

**Testimony by Mayor Bill de Blasio
before the Senate Finance and Assembly Ways and Means Committees
January 30, 2017, 10:00am
Albany, New York**

I want to thank the chairs of the committees that are holding today's hearing:

Senator Catharine Young, Chair of the Senate Finance Committee; Assemblyman Denny Farrell, Chair of the Ways and Means Committee; and the ranking minority members, Senator Liz Krueger and Assemblyman Bob Oaks.

I also want to thank our legislative leaders, Assembly Speaker Carl Heastie; Senate Majority Leader John Flanagan; Senate Democratic Conference Leader Andrea Stewart-Cousins; Senate Independent Democratic Conference Leader Jeff Klein; Assembly Minority Leader Brian Kolb; and members of the State Legislature with us here today.

I'm joined by two key members of my team: Dean Fuleihan, Director of the New York City Office of Management and Budget; and Sherif Soliman, the City's Director of State Legislative Affairs.

On behalf of 8.5 million New Yorkers, I want to thank the Legislature for supporting New York City. We value your partnership and what we have accomplished is an illustration of the basic fact that we are all citizens of this extraordinary state.

We are all in this together. I am proud that the City is an economic engine and a gateway to the world for the region.

I also appreciate our city can only reach its full potential when we achieve seamless partnership with the State.

It's pretty simple:

New York State succeeds when New York City succeeds and New York City succeeds when New York State succeeds.

And I can say with confidence that New York City is succeeding.

From 2014 to 2015, New York City created more jobs than all but four states in the country, pushing New York State to the top in terms of job growth.

Today, New York City accounts for around 43% of the State's population, 46% of the State's jobs and 60% of the State's tax revenue.

We are also clear-eyed that we have to do more to meet the needs of our people. To that point: 58% of New York State's Medicaid recipients live in New York City. And 53% of the State's Free and Reduced Price Lunch students attend school in our city.

We are investing in our people and we are demanding savings, setting aside reserves and spending within our means. Just last week Moody's noted that our "diverse, vibrant economy drives growth needed to keep pace with fixed costs."

New York City is doing our part to ensure the type of growth that will ripple across the region. We face vast and awesome challenges, but we're addressing them head-on. And we are doing so in a ways that give the State maximum bang for its buck.

Today, 70,000 four-year-olds are enrolled in high-quality, full-day Pre-Kindergarten. I want to thank the Legislature for making this vital investment -- we could not have done it without the funding you provided. The City is making sure the investment pays off, and the results speak for themselves: we're putting kids on a path to success at an unprecedented scale.

We are ahead of schedule to reach our goal of building or preserving 200,000 affordable apartments – over 62,000 so far and more affordable apartments created or preserved last year than in any year in the last quarter century.

Our City is the safest it has ever been thanks in part to investments in the brave men and women of the NYPD. They are using Neighborhood Policing to drive down crime to historic lows by building mutual respect with the communities they serve.

And we're shaking the foundations of education and bringing Equity and Excellence to our school system. We have the highest graduation rates and highest college readiness rates ever. Test scores have been steadily increasing even with the toughest standards we have ever had.

We're going to keep doing our part to keep our City's economy vibrant and strong. Last week, I presented the City's FY18 Preliminary Budget.

We succeed when our police force has the training and equipment they need. So we are investing \$10.4 million to install bullet-resistant windows in every NYPD patrol car within a year.

We succeed when the 400,000 residents of the largest public housing system in the United States have safe, secure housing. So, we are investing \$1 billion over a decade at 729 NYCHA buildings to repair roofs.

We succeed when every student has opportunity. So we are tackling the problem of overcrowding by investing an additional \$495 million to build 38,000 new school seats at a total cost of \$4.6 billion.

We succeed when the infrastructure in our city enables the type of economic growth that helps the entire region. So we are fully funding the \$303 million construction of the Brooklyn-Queens stretch of the 3rd Water Tunnel. It will be filled with water by the end of this year and act as a vital backup until fully operational.

As we invest in our future and carefully manage City resources, we are also aware of major uncertainties that come with the new Federal Administration.

Last week's Executive Order on immigration runs contrary to our values. We believe we are on a firm legal footing to challenge it, and we will do so as needed.

We know we can also expect a push by the Trump Administration and Congress to cut services the federal government provides.

One important example: they have made their intentions to repeal the Affordable Care Act clear. The ACA covers 1.6 million New York City residents. Changes to the Affordable Care Act -- or cuts to Medicaid-- would have an enormous impact on both the wellbeing of our people and of our public hospital system.

Out of the 1,200,000 patients in our public hospital system, 30% are currently uninsured and another 45% are on Medicaid. Should the ACA be repealed, we believe up to 200,000 public hospital patients could lose their insurance coverage, potentially costing our system hundreds of millions in revenue.

Actions in Washington could spread pain through all levels of government. That is why it is so important that the State budget do all it can to insulate local governments and the people they serve.

So let's turn our attention to the State Executive Budget, which contains some good news and some reason for concern.

Now more than ever, education is economic destiny. When added to the existing tuition assistance programs, the Excelsior Scholarship Program promises to further ease tuition costs for low- and middle-income students in our State.

Once again, we are gratified to see continued support for the DREAM Act. This is even more important given the moment in history we find ourselves in.

The Executive Budget continues the commitment to cap local Medicaid costs and assumes control of Medicaid administration. This saves the City \$130 million. We appreciate this commitment and we also know the City can assist the State in Medicaid reimbursements without the specific New York City \$50 million mandate that was added in this budget.

There is a three-year extension of Mayoral Control in the Executive budget. Educators, business and civic leaders alike want a multi-year renewal. There is a strong and bipartisan consensus on this. Let's resolve this issue right now, in this budget.

I am also pleased to see election reform in the Executive Budget and want to thank the Assembly for passing an election reform package last year, including early voting. I've been speaking for years about reforms like early voting and same-day registration. Accommodating New Yorkers' busy schedules will increase turnout and spread democracy.

I continue to support Raise the Age -- we will be a fairer, better state if we get this done. New York is one of just two states in this country that prosecute 16- and 17-year-old kids as adults. That shouldn't be. While we wait for legislative reform in this area, my administration has made a commitment to moving 16- and 17-year olds off Rikers Island.

I am also pleased that the Governor announced support for Speedy Trial Reform. The constitutional right to a speedy trial is adversely impacted by avoidable delays. New Yorkers deserve their day in court and the principles of fairness and justice in our criminal justice system demand that we ensure that day in court as expeditiously as possible. Let's pass Speedy Trial Reform this session.

I'd like to commend Speaker Heastie for his leadership on this issue as well as members of the Assembly Democratic Conference for championing these issues.

I also support changes to our bail system that would reduce our reliance on money bail and allow judges to consider whether a defendant poses a danger to the community when making bail determinations. New York City has expanded supervised release so that 3,300 individuals a year can be safely supervised in the community instead of being detained. Detaining those who pose a public safety risk and releasing those who can safely remain in the community is good public policy. I look forward to working with you on these issues during the legislative session.

I now want to talk about an economic reality in our city and our state: widespread inequality. This problem extends well beyond our borders – it is global in scale.

Oxfam recently released analysis that suggests eight men possess as much wealth as one half of the globe combined.

Given the wealthiest among us can expect to see big new tax breaks at the federal level, it is time that they pay their share in state and local taxes. So I join the Assembly Majority's push to extend and deepen the Millionaire's Tax. This is critical to all we are trying to do and in line with our values.

For similar reasons, I believe the time is now to enact a Mansion Tax for New York City high value home sales, starting with a \$2 million sales price and higher. The people it would impact can afford it, and the revenue would be used to keep 25,000 seniors in their homes. Moreover, in this uncertain federal climate, identifying local revenue sources for affordable housing preservation is paramount.

There are also a number of areas of concern for New Yorkers in the State Executive Budget.

First, we are concerned about the 421-a tax abatement program. We succeeded in eliminating the old, broken version of the program which subsidized luxury housing without enough affordable housing in return.

We advanced a proposal in 2015 that set forth some clear principles for what 421-a should look like moving forward:

- More affordability per City tax dollar;
- Don't subsidize luxury housing; and
- If a developer gets a tax exemption anywhere in New York City, they must provide affordable housing in return

The State's current proposal represents a departure from these principles. To illustrate, if the old, broken 421-a program was extended, the per-unit subsidy would have been \$614,000 and would have likely produced only 12,400 affordable units over ten years.

Our 2015 proposal had a per-unit subsidy of \$421,700 and would have produced 25,500 affordable units over ten years -- in other words, it meant less taxpayer dollars for each unit and more affordable housing.

But in the State's current proposal, the per-unit subsidy would be \$544,300 and would produce 21,750 affordable units over 10 years – in other words, more than \$100,000 above the per-unit cost of our proposal and LESS affordable housing.

We are concerned by the additional costs imposed by the State's current proposal. We are even more concerned with the potential expansion of any luxury condo program as negotiations proceed. So we're creeping back in the direction of the old, broken system. We will not support any plan that reverts to subsidizing luxury housing.

Costs will balloon without improving affordability and the core objective of this program – using public dollars to incentivize desperately needed affordable housing – would come into question.

Second, we are concerned about education. There appears to be an effort to eliminate the State's commitment to fully fund the shortfall in aid owed to high-need school districts.

Almost a decade ago, the State charted a course to reform how school aid was allocated. Many lawsuits, a study commission, a financial crisis, and several budgets later, this vital commitment has yet to be completely fulfilled.

The State must continue its commitment to funding the Campaign for Fiscal Equity. The City is doing its part too. Since 2008, the City's share of education spending has increased from 49% to 57%, while the State share has declined from 41% to 37%. The State shortfall is currently \$1.6 billion.

We are doing our part to provide equitable funding to our schools but we need the State's partnership, and we need the State to do more.

When I came into office, many schools were at just 81% of the Fair Student Funding level, and the citywide average was 88%.

Over two years, with the help of State aid, we increased the citywide average to 91%, with no school below 87%. All Community and Renewal Schools are at 100% of their FSF level.

And if the State provides a similar increase in aid as it did over the last two years, we intend to go to a citywide average of 92.5% with no school below 90% next year. And with the State's continuation of the commitment to CFE, the City is committed to raising all schools to 100% by FY21.

The State is also proposing a much needed consolidation in the administration of grant funding for Pre-Kindergarten. We support the goals of streamlining to address the administrative burden on school districts that come with complying with separate funding structures, standards and reporting requirements.

However, the proposal also plans to cut the per seat rate at a cost of \$34 million, or 3,400 slots in NYC. The State has made a giant leap forward in supporting Pre-Kindergarten. This proposed cut is a leap backwards and counter to all the progress that we, with your partnership, have made to ensure that 70,000 4 year-olds have access to a high-quality full-day Pre-Kindergarten program. This rate cut should not go forward.

Additionally, The State is proposing to increase and shift charter school costs it has been paying. The proposal strips state support away from charter schools and transfers this cost to school districts abruptly—and to an exorbitant degree. For New York City alone this would mean \$198.3 million less funding for our schools.

If the State chooses to enact this increase in funding for charter schools, then it should cover the costs and fund it separately from our basic school aid as it has for the past four years.

The Executive Budget also removes the geographic cap on charter schools in New York City. The Legislature recently raised the cap, and there are currently 30 charters available for New York City, in addition to 29 schools already approved to open. This is ample and there is no need to raise the cap at this time.

Third, there are several cuts in the State Executive Budget that are going to have an effect on hundreds and thousands of New Yorkers.

These cuts include:

- \$32.5 million through FY 18 for Public Health programs, chipping away at the long history of State partnership in health funding in areas like:
 - disease control and emergency preparedness (Zika)

- Maternal and child health programs (Newborn Home Visiting)
 - HIV prevention activities
 - School-based health services
 - Naloxone education and distribution
 - Public health campaigns on anti-smoking and obesity-related illnesses
- Almost \$66 million through FY18 with the shift of State costs for the education and care provided to 8,900 foster care youth.
 - \$25.5 million through FY18 through the redirection of senior center funding affecting 65 neighborhood programs serving over 6,000 seniors per day
 - Almost \$30 million through FY 18 with the elimination of the State share in funding services for more than 800 Special Education Students who have highly specialized needs.

There are also key areas of need for our City that the budget does not address at all.

We must note the glaring and inexplicable omission of New York City in the Design Build authorization. The Executive Budget extends and expands Design Build for State agencies, State authorities, and counties outside of New York City.

According to a 2016 report by the State Empire State Development Corporation that evaluated projects in New York State, Design Build accelerated dozens of projects and saved taxpayers billions of dollars.

If the City also had access to this tool, similar benefits would be realized. Our capital agencies have identified \$7.3 billion in projects, with around \$450 million in savings. If the rest of New York State has access to Design Build, New York City certainly should as well. It just makes sense.

Now, I'd like to turn to the homeless crisis in our city. Let me be clear: my administration is fundamentally dissatisfied with the homeless situation that exists today. Next month, we will be announcing a new comprehensive plan to address it.

Homelessness has been a growing problem in our City for decades and has only gotten worse since the Advantage rental assistance program ended in 2011.

There is much more to do, but we have made meaningful progress in the last three years.

Without our new programs, there would be about 70,000 people in our shelters instead of the 60,000 there are now. Evictions by City Marshals are down 24% from 2013. Through HOME-STAT, the most comprehensive program to address street homelessness anywhere in the US that we began last year, we have brought in 690 people from the streets.

The best way to address homelessness is to prevent it from happening in the first place. That is why I support Assemblyman Andrew Hevesi's Home Stability Support proposal which has strong merit and deserves serious consideration in this budget.

Home Stability Support would create a statewide, primarily state- and federal-funded rental supplement program designed to keep people in their homes and out of shelter.

It recognizes the State's responsibility in providing rental assistance and provides an option to local governments to go further in their own efforts. And rest assured New York City will do its share.

I look forward to working with Assemblyman Hevesi and other supporters to ensure the final product is one that can have immediate impact on people's lives while not imposing an unfunded mandate on local governments.

Now I want to turn to the Memorandum of Understanding (MOU) that would unlock \$2 billion in housing funding authorized in last year's state budget.

Housing is the single biggest expense for our residents and we welcome additional affordable homes financed by the State as we continue to work together to meet the needs of the many New Yorkers who are one paycheck away from not being able pay their rent or mortgage.

Negotiating and signing the MOU is also critical because it would facilitate the production of supportive housing units that offer residents an apartment and services to keep their lives on track.

My administration announced a commitment to fund 15,000 units of supportive housing over the next 15 years. We've budgeted the necessary resources and our first 550 units will be available this year. Over the next 5-years, 4,000 units will address our most vulnerable residents and will have a direct effect on street homelessness and the shelter population.

We do have a related concern. While the City has made a big commitment to capital improvements for NYCHA -- \$1 billion over 10 years -- the current total from the State falls short. I want to thank Speaker Carl Heastie and the Assembly Democratic Conference for fighting for more.

Finally, I want to underscore the importance of partnering with you and community leaders on addressing this crisis. In February, I will present a comprehensive vision on homelessness. Part of this vision will include a notification process for you and for community leaders that will be implemented immediately upon announcement next month.

And post-notification, we will proceed with meaningful community engagement process, one that facilitates dialogue between City officials, elected officials and community leaders on a clear shelter opening notification framework and timeline, and on plans for connecting shelter residents to their schools, jobs and community supports.

I want to conclude my testimony by reflecting on how much of our work is happening under clouds of uncertainty. Under the new administration in DC, we all must live with the possibility that our worlds could change in unexpected ways. I think the events of the last 48 hours powerfully illuminate that.

I can assure everyone that no matter what happens in DC, New York City will do its part to remain a growing and vibrant economic anchor of the region. But in the face of unprecedented uncertainty, partnership is critical. Now more than ever, it's important we all remember this simple truth: we are all in this together.

