

## **Press Release**

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### **The Governor and Legislative Leaders Must Learn from the Past and Include New Revenues and Better Budget Balancing Solutions as They Seek to Address the State's Fiscal Woes**

(Albany, N.Y.) Today in Albany, the Better Choice Budget Campaign, a coalition of over 100 non-profit, labor and faith based organizations representing one million New Yorkers, called upon Governor Paterson and legislative leaders to formulate a comprehensive approach to budget balancing and fair taxation that enhances New York's economic future. Recent developments clearly mean that New York is entering an unprecedented era of fiscal and economic challenge.

At the national as well as at the state level, our leaders need to chart a new course that balances the needs of Main Street and Wall Street and puts our economy on a recovery path that fairly rewards all workers and businesses. For New York State, the current crisis necessitates a fundamental restructuring of our fiscal affairs.

In addressing the State's budget gaps, the Governor and the Legislature should steer clear of spending cuts that jeopardize our short- and long-term economic health. The focus must be on expenditure-side savings that do not hurt the state's economy and on revenue reforms that recoup squandered resources and those that make the tax system fairer.

The groups urged the Governor and leaders to examine how the state has balanced its budgets in the past and learn from that record, as well as re-examine past tax cutting actions—such as STAR, the STAR rebate checks and the Empire Zones program-- that have squandered resources and placed more of the tax burden on low- and middle-income families.

The Governor has already taken administrative actions to cut state agencies' operating budgets by 10 percent and the Legislature agreed to an additional \$423 million in budget cuts in the August 19<sup>th</sup> special session.

Ron Deutsch, Executive Director of New Yorkers for Fiscal Fairness stated that “If the Governor is interested in truly ‘sharing the pain’ of these cuts it is time for him to look elsewhere and to stop balancing the budget on the backs of those that can least afford it. The cuts made earlier in the year are already having a damaging impact on non- profit organizations that deliver state services to a wide variety of constituent groups across the state. It’s time for the Governor and the Leaders to examine New York’s history books as they develop plans to dig the state out of the current fiscal crises.”

In January of 2003, Governor Pataki acknowledged that New York State had built up a combined deficit of \$11.5 billion for the upcoming 2003-04 fiscal year and the close-out of 2002-03. At that time he proposed closing that gap primarily through service cuts.

In April and May of that year, Senate Majority Leader Joseph Bruno and Assembly Speaker Sheldon Silver led the Legislature in adopting, over the Governor’s vetoes, a much more practical approach to balancing the state budget including a temporary three-year income tax increase of less than one percent on taxpayers with taxable incomes above \$500,000, and a smaller increase on families with taxable incomes above \$150,000. This approach to budget balancing helped New York rebound faster than it did from the 1990s recession – when it had relied on a strategy of only massive budget and service cuts. It did not have the negative impact on the state’s economy, or on the number of high-income taxpayers in the state, that Governor Pataki predicted in vetoing the Legislature’s budget bills. In fact, the number of high-income returns grew steadily from about 245,000 in 2002 to an estimated 420,000 in 2007 and employment in the state increased each year that the temporary surcharge was in place. The wealthiest New Yorkers (over \$200,000) also saw their incomes increase 108% between 2003-2008 (those below \$200,000 only saw an increase of 15% over the same time period).

“The lessons to be learned from New York’s fiscal policy choices during the last two recessions are clear. The rational approach to balancing the state’s budget that was adopted in 2003 worked much better than the deep service cuts of the early 1990s which prolonged and deepened the effects of that recession on New York State,” said Frank Mauro, Executive Director of the Fiscal Policy Institute.

“Part of the challenge facing Albany,” according to FPI’s Deputy Director James Parrott, “is to provide budget solutions that help, not hurt, New York’s local governments, including New York City, and that help put funding for the downstate mass transit system on a firm footing. The state must avoid the mistakes of the past when it fixed its own budget problem by making matters worse for local governments and the MTA.”

Joseph Stiglitz, winner of the 2001 Nobel Prize in Economics (recently appointed chairman of the Governor’s Council of Economic Advisors), explains in his March 2008 letter to Governor Paterson and legislative leaders ([http://www.fiscalfpolicy.org/StiglitzLetter\\_TaxesVsCuts\\_March2008.pdf](http://www.fiscalfpolicy.org/StiglitzLetter_TaxesVsCuts_March2008.pdf)) that an increase in the tax on the portions of families’ incomes over some relatively high level is the least damaging mechanism for balancing state budgets during recessions. In contrast, cuts in government spending on goods and services that are produced locally (like

education and healthcare) and cuts in transfer payments to lower-income families are most damaging to the economy since they come closest to taking dollar for dollar out of the local economy.

The groups also urged the Governor and Legislative leaders to work with the NYS Congressional delegation to bring to fruition a federal relief package as was done in 2003. In 2003, the federal government provided \$20 billion in fiscal relief to states - \$10 billion as enhanced FMAP (Federal Medicaid Assistance Program) and \$10 billion as a block grant. New York received \$1.5 billion in enhanced FMAP and \$645 as flexible block grant which greatly helped the state's financial situation.

The members (listed below) of Better Choice Budget Campaign also proposed other mechanisms to balance the state budget in an economically responsible manner including:

- Place additional tax brackets on the highest-income New Yorkers, as was done in 2003 – yield \$2 to \$7 billion, depending on income levels and rates
- Collect taxes that are due – especially cigarette taxes on reservation purchases by non-Indians – yield estimates range from \$400 million to \$1.6 billion a year
- Close the bottle bill loophole so the state receives deposits from unreturned bottles rather than the industry keeping the money – yield approximately \$200 million/yr
- Reform economic development programs to level the playing field among businesses in NYS:
  - improve the effectiveness and accountability of Industrial Development Agencies,
  - apply Brownfield Clean Up Program reforms to “grandfathered” projects, and
  - phase out the Empire Zones program (Savings begin at \$50 million/yr, rising to \$500 million after 10 years )
- Improve the way LLC's annual fees are calculated (DOB calculated \$75 million/year in savings in 2007) and close other corporate tax loopholes.
- Use the state's tremendous purchasing power to see reduced prices from drug manufacturers for prescription drugs for Medicaid, state employees, and other state programs - yield approximately \$100 million/year.
- Use the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund which together have \$1 billion.

Below is the statement of support and endorsers of the Better Choice Budget Campaign:

### **The Better Choice for "One New York"**

To grow New York's economy we must invest in New York's working families. A healthy state economy requires well-educated New Yorkers, safe communities, affordable health care, affordable housing and a sound transportation infrastructure.

In recent decades, state budget policies have placed increasing pressure on local property taxes and local sales taxes. And the state government then came to the rescue with a program that provides rebate checks to all homeowners, regardless of need, and not enough to those who are truly overburdened by the increases in local taxes.

The Governor and the Legislature must work together to ensure that the 2009-10 state budget is fair to New York's families by balancing the state budget in an equitable manner that makes the state tax system fairer and begins to actually reduce the pressure on the local property and sales tax bases rather than shifting more of the tax burden onto the backs of low and middle income New Yorkers.

#### **We can promote tax fairness, strengthen local economies and help struggling families by:**

**Creating a Tax System that is FAIR to all New Yorkers:** The wealthiest New Yorkers' pay a much smaller percentage of their incomes in state and local taxes than low and middle income working families. Seniors on fixed incomes, working families and young couples are among the New Yorkers who suffer from the inequities in the current state-local tax structure. New York's policymakers must take the pressure off the property tax by restoring some of the income tax system's lost progressivity and closing corporate tax loopholes that allow some of the nation's largest corporations to avoid paying their fair share of taxes.

**Strengthening Local Communities:** Rather than putting increased pressure on the local property and sales tax bases and then providing "relief" to local taxpayers in the form of state rebate checks, New York State policymakers must work together to reduce the pressure on local property and sales tax bases by restoring the state's commitment to "revenue sharing" with its local governments and having the state government take over a greater share of local education and healthcare costs. And the financial resources supporting the State's STAR programs must be targeted to provide adequate relief to those families that are most in need.

#### **It's time for New York State to end the special treatment of the favored few by:**

- **Closing loopholes** that allow large, profitable corporations to avoid paying their fair share of state taxes.
- **Stopping sweetheart deals** with high-priced consultants who are being overpaid to do jobs that state workers can do better and cheaper.

- **Lowering drug prices** for state and local governments by using New York's purchasing power to get a fair deal from the drug companies.
- **Reforming economic development programs** by improving the effectiveness and accountability of Industrial Development Agencies (IDAs), the Brownfield Clean Up Program (BCP) and the Empire Zones program.
- **Enacting the Bigger, Better Bottle Bill** and making the beverage bottling industry return unclaimed bottle deposits.
- **Making New York's tax system fairer** and more equitable by increasing the top marginal tax rates on the highest income households.

### **Organizations Supporting Better Choice**

#### **Budget Campaign**

ACCORD Corp.  
 AFSCME New York  
 Albany Presbytery  
 American Federation of Government  
 Employees (AFGE)-Local 1151  
 ARISE (A Regional Initiative to Support  
 Empowerment)  
 Association to Benefit Children  
 Capital Area Council of Churches  
 Capital District Community Loan Fund  
 Capital Region Ecumenical Organization  
 Center for Working families  
 Central New York Citizens in Action, Inc  
 Chemung County Housing Coalition  
 Citizen Action of New York State  
 Citizens Environmental Coalition  
 Civil Service Employees Association  
 (CSEA)  
 Class Size Matters  
 Coalition for Economic Justice (Buffalo)  
 Coalition for the Homeless  
 Community Service Society  
 Cortland County Community Action  
 Program  
 Delaware Opportunities Inc.  
 District Council 1707 (DC-1707)  
 District Council 37 (DC-37)  
 Dutchess Outreach, Inc.  
 Elmira Community Kitchen  
 Empire Justice Center  
 Empire State Economic Security Campaign  
 (ES2)  
 Environmental Advocates of New York  
 State  
 Faith and Hunger Network of NYS  
 Fiscal Policy Institute  
 FOCUS Churches of Albany  
 Grace Smith House, Inc. (Rochester)

Greater New York Labor Religion Coalition  
 Greater NY Labor-Religion Coalition  
 Green education and Legal Fund  
 Health and Welfare Council of Long Island  
 HELP USA  
 Homeless Alliance of WNY, Inc. (Buffalo)  
 House of Mercy, Rochester  
 Housing Works, Inc.  
 Hunger Action Network of NYS  
 Joint Council for Economic Opportunity of  
 Clinton and Franklin Counties  
 Justice and Peace Center  
 Labor-Religion Coalition – Chemung  
 County  
 Labor-Religion Coalition of the Capital  
 District  
 Leviticus 25:23 Alternative Fund, Inc  
 Little Sisters of the Assumption Family  
 Health Service  
 Lutheran Statewide Advocacy  
 Metro Justice (Rochester)  
 MicroBizBuffalo  
 MicroBizNewYork  
 Mohawk Valley Community Action Agency  
 Mount Vernon United Tenants  
 Neighborhood Preservation Coalition of  
 NYS  
 New York City Coalition Against Hunger  
 New York City Aids housing Network  
 (NYCAHN)  
 New York Jobs with Justice  
 New York State AFL-CIO  
 New York State Alliance for Retired  
 Americans  
 New York State Coalition Against Domestic  
 Violence  
 New York State Community Action  
 Association (NYSCAA)  
 New York State Episcopal Public Policy  
 Network

New York State Labor Religion Coalition  
New York State United Teachers (NYSUT)  
New York State Weatherization Directors  
Association  
New York Statewide Senior Action Council  
New Yorkers for Fiscal Fairness  
Nurses United CWA Local 1168  
Nutrition Consortium of NYS  
NY UNIVERSAL LIVING WAGE  
Campaign  
NYC AIDS Housing Network (NYCAHN)  
Opportunities for Broome, Inc.  
Partnership for the Homeless  
Partnership for the Public Good (Buffalo  
Coalition)  
Prevent Child Abuse New York  
Progressive Research & Action Center, Inc.  
Public Employees Federation  
Public Policy and Education Fund  
Public Utility Law Project (PULP)  
Real Majority Project (Poughkeepsie)  
Regional Synod of Albany,  
Reformed Church in American  
Rochester Poor People's Alliance  
Rural Housing Coalition of NYS  
Rural Opportunities, Inc.  
Saratoga County Economic Opportunity  
Council, Inc.  
Schenectady Community Action Program  
Schenectady Inner City Ministry  
Schuyler Center for Analysis and Advocacy  
(SCAA)  
Sierra Club Atlantic Chapter  
Sisters of Charity of New York, Office of  
Justice and Peace  
Southern tier Labor Religion Coalition  
Staten Island Welfare Advocacy Network  
The Interfaith Alliance of NYS  
Unity House  
Van Wie Group, LLC  
Warren-Hamilton Counties Community  
Action Agency  
Welfare Rights Initiative of Hunter College  
West Side Campaign Against Hunger  
Westchester Community Opportunity  
Program  
Westchester Progressive Forum  
Women's Center for Education and Career  
Advancement  
Women's Enterprise Development Center