city of YONKERS

Testimony on the 2023-24 Executive Budget Proposal Joint Legislative Budget Committee

Mayor Mike Spano
City of Yonkers

February 15, 2023

CORPORATION OF THE CITY OF YONKERS

Good afternoon Chairwoman Krueger, Chairwoman Weinstein, members of the Senate and Assembly, my friends and colleagues, and our Yonkers Delegation, Senate Majority Leader Andrea Stewart-Cousins, Senator Shelley Mayer, Assemblyman Nader Sayegh, Assemblywoman Mary Jane Shimsky and Assemblyman Gary Pretlow.

Thank you for welcoming me.

I respectively submit to you the financial needs of Yonkers – the State's 3rd largest city.

YONKERS PUBLIC SCHOOLS

Let's start with our schools.

Growing in population over the last 10 years means the need for more equitable and inclusive funding to support those new families living here and that means more funding for our Yonkers Public Schools. Whether it be for programs like our Career & Technical Education program (CTE), which I know Governor Hochul fully supports, or for a more specialized teaching staff, or for the rebuild of our schools' aging infrastructure, your commitment has never been as crucial as it is now.

My hopes are high for 2023. I applaud the Governor's commitment to fully fund the formula and the Legislature's appetite to get this done. This is an obligation we've needed to prioritize for quite some time and I am thankful we are finally here. However, I must bring your attention to the fact that in the ten years that the Formula was not fully funded, local municipalities, particularly the Big 5, had to take on the heavier load of funding its schools to offset this deficit. The proof is in the numbers. Since 2012, Yonkers has lost $313 million in Foundation Aid because the formula was not fully funded. While I'd love to ask for a big check for the lost funds, I know that's not realistic. My ask today is for you to consider a change in the formula, so Yonkers is not at a disadvantage moving forward. That requires us to reexamine how it's funded and why Yonkers, which borders New York City, is grouped with districts over 90 miles north from us.

The Regional Cost Index, or RCI, is a key component of Foundation Aid and is meant to adjust for geographic variations in the cost of educational resources. Located in Westchester County, which has the highest median house prices of any county in the state and nearby wealthy school districts, such as Bronxville and Scarsdale, competing for, and retaining professional talent, can be financially challenging. Yonkers, instead, is grouped with the smaller local economies in upstate and western New York, putting us as at a disadvantage for Foundation Aid. Yonkers, which is a downstate district, should be compared to other downstate districts. Our Regional Cost Index should be similar to theirs.

From 2006 to 2022, the time span that elapsed since the RCI was set, other cost factors which are specific to Westchester County, such as the building aid regional cost factor, have increased by 10%, indicating that it has become more expensive to operate in Westchester. And yet, the City of Yonkers continues to grow.

What's happened is that we've become a victim of our own successes, or more specifically, our growth. For Yonkers, the decrease in Foundation Aid sharing ratio went from 53% to 50%, resulting in a reduction in *"what could have been."* This leaves the third largest city in the state, where 73% of the students live in poverty, ranked 272nd in Foundation Aid per pupil. But, if our Foundation Aid sharing ratio just held flat from last year, Yonkers would have $14.1 million more in Foundation Aid in the FY23/24 budget.

Don't be mistaken though, because despite these discrepancies, the City's commitment to Yonkers students remains stronger than ever. Our transfer to education from the City continues to outpace each of our sister cities and we contribute the most per pupil than the other three sister cities combined -- $800 more per pupil. This amount **excludes** the cost of the merged departments the City absorbs through its IMA with the school district. Our commitment to education was demonstrated in the current FY23 when the Transfer to Education was **increased** by $7.4 million even though property taxes were raised by **only** $6.3 million. We've come to the limit of what the City and our residents can afford, especially considering the drop in STAR reimbursement to our property taxpayers over the past 10 years.

Last week you heard our Superintendent of Schools petition for an increase to our Foundation Aid over the course of the next two years to guarantee their American Rescue Plan Act (ARPA) appropriation becomes recurrent revenue. I echo this. While the Yonkers School District is a model urban district, achieving the highest graduation rate of the Big 5 for the last seven years, it has done so with non-recurrent revenue. Currently, Yonkers Schools are edging towards severe cuts next year without that guaranteed funding. I suggest that if you memorialize your commitment to Yonkers Schools, we will see a greater return-on-investment.

REBUILDING YONKERS SCHOOLS

We also must address the environment in which our students learn. With your help, we are on our way to building a new state-of-the-art school, Justice Sonia Sotomayor Community School – which addresses the overcrowding of our growing district.

However, the growing need to address our schools' aging infrastructure is still very much present. Our capital needs are estimated to be $567 million, for our 40 Yonkers Public Schools. This is not sustainable - Yonkers still cannot afford to rebuild these schools on our own. For FY24, the Yonkers Building Aid Ratio is dropping 4%. The building aid reimbursement ratio needs to be increased to improve our existing schools.

In the absence of any change in the formula, I again ask that a Capital Block Grant in as much as $100 million be made available to Yonkers to offset the local taxpayers' share of this project. This amount still equals less than the combined aid given to Buffalo, Rochester and Syracuse for their capital costs. While it still will not completely cover all existing costs, it will make this ever-important capital improvement plan to our schools more affordable. Let's keep the momentum going on rebuilding our schools.

CITY/STATE PARTNERSHIP

We also know that the reduction in capital improvement funds and the Foundation Aid ratio lead to another issue that is creeping up on cities across the state, including Yonkers. The staggering rise in healthcare costs is suffocating us. With combined City and Board of Education healthcare costs at $170 million, a 15% increase in healthcare costs for FY24 is a year over year increase of $26 million. That equates to almost a 6% increase in property tax levy, which violates New York State's property tax cap three times over. This is not feasible for any city. In the case of our Schools, paying for an increase of $15 million in health insurance leaves little left for the classroom.

Without the proper Foundation Aid, Yonkers is left to pull from AIM aid to carry this weight.

This leads me to my annual plea for assistance in regards to aid to municipalities. As you know, over the years, municipalities have taken a big hit when it comes to AIM, which affects how we operate. State Comptroller DiNapoli agrees with this assessment, stating that the purpose of AIM is for New York to provide revenue sharing to its localities.

Since 2012, Yonkers taxpayers have sent the State an additional $366 million via personal income tax (PIT) and sales tax above what the State has provided in AIM and education funding over the same period. During that time, AIM has remained flat. If AIM had increased consistently with the State's own 2% growth during that same time, we would have received $126 million more, or $24 million more annually.

We also need to consider the ongoing effects of the global pandemic. According to the federal government's calculations, the City lost over $160 million in potential revenue during the pandemic. Yonkers was fortunate enough to receive a relatively small allocation of ARPA funding and we used approximately 25% of it to fund small businesses and to provide housing assistance to keep residents in their homes. The balance went to maintaining vital services, such as public safety, critical infrastructure support, parks maintenance and city cleaning. With the understanding that ARPA funding was a one-shot and that heavily relying on these funds would cause a cliff, the City planned to utilize the revenue as only a temporary bridge to get us through the pandemic while our economically sensitive revenues recovered. We were judicious with our spending and put aside reserves to assist with the drop-off in ARPA funding in case our revenues stalled and expenditures crept up. Unfortunately, like other municipalities, this is exactly the challenge that we now face. Rising interest rates are causing higher debt service costs. Inflation has increased expenditures, including health insurance and social security. Collective bargaining at amounts that are fair to **both** the taxpayer and to the employees has become even more challenging during this period of very high inflation.

On the revenue side, growth has subsided and our economically sensitive revenues have plateaued in the short term. Even with maxing out the property tax cap, the result is a $85 million projected budget gap in FY24. Without additional revenue support, it will force the City to exhaust most of its rainy day funds which we worked so hard to amass to avoid having annual budgeting stress. If the economy doesn't strongly rebound, FY25 and beyond looks extremely challenging without additional revenues to weather the storm.

Without going hat in hand to our taxpayers who are already at their limit, flat AIM hinders our ability to properly fund education, expand our municipal services and pay for the growing costs of our workforce, which makes up 74% percent of our budget.

In addition to increased AIM, I am advocating for Yonkers' MGM Empire City Casino to be awarded one of the three remaining full gaming casino licenses. In Yonkers alone, Empire City Casino has brought in $4 billion to offset the costs of education in NY since VLT's inception. Imagine the statewide impact should Empire Casino be granted one of these licenses?

I look forward to an upcoming announcement on the award of the licenses, but I ask you keep in mind the potential benefits for Yonkers as the decision draws near. Yonkers School District currently receives $19.6 million a year in Host Video Lottery Terminal aid from the State as a result of the $300 million that Empire Casino generates for the State's Education Fund. In addition, a variable impact agreement sends approximately $1.5 to $2 million annually to the City directly from the Casino to help pay for additional municipal costs. Fairness in new legislation should require Yonkers Public Schools to receive an increase in their share from the additional revenues that will result from full gaming at Empire Casino. This is a one-time opportunity to provide a permanent revenue stream that addresses the City's ongoing structural budget deficits. Let's get this into the legislation and codify your commitment to education and localities.

Finally, I'd like to bring your attention to our municipality's infrastructure needs. Each year, the City of Yonkers bonds millions of dollars and utilizes CHIPS funding allocated in the New York State budget to pave our roadways. We have always appreciated the partnership with the State of New York, whether in the form of CHIPS funding to maintain our own infrastructure needs, NYS Touring Route Program (TRP) funding and/or the New York State Department of Transportation (DOT) paving its own roadways. Recently, the DOT paved portions of Yonkers Avenue and Central Park Avenue, and is tentatively scheduled to repave all of Saw Mill River Road this spring, which of course is a much-needed project. Additionally, the City of Yonkers will be using a large portion of the recently allocated $3.2 million in TRP to pave large sections of Central Park Avenue. However, several other major state corridors which include Nepperhan Avenue; Old Nepperhan Avenue; Tuckahoe Road and the entire length of Riverdale Avenue located on the City's west side, are in desperate need of repaving. None of these roadways have been paved in well over a decade and the depressions and conditions are worsening with each passing day. The condition of these roadways have failed beyond normal maintenance as described in the current arterial agreement. Any assistance that you could provide in ensuring these heavily traveled roadways are included in the DOT's upcoming paving schedule and/or additional resources are allocated for them would be greatly appreciated. It is essential to the area's quality of life and economy.

Thank you

In summary, I firmly believe that as legislators and chief executives, we have an obligation to those who elect us to work in concert and establish a partnership that benefits all. Together, let's recommit to that partnership so that we all succeed.

Yonkers has come a long way in the last eleven years. With the help of our State Legislature, we've made amazing strides in changing the face of Yonkers. We've already seen amazing returns on your investments and I am excited to see what the future holds. I look forward to working with you and Governor Hochul. Thank you.

MAYOR MIKE SPANO