

The City Budget Should Be a Force for Good

By JAMES A. PARROTT | Posted: Monday, June 24, 2013 12:00 am

When the Mayor and the City Council put the final touches on the city budget for the coming fiscal year, they again proclaimed that balance was achieved, and without tax increases or harmful spending cuts.

This ended another season of the “budget dance,” wherein the Mayor leads with a few saber slashes to important programs, the Speaker pirouettes to please favored constituencies, then most of the funds are restored, and the dancers bow to each other under the City Hall rotunda.

What Isn't Discussed

Never mind that the annual dance deals with but \$300-\$400 million out of a \$70 billion budget, or that the restorations never quite make up lost ground. The real problem is that serious issues rarely get debated. That's a shame because the budget should be an explicit forum for addressing critical challenges and long-term city needs.

For too long, the specter of daunting out-year gaps has dominated the budget dynamic. While balancing the budget is no small feat, the budget should be about planning for the future and not just managing expenditures. There are four areas where the budget can be used to produce meaningful outcomes for all New Yorkers.

1. The city needs to re-think the social-safety net and policies to combat poverty. From 2008 to 2013, total city-funded expenditures rose by 11 percent, yet funding for services for children, the poor and the elderly barely grew. This was during the depths of the recession and slow recovery when poverty rose, wages fell and hardships and homelessness mounted. The city not only lacks a strategy to combat poverty, but it is letting the safety net droop dangerously low.

Despite a city economy that has expanded by 60 percent over the past three decades, there's been no meaningful reduction in poverty. The next Mayor should prioritize alleviating poverty, using the budget to relieve poverty through tax credits, transitional jobs, more quality child-care slots and full-day pre-K. We can reduce poverty and save the city budget in the long run.

Who Isn't Considered

2. City resources should be used to grow the economy by investing in human capital and infrastructure. The city spends \$4 billion annually on contracts with non-profit social-service providers. They employ over 200,000 people, but more than a third are low-wage workers whose family incomes put them in the “near-poor” category. The city should work with the social-services sector to develop a career-building strategy and phase in increased contract funding to raise the earnings (and opportunities) of 50,000 low-wage workers.

City tax breaks for businesses have tripled to \$3 billion over the past 11 years, but the city can't show

any impact. It would be much better to channel some of those resources into fixing our crumbling physical infrastructure. That would create real jobs, and if the city required companies it subsidizes to pay decent wages and benefits (rather than shifting costs to taxpayers), there would be more good jobs.

3. Enhance the overall progressivity and efficiency of the city's tax structure. Making serious progress to reverse income polarization is mainly about better aligning productivity and pay in the job market. Yet the wealthiest pay less than their share of city taxes. In 2010, the top 1 percent received over one-third of all income, but paid only one-quarter of the city's personal income, residential property and sales taxes. Meanwhile, middle-income New Yorkers with incomes from \$60,000 to \$160,000 had the highest tax burden.

Outer Boroughs Swindled

It is inexplicable why thousands of wealthy condo and co-op owners bordering Central Park pay lower effective property-tax rates than middle-income homeowners in Bed Stuy, Jamaica or Throgs Neck. Sensible tax reform would also have wealthy hedge-fund and private-equity-fund managers pay the business tax on their "carried-interest" earnings in order to provide tax relief to 200,000 low-income households that must pay city income tax on their meager incomes.

4. Engaging the city workforce is more a question of management than one of budget. Improving the quality of city services involves genuine engagement with the workforce, not givebacks. Projected out-year gaps are mainly a budgeting practice and don't reflect real budget reserves. A Mayor willing to partner with labor will find a workforce rich in ideas and resourcefulness. Municipal labor also should lend its muscle to reducing poverty and lifting up the city's low-wage workforce. It has seen the divisiveness that results when disparities widen between their members' compensation and that of the lower half of the city's private-sector workforce.

Budget challenges loom large for the next city administration. There's no "fiscal cliff," but new thinking is long overdue to use the city budget to make things better. Good fiscal stewardship means not only balancing the budget but investing in long-term solutions, re-thinking spending priorities, and enlisting labor as a partner.

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