

**TESTIMONY BY CITY COMPTROLLER JOHN C. LIU ON THE IMPACT
OF THE PROPOSED STATE BUDGET ON NYC
(As prepared for delivery)**

Thank you for the opportunity to provide some insight into how the Governor's proposed budget would affect New York City. I am joined here today by my Executive Director of Fiscal and Budget Studies, Jonathan Rosenberg.

Before I delve into my office's preliminary analysis of the budget, I'd like to commend the Governor on the recent launch of his financial-transparency website, "Open Budget." This great tool will do much to help the public hold government accountable.

New York City also has made significant progress in rendering its finances more transparent. In fact, I am proud to report that, last week, the U.S. Public Interest Research Group recognized the Checkbook NYC 2.0 website; the fiscal-transparency tool initiated and carried out by my office, as top in the nation.

Gov. Cuomo's 2013 - 2014 Executive Budget totals \$136.5 billion, closing a projected \$1.35 billion gap. The Governor's budget includes a wide range of proposals, some of which directly affect New York City, others which may have indirect effects.

In his budget address last year, Gov. Cuomo set forth an educational policy that requires school districts to implement a new teacher-evaluation system or risk losing part of their state funding.

The State Legislature, as part of last year's adopted budget, agreed to the Governor's plan, which in the case of New York City authorized the withholding of \$250 million in aid if the City had not adopted a teacher-evaluation system by January 17, 2013.

Sadly, as a result of Mayor Bloomberg's inability to negotiate in good faith with the United Federation of Teachers, the City is losing out on this much needed funding for our public schools. The Mayor's attitude of contempt toward teachers has cost our City's taxpayers dearly. This aid could have helped pay for more than 3,000 teachers in a school system in which teacher-to-student ratios exceed rational levels.

Let's hope that a more collaborative approach can be taken in the future so that teachers are treated as full partners in our joint quest to provide all children with a quality education.

If an agreement is not reached prior to September 1st, 2013 New York City schools stand to lose an additional \$200 million. What is critical to note is that the policy the Governor espouses would not only affect funding for our schools in the current fiscal year. Even if an evaluation system were adopted today, the loss of the funding in FY 2013 would have a ripple effect for years to come.

The \$250 million cut in the current year's education aid to the City effectively lowered the baseline of aid on which the next year's allocation is computed. Unless something is done, the City's schools stand to lose over \$1 billion in the next four years as a result of the lost \$250 million in FY 2013 school aid. Because our teachers and students cannot rely on the Mayor to negotiate a successful evaluation, I urge you to make certain that the students of New York City

are not penalized further, and ask that you hold the City's general support school aid baseline at the level adopted last year with \$7.13 billion in the 2013-2014 budget.

As we continue to grapple with the effects of Superstorm Sandy, I'd like to thank the Legislature and Governor for placing pressure on our elected officials in Washington, D.C., to come to an agreement as quickly as possible.

From a Citywide perspective, my office has given approval for \$927 million in emergency spending associated with agency responses to the storm. Since before the storm hit, we were in close contact with City Hall and agency commissioners regarding their potential fiscal needs and have continued to assist whenever possible in the subsequent months.

The sooner Congress can come to an agreement, the sooner the City can gain reimbursement. In order to retain what we receive, my audit team has been working with City agencies to cross their 'T's' and dot their 'I's' to ensure we request the needed funding for Sandy expenses properly, and, equally important, that we provide the necessary documentation once the funding is received.

In the past, other cities have lost out on federal funding, or had to return funds, because of poor paperwork. My office will work to ensure that we avoid that scenario by providing City agencies with the guidance needed to maximize federal reimbursement.

As you review the budget, I am sure you will continue to look for ways to promote economic growth and help rebuild the middle class throughout New York. One such way is the Governor's proposal for a CUNY 2020 Capital Program. This inventive plan will upgrade and modernize our campuses, while at the same time creating jobs...an idea we can all get behind.

I'd like to outline five priorities for your consideration that would benefit New York City. These priorities require collaboration between New York State and New York City's legislative bodies.

First and foremost, New Yorkers throughout the State need a raise. I want to take this opportunity to commend the Governor for putting forward a plan to raise the State's minimum wage to \$8.75 an hour. Given the toll the Great Recession and its aftermath have taken on the State, it has become more and more evident that we need to help New Yorkers make ends meet. It is no longer teenagers who make up the majority of those receiving minimum wage, but a growing number of adults...many of whom can be classified as the "working poor."

While \$8.75 is a step in the right direction for the State as a whole, the fact of the matter is that a dollar goes further in Buffalo than Brooklyn. New York City residents need a higher minimum wage because of the higher cost of living in the five boroughs. I have proposed a minimum hourly wage of \$11.50 for New York City. The Governor's proposed rate, when cost of living is factored in, amounts to less than \$5 an hour in the City.

My proposal, which can be phased in over five years, deserves serious consideration. My office stands ready to assist in any way possible so you can discuss this further.

We also should seriously consider a more progressive personal income tax for New York City residents in order to give our middle class families the tax relief they deserve. It makes little sense that a family with an income of \$50,000 pays nearly the same tax rate as a family that makes \$50 million.

I put forth a plan that would cut local income taxes for 99% of New Yorkers that at the same time raises an additional \$250 million to \$1 billion in revenue for the City's budget.

New Yorkers have shown that they are willing to pay fair tax rates; my proposal makes the City's rates truly progressive, as they were always intended to be. It carries the added benefit of more resources for our budget, but we need your help to enact this measure.

While New York State leads the nation in many areas, we trail California in the establishment of retirement security for our residents. A recent report by my office found that a third of City residents are unprepared for retirement – a looming financial crisis that we must deal with now, before it's too late.

One idea that I ask you to consider is the creation of New York City Personal Retirement Accounts. These are retirement accounts for private-sector workers that would pool contributions from individuals and their employers for investment by the Comptroller's Bureau of Asset Management. These funds, which would supplement Social Security, would ensure that, as workers age, they can support themselves, thus saving taxpayer dollars. Our office stands ready to manage these funds in order to receive a market-adjusted rate of return.

Over time, the City's Pension Funds have had steady returns. By utilizing our asset-allocation strategy and investment expertise, we can ensure retirement security for many more New Yorkers.

I'd like to applaud the efforts of Assembly Member Cathy Nolan who has presented legislation to enhance temporary disability insurance and create a family leave insurance plan similar to those that are now available in New Jersey and California.

To make these programs more effective, their maximum cash benefit, now an unrealistically low \$170 a week, must be increased. This low rate has been in place for more than two decades. Let's be honest: no one can support a family on \$170 a week. Both employers and employees should split the cost of the annual premium.

Finally, and let me give credit to the Independent Budget Office for continuing to shine a light on this issue... I would ask the legislature to consider repealing the tax breaks that Madison Square Garden receives, to the tune of nearly \$17 million annually. This incentive was put in effect nearly 30 years ago as a means to keep the professional sports teams in the City and help spur business. Much has changed in three decades, and in fact, the Knicks have now surpassed the Lakers as the highest-valued team in the NBA.

We congratulate the Knicks on their success, even if they let Jeremy Lin go to Houston, but it's time for the Garden to kick in its fair share.

Thank you for this opportunity. I will now answer any questions you may have.

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