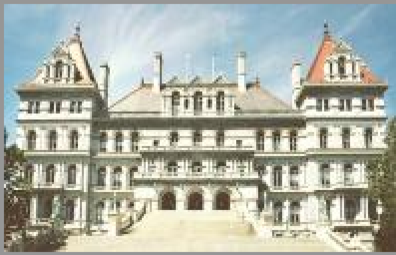


# This Week in New York

**Covering New York State and City Government**

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# *In the News – New York State*

## How Do You Close a $1 Billion Hole?

### *Close Your Eyes, Tap the Heels of Your Ruby Slippers Three Times & Hope the Fed Will Deliver*

Tuesday's release of Governor David Paterson's 21-day amendments to the Executive Budget was overshadowed by the incessant churning of the Albany rumor mill and the impending expulsion of Senator Hiram Monserrate. By the time the Governor released the plan Tuesday afternoon, Albany was consumed with scanning the blogs for the fabled *New York Times* gubernatorial expose and vying for a seat in the East Senate gallery to catch a glimpse of the soon-to-be-expelled Senator and his Democratic colleagues. In retrospect, the distractions proved helpful, diverting attention from a plan founded essentially on help from Washington.

Governor Paterson's 21-day amendments identify "$1.2 billion in new 2010-2011 resources," the bulk of which comes from the yet-to-be-passed Jobs' for Main Street bill. Specifically, the State financial plan includes the receipt of $1.06 billion in enhanced federal fiscal relief. This funding was put forward in President Obama's budget, the House of Representatives' Jobs for Main Street bill, and legislation sponsored by United States Senate Majority Leader Harry Reid and Senator Jay Rockefeller.

According to a fact sheet released by Governor Paterson, "While there is strong evidence indicating that this aid will be approved, if federal action is not taken, deeper spending reductions would be required across a range of policy areas, including, potentially, education, health care, social services, and others."

Last week the Governor announced that the State must address an additional $750 million deficit through the end of 2010-11. Overall, the projected 2010-2011 deficit now totals $8.2 billion, up from $7.4 billion at the time of the Executive Budget.

According to published reports, the State Budget Division indicated that the federal funding, which has been passed by the House of Representatives, would impact the last three months of the 2010-2011 fiscal year which ends March 31, 2011.

Both U.S. Senator Charles Schumer and U.S. Senator Kirsten Gillibrand have noted that the legislation is a priority.

Assembly Speaker Sheldon Silver was skeptical of the Governor's plan and readied for the tough fiscal decisions which lie ahead.


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"We still believe that the Governor is overstating revenues," the Speaker explained. "We anticipate that revenues will be below that of the Governor's and there are still significant downside risks to the Executive's projections which could further increase the budget gap…It is clear that we have some very difficult decisions ahead."

In addition to the federal money, the Governor's amendments include a revision to the MTA Mobility Tax (see below), increased franchise fees for businesses selling wine in grocery stores, decreased funding for cultural projects, and a reduction in local grants.

State legislators returned to their home districts on Tuesday and will be back in Albany on Monday, February 22nd. The legislative schedule calls for four-day session weeks until April 1st, the start of the New York's 2010-2011 fiscal year.

# *In the News – New York City*

## Don't Tax "Us," Tax "Them"

Utilizing the age-old tactic of pointing the tax-levy finger at the other guy, City Council Speaker Christine Quinn decried the State Executive proposal to increase the City-share of the MTA mobility tax and Council members called upon the State Legislature to reinstate NYC's commuter tax.

As part of his 21-day amendments to the 2010-11 Executive Budget, Governor David Paterson proposed a new two-tiered MTA Mobility tax. The changes were aimed at bringing tax collections "more in line with local ridership" and helping to mitigate the MTA's budget difficulties. Last week the Authority indicated that receipts from the tax were $400 million lower than originally estimated, adding to the MTA's growing deficit.

The amended proposal eliminates the current flat Mobility Tax structure (0.34 percent of payroll for all MCTD counties). It increases the tax rate for New York City businesses to 0.54 percent of payroll. It also cuts the tax rate in half for businesses outside of New York City in the Metropolitan Commuter Transportation District (MCTD) to 0.17 percent.

Under the new proposal, New York City businesses would now contribute 88 percent of all mobility tax revenues, up from 70 percent. According to the Governor, this will ensure a more equitable distribution of tax liability, as New York City is the destination for over 90 percent of weekday ridership.

Fares on the MTA lines are currently differentiated based upon use and geographic location. For example, a commuter from Rockville Centre (LIRR Zone 7) pays $10.75 one way peak, or a discounted monthly rate of $232 in addition to subway fares. A monthly subway Metrocard costs $89 (single fare is $2.25).

"Governor Paterson's proposal to increase the MTA payroll tax on New York City employers by nearly 60% is outrageous and simply unfair." Speaker Quinn asserted. "The additional tax increase on City employers - including businesses, the non-profit sector, and the City government - would suffocate growth and job creation in the City just as we are on the cusp of recovery from worst economic downturn in generations. City employers should not have to pay for forecasting errors by State Dept of Taxation and Finance."

The new structure will restore 2010 MTA mobility tax revenues to $1.54 billion, which is equal to original projections (net additional revenue of approximately $230 million for MTA). It also addresses projected out-year deterioration, providing more than $200 million in additional annual revenue on an ongoing basis in 2011 and beyond.

"…we continue to see reports of cost overruns, uncollected fees, and general mismanagement at the MTA," Council Transportation Chair James Vacca explained. "Raising taxes so we can throw more money at this agency is obviously not the answer."

Under the Governor's proposal, self-employed individuals and partners with income below $100,000 would be exempt from the payroll tax (up from the current threshold of $10,000). As a result, an additional 400,000 small businesses would now be exempt from the payroll tax.

"…the Governor has proposed to raise the mobility tax for New York City, but to spare all New Yorkers above the Bronx and east of Queens," Council Finance Chair Domenic Recchia, Jr. said. "We in the City of New York will not stand for clear unequal treatment."

Meanwhile, a resolution introduced in the Council yesterday called upon the State Legislature to "..reinstate the modest tax on non-City residents known as the "commuter tax" in the wake of the economic crisis facing NYC."

Resolution 40-2010, sponsored by Council members Michael C. Nelson and Vincent J. Gentile, calls upon the State Legislature and the Governor to support the passage of A.5745 (sponsored by Assemblyman Lopez) and S.3645 (sponsored by Senator Dilan). The bills would reinstate the commuter tax so that "New York City can continue to provide an adequate level of services to those who work and live in the City and can continue to serve as the economic engine for the state."

The Assembly bill allocates the proceed of the commuter tax to the City, while the Senate bill earmarks the funding for the MTA to be used for Triborough Bridge and Tunnel Authority operating and capital costs.

# Chief of City Law Department's Family Division to Lead Integration of Juvenile Justice Department into Children's Services

Mayor Michael R. Bloomberg and ACS Commissioner John B. Mattingly this week announced the appointment of Laurence E. Busching, who currently serves as Chief of the Family Court Division for the New York City Law Department, as Executive Deputy Commissioner of the new Division of Youth and Family Justice at the Administration for Children's Services (ACS). In his State of the City speech last month, the Mayor announced that the Department of Juvenile Justice (DJJ) will be merged into Children's Services to expand interventions for juvenile offenders as part of a citywide campaign to help youth at risk.

"In making this appointment, we're putting the New Yorker who is best-suited to lead this critical effort for our City's public safety and troubled youth," said Mayor Bloomberg. "As the City's chief prosecutor of juvenile delinquency cases, Larry Busching has already proven his expertise and commitment to ensuring the public's safety while at the same time doing everything possible to help these young people avoid re-offending. He is dedicated to making sure these young people are treated fairly, and encouraged to do better for themselves and their families."

The City's integration of juvenile justice and child welfare programs is designed to enhance public safety by decreasing the rate of recidivism for juvenile offenders. The integration is also expected to produce cost savings and operational efficiencies by combining two separate agencies that otherwise serve overlapping constituencies. According to the Mayor, data-sharing will make possible long-term planning for youth and their families as soon as they enter the juvenile justice system, enabling a focused strategy to place youth on the path toward school, work, and successful adulthood.

As Chief of the Family Court Division of the New York City Law Department since January, 2005, Mr. Busching has been responsible for the prosecution of juveniles throughout New York City as well as for the enforcement of interstate child support orders. These matters specifically include the prosecution of juvenile crime with a focus on criminal rehabilitation. He also directs and administers a division comprising 90 attorneys and a support staff of 60.

From 1990-2004, Mr. Busching served as an Assistant District Attorney in the Manhattan District Attorney's Office. In 2004, he was made Chief of the Family Violence and Child Abuse Bureau, where he supervised the investigation and prosecution of thousands of domestic violence and child abuse cases annually. He also served as Chair of the state District Attorneys Association's committee on sex crimes and family violence legislation.

# In Brief

## "New York's Great Appliance Swap Out" to Provide $16.8 Million in Rebates

Today marks the start of "New York's Great Appliance Swap Out" which will begin providing $16.8 million in rebates to consumers all across New York State who purchase qualified energy efficient appliances. The program will run through February 21. Using federal funds from the American Recovery and Reinvestment Act (ARRA), the program provides rebates for replacing old units with high-efficiency refrigerators, clothes washers, and freezers. Rebates will range from $50-$105 for a single unit and up to $555 for the purchase of a three-appliance package of high-efficiency refrigerators, clothes washers, and dishwashers. The New York State Energy Research and Development Authority (NYSERDA) will administer the program.

Customers purchasing appliances may receive the following individual rebates:

- **Refrigerators:** $75 ($105 with documented recycling)
- **Clothes washers:** $75 ($100 with documented recycling)
- **Freezers:** $50 ($75 with documented recycling)
- **Dishwashers:** Rebates are only available for dishwashers when purchased as part of a three appliance package of CEE-rated appliances. This bundled purchase will qualify for a $500 rebate ($555 with documented recycling).

Information and forms are available at http://nyapplianceswapout.com/. The site even contains a running tally of how much funding remains for the program.

## IBO Evaluates Options to Close City's Budget Shortfall

The Independent Budget Office (IBO) today released a new edition of *Budget Options for New York City*, evaluating 63 options that could help close the city's budget shortfall. IBO does not endorse or recommend any of the options considered. According to the Office, "our role is to analyze, not endorse."

Nine of the 63 initiatives reviewed are new and include:

- Eliminating need for citywide run-off elections (saving $15 million in 2014)
- Making greater use of alternatives to incarceration for juveniles (saving $15 million annually)
- Using open-source software for certain applications (saving $130,000 annually)
- Replacing 450 NYPD police offers with civilians (saving $15.1 million annually)
- Instituting a new pension tier for NYCERS (saving $13.1 million in 2013)
- Collecting "PILOTs" for the property tax exemption for hospital staff housing (revenue of $29 million annually)

- ► Repealing the tax exemption for vacant lots owned by religious, charitable or other nonprofit organizations (revenue of $17.5 million annually)
- ► Taxing sugar-sweetened beverages (revenue of $221.7 million annually)
- ► Increasing fees for civil ceremonies (revenue of $1 million annually).

Previously reviewed initiatives include eliminating removal of grass clippings, instituting a pay-as-you-throw trash removal system, replacing police officers performing clerical duties with civilian employees, establishing a four-day work week for some City employees, and increasing the workweek for municipal employees to 40 hours. Budget Options for New York City is available on IBO's Web site at http://www.ibo.nyc.ny.us/iboreports/options2010.pdf.

### Councilmember Koppell Seeks to Regulate High School Pitchers

City Councilmember Oliver Koppell introduced new legislation this week to regulate pitching by high school children in competitive baseball games. Introduction 40 calls upon the City Commissioner of Mental Health and Hygiene to establish safety rules regarding pitching. These rules shall include, but not be limited to, a limit for the number of pitches that may be thrown by any high school age child in a competitive baseball game and a specific number of rest days that must occur between competitive baseball games for any high school age child who pitches.

Under the legislation “competitive baseball game" is defined as any organized baseball game at which a certified umpire officiates and which takes place in the city of New York. The bill would apply to individuals older than thirteen years of age, but younger than eighteen years of age. "School" is defined as a public or private school which includes any grade nine through twelve and which is located in the city of New York.

# *Coming Up*

## *New York State*

*The Senate and Assembly are scheduled to return to Albany on February 22nd.*

## *New York City*

***Thursday, February 18th***
***State of the City Address, Council Speaker Christine Quinn***, Council Chambers – City Hall, Noon.

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**To Our Clients**: If you have any questions regarding any of the matters addressed in this newsletter, or regarding any legislative, government relations or political or consulting or related issues in general, please contact the Pitta Bishop Del Giorno & Giblin LLC professional with whom you usually work.

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