

50+1: A FEDERAL AGENDA FOR NEW YORK CITY

Cities may have a new ally in Washington, but just what should the new president and Congress do to support New York City?

In this report, we outline 51 specific recommendations, in areas from economic development to energy policy.

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THE INAUGURATION OF A NEW PRESIDENT IS TYPICALLY A TIME of great hope, and this year is certainly no exception. But the advent of the Obama administration offers residents of New York and other city-dwellers special grounds for optimism: that the period of years, if not decades, when the federal government all but turned its back on the needs of urban communities is finally at an end. President-elect Obama's early pronouncements, from creating a White House Office of Urban Policy to promising bold new investments in infrastructure, education and alternative energy, suggest that the new president understands something that many of his recent predecessors clearly did not: what's good for cities is good for America. New York is the nation's biggest city by population, economic activity, and cultural importance; its success is inextricably linked to that of the country.

But if the Obama administration and the 111th Congress appear to present an exciting opportunity for cities, exactly how should policymakers in New York and other urban centers seek to capitalize on this?

In the pages that follow, we lay out 51 specific recommendations for what the federal government could do to help New York City. These ideas range from taking immediate steps to ensure that the 2010 Census does not undercount New York and providing anti-terror funds to localities based on risk rather than politics, to accelerating the rollout of new air traffic control technology to reduce flight delays and streamlining the visa process to make it easier for artists to enter the country. While our recommendations are squarely focused on New York, many if not most of them would bring great benefit to cities and metropolitan regions across the United States.

There's no question that New York could use a helping hand from Washington. Even before the current economic downturn, the city lacked the resources to adequately address mounting problems of aging public infrastructure, housing shortages, traffic congestion, environmental pollution and growing economic inequality. Over the last eight years, however, these and other issues were eclipsed in Washington by other priorities. Cities fell short in the small print of budget documents as well as the large headlines of politics and policy: as this report details, New York has been repeatedly short-changed in federal funding formulas. The late Senator Daniel Patrick Moynihan of New York documented in his annual "balance of payments" reports that New York sends much more to Washington in tax payments that it receives back in spending; the imbalance is now estimated at \$10.9 billion per year.

The new president takes office after a stretch when cities were repeatedly and systematically disadvantaged in federal policymaking. Just a few examples are sufficient to illustrate the general trend of painfully inadequate federal resources to address issue areas of vital importance to New York City:

- Federal support for mass transit has stayed roughly flat since the start of the decade, even as ridership nationwide surged by approximately 13 percent over the same period. New York City, with a mass transit system equal in size to the next ten largest systems combined, has seen a much larger percentage increase as its population surged; total ridership on buses and subways rose by 36 percent between 1995 and 2005, and subway ridership has continued to rise since then, setting an all-time record in 2007. While the federal government is not primarily to blame for the Metropolitan Transportation Authority's current fiscal problems, Washington's chronic failure to adequately support public transportation has sorely limited the MTA's ability to expand and maintain the system.

- On housing, the Bush administration drastically reduced funding for public housing, contributing to rent hikes, service cutbacks and a nearly \$6 billion backlog in capital work at the New York City Housing Authority (NYCHA), whose buildings are home to 403,500 low-income New Yorkers. The administration also badly neglected the U.S. Department of Housing and Urban Development (HUD) and underfunded the project-based Section 8 program by nearly \$3 billion, dealing a profound blow to one of the nation's most critical af-

fordable housing programs at a time when demand for low-income housing in New York and the nation far outstrips supply. Additionally, President Bush repeatedly attempted to cut off funds to the Community Development Block Grant program, which provides roughly \$200 million a year to New York City for affordable housing, subsidized day care services and economic development in low-income communities.

- Despite near-universal recognition that the smarts and skills of American workers will determine the country's success or failure in the globally competitive knowledge economy, Washington in this decade has cut funding for the country's education and job training infrastructure virtually across the board. The Bush administration reduced funding for the Workforce Investment Act (WIA) by roughly \$2 billion, with New York City's job training and employment services programs taking among the biggest hit. The administration also did virtually nothing as the gap continued to widen between average household wages and the cost of a college degree. In New York City, where the high cost of doing business places even greater importance on knowledge and skills, this pattern of indifference or hostility to federal programs that build human capital has been especially damaging.

In many instances, the Bush administration proposed to eliminate or drastically reduce funding for programs vital to everyday life in New York and other cities, from Amtrak to microenterprise programs. More often than not, Congress restored some or all of the proposed cuts, but the constant defensive posture of urban mayors and legislators in the annual federal budget fight rendered them unable to craft new initiatives to address other priorities. Partly as a result, longtime areas of need, from interventions to reduce poverty to shoring up infrastructure, went largely or entirely unaddressed.

Washington's disdain for the priorities of cities like New York was not limited to traditional areas of concern to urban advocates. The absence of federal leadership on a number of additional issues has meant that many problems not generally thought of as "city issues" continued to fester, to the point that they too now command the attention and concern of leaders at the local level.

These include health care, energy policy, and immigration. New York City's health care costs are among the highest of any local areas, and the state's Medicaid obligations—determined by an illogical federal formula—now threaten to overwhelm a budget under severe strain

from the recession. The city's energy infrastructure, famously shown to be vulnerable during the blackout of 2003, remains precarious, and the fluctuating price of fuel has placed an additional burden on the budgets of working families. And the stalemate at the federal level on immigration policy has meant that immigrant gateways like New York City, where 37 percent of the population is foreign born, face the real costs and challenges of educating immigrant students and integrating workers with limited or no English language mastery into the local workforce without significant federal help.

In the 2008 presidential campaign, some candidates offered much talk about "the real America," often with an implied—or explicit—sneer at urban centers like ours. But the outcome of that election reaffirmed the centrality of cities to our national life and culture. Indeed, we settled on 51 recommendations in this report—and used the title "50+1"—as a reference to New York's singular stature and importance to the rest of the nation. As just one example, the U.S. Bureau of Economic Analysis recently found that the New York City metropolitan area's economy contributed 9.1 percent of the nation's gross domestic product—far more than any other region—even though it contained only 6.6 percent of the U.S. population.

President-elect Obama, himself a lifelong resident of cities, has sent some encouraging signals that he understands this dynamic and intends to free up more resources to strengthen urban areas. But having a friendlier audience in Washington is only the first step. Next

up is delivering on a range of laws, policy initiatives and funding formulas.

We thought New York would be well-served to have a set of policy recommendations ready to go when the new president takes office. Our aim was to develop a set of policy recommendations derived from independent research that encompass a wide range of the most critical issue areas affecting New York—including public safety, transportation infrastructure, economic and community development, housing, immigration, education, workforce development, reducing poverty and building assets, energy and the environment, health, the arts and consumer protection. Indeed, the recommendations in this report—the inaugural publication of the Center for an Urban Future's *Fair Share New York* project, an initiative that will include ongoing research about whether New York City is treated equitably by the federal and state governments—were selected after considerable background research, including several dozen interviews with academics, nonprofit practitioners, business leaders and city and state government officials.

Clearly, these 51 recommendations represent only a small share of the actions the federal government could take to positively impact New York. And undoubtedly, the nation's precarious economic and fiscal situation will preclude the Obama administration from acting on many of these recommendations early in his term. But with change in Washington just around the corner, our hope is that these recommendations serve as a menu of what can be done to bolster New York and the nation.

The Center for an Urban Future is a New York City-based think tank dedicated to independent, fact-based research about critical issues affecting New York's future including economic development, workforce development, higher education and the arts. For more information or to sign up for our monthly e-mail bulletin, visit www.nycfuture.org. This report is the inaugural publication of the Center for an Urban Future's *Fair Share New York* project, an initiative that will feature ongoing research about whether New York City is treated equitably by the federal and state governments.

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FULL LIST OF RECOMMENDATIONS

CRIME/PUBLIC SAFETY

1. Allocate anti-terror funds based on risk, not pork.
2. Pass the C.O.P.S. Improvement Act.
3. Pass legislation to get guns off the street and close the gun show loophole.
4. Protect U.S. cities by aggressively preventing the spread of WMDs.

TRANSPORTATION INFRASTRUCTURE

5. Dramatically increase the share of federal transportation spending that goes to mass transit.
6. Reform Washington's anti-urban funding formula for infrastructure projects.
7. Fund Amtrak at a level that enables vast improvement to inter-city rail service.
8. Accelerate plans to develop and implement a more advanced air traffic control system that would reduce flight delays.
9. Include more ferry projects in future federal transportation infrastructure packages.
10. Expand dredging of New York City's waterways.

ECONOMIC AND COMMUNITY DEVELOPMENT

11. Double support for federal microenterprise programs, such as the CDFI Fund and the SBA's Microloan program
12. Encourage more small business lending by reducing or eliminating fees recently imposed on SBA lenders.
13. Reinvest in scientific research and innovation.
14. Develop a set of policies to increase broadband usage.
15. Help small and mid-sized manufacturers compete through the Manufacturing Extension Partnership program.
16. Strengthen the Community Reinvestment Act.

HOUSING

17. Restore funding for public housing.
18. Meet federal commitments to the project-based Section 8 program.
19. Do more to provide supportive housing for the mentally ill.
20. Support federal "right of purchase" legislation to help preserve affordable housing.
21. Enact new regulations to prevent "predatory equity" in multi-family buildings.

IMMIGRATION

22. Take immediate steps to ensure that the 2010 Census does not undercount New York and other cities.
23. Allow the H-1B visa cap to respond to market demand.
24. Expand funding for ESOL instruction.
25. Eliminate barriers for high-achieving undocumented immigrants to attend college by passing the DREAM Act.

EDUCATION

26. Improve access to higher education.
27. Support early childhood education.
28. Mend, don't end, the No Child Left Behind Act.
29. Revise how graduation rates are calculated to remove incentives that currently reward "push-outs."
30. Support career and technical education.

WORKFORCE DEVELOPMENT

31. Increase the federal investment in the Workforce Investment Act (WIA).
32. Require coordination of programs under the WIA umbrella
33. Decouple WIA's funding formula from the unemployment rate.
34. Include funding for a standalone Summer Jobs program for youth.
35. Set national goals of prevention and recuperation for disconnected youth, and appoint a policy coordinator to work across Cabinet agency lines in meeting the targets.

REDUCING POVERTY AND ASSET BUILDING

36. Expand the Federal Earned Income Tax Credit (EITC).
37. Initiate new efforts to help low-income Americans build assets.
38. Adjust food stamps rules to expand eligibility and participation.
39. Greatly increase the federal commitment to child care.

ENERGY AND ENVIRONMENT

40. Create a large-scale, nationwide initiative to retrofit buildings.
41. Undertake infrastructure investments that would reduce sewage overflows.
42. Rebuild the nation's outmoded electricity delivery system.
43. Address global warming by enacting a carbon tax or a "cap and trade" system.

HEALTH

44. Make universal health insurance a reality.
45. Increase the Federal Matching Assistance Percentage for Medicaid.
46. Create a national public health strategy to combat obesity.
47. Provide financial incentives to doctors who adopt comprehensive electronic health records (EHR).

ARTS

48. Streamline the visa process to make it easier for musicians, artists and other creative professionals to enter the country.
49. Support and expand arts education in schools.

CONSUMER PROTECTION

50. Enact more stringent consumer protections on banks and credit card issuers.
51. Grant states and localities more discretion to protect consumers through regulations.

Note: These recommendations are not listed in order of importance.

CRIME/PUBLIC SAFETY

Allocate anti-terror funds based on risk, not pork. The citizens of New York City, site of the worst terrorist attack in U.S. history, will sleep better if President-elect Obama follows through on his campaign pledge to “allocate funds based on risk, not as pork-barrel spending or a form of general revenue sharing.” This would bring crucial reform to the Department of Homeland Security, an agency that, based on its funding patterns, has viewed major cities with international landmarks and remote towns in rural areas as more or less equally tempting targets for terrorist groups. Absurd on its face, this policy has at times led to greater per capita spending to protect Omaha than New York. The department took a step in the right direction in 2006 when it announced a plan to allocate about half of its \$1.7 billion budget among an upper tier of six high-risk regions, one of which is comprised of New York City and northern New Jersey, including Jersey City and Newark. (New York City’s share of those grants in 2007 was nearly \$78 million, most of which went to the police.)¹ But the federal agency took a step backward a year later when it expanded the number of at-risk cities receiving extra funding from 46 to 60.² Not only does that reduce the amount of grants per city, it re-introduces pork into the process: spreading money around to as many Congressional districts as possible in return for political support. For several years now, the Bloomberg administration has argued that such a process steers less than it should to cities with the greatest needs—starting with New York City and its vulnerable port, totemic buildings, population density and, not least, recent history as a target. The Obama administration needs to take the pork out of the \$1.7 billion homeland security budget and apply the bulk of it to New York and other obvious terror targets.

Pass the C.O.P.S. Improvement Act. For the past 15 years, New York has led the U.S. in reducing its crime rate, which many experts have attributed to more cops—until recently, the city had nearly twice as many police per person as Los Angeles or Houston—along with sophisticated deployment techniques. Yet as law enforcement officials fear that the ongoing recession might bring a spike in crime, budget cuts recently forced New York City to reduce its force by 1,000 officers to 34,624—the department’s lowest total in 15 years.³ The situation brings special urgency to the status of the C.O.P.S. Improvement Act, a bill introduced in 2007 which would provide funding to put an estimated 50,000 new police officers on the nation’s streets—including nearly 3,000 in New York City. The bill was passed by the House in 2007 but

has sat idle in the Senate since then. The original version of C.O.P.S. made a strong if rarely heralded contribution to New York City’s plummeting crime rate through the 1990s: from 1994 until the program’s elimination in 2006, it invested \$640 million to put nearly 7,000 cops on the beat in New York.⁴ The new act would deliver an expected \$195 million to the city over the next six years to hire new cops and pay for technology and training.⁵

Pass legislation to get guns off the street and close the gun show loophole. The NYPD can grab 100 guns a day off the streets and Mayor Bloomberg can advocate with power and eloquence against the high human cost of American gun culture, but only federal legislation can stanch the deadly flow of cheap guns that constantly spills into the streets of New York City. While the Clinton administration was able to enact some gun control laws, efforts to reduce the availability of guns took a huge step backwards during the Bush administration. For instance, the Bush administration and the then-Republican controlled Congress allowed the Federal Assault Weapons Ban to expire in 2004. Congress and the Obama administration could move forward again in the fight to reduce gun violence by enacting three pieces of “common-sense legislation”—candidate Obama’s stated standard for considering gun control measures. First, the gun show loophole, a federal law that allows unlicensed gun sellers at flea markets and swap meets to sell guns without requiring them to conduct the same background checks that are required of licensed sellers, should be closed. Congress and the new administration should also act to pass a pair of bills sponsored, respectively, by Rep. Carolyn McCarthy and U.S. Senator Charles Schumer: the Assault Weapons Ban Reauthorization Act, which would broaden the definition of assault weapons to include conventional guns converted to fire multiple rounds from a detachable magazine, and the Anti-Gun Trafficking Penalties Enhancement Act, a measure that would provide local governments with access to data on firearms used in crimes.

Protect U.S. cities by aggressively preventing the spread of WMDs. One of the most critical jobs of the federal government today is protecting the nation from another terrorist attack. This is undoubtedly a top concern for New York, site of terrorist attacks in 1993 and 2001 and a perennial target. To keep New York and the nation safe, the federal government would be wise to fully implement the recommendations of the 9/11 Commission, whose final report was released in 2004.⁶ The government has implemented some of the report’s major recommendations, such as establishing a National Director of Intelligence and creating a National Counterterrorism Center

to analyze all terror-related intelligence, and has greatly improved information-sharing and operational coordination among federal agencies and between the CIA, FBI and the New York City Police Department. But Congress and the Bush administration have been seriously remiss in addressing one of the report's most serious findings: the need to halt the development and spread of weapons of mass destruction (WMDs) around the world. As a high-level official who worked for the 9/11 Commission told the Center for an Urban Future: "The most important thing the government can do for New York City is, well, prevent it from getting nuked."⁷ A September 2008 report by the Partnership for a Secure America, a bi-partisan group headed by four members of the 9/11 Commission, gave the U.S. government a "D" in preventing the proliferation of weapons of mass destruction, including nuclear, chemical and biological weapons, and slammed the feds for a "lack of interagency coordination and long term strategy."⁸ The Obama administration should take immediate and effective action by following the Partnership's recommendation to put someone in charge of leading a government-wide effort against WMDs, rather than relying on the current "patchwork of programs and initiatives." The president should also strengthen international cooperation in rooting out WMDs.

TRANSPORTATION INFRASTRUCTURE

Dramatically increase the share of federal transportation spending that goes to mass transit. For far too long, only a fraction of the money the federal government spends on transportation has gone to mass transit. The bias towards funding road and highway projects has continued in recent years, even as transit ridership has spiked in cities from Atlanta to Denver. Years of insufficient federal support for transit have particularly impacted New York, whose subways, buses and ferries carry nearly one-third of the nation's transit passengers—and whose passengers already pay nearly twice as high a percentage of system operating costs than the national average.⁹ Indeed, even though the city's subway and bus networks recently reached record levels of ridership, service has not significantly increased and much of the aging system's infrastructure needs have not been addressed. The situation is likely to get much worse in 2009, as the Metropolitan Transportation Authority (MTA) is now about to both cut service and raise fares in response to the system's most serious fiscal crisis since the early 1980s. The MTA recently approved \$177 million in service cuts and a 23 percent fare hike.¹⁰ While the city and state governments have a responsibility to come up with a more sustainable method of funding New York's transit system,

the federal government must do more to support large urban transit systems like New York's and reward local efforts that promote transit-oriented development. With federal transportation legislation up for reauthorization in 2009, the Obama administration and Congress should reverse the nation's anti-urban transportation spending policies by greatly increasing the share of funds that support mass transit.

Reform Washington's anti-urban funding formula for infrastructure projects. Since the 1960s, the federal matching rate for state infrastructure spending has gone from 100 percent, a one-for-one dollar match, to roughly 25 percent, or 25 cents for every dollar spent by the state.¹¹ As a result, local governments have become increasingly dependent on an irrational and thoroughly politicized system of Congressional earmarking, putting them at the mercy of whatever project their Congressperson deems most worthy. To be sure, not all earmarked projects are as bad as Alaska's notorious "Bridge to Nowhere," but the system makes it next to impossible to routinely fund the most deserving projects—and disadvantages older urban centers like New York. Members of Congress tend to champion new and higher-profile projects, such as highways, bridges and museums, at the expense of renovating aging, invisible infrastructure like water mains, steam pipes, sewers, and electrical systems. As a result, much of the city's underground infrastructure is decades old and in bad condition, resulting in periodic water main breaks and occasional steam eruptions, manhole explosions and power outages. The city's roadways and bridges, many of which were built roughly a century ago, are also in bad shape; according to the American Society of Civil Engineers, 38 percent of New York's bridges are structurally deficient or functionally obsolete.¹² One promising proposal that could correct this counter-productive system is the 2007 Dodd-Hagel National Infrastructure Bank Act, which would fund infrastructure projects on the basis of 50-year government bonds and, in the process, prioritize those projects according to need.¹³

Fund Amtrak at a level that enables vast improvement to inter-city rail service. The federal government has long shortchanged Amtrak, leaving the nation's passenger railroad unable to adequately upgrade its infrastructure, purchase new railcars or add new routes. The result is an intercity rail system that costs riders too much and falls short on service. Yet even with all its problems, Amtrak has experienced five consecutive years of record ridership, a testament both to the increase in people commuting long distances to work and the eagerness of Americans for alternatives to traveling by car, truck or

plane in an age of high fuel costs and mounting traffic congestion.¹⁴ A faster and more dependable passenger rail system would help the country achieve its goals of consuming less oil—Amtrak uses 17 percent less energy per passenger mile than planes and 21 percent less than cars.¹⁵ Upgrading the system would also particularly benefit New York, which counts on Amtrak to make the city easily accessible for workers, tourists, business executives and theatergoers from throughout the Northeast. New York's Penn Station is by far the busiest station in the system, with over eight million riders in 2007—nearly twice as many as any other station.¹⁶ But those numbers are actually down nine percent since 2002.¹⁷ In October 2008, President Bush signed a law that authorizes the first significant funding increase for Amtrak in years. The Obama administration must build upon that momentum to start developing a national rail passenger service that begins to resemble the reliable high-speed train networks of Europe, Japan and now China.

Accelerate plans to develop a more advanced air traffic control system that would reduce flight delays. 2007 was the worst year on record for commercial airline flight delays, with just under a quarter of all domestic flights arriving late. The three airports in the New York area—JFK, LaGuardia and Newark Liberty—had the nation's lowest on-time arrival rates, an ignominious distinction that not only irritates travelers but damages the city's economy.¹⁸ And the chronic delays that start here routinely cascade throughout the country. The nation's outdated and inefficient air traffic control system, which lacks the capacity to handle the volume of airline activity today, is a big part of the problem. A more technologically-advanced air traffic control system is badly needed, with one top Federal Aviation Administration (FAA) official recently testifying before Congress: "The current system cannot handle the projected traffic demands expected by 2015. Absent modernization, the consequences will be a total system collapse."¹⁹ The good news is that the FAA has an ambitious plan to replace the existing radar-based air traffic control system with a satellite-based system that would safely allow for a decrease in the separation of planes during landing and approach. But the program, called NextGen, has not been adequately funded and development of it has been evolving at a snail's pace. In 2008, Congress didn't even pass the FAA's reauthorization bill, the main source of funds for projects like NextGen. The Obama administration and Congress must reauthorize the FAA's funding and include ample resources to expedite development of the new air traffic control system.

Include more ferry projects in future federal transporta-

tion infrastructure packages. Given mounting congestion on the city's roadways, a wave of new development on the waterfront and the limited prospects for a meaningful expansion of the subway system, the idea to greatly expand ferry service throughout the five boroughs makes a lot of sense. City Hall should take the lead in funding this expansion, but the federal government could undoubtedly help New York and other cities develop the docking facilities and other infrastructure needed to support a more comprehensive ferry network. Currently, numerous waterfront communities across the city have no docking facilities at all, whether to run a ferry or launch a kayak.

Expand dredging of New York City's waterways. Over the last decade, Congress has provided more than \$1 billion for the U.S. Army Corps of Engineers to dredge the New York Harbor's shipping channels to accommodate the newest generation of large container ships. The investment has allowed container ports in New York and New Jersey—which provide thousands of decent paying jobs in the region—to remain competitive with other East Coast ports. But while the major channels have been maintained, waterfront advocates say there has been little or no money for the Army Corps to dredge smaller waterways in the city. As a result, a rising tide of mud is now choking off numerous barge facilities, tug boat operators, ship repair facilities and marinas throughout the five boroughs—all of which also contribute heavily to the city's economy. The aircraft carrier U.S.S. Intrepid became the symbol of this problem in 2006, when it got stuck in the mud for a month as it was being moved for repairs, but it's also affected everything from the 79th Street Boat Basin to oil barges trying to sail up Westchester Creek in the Bronx and tall ships trying to enter the harbor. As the maintenance of navigable waterways is a federal responsibility, the Army Corps requires more money and manpower to expand its dredging operations.

ECONOMIC AND COMMUNITY DEVELOPMENT

Double support for federal microenterprise programs, such as the CDFI Fund and the SBA's Microloan program. Immigrant and minority businesses have sparked much of the growth in new businesses in New York and several other major American cities.²⁰ With 37 percent of New York's population foreign born, immigrant entrepreneurs likely will become even more integral to the city's economic growth in the future. Yet immigrants and minorities are far less able to access bank loans than native-born business owners, creating a huge obstacle to their ability to survive and prosper. Several microenterprise organizations, in New York and elsewhere, have

filled the vacuum by providing microloans and invaluable technical assistance. But these efforts serve only a fraction of the demand, in part because of repeated federal budget cuts to microenterprise programs. Since most microloans run from a few hundred to a few thousand dollars, even a small increase in federal support for programs like the Treasury Department's Community Development Financial Institutions (CDFI) Fund and the Small Business Administration (SBA)'s Microloan program could have a dramatic impact. The two programs cost the federal government barely more than \$100 million today; the Obama administration could help reignite local economies by doubling its support for these and other related microenterprise programs.

Encourage more small business lending by reducing or eliminating fees recently imposed on SBA lenders. In 2004, the federal government increased fees on lenders and borrowers participating in the U.S. Small Business Administration's popular 7(a) small business lending program.²¹ Then, in 2007, the SBA imposed new oversight fees on lenders.²² The additional costs have made the government-backed loans more expensive for some lenders and are a key reason why nearly 400 banks have dropped out of the 7(a) program since 2006.²³ As the credit crunch took hold in the last few months of 2008, the higher fees—imposed in a very different economic climate—have exacerbated an already-difficult situation for lenders. Between 2007 and 2008, SBA-backed loans were down 30 percent nationwide and 40 percent in the New York metropolitan area, a drop-off that has caused most firms to postpone growth plans and threatened the very survival of countless others—including many successful companies.²⁴ Small businesses have created roughly 75 percent of the new jobs in America in recent years; given the massive problems facing so many large corporations, they are likely to be even more critical in propelling New York and the nation out of this recession.²⁵ The Obama administration should reduce or eliminate these fees, empowering the SBA to play a more meaningful role in freeing up capital for small firms to thrive.

Reinvest in scientific research and innovation. The U.S. economy is more dependent than ever on scientific progress for its sustenance and growth, yet in 2006 the Bush administration cut funding for the National Institutes of Health (NIH) and the National Science Foundation for the first time in 36 years.²⁶ NIH is the principal federal source of funding for medical research: more than 80 percent of its grants go to universities, medical schools, and other institutions across the country. New York City, home to 37 research institutions and medical centers and

more than 70 hospitals and clinics, including powerhouses like Columbia University and Memorial Sloan-Kettering Cancer Center, pulls down more than \$1.3 billion a year in NIH research grants—more than any other city except Boston.²⁷ As such, cuts to the NIH budget run especially deep here. Even before the reduction three years ago, the Bush administration had shown little commitment to science research: accounting for inflation, NIH's current budget buys \$2 billion less than it did in 2003.²⁸ This means fewer and smaller research grants, slower progress on medical and technological advances and job cuts in numerous scientific fields. It also means fewer innovative new companies to bring economic development to New York and elsewhere. It's time for the federal government to reverse the past eight years of hostility to science—and to fund it at a level that recognizes the vital importance of research to both prosperity and quality of life.

Develop a set of policies to increase broadband usage. Widespread and affordable high speed Internet connectivity is a must in today's highly competitive global economy, but a recent Organization for Economic Cooperation and Development study found that the United States ranks a dismal 15th out of 30 nations in broadband adoption, and its standing has been plunging since 2001.²⁹ New York City is not as bad off as many rural parts of the country, since broadband access is widely available to telephone and cable television residential customers throughout the five boroughs. But rates of broadband usage still lag behind in many of the city's low income neighborhoods: a city-sponsored study found that only 26 percent of households in New York City Housing Authority buildings have home broadband service, compared with a 46 percent broadband adoption rate citywide.³⁰ Additionally, the city still has pockets—particularly outside of Manhattan—where businesses have no affordable options for broadband connectivity and where inclement weather frequently disrupts Internet service.³¹ The Obama administration should develop a series of policies to make broadband more widely available and affordable, including action to make more unlicensed spectrum—pockets of the airwaves not being used by broadcasters—available for wireless data networks, promote openness and innovation in wireless networks and support educational programs aimed at bringing more small businesses and low-income residents into the digital era.

Help small and mid-sized manufacturers compete through the Manufacturing Extension Partnership program. With many of the nation's largest manufacturing companies continuing to shift production work to cheaper plants overseas, small and medium-sized manufacturers have

become increasingly critical to the U.S. economy and to cities like New York. Thousands of these smaller, specialty firms have survived in the five boroughs, and now account for the lion's share of the nearly 100,000-strong manufacturing workforce in the city.³² Maintaining and growing these manufacturers will be critical to New York's future efforts to diversify its economy, a key goal in the wake of the Wall Street meltdown. The federal Manufacturing Extension Partnership (MEP) program supports small and mid-sized manufacturing firms by providing consulting services on advanced manufacturing technologies and business practices that improve efficiency and profit margins. MEP's efforts to strengthen these manufacturers are particularly important today, when so many of the firms are struggling due to intense foreign competition, rising costs and sagging consumer demand. In New York City, home to a relatively old manufacturing base, the MEP program provides the technical and engineering assistance necessary for business owners to modernize their operations. Unfortunately, the program's budget has been slashed by President Bush, who unsuccessfully tried to eliminate MEP on multiple occasions. Upon taking office, President Obama should keep his campaign promise to double the program's budget.

Strengthen the Community Reinvestment Act. Since its passage by Congress in 1977, the Community Reinvestment Act (CRA) has had a monumental impact in helping to revitalize low-income communities in New York and around the nation. By forcing banks to undergo periodic reviews of their lending practices, CRA encourages banks to lend in poor, predominantly minority, neighborhoods—including many areas that historically had little or no access to banking services. The law has directly led to meaningful increases in home ownership and small business growth in poor areas. During this decade, the Bush administration and Congress weakened its regulations and de-emphasized enforcement. Few banks going through the review process received low scores from regulators.³³ Meanwhile, banks in the middle range of assets—between \$250 million and \$1 billion—were downgraded from the more rigorous review process to an intermediate level of scrutiny.³⁴ In addition, these mid-level banks no longer have to disclose as many details about their small business and community development lending to the public, depriving advocates of an important tool in holding them accountable.³⁵ The Obama administration should direct regulatory agencies to take a more vigilant approach to the CRA review process. Additionally, Congress should consider expanding the law to cover all home mortgage lenders, not only banks: in New York, non-bank mortgage lenders are among the largest lend-

ers and account for a disproportionate amount of subprime lending in the city's minority neighborhoods.³⁶

HOUSING

Restore funding for public housing. Since 2001, the federal government has failed to pay the New York City Housing Authority (NYCHA) over \$611 million for which it qualified under federal spending guidelines.³⁷ The money was meant for the agency's operational budget and might have helped prevent a series of steep rent hikes and service cutbacks, including the closure of NYCHA community centers all over the city.³⁸ In addition, the Bush administration decreased payments to a critical NYCHA capital fund, contributing to an estimated \$6 billion backlog in capital work, including much-needed building renovations and repairs.³⁹ Complaints about non-functioning elevators and other dangerous building conditions have spiked over the last few years. NYCHA manages nearly nine percent of the city's rental apartments, and over five percent of the city's population lives in NYCHA-run apartment buildings.⁴⁰ The federal government needs to fulfill its commitments to NYCHA and reverse eight years of disinvestment in public housing.

Meet federal commitments to the project-based Section 8 program. The project-based Section 8 program, which provides vouchers for landlords who provide low-rent housing for qualifying residents, has long been a critical source of affordable housing in urban areas like New York. But the program's budget, already overburdened relative to demand, was badly mismanaged by the Department of Housing and Urban Development (HUD) under President Bush. In each of the last two fiscal years, HUD requested insufficient funds from Congress, creating a budgetary shortfall valued at \$2.8 billion.⁴¹ As a result, building owners began to receive payment assistance irregularly and were eventually required to sign revised short-term contracts. Experts, including a bipartisan panel in Congress, say the HUD policy of underfunding project-based Section 8 has shaken owner confidence in the program. As fed-up owners decide to end their participation, the likely result will be the loss of thousands of units of affordable housing across the country.⁴² New York City has 46,000 units in the program, which, in addition to serving low-income residents through partnering landlords, partially subsidizes NYCHA: up to 25 percent of vouchers can go to the local Public Housing Authority.⁴³ At a time when thousands of units in the state run Mitchell-Lama program are reverting to market rate, New York needs a firm commitment from the federal government to support project-based Section 8.

Do more to provide supportive housing for the mentally ill. Over the last eight years, people with mental illnesses and other serious and long-term disabilities have faced tremendous unmet need for housing assistance in the United States.⁴⁴ In New York City, home to a large population of low-income mentally ill people and an extremely limited stock of affordable apartments, the shortfall is particularly severe. As a result, tens of thousands of New Yorkers with mental illnesses are homeless, living with aging parents or being shuttled in and out of institutions—from foster homes and nursing homes to hospital and jails—that typically don’t offer services needed to provide appropriate, long-term care.⁴⁵ Advocates estimate the unmet demand at 35,000 community-based supportive housing units in New York State—with the majority in the five boroughs.⁴⁶ But according to Mike Hogan, commissioner of the New York State Office of Mental Health, the number could be far higher: over 150,000 New Yorkers receive federal benefits as a result of mental illness disability, but currently only 40,000 housing units, including group homes, are either available or in the pipeline.⁴⁷ Under President Bush, the federal government reduced funding for HUD’s Section 811 program, the only federal housing construction program that helps very low-income people with serious and long-

term disabilities to live independently in their communities.⁴⁸ The Obama administration should support legislation introduced in the last Congress by Representatives Chris Murphy and Judy Biggert that would bring needed reform to the Section 811 program and increase funds for new projects.

Support federal “right of purchase” legislation to help preserve affordable housing. New York City lost 27 percent of its subsidized housing between 1990 and 2006, and is in danger of losing 18 percent of what’s left⁴⁹—the result of Mitchell-Lama housing reverting to market rates and the under-funding of a housing preservation bill passed during the 1990s. New York needs federal policies that support long-term preservation, including legislation that would mandate a window in which the residents of subsidized properties—or their tenant association or other representing non-profit—have an opportunity to negotiate with owners who want to put their buildings up for sale or otherwise leave an affordable housing program.

Enact new regulations to prevent “predatory equity” in multi-family buildings. At the peak of New York’s real estate boom in 2006, private equity firms bought up large

OFFICE OF URBAN POLICY

As the nation’s largest metropolitan area, New York City potentially has more to gain than any other metropolis from the news that President-elect Barack Obama intends to create a White House Office of Urban Policy. This single voice for America’s cities long has been missing from the national conversation: programs that directly or potentially support metropolitan areas are spread across at least a half-dozen Cabinet agencies, from Transportation to Agriculture. The result has been a scattershot approach to issues that affect urban communities—and, often, the neglect of cities’ interests. Obama’s pledge that the new office will “develop a strategy for metropolitan America” is most welcome in its implicit admission that no such strategy currently exists.

Obama has proposed a new paradigm for urban issues, focusing not on cities per se but “metropolitan areas.” Considering that local economies cross jurisdictional lines—that suburban residents commute to jobs in central cities and, increasingly, vice-versa—this makes sense. But the yet-to-be-determined specifics—including how much (if any) funding will be at the disposal of the new Office—will determine whether the new administration is able to fulfill its promise for our cities. The first question that must be addressed is how, and to what extent, the Office of Urban Policy can transcend traditional turf battles and encourage or compel urban and suburban leaders to work together. The second is which of the many issues facing metropolitan regions—including many of those discussed in this report—offer the greatest potential for progress.

New York leaders should welcome the presence of a high-level official within the administration who is focused on urban issues, and the city’s Congressional delegation should move quickly to forge ties with the new office (as well as to partner with Representatives and Senators from other urbanized states to set priorities). If Obama appoints Bronx Borough President Adolfo Carrion to head the office, as was reported in December, it would seem to improve the chances that the city’s biggest concerns will get a fresh hearing in Washington. But rather than simply waiting for Carrion, or Obama, to set an agenda, New York’s champions should be thinking hard—not in six months, but right now—about how the Office of Urban Policy can best help New York and other cities meet their many challenges.

multi-family buildings with high rates of rent controlled and subsidized units and got banks to extend inflated mortgages at speculative values.⁵⁰ The idea was to reduce operating expenses and convert the rent-regulated units to market rate, a practice experts call “predatory equity.” This controversial practice has left hundreds of buildings and tens of thousands of units across the city vulnerable to default.⁵¹ Just as it has done for sub-prime single-family mortgages, the federal government should regulate lenders to ensure that all multi-family mortgage loans adhere to responsible underwriting standards.

IMMIGRATION

Take immediate steps to ensure that the 2010 Census does not undercount New York and other cities. Like a number of other cities, New York has a lot riding on the upcoming U.S. Census. An undercount would have a ripple effect on all sorts of city services since the population tally determines how much funding the city gets in a range of areas. Even under normal circumstances, New York’s large immigrant population presents a daunting challenge for Census takers to get an accurate count. But demographic experts fear that the federal government’s recent aggressive stance toward undocumented immigrants could lead to many fewer immigrants completing their Census forms, a particular problem in New York since 37 percent of the city’s population is foreign born.⁵² Moreover, the Bush administration has underfunded and otherwise neglected the Census Bureau, and officials have de-emphasized partnership agreements with local groups that know the community and have the trust of foreign-born residents who might otherwise be afraid to talk with government workers. With the Census project only months away from beginning, the Obama administration must take immediate action to support partnership specialists at the neighborhood level in their efforts to ensure that the agency has the most complete list of local apartments and households. As Joseph Salvo, chief of the population division at New York’s Department of City Planning, puts it: “Who can penetrate Corona? It has to be local people. There’s so much fear now.”⁵³

Allow the H-1B visa cap to respond to market demand. The federal government currently imposes a cap on H-1B visas, which are set aside for foreign nationals who have a job offer from an American employer in an occupation requiring specialized knowledge, such as engineering or computer science. The cap is set at 65,000 each year, with another 20,000 slots made available to people who graduate from U.S. educational programs. But demand vastly outpaces supply: in 2007, employers submitted more than

150,000 applications for H-1B visas just on the first day government would receive them.⁵⁴ H-1B visa holders are a key asset for New York City-area employers; according to the Partnership for New York City, employers in the tri-state region employ 21 percent of all immigrants with H-1B visas, a larger share than the state of California.⁵⁵ Most New York City-area employers that apply for H-1B visas are “small businesses that require foreign talent to connect them to global markets.”⁵⁶ The Partnership also found that the city is losing thousands of jobs because current visa policies force companies to forego potential hires or relocate entirely, creating what one official with the organization calls “a talent crisis.” To alleviate the squeeze, federal administrators should allow the H-1B visa cap to respond to market demand. They also should grant an exemption from the H-1B cap for students with higher degrees in science, technology, engineering and math, and make it easier for employers to obtain L-1 visas, which allow them to transfer their employees from other countries to offices in the United States.

Expand funding for ESOL instruction. Immigrants have helped to revitalize dozens of neighborhoods around the five boroughs and made major contributions to the New York City economy, but limited English proficiency continues to restrict their full engagement in the political, economic and cultural life of the city. A full quarter of New York’s working-age adults—more than 1.3 million individuals—were found to have limited English proficiency as of 2006.⁵⁷ Despite this enormous need, however, just 44,307 residents—3.4 percent of the total—were enrolled in publicly-administered English for Speakers of Other Languages (ESOL) programs that year.⁵⁸ The gap between demand and supply has been widening for years: nearly 1 million immigrants came to New York City during the 1990s, and the five boroughs added over 700,000 more between 2000 and 2006.⁵⁹ As immigrants comprise an ever-larger share of the city’s workforce, this represents a critical economic development challenge for leaders at all levels of government. In 2006, New York State’s education department administered about \$74 million in funds to support ESOL, but less than a quarter of this total came from the federal Workforce Investment Act (WIA).⁶⁰ The next administration and Congress should invest in the nation’s growing immigrant workforce with a significant increase in federal funding for English-language instruction. One useful action would be to pass the Strengthening Communities through Education and Integration Act, a bill introduced in July 2008 that would appropriate hundreds of millions of dollars for ESOL funding and fund a national research and development center focused on adult education. The measure would

also provide grants to states for integrated English literacy and civics education programs, and amend the Internal Revenue Code to make employers eligible for tax credits of up to \$1,000 per employee for expenses incurred in providing adult education and literacy programs.

Eliminate barriers for high-achieving undocumented immigrants to attend college by passing the DREAM Act.

Nationally, about 65,000 undocumented students graduate from high school each year—and it's estimated that 4,000 of them, about six percent of the total, are from New York City high schools.⁶¹ Yet few of these undocumented students go on to college or are able to find jobs that pay a family-supporting wage, largely as a result of their immigration status. This proposed federal legislation would allow high-achieving immigrant students who have been in the country for at least five years and completed at least two years of college or served in the military to gain legal permanent resident status after a six-year conditional period.

EDUCATION

Improve access to higher education. It's a painful irony for too many families in New York and across the nation that even as a college degree becomes a virtual necessity for anyone aspiring to the middle class, the rising cost of higher education pushes that degree further out of reach. The gap between average family earnings and average college costs has been widening for years, and financial aid does too little to make up the difference. For instance, in 1987-88, the maximum Pell Grant of \$2,100 covered fully half of average tuition and fees and living expenses at four-year public colleges and universities, and 20 percent of the costs at private institutions. Twenty years later, the maximum Pell Grant was \$4,310—equaling less than a third of the average published price at four-year public colleges and universities, and just 13 percent at private schools.⁶² Another indication of the burden of college expenses on families of modest means is found in a recent report by the National Center for Public Policy and Higher Education: even with financial aid, poor and working class families in New York state must devote 37 percent of their annual income to pay the costs for a four-year college.⁶³ Worse, the strain on state budgets and the contraction of the economy—which has shriveled schools' endowments and slowed borrowing—will make higher education even more expensive over the next few years. Increasing federal support for higher education, perhaps in return for students dedicating time to national or community service as President-elect Obama has proposed, is an economic necessity for the country—and for New

York City, which depends on a highly skilled workforce for its economic viability.

Support early childhood education. The election of Barack Obama, and his subsequent selection of Chicago Schools Superintendent Arne Duncan to serve as Secretary of Education, has raised hopes among advocates for early childhood education that they have a committed friend in Washington. Obama has pledged \$10 billion to support programming in this area, mindful of research suggesting that every dollar invested in early schooling yields a return of as much as \$10 in public money saved on expenses for special education, crime and incarceration, and social welfare services later in life.⁶⁴ In New York, an infusion of federal resources could help state and local officials finally fulfill a longstanding pledge to provide universal pre-kindergarten. Though most advocates believe the city is making progress toward that goal, tens of thousands of eligible four-year-olds are not currently served at all, and many of those who are in pre-K have only half-day programs of questionable quality.⁶⁵

Mend, don't end, the No Child Left Behind Act. Over the eight years since the No Child Left Behind Act (NCLB) passed Congress with strong bipartisan support, the law has come under fire from both the left and right. But the measure's key insights—that schools must be accountable, and that society has an enormous stake in closing the achievement gap that separates students along lines of race and class—remain crucially important for New York City, where the persistence of the achievement gap between white and non-white students poses a potentially devastating threat to our local economy. Setting true national standards for academic assessment, rather than allowing states to game the numbers, is one key. Another is fully funding the law: between Fiscal Years 2003 and 2008, NCLB short-changed New York City schools by a breathtaking \$3.3 billion dollars.⁶⁶ That money could be used to relieve overcrowding in many of the schools deemed to be “in need of improvement.” It could also be used to raise teacher pay and ensure that services promised under the legislation, from after-school tutoring to language access for parents, are delivered at the needed levels. Another needed NCLB reform is doing more to ensure that the best teachers are working with the students who need them most: currently, students in schools that serve low-income minority communities are twice as likely as other students to have teachers with three years of experience or less⁶⁷—a state of affairs that plays out every day in New York City classrooms. The federal government should encourage local districts to more equitably distribute teachers throughout the system, using

carrots (bonuses for high-performing teachers who take tougher assignments) as well as the stick of threatening to withhold funds for non-compliance.

Revise how graduation rates are calculated to remove incentives that currently reward “push-outs.” The federal NCLB Act has unintentionally provided an incentive for schools to improve their graduation rates by encouraging struggling and at-risk students to “disappear”—no longer come to school and not count toward NCLB metrics. Under the new administration, the federal Department of Education should require schools to track not only the four-year graduation rate⁶⁸, but also the rates for five-, six-, and seven-year graduation, and explore creating a fund to provide more resources to schools with large numbers of high school students persisting beyond four years. Considering the disproportionately large numbers of students in New York City who might reasonably need more than four years to graduate—English Language Learners, students with disabilities, and students who face educational disruptions as a result of involvement in the foster care, homeless or juvenile justice systems—this relatively small step will bring significant benefits at the city level. Given the prevalence of students who need extra time for a number of reasons, and how important high school completion is for future economic prospects, this option should be supported, not stigmatized.

Support career and technical education. Lost in the recent controversies around the No Child Left Behind Act and other measures of education reform has been the emergence, in states and cities across the U.S., of new approaches to vocational education, now known as career and technical education (CTE). CTE programs and related models such as Career Academies⁶⁹ have shown promise in lowering high school dropout rates and boosting academic attainment, particularly among high-risk student populations such as non-white males from low-income families. In New York City, CTE students graduate at higher rates and are four times less likely to drop out of high school than the citywide averages for all high school students.⁷⁰ The programs offer participants multiple roads to both post-secondary education and career-track employment, serving the labor market needs of employers in high growth areas like health care and information technology. The time is right for the federal government to help address some of the key needs in this field, such as developing integrated curricula that offer academic instruction in the context of career-preparatory course sequences, facilitating closer ties between classrooms and the workplace (including teacher “externships” with companies and hiring teachers from the private sector),

and supporting the development of teachers, counselors and other school personnel to offer more effective CTE programming. The Obama administration and Congress can pursue these goals through the pending reauthorization of NCLB and by amending the Carl D. Perkins Career and Technical Education Act.⁷¹

WORKFORCE DEVELOPMENT

Increase the federal investment in the Workforce Investment Act (WIA). The shortcomings of publicly supported workforce development programs are always most painfully exposed during an economic downturn, and the current one is no exception: the *New York Times* reported in late November about the unprecedented surge of job-seekers at the nation’s one-stop centers, overwhelming their capacity to place individuals into jobs.⁷² The lack of capacity that bedevils the one-stops today is in large part the bitter fruit of decades of disinvestment: in inflation-adjusted dollars, federal support for workforce programs has declined by more than one-third since 1985.⁷³ The trend has accelerated in this decade, with the federal commitment falling by more than \$2 billion over the last six years. No local community has been hit harder than New York City, where the federal allocation under WIA plunged by 75 percent between fiscal years 2001 and 2008, from \$116 million to \$66.4 million.⁷⁴ This has meant less money to train unemployed adults, assist at-risk young people both in and out of school, and provide teens with summer jobs—a real problem for New York since the city’s poverty rate remains over 20 percent, its labor participation rate is well below the national average, and more than 150,000 young people between the ages of 16 and 24 are neither in school nor working. It has also impeded the development of new programs that might have greater long-term positive impact for workers and employers. Reversing this trend—as President-elect Obama has indicated he intends to do—would go a long way toward furnishing jobseekers and businesses with the support they need.

Require coordination of programs under the WIA umbrella. New York City suffers from a lack of connective tissue between Title I of the federal Workforce Investment Act, which supports programs to place individuals into jobs and improve their earning power and career prospects, and Title II, which aims to support literacy efforts in local communities. Literacy is a key input to an individual’s employability, and an issue of particular significance for New York’s approximately 200,000 disconnected youth. But in the absence of a statutory requirement that local workforce areas coordinate both sets of programs, there

is little or no communication between the city agencies responsible for administering them. This disconnection badly hampers the program efforts of those agencies and the providers with which they contract. The Obama administration and Congress should mandate closer coordination of workforce programs as part of a larger reform of employment and job training programming.

Decouple WIA's funding formula from the unemployment rate. New York City's federal workforce cuts over the past several years have stemmed in significant part from the city's lower unemployment rate over that period. This is illogical in several ways: for one, if the unemployment rate is a true indicator of labor market health, the city is being punished for its own success. But the unemployment rate—omitting as it does discouraged workers, youth interested in jobs but not actively looking, and other groups targeted for service by the workforce system—is not a good indicator. Its use in this regard reinforces the unhelpful orientation of the workforce system toward serving short-term needs rather than helping to put work-ready individuals on a path toward careers and assisting those with more significant barriers to employment.

Include funding for a standalone Summer Jobs program for youth. Through 1999, the federal government allocated billions of dollars to cities to support summer employment for teens. When the Workforce Investment Act went into effect, however, this funding source disappeared—and despite a large increase in the city's commitment and significant improvements to the program itself, the Summer Youth Employment Program (SYEP) in New York City has never since approached the participation numbers of 1999. SYEP enrollment in 2008 is less than 70 percent of the number from that year—even as Gotham's rate of teen job-holding is last among the 50 biggest cities in the U.S.⁷⁵

Set national goals of prevention and recuperation for disconnected youth, and appoint a policy coordinator to work across Cabinet agency lines in meeting the targets. New York City has more young people not working or in school than anywhere else in the U.S.⁷⁶ But the problem is by no means limited to the city, and the silence from Washington has allowed the problem to worsen. An on-the-record commitment from the president and Congress, coupled with federal matches for local efforts to lower those numbers, would greatly strengthen efforts to address the problem. A presidential appointee with the clout to oversee an effort that engages multiple agencies could spearhead the task.

REDUCING POVERTY AND ASSET BUILDING

Expand the Federal Earned Income Tax Credit (EITC). Since first enacted in 1975 and expanded under Ronald Reagan in 1986, the Earned Income Tax Credit has enjoyed tremendous bipartisan political support. The EITC is designed to “make work pay,” rewarding low-wage work by essentially supplementing meager earnings through the refundable credit. The result has been to lift millions of American families out of poverty. More than 1.4 million New Yorkers claimed an estimated \$2.6 billion through the EITC in 2004.⁷⁷ The EITC offers no assistance, however, to millions of extremely low-income individuals—including single workers (with or without children) and families with three or more children—who currently are not eligible for the credit. President-elect Obama should follow through on his campaign pledge to expand the EITC, perhaps adopting Mayor Bloomberg's proposal to lower the qualifying age for workers without children from 25 to 21, triple the maximum benefit for these individuals to \$1,236 (from \$412), and raise the maximum qualifying income to \$18,040 from the current cap of \$12,120.⁷⁸ An expanded EITC should also eliminate the “marriage penalty” that limits the benefit for married couples with children to a fraction of what unmarried couples with children receive under current law.

Initiate new efforts to help low-income Americans build assets. Even before the nation's economy collapsed last year, millions of Americans were already asset poor, meaning that they don't have enough in savings to subsist at the poverty level for three months. With the personal savings rate in the United States under one percent until recently, it's clear that the problem afflicts a wide spectrum of Americans.⁷⁹ But low-income families are especially affected: three-quarters of working poor families are asset poor and 30 percent have zero or negative net worth.⁸⁰ Considering that nearly one in five New Yorkers live below the federal poverty line and a similar percentage teeters on the edge, it is not surprising that the city has more than its share of asset poor residents;⁸¹ in fact, asset poverty is more common in New York than any other state.⁸² Some federal government programs already encourage savings, such as the tax advantages for individual retirement accounts, college savings and 401(k) plans, but since they are focused on tax deductions, few low-income individuals take advantage of them. The Obama administration should initiate a bold new program to help Americans—particularly poor and working poor individuals—build lifetime savings. Policy thinkers have floated a number of innovative proposals to this end, such as providing a \$500 child savings ac-

count for every newborn child that could be used only after the child turns 18 and only for a few purposes, such as paying for college—an idea that has drawn bipartisan support in Congress. Two other possible directions are to institute a universal 401(k), which would use government funds to match retirement contributions made by middle-income and lower-income workers and create a new refundable tax credit for retirement savings, or to create an incentive for low-income individuals to dedicate a portion of their annual tax refund to savings accounts by matching a percentage of the deposits that are maintained for at least a year.

Adjust food stamps rules to expand eligibility and participation. The New York City Coalition Against Hunger found that through 2006, 1.3 million New Yorkers—one in six—lived in “food insecure” households, defined by the U.S. Department of Agriculture as “at times, uncertain of having, or unable to acquire, enough food for all household members because they had insufficient money and other resources for food.”⁸³ Current federal policy rewards jurisdictions that make process improvements rather than those that demonstrate success in reducing hunger and food insecurity. This creates incentives for local governments to embrace ever more stringent processes for enrollment, including anti-fraud measures such as fingerprinting. While it is of course important to guard against fraud, research suggests that a consequence of the frustrating application process is that more than half a million New Yorkers do not receive assistance for which they qualify.⁸⁴ Raising the eligibility level for food stamps from its current 130 percent of federal poverty would remove a big disadvantage for New York and other communities where the cost of living is well above the national average. One method could be to provide a partial or complete federal match for states and localities that choose to set the eligibility higher than the federal level.

Increase the federal commitment to child care. While child care might not be the first thing that comes to mind when considering work and poverty, it is absolutely crucial for parents transitioning off of public assistance to have stable child care arrangements if they are to find and retain steady work. Unfortunately, child care for low-income families in New York City is difficult to access: the city can serve fewer than 100,000 of the nearly 350,000 children age six or younger who qualify for programs.⁸⁵ If a major new federal investment in child care is not possible in the short term, a more fiscally and politically palatable alternative might be to make the Child and Dependent Care Tax Credit (CDCTC) more generous and fully refundable. Currently, the CDCTC is limited

in availability to two-earner parents only and non-refundable—meaning that it offers no help to couples with earnings too low to owe taxes. The Tax Policy Center of the Brookings Institution projects that if the CDCTC were made fully refundable, the share of benefits going to the poorest 40 percent of households would increase more than eightfold, from four percent to 33 percent.⁸⁶

ENERGY AND ENVIRONMENT

Create a large-scale, nationwide initiative to retrofit buildings. During the campaign, President-elect Obama promised major federal investments in green technologies like wind and solar power as a strategy to curb carbon emissions and wean the country off foreign oil. But any sustainable energy plan should include support for energy efficiency programs that provide incentives, financing and expertise for the retrofitting of old buildings. Due to a host of factors including a lack of proper insulation and inefficient lighting, the average American building wastes nearly a third of the energy it consumes, according to the Environmental Protection Agency.⁸⁷ Cutting down on that waste is not only the cheapest and easiest way to curb emissions, it also reduces energy bills for struggling families and businesses and has the potential to create thousands of job opportunities for energy auditors, light technicians and other retrofit-related services. No American community has more to gain here than New York City: the percentage of global carbon emissions caused by buildings is much higher here than the average (79 percent in New York; 40 percent nationwide).⁸⁸ Federal support for retrofit programs could help augment the scattered local programs already in existence, or it could provide start-up capital to implement new programs like on-bill financing, which provides zero percent interest loans that homeowners and small businesses can repay over time through an added charge on their electricity bills.

Undertake infrastructure investments that would reduce sewage overflows. Like other older cities, New York’s combined sewer system—which drains bathroom waste and rainwater in the same network of pipes—routinely gets overwhelmed when the city experiences a heavy rainstorm, forcing excess water and sewage into the city’s rivers, bays, creeks and canals. Each year, roughly 27 billion gallons of untreated wastewater flow into the city’s waterways.⁸⁹ New York desperately needs to address this crisis, both to comply with the Clean Water Act and to ensure that the city’s waterways are safe for swimming, fishing and recreational boating. The federal government could help the city use existing technology to capture the

storm runoff before it floods into the sewer system, from building swales to developing an extensive system of green rooftops.

Rebuild the nation's outmoded electricity delivery system. Perhaps more than any other city, New York City pays the price for its archaic electric grid. The city's aging electricity infrastructure has led to steam pipe explosions and several costly blackouts over the last few years. And as the city's peak demand continues to increase—the result of a growing population and increased use of energy-hogging appliances like flat screen TVs—the risk of future blackouts rises exponentially. The present grid also routinely blocks wind generators upstate from bringing their commodity quickly and efficiently to market, preventing city residents from accessing cheaper (and cleaner) forms of electricity.⁹⁰ That's partly why electricity bills are higher in New York than anywhere else in the nation except Hawaii.⁹¹ The Obama administration could address this unfortunate situation by embracing Al Gore's plan for reducing carbon-based sources of energy through the construction of a unified national smart grid or "electronet."⁹² Such an innovation would include two interchangeable parts. The first is the construction of an integrated national grid that would incorporate mostly autonomous regional systems into one nationwide network, enabling solar plants in Arizona and wind farms in South Dakota to power homes in New Jersey. The second is investment in smart grid technology, which would require transforming an analog-controlled system into a digital one. Among other things, a smart grid would enable energy providers to charge different prices at different times of day; this would drive down peak demand—and therefore the need for new power plants—as more customers chose to consume electricity when it's cheaper to do so. Considering jurisdictional issues and state budget constraints, the federal government is probably the only entity capable of organizing and financing the construction of such a network. According to the U.S. Department of Energy, the cost of a national grid alone would be \$60 billion; utilizing smart grid technology could raise the price to \$400 billion.⁹³ But most of that money would be recouped in only a matter of years, as the new grid would make much more efficient use of the available energy supply and drastically reduce the number of costly blackouts—an advantage New Yorkers, in particular, will have no trouble understanding.

Address global warming by enacting a carbon tax or a "cap and trade" system. Thanks largely to its density and relatively few automobiles per capita, New York is the nation's most environmentally efficient city.⁹⁴ But it is

by no means immune from the devastating impacts of global warming. Unless greenhouse gas emissions are seriously reduced in the years and decades ahead, scientists believe that the city could experience nearly a quarter of all days each year with temperatures rising above the 90 degree mark.⁹⁵ The sharp increase in temperatures would drive up energy usage for cooling, magnifying the problem as well as threatening the health of New Yorkers.⁹⁶ In addition, as a coastal city New York is particularly vulnerable to rising sea levels and intensifying storms. Serious flooding could become much more frequent, potentially putting large parts of the five boroughs under water.⁹⁷ While state and municipal officials around the nation, including those here, are beginning to address the problem, only the federal government has the capacity to curb carbon emissions at the scale needed to make a meaningful impact. The Obama administration and Congress should tackle the issue head on by raising the cost of producing greenhouse gas pollution. Two widely discussed options to do so are instituting a carbon tax or implementing a cap and trade system. A carbon tax would essentially charge a fee for all fossil fuels on the basis of their carbon intensity, or ratio of carbon dioxide to energy. Under a national cap and trade system, generators of energy (private companies or other entities) would purchase from the government emissions permits that determine how much carbon they can emit; those that exceed their cap must buy credits from generators that have emissions below the cap. This system creates a price pressure on carbon, which makes burning coal a less attractive option.

HEALTH

Make universal health insurance a reality. Even before the economic downturn, a staggering 47 million Americans, including 2.5 million New Yorkers, were without health insurance.⁹⁸ With hundreds of thousands of Americans losing their jobs in recent months, the already alarming number of uninsured individuals is undoubtedly getting much worse, since most Americans have health insurance through their employer. Many of those fortunate enough to have insurance are struggling under the weight of mounting costs for health insurance premiums, which on average have risen 87 percent since 2000—far exceeding the increase in wages.⁹⁹ As a result, a once unthinkable situation has become fairly commonplace: individuals with full-time jobs cannot afford health coverage. According to a recent Kaiser Family Foundation study, the percentage of employers offering comprehensive health insurance decreased by nearly 10 percent since 2000.¹⁰⁰ The current situation is a national

disgrace, as well as a drain on the country's economic competitiveness. President-elect Obama should make it a top priority to follow through on his campaign promise to move the nation towards universal coverage. New York would benefit greatly from a new national commitment to universal health insurance, in part because the city has a high share of low-income individuals, artists, freelancers and other self-employed workers—all groups which are more likely to be uninsured.

Increase the Federal Matching Assistance Percentage (FMAP) for Medicaid. Because the federal matching rate for state Medicaid programs is determined by average per capita income instead of the poverty rate, New York's Medicaid program, the biggest and most expensive in the nation, receives only 50 cents from the federal government for every dollar spent from Albany—the lowest rate in the U.S.¹⁰¹ The low rate places a heavy burden on the state budget in good times and bad; now, as tax revenues plummet in the deepening recession, New York's lawmakers are faced with devastating choices. The federal government should either change the way it determines the FMAP rate to account for the rate of poverty (New York's is unusually high), or else it should increase the FMAP rate for any state willing to expand coverage. New York State Medicaid Director Deborah Bachrach estimates that with a higher matching rate the state could immediately approve one million additional people for Medicaid benefits.¹⁰² Also, increasing the FMAP rate has proven to be a powerful economic stimulus tool: as former National Economic Advisor Gene Sperling recently testified, a 2004 study by Families USA found that increasing the FMAP rate by 2.95 percent would bring a return of \$3.85 million in business activity for every \$1 million in Medicaid investment.¹⁰³

Create a national public health strategy to combat obesity. In early 2008, the New York City Department of Health and Mental Hygiene released a study showing that the city's rates of obesity and diabetes both climbed 17 percent from 2002 to 2004.¹⁰⁴ When it was published, Health Commissioner Thomas Frieden noted that obesity and its common by-product, Type II Diabetes, are now the only widespread diseases in the city that are becoming more prevalent.¹⁰⁵ A spate of recent research has shown that both diseases disproportionately affect low- and middle-income urbanites and minorities. One such study, conducted by the San Antonio-based Social and Health Research Center, suggests that a lack of affordable healthy food is in large measure to blame; the group found that 44 percent of inner city children actually consumed fewer calories than recommended, yet a third among this group

were obese due to an inappropriate diet.¹⁰⁶ Cities are in desperate need of a national health strategy that pays particular attention to health education and food availability. For example, Congress could write physical and health education requirements into the No Child Left Behind Act, revise food assistance programs, and limit or shut down counterproductive federal subsidies that support unhealthy products like corn syrup.

Provide financial incentives to doctors who adopt comprehensive electronic health records (EHR). New York City and State have invested millions of dollars in programs designed to get clinics, hospitals and independent practices to transfer patient information into electronic documents, a step that experts argue would improve both the cost efficiency and quality of healthcare delivery. For example, the RAND Corporation estimates that the annual savings nationally from the widespread adoption of health information technology could average almost \$81 billion.¹⁰⁷ But local governments can't do it alone. By the end of 2009, New York City will have helped 1,000 health care providers adopt comprehensive EHR—enough to make it the largest program of its kind in the country—but it's still a drop in the bucket compared to the total number of providers in the city.¹⁰⁸ Nationwide, only 12 percent of doctors have moved their patient information—including prescriptions and lab results—out of those manila folders and into readily available electronic systems.¹⁰⁹ (Imagine if only 12 percent of libraries had their card catalogues online at this late date.) Federal tax incentives and/or bonus payments through Medicare and Medicaid that complement New York's existing EHR efforts could help make the city a model for the rest of the country.

ARTS

Streamline the visa process to make it easier for musicians, artists and other creative professionals to enter the country. New York City's longstanding reputation as a cultural mecca will suffer if international artists who want to perform at the city's hundreds of clubs, concert venues and award shows are unable even to enter the country. Under current policies, artists often have to wait months to obtain a temporary visa that allows them to enter the country; sometimes their requests are denied altogether, as happened to British pop star Lily Allen, who couldn't gain entry to the U.S. to perform at the 2007 MTV Video Music Awards.¹¹⁰ Other established artists that have toured the United States in the past, like Britain's Hallé Orchestra and China's Golden Dragon Acrobats, have been denied entry.¹¹¹ And newer acts like the Klaxons, a popular London-based band, were slated

to perform at New York's popular CMJ music festival in 2006, but couldn't enter the country due to visa delays.¹¹² Art students and professional artists looking to obtain longer-term visas to live, work or study in New York City also face major challenges, and these restrictive visa policies threaten the city's ability to attract the caliber of artists and innovators that sustain New York's creative core. During the campaign, President-elect Obama pledged to "streamline the visa process to return America to its rightful place as the world's top destination for artists and art students."¹¹³ One key step in fulfilling this promise would be to pass the "Arts Require Timely Service Act" (ARTS) legislation, which would compel U.S. Citizenship and Immigration Services to reduce processing times for temporary, nonimmigrant visas to foreign artists visiting the United States.

Support and expand arts education in schools. A report from the Center on Education Policy, a Washington-based advocacy group for American public schools, found that since the adoption of No Child Left Behind (NCLB) in 2001, 22 percent of schools nationally have reduced instructional time for art and music classes.¹¹⁴ NCLB does define art as a core subject, but its focus on testing around reading and math means that arts instruction often gets reduced or eliminated entirely so schools can spend more class time prepping students for the pivotal achievement tests. New York schools are accountable not only to NCLB standards, but to local evaluation as well: the city's second annual "Arts in School" report, released in October 2008, found that only eight percent of elementary schools surveyed offered the four required arts forms (music, visual arts, dance and theater) in every grade.¹¹⁵ Nearly 30 percent of city schools have no certified full-time arts teachers, and, on average, arts spending represented just 2.9 percent of a school's budget.¹¹⁶ A June 2008 study by the New York City Public Advocate found similar results, including that seven percent of elementary schools and nine percent of middle schools offered no arts education at all.¹¹⁷ While it doesn't lie entirely on their shoulders, the federal government could take some important steps to bolster arts education throughout the country, such as requiring each state to produce annual reports on student access to core subjects (including art) and/or administering another Fast Response Statistical Survey on arts education, which hasn't been updated since 2000.

CONSUMER PROTECTION

Enact more stringent consumer protections on banks and credit card issuers. An alarming number of Americans

and New Yorkers are in debt. Nationally, consumer credit increased by 24 percent from 2003 to 2008, and in New York City, consumer bankruptcy filings were 69 percent higher in 2007 than in 2006.¹¹⁸ Among the reasons for these disturbing trends are the growing ease of accessing credit, the increasing complexity of financial products and the prevalence of deceptive, misleading and unfair practices by credit card and consumer banking companies. Low-income households represent the fastest growing group of those with credit card debt and comprise a disproportionate share of those paying usurious fees on overdraft transactions.¹¹⁹ According to a recent survey of households in two low-income New York City neighborhoods, average credit card debt is \$2,500, even though the cardholders' annual income averages only \$26,000.¹²⁰ Yet, even borrowers with good credit records have seen their interest rates rise in recent years, from 17.7 percent in 2005 to 19.1 percent in 2007. Meanwhile, average late fees nearly tripled between 1994 and 2007, rising from less than \$13 to \$35, and fees for exceeding credit limits more than doubled, from \$11 to \$26.¹²¹ To its credit, the Federal Reserve Board recently put forth new regulations that would limit fees and restrict some of the most harmful practices. But the Obama administration should expand upon these efforts, perhaps by adopting the proposal by Harvard Law School professor Elizabeth Warren to create a new regulatory agency to protect consumers who use financial products.¹²²

Grant states and localities more discretion to protect consumers through regulations. As the dramatic rise in predatory lending was occurring in communities across the nation, New York and several other states enacted legislation to prevent the most egregious subprime lending practices by banks, many of which were not illegal under federal law. But in early 2004 the U.S. Office of the Comptroller of the Currency (OCC) intervened by approving controversial new rules pre-empting federally chartered banks from almost all state laws that apply to national banks and their subsidiaries—including the new efforts to limit predatory lending.¹²³ Though the OCC's ruling was fought by all 50 state attorneys general and state banking superintendents, its action withstood legal challenges.¹²⁴ By invoking the rule of federal pre-emption on this and other key consumer issues, Bush administration regulators severely constrained the ability of New York and other states to establish strong consumer protections. The Obama administration should not cede this authority to the states altogether, but when it comes to consumer protections, it should view federal standards as a floor rather than a ceiling in terms of stringency.

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