



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
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**Testimony of New York City Comptroller Brad Lander**

**New York State Joint Hearings on Governor's State Budget Proposal  
Local Government Budget**

**Assembly Ways and Means Committee and Senate Finance Committee**

February 6, 2024

**Introduction**

Good afternoon, Chair Krueger, Chair Weinstein, and Members of the Senate Finance and Assembly Ways and Means Committees. Thank you for the opportunity to discuss the New York State Executive Budget for Fiscal Year 2025, especially as it pertains to New York City.

First, the good news: The city continues its economic rebound, although at a slower pace. Jobs have recovered to pre-pandemic levels, but some areas are still lagging, including the construction, retail, and leisure and hospitality sectors. Rent has declined from its peak, but it remains high, and too many families remain rent burdened. Transit is stable at 70 percent of pre-pandemic usage, with a new normal of Tuesday through Thursday peaks. Inflation has moderated, and there is reason to be optimistic that the economy will see the “soft landing” that few economists believed likely. Fiscally, revenues have consistently come in above plan, and the outlook has improved since the Governor’s mid-year update and the City’s November Plan.

But significant challenges remain: Jobs are growing faster in lower-wage sectors than higher-wage ones. Housing affordability threatens the stability of families and discourages businesses from locating here. Expenses, in areas including uniformed overtime, Carter cases, and shelter for asylum seekers, are growing faster than revenues. As a result, budget gaps increase each subsequent outyear.

As we work through the current budget cycle, I continue to push for stronger management that will help close outyear gaps without cuts to essential services; address the housing affordability crisis; and set New York on a strong economic footing for the years ahead.

We need help from the State Legislature by restoring cuts made in the Foundation Aid and sales tax intercept, providing additional support focused on helping asylum seekers obtain work authorization and jobs so they can move out of shelter, a thoughtful approach to increasing the City’s debt limit, and reaching a deal on housing to address the affordability crisis.

**A thriving city is a welcoming, inclusive, and equal city**

*Aid for migrants*

We have received over 170,000 asylum seekers at a time when we did not know how we would recover from losing nearly half a million residents during the pandemic. Rather than shutting the door on new

New Yorkers, our City and State governments must work together to continue the tradition of embracing immigration – and making it into a benefit.

To do that, we need more help. While we continue to push for increased federal aid, the State should split the remaining costs evenly with New York City and provide fifty percent, not thirty percent, of the City's budgeted costs.

I am grateful that the State is investing money for legal services that will help new arrivals file their asylum applications, gain temporary protective status (TPS), and get work authorizations that help people out of shelter and onto their feet. The City must use this support to shift towards a model that prioritizes getting people working, with better coordinated case management and workforce development. The Governor's proposal to create transitional civil service titles for asylum seekers and migrants who have legal work status may offer another path to stability with over 4,000 jobs in areas that are hard to recruit for.

I call again on the State to acknowledge that the right-to-shelter, grounded in the State constitution, therefore applies statewide. This expansion in the right-to-shelter provision is a much more sensible policy to de-pressurize New York City's shelter system than forced eviction notices. I also urge the Legislature to pass the Access to Representation Act, which would help ensure those fighting to stay here have a fair shot during legal proceedings.

#### *Confronting the housing affordability crisis*

Last year, the Governor and the legislature failed to reach a deal on housing. I hope this year will be different. We need more housing production, stronger tenant protections, and more housing vouchers.

First, such a deal should facilitate the creation of new housing across income levels, with a strong emphasis on affordability. This will require a new approach to taxing multifamily housing development, to replace the 421a program. My office has offered up a [framework](#) to reform the taxation of new multifamily development and the provision of tax incentives, starting with tax parity between rentals and condos, and a better approach to matching costs and benefits, in order to create truly affordable rental and cooperative homeownership housing, including a 21<sup>st</sup> century reboot of the Mitchell-Lama program.

A comprehensive strategy for growth would include office-to-residential conversions; a path to basement apartment legalization; and regional growth targets, grounded in fairness and aligned with planning and infrastructure investments.

The second component of the deal we need is protecting tenants from displacement with good cause eviction protections.

Third should be the creation and funding of the Housing Access Voucher Program (HAVP). We urgently need these vouchers to help homeless families who have been stuck in shelter, and to help the most vulnerable New Yorkers get off the street.

#### *Strengthening investment in health & mental health services*

We also need a more robust mental health infrastructure to provide the services necessary to keep people healthy and safe. New York State should increase Medicaid payments to cover the full cost of hospital care, particularly for inpatient psychiatric beds which are still not at pre-pandemic levels.

And I urge the Legislatures to pass the Home Care Savings & Reinvestment Act to bring home care back under the direct management of the State and out from under for-profit managed care companies. Remove these costly middlemen and reinvest those administrative dollars into improved wages for home care workers, and more and better care for the elderly and disabled New Yorkers who need it.

### *Protecting workers*

We must continue to invest in a strong safety net of worker protections to ensure working families can thrive. Senator Ramos' and Assembly Member Reyes' Workplace Accountability and Greater Enforcement (WAGE) Act would expand local labor law enforcement in New York City to combat wage theft, retaliation against workers, and other violations of NY State labor law by strengthening the existing workers' rights enforcement authority of the NYC Comptroller to complement the enforcement efforts of our governmental partners.

### *Supporting the city's educational programs*

While we are grateful to the Legislature for increases in Foundation Aid in recent years, this year's budget would decrease our expected aid by \$130 million, by lengthening the reference period for inflation adjustment after the spike in prices we experienced in the past two years. With federal COVID-19 stimulus funding set to expire, the State should be adding funding to help localities preserve education programs, not taking it away.

The State should engage an expert panel to review and recommend updates to the Foundation Aid formula to ensure high-need districts are treated fairly.

At the higher education level, while SUNY has seen increases in State funding in recent years, CUNY has consistently faced cuts at the City-level. That's not the State Legislature's fault; but there is something you could do about it. While CUNY faces cut after cut, two of the city's largest private owners of real estate, Columbia (University) and NYU continue to benefit from property tax exemptions – \$342 million in FY 2024 alone. The CUNY REPAIR Act introduced by Assembly Member Mamdani and Senator Liu seeks to help remedy this inequity in higher education: private universities should pay their fair share, so CUNY can thrive as one of the greatest engines of upward social mobility anywhere.

### **Strong fiscal management leads the way**

If there is a common theme that ties all of these items together, it is that we need to combine strong fiscal management with wise public policy, so we can avoid steep cuts, balance our budgets, and invest in the infrastructure to ensure a thriving, diverse city. I'll be pushing aggressively through the City budget process to try to make that a reality.

But the State also has to play its part to help pave the road towards this future.

### *Do Not Shortchange New York City*

New York City needs to be treated fairly, on par with other localities in the state. The extension of the sales tax intercept for distressed hospitals only for New York City reduces our revenue by \$150 million each year for three more years, at a time when we have rising budget gaps.

And New York City is the only school district in the state that does not receive transitional charter school aid and that is required to provide rental assistance to charter schools, which has cost our school system hundreds of millions of dollars.

### *Fiscal approaches*

One other important issue relates to the City's debt limit, which is set by a complex State formula tied very imprecisely to the value of real property in the city. Based on City Hall's projection of new capital needs, my office shares OMB's concern that the City could breach its debt limit by FY 2029, as we face the growing infrastructure challenges of climate resilience, school construction and modernization, building the borough-based jails necessary to close Rikers Island, and keeping our roads, bridges, transit, water and sewer, and other infrastructure in a state of good repair.

Governor Hochul's Executive Budget proposes an increase in the City's capacity to incur debt of \$12 billion, phased over two years, which would address the issue.

While this increase is reasonable, it should be accompanied by a City policy that ensures that debt service remains below the long-standing threshold of 15 percent of tax revenues. This is an important component to modernize the City's fiscal framework.

The City also needs to significantly improve the way we develop and prioritize our capital plan. A forthcoming audit from my office looks at the way we currently assess the conditions of our municipal infrastructure and finds that process badly flawed. We need better information, and a more strategic and publicly inclusive process for setting capital priorities.

Finally, the City needs the Legislatures' help to utilize better tools to manage our capital projects efficiently, so they can be delivered on time and on budget. To that end, I support allowing the City to take advantage of alternative project delivery methods such as progressive design build and CM build, and – as proposed by S7583 sponsored by Senator Sepulveda – replacing in-person contracts public hearings with broader, more useful, and less time-consuming public notices. Thank you Assemblymember Braunstein for convening a recent hearing on these important bills.

### **Closing**

Thank you for your time as we work together to improve the opportunities and lives of millions of our fellow New Yorkers.