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Testimony of New York City Council Speaker Adrienne E. Adams

Joint Legislative Hearing Fiscal Year 2025 Executive Budget Proposal: Local
Government

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Good afternoon, Chair Krueger, Chair Weinstein, Ranking Minority Members O'Mara and Ra, and the members of the Senate Finance, Assembly Ways and Means, and Assembly Cities Committees.

I am New York City Council Speaker Adrienne Adams. Thank you for providing me with the opportunity to discuss Governor Kathy Hochul's Executive Budget for State Fiscal Year 2025 and its potential impact on New York City. I also want to thank Senate Majority Leader Andrea Stewart-Cousins and Assembly Speaker Carl Heastie for their leadership.

Housing

Our governments share the goal of improving the lives of all New Yorkers. One way we must do this is by building more housing, especially homes that are affordable to a range of New Yorkers. Housing is key to the safety and stability of our city, and confronting our housing crisis is one of the top priorities we must address together.

Governor Hochul's Executive Budget includes several welcome and important policies that are intended to increase housing production in our city and around the state. The Council supports legislation to eliminate the 12 floor-to-area (FAR) ratio cap that has restricted housing development in key parts of New York City. Legislation to enable the conversion of commercial buildings to housing, accompanied by financial incentives that facilitate these conversions for the creation of affordable housing, is also critical.

It is vital that state funding and a new financial incentive program for affordable housing production throughout our city are put into place this session to remove the barriers to housing development. We also must prioritize tenant protections as part of our housing efforts. Both of these issues currently impede our ability to confront the housing crisis and must be addressed.

Additionally, it is critical that the New York State Division of Homes and Community Renewal has the appropriate staffing levels and improved policies, processes, and enforcement in place to ensure compliance with rent regulation laws and prevent rent-regulated units from remaining vacant.

There is also a need for deeper investments in our collective city-state efforts to develop more supportive housing in New York City. We appreciate Governor Hochul's continued inclusion of funding for supportive housing in her budget because supportive housing remains one of the most effective solutions to successfully tackle issues of mental health and re-entry from the justice system.

NYCHA

At the same time, we cannot ignore the continued rent arrears facing our public housing system since the beginning of the pandemic that has destabilized families. It is critical that the State increase funding to help cover the remaining balance of rent arrears. Last year's State budget included \$163 million for NYCHA through the Emergency Rental Assistance Program (ERAP). The State Budget also included a \$250 million appropriation that allows the State to spend any additional federal funds for the ERAP program. Although these allocations are meaningful, additional support will be needed this year to help NYCHA reduce the outstanding balance of unpaid rent of up to \$167 million that has accrued over the past several years. As of November 2023, 73,000 households living in NYCHA were behind on rent by a total of \$533 million.

Homelessness and Human Services

Rental Housing Vouchers

Homelessness in New York remains at high levels, underscoring the importance of state funding to cover the cost of the rate increase of rental vouchers provided by the StateFHEPS program. While the StateFHEPS rate was increased to match the current CityFHEPS rate, the State did not provide additional funding to cover the increase. Over five years, the City expects to pay \$198.8 million in additional costs to pay for this unfunded mandate.

Additional programs to combat homelessness, such as the Housing Access Voucher Program (HAVP), and Rental Supplement Program (RSP), should be adequately funded by the State. HAVP requires at least \$250 million to provide aid to those most at-risk of becoming homeless and those who are already unhoused by creating a State-funded analogue to Section 8. Greater investments in RSP vouchers would provide New York City with the ability to provide housing vouchers for underserved residents, regardless of immigration status, helping those perpetually stuck in the shelter system without access to other pathways to stable permanent housing.

SNAP Benefits

As a city with one of the highest costs of living, the Council understands how far New Yorkers go to stretch their dollars, and food insecurity remains a major issue in our city. During the pandemic, all Supplemental Nutrition Assistance Program (SNAP) benefit recipients were provided the maximum benefit for their household size, regardless of income. The monthly guaranteed allotment for a one-person household was \$291, and up to \$1,751 for a household of eight. Although the increased level of SNAP payments ended on March 1, 2023, high levels of food insecurity persist.

As of Fiscal Year 2023, one million New Yorkers received SNAP benefits. Yet, New Yorkers are at a disadvantage compared to their counterparts across the nation because benefit levels are not adjusted for cost of living. To meet the needs of New Yorkers facing food insecurity, we urge the State to continue with the higher benefit level to provide adequate nutrition for all.

Supporting Human Services Providers

Non-profit providers and human services workers serve on the frontlines to support New Yorkers. Many workers have not received an adjustment to their contracts that keep up with the increased cost of living in New York City. The Fiscal Year 2024 State Budget included enhancements for public service attorneys, and the proposed Fiscal Year 2025 Budget includes cost-of-living adjustments (COLAs) for many service providers that operate under several State agencies. The Council wholeheartedly supports this \$1.4 billion increase, and we will continue to advocate for appropriate workforce enhancements for human services workers so they can continue to provide essential services with the COLA they deserve.

Education

Early Childhood Education

Education for young people at all levels is one of the best investments we can and should make for the success of families and the future of our state. In particular, early childhood education serves as a foundational cornerstone in the development of a child and the stability of families. While the Governor's proposed budget continues fiscal support to New York City's Universal Pre-K program that we appreciate, the Council urges the state to consider increasing its commitment towards early childhood education to protect our city's 3-K program that is facing fiscal challenges from the expiration of federal stimulus funds.

Students in Temporary Housing and Students with Disabilities

Our school system also needs greater support for students with the most serious challenges. New York City has a high number of students in temporary housing after recently enrolling over 20,000 of these students, who only added to the over 100,000 such students already in the New York City public school system. While the City has attempted to provide programs to meet their needs, including Project Open Arms and community coordinators, the Department of Education still lacks the adequate resources to provide for this population of students. The City's public schools should receive an increased share of school aid to provide services to students in temporary housing, including students seeking asylum.

New York City has a history of inadequately serving students with disabilities, which has continued and requires increased resources to confront. At the end of last school year, more than 11,000 children were still waiting for a seat in a preschool special education class and 41 percent of preschoolers with disabilities (over 12,000 children) did not fully receive the special education services the City is required to provide them. The State budget presents an important opportunity to contribute towards helping the city address these deficiencies in educating all children.

Foundation Aid Formula

While we appreciate the increase in foundation aid and increasing resources for school-based mental health services, this is a critical moment for all levels of government to deepen their investments to support students in their recovery from learning loss and mental health challenges.

Governor Hochul's proposal to change the foundation aid formula to a 10-year average inflation rate of 2.4 percent, rather than the prior year's rate of approximately 4 percent, would result in less funding to school districts across New York. We urge the State to strongly reconsider this proposal because it does not reflect the needs of our schools. Our students require significantly greater resources at this pivotal moment in time, and strong state partnership is essential.

CUNY

Supporting CUNY as an engine of opportunity that educates New Yorkers from all backgrounds is critical. While the City has always provided funding for wage increases related to collective bargaining for employees at CUNY's community colleges, funding for the senior colleges has historically been provided by the State. CUNY estimates that once it settles its current round of collective bargaining, it will require an additional \$184 million to pay for increased personnel costs, representing over 4 percent of CUNY's annual budget. We urge the State to continue providing its historical level of support for our public institutions of higher education. Without this help, CUNY would be forced to make cuts in other critical operating expenses, which will come at the expense of our students' education.

Library Operating Budgets

New York City's three library systems have a total annual funding need of \$216.5 million. However, over the past five years, the City has not received more than \$45 million from the State to meet those needs. Currently, the Governor's Executive Budget only includes a \$2.5 million increase in library aid statement compared to the Enacted State 2024 Budget. The Council urges the Unrestricted State Formula Aid and Local Services Aid for library operating budgets to be significantly increased to meet their funding needs.

Asylum Seekers

New York City appreciates the support in Governor Hochul's Executive Budget for our efforts to provide shelter and support services to people seeking asylum who have arrived in our city. Since April 2022, 173,900 people seeking asylum have gone through the City's intake system, with 66,900 people currently in the care of the City. The Governor's proposed Fiscal Year 2025 budget allocates \$2.4 billion over two years for care of our new New Yorkers, of which \$1.9 billion will provide support for the City in serving our asylum seekers. The Council wholeheartedly supports this measure, and we urge for those funds to remain in the adopted budget.

Childcare for Immigrant Families

Access to and funding for childcare for all families—including for children from immigrant families—should be a priority for the State. The State Executive Budget includes nearly \$1.8 billion to strengthen childcare affordability and access, but there are limited options for undocumented families. To address this gap, the City launched PromiseNYC more than a year ago. However, the \$16 million investment in PromiseNYC, funded exclusively by the City, is not enough.

Currently, Head Start is one of the only available childcare options for undocumented families. Childcare funding through the federal Child Care and Development Block Grant do not allow for children in undocumented families to participate. However, there may be exemptions that the State should examine to support the use of these funds to provide the necessary resources that help all children succeed.

Health

New York City appreciates the continued focus on mental health by Governor Hochul, including within her proposed budget. We want to continue working collaboratively with the state to address the gaps in services, insurance coverage, and our workforce to confront the severe mental health crisis.

Hospitals

Governor Hochul’s Executive Budget calls for a further extension of the distressed hospital fund sales tax intercept, an effort that was originally intended to provide resources to hospitals during the height of the pandemic. The extension would divert \$150 million of the City’s revenues to provide funding for hospitals in need across the state, while leaving the city’s hospitals shortchanged. While the goal of supporting hospitals across the state is important, funding for safety-net hospitals should not be shouldered at the expense of our local government and its hospitals. We urge the State to reconsider this proposed extension and make additional funding available to New York City Health + Hospitals, which provides critical care to millions of New Yorkers annually, many of whom are unable to pay for health care services.

Public Health Reimbursement Rates

In Fiscal Year 2019, the State reduced the City’s General Public Health Works Reimbursement rate from 36 percent to just 20 percent. The Council urges the State to return the reimbursement rate back to 36 percent for the City. Additionally, Article VI funding, which matches the reimbursement rate for public health spending, should be restored for clinics, allowing New York City’s reimbursement level to align with other municipalities statewide. The City would gain an additional \$50 million through these changes that could be used for critical services.

Federal Medicaid Assistance Percentage Local Savings

The Enacted Fiscal Year 2024 State Budget included a State takeover of the Affordable Care Act (ACA) Federal Medicare Assistance Percentage (FMAP) for all localities, including New York City. This change allows the State to utilize localities’ FMAP savings to offset forecasted Medicaid deficits. The takeover is being phased in over three years, with the State retaining 25 percent of the City’s FMAP savings in State Fiscal Year 2024,

50 percent in State Fiscal Year 2025, and all savings starting in State Fiscal Year 2026. Although all municipalities are treated similarly, the City receives the greatest portion of the funding due to its higher population and concentration of people living below the poverty line. The Council urges the State to reverse this takeover policy and continue to pass on FMAP savings to the City.

Infrastructure & Tax Policy

Extended Producer Responsibility Policy

The Council urges the state to establish an Extended Producer Responsibility system that requires producers to reimburse municipalities for recycling the packaging and printed paper they introduce into the marketplace. This approach would save the City upwards of \$100 million.

Printed paper and packaging constitute nearly 40 percent of the materials collected by municipalities and solid waste authorities. The value of recyclable materials does not cover the cost to collect, sort, process, and sort the items, costing ratepayers hundreds of millions of dollars. Nearly 860,000 tons of potentially recyclable materials are also lost in the general trash collection. An Extended Producer Responsibility approach will mean producers, brand owners, and importers accept responsibility for the management of post-consumer products and packaging so that those who produce the materials help to bear the costs of recycling. Implementing an EPR approach could increase recycling rates, reduce consumer confusion and contamination in recycling streams, create green sector jobs, provide millions of dollars in savings for local governments, and lower greenhouse gas emissions by over 2.3 metric tons annually.

Transportation Cost Shifts

Too often, New York City has been overly relied upon to balance the State's budget. While Governor Hochul has relied less on this strategy than her predecessors, the City still bears a heavy and disproportionate burden of the State's fiscal responsibility.

The fiscal load placed on the City has already become heavier during the Enacted State Budget for Fiscal Year 2023-2024, which required the City to contribute significantly more to the MTA as part of its cost-sharing agreement. Originally, the City was required to pay for 33 percent of the MTA's paratransit costs, but it was increased to 50 percent over four years ago. In the last Executive Budget, Governor Hochul further increased the City's share to 80 percent. It is estimated that the City's portion of the MTA's paratransit costs will increase by over \$266 million between City Fiscal Years 2022 and 2024.

Additionally, the increase to the Metropolitan Commuter Transportation Mobility Tax, which applies to large employers in New York City, will have a direct impact on the City. The change will result in a \$60 million per year increase from the City. It's critical that New York City is not further impacted by additional MTA cost sharing increases in the upcoming fiscal year.

Transitional Finance Authority Debt Ceiling

The Council supports indexing the Transitional Finance Authority (TFA) debt capacity to the City's personal income tax collection. Originally authorized by the State in 1997, the TFA allows the City to have alternative means for debt issuance to the typical general obligation (GO) debt. The GO debt limit is determined by a formula related to the City's property values, but due to recent fluctuations in property values, the growth of the GO debt limit has been suppressed. As a result, there have been difficulties with the City's implementation of its capital plan.

That is why we are calling for increasing the TFA's debt limit. Currently, the TFA can issue \$13.5 billion that does not count towards the City's debt limit. The Governor has submitted legislation to increase the debt limit by an additional \$6 billion starting July 1, 2024, to \$19.5 billion, and additional \$6 billion starting July 1, 2025, to \$25.5 billion. To allow the City to adequately finance its capital needs, we urge the State to authorize an increase to the TFA limit and an indexing of the TFA to the City's personal income tax.

Local Control of Tax Expenditures

New York City must be granted greater local control over our tax expenditures as a critical tool to safeguard the health of our own budget. Tax breaks are a powerful tool to address major issues facing our City and State, including the housing affordability crisis, growing our economy, and ensuring that residents can remain in the city. It is imperative that every tax program works as efficiently as possible for its intended purpose.

Albany is a critical partner in this process, but the City needs the authority and input on tax programs that significantly affect us to ensure our resources are used wisely. We believe any change or extension of City-funded tax breaks should not occur without support from the Council, consistent with the City Charter assigning budgetary powers to our legislative body. Impositions on tax expenditures without the Council's input diminish the ability of the City to manage its own finances, and they impede our ability to ensure funding for critical city services.

The Council is requesting the state not to authorize a city tax credit without a home rule request or provision allowing the City to have local authority to implement the tax. Additionally, to help maximize the impact of each tax break, the City should be authorized to require data needed to evaluate tax breaks as part any tax credit application. We strongly believe that greater local control and the ability to conduct oversight will help the City begin to achieve greater efficiencies.

To help the City in this effort, we urge the State to pass a state bill that would provide the Independent Budget Office with access to business tax data to properly review economic development tax breaks on business taxes. We also urge the State to allow the City greater control over as-of-right economic development tax breaks that impact the City's budget, including the ability to restrict, limit, or further condition eligibility for a tax break.

Additionally, we support ending the Commercial Expansion and Commercial Revitalization Programs, the Relocation and Employment Assistance Program, which have been shown to be ineffective at achieving their original stated goals, and other tax breaks like the sales tax exemptions on non-medical cosmetic procedures and interior decoration and design services.

Finally, the Council supports allowing for the alteration or repeal of real property tax exemptions for private institutions of higher learning.

Conclusion

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.