



Assessment of the State Fiscal Analysis Initiative

**Case Study for:
The Fiscal Policy Institute
Albany and New York, NY**



Prepared for the
Ford Foundation
by the OMG Center
for Collaborative Learning

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case study

*This case study of the Fiscal Policy Institute in New York is one of ten individual case descriptions prepared as part of an assessment of the State Fiscal Analysis Initiative (SFAI), conducted by the OMG Center for Collaborative Learning with support from the Ford Foundation. SFAI is a national collaborative effort that began in 1991 to strengthen capacity among state-level non-governmental organizations to undertake credible, timely, and understandable analysis of critical tax and budget questions. The Initiative is funded by several national foundations and receives staffing and technical support from the Center on Budget and Policy Priorities (CBPP), a Washington, DC-based nonprofit that has been conducting national policy research since 1981 and that expanded its role to include analysis of state fiscal policies also in 1992. The entire assessment report, **A Cross-Site Synthesis of Findings, Conclusions and Recommendations**, is available from the Ford Foundation or the OMG Center for Collaborative Learning.¹*

This and the other case studies prepared as part of the assessment describe a broad array of activities undertaken by the state-level fiscal policy organizations with support received not only from the Ford Foundation and other SFAI funders, but also from other local and national sources. From the Initiative's inception, the Ford Foundation has required that its funding provided through SFAI be used entirely for the support of research education, organizing, and other non-legislative activities. Although the report covers the full range of strategies employed by SFAI groups to enable a full picture of their work and impact to emerge, the activities detailed here are not a direct by-product of Ford funding.

This case provides an overview of how one "veteran" state-level policy organization evolved over a period of several years within its own unique state policy setting. The cases provide much of the empirical basis for the larger assessment report, by bringing to light the different circumstances and approaches that shaped the accomplishments of individual grantees and by documenting the different types of impacts that the SFAI grantees have

had within varied local fiscal policy environments.²

Much of the case study fieldwork was conducted during the last half of 2002, although further telephone follow-up occurred throughout 2003 and into 2004. The fieldwork approach was primarily qualitative and relied mainly on site visits to each of the grantee sites. Site visits were generally made by two or more members of the assessment team and included meetings with representatives of the grantee organizations and a variety of other local actors with knowledge of the grantee organizations and the state-level policy setting in which they operate. Phone and email communications provided an opportunity for rounding out the details of each case. The draft profiles were shared with the grantee organizations two or more times as they were being developed, and each site was given an opportunity to review final versions of their profile before they were finalized. Most of the factual information about the grantee organizations is for the year 2002, although in a few instances fiscal or budget changes and other policy accomplishments that occurred in 2003 are noted if they were the result of efforts in prior years.

The case study starts with an account of how the organization began and then offers an account of New York's social and political context. Next it introduces the particular focus and approach that the SFAI grantee organization has taken to improve knowledge locally about tax and budget issues and contribute to the quality of local fiscal policy debates. Woven into the case are overviews of the grantee organization's size, staff structure and funding base; examples of typical products and activities; and descriptions of its major accomplishments.

The SFAI assessment was directed by Tom Burns. The following current and former staff of the OMG Center for Collaborative Learning also participated in the assessment – Bonita Stowell, Kennard Wing, Sheetal Matani, Lee Alford, Amanda Bergson-Shilcock, and Margaret Berkey.

¹ At OMG, contact Robin Lafty at robin@omgcenter.org or 215-732-2200. Or contact the Ford Foundation at www.fordfound.org.

² The ten veteran states selected for the case studies include: Alabama, Arizona, California, Illinois, Maine, Massachusetts, Michigan, New York, North Carolina and Texas.

The Fiscal Policy Institute Albany and New York, NY

WHY IS THERE A HORSE AND BUGGY OUT IN FRONT OF NEW YORK'S court of appeals? "Because New York's educational policy is still stuck in the 19th century," states Regina Eaton, activist and executive director of the Alliance for Quality Education (AQE), a coalition established in 2000 representing some 200 organizations statewide fighting for more qualified school personnel and better school environments. "We wanted to prove a point," she says referring to this vivid depiction of how outdated New York's commitment to public education is, "a throwback to a time before cars! The governor supports a policy that was created when an 8th grade education was sufficient to engage in the economy. Today that level is woefully inadequate," says Eaton. "The level of education that the court has decided is sufficient may have been enough in the 19th century but will leave our young people unemployable in the 21st." In a June 26, 2002, op-ed piece on the subject, Eaton argued, "Even minimum wage jobs require a high school education. We want standards of quality for schools throughout New York and an understandable, fair state aid formula," referring to the state's ongoing legal battle over educational funding with the Campaign for Fiscal Equity, a New York City-based advocacy group and one of AQE's member organizations. "The governor's appeal of Supreme Court Justice Leland DeGrasse's 2001 ruling – that New York State failed to provide all its students with a sound basic education as required by the state's constitution – demonstrates his unwillingness to modernize the state's commitment to over 2 million children in its public school systems."

The legal battle now under way had its origins in the mid-1990s as both the Fiscal Policy Institute (FPI) and public education advocates were working on school finance reform. Through work on this issue, FPI, a nonpartisan tax, budget and policy research, and education organization, provides a good example of its approach to making its fiscal analysis relevant to advocacy organizations. Since entering the school finance realm nine years ago, FPI has supported the work of several advocacy organizations and has helped nurture the newly formed AQE coalition. "There was already a well-developed school advocacy network infrastructure in place but it was missing the technical analysis capacity to aid its cause," says FPI Executive Director Frank Mauro. "We do not lobby, but we do analytical work that advocacy groups use to advance important school finance issues."

School finance has been and continues to be an important issue in New York. FPI's work in this area began with identifying the underlying structural problem with educational finance – local funding. Its analysis revealed that the state's heavy reliance on local tax revenue to fund both primary and secondary school systems contributes to the large funding disparities among districts throughout the state. According to FPI, there are two root causes of this disparity, both stemming from the small geographic size of school districts. The first, geographic income segregation, has been exacerbated by suburban home

FPI at a Glance

Year started: 1991

Current budget: \$841,432 (2002)

Main sources of support: Foundations, labor unions and funded research

Total staff: 8 total (2 in Albany, 6 in NYC) plus 2 in partnership (2002)

Main areas of focus: Research and analysis on tax and budget issues, social and economic conditions, and government policies and programs;

education and training on these topics and on budget and policy-making processes.

Recent products: Balancing New York State's 2003-04 in an Economically Sensible Manner; A Tale of Two Recessions; Learning from the '90s; An Update on TANF Reauthorization; Pulling Apart in New York; The State of Working New York 2001; New York and the Federal Fisc in the Aftermath of September 11th

development during the past 20 years along with the continued flight of middle- and upper-income households from the cities and, increasingly, from the inner-ring suburbs to newer more homogenous communities. The second cause is the small geographic area from which the school systems have to draw their local revenue support. These factors together result in tremendous differences in taxable property values per pupil and hence in funding levels among the state's 698 districts.

Based on its work in this area, FPI was approached by the Campaign for Fiscal Equity (CFE) for assistance in using the results of an extensive public engagement process to create a framework to replace the current educational funding structure. FPI's expertise in state finance and budget analysis enabled it to operationalize CFE's "fair funding" principles. "The current smoke and mirrors system is based on a bunch of formulas intended to limit the amount of aid going to New York City, home to over 60 percent of the state's people in poverty," explains Mauro. FPI presented a framework for an equitable system in its report *Agenda for a Better New York: Funding a Sound Basic Education for All New York's Children*, published in January 1999. This report spells out a straightforward remedy raised by the Campaign for Fiscal Equity in its ongoing court battle with the state.

The impact of this work has expanded beyond just one group's important court case to include other coalitions as well. As part of this 1999 report's release, FPI held public forums throughout the state to solicit feedback and foster debate about the funding issues facing New York's educational system. At a forum hosted by Syracuse University, FPI forged a working relationship with the Central New York School Boards Association, which had been advocating for school finance reform and had already developed the Mid-State School Finance Consortium. The Consortium adopted FPI's plan with only slight modifications and it has gained official support from over 300 of the state's 698 school districts. The Consortium has made its plan available in an accessible and interactive format on its website www.midstateonline.org.

Not all of FPI's work on school finance reform is behind the scenes. FPI, for example, participated in the "horse and buggy show" in front of the Appellate Court and contributed one of the organization's core board members. Supplying timely, fact-

FPI's Mission and Focus

FPI undertakes an active program of policy research, analysis, and education in order to increase public and governmental understanding of issues related to the fairness of New York's tax system and the stability and adequacy of state and local public services. It is particularly concerned with safety net and poverty reduction programs, and programs that assist low- and moderate-income people in moving up the socioeconomic ladder.

based analysis of fiscal impacts on the education system, FPI is able to support this and other advocacy groups with objective, unemotional analysis that adds credibility to its cause. "Both houses of the legislature find FPI's information credible," underscores Eaton. "It really helps to have them with you in front of the media too," noting several occasions when FPI staff accompanied her at press conferences and on *Inside Albany*, a statewide public television show that follows state government and politics.

FPI's school finance model, developed by former FPI staffer Jennifer McCormick and expanded and refined by FPI Senior Economist Trudi Renwick, enables its staff to play out scenarios that show the impact of state policies and funding choices on all school districts in New York. "FPI's analysis really brings clarity to the debate," explains Eaton. For example, through use of a partner's geographic information system and FPI's impact analysis, AQE graphically displayed the impact of the governor's budget on each school district. In this instance, FPI's analysis enabled the coalition to point out that the governor's budget proposal, referred to as a \$6 million increase for education, was in fact a \$450 million decrease when adjusted for inflation over a two-year period. The maps created to display this information depicted funding changes by district over the budget cycle and highlighted the districts that had suffered a decline in funding. "Unfortunately, our 'dependent'³ districts fared the worst," says Eaton, pointing toward New York, Buffalo, Rochester, Syracuse, and Yonkers on the map.

The story of FPI's ongoing work in public education reform is indicative of how this independent policy research organization has carved out a distinctive role for itself in supplying information and analysis to a broad array of other organizations participating in public policy debates in New York on a variety of budget and tax issues.

FPI's History and Context

FPI's origins go back to 1990 when many of the members of the Coalition on Economic Priorities concluded that there was a need for an organization that could provide fiscal research and analysis for advocacy groups. The Coalition had been organized

³ School districts in the state's largest cities are considered part of their city governments for budgetary and taxing purposes, and are referred to as "dependent" districts.

in 1989 to build support for the deferral of the remaining phases of a massive multiyear tax cut that had been signed into legislation in 1987 by then Governor Mario Cuomo. It objected to the 1987 tax cut because it was based on a faulty analysis of the 1986 Federal Tax Reform's impact on the state. "The legislature had essentially overestimated the size of the windfall the state would capture as a result of the federal tax changes," explains Mauro. The state then enacted a large multistage tax cut premised on this faulty analysis. Soon after the tax cut was approved New York State began to slide into a recession that worsened during the early 1990s. The state's tax revenue fell off and before long there were serious budget problems. Although the Coalition's efforts to halt further tax cuts failed in 1989, it achieved its primary objective in 1990 when the governor and the legislature agreed to delay the remaining steps of the scheduled tax cuts. Realizing the complexity of the state's fiscal and budgetary system, many members of the Coalition began making the case for a more permanent research organization to back up their advocacy efforts.

FPI was established in 1991 with funding mostly from labor unions, supplemented with a small amount of support from religious institutions. Although funding from labor unions has declined from its early years, FPI has used the flexible core funding provided by its union supporters to leverage additional monies from foundations. Since 1993, FPI's most significant longer-term foundation support has come from the State Fiscal Analysis Initiative. Union support nonetheless remains important. "[They] gave us our seed money and continue to give us money that can be used more flexibly than the funds we receive from foundations," says Mauro. This flexible union support also helped fund a major expansion in 1999. The union response to a 1997-1998 fundraising effort provided the seed money needed to open a New York City office. Once established, FPI has been able to raise the additional foundation and other funds necessary to significantly increase the size of this office.

FPI works within a state political environment in which power and influence are highly concentrated among a small number of its elected officials. The "secretive and autocratic legislature," once commonplace throughout the country, continues today in Albany, wrote Rob Gurwitt in a March 2000 article in *Governing* magazine. In that article, he explains how three decades ago in many states strong legislative leaders were able to dictate the outcomes of the legislative process. Since then, and particularly during the last decade, this has changed. According to Gurwitt, the authoritarian legislature has become a rarity nearly everywhere but in New York. "Albany ... is a capital of yesterday's politics," he concluded.

Alan Chartock, executive director and chairman of WAMC Northeast Public Radio and publisher of the *Legislative Gazette*,

FPI's Funding

The Fiscal Policy Institute is funded by foundations and through a coalition of labor, human service, education, and advocacy groups referred to loosely as "members." Although not a formal membership structure, FPI considers its membership a group of organizations that either fund or use its services or both.

agrees. “It’s really just three men in a room,” he says referring to the closed-door sessions held by New York’s governor, currently George Pataki, Senate majority leader (now Joseph Bruno) and Assembly Speaker (currently Sheldon Silver) to decide most major legislative issues. “The deal is that the Assembly and Senate draw their own lines,” referring to the process by which each chamber draws its own district boundaries every ten years as part of the national redistricting process that occurs about a year after the U.S. population Census is taken. For 28 years, the state’s Assembly has been controlled by the Democrats, the Senate by the Republicans. Instead of attempting to challenge this power structure, both parties are willing to sacrifice influence in the other house even at the expense of their own members. “It’s all about preserving the status quo,” says Chartock. “For over two decades, this balance of power has led to incumbent reelection percentages akin to a school kid’s ‘straight-A’ report card.”

In general, the legislature isn’t concerned about its base electorate since incumbents frequently win by a margin of 20 points or more in most districts. It’s only the few swing districts that matter to the legislative leaders. Moreover, the system lacks a properly functioning committee structure. The committees that do operate are for-show-and-not-for-go. They provide a limited opportunity for public hearings and do not include bill “mark-up” sessions. “[At best], an effective committee is one in which the chairperson gets to do something, it’s not really the committee,” says Mauro. As a result, many people feel left out of the New York legislature’s way of doing things. Alan Chartock shares this assessment. “They will never change the rules,” he says referring to making the legislative process more democratic. “There’s too much power to give up.”

FPI’s Approach

What role is there for an organization like FPI in a state where campaign contribution limits are viewed as goals, where closed-door sessions keep voters and the rest of the legislature out of the debate, and where the governor quashes recent progress toward a more democratic system of conference committees? A very significant role, according to Chartock: “It counters the organized money interests; in a state where money talks, FPI is vital.” Aside from FPI, there is very little money spent to carry the public interest message. Chartock uses New York Public Interest Group (NYPIG) to illustrate his point, “In a sense they legitimize the current system because the lobbyists and the fat cats point to them, three students sitting under a light bulb, and say there’s the other side. It’s amazing,” he exclaims. “...High-priced lobbyists have their way with state legislature, there’s no competition from the public interest side.”

“FPI’s basic function is not to lobby but to do analysis that its members can use in their lobbying efforts.”

*- Frank Mauro
Executive Director*

FPI’s connection with advocacy groups is loosely analogous to the relationship between the National Institutes of Health and pharmaceutical companies. Drug companies build on the basic science discoveries made by government-funded research labs to create new pharmaceuticals. In New York, FPI provides the “basic science” that a broad range of advocacy groups can build upon, explains Chartock. Advocacy groups rely upon FPI for two reasons: first, they are not expert in fact-based arguments built on extensive quantitative analyses of fiscal and budgetary issues, and second, they lack the resources to hire someone else to conduct the research needed to understand issues and form their positions on them. Their time is better spent working directly with their constituents “on the ground.” That is not to say that FPI’s work is somehow disconnected from the needs of its constituents. Although lacking the outward expression of emotion that advocates often use to connect with their constituents and express their ideas, FPI makes level-headed arguments about the structural economic, fiscal, and budgetary causes of the reality the activists and their constituencies are coping with every day. By doing so, FPI helps these groups translate their message into something those running the system can understand. This is a vital role.

Together, FPI’s membership and SFAI have provided a combination of flexibility and focus that have helped create an effective organization with growing influence. When first established, FPI built its research program around “its basic science,” state budget and tax revenue analysis. This was a logical agenda given its supporters’ concern for a fair and adequate tax system in light of the 1987 tax cuts. SFAI arrived in 1993 with “virtually the same agenda,” says Mauro. “It was a perfect fit.” SFAI believed in the need for organizations able to undertake the same “basic science” that FPI’s members had recognized just two years earlier when they established it. SFAI and FPI both understood that most groups who advocate for important social needs do not have the time or expertise to perform the detailed budget and fiscal analysis that helps inform their efforts. They need access to reliable and independent information.

In 1993, SFAI awarded FPI a planning grant to identify its long-term goals and objectives. During that year, FPI conducted organizational needs assessments and feasibility studies to identify its goals and the activities it intended to pursue consistent with tenets of SFAI. Since then, FPI has ensured that its work is informed by the expressed needs of a broad array of groups by institutionalizing a process for establishing research priorities.

Building on its initial budget and fiscal analysis work, FPI has relied on resources from SFAI to broaden its research agenda to include issues of income inequality and the working poor. “[These additions] help to build the case for making the system fair,” explains Mauro. “It’s the research focus you need to build arguments for why it’s better to have an income tax than consumption taxes if you care about improving low-income people’s financial situation. And why, if you are going to raise taxes, it’s better to put more pressure on income taxes than property taxes.” The revenue side of the tax and budget equation has always been an important part of FPI’s research. “Most service providers and advocates are focused only on the spending side of

FPI's Research Agenda

- Monitor and analyze revenue and expenditure trends and policies.
- Monitor and analyze social and economic conditions and trends.
- Complete additional labor market, regional, and sectoral economic research and analysis.
- Analyze government policies and programs that affect low-income New Yorkers.
- Conduct additional fiscal and economic research, analysis, and reporting that is responsive to the needs of member organizations.

the issue,” adds Mauro. “We also need to be concerned about providing an adequate revenue stream from which programmatic spending can be drawn.”

To better understand FPI's role in the political system, you need to know something more about Frank Mauro, who has served as FPI's executive director since 1993. Modest almost to a fault and with a droll sense of humor, Mauro was schooled in the real-world politics of the New York State Assembly earlier in his career. Serving as the top staff person on the Assembly's Ways and Means Committee, he learned firsthand how government works. During his tenure there, he earned a reputation for being one of the top legislative aides in state government. His keen understanding of fiscal and budgetary issues has served him well throughout his career and he is revered by many. “[Frank has] a level of comprehension about all this that I could never get to,” admits Chartock, who holds a Ph.D. in Political Science; yet Frank is no ivory tower policy wonk. Despite his intimidating level of expertise, Mauro's analyses are highly accessible. He is easy to work with and has a genuine interest in being a good teacher. “What is extraordinary about him is that he will really help you understand it,” says Chartock. “Frank is a real go-to man when you need to understand what is going on in state government.”

Mauro's reputation has enabled him to develop strong relationships with the media. He is counted on for information and thoughtful analysis. “All of the government writers rely on Frank – the *New York Times*, *Albany Times Union*, Associated Press, all of them,” asserts Chartock. “I have Frank on the radio all the time. I have him on to talk about the ‘state of the state’ address and to parse the budget for us. He educates people about what to pay attention to and what the numbers really mean for working families and how the poor will fair.” Mauro fills a real void in New York. “It's important to have balance in the media, an understanding of both sides,” he explains. “It's hard to do when you have to call on misinformed, impressionistic folks who feel good about things but who really cannot document why. Frank is a number-cruncher who produces fact-based arguments. So instead of an anecdote about how the rich guy is hurting the poor guy, Frank presents a balanced view about what is happening and who it benefits.” Although many refer to FPI as a “liberal think tank,” Chartock insists it's not a “house organ” for the left. Unlike the organized interests who will spin things only their way, “Frank is not a guy who will lie to you,” he says. “He has a position but will not con you.”

Mauro's integrity along with his insightful, fact-based analysis give him credibility within the media, both political parties, and advocacy groups throughout the state. “Even the conservatives know that this is a guy who is going to give it to you straight,” says Chartock. “There is nobody out there that does what Frank does in a balanced way; this town would be very poor without him.”

Through its outreach efforts, FPI is able to frame its research and analysis agenda based on priorities suggested by its diverse and growing member groups. When it became part of SFAI, it conducted a survey of organizations serving or advocating on behalf of low-income communities. The survey was a tool to network with such organizations, to assess each organization's information needs around the state budget, and to obtain their suggestions for fiscal analysis and research. Results from this questionnaire were incorporated into a database that helps FPI keep track of the different information needs and interests of organizations engaged in policy advocacy and outreach work. It relies on the database in communicating and disseminating analyses that are both timely and relevant.

Since its inception, FPI has broadened its reach to include support to many organizations with concerns beyond those of the labor unions and human service organizations who formed its early membership base. FPI's research agenda now encompasses an array of budget issues – projecting the impact of school aid formulas on “high-need” school districts, analyzing the state's funding of the Division of Human Rights (a state agency that investigates and resolves claims of housing and employment discrimination), evaluating data on the costs and benefits of expanding child care availability in New York, calculating the impact of cuts in state revenue sharing on the state's cities, and addressing the impact of the federal budget on New York and the policy changes the state should make in areas of education, mass transit, and Medicaid. Aside from staying current on “hot issues,” FPI has also improved the timeliness of its standard reporting. Drawing on Mauro's experience, the organization is now able to improve its analysis of and to some degree anticipate key fiscal and budgetary issues. For example, FPI released an extensive set of Budget Briefing publications the day after the governor submitted his 2002-03 budget.

Organizational Structure, Staff, and Funding

From its inception until 1999, FPI remained small. It operated with just two to five employees originally in Albany and later in Latham, just outside Albany. During those years, FPI's fortunes and its recognition were closely linked with the personality of its leader. But in 1997, FPI had decided to expand by opening a new office in Manhattan and simultaneously broadening the scope of its work on economic issues. Having a physical and analytical presence in Manhattan made strategic sense because of New York City's profound influence on state politics – it accounts for over 40 percent of the state's population and over 60 percent of its population living in poverty. While the Manhattan office has brought a greater focus on important city issues, a key concern of both offices is the relationship between the city and state fiscal and budgetary systems. In addition to

establishing a significant presence in New York City, the expansion has also succeeded in enabling FPI to cover a broader range of economic and related policy issues.

During 1997 and 1998, FPI undertook the fundraising necessary to open its New York City office, and in 1998, as it became clear that this effort would be successful, it recruited James Parrott, an economist with a long track record of success in analyzing the New York City and New York State economies, to head up that office. The result was that in early 1999, FPI was able to launch its expansion in a very effective manner.

Among the first major projects undertaken by the new office was the preparation of a comprehensive *State of Working New York* report, which was released in conjunction with that year's Labor Day holiday. On previous Labor Days, FPI had issued shorter reports on the economic situation of New York workers and New York supplements to the Economic Policy Institute's *State of Working America*. But with the establishment of its own significant economic analysis capacity, FPI was able to produce its own full-blown *State of Working New York* report (see sidebar on next page).

The growth of FPI's New York City office has continued and over the last two years was fueled by the unfortunate events of September 11, 2001. FPI's understanding of the New York City economy and its facility with economic impact analysis techniques enabled it to quickly prepare the first major assessment of the economic and employment impact of the World Trade Center attack. Of significance to FPI's credibility is that the broad parameters of this initial economic impact assessment have held up in subsequent analyses by various government agencies.

Additional analyses by FPI's New York City office highlighted the disproportionate impact of the World Trade Center disaster on low-wage workers. This led to cooperative projects with other organizations that investigated the impacts on the Chinatown community and immigrant workers. FPI's New York City office served as a resource on the economic impact on workers and their communities for private and public relief organizations, and provided the lead-off presentations for two briefings for foundation officials on "Unmet Needs After September 11th." The second of these presentations was sponsored by the New York Regional Association of Grantmakers and attended by 100 representatives from the funding community.

Two other outgrowths of FPI's work in response to the September 11th disaster have been the establishment of a Labor Market Analysis Project, now staffed by policy analysts Matthew Mitchell and Sarah Crean, and the establishment of the Labor-Community Advocacy Network to Rebuild New York (LCAN). This latter organization is cochaired by FPI Deputy Director and Chief Economist James Parrott, coordinated by FPI Senior Fellow David Kallick, and has become an effective vehicle for developing and promoting progressive policy responses to the September 11th disaster.

FPI's SFAI-Related Staff in 2002

Latham, New York

Frank Mauro, Executive Director. Serves as the organization's lead analyst on New York State tax and budget issues. Mauro develops the organization's conceptual and analytical framework for its annual analyses of New York State's fiscal situation and the governor's Executive Budget proposals. He has forged many important partnerships for the organization, including a joint project on economic development subsidy accountability with the Washington, D.C.-based Good Jobs First, and collaborated with colleagues from other organizations in developing a policy proposal that later became the Empire State Jobs Program. Mauro created, produces, and co-hosts a public affairs radio program called *The People's Business*.

Trudi Renwick, Senior Economist. Author or co-author of many of FPI's special and annual publications. Renwick is the primary author of two editions of FPI's *Pulling Apart in New York: An Analysis of Income Trends* in New York, and is responsible for the preparation of the annual budget briefings. She recently published *New York and the Federal Fisc in the Aftermath of September 11th: State and Local Impacts of Federal Policy Options* and co-authored FPI's major report on school finance reform. Renwick works closely with economists and analysts at the Center on Budget and Policy Priorities and the Economic Policy Institute.

Manhattan

James Parrott, Deputy Director and Chief Economist. Aside from his management duties, Parrott conducts ongoing state and city economic analyses and assesses impacts of economic trends on policy and budget issues at both the state and city level for inclusion in FPI's annual budget briefings and other publications. He conceptualized and oversaw the preparation of the first edition of FPI's biennial *State of Working New York*. Parrott has forged several important partnerships for the organization including one with the Brennan Center for Justice to implement a program of research necessary to review and revise New York City's "Living Wage" law. Following the September 11th disaster, he was instrumental in quickly preparing the first analysis of the economic impacts of the event and forming the Labor-Community Advocacy Network to rebuild New York (LCAN) which he continues to co-chair.

Oliver Cooke, Research Assistant. Doctoral candidate in Economics at the University of Massachusetts, working part-time at FPI since early in the new millennium. Cooke assists with the full range of NYC and NYS economic analyses, including *The State of Working New York* and FPI's quarterly NYS economic forecast for SUNY Albany Consensus Forecasting Project.

Moshe Adler, Senior Economist. Joined the organization in mid-2001. Adler took the lead in the preparation of the second edition of FPI's *State of Working New York*. He served as lead analyst for several recent studies of the impact of NYC tax policies on the local economy, and prepared op-ed pieces on fiscal and economic issues that have been published in both local and national newspapers.

David Kallick, Senior Fellow. Coordinates the work of the Labor-Community Advocacy Network to Rebuild New York (LCAN) that FPI formed in the aftermath of the September 11 disaster. Kallick's responsibilities also include media outreach, preparation of op-eds and other articles, and fostering collaboration with other organizations including labor unions and nonprofit organizations.

Matt Mitchell, Project Director, Labor Market and Workforce Development. Project Director for the Emergency Employment Clearinghouse work that FPI is conducting for the Consortium for Worker Education. Mitchell conducts labor market and sector research, including work on the Rochester-area photonics industry for a Ford Foundation-funded workforce development project coordinated by the Economic Policy Institute.

Sarah Crean, Research Analyst, Labor Market and Workforce Development. Works on market and sector research and analysis for FPI's Emergency Employment Clearinghouse project.

In addition to these employees, FPI houses and oversees the work of two staff associated with FPI's collaborative project (Good Jobs New York) that it has undertaken in conjunction with the Washington, D.C.-based organization Good Jobs First:

Bettina Damiani, Project Director. Background in progressive public relations. Damiani directs the Good Jobs New York project.

Stephanie Greenwood, Assistant. Community organizer. Greenwood provides ongoing support to the Good Jobs New York Project project.

The Labor Market Analysis Project allows FPI to prepare labor market profiles and sectorally focused economic research with an emphasis on opportunities for low- and moderate-income workers and on the diversification of the New York City economy. To date, FPI has developed labor market profiles in areas ranging from health care to information technology, social services, day care services, and administrative support occupations. It has also prepared more extensive sector reports on the securities, social services, and apparel industries, and has projects in the development stages on construction and film production.

FPI's Main Activities and Products

FPI's work weaves together detailed analysis and stakeholder education in three substantive areas: Tax and Budget Analysis, Social and Economic Conditions, and Government Policies and Programs. FPI also actively disseminates its analysis through a variety of channels to educate the public, policymakers, and the media on the state budget process, fiscal trends, and tax and budget issues. FPI's three substantive areas of concentration along with its strategies for dissemination of analysis are described below.

Substantive Areas of Concentration

Tax and Budget Analysis – The state's fiscal health and stability and the impacts of New York's tax system on low-income people

FPI is now well known for its annual analysis of the state's fiscal and tax situation. Early each year, it prepares a report in conjunction with its annual budget briefings in Albany and New York City. FPI also regularly explores the relationship between job growth and the implementation of business tax cuts. To do so, FPI developed its corporate tax analysis capabilities to provide a "persuasive and credible counterbalance to the popular rhetoric linking business tax cuts with job creation." FPI also uses its own "hypothetical taxpayer simulation" model to develop an accurate distributional impact analysis of personal income tax proposals. FPI's work in this area involves numerous analyses, reports, and articles on the nature of structural deficits and the role that backloaded tax cuts have played in creating New York's structural deficits and their impact on low- and moderate-income people. It also assists member organizations in developing credible personal income tax plans. Many groups – including Statewide Youth Advocates, Citizen Action of New York, and the Children's Defense Fund – have relied upon FPI's analyses in shaping and pursuing their tax reform campaigns. FPI also produces information on state spending at the agency and programmatic levels, for its own use and for other organizations, and periodic reports examining how changes in the state tax system affect state aid for local services, local governments, and local taxes (sales and property taxes, specifically).

Social and Economic Conditions – The current status and future prospects of low-income New Yorkers

In support of its research agenda, FPI regularly collects and analyzes data on various indicators of social and economic conditions in New York State and relates these conditions to its analysis of tax and budget issues. In a fiscal environment that includes a "structurally unbalanced budget combined with a

FPI's *The State of Working New York, the Illusion of Prosperity: New York in the New Economy*

The "New Economy" characterized by sustained high-level productivity afforded by new technologies and the frictionless Internet, was thought by some to eliminate the business cycle altogether. The 1990s were a time of progress and opportunity. People were moving up the economic ladder. Or were they? According to a recent FPI publication presenting the results of its analysis of what really happened in the New York economy during the 1990s, the changes have been quite the opposite. The report offers a variety of easy-to-understand charts and tables to help cut through the hype that the 1990s were a great time for everyone.

How have New York's working families fared during the longest peacetime economic expansion in history? "The '90s were a great decade for the top fifth of New York's families," explains the report, but "most families experienced little or no income gains in the 1990s." Moreover, 80 percent of New Yorkers trailed the nation in relative income change. The income gap between the top-to-bottom and top-to-middle income families continued to widen and did so at a rate faster than the national average. As of the late 1990s, New York's top-to-bottom ratio was 12.8, 28 percent higher than that for the nation as a whole. More alarming is the dramatic growth in the number of working poor families – up 60 percent in New York State from 1987/89 to 1995/97 and over two times the national growth rate. To make matters worse, New York's tax system places the highest relative burden on its poorest residents while the richest 20 percent of its population captures two-thirds of the benefits from recent tax cuts. At the same time, New York lags neighboring states in its minimum wage and has failed to pass measures that would ensure it keeps pace with inflation.

continuing call for additional tax cuts," FPI's reporting on social conditions helps educate and remind New Yorkers, especially those in the business community, of their great stake in maintaining or eliminating the income and education gap between upper- and lower-income groups. FPI's annual publications on social and economic conditions, issued each year in conjunction with the Labor Day holiday, also serve to inform the public, media, and government about issues of fairness facing New Yorkers by bringing to the fore a complete picture of their situation.

On Labor Days in odd-numbered years, FPI issues its own full-blown *State of Working New York* while in even years it releases New York State and New York City supplements to the Economic Policy Institute's *State of Working America* report. These reports reach policymakers on both sides of the aisle, the media, and the business community, and are one of the most popular products among FPI members. They provide effective tools for transmitting valuable information, serve as a vehicle for building relationships with a wide variety of policy networks, and are an important part of the organization's dissemination efforts.

One recent report, *The State of Working New York, the Illusion of Prosperity: New York in the New Economy*, is an excellent example of how FPI conveys the results of its analyses of the effects of state fiscal policies on those on the lower end of the economic ladder. Its analysis, presented in easy-to-understand language and well-supported with graphs and charts, makes the case that the 1990s were not the boom years that many believed, but, in fact, were a time of widening economic inequities, some of

which were a result of structural factors relating to New York's tax system.

Government Policies and Programs – The impact of state and federal budget policies that affect low-income New Yorkers

In recent years, FPI also sought to analyze measures and issues related to welfare reform. There is a broad range of advocacy groups that support the idea that government should invest in programs to help make it easier to move up the economic ladder. "So when welfare reform hit, many groups were concerned with the structural deficiencies of a workfare system coupled with the declining value of the minimum wage," says Mauro. These concerns led FPI to focus on living wage standards and a statewide jobs program. Through publications and presentations, FPI further educates its audience about many pressing issues regarding social safety net programs including social security and unemployment insurance. In addition, FPI assesses key issues like the impact of pharmaceutical drug prices on low- to moderate-income elderly, and the state's use of its TANF resources.

Strategies for Dissemination

To disseminate the findings from its analyses in a timely manner, FPI maintains a distribution list of elected and other governmental officials on both sides of the aisle, FPI members, potentially interested non-member organizations, academic experts, and the media. "Other important aspects of FPI's dissemination strategy include active participation at legislative hearings, seminars, conferences, conventions, and other meetings throughout the state, and writing articles for publication in newsletters, newspapers, and magazines of both interested member and non-member organizations," says Mauro. One of FPI's members, the Statewide Emergency Network for Social and Economic Security, for example, produces a monthly *ALERT* that reaches over 2,000 individuals involved in the leadership of organizations and the operations of programs serving low-income people throughout the state. This publication frequently features articles by FPI staff.

FPI's diverse membership includes labor organizations, human service providers, advocates for the needy, religious organizations, good government and consumer groups, and organizations formed to advance the interests of minority groups and low-income people.

FPI's Dissemination Strategy

- Produce timely research and analysis that is accessible to members and the general public.
- Utilize existing networks to disseminate SFAI fiscal analysis.
- Develop community-based dissemination efforts.
- Utilize existing publications to disseminate SFAI fiscal analysis.

Media & Education Training Programs – "The People's Business" radio show

Since August 1997, WRPI has transmitted FPI's once weekly and now monthly radio show called the People's Business. Over the years, this program has brought the capital region a progressive alternative to mainstream media's coverage of the issues and has featured interviews with over 200 policy experts and government officials covering a wide range of important social, budgetary, and fiscal issues. "With the federal government turning over more and more responsibilities to the states, it is important that the media shine as bright a spotlight as possible on the ways in which governors and state legislatures conduct the people's business," said Gerald Zahavi, chair of WRPI's Public Affairs Committee. "As former Supreme Court Justice Louis Brandeis said, 'a little sunshine is frequently the best disinfectant.'"

The Fiscal Policy Institute's Website

After launching its website, www.fiscalpolicy.org, in 1999, FPI has maintained a presence on the web that provides an important point of access to its materials and publications through a straightforward, functional site design. Here FPI posts its press releases, news articles, transcripts, and all of its reports for quick and easy access by anyone searching for information on tax and budget issues.

Building Coalitions and Leveraging Key Relationships

FPI sees itself as providing strong, highly relevant analysis that can be used by others engaged in advocacy and lobbying activities. Results of its work reach a wide variety of organizations working on issues ranging from working to raise the minimum wage, to devising a new statewide jobs program, to providing the kind of critical analysis described earlier to the AQE coalition concerned with the state's educational system, to lending its direct support to the formation of a new coalition to broaden participation in rebuilding efforts following the September 11th attack on the World Trade Center. The common thread tying all of these efforts together is FPI's dogged focus on the impacts of fiscal and budget decisions on the well-being of low-income people.

FPI's Timely Response Following the September 11th Terrorist Attack

How FPI's NYC office worked with others in the aftermath of the 9/11 attack epitomizes the kind of coalition building and support role that FPI favors as a way of extending the impacts of its primary research mission. In the wake of the attack, FPI's recently formed New York City office, led by James Parrott, saw this tragic event as an opportunity to launch a major coalition and develop an important overarching policy statement. FPI quickly focused resources from both its New York City and Albany offices to conduct the analyses needed to assess the impacts of the attack. During the next six months, FPI released numerous findings from its work. On April 24, 2002, it announced a coalition-based policy statement regarding rebuilding New York. With financial support from the Rockefeller Foundation and the Open Society Institute, this statement was formed by and issued through a coalition called the Labor-

Community Advocacy Network (LCAN), representing over 50 New York labor unions, community groups, research and advocacy organizations, and service providers. FPI's James Parrott and David Kallick worked closely with the Central Labor Council's Ed Ott to convene and coordinate the coalition.

Its policy statement endorsed a set of core principles that would ensure that the rebuilding of New York is a democratic process with equitable and sustainable outcomes. It called for engaging stakeholders from government, the private sector, and civil society in a transparent, inclusive decision-making process. Recognizing that the decision-making structure guiding the rebuilding efforts would be highly concentrated between the governor and the mayor despite the ostensible inclusion of many public and quasi-public corporations at the table, LCAN's policy statement specifically identified the variety of stakeholders whose views were likely to be overlooked during this difficult and emotional process.

LCAN's call for linking the rebuilding to "all those damaged by September 11, not just those ... in high wage industries," carried particular weight with the Asian American Federation of New York. It provides an example of how FPI has already made a significant achievement through helping a member coalition. Since 9/11, the Federation has been documenting the impacts of the attack on Chinatown — home to over 56,000 residents and over 4,000 Chinese-owned businesses according to the organization's Research Director Shao-Chee Sim. Sim came to the organization to lead the community planning aspects of its work and has since headed up a three-person research team focused on documenting the nature, scope, and extent of the impact of the attacks on Chinatown and developing an appropriate response policy for the Asian American community.

The centerpiece of the Federation's policy response is an April 2002 document, *Chinatown After 9/11*, an Economic Impact Study. Sim credits FPI's James Parrott with being a special advisor throughout the process. Sim knew to turn to FPI from his own work with another SFAI grantee, the Center for Public Policy Priorities in Texas, where he attended graduate school during the late 1990s. Knowing how influential the Center was in Texas, he was delighted to discover a local SFAI grantee in New York City. It was FPI's common relationship with Unite — Union of Needletrades, Industrial & Textile Employees, AFL-CIO — that ultimately led Sim to seek Parrott's assistance.

Sim describes the Chinatown report as a major milestone for the Federation since it was the first time it had attempted to reach a

large audience. "We could not get the media's attention," he recalled. "Aside from providing high-quality input showing how Chinatown was 'ground zero' in terms of economic impact, James shared his media savvy . . . Without the media, the NYC legislature and city government will not open the door for you." With the help of FPI's well-developed newspaper and radio contacts, the Federation secured exclusive coverage of the report with National Public Radio and the *Wall Street Journal*. After the story broke, the Federation's policy report continued to get press coverage. In all over 50 stories cited the report and 40 reporters attended the press conference held to announce the publication's release. More importantly, a week after the media exposure the Lower Manhattan Development Corporation, the quasi-governmental organization responsible for the redevelopment of the WTC site, expanded its housing assistance program to include Chinatown.

That decision provided critical support for those adversely affected by the attacks and represented a significant victory for the Federation. "The impact was tremendous," exclaims Cao-K.O., executive director of the Asian American Federation. "For every dollar we put into the report, the Asian community in Chinatown got \$10 back." He agreed with Sim's assessment of the critical role that FPI played in the Federation's success, "James Parrott really served as a mentor for us throughout the whole process. He helped us create a linkage between Chinatown and the rest of the city. . . . FPI makes the Federation more credible since it has a citywide perspective and works on behalf of all low-income people."

The Federation continues to work with community groups and the Deputy Mayor for Economic Development to identify what is needed to revitalize Chinatown. Spurred by its work with FPI, the Federation has endorsed the policy statement produced by LCAN. The Federation is now concentrating on Chinatown's hard-hit garment sector where 70 percent of all its workers were still working reduced hours more than five months after the attacks. "FPI will probably help with that work too," indicates Cao-K.O. "I see our relationship with FPI as long-term and issues-based." It is by effectively playing this research role in support of policy advocacy that has recently earned FPI a distinctive new place and new supporters in New York City.

The above story is only one of many examples of FPI's ability to leverage its key relationships through partnerships and the joint development of products that draw on its research and media expertise. Since its beginning, FPI successfully established linkages with advocacy organizations and its members. The result has been a wide range of products and services that advance issues on behalf of vulnerable or low-income populations throughout the state.

Education

Another example of FPI's attention to relationship building is its longstanding relationship with the Statewide Emergency Network for Social and Economic Security (SENSES). Together the two organizations develop *Counterbudget*, a timely impact analysis of the governor's Executive Budget proposal, each year. FPI prepares the technical analysis from which several key sec-

Asian American Federation of New York

Founded in 1989, the Asian American Federation is a not-for-profit organization that provides public policy and community service leadership to identify and meet the critical needs of Asian Americans in the New York metropolitan area. Its membership consists of 36 community agencies that provide health and human services. The Federation's public policy and research work focuses on issues related to resource allocation, community needs, service availability and accessibility, immigrant rights, and community development.

tions of the document are built. The analyses are then presented at a series of public forums throughout the state to raise awareness of key issues and educate people about budget expenditures. This partnership also resulted in the joint development of a packaged training program on the state budget process. As an outgrowth of this work, FPI subsequently augmented its training offerings with its recent launch of a training package on the state's rule-making process. Both packages are designed to increase public education and citizen involvement. FPI regularly provides these training programs around the state to many groups. Among the audiences for these training programs have been the New York State Community Action Association and the Center for Women in Government's Non-Profit Education Initiative.

Monitoring

FPI has forged effective partnerships that enable it to play an important watchdog role regarding the use of economic development and TANF resources. Through Good Jobs New York, a joint project with Good Jobs First headed by Greg LeRoy, FPI has been able to educate the public on the costs and benefits of New York's corporate tax incentive policies. With initial support from the Rockefeller Family Fund and subsequent support from both the New York Foundation and the New York Community Trust, this project has recently expanded beyond monitoring the return – usually in terms of jobs created, retained, or both – on all of New York's economic development investments. It is now also providing research, analysis, and technical support to organizations, such as the Alliance for a Working Economy, that are engaged in public education and advocacy efforts focused on improving corporate accountability.

Other collaborative efforts include FPI's work with the community-based organization Housing Works, first to make joint testimony at a budget hearing at the request of the joint Senate-Assembly and then to prepare a report, *Improving New York State's Utilization of its TANF Block Grant and Related 'Maintenance of Effort' Resources*. Another collaboration, this time with USAction – a coalition of 37 organizations including state and regional Citizen Action groups and three major labor unions – resulted in the report *Impossible Choices: Food, Housing or Prescription Drugs*, which assesses the impact of rising drug prices on the elderly.

Accomplishments

It is never easy to clearly identify the impact of one organization's efforts to influence highly complex tax and budget systems. FPI itself has difficulty tracing how its work results in specific changes. "We have a stack of bills we helped develop that will never get acted upon," says FPI's Trudi Renwick. "Our effect is more subtle, it's really about being present over time. ... Where we have been effective is around getting the message out about what is really going on in terms of income inequality, tax fairness, and general equity issues, from both the revenue and spending sides of the equation."

Frank Mauro agrees, "Sometimes things happen that we want to happen but we don't know why; you never really know why the

New York legislature does anything. ... Can we take credit for the fact that New York State has a strong earned income tax credit and SCHIP program? No, but we helped get it there. Did the fact that we decried the erosion in the value of our minimum wage for years have anything to do with the legislature's decision to vote for the increase in 1999? Or was it FPI member organizations applying political pressure through demonstrations in front of the capitol that made the governor feel uncomfortable enough to do something?"

It is clear, however, that FPI provides a framework that has come to be valued by many advocacy groups who enter the policy arena armed with FPI-supplied data, analysis, and understanding of what is really going on in the state's budget and tax system. Moreover, some of the successes FPI has achieved lie in what has not happened rather than what has come about. Perhaps it is this extra leverage that FPI's work provides to advocates that has enabled the defeat in three of the past six years of a major governor's initiative that FPI highlighted in its popular budget briefing. But in the end, it is very hard to say for certain. What can be said with some certainty is that FPI has raised the level of debate around issues important to low- and moderate-income people, and that the funding it receives from SFAI and other sources has sustained its efforts to study and bring about changes to the structure of New York's budget and tax system.

Despite the difficulties inherent in attributing specific changes to the actions of a single player in such a complex system, there are at least four ways in which FPI's work stands out as having contributed significantly to the debates that brought about or prevented changes within New York's public sector fiscal environment.

Raising Awareness of Underlying Structural Issues

Perhaps the logical place to begin is with the most persistent of fiscal issues. For a decade, FPI's major challenge in the fiscal environment has been the recurring structural deficit – a situation where anticipated revenue (money generated from taxes) is less than necessary to maintain the state's current level of services. Throughout the course of the SFAI initiative, FPI has documented how the state's precarious budget situation threatens basic programs and services. While the state government attempts to balance the budget one year (and minimize service reductions), it falls into a deficit one or two years later. At the start of SFAI, one of FPI's main objectives was to raise awareness of the state's recurring budget imbalances by educating people about its structural rather than cyclical causes.

By 1996, FPI was indeed raising awareness of factors associated with a \$3.9 billion deficit, pointing to the multiyear tax cuts enacted in 1994 and 1995 as a direct cause – just as FPI predicted. However, FPI faced a tough political environment. In the 1997-1998 Executive Budget, the governor proposed filling the budget gap by reallocating federal TANF block grant funds from their intended purposes (providing cash assistance and related services to the state's neediest residents). This approach was eventually used to partially close the state's budget gap.

Along with various service cuts, this left social programs in a precarious position for the future.

Throughout this time, FPI maintained that until the state restores stability to its revenue system by closing its structural deficit, fiscal policies would continue to threaten needy New Yorkers. FPI demonstrated through its analyses that the economic well-being of most New Yorkers was deteriorating and that “trickle down fiscal policies,” which actually place greater tax burdens on the poor, were exacerbating the situation. Throughout its history, FPI has ensured that underlying structural issues like these are brought to the public’s attention.

Finding Innovative Solutions and Framing Feasible Alternatives

Perhaps the most important aspect of FPI’s work is its ability to use its analysis to derive innovative solutions to the structural problems it identifies. Work of this kind gives policy advocates and coalitions the means to become more effective by offering specific alternatives around which they can focus their advocacy efforts. The clearest evidence of the effects of this approach are visible in FPI’s work with coalitions on education reform, where important progress has been made in both school operating and infrastructure funding.

School operating funding. New York’s current system of providing education aid is opaque at best. “There are something like 50 aid distribution formulas and they all seem to run in different directions,” says Mauro. If you look closely, however, you find that they are all designed to make sure that New York City does not get “too much aid – that is, more aid than the Senate Republicans are willing to give them.”

The Campaign for Fiscal Equity (CFE), concurrent with its litigation strategy described at the beginning of this profile, has undertaken an extensive public engagement process to involve people throughout the state in discussing what is wrong with the current system and level of funding and how it should be changed. As part of this work, CFE developed a set of fair school funding principles. Shortly thereafter, CFE asked FPI to use this framework to develop a transparent, fair system for distributing school aid. “We developed a funding system that would result in distributing aid in an understandable, predictable, and fair manner,” explains Mauro.

While CFE is using FPI’s funding proposal to show how its four funding principles could be implemented in a practical manner, another coalition, the Mid-State School Finance Consortium has adopted FPI’s proposed reform plan with just a few modifications. The Consortium has been able to get over 300 of New York State’s 700 school districts to support this plan. An important aspect of this accomplishment is that it has the potential to bridge the upstate vs. downstate gap on the issue since the Mid-State Consortium is composed overwhelmingly of upstate school districts. The Mid-State plan already has many suburban and rural school districts endorsing it despite its obvious benefits for New York City because it benefits them as well. FPI has provided the framework needed to enable these districts to finally find enough common ground to join forces to push for much needed reforms.

School infrastructure funding. In 2001, the state funded a large increase in school building aid. The structure of the aid delivery, however, posed a significant barrier to poorer school districts. Since state monies were only distributed on a reimbursable basis, poorer districts, with poor bond ratings, could not make the upfront capital expenditures necessary to fully access the state funds. Meanwhile, the program led to an infrastructure boom in wealthier suburban districts with strong bond ratings that enabled them to readily take on debt to finance initial start-up costs and then subsequently claim reimbursement from the state. As a result, the state’s funding incentives provided for greater than expected building in the suburban districts while many poor districts with crumbling infrastructures were unable to take full advantage of this important new state funding stream. After identifying this structural problem, AQE sought FPI’s assistance to research alternative sources of debt financing to overcome the debt ceilings imposed by jurisdictional bond ratings. As a result, FPI proposed that poorer districts should be provided access to initial construction funds through the state’s Dormitory Authority – an organization with a strong bond rating that allows it to access large amounts of capital. FPI and AQE were invited to present this proposal to state government. “The state is still debating whether to take this approach to aid poorer districts, but it’s a great idea,” says Eaton, AQE’s executive director.

Showing of the Impacts of Tax Changes

Although FPI’s founding coalition managed to defer full implementation of the state’s 1987 tax cuts, by 1995 FPI was facing a multiyear tax plan presented by the newly elected governor, George Pataki. After winning the 1994 election, in part because of his campaign promise to implement the remaining steps of the 1987 tax cuts, Pataki moved quickly to build them into his 1995 tax plan.

During the course of 1995, the state government enacted a series of major tax cuts that FPI identified as threatening to needy New Yorkers. First, Governor Pataki and the legislature adopted a series of back-loaded tax cuts that cost \$469 million in the first year, and over \$1.7 billion a year once the cuts were fully phased in. FPI was immediately concerned that the cuts were too generous and would add to New York’s structural fiscal problems. Consequently, FPI predicted that the state would not be able to sustain these tax cuts through even a modest downturn in the economy without increasing cuts in programs and services and threatening the quality of life among low-income groups.

At the same time, there were also major tax fairness issues to be dealt with. The 1987 “tax cuts” were actually tax increases for lower-income groups and tax cuts for higher-income taxpayers, particularly those with large amounts of investment income. FPI’s analysis of the proposed system found that middle-income households would actually pay more in taxes as a result of the ostensible “tax cut.” This was because of the plan’s provisions to lower the top marginal rate and reduce the number of tax brackets. This would “flatten out the bracket structure,” according to FPI. By doing so, all households experienced a tax increase on the first \$16,000 of their income. This particularly hurt middle-income households in high property tax areas who itemized

their deductions and would not be helped by the increase in the standard deduction. The cuts also eliminated the “household credit,” which was important to lower-income households.

FPI quickly demonstrated who would benefit from the tax breaks, focusing on the plan’s movement toward a flat tax and how the governor’s plan would significantly degrade the state’s progressive income tax structure. FPI’s analysis reached the legislature and the governor, who resubmitted his plan with two important changes that provided extra tax relief for the middle-income households that would have paid more under the original plan. Moreover, the legislature revised the plan further to make the distributional impact fairer, although not as fair as in FPI’s proposal.

Despite these gains, however, corporations benefited from 34 major business tax cuts included in the 1995 tax reduction package. FPI, skeptical that these business tax cuts would be able to deliver on their stated purpose of job creation, then decided to take on a new watchdog role in monitoring business tax abatements through its “Good Jobs NY” project.

More Accountability and Effectiveness in Corporate Tax Subsidies

For many years, FPI has joined forces with others concerned about tax subsidies that benefit corporations in exchange for promised benefits to the local economy. Just prior to joining the SFAI network, FPI’s research led the State Assembly’s Local Government Committee to advance a major reform of New York’s industrial development agencies, which are local entities that have the power to grant tax exemptions as part of the state’s economic development efforts. The reforms enacted in 1993 represented a major advance in economic development and subsidy accountability.

Recently, FPI achieved another victory in this arena. Initially it stood alone as a vocal critic of the state’s extremely popular Empire Zones economic development program. Like the federal Empowerment Zones program, New York’s Empire Zone program was established to provide attractive tax benefits to businesses locating within economically distressed target areas. FPI’s opposition focused specifically on the weakening of the program’s targeting as a result of Governor Pataki’s spring 2000 decision to eliminate the program’s requirement that a zone could contain no more than three non-contiguous parcels.

The governor’s action was accompanied by a very loose interpretation of how bringing a remote non-contiguous parcel into an Empire Zone would benefit the original targeted area. Essentially it enabled giveaways to favored companies with little or no benefit to the originally targeted area. “This led to the approval of amendments to zone boundaries that look like scattered shot paint on a map instead of a coherent targeted strategy,” says Mauro. “This was pulling investment away from areas of great need.” Although many representatives from both parties and Empire Zone staff were upset with its position, FPI held firm. “We were like a voice in the wilderness on this one,” says Mauro.

Eventually, FPI’s awareness-raising strategy paid off. In 2002, the legislature overrode the administration’s loosening of the

program’s targeting and it was the force of FPI’s research that won the day. Government officials finally enacted a reform proposal that essentially eliminates the practice of “scatter shot” economic development by requiring that no more than 25 percent of the land in a zone can be outside of three core contiguous parcels. “It’s not the way we would have fixed it, but at least they did something,” says Mauro.

Some of FPI’s most direct accomplishments have been achieved through the Good Jobs New York (GJNY) project, a partnership with Good Jobs First, a national leader in providing timely, accurate information to the public, the media, and government officials about economic development subsidies. Together the two organizations work with a broad spectrum of organizations to ensure that subsidized businesses are held accountable for the family-wage jobs and other effective results they promise. The GJNY staff monitor all economic development incentives in New York City over \$1 million and disseminate this information via a project specific website that includes key elements of the “deals” and a comprehensive database spanning the past 10 years of activity. “What we’re doing is making the subsidy system more accountable,” asserts Mauro.

Although FPI cannot take sole credit, it has certainly contributed to the movement away from “sweetheart” deals. The biggest issue that Good Jobs New York took on – the nearly \$1 billion subsidy proposed for the New York Stock Exchange – is now dead. “We were the first to say that New York could not afford it,” says Mauro. “Yes, the economy and the September 11 disaster put the city in the terrible financial situation that caused Mayor Bloomberg to take this huge subsidy off the table, but our hectoring resulted in it being delayed. Had we not kept at it, it could have gone through before Giuliani left office.” The new Republican mayor’s anti-corporate handout rhetoric has gotten very strong, but FPI brought the issue to the fore.

Challenges and Issues

Looking to the future, two very different aspects of New York’s policy environment present daunting challenges for FPI in its continuing efforts to improve the state’s fiscal and budgetary decision-making. One has to do with the political system, particularly the closed nature of political decision-making and the peculiar balance of political power that requires a great degree of attention to marginal politics. The other has to do with New York’s unique position as an established national leader in both the breadth and depth of its social safety net programs.

A Closed Political System and Inordinate Attention to Marginal Districts

New York remains a closed political system with an unusually high concentration of power among a very small group of political leaders. As a result it lacks a properly functioning committee system within its legislature. It is well known that the committee system exists in name only. “When people talk about a committee being effective, it means that the chairman happens to get to do something,” explains Mauro. It’s a very leadership-

dominated legislature – more so in the Assembly than the Senate. “We frequently lack hearings and never have congressional-style markup sessions of bills,” Mauro points out. “It’s all done behind closed doors under the direction of the leadership.”

The concentration of power makes it hard to understand how to leverage the political system through the legislature. Because so many decisions are made by only a few and mostly behind closed doors, efforts to educate the public on issues, to influence the opinions of political leaders, and to support effective advocacy are all vastly more difficult to plan and execute. For FPI and for the many organizations that support it and with whom it works, this particular characteristic of New York politics will continue to present enormous challenges when it comes to prioritizing research and education efforts and measuring their results.

Add to this feature of New York’s political landscape the additional challenge of protecting the political base of those who have historically supported progressive reforms in the fiscal and budget arenas. Although you would expect the Assembly – run by the Democratic Party – to be more progressive, it’s not consistently so. This is due to its focus on retaining or capturing marginal districts. So while its base electorate is progressive and overwhelmingly from New York City, it continually works to appeal to voters in the swing districts that are equally the target of Republicans. “Their conclusion has traditionally been that you really cannot be in favor of tax increases or social programs in these places,” explains Mauro. Obviously this adds even more complexity to efforts to defend progressive policies and sell additional fiscal and budgetary reforms that benefit those on the lower end of the economic ladder.

New York’s Already Strong Safety Net

For decades New York has been recognized as a state with a progressive tax system and extensive protections for lower-income households and the working class. This fact forces FPI more often than not into a position of defending rather than advancing the state’s already strong safety net. On a revenue basis, New York State has more state and local tax revenue per capita

than all but one state. “The opposition always focuses on this in their comparisons with other states,” laments Mauro.

But for FPI, the argument is more complex and requires a more careful assessment of the state’s position nationally. Revenue yield is not just a result of your tax system alone. “Don’t get me wrong, we’re a high tax state but we do not have the highest tax burden in the nation as many people claim,” explains Mauro. “Obviously the tax base really matters too. It’s because New York is a wealthy state that we have a good base from which to tax. Yet New York is the only northern industrial state with poverty rates like the southern states. We are the only state in the top 10 in per capita income and in the top 10 in poverty.” For Mauro, the argument needs to include an analysis of New York’s large income disparities.

Looking ahead, FPI sees one of its main challenges as trying to protect the safety net and the progressive revenue system that Nelson Rockefeller built, but that have been eroded since he left office in 1973. “Although we have not stopped this general movement, we have accomplished making some of the changes fairer,” says Mauro. “Perhaps we’ve gotten it to plateau.” Regardless, FPI will need to employ all its analytical skill and political and media savvy in its continuing efforts to preserve New York’s still enviable safety net.