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New York City has reaped multibillion-dollar budget surpluses during the last four years, but is forecasting multibillion-dollar shortfalls over the next few years. Any surpluses the city had held in reserve will be exhausted in 2009. Overall city tax revenue is down in contrast to recurring obligation expenses, which continue to rise.

In considering the many proposals suggested by various parties, we urge the Mayor and City Council to keep foremost in their deliberations the concepts of equity and fairness to all New York citizens.

Personnel cost reductions are a substantial component of the city's balanced budget plan. It is therefore imperative to reduce those costs with the least impact on a) the delivery of city services; b) the spending power of the large consumer base that is composed of municipal employees; and c) the provision of services for children, the aged and our most vulnerable citizens.

When considering staff reductions we urge that the cuts be made judiciously. If consultants and contract workers are hired to "temporarily" bridge a gap, the long-term cost should be taken into consideration.

The following are specific proposals that the Women's City Club endorses to reduce expenses and increase revenues for New York City. Most of the items will require state legislative action, constitutional change and/or negotiation with one or more unions.

## PROPOSALS TO INCREASE REVENUE

### **1. Increase taxes on those best able to pay. Institute a temporary Personal Income Tax Surcharge for higher-income taxpayers.**

- There is precedent. A NYS and NYC surcharge was enacted in 2003-2005.
- A temporary increase can be withdrawn after the financial crisis is resolved.
- A surcharge on higher income taxpayers increases the progressivity of NYC income tax.
- The current NYC tax schedule is too flat. The top NYC tax rate of 3.648% currently applies to:
  - Income over \$90,000 (married couples filing jointly)
  - Income over \$60,000 (resident heads of households)
  - Income over \$50,000 (single filers, resident estates and trusts)
- NYC income taxes are deductible for federal income tax purposes (unless offset by AMT calculation).
- Retain existing sales tax levels. A flat sales tax is regressive, and any increase would be especially burdensome for our most vulnerable residents.

## **2. Impose tolls on East River and Harlem River Bridges**

- Increases NYC revenue or provides income to fund MTA capital projects
- Encourages use of public transportation
- Equalizes traffic patterns - only the Queens Midtown and Brooklyn Battery tunnels have a toll at present

## **3. Eliminate Property Tax exemption for Madison Square Garden**

- Tax subsidies should be used to encourage economic development and the creation of new jobs.
- The rationale for MSG's tax abatement was to ensure the viability of professional major league sports teams in NYC. MSG's sports teams are now well established in the city.
- In addition to ticket revenue, MSG generates income from concessions and cable television advertising.
- Cablevision also receives substantial revenue from non-sporting events in Madison Square Garden such as:
  - Theatrical productions
  - Concerts
  - Ice shows
  - Circus
- MSG paid real property tax from 1968 when it opened until 1982. It is time they resume paying taxes.

## **4. Extend the Mortgage Recording Tax to co-op apartments**

- Currently, MRT is imposed on all mortgages in New York City, but no similar tax is imposed on cooperative financing loans.
- Eliminate the inequity between loans for condos and coops.

## **5. Restore fare on Staten Island Ferry**

- The Staten Island ferry is expensive to maintain. In 2007 costs per passenger were \$4.62.
- With a fare of 25 or 50 cents, the ferry will remain the least expensive method of transportation in the City, certainly the least expensive way of traveling between Staten Island and Manhattan.
- Passengers should pay at least a nominal amount to ride the ferry.

## **6. Expand bottle bill to include glass and other drink containers; return unclaimed deposits to municipalities.**

- Helps the environment by reducing waste.
- Funds the city's recycling and waste reduction programs
- Provides additional revenue to municipalities

## **PROPOSALS TO REDUCE CITY PERSONNEL COSTS**

### **1. Active NYC employees should contribute 10% of the cost of their health insurance premiums, subject to an earnings "floor."**

- More than 90% of current city employees who are enrolled in a health insurance plan select a plan for which they pay no premiums.
- The majority of private- and public-sector employers require some co-payment toward health insurance premiums.
- New York State employees pay 10% toward the cost of individual coverage and 25% of the additional cost of family coverage.
- Imposing the contribution requirement only on those earning above a specified “floor” would eliminate the burden for low-wage employees.

## **2. Eliminate overtime as a factor in calculating pension benefits**

- The city’s payments to pension plans for municipal workers are one of the largest and fastest growing expenses in the budget.
- With recent investment losses, pension contributions will grow even faster in the next few years.
- Public sector pension programs in New York use earned overtime pay as a factor in determining an employee’s pension benefit. This is unusual in government employees pension programs nationally and virtually unheard of in private sector pension programs.
- Anecdotal evidence suggests that overtime is manipulated in order to increase the salary base for calculating pensions, particularly in the last year before retirement.
- The inclusion of overtime as a factor in calculating pensions is a costly anomaly that the city cannot afford.

## **3. Expand the number of years taken into account for determining the Final Average Salary for pension calculations of City employees**

- Most uniformed police and fire employees receive a pension based on the final 12 months of compensation.
- Other uniformed employees and most city civilian employees receive pensions based on a three-year final average salary.
- Both of these formulas are more liberal than many other government pension plans.
- A modest reduction in pension benefits is preferable to reducing employees or cutting services.

## **4. Establish 62 as the Minimum Retirement Age for new civilian hires.**

- Currently, most civilian employees entering city service are eligible to retire at age 57 with a minimum of five years service.
- Prior to 1995, the retirement age was 62 with 10 years of service.
- Return to the pre-1995 policy and align the city’s normal retirement age with Social Security’s minimum retirement age.
- The later retirement age will reduce early attrition of experienced personnel.

## **5. Eliminate the reimbursement of retirees for the cost of Medicare Part B, subject to an Earnings “Floor”**

- NYC reimburses the full Medicare Part B premium paid by eligible city employees and eligible spouses.
- Most employers do not have any Medicare Part B reimbursement programs.
- Employers who do reimburse retirees for Medicare Part B premiums typically reimburse only a portion of the premium.
- Eliminate the burden for low-income personnel and retirees by continuing full or partial reimbursement for those earning below a specified “floor”.

## **LONG TERM PROPOSALS**

We strongly recommend that serious consideration be given to these proposals when the current budget crisis has been resolved.

### **1. Restructure the Real Property Tax System.**

- Correct disparities in tax rates by property type
- Correct disparities in tax rates within class
- Correct disparities in tax rates by borough
- Correct disparities in assessment ratios

### **2. Establish more progressive New York City Personal Income Tax rates.**

- Income tax rates should reflect ability to pay.
- This could include raising top rates, adding brackets, broadening ranges, etc.

### **3. Reinstate the former commuter tax.**

- All people working in New York City derive benefits from City services and should pay some portion of the costs of police, firemen, sanitation, road maintenance etc.
- There is precedent for a commuter tax. It was in effect from 1971 to 1999.
- Commuter taxes are imposed in neighboring states, e.g., New Jersey, Connecticut. A number of cities – Philadelphia, St. Louis, Kansas City charge commuters a tax.
- Commuter tax rates can be flat or progressive; they can exclude the lowest earners.