



Legislation Text

File #: Res 0865-2003, **Version:** A

Proposed Res. No. 865-A

Resolution calling upon the United States government to enact that portion of the United States Senate-adopted version of the President's economic stimulus package providing for \$20 billion in state and local fiscal assistance, as well as to enact a national anti-recessionary revenue sharing program that would provide states and cities with direct federal assistance to mitigate the loss of revenues and increased service obligations during this current economic recession and other such recessions in the future.

By The Speaker (Council Member Miller) and Council Members Rivera, Nelson, Addabbo, Avella, Baez, Davis, Felder, Fidler, Gennaro, Gentile, Gerson, Jackson, Katz, Koppell, Martinez, McMahon, Perkins, Quinn, Recchia, Sanders, Seabrook, Serrano, Stewart, Vann, Weprin, The Public Advocate (Ms. Gotbaum) and Brewer

Whereas, Since 2001, states and cities have experienced fiscal strain due to the economic recession, higher security costs and federal unfunded mandates; and

Whereas, Over the past three months, actual state and local spending reached \$50 billion more than revenues, further exacerbating deficits that began in early 2001; and

Whereas, States are now faced with closing an additional \$60 billion to \$85 billion in shortfalls for 2004, and the National League of Cities estimates that 75 percent of cities are less able to meet their financial needs this year than in 2002 and 74 percent of cities will be less able to meet such needs in the coming fiscal year; and

Whereas, Although the effects of state and local revenue shortfalls have been minimally felt until recently due to the use of rainy day funds and other one-shot revenue sources that have been used to compensate for revenue losses, the continued recession has now outlasted state and local savings; and

Whereas, Due to the economic recession, increased spending on homeland security and federal unfunded mandates, governments have been forced to take painful measures to close budget gaps, including increasing property taxes and reducing public services, which measures disproportionately affect individuals and families least able to absorb these initiatives; and

Whereas, Moreover, actions taken at the state and city levels have the effect of undermining efforts at the federal level to shorten and soften the recession; and

Whereas, Furthermore, fiscal conditions in cities are threatening public safety and fire safety measures during this time of heightened alert in response to threats of terrorism; and

Whereas, The National League of Cities estimates that 16 percent of cities reduced police positions and 9 percent reduced firefighter positions within the past year, while an additional 8 percent and 7 percent expect to make such reductions, respectively, over the next year; and

Whereas, Certain efforts to mitigate the economic recession, such as President Bush's proposal for economic stimulus, would not provide any assistance to government jurisdictions and, in fact, states and cities like New York will likely lose revenues as a result of the exemption of dividends from taxation and all local governments would see financing costs rise as a result of increased interest rates on municipal bonds due to a decline in their competitiveness over stock purchases; and

Whereas, Senator Schumer was an original sponsor of a bill to allocate \$40 billion in assistance to state and local governments and Senator Clinton originally sponsored a bill to provide an increase in the federal share of Medicaid, both of which would provide desperately needed revenues to states and localities; and

Whereas, The version of the President's Economic Stimulus Act passed by the Senate contains provisions that would increase the federal share of Medicaid by 2.95 percent, providing the City with approximately \$270 million in additional revenue, as well as provisions for \$10 billion in general fiscal assistance to state and local governments, providing the City with approximately \$100 million in additional revenue, none of which such measures are contained in the version of the legislation passed by the House of Representatives; and

Whereas, Anti-recessionary federal revenue sharing is a program whereby the federal government provides states and local governments with revenue relief in the form of unrestricted payments during times of economic strain, which would be triggered by certain signals, such as significant increases in unemployment, and which would cease once such signals have been stabilized, indicating recovery; and

Whereas, Anti-recessionary federal revenue sharing is an effective method to bring about immediate and meaningful budgetary relief to state and local governments; and

Whereas, The General Revenue Sharing program, which existed from 1972 to 1985, was significant in assisting governments during times of fiscal crises; and

Whereas, Anti-recessionary revenue sharing does not necessitate increased state and local spending, since such aid would occur only in times of economic downturn and would be used to prevent tax increases and avoid service reductions; and

Whereas, Additionally, anti-recessionary revenue sharing would have a minimal effect on the long-term fiscal balance of the federal government, since such spending would occur only in times of recession and would not impact interest rates; and

Whereas, The proposal by Senator Schumer that has become part of the Senate's version of the President's Economic Stimulus Act (although in a lesser amount) recognizes the need for the federal government to assist states and localities during this most recent economic downturn, and an anti-recessionary revenue sharing program would address this need on a more permanent basis; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United States government to enact that portion of the United States Senate-adopted version of the President's economic stimulus package providing for \$20 billion in state and local fiscal assistance, as well as to enact a

national anti-recessionary revenue sharing program that would provide states and cities with direct federal assistance to mitigate the loss of revenues and increased service obligations during this current economic recession and other such recessions in the future.

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