



**Testimony on the  
2019-20 Executive Budget Proposal  
Joint Legislative Budget Committee**

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**Mayor Mike Spano**  
City of Yonkers

Monday, February 11, 2019



Good afternoon Chairwoman Krueger, Chairwoman Weinstein, members of the Senate and Assembly, my friends and colleagues, and our Yonkers Delegation, Senate Majority Leader Andrea Stewart-Cousins, Senator Shelley Mayer, Assemblyman Nader Sayegh and Assemblyman Gary Pretlow.

Thank you for welcoming me.

## **MOVING OUR SCHOOLS FORWARD**

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I sit before you today for the eighth time as the Mayor of Yonkers to talk about the financial needs of our city. Reflecting on my time as Mayor, I can say with little hesitation that my testimony to you today will not change much from years past.

I also will tell you that we continue to succeed despite our challenges.

Over the last seven years, Yonkers has seen unprecedented revitalization. We are a city that is gaining jobs rather than losing them, hitting our lowest unemployment rate since 2000 this past December. We have over \$3.5 billion in private investment that has resulted in thousands of new permanent jobs.

With the help of our great Governor and the State Legislature, we've improved the fiscal outlook of our city and today Yonkers' bond ratings are the highest they've been in a generation. Graduation rates are up and we are leading the Big 5, the crime rate is the lowest in recorded history and people are starting to change the way they view Yonkers.

Despite these successes, we have severe needs that can no longer be handled by Yonkers taxpayers alone.

Over the years, the State Legislator and our Governor have been very supportive and listened with an open ear to the challenges we have in Yonkers. By working together, we have been awarded programs to enhance our schools and communities by funding full day Pre-Kindergarten and free breakfast and lunch for our students.

However, there are hard facts we can't ignore in the Yonkers Public Schools.

Over the years, you've heard me speak of the startling deficiencies that Yonkers Schools still face due to necessary cuts in services. If you don't mind, let me remind you of them:

Twelve percent of our students are learning English for the first time and 17% of these students are students with disabilities. These are high numbers. We need the staff and services to meet their needs.

We need psychologists, social workers and school counselors in EVERY school.

We need art, music and technology to be part of EVERY student's educational experience.

We need modified and junior varsity sports offered to ALL students.

We need Pre-kindergarten supported EVERY year by state mandate, not just offered when grant funding is available.

We are deficient with the current resources provided to us and yet our District's enrollment continues to grow – mind you, the only one of the Big 5, outside of New York City.

This year, as I have in years past, I am asking the Legislature and the Governor to consider the extraordinary needs of Yonkers Public Schools and provide our district with the additional resources our children so deservingly need.

The current dependency on New York State funding fails to address vital necessary recurring revenue. The reason why Yonkers Public Schools have been able to succeed in certain areas is because for our annual pleas or reliance on one-shot appropriations.

The Foundation Aid Formula appropriates nearly \$8,000 per Yonkers pupil. By formula, the next closest sister city receives \$4,300 more per pupil. Although the City of Yonkers has done our best by transferring \$261 million to the School District in FY19, total Federal, State, and Local cost adjusted classroom funding for Yonkers' students lag our sister cities Syracuse, Rochester, and Buffalo by approximately \$2,000 – \$3,000 per student. Based on Yonkers enrollment, that is a difference in annual funding somewhere between \$52 million to \$79 million. This is an amount that the City cannot raise due to taxing limitations and wealth exhaustion. And, with a growing enrollment and only \$8,000 per student in Foundation Aid, the funding gap has the potential to widen.

I'd like to point out that in the FY20 Executive State Aid Runs, of the \$14.4 million year over year increase, \$7.3 million of the increase is for monies formerly coming from the Federal Government through the PDG Pre-K Grant – and, in my opinion, should not be considered additional funding. In fact, although Yonkers receives \$12 million in Pre-K Funding, Pre-K expenditures are estimated at \$20 million per year.

This year we are looking at a \$60 million status quo budget shortfall for our Yonkers Schools. Our issues can be easily explained: our expenditures are outpacing our revenues. Excluding debt service, year over year increases in expenditures equal \$39 million which include increases in salaries, employee benefits, transportation, equipment, textbooks, software and contractual services. Excluding Debt Service, year over year revenues are projected to decline by \$21 million primarily due to the loss of one-shots used to balance the current year's budget; \$8.8 million in bullet aid and the use of our entire rainy day fund of \$24 million. The lack of recurring revenue creates a structural imbalance creating budget gaps to close year after year.

I mentioned earlier that there is no way that Yonkers taxpayers can afford to fund this problem alone. Foundation Aid is based on the wealth of the municipality. Yonkers has exhausted its wealth. Please let me take a moment to explain what I like to call Yonkers' Wealth Exhaustion.

State Aid allocations are designed to be inversely related to each school district's ability to raise local revenues for education. The ability for Big 5 City School Districts to maximize local revenues for education can be restrained because of the Constitutional Taxing Limits. Yonkers is currently at this limit – at 93% to be precise. Our local revenue shared with the school district has increased cumulatively by \$1.2 billion over the last 15 years. Included in this total are all District Debt Service amounts which the city pays, even though it is not required to do so, by the Maintenance of Effort legislation. The City funds the debt and the District keeps the Building Aid reimbursement. Also, many other district expenses are assumed directly by the City. These include approximately \$9 million in the Inter Municipal Agreement Merged Departments, \$5 million in Worker's Compensation costs, and \$500,000 in utility costs. When including these \$14.5 million costs, the District's portion of the \$378 million in Real Property Taxes stands at \$260 million. **This means 69% of Yonkers' property taxes went towards education.** This percentage **excludes** the \$16 million in dedicated sales tax for education which is a cost borne mostly by Yonkers residents.

Let us not forget that we have exhausted other means of revenue including the utility gross receipts tax, real estate transfer tax, mortgage tax, hotel occupancy tax, cable franchise tax, resident income tax and non-resident income tax. Our sale and use tax revenue, at \$90 million, also provides for education. The fact that Yonkers has the lowest sales tax revenue per capita of our sister cities illustrates 1) Yonkers' wealth is not nearly as strong as the formula suggests and 2) excessive taxes have hampered disposable income levels.

Additionally, the real estate property tax was raised last fiscal year by over 6%, now stands at \$378 million. This brings us to 93% of Yonkers Constitutional Taxing Limit which positions us in the "danger zone" as labeled by the New York State Comptroller's Office where a housing recession could prompt a reduction in tax levy.

The "wealth" factor that Albany often refers to when debating State Aid fails to take into consideration the taxing limitations of a Big 5 City like Yonkers. I come here today to let you know Yonkers has reached its full fiscal capacity.

While we take pride in what we've accomplished, Yonkers taxpayers have exhausted their ability to foot the bill.

I also believe we need to review alternate means of funding for our schools. New York is a leader in the gaming industry worldwide and the City of Yonkers is home to one of the most prominent gaming and entertainment destinations in the tristate area, Empire City Casino. With an annual payroll of over \$45 million and nearly 1,200 employees, Empire City is critical to the economic growth of the City of Yonkers and New York State as a whole.

Today, I am advocating for the extension of full gaming to Yonkers' Empire City Casino. Each year, New Yorkers statewide directly benefit from the more than \$300 million Empire City generates annually for state education. Since opening in October of 2006, Empire City has single-handedly generated over \$3.4 billion for New York State schools -- despite having a limited gaming license and functioning in a restricted regulatory environment.

Competition is intensifying as neighboring states aggressively pursue new casinos and gaming opportunities that threaten New York's existing casino revenues and jobs. Surrounding states such as New Jersey, Massachusetts, Connecticut and Pennsylvania have expanded, or plan to expand, full-gaming properties within close proximity to Empire City Casino. New Yorkers approved seven full commercial casinos in a referendum in 2013. Four of the licenses have been awarded upstate. The remaining casino licenses are not scheduled to be awarded for another several years.

New York needs to release these restraints on Empire City Casino to allow it to generate the revenues, jobs, and education funding the City of Yonkers and the State of New York needs. With 8 million visitors a year, Empire City has proven it can compete and draw tourists and gaming dollars to their facility. The economic benefits of this success for the state cannot be overstated.

Just last month, Empire City Casino was officially purchased by MGM Resorts International for \$850 million. MGM is a first-rate world class entertainment company that surely will transform Yonkers Raceway and our city. With a full commercial gaming license, Empire City, under MGM's management, could reach its potential and generate significantly more revenue that would provide New York State with the additional funding desperately needed by schools in the City of Yonkers and across the state. Should full gaming not be viable in the immediate future, then I ask that sports betting be granted to Yonkers this year.

I am asking the legislature to seize the opportunity to enable this vital economic engine to reach its full potential as a commercial casino, fairly compete with other full-gaming facilities being developed in surrounding states, and generate the education dollars we need to provide our children with the education they're promised by New York's Constitution.

## **REBUILD YONKERS SCHOOLS**

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We also need to revisit the environment in which our students learn.

I've come here now four years in a row to speak to you about the physical conditions of our schools. I've outlined for you the deplorable environments in which many of our students are required to learn. Our schools are 4,500 seats over capacity for a district size of 27,000 students; that nine of our schools are over 100 years old; that our children are forced to learn in converted basements and cafeterias. Simply put: there is and continues to be a capacity and infrastructure crisis in Yonkers Public Schools.

After many meetings with you and your staffs, you began to realize the crisis and passed the Double MCA bill for the new schools along with the Yonkers Joint Schools Construction Bill.

Because of your support, three new schools for Yonkers children are on the horizon – land parcels are identified, design professionals are being interviewed and the Joint School Construction Board has already started to convene and begin their work.

While I appreciate the tools given to us to date, it's not enough.

The Double MCA will only cover part of the construction of the three new schools we've outlined. The Yonkers taxpayer's share remains at \$153 million, for Phase I. On top of that, no legislation even comes close to addressing the other 38 schools that need to be rebuilt or addresses the 15% overcapacity of our schools and deplorable conditions in which our children learn.

The bottom line is that even with the new legislation, Yonkers alone still cannot afford to rebuild these schools.

The New York State Legislature did the right thing for Buffalo, Rochester and Syracuse by approving and funding their school reconstruction plans in recent years. They had desperate needs and the state rightfully supported those needs.

I know I may sound redundant, but it's Yonkers' turn.

In Fiscal Year 2019, Yonkers is receiving just \$13.4 million in school building aid. That comes out to just \$497 per pupil in Yonkers while the other big cities are receiving anywhere from \$800 to \$3,200 per student. Meanwhile, Yonkers is the only district that has seen increased enrollment while the others remain flat or are decreasing. Yonkers is clearly put at a disadvantage.

As mentioned before, Yonkers is at 93% of its constitutional taxing authority -- which means that our taxpayers don't have the ability to cover the debt to borrow for the reconstruction.

While authorizing a school construction board and the Double MCA for three new schools was important in assisting us in rebuilding our schools, it is still completely inadequate considering the overwhelming needs of our district.

I am advocating an increase in the aid ratio for the Yonkers Schools Modernization Program from 70% to 98% of approved costs. This 98% ratio is the same ratio that has been received by our peer cities for their schools upgrade programs. We applaud what the State has done for them, but now I am asking you support Yonkers as well. In the absence of any change in the formula, I ask that a Capital Block Grant of \$100 million be made available to Yonkers to offset local taxpayers' share of this project. While it will not completely cover the cost, it will make this ever important capital improvement plan to our schools more affordable.

Our students cannot wait. It is time to rebuild Yonkers schools.

## **CITY/STATE PARTNERSHIP**

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We've touched upon the needs of our schools, but we also must not neglect the costs of running the largest city in the Hudson Valley.

Despite Yonkers' growing economy and stronger revenues, our budget grows each year to pay for a workforce which makes up 75% percent of our budget. Over the past 10 years, fringe benefits have grown 79%, or \$73 million per year. Yonkers' municipal departmental expenses in the fiscal year 2019-20 budget are expected to grow by \$13 million.

We are happy to provide for our workforce, but we can't afford these costs, and stay within the State's 2% tax cap. Our only option is to cut services, which will have a negative impact on the quality of life of our residents.

How do we address this? It starts with AIM. Over the years, municipalities have taken a big hit when it comes to AIM funding.

In the proposed 2020 Executive Budget, Yonkers is expected to receive \$108.2 million in municipal aid – the same amount it's received for the last nine years.

Plus, we must remember that the Yonkers property taxpayers pay more in its maintenance of effort for their local school district as compared to any of the other big city taxpayers.

AIM, formerly known as revenue sharing, was created by the New York to recognize that the State has a partnership with its big cities to address the unique needs of their urban populations.

But if you look at just the last five years, Yonkers sends close to 25% more to the State than it did five years ago via personal income and sales tax. During that time, AIM has remained flat. If you were to provide us the State's 2% growth in your budget during that same time, we should have received cumulatively \$31 million more.

Over the last seven years of my Administration, we've been frugal with our spending. We've instituted hiring freezes, we've increased revenues and we've merged departments. While we are narrowly approaching our constitutional taxing authority, our taxpayers are at their taxing limits as well.

Ultimately, we are doing more with less. In the face of flat AIM funding and rising costs, we are without options.

Now is the time to increase AIM funding and to revive the partnership between the State and the cities.

## **MOVING YONKERS FORWARD**

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Yonkers has come a long way in the last seven years. I believe Yonkers is a city on the move and leading the way for others to follow.

With the help of our great Governor and the State Legislature, we've made amazing strides in changing the face of Yonkers. We've already seen amazing returns on your investments. Together, let's keep moving Yonkers forward.

I look forward in continuing to work with you and Governor Cuomo.

Thank you.



**MAYOR MIKE SPANO**