The 2009 Budget: Drawing the Battle Lines

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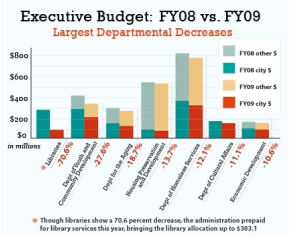


The mayor's 2009 executive budget holds spending steady for the first time in five years, and at least 12 city agencies are seeing their spending slashed to varying degrees (this graph was created by Gotham Gazette from figures in the mayor's Fiscal Year 2009 Executive Budget).

Say sayonara to superfluous city spending, adieu to rosy revenue projections and farewell to fat city coffers.

For the first time since 2002, Mayor Michael Bloomberg's executive budget slams the brakes on agency expenditures -- ending the spending increases of the last five years. At the same time, Bloomberg has tentatively agreed to keep the 7 percent property tax reduction for one more year and continue the $400 tax rebate indefinitely.

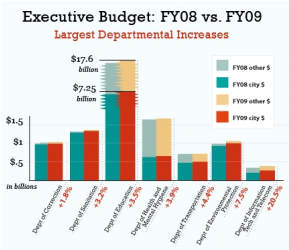
At City Hall on Thursday, the mayor -- dressed in a crisp blue suit and red tie -- pointed to the slips and slides of Wall Street and to gloomy economic forecasts. Those predictions, the mayor contends, cannot be ignored.

"The numbers are scary," Bloomberg said during a presentation that kicks off his formal budget negotiations with the City Council. "Wall Street, which we depend on for tax revenues, is having some serious problems."

Those problems affect city agencies, and now the mayor is proposing to slash 6.4 percent of city funded expenses in fiscal year 2009 . What started as a so-called across the board cut -- which the mayor first announced last year -- is beginning to play favorites, with certain agencies and programs, like the city's Department of Youth and Community Development, slated for more cuts than a few other areas, like the Department of Information Technology and Telecommunications, which is getting an increase in city funding.

The largest proposed cuts come in programs that are key City Council priorities.

Though these decreases are not definite -- the City Council and the administration must reach an agreement and pass a balanced budget by July -- you can bet this latest budget battle will be far less congenial than those of recent years.



While much of the growth in city spending is grinding to a halt in the 2009 executive budget, some departments have fared better than others. At least nine agencies could see an increase in spending from fiscal year 2008 (This graph was created by Gotham Gazette from figures in the mayor's Fiscal Year 2009 Executive Budget).

An Overview

On Thursday, the mayor proposed a $59.1 billion budget -- a small increase from his $58.5 billion proposal released in January . The budget includes $1.3 billion in cuts for fiscal year 2009, which starts in July.

Higher than expected revenues and a 33 percent increase in foreign tourists since 2000 have provided some cushion for the city. But, according to Bloomberg, our fiscal horizons remain cloudy. For fiscal year 2010, the mayor said he expects a deficit of $1.3 billion, growing to $4.6 billion in fiscal year 2011.

Because of that, the administration plans to roll back the 7 percent tax break, passed in 2007, to raise $1.22 billion -- but not until fiscal year 2010. (Some officials see that proposal as a stretch, since next year is an election year, and politicians dislike raising taxes the year their name is on the ballot).

One official said it was not impossible, though unlikely, that the City Council would revisit the tax rate this year, depending on the economy.

"Obviously if we needed revenue we could raise the property tax by a percent or two," said the council's Finance Committee Chairman David Weprin. "The sense of the council is everyone would like to see the property tax stay in place for the most part."

In what many have termed a significant but needed cut, the mayor also proposed to extend the city's four-year capital plan to five years, effectively slashing 20 percent of the program's cost by extending proposals -- not eliminating them. The administration has not determined which projects will be pushed back and plans to release that information in September.

For the most part, the city's fiscal watchdogs saw the mayor's proposal as sound -- a realistic approach to a teetering stock market and an economy that, some analysts say, is ensnared in a recession. But critics have already emerged and are gearing up for a contentious battle over some of Bloomberg's planned cuts, particularly in education.

Wall Street Pains

While tourism continues to boost revenues, Wall Street's woes have barreled down Broadway and into City Hall. Wall Street firms lost more than $11 billion in 2007, after posting record profits the previous year, according to the mayor's office.

Because Wall Street drives the city's economy (wages in the securities industry alone account for 25 percent of city salaries), any volatility there can threaten city programs.

Much of his hour-long budget presentation was devoted to the financial sector's impact on the New York City economy. In slide after slide, the mayor reiterated Wall Street's influence, despite efforts to diversify city revenue.

"Everyone in this city should pray that Wall Street does well," said Bloomberg gesturing to a slide with his presentation's typically morose statistics.

The city's fiscal watchdogs and observers have echoed that sentiment. While little can be done about the impacts of this economic slowdown, some experts suggested the administration should attempt to limit Wall Street's impact in the future.

Nicole Gelinas, a senior fellow at the Manhattan Institute , said the city should explore other

sources of revenue, so it is not held hostage to the ebb and flow of the stock market. "A lot of this is designed on our tax structure," said Gelinas. "We could make this a lot easier if we designed a structure that attracts new businesses."

Where the Cuts Run Deep

A pillar of the Bloomberg's fiscal year 2009 budget is that no one is immune -- all city agencies must shoulder the burden of hard times, which some see as a fair approach to fiscal policy.

"From a fairness point of view, you don't want to have any sacred cows," said Charles Brecher, executive vice president and director of research at the Citizens Budget Commission . "Everyone has to pitch in."

Although Bloomberg directed all agencies to submit approximately 3 percent cuts last year and another 5 percent for fiscal year 2009, some departments are now bearing more of the burden than others.

According to an analysis of budget documents, several agencies are seeing more than 10 percent cuts in city spending. The Department of Youth and Community Development has a 27.6 percent decrease in city spending for fiscal year 2009 compared to the projected city spending in fiscal year 2008. The Department for the Aging , Department of Cultural Affairs , Department of Homeless Services and Housing Preservation and Development are all slated for large cuts in city spending -- ranging from about 11 to 19 percent.

"Any further cuts to the Department of Aging, is serous business in my backyard," said Councilmember Vincent Gentile .

Other departments have been spared. The Department of Information Technology and Telecommunications is seeing a 20 percent increase in city funding, catapulting their funds from $202 million to $243.7 million. The increase, according to the mayor's executive budget, will go to the city's new wireless network

for emergency personnel and to support the city's 311 information hotline.

Some of the rising costs, however, are out of the administration's control. For instance, the Department of Sanitation's expenditures have risen by 2 percent from 2008, which, according to budget documents, are attributed to the rising personnel and waste export costs.

Overall, some of the agencies that see large decreases in city funding may have gotten a boost in funding from the state or from Washington. Others, like the Department of Youth and Community Development, saw their federal funding actually decrease as well.

City Council tends to put a high priority on spending for community-based groups and programs that tend to get funding from the city's youth department and other departments slated for spending cuts, such as the Department of Cultural Affairs, which is facing an 11 percent cut in city spending. In the past when such programs have been cut by the administration, the council has restored their funding during budget negotiations -- a process called the budget dance. Some observers have crticized this maneuver, saying the executive branch's reductions are meaningless, since they are always restored, allowing council members to score easy political points .

"We've come a long way to ending the budget dance," said Weprin , alluding to the back and forth between the administration and the council. "It always seems to be that when there are cuts, council priorities seem to go first."

Battle Lines Drawn

One priority close to the Bloomberg administration, education, has been thrust to the budget debate's center stage. A coalition of more than 40 organizations, including the city's powerful teachers union, already is preparing to launch a publicity campaign slamming the administration for backing down on its promise to fund education.

While the city's education funding is actually up from fiscal year 2008, by about 3.5 percent, advocates contend higher costs for food, energy and the overall impact of inflation mean the Department of Education and classrooms will end up losing out. In this year's state budget,

education funding saw a 7 percent increase compared to the last fiscal year.

On the steps of City Hall on Wednesday, the day before Bloomberg released his executive budget, city officials and advocates railed against the mayor -- urging him to "keep the promise" of continuing to increase education funding.

"Turn this car around," said Robert Jackson, chair of the council's Education Committee , who pledged to vote against the budget if the department's funding was not restored. "You're heading in the wrong direction. You're supposed to be the education mayor," he added, alluding to Bloomberg's takeover of the public schools.

Following the release of the mayor's budget, Council Speaker Christine Quinn called the total budget proposal responsible, but hesitated to lend her full support because of the proposed funding to the education department. "While the news of continued relief for homeowners is a positive step, the cuts to a number of city agencies, most notably to the Department of Education, are a cause for concern," she said in a prepared statement. "The council remains committed to ensuring that the necessary cuts have the least possible impact on our classrooms."

It is likely the Department of Education will not be the only battleground at City Hall this fiscal year. Libraries, which have often been the focus of the City Council and the administration's budget dance, are making an encore appearance on the dance floor.

Though the budget shows a 70 percent decline in city funding for the city's library system, funds have been prepaid to keep services up for fiscal years 2008 and 2009. But cuts elsewhere, like to the nearly $50 million needed to keep branches open six days a week, are being cited by some members as a priority.

"Sixty percent of the money added last year for six day service would be eliminated, which would in effect destroy six-day service," said Gentile, who chairs the council's subcommittee on libraries.

Other areas identified as council priorities, like the Quinn's suggested tax rebate for renters or her proposal for a sales tax free week, were left out of the mayor's budget. So far, the council's suggestions to cut spending in the administrative offices of the Department of Education and out of the classroom have not seen a response from the administration.

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