

THE COUNCIL OF THE CITY OF NEW YORK

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Response to the Mayor's Preliminary FY 2013 Budget

and Preliminary Mayor's Management Report

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NEW YORK CITY COUNCIL

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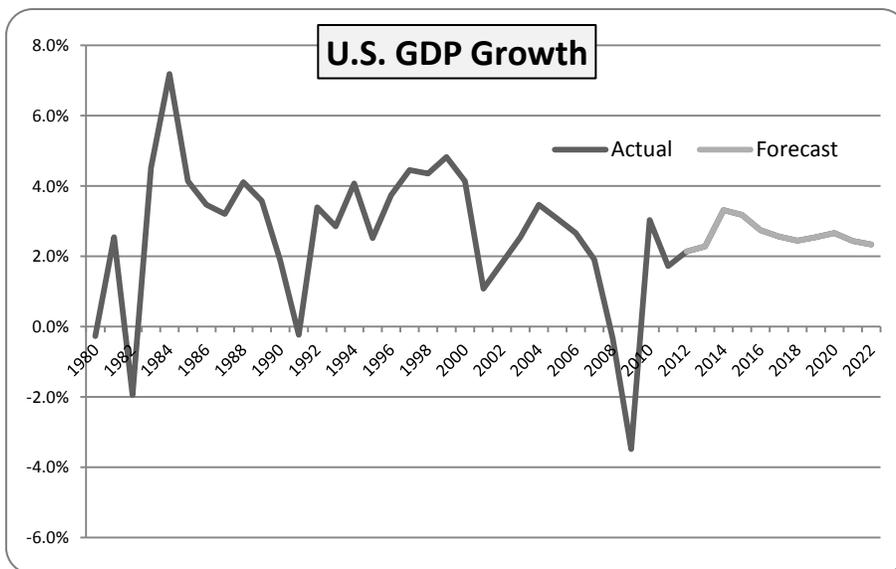
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THE ECONOMY AND TAX REVENUES

Although the national and local economies are showing signs of continued recovery, some troubling weaknesses remain. The chances of a national recession are receding, and the City economy has shown unexpected strength. Council Finance forecasts a City economy and tax revenues that are slightly better than that found in OMB's Preliminary Budget forecast. However, the local unemployment rate has bucked the national trend, rising to 9.6% while the national rate has fallen to 8.3%. Council Finance believes that the legacy of the financial crisis is a 'new normal' for the national and City economies. This 'new normal' is likely to be slower growth than has been experienced over the past 15 years.

In 2011, the US economy expanded at an annual real rate of 1.7 percent - lower than the 3.0 percent growth in 2010. Council Finance expects the economy to grow at 2.1 percent in 2012, reaching 3.3 percent and 3.2 percent in 2014 and 2015 respectively. Growth is expected to average 2.5 percent in the longer term (see figure below).¹



Nationally, employment posted strong gains, adding 284,000 and 227,000 jobs in January and February 2012.² The seasonally adjusted unemployment rate declined from its annual peak of 9.6 percent in 2010 to a lower 2011 average of 9.0 percent. It was at 8.3 percent in February 2012.

While Council Finance expects U.S. job prospects to improve over time, the more

immediate concern is the speed of that improvement. In a recent speech, Ben S. Bernanke, Chairman of the Board of Governors of the Federal Reserve System, expressed his skepticism regarding the sustainability of the current pace of job gains, stressing among other things, the difficulties posed by the loss of skills among the long-term unemployed.³

¹ This is an updated and abbreviated version of the forecast found in the March 5, 2012 Briefing Paper by New York City Council Finance Division. The national and tax revenue forecasts are unchanged, the City economy forecast was updated to reflect New York State Department of Labor revisions to 2011 employment data and to include data from NYSE fourth quarter earnings.

² Bureau of Labor Statistics, change in total non-farm employment seasonally adjusted.

³ For complete transcript, see: <http://www.federalreserve.gov/newsevents/speech/bernanke20120326a.htm>

The factors slowing the US economy are familiar:

- With the partial resolution of the Greek debt crisis, risks of a new US recession caused by Eurozone financial troubles have been reduced at least for the moment. But the Eurozone recession is slowing American growth.
- Despite low interest rates, commercial banks are operating with a stricter credit selection framework and will remain cautious in their lending. This remains a problem, especially for small business.
- Premature fiscal tightening is another problem. Last year's reductions in federal, state and local spending reduced the growth of GDP by 0.44 percent.⁴ Council Finance believes this will continue to be a drag on growth through at least 2015.
- A weak housing market and deleveraging continues to suppress the growth of consumption spending.

Contradictory Employment Numbers?

There are several possible explanations for the disparity between the establishment survey, which indicates more jobs, and the household survey, which indicates higher unemployment.

First, the City's labor force has increased by 16,400 in the last 12 months, as more discouraged unemployed workers begin seeking employment again. This pushes up the unemployment rate. Second, the share of commuters taking jobs in the City has increased. Third, during recoveries, many freelance workers tend to seek and obtain regular employment, having an effect on the payroll count but not the unemployment rate. Finally, the household survey of residents is not as accurately benchmarked as the establishment survey, and may have overestimated the unemployment rate.

THE LOCAL ECONOMY

Employment in the City has been a mixed picture. Every March the New York State Department of Labor revises or 'benchmarks' employment numbers for the City. This year the change was large. The gain in private payroll in 2011 was revised up to 85,300, almost double the 44,800 gain originally estimated. On the basis of these revised estimates the City has more than regained the 139,500 payroll positions lost from September 2008 through August 2009. From September 2009 to February 2012, the City has recovered 158,144 jobs, bringing City employment to an all-time high.

However, turning from payroll numbers to the number of New York City residents who have jobs, the household survey tells a different story. According to this survey, the number of employed City residents is still down by around 118,200 from the August 2008 peak. The City's unemployment rate has recently been trending upward to 9.6 percent. Currently 158,000 City residents are still unemployed (see sidebar).

Evidence from both sources suggests that the City's economy stalled in the second half of last year and

may have even shrunk in the fourth quarter. Fortunately, it appears to have picked up again over the last two months.

⁴ Bureau of Economic Analysis, "Gross Domestic Product Fourth Quarter and Annual 2011 (Third Estimate)", Table 2.

Nonetheless, while the level of employment in the City has surpassed its pre-recession peak, as of February 2012, real total private sector wages in the City were \$8.8 billion less than at the peak. There are fewer high-paying jobs and more low-paying jobs than before the recession according to the establishment survey. Finance and insurance has 19,800 fewer jobs in February 2012 than it did in August 2008. That includes 14,500 fewer jobs in the securities industry with an average annual wage of \$368,400. On the other hand, retail jobs with average pay under \$36,000 gained 24,200 jobs since the last peak. Accommodations and food service with an average wage of \$29,300 added 41,300 jobs.

“Real total private sector wages in the City were \$8.8 billion less than at the peak. There are fewer high-paying jobs and more low-paying jobs ...”

Going forward, this weakening of wages will be aggravated by developments on Wall Street, which reported losses of \$2.0 billion in the 4th quarter 2011. This follows \$3.0 billion losses in the 3rd quarter. All in all, net earnings for 2011 came to less than \$7.7 billion, a small fraction of the \$61.4 billion and \$27.6 billion earned in 2009 and 2010 respectively. These were significantly below OMB’s pessimistic forecast of \$13.1 billion. The effect of this has been felt in city tax revenues over the last four months.

Looking ahead, private employment growth is expected to slow in 2012, adding only 38,000 positions, as business growth is constrained still by weak demand and tight credit. Employment will pick up in the next four years as conditions improve, adding 45,000 jobs in 2013. Average wage growth will also slow from 2.6% in 2011 to 1.6% in 2012. Wage growth will strengthen to 2.1% in 2013 and pick up momentum in the out years.

Forecast of Selected Economic Indicators

	CY11	CY12	CY13	CY14	CY15	CY16
National Economy						
Real Gross Domestic Product <i>Percentage Change</i>	1.7	2.1	2.3	3.4	3.2	2.7
Private Employment						
<i>Level Change (million)</i>	1.9	2.2	2.1	2.3	2.3	2.0
<i>Percentage Change</i>	1.8	2.0	1.9	2.0	2.0	1.7
Total Wages <i>Percentage Change</i>	1.7	1.8	2.0	2.2	2.3	2.4
New York City Economy						
Private Employment						
<i>Level Change (thousand)</i>	85	38	45	51	59	53
<i>Percentage Change</i>	2.7	1.2	1.4	1.5	1.7	1.5
Total Private Wages <i>Percentage Change</i>	5.4	2.6	3.8	4.6	4.8	4.4
Total Revenue of NYSE Members <i>Percentage Change</i>	(7.4)	(10.2)	2.0	2.2	2.3	1.7

Source: IHS Global Insight, March 2012 (Nat'l); New York City Council Finance Division (City)

REVENUE GROWTH REMAINS MODEST

The outlook for New York City tax revenues has not fundamentally changed since the Finance Division's March 5th briefing paper (Council Finance has not revised its March tax revenue forecast, but it will do so for the briefing paper that accompanies the Executive Budget hearing with the Office of Management and Budget). While the City had good news from the unemployment revisions, weaker than expected performance of the Wall Street firms has been disappointing.

As expected the growth of tax revenue has slowed down. For the fiscal year through November, collections were 7.6 percent above the same period last year. However, for the fiscal year through February, collections are only 6.6 percent above last year. The culprit, a weak bonus season, has caused income tax withholdings for December through February to fall 4 percent behind the same time last year. If March, when some bonuses were paid last year, is included, withholdings are down by over 5 percent

February tax collections are \$49 million over the Preliminary Budget plan. About \$29 million of this is in the property tax, which is probably due to the timing of payments rather than the fundamental strength of the tax. Otherwise, taxes are more or less on plan.

Council Finance expects tax revenues to continue their slowdown. Tax revenues should end Fiscal 2012 5.1 percent above Fiscal 2011. The economy should continue to expand, but it will do so without the surges in business and personal income seen over the last 15 years. Revenues should also grow at an average rate of around 4 percent for Fiscal 2013 to Fiscal 2016. For a more detailed discussion please see our March 5th briefing paper.

Council Forecast: Difference from OMB Forecast					
<i>Dollars in Millions</i>					
	FY12	FY13	FY14	FY15	FY16
Real Property	\$0	\$0	\$37	\$116	\$166
Personal Income	\$138	\$249	\$243	\$134	\$222
General Corporation	\$86	\$103	\$143	\$211	\$81
Banking Corporation	(\$23)	(\$1)	\$88	\$142	\$90
Unincorporated Business	\$8	(\$59)	(\$37)	(\$9)	(\$17)
Sales	(\$58)	(\$33)	(\$57)	(\$82)	(\$74)
Commercial Rent	\$41	\$59	\$79	\$100	\$145
Real Property Tran	\$54	\$45	\$5	\$9	\$107
Mortgage Recording	(\$2)	(\$9)	(\$37)	(\$27)	\$49
Utility	\$5	\$15	\$23	\$32	\$49
Hotel	(\$21)	\$11	\$27	(\$1)	\$5
All Other	\$0	\$0	\$0	\$0	\$0
Audits	\$0	\$0	\$0	\$0	\$0
Total Taxes	\$227	\$380	\$515	\$624	\$823

Source: Finance Division Fiscal 2013 Preliminary Plan Forecast

THE COUNCIL'S PRIORITIES FOR THE EXECUTIVE BUDGET

CHILDREN AND YOUTH

The City's programs and services for children and youth – from early childcare, to public schools, libraries, and after-school community programs – have suffered some of the deepest cuts over the last several rounds of Programs to Eliminate the Gap (PEGs). Although the Council and the Administration have worked together each year to help mitigate the impact of these cuts, it is becoming increasingly difficult to ignore the steady erosion in these services and the impact it is having – especially on low and moderate-income families and communities of color that are least able to access alternatives.

The alarming recent rise in youth violence is simply the most disturbing symptom of the diminished access to jobs, structured activities, and educational opportunity. In the Executive Budget, particular attention must be paid to protecting programs that provide constructive paths to better futures for all New Yorkers, especially in the areas of education, childcare, and youth, as well as for other vulnerable populations such as those suffering from HIV/AIDS, seniors, and immigrant populations.

EARLY LEARNING

In an effort to increase both the quality of service in Administration for Children's Services (ACS) subsidized child care system and the number of slots for preschool children, ACS released its Early Learn RFP in May of 2011. Awards are scheduled to be announced in mid-April and contracts are to begin on October 1st of this year. Although the Council supports the overall goals and intent of this system-wide overhaul, Early Learn as currently funded and structured is flawed. Most significantly, since the cost per enrollee will increase under the Early Learn model, without additional funding the new system will cause a citywide loss in capacity of 8,200 child care slots.

The RFP suffers from several structural flaws. It distributes slots based on ZIP code level income measures, leaving critical gaps in “non-targeted” ZIP codes which nonetheless have significant numbers of previously eligible low-income families.

Additionally, providers will be required to contribute 6.7 percent to the cost of care. Again, as slots are being redirected away from higher income neighborhoods, it is foreseeable that centers in historically underserved communities may have trouble securing private funds to meet this requirement.

Finally, the contract start date of October 1st will leave a three-month gap in service before Early Learn contracts would begin. The Executive Budget should provide funding to extend existing contracts through the first quarter of FY 2013.

It is the Council's hope that the Administration will work with us to resolve the policy and budgetary issues associated with the rollout of Early Learn.

RESTORE FUNDING FOR VOUCHERS AND FAMILY DAY CARE SLOTS

In addition to funding for center-based care under Early Learn, the Council calls upon the Administration to maintain funding for vouchers and family day care slots funded in the Fiscal 2012 Adopted Budget. In Fiscal 2012, the Council restored \$13.6 million for 4,942 child care vouchers for school-age children, who would have been displaced by proposed reductions to Priority 5 and 6 vouchers, and the Administration funded \$10.9 million for another 2,802 school-age vouchers and 1,168 family day care slots. All school-age vouchers were offered to eligible families at a rate of \$2,748 per voucher. The loss of these vouchers and slots would negatively impact thousands of families, forcing them to find less reliable methods of child care.

PRIORITIZE SCHOOLS

In the past four years the number of teachers in City schools has fallen by six percent, from 79,000 in Fiscal 2009 to 74,000 in Fiscal 2012. Class sizes have risen across all grades.

These reductions in teaching staff are the result of cuts to school budgets year after year. The Preliminary Budget projects a headcount loss through attrition of 2,570 pedagogical employees in schools in Fiscal 2013, most of whom would be general education teachers. The drop in headcount stems from a \$64.1 million cut to funding for school budgets; this net reduction includes a \$181.8 million or 3.3 percent cut to general education and a shift of resources out of general education and into special education. Meanwhile, the Department of Education's (DOE) budget overall would increase by \$209.6 million to \$19.6 billion in order to cover rising costs in special education and other mandated, or so-called "uncontrollable" spending areas.

Despite the reduction in school budget funding and headcount, Chancellor Walcott testified at the March 27th Fiscal 2013 Preliminary Budget hearing for the DOE that school budgets would not be cut in Fiscal 2013. Further, the Chancellor pledged that any additional State funding would be used to support school budgets.

The Fiscal 2012-2013 New York State Budget has since been adopted and includes approximately \$70 million more in State aid for Fiscal 2013 than what had been previously estimated by the DOE in the Preliminary Budget.

The Administration should allocate the additional \$70 million in State Aid into the school budgets in the Fiscal 2013 Executive Budget to ensure no further loss of teaching and other school-based staff. The Executive Budget should also move the \$135 million increase in State Foundation Aid recognized in the Preliminary Budget into the general education related units of appropriation. Foundation aid should be used to support the general operating costs of schools, not categorical programs.

Moving \$135 million in Foundation Aid and the new \$70 million increase in State Aid into the budget for general education would eliminate the year-over-year drop in funding proposed in the Preliminary Budget and leave a slight increase. However, a more substantial increase would be necessary to maintain the current level of school services and avoid further increases in class sizes. The years of budget cuts have done damage to our schools and further harm should not be inflicted on the City's more than one million public school students.

The DOE has taken steps to control mandated costs through several PEGs, and it should continue to do so in order to preserve funding for the classroom. The Preliminary Budget estimates of spending on mandated services should again be scrutinized to identify savings from over-large projections. The Department should also revise or scale-back all discretionary programs and policies to produce savings, such as by closing and opening fewer schools, decreasing the number of new charter schools, and reducing the number of schools co-located in a single building.

MEDICAID REVENUE

The Preliminary Budget includes Medicaid revenue projections of \$117 million in Fiscal 2012 and \$167 million in Fiscal 2013. The DOE has since revealed that it will not meet its target for Fiscal 2012 and is uncertain about meeting the Fiscal 2013 target. The DOE should revise Medicaid revenue estimates for Fiscal 2012, Fiscal 2013, and the out-years to reflect realistic, attainable revenue projections.

The DOE should not use funding available for school budgets to fill budget holes that result from failed Medicaid revenue targets. In addition, the DOE should redouble its efforts to work towards maximizing Medicaid revenue to help offset rising mandated costs of special education related services.

IMPROVE THE EDUCATION BUDGET'S TRANSPARENCY AND ACCURACY

The Department of Education's budget provides insufficient detail on the agency's core function, which is the operation of public schools, and the existing units of appropriation are not aligned with functional areas.

Examples of the budget's failure to provide transparency and organize programmatically include the lack of information on GED and continuing education programs, and the distribution of funding for universal pre-kindergarten amongst several units of appropriation. The budget does not show how much schools spend on elementary school classroom teachers, on high school guidance counselors, on middle school principals, or on teachers assigned to the Absent Teacher Reserve Pool. The three unit of appropriation (U/A) pairs used to fund schools are so large that the Department retains almost complete authority to move funding among the many diverse programs that are provided by public schools. U/A 401 – General Education personal services, totals \$5.5 billion in the Preliminary Budget, more than a quarter of the Department's entire budget. The units of appropriation for Categorical Programs are entirely non-programmatic and instead structured by funding source.

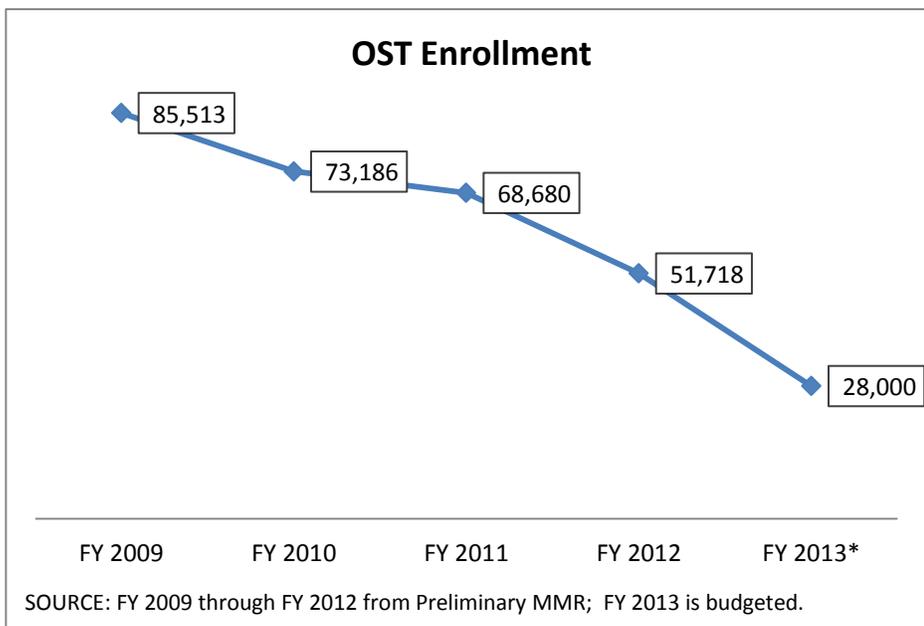
The Council calls on the DOE to begin restructuring its budget in the Executive Budget by moving funding and headcount for network staff out of U/As 401 and 402, General Education, and back into U/As 415 and 416, School Support Organizations. In addition, the DOE should establish a distinct unit of appropriation for charter schools separate and apart from U/A 472, which also includes contract schools, Carter cases, and foster care.

The amount of information presented in the City's budget for the DOE stands in stark contrast to the great amount of detail provided by the DOE for each individual school's budget. The City Council urges the Administration to work collaboratively to overhaul the DOE's budget to make it more programmatic and more transparent, and to provide both the Administration and the City Council with greater control over DOE spending.

AFTER-SCHOOL PROGRAMMING

The Council calls upon the Administration to restore funding for vital after-school and community programming. The proposed Fiscal 2013 budget substantially reduces the Out-of-School Time (OST), Beacon and Cornerstone programs that provide after school services to over 125,000 youth per year. If the Fiscal 2013 cuts are enacted, the projected number of participants served would be 95,000, a reduction of over 30,000 participants or 24 percent.

OST, which was once the largest after school program in the nation, provides elementary, middle and high school youth a mix of academic support, sports and recreational activities, the arts and cultural experiences after school, on weekends, and during school vacations, at no cost to participants.



As a result of Department of Youth and Community Development's (DYCD) 2011 OST Request-for-Proposal (RFP), DYCD will pay providers more for each program participant. But the program's funding overall has declined, resulting in a significant loss of service. At its peak in Fiscal Year 2008, the program served over 87,000 participants. The FY 2013 budget would provide funding for just 28,000 participants – a 68 percent reduction.

RUNAWAY AND HOMELESS YOUTH

DYCD's Fiscal 2013 Preliminary Budget would eliminate 159 out of 251 shelter beds for runaway and homeless youth (RHY), reduce essential non-residential services such as drop-in centers, and eliminate street outreach services. The Council urges the Mayor to follow the State's recent example and provide critical core funding for this program in the Executive Budget and Financial Plan.

Because non-residential services are central to DYCD's Runaway Homeless Youth (RHY) program model, the Council recommends that DYCD include in its Mayor's Management Report (MMR) indicators the total number of youth it serves annually in its drop-in centers, as well as the number of homeless youth contacts made annually through its street outreach services.

RESTORE CHILD WELFARE AND CHILD PROTECTION POSITIONS

The Council has a demonstrated historic commitment to child welfare and child protection. In Fiscal 2012, the City Council added \$4.6 million to avert the proposed elimination of 105 child protective

staff positions in the ACS through attrition and the layoffs of 26 child welfare specialists. The Fiscal 2013 Preliminary Budget did not provide funding for these positions, once again impacting both caseloads in these program areas and services to families.

Additional NYPD MMR Indicators

The Council recommends that the Mayor's Management Report include indicators detailing the extent of the Department's language, racial and ethnic diversity; and the number of Stop, Question and Frisk encounters initiated by officers along with any weapons or other contraband seized as well as separate indicators for both pat downs and full searches. In addition, the MMR should show civilian and uniformed overtime expenditures separately.

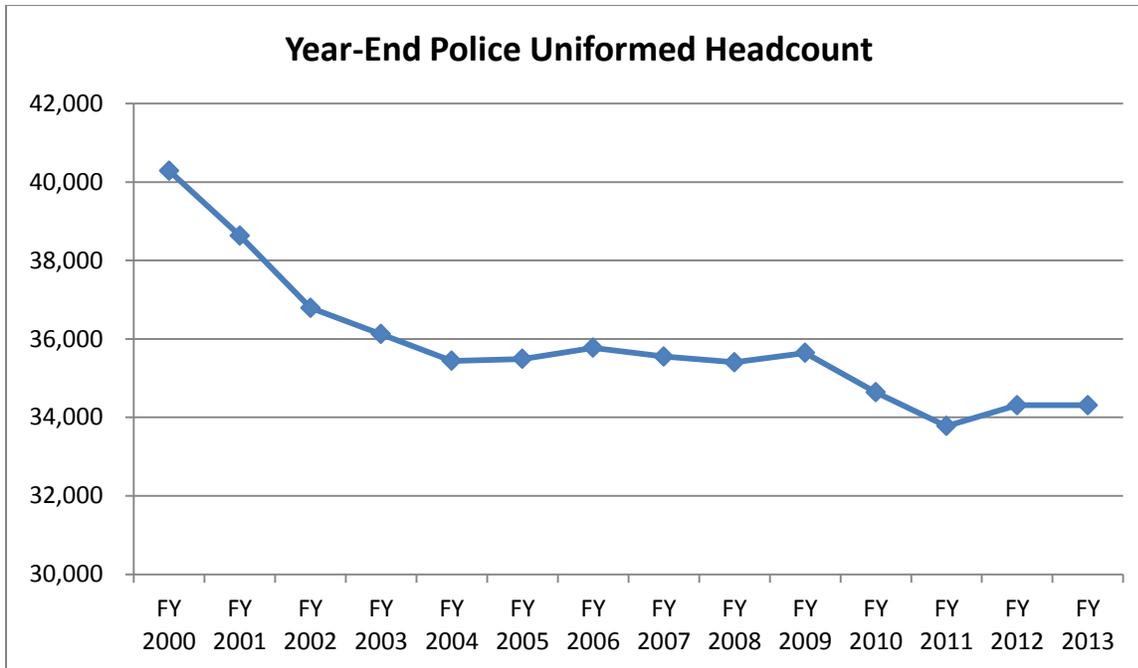
PUBLIC SAFETY

Meeting the needs of youth and families will help address some of the root causes of violence in our communities. At the same time, public safety that is sensitive to New York's diverse communities must also be maintained. Although the FY 2013 Preliminary Budget and Financial Plan projects maintaining uniformed police headcount, the number of uniformed police officers has declined by nearly 15 percent from its recent peak. Several steps can be taken at relatively low cost to help maintain a robust public safety system that is responsive to the communities it serves.

INCREASING PATROL STRENGTH

The Council strongly urges that 500 uniformed officers currently performing tasks eligible for civilianization be assigned to enforcement duties as soon as is practicable and backfill those positions with lower-paid civilian employees. Such a measure would strengthen the Department's enforcement presence while reducing the cost of performing civilian and clerical tasks where law enforcement training and experience are not required.

According to the New York Police Department (NYPD), there were 951 civilian positions filled by police officers throughout the Department as of December 31st, 2011. Of these, 518 positions were filled by full-duty status officers. Returning 500 police officers to enforcement duties would require additional outlays for civilian salaries in Fiscal 2013 totaling approximately \$10 million. Increased patrol strength, however, combined with other measures (including adequate funding for the district attorneys), can reduce the need for overtime spending, which is budgeted at \$418 million for FY 2013.



CCRB'S NEW APU STRUCTURE

On March 27th, the Council and the Administration agreed to extend to the Civilian Complaint Review Board (CCRB) the power to prosecute police officers, instead of submitting recommendations to the NYPD and “second seating” cases which the Board had submitted for prosecution. On April 2nd, the Board approved the MOU laying out the details of the agreement between the CCRB and the NYPD. According to the CCRB, the Administrative Prosecutions Unit should be expanded from its current authorized headcount of four to 18 staff. CCRB has requested \$2.3 million in additional funding in Fiscal 2013 to support the APU — \$1.6 million in baseline costs and \$700,000 in start-up expenses. The Council expects that this funding will be included in the Executive Budget.

Further, the Council recommends that the MMR add indicators on the actions and performance of the APU as well as comparing NYPD dispositions of cases with those recommended by the CCRB. Such an indicator table might include the following: number of cases submitted to the APU for prosecution versus the total number submitted to the Board for investigation; types of cases prosecuted by the APU; recommendations for discipline made by APU versus NYPD dispositions; number of discrepancies between CCRB recommendations and NYPD dispositions requiring written response from Commissioner.

DISTRICT ATTORNEYS' WORKLOAD FUNDING

The Fiscal 2012 Budget included \$6.6 million in additional funding for the Queens, Brooklyn, Bronx, and Staten Island District Attorneys. This “Workload Funding” was to be the first installment of a baseline increase intended to align the budgets of the District Attorney’s with their respective

workloads. The increase was reflective of a study completed by the Criminal Justice Coordinator (CJC).

According to the DA's, the Coordinator's report recommended a baseline budget increase made in three equal installments over three fiscal years for the four District Attorneys. The first of these installments was included in the Fiscal 2012 Budget; but the Preliminary Budget for Fiscal 2013 does not include any additional funding.

The Council urges the Administration to fund the two additional workload supplements of \$6.6 million in the Fiscal 2013 Executive Budget (the second to be scheduled beginning in Fiscal 2013 and the third beginning in Fiscal 2014).

RESTORE FUNDING TO THE OFFICE OF CHIEF MEDICAL EXAMINER

In January the Council restored funding for critical DNA testing positions in the Office of the Chief Medical Examiner (OCME) in order to avoid cutbacks and delays in the processing time of DNA testing submissions, including rape kits. The Administration and Council also agreed that funding for this vital service would be restored and baselined. The Executive Budget should implement this agreement.

FIRE COMPANY CLOSURES

For the third year in a row the Administration has proposed the permanent decommissioning of 20 fire companies with the goal of reducing the number of fixed posts that must be staffed. The Fire Department projects that closure would increase response times to fires. The Council remains strongly opposed to engine company closures absent a thorough, impartial, data-driven review of community needs, and urges the Administration to restore funding for 20 engine companies in the Fiscal 2013 Executive Budget.

THE SAFETY NET

A BETTER APPROACH TO HOMELESSNESS

The Council continues to call into question the Administration's decision to terminate the Advantage program, which was the City's sole rental assistance program for the homeless. The Administration decided it would discontinue the Advantage program – which provided rental assistance for homeless individuals and families for up to two years – when State and Federal support was pulled. At the time the City announced the elimination of the program more than 15,000 Advantage clients were accessing the rental subsidy program. The Council calls upon the Administration to prioritize a viable solution to keep former Advantage families currently in apartments housed.

The Department of Homeless Services' (DHS) shelter census numbers are again at a record high after years of consistent increases, with over 40,000 adults and children spending the night in its shelters currently. The Council welcomes any opportunity to work with the Department of Homeless Services to identify and promote paths for homeless families and singles out of the

shelter system and into permanent housing. Specifically, we encourage DHS to work with the Housing Authority (NYCHA) to restore the preference for homeless families for vacant NYCHA units and available Section 8 vouchers, as well as to work with the Council to create a pilot rental subsidy program to replace the Advantage program and help transition families out of shelter and into appropriate permanent housing.

SHARED ROOMS PROPOSAL

The Administration has again put forward a proposal to shelter multiple families in apartment style units in an effort to save money. The implementation of such a plan would require the Council to amend Local Law 18, which states “No homeless family shelter shall be established which does not provide a bathroom, a refrigerator, and cooking facilities and an adequate sleeping area within each unit within the shelter...” The Council has no intention of changing Local Law 18, which protects the safety of children and families, and the Administration should rescind this proposal in the Executive Budget.

ADULT SHELTER DIVERSION

The Council urges the Administration to withdraw its proposal to implement an Adult Shelter diversion policy in the Executive Budget. The Council and the Legal Aid Society brought suit to prevent implementation of this policy, and a court determined that DHS could not implement the policy without complying with the City Administrative Procedure Act. The Council will not support this policy change and the modest savings it entails. The Council believes savings could be better realized by providing additional support for homelessness prevention services and assistance in transitioning single adults to appropriate permanent housing.

MAINTAIN COMPREHENSIVE HIV/AIDS SERVICES

The Human Resource Administration’s (HRA) HIV/AIDS Services Administration (HASA) expedites access to essential benefits and social services needed by persons living with AIDS or clinical symptomatic HIV illness and their families. HASA services include connecting clients with adequate housing and providing financial security and medical care in addition to other services necessary to allow them to manage their illness and to live their lives with the highest level of self-reliance and dignity.

Since the Council passed Local Law 49 in 1997, HASA caseloads have increased from roughly 16,000 cases to a current caseload of just over 32,000. HASA services have expanded and funding has increased substantially, from \$170 million in Fiscal 2002 to \$219 million in Fiscal 2011. However, HRA now proposes funding cuts which would fund HASA programs in Fiscal 2013 at almost Fiscal 2002 levels. These cuts would undoubtedly reduce the availability of services and undermine Local Law 49. The Council does not agree with HRA’s claims that the services provided by HASA case managers and contracted supportive housing case managers are duplicative and believes that these cuts violate Local Law 49 of 1997. Accordingly, the Council calls upon the Administration to restore and baseline \$6.2 million for HASA services in Fiscal 2013 and in the outyears.

HASA BROKER FEES

The Council urges HRA to investigate the impact of its policy to reimburse brokers 50 percent of their usual fees on HASA clients and to work with the Council to devise measures to protect vulnerable HASA clients against unscrupulous brokers.

IMMIGRANT SPONSOR PUBLIC ASSISTANCE RECOUPMENT

The Council calls upon HRA to revoke the agency's punitive proposal to accrue savings by recovering public assistance payments from sponsors of immigrants to the United States. The projected savings of \$2.06 million in Fiscal 2013, \$908,000 in Fiscal 2014, and \$414,000 in Fiscal 2015 are relatively small. According to the agency, it intends only to seek recovery of payments from the Safety Net Assistance adult population who received benefits totaling more than \$500. While all domestic violence, asylum, and refugee recipients are exempt from this policy, the Council does not understand why other vulnerable populations are not exempt as well, such as the elderly or disabled.

SENIOR SERVICES

Last year the Council and the Administration agreed to restore and baseline \$14 million for both meals and operating costs of senior centers citywide. However, the Fiscal 2012 Adopted Budget included an additional \$4.5 million in Council funding for support to senior centers that was not included in Fiscal 2013 and beyond. This funding covers space and facility funding shortfalls at senior centers; fuel, insurance, and maintenance costs for senior center vans that transport seniors to medical/personal appointments, recreational activities, and other social service sites; and home-delivered meals to seniors on the weekends and on holidays through CityMeals on Wheels. The exclusion of this funding would severely impact both levels of services to seniors and the sustainability of these programs, and the Council believes these should also be treated as baseline operating costs.

SENIOR CASE MANAGEMENT

The Fiscal 2012 Preliminary Budget included a \$6.6 million cut to the Fiscal 2013 budget for the Department for the Aging's (DFTA) case management program. For Fiscal 2012, the Council restored \$3 million of this cut, sparing providers from having to reduce their budgets by approximately 30 percent. As the Administration did not baseline this \$3 million restoration in the Fiscal 2013 Preliminary Budget, case management providers will be faced with an approximate 15 percent cut to their budgets for the upcoming fiscal year.

It is likely that this cut will result in layoffs within the provider community. Case management agencies provide the City's most vulnerable, homebound seniors with, at times, the *only* link to services and benefits, as well as monitoring and support from the "outside world." DFTA has stated that this cut will result in an increase in caseloads for case management workers, as they try to ensure that no senior currently receiving care will be without service.

SENIOR SERVICES

The Fiscal 2012 Adopted Budget included \$6.8 million in Council funding for other senior services, including elder abuse prevention, support for Naturally Occurring Retirement Communities (NORCs), information and referral programs, as well as discretionary funding to the Borough Presidents for budgetary support to citywide senior centers including operating costs, meals, and various social services. The exclusion of this Council funding in Fiscal 2013 would severely impact both levels of services to seniors and the sustainability of these programs.

PUBLIC HEALTH

The cuts to the City's public health system have also disproportionately affected minority and low-income communities. Children and families with limited health-care options, persons with HIV/AIDS (increasingly persons of color), and youth and adults with a spectrum of developmental and mental health issues, all find it harder than ever to find programs and services that meet their needs as the Department of Health and Mental Hygiene (DOHMH) pulls back from its historical role as a provider of services.

OFFICE OF MINORITY HEALTH

DOHMH's decision to dissolve its Office of Minority Health will further undercut the Department's historical role in addressing the health and mental health needs of underserved communities. Despite their own fiscal troubles, both the State and Federal governments have retained their own offices focused on health and mental health issues of minority communities. OMH has been particularly successful because of its partnerships with faith-based organizations to disseminate health information, and its support for health programs at faith-based organizations.

RESTORE HIV/AIDS CONTRACTS

The Council calls upon the Administration to restore funding to HIV contracts in Fiscal 2013. The department will reduce \$1.4 million in City tax levy and \$791,000 in State spending by scaling back its contracts for HIV prevention that have been determined by the department to have a high cost per person. They include individual- and group-level evidence-based behavioral interventions, anti-stigma contracts, condom distribution and co-factors contracts. The magnitude of these reductions will force many contracted providers to scale back on services, which will reduce access to at-risk residents seeking HIV prevention related services.

MAINTAIN CLINIC AND OUTREACH SERVICES

The Council calls upon the Administration to restore \$461,000 which would prevent a reduction in Saturday hours at DOHMH STD clinics, a reduction in a contract for seasonal nurses and the elimination of an STD testing/testing program (known as "STEP UP") in select high schools citywide. Of the 86 schools participating in STEP UP in 2010-2011, only 18 (20 percent) of them are connected to school-based health centers (SBHCs), which offer chlamydia and gonorrhea testing and treatment. Students who are enrolled in a SBHC could receive STD testing services through the center. However, SBHCs do not provide school-wide STD screening, outreach and prevention education; rather, screening and linkage to care services are only offered to students who complain

of symptoms (is reactive, not proactive). Other alternatives, such as Planned Parenthood and Maternal Infant Clinics do not offer the same level of access and outreach available in schools participating in STEP UP. These reductions will limit students' access, weakening the City's ability to prevent and address emerging public health concerns.

The Council calls upon the Administration to restore \$429,000 to preserve staff dedicated to outreach and education at the DOHMH' East Harlem Asthma Center of Excellence (EHACE) as well as immunization staff. Shrinking the size of its Asthma education and outreach staff in a neighborhood where asthma-related incidence is alarmingly high will impair the City's efforts to help and protect residents from this preventable disease.

RESTORE AND BASELINE MENTAL HYGIENE CONTRACTED SERVICES

The Council strongly urges the Administration to restore and baseline funding to DOHMH's mental hygiene contracted services. The Council restored \$2.66 million to Mental Hygiene Contracted Services in Fiscal 2012. This restoration prevented the elimination of certain services and maintained capacity to treat patients. The Administration should baseline these vital services.

BASELINE COUNCIL-FUNDED MENTAL HEALTH SERVICES

The Council calls upon the Administration to baseline the Council's Fiscal 2012 \$4.6 million in cumulative funding for its Children under Five, Geriatric Mental Health and Autism Awareness initiatives. It is significant to note that the Council is the only governmental entity providing funding on any level for mental health services for very young children through its Children Under 5 Mental Health Initiative.

RESTORE HHC'S OPERATING SUBSIDY

The Council strongly urges the Administration to restore \$4.3 million to the Health and Hospital Corporation's (HHC) Operating Subsidy. This subsidy serves as a lump-sum appropriation to HHC in recognition of the financial challenges of serving uninsured and Medicaid patients. Payments associated with these particular services and patients do not cover the full costs of care and are not sufficient to meet HHC's financial needs. This subsidy has been PEGed in previous budget cycles. If the Fiscal 2013 cut is implemented, HHC will have lost more than half of the Fiscal 2010 adopted value of the subsidy (from \$32.3 million to \$15.3 million). Moreover, despite HHC's multi-billion dollar operating budget, further reductions to this subsidy could very well impact HHC's bottom line. To absorb the loss of these funds, HHC will be forced to cut costs across its system, which could translate into service and/or headcount reductions – actions that will have adverse consequences to HHC patients.

RESTORE SEXUAL ASSAULT RESPONSE TEAM FUNDING

The Council strongly urges the Administration to restore the \$1.3 million in funding to the Health and Hospitals Corporation's Sexual Assault Response Team (SART) program in Fiscal 2013 that it provided in the Fiscal 2012 Adopted Budget. SART provides immediate state-of-the-art forensic and counseling services, allowing for sexual assault victims to receive sensitive care within one hour of their arrival. SART programs, which operate around the clock, can minimize trauma to the

victim and reduce the risk that evidence critical to law enforcement will be lost, damaged or overlooked.

RESTORE PASS-THROUGH FUNDING REDUCTIONS TO HHC

The Council calls upon the Administration to fully restore pass through funding to HHC in Fiscal 2013. While City spending only represents a fraction of HHC's overall revenue, the Council recognizes the importance of funding budgeted for HHC's services. The Council is especially concerned that, in addition to spending cuts made by HHC at the Administration's request, HHC is further impacted by cuts made by DOHMH to services funded by pass-through funding. The DOHMH has targeted HHC services such as Child Health Clinics, rapid HIV testing and developmental evaluation clinics. Over the years, the Council has urged the Administration to see value in these services and has already expressed its disappointment to DOHMH for targeting these programs.

IMPROVING GOVERNMENT OPERATIONS

CAPITAL BUDGET TRANSPARENCY

The Council calls on the Administration to make the Capital Commitment Plan more transparent, specifically by providing greater detail on funding included in lump sum project lines. Scattered throughout the Capital Budget are multiple lump sum project lines that contain hundreds of millions of dollars with little or no detail as to how this funding will be used. The lack of transparency in the Capital Plan contributed to the massive cost overruns in several of the City's largest capital projects, notably the CityTime timekeeping system and the Emergency Communications Transformation Project. Providing greater transparency will help avoid future project cost overruns.

Building upon the Council's recent legislation requiring the City to notify the Council when a large scale capital contract increases in cost by 20 percent, the Council is ready to work with OMB to increase transparency in the Capital Plan by providing itemized details of lump sum project lines.

There are several other measures the Council supports that can help streamline and rationalize government operations to reduce costs:

CONSULTANT CONVERSION

An agreement between the Comptroller and the Mayor's Office on the operation of the CityTime system, calls for a gradual transfer of the management of the system from outside consultants to city employees, saving the City millions of dollars. The Council recommends that every agency conduct a review of its current outside consultants and seek to convert those positions to city employees if feasible.

ENHANCED DEFENSE OF CITY LAWSUITS

The Law Department has seen positive results from its initiative to increase staffing to more vigorously defend the City against civil rights cases. The Department reports a slight drop in civil

rights cases filed and a greater success rate in defending those cases. The Council supports the expansion of this initiative in an effort to reduce judgments and claims against the City and deter frivolous lawsuits.

AGENCY CO-LOCATION

Financial Information Agency Services (FISA) Executive Director agreed that there would be benefits to co-locating the offices of FISA and Office of Payroll Administration (OPA) because of the coordination between the agencies on several citywide IT systems. Co-location promotes a cooperative culture and makes it easier to identify unnecessary redundancies. The Council recommends that the Administration explore opportunities to co-locate or even merge agencies whose work requires close coordination with each other.

SUPPORTING MWBEs

Indicators on Minority-and Women-owned Business Enterprises (MWBE) should be added to every applicable City agency's Mayor's Management Report so that each agency is held accountable for its efforts to include MWBE's in its contracting plan.

COMMUNITY BOARDS RESTORATION

Community Boards function with budgets that barely provide the minimum resources needed to adequately carry out their responsibilities as mandated by the City Charter. The value of service provided by Community Boards far outweighs the cost savings associated with their Fiscal 2013 PEG. Community Boards should not be subject to the Administration's Program to Eliminate the Gap and funding should be restored.

BOARD OF ELECTIONS (BOE) PERFORMANCE MEASURES

Currently the BOE does not provide performance data for the MMR. The Board has testified that it fulfills its reporting requirements through the issuance of its annual report. The Council calls on the Administration to work with the Board to include its performance data in the MMR.

SUSTAINING NEIGHBORHOODS AND COMMUNITIES

PROTECTING OUR INVESTMENT IN HOUSING

The Department of Housing Preservation and Development (HPD) expense budget totals \$560.8 million in Fiscal Year 2013, of which approximately \$487.9 million or 87 percent is funded by the federal government. Due to federal cost cutting and recalculations in HUD's funding formulas, HPD has seen expense reductions in Section 8 (\$3.8 million), HOME (\$6.5 million) and CDBG (\$21 million) for a total of \$31.3 million in its expense budget and \$58 million in the Capital budget (all HOME funds). Due to a lag created by differences in the City and Federal government's fiscal year, the majority of the impact of these cuts is anticipated in Fiscal 2014.

HPD contends that if no actions are taken to fill these gaps they will be forced to cut 86 CDBG funded staff, which are mainly related to code compliance, and 70 HOME-funded staff along with a reduction of construction starts of approximately 650 units per year in low income and supportive housing. HPD is actively working on solutions to these future gaps with the Council and the administration. In spite of these past and future cuts HPD is still on schedule to attain their goal of starting construction on 165,000 units of affordable housing by Fiscal 2014, with 129,221 units already begun as of Fiscal 2012.

INDUSTRIAL BUSINESS ZONES

The City's Economic Development Corporation (EDC) funds 8 providers to support, manage, and promote the 16 Industrial Business Zones (IBZs), which help keep industrial and manufacturing jobs in the City. From the Fiscal 2011 Actual when the IBZ budget was \$1.63 million to the current proposed Fiscal 2013 Budget of \$996,000, the IBZs' budget has been cut by 39 percent. In addition, SBS reduced the service providers from 12 to 8.

According to EDC, the industrial sector is 16 percent of private sector employment in NYC and provide good paying jobs. The IBZ providers have the goals of preserving and growing over 9 million square feet of industrial space and creating and retaining up to 30,000 direct and indirect industrial jobs, which generate annual payroll earnings of more than \$900 million and more than \$150 million in City tax revenue.

Supporting MWBEs

Indicators on Minority-and Women-owned Business Enterprises (MWBE) should be added to every applicable City agency's Mayor's Management Report so that each agency is held accountable for its efforts to include MWBE's in its contracting plan.

DEVELOPING A FAIRER CITY

In February, Speaker Quinn, joined by Council Members and representatives of business and labor, announced an historic agreement on a bill to require the payment of a "living wage" to employees of recipients of City economic development subsidies. At the same time, she announced a commitment to provide \$10 million in capital funds to pilot programs and strategies that would promote economic development that pays wages that allow working families to live with dignity and stability.

PROVIDING RECREATIONAL OPPORTUNITIES

The Department of Parks and Recreation's ability to maintain the City's parks and recreational facilities in good condition is imperiled by the steep staffing reductions it has experienced in the last 3 years. The Parks Commissioner testified at the Preliminary Budget Hearing that DPR does not have adequate staffing to maintain the City's parks at acceptable levels of repair and cleanliness. The Preliminary Mayor's Management Report indicator for City parks with an "acceptable" rating for cleanliness declined from 90 percent in Fiscal 2009 to 86 percent in the first four months of Fiscal 2012.

The Fiscal 2013 Preliminary Budget includes only 4,537 positions (both full-time and full-time equivalent positions) – a decrease of more than 2,000 positions compared to the Department's

Fiscal 2009 actual headcount. The agency's actual seasonal and hourly positions headcount was 3,610 in Fiscal 2009, compared to 1,652 seasonal and hourly positions in the Fiscal 2013 Proposed Budget. In Fiscals 2010 and 2011, the agency's actual headcount was 7,242 and 6,437 respectively but fell to 5,316 in the Adopted Plan for 2012. The proposed Preliminary Plan now forecasts year-end headcounts of 5,475 in Fiscal 2012, which reflects failed Programs to Eliminate the Gap (PEGs) relating to accelerated attrition and a hiring freeze. The Fiscal 2013 Preliminary Budget includes the continuation of the attrition incentive program for 330 additional positions.

The Council urges the Department of Parks and Recreation (DPR) and the Human Resources Administration (HRA) to restore the funding in the Executive Budget for Job Training Program (JTP) participants in order to maintain the necessary headcount for park services. In an effort to meet their PEG targets for Fiscal 2013, DPR and HRA collaborated on a proposal to replace JTP employees with Work Experience Program (WEP) workers for an estimated combined savings of \$24.1 million in Fiscal 2013. This action would reduce funding for JTPs from the Fiscal 2012 level of \$26.8 million for 1,388 JTP workers, which includes \$2.9 million from the City Council, to a projected Fiscal 2013 level of \$17 million for 887 JTP employees, a 36 percent reduction.

Because WEP workers receive less training in the day-to-day maintenance functions of parks when compared to JTPs, this proposal undermines DPR's maintenance and operations efforts. WEP workers are not City employees and the primary purpose of WEP is to offer cash assistance recipients various training and more work experience before being placed in full-time, paid employment. This conversion undermines this purpose when WEP workers are placed in the City's parks without training or skillsets that match the jobs available at DPR. Lastly, if implemented, this replacement would hurt the continuity of service provided by JTP employees who are on 6 month assignments as opposed to 13 week assignments for WEP workers, thus severely impacting DPR's parks maintenance and operations.

RATIONALIZE AND STABILIZE FUNDING FOR LIBRARIES

The City's three public library systems face a deficit of \$96.2 million for Fiscal 2013 – a 31 percent reduction from Fiscal 2012, which included a joint \$83 million restoration by the Council and the Administration. The three systems once again absorbed the Fiscal 2012 \$5.9 million mid-year cut by reducing or suspending books and materials spending in order to maintain an average of five-day a week service and avoid reducing their workforces through attrition and layoffs.

The City must create a sound operations policy for the three public library systems by setting standardized minimum levels of service in each borough and providing adequate baseline funding to meet this mandate. The systems decide how many days and how many hours they will be open based on current funding levels. For Fiscal 2012, the libraries managed to maintain on average five days a week service, but it varied for each system. As City funding makes up the largest portion of each system's budget (except for the four research libraries), the City should act to stabilize service and provide adequate funding for the systems to do so.

MAINTAIN FUNDING FOR ARTS AND CULTURE

The Council calls upon the Administration to baseline the Fiscal 2012 restoration of \$42 million to the Department of Cultural Affairs (DCA). The City Council and the Administration provided this funding to the DCA to restore cuts to the operating subsidies of the 33 cultural institutions and to maintain funding for the Cultural Development Fund, which provides programming grants to over 800 cultural organizations in New York City. The Preliminary FY 2013 Budget includes a \$6 million reduction on top of the \$42 million funding not baselined, leaving the cultural institutions and CDF grantees facing a deficit of \$48 million for Fiscal 2013. This large reduction inhibits long-term planning, reduces morale for the thousands of employees working at these institutions and organizations, and undermines the Department's core mission of providing access to culture for New York City's residents and schoolchildren.