

2



**THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER**

**TESTIMONY OF NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER**

**RESPONSE TO THE PROPOSED
2016-2017 NEW YORK STATE
EXECUTIVE BUDGET**

January 26, 2016

Thank you Chairman Farrell, Chair Young and members of the Standing Committee. It's great to be back in Albany to see old friends and colleagues. Joining me here today is the Deputy Comptroller for Budget, Tim Mulligan.

I welcome the chance to speak today about the Governor's proposed Executive Budget. As someone who served in the Assembly for 13 years, I understand that this is the beginning, not the end, of a broad conversation about New York's priorities. I look forward to working with you to advance a budget that is equitable and sound.

The Governor's proposed budget makes a number of critical investments in both human and physical infrastructure that will lay the foundation for continued economic growth across the state.

First, I stand with the Governor in supporting an increase in the minimum wage to \$15 per hour. **Raising the minimum wage** is one of the most effective tools we have to attack income inequality and will place our state firmly back in a leadership role on this vital issue.

As my office has found, a phased-in \$15 minimum wage would put an additional \$10.2 billion into the pockets of 1.46 million workers in New York City alone. That's real money that can help provide working families a pathway to the middle class so they can pay for college, make a car payment, or just put food on the table.

Likewise, I strongly support the Governor's proposal for a permanent extension of the **Earned Income Tax Credit** to non-custodial parents. Since 2012, the EITC has pulled 70,000 New York City households out of poverty, and in 2014 it returned some \$4.1 billion to New Yorkers—an average of over \$2,300 per tax filer. That's called making work pay and I would urge this Legislature to go even further—by doubling New York City's EITC, expanding eligibility to childless workers, and lowering the age floor to 21.

In addition to raising wages for low-income New Yorkers, I support the Governor's push for **paid family leave**. According to a survey by my office, 80 percent of New Yorkers support a paid family leave system funded by a small employee payroll deduction, such as the Paid Family Leave Insurance Act, which passed the Assembly last year.

Governor Cuomo has also issued a series of proposals that support New York's historic legacy as the land of **immigrants**. From certifying U Visa applications for more immigrant victims of crime, to making the Task Force to Combat Worker Exploitation permanent, we will continue to show that New York is open to all.

Finally, the proposed budget makes key investments to aid one of our most vulnerable groups: **the homeless**. Last night, over 58,000 city residents, including 23,000 children, slept in homeless shelters, with thousands more choosing to sleep on our streets.

In December, my office completed an audit that found more than half of shelter units for children and families were plagued by peeling paint, roaches, rats, and the chill from broken

windows. Earlier this month, we analyzed every single building housing homeless families with children—from shelters and hotels to so-called “scatter site” housing.

We found that two-thirds of sites had unaddressed violations that threaten life, health and safety of residents. This is our “invisible city,” and we will continue to shine a light on these conditions and demand change.

That’s why we welcome the Governor’s increased support for combating homelessness. And we look forward to seeing improvements as we continue to monitor shelters in New York City, just as state Comptroller Tom DiNapoli and Buffalo Comptroller Mark Schroeder do the same in other parts of the State.

We may not be able to fix homelessness in a day – but we can ensure that our shelters are safe, clean, and livable, and that’s what we intend to do.

At the same time, we must also do more to address the underlying causes of homelessness, including the lack of affordable housing in our communities.

For decades, the **New York City Housing Authority** has been a bastion of affordability throughout the five boroughs. But despite the fact that NYCHA is home to over 400,000 New Yorkers, it has a capital shortfall of \$17 billion.

That’s why today I am renewing a call I made two years ago to create a new, dedicated revenue stream for NYCHA, using surplus funds from the Battery Park City Authority.

Battery Park City generates a surplus every year. As part of a 2010 settlement agreement between the City and the State, a portion of those dollars have been directed to affordable housing and other city capital needs. We now have an opportunity to direct those dollars explicitly toward NYCHA – our largest source of affordable housing.

I know there is support in the Legislature for this idea. But we could do this without legislation. Under the terms of the existing settlement agreement, all that is required is a unanimous vote by the Mayor, the Governor and the City Comptroller – and I vote yes.

These excess monies would total more than \$400 million over 10 years which would provide the first new source of recurring revenue for NYCHA in years. NYCHA residents shouldn’t have to wait any longer for roofs to be fixed, mold to be eradicated, and doors to be secured. We should make this happen this year.

Recent discussions concerning CUNY and Medicaid have raised the prospect of finding further efficiencies in each system.

I am pleased that Gov. Cuomo and Mayor de Blasio have been discussing these vital programs and have committed to making no cuts as they work to improve these programs. Funding CUNY is essential. We should be investing more in higher education if we truly want to keep New York a global center of commerce and innovation.

No place represents those aspirations better than CUNY, where:

- Three-quarters of undergrads come out of New York City public schools
- Over 42 percent are the first generation of their families to attend college
- And where a quarter of students are African American, 29 percent are Hispanic and 19 percent are Asian.

These are the future leaders of our City and our State, and they deserve our support.

In recent years, CUNY has faced a number of challenges – from rapidly rising enrollment, to annual tuition increases. In addition, their appropriation from Albany has not kept pace with the State’s own operating budget.

Indeed, as an analysis by my office shows, if aid to CUNY had grown at the same rate as the State’s operating budget over the last seven years, the system would have an additional \$637 million on hand today.

Colleges and universities play a key role in making New York City a vibrant place to live and work. We should be doubling down on the economic engine of CUNY, not cutting back.

We also need to recognize that CUNY’s staff are the lifeblood of these institutions, and unlike most other State workers have been without a contract for 5 years.

We need to put CUNY on a solid, sustainable path forward. Because when we invest in higher education, we all win – students, teachers, government and business.

I recognize that budgets are fluid, and I have been assured that negotiations are progressing between the City and the State over Medicaid efficiencies.

Our Medicaid system covers 1 out of every 3 New Yorkers, many of whom would have no healthcare at all if not for this system. Any shifting of costs has to be examined through the prism of these patients.

If New York City had to pay for all the growth in its Medicaid costs, it could add up to \$300 million for FY 17 and climb to \$735 million by FY 2020. These additional burdens would come at a time when NYC Health + Hospitals is already facing significant financial challenges.

As my office found in our *Holes in the Safety Net* report, NYC Health + Hospitals treated over 430,000 uninsured patients in 2014. That included many undocumented residents who are ineligible for Medicaid coverage or subsidies under the Affordable Care Act.

Mayor de Blasio recently announced plans for a broad restructuring of Health + Hospitals, and in the meantime has dedicated funds to keep the system’s doors open to all. Reducing

state Medicaid support will make it that much harder for the Mayor to continue his efforts to put Health + Hospitals on a stable path. These hospitals are vital pieces of our safety net and deserve to be protected.

Finally, let me address the STAR-C bond refinancing.

In 2003, when the City was in the grips of the post 9/11 recession, the State stepped up by assuming the remaining Municipal Assistance Corporation (MAC) bonds – the bonds that helped New York City emerge from the fiscal crisis.

Ultimately, the City issued so-called STAR-C bonds to pay off the MAC debt. In 2014, the Mayor's Office of Management & Budget and the Comptroller's Office together took the opportunity to refinance the STAR-C credit with lower interest rates.

That allowed the City to achieve savings of over \$600 million – money that was reinvested in teachers, firefighters, police officers and other vital City services. This was one of many fiscally wise decisions made by the City in the aftermath of the Great Recession to refinance debt at lower interest rates.

Cities and localities should be **encouraged** to refinance their debt when opportunities arise. However, the proposed budget does the opposite—by diverting \$600 million of savings from the City to the State over the next three state fiscal years.

I look forward to the successful resolution of these budgetary issues, as well as other critical pieces of the Governor's budget.

That includes a three-year extension of **mayoral control**, which I support. Mayors need to be held responsible for the performance of our schools, so we need to give them the tools required to get the job done.

It's all part of rebuilding the foundation of New York City. It's easy to forget that just 40 years ago, the City faced the prospect of a crippling financial crisis, a burgeoning drug epidemic, and a rapidly declining population.

Many believed that we were in a downward spiral that would culminate in the death of the Great American City. In the years that followed, however, something amazing happened.

The public and private sectors came together to invest in New York's future, pumping billions of dollars into infrastructure. We laid the foundation for the City's economic revival, and today we've got over 4 million private sector jobs, record tourism and tax receipts, and a diverse, growing population.

And that's good for all of us, because as goes the City, so goes the State.

But believing in the inevitability of New York's rise today is as foolhardy as believing in our demise 40 years ago.

In the past few months alone, we've seen plenty of storm clouds:

- A slowdown in China's economy that has sent oil and commodity prices crashing down, while raising the risks of a world-wide economic slump.
- A 7 percent drop in the S&P 500 index since the beginning of the year, a fresh reminder that the City's finance industry generates approximately 15 percent of its tax revenue.
- Job cuts at Bank of America, Morgan Stanley, Citi, Barclays, and Deutsche Bank.

We also must continue to wrestle with some of our most intractable problems: homelessness, affordable housing, and wage stagnation.

So this is the historic opportunity before us today – thanks to a brighter economic outlook, we now have a chance to attack those tougher, long-term challenges.

For years now, we've had to scramble from one crisis to another – 9/11, the Great Recession, Hurricane Sandy. New York always comes back.

But now we as a City and a State have a chance to really pay down our principle and get at the root of our toughest, long-term challenges.

We can house the homeless. We can educate every child. We can create good jobs at good salaries. And we can make sure that New York City continues to be the economic engine that powers the Empire State.

To do that, we need to come together as a City and a State and invest in our futures. Because when we do that, we all win.

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

