

Briefing on Mayor Bloomberg's  
Preliminary FY 2012  
New York City Budget



A Fiscal Policy Institute Presentation  
[www.fiscalpolicy.org](http://www.fiscalpolicy.org)

March 2011

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March 2011

# Responding to the Mayor's FY 2012 NYC Budget Proposal

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1. Despite Wall Street's profit and pay rebound and the rebound in NYC business tax collections, unemployment and hardship continue. At best, recovery from the worst recession since the 1930s will be very gradual.
2. The revenue rebound is not sufficient to make up for declining federal and state aid, particularly in education.
3. On the one hand, the City continues to disproportionately cut human services, and on the other, the City is not responding to the heightened hardships caused by the lingering recession.
4. Income growth in recent years has been highly concentrated at the top, yet the Mayor joins in the attack on public sector workers earning middle income salaries with some measure of retirement security.
5. Recent City tax changes have worsened the regressivity of the City's tax structure and the City has not addressed various inequities in its tax structure.

## Overview

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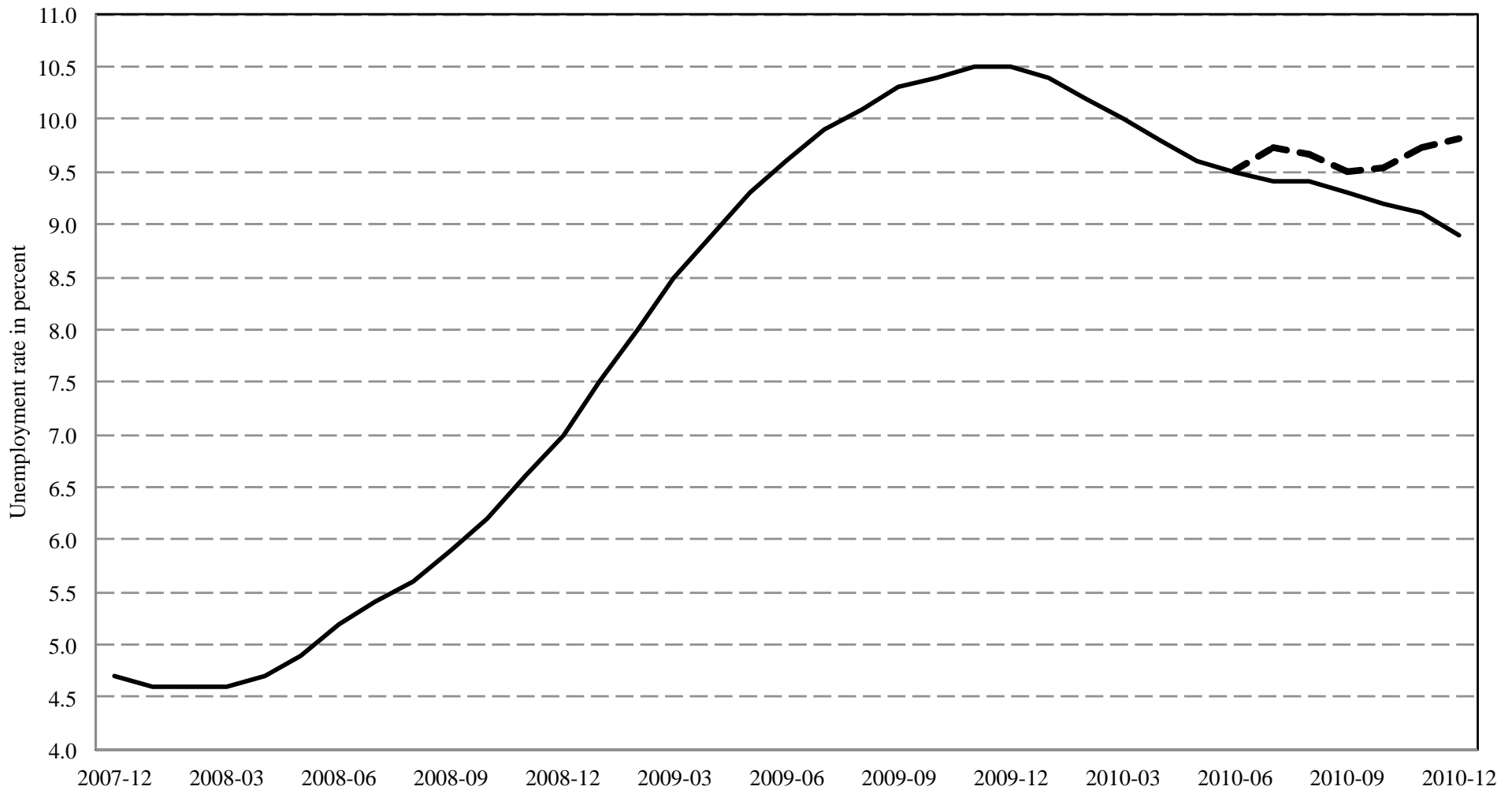
- Unemployment remains very high and the “recovery” has by-passed the City’s poorer communities.
- Impact of rebounding business taxes in the context of declining federal and state aid. (FPI has separate briefing on the Governor’s proposed state budget.)
- Impact of the latest round of budget cuts and the overall effects of several rounds of budget cuts since 2008.
- Put the rapid rise in pension contributions in a longer-term perspective and examine why contributions are rising.
- Examine how the City has responded to the hardships caused by the recession.
- Growing income concentration and its implications.
- Recent tax changes in the context of various inequities in City’s tax structure.

# The lingering effects of the Great Recession and high unemployment

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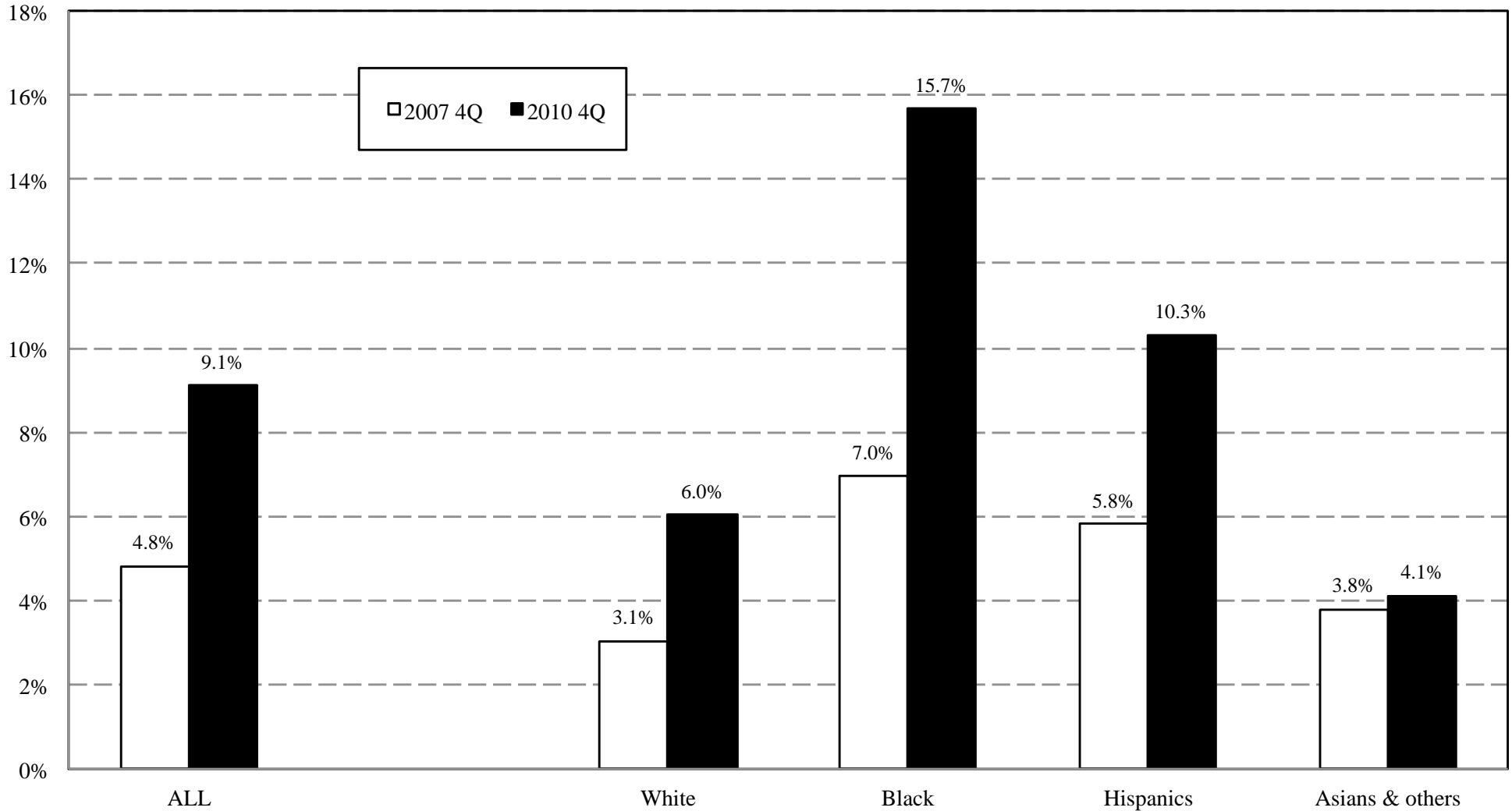
- The national recession officially lasted from Dec. 2007 to June 2009, and was the longest and the steepest since the Great Depression of the 1930s.
- Job losses continued through December 2009, and while payroll job losses were less in NYC, unemployment rose sharply, remains high, and high long-term unemployment persists. NYC's unemployment rate fell in the second half of 2010 only because people left the labor force.
- Unemployment has been felt very unevenly across the city, with poor neighborhoods experiencing the greatest unemployment increases during the recession and the weakest recoveries during 2010. Unemployment remains much higher among blacks and Hispanics.
- There has been a sharp disconnect between the fortunes of Wall Street and Main Street NYC. Job losses have been concentrated in moderate- and middle-income paying sectors largely populated by city residents. The brunt of job loss has occurred in construction, manufacturing, trade, transportation, administrative and building services, and in the government sector.

**While reported New York City unemployment rates fell in 2010, unemployment rates would be higher by nearly a full percent if the labor force had not declined since June 2010.**



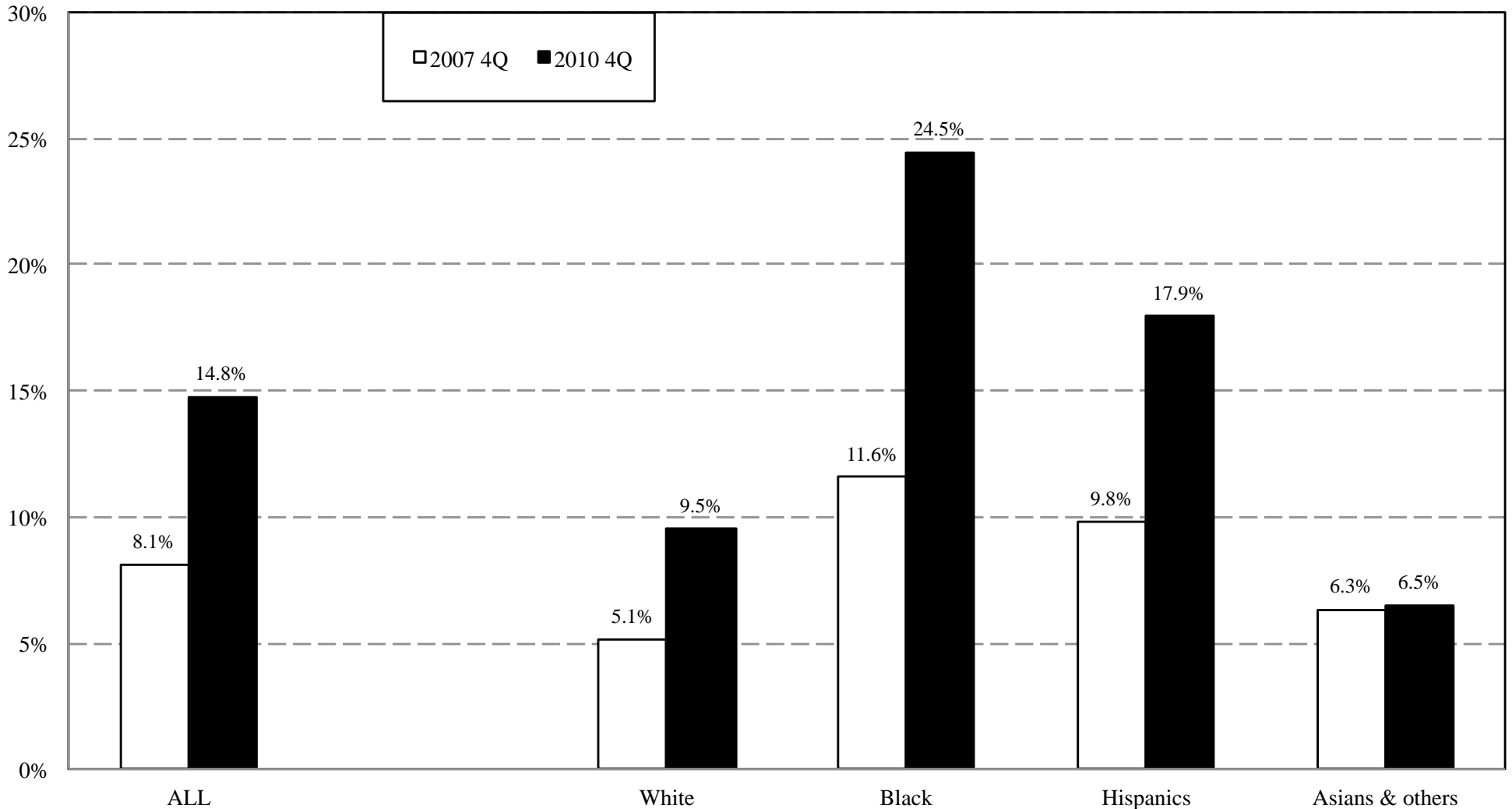
Source: NYS Department of Labor; dashed line indicates hypothetical unemployment rates assuming that the June 2010 level of labor force holds

# Unemployment rose much more in the recession and is much higher for blacks and Hispanics than for whites and Asians in New York City.



Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Dept. of Labor

**Underemployment, which includes discouraged workers and involuntary part-time workers, hovers near or over 20% for blacks and Hispanics in New York City.**



Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Dept. of Labor



## Significant hardships persist

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- The recession pushed an additional 100,000 New Yorkers into poverty in 2009 as the city's poverty rate (as measured by the Current Population Survey) rose from 20.1 percent in 2008 to 21.3 percent in 2009. In 2009, 1.8 million city residents lived below the poverty threshold, and half of that number had incomes below 50 percent of the poverty threshold.
- The number of NYC residents qualifying for food stamps has increased by 625,000 (55 percent) since the recession began.
- A record one million NYS residents lost employer-provided health insurance in 2009, helping to push up the number of city residents enrolled in Medicaid by over 10 percent. Medicaid rolls had remained high in NYC following the last recession; one-third of city residents now rely on Medicaid.
- Only one in four of NYC's unemployed receive unemployment compensation. Moreover, unemployment insurance replaces only half of the recipient's wages up to a maximum weekly benefit of \$405, a maximum that has not been raised in 12 years even though the cost of living has increased by 40 percent over that time.

## **NYC tax revenues start to rebound, helping to offset declines in federal and state aid**

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- In FY 2009, economically-sensitive tax revenues fell by 15.7 percent, and the fall in total tax revenues in FY 2008 and 2009 was moderated by the end of two temporary property tax cuts.
- Total tax revenues are projected to increase by \$2.8 billion (7.5 percent) in FY 2011, and by \$1.9 billion in FY 2012 (4.8 percent.) Business tax collections have been boosted by surging Wall Street profits.
- The City projects a nearly \$3.2 billion surplus for FY 2011 that will be used to help close the FY 2012 budget gap.
- The winding down of federal stimulus fiscal relief (mainly education aid and Medicaid) reduces federal aid by \$2.3 billion in FY 2012. The Mayor's budget factors in a significant reduction in state aid in FY 2012.
- Total projected NYC tax collections for FY 2012 are about 8 percent above FY 2008, roughly in line with the increase in inflation over those 4 years.

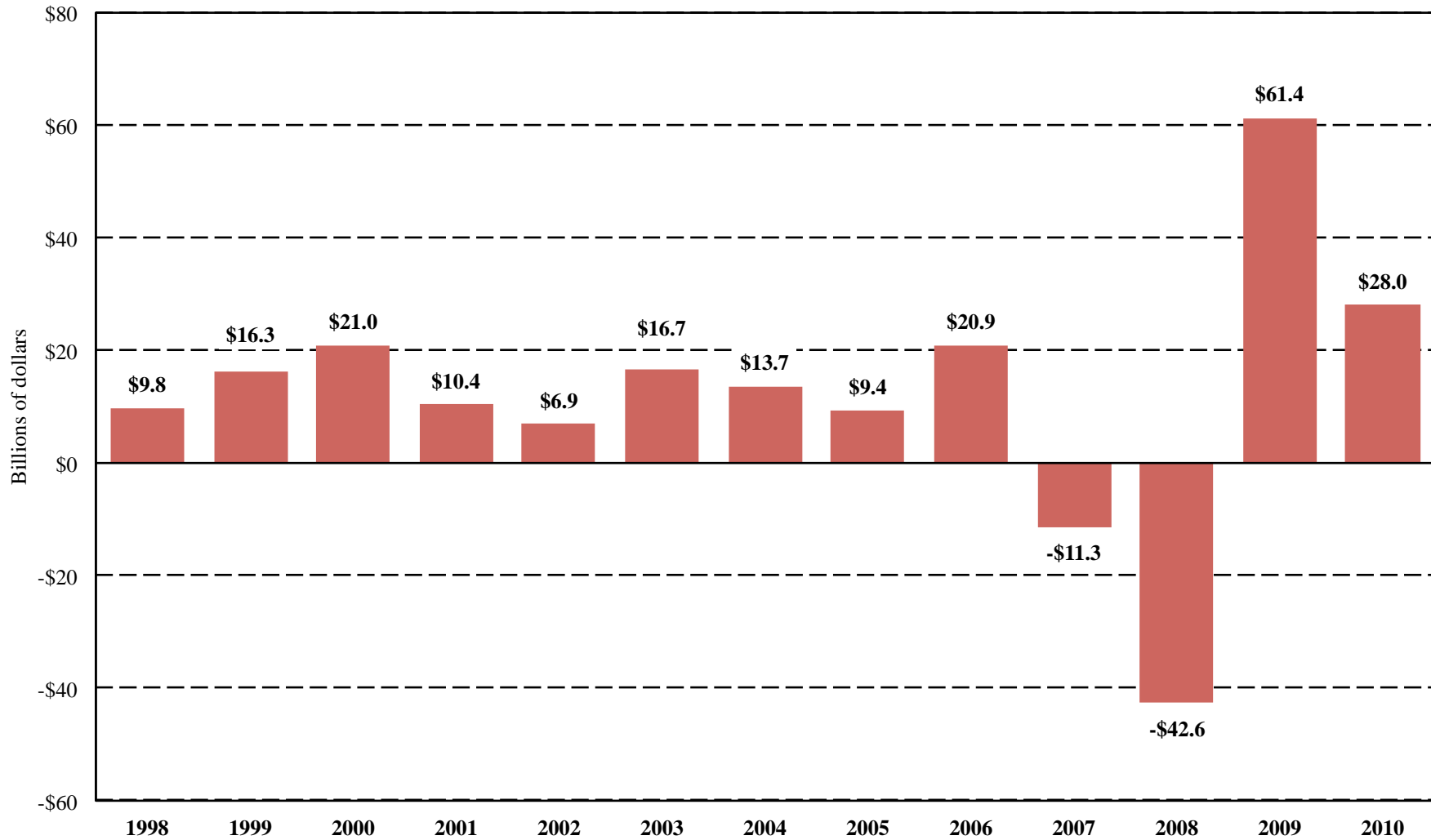
# New York City Budget Feb. 2011 Financial Plan

After Gap Closing Program

(Millions of dollars)	FY 2010	FY 2011	FY 2012
<b>REVENUES</b>			
Taxes	\$37,323	\$39,982	\$41,919
Fees and other revenue	\$6,460	\$6,163	\$6,507
Federal Categorical grants	\$8,200	\$8,197	\$5,937
State categorical grants	\$11,819	\$11,565	\$11,263
<b>TOTAL REVENUES</b>	<b>\$63,802</b>	<b>\$65,907</b>	<b>\$65,626</b>
<b>EXPENDITURES</b>			
Personal service (wages & fringes)	\$36,278	\$36,392	\$37,004
Medical Assistance	\$5,140	\$4,883	\$6,141
Public Assistance	\$1,580	\$1,562	\$1,526
All other OTPS	\$17,671	\$18,419	\$17,898
Debt Service	\$5,030	\$5,046	\$5,908
Net debt defeasances	-\$2,726	\$0	\$0
FY 2009 budget stabilization & transfers	-\$2,813	\$0	\$0
FY 2010 budget stabilization	\$3,642	-\$3,646	\$0
FY 2011 budget stabilization	\$0	\$3,151	-\$3,151
General Reserve	\$0	\$100	\$300
<b>TOTAL EXPENDITURES</b>	<b>\$63,802</b>	<b>\$65,907</b>	<b>\$65,626</b>

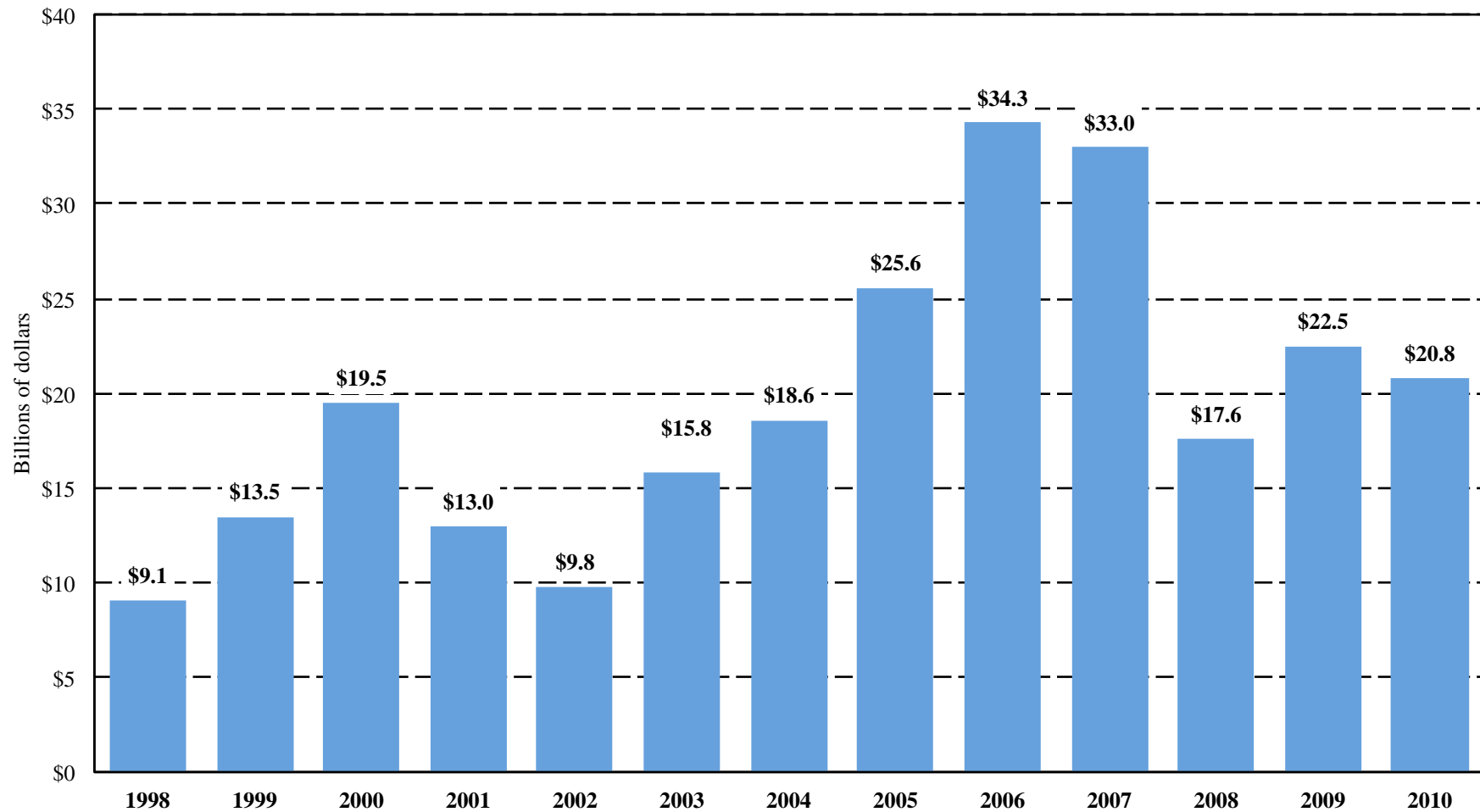
Source: Mayor's Preliminary Executive Budget, FY 2012, Feb. 2011.

## Wall Street profits had their second best year in 2010



Source: NYSE member firms' profits from Securities Industry and Financial Markets Association and New York City Office of Management and Budget, Feb. 17, 2011

Wall Street cash bonuses in 2009 and 2010 were lower than in 2005-2007, reflecting a shift toward higher base salaries and deferred compensation



Source: NYC Securities industry bonuses from the Office of the State Comptroller, Feb. 23, 2011

## **In November 2010, Mayor proposed \$500 million in budget cuts for the current year and \$900 million for FY 2012**

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- These new cuts hit hardest at human services, libraries, cultural affairs, parks, HHS, CUNY and particularly, NYC schools.
- For FY 2012, the cuts are 8 percent or greater in DYCD, HPD, DOT, Parks, Libraries, DCA, CUNY and HHC.
- Department of Education cuts are 4 percent (\$350 million). The Mayor is proposing a reduction of over 6,000 employees at the Department of Education, including over 4,500 layoffs. Almost all of these are teachers.
- Several hundred administrative positions are cut in a number of agencies, e.g., NYPD is proposing the elimination of 350 civilian positions, and ACS the elimination of 80 child protective specialist supervisors.
- Libraries and cultural organizations will also be cutting hundreds of staff.

## Several rounds of cuts since early 2008 have hit hard at human services and other areas

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- Nine PEG (Program to Eliminate the Gap) programs since early 2008 will generate recurring annual savings of over \$5 billion. The overwhelming majority of these savings are from spending cuts.
- From FY 2007 to FY 2012, City funds generated by NYC taxes and other local revenues have increased by 22.5 percent overall.
- The bulk of the increase in City funds over this period is due comes in three areas: employee pension and fringes, Dept. of Education, and debt service. There is also a big increase in FY 2012 in DSS, largely to replace Federal Medicaid aid.
- The agencies experiencing the biggest cuts over this period include ACS, Aging, DYCD, Libraries, DCA, HPD, and Parks.
- While City funds going to CUNY increased by 21.6 percent over this period, that hasn't kept pace with the combination of inflation and a 14 percent enrollment increase.

## Summary of NYC City Funds for Major Agencies

(\$ in thousands)

Agency	2007 Actuals	2012 Forecast (Feb. 2012)	% change 2007-2012
<b>City Funds</b>	<b>\$40,741,809</b>	<b>\$49,916,790</b>	<b>22.5%</b>
Correction, Dept. of	\$913,457	\$981,658	7.5%
Cultural Affairs, Dept. of	\$147,812	\$100,710	-31.9%
CUNY	\$410,674	\$499,497	21.6%
Debt Service	\$4,276,843	\$5,374,859	25.7%
Education, Dept. of	\$6,779,894	\$9,410,211	38.8%
Environmental Protection, Dept. of	\$808,319	\$926,953	14.7%
Finance, Dept. of	\$200,698	\$217,099	8.2%
Fire Department	\$1,271,686	\$1,400,838	10.2%
Housing Preservation and Development, Dept. of	\$74,217	\$52,028	-29.9%
<b>Human Services</b>	<b>\$7,652,095</b>	<b>\$9,147,554</b>	<b>19.5%</b>
Admin. for Children's Services (and Juvenile Justice*)	\$985,714	\$856,584	-13.1%
Aging, Dept. for the	\$133,165	\$99,415	-25.3%
Health and Mental Hygiene, Dept. of	\$589,107	\$578,213	-1.8%
Homeless Services, Dept. of	\$347,749	\$423,728	21.8%
Social Services, Dept. of	\$5,385,637	\$7,032,192	30.6%
Youth & Community Development, Dept. of	\$210,723	\$157,422	-25.3%
Libraries	\$281,989	\$227,304	-19.4%
Mayoralty	\$63,384	\$67,831	7.0%
Parks and Recreation, Dept. of	\$250,150	\$222,730	-11.0%
Police Department	\$3,461,451	\$4,097,175	18.4%
Sanitation, Dept. of	\$1,144,784	\$1,268,962	10.8%
Small Business Services, Dept. of	\$55,308	\$65,687	18.8%
Transportation, Dept. of	\$358,108	\$417,976	16.7%
Employee pension and fringe benefits	\$10,613,000	\$13,896,000	30.9%

\* In the preliminary FY 2012 Executive Budget, Mayor Bloomberg proposes merging Juvenile Justice into ACS.

Note: On a calendar year basis, OMB projects that the NY-NJ-CT-PA urban consumer price index will increase by 10 percent from 2007 to 2012

Source: Preliminary Executive Budget, Feb. 2012.



## Making up for \$1.86 billion in state and federal education cuts

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- While the Department of Education is facing a \$350 million spending cut in FY 2012, the Mayor is making up for the loss of \$853 million in expiring federal stimulus funds and \$1.008 billion of the education cuts proposed by Governor Cuomo in the state budget.
- This figure does not include a \$434 million increase in state education aid to NYC that was part of the state's November 2011 mid-year budget update but that was eliminated in the Governor's Executive Budget.
- Since 2002, the share of City funds spent on education has increased from 20 percent to 28 percent.
- Over the same 10-year period, NYC's share of the non-federal portion of funding to NYC public schools increased from 51 percent to 62 percent while the state's share decreased from 49 to 38 percent.

## Overview of Governor Cuomo's Executive Budget proposal

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- The Governor proposes to close a \$10 billion projected budget gap with \$9 billion in spending cuts—an extremely unbalanced approach at a time when joblessness and other recession-induced hardships are widespread.
- Rather than promote job growth and long-term economic recovery, the proposed budget would increase unemployment, disinvest in New York's infrastructure and K-16 education systems, and undermine the state's growth potential.
- State spending has been growing roughly in line with New York's economy, but revenues have not kept pace. The Great Recession resulted in unprecedented reductions of state revenue in New York and the rest of the states, but New York is also still living with the impact of large multi-year tax cuts of the 1990s. Unlike the federal government which can run deficits in bad times to stimulate demand, New York and other states must balance their budgets in both good times and bad.
- The economic impact of trying to balance the 2011-12 and 2012-13 budgets without extending the temporary personal income tax surcharge would be devastating.

For more on the Governor's budget proposal, see our state budget briefing, *New York State's Economic and Fiscal Outlook for 2011-2012*, February 2011.

# Impact of proposed state budget and Mayor's response

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- The Governor's state budget proposal reduced spending on state-supported services in New York City by \$2.1 billion.
  - Revenue sharing cut \$302 million.
  - School aid cut \$1.4 billion, including \$434 million increase announced in November but eliminated in the Governor's budget.
  - Cuts of \$403 million in social services, health and criminal justice.
    - Eliminate state support for severely disabled students in residential schools
    - Cuts aid to adult homeless shelters
    - Eliminates all funding of rental support for former shelter residents
- The City must fund \$124 million in mandated social services for which the state eliminated funding.
- Excluding the \$434 million expected increase in school aid and the \$300 million in social service cuts for which the City is not legally obligated to fund, the "direct cut to the NYC budget" is \$1.4 billion.

## Other noteworthy NYC budget proposals

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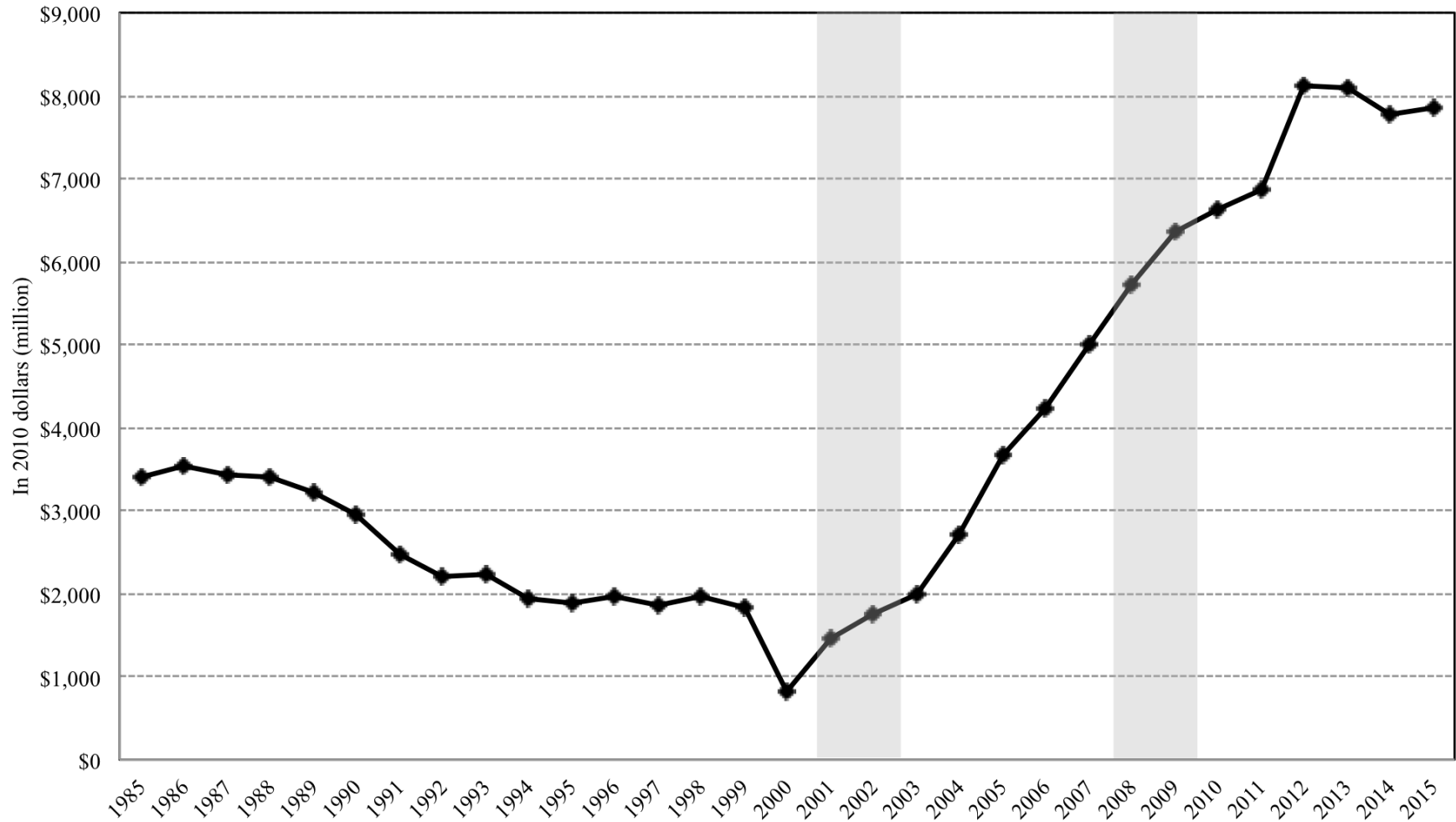
- The Mayor is relying on \$600 million in anticipated state actions to close a remaining \$600 million FY 2012 gap:
  - \$200 M in restored revenue sharing
  - \$200 M in reform of Variable Supplements Fund
  - \$200 M in additional state education aid
- The City is reforming internal operations to realize savings with a target of \$500 M in savings over the next 4 years and \$500 M in recurring savings after that. Among these reforms:
  - Restructuring procurement practices and policies
  - Rationalizing the city's 26,000 vehicle fleet
  - Consolidating data centers and IT purchasing
  - More efficient use of space and real estate
- Part of the PEG program includes hiring additional auditors, data modelers and assessors in the Finance Department to enhance tax enforcement. This initiative is expected to generate \$20M in FY 2012, increasing to \$30 M in FY 2015.

## The Mayor's focus on pensions

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- In his State of the City speech and in his budget presentation, the Mayor has pointed to the dramatic 464 percent increase in city pension contributions since FY 2002 and stressed the need for various pension modifications.
- He is a little disingenuous in not pointing out that city pension contributions were unusually low early in the early 2000s under an agreement that his predecessor sought in order to help pay for various tax cuts.
- He also underplays the extent to which pension contributions have grown in recent years to make up for the \$32 billion in losses the City's five pension funds suffered during Wall Street's meltdown.
- The Mayor is seeking state legislation to:
  - Require all new non-uniform employees to work until age 65 before receiving a full pension
  - Require all new non-uniform employees to contribute to their pensions throughout their city careers.
  - Disallow overtime pay in the pension calculation for all new employees.

## NYC pension contributions pushed up in the wake of poor financial market performance



Source: NYC Comptroller Comprehensive Annual Financial Reports; projected FY 2011-2014 contributions from NYC Feb. 2011 Financial Plan; shaded area indicates years when market returns were more than 10% below assumed rates of returns

## New York City and State Public Pension Fund Losses from Wall Street Meltdown, 2007-09

	(\$ billions)	(\$ billions)	(\$ billions)	(\$ billions)	
	<b>Net Assets as of 6/30/07</b>	<b>Net Assets as of 6/30/08</b>	<b>Net Assets as of 6/30/09</b>	<b>2-yr Losses as of 6/30/09</b>	<b>% of assets lost 2007-09</b>
<i>New York City pension funds</i>					
New York City Employee Retirement System	\$42.5	\$39.7	\$31.9	-\$10.6	-25%
New York City Teachers' Retirement System	\$37.1	\$32.3	\$23.1	-\$14.1	-38%
New York City Police Pension Fund	\$21.9	\$21.1	\$17.4	-\$4.5	-20%
New York City Fire Pension Fund	\$7.2	\$6.8	\$5.6	-\$1.6	-23%
Board of Education Retirement System	\$2.2	\$2.0	\$1.5	-\$0.6	-29%
<i>Total, 5 New York City Funds</i>	<i>\$110.9</i>	<i>\$101.9</i>	<i>\$79.5</i>	<i>-\$31.4</i>	<i>-28%</i>
<i>New York State pension funds</i>					
New York State Teachers' Retirement System	\$104.9	\$95.8	\$72.5	-\$32.4	-31%
	<b>Net Assets as of 3/31/07</b>	<b>Net Assets as of 3/31/08</b>	<b>Net Assets as of 3/31/09</b>	<b>2-yr Losses as of 3/31/09</b>	<b>% of assets lost 2007-09</b>
New York State and Local Retirement System	\$156.6	\$155.8	\$110.9	-\$45.7	-29%
<i>Total, 2 New York State pension funds</i>	<i>\$261.5</i>	<i>\$251.6</i>	<i>\$183.4</i>	<i>-\$78.1</i>	<i>-30%</i>
<b>TOTAL, 7 New York Public Employee Funds</b>	<b>\$372.5</b>	<b>\$353.5</b>	<b>\$262.9</b>	<b>-\$109.6</b>	<b>-29%</b>

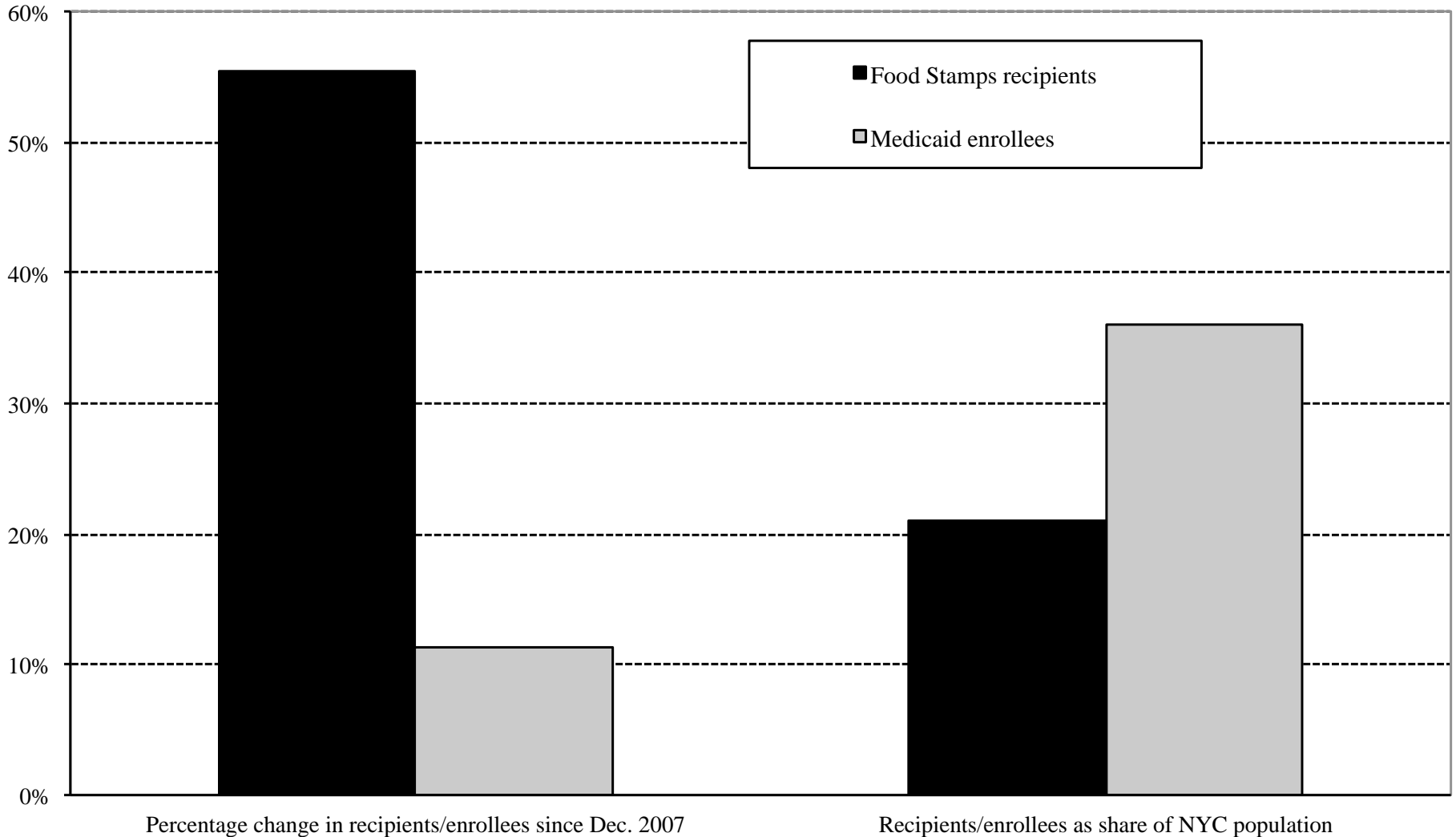
## How is NYC responding to the continuing effects of the recession?

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- In many respects, it's hard to tell from the proposed FY 2012 budget that NYC is still suffering from high unemployment and adversity caused by the Great Recession.
- The City has not changed its policies regarding public assistance. Despite a doubling of unemployment since the recession began, public assistance rolls have not responded to increased economic hardship. In contrast, food stamp eligibility has soared by 625,000 or 55 percent.
- The City did not exploit opportunities created by stimulus funds—e.g., TANF Emergency Contingency Funds—to support more transitional employment opportunities or public service jobs to address high unemployment.
- The City is reducing its capital spending by 20 percent over the next three years while construction unemployment remains high and the City has many outstanding infrastructure needs.
- The Mayor is not doing very much to urge the Governor to moderate proposed state budget cuts that will worsen the state's economic recovery.

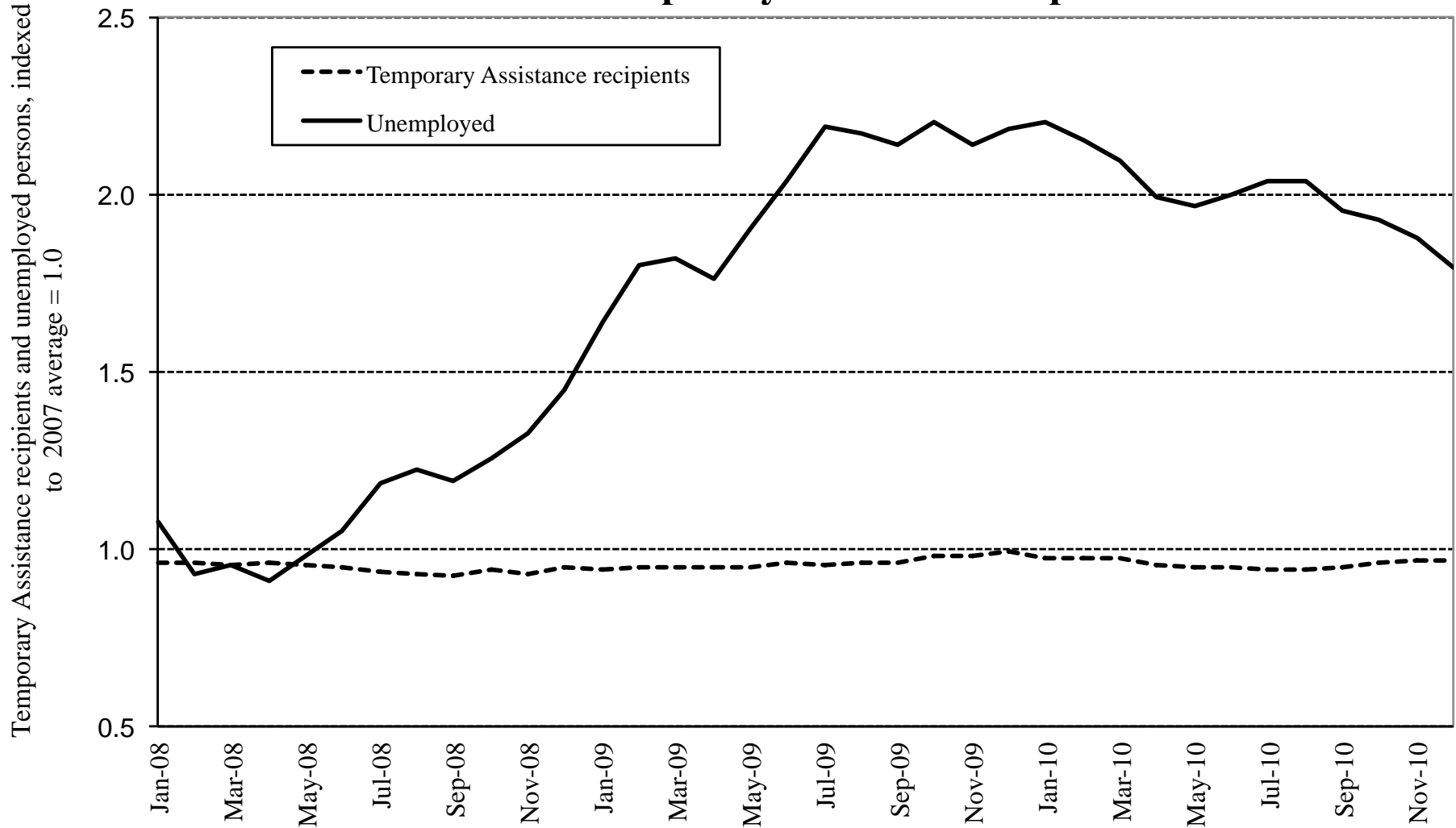


**Participation in Food Stamps and Medicaid has risen during the Great Recession. One in five NYC residents now receive Food Stamps, and more than one in three are enrolled in Medicaid.**



Source: FPI analysis of Office of Temporary Disability Assistance and New York State Department of Health data, December 2007 through July 2010.

**Since 2008, unemployment in New York City has increased sharply, while the number of Temporary Assistance recipients has declined.**



Source: FPI analysis of Office of Temporary Disability Assistance and New York State Department of Labor data.

## **The City has a moderate national economic and employment forecast (appropriately), but likely a very conservative revenue forecast**

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- The economic forecast that accompanies the Mayor's budget proposal projects U.S. GDP to increase at roughly 3 percent a year—that would be low by historical standards following a recession but is in line with average growth in the 6 quarters of recovery so far.
- However, the City has very low forecasts for NYC real gross city product relative to U.S. GDP. If NYC growth turns about to be more in line with national growth, city tax revenues in FY 2012-15 likely will be much stronger than currently projected.
- In the City's employment projections, NYC and the U.S. will not regain the jobs lost during the recession until 2013. That degree of job growth, however, does not accommodate continued population and labor force growth. This means that the national unemployment rate will still average 8 percent in 2013. While the City does not forecast the NYC unemployment rate, one would expect that to also stay high for some time.

## Although New York City fared better than the nation in 2010, New York City OMB expects far weaker growth in 2011-2014 in NYC than in the US

	Calendar years, annual percent changes						
	2008 actual	2009 actual	2010 estimate	Forecast			
				2011	2012	2013	2014
<b>United States</b>							
Real Gross Domestic Product	0.0	-2.6	2.9	3.2	2.8	3.2	3.4
Personal income	4.0	-1.7	3.0	4.9	3.3	4.7	5.7
Total wages	2.1	-4.3	2.1	4.7	4.7	4.9	4.8
Employment	-0.6	-4.3	-0.5	1.4	2.0	2.1	2.1
<b>New York City</b>							
Real Gross City Product	-6.0	-3.2	5.3	-0.3	1.3	1.8	2.3
Personal income	3.0	-4.2	3.3	3.9	2.0	3.9	5.1
Total wages	1.7	-10.9	4.7	3.2	2.3	3.3	3.8
Employment	1.3	-2.8	-0.3	0.9	1.0	1.1	1.1

Source: NYC Office of Management and Budget, *Monthly Report on Current Economic Conditions*, Jan. 19, 2011; *February 2011 Financial Plan, First Years 2011-2015*, Feb. 17, 2011

**While it will take until 2013 to regain lost jobs, unemployment will stay above pre-recession levels well beyond that.**

	NYC		US	
	Total payroll (in thousands)	Unemployment rate	Total payroll (in millions)	Unemployment rate
2007	3,744	4.9	137.6	4.6
2008	3,794	5.5	136.8	5.8
2009	3,687	9.5	130.9	9.3
2010	3,677	9.6	130.3	9.7
<u>Forecast</u>				
2011	3,710	n.a	132.0	9.3
2012	3,749	n.a	134.7	8.8
2013	3,790	n.a	137.5	8.0
2014	3,833	n.a	140.4	7.3

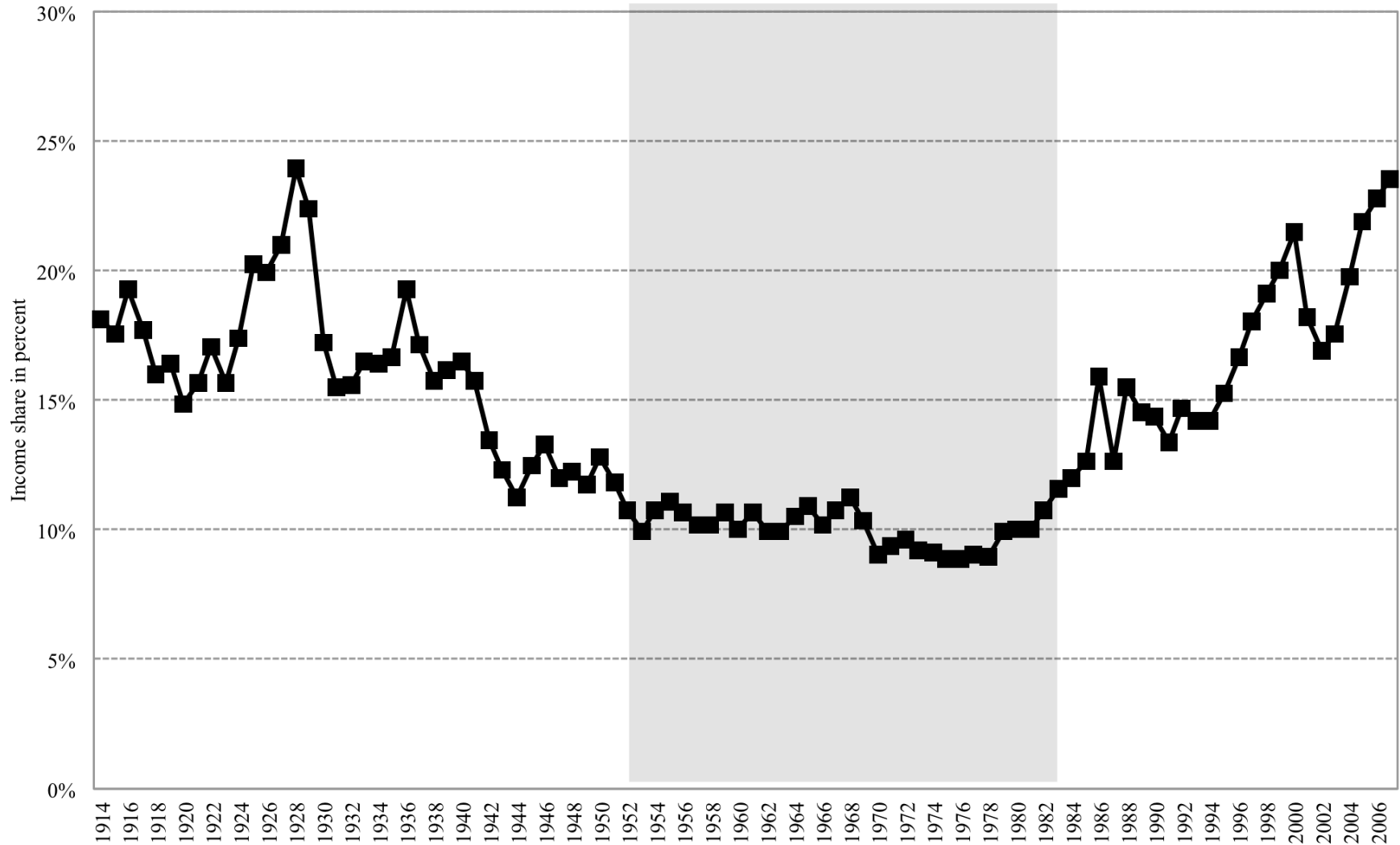
Source: US BLS and NYS Department of Labor for 2007-10 figures; 2011-14 forecast by NYC OMB Feb. 2011; OMB does not forecast NYC unemployment rates.

## What about New York's historic income concentration?

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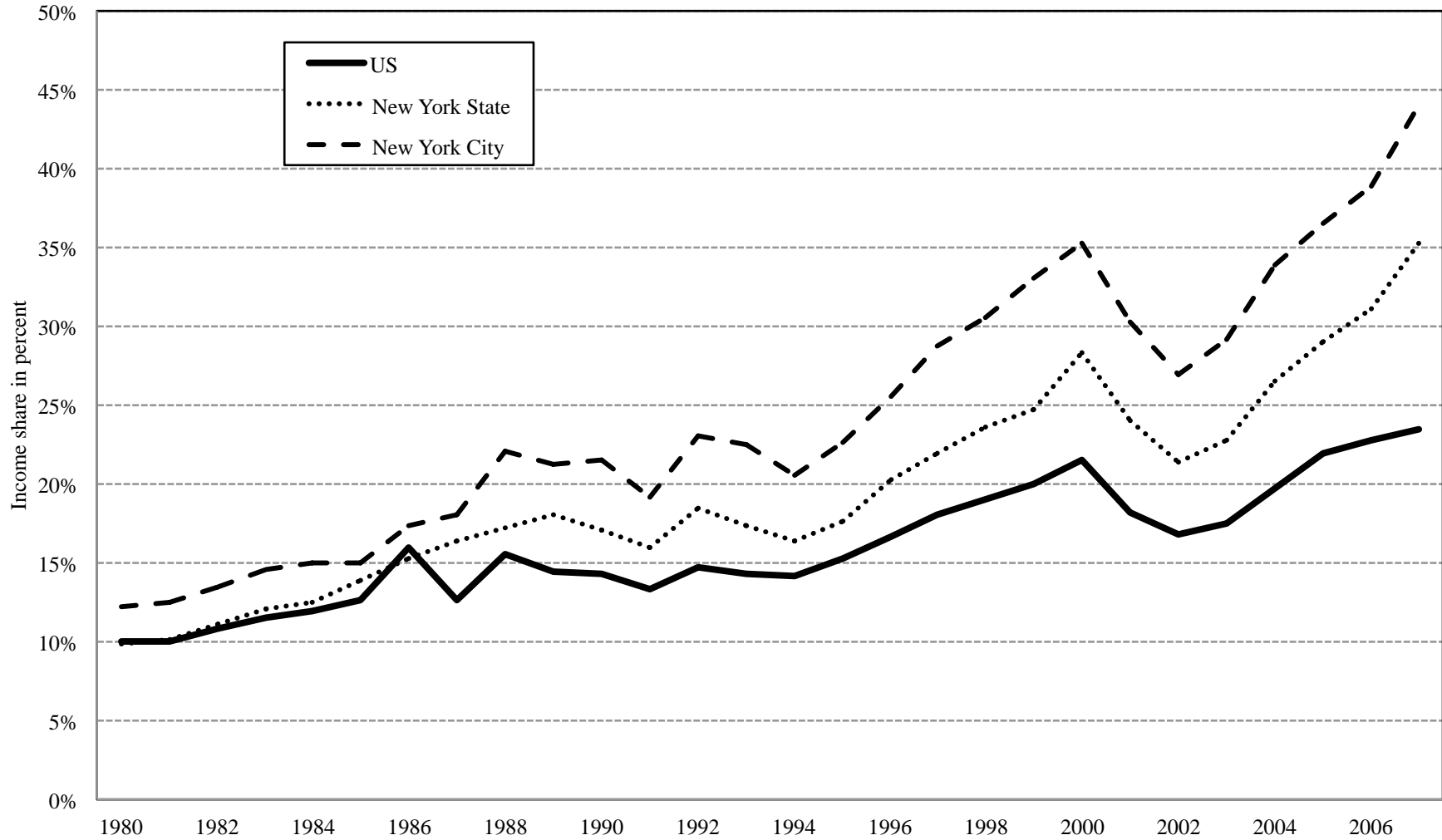
- It is ironic that the Wall Street-induced Great Recession has been followed by an intense focus on cutting government and attacking public sector workers. It certainly is distracting from the real economic and budget challenges facing almost every state and the U.S. government.
- It also distracts attention from the historic income concentration that has occurred over the past 30 years and that accelerated during the past decade.
- While income polarization was relatively static through the 1950s, '60s and '70s, there has been a sharp concentration of income growth at the top since 1980.
- NYS has the greatest income polarization of all states, and NYC is the most polarized among the nation's 25 largest cities.
- And it is certainly not the case that the rich have gotten richer along with everyone else. The incomes of those at the top in New York City have grown while the incomes of everyone else declined or barely grew.

**During the heyday of America's middle class (1950-80), the top 1% had about 10% of total income. Now, it is back to 23.5%.**



Source: Piketty and Saez's analysis of the US income share (<http://www.econ.berkeley.edu/~saez/index.html>)

## The top 1% share in NYC and NYS has risen rapidly since the mid-1990s



Source: Piketty & Saez's analysis of the US top 1% income share (<http://www.econ.berkeley.edu/~saez/index.html>); FPI analysis of NYS and NYC personal income data from the Department of Taxation and Finance



**There has been considerable growth in the NYC economy since 1990 (2.9% annually), and higher educational attainment but it has not meant lower poverty, or higher real wages or higher family income for most New Yorkers; however, the income share of the top 5% and average Wall Street doubled.**

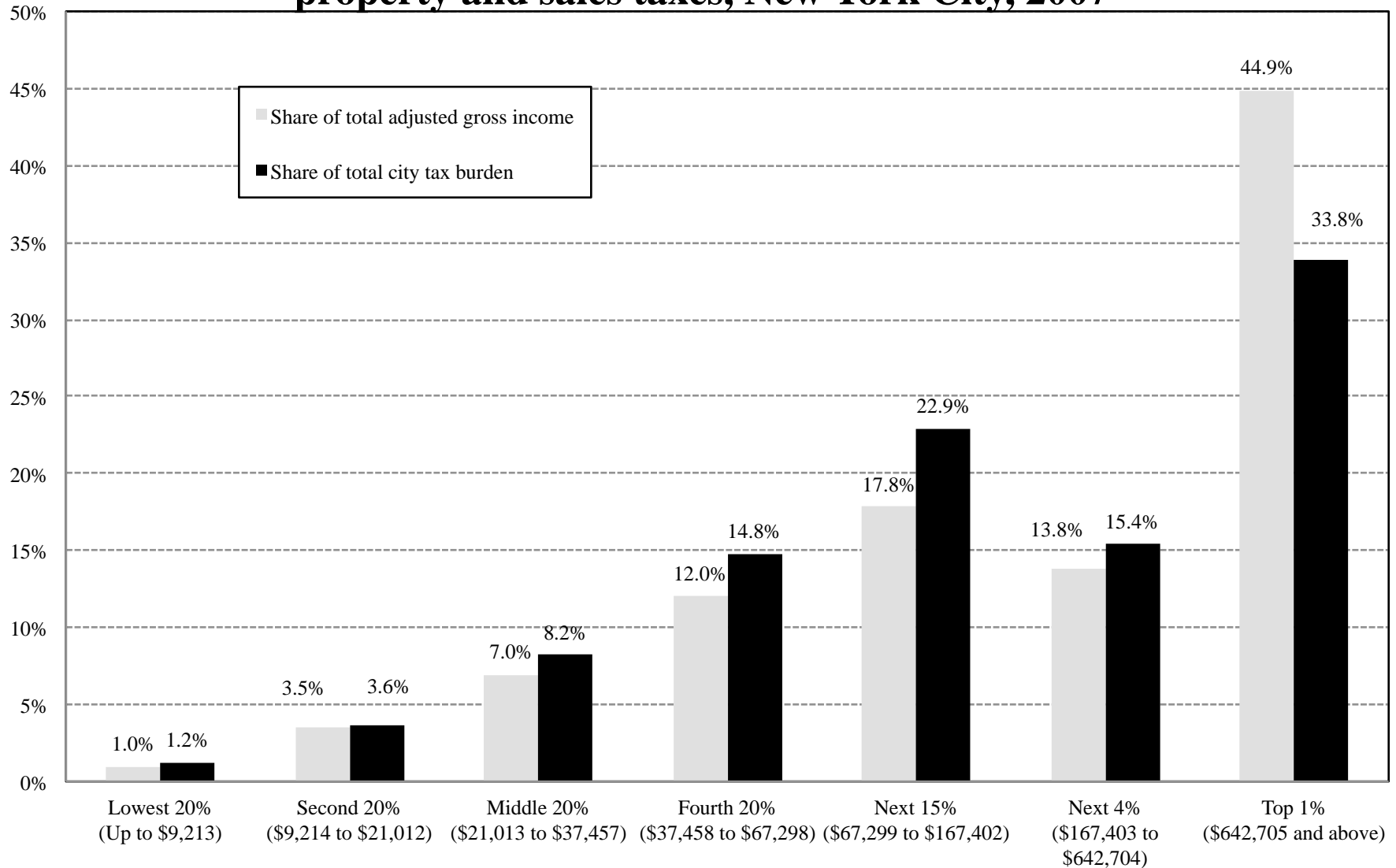
	1990	2007	1990-2007
(1) Real NYC Gross Domestic Product (billions)	\$365.3	\$595.0	62.9%
(2) Per Capita Real Personal Income, NYC (\$2007)	\$42,332	\$50,725	19.8%
(3) Real Hourly Median Wage, NYC (\$2007)	\$17.00	\$15.53	-8.6%
(4) Real average annual Wall Street salary (including cash bonus) (\$2007)	\$190,400	\$403,358	111.8%
(5) Real Median Family Income, NYC (\$2007)	\$46,017	\$45,000	-2.2%
(6) Poverty Rate, NYC	19.3%	18.5%	- 0.8 ppts
(7) Percent of age 25-64 workforce with bachelor's degree or higher, NYC	26.0%	35.3%	+ 9.3 ppts
(8) Average earnings for full-time, year-round NYC worker with bachelor's degree or higher, age 25-34	\$60,627	\$57,000	-6.0%
<b>Income Shares</b>			
(9) Share of Total NYC income received by the top 5 percent ( in 2007, incomes above \$167,400)	30.0%	58.0%	+ 28.0 ppts
(10) Share of Total NYC income received by the "middle" 45 percent (the 51st to the 95th percentile, in 2007, income range from \$28,800 to \$167,400)	53.2%	34.1%	- 19.1 ppts
(11) Share of Total NYC income received by the "bottom" 50 percent ( in 2007, incomes below \$28,800)	15.8%	7.9%	- 7.9 ppts.

**Tax policy is the most obvious way for state and local governments to address income polarization—however, several tensions exist.**

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- The June 2009 increase in the City sales tax rate from 4 percent to 4.5 percent made the city's tax structure more regressive with lower and middle income families paying a higher share of their incomes in local taxes than paid by the richest families.
- During the fiscal challenges in the early 2000s, there were progressive increases in both the NYC and the NYS personal income taxes. During the most recent recession, only the state enacted a progressive income tax increase.
- However, the state's high-end income tax increase expires at the end of 2011, and both the Governor and the Senate Republican majority are opposed to continuing the surcharge, even though it generates \$5 billion a year, and its extension would come at a time when the wealthiest 1 percent of New York taxpayers are receiving an average windfall of \$124,000 from the extension of the Bush tax cuts.

## Income group shares of city personal income, residential property and sales taxes, New York City, 2007



Source: FPI analysis of NYS Tax and Finance data.

**Over the past decade, NYC business tax expenditures have risen 2-and-a-half times as fast as overall tax collections.**

(in millions)	NYC tax collections	NYC business tax expenditures*	Business tax expenditures share of NYC tax collection
	_____	_____	_____
FY 2001	\$23,248	\$919	4.0%
FY 2011	\$39,982	\$2,593	6.5%
Percent change 2001-2011	72.0%	182.2%	

**If the 2001 business tax expenditures share of tax collection were held constant, 2011 business tax expenditures would have been \$1579.3 millions, \$1 billion less than what they are.**

Note: \* excludes Industrial Development Agency tax expenditures other than the real property tax, and the Unincorporated Business Tax exemption for carried interest

Source: NYC OMB and Dept. of Finance

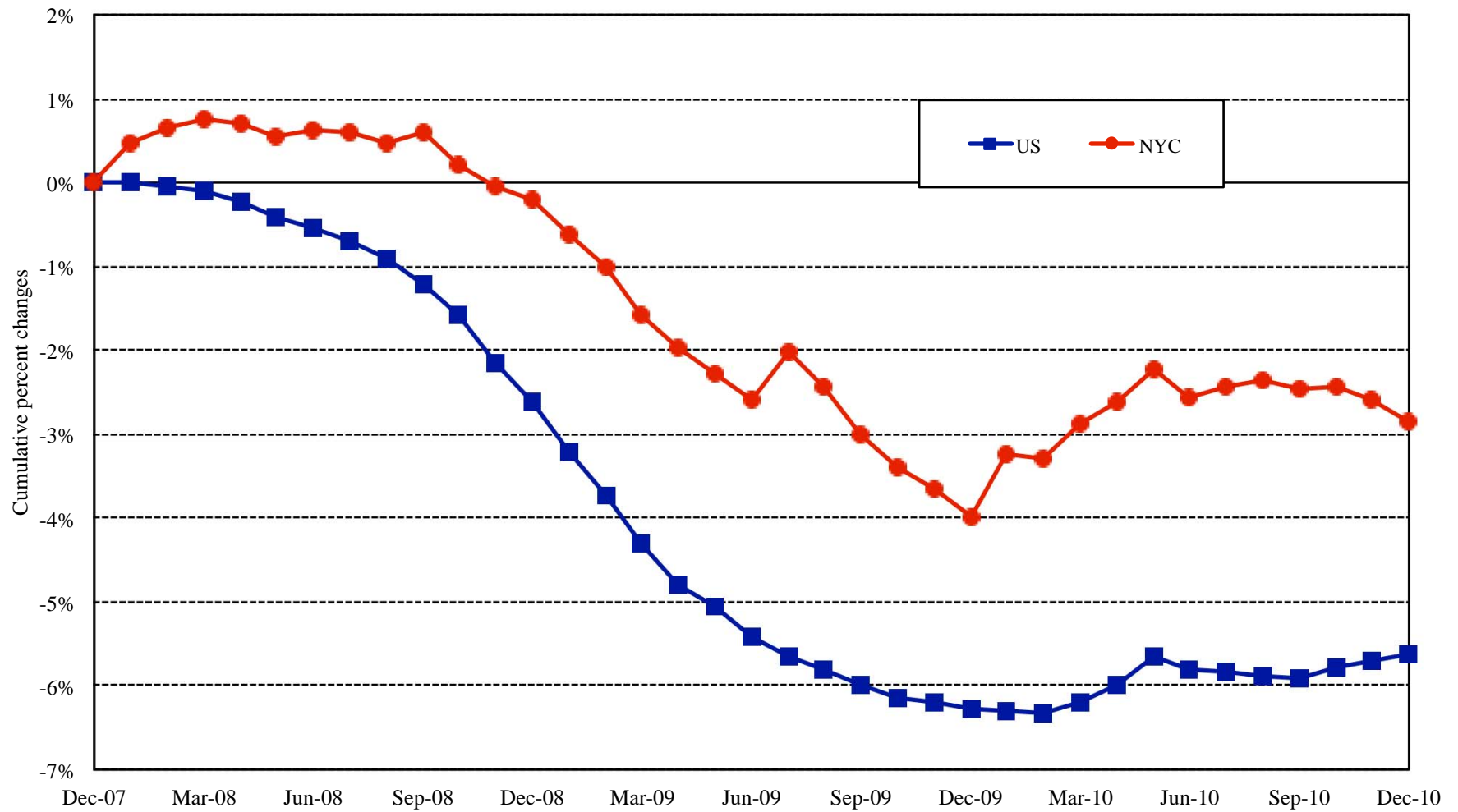
## **NYC should begin to address several tax inequities and strengthen its revenue base**

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- Because it hasn't adjusted its rate structure for inflation, NYC requires tens of thousands of city residents who have no state or federal income tax liability to pay a NYC income tax. The City could enhance its Earned Income Tax Credit, Household Credit, or Child and Dependent Care Credit.
- There are various real property tax inequities among residential properties, both between homeowners and renters, and across neighborhoods.
- In the name of economic development, the City uses both as-of-right and discretionary programs to dispense a range of business tax breaks. There are almost no analyses regarding the value of these "back door" expenditures that drain tax revenues from the city. These rapidly increased in value over the past decade, mushrooming 2-and-a-half times as fast as tax collections. For FY, 2011, NYC business tax expenditures exceed \$2.5 billion.
- Commuters receive over a third of the wages (\$90 billion a year) from jobs located in NYC, yet they pay no taxes to support City services their jobs rely on. Within NYC's lucrative finance sector, non-resident commuters receive 48 percent of all wages paid. The City and the State need to figure out a way to address this inequity.
- NYC should eliminate the carried interest exemption on the city's unincorporated business tax (UBT) for private equity and hedge funds. These forms of financial operations have grown dramatically.

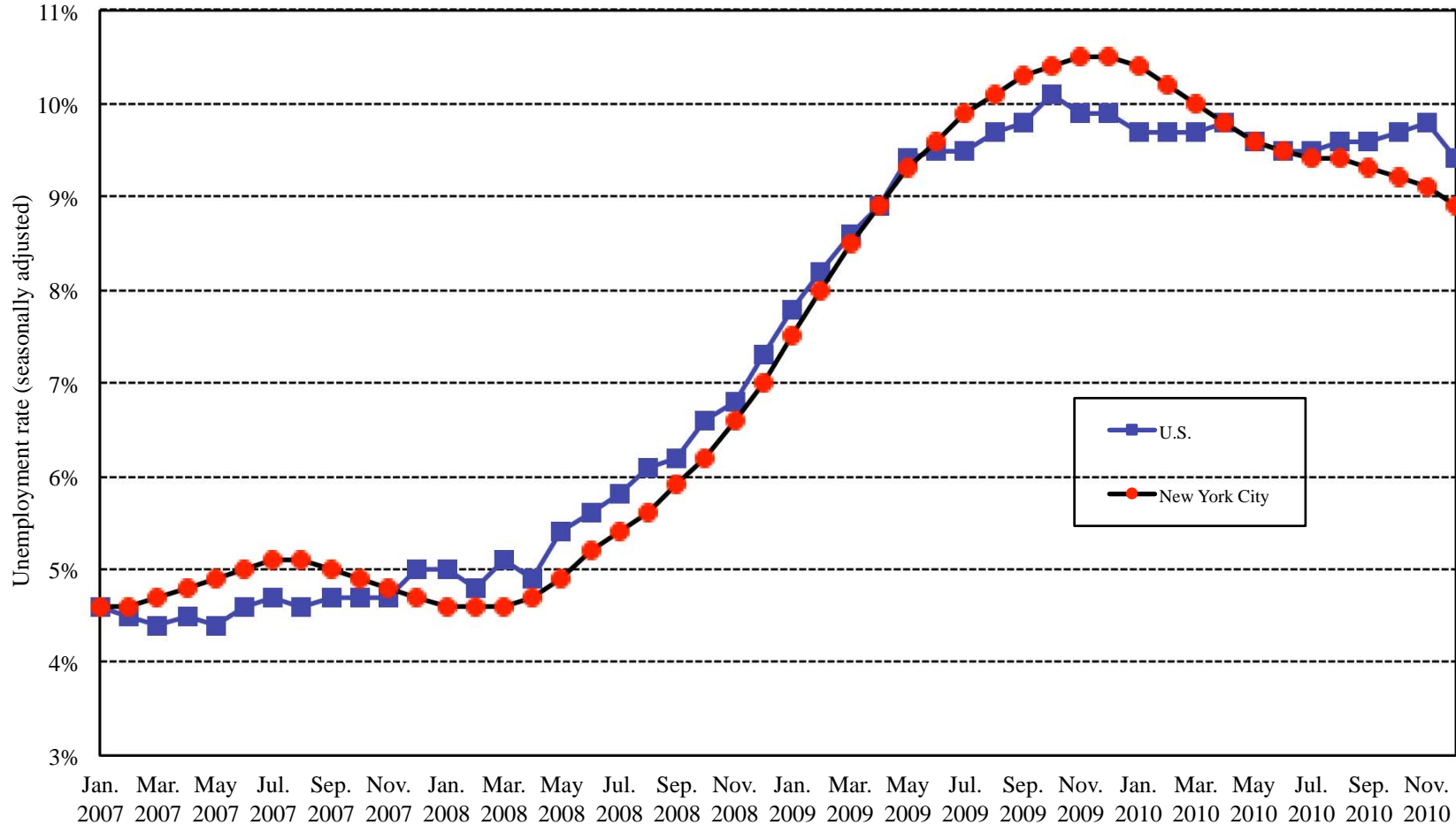
# Appendix

## Total payroll employment declined less in New York City during the recession.



Source: FPI analysis of NYS Department of Labor and Bureau of Labor Statistics payroll employment data.

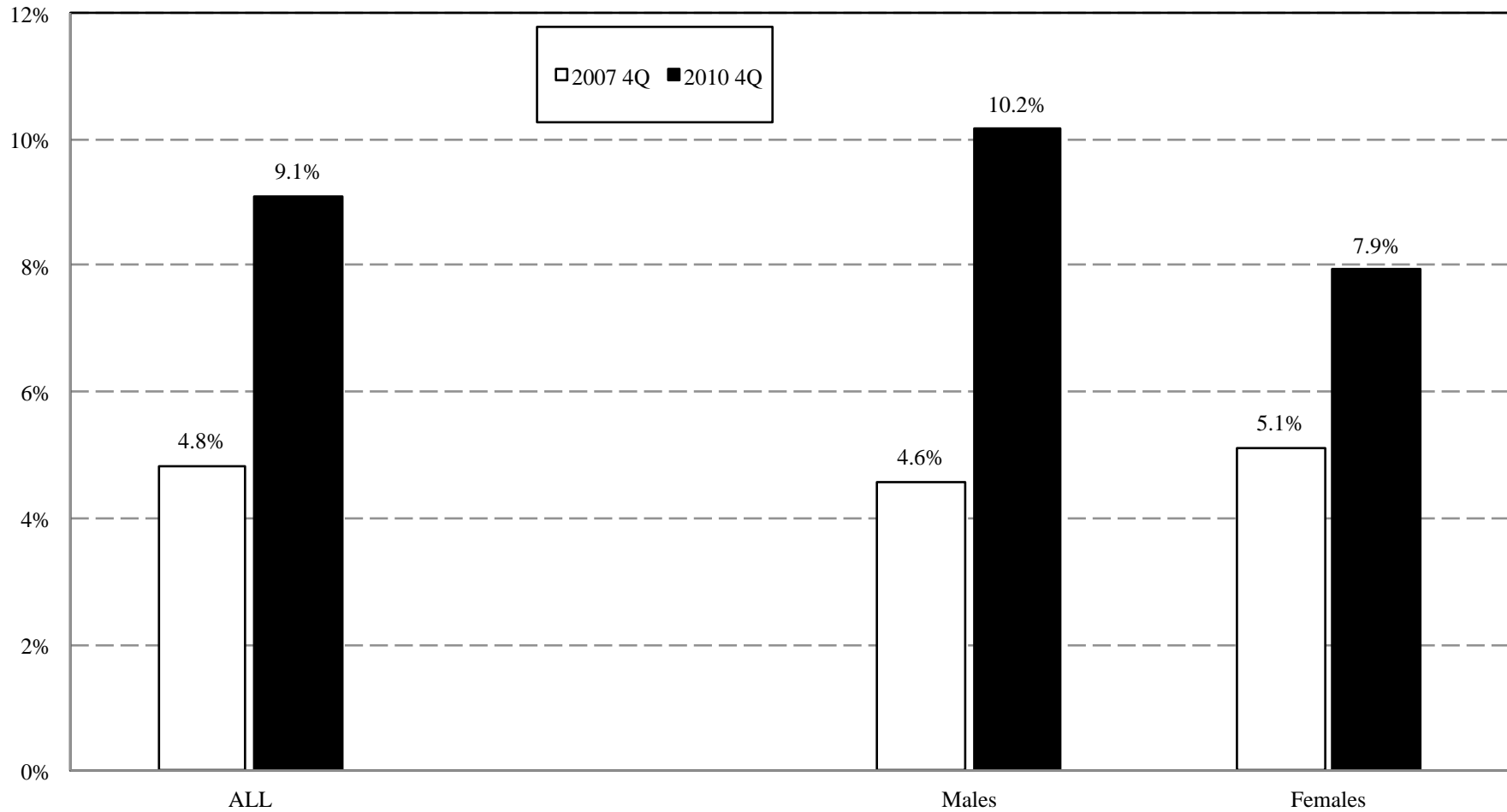
**New York City's unemployment rate rose sharply during the recession. In the second half of 2010, the unemployment rate declined only because people dropped out of the labor force.**



Source: NYS Department of Labor and Bureau of Labor Statistics

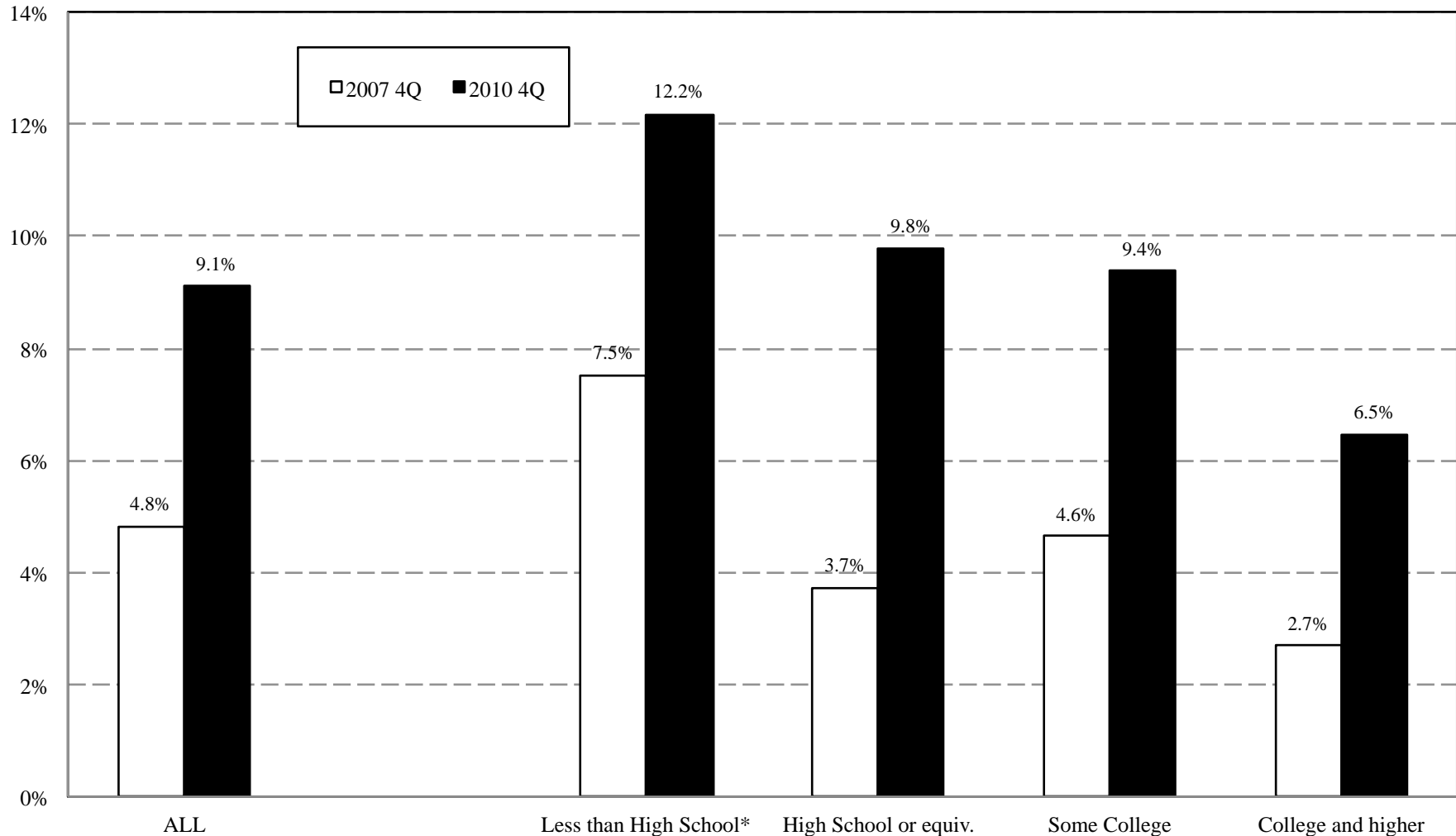


**New York City's unemployment rate is still much higher than when the recession began; unemployment is higher for men than for women.**



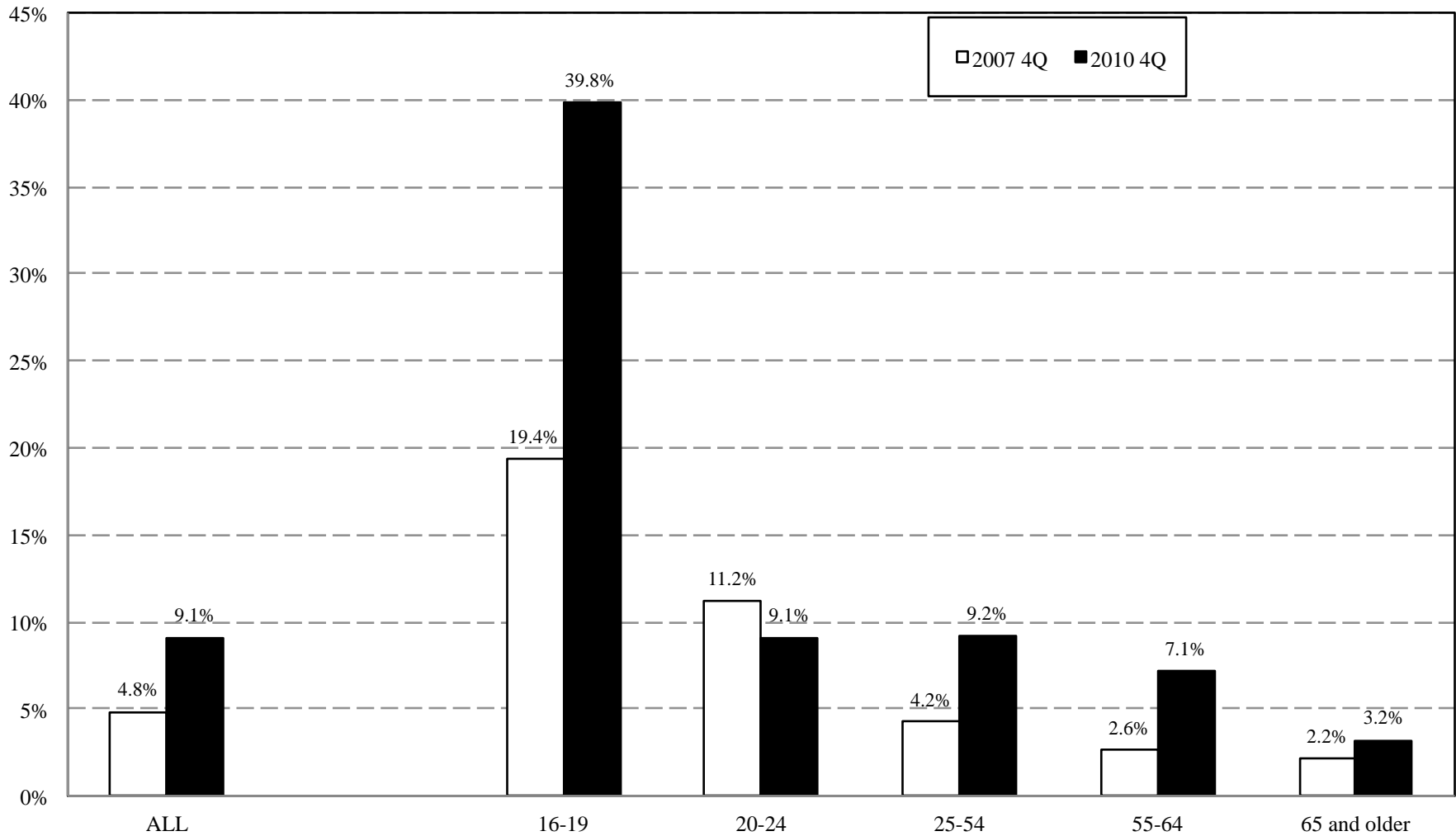
Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Dept. of Labor

## Unemployment has risen for all levels of educational attainment in New York City since the recession began.



Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Dept. of Labor

## Unemployment is highest among younger workers in New York City.



Source: FPI analysis of Current Population Survey data, adjusted to Local Area Unemployment Statistics from New York State Dept. of Labor