

Reporters:**Erik Engquist** - (212) 210-0745**Daniel Massey** - (212) 210-0481*Crain's Insider* is available Tuesday through Friday by 6 a.m.**Reproduction, forwarding or reuse in any form is prohibited.**

Customer service, call (888) 909-9111.

Today's News Tuesday, November 24, 2009**While Bronx Pols Plot ...**

Councilman-elect Fernando Cabrera says he's been active in the Bronx delegation's negotiations with The Related Companies over a living-wage mandate at the proposed Kingsbridge Armory mall. Cabrera, who will replace Maria Baez in January as the local council member, backs demands that the retail jobs pay \$10 an hour with benefits. The minimum wage is \$7.25. Baez, battling illness, is playing little role in the talks. Cabrera says the delegation will speak as "one Bronx" on the issue. Related and the Bloomberg administration insist living-wage guarantees would kill the project.

... Mayor Reaps What He Sows

Bronx elected officials' unified opposition to Kingsbridge Armory project subsidies without living-wage guarantees has muted support for the project at the local community board. That's bad for the Bloomberg administration. But when community board members were removed for voting against the new Yankee Stadium, Mayor Bloomberg, who favored the stadium, did not object.

Guv's Bad Gamble

Gov. Paterson has twice agreed to unrealistic state budgets in March, reasoning that there's no reason to fight with the Legislature over revenue projections in the spring when budgets can always be adjusted later. But legislators hate to cut school budgets in mid-year, as Senate Majority Leader John Sampson notes in an open letter to Paterson. And they disdain cuts to health care spending at any time; Sampson reasons that Paterson's proposed \$287 million Medicaid cut would be \$758 million when the loss of federal matching funds is included. But balancing the budget without cutting education and health care is difficult because they make up 56% of the state's \$55 billion general fund, which has a \$3.2 billion deficit.

Sanitation Commissioner Staying On

Contrary to CityHallNews.com's report yesterday that Department of Sanitation Commissioner John Doherty is a "prime candidate to be replaced," Mayor Bloomberg has already announced that Doherty will stay. The mayor said so publicly last Wednesday at a department ceremony. Doherty, in his second stint as commissioner, began at the agency as a street sweeper in 1960.

Boosted by surcharge, tax revenues don't plunge

State tax receipts fell 8.9% in July through September, compared with the same three months in 2008—better than most states and the nation as a whole, which experienced a 10.7% decline, according to a Rockefeller Institute study released yesterday.

Despite claims by tax-hike opponents that high earners are moving out to avoid a new three-year surcharge, New York's personal income tax revenues fell just 7.4%. Only 11 states, and no mid-Atlantic states, had a smaller decline. Quarterly PIT revenues dropped 8.9% in New Jersey and Pennsylvania and 13.9% in Connecticut. Nationally, they fell 11.4%.

The state tax hike prevented a much larger decline, according to E.J. McMahon, director of the Manhattan Institute's Empire Center for NYS Policy, which dislikes the measure. "Adjusting for the tax increase, the decline in PIT receipts in New York under prior law would have been more like 20%, nearly twice the national average," McMahon writes on nyfiscalwatch.com.

Proponents of graduated income taxes say the figures justify their position. "There is just no meaningful data that show high earners are deserting New York," says James Parrott, deputy director and chief economist of the Fiscal Policy Institute, a think tank that supported the increase. "The Rockefeller Institute data, together with the looming increase in Wall Street bonuses, reaffirm the wisdom of a high-income PIT surcharge."

McMahon says the surcharge discourages economic growth. Predictions of an exodus of rich people have come from business groups such as the Business Council of New York State and the Partnership for New York City. A Partnership spokesman says the flight of the wealthy could become more pronounced when the Bush tax cuts expire next year. Regardless, he says, "A PIT surcharge should not be used to deal with the state's structural deficit." Reducing spending must come first, he says.

At A Glance

BILLABLE HOUR: Sen. Al Franken, D-Minnesota, and Paul Begala will talk politics with Sen. Gillibrand at a fundraising lunch for New York's junior senator Monday from 12:30 p.m. to 1:30 p.m. at law firm Skadden Arps, 4 Times Square. Tickets are \$250. Contact Val Delp at val@kirstengillibrand.com or (347) 455-0845.

SCHEDULE: *Insider* will not publish Thursday and Friday.

ADVERTISEMENT



Learn more at www.area-alliance.org
 or call 877-503-AREA

The New York Affordable Reliable Electricity Alliance advocates for:

- A new power plant siting law
- Relicensing of Indian Point
- Energy infrastructure investment
- Energy efficiency and conservation