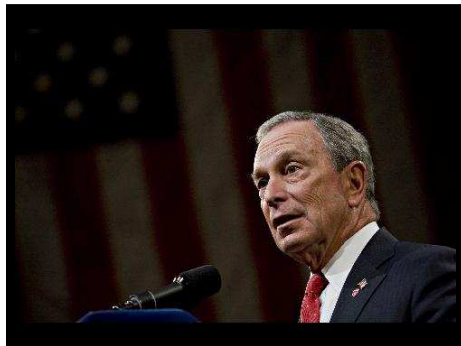




Bloomberg Proposes \$1 Billion in NYC Budget Cuts (Update3)

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By Martin Z. Braun and Henry Goldman



Jan. 30 (Bloomberg) -- New York Mayor **Michael Bloomberg** proposed cutting the city budget by about \$1 billion, and may propose raising the city sales tax to help close a \$4 billion shortfall for the fiscal year that begins July 1.

Officials may fire 14,274 teachers if the state doesn't pass along \$770 million in federal aid for education in each of the next two years, Bloomberg said today. Another 9,000 jobs might be cut if unions don't agree to allow members to pay more for their health-care and create a new tier of reduced pension benefits for future employees, he said.

The \$58.8 billion spending plan for fiscal 2010 envisions **tax revenue** of \$32.6 billion, \$5 billion less than two years ago. The mayor called for a 0.25 percentage point sales-tax increase to 8.625 percent and repeal of an exemption on clothing purchases. The measures would bring \$900 million.

"The economy has worsened, and worsened significantly, since November," the mayor said at a City Hall news conference where he outlined his preliminary budget. "We had prepared for a downturn. Nobody prepared for the severity of the downturn we're experiencing."

The city's situation remains dependent on the economy and the amount of state and federal aid received, making it difficult to provide certain amounts for projected revenue and spending cuts, the mayor said.

Wall Street firms are expected to lose \$47.2 billion for 2008, and further shortfalls are expected in 2009, he said. Budget officials assume the city will lose 294,000 jobs from mid-2008 through 2010, the highest official estimate by a government official yet. Among lost positions are 46,000 in financial industries.

State Reductions

The state, which faces a \$15.4 billion deficit through March 31, 2010, would reduce aid to the city by \$1.5 billion under the budget Governor **David Paterson** proposed last month, Bloomberg said.

The mayor's budget counts on \$1 billion in federal aid for Medicaid, the health-care program for the poor. He said he wouldn't assume about \$1.6 billion in federal aid over two years that U.S. Senator **Charles Schumer** said would go to the city's schools because the funds pass through the state.

The mayor's budget calls for cutting the city's 300,000- person **payroll** by 7,686, including 1,000 police officers, which would save \$49 million and reduce the department's average manpower in 2010 to 34,654; about 5,000 less than January 2002, when Bloomberg took office.

Job Terminations Weighed

Although these cuts would come from attrition, about 1,000 other than police might be fired if he fails to win \$750 million in health-care and pension concessions from the unions, he said.

"Defined benefit plans have bankrupted Detroit, bankrupted the airlines. If we don't do something about it, it will fundamentally bankrupt municipalities," Bloomberg said. The city's pension plans assume an 8 percent gain annually. "Even **Bernie Madoff** couldn't do that," the mayor quipped, referring to the financier accused of operating a Ponzi scheme that bilked investors out of \$50 billion.

"Union members should not be asked to shoulder the bulk of this burden," said **Lillian Roberts**, president of District Council 37 of the American Federation of State, County and Municipal Employees, which represents most city workers. "Workers did not create this fiscal crisis and cutting into their hard earned benefits should not be viewed as the quick fix."

Fire Department Cuts

Among the \$1 billion in programs to reduce the budget gap, Bloomberg proposed saving \$17 million by eliminating a fifth firefighter on 64 engine companies, which would require union consent, or end the practice of two companies sharing one firehouse. He seeks to save \$3.4 million through supervised release of low-risk defendants from city jails.

Bloomberg proposed enacting a 5-cent fee on plastic shopping bags to raise \$84 million; a parking-meter rate increase for \$17 million; eliminating 1,440 "pedagogical school employees" for \$91 million; reducing public library subsidies by 7 percent, or \$20 million, and cutting 549 child-welfare worker jobs through attrition for \$15.5 million.

The city plans to slow spending to repair bridges, renovate police precincts and build schools. That will reduce annual debt service costs, Bloomberg said.

'Appropriately Tough'

"It's appropriately tough," said **Charles Brecher**, director of research for the **Citizens Budget Commission**, a non-profit business-funded fiscal monitoring organization. "It's long past the time to ask labor for concessions, and it takes a good shot at reducing the municipal payroll."

The mayor's budget drew criticism from city Comptroller **William Thompson**, a candidate for the Democratic mayoral nomination this year. The sales tax increase "would balance the budget on the backs of working people," he said, proposing a graduated income tax rise affecting the wealthiest the most.

U.S. Representative **Anthony Weiner**, another Democrat considering a race for mayor, said that while "it's generally a bad idea to raise taxes on the middle class," he hadn't taken "a close look" at the mayor's budget.

Christine Quinn, speaker of the City Council, which must approve a balanced budget by the June 30 end of the current fiscal year, also questioned the sales-tax proposal, saying she would "prefer more progressive revenue options, done according to an income-based scale."

Bloomberg said he would be willing to substitute the sales tax with an income tax, should the Legislature prefer it. The only levy the city has power to enact is the real property tax.

"The bottom line is we need \$1 billion more in revenue," Bloomberg said.

The mayor is founder and majority owner of Bloomberg News parent Bloomberg LP.

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