Beyond Balance: Forward-Looking Budget Priorities for New York City

James Parrott
Fiscal Policy Institute

Nineteen Hundred and Seventy Five was a watershed year, like 1929, 1945, or 2008, when the world changed. And in that year, municipal budgeting changed forever in New York. A fiscal crisis brought on by a city government trying to be all things to all people while faced with a retreating federal government, two recessions, and the suburbanization of corporate headquarters and the white middle class, ushered in an era of fiscal good housekeeping and balanced budgets. In the subsequent 38 years, New York City has preserved those balanced budgets despite three cycles of boom and bust on Wall Street as well as the attacks on the World Trade Center. Granted, it has often resorted to "one-shots" (the bane of budget watchdogs) in order to balance the books. Nevertheless, the city has always been able to whittle away at those infamous, looming "out-year budget gaps."

State mandates for four-year financial plans, modified accrual accounting in accordance with generally accepted accounting principles (known as GAAP) for government, and an extensive monitoring apparatus that entails quarterly budget reviews issued by the city and state comptrollers and the staff of the state Financial Control Board are an important institutional legacy of the fiscal crisis. Nearly four decades after it was established, the State Financial Control Board still meets annually in July to certify that the city budget for the prior year ended in balance. There is a high degree of professionalism within the city's Office of Management and Budget. In addition, the 1989 Charter Reform established the Independent Budget Office (IBO) to review projected city revenues and expenditures and city budget priorities.[1] As a consequence of this oversight, budget professionalism, and the IBO, there likely is a greater degree of transparency in the New York City budget than in any other governmental budget in the United States.

[1] Section 237 of the New York City Charter calls for the IBO to publish a report by the first of February of each year on city budget revenues and expenditures for the ensuing fiscal year that includes "a discussion of city budget priorities, including alternative ways of allocating the total amount of appropriations, expenditures, and commitments for such fiscal year among major programs or functional categories taking into account how such alternative allocations will meet major city needs and effect balanced growth and development in the city."

This long record of budget balance is admirable and the city budget's transparency and oversight apparatus a model.[2] In the United States, only the federal government has the latitude to run a budget deficit.[3] It is essential for New York City to balance its budget. But making and debating the city's budget should also be an explicit forum for debating and addressing critical challenges and long-term city needs. Budgets always represent myriad policy choices and tradeoffs. Many critical city policy decisions, such as those involving the school system or policing, have significant budget implications that need to be considered in the context of the overall budget.

However, in many policy areas that bear directly on the budget and are either citywide or cross-cut several agencies, budget pressures have tended to induce policy creep and incrementalism in place of forward-looking, strategic priority-setting. A major challenge facing the city is to elevate its critical budget choices and tradeoffs to a more prominent level. Otherwise, pressures felt in the context of every year's budget-balancing mandate will crowd out the pursuit of longer-term priorities. The narrow focus on budget balance often has fostered an austerity mentality where gap-closing actions trump problem-solving and a forward-looking perspective geared to meaningfully addressing city needs. A multi-pronged strategy is needed that addresses issues in four broad areas that pose particular budget challenges for New York City.

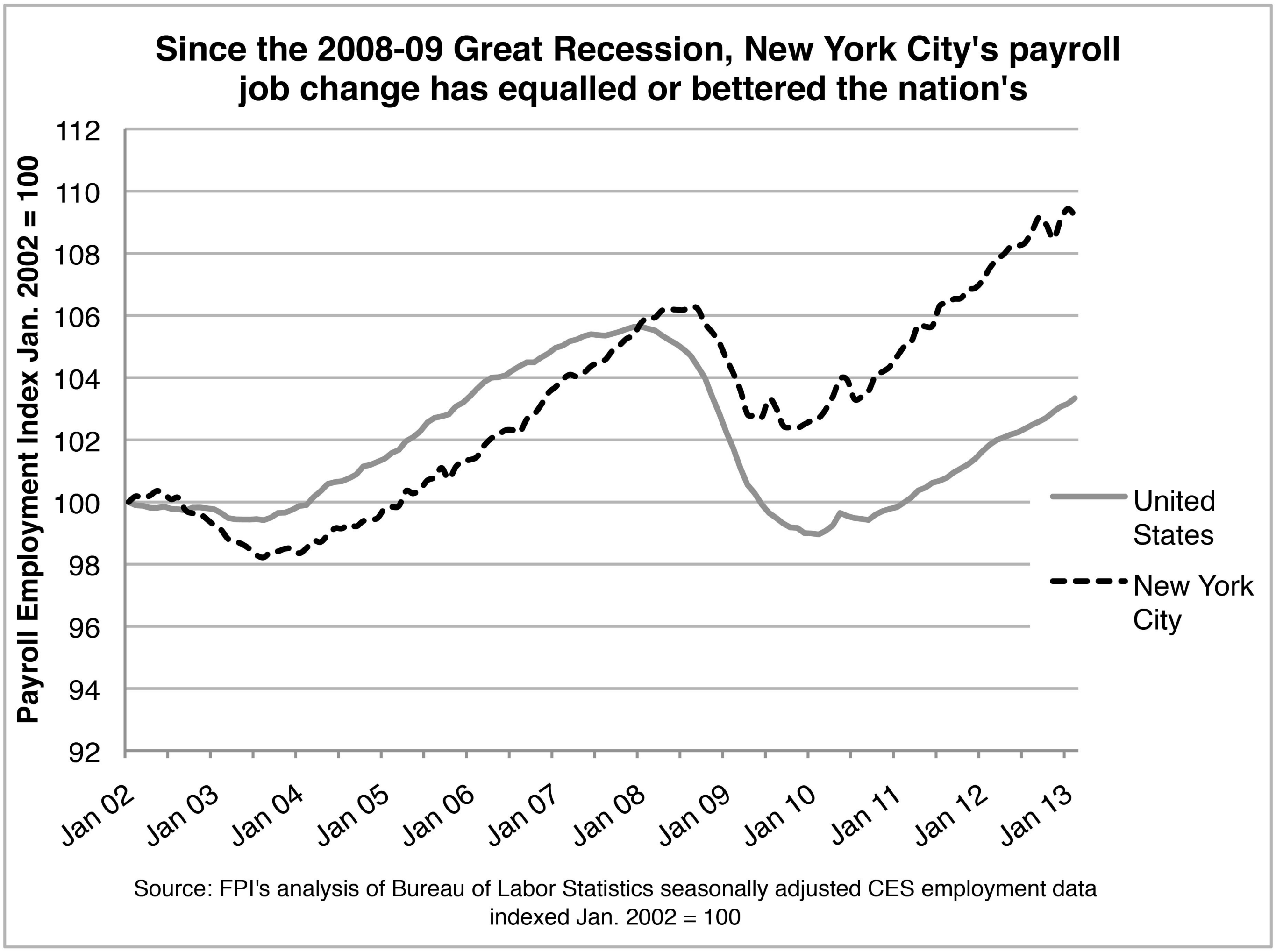
- The city needs to re-think its social safety net and policies to combat poverty.
- The city needs to use its budget and city resources to grow the economy by investing in human capital and infrastructure in a more systematic and strategic manner.
- The city should enhance the overall progressivity and efficiency of its tax structure, address inequities in the property tax, and re-think its business tax subsidies.
- The city should make the delivery of services more efficient and effective by involving the workforce, engaging in genuine labor-management collaboration, and finding the resources to settle expired collective bargaining agreements.

1. Budget Revenue and Expenditure Trends

Before discussing each aspect of this multi-pronged strategy, we take stock of the current budget picture and relevant expenditure and revenue trends. New York City has fared better than many other parts of the U.S. economy since the Great Recession of 2008-09. Over the past five years, the city's employment growth has outpaced that of the nation. (See the chart below.) However, the outlook for the city still depends largely, although not entirely, on the course of the U.S. economy. The January Blue Chip Consensus forecast projects annual U.S. real GDP growth of 2 percent in 2013 and 2.6 percent for 2014 (Blue Chip Indicators 2013), a trend that represents a slight improvement over the 2.1 percent average pace for the past three years. Growth in the low 2 percent range is half the 4.2 percent annual average for the first three years of six prior postwar recoveries (Fiscal Policy Institute 2013, 25). (U.S. constant dollar GDP fell by 3.1 percent in 2009.)

[2] On one occasion, when the economic and psychological devastation of the 9/11 attacks coincided with the onset of the 2001 recession, the state gave New York City permission to issue long-term bonds to pay for current operations (the practice that best exemplified the fiscal chewing gum and duct tape used to hold budgets together in the lead-up to the fiscal crisis).

[3] The authority to run a budget deficit is an important aspect of the federal government's national fiscal policy (macroeconomic management) and its national security responsibilities.



The massive taxpayer-financed bailout of the largest banks helped cushion New York City against the ravages of the Great Recession.[4] The city budget also benefited significantly from the federal stimulus package (the American Recovery and Reinvestment Act (ARRA)) passed in February 2009 (with subsequent extensions of education and Medicaid funding). Through its various funding streams, ARRA provided $2.5 billion to the city budget in FY2010 and $2.6 billion in FY2011.[5]

The substantial fiscal relief provided to state and local government budgets in 2009 and 2010 through ARRA was tremendously important in helping local governments cope with the sharp tax revenue contraction during the Great Recession. That aid was an abrupt departure from the previous longer-term retrenchment in federal aid to states and local governments.[6] But the ARRA aid during the recession was partially offset by a sharp reduction in state budget aid to New York City.

[4] It should be well-understood by this point that the taxpayer-financed bailout of the U.S. financial sector involved much more than the $700 billion Troubled Asset Relief Program approved by Congress in October 2008. A 2011 *New York Times* article discussed a total of $12.2 trillion in government commitments to avert the collapse of major financial institutions ("Adding Up the Government's Total Bailout Tab" 2011).

[5] Altogether for the five-year period from FY2009 through FY2013, $6.6 billion in federal stimulus funds flowed into the city's expense budget or took the form of savings in locally-funded Medicaid expenditures. In addition, a total of nearly $500 million in capital funds were provided to the city for FY2009-11 (City of New York Office of Management and Budget reports for fiscal years 2010, 2011 and 2012.)

[6] A much smaller recession-related state and local aid fiscal relief measure was provided in 2003.

New York City Budget Revenues, FY 2002-2012

($ billions)	*FY 2002*	*FY 2003*	*FY 2004*	*FY 2005*	*FY 2006*	*FY 2007*	*FY 2008*	*FY 2009*	*FY 2010*	*FY 2011*	*FY 2012*
Local taxes	$21.7	$23.3	$28.1	$30.9	$34.2	$37.8	$38.6	$35.9	$37.2	$40.4	$42.1
Misc. revs., non-govt. grants, fund transfers	$5.3	$7.4	$5.6	$6.8	$5.3	$5.6	$6.7	$6.7	$6.8	$6.5	$7.3
Federal categorical grants	$6.1	$5.6	$5.4	$6.7	$5.2	$5.5	$5.7	$5.9	$7.7	$7.7	$7.0
State categorical grants	$8.0	$8.3	$8.5	$8.8	$9.6	$10.2	$11.4	$12.1	$11.6	$11.3	$11.1
Total revenues	**$41.2**	**$44.6**	**$47.6**	**$53.1**	**$54.4**	**$59.1**	**$62.4**	**$60.6**	**$63.4**	**$65.9**	**$67.5**
Share	*FY 2002*	*FY 2003*	*FY 2004*	*FY 2005*	*FY 2006*	*FY 2007*	*FY 2008*	*FY 2009*	*FY 2010*	*FY 2011*	*FY 2012*
Local taxes	53%	53%	59%	58%	63%	64%	62%	59%	59%	61%	62%
Misc. revs., non-govt. grants, fund transfers	13%	17%	12%	13%	10%	10%	11%	11%	11%	10%	11%
Federal grants	15%	13%	11%	13%	10%	9%	9%	10%	12%	12%	10%
State grants	20%	19%	18%	17%	18%	17%	18%	20%	18%	17%	16%
Total revenues	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: IBO January 2013 Revenue summary based on Comprehensive Financial Reports of the Comptroller

As a share of total city budget revenues, federal aid declined from 15 percent in FY2002 to 9 percent in fiscal years 2007 and 2008. The FY2010 ARRA-related infusion to the city budget of $2.5 billion, and the $2.6 billion in the following year boosted the federal share of city budget revenues to 12 percent in those years. (See table opposite page.)

The state aid share of the city's budget had started to increase in FY2008 as a result of Governor Eliot Spitzer's commitment to phase in an increase in state education aid in response to the court decision in the Campaign for Fiscal Equity lawsuit (Spitzer 2007, 57-62). When the recession hit, the state's greater reliance on the economically sensitive personal income tax strained the state budget to the point that roughly $6 billion in ARRA aid together with a temporary increase in the top brackets for the state income tax were not sufficient to avert stretching out the phase-in period for the increase in state education aid. Then when ARRA aid to the state wound down in 2011, New York State kept reducing local aid. In Mayor Michael Bloomberg's FY2012 Executive Budget (May 2011), he noted that the enacted state budget for 2011-12 reduced local aid to New York City by $1.9 billion (City of New York 2012, 11).

From 2008 to 2012, local tax collections grew by 9.1 percent, an average of 2.2 percent a year, while total personal income grew by 5.8 percent, an increase of 1.4 percent a year on average. Tax collections in this period were helped by the relative stability of the property tax and by the rescission of the $400 homeowners' property tax rebate and the 7 percent property tax rate cut implemented on a temporary basis during the boom.[7]

During the 2008 to 2012 period, total city funds – taxes plus fines and fees –increased by about $4.1 billion (9.1 percent over the four years). Most of this increase went to two areas of the city budget – education and pension contributions for city workers. Largely to make up for reduced state education

[7] In 2003, in response to recession-induced budget pressures, New York State enacted a three-year temporary increase in the state's personal income tax, and a three-year temporary increase in New York City's personal income tax. Both increases were for tax years 2003-2005. In 2009, again in response to recession-related revenue shortfalls, the state enacted a three-year temporary increase in the state personal income tax. However, the state did not enact a temporary increase in the city's individual income tax. The city does not have statutory authority to increase the city's income tax on its own.

aid, New York City increased funding for the city's Department of Education by $2.1 billion over this four-year period (an increase of 30 percent).[8] Mostly to compensate for market losses in the value of pension fund assets related to the 2008 financial crash, the city increased its pension contribution by $2.2 billion (a 40-percent increase).[9]

Some other areas, notably police, fire, corrections, and environmental protection, had budget increases from 11 to 16 percent, while many other departments and services in the city budget (including Housing Preservation and Development, Parks, Libraries, and Cultural Affairs) saw an actual reduction in funds over the past four years. In particular, the seven human service agencies suffered a combined 2 percent reduction in funding. (A later section and chart provides additional information on funding changes for human service agencies.)

The 2008 financial market collapse was the principle reason why nearly two-thirds of the net increase in city funds over the past four years went to pay for pension contributions.[10] However, city public employee pension funds have not been able to seek restitution for investment losses related to fraud as pension funds have in certain other states. There have been several sizable settlements in response to lawsuits brought by investors against financial institutions selling mortgage securities or exotic derivatives that resulted in huge investor losses. New York pension funds have been restricted by the state's Martin Act from recovering pension fund losses caused by fraud. The city's pension contributions are leveling off for fiscal years 2013-2017. Tier 6 pension changes enacted by Albany in 2012 will save the city on employer contributions several years down the road.[11]

2. Current New York City Budget Outlook

By definition, the city budget outlook is a function of the interaction in expenditure and revenue trends together with any "big ticket" initiatives or other one-time developments (a.k.a. "one-shot" revenues or savings). Generally, projected expenditures are based on the expected cost of maintaining the current services baseline adjusted for reductions proposed as part of a PEG program (PEG being budget-speak for Program-to-Eliminate-the-Gap). In Mayor Bloomberg's recent first-quarter budget modification (the "November 2012 Plan"), he proposed a $555 million gap-closing program for the current budget year that includes sizable cuts to programs whose funding was restored by the City Council in the June 2012 adopted budget.

Projected revenues are comprised of city funds (taxes, fines, fees, and miscellaneous revenues generated locally) plus state and federal aid. In the FY2013 $70 billion city budget, tax collections

---

[8] ARRA had cushioned some of the reduction in state education aid to New York City with $1 billion in each of FY2010 and FY2011.

[9] The net assets of the five New York City public employee pension funds fell by $31.4 billion (28 percent) between June 30, 2007 and June 30, 2009. The increases in the City's pension contributions needed to compensate for the steep losses related to the 2008 financial market crash came on top of a contribution level already elevated beginning in FY2004 in response to similarly steep market losses (26 percent) between FY2000 and FY2003 after the bursting of the Wall Street technology bubble and various corporate financial scandals (including Enron and Worldcom). By the end of FY2012, the city pension funds had just barely returned to the net asset level registered five years earlier at the end of FY2007. Over the past 12 years, the return on city pension funds averaged less than one-half of one percent annually, increasing from $105.6 billion to $111.3 billion.

[10] Since state law requires that public pension funds be fully funded, the city was forced by the 2008 Wall Street crash to dramatically increase pension contributions in recent years.

[11] Under Tier 6, New York City employee contributions and the retirement age will increase, and pension benefits will be reduced. Since Tier 6 applies only to employees hired after March 31, 2012, New York City will not realize significant savings from reduced employer contributions for several years.

provide about 63 percent of all revenues; fines, fees, and miscellaneous revenues account for 9 percent; state aid makes up 16 percent; and federal aid accounts for 12 percent. Thus, locally-generated revenues (city funds) total $50 billion and pay for 72 percent of the overall city budget. Economically-sensitive taxes (that is, taxes other than the real property tax) generate roughly $25 billion, a little over half of all city funds.[12]

"One-shot" budget items often are sizable and factor prominently in city budget discussions. These are non-recurring items, the use of which raise concern among budget watchdogs because using them to support expenditures in one year leaves a budget hole in subsequent years that has to be filled by some other revenue source. Plus, the ability to realize revenues related to some "one-shots" can be contingent on the actions of others. The sale of additional taxi medallions was one big-ticket initiative in the FY2013 budget adopted in June 2012 that did not materialize because of an adverse state court ruling in August. This forced the city to move $635 million in expected first-year proceeds to future budget years. Another example of a large one-time budget item was a $450 million payment received in the spring of 2012 from SAIC, an Information Technology consulting firm, in settlement for alleged fraud that it committed in connection with the CityTime payroll time-keeping project. A third example is the drawdown of a surplus built up during the prior years in the Retiree Health Benefits Trust. Nearly $700 million was used in the FY2012 budget and $1 billion a year will be used in both the 2013 and 2014 budgets, by which time the trust will be completely drawn down.

It is standard practice to project budget gaps in the succeeding year and the "out years" of the four-year financial plan. The FY2014 executive budget shows a projected $2.2 billion gap in FY2015 and gaps of $1.9 billion for 2016 and $1.4 billion for 2017. By historical standards, these are fairly moderate projected gaps. This results both from an average 4.6 percent projected growth in annual tax revenues[13] and a leveling off of pension contributions and the city's share of Medicaid expenditures.

New York City's Office of Management and Budget (OMB) typically incorporates a cautious revenue projection in budget forecasts. In commenting on the November 2012 financial plan update, the state comptroller, the city comptroller and the city's Independent Budget Office (IBO) all projected higher tax collections for FY2013, and the city comptroller and the IBO projected much higher tax collections in the out years of the financial planning period. In January 2013, when Mayor Bloomberg presented his FY2014 preliminary executive budget, OMB raised their tax revenue forecast by $232 million for FY2013, $310 million for FY2014, and by amounts climbing from $385 million in FY2015 to $965 million in FY2017. Even with those considerable upward adjustments, the city comptroller and the IBO still expect much greater tax collections over the next four years – with the city comptroller expecting an average of $700 million more each year and the IBO forecasting nearly $1.5 billion more annually.[14]

Prudent budgeting practice dictates cautious revenue forecasting for future budget years. It is difficult to gauge the economic outlook with precision and any number of developments might have adverse effects

---

[12] Thus, a 1 percentage point difference in the forecast for economically-sensitive taxes equals $250 million.

[13] Growth in the total of economically sensitive and real property taxes of an average of 4.6 percent a year from FY2014-FY2017, equals $2.2 billion a year.

[14] March 2013 reports on the January FY2014 preliminary executive budget by the New York City Comptroller and the New York City Independent Budget Office. In the FY2014 executive budget, the city again raised its tax forecast for FY2013, this time by $1.2 billion.

on the city's budget.[15] But it should also be noted that, going back to 1997, the city had a year-end balance ranging from $1.4 to $4.7 billion in 15 of those 16 years and it was almost $700 million in the other year (2002) (New York City Comptroller Office, Comprehensive Annual Financial Reports, various years). The FY2012 budget ended with a $2.5 billion balance beyond what was needed to pay for FY2012 expenses, with that amount used to prepay FY2013 debt service. Yet, at the beginning of FY2011 in July 2010, the city's financial plan projected a $3.2 billion budget shortfall for FY2012. Thus, from July 2010 to June 2012, a projected $3.2 billion deficit swung to a $2.4 billion positive balance.

We should not take this juxtaposition of projected gaps and sizable eventual year-end surpluses as a reason for complacency regarding the city budget outlook, however. The FY2013 city budget has set aside very little explicitly for wage increases for city workers, even for those whose contracts expired in 2009. None of the major unions representing city employees has a current contract, and public school teachers and administrators have not gotten the increases provided by the 2008-2010 collective bargaining round. Some of the major contracts for that round were settled right around the time of the September 2008 Wall Street crash, but the teachers' contract remains unsettled.

The city budget maintained a labor reserve of $1 billion to pay for collective bargaining settlements throughout 2008, and there was still around $750 million in the reserve until mid-2010.

The Office of the State Deputy Comptroller (OSDC) for New York City estimated that the FY2013 cost to settle the long-expired teachers' and school administrators' contracts, including retroactive increases, would be $2.4 billion (Office of the State Deputy Comptroller for New York City 2012, 4). This would be the amount needed to give public school teachers and administrators the pattern (two 4 percent increases) that other city unions received for the 2008-2010 rounds.

OSDC estimated that the cost of settling the subsequent round of municipal contracts at the local inflation rate, including retroactive increases, would cost $3.1 billion in the FY2013 budget (Ibid). As of the FY2014 executive budget, the mayor's financial plan includes funding sufficient to pay 1.25 percent wage increases in 2013 and 2014, lower than the projected inflation rate. The labor reserve is $106 million for FY2013, with projected increases to $1 billion in 2017.[16]

Because of uncertainty regarding the outlook for the state and federal budgets, the city is not budgeting for significant increases in state and federal categorical aid over the next four years.

Mayor Bloomberg's FY2014 executive budget assumes that the federal government will reimburse the city for operating costs related to "Superstorm Sandy." The city estimated that the operating costs associated with emergency services in the wake of the storm came to over $1.5 billion. When damage to city infrastructure and that of the off-budget New York City Housing Authority and the Health and Hospital

[15] The risk of over-estimating revenues and/or under-estimating expenditures and ending the year with a deficit is magnified because New York City has no formal system of reserves and the state Financial Emergency Act of 1975 gives the Financial Control Board (FCB) the power to impose a control period if the city ends the year with a GAAP deficit of more than $100 million. The FEA requirement that New York City balance its budget in accordance with GAAP effectively means that the city cannot have a "rainy day fund" from which it could withdraw funds to cover a deficit. However, with approval of its independent auditors, the city utilizes a "surplus roll" mechanism, commonly through prepaying debt service due in the coming year, to move excess revenues from one year to the next (Forsythe 2006).

[16] However, as has happened with previous collective bargaining settlements, funds exist in several places in the city budget that could be applied for collective bargaining purposes.

Corporation is factored in, the mayor estimated in May that the total cost to the city and its agencies totaled $4.5 billion (City of New York Office of Management and Budget 2013, 28).

But other than that, the city is expecting the combined federal and state share of the city budget to decline from 26 percent in FY2012 to 25 percent in FY2017. The expected relative decline in state and federal aid during the next four years continues the trend over the past decade. In the FY2002 budget, federal and state aid represented nearly 35 percent of total revenues. The nominal dollar amount of federal aid projected for 2017 ($6.3 billion) is only very slightly higher than the $6.1 billion received in 2002.[17] This translates into a decline in the federal share of the city budget from 15 percent to 8 percent. The state aid share of the budget is also expected to decline from 20 percent in 2002 to 17 percent in 2017. (See the table below for city budget revenues for FY2013-17.)

New York City Budget Revenues, FY 2013-2017

($ billions)	*FY 2013*	*FY 2014*	*FY 2015*	*FY 2016*	*FY 2017*
Local taxes	$45.3	$45.2	$47.8	$49.8	$51.7
Misc. revs., non-govt. grants, fund transfers	$6.2	$6.4	$6.4	$6.4	$6.5
Federal categorical grants	$9.0	$6.4	$6.3	$6.3	$6.3
State categorical grants	$11.3	$11.7	$12.0	$12.5	$13.0
Total revenues	**$71.8**	**$69.8**	**$72.6**	**$75.1**	**$77.6**
Share	*FY 2013*	*FY 2014*	*FY 2015*	*FY 2016*	*FY 2017*
Local taxes	63%	65%	66%	66%	67%
Misc. revs., non-govt. grants, fund transfers	9%	65%	9%	9%	8%
Federal grants	13%	65%	9%	8%	8%
State grants	16%	65%	17%	17%	17%
Total revenues	**100%**	**65%**	**100%**	**100%**	**100%**

Source: January 2013 Financial Plan, FY 2013-2017

NB: *This table has been updated for the FY2014 Executive Budget proposal*

17 That is a remarkable testament to the sway that an austerity mindset has in the U.S. Capitol at present. Despite high unemployment stemming from the historically weak recovery, a budget cutting mentality prevails in Congress that is resulting in the federal government turning its back on a vast array of infrastructure and human capital investments that the economy needs to return to sustainable and broadly shared prosperity.

Taking the two revenue tables together, the trend is unmistakable that the city is more and more responsible for funding its own budget. Over the past decade (FY2002 to FY2012), the growth in city taxes ($20.4 billion) and the growth in other city funds ($2 billion), accounted for 85 percent of the $26 billion increase in the city budget. Over the five-year period from FY2012 to FY2017, the growth in city taxes and other city funds ($8.9 billion) is expected to cover nearly 88 percent of the entire $10.1 billion growth in city spending.

An increase in state aid expected through 2017 is offset by the expected decline in federal categorical aid. State school aid to New York City is expected to increase by $364 million in the coming school year and by about $300 million a year for the ensuing three years. The phased state takeover of the growth in the local share of Medicaid means that by 2017, the city will see nearly $300 million in Medicaid savings annually. Other state aid funding streams coming to the city, including those for most social service programs, are not expected to increase.

The outlook for federal aid to New York City, however, is difficult to pinpoint given the uncertain outcome of actions to be taken in the months ahead on further federal budget cuts. Substantial federal budget cuts would jeopardize many areas of city education and social services spending, and federal cuts to New York State likely would lead the state to cut back on its aid to local governments, including to New York City.

The city budget and city government face some large challenges and an aggressive multi-pronged strategy is needed to meet them. Four components of such a strategy are discussed below.

3. Rethinking the Social Safety Net and Policies to Combat Poverty

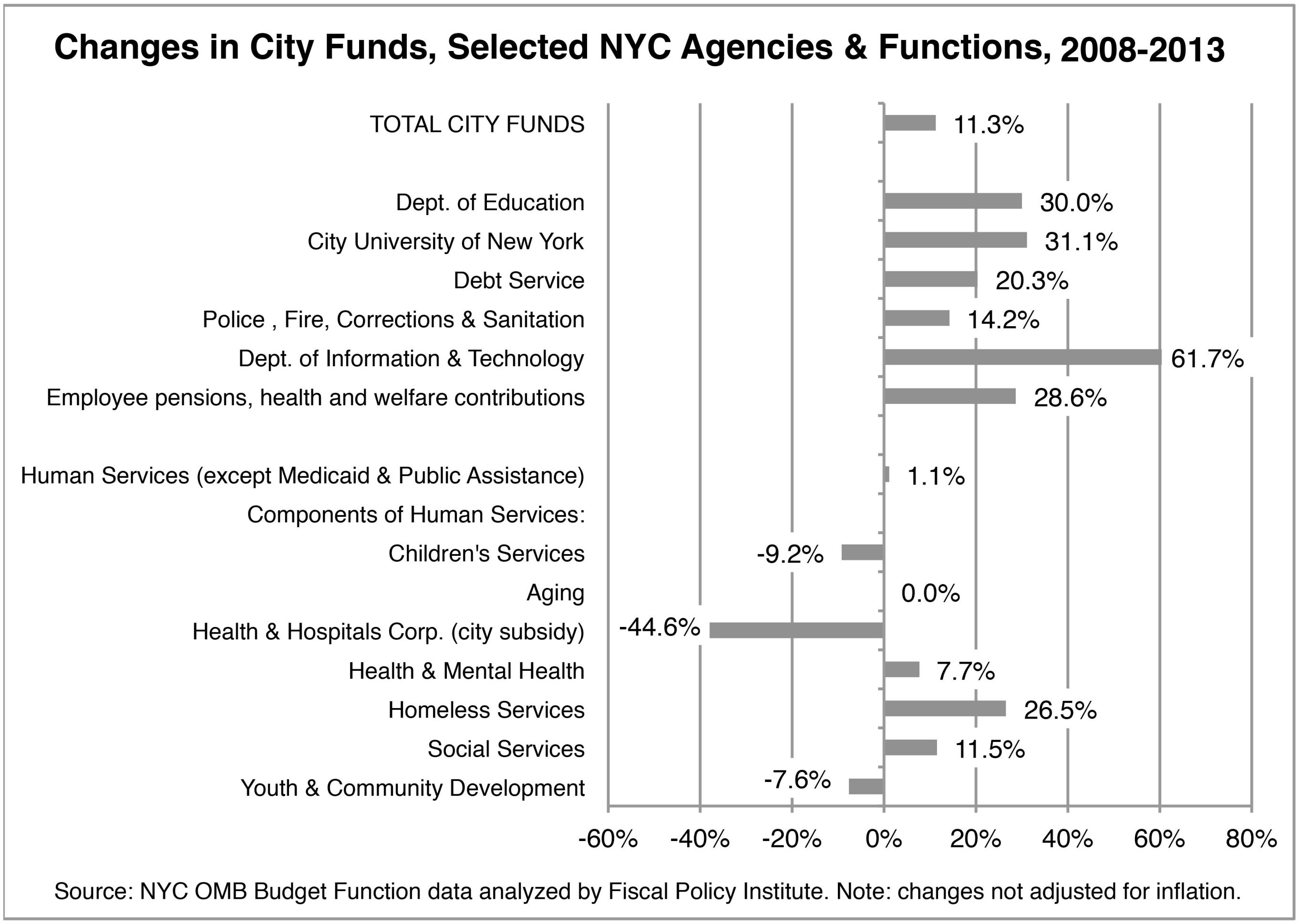
The city's social safety net shrinks in the wake of the Great Recession

Since the 2008 recession began, the city has scaled back its commitment to support human services. In the five years from 2008 to 2013, city-funded expenditures rose by 11 percent (the local inflation rate for this period was 9 percent).[18] However, over this five-year stretch, city funding for the seven human service agencies (Administration for Children's Services, Aging, Health and Hospitals Corporation, Health and Mental Hygiene, Homeless Services, Social Services, and Youth and Community Development) increased by only 1.1 percent (falling 8 percent in inflation-adjusted terms). (See the chart below.) Spending on Medicaid and homecare increased 10 percent (before inflation) and public assistance grants increased about 20 percent (also before inflation). This was despite a flat number of recipients, (notwithstanding the rise in unemployment) because Governor David Paterson initiated a phased-in 30 percent increase in the monthly benefit. Medicaid payments go to health care providers, not directly to Medicaid patients.

This retrenchment in human services spending occurred despite increased recession-related hardships and slashed budgets for programs ranging from after-school services, to child-care subsidies, senior citizen centers and meals, and transitional employment programs. Had spending on these human

[18] Changes cited in this section for the 2008-2013 period, and in the accompanying chart, are based on projected FY2013 expenditures from the January Preliminary FY2014 Budget.

services kept pace with overall city budget trends, human services spending would have been about $300 million greater in 2013 (nearly $3.2 billion instead of $2.9 billion.)

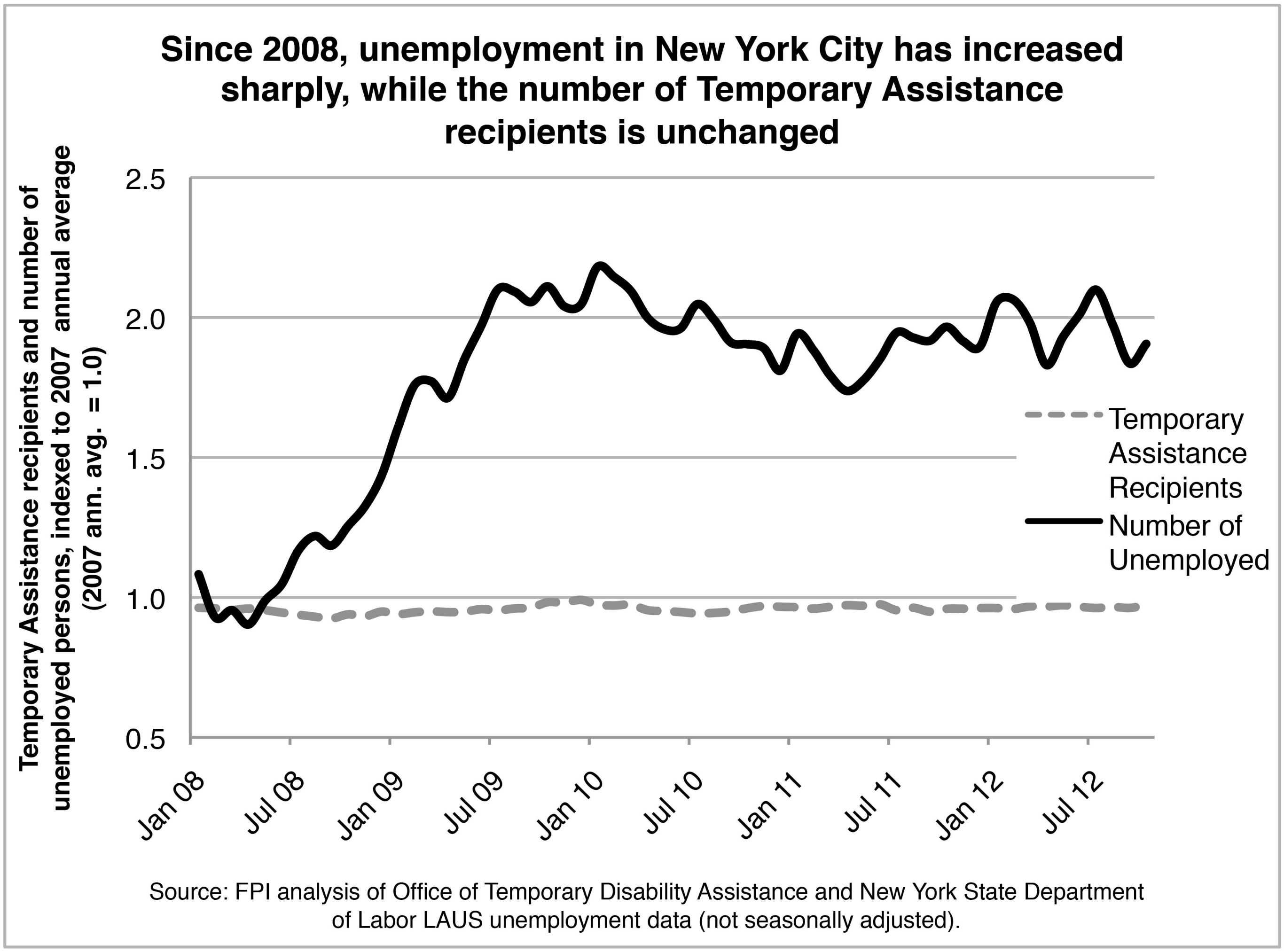


This shift in city funding priorities came at a time when the Great Recession and sustained high unemployment increased needs, which remain extremely high in low-income neighborhoods not helped by the city's uneven economic recovery.[19]

Growing hardship is also indicated by the sharp increase in those receiving Medicaid or food stamps. Since the recession began, the number of Medicaid enrollees rose by 17 percent. Thirty-eight percent of city residents (3.2 million) now rely on it. The number of food stamps recipients rose by 715,000 (63 percent) to 1,845,000, from the end of 2007 to August 2012. In addition, homelessness has risen to record levels, affecting 47,000 residents, including 20,000 children each night.

---

[19] In the poorest one-third of the city's neighborhoods, unemployment averaged over 11 percent during the first half of 2012. In the richest one-third of city neighborhoods, unemployment has averaged less than 7 percent.



Despite the severity of the recession and a doubling of unemployment, New York City's public assistance rolls have not significantly increased over the past four years. (See the chart below.) A recent Urban Justice Center report documented apparently systematic practices on the part of the city's Human Resource Administration that result in "wrongful benefit reductions and terminations" (McNeil 2011). The city has apparently made a policy choice to discourage the needy from seeking public assistance and to terminate benefits for many of those who manage to navigate a maze of application roadblocks. The five-year lifetime time limit for federal Temporary Assistance for Needy Families (TANF) eligibility has had an effect, but there is no time limit for the state's Safety Net Assistance program, which serves in part as a backstop to those not eligible for TANF.

Since the start of the recession, 200,000 more city residents have fallen into poverty, bringing the total to 1.7 million out of a population of 8.1 million. (The federal poverty threshold for a three-person family was $17,916 in 2011.) Yet, the city's public assistance rolls increased by less than 14,000 persons (or 4 percent) from September 2008 to September 2012. In the rest of New York State outside of New York City, the number of people on public assistance rose by 29 percent, according to the New York State Office of Temporary and Disability Assistance.

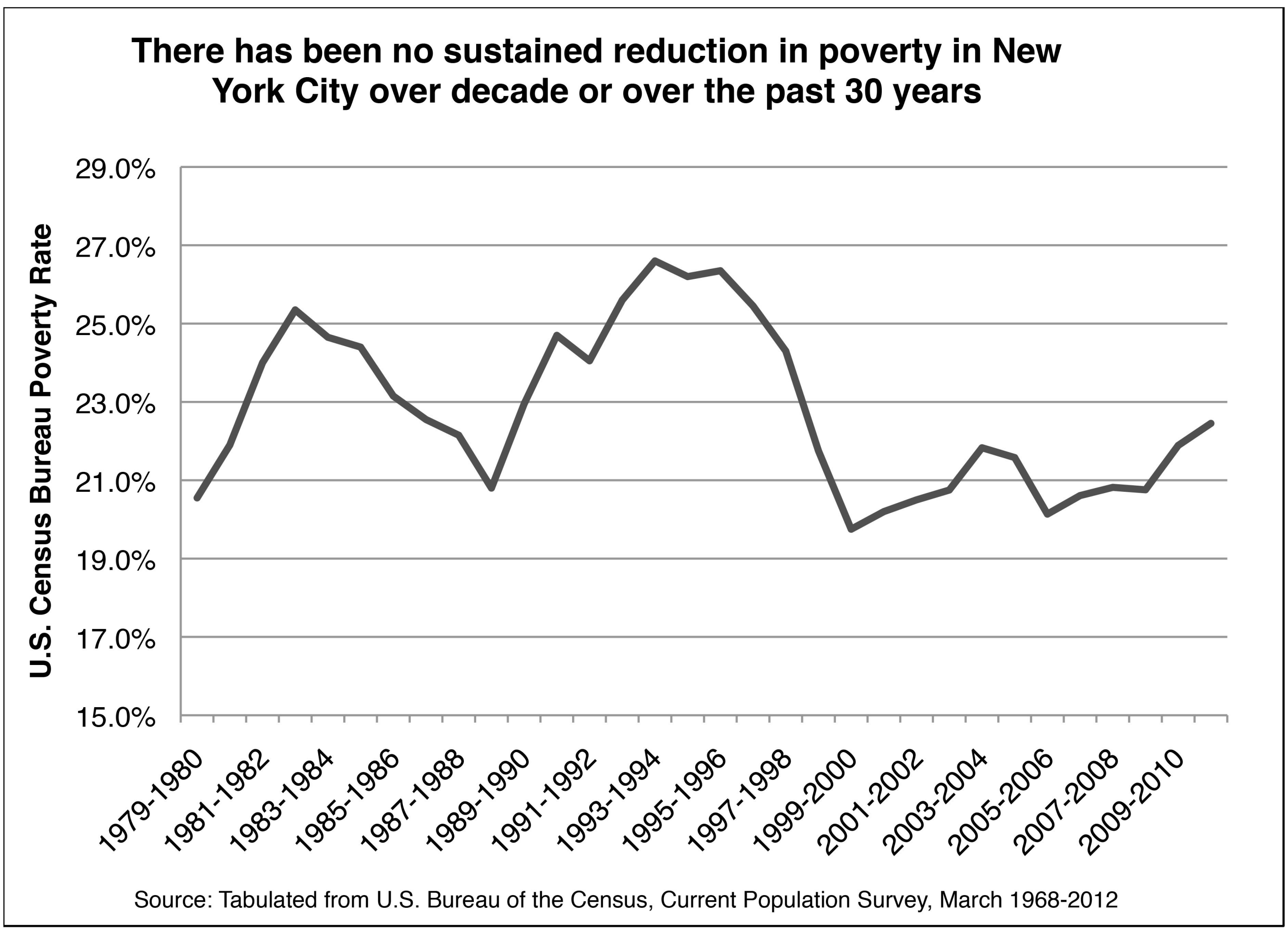
New York City's poverty rate climbed from 18.2 percent in 2008 to 20.9 percent in 2011, according to the American Community Survey. The 2.7 percentage point increase in the city's poverty rate was the same as for the nation as a whole over this period. Child poverty was nearly 30 percent in New York City in

2011. Another 20 percent of the city's population have incomes that can be considered "near poverty," that is, 100-200 percent of the poverty line. The number of city residents living in "deep poverty," considered to be half the official poverty threshold, increased from 2008 to 2011 even faster than the city's overall poverty increase. The number of homeless people sleeping each night in the city shelter system in October 2012 was an all-time high of 48,700, a third greater than in the fall of 2008 (Coalition for the Homeless 2012). City funds for the Department of Homeless Services will exceed $450 million, nearly the amount the city spends on the City University of New York (CUNY).

In 2011, 400,000 workers, or one in every ten workers living in New York City, were paid wages that kept them in poverty, according to the American Community Survey. These 400,000 constitute the "working poor" – those who work either part-time or full-time but still have family incomes below the poverty line.

No sustained progress made in reducing poverty

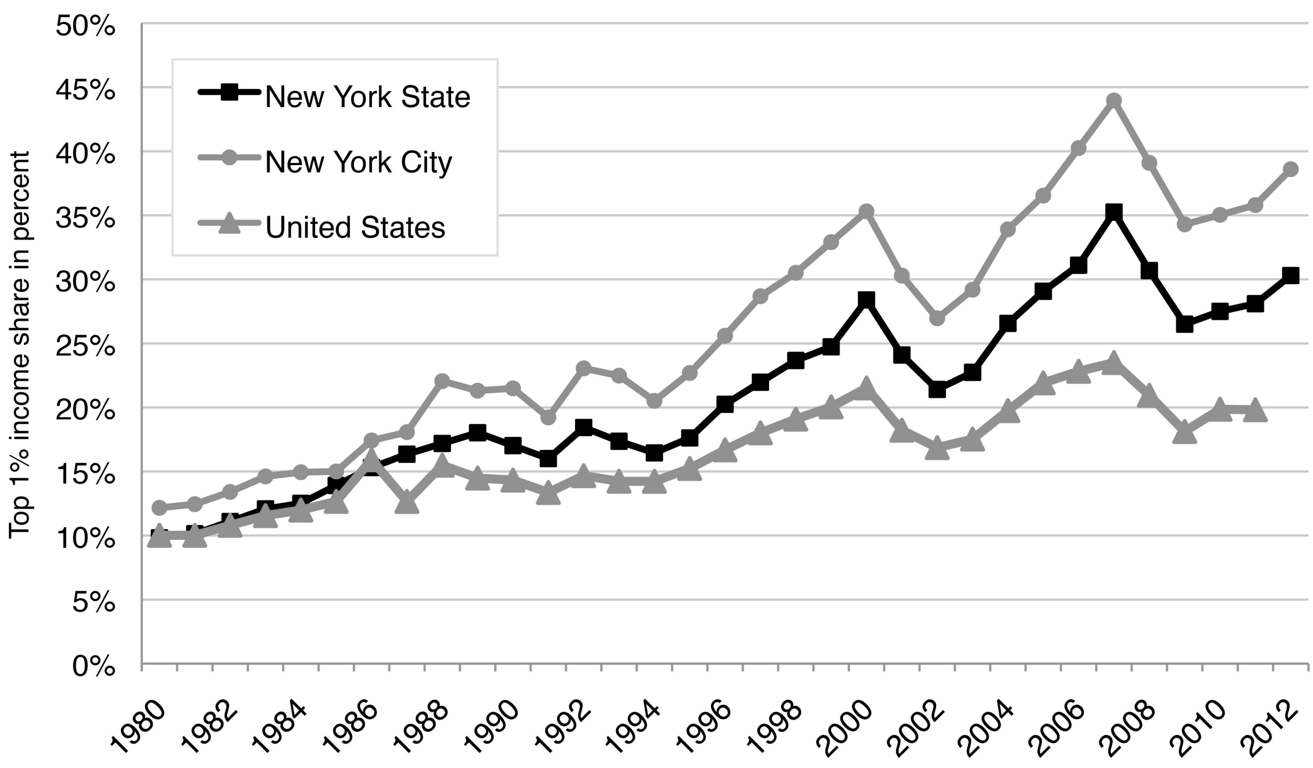
No meaningful reduction in poverty has been sustained in New York City over the past 30 years. Poverty rose in the early 1980s, declined in the latter part of the 1980s, and then rose again in the early and mid-1990s. Poverty fell during the strong job market of the late 1990s, but rose again since 2000 and is now at about the same level as in 1980. (See the poverty chart below.)



This lackluster record happened despite the fact that inflation-adjusted GDP per worker in New York State rose by an average of 1.6 percent a year from 1980 to 2011. Government survey and tax data show that the bulk of the economic gains recorded in New York State and New York City since the early 1980s have been concentrated in the hands of a small segment of the population (Fiscal Policy Institute 2012). (See the income polarization chart below.) Using New York State income tax data and projections by the State Division of the Budget, the Fiscal Policy Institute estimates that the top 1 percent accounted for nearly 40 percent of total New York City income in 2012.

New York is a city of wide disparities in neighborhood incomes. The Census Bureau designates 55 data areas in the city that roughly correspond to identifiable neighborhoods. These 55 areas average roughly 150,000 in population and range in median family income from Mott Haven/Hunts Point ($24,000) to the Upper East Side ($177,200). Overall, median family income adjusted for inflation was effectively flat (rising only 0.4 percent) in the decade from 2000 to 2010. Yet, for the eight highest-income neighborhoods with median incomes of $91,000 or more, real incomes rose 55 percent over the decade while median family incomes fell on average by 3 percent in middle-income neighborhoods, and median incomes were basically flat in low-income neighborhoods. (See the table below.) In New York City's low-income neighborhoods, half of the population is poor or near–poor (100-200 percent of the federal poverty line). Not surprisingly, the neighborhoods with the biggest declines in poverty or near-poverty over the past decade were those that are gentrifying the most – Bushwick, the Lower East Side, Fort Greene, Bedford Stuyvesant, and Park Slope.

Polarization is not over; the income share of the top 1% in New York has started to rise again, as was the case after previous recessions.



Source: Piketty and Saez's top 1% income share for the US and FPI analysis of NYS Department of Tax and Finance and Division of the Budget data for NYS and NYC top 1% income share, 2010-2012 projected.

Reducing poverty is an important way to reduce income polarization. Sustained high poverty entails grave consequences for economic well-being, the city's overall social fabric, the potential for individual development, and the city's budget. Without sufficient income to care for their families, and with inadequate supports, such as transitional employment programs or subsidized child care, those living in poverty often are not able to work their way out of poverty and have little choice but to rely on the government-funded social safety net and on largely government-funded social services. For example, local costs for Medicaid and homelessness are substantial expenditures areas in the city budget. Poverty is also a huge barrier to successful school performance. From many perspectives, including from that of the budget, strategies to expand work supports such as subsidized child care and transitional employment programs will allow more people to get a foothold in the labor market. Enhancing low-income tax credits and raising wages for low-wage workers would help many New York families rise out of poverty. Funding such programs and taking other actions to bolster the well-being of low-income communities and reduce poverty have the potential to generate future budget savings. Certainly if it becomes easier to move up the economic ladder in the city, other poor people could be drawn to the city, although high housing costs may limit that.

While New York City real median family incomes were flat between 2000 and 2010, median family incomes rose an average of 55 percent in 8 high-income neighborhoods

NYC Neighborhood	*Median family income (2010)*	*% change in real median family income 2000-10*	*% poor or near-poor*	*ppt. change in poor or near-poor 2000-10*
High-income neighborhoods (Median family incomes of $91,000 and above)	$129,100	55.1%	18.4%	0.3%
Middle-income neighborhoods (Median family incomes between $50,000 and $85,000)	$61,600	-3.0%	30.6%	3.1%
Low-income neighborhoods (Median family incomes between $24,000 and $47,000)	$38,000	-0.2%	49.9%	2.2%
New York City, all neighborhoods	**$53,000**	**0.4%**	**37.3%**	**2.3%**

Source: Fiscal Policy Institute analysis of 2000 Census and 2010 American Community Survey.

Despite the work of the Mayor Bloomberg's 2006 Commission on Economic Opportunity, the city lacks a concerted strategy to combat poverty. The commission's report did result in the establishment of the Center for Economic Opportunities (CEO) in the mayor's office, and that center has kept a policy focus on the issue and acted as a vehicle for experimenting with and evaluating innovative programming. Following the recommendations of a National Academy of Sciences poverty measurement panel, CEO developed a methodology to more accurately measure poverty in New York City that includes in the poverty threshold the cost of basic necessities and higher local housing costs. On the income side, the CEO measure includes the value of non-cash nutritional and housing assistance, and the net impact of payroll and income taxes and credits. It found, for example, that while earnings from work plunged by more than 15 percent for many low-income households during and after the recession, federal policy changes including expansion of low-income tax credits and food stamps kept poverty from rising even more precipitously in 2009 and 2010.[20]

[20] For example, the CEO estimated that without the extraordinary policy steps included in the American Recovery and Reinvestment Act, the CEO measure of poverty would have been 23.7 percent in 2010 instead of 21.0 percent (New York City Center for Economic Opportunity 2012).

If reducing poverty were a higher city priority, however, it would be reflected in budget actions involving such things as social services spending for work and family supports, aiding disconnected young adults in getting higher education and skills training, and expanding low-income tax credits. A determined anti-poverty strategy would include an economic development component to encourage the development of living wage jobs.

The City Charter requires the mayor to annually prepare a social indicators report “analyzing the social, economic and environmental health of the city and proposing strategies for addressing the issues raised in such analysis” (Section 16, “Report on social indicators). The next mayor should be pressed to acknowledge that poverty is one of the city’s “significant problems” and not only report on poverty but to articulate, as required by the City Charter, “short and long-term plans, organized by agency or by issue, for responding to the significant problems evidenced by the data presented in the report” (Section 17).

The “budget dance” is harmful, a needless distraction, and entirely avoidable

A related issue is the need to end the annual “budget dance” that marginalizes various social service programs serving predominantly low-income communities. For many years, pre-dating but continuing with Mayor Bloomberg, the mayor’s executive budget proposal has zeroed out $100-$200 million or more in funding for such social service programs as subsidized child care, transitional employment, workforce development, after-school programs, public health initiatives that target the poorest neighborhoods, and assistance for the homeless or seniors, often along with funding for public libraries, cultural organizations, parks, and sometimes also fire houses or public schools. City Council restoration of that funding then becomes the focal point for two rounds of budget hearings in March and May and extensive lobbying efforts, including City Hall rallies, throughout the spring. In late June, when the City Council leadership and the mayor’s office finalize the budget, they find additional budget resources and restore most of the cuts, in whole or in part. This all-too-predictable exercise is known as the annual “budget dance.”

There is broad, although certainly not universal, agreement, that this tango is an avoidable distraction from broader and more pressing challenges confronting the city. As noted before, it also marginalizes critical human service priorities and contributes to the scaling back of city commitments to pressing human service needs. It is not obvious that candidates for mayor or City Council will take ending this annual budget dance to heart, but they should.

4. Using the City Budget More Strategically

While national policies strongly affect New York City’s overall economy, the city can do many things to foster economic growth on the margins and to promote growth with equity. Although it will undoubtedly continue to be a powerful force in the global and local economy, change continues to engulf the city’s finance sector and Wall Street’s contribution to city tax revenues likely will not return to the heights scaled before the 2008 financial crash.[21] As Laura Wolf-Powers argues in her accompanying discussion of economic development policy, the city needs to revamp its approach to economic development to

[21] According to the New York State Comptroller’s Office, Wall Street’s share of city tax collections declined from a peak of 12 percent before the crash to less than 7 percent in 2012 (Office of New York State Comptroller 2013).

foster “growth with equity,” for example by better linking economic development projects with training and earning opportunities for low-income New Yorkers (2012).

Invest in technology to benefit the city and its residents

The city needs to diversify its economy and budget away from its reliance on Wall Street, which is undergoing a significant re-structuring. The Bloomberg administration has taken an important step in that direction through its Applied Sciences Initiative, the centerpiece of which is the development of the Cornell-Technion Universities graduate engineering academic complex on Roosevelt Island. The universities will invest $2 billion over 30 to 40 years in this project. The objective is to commercialize technological breakthroughs and spin out new businesses, emulating the success of Silicon Valley where many tech start-ups spun off of Stanford, other universities and government labs, and the success of the Boston area where tech start-ups spun off of M.I.T., other universities and government labs. The city is supporting the development by leveraging what it has characterized as $100 million in city land and capital budget resources.[22] It is an important first step in what should be a citywide economic focus on investing in people, in ideas and human capital, and in expanding opportunities for all New Yorkers (Parrott 2012).

Support for the development and commercialization of new technologies and the formation of start-up companies is sound and fundamental economic development. One way to make these investments more sustainable given the city’s tight budget constraints is to explore how the city can share directly in the success of start-up companies in return for city support. For example, the city might receive a small equity share in start-up companies that benefit from city investments in technology or incubator space. There are extensive precedents for a public ownership stake in technology start-ups in the United States and in New York State, including investments made by the state’s Small Business Technology Investment Fund, established in 1981, and by the state’s Common Retirement Fund.[23]

A general advantage to the Applied Sciences Initiative is that for this strategy to be successful, future city administrations will have to focus on and commit resources to making the city a highly desirable place to live and to start a business. This puts the focus on the quality of life, the quality of the city school system, the livability of neighborhoods, and maintaining a high degree of cohesion across the city’s diverse economic, cultural, ethnic, and racial groups. Expanding opportunities for all New Yorkers in all city neighborhoods is the linchpin to this strategy. But for this strategy to succeed, future administrations will have to re-commit to its ongoing implementation.

Economic development that generates growth with equity will expand the tax base and can raise living standards for low-income communities, generating savings in social service spending.

[22] The value of the city-owned land on Roosevelt Island that is being provided to Cornell and Technion is likely worth several multiples of the $100 million amount that the city attributed to both the land and infrastructure investments the city is committing to the project.

[23] For an extensive discussion of this concept, see Deborah G. Olson’s, “Fair Exchange: Providing Citizens with Equity Managed by a Community Trust, in Return for Government Subsidies or Tax Breaks to Businesses” (2006).

Develop a "unified development budget"

Better management of economic development resources should begin with a "unified development budget" that brings together various operating and capital budget expenditures along with the full array of business tax expenditures. Currently, the city spends close to $500 million to $1 billion a year in operating budget outlays and $3 billion in tax expenditures in the name of economic development. In addition, there are several hundred millions in capital budget outlays that support economic development purposes. However, except for the capital budget side, there is little transparency and accountability to the billions in economic development operating budget spending and tax expenditures.[24] A unified development budget would help us make sense and take stock of city actions to support economic development.

The city's operating budget typically details spending by the Department of Small Business Services (SBS), which carries out programs geared to help small businesses and workforce development. The SBS budget also details annual contracting in the $16-$33 million range (FY2010-13) with the Economic Development Corporation (EDC) which carries out a much broader range of real estate development projects and operates the city's Industrial Development Agency (IDA). As an off-budget agency, however, most of EDC activities are not detailed in the expense budget. EDC not only spends city capital dollars, but gets rental income from city-owned properties and certain PILOT (payments-in-lieu-of-taxes) payments from companies benefiting from tax breaks granted by EDC. EDC's budget is nearly $800 million annually.

Constrain and re-evaluate rapidly growing business tax expenditures

In FY2013, the city will have nearly $3 billion in business tax expenditures, including subsidies granted as part of New York City Industrial Development Authority discretionary deals, as-of-right tax breaks (like the Industrial and Commercial Abatement Program), and business tax breaks that are part of the city's tax code (such as the carried interest exemption from the Unincorporated Business Tax.) (See the table below.) Three billion dollars is about what the city will receive in collections and audits from the General Corporation Tax, and more than the city will receive from the real property transfer tax, the mortgage recording tax, the commercial rent tax, and the hotel tax combined.

Business tax expenditures have nearly tripled in value since FY2001, increasing from $1 billion to $3 billion annually, and have grown more than twice as fast as total city tax collections, and have increased 2.6 times as fast as the city budget overall. Had the growth in business tax expenditures tracked the growth in total city tax collections from FY2001 to FY2013, the city would have spent $1 billion less in 2013 on business tax breaks of various kinds.

[24] The economic development subsidy accountability group, Good Jobs New York, together with the Fiscal Policy Institute, will soon issue a report making the case for the value of a New York City Unified Development Budget. Good Jobs New York maintains an extensive database of information on city economic subsidy deals.

NYC Major Business Tax Expenditures, FY 2001-2013

(in millions of dollars)

Real Property Tax Expenditures			*% change**
	FY 2001	***FY 2013***	
Industrial & Commercial Abatement Program (formerly ICIP)	$177.7	$667.2	275%
Other Commercial & Industrial Exemptions	$31.9	$49.6	55%
Industrial Development Agency	$66.0	$222.7	237%
Economic Development Corporation	$3.9	$7.6	95%
Urban Development Corporation -- Commercial	$103.6	$282.5	173%
Battery Park City Authority -- Commercial	$43.8	$95.1	117%
Teleport, Port Authority	$6.7	$10.2	52%
Subtotal--Real Property Tax Expenditures	**$433.6**	**$1,334.9**	**208%**
NYC Business Income, Sales, and Personal Income Tax Expenditures			
Business Income Tax Expenditures	***TY 1998***	***TY 2009***	
Business and Investment Capital Tax Limitation	$32.0	$320.0	900%
Insurance Corporation Non-Taxation	$193.0	$365.0	89%
Other (Energy Cost Savings, Relocation & Employment Assistance, etc.)	$205.0	$341.0	66%
Sales Tax Expenditures	***TY 1998***	***TY 2009***	
Fuel sold to airlines	$30.0	$117.0	290%
Personal Income Tax Expenditures	***TY 1997***	***TY 2010***	
Unincorporated Business Tax Credit on NYC Personal Income Tax	$ 25.0	$126.0	404%
Subtotal--Business Inc., Sales and Pers. Inc. Tax Exps.	**$485.0**	**$1,269.0**	**193%**
*Industrial Development Agency Non-Property Tax Expenditures ***			
		FY 2012	
Mortgage Recording Tax Exemption and PILOT Savings		$55.2	
Sales Tax Exemption		$5.4	
Energy Tax Savings		$0.5	
Tax Exempt Bond Savings on NYC Personal Income Tax		$4.1	
Unincorporated Business Tax (UBT) -- Exemption for Carried Interest***		$200.0	
Subtotal--IDA Non-property and Carried Interest UBT Exemption (estimated 2000)	**$95.0**	**$265.2**	**179%**
GRAND TOTAL, MAJOR BUSINESS TAX EXPENDITURES	**$1,013.6**	**$2,869.1**	**183%**
NYC Tax collection (including audits)	**$23,248.0**	**$44,070.7**	**90%**

Source: Unless noted with an asterisk, data are from NYC Finance Department, Annual Report on Tax Expenditures, FY 2001, FY 2013; tax collections from Jan. 2013 Preliminary budget.

* The time period for percent change varies for non-property taxes and is for the time period indicated by the tax years for the data cited .

** New York City Economic Development Corporation, Local Law 62 report for FY 2012 Table 2-1.

*** New York City Independent Budget Office, Budget Options for New York City, May, 2013.

The City Charter-mandated annual tax expenditure report details most, but not all, business tax expenditures. It includes the Industrial and Commercial Abatement Program – the city's main program providing as-of-right property tax reduction in connection with new private real estate investment – as well as real property tax breaks provided to commercial projects by EDC, the IDA or state authorities, and other provisions of the city's income and sales taxes put in place to spur business activity. But it does not include various other business tax expenditures, including IDA authorized mortgage recording, sales and energy tax breaks, and the exemption on the taxation of carried interest under the city's Unincorporated Business Tax that are not included in the tax expenditure report (but should be).

A unified development budget would thus show that New York City devotes $3.5-$4 billion to economic development purposes each year. We need to better understand and assess how this sizable pool of resources actually affects economic development trends. Elected officials other than the mayor know little about EDC's budget and its decision-making regarding the use of city government resources. The vast majority of the $3 billion in business tax expenditures is on automatic pilot, with their dollar value often growing with the economy but with only a rare examination of their economic development value to the city or the opportunity costs they entail. A thorough re-examination of the full panoply of New York City business tax breaks is long overdue. Each provision should be assessed for its value in furthering the city's economic development objectives. Those with limited value should be terminated, others modified as necessary to enhance their economic development value, and there should be limits placed on the growth of individual tax breaks. The public finance literature is crystal clear that, for all intents and purposes, from a budgeting perspective, tax expenditures are the same as budget outlays and they should be treated like budget outlays in terms of transparency and accountability.

Only rarely over the past 20 years has New York City carefully assessed the value of any of its business tax expenditure programs. One prominent exception was in 2007, when staff at the city's Economic Development Corporation, drawing on the advice of a panel of outside economists, developed a sophisticated economic model to assess whether or not tax benefits provided under the Industrial and Commercial Incentive Program (the precursor to the ICAP) were necessary to induce the investments that triggered the tax break. Real-world income and expense data for individual companies, compiled in connection with the city property tax, were used for the analysis. The study concluded that in cases representing 80 percent of the value of ICIP tax expenditures, the profitability of the investment would have justified proceeding with the investment even in the absence of the tax break (Brindisi and Ehrenberg 2008). That is, 80 percent of the annual ICIP tax expenditures were unnecessary from an investment decision perspective. Initially, the study was used to support a proposal to significantly scale-back the ICIP program. However, real estate interests successfully lobbied the city to limit the extent of program changes.

Economic modeling such as that used in 2007 in the ICIP case should be applied to the entire range of business tax breaks the city provides (and the state for that matter, as well as the scores of Industrial Development Authorities around the state).

Consider how budget decisions affect the low-wage labor market

The city budget has a sizable impact on the low-wage labor market through the $4 billion the city spends annually on contracts with non-profit social service providers. These organizations provide child care, foster care, mental hygiene, homeless, youth, senior and home care services. They employ over

200,000 people, with more than one-third (37 percent) being low-wage workers whose family incomes put them in the "near-poor" category.[25]

Eighty percent of this workforce is female and more than 80 percent are people of color. In many cases, perpetual city and state budget pressures make it difficult for nonprofit employers to adequately compensate their workers, or to invest in providing career ladder and skill-building opportunities so that less-advantaged workers can work their way into the middle class. The city should work with the social services sector to develop a career-building strategy and phase in increased contract funding to raise the earnings of 50,000 full-time low-wage workers and improve the quality of service delivery.

City contracting practices also have a substantial effect on the wages and benefits of the employees of school bus companies that provide pupil transportation under contract to the Department of Education. The city recently released a request for bids for pupil transportation services without retaining an Employee Protection Provision (EPP) that had preserved seniority rights and job security for the current employees of companies providing such services. The EPP has been part of city bus contracts since it emerged as the resolution to a 1979 strike. To protest the removal of the EPP, 8,800 bus drivers and attendants who are members of the Amalgamated Transit Union went on strike from mid-January to mid-February 2013. While both the mayor and the chancellor of the Department of Education have cited rising pupil transportation costs as the rationale for ending the EPP, contract costs have risen because transportation services related to busing a growing special education population have been rising rapidly and are four times as great per special education student as the cost of transporting general education students. If the city succeeds in reaching new school bus contracts without preserving job security for current workers, average wages for school bus workers could fall from an average of $35,000 to $22,000 annually, imposing significant hardships on the workers, their families, and their communities. Such a move likely would effectively downgrade moderate-paying jobs with benefits to poverty-wage jobs with few benefits. Eighty percent of affected school bus workers are persons of color and 60 percent are women (Parrott 2013).

Pension fund investments

The $125 billion in New York City public pension funds represent the deferred compensation of city employees. The city and its unions should expand the portion of pension fund investments that support neighborhood housing and local infrastructure projects that expand the productive capacity of the city economy. Since 1981, the city has pursued Economically Targeted Investments (ETIs) that seek to fill capital gaps and provide collateral benefits such as housing or job creation to New York City. ETIs are prudent investments providing risk-adjusted market rates-of-return comparable to other fixed income investments. As of the mid-2012, the five city pension funds maintained a 2 percent asset allocation to mortgages, direct real estate and related investments (City of New York Comptroller 2012).

Over the past three decades, city pension funds ETI investments have helped revitalize city neighborhoods and expand the supply of affordable housing (Hagerman et al. 2005). Through the end of FY2012, the ten-year overall performance of ETIs in city public pension portfolios was 6.31 percent, compared to the benchmark performance of 5.63 percent (Barclay's Capital U.S. Aggregate Bond Index;

[25] Estimated based on FPI analysis of 245,000 city residents working in social services or home care organizations, 2009-2011 American Community Survey.

New York City Comptroller 2012). Keep in mind that in the 2001-2012 period, because of two periods of pronounced market swings, the overall city pension fund investment returns were less than one-half percent annually.

In the wake of Hurricane Sandy, the United Federation of Teachers and the city comptroller announced that the trustees of the city Teachers' Retirement System had committed to invest $1 billion in infrastructure projects around the city. A mechanism will be set up to lend money to building owners to make structures hurricane- and flood-resistant and more energy efficient. The pension fund will buy bonds issued by the lending intermediary (Sims 2012). In late February 2013, four of the five city pension funds voted to make a $500 million investment in residential and commercial real estate in areas affected by Hurricane Sandy and in other parts of New York City to increase the availability of housing for city residents displaced by the storm. The pension funds' investments will leverage another $1 billion in separate partnerships with the Related Companies and the Hudson Companies (Liu 2013).

There are also opportunities for the city's pension funds to form larger pension investment pools with other public pension funds to provide greater project and geographic diversification. The extension of Build America Bonds would provide an opportunity for pension funds to increase infrastructure investments.

The city should also explore how it can use its procurement power to support small business development. Beyond increasing procurement under minority- and women-owned business programs, the city should more aggressively investigate how it can generate local business. For example, the city could have done more to try to leverage the TLC's $1 billion new generation taxi contract into local business development opportunities. Or, the city could work closely with the MTA to explore how MTA procurement decisions could generate subcontracting opportunities for New York City-based businesses. The MTA represents one-third of the transit equipment market in the United States. MTA orders could help small firms develop the expertise to sell to the broader national transit market (Lombardozzi et al. 2011).

5. Make the Tax Structure More Progressive, Efficient, and Equitable

Use tax policy to manage economic fluctuations

Mayor Bloomberg took office a few months after 9/11 and the start of the 2001-2002 recession. In mid-budget year, revenues were crashing. Fearing the harm that would accompany steep service cuts, the new mayor opted to raise taxes, first the property tax, then the sales tax (temporarily) and then the personal income tax (also temporarily). The property tax increased by 18.5 percent on January 1, 2003. While the income tax increase was not enacted until May 2003, it was retroactive to January 1, 2003. In all, city taxes were raised within a year-and-a-half by $3 billion, roughly the amount by which taxes had been reduced under his predecessor.[26]

[26] Included in the total city taxes reduced under Mayor Rudolph Giuliani is the commuter tax, whose repeal was enacted by Albany over the objection of the mayor. The repeal of the New York City commuter tax in 1999 deprived the city of $500 million

When the economy recovered, the city provided property tax relief first through a $400 homeowner rebate, followed by a temporary 7 percent rate reduction. The mayor was very careful in saying that the property tax relief would be provided only so long as budget conditions warranted. Following the Wall Street crash in the fall of 2008, the city acted in late 2008 and in 2009 to rescind those two forms of property tax relief, and adopted the first permanent sales tax rate increase since 1974. The hotel tax was raised by an eighth of a percent. In all, actions taken in response to the Great Recession boosted tax collections by $2.3 billion.

That prudent approach to tax management through two recessions, coupled with building up a sizable surplus during the 2006-2008 Wall Street boom and bubble that helped carry the city through the downturn, have rightly earned Mayor Bloomberg high marks for fiscal stewardship during a period of economic volatility.

Enhance progressivity

On the other hand, Mayor Bloomberg has done little to improve the fairness of the city's tax structure. The taxes that increased the most over the past decade have been the largely regressive property and sales taxes. By far, property taxes went up the most and a little over half of the total levy is paid by residential properties, and a little less than half by commercial properties. A city Earned Income Tax Credit was established in 2005 that provides about $100 million in relief to low-income households, but other than that, there have been no significant permanent changes to the city's personal income tax, the major progressive local tax. There has been no net increase in business taxation. In the FY 2011 state budget, two changes were enacted that raised city income taxes by $200 million on high income taxpayers.[27] Meanwhile, as noted earlier, business tax exemptions increased more than twice as fast as total city tax collections over the past decade.

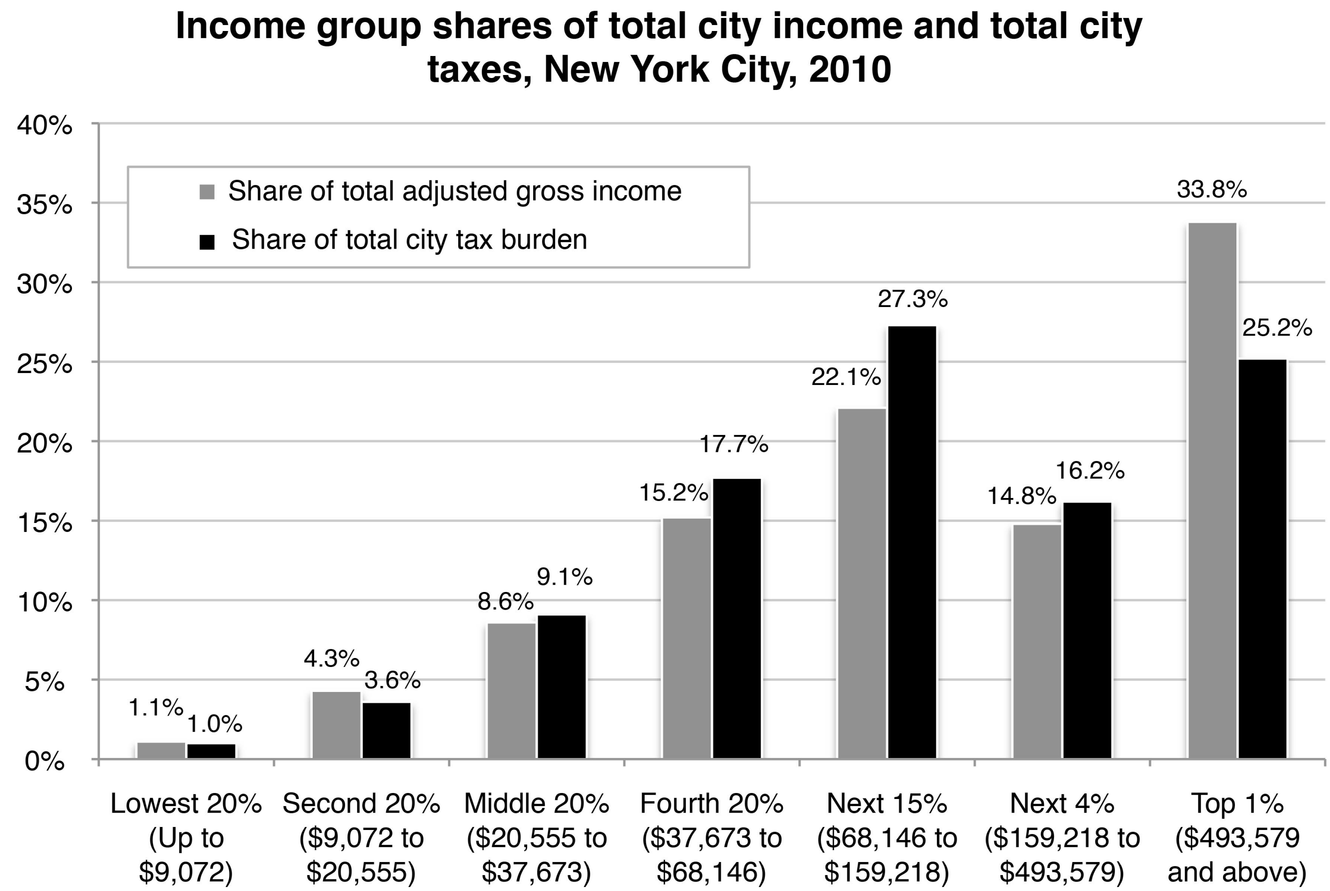
Given the continuing income polarization that New York City faces, it is even more important that the city take measured steps to improve the overall progressivity of its tax system. Including all three major city taxes paid by households – the residential property tax, the personal income tax, and the sales tax – New York City's overall household tax structure is regressive at the top.[28] Using 2010 data, we estimated that the top 1 percent of households paid about one-quarter of the city taxes paid by households. However, since the top 1 percent had over one-third of all income in 2010, they actually paid a less-than-proportionate share of their income in city taxes. Middle-income and upper middle-income groups paid a greater share of city taxes than their income share. Lower-income households paid a smaller share in city taxes. Those with incomes from $68,000 to $159,000 paid the greatest tax share relative to their income share.

---

in revenues. Yonkers was allowed to retain its commuter tax. The temporary increases in 2003-2005 in the New York City personal income and sales taxes were initiated by the state, but had Mayor Bloomberg's support.

[27] The state budget enacted in 2010 eliminated the STAR personal income tax rate cut for filers with household adjusted gross income of more than $500,000, and limited deductions for tax filers with adjusted gross income of over $10 million. However, at the same time the state also reduced STAR aid to New York City by the amount of the additional tax revenues the city would receive from the elimination of the STAR PIT rate cut.

[28] In 2012, these three taxes accounted for about $25 billion out of the city' $42 billion in total taxes. Business income taxes, including audits, were about $6 billion and the commercial portion of the real property tax was about $8 billion.



Source: Fiscal Policy Institute estimates based on personal income tax data from the NYS Dept. of Taxation and Finance analyzed by the NYC Independent Budget Office. FPI also drew from the "Who Pays?" analysis on Taxation and Economic Policy.

The city's tax structure could be made fairer and more efficient. The following discussion highlights many, but not all, of the areas that are in need of reform.

Property tax inequities: The property tax is the city's largest tax, providing nearly $18 billion, or 43 percent, of total taxes. Despite a ruling by the state's highest court in 1975 that all real property should be assessed at full market value, a 1981 state law created a four class property tax system in New York City and allowed commercial properties to be taxed at a higher effective rate relative to market value than residential properties. The 1981 law also established caps on the amount of assessment increases for homeowners with the result that over the years, significant disparities developed in the effective taxation of Class 1 properties (one-, two- and three-family homes). There are also inequities between rental residential properties and co-ops and condos, both part of Class II properties, and between Class II and Class I properties (City of New York Independent Budget Office 2006).

The state legislature recently renewed the much-criticized tax break for co-ops and condos that was enacted in 1997 to equalize property tax burdens between those properties and Class I properties. Although the renewal restricted the abatement to apartments used as primary residences, this tax break will still cost the city around $400 million in foregone revenues a year. The IBO estimates that about half of the tax break reduces the property taxes of co-op and condo owners below that of Class I owners, with much of that excess benefitting affluent apartment owners on the Upper East and Upper West Sides of Manhattan (New York City Independent Budget Office 2013).

Personal Income Tax: The personal income tax is the city's second largest tax, generating nearly $8 billion last year, almost 19 percent of the total. This tax has at least two basic problems. First, tens of thousands of low-income households who have no state or federal income tax liability do have a city income tax liability. This could be fixed by raising the amount of the city Earned Income Tax Credit or one of the city's other low-income credits.

While the city's personal income tax is fairly progressive, the second problem is that the rate structure has been narrowed over the years, weakening the overall progressivity of the income tax. From 1976 to 1986, there were 14 income tax brackets for joint filers. The number of brackets was reduced to six in 1987, and then to four in 2000. While a fifth bracket was added by the legislature in 2010, there is a fairly narrow rate range (15/100) for taxable incomes between $21,600 and $500,000. Additional brackets would buttress the progressivity of the income tax system. Even with the addition of the $500,000 and up 3.876 percent bracket in 2010, the top rate has been higher in half of the years over the past three decades (New York City Office of Management and Budget).

Loopholes benefitting high-income private equity and hedge fund partners: The city's unincorporated business tax (UBT) is important because many substantial and lucrative businesses located here are organized as partnerships. In 2009, the 400 most profitable partnerships in the finance and insurance sector, mainly in securities, had an average business income exceeding $35 million. New York City exempts carried interest from taxation under the UBT. Carried interest is a form of business income received by management partners in a pooled investment fund. The IBO estimates that NYC could generate $200 million in additional tax revenues if it ended the carried interest exemption for businesses with $10 million or more in assets under management (New York City Independent Budget Office 2012, 58).[29] Managers of private equity and hedge funds and real estate investment partnerships also benefit from a New York City tax loophole involving a 23 percent credit the city provides against its personal income tax (PIT) for UBT taxes paid. In 2009, 4,300 New York City millionaires received tax breaks totaling over $100 million under this provision. If the city limited the UBT credit on the PIT to those with adjusted gross incomes of less than $500,000 that would generate over $100 million a year.

Commuter tax restoration: As noted earlier, the state legislature and Governor Pataki eliminated the New York City commuter tax in 1999. At the time, it cost the city nearly $500 million. The IBO estimates that a restoration of the commuter tax at the 0.45 percent rate that existed in 1999 would generate over $800 million today. Making the commuter tax mildly progressive at one-third the rates of the PIT for residents would generate $1.4 billion. For the years 2008-10, commuters earned $95 billion from jobs and businesses in New York City, 35 percent of all New York City wages, salaries, and proprietors' earnings. Commuters from other parts of New York State earned $47.1 billion in New York City, and commuters from other states earned $47.6 billion in New York City (Fiscal Policy Institute analysis of the American Community Survey 2008-2010).

[29] This issue is distinct from the provision of the federal tax code that considers carried interest to be capital gains, and thus subject to a preferential income tax rate. The mayor has voiced support for ending the preferential tax treatment of carried interest.

Business tax breaks: In the previous section it was noted that business tax breaks have increased more than twice as fast as city tax collections over the past decade. If tax breaks had grown at the same rate as tax collections, they would have been $1 billion less in 2012. Alternatively, a 10 percent reduction would be $300 million.

Rationalize real estate subsidies

One of the most questionable city tax policy actions in recent years was the decision to grant property tax breaks for development in the Hudson Yards area west of 8th Avenue between 30th and 42nd Streets. The city re-zoned the district for high density residential and commercial development, and the city agreed to pay for extending the #7 subway line through the heart of the district and to make several other infrastructure improvements. At the time, Senator Charles Schumer told an audience at the Partnership for New York City, "I do not believe we need to give developers tax breaks to get them to the West Side. … Traditionally in this City, infrastructure alone is sufficient to induce development" (Parrott 2005).

Developers and other property owners benefitting from the Hudson Yards tax breaks will make PILOT (payment-in-lieu-of-taxes) payments to the city that will flow to the off-budget Hudson Yards Infrastructure Corporation (HYIC) to repay principal and interest on $3 billion borrowed by HYIC to finance the extension of the #7 subway line. The PILOT payments in effect represent *discounted property taxes*. Some people have referred to these PILOTs as a form of TIF (which stands for Tax Increment Financing). However, TIFs were conceived as a method of capturing the taxes related to property value increases that result from a project investment and using those taxes to pay for the project investment. The idea behind a TIF is to use the *incremental taxes* that stem from an investment to pay for that investment. The Hudson Yards PILOTs, however, are discounted property taxes, not incremental property taxes. In a manner of speaking, the HYIC financing is an upside down TIF. It would have been much better for the city tax base to finance the #7 extension through the use of general obligation bonds and to forego the use of tax breaks in an area where the city was making substantial infrastructure improvements.

After reviewing the Hudson Yards tax breaks and the financing method linked to those property tax breaks, the Committee on New York City Affairs of the New York City Bar Association concluded:

> *"The need to grant the subsidies [tax breaks] could have been avoided if the financing method selected had been general obligation debt. If that alternative had been chosen and approved, PILOTs would not have been necessary, the properties would have remained on the tax rolls, and non-discounted real estate tax revenues would have flowed to the city's general fund." (Committee on New York City Affairs of the New York City Bar Association 2007, 15).*

As anticipated by the bar association committee, midtown property owners have cited the Hudson Yards tax breaks in seeking to extend their own tax breaks or to create new tax breaks so that they can "compete" with the West Side.

The practice of New York City and that of various city and state economic development entities in granting property tax breaks should be re-examined. The total value of such property tax breaks for FY2013 will reach $1.335 billion, an amount that represents about 15 percent of the Class 4 property tax levy plus the tax breaks. This practice dates from the early 1980s when the city felt it needed to provide property tax breaks to retain businesses. During the 1970s, many corporate headquarters relocated to the suburbs or to other parts of the country, and the city lost 600,000 jobs and nearly 10 percent of its population. For the past decade, the city's economic fortunes have been substantially brighter. One indication is the resilience the city showed in the years immediately following the September 11, 2001, attacks on the World Trade Center. Since 2004, the city's job growth has matched or exceeded the national average, and since 2000, the market value of business and commercial real estate has grown by 6.5 percent a year, according to the city's Finance Department.

The city's desirability as a business location is unquestioned and it has been a magnet in recent years for young college graduates and technology-related start-up businesses. Technology companies like Google have established a sizable presence in New York City. Commercial office building sales set new records on a regular basis. It should be demonstrably clear that property tax breaks are no longer needed. Ending that practice will help ensure that the city has the property tax resources it needs to sustain its infrastructure, modernize it for the 21st century, and prepare for the perils of a changing climate.

Share in the value created by public actions

In its place, the city should be turning its attention to implementing *value capture* measures so that the city shares in the higher property values that result from city infrastructure investments, economic development, and zoning actions. It is no secret that many zoning actions in recent years tremendously boosted property values, creating windfalls in the hundreds of millions of dollars. Rather than selling city-owned property before a re-zoning action takes place, the city should first re-zone it and then consider selling it for the right development project. Another option would be for the city to retain an ownership share in real estate developments that benefit from city infrastructure investments or zoning actions. As noted before, the city should receive an ownership share in technology start-ups that benefit from city investments. In the future, value capture measures could be an important means for the city to finance essential infrastructure and investments needed to enhance the city's technology leadership.

In the last two years, the New York City Department of Finance has launched enhanced tax enforcement initiatives with additional compliance staff to ensure that all those claiming tax exemptions are eligible to continue receiving them and to beef up its audit function in other ways as well. Effective tax enforcement is essential in making taxes equitable and efficient.

Focus on New York City's "value proposition"

While taxes pay for the bonds that finance the city's infrastructure and for the public services that a high-performance economy needs, the city does face limits on how much taxes it can levy on the city economy.[30] Precisely measuring comparative tax burdens is complicated by New York City's unique circumstances: large and dynamic, globally-oriented business sectors; high density development with special infrastructure needs; 800,000 commuters who account for more than one-third of earnings in the

[30] The New York State Constitution imposes a limit on the amount of revenue the city can raise from the real property tax for operating purposes, and a general obligation debt limit relative to the full value of taxable real estate. In an open economy where businesses and investment can migrate across city and state lines, there is a practical limit to local taxation that needs to be balanced with the need for educational and infrastructure investments essential for economic activity and an attractive quality of life.

city; and a state government that pays for a smaller proportion of local government expenditures than most states. There is little doubt that the city's tax burden is well above average according to commonly cited measures such as taxes as a share of personal income. But, as indicated by the very high value of real estate, New York City is also highly desirable from a business and a residential perspective. Furthermore, data on value added per worker in New York City provides compelling evidence that the productivity and profitability of businesses operating in New York City is among the highest in the nation. Taxes might be higher in New York City, but so is the value added by production here, and the profitability of operating here. Profitable operation in a dense urban environment requires a certain level of public services and infrastructure investment – taxes pay for those necessary inputs.[31]

Many business leaders are concerned that a future city administration might raise taxes in a way that would diminish the city's attractiveness as a business location. It is perhaps surprising, given the intensity of such concerns, that no one has ever presented authoritative data showing that business operations based in New York City are less profitable than operations based in lower-taxed jurisdictions. Solid research should be marshaled to demonstrate the profitability of most businesses operating in New York City and to establish some benchmark measures for a sustainable individual, business, and property tax burden that takes into account the city's unique circumstances and cyclical economic tendencies.

A high point of Mayor Bloomberg's fiscal management was the prudent handling of surplus revenues amassed during the 2005-07 Wall Street boom and bubble. By the end of FY2008, the city had a cumulative surplus of $8 billion that it then used to help offset operating budget deficits in the ensuing years (Mayor's Financial Plan Summary 2013). Tax collections stemming from temporary boom-related conditions should be held in reserve to offset the inevitable tax shortfalls during downturns.[32]

6. Involve the Workforce in Making Service Delivery More Efficient and Effective – and Find the Resources to Settle Expired Collective Bargaining Agreements

When they speak at the ballot box, New Yorkers demand efficient and effective government above almost everything else, except perhaps public safety. They want good schools, safe streets, and clean parks and playgrounds. They also want a high standard of public health, safe construction practices, and prompt garbage and snow removal. But delivering excellent services is labor intensive and requires a motivated workforce. When the city ignores the workforce's collective bargaining rights and attacks employees' pension and health benefits, it undermines their motivation and complicates collective bargaining and joint problem-solving. An involved workforce and genuine labor-management engagement can help ensure efficient and effective public service delivery. It is a telling indication of

---

[31] In 2007, for example, New York State's value added per private sector worker was 37 percent higher than the national average, and the highest among the 10 largest states. New York ranked first among the largest states in productivity in several major sectors including construction, wholesale trade, information, finance, real estate, professional and technical services, management of companies, administrative services, educational services, and accommodation and food services (U.S. Bureau of Economic Analysis data cited in Fiscal Policy Institute 2009, 41).

[32] While, the city is technically prevented from using withdrawals from a rainy day fund to balance the budget, in practice the city is able to roll surplus revenues from one fiscal year to the next by prepaying certain expenses, usually debt service. Mayor Bloomberg essentially utilized the Retiree Health Benefits Trust Fund as a way to set aside some of the surplus revenues from flush years and then to draw those funds down in years when there was an operating budget deficit.

strained relations between labor and management that no major city union has a current collective bargaining contract.[33]

During the 1975 fiscal crisis, municipal union leadership dealt with large layoffs and agreed to invest city employee pension funds in city bonds so the city could avert bankruptcy and possible abrogation of labor contracts. Dealings between city officials and union leaders are typically complicated. Unions often have complicated relations within and among themselves regarding collective bargaining and agreements to cut costs and/or increase productivity. The Municipal Labor Committee is comprised of several unions representing a wide variety of city workers and interests. Even though there is a well-established history of pattern bargaining, one side or the other occasionally attempts to deviate from the pattern. Settlements often are reached only through an arbitration or mediation procedure. But, rarely has there been such a nearly across-the-board disengagement between the mayor's office and union leadership as has emerged over the last year or so.

Unions face obvious risks in waiting for new leadership in City Hall's west wing. Given the broader fiscal pressures, particularly a shrinking share of federal and state aid, the end of Wall Street-led revenue booms, and the steady increase in payroll costs, it is important for municipal unions to demonstrate their commitment to high quality service delivery and to seek ways to reduce costs in order to help generate the resources needed to pay for their health care and wage increases. MIT economist Thomas Kochan urges the adoption of a joint labor-management commitment to a "gainsharing" approach in which union participation in costs saving initiatives are implemented and the workforce shares in the resulting gains. Gainsharing certainly does not mean that workers are expected to generate the resources to fund the entire cost of a settlement. Also, gainsharing opportunities are not evenly distributed across a diverse set of agencies and workforces.

Municipal unions represent the vast majority of city employees. Many union leaders are in a position to understand agency operations and where there are opportunities for savings and improvements. For example, District Council 37 (D.C. 37) knew from their members working in the city's Finance Department that staff cutbacks had resulted in lax monitoring of property tax exemptions. The union took that information to the Finance Department leadership. Hiring more staff became a PEG item for the agency – it could generate more revenue, net of the staff cost, by improving compliance. The union also suspected that there were many cell towers and billboards going untaxed because of insufficient records-matching.

In addition to its role in exposing the waste involved in the ill-fated CityTime project that resulted in the city receiving a $450 million settlement from the contractor, D.C. 37 has exposed hundreds of millions in waste and cost overruns associated with other city information technology contracting projects, including the NYCAPS automated personnel system and the 9-1-1 call system modernization. For years, the United Federation of Teachers has urged the city's Department of Education to institute better record-keeping of Medicaid reimbursable services provided in the school system in order to increase federal Medicaid funding. There are many other examples in agencies across the city where the city budget would benefit from the workplace knowledge of front-line city workers.

---

[33] For a list of major city collective bargaining agreements that have expired, see New York City Independent Budget Office, *Analysis of the Mayor's Preliminary Budget for 2014*, March 2013, p. 56.

The steadily rising cost of employee health care is another area ripe for savings.[34] City employee health insurance costs rose 45 percent over the last four years and are projected to continuing rising rapidly over the next four years. The Municipal Labor Committee – the umbrella group representing the various municipal worker unions – handles citywide negotiations over health insurance. The pressure building on labor to institute an employee health insurance premium contribution should lead unions to explore more far-reaching alternatives than just negotiating lower rates with existing insurance companies. This could both slow the rate of cost increase and improve the quality of health care delivery. Municipal labor unions should investigate whether they could replicate the type of health centers operated by Local 6 of the Hotel Workers Union. Local 6 health centers provide comprehensive coverage, unlimited access to primary care, and full dental and optical care, with no deductibles or co-pays (Kuttner 2012).

Public sector unions also need to broaden their engagement with the city budget. In the wake of the financial crash, the Great Recession, and the halting recovery, some political elements have sought to scapegoat public sector unions for the continuing fiscal crises and budget pressures facing many state and local governments. The steady curtailment in health and pension benefits provided to private sector workers contrasts with the highly prized defined benefit pensions and affordable employee health plans that public sector workers have managed to hold onto. Municipal unions can no longer take for granted that a booming city economy will readily generate the resources they would like to see devoted to collective bargaining. They need to be committed to reducing poverty, raising wage levels, and living standards for the city's low-wage workforce, and expanding the city's economic base. Municipal labor should place a high value on beginning to reverse the city's income polarization, but not solely through higher taxes on those with high incomes – although that should be part of a comprehensive strategy that focuses on expanding good-paying employment opportunities for more New Yorkers.

7. Conclusion

Significant budget challenges loom large for the next city administration. It should continue the sound fiscal management practices achieved by the Bloomberg administration, but it should also break new ground in budget stewardship by integrating several key objectives. The next administration needs a fresh approach to combating poverty, it should re-think how it uses $4 billion in economic development resources to grow the economy and good jobs, it should make the tax system fairer and more efficient, and it should improve service delivery and make agency operations more efficient by genuinely engaging municipal unions and their members. The city's myriad challenges cannot be meaningfully addressed simply through more taxes. For its part, labor needs to be equally committed to cost-effective government and lifting their sights beyond traditional bargaining goals. Most municipal workers are city residents, too, with very much at stake in improving the quality of life for all New Yorkers.

[34] The city has an accumulated long-term OPEB liability for retiree health costs that is estimated at $88.2 billion (FY2012). OPEB stands for "other post-employment benefits," that is, other than pensions. Under statement 45 from the Government Accounting Standards Board (GASB), state and local governments estimate their OPEB liability. GASB does not require governments to fund such liabilities on an actuarial basis.

Funder Acknowledgments

We are deeply grateful for financial support from the Brooklyn Community Foundation, the Charles S. Revson Foundation, the J. M. Kaplan Fund, the New York Foundation, the Open Society Foundations, the Robert Sterling Clark Foundation, and the Scherman Foundation. The opinions expressed in this work are solely those of the authors and do not represent those of the funders, The Graduate Center, or the City University of New York.

Author Acknowledgements

The author would like to thank several people who provided comments and suggestions on an earlier draft, including John Mollenkopf, Brad Lander, Frank Mauro, Carol O'Cleireacain, Carol Kellerman, Martha Stark, Mike Musuraca, Mark Levinson, Marvin Holland, and Arthur Cheliotes. The author bears sole responsibility for the views expressed here and for any factual inaccuracies.

References

"Adding Up the Government's Total Bailout Tab." *The New York Times*, July 24, 2011.

Blue Chip Economic Indicators, January 10, 2013.

Brindisi, Francesco, and David Ehrenberg. New York City Economic Development Corporation, *The New York City Real Property Tax Industrial and Commercial Incentive Program (ICIP): Description and Analysis*, 2008 Revenue Estimation and Tax Research Conference, Portland, Maine, September 16, 2008.

City of New York. "Mayor's FY2012 Executive Budget," Budget Summary.

City of New York Office of Management and Budget. *Federal Stimulus Funding in the Adopted Budget*, reports for fiscal years 2010, 2011 and 2012.

______.2012. *Tax Revenue Forecasting Documentation, Financial Plan Years 2011-2015*, Appendix II, Personal Income Tax, 2. History of Tax Rate Schedules: 1966-2011.

Coalition for the Homeless, *New York City Homelessness, The Basic Facts*, Updated December 2012.

Committee on New York City Affairs of the New York City Bar Association, *Report on the Financing of the Hudson Yards Infrastructure Project*, May 16, 2007, p. 15.

Fiscal Policy Institute, *The State of Working New York 2009*, September 2009, Figure 5.9, p. 41.

______.2012. *Pulling Apart: The Continuing Impact of Income Polarization in New York State*, November 15, 2012.

______.2013. *New York State Economic and Fiscal Outlook 2013-2014*, January 29, 2013.

Forsythe, Dall W. "Cyclical Budget Management in New York City," prepared for delivery at the Public Budgeting and Finance Section of the Western Social Science Association, April 20, 2006.

Hagerman, Lisa A., Colin L. Clark, and Tessa Hebb. *Pension Funds and Urban Revitalization, New York case study: Competitive Returns and a Revitalized New York*, Labor & Worklife Program, Harvard Law School, October 2005.

Kochan, Thomas A. "Elements of a Labor Policy for the Next Mayor of New York," breakout.

Kuttner, Robert. "A Model of Health," *The American Prospect*, November 2012.

Liu, John. "Pension Funds Investing $500 Million in Sandy Redevelopment," News Release, New York City Comptroller, February 26, 2013.

Lombardozzi, Brian, Timothy Mathews, and James Parrott. *Building the Future. Building New York's Future: Creating Jobs and Business Opportunities through Mass Transit Investments*, September 2011.

Mayor's *Financial Plan Summary, FY2013-2017,* p. 18. January 29, 2013.

McNeil, Lori. Homelessness Outreach and Prevention Project at Urban Justice Center, *Case Closed: An Examination of Exclusion in New York City's Public Assistance Programs*, May 2011.

New York City Center for Economic Opportunity, *The CEO Poverty Measure, 2005-2010*, April 2012.

New York City Comptroller, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012*, p. xxii.

New York City Independent Budget Office, *Twenty-Five Years After S7000A: How Property Tax Burdens Have Shifted in New York City,* December 5, 2006.

______.2012. *Budget Options for New York City*, April 2012, p. 58.

______.2013. *The Co-op & Condo Tax Break Has Expired, Giving Albany Chance for Long-Promised Fix*, January 2013.

New York City Office of Management and Budget. *Financial Plan Summary, Fiscal Years 2013-2017*, May 2, 2013, p. 28.

Office of New York State Comptroller Thomas P. Di Napoli, *Wall Street Bonuses Rose in 2012, Industry Profits Rebound from Prior Year*, February 26, 2013.

Office of the State Deputy Comptroller for New York City, *Review of the Financial Plan of the City of New York*, July 2012, Report 7-2012, p. 4.

Olson, Deborah G. "Fair Exchange: Providing Citizens with Equity Managed by a Community Trust, in Return for Government Subsidies or Tax Breaks to Businesses," *Cornell Journal Of Law and Public Policy*, Spring 2006, vol. 15, No. 2, 106-243.

Parrott, James A. Fiscal Policy Institute, *Hudson Yards Tax Breaks, Unwarranted and Fiscally Irresponsible,* October 27, 2005.

______.2012. Testimony before the New York City Council Committees on Economic Development, Higher Education, and Technology, "The Applied Sciences NYC Initiative: An Important Step in Diversifying Our Economy," September 28, 2012.

______.2013. "The New York City School Bus Workers' Strike," Testimony before the New York City Council Education and Finance Committees, February 8, 2013.

Sims, David. "TRS, Clinton Are Partners in Post-Sandy Rebuilding," The Chief, December 21, 2012.

Spitzer, Eliot. *New York State 2007-08 Enacted Budget Financial Plan*, 57-62.

Wolf-Powers, Laura. "Economic Development: Addressing the Parallel Universe Dilemma," Towards a 21st Century City for All, October 25, 2012 draft.