



OFFICE OF THE MAYOR
THE CITY OF NEW YORK

Mayor's Testimony on the Executive Budget before the Joint Fiscal Committees

Wednesday, February 25, 2015

Introduction and Acknowledgments

I want to thank the chairmen of the committees that are holding today's hearing, Senator John DeFrancisco and Assembly Member Denny Farrell. And the ranking minority members, Senator Liz Krueger and Assembly Member Bob Oaks.

I also want to thank the members of the Senate Finance Committee and the Assembly Ways and Means Committee for the opportunity to testify.

And I would like to thank the other members of both Houses who are joining us.

I would also like to congratulate the new Speaker, Carl Heastie.

Seated with me are two very capable people many of you have spent a lot of time with in the past year: Dean Fuleihan, Director of the New York City Office of Management and Budget, and Sherif Soliman, the City's Director of State Legislative Affairs.

I would like to start by saying that I am grateful for the strong partnerships we began last year, with both chambers, with all conferences, with leadership, and with individual members.

We have gotten a great deal done together – on education, on housing, and on many other issues of vital importance to New Yorkers.

It is our goal to build on these accomplishments together.

Combating the Inequality Crisis: The Road to One New York

This discussion about the New York State budget occurs against the backdrop of a crisis – one that I have been talking about for some time: growing inequality across our society.

This inequality crisis is becoming more prominent in our public discourse. The President made it a central part of his State of the Union address this year, when he said we must “commit ourselves to an economy that generates rising incomes and chances for everyone who makes the effort.”

Governor Cuomo spoke to it eloquently in his State of the State address, when he announced his “Opportunity Agenda.”

And we have heard warnings from both sides of the aisle. Like this one: “It’s a tragedy – a human tragedy – that the middle class in this country by and large doesn’t believe the future will be better than the past – or their kids will have a brighter future than their own. We haven’t seen rising incomes over decades. The American people are struggling to make ends meet.”

Mitt Romney said that last month.

Growing inequality is a worldwide problem. An Oxfam report last month projected that the wealthiest 1% of the global population will soon own more than 50% of the world’s wealth.

It is also a national problem. In recent years, the share of national income of the top 10% surpassed the level of 1928, which was the height of the 1920's stock market bubble.

And it is a local problem. In 2012, the top 1% of New York City residents earned 40% of all income, compared to 23% in 1994. Median income has remained stagnant since the 1990s. And the City's food stamp caseload has more than doubled since 2002.

We need to address this crisis and create a State and a City with opportunity for all.

This is not an easy task. It will only be possible for the City with a strong, sustained partnership with Albany.

The City Faced Major Risks Last Year – But Came Through Strongly

Last year, we faced some serious challenges – and we came through them by working together.

When I was here last January, I said that New York City faced three significant fiscal risks.

First, we were concerned about federal funding. And I should say, we are concerned again this year.

We need significantly more federal funding for housing, transportation, and other critical needs. But we are at risk of getting substantially less, through sequestration, general budget cutbacks, or gridlock. We are seeing the uncertainty of federal funding play out in Congress right now in the logjam over the Department of Homeland Security budget.

One example of federal funding that is of great importance to the City is the Highway Trust Fund. It is on a trajectory to be insolvent by May 31, 2015. The New York City metropolitan region is at risk of losing \$2 billion for key transportation projects,

including road and bridge maintenance, Vision Zero improvements, and mass transportation.

Second, when I was here last year, we were also concerned about the State contribution to the budget, but the State came through in some very important areas.

In particular, last year's State budget took some important steps forward for equality. I would like to thank the Legislature and Governor Cuomo for:

- The State's \$300 million annual 5-year commitment for pre-K in New York City;
- The State's support for our \$145 million expansion of after school programs for middle school students;
- Authorizing the New York City rental assistance program for the homeless, allowing State TANF funds to be used for rent subsidies to keep families out of shelters; and
- State funding for the HIV/AIDS Services Administration (HASA) 30% Rent Cap which, combined with City funds, provided rental assistance to protect the homes of over 10,000 low-income people living with HIV/AIDS

Third, at the City level, we had an unprecedented fiscal risk last year: when I took office, there were no labor agreements with any New York City employees.

We made reaching labor agreements a priority, and we achieved substantial progress. With the latest settlements this month, we now have ratified agreements with nearly 75% of the workforce.

This includes not only civilian unions, but 8 uniformed unions, three of which represent members of the New York Police

Department. We are ahead of the schedule we set for ourselves last year.

When we settled our pattern-setting UFT contract last spring, Standard & Poor's said: "The City now has an element of certainty in its financial plan that it lacked in the past."

Overall, we put together a budget last year according to our core values – one that is progressive, fiscally responsible, and honest.

We believe progressive government and fiscal responsibility are closely linked. The only way to have sustained progressive programs is to budget carefully and be disciplined about spending.

After last year's City budget was released, the three leading rating agencies were unanimous in saying that we put the City on a strong fiscal footing.

In fact, *every* independent monitor and rater affirmed fiscal responsibility as a foundation of our administration.

This Year: Seeing We Get Our Fair Share – that Needs Get Met – and that Inequality is Addressed

This year, we are looking to the State for help meeting some truly critical needs. In New York City today, 46% of the population is at or near the poverty level. The City is filled with hard-working people who are barely getting by in one of the most expensive places to live in the world – and they need help.

That is true, as well, of our schools and our students. Many students in New York City schools come from disadvantaged backgrounds or have special needs that require extra resources to address. There are 140,000 who are English language learners. And there are 171,000 students with disabilities.

Our infrastructure is aging, and in desperate need of repairs and improvements. If these issues are not addressed, our economy will suffer.

In a year in which the State has a \$7.8 billion surplus, we would like to see more funds budgeted to meet these profoundly important needs.

The moment has also come, when there is a sizeable surplus, to see that the City gets its fair share of State spending.

New York City has 43% of the State's population, and a New York City Department of Finance analysis shows that 50% of New York State tax revenues are attributable to New York City. But in many areas the City is not getting commensurate funding.

Last month, New York City's Comptroller, Scott Stringer, issued a report called "Less than Our Fair Share," which found that from 1985 to 2009, the State share of the City budget remained relatively constant, with five-year rolling averages ranging from 18.1% to 19.3% -- with an average of 18.8%.

But after 2009 it declined – until by fiscal year 2014 State revenue was just 15% of the City's budget.

If State revenue had remained at 18.8% of the City budget, the report said, the City would have received \$2.8 billion more in fiscal year 2014 for vital government services.

Three Critical Areas: Education, Housing, Infrastructure

In discussing the City's need for State funds, we want to focus on three areas in particular: (1) education; (2) affordable housing/ending homelessness; and (3) infrastructure.

Education

First, on education, I want to start by saying that I am grateful to Governor Cuomo for his strong support for extending mayoral control – which is a critical issue for the City’s schools and schoolchildren.

Before mayoral control, the City’s school system was Balkanized. School boards exerted great authority with little accountability, and we saw far too many instances of mismanagement, waste, and corruption. The City did not have the authority it needed to ensure that schools were functioning properly and to bring about needed reforms.

The Legislature recognized this in 2002 when it established mayoral control, and in 2009 when it extended it. When Mayor Bloomberg testified here in 2009, he said that mayoral control is critical for replacing “a culture of dysfunction in our schools with a culture of accountability and achievement.”

Mayor Bloomberg and I agree. Mayoral control gives the City the authority it needs to carry out a vision of improving and reforming education. The speed and scale of our pre-K-for-all and expanded after school initiatives were only possible because of mayoral control.

On behalf of the people of New York City, I ask that mayoral control be made permanent, rather than being subject to renewal every few years. That would build predictability into the system, which is important for bringing about the deep, long-range reforms that are needed.

We have been aggressively transforming the school system over past year. And we will do more.

There is one thing I want to make very clear: the status quo is *not* acceptable.

This is clear by many measures. One of the most striking is that only 27% of New York City graduates in 2014 were college-ready.

We must have constant, sustained reform.

We will not rest until every student in every part of the City gets a high-quality education.

We started our educational agenda with pre-K. This year, thanks to your support, there are more than 53,000 4-year-olds in full-day, high-quality pre-K – more than twice the 20,000 who attended the year before. Now, we need your commitment to serve approximately 70,000 children in year two.

The Board of Regents recommended \$370 million in funding, and we agree that is what is needed.

To speed the process of reform, we have established 62 PROSE schools – and we will soon be bringing this number up to 200. We have relaxed union work rules and DOE rules to allow these schools to innovate, on everything from the timing of the school day to enabling small-group instruction.

We have invested \$150 million in a major initiative to turn around 94 of our struggling schools, by fashioning them into Renewal Schools. These schools will receive extraordinary support to help them improve. This includes replacing school leaders who are not up to the job; deploying teams of highly skilled principals, assistant principals, and teachers to lead school turnarounds; using highly experienced Master Teachers to coach existing faculty; and providing an additional hour of instructional time for every child every day.

We have also begun to create 128 Community Schools across the City, including all of our Renewal Schools. Community Schools use an innovative model that draws on the resources of the

community, offering everything from expanded parent outreach to medical and mental health services for students in the school building.

And we have increased parent involvement time. The new teacher's contract includes 40 additional minutes every week for teachers to engage in outreach to, and meet with, parents.

In the last year, we have seen early signs of progress. The New York City graduation rate rose to 68.4% in 2013-2014, a 2.4% gain. The dropout rate fell to 9.7%, a decrease of 0.9%. The biggest gains were among Blacks, whose graduation rate increased by 2.6%, and Latinos, whose graduation rate rose 2.5%.

We are moving in the right direction, and I am committed to using all of the resources at our disposal to continue transforming our school system.

Our educational reform efforts begin with an understanding of the great importance of quality teachers. Attracting and retaining the best teachers is critical. And we must give them the support they need.

I said in a speech on education in November that we know some teachers just need more help – and we will give them more professional development, more mentoring – everything they need to succeed. At the same time, we have been very serious about moving out individuals who should not be teaching.

As I said in that November speech,

There are going to be some teachers, sadly, who don't belong in the profession. . . . We'll make changes . . . We'll invest, but we'll hold teachers accountable as well.

My administration is serious about teacher accountability. We have moved 289 teachers out of the Absent Teacher Reserve – and out of the system – since April.

In the two struggling New York City schools the State designated as “out of time,” because they failed to improve after three years – Boys and Girls and Automotive High Schools – we reached an unprecedented agreement: every teacher and staff member will be required to reapply for their job.

And we have made clear we will close schools if necessary.

We have said we will go to enormous lengths to fundamentally change the direction of struggling schools – and to bring that change about quickly. Too often in the past, schools were closed without being given a fair chance to improve. Our aim is to fix schools that are struggling so they can succeed.

But we will also not hesitate to close schools that have the opportunity to improve and do not. I said in my November speech that we will close schools after three years – in other words, during this mayoral term. But we also reserve the right to close schools even sooner if they do not make consistent progress.

The Governor discussed education policy in his State of the State address. I appreciate many of his proposals, including:

- Support for mayoral control
- A master teacher plan
- A teacher residency program
- PTECH expansion

I agree with the Governor on the need to get ineffective teachers out of the profession. We have moved out 289 teachers since April.

It is good that the Governor has addressed this important issue. But reform must be done in the right way.

Of course, we must have standards and accountability – we all agree on that. But excessive reliance on high-stakes testing is troubling. Standardized tests should not be the largest part of a full evaluation of a student or a teacher. When small variations in student test scores result in failing ratings for teachers, and that can lead to automatic termination, it forces teachers to teach to the test, rather than teaching for learning. And it discourages teachers from serving our most challenging students. That is not good for teachers, parents, or students.

The Governor has also proposed a State takeover of struggling districts and schools. But the fact is, mayoral control already makes it clear who is responsible for struggling schools in New York City – I am. I am fully accountable to the people of New York City, and if they do not believe I have succeeded, they will have the opportunity not to renew my contract.

Now, I want to return to the question of fairness in funding. I want to underscore, in particular, the major gap that exists in funding the CFE settlement. There is a shortfall this year of \$2.6 billion for New York City schools. This is not just another budget priority. It is the result of an order from the New York State Court of Appeals to provide “a sound basic education” to all students.

This missing money would make a crucial difference in the lives of New York City school children. It would allow for:

- Enriched reading programs in elementary schools to ensure every child is reading at grade level by the end of third grade – something less than 30% of third graders are now doing;

- Improved services, and educational outcomes, for the 171,000 students with disabilities; and
- Sufficient guidance and college counseling throughout our school system – instead of the current ratio of one counselor for every 376 students

We ask for your help in transforming our schools.

In addition to our work on pre-K through 12, we must do more for students in higher education – which is a critical weapon in combatting income inequality, and in building a City and a State with greater opportunity for all.

In recent decades, the college graduation rate has risen sharply among high-income families. But it has stagnated among lower-income families.

I applaud the Governor's proposal to defer student debt for New York college graduates who make less than \$50,000 a year. And I support Speaker Heastie's Higher Education Road to Success initiative.

We must also invest more in proven academic intervention programs, like the Accelerated Study in Associate Programs (ASAP), which work well but are not adequately funded.

And we have to see that more students have access to college – and that they complete college. I was heartened by the Governor's inclusion of the Dream Act in his budget proposal. It is critically important to building a just and inclusive society.

Housing

Now, I want to address the issue of housing. The shortage of affordable housing has reached crisis proportions in New York City, and it is closely connected to inequality.

Housing is the number-one expense of City residents.

In 2012, almost 55% of City rental households were “rent-burdened,” meaning they spent more than 30% of their income on rent. More than 30% were “severely rent-burdened,” meaning they spent more than 50% of their income on rent.

We have a bold plan to build or preserve 200,000 units of housing over the next 10 years. That is enough to house 500,000 people, more than the population of Atlanta or Miami.

To tackle the affordable housing crisis, the City and State must work cooperatively. Even though I know the discussion of the future of rent regulation will occur post-budget, I must emphasize now the importance of renewing and strengthening rental protections that expire this year.

If they are not renewed and strengthened, many thousands of apartments will become unaffordable. And many thousands of people will lose their homes.

I also want to state clearly my belief that we must end vacancy decontrol. It is a major contributing factor in the loss of rent-protected units in the City.

We will be returning to these important issues, but in this budget we must address a specific aspect of saving affordable housing – protecting tenants from landlord harassment.

According to a report by the New York City Rent Guidelines Board, from 1994-2012, 250,000 rent stabilized units exited regulation. That represents more than half a million people – the size of many entire cities. Many thousands of these are people who were driven out of their homes by landlord harassment.

In fact, during the three-year period from 2010 to 2012, when 30,000 units exited regulation, the State received nearly 19,000

complaints from tenants charging landlord misconduct in the City's rent regulated units.

And last year, the City received over 61,000 calls to 3-1-1 from New Yorkers seeking direct tenant protection services – a 16% increase from the previous year. This is just a small snapshot of the total incidents of harassment – incidents ranging from failure to provide basic maintenance, to lack of heat or hot water, to severe rodent infestation. But it paints a dire picture of the depth of the crisis our tenant community is facing.

The State has a duty to protect tenants. As I said in my State of the City address:

Albany has responsibility for enforcing our rent laws, but too often that doesn't happen. We need Albany to step up and enforce the laws aggressively.

The State is not currently meeting its obligation. In December, Comptroller Tom DiNapoli issued a report that found serious failures by the State's Office of Rent Administration.

Comptroller DiNapoli said: "Our latest audit found delays in resolving tenant complaints that are simply unacceptable. No one should have to wait for a year or more to learn if their landlord is gouging them on rent or to get needed services restored."

If the State will not enforce the law and protect tenants, it must allocate funds so tenants can help themselves – by providing free legal services to victims of landlord neglect or harassment.

Now, I would like to talk about two more housing issues directly related to this budget.

First, there is an urgent need for more investment in public housing. The New York City Housing Authority is critical to New York City. It is the City's largest landlord, managing 178,000

apartments in 334 developments. And it is a key part of the City's commitment to affordable housing.

There has been a serious erosion of government support for housing at the federal and state levels since the 1990s.

This has resulted in continued deficits and accelerated deterioration of the nation's public housing stock. NYCHA, because of its size, has experienced these cuts particularly dramatically. Years of disinvestment coupled with aging buildings have resulted in deferred capital rehabilitation, repairs, and maintenance.

This defunding has forced NYCHA to cover large operating deficits by depleting reserves and transferring capital funds to support operations.

Unless we address the gaping operating and capital deficits, and do so fully, NYCHA's buildings will continue to deteriorate – depriving tenants of the level of housing they deserve.

My administration has made NYCHA a priority. The New York City Preliminary Budget for this year added \$72.5 million in operating funding for NYCHA by relieving its past obligation to pay for police services.

This frees up \$72.5 million that NYCHA can dedicate to health and safety initiatives – including protecting children from developing asthma by removing mold, and deterring crime by installing cameras in elevators. It also means NYCHA is no longer the only residential landlord required to pay for its own police protection.

We are asking the State come up with \$300 million for health and safety in NYCHA developments – which the City would match. This additional funding will help ensure that NYCHA is able to fulfill its historic role and operate at the standard tenants are entitled to.

The second part of the housing crisis that must be addressed in this budget is funding to address the homelessness crisis.

We now have a record high homeless population in the City. This population has more than doubled since 2000. And since the Advantage Rental Assistance Program ended in April 2011, the City has seen a 54% increase in homelessness.

The Governor acknowledged the crisis in his State of the State address, calling the record number of homeless in the State “a disgrace.”

If we do not take immediate, bold steps, the crisis will keep growing, with an increasing human toll.

The City has provided rental assistance to over 25,000 formerly homeless individuals and families. That assistance was critical, but we must do more.

And it is critical that we do more than simply address symptoms. Shelters are only a temporary solution. We must use every tool at our disposal to get working families, domestic violence victims, and seniors back on their feet – out of shelters and into homes.

In our Preliminary Budget, we announced major City investments to address homelessness. But to truly tackle the problem requires a fully committed, long-term partnership with the State and greater permanent funding.

We are asking the State for \$32 million in funding this year, and more in future years, for rental assistance to prevent and alleviate homelessness.

There are a number of key programs this would fund. One is Family Eviction Prevention Services, which is aimed at stopping homelessness before it happens. The second provides rental assistance for domestic violence victims and the elderly. Finally,

there is a program to increase rent allowances for Section 8 tenants, which would help to move thousands of families out of homeless shelters more quickly.

We are also asking the State not to do something. It should reject an ill-considered proposal in the Governor's budget for homeless programs: a 10% New York City-only cut for Emergency Assistance for Families, which would effectively mean a \$22.5 million cut to our homeless prevention programs. That money would provide shelter for 500 families for a year.

In his budget, the Governor included some much-needed funding for supportive housing for the homeless who are mentally ill, homeless people with HIV/AIDS, and other homeless populations.

The funds he included for NY/NY IV housing for the homeless are important, but not nearly equal to the enormous needs. This program provides less than half the number of units to New York City that NY/NY III did, even though the homeless population is now twice as large.

The Legislature should come up with more funding – we are asking for a long-term commitment of 12,000 units in the City. We also strongly object to the request that the City fund half of the operating costs of these units – something that was not done in the past. The program should be structured like NY/NY III and include full state operating funding for these units.

Infrastructure

The third and final major area I want to discuss is infrastructure. The City's bridges, roads, and other key structures are in serious need of repair and modernization.

Our infrastructure is critical for the economy of the City and the State. For the future economic success of all of New York State, we

need long-term strategic investments in the City's infrastructure. Stop-gap solutions are insufficient.

The State has consistently underfunded New York City road, bridge, and highway rehabilitation and maintenance. There is now a shortfall of \$1.5 billion over 10 years.

The State must also do more to fund the MTA's capital plan – a situation that is reaching crisis levels. We have a severely aging subway system – large parts of the signal system are over 50 years old. Many subway cars currently in use were built before 1975.

At the same time, MTA ridership is at its highest since 1950s. Subways are frequently over capacity during rush hours.

And the system still does not fully serve the needs of all 5 boroughs.

Adequately funding the MTA's capital needs is not just about the needs of New York City. The MTA is critical to the state – and the entire metropolitan region. New Yorkers take nearly 2.7 billion trips on the MTA each year – and it is critical for ensuring that residents of the region can get to work every day.

The current MTA capital plan is woefully underfunded. The State's investment has steadily declined over the last 14 years. The plan is now underfunded by more than \$15.5 billion – and the Governor's contribution of just \$750 million does not begin to address the critical needs.

We cannot ask riders alone to sustain the system with fare increases. We must also contribute with a fully funded Capital Plan – and to achieve this, all levels of government must work together.

Investing in MTA capital improvement would not only be important for improving infrastructure for the whole region – it would also provide a major boost to jobs and economic development.

Other Issues

Finally, there will be other important issues for the Legislature to consider this year. The first of these is protecting our police.

Last year was a remarkable year for the NYPD. Murders in the City were the lowest they have been since at least 1963. Major crimes were down significantly. And the NYPD implemented real reform: stop-and-frisks were down 75 percent.

But it was also a very difficult year, with the tragic murders of Detectives Ramos and Liu.

The City has committed an additional \$350 million to support the NYPD, including \$160 million over three years for smartphones for all officers and “ruggedized” tablets for all patrol cars. And in our Preliminary Budget, we announced \$11.5 million this fiscal year and next to replace all bullet-resistant vests over 5 years old.

I was pleased to see the Governor’s police protection initiative calling for increased funding for bullet-resistant vests and other measures.

Second, on “Raise the Age,” we agree with the panel that investigated the issue, which included our Director of the Mayor’s Office of Criminal Justice, Elizabeth Glazer. It called for taking 16- and 17-year-olds out of the adult criminal justice system.

We should have special facilities and programs to work with young people and help to turn their lives around, not write them off.

I am heartened that the Governor supported "Raise the Age." This complements other efforts my administration is making to reduce unnecessary incarceration, and help youth get out of criminal justice system and on the right path. The Governor has also said he will pay for the cost of "Raise the Age" – and that commitment must be kept.

Third, we hope the State will take necessary actions on tax reform and relief. On property tax relief, it is good to see that the Governor's proposal includes renters. But the level of benefit it provides to residents of New York City should be raised.

On tax reform, I am pleased that the Governor has included our proposal to conform the State and City tax codes. This is an important step that would streamline tax law for businesses and provide needed relief to our small businesses and manufacturers.

Fourth and finally, on the minimum wage, the State can do a tremendous amount to improve the lives of hard-working New Yorkers by raising the minimum wage. Nothing does more to address income inequality than actually raising people's income.

The current minimum wage simply does not do enough for workers in New York City. That is why, with your help, we must raise New York City's wage to more than \$13 per hour in 2016. And index it to inflation, which would bring us to a projected \$15 per hour by 2019.

I began here today by talking about inequality, and I hope that as you make your budget decisions you will keep this very real crisis in mind.

Many people are discussing income inequality, but the men and women of this Legislature can do something about it. Through the choices you make about spending on education, housing, and infrastructure, you can reduce inequality and increase opportunity.

I urge you to keep this in mind as you prepare this year's budget. And I also urge you to ensure that New York City's needs are met, and that the City gets its fair share.

I thank you for inviting me to speak with you today. And I look forward – my entire Administration looks forward – to working with you in the days ahead to develop a budget that meets the needs of all New Yorkers.

