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Testimony by Domenic M. Recchia, Jr.
Chair, New York City Council Committee on Finance
Before the Senate Finance and Assembly Ways and Means Committees
on the Governor's FY 2012 -2013 Executive Budget Proposal

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Good morning, Chairman DeFrancisco, Chairman Farrell, Senator Krueger and Assemblyman Oaks, and members of the committees. I am Domenic M. Recchia, Jr., and I chair the New York City Council's Finance Committee. Sitting to my left is Preston Niblack, Director of the Council's Finance Division. On behalf of Speaker Christine Quinn and the entire Council, I want to thank you for inviting us to share our initial thoughts on Governor Cuomo's Executive Budget proposal for the coming fiscal year.

In general, we are pleased with the Governor's budget proposals as they affect our own budgetary situation. As you heard from Mayor Bloomberg, the City faces a \$2 billion gap for next year. Our tax revenues are not coming in above projections, so revenues will not help us much. And we are running out of reserves, as a result of the Mayor deciding to use the remaining balances in the Retiree Health Benefits Fund to plug the gaps in the next two years. With this in mind, it is with some relief that we are here today to discuss the Governor's Executive budget.

Last year, the Governor's Budget contributed heavily to the City's challenges in closing our own budget gaps. This year, however, the fiscal impacts of the proposed State budget are relatively small and mostly positive.

I want to highlight 2 actions in the State Budget that have significant benefits for the City, and we are thankful.

- The first is the 2.9% increase in School Aid for the City. Although this is contingent upon resolution of the differences between the Administration and the UFT over teacher evaluations, we feel confident that they will reach an agreement, providing us with this sorely needed infusion of funds for our schools. As you know, last year, the Council, the Administration, and the UFT worked together to avert layoffs of over 4,000 teachers. We are hopeful that we can work together again this year with the same, if not greater, success.

- The second action that I want to highlight is the Governor's proposal for the State to assume the cost of growth in the local share of Medicaid spending over the next few years is very welcome. Although we will not see significant savings until City Fiscal Year 2014, this provides relief from a tremendous burden on the City budget, and properly places the burden for cost growth containment at the State level.

Those are the 2 major actions that benefit the City. There are also many other budget proposals that we support, although not all of them provide direct fiscal benefits for the City. I will mention just a few:

1. The Governor's decision to offset the loss of \$93 million in federal child care funds with State funds. Child care dollars are increasingly rare, and we have struggled to hold on to quality child care capacity in the City, so this is very important to us.
2. Continued reform of the juvenile justice system, which will allow us to avoid costly placements and instead to provide more effective community-based alternatives. We wholeheartedly support the Mayor's work in this area.
3. Reform of early intervention funding, with the State assuming additional costs.
4. The increase in the low-income housing tax credit allocation, helping us to meet our urgent need for affordable housing.
5. The expansion of the statewide all-crimes DNA database. The Council recently restored a proposed cut to the budget of the Office of the Chief Medical Examiner, so they could continue to perform the DNA testing work in a timely manner, which is so important to effective prosecutions of criminals – and to avoiding wrongful convictions and incarcerations.

The Governor's budget also poses a couple of challenges that it falls on us in New York City to meet. We welcome the proposed increase in CUNY's capital funding – and we recognize that we must commit more at the local level or these funds will simply go to waste – a tragedy when CUNY facilities are on a strong path to becoming world class.

The Governor also suspended \$15 million in funding for the City's shelter supplement, pending the City's development of a plan for it. Again, the responsibility is on the City, and Speaker Quinn along with General Welfare chair Annabel Palma will be making recommendations to the Administration and urging them to complete a plan to submit to the State soon. Our homeless shelter population continues to rise, and we must find a way to ensure that as many of our citizens as possible can find decent permanent housing options.

For all the good news in the Governor's budget proposal, there are several areas that remain of concern to us.

The first is the delay in the increase in the public assistance grant. Although it actually saves the City a modest amount of money next year, this proposal comes at a time when many families are still struggling with unemployment, while the cost of living continues to rise – not just in New York City, but across the State.

Speaking of struggling families, let me express the Speaker's and my support – and I'm sure the support of almost all of the body of the Council – for Speaker Silver's proposal to increase the minimum wage in New York State. We applaud Speaker Silver for his advocacy for working families.

Returning to the budget – another concern we have is about the elimination of the cost of living adjustment for human services providers. Many providers have already been asked to do so much more during the economic downturn with so much less. Reducing COLAs for these providers will make them hard pressed to keep their own workers simply on the payroll.

While we recognize the constraints of the State budget, I hope that we can soon find a way to keep our community colleges affordable to those who see in them their best hope for a better future for themselves and their families. We cannot keep raising tuition at CUNY – even on a more rational and sustainable basis – and protect the promise of quality, affordable higher education it represents.

I want to take a moment to speak about our great Health and Hospitals Corporation. There have been 5 consecutive years of state Medicaid rate cuts to HHC totaling approximately \$500 million. While HHC has taken significant action to reduce its expenses and increase revenue, achieving more than \$315 million in cost containment and restructuring since 2009, there are nevertheless serious budgetary issues facing the Corporation. HHC's budget gap grows from \$140 million in FY 2012 to \$902 million in FY 2015. This does not include any new Federal cuts.

Beginning last year, Governor Cuomo's Medicaid Redesign Team has taken many actions to reduce State Medicaid spending. These actions, which will be compounded in Phase II of the Act, have only added to HHC's challenges in overhauling its cost structure, which the City has stepped forward to support.

New York State is preparing to submit a so-called ELEVEN FIFTEEN waiver to the federal government, which will provide funding to help the State implement the extensive MRT

changes. We urge you to ensure that the needs of our public hospitals are taken into account in the Eleven Fifteen waiver.

In addition, we hope that HHC will be included in the Governor's proposed work group to address changes in State Disproportionate Share Hospital (DSH) payments, and that the work group's proposals will bring New York State into compliance with federal law, including meeting the needs of public hospitals.

Finally, I feel I must mention restoration of revenue-sharing – AIM – for New York City. Although some may hope that we wouldn't have to have this discussion again after we were zeroed out this year, as a matter of fairness, we urge you to consider a restoration of this important source of unrestricted funds for City operations – if not this year, then when better fiscal conditions permit.

As you consider the Governor's budget proposals in the months ahead, and as we examine in more depth the impact of the budget on New York City, we will return to share our thoughts and perspectives with you. I appreciate very much your attention today, and the willingness you have shown in the last several years to hear us out. I'm happy to take any questions.