THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MARK D. LEVINE

Testimony of NYC Comptroller Levine at the New York Senate Finance & Assembly Ways and Means Committees Joint Hearing on the Proposed 2026-2027 New York State Executive Budget

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Good afternoon, Chair Krueger, Chair Pretlow, and Members of the Finance, Ways and Means, and Cities Committees. Thank you for the opportunity to testify today. I am pleased to be here with my partner in government, City Council Speaker Julie Menin.

Among my responsibilities as New York City Comptroller is to serve as an independent authority on the City's fiscal and economic condition and to give you my honest assessment of where we stand, without exaggeration and without sugarcoating.

You are used to hearing from Comptrollers who come to this hearing to talk about budget gaps. But the scale of the fiscal challenges we are facing now goes beyond what you have heard from this table in many years.

We face this challenge at a moment of contradictions for New York City.

The stock market is at an all-time high—the Dow above 50,000 for the first time ever—yet nearly 90,000 New Yorkers slept in our shelters last night.

Tax receipts are up significantly this year, as they were last year. Yet we are facing our largest budget gap since the Great Recession.

New York City remains the economic engine of New York State, sending far more to Albany than we receive in return. And yet we are also home to the largest number of low-income families in the state — nearly one in four New Yorkers living in poverty. That's 2 million people, including 420,000 children.

I will use my allotted time here today to explain what is behind each of those contradictions, and what we can do about them.

Over the past month, I've been asked many times a version of the same question: *"How bad is it? How bad is our budget, really?"*

Here are the facts: My office's most recent analysis, which I'll caution is based on data from December, projects a **$2.2 billion** mid-year budget gap, and a shortfall of **$10.4 billion** in City Fiscal Year 2027.

I understand that today Mayor Mamdani has released updated projections. I look forward to reviewing them once the details are available. We will be releasing our own updated assessment on March 11th, based on the latest available data. And I can say today that we expect to further revise revenue projections upward. Wage growth and Wall Street profits and bonuses have been strong, and the City's office market is rebounding more quickly than it is in the rest of the nation. As a result, we expect tax revenues, particularly the personal income tax, will come in higher than was projected in December, lowering but not eliminating the gaps.

As for the road ahead, my office is projecting an economic outlook of moderate growth for 2026 and 2027, but we are watching emerging risks—including the lack of job creation and hiring challenges for recent graduates—that could further temper this outlook.

Hanging over the City's fiscal outlook is growing uncertainty at the federal level — including potential cuts to federal grants and to vital programs like SNAP and Medicaid, which could leave the City to fill the gap.

Despite these concerns ahead, the fact is that as of today our city's economy is strong, and our revenues are up. So why do we have a budget gap? What's going on here?

In no small part we are paying the price now for the questionable budget practices of years past:

- **First, chronic underbudgeting** of known, recurring costs has obscured the true cost of ongoing obligations, making it harder to fully understand, plan for, and responsibly address rising long-term expenses;
- **Second, one-time accounting measures** used in the last budget cycle are now exhausted; and
- **Third, the absence of systematic, annual efficiency reviews** has limited the City's ability to tighten operations in a disciplined way.

In recent weeks, I've been clear in my critique of these practices, especially the persistent underbudgeting of recurring costs. I commend Mayor Mamdani for acknowledging these challenges rather than kicking the can down the road. I will continue to push for our city to adopt better fiscal practices going forward, because when we get this right, it will bring greater stability and long-term strength to our budget.

But this is not the whole story. Our fiscal fate also very much depends on how we fare in the State budget. I'm happy to say that there is good news in Governor Hochul's proposed Executive Budget for the coming fiscal year.

I strongly support the proposed historic expansion of childcare, including the creation of a **Universal 2-Care program**, the **stabilization of 3-K**, and increased child care voucher funding. These investments recognize that child care is, among many other benefits, essential economic infrastructure.

To fully capitalize on the Governor's investment, I strongly urge the Legislature to adopt the **$1.2 billion Child Care Workforce Compensation Fund** proposed by the Alliance for Quality Education. Without this investment in higher wages, we will continue to lose educators to the public school system, destabilizing the very sector we are trying to expand.

Earlier, I spoke about the contradiction of New York City being both the economic engine of the state and home to millions living in poverty. How does that contradiction show up in the State budget?

The answer is simple: our economy sends billions more to Albany each year than we receive in return...by one recent estimate, more than **$20 billion**.

Yes, this imbalance in part reflects the strength of our financial sector and other industries that generate substantial state tax revenue. And that's fair.

But the imbalance also exists because, in program after program, the City pays more, or receives less, than other parts of the state. And that is not fair.

These disparities are not new. Most have been in place for years, some for decades. But they reflect a long series of decisions to shift financial burdens to the city, leaving an imbalance that has widened over time and is increasingly unsustainable.

Here are a few of the most egregious examples:

- <u>Public Health/Article 6 funding</u>: New York City is unique in **receiving only 20%** reimbursement of its core public health costs, **compared with 36% for all other localities**, an impact estimated at **$90 million**.

- <u>Child Care Match</u>: Changes enacted last year require New York City to contribute $328 million annually to meet its maintenance-of-effort requirement for child care assistance. Outside of New York City, local contributions are frozen at 1995 levels, resulting in the **City covering approximately 95%** of the total local match statewide.

- <u>Family Assistance</u>: In fiscal years 2020 and 2021, the State began requiring **only** New York City to contribute first 10% and then 15% of the cost of Family Assistance grants, costing the City approximately **$200 million annually**. Other localities are not required to contribute before accessing these funds.

- <u>Raise the Age</u>: New York City alone is ineligible for State funding to implement Raise the Age reforms, despite serving more than half of the state's eligible population. As a result, the City is unable to access approximately **$125 million** annually in funding that is otherwise going unspent statewide.

- <u>Assistance to Distressed Hospitals</u>: New York City is the **only** local government required to contribute **$150 million in sales tax revenue** annually to the statewide fund for fiscally distressed and safety net hospitals.

And then there is education. I am grateful for the Governor's proposal to increase Foundation Aid for New York City by 3.5% this year. But that still leaves the $314 million cut from last year unrecovered.

Moreover, the current formula does not fully reflect New York City's higher costs or the needs of our students. An updated formula should incorporate a regional cost index and better account for our most vulnerable children — including students in temporary housing, multilingual learners, and students with disabilities.

Also ahead is the remaining implementation of the State class size law. As you know, this legislation designates that the Comptroller certify whether the City's capital and education financial plans are sufficient to meet the State's class size reduction mandates.

Chancellor Samuels has indicated that meeting next year's mandate will require hiring at least 6,000 additional teachers by September, at an annual cost exceeding $602 million. My office's independent projections indicate similar unmet funding needs in Fiscal Year 2027, and unmet needs of more than $1 billion annually starting in Fiscal Year 2028. While the City is still in the process of determining capital needs, they could also be substantial. These amounts are not currently accounted for in the City's Financial Plan.

The State Executive Budget correctly identifies transit as the backbone of our region. We applaud the investments at **Jamaica Station** and the **Second Avenue Subway crosstown extension**, which are critical to economic growth and regional connectivity. However, capital projects must be paired with operational improvements.

I strongly support the Executive Budget's advancement of housing process reforms to accelerate construction, including the Governor's proposal to reform **SEQRA** by setting clear timelines for environmental review and exempting certain housing, infrastructure, and community-serving projects, while preserving core environmental and historic-preservation protections. Addressing the housing supply shortage is essential to bringing down rents, and these reforms will enable the City to consider parallel improvements to CEQR that speed delivery while maintaining critical guardrails.

Our housing work must be paired with greater protection for tenants, from increasing SCRIE and DRIE eligibility to $75,000 in New York City, to increased funding for the **Housing Access Voucher Program** to help families exit shelter and replace lost federal vouchers. I also strongly support expansion of **Right to Counsel** statewide**,** building on the enormous success this program has had in New York City.

Finally, we must prepare for continued uncertainty at the federal level. Recent actions by the Trump administration—including proposed cuts to key programs, disruptions to infrastructure funding, the passage of a highly regressive budget bill, and heightened economic uncertainty—pose real risks to vulnerable New Yorkers and to State and local budgets.

I welcome increased funding for immigrant legal services and support the passage of the **Access to Representation Act** and the **BUILD Act** to ensure due process and strengthen legal services infrastructure. Passing **New York for All** is also critical to maintaining public trust by disentangling local government from federal immigration enforcement.

In addition, the State should **protect health coverage** by addressing potential losses to over 450,000 New Yorkers under proposed Essential Plan changes, and **guard against SNAP cuts** by investing in administrative efforts to improve payment error rates.

Let me close where I began: with contradictions. We are a city of record Wall Street profits and rising revenues, yet tens of thousands sleep in shelters. A city that fuels the State's economy, yet carries a disproportionate share of poverty. A city with economic strength, yet facing one of the largest budget gaps in years. Those contradictions are the result of choices. And they can be resolved by choices.

I believe that if we act now with clarity and urgency, and crucially, with real partnership between the City and the State, we can resolve these contradictions by building on our strengths. I believe we can create a more resilient fiscal foundation, steel ourselves for the uncertainty ahead, and be a city and state that leaves no one behind. Let's use the power of our budget to make that happen.

Thank you.