

Better Choices Urged in New York State

New York State was facing a massive state budget deficit of some \$15 billion for the 2009-2010 fiscal year. I suppose we should have taken comfort in the fact that we are not alone in this situation. Under the heading of “misery loves company”, 46 other states were also facing glaring budget deficits this year. The question we were all asking was: What is the best way to address these massive budget gaps without hurting the economy and without hurting the very people who are already struggling with foreclosures, job losses and the loss of services.

Our state fiscal year begins April 1, 2009 and we already had to plug a \$2 billion dollar budget gap for the previous fiscal year. Our Governor held numerous special sessions throughout the fall to attempt to get the Legislature to cut \$2 billion in spending. The Better Choice Budget Campaign, a coalition of more than 100 faith based, labor and non-profit organizations, led by New Yorkers for Fiscal Fairness, had proposed numerous solutions to the crisis that we believed were prudent and did little harm to our economy. Our Governor, David Paterson, decided he wanted to make significant cuts to education, healthcare and non-profit programs and services mid-year to close the gap. He called a special session of the legislature for November 18, 2008 to slash \$2 billion from the current year’s budget. He would have been pulling the proverbial rug out from under school children, hospitals, non-profit organizations and a host of services for the poorest New Yorkers. We could not let this stand!

Mobilizing Across the State and Taking It to the Streets:

The Better Choice Budget Campaign took the lead in organizing simultaneous press conferences across the state in 10 cities to decry the Governor’s approach to our fiscal crisis. Coalition partners held press conferences/rallies the week before the special session at county office buildings, the Governor’s local offices, and at local programs that would be affected by the cuts. Ironically enough, the Governor formally released his deficit reduction plan one hour before our press conference were about to start. The timing could not have been more perfect. The press was looking for a response to the Governor’s proposal after his release and we were able to provide it in spades! There were mass amounts of television, radio, and print media coverage of our press conferences.

Just a month earlier the Governor had made some across the board cuts to state agencies that negatively impacted many non-profit providers and we were told he did this because there was no outcry from the non-profit community so he assumed it was acceptable. This time there was no mistaking our outrage about the cuts. He heard our message loud and clear!

The Better Choice Budget Campaign then joined forces with the One New York: Fighting for Fairness Coalition to mobilize people from around the state to come to Albany to protest on the

day of the November special session. We urged the Governor and the Legislature to not rush into making these cuts when we knew a federal stimulus package to states would be forthcoming. School had already passed their budget for the year and non-profits had already budgeted for the year based on the contracts they had from the state. Now the state was looking to make massive cuts to these programs and leave everyone high and dry.

We further urged the Governor to make use of the states reserve funds. We had over \$1.2 billion in reserve funds that could have easily been used to mitigate the harmful impacts of these cuts. The Governor chose to ignore our pleas and insisted upon major mid-year cuts. On the day of the special session it appeared that the Governor was going to get his way.

We were able to mobilize over 2,000 non-profits, union members, church leaders and others to march on the capitol and tell them to “Stop the Cuts.” Busses poured into Albany from all across the state – from Buffalo to Brooklyn they came with signs and posters and passion. Our massive rally chants echoed through the halls of the Capitol as Legislators were meeting to decide the fate of many of the protestors braving the cold and snow storm outside the warm confines of the state building. The Legislature would not allow the Governor to have his way that day and decided to tell him they agreed with the protestors outside that this was the wrong public policy decision. The Governor abruptly cancelled the special session and sent the Legislature home. Needless to say, when the news made it outside to the crowds the cheers rang out. We were able to stave off some horrible budget cuts for the time being, but we knew this was just the beginning of long budget battle yet to come.

Building a Head of Steam for the Coming Budget Session:

Nobel Prize winning economist Joseph Stiglitz, in a letter to Governor Paterson and Legislative Leaders, told policy makers that during a recession it is neither preferable to cut spending or raise taxes. But when States are faced with a multitude of bad choices, raising taxes on some portion of wealth over a relatively high level is far less harmful to a state’s economy than massive service cuts. Why, simple economics. Service cuts take dollar for dollar out of local economies at a time when we should be putting money into local economies. To bolster this position, the Fiscal Policy Institute sent a similar letter to the Governor signed by over 100 economists throughout the state of New York. Later in the budget session we worked with our national ally Responsible Wealth and were able to get nearly one hundred wealthy New Yorkers to sign onto a letter to the Governor asking him to raise their taxes so they could share in the solution to the state’s budget crisis.

We let this economic theory guide us as we moved forward in our budget battle. The governor proposed \$9 billion in cuts to schools, healthcare providers, human services and most other programs. He also proposed a list of 137 regressive fees and taxes (\$3.1 billion) that would have

dramatically impacted the state's low and moderate income residents. He said we all must "share in the sacrifice" (unless of course you happened to be a millionaire). We believed the Governor was practicing "spared sacrifice" rather than "shared sacrifice." His proposed

massive cuts in services and tax and fee increases seemed to spare the wealthiest New Yorkers while asking those with the least means to sacrifice to close the budget deficit.

Why not tax fairness, particularly given heightened income concentration at the top?

- *Richest 1% of Americans now get nearly a quarter of all income—the highest share since 1928.*

- *NYS has widest gap between rich and poor and between the rich and the middle 20% of the income distribution.*

- *In NYS, top 1% got 29% of all income in 2006—more than two-and-a-half times combined income of the bottom half. In NYC, top 1% income share is 37%.*

- *While NYS's income tax is mildly progressive, the overall state local tax system is regressive because of the heavy local reliance on regressive sales and property taxes.*

- *14 states now have higher top income bracket than NYS.*

- *No evidence that moderate tax rate increases at the top induce outmigration*

NYS Top Income tax rate has been cut in half over the last 20 years

4 out of 5 New Yorkers support it

Richest New Yorkers pay far less of their income in taxes than do the bottom 80% of families in the state

Better Choices - Balancing the Budget and Preserving Services:

The budget battle was fierce and we continued to urge the Governor to take a balanced approach to balancing the budget. Federal stimulus money would only plug about 50% of our state's budget gap for the year so we knew we would have to raise significant amounts of revenue to prevent massive cuts in services.

In order to prevent harmful service cuts our campaign came up with approximately \$7 to \$8 billion in savings and revenue raisers that we thought could be used to fix our state's budget gap and preserve vital services.

The Governor and Legislature finally agreed with us on many of our proposed solutions.

Working with coalition partners (Fiscal Policy Institute, Responsible Wealth, One New York, Working Families Party, Unions, and countless non-profits) and other allies around the state we were able to assist in the passage of:

- **Federal Relief Stimulus Package for NYS**

Outcome: NYS got over \$24 billion in federal stimulus money over the next two years.

- **Restoring Fairness to the States Income Tax**

Outcome: Passage of a tax increase on wealthy NYers was included in this budget. Rates go from 6.85% to 7.85% for families making between \$300,000- \$500,000 and to 8.97% for families with incomes over \$500,000. This will generate \$4 billion in revenues.

- **Lowering drug prices** for state and local governments by using New York's purchasing power to get a fair deal from the drug companies. **Outcome:** The state included language in the budget that allows DOH to negotiate directly with drug companies to get lower rates.
- **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. **Outcome:** Reforms were enacted to the Empire Zone Program that will stop much of the abuse inherent in the program. We still have work to do here but this is the first time we have achieved reform of the program without seeing an expansion of it.
- **Enacting the Bigger, Better Bottle Bill** and making the beverage bottling industry return unclaimed bottle deposits. **Outcome:** The budget included expansion of the Bottle Bill and forces the beverage bottling industry to give back 80% of unclaimed bottle deposit – unfortunately this is tied up in Court now.
- **Collecting taxes that are due** especially cigarette taxes on reservation sales to non-Indians. Yield estimates range from \$400 million to \$1.6 billion a year. **Outcome:** The Governor signed this bill into law but has yet to enforce it.
- **Eliminate the STAR Rebate checks program and phase in a Middle Class Circuit Breaker.** This would provide more relief to families that are truly over-burdened by property taxes while saving **\$1.4 billion this year** and lesser amounts next year and the year after. **Outcome:** Despite getting very close to passing the circuit breaker it still has not happened.

We will continue to mobilize for what we believe are the most logical way to balance the state budget while protecting New York's most vulnerable citizens. There is no other choice for us, except for THE BETTER CHOICE! Many other states like New Jersey, Pennsylvania and Connecticut have also launched Better Choice campaigns based on our successes and lessons learned. We were able to make a substantial impact this session and hope to continue to do so as we move forward.

We cannot do it alone and only by working together were we successful this year. Thanks to each of you for all your hard work in making this happen. We are still in for a crazy year as it appears state revenue collections will continue to decline. This will result in the Governor seeking more cuts to balance the budget and inevitably coming out with another deficit reduction package sometime this summer or early fall. We will continue to be vigilant in our responsible revenue generating approaches to mitigating harmful service cuts.

To learn more about the Better Choice Budget Campaign visit our website at www.abetterchoiceforny.org.