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Bloomberg outlines bitter budget medicine

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With tax revenues falling sharply, Mayor Michael Bloomberg Wednesday proposed \$1 billion in tax and fee increases and \$1.5 billion in spending cuts to close a mid-year budget deficit.

At the same time, the mayor warned of more pain to come, because the changes would still fall \$1.3 billion short of balancing next year's budget.

Among the tax hikes is an immediate end to the popular \$400 annual property tax rebate checks the city had been mailing homeowners each autumn. As recently as a few weeks ago, city officials were downplaying concerns that this year's checks, worth \$256 million, would not be mailed.

But the mayor said at a press conference Wednesday that the economic downturn won't allow for the program. "We simply cannot justify sending out the checks when the economy is decreasing our revenues," he said. "If things improve, we'll send out the checks."

Mr. Bloomberg held out no hope for that. "In October, tax revenues started to fall off a cliff," Mr. Bloomberg said. He predicted that November and December would be worse.

As has been expected for months, the mayor said he would ask the City Council to undo a 7% property tax cut, effectively increasing taxes by \$576 million for the fiscal year ending June 30. The Council will probably try to limit the tax increase by arguing that the mayor's revenue projections are too pessimistic.

"The cut is no longer economically sustainable," said the mayor, who has already enacted multiple rounds of budget reductions at city agencies. "As deep as our spending cuts have been, relying only on cuts would be devastating ... We must cut spending *and* generate more revenue." Hiking fees and fines will bring in another \$123 million.

On the spending side, where Mr. Bloomberg can act without City Council approval, the mayor proposed to trim the city workforce by 3,000 employees—less than 1%—including 600 by layoffs. He canceled the Police Academy's January 2009 graduating class and plans to reduce the NYPD headcount by 1,000. The Department of Education budget will be cut by \$181 million this year and \$385 million next year.

The Citizens Budget Commission, a conservative watchdog group, endorsed the spending cuts, called the new revenue projections "realistic" and cheered the elimination of the rebate checks. But it said Mr. Bloomberg should also reduce city employees' "generous pension and health insurance benefits" beyond the \$200 million in health insurance changes he is seeking for fiscal year 2010.

The mayor does not seem to think pension benefits can be touched. "According to our [state] constitution, once these benefits are granted, nobody, including the state Legislature, can take them away," he said. "These are generally pension benefits voted by the state Legislature, although we are not totally innocent in pushing some of them."

The mayor painted a bleak picture of the city economy, forecasting a loss of 147,000 jobs through the end of next year—60,000 more than had been predicted in May. The losses will include 31,000 Wall Street jobs, which are among the highest paid in the city.

Wages are now expected to fall by 7.6% in 2009 before rebounding in 2010. The revised forecast brings the mayor's office closer in line with city Comptroller William Thompson, who predicted last month that the city would lose 165,000 jobs.

Declines in major real estate transactions—which are taxed at 2.5% by the city—and in international tourism will also hit the city hard, according to independent forecasts cited by the mayor.

Property transactions of over \$500 million will plummet to just \$4.5 billion in fiscal 2009, from nearly \$15 billion this year and more than \$27 billion in 2007. Single-family home sales and home prices will continue to fall through the end of this year. And commercial office

vacancy rates will top 12% through 2009.

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