
REMAPPING DEBATE

Asking "Why" and "Why Not"

Layoffs of 4,000 teachers a better choice than minor increase in tax rate for wealthier New Yorkers

Original Reporting | By Mike Alberti | Education, NYC

May 12, 2011 — Last week, New York City Mayor Michael Bloomberg presented a [2012 budget](#) that would layoff more than 4,000 teachers. Schools Chancellor Dennis Walcott estimated that the layoffs would increase class size by an average of two students across the city.

The Mayor explained that the layoffs were necessary to close the city's fiscal gap, and blamed state and federal lawmakers for a reduction in aid that had left the city with no other options.

According to a Fiscal Policy Institute study last year, the top one percent of New York City earners made 44.9 percent of the city's total adjusted gross income, while paying only 33.8 percent in income, property and sales taxes.

Marc La Vorgna, a spokesperson for Bloomberg, wrote in an email that the city "cannot completely fill the gap created by the combination of State and Federal cuts," even though, according to the Mayor's budget, the layoffs would save the city less than \$270 million next year, or less than one percent of the \$65.7 billion budget.

But several advocates and lawmakers have pointed out that the Mayor does have a variety of options available to him to close such a small gap in the City's budget without laying off teachers. In fact, last month, the Independent Budget Office, which is funded by the city, released [a report](#) detailing several dozen other routes that the city could take.

One of those options is a minor increase in the local income tax rate paid by the city's wealthiest residents. The increase would not affect households making less than \$200,000 a year, and would increase the marginal tax rate only slightly for the highest two tax brackets.

Households with an adjusted gross income of between \$200,000 and \$500,000 would pay 0.365 percentage points more than they currently pay on the portion of income above \$200,000. Households with adjusted gross income in excess of \$500,000 would pay 0.388 percentage points more than they currently do on income beyond that level.

That means that a household with adjusted gross income of \$300,000 would pay \$365 more per year, and a household with adjusted gross income of \$1 million would pay \$3,035 more per year.

“That’s a pretty modest increase,” said James Parrott, chief economist at the Fiscal Policy Institute, a New York City think tank. According to an [FPI study](#) last year, the top one percent of New York City earners made 44.9 percent of the city’s total adjusted gross income, while paying only 33.8 percent in income, property and sales taxes. Because New York has such a high concentration of high-income households, the IBO estimates that the change would raise \$450 million in 2012, and more in future years.

“Obviously, there are other revenue options that the city has at its disposal,” Parrot said. “So why is the Mayor doing this if there are other options available?”

Remapping Debate asked La Vorgna why the Mayor had chosen to lay off teachers instead of raising taxes on high-income New Yorkers. He said that, since any local tax increase would have to be approved by the state, the Mayor had chosen not to advocate for an income tax hike because “the Governor made it very clear he would not support any tax increase.”

At the state level, the Mayor would have some allies if he asked for an income tax increase on the wealthiest households. State Assemblyman Daniel O’Donnell, who represents the Upper West Side of Manhattan, said that the Mayor “should at least ask for it. If he did, I would be more than happy to help him.”

O’Donnell pointed out that it is hardly unprecedented for the state to pass the necessary legislation to permit localities seeking more revenue to raise local taxes, typically a local sales tax. That occurs several times each year, O’Donnell said, adding that he thought “it would be strange” if the Governor would not allow New York City to raise income taxes on its own residents.

New York State Governor Andrew Cuomo’s office did not respond to a request for clarification of his position regarding tax increases applicable only to a locality.

But either way, in the nearly ten years that he has been Mayor, Bloomberg has regularly and forcefully advocated for legislation — including legislation that seemed unlikely to pass at the state level. The most recent example actually relates to teacher layoffs: a bill that he has pressed (and is still pressing) to remove the “last in, first out” law, which requires that the last teachers that were hired must be the first to be fired. The Mayor has [frequently said](#) that the change is necessary, though Governor Cuomo has not supported it, and the Mayor’s proposal has little chance of passing in the State Assembly.

When Remapping Debate pointed this out to La Vorgna in an email, and asked why the income tax issue was different, La Vorgna did not respond.

Because New York has such a high concentration of high-income households, the Independent Budget Office estimates that an increase of less than one-half of one percent on the income tax rate paid by wealthier New Yorkers would raise \$450 million in 2012.

Moreover, despite claiming that his options were restricted by state policy, Bloomberg has previously acknowledged that tax increases were “another choice” available to the city. In his State of the City speech in January, he explained his rationale for not taking that path: “raising taxes now would undermine our recovery by driving people and businesses to lower-tax cities and states and deterring investment from overseas.”

“So let me be clear,” Bloomberg said, “we will not raise taxes to balance the budget.”

But according to Michael Jacobs, supervising analyst of the economics and taxes unit at the Independent Budget Office, “there is no conclusive evidence” that tax increases drive high-earners out of the city. “There hasn’t been any decent study on peoples’ tendency to move or not,” he said.

“If you spend millions of dollars to recruit teachers, and then you spend millions of dollars to train them to do the things you need them to do, and then you go on to fire them — then you’ve lost all that money,” Assemblyman O’Donnell said.

After the Mayor released his budget, the Progressive Caucus of the New York City Council released a statement called “Austerity Budget is Fine for the Rich but Bad for the Rest of Us,” in which it denounced the Mayor’s choice to cut spending without considering viable options to raise revenue.

“It’s time to have real conversations about eliminating loopholes and increasing revenues, instead of coddling the wealthy at the expense of everyone else,” the statement said. “We must consider new revenue options or we will continue to have this problem.”

Other city officials have spoken out against the layoffs as well, including City Council Speaker Christine Quinn, Comptroller John Liu, and Public Advocate Bill de Blasio.

However, when Remapping Debate contacted these officials to ask whether they thought a small tax increase on high-income households would be preferable to teacher layoffs, Quinn’s spokesperson declined to comment, stating that the Speaker “would not negotiate the budget in the media”; Liu’s spokesperson said that the Comptroller was “still reviewing the budget” and had no comment; and de Blasio’s spokesperson did not provide a response.

While criticisms generally focused on the direct consequences that firing teachers will have on the city’s children, others pointed to how potentially wasteful the decision could be from an investment point of view.

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Cynthia Cho, a spokesperson for Teach For America, which provides the city with hundreds of teachers to fill slots at low-income schools, said that the program invests a substantial amount of time and money training new teachers, including an especially intensive five-week summer training program. If those teachers in New York City schools were laid off, and if the program could not find spots for them in other districts, that time and money would be wasted.

“It’s a very bad business model,” O’Donnell added. “The city has spent this money to train them, and now they have to take those skills and go elsewhere.”

For a Mayor who prides himself on making good “business” decisions, Parrott said, this seems like a strikingly bad one. In addition to the investment in training and recruitment that would be wasted, the Mayor’s decision is “creating fear and uncertainty where it need not be created, where the city has other options,” he went on.

“The Mayor’s decision has made it more difficult for the city to recruit talented new teachers in the future, because why would anyone want to make themselves part of a game of political football,” Parrott added.

This content originally appeared at <http://remappingdebate.org/article/layoffs-4000-teachers-better-choice-minor-increase-tax-rate-wealthier-new-yorkers>