



New York City Council Speaker Adrienne E. Adams
Submitted Testimony at New York State Senate & Assembly Budget Hearing
on Local Government
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Good afternoon Chair Krueger, Chair Weinstein, Ranking Minority Members O'Mara and Ra, and all members of the Senate Finance and Assembly Ways and Means Committees.

I am Adrienne Adams, Speaker of the New York City Council and the representative of Council District 28 located in Southeast Queens. I want to thank you for providing me with the opportunity to discuss the Governor's Executive Budget for State Fiscal Year 2024, and its potential impact on New York City. I would also like to thank Senate Majority Leader Stewart-Cousins and Assembly Speaker Heastie.

Introduction

For too long, New York City has been overly relied upon to balance state budgets. Whether elimination of our Aid and Incentive to Municipalities allocation over a decade ago that now provides localities outside of the City over \$700 million, or the diversion of \$200 million in City revenues to fund hospitals in other parts of the state, New York City has absorbed inequitable treatment. The City has historically seen losses of significant aid that other localities across the state did not experience.

Last year, we began to shift this dynamic to reflect a new era of collaboration between the State and City - a path we must continue. When New York City's coffers expand, it benefits the entire state. Unfortunately, right now the City's economic outlook is uncertain due to our pandemic recovery being much slower than in many other parts of the country. The City Council's Finance Division sees continued economic challenges and uncertainty, with the City only expected to make a full employment recovery at the end of 2025. Federal COVID relief funding has enabled the City to avoid the most difficult fiscal decisions, but its expiration has quickly approached. Over the last few months, the Mayor has advanced plans to reduce funding for thousands of vacant municipal government positions citywide. The effective delivery of city services for New Yorkers has already been significantly impacted and our residents will suffer even more if this trend continues.

The Executive Budget that the Governor submitted to you includes a number of welcome policies and budgetary actions, which are beneficial to the City. However, we have some concerns about the budget. The Governor's Executive Budget includes some welcome investments and policies, yet we also have concerns. While the net impact of changes in the Governor's budget increases

support for the City's financial plan in our current fiscal year, it would cost the City nearly \$1 billion annually in the subsequent two fiscal years.

When these budgetary actions are coupled with the City's continuously increasing costs related to welcoming the arrival of more people seeking asylum, our fiscal health is severely impacted

I will now turn to specific budget proposals and their impact on New York City.

Asylum Seekers

The United States has long served as a beacon of hope for people around the world seeking asylum from persecution and have welcomed them in accordance with international law. New York City is home to immigrants from around the world, who own half of all small businesses in our city. We have proudly stood at the vanguard of progress by enacting policies that match the values of a city built by generations of immigrants. We have welcomed people with open arms and the recent arrival of over 45,000 seeking asylum has been no different.

Over the last year, the housing crisis facing our city and state was exacerbated by the economic impacts of the pandemic, increasing housing pressures and leading to near-record homelessness. People seeking asylum from violence in their home countries have made long treacherous journeys, often with only the clothes on their backs. They have come to the United States in search of safety and a better life for themselves and their families, with thousands ending their journeys in New York City. Our city has stepped up to fulfill our country's obligation for months at a disproportionate level, yet we have yet to receive significant funding support to help us in these efforts.

The City has already spent hundreds of millions of dollars on shelter and services for people seeking asylum in just the last eight months. Based on current trends, we can anticipate receiving thousands more people, and spending hundreds of millions of dollars, if not billions more to support the needs of this increased population in our city and communities.

The Governor's Executive Budget presents a good first step in providing a measure of support to New York City. The budget includes a potential \$1.5 billion in funding to address the asylum seeker crisis in the City over State Fiscal Years 2024 and 2025, but only \$1 billion of that amount will potentially flow directly to the City.

The announced \$1 billion in funding for shelter services for asylum seekers reflects an authorization to spend up to that level. These funds are scheduled to reimburse the City for 29 percent of emergency housing costs. Although housing is our largest expense, it is just one of many essential supports we have provided asylum seekers. It is necessary for the list of eligible reimbursable expenses to be expanded beyond housing to include a more complete set of the various expenses we have borne to support asylum seekers. The City will be forced to bear the financial burden of the remainder of the costs, if the federal government does not provide meaningful contribution. Without resolution to our federal policies, we will need continued support at the state and federal levels to manage the growing costs. We look forward to working with you as our partners in the legislature to address these challenges.

Housing

New York City's unique character is a product of its diversity - culturally, socio-economically, and ethnically. However, the ever-increasing and high cost of living, especially around housing, is making it difficult for New Yorkers to remain in the city and contribute to its growth. Over half of New York City residents are rent burdened, spending thirty percent or more on housing, and more than one-fourth of New Yorkers spend at least half of their income on housing, making them severely rent burdened. Millions of New Yorkers in our city are just one major unexpected expense away from housing instability that can lead to homelessness. The lack of affordable housing in New York City is one of the greatest public policy issues of our time.

The Executive Budget includes several policies intended to increase opportunities for housing construction around the state and in New York City specifically. It includes legislation that would eliminate the required floor to area ratio (FAR) that has restricted the development of housing, grant New York City with the authority to legalize basement apartment units, and expand eligibility for the conversion of commercial buildings to housing. The budget also creates a tax incentive for the conversion of these buildings for the creation of affordable housing units. I have previously supported these proposals in my own housing agenda, and I welcome their addition here.

These are critical proposals. And yet, we know more needs to be done.

One of the Council's key priorities is to develop and preserve more housing with deeper levels of affordability. This is the focus of my own housing agenda, which proposed a Fair Housing Framework to establish local targets for every district to produce affordable housing in an equitable way. In order to accomplish our housing goals, more state funding and credits for affordable housing will be required than what is in the Executive Budget. Without additional capital funding, it will be challenging for municipalities to reach the assertive three percent housing production targets with affordability levels that match the needs in our city.

We have concerns about some of the details related to local zoning changes and overrides in the Governor's budget that could undermine the ability to negotiate more affordable housing and community benefits. We look forward to continued conversations on these issues.

Homeownership is another part of my housing agenda that requires state support in concert with city commitments. It is critical that we not only protect our city's diverse working and middle-class homeowners, but also expand homeownership opportunities to more New Yorkers as it is one of the best avenues for community stability and wealth. New York City saw its Black population decline by nearly 200,000 people over the last two decades, and this can be attributed to the lack of access to affordable housing and homeownership. City-state collaborative efforts that preserve and expand homeownership will be key to curb our population loss.

Given the stabilizing effect of housing for public health and safety, there is also a need for deeper investments between the city and state to develop more supportive housing in New York City. Supportive housing is one of the most effective solutions to achieving stability for New Yorkers facing challenges – those with addiction or mental health challenges, re-entering from the justice system, or facing other obstacles to success.

As the nation's largest public housing system, the New York City Housing Authority (NYCHA) is our city's largest landlord. The City has provided hundreds of millions of dollars to upgrade NYCHA facilities in recent years. Yet, for too long, the maintenance of NYCHA's infrastructure has been disregarded and underfunded by all levels of government. Our current five-year capital commitment plan includes \$3.4 billion of investments to improve the quality of life for NYCHA residents. While the State has provided funds in recent years, the Executive Budget does not include any additional funds from the State to help address many of the hazardous building conditions that endanger residents.

NYCHA has a projected \$35 million operating budget shortfall for the current fiscal year even while tapping into \$65 million of their reserves. This shortfall is driven by record arrears, with NYCHA's rent collection rate currently standing at 65 percent (down from 88 percent before the pandemic) and arrears totaling \$454 million since 2019. This situation is untenable and will continue to restrict the services NYCHA can provide. NYCHA will need the State's support to provide the necessary financial assistance to weather this storm.

Those unable to afford New York City's housing market and ineligible for public housing have few safety nets to avoid slipping into homelessness. With nearly 80,000 people experiencing homelessness in New York State, rental assistance is needed to support the lowest income New Yorkers that are currently experiencing or at-risk of homelessness. The Executive Budget does not include enough assistance to support these New Yorkers.

The City Council supports the proposed housing voucher program that would aid those people most in jeopardy of becoming homeless and those already experiencing homelessness. The vouchers would be distributed evenly among these populations and would be pegged to fair market rent levels (similar to Section 8), managed by public housing authorities. It is estimated that a \$250 million investment in these vouchers would enable the City to house 10,000 homeless New Yorkers and keep 10,000 low-income renters in their homes. The Senate Housing Committee passed the [Housing Access Voucher Program](#) (HAVP) earlier this session, and it was included in the one-house budgets of both chambers last year. Yet, it was not ultimately included in the FY 23 enacted budget. The affordable housing crisis and increase in homelessness call for decisive action, and it is time to establish this critical program.

Education

We welcome the Governor's commitment to education in the proposed state budget and appreciate the increase in overall school aid to the City, nearly \$600 million more compared to the current year. This increase is a critical step in the right direction and largely the result of fully funding Foundation Aid. While these funds are necessary to continue to help impact student achievement where it is most needed, it is unfortunate that the City's portion of the total School Aid budget has decreased in relation to the current year. While New York City's School Aid total increased by 5 percent, the statewide School Aid total increased by nearly 10 percent between Fiscals 2023 and 2024.

The effects of the pandemic will be felt by our students for years to come. The learning loss resulting from the COVID shutdowns and remote learning cannot be overcome in just a few years. While federal COVID stimulus funding has assisted in students' educational recovery, these temporary funds are disappearing. The imminent expiration of this federal funding makes it even more imperative that we further enhance funding for education.

We recognize the Governor's commitment to education in other areas of the budget, including \$20 million of additional grant funding for high-needs school districts. Additionally, we commend the inclusion of \$10 million aimed at enhancing school-based mental health services. The support of our children's mental health is essential and should be paramount when crafting education budgets, especially given the long-term impacts of the pandemic on our young people. As a society, we have made progress to eliminate the stigma attached to mental illness, making it easier for people to access help. Unfortunately, our youth, and particularly our teens, still struggle to access mental health care. The investments in the Executive Budget mark a step forward, and we will need your continued leadership to ensure our children's well-being is prioritized statewide.

I also note that the Executive Budget includes funding for two initiatives to expand Pre-K around the state. This includes \$25 million of additional funding to extend current half-day Pre-K programs to full-day, for an estimated 17,500 children, as well as \$100 million for expanding Universal Pre-K statewide. As we have seen in New York City, investments in Pre-K yield large dividends for our children and families. Children who start school earlier have better educational outcomes and success later in life. Unfortunately, because of our city's decisions to make the necessary investments that provide universal full-day Pre-K and 3-K services to all New Yorkers, the City is unlikely to be eligible for this proposed \$125 million.

New York City should be rewarded for its investment and foresight on early childhood education. Our hope is that we would be able to utilize additional State funding for Pre-K and 3-K, or for extended full-day services for parents unable to pick up their children at the end of the school day and also for those unable to afford the extended day services.

At a time when our public school system faces enrollment challenges, we have concerns about the proposal to allow new charter schools in New York City. The proposal could worsen the impacts of the enrollment decline in our student population, on school budgets, threatening the success of our traditional public schools, and even existing charter schools.

Our public institutions of higher education are vehicles of economic opportunity and mobility for so many New Yorkers, especially low-income New Yorkers, people of color, and immigrants. The Executive Budget's increase of \$94 million in recurring operating funds and over \$600 million in capital investment into CUNY are welcomed investments. Yet, it will be imperative to expand upon these proposals to meet the system's five-year plan and its budget request, moving us closer to achieving a New Deal for CUNY that does not rely on tuition increases. CUNY is a major priority of the Council. The recent news that our schools have received letters from CUNY central requesting them to find budget cuts serves as an urgent call to action at both the state and city levels.

Childcare

It has been well documented that affordable, quality childcare options are among the most effective public policy strategies that help lift families out of poverty. Providing families with the opportunities to access childcare promotes equitable employment and economic opportunities, and has specific benefits for women. The City Council is a strong advocate for increased public funding for childcare.

I want to express support for the Executive Budget's investment in childcare, which includes \$5.8 billion for the Office of Children and Family Services over State Fiscal Year 2024-2025, an increase of \$1.5 billion or 34.8 percent from the prior year.

Most significantly, the State has increased its investment to make childcare more accessible and affordable, with \$7.6 billion allocated over the next four years. The Governor's plan expands eligibility further by raising the income limit from 300 percent of the federal poverty level (FPL) to 85 percent of New York's median income, or approximately \$93,200 per year for a family of four. As a result, the families of an estimated 113,000 more children would become newly eligible for childcare assistance.

Childcare providers often struggle to afford high rents and compete for space in the real estate market. They also face additional limitations of strict but important safety rules. The Executive Budget builds off a previous investment providing \$100 million to increase the capacity of programs in childcare deserts, and these funds can help support providers in New York City.

I would also like to commend the Governor on her proposal to direct \$389 million in unspent Federal funds to establish a new Workforce Retention Grant Program that provides payments to childcare providers at 17,000 programs statewide.

Additionally, the establishment of a two-year, \$25 million refundable tax credit program for certain businesses that create or expand childcare slots for employees' children can also increase parents' access to quality childcare.

Lastly, I want to place my support behind the proposal to provide annual Cost of Living Adjustments (COLA) for childcare service workers. We place the care of our most precious assets

in the hands of these workers, who overwhelmingly are women of color. They should be paid a livable wage that is commensurate with their important duties.

Health, Mental Health, and Safety

I am encouraged by parts of the Governor's Executive Budget related to healthcare, including its goal to expand preventative and primary care. While the City continues to examine the details of its proposals, including increased Medicaid reimbursement rates, we have concerns about the proposed cost shift that would result from the state no longer providing local governments with the federal government's enhanced funding to cover the cost of Medicaid. Initial estimates place the cost to New York City at over \$124 million this fiscal year and as much as \$343 million in Fiscal Year 2024. It will be important for the State Legislature to examine this proposal more closely to prevent the City and other localities from facing significant funding losses.

I am particularly excited by the Governor's commitment to make major investments into mental health care solutions. Given the mental health crisis facing our city in the aftermath of the pandemic, we look forward to partnering with the Governor and Legislature to ensure the state budget addresses mental health with a comprehensive set of evidence-based solutions.

Public safety remains one of government's greatest responsibilities. Our success hinges on a balanced and holistic approach. This requires committing investments to strengthen communities, while expanding violence prevention and intervention programs. We will also have to ensure adequate funding to facilitate the effective functioning of our legal system, including resources for both public defenders and district attorneys, as well as evidence-based pre-trial services, diversion programs, and victim services that reduce recidivism and stop cycles of crime.

Transportation

New York City depends on a reliable and accessible public transportation system more than any major city in the country. During the pandemic, the City saw significant declines in public transit ridership. While we have made progress to regain some riders of City subways and buses, they still remain only a fraction of their pre-pandemic levels, at 71 and 74 percent respectively. The MTA expects a return to 80 percent of pre-pandemic levels by 2026 but, as a result of changes in rider behavior, we can expect to remain at this level indefinitely. This expected reduction has greatly affected the MTA's estimates of farebox revenue. For calendar year 2023, the MTA anticipates \$4.6 billion in farebox revenue, significantly less than their pre-pandemic projection of more than \$6 billion annually, and less than last year's projection of \$4.8 billion. This revenue loss has contributed to huge gaps in the MTA's budget. Coupled with the massive capital needs of the system, these changes have brought us to a critical juncture in the history of mass transit in the City.

Over the last decade, the City has significantly expanded its financial support of the MTA, both for operating expenses and its capital budget. Currently, the City provides approximately \$1.3 billion in annual contributions to the MTA, nearly 7 percent of the Authority's operating budget. The Executive Budget includes some proposals aimed at strengthening the MTA's financial position, but others transfer major costs of supporting the system to the City.

The Governor's budget includes proposals that would require the City to take on over \$500 million of additional annual expenses for MTA services that have traditionally been covered or shared by the State. These would require the City to pay the entire cost for paratransit access for New Yorkers with disabilities and the student MetroCard subsidy, as well as shouldering increased Payroll Mobility Tax payments. While the cost estimate for these items for FY24 is \$526 million, this total is expected to increase. These major new costs to the City are troubling, and also come with no commitment to spare New Yorkers fare hikes.

New York City is certainly willing to do our share to make certain that the MTA remains viable. With unexpected financial obligations for the City to navigate in response to increasing numbers of asylum seekers, our economic uncertainties, and outyear budget gaps, now is an inopportune moment to shift more financial responsibility for mass transit to the City. We will work together with you, our partners in the State Legislature, to address the major challenges created by these proposals.

Tax Policy

There are a number of tax policy proposals I'd like to address.

Tax expenditures, or tax breaks, are a powerful and essential tool to address major issues that we face in our State and City. They are critical in combating the housing affordability crisis, growing our economy, and ensuring our most vulnerable residents can stay in their homes.

Albany is a critical partner here, but the City must have local authority over these tax breaks to ensure they are used efficiently and effectively. Any extension or expansion of a City funded tax break should not occur without the support of the City's legislative body. The City's Charter clearly places the power of the purse in the Council's purview, and impositions of tax expenditures without the Council's input diminish the ability of the City to manage its finances, and impede our abilities to ensure critical services are funded.

Therefore, I want to commend the way the Governor has provided New York City the local authority to enact the City's Biotech renewal. This credit had originally sunset in Fiscal 2019, with only 27 recipients in its final year. Despite that minimal use, we believe there could be a place for this credit in our work to rebuild our economy after the pandemic. And the investment of this tax credit will work more efficiently and effectively if the City can enact the credit once we've built up other initiatives to grow the Biotech industry. And we believe that is best done by allowing the City to enact this credit locally.

I support the Governor's proposal to make technical amendments to the Senior Citizens Homeowner Exemption. This would simplify the definition of income to better align with other tax breaks, and make it easier to apply for the benefit. This is a vital lifeline for our seniors and helps them better secure housing stability.

The proposed budget also includes language to force the renewal of several tax breaks designed to increase employment and reduce office vacancies in areas outside of core Manhattan. These tax breaks, the Commercial Revitalization and Commercial Expansion Programs, in an evaluation conducted by the City's Independent Budget Office, have been found to be ineffective in achieving their goals. Together these tax breaks have cost the City roughly \$25 million in the most recent fiscal year. The goals of these programs are laudable, and still relevant. However, evidence shows that these programs do not work as intended. The programs should not be renewed, especially without any local authority. Instead, the City and State should work together to craft a new, more effective program to address the issues of office vacancy and employment.

The Governor has also proposed a series of tax breaks in conjunction with various other initiatives to address the City and State's housing crisis. These are serious proposals that, if correctly designed, could have a deep and meaningful impact on generating affordable and safe housing for New Yorkers. These breaks would incentivize office to residential conversions that include affordable housing, reduce the tax cost for homeowners to add an accessory dwelling unit, and renew the recently expired J-51 tax credit intended to help many affordable housing developments cover the cost of repairs. I am supportive of the intent behind these proposals, but I believe that not enough is known about the analysis underpinning the design of these tax breaks. Housing is a critical issue, and the City and State should take the time to make sure that the designs of these programs will be effective in moving the needle on housing production and affordable housing development.

Finally, on taxes there are two State tax initiatives the Governor has proposed of which I would like to speak in support. First, the Governor has proposed extending the 7.25 percent tax rate on businesses with incomes above \$5 million. This will bring in over \$800 million per year to the State from State Fiscal Years 2025 to 2027, money that is sorely needed as we address the myriad of challenges facing the State. Therefore, it is prudent to continue this rate for another three years as the Governor proposes.

Second, I want to support the Governor's proposal to create a refundable childcare creation tax credit. This mirrors one that the State put in place for the City at its request last year. We believe that this credit will only bolster the effectiveness in creating additional childcare slots, which are urgently needed throughout the City.

At the center of our considerations are the working families and New Yorkers who comprise the backbone of our city and state.

We look forward to working with you, our partners in the State Legislature, to enact a budget that equitably supports our city and state.

Thank you for your consideration and time.