



Dialogues Series: Money Talks 2003

1st dialogue: **A Deficit of What?** (local economy) 2.23. 03

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Guest speakers: Wayne Barrett, Bonnie Brower, James Parrott

Seth Ackerman: I'd like to start again by reiterating that this is as much a conversation between the people here and the people up here as it is a presentation. We haven't asked anybody here to write a speech and deliver it, so, this is an opportunity to have experts on hand that we can ask questions and we can talk and raise issues with. So, the subjects that I'd like to start with are pretty basic. We've got, as most of you know, we've got the articles here. As the articles will show you and as I'm sure everybody in the room already knows, we're facing an enormous budget crisis both at the state and city level, and we've had proposals put forward by Governor Pataki and by Mayor Bloomberg, And so, I want to start addressing that by going back a step and asking where did this budget crisis come from? Was it September 11th? Was that it? Was it just this catastrophic attack and the economy tanked, and now we've got a budget crisis or is it something deeper than that? And to start with that, I'd like to ask James Parrot from the Fiscal Policy Institute, which is one of the leading budget analysis think tanks in the state and the city, to address that question. What are the origins of this crisis?

James Parrott: For the city or the state or both?

SA: For both.

JP: Right. There're really 3 or 4 main driving forces.

September 11th certainly contributed to that and there is a compelling and fair need for the federal government to own up to its responsibility and provide assistance to the city and the state to make it hold for some of the lost revenues related to the attack that New York City and the New York City economy took on behalf of the country.

But there are other major driving forces behind the budget crises. In the city, in the state, one of the main factors is that in the boom years, in the late 1990s, the city and the state were on a tax-cutting rampage. Politicians could not resist cutting taxes; there was competition to outdo one another to cut taxes. The city cut about 3 billion dollars in taxes, which is a good part of the remaining budget deficit for the next year. The state? Governor Pataki likes to say that he's the national champion in terms of cutting taxes. And we can't dispute that. The state tax cuts each year now amount to about 13 or 14 billion dollars. So, for the state, the taxes cut in the last few years, personal income taxes with most of the benefits going to high income individuals, corporate taxes and a lot of other taxes, more than account for the size of the budget gap at the state level. So, even without any change in the economy, I mean if the economy hadn't continued to grow like it had been but it wasn't in recession, we would still have looming budget deficits at both the city and the state level. But the economy did turn down, and Wall Street did turn down after a really unsustainable period of a financial bubble from 1996 to 2000.

Our economy in New York City and New York State is heavily dependent, we would say overly dependent, on Wall Street in terms of our economy and where the stimulus in our economy comes from and certainly in terms of the revenues that both the city and the state get. Even though Wall Street is just a portion of the state economy, because it generates such profits and high wages when its going well, and because the state derives most of its revenues from an income tax, which grows more than proportionally when the economy does well, the state is even more dependent for revenues on Wall Street than New York City is. So, the Wall Street bubble burst in early 2000, and that took tax collections away from the city and the state. And then a fourth reason is, we've had a national recession for the last two years. In New York City, it's really hard to separate out the recession from the bursting of the Wall Street bubble because our economy is so, closely tied and heavily driven by Wall Street. But it has affected many areas of the national economy, like advertising which is a big employer in New York City, the media, which is a big employer and a high revenue-generating sector in the city as well, So, there're really those four reasons. At the state level, tax cuts played much more of a role and Wall Street played much more of a role. In New York City, Wall Street plays a big role and the effect of September 11th played a big role because we lost a lot of jobs as a result of that. About half of the jobs that we've lost in the last 2 years resulted directly from the attack on the World Trade Center. And that's 80 to 100 thousand jobs that were related to the World Trade Center.

SA: One thing that you were mentioning earlier to me was that when the federal government offered money to the city and the state for rebuilding; the state had options of how it was going to spend that money. Could you explain how the...

JP: Well people have read no doubt about the 21.5 billion dollars that Washington has committed to New York, both the city and the state, to clean up the World Trade Center site and to help repair the economic damage. We haven't gotten all of that money yet.

Audience: How much have we gotten?

JP: We've gotten roughly about half of that, I guess.

SA: There was actually a scare that Bush was telling the city to drop dead again, before he said he reversed himself.

JP: There was an announcement recently where Washington is going to allow the city more flexibility in the use of some of the funds. There were several billion dollars set aside for the clean-up, but because of the commitment and the dedication of city employees, the clean-up was done below the estimated cost and ahead of schedule. That saved a lot of money, and the city and the state have been trying to maneuver to redeploy that money for other purposes. One of the funding streams out of the 21 billion dollars was 2.7 billion dollars pretty much in cash that could be used to repair the economic damage in Lower Manhattan. So, the city and the state had some discretion over how they were going to use that. The first thing they did,

and they did this pretty quickly, before people could figure out what was going on and really line-up to oppose it, was they handed out about a billion dollars in grants to big companies and institutions and organizations like Century 21) ...Can you imagine Century 21 *leaving* that lower Manhattan site?

Audience: Never...

[Laughter]

JP: Right, or Pace University, they were going to move, or American Express.

SA: You used the word bribe.

Bonnie Brower: Bribe, I did.

SA: Because what is the intention or what's the stated motivation of giving them this money, these huge corporations?

JP: Well, the best that I can make out, the rationale underlying this, is that they wanted to preserve the retail base in Lower Manhattan by getting large employers to commit to keeping their organizations downtown so, that the workers would keep coming there and generate foot traffic for local restaurants and stores. There's a need for that, to accomplish that in some way. Whether or not grants, sort of grants with no strings attached given out to big companies, was the best way to do that-we can debate that. American Express had already announced that they were going to return to the World Financial Center. They own that building, that's their headquarters; they had already said that they were going to come back. The city and the state, having announced this program, said, 'well we can't penalize American Express for their loyalty for to the city so, they'll get 25 million dollars as well'. And of course, American Express took it, because, you know, corporate CEOs can't then turn around and face their shareholders and say ya, we could have increased our bottom line by 25 million dollars, but we gave it back to the city of New York, or the state of New York, so, they kept the money. There's still some money left there, and I could talk more about this later, if there's interest. We think that because we're in such a serious recession that's several times worse in New York City than nationally –we've lost four times as many jobs in New York City in the last 2 years as the nation has – there's no upturn in sight for the national economy. Given our dependence on Wall Street and the fact that Wall Street is still contracting, the recession will get worse in the months ahead. We should use some of this 21 billion dollars to prime the pump locally, to fund an emergency job creation program that could put 40 to 60 thousand people to work, we have over 300 thousand people out of work

SA: And the money is there.

JP: The money is there. It's sitting on a table and the governor doesn't know what to do about it, because he couldn't care less what happens in Lower Manhattan.

SA: We have a question.

Audience: Could you make a distinction when you're talking about this money, a distinction between if this money is part of FEMA grants...

JP: This 2.7 billion dollars I referred to came in the form of a community development bloc grant monies that come through the Department of Housing and Urban Development (HUD) Usually community development bloc grant monies are monies targeted to low income communities and you have to meet certain criteria in terms of the...you have to certify the low-income nature of the population that's being served by these funds. That provision was waived in this case, because it was sort of a ready funding stream to provide to New York to use for economic related projects.

Audience: So, how is that then connected to what's been in the newspapers over the months that has to do with FEMA money and FEMA money connected to rebuilding efforts of Lower Manhattan or people who've been displaced? This is the thing that's been confusing me.

JP: Right. I'm not an expert on all of that, but we have followed that to some extent. My recollection is that there's about 8 or 9 billion dollars in FEMA money that came to New York. Again, a lot of that was earmarked for the clean-up purposes. Only about a billion or So, was needed for the clean-up purposes. So, our elected officials and congressional delegation have been focused on how we can redeploy some of that unspent FEMA money. Some of that, you know, 2-3 billion dollars roughly, has been redeployed to fund transit capital purposes, and the city and the state have put together a wish list of transit improvements in addition to rebuilding the PATH line and the 1/9 line and repairing the stations that were damaged, to set up a transit hub, better connecting the subway with the PATH train, there have been various proposals to try to bring the Long Island Railroad into Lower Manhattan. I don't think that's going to happen. But anyway, some of the FEMA money has been redeployed for that purpose. The other thing that FEMA's been involved in, which they've been heavily criticized for, they've run something called the Mortgage and Rental Assistance Program, which in the case of other disasters, hurricanes and earthquakes, has provided a lot of stop gap assistance to low income people, people whose properties or livelihoods were threatened or damaged by this natural disaster. FEMA has been very generous in making funds available, while they were very restrictive in how they allocated that money in New York. The program that got extended a couple of times, it finally expired this January 31, they basically restricted it to people who lived in lower Manhattan, they took a very restrictive definition of that. They basically excluded people who lost their jobs, even though losing their jobs was related to September 11th, like all the people at the airports who lost their jobs, if their place of employment wasn't in lower Manhattan.

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And they also did bizarre things like have people in call centers in Texas administer the program, and people in Texas, of course, don't know where Liberty Street is in lower Manhattan, And some people called up and said, I live on Liberty Street, and they said, you're not eligible, because that's not in the eligible zone And so, on...

BB: But the other best part of that thing which any New Yorker would truly embrace and love is that the less you needed the subsidy, the more subsidies you got. The bigger your rent or mortgage payment was, if you lived in especially the central downtown zone, the higher your subsidy. So, rather than help people who lost their jobs and were barely holding onto their housing with their fingernails turning white, they were just literally throwing this money out the window to folks, who literally didn't have a need. So, it was this really, to my mind – I'm an old housing person – very perverse kind of stand it on its head thing which made no sense whatsoever, particularly in the New York housing market.

SA: Do you still have a question?

Audience: Yeah, I think part of this question was whether the FEMA money was in addition to the 25.7 billion dollars.

JP: No, the FEMA money, the 8 or 9 billion was part of the 25 billion.

SA: Before we get to maybe what's the meat of this, which is what's being proposed to be done to cope with these problems, I want to ask Wayne Barrett, because you wrote recently that one reason that we weren't warned in advance that we were going to have these problems is that the media didn't seem to pay as much attention to it as they could have. And you were inside City Hall the other night and you pointed out that people from all the other papers there were from papers that endorsed Pataki without bringing up any of these issues. Could you go into that?

Wayne Barrett: Yeah, he was a stealth candidate when he ran in '94 and he managed to run as a stealth candidate when he was a two-term governor. [Laughter] It's a miracle...it's a miracle. This is a long way of answering the question, but I want to add a little bit to what James so, artfully put together as rationales, because he did it and committed a cardinal sin. He never mentioned the name of Rudy Giuliani. And so, I think that's my job. [Laughter]

SA: As the biographer...

WB: Yes, yes. You know, the Citizens Budget Commission, which Bonnie hates and I love... It's a business group So, Bonnie hates it...

BB: I hate them because they don't cop to who they are.

WB: ...Surprisingly enough, I find it always historically to be a pretty progressive business-funded group that analyses budgets, and they had a conference shortly before Mayor Bloomberg took office in December of 2001 and this is a business group that was at least initially closely identified with Rudy Giuliani, in fact the head of the Citizens Budget Commission was Giuliani's fiscal advisor in the '93 campaign and then he sat on the panel that picked the first budget director and first deputy mayor for economic development. So, the organization was not at least initially regarded as some kind of opponent of Rudy Giuliani's. But anyway, they wrote a report that was issued at that press conference which I wrote a column on, which carried the pictures of Osama and Rudy and just based on the citizens' budget committee's unambiguous findings, at least as of December 2001, they attributed 60% of the city's budget to Rudy and only 40% to Osama. And, you know, James has given some of the reasons, the fact that he cut taxes during this period, but much like the governor, at the same time that he was cutting taxes he was increasing spending at enormous levels – he thought he was going to be a United States senator, So, the budget in 2000 was like the richest budget you ever saw. And so, the governor also when he ran for re-election, this budget year that we are still in, because the fiscal year of the state ends in April, the budget year that we are still in is this...I mean, it was just papier mache, it was pieced together with every form of what they call one-shots, and what one-shots are, and there's about 5 or 6 billion dollars worth of one-shots in the current state budget is, it doesn't do anything to solve your problem next year. You found some money that you can raid, a pot of money you could raid to plug a hole for a single year, but it does nothing for you in the long term. And so, this governor, and let's not leave the Democratic assembly speaker Sheldon Silver out of the formula, because he was pushing the governor to do even more, all right? And so, they pieced together this budget, which anybody, I mean Joe Bruno (who rides a white horse up there in Albany) and thinks he's the hero of the state, it stumbled out of his mouth at one point during the year, 'Oh we're going to have a 10 billion dollar deficit next year!' This is in the middle of the campaign, and everybody's, 'oh the governor's, oh he's a fool!' [Laughter] Anyway, but he accidentally said the truth. What do we have? We have a 9.3 billion dollar hole that the governor now fully acknowledges. Well, the incredible thing really was that we went through the campaign in which, as I said, the other night I was on with John Podhoretz from the *Post* and I couldn't even get the words out before he was going to jump down my throat, I said, you know, I'm here with three guys whose papers – one guy from *Newsday*, one guy from the *Daily News* and Podhoretz from the *Post* – all endorsed the governor that their papers are now...I mean you can't pick up the paper...It's like, it's a different man! Or we're in a different state! You know, and they just run him into the ground. The *Daily News* has done three editorials that were So, shrill I was embarrassed! [Laughter] And Pataki, they just carve him up. So, anyway, Podhoretz interrupts me when I start saying, isn't it nice that all of you guys have discovered this, and he was about to say, we must have had a caveat in some paragraph! [Laughter] And I say, well you know, they did five front pages on the relatives of Carl McCall, one whom got a job and one of whom didn't! How many did they do on the state budget crises? *Zero*! And John shut up. Because, it's the nature of the game, but I never had seen it So, badly played. You know, the *New York Times* which I knew

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from the start of the campaign, was going to endorse George Pataki even though they can't stand him, you know?

SA: This is a question that I want to ask you. The *New York Times* – I don't want to get too far away from our core subject matter – but the *Times* has a tendency to endorse incumbents in state and local races.

WB: Enormous tendency, yes.

SA: I mean, the *New York Times* never endorses a Republican for president. As far as I can remember, not in recent times at least.

WB: I can't think of any time that they have, no.

SA: For the governor, if he's an incumbent, they'll endorse him. Why do you think that is?

WB: The *New York Times*, in an era of unprecedented boondoggles, got the biggest boondoggle that the Pataki administration has ever given out, for its own new building, which is going up in Midtown. I mean, the state owned the land...

SA: When did this happen?

BB: Now.

WB: The building hasn't started construction...

JP: The state had to condemn the property to take it for the *New York Times*, condemn it for private purposes...

WB: And then not put it out for any...no one else was allowed to purchase. This is a sole source deal, no one else is allowed to purchase this site, and then the subsidies out of it are...

BB: Are huge.

WB: That's just the frontline subsidy, I mean; they really have...there was really a ceiling put on the price, which was astronomically beneficial to the *Times*. But I think they sat down there, Salzburger and George and worked this out and all, but I think, you know, for Salzburger, and he calls the shot, I don't think the *Times* editorial board has anything to say about it, he calls the shot. And for him to not endorse would be, like, you don't understand the game. You know, you're not a player! It's like, this is the way it's done. Because the *Times*

did this totally dishonest thing, which goes right to the budget, where Andrew Cuomo when he was running against Carl McCall had made a big issue about how McCall had effectively in Andrew Cuomo's term, signed off on the budget himself, because there's a new law that's been in place since Pataki's been governor that legislators' salaries are withheld if the budget is delayed past the deadlines. And all McCall has to do is certify that the budget has in fact been formally passed So, that the legislators can get their back pay. And he has to sign some document of State Comptroller saying that. Well Andrew Cuomo tried to raise that to a level of, Carl McCall is as responsible for this budget as George Pataki is. And he was hammering away at this issue and nobody gave it any credence. And the *Times* endorsed Carl McCall in the primary for his "fiscal expertise," was the reason in the editorial, and then the day after Carl McCall won, Andrew Cuomo had pulled out a week earlier, but the day after McCall won, they have this line dropped into an editorial that says, well Carl McCall certified the budget too. And it was a way of just taking it right off the table. And it helped cover what they already knew they were going to do, which was to endorse George Pataki. So, **I believe in very material ways that the media was a complicit partner in the deception of the voters that lead to George Pataki's overwhelming victory in November, and that in a budget year when anybody could figure out...**I thought there would be a special session, and I talked to Frank Murro, who's James Parrott's partner or boss, what do I describe him as?

JP: Partner [Laughter]

WB: He was there before you, is all...

JP: Right...he is Executive Director of our organization, heads the Albany office and I head the New York City office...

WB: Yeah.

JP: Which is three times as large as the Albany office. [Laughter]

BB: That's okay, New York City is three times as large as New York state.

SA: You called Frank Murro...

WB: Yeah, Frank Murro, I think I quoted him in a piece, I know I called him and he predicted that there would be a special session in December to try to plug these holes, they actually...when did they actually do it, was it...

BB: It was right after the November election actually.

WB: But I just think that the causes of the crisis – I want to go back to Rudy for a second, because I didn't finish that thought. One of the things that he did, which has contributed immensely to the crisis that the city is in, is that we had those golden years. I don't believe he had anything to do with them, but we had those golden years, and he had surpluses that were unprecedented in the history of the city. And he spent them.

SA: What did he spend them on?

WB: He spent them on by-and-large, the enormous police build-up in the city, and in the last few years...he was a deep education cutter in the early years, but there were certainly education increases in the latter Giuliani years, And so, he spent away these surpluses without doing anything to salt away anything. You'd have to say that Pataki at least salted away some money in those So, that one of the reasons we made it through this last year is that he tapped everything that had been salted away.

JP: Although one of the ways that the state was able to accumulate rainy day reserves and pots of money, was by taking money away from the city. So, in part, and I certainly don't want to be cast as somebody who's trying to defend Rudy Giuliani, I would give him credit for most of those tax cuts, although I would give Peter Vallone credit for the biggest one of those – the elimination of the income tax surcharge. But the state, whenever it can, in the good years, saw that New York City was running this big budget surplus, So, they were taking money away from the city. For example, there used to be a tax on stock trading in New York. It was in place for a couple of decades. And in the last fiscal crisis, Hugh Carey decided, well we'd better eliminate this as a way to keep the stock exchanges...

SA: We're talking about in the 1970s?

JP: In the last fiscal crisis in the 1970s, right. So, in place, the city was given an annual subsidy called the "stock transfer incentive fund," which is about 128 million dollars. Well right after September 11th, because the governor wanted to provide more of a cushion for his own reelection, he took that money back and put it into plugging his budget gap for the current year. And there were various other things that the state has done in the last three years that have taken more than a billion dollars away from the city.

WB: The state would not even approve, would you believe and maybe James can add some of the reasons, because I've never followed it, but I think it's got Shelly Silver outraged because he represents Lower Manhattan, but they would not designate Lower Manhattan as an empire zone.

SA: What is an empire zone?

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WB: An empire zone is a state program where a locale, and there are many counties and sections of counties across the state that get designated as an empire zone, which are essentially zones that need new forms of tax incentives to help generate job development, and would you believe after 9/11 they would not designate...the governor specifically refused, an application was made to designate it as an empire zone.

BB: But they also exempted New York City, this is after 9/11, the governor developed a new economic development program that he defined as making any urban area eligible for it except cities of a million or more. Ooh, guess who that only applies to? So, we were exempted from that economic development program. Moreover, after getting the state legislature to pass a 50 cent a pack cigarette tax at the state level, the only way the state legislature would pass the cities \$1.50 a pack tax on cigarettes – we had to go to the state for that, I'll explain that in a minute – the only way the state legislature and the governor would agree to pass our taxing our own sins at a buck fifty more a pack was to steal half those revenues. So, the state is getting half the revenues, if anybody who still smokes isn't doing bootleg buying [Laughter]. But that's another way...In fact I have to say that as incensed as Wayne and I are, and I'm sure James is too, about the stealth campaign by not dealing with his own burgeoning budget gap, I am equally pissed off about the fact that no one called him on the damage that he, as well as the State Legislature (<http://assembly.state.ny.us>), has inflicted on New York City over the last 5 years starting with the repeal of the commuter tax, which really is more Shelly Silver, your local assemblyman right here, actually. But then there have been a series of thefts, petty and grand, that have happened as the state literally sucked money out of the city for its own gap-closing and service-providing purposes. Right now, the city of New York has a balance of payment imbalance with the state. We give the state 3.5 billion more than we get back in aid, and we give the Feds 6.3 billion more than we get back in aid. Now, as someone who believes that those who have more should pay more, I'm not sure that some imbalance isn't warranted. But I can tell you, I know that 10 billion dollars out of our pockets here in the city to subsidize a state that routinely screws us and a federal government that could care less about localities, or states in this day and age, is truly outrageous and unfair.

Audience: How does that compare to other states?

BB: We are way...well depending on your perspective, ahead of the game or behind the game. We are giving much, much more to both our state and the Feds...

WB: Well, I don't trust those figures...I think they understate...

BB: Well those are probably low...those may well be low, those are bare bones imbalance of payment...

SA: So, of the 50 states, where does New York...

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BB: Well New York at this point has...there are only 6 states in the country that have larger budgets than New York City's budget. In other words, New York City would have the 7th largest state budget, and was the 4th largest until recently, of any state. We have the 12th largest population of any state. Only 100,000 or 200,000 behind 2 other states, So, we're really like the 8th largest state.

SA: If we were a state...

BB: If we were a state [Laughter]...Well we may be getting to that point. I never have a hidden agenda; all my agendas are on the table. Home rule or succession. One of the other things we need to understand, and I want to focus a little bit on the city's budget...

Audience: I have one quick question, Bonnie. When you say, and this may be really basic So, forgive me, when you say that we pay more to the state than we get in aid, how do we pay it? Like, do we pay it in what sorts of...

BB: In a myriad of different taxes and forms. Personal income tax, business taxes.

Audience: So, what I pay to the state in my taxes every year, you're talking about that?

BB: Well that's a piece of what New York City residents send up to Albany, which contributes...

Audience: So, you're talking about all of the state tax that I personally pay.

BB: That you personally pay, that business pays...

SA: It's not the city government that's sending this money to...

BB: No, no, I don't mean city government, I mean New York City residents and businesses – the people, the soul of New York City contributes more in these amounts at least, to both the state and the federal government than we as a collective entity get back, okay?

JP: Most of the state revenues are the personal income tax. 60% of state tax collections come from the personal income taxes.

Audience: And I just wondered what the gross figure is. What percentage is 10 billion dollars of our...

BB: Our budget for the coming year, New York City's budget for FY04 is just a little over 44 billion dollars. So, 10 billion dollars would be 25%.

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Audience: 25% of the budget, but what percentage is it of the money that we pay? We're paying 100 billion dollars and getting back 90 billion dollars, or what is it?

BB: Oh I can't answer that question. I'm sorry I'm just a blank on that one.

Audience: And the other 40% of the 100% -- So, 60% of the money that goes to the state comes from when we fill out our income tax, our state tax.

SA: What percentage of the state's revenue comes from New Yorkers? New York City-ers?

BB: I think it's 60%, isn't it?

SA: It's probably more than half, right?

BB: Of their overall revenue stream, how much comes from New York City?

JP: It would be in the 50-60% range. Because while we think we have a lot of rich people in New York City, and we do have a lot of rich people, but there are a hell of a lot of rich people in Westchester County and in Nassau and Suffolk. So, we don't send proportionally more in terms of the personal income tax receipts than our population. Maybe it's a couple of percentage points, but it's not 10 percentage points more than our share of the population, which is about 41%. But most of the businesses that pay corporate income tax and the state's corporate income tax rates are higher than the city's...

WB: I think the questions seem to be going at the issue, which is a terribly important issue, as to how the state discriminates against the city, and there're so many ways in which the state does discriminate against us, but one way is that Nassau county, a Republican stronghold, probably the most powerful Republican county in the United States, for many, many years, they absolutely bankrupted this extraordinarily rich suburban county.

SA: How did they do that?

WB: Before the downturn, everybody was stealing; they would never raise taxes...And so, who bailed them out? Who bailed them out? George Pataki and the state of New York came in and bailed them out, they created a whole fiscal structure, they pumped tons of money in, and this was all self-inflicted wounds. We get attacked. And this is in October of 2001 – they killed the stock transfer tax payment that we were receiving.

BB: Right. The only thing the New York state legislature and our great governor, Pataki, did for New York City since 9/11 and they have never been called on it, is allow the city to increase our own debt level. We could issue another 2.5 billion in debt, and in fact we have issued 2 billion. I want you to remember that. And I want you to remember for a couple of reasons. I want you to think about it because my primary focus is on the city's fiscal health and its budget crisis, not in abstract, not in a vacuum, but one of the reasons why its really important for everybody to understand how badly treaded and how ill-served we are by our parent state is because I believe New York City is going to have to bail itself out. That's the bottom line. And we can get into that later. You've got some very colorful documents where we lay a lot of stuff out. Let me just explain a couple of things.

Audience: Did we bail ourselves out in the '70s?

BB: No, the state was in much better fiscal condition in the '70s. New York City is now in better fiscal condition than the state is and we're in a disaster. Because of things that were put in place as a result of the '70s fiscal crisis, we must balance our budget every single year by July 1 or the big bad financial control board will take us over. And that by the way is a state creature, which is appointed by the governor. Nobody can take over the state government, okay?

SA: Does the state have a balanced budget amendment to their constitution?

BB: There is a technical requirement that they balance their budget; they don't have to do it by a date certain. And also if you look at what they call a balanced budget, there's nobody overseeing to make sure its not just smoke and mirrors, which clearly it was last year – totally smoke and mirrors, or feathers, you know?

Audience: And what do you think about the mayor?

BB: This is what I want to say about our mayor. I agree with both James and Wayne that Bloomberg inherited a disastrous situation created in large part by Giuliani, secondarily Giuliani's tax and other spending policies, his tax cutting policies, also by 9/11 obviously, which exacerbated the situation and by the recession. Since the mayor and the fresh new democracy city council took over governing in January of 2001, the city has been making daily ongoing efforts to grapple with what was first a 5 billion dollar budget hole, and this year looked to be a 6.4 billion dollar budget hole, and now has been reduced to a 3.4 billion dollar budget hole. It's done it through a variety of means, some wise, some I would suggest idiotic and really regressive, but nobody could say that the city – mayor and city council – haven't been making serious efforts to pull us out of this disaster. You know, we've cut 2.6 billion dollars off our spending, we have enacted the biggest property tax hike in city history, which is not a terribly progressive tax to say the least, we have enacted a myriad of user fees and nuisance taxes...

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SA: Could you tell us what a user fee is?

BB: Well it's, for example, if you want to use certain park facilities or recreation facilities, we are beginning to charge money to people, or higher fees to people to do that. Most of these fees, user fees and service fees, impact disproportionately on poor and working people. And middle class people. They do not impact very heavily on the wealthy, who either don't use the facilities or for whom these increases are just...

Audience: What do you mean by facilities, the jungle gym? I mean...[Laughter]

BB: Well they're talking now for example...No, ball parks, there are going to be fees for ball parks, there are going to be higher fees for tennis courts, we're raising the marriage license fee. And what the governor is proposing, as you know, is to raise tuition at the state and city university, a huge mass transit fare hike increase, do away with the sales tax exemption for cheap clothing, you know? All of which are truly regressive in that they hit the people who have the least ability to absorb them. But the city is doing a lot of that stuff too, you know. We've doubled the parking fines, we're adding new charges and fines all over the place, by the way, virtually all of which we have to go Albany to do. There is only one tax that the city controls completely on its own and that is the property tax rate. Not other things about our property tax.

Audience: So, any tax that the city wants to levy...

BB: Any tax, virtually almost every fine and every fee.

SA: Even parking tickets...

BB: Even parking tickets. We have to go crawling on our bellies to Albany to get the state legislature and governor to sign off on it.

Audience: Does Albany take a cut then?

BB: Well, they can't take a cut of our parking fee. Well, I withdraw that. Who knows what they can do or try to do, okay? That's a very good point. A better point is why should they care? I mean I can understand if they care what we charge for our personal income tax because the state has its own personal income tax. But our parking fines? Our marriage license fees?

Audience: And what about our rent laws? Did you know that that's state controlled, that's not city controlled?

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BB: Well. Well. Well. [Laughter] Very simple reason. Do you know why? There is a state law that says no locality can enact any law pertaining to their housing stock that is more stringent than the one enacted by the state legislature.

JP: New York City is a creature of the state. We're not our own state. So, we have to go to the state for permission to do almost everything. Bonnie said that the property tax rate is about the only thing we control when it comes to the fiscal side.

Audience: Is this true for other cities?

BB: Well the real question is that...So, I'm a little biased, okay? [Laughter] But I admit it. The real issue is given that New York City is truly the economic engine that drives this state to a degree unlike many other places, the question is should we not be entitled to somewhat more home rule when it comes to the things that really only affect us, our residents, our communities, and our self.

SA: We provide the majority of the revenue for the state.

BB: And the answer clearly is of course we should be entitled to more home rule. And the question is whether there is a way to turn this fiscal some small amount of leverage to do this, but that's a longer-term thing. I still want to get back to how the city's going to have to bail itself out, and how I suggest we can do so. And that is that New York is also unusual not just because we have such a huge budget but because 63% of our revenues every year are self generated. They're generated by one of our major taxes—New York City has 6 major taxes, we also have a plethora, increasing daily, of fines and fees and service charges. All of those sources of revenue together amount to 63% of New York City's annual budget. No other locality comes close to being self-sufficient to that degree.

Audience: What is the average?

BB: I don't know what the average is, but many localities don't have their own ability to set up personal income taxes or business taxes. We've done all of that and more, okay? So, while we get state aid and we get federal aid, 63% of our annual revenues come from ourselves. Individually, businesses, you name it.

JP: Generally, New York state requires its localities to pay a higher share of the combined state and local expenditures than any other state does. And the main reason for that is that New York State is the only state that requires localities, counties, New York City in the case of the 5 boroughs, which are separate counties, to pay for ½ of the non-Federal share of Medicaid. Which is the biggest item in the state budget and it's the item that has been growing the fastest. New York City spends about 4 billion dollars a year just on Medicaid. No other, outside

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of New York state locality don't have to pay a portion of Medicaid expenses, but because the state requires localities to do that, the state share of what localities spend plus what states spend is the smallest among all the states.

Audience: Why is that do you suppose? Has it been like that for a long time?

JP: Why is that? Because Albany has chosen to require localities to tax their own citizens to a greater extent and rely less on the broadest tax that we have in the state, the state income tax. If you really want to have a progressive system, you would ask the state to do much more in the way of funding things and raise the revenues through a progressive income tax.

WB: The great genius of American politics was the guy who decided somewhere, centuries ago, to locate state capitals in the most obscure towns in the state. [Laughter] One of the reasons why we can have a stealth candidate for governor, after he's been governor for 8 years, is because nobody covers him in Albany. We don't cover him in Albany. You know, it's so, that the crimes that are committed in Albany, I remember that when I was first going up there and driving with an assembly man up there, and as we passed the exit for Bear Mountain, he described to me the Bear Mountain compact: Once we cross this line, nothing of what you see will be told. [Laughter] He was primarily thinking of sex in Albany, but it's a strange phenomenon. But everything in Albany is geo-politics because even when the governor just talked about what his budget's saying, we're going to protect law enforcement expenditures. Well law enforcement expenditures are largely prison expenditures, and prisons is to the state economy what hospitals are to the New York City economy. These are the engines that drive jobs. So, they've been exporting the minority youth of New York City – this is one of our great cash crops. It's generated so many jobs in upstate...I know you want to talk about Bloomberg.

Audience: No, I don't want to talk about Bloomberg. I want to talk about that, you know, the media can cover anything they want in Albany if they choose to do so. I mean it seems like everyone is complicit in this...

WB: They are. It's true.

Audience: Well its like this is illegitimate, this is fucked up, this is not correct. I mean, where do we go when it sounds like everything's totally corrupt? Like where is the legitimacy here? Where do we turn to?

Audience: How do *you* find out?

SA: It's his job.

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WB: The thing is that until recently I believed myself that my own readers were not interested in reading about George Pataki.

Audience: But how would you know that?

WB: Well you know, you're a reporter, you're out there, you're intuitive to a degree. But maybe I've been mistaken. But when Mario Cuomo was governor, New Yorkers wanted to read about him. And when Rudy was mayor, there was So, much more interest in this town in what Rudy was doing than what George Pataki was doing that you could write a great George Pataki story, I think I've written a bunch of them, and get no reaction to it whatsoever.

Audience: And can I double this, because we're doing three roundtables – one local, one national, one international. Half of the people that I've spoken to said, you know, I'm not So, interested in local. I'm coming to the national; I really want to come to the global. I can't tell you how many people have said that to me.

WB: That's why putting it in this obscure capital works. It seems very far away from you, it seems very far away from the reader; it seems almost like a nether land. What do they really do? We know that the mayor names the police commissioner; we know that the mayor names the chancellor. These things are immediate, they're ever present in our lives; this is So, remote. And yet the power of the governor is So, extraordinary in the way in which we operate in this state it makes the mayor seem like a small time player.

Audience: What this woman said about the media and people not wanting to read about Pataki, and this is something that...No reporters seem willing or able to talk about Pataki. A great opportunity to unveil what's going on with Pataki came about with what's happening in Lower Manhattan with what the *New York Times* and Salzberger and the *Times* editorial board were pushing as their personal view about Lower Manhattan. I called reporters, I had other people call reporters, and tell them these are questions that have not been asked. Because basically because I had an inside track to what was going on, I could not do it, but I could call people and tell them these are the questions that not being asked. And yet, no one asked the questions. It stayed in the hands of the editorial board of the *New York Times*, the spin-doctors, who are very successfully...

SA: Well explain to us, what were the questions that you found were important to ask...

Audience: Um that the whole reason that the Lower Manhattan Development Corporation was pushing for the competitions that happened as quickly as they did, the whole basis of it was to reelect governor Pataki. The people who were put into place at the Lower Manhattan Development Corporation, not all of them but a large part of them were Pataki players. Once Pataki was reelected governor, they left. They're gone. It was, we have to do whatever we can

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to get this governor reelected. And the result of that, not just politically and financially, but it really robbed the people who were most affected – the people, the city, the victims – of a chance to grieve because everything was on an accelerated plan to get the governor reelected. You can ask anyone.

WB: I couldn't agree with you more. The fact is that the *Times* ran an A-1 story after the governor was reelected that jumped very deep into the paper for almost a full page, 7 or 8 days after he was reelected with all these quotes from survivors' families saying how critical they were about how Pataki approached everything.

SA: And they ran it after the election.

Audience: And that's a sign of just how corrupt the process was.

WB: When she asks about Bloomberg, by and large, I think that Bloomberg's doing a decent job. But how he postponed in every way dealing with the city's crisis until after the governor was reelected. He's dealt with it fairly reasonably afterwards.

Audiences: But why weren't they asking these questions? Somebody could have asked. Why weren't they?

JP: I don't think the picture of what's going to happen in Lower Manhattan is any clearer today than it was on the day before the election.

The port authority is involved, and New Jersey's governor runs half of the port authority. Why should New Jersey's governor have any say in what goes on in Lower Manhattan? What really needs to happen and I think the mayor – and this is one area where I would give him credit – I think it's on his agenda for the city to take control of the redevelopment of the World Trade Center site. There are talks about he's going to try to take over the control of the site from the World Trade Center. They're looking into ways to try to buy out Silverstein, who now has a big say over that. The city should get control of that and the normal processes for land use decision making and revue that exist in the city should take over and control of that.

Audience: You're not answering my question. My question goes back to what this woman there had asked, which has to do with the issue of reporting. Why weren't these questions asked?

WB: I wrote an anti-Pataki story every week for the 6 weeks before the election. I got 3 covers over it. I mean, I don't read the paper, but I certainly think I tried to explain why the *New York Times* handled it the way it did.

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Audience: But he also writes for one of the only papers that didn't endorse Pataki, So, they ran him.

Audience: It just seems like the level of corruption surrounding elected officials has increased So, obviously over the last decade, that it's like, yeah, why vote? I mean everything is So, set-up So, that certain people are going to get it if they have to be voted for.

SA: There are some elected officials that hammer away at these issues. A few of them. People, state politicians like Liz Kruegr, Eric Schneiderman am I wrong?

BB: They have a lot of power. [Laughter] I mean, you've got a state system in which 3 people and only 3 people count – the assembly speaker, the head of the state senate and the governor.

WB: And the assembly speaker was fixated about raising the number of Democrats from 98 to 103 in a 150-member body. What that does for anybody...

JP: He has a veto-proof majority.

BB: And in New York City, we have now through a variety of charter amendments, while we have a charter-mandated public budget process, it is little more than sound and fury signifying nothing because the mayor is the numero uno player in the budget for one simple reason and one alone, which is that under our charter, only his revenue projections count. Now you can't do a budget, by which we all mean expenses – what are we spending our money on – we don't look at the revenue side, which I want to suggest is a great cardinal failing, fatal flaw. But only the mayor's revenue projections frame the entire budget debate. We have a city comptroller that does a revenue projection, we have an independent budget office that generally does a revenue projection, we have the state financial control board that sometimes opens its yap and does a revenue projection, we have the state comptroller's office that does a revenue projection. Only one person's revenue projection counts and that's the mayor's.

SA: And what is the significance of that?

BB: It's very simple. If he says, I project that our revenues are going to be 23 billion this year, even though you want to spend 44 billion, his 23 billion revenue projection frames the expense budget.

SA: And are these revenues being underprojected or overprojected?

BB: Well there has certainly been a tendency on the part of mayors throughout history, particularly Rudy, to badly underestimate, because that gives them maximum maneuverability. They can argue with the city council, no you can't have this money for that program, you can't

do this, you can't do that. Now clearly, the state financial control board last year after the city passed a very shaky balanced budget – my organization said there was 1.2 billion dollars of missing money – So, it went to the financial control board, but they didn't take over the city. And that's when the mayor, very quietly, three weeks after passing the 03 budgets told his commissioners to start making cuts, okay? He didn't really raise it publicly; it wasn't part of the public budget process. All of a sudden there's a 1.2 billion dollar gap.

Audience: From the time...

BB: From July 1 when it went into affect to July 18 when he announced cuts. So, I want to suggest that unless we all start looking at the revenue side of the budget – where we do get our money from, where we should get our money from that would, number 1 provide us with ongoing recurring larger amounts of revenue to meet the myriad of service that this city provides, and you won't find many state services that you know are being provided. You will find city services that you all know about. Unless we figure out how much money do we need and where should we best go to get it So, that it's recurring and its fair...

SA: The stereotype in state politics in every state is that as Pataki says, you can only have job-killing tax increases. So, what are the alternatives? What are the ways to raise the revenue that we need to pay for the services?

JP: The governor has actually proposed job-killing tax increases, because he's proposed 1.4 billion dollars in tax increases and fee increases that are very regressive and will directly kill jobs.

SA: Let's just explain for a second what regressive and progressive means when it comes to taxes.

JP: It has to do with the proportion of your income that goes to taxes. Say you had three income categories – low medium and high-income categories. And everyone paid the same proportion of their income in taxes. You'd have a proportional tax system. If you have a tax system where the rich pay a higher proportion than people in the middle and people on the bottom pay less than people in the middle, that would be a progressive tax system. If you had the reverse, where people at the bottom pay a higher percentage than people at the top, you have a regressive system. New York State, on balance, has a regressive system, even though we have a very progressive income tax. But because at the local level, localities primarily get their revenues through sales taxes and property taxes – taxes that tend to be regressive – on balance the tax system in this state is regressive. And then if you add into that the consideration that people also pay a federal income tax, and people in higher income tax brackets are able to deduct state and local income and property taxes from their federal income tax, So, that they pay less. So, if you add that in, then the tax system in New York state overall is steeply regressive. So, that people at the top are paying a lot less than people at the bottom. The

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governor has proposed raising taxes, even though there's been all of this media coverage of how the governor's taking a stand against job-killing taxes.

Audience: Job-killing taxes meaning...

SA: That's just a rhetoric that the governor has...

JP: He takes the position that tax increases are going to drive households out of the state and take their incomes with them, drive businesses out of the state, they're going to kill jobs and spending in New York. The governor has proposed to raise about 500 million dollars by reinstating an exemption for clothing items under 110 dollars a piece from the state sales tax. So, he wants to make people pay more to buy clothing.

BB: Cheap clothing.

JP: And then he's doing some other things outside of the budget like with the subway fare. He's proposing a 33 % increase in the subway fare. That's going to be regressive because people with low incomes pay the same subway fare as people with high incomes. He's also proposed raising tuition at public universities, he also proposed steep cuts in the tuition assistance program that affects kids that go not only to state universities but to private universities. There was a story in the *Times* last week about how St. John's will be heavily affected by that. The governor has made the issue this year that he's not going to raise broad-based taxes like the income tax or the corporate income tax, because in his book, those would kill jobs. And he has this view of the world that the tax increases that he spearheaded from the day he took office, and he campaigned in 1994 on a platform of reducing the state's personal income tax. Which he did the first year that he took office, or he phased it in. He says that those tax cuts account for the reason why the state and the city had a strolling economy in the late 1990s. I mean, he's seriously misreading economic history for his own benefit. He wants to take credit for anything good that happened in the economy when there were good things happening, and then as soon as bad things start to happen, oh it's not my fault, you know, it's the World Trade Center attack, it's the national recession, it's the Wall Street bubble. The fact is that what propelled the state's economy in the late 1990s was the bubble on Wall Street, which was very unsustainable, it couldn't last forever, even though in Albany and in city hall in New York City, elected officials made their budgets as if it was going to go on forever and it didn't go on forever.

Audience: So, what would a sustainable and equitable economy look like now?

JP: Well you could start with the tax system. What should happen, and of course part of the governor's budget and we should relate that to the city in a minute, the governor's proposing some regressive tax increases but also some pretty steep budget cuts in the health care area and in the education area. Both of those are going to hit New York City pretty hard. He's

proposing over a billion dollars of cuts in both of those areas. Our organization has proposed making the state income tax more progressive by having a 7/10 percent of an increase for that portion of incomes over \$100,000 and additional 7/10 of that proportion of incomes over \$200,000. This would raise about 2.7 – 3 billion dollars a year. This would go a long way toward undoing some of those cuts in health care and education, and if we kept that in place or even did more than that, we could begin to move and all localities in the state would certainly benefit from this, and New York City or Nassau county are by no means the only localities that have severe fiscal crises – Buffalo does, Rochester does, Syracuse does – all localities – Westchester county, which didn't have the budget malfescence at the county level that Nassau county had – it has a big budget problem, it's proposing to raise property taxes a lot. A lot of localities would benefit if the state would start taking over some of the local share of Medicaid that I spoke about earlier. But the governor's not going to countenance any increase in income tax, So, the battle this year is really going to come down to whether or not the progressive forces in Albany can be marshaled to stand up to the governor and say, we're going to draw the line on how much we're going to cut the budget, we have to look to raising income taxes, we're concerned about the economy. If we balance the budget in the way the governor's proposing to do it, we're going to worsen the recession because we're going to take spending out of the economy. Because the city and the state are obligated to balance their budgets, they have no choices when they have a big budget gap but to cut expenses or to raise taxes. But there's a progressive way to do that. The progressive way to do that is to minimize the expenditure cuts, because every dollar in spending cuts takes a dollar out of the economy right away, but if you raise taxes, while generally that's not good for the economy, if you raise taxes in a progressive way, you would minimize the hurt to the economy, and you can then finance a budget that's going to involve fewer budget cuts and will be better for the economy overall. So, the way to do that is the income tax proposal that I spoke of. It's now garnered the support of over 250 organizations around the state. The heads of [SEIU] 1199, the health care worker's union, and the UFT [United Federation of Teachers] in the city have supported it; have endorsed that approach to raising taxes. Whether they can get...

Audience: They also endorsed Pataki.

JP: They also endorsed Pataki, that's right. So, that's what we need to happen at the state level is to take on the governor over this notion of, you can do tax increases that are not going to be job killers. Of course, it's going to force the governor to undo part of his legacy and he's not going to give into that easily, So, it would be interesting to see if that happens. But it's really shaping up, as that's the thing that's got to happen in order to have a halfway decent approach to the state budget. And then because New York City needs to get approval for its tax increases from the state, we need to have the state authorize a reinstatement of the commuter tax, and also allow us to make our own city personal income tax more progressive than it is.

Audience: When was the repeal of the commuter tax, quick question.

JP: 1999 it was eliminated. It came up, and Wayne could probably tell this story a lot better than I could, about this minor race in Rockland county over a senate seat, and Bruno though well I'll have the Republican candidate say he's in favor of repealing the commuter tax, because Silver wouldn't dare do that. He's from New York City; he's not going to take away money from New York City. But before he could blink your eye he said, nope, we're in favor of eliminating the commuter tax. And within a week, you know, Albany, which takes months to resolve a budget, eliminated the commuter tax and the governor signed it and it was done.

SA: And Silver represents the city, So, what possible political goal was he fulfilling?

JP: He wanted to demonstrate that the Democrats in Albany will go to great lengths to fight for any open seat.

WB: Really, what happens in Albany, it won't happen this year because the budget is So, bad, but the tradition in the last few years under Shelly Silver, is that the issues that they really carry in the assembly are the issues that the marginals can support. The marginals are the Democrats who are in districts that could go either way. That's not descriptive of virtually anything in the city. So, that they basically pivot their policy decisions around what the marginals – a handful, 14 maybe – now he went from 98 to 103, this is a 150-member body now why he needs 103 Democrats is beyond me. And this is a state with a Republican governor, but I'll tell you, I happened to be standing next to Stanley Fink who was the speaker. This goes back many years. I was in his club, the Thomas Jefferson Club which was then the most powerful Democratic club in the state, I was standing right next to him in 1982 when he learned that Mario Cuomo had defeated Lerman. We're both looking at the screen and the numbers and the projected winner is up. There wasn't a more disappointed man in the state of New York. I'm telling you, he fell apart right in his club, because if you're the only Democrat that matters in Albany, you're a pretty big fish. He doesn't want to have a Democratic governor. And the night of George Pataki's victory, I was at the victory party and I'm walking in there, and I see a reporter from upstate, a very good reporter from the *Buffalo News*, and he says to me, oh you know, I called Shelly Silver about a week ago, because I noticed that Shelly Silver hadn't given a nickel to Carl McCall. And Shelly Silver is sitting on more Democratic money in Albany than any other Democrat. And he said, the day I called him, he transferred 25,000 dollars to the McCall campaign, but that's pocket change to the committee. But at least, he had not given a nickel until that phone call. Shelly Silver, I mean, now he's going to be our defender. He's all we can count on. [Laughter]

BB: This is why there's a citywide coalition forming to focus on how the city can raise revenues to meet our needs that the state might actually approve.

SA: I want to get to the home rule in a second.

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BB: No, I'm not talking about home rule, I want to talk about specific revenue recommendations.

SA: We just want to take one question that's long overdue.

Audience: There was money for a job creation program, and just recently you were saying that Pataki's whole rationale for not raising taxes is job killing. So, he's at least professing some interest in job creation. So, why isn't the job creation program happening and what would be required to make it happen, part a, and then part b, why are these unions that have endorsed Pataki going to go against him on this stuff?

JP: Well, two things. What I said earlier about how I think the city should take control of Lower Manhattan and all the federal resources that go with that, I think that's because we have a much better chance of getting Bloomberg to focus on the economic crisis that exists in the city. It's really appalling – we have one of the most severe local recessions in the country right now, and you'd be hard pressed to say anything about what the mayor or the governor is doing to address that. People act as if we're part of a federal system, we don't control the levers of fiscal and monetary policy, we can't set interest rates, there's nothing we can do, people throw up their hands. That's not so! There are lots of things that we could do, starting with fact that there's a billion dollars sitting on the table that's there for the purpose of economic rebuilding. The governor hasn't done anything, again, because he's not focused on that. It would also run counter to a more pure Republican/conservative ideology, which the governor is now trying to adhere to – again quite a change from where he was before the election and we all know the reasons for that. Bloomberg, I think is less of an ideologue. He started to see that his poll numbers are suffering badly, partly because the recession is so severe here, there's more of a likelihood that we can get him to focus on that. You know, the Lower Manhattan Development Corporation was set up the way that it was primarily because it was set up in October of 2001. The city election for mayor was in November of 2001. The polls made it seem like Mark Green was going to be the mayor of New York. So, Giuliani the Republican and Pataki the Republican – the last thing they wanted was to set up an entity that a Mark Green, Democratic mayor of New York, had any control of. So, they set it up in a way that the city would have no control over it. Well, Mark Green lost the election, Bloomberg got a few more appointments eventually after a lot of people complained about, you know, this doesn't make any sense. Why do we have all these Pataki appointees controlling this big swath of Manhattan in New York City? And gradually the governor's just lost interest in that. He should just give it up, the mayor should be more assertive and take it over, he shouldn't be so patient, I think his goal is by the end of the year to take it over, I think he needs to take it over now, use some of that money right now. And your second question was about the unions?

WB: I want to say something about that too because this all depends on what the governor's next move is. I mean, what is the governor's next move? We know he's not going to run again in the state. But if he has national ambitions, there are those around him who think he wants to

keep Lower Manhattan because that's the way he can make a play if he does something – he has to *do* something, he hasn't done anything yet – but he can make a play as a national figure. I mean, he's making up all of his tax policies; everything he's announcing around this budget is all designed to position him with Rupert Murdoch and position him with the national Republican Party. I mean, I think it's So, ironic that really what you read in the *Daily News* – three screaming editorials, is because they suddenly realize he doesn't care about them anymore. He's only playing to one editorial page in the state and that's Rupert's because Rupert can help him at a national level with the party that they're the arm of. And so, to me, whether or not he gives into the swap for the airports which would be terrific if the city could take over, because I just have more respect for Michael Bloomberg, even though he played this game with Pataki and stayed cool right up to November, I have more respect for him making decisions on the merits than really any mayor I've ever covered or any governor I've ever covered. I mean, the guy went against the entire gestalt to do this property tax increase. Nobody else, no mayor that I've ever covered would have attempted to do it. I mean, Democrats run away from tax increases just as much as Republicans do, and everything that Pataki won't do, Bloomberg will do. And so, I think there are incredible contrasts considering they're members of the same party.

SA: Bonnie, do you agree with that?

BB: Wayne, I love you. I'd like to just calm down your Bloomberg love-fest a little, and I want to be specific [Laughter]. Mayor Mike proposed a 25% property tax rate hike. After last spring, my organization was the only organization in the city of New York that recommended a modest property rate hike to close the budget. We recommended first 10% and were absolutely excoriated, So, I actually chicken-shitted out and went down to 5%. They said, no way, these are job-killing taxes, we can't do it. So, he refused to do anything because of the governor, the governorship. Then he comes up with a 25% tax rate hike, 25%, which will impact across the board, not only on property owners, but also on renters, in ways that are absolutely not taken being taken into account.

SA: Explain that, it's So, straightforward...

BB: I will explain it. It's very simple. You have to understand, and this is also done at the Albany level – we have a property classification system under which – and this was set up in Albany – under which owners of small homes, small single-family homes, are subsidized by every other resident of New York City. Specifically: Single family to 2-3 family homes comprise 44% of the value of residential real estate in this city. Their owners pay 13% of the real estate taxes. That's deliberate, it's a deliberate homeowner incentive subsidy. And that's done at the state level. Co-op and condo owners pay much higher taxes proportionally, although there have been tax abatements for them passed at the city level and approved by Albany. **What's important to understand is that number one, since the state legislature, starting in '97, has been raping the [rent regulatory laws](#), more and more properties are becoming deregulated, unregulated. So,**

there is a growing stock of unregulated housing and a shrinking stock of regulated housing. Any tax increase, real property tax increase that an owner of an unregulated residential property receives is going to be passed on in full, if not more, to the tenants. But any owner of a regulated property will also through the rent guidelines board, get to sooner or later pass on the full value of their property tax increases as well. So, even though this was billed as a devastating blow to single-family home owners in Brooklyn and Queens, for whom property taxes are lower than anybody else's property taxes in the state of New York, believe me, the real impact is going to be two-fold: it's going to be on renters; it will to a lesser extent be on condo and co-op owners; but the hidden victim of this policy will be to the actual remaining stock of so-called barely affordable rental housing. Because it is going to be build permanently into its base rents, and will therefore escalate and climb.

Audience: Do you think that there's any threat to the ongoing laws that protect rent control?

BB: Oh absolutely. They're hoping to sunset this June. That's a whole separate issue. Rent regulations are up for renewal this June.

Audience: That's a state decision?

SA: Yeah, it's a state decision; we have no control over it.

BB: I don't want to get back into this personality politics. I want to try for a second just to focus on some of the issues. But some say Shelly Silver is going to hold the state budget hostage to protect the rent regulation laws. In other words, he won't give the governor the ability to bond against the tobacco receipts unless he gets some promises from the governor to do a little bit better than he did in '97 on rent regulations. And that's a possible scenario.

But I want to get back, because I agree with James that this mayor is not terribly ideological, but he does have a deep class bias and he has an increasingly tin ear when it comes to the real lives of real people in this city. He's not one of us folks, you know? And I don't think it's from hostility, I think it's from ignorance. When people said to him, this 25% property rate hike is going to have a horrendous impact; he didn't seem to buy that. And basically, what he said was, well, we'll find other ways to ameliorate it. And this is what he has proposed. And I want you to understand this, because it's actually a little bit insidious. His next revenue proposal was the commuter tax. Great idea, restore the commuter tax. But he didn't just propose to restore a commuter tax. He proposed to reform New York City's personal income tax. We have a personal income tax; the state has a personal income tax. His commuter tax is a two-pronged proposal – 1) tax commuters who earn their income in New York City at a rate of 2.7%, that's 6 times higher than the old repealed commuter tax rate, which was .45%, less than half a point. So, tax commuters at 2.7% and reduce resident's personal income taxes over three years to that same 2.7%. Now that sounds nice, you know? Because we will get a break while they pick up some of the burden. Bad idea. For three reasons. Number one, this is a mayor who keeps saying to the governor, we need recurring, additional revenues.

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WB: Bonnie, we know this idea is dead. It's never been alive. Why are we going to waste these people's time? It's never been alive. No one's ever even thinking about it.

BB: Well, because nobody understands...Well, because I would like to discuss it if I can.
[Laughter] If there's interest.

WB: Does anybody want to discuss an idea that's dead-on arrival?

SA: Does this have any shot at actually...

BB: It is not dead on arrival. The combination of a commuter tax with a reduction in the personal income tax is a very dangerous idea, because...

Audience: But if it's dead, why does it worry you?

BB: Well I don't buy that it's dead.

WB: He isn't even serious about it.

BB: He's proposing to reduce personal income taxes primarily for the richest people in the city. Bad idea.

SA: Is that still on the table?

JP: That's part of his formal proposal, but people understand that he's ready to back off that in a second. If Albany says, we won't reinstate the commuter tax, he says, okay, I'll give up my proposal. It was a bad idea, it wasn't well thought out...

SA: What is the rationale of cutting personal income taxes in a time when the city's going bankrupt?

BB: Because he said this is a way we can mitigate the effect of the property tax, which as our stuff shows you, does no such thing. The major beneficiaries of the personal income tax reduction are the very, very rich, a household earning 50,000 dollars with 2 kids will save 5 bucks a week under the PIT reduction.

WB: We're both on the same side of the table Bonnie, and a guy makes this incredible move in our direction to do something, he's getting killed by the *New York Post* every day because he did a property tax increase, and you want to pick apart the property tax. If he didn't do the

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property tax increase, all the programs that pay your salary for all the non-profit organizations that your organization represents, would have faced enormous service cuts.

SA: What are the alternatives to a property tax?

BB: Well excuse me Wayne; there are other options that are far more progressive...

WB: He didn't cut...

BB: Excuse me; you said are there options? There are options!

WB: We just went through eight years of Rudi Giuliani even in years of surplus cutting the non-profit organizations that are part of your coalition to deliver services. This mayor wouldn't do that! He hasn't done it!

BB: This mayor has made some cuts that people have...

WB: Minor, minor.

BB: 21.5 million from cultural institutions.

WB: Well I'm talking about social service programs!

SA: Let's ask Bonnie, what are the alternatives to a property tax increase that would be better...

WB: We're going to shoot him anyway. I mean what is a guy going to do? We're going shoot him anyway?

BB: Well, am I allowed to respond substantively? Thank you.

WB: Respond. Why don't we talk about the tax that's never going to happen?

BB: There are a number of taxes that would get the city a lot more revenue and do it in ways that will be sustained over time and actually help make our tax structures fairer and more equitable. The first as at the state level, is a proposal to increase the tax rate for people in the city earning \$250,000 and up by one percent. That would bring in a total of say about...

Audience: But Bonnie, wouldn't they have to get state approval? I mean...

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BB: Yes, but the state...But Joe Bruno has already said, and he's the man that controls the state senate, don't talk to us about a commuter tax because some of my constituents – if you want to raise your own taxes, we'll listen. So, we're proposing certain tax increases to New York City taxes...

Audience: But that's the same thing that James...

BB: No, he's talking about state taxes.

JP: I did mention that we should also have progressive income taxes at the city level and a reinstatement of the commuter tax.

BB: That particular one would bring in...

JP: The PIT proposal? Around 500 or 600 million...

BB: I think 600 million. There are a number of business taxes in this city that are antiquated, unfair, full of loopholes, structural imbalances. Just let me tell you two, three together would bring in 1.19 billion, close to 1.2 billion dollars. Number one. General corporate tax, which most businesses in the city pay, there's over 240 thousand. Half of them pay the minimum tax of 300 dollars a year. Half of the 240 some odd general corporations in the city pay 300 dollars a year minimum corporate tax.

SA: These are companies with revenues of...

BB: These are companies who qualify to pay the minimum tax. Some of them are shell corporations created...

Audience: How does a company qualify to pay the minimum tax? Could you just tell us a little of...

BB: Are these bodegas on the corners?

BB: Well, bodegas on the corner mostly are proprietorships and are not covered by this law. This is a minimum tax when your deductions bring you down below what is a net taxable level. The point is that that 300 amount was set in 1966, it's never been changed, if it were adjusted just for inflation until now, it would be 1,666 dollars. We're proposing to raise it from 700 dollars to 1,000 dollars.

JP: We don't know who those companies are because the department of finance...

BB: You can't find out.

JP: These are big companies though who generally...all large corporations that have locations in multiple states have become very adept at shifting revenues around So, that it's reported from states like Delaware who virtually pose no taxes on corporations. So, there could be some very large corporations that are in this category, paying 300 dollars, and there could be some that are very profitable also but because they're able to shift around their reporting to minimize their state and local tax burdens, they do that. They end up paying the minimum. That's why its important to raise what the minimum is.

SA: So, raising this minimum would bring in...

BB: That would bring in 107 million more.

Audience: Does that stand a chance?

BB: It's a possibility.

JP: New Jersey did something like that last year.

BB: New Jersey overhauled its whole corporate structure. We will ultimately call for a major corporate tax structure restructuring. But for right now, the biggest proposal we're making, and I will explain it to you very simply. There is a tax called the unincorporated business tax, also enacted in 1966, unchanged with one very large exception a few years ago. This is a tax that was originally enacted to try and get some business tax income out of small partnerships and proprietorships. You know, not big businesses. The rate was set very low. It was set at 4%. The rate for general corporations is 8.85%. So, there's a huge difference, because this was originally intended to cover Ma & Pa unincorporated proprietorships and small partnerships. Sometime in the mid-80s, there came into being as a result of very smart, very wealthy tax lawyers, a whole new corporate form of ownership called limited liability companies and also limited liability partnerships. If any of you have any friends in the financial world – I don't [Laughter] – but this is what I'm told – virtually every major law firm in this city is a limited liability partnership. Most of the financial services industries are limited liability companies. Bloomberg is an LP – limited liability partnership. These new ownership structures have fallen under the unincorporated business tax for purposes of business income tax paying. They are therefore paying a rate of 4% on their net incomes as opposed to 8.85%, which they would have had to pay had they formed as regular, general corporations. It is no accident that this is fast growing ownership form in the city. Because they're paying less than 40% of what a comparable business with a different ownership structure would pay. We are recommending that in terms of limited liability companies and limited liability partnerships – not little proprietorships and

not little partnerships – that the tax rate for these companies be made the same as the rate paid by general corporations. Doing that, there are only 6,000 or So, of these companies, as opposed to 20,000 proprietorships. The 6,000 companies bring in most of the unincorporated business revenue, because they are the wealthiest companies. Our calculations are that if the rate of taxation was equalized for these big behemoth companies, it would bring in 881 million dollars a year more than we have now, which is about the same as the mayor's commuter tax would bring in. And it would equalize the treatment of businesses between comparable kinds of businesses and comparably profitable businesses and it would share the tax burden and broaden the tax base.

SA: I want to ask Wayne something. What's So, bad about bringing up these alternatives to Bloomberg's property tax increase?

WB: Well, the property tax increase is law. This is to close the existing 3.4 billion dollar gap.

BB: It's also maybe eventually to roll back the property tax a little.

WB: Some of them are interesting ideas. I think they would become far more palatable to the business community if they were packaged with some union concessions, which the mayor has 600 million dollars worth of union concessions on the table. The unions have a lot to give that's gravy. You know, how many of you are aware that we're paying for the divorces of most municipal workers? [Laughter] Do we want to do this forever?

JP: I was not aware of that.

BB: Oh, there's one other business change that's a no-brainer. In 1974, in its infinite wisdom, the state legislature exempted New York City insurance companies from New York City's general corporate tax to the tune of about 200 million a year in lost revenues. They did it ostensibly to keep the insurance companies from moving out of New York. Simple recommendation: put these companies back on the tax rolls. Right now they have an unfair competitive advantage when they do financial services or real estate businesses, they pay no taxes. Whereas real estate companies and financial services businesses do pay taxes. So, that's another 200 million.

JP: I wanted to respond to the question that's still on the table from before about whether or not unions that supported Pataki like the **UFT** and **1199** will take the governor on if he doesn't change his budget proposal. They certainly will. I mean, now they're supporting a progressive income tax increase that they hope will provide the revenues So, he'll take off the table the health care and education cuts. And if they don't see movement on that, they will start to take out media ads and fund organizers to turn up the heat on the governor.

SA: But in the end was it worth it for them to have done that? To have endorsed Pataki? I mean they talked about the benefits that were for their members. In the end do you think, after all is said and done...

JP: Well, there's a history in this state, and I think it's tied up with the fact that the *New York Times* almost never doesn't endorse an incumbent. Public sector unions, 1199 represents primarily workers in the voluntary hospital sector that is not public, a lot of those hospitals depend very heavily on Medicaid and Medicare funds, So, they're publicly funded to some extent, So, they're quasi-public workers. Because there's So, little turnover in Albany – such a high percent of incumbents get elected, the tendency has been for public sector unions to endorse incumbents. Because they know they're going to be there and they don't want to get shut out on the next legislative season, the next budget season And so, on. I'm not going to comment on whether or not that's good or bad. There's a long history of that. It was no surprise when the polls made it clear that Pataki had an almost insurmountable lead, that they were going to line up behind the governor. That doesn't mean that they're going to support him in what he's doing this year certainly. They're going to take him on – they're prepared to do that.

WB: The mayor did his financial plan on January 28, deliberately did it the day before the governor announced his budget. He now has to do his executive budget in April. And he did it deliberately the day before the governor did So, that everyone will be able to see when he does his executive budget that the only real material thing that's happened in between is the state budget. And you're going to see, I think, draconian cuts in the executive budget that he announces, because the state has done So, much damage. So, he put his thing out right before and then you're going to see the difference. The only other factor will be he's given the unions until April, executive budget time, to come up with some agreed concessions. And so, he will be able to say when he introduces his budget in April, this draconian thing is going to happen or this draconian thing is going to happen unless the state does X in its final budget or the unions give in on these concessions. Now they usually do that as a kind of contingency plan, the financial plan, but he didn't do it that way. He's laid it out – I think that's exactly the way he sees things going that if nothing happens on either level, we're going to have a city budget that is going to be a series of atrocities in April.

BB: Which is why I think we have to focus on forcing the mayor to look for other city generated revenues So, he can't fall back on, the state screwed us and we have nowhere to go but cutting our stuff.

SA: But at the same time, I do want to go back and ask the question, why? We were talking about it earlier that the city gets discriminated against by the state. Why does this – what are the politics? Why does the state care So, much more about what happens in Suffolk county than it does about what happens in Manhattan or in Brooklyn or the Bronx?

WB: Well the governor, this governor, was our first suburban governor and the bulk of his vote, I don't know if you remember how he ran against Mario Cuomo in '94, it looked like Cuomo was going to win, Giuliani endorsed him and there was an immediate sense that this was propelling Cuomo to victory. But instead what happened was Pataki began putting out commercials all over upstate that suggested that Giuliani endorsed him in exchange for an enormous deal of state funding going to the city and they're stealing our tax dollars! Upstate was convinced suddenly and it was the largest upstate turn out in the history of gubernatorial elections. And that's really what elected George Pataki in the first place. And so, that's been, you know, certainly a Republican governor is much more likely to be anti-city.

SA: But is it just something that's existed under Pataki or has it always been the case.

JP: Always

BB: No, it's always been the case.

WB: But I think it's profoundly worse than it's ever been.

JP: I think its been getting worse, yes.

WB: But even in this election he only got 39% of the city vote against Carl McCall and Carl Golisano. You know, Republican candidates for president only get 20% in the city of New York. So, we're seen as, you're in bad turf when you're a Republican governor.

JP: As it seems with what we've said about the balance of payments deficit that New York City runs with Albany, the view upstate is that New York City is a *drain* on the state budget. You go up there and talk to the legislators about that, they say that!

SA: What is it, is it race, does that have something to do with it? With these impressions or misimpressions?

BB: They don't acknowledge we're their cash cow. They really, I mean, I actually think that some of them might not even know it. But they could find out.

JP: There's a view, and there was some credence to this. In the late '90s with the Wall Street boom was making budget surpluses at the state level and big budget surpluses at the city level, and people upstate thought why in the world should Albany give New York City anything? They're cutting taxes, and Bruno used this against the city. That was one of the reasons why the commuter tax went away So, quickly. He said, although I don't think he remembers that, he certainly doesn't own up to that now, we can take the commuter tax away because New York City has surpluses they don't need it. Is that the case now? So, if that's not the case now, then

we should put it back. He's not quite there yet. But the sense was that New York City has Wall Street, it's doing well, it can take care of itself. It should give more to Albany and expect less in return. And the upstate economy has been floundering for a long time. I think one of the reasons that the turn-out in 1994 was So, great and people were So, ready for anybody but Mario Cuomo, was that things were starting to flounder upstate, and the state government didn't have a clue as to how to respond to that. Now, did things get better upstate under George Pataki? We've looked at the upstate economy a lot. It got worse, it got no attention for several years, things got a lot worse, and George Pataki didn't wake up on that until the debate in Buffalo during the senate race between Lazio and Clinton and a Buffalo news reporter asked Lazio, how's the governor doing upstate in terms of the upstate economy, and Lazio was playing the role of the good defender of Pataki, and he got hammered by that. Hillary did pretty well upstate, and right after that election, George Pataki announced this big economic revitalization program upstate. Is that sufficient? He wanted to people to believe that the reason there wasn't a state response earlier, he had cut taxes at the state level in '95, '96, '97, he wanted people to believe, we've cut taxes at the state level, that's going to create jobs in the upstate economy. He wouldn't countenance any acknowledgement that the upstate economy was weak and it needed something beyond just cutting state income tax.

WB: I think politics is a lot more geopolitical than it is ideological. I have sat in budget sessions in Albany where state senator from upstate parts of the state – all they do when the budget is presented is ask how many cells they're going to get. How many cells is my district going to get? Prison cells. You know, Governor Pataki has basically abolished parole. Now is that an ideological position or is that a geopolitical position? What's driving it? It's driving the industry of upstate where all these Republican state senators are fighting for cells. If you look at the national picture, this balance of payments that Bonnie's been talking about, what's happened across the country? The defense industry, when Republicans cut all forms of social welfare expenditures what states get hurt the most? States like ours that vote Democratic get hurt the most. When you increase defense expenditures, what states benefit the most? Look at the chart on Election Day and you could figure out. Is it ideology that's driving that or is it bring the bacon – figure out a way to design the bacon So, it gets to my core constituents.

Audience: Wayne, are you serious that they say how many cells?

WB: I've sat right next to them when they've said it. Yes! How many cells am I going to get? Because it's not just if they're going to build a new prison – are you going to add beds to my district?

SA: So, we're also exporting jobs.

WB: Contracts, jobs, there're building expenses.

SA: There are whole towns whose economy is based on this.

BB: Why do you think there hasn't been any change in the Rockefeller drug laws for God's sake? Not because it's not needed, not because it's fair...

SA: There is this billion dollars on the table that could be used for a 50,000 job program in the city.

WB: Well James can tell you about the job training funds, the Federal job training funds. The city doesn't spend them, the state doesn't spend them. Hundreds of millions of dollars of Federal funding that's coming into the state of New York that we don't spend. It goes back! And you were asking earlier, does the governor care about jobs, I mean, is it your analysis that with the Medicaid cuts there are going to be 38,000 lost jobs in this year's budget. They're going to lose 38,000 jobs just with the Medicaid cuts, because keep in mind, when you cut the state contribution to Medicaid the Federal government matches that 50%. You're kicking federal dollars out of the state of New York. You're worsening the balance of payments that she talks about.

BB: And you're losing jobs.

Audience: I mean listen, we all have little theatres, we have little businesses, if we have matching grants, okay, and we look at our budget and say okay, what are we going to cut next year, it's not the matching grants! So, wait a minute, because I can't believe that everybody's stupid.

JP: It's not that they're stupid.

WB: They would sit there in the old days and figure out a way to generate a match. What can we do...

BB: Because these are services whose recipients they don't dig for one thing.

Audience: But it gets them money!

BB: It doesn't matter.

WB: They still have to come up with 25%. Rather than come up with 25%, they're willing to lose 75%.

SA: But that does have a more general economic multiplier effect when you inject dollars into the hospitals...

BB: They're not looking at that.

JP: Believe me, at the city and the state level, they don't look at the budget in terms of the way we balance this is going to have an effect on the economy in a good or a bad way. That's not part of the equation. We're trying to force that into their thinking. We're trying to draw attention to the fact that if the city wanted to, it could help many more of the 800 thousand New York City residents who could qualify for federal food stamps, which is 100% federally paid, bring up to 1 billion dollars into the city economy, help with the growing hunger problem that we have.

SA: Explain that, explain that there's people who don't know that are qualified for...

JP: Because the city doesn't go out of its way to tell people when they come in for public assistance that, oh you may be eligible for food stamp assistance. Here's an application. Here's what you do. If you have any questions, sit down and come back and I'll help you through that. They try to minimize the people who are asking for food stamp assistance.

SA: Even though it's not their money.

BB: But even more unfathomably, the city hasn't done anything until very, very recently to tell its residents that they may be eligible for the earned income tax credit at the federal and state level. That is *cash* in people's pockets, up to \$5,000 that will go straight from their pockets into the local economy that we are not helping or urging or informing people of their eligibility for. That is the most self-defeating, shortsighted, stupid...

Audience: I think it's interesting that it is both ideological and eco-political because when it's about a prison, they get...

JP: That it's good for the economy.

BB: And when it's about these benefits...

Audience: This equation is lost on them. And so, that there is some odd conflation...

SA: So, it can't be that they're just missing the stimulative effect...

WB: In 1995, the governor is always talking about 1995, we've been hearing him do this recently -- I solved the problem in 1995. What he did in 1995 on the Medicaid front, my recollection James is about an 800 million dollar cut. Does that sound right to you?

JP: Yeah.

WB: About an 800 million dollar cut in the '95 budget and Rudy Giuliani was in his second year as mayor, and Giuliani was demanding that he cut Medicaid more, because that would reduce the city's contribution. Giuliani, we still had a city budget crisis as a result of the early 90s recession and Rudy's first couple of years, we weren't in the era of surplus yet. And so, he was demanding a 1.2 billion dollar Medicaid cut, he wanted to increase it So, he could reduce his match. And...

BB: And then it happened again, by the way.

WB: That says something.

JP: He criticized programs like Medicaid as just being an employment program for health care workers. It wasn't a matter of helping people who didn't have health insurance or improving people's health, it was an employment program – an employment program that was bad!

SA: Talk about job-killing spending cuts. I want to go back...well, we have a question back there.

Audience: I've been hearing a lot of things that have upset me a lot, and believe me I was pissed off before I got here [Laughter]. And this might be a little too general, and I apologize about that, but my question is, what do we do about this? What do the people like myself do? Besides support organizations like yours, petition, write, I have a theatre company as well and we do political theatre, do these things, which in my opinion does nothing at this point. What do we do in order...Like I've read your articles and I agree with you, and there are a lot of people who do read them and there are also a lot of people who don't read them and that's a major problem as well is that the big community is not paying attention to actually what's going on. And we need to empower them. And the thing is for me, is that I don't feel empowered to actually do anything and there's a whole generation out there specifically my age that is really, really upset and want to do something. I think last week's rally proved that. But even something of that magnitude that happens all over the world, does not.

BB: You can't say that. You can't say that.

Audience: I'm not saying that those things are bad at all, I'm not. I'm not saying we should stop doing them. I'm just saying what can we do to do more. I don't see the differences happening. I just don't see them. And its very disillusioning for somebody like myself to continue on with the line of work that I want to do.

BB: First of all, relax and get your head into the long term. Because this stuff doesn't change overnight, it certainly hasn't changed much in my lifetime, even though I had expectations of creating the revolution...the next day...No, I'm serious, you have to take a long-term view. Secondly, there are differences now in terms of what might be possible because of things that are changing. I'll be very specific. At the city level, we have a specific choice to make, and this is both at the mayor and city council level, which is whether they're going to start as the mayor's spokesman said the other day cutting services into the marrow, or whether they're going to try and find other revenue sources than the ones they are relying on which will not be forthcoming. So, first of all, no one ever lobbies the mayor, it's always the city council. That's a mistake! It's a strategic, tactical, and political error. There is a city-wide coalition forming, if you have the colored papers, it's in there. Sign on, get involved, we have an e-tree, there's going to be a first press conference March 5, the more people we turn out the better, the more organizations that sign on, the better, we're beginning to reach out to the mayor, to the council leadership to say, look, you need to broaden your vision of where we should be looking for revenue. Long term, recurring, fair and equitable revenues. You can't say it's not going to work, we've never tried it in this format this early and with coalitions building between community organizations, labor, and faith-based institutions. You know, I know it's boring, it's the same old crap all the time, but help us find new means, you know? Bring your creativity into it.

Audience: Yeah, but make your own one of these. We're just starting to have a language to know how to even address this stuff, because most of it's ... for me anyway, and for so many of my own colleagues who are really active in the anti-war movement. And so, on, they don't have a language for this stuff.

Audience: Right, that means even, like I run a thing called the Off-Off Community Dish, which is 25 Off-Off companies meeting once a month to talk. These things are happening, but I want these things to blend – things like this and things like what I'm doing to blend together.

SA: Can you give us an example of something in your memory, of a campaign where there was either a proposal that was bad or proposal that was good that people wanted to have...

WB: I was just about to do that, which was that there were 25 thousand people that went to city hall, the hip-hop UFT organized demonstration, which had, I think, an enormous impact. I think it had an enormous impact, it was only a matter of months ago. I mean, I think a lot of money got back into the budget for schools because of that. And the strange thing about this obscure Albany that I talk about, you know, they're unused to large demonstrations. If large numbers of people from New York City – you know if there was and I think there's going to be the biggest, longest, most protracted, most difficult budget battle ever. And at some point in time, there's going to be a mass march on Albany, So, keep your ears open. It hasn't happened yet, I haven't heard it planned yet, but I think it may be. And those guys up in Albany, and the one guy, who, as I say, I believe he's playing to no one anymore, is George Pataki. I mean, you

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know, this guy, he's...the next move is a national move or he leaves in midterm and gets rich. Those are his two options. Either he leaves in midterm and becomes the next Dick Cheney...

BB: Well how can we help him do that? [Laughter]

WB: I don't know whether you want to.

BB: But you don't want him to be your current governor either.

JP: Who's the lieutenant governor? [Laughter]

WB: No I think there will be a moment in the coming months for mass citizen action, and...

Audience: Maybe even a smaller group, like Arts Day in Albany is in March. We should go up on Arts Day, and not just talk about the arts but talk about what they're doing and what they could be doing differently. And widen the reasons as artists we're there, not just worry about art.

BB: The other critical factor is that "my issue first or only" lobbying, which has been a traditional tool for all the good guys, is at best going to fail this year, both at the state and city level without new revenues, or at worst will just create more horizontal hostility among groups that either have overlapping constituencies and needs or are at least equally meritorious and needy. So, unless we start...

SA: Like hostility between who and whom?

BB: Well it's hostility between seniors vs. youth, education vs. health, art vs. everything [Laughter], parks vs., you know, whatever. No, I'm really being serious. And for once, I think the groundwork is there, where people are beginning to understand that the cuts will be So, deep that we can't just save our own issue, our own constituency, our own specific narrow issue. That we do need to link up across issues, across constituencies, across geography, you know? And so, that gives us the potential for a much broader based, should I say the word movement? God forbid.

SA: Wayne, is that a possibility, could that actually happen?

WB: I think it's pretty unlikely, but I think that some of her proposals are quite interesting and whether or not the mayor will...As I say, I think it has to be, if it's presented just as these are the demands of the non-profit world...

BB: No, I don't. I retract that.

WB: I think it has to be part of a package where people are also willing to say, labor has to give something...You know, the astounding thing really is that labor, because of the enormous contract that was given to the UFT, the enormous deal that Dennis Rivera cut with the governor, labor seems to be approaching the city's condition almost as if it's not a serious problem. You know their attitude seems to be, we're not going to put...you know they didn't deliver anything last year, in last year's fiscal plan. They were supposed to deliver 500 million last year and they didn't. And their attitude this year seems to be much the same.

The head of District Council 37, which represents more the people at the bottom end of the pay scale certainly does not subscribe to that point of view. DC 37 has proposed some options for closing the budget gap. DC 37 sees a lot of contracting out that the city does. There hasn't been a lot of oversight of how the contracting out has been done. The city basically contracts out 2 things in the service areas. They contract out a lot of the social service delivery area, and in that area, that's about a 5 billion dollar contracting area, it employs about 50% of the city work force outside these are not city workers, but it employs about 100,000 people. Under Giuliani, the approach there was let's drive down the wages, let's cut the benefits, let's make that a sweatshop workforce. Which is true, that's one of the fastest growing areas of the city workforce, it's one of the most impoverished as well. The other major category is professional services. A lot of consultant services are contracted out. DC 37 has analyses that show all of these people who are getting paid exorbitant amounts because there's not sufficient oversight in how those consulting services are done And so, on. To DC 37's credit, I think, that is an area that needs to be looked at. That's not going to provide the 600 million in savings that the mayor's expecting, but it could provide 50 or 100 million dollars. And I think that the mayor has said that he is going to look at that.

WB: The anomaly is that the unions themselves control a billion dollars in city funds that are given to 110 different welfare funds that the unions administer themselves, and they do more contracting out than the city does. Practically everything that those welfare funds do is contracted out.

BB: But there's also 2 billion dollars a year being spent off-budget in developer and other subsidy and giveaway programs that no one is saying, if we expect our unionized workers to help bail us out, where is our comparable demands and expectations on these, you know, humongously expensive giveaway and subsidy programs as well as in terms of modernizing and equalizing some business taxes. There is no focus, other than from groups like ours, being put on those. I certainly would not say there is no room for improvements and for gains among the municipal workforce. I personally think, and this is not my organization, I personally think extending the work week 2 or 2 and a half hours a week makes a lot more sense than expecting unionized workers to contribute to their health care. And it will take less out of their hides, frankly. So, I think there are things that can be reasonably requested of labor. But I think there's

lots of things that can equally be reasonably if not more morally compellingly requested of some of the other beneficiaries of our public largess.

JP: I think that that the issue this year, certainly at Albany and to some extent at the city level, is the question whether or not we're willing to raise taxes in a fair way to avoid job-killing service cuts. That's the issue. You will see stuff in the paper – you can read it in the *New York Post* every other day, if not every day, sometimes they let it go and they want to bash somebody else – in the *Daily News* you'll see it about once every week, that tax increases kill jobs. And often times you'll see the Manhattan Institute quoted in so-called studies that they have done. Believe me, I'm an economist. Those studies are as guilty of any study I've ever seen of economic malpractice. They're totally phony. It's as if you look back on the year 2003 and say, the sale of snow shovels went up. That caused an increase in snowfall in New York City. Because these studies are based on looking at New York City in the 1970s and the early 1990s and saying that we lost jobs because taxes went up, when actually what happened, we had a recession, we had Wall Street downturns, we lost jobs, we lost tax revenues, the city responded by raising taxes in order to maintain some level of public services. The Manhattan Institute looks back and says, tax increases caused the loss in jobs. They've got it backwards. Those are totally phony studies.

SA: They're quoted in all the papers.

Audience: Could make the same thing about those, you know, you were talking about insurance companies and giveaways So, they stay in the city...What's changed in the world So, that businesses aren't all...

WB: We all know, I don't think that they are.

JP: Companies knew that the game was, and this is a game that's been played for a long time – I used to work in the city's economic development area So, I've seen it from the inside – companies would come to the city and say, we've been looking at real estate in New Jersey, they'd present the cost analysis, it's just, rent isn't cheap in New York City, that's the biggest component, but there's not much that the city can do over commercial rents, but what the city can control is taxes. So, they would come and say, you know, it's just cheaper for us to operate there. What are you going to give us to stay in New York City? And the city would trip over itself to say, okay we'll give you a tax break to sort of close the gap. Bloomberg comes along and says, we've got to stop this nonsense. Bloomberg's company was offered one of these so-called corporate retention subsidies, and he was getting a lot of heat on that, and he came out right after the election when his company turned down this offer of subsidy, and he said, any business person who would make a decision about location based on taxes is not going to be in business long. Because businesses, particularly financial services and media and professional service companies, depend upon an educated, competitive workforce, they thrive when they're in the midst of an environment that has all of these other related companies, that has their

competitors there because they can then monitor what's going on in their industry And so, on. They want to be in New York even if the cost of doing business is higher. And implicitly the mayor is saying is, we're a luxury product when it comes to corporate location, because while it may cost more, the benefits of being here are worth it. We're a luxury location. So, the city is sort of less susceptible to this sort of blackmail these days, but let's not forget what I said earlier that when the city and the state got together to hand out these corporate retentions subsidies that the deputy mayor signed off on giving away a billion dollars to companies, many of whom were not going to go anywhere, were going to stay in Lower Manhattan. I think that was just totally wrongheaded.

BB: Which one wonderful wag termed "retention-deficit disorder."

SA: That does bring up the question, what possible interest could it be, and that's an open question, what possible interest could a city official have in giving a tax break to a company that's not going to move if they don't get the tax break.

BB: Well, in the past it had to do with campaign contributions.

JP: And in the case of our previous mayor, our previous mayor did have on his agenda wanting to reduce tax revenues as a way to constrain the scope of what New York City government did. If he wanted to propose any tax cuts, he had to get the city council to go along with that. And in many cases, he had to get Albany to go along with it. It wasn't too hard, don't get me wrong, it wasn't hard to get Peter Vallone to sign off on the tax cuts. When it comes to corporate subsidies, he could do it by himself. He didn't need anybody's approval to do that. This is an area where there's no public oversight whatsoever. The city council never really looked into these retention deals, even though there's a law that says that there's supposed to be all this reporting, the city council kind of gave up on that. The mayor could unilaterally give out these subsidies. This gain had gotten carried to an extreme when the New York Stock Exchange, back in the late 90s, said we're thinking about going to Jersey City and becoming the New Jersey stock exchange. Sure, that was a real credible threat. Nonetheless, the mayor announced in December of 98 that the stock exchange just gave a tremendous Christmas gift to the city, because they've agreed to stay in the city. We're going to give them a billion dollars. In cash.

WB: Ever seen the ads for the New York Stock Exchange? Private citizen Rudy Giuliani is on the ads for the New York Stock Exchange. On the Superbowl nonetheless...no, the Superbowl he did Monster dot com. But he has done ads for the New York Stock Exchange. I called to find out if he was being paid to do the ads, they said he wasn't being paid to do the ads.

JP: Giuliani was prepared to give the stock exchange a billion dollars in cash So, that they could build a new trading floor, a high-tech 21st century trading floor...

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BB: Which by the way, would have fewer employees. It would be a job-killing retention.

JP: That deal never happened, largely because after September 11th, Richard Grasso, the head of the Stock Exchange, knew that building a skyscraper in Lower Manhattan would be like painting a bull's eye on the top of it.

WB: James, James, he still wanted to move forward with this. Bloomberg killed it.

BB: Yeah, I think he did.

WB: Bloomberg killed that deal, and up until December, the final day of the Giuliani administration, they were working on closing that deal. The final day of the administration they were still trying to close the biggest boondoggle we ever had.

BB: He was also still trying to close on the stadium.

Melanie Joseph: Folks, folks, actually we have to start to wrap. But I have one question I'd like to ask. And that is, besides lobbying the mayor, are there any assembly people, state assembly people, in New York City that you think are allies in these kind of lobbying activities? If so, could you just name them So, that we have some names besides Bloomberg whom we might more carefully watch, who we might write to, etc.

JP: Silver obviously is key, but I think everybody should look to their own member of the assembly, even though Bonnie's absolutely right that the decisions in Albany seem to get made by 3 people in a room. That's usually the case. But it doesn't hurt to go to your individual assembly person and turn up the heat on that person, tell that person if they're in the assembly, to turn up the heat on Silver So, he does the right thing for the state budget, he does the right thing for the city budget.

SA: Is there an assembly member that's particularly good on all these issues?

WB: Gottfried is terrific. But they're the ones that need less lobbying than your average, run-of-the-mill schlub.

JP: People also shouldn't give up on their member of congress.

BB: But the other thing is, if anybody lives in a district represented by one of the 5 Republican downstate state officials, they are key to getting any of these revenue packages through, be they state or city. Nobody here does? Thought I'd mention it. David Patterson is great in the state senate.

Audience: But I thought you said none of these people have any say, So, I don't want to sing into the wind...

JP: No, still talk to them and have them go to Silver if they're in the assembly, to Bruno if they're in the senate. Bonnie's absolutely right. The Republicans and even the Democrats in the senate, people shouldn't give up on. I would also urge people to talk to their member of congress, because whereas the president isn't inclined at this point, and he passed up a big opportunity to provide fiscal relief to states and localities when he released his so-called economic stimulus program, which was mainly a tax cut for the same people who got his tax cut last year in wanting to eliminate the tax and corporate dividends. The economy at the national level is not going to get better, and certainly as long as there are rumblings or there's actually a war in the Gulf, it's going to get a lot worse. There may come a time when the President starts to feel really vulnerable on that. He may decide that he really needs a real stimulus program, in which case the best way to do that is to provide fiscal relief to states and localities and to extend unemployment insurances. So, people should talk to their member of congress about issues like that.

WB: I want to go back to what this lady raised earlier about the media. I mean, why not, if you people are serious about doing something, let's get in the faces of the editorial board of the *New York Times*. They haven't had a demonstration in a long time. They should hear something from people. I was at -- there's a session that the New School puts together post-elections. And they usually get --even Giuliani's people participated -- where they get the consultants, not the candidates, but the top consultants, pollsters, And some of the top reporters that covered the campaign. It was not open to the public, you'd sit around a table, 2 or 3 weeks after the election, and you'd chew the fat about it. Well of course, Pataki refused to participate but we just had the session without his people. And so, there's somebody there from the *Times* editorial board, there's someone there from every paper -- the *Post* is there, everybody's there. And I just said, this guy is a bum. And I think that everybody in this room know he's a bum. And you guys covered for him the whole fuckin' election. And not one person would contradict that. They sit in the goddamn room and the guy... everybody on those editorial boards knows that the guy is an absolute scoundrel of the worst order. He's a thug governor. And the fact is that everybody that comes in knows it, knows it! And they won't deal with the reality of the man. So, maybe you people can get them to.

BB: So, maybe in the spring we will do a *New York Times* demonstration when they refuse to publish anybody's op-ed pieces except the opinions that fit theirs. No, I think that's a great idea. That's a fabulous idea.

Melanie Joseph: I want to thank everyone so, So, much.

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[Applause]