

November 14, 2002

The Honorable George E. Pataki
Governor of the State of New York
Executive Chamber, State Capitol
Albany, NY 12224

Dear Governor Pataki,

First, congratulations on your election to a third term as Governor. We look forward to working with you on the many issues important to New York over the next four years.

One such issue, and one of the largest issues yet to be dealt with-- one which must be addressed-- is the loss of tax revenues for the City and the State as a direct result of the events of September 11, 2001. New York has suffered a severe loss in tax revenues from a combination of lost jobs, destroyed buildings, a reduction in visitors, and the overall fact that the City was literally shut down for weeks following the attacks.

On June 16, 2002, the General Accounting Office (GAO) issued a report at the request of Congresswoman Maloney, along with colleagues in the New York Congressional Delegation. The GAO found the estimates made by the New York City and State budget offices of \$1.6 billion in lost tax revenues each to the City and the State governments in fiscal year 2002 as a result of the attacks were "reasonably approximate." The report also accepts the fiscal year 2003 estimates produced by New York City and State of combined losses of up to \$5.6 billion, bringing the total loss of tax revenues to \$8.8 billion for the City and State over two years.

We have all seen the reports indicating that New York City estimates its budget gap to be between \$5 billion and \$6 billion next fiscal year. In addition, even without official State estimates, the consensus seems to be that the State is facing a budget gap of at least \$5 billion, and possibly as much as \$10 billion. These are the largest budget deficits we have ever faced.

The budgetary problems created in the wake of the attacks are too great to solve using our current available options without making some difficult choices. We are already facing fewer police on the streets, more children per classroom, fewer library hours, and larger potholes.

It is important to note that the greater part of our economic shortfall is not related to the slowing national economy. Certainly, many cities and states are experiencing budget shortfalls, and part of our budget gaps are consistent with the current national economic trend. However, it is clear that the balance of the shortfalls is a direct result of the attacks of September 11th, a direct result of terrorist activity aimed at destroying America's symbol of economic prosperity, the World Trade Center. But for Osama bin Laden, New York would be in better fiscal health.

This is why we need Federal assistance for lost tax revenues.

Indeed, there is precedent for Federal revenue relief. In the past, when areas suffered from substantial losses of tax revenues as a direct result of major disasters, the Federal government provided this type of assistance. A program known as the Community Disaster Loan

Program was used repeatedly, and while the scale is admittedly different from that of New York, this assistance was provided to communities experiencing, like ours, a substantial loss in tax revenues.

Since 1976, the Federal government has made sixty such loans for cities and towns in Florida, Pennsylvania, Michigan, West Virginia, Massachusetts, and Illinois, among others. And of these loans, 42% of total disbursement has not required repayment. This is why, at the request of the Bloomberg Administration, several members of the delegation, including Representatives Serrano, Rangel, Israel, and Velázquez, together with Senators Clinton and Schumer, joined Congresswoman Maloney to introduce H.R. 5523 and S. 3055, the Community Disaster Loan Equity Act of 2002.

H.R. 5523 and S. 3055 build upon precedent. This bill removes an arbitrary cap on recovering lost tax revenues imposed only two years ago, and includes states as eligible entities. It also does not require repayment of this Federal assistance in the event of a terrorist attack.

This proposal is consistent with your own initial efforts last October to raise this issue.

We would like to propose that you renew your efforts from last fall to obtain Federal funding to compensate for lost revenue caused by the 9/11 attacks. The disaster suffered by New York should receive the same benefits from the Federal government as have other areas in the past.

In early October 2001, you issued a \$54 billion plan to "Rebuild NY - Renew America" that called on the Federal government to assist New York in recovering from the attacks on the World Trade Center. \$12 billion of this \$54 billion plan related to what you referred to as, "Economic Restitution for New York City and State."

You stated in the report: "The destruction in Lower Manhattan disrupted or eliminated revenue sources that support the day-to-day functions of the City and the State. The financial services industry, which was most directly and profoundly impacted by the attacks, is by far the most important industry to the State and the City in terms of generating taxable incomes for both individuals and corporations, and is one of the primary engines for the national economy."

After indicating that the New York State and New York City governments could experience revenue losses of as much as \$12 billion -- \$3 billion for the City and \$9 billion for the State-- during the next 18 months, you argued that "both will require unrestricted Federal aid to maintain ... the level of vital public services that existed prior to September 11th as required under State and City statutes, while also addressing the extraordinary needs in the wake of the terrorist attacks."

While this was an early estimate of the total costs of 9/11, the fact that New York State and New York City would suffer significant losses of tax revenue because 9/11 occurred within our borders is irrefutable. You were indeed correct when you proposed last year that these funds should be part of any aid package. We ask that you return to your initial efforts of seeking Federal relief for lost tax revenues.

It is good news that, since the introduction of the bill, and with the leadership of Representative James Walsh, of Central New York, Chairman of the House VA/HUD Appropriations Subcommittee, the House Appropriations Committee has included in the

VA/HUD appropriations bill \$650 million in "unreimbursed expenses" to the City and \$330 million to the State, for a total of \$980 million in aid for New York in Fiscal Year 2003.

This a great first step. However, we should not confuse unreimbursed expenses with lost tax revenue. It is our hope that you will work with the Mayor and the Congressional Delegation in advocating for H.R. 5523 and S. 3055, and join us in urging the Federal government to help make up the lost tax revenues that we suffered as a result of 9/11.

In April, members of the delegation received from the New York Federal Reserve a report (<http://www.house.gov/maloney/press/107th/20020425fedreserve.html>) on the effects of 9/11 on the City. One of the most startling findings, which still holds true, is that, because of 9/11, the city will lag behind the rest of the country despite an economic recovery.

Unless we get this help, that predication will come true.

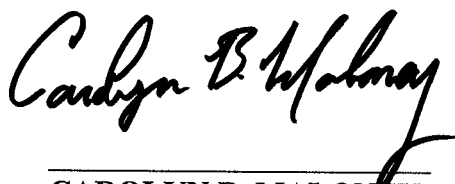
This is help that is needed to pay for essential services for our community. We believe the American people would agree that New York services for schools, libraries, police, and even water and highways, should not suffer because of Osama Bin Laden.

We propose to meet with you, and other interested parties like the Mayor and others in the Congressional Delegation, to formulate a common strategy to recover revenue losses stemming from 9/11, so that our constituents will not be faced with the adverse effects of such huge deficits.

We thank you for all your work since September 11, 2001, to help the State and the City recover from the devastating terrorist attacks. We would like to continue to work with you to ensure that New York receives all the Federal aid that it requires to rebuild. We would therefore appreciate your sharing with us how we can move forward on these important issues.

Thank you for your attention in this matter.

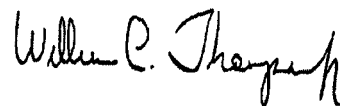
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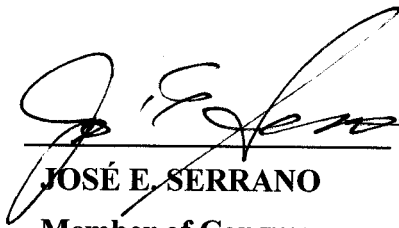
CAROLYN B. MALONEY
Member of Congress



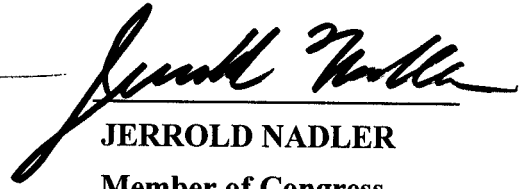
GIFFORD MILLER
Speaker New York City Council




WILLIAM C. THOMPSON, JR.
New York City Comptroller



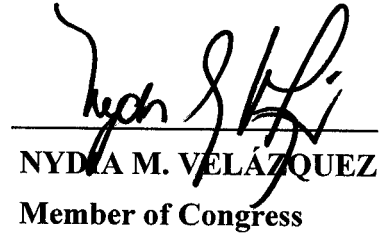
JOSÉ E. SERRANO
Member of Congress



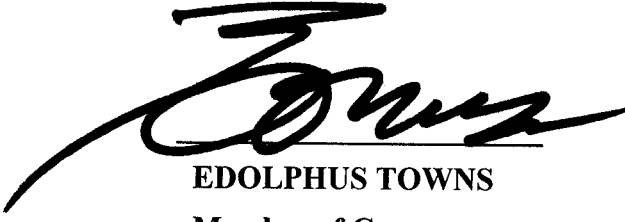
JERROLD NADLER
Member of Congress



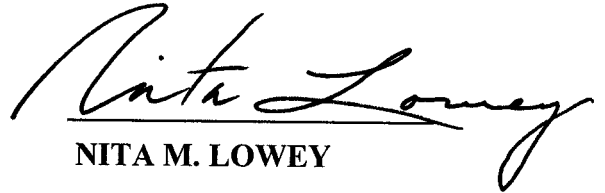
MAJOR R. OWENS
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NYDIA M. VELÁZQUEZ
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NITA M. LOWEY
Member of Congress