



December 6, 2011

IF WASHINGTON WON'T PUT NEW YORK BACK TO WORK, ALBANY SHOULD Progressive taxation and a Jobs Bond Act can create over 150,000 Jobs for NYS

As the Legislature returns to Albany this week to address the state's growing budget gap, our elected leaders must not forget the deficit that matters most to working families across the state: New York State's jobs deficit.

By using a more progressive tax system, New York can create, retain and restore tens of thousands of essential jobs, from teaching our children, to fixing our roads, bridges, schools and subways and maintaining our parks.

Beyond that, however, the time is right for a "Get New York Back to Work" bond act that will fix and expand New York State's vital infrastructure – a task the private sector can't and won't do alone. The state can take advantage of historically low interest rates to leverage public dollars and generate additional billions for job-creating infrastructure projects.

Bonding and directly funding these initiatives is an effective use of state dollars to create jobs, as opposed to some of the tax credits and incentives that have repeatedly failed to deliver on promised jobs.

We also put a spotlight on seven critical areas where elected leaders can meet the urgent need to get New Yorkers back to work – and get our economy back to working for New Yorkers. After all, the state needs 500,000 jobs to bring unemployment down to pre-recession levels, as last week's report from the Fiscal Policy Institute discusses in depth.¹ These are:

- Flood recovery and prevention, including rebuilding destroyed homes and other infrastructure
- Transit and transportation infrastructure expansion and repair
- Repair and upgrading of our wastewater infrastructure
- School repairs and PCB eradication
- Universal pre-kindergarten
- Summer youth jobs
- Restoring essential jobs lost as a result of cuts to government funding

Some of our proposals reflect priorities Governor Cuomo has set. But this memo goes beyond

¹ Fiscal Policy Institute. 2011. *The State of Working New York 2011: Smaller Incomes, Fewer Opportunities, More Hardship*. November 29.

the governor's proposals. All or some of these plans, combined, would make a sizeable dent in the jobs deficit that New York's economy and families urgently need filled.

Our memo and the attached appendix also show precise estimates of the jobs that could be created – both directly and indirectly – in these seven critical areas:

Bonding and directly funding these initiatives is an effective use of state dollars to create jobs, as opposed to some of the tax credits and incentives that have repeatedly failed to deliver on promised jobs.

Investing in these needed restoration and expansion projects will create jobs throughout New York's economy in three ways:

- *Direct job creation* refers to jobs directly involved in a given project (for example, bridge construction).
- *Indirect job creation* refers to the jobs generated to supply a given project (for example, supplying the steel for the bridge construction).
- *Induced jobs* are created when the overall level of spending in the economy rises due to the salaries of those directly and indirectly hired workers (for example, retail businesses where bridge builders and steel workers spend their income).

SEVEN PROPOSALS TO CREATE JOBS & MEET OUR INFRASTRUCTURE NEEDS

Proposals Supported by a State Jobs Bond Act

Our preliminary research shows that an estimated \$325– \$400 million in annual bond costs² would create nearly 100,000 in direct, indirect and induced jobs³ in targeted infrastructure projects. Economists estimate that every \$1 spent on infrastructure increases the state's economic output by \$1.44. Therefore, the cost of infrastructure investment would result in a net gain for New York's gross economic output. A more progressive tax structure can ensure the state has adequate revenue to pay the bond act's debt.

1. FLOOD RECOVERY AND YOUTH JOBS CORPS

To help upstate residents recover from Hurricane Irene and Tropical Storm Lee and prevent future disasters, a jobs act should fund road repair, new housing, wetlands restoration and 100-year-flood prevention. The proposal should also include a short-term Flood Recovery Job Corps

² The annual cost of a bond would likely range from an estimated \$65-\$80 million for \$1 billion to invest in a job creation agenda to \$325-\$401 million for \$5 billion (bonded at a five percent interest rate). Costs can vary based on bond interest rates and the expected life-cycle of the facilities built. NY bonds have recently had interest varying between 4.25% and 5.25%, but they go as low as 3% and as high as 8%. Rates depend on the risk of the investment among other factors. See <http://newyork.municipalbonds.com/bonds/recent/>

³ The precise estimate is 98,897 jobs, using standard job multiplier models such as those from the Political Economy Research Institute (PERI) at the University of Massachusetts. See additional reference sources at end of memo.

program for unemployed 18- to 24-year-olds. Additional funding through FEMA funds is possible.

Completing New York's flood recovery, preparing New York to better weather and prevent disaster from the next storm, and getting unemployed young New Yorkers onto the job track would:

- Create an estimated 11,450 direct hires, an additional 4,150 indirect jobs, and another 4,700 induced jobs – for a combined total of 20,300 public and private sector hires – per \$1 billion of project investment.⁴
- Cost \$65-\$80 million in annual bond payments per \$1 billion of investment.

This would also provide additional return on investment. The indirect effects of youth employment are enormous: reduced crime and reduced prison rates, and long-term benefits of bringing youth into the economic system and preparing them for future employment.

2. TRANSPORTATION: FIXING ROADS, BRIDGES & TRANSIT

With 2,108 structurally deficient bridges and a woefully under-funded transit-rebuilding program, the state has overwhelming transportation needs. Beyond DOT, MTA and upstate transit needs, state funds also could be used to restore mass transit plans in the disputed Tappan Zee Bridge project and boost the state's freight rail network.

Restoring and expanding New York's transit and transportation network would:

- Create an estimated 26,000 direct hires, an additional 7,400 indirect jobs, and another 10,076 induced jobs – for a combined total of 43,476 public and private sector hires – per \$2 billion of project investment.⁵

3. KEEPING WATER CLEAN BY UPGRADING WASTEWATER FACILITIES

One-quarter of New York's wastewater facilities are operating beyond their useful life expectancy, and many more are using antiquated technology that the New York City Department of Environmental Protection calls a threat to fresh water, putting at risk the state's water supply and our health and security. Since federal funds for municipalities stopped flowing in the 1990s, towns and cities have failed to maintain these facilities. Every year, old sewers flooded by stormwater release more than 27 billion gallons of untreated sewage into the New York Harbor alone. An inadequate sewage treatment infrastructure jeopardizes the viability of current and future businesses, stymies economic growth, and threatens the quality of life for New York State residents.

Investing in modernization of our state's water infrastructure would:

⁴ See attached spreadsheet appendices for job multipliers used throughout this memo.

⁵ Garrett-Peltier, Heidi and Robert Pollin. 2010. "Job Creation per \$1 Million Investment." University of Massachusetts Political Economy Research Institute (PERI).

- Create an estimated 12,805 direct and indirect hires, and another 4,956 induced jobs – for a combined total of 17,761 public and private sector hires – per \$1 billion of project investment.

Proposals Supported by Direct Investment in New Jobs

Directly investing \$1.2 billion in fixing schools and providing universal pre-kindergarten would create close to an additional 30,000 jobs. Another \$100 million could fund over 70,000 summer jobs to prepare young people for the workforce, reduce summer youth unemployment, and provide supplemental family income.

4. GET RID OF PCBs AND FIX CRUMBLING SCHOOLS

Congress banned the production of polychlorinated biphenyls in 1979, but PCBs remain a threat to the health of children in our schools. Their removal from schools in New York City – particularly from leaky light ballasts – could be accelerated with more funding (and pay for itself over time via energy efficiency savings).

PCB removal in New York City alone would:

- Create an estimated 5,452 direct hires, an additional 3,328 indirect jobs, and another 3,512 induced jobs – for a combined total of 12,291 public and private sector hires – per \$708 million of project investment. (More jobs could be created if efforts to remove PCBs were undertaken statewide.)

Public schools statewide also need energy retrofits and repair of long-neglected buildings. Fixing our children’s schools would:

- Create an estimated 7,700 direct hires, an additional 4,700 indirect jobs, and another 4,960 induced jobs – for a combined total of 17,360 public and private sector hires - per \$1 billion of project investment.

5. UNIVERSAL PRE-KINDERGARTEN

Universal Pre-Kindergarten seeks to make pre-school education universally available, similar to the availability of kindergarten. It is voluntary and free. Studies have shown that the program has significant positive outcomes in the short and long term for children, particularly those who are at risk. It frees up parents to work, saves them significant expenses in child care, and by using existing educational infrastructure, allows for a comparatively large percentage of funding to go directly towards personnel.

- Expanding the current Universal Pre-K program in New York State by \$500 million to serve an additional 62,000⁶ students would create 11,500 direct and indirect jobs and 5,000 induced jobs.⁷

⁶ Estimates from: Gault, Barbara, Anne W. Mitchell, Erica Williams, Judy Dey, and Olga Sorokina. The Institute for Women’s Policy Research. 2008. *Meaningful Investments in Pre-K, Estimating the Per Child Costs of Quality*

6. SUMMER YOUTH EMPLOYMENT PROGRAM (SYEP)

The economic downturn has hit youth and young adults particularly hard. According to recent Census data, over 260,000 16- to 24-year-olds (20.1%) in New York State are in the labor force, but have no job.⁸ New York's Summer Youth Employment Program (SYEP) is designed to combat this problem. With employment and training components, it prepares youth for the workforce, reduces summer youth unemployment, and provides supplemental family income. Open to residents between 14 and 24, SYEP also provides targeted opportunities for vulnerable youth and youth with disabilities.

In New York City, the program has been funded with a mix of local, state, and federal funds. In 2011, for example, 30,628 participants were enrolled through \$43.5 million in funding. However, with 131,119 applications for the City's program, demand is clearly not being met.⁹ Expanding the program within the state would:

- Create an estimated 17,602 youth opportunities with \$25 million in additional funds.
- Create 70,409 youth positions with a \$100 million investment.

Proposals for Job Retention and Restoration

Restorations of past cuts – for instance, \$2 billion, or half of the cuts made to schools, state agencies, human services and the Metropolitan Transit Authority (MTA) – could restore nearly 30,000 jobs, or retain jobs threatened by any future cuts.

7. REVERSING OR AVERTING STATE BUDGET CUTS WILL SAVE TENS OF THOUSANDS OF JOBS

In New York's schools, state agencies, and human service and transit sectors alone, nearly 60,000 jobs were eliminated by cuts in the last two years. The Economic Policy Institute has found that every 100 public sector jobs lost leads to 30 jobs lost in the private sector.

Restoring funding for jobs lost to recent budget cuts would grow New York's economy in three ways: direct jobs saved or restored, indirect and induced jobs created by their economic activity, and production of the kinds of public services and infrastructure that an economy needs to thrive. For example:

- Restoring \$853 million of the \$2.2 billion in cuts to education funding over the last two years could restore an estimated 11,091 school staff positions to reduce class size and

Programs. The Institute for Women's Policy Research. March. Costs in the above report are in 2007 numbers. We increased the costs based on an annual inflation rate of 2.09%.

⁷ Antonopoulos, Rania, Kijong Kim, Thomas Masterson, and Ajit Zacharias. 2010. *Why President Obama Should Care about "Care": An Effective and Equitable Investment Strategy for Job Creation.* Levy Economics Institute of Bard College. Public Policy Brief no. 108.

⁸ 2010 American Community Survey, Employment Status S2301 at American Fact Finder 2, US Census Bureau. There are 1.3 million youth (16-24) in the labor force.

⁹ New York City Department of Youth and Community Development. 2011. *Summer Youth Employment Program 2011 Annual Survey*

offer recently eliminated programs.

- Restoring \$388 million of the \$1 billion cut from state agencies could restore an estimated 3,921 more state jobs, including park maintenance, geologists and engineers to protect our drinking water and air and other vital services.
- Restoring \$415 million of the \$819 million cut in human services could restore an estimated 13,647 human services positions for the care for older people and other at-risk and vulnerable New Yorkers.
- Restoring \$68 million in MTA funding could restore an estimated 974 jobs and return vital service to bus, subway and commuter rail lines.

Restoring funds to our state budget reduces classroom sizes, restores economically vital bus and commuter rail lines, and provides a safety net that plays a vital role in keeping local economies from spiraling down.

Fixing our schools and roads, repairing our flood-ravaged homes and preventing further flooding, upgrading our sewers, supporting education and opportunities for youth employment would create a better New York, a stronger economy and over 150,000 jobs.

Washington gridlock may prevent the development of a real jobs plan—but we can do better. Albany must put New York back to work.

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Thanks to ALIGN: The Alliance for a Greater New York for research support.



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Appendix Table 1

New York State Jobs Bond Act – Sample estimates						
<i>Subject</i>	<i>Jobs/Billion</i>	<i>Total Funding</i>	<i>Jobs</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>
Flood recovery / prevention	20,300 ^a	\$1,000,000,000	20,300	11,450	4,150	4,700
Transportation: roads, bridges and transit	21,738 ^a	\$2,000,000,000	43,476	26,000	7,400	10,076
Clean water / wastewater infrastructure	17,761 ^b	\$1,000,000,000	17,761	12,805		4,956
School repair	17,360 ^a	\$1,000,000,000	17,360	7,700	4,700	4,960
Annual bonding payments and total job creation		Less than \$325 – \$400 million	98,897	74,205		24,692

^a Garrett-Peltier, Heidi and Robert Pollin. 2010. “Job Creation per \$1 Million Investment.” University of Massachusetts Political Economy Research Institute (PERI).

^b Heintz, James, Robert Pollin, and Heidi Garrett-Peltier. 2009. *How Infrastructure Investments Support the U.S. Economy: Employment, Productivity and Growth*. University of Massachusetts Political Economy Research Institute (PERI). January. Note: source does not break out direct from indirect job numbers.

Appendix Table 2

Direct Investment in New Jobs – Sample estimates						
<i>Subject</i>	<i>Jobs/Billion</i>	<i>Total Funding</i>	<i>Jobs</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>
Full funding for PCB removal in New York City schools	17,360 ^c	\$708,000,000	12,291	5,452	3,328	3,512
Universal pre-kindergarten	33,000 ^d	\$500,000,000	16,500	11,500		5,000
Total job creation			28,791	20,279		8,512

^c Garrett-Peltier, Heidi and Robert Pollin. 2010.

^d Antonopoulos, Rania, Kijong Kim, Thomas Masterson, and Ajit Zacharias. 2010. *Why President Obama Should Care about “Care”: An Effective and Equitable Investment Strategy for Job Creation*. Levy Economics Institute of Bard College. Note: source does not break out direct from indirect job numbers.

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Appendix Table 3

Summer Youth Employment Program (SYEP)		
<i>Cost per job^e</i>	<i>Total Funding</i>	<i>Youth Positions</i>
\$1,420	\$25,000,000	17,602
	\$100,000,000	70,409

^e Based on cost-per-participant in: New York City Department of Youth and Community Development. 2011. *Summer Youth Employment Program 2011 Annual Survey*.

Appendix Table 4

Restoration of 50% of jobs lost to state budget cuts			
<i>Subject</i>	<i>2 year job loss total</i>	<i>Funding restoration</i>	<i>Jobs restored</i>
Schools ^f	22,181	\$853,314,161	11,091
State agencies ^g	7,841	\$387,557,107	3,921
Human services ^h	27,293	\$415,331,228	13,647
Transit (MTA) ⁱ	1,948	\$68,180,000	974
<i>Total job creation</i>	<i>59,263</i>		<i>29,632</i>

^f Source: NYSUT analysis

^g Analysis of New York State Enacted Budgets, Annual Cashflow tables

^h Source: Human Services Council analysis

ⁱ Source: Analysis of Metropolitan Transportation Authority (MTA) SWAP reports