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March 12, 2021

Hon. Andrea Stewart-Cousins
Temporary President & Majority Leader
New York State Senate
The Capitol, Room 332
Albany, New York 12247

Re: American Rescue Plan

Dear Leader Stewart-Cousins:

The enactment of the American Rescue Plan, and the unprecedented influx of Federal funding that New York State will now receive, will obviously have a significant impact on the final State Budget that is due for adoption by April 1st. With this in mind, the Senate Republican Conference is advancing the following items as key priorities that can and must be addressed with this unprecedented windfall:

- **Rejection of Tax Increases:**

Recent improvements in the state's revenue picture, combined with the huge influx of federal funds, essentially closes the state's budget gap. As New York State is universally acknowledged as having one of the worst tax climates in the entire nation, we should categorically reject any new tax increases in this year's budget. This should include rejecting any tax increases that were originally proposed in the Executive Budget, as well as the broad array of new tax increase proposals that have been advanced by various elected officials and interest groups in recent months.

- **Restoration of Middle Class Tax Cut:**

While the American Rescue Plan includes language designed to prevent state governments from enacting new tax cuts, the Middle Class Tax Cut that the Governor has proposed delaying is already in statute. Millions of overtaxed middle class families were promised this \$400 million tax cut this year, and that promise should not be broken. When fully phased-in, this tax break will deliver middle class families approximately \$700 each in annual savings.

- **Broadband:**

According to U.S. Senate Majority Leader Schumer, the New York State will be receiving roughly \$358 million for broadband from the American Rescue Plan Act. To maximize this investment, we need to immediately repeal the counterproductive fiber optic fee that has been inhibiting the launch and expansion of broadband projects across the state.

- **Infrastructure:**

New York State has enormous infrastructure needs, and a significant portion of American Rescue Plan funding can and should be targeted toward pay-as-you-go capital funding for critical infrastructure projects. Funding should be increased for the state's vital Consolidated Local Street and Highway Improvement Program (CHIPS), for important water and sewer projects, and for other long-ignored infrastructure projects. This use of short-term, non-recurring revenue to support long-term capital improvements would not only be fiscally responsible, but would also provide a critically important, job-creating boost for our statewide and regional economies.

- **Local Government Aid:**

The American Rescue Plan Act contains a significant amount of funding to support local governments, and we strongly urge that a portion of the State share of that funding be used to fully restore AIM. We cannot allow the Governor to use this funding to address his own budgetary priorities, at the expense of local governments and the taxpayers that support them.

- **Small Business Support:**

Tens of thousands of small businesses across the state are struggling for survival due to the economic impact of the COVID-19 pandemic. We should help our vital small

businesses by using a portion of Federal funding to pay the interest that the State currently owes the Federal Government for borrowed unemployment insurance funds. By having the state pick up these costs, we would protect small businesses from having to pay the interest assessment surcharge. (S.3969 by Senator Serino would eliminate the surcharge).

- **Restore Damaging Cuts to Key OPWDD and Mental Health Priorities:**

We also need to: restore funding for the Office for People with Developmental Disabilities; eliminate the five percent permanent state-share cut for OPWDD providers; restore the one percent across-the-board cut to Medicaid services; and reject the deferral of the statutory Cost of Living Adjustment (COLA) for direct care workers. We must also restore funding for critical mental health programs, such as the Joseph P. Dwyer “Vet to Vet” Program, and the first responder suicide prevention program. In addition, we urge the rejection of the closure of 200 State psychiatric care beds, a reinstatement of the community reinvestment requirement for any psychiatric beds closed, and a restoration of the proposed five percent cut to mental health providers.

- **Create a new Rainy-Day Education Fund:**

Any American Rescue Plan education funding not specifically designated for distribution through the State’s education funding formula, should be placed into a rainy-day education fund. As the State’s financial picture stabilizes in the coming years, we would continue to supplement this fund until it equals four percent of total school aid. In the event the State is hit by a major economic downturn in future years, this Rainy-Day Education Fund would provide a critically important cushion to help protect local schools and property taxpayers from major budget cuts. (In an economic downturn, if State Revenues declined by at least one percent, the fund would be unlocked and used to prevent school aid cuts.)

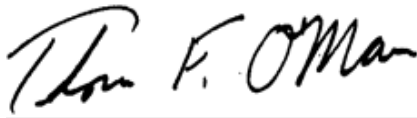
- **Deposit Additional Funding in the State Rainy Day Fund:**

Anything that is not specifically allocated to address critical needs, should be placed into the State’s traditional Rainy Day Fund. By building up the State’s fiscal reserves, we can better help to ensure that the State can successfully overcome future recessions without having to resort to counterproductive tax increases or major budget cuts.

Whether one supports the American Rescue Plan legislation or not, it is perfectly clear that it will have a dramatic, far-reaching impact on the State Budget that is already being negotiated in Albany. Yesterday, United States Senator Schumer was on a conference call

advising County Executives that with the stimulus money being provided New York no longer has a budget deficit. By using this Federal funding wisely and in a fiscally responsible manner, we can overcome the major challenges presented by the COVID-19 pandemic, strengthen our economy, and protect New Yorkers from wasteful, unnecessary spending and additional tax burdens.

Sincerely,

Handwritten signature of Tom F. O'Mara in black ink, enclosed in a thin black rectangular border.

Senator Tom O'Mara
Ranking Member of Finance

Handwritten signature of Alexis Weik in black ink.

Senator Alexis Weik
Ranking Member of Budget and Finance

CC: Senator Rob Ortt, Republican Conference Leader
Senator Liz Krueger, Chair, Senate Finance Committee