

The New York Business Council Needs to do its Fair Share to Solve the State's Fiscal Crisis



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The New York State Business Council has frequently misrepresented the Public Employees Federation's position on the state's fiscal crisis. It is time to set the record straight.

New York's fiscal situation will require sacrifices from all New Yorkers in order to close a projected \$10 billion state deficit over the next 15 months. PEF has been supportive of the governor's efforts in dealing with the fiscal crisis, including judicious reductions of the state workforce. However, we cannot allow vital and essential public services and citizens of New York who depend and rely on those services to bear the brunt of the fiscal crisis.

The state's fiscal burden should fall on those most able to carry it. PEF and the New York State AFL-CIO have endorsed a balanced approach to closing this deficit that would equally raise revenues and cut spending. The revenue proposals would allow New York State to capture a portion of the Federal tax windfall New York's wealthiest taxpayers and most profitable businesses will receive in the upcoming years.

Our major revenue proposals include:

- a two-year, seven-tenths of one percent (0.7%) surcharge on the portion of adjusted gross income over \$100,000 and one and four-tenths percent (1.4%) surcharge on the portion of adjusted gross income above \$200,000 that would be more than offset by federal income tax cuts; and
- the elimination of corporate tax loopholes so all corporations pay their fair share of taxes.

The Business Council is using secret economic studies and misinformation to scare New Yorkers

into believing that tax increases, regardless of the alternatives, are bad for jobs. And the media is quoting it widely, as if it were legitimate economic research. However, the authors refuse to release the data they used for their anti-tax studies, and with good reason. Their data in all likelihood show that moderate tax changes have no effect on employment. The only way their data can show that tax increases are bad for jobs is by assuming that all tax dollars get sucked into outer space without providing any services.

Of course, the real choice is not between raising taxes and not raising taxes. The real choice is between

Economics, generally find that when the alternative is service cuts, higher taxes preserve, rather than destroy, jobs. This is not surprising, given that the most important factors in a firm's decision about where to locate involve the availability of a qualified labor force, the existence of other firms of the same type in that location, and the existence of an adequate infrastructure. All of these factors depend on the quality of essential public services such as education, health care, environmental conservation and transportation — all of which would be devastated by the draconian cuts recommended by the Business Council.

The real reason the Business Council opposes a temporary income tax surcharge and closing corporate loopholes is to ensure that their wealthy Board of Directors and members, most of whom make multi-million dollar salaries, and profitable corporations do

not pay their fair share of state taxes. To support their corporate greed, they will continue to spin a web of misinformation using inaccurate data, half-truths and misrepresentations to bash public employees and public services.

PEF supported Governor Pataki's efforts to reduce the state workforce by 5,000 employees even though New York already has one of the smallest state workforces per capita and as a percent of the state's total employment in the country. It is time that New York's businesses do their fair share to help solve the state's fiscal crisis.



Proposed Income Tax Surcharge would cost only 9 cents out of the Federal Tax Cut Windfall Dollar

raising taxes and substantially cutting services. The Business Council's plan to close the budget deficit recommends that the state reduce its workforce by 20,000 employees, but they don't bother to say which services should be cut. In addition, they want the state to cut funds for education, health care, and the court system. With all these reductions, the Business Council is strangely silent on how many job losses will occur. However, we estimate that the Business Council's proposals will result in the loss of at least 60,000 public and health-care sector jobs.

Credible economic studies, such as those conducted by Joseph Stiglitz, winner of the 2001 Nobel Prize in



New York State Public Employees Federation, AFL-CIO

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