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**Testimony of Hon. Corey Johnson
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**Joint Hearing of the Senate Finance and Assembly Ways and Means
Committees**

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Good afternoon Chair Young, Chair Weinstein, and members of the Finance and Ways and Means Committees. I am Corey Johnson, Speaker of the New York City Council. It is an honor to be in our State's capitol to discuss Governor Cuomo's Executive Budget for State Fiscal Year 2018-2019.

Let me begin with our assessment of the total potential risk of the proposed State Budget on New York City. Our tally stands at \$750 million. That is a significant reduction in State spending and it impacts predominately education and social services. My testimony today will highlight proposals in these areas that I think will have the most negative impact on New York City residents and could set our City back profoundly.

As an elected official for the past four years and now as City Council Speaker, I know how well the City and State have worked together in the past. Through the City's lobbying efforts and through constructive dialogue, we have achieved great things. For example, last year the age of criminal responsibility was raised to 17 starting this October, and 18 the following October. This was a major priority of the City Council and we were pleased to see it enacted.

Additionally, constructive dialogue ultimately stopped proposed reductions to the General Public Health Work reimbursements to local health departments that provide core public health services to vulnerable populations. Public health, as you may know, is a key area of concern for me, and an area I have promised to give my undivided attention.

Lastly, we were thrilled to see the Excelsior Scholarship established – a first-in-the-nation program to increase college access for thousands of students across New York.

We know we can reach mutually positive agreements and make changes for the better through the budget process. And that's why I'm here.

With respect to the MTA, fixing the subways is the greatest infrastructure challenge that New York City faces today. Make no mistake that the subway is the lifeblood of our economy, and failure to address this crisis will be disastrous.

First I'd like to thank the Governor for including funding in his budget that covers half of the cost of Phase 1 of the Subway Action Plan. While I agree that New York City residents benefit greatly from the subway system we are far from its sole beneficiaries. Tri-State residents from all over the transit region use the subway when they come to the City for work or for play. Given the significant contribution the City of New York and its residents already make to the transit system I strongly urge the State to provide additional funding to the Subway Action Plan in its final budget.

With that said, any new funding stream must go directly to the MTA and must be spent efficiently, with clear timelines and appropriate oversight. We need new, smart, and sustainable revenue streams to fully fund the MTA's needs into the future. One piece of that puzzle is congestion pricing. We need congestion pricing, this year, this session.

Unfortunately, there are two proposals in the Executive Budget to finance the MTA that are not helpful. One requires New York City to make emergency appropriations to the MTA at the Governor's direction and asks the City to fully fund the capital program of the New York City Transit Authority. The second proposes to fund the MTA through the capture of part of the property taxes in Midtown and the upper east side of Manhattan. Nice neighborhoods certainly, but they are not the only ones that benefit by projects like the creation of a new tunnel for the Long Island Railroad. The MTA is a regional agency that benefits areas far up into the Hudson River Valley as well as Long Island.

While the City is trying to address its historically large capital needs throughout New York City, let me address Design Build. During last year's State budget process, use of the design-build procurement method was authorized for counties outside of the five boroughs of New York City. New York City faces soaring construction costs for its capital projects and the ability to use design-build procurement would lower these costs as well as dramatically reduce project timeframes.

Let me take a moment to discuss NYCHA.

NYCHA is home to over 400,000 New York State residents who are in desperate need of funding to repair the 178,000 apartment in which they live. The City has responded to chronic federal underfunding of NYCHA by adding \$262 million to our Preliminary Capital Plan, for a new five year total of just

under \$1.4 billion. The State has not allocated any funding in the current budget for NYCHA, but has appropriated \$200 million in the 2018 budget. NYCHA's infrastructure needs continue to grow as its aging infrastructure falls deeper into disrepair. With likely federal cuts on the horizon, I urge the State to step up to the plate for our NYCHA families.

In addition to long-term funding for New York City subways and buses and approval of Design Build, here are other main areas of concern for the City Council that really hit at the core of our safety net.

- No significant actions to address Potential DSH cuts impacting Health + Hospitals;
 - Inadequate support on homelessness prevention;
- Lack of financial support for Raise the Age implementation;
- A reduction in Child Preventative Services funding; and
- Insufficient school funding and unfunded education mandates.

An astounding 44 percent of New Yorkers are living at or near the poverty level. Almost half of all New Yorkers. According to the Mayor's Office for Economic Opportunity about 20 percent of New York City residents live in poverty. However without SNAP another 3.2 percent would live in poverty, without housing assistance such as NYCHA another 5.8 percent would live in poverty, without income tax based programs such as the earned income tax credit another 3.9 percent would live in poverty. As bad as poverty is now it would be far worse without the safety net. That is why I have and will continue to champion for funding that will protect those who have the least. Because we New Yorkers want to give everyone a chance. We won't leave anyone out in the cold.

A significant part of that safety net, which is so important, is New York City's Health + Hospitals. H+H is under considerable financial strain. Unfortunately, the Executive Budget extends the current Medicaid Disproportionate Share Hospital or DSH distribution formula for one year. If the federal government does not delay the cuts to DSH payments and the State maintains the current distribution formula, H+H would lose \$329 million this federal fiscal year and \$400 million in the next. DSH constitutes H+H's primary source of federal funding. The State must step in to maintain DSH funding.

Another significant part of that safety net is supportive housing.

While the City Council acknowledges the State's \$20 billion, five-year plan, which aims to build or preserve 112,000 units of affordable housing - this only includes 6,000 units of supportive housing. The reality is that we need to do a

lot more and supportive housing units - with onsite services - go a long way in bringing dignity and upward mobility to those dealing with mental illness, addiction disorders, and other severe health problems - including HIV/AIDS.

In our State's history, we have witnessed three New York New York agreements that have been groundbreaking moments where New York City and the State came together to build over 10,000 units and prioritized the most vulnerable homeless New Yorkers. Studies show that those units contributed to reduced use of shelters, hospitals, psych centers and incarceration. With the last agreement having been 13 years ago - it's time for New York City and the State to do so again and partner up and build more supportive housing.

Years ago the City and State supported a short-term rent subsidy program, the Advantage program, that provided rental subsidies for those coming out of shelter and in 2011 the State withdrew its portion. When that program went away and the City and State remained at odds, the number of homeless New Yorkers increased dramatically.

Homelessness is a crisis that shows no sign of abating. Every night, over 60,000 people sleep in New York City shelters. 23,000 of them children. The most successful model for ending chronic homelessness is supportive housing, which pairs affordable housing with on-site social services for people with mental health and substance abuse issues. The plan to enhance supports for existing residential housing is welcome. However, the \$9.3 million cut to the Living in Communities (LINC) Rental Assistance programs is counterproductive.

The LINC I program has allowed approximately 1,465 families and 5,098 individuals to move out of shelter since Fiscal 2017. LINC I funds the difference between rents that working families in shelters can afford and what the NYC rental market demands. It is a successful and a critical strategy for ending homelessness – one the State should continue to support.

The State Executive Budget also extends the reach of state bureaucracy into the City's street homeless outreach programs. The Budget has a clause that allows OTDA to withhold funding from counties if the homelessness related programs are not up to their standard. The City already works with OTDA for approval of homeless programs where State provides support such as rental assistance and rapid rehousing. The State provides no funds for homeless outreach. The proposal is putting the cart before the horse.

The State's Fiscal 2018-2019 Executive Budget includes \$100 million for State and local costs related to the implementation of Phase 1 of Raise the Age. The

Council appreciates the initial support from the State, however funding for the subsequent phases is unclear. As an unfunded mandate, the City could potentially be at a loss of \$200 million annually. This, coupled with the reduction of \$31 million for the Close to Home initiative, would be detrimental to young people in New York City. We need help from the State to support much needed reforms that includes both diversion programs for 16 and 17 years and residential placement services for juveniles.

Lastly, in this area, I am also concerned with the proposal to cap the State reimbursement for preventive services for New York City only. Preventive services are designed to help families keep their children safely at home, and avoid foster care placements. The total loss to the City would reach nearly \$130 million in Fiscal 2019. Given the progress we have made on reducing child fatalities and keeping families united, it is particularly worrisome that the State would actually cut back on funding.

In the area of education, there are a number of concerns.

The 2018-2019 State Executive Budget does not address education funding inequities in New York City. As you know, in 2007 the Campaign for Fiscal Equity (CFE) decision required the State to provide an additional \$5.5 billion in school aid over four years. Through Foundation Aid the State provided only two years of the commitment before instituting \$2.7 billion in cuts in 2010 and 2011.

This year's State Executive Budget once again fails to appropriately fund schools across New York State by not committing to fully phase in Foundation Aid. Such a commitment would require an approximately \$1.4 billion increase Statewide this year and \$4.2 billion over three years. The Governor has proposed an increase of just three percent Statewide and just 2.4 percent for New York City. The proposed increase of \$247.6 million in aid for our City schools is \$217 million less than the projection in our City's budget

We urge the legislature to fully fund the CFE settlement and ensure that all students are offered a sound basic education.

The shortfall in Foundation Aid would be exacerbated by the plan to slash State support for summer education programs for special education students. The Executive Budget would cut the State reimbursement rate and leave New York City schools with a \$65 million budget hole next year. Cutting funding for mandatory education programs would force DOE to divert resources required for schools to fill these State cuts.

The third major area of concern with the proposed education budget, is the drastic reduction in support for charter schools. The State requires a \$1,000 per pupil supplemental tuition payment to all charter schools, which the State now

pays for. The Governor's plan who shift this expense – totaling \$120 million next year – entirely onto our DOE. In addition, the Executive Budget would require a more generous calculation of reimbursable charter school rental costs coupled with a State pull back of aid. The State would limit its total contribution to Charter rental aid to just \$10 million and thereby blow a \$ 23.5 million hole in our schools' budget.

The funding losses associated with special education summer school and charter schools would amount to approximately \$209 million. New York City would be forced to use the first 84percent of the suggested \$247.6 million increase in school aid to fill these gaps. Our public schools would see a maximum state aid increase of only \$38.6 million next year – a pittance compared to the CFE amount needed to ensure that all students in New York City get a sound, basic education.

I also want to take the opportunity to discuss the impact of the Federal Tax Cuts and Jobs Act on New York City.

With regards to the City University of New York, CUNY, the Council appreciates the State's continued support, maintaining its per capita base aid rate for students at CUNY schools, now at its highest level since before the 2008 Recession. While we applaud the State's inclusion of \$1.5 million to support the transition of the Murphy Institute into a full-fledged School of Labor and Urban Studies, this still leaves the Institute with a gap of \$1.5 million in operational support. We are also concerned about the loss of \$2.5 million to support ASAP, CUNY's nationally-renowned community college program that has doubled students' three-year graduation rates, as well as \$900,000 for on-campus childcare services that helps parenting students stay in school and finish their degrees. The Council would strongly encourage the State to restore this funding because our students, many who are supporting their families, need it.

In his Executive Budget address, the Governor highlighted the challenges to the City and State posed by the Tax Cuts and Jobs Act (TCJA) recently passed in Washington. The Act is unfair to New York and undermines the public finance of the United States in a way that threatens affordable housing, SNAP, health insurance and other parts of the social safety net. The TCJA needs to be repealed and replaced. What we can do now is to try to mitigate its effects, starting with the City and State tax system.

First, in this session it is important that you address those conformity problems where the Act will distort our City and State taxes. If not corrected just one of these would increase state taxes on 5.2 million mostly moderate-income households who take the standard deduction. Second, the Governor has proposed addressing the cap on state and local tax deduction for property and

personal income tax by shifting the City and State to taxes, such as a payroll tax, that remain deductible. Approximately 1.3 million New York City taxpayers take the SALT deduction. This is about 31 percent of all City taxpayers. It saves a typical taxpayer close to \$10,000 in federal taxes.

This a major change in our tax system that should be done after careful consideration and consultation with the City and City Council.

Let me conclude by saying that as you approach the 30-day amendment process, it is my hope that there are adjustments that will allow New York City to continue to provide much needed services to New Yorkers. It must be a partnership to protect the most vulnerable amongst us and we are here to offer our voice to the conversation on how we get that done. I look forward to a continued and constructive dialogue with you over the next few months. Thank you.

