Cuomo CUNY, Medicaid Cuts Challenge for N.Y. City

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Cuomo's plan would require the city to cover its own Medicaid-expense increases. The state had been covering the extra costs for the city and counties after a law passed in 2011, early in the governor's first term, designed to cap property tax hikes at 2%.

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The city must also budget $2.5 billion -- quintuple its previous amount -- to the $29 billion five-year capital program of the Metropolitan Transportation Authority, which operates the city's subways and buses, two commuter rail lines and several bridges and tunnels.

Under a deal Cuomo brokered last year, the governor committed $8 billion of state money, subject to legislative approval. A state review board must still approve the MTA capital plan.

Wednesday's budget news resurrected discussion of a Cuomo-de Blasio feud that has simmered over the past year.

De Blasio said Wednesday that he and his budget staff would comb the finer points of the budget before speaking to the legislature.

"I think at least in the Assembly the city has some friends," said Cure. "The mayor does not have a lot of friends in the Republican-controlled Senate."

Cuomo, as part of his $10.4 billion plan to combat homelessness, said the state would partner with state Comptroller Thomas DiNapoli to audit homeless shelters statewide, while New York and
Buffalo city comptrollers Scott Stringer and Mark Schroeder, respectively, would review and inspect shelters in their cities.

Calling homeless shelters "our invisible city," Stringer has already begun an audit of city shelters.

"Increased state support is critical to addressing this challenge," he said. "As always, my office will be carefully reviewing the proposed budget and will present testimony in Albany later this month."

What to Watch for as City Budget Season Begins


The Mayor delivers a budget presentation (photo: Rob Bennett for the Office of the Mayor)
For the next several months, New York City elected officials will be consumed with numbers. They'll throw around terms like efficiencies, gaps, capital, expenses, revenues, and deficits as they go back and forth over how, where, and when the city should spend its money.

Mayor Bill de Blasio will release his preliminary budget for fiscal year 2017 on Thursday, Jan. 21, setting off a months-long review and negotiation process that concludes in June.

Lines are already being drawn. A majority of City Council members called [http://www.gothamgazette.com/index.php/government/6072-majority-of-council-members-urge-mayor-to-identify-budget-savings] on the mayor to be more fiscally responsible, while Governor Andrew Cuomo has proposed [http://www.gothamgazette.com/index.php/government/6088-cuomo-outlines-144-billion-budget] cuts in state funding to the city in two key areas. Combined with a widely expected eventual slowdown of the city economy, these factors are bound to loom large over the mayor as he unveils his 80-plus-billion dollar financial plan for the year beginning July 1.

Since the [http://www1.nyc.gov/office-of-the-mayor/news/825-15-mayor-de-blasio-releases-fy2016-november-financial-plan-update] update to the current, fiscal year 2016 budget, the mayor has announced a number of policies that will add to the budget, including a $15 minimum wage for city workers, increased spending on homelessness, and, on Tuesday, an expansion of the Vision Zero traffic safety program. There have also been initiatives in tandem with the City Council which are yet to be fully accounted for, such as the hiring of 1,300 additional NYPD officers and security guards for private and religious schools.

Under de Blasio and City Council Speaker Melissa Mark-Viverito, the city budget has grown significantly over two years. The FY2016 adopted expense budget was $78.5 billion, up from $75 billion for FY2015 and $73 billion for FY2014, the last budget passed during the previous administration. Part of this growth has been due to labor contracts signed by the mayor, who inherited a situation where all of the municipal workforce was working under expired contracts. (The annual expense budget is also distinct from the capital budget, which is part of the Mayor’s $83.8 billion ten-year capital plan for FY2016-FY2025 and pays for infrastructure needs like renovating or building schools.)

Budget watchdogs are in general agreement that while spending has grown, city operational savings are solid but lower than previous years, reserves are robust, and the city’s fiscal forecast shows sunny skies with clouds on the horizon.
Many, including de Blasio and city Comptroller Scott Stringer, have repeatedly warned of an economic downturn and the need for the city to be prepared for it, not wanting to see repeats of the nature that occurred when the economy crashed toward the end of last decade. By the November financial update, the city's general reserve was increased to $1 billion each year, the Retiree Health Benefit Trust Fund was increased to $3.3 billion and the city also put aside $500 million in the first-ever Capital Stabilization Reserve, which lets the city invest in capital projects and allows retiring debt in a potential downturn.

The executive budget, released in May last year, also accounted for $2.6 billion in savings across FY2015 and FY2016 -- including $530 million in agency savings. Still, spending has continued to grow at rapid rates and many are calling on the mayor to look for additional savings.

In a statement to Gotham Gazette, Stringer said that the city's financial outlook "is positive if the City continues to manage its expenses and save for a downturn." The comptroller said that the agency savings program initiated by the de Blasio administration in last year's executive budget "was a start, but we need to go further. If a savings program is implemented again in FY17, the savings will stack."

Citing a longtime savings program that de Blasio did away with, Stringer said that the "program to eliminate the gap" or PEG, "required agencies to cut costs, and save money on a recurring basis. PEGs initiated between 2008 and 2013 saved the City $6.5 billion in fiscal year 2014 alone. PEGs make agencies run more efficiently and ensure that taxpayers are "getting their bang for their buck" when it comes to government services."

"I've called for an agency savings program as far back as June 2014 and have reiterated that call," Stringer said. Adding that the city could use "a boost" in "the budgetary cushion -- which guards against another financial downturn, terrorist attack, or superstorm," Stringer said that progress has been made since 2008, but that the cushion should include billions more and that "We've got to continue to repair the roof while the sun is still shining and implementing PEGs could get us that much closer to the finish line."

While he has called for additional savings, Stringer has largely signed off on de Blasio's first two budgets. The comptroller will present an analysis of de Blasio's preliminary budget in the weeks following its release.
Nicole Gelinas, senior fellow at the Manhattan Institute, believes Mayor de Blasio has lucked out in his first three years, owing to the longest post-recession growth of the economy in history. “This will be the easiest budget in a very long time,” she said. But she faulted the mayor for failing to deal with increasing healthcare and labor costs, and for the sudden announcement of a $15 minimum wage for city workers. Generally speaking, ratings agencies and other budget monitors have given approval to the deals the de Blasio administration signed, noting that the city needed a sense of fiscal certainty brought about by settling long-expired contracts and that the wages therein were not exorbitant.

Gelinas warned of possible rough times in the future and said the city needs to be prepared to deal with a declining stock market and international forces that could affect tourism revenue. “It’s really easy to balance the budget if the economy keeps doing well,” she said. “But savings can go very quickly. The 2008 crisis opened up a $6 billion deficit immediately and to deal with a recession you need more government spending.”

Gelinas expects that the coming year will have less new spending since many initiatives have already been announced.

The spectre of another recession was part of the rationale behind the Dec. 31 letter that 26 Council members sent to the mayor urging him to have his commissioners identify five percent in budget savings for the next year. Maria Doulios, vice president at the Citizens Budget Commission, believes the mayor needs to strongly consider that advice.

“During good times it’s wise to store away as much as you can to limit the impact of a downturn,” she said. “[The Mayor] should really build up the savings program before he introduces the next budget.”

Doulios said there needs to be restraint in adding new spending as the mayor has done across city agencies in his first two years. Like Gelinas, she criticized the minimum wage announcement which she said “sets a terrible precedent” by making a contract more costly after it has been settled without insisting on enhanced productivity and services. “It shouldn’t be a one-way street,” she said.

The Independent Budget Office, a nonpartisan city-funded agency that analyzes the city’s fiscal policy, predicts (http://www.ibo.nyc.ny.us/iboreports/the_fiscal_year_ahead_despite_diminsiing_job_ c
that in the coming year, despite modest job and revenue growth, the city’s budget will be positive.

Revenue projections by IBO are more generous than the city’s -- for 2017, it anticipates that the city will receive $82.5 billion in revenue, higher than the city’s estimate of $80.8 billion as stated in the November plan. It is typical practice for the city to underestimate revenue, which is helpful for keeping spending down, adding to reserves, and being in good shape ahead of unforeseen events.

IBO fiscal analysis even modelled an alternative economic scenario in a recession and found that the reserves the city has in place are more than sufficient to weather the storm.

“There are substantial fiscal threats to the city, not the least of which is that the economic expansion could come to an end,” said Doug Turetsky, IBO chief of staff.

“New York City is an international city and not at all exempt from what is going on from China to Europe and beyond,” he added.

The city is certainly not immune from what is happening in Albany, of course. Gov. Cuomo’s State of the State and budget presentation has complicated the city’s financial future. Even though Cuomo has walked back some of what it appeared he was proposing, the governor’s budget would make New York City assume significant additional spending on Medicaid and CUNY -- about $1 billion and growing annually -- as well as cut certain tax rebates.

“The ground has changed considerably with the governor’s presentation of the state budget,” Turetsky said, adding, though, that “the smoke hasn’t settled yet.” Turetsky thinks the mayor doesn’t have enough time to incorporate Cuomo’s proposals into the preliminary budget. “But it’s going to hang over what [the mayor’s] proposals are,” he said.

After the State of the State, de Blasio vowed to push back against the proposals and the governor later seemed to concede that he would work with the city to find savings. “What you’ll see is it won’t cost New York City a penny,” Cuomo said in an interview on NY1 to push back against the proposals and the governor later seemed to concede that he would work with the city to find savings. “What you’ll see is it won’t cost New York City a penny,” Cuomo said in an interview on NY1 to push back against the proposals and the governor later seemed to concede that he would work with the city to find savings.

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City Council Member Julissa Ferreras-Copeland, chair of the finance committee, isn’t convinced. “I don’t see how you can make those proposals and say it won’t cost a dollar,” she said, promising that the Council would stand up against the proposals. “It’s the job of the city to demonstrate that this is a huge burden,” she said.

Ferreras-Copeland has been vocal about responsible budgeting and was one of the 26 Council members to sign the letter (http://www.gothamgazette.com/index.php/government/6072-majority-of-council-members-urge-mayor-to-identify-budget-savings) calling on the mayor to identify potential agency budget savings (which was sent well before Cuomo’s budget was released and spearheaded by (http://www.gothamgazette.com/index.php/government/6072-majority-of-council-members-urge-mayor-to-identify-budget-savings) Council Member Dan Garodnick). She is well aware of the dangers of budget cuts, and resulting diminishment in services or job losses, and insisted that the Council members simply want suggestions to look at “smart savings that have a minimum impact on the city.”

Ferreras-Copeland will be one of the key figures in the Council’s negotiations with the mayor, beginning when she chairs the first preliminary budget hearing soon after the mayor releases his initial spending plan. Working closely with Mark-Viverito and others, Ferreras-Copeland will craft the Council’s preliminary budget response, one of the most important documents in city budget negotiations. The letter will come once the Council has held about a month of budget hearings, bringing in de Blasio administration commissioners to discuss their spending plans.

The Council’s first priority, Ferreras-Copeland said, will be looking at how the preliminary budget addresses healthcare and pension costs. She also indicated that the Department of Education’s overdue capital plan would be an important issue. The DOE’s annual expense budget for FY2016 was $27.6 billion, accounting for about a third of the total city operating budget. The proposed five-year capital plan includes another $13.5 billion of DOE spending from 2015 to 2019. That draft plan was supposed to be released in November but was delayed.

“This is just the beginning of a long process,” Ferreras-Copeland said. “We want a budget that is responsible and responsive to New Yorkers’ needs.”

James Parrott, deputy director and chief economist at the Fiscal Policy Institute, thinks that the city has indeed been responsible with its budgeting and that the Council letter was “a little unusual.” The mayor’s increased spending, he said, was not especially
significant in the grand scheme of a many billion dollar budget and amid good financial times.

Parrott also took issue with the governor’s proposed funding cuts. "The main thing is, the governor is now basically dictating the city budget and the city's going to have to move a lot of stuff around to make room for that," he said, adding that Cuomo’s proposals lend insecurity to the city’s reserves and crowd out spending.

As for the mayor’s capital budget, Comptroller Stringer’s office pointed to recent announcements by the mayor that will need to be accounted for, including billions of dollars in commitments to build new supportive housing units and contribute to the MTA, as well as money dedicated to homeless shelter repair and new affordable housing.

One other large portion of the budget many are watching is employee overtime costs. The city’s spending on overtime has ballooned in the last decade. According to a recent IBO report (http://ibo.nyc.ny.us/cgi-park2/?p=1275), the city spent $1.659 billion on overtime in 2015 (http://www.gothamgazette.com/index.php/government/5697-city-includes-1-billion-for-overtime-in-2016-budget-de-blasio-nypd), up from $928 million in 2006. Although that’s a nearly 80 percent increase, adjusted for inflation it is about 40 percent. The report does acknowledge that, compared to the entire budget, this spending is relatively modest, increasing from 1.7 percent of the total budget in 2006 to 2.2 percent in 2015.

"Overtime is a significant part of the budget," Comptroller Stringer said. "Every year, the City consistently underestimates how much it will spend and each year, my office’s budget reports consistently point out that budget risk. In the current fiscal year, overtime is budgeted at over $1.3 billion, but my office projects it will come in at more than $150 million above that."

The increase in OT spending has been driven by the uniformed agencies (http://www.nydailynews.com/news/politics/nyc-paid-1-7b-overtime-city-workers-year-article-1.2471490) - 70 percent of the overtime funds in 2015 were spent on the police, fire, corrections, and sanitation departments. NYPD overtime grew the most, from $412 million in 2006 to $716 million in 2015. The department’s adopted budget for FY2016 was $9.2 billion.

"It has grown tremendously and continues to grow despite changes in head counts," said CBC's Doulis. "We've called for more control on overtime authorization. There needs to be a real attempt to rein in these expenditures."
Cuomo's budget discipline suddenly comes at New York City's expense

Governor is holding down state spending increases by asking city to reach into its pockets

Published: January 19, 2016 - 2:05 pm

Gov. deserves great credit for holding increases in state spending under 2% in every one of his budgets, following years of unsustainable growth. It was meaningful because it was done without accounting gimmicks, which had become routine in state government.

But last week the governor proposed a change that would eventually save the state more than $1 billion a year by shifting the expense to New York City. That's not reform.

Cuomo's budget director initially said the reason the city should pay more for Medicaid and the City University system is that the city's budget picture looks good for the next few years. Essentially, she said, Gotham can afford it.

A day later, Cuomo backed away from that rationale, saying that the state would work with the city to find efficiencies to achieve the savings.

Unfortunately, his budget does not lay out any such efficiencies. Only cuts. And only New York City would get this treatment. Not Rochester, not Syracuse, not Utica. Just us.

Cuomo has an answer for this: The city was exempted from the state's 2% cap on property-tax growth. But Medicaid had nothing to do with that decision. Most states ask their localities to pay very little toward Medicaid, and they don't have tax caps. Rather, they recognize the burden Medicaid would impose on cities with many poor people who qualify for the program. And despite the rosy picture that Cuomo's budget director painted of New York City's fiscal situation, we still have a high poverty rate and easily the largest Medicaid population in the state.

The city has budgeted responsibly and enjoyed robust growth since the recession, but the state already benefits from that—our residents and businesses provide the lion's share of state income-tax revenue.
Several years ago, the state capped all localities’ Medicaid costs and agreed to pay for any growth. Tax revenue reaped from New York City is the reason Albany can afford to do so. To exclude the city from that benefit would be perverse.

Cuomo has a better argument on CUNY funding, given that the state picked up that expense to help the city out of its 1970s fiscal crisis, which is long over. That said, announcing $730 million in cuts over two years was a rude way to start the conversation. But his Medicaid proposal is where the big money is. There should be one funding system for the state, not a special hell where only New York City pays more. – THE EDITORS
Cuomo's New Budget Plan May Cost City Extra $800M

This year, Governor Cuomo proposes the most ambitious ethics and good government reform package ever to restore New Yorker's confidence in their representatives." Cuomo's new budget book said. However, the proposed changes and his new $145 billion state budget plan announced on Wednesday, January 13th, have already caused a lot of controversy among officials and public, alike. NY Daily News reports that the budget seeks, for example, to pay significantly more toward CUNY and Medicaid.

According to sources, the city may have to spend about $800 million in new costs, which would amount to a large portion of the savings Cuomo has in his budget. The changes include passing the expenses of supporting CUNY and paying Medicaid from the state to the city taxpayers. Under this new reform, the city would now have to pay 30%, adding $485 million to its own commitment and reducing the state's Medicaid expenses, reports NY Daily.

Supposedly, the change would cost the city $180 million in the first year, $300 million in the second year. Mayor Bill de Blasio raised his concerns, but did not get into details of a new plan. According to sources, once other state funding is taken into consideration (such as kindergarten or school aid), the city actually will receive $322.2 million more under the governor's budget than it is currently receiving.

In addition, Governor Cuomo has also proposed various other reforms regarding homelessness and affordable housing, which means, incurring further costs. As part of Cuomo's plan Wednesday, he also called for setting aside $240 million in state money to help cover retroactive pay raises for CUNY professors, who are without a contract.

In terms of legislative reforms, Gov. Cuomo also recently revealed his fourth ethics reform package since taking office, which in broad terms seeks more transparency. Cuomo's plan would for the first time limit outside income for legislators to 15% of their base legislative salaries, which currently is $79,500. Cuomo also called for more detailed financial disclosure by elected officials. He also wishes to address a controversial legal ambiguity allowing corporations to give unlimited donations. "The governor's plan would cap at $25,000 donations to so-called party housekeeping accounts," reports NY Daily, and the identities of donors would be required to be public. The pensions of all lawmakers convicted of a crime related to their public office shall be forfeited. Under Cuomo's plan, political consultants who advise elected officials would be required to register as lobbyists.

According to NY Daily, shortly after praising his working relationship with state legislators, Gov. Cuomo was yelled at from the audience by Assemblyman Charles Barron (D-Brooklyn). "This is rhetoric," Barron said as he left his seat and approached Cuomo. Barron accused Cuomo of "short-changing state schools by $4 billion" and "gutting funding for the homeless."

Cuomo's budget proposal is also considering the following reforms:

- Approval to raise the state minimum wage to $15 an hour over several years.

- $100 billion in infrastructure projects, including revamping Penn Station, expanding the Jacob K. Javits Convention Center, and adding a third track for the Long Island Rail Road.

- The legalization of the controversial sport of mixed martial arts.

- $444 million in tax relief, much of it directed to small businesses.

He also called for MTA changes, including the redesign of 30 existing subway stations and the expansion of underground Wi-Fi hotspots and USB ports on subway trains, buses and stations. "There is no doubt that this is an ambitious agenda," Cuomo told lawmakers. "But we need the agenda. Now is the moment to maximize the progress that we have made —
Spend Andrew Spend. See Andrew Spend

By The Editors • 01/19/16 8:05pm

New York Governor Andrew Cuomo speaks to hotel workers at the Hotel Trade Council during a reelection campaign event on September 8, 2014 in New York City. (Photo: Andrew Burton/Getty images)
Gov. Andrew Cuomo gave a two-hour State of the State message last week, and there were enough promises to fill an old-fashioned Albany phone book—Yellow and White Pages combined. Almost every person, group and special interest in the state found themselves pandered to and promised something wonderful. And expensive. The document that accompanied the address—at 509 pages—proposed some $154 billion in government spending during the 2016-17 fiscal year.

Without a hint of irony, Mr. Cuomo proudly compared his "development initiative" to the almost-forgotten titan of government spending, Nelson Rockefeller. Mr. Cuomo bragged that it "would make Gov. Rockefeller jealous."

Heardlines around the state highlighted the governor's call for $100 billion (over several unspecified years) in infrastructure projects. That included, for example, $3 billion for a new Empire (Penn) Station, $20 billion in upstate highway and bridge construction, $4 billion for the still-unfinished Tappan Zee Bridge replacement, $29 billion to the MTA, $4 billion for LaGuardia Airport, and $20 billion for the Port Authority Gateway project.

Many of the media trumpeted the governor's call for an investment of $20 billion for 100,000 new affordable housing units over five years, and homeless support services. He also pushed for lots of private spending—on 12 weeks of paid family leave, and a $15 minimum wage.

State support for education would increase by $1 billion this next year, to $24.2 billion. The state Board of Regents had called for a $2.4 billion increase and school advocates wanted even more. (State Assemblyman Charles Barron stood up, interrupted the governor, yelled at him for not spending at least $2 billion more on high schools, and was then escorted from
the room.)

Understanding the state budget is not easy. Despite a graphically arresting tool that sorts spending and revenues in nifty ways, it is rarely clear how much is being spent when and on what; or where the money is coming from. E.J. McMahon, the president of the Empire Center for Public Policy, one of the smartest commentators on state machinations, called funding of the governor's something-for-everyone laundry list “Cuomo’s Magical Mystery Cash.”

There seemed to be something for everyone—except Mayor de Blasio. The governor's budget would in fact cut funding for 2,000 New York City police officers and money for CUNY and Medicaid. And, not content to wrest control from Mr. de Blasio on his signature efforts on affordable housing and homelessness, Mr. Cuomo is proposing that SUNY (the state university system) take over CUNY.

As Bette Davis warned us, “Fasten your seatbelts. It’s going to be a bumpy night.”
Cuomo pushes more CUNY costs onto NYC

By Tara Garcia Mathewson | January 19, 2016

Dive Brief:

Gov. Andrew Cuomo’s latest New York State budget proposal includes a shift of one-third of the City University of New York system’s costs back onto New York City in a move that his administration says is a reasonable return of responsibility.

The New York Times reports that the state assumed control of the city’s so-called senior colleges during its fiscal crisis in the 1970s, and the latest budget shifts much of it back, with Cuomo budgeting $240 million for retroactive raises for university employees that have gone without them for six years.

The governor’s budgets have reduced per-student funding from the state by 17% since before the recession, a time in which tuition has gone up by $300 each year and CUNY has still been forced to cut the number of courses offered, lay off part-time faculty, increase class sizes, and trim investments in student services and other areas.

Dive Insight:

The New York City system is facing the same challenges public higher education systems are grappling with all over the country. State disinvestment in higher education has precipitated an increase in tuition that has raised the overall debt levels of students and contributed to the national firestorm over average student debt. While many states have begun increasing the amount they spend on post-secondary education, the number of students enrolling in certificate and degree programs has grown much faster, creating a continued decline in actual per-student funding in most places.

U.S. Department of Education officials have called on states to reinvest in higher education and fulfill their end of the financing bargain. If more federal money is made contingent on state investment in the reauthorization of the Higher Education Act, there could be a real shift.
CUNY Praises Permanent Extension of American Opportunity Tax Credit

Nearly 100,000 students will benefit

Nearly 100,000 current students at The City University of New York — and many thousands in the future — are expected to benefit from the permanent extension of the American Opportunity Tax Credit. The credit, worth up to $2,500 a year, eases tuition costs for middle-class students as eligibility for full aid under federal Pell and state Tuition Assistance Program grants decreases with higher income.

New York Senator Charles Schumer, who authored the credit in 2009, has said he pushed to make sure the American Opportunity Tax Credit was included in the "must-pass" $1.8 trillion budget package that Congress approved and President Obama signed in mid-December. "With tuition costs continuing to rise, middle-class families should be able to take advantage of any savings they can get, and that is why I pushed to make sure the American Opportunity Tax Credit was included in this must-pass tax package," Schumer has said.

CUNY's affordable tuition and high quality academic programs make the federal tax credit an even greater value. Full-time tuition at the four-year colleges is currently $6,330 per year. At the two-year colleges the annual tuition charge is $4,800. More than 60 percent of CUNY's full-time college students attend tuition-free thanks to the availability of federal Pell grants, New York State TAP assistance, tax credits and CUNY aid. More than eight of 10 CUNY graduates leave college with no federal student loan debt.

Schumer reviewed the details of the now-permanent tax credit in a wide-ranging address to the Association for a Better New York on January 7, 2016.

CUNY Chancellor James B. Milliken said, "Thanks to Senator Schumer, thousands of our students will continue to qualify for an important benefit that effectively reduces our already low, affordable tuition."

Unlike a tax deduction, which reduces the amount of income subject to tax, a tax credit reduces the actual taxes that are owed. The American Opportunity Tax Credit is for families earning less than $180,000, or single-filers earning less than $90,000, a year. At CUNY, in 2014 about 58 percent of undergraduates qualified for Pell grants and 38.5 percent came from families earning less than $20,000 a year, which generally is the cutoff for Pell grants.

Schumer estimated that New Yorkers will save more than $1 billion per year with this tax credit, and the U.S. Office of Management and Budget estimated that it provided $15.2 billion in tax relief nationwide in 2015.