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**Testimony of Hon. Corey Johnson
Speaker of the New York City Council**

**Joint Hearing of the Senate Finance and Assembly Ways and Means Committees
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Good afternoon Chair Krueger, Chair Weinstein, and members of the Senate Finance and the Assembly Ways and Means Committees. I am Corey Johnson, Speaker of the New York City Council and I am pleased to be before these esteemed bodies, virtually this year, to discuss the Executive Budget for State Fiscal Year 2021-2022 and its potential impact on the City. I will attempt to keep my remarks today brief, and I hope that you will take the opportunity to review the additional materials that I submitted with my testimony as a fuller explanation of the Council's positions on the education, social services, and health proposals contained in the budget.

The COVID-19 pandemic has devastated the fiscal position of both New York State and City. I thank Senator Schumer and the New York delegation for the federal help that has come so far, and I hope and expect that another robust stimulus will soon pass. However, until that stimulus is delivered, I urge you to pass a budget that shields critical public services from budget cuts and that avoids subjecting New York City to more than its share of the fiscal pain.

The City's \$92.3 billion Preliminary Budget for Fiscal 2022 closes a \$5.3 billion gap with difficult cuts, but we are very much counting on \$16.3 billion from the State. The State's \$103 billion Executive Budget for Fiscal 2022 closes a \$15 billion two-year budget gap by presuming that the State will receive a federal relief package of at least \$6 billion and by imposing cuts, including lowering direct aid to the City by \$619 million – \$310 million in Fiscal Year 2021 and \$309 million Fiscal Year 2022. A \$619 million loss is more than the City can bear given our fiscal position and the needs of our people.

When finalizing the State's budget, I ask that you consider the Brookings Institution's finding that "the COVID-19 recession is the most unequal in modern U.S. history." The costs of the pandemic, both in terms of lives lost and health, and in terms of job loss and economic insecurity, are borne disproportionately by poorer segments of society. It is important that in balancing our budgets we do not worsen inequality by underfunding the services on which our communities depend.

In the past, New York City's resilient property tax collections have buffered us from economic shocks and have even enabled us to shoulder more of the statewide burden in difficult times. This year is different – widespread vacancies and falling rents due to COVID-19 have led to a 15.8

percent decrease in the market value of our commercial properties. Our Fiscal Year 2022 property tax assessment roll, which measures values as of January 2021, will decline for the first time since the 1990s. When, and if, the real estate market returns to its pre-pandemic level is an open question.

Moreover, while all of New York State is feeling the impact of the COVID-19 recession, New York City is especially hard hit. Of the more than 1.9 million jobs lost in New York State last March and April, 944,000 were in the City. And while almost half of lost jobs have been recovered statewide, only 39.4 percent of the City jobs have returned.

Turning to specific budget proposals, I must first discuss education funding. The proposed State's budget continues to underfund the City's public school system. While this has been a years long problem, it is particularly acute this year given the extraordinary costs incurred because of COVID-19, the struggle to provide in-person and remote learning, and the long-term social and emotional costs faced by students and teachers. This year our City's schools are less able than ever to bear resource reductions.

It is true that the Executive Budget proposes a net \$1.6 billion increase in aid to City schools. Unfortunately, the policy behind this increase threatens to permanently decrease State support for City schools in the long term. The increase is mostly accomplished by distributing \$2.2 billion of the \$3.9 billion in federal COVID-19 relief funding to New York City. However, this funding supplants State funding and is masking cuts in the fundamental way that the State funds City schools. Specifically, the State Budget proposes to consolidate 11 expense-based aids into a General Services Aid block grant that would cost the City \$591.5 million in Fiscal Year 2022. Second, the State Budget leaves the Foundation Aid formula flat over last year, costing the City \$837.4 million in Fiscal 2022. Additionally, the State would eliminate funding for school districts' prior year aid claims, costing New York City \$28 million according to the Mayor's Office of Management and Budget. Further, the Local District clawback that cuts State support for schools statewide by \$1.4 billion and for the City by \$144.1 million must not become a permanent gimmick to reduce the State obligation to fund schools.

We oppose the proposal to require the City to fully fund charter school rental assistance. The only reason the City must foot this bill at all is because of a State requirement that is imposed only on New York City. Previously, the State reimbursed us for a portion of these costs, but this budget proposes to eliminate all reimbursements, turning this into a fully unfunded mandate. As written, this elimination would impact expenditures as far back as Fiscal 2019 and would transfer costs of \$150 million in Fiscal 2021 and approximately \$100 million in Fiscal 2022 and beyond from the State to the City. This would move education dollars away from public schools to cover private leases entered into independently by charter schools with no oversight from the City. Moreover, while the proposal to lower charter school tuition rates initially saves the Department of Education \$60 million, the State proposes to claw back of \$29 million of those savings. Lastly, the State budget reopens 19 previously closed charter schools. This is a loophole around the State's own charter 260 charter school cap within New York City and would bring the number of charter schools to 279. This would cost the City \$160 million annually once charters realize full enrollment.

Regarding social services, we strongly oppose the proposed five percent local assistance cuts to human services. If implemented, the City would lose \$40.2 million in State aids for critical services, including foster care and adoption, as well as child welfare and domestic violence services. These cuts to programs that New Yorkers need would come on top of \$140 million in Temporary Assistance for Needy Families (TANF) cost shifts last year and \$182 million in children services cost shifts the year before.

The Council recognized the extraordinary need for food assistance among New Yorkers during the pandemic and partnered with the City Administration to provide \$25 million for emergency food programs in Fiscal Year 2021. The State similarly stepped up with \$35 million to support the Nourish NY emergency pandemic food program, of which \$15.4 million went to providers in New York City. Because the need to combat pandemic-related hunger has not let up, we've asked the Administration to join us in expanding our commitment and, similarly, I implore you to make at least another \$35 million commitment to Nourish.

The Executive Budget singles out New York City by again slashing the General Public Health Works program. The Executive Budget would cut the State's share down to 10 percent from 20 (on top of a Fiscal Year 2020 reduction from 36 to 20 percent) and would cost the City \$20 million next year. This program supports core public health services – including family health, communicable disease control, chronic disease prevention, community health assessment, emergency preparedness, and environmental health. I urge you to reject this proposal.

The Executive Budget also reduces local assistance payments for non-Medicaid payments under the Office of People with Developmental Disabilities, costing the City \$2.5 million in Fiscal 2021 and \$10 million in Fiscal 2022. Even the City's hospitals are not spared in this budget, as they continue to work on the frontlines against this pandemic. Under this budget, NYC Health and Hospitals would lose \$473 million over two years, as a result of several proposals including a one percent across-the-board cut to Medicaid providers, the elimination of the State's share of the public Indigent Care Pool, and a reduction to the Medicaid capital rate add-on.

There are however some health spending proposals that we welcome, including adding \$9.7 million to help adult home residents transition to more integrated settings in the community. We also support the increase in reimbursement and access to telehealth services, and, most significantly, the elimination of monthly premiums for 400,000 lower income individuals enrolled in the Essential Plan.

With respect to transportation, we are opposed to the proposed cuts to the operating subsidy of the Metropolitan Transit Authority's buses and the Staten Island ferry. These reductions would lower the State's support by \$6.3 million in Fiscal 2021 and \$25.4 million in Fiscal 2022.

Beyond dollars and cents, the Council is also closely tracking proposed State legislation with important policy implications, including one bill that would allow New York City building owners to satisfy their obligations under our Local Law 97 by purchasing New York State Energy Research and Development Authority (NYSERDA) renewable energy credits to offset their buildings' emissions. We believe that NYSERDA credits sold in the City must be produced there.

If the State legislation allows credits produced outside of the City to offset local emissions, that would subvert our intent to curtail building emissions at their source.

As you deliberate over the next months to balance the State Budget, I think it is important that revenue options be considered before cuts to local, education, and social service aid are imposed. While federal aid is vital to our recovery, it alone will not fully solve our budget woes. I support revenue raisers, including the long overdue full legalization of marijuana, assuming appropriate amends are included to mitigate the injustices suffered by communities of color as a result of its criminalization. But, I think new revenue should come from those who can most afford it.

In my opinion, the Governor's tax proposal to raise revenues does not go far enough. While it raises some money in the short term, it would cost the State in the long term, specifically \$160 million in Fiscal 2026, by effectively refunding the additional tax to our wealthiest residents over time. I just don't see the point of this.

A more ambitious proposal designed to provide revenues necessary to address inequality in our State is a package called Invest in Our New York, which is estimated to raise a minimum of \$50 billion each year. This package focuses on taxing the wealthy and includes a personal income tax increase on taxpayers with incomes over \$400,000, a capital gains tax designed to offset the capital gains preference on the federal income tax, an inheritances tax on the top one percent of estates, an income tax surcharge, a wealth tax on billionaires, and a financial transactions tax. Revenues from this package would do more than address our current needs and would fund additional programs to address inequality.

New York State and City are in a fragile condition as we begin to emerge from the pandemic. I call on you to first, above all else, do no fiscal harm, so that we can nurture each other's recoveries, and so that New York City can again emerge as the robust economic engine of this State.

I look forward to our continued, productive partnership to enact a State budget that supports the City of New York and every constituent who calls it home.