tax on sugar-sweetened beverages and their support increased to 72% when a portion would be reinvested into programs to combat obesity.

Amend alcohol tax proposal - equalize the tax per gram of all alcohol to 10 cents a drink.

CCC supports the proposal to increase the tax on alcohol as a public health measure as well as a revenue generator. We recommend amending the Executive Budget proposal by equalizing the excise taxes across all alcoholic beverages - beer and wine and liquor – and then increasing the tax to a dime per drink. This would generate greater revenue, greatly deter consumption, and allow for investments in preventive programs. Our proposal would generate approximately \$538 million in revenue, nearly \$450 million more than the Executive Budget proposal. CCC’s poll found broad support for increasing taxes on alcoholic beverages - 62% of New Yorkers favored such a tax and approval their rose to 74% when a portion of the money would be reinvested into substance abuse treatment and prevention programs.

Provide Relief for Renters

CCC has long supported a renters tax credit. Almost half 44% of all New Yorker State households rent their homes, including more than a million renters who live outside New York City. And almost half of all renters in both the city and state pay more than 30% of their income in rent. Since rising property taxes contribute substantially to the problem, should the legislature tax up the issue of property tax reform – I urge you not to forget the renters who have a valid claim to equitable tax relief.

Negotiate a budget that does not impose a sales tax on clothing and footwear.

At present clothing and footwear under \$110 are exempt from sales tax. The Executive Budget proposes to replace this exemption with a two-week exemption for items under \$500. This proposal is regressive and will hit low-income families with children particularly hard. It also will trigger an unnecessary loss of revenue on luxury items purchased by high-end shoppers, including tourists.

Create a Young Worker Earned Income Tax Credit

New York State provides an EITC for workers of any age who are custodial parents and to workers aged 18 and older who are non-custodial parents. Young adults who are without children and under age 25 are thus excluded from the state EITC. CCC supports the creation of a state Young Worker EITC to fill this gap. The Young Worker EITC would be for resident taxpayers who are between the ages of 17 and 24 and are neither the custodial or non-custodial parent of a minor child (22,000 young workers). The Young Worker EITC would improve the financial well-being of working poor young adults and is estimated to cost \$1.5 million a year.

In closing, we ask the Assembly and the Senate to negotiate a budget with the Governor that advances truly shared sacrifice and a fair distribution of the burden of the current economic crisis. It is essential if we are to protect the vital services that our most needy residents and in particular children rely upon, that we enact progressive personal income tax reform and tax policies that support improved public health.

Thank you for the opportunity to testify.

