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The Honorable George W. Bush
President
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Bush:

New Yorkers were grateful for the outpouring of support from the nation and your pledge to do "whatever it takes" to help New York, but New York City continues to suffer economically as a result of the attacks on the World Trade Center¹. Furthermore, recent data makes it clear that New York will actually be receiving less federal aid than we were promised. In fact, New York will receive at least \$2 billion less in federal aid than the \$21.4 billion you pledged to New York from the Rose Garden on March 7th, 2002. Accordingly, we ask your intervention to ensure that not less than the full amount of aid you promised will be provided.²

What is more, even the \$21.4 billion we were promised is far less than the attacks actually cost. Even if New York were to receive the full \$21.4 billion, the City and State would still face a deficit of \$20 to 40 billion (the difference between the overall costs and losses of the 9/11 attack to New York – estimated at \$80 to 100 billion³ – and the amount it can expect to receive in federal aid and from private insurance payments).

This recovery deficit, coupled with the continuing lack of adequate or even equitable homeland security funds for New York to prevent a future attack on what has been repeatedly mentioned by your administration as the number one terrorist target, continues to prevent the City and State from adequately recovering from the attack.

¹ <http://www.fiscalpolicy.org/sowny2003coverreleasehtml.htm>

² The aid package that President Bush announced on March 7, 2002 can be found at <http://www.house.gov/maloney/issues/Sept11/TheChart/1.pdf>

³ Estimates of total costs and losses from 9/11, conducted by the New York City Partnership and the New York City Comptroller's office can be found at <http://www.house.gov/maloney/issues/Sept11/TheChart/MauroChart.pdf>

Sadly, the poorest New Yorkers are being penalized for taking advantage of programs intended to help them recover from 9/11. The Department of Health and Human Services has actually decided to reduce benefits for some New Yorkers who have received grants relating to 9/11. Thus, someone who has been adversely impacted by 9/11 will lose benefits if they take advantage of programs designed to make them whole.

I. New York will receive less than the \$21.4 billion that you committed.

Several analyses have shown that specific parts of the \$21.4 billion package fall short of initial projections.

1. Fully one-fourth of the overall aid package was to come in the form of "Liberty Zone" tax breaks in an effort to stimulate economic activity in lower-Manhattan. (Tax breaks are a concept that we believe was not contemplated in the legislation that passed Congress, which authorizes \$20 billion in cash and makes no mention of tax incentives). It was expected that this part of the federal aid package would be valued at \$5.5 billion, but last summer it was discovered that the Office of Management and Budget used the wrong estimates from the Joint Tax Committee, causing a reduction in the value of the tax breaks by over half a billion dollars.⁴
2. Last winter an analysis done for the City of New York by PricewaterhouseCoopers estimated that the value of the remaining tax incentives would be worth only \$3.8 billion, or \$1.2 billion less than the amount promised.⁵
3. Most recently, the Congressional Joint Committee on Taxation (JCT) estimated that the decision by the Internal Revenue Service (IRS) to tax 9/11 grants will mean the return of \$268 million to the federal government from families and small businesses in Lower Manhattan still struggling to recover.

Below is a chart that summarizes the loss in aid:

\$21.4 billion promised on March 7th, 2002
\$500 million lost from using wrong estimate
\$1.2 billion lost because tax incentives were overvalued
\$268 million lost in taxing federal grants
Revised total: \$19.432 billion

⁴See Congressional Research Service at:
<http://www.house.gov/maloney/issues/Sept11/110102CRSLibertyZones.pdf>

⁵ The PriceWaterhouseCoopers report can be found at:
http://www.house.gov/maloney/issues/Sept11/102202_NYLZ-Report.pdf

⁶ See JCT letter at: http://www.house.gov/maloney/issues/Sept11/061703_Tax.pdf

Finally, a calculation of federal disaster relief for New York City following the attacks of September 11, 2001 (completed by the Office of Congresswoman Carolyn Maloney) places the total of amount of authorized aid below even the revised total of \$19.5 billion. Our offices will be in contact with the Office of Management and Budget in an attempt to clarify why the total aid package may be worth even less.

II. Even if Initial Pledge Is Reached, An Additional \$20 Billion in Losses Would Remain Unmet

The loss of \$2 billion in promised aid is small potatoes compared to the huge gap between costs and aid. The fact is, even if the pledge were met, New York would still be grappling with approximately \$60 billion in losses. Subtract anticipated insurance payments of \$30 to \$40 billion, and New Yorkers still face at least a \$20 to \$40 billion dollar gap.

1. One glaring example of unmet needs are the tax revenue losses to the City and State caused directly by 9/11.

The General Accounting Office Report on Estimated Tax Revenue Losses for the State and City of New York confirmed that estimates made by the New York City and State budget offices of \$1.6 billion in lost tax revenues to the City and \$1.6 billion in losses to the State in fiscal year 2002 as a result of the attacks were "reasonably approximate." The report also accepts fiscal year 2003 estimates of \$1.4 billion and \$4.2 billion in losses respectively, bringing the total loss to \$8.8 billion for the City and State over two years.⁷

2. New York has also been shortchanged in Hazard Mitigation

As New York rebuilds following the terrorist attacks, the City finds itself terribly underfunded to make the region safer for its citizens in the event of a future attack. While most regions recovering from a national disaster receive federal "mitigation funds" at 15% of overall FEMA costs associated with the disaster, New York was awarded just 5% of FEMA costs related to 9/11. New legislation as part of the 2003 federal budget caps the mitigation funding formula to 7.5% of FEMA's costs toward a disaster, but even under that formula, New York would still be shortchanged.⁸ The current percentage of funding will amount to approximately \$422 million in aid, yet the Mayor of New York lists more than \$900 million of necessary safety improvements, and the state is reported to have an additional \$6 billion in necessary security measures that it is considering.

III. Homeland Security Aid to New York and Other "High-Threat" Cities Drastically Underfunded

New York's efforts to prepare for and prevent another attack on the City has been seriously underfunded. During Secretary Ridge's June 23, 2003 visit to New York, we were pleased to hear of the administration's support for strengthening first responder discretionary grants to high-threat, high-

⁷ See GAO report at: <http://www.house.gov/maloney/073002gao.pdf>

⁸ See FEMA Table at: <http://www.house.gov/maloney/issues/Sept11/061603Mitigation.pdf>

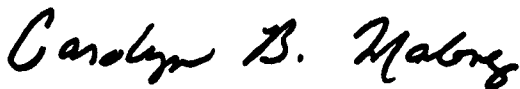
density urban areas. However, this support is not reflected in the FY2004 budget submission, which actually provides less money for the high-threat program than the previous year. The current proposal for security aid to high-threat regions in FY2004 is \$300 million less than FY2003, a 38% decrease. As evidenced by the recent Al Qaeda plot to attack the Brooklyn Bridge, high-threat cities require a greater level of vigilance and investigation, and thus a greater level of security spending to protect their citizens.

Al Qaeda chooses targets to inflict the greatest number of casualties, to do the greatest damage economically, and to get the most publicity. As a result, New York City, with its national landmarks and worldwide visibility, has spent approximately \$1 billion since 9/11 in additional police protection, none of which has been reimbursed to date by the federal government. The current formula for distribution of 70% of the Homeland Security funding does not even consider factors such as population density, infrastructure, and intelligence indicating actual threats to specific cities. More needs to be done to protect high-threat regions and we ask for your administration's proposals on how best to change this funding formula and more wisely plan the nation's homeland security operations.

The federal government's reluctance to provide funding has left New Yorkers shouldering the lion's share of the burden from 9/11. As a result, New York is currently raising taxes on its citizens to pay for the protection and reconstruction. These taxes are hard to bear, when at least 100,000 jobs were lost as a direct result of the attacks and with job loss continuing throughout the city. The problems are exacerbated by the slow pace with which the federal government has delivered the promised funding. According to the Office of Management and Budget, only \$7 billion of the promised \$21.4 billion has actually been obligated to date even though the Federal Reserve Bank has said that a quick recovery is paramount for the long-term health of New York's economy.

Given the broad and complex needs remaining in New York two years after the attacks, and the numerous questions unresolved regarding the federal response to New York's recovery, we also ask for a meeting with you or high-level members of your administration, to ensure that fair and adequate aid moves quickly to New York, not only to help the region, but also to help the nation recover as rapidly as possible.

Sincerely,



CAROLYN B. MALONEY
Member of Congress



GIFFORD MILLER
Speaker of the New York City Council