

## The Cost of Their Intentions 2005: An Analysis of the Democratic Mayoral Candidates' Spending and Tax Proposals

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## Executive Summary

Since the mayoral race of 2001, New Yorkers have endured two years of acute fiscal crisis followed by a return to the city's chronic fiscal troubles. Higher taxes have failed to end these difficulties: While the current budget is balanced, this year's surplus will be swallowed up by a budget deficit next year. Informed voters know that the city remains in a perilous fiscal state, with annual deficits of \$4 billion to \$5 billion forecast as far as the eye can see, even as the economy continues to recover from 9/11 and the bursting of the tech bubble in 2000.

Despite these facts, the four Democratic mayoral candidates propose new programs that would hike the city's projected \$53.9 billion budget for next year by, on average, \$1.66 billion each. All four candidates also propose to pay for this spending with even higher taxes on high-income earners, commuters or businesses.

Former Bronx Borough President Fernando Ferrer would impose taxes on Wall Street trades to pay for school-spending increases, and on owners of vacant property to pay for subsidized housing. Congressman Anthony Weiner would hike taxes on households making more than \$1 million a year to fund a middle-class tax cut. City Council Speaker Gifford Miller would hike taxes on all three groups: high-income earners, insurance companies, and commuters. Manhattan Borough President C. Virginia Fields has not proposed a new direct tax on city residents or businesses, but, like Miller, she has proposed a commuter tax.

In addition to proposing new taxes, two candidates—Fields and Weiner—have proposed to cut waste from the city budget to pay for some of their new spending. But neither has proposed cutting enough money to close the looming budget deficits, much less pay for their new spending proposals.

Some of the Democratic candidates acknowledge the harm done by the continued failure to reform the city's chronically unbalanced budget.<sup>1</sup> But none has proposed rational budget reform to address what city Comptroller William Thompson Jr. has called New York's "central budgetary challenge: The fact that the growth of the city's expenditures outpaces the growth of its revenues" between now and 2009, due, mainly, to rising Medicaid, pension and debt-service costs.<sup>2</sup> The candidates' spending proposals, even if financed through higher taxes, promise to add to that budgetary imbalance.

## The Numbers

The four Democratic candidates for mayor propose to add an average of \$1.66 billion to next year's city budget. As noted below, Congressman Weiner proposes the most new spending.



**ANTHONY WEINER**

**\$2.224 billion**

Weiner would earmark much of his new spending for education, mostly for higher teacher salaries, and for public transportation. Weiner also would dedicate substantial funds toward hiring more police officers, and would sign hundreds of thousands of New Yorkers up for Medicaid.



**FERNANDO FERRER**

**\$2.023 billion**

Ferrer proposes to earmark much of his new spending for education and subsidized housing. He also would add more civilians to the NYPD payroll to replace officers in desk jobs so that those officers could move into patrol positions. Like Weiner, Ferrer would take an aggressive approach toward enrolling eligible New Yorkers in Medicaid.



**GIFFORD MILLER**

**\$1.544 billion**

Miller's major campaign initiative is a plan to reduce public-school class sizes, by 20 percent in some cases, to a 17-student maximum in the lower grades and to slightly higher maximums in the middle grades. Miller also would fund mass-transit improvements, mostly through higher city contributions to the state-run Metropolitan Transportation Authority (MTA). Miller also plans to hire more police officers.



**C. VIRGINIA FIELDS** **\$832 million**

Like Ferrer, Fields is a strong proponent of new spending on education and on subsidized-housing construction. Fields would create the new position of "deputy mayor for full employment" to launch a large-scale jobs program.

1. "Mike Bloomberg's economic and fiscal policies are the least creative element of his administration," Congressman Anthony Weiner said at a debate sponsored by Crain's New York Business in April. "The budget process ... takes us on a roller coaster of tax hikes and projections of huge deficits, followed by big surpluses and rebate checks, and the public ... really [doesn't] know what to believe," C. Virginia Fields said at a debate sponsored by the Citizens Budget Commission on 6/13/05. "Are we headed for disaster or swimming in money? ... Clearly our city's budget process must be reformed."

2. "The Comptroller's Comments on the Preliminary Budget for Fiscal Year 2006 and the Financial Plan for Fiscal years 2006-2009," 3/05, p. 5. Gotham's annual pension burden will grow by 42 percent over the next four years, to \$4.6 billion. The Medicaid burden will grow by 25 percent, to \$6.148 billion. And interest costs on general-obligation debt will grow a whopping 71.9 percent, to \$2.9 billion by 2009. Together, these three costs currently account for 19 percent of city spending; by 2009, they will chew up a full one-fourth of city spending.

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## About the Author

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## Methodology and Sources

1. Candidate proposals are from their speeches, their comments at debates and their written materials. Additional information is from press coverage and personal correspondence or conversations with the candidates' representatives, where cited.
2. Proposed capital spending on long-term investments in new assets is assumed to be in the form of long-term debt (unless the candidate has indicated otherwise). That debt carries interest and amortization costs; the annual spending figure is a measure of those costs. The city already spends more than \$3.3 billion a year to service nearly \$50 billion in debt. <sup>1</sup>
3. Proposed spending for new city employees and new city programs are calculated as recurring operational spending; that is, taxpayers can expect to spend money each year to fund the employees and programs on an ongoing basis. Salaries include the costs for city employees' pension, health care and "fringe" benefits. <sup>2</sup>
4. New spending is in today's dollars. If a candidate pledges, say, \$100 million in new spending annually on higher teacher salaries, that figure will increase in future years with inflation.

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1. January 2005 Financial Plan (Detail), NYC Office of Management and Budget (OMB), 1/27/05, p. 56. Through 2009, the city expects to spend an average \$5.1 billion each year on an average \$53.2 billion in debt, for an average annual debt-service rate of 9.6 percent.

2. New York's Independent Budget Office (IBO) estimates that pension costs currently add 25 percent to workers' salaries, but that figure is high due to recent poor investment performance and payments for new benefits. After 2009, it can be expected to go down slightly, toward its historical average of about 12.5 percent of salary. Other fringe benefits for employees, including Social Security payments by the employer, are an additional 30 percent of salary; thus, we have added 45 percent to employee salaries to arrive at the average annual cost, which is actually a conservative number.



## Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
<p>“Keep the best teachers in New York City classrooms. [I propose] a pay raise for teachers, help with housing, incentives to teach at hard-to-staff schools.”<sup>1</sup></p>	<p>Weiner notes “salaries in New York lag behind those in surrounding suburbs by more than 25 percent. ... We need a fair contract that pays teachers what they deserve.”<sup>2</sup> He says he would spend \$678 million on pay raises for teachers, and would spend \$122 million to “bump teacher salaries” at hard-to-staff schools by 15 percent. He also would offer favorable mortgage financing to veteran teachers, as well as help teachers with closing costs on homes, similar to what is offered under an existing NYPD program.</p>	<p>\$800 million</p>
<p>Restore city and state MTA subsidies. “Between 1982 and 2004, the state’s share of the MTA’s Capital Budget decreased from 20 percent to 0 percent of total revenue. Between 1987 and 2004, the city’s share decreased from 16 percent to 3 percent. The result: transit riders, through fare increases, are now shouldering a larger share of the burden. As mayor, Weiner will fight to restore the city and state contributions to the subsidies for the MTA capital programs.”<sup>3</sup></p>	<p>The MTA’s modified capital plan proposes that the authority spend about \$4.2 billion each year on capital projects. Raising the city’s contribution to that by 13 percentage points would cost city taxpayers about \$546 million each year.</p>	<p>\$546 million</p>
<p>“Use simplified electronic procedures” to enroll 500,000 New Yorkers “[who are] eligible for public-health insurance but [are] not participating.”<sup>4</sup></p>	<p>Weiner claims, as the Bloomberg administration has, that enrolling the uninsured in Medicaid will cut costs at city-run public hospitals. But historically, growth in Medicaid rolls has meant growth in Medicaid spending. See Ferrer’s similar proposal for a full cost analysis.</p>	<p>\$365.1 million, assuming new enrollees use their benefits at an average rate</p>
<p>Hire 3,800 new police cadets.</p>	<p>Each officer carries a \$51,620 average salary and benefits structure over four years.</p>	<p>\$196.2 million</p>
<p>“Make housing in New York City more affordable for the middle class and those aspiring to get there.” Weiner would dedicate \$7.63 billion over a decade to construct and preserve 168,000 units of “affordable” housing.<sup>5</sup></p>	<p>Weiner said he will pay for the program out of the capital budget, with federal and state grants, and with funds from the Battery Park City Authority. Weiner has not specified federal and state resources available, and has not said whether he would hold off on his investment if that money is not forthcoming. Over four years, Weiner would spend \$3.052 billion, or \$763 million each year. This is about \$293</p>	<p>\$112.5 million</p>

Proposal	Cost Implications	Estimated Budget Impact
	million more per year than the Bloomberg administration would spend, or \$1.172 billion more in total. Debt service on \$1.172 billion in capital funds is about \$112.5 million each year.	
Build a citywide Wi-Fi system. “If you live in New York and have a computer you should be able to access the Internet from anywhere in the city. Residents of Seoul and Tokyo can. ... Soon, residents of Boston and Philadelphia will be able to do the same.”	One former official at the Federal Communications Commission has noted that it would be difficult to construct such a system in New York, as New York is populated with high-rise buildings, meaning that more of the expensive wireless nodes must be deployed through the city to ensure that signals aren’t blocked by tall buildings. “Prevailing Wi-Fi technology ... confronts difficulties in penetrating dense objects that necessitate thousands of transmitters. Accordingly ... New Yorkers would be compelled to cough up approximately \$1 billion to build a Wi-Fi infrastructure,” the official noted. <sup>6</sup> If a Wi-Fi project were to cost \$750 million to build in New York (a conservative estimate), debt-service on that investment would be about \$72 million a year. An additional \$5 million, at least, would go toward operation.	\$77 million
Rehire special-education evaluators and supervisors.	Weiner notes that Bloomberg laid off 1,100 education evaluators and 300 education supervisors, resulting in a backlog of special-ed cases. He would rehire them. <sup>7</sup> The average cost of a civilian employee in New York City is about \$44,933.	\$62.9 million
Enhance school safety and cut school violence. Weiner would expand Bloomberg’s “Operation Impact” from the current level of 17 schools to “any school where the principal requests assistance, and the superintendent agrees.” <sup>8</sup>	New York spends about \$158 million each year on school safety. Expanding this by, say, 25 percent would cost about \$39.5 million a year. <sup>9</sup>	\$39.5 million
Renew Governors Island. Weiner would renovate the island’s historic district for art exhibits and museums, renovate Liggett Hall to use as a conference center and think tank “to address the evolving challenges of New York City,” build a	It is difficult to estimate the cost of this. Weiner has not said if he envisions city subsidies for the project, or if he just means to take bids from the private sector. The cost of a city-subsidized hotel and conference center could easily run from	\$9.6 million, minimum



Anthony Weiner

## Proposals and Estimated Budget Impacts, continued

Proposal	Cost Implications	Estimated Budget Impact
biotech and DNA research campus, and build a hotel.	the high hundreds of millions to \$1 billion. Debt service on just \$100 million in city capital funds on this project for a minimum in infrastructure investments would run about \$9.6 million a year.	
“You know, frankly, the firehouses were closed under [Miller’s] watch [on the City Council]. They should not have been and they should be opened immediately.” <sup>10</sup>	Bloomberg closed six firehouses to save an estimated \$8.2 million a year.	\$8.2 million
Do everything in the city’s power “to make sure New York is an appealing place to start a small business and a viable place to keep a business in the long run.” <sup>11</sup>	Weiner would cut ticket fines by \$17 million each year (supposedly to be paid for via computer streamlining of ticketing that will reduce costs). He would also create a \$10 million fund for seed capital for small businesses that “don’t yet qualify for venture capital.” This money over four years is \$2.5 million a year. He would revive the Digital NYC program to wire businesses to the Internet, and would create a ShopNYC program to encourage people to buy NYC goods on the Internet. A modest-sized program to support small businesses beyond what the city already does would cost about \$2 million a year in administrative costs.	\$4.5 million, minimum, not including loss from ticket revenue
Create a “non-profit czar” and a new “Office of Mayor Assistance to Non-Profit Organizations” to co-ordinate and direct the thousands of private-sector charities in New York. “There are thousands of people ... who [volunteer] for the hundreds of non-profits that operate here. ... The city does little to coordinate and help these groups.” <sup>12</sup>	The cost of operating a modestly-sized (for New York) civilian agency is about \$2 million.	\$2 million, minimum



## Note

Weiner has proposed a 10 percent, \$206 million tax cut on “every New Yorker who makes \$150,000 or less a year.”<sup>13</sup>

Weiner has outlined a menu of additional proposals at [anthonyweiner.com](http://anthonyweiner.com). He has said that he would build “dozens” of ferry landings and build bus rapid-transit lanes throughout the city, and has been a proponent of federal funding for such projects as a Congressman.<sup>14</sup> Such a comprehensive transit-investment plan, separate from the MTA, could cost hundreds of millions of dollars, but Weiner has not said whether his transportation program would be contingent on federal and state funding.

Weiner, like Fields, also has suggested tax credits for home health care<sup>15</sup>, but has not explained the scope of this program. He has also said that he would keep the city’s troubled hospitals “from closing their doors” through the dedication of Medicaid fraud proceeds, but has not explained, beyond continuing the city’s current subsidy of the Health & Hospitals Corp., how he would accomplish this.

Weiner, like Ferrer, has also pledged to set up centers for illegal immigrants looking for jobs “so that [the immigrants] aren’t strewn across the streets, hovering around cars — they can deal with this transaction with some level of dignity.”<sup>16</sup>

It is difficult to assess the cost of each of those projects given the level of detail disclosed.

## How would Weiner pay for his proposals?

Weiner proposes a higher, 4.67 percent permanent tax bracket for New Yorkers who earn more than \$1 million each year, to bring in about \$79 million in new revenue. To raise other revenues, Weiner would attempt to “institute a tax on state- and state public authority-owned city properties,” which would bring in \$1.5 billion.<sup>17</sup> Weiner further proposes to eliminate Madison Square Garden’s tax exemption, saving \$12 million, and would attempt to require the state to pay \$75 million to keep state inmates in city jails.

Weiner does propose cuts to the city budget. “I think every year the mayor should identify at least 5% of the city’s least effective programs in the budget and cut or reform them,” he said in a speech.<sup>18</sup> His specific proposed savings include cutting \$900 million in Medicaid fraud; \$400 million by not raising bonds to fund a platform over the West Side rail yards; \$100 million by not renovating a waste transfer station as the mayor has proposed; \$125 million through computerizing Medicaid enrollment and processing paperwork; and \$54 million by cutting paid “parent advocates” at schools to volunteer positions. He would also team up with other municipalities in the state to save money on prescription drugs through greater purchasing power.

Weiner also wants to pay down a “substantial portion of our debt” with one-year surplus money, cutting annual debt-service costs.

Weiner claims he would save money by lobbying the federal government to pay the salaries of police officers who gather intelligence. He also would lobby the federal government to reauthorize the COPS program to fund 900 additional officers, to restore \$50 million in “cut” housing vouchers each year, and to award \$1.8 billion to the city to make up a “shortfall” under the federal No Child Left Behind Act.

## Comment

Weiner’s proposed income-tax hike raises questions. He has said that the tax increase (for which he would need Albany’s approval) is a “progressive new tax bracket increasing [the] rate from 4.45 percent to 4.67 percent for New Yorkers making greater than \$1 million a year” in taxable income.<sup>19</sup> But that *current* 4.45



percent tax rate is temporary. It was enacted in 2003 by the city and state to shore up post-9/11 deficits. The *permanent* tax rate on these earners is 3.648 percent. Weiner thus proposes a permanent 28 percent tax hike on New York's richest, and most mobile, earners. The tax hike also applies to small-business owners who pay personal, not corporate, taxes on their business profits.

Weiner is also unclear on whether he will permit the 2003 temporary income tax hikes to expire on time. These hikes apply to all joint filers with taxable income over \$150,000.

On spending cuts: Weiner's proposal to cut \$1.7 billion from the budget is ambitious, and is not borne out by his specific proposed cuts to the budget. Weiner's pledge to cut 5 percent of the budget "every year" is even more ambitious, and simply cannot be done without reforms to pensions, a significant reduction in debt, significant reductions to social programs, and layoffs and cuts in essential-services agencies such as fire, police and education.

Weiner's goal to cut \$900 million in Medicaid fraud from the city budget is laudable. However, he has not said exactly how he will do so, and it is not evident that the state would cooperate with Weiner on the aggressive new scrutiny of enrollees and of payments to doctors and hospitals that would be necessary to make progress here.

Weiner's plan to forgo \$500 million in capital spending is not actually saving money — it is just not spending it. Furthermore, as Miller has pointed out, this is (at most) a one-time diversion of capital funds that could be used only to fund other capital spending, such as on school construction or new transit projects. It cannot be used to fund new operational spending that will continue year after year.

Weiner relies heavily on Albany and Washington for much of his revenues and cost-savings. On Weiner's proposed \$1.5 billion city tax on state property in the city: During the post-9/11 fiscal crisis, Bloomberg explored every avenue of possible state aid. If Albany was unwilling to contribute more to the city than to shore up an immense budget deficit, it is highly unlikely that the state will pay more now to expand city spending, especially considering the state's own recurring budget deficits. As for Washington: Weiner is a Congressman. If he has been unable to lobby successfully while in Washington for more funding for city police officers and housing vouchers, it is unlikely he will be more successful as a Democratic mayor lobbying a Republican-controlled Congress.

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1. “Three Days to Better Schools,” speech, 8/11/05. Weiner has not said explicitly that this is an annual figure; however, he proposes annual spending savings to pay for it, and his office has not returned repeated queries on the topic.
  2. “Recruit and Retain High Quality Teachers,” campaign materials.
  3. “Weiner Unveils Eight-Point Plan to Save Our Subways,” press release, 6/25/05.
  4. “Control Health Care Costs,” campaign materials.
  5. “Weiner Unveils Plan to Make Housing More Affordable,” press release, 8/30/05.
  6. “High Cost of Wi-Fi,” Letter to the Editor by Bruce Fein, former FCC general counsel, New York Times, 8/14/05.
  7. “Put Money into Classrooms First,” campaign materials.
  8. “Anthony Weiner’s Plan to Make Our Schools Safe,” campaign materials.
  9. City budget, FY 2006.
  10. Candidates’ debate, 8/21/05.
  11. “Anthony Weiner’s Real Solutions,” campaign materials.
  12. “Create a Non-Profit Czar,” campaign materials.
  13. “Weiner Announces Plans for Real Fiscal Responsibility,” press release, 8/15/05.
  14. “Modernize NYC’s Transportation System,” campaign materials.
  15. “Control Health Care Costs,” campaign materials.
  16. Candidates’ debate, 8/16/05.
  17. “Weiner and Ferrer Tax Plans — Side by Side,” press release, 4/20/05.
  18. Candidate speech, 4/12/05.
  19. “Weiner and Ferrer Tax Plans — Side by Side,” press release, 4/20/05.



Fernando Ferrer

## Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
<p>Under the “Ferrer School Investment Plan,” the candidate would spend new city money on “higher-quality teachers”; increased pay for teachers, principals and staff; smaller class sizes; more after-school and pre-K programs for 100,000 children; laptop computers for all high school students; increased funding for the arts; more “alternative” high schools; new professional development for teachers; more “appropriate [school] materials”; and improved special education, English-language programs and family literacy programs. He would add 66,000 classroom seats, create 125 new libraries, build 363 gymnasiums, improve science labs and wire more classes to the Internet. “Today there is an education crisis in New York City. And no small solution will solve this big problem. I’m calling on Wall Street — an industry that benefits most from educating our children and understands the value of an investment — to help us invest in our public schools.” <sup>1</sup></p>	<p>Ferrer has pledged to spend \$1 billion a year for four years toward these ends, as a “down payment” on additional state funds he expects to receive during his mayoral term.</p>	<p>\$1 billion</p>
<p>Ferrer would enroll half a million eligible children and adults in the government-funded Medicaid health-insurance program. “When it comes to health care ... we’re making it too tough.” <sup>2</sup></p>	<p>New York City spends about \$577 a year for a child on Medicaid and \$989 for an adult. (These represent only one-fourth the total costs; the balance of the costs are borne by the state and federal governments.) <sup>3</sup> The <i>New York Times</i> estimates that 290,000 children and 200,000 adults are eligible for Medicaid and are not insured. <sup>4</sup></p>	<p>\$365.1 million, assuming new enrollees use their benefits at an average rate</p>
<p>Solve “the New York City housing crisis.” Ferrer would dedicate \$8.5 billion over a decade to develop and preserve 167,000 subsidized housing units. <sup>5</sup></p>	<p>The \$8.5 billion figure is over 10 years. Over four years, the figure is \$3.4 billion, or \$850 million a year. Some of this funding — about \$470 million a year — is simply a commitment to continue spending city and federal money already earmarked for this purpose under Mayor Bloomberg. For the balance — \$380 million a year — Ferrer has identified several sources of funding. He would dedicate new capital funds in the amount of about \$1.8 billion over 10 years, or \$720 million over four years; 9.6% annual debt service</p>	<p>\$269 million</p>

Proposal	Cost Implications	Estimated Budget Impact
	<p>on this new capital commitment would be about \$69 million a year. He would also contribute \$200 million a year in new annual spending.</p>	
<p>“Strengthen and modernize Wall Street.”<sup>6</sup></p>	<p>Ferrer would earmark \$250 million of city money each year to help Wall Street invest in new technology.</p>	<p>\$250 million</p>
<p>“Our police department currently is not doing one job anymore. It’s doing two — keeping us safe from domestic criminals and keeping us safe from international criminals. They’re doing it with about 3,000 fewer officers than at the end of 2000. One way to get more cops on the street, given the fact that the Bush administration ended the COPS program, which was a federal program to pay for our cops, would be to increase civilianization.”<sup>7</sup></p>	<p>Ferrer would transfer 3,000 police officers from desk duty to patrol duty, and replace those officers with civilians. The average cost of a non-uniformed (civilian) city employee, with benefits, is about \$44,933.<sup>8</sup></p>	<p>\$134.8 million</p>
<p>“A practical and comprehensive plan to empower small businesses.” Ferrer would provide temporary amnesty on fines, revise “unfair and unnecessary” regulations, provide “real estate assistance” to help businesses deal with rising rent costs, help women and minority-owned businesses compete for contracts, provide “greater access to capital” in the form of micro-loans, provide workforce training to every New Yorker who seeks employment opportunities, and form a small-business advisory council to propose policy for the small-business community.<sup>9</sup></p>	<p>Ferrer has offered few financial details on this proposal. Anthony Weiner’s similar proposal for loans to small businesses would cost taxpayers about \$2.5 million a year. The cost of maintaining a modest-sized city agency to carry out Ferrer’s expanded vision of small-business support would be about \$2 million each year.<sup>10</sup></p>	<p>\$4.5 million</p>



**Note**

Ferrer also proposes to open job-placement centers for illegal immigrant workers in the city. “Day laborers in this city ... are being exploited. I not only want to see centers for day laborers created in these communities, but I want to work with labor unions to organize them.”<sup>11</sup> It is difficult to know how much this program would cost, both in terms of administration and costs to build or rent the centers around the five boroughs.

**How would Ferrer pay for his proposals?**

Ferrer proposes to restore the stock-transfer tax, which was repealed in 1981. He would restore the tax for a “temporary four-year period” at half a penny per traded share. Ferrer estimates that this would generate \$1.25 billion each year, with \$1 billion to go toward schools and \$250 million to go toward the Wall Street investment plan.<sup>12</sup> Ferrer also proposes to institute an “anti-speculation assessment” on property owners, to assess vacant property near residential restructures as Class 4 commercial property rather than as Class 1 residential property until those owners developed the property, generating about \$90 million each year. He also would end property-tax exemptions for developers who do not set aside a minimum level of affordable housing, bringing in \$30 million a year.

**Comment**

Ferrer claims that his proposed stock-transfer tax would be a “temporary” tax. However, the spending he proposes is permanent. Thus, either the tax would be permanent, or the new spending would contribute to budget gaps in future years, and thus to structural imbalance in the budget after the tax expired.

Moreover, the stock-transfer tax could drive trading away from Wall Street. The New York Stock Exchange, for one, is moving to more electronic trading of shares relative to (human) specialist trading — electronic stock-trading platforms do not require a Manhattan location. If a new tax on stock trades made it difficult for brokers to execute trades for their clients at the lowest price in New York, investors and brokers, even those not in New York, could pressure exchanges, and supporting financial firms, to leave New York. For these reasons, the stock-transfer tax would likely be even more harmful to New York’s economy today than it was when it was repealed.

This raises two questions: Could Ferrer actually generate \$1.25 billion annually through this tax if his targeted business is driven away? And, would even a modest exodus of Wall Street trading firms contribute to a decline in personal income tax revenues as traders follow their firms out of the city?

Further, Ferrer’s proposal to tax vacant land at a higher commercial rate to pay for his housing proposal will force developers to pass along those higher costs to market-rate buyers and tenants, further pushing costs up for New Yorkers who do not qualify, or who are not chosen, for subsidized housing.

Both taxes would also require changes in state law, necessitating cooperation from the state Legislature and the governor.

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1. "Ferrer Outlines School Investment Plan," press release, 4/18/05.
  2. "Freddy hits Mike on health care," *New York Post*, 8/27/05.
  3. Independent Budget Office, personal correspondence, 8/22/05. Elderly nursing-home patients' average costs are much higher, but we can assume that people who desire that expensive service would have already enrolled in Medicaid on their own.
  4. "Ferrer Takes up the Issue of Universal Health Insurance," *New York Times*, 8/27/05.
  5. "The Ferrer Solution: Affordable Housing for All New Yorkers," press release, 8/5/05.
  6. "Ferrer Outlines School Investment Plan," press release, 4/18/05.
  7. Candidates' debate, sponsored by Citizens Budget Commission, 6/13/05. (Transcript by the Citizens' Union Foundation.)
  8. New York employs the equivalent of 119,402 civilian (non-teacher) employees, at a cost of \$3.7 billion in salary. Pension benefits, healthcare benefits, employer Social Security contributions and other costs add about 45 percent to that figure over the long term, for an average \$44,933 per person. Source: Authors' calculations from "City Labor Costs: Growth Rate Slows, for Now" report, New York City Independent Budget Office, 01/25/05; follow-up personal correspondence with IBO.
  9. Candidate materials.
  10. The cost of the City Planning Dept., with 258 people, is nearly \$20 million a year. An agency 10 percent of that size would cost about \$2 million each year. Source: City budget, FY 06.
  11. Candidates' debate, sponsored by Campaign Finance Board, 8/16/05.
  12. "Ferrer Outlines School Investment Plan," press release, 4/18/05.



Gifford Miller

## Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
<p>“A four-point education plan to take the city’s educational system in a new direction.”<sup>1</sup> 1) Miller would reduce class sizes to 17 students per class in kindergarten through third grade, to 20 students in the fourth and fifth grades, and to 23 students in middle school. 2) Miller would “erase pay inequities” to attract and keep good teachers. 3) Miller would reduce school violence by better training safety officers and by conducting an analysis of violence statistics school-by-school. 4) Miller would implement “universal after-school programs for all students, and extend the school’s meal program to include a third after-school meal for all students.”</p>	<p>Miller has pledged to “put \$400 million [annually] immediately towards lowering class sizes right now to 17 kids in a class for kindergarten ...” Like Fields, he has been vague about how far he would go to “erase pay inequities,” but a 5 percent pay hike for teachers would cost the city \$385 million a year.</p>	\$785 million
<p>Spend city money to revitalize the NYC subway system. First, Miller would use city money to fund security, communications and signaling projects, power stations, ventilation plants and passenger station rehabilitations. Second, he would earmark city money to restart construction of the Second Avenue subway on Manhattan’s East Side and begin extending the 7 line on the West Side.<sup>2</sup></p>	<p>Miller estimates that the city would spend \$500 million each year toward funding a restored capital program at the state-run MTA.</p>	\$500 million
<p>“A \$7.2 billion plan to preserve and construct more than 169,000 affordable units over the next 10 years.”<sup>3</sup></p>	<p>Miller pledges to invest \$2.66 billion over 10 years to preserve 85,000 units of subsidized housing, and an additional \$4.5 billion over 10 years to build 64,000 new units. This works out to \$7.16 billion, or \$2.86 billion in capital spending over four years. The Bloomberg administration would spend at least \$1.88 billion on these projects. Debt service on the balance — \$980 million in new spending over four years — is about \$94 million a year.</p>	\$94 million
<p>Miller would “help the neediest New Yorkers help themselves” by doubling the city’s earned-income tax credit (EITC) for low earners, instituting a new tax credit for apartment renters, and funding new workforce training, language programs and day care services for those coming off welfare and other low-income residents.<sup>4</sup></p>	<p>The city will spend \$57 million on its portion of the earned-income tax credit this year.<sup>5</sup> Doubling that would mean another \$57 million in spending. Miller’s proposal for a renters’ tax credit, however, would be paid for by lobbying Albany to expand its School Tax Relief (STAR) program for property owners to include renters, meaning no new city spending.</p>	\$57 million



Proposal	Cost Implications	Estimated Budget Impact
<p>Miller would hire 1,000 more police officers to focus on quality-of-life infractions, and would eliminate the new six-month lower starting salary for rookie cops. “A police officer with a family will be on food stamps when he or she starts in our police department. That’s wrong. And we need to change that and change it now.”<sup>6</sup></p>	<p>Miller says adding more officers will save the city some money by reducing overtime costs. However, each new officer will need health benefits and will be awarded future pension benefits as well as a straight salary. The NYPD has argued that in some situations, overtime is cheaper than hiring new officers. Assuming a full first-year salary of \$32,700, the cost of each officer each year over four years is \$52,998.</p>	<p>\$53 million</p>
<p>Increase investment in parks, with particular attention to the 100 lowest-rated parks with a total of 700 acres.</p>	<p>Miller said he would add \$35 million to parks maintenance and upkeep.</p>	<p>\$35 million</p>
<p>Establish a “New York City Office of Homeland Security.” The director of the agency would coordinate emergency-preparedness efforts as well as coordinate local counterterrorism intelligence efforts. The department would also spend a significant amount of money on hospital preparedness.<sup>7</sup></p>	<p>The department would “put one person in charge of preparing all of New York.” In addition, the department would invest \$100 million in hospitals, and an unspecified amount of money to build a “civil defense network” of 50,000 volunteers. Capital spending on this investment would total about \$9.6 million a year. Funding for a new emergency-services “coordination” agency would cost at least \$2 million a year.</p>	<p>\$11.6 million</p>
<p>“When I’m mayor I will reopen those firehouses.”<sup>8</sup></p>	<p>The Bloomberg administration closed six firehouses to save an estimated \$8.2 million a year.</p>	<p>\$8.2 million</p>



**Note**

Miller has also proposed an “across-the-board tax cut” of about 5 percent for all New York City businesses, to be paid for by a new tax on insurance companies. Further, Miller has proposed new tax credits for outer-borough businesses and for businesses in certain fields, including biotechnology.

**How would Miller pay for his proposals?**

To fund his subway investments, Miller would lobby Albany to reinstitute a version of the commuter tax, repealed in 1999, to raise \$500 million annually. This commuter tax would “progressively exempt” earners making \$25,000 or less. The rate of the commuter tax would be 0.25% on those earning between \$25,000 and \$75,000 a year, 0.4% for those earning up to \$200,000, and 0.57% for those earning over \$200,000.

To help pay for his schools initiative, Miller would make permanent the “temporary” personal income-tax surcharge on New Yorkers who make more than \$500,000 a year, enacted in 2003 to plug budget deficits, to generate about \$400 million. To pay for his business tax credits and tax cuts, Miller would assess insurance companies in the city at the general corporate-tax rate.<sup>9</sup> Miller would also encourage competition in school contracting and seek efficiencies in other areas of government.

Further, he would lobby to secure New York’s “fair share” of federal and state funds from Albany and Washington by “cutting New Yorkers’ tax burden through federal revenue-sharing.”<sup>10</sup> He also proposes that Albany take the responsibility for MTA security away from the MTA and give it to the NYPD, presumably along with the money for it. He would also push Albany’s MTA to distribute more money from bridges and tunnels to fund city transportation investments.

**Comment**

While a tax cut for businesses would encourage economic growth, a massive new tax on insurance companies to pay for it would likely force some jobs away from the city. Miller would need approval from Albany to make the income-tax surcharge permanent or to implement a new commuter tax.

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1. "Future of NYC Schools," speech, 6/16/05.
  2. "A New Direction for NYC Subways," speech, 5/12/05.
  3. "Miller Focuses on Preservation in Housing Proposal," press release, 8/25/05.
  4. "The Miller Times," Edition VI, 4/18/05.
  5. E-mail correspondence with city's Office of Management and Budget, 8/9/05. (This tax *credit* counts as city spending, while tax *cuts* do not, because New Yorkers who do not earn enough to pay any income tax are eligible for the credit.)
  6. "The Miller Times," Edition VI, 4/18/05; Candidates' debate, 8/16/05.
  7. Speech, 6/20/05.
  8. Candidates' debate, 8/21/05.
  9. Candidates' debate, 6/13/05.
  10. Candidate speech, 7/13/05.



C. Virginia Fields

## Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
<p>On education, Fields proposes to increase teachers' pay to "move salaries toward those of suburban districts." She noted in a recent speech that New York's median \$53,000 salary for teachers compares unfavorably with \$62,661 in the mid-Hudson region and \$65,570 on Long Island.<sup>1</sup> She also proposes to extend the school day in some schools, expand vocational training for students not bound for college, expand after-school programs and create specialized math-and-science high schools. "No major city in the country has attempted to reshape its schools and to respond quickly to the changing demands of the global marketplace, and to focus intensively on math and science education."</p>	<p>Fields has said that her vocational-school initiative would cost at least \$300 million over four years to implement, or \$75 million a year. She is not specific on how much she would raise teachers' pay. A 5 percent raise, which only would begin to close the gap with the suburbs, would cost about \$385 million a year.<sup>2</sup></p>	<p>\$460 million</p>
<p>Hire 2,000 new police officers.</p>	<p>Even with the new starting salary of \$25,100 factored in for six months, the annual cost of a new police officer over four years, including pay increases in the subsequent 3½ years as well as benefits, is about \$51,620 per year averaged over the next mayor's full term.<sup>3</sup></p>	<p>\$103.2 million</p>
<p>"Since roughly about 1993, the city has not paid its share [of subway upkeep], and as mayor I will restore our obligations to ensure that we have the best system possible."<sup>4</sup></p>	<p>Bloomberg has cut about \$100 million from the city's expected annual contribution to the MTA.</p>	<p>\$100 million</p>
<p>"A wide-ranging plan to increase the number of affordable apartments and homes available to New Yorkers. ... We need a new Parkchester, a new Lefrak City ... a new kind of Battery Park City Authority."<sup>5</sup></p>	<p>Fields envisions a "dedicated housing trust fund" to subsidize construction of below-market homes as well as the use of tax-exempt financing for private-sector developers who commit to building such homes. While she has not offered specific details, she proposes to pay for some new housing with \$75 million each year in "excess revenues" generated by the Battery Park City Authority. She claims that this "revenue stream would leverage approximately \$875 million in new capital funds."<sup>6</sup> However, it is not clear if she means new public-sector or private-sector funds. Fields would also</p>	<p>\$75 million, minimum</p>

Proposal	Cost Implications	Estimated Budget Impact
	include disabled people in a senior-citizen rent-increase exemption program, and would offer “inclusionary housing bonuses” in outer-borough residential districts.	
“Every day we are still faced with chronic unemployment among certain populations, particularly African-American men and Latino men. ... That is why I talk about creating a deputy mayor for employment to look at ways we can coordinate all of the relevant resources and services for putting the chronically unemployed back to work.” <sup>7</sup>	A new mayoral agency would cost at least \$2 million to run a year. However, Fields notes that the new deputy mayor for employment would be responsible for “creating a jobs program.” It is not clear if she envisions adding employees to the public-sector payroll under this program, or if she simply would work to place more people in private-sector jobs. The city spends about \$43 million a year on job placement; Fields’s proposal would, under conservative estimations, double spending.	\$45 million
“Transform the West Side Rail Yards with new industries, housing, mass transit and expansion of the Javits Center. Redevelop Con Edison’s 10-acre site just south of the United Nations. Turn Harlem’s Mart 125 into a major retail destination and a source of local jobs. And put construction of the Second Avenue Subway on a fast track.” <sup>8</sup>	Fields notes that this proposal includes “determin[ing] what industries can best grow ... and mak[ing] a plan to encourage them here.” She says this involves data collection to see what kind of businesses might do well in New York. This sounds complex and might require a new city-funded agency, and at least \$2 million in new spending. However, the Bloomberg administration has already earmarked \$453 million in capital funds in its latest budget for long-term economic development, including for many of the programs Fields mentioned, like the 125 <sup>th</sup> Street development program, at an average of \$65 million per major project. Adding the Con Ed site and the West Side to the approved projects could cost about \$195 million over four years. The annual figures can thus be broken down into \$2 million in new agency spending, and \$19 million in debt service on new capital spending.	\$21 million



C. Virginia Fields

## Proposals and Estimated Budget Impacts, continued

Proposal	Cost Implications	Estimated Budget Impact
<p>“A plan to create jobs by accelerating small-business growth.” Fields would set aside a percentage of city contracts for small businesses. “Absolutely nothing is being done to expand contracts that allow [minority and women entrepreneurs] to grow jobs and to be able to invest in neighborhoods and communities.”<sup>9</sup> Fields would also keep a “directory of local small businesses” within the five boroughs, and provide small businesses with access to capital through micro-loans of “as little of a few thousand dollars to a quarter of a million dollars.”</p>	<p>“Mayor Bloomberg’s West Side Stadium would have required a ... subsidy of about \$1 billion to create about 3,700 jobs. The same number of jobs could be created by allocating 6 to 10 percent of that \$1 billion subsidy to ... small businesses.” This amounts to \$60 million to \$100 million over four years, or \$15 million to \$25 million a year.<sup>10</sup></p>	\$20 million
<p>“As a priority, I would reopen firehouses because ... businesses are growing.”<sup>11</sup></p>	<p>Bloomberg closed six firehouses to save an estimated \$8.2 million a year.</p>	\$8.2 million

### Note

Fields has proposed a tax-credit plan for home health care for the elderly and an expansion of adult day care programs. However, she has not released details for these programs.

### How would Fields pay for her programs?

Fields has said on several occasions that tax hikes are not the way to fund new spending. However, she recently said: “I ... have called for the reinstatement of a commuter tax ... at 1 percent ... and to have that 1 percent designated specifically toward the improvement of our mass transit system.”<sup>12</sup>

Beyond taxes, Fields has said that, if elected, she would work immediately with Mayor Bloomberg beginning in November to start to identify cuts to the city budget.<sup>13</sup> Fields would audit the \$14 billion education budget, for example. Further, she has said she would “lower Medicaid costs,” by reducing Medicaid rolls as people “go back to work with good health benefits” under her proposed jobs program, as well as by keeping more seniors out of nursing homes. She would aim to collect 100 percent of back taxes and fees (although she has not offered a specific amnesty program), and would “fight in Washington, D.C., and Albany for the funding that we deserve.”

In June, Fields said she would save money on annual debt service in the city budget by “immediately begin[ning] to pay down debt and put[ting] more of [the] capital budget on a pay-as-you-go basis, as part of an annual plan to reduce debt by \$2.4 billion over four years, if fiscal conditions provide.”<sup>14</sup> However, in August, Fields modified that a bit; she said in a debate that “I have set a goal of \$2.4 billion reducing debt-service over a four-year period by using any surpluses that probably won’t be there, but you have to begin to work on it.”<sup>15</sup>

### Comment

Fields’s intention to use any one-year surplus funds to pay down debt could help to reduce the structural deficit. However, in the absence of a pledge to cut spending on specific items, it must be discounted. Bloomberg used this year’s one-year surplus to plug the budget deficit for the next year, not to pay down

debt. New York faces annual deficits indefinitely. To use any hypothetical surplus funds to pay down debt rather than to plug the deficit, Fields would have to cut the annual budget significantly to avoid the deficit in the first place. Moreover, Fields's new spending on housing and on city-funded economic development would likely increase debt, not decrease it.

Fields's proposed audit of the education budget is noteworthy. And Fields is the only Democratic mayoral candidate who has not proposed a large, direct tax hike on city taxpayers to fund her proposals. "My approach is not in terms of increasing taxes, but it is to look at growth, creating jobs so that we can create a tax base in order to pay for more of the services," she said on August 21.<sup>16</sup>

It is unlikely that she can collect "100 percent" of all back taxes and fees, as that has been a stated, and unattained, goal of successive administrations for years. Also, Fields would need legislative and executive approval from Albany to implement a new commuter tax; Albany has already rejected Bloomberg's call for such a tax.

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1. "A Vision for New York City Schools," candidate speech, 8/23/05.
  2. New York City Independent Budget Office, personal correspondence, 8/22/05.
  3. Author's calculations from new salary scales, including new \$25,100 starting salary, plus other benefits. "Arbitration Opinion," New York State Public Employee Relations Board, 6/28/05.
  4. Candidates' debate, 6/13/05.
  5. "Virginia Speaks Out on Affordable Housing," campaign materials.
  6. "Virginia Speaks Out on Affordable Housing," campaign materials.
  7. Candidates' debate, 6/13/05.
  8. "Virginia Speaks Out on Jobs and Economic Development," campaign materials.
  9. Candidates' debate, sponsored by New York Times and WCBS, 8/21/05.
  10. "A Plan to Create Jobs," Campaign Materials.
  11. Candidates' debate, 8/21/05.
  12. Candidates' debate, 8/16/05.
  13. Candidates' debate, 8/21/05.
  14. Candidates' debate, 6/13/05.
  15. Candidates' debate, 8/21/05.
  16. Candidates' debate, 8/21/05.

## Conclusions

There are only three ways to pay for new spending and eliminate the budget deficit: Cut spending from other parts of the budget, entice the state and federal governments to award more money to the city, and/or hike taxes.

On spending cuts: Fields and Weiner pledge to cut spending. But while these two candidates' plans to hike spending are specific and permanent, their plans to cut costs are vague and, in Weiner's case, include one-shot savings that couldn't fund new recurring spending.

On Albany and Washington: Each candidate says he or she would lobby aggressively for more money from those two sources. But each is vague as to how he or she would be more successful than Bloomberg — a Republican who has lobbied a Republican governor and a Republican-controlled Congress.

On taxes: The candidates are clear. Each would raise them. Ferrer, Miller and Weiner pledge to raise taxes on high-income New York citizens and businesses, and Fields and Miller on commuters, not as a claimed last resort to plug a deficit, but as a first resort to fund new spending. This impulse is troubling for two reasons:

1. \$1 billion in hypothetical new spending to be paid for by \$1 billion in hypothetical new taxes may not contribute to a structural budget deficit in a single year. But when the next economic downturn comes, that new tax revenue likely will plummet, as affluent earners and economically sensitive businesses book low profits or actual losses, and their tax contributions fall. But the new spending would likely continue to rise. Thus, any new spending, even that paid for by a dedicated new tax, would contribute in future years to the chronic structural budget imbalance.
2. The candidates seem unconcerned that their new taxes could drive high earners or businesses out of New York. But when it comes to taxation, one principle holds: When you tax something more, you get less of it. In today's global economy, New York City must compete fiercely against the emerging economies of the rest of the United States and of the rest of the world for entrepreneurial economic growth, and entrepreneurs thrive in a low-tax environment. If the next mayor doesn't pay heed to these simple economic and fiscal facts, he or she will only exacerbate New York's rocky economic and fiscal situation.





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