

# 2024 STATE BUDGET PRIORITIES

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The New York City Council (the “City Council” or “Council”) presents the following budget priorities for the State Fiscal Year 2025 Budget to help ensure New York City (“the City”) receives the equitable and necessary support for its health, safety, and success.

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# HOUSING

The State and City share the goal of improving the lives of all New Yorkers. One way to ensure our residents can remain in the City and succeed 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 also vital that state funding and a new financial incentive program for affordable housing production are put into place this session to remove the barriers to housing development currently impacting the City. The State also must prioritize enacting tenant protections as part of its housing efforts.

Additionally, it is critical that the New York State Division of Homes and Community Renewal (DHCR) 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. Supportive housing remains one of the most effective solutions to successfully tackle issues of mental health, homelessness, and re-entry from the justice system. Governor Hochul's continued inclusion of funding for supportive housing in her budget is welcomed, yet the scale of the need requires greater efforts and investments.

## NYCHA

Continued rent arrears facing New York City's public housing system since the beginning of the pandemic has further destabilized the system's fiscal health, impacting its residents. This cannot be ignored and demands increased support. It is critical that the State commit more funding to help cover the remaining balance of rent arrears. As of October 2023, approximately 70,000 households living in NYCHA were behind on rent by over \$500 million. Last year's State budget included \$163 million for the New York City Housing Authority (NYCHA) through the Emergency Rental Assistance Program (ERAP). Although these allocations were meaningful, additional support will be needed this year to help NYCHA reduce the outstanding balance of unpaid rent accrued over the past several years and to support the authority's capital and operating needs.

# 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 it will cost an additional \$198.8 million 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 also be adequately funded by the State. HAVP requires at least \$250 million to provide aid to those most at risk of becoming homeless or 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. This can help provide those perpetually stuck in the City's shelter system without access to other pathways a route to stable, permanent housing.

## Food Assistance Benefits (SNAP, Summer EBT, etc.)

In a city with one of the highest costs of living, New Yorkers go to great lengths to stretch their dollars. Food insecurity remains a major issue in our city, as poverty is increasing with one in four children now living in poverty. 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. Eligible New York households have experienced an average loss of \$151 per month in these food benefits and the monthly benefits for some decreased to just \$23.

There are 1.8 million New York City residents receiving SNAP food assistance. Yet, New Yorkers are at a disadvantage compared to their counterparts across the nation because benefit levels are not adjusted for the City's cost of living. To meet the needs of New Yorkers facing food insecurity, the City Council urges the State to continue with a higher benefit level that provides a more adequate level of nutrition with a minimum SNAP benefit in New York of at least \$100 per month.

The Council supports maintaining the \$13 million in the Executive Budget to cover the required half of administrative costs for Summer Electronic Benefits Transfer (EBT), which will provide a \$120 grocery benefit per eligible child during the summer months for families. It is also critical for the State to work together with the City to engage in robust outreach, ensuring eligible families enroll and utilize the benefit. For many children, the end of the school year marks the end of consistent and reliable meals, and Summer EBT is effective at reducing food insecurity among children during the summer.

The state budget should also provide critical funding to support other programs that address hunger, such as the Hunger Prevention and Nutrition Assistance Program (HPNAP), Nourish New York, the Nutrition Outreach and Education Program (NOEP), and Healthy School Meals for All NY Kids.



## **Improving Home Care Workers' Conditions**

Home care workers are vital to New York's workforce. The Council urges the State to enact changes that improve the wages and working conditions of home care aides. Home care workers are vital to New York's workforce, and the Council passed Resolution 202-2024 to advance essential reforms that support this workforce. These include repealing the State's partially capitated Medicaid managed long-term care program, providing a fee-for-service or fully capitated model, and ensuring more adequate reimbursements, fair wages, and guaranteed pay for all hours of 24-hour live-in shifts. Home care shifts can be long and demanding, sometimes totaling 24 hours – known as “live-in shifts” - but only 13 are compensable in most cases under State Department of Labor regulations. A set of changes to state Medicaid reimbursements, labor regulations, and policies is required to address wage and working condition issues for home care workers without harming their employment and ability to provide care to New Yorkers.

## **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.

## **Staff Retention Funding for Public Defenders and District Attorneys to Reduce Case Delays**

The staff attrition amongst public defenders and district attorney offices has a direct impact on case delays and increasing lengths of stays in the city's jail system. The Council appreciates funding provided in the adopted Fiscal Year 2024 State Budget to support retention of attorneys in the criminal legal system. At the same time, additional funding is needed to ensure offices adequately retain staff and prevent the turnover that delays case processing and extends pre-trial jail stays, resulting in severe fiscal, justice, and social costs. Staff turnover is undermining justice and public safety, while costing the City and its communities. The Council urges significant funding commitments to support sustainable compensation levels for public defenders and district attorney staff, and supports their respective state funding requests.

# 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 City 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 significant federal stimulus funds.

## Students in Temporary Housing and Students with Disabilities

Our public school system also needs greater support for students, including those 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, only adding 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 the 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 that the City is required to provide. The State budget presents an important opportunity to contribute towards helping the city address these deficiencies in educating all children.

## Foundation Aid Formula & Vital Education Programs

The increase in foundation aid and resources for school-based mental health services within the budget is appreciated. Yet, this is a critical moment for all levels of government to deepen their investments to support students' recovery from historic learning losses and other challenges caused by the pandemic.

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. The Council urges 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 juncture to protect key programs that can no longer rely on federal stimulus funds. These include Community Schools, preschool special education, Learning to Work, services for English Language Learners and students in temporary housing restorative justice, and social workers. Strong state partnership is essential to support and sustain these critical programs for our students.



## 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. The Council urges the State to continue providing the necessary 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 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

### Support for Funding in Proposed Fiscal Year 2025 Budget

Since April 2022, over 178,000 people seeking asylum have gone through the City's intake system, with more than 64,000 people currently in our care. The Governor's proposed Fiscal Year 2025 budget brings the allocation of state aid to \$2.4 billion over two fiscal years to support services for our newest New Yorkers. The Council wholeheartedly supports those funds remaining in the adopted budget and additional measures of assistance for the city to be pursued.

### 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

At a time when the City is seeking to confront the healthcare challenges of its residents, the Governor's Executive Budget continues its focus on strengthening mental health services and expands maternal health resources, which are key priorities for the Council. Yet, it also maintains policies that divert funding from other parts of our healthcare system. The Council wants to continue working collaboratively with the State to address these funding concerns, as well as the gaps in services, insurance coverage, and the workforce that impact New Yorkers' health.

### Hospitals

Governor Hochul's Executive Budget calls for a further extension of the distressed hospital fund sales tax intercept, an effort 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 but leaves 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. The Council urges 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 implores 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.

### Mental Health

Governor Hochul's plan to invest one billion dollars into bolstering our state's mental health infrastructure to expand inpatient psychiatric hospital beds, supportive housing, youth and school-based mental health services, increased reimbursement for mental health treatment, and other resources are crucial and necessary investments. As the City seeks to close program gaps



and capacity issues to address many intersecting mental health needs for youth and New Yorkers with varying levels of mental health challenges, the Council wants to continue working with the state to build on these solutions.

## **Mental Health-Public Safety Interventions**

While the Executive Budget provides several additional supports for people with mental health issues involved in the criminal justice system, there is a need for deeper investments to expand mental health courts and their accompanying services.

The Executive Budget proposes establishing a team within OMH that will work with mental health courts and providers to ensure individuals are connected to the services they need, while providing \$6.2 million to provide mental health specialists and peers in mental health courts, \$2.8 million to provide housing and supports to individuals with mental illness experiencing homelessness and/or involved in the criminal justice system, and \$9.6 million to enhance and expand specialized Forensic Assertive Community Treatment (FACT) teams to support individuals with serious mental illness in the community.

These are all critical investments that should remain in the adopted budget and could even be expanded to reach more New Yorkers. In addition, “problem-solving” courts, like those that focus on mental health, are being utilized at greater rates but still do not have the resources to meet actual needs and ensure people are connected to appropriate services that help improve public health, reduce recidivism, and advance public safety. The Council urges the State to provide greater funding for mental health courts in our city and beyond to ensure they are better equipped to match the scale at which they can operate to support communities. Existing requests of nearly \$25 million to expand mental health courts, while also advancing the framework of the Treatment Not Jail Act (S1976B/A1263B), represent important steps forward for public safety.

## **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.

This is why the Council is calling for an increase in 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, the Council urges 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. The Council believes 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. The Council strongly believes 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, the Council calls on 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.

There are several tax exemptions that the Council supports ending. These include the Commercial Expansion and Commercial Revitalization Programs and the Relocation and Employment Assistance Program, which have been shown to be ineffective at achieving their original stated goals. The Council also supports allowing for the alteration or repeal of real property tax exemptions for private institutions of higher learning. Other tax breaks, like the sales tax exemptions on non-medical cosmetic procedures and interior decoration and design services, should also be ended.

## CONCLUSION

At the center of the Council's considerations are the working families and New Yorkers who comprise the backbone of our city and state. The Council looks forward to our partners in the State Legislature enacting a budget that equitably supports our city and state.