

Testimony by Mayor Eric Adams
Joint Budget Hearing on Local and General Government
Senate Finance and Assembly Ways and Means Committees

February 15, 2023

Good morning, and thank you Chairs Krueger and Weinstein, Local Government Chairs Martinez and Thiele, Cities Chairs Sepulveda, May and Braunstein, and members of the Assembly Ways and Means and Senate Finance committees.

I am Eric Adams, and I am honored to appear before you today as the 110th Mayor of the great City of New York.

I am joined by Jacques Jiha, Director of our Office of Management and Budget, Sheena Wright, First Deputy Mayor, Tiffany Raspberry, Director of Intergovernmental and External Affairs, Diane Savino, Senior Advisor to the Chief Advisor, and Chief Counsel Brendan McGuire.

Before discussing the Governor's Executive Budget and my vision for the City of New York, I want to thank you for partnering with me last year to deliver results for the people of New York.

Thanks to your leadership, we established the NYCHA Trust, extended our speed camera program, doubled the MWBE spending threshold for New York City, and provided real relief to New Yorkers through the Earned Income Tax Credit and significant childcare investments.

I also want to thank the Governor for including many of our essential priorities in this budget, including key components of our shared "New" New York plan.

We are extremely pleased with the Governor's commitment to funding a new generation of affordable housing.

And we know her proposed public safety changes will make New York safer.

We also appreciate the support this Budget has provided to help us address New York's mental health crisis.

But while the Executive Budget contains many shared priorities, the cuts and cost shifts significantly outweigh the assistance the state is providing to address the asylum seeker crisis.

The impacts of these cuts and cost shifts are most pronounced in three areas: our schools, public transit, and Medicaid.

If unaddressed, these cuts will force us to make difficult choices in regard to the city Budget and the services that we provide.

Governor Hochul and leaders in the Senate and Assembly have been excellent partners to the city and our Administration. My hope – and my belief – is that we'll be able to sort out our differences, and work together to build a budget that works for all New Yorkers.

In my State of the City address, I laid out my vision for the city, based around four pillars of supportive government: Jobs, Safety, Housing, and Care.

Jobs

By including Community Hiring and increasing the M/WBE small purchase threshold in her budget, the Governor is giving us the tools we need to dismantle inequality while also investing in jobs of the future.

But we know that all good jobs are built on a common foundation: a solid education.

On that note, I would like to thank the Governor for continuing the phase-in of Foundation Aid in her Executive Budget proposal.

But, if the state raises the charter cap as proposed, we will need more resources. We believe it will cost us over a billion dollars to site these

schools and cover the required per student tuition – money we do not have.

Last year, the State passed legislation requiring New York City to reduce class sizes, without providing additional funding to build schools and hire teachers. The requirements of this new law will cost the city \$1.3 billion by year five. We need the State to provide funding to ensure that our children get the education they deserve.

Safety

My second pillar is public safety.

The Governor's budget rightfully proposes to keep us safer by giving us additional tools to address our recidivist crises.

Changes to the least restrictive standard, as the Governor has proposed, will go a long way towards solving our recidivist problem.

This is critical because a disproportionate share of the serious crime in New York City is being driven by a limited number of extreme recidivists – approximately 2000 people — who commit crime after crime while out on the street on bail.

We must also recognize that our city's district attorneys and public defenders are overwhelmed and need our help immediately.

The State must make a major investment in them now or risk depriving defendants of their Constitutional right to a speedy trial, delaying justice for victims and continuing the unprecedented level of attrition within each of these offices.

Housing

My third pillar is Housing. Whether you were born here or came here seeking opportunity, we need you, and you need affordable housing.

Importantly, the Governor has included provisions that would facilitate the conversion of office space into housing, eliminate the floor-area ratio

cap to allow more housing, implement the J-51 tax incentive to preserve our housing stock, and tax incentive programs that drive the construction of new affordable units.

Care

My final pillar is Care. National and global trends often converge to create urgent and unforeseen needs in our city, such as the ongoing asylum seeker crisis. We are at the breaking point.

Governor Hochul has recognized the magnitude of this crisis and has offered State support for our growing costs.

But with the city expected to spend over \$4 billion dollars on this crisis by the middle of next year, we'll need more than the approximately \$1.2 billion in State and Federal funds we believe will come our way.

Other Thanks

I would like to mention a few other important items that the Governor included in her budget. We appreciate the authorization of additional tools which will allow us to build large projects faster and smarter, while increasing opportunities for M/WBEs on city construction projects.

In addition, we are pleased with the inclusion of New York City Parking Reform, which will allow us to keep our streets clear of industrial vehicles to the benefit of our families.

We also appreciate the inclusion of the Waste Reduction and Recycling Infrastructure Act, which will hold manufacturers and big businesses accountable for the waste they produce while doing business.

Need More State Assistance

While the Governor's budget includes many welcome investments in our city, there are notable cuts and cost-shifts that will leave the city with no choice but to take very serious measures in our upcoming City budget.

The first of these has to do with the City's MTA contributions. At the outset, we need to highlight what the City government already contributes on an annual basis – \$2.4 billion in direct and in-kind contributions, and that's in addition to the majority of the State's tax revenue that New York City residents, workers and businesses send to Albany every year.

This Executive Budget proposes new contributions from New York City that would cost \$526 million in the next fiscal year, and more than \$540 million every year beyond that. Aside from the increased Payroll Mobility Tax contribution that all localities in the MTA service area must pay, New York City is the only locality that has been asked to increase its contribution – and by hundreds of millions of dollars per year.

We all want what's best for riders, but we need a fairer and more sustainable proposal. This current proposal hits New Yorkers twice – once through the higher fares that riders will still face and once through diminished service delivery by their local government which will have at least half a billion dollars each year going to subsidize a state-run authority.

Additionally, the Governor's Financial Plan proposes cuts to Medicaid support by keeping 100% of enhanced Federal Medical Assistance Percentage (or "eFMAP") funding to localities. That will be \$343 million taken out of our budget beginning in Fiscal Year 24, which would end a long-standing cost sharing arrangement since 2015. This would effectively transfer costs from the State to localities - undoing one of the more important Medicaid reforms in recent history.

Another cost the city is being asked to fund is the court-mandated wage increases for 18-B attorneys, which increased from \$75 to \$158 per hour. Currently, we split this cost approximately evenly with the State, but without State action, the city will be forced to cover the full cost of this increase. This will cost us \$84 million annually, beginning in Fiscal Year 2023.

Finally, a recurring cut enacted a few years ago continues to strain the city's budget. We ask that the State discontinue the sales tax intercept for the Distressed Hospitals fund. \$150 million of the City's tax revenues are intercepted yearly for this fund, and New York City is the only locality paying. Despite this, not a single H+H hospital has received a dollar of support.

In conclusion, the Governor's budget and financial plan imposes new requirements on the City that we cannot support.

The Governor's Budget contains over \$1 billion in new cuts and cost shifts to the city starting in Fiscal Year 2024. The new MTA requirements and Medicaid cuts alone are massive and more than [MY7] cancel out all the proposals in this budget that benefit the city, especially since those new costs would be permanent and annual.

The city cannot possibly carry the weight of such big commitments without cutting essential programs that support New Yorkers.

This is not a threat. This is math.

And as I have been saying from the beginning, the future of New York City and New York State are connected. If cuts from the State negatively impact our budget, the effects will be felt at the state level as well.

Again, let me say that Governor Hochul has been a great partner to us. I believe we can bridge our differences here and, together with you and your colleagues, do what is right for the state.

Thank you again for inviting us today, and for taking the time to discuss my plans for the city. We look forward to working together closely to build a budget that uplifts and benefits all New Yorkers.