



# **Will the Next Detroit be From New York?**

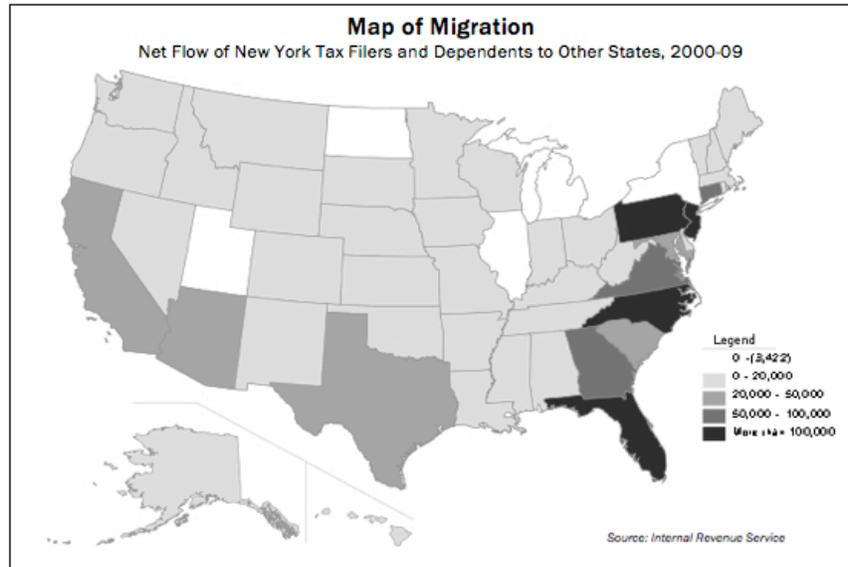
## **What We Need to do to Prevent Bankruptcy in NYS**

### Our Issue:

With a major city like Detroit recently filing for bankruptcy, concern is rampant around the United States that other cities will soon follow suit. San Bernardino and Vallejo, both in California, have filed for bankruptcy as well. There is talk that Harrisburg, PA is also on the edge. Each of these cases further increases the doubts about the future of American municipalities. Many cities across the country have been struggling for years and have fallen into a pit of financial crises that has become nearly impossible to escape. Cities in New York such as Rochester, Syracuse, Utica and even the Big Apple have reason to be worried.

Issues such as underfunded pensions, decreases in population, unaffordable health care costs, declining government aid, a withering property tax base and a loss of jobs have weakened the structure necessary for a strong and thriving city. Residents of these cities have been driven out due to New York's high cost of living and instability. This is not a blip on the radar screen, but a glaring trend that cannot and should not be ignored. It's time to make changes in New York to avoid the same fate as Detroit.

New Yorkers are migrating from the state to avoid the burdens that state lawmakers have placed upon them. The most recent census information validates the point. Without a steady growing population, municipalities in New York have no chance to recover.



<http://www.empirecenter.org/pb/2011/09/migration2092611.cf>

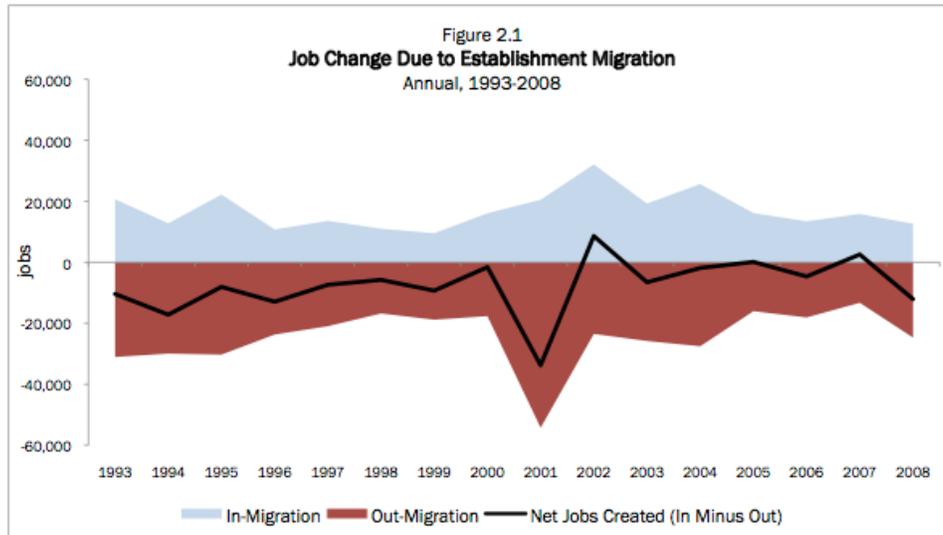
To us, the solution to this issue is clear: enact the “Let New York Work” agenda developed in a unique partnership among businesses, municipal and educational leaders. The “Let New York Work” agenda establishes a clear outline about what the Governor and state Legislature need to do to make New York a stronger and more stable state.

#### The Devastating Facts:

New York has become the most difficult state to reside in; our high taxes, unfriendly business climate, and mounting costs of local government overreach and mismanagement resulted in an unsustainable growth in property taxes. This has led in some part to a loss of jobs and in turn, a loss of population. These are the facts:

- Employer contributions to pensions have jumped from just above 0% in 2000 to a projected 28.9% for municipal workers in 2013-14. In 2000, Syracuse Mayor Stephanie Miner noted that the state legislature allowed some public workers to stop contributing to their pension funds after 10 years of service. Over the next decade, Syracuse’s pension bill grew by 729%, from \$2.4 million to \$19.9 million...The most recent yearly pension bill is \$32.5 million.<sup>i</sup>
- New York’s debt per capita has reached \$3,253 per person<sup>ii</sup>
- Taxpayers who have left New York had average incomes 22% higher than the residents moving in<sup>iii</sup>
- New York was ranked **50<sup>th</sup>** in terms of best business tax climates<sup>iv</sup>
- From 2000 to 2010, upstate New York’s population dropped by 1.4% as the cost of the government increased by 47%<sup>v</sup>
- Governor Cuomo’s FY 2013-2014 proposed budget predicts that New York State will gain jobs at barely half of the national rate from 2012-2015<sup>vi</sup>

These facts cannot be ignored; New York is losing its edge because businesses can no longer afford to be subjected to these outrageous costs. When businesses such as Bausch & Lomb leave New York, large numbers of jobs are eliminated and people are forced to leave as well. This is creating a loss of population in most areas of New York that puts cities at risk of bankruptcy.



<http://www.empirecenter.org/pb/2010/10/EnterprisingNY100610.cfm>

#### Our Cities:

Detroit claimed bankruptcy in large part because of three significant areas: a loss of population, which in turn creates a decrease in tax revenue, a loss of job opportunities, and debt. Cities throughout New York are facing these same issues.

Between 2000 and 2009, Rochester lost 44,959 people. Syracuse lost 26,558. These staggering losses can be attributed to decreasing job opportunities. Fewer residents means less tax money and will lead to an increasing debt for the city as well as the residents that remain within its borders.

Rochester faced an unemployment rate of 9.8% as of November 2012, compared to the state average of 7.9%. It has consistently been in the range of 9.4 to 11.9% since the beginning of 2009. This not only encourages people to migrate from the city, but it also discourages new people from moving in.

In 2011, Utica had an outstanding debt of \$59.7 million; the city had exhausted 55.4% of the Constitutional Debt Limit in comparison to the 22% used by the median city in New York. Without reforms from state lawmakers such as those on the "Let New York Work" agenda, the city will continue to weaken and eventually collapse underneath its financial burdens.

## Is New York Different From Other States?

New York can save its cities from bankruptcy, and has enacted a Financial Restructuring Board, a difference that sets us apart from many states. The financial board is working to help New York avoid the fate of Detroit, San Bernardino and Vallejo. The board monitors financial activity in New York municipalities and creates plans to improve our financial situation. The board is also responsible for recognizing problems in the financial system and enacting changes, such as canceling contracts and renegotiating collective bargaining agreements, to help improve our economy and avoid bankruptcy.

The board also has funds to provide up to \$5 million for each in-need municipality, if they commit to making the changes recommended by the board thanks to the Local Government Performance Efficiency Program. The financial board within New York may be the force that sets us apart from other struggling cities. Governor Cuomo's plan to enact the board is compelled by his hopes that local governments will start making bigger changes "outside the box." He is striving for less state contributions to local government budgets in the long term.

Local leaders in localities throughout New York are commending the Governor for taking action to help improve New York before we reach the point of bankruptcy. But will it be enough?

### The Solution:

Although the financial control board is a useful tool within New York, we still face many problems that need to be solved. Let's keep in mind that a financial control board can be good for the local government unit. But the underlying issues that forced this move still exist for every other municipal government unit as well as school districts. New York's state lawmakers must support the "Let New York Work" agenda if they hope to see improvement in cities throughout New York (<http://www.unshackleupstate.com/let-ny-work>). The Governor and Legislature need to cut off the destructive spending trend that has been leading us toward a similar fate as Detroit.

The "Let New York Work" agenda focuses on making New York a more affordable place to live. This will result in more jobs and an increase in population which will decrease the debt in our cities. The "Let New York Work" agenda suggests that state lawmakers must:

- Redefine compulsory arbitration
- Freeze step increases after contracts expire
- Reduce the cost of construction of private and public projects
- Establish the minimum health care contribution levels for employees and retirees
- Stop creating new mandates

Creating these changes will make New York a more affordable and welcoming place to live, it will help New York municipalities avoid the bankruptcy predicament so many U.S. cities are facing today.

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- <sup>i</sup> [http://www.syracuse.com/news/index.ssf/2013/01/syracuse\\_mayor\\_stephanie\\_miner\\_40.html](http://www.syracuse.com/news/index.ssf/2013/01/syracuse_mayor_stephanie_miner_40.html)
- <sup>ii</sup> <http://www.osc.state.ny.us/press/releases/jan13/010713.htm>
- <sup>iii</sup> <http://www.empirecenter.org/pb/2011/09/migration2092611.cfm>
- <sup>iv</sup> <http://taxfoundation.org/article/2013-state-business-tax-climate-index>
- <sup>v</sup> <http://mumford.albany.edu/mumford/UpstateProject/files/NYReport.pdf>
- <sup>vi</sup> <http://publications.budget.ny.gov/eBudget1314/fy1314littlebook/BriefingBook.pdf>