Addenda #33 – March 2025, Update – May 2025
Re: Ch. 9 Modern Monetary Theory – Fueling Unlimited Debt and Dependency, and Control

Addenda #33 main points of discussion
Governor Kathy Hochul's negative ratings going into the 2026 election cycle resulted in:
1. Record spending in FY2026 budget, plus
2. Billions in middle-class "tax cuts", plus
3. A "tripled" child tax credit, plus
4. inflation "relief" (1x stimulus checks), equals
5. a "Deficiency" of Receipts over Disbursements of -$8.134 billion
6. new debt issuance of $9.852 billion to cover the "Deficiency"
7. total debt outstanding of $65.09 billion that has to be repaid to borrowers, plus
8. interest paid to debt holders of $2.318 billion (included in budget expenditures)

This budget is neither balanced nor fiscally responsible.

"I promised New Yorkers to fight like hell to put money back in their pockets and make our streets and subways safer. That's exactly what this budget will do. Working with our partners in the Legislature we've reached an agreement to pass a balanced, fiscally responsible budget. Good things take time, and this budget is going to make a real difference for New York families."
Statement by Governor Kathy Hochul, April 29, 2025

The FY2026 New York state budget as passed, includes a $1 billion tax cut for middle-class and low-income residents, $2 billion in Inflation Refund income-based stimulus payments, doubling the Empire State Child Tax Credit, extended childcare subsidies, an $1,800 "birth allowance" for parents receiving public assistance, free breakfast and lunch for every K-12 student regardless of family income, free community college for qualifying students, billions in additional infrastructure upgrades and "a record $1 billion investment in climate priorities." [1] [2] Sounds like Governor Hochul has her own Build Back Better framework going on in New York state!

The governor's budget proposal called for $252 billion in spending. The Democrat state legislature increased spending by an additional $2 billion, for record spending of $254 billion. The original budget showed a deficit of $8.1 billion and required the issuance of $9.9 billion in debt to finance the shortfall and interest payments to service the states $65 billion in outstanding debt. State debt issuance will have to be increased in order to fund Democrat legislators additional $2 billion in spending and interest. "At $254 billion, this is the largest and one of the most irresponsible budgets in state history" [3]
Not what I would call a "balanced, fiscally responsible budget" governor.

A recent study done by the American Institute for Economic Research (AIER), ran a comparison of welfare benefits paid by each state to a theoretical household. The figures represented the amount of benefits a family consisting of a single parent and two dependent children can receive annually from multiple welfare benefits programs.
In 1995, New York state paid total welfare benefits of $53,923 per household, adjusted to 2023 dollars for inflation. By 2013, payments had increased to $57,124, and by 2024 payments had increased to $78,785.
The study also found that in all 50 states, total welfare benefits not only "greatly exceed the federal poverty level but pay more than the state median income, plus they are tax-free." These benefits are greater than the take home pay a worker would receive from an entry-level, minimum wage job, giving welfare recipients a massive incentive *not* to work. [4] [5] [6]

People receiving welfare benefits are actually "punished" by giving them up and tend to choose not to work in order to maintain those benefits and maintain "leisure over labor." The result of this is that economic growth decreases, tax receipts are reduced and those who work are forced to shoulder the burden of those who choose not to. The report also notes that welfare benefits "infantilizes the poor," because, "in most cases, the payments are made directly to providers. The person being helped never even sees the money."

Infantilize: to treat someone as if that person were a child, with the result that they start behaving like one

I'm a statistics person. So many of the opinions I have formed over the years are based on statistics, with the caveat that statistics can be manipulated (figures lie, liars figure). But I feel I am pretty good at sorting out bad stats and uncovering the real data. So here is some data on poverty in New York state…

> In 2024, 13.6% of all state residents lived below the poverty level including 18% of all children under the age of 18. [7]

> In 2024, 31.1% of all New York households lived below the ALICE threshold used to measure the "working poor." [7]

> Since 2014, poverty rates in New York have surpassed the national average.

> Since 2014, Democrats have controlled the state Assembly.

> Since 2014, Democrats have controlled the state Senate for 6 of the 11 years.

> Since 2014, Democrats have controlled the office of Governor, Lieutenant Governor and Attorney General in New York state.

> The FY 2014 state budget requested $139.42 billion in total spending. Spending on Public Health, Medicaid and Social Welfare totaled $49.612 billion, 35.6% of total fiscal year budget expenditures. [8]

> The FY 2024 state budget requested $231.604 billion in total spending. Spending on Public Health, Medicaid and Social Welfare totaled $97.278 billion, almost 2x the level of 2014 and 42.0% of total fiscal year budget expenditures. [9]

> A 2024 study on poverty in the United States showed that of the 20 poorest U.S. cities, three of them; Rochester #4, Buffalo #6 and Syracuse #10 are in New York state. [10]

My interpretation of those statistics is that all this spending, proposed and approved by Democrat leadership, has done little to lift New Yorkers out of poverty. In fact, one may conclude that all this spending on social welfare and benefit programs has, in fact, created a *greater sense of dependency* on state government, a "welfare state", just as the AIER study claimed! Dependency on the government has translated to more votes for politicians, increasing *their* wealth and power, but not those who they were elected to serve.

In addition to all the "free stuff" Democrats are giving away going into the 2026 campaign, they've also included several amendments into the budget to protect *their* own earnings and position of political power. [11]
The first amendment delayed imposing a cap on lawmakers outside income by an additional two years. The income cap was passed in 2022, placing a limit on how much money lawmakers in the state Legislature could earn in addition to their government salary, in an effort to eliminate outside conflicts for legislative votes. Earnings in excess of the cap would result in a fine of up to $40,000 on lawmakers, forfeiting their state salary and their vote in the legislature. By delaying the cap a second time, lawmakers can continue to make more money and retain their voting power.

The second amendment authorized the state to borrow $8 billion from state "Reserves Funds" to pay off loans it took from the federal government to help pay pandemic-era unemployment claims. The state has been repaying the debt through higher taxes imposed on businesses but was still years away from fully repaying the loans. [12]
Labor unions and business lobbyists had pressured governor Hochul to pay off the loan so the higher SUI taxes imposed on businesses would finally end, which would benefit both business owners and their employees. Paying off the balance of the loan also allows unemployment benefits to be raised, as the state unemployment insurance fund deficit forced benefits to be frozen at 2019 levels.
Note: New York is one of 31 states that does not meet the recommended minimum solvency standard for state UI trust funds, and ranks #49 on the Department of Labor solvency chart for U.S. states. (California ranks last at #50) [13] [14]

The third amendment authorizes borrowing $10 million to fund a "legal defense fund" which would pay fees for private attorneys that state employees retain to handle probes "initiated after January 1, 2025, by the United States government. Coincidentally, this defense fund was created just as the Department of Justice is investigating New York Attorney General Letitia James for mortgage application fraud.

Background information, case #1:
On August 30, 2023, James purchased a 3-bedroom, 1-bathroom 1,450 square foot home in Norfolk, Virginia, for $240,000. James applied for a $219,780 mortgage, listing Letitia James and her niece Shamice Thompson-Hairston, as co-owners in "joint tenancy with right of survivorship as at common law," granting both parties as having equal ownership rights. James signed a document, appointing her niece as Power of Attorney to purchase the home on her behalf. That notarized mortgage document signed by James contained the statement, "We declare under penalty *of perjury* that the foregoing is true and correct."

At the beginning of this mortgage document the following declaration was stated;
"I HEREBY DECLARE that I intend to occupy this property as my principal residence."
Letitia James stated that her Norfolk residence would be her principal residence in order to secure more favorable financing terms (interest rate) on her mortgage.
And then she signed the document stating that statement was "true and correct", under penalty of perjury. [15] [16] [17]
Note: Since standard mortgage requirements for owner-occupied, principal properties typically offer substantially lower interest rates than second home investment properties, James could have realized savings of more than $160,000 over the life of this mortgage.
The problem with swearing to the correctness of the document, was that at the same time Letitia James signed the document, she was serving as Attorney General of the state of New York and living in a Brooklyn townhouse she purchased in 2001. The state A.G. must maintain their principal residence in New York state while serving in office, so James knowingly lied on that 2023 mortgage application.

Background information, case #2:
When James purchased a four story 2,631 square foot property in Brooklyn in 2001, she financed the purchase with a mortgage loan that stated the property was a one or two family dwelling. James subsequentially refinanced the property in 2003, listing the property as a "Dwelling only – 4 family" and again in 2007, listing the property as a "Dwelling Only – 1 Family." [17] [18]
James then refinanced the same property again in 2011, applying for a Home Affordable Modification Program (HAMP) loan. James applied for the HAMP loan on a "hardship claim" and received a 2.7% federally backed loan, which was specifically for owners of properties with four units or less, *not* for landlords with more rental units.

The problem with those mortgage filings was that the 2001 Certificate of Occupancy issued by the NY City Department of Buildings, stated that the building was certified as a five family dwelling. James misrepresented the building classification to the original bank lender in 2001, two subsequent lending companies in 2003 and 2007 and again to the federal government in 2008. James saved hundreds of dollars on mortgage taxes and thousands on the reduced HAMP interest rate. James also benefitted from the ability to rent out the additional four units for income as landlord.
That HAMP loan James applied for was designed to help families at risk of foreclosure. At the time, James was making in excess of $126,000 serving on the New York City Counsel plus rental income on the property, yet she filed a "hardship claim" in order to be approved for the loan.

Federal Housing Finance Agency (FHFA) Director William Pulte referred James to the Justice Department for criminal investigation when the documents were uncovered saying, "Spanning the last two decades, Ms. James has consistently misrepresented the same property as only having four units in both building permit applications and numerous mortgage documents and applications… It appears that Ms. James may have listed the Brooklyn, NY property as four units instead of five units in order to meet the conforming loan requirements and thus receive better interest rates. “At the time of the 2023 Norfolk, VA property purchase and mortgage, Ms. James was the sitting Attorney General of New York and is required by law to have her primary residence in the state of New York — even though her mortgage applications list her intent to have the Norfolk, VA property as her primary home.” James could face criminal charges, including wire fraud, mail fraud, bank fraud and making and false statements to a financial institution.

New York Democrats created a $10 million legal defense fund for elected officials, with language in the amendment stating that state officials can use money from the legal defense fund if the official has previously had interactions with the U.S. government or a U.S. government official in the course of their official duties. Since the Trump administration may well take James to court on criminal charges stemming from the two mortgage applications, James can use money from the defense fund because she has had previous “interactions” with both the president and his administration. James has indicated that she will use both private and public state funds in her defense of the charges.

I find it incredibly sad that the top legal officer of the state of New York, the person elected to enforce our laws and represent the public interest in an unbiased manner, has systematically broken laws to benefit herself financially in ways that most citizens she represents are not able to. In a similar case, former state’s attorney for Baltimore, Marylin Mosby (Dem) was convicted by a federal jury in 2024 for perjury and mortgage fraud. Mosby was sentenced to 12 months of home confinement, 100 hours of community service and three years of supervised release.

Mosby was the sitting AG at the time she was investigated and lost her reelection bid in the Democrat primary after being indicted. Letitia James is the sitting AG of New York as the FBI begins a criminal investigation into her mortgage fraud charges and would likely run for reelection in 2026. Will New York voters send James packing as well? You would think so, but then again, maybe not. New York voters have a history of reelecting prominent Democrat politicians who have been accused of offenses like James has.

> NY Assembly Speaker Sheldon Silver (Dem) was reelected to office in 2014, receiving 82% of the vote even though he had been accused of 41 criminal charges over a 12-year period. Two months later, Silver was indited on wire and mail fraud charges and using his office for extortion. Silver was found guilty on seven counts in 2015 and removed from office.

> NY Comptroller Alan Hevesi (Dem) won re-election in 2006 with 56% of the vote, while being investigated for defrauding state government by using state employees to provide services and care for his ailing wife. Hevesi was forced to reimburse NY state $90,000 and resign two months after being reelected as part of a plea deal with prosecutors.

> NY Governor Andrew Cuomo (Dem) was forced to resign from office after eleven former staffers came forward accusing him of sexual harassment in the workplace. Previous to that scandal, his administration was under investigation for covering up the true death toll in nursing homes and assisted living facilities from COVID-19, after Cuomo issued an

executive order forcing nursing homes to admit recovering patients in order to free up hospital beds. As many as 15,000 nursing home residents in New York died from COVID-19 during the time period that Cuomo's order was in effect, but the state health department undercounted the number of COVID-related deaths by as much as 50%. Cuomo rescinded the executive order, then removed all traces of the initial order from state records in an attempt to cover up his part in the scandal. In March 2025, Cuomo announced he was running for mayor of New York City, to replace the embattled incumbent Eric Adams.

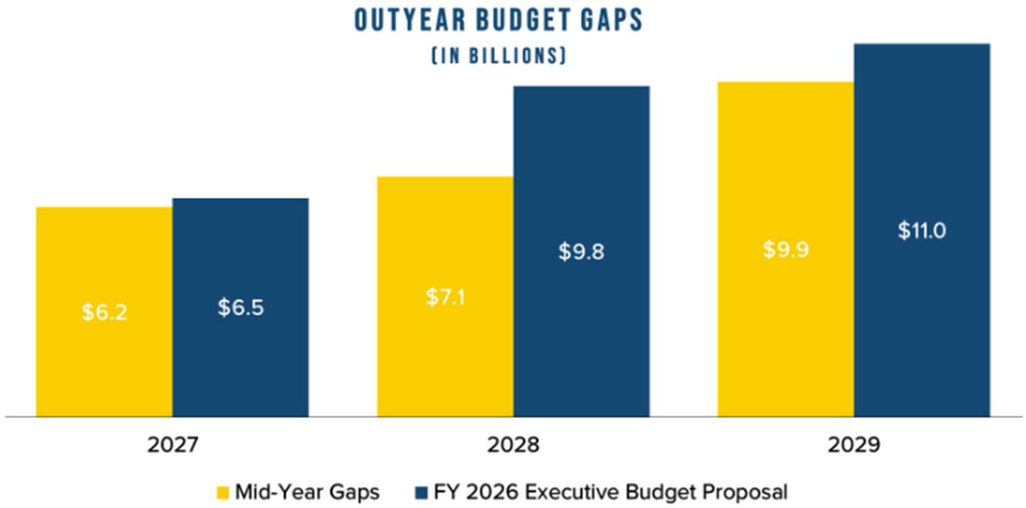
Cuomo has already raised $4 million for the November election and is the first choice of nearly four in ten likely Democratic primary voters in latest polling. In NY City's ranked choice voting system, Cuomo breaks the threshold in the fifth round where he receives 53% of likely Democratic primary voters compared to 29% for his closest competitor and goes on to win in the sixth round with 60% of the vote.

How ironic that NY City was the epicenter of the COVID-19 pandemic, with more than 45,000 deaths attributed to the virus including more than 6,200 nursing home patients. So what is their criteria for a new Democrat mayor? 74% of New York City likely Democratic primary voters want the Democratic candidate for mayor to try to oppose President Donald Trump as much as possible. It doesn't matter that he sexually harassed women. It doesn't matter that he was responsible for the deaths of thousands of nursing home patients. It doesn't matter that he gave his family special treatment during the pandemic that the rest of New Yorkers weren't privy to. It doesn't matter that he told New Yorkers to refrain from having family gatherings during the holidays while he ignored those rules. It only matters that he will oppose Donald Trump! This, is how liberal New Yorkers think and vote… Only time will tell if Letitia James will be rewarded the same way.

New York State's fiscal year 2026 budget was signed into law on May 9, more than a month after the official April 1st deadline. Critics of the budget say that the delay resulted from Governor Hochul's inclusion of criminal justice priorities in the negotiation process, which left only a few days for lawmakers to discuss the fiscal risks facing the state from the governor's budget. [19]

What we know, is spending was increased by $2 billion during the budget negotiations with Democratic leadership. Republicans have no seat at the table in negotiations due to the stranglehold Democrats have in the legislature, having a 102-48 majority in the Assembly and a 42-21 majority in the Senate.
We know that the legislature authorized borrowing $10 million to set up a legal defense fund for elected officials facing federal investigations. That leaves an additional $1.99 billion in increased spending inserted into the budget during the negotiating process. We also know that since receipts can't magically increase to cover the additional spending, the state will either have to increase taxes and/or user fees, borrow from the states Reserve Fund, or issue $2 billion more in state guaranteed debt than originally projected.

Regardless of the method used to cover the additional spending, the state "multi-year projections" already show budget gaps (shortfalls) continuing to increase due to unsustainable spending and will grow by 73% to $11.2 billion by 2029. [20]



"The outyear budget gaps are the result of a structural imbalance between forecasted levels of spending growth and available resources." [21]

Total outstanding debt for New York state is projected to rise from $56.5 billion at the end of the 2025 fiscal year, to $96.3 billion in 2030, a 70% increase in state debt in just *five years*. Increased debt will require increasing interest payments to borrowers of the debt, $3.2 billion in 2025 to $8.7 billion in 2030, continuing to fuel the downward spiral. [22]
Both Andrew Cuomo and Kathy Hochul have relied on budget maneuvers and gimmicks to "balance" the budget for years. As long as investors can be found to buy bonds issued by the state, the debt will continue to grow. This method of debt financing avoids voter approval and keeps taxpayers in the dark about how bad the states financial situation really is.

In addition to known level of outstanding debt shown in the state budget, New York also has total unfunded government related liabilities of more than $116 billion. These liabilities are for current and future payments to state government and SUNY employees for health insurance and pension benefits to retirees. The accumulation of debt and unsustainable borrowing and spending practices put residents and taxpayers at risk, giving New York state a well deserved low rating for fiscal irresponsibility.

Final Thoughts
Governor Kathy Hochul has continued to promote the culture of dependency in New York that Democrat leadership began decades ago. Hochul has also continued to burden taxpayers and businesses in New York with her expensive and oppressive climate policies while at the same time helping to change the states criminal justice system into one that excuses and protects criminals. Under Democrat leadership, New York state continues to rank at the bottom financially and economically and at the top for its tax burden on residents.
Since 2014, New York state has also been one of the states with the highest numbers of residents moving to other states. As higher income taxpayers continue to leave the state, their places are being taken by those relying on government handouts to sustain them.

Addenda #33 Update References:

1. Governor Hochul Announces Agreement on FY 2026 State Budget
https://www.budget.ny.gov/pubs/press/2025/fy26-enacted-agreement.html

2. Hochul, lawmakers finalize $254B FY 2026 New York State Budget; FingerLakes1.com,April 29, 2025
https://www.fingerlakes1.com/2025/04/29/fy-2026-new-york-state-budget-2026/

3. State Budget: GLOW lawmakers have mixed-to-highly negative reactions; The Daily News, May 10, 2025
https://www.thedailynewsonline.com/news/state-budget-glow-lawmakers-have-mixed-to-highly-negative-reactions/article_f87667de-96d1-4d87-8564-9e35c5ab88e1.html

4. On Labor Day 2013, Welfare Pays More Than Minimum-Wage Work In 35 States; Forbes, Sept 02, 2013
https://www.forbes.com/sites/theapothecary/2013/09/02/on-labor-day-2013-welfare-pays-more-than-minimum-wage-work-in-35-states/

5. The Work-Vs-Welfare Trade-Off; Revisited American Institute for Economic Research, Feb 19, 2025
https://aier.org/article/the-work-vs-welfare-tradeoff-revisited/#total-welfare-benefits-across-the-states

6. NY ranks high in welfare benefits; Empire Center, Aug 19, 2023
https://www.empirecenter.org/publications/ny-ranks-high-in-welfare-benefits/

7. 17th Annual New York State Poverty Report; NYSCAA; Aug 2024
https://www.nyscommunityaction.org/assets/docs/PovReport2024/Executive%20Summary_Poverty%20Report_2024.pdf

8. New York State FY2014 Enacted Budget Financial Plan; May 2013, Governor Andrew Cuomo, T-156
https://openbudget.ny.gov/historicalFP/fy1314archive/enacted1314/2013-14EnactedBudget.pdf

9. FY 2024 New York State Budget Financial Plan; February 2023, Governor Kathy Hochul, T-143
https://www.budget.ny.gov/pubs/archive/fy24/ex/fp/fy24fp-ex.pdf

10. 20 Poorest U.S. Cities Where the Struggle Is Real; Money Inc., Sept 25, 2024
https://moneyinc.com/20-poorest-u-s-cities-where-the-struggle-is-real/

11. NYS Dems pack budget full of 'self-serving' perks…; New York Post, May 7, 2025
https://nypost.com/2025/05/07/us-news/nys-dems-pack-budget-full-of-self-serving-perks-watchdog-group-has-nothing-positive-to-say-about-it/

12. 18 U.S. States Owe Federal Government Over $52 Billion for Unemployment Loans; Newsweek, May 27, 2021.
https://www.newsweek.com/18-us-states-owe-federal-government-over-52-billion-unemployment-loans-1595585

13. New York Will Boost Unemployment Benefits, Labor and Businesses Celebrate; New York Focus, May 8, 2025
https://nysfocus.com/2025/05/08/unemployment-benefits-insurance-debt-final-state-budget-new-york

14. State Unemployment Insurance Trust Fund Solvency Report 2024; U.S. Department of Labor, March 2024
https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2024.pdf

15. Mortgage Fraud Alert: Did Letitia James Marry Her Father?; Lou Dobbs report, March 20, 2025
https://loudobbs.com/news/mortgage-fraud-alert-did-letitia-james-marry-her-father/

16. NY Attorney General Letitia James Declares Virginia Home Her 'Principal Residence'
https://whitecollarfraud.com/2025/04/01/exclusive-ny-attorney-general-letitia-james-declares-virginia-home-her-principal-residence/

17. New York Attorney General Letitia James accused of possible mortgage fraud; CBS News, Apr 16, 2025
https://www.cbsnews.com/newyork/news/new-york-attorney-general-letitia-james-mortgage-fraud-allegation/

18. Mortgage Fraud Fallout: Letitia James' Misclassified Brooklyn Residence Confirmed by Neighbor; Project Veritas, April 18, 2025
https://www.projectveritas.com/news/mortgage-fraud-fallout-letitia-james-misclassified-brooklyn-residence-confirmed

19. Budget Breakdown: Fiscal Year 2026 Enacted Budget; Fiscal Policy Institute, May 14, 2025
https://fiscalpolicy.org/budget-breakdown-fiscal-year-2026-enacted-budget

20. FY2026 Executive Budget Financial Plan / State Financial Plan Multi-Year Projections / General Fund Projections, page 84.

21. FY2026 Executive Budget Financial Plan / Financial Plan Overview / Outyear Budget Gaps, page 18

22. FY2026 Executive Budget Financial Plan / State Debt Outstanding FY2025 through 2030, (table) T-247, page 429.