

# New York's Democratic governor plans major tax cuts for the wealthy

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On Tuesday, New York State's Democratic governor, Andrew Cuomo, presented his budget proposal for the 2014-15 fiscal year, which begins in April. This followed his "State of the State" address delivered earlier in the month. Both emphasized his determination to continue with the policies of his first three years as governor, which vastly favor the rich while continuing attacks on the working class. In the state which is home to Wall Street, the financial capital of the world, the contrast could not be posed more starkly.

Cuomo's proposed budget projects a surplus of \$2 billion by 2016-17. He plans to use this surplus to offset substantial tax reductions, primarily for corporations and wealthy individuals. The surplus is to be generated by holding the state budget to a 2 percent rate of annual increase, barely above the rate of inflation. This means that social programs and most state services, the funding of which has not recovered from the deep cuts made following the 2008 crash, will continue to be starved for resources.

The dramatic, indeed unprecedented resurgence in the finance industry since the 2008 crash, in which stock values and executive compensation have reached new heights, has not been matched by recovery in the real economy of the state. The state comptroller, Thomas DiNapoli, released a statement following Cuomo's State of the State address which indicated that the projected surplus was based on questionable, temporary provisions and that the economy, especially in the upstate region, is precarious. The decades-long deindustrialization of the region, which accelerated following 2008, has resulted in a substantial loss of jobs. Many upstate municipalities and public school districts face severe financial difficulties. Despite this, the budget includes no increase in state aid to cities, towns, and villages.

In addition to proposed limitations on increases in property taxes, Cuomo's tax reduction plan includes raising the threshold on estate taxes by more than five times to \$5.25 million (estates valued below that amount would pay no tax), while cutting the top rate from 16 to 10 percent; a reduction in annual corporate taxes by cutting the rate from 7.1 to 6.5 percent; a real estate tax reduction for manufacturing businesses; the total elimination of the corporate income tax for manufacturing businesses in the upstate region (i.e., north of

the New York City metropolitan area); and a reduction in utility taxes for businesses.

There have been many expressions of strong skepticism regarding the likelihood that these tax reductions can be achieved without severe budget cuts. The Citizens Budget Commission projects that the state would have to reduce payroll and operations costs and aid to localities by about \$5 billion to achieve a \$2 billion surplus in two years.

According to the Rockefeller Institute of Government, the recovery in tax revenues in New York and other states has not reached the level that existed prior to the recession. The state comptroller reports that, while tax revenues have increased this fiscal year due to income from sales taxes, overall they are below expectations. This is primarily the result of a lag in revenues from corporate taxes. Thus, although corporate profits have grown significantly, the improved state tax revenue comes disproportionately from ordinary citizens.

The new budget proposal includes a mere \$807 million, or 3.8 percent, increase in state assistance for public education. The state's own Board of Regents says that at least \$1.3 billion is needed to address pressing needs. School districts, especially those in less affluent areas, were severely impacted by major cutbacks in state aid in the years immediately following the 2008 crash. This has been compounded by a 2 percent property tax cap enacted two years ago by the Cuomo administration. A substantial portion of the funds for public school districts outside the major cities comes from property taxes.

The results of a poll recently conducted by the New York State Council of School Superintendents revealed that a third of New York superintendents expect their school districts to reach financial insolvency within four years. Six percent expect to be insolvent in two years.

The devastating impact of funding cuts is indicated in part by staff reductions over the last three years – 4.9 percent in 2011-12, 3.9 percent in 2012-13, and 2.3 percent during the current year.

According to Billy Easton, executive director of the Alliance for Quality Education, "New York is a national leader in inequality between rich and poor schools and the governor has done nothing to close the gap." Data released by the New York State United Teachers, the state's largest teachers union,

revealed that the wealthiest 10 percent of New York school districts spent 80 percent more per student last year compared to the poorest 10 percent.

These disparities in educational spending are reflective of the extreme economic inequalities across the state. In the Utica School District, a small city in upstate New York, the childhood poverty rate is 43.86 percent, the highest in the state. By contrast, in some wealthy suburbs surrounding Albany, the state capital, less than 5 percent of the children are classified as poor.

Despite these stark realities, Cuomo denounced calls for increased funding for public education as “propaganda” in a recent radio interview.

The budget proposal includes a provision for the institution of universal pre-kindergarten and after school programs across the state. Independent estimates place the cost of a state-wide, full day pre-K alone at \$1.4 billion to \$2 billion a year, three times what the state currently spends. However, Cuomo’s proposal is for a total of only \$1.5 billion over five years and no source of funding is specified.

Cuomo’s proposal is being portrayed in the media as a move to counter a similar plan by the new mayor of New York City, Bill de Blasio, also a Democrat. The city program would be funded by a small increase in taxes on residents with annual incomes of more than half a million dollars. Such an increase would have to be approved by the state legislature, which is unlikely, making de Blasio’s proposal nothing more than a ploy to gain liberal credentials with little chance of implementation. Both proposals amount to attempts to divert attention from the ongoing destruction of public education.

In both the State of the State address and his proposed budget, the governor painted a rosy scenario of New York’s economic condition. The real economy is, however, weak and unemployment remains high. Last November’s state-wide unemployment rate was 7.4 percent and in New York City 8.5 percent. The state-wide labor force participation rate, a more accurate indication of employment conditions, was slightly under 57 percent, roughly 6 percentage points below the national average, indicating a large number of people without jobs.

The situation shows no sign of improving. New unemployment claims for the week ending January 4 increased by 28,314, due to layoffs in transportation and warehousing, construction, and education. Most job gains over the last year were in low wage sectors, including private education, health care, and leisure services. Substantial losses occurred in government (13,100) and manufacturing (12,300).

Cuomo’s insistence on generating a budget surplus in order to provide tax breaks for the wealthy combined with austerity for social programs is aimed at re-enforcing his credentials as a fiscal conservative who can be trusted to carry out the agenda of the ruling class. He already demonstrated his determination to attack workers when, in 2011, with the collaboration of the

unions, he forced major concessions on the state’s public employees by threatening the layoff of nearly 9,000 workers. At the same time, he burnishes his standing among the well-to-do middle class by expressing support for such liberal issues as gay rights, medical marijuana, and gun control. This strategy of giving absolutely no quarter to the working class is now standard fare for Democratic politicians across the country, especially for those, like Cuomo, who have presidential ambitions.

The governor’s policies have won substantial approval from the ruling class. Support for Cuomo among the corporate and financial elite is illustrated by his accumulation of a large “war chest” totaling \$33.3 million in contributions for his upcoming gubernatorial re-election campaign. Most of this money has come in the form of large donations.

A report by the New York Public Interest Research Group (NYPIRG) indicates that 80 percent came from donors whose contributions total \$10,000 or more. The top 242 donors have individually given at least \$40,000. Cuomo’s largest single donor, a Manhattan real estate developer, has already contributed \$800,000. All this is before the campaign has officially begun. By contrast, less than 1 percent of the total has come from individuals who have contributed under \$1,000.

In a recent interview for National Public Radio, Cuomo disingenuously claimed that contributions from wealthy donors have no effect on his actions as governor. He declared, “And I don’t care if someone gave me a ton of money. It makes no difference.” Cuomo’s drive to provide tax breaks for the wealthy while attacking the working class gives the lie to this claim.

Cuomo’s right-wing agenda has been so successful in co-opting traditional Republican policies while maintaining a liberal façade that, as the gubernatorial campaign approaches, he faces no credible opponents. The *New York Times* quoted the leader of the Senate Republicans, Dean Skelos, following the State of the State speech, as praising Cuomo’s focus on cutting taxes and said he sounded like “a good moderate Republican.” The tactic, pioneered by former President Bill Clinton, is known as “triangulation.” It has become standard practice for Democrats across the country, made possible by the active collaboration of the trade unions and their pseudo-left allies.



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