



# **Long Island Regional Planning Council**

## **Balance of Payments Comparison to US and New York State**

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**PFM Group Consulting LLC**  
BNY Mellon Center  
1735 Market Street  
43<sup>rd</sup> Floor  
Philadelphia, PA 19103



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# **Executive Summary**



## Introduction

The fiscal relationships between Long Island and the state and federal governments are critical to the future of Long Island and its way of life. The Long Island region is a key economic driver for New York State (NYS or state) and the United States (U.S. or nation). Both Nassau and Suffolk counties are among the wealthier counties in the state and nation, and they are home to many highly regarded companies in key industries.

Given Long Island's economic and financial importance for the nation and state, policy makers should consider the relationship between the payments its residents and businesses receive from the federal and state governments versus the taxes they pay. This report builds on the important work of the Long Island Association (LIA) Research Institute, which, in 2015, assessed this 'balance of payments' relationship for fiscal year 2013. LIA's analysis found that a substantial gap existed between the taxes paid by Long Islanders and the payments we received in return. Nearly a decade later, this report concludes that those deficits – especially with the State – have worsened. **In total, the deficit with the Federal government for fiscal year 2022 was \$26 billion; meanwhile, the state deficit had grown to nearly \$15 billion.** By contrast, the LIA fiscal year 2013 study found a state deficit of less than \$7 billion. This dramatic increase results from the fact that state support for Long Island has failed to keep pace with the strong increase in the tax revenue Long Island sends to Albany.

## Demographics Impact on Taxes and Spending

A key component driving both revenues and expenditures between Long Island, the state, and the U.S. is the relative wealth of Nassau and Suffolk counties. In both counties, median household income exceeds that for New York State and the United States. This wealth clustering is not a new phenomenon; a decade ago, Long Island's median household income was still substantially higher than that of New York State and the United States, and the measure has grown by more than 40 percent since 2013. In 2022, median household income for Long Island residents was 161 percent greater than New York State's median household income and 171 percent greater than the United States median income. Among all counties in 2020, Nassau County had the tenth highest median household income.

## Changes in Revenues and Expenditures Impact on Taxes and Spending

Both the federal and NYS government made changes to their tax structures and program spending that impacted on the balance of payments. At the federal level, the 2017 Tax Cuts and Jobs Act generally reduced rates for individuals and corporations, but it did so while capping the state and local tax deduction from federal individual income taxes at \$10,000. Given the high state and local tax burden on Long Island, this had a significant negative impact its taxpayers. At the state level, increases in tax rates for corporations and high-income personal income taxpayers also increased the tax burden for Long Island.

On the expenditure side, the significant outlays from the federal government for COVID-19 relief were important. Much COVID-19 relief funding was allocated on a per capita basis, so New York was a key funding recipient because of its large population. In the Rockefeller Institute of Government's report on New York State's federal fiscal year (FFY) 2021 balance of payments, the authors noted that "New York State's balance of payments has transformed from net negative balances in every Federal fiscal year from 2015 to 2019, to large net positive balances in both 2020 and 2021 due to the Federal response to the COVID-19 pandemic. However, this year's report highlights what remains unchanged – when pandemic related spending programs become fully exhausted and expire in the coming years, New York State will revert to its prior status among



largest net donor states in the nation.”<sup>1</sup> It is also worth noting that, in FFY 2020 and 2021, no state had a negative balance of payments with the federal government.

Of course, as was noted in the Rockefeller Institute discussion, these one-time funding sources are not part of the long-term negative trend in federal funding support for Long Island or NYS.

### Long Island Current Balance of Payments with the Federal Government

In 2022, as the following table shows, when excluding one-time COVID relief funding, Long Island taxpayers contributed approximately \$68.0 billion in revenue, but only received \$42.1 billion in expenditures, which means that Long Island taxpayers contributed nearly \$26.0 billion more in revenue to the federal government than they received back in federal spending.



**Table 6: Long Island Federal Balance of Payments 2013 v 2022**

US Government (\$M)	2013*	2022†	Change	Pct Change	Avg Annual Pct Change
Revenues from Long Island	\$52,622	\$68,045	\$15,423	+29%	+2.9%
Expenditures on Long Island	\$24,054	\$42,070	\$18,016	+75%	+6.4%
<b>Balance</b>	<b>-\$28,568</b>	<b>-\$25,975</b>	<b>-\$2,592</b>	<b>-9%</b>	<b>-1.1%</b>

\*In CPI-adjusted 2022 dollars

†Expenditures in this table exclude COVID-19 Relief Spending

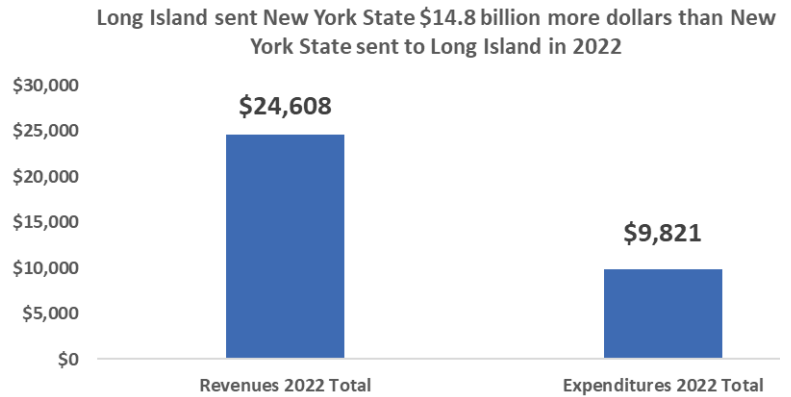
<sup>1</sup> Laura Schultz et al., “Giving or Getting? New York’s Balance of Payments with the Federal Government,” *Rockefeller Institute of Government*, March 2023.



## Long Island Current Balance of Payments with New York State

In Fiscal Year 2022, Long Island contributed \$24.6 billion to New York State in revenue and received about \$9.8 billion in return expenditures. This results in a balance of payments of negative \$14.8 billion. Notably, overall state operating revenues in 2022 exceed expenditures by 25 percent. Percentagewise, revenues from Long Island were roughly 151 percent higher than expenditures in the region.

## Long Island: Balance of Payments with New York State (\$M):



**Table 12 Long Island State Balance of Payments 2013 v 2022 (\$M)**

New York State	2013*	2022	Change	Pct Change	Annual Avg Pct Change
Revenues from Long Island	\$17,596.0	\$24,608.0	+\$7,012	+40%	+3.8%
Expenditures on Long Island†	\$10,930.9	\$9,820.5	-\$1,110	-10%	-1.2%
<b>Balance</b>	<b>-\$6,665.0</b>	<b>-\$14,787.4</b>	<b>-\$8,122</b>	<b>+122%</b>	<b>+9.3%</b>

\*In CPI-adjusted 2022 dollars.

†For comparability, 2013 expenditures were adjusted from the amounts shown in LIA's report to account for exclusion of Federal contribution to State Medicaid Payments and inclusion of STAR Reimbursement in this study.

## Summary

The Long Island region is a significant contributor to the overall revenues available for use by the federal and state governments. The region's above average income and strong business base contribute to this. The federal government's decision in the Tax Cuts and Jobs Act to limit the federal individual income tax deduction to \$10,000 of state and local taxes had a particularly burdensome impact on Long Island taxpayers, given the property and state tax burden for residents of Nassau and Suffolk County.

It is clear that a significant balance of payments deficit exists now, has existed for decades, and is still growing. Under a variety of economic circumstances, Long Island provides far more in resources to the federal and state government than is returned to it in services and economic activity.

This should concern both the federal and state governments, as economic drivers require fuel to continue to fire their growth. While it is understood that many state and federal programs are targeted at vulnerable populations or regions where program funding may help jump start their economy, it should also be recognized that ongoing support for high performing regions is the best way to ensure they continue to be the economic engine that drives federal and state revenue collections.

There are a variety of federal and state programs that should be targeted to high performing regions. These can include investments in infrastructure, economic and community development for high impact businesses and industries, and support for business investment that creates high quality jobs. These provide an



opportunity for the federal and state governments to balance out the negative balance of payments with Long Island, while also creating greater economic and tax revenue growth for federal, state, and local governments.



# Introduction





## **Project Background**

The Long Island region is a key economic driver for New York State (NYS or state) and the United States (U.S. or nation). Both Nassau and Suffolk counties are among the wealthier counties in the state and nation, and they are home to many highly regarded companies in key industries.

Both the state and the U.S. obtain the largest share of their tax revenue from income taxes, and both tax structures have tax rates that increase as individuals and household's incomes increase. Because Long Island's average income is significantly higher than the state and the U.S., it bears a significant income tax burden, and this carries over to other forms of state and national taxes as well.

While the Long Island region contributes a significant share of state and federal tax revenue, many of the largest spending programs at the state and national level are means-tested, with benefits largely focused on lower income households and individuals. An example of this is the Medical Assistance (Medicaid) program, which provides health care services for lower income households as well as qualified individuals with disabilities and/or receiving institutional long-term care. Medicaid is generally one of the largest state and federal programs and has experienced significant growth since its inception over 50 years ago.

In 2015, the Long Island Association's Research Institute (LIA) conducted a balance of payments study to determine the share of state and federal revenues provided by Long Island residents and business as well as the state and federal expenditures associated with Long Island residents and businesses. A similar study has also been conducted on an annual basis by the Rockefeller Institute of State and Local Government at the State University of New York-Albany. That study compares the balance of payments between the federal government and each of the 50 states.

In 2023, the Long Island Regional Planning Council retained PFM Group Consulting, LLC (PFM), to update the earlier 2015 LIA study. Of course, there have been many changes to state and federal tax structures and spending programs in the 10 years between the studies. These, as well as the methodologies of the two studies are discussed throughout the report.

For comparison purposes, PFM has sought to maintain the methodology of the earlier LIA study, with a few exceptions. It is notable that a key federal data source relied on by the LIA study is no longer available, and this required additional research and analysis to replace that data source. As previously mentioned, changes in state and federal revenue sources and spending programs will also impact on the balance of payments, as will significant one-time events. In the prior study, Super Storm Sandy was a notable one-time event that impacted on spending; in the current study, the effects of COVID-19 are similarly important and require discussion.

A key source of state data for both the 2015 and 2023 studies was the Office of New York State Comptroller Thomas DiNapoli. Several individuals and their staff were particularly helpful, including Terri Crowley, Executive Deputy Comptroller for Operations; Tina Kim, Deputy Comptroller, Division of State Government Accountability; and Wil Tomlin, Director of State Payroll Services. The project team thanks them for their assistance.

## **Methodology**

This report focuses on a single state fiscal year, which began on April 1, 2021, and ended on March 31, 2022, and a single federal fiscal year, which began on October 1, 2021, and ended on September 30, 2022. This single fiscal year approach was also used in the prior LIA 2013 study.



State and federal budgets are highly complex, and there is a fair amount of arcane terminology associated with how dollars are collected, allocated, and ultimately spent. For purposes of this study (and the LIA 2013 study), the primary point of comparison is between revenues collected (revenues) and spent (expenditures). This report also uses interchangeably the terms “Nassau-Suffolk” and “Long Island” to refer to the region that is comprised of Nassau and Suffolk Counties.

#### *General Sources – New York State Revenues*

In estimating the amount of revenue collected from Nassau and Suffolk County residents and businesses, the project team relied most heavily on *The New York State Comptroller’s Annual Report to the Legislature on State Funds Cash Basis of Accounting, Fiscal Year Ended March 31, 2022*. That report may be accessed at <https://www.osc.ny.gov/files/reports/finance/cash-basis/pdf/cash-basis-annual-2022.pdf>. This is referred to in the report as the *Comptroller’s Cash Basis Report*.

Other federal data sources include the U.S. Census Bureau’s Population Estimates Program, as well as its American Community Survey, and its County Business Patterns; the U.S. Bureau of Economic Analysis; the U.S. Bureau of Labor Statistics; and the U.S. Department of Transportation, National Highway and Safety Administration. New York State data sources include the New York State Department of Health, Department of Transportation, and the New York State Energy Research and Development Authority.

For its methodology, which is explained in the narrative for sources in the Appendices, the project team drew on prior studies on the topic of regional distribution of New York State revenues and expenditures, including ones conducted by the Center for Governmental Research, Rochester, New York; the Nelson A. Rockefeller Institute of Government, State University of New York, Albany; and the Center for Regional Policy Studies, State University of New York, Stony Brook.

New York State revenues included in this analysis include all tax revenues, whether deposited into the state’s general fund, state special revenue funds, debt service funds, or capital projects funds. Excluded from state-level analysis for this report are roughly \$4.6 billion in federal assistance. Other revenues that are included in the *Comptroller’s Cash Basis Report* but not included in this analysis include roughly \$2.0 billion in bond proceeds and other revenues from public authorities that the New York State Comptroller classifies within its ‘miscellaneous receipts’ category. It was determined in the 2015 LIA study (and carried forward here) that ‘developing useful estimates of the regional distribution of such revenues and for debt service payments would require data and assumptions that are beyond the scope of this study.’

#### *General Sources – New York State Expenditures*

Data for New York State government expenditures on Long Island was obtained from the New York State Comptroller’s Office through a series of ‘Freedom of Information Law’ (FOIL) requests, from the *Comptroller’s Cash Basis Report*, and from the Comptroller’s Office of Payroll Services. Among the information received was a total, by zip codes on Long Island, of payments to vendors for services provided to New York State. This methodology will likely miss some payments, such as for vendors based on Long Island where the mailing address for their corporate accounts receivable department is outside of Nassau and Suffolk Counties. There is no way to determine these vendors, and this is the same methodology that was used in the 2013 LIA study.

The Comptroller’s Office also provided data on Medicaid payments to Long Island recipients, as well as data on payroll paid to state employees with home mailing addresses in Nassau and Suffolk Counties. These were also data sources used for the 2015 LIA study. In a divergence from the LIA study, state unemployment benefits were calculated directly from weekly claims data published by the New York State Department of Labor. The earlier study had used a combined state-federal figure provided by the Comptroller’s office, then made a percentage-wise reduction to take out the federal share. Because this study calculates the state expenditure directly, no such adjustment is required.



### *General Sources, U.S. Federal Government Revenue*

The primary source for U.S. federal government revenue is the United States Internal Revenue Service (IRS) *Data Book 2022*. This report may be accessed at [www.irs.gov/pub/irs-pdf/p55b.pdf](http://www.irs.gov/pub/irs-pdf/p55b.pdf). Of particular use for this study is Table 5, which provides data on gross tax collections, by type of tax and state, for fiscal year 2022. For each state, this table provides the following aggregate collections data:

1. Business Income Taxes
2. Individual Income Taxes
  - a. Individual income tax withheld and FICA tax
  - b. Individual income tax payments and SECA tax
  - c. Estate and trust income tax
3. Employment Taxes
  - a. Unemployment insurance tax
  - b. Railroad retirement tax
4. Estate Tax
5. Gift Tax
6. Excise Taxes

### *General Sources, U.S. Federal Government Expenditures*

As noted in the LIA 2013 report, a standard federal report on state and local government payments, the *Consolidated Federal Funds Report: State and County Areas*, was discontinued in 2011 due to budget cuts. As a result, the LIA 2013 report used data from the federal government sponsored website [USAspending.gov](http://USAspending.gov) to adjust 2010 expenditure numbers for Long Island contained in the 2010 *Consolidated Federal Funds Report*. Because far too much time has elapsed, it was not possible to use that method for this report.

For this report, the project team adapted the methodology developed by the Rockefeller Institute of Government for their annual report on New York State's balance of payments with the Federal Government. The approach draws from several sources, including the Budget of the United States Government, and data from the Internal Revenue Service, [USAspending.gov](http://USAspending.gov), and data from Federal Funds Information for States (FFIS). FFIS is a subscription service and counts all 50 state governments among its clients. It is considered the most reliable source for aggregated data at the state level related to federal funding. PFM built on the Rockefeller method to extend the analysis down to the County level using additional allocations for Long Island. Where appropriate, the project team followed the LIA convention of applying the same allocation percentages for Nassau and Suffolk counties as for state comparisons.

## **Comparison to the 2013 Balance of Payments**

As an update to the LIA's report on 2013 revenues and expenditures, it is important to understand how changes in federal and state tax and spending policy may impact on the balance between Long Island and the U.S. and NYS. Some changes relate to key priorities: health care, in particular, has become an increasing component of both the federal and state budgets. In other cases, changes in tax policy reflect the prevailing political currents at the federal and state level.

### *Federal Tax Changes*

At the federal level related to taxation, there was one notable change via legislation and one via Supreme Court. By far the most impactful change for Long Island was the passage, in 2017, of the Tax Cuts and Jobs Act. This made significant changes throughout the tax code. The changes most relevant for this analysis were:



- Lowered most individual income tax rates, including the top marginal rate from 39.6 percent to 37.0 percent. Retained the seven-bracket structure, but bracket widths were modified.
- Increased the standard deduction for single filers, heads of households, and joint filers (roughly double the prior standard deductions).
- Lowered the corporate income tax rate from 35 percent to 21 percent.
- Limits the state and local individual income tax deduction to a combined \$10,000 for income, sales, and property taxes. Taxes paid or accrued in carrying on a trade or business were not limited.

While the reductions in tax rates were beneficial (from a tax burden perspective) for Long Island, the limit on state and local tax deductions was detrimental. As noted, this did not apply to taxes paid by businesses, and this led to a significant change in the New York State tax structure, which is described in the next section.

Besides this monumental tax law change, in 2018, the U.S. Supreme Court made a similarly sweeping change to taxation. In *South Dakota v. Wayfair*, the Court ruled that states could compel e-commerce vendors to collect sales tax from its residents (via an economic nexus standard). Prior to this ruling, an e-commerce vendor generally had to have physical nexus within a state to be required to collect the tax from that state's residents. It is worth noting that the tax is already owed, the ruling related to how the tax could be collected.

#### *Federal Spending Program Changes*

While health care spending has continued to increase (driven both by inflation within the industry and federal programs related to Obamacare), the most notable increase, which will be discussed within the balance of payment results for the federal government, was COVID-19 and the various federal assistance programs tied to it. While these were considerable – and in many ways historic – they were primarily one-time expenditures. The LIA study covering 2013 noted the one-time nature of assistance directed to the state and Long Island from Super Storm Sandy, and the project team believes these pandemic-related expenditures should also be treated separately.

#### *State Tax Law Changes*

There have been a variety of changes to the state tax structure between 2013 and 2022. The NYS Comptroller provides detail on these changes on an annual basis.<sup>2</sup> A review of these reports lists nearly 100 changes to existing tax law, which includes a variety of changes, including tax increases, cuts, extenders, credits and sunsets. Many of these are relatively small and will not have a material impact on a comparison of the 2013 and 2022 balance of payments, but some are notable. These include:

- **Established a millionaire's tax rate (2015).** The personal income tax rate of 8.82% for single filers earning more than \$1,000,000 annually in New York State was established in 2015.
- **Enacted a surcharge on higher incomes (2021).** Increased the personal income tax rates on higher incomes from 2021 through 2027. Depending on income and filing status, the rates are between 9.65% and 10.9 percent (the top rate starts at \$25 million). According to PWC, these tax increases, when coupled with New York City personal income taxes, will result in the nation's highest state and local personal income tax rates for affected taxpayers. The NYS Comptroller estimated the additional revenue from these changes at \$2,753.0 million for FY 2022.
- **Increased the corporate franchise tax rate (2021).** Increased the corporate franchise tax rate from 6.5 percent to 7.25 percent for tax years beginning January 1, 2021, and before January 1, 2024. The State Comptroller estimated the additional revenue from this change at \$750.0 million in FY 2022.

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<sup>2</sup> The Comptroller generally issues yearly reports on the Executive Budget, the Enacted Budget, Estimated Receipts and Disbursements, Mid-year and Year-end Financial Results. They may be accessed at [https://www.osc.ny.gov/reports?field\\_region\\_target\\_id\\_1%5B263921%5D=263921&combine=&combine=](https://www.osc.ny.gov/reports?field_region_target_id_1%5B263921%5D=263921&combine=&combine=)



Because these are targeted at high income individuals and households, they will have greater impact on wealthy counties like Nassau and Suffolk in comparison to other regions within the state.

As previously noted, the federal Tax Cuts and Jobs Act limited individual income tax deductions for state and local taxes to \$10,000. To take advantage of differing tax treatment of these deductions between individuals and corporations (where corporations may deduct taxes as a business expense) New York followed the lead of several states by creating an elective corporate tax for businesses at the entity level that was coupled with a dollar-for-dollar credit against personal income tax owed. As a result, pass through entities (including S-corporations and LLCs) can deduct the tax at the entity level, while their shareholders can claim a credit on their state personal income tax forms. While this new tax raises significant corporation tax revenue, it is essentially revenue neutral because of the corresponding reduction in personal income tax revenue.

The state also made significant changes to corporate taxes. The 2014-15 New York State Budget made changes that were generally effective for tax years beginning on or after January 1, 2015. These changes reduced corporate tax rates. For the purposes of this study, it also merged the bank tax and corporate franchise taxes.<sup>3</sup> Where there was a separate bank tax in the LIA 2013 study, that industry's taxes are now levied under the corporate franchise tax. However, a relatively small dollar amount of prior-year payments were still collected in 2022, which were distributed following the LIA methodology.

While not a change in tax rates per se, after the *South Dakota v. Wayfair* sales tax collection case was settled in the state's favor, NYS quickly passed legislation to create an economic nexus standard for remote sellers to compel them to collect New York State sales and use tax from customers residing in NYS. New York State enacted its economic nexus standard on June 21, 2018. While the exact amount of additional revenue from this is not known, estimates and experience in other states suggest that e-commerce sales and use tax receipts are between 20-30 percent of total collections. For NYS, total sales and use tax collections in FY 2022 were \$17,580 million, which suggests a range of \$3,516 to \$5,274 million that are the result of e-commerce sales.

In addition, NYS made an additional tax law change in 2019 to require marketplace platforms to collect the tax on behalf of businesses using the marketplace platform. This was estimated to further increase sales and use tax collections by \$170.0 million in FY 2020 and \$250.0 million in FY 2021.

In summary, the state tax law changes in particular have increased the tax burden on higher income households and businesses. Given its relative wealth and the strength of the Long Island economy, these changes have increased the overall tax burden for a significant portion of Long Island taxpayers.

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<sup>3</sup> New York State Department of Taxation and Finance, "Technical Memorandum TSB-M-15(1)C: Summary of Budget Bill Corporation Tax Changes Enacted in 2014." February 12, 2015.  
[https://www.tax.ny.gov/pdf/memos/corporation/m10\\_4c.pdf](https://www.tax.ny.gov/pdf/memos/corporation/m10_4c.pdf)



# **Comparing Long Island to the U.S. and New York State**



## Introduction

A key component driving both revenues and expenditures between Long Island, New York State, and the federal government is the relative wealth of Nassau and Suffolk counties. In both counties, median household income exceeds that for New York State and the United States. This wealth clustering is not a new phenomenon; a decade ago, Long Island’s median household income was still substantially higher than that of New York State and the United States, and the measure has grown consistently around 40 percent since 2013. In 2022, median household income for Long Island residents was 161 percent greater than New York State’s median household income and 171 percent greater than the United States median income. Among all counties in 2020, Nassau County reported the tenth highest median household income.

## Key Demographics

Between 2013 and 2022, Long Island experienced population growth of 2.0 percent, exceeding New York State’s 0.1 percent population growth. However, it has not matched the national 5.0 percent growth rate. Growth in employment on Long Island was 3 percent overall, below the State growth rate of 7 percent and the nationwide growth rate of 12 percent. In the same period, median household income went from \$90,481 to \$127,993 on Long Island, a growth rate of 41 percent in nominal terms and 14 percent in real (inflation-adjusted 2022 dollars) terms. New York State reported median household income at \$79,557 in 2022, a change of 39 percent from 2013 in nominal terms, or 12 percent in real 2022 dollars, while the United States median household income increased from \$52,250 to \$74,755, a change of 43 percent in nominal terms, or 16 percent in real 2022 dollars. Long Island’s median household income, for both Nassau and Suffolk counties, consistently exceeds State and national averages, driving, in large part, the higher revenues collected from the counties.

Aggregate income growth was smaller on Long Island than New York State and the United States, however Long Island’s aggregate income, as a percent of New York’s, has remained consistently above 17 percent since 2013 despite making up only 14.8 percent of the State’s population in 2022, demonstrating the region’s concentration of income and wealth.

**Table 1: Demographic Change 2013 v 2022**

Metric	Long Island			New York State			United States		
	2013	2022	Change	2013	2022	Change	2013	2022	Change
<b>Median HH Income</b>	\$90,481	\$127,993	+41%	\$57,369	\$79,557	+39%	\$52,250	\$74,755	+43%
<b>Aggregate Income (\$M)</b>	\$108,214	\$160,034	+48%	\$613,453	\$926,155	+51%	\$8,578,441	\$13,708,517	+60%
<b>Population</b>	2,851,884	2,909,191	+2%	19,651,127	19,677,151	+0.1%	316,128,839	333,287,562	+5%
<b>Jobs</b>	1,225,499	1,266,772	+3%	8,685,758	9,264,611	+7%	133,968,434	150,025,655	+12%

Source: US Census Bureau American Community Survey and Bureau of Labor Statistic’s Quarterly Census of Employment and Wages



## Impact of State and Federal Tax Law Changes

Federal and State tax changes have had a substantial impact on Long Island's taxpayers. The 2017 Tax Cuts and Jobs Act (the Act) revised individual income tax rates, reducing the top marginal rate from 39.6 percent to 37.0 percent, reducing the amount that the very wealthy contributed to federal revenues. While nominally, this rate change is modest, the income levels this tax is levied on nevertheless produce significant results, and Long Island, because of its disproportionately wealthy population, houses many taxpayers whose earnings put them in the top brackets.

As previously noted, several key changes in relation to tax structure occurred in New York State between 2013 and 2022. While many were not material in their impact on driving the change from 2013 to 2022, some of the changes, specifically those that impacted high earners, bore more material impacts on Long Island as a product of their demographic makeup. In 2015, New York State established a millionaire's tax, levying a flat individual income tax rate of 8.82% for single filers earning in excess of \$1,000,000 annually. Again, because of Long Island's wealthy population, this increased tax revenues collected by the State from Long Island. In 2021, the State enacted a surcharge on higher incomes, again increasing the tax burden for Long Island's wealthy population and driving up State-level revenues collected from Long Island. It is notable that these changes occurred during a particularly strong period for equity investments. The Dow Jones Industrial Average increased by 18.6 percent and the S&P 500 increased by 26.9 percent in 2021. These then translate into a significant increase in personal income tax collections from realized capital gains.

Ultimately, Long Island's relative wealth drives up revenues collected from Nassau and Suffolk counties, compounded by recent State-level tax policy changes targeting high earnings. Concurrently, changes at the federal level have reduced Long Island taxpayers' income tax burdens by reducing the top marginal rate levied on Long Island's high earners.

## Impact of State and Federal Expenditure Changes

As discussed, one of the key drivers of the differences in federal expenditures between 2013 and 2022 comes from COVID-19 relief money. The federal government, through several major provision acts, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020, and the American Rescue Plan (ARP) in 2021, provided over \$4.5 trillion in federal outlays, and much of it was directed to states. Because the overriding interest of this analysis is the ongoing tax and spending relationship with state and federal governments, the project team believes that this spending should be treated as Superstorm Sandy funding was in the Long Island Association's 2013 report - separated out as a one-time expenditure rather than ongoing structural spending.

COVID-19 federal funding was significant for states, as it included an additional federal match for Medicaid, which was a dollar-for-dollar replacement of state funding for health care payments. It also included direct funding for a variety of state programs that could supplant existing state spending. It is notable that states ran historically large budget surpluses in 2021 and 2022, and the federal funding that could take the place of general state spending was a factor in this.

The following table, from the National Association of State Budget Officers 2021 Fiscal Survey of the States,<sup>4</sup> demonstrates this large growth in state general fund ending balances, which was largely attributable to additional federal COVID-19 related funding as well as strong revenue growth. In this survey, the state of New York reported the largest ending balance of any state, and many other states reported much larger ending balances than in a typical year, all of which can be at least partially attributed to additional one-time federal funding:

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<sup>4</sup> "Fiscal Survey of the States, Spring 2022," National Association of State Budget Officers, Table 4. Accessed electronically at <https://www.nasbo.org/mainsite/reports-data/fiscal-survey-of-states/fiscal-survey-archives>





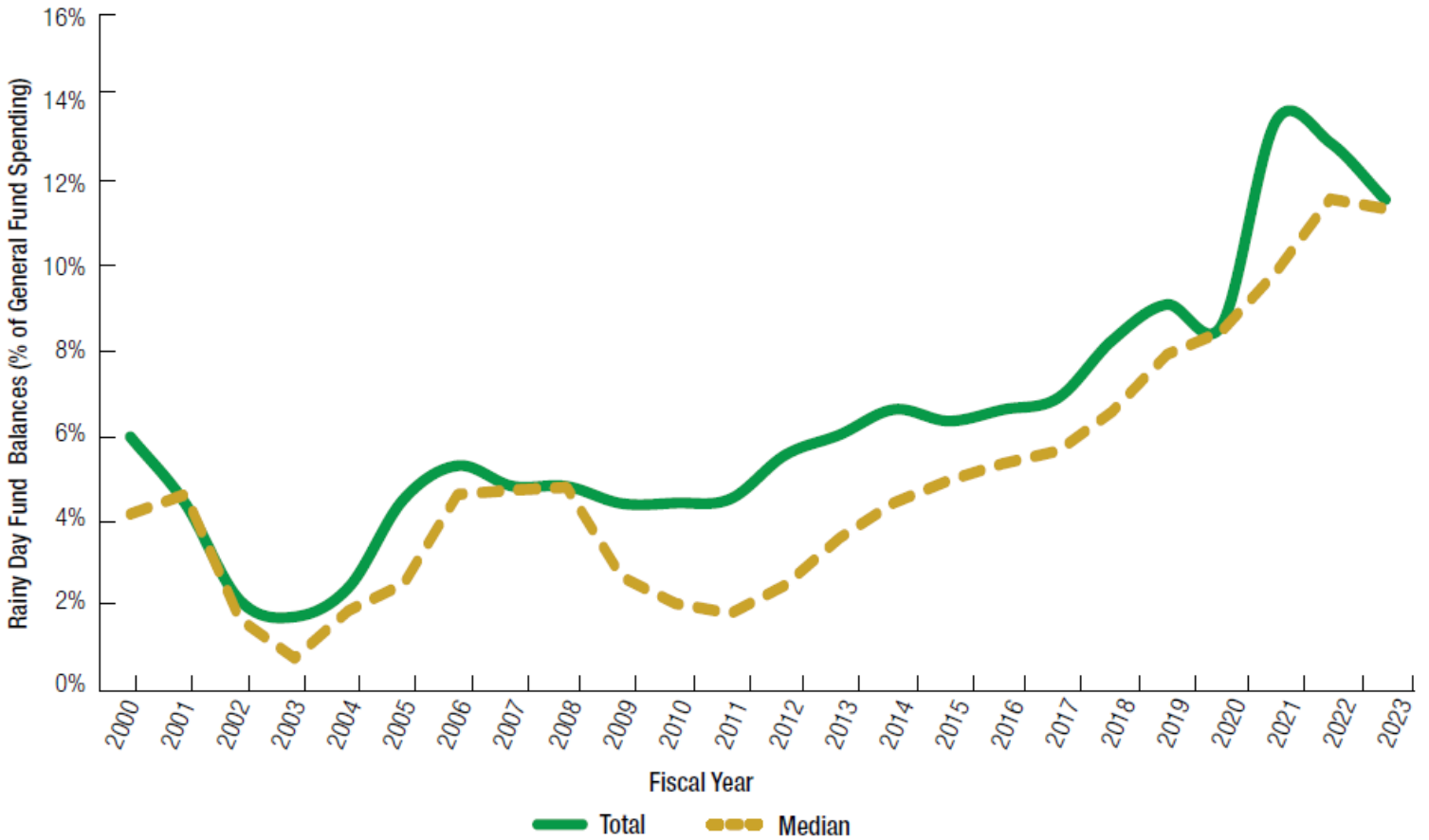
### Fiscal 2022 State General Fund, Estimated (Millions)

State	Beginning			Total			Ending	Rainy Day
	Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Balance	Fund Balance
Alabama	\$1,821	\$10,563	\$0	\$12,384	\$10,468	\$48	\$1,867	\$1,404
Alaska	0	2,663	3,742	6,405	4,756	1,535	114	1,963
Arizona	895	14,215	0	15,109	13,127	0	1,982	980
Arkansas	0	6,114	0	6,114	5,849	0	264	1,152
California	37,011	190,133	6,536	233,680	210,030	0	23,650	47,342
Colorado	3,168	15,981	43	19,192	15,682	0	3,511	3,511
Connecticut	0	21,912	0	21,912	20,402	0	1,510	5,592
Delaware	1,833	5,530	0	7,364	5,093	0	2,271	280
Florida	13,802	40,525	0	54,327	43,029	0	11,298	2,730
Georgia	4,329	28,574	286	33,188	28,860	0	4,329	N/A
Hawaii	1,250	8,447	-37	9,660	7,809	1,000	851	1,325
Idaho	890	4,813	-1,011	4,691	4,224	253	214	883
Illinois	975	46,293	1,500	48,768	44,495	3,374	900	600
Indiana	2,621	20,241	0	22,862	18,208	1,190	3,465	1,644
Iowa	0	906	234	9,294	8,120	0	1,175	817
Kansas	2,095	8,274	0	10,369	9,331	0	1,038	600
Kentucky	1,516	13,907	793	16,216	12,974	1,623	1,619	1,507
Louisiana	699	10,735	184	11,618	10,067	0	1,551	721
Maine	155	4,857	105	5,118	4,074	1,037	6	508
Maryland	3,239	21,590	21	24,850	21,194	-69	3,724	1,160
Massachusetts	5,752	39,278	17,020	62,051	38,619	17,020	6,411	5,903
Michigan	4,363	11,934	0	16,297	13,519	0	2,778	1,457
Minnesota	7,026	27,403	248	34,677	24,859	213	9,605	3,006
Mississippi	11	5,927	0	5,938	5,819	119	0	556
Missouri	2,354	11,184	132	13,670	10,593	0	3,076	772
Montana	701	2,642	0	3,344	2,685	0	659	118
Nebraska	1,849	5,355	-1,457	5,747	4,815	-8	940	998
Nevada	1,041	4,523	59	5,623	4,649	351	623	340
New Hampshire	0	1,819	0	1,819	1,598	50	171	258
New Jersey	5,884	46,437	1,161	54,482	48,240	0	6,242	4,463
New Mexico	2,505	9,224	2,118	13,847	9,264	1,750	2,833	2,558
New York	9,161	90,836	21,210	121,207	86,194	4,500	30,513	3,351
North Carolina	6,313	28,413	0	34,727	26,028	6,336	2,363	3,116
North Dakota	1,122	2,028	275	3,425	2,447	18	961	752
Ohio	4,721	25,983	-49	30,656	27,904	0	2,752	2,700
Oklahoma	1,606	8,674	0	10,280	7,445	638	2,196	1,180
Oregon	4,082	12,455	-20	16,517	12,554	0	3,963	1,598
Pennsylvania	0	41,118	2,814	43,932	38,588	-1,111	6,455	2,866
Rhode Island	375	4,690	69	5,134	4,551	448	136	253
South Carolina	3,615	10,901	-558	13,958	10,366	176	3,416	1,210
South Dakota	86	1,991	48	2,125	2,034	91	0	307
Tennessee	4,518	19,594	-600	23,511	17,592	1,596	4,324	1,550
Texas	11,230	66,282	-138	77,374	64,629	4,854	7,891	10,057
Utah	1,729	9,700	18	11,446	10,327	0	1,120	1,033
Vermont	104	2,107	0	2,210	2,115	18	77	415
Virginia	1,917	23,611	0	25,529	23,414	0	2,115	2,138
Washington	3,674	29,364	-222	32,816	26,800	0	6,016	305
West Virginia	679	4,580	160	5,419	4,729	15	675	1,013
Wisconsin	2,581	18,943	482	22,006	19,306	-138	2,838	1,730
Wyoming	0	1,284	259	1,543	1,543	0	0	1,478
<b>Total</b>	<b>\$166,297</b>	<b>\$1,052,707</b>		<b>\$1,274,428</b>	<b>\$1,051,014</b>		<b>\$176,489</b>	<b>\$132,199</b>



This is also demonstrated by state rainy day fund balances, which were, in 2022, at historic levels. For states, the 'perfect storm' of strong revenue collections and federal COVID support created a very strong set of financial circumstances for nearly every state, as demonstrated by this chart from the National Association of State Budget Officers Spring 2022 Fiscal Survey of the States:

**State Combined Rainy Day Fund Balances as a Percentage of Expenditures  
Fiscal Years 2020 - 2023**



Source: National Association of State Budget Officers



# **Balance of Payments with the U.S.**



## Introduction

As the LIA report noted, prior to 2012, the primary data and information source for federal expenditures, broken out by state and county, was the U.S. Census Bureau's consolidated federal funds report for states and counties. That report was discontinued, and thus LIA used USASpending.gov to adjust expenditure numbers for Nassau and Suffolk counties from the 2010 numbers in the U.S. Census Bureau report.

For this report, the project team adapted the methodology developed by the Rockefeller Institute of Government for their annual report on New York State's balance of payments with the Federal Government. The approach draws from several sources, including the Budget of the United States Government, data from the Internal Revenue Service, USASpending.gov, and data from Federal Funds Information for States. PFM built on the Rockefeller method to extend the analysis down to the County level using additional allocations for Long Island. Where appropriate, the project team followed the LIA convention of applying the same allocation percentages for Nassau and Suffolk counties as for state comparisons.

In FFY 2022, the Federal government had receipts of \$4.90 trillion and expenditures of \$6.27 trillion, producing a deficit of \$1.38 trillion (Historical Table 1.1). This is consistent with the past two decades of federal deficits. However, these numbers vary greatly at the state level. In 2022, New York State contributed \$360.3 billion in federal revenue and was the recipient of \$367.3 billion in federal expenditures. This data implies a net positive balance of payments position of \$7.0 billion more in Federal spending to the state than the state contributed to Federal revenues. To contextualize this, New York State's balance of payments at the federal level was negative between 2015 and 2019, meaning the state's taxpayers contributed more to federal revenue than they received in federal expenditures. This trend was reversed in FFY 2020 and 2021 due to the influx of COVID-19 relief spending from the federal government. As federally funded pandemic-era relief programs expire, the federal expenditures to states exhibit a parallel decline, causing some positive balance of payments to, at the least, as seen in New York, shrink greatly, if not invert altogether.

## Federal Revenues from Long Island

In order to estimate the amount of revenue that the federal government collects from Long Island and New York State, this report closely mirrors the methodology employed by the Rockefeller Institute of Government, breaking revenue streams down into six major categories:

Personal Income Tax	Employment Taxes, such as Medicare and Social Security	Corporate Income Taxes	Excise Taxes, such as motor fuel, tobacco, and alcohol	Other Taxes, primarily estate and gift	Unallocable Receipts
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The primary data source for federal receipts is the President's Budget, published by the Office of Management and Budget. The data used in this analysis comes from the historical tables therein, which provide data from the federal budget as far back as 1935 by federal fiscal year. To disaggregate the federal totals to the Long Island level, this report relied on a variety of sources depending on the revenue category.

The largest driver of Long Island's contribution to federal revenue is through personal income taxes. As discussed in the Demographics section of this report, Long Island taxpayers have, on average, higher incomes than federal and New York State taxpayers, and contribute a greater share in personal income taxes. In 2022, Long Island taxpayers paid a total of \$44.2 billion to the federal government in income taxes. This number was aggregated using 2020 Internal Revenue Service Statistics of Income data by county and applying the percentage of total income taxes at the federal level collected from Long Island, 1.68 percent, to the gross federal income tax revenue amount.



The next largest driver of Long Island’s contribution to federal revenue is employment taxes, consisting of social insurance and retirement receipts. In 2022, Long Island taxpayers paid \$18.3 billion in employment taxes to the federal government. This number was aggregated using the Social Security Administration’s Table 2: Earnings and Employment Data for Workers Covered Under Social Security and Medicare, by State and County, 2020. The percentage of federal employment revenue accounted for by Long Island in SSA’s 2020 data was then applied to the gross federal employment tax revenue amount. Collectively, income and employment taxes account for \$62.5 billion in federal revenues from Long Island, out of a total \$68.1 in federal receipts.

Long Island contributed \$4.1 billion in corporate taxes to the federal government in 2022, calculated using the Bureau of Economic Analysis’ CAINC4, and applying a weighted average of wages and salaries and proprietors’ income to disaggregate the percentage of the federal total receipt originating in Long Island, 0.96 percent.

Long Island contributed \$710.7 million in excise taxes, comprised of transportation payments, tobacco taxes, airport and airway taxes, alcohol taxes, and other excise taxes, amounting to 0.81 percent of the federal total.

For other taxes, which include estate and gift taxes, Long Island taxpayers contributed \$775.5 million, calculated using the Internal Revenue Service’s Table 5 on Gross Collections, by Type of Tax and State for 2022. Long Island’s contributions account for 2.4 percent of the federal total other tax receipts. Unallocable receipts are aggregated only at the federal level but are not disaggregated to the state or county level, therefore it is not possible to account for a specific amount in federal unallocable receipts originating in Long Island. These revenues are provided in Table 2:

**Table 2: Revenues by Place of Origination**

<b>Revenues (\$M)</b>	<b>USA</b>	<b>NY State</b>	<b>Long Island</b>
Income and Employment Taxes	\$2,632,146	\$319,903	\$62,464
Social Insurance and Retirement Receipts	\$1,483,527	\$100,409	\$18,255
Corporate Income Taxes	\$424,865	\$33,346	\$4,094
Excise Taxes	\$87,728	\$4,043	\$711
Other Allocable Receipts	\$32,550	\$3,049	\$775
Unallocable Receipts	\$236,583	-	-
<b>Total Revenues</b>	<b>\$4,897,399</b>	<b>\$360,342</b>	<b>\$68,045</b>

## Federal Expenditures to Long Island

In order to estimate the amount the federal government spends in Long Island, this report follows the expenditure aggregation categories outlined by the Rockefeller Institute of Government, breaking expenditures into five main components:

Direct Payments to Individuals	Grants, such as Medicaid	Contracts and Procurement	Wages and Salaries of Federal Employees	Covid-19 Relief Spending
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The sources referenced for data collection in this report closely, if not exactly, align with the methodology used by the Rockefeller Institute of Government for federal and state expenditures. For Long Island expenditures, in lieu of the U.S. Census Bureau’s consolidated federal fund report, this report relies on data from USASpending.gov as well as other federal and state databases.



The largest driver of federal expenditures on Long Island is through direct payments, consisting of social security and railroad retirement expenditures, federal employee retirement and insurance, unemployment assistance, Medicare and other medical care expenditures, student assistance, housing assistance, and food and nutrition assistance, primarily through SNAP. Direct payments to individuals amounted to \$31.1 billion in federal expenditures on Long Island in 2022.

The next largest driver of federal expenditures on Long Island is grants. Grants account for a total of \$8.6 billion in federal expenditures on Long Island in 2022.

Long Island received \$2.3 billion in contracts and procurement spending from the federal government, largely driven by Department of Defense contracts as the single largest contract amount, per USASpending.gov.

Long Islanders received \$1.2 billion in federal employee salaries and wages in 2022, aggregated using the Bureau of Economic Analysis' CAINC6N percentage of all military and non-military federal employees residing on Long Island in 2021 and applying the percentages to total federal expenditures, respectively.

In 2022, the federal government spent \$4.8 billion in Covid-19 relief on Long Island. The majority of the data on spending by COVID-19 relief program came from the Federal Funds Information for States database on COVID-related spending. The largest COVID program driving federal COVID-19 relief spending on Long Island is the State and Local Fiscal Recovery Fund (SLFRF), amounting to \$1.2 billion in expenditures.

**Table 3: 2022 Expenditures by Place of Performance**

<b>Expenditures (\$M)</b>	<b>USA</b>	<b>NY State</b>	<b>Long Island</b>
Direct Payments for Individuals	\$3,731,642	\$203,024	\$29,936
Contracts and Obligations	\$756,985	\$29,373	\$2,297
Wages and Salaries of Federal Workers	\$315,015	\$9,961	\$1,238
COVID-19 Relief Spending	\$546,976	\$32,646	\$4,837
Grants	\$1,080,629	\$92,319	\$8,599
Unallocable Expenditures	\$164,640	-	-
<b>Total Expenditures</b>	<b>\$6,595,887</b>	<b>\$367,323</b>	<b>\$46,907</b>

### **Current Balance of Payments with the Federal Government**

In 2022, Long Island taxpayers contributed approximately \$68.0 billion in revenue, but only received \$46.9 billion in expenditures, implying a new balance of payments position of -\$21.1 billion. When COVID relief funding is subtracted out, the deficit grows to nearly \$26 billion. This suggests a continued unfavorable outlook for future years as pandemic-era spending programs continue to expire.

### **Comparison to 2013 Balance of Payments**

Federal revenues from Long Island grew by 29 percent between 2013 and 2022 in real 2022 dollars, driven primarily by the income and employment taxes that accompany growth in income, while federal expenditures on Long Island increased much more rapidly by 95 percent over the same period, in real 2022 dollars. Roughly 10 percent of this change is driven by COVID-19 expenditures which did not exist in 2013, however



even without these, federal expenditure growth on Long Island is robust. All figures displayed in Tables 4 and 5 are in real 2022 dollars, for ease of comparison.

**Table 4: Federal Expenditures on Long Island**

<b>Long Island Expenditure (\$M)</b>	<b>2013*</b>	<b>2022</b>	<b>Change</b>	<b>Pct Change</b>	<b>Avg Annual Pct Change</b>
Direct Payments	\$15,066	\$31,137	\$16,071	+107%	+8%
Grants	\$3,374	\$8,599	\$4,865	+130%	+10%
Procurement	\$3,688	\$2,297	-\$1,391	-38%	-5%
Salaries/Wages	\$1,566	\$1,238	-\$329	-21%	-3%
COVID-19 Payments	-	\$4,837	-	-	-
<b>Total</b>	<b>\$24,054</b>	<b>\$46,907</b>	<b>\$22,853</b>	<b>+95%</b>	<b>+8%</b>

\*In CPI-adjusted 2022 dollars

**Table 5: Federal Revenues from Long Island**

<b>Long Island Revenue (\$M)</b>	<b>2013*</b>	<b>2022</b>	<b>Change</b>	<b>Pct Change</b>	<b>Avg Annual Pct Change</b>
Business	\$3,654	\$4,094	\$440	+12%	+1%
Income + Employment	\$47,971	\$62,546	\$14,575	+30%	+3%
Estate + Gift	\$461	\$775	\$315	+68%	+6%
Excise	\$536	\$711	\$174	+33%	+3%
<b>Total</b>	<b>\$52,622</b>	<b>\$68,045</b>	<b>\$15,423</b>	<b>+29%</b>	<b>+3%</b>

\*In CPI-adjusted 2022 dollars

The LIA 2013 report showed a balance of payments position of \$28.6 billion more in revenue to the federal government than Long Island received back in federal spending, in real 2022 dollars (\$23.1 billion in nominal 2013 dollars). The balance of payments deficit in 2022 (\$21.1 billion) is slightly smaller than that in 2013, both in real and nominal terms. Excluding COVID-19 relief spending, federal expenditures on Long Island amount to \$42.0 billion, resulting in a balance of payments deficit of \$25.9 billion, slightly larger than the nominal balance of payments amount in 2013.

It is notable that the 2013 study excluded Superstorm Sandy relief, as those were one-time expenditures. It therefore makes sense to treat COVID-19 funding in the same fashion. This balance of payments excluding Covid relief spending can be seen in Table 6.

**Table 6: Long Island Federal Balance of Payments 2013 v 2022**

<b>US Government (\$M)</b>	<b>2013*</b>	<b>2022†</b>	<b>Change</b>	<b>Pct Change</b>	<b>Avg Annual Pct Change</b>
Revenues from Long Island	\$52,622	\$68,045	\$15,423	+29%	+2.9%
Expenditures on Long Island	\$24,054	\$42,070	\$18,016	+75%	+6.4%
<b>Balance</b>	<b>-\$28,568</b>	<b>-\$25,975</b>	<b>-\$2,592</b>	<b>-9%</b>	<b>-1.1%</b>

\*In CPI-adjusted 2022 dollars

†Expenditures in this table exclude COVID-19 Relief Spending



# **Balance of Payments with New York State**





## **Introduction**

For the NYS fiscal year 2022, the State Operating Fund reported \$147.2 billion in revenue and \$117.4 billion in expenditures. This study estimates the share of state revenues to and state expenditures on Long Island for state fiscal year 2022, following the Long Island Association Research Institute (LIA) report, which looked at Fiscal Year 2013.

## **New York State Revenues from Long Island**

New York State had total revenues of \$147.2 billion in Fiscal Year 2022, and \$142.6 billion was derived from in-State sources. The remaining \$4.6 billion came from Federal sources, which, largely thanks to COVID-19 related spending, constitutes an increase of nearly 7,500 percent from the prior fiscal year 2021's total of \$60.7 million. Clearly, this was an unusual and unsustainable amount of federal funding to NYS.

This study deals with \$140.5 billion of that revenue (roughly 99 percent), excepting some miscellaneous revenue such as tuition at State universities, interfund transfers, and interest proceeds. In total, Long Island is estimated to have contributed 17.5 percent of the state's revenue, a proportion that is larger than its 14.8 percent share of the state's population. Revenues are detailed in the table below (presented in millions of dollars). Methodological detail can be found in the appendix.



**Table 7 State Revenues from Long Island (\$M)**

State Revenue	New York State	Long Island	Long Island Percent
<b>Taxes</b>	<b>\$118,528.1</b>	<b>\$21,151.5</b>	<b>17.8%</b>
Personal Income	\$70,737.3	\$13,624.5	19.3%
Banking (Article 32)	\$16.2	\$0.8	4.9%
Business Corporation (Article 9A)	\$5,793.2	\$629.7	10.9%
Corporations (Article 9)	\$735.7	\$80.0	10.9%
Corporations (Article 13)	\$24.7	\$2.7	10.9%
Insurance	\$1,991.2	\$245.0	12.3%
Petroleum Business (Article 13A)	\$1,031.7	\$218.7	21.2%
Pass Through Entity	\$16,430.3	\$2,240.2	13.6%
Sales and Compensating Use	\$16,497.9	\$3,188.2	19.3%
Motor Fuel	\$495.0	\$104.9	21.2%
Alcoholic Beverage	\$277.3	\$36.5	13.2%
Cigarette and Tobacco	\$1,002.5	\$102.3	10.2%
Highway Use and Auto Rental	\$281.5	\$58.5	20.8%
Estate	\$1,386.2	\$352.6	25.4%
Real Estate Transfer	\$1,639.5	\$239.3	14.6%
Pari-Mutuel	\$9.8	\$1.5	14.8%
Off-Track Betting	\$5.4	\$0.8	14.8%
Miscellaneous Taxes	\$172.8	\$25.5	14.8%
<b>Fees, Licenses, and Permits</b>	<b>\$4,224.4</b>	<b>\$702.2</b>	<b>16.6%</b>
Alcohol Beverage Control License	\$70.3	\$8.4	11.9%
Motor Vehicle	\$1,326.0	\$275.7	20.8%
Other Licenses and Fees	\$2,394.6	\$354.0	14.8%
Fines, Penalties and Forfeitures	\$433.5	\$64.1	14.8%
<b>Other Receipts</b>	<b>\$17,763.4</b>	<b>\$2,754.2</b>	<b>15.5%</b>
Gaming/Casino/Lottery	\$4,756.3	\$808.4	17.0%
Revenues of State Departments	\$4,686.7	\$692.9	14.8%
Assessments	\$7,280.5	\$1,076.4	14.8%
Receipts from Municipalities	\$325.9	\$48.2	14.8%
Abandoned Property	\$713.9	\$128.3	18.0%
<b>Total</b>	<b>\$140,516.0</b>	<b>\$24,608.0</b>	<b>17.5%</b>

The three largest sources of tax revenue are the Personal Income Tax, Sales and Use Compensating Tax, and the Pass-Through Entity Tax. For all but the Pass-Through Entity tax, Long Island's share of total state revenue exceeds the region's share of population.

Table 8 shows Long Island as it ranks among the state's 10 regions<sup>5</sup> in terms of population and share of the largest three tax types. Revenues from the regions were estimated using the same methods applied to Long Island above, as described in the appendix. The three taxes account for approximately eight of every

<sup>5</sup> Regions shown here as defined by as defined by Empire State Development, the State of New York's economic development agency. A table showing the counties that comprise the regions can be found in the appendix.



nine dollars in tax revenue collected by the State. Across all indicators, Long Island contribution is second to only New York City.

**Table 8 Select Tax Revenues New York State Regions**

<b>Region</b>	<b>Pct of Population</b>	<b>Total of Select Estimated Taxes</b>	<b>Personal Income Tax</b>	<b>Sales and Use Tax</b>	<b>Pass-Through Entity Tax</b>
New York City	42.4%	49.5%	48.8%	45.1%	57.0%
<b>Long Island</b>	<b>14.8%</b>	<b>18.4%</b>	<b>19.3%</b>	<b>19.3%</b>	<b>13.6%</b>
Mid-Hudson	12.2%	15.2%	16.2%	14.0%	12.1%
Western New York	7.2%	4.2%	3.6%	7.0%	4.2%
Finger Lakes	6.2%	3.8%	3.3%	6.0%	3.9%
Capital District	5.6%	4.0%	3.7%	6.3%	3.3%
Central New York	3.9%	2.4%	2.0%	3.9%	2.5%
Southern Tier	3.5%	1.9%	1.6%	3.3%	1.5%
Mohawk Valley	2.2%	1.0%	0.8%	1.9%	1.0%
North Country	2.1%	0.9%	0.7%	2.0%	0.9%
<b>New York State</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## **New York State Expenditures on Long Island**

New York State had total state operating of expenditures of \$117.4 billion in Fiscal Year 2022. Of those expenditures, \$4.6 billion of which were covered by Federal funding while the remaining \$112.8 billion were paid for with State Funds. State expenditures on Long Island are estimated to have totaled \$9.8 billion in fiscal year 2022, which is approximately 9% of total state-funded disbursements. Those expenditures are presented in the following table (in millions of dollars) for the Long Island region and separately for Nassau and Suffolk counties. Methodological detail can be found in the appendix.

**Table 9 State Expenditures on Long Island (\$M)**

<b>State Expenditures (\$M)</b>	<b>Long Island</b>	<b>Nassau</b>	<b>Suffolk</b>
Payments to Vendors	\$4,533.3	\$2,153.1	\$2,380.2
State Medicaid Payments	\$2,217.6	\$1,002.8	\$1,214.8
Personal Service Costs	\$2,011.4	\$541.4	\$1,470.0
State Unemployment Insurance	\$479.4	\$216.5	\$262.9
STAR Reimbursements	\$578.9	\$289.4	\$289.5
<b>Total</b>	<b>\$9,820.5</b>	<b>\$4,203.2</b>	<b>\$5,617.4</b>



## Current Balance of Payments

**Overall, in Fiscal Year 2022, Long Island contributed \$24.6 billion to the State's coffers and received about \$9.8 billion in return. This results in a balance of payments of negative \$14.8 billion.** Notably, overall state operating revenues in 2022 exceed expenditures by 26 percent. Percentagewise, revenues from Long Island were 151 percent higher than expenditures in the region.

## Comparison to 2013 Balance of Payments

Between 2013 and 2022, state revenues from Long Island increased by 40 percent in 2022 inflation-adjusted real dollars (Table 10). While there was growth across all revenue types even after accounting for inflation; the largest drivers were Personal Income tax collections, which were about \$4.4 billion higher and the newly introduced Pass-through Entity tax, which itself accounts for \$2.2 billion.

**Table 10 State Revenues from Long Island 2013 v 2022 (\$M)**

State Revenue	2013*	2022	Change	Pct Change	Avg Annual Pct Change
Personal Income Tax	\$9,254.7	\$13,624.5	+\$4,371	+47%	+4.4%
Business Taxes	\$1,059.3	\$1,176.9	+\$118	+11%	+1.2%
Pass-through Entity Tax†	-	\$2,240.2	-	-	-
Sales and Use Tax	\$2,243.0	\$3,188.2	+\$945	+42%	+4.0%
Other Taxes	\$825.2	\$921.9	+\$97	+12%	+1.2%
Fees, Licenses, and Permits	\$696.6	\$702.2	+\$6	+1%	+0.1%
Other Receipts	\$2,618.6	\$2,754.2	+\$136	+5%	+0.6%
Other 2013‡	\$900.0	-	-	-	-
<b>Total State Revenues</b>	<b>\$17,596.4</b>	<b>\$24,608.0</b>	<b>+\$7,012</b>	<b>+40%</b>	<b>+3.8%</b>

\*In CPI-adjusted 2022 dollars

†The Pass-through Entity Tax was first introduced in 2022

‡Includes Gift Tax (Repealed) and several revenue line items that are no longer reported

Over the same period, expenditures *decreased* by 10 percent in 2022 inflation-adjusted dollars, as shown in Table 11. In total, the state's expenditures in Long Island were \$1.1 billion less in 2022 than in 2013. Except for State Medicaid payments, all expenditure types contracted in real terms. The largest decreases were in State Unemployment Insurance and STAR Reimbursements. The decrease in unemployment reflects the much lower unemployment rate in Long Island in fiscal year 2022 (3.9%) compared with 2013 (7.4%).



**Table 11 State Expenditures on Long Island 2013 v 2022 (\$M)**

<b>State Expenditures</b>	<b>2013*</b>	<b>2022</b>	<b>Change</b>	<b>Pct Change</b>	<b>Avg Annual Pct Change</b>
Payments to Vendors	\$5,042.1	\$4,533.3	-\$509	-10%	-1.2%
State Medicaid Payments†	\$1,843.8	\$2,217.6	+\$374	+20%	+2.1%
Personal Service Costs	\$2,321.3	\$2,011.4	-\$310	-13%	-1.6%
State Unemployment Insurance	\$710.5	\$479.4	-\$231	-33%	-4.3%
STAR Reimbursements‡	\$1,013.3	\$578.9	-\$434	-43%	-6.0%
<b>Total</b>	<b>\$10,930.9</b>	<b>\$9,820.5</b>	<b>-\$1,110</b>	<b>-10%</b>	<b>-1.2%</b>

\*In CPI-adjusted 2022 dollars

†For comparability between reports, the 2013 figures for Medicaid were adjusted to subtract out the estimated federal contribution.

‡STAR reimbursements were not included in LIA's study of 2013 expenditures; they have been added in here for an apples-to-apples comparison between studies.

Compared with 2013, shown below adjusted to 2022 dollars and with the methodological adjustments described above, Long Island's negative balance of payments with the State more than doubled, from \$6.7 billion in 2013 to \$14.8 billion in 2022.

**Table 12 Long Island State Balance of Payments 2013 v 2022 (\$M)**

<b>New York State</b>	<b>2013*</b>	<b>2022</b>	<b>Change</b>	<b>Pct Change</b>	<b>Annual Avg Pct Change</b>
Revenues from Long Island	\$17,596	\$24,608.0	+\$7,012	+40%	+3.8%
Expenditures on Long Island†	\$10,930.9	\$9,820.5	-\$1,110	-10%	-1.2%
<b>Balance</b>	<b>-\$6,665</b>	<b>-\$14,787.4</b>	<b>-\$8,122</b>	<b>+122%</b>	<b>+9.3%</b>

\*In CPI-adjusted 2022 dollars.

†For comparability, 2013 expenditures were adjusted from the amounts shown in LIA's report to account for exclusion of Federal contribution to State Medicaid Payments and inclusion of STAR Reimbursement in this study.



# Summary



It is clear that the Long Island region is a significant contributor to the overall revenues available for use by the federal and state governments. The region's above average income and strong business base contribute to this.

It is also clear that a significant balance of payments deficit exists now and has existed for decades: under a variety of economic circumstances, Long Island provides far more in resources to the federal and state government than is returned to it in services and economic activity.

This should concern both the federal and state governments, as economic drivers require fuel to continue to fire their growth. While it is understood that many state and federal program are targeted at vulnerable populations or regions where program funding may help jump start their economy, it should also be recognized that ongoing support for high performing regions is the best way to ensure they continue to be the economic engine that drives federal and state revenue collections.

There are a variety of federal and state programs that can and should be targeted to high performing regions. These can include investments in infrastructure, economic and community development for high impact businesses and industries, and support for business investment that creates high quality jobs. These provide an opportunity for the federal and state governments to balance out the negative balance of payments with Long Island while also creating greater economic and tax revenue growth for federal, state, and local governments.



# Appendix





## **DETAILED METHODOLOGY**

As noted in the introduction, the project team sought to use, to the extent possible, the same methodology as used in the prior LIA 2013 study. This was not possible for federal expenditures, because the primary foundation for the prior study was a federal report that has not been issued for over a decade. In some other instances, the project team chose a slightly different methodology based on its analysis of how best to determine the Long Island share of NYS economic activity. It is unlikely that these methodological modifications had a material impact on the overall results, but they are noted in the following explanation.

### **Revenues Collected by New York State**

#### **Alcohol Beverage Control License Fees**

The U.S. Census Bureau's County Business Patterns for 2021 reports the number of alcohol serving establishments on Long Island (including NAICS codes 722511 Full-Service Restaurants and 7224 Drinking Places – Alcoholic Beverages) as well as for NYS. Nassau had 1,440 establishments while Suffolk had 1,556, for a regional total of 2,966. The New York statewide total for alcohol serving establishments was 25,118, which means Nassau-Suffolk accounted for 11.9 percent of such establishments. Total revenues for New York State deriving from Alcohol Beverage Control License Fees was \$70,275,000 in 2022, according to the New York State Comptroller's Cash Basis Report. It is estimated, therefore, that Long Island accounts for \$8,832,192 of Alcohol Beverage Control License Fee revenue for 2022.

#### **Alcohol Beverage Taxes**

As the LIA 2013 study noted, there is more than one way to estimate the revenues attributable to Long Island for this tax. That study examined using the percentage of drinking establishments or their payroll as a way to estimate revenue from these taxes. The 2013 study used payroll for its calculation.

While Long Island's percent of NYS payroll is a reasonable method for determining the Long Island share of alcohol consumed away from home, according to the USDA, in 2021, the purchase of alcohol for home consumption in the US was \$151.2 billion, while purchase of alcohol by businesses to sell in alcohol serving establishments was \$103.7 billion; the payroll method will not be a good gauge of consumption (and taxes) for the majority of alcohol consumption. The LIA 2013 study mentioned a third method, using the NYS Department of Health Services Behavioral Risk Factor Surveillance System (BRFSS) that identifies binge drinkers by county and then using the combined percentage of those in Nassau and Suffolk County to derive the Long Island share of NYS revenue. The project team prefers and used this approach. Using Long Island's share of binge drinkers from the BRFSS of 13.2%, the region was allocated \$36,473,312 of the State's total of \$277,313,822 Alcohol Beverage Tax revenue.

#### **Business Taxes**

Receipts for these taxes are provided by the New York State Department of Taxation and Finance's collections, policy, and statistical reports.

#### **Banking Tax**

For the LIA 2013 study, the distribution of revenues was derived by taking Long Island's percentage of total payroll for the banking industry (NAICS code 52211) from the U.S. Census Bureau's County Business Patterns survey as a percentage of statewide annual industry payroll. As noted in the Introduction, this tax is no longer levied and banks are taxed within the corporate franchise tax, however there are still prior-year payments included among the fiscal year 2022 receipts. The total 2022 amount of \$16,176,674 is approximately one-tenth of the collection in 2013. The project team allocated revenues to Long Island in the amount \$800,234 following the LIA methodology (Long Island as 4.9% of banking industry payroll).

#### **Corporate Franchise Tax**



Long Island's share of the Article 9-a (general corporate businesses) corporate franchise tax liability is based on Long Island's share of private sector wages from the Quarterly Census of Employment and Wages (QCEW) provided by the New York State Department of Labor. In 2021, Long Island's share of private sector wages and salaries was \$72,607,689,521 out of the state total of \$667,969,700,479, or 10.9 percent.

New York State Business Corporation Taxes Article 9-a revenues for 2022 were \$5,793,197,307. Using the 2021 wage percentages, Long Island's share of this tax is estimated to be \$629,715,197 in 2022. Article 9 (corporate franchise and utilities) tax revenues for all of New York State were \$735,746,762 in 2022. Using QCEW wage percentages, Long Island's share of this tax is estimated to be \$79,974,993 in 2022.

Article 13 (Foreign Corporations): Using the QCEW wage percentages, Long Island's share of the State's Article 13 taxes of \$24,713,671 was \$2,686,353 in 2022.

Article 33 and 33a (insurance company taxes): Using the QCEW, Long Island's share of the insurance industry wages was \$245,018,375 in 2022 out of the statewide total of \$1,991,241,774, or 12.3 percent.

#### **Petroleum Business Tax**

New York State's Petroleum Business Tax (Article 13-A) revenues provided by the New York State Department of Taxation and Finance's collections, policy and statistical reports were \$1,031,658,741 in 2022. As with the Motor Fuel Tax, the Long Island share of the Petroleum Business Tax was allocated based on 2020 gasoline sales by county, as reported by New York State Energy Research and Development Authority Final Report, Patterns and Trends New York State Energy Profiles: 2006-2020, June 2023 (Appendix C1: Estimated Annual Gasoline Sales by County in New York State, 2018–2020).

Long Island's share of these revenues was calculated using the 21.2 percent of total sales of gasoline. Long Island's share of Petroleum Business Taxes was \$218,677,554 in 2022.

#### **Cigarette, Tobacco and Related Taxes**

The New York State Department of Health Services Behavioral Risk Factor Surveillance System 2021 (found at <https://www.health.ny.gov/statistics/brfss/>) provides the number of smokers and those who drink alcohol by county and for the entire state. This report estimates that in Suffolk there were 102,012 smokers, or 9.4 percent of the population in 2021, while Nassau had 76,833 smokers, or 7.5 percent of the population. New York in total had an estimated 1,754,699 smokers or 12.0 percent of the population. Together, the Nassau-Suffolk region accounts for 178,845 everyday smokers out of the state's 1,754,699, or 10.2 percent. Out of the state's revenues of cigarette, tobacco, and related product taxes provided by the New York State Department of Taxation and Finance reports for 2022 of \$1,002,461,728, the Nassau-Suffolk region contributes an estimated \$102,251,058.

#### **Estate Tax**

This tax is reported by county by the New York State Department of Taxation and Finance. Nassau and Suffolk Counties together account for \$319,345,061 in 2022, or 25.4 percent of the statewide total classified by geography. Including the unclassified county amounts, in 2022 New York State reported collecting \$1,386,151,103. Nassau and Suffolk Counties, using the county proportions of revenues, contributed an estimated \$352,563,974 in 2022.

#### **Fines, Penalties and Forfeitures**

According to the New York State Comptroller's Cash Basis Report, revenue from state fines, penalties and forfeitures totaled \$433,501,000 in 2022. Using Long Island's percentage of statewide population, 14.8 percent of these revenues are attributed to Nassau and Suffolk counties. It is estimated that Nassau and Suffolk counties accounted for \$64,091,453 in revenues for 2022.



### **HCRA (Health Care Reform Act) 1**

The 2013 LIA report included an allocation of the state's Health Care Reform Act revenues as reported in the Comptroller's Cash Basis Report. Due to a subsequent restructuring of the HCRA as part of the State's Medicaid Reforms, that subsection was eliminated from the report after 2013. Some relevant portions are now reflected in Medicaid figures, while others are essentially off-budget. Consequently, the HCRA is not included as a separate line item in this study.

### **Highway Use Tax and Auto Rental Tax**

Highway Use and Auto Rental taxes are distributed to the region using motor vehicle registrations. The New York State Department of Motor Vehicles reported that in 2023, Nassau County had 1,031,520 total motor vehicle registrations while Suffolk had 1,305,626, for a regional total of 2,337,146. This constitutes 20.8 percent of all vehicle registrations in NYS (11,240,361). These taxes are inclusive of Truck Mileage Tax, Vehicle Permits, and Fuel Use. Long Island's percentage was then applied to the total revenues from those taxes for 2022 (\$281,510,976), yielding \$58,533,018 in revenue for Nassau-Suffolk Counties.

### **Lottery/Gaming/Casino**

According to the Comptroller's Cash Basis Report, lottery and gaming revenues for the state totaled \$4,756,333,000 in 2022. The project team allocated lottery revenues using a combination of facility-level statistics from the New York Lottery, 2021-2022 Year End Financial Review, and Long Island's share of personal income. This method indicates that Nassau-Suffolk contributed 17% of all lottery and gaming revenues for 2022, for a total of \$808,407,359. The allocation in LIA's 2013 report relied on sales and commissions figures provided by the New York State Gaming Commission. That method resulted in a Long Island share of 41% - a share significantly larger than that attributed to any other revenue source.

### **Miscellaneous Receipts**

Miscellaneous revenues are distributed by percentage of total population in the state for the Long Island region. These receipts include the following:

Racing Admissions Tax (includes OTB Teletheater), Authorized Combative Sports Tax, Hazardous Waste Assessments, Waste Tire Management and Recycling Fees, Returnable Beverage Container Deposits, Tax Return Preparer Registration Fees, and Employer Compensation Expense Tax.

Nassau and Suffolk account for 14.8 percent of the state's population using the U.S. Census Bureau's Population Estimates program for 2022. New York State totals for 2022 Miscellaneous Revenues are \$172,765,189. Nassau-Suffolk's estimated share of these revenues is \$25,5425,668 for 2022.

### **Motor Fuel Tax**

As with the Petroleum Business Tax, the state Motor Fuel Tax is allocated based on 2021 gasoline sales by county (21.2 percent for Nassau-Suffolk), as reported by New York State Energy Research and Development Authority Final Report June 2023, Patterns and Trends New York State Energy Profiles: 2006-2020 (Appendix C1: Estimated Annual Gasoline Sales by County in New York State, 2018-2020).

In 2022 the Motor Fuel Tax revenue for New York State was \$495,038,765. Long Island's share of this tax was \$104,931,856 in 2022. This tax includes Petroleum Testing Fees.

### **Motor Vehicle Licenses and Fees**

Motor Vehicle Licenses and other fees are distributed to the Long Island region using motor vehicle registrations (20.8 percent of the state total). In 2022, the State of New York collected \$1,326,015,000 in motor vehicle licenses and fees. It is estimated that Long Island accounted for \$275,710,954 in revenues from this source in 2022.

### **MTA Taxes**



Metropolitan Transportation Authority taxes fall on the 12 counties of the MTA region, collectively known as the Metropolitan Commuter Transportation District (MCTD). The bulk of these revenues are derived from two sources: a surcharge on a variety of State business taxes and a tax on certain wages paid in the MCTD. These sources are known, respectively, as MTA Corporate Surcharge and the Payroll Mobility Tax (PMT). Additionally, there are two smaller taxes on vehicles – the Passenger Car Rental tax and the Taxicab and Hail Vehicle Rides tax.

While county-specific data is not available, estimates of Business Tax Surcharge revenues are derived by allocating collections to each county based the relative share of total wages. According to Census County Business Patterns, Nassau and Suffolk Counties account for 14.1 percent of total wages in the MTA region. Therefore, based on totals data from the NYS Department of Taxation and Finance, it is estimated that the Long Island region contributes 14.1 percent of the following Business Tax Surcharge revenues flowing to New York State for MTA functions. The same percentage is applied to the Taxicab and Hail Vehicles Surcharge. (See the table below)

However, this methodology is not directly applicable to the Mobility Tax because the five counties of New York City, which accounts for 76.5% of the region’s wages, pay a higher rate than the seven suburban counties. Accounting for the rate differential, Long Island’s estimated share is 8.9% of the region.

It should also be noted that the collection methodology for Corporate Surcharges and PMT. The Surcharges are included in State business tax collections and then remitted to the MTA, while PMT receipts are more directly paid to the MTA.

**Table A.1 2022 MTA Taxes Long Island Share Total:**

	<b>MCTD Total</b>	<b>Long Island %</b>	<b>Long Island Share</b>
Corporate Surcharge	\$1,733,611,223	14.1%	\$243,587,541
Payroll Mobility Tax	\$1,742,236,412	8.9%	\$154,421,784
MTA Passenger Car Rental	\$60,031,442	14.1%	\$8,434,943
Taxicab and Hail Vehicle Rides	\$17,434,173	14.1%	\$2,449,654
<b>Total</b>	<b>\$3,553,313,250</b>	<b>11.5%</b>	<b>\$408,893,922</b>

**New York State Revenues from Departments**

Revenues collected by various state departments include Administrative Recoveries, Commissions, Gifts, Grants and Donations, Cost Recoveries, Patient/Client Care Reimbursements, Rebates, Restitution and Settlements, Student Loans, and All Other. This category does not include revenues from tuition to SUNY and CUNY schools. These departmental revenues totaled \$4,686,709,000 in 2022. Using the state population percentage attributable to Nassau-Suffolk (14.8 percent), it is estimated that Long Island residents contributed \$692,911,877 of these revenues in 2022.

**Off Track Betting**

LIA’s 2013 study allocated Off Track Betting (OTB) tax receipts according to the “Revenues by Regional Corporation” tables that had been included New York State Department of Taxation and Finance reports. Of the five regional OTB corporations (Nassau, Suffolk, Catskill, Capital District, and Western), the Long Island based entities comprised nearly half of the total. The project team took the more conservative approach of allocating revenues in proportion to Long Island’s 14.8% share of the State’s population. This report therefore attributes to Long Island \$1,450,884 of the State’s total take of \$9,813,469.



### **Other Licenses and Fees**

According to the Comptroller's Cash Basis Report, revenue from licenses and fees other than that of motor vehicle and alcohol beverage control licenses totaled \$2,394,649,000 in 2022. This report attributes 14.8 percent of these revenues to Nassau and Suffolk counties, according to the region's percentage of the state population. Accordingly, it is estimated that Nassau and Suffolk counties accounted for \$354,039,633 of these revenues in 2022.

### **Para-Mutual Tax**

The LIA 2013 study used racing venues to allocate Para-Mutual Tax, where the revenue from the one location on LI (Belmont) was 28.1 percent of the state's total tax revenue, and that amount is then allocated to LI. Given that many non-LI residents frequent Belmont, and LI residents probably frequent other tracks, such as Aqueduct, the current study uses the share of adult population as an alternate proxy. 2022 total collections statewide were \$9,813,469 in 2022. Applying the LI percentage to the state's total population results in estimated revenue of \$1,450,844.

### **Pass-Through Entity Tax**

The newly introduced Pass-Through Entity Tax was first collected in Fiscal Year 2022. Total revenues of \$16,430,335,993 were allocated to Long Island in proportion to its share of BEA Proprietor Income in 2021 of 13.5%, resulting in an estimated revenue of \$2,211,314,466 from the region.

### **Personal Income Tax**

In 2021, the latest year available from the New York State Department of Taxation and Finance, Nassau and Suffolk Counties combined had a personal income tax liability of \$9,517,629,168 or 19.3 percent of the total \$49,414,958,279 in personal income tax liability from full-year residents. When applied to New York's estimated personal income tax revenue of \$70,737,342,445 in 2022, Long Island's share of the New York State personal income tax amounts to \$13,624,453,347. This number represents income by place of residence, rather than by place of work. The portion of Personal Income tax that is paid by either non-residents or residents living out of side of New York is assumed to follow the same county-distribution of full-year residents (i.e., 19.3% of the revenue coming from outside New York State is allocated to Long Island).

### **Proceeds from Abandoned Properties**

Proceeds from abandoned property, primarily reflecting financial assets assumed by the state, are allocated based on Nassau-Suffolk's share of statewide personal income, as provided by the U.S. Bureau of Economic Analysis (BEA). In 2021 BEA reports that Nassau-Suffolk totaled \$262,636,837,000 in personal income, or 17.2 percent of New York's total personal income of \$1,524,128,529,000. It is estimated that Nassau-Suffolk contributed \$123,024,126 of the state's Proceeds from Abandoned Properties of \$713,931,000 in 2022, as reported by the Comptroller's Cash Basis Report.

### **Real Property Gains Tax**

The Real Property Gains taxes was repealed in 1996. While there was still a small amount of residual tax revenues collected in 2013, there were no collections in 2022.

### **Real Property Transfer Tax**

This revenue source is reported for all counties by the New York State Department of Taxation and Finance for 2022. Nassau and Suffolk together accounted for \$219,613,485, or 14.6 percent of the state's total from all counties of \$1,504,432,196. The total of the Real Property Transfer Tax (including that which was unclassified by county) was \$1,639,467,365 in 2022, which, assuming the unclassified revenues have the same geographic distribution as the classified revenues means Nassau-Suffolk contributed an estimated total of \$239,325,602 in 2022.



### Refunds and Reimbursements

The Comptroller's Cash Basis Report shows that New York State received \$1,043,846,000 in 2013 from refunds and reimbursements, which was allocated to Nassau-Suffolk based on population. The subsection from which the data was eliminated from the Cash Basis Report after 2013 and consequently is not included as a separate line item in this study.

### Sales and Compensating Use Tax

The New York State Department of Taxation and Finance reports data on taxable sales and purchases by county. At the time of this analysis the latest available county data was for 2021-2022 tax year. The percentage of the total statewide taxable sales and purchases for 2022 attributed to Nassau and Suffolk counties for state purposes (19.3%) was applied to total state sales tax revenue for 2022 of \$16,497,853,997, yielding regional sales tax contributions to the state from Long Island of \$3,188,166,852.

### Region definition

Empire State Development, the State of New York's economic development agency, divides the counties of the 10 into regions. The project team adopted those regions for the regional comparison of revenues shown in Table 8 of the report. The counties comprising those regions are shown below.

**Table A.2: The Counties of New York State's 10 regions**

<b>Regions</b>	<b>Counties</b>
Capital District	Albany, Columbia, Greene, Rensselaer, Saratoga, Schenectady, Warren, Washington
Central New York	Cayuga, Cortland, Madison, Onondaga, Oswego
Finger Lakes	Genesee, Livingston, Monroe, Ontario, Orleans, Seneca, Wayne, Wyoming, Yates
Long Island	Nassau, Suffolk
Mid-Hudson	Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster, Westchester
Mohawk Valley	Fulton, Hamilton, Herkimer, Montgomery, Oneida, Schoharie
New York City	Bronx, New York, Kings, Richmond, Queens
North Country	Clinton, Essex, Franklin, Jefferson, Lewis, St. Lawrence
Southern Tier	Broome, Chemung, Chenango, Delaware, Otsego, Schuyler, Steuben, Tioga, Tompkins
Western New York	Allegany, Cattaraugus, Chautauqua, Erie, Niagara

### New York State Government Expenditures on Long Island

Following LIA's methodology, data on New York State government expenditures on Long Island was obtained from the New York State Comptroller's Office through a "FOIL" request (Public Officers Law, article 6) and from the Comptroller's Cash Basis Report. The Comptroller's office provided a summary of payments to vendors that received payment using a zip code within Nassau or Suffolk Counties. The analysis does not include vendors who may have provided services in Nassau or Suffolk County but did not have a mailing address in either county.

The Comptroller's office also provided information on Medicaid payments to Long Island recipients, inclusive of the county, state, and federal shares. For the service period 4/1/2021-3/31/2022 Medicaid payments to Nassau County were \$3,135,709,255 and to Suffolk County were \$3,761,654,717. The Comptroller's Cash Basis report shows that 65.9% of State Medicaid expenditures are covered by the Federal government. As the federal share is already accounted for in the federal balance of payments, the state Medicaid figures in this study were adjusted to remove the federal portion. Further, the approximate



local funding share of these Medicaid costs were calculated from County budget documents as 6.2% and 5.3% in Nassau and Suffolk, respectively. Those amounts were likewise subtracted from the totals.

The summary level data for personal service costs provided by the Comptroller for Nassau and Suffolk counties is as follows: the total gross wages for the 8,587 state employees living in Nassau was \$541,441,594; and the total gross wages for the 24,730 state employees in Suffolk was \$1,470,000,301.

Unemployment insurance, as calculated from the New York State Department of Labor's weekly claims and benefits data, showed that regular unemployment insurance payments supported by the state totaled \$262,871,800 in Suffolk County \$216,492,000 in Nassau County. Combined, unemployment insurance payments to Long Island comprised 12.9% of the state total.

This analysis differs from LIA's in its inclusion of direct payments from the state to taxpayers in the form of School Tax Relief (STAR) benefits. In 1997 New York State established the STAR program, which shifts a portion of local education tax burdens from individual school districts to the state. Throughout the state, STAR provides relief from school district levies on residential properties (redirecting the burden to taxpayers statewide).

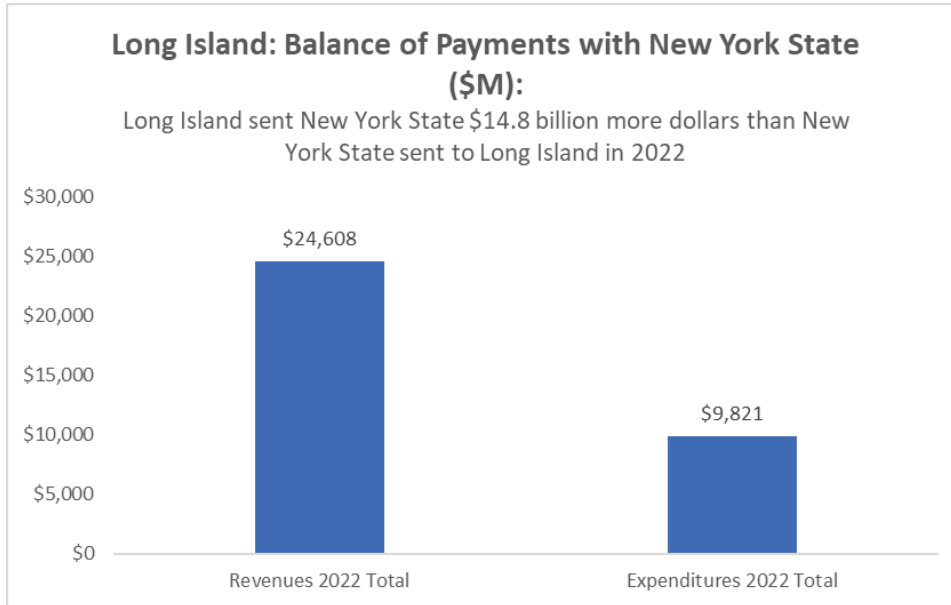
The STAR Program takes two forms: the Basic STAR and the Enhanced STAR. The Basic STAR is open to the primary residence of any New York State resident and exempts \$30,000 from the true value of a home or property. The Enhanced STAR, for eligible senior citizens at or above age 65, exempts an annually variable amount from the true value of their primary residence. Essentially, the program is aimed to lower the tax burden on school district residents. This does not affect the overall revenue of a given school district; the difference is made up by the state, essentially making the program another source of state aid.

The STAR program has gone through a series of modifications since its inception. Importantly, for those enrolling after 2015, STAR provides a refundable credit on the homeowner's personal income tax. For those enrolled before the change, the benefit continued to be an exemption on school district tax bills for which school districts were reimbursed through direct payment from the State. As properties turnover and the benefit shifts to a tax credit, the State payments reported here continues to fall. The balance is reflected in reduced income tax payments to the State. The total amount of reimbursement payments to Long Island in school district levy year 2021-2022 was \$578,872,055. As previously noted, this analysis differs from LIA's in its inclusion of direct payments from the state to taxpayers in the form of School Tax Relief (STAR) benefits. Though not included in the LIA report, the corresponding amount in 2012-2013 was \$845,754,179.

**Combined, this analysis shows that New York State spent \$14.1 billion on Long Island for the fiscal year 2021-2022 out of approximate state funded expenditures of \$117.4 billion. Long Island received approximately 12.0 percent of state spending despite constituting 14.8 percent of the state population.**



**Figure A.1: Long Island 2022 Balance of Payments with New York State**



## Revenues Collected by the United States Federal Government

For each of the revenue sources collected by the U.S. federal government, the methodology adopted by the 2013 LIA study, which uses NYS's shares adjusted for the Long Island share of personal income is used. Because most federal tax revenue is derived from its progressive individual income tax, this is the best indicator of revenue collections by county in the state and nation.

For these collections, the project team used the U.S Internal Revenue Service's (IRS) Data Book 2023, Table 5.

### Federal Revenues in 2022 (\$M)

New York	\$360,342
Long Island	\$68,045

### Individual Income Taxes

Figures for individual income tax collections are provided in the Internal Revenue Service's Statistics of Income Table 2 at the county level in Table 2. The most recent available data for this revenue source is 2020, thus figures from tax year 2020 were used to estimate tax year 2022 collections. The federal government received \$44.2 billion in individual income tax collections from Long Island out of a total \$2.6 trillion in collections, amounting to 1.68 percent.

### Social Insurance and Retirement Receipts

Social insurance and retirement receipts are comprised of Old-Age, Survivors Insurance, and Disability Insurance (OASDI), Hospital Insurance, Railroad Retirement, Unemployment Insurance (Trust Funds) and Other Retirement (Federal Employees and Non-Federal Employees). Data for OASDI came from the Social Security Administration's Table 3 and was aggregated based on contributions by county, amounting





to net contributions of \$13.2 billion from Long Island. Hospital Insurance was collected from the Social Security Administration's Table 6 and aggregated based on number of persons with Medicare Part A (HI) taxable contributions, amounting to \$4.4 billion from Long Island residents. Railroad Retirement was calculated at the federal level from Historical Table 2.4, then disaggregated to New York State using the Bureau of Economic Analysis's Table CAIC 6N: Compensation of Employees by NAICS Industry. This was then disaggregated to the county level using data from the Quarterly Census of Employment and Wages, amounting to \$84.2 million in revenues from Long Island. Unemployment Insurance was calculated from the Bureau of Economic Analysis' Table CAIC4 on Earnings by Place of Work, then broken down to the State and county levels using the Department of Labor's Unemployment Insurance Financial Transaction Summary, amounting to \$632.5 million in collections from Long Island. Other Retirement was calculated at the federal level using census data and housing unit estimates.

### **Corporate Income Taxes**

At the federal level, Corporate Income Tax revenues were calculated using a weighted average of capital and wages (assuming 75% capital and 25% wages) using the Bureau of Economic Analysis' Table CAINC4 on Personal Income and Employment by Major Component by County. \$4.1 billion in revenues were collected from Long Island, amounting to 0.96 percent of gross federal collections.

### **Excise Taxes**

Excise tax receipts are comprised of Transportation (Trust Fund) collections, Tobacco collections, Airport and Airway Collections, Health Insurance Providers collections, Alcohol collections and Other Excises. Data at the federal level for these collections came from the Office of Management and Budget's Historical Table 2.4: Composition of Social Insurance and Retirement Receipts and of Excise Taxes. Disaggregation estimates for New York State and Nassau and Suffolk counties for Tobacco, Airport and Airway, and Other Excises using 2022 Census Population estimates. For Transportation (Trust Fund), the methodology uses Federal Highway Trust Fund Receipts Attributable to Highway Users in Each State from fiscal year 2021. To disaggregate from the New York State figure, this report assumes the same Long Island percentage of New York from the 2013 Long Island Association report. For Alcohol tax receipts, federal receipts are disaggregated to the State level using NIAA Alcohol Consumption data, then further disaggregated to Nassau and Suffolk counties using the percent of New York's taxable sales of alcohol from Long Island.

### **Other Allocable Receipts**

Other allocable receipts are comprised only of Estate and Gift Taxes, estimated at the federal level from Historical Table 2.5 on Composition of "Other Receipts", then further disaggregated to the State level using IRS Gross Collections Table 5. The estate tax disaggregate multiplier from the state level work was used to estimate the total value from Long Island, producing net revenues of \$775.5 million, 25.4 percent of total New York State collections.

## **Federal Government Expenditures on Long Island and New York State**

The primary document used to determine federal expenditures by state and county in reports prior to 2011 was the Consolidated Federal Funds Report: State and County Areas. In lieu of that report, this report has drawn on methodology from the Long Island Association's 2013 report, using data from the federal government sponsored website USAspending.gov as well as the Office of Management and Budget's Historical Table 11.3, which provided a detailed breakdown on federal expenditures by type.



### **Federal Expenditures in 2022(\$M)**

New York	\$367,323
Long Island	\$46,907

### **Social Security and Railroad Retirement**

Expenditures for Social Security and Railroad Retirement were calculated at the federal level using Historical Table 11.3: Outlays for Payments for Individuals by Category and Major Program. For Social Security expenditures, this was then disaggregated to the State and county level using data from USA Spending, producing net expenditures of \$12.3 billion on Long Island in Social Security. Railroad Retirement was disaggregated to the State level using the Bureau of Economic Analysis' Table CAINC35 on retirement and disability insurance benefits, then further disaggregated to the county level using IMPLAN data for the Rail Transportation sector labor income, producing net expenditures of \$62.8 million on Long Island. Total Social Security and Railroad Retirement Expenditures on Long Island amounted to \$12.3 billion.

### **Federal Employees Retirement Insurance**

Retirement Insurance for federal employees is an aggregate of Civil Service Retirement, Veterans Service-Connected Compensation, Military Retirement, and other federal retirement. At the federal level, these were all calculated based on Historical Table 11.3. Civil Service Retirement was disaggregated to the State level using the New York percent of total annuitants from the 2017 Federal Civilian Employment Report of Civil Service Retirement Annuitants, then further disaggregated to the county level using data from the 2022 American Community Survey on the share of New York State's government workers from Nassau and Suffolk counties. Long Island accounted for \$593.5 million in spending, or 17.5% of New York State's \$3.4 billion in federal expenditures. Veterans Service- Connected Compensation spending was disaggregated to the State and county levels using compensation and pension data from the Geographic Distribution of the Department of Veterans Affairs Expenditures. Nassau and Suffolk Counties accounted for \$425.2 million in federal expenditures, or 0.3 percent of total federal expenditures on Veterans Service-Connected Compensation. Military Retirement was disaggregated to the State level using the Statistical Report on Military Retirement by State, then further disaggregated to the county level using the BEA's CAINC35. Expenditures on Long Island for Military Retirement accounted for \$241.4 million of New York State's \$960.5 million in federal expenditures. Finally, other federal employee retirement and insurance spending was disaggregated to the State and county levels using Census population data. Total expenditures for Federal Employees Retirement Insurance amounted to \$1.3 billion on Long Island out of a total \$308.8 billion in federal spending.

### **Unemployment Assistance**

Data on total federal spending on unemployment assistance was collected from Historical Table 11.3. This was then disaggregated to the State and county levels using the Department of Labor's Net Unemployment Insurance Benefits. Total unemployment assistance expenditures on Long Island amounted to \$532.3 million, or 13.6 percent of New York State's \$3.9 billion in federal expenditures.

### **Medical Care**

Medicare expenditures were calculated at the federal level using Historical Table 11.3, then disaggregated to the State and county levels using the BEA's Table CAINC35. Medicare expenditures (Supplementary Medical and Hospital Insurance) amounted to \$10.0 billion on Long Island, or 1.1 percent of total federal spending. Refundable Premium Tax Credit and Cost Sharing Reductions was disaggregated using the allocators based on ACA Refundable Premium Tax Credit enrollment data, published in Tables 3 and 4 in the Early 2020 Effectuated Enrollment Snapshot report published by the Centers for Medicaid and Medicare Services (CMS). This source was used to create a weighted state-by-state distribution that was then used to allocate the total in the Federal budget. This line item amounted to \$171.1 million in expenditures on Long Island, or 13.8 percent of New York State's \$1.2 billion in federal expenditures.



Uniformed Services Retiree Health Care Fund (TRICARE) expenditures were disaggregated using the Evaluation of TRICARE Program FY 2022 Report to Congress for State level expenditures, then disaggregated to the county-level using 2022 American Community Survey data on active-duty armed forces by location. This amount to \$10.3 million in TRICARE expenditures on Long Island out of \$205.7 million in expenditures to New York State. Other medical care expenditures were aggregated using US Census population data, amounting to \$327.9 million in spending on Long Island out of a total \$37.6 billion in federal expenditures overall. Overall, expenditures for Medical Care amounted to \$11.1 billion on Long Island out of the total \$66.0 billion in federal expenditures to New York State.

### **Assistance to Students**

Assistance to students, both through Student Assistance from the Department of Education and Veterans Education Benefits, was calculated at the federal level using Historical Table 11.3. Student assistance expenditures were disaggregated to the State and county levels using the BEA's Table CAINC35 and does not include Education Stabilization Fund and Student Loan Deferral amounts, which are classified under Covid-19 relief. Veterans Education Benefits were disaggregated using education and vocational employment data from the General Description of Geographic Distribution of the Department of Veterans Affairs Expenditures. In total, student assistance spending amounted to \$3.3 billion on Long Island, out of the total \$31.0 billion in expenditures to New York State.

### **Housing Assistance**

The aggregate federal expenditure on housing assistance of \$16.3 billion was sourced from Historical Table 11.3. This amount was then disaggregated using federal action obligation information published in USA Spending, amounting to \$60.0 million of Long Island of the total \$2.0 billion to New York State.

### **Food and Nutrition Assistance**

Food and Nutrition Assistance expenditures are comprised of SNAP and other food and nutrition assistance programs. Information on SNAP expenditures was sourced from Historical Table 11.3, amounting to \$137.8 billion in federal spending. This was then disaggregated to the State level using USA Spending data by CFDA code, then further disaggregated to the county level using US Census Bureau tables S2201 and S2202 on SNAP expenditures by geography. Other Food and Nutrition Assistance was calculated as the difference between total Food and Nutrition Assistance reported in Historical Table 11.3 and total federal expenditures on SNAP, amounting to \$150 million. The same disaggregation methodology was applied to this line item. In total, Food and Nutrition Assistance expenditures on Long Island amounted to \$528.4 million in spending out of total federal expenditures to New York State of \$10.7 billion. Federal expenditures Food and Nutrition Assistance in Long Island amounted to only 0.37 percent of gross federal expenditures.

### **Public Assistance and Related Programs**

Public Assistance and Related Programs are comprised of several different tax credit programs, data for which was sourced from Historical Table 11.3. Federal expenditures on the earned income tax credit amounted to \$64.2 billion, which was disaggregated to the State level using IRS Historical SOI Table 2, and subsequently to the county level using the percentage breakdown to Nassau and Suffolk counties from New York State's Individual Income Tax Receipts in 2020. Of the \$3.6 billion in earned income tax credit expenditures that went to New York State, \$327.8 million went to Long Island. Federal expenditures for the supplemental security income program amounted to \$58.9 billion total, which was disaggregated to the State level using Federal SSI data from Table 7.B7 - Total Federally Administered Payments by State and Other Areas. This amount was then disaggregated to the county level using American Community Survey data on mean supplemental security income and recipients by county. Of the total \$4.5 billion in supplemental security income expenditures to New York State, \$421.7 million went to Long Island. Child tax credit and child and dependent care tax credit spending totaled \$138.9 billion in federal expenditures. This amount was disaggregated to the State level using Statistics of Income Tax Stats Historical Table 2,



amounting to \$7.2 billion. This was then disaggregated to the county level using New York State Individual Income Tax Receipts and applying the 2020 percent of New York's total accounted for by Nassau and Suffolk counties to the 2022 New York State expenditure amount. Coronavirus payments and credits amounted to \$42.6 billion in federal expenditures, disaggregated to the State level using IRS Table 8: Amount of Refunds Issued, Including Interest, by Type of Refund and State for Fiscal Year 2022. This amount, \$2.4 billion, was then disaggregated to the county level using New York State Individual Income Tax Receipts, amounting to \$331.6 million in federal expenditures to Long Island. Other public assistance was calculated as the difference between the total public assistance and related program federal expenditure amount and the other four component programs therein, and further disaggregated to the State and county level using US Census population data, amounting to \$4.7 billion in total expenditures, \$40.7 million of which were spent on Long Island. All other payments for individuals data at the federal level came from Historical Table 11.3 and was disaggregated to the State and county level using US Census population data.

### **Grants**

Grants information was sourced from the Federal Funds Information Service (FFIS) grants database at the federal and state level, then disaggregated using US Census population data.

### **Contracts**

All contracts data was sourced from USAspending.gov.

#### **Federal Expenditures - Contracts (\$M)**

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Federal Total	\$756,985
New York	\$29,373
Long Island	\$2,297

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### **Covid-19 Relief Spending**

The Coronavirus Pandemic prompted a number of federal response programs with targeted funds towards state and local distribution. Data on -19 relief spending was collected from the Federal Funds Information Service, the Treasury Department, as well as IRS Table 8. Pandemic relief has been ongoing since the novel virus hit the United States in 2020, however many of the designated funds expired during or before FY 2022. Pandemic-related relief funding is treated as a one-time shock to the economy and therefore excluded from Balance of Payments calculations. Below is a breakdown of pandemic relief spending by place of performance.

#### **Federal Expenditures - COVID-19 Relief (\$M)**

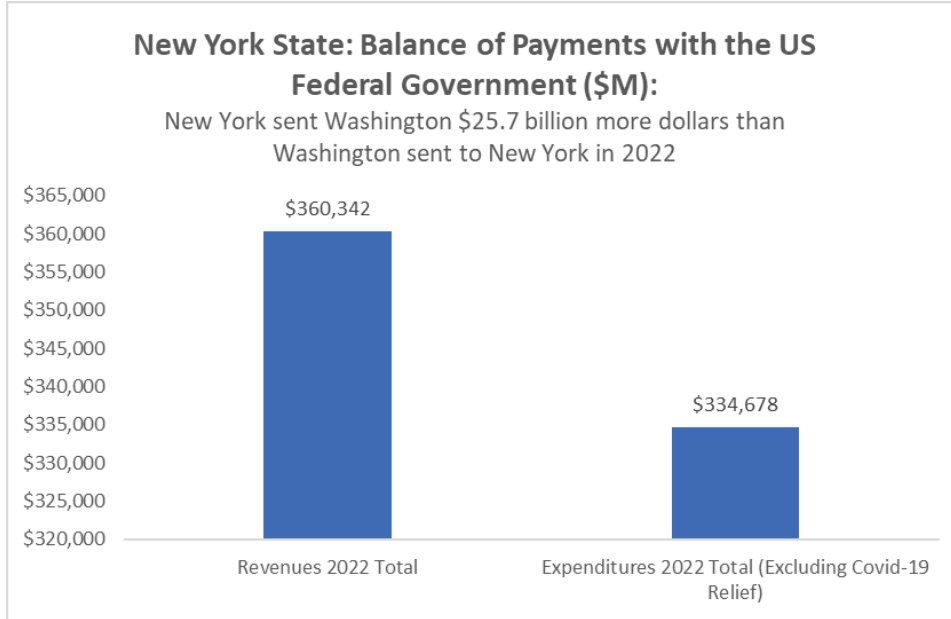
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Federal Total	\$546,976
New York	\$32,646
Long Island	\$4,837

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**Figure A.2: New York State Balance of Payments with the US Federal Government, 2022**



**Figure A.3: Long Island Balance of Payments with the Federal Government, 2022**

