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**MAYOR BYRON W. BROWN
CITY OF BUFFALO, NEW YORK**

**TESTIMONY BEFORE
NEW YORK STATE JOINT
LEGISLATIVE FISCAL COMMITTEES
REGARDING
GOVERNOR'S 2014-2015 RECOMMENDED STATE BUDGET**

**SUBMITTED
MONDAY, JANUARY 27, 2014
ALBANY, NEW YORK**



Chairman Farrell, Chairman DeFrancisco, members of the committee, thank you for the opportunity to address the Joint Committee regarding New York State's 2014-15 budget and its impact on New York State's second largest city, Buffalo, New York.

Since becoming Mayor, my focus has been on improving the fiscal outlook of Buffalo, creating an even more vibrant business environment that will accelerate investment and job creation and establishing a more efficient government. While there are still challenges our efforts are producing results. For example:

- City expenditures stayed in line with revenues, increasing by 2.3 percent annually, compared to 3.3 percent for all cities in New York State.
- In July 2012 the Buffalo Fiscal Stability Authority ended its hard control of the City's finances.
- Buffalo continues to make strides in lowering its Constitutional Taxing Limit, going from 92 percent in 2005 to 70 percent in 2013.
- Commercial property tax rates have been reduced by 28% and residential property tax rates have been reduced 15% since 2006.

- The City of Buffalo's "Rainy Day Fund" is currently over \$35 million.
- Moody's has upgraded the City of Buffalo three times between 2006 and 2012 to an A1 rating.
- Buffalo added over 2,200 jobs during 2013 and more than 7,000 additional jobs are projected to be created in the next 3 years.

After decades of decline and financial troubles, Buffalo has turned a corner.

Governor Cuomo and the State Legislature have been true partners and I applaud the focus and dedication Governor Cuomo is showing Buffalo.

This year's budget is a step in the right direction, but I still have some concerns. Buffalo is looking to protect programs that work and add tools that will allow the city to reach its full potential.

Manufacturing once accounted for half of Buffalo's economy and jobs.

Today it represents only 8%. Although emerging technologies, education, and health science have grown in Buffalo, manufacturing is still an important part of Buffalo's economy. The loss in manufacturing jobs over the years is a direct result of an unfriendly business environment. The

Governor proposed budget provides a \$25 million tax reduction for upstate manufacturers, which will help to reverse this trend.

In addition, reducing corporate income taxes and \$680 million toward the Buffalo Billion in this year's budget will help to strengthen Buffalo, Western NY and the state as a whole.

This year's budget threatens over a decade of significant brownfield redevelopment by defunding the Brownfield Opportunity Area program and significantly reducing the Brownfield Cleanup program's development tax credits.

Brownfield Opportunity Areas or "BOA" funding was not included in this year's budget. Buffalo's abundance of contaminated former industrial sites, combined with still challenging regional economic conditions, makes the BOA program a critical component for redevelopment in the city.

Buffalo has been very successful in employing the BOA program to the benefit of its residents. The city has been awarded four BOAs to date where revitalization and reinvestment are taking place.

A master plan developed under the South Buffalo BOA was instrumental in attracting \$1.5 billion in private investment, and \$225 million in state investment to the Buffalo High-Tech Manufacturing Innovation Hub @ RiverBend. This development wouldn't have been possible without the BOA program. The 90-acre site was the former location of Republic Steel and Donner Hanna Coke, and with the help of Governor Cuomo, will soon support 850 good paying jobs in the Green Economy, with the expectation of another 4,150 jobs at the site.

The BOA plans are also targeted to improve the surrounding communities, providing an opportunity for these neighborhoods to take advantage of the economic growth that is occurring. I request that the modest funding for this important program be continued in the state budget.

While the Governor's reform and extension of the Brownfield Cleanup program is welcome and encouraged, proposed restrictions will be detrimental to development efforts in upstate and Buffalo in particular. The majority of the tax incentives realized from the Brownfield Cleanup Program have come from the value of the total project cost rather than the cost of

neighborhoods and on commercial strips, especially when boarded-up properties are found on otherwise healthy blocks. Targeted building rehabilitation and strategic demolitions are key components in a successful revitalization strategy in Buffalo.

When I took office in 2006, there were more than 10,000 vacant structures. To date, over \$100 million in city, state, federal, and private funding has been spent to demolish nearly 5,000 structures. However, there are still more than 5,000 abandoned structures in the city. The average cost to demolish residential structures is \$18,000 to \$20,000, and anywhere from \$50,000 to over \$1 million for commercial properties. Over the next four years, the total cost of demolishing the more than 5,000 vacant structures remaining would be over \$185 million, if funding for demolition were available.

The cost of demolition can also be decreased by eliminating the Asbestos Notification Fee. The Asbestos Notification Fee, adds \$2,000-\$8,000 (depending on the structure), each time a demolition takes place, driving up costs for property demolitions, thereby weakening the city's efforts to stabilize and revitalize certain neighborhoods. The City of Buffalo would be

able to demolish 50-60 additional structures annually if this fee was eliminated.

Another area vital for our neighborhoods is youth funding.

Two important strategies in helping kids get the right start in life and keeping them on that path are universal pre-Kindergarten and quality afterschool programs. The increase in state aid to our public schools will support increased student achievement. I commend the Governor for including these priorities in this year's budget.

An equally compelling priority is restoring funding and support for youth employment programs. This is an important way to lift individuals and families out of poverty and into gainful employment. The State Budget should have a larger commitment to the TANF program which funds summer youth jobs. This program gives real job experience and real income to some of the poorest youth in our city and should be expanded. The City of Buffalo has used these funds, in combination with significant city resources to provide meaningful job opportunities to many of the city's neediest young people since 2006. In fact, Buffalo's city government

spending on summer youth employment in 2013 is the highest in the city's history.

Given the wide variety of financial needs the City of Buffalo has, I must request an increase in AIM funding.

With budget growth consistently under inflation, a 25% reduction in workforce since 2000, and continued sacrifice by our employee unions, Buffalo has already made tough choices and tightened our belts. We continue to do more with less, and have implemented scores of efficiency measures. It is critical for local aid to be increased, so that the city's fiscal recovery is assured into the future. Presently, the city is highly dependent on state aid with over 1/3 of all revenues attributable to state support. The city has very few alternative revenue sources, other than property tax, which I have committed to not raising, in order to continue to improve the climate for residential and commercial investment in Buffalo. With employee pension costs increasing by 12%, in the current year, and many other costs growing well beyond the rate of inflation, persistent zero growth in state aid is jeopardizing Buffalo's hard-earned fiscal stability.

Another way we can lessen Buffalo's dependence on state aid is by allowing utilization of revenue opportunities that do not burden taxpayers, such as the elimination of the state practice of keeping certain locally generated revenue streams, for example, motor vehicle moving violations, marriage licenses, and handicapped parking fees.

Finally, the City of Buffalo requests the same authority offered to its surrounding suburbs, the ability to adjudicate its traffic violations. New York State currently holds all hearings in Buffalo without the option of a plea bargain system. If the City of Buffalo adjudicates traffic infractions the city will implement a system that would allow traffic violators to have an option of a plea bargain, which could lead to traffic school. This system would offer two benefits to Buffalo residents currently enjoyed by our suburban neighbors; the violator would be allowed to attend traffic school thus hopefully becoming a safer and better driver and after attending school would not receive any points on their license which in turn would not raise their insurance rates. City of Buffalo residents already pay higher insurance rates and this system only causes these rates to increase without any of the options that are offered in the surrounding municipalities.

Over the past eight years, my message to you has been: give us the tools and we will make Buffalo a strong vibrant city and an even greater asset to New York State. Through hard work and careful planning, progress has been made in Buffalo. We have worked to build a foundation for future growth and investment that must not be endangered by the loss of key state funding. Thank you for your time and I wish you success in the budget deliberations ahead.