

The Cost of Their Intentions: An Analysis of the Mayoral Candidates' Spending Proposals

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Executive Summary

In the weeks leading up to the original September 11th primary date, the mayoral candidates would occasionally acknowledge that their plans might have to change if New York City encountered a full-blown recession.

Sadly, there's no longer any "if" about it. The horrific attack on the World Trade Center will deal a severe blow to New York's economy and government revenues for at least the next year, if not longer. Before September 11th, the city's projected fiscal 2003 budget gap of \$2.8 billion looked like a worst-case scenario. Now, it's a grim reality.

The men who would be mayor have a lot of catching up to do. Prior to the attack, five of the six leading candidates were proposing ambitious new capital programs leveraged by more than \$100 million in projected revenues from the World Trade Center. Those ideas are obviously moot, but the programs they would have financed represented only a portion of the new spending that mayoral candidates will now have to reconsider.

Even before the catastrophe, it was clear that the next mayor would have to deal with an economic slow-down and potentially huge budget gaps. While the mayoral hopefuls all say they have re-ordered their priorities in the wake of the attack,* their original campaign proposals can still provide useful insights into each candidate's philosophy and policy preferences.

We estimated the costs implied by each candidate's** campaign proposals as they stood on the eve of the original September 11th primary date. Here is how they stacked up:



FERNANDO FERRER (D)

\$1.98 billion

Well over three-quarters of Ferrer's total would have gone to a 30 percent increase in teacher salaries, with the remaining amount devoted mainly to other new education programs, and to housing and health.



MARK GREEN (D)

\$1.28 billion

The bulk of Green's new spending would have gone for increased teacher and police salaries, class-size reduction, an expanded "living wage" for employees of city contractors, and new dedicated funds for transportation and housing construction.



MICHAEL BLOOMBERG (R)

\$295 million

Although much of his program was amorphous, the proposals that most clearly entailed new spending were Bloomberg's plans to reduce class-size, and to dedicate park-concession revenues for park purposes.



ALAN HEVESI (L)

\$1.57 billion

The bulk would have gone for increased teacher salaries and reduced class sizes, but he also proposed to spend more on police salaries and housing.

Our analysis of the candidates' proposals yields, in addition to the above rankings, two main conclusions:

1. If an election in normal times is a courtship between candidates and voters, then the flowers and candy prior to September 11th were education and housing. Most of the candidates had focused their spending proposals in these two areas.
2. The candidates have been unanimous in their praise of Giuliani's leadership in the aftermath of the terrorist attack. Yet, none of them have fully embraced his fiscal legacy, including the kind of budgetary discipline that was required to close huge budget gaps without increasing taxes early in his tenure.

* Alan Hevesi, for example, "said that his call for raising teacher salaries would have to be slowed down" and that he and other candidates would have to "rethink" their housing programs, according to *The New York Times* ("Primary Candidates Urge Strong Turnout as Act of Defiance," Sept. 24, p. A21).

** Alan Hevesi remains the Liberal Party candidate despite losing the Democratic Party primary. While there is no indication he will actively campaign, his name will remain on the ballot.

About the Author

Edmund J. McMahon is a senior fellow for Tax and Budgetary Studies, at the Center for Civic Innovation at the Manhattan Institute. Mr. McMahon studies the tax and spending policies of New York City and New York State and issues recommendations on how these policies can be reformed to increase economic growth.

Deconstructing the Candidates' Programs

In the wake of the World Trade Center attack, New York City faces its most serious fiscal and economic crisis since the mid-1970s.

The leading mayoral candidates all agree that these extraordinary circumstances will demand much more stringent fiscal discipline than they had originally planned on. Estimates of the immediate impact vary widely, but it's possible that city revenues over the remaining three-quarters of the 2002 fiscal year will drop by \$1.2 to \$2.3 billion below original estimates.* In the following year—the first budget of the next mayor's tenure—further declines are possible, with the severity of the problem depending heavily on the progress of the economic recovery and the status of the new war on terrorism.

Under the circumstances, it's more vital than ever for voters to be able to gauge how much fiscal discipline each candidate is likely to show. One way of doing so is to assess the costs implied by each candidate's campaign proposals prior to September 11th, when the city was already facing potential fiscal problems.

Our estimates were derived from information in the candidates' own public statements and campaign materials, and on press coverage. In analyzing this information, we followed three guidelines:

1. The baseline for each candidate's "new spending" total is the adopted city budget and financial plan for fiscal 2001–02. Proposals to dedicate revenues that the city does not currently earmark for specific purposes are counted as new spending. However, any cost already budgeted is not counted against a candidate's total. For example, an 8.2 percent salary-hike for teachers and police is already built into the city's budget plan. Thus, any estimate we provide for a candidate's proposal to increase those salaries reflects only the amount greater than the 8.2 percent already budgeted.
2. We focus on major items for which mayoral candidates themselves estimate costs, or which they describe in detail sufficient to allow an estimate. Where the campaign provided no estimate for a particular policy position, we assessed the cost implications using reasonable mid-range assumptions based on the authoritative data sources, as explained in the notes to the summary table for each candidate.
3. Spending totals are assessed in terms of their annual budget impact when fully implemented, not on a multi-year basis. Proposals for additional city-funded capital projects, such as new housing and schools, are evaluated in terms of the debt service costs they would generate every year.

A detailed analysis of each candidate's proposals is given in the tables below.

* This assumes that city tax revenues fall by 5 to 10 percent, while 100 percent of short-term cleanup and recovery costs are covered by federal disaster aid. Comptroller Hevesi says his office estimates that revenues this year could be \$1.5 billion less than originally projected.



Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
“Ferrer called for empowering principals through reforming due process for teachers, increasing teacher pay by 30 percent, and creating year-round teacher training and professional development.” ¹	Ferrer estimates the cost of his proposed salary increase at \$1.1 billion, but this does not include fringe and other costs used to calculate the impact of pay increases on the city budget. By official standards, ² the full cost of a 30 percent salary increase would be \$1.8 billion. Deducting the \$492 million already budgeted for teacher salary hikes leaves a net cost of \$1.308 billion, plus Ferrer’s own estimate of \$100 million for year-round teacher training and professional development. ³	\$1.408 billion
“A \$1.3 billion dollar (housing) capital investment per year, including \$300 million in city funds and \$1 billion leveraged resources” will “produce 150,000 units of affordable housing across the city over the next ten years.” ⁴	Key details—particularly the financing for the “leveraged resources” cited in Ferrer’s plan—remain sketchy. The two funding sources he specifically identifies—added tax revenues from the World Trade Center and Battery Park City revenues—would have reached \$175 million a year. ⁵	\$175 million
“And as Mayor, I will keep all of our middle schools open until 6 p.m. on the weekdays and on Saturdays and Sundays.” ⁶	“The cost of opening up all of our middle schools is about \$100 million dollars. I believe that the City can finance \$75 million of that.” ⁷	\$75 million
“The city has proposed a capital plan that includes \$97 million a year to build more jail beds that it does not need. Almost \$1 billion over 10 years, according to the IBO, for a system with 8,000 empty beds. Let’s put these capital dollars to work meeting more pressing needs, such as those faced by our health care facilities.” ⁸	Additional capital spending of \$97 million a year on health care facilities over the next 4 years would ultimately generate an annual debt service cost of \$30 million.	\$30 million
According to the advocacy group Parks 2001, Ferrer signed a pledge to “work to commit at least 1 percent of the overall city expense budget to Parks department operations.” ⁹	Parks spending now represents just 0.4 percent of the budget, and raising it to 1 percent would effectively cost \$200 million.	\$200 million
“As Mayor, I will also ensure the allocation of part of the \$250 million per year tobacco settlement towards HHC (Health and Hospitals Corp.) to help offset some of the costs of uncompensated care.” ¹⁰	“...\$70 million (in tobacco settlement funds) should be invested in the public health system.” ¹¹	\$70 million

Proposal	Cost Implications	Estimated Budget Impact
"As Mayor, I will provide for the conversion of 70 percent of the part-time faculty at CUNY's community colleges to full-time status." ¹²	"That will require hiring 550 full-time faculty at a cost of \$6 million a year over the next three years."	\$6 million
"As Mayor, I will pay half of the tuition of any CUNY community college student who is working and attending school full-time."	"That will cost our city up to \$19 million a year."	\$19 million

FERRER GRAND TOTAL \$1.983 billion

How He Would Pay For It

Savings from retirement of senior teachers and from bureaucratic streamlining at Board of Education, dedicating a portion of the city's share of the national tobacco settlement and repealing the latest reduction in the income tax surcharge, which will be worth about \$200 million in the city's 2003 fiscal year.

Comment

The bulk of Ferrer's new spending would be devoted a huge increase in teacher salaries, plus a \$100 million after-school and weekend program at all middle schools for which the city would provide three-quarters of the funding. The only proposal for which he did not provide a detailed cost estimate was his 10-year, \$13 billion housing capital program, whose financing remains sketchy.

1. Quote from Ferrer campaign news release, Jan. 24, 2001.

2. According to the Mayor's Office of Management and Budget (OMB), the "fully loaded" cost of a teacher salary increase is \$60 million per percentage point, including fringe benefits.

3. Total cost estimate from Ferrer campaign. When Ferrer was asked at a June 14 Manhattan Institute conference how he would pay for his proposed teachers' salary hike, he noted that "within the mayor's [Giuliani's] own labor reserve, there is substantial money that must be applied to this." The reserve is equivalent to the 8 percent base salary increase in the 27-month contract with members of District Council 37; based on fiscal 2000 systemwide teacher salaries as reported by the Board of Education, this would amount to at least \$300 million.

4. Program description from "Fair Affordable Housing" issue summary at <http://www.ferrer2001.com/housing.html>.

5. As noted by *The New York Times* in a July 27 front-page profile of the candidate, Ferrer has "provided few details of how he would pay for and carry out his housing plan." The article said that, according to "a brief list of revenue sources" provided by the campaign, about \$150 million in financing for the housing program "would be paid for over time from the rents and mortgages on the buildings themselves." Additional details were not available.

6. From Ferrer's June 13, 2001, speech to the City Athletic Club, "On the Critical Importance of After-School Programs."

7. Ibid.

8. From Ferrer speech, "Ensuring Access to Quality Care for All New Yorkers," Aug. 6, 2001.

9. As reported at the group's web site, <http://www.parks2001.org/scorecard/mayorals.asp#>; see also "A Campaign to Elevate Greenspace as An Issue" in *The New York Times*, Sept. 9, 2001, p. 43.

10. Ibid.

11. Ibid.

12. This and following quotes concerning the City University from Ferrer's April 14, 2001 speech, "The Future of CUNY."



Mark Green

Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
<p>"We must reduce class size so that no child in K-3 is in a class with more than 20 students."¹</p> <p>"As Mayor, my top priority will be reducing the number of students in each classroom."²</p>	<p>Existing state and federal programs subsidize the city's hiring of new teachers needed to reduce the <i>average</i> early grade class size to 20. However, Green's proposal to <i>cap</i> class size at 20 is actually more ambitious and would require an even lower average class size. Going just one step beyond existing programs and reducing the K-3 average to 19 pupils per class would require 855 additional teachers at a cost of \$56 million a year.³</p>	\$56 million
<p>"The City should increase City capital spending on school construction and renovation by eighteen percentage points—to 28% of the total. Over four years, that will mean well over \$2 billion more for school construction..."⁴</p>	<p>Smaller class sizes will require added space, and this is the capital component of Green's class size reduction proposal. The \$2 billion in additional capital spending would entail an annual debt service obligation of at least \$160 million.⁵</p>	\$160 million
<p>"First, we must shrink the salary gap with the suburbs by adding an across-the-board raise..."</p> <p>"In return, we must demand performance improvements. Teachers should expect to spend more time at school...They should expect to meet after school more than just twice a month."⁶</p>	<p>The city's current financial plan already includes money for an across-the-board raise of about 8.2 percent over 2+ years. But teachers in the suburbs make about 25 percent more⁷, so actually "shrinking" the gap would require consistently larger salary increases. In addition, the teachers' union is sure to demand a bigger pay increase in exchange for the kind of "performance improvements" Green describes. In addition to \$492 million already included in the budget to cover the 8.2 percent raise, moving even halfway to parity with suburbs in the next contract would require an added raise of 4.3 percent, or \$258 million.⁸ To the extent that suburban teachers also receive pay increases, the goal of full parity will be more expensive to attain.</p>	\$258 million
<p>Expand the number of BEACON schools, make after-school programs available to 10,000 additional children, expand drug treatment programs, create new youth courts and add youth officers.⁹</p>	<p>"Green has previously laid out the \$83 million in costs and revenue sources for additional BEACON, after-school and drug treatment programs."¹⁰</p>	\$83 million

Proposal	Cost Implications	Estimated Budget Impact
<p>“Police officers deserve fair pay—and more. All cops deserve to earn a living wage. But the city must also make the NYPD competitive in the market for new recruits...”</p> <p>“Let’s say to every new police officer—we’ll pay for your college education if you don’t have one already.”¹¹</p>	<p>What would it take to make city police pay “competitive” with neighboring jurisdictions? The Patrolmen’s Benevolent Association answered that question with a reported demand for a 30 percent salary increase when the latest contract talks began. Meeting the PBA halfway, with a total two-year pay hike of 15 percent, would cost \$136 million in added salary alone, after deducting roughly \$164 million already budgeted to cover an 8.2 percent raise for patrolmen.¹² Green’s proposal to give police free tuition obviously would cost still more, but without further details it is difficult to evaluate.</p>	\$136 million
<p>“Ensure that workers earn a living wage by expanding and increasing the City’s Living Wage Law.”¹³</p> <p>“The City and State should take action to raise home attendant and housekeeper wages sufficiently to lift them out of poverty. The City and State should also fund health benefits adequately to provide home care workers access to comprehensive health benefits that are reliable from one month to the next...”</p> <p>“The City should restructure home attendant agencies to create a core workforce of full-time salaried positions which could then be supplemented, when necessary, by part-time workers...”</p> <p>“Allow home attendants to earn overtime pay.”¹⁴</p>	<p>Taken together, Green’s positions in favor of expanding the “living wage” law¹⁵ and increasing compensation for home health attendants are potentially very expensive. For example, raising hourly pay for the city’s 48,000 home health attendants to the proposed “living wage” level of \$10 an hour would cost the city \$130 million a year, assuming the state continues to impose a hard cap on overall home health care program costs. This does not include the cost of raising wages for workers employed by city contractors in other programs—or of increasing benefits, creating salaried positions and allowing for overtime for home health attendants, as Green also advocates.¹⁶</p>	\$130 million
<p>“Providing every New York City police officer on patrol with a Palm Pilot [handheld computer] ...”¹⁷</p>	<p>“The estimated cost would be just under \$1 million for the pilot program, and \$13 million when the program is fully implemented.”¹⁸</p>	\$13 million



Mark Green

Proposals and Estimated Budget Impacts, continued

Proposal	Cost Implications	Estimated Budget Impact
<p>“[T]he Port Authority must substantially increase its rental payments for the airports and [in-lieu-of-tax] payments for the World Trade Center and the Port Authority Bus Terminal ... [and] increased payments from the airports and the World Trade Center should be dedicated to a transportation infrastructure investment fund controlled by the City.”¹⁹</p>	<p>The city had expected the newly privatized World Trade Center to generate \$100 million in annual property tax revenues, up from \$25 million in payments in-lieu-of-taxes, which had flowed flow to the budget’s general fund.²⁰</p>	<p>\$100 million</p>
<p>“Over the last decade, support for the City University of New York has fallen by \$375 million, resulting in the loss of 1,000 full-time faculty...It’s time we reverse that trend. We should fund the addition of 600 full-time faculty over the next three years, so students have greater access to high quality professors and instructors both inside and outside the classroom.”²¹</p>	<p>Taken literally, Green’s proposal to “fund the addition of 600 full-time faculty” to existing CUNY staff would cost \$33 million at current average salary levels. Assuming the new full-timers merely displace part-time adjunct professors at entry-level salaries, the lowest possible cost for this proposal is \$6 million.²²</p>	<p>\$6 million</p>
<p>Issue a \$60 million City capital facilities energy efficiency bond to pay for capital improvements that increase the energy-efficiency of City facilities and use resulting savings to subsidize new refrigerators for tenants of rent-stabilized apartments.²³</p>	<p>Refrigerator subsidies estimated at \$8 million and debt service set-aside estimated by candidate at \$6 million.²⁴</p>	<p>\$14 million</p>
<p>According to the advocacy group Parks 2001, Green signed a pledge to “work to commit at least 1 percent of the overall city expense budget to Parks department operations.”²⁵</p>	<p>Parks spending now represents just 0.4 percent of the budget, and raising it to 1 percent would effectively cost \$200 million.</p>	<p>\$200 million</p>
<p>Expand existing housing capital plan to create or preserve a total of 150,000 units over 10 years at a total capital cost of \$5.6 billion.</p> <p>“To reach this goal, I am prepared to commit about \$1.2 billion of new City funds over ten years”²⁶</p>	<p>Green originally set a goal of dedicating \$100 million a year to a housing trust fund to service debt of \$1 billion for new City aid for new housing.²⁷ His revised proposal²⁸ apparently would raise that to \$120 million a year over 10 years.</p>	<p>\$120 million</p>

GREEN GRAND TOTAL \$1.276 billion

How He Would Pay For It

Expected savings from retirements of senior teachers; up to \$300 million in savings from “smarter contracting;” reduction in city facilities’ energy bills; reduction in police overtime and increased use of technology; shift of capital funds to schools from planned prison construction; diversion of Battery Park City surplus and other revenues to housing trust fund and, as “the last, not an eager first option,” a tax increase.

Comment

In addition to the items tallied above, Green more has advocated many new and expanded city initiatives with potentially large cost implications still open to interpretation, including a more intensive effort to move uninsured persons into partially city-subsidized health care programs and an expansion of city-subsidized day care, to name just a few. The biggest item detailed on our list, above, involves substantial new school construction—an area fraught with well-publicized cost overruns. The cost estimate for this proposal probably represents the absolute minimum required to pay for it.



Proposals and Estimated Budget Impacts, continued

1. Quote from “Mark Green on Education,” as posted in the Issues section of his campaign web site (<http://www.markgreen.org>).
2. “NYC Mayoral Candidates Forum on Education, *Education Update Online* (<http://www.educationupdate.com/aug01/index.html>) August 2001.
3. The average staff cost is derived from calculations used by the Board of Education to allocate state and federal class size reduction funds, as outlined in Chancellor’s Budget Memorandum #1 of fiscal 2001-02, and from class size registers and staff funding allocations provided in the same publication. It should be noted that the added cost of achieving this goal conceivably could be offset if another of Green’s proposals—incentives for improved teacher performance—leads to a longer teacher work day, which would require fewer teachers to cover each class.
4. “Mark Green on Education,” op cit.
5. Assumes that each \$1 billion in long-term borrowing equates to \$80 million in debt service. It should be noted that the Independent Budget Office last year came up with a larger estimate of \$2.8 billion to fund needed classroom space for reducing average K-3 class size to 20. See the IBO’s February 7, 2001 Newsfax, “Smaller Classes, Larger Capital Needs.” If this is correct, the annual debt service cost would be \$224 million.
6. “Mark Green on Education,” op cit.
7. Based on comparative salary data from “The Labor Market for Public School teachers: A Descriptive Analysis of New York State’s Teacher Workforce,” by Jamp Lankford, Jim Wyckoff and Frank Papa, University at Albany, October 25, 2000. As summarized on page 10 of the study, as of 1999, novice New York City teachers made 25 percent less than suburban counterparts, and experienced city teachers made 35 percent less.
8. Each percentage point increase in teacher salaries has a “fully loaded” cost of \$60 million, including fringe benefits, according to the Mayor’s Office of Management and Budget (OMB). This is the figure labor and management use as the basis for their negotiations.
9. Programs summarized in Aug. 30, 2001, press release on Green’s “COMPSTAT For Kids” proposal.
10. Quote from Aug. 30, 2001, press release on Green’s “COMPSTAT For Kids” proposal.
11. Green Speech on Reducing Crime and Increasing Public Safety, Feb. 5, 2001, at www.markgreen.org.
12. Based on the OMB estimate that each percentage point increase in salaries for patrolmen costs \$20 million on a “fully loaded” basis, including fringe benefits.
13. “Mark Green’s “100 Ideas for a New York Century”” <http://www.markgreen.com/extra/extra.cfm?AuxID=18>.
14. “Invisible Sweatshop: The Plight of Home Care Workers in New York City,” report of the Public Advocate’s office, June 2001.
15. “Living wage” legislation has not been formally introduced in the City Council, but according to news reports (see, for example, “Union Feuds Are Hurting Chances of Law on Wages” in *The New York Times*, p. B-2, June 2, 2001), the proposal would require city contractors to pay their employees at least \$10 an hour, or more than \$11 an hour if they do not also offer benefits. A similar law recently was enacted in Suffolk County.
16. Half of the funding for home health care is federal, with the state picking up 40 percent and the city 10 percent. The program provides for a total of 100 million hours of home health attendant care per year, according to the city Office of Management and Budget. Increasing the hourly wage of attendants by \$2.60 an hour, which would bring them to \$10 an hour, would thus have an estimated impact of \$260 million. The federal share is half of that, or \$112.5 million. However, the state effectively imposes a cap on the non-federal share of total home health care program expenses. Since this wage increase would exceed the cap, it must be assumed that the city would have to pick up the additional cost.
17. Quote from Aug. 15, 2001, press release from Mark Green for Mayor.
18. Ibid.
19. From Green’s speech to General Contractors Association, June 28, 2001.
20. Since the transaction was a 99-year lease and not an outright transfer of ownership, the city’s right to collect the added taxes was being challenged in any event.
21. “Mark Green’s “100 Ideas for a New York Century.””
22. Assumes that all of the new staff earn the minimum assistant professor’s salary of \$32,703 and replace part-time faculty earning the CUNY community college adjunct faculty average of \$2,500 per section for nine sections, or \$22,500.
23. See “Mark Green’s Plan to Reduce Electric Bills for New York City and for Rent-Stabilized Apartment Tenants,” at www.markgreen.org.

24. Green's energy proposal is presented as something that will pay for itself, but projected energy savings are always necessarily speculative. Moreover, it raises the question of whether the city could save energy costs by other means, or by making some of the proposed improvements in the course of ongoing capital projects already included in the budget.

25. As reported at the group's web site, <http://www.parks2001.org/scorecard/mayorals.asp#>; see also "A Campaign to Elevate Greenspace as An Issue" in *The New York Times*, Sept. 9, 2001, p. 43.

26. Green campaign press release, Sept. 1, 2001.

27. As described in his Feb. 28, 2001, speech to Queens County Builders and Contractors Association.

28. Unveiled on Sept. 1.



Michael Bloomberg

Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
"Continue to focus on class-size reduction in the lower grades and focus on class-size reduction in the higher grades, as well." ¹	Although Bloomberg has set no specific class-size goal, a minimal step in this direction would be to reduce class size, at the K-3 level only, by one pupil per class. This would cost the city \$80 million, assuming it requires half as much new capital spending as Green's proposal to cap early grade class size at 20 pupils. Staff costs are assumed to be covered by existing state and federal class-size reduction programs. ²	\$80 million
Expand the use of Blackberry-style hand-held computers.	Equipping the entire police force with the lowest-priced standard Blackberry hand-held computer would cost about \$15 million, at current retail prices.	\$15 million
According to the advocacy group Parks 2001, Bloomberg signed a pledge to "work to commit at least 1 percent of the overall city expense budget to Parks department operations." ³	Parks spending now represents just 0.4 percent of the budget, and raising it to 1 percent would effectively cost \$200 million.	\$200 million
BLOOMBERG GRAND TOTAL		\$295 Million

How He Would Pay For It

Other than the shift of some revenues, Bloomberg has not cited details of how the budget might be reduced, other than saying that money can be saved through increased efficiency and productivity. He also has said he would seek a hiring freeze if elected.

Comment

While most of Bloomberg's policy positions are too general to quantify, he has advocated a number of open-ended and potentially costly initiatives, including keeping schools open later, providing all police with free City University tuition, beefing up inspection and litigation staff in the Buildings department, moving to year-round schooling to maximize the use of existing space, and using "any and all savings" from increased efficiency in the school system to increase teacher compensation.

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1. Bloomberg Education Program Blueprint.
 2. See explanation in table laying out Green Proposals and Estimated Budget Impacts.
 3. As reported at the group's web site, <http://www.parks2001.org/scorecard/mayorals.asp#>; see also "A Campaign to Elevate Greenspace as An Issue" in *The New York Times*, Sept. 9, 2001, p. 43.



Alan Hevesi

Proposals and Estimated Budget Impacts

Proposal	Cost Implications	Estimated Budget Impact
<p>"No one's ever going to get rich teaching, but we have to pay teachers so they can provide for their families. We have to close the gap with surrounding school systems."¹</p> <p>"First, we have to pay our teachers in New York City comparably to what is paid in the suburbs."²</p>	<p>Matching average teacher pay in surrounding, suburban school systems would require a pay increase of at least 25 percent across the board, or at least \$1.5 billion.³ Deducting \$492 million already budgeted for teacher salary increases in the current city financial plan would reduce the net cost to \$1.008 billion a year. But to the extent that suburban teachers also receive pay increases, the goal of full parity will be more expensive to attain.</p>	\$1.008 billion
<p>"Socrates couldn't teach a class of 35 New York City first graders. We need to reduce class size."⁴</p> <p>"I'll ... reduce class size ..."⁵</p>	<p>Although Hevesi has set no specific class-size goal, a minimal step in this direction would be to reduce class size, at the K-3 level only, by one pupil per class. This would cost the city \$80 million, assuming it requires half as much new capital spending as Green's proposal to cap early grade class size at 20 pupils. Staff costs are assumed to be covered by existing state and federal class-size reduction programs.⁶</p>	\$80 million
<p>"The reality is if we don't start paying our cops a competitive salary, we'll continue losing them to the suburbs, where the pay is better and the work less demanding."</p> <p>"I believe new officers should be required to reside in New York City."⁷</p>	<p>Citing police salaries in neighboring cities and suburbs, the Patrolmen's Benevolent Association reportedly opened its latest contract talks looking for a 30 percent raise. Meeting the PBA at least halfway with a pay raise of 15 percent over two years would exceed the \$164 million already budgeted for police raises by at least \$136 million—although the union would surely demand more before acquiescing to a residency requirement.⁸</p>	\$136 million
<p>According to the advocacy group Parks 2001, Hevesi signed a pledge to "work to commit at least 1 percent of the overall city expense budget to Parks department operations."⁹</p>	<p>Parks spending now represents just 0.4 percent of the budget, and raising it to 1 percent would effectively cost \$200 million.</p>	\$200 million
<p>"I would set as a goal for my administration investing \$3.78 billion over the next five years on programs to build or rehabilitate 105,000 homes."¹⁰</p>	<p>"This represents a \$1.75 billion increase over the existing five-year capital borrowing plan."¹¹ By standard measures, this much additional borrowing by the city would ultimately require at least \$142 million a year in debt service payments.</p>	\$142 million
HEVESI GRAND TOTAL		\$1.566 billion

How He Would Pay For It

Increased state and federal aid; savings from already ongoing reduction in the number of special education students; elimination of waste in non-pedagogical areas and in bus contracting; savings in other government services; and, “as a last resort,” restoration of the 12.5 percent income tax surcharge. Additional housing capital construction to be supported by surplus Battery Park City Authority revenues and potential World Trade Center tax payments.

Comment

In addition to the items tallied above, Hevesi has advocated a number of other potentially costly initiatives, including expanded after-school hours and programs, creation of 200 storefront computer training centers, subsidized housing for police and teachers, free parking or mass transit passes for teachers, and more funding for health care programs. Interpreted broadly, Hevesi’s positions on police salaries and class size reduction would cost much more than estimated here.

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1. Education Speech by Alan Hevesi, Robert F. Wagner School of Public Affairs, March 21, 2001.
 2. “NYC Mayoral Candidates Forum on Education, *Education Update Online* (<http://www.educationupdate.com/aug01/index.html>) August 2001.
 3. Suburban salary estimate based on comparative salary data from “The Labor Market for Public School teachers: A Descriptive Analysis of New York State’s Teacher Workforce,” by Jamp Lankford, Jim Wyckoff and Frank Papa, University at Albany, October 25, 2000. As summarized on page 10 of the study, as of 1999, novice New York City teachers made 25 percent less than suburban counterparts, and experienced city teachers made 35 percent less. The Mayor’s Office of Management and Budget estimates the “fully loaded” cost of increased teacher salaries at \$60 million for each percentage point, including fringe benefits.
 4. Education Speech, *op cit*.
 5. Hevesi TV commercial on education issues.
 6. See explanation in table laying out Green Proposals and Estimated Budget Impacts.
 7. Hevesi Policing Speech, at www.mebq.org.
 8. Based on the Office of Management and Budget estimate that each percentage point increase in salaries for patrolmen costs \$20 million “fully loaded,” including fringe benefits.
 9. As reported at the group’s web site, <http://www.parks2001.org/scorecard/mayorals.asp#>; see also “A Campaign to Elevate Greenspace as An Issue” in *The New York Times*, Sept. 9, 2001, p. 43.
 10. Housing Speech by Alan Hevesi, June 25, 2001.
 11. *Ibid*.



Conclusions

An election is like a courtship, in which candidates woo voters with promises of new spending. Political campaigns differ from most other courtships, however, in one crucial respect: when the election is over, the winner presents the voters with a bill.

Prior to September 11th, most candidates in this election were proposing to present voters with higher bills in education and housing. It is therefore useful to review their plans in those two fields.

In education:

- Fernando Ferrer and Alan Hevesi both advocate major salary increases for teachers, while Mark Green supports a more generalized “big deal” with the teachers' union that would trade higher pay for some performance improvements.
- Green, Hevesi, and Bloomberg advocate reductions in class size, which would require the hiring of more teachers and the construction of new classrooms.
- Green, Ferrer, and Hevesi assume that the recent state Supreme Court decision on state school financing will yield more state aid to help pay for their education proposals. That decision is now being appealed, however. If it does not stand, then the city could bear the brunt of new spending commitments in this category.
- Bloomberg's positions are expansive but vague. For example, he has said that schools should be open longer, and that teachers should be paid more. But he hasn't been specific enough on either point to allow cost-projections. That leaves his proposal to “continue to focus on” class-size reduction, for which we have provided an estimate. A broader interpretation of his comments, however, would greatly increase his estimated spending-total.

In housing:

- All of the candidates agree that there is a shortage of affordable housing in New York. With the exception of Bloomberg, all would devote at least \$100 million annually to a dedicated housing trust-fund, to finance housing construction and rehabilitation. But among those favoring a trust fund, all except Green would have financed new housing largely with new tax revenues from the World Trade Center.

The destruction of the World Trade Center obviously deprives all of the major candidates of what they expected to be a significant new revenue stream. But it's still unclear whether this will cause them to rethink the proposals they would have financed with that money.

An even larger question is whether the disaster will cause any of the candidates to more fundamentally reassess the long-term affordability of ambitious new city-funded spending programs. After all, New York's vulnerability to economic disruption by terrorist attacks is now painfully obvious—and the nation's war on terrorism has just begun.

This much is clear: none of the new spending initiatives outlined here will be affordable within the next few years in the absence of a tax increase putting another drag on a shaky city economy. Thus, the first test of the next mayor's seriousness may be the speed with which he is willing to walk away from his original campaign promises.

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