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**THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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**TESTIMONY OF NEW YORK CITY COMPTROLLER
IN RESPONSE TO THE PROPOSED 2014-15 NEW YORK STATE BUDGET**

**BEFORE MEMBERS OF THE
NEW YORK STATE SENATE FINANCE COMMITTEE AND
THE NEW YORK STATE ASSEMBLY WAYS & MEANS COMMITTEE**

JANUARY 27, 2014

Thank you to Chairman DeFrancisco, Chairman Farrell and all members of the Standing Committees. I welcome the chance to speak today about the Governor's proposed Executive Budget, and the impact it will have on New York City's finances.

Joining me here today is my executive Director of Budget, Jonathan Rosenberg, and my State Legislative Counsel, Jenna Adams.

Let me begin by talking about the city's budget and some threats that I see to the long-term fiscal health of our city and our state. While New York City's fiscal 2015 budget is balanced on paper, in reality, there are risks that could create significant budget gaps.

The reliance on "one-shots," such as the sale of taxi medallions, the nearly-depleted retiree health benefit trust fund, and the use of year-end surpluses to prepay the next year's debt service has allowed the city to mask a structural imbalance and the true challenges we face. In addition, all of the city's municipal labor contracts are expired – something that hasn't happened since the fiscal crisis of the 1970's.

Of course, it is not all gloom and doom. Our economy is pulling out of the great recession and private sector jobs are growing. The latest report from the labor department shows that the city added 95,000 jobs in 2013, bringing the total to nearly 4 million. This is an all-time high. The job numbers show that our economy isn't just about finance, insurance, and real estate anymore. It's about tech, advertising, tourism, and an array of diverse industries.

Despite this encouraging growth, the budgetary path we are on is still not sustainable – in part because of a growing imbalance of payments between the city and the state. In fiscal year 2009, the state financed 20 percent of the city's expense budget. By last fiscal year, that number had shrunk closer to 15 percent. In short, New York City sends about \$5 billion more in tax receipts to Albany every year than it gets back in revenue.

While other municipalities across the state continue to receive funding for the aid to municipalities program, New York City receives nothing.

Meanwhile, the state continues to short-change New York City's children by failing to live up to the promise of the Campaign for Fiscal Equity. Over the last five years, New York City schoolchildren have been deprived of close to \$3 billion.

As the economic engine of the empire state, New York City is proud to do its part to help sustain other regions of our state. We always have, and we always will. But the time has come to correct this historic imbalance and ensure that the city receives its fair share from Albany. At its core, fair share isn't about dollars and cents, it's about what those dollars and cents mean to the people of our city—many of whom struggle to pay the bills and put a roof over their heads. More than one in five families in New York City today living in poverty.

Our homeless shelters are bursting at the seams, in part due to state cuts in funding for homeless families. We continue to face a crisis in housing, with 31 percent of new Yorkers paying over half their income in rent as of 2011.

As the former chair of the Assembly Cites Committee, I understand, first-hand, how difficult a task it is to divide limited resources for critical services. Each and every municipality has significant needs. But, the truth is that investments in New York City pay huge dividends for the entire state. This is about making sure that New York remains a magnet for business from across the country and the world.

With these principles in mind, I want to take a few minutes to comment on the proposed Executive Budget. I'll start with a policy that has potentially huge economic and social impacts for the city—the minimum wage.

This legislature's decision last year to increase the State's minimum wage was a great victory. I want to thank governor Cuomo and the State Legislature for working so hard to advance that cause. The current law will boost the minimum wage in the State and the city to \$9.00 per hour by 2016, but I believe we must go further.

Speaker Silver's proposal to accelerate that increase by a year, to 2015, is a great first step. My office estimates that the speaker's proposal would add \$175 million in annual wages to the pockets of working class families in the five boroughs. That's an extra \$400 a year for over 400,000 New York City residents – real money to help re-fill that metro card, make a car payment, or just put food on the table.

The truth is, however, we are still a long way from making a dent in the struggles of working families in the New York City, who face the highest cost of living in the nation.

The fact is that when it comes to the minimum wage, one size does not fit all. Not when the cost of living is 80% higher in New York City than in Buffalo, 70% higher than in Rochester, or 60% higher than here in Albany.

I believe the time has come to take the next step. Today, I am proposing that cities like New York be empowered via state legislation to establish local minimum wage levels that they deem appropriate. Many other cities across the country already have followed this path, helping millions of working families in the process.

San Francisco's minimum wage is already \$10.74, San Jose's is \$10.15, Santa Fe's is \$10.51, and Washington D.C.'s is set to rise to \$11.50 by 2016. We need to have that same conversation in New York.

Allowing the minimum wage in New York City to rise just to \$11.00 per hour would provide an additional \$2 billion in annual income to working families in the city. That would still leave New York City's minimum wage well below that of any other major city in the State, when adjusted for cost of living.

Reforming our minimum wage laws will provide real relief today, but the long-term success of New York City's economy is grounded in how we choose to invest in the next generation of New Yorkers.

We cannot approach this issue in a piecemeal fashion. Instead, we have to think comprehensively about our children's education—from pre-K to grade school and beyond.

Today, I want to touch on three investments in the Executive budget that, taken together, expand opportunity for our children. First, we must have high-quality, universal pre-Kindergarten, with a dedicated revenue stream. Second, we must invest in boosting broadband quality in our schools so that all our students can take advantage of 21st century tools. Third, we must continue to support our students as they strive toward higher education.

Let me start with universal pre-K. I support Mayor de Blasio's vision for pre-K and as Comptroller, I appreciate that the mayor has identified a sustainable way to pay for it.

In New York, every child, black or white, rich or poor, from Buffalo to Brooklyn—should have an opportunity to achieve his or her fullest potential. This is not just a moral imperative; it is an economic imperative that is good for our kids and good for our state.

I commend the governor's commitment to expanding pre-K statewide. It is the job of this legislature to make the tough decisions about how we pay for this critical initiative.

For pre-K to truly succeed, we need a dedicated revenue stream that will give cities and towns the confidence they need to invest to build classrooms, to create new curriculums, and to attract and retain quality teachers. I urge the legislature to establish a clear, consistent commitment to universal pre-K. Any proposal that does not include a dedicated funding stream will have to be judged as "incomplete."

Investments in our children's future cannot stop at pre-K. That's why I am encouraged by the governor's call for meaningful capital investment in high-speed broadband in our schools. We look forward to working with all levels of government in securing the funding to make this connectivity a reality for our school children.

Last year, I issued a report on broadband in New York City's schools and libraries which showcased the critical need for continued investments. In Manhattan alone, over 75 percent of school facilities have maximum download speeds of 10 megabits per second or less. That is 100 times slower than speeds available in other cities across the country—from Lafayette, Louisiana to Chattanooga, Tennessee. We aren't talking about Silicon Valley or Seoul. We're talking about medium-sized cities in the U.S. that have recognized the importance of the web to 21st century learning.

It may be tempting to think that we can just spend a bunch of money on iPads to enhance our students' learning, but those iPads will be little more than paperweights unless we get every school in the Empire State up to speed with broadband.

Step Three in our education blueprint is supporting our students as they strive to get a college degree and build their business in New York.

In 2012, I published a report titled *Start-Up City*. One of my recommendations was the Empire Engineers Initiative, a program designed to provide scholarships to students who majored in engineering and agreed to work in New York State for at least five years. That's why I support the governor's initiative to provide full SUNY or CUNY tuition to top high school students who pursue a career in the science, technology, engineering and math and commit to work in New York for five years. It's a great investment in New York's future that not only educates our students, but encourages them to put that education to work in our cities and towns.

These three steps won't come easy. But they are critical to ensuring that every kid in New York can reach their full potential.

Now, as young parents like me understand, a child's education doesn't start at pre-K. It starts even earlier, in those formative years from 0-3. As we continue to think holistically about how to improve education, I encourage the legislature to consider how we can do more to boost learning in these early years.

Even with all these investments in our youth, we know that some will stumble and some will fall.

How compassionate we are as a society can in many ways be measured by how we respond to these children—whether we help them get back on track or condemn them to a lifetime of hardship.

That's why I am grateful that the Governor has launched the Commission on Youth, Public Safety and Justice. It will make recommendations on how best to raise the age of juvenile jurisdiction, improve outcomes for youth, and promote community safety.

Today, New York is one of only two states that continue to prosecute 16- and 17-year olds through the adult criminal justice system.

- According to Chief Judge Lippman, up to 50,000 16- and 17-year-olds are arrested annually in New York, mainly for minor, non-violent crimes, and prosecuted as adults in criminal courts.
- New York spends roughly \$266,000 per child per year to house young offenders in detention facilities.
- And the return on that investment is horrendous: an 89% recidivism rate for boys and an 81% recidivism rate for girls over a 10-year period.

This system imposes huge costs on our State—not just in terms of taxpayer dollars, but also in the opportunity lost when young people are unable to learn from their mistakes and find that the doors of opportunity are closed to them.

I urge the Legislature to raise the age from which young people can be prosecuted as adults and I thank the Governor for his leadership on the issue.

In addition to investing in our children, it is imperative that we invest in a health care delivery system that provides sustainable, quality care to New Yorkers in all five boroughs.

That's why I strongly support the Governor's call for a federal Medicaid waiver. It would allow the State to reinvest up to \$10 billion of savings into the transformation of New York's health care delivery system.

Hospitals in the City face unique financial and operational pressures. Over 500,000 undocumented immigrants residing in New York City are barred from most Medicaid programs and from buying insurance on the exchange under the Affordable Care Act, even as federal funding for treating the uninsured declines. Also, the demands of an urban setting—more acute cases, more-diverse patients—require higher levels of staffing to provide quality care.

The recommendations put in place by the Governor's Medicaid Task Force have already realized over \$17 billion in savings for the Federal Government. Sharing those savings with the City will help us to invest in a sustainable, long-term health delivery system that provides high-quality treatment to all New Yorkers.

Lastly, I want to express strongly support for the Governor's plan to bring a public campaign finance system to state elections. As someone who has run campaigns for State and local office, I know firsthand how New York City's public financing system—where contributions up to \$175 are matched 6 to 1—helps ensure that all voices are heard and protects the public from the dangers of big money in politics.

The results of the City system speak for themselves. In 2009, the majority of contributions in New York City elections were from first-time donors, with more than 80 percent of donors giving less than \$175. As reports from the Brennan Center for Justice have shown, these small donors tend to be much more diverse than donors to State legislative races.

New York City's system not only encourages small-dollar donations. It also helps to keep big money out of politics. In 2009, only 7 percent of donations to eligible candidates in City races came from organizations—including political action committees, businesses, and unions. In comparison, in 2010 State elections, 65 percent of donations came from organizations rather than individual New Yorkers.

For less than a penny a day per New Yorker, a state campaign finance system will rebuild trust in government and provide a template for our sister states in how to run elections in a post-*Citizens United* world.

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