



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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Testimony of New York City Comptroller Brad Lander: Response to the Proposed 2023-2024 New York State Executive Budget

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INTRODUCTION

Good afternoon Chair Krueger, Chair Weinstein, and members of the Legislature. I'm honored to be here and thankful for the opportunity to discuss the State's Executive Budget for Fiscal Year 2024, and in particular its implications for New York City.

In many ways, the city is buzzing back to life as we emerge from the COVID-19 pandemic. Jobs are back to 98% of pre-pandemic levels. Tourism is on the upswing. Yet, the shift to remote and hybrid work is affecting offices, transit, and City revenues. The housing crisis has reached epidemic levels, and while inflation has eased measurably from its peak, costs for child care, food, and energy are straining working families. Meanwhile, the outlook for the national economy remains highly uncertain.

We are lucky to be in far better shape than we were at the peak of the pandemic, when we worried whether anyone would want to live, work, visit, or ride the subway in our city. Now, we face a new set of questions: How do we nurture a thriving and better-shared economy? What can we do to address the skyrocketing costs facing working families? How do we prepare for future crises and challenges? And, for today, how is the state Executive Budget tackling these issues?

The Governor's proposed budget contains many positive measures, but also falls short in critical areas, where we urge the legislature to push for change. We urgently need to build more housing at all income levels, but scaling up production alone won't protect tenants in the Bronx (where the 7 highest-eviction neighborhoods are located) from eviction or help homeless families get a new home. Indexing the minimum wage is important, but it will only help a significant number of working families if we first raise the base.

And, perhaps most important for the City of New York itself, needed new resources for asylum seekers should not be offset by more than one billion dollars in cost shifts and revenue reductions to New York City over the next fiscal year, and growing even higher over the coming years.

KEY BUDGET CONSIDERATIONS

Support for asylum seekers: Remove the \$1 billion cap which artificially reduces the State's fair share

New York City has thrived for centuries by welcoming immigrants, and we are honored to continue that tradition by providing shelter and services to the newest New Yorkers, but we cannot do it alone. The responsibility to provide safe haven for those seeking asylum from war and violence is a national obligation under both international and federal law. And the obligation to provide shelter to those who need it is found in the New York State Constitution.

So we welcome the Governor's proposal to support asylum seekers arriving to New York City through funding support for shelter, Medicaid access, and National Guard deployments. We are grateful that the State has created a framework for sharing costs and has initially committed to funding nearly 30 percent of shelter costs for asylum seekers.

However, as the City is on pace to spend approximately \$4 billion over this two-year period, the State's \$1 billion cap on shelter aid falls short of following through on this commitment. The City cannot and should not put a cap on the number of asylum seekers who arrive; the State should not put one on the funding. The State and the City, the Executives and the Legislatures, should continue to work together to ensure that the Federal government provides the resources necessary to meet this national obligation. To whatever extent that is not true, the State and City should share the burden equally.

The City and State must also begin to work together much more aggressively to help people successfully move *out* of shelter – not only asylum-seekers, but the tens of thousands of people who have been in shelter for much longer.

For asylum-seekers, that means scaling up an all-hands effort to help them understand their options, file asylum applications, obtain work authorizations, and find jobs. The State could help enormously in this effort by passing the Access to Representation Act, which would ensure a right to counsel for all immigrants facing deportation.

For everyone in the shelter system, that means rapidly expanding pathways to permanent housing. The State could help in this effort by increasing the Shelter Allowance from its paltry level of \$215 per month for a single adult, and by passing the Housing Assistance Voucher Program (HAVP) and ensuring that a meaningful share of the vouchers go to homeless families.

Public education: Charter cap removal would impose unfair fiscal burden on New York City

I applaud the Governor and the Legislature for the culmination of their long-overdue effort to fully fund Foundation Aid across the State. It is now critical to turn to a review of the decades-old formula that underpins this Aid. I urge the Governor and Legislature to support the State Education Department's \$1 million request to hire school finance experts to review the per pupil cost inputs and weights to ensure that school districts with students with the greatest needs are supported appropriately. Across the state, schools are struggling with an increase in students for whom learning is made more difficult due to factors such as unstable housing environments, and yet the Foundation Aid formula provides no additional support for them.

Albany's support for education should be equitable across the State. Unlike other municipalities, however, New York City is not reimbursed equally for tuition assistance to charter schools, and is required to pay their rental costs, without full state reimbursement. As a result, the Governor's proposed elimination of the New York City charter cap and the reissuance of "zombie" charters imposes inequitable costs on New York City. Adding up to 85 new charter schools and re-issuing 21 "zombie" charters would cost the City at least \$1.2 billion in increased tuition and lease payments by the time they are phased in. This is on top of the estimated \$2.9 billion in unreimbursed costs the City will pay in FY 24 for the 275 existing NYC charters. The Governor's proposals here should be rejected.

Meanwhile, while lower student-teacher ratios are a goal I strongly support, the State's mandate to reduce class sizes enacted last year forces New York City alone to implement it, without new resources to pay for it. The fiscal and operational challenges to implement this mandate are significant. The City's Department of Education estimates a need of 7,000 additional teachers at a time when they already face a

shortfall of pedagogical staff. The City estimates the full cost of implementation will be \$1.3 billion, excluding any capital needs for additional space.

The education New Yorkers need for success does not end in 12th grade, making CUNY and SUNY programs urgently necessary for a thriving future. So it is distressing to see proposed tuition hikes and institutional budget cuts, which will reduce both access and quality.

We must invest in the physical infrastructure of these institutions and expand on their ability to deliver accessible career pathways for their students and the workforce needed for New York's continued growth. A centralized career office with the staff and resources to assist students, manage the logistics of the recruiting process and coordination with individual campuses, and grow relationships with corporations and organizations to establish CUNY as a top tier source of diverse, high quality talent would be instrumental in boosting student career development and placement across all CUNY campuses.

Public transportation: The State must fund the MTA with long-term, fair, reliable revenue

Arguably the most critical budget debate this year is mass transit. With farebox revenue severely diminished by remote and hybrid work, the State must put in place new, reliable sources of revenue. I support the Governor's proposals to increase the share of the payroll mobility tax devoted to the MTA, and to dedicate new casino revenues to transit.

We must also implement congestion pricing in a timely manner to fund the capital improvements that will enable frequent, high-quality service and elevate the MTA to a world-class transit system.

We should not, however, impose a fare hike that would disproportionately impact low-income New Yorkers already suffering from skyrocketing costs due to inflation over the past year.

And it is both unfair and unsustainable to impose an additional \$523 million cost on the City of New York to fill the MTA's budget hole, by increasing the City's share of costs for student MetroCards, expecting the City to provide money to make up for payroll mobility tax revenue, asking the City to cover the entire portion of net operating Paratransit costs, and then – even on top of that half-billion – demanding that the City alone dedicates its share of any downstate casino tax revenue to the MTA. No other municipality is being asked to bear the costs for regional transit service, even though the MTA serves 12 counties across New York State.

The proposal also fails to recognize that the very same shift to remote and hybrid work that has diminished farebox revenue is also affecting the City's commercial property tax revenues, and likely redistributing them to other parts of the region. Unlike Albany, which has many tools to raise revenue including by taking it from NYC, the City of New York's only tool for raising revenue is the inequitable, opaque, remote-work-diminished property tax.

Asking the City to pay 100% -- up from the current 50/50 split -- of Access-A-Ride costs is especially infuriating. Access-A-Ride was launched by the MTA in 1990 as an accommodation under the Americans with Disabilities Act precisely because the subway was inaccessible. Yet 33 years later, we are still at least 33 years away from an accessible system. How about this friendly amendment: When the MTA makes 100% of the subway stations accessible, New York City will pick up 100% of the share of Access-A-Ride.

Health care costs

Health care costs are yet one more area where the Governor’s budget would impose new costs on the City, although at least here we’re in the same boat with other localities. The proposal to centralize Enhanced Federal Medical Assistance Percentage (eFMAP) away from localities costs New York City \$468 million just over the current and next city fiscal year. These are Federal funds that should be allocated directly to localities to help cover the provision of health care services.

New York City is also expected to bear an additional \$28.9 million in cost shifts for the SUNY Indigent Care Pool. The City and other localities rely on these funds and usurping them will create gaps in their ability to provide critical services to their communities.

Overall, this Executive Budget consistently undercuts New York City’s fiscal condition. Unfunded mandates, cost and revenue shifts, and other State claw backs would cost NYC over a billion dollars in Fiscal Year 2024 growing to more than \$2 billion when fully implemented. See details in the attached appendix.

KEY POLICY CONSIDERATIONS

Raise the minimum wage to support working families

While I am delighted that Governor Hochul has called for New York State to join the 18 other states that index their minimum wage to inflation going forward, the Governor’s proposal unfortunately does not address the fact that inflation has significantly eroded the purchasing power of the \$15/hour minimum wage – in real terms we project this year it will purchase less than \$13/hour in 2019 inflation-adjusted dollars. That’s why Seattle has increased their minimum wage to \$18.69, San Francisco to \$16.99, Denver to \$17.29.

The Governor’s proposal would also cap future inflation-based increases at just 3% per year, even though, in the last two years, inflation in New York State was 6.7% in 2022 and is projected to be 4.2% in 2023. A capped 3% inflation adjustment means that from the very first year, the Governor’s proposal will fail to protect the already eroded minimum wage from falling even further behind inflation. In 2024, it would result in only a meager 45 cent raise per hour.

I urge you instead to support the Raise the Wage Act put forward by Senator Ramos and Assembly Member Joyner, which would raise the State’s minimum wage to the level where it would have been if it had been consistently updated since 2019 to keep up with both rising prices and worker productivity increases: \$21.25 downstate and \$20 upstate by 2026.

It is important to acknowledge that raising the minimum wage comes with a real budgetary cost, for both New York City and State, in order to increase wages for government employees and human service workers at contracted nonprofit organizations. We estimate the cost of the Raise the Wage Act to the City of New York to be approximately \$1 billion over the four years of the financial plan, a necessary cost to keep our direct and contracted workers out of poverty.

It is also important to expand capacity to enforce the minimum wage by empowering more agencies to do so. The New York State Department of Labor (DOL) does not currently have sufficient capacity to meet the state’s growing enforcement needs: its caseloads have doubled and its backlog of open cases has increased by 76% since 2008.

We therefore believe that localities (in New York City, both the Office of the Comptroller and the Department of Consumer and Worker Protection) should be authorized to supplement DOL’s capacity by

enforcing violations of the minimum wage. Both agencies enforce labor laws, and during their investigations come across minimum wage violations – but currently are powerless to punish them. The Raise the Wage Act would empower us, along with other localities, to do so, significantly expanding resources to protect workers across the state.

Address the affordable housing crisis with a comprehensive approach

As someone who has spent his entire professional career, long before I entered elected office, working on affordable housing, I am also delighted to see the affordable housing crisis front and center this session.

Removing barriers to residential development through a framework of regional housing assessments is an important step forward in ensuring that localities across the State are building their fair share of new multifamily housing. Good planning with clear growth targets can increase desperately needed housing supply, but also – importantly – makes sure we've got the infrastructure needed to sustain growth, that we genuinely engage community voices to shape places where families will thrive, and that new units are built with the climate crisis in mind—near transit, protected from floods, and energy-efficient. The initial \$250 million investment in infrastructure support and \$20 million in planning grants is a good start. I also support proposals to legalize basement units and remove the State-imposed 12 FAR cap.

But let's be clear: new market rate development, even if equitably distributed, will not solve the affordability crisis. With median asking rents in NYC near \$3,500 a month, new supply will do little, for example, to save families from eviction in the Bronx, the borough with the city's top 7 neighborhoods, and 8 of the top 10, from eviction filings. Or, with a less than 1% vacancy rate of units that rent below \$1,500, to help homeless families move into affordable homes.

That's why a comprehensive affordable housing package must also include passing Good Cause eviction protections, to keep tenants from being evicted from their homes so their landlord can hike the rent, and the Housing Access Voucher Program (HAVP).

The exodus of Black New Yorkers – nearly a 10% decline in the past ten years – is a particularly troubling trend that our housing policies and investments must address. As a recent New York Times article on this subject made clear, it is mostly young people – born and bred New Yorkers – who are leaving our City to seek more affordable housing options in southern cities. A large scale shared-equity homeownership program would give young working-class families a path to affordable homeownership and stability that programs such as Mitchell-Lama gave previous generations.

A State expansion of vouchers through the passage of HAVP would help rapidly rehouse families currently living in shelters, but there is still more to do to provide housing and services to individuals in New York City experiencing street homelessness. The Governor's acknowledgement of New Yorkers in crisis should not be met with more policing or involuntary commitment, but compassionate care and the appropriate level of service. Investment in inpatient psychiatric beds, supportive housing, community residential programs, and outpatient care are important steps in properly addressing this crisis.

Comprehensive property tax reform remains necessary

A comprehensive approach to New York City's housing challenges must also include a plan for comprehensive property tax reform, to replace our opaque, confusing, and unfair system – residents in the Northeast Bronx, Southeast Queens, and Staten Island pay effective tax rates that are 3X and 4X those of my neighbors in brownstone Brooklyn and much of Manhattan – with one that is fair, transparent, revenue neutral, and reserves affordable housing exemptions for genuinely affordable housing. Building

on the work of the NYC Advisory Commission on Property Tax Reform, we have outlined a path forward.

If you are going to consider the Governor's proposal to grant a four-year extension to those developers who started projects prior to last year's sunset of 421-a, you should ensure that real steps are taken to bring equity in the property tax system and tax relief to overburdened homeowners. I'll be back later this session with an unusually broad coalition including Council Members Kevin Riley, Joe Borelli, Nantasha Williams, Justin Brannan and more to put the focus on needed comprehensive property tax reform.

Expand access to child care

Even in a hybrid world, working parents must have access to safe, affordable, and reliable childcare. We must ensure that providers are available in high need areas and are paid on time at reasonable levels.

I applaud the Governor for her investments in increasing eligibility and access to childcare, but the State must expand upon New York City's new Promise NYC program and make childcare available to all children across the State, regardless of immigration status. In California and Illinois, for example, many childcare benefits do not require checking immigration status.

Additionally, far greater investment is needed in our childcare providers so capacity constraints do not limit options for families. As providers still struggles to come back from the devastating impacts of the pandemic, the State must do more to ensure childcare workers are paid a livable wage and that providers can offer pay/benefit parity to attract and retain their teachers.

Capital project process reform to reduce project time and costs

I am also working with Mayor Adams' administration to advocate for the proposals of the City's Capital Process Reform Task Force, initiated last year by then-First Deputy Mayor Lorraine Grillo, to reduce the time and cost it takes for New York City to complete our capital projects.

We have significant needs for infrastructure and capital projects – to fix aging roads and bridges and sewer mains, for large-scale climate resiliency projects, for new schools and parks and libraries – but so often those projects go dramatically over timeline and budget. We need government to be able to deliver better.

So we're asking Albany for 9 pieces of legislation: to allow alternative delivery methods, more flexible approaches for insurance, to support M/WBE bidders, and my personal favorite – to allow the way we provide public information about contracts to the public. Right now, entirely separate from ULURP, the City has to hold a contracts hearing on nearly every single contract we enter into, even though 99% of the time no one attends. Instead, we could post the contract information online, which we don't do now, and allow people to make comments electronically. We'd have better public information and save several weeks of time on each contract.

We're grateful that 3 of the 9 proposals are in the Governor's Executive Budget. We hope that the Legislature will work with us to pass all 9. It's not sexy, but it's one of the big things you can do this session to secure a thriving and resilient future for New York.

Make the City's general debt service fund permanent

In a similar vein, I hope the Legislature will pass legislation sought by the City to make the City's general debt service fund permanent. Dating back to the Fiscal Emergency Act, this became a feature of our bond covenants; it would be better as a permanent feature of State law.

Bold climate action

I will end on a promising note. The Governor's agenda to address climate change in this year's budget stands out. New Yorkers have spoken and have elected to initiate a historic \$4.2 billion Environmental Bond Act. The Governor's budget builds upon that mandate with funding for zero emission school buses, home electrification, offshore wind infrastructure, and climate resilience. The proposed new Cap-and-Invest program will curb emissions while generating proceeds that can be put toward implementing climate measures. But if we are to confront the climate crisis at the scale and urgency that it requires, we must go even further to speed up our transition to electrified buildings and transportation that will make the air we breathe, the water we drink, and the energy that we consume cleaner than it has ever been.

In the coming months, the City's pension funds will take our next ambitious step to confront the climate crisis, when they adopt a Net Zero Implementation Plan, with the target of reducing the emissions from our portfolio to zero by 2040, consistent with our fiduciary duty and the retirement security of 750,000 City workers and retirees. As part of that plan, we recently filed and supported shareholder resolutions at key U.S. and Canadian banks, calling on them to adopt absolute emissions targets, stop lending for fossil fuel infrastructure expansion, and make their own net zero plans meaningful.

While we have far, far more to do to keep emissions below 1.5 or even 2 degrees of warming, to save millions of lives and trillions of dollars, and to make New York resilient in the face of rising tides and temperatures, New Yorkers can feel proud of the leadership their City and State are taking to confront the climate crisis.

There have, of course, been many urgent moments requiring State and City partnership in the past. Right now, I believe, we are at one of these moments.

Thank you for your time and your partnership in rising together to meet the challenges we face.

APPENDIX

Preliminary Summary of State Executive Budget Impacts on New York City’s Budget (City Fiscal Years)

<i>\$ in Millions</i>	FY 2023	FY 2024	Total Two-Year Impact
Positive Spending Impacts	\$377	\$667	\$1,044
State Support for Migrant Shelter and HERRC Costs	\$377	\$623	\$1,000
Fund Threat Assessment Management Teams	<\$1	<\$1	<\$1
Increase Funding for Re-Entry Programs for Formerly Incarcerated Individuals	<\$1	\$1	\$1
Increase NYC Federal Revenue by Reducing State Share of Indigent Care Pool		\$43	\$43
Increase Funding for Code Blue Program		<\$1	<\$1
Negative Spending Impacts	(\$209)	(\$1,161)	(\$1,370)
ACA eFMAP to Offset Growth Financed by State	(\$125)	(\$343)	(\$468)
Redirect Title XX Funding to Child Welfare		(\$8)	(\$8)
Increase NYC Share for MTA School MetroCards		(\$105)	(\$105)
Increase NYC Share of MTA Paratransit		(\$266)	(\$266)
Offset Payroll Mobility Tax (PMT) for Exempt Organizations		(\$115)	(\$115)
Increased PMT taxes associated with City workforce and contract staff		(\$40)	(\$40)
Increase State Share of SUNY Indigent Care Pool		(\$72)	(\$72)
Increase Access to Opportunity for Public Assistance Recipients		(\$2)	(\$2)
18-B Rate Increase for Indigent Legal Services	(\$84)	(\$84)	(\$168)
Pay and Pursue (Managed Care Program Reforms) Upfront Payment for Medical Costs		(\$111)	(\$111)
Index the Minimum Wage to Inflation		(\$15)	(\$15)
Revenue Impacts		\$2	\$2
Require State S-Corporation Conformity with Federal Return		\$2	\$2
Create a NYC Biotech Tax Credit		(\$3)	(\$3)
NYC Parking Reform		\$3	\$3

SOURCE: NYS DOB, NYC OMB, NYC Comptroller’s Office

NOTE: Numbers may not add to totals due to rounding. Table above does not include outyear impacts of increasing the number of charter schools in NYC or the Waste Reduction and Recycling Infrastructure Act.