

The Public Ought to Know: City can take certain steps to ease fiscal woes

By Corey Bearak 07/03/2003



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As you read this, another city budget has passed. Many in government and many pundits blame the city's fiscal misfortunes on Sept. 11.

But long before that horrendous event, the prior administration's fiscal policies headed our city down the wrong road. State law, following the 1970s fiscal crisis, requires a budget in balance; it requires no balanced practices just that expenses and income zero out.

Under Mayor Rudy Giuliani, the city relied on "one-shots," revenues that occurred only in that year. Moreover, Mayor Rudy cut taxes on the wealthy so much that the city's income tax, in theory a progressive tax that relied on the very rich to pay their fair share, became less so.

These Rudy Rebates to the wealthiest got masked by increases in tax revenues. These Giuliani Giveaways affected the overall city budget, especially the last three years. Each year essential programs funded through allocations from the City Council and borough presidents got delayed.

The budget for the fiscal year that ended Monday eliminated essential programs for youth, housing and seniors funded through borough president allocations to the Department of Youth and Community Development. Similarly, it seriously constrained the school repair and construction budget; the cuts this past year to our schools hurt Queens, which needs many new school seats.

Rather than rebates to the rich, better policy dictates applying tax surpluses to reduce long-term costs, including pay-as-you-go capital and paying down capital debt. Both reduce the city's long-term borrowing. Compare pay as you go to using a salary bonus or unexpected nice raise to remodel your home instead of taking out a home improvement loan or second mortgage.

Look at paying down capital debt as using the same bonus or raise to pre-pay your mortgage or pay off your credit card. Either lowers monthly payments. For the city, those practices lower annual costs.

Others may point out, without rebuttal here, that the city budget contains waste or lower priority spending or opportunities for more efficient service delivery. That the city regularly underachieves in this area probably merits another column; efforts at productivity and other reforms rarely get implemented.

Reports, news stories and columns have outlined opportunities to glean savings, some worthy, others penny-wise and dollar-foolish. Real savings help but in no way address the need to recoup relinquished revenues. Mayor Rudy railed against the loss of the commuter tax, perhaps as a misdirection to his tax giveaways.

The city must replace tax giveaways, including the commuter tax. This also presents an opportunity. Rather than restore what the prior mayor gave up, why not reform the revenue system?

Make the income tax progressive again. The Queens Civic Congress plan released in January raises \$1.3 billion, with nearly 90 percent from millionaires like Mayor Mike. The Independent Budget Office projects the city's plan passed in Albany to add \$784 million in fiscal year 2004 but only \$581 million and \$284 million the following two years. The Budget for a Livable NYC Coalition proposed raising \$611 million annually on incomes over \$250,000.

Mayor Mike blew an opportunity to restore the commuter tax by seeking to tax anyone who worked or lives here the same. Restore the commuter tax at double the old level using progressive rates, which realizes more than \$1 billion, and split the revenue dedicated to transportation projects, program and services with suburban counties.

IBO estimates nearly half of all commuters earn more than \$100,000 and would pay 86.4 percent of the tax's liability; New Jersey and Connecticut residents, who comprise most out-of-state commuters, tend to have higher city-based incomes than in-state commuters.

Two weeks ago, my column noted possible real property tax revenues could generate \$1 billion to more than \$3 billion without denting our pockets as homeowners and tenants while reducing what most of us pay.

The Budget for a Livable NYC Coalition would reinstate the stock transfer tax at a penny (it was \$.05) per share valued more than \$20 and split the proceeds with the state to raise \$800 million, and reform business taxes to raise \$1.8 billion.

Other initiatives include:

- Alternatives-to-Incarceration programs;
- contracting-in, \$121 million (DC37)
- civilianization at the NYPD, \$127 million (DC37)
- Payments in Lieu of Taxes from colleges at 25 percent of their exemption, \$51.3 million (IBO)
- collecting outstanding building, health, and environmental violations fees and fines, \$50 million;
- boosting building code inspections and enforcement, \$4 million
- collecting fraudulent housing repair claims, \$4 million;
- homeless prevention and housing preservation programs (temporary monthly shelter costs \$3,000 for a homeless family and \$2,000 for an individual; rent subsidies cost \$742 per family and \$642 per individual;)
- reducing criminal case processing time, \$100 million;
- More criminal defenses handled by Legal Aid, the Appellate Defender, and Neighborhood Defender Services, \$10 million; and

And let's not forget the state gets \$3.5 billion and the Feds \$6.3 billion more than either returns to the city, while outside contracting merits an entire column.