

Labor Community Advocacy Network
to Rebuild New York

Policy Statement

April 24, 2002

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Executive Summary

The Labor Community Advocacy Network (LCAN) is a network of representatives from over 50 New York labor unions, community groups, research and advocacy organizations, and service providers. The Network has been coordinated by the Fiscal Policy Institute and the Central Labor Council of the AFL-CIO, with financial support from the Rockefeller Foundation and the Open Society Institute.

For over six months, the network has been meeting regularly to hammer out a thoughtful and detailed program for the reconstruction of the city in the aftermath of the September 11 terrorist attacks.

It is clear that real choices about the use of resources are not far down the road. What New York needs more than a surface appearance of consensus is an open and honest debate about those resource allocation decisions.

This statement endorses the following principles: 1) The rebuilding decision-making process must be broad-based, transparent and inclusive. 2) Rebuilding must be linked to all the people, businesses, and communities damaged by September 11, not just to those in Lower Manhattan or in high-wage industries. 3) Redevelopment resources should be concentrated on infrastructure, not on corporate subsidies. 4) We must rebuild for social, economic, and environmental sustainability. 5) Public revenues must match public needs, even if this means raising taxes.

1. The rebuilding decision-making process must be broad-based, transparent and inclusive.

The number of decision-makers in the rebuilding process is not as complex as it seems at first glance.

True, the major decisions are broken up among a welter of public and quasi-public corporations, including the Urban Development Corporation (doing business as the Empire State Development Corporation) and its subsidiary the Lower Manhattan Development Corporation, the Port Authority of New York and New Jersey, the NYC Economic Development Corporation, and the Metropolitan Transportation Authority. Yet, the real decision-making power in almost every instance goes back to the Governor and the Mayor (In the case of the Port Authority, the Governor shares control with the Governor of New Jersey.)

The process for decision-making about rebuilding the city needs to be made more transparent, and there need to be better opportunities for input into the process.

The rebuilding process should stand on three legs: government, the private sector, and civil society.

So far, none of the three sectors has been engaged broadly enough. And in all three, the racial and ethnic balance among participants is far from representative of this extremely diverse city.

Government. The state legislature, city council, and community board members areas should all have so far been marginalized in the decision-making process. As the elected representatives of the communities that will be affected by the rebuilding, these officials should have a significant and engaged role to play.

Private Sector. Finance and real estate interests should have a say; but so should small-businesses, utilities, universities, experts on sectors that have potential for growth, and disinterested experts on business development.

Civil Society. New York has an extraordinarily rich array of civil society institutions—labor unions, community organizations, research and advocacy groups, nonprofit service providers, religious institutions—many with dozens of years of intensive community experience. Since September 11, these groups have been involved in a groundbreaking set of collaborative policy discussions. Several of the post-September 11 policy groups—including the Labor Community Advocacy Network—represent a major sustained commitment of time and expertise. These groups should have access to better channels for meaningful input and influence.

2. Rebuilding must be linked to all the people, businesses, and communities damaged by September 11, not just to those in Lower Manhattan or in high-wage industries.

The planes that hit the World Trade Center towers had a powerful effect that surged quickly through the arteries of the city economy.

At year-end 2001, nearly 75,000 people around the city had lost their jobs as a direct result of the World Trade Center attack, and another 13,000 jobs were relocated out of the city related to September 11. Of these, 1,800 people lost their jobs in the securities industry. There were also 3,500 jobs lost in hotels because of the terrorist attack, 10,600 in retail trade, 10,800 in air transport (because the airports were closed, then because of the drop in tourism to the city), and 12,500 in restaurants. Chinatown suffered a 25 percent job loss when all its major industries (apparel, restaurants, and tourism) were hard hit. Thousands of other workers suffered steep declines in wages as business activity in almost every sector plunged for some period of time.

Jobs lost due to the World Trade Center were located in all parts of the city, not just in Lower Manhattan. As a result, the rebuilding effort should be aimed to assist all of these

affected workers and neighborhoods. This means first and foremost putting people who lost their jobs back to work.

As of March, 2002, over 271,000 New Yorkers are jobless—an unemployment rate of 7.7 percent. A substantial number of new jobs are needed right away if the workers who lost their jobs because of the attack are to find new employment without displacing other employed New Yorkers.

The rebuilding effort should include a two-pronged job-creation program that will generate 75,000 jobs. This program should encompass both 50,000 publicly-subsidized jobs in the private sector, and 25,000 short-term public sector jobs that enhance the city's social capital and public infrastructure. Public support for private-sector jobs might include wage subsidies, skills upgrading, and moving workers from industries with limited near-term opportunities to industries in need of new workers. Short-term public-sector jobs could include counseling and other social services needed during recovery, expanded service to deteriorated public parks, or repainting and temporary aides for schools and other much-needed added public goods and services. This two-pronged initiative, would cost roughly \$1 billion—well within the budget of the \$2.7 billion in Community Development Block Grant money, and a cost well merited to help those who lost their jobs due to the terrorist attack get back on their feet in a recession.

In addition, another part of the \$2.7 billion in federal block grant money going to the Lower Manhattan Development Corporation should be used to develop a substantial multi-sectoral jobs-oriented strategy, with coordinated job training, ongoing worker education, industry development, sectoral technical and loan assistance programs. A multi-sectoral of this kind should focus on a “high road” strategy, promoting businesses that can support living wages and career ladders to the middle class. Initiatives that help put industry on the “high road” include expanding the skills of employees, increased capital investments, and coordination with labor unions and universities—often to produce higher-quality products that command higher prices. Special efforts should focus on making these programs work for women, new immigrants, and people of color—those

who are often shunted aside. Strong existing models for sectoral strategies include the Garment Industry Development Corporation in New York, or Wisconsin's Regional Training Partnership; similar models could be developed in a half-dozen industries, serving the dual purpose of diversifying the economy and putting displaced workers back to work.

A decade ago, New York City created the Economic Policy and Marketing Group under the Deputy Mayor for Economic Development that developed, in conjunction with business and labor leaders, a package of sectoral economic strategies. A similar city effort should be revived today, to identify the most promising and attractive sectors, and to target resources to their development.

3. Redevelopment resources should be concentrated on infrastructure, not on corporate subsidies.

The comparative advantage of New York is the high value of being located within range of a large and diverse workforce, being near an array of other businesses, and being in a cultural, financial, and media center.

Building on this comparative advantage by investing in the city's infrastructure is a better use of resources than using tax incentives to try to compete with regions that have lower costs. Public transportation should be rebuilt and expanded so that it provides better and more accessible transportation options for people in underserved city neighborhoods as well as to the suburbs. Large buildings should have their own small electric generators, moving them toward electrical independence and security.

In addition to an infrastructure to support the location of business, a good business climate requires sustaining the places where employees live. That means good public schools, affordable housing, and livable communities. The president of Lower Manhattan's Business Improvement District, the Alliance for Downtown New York (and

now a member of the LMDC board) has called the excellent local public elementary school “the best economic development project we’ve ever had.” Similar development must be done to make attractive other neighborhoods around the city where displaced workers live and could live.

Wherever tax subsidies and other aid are given, however, they should come with a strong set of enforceable commitments. Any jobs at or jobs contracted out by firms receiving subsidies should pay at least a living wage. Job stability, benefits, apprenticeship and pre-apprenticeship programs, and agreements not to interfere in union organizing should also be conditions of receiving public subsidies, enforceable by “clawback” agreements under which violations require returning funds to the city. And, construction jobs generated by publicly subsidized infrastructure and development projects should be used to launch low-income New Yorkers on careers in the unionized construction trades by requiring contractors to have approved apprenticeship programs and by giving jobless New York City residents priority for admission.

4. We must rebuild for social, economic, and environmental sustainability.

Rebuilding should be done to ensure maximum social, economic, and environmental sustainability.

This means meeting standards for Green Buildings that impose minimum water and electrical burdens, with buildings moving toward electrical independence. And it means developing systems for waste to be handled close to where it is produced, without undue negative impact on other communities around the region.

It also means a somewhat lower density of offices in Lower Manhattan, and building up instead a multi-centered region with two major centers in Manhattan (midtown and downtown), but with strong business hubs in Harlem, Queens, Brooklyn, the Bronx, Newark and Jersey City as well. This allows firms a maximum flexibility in having more

than one office in easy contact—with back offices in lower rent areas, executives not all in a single location, and with offices on separate power and telecommunications grids.

It means reversing the last decade's socially unsustainable trend toward extreme polarization of income—during which middle-level jobs were lost, and all the gains of the decade were captured by those in the top 40 percent of the income scale while all the rest lost ground or stayed level with where they were ten years before.

And it means diversifying the economic and tax base of the region, making sure we do rebuild the financial sector without also creating a broader and less volatile base for the city's economy.

5. Public revenues must match public needs, even if this means raising taxes.

The federal government has committed roughly \$21 billion to the clean-up and rebuilding effort. While the task before us is monumental, this could fund an ambitious rebuilding project. As the New York Times editorial board has noted, we should be sure not to “fritter away” the money on unfocused business grants and tax incentives of questionable value.

The federal money allocated for Community Development Block Grants and federal tax credits amounts to \$7.7 billion. That is a lot of money, if used properly.

The one missing element in the federal aid package is an allocation to replace lost state and city tax revenues. The city and state should not be put in a position of running their economies into the ground to make up for revenue losses from an act of terrorism that was committed against the country. This is a federal government responsibility, and should ideally be addressed in federal legislation that would compensate any locality for lost tax revenues after a terrorist attack.

In the absence of a federal commitment, however, it will be better for the state and city economies to raise taxes—even in a recession—than for them to cut services. Raising taxes is never popular, but nothing will drive businesses and working families from the city faster than a deterioration in schools, dirty streets, and increased concern about public safety.

The best option is to raise the income tax on family income above \$150,000. Families in this income bracket benefited mightily from the past 10 years of growth, and will reap large benefits from the planned federal tax cuts. Restoring the commuter tax is also in order, as the city spends money to rebuild the infrastructure supplies the services that make it possible for suburbanites to commute to jobs in the city. And a temporary reinstatement of part of the stock transfer tax—already collected but reimbursed 100 percent—would be a good way for those who benefit from the New York financial center to help contribute to the cost of its reconstruction.

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Background

After September 11, the landscape of New York changed dramatically. To address the major issues of reconstruction, the Fiscal Policy Institute and the Central Labor Council have convened over an seven-month period a set of labor, community, research and advocacy, and service groups to think about the major issues of reconstructing the city in the years ahead. Incorporating a similar set of meetings convened by the Brennan Center for Justice, these meetings began in the days after the September 11 attack, and have progressed on a roughly monthly basis. The following statement is a result of that work. It will be the platform for the Labor/Community/Advocacy Network's active and ongoing engagement in the policy-making arena.

The destruction of the World Trade Center is the painful symbol of a changed landscape. Today, the city is faced with the prospect of developing a large-scale construction effort in the last place it ever expected to have to invest in redeveloping.

But the physical landscape is not the only thing that has changed. As of January 1st, the city had a new mayor, public advocate, and comptroller; four of the five borough presidents; and 36 out of 51 City Council members. In addition, 2002 brings elections at the state level.

At the same time, the city economy has gone from boom to recession. Serious as the economic impact of the World Trade Center disaster is, the economic trouble is not exclusively due to the effects of terrorism. The months before September 11 were already a period of economic slowdown. The World Trade Center disaster gave a shove in the back to an economy that was already stumbling downhill.

The effect of the last decade's soaring stock market and economic expansion was not an unmitigated boon to the city and state. There were positive effects, to be sure. By the late 1990s, unemployment was down, business activity was up, and construction was taking place in virtually every neighborhood. City and state budgets ran significant surpluses, with tax revenues increasing even as tax rates went down. But there were negative effects, too. In New York State, the economic gap between high- and low-income workers widened over the last decade and became even more extreme than in the nation as a whole. Almost all of the increase of real income in the state captured by the top 20 percent of the population, and fully 60 percent of New Yorkers—those in the middle and bottom of the economic spectrum—realized no net income gain at all in the course of a decade.

In the wake of September 11, we need to reconstruct the city physically, economically, psychologically, and—to some extent—politically. We need to retain the financial sector that was the engine of growth in the 1990s, but we need to do it in a way that decreases the economic polarization it fed into. We need to build a more diverse economy with a broader base that is less susceptible to a boom-and-bust cycle. And we need to do this in a period when, paradoxically, the city and state will be simultaneously under serious fiscal constraints and receiving a massive—yet, still far from sufficient—infusion of federal monies. As of April, 2002, the governor's projected revenue shortfall for New York State in the coming fiscal year is \$5-6 billion; the mayor's projection for New York City it is \$4.8 billion. Unless we make up for lost revenues with federal reimbursement or increased taxes, these numbers will require significant cuts in the state and city budgets, with a real concern that the cuts will be a short-term expediency at the expense of intelligent long-term planning.

Democratic Practice

In the aftermath of the horrific attack on Lower Manhattan, it is imperative for New Yorkers, people in the region, and the country as a whole to come together to rebuild the city better than it was before.

The decision-making process for such a large-scale public effort must be transparent and democratic. This is a complex issue involving a number of overlapping jurisdictions, interests, and authorities. To date, however, the decision-making process has been murky even to the most informed participants, and has offered few opportunities for real civic participation.

There should be input into the process from three sectors:

- 1. Government.* This should include the federal government; New Jersey, Connecticut, and New York State governments (including not just the governor but also the legislature), and New York City government—including the mayor, City Council, and community boards in Chinatown, the Lower East Side, and Tribeca, as well as representatives from the communities in other parts of the city where development is under consideration.
- 2. Private Sector.* This should include not only Lower Manhattan real estate and financial interests—it should include a real process of representation and engagement of small business, universities, experts on sectors that have potential for growth, and disinterested business experts.
- 3. Civil Society.* The New York metropolitan area has a highly developed set of civil society institutions. Labor unions are key partners in any economic development work, and have deep and broad expertise and relationships across the economic waterfront. Community organizations have an intimate knowledge of their neighborhoods and strong

relationships with community members. Service providers are well informed about how issues affect people in their daily lives. Religious leaders are in touch with community issues at many different levels. These civil society groups, collectively, have accumulated innovative policy ideas, a familiarity with city issues, a diverse base, and trusted relationships with community members. Several civil society coalitions have already emerged in the wake of September 11, with real community engagement and strong deliberative and public-spirited decision-making processes. The Labor/Community/Advocacy Network is an important part of this post-9/11 civil society infrastructure; it and other substantial civic groups should be involved in a significant consultative relationship with the key decision makers.

Instead of this three-pronged process of participatory democracy, what we have seen so far is disturbingly undemocratic and controlled by a very few power brokers with unclear and overlapping authority. This tragedy and its aftermath had dramatic affects on low-income workers, immigrants, Chinatown, New Yorkers from boroughs other than Manhattan, small businesses and nonprofits. As of spring 2002, the degree of engagement of these people and communities has been extremely limited.

The Lower Manhattan Development Corporation (LMDC) was created at Governor Pataki's initiative, bypassing the state legislature, as a corporate subsidiary of the Urban Development Corporation (doing business as the Empire State Development Corporation). The initial board of the LMDC was restricted to eleven board members, seven appointed by the governor and four appointed by the outgoing mayor, without input from any other elected officials or community members. As Manhattan Borough President C. Virginia Fields remarked, "The elected leaders play an important role in determining the use of funds, and they are the ones elected by people to make sure their concerns are part of the deliberations... Not only were we left off, we were not consulted."¹ Business people and former City Hall staff dominated the group; there was just one labor representative and one community representative. In Spring 2002, the Governor Pataki allowed Mayor Bloomberg to appoint four additional members of the board. The mayor added the first Asian American, the first Latino, and the second

African American to the LMDC board. We hope this may be a sign of opening to the concerns of communities of color that have thus far been drastically underrepresented.

In addition, the “general advisory committee” created by the LMDC at the end of January added to the mix in an advisory capacity a large number of elected officials, a few business leaders, a couple of community representatives and one labor representative. The LMDC also formed a series of “Advisory Councils.” It remains to be seen how much input these groups will have in the actual decision making process, and how seriously that input will be taken.

Even with these additions, young people, who are often working and living in different pattern than the previous generation, are generally missing from these discussions, as are New York’s growing Arab and Muslim communities—whom it might be particularly astute to reach out to in the current political context.

Frustratingly, the process by which decisions are being made is becoming increasingly opaque, not less so. As the New York Times reported, “[I]t is often difficult to discern what is going on among city, state and downtown officials when their public comments are often at odds with what is said behind closed doors.”²

There is still plenty of time to fix the process, but the track record has been less than promising to date.

Memorial

The design of a September 11 memorial needs to be worked out through a process that is open to the ideas of the public, local residents, and the families of the victims.

This tragedy struck so many families in New York and around the world; the memorial should commemorate all of them. News reports have sometimes focused on securities brokers, firefighters and police. The horror that struck securities brokers and the heroism of public servants should be deeply honored.

Yet, as we slowly recognized who was killed in the attack, it became clear that this tragedy struck secretaries, building maintenance workers, food services staff, restaurant workers, and myriad other ordinary working Americans, including many recent immigrants.

In addition to those who worked in the World Trade Center, many of those killed in the attack were tourists and visitors from around the world—foreign nationals from dozens of countries were reported killed, including many from Arab and Muslim countries—an important fact to highlight, considering the source of the attack.

The people whose plane flight ended in flames had no intention of being in New York that day, but their memory must also be honored in a memorial.

This was a tragedy that struck New York residents, workers, and visitors from all walks of life. The memorial should respectfully commemorate their loss.

In addition to serving as a sacred space, an appropriate memorial must be designed to manage what will undoubtedly be a large flow of visitors to the site. A memorial will increase tourism to Lower Manhattan. We should be sure to design the memorial in a way that accommodates visitors and without crass commercialism welcomes the business they will provide to small vendors, Chinatown restaurants, retail stores, and others. Rather

than a site to visit and leave, the memorial should be designed as a space for people to come and linger around, with appropriate local businesses to accommodate them.

Rebuilding the Economy and Good Jobs

There is a common misperception that if the city could get “back on track” to the pattern of growth of the 1990s, everyone would benefit. But, New York City needs to be on a different track, not back on the one we came from.

The 1990s were a period of extreme economic polarization, during which people in the top 40 percent of New York’s families captured all of the extraordinary income gains of the decade. This rising tide did not lift all ships—the bottom 40 percent of New York State families actually ended the decade no better off than they began it, with an average of 2 percent lower income. The middle 20 percent eked out only a 2 percent income gain. To keep from losing more ground, most New York families in the lower middle and middle of the income spectrum had to increase their work hours by about 10 percent over the decade. Income polarization also reflected racial disparities— eight out of ten of New York City workers with very low wages (under \$8.10 per hour) are people of color, and two thirds are immigrants. For New York Families, the 1990s was a decade of working harder, but growing apart.

Growth in the 1990s was far too reliant on a handful of industries—especially finance, media, and real estate. Fully 48 percent of the state’s economic growth in the period 1992-99 came from the Wall Street securities industry alone—although that sector represented only two percent of statewide jobs. And much of the growth of the 1990s was concentrated in lower Manhattan and midtown, not spread through upper Manhattan, the other boroughs of the city, nor even the suburbs (where incomes rose based on increased high-wage employment in New York City).

As we rebuild the city’s economy, we need to make it, too, better than before. This means steering it toward a more diverse economic mix, a broader geographic base, and a more accessible and less polarized job structure.

The city's businesses draw talent from around the region, the country, and the world. City government should steer the economy toward industries that provide family-supporting jobs with career advancement opportunities for city residents, many of whom are first-generation immigrants, most of whom are people of color, and all too many of whom earn poverty-level wages.

Over the past decades, the city's only real economic development strategy has been to aim retention deals—mainly tax incentives—at individual companies, with the big money going almost exclusively to the finance and media sectors. This strategy has proven ineffective at real job retention or job creation. And, instead of increasing economic diversification, this policy has exaggerated reliance on a narrow economic base.

New Jersey, New York City's main sparring partner on tax incentives, is in the midst of a state corporate tax fiasco. In March, Governor McGreevey conceded in his budget address that New Jersey's Corporate Business Tax policy is broken. Of the 50 companies with the largest payrolls in New Jersey, 30 of them paid only the minimum corporate tax: \$200 dollars per year. "That's less tax than would be paid in income taxes by a single parent with a child, earning \$25,000 dollars a year," said McGreevey. Clearly, over time the "race to the bottom" on tax incentives undermines the tax base in both states.

Wherever tax incentives or other forms of public support are in fact given, attached to them should be a strong set of reporting requirements, agreements to create living-wage jobs, and "clawback" provisions to return the money to the public should the employers fail to live up to their agreements.

But, instead of focusing on tax incentives to retain business, we should look at a series of other measures to attract, incubate, nurture, and retain enterprises and jobs.

1. Get New Yorkers Back to Work

September 11 and the concurrent recession have led the city's economy to hemorrhage jobs at an alarming rate. From December of 2000 to February of 2002, the city has lost nearly 150,000 jobs, a 3.9 percent rate of decline that is more than 3 times as great as the national job loss. Two-thirds of the job loss has occurred since September 11. In many ways, low-income New Yorkers, immigrants, and people of color have borne the brunt of the resulting economic hardship. Some of the hardest-hit sectors have been those such as airports and hotels that were key sources of family-supporting jobs for New Yorkers without college degrees. And other devastated sectors—for example, the apparel, taxi and car service industries—were ones where even in the best of times, workers struggled to get by. In addition to those who have lost their jobs, there are probably upwards of another 50,000 workers who remain on the job but whose earnings have plummeted with the fall-off in business. Sixty percent of jobs lost due to the September 11 attack were jobs paying \$11.00 an hour or less (the full-time equivalent of \$23,000 a year). Over half of all jobs lost were held by immigrants.

The city's official unemployment rate has jumped by over two percentage points during the past year and stood at 7.6 percent in February. Factoring in those who have dropped out of the labor force over the past year as economic conditions deteriorated would put the unemployment rate at 8.6 percent. By the end of 2002, unless there is a quick economic turnaround, unemployment in the city will be 9 or 10 percent, unquestionably a severe recession.

As the recession continues, more and more unemployed workers are being forced to deplete their savings, pile up debt, and risk losing their homes. In light of the current widespread hardship among low-income New Yorkers, a top priority must be ensuring that the substantial public money invested in rebuilding New York is used to rebuild decent jobs for everyone.

A substantial job-creation program should be at the core of a "high road" agenda for rebuilding New York. The 75,000 people who lost their jobs due to the September 11

attack are seeking employment in a time that New York City is in a recession. In Spring 2002, over 265,000 New Yorkers are jobless. A substantial number of new jobs are needed right away.

The city needs a two-pronged job-creation program that will generate 75,000 jobs, matching the number of jobs lost due to September 11. This program should encompass both publicly subsidized jobs in the private sector and public sector jobs that enhance the city's economic and public infrastructure.

LMDC resources should be utilized to subsidize job creation and development in the private sector through the expanded use of wage subsidies and worker training to maximize private job opportunities. Through its Emergency Employment Clearinghouse (EEC, funded by the NY State Department of Labor National Emergency Grant, the US Department of Defense, and the September 11 Fund), the Consortium for Worker Education is working with community, union and business partners using a range of strategies that include wage subsidies, skills upgrading, and moving workers from industries with limited near-term opportunities to industries in need of new workers. LMDC resources should be used to subsidize the creation of 50,000 private sector jobs along the lines of the EEC program.

In order to address job-loss of the magnitude New York City faces at a time of recession, we also need a public jobs program that will create 25,000 short-term jobs for up to a year until the economy recovers. These should be jobs that enhance the city's economic and public infrastructure, poising it for further (and more equitable and stable) growth in the next expansion. These public jobs would be geared to such things as counseling and other social services needed during recovery, expanded service to deteriorated public parks, improving and building park and recreational facilities, adding universal accessibility for wheelchairs/strollers/ shopping carts to inaccessible locations, establishing internet connections for public institutions, or repainting and extra aides for schools. New York led the nation during the 1930s in using this type of public works program to significantly expand and modernize the city's infrastructure.

This two-pronged, public and private job-creation initiative would cost roughly \$1 billion. Funding for such a program could come from the \$2.7 billion in federal Community Development Block Grant money mostly controlled by the Lower Manhattan Development Corporation, supplemented by some portion of federal TANF or Workforce Investment Act funds coming to New York State. Under this initiative, private-sector wages should be comparable to existing positions, but no less than \$8.10 an hour. The public-sector jobs should also be at the going rate for comparable positions, and for construction jobs, prevailing rates would be paid.

Other key elements of a “high road” jobs agenda for rebuilding New York should include:

Access to Public Construction Jobs for New York Residents. The unionized construction trades offer one of the best sources of living-wage jobs for New Yorkers without college degrees. With the job needs of the city so pressing, the city should ensure that public construction work delivers the maximum benefit to the city by using it to launch low-income New Yorkers on paths to careers in the trades. The LMDC, the mayor and the City Council should require that New York City residents receive a fair share of jobs on public construction projects. In order to ensure the highest quality training, and to help unionized contractors compete fairly for public work, contractors on public construction projects must also be required to have state-approved apprenticeship programs. Pre-apprenticeship training should also be provided, with special attention to making sure there is good access for women and people of color.

Living Wage Standards. The mayor and the City Council should adopt the recently introduced Living Wage Law, which would ask businesses receiving major awards of economic development subsidies to commit to paying a living wage to their low-end service workforce. Initially, the “living wage” level is set at \$8.10 an hour. It rises in steps to \$10.00 an hour and is then adjusted in line with the increase in the local price index. With revenues scarce, the city cannot justify using taxpayer funds to subsidize the

creation of jobs that pay poverty wages. The LMDC, with the mayor's support, should adopt the same standards as a precondition for receiving LMDC economic development subsidies to ensure that as they help the city rebuild, the corporation is not financing the proliferation of poverty-wage jobs.

Workforce Development. The Bloomberg Administration has already taken some important steps in elevating the importance of workforce development as an economic development priority for the city. Much more needs to be done to make up for years of inattention in this critical area. The city should ensure that it accesses all possible federal Workforce Investment Act (WIA) funds and that it moves expeditiously to establish a network of One Stop Career Centers around the city, an area in which most major cities are far ahead of New York. Given the nature of our workforce and the scale of September 11-related displacement, any job training, creation, and linkage program in the city must be language and culturally sensitive to the limited English proficient workers who lost jobs due to 9-11. The city needs a workforce development strategy that is closely linked to a sectoral development strategy—the two must go hand in hand.

2. Diversify the Economy: A Multi-Sectoral Strategy

As part of the package of \$21 billion in Federal funds earmarked for New York in the wake of September 11, the Empire State Development Corporation and the Lower Manhattan Development Corporation have been allocated \$2.7 billion in community development block grant funding to aid in the rebuilding of the damaged city economy. We need to make sure that, where possible, this funding is used to support job creation, job retention, and job training and to implement an economic development strategy that will move us toward a more geographically and industrially diversified local economy.

The Labor Community Advocacy Network is concerned that this money may be used primarily for tax incentives to businesses and compensation to businesses for lost revenues. Since a significant amount of the \$5 billion in tax credits (upward of \$3 billion of the total) allocated in March by the federal government can be used for these same

purposes, we propose that the LMDC keep the \$2.7 billion focused on job creation, job training, and implementing a comprehensive economic diversification strategy.

The centerpiece of the economic development strategy should be a sectoral, “high-road” approach focused on expanding industries that have accessible, living-wage jobs with good career ladders, job security, and health and pension benefits. Effective sectoral strategies generally involve businesses working together with labor, government, higher-educational institutions, and community-based organizations to identify and address barriers to competitive success faced by the “cluster” of companies and their suppliers in a local region. Government needs to work with industry organizations to strengthen their capacity and to help them design and deliver economic development services. “High-road” labor market strategies involve workers and their unions in raising the skills of the workforce and in developing career ladder opportunities for retention and advancement. Strong existing models include Garment Industry Development Corporation in New York, Wisconsin’s Regional Training Partnership, and the Artisan Baking Center in Long Island City, Queens. New York needs a set of sectoral strategies that generate good jobs with real career opportunities up and down the economic spectrum—not just a sectoral strategy for biotech or dot-coms.

Many local and state governments around the nation are pursuing sectoral economic strategies instead of focusing on granting huge tax and cash subsidies to large corporations that threaten to run away. A decade ago, under Mayor David Dinkins, New York City created the Economic Policy and Marketing Group under the Deputy Mayor for Economic Development that developed, in conjunction with business and labor leaders, a package of sectoral economic strategies. These strategies, organized under the slogan, “Strong Economy, Strong City,” were developed too late in the Dinkins administration to be implemented.

The city should re-establish something like the Economic Policy Group to identify and work with industries to develop forward-looking sectoral strategies. A few examples of

what this kind of a strategy might mean in areas directly affected by the September 11 attack are:

In lower Manhattan, in addition to creating a world-class environment for the finance industry (and making sure there are good job ladders for people working at all levels in it), public money might be focused on tourism, artists and cultural institutions, printing and design, and retail jobs (paired with opportunities for advancement).

In Chinatown, restaurant jobs (where many Asian immigrant men work) can be targeted for expanding and upgrading (through union organizing, improved wages and benefits, and better work conditions). Apparel manufacturing (where many Asian immigrant women work) can be pushed by public policy toward an economic “high-road,” where the jobs that remain are in firms that have better ties to retailers, can command higher prices, have better work conditions, and pay a decent wage.

In Queens, the devastated airport-related sector, which accounts for 10 percent of jobs in the borough, would benefit from improved ground transportation for passengers and for freight—which would also help with New York’s environmental and traffic problems. And the completion of the air-train should expand opportunities for office development in Jamaica as well as provide for a better transit connection between midtown and JFK.

3. Foster Development of a Multi-Centered Region

Some 15 million square feet of office space were destroyed in the World Trade Center attack. The city is still reeling from this loss. Yet, in April 2002, there is more empty office space in lower Manhattan today than there was in August 2001.

The reasons are many: some firms moved out that should be encouraged to move back. Some companies were “speculating” in office space—holding on to it in the expectation that they would need it as they expanded, yet in a recession needing less than they already had.

Office space is clearly needed around the World Trade Center site. But it would make sense to rebuild at a lower density than before—and build more office space in other locations in the city. The “Group of 35,” in a report last spring to Senator Charles Schumer, named locations in Queens, Brooklyn, and the Bronx that would be good areas for developing commercial office buildings that could accommodate less expensive back-offices or additional offices for businesses in lower Manhattan.

Rebuilding by developing office space in these areas would be consistent with the way the financial industry already was moving some office space out of Lower Manhattan before September 11, and with how firms are increasing the trend today as they seek redundancy and other forms of security.

The devil of this development will be in the details. Local communities should be involved in the process from the early stages, helping to shape where and how development happens. This is good public policy. But real community involvement up front also helps make it less likely that projects will encounter the kind of strong community opposition at later stages that has killed many a New York development project.

It will be important to make sure that local business is not unduly displaced, that suitable, mass transit-accessible manufacturing space is maintained (if not in the same place, then elsewhere), that jobs go to local residents, and that improvements in the neighborhood benefit residents and don't just fuel speculation. Careful planning, zoning, job-training programs, tax-increment financing, and community land trusts can all be part of the solution.³

In addition to prime office space, the city should also accommodate the needs of other growing “high road” business sectors. Experience has shown that entrepreneurial new media and information technology companies have thrived in live/work environments in lively 24-hour neighborhoods such as Chelsea and the Flatiron District, but that as they have grown there has been a lack of moderately-priced and appropriately designed space

in the city where they can expand. High-road, small- to mid-scale manufacturing can expand and provide good jobs for workers with limited English skills or formal education; but to expand there needs to be appropriate zoning and development of industrial space where manufacturers can make use of the advantages of being in the city. Movie and television production is stymied in its expansion by a lack of sufficient studio space. Biotechnology expansion would require meeting a specific set of need for lab space, accessibility to hospitals, connection to universities, and safety.

4. Clean Up Brownfields to Expand Available Land

In past eras, the city has had substantial amounts of available land in abandoned lots. In those times, converting empty lots to productive use was good policy.

As we look to rebuild the post-September 11 economy, the most ready source of open land for potential use is brownfields—areas that have been contaminated by past toxic pollution. To make this land available for productive use, the city and state should invest in clean-up of the land. And, to make sure poor communities benefit as well as rich, the state should pass a law establishing uniform standards for brownfields to be used while at the same time protecting the health of the community and avoiding the development of greenfields and sprawl.

Many brownfields may never be suitable for residential use because they cannot be clean enough. But, as we work to diversify the economy, bringing brownfields up to appropriate standards for manufacturing zoning or other mixed use zoning should be an important component of our strategy. One very apt use would be to re-industrialize brownfields by manufacturing “green-building” products, especially those to be used locally (for example, recyclable plastics to create windows for residential projects). This would create jobs, reduce local waste streams, minimize the need for transportation of building materials, and create a close link and good communication between producers and consumers.

Productive use of brownfields will have multiple benefits—allowing much-needed space for manufacturing, revitalizing communities, and over the long run repaying investment in cleanup with city and state tax revenues.

5. Make it in New York

The city can use procurement policy—decisions about where it buys the goods and services it needs—to help develop “high road” businesses and sectors that have quality jobs for a diverse population and adhere to high environmental standards. According to a Fiscal Policy Institute estimate, every \$1 million in manufacturing sales in New York City generates 14 jobs in the local economy. Businesses reoccupying Lower Manhattan will spend millions of dollars on everything from curtains to computers. If a “green building” program is pursued as outlined above, there will be a need to buy photovoltaic cells and recycled-rubber lining for buildings. Steering the purchasing to high road businesses, particularly those that are New York-based, will be good business and good economic development policy. In some industries, such as green building, this Make it in New York policy will have the added benefit of developing an expertise and production capacity in the city that can be marketed around the world.

As federal, state and city government move into action to rebuild lower Manhattan, the rebuilding effort needs to take advantage of all our potential, in the process strengthening businesses that reflect our diversity. In all the rebuilding work, we should actively promote contracting with women- and minority-owned businesses.

6. Set a Federal Moratorium on the “Race to the Bottom” on Tax Incentives

Part of the reason economic development policy has focused on tax incentives rather than real job growth is that New York, New Jersey, and Connecticut all feel compelled to compete against each other with tax incentives to companies in the region. This is a tremendously expensive dynamic for all three states, with each getting reduced tax revenues from those companies—all still within the New York metropolitan region—that

decide to locate in a given state. In the wake of the September 11 attack, and with all states facing severe budget crises, the federal government should enact a moratorium on the use of tax and other economic development incentives by other states and jurisdictions to lure business away from New York City.

Infrastructure and Environmental Justice

There is considerable agreement that as we rebuild, we should improve, not just replace, the damaged infrastructure of lower Manhattan. But it is still far from clear what different interests mean by “better than before.”

The way we rebuild the city now will affect the physical, economic and social fabric of New York City for generations to come. The public sector has a critical role to play in fostering the following kinds of infrastructure development.

As private groups of all sorts look out for their own interest in a rebuilding process where billions of dollars will be spent, our elected leaders must make sure that public dollars are spent for purposes that clearly benefit the public at large, protect its most vulnerable members, and assure a bright future for our city and region.

The infrastructure of the city is critical in making it attractive to businesses. Subways and railroads make it possible for downtown employers to draw on the rich talent pool of the largest metropolitan region in the country. Extensive electric and communications capacity and security make New York run. Schools, parks, and cultural institutions make the region an attractive place for potential employees and executives to live. But, in the wake of the September 11 attack, public investment is needed to enhance the city’s comparative advantage as a location for businesses.

Transportation infrastructure: A strong public transportation infrastructure is a central factor in making New York worth the higher cost of office space for businesses. The transportation network allows for employers to draw from a very broad pool of labor in three states and the country’s largest city. It allows for a density that is crucial to the deep and broad interaction with other enterprises. Rebuilding the city infrastructure in an expansive way will promote a rich diversity of enterprises, and can be done with attention to bolstering a strategy of economic diversification and providing good jobs at all economic levels.

We support proposals for a truly multi-modal transportation hub in the former World Trade Center area. Such a hub would include rail, surface, and water transit. It would be designed not only as a commuter hub, but also as a means to facilitate the movement of certain kinds of freight. The hub would connect lower Manhattan to the area's airports, commuter and long distance train lines, and to the subway and bus systems.

Reconstruction of the transportation network should be realized in a way that makes the system universally accessible—to people with handicaps, as well as people with strollers and shopping carts. And transportation planning should be attentive to future quality-of-life issues—work/live environments, travel to work time, dual-career families—rather than being crafted around development and work patterns of past generations

To minimize cost, transportation facilities should be planned and in place before construction commences on buildings planned for the former World Trade Center site, and in tandem with any large-scale development initiative. As the transportation infrastructure is improved, there should be a clear focus on improving public transportation to underserved areas of the city—such as the Bronx, or the Brooklyn waterfront—as well as to improving commuter access from the suburbs.

Developing the transit infrastructure will create demand for lower Manhattan, and if it is in place at an early stage of development it also will influence strongly the pattern and mode of travel for workers and residents. The following is a beginning list of specifics.

- We should consider extending the Long Island Rail Road (LIRR) into Lower Manhattan via Atlantic Terminal in Brooklyn, as well as via Long Island City in Queens (Hunts Point station), but any plan worth pursuing must be able to be completed without diverting service from low- and moderate-income communities.
- The Metropolitan Transit Authority (MTA) trains can be expanded from the Bronx to LIC on an already developed Amtrak line.

- Both the LIRR and MTA can be expanded to the far west side to promote growth in the “Hudson Yards.” The MTA would go through Penn Station as well.
- A light rail (trolley), or universally accessible buses, would be ideal ways to connect Sunset Park, Red Hook and Lower Manhattan. This project would be simple, efficient, and affordable – the rail would run along Columbia Street and over the water, reducing a 45-minute bus to subway commute to a 10-minute commute. Similarly, parts of Greenpoint and Long Island City can be linked to the proposed 42nd Street light rail and go via the Convention Center to Lower Manhattan.
- Use of express buses or a light rail line down First, Second, and Third Avenues can ease pressure on the Lexington subway line and provide affordable transportation options that should be considered together with the development of the planned Second Avenue subway.
- Ferries have already expanded service substantially, and could grow even further—connecting Long Island City to Lower Manhattan, Brooklyn to Lower Manhattan, NJ to Lower Manhattan, etc. The use of ferries could certainly be coupled with the increased access of expanded LIRR and MTA service.
- Public transportation in the region—and in particular between New Jersey and New York—should be reconceived in the context of a multi-centered metropolitan area. Rather than having most transportation links designed as the spokes around a central hub, there should be increased options for transit among a variety of hubs. Brooklyn-to-NJ and NJ-to-Brooklyn commutes should be facilitated, as should public transit connections within NJ and not just NJ-to-Manhattan. This will serve to foster commercial and cultural hubs that reinforce each other and the region as a whole.
- As a matter of fairness, as a revenue-generator, and as a way to minimize pollution and congestion on city streets, we should consider standardized tolls for all city bridges and

tunnels, including those that currently have no toll. Such a policy will help normalize traffic patterns distorted by vehicles seeking routes that avoid existing tolls, particularly if an EZ Pass or other billing method is used to collect the fee without stopping traffic. As much as possible, new tolls should be established at the same time that good public transit alternatives are made available, so travelers have a real transportation option. Revenues from tolls are appropriate to dedicate to servicing the transportation infrastructure, including providing good public transportation options.

- In addition we should explore using the PATH rights of way and trackage for the removal of waste from lower Manhattan during off peak hours to waste-handling facilities being planned and built in New Jersey

Telecommunications infrastructure: While it is impossible to predict exactly what industry clusters might choose to locate in Lower Manhattan in the future, state-of-the-art broadband information and telecommunication infrastructure will prove attractive to leading businesses in almost any sector. The district should be wired to attract the wired businesses of the future and should be designed with back up systems to withstand any future natural or man-made disasters.

Housing infrastructure: Before September 11 New York City was facing a mounting crisis in both the availability and cost of housing. That need continues unabated today.

Affordable housing is an issue for New Yorkers at every income level. Access to quality, affordable housing is critical to attracting and retaining the workers essential for economic recovery and growth. In the absence of sufficient housing to meet the needs of the workforce, businesses choose to expand and locate in places where salary dollars paid to employees go farther. In a 1999 report by the New York State Comptroller, the high cost of housing was identified as a significant barrier to economic development in New York City.

Public investment in a range of affordable housing in mixed-income neighborhoods is necessary to enhance the business climate by making it more attractive and more affordable for employees. The growth of sectors critical to diversifying New York's economy—education, healthcare, research, biotechnology and the arts—depend upon the ability of highly talented but not always highly compensated individuals to live in the city without consuming an excessive portion of their incomes. Increasingly, these individuals have many options across the region, the nation and the world. We should make sure there are places within the city people can afford to live, so the cost of coming here does not outweigh the appeal of the city.

Prior to the September 11 attacks, Lower Manhattan was one of the fastest-growing residential neighborhoods in urban America. Policies to encourage mixed-income residential expansion in this area will ensure the development of an economically and socially vibrant integrated 24/7 mixed-use community.

When we think about the housing infrastructure needed to support rebuilding after September 11, our focus should not be exclusively on Lower Manhattan. Most of the people who work in Lower Manhattan don't live in Lower Manhattan. The post-September 11 reconstruction should also include developing affordable housing in neighborhoods with good transportation access to Lower Manhattan, and it should tie housing development to areas of the city where transportation has been improved.

Thirty percent of all new units developed in Lower Manhattan should be set aside for low-, moderate-, and middle-income families. All development using public financing, publicly owned land, or requiring significant public approvals should be required to provide a set aside for affordable housing as part of a public purpose requirement for approval.

State and Federal rebuilding resources, including Liberty Zone bonds, should be made available for investment in this strategy. Further financing is possible through internal subsidies created in mixed-income projects that use existing tax incentive programs. But

meeting the city's long term housing needs will require a sustained long-term commitment of public resources.

We should also move aggressively to upgrade the standards for design and construction of housing for all income groups. Dual standards for housing construction inherently segregate communities and provide short-term savings, while burdening us all with long-term financial obligations for higher maintenance, replacement and energy costs, not to mention the social costs of economic segregation.⁴

And we should build on the commitments around housing made by labor unions. In January, the national AFL-CIO announced that it would invest \$750 million of its pension funds for housing and commercial development in New York. According to the New York Times, this fund is expected to finance 5,000 housing units for low- and middle-income families. The investment is welcome, and other major institutional investors—religious groups, universities, public pension funds, and private funds as well—could join the unions in rebuilding New York.

In addition to building new housing, we should make sure to maintain neighborhoods that are already in a precarious balance by preventing the eviction of renters who suffered economic hardship due to the September 11 attacks. Existing rental subsidy programs for victims of September 11 should be extended to include those who can prove economic hardship caused by the attacks, whether or not the victims live in Lower Manhattan.

Schools infrastructure: The President of Lower Manhattan's Business Improvement District, the Alliance for Downtown New York (and one of Mayor Bloomberg's appointees to the LMDC), has called an excellent local public elementary school "the best economic development project we've ever had." The reason is clear: when there's a good local school, people want to live in the neighborhood.

As the residential population of Lower Manhattan has increased, there has been an increased need for schools to serve the diverse neighborhoods of Tribeca, the Lower East Side, and Chinatown.

Since so many workers in Lower Manhattan do not live in the neighborhood, creating a positive business climate will also require improving and increasing the number of schools in the other boroughs and neighborhoods of the city. Making the local schools attractive will make the neighborhoods more attractive and, for those who might otherwise send their children to private schools, more affordable. It will also help keep people in the city throughout a longer span of their careers, since so many city residents leave for the suburbs when their children reach school age.

Creating a good business environment is not the only reason the city needs good schools. But it is clear that increasing the supply of attractive public school options in New York would give the city a significant boost in how business-friendly it is compared to other possible locations.

Green energy infrastructure: A cornucopia of new green building technologies now exists that can substantially reduce both operating costs and the need for “end of the pipe” public infrastructure investments like water pollution control plants and electric power generating facilities. In addition, green building technologies dramatically improve productivity and add to a better quality of life for all and can substantially reduce dependency on the grid for energy thereby creating greater operational security. A legitimate role exists for the state, city, and federal governments to invest in the initial up front capital costs that can make these things possible. A great city with great neighborhoods needs buildings that set new architectural and environmental standards—creating jobs and economic development in the process. We are encouraged by the early reports of the Green Buildings working group of the Regional Plan Association’s Civic Alliance, and support the direction in which they move.

Solid Waste & Infrastructure: The World Trade Center attack created a solid waste crisis for Lower Manhattan residents in the removal of debris. The revision of New York

City's Solid Waste Management Plan scheduled for 2002 offers the possibility to restructure the city's solid waste system in an equitable and sustainable manner that reuses and recycles valuable resources while creating economic development and jobs. Components of an equitable/sustainable solid waste system includes maximizing waste prevention and recycling, while retrofitting city-owned marine transfer stations to compact and containerize unrecycled waste for export.

Interim Improvements: In addition to the interim transportation improvements needed to serve the area's residential and working population every effort should be made to provide both interim and long-term open space, parks, enhancement of the area's green infrastructure, boat landings, and street improvements. This is essential to signal the coming revitalization of the area and to retain and attract both residential and commercial enterprises back to the area. Special attention should be given to intensive and ongoing maintenance of the area.

Revenues

The September 11 attack left a huge dent in the economy of the NY Metropolitan area. Repairing this dent will cost real money. Not all of the current budget gap is due to the attacks, but a large and measurable portion was due to the attacks.

The following is a list of budget options. We can pick and choose among them; some may not be necessary if others are enacted; others that make sense as a matter of policy may be blocked as a matter of politics. What is clear is that large gaps must be closed. Neither cutting government nor raising taxes is appealing in a time of economic stress. But what will drive people and business away from the city fastest are poor schools, inadequate infrastructure, dirty streets—not modestly increased taxes.

Federal Rebuilding Funds: The \$5 billion of tax credits to be used in the Liberty Zone of Lower Manhattan and the less-restricted cash of \$2.7 billion in Community Development Block Grants should be used to carry out a comprehensive economic development strategy, rooted in Lower Manhattan but with linkages to all the boroughs. The plan's overarching priority should be the generation of good jobs for New York City residents. There is a clear risk that these federal resources will be drawn down piecemeal, providing only stop-gap assistance to individual companies without contributing to the meaningful implementation of some of the innovative economic development thinking that is taking place.

Federal Compensation for Lost Tax Revenue: NYS and NYC should not be put in a position of running their economies into the ground to make up for revenue losses from an act of terrorism that was committed against the country. Making New York whole is a federal government responsibility, and the federal government is best equipped to deal

with it, since it can (and, even President Bush agrees, perhaps appropriately should) run a deficit in a time of recession.

The city and state, on the other hand, must balance their budgets in every year—they have a limited ability to act in “counter-cyclical” ways, as the federal government can. The city and state will have to raise taxes, cut services, and hurt their economies. We will have to plug a very large hole caused in large part by the September 11th attacks.

In an age in which terrorist attack is a real danger throughout the country, Congress should amend the Stafford act to make whole a city or state that suffers economic damages from terrorist attack by compensating the locality for lost tax revenues. An amended Stafford Act should require a clear standard for accounting that will be able to be checked afterward, and that will be applicable in the event of any future terrorist attacks.

In New York State, the governor says that of \$6.8 billion budget shortfall over the first 18-months, \$5.1 billion is due to the World Trade Center attack. The Senate Finance Committee says the amount due to the disaster is \$3.5 billion. In New York City, at least \$2 billion of the \$4.8 billion FY 2003 budget gap results from the World Trade Center-related revenue shortfall.

In the absence of federal aid to offset some of the September 11th-related revenue shortfall, the state appears headed toward balancing their budgets through a number of one-shot actions that largely push off the day of reckoning until next year. The governor is planning to exhaust several one-time reserve funds. In the city, the mayor is relying heavily on the emergency authority granted in the days after September 11 to utilize long-term borrowing to pay for operating expenses, while promising cuts to crucial government services. Both the city and the state need more balanced approaches to balancing their budgets that include selective tax increases that will not harm the economy or the competitiveness of New York as a business location. The state also needs to utilize its much broader and progressive taxing authority (through the personal income

tax) to provide more aid to local governments. Whether by the state taking over some of the local Medicaid funding share, increasing revenue sharing, or moving forward to re-vamp state education aid in light of the Campaign for Fiscal Equity case, the state should take some action that will transfer needed and deserved funds to New York City.

State Income Tax: Over the past two decades, the state has reduced its top personal income tax rates from 10 percent (in 1980) to 7.85 percent (under Governor Cuomo) and now to 6.85 percent (under Governor Pataki). By temporarily restoring a small portion of the progressivity that was removed from the personal income tax over the last 15 years, New York could make up for its state budget shortfall in a way that would be much better, from an economic standpoint, than either service cuts or increased regressive taxes. An increase of 0.7 percent on the portion of a taxpayer's NYS Adjusted Gross Income above \$100,000, and another seven tenths of one percent on the portion above \$200,000 would generate between \$2.7 and \$3 billion for the 2002-03 fiscal year, and slightly more for the 2003-04 fiscal year.

To the extent the state does not provide sufficient aid relief to New York City, at a minimum, the state should not stand in the way of the city's ability to address its own revenue situation. For example, the state should be prepared to reinstate the commuter tax. It was eliminated at a time when the city was cutting taxes itself; the present circumstance is vastly different.

New York City residents pay a local income tax of 2.91 percent to 3.65 percent. Commuters who work in the city should contribute to the tax base, too, just as they can and should expect to be able to walk in city parks and receive city emergency services that are financed by tax dollars. The commuter tax that was lifted in 1999 was just 0.45 percent of income—a small amount compared to the tax paid by city residents. Yet the commuter tax would generate about \$500 million in revenues for the city—a substantial contribution to closing today's budget gap and financing tomorrow's city services.

The City Council also recently proposed other ways to raise revenues, including through a progressive, but modest, personal income tax surcharge. This was a step forward in addressing the upcoming year's budget gap. As of April 2002, the Council and the mayor are still far from finalizing the FY 2003 budget, and there is time to improve on the Council's April 8 proposals. The Council's revenue proposals are still not adequate to avoid damaging budget cuts, and they will not be nearly sufficient to close the FY 2004 budget gap, when the city no longer has the authority to utilize deficit financing for the operating budget.

The mayor has been steadfast in opposing tax increases this year (with the exception of the cigarette tax). His argument has been either that tax increases will drive high-income households who pay a lot of taxes out of the city, or that since this is an election year we can not expect Albany to approve NYC tax increases—because, except in the case of the property tax, NYC needs authorization from the state to change any of its taxes. On the first argument, it is more the case that high-income New Yorkers—like low- and middle-income residents—are more likely to leave the city if they see a deterioration in schools, parks, libraries and other public services than if they see a modest increase in taxes. On the second argument, while this is an election year for all state officeholders, this is not the year when “politics as usual” should be acceptable. It is insulting to the electorate and just bad government for elected officials to solve the immediate budget crisis in ways that paper over the problems. Refusing to consider tax increases because it is inconvenient for officials who face election is an abdication of political leadership. The needs of the state should take precedence over the needs of elected officials, not the other way around.

The city needs additional revenues in the coming year. Beyond the surcharge on the personal income tax, the city should look at such things as a stock transfer tax and an overhaul of the property tax (both the rate structure and the assessment process). A stock transfer tax was imposed up until 1981 and could be imposed at only a fraction of the rates prevailing in the late 1970s in order to generate \$500 million to \$1 billion. It would be fitting that the investors around the country (and the world) who participate in the

stock market make a modest contribution to aiding the city in rebuilding the Lower Manhattan area that serves as the heart of the global financial industry.

1. "Fields: Panel Lacks Key Voices," Curtis L. Taylor, *The Daily News*, December 1, 2001, p. A30

2. *Ibid.*

3. A full treatment of how this can be done, how manufacturing can be retained, and how Eco-Industrial production can be encouraged can be found in the Municipal Arts Society/Pratt Institute Center for Community and Environmental Development study on "Making it in New York."

4. This paragraph and the two preceding paragraphs are drawn from a forthcoming article by Ronald Shiffman for the *Gotham Gazette*.

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