Joint Legislative Hearing on the 2022 – 2023 New York State Taxes Executive Budget Proposal

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About the Children's Defense Fund – New York

Children’s Defense Fund – New York (CDF-NY) thanks the chairs of the Assembly Ways and Means Committee and the Senate Finance Committee for the opportunity to submit testimony on the 2022 – 2023 New York State Taxes Executive Budget Proposal.

CDF-NY is a non-profit child advocacy organization that works statewide to ensure every child in New York State has a Healthy Start, a Head Start, a Fair Start, a Safe Start and a Moral Start in life and a successful passage to adulthood with the help of caring families and communities. As the New York office of the Children’s Defense Fund (CDF), a national organization with roots in the Civil Rights Movement, we are committed to advancing racial equity and to leveling the playing field for vulnerable New York children, youth and families. We envision a state – and a nation – where children flourish, leaders prioritize their well-being and communities wield the power to ensure they thrive. CDF-NY provides a strong, effective and independent voice for children who cannot vote, lobby, or speak for themselves. We pay particular attention to the needs of children living in poverty, children of color and those with disabilities. CDF-NY strives to improve conditions for children through research, public education, policy development, direct service, organizing and advocacy. Our policy priorities are racial justice, health justice, education justice, child welfare, youth justice and economic mobility. To learn more about CDF-NY, please visit www.cdfny.org.

Child poverty continues to harm New York’s most marginalized children, families and communities.

Child poverty is an urgent and preventable crisis in New York State. A higher percentage of children live in poverty in New York than in 34 other states. Prior to the COVID-19 pandemic, one in five New York children lived in poverty – that’s nearly 792,000 children. 23 percent of New York children under the age of five live in poverty – at exactly the period in their development when they are most vulnerable to its devastating impacts. New York’s 15th Congressional District, located in the Bronx, carries the highest child poverty rate of any of our nation’s congressional districts. Racial disparities are pervasive in our State’s child poverty burden, with Black and Latinx children more than twice as likely as white children to live in poverty in New York. In three out of every four of our State's counties, both Black and Latinx children are more likely to live in poverty than white children, and Black and Latinx children in Manhattan are 10 to 13 times more likely to live in poverty than white children.¹

Unsurprisingly, the COVID-19 pandemic has only compounded our State's child poverty burden. By July 2020, an additional 325,000 New York children had been pushed

¹ U.S. Census Bureau, 2019 American Community Survey 5-Year Detailed Estimates. To view CDF-NY's county data profiles, please visit https://cdfny.org/county-profiles/
into poverty as a result of the pandemic, 2 and too many parents across our State are still struggling to pay rent, keep food on the table and meet their children’s basic needs.

We know all too well that poverty harms our children, with income-related gaps in cognitive skills seen as early as 9 months old and impoverished children suffering worse health outcomes in many indicators. 3 Children living in poverty are more likely to be hungry, less likely to have health coverage or graduate from high school and more likely to be unemployed and poor as adults. Impoverished children are also more likely to live in substandard housing that puts them at greater risk of childhood lead poisoning – arguably one of the gravest public health threats New York children face. Furthermore, child poverty is expensive to our State and nation. Pre-pandemic, child poverty cost our nation approximately $1.03 trillion 4 – and New York upwards of $60 billion – every year in reduced earnings and increased costs associated with health, homelessness, child welfare and criminal justice. Arguably more somber than even the health and financial costs of child poverty, however, is the moral burden of letting so many children live in poverty in one of the richest states in the wealthiest country in the history of the world. In the words of Marian Wright Edelman, founder and President Emerita of the Children’s Defense Fund, child poverty is a “moral disgrace” and there is “no excuse for allowing needless child suffering in our land of tremendous affluence. It is wrong. And it is economically and socially dangerous.” 5

The recent signing of the Child Poverty Reduction Act S. 2755-C (Ramos) / A. 1160-C (Bronson) into law lays a strong foundation towards ending child poverty in New York by making a public commitment to cut our State’s child poverty rate in half within ten years and establishing a Child Poverty Reduction Advisory Council to develop a plan towards achieving this goal. To take the next step towards realizing its bold child poverty-reducing commitment, New York must act with urgency to reform its tax code to reduce child poverty, promote racial equity and move more families towards true economic security.

**Investing in our children and families via income supports and tax credits yields a lifetime of benefits.**

Extensive research supports the benefits of strengthening family economic security via income supports for child health and wellbeing outcomes. In fact, more generous income assistance has been linked with healthier birth weights, lower maternal stress (as measured by reduced stress hormone levels in the bloodstream), better childhood nutrition, higher school enrollment, higher reading and math test scores, higher high school graduation rates, less use of drugs and alcohol and higher rates of college entry, among other outcomes. 6 Furthermore, recent findings from the *Baby’s First Years* randomized control trial show that after a year of receiving monthly cash supports, one-year-olds in low-income supports for child health and wellbeing outcomes. In fact, more generous income assistance has been linked with healthier birth weights, lower maternal stress (as measured by reduced stress hormone levels in the bloodstream), better childhood nutrition, higher school enrollment, higher reading and math test scores, higher high school graduation rates, less use of drugs and alcohol and higher rates of college entry, among other outcomes. 6 Furthermore, recent findings from the *Baby’s First Years* randomized control trial show that after a year of receiving monthly cash supports, one-year-olds in low-income

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income families were more likely to exhibit brain activity patterns associated with the development of thinking and learning.  

Refundable tax credits are a particularly potent tool for increasing economic stability for individuals and families and easing the toxic stress of poverty. The poverty-reducing success of the American Rescue Plan’s temporarily expanded Child Tax Credit (CTC), which holds the potential to reduce New York’s child poverty rate by over 36 percent if made permanent, proves that when provided with more income – and the freedom to use it in the ways that best suit their families – parents use cash support to meet their children’s needs. Between mid-July and mid-August, the most common uses of CTC payments among New York families were purchasing food (48 percent of families), managing bills (38 percent of families), paying for clothing and other essentials for children (34 percent of families) and making rent/mortgage payments (33 percent of families). Once monthly CTC payments were distributed, eligible New York families reported much higher rates of overall food security and lower rates of severe food insecurity. The last monthly CTC payment that American families received, in December of 2021, kept 3.7 million children out of poverty nationwide.

While CTC payments to families have lapsed in the absence of the passage of the Build Back Better Act – and the fate of this vital federal benefit currently hangs in uncertain limbo – New York can act swiftly to provide urgently needed assistance to many families with children by expanding and strengthening the Empire State Child Credit in our State budget. If the expanded CTC is not extended and no State action is taken to bolster our own tax credits, an estimated 681,000 New York children could fall back into poverty. Additionally, the American Rescue Plan’s exclusion of 72,000 New York’s children from receiving the expanded CTC due to their immigration status further necessitates that State action be taken to support our most marginalized children and youth. By doing so, our State will allow more New York families to provide necessities for their children to ensure that they have an opportunity to not only grow but thrive, no matter their race, immigration status or zip code. Our State must also expand and strengthen its Earned Income Tax Credit (EITC). Coupled together, these reforms will enable New York to lead the nation in child poverty reduction.

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In order to reform New York's tax code to reduce child poverty, promote racial equity and move more families towards economic security, our State must:

I. Expand and strengthen the Empire State Child Credit

The Empire State Child Credit (ESCC) provides eligible taxpayers with a credit equal to 33 percent of the pre-2017 federal child tax credit (up to a maximum of $330) or $100 per qualifying child, whichever is greater. New York parents are eligible for the credit if they meet certain income limitations and have at least one child between the ages of 4 and 16. Since the ESCC currently excludes children under four years old and is determined by an individual's federal Child Tax Credit amount, New York's poorest and most marginalized children are left behind.

If designed and implemented correctly, the ESCC could improve the lives of hundreds of thousands of children and families in every county statewide, reduce both New York's child poverty and overall poverty rates and yield high economic gains. In fact, expanding the ESCC to $1,000 per child for all New York children under the age of 17, with the exception of high-income families, would cost about $2.7 billion and would generate around $26.2 billion in societal benefits. 13

New York can expand and strengthen the Empire State Child Credit by:

(1) Extending eligibility to include children under four years old | Approximately 900,000 New York babies and toddlers are automatically excluded from receiving the ESCC because they are under the age of four, despite the fact that our State's youngest children are our poorest – and despite irrefutable evidence of how critical investments during the early developmental years are. The exclusion of the youngest New Yorkers from a credit that exists to offset the costs of raising children is nonsensical. Our State must thereby extend ESCC eligibility to children under four.

(2) Increasing the value of the Credit to $1,000 for young children and $500 for older children | The current value of the ESCC no longer provides meaningful relief to families, particularly as inflation reaches a 40-year high and everyday costs for families continue to rise.

(3) Making the full Credit available to New York's lowest-income families by ending both the exclusion of families with incomes under $3,000 and the gradual phase-in for the lowest income families | 1,400,000 New York children (including nearly half of our State's Black and Latinx children) are currently receiving only a partial or no ESCC because their families earn too little, with Black children 1.5 times more likely than white children to receive partial or no credit because of low family earnings.

II. Expand and strengthen the Earned Income Tax Credit

New York must also act to expand and strengthen its Earned Income Tax Credit (EITC), an effective poverty-fighting tool for low-to-moderate-income full-or part-time workers and families that increases workforce participation and financial security, leads to improved educational outcomes for children and improves child and parent well-being.

New York can expand and strengthen the Earned Income Tax Credit by:

(1) Increasing the percentage of the federal Credit paid to families from 30 percent to 40 percent | It is estimated that expanding the State's match of the federal EITC from 30 percent to 40 percent would provide meaningful support to more than 1.5 million New York households. ¹⁴

(2) Expanding the Credit for young adults without children (ages 18 through 24) who are currently ineligible for either the federal or State Credit in the manner set forth in S. 5289 (Parker) / A. 1080 (Bronson) | Young and childless adults ages 18 through 24 currently do not qualify for either the federal or New York State EITC despite the fact that they experience poverty at disproportionate rates. These young adults include our State's foster youth who have aged out of foster care – a population that experiences food insecurity, homelessness, and unemployment at higher rates than their peers and is therefore particularly in need of this critical income support.

(3) Adjusting filing requirements to mimic those of the ESCC so that more immigrant New Yorkers can file for the state EITC.

III. New York should establish an independent office to produce racial and ethnic impact statements for all legislation and rules.

New York's pervasive racial and ethnic disparities must be addressed through systemic change. The pandemic has provided irrefutable evidence of the long-standing, deeply-rooted racial inequities that have caused increasingly disparate outcomes in New York and throughout the nation for far too long. These wide-ranging and long-standing inequities, encompassing such areas as healthcare access, involvement in the child welfare and youth justice systems, economic security, educational opportunity and workforce disparities, continue to harm New York's most marginalized children and families.

Our State can lead the nation in achieving equity in all policies by establishing an independent office to ensure that we no longer pass legislation or adopt rules without first examining whether these policies will create, eliminate, or perpetuate racial and ethnic disparities. Enacting new legislation and rules without first evaluating their potential to disproportionately impact communities of color only perpetuates these disparities. In the absence of racial impact assessment, legislation that “appears” race-neutral at face value can,

in practice, adversely – and disparately – affect New York’s children and families of color. This is evidenced by the pervasive, wide-ranging and long-standing disparities and inequities that assault people and communities of color in our state and around the nation due to the impact of our policies and regulations. Just as our State legislators consider the fiscal and environmental impacts of new laws, so too must they examine the potential racial disparities of all legislation and rule-making activity – prior to enactment.

To implement this approach, the State will need to invest more resources in both the legislative and rule-making process. Furthermore, the evaluation of racial and ethnic impact needs to be insulated from politics – meaning the office producing the impact statements should be independent from both the Legislature and the Governor. Maintaining this independence will ensure that meaningful, unbiased impact statements are faithfully and consistently produced at an optimal level.

Undoing generations of racial and ethnic disparities and institutionalized harm demands an anti-racist approach that actively examines the role of legislative and regulatory action in perpetuating inequality in New York. In order to ensure that our laws truly advance racial and ethnic equity and begin to dismantle systemic racism, New York should adopt:

1. The establishment of an independent office or entity tasked with producing racial impact statements.
2. A requirement that all bills and amendments to bills in the legislature must be accompanied by a racial impact statement.
3. A requirement that all proposed rules must be accompanied by a racial impact statement when introduced.
4. A requirement that racial impact statements must include an estimate of the impact of the bill, amendment or proposed rule on racial and ethnic minorities, and the basis for the estimate, including any specific data relied upon.
5. A prohibition against passing bills that increase racial or ethnic disparities.

Conclusion

Thank you for your time and consideration. The Children’s Defense Fund – New York looks forward to working with you on a State budget that improves the health and well-being of children and families in every community in New York.