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Our tax shekels at work

[IN JERUSALEM Edition]

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Preferences and priorities in the Jerusalem municipal budget

On the last working day of 2004, Jerusalem's 700-page budget was passed, little less than two weeks after it was submitted. The city's capital is expected to cost Israelis \$2.7 billion - 42 percent coming from state resources and 43.4% from city taxes. The remainder is expected to come from 'other sources', and 1.1% is the expected budget deficit.

The anonymous writer of the mammoth booklet thanks the government for an additional NIS 39 million in grants, and states that tax collection has risen by NIS 100m. Jerusalem residents are paying about NIS 1.7m., NIS 100m. more than last year - as Jerusalemites whose municipal tax rates have gone up are painfully aware.

But what are we paying for, In Jerusalem wanted to know.

A budget is not merely an accounting of income and expenditures. A budget is a statement of intent and priorities. What does the current budget tell us about Mayor Uri Lupolianski's intents and priorities for our city?

Anyone taking into hand a city budget is first impressed by its sheer size. While in most budget books, the first chapter usually states the intentions and objectives for the coming year, the Jerusalem version is mostly a description of problems. And Jerusalem has many.

Jerusalem is a notoriously difficult city to budget and to govern, as Mayor Uri Lupolianski must have known when he took office in June 2003.

Jerusalem's municipal boundaries cover an area four- and-a-half times that of Tel Aviv; 33% of its inhabitants are non-Jewish; 33% of the city's families are defined by the National Insurance Institute as poor (compared to 11% in Tel Aviv), and the business sector has been losing both manpower and business concerns steadily for

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decades. Since the outbreak of violence in September 2000, tourism and university attendance have been dropping. Seventy-eight percent of city residents work in the public sector and education and 22% in commerce and industry, compared to 43.5% and 41.2%, respectively, in Tel Aviv. Birth rates are on the rise, especially in the non-Jewish and ultra-Orthodox sectors.

So it is hardly surprising that Jerusalem suffers from chronic debt. Mayor Lupolianski has stated that fiscal viability is a major priority for his administration and he promised to cut the NIS 2.3b. debt. This year, NIS 227m. will be allocated to debt repayment. The mayor has cut the salaries of his senior officials and removed 450 jobs from the official payroll - with another 360 workers to be laid off by the end of 2006.

The senior officials will take their cuts over a period of three years. For some, the total 3 to 5% cut means losing NIS 4,000 monthly. A swift calculation indicates that some senior officials are receiving NIS 80,000 monthly paychecks - in a city where the average monthly wage is NIS 7,224.

Furthermore, although the municipality is saving NIS 23.3m. in wages, the cost of added pensions and dismissal charges is budgeted at NIS 22.3m., so that this year's total savings in dismissed personnel is about NIS 1m. out of a total of NIS 1.1b. in municipal wages, pensions and annuities.

This leaves, however, the problem of existing workers, whose wages account for NIS 880m., or 41% of the budget. In impoverished Bnei Brak, municipal wages account for only 37% of the budget.

In 2004, Israel's state comptroller counted 7,667 municipality employees, and complained that nearly 9% of municipal employees were not reported. In spite of government instructions to cut back, the city employees' roster actually grew from 2000 to 2003, while the city continued to budget salaries for 250 non-existing workers, costing the tax payers NIS 25m. Furthermore, according to the comptroller, improper tenders administration, fictitious job titles, huge bonuses and faulty attendance records have all been costing the budget millions of shekels.

Municipal spokesmen stress that this surfeit of municipal employees is an inherited problem, and that by 2007, the municipal will downsize by 1,000 employees, including senior officials and deputies.

But for former city councillor Anat Hoffman, that isn't enough. True, she acknowledges, Lupolianski inherited much of the waste and mismanagement from his predecessors. "But under Lupolianski things are getting worse," she charges. "In this period of cutbacks and lay-offs, the mayor himself doubled the spokesman's budget. You could feed most of Jerusalem's hungry families for that. And what does a spokesman do that's more important than feeding children?"

The spokesman's office, in response to Hoffman's rhetorical query, is responsible for the city archives and almost all public relations activities in the municipality. The department is about to receive an additional NIS 2.3m. for a new Internet site, and NIS 1.8m. to "augment its public relations activities."

It is not clear exactly what that means, and the spokesman's office did not respond to attempts to clarify.

The budget for the mayor's office has also risen slightly to NIS 1.5m. and the budget for deputies has doubled to NIS 2.3m.

True, the legal department did cut its legal fees component, but then it added new items, including license fees, lawyers' fees, and "others," so that the budget of the legal department actually increased by NIS 6m.

According to the municipality spokesman, the drive to deepen city tax collection is expected to entail extra legal work, such as court claims and related legal costs.

And so, after deducting the cost of maintaining the municipality and its many offices and employees, city leaders must decide how to finance the city's needs. Lupolianski, a city statement reads, compares the budget to a scale: lowering one side - that of municipal costs - enables raising that of city services.

But what services receive priority? What are the parameters? A recent poll conducted by the city found that residents place a high priority on city upkeep (34%) and other city services (11%).

The municipality's out-of-pocket spending is quite close to echoing the poll's results [see chart]. A municipality statement reads that the city has increased neighborhood administration budgets by NIS 1.3m. in order to increase resident involvement in municipal activities. An additional designated NIS 12m. is being forwarded to sanitation, environment, transportation and infrastructures; and more will be invested in parks, recreation areas, roads and roundabouts. NIS 560,000 has also been budgeted for a project aptly named "Simply Service," and "the mayor has also promised NIS 1.2m. for promoting tourism, which he still considers an economic staple for city residents," the statement says.

Opposition leader Nir Barkat is hardly impressed. "This is apparently why the spokesman's office is receiving such a hefty reward this year. These people are experts in accentuating the negative in a positive light," he said.

"Instead of asking 'did we do a good job last year,' the mayor is asking the public where the city should dissipate more money. What the public is saying is 'You guys are misusing sanitation funds and not getting results.' The municipality is interpreting this as 'we need to spend more money on sanitation'. It's not a problem of money but of administration."

Lupolianski campaigned on a promise to be "everybody's mayor," and many people voted for him because they believed him. Is the budget everybody's budget?

Perhaps the most interesting chapter in the entire budget book is that on page 149 - religious services. This one-page chapter is empty, save for one line that specifies "assistance to religious councils - NIS 20m." There is no itemization of activities or reference to any other page or resource. The municipality comptroller's report, on the other hand, cites the religious councils for continuing deficits, aberrations in manpower reports and wage supplements that border on the illegal, and appointments to the chairman's bureau and that of his deputies that are questionable, at best.

Another area that begs examination is culture and arts. Although the budget for these is nearly NIS 100m., just over a 10th of that is dedicated to actual activities. In comparison, Tel Aviv spends NIS 120m. on cultural activities - more than 10 times the amount. The Jerusalem municipality prides itself on the addition of NIS 4.4m. this year, but the definition of what constitutes arts and culture is still up for grabs, and religious views differ substantially from secular ones.

According to media reports, last year the municipality allotted NIS 350,000 to Heichal Shlomo, the headquarters of Israel's chief rabbinate, and another NIS 150,000 to the house of Rav Kook, Israel's first chief rabbi. The Jerusalem Festival, on the other hand, received NIS 100,000, and Jerusalem's prestigious Vertigo Dance Company only NIS 50,000. The State Comptroller's Report claims that the municipality has been defining educational activities and libraries as "cultural activity." The Ministry of Education, Culture and Sports, which funds the culture and arts budget to the tune of NIS 30m., has warned the city against transferring state funds to several institutions.

Lupolianski's United Torah Judaism colleague, Deputy Mayor Yehoshua Pollack, dismisses accusations regarding sectarian considerations in setting priorities. "Show me a person who does not enter a budgeting committee with an agenda. You're not going to distort your decisions because of that, but it's only natural to try to influence matters."

Jerusalem spends a hefty part of its budget (15%, or NIS 650m.) on education, half of which comes from the government. An examination of the numbers indicates that equality is still not the key in allocating the funds. In high school education, for example, NIS 73m. is allocated to the 27,762 secular Jewish students, while NIS 33m. goes to east Jerusalem's 16,000 Arab high school students - or nearly 25% less per head. Manhi - the Jerusalem Education Authority - gets nearly NIS 500,000 for its 108,012 students, while the Division for Orthodox Education receives NIS 162m for 83,606. Education for Arab students in east Jerusalem is planned to receive a NIS 44m boost and 46 new administrators, to off-set the comptroller's complaints regarding unprofessional administration there, and haredi education is to receive a NIS 9m injection.

Besides inequitable funding, Manhi is also accused by the municipality's comptroller of improper administration of funds. The report also cites a dearth of proper facilities and a lack of professional administrators and special education personnel in east Jerusalem, as well as the high rate of student drop-outs.

Pollack openly states that "affirmative action" for haredim is at the center of his platform. "Unfortunately, because we haredim received an empty kitty, the results of this discrimination can't be corrected overnight," he says. "Whenever a new secular neighborhood is established, schools are part of the required infrastructure. Not so in haredi neighborhoods."

On the other side of the age spectrum, one finds that 10% of Jerusalem's Jewish population is over the age of 65, as is 3.5% of its Arab population - a total of 54,004 residents. NIS 28.5m. has been budgeted for assisted living and housing, activities and support services for the elderly, less than NIS 600 per person. Here too, some nursing facilities have been cited in the city comptroller's report for poor bookkeeping.

Jerusalem is a poor city. As such, the municipality has raised funding for welfare activities by NIS 23m, which includes funding for youth advancement, treatment of children in danger, juvenile delinquency, projects that deal with youth and family violence and other special needs groups. Special dispensation has also been forwarded for transportation to special education facilities, rent and projects in various schools.

Reviewing the entire budget, Barkat calls it "a financial catastrophe, a political fudge," without statement of goals or assessment of the previous year's activities.

Barkat further claims that residents are not getting a fair return, and nothing is being done to prepare the state's capital for the future. "Negative migration," which throughout the 1990s cost on average 8,000 Jewish residents annually, and competitiveness with other cities for commercial enterprises, continue to be ignored. "Jerusalem continues to be dependent on state budgets and partisan considerations," he told IJ. "Services for the commercial and industrial sector are lacking; education reforms aren't being implemented. Instead of defining parameters for success and product, Lupolianski is investing without demanding a return."

Pollack responds, "We received a municipality in decline. Before addressing economic growth, we have to first make sure everyone has enough to eat and live. At this point, we are trying to maintain basic services."

The municipal comptroller targets Pollack's planning and construction committee for faulty decision-making procedures, and slack enforcement and licensing procedures. Pollack ascribes most of these to the over-rigidity of the law.

"If we don't appropriate classrooms for girls without going through proper channels, those girls will be waiting out in the rain for committees to make decisions," he explains "Over the year, regulations have been enforced to guard the system against law- breakers. But these norms also prevent the system from operating. I am constantly searching for novel interpretations of the law, those that will enable us to get the job done. That doesn't make us all criminals."

Credit: Sarah Levin. Municipality of Jerusalem. Ariel Jerozolimski

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