

GUIDE FOR GRASSROOTS RESEARCH: WHAT WALL STREET COSTS AMERICA PUBLIC BANKING INSTITUTE 2016

MAKE SURE YOU FULLY CITE ALL MATERIAL

General rule is we need to be able to find it where you found it: URL, name of cite, author (if there is one), date.

SPECIFIC DATA WE WANT

- Listing of states whose pensions are in serious trouble
- Listing of cities and counties losing money because of bad bond deals, interest rate swaps, and excessive interest payments
- Listing of cities, counties, and states having to cut public services due to money lost in those bad deals—and the impact of those cuts.
- Unrest, police-created or law enforcement tensions
- Education shortfalls
- Service shutoffs—e.g. water, heat

HERE ARE SOME KEY TERMS TO LOOK FOR

- Hidden Fees, carried interest
- Pensions
- Private Equity Firms and hedge funds
- Managers' Fees
- Credit Rating Downgrades
- Interest Rate Swaps, derivatives, credit default swaps
- Pension Obligation Bonds
- Auction Rate Securities
- Capital Appreciation Bonds
- Credit Enhancements
- Underwriting Fees

SOME HELPFUL TIPS FOR SEARCHING INFORMATION

1. Obtain figures for both fees and bonuses, which often constitute two different expense line items
2. Debt services are listed as line items in the budgets
3. Statements in budget memos about percentages of debt and increases in debt
4. Statements by media or public officials, about budget shortfalls, recurring stories of public financial needs
5. School debt servicing is sometimes listed as a separate line item than general debt servicing. Other specific debt servicing may be similarly separated out from general debt servicing.
6. Interest rates on loans—the principal is not a “Wall Street cost” but the interest and fees are.
7. Municipalities' holdings in stocks that are volatile, or those in legal trouble, also big news. Municipalities list their holdings. Also note that many of these investments are not local—which is worth pointing out.
8. Look for credit rating downgrades--they hurt municipalities
9. Calls for cuts—politicians often try to score political points by calling for budget, program, and agency cuts in response to the narrative of “fiscal scarcity” that is really contextualized by Wall Street costs.
10. Percentages seem small, but their total amounts are big (NJ's 2016 budget = 8% debt servicing fees)

WHERE TO LOOK: INTERNET RESOURCES

- Budget data sites:

<http://www.ofm.wa.gov/budget/budgets.asp>

<http://www.ebudget.ca.gov/>

<http://www.dof.ca.gov/budget/>

<http://www.fairfaxcounty.gov/news/2015/county-executive-proposed-fy-2016-budget.htm>

- Ballotpedia has state budget analyses at

http://ballotpedia.org/State_budget_and_finance_pages, including amount of debt carried (although not how much is paid to service the debt): EG: http://ballotpedia.org/Wyoming_state_budget_and_finances

- State or City Credit Rating Reports

<https://treasurer.state.wy.us/pdf/SPCreditRatingDec2014.pdf>

- Many small cities' budgets are simply found on their city pages--Googling the city name and the budget can be the easiest way to find them:

http://www.rivertonwy.gov/departments/administrative_services2/finance/uploads/14_15_Budget.pdf

- Google "Budget cuts __ (your city, county, etc) __" for articles on specific budget cuts and their impacts:

<https://www.denverlibrary.org/budget-cut>

http://www.cleveland.com/metro/index.ssf/2015/03/cleveland_teachers_union_prote.html

<http://cityhall.blog.statesman.com/2015/05/12/city-releases-23-million-in-potential-budget-cuts/>

(The stories themselves may attribute other causes, but we know the structural cause of the shortfalls)

- Watchdog Groups

These groups might be fiscally conservative and so a lot of their spin might be anti-spending, but they also collect and preserve some really valuable data:

<http://watchdog.org/category/issues/state-budgets-issues/>

--this is a national group covering several states--it's good. Here's an example of a Pennsylvania story run by the same organization::

<http://watchdog.org/236624/fishing-license-pension-pennsylvania/>

--State groups include: <http://www.utahtaxpayers.org/>, <http://www.newjerseywatchdog.org>, etc.

EXAMPLES OF DATA COLLECTION

(This is what we'd like to see people send in--with citations)

Some overview facts on New Jersey's budget, investments, and debt servicing:

- The state of New Jersey invests billions of dollars in private equity and hedge funds. Their investment portfolio includes McDonalds, Nestle, Philip Morris, WalMart, Comcast, Coke and Pepsi, with CDs in nine big international banks--including criminal banks. New Jersey invests with Wells Fargo and JP Morgan Chase for a total of over 15 million shares. Goldman Sachs is a broker for the state.
- 30 percent or more of New Jersey pension system is in hedge funds, private equity, real estate.
- New Jersey has not filed reports detailing fees paid to private firms. Partial records show they paid \$1,018,172,041.75 in fees between 2009-2013, plus additional uncounted fees.
- Many of the firms to which New Jersey has paid tens of millions of dollars in fees have returned nothing to the state.
- New Jersey's 2016 budget includes an increase of over \$8 million in debt servicing allocation, making total debt service \$2.7 billion. Although calling it "only 8% of the budget" makes it sound like less, imagine what could be done with even \$1.35 billion, half that amount.

New Jersey Transportation Trust Fund story

- Almost \$900 million per year is going to pay interest and principal on bonds issued years ago.
- The fund lost all sources of revenue not constitutionally allocated to it beginning in 2002, costing an additional \$100 million per year.
- The Trust Fund's annual debt service payments have increased 59% since 2005.

Model Narrative/Impact Material

These are descriptive scenarios of the terrible consequences of budget cuts. Example:

John Rudolph, "Stockton's Poor Mired In Violence after Police Cuts, Recession," Huffington Post, March 19, 2012, http://www.huffingtonpost.com/2012/03/18/stockton-poor-poverty-crime-california_n_1346096.html

"To plug gaping deficits, the city council slashed the police department budget, shrinking the size of the force and cutting the pay and benefits of officers who remained. Stockton dismantled a narcotics force, scaled back community policing efforts -- and killings soared."