

## **NYSNA FY2020-21 STATE BUDGET ANALYSIS**

**Updated April 9, 2020**

The Governor and the state Legislature have reached agreement on the Fiscal Year 2020-2021 state budget in the face of an ongoing public health and economic crisis.

### **Background**

The coronavirus pandemic has triggered an abrupt decline in economic activity that has caused a severe economic contraction, the scale of which remains to be fully determined. Unemployment has spiked and tax revenues are dropping precipitously, as industries that are key to the New York economy (tourism, financial services, entertainment, restaurants, retailing and banking) have been severely impacted by the mandatory public health lockdowns. Though the pandemic may have been the spark, the existing structural imbalances in wealth and income distribution and an increasingly financialized economy reliant upon artificially low interest rates and high levels of private and public debt provide the dry tinder that fuels the cascading effects throughout the national and New York economies.

Total projected New York state spending before the onset of the current crisis was approximately \$180 billion, of which projected state tax revenues for 2020-2021 were estimated to come in at \$88 billion (including \$57 billion in personal income taxes, \$19 billion in other taxes and fees, \$10 billion in corporate taxes and \$2 billion in estate taxes and real estate transfer fees). Federal receipts were estimated to account for an additional \$62 billion in revenues, with the remainder of the state budget covered by long term bonds and miscellaneous other income sources.

Going into the budget process, the State was facing a \$6.1 billion budget deficit, including a \$4 billion Medicaid budget gap. New York is legally required (like most states and local governments) to maintain a balanced budget, and the initial executive budget included mid-year adjustments that reduced state Medicaid spending by almost \$1 billion and an additional \$2.5 billion in Medicaid cuts to be found by an appointed MRT commission.

Since the initial budget proposal in January, the onset of the pandemic has further exacerbated the projected deficits, and revenues are now expected to fall by an additional \$7 to \$15 billion (8-17%) over the course of the year.

The decrease in state tax revenues will be partially offset by increased federal funding flowing from the three coronavirus relief packages passed by Congress, totaling more than \$2.2 trillion in direct spending. In addition, the U.S. Treasury and the Federal Reserve have initiated \$4 trillion in monetary easing and capital support for businesses (essentially amounting to direct injections of newly printed money into the hands of financial entities and big corporations), which will indirectly help to prop up state and local tax revenues.

The final enacted budget passed on April 3<sup>rd</sup> “authorizes” a total budget in the amount of \$177 billion (including up to \$105 billion in direct state spending). In order to address the uncertainties about the effect of the crisis on revenues and federal support, however, the final budget allows an immediate \$10 billion cut in state spending (from \$105 to \$95 billion) and further allows the Governor to unilaterally make additional across the board reductions during the budget year if revenues decline further or federal aid is insufficient to plug the budget holes that are surely coming.

The new budget thus gives the Governor the unilateral power to immediately cut \$10 billion and to automatically further cuts on a quarterly basis as revenues inevitably decline. The Governor has neither the inclination nor the authority in the budget legislation to impose any tax increases or revenue enhancements, but the state legislature does have the power to convene and override any mid-year cuts by taking action within a very short 10 day window.

We can thus expect sharp battles over the next year to address the inevitable budget gaps and determine whether they will be addressed by austerity measures or through aggressive taxation and regulation of the wealthy and private business interests. Similar dynamics will also play out at the national and the local level.

### **Summary of the FY2020-21 Budget**

#### **1. Slashing healthcare and Medicaid spending during a health care emergency**

During the budget process NYSNA strongly advocated for passage of a “paper budget” with no cuts to healthcare spending. We argued that the budget deficit of \$6.1 billion (including \$4 billion in Medicaid spending) could be covered by the \$5.3 billion in increased federal Medicaid funding included in the emergency COVID relief bills and an additional \$5 billion in direct emergency assistance to the state for COVID expenses. Any budget passed in April would be meaningless in any event, as the economic impact of the crisis would force the state to revise its budget later in the year.

The Governor, however, insisted on implementing the recommendations of the MRT to reduce Medicaid spending by \$2.5 billion and to shift costs onto recipients and local governments, and threatened to reject the Federal Medicaid money because it required states to maintain existing Medicaid plan rules that were in effect on January 1<sup>st</sup>.

In the end, the Governor went forward with substantial cuts in health care spending, including the MRT Medicaid proposals, but delayed implementation of some of the cuts that were prohibited by the federal Medicaid conditions until October 1<sup>st</sup>. In effect, the Governor took the emergency Medicaid money, but also passed the proposed Medicaid cuts.

The healthcare cuts included in the enacted budget include the following:

- Across the board reductions in Medicaid reimbursement rates of 1.5%, totaling \$373 million;
- Elimination of the Enhanced Safety Net Program, cutting \$66 million from the most vulnerable hospitals;
- Elimination of \$190 million in DSRIP equity pool funding;
- Reduction of Indigent Care Pool hospital funding by \$87.5 million;
- Reduction of hospital capital project funding by \$17 million;
- Eliminating the NYC Health + Hospitals Upper Payment Limit (UPL) funding and conversion to Medicaid rate (supposedly cutting \$186 million in state spending without affecting NYC HH revenues, though this remains to be seen);

- Elimination of \$35 million in funding for sole community hospitals;
- \$668 million in cuts for long term care, including tightening eligibility standards and reduced benefits for recipients of at home care, and an arbitrary cap on new enrollments for at home care (regardless of need for services);
- \$34 million in cuts to health care transportation programs (taxi/livery/ambulance rates);
- Total reductions of \$2.2 billion in FY2020-21 and \$2.74 billion in FY2021-22.

**2. What was not in the budget – No measures to fortify the healthcare delivery system and protect health care workers during the crisis**

The enacted budget did not include any of the following measures that NYSNA and other unions and patient advocates had demanded:

- No special funding or measures were included to guarantee a financial backstop to allow cash strapped hospitals to maintain uninterrupted operations during the public health emergency, despite estimates that hospitals are facing more than \$350 million a month in COVID-related expenses, while revenues are down due to cancelation of elective procedures and the state has mandated expanded bed capacity;
- No measures were taken to strengthen or update the powers of the state to direct the manufacture or appropriation of PPE stocks and other vital medical supplies to support health care workers and decisively address public health emergencies (similar to the federal Defense Production Act or the New Jersey Disaster Control Act);
- No measures were taken to implement binding and universal hospital infection control standards and PPE protocols to protect nurses, health care workers, first responders and patients during the COVID-19 crisis;
- No moratorium on the closure of hospitals, reductions in bed counts or reductions in essential services during the crisis;
- No measures to provide funding to support health care workers and first responders facing the brunt of the crisis, such as temporary housing/hotels, transportation, child care, and other similar needs;
- No measures to address social determinants of health and the disparate impact of structural inequities in health care quality and availability in low-income communities and communities of color, which are being exacerbated by the impact of the pandemic; and,
- No measures to provide line of duty benefits such as enhanced leave, disability and survivor benefits to nurses and other health care workers who face increased threats of exposure and illness in treating COVID patients.

**3. No substantial changes in professional practice scope of practice standards and regulations were included in the final budget**

During the course of the health emergency, the Governor has issued a series of Executive Orders that temporarily suspend or modify a wide range of regulations that relate to health care facilities and practice standards.

NYSNA did not object to temporary measures to address the immediate crisis, but rejected any effort to make such measures permanent.

The final enacted budget thus rejected executive proposals to allow paramedics to perform nursing functions in home settings (Community Paramedicine) and to expand the types of vaccinations that pharmacists can administer to adult patients.

#### 4. Other notable provisions

- **Establishing Paid Sick Leave** – employers with 5-99 workers must provide at least 5 paid sick days; employers with more than 100 workers must provide at least 7 paid sick days; small employers with less than 5 must provide at least 5 unpaid sick days;
- **Enhanced Janus protections for public employees** – codifying union rights to address new hires during the orientation process and prohibiting lawsuits to collect dues paid prior to the effective date of the Janus decision;
- **Enhanced enforcement powers to regulate excessive drug price increases** – providing additional powers to the state to investigate and intervene to restrict prices of drugs where there is an excessive increase in charges by the manufacturer or distributor;
- **Legalizing Gestational Surrogacy** – setting legal guidelines and standards to regulate surrogacy and to provide minimum protections for surrogate mothers, including health insurance coverage for one full year after birth;
- **Stricter Tobacco and E-Cigarette rules** – further restricting tobacco sales and advertising and restricting flavored e-cigarettes;
- **Prescription Drugs:** increased authority to investigate improper drug price increases, capping insulin co-pays at \$100 per month, and seeking federal approval to explore importation of drugs from Canada.
- **Gender discrimination:** banning higher prices for substantially similar goods and services.
- **Issuance of a \$3 billion bond for environmental restoration or climate change mitigation projects;**
- **Permanent ban on hydro-fracking**

#### 5. Addressing the effects of the crisis and preparing for the budget battles that lie ahead – who pays and who benefits?

The impact of the pandemic on the health system and the broader economy will be unprecedented in severity. The almost universal lockdowns and social distancing measures that have been enacted to slow the spread of the virus are severely affecting the economy and federal, state and local budgets.

The magnitude of the basic numbers are in themselves staggering:

- In the three week period from March 14 to April 4, first time claims for unemployment have totaled more than 17.8 million nationally (785,000 in New York).
- Many economists forecast unemployment rates and declines in GDP that will rival those seen during the Great Depression in the 1930s (a 25% decline in economic activity and
- Though some forecasts expect the economy to start to recover in the second half of 2020, most expect that GDP will rise slowly and that unemployment will remain elevated for an extended period.

In this context, we must prepare for a pitched battle to protect health care and other vital social programs, to reject calls for austerity, and to make sure that we do not allow prior mistakes to be repeated. The huge costs of repairing our society must be paid by those who have used the system to enrich themselves and who are most able to shoulder the burdens that will be necessary.