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LIU PROPOSES ‘THE PEOPLE’S BUDGET’

Time to Stop the Music and End the Annual Budget Dance; Offers Plan to Fund Education, Public Safety, and Restore ‘The NYC Dream’

NEW YORK, N.Y. — City Comptroller John C. Liu today unveiled his plan to revamp the City’s budget process and put an end to the annual song and dance of threatened cuts and restorations that distract from the real issues that New Yorkers care about — good schools, safe streets, and reliable jobs. Comptroller Liu presented the highlights of his proposal in a speech before the Association for a Better New York.

“Every year New Yorkers are subjected to an orchestrated song and dance that their libraries or fire companies or childcare programs are going to be cut, and while they’re distracted, the Mayor quietly pushes through the other 99 percent of the budget. And every year, when the music stops, the threatened services are miraculously restored,” Comptroller Liu said. “It’s time to stop dancing and create a budget that is of the people, by the people, and for the people — a budget that reflects the people’s dream for better schools, safer neighborhoods, and solid jobs. The way things are right now, The New York City Dream is under attack.”

The People’s Budget, a comprehensive four-year plan, includes revenue generation and cost savings proposals that produce nearly \$15 billion in new resources that can be redirected toward tax relief and new investments. The investments in communities, schools, and housing would also create a significant economic benefit in the form of more than 35,000 jobs.

People and Community Priorities

- Provide universal pre-school and pre-kindergarten for 3-4 year olds
- Hire 5,000 uniformed police officers, to bring ranks to 40,000
- Create 100,000 units of affordable housing
- Keep libraries open 7 days a week, with extended hours
- Offer housing vouchers to homeless families
- Expand after school programs

Tax Relief

- Personal Income Tax reform to lower taxes for 99% of New York City filers
- Eliminate the General Corporation Tax for 240,000 businesses with an annual tax bill of less than \$5,000
- Eliminate the Unincorporated Business Tax for 25,000 businesses that make less than \$250,000 in annual income

Annual Revenue Generation (FY2014)

- Personal Income Tax reform would bring in more than \$1.2 billion from the City's top 1 percent of filers making more than \$500,000
- Tolls for non-New York City residents on the East and Harlem River bridges would raise \$410 million
- Eliminating the insurance industry's exemption from the General Corporation Tax would raise \$310 million

Annual Cost Savings (FY2014)

- Bring IT work in-house to save the City \$73 million
- Collect \$150 million more in Medicaid reimbursements
- Charge charter schools to use City facilities, yielding \$80 million

The details of Comptroller Liu's People's Budget can be downloaded here:
www.comptroller.nyc.gov

The full text of the speech as prepared for delivery is below:

**NYC Comptroller John C. Liu
"Fighting for the New York City Dream"
Association for a Better New York
April 10, 2013**

I want to thank ABNY Chairman Bill Rudin and ABNY Executive Director Jennifer Hensley for inviting me to speak here this morning. It is an honor and a pleasure.

Looking around this room I see many of New York's best and brightest.

And I know that we all, despite some differences, want to make New York better; our future brighter.

That's why I want to talk with you today about "The New York City Dream."

Something that has existed for at least a hundred years, but that lately has become tarnished, or worse yet, forgotten.

Ask anyone in this room, or stop someone on the street outside, and ask about The New York City Dream. They'll tell you what it is.

We all remember it. We learned about it in elementary school.

You could come here from anywhere with nothing but the clothes on your back and with the help of a great public school education you could start at the bottom and work your way up and become whoever you wanted to be.

The New York City Dream attracted people from across the country and all over the world.

New York was considered to be the City in a “Goldina Medina.”

In my native land of Taiwan, that’s Yiddish for a City in a country where the streets are paved with gold.

Indeed, my family immigrated here in 1972, when I was five years old and didn’t speak a word of English.

My family was filled with hope that in New York, a family named Liu could aspire to be like a family named Kennedy... And then my Dad Joseph renamed me John, and my brothers Robert and Edward.

Four decades after my family arrived in the Big Apple, New York City continues to attract immigrants.

In fact, immigration remains a primary driver of our economic growth. Nearly 40 percent of the City’s current population is foreign-born. And so is half its workforce.

Immigrants represent 90 percent of New York City’s taxi and limousine drivers, 75 percent of home health aides, and 65 percent of those in food service.

But it doesn’t stop there. Immigrants are well represented throughout our economy, and many arrive with impressive academic credentials.

In fact, my office estimates that more than 40 percent of the adult immigrants to the City in 2011 came with a four-year college degree or higher.

These immigrants provide a crucial infusion of talent that has an immediate effect on the quality of our labor force and on the potential of our economy.

In just a few hours from now, tens of thousands of immigrant rights supporters and immigrant families will converge on the West Lawn of the U.S. Capitol.

Together they will urge Congress to pass common sense Immigration Reform that includes a clear and direct path to citizenship for the nation’s 11 million undocumented immigrants.

New Yorkers intuitively understand that the time for immigration reform is now. Hopefully folks in Washington will finally recognize that immigration is not a burden, but rather a boost, to our domestic and local economies.

While New York City continues to attract people from across the country and around the world, the ability to achieve The New York City Dream has become more difficult than ever.

New Yorkers today are faced with a challenging reality.

Four out of five New York City public school students do not graduate from college...

Nearly half of New Yorkers have rents that are unaffordable...

And minimum wage jobs don't pay enough to support a single person, let alone adults with kids to feed.

The chasm between Park Avenue in Manhattan and Fulton Street in the Bed-Stuy section of Brooklyn is a seemingly insurmountable divide.

How do we keep the dream alive for all New Yorkers?

Whether their family came here in the Great Migration from the Deep South...

Or by steerage through Ellis Island...

Or arrived just last year via JFK Airport?

I firmly believe that government can play a vital and positive role in restoring The New York City Dream.

Unfortunately, there are many vagaries of New York City government that contribute to the growing cynicism folks have about the political process.

These problems undermine the ability of more people to achieve The New York City Dream.

I want to highlight one of them. It is something we have all gotten used to, but something we should all work together to end.

This, my friends, is what is commonly referred to as the "budget dance."

As you know, every year the Mayor and the New York City Council engage in a budget dance.

It's a dance I know well. After all, I have had over a decade to see this play out. First, as a member of the City Council, and now, as your Comptroller.

Even my wife Jenny, who thinks I have two left feet, agrees that I have mastered New York City's budget dance.

The dance begins with the Mayor unveiling his proposed budget.

He says that there "is just not enough money to go around" and that important City services like senior centers, libraries, fire companies, and after-school programs must be cut. Cha-cha-cha.

It continues with a foxtrot by the Speaker and members of the Council quickly denouncing these cuts.

A little salsa gets thrown in when advocates from across the City organize letter writing campaigns, protests on the steps of City Hall, and even TV and radio commercials, demanding that these vital services be restored.

Then, somehow magically, after weeks of claiming a deal was virtually impossible to reach, the Council Speaker and the Mayor waltz in at the last minute with a compromise to restore the cuts.

The budget dance doesn't include a final dip, but there is the unofficial handshake and a photo op in the City Hall rotunda marking its conclusion.

I know most folks in this room are well aware of the budget dance.

I'm sure you're asking yourself: what's wrong with a little political theater?

The problem with the budget dance, which I believe must be ended, is that it serves as a blinder, by focusing public attention on less than \$400 million when the budget is really \$70 billion.

That means that a little more than one-half of 1 percent of our budget gets debated while the rest is largely taken for granted.

Year after year, only minor tweaks are made to the budget when what is really called for is a wholesale review of the City's resources and needs.

Now, the budget mavens among you would point out that a significant portion of New York City's budget is comprised of "non-controllable" items, which includes things like Medicaid, pension obligations, and debt service. I agree.

In fact, depending on how you classify certain expenses, the "non-controllable" part of the budget accounts for approximately \$38 billion and while there may be some ways to impact this part of the budget, it is mainly fixed.

What I am most concerned about is the "controllable" part of the budget which currently accounts for approximately \$32 billion. We as a City have a much larger degree of discretion over how this part of the budget is spent.

Over time, I have come to believe that the budget dance, which focuses on a small sliver of our discretionary budget, has the effect of distracting New Yorkers from taking a closer look at how our City spends its \$32 billion discretionary budget.

So how can we move away from the budget dance which undermines The New York City Dream, and move toward a more sensible budgetary process that produces better results?

As Comptroller, with the support of my outstanding staff, I review each City budget carefully. Historically, the Comptroller's review process is primarily designed to identify budgetary risks.

For example, we have an economic team that forecasts tax revenues. Our results are then compared to the City's revenue estimates and our office then reports on any variances—regardless of the direction.

We do similar work on the expense and capital budgets...

And we will continue to carry out our charter-mandated responsibilities in this area when the Mayor unveils his Fiscal 2014 Executive Budget in a few weeks time.

However, after growing increasingly frustrated with the budget dance, I asked my staff to comb through the entire budget, with a different mindset, and a laser-like focus on the \$32 billion discretionary part of the budget.

I told them there were no “sacred cows.”

I challenged them to identify new resources that could be used to make new investments in New York City.

Today I want to share with you a new proposal that is an outgrowth of this work. It is a proposal created in the public spirit—of the people, by the people, for the people. We call it The People’s Budget.

The People’s Budget is an effort to translate our values and priorities into dollars and cents.

A way to keep the dream alive and deliver on the promise of what New York City can and should be.

Unlike the budget dance which focuses on a tiny portion of our budget and takes the rest of it for granted, The People’s Budget puts it all on the table.

It re-imagines the New York City budget in a whole new way...

To give us a fresh start as a community.

How many of you went to public school?

I did. All the way through Bronx Science. And I’m very proud of it.

The number one priority of The People’s Budget is to make New York City public schools great again...

So that the next generation, and generations to come, can have what we had.

How will we know that we’ve achieved our goal?

When everyone in this room is willing—no, eager—to send their kids to New York City public schools.

And I’m not just talking about Stuyvesant or Science or Hunter High School. I’m talking about all of our public schools.

Adequately funding every New York City public school will produce the best return on investment we can possibly get.

But The People’s Budget has other priorities as well.

We need to do a better job of creating affordable housing, of ensuring public safety, and of providing social services to our growing senior population.

We need to provide economic security to the middle class through tax relief and common-sense workplace policies.

Now I can see you all shaking your heads.

“There he goes again,” you’re thinking. “That bleeding heart John Liu...”

“How in the world is he ever going to pay for this utopian dream?”

Well I’m going to tell you.

Budgets need to be balanced, so imagine a huge scale with pans for carrying weight on either side.

The left side is what will provide our budget with new resources.

The right side will include our investments.

On the left side is revenue growth that will come from making the wealthy and big corporations contribute their fair share.

But there are also cost savings. And I will discuss how best to eliminate wasteful spending.

Together, revenue growth and cost savings will provide us with new resources to finance our investments.

On the right side of the scale are people and community priorities. I will outline investments that will give the biggest bang for our taxpayer buck.

Also on the right is tax relief. I will show you how we can reduce the tax burden on taxpayers and small businesses.

The People’s Budget includes more than 70 budget proposals—some big, some small.

We present these proposals as a four-year plan, beginning from Fiscal 2014 through Fiscal 2017 and use the Mayor’s Preliminary Budget as our baseline.

We’ve identified approximately \$15 billion of new resources over the next four fiscal years and nearly the same amount of new investments.

To ensure that this breakfast doesn’t turn into lunch, I’m going to briefly walk you through both sides of The People’s Budget scale.

And all of the details will be available on our website, comptroller.nyc.gov.

Let’s discuss some specifics about revenue growth.

We can raise more than \$1.2 billion annually through progressive income tax reform.

If you earn more than \$500,000 a year I believe you can and should contribute more to the City.

Mayor Bloomberg has consistently said that New York City is a premium product and worth every penny of it. And we agree. All New Yorkers want to live in a City with safe streets, strong schools, and clean parks.

My proposal would ask someone earning \$1 million a year to pay less than \$6,000 in additional taxes.

I reject the notion that wealthy New Yorkers will flee the City as a result of a nominal tax increase.

If the owners of all of the penthouses in New York City decided tomorrow to pack up and leave because of slightly higher taxes, New York will continue to be a magnet for the successful.

Another strong revenue source, and here I thank the IBO for their great work, would help us pick up an additional \$410 million by tolling non-City residents who use the East River and Harlem River bridges.

This means that membership, or in this case residency, does have its privileges.

Non-residents commuting by car should contribute to the upkeep of the City's infrastructure.

We should also require insurance companies, like all other corporations in the City, to pay the General Corporation Tax. This would provide another \$310 million. Why should insurance companies be singled out for preferential treatment?

We can increase commercial real estate tax rates (sorry, Bill) and bring in \$250 million.

We can charge private equity firms the Unincorporated Business Tax for carried interest—\$200 million.

And clawback tax benefits from firms that don't create the jobs they promise—another \$33 million.

Personally, I'm fed up with some of our City's economic development policies. Too many companies get subsidies in exchange for jobs they fail to deliver. It's time we stopped playing favorites.

Choosing a few lucky and well-connected firms to bestow with subsidies.

Instead, we should be using these funds to reduce the burden on small businesses.

We should also eliminate the Property Tax Exemption for Madison Square Garden. This would get us \$16.5 million.

Contrary to popular belief, I'm not cracking down on Madison Square Garden just because its owner let Jeremy Lin leave the Knicks!

All told, we can come up with more than \$2.5 billion by asking corporations and the wealthy to pay their fair share.

Government needs to do its part too. So let's discuss cost savings.

If the DOE can get its act together, it can collect more than \$150 million in increased Medicaid reimbursements.

How about charging rent to charter schools that use City facilities? There's almost \$80 million there. I have got nothing against charter schools, but they should stop getting free rent and displacing traditional public school students.

We could in-source technology contracts, avoiding future scandals like City Time and save nearly \$74 million.

These cost savings, along with others identified in The People's Budget will provide us with another \$500 million in new resources.

All together, we've identified nearly \$3.2 billion in additional resources through cost savings and revenue growth.

Now I'm going to discuss people and community priorities.

In the first year of this plan we'll be investing \$2.4 billion back into our people and our communities.

Our first priority is education. I spoke before about public education and how important it is to me personally. But this is not just a rose-colored nostalgia trip. This is about cold, hard facts.

If you look at ten of the largest cities in America, you would think that New York would be at the top or at least near the top when it came to the percent of residents with any sort of college degree.

But you'd be wrong. New York is near the bottom with only 42 percent, compared to places like Minneapolis, Boston, and Seattle, which are all above 50 percent, and with DC in the number one spot at more than 60 percent.

This has all kinds of implications for New York City's workforce and its ability to remain economically competitive now and in the future.

We need to make game-changing investments in public education that will impact students throughout their lives.

We need to start early with pre-school and pre-kindergarten programs for every child.

The People's Budget calls for a new Universal Pre-School—UP3—a full day, year-round early childhood program for each and every one of our City's 100,000+ three-year-olds.

UP3 would be free of charge to families living in poverty and then available on a sliding fee scale for those who can afford to contribute. In its first year this program will cost about \$240 million.

There are mountains of research that demonstrate that early childhood education is one of the most important and best investments a society can make.

And we need to continue our investments through middle school, particularly in the area of technology, to ensure that all New York City middle schoolers have access to a home computer and a broadband internet connection.

We need to step it up in high school by hiring more school counselors to help our kids prepare for college.

Research has found that more than 70 percent of New York City public school parents do not have a college education.

If we want to break the cycle of poverty afflicting many New Yorkers, we need to help more kids navigate the application maze, get into, and graduate from college.

We need to recognize the fact that most New York City public school students who go to college go to CUNY schools.

Let's do more to help CUNY students succeed.

One way is through a NYC Dream Act, which would provide the equivalent of the federal Pell Grant to undocumented immigrant New York City students who attend CUNY.

Another way is by offering free monthly Metro Cards to CUNY students who receive financial aid.

While CUNY tuition is one of the best deals around, New York City is one of the most expensive places to live. The People's Budget includes more than \$100 million of new resources for CUNY students.

All told, we're talking about spending more than \$700 million on new public education programs so that we can replace the school to prison pipeline with one that goes from cradle to college.

Our next priority is public safety.

I find some of the changes in our City's policing deeply troubling. We've had a steady rise in the number of innocent Stop and Frisks and a dramatic decline in the NYPD uniformed headcount.

I know some folks disagree with my position to abolish Stop and Frisk. Some have even suggested that I am somehow "soft" on crime and do not really care about public safety.

Let me be clear. I want to abolish Stop and Frisk because I have zero tolerance for crime and care deeply about public safety.

These illegal and un-American stops, which rely heavily on racial profiling, have contributed to a culture that costs the City millions of dollars in annual civil rights claim payouts.

But even worse, these stops have created a poisonous relationship between the community and the police that is antithetical to public safety.

Our City cannot be safe unless communities and police work together.

If we're serious about public safety, we need to end Stop and Frisk and hire 5,000 more cops to bring NYPD uniform headcount back up to the 40,000 level of a decade ago.

Since 9/11, the police have been dealing with an ever-expanding set of responsibilities and have been spread too thin.

While we can't recruit, hire, and train 5,000 new cops overnight, we can do it gradually. In the first year, increasing the number of police officers would cost us about \$80 million.

While we're at it, let's spend the \$40 million annually to permanently restore the 20 fire companies that are cut every year by the Bloomberg administration.

All in, The People's Budget increases our investments in public safety by just over \$135 million.

Now let's turn to keeping our neighborhoods strong, where our libraries are struggling, homelessness is skyrocketing, and rents are unaffordable.

Not surprisingly, demand at our public libraries has been rising over the last decade, yet the City's contribution to library operating budgets has decreased.

The People's Budget would provide \$35 million to keep every City library open 7 days a week with extended hours.

It would also provide \$27 million in housing vouchers for the homeless.

The number of homeless families in New York City is shameful. The amount of taxpayer money spent on sheltering families is around \$457 million a year.

We can provide families in crisis with rental vouchers and save millions of dollars in the process. More importantly, we can restore a sense of dignity to their lives.

All told, The People's Budget would provide nearly \$220 million in increased spending on investments that matter to building stronger neighborhoods.

Neighborhoods also need capital investments to upgrade the City's infrastructure.

The People's Budget includes nearly \$3.7 billion of capital funds for a Strong Neighborhoods Housing Program that would help create or preserve 100,000 affordable housing units over a four-year period.

Some might argue that there is no way the City could develop that many affordable units in such an expedited manner.

To them, my answer is simple—we have no other choice. Our population is expanding quickly and the financial burden of housing costs is becoming unbearable for too many working families.

While we're talking about housing; I'd like to offer a word or two on a related topic—zoning.

The zoning process in our City is deeply flawed.

When an area is “up-zoned” the benefits too often accrue to land owners and developers.

It's time we made better use of inclusionary zoning policies so that the benefits in increased market values are more fairly shared and used to help finance our City's affordable housing needs.

Finally, I want to wrap up with tax relief.

The People's Budget offers about \$1.2 billion of such relief to combat our City's exceptionally high level of income inequality and make it easier for folks to get by.

The bottom 99 percent of tax filers in our City make an average \$47,000 a year while the top 1 percent gross \$2.2 million. And we're just talking about annual income here, not assets in the bank or vacation houses or stocks and bonds, which we all know the wealthy have in boatloads.

At the same time, small businesses are struggling.

The People's Budget would reduce taxes for 99 percent of New York City tax filers.

It would also eliminate the City's General Corporation Tax for 240,000 small businesses that have annual City tax bills of less than \$5,000.

In addition, it would cut the City's Unincorporated Business Tax for 25,000 businesses that make less than \$250,000 in annual income.

It would also reduce fines for small businesses by \$100 million annually.

I've described for you The People's Budget, which includes revenue growth, costs savings, people and community investments, and tax relief.

Together these create a balanced budget that, over the next four years, brings in about \$15 billion in new resources and then invests that money in priorities that keep The New York City Dream, not only alive and well, but flourishing.

And as anyone who understands Keynes can tell you, those billions in new government spending means a lot of new jobs.

My office estimates The People's Budget would create more than 35,000 jobs.

It offers a fresh approach to financing the work of our great City.

But it's only a starting point.

The plan's most salient feature will be our effort to re-engage New Yorkers in the budgeting process.

I don't think anyone in this room, myself included, has a monopoly on good ideas.

In the coming weeks, my office will be releasing The People's Budget online and inviting New Yorkers to comment and submit their own budget-related ideas.

We will also be holding a series of town halls across the City to involve the public in the budgeting process and debate the merits and drawbacks of different proposals.

Afterwards, I will share the most compelling ideas we learn with the City Council's Finance Committee during my official budget testimony.

Our belief and hope is that this new budgeting approach will reduce cynicism in government and produce a better, stronger, and fairer budget.

The New York City Dream has attracted families like yours and mine to this amazing city for generations.

It is a dream that has provided great public school education to millions of boys and girls...

That grew up to be us.

It is a dream that can still provide strong neighborhoods, public safety, and progressive workplaces.

I believe—and I hope you will join me in believing—that The People's Budget can keep The New York City Dream alive.

I look forward to hearing your comments and ideas about how we can make our City an even greater place than it is today.

*Visit www.comptroller.nyc.gov for the latest news, events, and initiatives.
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