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RESPONSE TO THE PROPOSED 2015-16 NEW YORK EXECUTIVE STATE BUDGET BEFORE MEMBERS OF THE NEW YORK STATE SENATE FINANCE COMMITTEE AND THE NEW YORK STATE ASSEMBLY WAYS & MEANS COMMITTEE

February 25, 2015

Thank you Chairman DeFrancisco, Chairman Farrell and members of the Joint Committee.

I welcome the chance to speak today about the Proposed 2015-2016 Executive State Budget, and the impact it will have on New York City's finances.

It's great to be back in Albany and it is a pleasure to see old friends and colleagues.

Joining me here today is my deputy comptroller for budget, Tim Mulligan.

This morning I want to offer my overview of:

- Where we are in New York City, from an economic and budgetary perspective.
- Where we should be, in terms of assuring that the city receives its fair share of state revenues
- And where we have to go in the future on key initiatives, from raising the state's minimum wage, to passing the dream act, to reforming mayoral control of city schools and protecting our children.

In many ways, the proposed 2015-16 Executive Budget and the New York State Financial Plan show just how far we've come since the depths of the Great Recession.

Four years ago, New York was faced with a daunting $10 billion dollar budget gap. Today, our economy has more jobs than at any point since before World War II, and the projected closing balance for state Fiscal Year 2015 is over $10 billion.

That's due in no small part to the tough choices made by Governor Cuomo and members of the Legislature, as well as the resiliency of the Empire State economy.

Meanwhile, the city's economy is today growing faster than the nation's, and Mayor De Blasio has set us on a prudent budgetary course for Fiscal Year 2015. We've certainly come a long way.

But I think we all understand that there is much more to achieve.

Too many working class New Yorkers live paycheck to paycheck—battling an affordability crisis brought on by rising rent and stagnant wages.

Too many entrepreneurs still see government as an obstacle to growth, rather than a partner in success.

And too many of our young people still lack the resources they need to succeed in the 21st century job market.

The Executive Budget addresses these issues head-on and I commend Governor Cuomo for promoting a platform that speaks to New York's central promise of equal opportunity for all.

But for all the good in this budget, I remain concerned that New York City residents continue to be shortchanged.

Recently, my office released a study showing that from Fiscal Year 2009 through Fiscal Year 2014, the City received $7.7 billion less than its historical share of State funding.

Put another way, city coffers would today have $10 billion more if its revenue from the state grew at the same rate as State Operating Funds over that same time period.

Those aren't just numbers -- city residents endured painful cuts as a result of this shortfall.

Whether by correcting unfair formulas, or by granting the City its fair share of settlement revenue, the State must begin to take steps now to end this historical under-funding of New York City.

Restoring revenue sharing is a good place to start – for everyone.

New York City has always been the economic engine of the entire state, and investing in its physical and human infrastructure will allow us to continue to grow jobs and opportunity.

But it is clear that the City is not receiving its fair share of infrastructure dollars.

We are slated to receive less than 12 percent of infrastructure spending from State settlement revenue, despite contributing 46 percent of the State's personal income tax revenue, and 42 percent of the State's sales tax revenue.

The story is very similar when it comes to the Governor's property tax relief proposal.

Again, New York City finds itself on the short end of the stick, receiving only 14.6 percent of total property tax relief for homeowners, and just 29.2 percent of total property tax relief when accounting for renters.

Furthermore, the budget proposes to eliminate $43.5 million in STAR personal income tax reduction benefits for approximately 44,000 city taxpayers.

The bottom line is that New York City needs and deserves its fair share of state aid.

We've all seen how major events beyond our control – from the tragedy of September 11th, to the Great Recession, to Hurricane Sandy – can impact the city's fiscal outlook in an instant.

This is about equity and preparing New York City for an always uncertain future. It's also the right thing to do -- because as the city goes, so goes New York State.

As we discuss correcting this imbalance, it's important to also recognize that the Executive Budget contains many commendable proposals that will positively impact New York City and its 8.4 million residents.

As many of you know, our mom-and-pop shops face increasing challenges, from rising commercial rents, to global and technological shifts that have altered the nature of small business itself.

These beloved community institutions have defined New York City's economic diversity for generations.

That's why the governor's proposal to cut tax rates from 6.5 percent to 2.5 percent is so important – it will help them ride out the turbulence they are facing today, and build a stronger tomorrow.

Keep in mind, nearly half of our small businesses are launched by immigrants.

That's why we need the Legislature to pass the New York DREAM Act in this budget without delay -- and with no strings attached.

This isn't a partisan issue. DREAM Acts have passed in states across the country—from deep blue California to deep red Texas.

For New York, this is a question of whether we will slam the door of opportunity on the next generation, or be true to our promise of providing a better life for all who reach our shores.

The Executive Budget proposal also takes important steps to combat the affordability crunch by increasing the minimum wage and acknowledging the city's cost of living.

We all know that wages in New York City have not kept pace with the rate of inflation. And if people aren't earning a living wage, we're not going to create the long-term consumer demand that businesses need to invest and grow.

That's why New York City must be empowered to establish a local minimum wage.

There will always be sky-is-falling rhetoric when it comes to advancing critical workplace reforms.

But the fact is that basic regulation—from child labor laws and the clean air act, to paid sick leave and, yes, the minimum wage—have helped to build a middle class that is the backbone of the greatest economic engine in the world.

We need a local minimum wage of $15 an hour in New York City, where the cost of living is 80 percent higher than in Buffalo, 70 percent higher than in Rochester, and 60 percent higher than here in Albany.

We need to promote a New York where full time work is rewarded with full time pay, and a real chance to put down roots and raise a family!

While we are raising wages, we also need to lay the groundwork for economic expansion. That starts with our infrastructure.

I welcome pledges in the executive budget to:

- Expand broadband access to all New Yorkers by 2019;
- Connect 93,000 Bronx residents to four new Metro-North stations in the Bronx;
- Establish a long-sought rail link to LaGuardia Airport, and;
- Support community based organizations through a new $50 million non-profit infrastructure capital investment program.

We must also do better for the thousands of working New Yorkers who struggle every month to pay the rent or find an affordable home.

I applaud the Governor for funding 5,000 units of supportive housing, and for providing rental assistance through the Department of Homeless Services.

These critical investments are a step in the right direction and will help to reduce pressure on a shelter system that has nearly doubled in size over the past nine years.

It's also time for the State to come back to the table and support NYCHA with meaningful capital investments that will improve the lives of its 400,000 tenants.

Last night, more than 58,000 New Yorkers went to sleep in a shelter – almost half of them children. We can and must do better.

Lastly, I want to talk about what our budget does—and does not do—for our young people.

While this proposed Executive Budget does a great deal to invest in our children, I have significant concerns with how it seeks to fund public education.

First, New York City's share of the statewide total for full-day universal pre-k remains flat at $300 million, creating a $40 million shortfall in state funding for our youngest students.

UPK has been an enormous success story in our city and we need full funding to build on its success.

Second, I also support the renewal of mayoral control. Part of that needs to be reforming the Department of Education's procurement rules to provide more oversight and transparency.

For too long, the DOE has answered to no one when it comes to procurement. With billions of dollars at stake, cutting corners on procurement is bad for taxpayers and bad for our children.

DOE must abide by the same oversight rules as every other city agency.

Third, and most concerning -- the State proposes to hold the City's education funding hostage unless and until certain educational reform conditions are agreed to by the Legislature and ratified by the United Federation of Teachers.

Let me be clear: I am strongly in favor of increasing the quality of our teachers by providing them with the training and support that they need.

The truth is that not all our students enter the classroom on equal footing to learn.

Instead of penalizing teachers because their students face more challenges, we should reward and incentivize those who foster growth for at-risk and high need students.

Just three years ago, this Legislature enacted a nearly identical conditional funding requirement that resulted in the City's loss of over $300 million in school aid when agreements on teacher evaluations could not be reached.

This year, over $400 million could be foregone in a similar arrangement. This was bad budgeting two years ago and it is bad budgeting now.

Let's not repeat the mistake that we so recently made. Let's give students in every school, from the Bronx to Buffalo, the resources they need to build the New York of tomorrow.

Thank you again for the opportunity to testify. I will now answer any questions.