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Restore State Revenue Sharing Funded by Progressive Taxation: The Once and Future Solution to the City's Fiscal Crisis

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Every issue our city faces is contingent on one overriding issue in this year's election: the financial emergency. Syracuse faces a Detroit-style takeover of the city and a Philly-style takeover of the school district in the next two or three years. What's at stake is whether we will still have the democratic right to address our problems together in a city government that we elect. Or whether the state will appoint agents of big business and Wall Street to rule over us through a Financial Control Board and an Education Oversight Board.

The once and future solution to the fiscal crisis is to restore the kind of revenue sharing funded by progressive taxation that was adopted by the state in 1970. [Starting](#) in late 1969, Syracuse Mayor Lee Alexander, New York City Mayor John Lindsay, and the other Big 6 Mayors [campaigning for months](#) for revenue sharing of progressive state taxes because the underlying cause of the fiscal crises that our state's cities faced then is the [same cause](#) we face today: the replacement of property tax-paying manufacturers with tax-exempt universities, hospitals, and government agencies. The solution then is still the solution today.

But the Democrats in power – from Governor Cuomo on down to the city Democrats, who hold every elected office in the city – offer nothing but more cuts to schools, services, and city workers. The Republicans at every level just shout Amen! to Democrats' austerity policies.

Cuomo calls for fiscal self-reliance on a limited taxable property base, and if that fails, consolidation imposed by a Financial Control Board. Syracuse needs about \$1 billion in new taxable property to raise the \$24 million a year in additional revenues over the next three years that is needed cover [projected budget gaps](#). That won't happen. The city only has [\\$3.7 billion in taxable property](#) now. Fiscal self-reliance is fiscal fantasy for Syracuse. Perhaps that is Cuomo's intention because he wants to force consolidation. Consolidation certainly reshuffles responsibilities, but its cost savings are limited.

Cuomo's urban austerity policy is a recipe for a continuing downward spiral of school and service cuts, property tax hikes, privatization of public services and assets, a further exodus of homeowners and businesses seeking decent schools and municipal services, and a further reduction in the city's property tax base.

To her credit, Mayor Miner has accurately described how the economic model of New York's central cities is not sustainable. Tax-paying manufacturing businesses have largely been replaced by tax-exempt universities, hospitals, and federal, state, county, and city government agencies, which serve as the economic base and major employers in our metropolitan regions.

But this is old news. This economic transition mostly occurred in between World War II and 1970 as multi-story factories in the central cities were abandoned in favor of sprawling one-story plants in the suburbs. It was in recognition of this change in the economies of metropolitan regions that the state agreed to revenue sharing in 1970.

Instead of calling for restoration of previously promised levels of revenue sharing, Miner has focused

on state labor law changes that would give the city administration leverage in contract negotiations to cut city workers' wages and benefits. City workers don't get enough to give back anywhere near \$24 million a year.

Miner also calls for municipal and state leaders to meet and cut a deal to rescue the cities. That is a process, not a policy. We need a popular campaign for fiscal justice, not a elite deal that once again makes working people bail out Wall Street bondholders with cuts to city services and schools, wage and benefit cuts to city workers, and regressive tax hikes.

Governor Rockefeller then, like Governor Cuomo today, at first said the state “[cupboard is bare](#)” when the Big 6 mayors proposed revenue sharing. But popular support for the reforms turned Rockefeller into a [champion](#) of them in the end. It is time for our city elected officials, in concert with civic groups, labor unions, and other municipalities' elected officials, to once again campaign for the state to pay for its unfunded mandates on local government.

The City of Syracuse, with a [\\$299 million operating budget](#) this year, projects a [budget gap](#) of \$73 million over the next three years: \$18 million in the current fiscal year, \$25 million next year, and \$30 million the following year. With a cash reserve of \$61 million at the beginning of this fiscal year, Syracuse will reach the state Comptroller's recommended minimum level of [5% of revenues](#) by the end of next fiscal year.

The school district, with a [\\$367 million budget](#) this year, has only \$8 million left in cash reserves. The district has already cut one-quarter of its staff over the last four years. Our schools need money, not high-stakes testing and teacher evaluations designed to fail the schools and justify privatization into charters. See Philadelphia, Chicago, Milwaukee, New Orleans, Newark, Detroit, and other cities for that script. Public school closings and private charter school openings [have not improved](#) student achievement.

Governor Cuomo [told](#) Syracuse in June that city budget is not balanced because the state funding accounts for 24 percent of the city operating budget and not to expect more state funding. Never mind that the state gets [31 percent](#) of its budget from the federal government. Instead, he [told](#) us, "Maybe we have to merge a city with a county."

Lt. Governor Duffy began the year by [coming to Syracuse to say](#) the city should ask the state now for a Financial Control Board if the city doesn't think smoothing pension costs over multiple years is sufficient state mandate relief. He added that the board would have the power to break union contracts and impose cuts in city workers' wages and benefits.

Then in mid August, Cuomo's Education Commissioner, John King, [called](#) for passage of a [bill](#) to enable the state Board of Regents to replace elected school boards in districts that are failing financially or academically with state-appointed Education Oversight Boards, which he described as akin to Financial Control Boards for cities. Governor Cuomo soon followed that announcement up with his own [call](#) for “a death penalty for failing schools,” followed by a state takeover and privatization into charter schools.

Cuomo told us in June, “You can't be reliant on the state to come in here with a check at the end of the year to make up for the shortfall that you can't fill because, frankly, the state's not in a position to do that anymore.”

We disagree. We know where the money is. That rich have it. Since 1980, the per capita gross state gross product has [tripled](#) in [inflation-adjusted](#) dollars. But all the growth in income went to the [top 1 percent](#), who received 10 percent of all state income in 1980, but had [30 percent by 2012](#).

In the meantime, taxes on the rich were cut. The [stock transfer tax](#), which brings in about \$15 billion a year, has been 100 percent rebated to the traders since 1981. Since 1980, [the top bracket tax rate has been cut in half and the bottom bracket tax rate doubled](#). Revenue sharing was the first thing to be [cut to pay for these top end tax cuts](#).

The revenue sharing formula was revised a few times in the 1970s, but by 1979 the state settled on [statutory level of 8 percent](#) of (State Finance Law, Section 54). But to pay for repeated top end tax cuts and to balance the budget during recessions, the annual state budget resolutions included “[notwithstanding](#)” clauses that exempted the budget from the 8 percent revenue sharing requirement. Revenue sharing was [repeatedly reduced](#). Today it is less than 1 percent of state revenues and Governor Cuomo's [5-year financial plan](#) keeps it flat in inflation-adjusted dollars at \$775 million out of a \$90 billion general fund budget.

Syracuse gets \$72 million of that revenue sharing. If New York State just restored revenue sharing to half of its once promised 8 percent, that 4 percent would be close to the [average for revenue sharing in the 50 states](#) and yield over \$200 million more in revenue sharing funds for Syracuse. We would be figuring out how to use that money to address pressing city problems, including high property tax rates.

On the school side, the state has accumulated an [\\$8.9 billion shortfall](#) in promised funding from the Foundation Aid Formula enacted in 2007 to address the underfunding of urban education in the successful lawsuits won by the Campaign for Fiscal Equity.

These increases in revenue sharing and school aid could be easily funded by modest increases in progressive taxation. To bring the state revenue sharing budget back up to 4 percent of state revenues would require an additional \$2.3 billion in revenues without affecting other items in the state budget. A partial retention of the \$15 billion a year stock transfer tax would do it. If we restored the progressive state income tax structure of the 1970s, with 14 graduated rate brackets instead of six, 95 percent of New Yorkers would get a tax cut but the state would take in an additional [\\$8 billion more](#), which would just about cover the state's cumulative shortfall in promised school funding since 2007. One of the Big 6 mayors' [other proposals](#) in 1970 was to fund public schools completely with state income taxes instead of local property taxes. It is time to revive that proposal.

These are not soak-the-rich proposals. They are proposals for fiscal responsibility. The rich can afford a little higher tax rate in the top brackets in order to save our cities and schools.

Syracuse is being set up for failure and a state takeover by the fiscal policies now in force. The Democrats have not challenged these policies, perhaps fearing a challenge to their incumbency as we saw visited this year upon councilors Lance Denno and Jean Kessner who questioned some of the Mayor's priorities and were refused their party's endorsement when they sought re-election.

As Green Party candidates, we are independent of the machine and free to speak up for Syracuse to demand fiscal justice for our cities and schools. That is what we will do if elected.