



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

TESTIMONY OF NEW YORK CITY COMPTROLLER
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RESPONSE TO THE PROPOSED
2020-2021 NEW YORK STATE
EXECUTIVE BUDGET

February 10, 2020

Thank you, Chair Krueger, Chair Weinstein, and members of the Committees and the Legislature for inviting me today to discuss the Executive Budget for Fiscal Year 2020-2021. I'm joined by Deputy Comptroller for Budget Preston Niblack and Director of Intergovernmental Relations Dylan Hewitt.

Last year was an incredible year for progressive values. From rent protections to driver's licenses for undocumented adults to early voting, your list of accomplishments was long. You have helped to tear down barriers that prevented all New Yorkers from sharing in our state's prosperity, and I know these legislative wins were not easy—but, I urge you to protect the gains from last year and continue to move forward, not backward.

The economy continues to be strong. New York State has enjoyed nine uninterrupted years of job growth, adding 1.3 million jobs. Both the State and the City are enjoying record low unemployment.

Yet, despite these records, tonight some 60,000 people will sleep in New York City's homeless shelters, and hundreds of thousands more are living on the brink. We owe it to them, and to all hardworking New York families, to fight for just policies that give everyone a fair chance to live and work in dignity.

That begins with ensuring that every family has access to basic services.

That is why I proposed a fundamental change in our approach to affordable housing and our expectations from developers. I am calling for 25 percent of units in all new developments to be affordable for low-income households. It's long past time that the City build affordable housing that is actually affordable to those who need it most—but the City cannot solve this problem on its own. It is time to get rid of the outdated, expensive and ineffective 421a tax exemption.

I applaud Senators Zellnor Myrie and Julia Salazar and Assemblymembers Walter Mosley, Linda Rosenthal, and Michael Blake for introducing legislation that would repeal 421a and enable New York City to invest in more truly affordable housing by providing more efficient and targeted financial assistance.

We also need to raise the value of rental vouchers for those living in homeless shelters. The current rate is far too low to cover rent in decent, well-maintained apartment buildings. Assemblyman Andrew Hevesi has proposed to do just that through the Home Stability Support program.

We must finally reverse decades of disinvestment in our public housing. This past November, the State pledged to release \$450 million in funding for NYCHA. We desperately need to put these funds to work immediately.

And, even so, the reality is that current funding for NYCHA is not nearly enough. We can—and *must*—do better for our public housing residents than lead, mold, and vermin-infested apartments. I urge you to lead the way in providing capital funding for the truly urgent needs of our public housing residents.

After housing, the largest expense for many working families is child care, which is why I have proposed the NYC Under Three Act in collaboration with Assemblywoman Latrice Walker, and Senators Jessica Ramos and Brad Hoylman.

Our proposal would impose a small payroll tax on the City's largest businesses in order to expand child care subsidies to roughly 80,000 infants and toddlers. With an average employer payroll tax of \$250 per employee *per year*, this historic investment would enable thousands of mothers to go back to work and ensure that child care providers are adequately resourced to provide quality care.

Every child should have a fair chance from day one, and every parent who wants or needs to go back to work should be able to do so. NYC Under Three would make that happen.

All parents in this state should also feel confident that their child's school is well-resourced and able to provide a rich and diverse curriculum, while meeting all children's unique needs. While the State established a formula in 2007 to determine how much state education aid should be provided, it has never been fully funded. Under the proposed state budget, the City's school funding will fall close to \$900 million short.

At the same time, recent alterations to the charter school tuition reimbursement formula are projected to cost New York City more than \$400 million in two years. The City's one million public school children should not be forced to bear the impact of unfunded mandates and Albany renegeing on its commitment to adequately fund public education.

Similarly, New York should not pull back on its commitment to equitably fund healthcare for more than 6 million New Yorkers, including 3.5 million New York City residents.

Local governments have a limited role in administering Medicaid. The State sets eligibility guidelines, benefit levels, and reimbursement rates. Whether the impact of the Executive Budget proposal is \$1 billion or \$200 million on New York City, local governments simply cannot be expected to bear the burden of reining in costs for a program that they do not control.

On top of that, the newly reconvened Medicaid Redesign Team has been tasked with identifying \$2.5 billion in Medicaid savings for fiscal year 2021. Depending on the specifics of these savings, which will likely not be known until shortly before the state budget deadline, the City's safety net hospitals could be subject to significant reimbursement cuts. Already, New York City's Health and Hospital Corporation has lost \$45 million in revenue from the one percent cut that was announced at the end of the year. Any additional cuts threaten to undermine service and threaten the quality of care for millions of New Yorkers.

In recent years, the State has consistently shifted funding responsibilities to the City, while abdicating its obligation to fully fund education aid and failing to fund changes to state law. Last year, the State budget added about \$300 million in cost shifts and new costs to the City budget. The year before, the impact was \$530 million.

The State has yet to provide any new funding to New York City for Raise the Age. Similarly, no new funding was allocated for bail reform or changes to discovery laws. Since 2017, the State has imposed more than \$2 billion in cumulative new costs on New York City; and the State simply cannot continue to balance its budget on the backs of New York City residents. I strongly urge you to reject all further cost shifts to local governments in this year's budget.

Rather than closing budget gaps on the backs of the vulnerable or at the expense of New York City, we should focus on closing tax loopholes for the wealthy and ending ineffective corporate tax breaks. In particular, this year, you have an opportunity to reform one as-of-right tax break in New York City: The Relocation and Employment Assistance Program (REAP), which expires on June 30th.

REAP was originally designed to lure businesses outside of Manhattan. Yet, from 2007 to 2017, more than 80 percent of new job creation in the City occurred in the four other boroughs.

Amazon was going to receive up to \$75 million per year from this one program because it has no cap. In fact, Amazon could have received a check because the credit is refundable. And, because the program is not dependent on performance, Amazon

could have benefited whether or not they created 25 jobs or 25,000.

Surely, we can design a system that uses taxpayer money to promote good jobs without lavishing tax breaks on cash-rich Fortune 500 corporations. I stand ready to help in that effort.

As government officials, we must work to ensure that all residents have access to basic resources. And, we must also continually scrutinize our policies to ensure that our system of laws treats everyone fairly. To that end, New York must end decades of dismantling our low-income communities, typically communities of color, by prosecuting marijuana-related offenses.

I support the Governor's proposal to legalize cannabis. And, I believe that we must invest the revenues from legalization back into the communities that have disproportionately borne the burden of criminalization and disinvestment for decades. I urge your support for the bill sponsored by Senator Liz Krueger and Assemblymember Crystal Peoples-Stokes.

This bill would dedicate half of new revenue to drug treatment and traffic safety programs and half to communities that have been disproportionately harmed by criminalization. We have a unique opportunity to recognize that certain neighborhoods have been disproportionately wronged by marijuana enforcement. Let's begin to heal those communities that have been overly impacted by generations of mass incarceration.

Last year was a historic moment for criminal justice reform. Already, the City's jail population has fallen by thousands, one jail facility on Rikers Island has been closed, and another is slated to be closed in March. As a state, we must stand by the conviction that a person's experience in the justice system should never be predicated on their wealth. Period.

Even with the changes to bail, too many state laws and policies continue to criminalize poverty. While far fewer New Yorkers will be subject to cash bail, too many will still face a pernicious web of mandatory surcharges and service fees that permeate the criminal justice system. Unpaid court-imposed financial obligations can lead to damaged financial records, additional court hearings, and even jail time.

My office found that in 2017 alone, New York City Criminal and Supreme Court imposed 139,000 mandatory surcharges. And in the same year, when people could not pay their surcharges and fines, the courts issued 103,000 civil judgments and 11,000

warrants. As long as these surcharges and fees exist, New Yorkers will continue to face disparate outcomes depending on the size of their wallets.

I have been proud to work with Senator Julia Salazar and Assembly Member Yuh-line Niou to draft legislation that will eliminate mandatory surcharges and lift outstanding debt for the thousands of New Yorkers who have been unable to pay. Let's show the rest of the world that New York firmly believes in justice and fairness for all.

This year's Executive Budget also provides funding for the MTA's next five-year capital plan. It's a big, ambitious plan—and it's critical to ensuring that the heart of our region's economy continues to beat strongly. The plan deserves support from every level of government.

But, with New York City taxpayers already paying more in taxes, fares, and tolls than we get in service, we deserve real transparency and clarity before we agree to contribute even more. That means we need to push for real answers during the budget process to make sure our contribution is going to improve the MTA in ways that are identifiable before we cut a check for any amount, whether it's \$3 billion or \$300.

Before we implement congestion pricing, I hope we will also have a real conversation about, and a real plan for, transit improvements for the underserved parts of our City—both geographically, and in terms of the workers in today's economy whose work schedules no longer fit traditional service patterns. That means increasing off-peak service, more and better bus service, and opening up commuter trains for the cost of a Metrocard.

Today, I feel more confident than ever in our State's future in the hands of this legislature and this Governor. In the last eight years, personal income in New York State has grown by over four percent per year on average. We should not feel bound by artificial budget caps when we clearly have the capacity—and the need—to do so much more.

You have the ability to advance a fair and equitable budget for all New Yorkers, and to lift up communities in greatest need of our support. I am ready to support you in whatever way my office is able to help achieve that goal.

Thank you again for the opportunity to testify.