



The Better Choice Budget Campaign is a coalition of over 100 non-profit, labor and faith based organizations representing nearly one million New Yorkers. We call upon Governor Paterson and Legislative Leaders to formulate a comprehensive approach to budget balancing and fair taxation that enhances New York's economic future. To close the budget gap of \$1.5 billion for SFY 08-09 we recommend the following:

We believe that the BETTER CHOICE is to:

1. Use the Tax Stabilization Reserve Fund to solve our mid-year budget gap:

The Tax Stabilization Reserve Fund (TSRF) is for unplanned end of year deficits. It is an important backstop or cushion for getting through the current fiscal year. It also supports a well-informed debate over expenditures and revenues in the 2009-10 state budget—which can be a little more deliberative than usual, since the Governor will be proposing his Executive Budget on December 16, 2008, which is 5 weeks earlier than required.

The Legislature cannot pass a law transferring money from the Tax Stabilization Reserve Fund to the General Fund, nor can it pass a law requiring the Governor to use the money from this fund. The Governor simply has to borrow the amount needed from it on March 31, 2008, if disbursements exceed receipts and money available to make those disbursements. The relevance of the TSRF to the current situation is that (1) NYS has a reserve fund of \$1.039 billion that it can borrow from if disbursements made during the 2008-09 SFY end up exceeding the receipts and money available for use during the 2008-09 SFY. That means that the Legislature should not make more cuts during the current fiscal year than are necessary given this \$1 billion cushion.

2. Advocate strongly for a Federal Relief Package:

The Governor and Legislative leaders must work with the NYS Congressional delegation to put together a federal relief package—as was done in 2003 when the state was facing an \$11.5 billion deficit. In 2003, the federal government provided \$20 billion in fiscal relief to states: \$10 billion as enhanced FMAP (Federal Medicaid Assistance Percentage) and \$10 billion as a block grant. New York received \$1.5 billion in enhanced FMAP and \$645 as flexible block grant, which greatly helped the state's financial situation.

3. Restore Progressivity and Fairness to the State's Personal Income Tax:

Place additional tax brackets on the highest-income New Yorkers, as was done during the 2003 economic crisis. This simple solution could yield between \$4.3 to \$6 billion, depending on income levels and rates. (A chart below from the Fiscal Policy Institute lays out some possible scenarios.)

Hypothetical Graduated Rate Options					
<u>\$200,000 to \$500,000</u>	<u>\$500,000 to \$1 million</u>	<u>\$1 million to \$5 million</u>	<u>\$5 million to \$10 million</u>	<u>Over \$10 million</u>	Estimated Annual Revenue
1.00%	2.00%	3.00%	3.00%	3.00%	\$4.3 Billion
1.50%	2.50%	3.50%	3.50%	3.50%	\$5.2 Billion
1.00%	2.50%	4.00%	4.00%	4.00%	\$5.5 Billion
1.00%	2.00%	3.00%	4.00%	5.00%	\$5.1 Billion
1.50%	2.50%	3.50%	4.50%	5.50%	\$6 Billion

This approach to budget balancing, used in 2003, helped New York rebound faster than it did from the 1990s recession, when it had relied solely on massive budget and service cuts. Moreover, the high-end surcharge did not have the negative impact on the state's economy, or on the number of high-income taxpayers in the state, that Governor Pataki predicted in 2003. In fact, the number of high-income returns grew steadily from about 245,000 in 2002 to an estimated 420,000 in 2007, and employment in the state increased each year that the temporary income tax surcharge was in place.

And let's not forget fairness. The wealthiest New Yorkers (those with incomes over \$200,000) saw their incomes increase 108 percent between 2003-2008, while those below \$200,000 only saw an increase of 15 percent over the same time period.

Other important ways to help balance the budget next year:

- **Collect taxes that are due**—especially cigarette taxes on reservation purchases by non-Indians. Yield estimates range from \$400 million to \$1.6 billion a year.
- **Close the bottle bill loophole** so the state receives deposits from unreturned bottles rather than the industry keeping the money. This would yield approximately \$200 million per year.
- **Reform or eliminate economic development programs** to level the playing field among businesses in NYS:
 - Improve the effectiveness and accountability of Industrial Development Agencies,
 - Apply Brownfield Clean Up Program reforms to “grandfathered” projects and save up to \$500 million
 - Phase out or eliminate the Empire Zones program. Savings begin at \$50 million per year, rising to \$500 million after 10 years.
- **Close corporate tax loopholes:** Improve the way limited liability corporations' annual fees are calculated (for which DOB calculated \$75 million/year in savings in 2007) and close other corporate tax loopholes.
- **Lower prescription drug prices:** Use the state's tremendous purchasing power to see reduced prices from drug manufacturers for prescription drugs for Medicaid, state employees, and other state programs. This could yield a \$100 million or more per year.
- **Reduce the use of costly consultants receiving sweetheart contracts**—hired to do work that state workers can and should be doing. This will yield savings of \$250-\$500 million.

Members of the Better Choice Budget Campaign include:

ACCORD Corp., AFSCME New York, Albany Presbytery, American Federation of Government Employees (AFGE)-Local 1151, ARISE (A Regional Initiative to Support Empowerment), Association to Benefit Children, Capital Area council of Churches, Capital District Community Loan Fund, Capital Region Ecumenical Organization, Center for Working Families, Central New York Citizens in Action, Inc, Chemung County Housing Coalition, Citizen Action of New York State, Citizens Committee for Children of New York, Citizens Environmental Coalition, Civil Service Employees Association (CSEA), Class Size Matters, Coalition for Economic Justice (Buffalo), Coalition for the Homeless, Community Service Society, Cortland County Community Action Program, Delaware Opportunities Inc., District Council 1707 (DC-1707), District Council 37 (DC-37), Dutchess Outreach, Inc., Elmira Community Kitchen, Empire Justice Center, Empire State Economic Security Campaign (ES2), Environmental Advocates of New York State, Faith and Hunger Network of NYS, Fiscal Policy Institute, FOCUS Churches of Albany, Grace Smith House, Inc. (Rochester), Greater New York Labor Religion Coalition, Green Education and Legal Fund, Health and Welfare Council of Long Island, HELP USA, Homeless Alliance of WNY, Inc. (Buffalo), House of Mercy, Rochester, Housing Works, Inc., Hunger Action Network of NYS, Joint Council for Economic Opportunity of Clinton and Franklin Counties, Justice and Peace Center, Labor-Religion Coalition – Chemung County, Labor-Religion Coalition of the Capital District, Leviticus 25:23 Alternative Fund, Inc, Little Sisters of the Assumption Family Health Service, Lutheran Statewide Advocacy, Metro Justice, (Rochester), MicroBizBuffalo, MicroBizNewYork, Mohawk Valley Community Action Agency, Mount Vernon United Tenants, Neighborhood Preservation Coalition of NYS, New York City Coalition Against Hunger, New York City Aids Housing Network (NYCAHN), New York Jobs with Justice, New York State AFL-CIO, New York State Alliance for Retired Americans, New York State Coalition Against Domestic Violence, New York State Community Action Association (NYSCAA), New York State Episcopal Public Policy Network, New York State Labor Religion Coalition, New York State United Teachers (NYSUT), New York State Weatherization Directors Association, New York Statewide Senior Action Council, New Yorkers for Fiscal Fairness, Nurses United CWA Local 1168, Nutrition Consortium of NYS, NY UNIVERSAL LIVING WAGE Campaign, NYC AIDS Housing Network (NYCAHN), Opportunities for Broome, Inc., Partnership for the Homeless, Partnership for the Public Good (Buffalo Coalition), Prevent Child Abuse New York, Progressive Research & Action Center, Inc., Public Employees Federation, Public Policy and Education Fund, Public Utility Law Project (PULP), Real Majority Project (Poughkeepsie), Regional Synod of Albany, Reformed Church in American, Rochester Poor People's Alliance, Rural Housing Coalition of NYS, Rural Opportunities, Inc., Saratoga County Economic Opportunity Council, Inc., Schenectady Community Action Program, Schenectady Inner City Ministry, Schuyler Center for Analysis and Advocacy (SCAA), Sierra Club Atlantic Chapter, Sisters of Charity of New York, Office of Justice and Peace, Southern Tier Labor Religion Coalition, Staten Island Welfare Advocacy Network, The Interfaith Alliance of NYS, Unity House, Van Wie Group, LLC, Warren-Hamilton Counties Community Action Agency, Welfare Rights Initiative of Hunter College, West Side Campaign Against Hunger , Westchester Community Opportunity Program, Westchester Progressive Forum, Women's Center for Education and Career Advancement, Women's Enterprise Development Center