

New York's Budget: A Little Context on the Big Picture

New York State Communications Bootcamp
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and Sunshine Ludder, Center for Working Families

New York faced a multi-billion dollar budget hole this year...

and the year before that,

and the year before that...

What's punching all the holes in New York's budget?

Several rounds of tax cuts in the 1990s and 2000s:

In 2008, New York would have had \$20 billion more revenue.

The Financial Crisis:

State and municipal financial investments have taken a big hit.

The Great Recession:

Many more New Yorkers are relying on public services like Medicaid and food stamps.

And how did New York close the gaps?

In 2009, New York closed the budget gap in three ways:

- ✓ One-third came from cutting funding.
- ✓ One-third came from raising revenue - with the “millionaires tax”.
- ✓ One-third came from other actions, mostly the federal stimulus.

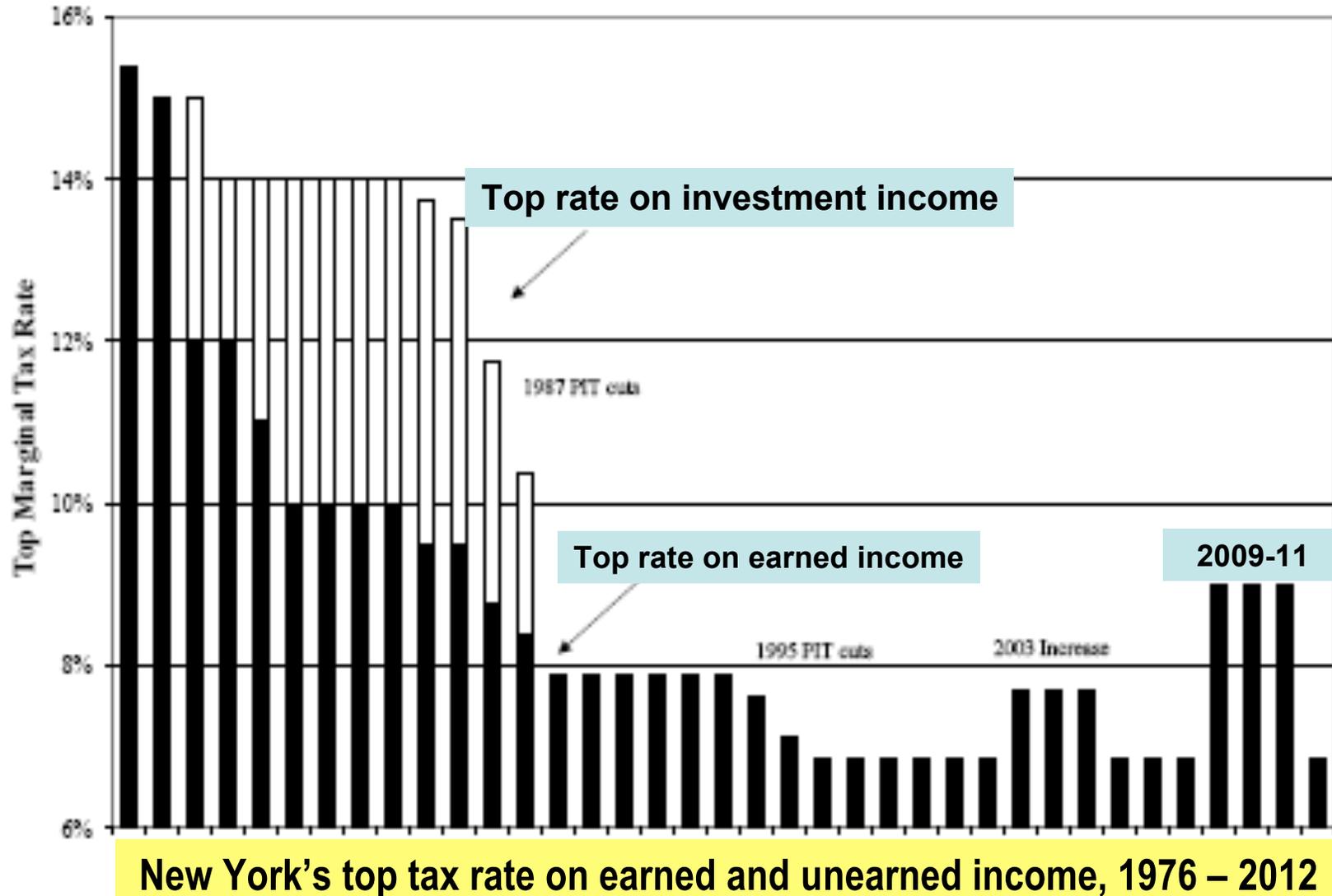
2010's budget gap:

- ✓ Two-thirds was made up by funding cuts.
- ✓ Only 15% was made up by raising revenues.

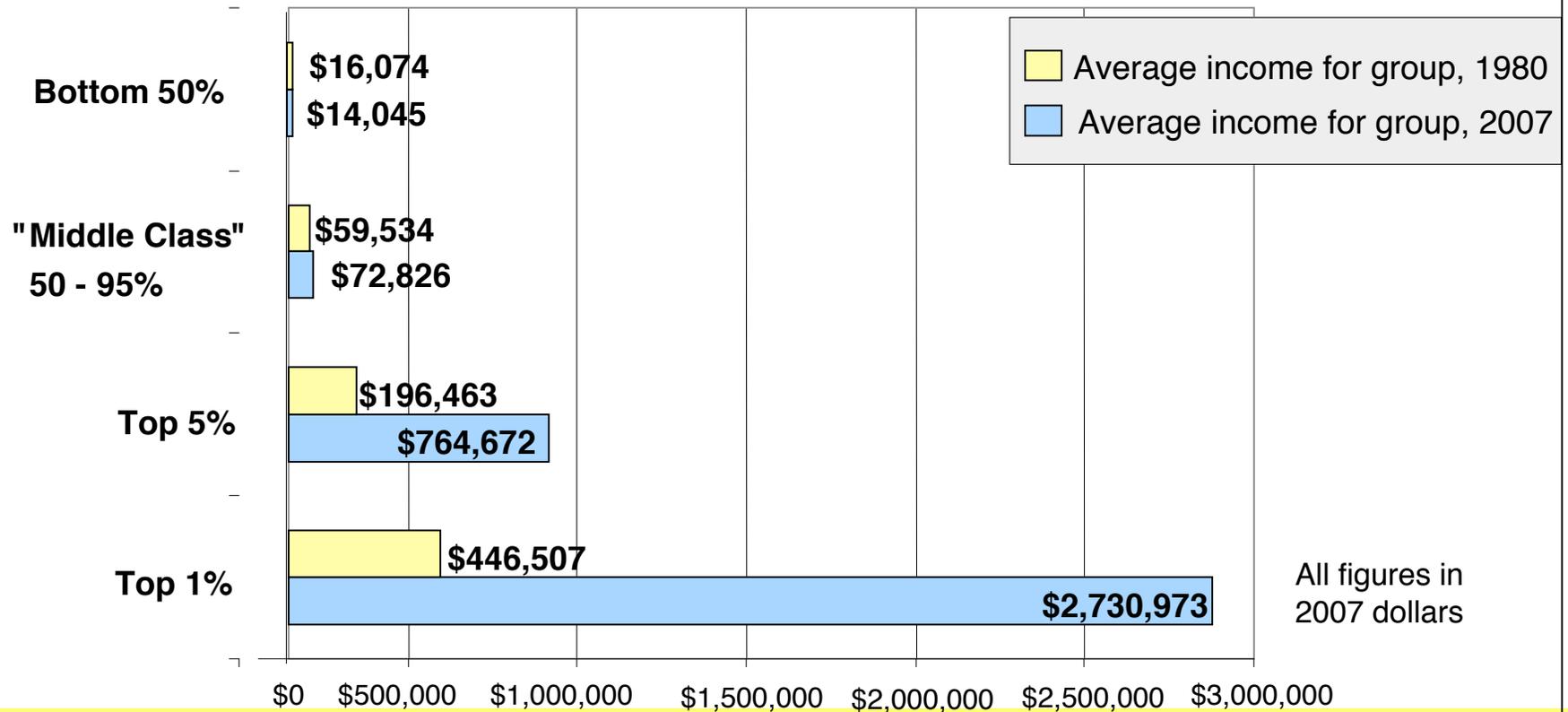
2011's budget gap:

- ✓ 85% was made up by funding cuts.
- ✓ Only 3% was made up by raising revenues.

Does New York have a budget crisis? Or a revenue crisis?



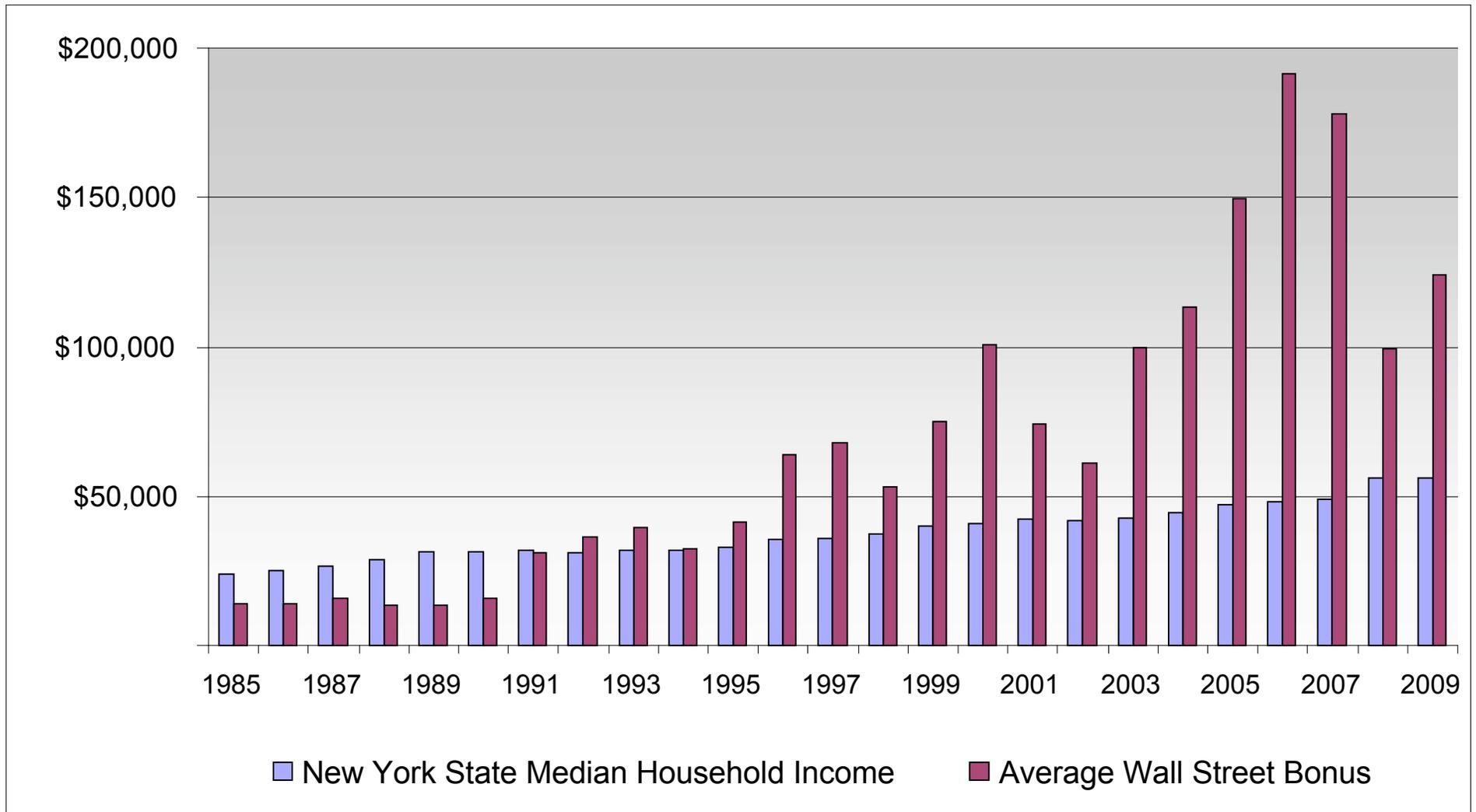
Three Decades of Tax Cuts on Top Incomes -- and Three Decades of a Growing Divide in New York



Change in average incomes by group, 1980-2007

Data from Fiscal Policy Institute analysis

New York Household Income vs. Wall Street Bonuses 1985-2009



New York State and New York City:

States and Cities with Greatest Income Inequality

Rank	State	Rank	City
1	New York	1	New York City
2	Connecticut	2	Dallas
3	Texas	3	Chicago
4	Louisiana	4	Boston
5	Alabama	5	Houston
6	Mississippi	6	Los Angeles
7	Florida	7	Baltimore
8	Georgia	8	Denver
9	Massachusetts	9	San Francisco
10	California	10	Charlotte

Data from Fiscal Policy Institute

#1 in the nation for income inequality

And then there's New York's Jobs Deficit:

Unemployed and underemployed New York:

1.4 million New Yorkers

One in seven workers

Record periods of unemployment:

50% are jobless for more than 6 months.

30% are jobless for over a year

A deficit of over 500,000 jobs:

512,000 jobs would bring New York's unemployment down to pre-recession levels.

Current state tax rates for incomes over \$200,000
are **generating \$4.6 billion per year**

Year	Revenue from tax provisions on high incomes ⁺
2009	\$3.83 billion
2010	\$4.99 billion
2011	\$4.94 billion
3-year Total	\$13.76 billion
Annual Average	\$4.59 billion

*⁺Figures include \$100-300 million per year due to limiting deductions for incomes over \$1 million.
Source: New York State Division of Budget estimate*

What is \$4.6 billion worth?

It would pay for any one of those priorities...

Over 20% of the State's aid to schools statewide

25% of the State's contribution to Medicaid statewide

2 years of state funding for foster care, adoption, child care and child protective services

Over 50% of state funding for SUNY, CUNY, and tuition aid

Nearly 2 years of state funding for bridges, highways, road maintenance, and DMV operations

More than 3.5 years of social services for low-income families

100% of state funding for mass transit statewide

Figures reflect State Operating Funds, New York State Division of Budget, 2010-2011

Or it could pay for all these investments – combined:

	<i>Direct</i> Property Tax Circuit Breaker for 2.26 million struggling households
<i>and</i>	150 after school programs for 10 years
<i>and</i>	300 new fire trucks across the state
<i>and</i>	3 months unemployment benefits for 125,284 New Yorkers whose benefits ran out
<i>and</i>	A full year's SUNY tuition for 50,000 high school graduates
<i>and</i>	Over 2 million meals a year to home-bound New York City seniors for 10 years
<i>and</i>	Fully funding the Upstate Revitalization Fund to support small business loans; bridges and rail transit work; city development and affordable housing

Sources: Fiscal Policy Institute, New York Times, Buffalo News, Watertown Daily Times, New School for Social Research, City Meals on Wheels, Associated Press, New York State Division of Budget

It would more than wipe out next year's
projected budget gap...

- ✓ New York's projected budget gap: \$2.4 billion
- ✓ Millionaire's tax projected revenue: \$5 billion

OR it can pay for tax breaks for just 3% of New Yorkers – making over \$200,000 a year:

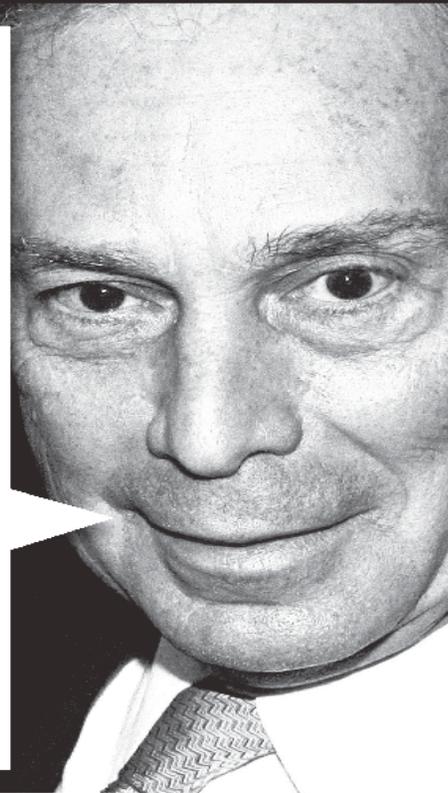
A Household Income of...	Means a Weekly Income of...	Cutting High-End Tax Rates will give these families...
\$24,000	\$462	\$0
\$40,001	\$769	
\$56,000	\$1,077	
\$150,000	\$1,923	
\$350,000	\$5,769	
\$550,000	\$9,615	\$224 <i>more per week</i>
\$1,000,000	\$19,231	\$408 <i>more per week</i>

Millionaire's Tax Myth-busters

- ✓ The combined annual income of a teacher and a police officer is \$128,000 - far below the \$300,000 threshold for a couple paying the millionaires tax.
- ✓ Only 3% of New Yorkers make over \$200,000. Less than 1% of New Yorkers earn \$1 million or more.
- ✓ Fewer than 5% of small business operators in New York pay the millionaires tax - and that includes hedge fund and private equity partners.
- ✓ This year, an estimated 15,000 jobs were fingered for layoffs due to the budget hole.
- ✓ Job-killing tax cuts: For every 100 public jobs lost, 30 jobs are killed in the private sector.

We couldn't have said it better ourselves, Mr. Mayor.

"I can only tell you, among my friends, I've never heard one person say 'I'm going to move out of the city because of taxes.' Not one. Not in all the years I've lived here. You know, they can complain, 'Oh, got my tax bill, it's heavy.' But they've not ever thought that. My friends all want to live here and understand the value." —Mayor Michael Bloomberg, Nov. 13, 2008, Associated Press



Some argue that increasing the top rate of the personal income tax will cause wealthy New Yorkers to move out of the state. Recent studies have shown this won't happen. It didn't happen the last time we responded to a budget crisis by raising the top income tax rate, in 2003. Instead, our economy rebounded and the rich got richer. There's no reason to think it would be different this time. Like Mayor Bloomberg's friends, most wealthy New Yorkers "understand the value" of living in New York. And they understand that drastic cuts in essential state services will destroy the quality of life they value.

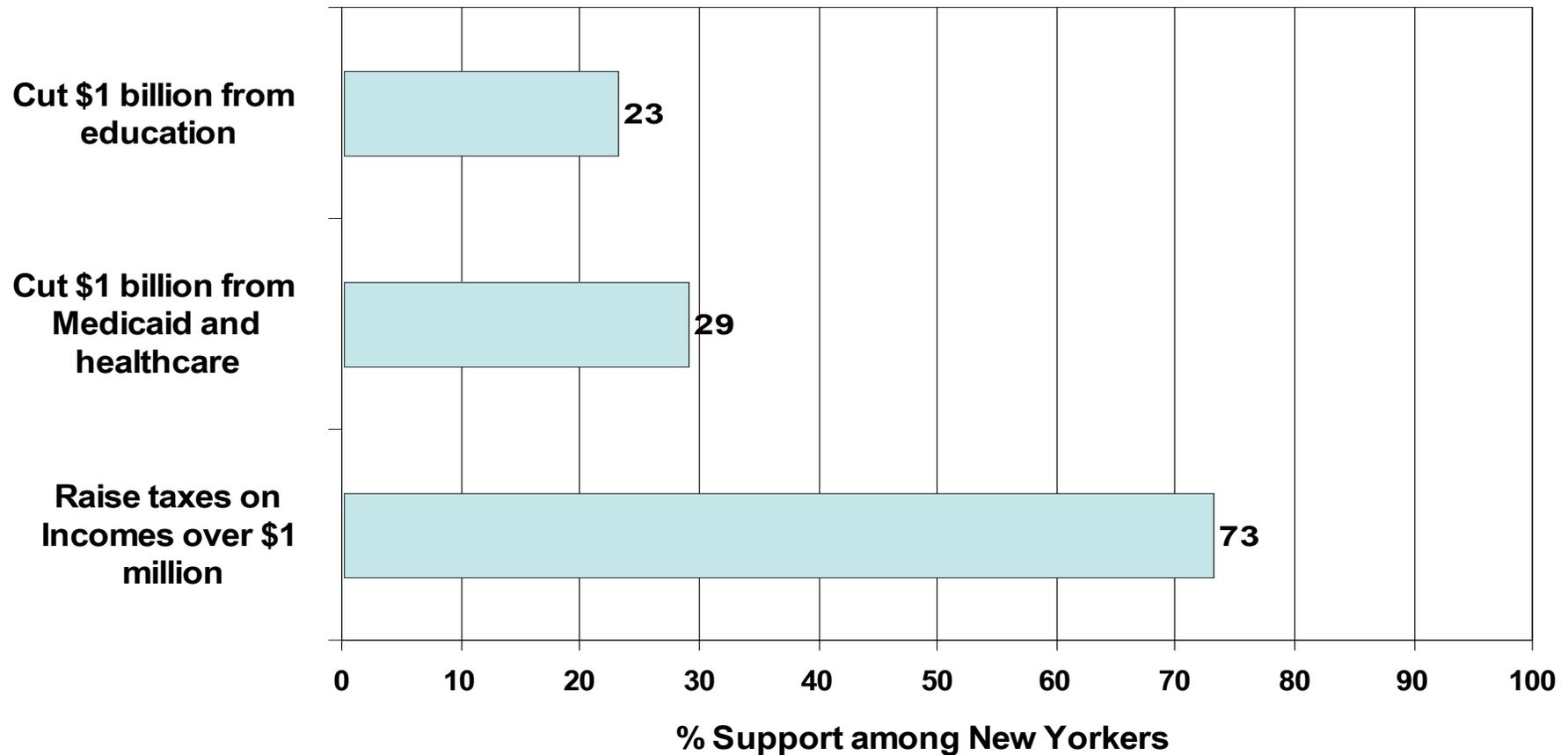
**MAKE WEALTHY NEW YORKERS PAY THEIR FAIR SHARE.
THAT'S THE RIGHT THING TO DO.**



www.aBetterChoiceForNY.org

Paid for by New Yorkers for Fiscal Fairness

Nearly 3 out of 4 New Yorkers support raising the tax rate on incomes over \$1 million to close the deficit. Only 23% support cutting education funds, and only 29% support cutting health care.



December 2010 Siena poll, asking New Yorkers if they would approve of these actions to help close the state's \$9 billion deficit.

Resources:

Ron Deutsch, New Yorkers for Fiscal Fairness mkd67@aol.com

Sunshine Ludder, Center for Working Families ludder@cwfnny.org

Fiscal Policy Institute www.fiscalpolicy.org

United for a Fair Economy www.ufe.org

Appendix

Adding **just 1 percent** to today's rates for incomes over \$1 million ...

If Your Taxable Income* is over	Your Top Tax Rate would be
\$20,000	6.85%
\$200,000	7.85%
\$500,000	8.97%
\$1,000,000*	9.97%

...would generate **\$1.4 billion *more*** per year.

***The wealthiest New Yorkers just got a major tax break: an average windfall of \$124,000 per year, from the federal extension of the Bush-era high-income tax cuts.**

NOW...

If Your Taxable Income* is over	Your Top Tax Rate is
\$20,000+	6.85%
\$200,000+	7.85%
\$500,000 and up	8.97%

NEXT YEAR...

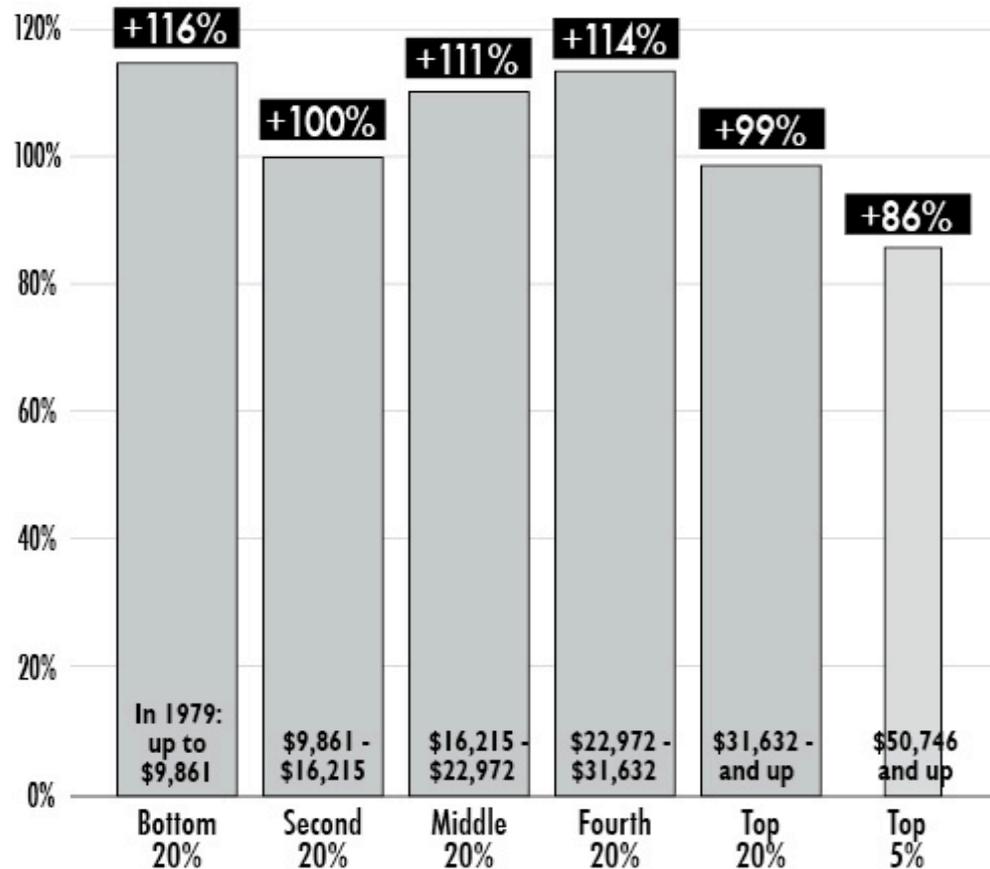
If Your Taxable Income* is over	Your Top Tax Rate will become
\$20,000	6.85%
\$200,000	6.85%
\$500,000 and up	6.85%

*Taxable income is less than all your income. Taxable income is the amount left after personal exemptions, deductions, and allowable adjustments are taken out.

*These income levels apply to single filers. For families filing jointly, the 6.85% rate applies for incomes over \$40,000 and the 7.85% rate applies for incomes over \$300,000. The \$500,000 level applies to all filers.

1947 to 1979 – Real Family Income Growth by Quintile & for Top 5%

We All Grew



Sources: Analysis of Census Bureau data from Mishel, Lawrence and Bernstein, Jared, *The State of Working America 1994-95*, p. 37. Income ranges in 1979 dollars, from March 2000 Census Current Population Survey, Table F-1.



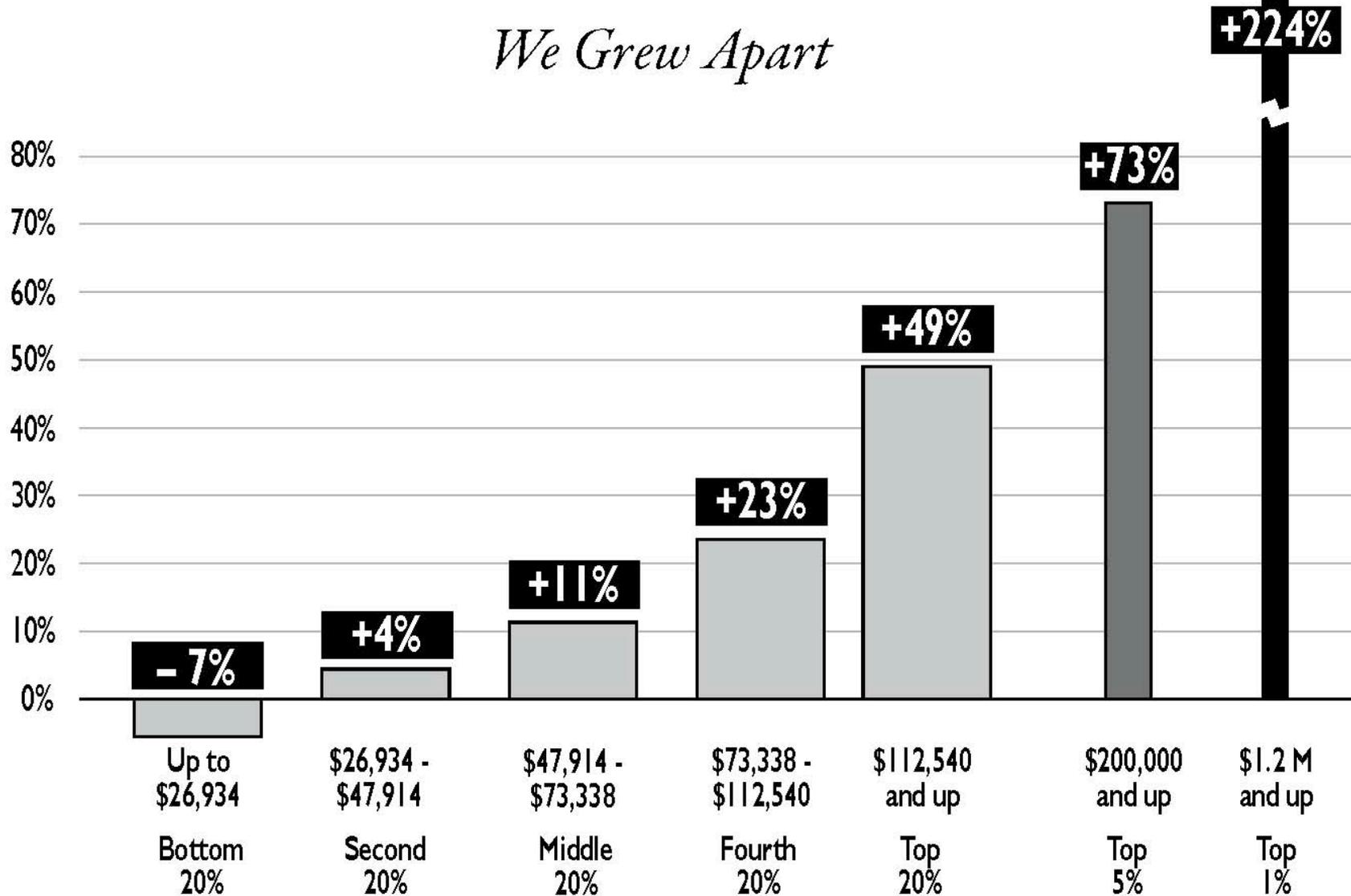
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Real Family Income Growth by Quintile & for Top 5% & TOP 1%, 1979 - 2009

We Grew Apart



Source: US Census Bureau, Historical Income Tables, Tables F-1, F-3 <<http://www.census.gov/hhes/www/income/data/historical/families/index.html>>



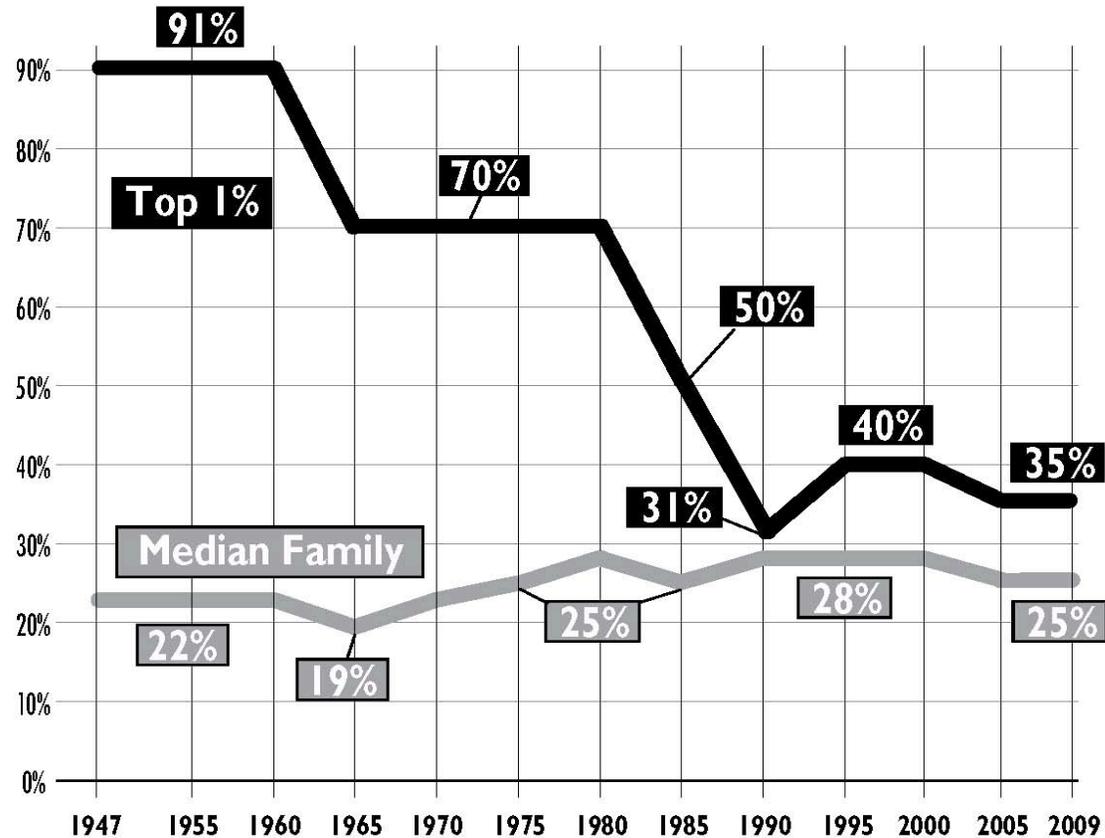
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Top & Median Federal Income Tax Rates, 1947-2009

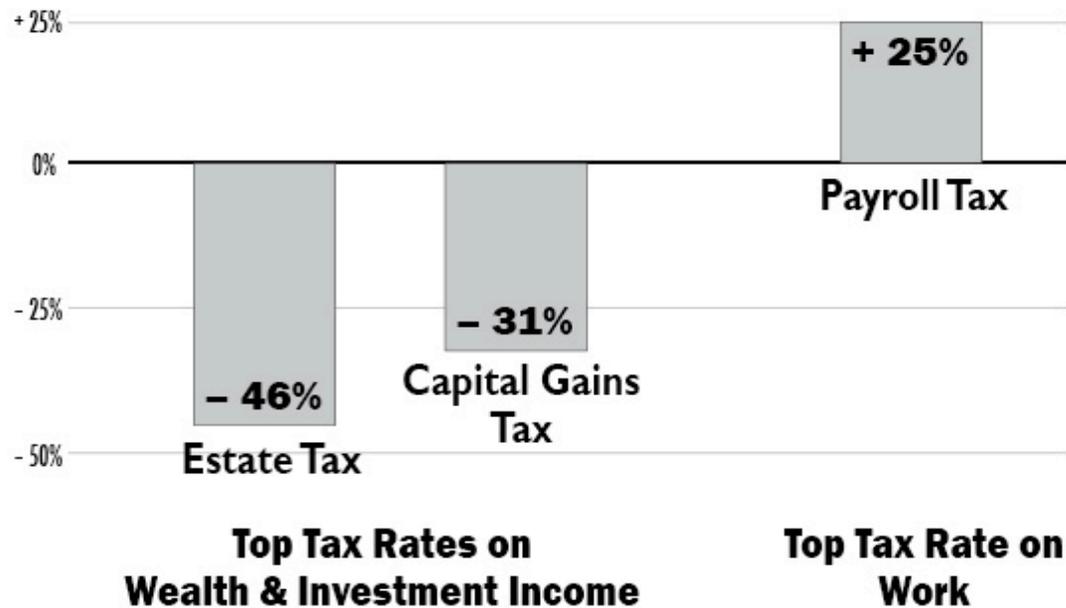
Tax Breaks for the Wealthy - No Tax Relief for Working Families



Source: TaxFoundation <<http://www.taxfoundation.org/files/federalindividualratehistory-200901021.pdf>>.

Change in Top Federal Tax Rates on Wealth & Work since 1980

People with investment income and large amounts of inherited wealth have received a multitude of tax breaks in recent years



Source: UFE calculations from Tax Policy Center data (www.TaxPolicyCenter.org) for Payroll Tax (through 2005) and Capital Gains Tax (through 2002) and the Heritage Foundation for the Estate Tax (through 2005).

Ownership of Household Wealth in US



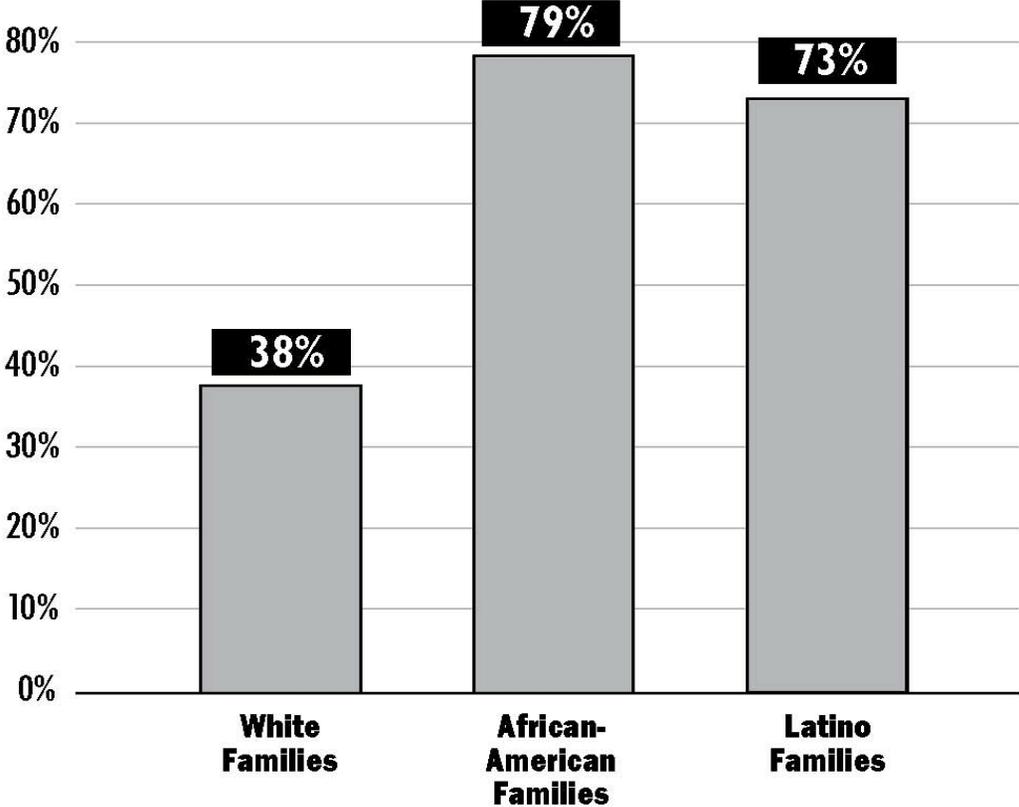
wealth held by 1%
of Americans



wealth held by 90%
of Americans

Percentage of Families Whose Savings Would Run Out in 3 Months or Less

Many families are forced to live on the edge.

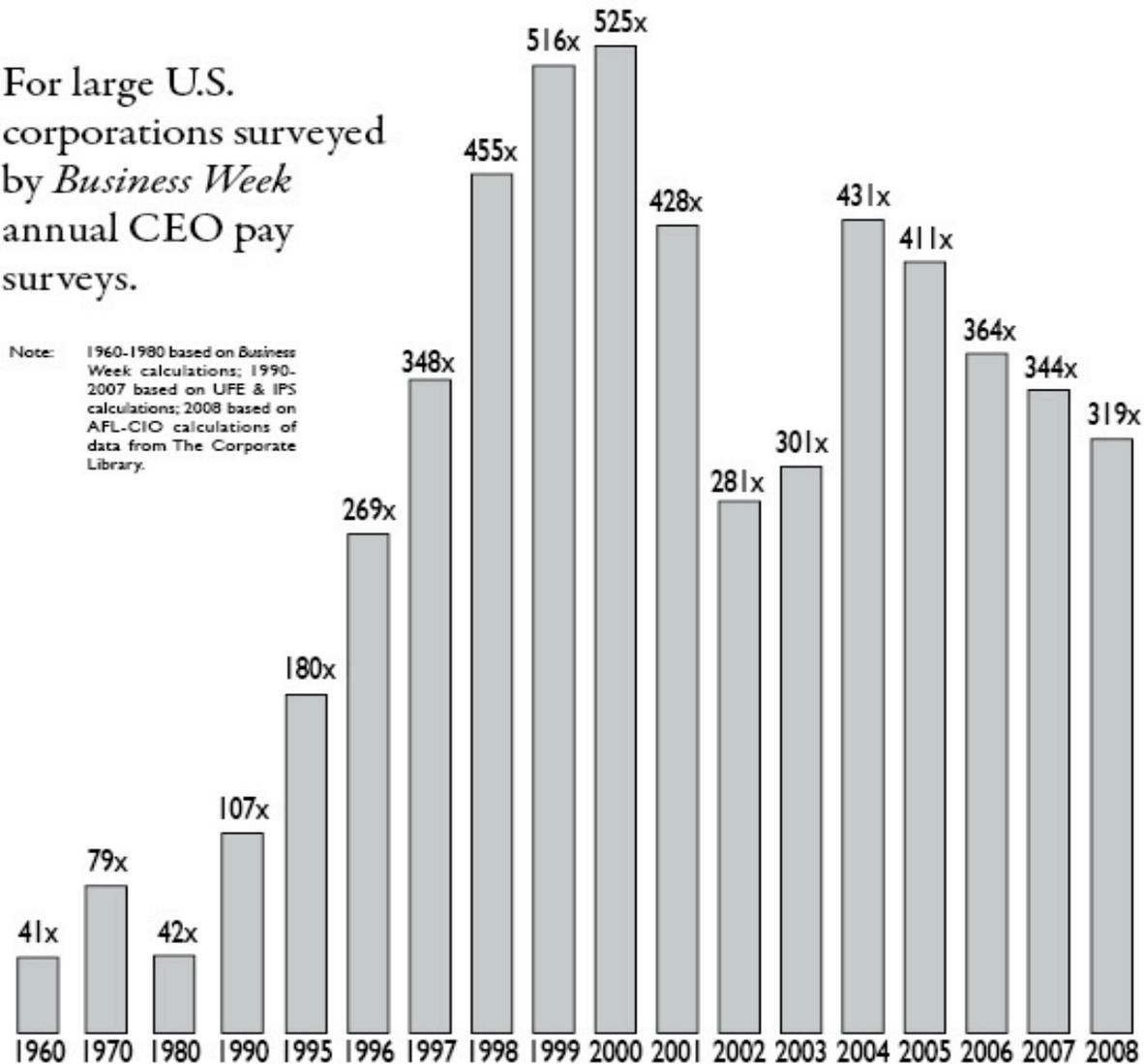


Source: Oliver, Melvin and Shapiro, Thomas M., *Black Wealth, White Wealth* (2006 edition), p. 89.

CEO Pay as a Multiple of Average Worker Pay, 1960-2008

For large U.S. corporations surveyed by *Business Week* annual CEO pay surveys.

Note: 1960-1980 based on *Business Week* calculations; 1990-2007 based on UFE & IPS calculations; 2008 based on AFL-CIO calculations of data from The Corporate Library.



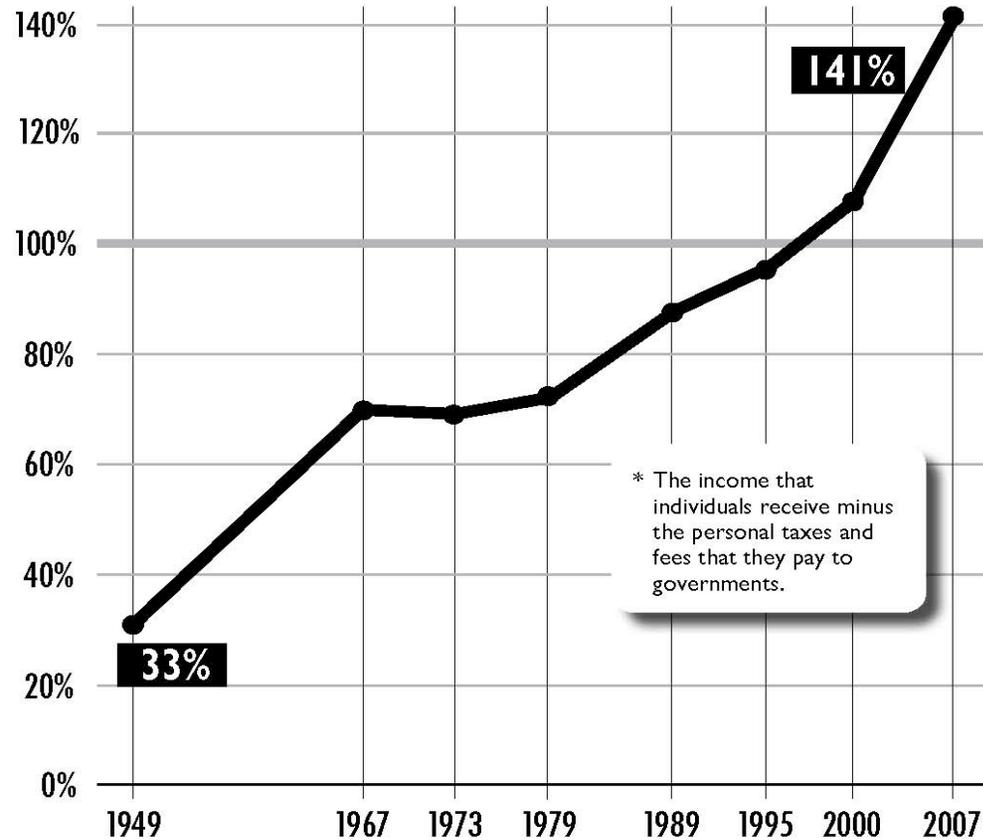
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Household Debt as a Percentage of Disposable Personal Income*

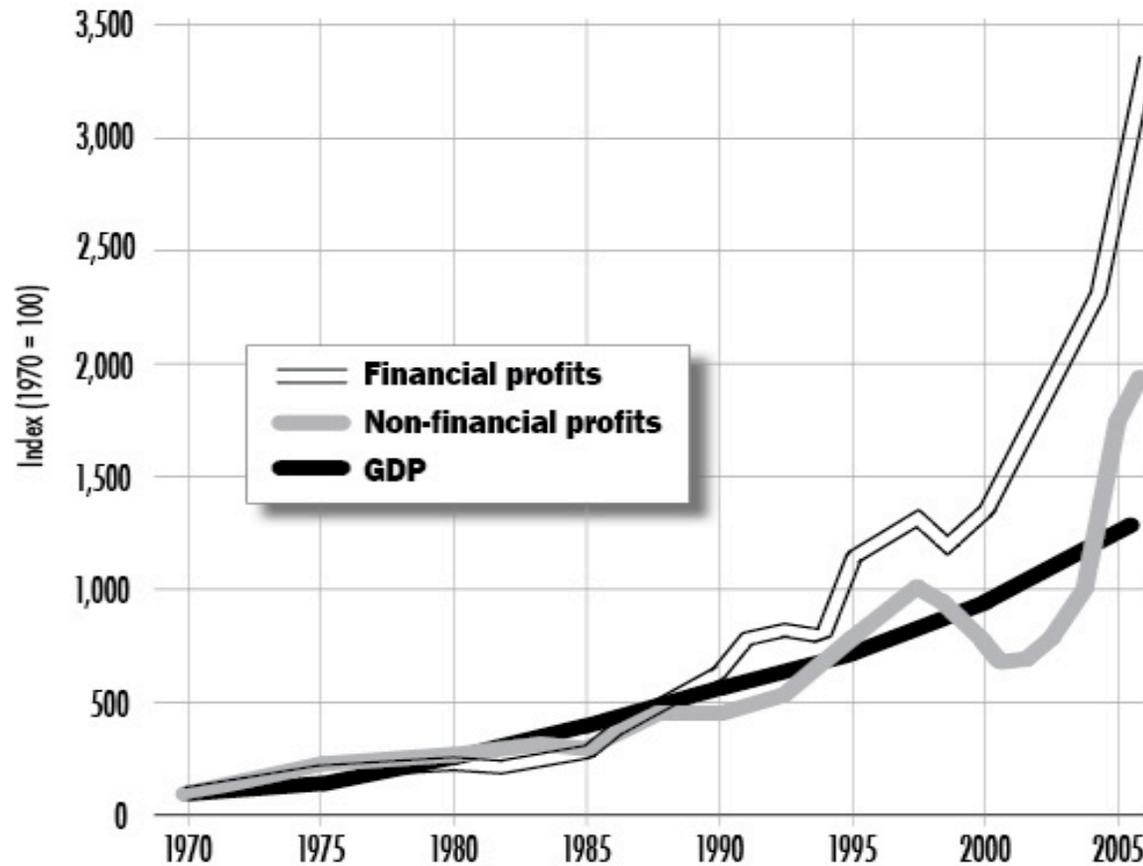
To make ends meet, families are forced to go deeper into debt



Source: Analysis of Federal Reserve Board data (2008a) in Mishel, Bernstein, and Shierholz, *The State of Working America 2008/2009*, Economic Policy Institute (Cornell University Press, 2008) p. 284.

Growth of Financial & Non-financial Profits Relative to GDP, 1970 - 2006

Profits, particularly in the financial sector, rose dramatically in the late 1990s.



Source: John Bellamy Foster and Fred Magdoff, December 2008. Analysis of Corporate profits by industry-Table B-91, Gross Domestic Product-Table B-1.



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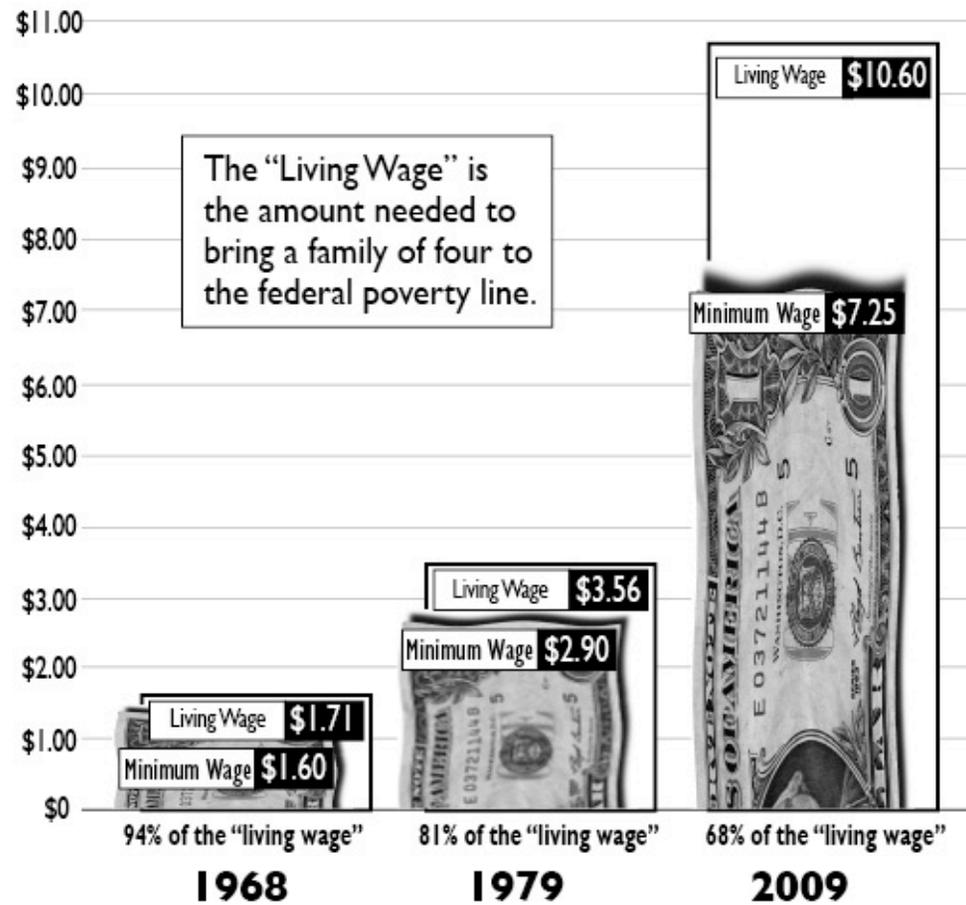
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**RULE
CHANGE**

Minimum Wage: Not raised to keep up with inflation

The Minimum Wage and the "Living Wage," 1968-2009



Sources: Living wage is calculated by dividing that year's poverty threshold for a family of four by 2080 hours (52 weeks x 40 hours). Poverty thresholds for 1968 and 1979 from U.S. Census Bureau, Historical Poverty Tables, Table 1. Poverty thresholds for 2009 from HHS <<http://aspe.hhs.gov/poverty/09poverty.shtml>>.

Education, infrastructure, and quality of life matter to millionaires too ... more than taxes!

... Millionaire populations and densities of Hawaii, Maryland, New Jersey, California and New York increased in 2010 from 2009.

“It is remarkable that the same four states have topped our millionaires ranking for three years running,” says David Thompson, Managing Director of the Phoenix Affluent Market.

“Most high-net-worth households don’t base their living decision on tax rates, but on things like quality of life, access to good education, infrastructure and culture.”

–**The Wall Street Journal**, Sept 28, 2010, “High-Tax States Still Grow Millionaires”

The Strategy to Implement Reaganomics



“I simply want to reduce government to the size where I can drag it into the bathroom and drown it in the bathtub.”

— Grover Norquist *

Defame

- “Government is just big bureaucracy without accountability.”
- Clients and patients are made out to be “welfare queens.”

Defund

- Taxes are cut to reduce government spending.
- Education & human services are cut at federal and state levels.

Deregulate

- Standards are cut for workplace & food safety.
- Environmental rules are undercut with trade treaties.

and Privatize

- Easier for corporations to profit off the public’s basic needs.

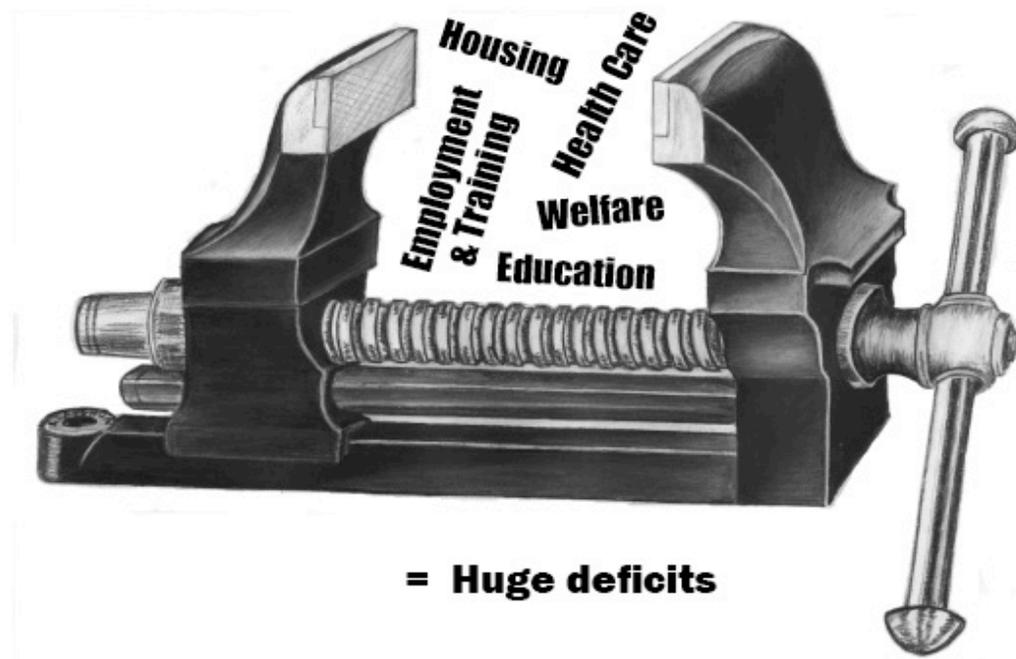
* Grover Norquist, Americans for Tax Reform. Interviewed by Susan Page, National Public Radio, 5/24/01.

Using “Strategic Deficits” in the 1980s

**Big increases
in military
spending**

+

**Tax cuts
(mainly for
the wealthy)**



The result was a squeeze on social spending.



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Rule Changes Since the 1970s

*What policy changes reflect and reinforce
the power shift?*

Unions:

Anti-union climate weakens the power and voice of workers.

Trade:

Global treaties benefit corporations, not workers or communities.

Taxes:

Taxes have been shifted off investors and corporations and on to workers.

Budget:

Corporate welfare expands.
Public services cut.

Minimum Wage:

Not raised to keep up with inflation.

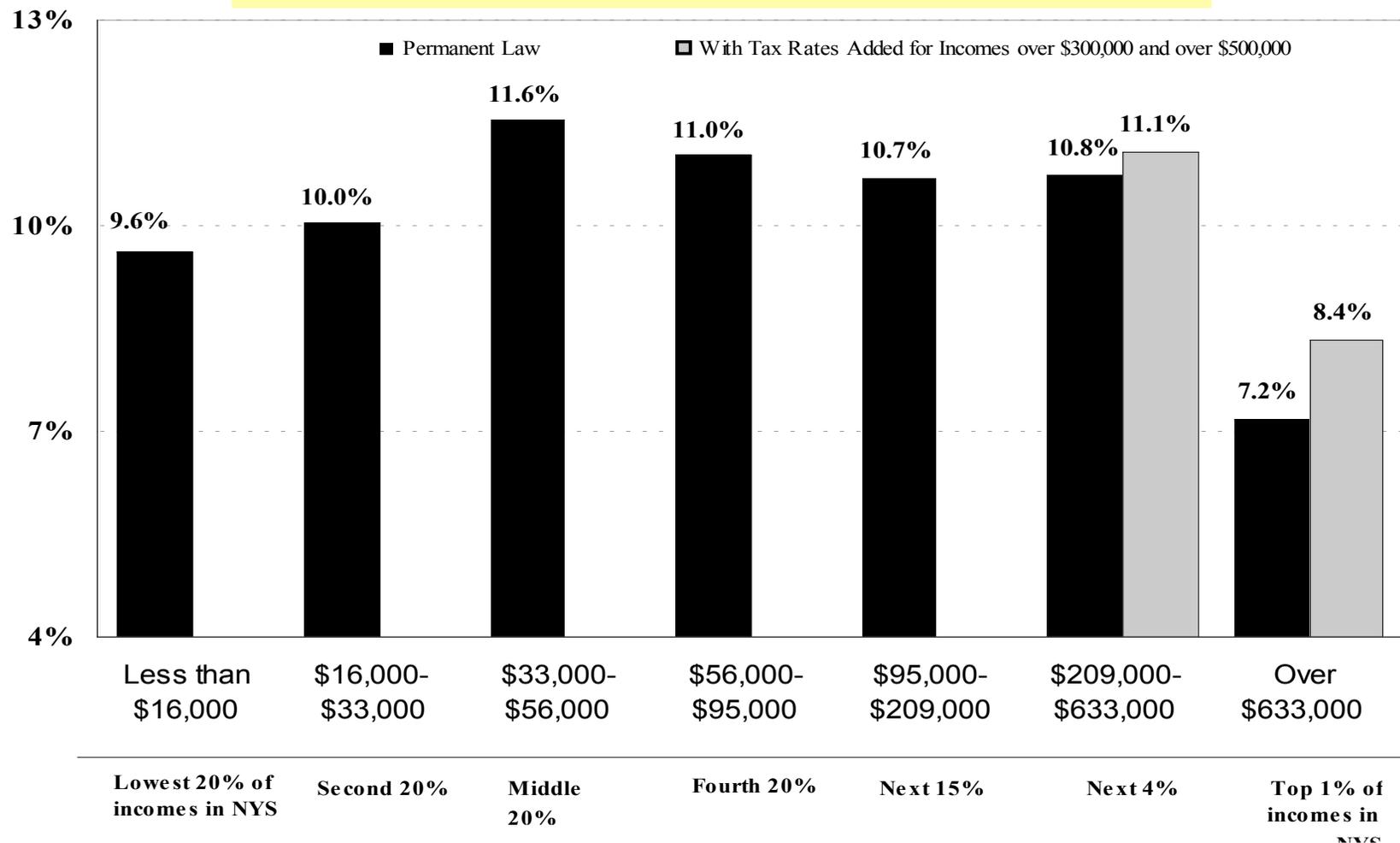
Privatization:

Government outsourcing plus no-bid contracts hurts taxpayers, workers, and public safety.



Wealth doesn't trickle down, but strategic deficits do.

How much of a family's paycheck goes to New York sales, property, and income taxes combined?

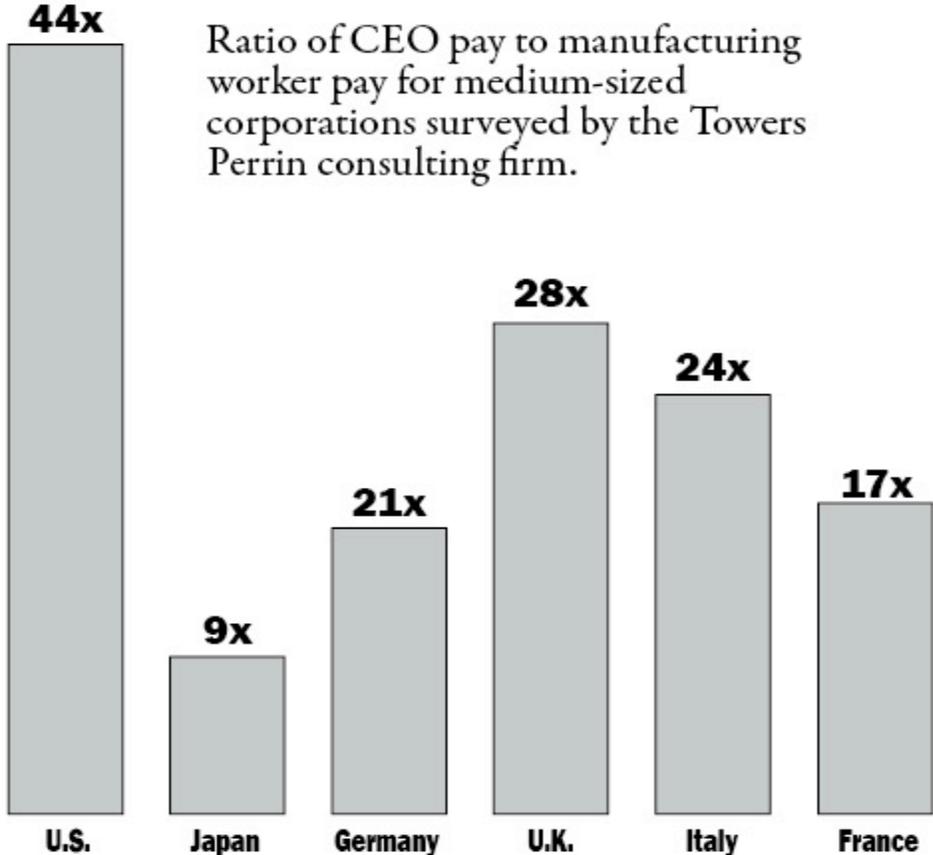


Source: Institute on Taxation and Economic Policy, 2009.

Subsidizing the Casino Economy

- Savings and loan crisis of the 1980s: 747 banks failed and the Federal Savings and Loan Insurance Corporation went bust. Ultimately, Americans collected the bad assets - costing the public half a trillion dollars.
- Global crisis of 1998: The Federal Reserve bailed out one hedge fund - Long Term Capital Management - to the tune of \$3.65 billion.
- The Big One: As of 2009, the federal government had spent \$5 trillion propping up the financial system - and was on track to spend more than \$20 trillion in total.

The Wage Gap Around the World, 2003-2004



(Countries are ranked by size of per capita GDP, largest left to right.)

Source: Towers Perrin, 2003-2004 Worldwide Total Remuneration. The survey covers only industrial corporations with sales of approximately \$500 million. Manufacturing workers in the U.S., as classified by this survey, make about 30% more than the "average worker pay" used in Chart 10.