

The Candidates on Fiscal Issues
2001 Mayoral Election
City of New York



Badillo Bloomberg Ferrer Green Hevesi Vallone

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As New York City voters decide how to cast their votes in the upcoming Mayoral election, they must consider the candidates' stands on many important issues. One of the most critical is the stewardship of the City's finances.

That is why the Citizens Budget Commission asked each of the six major candidates three questions about their budget policies and priorities. The questions focus on the most important fiscal and economic challenges facing the next Mayor: how to balance New York City's budget in a sustainable fashion; how to ensure a productive and fairly compensated municipal workforce; and how to improve the City's economic competitiveness.

As a nonpartisan organization, the Citizens Budget Commission does not endorse candidates for elected office. Therefore, the candidate's answers are printed in this booklet without commentary from the Commission. Each candidate's response adheres to a word limit set by the Citizens Budget Commission.

We hope that voters find this information helpful in making informed decisions as to which candidate would most effectively and fairly manage the City's limited resources and provide critical government services to New Yorkers.

Diana Fortuna
President

Herman Badillo

Party Registration: Republican



What would you do as Mayor to eliminate the City's projected budget gaps?

Budget gaps can be closed in a number of ways.

- As Mayor, I will go agency by agency and ask for complete budget reviews, then I will determine where the cuts will be, if necessary. This effort will likely produce

agency savings during the fiscal year ranging from \$750 million to \$1.0 billion.

- As Mayor, I will propose special severance programs such as early retirement to generate savings of \$250 million.
- As Mayor, I will build in \$550 million in reserves to the budget. These reserves will be available for future gap closing, or for other emergency needs.
- As Mayor, I will move to restore commuter tax.
- As Mayor, I will push for more federal and State funds.
- As Mayor, I will develop productivity initiatives to lower the cost of government.

Given that Mayor Giuliani has negotiated contracts with some City unions that will expire in June 2002, and that he may not reach agreement with all unions before he leaves office, the next Mayor will be negotiating new labor contracts in his first six months in office. What outcomes will you seek in collective bargaining, and how will your approach differ from the current Mayor's?

Contracts can be improved in two fundamental ways:

- Annual increases at rate of inflation with any additional increases based on productivity.
- All contracts should have merit pay for individuals based on objective standards.

What are the most important steps that City government can take to improve New York City's economic competitiveness?

To maintain our economic vitality, as Mayor, I would take steps to reduce taxes, increase employment, and develop a strong business climate that would create jobs in local neighborhoods.

First and foremost, I would reduce personal income taxes. Even though unemployment fell almost a whole percentage point from March 2000 to February 2000, New York City must take the lead in counteracting any potential

economic downturn on the horizon. The extra disposable income of City residents will undoubtedly kindle consumption, economic growth, and further tax revenue.

New York City must make an effort to stimulate local economic activity. The City loses economically because so many of its residents shop in suburbia. Additionally, City businesses often purchase supplies from suburban businesses rather than buying them within the City. Given the size of the City's population, it should have tens of thousands of more jobs in the entertainment and retail industries, as well as thousands in the wholesale trade and light-manufacturing sector.

The absence of these local jobs is especially detrimental to the poor, as these jobs tend to require fewer skills and less education. By improving the transportation system in the Bronx, Brooklyn and Queens, we can lower the prices of goods that are presently more expensive in the metropolitan area. Negating the incentive for residents to shop in the suburbs and New Jersey will thereby create jobs and improve our local economy.

Regulation such as licensing requirements ought to be simple, so as to promote business growth. Unnecessary, excessive and complicated regulations will stifle development by adding huge costs to starting and conducting business in the City. When possible, deregulation that promotes competition ought to be embraced.

At the same time, we must lobby against federal policies that coerce businesses into providing services to non-profitable rural and suburban areas at the expense of higher prices for City residents who must subsidize this inefficiency. As Mayor, I would also endorse measures to close the \$8 billion gap between taxes sent to Washington from New York City and federal spending in the City.

The likely federal tax cut will close the gap by about \$4 billion, causing our economy to expand. Extra tax revenue should be employed to improve New York City schools. Unlike in the past, we must not make the mistake of assuming that simply tossing money at the education problem will solve it. Instead, a concerted effort must be made to provide clear standards for schools and economic incentives for them to succeed. Only good teachers deserve better pay; we should not reward failure.

Additional important steps include:

- Improving New York City's economic competitiveness.
- Continuing crime reduction.
- Improving our educational system through mayoral control and accountability.
- Directing economic incentives to developing Brooklyn, Queens and the Bronx where infrastructure should be improved.
- Lowering taxes; tax cuts should include S Corp tax, personal income tax surcharge, and continued reduction of sales tax and hotel occupancy tax.

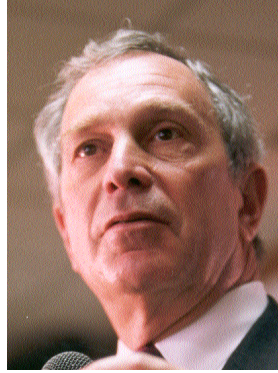
Michael Bloomberg **Party Registration: Republican**

What would you do as Mayor to eliminate the City's projected budget gaps?

The City has been operating with a structural deficit since before the 1975 fiscal crisis. Many of the reforms that were instituted during the crisis period have promoted fiscally responsible policy. However, even after the longest economic growth period in the past fifty years and repeated operating budget surpluses, all the fiscal monitors are projecting budget gaps of between \$1.7 and \$4.9 billion in each of the next four fiscal years. A downturn in the economy, labor contracts, rising pension costs and the recent tax cuts make future operating surpluses unlikely.

The Mayor and the City Council are legally constrained in the policies that they can choose to address these projected budget gaps. State and federal mandated spending that is far greater than any other city in the country and State limits on the City's taxing and bonding authority, for example. While I expect to go to Albany and Washington to work with our State and nationally elected officials to get our fair share of intergovernmental revenues, we must initially make fiscal proposals that the City has the legal authority to implement. The main fiscal problem confronting the new administration will be raising revenues and/or cutting expenditures under the constraint of existing high debt capitalization.

A portion of any future operating surpluses must be used toward paying down the accumulating long-term debt burden, reducing its debt service and establishing a rainy day fund in anticipation of future downturns in the economy. Our recent surpluses, produced in large measure by the growth in our City's economy, have not produced the necessary debt reduction. The City's legal debt limit was circumvented by several new debt structures including the Transitional Finance Authority (TFA) created in 1997, which repays its obligations directly from personal income tax collections, and the Tobacco Settlement Asset Securitization Corporation (TSASC) created in 1999 as a separate legal entity to issue tax exempt bonds secured by the City's tobacco settlement revenues. The TSASC bonds have received a lower rating than General Obligation or TFA bonds and have resulted in higher borrowing costs. This debt must be reviewed and in all likelihood eliminated. Since the market value of the City's taxable real estate has risen so has the City's debt ceiling, making it unnecessary to engage in these more costly forms of borrowing. Further growth in debt, and further side-stepping of debt limits must be avoided, as New York City already carries



the largest debt burden of any American city and the highest per-capita debt and the highest debt as percent of personal income.

One-shot revenues, especially those that come from the sale of City property, should not be used for the operating budget, but rather to support capital projects or to pay down some of the debt. I do not support the current proposal to use revenue from the privatization of Off-Track Betting (OTB) and the sale of property owned by the United Nations Development Corporation in the operating budget.

Real efficiency savings can be made by streamlining the bureaucracy; working with municipal employee unions to create gainsharing programs and in improving the contracting process. More can be done to bring City workers into the process of proposing efficiency measures and lowering the unit cost of services by providing them with a share of the "profit" in the form of benefits (vacation days, wages, or contributions to a savings plan) when productivity goals are met. The City has not kept pace with computer technology, particularly in the social services, health and education. Case-based tracking systems would not only improve productivity, but also improve the quality of service delivery to the agency clients.

Since the City has such enormous capital needs with total City-funded commitments over the next four years exceeding \$30 billion, it is imperative that we invest in more oversight of these projects. There is no question that we can improve the quality of our capital projects and reduce their costs by improving our monitoring procedures. Much of the City's capital program is mandated by State or federal law and most projects are necessary for the delivery of basic services. We must also consider an emergency capital outlay fund to deal with emergent problems like the water supply infrastructure.

Recent proposals for the City to take over Battery Park City (BPC) should be considered. The City has the technical authority to reacquire BPC, which sits on City-owned land, subject to the City paying off BPCA debt. BPC revenues in a City takeover could generate \$83 million per year for the City. The City supplies BPC basic local services but the BPCA collects the BPC property taxes and then pays the City a PILOT (payment-in-lieu of taxes). In addition, the BPCA itself is tax-exempt, which has cost the City an estimated \$1 billion over the last ten years. All relationships with the City that involve PILOTS, including the Port Authority, should be reviewed and, where legally possible, reconsidered.

The City should increase the use of Board of Education pay-as-you-go capital spending, which would both save debt service costs and increase the amount of State building aid which is only available for incurred capital expenses.

The City must aggressively focus on signing up all parents and children who are eligible for Medicaid, Child

Health Plus and the newly-enacted Family Health Plus Program. Not only will this save the City money in its direct subsidies for the uninsured treated at HHC, but it will improve health care for the City's neediest populations. Six hundred thousand uninsured children are eligible for CHIP and must be enrolled.

If the necessary savings cannot be produced through efficiency savings or new revenue streams then we would reduce spending to ensure the City's future fiscal stability. The Mayor not only has a legal obligation to promote responsible fiscal policy; by doing so we will also ensure the City's future economic growth and its ability to deliver services in an efficient and predictable manner.

Given that Mayor Giuliani has negotiated contracts with some City unions that will expire in June 2002, and that he may not reach agreement with all unions before he leaves office, the next Mayor will be negotiating new labor contracts in his first six months in office. What outcomes will you seek in collective bargaining, and how will your approach differ from the current Mayor's?

More than half the City budget is allocated to employee compensation. Both collective bargaining agreements and State law affect the basic structure of compensation for municipal employees. Any contracts the current Mayor negotiates with the unions must be honored. However, our priority will be obtaining greater productivity from the City's workforce rather than increasing its numbers. Over 15,000 workers were added to the City's workforce between FY1996 and FY2000.

An across-the-board salary increase for teachers, police and firefighters is warranted. The pay scales of municipal employees cannot simply be linked to seniority, but must also reflect performance. "Merit" pay can be negotiated in a creative manner, where it is not simply linked to an individual worker's performance, but to a team or a service delivery unit. Work rules must be carefully considered during collective bargaining so that reasonable changes can be made where these rules create inefficiencies. There must also be a reduction in discretionary overtime. Significant cost savings would occur by using more civilians in administrative positions held by uniformed workers. The unions must be brought into this process in creative ways so that all levels of workers understand that they are accountable for the quality of their work.

There remain enormous opportunities for productivity increases within the City's bureaucracy. More can be done to bring workers into the process of proposing efficiency measures and lowering the unit cost of services by providing them with a share of the "profit" in the form of benefits (vacation days, wages, or contributions to a savings plan) when productivity goals are met.

We will introduce a customer service mentality to the City's workforce. Evaluations of performance must include the public's perception of how well a particular municipal service is being performed as well as objective measures of quality of service.

Contracts must be negotiated that allow for innovations and experimental programs in the absence of improvements in services that are agreed upon. It is absolutely necessary to reduce the cost of service delivery and improve its quality.

What are the most important steps that City government can take to improve New York City's economic competitiveness?

When the City's economy is doing well the Mayor and City Council take full credit, and when the economy is in decline every elected official laments about how the City is a victim of national economic policies. Mayors do, however, have significant capacity to impact the City's economic competitiveness, especially through policies that affect quality of life. Quality of life has proved to be the most durable measure of both businesses' decisions to locate and individuals' decisions to stay in the City. Quality of life has two important components—public safety and public education. Businesses do not want to locate in cities where crime is a serious problem and where they cannot attract an educated workforce. Moreover, families move to the suburbs taking their tax dollars with them when public schools are mediocre and public safety is a problem. New York has already made enormous strides in reducing crime and this record must be maintained. Equally important is improving public education, which I pledge to make a priority of my mayoralty.

The impact of traditional economic development policies like tax incentives, tax abatements, tax cuts and low interest loans for business have unpredictable impacts on the City's economy. Many businesses have engaged in high stakes poker to extract tax breaks by threatening to leave. It is difficult for mayors to determine when businesses are bluffing and our neighboring jurisdictions see no problem in engaging in predatory practices. Without a truce in the "border wars," which I will make every effort to renegotiate, we will have to continue to fight to keep businesses in New York City. We can do a better job ensuring that businesses comply with the terms of their tax incentive deals. Penalties must be imposed for businesses in breach of these legal agreements. We might require some form of bonding, insurance or a reserve fund to guarantee that performance standards are met. I will also engage in a comprehensive review of the City's tax structure, develop a mechanism for evaluating and benchmarking program effectiveness, and eliminating programs which are not working. We should not be offering tax breaks without undertaking serious cost-benefit analysis.

High-tech and new media are a \$9.2 billion industry in New York City and a good example of this problem. There are numerous programs aimed at reducing costs and providing incentives for high-tech companies, but we have no sense of what works, especially the incentive programs for relocating to different parts of the City. The new Mayor should survey existing businesses to determine their needs and evaluate these programs before funding is renewed.

In 1999, 36.7 million visitors came to New York City and spent \$15.6 billion. Tour companies are going to Harlem, Brooklyn and Queens to get a taste of African American heritage, to see the Jewish sites, and to take the Jazz Trail. If we are to spend tax dollars on promoting our tourist industry, more attention should be focused on the outer boroughs through increased coordination with the Borough presidents and community based tourism initiatives. Repealing the \$2 flat tax on hotel rooms does not impact the overall tourist industry in New York City.

Land use and economic development policy must be coordinated. This is especially relevant if we are interested in keeping our small but profitable manufacturing sector. Residential and commercial forces are currently driving the profitable light and specialized manufacturing out of the City. We must evaluate the impact of this trend and determine proactively what our public policy should be. Manufacturing incentives are also geared to owner occupants, while small firms are renting space, not owning it. If we are to support subsidies they should be directed to occupants as well as to owners.

Improving the City's infrastructure is critical in ensuring the City's future economic competitiveness. As Mayor, I will continue Mayor Giuliani's effort to streamline capital construction and hasten the completion of capital projects. We support repeal of the State's Wick's Law. The Board of Education has received federal money designated to reduce class size, but it has not been able to use it due to a lack of physical space. Maintenance within individual schools is also a problem with a backlog of 40,000 repairs at the Board of Education. The federal government recently enacted the School Facilities Infrastructure Improvement Act. We must take better advantage of these programs.

Tunnels, roadways and bridges are also aging and need to be maintained. New York City has four East River bridges, all of which are over 90 years old, 6,000 miles of water mains in need of repair, buckling roadways and inadequate mass transit. I will establish a sustained program for infrastructure maintenance. The deferrals have simply been too costly. I support the construction of the Second Avenue subway and the extension of the Number 7 line to the West Side to promote economic development. This should not be tied to the building of a sports stadium. I will work with the Governor to make sure that the City gets its fair share of MTA and State road maintenance funds. We

support Mayor Giuliani's demands that the Port Authority ameliorate the service and resource inequities as one condition to extending its airport contracts. We will also aggressively seek federal discretionary monies for transportation.

The City's infrastructure is the key to its future economic competitiveness and must take precedence over most tax cutting proposals.

Fernando Ferrer

Party Registration: Democrat



What would you do as Mayor to eliminate the City's projected budget gaps?

In my administration, I will impose sound management and fiscal practices that would put New York City on a better fiscal and economic footing in the event of an economic downturn.

This includes:

- Bringing discipline to the City expense budget. This means imposing review budgeting of all agency functions not directly related to service delivery, including a bottom-up approach so the worker delivering the service is funded first and then the support and supervisory functions are funded second.
- Ensuring that the budget reflects the need to deliver services based on the varying needs of each of the five boroughs and the diverse needs of communities.
- Making an effective City capital budget by setting capital priorities (1) by community needs and (2) that support neighborhood development.
- Developing a sensible longer-term City capital plan by identifying the City's real debt needs based on its real ability to advance projects. I will take the lead in developing a coalition to seek federal and State funding commitments based on the regional benefits of much of the City's proposed capital program.
- Improving oversight and management of the capital plan and capital projects.

This approach makes sure that any cuts that may prove necessary in an economic downturn that reduces revenue estimates cause less pain by allowing key projects to remain funded and proceed to completion.

Reforming City tax policy means:

- Eliminating the sales tax on clothing up to \$500 and including most essential household items to provide a stimulus to the City economy.
- Reforming the real estate tax by establishing a preference for owner occupancy and rental units built as such, capturing over \$1.0 billion in real estate tax revenue from premises based on its use/occupancy and not on its tax classification.
- Restructuring the personal income tax without reducing revenue and cutting or eliminating working class and middle class taxes.
- Reviewing programs that forego expected future tax revenues as inducements and abatements to ensure projects that spur economic activity above the lost future revenues.

This approach to tax policy helps ensure a steadier revenue base, particularly when it comes to the real estate tax where many properties pay much less than their use and classification would seem to indicate.

I will avoid the temptation so often abused by previous administrations to make my budgets look better than they are by relying on one-shot revenue sources. Any one-shot source would be used to either lessen the debt load or to fund some capital projects on a pay-as-you-go basis.

Productivity initiatives that lower the unit cost of government can be an important building block in maintaining the City's fiscal integrity.

Given that Mayor Giuliani has negotiated contracts with some City unions that will expire in June 2002, and that he may not reach agreement with all unions before he leaves office, the next Mayor will be negotiating new labor contracts in his first six months in office. What outcomes will you seek in collective bargaining, and how will your approach differ from the current Mayor's?

My approach to collective bargaining with City unions will differ from the current administration's primarily in the way I will treat the unions. Rather than view unions as the enemy, I will consider them to be partners in building a city that works for all New Yorkers. As partners, we will treat each other with respect.

One indication of my approach to collective bargaining is my proposal for improving the quality of our teaching force. I firmly believe that current teacher salaries prevent us from recruiting and retaining the best teachers possible. That is why I support redirecting existing Board of Education funds to support a 30 percent across-the-board raise for teachers. I share the Citizen Budget Commission's belief, however, that to give more, the City must receive more in productivity. That is why, under my plan, teachers would work during the month of July—making teaching a year-round profession—with a focus on receiving intense professional development that is impossible to deliver during the school year. Furthermore, I believe that the existing due process system harms our children because it keeps incompetent teachers in the classroom. Principals must be able to show the door to teachers who are not performing well in a process that is both fair and fast.

Although I do not support them for teachers, merit or performance pay programs are certainly a legitimate topic of discussion in situations where they can be judged fairly and objectively, not arbitrarily and subjectively. In such appropriate circumstances, they can benefit both parties to the bargain.

I recognize that union members primarily represent those who deliver services directly to those who live, work, or visit New York. Unlike their supervisors who may change with each administration, they have a perspective and level of expertise about their jobs that often does not get tapped. Labor negotiations need to build on this and use their knowledge to introduce new productivity and service improvements.

More importantly, we must understand that the current administration worked out no productivity or long-term cost saving initiatives in its labor contracts. As a result of contracts aimed to realize short-term benefits coinciding with the administration's term of office, a lot of talk about productivity and other reforms remains just that.

Having been a City employee who was laid off during hard economic times, I have committed that no City employee will lose her job in the event of an economic downturn solely because of the bad economic times. When the City laid off workers in the 1970s, it was a disaster both for the individual employees and the City itself. It took us at least ten years to recover the human capital and infrastructure to enable the City to deliver the goods and services it had promised. Laying off workers because of a recession can save a small amount of money in the short term, but ultimately costs the City far more in the long term. If there is a recession that cuts City revenues, I will find other areas of the budget to cut to bring the budget into balance.

What are the most important steps that City government can take to improve New York City's economic competitiveness?

In addition to a truly balanced operating budget and a sound capital budget, New York City needs a sound taxation policy grounded in fairness and the need to stimulate the local economy and ensure the City's competitiveness.

The discussion over City tax policy needs to move away from budget breaking tax cuts that sound good and toward replacing them with targeted reductions that encourage businesses to locate here and help people stay in their homes and in their neighborhoods and assures that essential services and projects get funded at the level needed to maintain New York City as a good place to live and work, as well as to visit.

My proposals include:

- *Eliminate Sales Tax on clothing, shoes and most essential household items.* Since March 1, 2000, clothing less than \$110 is exempt from State and City sales tax. City Hall and Albany must go further and end the sales tax on essential household maintenance and personal hygiene items too. My proposal would end sales tax on clothing and shoes and also exempt from the sales tax most essential household items, including toothbrushes, dental floss, tissues, toilet paper, soap, laundry powder, dish detergent, home cleaning supplies, tampons and sanitary napkins, diapers, mattresses, sheets, and towels.
- *Real Estate Tax Reform.* Establish a preference for owner occupancy and rental units built as such, including a Homestead Exemption Program for Coop and Condo Relief that eliminates the abuses that exist and which fails to tax absentee owners and illegal uses properly. This revenue measure simply seeks to collect taxes that would ordinarily fall due. I would introduce property tax equity. Currently, homeowners are taxed based on 8 percent of market value. Coop tax assessments are 45 percent of market value. This program would use a homestead exemption to reduce the taxes of owner-occupied cooperative shareowners and condominium owners to the levels enjoyed by owner-occupied class one properties. The homestead exemption could also be employed to reduce homeowner taxes for moderate income New Yorkers. This proposal would involve no net loss of tax revenue and no tax increase.
- *Enhance Real Estate Tax Revenue Collection.* New York City ought to be able to capture over \$1.0 billion in real

estate tax revenue from premises based on their use/occupancy and not based on the building's tax classification. In this era, when revenues continually fail to meet the cost of providing essential government services (even if every bit of waste and duplication were identified and eliminated in the budget), New York City can no longer plod along and extend the benefits afforded owner-occupied housing—classification in class one—to absentee owner properties.

- *City Income Tax Reform.* New York City ought to restructure its personal income tax without reducing revenue to cut or eliminate working class and middle class taxes. The City must be careful to avoid modest across-the-board cuts that fail to provide any real tax benefit to most New Yorkers but just sound good. For example, the most recent personal income tax cut trumpeted by the Mayor will save the average taxpayer less than \$1 a week. Such a cut will have almost no impact on the average taxpayer's lifestyle, but will deprive the City of significant revenue that could better be used to improve our schools or build and maintain critical infrastructure. These types of cuts actually hurt most individual middle and lower income taxpayers when the revenue lost to the City is factored in. An IBO analysis found that almost 40 percent of tax savings from an across-the-board cut go to the federal government, not the taxpayers. Keeping the middle class living in New York City means providing affordable housing and quality public schools. We cannot sacrifice these essentials for a tax cut that most taxpayers will not even notice.

- *Restructure Tax Abatements and Incentive Exemptions.* New York City ought to review programs that give up expected future tax revenues as inducements and abatements to ensure projects that spur economic activity above the lost future revenues. This means modifying or ending abatements and exemptions as appropriate in neighborhoods that need no inducements to spur development. The revenue realized can be directed towards affordable housing subsidies, infrastructure needs and debt reduction.

- *Hotel Tax.* Eliminating the hotel tax basically affects tourists. IBO's review shows that the current reduction produces 50 percent less alternate tax revenue than would be realized if the tax were not eliminated.

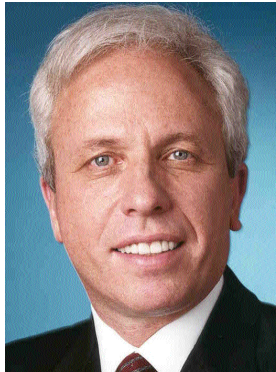
- *Study PILOTs.* Many institutions including universities and large non-profits earn substantial incomes but remain exempt from taxes that fund essential services they receive. While a case may be made that their presence as an employer helps stimulate the economy and results in other indirect revenues to the City, it makes sense to analyze carefully the economic benefits and costs and determine where payment in lieu of tax agreements ought to be made.

In addition to taxation policies, New York City needs to improve its schools, secure funding to develop its transit and transportation infrastructure, and implement policies to help strengthen existing and emerging industry. This includes working with the Port Authority to develop the rail freight tunnel and a network of intermodal centers to reduce dependence on trucking and working to keep the airports competitive centers that foster growth.

Mark Green

Party Registration: Democrat

What would you do as Mayor to eliminate the City's projected budget gaps?



I believe that fiscal responsibility is about making choices and setting priorities. In a Green administration, my top priorities will be the education of our children and the protection of our families. New York City residents can rest assured that when the inevitably tough decisions are to be made regarding the allocation of our scarce budgetary resources, I will never sacrifice these overarching goals. However, with our City facing serious potential deficits, I believe the right choice is to balance targeted tax cuts with smart investments - not to implement across-the-board cuts. I choose first to invest in smaller classes, the best police and teachers in the world and affordable housing, and second to eliminate the regressive \$250 million tax on all energy bills, which hurts businesses and consumers alike, and create a full Earned Income Tax Credit so lower-income families aren't saddled with a City tax.

I will shift certain priorities as well to create additional breathing room in our budget. For example, under the current budget plan, the school construction share of the capital budget will fall to \$1.5 billion in the next four years. I propose to redirect priorities by reallocating \$250 million in the City's Capital Budget from replacing underutilized jail facilities to building 4,500 new seats in public school classrooms. Despite a school overcrowding crisis, an analysis of the City Ten Year Capital Strategy found proposed capital spending on school construction would fall by \$1.5 billion over the next four years. Between FY1998 and FY2001, school construction accounted for 26.3 percent of the total capital budget. That percentage will decline to 18.4 percent between FY2002 and FY2005. With crime down and with the City committed to driving crime down further still, it is time to invest in solutions to the new overcrowding crisis in our schools.

As Mayor I will spearhead the effort to recover a greater percentage of our \$8 billion federal payment imbalance. New York City should get a more equitable return on the funds they send to Washington, DC. Also, City schools should get their fair share of State educational funds and I will continue the fight to bring equity to the funding process.

I am committed to a budgetary path guided by fiscal responsibility. Under present budget projections the City will face large out-year budget gaps. I believe some of these gaps may be addressed through productivity initia-

tives and smarter government. Proposals that rely on one-time revenue boosts and assorted accounting gimmicks fail to instill the fiscal discipline necessary for our City's future development. I refuse to push the difficult choices to our future leaders and generations. In a Green administration we will spend within our means. With our clear budgetary priorities in place we will be able to accomplish our goals and preserve the City's bright financial future.

Given that Mayor Giuliani has negotiated contracts with some City unions that will expire in June 2002, and that he may not reach agreement with all unions before he leaves office, the next Mayor will be negotiating new labor contracts in his first six months in office. What outcomes will you seek in collective bargaining and how will your approach differ from the current Mayor's?

In the face of multi-billion dollar out-year budget deficits, City government must be run more efficiently. To do so, there needs to be a new era of labor-management cooperation in New York City. I strongly support the idea of gainsharing, where workers—who often know their agencies the best—have a real incentive for coming up with ideas that save money. Unions will cooperate with this approach if they can guarantee their members that they will share in the benefit.

I have also made it clear that while I support pay increases for all teachers, most of the increase should come through incentive pay based on performance—both for the best teachers who also take on the role of mentoring new teachers and teachers who work together to turn around their schools.

What are the most important steps that City government can take to improve New York City's economic competitiveness?

New York City faces numerous economic challenges from dealing with the impact of the national economic slowdown to meeting the demands of the rapidly changing global information economy. To meet these challenges, I will focus on five key areas:

Creating a 21st Century Workforce — Last November, I sponsored Tech Works NYC, bringing 150 employers together with local colleges and universities. In a Green administration, we would create a New York City Technology Education Consortium for Hiring (NYC-TECH) made up of a coalition of colleges, schools, government, and industry focused on creating job tracks to and careers in the new media and software industries. New York City needs graduates prepared to enter jobs in the economic sectors that will shape our future.

Finally, in developing a new workforce, we must make sure that our public schools are preparing our kids for the skills and smarts that this new economy requires. Smaller

class sizes and teacher accountability will improve our kids' education, so that our City is producing the best workers out there.

Investing in Infrastructure — It's time again to build New York—with new schools to teach the workforce of the 21st Century; a Second Avenue subway to improve transit connections—not just to Midtown, but to new downtowns in the Bronx and Brooklyn; extension of mass transit service to West Midtown; and a cross harbor rail freight tunnel to reduce truck traffic. Housing infrastructure is of particular concern to our City's competitiveness. Too many companies leave New York because their workforce can't afford to live here. I outlined a goal of creating 50,000 units of housing—in part, by creating a \$1 billion Housing Trust Fund based on new revenue from Battery Park City and the sale of City-owned property. And we'll start the process in the first month of the Green administration when I convene a Mayoral Summit on housing to establish a blueprint on exactly how to meet that goal. Finally, New York needs a world-class convention center: State and City officials must quickly come to an agreement on plans to expand the Javits Center.

Creating a New Focus on Economic Development in City Government — Downtown Brooklyn is ideal for commercial, residential and cultural development. I will push the State to create a Downtown Brooklyn Development Corporation, modeled on the 42nd Street Development Corporation that was responsible for the transformation of Times Square. We'll move quickly to assemble additional space for commercial development to build out from Metrotech. We'll move ahead with Department of City Planning's Downtown Brooklyn Special District, rezoning parts of Downtown Brooklyn to allow for increased height and bulk.

Effective government is an essential component of an attractive business environment. I will make City business-service agencies more responsive to the small and medium-size businesses they are intended to serve. As Consumer Affairs Commissioner, I helped end licensing requirements for a dozen different categories of business. As Public Advocate, I continued by authoring laws that freed a dozen lines of commerce from outdated consumer licensing requirements. In order to help businesses navigate complex government bureaucracies, I will make government more accessible by establishing a well-publicized business assistance phone line and Web site amply staffed by professionals who respond immediately and who have the authority to cut red tape and get results. I will create true one-stop small business service centers throughout the City, institute systems to allow many more City business forms and applications to be submitted on line and set up offices dedicated to assisting new businesses and new industries.

Reducing the Tax Burden for All Businesses — New York City's taxes are among the highest in the nation. But rather than just providing tax breaks for individual firms, the City

should phase out onerous, anti-competitive business taxes beginning with the City utility tax on energy and telecommunications. As Public Advocate, I called for the elimination of both the State and New York City utility gross receipts tax, estimating that as a result more than 7,000 new jobs would be added over the next decade. Targeted tax relief is only part of the solution; we need to begin to focus less on firm-by-firm tax breaks and incentives and more on a sector-by-sector basis. This means examining and meeting the needs of each industry that contributes to our diverse economy. Foremost, business taxes must be reduced uniformly. We can no longer rely on one-time deals intended to keep specific firms here in New York City while the broader tax base bears the financial burden. We need to focus on how the tax burden shapes our City's growing economy and use tax incentives to bring emerging industries to New York City.

Planning for Smart Growth — New York needs new space for businesses, whether they are dot-coms or niche manufacturers. It's a contradiction that businesses complain of a lack of space, as thousands of acres of developable land remain vacant or underutilized. Because too often zoning is a barrier to redevelopment, the Zoning Resolution must be updated to reflect the City's social and economic needs of the 21st Century, not the 1960s. That means a careful assessment of the thousands of acres still zoned exclusively for manufacturing so that it preserves space for niche manufacturing at places like the Greenpoint Manufacturing and Design Center and in Sunset Park, while opening up acres of land for compatible commercial and residential uses.

As Public Advocate I have been a steadfast proponent of "brownfield" redevelopment. In a June 2000 study, I documented how New York City and State do little to clean up and aid in the redevelopment of New York City's 3,000 acres of brownfields. With a growing shortage of suitable development sites, particularly for manufacturing and high-tech uses, many small companies are relocating out of the City. The next Mayor needs to combine greater regional cooperation and thinking along with a municipal plan that invests in a skilled workforce. Then New York will be ascendant in the Information Technology Era as we once were in the Industrial Era. My five-point plan will improve the City's economic competitiveness and continue to attract the world's best businesses and workforce.

Alan Hevesi

Party Registration: Democrat



What would you do as Mayor to eliminate the City's projected budget gaps?

Projected budget gaps can be closed by growing our economy, increasing government productivity, and slowing or reducing City spending.

In the near-term, economic growth can be promoted by cutting taxes that make it difficult for local businesses to be competitive. (See answer to Question 3 for specific taxes that should be cut.)

In the long run, however, our economy won't be able to continue to grow unless we substantially improve our schools. New York has to have a workforce that possesses the broad range of skills that the private sector demands, whether it's proficiency in English, basic math, or commonly used computer programs. To accomplish this, we're going to have to increase the number of certified teachers in our classrooms and reduce average class size (which we can do by building new schools, expanding existing schools and keeping schools open longer hours, including weekends and summers). We also need to revamp our school system's vocational education program, so students who aren't planning to attend college can acquire skills that will allow them to pursue high value-added employment in the skilled trades—as electricians, computer technicians, plumbers and mechanics. Doing this will require partnering with labor unions and the business community, who can help by providing apprenticeship and internship programs, as well as by keeping the Board of Education current on the skill sets that today's economy requires.

As I have done at the Comptroller's Office, I would aggressively pursue productivity initiatives that take advantage of state of the art technology. Agencies whose activities have the greatest impact on economic growth—like the Buildings Department—should be modernized immediately. Building permits and other business-related permit applications should be processed on computers—paper files should be eliminated—and application forms should be available on-line. Electronic filing of permit applications should also be implemented, and applicants should be able to track the status of applications over the Internet and submit inquiries by e-mail.

In order to contain spending, I would require each agency to undertake a zero-based review of its activities, in which it would have to justify the continued need for those

activities or services. Government activities and services would then be prioritized and those that are determined to be low priority would be selectively frozen, as fiscal conditions require. I would also explore opportunities to save money by outsourcing or privatizing non-essential functions that the private sector can perform more efficiently, which is something I have done in the area of claims processing as Comptroller.

I would also conduct a similar review of all proposed tax cuts that haven't been fully implemented yet, to separate those tax cuts that have the most potential to promote economic growth from those that are less growth oriented. Proposed tax cuts with relatively little stimulus potential might have to be postponed, depending on fiscal conditions, while those that would impact growth the most would be kept in place or fast-tracked.

I would use operating surpluses and one-shot revenues for capital expenditures, in order to reduce the City's reliance on debt and stem the growth in debt service that the City has to pay. This is an approach that I have consistently advocated during my tenure as Comptroller. One-shot revenues have to be paired with one-shot expenditures, otherwise the City sets itself up for future financial crisis.

Given that Mayor Giuliani has negotiated contracts with some City unions that will expire in June 2002, and that he may not reach agreement with all unions before he leaves office, the next Mayor will be negotiating new labor contracts in his first six months in office. What outcomes will you seek in collective bargaining, and how will your approach differ from the current Mayor's?

My goal is to have a municipal workforce that is well managed, well motivated, very productive and competitively paid. While issues such as productivity improvements and agency restructuring are an appropriate part of the mayoral debate, it is wrong to make blanket statements regarding wages and productivity increases, since different categories of workers face different circumstances. I have no ideological opposition to merit or performance pay or gainsharing, and under appropriate circumstances favor these types of incentives. However, it is a subject best left to collective bargaining negotiations. The City's workers and their families are entitled to fair raises. The City's taxpayers are entitled to reap the rewards of productivity enhancements whenever possible.

What are the most important steps that City government can take to improve New York City's economic competitiveness?

The most important thing New York City needs to do to improve its economic competitiveness is improve the quality of the education our children receive. New York's main competitive advantage over other cities, and other regions, is the quality of our workforce—a workforce that has historically been, and continues to be, diverse, creative and, in many ways, on the cutting edge. That advantage is quickly being eroded by a failing school system that turns out too many students lacking in the basic skills needed to function in even relatively low skill jobs, let alone compete in today's high-tech economy at a more advanced level. Fixing our schools has to be our top priority.

We also need to do more to upgrade the skills of our adult population, by providing computer training to those who want it and making better use of the federal funds that are available for job training programs under the Workforce Investment Act.

In addition to improving the quality of our workforce, we have to eliminate local taxes that impede economic growth by penalizing businesses for locating here. The City's S Corporation tax, unincorporated business tax and commercial rent tax should all be phased out completely.

I would also actively promote the development of sectors of the economy that, although possessing significant growth potential, have thus far suffered from inertia that the City may be able to reduce. The software and information technology industries, along with biotechnology, are sectors whose growth could be aided by creating government support offices modeled on the Mayor's Office of Film, Theatre and Broadcasting. These new offices would be charged with assisting entrepreneurs in locating appropriate, affordable space; serving as an information clearing-house and liaison to bring potential private sector partners together; helping to forge partnerships between businesses, the City and local universities and research centers; and expediting government permits and approvals.

Infrastructure needs are also going to have to be addressed if our economy is to remain competitive. As we approach the limits of our capacity to produce electricity, it is critical that the Mayor assume a leadership role and work with local communities, the power industry and the State to see to it that new power plants are built over the next few years. We must ensure that enough generating capacity exists to not only avoid power shortages and blackouts but also create genuine competition in the wholesale power markets, in contrast to the oligopolistic market that exists now (particularly during peak demand periods).

We also have to increase the size of our housing stock, especially for working class and middle class families. That is why I have proposed dedicating revenues from Battery

Park City, and increased property tax payments from the World Trade Center, to help finance the construction of 105,000 units of affordable housing for low, moderate and middle-income families over a five-year period.

Finally, our transportation infrastructure is being strained beyond its physical capacity and will have to be expanded for growth to continue. Priorities include (1) building a Second Avenue subway line to alleviate overcrowding on the Lexington Avenue lines and improve access to the midtown and downtown Manhattan central business districts; (2) extending the Number 7 line to the Jacob Javits Center (or implementing a light rail alternative), in order to spur development on the far west side of midtown Manhattan; (3) creating one-seat rides to our airports; and (4) getting the Port Authority to build a rail freight tunnel to reduce truck traffic on our streets and increase our ability to handle marine cargo.

Peter F. Vallone
Party Registration: Democrat

What would you do as Mayor to eliminate the City's projected budget gaps?



As Speaker of the New York City Council, I have responsibly managed the fiscal health of New York City. I have experience managing our budget during good times and bad. During the economic downturn of the early 1990's, I was able to keep the faith of bondholders and a financial control board was never needed. We may have had an economic crisis, but we did not have a fiscal crisis. As Mayor, I will continue to focus on passing on-time, balanced budgets. In order to keep the City fiscally healthy, we will need to eliminate the City's projected budget gaps and there are a number of steps we can take to do precisely that.

First, we need to make reasonable forecasts of tax revenues. For the last few years, the administration has underestimated revenues by over one billion dollars. While it is important that revenue estimates are prudent, or even conservative, they cannot be unrealistic. Such unreasonable and underestimated revenue estimates give the impression that the out-year gaps are larger than they actually are. In the last few years, the Council's revenue forecasts have been shown to be far more accurate than those of the current administration.

Second, a thorough review of all agencies is needed in order to enhance efficiency and eliminate duplication. During my tenure as Speaker, the City consolidated several agencies, creating the Department of Information Technology and Telecommunications and the Department of Citywide Administrative Services. We also merged the Housing and Transit Police into the Police Department. All of these actions were done not only to improve service, but also to increase efficiency. As Mayor, I would review all agency functions to determine where appropriate savings could be achieved.

Finally, I would develop proposals that make more efficient use of existing resources. For example, year-round schooling deserves careful consideration since it would enable us to better utilize our educational facilities and equipment. I would also look at creating multi-user/multi-agency locations when siting public facilities. This could potentially reduce the number of sites that we need for public services and increase economic efficiency.

In addition to the steps outlined above, the City's budget can also benefit from one-shot revenues and operating surpluses. One-shot revenues are useful sources of funding, but I would not use them for recurring expenses or programs. Instead, one-shot revenues, like those gained from asset sales, should be used for one-shot spending.

Operating surpluses, which are different from one-shot revenues, should be used in part to create a rainy day fund that the City can use during economic downturns. Although I have repeatedly asked Albany for the right to "bank" operating surpluses in a rainy day fund, so far this request has been refused. Therefore, the City does not have a true rainy day fund, and instead we can only roll a surplus from one year to the next by pre-paying debt service.

I am confident that as Mayor, I will lead the City on a course to strong fiscal health.

Given that Mayor Giuliani has negotiated contracts with some City unions that will expire in June 2002, and that he may not reach agreement with all unions before he leaves office, the next Mayor will be negotiating new labor contracts in his first six months in office. What outcomes will you seek in collective bargaining, and how will your approach differ from the current Mayor's?

Throughout my tenure as Speaker, I have developed a reputation for being fiscally responsible, which I will carry with me as Mayor. As Speaker and candidate for Mayor, I am well aware that many labor contracts between the City and municipal unions may not be reached prior to December 31, 2001. I will be fully prepared to negotiate with these unions fairly and justly upon becoming Mayor.

My style of governance and negotiation is significantly different from that of Mayor Giuliani. I have always had an open-door policy, and have worked to find compromise and build consensus. I believe that through on-going dialogue and negotiation, contract agreements beneficial to all parties can be obtained. As Mayor, I will set the tone to create a collective bargaining process which is fair, constructive and timely.

I do not believe that anyone benefits when the City refuses to bargain with a union over an extended period of time. I also do not see the benefit of letting a contract expire as a standard form of negotiation. I will work with the unions to make sure that communication continues even during times of disagreement over issues.

I also support pursuing gainsharing arrangements with City workers. People who do a specific job everyday are the most capable of devising cost-cutting mechanisms and finding ways to increase productivity. In order to spur such

innovation, the City should negotiate with unions to implement gainsharing arrangements wherein savings obtained through increased productivity can be shared between workers and the City.

It is clear that I strongly believe in paying workers what they deserve. I also believe in fiscal responsibility. As Mayor, I am confident that we will be able to discuss these matters in good faith, create compromises and reach contracts that satisfy all parties involved.

What are the most important steps that City government can take to improve New York City's economic competitiveness?

Throughout the 1990's, New York City experienced a great economic boom and added more than 200,000 new jobs. Businesses that once scrambled to leave New York are now eager to locate here. Restaurants and shops have opened in record numbers, not only in Manhattan's business district, but also in previously economically depressed neighborhoods. While there is mounting evidence of a coming economic slowdown in the United States, the overall economy of New York City appears to be in good shape. To compete in the global economy, businesses need efficient transportation for the movement of goods and people. The continuing prosperity of the City is directly linked to our ability to manage our fiscal health and to maintain the functioning of our infrastructure.

During my tenure as Speaker of the City Council I have responsibly managed the fiscal health of New York City, and the whole City has benefited economically. I have encouraged business investment in New York City through the use of tax incentives for real estate and equipment purchase and use, energy cost assistance programs and tax credits for employment. I have also worked to create special business and economic development districts with the primary goal of bringing economic growth to the outer boroughs of the City. We have also provided tax credits that greatly reduce the tax burden felt by small business owners. As Mayor, I will continue to lead the City on a prosperous path, using tax incentives, where appropriate, to spur economic growth. I have already reduced the Commercial Rent Tax, and I am committed to eliminating it over time. I also support tax cuts which will, by benefiting families across New York City, in turn benefit businesses that rely on our residents for employees and consumers. For example, I support deepening the coop-condo abatement, enacting earned income and childcare tax credits, and eliminating the mortgage recording tax for first-time homebuyers. These types of tax reforms will benefit the whole City.

As Speaker I have created initiatives aimed at keeping the City competitive in other ways. For example, in 1999, the Council created an Emerging Industries Fund to provide capital investments for high-tech companies in the City. I have also worked with the Digital NYC program to help establish affordable, Internet-ready office space in the outer boroughs. As Mayor, I would continue these programs and establish others that help businesses in New York City compete globally.

To compete in the global economy and continue our economic prosperity, New Yorkers and businesses need reliable, affordable and efficient transportation. In addition to providing such services to the millions of New York City residents, the City also provides them for the millions who work in and visit the City. As Mayor, as I have as Speaker, I would advocate at the State and federal levels to ensure that the City obtains the resources we deserve to keep our transportation system in top shape. I would also work with the Economic Development Corporation (EDC) to set transportation priorities and coordinate them with the MTA.

I am committed to building the Second Avenue subway that will run from the Bronx to the Battery and into Brooklyn. It is painfully clear that this line is the vital missing link in our subway system. I was disappointed that the bond measure failed last fall. As Speaker, I have called upon the State and Congress to provide financial support for this project, and as Mayor I will continue to work to see that it is built. I also favor extending the Number 7 subway line. As Mayor, I will work to increase the capacity and efficiency of our subway system, which is vital to our City.

New York is one of the only major cities in the United States that has not built a rail-freight connection across its harbor or river. Constructing a cross-harbor tunnel would produce an economic return of roughly \$420 million per year and would remove one million trucks from the City annually, benefiting the environment, reducing traffic and lowering the cost of consumer goods. I support EDC's investment of \$7 million in the Environmental Impact Statement phase of the project, and have called on Congress to fund the remaining portion (\$15 million over two years). In the years to come, this tunnel will provide a major economic return to the City.

As Mayor, I will take the actions necessary to keep New York City economically competitive through governmental fiscal responsibility, tax incentives, infrastructure development and economic development initiatives.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments. The Commission conducts research and regularly issues reports and recommendations based on that research. The research is conducted by staff members and consultants, and guided by committees composed of Trustees of the CBC.

Citizens Budget Commission

11 Penn Plaza, Suite 900
New York, New York 10001
(212) 279-2605 phone
(212) 868-4745 fax
e-mail: info@cbcny.org
web: www.cbcny.org