

1 BEFORE THE NEW YORK STATE SENATE FINANCE  
2 AND ASSEMBLY WAYS AND MEANS COMMITTEES

3 JOINT LEGISLATIVE HEARING

4 In the Matter of the  
5 2014-2015 EXECUTIVE BUDGET  
6 ON LOCAL GOVERNMENT OFFICIALS/  
7 GENERAL GOVERNMENT

8

9 Hearing Room B  
10 Legislative Office Building  
11 Albany, New York

12 January 27, 2014  
13 9:47 a.m.

14 PRESIDING:

15 Senator John A. DeFrancisco  
16 Chair, Senate Finance Committee

17 Assemblyman Herman D. Farrell, Jr.  
18 Chair, Assembly Ways & Means Committee

19 PRESENT:

20 Senator Liz Krueger  
21 Senate Finance Committee (RM)

22 Assemblyman Robert Oaks  
23 Assembly Ways & Means Committee (RM)

24 Assemblyman Félix W. Ortiz  
25 Chair, Assembly Cities Committee

26 Senator Jack M. Martins  
27 Chair, Senate Committee on Local Government

28 Assemblyman William Magnarelli  
29 Chair, Assembly Local Governments Committee

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31 2014-2015 Executive Budget  
32 Local Government Officials/  
33 General Government  
34 1-27-14

35 PRESENT: (Continued)

36 Senator Terry Gipson

6 Assemblyman Joseph R. Lentol  
7 Assemblyman Michael J. Cusick  
8 Senator Ruben Diaz  
9 Assemblyman Carl E. Heastie  
10 Senator Phil Boyle  
11 Assemblywoman Crystal D. Peoples-Stokes  
12 Senator Diane Savino  
13 Assemblyman David I. Weprin  
14 Senator Bill Perkins  
15 Assemblywoman Catherine T. Nolan  
16 Senator Malcolm A. Smith  
17 Assemblyman Michael R. Benedetto  
18 Assemblyman David Buchwald  
19 Assemblywoman Margaret M. Markey  
20 Senator Gustavo Rivera  
21 Assemblywoman Michelle Schimel  
22 Senator Martin Golden  
23 Assemblyman Jeffrion L. Aubry  
24 Assemblyman James F. Brennan

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1 2014-2015 Executive Budget  
2 Local Government Officials/  
3 General Government  
4 1-27-14  
5  
6 PRESENT: (Continued)  
7 Senator Andrea Stewart-Cousins  
8 Assemblyman Clifford Crouch  
9 Assemblyman J. Gary Pretlow  
10 Senator Kathleen A. Marchione  
11 Assemblyman Keith L. Wright

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12 Assemblywoman Jane L. Corwin  
13 Assemblyman Victor M. Pichardo

- 12 Assemblyman Karim Camara
- 13 Assemblyman Francisco P. Moya
- 14 Senator Brad Hoylman
- 15 Senator Earlene Hooper
- 16 Assemblyman Charles D. Lavine
- 17 Assemblywoman Gabriela Rosa
- 18 Assemblyman Raymond Walter
- 19 Assemblyman Steven Cymbrowitz
- 20 Senator James Sanders, Jr.
- 21 Assemblywoman Linda B. Rosenthal
- 22 Assemblyman Joseph Borelli
- 23 Senator Velmanette Montgomery
- 24 Assemblyman David G. McDonough

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1 2014-2015 Executive Budget  
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2 General Government  
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4 PRESENT: (Continued)

- 5 Assemblyman John T. McDonald, III
- 6 Assemblywoman Shelley Mayer
- 7 Senator Ruth Hassell-Thompson
- 8 Assemblywoman Patricia Fahy
- 9 Assemblyman Daniel Stec
- 10 Senator George Latimer
- 11 Assemblyman David F. Gantt
- 12 Assemblyman William Colton
- 13 Assemblyman Walter T. Mosley
- 14 Assemblyman Steven Otis

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1 2014-2015 Executive Budget  
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4 1-27-14

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7	Stephen J. Acquario Executive Director		
8	New York State Association of Counties		
9	-and-		
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11	-and-		
12	Honorable Anthony Picente Oneida County Executive		
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19	Supervisor Ed Theobald Town of Manlius, Onondaga County		
20	-and-		
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1 CHAIRMAN FARRELL: It's 9:47. Good  
2 morning. Today we begin the first in a series of  
3 hearings conducted by the joint fiscal committees

4 of the Legislature regarding the Governor's  
5 proposed budget for the fiscal year 2014-2015.

6 The hearings are conducted pursuant to  
7 Article 7, Section 3 of the Constitution and  
8 Article 2, Sections 31 and 32A of the Legislative  
9 Law.

10 Today the Assembly Ways and Means  
11 Committee and the Senate Finance Committee will  
12 hear testimony concerning the Governor's budget  
13 proposal for the local and general government.

14 I will now introduce members from the  
15 Assembly, and then Senator DeFrancisco, chair of  
16 the Senate Finance Committee, will introduce  
17 members from the Senate.

18 We have with us Assemblyman William  
19 Magnarelli, Assemblyman Michael Cusick,  
20 Assemblyman Joe Lentol, Assemblywoman Crystal  
21 Peoples-Stokes, Assemblyman Carl Heastie,  
22 Assemblyman Felix Ortiz, Assemblyman Michael  
23 Benedetto, Assemblyman James Brennan,  
24 Assemblywoman Margaret Markey, Assemblyman Victor

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1 Pichardo, Assemblywoman Cathy Nolan, Assemblyman  
2 David Buchwald, Assemblyman Keith Wright,  
3 Assemblyman Karim Camara, Assemblyman Steve  
4 Cymbrowitz, Assemblyman Francisco Moya,  
5 Assemblyman Weprin, and Assemblyman Oaks, who  
6 will introduce his members.

7 ASSEMBLYMAN OAKS: Yes, we also have with  
8 us Assemblywoman Jane Corwin.

9 CHAIRMAN FARRELL: Senator?

10 CHAIRMAN DeFRANCISCO: Yes. We have with  
11 us the chairman of the Local Government  
12 Committee, Jack Martins; Senator Marchione,  
13 Senator Savino, Senator Golden. I hope I haven't  
14 missed anyone.

15 And the only thing I would like to add to  
16 what Denny mentioned is that the last three years  
17 we've had excellent hearings because not only  
18 would the speakers keep to their time, but the  
19 Senators would keep to their seven minutes for  
20 questions. It sounds like a short amount, but  
21 you're welcome to come back and you will be  
22 re-recognized at the end if you choose to stay as  
23 long as all of us else stay here.

24 So we try to make it fair so everyone

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1 gets at least an initial opportunity and we move  
2 the hearings along. So please try to keep the  
3 times. And there's a clock on our desk, a clock  
4 on the speaker's desk, and we'll hopefully have  
5 an orderly proceeding.

6 And Senator Krueger is going to introduce  
7 the remaining members of the Senate.

8 SENATOR KRUEGER: Thank you.

9 Good morning, Mayor de Blasio.

10 I'm joined by Senator Gipson,  
11 Senator Diaz, Senator Rivera, Senator Perkins,  
12 Senator Hoylman, Senator Sanders and  
13 Senator Smith.

14 CHAIRMAN FARRELL: Thank you. We've also  
15 been joined by Assemblywoman Earlene Hooper and

16 Assemblyman Jeff Aubry.

17 But before the first witness, I would  
18 like to remind all of the witnesses testifying  
19 today to keep your statements within your  
20 allotted time limit so that everyone can be  
21 afforded the opportunity to speak and not speak  
22 at 7 o'clock tonight.

23 I will now call the first witness,  
24 Assemblyman -- Assemblyman. What did I just do

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1 to the mayor? Mayor Bill de Blasio, mayor of  
2 New York City.

3 MAYOR DE BLASIO: You gave me a  
4 promotion.

5 (Laughter.)

6 MAYOR DE BLASIO: Good morning. Good  
7 morning. I want to thank the chairmen of the  
8 committees holding this hearing, Assemblyman  
9 Denny Farrell and Senator John DeFrancisco. I  
10 want to thank the ranking minority members of the  
11 committee, Assemblyman Robert Oaks and Senator  
12 Liz Krueger. Thank you very much for this  
13 opportunity to be with you.

14 I want to thank, of course, all of the  
15 members of both the Assembly Ways and Means  
16 Committee and the Senate Finance Committee for  
17 the opportunity to testify today.

18 Seated with me this morning, two people  
19 you know very well, Dean Fuleihan, New York  
20 City's new director of the Office of Management  
21 and Budget, and Sheriff Soliman, the city's new



22 director for state legislative affairs.

23 My entire administration and I look  
24 forward to a very constructive partnership with

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1 you and your colleagues during this legislative  
2 session. Over the years, we have seen and  
3 appreciated the leadership that the Legislature  
4 has shown time after time. You have our  
5 admiration and gratitude for the work you've done  
6 in recent years to help right the finances of  
7 New York State. The surplus now projected is a  
8 welcome far cry from the massive deficits the  
9 state faced just a few years ago. And that's a  
10 tribute to your effective cooperation with the  
11 Governor as fiscal stewards.

12 we also commend the Legislature for its  
13 work to reform the state juvenile justice system,  
14 to provide Medicaid and other mandate relief to  
15 our city and to local governments across the  
16 state, and on many other issues.

17 This year we face new challenges, and I'm  
18 confident that working together we will meet  
19 them. I'll begin that process with some  
20 preliminary thoughts today about the recently  
21 presented Executive Budget.

22 Over the next week we'll flesh out our  
23 administration's views and our agenda in greater  
24 detail. Let me point out that in New York City

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1 my administration is poised to begin our own  
2 budget process. On February 12th we'll offer our  
Page 9

3 preliminary budget for the city fiscal year that  
4 begins July 1st.

5 We're approaching that task in an  
6 environment of unprecedented fiscal uncertainty  
7 for the city. In large part that's because for  
8 the first time in modern memory, collective  
9 bargaining agreements with more than 300,000  
10 employees, virtually our entire municipal  
11 workforce, were allowed to expire by the previous  
12 administration.

13 So that's over 150 individual contracts  
14 that have expired. In some cases they've gone  
15 unnegotiated for as many as six years, which has  
16 produced an extraordinary and difficult city  
17 relationship with our own employees and left  
18 unresolved issues such as rising healthcare  
19 costs. And that makes the always difficult cost  
20 of balancing our budget far more complex.

21 Big question marks also hang over our  
22 relationship with our federal partners. Now,  
23 we're gratified by the efforts of the President  
24 and our Congressional delegation, FEMA and HUD in

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1 the response to Sandy. But it remains unclear  
2 whether the federal funds we receive from here on  
3 out for rebuilding and for preparing our city for  
4 future extreme weather events will be enough to  
5 address the work that still remains.

6 And compounding these questions is the  
7 great social and economic challenge of our era,  
8 the growing crisis of affordability. Because

9 here are the stark realities. Today close to  
10 half of the residents of New York City live below  
11 or near the poverty line. Our city's middle  
12 class is pummeled by rising costs and pinched by  
13 shrinking real incomes, and the social and  
14 economic gulf between those with great wealth and  
15 the far larger number who lack the means to  
16 realize their dreams and make better lives for  
17 their children continues to deepen.

18 we are in the midst of an inequality  
19 crisis. It is my job to rectify the shortcomings  
20 and inequalities that preclude our city from  
21 reaching its true potential, and our budget for  
22 the city will address this affordability crisis.  
23 We are striving for one New York where we all  
24 rise together, and we're going to let hardworking

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1 New Yorkers know that City Hall has their backs.

2 It's with that same goal in mind that I  
3 begin today by outlining our plan for instituting  
4 universal full-day pre-K in our city and for  
5 creating high-quality after-school opportunities  
6 for all middle-school students across the five  
7 boroughs. It's within our means to do both and  
8 to do them now. And by doing so, we'll begin a  
9 major investment in our city's future and start  
10 to close the yawning social and economic chasms  
11 in our city.

12 Now, it's our obligation to enact these  
13 programs because now, in the case of both  
14 universal pre-K and after-school programs, the

15 research evidence of their impact on greatly  
16 reducing social and economic inequality is  
17 overwhelming. The verdict is in. Nobel  
18 Prize-winning economists, President Obama, the  
19 outgoing chair of the Federal Reserve System, Ben  
20 Bernanke, they all agree. And studies in dozens  
21 of states confirm that high-quality pre-K  
22 instruction produces substantial lifetime returns  
23 in terms of higher incomes, higher rates of home  
24 ownership, higher rates of savings, and fewer

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1 run-ins with the law.

2           Yet the reality is today fewer than  
3 27 percent, fewer than 27 percent of 4-year-olds  
4 in New York City have access to full-day pre-K.  
5 We must and can do better than that, and do it  
6 now.

7           The same is true of middle school  
8 after-school programs, programs that have been  
9 shown to reduce juvenile crime by up to half in  
10 many high-risk communities.

11           There's no question about the value of  
12 programs that keep kids on task and off the  
13 streets during the most crucial period of their  
14 days, the hours between when the last school bell  
15 rings and their parents return home from work.  
16 Nor is there any doubt about the value of  
17 programs like those I recently saw at the school  
18 of Young Leaders in the Bronx that open young  
19 minds and enrich young lives through  
20 opportunities for artistic and cultural

21. expression.

22           Yet in recent years 30,000 seats were cut  
23 from after-school programs in our city. And  
24 today, by some estimates nearly one in four

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1 school children in our city goes unsupervised  
2 after school. We can do better than that, and we  
3 must do it now. And we can accomplish this by  
4 simply asking a little more of the very  
5 wealthiest in our city.

6           We're seeking the right to levy a small  
7 income tax surcharge on New York's wealthiest  
8 residents over the next five years, an increase  
9 from the current 3.9 percent rate to a  
10 4.4 percent rate on those with annual incomes of  
11 a half million dollars or more. This one  
12 dedicated measure would fully fund universal  
13 pre-K in our city and let us expand middle school  
14 extended-learning programs too.

15           In the first year, the dedicated funds  
16 raised by the personal income tax increase on the  
17 city's highest earners will be used to increase  
18 the number of seats available for pre-K, upgrade  
19 existing seats, and support the expansion of  
20 necessary infrastructure with such initiatives as  
21 curriculum development and improved initiatives  
22 for training and ongoing support.

23           In the following year, virtually all of  
24 the funding will be dedicated solely to

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1 programming. And in subsequent years the  
2 dedicated funds generated by this tax will be  
3 used to continue to build needed capacity,  
4 support ongoing operations, and ensure that  
5 programs offer high-quality instruction and  
6 family engagement.

7 Our city, in partnership with schools,  
8 community-based providers and families, is  
9 well-positioned to take this on, and at a rapid  
10 pace. And we're ready to begin right away.

11 I'm extremely fortunate to have a  
12 dedicated, knowledgeable group of experts whose  
13 combined expertise in early education is nothing  
14 short of extraordinary, guiding one of the  
15 largest pre-K expansions in our nation's history.  
16 They have volunteered many hours as part of our  
17 transition, and several of them have joined me  
18 here today.

19 The group includes Jennifer Jones Austin,  
20 the chief executive officer of the Federation of  
21 Protestant Welfare Agencies; Elba Montalvo, the  
22 president of the Committee for Hispanic Children  
23 and Families; Josh Wallack, who leads the  
24 Children's Aid Society's early childhood

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1 programs; Sherry Cleary, the executive director  
2 of the New York City Early Childhood Professional  
3 Development Institute at CUNY; Gail Nayowith, the  
4 executive director of SCO Family of Services,  
5 which provides early childhood care and education  
6 to more than 60,000 New York children; and Nancy

7 Kolben, the executive director of the Center for  
8 Children's Initiatives.

9 And they have been joined by key members  
10 of our administration, including our Deputy Mayor  
11 for Health and Human Services Lilliam  
12 Barrios-Paoli, our Schools Chancellor Carmen  
13 Fariña, our ACS Commissioner Gladys Carrion, and  
14 their teams. And obviously Dean Fuleihan and his  
15 colleagues.

16 Their thorough analysis shows that we're  
17 prepared to provide free high-quality all-day  
18 pre-K to 54,000 4-year-olds this September,  
19 54,000 kids can be served full-day this  
20 September. And by January 2016, we'll be able to  
21 increase that to the full universe of more than  
22 73,000 children participating in high-quality  
23 all-day pre-K programs.

24 And we're confident we'll have the space

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1 to accommodate those children across public  
2 school and community-based- organization  
3 settings. The Department of Education has  
4 identified 4,000 classrooms potentially available  
5 within public school buildings, with additional  
6 space available in community-based organizations  
7 that currently serve the majority of our children  
8 in pre-K. We've also begun to develop a teacher  
9 pipeline to recruit, train and provide support  
10 for teachers and assistants to staff these  
11 classrooms.

12 Given the diversity of our city and that

13 19 percent of current kindergartners are  
14 English-language learners, the model will also  
15 put additional supports in place so that  
16 teachers, administrators and coaches are prepared  
17 to meet their needs. And for programs already  
18 offering full-day pre-K, we will bring them to  
19 the same quality standards as the new programs  
20 established through expansion.

21 Our working group has agreed to continue  
22 with us to make this implementation a reality  
23 this September. And I'm committed to this  
24 implementation, as are all the colleagues I

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1 mentioned before and our First Deputy Mayor Tony  
2 Shorris.

3 In addition, New York City Council  
4 members, many of whom are here today, strongly  
5 support this proposal. And I'm confident that  
6 the Council will send you a home-rule message  
7 expressing that support.

8 A broad range of the city's business,  
9 labor, civic and educational leaders are behind  
10 it as well.

11 It's an idea that every public opinion  
12 poll, and also the results of last November's  
13 election, show has overwhelming backing from the  
14 people of New York City. It's one where the  
15 city's right to self-determination, to setting  
16 and carrying out our own priorities, should be  
17 honored in Albany.

18 It's also one that is so vital that it



19 must be inviolable. Universal pre-K and  
20 after-school programs must have a dedicated  
21 funding stream, a lockbox, shielded from what we  
22 all know is the inevitable give and take of the  
23 budgeting process.

24 And let me remind you that the

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1 Legislature has taken this kind of action before,  
2 and not so very long ago. In the early 1990s you  
3 gave New York City the authority to levy a  
4 temporary dedicated income tax surcharge that  
5 funded the Dinkins administration's Safe  
6 Streets/Safe City program. Doing that allowed  
7 the City of New York to hire thousands of new  
8 police officers. It began the historic ongoing  
9 reduction of crime in our city.

10 And I'd like to note the members of the  
11 Legislature deserve credit for what they did in  
12 that historic moment. And we're asking for the  
13 opportunity to address a crucial issue today in  
14 the same fashion.

15 And because of the action that you took  
16 in the early '90s, it's part of why today  
17 New York City is the safest big city in the  
18 nation. Now you can help us make history again,  
19 by putting New York City in the lead nationwide  
20 in making universal pre-K a reality and in giving  
21 all our middle school students the after-school  
22 programs they need.

23 ~~This year Governor Cuomo has proposed~~  
24 making universal pre-K available statewide.

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1 That's an idea we strongly endorse, and we  
2 appreciate his leadership on this issue. And we  
3 back to the hilt the \$2 billion Smart Schools  
4 bond issue that he seeks to put on the ballot to  
5 improve and equalize technology in schools. We  
6 look forward to working with the Governor and all  
7 of you to win its approval by the voters and  
8 secure funding for all of the technology and  
9 other attributes it will provide.

10 But let's be clear about two principles  
11 key to making universal pre-K a reality. First,  
12 funding for universal pre-K must be dedicated and  
13 sufficient to meet the immediate needs of our  
14 children and the clearly expressed mandate given  
15 by the residents of New York City. And second,  
16 the funding must be predictable and consistent.

17 Finally, before leaving the subject of  
18 education, let me make one last point, one that  
19 also speaks to the goal of ending social and  
20 economic inequality in our city and state. Since  
21 2009 the state has not met the court-ordered  
22 obligation to our city and to school districts  
23 elsewhere in the state under the Campaign for  
24 Fiscal Equity lawsuit, an obligation the Court of

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1 Appeals rightly defined as providing "a sound  
2 basic education" to all the children of our  
3 state.

4 The decision in that case was a matter of  
5 simple justice. It ordered the end of a historic  
Page 18

6 wrong created by a manifestly unfair distribution  
7 of state education aid to local school districts.  
8 In the next school year alone, New York City  
9 public school students will be shortchanged some  
10 \$2.7 billion in state education funds. I'm  
11 confident you'll agree that with the resources  
12 now available, it is time to make a significant  
13 down payment on this obligation this year,  
14 fulfilling a commitment and making equity in  
15 education a priority.

16 Now let me quickly review some of the  
17 other elements of the Executive Budget. We  
18 support many of its ambitious programmatic  
19 initiatives. I strongly urge you, for example,  
20 to adopt the Governor's proposal to raise the  
21 threshold age for adult criminal prosecution in  
22 our state from 16 to 18. This would right a  
23 shameful wrong and at long last bring us in line  
24 with the sound and decent standard followed in 48

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24

1 of the other 50 states.

2 We also commend the Governor for the bold  
3 capital investments he has put forward. Many  
4 would address top priorities in our city. His  
5 call for building four new Metro-North stations  
6 in the Bronx is music to the ears of the people  
7 in that borough and will be a welcome enhancement  
8 to our regional mass transit system. We also  
9 strongly support the investments in the Executive  
10 Budget for strengthening the state's coastal  
11 infrastructure and revamping MTA stations and

12 facilities. They're smart responses to the new  
13 realities of climate change that Sandy has  
14 brought home to us all.

15 The Governor rightly deserves all the  
16 national recognition he has earned for his  
17 leadership in rebuilding after Sandy and for  
18 preparing New York State for future emergencies.  
19 The Governor has also stressed the importance of  
20 the tax cuts that he proposes. In the coming  
21 weeks, we will be evaluating the impact on  
22 New York City. But I recognize that the Governor  
23 is putting forward a proposal that sets state  
24 priorities with this package in the same way that

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1 we in New York City are putting forward our  
2 dedicated five-year modest tax increase on the  
3 wealthiest New Yorkers to fund our universal  
4 high-quality pre-K for 4-year-olds and our  
5 extended learning for middle-school children.

6 Let me also turn to the Governor's  
7 response to the dire plight of healthcare in this  
8 state, including the current crisis in Brooklyn.  
9 We strongly support the state's request for a  
10 federal Medicaid waiver and the goal of investing  
11 those funds for the transformation of healthcare  
12 facilities. We also believe that has to be part  
13 of a larger effort by the state and New York City  
14 to ensure the people in Brooklyn have consistent  
15 access to quality healthcare.

16 In conclusion, to all the members of the  
17 Legislature, you all know that a budget isn't

18 merely a balance sheet, it's a statement of  
19 priorities and an expression of values. So  
20 together let's use this budget process we're  
21 engaged in to address the top priority I've  
22 outlined today, the crisis of inequality in our  
23 city and our state.

24 And universal pre-K and quality

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1 after-school programs do just that. We can level  
2 the field for our kids, every child in every  
3 borough of our city, by asking those who make  
4 more than half a million dollars a year to pay a  
5 little more in taxes.

6 Now, I know that the last part has been  
7 the subject of some debate in recent weeks, and I  
8 know that people of good intention can have  
9 different plans for how to achieve better  
10 outcomes for our kids. But let's debunk two  
11 myths surrounding our proposal.

12 First, there are some who say that Albany  
13 shouldn't approve our plan because the state  
14 government simply cannot raise any taxes right  
15 now. But that is not the debate. We're not  
16 asking Albany to raise the state income tax by a  
17 single penny to pay for universal pre-K and  
18 after-school programs. We're simply asking  
19 Albany to allow New York City to tax itself, its  
20 wealthiest residents, those making more than a  
21 half-million a year.

22 Second, there are some who whisper that  
23 our drive to tax the wealthy to fund pre-K and

24 after-school is just political posturing, an

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1 effort to heap scorn on the wealthy to win an  
2 election. But the election in New York City is  
3 over, and we are here to work with our leaders in  
4 Albany to govern. This is about our commitment  
5 to one New York, where we all rise together. We  
6 don't want to punish the wealthy for their  
7 success. We want to create more success stories.

8 This is about the children of New York  
9 and just how strong the commitment we are willing  
10 to make to their futures. We look forward to  
11 working with you to strengthen that commitment.

12 And now we look forward to your questions  
13 for us. Thank you, Chairs.

14 CHAIRMAN FARRELL: Thank you very much.

15 First to question, Assemblyman Ortiz.

16 ASSEMBLYMAN ORTIZ: Thank you,  
17 Mr. Chairman.

18 Mr. Mayor, welcome to Albany. Thank you  
19 for your testimony. And part of being my  
20 neighbor, I'm going to try to be nice. I have a  
21 couple of quick questions.

22 You mentioned about the unemployment and  
23 the inequality in your testimony. One of the  
24 first questions that I will have is, can you tell

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1 us the overall fiscal condition of New York City  
2 as we sit here right now?

3 MAYOR DE BLASIO: I'll begin, and my

4 budget director will probably chime in.

5 The condition right now is framed by over  
6 150 open labor contracts. Again, this is  
7 literally unprecedented. There's been no time in  
8 the history of New York City when our entire  
9 labor dynamic was insecure.

10 And I have to say to you I think there's  
11 a reason for that. I think previous mayors,  
12 regardless of ideology or party, believed it was  
13 their obligation to settle contracts on a timely  
14 basis. That didn't happen in the previous  
15 administration. We're left with a huge unknown.  
16 We're going to address it very resolutely.

17 But that situation, plus the unclarity in  
18 the federal dynamics, not just on Sandy but on a  
19 host of other areas where we've seen sustained  
20 cuts in recent years, lead us to a precarious  
21 dynamic. So we look forward to working with the  
22 Legislature to act on these challenges.

23 Obviously we have very aggressive and challenging  
24 negotiations ahead with over 150 different labor

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1 unions. But we're going to take this challenge  
2 head-on.

3 In the meantime, we must continue to  
4 address the underlying gaps in our city. And I  
5 just would like to refer to a New York Times  
6 editorial today that points out, just to frame  
7 why there is a strong parallel between the  
8 education crisis we face today and the public  
9 safety crisis we faced in the early '90s when

10 this Legislature acted in such a powerful fashion  
11 to help New York City, the New York Times  
12 editorial page today says the data that will be  
13 released later in the spring will show that only  
14 one in four New York City students who started  
15 high school in 2009 and graduated in 2013  
16 performed well enough on the Regent exams to meet  
17 the state definition of college-readiness.

18 So only a quarter of our students are  
19 coming out of our schools college-ready, at a  
20 time in history when education matters more than  
21 ever before in determining economic destiny. I'd  
22 like to note that the projection is that only  
23 about 11 percent of black students and 12 percent  
24 of Hispanic students will be deemed college-ready

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1 in those scores.

2 That's the crisis we're facing. Our  
3 school system is simply not serving many of our  
4 children, and that's what we have to address  
5 right away while dealing with our other fiscal  
6 challenges.

7 ASSEMBLYMAN ORTIZ: You were in  
8 Washington at the Mayors Association's  
9 conference, and I read about your visit to  
10 Washington last week when you addressed the  
11 U.S. Conference of Mayors. I have a quick  
12 question, moving away from the question that I  
13 was beginning to ask you now, that how much of  
14 the Governor's budget is contingent on federal  
15 assistance and on national economy?



16 MAYOR DE BLASIO: I'll turn to Dean

17 Fuleihan on that one.

18 NYC BUDGET DIRECTOR FULEIHAN: For my  
19 first one, I --

20 MAYOR DE BLASIO: Don't you get a  
21 welcome-back question?

22 (Laughter.)

23 ASSEMBLYMAN ORTIZ: This has been the  
24 easiest question.

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1 NYC BUDGET DIRECTOR FULEIHAN: In my  
2 former life, I would have told you how much of  
3 the Governor's budget was dependent on federal  
4 assistance and what's contingent and what's not.  
5 I'm sorry, I actually don't have that figure.

6 ASSEMBLYMAN ORTIZ: well, I can probably  
7 help you a little bit from my days in OMB, so I  
8 can probably -- I don't want to get into that.  
9 But if you can probably submit whatever to the  
10 chairman --

11 NYC BUDGET DIRECTOR FULEIHAN: I'll talk  
12 to the Ways and Means Staff, and I promise we'll  
13 do that.

14 ASSEMBLYMAN ORTIZ: Thank you.

15 Now, going to the universal pre-K  
16 kindergarten, I do believe and I agree with you,  
17 I think you probably have almost everybody  
18 convinced that this is very critical and very  
19 important. Fundamentally, I do believe that we  
20 should start children at the age of 4, pre-K  
21 kindergarten. That's my view and my personal

22 opinion that does not reflect to anyone here. I  
23 have a very clear example about my own children  
24 starting at 4 years old, and my daughter, and I

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1 think that's been a great success.

2 My question to you regarding the Governor  
3 providing a hundred million statewide for  
4 universal pre-K kindergarten, does this funding  
5 meet the city's needs and objectives? And what  
6 kind of capacity for pre-K kindergarten exists in  
7 New York City currently?

8 MAYOR DE BLASIO: Well, I'll start, and  
9 again Dean may choose to jump in.

10 First of all, Assemblymember, as you  
11 know, I've had the honor of working with your  
12 son. And I can say if he had pre-K, it worked  
13 out well, because he came out real good.

14 The bottom line here is that we need, to  
15 achieve this goal, to create truly universal full  
16 day pre-K for every child in New York City who  
17 needs it, we need reliable funding, we need  
18 consistent funding. This is a five-year  
19 build-out. To do that, we believe that the tax  
20 that we would levy, the PIT, would be the most  
21 reliable, the most consistent. And for  
22 precedent, we look at the Safe Streets/Safe City  
23 tax, we look at the tax increase that Mayor  
24 Bloomberg instituted with the PIT after 9/11. We

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1 look at how other moments of crisis have been  
2 handled and handled effectively with taxes that

3 lapsed exactly on schedule, that were dedicated,  
4 that had lockbox dynamics, were used explicitly  
5 for what they were delineated for and only that.  
6 And this tax would only be used for the purposes  
7 of pre-K and after-school.

8 In terms of the current state of affairs,  
9 as I said over the last year, there's almost  
10 50,000 kids in this city who don't get full-day  
11 pre-K who applied for it and were turned down  
12 because the program isn't structured that way  
13 right now in New York City.

14 We know that with the efforts we can  
15 undertake immediately -- the implementation is  
16 already been planned -- that we could reach by  
17 September, this September, 54,000 kids with  
18 full-day pre-K. And then we would build it out  
19 into the following school year and reach the  
20 level of 73,000 kids.

21 ASSEMBLYMAN ORTIZ: The Executive Budget  
22 provides \$783 million to New York City under the  
23 Smart School Bond Act, which is intended for  
24 investment in technology and pre-kindergarten

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1 classroom capacity. What impact do you think  
2 that this funding will have on the New York City  
3 schools in terms of access and instruction? And  
4 what will be your plan for this funding?

5 MAYOR DE BLASIO: As I said in the  
6 testimony, I strongly support the Governor's bond  
7 act proposal. Obviously that's not the same  
8 thing as it passing. And so the first thing we

9 have to say in planning terms is it's a different  
10 discussion once we know the people of the state  
11 have voted for it. But I'm hopeful they will,  
12 and I think it will be exceeding helpful.

13 And I think the Governor's stated  
14 objective of addressing inequalities that exist  
15 in technology is crucially important. We  
16 certainly have ample need in New York City and  
17 will delineate that in the coming weeks for how  
18 we might be able to benefit. But again, we know  
19 that that, first of all, is contingent upon a  
20 vote by the people; second of all, it takes time  
21 for the bonds to be issued, the revenue to flow,  
22 et cetera.

23 So we are hopeful. But what we're  
24 talking about is revenue that we can depend on

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1 right now to achieve the goals that we have to  
2 achieve.

3 ASSEMBLYMAN ORTIZ: Last but not least,  
4 Mr. Mayor, you emphasize in your testimony about  
5 unemployment, you address the issue of education,  
6 you address the issue of public safety, and you  
7 touch a little bit quickly on the Sandy relief  
8 effort.

9 As you know, I represent the area of  
10 Red Hook that was hit very badly by Sandy. As a  
11 result, there was -- hit by Sandy was  
12 Coney Island as well, was Far Rockaway, was other  
13 areas of New York City, Staten Island. That as  
14 the chair of the Cities Committee, I had the

15 opportunity to visit all these areas, including  
16 some communities here near Albany that was hit  
17 under the prior hurricanes.

18 My question is regarding NYCHA. What is  
19 your vision, what do you foresee to be done  
20 regarding the New York City Housing Authority  
21 where we still have a permanent area of Red Hook  
22 and Coney Island -- which I went there yesterday,  
23 since I have relatives who live in Coney Island,  
24 and it continues to be difficult to get someone

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1 to come over to repair their apartment, to pay  
2 attention to the repairs, and to pay attention to  
3 the needs of their basic, basic, basic things  
4 that we have to do in our own household.

5 So I guess my quick question is what is  
6 your vision, what do you foresee happening within  
7 the New York City Housing Authority and how these  
8 folks can be more accessible regarding the issue  
9 of when they're reaching out to folks in the City  
10 Housing Authority?

11 MAYOR DE BLASIO: After Sandy hit, a  
12 couple of weeks after, I spent time in the Red  
13 Hook East Houses before power had been restored.  
14 It was a very sobering experience about how much  
15 people had suffered in that development -- as you  
16 know, one of the larger developments in the city.  
17 And I've been to all of the neighborhoods  
18 affected by Sandy and have talked to residents  
19 and seen in a firsthand manner exactly what  
20 they're still suffering.

21           we have an obligation to use the federal  
22 funds that are coming in to try and do better --  
23 not just to get us back to where we were, but to  
24 do better and to reinforce our public housing

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1       developments. That is a work in progress. We  
2 also have an obligation to the residents of  
3 public housing in general to do repairs much more  
4 efficiently and effectively and speedily.

5           So we'll be laying out plans in the  
6 coming weeks on how we'll address those issues.  
7 But my commitment to you is I'm very focused on  
8 public housing. I believe it is a mayoral  
9 responsibility and not something that can be  
10 swept under the rug. And I think that the  
11 federal funds at least gives us an opportunity to  
12 right some wrongs and do better.

13           ASSEMBLYMAN ORTIZ: I would love to work  
14 with you. Thank you for responding to my  
15 question. And, Mr. Chairman, thank you.

16           CHAIRMAN FARRELL: Thank you.

17           Senator?

18           CHAIRMAN DeFRANCISCO: The first  
19 questioner from the senate is Marty Golden, who  
20 is very cognizant of the seven-minute rule.

21           (Laughter.)

22           SENATOR GOLDEN: Thank you, Chairman John  
23 DeFrancisco and Chairman Denny Farrell and my  
24 colleagues.

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1 I concur with you, Mayor, when it comes  
2 to we have to do something about our hospitals.  
3 We're obviously looking forward to working with  
4 you, the Governor's office, the Legislature, the  
5 community and the unions, and coming to some  
6 solution with Long Island College over the next  
7 couple of weeks. I think that is very, very  
8 important that SUNY stop bleeding its \$13 million  
9 a month at that location. That's number one.

10 Number two, obviously, is to work with  
11 the Legislature and the Governor and get that  
12 Medicaid waiver so that we can upright the other  
13 297 financially distressed facilities across the  
14 State of New York, which is very important for  
15 our healthcare system.

16 I also am looking forward to working with  
17 you in the traffic safety, pedestrian safety  
18 zones that we have a bill here. Hopefully we can  
19 work with you to correct some of the imbalances  
20 we see across our communities and that we can get  
21 a safer city in our school areas, our  
22 playgrounds, our parks, our hospitals, our senior  
23 centers and other locations as well.

24 We briefly talked about Sandy. And Sandy

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1 is really still devastating in parts of my  
2 community, areas of Gerritsen Beach; Sheepshead  
3 Bay and Manhattan Beach. The issues over there  
4 are threefold. We have an infrastructure issue  
5 where we're going to be able to harden our  
6 waterfronts. I believe that we have to take a

7 strong look at that.

8           Number two is working with the Building  
9 Department in expediting some of these permits.  
10 And if we can get the Building Department to get  
11 an office or get on the ground in these  
12 locations, I believe that we could expedite that  
13 and get that done and give some relief to these  
14 families that need it. It's been a long time.  
15 They need it desperately.

16           And the third area, somehow if you could  
17 visit my community, I'd like to get you into the  
18 Gerritsen Beach/Sheepshead Bay/ Manhattan Beach  
19 area to take a look at the financial  
20 improprieties, the areas where we've seen some  
21 different contractors that have done some bad  
22 work, areas where money has not yet been  
23 distributed, money that is desperately needed to  
24 these communities to be able to get them back on

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1 their feet. And our commercial strips are also  
2 having a difficult time.

3           And lastly, on the infrastructure again,  
4 the streets in Gerritsen Beach are actually  
5 caving in. The water lines are snapping, the gas  
6 lines are snapping, we are actually seeing street  
7 collapses across the complete areas of Gerritsen  
8 Beach. We need to get somebody in there, and  
9 we've made some money available at the state  
10 level, and we're working with the city on some of  
11 those blocks. But we need a complete  
12 reconstruction of a number of those streets.



13 I know my colleagues and others have a  
14 lot of other questions, but I have another  
15 committee meeting and I just wanted to get them  
16 out to you. And hopefully we can work together  
17 for the betterment of the City of New York.  
18 Thank you, Mr. Mayor.

19 CHAIRMAN FARRELL: Thank you, Senator.  
20 Assemblyman Magnarelli.

21 ASSEMBLYMAN MAGNARELLI: Thank you,  
22 Mr. Chairman.

23 Mr. Mayor, thank you for being here  
24 today.

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1 First of all, I'd like to commend you on  
2 the proposal for pre-K. And I agree with you a  
3 hundred percent that this is necessary for our  
4 young people. But I do have some questions,  
5 especially with what I've seen over the past year  
6 or two in rolling out other proposals maybe a  
7 little bit too quickly.

8 So my questions basically revolve around  
9 how do you see getting this started so quickly.  
10 It's my understanding that classroom space,  
11 especially in New York City, is very difficult to  
12 put together. I also know that getting the  
13 teachers to be able to teach in these schools,  
14 certified teachers, getting them is also  
15 problematic.

16 So I guess the biggest question for me is  
17 although you're talking about a dedicated fund,  
18 et cetera, couldn't this be rolled out over a

19 period of time rather than having this done  
20 directly this year as you've suggested?

21 MAYOR DE BLASIO: Well, first of all, I  
22 would just say time waits for no man. We know  
23 that there's a crying need right now. And we  
24 know -- as I said, this is a very sobering

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1 editorial I just referenced. And if we aren't  
2 acting immediately to address the underlying  
3 reality, we will continue to fail.

4 I know, Assemblymember, you feel as I do.  
5 All of us in public life take an oath to protect  
6 our people. And right now, when it comes to  
7 education, we're just not doing well enough in  
8 New York City. So the first point I would make  
9 is one of urgency. Early childhood education and  
10 after-school will be profound difference-makers.  
11 The reality is they're available to us right now.  
12 This white paper that we put out today is a  
13 detailed explanation of how we will put this up  
14 online immediately. It has got the appropriate  
15 title, "Ready to Launch."

16 And what we did, that panel I mentioned  
17 before of folks who have devoted their lives to  
18 these subjects, early childhood education,  
19 after-school and the development of our young  
20 people, very meticulously over the past few weeks  
21 reviewed all of these issues -- space, teachers,  
22 teacher quality, all of the things that go into  
23 putting this up and running -- and came back with  
24 a very clear plan that said we can get up to

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1 54,000 for this September, 73,000 in the course  
2 of the following school year, and get to that  
3 maximum 73,000 point.

4 Dean Fuleihan was a part of those  
5 deliberations, and I'll let him add.

6 But the bottom line is this, and here's  
7 the core logic. We have identified up to 4,000  
8 available classrooms right now in school  
9 buildings all over the city. We know some of  
10 those will work well for this task; some may not  
11 work as well. But we have a substantial pool to  
12 begin with. We've identified hundreds of  
13 classrooms in community-based organizations that  
14 are currently or have recently provided either  
15 pre-K, Head Start, childcare, some affiliated  
16 services.

17 We know right now that we are graduating  
18 and having available to us in a typical year  
19 almost 2,000 early childhood teachers. We also  
20 know there's a pent-up demand of trained teachers  
21 who haven't been able to find the appropriate  
22 assignments.

23 So there's a lot of moving parts here,  
24 but they all point to the same outcome. The

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1 space is there, the personnel is there. The  
2 curriculum is there, based on the New York State  
3 Common Core standards for pre-K. We have a  
4 methodology for giving people additional training  
5 in the summer leading into September. So we're

6 confident that we can get this up and running on  
7 a much greater level than it is currently.

8 And I have to tell you -- and I know  
9 you'll agree from the grassroots level -- talk to  
10 parents who right now get no pre-K for their  
11 kids. Or talk to parents who only get half a  
12 day, which doesn't work with any parent's real  
13 schedules in terms of work and doesn't give kids  
14 enough enrichment and development. There's  
15 tremendous support among parents of every  
16 background because they know what a difference  
17 this will make for the kids. They also know it  
18 would lighten one of the many burdens that  
19 working parents experience. And so this report  
20 proves this is ready to go now.

21 Do you want to add?

22 DIRECTOR FULEIHAN: Sure. And it is in  
23 the report, which delineates the space and the  
24 teachers, the two question that you focused on.

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1 we have -- both in the city school system  
2 and through the relationships that the  
3 community-based organizations have with the  
4 Department of Education and Children's Services,  
5 there are existing pre-K programs out there that  
6 can easily expand and make this accommodation and  
7 have actually shown that they're capable of doing  
8 that in a very quick turnaround. They just  
9 recently did it for significant expansion,  
10 consistent with one of the state RFP proposals.

11 So the space is out there. We can take

12 current facilities that are being used and make  
13 it full-day. We have an abundance of classrooms  
14 that have been identified, over 4,000 in the city  
15 system. We need now to mesh those two, the need  
16 with the classrooms. But we're very confident we  
17 can do that over the two-year period.

18 We're also -- it's worth noting, it's in  
19 the program that the mayor has outlined. It's  
20 about new facilities, it's about converting  
21 existing facilities into a full-day program.  
22 It's also about taking what's a significant  
23 population and providing it a very high-quality  
24 program.

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1 So those enhancements that the mayor  
2 talked about -- the teacher training, making sure  
3 that there are enough resources in high-needs  
4 districts, English language learners giving a  
5 focus to the teachers, that that's a priority for  
6 the children of New York City -- those are all  
7 wrapped in, and we can do those in this time  
8 frame.

9 ASSEMBLYMAN MAGNARELLI: I want to thank  
10 you both for your response.

11 My concern simply revolves around kind of  
12 biting off more than we can chew right away. It  
13 seems to me that we've done that in parts of our  
14 education policy over the last few years. Not  
15 that the ideas are wrong; I think they're right.  
16 But just the implementation of those; and whether  
17 or not this should be done via your plan or the

18 Governor's plan, so to speak.

19 MAYOR DE BLASIO: Just a quick comment.

20 The concern you raise, very obviously a question  
21 well-grounded in history, I might say, because we  
22 have seen things that are implemented poorly.

23 The difference here is that we already  
24 have such powerful existing models for pre-K and

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1 for after-school. When I announced this concept  
2 almost 16 months ago, I borrowed from existing  
3 models. This wasn't something where we looked to  
4 create something out of the great unknown.

5 We know what works. We haven't applied  
6 the resources to having the teachers and the  
7 space to bring the pieces together so we can  
8 actually serve our kids. We also know, as I  
9 mentioned in the testimony, undoubtedly this  
10 provides a much stronger foundation.

11 So there are areas of government where I  
12 couldn't agree with you more. But in this one I  
13 think we have the tools and we've already proven  
14 what we're capable of doing, and that's why we  
15 need to act quickly.

16 ASSEMBLYMAN MAGNARELLI: Thank you,  
17 Mr. Mayor. Thank you, Mr. Chairman.

18 CHAIRMAN FARRELL: Thank you.

19 Senator?

20 CHAIRMAN DeFRANCISCO: Chairman of the  
21 Local Governments Committee, Jack Martins.

22 SENATOR MARTINS: Thank you.

23 Good morning, Mayor. Thank you for being  
Page 38

24 here. I appreciate your testimony.

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1 And I also appreciate the point you made  
2 about politics being over, the campaign is over,  
3 now we get to discuss government and governance.  
4 So let's address this issue holistically.

5 My understanding, there are approximately  
6 59,000 children currently attending pre-K in New  
7 York City, either full-day or half-day pre-K. Is  
8 that right?

9 MAYOR DE BLASIO: Just one second. Hold  
10 on, I'm checking numbers. I think it is correct.  
11 Including, yeah, half-day and full-day, yes.

12 SENATOR MARTINS: So about 59,000  
13 children right now are attending pre-K classes.  
14 And if I recall your testimony, you said you  
15 hoped that by September of this year, by the  
16 beginning of the new school year, you hope to  
17 have 54,000 full-day pre-K students. Which I  
18 understand the 59,000 figure is half-day or  
19 part-day, and full-day. But we're going to  
20 actually reduce that 59,000-child figure to  
21 54,000 full-day pre-K; right?

22 MAYOR DE BLASIO: The 59, just to be  
23 clear, and then Dean will jump in, as he's asked  
24 to fill in, the 59 is primarily half-day. The

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1 current system is primarily half-day.

2 And that's the problem that we seek to  
3 address, that pre-K in New York City -- I mean,

4 the phrase universal pre-K has long been used,  
5 but it does not acknowledge the reality that  
6 there are still a substantial number of kids who  
7 get no time at all and that most kids get  
8 half-day.

9 Half-day does not provide the level of  
10 educational enrichment necessary, particularly  
11 with ever-increasing standards. By the way, I'm  
12 someone who believes the Common Core is a correct  
13 concept. But we have to back it up with we're  
14 preparing our children properly. Half-day  
15 doesn't do that. Half-day doesn't fit with  
16 parents' schedules.

17 So the fact that we are going to a  
18 consistent full-day model is crucial in terms of  
19 the outcomes we're trying to achieve.

20 DIRECTOR FULEIHAN: So approximately  
21 19,500 children who receive full-day pre-K in the  
22 public school system, through CBOs, will receive  
23 a higher quality. That's getting to your  
24 question about what full-day -- but they will

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1 receive a much more enhanced environment and much  
2 higher quality.

3 Almost 13,000 -- 12,600 -- children who  
4 receive full-day services at the Administration  
5 for Children's Services receive only varying  
6 levels and varying degrees of actual pre-K. And  
7 that's surrounded, then, by other daycare  
8 operations. They will be moving to a full  
9 high-quality pre-K program, and then the



10 surrounding support services around that. And  
11 then 23,640 students will have access to full-day  
12 services.

13 SENATOR MARTINS: So to paraphrase, about  
14 40,000 children currently are in full-day pre-K,  
15 right now about 19,000 are in part or half-day  
16 pre-K --

17 MAYOR DE BLASIO: If I may, Senator, I  
18 apologize. Other way around. About 40,000 in  
19 half-day right now, about 20,000 in full-day  
20 right now.

21 SENATOR MARTINS: I heard that it was  
22 full-day but they didn't have a full-day  
23 curriculum. Part of that full-day was also  
24 involved in other things. But the kids were in a

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1 school environment all day, even though part of  
2 that day was not necessarily curriculum-based.

3 DIRECTOR FULEIHAN: But the part of  
4 that's that pre-K can be two hours, two and a  
5 half hours. It is not providing a full-day pre-K  
6 environment.

7 SENATOR MARTINS: Socioeconomically, the  
8 children who are in pre-K currently across  
9 New York City, do they touch on every  
10 socioeconomic status in the city? Do they  
11 involve children from high-needs areas as well as  
12 children from middle-income areas and wealthy  
13 areas, or are they predominantly in areas that  
14 are socioeconomically challenged?

15 MAYOR DE BLASIO: Let me start, and Dean

16 will jump in.

17 I used to be a community school board  
18 member. Before mayoral control, we had  
19 community-elected community school boards, and I  
20 was a school board member in my local district.  
21 And I am a public school parent today and have  
22 been for the last 14 years.

23 The current system has -- parents of all  
24 backgrounds have some opportunities. For

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1 example, in your zoned school, if there's pre-K  
2 classrooms, people can apply for them regardless  
3 of background, and I know people of every kind of  
4 background who are in Department of Education  
5 pre-K programs in a zoned school.

6 There are other programs that are  
7 income-based, need-based. We want this program  
8 to be truly universal. I want to emphasize that  
9 point. We believe for the betterment of our  
10 society, for the future of our city and I would  
11 daresay for our state, that we must have a more  
12 educated workforce, we must have a society in  
13 which education is more pervasive. And so from  
14 my point of view and our administration's point  
15 of view, we want to give full-day pre-K to every  
16 kind of child.

17 We also know we have a school system that  
18 is deeply troubled. It has been for a long time.  
19 And if we're going to lift all boats, if we're  
20 going to strengthen that school system all  
21 around, getting every kind of child full-day

22 pre-K is a prerequisite to doing that.

23 So our vision is a universal one.

24 DIRECTOR FULEIHAN: The population we

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1 were discussing in Children's Services is  
2 primarily a high-needs population. And once  
3 again, they're receiving childcare, Head Start  
4 programs, they're receiving a lot of assistance.

5 But we are talking about a very different  
6 kind of program, modeled on the most successful  
7 national programs, to give them a complete  
8 experience with the proper training for the  
9 educators who are going to be doing that, and  
10 expanding the hours in some cases for that  
11 population from 2.5 to 6.5 hours.

12 SENATOR MARTINS: I just want to be  
13 clear. So when we're talking about equity in  
14 education and lifting all boats and "A Tale of  
15 Two Cities," the city has access right now for  
16 those children in the most socioeconomically  
17 challenged areas of the city where they have  
18 access to pre-K even though it may be in a  
19 half-day or in some sort of a hybrid form.

20 MAYOR DE BLASIO: Not every child is  
21 being served. Let me hasten to add that there is  
22 some access, yes. But I think, again, I would --  
23 and I appreciate you invoking the Tale of Two  
24 Cities. I talked a lot about it in the last

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1 year, and I think this is wholly consistent.

2 The notion here is, one, this is about of  
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3 course reaching those in greatest need more  
4 effectively, I think as Dean has pointed out.  
5 Higher quality programming, consistent  
6 programming, and programming that is full-day for  
7 all, these are major reforms in the current  
8 approach.

9           Second, to truly bring about an effort  
10 towards equality, our schools have to improve  
11 across the board. I think something that's been  
12 a bit lost in this larger discussion is that this  
13 is not about just creating a better foundation  
14 for those children as individuals. This is about  
15 improving our school system writ large.

16           We believe if we set a stronger  
17 foundation, a lot more kids are going to succeed,  
18 and that success breeds success. It creates a  
19 different kind of classroom environment, it  
20 creates a different possibility for all children  
21 to learn. It follows through with our commitment  
22 to after-school at the middle-school level, which  
23 is an historically troubled time, challenging  
24 time for kids, challenging time in the

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1 educational process. We want to reinforce for  
2 everyone that every kid that gets a better chance  
3 helps make education work better for the whole  
4 group.

5           SENATOR MARTINS: I appreciate that,  
6 Mayor. Thank you.

7           I have a statistic here confirmed by the  
8 city's own Independent Budget Office that the

9 city projects to have a surplus of \$2.5 billion  
10 this year and a surplus of \$1.9 billion next  
11 year. Given the surpluses that are being  
12 projected this year and next year by the  
13 Independent Budget Office, the city's own  
14 Independent Budget Office, why is a tax increase  
15 necessary?

16 MAYOR DE BLASIO: I'll start and then  
17 I'll let the budget expert weigh in.

18 Because of the profoundly great unknown  
19 of the open labor contracts. Three hundred  
20 thousand employees without a contract. By  
21 definition, that's going to add additional fiscal  
22 stresses. We have to resolve this issue. We  
23 don't know exactly which day it will be resolved,  
24 because as you know it's subject to negotiation.

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1 And when you're negotiating with 150 separate  
2 units, that gets a little complicated.

3 But at some point this will be resolved  
4 and there will be a cost to pay. A cost that  
5 should have been handled over years is now going  
6 to have to be handled in many ways in the here  
7 and now.

8 So that challenge makes clear to us we  
9 are in a troubled fiscal environment. It may  
10 look nice, and if I may be so bold, on the way  
11 out the door my predecessor painted a very rosy  
12 picture. But I think whether you're a Democrat  
13 or Republican, a conservative or a liberal, you  
14 would agree that 300,000 employees without a

15 contract constitutes the making of a serious  
16 fiscal challenge.

17 SENATOR MARTINS: I appreciate that. And  
18 I see that --

19 DIRECTOR FULEIHAN: I'll add -- I'll add,  
20 if I may, that the mayor identified for you  
21 really three significant challenges that we're  
22 confronting. The labor contracts, unprecedented.

23 And really it's somewhat to Assemblyman  
24 Ortiz's answer, which -- not exactly what the

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1 percentage is in this state, but the federal  
2 assistance and the risks that we have in not  
3 completely mitigating, for now and for the  
4 future, the results of Sandy.

5 And then the Governor has actually  
6 articulated a major one, which is the federal  
7 waiver and the future of Medicaid and how we take  
8 care of our entire healthcare system.

9 In addition, that role and that surplus  
10 that you're talking about, it was actually  
11 accumulated in prior years and is not reflected  
12 in the operating surplus or deficit of this year  
13 or next year. So basically it was a surplus of  
14 prior years that's been rolled over to cover what  
15 the current expenses, without taking into account  
16 any of those risks.

17 SENATOR MARTINS: I appreciate that. I  
18 see that my seven minutes' allocation are up,  
19 have been up for a while. I will, though,  
20 reserve my opportunity to come back and ask a few

21 more questions later. Thank you.

22 CHAIRMAN FARRELL: Next, Assemblyman  
23 Heastie.

24 ASSEMBLYMAN HEASTIE: Thank you,

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1 Mr. Mayor. And I'm happy to see you brought a  
2 good friend with you, in Dean. We miss him.

3 Just a couple of things I just want to  
4 touch on. The rollout of the universal pre-K.  
5 And you and I, when you were Public Advocate, had  
6 many discussions on how the previous  
7 administration had dealt with daycare centers and  
8 the removing of contracts.

9 So in the rollout of universal pre-K, is  
10 some of those concerns that we discussed in how  
11 the contracts were given out and the concerns, in  
12 the rollout of that, will some of that be looked  
13 at in terms of how we move forward to maybe fix  
14 some of those things that were wrong in the  
15 previous administration?

16 MAYOR DE BLASIO: Yes. I think the  
17 efforts we're going to make on behalf of our  
18 4-year-olds will substantially alter the previous  
19 administration's approach. Because as Dean laid  
20 out, we're going to raise the standard for all  
21 4-year-olds, and that cuts across the different  
22 kinds of programs they've been in now. Which I  
23 think addresses in large measure the  
24 contradiction of some of the previous policies

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1 that were holding back the level of service for  
2 4-year-olds and creating some, as we've talked  
3 about with the childcare centers, some  
4 unmanageable dynamics. This I think will start  
5 to unravel that at the 4-year-old level.

6 Getting to the 3-year-old level and below  
7 is a separate challenge that we have to address.  
8 But this I think does substantially address the  
9 4-year-old level.

10 ASSEMBLYMAN HEASTIE: And also the impact  
11 of the previous administration moving  
12 kindergarten students into the schools I think  
13 also leaves some capacity to go back and look at  
14 some of these daycare centers that can help out  
15 with this.

16 MAYOR DE BLASIO: Exactly right. There's  
17 substantial capacity, remembering that on the  
18 after-school side we lost 30,000 seats, on the  
19 childcare side we lost 10,000 seats. Obviously a  
20 lot of the approaches were restructured; that  
21 changed the physical dynamics.

22 That's why we're very confident about  
23 space. When we started out this process, we knew  
24 without even having to do the research that

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1 after-school space was existent in schools and in  
2 community-based organizations and in libraries.  
3 The question that we have to objectively address  
4 was the space dynamics for pre-K.

5 we looked at the current capacity of DOE,  
6 and then we looked on top of that at the current



7 capacity in the community-based organizations.  
8 what became clear was a lot of space had freed up  
9 in the different actions of the previous  
10 administration, some arguably good, some arguably  
11 bad. But a lot of space freed up in facilities  
12 that actually were already set up for this age  
13 group. So that's why we're confident that we'll  
14 have the space to get up to that 54,000 level by  
15 september.

16 ASSEMBLYMAN HEASTIE: And just the last  
17 thing I want to discuss, on the bond act. And  
18 that's probably a question maybe I can give you  
19 next year when you come up to give your  
20 testimony, because it has to pass this year.

21 But in the discussions with the Governor,  
22 some of this came out of the fact that, you know,  
23 when you talk about inequity in the schools, I  
24 had taken tours of all of the schools in my

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1 Assembly district. Some had more technology than  
2 others. So I guess maybe this is something I can  
3 ask your new schools chancellor tomorrow.

4 But can we get an assessment of the  
5 disparity of technology amongst all of the  
6 schools in the city? I mean, I know that may be  
7 a difficult thing. But because I think once that  
8 money comes and you give a plan to how to spend  
9 that money on technology, some of that inequity I  
10 would hope could be addressed when that comes to  
11 pass.

12 MAYOR DE BLASIO: Yeah, we will

13 absolutely -- whatever has been already prepared,  
14 we'll get to you. We would like to do more  
15 obviously, in anticipation. What we hope will  
16 happen is the passage of the bond act. I think  
17 we can safely say that with the advances in  
18 technology, a lot of our schools are well behind.

19 I'd like to quote a young man who's one  
20 of my top advisors, Dante de Blasio, who talked  
21 about the fact that when he was in middle school,  
22 one of his social studies classes had a textbook  
23 called "The Soviet Union Today." Dante was in  
24 middle school just a few years ago, I'd like to

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1 note.

2 So that's a little bit of an indication  
3 on the textbook side of where we are. Clearly on  
4 the technology side, we're way behind in many  
5 schools. And there is a gap in terms of the  
6 quality, depending on the school. So we'll get  
7 you some delineation of that. But I think the  
8 Governor's initiative is right on target. One of  
9 the best ways to address inequality is to provide  
10 equal technology, and that's what we would like  
11 to see pass. And then we'd look forward to  
12 implementing it.

13 ASSEMBLYMAN HEASTIE: Just can it be done  
14 by -- I know it's difficult -- not just by school  
15 district, but by school? Because I noticed a big  
16 difference from one school to the next in the  
17 district.

18 MAYOR DE BLASIO: As do I.

19 ASSEMBLYMAN HEASTIE: So thank you again,  
20 Mr. Mayor. Dean, good to see you.  
21 CHAIRMAN FARRELL: Senator?  
22 CHAIRMAN DeFRANCISCO: Thank you.  
23 Senator Diaz.  
24 SENATOR DIAZ: Thank you, Mr. Chairman.

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1 Thank you. Good morning, Mr. Mayor.  
2 MAYOR DE BLASIO: Good morning.  
3 SENATOR DIAZ: First I would like to  
4 congratulate Senator Martins. I think that we  
5 have to look more into the 59,000 versus the  
6 54,000 students, and to be aware.  
7 Mr. Mayor, your idea of universal pre-K  
8 is a great one. However, the Governor has a plan  
9 also for universal pre-K and the Governor is  
10 including charter schools. There are some  
11 legislators, including myself, who are very  
12 strong pro-charter school. And that would be one  
13 of the things that would make me make up my mind  
14 how to vote and which plan I would support.  
15 Because charter schools, to me, is a  
16 godsend for black and Hispanic children in our  
17 communities. It's competition. So charter  
18 schools, the Governor is including charter  
19 school. I mean, that got me thinking, because  
20 your plan doesn't include charter schools. So I  
21 want to make that clear.  
22 The other thing that I would like to make  
23 clear, and I will finish, is that when you were  
24 campaigning, you got a great theme. You had a

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1 great theme, doing away with the Tale of the Two  
2 Cities, and you was promoting make one city.  
3 Even though I did not support you, I was saying,  
4 man, this guy's got something, that maybe there  
5 will be room for me somewhere, maybe there will  
6 be a place in New York finally. Because this  
7 guy's going to bring everyone together.

8

And the Governor of the State of  
9 New York, Andrew Cuomo, just said that people  
10 that support the Second Amendment of the  
11 Constitution of the nation and are pro-gun, like  
12 people upstate, hunting and all of that, that  
13 those that oppose gay marriage and those that  
14 oppose abortion are extreme conservatives, that  
15 they have no place in the State of New York.

16

So, Governor, that would take Cardinal  
17 Timothy Dolan, the Jewish rabbis, the Moslem  
18 imams, evangelical ministers. So all of those --  
19 I would say millions of residents of New York  
20 State have been labeled extreme conservative.

21

Now, you agree with the Governor and  
22 you're also labeling things extreme conservative.  
23 So now I'm confused. Because even though I  
24 didn't support you, I was hoping, hoping that you

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1 will take care of every single resident of the  
2 City of New York and that all of us in the City  
3 of New York -- black, Hispanic, white, gay,  
4 lesbian, whatever, straight, conservative,  
5 moderate, left -- we finally have someone that

6 will bring all of us together.

7 But you are agreeing with the Governor,  
8 we are all extreme conservative, we have no place  
9 in the state. So all of us have to go move? Or  
10 what would you do, or what happened with your  
11 theme of bringing together the city and doing  
12 away with the Tale of Two Cities? What happened?

13 MAYOR DE BLASIO: Senator, let me address  
14 the first question and then speak to the second.

15 On the first question, right now in  
16 New York City there are charter organizations  
17 that are using affiliated entities to participate  
18 in our pre-K efforts. We welcome that. For  
19 example, the Harlem Children's Zone. It's not  
20 through the charter school itself, it's a  
21 separate entity. And that's fine. And we want  
22 to reach the children that we've talked about  
23 effectively and quickly, and we could work with  
24 them in that kind of model.

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1 On the second question that you raise, I  
2 want to emphasize I don't think there should be a  
3 misunderstanding of anyone's comments here,  
4 certainly not mine. I believe all of us in  
5 government have to work with people across the  
6 philosophical spectrum. As we talked about  
7 earlier, we're now in the governance phase.  
8 Campaigns are over, we're here to work together.  
9 And I think as per usual people find there is  
10 substantial common ground. Democrats,  
11 Republicans, liberal, conservatives, there's

12 always some common ground.

13 I think on the pre-K issue, for example,  
14 it's been very encouraging to me how people  
15 across the spectrum have united to say we have to  
16 do something to start to turn around our schools  
17 and help a lot of kids who aren't getting the  
18 education they need. And that's been truly  
19 across the spectrum. A lot of business leaders  
20 have stood up, a lot of labor leaders have stood  
21 up. A lot of people who don't agree on some  
22 other things do agree on this.

23 By definition, it's my job to work with  
24 everyone, every kind of constituent. The people

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1 who voted for me, the people who didn't.

2 SENATOR DIAZ: I was hoping for that.

3 MAYOR DE BLASIO: And the ones who didn't  
4 vote for me, it's my job to serve them too.

5 But on the question of the values of the  
6 state and of our city, I said this in Washington  
7 I interpret the Governor's comments and I  
8 associate with the Governor's comments to mean  
9 that some of those more extreme views do not  
10 represent the majority of our state. We respect  
11 First Amendment rights, we're going to work with  
12 everyone, but it doesn't represent the majority  
13 of our state. And we want to be honest about  
14 that fact.

15 So you and I will work together, and  
16 every member here I look forward to working with.  
17 But I think it's fair to say we do understand

18 what the vast majority of the people of our state  
19 believe, and we have an obligation to heed that  
20 and respect that while at the same time working  
21 together issue by issue. And on many issues  
22 we're going to find a lot of common ground.

23 SENATOR DIAZ: Thank you for that. There  
24 are millions of people like me and Timothy Dolan

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1 and rabbis, Orthodox Jews, and people that, you  
2 know, that have -- that we should have a place in  
3 the City of New York. We should have a place in  
4 the state. And by making those extreme comments,  
5 it makes me question who is the extremist now.

6 And thank you. Maybe I -- I hope and I  
7 pray that, you know, you're just starting your  
8 administration. Maybe in the future we can work  
9 together, and my ministers, my evangelical  
10 ministers and people that believe like me, we  
11 could sit down at the table and we could talk and  
12 stop calling us extremists.

13 MAYOR DE BLASIO: Well, all I can say,  
14 Senator, is as my wife likes to say, "Show me,  
15 don't tell me." And so by our actions and by the  
16 willingness of this administration to work with  
17 everyone -- and we will work with everyone -- I  
18 think you'll see the kind of unity that you seek.

19 SENATOR DIAZ: And I'll just finish. By  
20 the way, I hope that by me saying that I am  
21 strongly charter supportive doesn't also qualify  
22 me as an extreme conservative, being a strong  
23 supporter of charter schools.

24 Thank you, Mr. Mayor.

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1 CHAIRMAN FARRELL: Thank you.  
2 Assemblywoman Corwin.

3 ASSEMBLYWOMAN CORWIN: Thank you,  
4 Mr. Chairman.

5 Thank you, Mr. Mayor. I'll let those  
6 extremist comments go. Quite frankly, I could  
7 spend an hour on that, and I won't, because my  
8 comments really have to do with pre-K. And I  
9 want to thank you for your efforts in terms of  
10 trying to implement universal pre-K.

11 I am concerned, however, about this  
12 dedicated funding stream that you're searching  
13 for, particularly the part involving a personal  
14 income tax increase on high-income earners. I  
15 understand that you've made comments publicly  
16 that you believe that state funding is not  
17 reliable enough in order to implement this  
18 program.

19 However, I am concerned because currently  
20 in New York City you have 35,000 taxpayers paying  
21 40 percent of the taxes. So if you increase the  
22 amount of tax receipts on high-income earners,  
23 we're actually depending more on fewer people in  
24 order to get our tax receipts. And that increase

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1 is coming in a larger and larger percentage in  
2 terms of investment income, which is much more  
3 volatile than regular ordinary income.



4                   So my concern is if you have 35,000  
5 taxpayers paying the bulk of the taxes, what  
6 happens if some of them leave the state? I mean,  
7 right now a study just came out that showed New  
8 York State has the highest outmigration of any  
9 state in the nation. We've got people leaving in  
10 droves -- for various reasons, I'm not going to  
11 say it's because of the taxes, it's also because  
12 of weather and other issues.

13                   But as that number of people leaving is  
14 more impactful on our tax receipts, isn't that  
15 going to be a negative for the future of the  
16 universal pre-K program?

17                   MAYOR DE BLASIO: No, I would  
18 respectfully say no. First of all, I think  
19 fixing our schools is the greatest positive in  
20 terms of the decisions people will make about  
21 future investment in the city, whether to have a  
22 business here, build a business, grow a business,  
23 relocate here. I've talked to so many people in  
24 the business community who acknowledge that in

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1 terms of both business planning and the decisions  
2 by employees of where to locate, of which jobs to  
3 take or which companies to join, nothing is more  
4 important than the quality of the school system.

5                   And by the way, our New York City  
6 businesses are looking ahead to the kind of  
7 workforce they're going to need down the line.  
8 It's hard for anyone to believe that our schools  
9 are producing the kind of workforce necessary for

10 the 21st-century economy. The New York Times  
11 editorial I mentioned earlier is very sobering on  
12 that fact. If only one in four of our graduating  
13 seniors meets state standards for college  
14 readiness, you can imagine what that says about  
15 our future.

16 So I think I would argue to you that this  
17 is an investment that actually will improve our  
18 business climate, that will improve our real  
19 estate values, that will make our city more  
20 liveable. And that even many wealthy people and  
21 folks who are leaders in the business community  
22 have come out and said, in support of this plan,  
23 that they believe it's a worthy investment for  
24 our future.

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1 Second, I would argue that there is not  
2 empirical evidence that this kind of small  
3 taxation change affects location decisions by  
4 people who live in the city or in any other  
5 location. When it's a small marginal tax  
6 increase in a locality, and a temporary one, we  
7 don't have evidence -- and this is something I've  
8 actually asked a lot of business leaders and a  
9 lot of economists about. And the vast majority  
10 of the people I've spoken to and the vast  
11 majority of the research I've seen does not  
12 confirm -- I agree with you entirely, New York  
13 State has a different issue, which is the  
14 outmigration. But as you said, that's for many,  
15 many reasons.

16 But this -- you know, we use the analogy  
17 in my inauguration speech that for someone making  
18 up to a million dollars, the first part of that  
19 tier, it's the equivalent of about \$3 a day. And  
20 I used the famous quote that it's the equivalent  
21 of the cost of a small soy latte. That's not to  
22 be flip, that's to say it really is a very  
23 marginal change. But the impact, the cumulative  
24 impact is huge, and aligns with a lot of the

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1 goals that civic-minded people have who happen to  
2 be wealthy and that business leaders have.

3 So I think -- and I also would make one  
4 other note. When you look at the environment  
5 we're in now, of course you're right, none of us  
6 can predict the economy. The recent trends in  
7 terms of the stock market, the recent trends in  
8 terms of real estate values in our city, have  
9 been very positive. Certainly those who are  
10 doing well have continued to expand our wealth.  
11 So to ask a little more in this moment we think  
12 is fair.

13 But we're very clear -- and this is  
14 important to a lot of wealthy people -- only for  
15 pre-K and after-school. And many who are doing  
16 well have said to me if they were to agree to  
17 greater taxation, education would be the thing  
18 they care about the most. And there's broad  
19 agreement that early childhood education is  
20 crucial, after-school is a proven approach. And  
21 we borrow from The After-School Corporation model

22 which has been so effective.

23 And many have said the fact that it's a  
24 temporary tax -- and again, we have precedent. I

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1 know some will argue this, but I ask all of us to  
2 look at the facts from previous mayoral requests  
3 of this Legislature in the last 20 years that  
4 were honored to the T: Safe Streets/Safe City,  
5 and the post-9/11 tax increase that Mayor  
6 Bloomberg sought. Both of those lapsed exactly  
7 on schedule. This will lapse on schedule after  
8 five years but will make a foundational impact on  
9 education in the meantime.

10 ASSEMBLYWOMAN CORWIN: well, thank you.  
11 I do put to you, though, that in the past  
12 20 years there have been different circumstances.  
13 For example, we have an outmigration now that we  
14 didn't experience back after 9/11. So I do think  
15 that will have more of an impact here.

16 But let me just move on. Because my  
17 concern is, again, a lot of it comes down to  
18 volatility of the investment income, of which  
19 more and more of our tax receipts would be based  
20 on. If we don't have a strong stock market, if  
21 investors aren't making a lot of money and that  
22 negatively impacts taxes, would the City Council  
23 have the ability to alter the funding stream?

24 I mean, the legislation that the

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1 City Council will approve to put forth in a  
2 home-rule message, is that going to dedicate the  
Page 60

3 funding stream so that the City Council can't  
4 direct it to any other program? Because what's  
5 going to happen is if the tax receipts go down,  
6 the City Council, as far as I can see -- I know  
7 this works in other governments -- would have the  
8 ability to take those tax receipts and put them  
9 into other programs.

10 NYC BUDGET DIRECTOR FULEIHAN: It will be  
11 modeled exactly the way Safe Streets/Safe City  
12 was. It was dedicated and basically a lockbox,  
13 which all of you are familiar with, in state law.

14 And it is mirrored in city law, but it  
15 cannot be changed by the city. These are  
16 dedicated, locked revenues for two specific  
17 purposes, the pre-K program that the mayor has  
18 outlined and the after-school programs. And  
19 there's nothing else for that five-year period.

20 And just to your other point, quickly,  
21 the citation about the distribution of who's  
22 paying the tax, this will actually not change it.  
23 It's that small a marginal change that it will  
24 not affect that table you're talking about.

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1 ASSEMBLYWOMAN CORWIN: Okay. Thank you  
2 very much. Thank you, Mr. Mayor.

3 MAYOR DE BLASIO: Thank you.

4 CHAIRMAN FARRELL: Thank you. We've been  
5 joined by Assemblywoman Schimel.

6 Senator?

7 CHAIRMAN DeFRANCISCO: Senator Malcolm  
8 Smith.

9 SENATOR SMITH: Thank you very much,  
10 Mr. Chairman. Thank you, Ranking Member Senator  
11 Liz Krueger.

12 Mr. Mayor, good morning. Good to see  
13 you. Let me first congratulate you on the paid  
14 sick family leave initiative. Obviously the  
15 pre-K initiative is right on target. And most  
16 importantly, because a lot of people in my  
17 district work there, I want to thank you for your  
18 support on the workers at the airports. That's a  
19 huge issue for us in the district that I  
20 represent.

21 Just two quick questions. Your  
22 predecessor, normally he would fight and push for  
23 AIM. We did not provide AIM, the Governor did  
24 not provide AIM for quite some time. Dean knows

‡  
1 this very well.

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2 Is that something that you'll pursue? I  
3 mean, I'd love to push for that. I don't know if  
4 it's in the Governor's budget at this point. But  
5 clearly there's other resources that we were  
6 shortchanged on as a city for quite some time.

7 And the second question, you rightfully  
8 discussed infrastructure when you went down to  
9 Washington and spoke to most of the mayors. And  
10 just curious, is the city going to be looking  
11 into establishing an infrastructure bank? If so,  
12 how can we be helpful? We don't have one here in  
13 the state. Senator Fuschillo, before he  
14 departed, had a focus on that, and I'm not sure

15 what the status of that is at this point.

16 DIRECTOR FULEIHAN: So, Senator, I know  
17 the mayor would not turn down any additional  
18 assistance, AIM, formerly revenue sharing.

19 But what the mayor has done for you is  
20 articulated what are the city's priorities and  
21 the priorities in this state budget. And that's  
22 pre-K, with the pre-K initiative, the quality  
23 pre-K, universal pre-K for all children in  
24 New York City over a two-year period, to give us

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1 the ability also with funds to start that up, a  
2 dedicated revenue stream for the five-year  
3 period. CFE, making good on the commitment or at  
4 least beginning the down payment process on CFE.

5 So those are the priorities the mayor has  
6 articulated, and those are the priorities we're  
7 asking you for.

8 MAYOR DE BLASIO: On the second point,  
9 the broad notion of infrastructure bank and  
10 similar notions of how to focus our resources on  
11 addressing crying infrastructure needs, I believe  
12 in all of those approaches. There's many allied  
13 approaches; I think they're all in the right  
14 direction.

15 We've already said, as part of our  
16 vision, that in terms of, for example, affordable  
17 housing, we will take a billion dollars of our  
18 pension fund money with, obviously, the assent of  
19 our union partners, and apply it to affordable  
20 housing creation that's on a scale that's been

21 unprecedented in New York City. I think there's  
22 lot of interesting potential from city, state and  
23 authority pension funds and other entities to  
24 focus together on infrastructure needs, whether

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1 through an infrastructure bank model or some  
2 other common model.

3 But I appreciate you raising it because I  
4 think what I tried to say in Washington is the  
5 sad reality is this should be high on the federal  
6 agenda, high on the Congressional agenda. I  
7 think, in all fairness, objectively it is high on  
8 the President's agenda. He said it in the last  
9 few State of the Union addresses. I believe  
10 he'll say it again tomorrow night, that the  
11 future of our cities, the future of our economy  
12 rests on infrastructure investments that we're  
13 not making, that by the way our foreign  
14 competitors are making.

15 But what I tried to say in Washington is  
16 while we should join together, cities and states  
17 around the country, to try and change the  
18 paradigm in Washington and get the federal  
19 government back in the infrastructure business,  
20 in the meantime we have to be as creative as we  
21 can with our own resources. That's why I  
22 propose, for example, using some of our pension  
23 fund dollars to maximize our affordable housing  
24 development.

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1 SENATOR SMITH: Thank you very much. And  
2 congratulations on your selection of a budget  
3 director. You've got the right guy.

4 MAYOR DE BLASIO: I've got the right guy,  
5 thank you very much.

6 SENATOR SMITH: Thank you, Mr. Chairman.

7 CHAIRMAN FARRELL: Thank you.

8 Assemblyman Lentol.

9 ASSEMBLYMAN LENTOL: Thank you very much,  
10 Mayor de Blasio.

11 First of all, thank you on your excellent  
12 choices for staff. Dean Fuleihan and  
13 Mr. Soliman, Sheriff, excellent choices.

14 So I'm just a little bit confused, and  
15 maybe you can help me. We're talking about from  
16 the way you've explained it, 54,000 kids that can  
17 enter pre-K in Year 1, and then about 19,000 in  
18 Year 2. Now, have you been able to analyze the  
19 Governor's proposal to make a determination as to  
20 how many kids would enter New York City pre-K  
21 programs in Year 1 and Year 2?

22 MAYOR DE BLASIO: I think the Governor  
23 has offered a concept, a broad principle of being  
24 supportive of pre-K programs in the city and in

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1 the state, which we appreciate deeply.

2 What we've said is -- because every one  
3 of us in this room have seen the ups and downs  
4 that go with the annual budget process, and a  
5 program of this magnitude cannot be subjected to  
6 those variations and those vagaries -- that we

7 need to lock in five years worth of funding, and  
8 we think this is the most effective way to do it.

9 I would also say I know every person on  
10 this panel has a local perspective too. I was a  
11 legislator for eight years of my life, and I know  
12 that with that comes an understanding of the  
13 place you come from. Every town, every city in  
14 this state understands that it needs to have the  
15 right to make some decisions for itself.

16 And I would say in this case it's of  
17 paramount importance that the needs of New York  
18 City be respected, that we have to build out  
19 something extraordinary important for our future.  
20 We have to have reliable funding to do it. We  
21 know we have the capacity to raise our own money  
22 to do it, and we're simply asking for the right  
23 to do that.

24 That takes us immediately away from the

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1 everyday ebb and flow of the annual budget  
2 process. So the answer is we appreciate the  
3 broad proposal the Governor has put forward. We  
4 haven't seen a very specific delineation, because  
5 I think it's been a broader statement of where he  
6 wants to go. But that doesn't account for the  
7 fact that we have to have a five-year plan that  
8 we can rely on.

9 ASSEMBLYMAN LENTOL: I should have more  
10 artfully asked my question. But let me just make  
11 a comment on what you said, because I completely  
12 agree with you.

13 And I'm glad the New York Times, in its  
14 wisdom, saw the need for an editorial today --  
15 and I think it was only about the after-school  
16 program. I didn't get to read it; I heard what  
17 you said. But I think that it also applies to  
18 pre-K as well. Because I believe, as I think you  
19 do, the quicker that we're able to get kids into  
20 the educational system and pay a few dollars on  
21 the front end, it's less dollars that we pay on  
22 the back end to criminal justice.

23 MAYOR DE BLASIO: Exactly right.

24 ASSEMBLYMAN LENTOL: So that's where I'm

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1 coming from. That's why I wanted to determine  
2 how many kids could be entertained in pre-K by  
3 the Governor's budget.

4 MAYOR DE BLASIO: Let me just -- I'm  
5 sorry, one quick note.

6 There have been studies done, including  
7 some very recent studies, that point out that  
8 early childhood education and after-school save  
9 the taxpayers a huge amount of money in the long  
10 run because of all of the negative outcomes that  
11 are avoided and all of the positive outcomes that  
12 are created. You're going to see graduation  
13 rates go up, you're going to see kids who are  
14 safer, families who are safer, less crime.  
15 There's some huge positive multiplier effects  
16 here.

17 ASSEMBLYMAN LENTOL: And finally my last  
18 question is I, like you and my colleagues from

19 the Brooklyn delegation, are very concerned about  
20 the future of Brooklyn's distressed hospitals.

21 And I understand there's a meeting called at noon  
22 by the Governor to meet with you as well as other  
23 Brooklyn legislators to discuss that issue today.

24 But my concern really is about -- you

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1 spoke about the Medicaid waiver. And I'm just  
2 fearful that if that doesn't happen, what do we  
3 do next? Is there a collaborative plan between  
4 you and the Governor in development in order to  
5 rescue the distressed hospitals of Brooklyn,  
6 wherever they be?

7 MAYOR DE BLASIO: There's a lot of work  
8 going on right now in terms of Interfaith  
9 Hospital and Long Island College Hospital to  
10 secure their futures. As you know, over the last  
11 year there were many times when both hospitals  
12 were declared dead. We believe that we can  
13 preserve local healthcare capacity in both those  
14 communities. We know it will take a lot of work.  
15 We'll have to work with a variety of partners,  
16 we'll have to come up with a realistic plan. And  
17 we're committed to doing that. And we're  
18 committed to working with the state to do that.  
19 And I think very productive conversations are  
20 going on right now on those fronts.

21 The Medicaid waiver will have a huge  
22 positive impact on this equation. It is built  
23 explicitly for these kind of transformations. So  
24 we're going to fight very hard alongside the

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1 Governor to get it done. I spoke to Secretary  
2 Sebelius at HHS last week and pressed very  
3 clearly the point that there's a sense of urgency  
4 here in this state and in this city to get this  
5 waiver done. And I'm hopeful from the response  
6 that she put out publicly that this is something  
7 we'll see progress on soon.

8 But I think the Governor is absolutely  
9 right, that this would greatly enhance our  
10 ability to get this done well.

11 ASSEMBLYMAN LENTOL: Thank you.

12 CHAIRMAN FARRELL: Thank you very much.

13 ASSEMBLYMAN LENTOL: I yield my time.

14 CHAIRMAN FARRELL: Thank you.

15 CHAIRMAN DeFRANCISCO: Thank you. Thank  
16 you.

17 Senator Savino, and you have extra time.

18 SENATOR SAVINO: Thank you. Thank you,  
19 Senator DeFrancisco.

20 CHAIRMAN DeFRANCISCO: No. No, you  
21 don't.

22 (Laughter.)

23 SENATOR SAVINO: welcome, Mayor de  
24 Blasio. This is I think the first time I get to

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1 officially address you that way in a hearing, and  
2 it is indeed a pleasure. And of course your able  
3 staff and everyone that you brought with you.

4 So I will be brief. I want to talk a bit  
5 about the UPK program, as I'm sure you're aware.

6 we were all very happy to see that the Governor  
7 has made a commitment to statewide UPK,  
8 acknowledging that what has been one of the  
9 problems in UPK over the years since we  
10 established it is inconsistency in funding,  
11 inconsistency in program. So he's committed to  
12 that.

13 But by our analysis in the IDC, and I  
14 think your analysis, what the Governor has  
15 proposed won't begin to cover what New York City  
16 needs right now. So what we're trying to figure  
17 out is what exactly do we think we need to get  
18 you to where you want to be in September.

19 MAYOR DE BLASIO: The program that I  
20 originally proposed in October 2012, \$340 million  
21 a year for pre-K, \$190 million a year for  
22 after-school, that is consistent with our current  
23 numbers. And that as you heard from Dean in  
24 terms of the build-out process, those resources

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1 allow us to build out on this two-year timeline  
2 that we think is crucial.

3 Because right now -- and again, it is so  
4 clear; you know from your constituents in Staten  
5 Island and Brooklyn that too many kids not being  
6 served right now. And I'm not just talking about  
7 the absence of full-day pre-K or, in many cases,  
8 any pre-K. I'm talking about the school system  
9 writ large that is failing too many kids, that is  
10 not providing what kids need to learn and to  
11 succeed.

12           So we are adamant that we need to make  
13 this change now. Every year we delay is a year  
14 that we basically set further back the prospects  
15 of our city for the future, again, in an  
16 ever-more competitive environment.

17           So that combined total of \$530 million  
18 per year is necessary. Our plan extrapolated  
19 over five years about \$2.6 billion. That would  
20 be, again, acquired through taxation of our own  
21 taxpayers. And that's the level of commitment  
22 and solidity and consistency we need to make this  
23 work.

24           SENATOR SAVINO: I think it bears

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1       repeating, though, that what the Governor has  
2 proposed for after-school alone, the  
3 \$144 million, doesn't begin to cover what just  
4 the City of New York needs.

5           So I think it's critically important that  
6 we get across to the other members of the  
7 Legislature that this is not just trying to  
8 provide UPK and after-school programs statewide,  
9 or providing the UPK and the after-school  
10 programs that the City of New York needs, it's  
11 about making sure that you have a steady funding  
12 stream, that you don't have to come back hat in  
13 hand every year to Albany.

14           What I find interesting is that we seem  
15 to be forgetting is that New York State is a  
16 home-rule state. And in fact, it is not uncommon  
17 for local elected bodies to come to the

18 Legislature with a home-rule request to establish  
19 a funding stream just for their locality. That  
20 has been the history of the Legislature since it  
21 began. And certainly in my nine years in the  
22 Senate many times I have voted on legislation  
23 that affected a particular locality that had  
24 nothing to do with the localities that I come

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1 from.

2 In fact, last Tuesday we passed a  
3 long-awaited bill for the County of Ulster to  
4 raise their sales tax so they could maintain  
5 their county. On today's Senate active list we  
6 have five local bills that allow localities or  
7 counties to either raise a tax, extend a tax or  
8 create a new tax credit for a particular purpose  
9 just for their county.

10 Because we in the Legislature are not  
11 supposed to substitute our judgment for the  
12 judgment of local governments. So I wholly  
13 support your proposal, because I believe like you  
14 do that if it's going to be successful, and we  
15 want it to be successful, we need a steady  
16 funding stream independent of the whims of  
17 Albany. So I just want to make that point  
18 clearly.

19 And in my final couple of minutes here,  
20 Mayor de Blasio, as you know I represent one of  
21 the most hard-hit areas by Superstorm Sandy, both  
22 Coney Island and Staten Island and Brighton  
23 Beach. One of the stumbling blocks over the past



24 year in the recovery efforts has been this push

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1 me-pull me between the city and the state.

2 So what we're hoping is that with your  
3 administration that there will be a more  
4 coordinated effort with the state with respect to  
5 the Build It Back program and the buyouts, so  
6 that we can get some of these communities, either  
7 people back in their homes or homes purchased and  
8 new development for the future as soon as we  
9 possibly can.

10 MAYOR DE BLASIO: I understand the  
11 urgency of that issue for sure. And I've talked  
12 to so many folks who are still suffering and need  
13 help. And I think you're absolutely right, the  
14 coordination between city and state has to  
15 improve, and I'm committed to it improving. And  
16 I think we'll be able to do that.

17 On the previous issue, I appreciate and  
18 agree with what you're saying. I think  
19 localities understand their own needs, and this  
20 Legislature has honored the needs of localities  
21 of every type, consistently. My three  
22 predecessors as mayor of New York City have come  
23 to this Legislature requesting actions on  
24 revenue. Each and every time, those actions were

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1 agreed to.

2 So I think the pattern is clear, and I  
3 think it is an honorable pattern of this

4 Legislature respecting the needs and rights of  
5 localities. And I look forward to us continuing  
6 that this year.

7 SENATOR SAVINO: One final point, because  
8 you have raised this more than once, the  
9 existence of 150 outstanding contracts.

10 Is my understanding that the previous  
11 administration didn't just settle those contracts  
12 but, unlike other administrations, did they in  
13 fact zero out the labor reserves? Normally you  
14 would set aside a certain amount of money in  
15 anticipation of labor settlements. And so it's  
16 been suggested that there's no money in those  
17 labor reserves. Is that true or not?

18 DIRECTOR FULEIHAN: There's very small  
19 amounts of money called for in the financial  
20 plan, 1.25. Nothing on the prior, the first --  
21 the '08, '09, '10, there's nothing in there. So  
22 those are zeros. They're small amounts of money,  
23 very small.

24 SENATOR SAVINO: And while there are

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1 people I'm sure who would suggest that you give  
2 nothing in retroactivity, and I'll leave that to  
3 you to negotiate, that's where that belongs, it  
4 shouldn't be done in public -- it would fly in  
5 the face of history that there be nothing for  
6 some sort of settlement.

7 So again, it puts a continuous strain on  
8 the city budget. And I think it just bolsters  
9 your argument. If you're going to invest in

10 pre-K, as we know we want to, and in fact the New  
11 York Times -- I think a few people have cited the  
12 New York Times today -- they did a feature piece  
13 on UPK in New Jersey. And New Jersey is even  
14 more expansive than New York. They start at 3-  
15 instead of 4-year-olds. And we've seen the  
16 benefits that they're reaping in New Jersey.

17 So you need to again make that argument:  
18 You need a steady funding stream because you have  
19 other obligations that aren't going to be able to  
20 come out of the city budget.

21 MAYOR DE BLASIO: Thank you, Senator.

22 One quick response, that our initiative  
23 on pre-K and after-school again is only for those  
24 two endeavors. It is for new capacity.

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1 Some observers have tried to somehow  
2 combine this initiative with the challenges we  
3 face on the ongoing labor dynamics. These are  
4 two ships passing in the night, and people who  
5 want to have an honest discourse have to  
6 acknowledge that.

7 The challenge we have around the labor  
8 contracts is vast. And as you just rightly  
9 asked, it is not accounted for in anything that  
10 was left for us in the budgeting process. It is  
11 vast and incredibly problematic. No  
12 administration in the history of this city has  
13 ever dealt with this much of a question mark in  
14 terms of labor contracts.

15 That has to be handled, and we're

16 resolute about handling it. What we need to do  
17 to invest in education, to build new capacity to  
18 bring us into the 21st century, is entirely  
19 separate, in a lockbox, just for new pre-K and  
20 after-school capacity. It has no connection, by  
21 structural architecture has no connection  
22 whatsoever to the huge challenge of dealing with  
23 the open labor contracts.

24 SENATOR SAVINO: Thank you.

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1 CHAIRMAN FARRELL: Thank you.

2 We've been joined by Assemblywoman Rosa  
3 and Assemblyman Lavine.

4 Next is Mr. Cusick, Assemblyman Cusick.

5 ASSEMBLYMAN CUSICK: Thank you,  
6 Mr. Chairman.

7 Welcome, Mr. Mayor. I also want to  
8 welcome Dean and Sherif back to Albany. It must  
9 feel a little different sitting on that side  
10 rather than up here with us.

11 MAYOR DE BLASIO: I just want you to know  
12 that Sherif learned all his valuable life lessons  
13 living on Staten Island.

14 (Laughter.)

15 ASSEMBLYMAN CUSICK: Yes, and we're going  
16 to hold him to that, too.

17 Mr. Mayor, I want to again thank you for  
18 coming, and I want to thank you for moving  
19 forward on the pre-K issue. It's very important  
20 to us to all of us sitting up here. And as some  
21 of any colleagues have mentioned, we're a little

22 gun-shy up here when it comes to rollout of  
23 educational things in the last couple of months  
24 and years. So I think a lot of the questions are

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1 based on the implementation of these plans that  
2 you've put forward.

3 I just want to clarify. There's a  
4 five-year sunset on this proposal, correct?

5 MAYOR DE BLASIO: Absolutely.

6 ASSEMBLYMAN CUSICK: And how did we come  
7 up with the five years?

8 MAYOR DE BLASIO: Let me first make very  
9 clear that we are deadly serious about the  
10 sunset. I announced it originally when I first  
11 proposed the idea in October 2012, reiterated it  
12 in October 2013, reiterated it on every occasion  
13 since, including today.

14 we believe in this model. And again,  
15 this Legislature has supported this kind of model  
16 to great effect, Safe Streets/Safe City being a  
17 particularly prominent example of a taxation  
18 model that achieved huge positive outcomes and  
19 sunsetted on schedule.

20 The notion of five years was the time  
21 that we believe was necessary to build the  
22 program to full capacity and run it at such a  
23 level that we knew it would be stable for the  
24 long term and qualitatively. We would have made

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1 everything work and work consistently and reached  
2 every child with full-day.

3           Thereafter, as I said back in October of  
4 2012, we have to find the resources to continue  
5 it within our own budget. We will have asked  
6 those who are doing well to get us to the first  
7 stage and get us through the first stage, and  
8 then we have to find the resources through other  
9 means.

10           I proposed at the time one of the most  
11 promising examples is the savings that we hope to  
12 achieve in employee healthcare costs. In the  
13 platform I laid out last year, we believe there  
14 are billions of dollars in savings potential from  
15 better ways of achieving healthcare for the  
16 workers of New York City that are also cheaper,  
17 one of the examples being the Hotel Trades  
18 Council Clinic Model.

19           That will take years to put in place.  
20 That's why we gave ourselves a five-year model,  
21 both to build out but also to create the other  
22 cost savings on a sustained basis to then sustain  
23 the effort thereafter.

24           ASSEMBLYMAN CUSICK: And part of the

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1 plan -- I don't know if this is in place yet, if  
2 it's too early in the process or not, but is  
3 there a breakdown of where these pre-Ks will be  
4 located throughout the city? In the five  
5 boroughs is there going to be an even  
6 distribution of where these centers or these  
7 preschools will be? And if not, if it's not  
8 already in place, how would you go about doing

9 that?

10 MAYOR DE BLASIO: We're basing the  
11 model -- and I'll start, and Dean may want to add  
12 from his work with the working group. We're  
13 basing the model on need across every borough,  
14 every neighborhood, simply the desire of parents  
15 to get their kids this kind of education. And  
16 that number, when we look at the models over  
17 recent years, it's what gets us to that 73,000  
18 model, the number of kids that, from every piece  
19 of research we have, will take advantage of  
20 full-day pre-K in our city. That is literally  
21 every neighborhood, every school zone, every  
22 borough.

23 This is not, I want to emphasize, this is  
24 not based on any kind of means test. This is a

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1 truly universal program.

2 As I've talked about over the last year,  
3 the enthusiasm levels are equal in every kind of  
4 neighborhood, for reasons that I think are  
5 increasingly clear. Every parent wants the best  
6 start for their child, and they understand that  
7 educational standards are rising all the time and  
8 the only way to meet them is with a stronger  
9 grounding at the early childhood level.

10 Second, parental lives and schedules are  
11 getting harder all the time. This is something  
12 that's happening in our society, and we need to  
13 start changing our policies to recognize it.  
14 We're in a city with a huge percentage of

15 single-parent households. The strains on those  
16 wage earners are huge. Even in two-parent  
17 households, the number of hours people are  
18 working, the strains on their lives are  
19 increasingly challenging.

20 Having some reliability for parents and  
21 families, knowing -- and you can think about your  
22 constituents. If everyone who had a child  
23 approaching 4 years old knew they were guaranteed  
24 a seat, it was full-day, that's a game changer.

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1 The same with the after-school component. If you  
2 know that while you're still at work your child  
3 is someplace safe, getting tutoring, homework  
4 help, enrichment, that's a game changer.

5 So we've found incredible support in  
6 every part of the city because it is a universal  
7 program.

8 ASSEMBLYMAN CUSICK: I'm going to switch  
9 gears a little bit, I see my time is running. I  
10 also want to thank you for your work on Sandy  
11 before you were mayor. You were one of the first  
12 citywide electeds to come out to Staten Island,  
13 the most affected areas in Cedar Grove and South  
14 Beach and Midland Beach.

15 The question I had, you brought up before  
16 some funding with FEMA. And my colleague Diane  
17 had mentioned there's a push and pull with the  
18 city and state with funding for our folks out on  
19 Staten Island. Is there an added amount of money  
20 needed that the city sees on top of the FEMA



21 money for the rebuilding process, not only for  
22 homes but for the parks, for some of the city  
23 projects that existed before the storm and may  
24 exist after the storm?

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1 MAYOR DE BLASIO: I'll start, and I know  
2 Dean wants to jump in on this.

3 First of all, I remember walking with you  
4 in Staten Island the Friday after the storm, and  
5 it was one of the more sobering experiences I've  
6 had in a long time. And people lost literally  
7 everything.

8 And that leads into the answer. Yes,  
9 there are still unmet needs and we know we're  
10 going to have a challenge and we've already  
11 started to address this challenge with the  
12 federal government in terms of making sure that  
13 the aid actually reaches the levels necessary.

14 But Dean can pick it up from there.

15 DIRECTOR FULEIHAN: So there are two  
16 phases to this. The FEMA money, the additional  
17 HUD money that comes, the mayor has directed all  
18 of us to take a complete review and a very quick  
19 review of the priorities of the next request to  
20 HUD to make sure those priorities reflect the  
21 needs of the city.

22 Even with that, there will be significant  
23 unmet needs and we're going to have to face that  
24 challenge with the state and with the federal

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1 government. And the mayor has also directed us  
2 to be meeting with HUD officials. We're doing  
3 that actually this week, just trying to see if we  
4 can address some of those issues.

5 ASSEMBLYMAN CUSICK: Okay. And I look  
6 forward to working with you on that.

7 One last question, it's not a question,  
8 it's an ask, a parochial ask. On Staten Island,  
9 as you know, Mr. Mayor, we're the only borough  
10 that doesn't have a city hospital that's a  
11 full-service hospital. And in past years we've  
12 had legislation to provide funding for the  
13 existing hospitals out on Staten Island to help  
14 our constituents.

15 I'd like to work with the city to try to  
16 figure out what the answer is on Staten Island  
17 without -- we're not asking the ultimate of  
18 building a new hospital. We just need to serve  
19 the people out on Staten Island.

20 MAYOR DE BLASIO: I just want to note to  
21 all of the members that I anticipated  
22 Assemblymember Cusick's question and named as the  
23 head of the Health and Hospitals Corporation a  
24 Staten Island resident to ensure that there will

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1 be --

2 ASSEMBLYMAN CUSICK: Yes, thank you.

3 MAYOR DE BLASIO: Ram Raju is a fantastic  
4 leader who also is very sensitive to the fact  
5 that we have to address the inequalities in the  
6 funding in some creative and appropriate manner.

7 So we'll work with you on that for sure.

8 ASSEMBLYMAN CUSICK: Thank you,

9 Mr. Mayor. Thank you, Mr. Chairman.

10 CHAIRMAN FARRELL: Thank you.

11 Senator?

12 CHAIRMAN DeFRANCISCO: Senator Hoylman.

13 SENATOR HOYLMAN: Thank you, Mr. Chair.

14 Welcome, Mr. Mayor, and your colleagues  
15 here from City Hall. I want to congratulate you  
16 on your bold vision for universal pre-K, which  
17 has strong and broad support from my colleagues  
18 in the Democratic Conference.

19 And I wanted to point out, Mr. Mayor, to  
20 my colleagues your strong support from the  
21 citizens of New York City too, to remind my  
22 colleagues you had the most decisive victory,  
23 73.2 percent of the vote, of any newly elected  
24 mayor since the consolidation of New York City.

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1 And that was way back in 1898.

2 Exit polls from the 2013 election reveal  
3 your message about fighting income inequality  
4 with a small tax on the wealthiest New Yorkers  
5 wins across all genders, ages, race, ethnicity,  
6 educational, religious and income demographics.  
7 That includes those making over \$100,000 a year,  
8 it includes moderates, and even 41 percent of  
9 self-described conservatives.

10 Now, I think, Mr. Mayor, the Albany  
11 elected officials of New York City shouldn't be  
12 telling the good people of, say, Lockport or

13 Appleton how to raise taxes and spend city  
14 revenue on their initiatives, as much as the  
15 elected officials of Rockport and Appleton should  
16 be the telling the good people of New York City  
17 to do the same.

18 So particularly, though, I'd like to ask  
19 you about a proposal that has passed this body on  
20 more than one occasion which has a similar  
21 up-front investment scheme and multiplier effect  
22 as universal pre-K, and that's the proposal to  
23 institute a 30 percent income rent contribution  
24 cap for low-income New Yorkers in the state's

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1 HIV/AIDS Rental Assistance Program.

2 Every other state and federal program,  
3 low-income housing program, including NYCHA,  
4 Section 8, NY NY III, limits participants' rent  
5 income contribution to 30 percent.

6 Because of this loophole, Mr. Mayor, in  
7 state law -- and I think you know this --  
8 low-income New Yorkers with HIV/AIDS have to  
9 spend down their disability income, leaving about  
10 12 bucks a day for them to live off of and pay  
11 for every other expense, and that would include  
12 food, clothing, travel, utilities, medications.  
13 This predicament places many of these New Yorkers  
14 in the position of having to decide between  
15 paying their rent or homelessness, which creates  
16 a vicious cycle of eviction and more costly  
17 emergency shelters.

18 The cost of the rent cap is about

19 \$20 million annually, which would be divided  
20 between the city and state, about 70 percent to  
21 the city, 30 percent to the state. But studies  
22 have shown that a rent cap would actually be  
23 cost-neutral and, in the medium and long term,  
24 save money because it's cheaper, as you know

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1 well, to keep folks in their homes than in  
2 emergency shelters.

3 Plus it saves lives, clearly, because  
4 people are more adherent to their HIV and other  
5 medications in a stable housing environment.

6 Now, there's an opportunity to include  
7 the rent cap proposal in the budget in the 21-day  
8 amendments, perhaps utilizing some of the  
9 proceeds from the J.P. Morgan Chase settlement  
10 for this purpose.

11 Your predecessor, I know you know,  
12 opposed the 30 percent rent cap and urged  
13 Governor Paterson to veto it, which he did,  
14 sadly. I wanted to ask you if you have a  
15 different position.

16 MAYOR DE BLASIO: I do. Let me preface  
17 by saying I appreciate your impressive research  
18 skills, and I liked your opening statement very  
19 much. And I agree that people in localities all  
20 over the state, regardless of their party  
21 affiliation or what part of the state they're in,  
22 share that desire for local self-determination  
23 and look to the Legislature to respect local  
24 needs.

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1 I do support the 30 percent cap,  
2 aggressively, unequivocally. The fact is that  
3 folks with HIV and AIDS are struggling in many  
4 ways. And for those who live in New York City,  
5 they're struggling in one of the highest-cost  
6 jurisdictions in the country. And we have an  
7 opportunity to lighten their burden in a  
8 meaningful way. Their struggles are too many as  
9 it is; we should do all we can to lighten their  
10 burden.

11 So I support the rent cap strongly. As  
12 you just indicated, the city has to do a lot. I  
13 am sitting here with my budget director who  
14 shares my deep feeling that this is something we  
15 must do. And we look forward to the state  
16 joining with us and doing its share as well so  
17 that we can help people in need.

18 SENATOR HOYLMAN: Terrific. Thank you  
19 very much.

20 CHAIRMAN FARRELL: Thank you.

21 Assemblywoman Nolan.

22 ASSEMBLYWOMAN NOLAN: Thank you,  
23 Mr. Chairman.

24 And thank you, Mr. Mayor. You've been

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1 very generous with your time, and we're thrilled  
2 you're here. Love the team. Very happy to see  
3 Dean and all the people here.

4 And I got the chance to read the report  
5 coming up the Thruway this morning -- not

6 driving, someone else -- and like it, like it a  
7 lot. And certainly it has my support, your pre-K  
8 proposal, and I'm sure the support of many  
9 members of the Assembly, especially those of us  
10 who serve on Education.

11 But I do have a question about the mayor  
12 has a lot of responsibilities in education, not  
13 just the pre-K. So especially -- I see my City  
14 Councilmember here, Jimmy Van Bramer. It's a big  
15 issue for us at home in our district, trailers.  
16 And Dean knows that question well; the Assembly  
17 has pushed very hard over the years. There are  
18 about 400 trailers, maybe a little over 400  
19 ten years ago. With a lot of pressure on the  
20 administration, we're down to about, I  
21 understand, 310, 320.

22 But that's still only eliminated 80 of  
23 them, even with all the money that has gone to  
24 education. And we still have about 8,000

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1 elementary and middle-school students having  
2 their classes, their school experiences in a  
3 trailer. And when we add in the high school  
4 students, the number probably kicks up to about  
5 10.

6 So especially as you're going to be  
7 looking for space, I think I'd like to see some  
8 comments today about what you are going to do.  
9 And I know that as a public school parent, as am  
10 I, you care. But what are you going to do about  
11 eliminating this really disgraceful -- it's gone

12 on for way too long, so -- trailers. Look at  
13 Dean's face. Dean's heard me ask this question  
14 every year for many, many years, so -- but it has  
15 to be asked of you as well.

16 MAYOR DE BLASIO: As a parent, as a  
17 parent I want us to do better, period. And one  
18 of the things I've said over the last year is  
19 we're going to commit in the capital budget to  
20 address a number of our education challenges, and  
21 all the pieces are interconnected.

22 For example, one of the things I've  
23 talked about is over time creating pre-K centers  
24 where we need capacity in certain communities.

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1 That's going to relieve some pressure on existing  
2 school buildings at the elementary school level.  
3 That might be one of the ways we get some schools  
4 to no longer need trailers.

5 But I also think there are many areas of  
6 the city that are experiencing overcrowding in  
7 schools that have had huge population growth and  
8 a much higher percentage of families who want to  
9 take advantage of public education than in the  
10 past.

11 so we have a lot of space issues to  
12 address, and it's something I want to prioritize  
13 in our capital budget. So I'm committed to  
14 making that situation better over time.

15 ASSEMBLYWOMAN NOLAN: All the pieces in  
16 the report are good, but 24 and 30, the districts  
17 that I represent and Assemblywoman Markey and



18 some other members, Assemblyman Aubry, who are  
19 here -- we don't have the pre-K seats that other  
20 parts of the city have because we're so  
21 overcrowded. And Jimmy could tell you as well.  
22 so we have our own little caucus right here, I  
23 think.

24 But we need the city to focus on that,

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1 and that's the one thing in the report -- you  
2 know, I know many of the people involved in this  
3 well -- that I would like to have seen fleshed  
4 out a little bit more. When you put the seats,  
5 can you address some of the overcrowding and get  
6 rid of the trailers? It has to happen.

7 MAYOR DE BLASIO: Well, Assemblywoman,  
8 let me start and then Dean obviously is  
9 tremendously experienced on this issue because of  
10 your good guidance.

11 Just a simple point. The report we put  
12 forward today is explicitly about the pre-K  
13 element. We're going to be fleshing it out  
14 further in the coming weeks, as we will in the  
15 next couple of weeks with the after-school  
16 component. The trailer issue obviously  
17 transcends, as you said, elementary and middle  
18 school, and even in some cases high school.

19 That to me connects to the bigger  
20 challenge we face. One area where I agree with  
21 the Bloomberg administration wholeheartedly is  
22 that we are on our way to 9 million people.  
23 whether it's in 2030 or whether it's a little

24 Later than that, we're on our way rapidly to 9

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1 million people. A lot more of them, by  
2 percentage, taking advantage of public education  
3 for their kids than was true in the past because  
4 of economic changes in our society.

5 We need to have a consistent commitment  
6 to capital investments in education. And so I  
7 hope that the same larger investments that are  
8 going to start to get us ahead of the demand for  
9 public school space in general will also help us  
10 to get out of the trailers.

11 ASSEMBLYWOMAN NOLAN: I really look  
12 forward to working with you and your team on  
13 these issues. Thank you very much.

14 Thank you. Thank you, Mr. Chairman.

15 CHAIRMAN FARRELL: Thank you.

16 Senator?

17 CHAIRMAN DeFRANCISCO: Senator Perkins.

18 SENATOR PERKINS: Thank you.

19 Good morning.

20 MAYOR DE BLASIO: Good morning.

21 SENATOR PERKINS: And welcome to Albany.

22 I have a few concerns I want to bring up,  
23 but first I want to express my support for your  
24 proposal for pre-K. And I hope that you move

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1 full speed ahead with it. I think there's a lot  
2 of support for that.

3 And I have a little concern, however,

4 about any proposal that might have a charter  
5 school pre-K component to it. And I would hope  
6 that we could avoid that with respect to yours.

7 But in any case, I want you to know that  
8 I very much support it. I don't think that our  
9 children should have to crawl through the  
10 legislative budgetary process in order for them  
11 to get pre-K. So I think yours avoids that and  
12 has some great value from that point of view.

13 And I also, however, want to commend you  
14 on your eloquence in representing the crisis of  
15 inequality. However, related to that is another  
16 crisis, of injustice. And in that regard I want  
17 to bring you greetings from the Central Park  
18 Five: Antron McCray, Kharey Wise, Raymond  
19 Santana, Kevin Richardson and Yusef Salaam, who  
20 as you know are waiting for some justice with  
21 respect to their case and would like to know at  
22 this point, where is your office at in that  
23 regard?

24 MAYOR DE BLASIO: As you know, Senator,

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1 I'm committed to a settlement in that case. I  
2 think a grave injustice was done. I think we  
3 have to come up with an appropriate settlement.

4 The case, as you know, with the agreement  
5 of the corporation counsel, was adjourned  
6 recently to allow for that conversation to  
7 progress. So we have already instructed the  
8 corporation counsel's office, and our new  
9 corporation counsel is vigorously taking on this

10 responsibility, to go about the process of  
11 beginning the settlement discussions.

12 So as soon as we have a result, obviously  
13 we're going to make it public. But we are clear  
14 about the fact that we will settle this case.

15 SENATOR PERKINS: Thank you. Glad to  
16 hear that. And needless to say, there's some  
17 urgency. This has been out there for too long.  
18 And that procrastination or delay aggravates the  
19 suffering of the families and the notion of  
20 justice that we want the community to have about  
21 this administration.

22 MAYOR DE BLASIO: Senator, just one more  
23 point.

24 There's been some commentary lately in

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1 one of our newspapers questioning the innocence  
2 of the Central Park Five. I find that  
3 objectionable. What happened here was a grave  
4 injustice. The city has to respond, and we are  
5 resolute about that, as quickly as humanly  
6 possible.

7 SENATOR PERKINS: One other question.  
8 The Governor proposes to create a commission on  
9 youth public safety and justice to review how  
10 best to increase the age of juvenile  
11 jurisdiction. What would you like to see come  
12 out of this commission?

13 MAYOR DE BLASIO: You know, I commend the  
14 Governor and his administration, I commend this  
15 Legislature for the progress we've made in recent

16 years on juvenile justice. It is something the  
17 City of New York, under my predecessor, embraced.  
18 And I think he was right to embrace it, and I  
19 will continue that embrace.

20 So we're going to continue the efforts to  
21 serve our children nearer to their homes and work  
22 to give them better outcomes.

23 But I agree with the Governor on the need  
24 to change -- for a study, but ultimately change

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1 the age for criminal charges from 16 to 18.  
2 which again will put us in conformance with 48 of  
3 the other 50 states. It's time for that change.

4 SENATOR PERKINS: Thank you.

5 CHAIRMAN FARRELL: Assemblyman Weprin.

6 ASSEMBLYMAN WEPRIN: Thank you,  
7 Mr. Chairman.

8 Mr. Mayor, welcome. Welcome back, Dean  
9 and Sheriff. Nice to see you here.

10 There's been a lot of talk about taxing  
11 millionaires or half-millionaires, but there is  
12 what I believe an injustice where there's one  
13 single indefinite property tax exemption on a  
14 multi-billion-dollar corporation in the city  
15 controlled by billionaires, and that revenue  
16 today is about \$17 million a year in property  
17 taxes that the city is losing. And this has gone  
18 on since 1982 when even Mayor Koch at the time  
19 said that he expected it only to last 10 years,  
20 until 1992.

21 And of course I'm referring to the

22 Madison Square Garden tax exemption, which I have  
23 a bill in in the Assembly, Senator Sanders has it  
24 in the Senate. We have 49 sponsors in the

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1 Assembly and 14 in the Senate.

2 Could you state your position on revoking  
3 that tax exemption?

4 MAYOR DE BLASIO: I just want to say  
5 there was a certain wisdom in our class of the  
6 New York City Council that you and Senator  
7 Sanders and I were all a part of.

8 And I agree with your concept  
9 100 percent. We can't ask the taxpayers to look  
10 the other way while a very well-endowed  
11 corporation, a very profitable corporation  
12 receives a tax cut for a piece of land that's  
13 amongst the most valuable on earth.

14 And so I want to work with you to  
15 achieve -- obviously it requires legislative  
16 action, but we want to support your efforts.

17 ASSEMBLYMAN WEPRIN: Thank you,  
18 Mr. Mayor.

19 CHAIRMAN FARRELL: Thank you.

20 MAYOR DE BLASIO: Senator DeFrancisco,  
21 I'm trying to be brief. I took your admonishment  
22 to heart.

23 CHAIRMAN DeFRANCISCO: No, you're very  
24 succinct. You're very succinct. Save some

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1 energy for when I ask you some questions.

2 (Laughter.)

3 CHAIRMAN DeFRANCISCO: Senator Sanders.

4 SENATOR SANDERS: Good afternoon, sir.

5 Good to see you again, Mr. Mayor.

6 Let me start with the smaller things and  
7 speak of I too have a hospital in my district  
8 which is suffering and has cut from Sandy, and we  
9 need to make it whole. My hospital, the  
10 St. John's Hospital, took in people from the  
11 different shelters, from the nursing homes, and  
12 just took them in because it was high ground, yet  
13 we were not able to recoup the money for that.  
14 That put that hospital at a \$5 million hole.  
15 Help on that would be useful.

16 Let me bring you to two other things, and  
17 then I will stop.

18 I want to remind everyone that my area,  
19 according to the American Red Cross, the  
20 Rockaways was the hardest hit area in New York  
21 City. And I would suggest that it would be  
22 useful to have a czar appointed just for that  
23 area to deal with Sandy relief.

24 Two more points, and then I'm going to

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1 stop, sir.

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2 We keep hearing about a home rule, but we  
3 have not, of course, received one from New York  
4 City. Do you believe that you're going to be  
5 able to get a home rule passed in New York City,  
6 at the City Council? And if so, how large will  
7 that be?

8 It strikes me strange that we're having  
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9 such a push-back on a locality speaking about  
10 getting the ability to raise its taxes, yet  
11 you've heard that last Tuesday we gave certain  
12 localities the ability, the city, to raise their  
13 taxes to meet appropriate needs, of course. And  
14 today we're going to vote on five of these. Is  
15 there a problem with New York City, sir?

16 MAYOR DE BLASIO: Look, again, I respect  
17 the rights of all localities. I think the people  
18 of Ulster County needed revenue, requested of  
19 Albany appropriately the right simply to tax  
20 their own people. Other localities have done  
21 that for decades. New York City has done that  
22 successfully working with this Legislature  
23 through the administrations of my three  
24 predecessors.

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1 We simply want consistency. We want  
2 localities' rights to be respected, we want the  
3 precedents set previously in terms of New York  
4 City to be respected.

5 In terms of home-rule message, Speaker  
6 Mark-Viverito has spoken out very clearly about  
7 her desire to support this plan and move a  
8 home-rule message quickly. I've spoken to a  
9 number of members of the City Council. There's  
10 very, very strong support in the City Council,  
11 and I think you'll be seeing that in the next few  
12 weeks.

13 In terms of the Rockaways, I'm  
14 tremendously committed to the Rockaways. I have



15 to take the first responsibility, as leader of  
16 the city, to focus on the Rockaways because it's  
17 an area of particular need, and I have to make  
18 sure that every one of my deputy mayors and  
19 commissioners understands my level of commitment.  
20 You and I, in the aftermath of Sandy, were there  
21 together on multiple occasions, and you know of  
22 my personal connection to what happened here and  
23 my desire to follow through on our commitments.

24 In terms of St. John's, although the

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1 hospital crisis, the threats to our hospitals and  
2 our local healthcare are most profound in  
3 Brooklyn, I've said repeatedly they exist in  
4 every part of our city. In fact, the most  
5 dramatic of all the hospital closures was  
6 St. Vincent's in Manhattan, which I think was  
7 thoroughly avoidable, and I've said it many times  
8 publicly.

9 So we're not going to let St. John's  
10 survival be at stake. I was out there with you;  
11 in fact it was I think the second time that Dante  
12 de Blasio spoke publicly at an event at that  
13 rally. And I'm very committed to making sure  
14 that St. John's, the only hospital remaining in  
15 the Rockaways, is protected.

16 SENATOR SANDERS: Well, I must admit,  
17 sir, that when I was voting I thought I was  
18 voting for Dante de Blasio, but --

19 (Laughter.)

20 MAYOR DE BLASIO: I hope I'll be

21 sufficient.

22 (Laughter.)

23 SENATOR SANDERS: I'm sure you will be  
24 more than sufficient.

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1 Let me praise you again for coming out to  
2 Rockaways in our time of need. And you certainly  
3 did not do any PR on it, you really bypassed the  
4 media and we managed to put up lights out there.  
5 Now, most people in here, they don't understand  
6 that we had neither lights, heat or any of those  
7 things, and how desperate we were in the days.  
8 And you somehow, even before you became mayor,  
9 managed to liberate, as we would call it in the  
10 Marine Corps, liberate lights, which we were very  
11 grateful for. Even my friend here was very  
12 grateful for it.

13 Thank you very much, sir.

14 MAYOR DE BLASIO: Thank you.

15 CHAIRMAN FARRELL: Thank you.

16 Assemblyman Wright.

17 And we're now reaching a point where  
18 we're overrunning our time a long way, and the  
19 mayor has other places to be. So if we can keep  
20 this tight, I would appreciate it. We've got  
21 about three more people to go.

22 ASSEMBLYMAN WRIGHT: Just when I get to  
23 the microphone, then I have the admonishment.

24 (Laughter.)

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1 ASSEMBLYMAN WRIGHT: Mr. Mayor, thank you  
2 so much. I want to thank you for testifying here  
3 today, and thank you for your commitment to the  
4 children of prekindergarten age and children in  
5 our after-school programs.

6 with all of the push and pull of how we  
7 are going to pay for it, I think clearly,  
8 clearly the winners are the children, because we  
9 are exactly having this conversation. Whereas  
10 maybe a year ago, two years ago, we would not  
11 have been having this conversation. So thank you  
12 so, so much.

13 And I wasn't going to bring this up, but  
14 with all of the -- in your testimony today you're  
15 talking about the taxing of the  
16 half-millionaires. You did bring up affordable  
17 housing. As chair of the Housing Committee here  
18 in Albany -- and I realize that you have a long  
19 and illustrious past in the housing field. And I  
20 know that the both of us have a rather ambitious  
21 agenda in terms of providing housing for all of  
22 our citizens and constituents.

23 But I think that there's a real dearth of  
24 low-income housing in our city. And what I'm

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1 trying to do is to maybe change the definition of  
2 what "affordable" truly is. I realize that you  
3 want to -- I think the figure is around 200,000  
4 new -- to save or create about 200,000  
5 apartments.

6 MAYOR DE BLASIO: Correct.

7 ASSEMBLYMAN WRIGHT: But -- and I realize  
8 the definition of area median income is a federal  
9 definition. I realize that.

10 But what I'm trying to do, and hopefully  
11 I would like to work with you and your office, is  
12 to change the definition of what "affordable"  
13 truly means. Because certainly there are a lot  
14 of citizens in our city that really don't fit the  
15 definition of what "affordable" means.

16 MAYOR DE BLASIO: Well, first of all,  
17 Assemblymember, you and I have teamed up before  
18 on housing issues very productively, and I very  
19 much look forward to working with you. And we  
20 need your help and partnership.

21 Two hundred thousand units over 10 years  
22 by any definition is ambitious. I've talked to a  
23 lot of experts of all different world views and  
24 different roles in the housing field. They all

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1 agree it's ambitious, but doable with the right  
2 mayoral leadership and with partnership with  
3 Albany and others.

4 we are devoted to ensuring that that  
5 housing reach a range of income levels. One of  
6 the things I've talked about is trying to adopt  
7 the tiered structure that some recent  
8 developments have utilized -- Seward Park,  
9 Atlantic Yards, and some others that have focused  
10 on devoting a substantial amount of the housing  
11 to those at the very lowest income levels, and  
12 then proportionate shares for each next income

13 level thereafter.

14 That's the model we need. We understand  
15 in a city where 46 percent of our people are at  
16 or near the poverty level, that we have to reach  
17 lower-income folks if we're going to be viable  
18 with our affordable housing plan. So that's the  
19 direction we're going to go in. It is a  
20 different direction from what my predecessor did.  
21 And we intend to turn the program towards a  
22 broader income range.

23 ASSEMBLYMAN WRIGHT: How do we plan to  
24 pay for it?

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1 MAYOR DE BLASIO: We've said from the  
2 beginning that we're going to borrow the model  
3 that my predecessor utilized that I think was  
4 productive, but retool it, again to reach a range  
5 of broader incomes to be more balanced across the  
6 boroughs.

7 The additional elements that will help us  
8 to pay for it are mandatory inclusionary zoning,  
9 the focus on our pension fund investments -- we  
10 want to start with at least a billion dollars out  
11 of our pension funds, which hasn't happened  
12 before. And again, we hope for and believe we'll  
13 get the support of the unions involved.

14 And with your help, we would like to  
15 change the current tax laws related to vacant  
16 land that in effect reward land being left fallow  
17 that could be used to develop both market-rate  
18 and affordable-rate housing. And we think we

19 need that new approach so that we can liberate a  
20 lot of land and get it into play in what is a  
21 tremendously positive housing market right now.  
22 Real estate values are at all-time highs, and  
23 this is a perfect moment to get more land out  
24 there.

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1 There are a number of other things we  
2 want to do, like legalizing some of the currently  
3 illegal basement units and other units. There's  
4 a number of pieces to the plan. But those first  
5 three items I think will particularly benefit us  
6 in terms of the economics of the plan.

7 ASSEMBLYMAN WRIGHT: would you be  
8 interested in helping me change the definition of  
9 what "affordable" truly means?

10 MAYOR DE BLASIO: In principle, yes.  
11 Obviously we want to work through the details.  
12 But yes, in principle.

13 ASSEMBLYMAN WRIGHT: That's all I ask.

14 MAYOR DE BLASIO: Absolutely.

15 ASSEMBLYMAN WRIGHT: Thank you.

16 Thank you, Mr. Chair.

17 CHAIRMAN FARRELL: Thank you.

18 Senator?

19 CHAIRMAN DeFRANCISCO: Senator Boyle.

20 SENATOR BOYLE: Thank you, Mr. Chairman.

21 And thank you, Mayor. Thank you for your  
22 testimony.

23 Just very briefly, you have the daunting  
24 task of negotiating contracts for 300,000-plus

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1 city employees, you say. What realistically do  
2 you think is the time frame for getting all or  
3 most of that done?

4 MAYOR DE BLASIO: Well, you've gotten to  
5 the heart of the matter.

6 Look, our goal is to make as big an  
7 impact as we can in 2014. If ever there's  
8 something that's complicated, multifaceted, with  
9 lots of moving parts, it's this issue. And  
10 obviously the contracts -- you know, each  
11 contract has an impact on other contracts.

12 So our goal is to get it done as quickly  
13 as possible in 2014. It is based on a  
14 negotiation, and there are no guarantees in a  
15 negotiation process. I think, you know, if we  
16 continue to let the situation fester, it's not in  
17 the people's interest. But, you know, we're  
18 going to be having to basically do a major reset  
19 in the relationship between municipal labor and  
20 the city government, and work through some very  
21 complicated economics.

22 And we've said throughout we have to find  
23 cost savings. My plans are progressive, but my  
24 world view is a fundamentally fiscally

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1 responsible world view. You know, everything we  
2 hope to do in government begins with balancing  
3 our budget. So we have to find cost savings in  
4 the mix, and that's going to take some real work.

5 CHAIRMAN FARRELL: Thank you.

6 Assemblyman Benedetto, to close on the  
7 Assembly side.

8 ASSEMBLYMAN BENEDETTO: Thank you,  
9 Mr. Chairman.

10 Mr. Mayor, welcome to Albany and thank  
11 you for all your time you're giving us this  
12 morning.

13 Pre-K, big supporter, no questions on  
14 that.

15 MAYOR DE BLASIO: Former teacher.

16 (Laughter.)

17 ASSEMBLYMAN BENEDETTO: Yes, indeed.

18 A couple of questions just about my  
19 district, to be a little parochial. Number one,  
20 with the FEMA funds that's being given out, and  
21 future funds for preventive measures. I know  
22 there are parts of the city that have been  
23 devastated, and we rightly know that that's got  
24 to be addressed and addressed as quickly as

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1 possible.

2 However, as you well know, I represent a  
3 shore community, a shore community that did  
4 suffer -- albeit a lot less damage, they did  
5 suffer. I want to basically say, please, I hope  
6 you reach out, include districts like mine who  
7 are extremely worried about the future and what  
8 the future is going to look like for their homes  
9 and their property, and in dealing out that money  
10 that we be included also.

11 MAYOR DE BLASIO: Just like I mentioned  
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12 when Assemblyman Ortiz talked about Red Hook and  
13 I talked about my experience in Red Hook houses  
14 after the storm, or Senator Golden mentioned  
15 Gerritsen Beach and I had talked about what I  
16 experienced in Gerritsen Beach after the storm,  
17 obviously you and I participated in a community  
18 cleanup after the storm and I saw what happened  
19 in your district.

20 Very committed to the broad resiliency  
21 plan that was left by my predecessor. Again,  
22 there's areas where I agreed with him strongly,  
23 areas where I disagreed. On the resiliency  
24 model, I think he put together a very sound

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1 resiliency model, and we will pursue it. I think  
2 the Governor's new proposals around resiliency  
3 are absolutely correct.

4 Now it's about implementing and reaching  
5 every community. So yes, we're going to reach  
6 out to all affected communities and work with  
7 community leaders to figure out how best to  
8 implement the plans.

9 We do need continued support from  
10 Washington. This is always a difficult reality.  
11 But as Dean said, we've made those needs clear  
12 already at the highest level of the federal  
13 government, and we're going to continue to pursue  
14 that.

15 ASSEMBLYMAN BENEDETTO: Thank you.

16 Second thing, very quickly, we were  
17 talking about the Medicaid waiver and how it's

18 important to the state and to the city. Let me  
19 talk about another waiver. One of the areas that  
20 I represent, Co-op City, has been under a mandate  
21 by the City Department of Health for the last  
22 five, six years to test for airborne asbestos.  
23 And they've done 70,000 tests so far without one  
24 ounce of airborne asbestos out there. It is

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1 costing them \$4.5 million. Okay?

2 We're looking for a waiver too. I'll  
3 throw that out there for your consideration. And  
4 please, we would be immensely grateful.

5 MAYOR DE BLASIO: You've already had a  
6 big impact on my thinking, as have some of your  
7 colleagues. And as you know, I've raised  
8 concerns about the city's approach.

9 we'll certainly direct our new health  
10 commissioner to review the policy and look for  
11 ways to provide some relief to the residents of  
12 Co-op City. I'm very concerned that it may be an  
13 undue mandate and a costly one. So we're going  
14 to reevaluate that quickly.

15 ASSEMBLYMAN BENEDETTO: Thank you,  
16 Mr. Mayor.

17 Thank you, Mr. Chairman.

18 CHAIRMAN FARRELL: Thank you.

19 Senator?

20 CHAIRMAN DeFRANCISCO: Senator  
21 Hassell-Thompson, and then I'll chose.

22 SENATOR HASSELL-THOMPSON: Thank you,  
23 Mr. Chairman.

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Good morning, Mayor de Blasio.

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This question actually was a question that was posed by Senator Montgomery, but she had another meeting to attend. Her question is, what do you believe the impact on daycare slots will be with your pre-K proposal? That's one piece.

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The second part of that part is there's great concern that we protect the wraparound services that would normally go to children who are in daycare centers until 5 and 6 o'clock.

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How will that impact the pre-K proposal?

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And the last part, which is my addition, as somebody who has worked with models that have been very effective of crossing over pre-K and daycare collaborations -- because those of us who have been in the business understand that there are a number of services that are built into pre-K that don't exist in daycare. And so that we believe that the same level of care would be provided should we do those collaborations.

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So your responses to those three parts.

MAYOR DE BLASIO: I'll start, and I bet Dean wants to add in on this.

You know, for eight years I was the chairman of --

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CHAIRMAN DeFRANCISCO: No, he doesn't.

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No, he doesn't. Dean doesn't want to --

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(Laughter.)

4                   MAYOR DE BLASIO: He does not want to add  
5 in. The chair has reminded me that I was  
6 mistaken, he does not want to add in. Dean is a  
7 blank slate at this point.

8                   For eight years I was the chairman in the  
9 City Council of the committee that had oversight  
10 on childcare issues, so I worked very closely  
11 with a lot of providers and I have a strong sense  
12 of what they do that's so important and also the  
13 impact of wraparound services.

14                   We are trying to make sure in this  
15 transformation that we reach more children and  
16 more effectively, because this to us is about  
17 raising the standards to align to the current  
18 reality of our Common Core curriculum and the  
19 challenges of the modern educational dynamic in  
20 the modern economy.

21                   So I think the bottom line is we want to  
22 reach 4-year-olds with that kind of support. We  
23 also know there's a lot of younger kids who need  
24 help as well. And we continue to be committed.

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1                   And one of the things I'd like to do is see how  
2 we, over time, can beef up some of our childcare  
3 efforts to reach younger kids as well.

4                   So the bottom-line answer is we are going  
5 to work with the providers to create a lot of  
6 continuity here. We don't want to lose important  
7 services in the transaction. In fact, we think  
8 this will be both a higher level of training and  
9 education and an opportunity to preserve a lot of

10 those wraparound services.

11 CHAIRMAN DeFRANCISCO: Thank you.

12 CHAIRMAN FARRELL: Senator, to close.

13 CHAIRMAN DeFRANCISCO: Thank you, Mayor.

14 One question I had, and it follows up on  
15 what Senator Diaz had asked, about charter  
16 schools being inclusive. How could a program be  
17 universal without including children no matter  
18 whether they go to public schools or charter  
19 schools?

20 MAYOR DE BLASIO: Senator, right now  
21 state law doesn't allow the inclusion of charters  
22 at the pre-K level.

23 But as I said, there's a way that we can  
24 work with charter organizations, and the example

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1 that exists right now is the Harlem Children's  
2 Zone that has an affiliated entity that runs its  
3 pre-K efforts. We're already, as the City of  
4 New York, working with that organization and  
5 ready to work with them more.

6 CHAIRMAN DeFRANCISCO: Well, presumably  
7 if the Governor is proposing pre-K for charter  
8 schools, that there's a good likelihood that the  
9 law could change. If it does change and  
10 authorize it, would you expand your program to  
11 include charter schools?

12 MAYOR DE BLASIO: We're very open to  
13 finding ways to work further with charter schools  
14 at the pre-K level.

15 CHAIRMAN DeFRANCISCO: But you wouldn't

16 adopt it, embrace it with all the other children.

17 MAYOR DE BLASIO: Because we've -- I  
18 mean, with absolute and total respect, I would  
19 say until we have a law change, until we see what  
20 the law change entails, I don't want to  
21 speculate. I'm saying I know right now, with the  
22 affiliated organizations, we can. And so there's  
23 a productive way to do it right now. Anything  
24 else would be speculation.

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1 But we're certainly open.

2 CHAIRMAN DeFRANCISCO: All right. With  
3 respect to the charter schools, people are on  
4 waiting lists to go to charter schools. I mean,  
5 parents are crying when they don't get their  
6 number. They obviously have concern about their  
7 children, so much concern that they want them to  
8 try a different school.

9 I would just urge you that if there is an  
10 opening by way of the Governor's program, that  
11 you consider those parents and those children,  
12 like any other children who happen have made a  
13 choice that's a legal choice in the State of New  
14 York. Fair enough?

15 MAYOR DE BLASIO: Absolutely.

16 CHAIRMAN DeFRANCISCO: Okay. Number two,  
17 you had mentioned that the open contracts and  
18 this program for preschool are like ships passing  
19 in the night.

20 well, it's one city, you know? You don't  
21 have the money on one end, you've got to find the

22 money for something else.

23 And you indicated also that some of the  
24 costs for the pre-K can be realized by way of

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1 savings in some of the healthcare in some of the  
2 things that the city is not doing properly with  
3 their existing employees, that you can find  
4 savings in that.

5 I would assume that's all interrelated.  
6 And the reason -- well, go ahead.

7 MAYOR DE BLASIO: Mr. Chairman, I would  
8 say the reference I made to employee healthcare  
9 costs -- and again, this is a powerful area of  
10 endeavor because it could be billions in  
11 savings -- that that is about solving our  
12 fundamental fiscal challenges as a city. If  
13 there was no such thing as pre-K expansion or  
14 after-school expansion, that would be equally  
15 true.

16 So the reason I say two ships passing in  
17 the night is we are addressing our fiscal  
18 challenges based on the reality of today. Before  
19 we have the opportunity for the kind of pre-K and  
20 kind of after-school we need, we still have that  
21 fundamental fiscal challenge to address. We will  
22 have it going forward. We have to address things  
23 like employee healthcare costs. We have to  
24 address, by definition, the open labor contracts.

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1 what we're doing, conversely, with the  
2 pre-K and after-school, is adding a strategic

3 component to the equation that's absolutely  
4 fundamentally necessary. We believe this is  
5 going to be strengthen our schools overall and be  
6 right for the future of the city. But those  
7 other challenges existed before any discussion of  
8 pre-K and after-school, and they have to be  
9 addressed separate from whatever we do.

10 The revenue for pre-K and after-school,  
11 lockbox and specific and limited in its time.  
12 Those other challenges are much more eternal and  
13 have to be addressed through our overall budget  
14 approach.

15 CHAIRMAN DeFRANCISCO: Okay. The lockbox  
16 will be empty in the sixth year, and you don't  
17 think that will be a problem funding it  
18 thereafter?

19 MAYOR DE BLASIO: Well, that's why I  
20 believe that the efforts that we need to  
21 undertake of cost savings in areas like employee  
22 healthcare costs and other areas, will allow us  
23 over the five-year frame to get on the kind of  
24 footing we need to be that we can then sustain

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1 the pre-K and after-school going forward. We  
2 could not sustain it today with the kind of  
3 fiscal challenges we face.

4 So if you -- I say this with absolute  
5 respect for the thread of your question and the  
6 logic of your question, if we were to say that in  
7 order to address these other challenges we would  
8 deny our children these new opportunities that



9 they clearly need -- the Common Core, as we all  
10 know, is happening. The growing demands of our  
11 economy in terms of education are happening,  
12 they've been happening for years. If we don't  
13 all catch up with it, unfortunately we'll be  
14 damning another generation of kids to not be  
15 participants in this economy the way they should  
16 be.

17 So that work has to happen right now. If  
18 we do our work properly, we link the two  
19 pieces -- and we believe we will do this  
20 effectively. We link the two pieces up. The  
21 five years of our own tax money, our own tax  
22 money from the City of New York gets us up and  
23 running and fully established and a head of  
24 steam. We then close off the tax, lapse the tax,

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1 and find the resources from the savings that we  
2 have achieved in the meantime.

3 CHAIRMAN DeFRANCISCO: Okay. And I'm  
4 going to be real quick because I've got to follow  
5 our own rules.

6 There's been editorials upstate that  
7 rather than starting a new program with pre-K, it  
8 makes a heck of a lot more sense to provide more  
9 funding for education. Because there's some  
10 studies, including the State of Oklahoma that was  
11 the poster child for pre-K, shows that by the  
12 time the children are in second grade or third  
13 grade, you can't see any discernible difference.

14 Head Start, we spent \$166 billion on  
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15 Head Start, and the government, the federal  
16 government, the Obama administration, just came  
17 out with a report that said that by first  
18 grade -- the same type of theory -- first grade,  
19 the benefits really don't show further.

20 So if these young kids are going to go  
21 into a next part of their education and  
22 everything has been lost from their Head Start,  
23 isn't the money better spent on the education  
24 system, providing more money in the formula?

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1 MAYOR DE BLASIO: I'll make two  
2 responses.

3 The first is I think we have a very  
4 substantial body of evidence from a lot of  
5 studies and a lot of different perspectives that  
6 say early childhood education is indispensable in  
7 the process. It is the best time for kids to  
8 learn, zero to 5 is the best developmental point  
9 at which to really advance children, particularly  
10 kids who have been less advantaged.

11 We also know that by third grade, if a  
12 child is not on grade level, the chances of them  
13 recovering are substantially limited.

14 So the way I look at this is we have a  
15 pretty brief window in which to get kids on the  
16 right track. Where we've underplayed our hand as  
17 a society is before the kindergarten level. And  
18 if we get to full-day pre-K, high quality --  
19 because this plan, when you have an opportunity  
20 to review it, is very much about raising quality

21 levels and making sure that this is the kind of  
22 pre-K that fully enriches and really, you know,  
23 propels forward our young people so that it has a  
24 sustainability.

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1 Now, if you say to me do we go to sleep  
2 at that point, no. I couldn't agree more, we  
3 can't go to sleep at that point. And therefore I  
4 would say we reinforce in lots of ways. We  
5 believe the middle-school level is one of the  
6 areas where reinforcement is absolutely  
7 necessary, with the enrichment and tutoring, the  
8 homework help, et cetera, through the  
9 after-school program.

10 But the other piece of the equation is  
11 what we talked about in terms of Campaign for  
12 Fiscal Equity. We believe there are a number of  
13 school districts in this state that didn't get  
14 what was due them. If we can right that wrong --  
15 and we know it will take time, but if we can  
16 right that wrong, it speaks profoundly to your  
17 point. One of the things we would do with that  
18 money, we would lower class size in the earliest  
19 grades, which would allow us to link up our pre-K  
20 efforts with kindergarten, first grade, second  
21 grade, third grade, and really make that huge  
22 impact I mentioned before kids got to that  
23 crucial third-grade level.

24 So I would say, an absolutely respectful

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1 answer to you, all of the above. Let's get early  
2 childhood right, let's get after-school right,  
3 but absolutely make the investments, particularly  
4 at the youngest grade levels, to sustain the  
5 progress.

6 CHAIRMAN DeFRANCISCO: Thank you very  
7 much.

8 MAYOR DE BLASIO: Thank you.

9 CHAIRMAN FARRELL: Thank you very much,  
10 Mr. Mayor. There's a whole bunch of people  
11 waiting for you.

12 (Laughter.)

13 MAYOR DE BLASIO: Are they friendly  
14 people?

15 (Laughter; cross-talk off the record.)

16 CHAIRMAN FARRELL: Next will be the  
17 New York City comptroller, Scott Stringer.

18 CHAIRMAN DeFRANCISCO: I think you're on.  
19 Whenever you're ready to start.

20 NYC COMPTROLLER STRINGER: Okay. Thank  
21 you true believers for staying.

22 I want to start out by thanking Chairman  
23 DeFrancisco, Chairman Farrell, and members of the  
24 standing committees. I really welcome the chance

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1 to speak today about the Governor's proposed  
2 Executive Budget and the impact it will have on  
3 New York City's finances.

4 I'm submitting formal testimony to the  
5 committees in addition to the remarks I will be  
6 delivering this morning.

7           Joining me here today is my executive  
8 director of budget, Jonathan Rosenberg, and my  
9 state legislative counsel, Jenna Adams.

10           It's good to be back in Albany, and I  
11 want to begin by talking about the city's budget  
12 and, more broadly, about some threats that I see  
13 to the long-term fiscal health of our city and  
14 our state.

15           While New York City's fiscal 2015 budget  
16 is balanced on paper, in reality there are risks  
17 that could create significant budget gaps. The  
18 reliance on "one-shots," such as the sale of taxi  
19 medallions, the nearly-depleted retiree health  
20 benefit trust fund, and the use of year-end  
21 surpluses to prepay the next year's debt service,  
22 has allowed the city to mask a structural  
23 imbalance and the true challenges we face.

24           In addition, all of the city's municipal

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1 labor contracts are expired, something that  
2 hasn't happened since the fiscal crisis of the  
3 1970's.

4           Of course, it's not all gloom and doom.  
5 Our economy is pulling out of the Great  
6 Recession, and private-sector jobs are growing.  
7 The latest report from the Labor Department shows  
8 that the city added 95,000 jobs in 2013, bringing  
9 the total to nearly 4 million, and that's an  
10 all-time high. The job numbers show that our  
11 economy isn't just about finance, insurance, and  
12 real estate anymore, it's also about tech,

13 advertising, tourism, and an array of diverse  
14 industries.

15 Despite this encouraging growth, the  
16 budgetary path we are on is still not  
17 sustainable, in part because of a growing  
18 imbalance of payments between the city and the  
19 state.

20 I ask you to consider the facts. In  
21 fiscal year 2009, the state financed 20 percent  
22 of the city's expense budget. By last fiscal  
23 year, that number had shrunk closer to  
24 15 percent. In short, New York City sends about

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1 \$5 billion more in tax receipts to Albany every  
2 year than it gets back in revenue.

3 While other municipalities across the  
4 state continue to receive funding for the Aid to  
5 Municipalities Program, New York City receives  
6 nothing, zero. And that's been the case for  
7 three years.

8 Meanwhile, the state continues to  
9 shortchange New York City's children by failing  
10 to live up to the promise of the Campaign for  
11 Fiscal Equity. Over the last five years,  
12 New York City schoolchildren have been deprived  
13 of close to \$3 billion.

14 Now, don't get me wrong. As the economic  
15 engine of the Empire State, New York City is  
16 proud to do its part to help sustain other  
17 regions of our state. We always have, and we  
18 always will. But the time has come to correct

19 this historic imbalance and ensure that the city  
20 receives its fair share from Albany. At its  
21 core, fair share isn't about dollars and cents,  
22 it's about what those dollars and cents mean to  
23 the people of our city, many of whom struggle to  
24 pay the bills and put a roof over their heads.

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1 More than one in five city families are  
2 today living in poverty. Our homeless shelters  
3 are bursting at the seams, in part due to the  
4 state's cuts in funding for homeless families.  
5 We continue to face a crisis in housing, with  
6 31 percent of New Yorkers paying over half their  
7 income in rent as of 2011.

8 Now, as the former chair of the Cities  
9 Committee of the Assembly, I understand firsthand  
10 how difficult a task it is to divide limited  
11 resources for critical services. Each and every  
12 municipality has significant needs -- and I know  
13 a lot of the mayors will be here today to make  
14 cases for their cities.

15 But the truth is that investments in  
16 New York City pay huge dividends for the entire  
17 state. This is about making sure that New York  
18 remains a magnet for business from across the  
19 country and the world.

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

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1           This Legislature's decision last year to  
2           increase the state's minimum wage was a great  
3           victory, and I want to thank Governor Cuomo and  
4           each and every lawmaker for working so hard to  
5           advance that cause. The current law will boost  
6           the minimum wage in the state and the city to  
7           \$9.00 an hour by 2016.

8           I'm here to tell you we have to go  
9           further. Speaker Silver's proposal to accelerate  
10          that increase by a year, to 2015, is a great  
11          first step. My office estimates that the  
12          Speaker's proposal would add \$175 million in  
13          annual wages to the pockets of working-class  
14          families in the five boroughs. Now, that's an  
15          extra \$400 a year for over 400,000 New York City  
16          residents -- real money to help refill that  
17          MetroCard, make a car payment, or just put food  
18          on the table.

19          The truth is, however, we are still a  
20          long way from making a dent in the struggles of  
21          working families in our city. They face the  
22          highest cost of living in the nation. The fact  
23          is that when it comes to the minimum wage, one  
24          size does not fit all. Not when the cost of

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1          living is 80 percent higher in New York than the  
2          City of Buffalo, 70 percent higher than in  
3          Rochester, or 60 percent higher than right here  
4          in Albany.

5           I believe the time has come to take the  
            Page 120



6 next step. So today I am proposing that cities  
7 like New York be empowered via state legislation  
8 to establish local minimum wage levels that they  
9 deem appropriate.

10 Many other cities across the country  
11 already have followed this path, helping millions  
12 of working families in the process. San  
13 Francisco's minimum wage is already \$10.74.  
14 San Jose is \$10.15. Santa Fe is \$10.51. And  
15 Washington, D.C., is set to raise its minimum  
16 wage to \$11.50 by 2016.

17 We need to have that same conversation in  
18 New York. But consider this. Allowing the  
19 minimum wage in New York City to rise just to  
20 \$11.00 per hour would provide an additional  
21 \$2 billion in annual income to working families  
22 in the city. That would still leave New York  
23 City's minimum wage well below that of any other  
24 major city in the state, when adjusted for cost

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1 of living.

2 Reforming our minimum wage laws will  
3 provide real relief today, but the long-term  
4 success of New York City's economy is grounded in  
5 how we choose to invest in the next generation of  
6 New Yorkers. We cannot approach this issue in a  
7 piecemeal fashion. Instead we have to think  
8 holistically about our children's education, from  
9 pre-K to grade school and beyond.

10 Today I want to touch on three  
11 investments in the Executive budget that, taken

12 together, expand opportunity for our children.  
13 First, Mayor de Blasio is right: We must have  
14 high-quality, universal pre-kindergarten, with a  
15 dedicated revenue stream. Second, we must invest  
16 in boosting broadband quality in our schools so  
17 that all our students can take advantage of  
18 21st-century tools. And third, we must continue  
19 to support our students as they strive toward  
20 higher education.

21 But let me start with universal pre-K,  
22 which I know has already been the focus of much  
23 discussion today.

24 I support Mayor de Blasio's vision for

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1 pre-K and, as comptroller, I appreciate that the  
2 mayor has identified a sustainable way to pay for  
3 it. Sometimes mayors comment that they have a  
4 big wish list -- but they don't give you any  
5 roadmap for how their city would help pay for  
6 things. And today our mayor has made that clear.

7 In New York, every child -- black, brown,  
8 white, rich or poor, from Buffalo to Brooklyn --  
9 should have an opportunity to achieve his or her  
10 full potential. This is not just a moral  
11 imperative, it is an economic imperative that is  
12 good for our kids and good for our entire state.

13 And I do commend the Governor's  
14 commitment to expanding pre-K statewide. It is  
15 the job of this Legislature to make the tough  
16 decisions about how we pay for this critical  
17 initiative.

18 But let me stress that if pre-K is to  
19 truly succeed, we need a dedicated revenue stream  
20 that will give cities and towns the confidence  
21 they need to invest, to build classrooms, to  
22 create new curriculums, and to attract and retain  
23 quality teachers. I urge the Legislature to  
24 establish a clear, consistent commitment to

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1 universal pre-K. Any proposal that does not  
2 include a dedicated funding stream will have to  
3 be judged as incomplete.

4 Now, of course, investments in our  
5 children's future cannot stop at pre-K. And  
6 that's why I am encouraged by the Governor's call  
7 for meaningful capital investment in high-speed  
8 broadband in our schools. We look forward to  
9 working with all levels of government in securing  
10 the funding to make this connectivity a reality  
11 for our schoolchildren.

12 Now, last year I issued a report on  
13 broadband in New York City schools and libraries  
14 which showcased the critical need for continued  
15 investments. In Manhattan alone, over 75 percent  
16 of school facilities have maximum download speeds  
17 of 10 megabits per second or less. That is  
18 100 times slower than speeds available in other  
19 cities across the country, from Lafayette,  
20 Louisiana, to Chattanooga, Tennessee. That's  
21 right: Lafayette, Chattanooga. We're not  
22 talking about Silicon Valley or Seoul, we're  
23 talking about medium-sized cities in the U.S.

24 that have recognized the importance of the web to

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1 21st-century learning and put their money where  
2 their mouth is.

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

9 Step three in our education blueprint is  
10 supporting our students as they strive to get a  
11 college degree and build their businesses in  
12 New York.

13 In 2012 my office published a report  
14 titled "Start-Up City," and one of our  
15 recommendations was the Empire Engineers  
16 Initiative, a program designed to provide  
17 scholarships to students who majored in  
18 engineering and agreed to work in New York State  
19 for at least five years.

20 That's why I support Governor Cuomo's  
21 initiative to provide full SUNY or CUNY tuition  
22 to top high schoolers who pursue a career in the  
23 science, technology, engineering or math  
24 protocols and commit to then work in New York for

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1 five years. This is very crucial. It's a great  
2 investment in New York's future that not only  
3 educates our students but encourages them to put

4 that education to work in our cities and towns.

5 These three critical steps won't come  
6 easy, but they are critical to ensuring that  
7 every kid in New York can reach their full  
8 potential.

9 Now, as young parents like me and  
10 Chairman Farrell understand, a child's education  
11 doesn't start at pre-K. It starts even earlier,  
12 in those formative years from zero to 3. As we  
13 continue to think holistically about how to  
14 improve education, I encourage the Legislature to  
15 consider how we can do more to boost learning in  
16 these early years.

17 I thank you again for this opportunity,  
18 and it's really great to be here before so many  
19 former colleagues and friends. Thank you very  
20 much.

21 CHAIRMAN FARRELL: Thank you very much.  
22 How is your son, by the way?

23 NYC COMPTROLLER STRINGER: Miles is doing  
24 quite well; he's at his swim class today,

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1 Mr. Chairman. And Max is growing.

2 CHAIRMAN FARRELL: Assemblyman  
3 Magnarelli.

4 ASSEMBLYMAN MAGNARELLI: Mr. Comptroller,  
5 it's good to see you again.

6 NYC COMPTROLLER STRINGER: Great to see  
7 you, sir.

8 ASSEMBLYMAN MAGNARELLI: I have a  
9 question in terms of looking at the New York City

10 schools budget. And it's billions and billions  
11 of dollars; correct?

12 NYC COMPTROLLER STRINGER: Yes.

13 ASSEMBLYMAN MAGNARELLI: Have you taken a  
14 look at that to see if there was a way of saving,  
15 say, 1 percent of that budget, if there was any  
16 kind of fraud or misuse of funds or  
17 inefficiencies, so to speak, to basically go  
18 ahead and fund the pre-K that we're talking about  
19 for New York City instead of raising taxes on  
20 some of the individuals that live there?

21 NYC COMPTROLLER STRINGER: It's a fair  
22 question, and part of what the Comptroller's  
23 office will do is do the kind of auditing to root  
24 out waste and fraud at the Department of

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1 Education and every other agency.

2 I can tell you that we're looking very  
3 closely at a lot of technology contracts and  
4 outside consultant contracts that have already  
5 been well known to all of us. We're going to do  
6 more of that.

7 But at the end of the day, beyond  
8 whatever money we save through our audits and  
9 investigations and reining in technology  
10 contracts, we need to think big and broad about  
11 implementing full pre-K.

12 And one of the things that I think we  
13 have to appreciate is the mayor, on behalf of the  
14 citizens of New York City, has come before you  
15 and said let us have the ability to fund

16 something so important to the children of New  
17 York City. Give us permission to do that.

18 And that's something that I think -- and  
19 I want to stress this, it doesn't always happen.  
20 Most mayors and most local governments come and  
21 say "Give us more." I did that in my testimony  
22 as it relates to revenue sharing. But here we're  
23 asking for the ability to get this done  
24 ourselves.

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1 And it's expensive, obviously. It  
2 doesn't come cheap. But the reward down the line  
3 in terms of the multiplier impact pre-K will have  
4 someday on the next generation of kids who will  
5 get great jobs and continue to be the folks that  
6 invent and create, this is the best thing we can  
7 do to ensure the future of New York City and, I  
8 would argue, have a positive impact throughout  
9 the State of New York.

10 ASSEMBLYMAN MAGNARELLI: But it seems  
11 that the way you've proposed to do it involves  
12 taxing the wealthy. It's good that New York City  
13 has a lot of wealthy people that it can tax in  
14 this way, I guess. But other parts of the state  
15 don't have that same opportunity to do the same  
16 thing and to fund things that they really need as  
17 well.

18 I guess my question just goes back again  
19 to aren't there any things that maybe the former  
20 mayor had instituted that can be cut back, or  
21 things you would like to change with the new

22 mayor that would allow you to have the savings  
23 and the monies to do this without putting a tax  
24 on?

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1 NYC COMPTROLLER STRINGER: Let's assume  
2 that a year from now I could come back to you and  
3 tell you the money that we saved through our  
4 audits and looking at different programs, you  
5 know, what worked but also what didn't work. At  
6 the end of the day, some of that would be  
7 one-shots that may benefit us in the short term  
8 but obviously wouldn't create a revenue stream  
9 that we're looking for.

10 And as I mention in my testimony, and I  
11 hope you appreciate this, our budget is full of  
12 one-shots today. And so it's going to get harder  
13 for us. There are budget gaps in the outyears.  
14 So even if we could get some of those savings,  
15 you know, we also have to think about police and  
16 fire and contract negotiations. We can't develop  
17 pre-K based on my good auditing, and that's just  
18 a reality.

19 And sometimes, as you know, people's  
20 first instinct is, well, there's a lot of waste,  
21 so find the waste. But you know that's not  
22 always the reality when you start getting into  
23 the nitty-gritty of what we're trying to  
24 accomplish here.

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1 But I promise you we will account for  
2 every penny and dollar to the Department of  
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3 Education.

4 ASSEMBLYMAN MAGNARELLI: Thank you.

5 Thank you, Mr. Chairman.

6 CHAIRMAN FARRELL: Thank you.

7 Senator?

8 CHAIRMAN DeFRANCISCO: Senator Martins.

9 SENATOR MARTINS: Thank you,  
10 Comptroller. Thanks for being here.

11 NYC COMPTROLLER STRINGER: Thanks.

12 SENATOR MARTINS: A couple of questions.

13 With regard to the city's budget,  
14 holistically, what's the city budget?

15 NYC COMPTROLLER STRINGER: Well, the  
16 proposed city budget is now at -- it's about \$70  
17 billion.

18 SENATOR MARTINS: Seventy. And of that  
19 \$70 billion, about \$20 billion for education?

20 NYC COMPTROLLER STRINGER: Yes, roughly.

21 SENATOR MARTINS: When we talk about the  
22 cost drivers that have plagued our municipalities  
23 over the last five, six years, you know, top  
24 among those cost drivers is pension costs. I

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1 think everybody projects that those pension costs  
2 are going to begin coming down rather quickly  
3 over the next few years.

4 Do you have any projections for how --  
5 you know, the five-year lookback, since we're  
6 beyond those five years now, what your  
7 projections are for pension costs for New York  
8 city this year and next year, and the savings

9 that New York City is going to have as a result?

10 NYC COMPTROLLER STRINGER: Well, you  
11 raise a very important issue. When you look at  
12 spiraling pension costs, just looking at from  
13 2001, we were paying something like \$1.9 billion  
14 into the pension fund, the city contribution. We  
15 estimate that by FY17 it could be as high as an  
16 \$8.5 billion contribution to the pension fund.  
17 So we have some real costs, some real challenges.

18 SENATOR MARTINS: Well, Comptroller, the  
19 reason for my question is that every analysis I  
20 have seen when it comes to the pension system,  
21 whether it's the state employee retirement  
22 system, whether it's the teacher retirement  
23 system or the city's retirement system, the  
24 pension contributions are expected to come down

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1 given the fact that we're -- the five-year  
2 lookback, that we're probably at an all-time high  
3 right now. And that over the next year,  
4 certainly over the next two years, that those  
5 pension costs are going to not only come down,  
6 they're going to come down significantly.

7 And so when we start factoring in a  
8 \$70 billion budget, a \$20 billion school budget,  
9 and we're talking about \$300 million in that  
10 context, I'm wondering whether or not you have an  
11 opinion as to the ability to recoup some of those  
12 pension savings which we are going to have and  
13 apply it towards your universal pre-K, or the  
14 mayor's universal pre-K proposal.

15 NYC COMPTROLLER STRINGER: Part of what I  
16 hope to do as comptroller, and I've been in  
17 office for 30 days, is make proposals with our  
18 five boards to streamline our investments to  
19 reduce the costs of running the pension fund.  
20 Some estimates suggest that we could save a  
21 billion dollars. And so we're very much attuned  
22 to what the comptroller's office can do to  
23 further bring down the city's contribution to the  
24 pension fund.

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1 Every dollar we save goes to police and  
2 fire and schools. So it's something that we  
3 certainly have to do, and we will do it.

4 SENATOR MARTINS: Including pre-K,  
5 universal pre-K, correct?

6 NYC COMPTROLLER STRINGER: Yeah, but  
7 again, as Assemblyman Magnarelli said, a lot of  
8 the analysis and what the mayor I think brought  
9 to you today in his 14-page briefing is a way to  
10 pay for pre-K, but we also recognize that we have  
11 labor negotiations have to take place, we have  
12 spiraling healthcare and pension costs that we  
13 have to work on. And the comptroller's office  
14 can play a role in reducing those costs. So  
15 there's a lot that has to go back to the city.

16 I'm here to tell you that we need more  
17 resources because a lot of people in the city are  
18 struggling. We've got children in homeless  
19 shelters, 22,000 kids. We are at the breaking  
20 point in our budget because we have real gaps in

21 the outyears.

22 So yes, we have to fight to save every  
23 penny so that it can go back to the general fund,  
24 and I'm certainly going to try to do that as

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1 comptroller.

2 SENATOR MARTINS: I appreciate it.

3 Just one last point. We're going to hear  
4 from the mayors of Buffalo, Rochester, Syracuse  
5 and Yonkers today. And they didn't have the  
6 benefit of 95,000 additional jobs coming into  
7 New York City over the last year. They also  
8 haven't had the benefit of a booming real estate  
9 market and all of the additional revenues that  
10 come from those.

11 And so there are challenges across  
12 New York State; I hope everybody realizes that.  
13 My only point is there may be resources available  
14 to New York City in the short term and  
15 not-too-long term that will allow the mayor and  
16 the city to realize that which they're asking the  
17 state to provide them, which is the resources to  
18 be able to provide the universal pre-K.

19 Chairman, thank you.

20 NYC COMPTROLLER STRINGER: Well, let me  
21 just remind you that New York City sends  
22 \$5 billion to Albany. We don't get anywhere near  
23 that in return. It's hurt us greatly over time.  
24 I would ask you to consider including us in the

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1 AIM and give us the revenue sharing that we've  
2 always had that we now are zeroed out on. That  
3 makes no sense to me.

4 This is a city that is an economic engine  
5 for the state in so many different ways, and I  
6 think sometimes, sometimes we need to be here to  
7 remind you of that. I ask you to consider that  
8 in your budget deliberations. Because every time  
9 New York City is strong economically, it helps  
10 everybody throughout the city. And I really  
11 think that when we come here we never ask for  
12 money back. We're happy to give more than we get  
13 back. That has been a time-honored tradition  
14 that even in the fiscal crisis in the '70s we  
15 always recognized, because we are a city that has  
16 a huge economy. And we also recognize the  
17 partnership with our folks in Long Island and  
18 upstate. We can't be divided in the state.

19 So we want to give more. But every once  
20 in a while we also have to come to all of you and  
21 say we too need relief. We can't have kids in  
22 homeless shelters. We can't have budgets that  
23 prevent us from expanding the economy or  
24 educational opportunities that ultimately benefit

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1 the entire state. I ask you respectfully to  
2 consider our situation as well.

3 SENATOR MARTINS: Thank you. Thank you  
4 very much, Mr. Comptroller.

5 Thank you, Chairman.

6 CHAIRMAN FARRELL: Thank you very much,

7 Senator.

8 Assemblyman Cusick.

9 ASSEMBLYMAN CUSICK: Thank you,

10 Mr. Chairman.

11 Welcome, Mr. Comptroller. Welcome back  
12 to Albany.

13 NYC COMPTROLLER STRINGER: Thanks,  
14 Assemblyman.

15 ASSEMBLYMAN CUSICK: I know you sat  
16 through the hearing with the mayor just before,  
17 so you heard all the questions on pre-K and some  
18 of the questions on Sandy. I want to focus a  
19 little bit on Sandy, maybe more to educate myself  
20 and other legislators.

21 The FEMA money that is used by the city  
22 for the rebuilding of the city, whether it's  
23 residents' homes or businesses, does the city --  
24 before you were comptroller, or maybe you've

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1 started it, does the city audit that money being  
2 spent by the city that's given to us by FEMA?

3 NYC COMPTROLLER STRINGER: Well, we  
4 haven't quite had -- we're at the point now where  
5 money is coming into our city and going through  
6 various agencies. My office is committed to  
7 setting up a Sandy Audit Bureau within our office  
8 to monitor every last dollar.

9 One of the things we learned from Katrina  
10 is that if we don't watch the money, that money  
11 gets dumped and it never goes to where it's  
12 supposed to go to rebuild homes, to rebuild

13 infrastructure.

14 Fifteen billion dollars is a lot of money  
15 that needs to be tracked, and we're going to work  
16 with the mayor, with the City Council.

17 Councilmember Donovan Richards has been  
18 championing creating a citywide Sandy Bureau  
19 through legislation so that the mayor has  
20 capacity.

21 We want to do the same thing, we must do  
22 the same thing in the comptroller's office. You  
23 know, my job is to follow the money and make sure  
24 it goes to where it's supposed to.

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1 You and I have talked about the  
2 challenges on Staten Island, and when you look at  
3 Coney Island and Red Hook and where, you know,  
4 we're going to ask contractors to rebuild, we  
5 also have to make sure that those contractors are  
6 scrupulous and that they don't pocket money and  
7 walk away. We've seen that with other disasters  
8 that have happened around the country. And so  
9 I'm very focused on making sure that the  
10 comptroller's office is on that.

11 And again, it speaks to the issue that  
12 Assemblymember Magnarelli raised, and the  
13 Senator, that part of our job to watch every  
14 dollar. You can't come to the state and ask for  
15 more money unless your house is in order. And  
16 that's why I think the Sandy Audit Bureau in the  
17 comptroller's office can be an important vehicle  
18 for accountability.

19 ASSEMBLYMAN CUSICK: Well, that's great  
20 to hear, because -- not to cast aspersions on any  
21 administration or anybody in the past, but the  
22 problems that we're facing now, not only in  
23 Staten Island but other affected areas, is that  
24 residents who are hit don't really think the

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1 money is being used for the purpose that the  
2 federal government has given it to us.

3 So I'm glad to hear that you're ahead of  
4 this and that you are setting something up,  
5 because I think more it will make people feel  
6 better, too, that they can see something in black  
7 and white exactly where the money is being spent  
8 and that it's being spent in the correct way.

9 NYC COMPTROLLER STRINGER: And it's also  
10 a good point, it's not just following the money,  
11 but it's also being transparent. So I want to  
12 make sure that people can find out who the  
13 contractors are, who is getting the dollars,  
14 where the dollars are going in terms of repair,  
15 what are the repair schedules, making sure that  
16 we know who the contractors are, making sure that  
17 they're living up to their responsibilities.

18 And so it's not just follow the money,  
19 it's also to make sure that people who are  
20 relying for that rebuilding have a real timeline  
21 and have an expectation that the people they're  
22 dealing with are good actors.

23 ASSEMBLYMAN CUSICK: That's great to  
24 hear. Thank you, Mr. Comptroller.



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1 Thank you, Mr. Chair.

2 CHAIRMAN DeFRANCISCO: Senator Krueger.

3 SENATOR KRUEGER: Thank you,  
4 Mr. Comptroller. It's very nice to see you up  
5 here again in your job. Congratulations.

6 NYC COMPTROLLER STRINGER: It's nice to  
7 be here. Thank you, Senator.

8 SENATOR KRUEGER: I'm so glad that in  
9 your testimony you were expanding the needs of  
10 New York City, because I think we all got a  
11 little bogged down in just the importance of UPK  
12 with the mayor's testimony.

13 And I'm also very glad that you were able  
14 to answer my colleague Senator Martin's questions  
15 about the fact that we actually are the mover of  
16 money to Albany far more than we get return on,  
17 and highlighting that the City of New York has  
18 many needs, just like all the other cities that  
19 will be testifying here soon after.

20 And just to clarify, I believe that  
21 Senator Martins said but you're coming here and  
22 asking us for money for UPK. Again, just for the  
23 record, the City of New York isn't asking us for  
24 UPK, they're asking for the right to tax

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1 themselves as a home-rule process to pay for this  
2 new program. And you were certainly talking  
3 about that in your testimony.

4 You mentioned the numbers of homeless and  
5 the skyrocketing numbers. I am wondering do you  
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6 have a position on whether the City of New York  
7 should be moving forward with a rent subsidy  
8 program that the State of New York at one time  
9 committed annual funds to and then that ended  
10 during the Bloomberg administration, and whether  
11 you see that as part of your policy solution for  
12 the homeless crisis we're suffering from.

13 NYC COMPTROLLER STRINGER: Yes. And I  
14 think we can see, as New York City legislators or  
15 elected officials, just how glaring the inequity  
16 is with the cut from a number of years ago. We  
17 must bring that back.

18 You know, the safety net in New York is  
19 very precarious. And while we do have a lot of  
20 tall buildings and a lot of glitter, when you  
21 look, when you peel that back a little bit,  
22 almost in every borough in every neighborhood we  
23 have people who do not have shelter, who are  
24 struggling to put food on the table. We are not

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1 the glitterati city that some people may think,  
2 we are really struggling.

3 And part of what we're here today to ask  
4 for -- at least my three requests -- is, one,  
5 give us the revenue sharing of AIM that we've  
6 always had so we can put it to the vital programs  
7 we need. It was taken away, hasn't been  
8 replenished in three years, and that's simply  
9 outrageous to me.

10 But we're here because there are two  
11 things that I would like to see happen that would

12 allow us in New York City to govern better. One  
13 is our ability to tax for pre-K and to get a  
14 consistent revenue source which everyone agrees  
15 is fiscally responsible. And the second thing  
16 is, you know, one size doesn't fit all on minimum  
17 wage.

18 You know, if we had the opportunity and  
19 the power to raise the city's minimum wage  
20 because of our own cost-of-living issues and  
21 model this after other cities around the country,  
22 we could pump \$2 billion into our economy in  
23 communities that don't have that multiplier  
24 money.

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1 So if you raise the minimum wage in parts  
2 of Brooklyn or the Bronx or other places that  
3 have been hard hit, suddenly the local stores are  
4 getting that extra money, the local restaurants,  
5 the local economy, the local supermarkets. And I  
6 think we need to look at this.

7 And if we could have that, then we're  
8 really not burdening the rest of the state.  
9 We're asking you to give us a little lifeline so  
10 that we can govern our city of, as the mayor  
11 says, a city that's going to grow to 9 million  
12 people rather quickly.

13 SENATOR KRUEGER: And your research  
14 confirms for you, as the city comptroller, that  
15 increasing the minimum wage won't force jobs to  
16 flee New York City and actually lower the revenue  
17 at the neighborhood level and at the city tax

18 level?

19 NYC COMPTROLLER STRINGER: Senator, it's  
20 a very good question.

21 As we were developing testimony to come  
22 to Albany, one of the discussions we had  
23 internally in our office with our economists and  
24 our budget experts was to make sure that when we

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1 come here we're not driving or hurting small  
2 businesses.

3 And every study that we've seen shows  
4 there's no correlation between raising the  
5 minimum wage and hurting small business. In  
6 fact, our office would argue from a financial  
7 perspective that the minimum wage allows more  
8 money to be invested into the economy in  
9 neighborhoods that struggle. And so we do two  
10 things. We help people pay the rent, we lift  
11 people up because their minimum wage is adjusted  
12 for the reality of cost of living. And at the  
13 same time, the more money in disposable income  
14 you have to pay rent and supplies, that means you  
15 have to go to the stores more often more. More  
16 diapers, more supermarket shopping, I think  
17 that's a big win for New York City.

18 And even if we raised the minimum wage to  
19 \$11 -- this is what I find incredible -- we're  
20 still behind the rest of the state when you  
21 adjust for cost of living. So the \$11 an hour is  
22 subject -- is a baseline. No one's getting rich  
23 on an \$11 minimum wage. We're still going to lag

24 not around the rest of the country, but lag New

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1 York State.

2 SENATOR KRUEGER: Thank you very much.

3 Thank you.

4 CHAIRMAN FARRELL: Assemblyman Weprin.

5 ASSEMBLYMAN WEPRIN: Thank you,

6 Mr. Chairman.

7 And, Comptroller Stringer, it's great to  
8 see you back here in Albany in your new capacity.

9 And I'm particularly happy that you brought  
10 Jonathan Rosenberg with you, who got his  
11 training, as you know, at the City Council  
12 Finance Committee and served your predecessor  
13 with distinction. And I know he'll be a  
14 tremendous asset to you as you proceed --

15 NYC COMPTROLLER STRINGER: He always made  
16 you look good.

17 ASSEMBLYMAN WEPRIN: -- during your first  
18 term. Yes, he did.

19 I agree with your statement on AIM and  
20 minimum wage and the point about adjusting to  
21 inflation. I think you were here when Mayor de  
22 Blasio testified and I asked him about the  
23 Madison Square Garden tax exemption, which is now  
24 about \$17 million a year. He said he would

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1 support repealing it and would like to see us do  
2 that. We have 49 sponsors in the Assembly now to  
3 revoke that tax exemption, which even Mayor Koch

4 said should have only lasted 10 years.

5 I know your predecessor was involved in  
6 that as well. Is that a position that you would  
7 support?

8 NYC COMPTROLLER STRINGER: Well, let me  
9 throw something to you. There are a lot of tax  
10 benefits that companies get, big and small. As  
11 comptroller, working with finance and the new  
12 administration, I think we should take a holistic  
13 look at all of those tax exemptions.

14 So while, you know, we can look and say,  
15 well, perhaps Madison Square Garden ought not  
16 have theirs, I then think you have to look at  
17 other arenas, other stadiums, other jurisdictions  
18 and recognize that we have to look at these  
19 subsidies across the board.

20 Some subsidies are tied to job creation,  
21 and we have to make sure that those jobs are  
22 actually being created. As comptroller we're  
23 going to have that focus. Some subsidies  
24 actually create economic opportunity in

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1 communities; they should be kept.

2 But I think it's more than just one arena  
3 or one or two arenas. I think we have a large  
4 issue about subsidies and how we approach them  
5 and who gets them and what's the accountability  
6 of those subsidies.

7 ASSEMBLYMAN WEPRIN: And I agree with  
8 you, I just -- the unique thing about the Madison  
9 Square Garden is it's been in perpetuity, even

10 though it was intended only to last 10 years from  
11 1982. And Mayor Koch had stated that during his  
12 tenure and post-tenure, and others. So that's --

13 NYC COMPTROLLER STRINGER: What I would  
14 say to you is you can certainly make the argument  
15 that Madison Square Garden shouldn't have an  
16 exemption like that in perpetuity, but I think we  
17 should not mask the issue of subsidies going to  
18 others that perhaps should have expired as well.

19 Part of what I think we have to do in New  
20 York City is do a thorough review of these --  
21 whether they're called giveaways or subsidies, it  
22 no longer can be opaque. We have to look at each  
23 of these subsidies because so much of them are  
24 tied to doing a public good or people getting a

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1 benefit.

2 Some of those benefits shouldn't be there  
3 because you would have -- whatever you were going  
4 to do with your business you would have done, you  
5 didn't need that incentive. Sometimes you do  
6 need the incentive. But there has to be a clear  
7 roadmap to what incentives are legitimate,  
8 whether it's justified, and what that process is.

9 ASSEMBLYMAN WEPRIN: Thank you.

10 Thank you, Mr. Chairman.

11 CHAIRMAN FARRELL: Thank you very much.

12 Senator?

13 CHAIRMAN DeFRANCISCO: I just have one  
14 question and one request.

15 would you please repeat the amount of

16 money New York City provides to state government  
17 in excess of what it receives? what was the  
18 number you gave?

19 NYC COMPTROLLER STRINGER: Five billion  
20 dollars.

21 CHAIRMAN DeFRANCISCO: Five what?

22 NYC COMPTROLLER STRINGER: Five billion.

23 CHAIRMAN DeFRANCISCO: Billion with a B.  
24 The request is, will you provide me your

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1 calculation as to how you figured that out?

2 NYC COMPTROLLER STRINGER: I would refer  
3 you to the report put out by the Rockefeller  
4 Institute. And I would certainly get that for  
5 you, sir.

6 CHAIRMAN DeFRANCISCO: No, but you're a  
7 witness. The Rockefeller Institute isn't here.  
8 You adopted that, so I just want to see --

9 NYC COMPTROLLER STRINGER: That's why I'm  
10 going to get you the report.

11 CHAIRMAN DeFRANCISCO: You would get me  
12 the report?

13 NYC COMPTROLLER STRINGER: I will give  
14 you the report, because they're not here.

15 CHAIRMAN DeFRANCISCO: Okay, so you're  
16 relying only on some other organization that made  
17 a calculation. Are you capable of doing it?

18 NYC COMPTROLLER STRINGER: I'm giving you  
19 one example today, and I think we have -- and as  
20 we do every year, we will recalculate that data  
21 for you.



22 But I think you're absolutely right to  
23 ask about the numbers. And I think it would be  
24 an appropriate ways and Means hearing to bring

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1 experts from Rockefeller and other places to  
2 start fleshing this out. And I'm very happy that  
3 you would think to do that, because we do need to  
4 put this out there. People don't realize the  
5 amount of --

6 CHAIRMAN DeFRANCISCO: All I'm asking, if  
7 you can and would give me your calculation as to  
8 what the difference in amounts going into the  
9 state and what you're receiving in New York City.

10 NYC COMPTROLLER STRINGER: Based on  
11 numerous reports, most recently the Rockefeller  
12 Institute --

13 CHAIRMAN DeFRANCISCO: Okay. All right.  
14 So you're unwilling to do a separate calculation,  
15 is that what it is?

16 NYC COMPTROLLER STRINGER: No. I've been  
17 Comptroller for 30 days, so I don't have that  
18 calculation.

19 CHAIRMAN DeFRANCISCO: I didn't ask it  
20 for now, this moment. I'm saying would you  
21 provide that to me. That was the request.

22 NYC COMPTROLLER STRINGER: I would be  
23 happy to provide that for you.

24 And I'd hope that in providing you this

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1 information perhaps you would convene a hearing  
2 that we could take testimony, because I think we  
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3 should have an airing of the amount of money  
4 New York City sends to New York State. And  
5 perhaps you can give us guidance as to, you know,  
6 where this money should be going and or perhaps  
7 maybe we don't have to provide that much money.

8 CHAIRMAN DeFRANCISCO: well, first I'd  
9 like to see how you've calculated it, since  
10 you've made the representation.

11 NYC COMPTROLLER STRINGER: I will  
12 certainly get you that information.

13 CHAIRMAN DeFRANCISCO: Okay. Thank you.

14 NYC COMPTROLLER STRINGER: Thank you very  
15 much.

16 CHAIRMAN FARRELL: Thank you very much.  
17 And welcome back to Albany.

18 (Laughter.)

19 NYC COMPTROLLER STRINGER: Great to be  
20 here.

21 CHAIRMAN DeFRANCISCO: And now we're  
22 going to go into the fact that there is a rest of  
23 the state, there's another part of the state that  
24 exists. And we're going to prove it right now.

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1 CHAIRMAN FARRELL: Next, the Honorable  
2 Byron Brown, mayor of the City of Buffalo.

3 ASSEMBLYMAN OAKS: While Mr. Brown is  
4 coming, I'd just like to say that we've been  
5 joined by Assemblyman Walter and, earlier, of  
6 course, had Mr. Borelli, McDonough, and Stec.

7 MAYOR BROWN: Good afternoon, Chairman  
8 Farrell, Chairman DeFrancisco, members of the  
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9 committee. Thank you for the opportunity to  
10 address the joint committee regarding New York  
11 State's 2014-15 budget --

12 CHAIRMAN FARRELL: Is your mic on? Look  
13 at the red light.

14 MAYOR BROWN: I think it's on now, thank  
15 you.

16 So as I said, Chairman Farrell, Chairman  
17 DeFrancisco, members of the committee, thank you  
18 for the opportunity to address the joint  
19 committee regarding New York State's 2014-2015  
20 budget and its impact on New York's second  
21 largest city, Buffalo, New York. I'm very  
22 pleased to be with you today, with the City of  
23 Buffalo's commissioner of administration and  
24 finance, Donna Estrich, to provide you with our

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1 testimony on the budget.

2 Since becoming mayor, my focus has been  
3 on improving the fiscal outlook of Buffalo,  
4 creating an even more vibrant business  
5 environment that will accelerate investment and  
6 job creation, and establishing a more efficient  
7 government. While there are still challenges,  
8 our efforts are producing results. For example,  
9 city expenditures stayed in line with revenues,  
10 increasing by 2.3 percent annually compared to  
11 3.3 percent for all cities in New York State. In  
12 July of 2012, the city's control board, the  
13 Buffalo Fiscal Stability Authority, ended its  
14 hard control of the city's finances.

15 Buffalo also continues to make strides in  
16 lowering its constitutional taxing limit, going  
17 from 92 percent in 2005 to 70 percent in 2013.  
18 Commercial property tax rates have been reduced  
19 by 28 percent, and residential property tax rates  
20 have been reduced by 15 percent since 2006.

21 The City of Buffalo's rainy day fund is  
22 currently over \$35 million. Moody's has upgraded  
23 the City of Buffalo three times between 2006 and  
24 2012 to an A1 rating. Buffalo added over 2,200

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1 jobs during 2013, and more than 7,000 additional  
2 jobs are projected to be created in the next  
3 three years.

4 After decades of decline and financial  
5 troubles, Buffalo has turned a corner. Governor  
6 Cuomo and the State Legislature have been true  
7 partners, and I applaud the focus and dedication  
8 of Governor Cuomo and the attention that he is  
9 showing the City of Buffalo.

10 This year's budget is a step in the right  
11 direction, but I still have some concerns.  
12 Buffalo is looking to protect programs that work  
13 and add tools that will allow the city to reach  
14 its full potential. Manufacturing once accounted  
15 for half of Buffalo's economy and jobs; today it  
16 represents only 8 percent.

17 Although merging technologies, education  
18 and health science have grown in Buffalo,  
19 manufacturing is still an important part of  
20 Buffalo's economy. The loss of manufacturing

21 jobs over the years is a direct result of an  
22 unfriendly business environment. The Governor's  
23 proposed budget provides a \$25 million tax  
24 reduction for upstate manufacturers, which will

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1 help to reverse this trend.

2 In addition, reducing corporate income  
3 taxes and \$680 million toward the Buffalo Billion  
4 in this year's budget will help to strengthen  
5 Buffalo, western New York and the state as a  
6 whole.

7 This year's budget threatens over a  
8 decade of significant brownfield redevelopment,  
9 however, by defunding the Brownfield Opportunity  
10 Area Program and significantly reducing the  
11 Brownfield Cleanup Program's development tax  
12 credits.

13 Brownfield Opportunity Areas, or BOA  
14 funding, was not included in this year's budget.  
15 Buffalo's abundance of contaminated former  
16 industrial sites, combined with still-challenging  
17 regional economic conditions, makes the BOA  
18 program a critical component for redevelopment in  
19 the city.

20 Buffalo has been very successful in  
21 employing the BOA program to the benefit of its  
22 residents. The city has been awarded four BOAs  
23 to date where revitalization and reinvestment are  
24 taking place.

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1 A master plan developed under the  
2 South Buffalo BOA was instrumental in attracting  
3 a \$1.5 billion private investment and \$225  
4 million in state investment to the Buffalo  
5 High-Tech Manufacturing Innovation Hub at  
6 Riverbend. This development wouldn't have been  
7 possible without the BOA program. The 90-acre  
8 site was the former location of Republic Steel  
9 and Donner Hanna Coke, and with the help of  
10 Governor Cuomo will soon support 850 good-paying  
11 jobs in the green economy, with the expectation  
12 of another 4,150 jobs at the site over the next  
13 five years.

14 The BOA plans are also targeted to  
15 improve the surrounding communities, providing an  
16 opportunity for these neighborhoods to take  
17 advantage of the economic growth that is  
18 occurring. I request that the modest funding for  
19 this important program be continued in the state  
20 budget. While the Governor's reform and  
21 extension of the Brownfield Cleanup Program is  
22 welcome and encouraged, proposed restrictions  
23 will be detrimental to development efforts in  
24 upstate and Buffalo in particular.

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1 The majority of the tax incentives  
2 realized from the Brownfield Cleanup Program come  
3 from the value of the total project costs rather  
4 than the costs of remediation alone. Without the  
5 tax credits, many development projects in Buffalo  
6 would not have taken place. An example of this

7 is the \$172 million Buffalo Sabres' HarborCenter  
8 Project. Further, having redevelopment credits  
9 available only to sites that have been vacant for  
10 a decade will delay redevelopment of brownfields  
11 rather than make them attractive to developers  
12 now.

13 A development tool that Buffalo would  
14 like added to the budget is the RESTORE NY  
15 program, which was developed by the State  
16 Legislature under the leadership of Assembly  
17 Speaker Sheldon Silver. This program has been  
18 perhaps the most transformative initiative in the  
19 last decade in terms of revitalizing  
20 neighborhoods in the City of Buffalo. Buffalo  
21 has lost more than 50 percent of its population  
22 since 1950, leaving vacant manufacturing,  
23 industrial and residential structures throughout  
24 the city.

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1 As you may know, the City of Buffalo has  
2 one of the highest rates of vacant property in  
3 the nation. Many of the structures are blighted  
4 and unsalvageable. These structures destabilize  
5 neighborhoods, bringing down the quality of life  
6 for our residents, and are often the sites of  
7 arson and other criminal activity. Moreover,  
8 blight deters private investment in neighborhoods  
9 and on commercial strips, especially when  
10 boarded-up properties are found on otherwise  
11 healthy blocks.

12 Targeted building rehabilitation and

13 strategic demolitions have been key components in  
14 the successful revitalization strategy that we've  
15 employed in the City of Buffalo.

16 I can tell you that when I took office in  
17 2006, there were more than 10,000 vacant  
18 structures. To date, over \$100 million in city,  
19 state, federal and private funding has been spent  
20 to demolish nearly 5,000 of these structures.  
21 However, there are still more than 5,000  
22 abandoned unsalvageable structures in the City of  
23 Buffalo. The average cost to demolish  
24 residential structures is between \$18,000 to

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1 \$20,000, and anywhere from \$50,000 to over \$1  
2 million for commercial properties. Over the next  
3 four years, the cost of demolishing the more than  
4 5,000 vacant structures remaining would be over  
5 \$185 million, if funding for demolition were  
6 available.

7 The cost of demolition can also be  
8 decreased by eliminating the asbestos  
9 notification fee. This is something that we have  
10 asked for in the City of Buffalo year after year.  
11 The asbestos notification fee adds between \$2,000  
12 to \$8,000 per structure, depending on the  
13 structure, each time a demolition takes place.  
14 This drives up the cost of property demolitions,  
15 thereby weakening the city's efforts to stabilize  
16 and revitalize certain neighborhoods.

17 The City of Buffalo would be able to  
18 demolish 50 to 60 additional structures annually



19 if this fee was eliminated.

20 Another vital area for our neighborhoods  
21 and our city is youth funding. Two important  
22 strategies in helping kids get the right start in  
23 life and keeping them on the right path are  
24 universal pre-kindergarten and quality

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1 after-school programs. I commend the Governor  
2 for including these priorities in this year's  
3 budget. The increase in state aid to our public  
4 schools will support increased student  
5 achievement.

6 For us, though, an equally compelling  
7 priority is restoring funding and support for  
8 youth employment programs. This is an important  
9 way to lift individuals and families out of  
10 poverty and into gainful employment. The State  
11 Budget should have a larger commitment to the  
12 TANF program which funds summer youth jobs. This  
13 program in Buffalo gives real job experience and  
14 real income to some of the poorest youth in our  
15 city and should be expanded.

16 The City of Buffalo has used these funds  
17 in combination with significant city resources to  
18 provide meaningful job opportunities to many of  
19 the city's neediest young people since 2006. In  
20 fact, Buffalo's city government spending on  
21 summer youth employment in 2013 is the highest in  
22 the city's history. So while we are asking for  
23 increased state support there, I want you to know  
24 that we have made it a priority to continue to

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1 increase city funding for summer youth  
2 employment.

3           Given the wide variety of financial needs  
4 the City of Buffalo has, I must request an  
5 increase in AIM funding.

6           with budget growth consistently under  
7 inflation, a 25 percent reduction in the  
8 workforce since 2000, and continued sacrifice by  
9 our employee unions, Buffalo has already made  
10 tough choices and tightened our belts. We  
11 continue to do more with less and have  
12 implemented scores of efficiency measures. It is  
13 critical for local aid to be increased so that  
14 the city's fiscal recovery is assured into the  
15 future.

16           Presently the city is highly dependent on  
17 state aid, with over one-third of all revenues  
18 attributable to state support. The city has very  
19 few alternative revenue sources other than the  
20 property tax, which I have committed to not  
21 raising in order to continue to improve the  
22 climate for residential and commercial investment  
23 in Buffalo.

24           with employee pension costs increasing by

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1 12 percent in the current year and many other  
2 costs growing well beyond the rate of inflation,  
3 persistent zero growth in state aid is  
4 jeopardizing Buffalo's hard-earned fiscal  
5 stability.

6 Another way we can lessen Buffalo's  
7 dependence on state aid is by allowing  
8 utilization of revenue opportunities that do not  
9 burden taxpayers, such as the elimination of the  
10 state practice of keeping certain locally  
11 generated revenue streams -- for example, motor  
12 vehicle moving violations, marriage licenses, and  
13 handicapped parking fees.

14 Finally, the City of Buffalo requests the  
15 same authority offered to its surrounding  
16 suburbs, the ability to adjudicate its traffic  
17 violations. New York State currently holds  
18 hearings in Buffalo without the option of a plea  
19 bargain system. If the City of Buffalo  
20 adjudicates traffic infractions in the city, it  
21 will implement a system that would allow traffic  
22 violators to have an option of a plea bargain,  
23 which could lead to traffic school. This system  
24 would offer two benefits to Buffalo residents

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1 currently enjoyed by our suburban neighbors: The  
2 violator would be allowed to attend traffic  
3 school, thus hopefully becoming a safer and  
4 better driver, and after attending school would  
5 not receive any points on their license, which in  
6 turn would not raise their insurance rates.

7 City of Buffalo residents already pay  
8 higher insurance rates, and this system only  
9 causes these rates to increase without any of the  
10 options that are offered in the surrounding  
11 municipalities.

12           Over the past eight years, my message to  
13 you has been: Give us the tools and we will make  
14 Buffalo a strong, vibrant city and an even  
15 greater asset to New York State. Through hard  
16 work and careful planning, progress has been made  
17 in Buffalo. We have worked to build a foundation  
18 for future growth and investment that must not be  
19 endangered by the loss of key state funding.

20           I want to thank you all for your time,  
21 and I wish you much success in the budget  
22 deliberations ahead.

23           Thank you very much.

24           CHAIRMAN FARRELL: Thank you, Senator.

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1           Assemblywoman Cathy Nolan.

2           ASSEMBLYWOMAN NOLAN: Yes, I do have a  
3 question. I assumed Crystal was going to go  
4 first, because anything when it comes to Buffalo,  
5 we're just soldiers in Crystal's army.

6           But my question was, first of all -- and  
7 I also want to say, I think that's someone who  
8 worked here a long time ago as your budget  
9 director. Am I not right?

10          MAYOR BROWN: Yes, I was in the State  
11 Legislature for --

12          ASSEMBLYWOMAN NOLAN: And you're from  
13 Queens originally.

14          MAYOR BROWN: -- for three terms.

15          ASSEMBLYWOMAN NOLAN: Yes. So it's good  
16 to have you back.

17          I just wanted to ask a little bit about  
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18 the schools, since I chair the Education  
19 Committee, and wondered if you wanted to talk a  
20 little bit about how you see the aid formula this  
21 year affecting your schools in Buffalo, and also  
22 the issue of who controls the schools and some of  
23 the issues that State Ed has raised with regard  
24 to the Buffalo City School District.

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1 But I'm happy if -- Crystal, I'd defer  
2 to -- if I can get my question out and then  
3 that's it. Okay? Thanks.

4 MAYOR BROWN: Thank you, Assemblywoman  
5 Nolan. I am certainly, as I indicated in the  
6 testimony, supportive of universal pre-K. I  
7 think it's important to give children an early  
8 start in their education. I'm certainly also  
9 supportive of the increased aid to public  
10 schools. I think that's critically important.

11 In Buffalo we have a dependent school  
12 district, and in our district the mayor has no  
13 authority over the management decisions that are  
14 made in the district, no authority over budgetary  
15 decisions of the district, even though the City  
16 of Buffalo provides 51 percent of its property  
17 tax levy to the Buffalo public schools.

18 And while I understand how critically  
19 important it is to support our public schools,  
20 the priority for me as mayor is to request an  
21 increase in AIM funding.

22 ASSEMBLYWOMAN NOLAN: Thank you.

23 CHAIRMAN FARRELL: Thank you. We've been  
Page 157

24 joined by Assemblyman Pretlow.

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1 Thank you. Senator?

2 CHAIRMAN DeFRANCISCO: Senator Liz  
3 Krueger.

4 SENATOR KRUEGER: Hi, Mr. Mayor. Nice to  
5 see you again.

6 MAYOR BROWN: How are you, Senator  
7 Krueger.

8 SENATOR KRUEGER: Some of us didn't  
9 forget that you served in the New York State  
10 Senate.

11 You talk about your desire to increase  
12 the asbestos notification fee. So tell me what  
13 that means as far as any concern about  
14 environmental hazards that might be taking place  
15 with the taking down of buildings.

16 MAYOR BROWN: You know, certainly we are  
17 concerned about being protective of the  
18 environment. Several years ago, we requested the  
19 elimination of the fee, as I came here to  
20 testify. And not only was the fee not eliminated  
21 at that time, it was actually doubled.

22 And our concern is the review that is  
23 done environmentally is pretty ministerial. We  
24 provide all the data, we provide all the

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1 documentation. Very rarely does an inspector  
2 come out to inspect -- hardly ever. And that is  
3 why we believe that this is a fee that could be

4 done away with, because the work that has to be  
5 put into it on the part of the state agency that  
6 oversees it we think is pretty minimal.

7 And because of the high number of  
8 demolitions that we have to perform,  
9 unfortunately, in the City of Buffalo that I  
10 inherited eight years ago when I was first  
11 elected mayor, our calculation is if that fee was  
12 eliminated, we would be able to achieve another  
13 50 to 60 demolitions annually.

14 SENATOR KRUEGER: And so the fee is  
15 actually not paid to the City of Buffalo, the fee  
16 is paid to --

17 MAYOR BROWN: It's paid to the state.

18 SENATOR KRUEGER: Paid to the state. But  
19 you don't believe that there's a gain from the  
20 city from that oversight and would rather have  
21 the ability to just move things going through --

22 MAYOR BROWN: We haven't seen much gain.  
23 We have a pretty robust program. As I indicated,  
24 we have a very high number of these vacant

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1 structures. We have a pretty intense program of  
2 assessing them, remediating them, and removing  
3 them.

4 We do provide reports to the state, but  
5 there are not inspectors that come out. You  
6 know, perhaps that is because we have operated a  
7 good program, and I guess I should be very  
8 thankful for that. And, you know, I'm not  
9 inviting, you know, additional oversight and

10 inspection. But we do think it is a fee that  
11 could be eliminated or certainly dramatically  
12 reduced.

13 SENATOR KRUEGER: I'm sorry, Senator  
14 Martins is saying a bill that would address your  
15 problem went through committee today?

16 SENATOR MARTINS: Today.

17 SENATOR KRUEGER: Today.

18 MAYOR BROWN: I'm sorry, I --

19 SENATOR MARTINS: I happen to be  
20 sponsoring that bill to eliminate the fee, and I  
21 just wanted to let you know it went through  
22 committee today.

23 MAYOR BROWN: Oh, well, thank you very  
24 much, Senator Martins.

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1 SENATOR MARTINS: Congratulations, Mayor.

2 MAYOR BROWN: Thank you.

3 SENATOR KRUEGER: Just one quick  
4 follow-up question, Mayor. I agree completely  
5 with Buffalo's desire to adjudicate your own  
6 traffic violations, and I know that that's been  
7 floating around for a while. Do you know what  
8 the argument against you is that's preventing us  
9 from changing the law?

10 MAYOR BROWN: I'm not a hundred percent  
11 sure what the argument is against me. I know  
12 that when I was in the State Senate, I carried  
13 that bill. I think the bill is now carried by  
14 Assemblywoman Peoples-Stokes. It has passed both  
15 houses of the Legislature, I believe, and for



16 some reason it has not -- am I correct on that?  
17 Yeah, it has passed both houses of the  
18 Legislature, and for some reason we never get it  
19 across the goal line.

20 It does represent a significant ability  
21 to generate revenue. It would be in excess, we  
22 calculate, of \$3.6 million. And all of the  
23 surrounding suburban municipalities have the  
24 ability to adjudicate their traffic tickets.

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1 SENATOR KRUEGER: Thank you. Thank you.

2 MAYOR BROWN: Thank you.

3 CHAIRMAN FARRELL: Thank you.

4 We've been joined by Assemblyman Mosley.

5 Next to speak is Assemblywoman Crystal  
6 Peoples-Stokes.

7 ASSEMBLYWOMAN PEOPLES-STOKES: Thank you,  
8 Mr. Chairman.

9 I certainly want to welcome the mayor and  
10 his budget director, Donna. Welcome to Albany.  
11 We're happy to hear that the City of Buffalo --  
12 and I'm very proud that the City of Buffalo is  
13 doing better, but we still have a long way to go.

14 So you mentioned that you would like to  
15 see an increase in AIM. But if in fact you were  
16 able to get traffic adjudication and additional  
17 resources for summer youth, as well as the  
18 asbestos notification fees eliminated, that could  
19 be a significant amount of dollars all coupled  
20 together.

21 MAYOR BROWN: Yes, all of those things,

22 Assemblymember Peoples-Stokes, would be pretty  
23 significant for us in terms of increased ability  
24 to locally generate revenue.

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1 ASSEMBLYWOMAN PEOPLES-STOKES: So you may  
2 not need to have an AIM increase if you could get  
3 rid of some of the additional costs that are  
4 burdened on you by the state.

5 MAYOR BROWN: You are my Assemblymember,  
6 but I would not necessarily say that. We would  
7 still request an AIM increase.

8 ASSEMBLYWOMAN PEOPLES-STOKES: You would  
9 still need to have AIM dollars.

10 MAYOR BROWN: Yes.

11 ASSEMBLYWOMAN PEOPLES-STOKES: Hmm.  
12 Interesting.

13 On the education, I'm glad to hear that  
14 you support universal pre-K, because I think  
15 that's critical to not just our economy of today  
16 but, as stated by Mayor de Blasio a little  
17 earlier this morning, it's critical to the  
18 state's economy in the future that we properly  
19 educate our children.

20 And one of the reasons why we don't see  
21 improved economies is because everybody is not  
22 getting access to the same type of education. So  
23 it's the type of education that's going to be  
24 critical here; not just the fact that it gets

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1 implemented, but the quality of it as well.

2 So given that you said 51 percent of the  
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3 city's property tax collection goes to the school  
4 district -- and you have right now zero impact on  
5 what happens with that budget?

6 MAYOR BROWN: Yes. As mayor, I have no  
7 oversight authority, no management authority over  
8 the financial decisions of the school district.  
9 So as you indicated, even though the city  
10 provides 51 percent of its property tax levy to  
11 the Buffalo public schools, I have no ability to  
12 direct how that money should be spent.

13 Now, at times when the school district  
14 has gotten into some fiscal difficulty, like last  
15 year the school district had made a decision to  
16 eliminate instrumental music, the city came in  
17 with hundreds of thousands of dollars to restore  
18 instrumental music in the Buffalo public schools.  
19 We have put money in the budget to provide  
20 truancy officers and attendance teachers to the  
21 Buffalo public schools.

22 So there have been times when there have  
23 been specific needs for the schools that we have  
24 been able to work with the superintendent and the

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1 elected school board members to fund specific  
2 initiatives. But generally speaking, with the  
3 larger budget -- which now is almost twice that  
4 of the City of Buffalo -- we do not have the  
5 ability to direct spending at all.

6 ASSEMBLYWOMAN PEOPLES-STOKES: Well, you  
7 may know I actually have carried a bill for some  
8 time, and you might have carried the bill when

9 you were here, actually, to add a mayoral  
10 appointment to the school board so that the city,  
11 who is a large contributor, does have a voice at  
12 the table. I'm not sure what your feelings are  
13 about that sort of legislation now.

14 MAYOR BROWN: You know, we would  
15 certainly be supportive of anything that would  
16 give city government a greater voice in how  
17 spending decisions are made in our district and  
18 in how some of the policy decisions are made in  
19 the Buffalo public schools. You know, we  
20 certainly have been concerned about a variety of  
21 different issues, you know, whether it be student  
22 academic achievement or graduation rates. So I  
23 would certainly welcome that as an important  
24 step.

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1 ASSEMBLYWOMAN PEOPLES-STOKES: Okay. And  
2 on another topic, on the BOA funding, did you say  
3 that in this current budget, the way the Governor  
4 has proposed it, that that has been decreased or  
5 maintained at the previous level?

6 MAYOR BROWN: The BOA program as we know  
7 it, as is proposed in this budget, would  
8 essentially be eliminated. And I don't think  
9 that's --

10 ASSEMBLYWOMAN PEOPLES-STOKES: Not just  
11 changed in criteria, just totally eliminated?

12 MAYOR BROWN: It would essentially be  
13 eliminated.

14 So I would ask the members of the  
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15 Legislature to look at that. I think that is a  
16 program that provides some significant  
17 environmental protections. It provides  
18 communities that do have brownfields the  
19 opportunity to have tax incentives and other  
20 benefits to have those brownfields remediated.  
21 So, you know, we certainly would urge the  
22 Legislature to take a look at the BOA program.

23 ASSEMBLYWOMAN PEOPLES-STOKES: Okay. And  
24 lastly, just your thoughts on the citizens

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1 empowerment tax credits and the reorganization of  
2 those empowerment grants. Those are the grants  
3 that the Governor put in -- I think he put it in  
4 last year's budget as well -- encouraging  
5 citizens, municipalities to do more collaboration  
6 and offering tax incentives for it.

7 MAYOR BROWN: I'm sorry, I'm having a  
8 hard time hearing.

9 ASSEMBLYWOMAN PEOPLES-STOKES: The  
10 Governor's proposed budget actually encourages  
11 municipalities to collaborate and/or consolidate  
12 in the delivery of services and, by doing so,  
13 offers tax incentives, tax credits. So I'm  
14 interested in your thoughts on that.

15 MAYOR BROWN: I mean, I also have some  
16 concerns about that. You know, in the city,  
17 because of our fiscal history, you know, we have  
18 downsized the staff, we have budgeted very  
19 conservatively. Our level of spending, as cited  
20 recently by a New York State Comptroller's

21 report, has trended below just about every  
22 municipality in the State of New York. So we  
23 have been very fiscally conservative.

24 we have found consolidations within

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1 departments. We have found consolidations with  
2 our housing authority. We have found  
3 consolidations with our sewer authority.

4 whether or not this would actually  
5 provide real consolidation between Buffalo and  
6 other municipalities, like surrounding suburban  
7 towns and villages, I really question the impact  
8 of that. I don't think that that would really  
9 happen, and I think those communities would be  
10 penalized in funding. So I have some real  
11 concerns about that as well.

12 ASSEMBLYWOMAN PEOPLES-STOKES: Thank you,  
13 Mr. Chairman.

14 CHAIRMAN FARRELL: Thank you very much.  
15 To close, Mr. Walter.

16 ASSEMBLYMAN WALTER: Thank you, Chairman.  
17 Thank you, Mayor, for being here. You  
18 know, appreciate the great job that you're doing  
19 in the City of Buffalo, and I'm a strong believer  
20 that a strong City of Buffalo benefits the entire  
21 western New York region. So thank you.

22 There was a recent report that the  
23 Buffalo Fiscal Stability Authority is now costing  
24 city taxpayers over a million dollars per year.

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1 In your opinion, is that in line with the service  
2 that they provide? Or is it something that we  
3 need to take a look at on the state level?

4 MAYOR BROWN: Thank you very much for the  
5 question, Assemblyman Walter.

6 Our Fiscal Stability Authority Control  
7 Board has now moved into a dormant state. There  
8 is the same number of staff that there was. The  
9 control board is costing the same amount of money  
10 than it did when the city was in an active  
11 control period. And as you all know, the control  
12 board is a state construct.

13 However, I don't know, short of  
14 downsizing the staff, if there are any additional  
15 efficiencies that could be found in that  
16 organization. I think it costs a little more  
17 than a million dollars annually. Okay, I'm told  
18 that the prior year was \$720,000. I thank my  
19 commissioner of finance for having that right at  
20 the top of her head.

21 So I don't know really -- you know,  
22 certainly while I'm concerned about that, I just  
23 don't know where the efficiencies would be found  
24 unless there were layoffs.

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1 The other thing that I would add, and  
2 this is certainly a concern, the control board  
3 has been expressing concern that now because of  
4 the financial difficulty and concerns of the  
5 Buffalo public schools, that that could at some  
6 point trigger going back into a hard control

7 period. Obviously I would not want to see that.

8 But as the legislation has been  
9 developed, fiscal issues of the city or the  
10 district could trigger going back under hard  
11 control. And because of that, it, you know,  
12 might be prudent to keep the staffing at the  
13 level that it is now.

14 ASSEMBLYMAN WALTER: That might be  
15 something that we could take a look at perhaps  
16 amending the legislation that created this fiscal  
17 stability authority, if it does have to go into a  
18 control period specific to the school, that we  
19 make that change in the legislation that it would  
20 not affect its status vis-a-vis the city itself.

21 MAYOR BROWN: You know, Assemblyman, that  
22 certainly would be something we would like to  
23 see.

24 Initially when the control board was

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1 established in Buffalo, it was because of the  
2 fiscal challenges of the city government, not the  
3 school district. The city government has been  
4 able to come through those challenges. And while  
5 there's still work, we are considered fiscally  
6 much healthier than the school district.

7 And a few years ago I know that members  
8 of this honorable body did try to pass such  
9 legislation, and ultimately it was not  
10 successful, in separating the city and the school  
11 district for purposes of going back into a hard  
12 control period.



13 ASSEMBLYMAN WALTER: Great. Thank you  
14 very much.

15 MAYOR BROWN: Thank you.

16 CHAIRMAN FARRELL: Thank you.

17 Senator?

18 CHAIRMAN DeFRANCISCO: I have no  
19 questions. Just welcoming you back to Albany.

20 MAYOR BROWN: Thank you very much,  
21 Senator. And it was good seeing you in Buffalo  
22 not too long ago.

23 CHAIRMAN DEFRANCISCO: Yes, that was a  
24 very good hearing we had there, thank you.

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1 CHAIRMAN FARRELL: Thank you. Thank you  
2 very much, Mr. Mayor.

3 MAYOR BROWN: Thank you very much,  
4 everyone. Thank you.

5 CHAIRMAN FARRELL: The mayor of the City  
6 of Syracuse, Stephanie Miner.

7 CHAIRMAN DeFRANCISCO: You're on.

8 MAYOR MINER: Good afternoon. I want to  
9 thank Senator DeFrancisco and Assemblyman Farrell  
10 for giving me the opportunity to speak today on  
11 the proposed budget for 2014, and I also want to  
12 thank members of the Assembly and Senate who have  
13 joined us today to listen to Syracuse and the  
14 plight of other cities in New York State.

15 Syracuse is the smallest of the so-called  
16 Big 5 cities. And yet despite its size, we are  
17 the anchor of the central New York region, which  
18 some people say runs from Lake Ontario to

19 Pennsylvania and others would tell you runs from  
20 Canada to Pennsylvania. So it is a large swath  
21 of land.

22 And while we are the smallest of the Big  
23 5 cities, we have been able to utilize that as a  
24 benefit to allow us to be incredibly innovative

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1 in terms of modernizing our government. And so  
2 whether it has been initiating the first of its  
3 kind in this nation to implement the Say Yes to  
4 Education program -- and Say Yes to Education,  
5 for those of you who don't know, provides a whole  
6 host of academic, social, economic and health and  
7 family supports to the students and families of  
8 the City of Syracuse. And it starts with  
9 after-school programming and summer school  
10 programming and promises the families of  
11 students that if they graduate from a city high  
12 school that they will receive tuition-free  
13 college to any of the state schools and a number  
14 of private institutions as well.

15 And within that category you can see that  
16 we are a city that values education and values an  
17 innovative approach. And I would like to  
18 personally applaud Mayor de Blasio and Governor  
19 Cuomo for including universal pre-K in the budget  
20 this year.

21 Syracuse is a city on the move. We have  
22 had, in the past four years, record numbers of  
23 construction permits issued and cranes in the  
24 air, which have become, of course, the proverbial

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1 sign of a strong economic development. A number  
2 of these projects in Syracuse and Central New  
3 York were made possible through the Regional  
4 Economic Development Councils, and I want to  
5 thank all of you, as well as the Governor, for  
6 your support of this vital program.

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As I said before, Syracuse is a center of  
innovation. And we have tremendous workforce and  
intellectual capital in the clean energy,  
healthcare and higher education fields. And we  
have recently and continue to receive national  
recognition for our exciting work that we are  
doing. We were the only city in New York State  
to be designated as one of IBM's Smarter Cities.  
The EPA chose Syracuse and Onondaga County as one  
of the 10 cities nationwide to be recognized as a  
Green Infrastructure Partner based on our success  
in implementing green techniques to manage  
stormwater and our progress in making Syracuse  
and Onondaga County a more sustainable and  
livable community.

This past year the U.S. Green Building  
Council awarded the county executive, the  
Syracuse University chancellor and myself its

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Global Community Leadership Award for our  
collective commitment to greening the Syracuse  
community.

That recognition was just one of many  
recognitions that our community leadership has

6 gotten for the fact that we all work together.  
7 we are on the forefront of the government  
8 modernization commitment, and we have already  
9 implemented numerous shared services and  
10 consolidation efforts to make services more  
11 efficient and more dependable for the people of  
12 our community. So whether it's sharing the  
13 services of certain employees or consolidating a  
14 planning department or moving forward to transfer  
15 our attendance and payroll systems from pen and  
16 paper to a 21st-century data platform, we are on  
17 the forefront of doing that, a recognition that  
18 the Governor himself chose to point out in his  
19 state of the State.

20 And thanks to our state leadership  
21 allowing us to move forward on a Land Bank, we  
22 have also been innovative in looking at our  
23 property tax and vacant property issues.

24 This past year the City of Syracuse was

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1 able to fully implement the Land Bank with  
2 Onondaga County, and as a result of that we have  
3 seen the collection of our delinquent property  
4 taxes and fees increase by more than 69 percent  
5 in 2013.

6 As well as the fact that we now have a  
7 system for dealing with our vacant and  
8 dilapidated property. And this is a system that  
9 allows us to do much-needed repairs and  
10 renovation of our vacant properties and of course  
11 also serves as a real revenue-generating tool.

12 We are excited by what we have seen to date, and  
13 we think we will only see many more benefits  
14 going forward.

15 But despite all of these exciting  
16 accomplishments and initiatives, as  
17 Mayor de Blasio referenced in his remarks, we are  
18 in the midst of a fiscal crisis, like all  
19 governments, particularly city governments. It  
20 is a sign of the times that we live in. Yet  
21 unlike other government levels, cities bear the  
22 direct responsibility for providing vital  
23 services on which our residents, workers and  
24 visitors rely every day. Police and fire

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1 protection, water, trash and snow removal are  
2 obligatory functions of any healthy city.

3 And frankly, any transformative economic  
4 development investments would fundamentally  
5 wither away should the city be forced to  
6 discontinue delivery of these services.

7 As a city, we recognize that. And we  
8 have been doing our best to make the tough  
9 choices to cut our costs and boost our revenue.  
10 We have tightened our belt and, as I mentioned,  
11 consolidated services. We were the first in the  
12 state to pressure our tax-exempt institutions to  
13 pitch in for the costs of expensive city  
14 services. We have closed firehouses and senior  
15 centers. We have reduced our workforce. We have  
16 bargained with employees and asked them to  
17 contribute more to their healthcare. And

18 recently we sent a letter to all city police  
19 retirees requiring them to enroll in Medicare  
20 programs or to relieve the city of their  
21 healthcare expenses if they are employed by an  
22 employer who provides healthcare.

23 we have done all of this without state  
24 help. we have done all this because we have

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1 noncontrollable expenses that are crippling our  
2 ability to save ourselves from what appears to be  
3 impending insolvency.

4 Employee costs have skyrocketed and  
5 comprise approximately 73 percent of the city's  
6 overall expenses. In the past 10 years, city  
7 pension costs have grown by 400 percent, 71  
8 percent of which belong to police and fire. In  
9 order to pay for the city's pension and  
10 healthcare bills, we have engaged in many tough  
11 decisions and done what we can to increase our  
12 revenue and cut our costs.

13 But what we have also had to do is make  
14 the unfortunate decision of putting off many  
15 capital projects. This is an example of what has  
16 come to be called the "crowding out" effect.  
17 Skyrocketing spending on public employees and  
18 their pensions and healthcare reduces our  
19 government's capacity to make investments and  
20 deliver needed services.

21 Crowding out is especially tough on  
22 cities like Syracuse that have experienced big  
23 declines in property values, because property

24 taxes are a mainstay of its income.

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1 I must also remind you that with over 51  
2 percent of the properties in the City of Syracuse  
3 in a tax-exempt status, raising property taxes is  
4 an especially difficult decision. I would also  
5 hesitate to add that of those 51 percent of the  
6 properties that are tax-exempt, the State of New  
7 York is the number-one property owner.

8 In a recent letter to Governor Cuomo, I  
9 requested emergency funding for the city's most  
10 dire capital needs. None of these projects are  
11 sexy, but they are essential to providing an  
12 important quality of life to the people, visitors  
13 and others who come to Syracuse. They run the  
14 gamut from police cars to road reconstruction to  
15 parks facility repairs to water mains.

16 All of these are services that are vital  
17 to enhancing and enticing and increasing economic  
18 development projects. Without addressing our  
19 crumbling infrastructure needs, I fear that our  
20 multi-million-dollar construction and economic  
21 development investments will not be able to reach  
22 their potential or will indeed stop.

23 In addition to our crumbling  
24 infrastructure needs, we have also not hired the

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1 necessary employees that we need to hire in order  
2 to provide key services. We have currently 57  
3 vacancies in the police department, and we also

4 have significant vacancies in the fire department  
5 as well as our other city employee staff.

6 With the demands of an urban population,  
7 these vacancies are being felt by the people of  
8 my city and are constantly reminding me of how  
9 important it is to the overall safety and  
10 security that we be able to provide these and  
11 other services.

12 Just a few years ago it was common for  
13 water mains in our hundred-year-old system to  
14 break only in the winter with temperatures like  
15 we see outside today. In the past four years  
16 that I have been mayor, we have seen that change  
17 to a point now where water mains are breaking  
18 year-round. And if you can't deliver clean water  
19 to the people of the City of Syracuse or to the  
20 businesses of the City of Syracuse, spending  
21 millions on economic development seems fruitless  
22 to me.

23 As I said in the beginning of my remarks,  
24 I want to congratulate Mayor de Blasio and the

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1 Governor for putting forward a universal full-day  
2 pre-K program. I would also like to congratulate  
3 the Governor for including the P-TECH expansion  
4 as well, which is an innovative program that  
5 hopes to match high school students with needs in  
6 science and technology and engineering.

7 All of these educational initiatives are  
8 incredibly important, and they will have a  
9 positive impact on not just the students of my



10 city but also the families and, of course, as  
11 Assemblywoman Nolan said, for the people of New  
12 York State.

13 We have ambitious plans in our school  
14 district and we are working very closely with the  
15 leadership of our school district to move  
16 forward, despite the tremendous challenges of the  
17 Common Core implementation and the fiscal issues  
18 that affect the school district as well.

19 As mayor, I have an obligation to deliver  
20 services to the people of my city. And while I  
21 welcome with open arms economic development  
22 projects, it is becoming increasingly clear to me  
23 that we need to make sure that our basic needs  
24 are taken care of first before we can have

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1 meaningful and real economic development.

2 With Aid to Municipalities remaining flat  
3 for the past three years, it has become  
4 increasingly difficult, despite sharing of  
5 services and belt tightening, to accomplish those  
6 tasks. I ask that you continue to look at the  
7 economic model for cities and provide assistance  
8 for local governments, as New York State is only  
9 as strong as the cities that represent it.

10 Thank you.

11 CHAIRMAN FARRELL: Thank you.

12 Assemblyman Magnarelli.

13 ASSEMBLYMAN MAGNARELLI: Thank you,

14 Mr. Chairman.

15 Mayor, it's good to see you today.

16 MAYOR MINER: It's always good to see  
17 you, Assemblyman.

18 ASSEMBLYMAN MAGNARELLI: Let me just say  
19 this to begin with. I agree with you on the  
20 needs of the city and what you're trying to do.  
21 So I want to just say that because I'm not just  
22 going by it, okay.

23 But I'm looking at the budget, and you in  
24 particular know how I am, kind of dot the I's,

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1 cross the T's kind of a guy. I want you to know  
2 that as far as AIM is concerned, as far as  
3 infrastructure needs are concerned, those are  
4 things that I agree with you on wholeheartedly  
5 and will work hard to make sure that those things  
6 are at least addressed or looked at, at the very  
7 least, as we go forward in the budget.

8 There are some other things, though, that  
9 are in the budget that I just have to ask you  
10 about, if you've even heard of these or are you  
11 working on these. Okay?

12 First of all, there's the Citizens  
13 Reorganization and Empowerment Grants and Citizen  
14 Empowerment Tax Credits. Have we worked on any  
15 of those in the City of Syracuse?

16 MAYOR MINER: We have worked -- we. The  
17 City of Syracuse, as I said in my comments, has  
18 really been on the tip of the spear when it comes  
19 to consolidation and shared services, as you know  
20 well. But what we have found is that the amount  
21 of money that the state has traditionally

22 provided, normally through the Secretary of  
23 State's office, has not been enough to really  
24 encourage or help us with projects.

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1 As you may remember, and I addressed in  
2 my comments this year, last year we were trying  
3 to put together the funding to help us move  
4 forward on an information technology system. The  
5 goal with the information technology system would  
6 ideally be that at the end of this implementation  
7 that every government in Onondaga County would be  
8 on the same platform, so that we could have fewer  
9 people doing payroll and bill paying and more  
10 people providing direct services.

11 As we went to various folks in the state  
12 to ask for help, they said, "That's a great idea,  
13 and that's the kind of behavior we want to  
14 encourage." But they didn't have the necessary  
15 resources in order to help us put that forward.

16 So I say that to say that as somebody who  
17 has done this in the past and will continue to do  
18 it, I remind you that in order to encourage and  
19 really help support which is a very difficult  
20 task, to ask people to do things differently, or  
21 perhaps even think about giving up a job that  
22 they once had, that the more resources that you  
23 can put towards that, the better off the end  
24 product is going to be.

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1 ASSEMBLYMAN MAGNARELLI: Okay. So local  
2 government efficiency grants falls in the same

3 place, there's --

4 MAYOR MINER: We have -- and again, I say  
5 this respectfully, we have looked at those every  
6 year, and they just simply have not been enough  
7 money for us to qualify for or give us the  
8 resources in order to implement -- whether it's  
9 been consolidating our planning department,  
10 whether it's been consolidating the purchasing  
11 department, moving forward with the information  
12 technology, shared services, you know, we have  
13 quite a track record on this.

14 ASSEMBLYMAN MAGNARELLI: It's just not  
15 enough. Not that it's not a good idea, it's just  
16 not enough.

17 MAYOR MINER: Correct.

18 ASSEMBLYMAN MAGNARELLI: Okay. We've  
19 talked a lot this morning, especially with the  
20 mayor of New York City, about pre-K. The  
21 Governor provides \$100 million for statewide  
22 universal full-day pre-kindergarten for 2014-15,  
23 increasing by \$100 million each year and  
24 resulting in a total of \$1.5 billion over five

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1 years.

2 In your opinion, and as far as Syracuse  
3 is concerned, is this sufficient funding to  
4 provide access to full-day pre-kindergarten for  
5 all eligible children in Syracuse?

6 MAYOR MINER: What I can tell you is that  
7 we currently have 1400 pre-K seats across the  
8 school district where we work with outside

9 agencies, and we have waiting lists every year.  
10 And I cannot tell you because I haven't seen the  
11 breakdown of whether that's going to be  
12 sufficient for Syracuse.

13 And I also know, in talking with the  
14 superintendent, that there is a need for more  
15 state money in the general Syracuse City School  
16 District.

17 So I applaud and think it's important --  
18 and let me just say another thing somewhat out of  
19 character, not just as the mayor of the City of  
20 Syracuse but as a woman of a certain age who has  
21 friends and peer groups with children who are in  
22 that age group where they are trying to figure  
23 out how to keep their children safe before they  
24 go to school, with daycare and providing safe,

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1 affordable and thriving environments, that we as  
2 a state have not done well in terms of that  
3 particular group.

4 And universal pre-K will make a big step  
5 forward in providing for the mothers and the  
6 families of this state a safe place for their  
7 children to go where they will be able to thrive  
8 in an environment that is constructive.

9 ASSEMBLYMAN MAGNARELLI: That gets me to  
10 my final question, okay. The unrestricted school  
11 aid that's being given to our schools, is this  
12 enough to keep the schools in Syracuse solvent  
13 for the coming year?

14 MAYOR MINER: I don't believe it is. The  
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15 superintendent does not believe it is.

16 We have, as you know, a very high-needs  
17 district with, at one estimate, over 55 percent  
18 of the children who live in the City of Syracuse  
19 live in poverty. We have a huge population of  
20 English language learners, refugees, and students  
21 with disabilities. And the superintendent and I  
22 have talked about that the initial dollar amount  
23 that was put in for the City of Syracuse would  
24 not be enough.

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1 ASSEMBLYMAN MAGNARELLI: Thank you very  
2 much, Mayor.

3 Thank you, Chairman.

4 CHAIRMAN FARRELL: Thank you.

5 Senator?

6 CHAIRMAN DeFRANCISCO: Senator Martins.

7 SENATOR MARTINS: Mayor, good to see you  
8 again.

9 MAYOR MINER: Good to see you, Senator.

10 SENATOR MARTINS: Thank you.

11 Does the City of Syracuse offer universal  
12 kindergarten to all of its students currently?

13 MAYOR MINER: We do not. What we do is  
14 we have a certain number of slots and they're on  
15 first-come, first-served, and we always have a  
16 waiting list.

17 I would also say, towards that, that we  
18 have offered full-day pre-K and half-day pre-K,  
19 and there is no interest in the half-day pre-K.  
20 That for the families in the City of Syracuse,

21 half-day pre-K does not work, so there is always  
22 a waiting list for full-day pre-K.

23 SENATOR MARTINS: But for kindergarten,  
24 not just pre-K but for kindergarten itself, do

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1 you offer full-day kindergarten?

2 MAYOR MINER: Oh, I'm sorry, I  
3 misunderstood. Yes, we do.

4 SENATOR MARTINS: Because this past week  
5 when I went back to my district, I had an  
6 opportunity to sit with one of my  
7 superintendents, school boards, and a group of  
8 parents. This district doesn't offer full-day  
9 kindergarten.

10 And so I asked the question -- and  
11 certainly I think there may be an analogous  
12 situation in Syracuse -- "If we require full-day  
13 pre-K, how do you handle that on the local  
14 district level?" And being a local official and  
15 as a former local official myself, I would like  
16 the flexibility to be able to make those  
17 decisions for our own community and decide where  
18 those monies go, whether they're better spent on  
19 a full-day kindergarten or a full-day pre-K.

20 In this particular case they said, "we'd  
21 love to have it, but the reality is we wouldn't  
22 be able to afford it." And although they see the  
23 benefit of it, they would probably, if they had  
24 to, have a full-day pre-K, not offer kindergarten

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1 at all, and then bring the kids back for first  
2 grade, which seems absurd.

3 So when we talk about finite choices  
4 because we have finite resources, as a mayor, do  
5 you think the monies for your particular city  
6 would be better served -- and, frankly, for other  
7 communities, villages, towns, school districts  
8 around the state -- would be better served by  
9 increasing the amount of aid and allowing you the  
10 flexibility at a local level to decide how that  
11 money is spent, rather than requiring universal  
12 full-day pre-K all over the state?

13 MAYOR MINER: Well, Senator Martins, I  
14 think that that's kind of a barbed question.  
15 Because normally when questions like that are  
16 posed to me, what that means is we're not going  
17 to give you enough to do either and we're going  
18 to make you be the person who has to share that.

19 I would say to you that we can't afford  
20 not to do universal pre-K. We are losing an  
21 entire generation of young people. We have to,  
22 as I said, particularly with children who are  
23 born into poverty, they need that extra  
24 assistance to compete with their wealthier peers.

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1 There's been studies that have shown that this  
2 will do it.

3 I also said, you know, that it is  
4 important that we allow families a safe place to  
5 send their children in a thriving environment,  
6 and this will do it.



7 I think we as a state -- and the people  
8 of this state I believe would agree with me --  
9 that we should fund universal full-day pre-K as  
10 well as full-day kindergarten.

11 SENATOR MARTINS: I agree with you, by  
12 the way. I don't disagree -- if we have the  
13 resources to do it. In an ideal world, if we do  
14 great, should we allow our local officials the  
15 opportunity to make those decisions, or should it  
16 be another mandate that comes down from Albany.  
17 And I appreciate that.

18 Thank you, Mr. Chairman.

19 CHAIRMAN FARRELL: Thank you.

20 Assemblyman Pretlow.

21 ASSEMBLYMAN PRETLOW: Thank you,  
22 Mr. Farrell.

23 Welcome, Mayor. I have three simple  
24 questions for you. First, what percentage of the

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1 Syracuse tax levy goes to education?

2 MAYOR MINER: Approximately 69 percent,  
3 68 to 69 percent.

4 ASSEMBLYMAN PRETLOW: Sixty-nine percent.

5 MAYOR MINER: Yeah.

6 ASSEMBLYMAN PRETLOW: Okay. And there is  
7 some talk of a commercial casino opening, if not  
8 in Syracuse, close by.

9 MAYOR MINER: I don't think so.

10 ASSEMBLYMAN PRETLOW: No?

11 MAYOR MINER: No. Because the Oneida  
12 Nation is close by, and so --

13 ASSEMBLYMAN PRETLOW: I know, and my  
14 understanding is they signed off on it that it  
15 was okay if they got a piece of that action.

16 MAYOR MINER: Well, my understanding was  
17 that we were going to -- that the county was  
18 going to get funding as a result of sort of a  
19 nonaggression pact, if you will, that there  
20 wouldn't be a casino. But I may be mistaken.

21 ASSEMBLYMAN PRETLOW: Okay. There is  
22 some talk about it, and I do know that the  
23 Oneidas had come to some sort of agreement that  
24 would allow it, but I don't know if that's going

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1 to happen.

2 And my final question is, what would the  
3 cost of full-day pre-K be to your city?

4 MAYOR MINER: I don't have that answer.  
5 But I'd be happy to get that answer to you.

6 ASSEMBLYMAN PRETLOW: All right. Thank  
7 you.

8 MAYOR MINER: Thank you.

9 CHAIRMAN FARRELL: Thank you.

10 Senator?

11 CHAIRMAN DeFRANCISCO: Mayor, I have  
12 17 questions with six subparts to each one.

13 (Laughter.)

14 CHAIRMAN DeFRANCISCO: The first  
15 question, you've got your wish list here that you  
16 mailed to the Governor around Christmastime, or  
17 shortly after it, because it says "Merry  
18 Christmas." That list, are those all one-time

19 expenses that you're looking to have filled?

20 When you say \$2 million for this,  
21 \$5 million for that -- I think the total is  
22 \$13 million -- is that immediate needs that will  
23 be corrected with that money? Or is it something  
24 that will go --

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1 MAYOR MINER: No, these would all be --  
2 some of them would be recurring, but they would  
3 be immediate needs that would be corrected.

4 CHAIRMAN DeFRANCISCO: Okay. Number two,  
5 is the City of Syracuse -- and I should know  
6 this -- at its bonding limit now?

7 MAYOR MINER: We are not. We have -- and  
8 that's part of what has exacerbated this problem.  
9 Because we have been extraordinarily fiscally  
10 responsible, and that has been pointed out by  
11 Wall Street and the bonding houses. And in fact,  
12 this past year I was recognized as a trailblazer  
13 in public finance as a result of our fiscal  
14 responsibility.

15 We only bond what we can pay off. And as  
16 we are spending more of our discretionary income,  
17 to use a phrase, towards pensions and healthcare,  
18 we are able to spend less and less on our bonding  
19 needs. And so roads, instead of doing  
20 \$5.5 million every year, we're doing 3. With  
21 water mains, the same. And it just -- it has  
22 backed up to a point where it's reached crisis  
23 level.

24 CHAIRMAN DeFRANCISCO: Okay. And

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1 Senator Martins mentioned earlier, I think to  
2 Mayor Brown, about the concept that these were --  
3 at this point in time, and he knows more than I  
4 do, that we're getting close to the peak if not  
5 at the peak of these pension costs. Have you  
6 made projections as to when this pressure is  
7 going to start being relieved?

8 MAYOR MINER: Yes. We believe 2015 and  
9 then it will gradually escalate down. That's  
10 based on projections with numbers that we have  
11 used from the Comptroller's office and also our  
12 own budget projections.

13 But it doesn't drop off a cliff, it  
14 escalates down. Which is why, when you talk  
15 about this, this is not a continuing need, we  
16 believe. This is a crisis, and then once we can  
17 get back onto terra firma, if you will, we'll be  
18 able to pay for some of these.

19 CHAIRMAN DeFRANCISCO: Okay. And do you  
20 have any idea why that's happening? What's the  
21 logic behind the pensions going down, pension  
22 costs? Is it anything to do with the last two  
23 pension tiers, for example?

24 MAYOR MINER: We don't believe it is. We

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1 believe it's more of a function of the fact that  
2 the baby boomers will be retired and out of the  
3 system, that the system will have worked through  
4 the crisis of 2007 and 2008. So there's a whole  
5 bunch of cost factors that go into what is what's

6 called the arc. But there's no simple answer,  
7 it's a bunch of factors.

8 CHAIRMAN DeFRANCISCO: Okay. Great.

9 As a city resident, I'm not looking for  
10 you to bond, believe me. And I'm not looking for  
11 you to pay taxes. We'll see what we can do here.

12 MAYOR MINER: I appreciate it, thank you  
13 very much.

14 CHAIRMAN DeFRANCISCO: Thank you.

15 MAYOR MINER: And as your mayor, I'll  
16 make sure your garbage gets picked up, Senator.

17 (Laughter.)

18 CHAIRMAN DeFRANCISCO: No, it's -- you've  
19 been doing a good job. They've been doing a good  
20 job.

21 MAYOR MINER: Thank you.

22 CHAIRMAN DeFRANCISCO: Thank you.

23 CHAIRMAN FARRELL: Thank you very much,  
24 Mayor.

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1 MAYOR MINER: Thank you.

2 CHAIRMAN FARRELL: The mayor of the city  
3 of Yonkers, the Honorable Mike Spano.

4 Good afternoon.

5 MAYOR SPANO: Good afternoon.

6 Good afternoon, Chairman DeFrancisco,  
7 Chairman Farrell, members of the Senate and the  
8 Assembly, particularly my friends and former  
9 colleagues, and our Yonkers delegation: Senator  
10 Andrea Stewart-Cousins, Senator George Latimer,  
11 Assemblyman Gary Pretlow, Assemblywoman Shelley  
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12 Mayer. And thank you all for welcoming me here  
13 today.

14 Today my testimony will focus on  
15 particularly the City of Yonkers and obviously  
16 all of New York's cities, the challenges facing  
17 us, the partnership between the cities and the  
18 state, and the path forward to ensure that our  
19 cities, the state's vital organs, are healthy and  
20 thriving.

21 New York's cities, as you know, make up  
22 54 percent of the state's population. The Big 5  
23 alone account for 46 percent of the state's  
24 population. When you include the state's

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1 metropolitan areas, the numbers are even more  
2 revealing.

3 New York's cities have incredible  
4 economic potential. All across America, cities  
5 are redefining themselves as economic engines and  
6 centers for growth and prosperity. And for the  
7 first time in decades, cities outpaces the  
8 suburbs in creating jobs, and particularly the  
9 high-paying tech jobs that are fueling the new  
10 economy. And cities continue to attract young  
11 people and immigrant populations.

12 But cities also face unique challenges  
13 that set them apart from towns, villages or even  
14 counties. The financial burdens that threaten  
15 cities like Yonkers are structural and systemic,  
16 and they are growing. Increasingly dependent  
17 populations, health care costs, retirement costs,

18 labor policies, tax policies, growing educational  
19 needs and a deteriorating infrastructure all play  
20 a role in our current condition, and each must be  
21 addressed.

22 In the Big 5 cities -- and I'm going to  
23 skip this, but 1.8 million people live in  
24 poverty. But to go more to my city of Yonkers,

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1 we talk about Yonkers as being in the wealthy  
2 county of Westchester County. But in Yonkers,  
3 65 percent of our public school students live at  
4 or below the poverty level, and 75 percent of our  
5 students are eligible for free or reduced lunch  
6 programs.

7 In Yonkers we have, in one particular  
8 section of the city where we're trying to  
9 develop, we have nine homeless shelters in a  
10 four-block radius. Yonkers taxpayers -- not our  
11 neighbors in Bronxville, Scarsdale or  
12 Hastings-on-Hudson -- carry the financial burden  
13 for providing for Westchester's homeless. The  
14 costs of supporting these shelters fall squarely  
15 on Yonkers' taxpayers.

16 Twenty percent of Westchester's  
17 population, 40 percent of Westchester's  
18 affordable housing -- and many of it is  
19 substandard -- all in the City of Yonkers.

20 And while these are responsibilities we  
21 accept, we will continue to take care of our own.  
22 And this year alone we wrote and signed into law  
23 a historic affordable housing ordinance in the

24 City of Yonkers.

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1 A partnership has always existed between  
2 New York and its cities. The partnership is the  
3 recognition that cities alone cannot shoulder the  
4 burden of caring for New York's dependent  
5 populations, that the entire state has a stake in  
6 the success of our cities. The history of New  
7 York has shown that when our cities succeed, the  
8 state succeeds. But over the last few years, as  
9 New York and the country began to lift itself up  
10 from the depths of the Great Recession, we've  
11 moved from partnership to what some call  
12 push-down economics, the pushing of the burden  
13 from the federal government to the state  
14 government down to the cities.

15 As mayor, I see the direct result of cuts  
16 in AIM, school aid, CDBG and the impact of the  
17 sequestration. In Yonkers we've been cut to the  
18 bone -- and still cities are being asked to  
19 sacrifice even more. And when cities have to  
20 push down, the pain is direct. When cities have  
21 to cut, class sizes get even larger, streets  
22 become less safe, and seniors receive fewer  
23 services. These are life-sustaining services.

24 And when cities have to cut, young people

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1 suffer. When sports programs, art and music are  
2 all cut -- and they have been cut in the city  
3 that I am mayor -- our kids are left with



4 literally nothing to do after school. And we all  
5 know how critical those after-school hours are  
6 for kids.

7 I have tremendous respect for the work  
8 our legislators do in Washington and especially  
9 here in Albany. I've had the honor of serving as  
10 a legislator with many of you for as long as  
11 20 years. As a former colleague, I know these  
12 difficult choices weigh heavily on you. And  
13 today, as mayor, I am looking to Albany for a  
14 renewed partnership in keeping our residents safe  
15 and protecting our seniors, because cities cannot  
16 continue to push down. Asking one of my  
17 residents to cut a police officer or a teacher is  
18 like asking them, which limb would you want to  
19 cut off?

20 Reviving the partnership starts with an  
21 increase in AIM. Yonkers has taken a big hit in  
22 previous years with AIM funding levels. AIM  
23 funding is down, as you know. AIM is not a  
24 handout to municipalities; AIM is the recognition

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1 from New York State that we are in fact partners.  
2 And when the state walks away from its funding  
3 commitment, it signals to our residents that it  
4 is walking away from that partnership.

5 AIM funding and our costs are heading in  
6 two different directions. Costs go up, while AIM  
7 remains the same or goes down. According to our  
8 multiyear plan, the cost of employee fringe  
9 benefits is projected to increase from

10 \$127 million in 2014 to \$163 million in 2017.

11 This year Yonkers needs an increase in  
12 AIM that reflects the reality of our increasingly  
13 dependent populations and rising costs. Our city  
14 cannot afford another year of flat AIM funding.

15 I ask you that you reexamine the pension  
16 smoothing. In the face of inadequate AIM and  
17 rising costs, Yonkers is left with three options.  
18 We all know that. It's to cut, tax, or borrow.  
19 And like I said earlier, our residents have been  
20 cut through the bone and we cannot continue to  
21 push down any further.

22 Under the property tax cap, we can only  
23 collect \$6 million in additional revenue, not  
24 nearly enough to meet the demands of rising

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1 costs. That leaves borrowing.

2 Yonkers has no option but to take part in  
3 the state's pension smoothing plan and will  
4 borrow more than \$20 million this year from New  
5 York State's Retirement System. This year our  
6 pension bill is \$55.8 million plus an additional  
7 \$7.5 million in principal and interest payments  
8 from the past years' borrowing. The interest on  
9 pension smoothing alone puts us over the property  
10 tax cap.

11 Six out of seven of the city's labor  
12 unions have been without contracts since 2009.  
13 So these figures will increase significantly once  
14 those contracts are settled, leaving Yonkers with  
15 no choice but to begin to borrow, even as we

16 continue to cut, resulting in ever-increasing  
17 debt service to pay for the amounts borrowed.

18 The state must reexamine its  
19 pension-smoothing system and eliminate future  
20 interest charges at least for the Big 5 cities.

21 The constitutional tax limit threat --  
22 and I know some of the mayors talked about this.  
23 This is a very important issue, especially for  
24 the people of the City of Yonkers. On top of the

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1 cost of pensions, the city is also on a collision  
2 course with the 2 percent constitutional tax  
3 limit - obviously not to be confused with the  
4 2 percent property tax cap.

5 In Yonkers, assessed values continue to  
6 decrease each year, and the city's taxing  
7 authority has fallen from \$242 million in 2010 to  
8 just \$17 million in this year's city budget.  
9 Projections indicate that the remaining  
10 constitutional tax limit will be exhausted by  
11 2015, meaning that Yonkers will soon exhaust its  
12 ability to raise property tax revenues, the  
13 city's main source of revenue.

14 Take a look at the numbers of all the Big  
15 4 outside of New York City. They're frightening.

16 The elephant in the room, something you  
17 might have read about in the newspaper, is our  
18 school budget and the Board of Education's  
19 \$55 million overstatement that has buried  
20 Yonkers' students and taxpayers almost overnight.  
21 This month I learned that Superintendent

22 Pierorazio, who oversees Yonkers public schools  
23 with not very much oversight from the city as far  
24 as legally is concerned, mistakenly accounted for

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1 spin-up aid in the 2012-13 and 2013-14 school  
2 budgets. It's money that the superintendent  
3 accounted for in his budget, but it's money that  
4 never existed.

5 The Board of Education's budget error is  
6 the most immediate challenge facing our city, and  
7 it requires immediate attention. Yorkers'  
8 taxpayers alone cannot absorb the cost of this  
9 mistake - \$55 million dollars equates to a  
10 17 percent property tax increase, which the city  
11 doesn't even have the constitutional taxing  
12 authority to levy.

13 It would also be unfair for our students,  
14 who have already suffered from years of cuts to  
15 programs and teaching positions.

16 The immediate priority for us is to fill  
17 the hole, but we also have a responsibility to  
18 taxpayers, parents and students to ensure that  
19 these accounting errors don't happen again. The  
20 time has come to change how we operate the  
21 Yonkers Board of Education. And I will be coming  
22 to you later on, after the budget process, to  
23 talk about school governance as it pertains to  
24 the City of Yonkers.

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1 But let's talk more in depth about  
2 Yonkers schools. The school funding formula is

3 inherently unfair to Yonkers students. As a  
4 matter of fact, our schools receive less funding  
5 per pupil than Buffalo, Rochester or Syracuse.  
6 The burden of this unfair formula falls on  
7 Yonkers taxpayers, who spend more per pupil on  
8 education than the other three cities combined.  
9 Now, let me repeat that. Yonkers taxpayers spend  
10 more per pupil on education than Buffalo,  
11 Rochester and Syracuse combined.

12 Yonkers schools are growing. We're one  
13 of the few school districts of the Big 4, outside  
14 of New York City, that have seen growth. Because  
15 of this growth, we now have the largest class  
16 sizes among the Big 5 cities. And not  
17 surprising, it shouldn't surprise you that we  
18 have the highest teacher-to-student ratio out of  
19 the Big 5 cities.

20 In many Yonkers schools, our students are  
21 being taught in basements or libraries because we  
22 can no longer accommodate the number of new  
23 students. Yonkers' school buildings are the  
24 oldest in New York. The average school building

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1 is 73 years old. We have identified \$1.7 billion  
2 in school infrastructure needs that encompass  
3 every single school in the district. And  
4 included in that \$1.7 billion is \$300 million of  
5 infrastructure needs that is needed just to bring  
6 our schools up to what they call basic, basic  
7 safety codes.

8 It breaks my heart to see kids exercising  
Page 197

9 and playing in cafeterias or auditoriums, dodging  
10 lunch tables and chairs because they don't have a  
11 gym or because their gym was converted into a  
12 classroom.

13 our city needs new schools, period. But  
14 the system that governs our ability to finance  
15 the construction of new schools is inherently  
16 unfair. For Yonkers, the rate at which the state  
17 reimburses the city for school construction is  
18 about 60 percent. That's compared to cities like  
19 Buffalo, where the state is paying 94 percent of  
20 a \$1 billion school reconstruction plan which is  
21 nearing completion. Projects of similar scope  
22 are underway in both Rochester and Syracuse. And  
23 as you know, under that formula the state is  
24 paying for nearly all of it.

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1 The state's reimbursement rate is based  
2 on a flawed formula that says Yonkers is a  
3 wealthy city, because we're in Westchester  
4 County, and that its taxpayers can afford to  
5 build new schools and repair old ones. That's  
6 simply not true. In fact, we can't even ask  
7 taxpayers to fund school infrastructure projects  
8 because, as I mentioned earlier, Yonkers has  
9 already nearly exhausted its constitutional  
10 taxing authority. The city could not even afford  
11 the debt service on such projects.

12 our school district faces another  
13 challenge, as you know, where nearly one of every  
14 five public school students is an English

15 language learner. That's one of the highest  
16 percentages in all of New York State. And many of  
17 the students are coming to Yonkers not just as  
18 students who don't know English, but many have no  
19 prior formal education whatsoever. And as you  
20 can imagine, many very quickly end up in the  
21 special ed program, and at a cost five times what  
22 it would cost to educate the average child.

23 I have always maintained that the  
24 diversity of our city is our greatest strength.

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1 our school district is 80 percent minority, and  
2 our students hail from over 100 different  
3 cultures and nationalities. Families are coming  
4 to our city because in Yonkers they see the  
5 opportunity to achieve the American dream. But  
6 what kind of reality are we offering them if we  
7 don't give their sons and daughters an equal shot  
8 at success?

9 Despite all these challenges, our  
10 students have the highest graduation rates among  
11 the Big 5, at 72 percent. That's testament to the  
12 incredible work our public school teachers,  
13 administrators and support staff do day in and  
14 day out, often on their own time, spending their  
15 own money to buy supplies for their students.  
16 Given an equal chance and their fair share, I  
17 know our students will perform even better.

18 You know, when you look at the suburban  
19 school districts outside of New York's big  
20 cities, you start to see the full picture, that

21 we have basically two education systems in  
22 New York. In Williamsville, outside of Buffalo,  
23 the graduation rate is 94 percent. In Pittsford,  
24 outside of Rochester, the graduation rate is

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1 97 percent. In Fayetteville -- and I hope I  
2 pronounced that right -- outside of Syracuse, the  
3 graduation rate is 95 percent. And in my home  
4 county of Westchester, the graduation rates in  
5 the affluent suburban districts are 97, 98 and  
6 99 percent.

7         So public school education in New York  
8 State should not be a "pay to play" system. Our  
9 inner-city students are just as bright, just as  
10 talented, and just as creative as their suburban  
11 cohorts. The teachers and administrators in the  
12 cities are just as dedicated as those in the  
13 suburbs. The difference, quite frankly, is  
14 money. And it's time to once again try and level  
15 the playing field.

16         I am grateful that Governor Cuomo has  
17 proposed a 4 percent increase in funding for  
18 Yorkers' schools. But even with the increase,  
19 state aid is still lower today than it was before  
20 the recession. Even with that increase, our  
21 students still receive less than those in the  
22 other Big 4 cities. And I know all this sounds  
23 familiar. We've heard it. I've sat on that side  
24 and heard it from mayors talking from this table.

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1           These are the same problems that have  
2 plagued Yonkers well before I was mayor, and year  
3 after year. But this year we need a renewed  
4 partnership with the State of New York to  
5 decrease class sizes, decrease student-to-teacher  
6 ratios and build new schools. We need a reformed  
7 school funding mechanism that treats our students  
8 fairly, and we need it in this legislative  
9 session. We cannot wait any longer.

10           Despite all of our challenges, Yonkers is  
11 growing and our economy is improving. S&P  
12 recently upgraded Yonkers' bond rating to the  
13 highest we've seen in more than a generation.  
14 New development is on the horizon, and new  
15 businesses are opening in our city. Mindspark, a  
16 cutting-edge tech company, recently opened its  
17 new headquarters in Yonkers. They relocated  
18 160 high-paying jobs to our downtown waterfront.  
19 Kawasaki Rail Car continues to expand -- thank  
20 you, with the help of New York State -- and  
21 Yonkers' waterfront is becoming an arts center.

22           Yonkers continues to be one of the safest  
23 cities of its size in America. The FBI  
24 statistics show that out of the 111 largest

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1 cities in America, Yonkers ranks as the fourth  
2 safest. Yonkers is the safest city on the  
3 Eastern Seaboard.

4           Much of Yonkers' success has been made  
5 possible by the support of Governor Cuomo and  
6 this New York State Legislature, and especially

7 our delegation. The award-winning "daylighting"  
8 of the Saw Mill River has been called a model for  
9 other cities. This project, again, would not  
10 have been possible without New York State's  
11 support. I want to thank Governor Cuomo, the  
12 Regional Economic Development Council, and  
13 especially the members of our state delegation  
14 for fighting to get that funding available.

15 Under Governor Cuomo's leadership,  
16 New York State has made incredible progress over  
17 the last three years, finally making government  
18 work for the people, keeping taxes low and  
19 putting money back into taxpayers' pockets, and  
20 creating new jobs and opportunities for all New  
21 Yorkers. Those accomplishments didn't come easy,  
22 and I know it took a lot of hard work from all of  
23 you. But Governor Cuomo and the Legislature did  
24 not back away from the challenge, we know that.

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1 You embraced it, you took it on, and you won.

2 I truly believe that the next challenge  
3 New York State should embrace is the state of  
4 New York's cities. Governor Cuomo has described  
5 the cities as vital organs of the state which  
6 cannot be allowed to fail. "If the body is the  
7 state," the Governor said, "then cities are the  
8 organs."

9 With the state's support, I know Yonkers  
10 and New York State will succeed together. With a  
11 renewed partnership, I know Yorkers' best days  
12 are ahead. And yes, of course we face

13 challenges, but I have never been so excited  
14 about Yonkers; never been more excited about the  
15 future of New York State, and I look forward to  
16 working closely with you to ensure that our  
17 cities -- the state's vital organs -- are not  
18 only healthy, but thriving.

19 And I'm happy to answer any questions you  
20 may have for me, Commissioner Liszewski, or the  
21 budget director, John Delaney.

22 Mr. Chairman.

23 CHAIRMAN FARRELL: Thank you very much.  
24 We've been joined by Assemblywoman Fahy,

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1 Assemblyman Otis, Assemblywoman Mayer,  
2 Assemblyman McDonald, and Assemblyman Gantt. And  
3 Assemblyman Crouch.

4 SENATOR MARTINS: And on the Senate side  
5 we've been joined by Senator Stewart-Cousins and  
6 Senator Latimer.

7 Thank you.

8 CHAIRMAN FARRELL: Assemblyman Pretlow.

9 ASSEMBLYMAN PRETLOW: Thank you,  
10 Mr. Chairman.

11 And good morning, or now it's good  
12 afternoon -- it should have been morning --  
13 Mr. Mayor.

14 I know you've heard the expression "Be  
15 careful what you ask for, because you might get  
16 it." Well, you know, as you mentioned in your  
17 testimony, you sat on this side for many years,  
18 and it was a lot easier than sitting on that

19 side.

20 Based on what you have just told us, the  
21 City of Yonkers is looking at an over  
22 \$100 million deficit right now, 50 with the city  
23 and 55 -- I wasn't going to mention it, but you  
24 put it in here. So 55 with the school district?

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1 MAYOR SPANO: Right.

2 ASSEMBLYMAN PRETLOW: Is there any plan  
3 short of layoffs that the city is looking at now  
4 to start to rectify this? I know you're almost  
5 within your city's taxing limit. So if you  
6 eliminate the ability of doing a property tax  
7 increase, I think we have serious problems. So  
8 how does this get rectified?

9 MAYOR SPANO: Okay, let's go to the first  
10 thing first. The big problem facing us is  
11 obviously the Board of Education overstatement by  
12 the superintendent. What we're in the process of  
13 doing right now is to try and --

14 CHAIRMAN DeFRANCISCO: Excuse me. Can  
15 you put the mic closer? I was back there, and I  
16 couldn't --

17 MAYOR SPANO: Sure. How about now, is  
18 that better?

19 CHAIRMAN DeFRANCISCO: That's good.

20 MAYOR SPANO: What we're in the process  
21 of doing right now is trying to determine what  
22 the extent of that overstatement is, what does it  
23 really mean in real dollars. We know that he  
24 overstated both years, 2012-13 and 2013-14, one

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1 by \$26 million, I think the other one by \$28  
2 million.

3 But as they crunch the numbers, they'll  
4 obviously look to see where are surpluses and  
5 where were empty positions and all, and see what  
6 that true number is and how does the number  
7 affect us.

8 The Governor's Division of the Budget has  
9 been working with us. We know that the  
10 Comptroller's Office has been working with us.  
11 I've sent our finance team into the Board of  
12 Education to work with their finance team. Once  
13 we know what that true number is, then we'll know  
14 exactly what we'll be asking the Legislature for  
15 in terms of closing that immediate gap.

16 The other gap is something, as you know,  
17 that deals with either pension smoothing, which  
18 will probably take care of a good portion of that  
19 \$52 million. The other is an another \$10 million  
20 for certioraris that we traditionally borrow,  
21 even though we are in the process of doing a  
22 reval, which will end that practice, which is  
23 something we've tried to do.

24 And it's -- you know, just looking at the

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1 budget being the way it is, it's a \$1 billion  
2 budget. We think that it's not the time now to  
3 get everyone crazed. I think we can -- once we  
4 establish what the scope of the issue is, once we  
5 know where we are at the BOE, then we can deal

6 with the city side of the issue, which I don't  
7 think is insurmountable.

8 The Board of Education side is the one  
9 that kind of shakes us to the core because it's  
10 so mammoth. It's not a \$5 million problem, it's  
11 a \$55 million problem. But again, the finance  
12 staff of the Board of Education is not all that  
13 helpful and they're not very, very clear as to  
14 what their true numbers are and what those  
15 numbers really mean. And that's what we're  
16 attempting to find out now.

17 ASSEMBLYMAN PRETLOW: And what percentage  
18 of Yorkers' tax levy goes to the Board of  
19 Education?

20 MAYOR SPANO: Seventy percent.

21 ASSEMBLYMAN PRETLOW: Seventy percent?

22 MAYOR SPANO: Uh-huh.

23 ASSEMBLYMAN PRETLOW: Do you feel like  
24 Sisyphus sometimes?

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1 MAYOR SPANO: Do I feel like what?

2 ASSEMBLYMAN PRETLOW: I said do you feel  
3 like Sisyphus sometimes --

4 (Laughter.)

5 ASSEMBLYMAN PRETLOW: -- pushing the rock  
6 up the hill and you can't get to the top, you get  
7 pushed right back down.

8 You know, for many years -- I think I  
9 said this last year when you came before us --  
10 Ridge Hill was going to save Yonkers and you'd  
11 never be back asking for anything. As a matter

12 of fact, you'd been offering to pay back some of  
13 the past loans that the state had advanced to  
14 Yonkers. And it seems that every year it gets  
15 worse and worse.

16 I think that we can get out of this. The  
17 number of children living in poverty in the city  
18 school district is above 50 percent?

19 MAYOR SPANO: Sixty-five percent.

20 ASSEMBLYMAN PRETLOW: It's 55 percent?

21 MAYOR SPANO: Sixty-five.

22 ASSEMBLYMAN PRETLOW: Sixty-five percent?

23 MAYOR SPANO: Sure.

24 ASSEMBLYMAN PRETLOW: And you are working

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1 on doing the reval. Because that won't fix your  
2 tax problem, but that will fix the certiorari  
3 problem.

4 MAYOR SPANO: That's right.

5 ASSEMBLYMAN PRETLOW: And that's fairly  
6 serious.

7 MAYOR SPANO: And you make a very good  
8 point too about Ridge Hill. We are attempting to  
9 build our way out, and we have actually made  
10 great strides there. I mean, our sales tax  
11 revenues are up, the sales of homes, while the  
12 price of homes is down, the sales of homes are up  
13 pretty significantly. So we're getting  
14 additional revenues there. The taxes are up.  
15 Everything is up across the board, but nothing is  
16 keeping pace with the costs, with the rising  
17 costs.

18           And then of course the other side of the  
19 coin is we're almost a victim of our own success.  
20 People are viewing Yonkers as a place you want to  
21 come live in, you want to come educate your  
22 children. And that's a good thing. We like  
23 that. But we're growing at a thousand or 1500  
24 students a year, and you know that there are some

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1 school districts in New York that don't have a  
2 thousand kids in it. And so now we have 27,000.  
3 We're quickly becoming the third, we may become  
4 the third-largest school district in short order.  
5 And why? Because people want to come here.

6           But the problem is the costs associated  
7 with that increase, they're not keeping up. And  
8 that's a burden that the taxpayers locally have  
9 to bear. And we understand it, we do it, we've  
10 been doing it for a long time. That's why when I  
11 talk about those numbers, I say no disrespect  
12 over in Syracuse, Rochester, Buffalo, but if you  
13 actually add up the local contribution from those  
14 three communities, their local contribution,  
15 added up, does not come out to as much as what  
16 the local contribution is of the Yonkers  
17 taxpayer.

18           And that's something that when you look  
19 at the fact that we are pretty near our  
20 constitutional taxing authority, it's not that  
21 we're the rich city everybody thinks we are,  
22 we're a city that there are issues that need to  
23 be addressed, and we need help.



24

ASSEMBLYMAN PRETLOW: And my last

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1 question, I have 16 seconds left, does Yonkers  
2 Raceway pay a PILOT or a property tax?

3 MAYOR SPANO: PILOT.

4 ASSEMBLYMAN PRETLOW: Thank you.

5 MAYOR SPANO: That was before I got  
6 there.

7 CHAIRMAN DeFRANCISCO: Thank you.

8 Senator Latimer.

9 SENATOR LATIMER: Thank you, Senator  
10 DeFrancisco.

11 Mr. Mayor, very good to be with you  
12 again. And also I note that members of the  
13 Yonkers City Council are with us as well today.  
14 We might actually have an illegal meeting here,  
15 but we'll pass on that, let counsel decide.

16 Mr. Mayor, just a couple of basic  
17 questions to frame on the municipal side. This  
18 budget that's before us has no increase in direct  
19 aid to the City of Yonkers, is that correct as  
20 you understand it?

21 MAYOR SPANO: That's correct.

22 SENATOR LATIMER: Can you give either an  
23 exact or an estimate of what the municipal-side  
24 pension cost increase will be for your budget to

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1 come over what it was in the prior year, either  
2 in round numbers or in some percentage?

3 MR. DELANEY: One thing I do know is

4 we're probably going to, similar to this current  
5 year, borrow \$22 million. And in terms of  
6 growth, I'd have to look. As you know, the  
7 pension rates went down but wages continue to go  
8 up, especially since we just settled with the  
9 PBA. So it will be even higher, the amount that  
10 we have to borrow.

11 SENATOR LATIMER: Well, the companion  
12 question to that, based on whatever your tax  
13 base, if you honor the tax cap in your next  
14 budget at 1 point whatever that percentage is --  
15 I understand it's going to be the cost of living,  
16 so it will be under 2 percent. But if it's 1.66  
17 or 1.46, whatever numbers I've heard, how much  
18 money does that projectively generate to you?

19 And the reason why I ask these questions  
20 in comparison is that with one number we're  
21 saying we have no additional direct state aid; in  
22 the next number we're saying that you're going to  
23 have this much of an increased pension  
24 responsibility, which is mandated by us in the

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1 state, and in the next number we're trying to  
2 determine under the tax cap how much more money  
3 you can generate in revenue through your local  
4 property taxpayers.

5 And I'm interested, if it's not available  
6 today, in a comparison of those numbers, which I  
7 suspect will show me that your pension costs are  
8 increasing faster than the additional tax cap  
9 resources that you will have available to you.

10 If you know those numbers now, that's helpful.

11 If not, I guess we'll find that going forward.

12 MR. DELANEY: Well, I know that growth, I  
13 believe the rate of inflation was about  
14 1.5 percent, was 1.6. And so that will knock us  
15 down from this \$6.6 million we'd normally, you  
16 know, raise from 2 percent.

17 We also have a PILOT. And if you have  
18 any increases in PILOT, you have to back those  
19 out. So we'll probably be able to raise taxes  
20 only a little over 1 percent, so that's a little  
21 over \$3.3 million.

22 SENATOR LATIMER: Mr. Chairman, if I  
23 may, just two more questions and then I'll be  
24 finished.

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1 You did move forward on the Governor's  
2 proposal for pension smoothing. What was the  
3 beneficial impact to your budget of having made  
4 that decision?

5 MR. DELANEY: It allowed us to basically  
6 borrow \$1.8 million more and push it out two more  
7 years. So instead of borrowing \$20 million, I  
8 guess we're borrowing \$22 million.

9 SENATOR LATIMER: So that tool was made  
10 available to you by the state and you used that  
11 tool, to the best of your availability to use it.

12 MR. DELANEY: Mm-hmm. Absolutely.

13 SENATOR LATIMER: On the school side --

14 MAYOR SPANO: And just saying that we  
15 appreciate that tool. That was a very important

16 tool in helping us deal with the budgetary issues  
17 as you remembered, especially a couple of years  
18 ago.

19 But once we embarked into that, there was  
20 no turning back. But it was, again, just a --

21 SENATOR LATIMER: But, I mean, obviously  
22 it's important, I think, to show that you're  
23 using every tool that we're making available to  
24 you. And if you've used that tool, that is one

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1 of the tools that has been made available.

2 On the school side, many of our urban  
3 districts around the state are having a decrease  
4 in enrollment. Can you again articulate what's  
5 happening to the enrollment in the Yonkers School  
6 District?

7 MAYOR SPANO: Yeah, our enrollment grew  
8 this year alone by over a thousand students. We  
9 expect it to exceed -- actually, we're expected  
10 in very short order, I think within the next year  
11 or two, to be at 30,000 students, potentially  
12 moving -- even though we're the fourth-largest  
13 city -- to the third-largest school district in  
14 the state.

15 There's a lot of movement into  
16 westchester schools. Yonkers, being in  
17 westchester, is getting that type of benefit. We  
18 like it, we like that people want to come and  
19 live in our community. But, you know, on one  
20 hand we like it, on the other hand we have to pay  
21 for it, and we're trying to figure that out.

22 SENATOR LATIMER: And my final  
23 question -- thank you, Mr. Chairman, for allowing  
24 these -- every area, every community has some

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1 different model of governance between municipal  
2 government and school districts. In some cases  
3 they're completely separate; in the case of New  
4 York City, there's mayoral control. And of  
5 course with each one being different.

6 Can you just describe the current status  
7 of the governance between the municipal side and  
8 the education side as it exists today? Because  
9 you are pointing out that there is a gap on the  
10 education side, but it's helpful to understand  
11 what the current governance model is.

12 MAYOR SPANO: And the way it works is the  
13 trustees -- who the mayor appoints, but they get  
14 appointed for a term -- I have yet to appoint a  
15 majority on that school board yet. So the mayor  
16 appoints the majority. They actually hire the  
17 superintendent. The first month or so after I  
18 became mayor, that majority actually increased  
19 the contract for the superintendent of schools  
20 out to its maximum of five years. So that was  
21 something that was done.

22 The reform I'm looking for is to have a  
23 little more of an eye on their books. That's  
24 really the big reform we're looking for. Also to

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1 see where we can consolidate. There are places  
2 we can consolidate. The Board of Education in

3 Yonkers, Yonkers municipal side, we have two  
4 human resources departments, we have two finance  
5 departments, we have two maintenance departments,  
6 we have two IT departments, two printers -- you  
7 know, printing departments. We don't need to  
8 have two of all of them.

9           And if we're able to gain a little more  
10 control, I'll be able to have a little more  
11 latitude, maybe a little more -- when we start  
12 talking about encouraging consolidation of  
13 services, I don't believe that the state law  
14 allows for the consolidation of services within  
15 -- I shouldn't say that they don't allow it. I  
16 don't think that it's being encouraged like it is  
17 with local municipalities coming together. That  
18 a good place for us to encourage shared services  
19 would be, in a big city like Yonkers, with its  
20 local Board of Education. That would help us  
21 twofold and, at the same time, would give us the  
22 opportunity to see what's going on in their  
23 books.

24           SENATOR LATIMER: Thank you,

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1 Mr. Chairman.

2           Thank you, Mr. Mayor.

3           CHAIRMAN DeFRANCISCO: Assemblywoman  
4 Mayer.

5           ASSEMBLYWOMAN MAYER: Thank you,  
6 Mr. Chairman.

7           And thank you, Mr. Mayor, and the rest of  
8 your staff, for being here. And thank you for

9 your leadership during a difficult time for us in  
10 Yonkers, unquestionably.

11 Back on the city side on the revenue, you  
12 mentioned a gross increase in the sales tax  
13 revenue and in personal income tax revenue under  
14 the Yonkers personal income Tax. Could you tell  
15 us how much each has increased over the past  
16 year? If you know.

17 MR. DELANEY: The sales tax went up about  
18 6 percent. And --

19 ASSEMBLYWOMAN MAYER: Sixty-nine million?

20 MR. DELANEY: No, 6 -- excuse me,  
21 6 percent. But that's actually in the ballpark.  
22 And what that would be is probably, you know, a  
23 few million on the numbers. It's about  
24 69 million.

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1 MAYOR SPANO: In total. Not an increase.

2 MR. DELANEY: In total, right.

3 ASSEMBLYWOMAN MAYER: In total, yes.

4 MR. DELANEY: The personal income tax, we  
5 were budgeted for I think \$36.3 million. We saw  
6 about \$40 million come in.

7 ASSEMBLYWOMAN MAYER: So it about  
8 doubled, is that what you're saying?

9 MR. DELANEY: No, excuse me. It went up  
10 from 36.3, I believe, to about 40. So whatever  
11 that is.

12 ASSEMBLYWOMAN MAYER: And on the request  
13 for additional AIM funding -- which as you know,  
14 many of us are very supportive of Yonkers getting

15 additional AIM funding -- one of the long-term  
16 issues in Yonkers has been traditionally the city  
17 did not contribute really its fair share. Under  
18 your leadership, that's increased.

19 what is the current percentage that the  
20 city contributes towards the school district's  
21 overall budget?

22 MR. LISZEWSKI: It's 70 percent,  
23 Assemblywoman Mayer, goes to -- 70 percent of our  
24 tax levy goes to the Board of Education.

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1 ASSEMBLYWOMAN MAYER: Right. That's not  
2 my question really. Of the city school  
3 district's budget, what percentage is paid by the  
4 city?

5 MR. DELANEY: Of the \$513 million, it  
6 would be -- we pay the debt service. That's  
7 \$22 million. We also have the maintenance of  
8 effort up to \$209 million. And also not really  
9 counted as part of that, we pay about 3 or  
10 4 million in workers' compensation costs for  
11 them.

12 So I don't know what -- the percentage of  
13 513. Whatever that adds up to, about 230 out of  
14 513.

15 ASSEMBLYWOMAN MAYER: About 230 out of  
16 the 513.

17 MR. DELANEY: Right.

18 ASSEMBLYWOMAN MAYER: Something like  
19 that.

20 MR. DELANEY: Yeah, mm-hmm.



21 ASSEMBLYWOMAN MAYER: Okay. I think one  
22 of the arguments to make is that the Yonkers  
23 schools, notwithstanding our past problems, have  
24 continued to do well from a performance

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1 standpoint, and in part because the city has  
2 contributed more, but without additional state  
3 funding we're at great risk, given our -- one,  
4 whatever the hole may be, and as well the other  
5 needs that the city has continued to meet.

6 So I just want to say that I think, you  
7 know, we have a lot of work to do to get the kind  
8 of funding Yonkers needs to meet the anticipated  
9 shortfall. And we expressed the other day, I  
10 just hope when we get to knowing the real number  
11 of the budget shortfall on the education side, we  
12 can work as a team to try to do the best we can  
13 to address that.

14 MAYOR SPANO: I will say this,  
15 Assemblywoman. I totally appreciate what you're  
16 saying. I think you're 100 percent right. We  
17 need to know what that true number is, and that's  
18 what we're working with the Governor's office on,  
19 with your office, with our respective offices, to  
20 find out what that true number is. Once we know  
21 what that is, then we know exactly how we can  
22 move forward.

23 But there have been a lot of great  
24 strides going on in Yonkers. There are a lot of

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1 great things happening in our city. Like I said,  
2 all the rating companies have moved us up --  
3 actually, four levels in two years. And they've  
4 done so because they see that we're transparent,  
5 they see that we're making changes, they've seen  
6 all that.

7 And, you know, I guess the biggest case I  
8 could make for some type of reform in governance  
9 is the fact that that can be changed in one  
10 afternoon when you have one particular person  
11 walk in and say, "Oh, by the way, sorry, I've got  
12 this little mistake I made here and you guys need  
13 to deal with it." And the taxpayers of the city  
14 are put in peril because of that. All of the  
15 taxpayers of the city are put in peril.

16 But we're going to -- you know, I'm a  
17 very positive person. We will deal with it, we  
18 will get through it. I'm hopeful that the State  
19 of New York can be helpful in that effort. I  
20 know you will be. And know that we don't take  
21 this lightly, we're moving very, very seriously  
22 to solve the matter.

23 ASSEMBLYWOMAN MAYER: Okay. Thank you,  
24 Mr. Chairman.

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1 CHAIRMAN DeFRANCISCO: Thank you.

2 Senator Smith.

3 SENATOR SMITH: Thank you very much,

4 Mr. Chairman.

5 Just very quick, Mr. Mayor. It's good to  
6 see you.

7 MAYOR SPANO: Nice to see you, Senator.

8 SENATOR SMITH: Everybody, all the rave  
9 is pre-K, universal pre-K. Can you tell us what  
10 the status of universal pre-K is in Yonkers? And  
11 given the Governor's formula of supporting  
12 universal pre-K, would that be sufficient for  
13 what you need to get in Yonkers?

14 MAYOR SPANO: It's part of what we're  
15 looking at right now. As you know, Yonkers has a  
16 half-day pre-K. We have no waiting list. We  
17 provide half-day pre-K for all the residents that  
18 are interested in it.

19 There is a desire for there to be a  
20 full-day pre-K. I know that the State of  
21 New York has made some funding available to the  
22 city, and I do appreciate that.

23 But at the same time, pretty much a day  
24 later the superintendent made this announcement

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1 about the overstatement in revenues. So putting  
2 first things first, we want to determine what the  
3 true scope is of the overstatement before we then  
4 move forward with the full-day.

5 But it's our desire, I know it's the  
6 desire of the delegation, certainly the desire of  
7 the city council and myself, to get full-day  
8 implemented in Yonkers. But we just -- we need a  
9 little more time to determine what -- it's only  
10 been a week now -- to determine what we're going  
11 to be dealing with in terms of the impact of the  
12 superintendent's overstatement.

13 SENATOR SMITH: Thank you very much,  
14 Mr. Mayor.

15 Thank you, Mr. Chairman.

16 CHAIRMAN FARRELL: Senator Martins to  
17 close. No, it's closed.

18 MAYOR SPANO: Great.

19 CHAIRMAN DeFRANCISCO: Thank you for your  
20 testimony, and we appreciate the answers to the  
21 questions.

22 MAYOR SPANO: Thank you, Mr. Chairman.

23 And thank you, fellow legislators.

24 CHAIRMAN DeFRANCISCO: The next speaker,

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1 from the City of Albany, is the Honorable Kathy  
2 Sheehan.

3 You're coming up here all alone?

4 MAYOR SHEEHAN: Yes.

5 CHAIRMAN DeFRANCISCO: It's very  
6 interesting. The two women mayors came up alone;  
7 everyone else had their people just in case.

8 MAYOR SHEEHAN: I'll let you draw your  
9 own conclusions from that.

10 (Laughter.)

11 MAYOR SHEEHAN: But in all seriousness,  
12 Senator DeFrancisco, thank you very much for  
13 inviting me here, and Assemblyman Farrell. I  
14 also want to acknowledge Assemblymember Pat Fahy  
15 and Assemblymember John McDonald, who represent  
16 the City of Albany.

17 I appreciate the opportunity to come and  
18 talk to you about your capital city. We are the

19 second-oldest chartered city in the nation, and  
20 we are a center for government, healthcare and  
21 higher education.

22 Those of us who live here think of Albany  
23 as a city of neighborhoods. And we have  
24 wonderful historic and diverse neighborhoods --

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1 but we also have neighborhoods that are  
2 struggling.

3 We have more than a thousand vacant and  
4 abandoned buildings and parcels. We have high  
5 vacancy rates in our commercial office buildings  
6 as well as retail vacancies.

7 And we also have significant challenges.  
8 This is a city where 25.4 percent of our  
9 residents live in poverty. I'll say that again.  
10 More than one in four of the residents living  
11 here in your capital city live in poverty. Sixty  
12 percent of the children in our schools qualify  
13 for a free lunch, and another 7 to 8 percent  
14 qualify for a reduced-price lunch.

15 We have a 49.2 percent graduation rate in  
16 our high schools, and about a 40 percent home  
17 ownership rate.

18 We've also seen a 7 percent reduction in  
19 our tax base since 2009. Our tax base has  
20 eroded, notwithstanding the investments that have  
21 been made at Nanotech, at Global Foundries. The  
22 City of Albany has seen a decline in its overall  
23 taxable tax base during that same period of time.

24 So the demographics for the City of

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1 Albany are on par with the four large cities that  
2 you're hearing from today outside of New York  
3 City. Yet our AIM per capita is about 69 percent  
4 lower than the next lowest city.

5 The tax base in Albany is unique, and I'd  
6 like to take this opportunity to explain to you  
7 why that is. We talk a lot about the fact that  
8 Albany, as the capital city, has a high amount of  
9 tax-exempt property. And if you look at page 7  
10 of the materials that I provided, you can see  
11 that 57 percent of the property in the City of  
12 Albany is tax-exempt.

13 But the story requires us to go a little  
14 deeper. The City of Albany has two different tax  
15 rates, a homestead rate for residences and a  
16 non-homestead rate for commercial properties.  
17 And if you look at the value of all the property  
18 in the city, only about 29 percent of the value  
19 is homes. But when you apply tax exemptions, it  
20 results in our homeowners being responsible for  
21 64 percent of the tax levy.

22 And so what that has done is it has  
23 driven not only a higher tax rate among our  
24 residents, who are supporting the infrastructure

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1 here, but it also places a much higher burden on  
2 that small percentage of commercial properties  
3 that are paying taxes. So when you look at all  
4 of the commercial property in the City of Albany,  
5 80 percent of it is tax-exempt. Eighty percent

6 of our commercial property is tax-exempt.

7 And what that has done is it has driven  
8 very high city tax rates. And I've provided you  
9 with a comparison, applying the equalization  
10 rates of the city tax rates for Buffalo,  
11 Rochester, Yonkers, Syracuse and then the Albany  
12 homestead and non-homestead rates. And so you  
13 can see that our property owners are paying a  
14 significant tax burden given the size of our  
15 city.

16 And also one of the challenges for the  
17 City of Albany is that property taxes make up  
18 32 percent of our budget, which is significantly  
19 higher than the other four cities that you're  
20 hearing from today outside of New York City.

21 And we face a significant challenge. We  
22 have a deficit of over \$16 million. It's  
23 approximately \$16.5 million, which is about  
24 10 percent of our budget. And at the end of this

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1 fiscal year, we're on a calendar fiscal year, our  
2 fund balance will be less than 5 percent of our  
3 operating expenses.

4 The costs for the City of Albany are  
5 similar to most cities: 74 percent is personnel,  
6 and benefits make up 68 percent of our salaries.  
7 And as you've heard from the mayors here today,  
8 it's just not sustainable.

9 We are deferring maintenance on roads  
10 that are estimated to be \$40 million alone, just  
11 for roads. We recently committed to updating and

12 upgrading our sewer system, at a cost of  
13 \$54 million to \$60 million, to comply with a  
14 consent order.

15 And as I said, our property tax burden is  
16 significantly higher than the other cities you've  
17 heard from today.

18 Another thing that I want to make sure  
19 that I talk about is sales tax revenue. Many  
20 people talk about the fact that we have all these  
21 great jobs in Albany, and believe me, we are  
22 proud and privileged to be the host of this great  
23 state's capital. But we share sales tax  
24 countywide, based on population, which means that

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1 a dollar spent in any of the municipalities in  
2 the County of Albany are shared across that --  
3 are shared equally. So we don't get any  
4 additional sales tax dollars from sales taxes  
5 collected in the City of Albany. It is shared  
6 countywide.

7 So what really drives the City of  
8 Albany's budget all goes back to the property  
9 taxes. The reason that we want people spending  
10 money in Albany is because they're patronizing  
11 businesses that are paying us property taxes.

12 So where does that leave us? We have a  
13 structural deficit, and we are going to be using  
14 virtually all of our fund balance in the 2014  
15 budget that I inherited. We cannot tax our way  
16 out of this problem. To stay within the 2  
17 percent tax cap, we can raise about \$900,000.



18           And as I've demonstrated, our tax rates  
19 are already uncompetitively high. When we are  
20 trying to attract development, residential  
21 development to downtown Albany, the financial  
22 reality that we are dealing with is that the  
23 average property tax per unit per year for  
24 apartments in this region runs from \$1800 to

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1           \$2400 per unit per year. If a developer wants to  
2 build apartments in Albany, they're looking at  
3 paying between \$4800 and \$5200 per unit per year  
4 in taxes on that exact same building. We cannot  
5 tax our way out of the situation that we are in.

6           So I have proposed three alternatives.  
7 I'm happy to take any. But in all seriousness,  
8 when I look at our revenue needs and when I look  
9 at what we're trying to do to get our control on  
10 costs, I want to make clear that we have  
11 requested authorization for a comprehensive  
12 review by the Restructuring Board.

13           All open positions have been placed on  
14 hold, and cuts will be made from the adopted 2014  
15 budget. I am reviewing all capital projects. I  
16 am also reviewing all programs, and we do expect  
17 to have to make cuts to the 2014 budget. But  
18 cuts alone will not help to bridge the gap that  
19 we are facing.

20           So in looking at the alternatives, one of  
21 the pieces of legislation that has been passed by  
22 the Senate and the Assembly in the past is a  
23 PILOT payment for the Harriman Campus. That's

24 330 prime acres in the city that are tax-exempt

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1 and held by the state. That PILOT request is  
2 \$11 million.

3 If we look at bringing parity to AIM, if  
4 you just looked at Albany's population and you  
5 increased our AIM to 50 percent of the mean of  
6 the other four large cities outside of New York  
7 City, that would be a net increase to our AIM of  
8 \$12.8 million. It would put Albany on par with  
9 Utica in the per-capita AIM aid that we would  
10 receive.

11 And we would also ask that you  
12 potentially consider Impact Aid. As the capital  
13 city, there is about \$3 billion worth of property  
14 that is tax-exempt because it is owned by the  
15 state. A 1 percent charge on that \$3 billion in  
16 property would result in a net increase of  
17 \$15 million in revenue to the city, crediting the  
18 19-a payment that we already receive of  
19 \$15 million.

20 Albany recently underwent a comprehensive  
21 planning exercise and created the Albany 2030  
22 Plan, a vision full of hope, a vision that  
23 imagines a city that thrives on its history, its  
24 diverse cultural, natural and institutional

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1 resources, and becomes a global model for  
2 sustainable revitalization and urban livability.

3 we want to make the capital city a

4 shining star for our state and for our country,  
5 but we need assistance to do so. And I look  
6 forward to working with you as mayor over the  
7 next four years.

8 And I'm happy to take your questions.  
9 Thank you.

10 CHAIRMAN FARRELL: Thank you very much.  
11 Questions? Senator?

12 CHAIRMAN DeFRANCISCO: Senator Gipson.

13 SENATOR GIPSON: Thank you for being  
14 here. Congratulations.

15 I just wondered if your administration  
16 had a chance to review the Governor's proposal  
17 for a tax freeze. And if you have had a chance  
18 to review that, if you could just give me some  
19 feedback on what your administration thinks about  
20 it. Will it help you, will it hurt you? What  
21 are your feelings about it?

22 MAYOR SHEEHAN: Well, from the city's  
23 perspective, given how uncompetitive we are with  
24 our current tax rates, based on the tax rates in

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1 our surrounding communities, we cannot raise  
2 taxes more than 2 percent. A tax freeze for us  
3 is really the reality that we're facing.

4 Because if we are to spur development  
5 downtown, if we're going to get our tax base  
6 moving in the right direction -- again, our  
7 commercial tax base has eroded 13 percent since  
8 the recession ended. In part, that's driven by  
9 our uncompetitive high tax rate. Our businesses

10 already pay a tax rate that's 60 percent higher  
11 than if they located their business just across  
12 the city line in Colonie or Bethlehem or  
13 Guilderland.

14 So from our perspective, as I've said  
15 numerous times when I was campaigning, we cannot  
16 tax our way out of this problem.

17 SENATOR GIPSON: The tax-freeze proposal  
18 has a component in it that would encourage you to  
19 try to share services. Have you shared services  
20 in the past? Do you know if Albany has made  
21 efforts in the past, say, year or two years to  
22 share services? And are you planning on looking  
23 into that in the future?

24 MAYOR SHEEHAN: Yes. Some efforts have

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1 been made in the past. I've been in office for  
2 about four weeks, and we are exploring working  
3 with the county and the other municipalities on  
4 opportunities to share services.

5 we have an independent school district,  
6 so there's also an opportunity for us to work  
7 more closely with the school district to identify  
8 savings as well.

9 SENATOR GIPSON: So if you were to look  
10 back at your past administrator -- the person who  
11 was in office before you, what they had done,  
12 let's just say that Albany had engaged in sharing  
13 services in the last two years and had been very  
14 successful in doing that, had saved the taxpayers  
15 money by doing that.

16 Do you think that they should get credit  
17 for that past sharing service effort in this  
18 current tax-freeze proposal?

19 MAYOR SHEEHAN: It seems to me, when I  
20 look at the progress that has been made in some  
21 other cities -- I know in Syracuse and in  
22 Rochester they have seen significant savings  
23 associated with sharing services. And that from  
24 the standpoint of looking and projecting out as

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1 to how much more can be saved, that they should  
2 be given consideration for the shared service  
3 savings that they've already realized.

4 SENATOR GIPSON: Okay. Thank you very  
5 much.

6 CHAIRMAN FARRELL: Thank you.

7 Assemblyman McDonald.

8 ASSEMBLYMAN McDONALD: Good afternoon,  
9 Mayor.

10 MAYOR SHEEHAN: Good afternoon.

11 ASSEMBLYMAN McDONALD: Welcome to Tin Cup  
12 Monday, your first one. This is week 4; it seems  
13 like you've got a good grasp of the numbers. It  
14 feels like you've been there for four years  
15 already.

16 I guess a couple of thoughts. First of  
17 all, in looking at the AIM comparison which  
18 you've laid out in your presentation, even when  
19 factoring in if some -- you know, some people  
20 will say, well, you get the 19-a money or  
21 whatever it is, it's still \$29 million a year.

22 You're still \$50 million below the City of  
23 Syracuse, which runs a distant fourth. Is that  
24 correct in that analysis?

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1           MAYOR SHEEHAN: That is correct. The AIM  
2 payment to the city, even if you factor in the  
3 \$15 million that we get in 19-a -- which was  
4 money that was meant to compensate the city for  
5 the loss of 98.5 acres in downtown Albany. But  
6 even if you factor that in, we're significantly  
7 below any of the other four larger cities outside  
8 of New York City.

9           ASSEMBLYMAN McDONALD: When we've talked,  
10 both Member Fahy and myself, around here about  
11 the AIM inequality, as we'll call it, for lack of  
12 a better term, the message back to us is, well,  
13 Albany gets all the jobs. And I don't know if I  
14 am totally in agreement with that. I want to get  
15 your thoughts on it.

16           I notice in your comparison the  
17 unemployment rates are not compared to other  
18 communities, but the poverty rate, I think in the  
19 first couple of paragraphs, kind of blew me away:  
20 25 percent poverty rate. Now, we can assume that  
21 the state capital city probably has a lower  
22 unemployment rate than some of the other big  
23 cities across the state. But the 25 percent  
24 poverty rate is much in line with these other

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1 communities, wouldn't you say?

2           MAYOR SHEEHAN: Well, in my experience  
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3 the unemployment in the City of Albany is seen in  
4 a great deal of underemployment. And we have had  
5 a growing graduation rate problem in the City of  
6 Albany. So we have a group of young people who  
7 are disaffected, who are probably not actively  
8 looking for jobs, who are living in the city of  
9 Albany.

10 so if you look at the children in our  
11 schools, where we're approaching 70 percent of  
12 those children qualifying for free or  
13 reduced-price lunches, we have a poverty issue in  
14 the City of Albany. We haven't talked about it,  
15 we haven't addressed it. And this is a city that  
16 almost doubles in population every day with  
17 people coming into the city to work. We do not  
18 have a municipal income tax. And as I said, the  
19 sales tax is shared countywide. So for the city,  
20 it all comes down to our tax base and our tax  
21 rates and the people who are paying property  
22 taxes.

23 so when I look at the job opportunities,  
24 they've been great for the region. And believe

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1 me, Nanotech has been a wonderful, wonderful  
2 partner in this region. But what is happening is  
3 the people are choosing to live right outside the  
4 city's boundaries and commute into the city to  
5 work, and it is resulting in our city becoming a  
6 far more challenging place to be able to run, as  
7 well as a far more challenging place in which to  
8 get an education and in which to provide the

9 services that people want.

10 But again, I'm hopeful because we do have  
11 opportunities that are presenting themselves to  
12 us with respect to the convention center and some  
13 other downtown development. But my concern is  
14 all of those things are going to be off the tax  
15 rolls completely, in the case of the convention  
16 center, or they're requiring significant tax  
17 incentives in order to get that development  
18 downtown. It's not going to realize any benefit  
19 for our tax base for many years to come.

20 ASSEMBLYMAN McDONALD: As you know, I'm a  
21 former mayor, so I'm a little bit gray on some of  
22 these items. But one of the bigger beefs -- and  
23 you mentioned about, you know, Nanotech. They're  
24 good things, and it would be great to see those

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1 jobs here in the Capital Region, if not directly  
2 having a full impact in the City of Albany. But  
3 we also have Albany Med, which is a regional  
4 trauma center, it's not just your local hospital  
5 just for the people who walk up the street.

6 So we have a lot of people traveling in  
7 and out of the city, I think it almost doubles,  
8 as you mentioned. Washington, Western, Central,  
9 who maintains those roads? Is that the city or  
10 is it the state?

11 MAYOR SHEEHAN: The city maintains all of  
12 the roads within the city limits. And we have  
13 deferred maintenance on many of our roads, we  
14 have an aging infrastructure.



15 I applaud the Governor's proposal to put  
16 forth a \$2 billion bond act to improve the  
17 technology in our schools. But I think as you  
18 heard from Mayor Miner, our cities have serious  
19 infrastructure needs that I believe should also  
20 warrant looking at how we can pay to rebuild and  
21 replace that aging infrastructure. This is a  
22 city that dates back to 1609 when Henry Hudson  
23 claimed it for the Dutch, and it feels like some  
24 of our water pipes are that old, because they

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1 break all the time.

2 But we have those significant challenges  
3 on maintaining that infrastructure, and about  
4 10 percent of the value of the property in the  
5 City of Albany is off the tax rolls because it's  
6 either healthcare institutions, which are  
7 regional benefits, or public housing, which is a  
8 safety net that we as a society have decided to  
9 provide. And so again, it's a regional benefit.  
10 But it is being subsidized, I would submit to  
11 you, by the taxpayers and disproportionately the  
12 residents of the City of Albany.

13 ASSEMBLYMAN McDONALD: Almost done.

14 I think in a prior conversation we talked  
15 about the fact that the city did take advantage  
16 of the pension opportunity last year to borrow.  
17 How many years has the city been borrowing on its  
18 pension costs?

19 MAYOR SHEEHAN: The city has borrowed  
20 every year that it has been allowed to. So our

21 current pension debt I believe is about  
22 \$14 million. So even as pension rates go down,  
23 we're going to have that money that is going to  
24 be added to that bill every year because we have

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1 to pay that back.

2 So as we continue to borrow for operating  
3 -- I'm a private-sector person so I really don't  
4 like borrowing for operating expenses. It just  
5 is -- it's not a healthy way to create a  
6 sustainable government going forward.

7 ASSEMBLYMAN McDONALD: Probably the most  
8 distressful thing I've heard from a couple  
9 different mayors today is that this has been a  
10 continued trend for the last three, four years,  
11 which is bringing us to the brink of  
12 unsustainability, particularly for our big  
13 cities.

14 Thank you.

15 CHAIRMAN FARRELL: Thank you.

16 Senator?

17 CHAIRMAN DeFRANCISCO: Senator Krueger.

18 SENATOR KRUEGER: Hi. Good afternoon,  
19 Mayor. Very nice to see you here as the new  
20 mayor of Albany. And yes, you have inherited a  
21 number of issues for yourself.

22 The one about the enormous amount of the  
23 property in the City of Albany being exempt, I  
24 suppose disproportionately because it's state

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1 property or it's being used by the state  
2 government, I'm curious, have you had a chance to  
3 look at what other state capitals do to address  
4 this more equitably for themselves? Or do we see  
5 this nationally as an issue?

6 MAYOR SHEEHAN: Well, you know, it's  
7 different, every state is different. But there  
8 are state capitals that do use this concept of  
9 Impact Aid, coming up with a formula to  
10 compensate the capital city for the impact of  
11 state government.

12 There are other states where they have  
13 the ability to expand. So if you look at  
14 Columbus, Ohio, for example, they grew their way  
15 out of being a state capital and were able to  
16 annex surrounding suburbs in order to grow their  
17 tax base.

18 We don't have that ability in New York  
19 State. And so when I look at the opportunities,  
20 it's either for the state to put some of its  
21 property back on the tax rolls -- and I'm a big  
22 proponent of developing the Harriman Campus for  
23 private use. I think it's a phenomenal location.

24 But we need a bridge. And I also

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1 certainly respect the state's trying to plan for  
2 its infrastructure needs and the needs that it is  
3 going to have for capacity, but I think either  
4 way we've got to find a formula so that we're not  
5 coming back time and time again, I think as  
6 Assemblyman McDonald said, with a tin cup.

7 I'm looking for a sustainable plan going  
8 forward. And when you look at the way that the  
9 AIM formula works and how much lower we are -- I  
10 mean, we get less AIM than Utica -- that we need  
11 to have a way to fill this gap that exists. I  
12 think the first step is admitting that there's an  
13 issue.

14 There's an issue here. And I've looked  
15 at the numbers every way that I can possibly  
16 analyze them, and it keeps coming back to the  
17 fact that there is a significant gap between how  
18 the state funds the City of Albany and how it  
19 supports the other cities in this state.

20 SENATOR KRUEGER: And do you know why  
21 Albany has historically gotten such a  
22 disproportionately low amount of AIM in  
23 relationship to your population?

24 MAYOR SHEEHAN: It's really not clear to

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1 me. I think that there was this conception of  
2 the jobs are here. And the city was doing well  
3 for many years.

4 But as the suburbs grew and as it became  
5 less expensive to live in suburban communities,  
6 we saw a real change in where our tax base was  
7 going and in the poverty levels and in the  
8 graduation rates and in all of the urban  
9 challenges that the other cities that you've  
10 heard from today are facing.

11 SENATOR KRUEGER: Just more a comment  
12 than a question, I agree with you that all of the

13 cities in upstate New York, Yonkers up, are  
14 seeing that they end up with the heavy  
15 responsibility for populations without access to  
16 the same kinds of opportunities and jobs, and  
17 people go in and out to the suburbs, so that  
18 you're providing the services, you're the cities  
19 that sometimes have the jobs, but people are  
20 commuting to them. And I think it does call upon  
21 us as a state to think through more equitable  
22 models of regional taxation and distribution.  
23 Because that problem isn't going away, and it's  
24 impacting not just your city, as you so

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1 articulately explained in your testimony, but all  
2 the cities here testifying today.

3 So I'm hoping we as a state could come up  
4 with a more equitable model of taxation that made  
5 sure that those who were providing the services  
6 and needed the funds had their fair opportunity  
7 to get them.

8 MAYOR SHEEHAN: I could not agree more.

9 And I believe that, you know, when the  
10 Governor talks about wanting to reduce the tax  
11 burden on businesses and on residents in the  
12 state, I wholeheartedly agree with him. But I  
13 think as we drill into the numbers of what's  
14 driving those high taxes in our municipalities,  
15 it is the property taxes. And we need some sort  
16 of relief that allows us to spread that burden  
17 more equitably.

18 SENATOR KRUEGER: Thank you.

19 CHAIRMAN FARRELL: Thank you.

20 Assemblywoman Fahy.

21 ASSEMBLYWOMAN FAHY: Thank you,

22 Mr. Chairman.

23 And welcome, Mayor. It's a true, true  
24 pleasure to have you here. And thank you for

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1 this testimony. It is obviously very compelling.  
2 As you know, I also live in Albany and work hand  
3 in hand with my colleague John McDonald.

4 I just want to pick up on a couple of  
5 things. One of the things, when I started here  
6 last year, that I walked around with to a number  
7 of members is a previous report that was done in  
8 2010 called "Capital Punishment." And it was  
9 based on the fiscal impact of state government  
10 here in the City of Albany.

11 And that's not to say that we are not  
12 proud, proud hosts of state government, but I  
13 just want to answer a question that may help jog  
14 some memories here in terms of AIM money and how  
15 did Albany get so disadvantaged by the AIM money.

16 And my understanding from this report is  
17 that in 2000 to 2001, the Big 4 cities -- Albany  
18 is -- it does not include New York City, so that  
19 would be the Big 5. And then Albany is No. 6.  
20 But the Big 4 beyond New York City received a  
21 74 percent increase when everybody else received  
22 a much smaller share.

23 Since then, many of those increases have  
24 been about the same for each, but that really

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1 disadvantaged Albany. And as you said, we get  
2 about -- similar amounts to Utica, to Schenectady  
3 and Troy, even when they are much, much smaller  
4 cities.

5 So this has been a serious problem. I so  
6 appreciate you pointing it out. And I think that  
7 it is something that we are going to need to  
8 continue to talk about. The AIM funding really  
9 puts us at a disadvantage.

10 Can you also, Mayor -- you briefly  
11 touched on our commercial tax base and how we  
12 cannot tax our way out of this. I say all the  
13 time that I love my house, but it's 3 bedrooms,  
14 1½ baths on a maybe 45-foot-wide lot, and I pay  
15 over \$9,000 a year. Can you talk a little bit  
16 about why we can't tax our way out of this and  
17 why 80 percent of our commercial tax base is  
18 tax-exempt?

19 MAYOR SHEEHAN: We have seen an interest  
20 in development in downtown Albany in particular.  
21 And the barrier to us being able to attract  
22 retail and to attract businesses to downtown is  
23 our unsustainable tax rate.

24 Even with a 10-year, and then developers

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1 started asking for 20-year and 30-year and even  
2 40-year PILOTS in order to smooth out the tax  
3 burden that they would face using our current  
4 property tax rates -- there is a complete  
5 disconnect. We are not even competitive with

6 other cites along the Eastern Seaboard.

7           So we have significant challenges in  
8 getting the types of services that we're going to  
9 need in the city to support more conventions  
10 here. People want to come and see you. That's  
11 the wonderful thing about being the state  
12 capital. And so when the New York State Library  
13 Association can't come here and have their annual  
14 meeting and then come over here and lobby you,  
15 there's a definite need in the City of Albany for  
16 that space.

17           But for us to be able to attract the  
18 hotels and the restaurants and the retail, our  
19 tax base is completely uncompetitive with what  
20 national retailers and even locally owned  
21 businesses can sustain.

22           So I have to look at how do we -- we are  
23 supposed to equalize our tax rates. We're  
24 supposed to have one tax rate. That was the

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1 goal. In 1997 a decision was made, when we went  
2 to full-value assessment, to create these two tax  
3 rates because homeowners were going to be up in  
4 arms. And so we created these two rates, and  
5 every year we were incrementally supposed to get  
6 closer.

7           We have never been further apart than we  
8 are now. Because decisions were made, when taxes  
9 were increased, to put 100 percent of that  
10 increase onto the nonvoting commercial property  
11 owners. And we have seen that instead of getting



12 closer together, we are getting further apart.

13 So we have to have a goal of getting to  
14 one tax rate. The only way to do that, and to do  
15 it in a way that isn't going to further burden  
16 our homeowners is we've got to either increase  
17 our base or reduce our levy or do a combination  
18 of the two. And that's the reality that we're  
19 facing.

20 And only 7.4 percent of our budget is  
21 covered by AIM. And the spin-up in the PILOT  
22 money that we were getting under 19-a was  
23 supposed to bridge us to a fairness, getting the  
24 AIM formula fixed. The AIM formula hasn't been

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1 fixed, the spin-up is gone, all we did was borrow  
2 from the future in order to bridge what was a  
3 structural problem that needs to be addressed.

4 ASSEMBLYWOMAN FAHY: One other  
5 significant comment that you made, I think on  
6 page 17, is that Nano -- again, while you say we  
7 are such proud hosts and the region has had  
8 tremendous growth under Nano, but you did say it  
9 has not resulted in an increase in Albany City's  
10 tax base, correct? So while it's benefiting the  
11 region and we know we've seen growth in jobs,  
12 that too has not helped the tax base, correct,  
13 Mayor?

14 MAYOR SHEEHAN: Right. Since the  
15 recession ended, our tax base is down 7 percent.  
16 Our commercial tax base is down 13 percent. When  
17 the denominator gets smaller and the numerator

18 doesn't change, the tax bill goes up.

19           So our businesses this year, under the  
20 2 percent tax cap, saw a 6.6 percent increase, a  
21 nearly 7 percent increase in their property tax  
22 burden.

23           ASSEMBLYWOMAN FAHY: Last comment or  
24 question. I commend you as a new mayor -- I know

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1 this was a big decision, but I do commend you for  
2 requesting authorization for this review with the  
3 new Financial Restructuring Board.

4           Any comments on what you hope to get out  
5 of that in terms of some relief or some  
6 additional ways to address this structural  
7 deficit?

8           MAYOR SHEEHAN: Yes. In part because of  
9 the budget challenges, the City of Albany has not  
10 invested in technology that would allow us to  
11 better understand our costs and find ways to save  
12 money. We are using a computer system that was  
13 purchased in 1998, and it was outdated when we  
14 purchased it.

15           So we need to get a better understanding  
16 of what is driving our costs so that we can be  
17 better stewards of the taxpayers' money. And I'm  
18 hopeful that the restructuring panel will see  
19 that, that they will allow us to use some of the  
20 funding that's available to invest in technology  
21 that will allow us to grow our services without  
22 growing our expenses and our costs.

23           We have a tremendous workforce in the  
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24 city of Albany. My goal is to make it the most

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1 productive workforce in the state. And I'm  
2 excited about what we can do if we have the  
3 resources and make those smart investments to get  
4 us on the path that will allow us to create that  
5 sustainable city government that I know this  
6 capital city can be.

7 ASSEMBLYWOMAN FAHY: Thank you, Mayor.

8 Thank you, Mr. Chairman.

9 CHAIRMAN DeFRANCISCO: Thank you.

10 I just want to tell you how happy I am  
11 that you're the mayor of Albany. Quite frankly,  
12 I was getting sick of seeing Jennings hanging  
13 around here all the time.

14 (Laughter.)

15 CHAIRMAN DeFRANCISCO: And it's always  
16 nice to get a good new perspective on things in  
17 Albany.

18 And I too want to mention that I do  
19 commend you for the same reason. A lot of people  
20 seem to think it's an admission of some type of  
21 failure by getting this help from the Financial  
22 Restructuring Board. But I don't see how there  
23 could be anything negative from it. You may  
24 learn something that will be helpful. It may

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1 move the state to do something more for you.

2 So it's, I thought, an excellent move,  
3 and it doesn't show any type of mismanagement or

4 anything else. It just shows that you're looking  
5 for the help, and that's the way to do it. So  
6 best of luck in your new position, and thank you  
7 for being here.

8 MAYOR SHEEHAN: Thank you. And thank you  
9 again for the invitation to be here. Thank you.

10 CHAIRMAN FARRELL: Thank you very much,  
11 Madam Mayor.

12 The Honorable Lovely Warren, mayor, City  
13 of Rochester.

14 MAYOR WARREN: Good afternoon.

15 CHAIRMAN FARRELL: Good afternoon.

16 MAYOR WARREN: Good afternoon. Thank  
17 you, Chairman DeFrancisco and Chairman Farrell,  
18 members of the committee and other distinguished  
19 members of the Senate and the Assembly. I'm  
20 Lovely Warren, mayor of the City of Rochester,  
21 and I'm honored to have this opportunity to speak  
22 to you on behalf of the residents and taxpayers  
23 of Rochester.

24 I want to acknowledge the dean of our

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1 Assembly delegation, Assemblyman David Gantt.

2 In his State of the State address just a  
3 few short weeks ago, Governor Cuomo candidly  
4 described upstate New York as being in a "cycle  
5 of decline" -- and the evidence of this is very  
6 clear in Rochester. The Rochester of today is  
7 far different from the Rochester of just a  
8 generation ago.

9 Rochester is a tale of two cities. One

10 city is vibrant, hopeful, wealthy, and highly  
11 livable. The other suffers from escalating  
12 unemployment, poverty, dysfunction -- the  
13 unemployment in some of our neighborhoods is  
14 higher today than it was during the Great  
15 Depression -- and a deficient educational system.

16 This divide has both immediate human  
17 consequences and short- and long-term economic  
18 consequences. The mayor's challenge -- our  
19 community's shared challenge -- is to bridge  
20 these divides so that all people feel there is  
21 hope for them and their children and we all feel  
22 that we have an equal stake in the future.

23 A recent report from the Rochester Area  
24 Community Foundation outlined the harsh reality

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1 we face, and the findings are a call to action  
2 that cannot go unanswered. Rochester is the  
3 fifth-poorest city in the country among the top  
4 75 largest metropolitan areas. We're  
5 second-poorest among comparably sized cities in  
6 those metro areas. We're ranked third for  
7 highest concentration of extremely poor  
8 neighborhoods among cities in the top 100 metro  
9 areas. We have the poorest urban school district  
10 in the State.

11 I believe that Rochester is a good  
12 investment. And while our challenges are great,  
13 our needs are pretty basic: Putting people to  
14 work; keeping our citizens safe; educating our  
15 children; creating a good environment so people

16 will want to invest, live and work in Rochester.

17           These are not pie-in-the-sky ideas. What  
18 I am talking about are the fundamentals of good  
19 government. Providing these basic things is the  
20 covenant we make with the people we serve when  
21 they elect us to public service.

22           As mayor, I am committed to leading the  
23 fight to overcome the challenges the City of  
24 Rochester faces. Top among those challenges are

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1 fixing our schools, making our neighborhoods  
2 safe, revitalizing the economic engines of our  
3 city, and putting people back to work.

4           To that end, I am here today to urge you  
5 to support fair and equitable investment in the  
6 City of Rochester so that we can stop the cycle  
7 of decline and realize the promise of a thriving  
8 city.

9           Rochester is a good investment. And with  
10 our beautiful waterways and world-class arts  
11 organizations, internationally recognized museums  
12 and brand names that are known worldwide, we are  
13 recognized as one of the crown jewels of the  
14 Empire State. We have a history of innovation, a  
15 strong base and a will to succeed. We have  
16 thriving colleges and universities.

17           According to Forbes Magazine, we are  
18 ranked fifth in the nation for patents per  
19 capita, and Business Insider reports Rochester,  
20 New York, is the "13th Most Innovative City in  
21 the U.S." Forbes also recognized Rochester as

22 the Fourth Most Affordable City, and Kiplinger  
23 named Rochester the Fifth Best City for Families.

24 Despite our challenges, the city of

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1 Rochester has been able to maintain ourselves  
2 fiscally; and we enjoy an excellent credit  
3 rating. We bring a collective resolve to face  
4 our issues head-on, but our progress is being  
5 hampered by many factors outside our control,  
6 primarily due to a persistence of inequities in  
7 state financial support.

8 Given the cycle of decline that has  
9 plunged Rochester from one of the most prosperous  
10 regions in the nation to one of the least  
11 prosperous, it is critical to Rochester's  
12 long-term survival that the state start to  
13 address some of these inequities this year.

14 Rochester is facing a \$37.5 million  
15 budget gap that will escalate in future years.  
16 Like other upstate cities, the City of Rochester  
17 faces structural financial challenges that limit  
18 our ability to address this gap without the  
19 state's assistance. Many of our residents are  
20 struggling just to meet their basic needs, so the  
21 City of Rochester will stay within the tax cap  
22 again this year.

23 I must point out that even a 2 percent  
24 property tax levy increase would generate only

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1 \$3.2 million. Clearly, this structural problem  
2 will not be solved by raising property taxes.

3 In Rochester, we have already begun to  
4 make difficult choices to cut programs to reduce  
5 our gap to \$27.9 million. The impacts of those  
6 decisions will be felt in every neighborhood,  
7 every corner of our city, by every man, woman and  
8 child who lives, works and goes to school in  
9 Rochester.

10 Two years ago testimony from the City of  
11 Rochester stated more than 29 percent of our  
12 city's families live at or below the poverty  
13 rate. Owner-occupied housing is under  
14 43 percent. The median family household income  
15 is a mere \$30,000 annually, and four out of five  
16 of our children are eligible for the free or  
17 reduced school lunch programs.

18 Sadly, as I sit here today to testify  
19 before you, little has changed. The City of  
20 Rochester has a significant concentration of  
21 poverty. As I mentioned earlier, we're the fifth  
22 highest in the entire country.

23 I support the Governor's proposal to  
24 provide universal pre-K to all children, and the

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1 increase in funding for after-school programs is  
2 an excellent initiatives. And I strongly support  
3 the Governor's New York Youth Works Program.  
4 Rochester's concentration of poverty is among the  
5 highest in the nation. Forty-six percent of our  
6 children live below the federally established  
7 poverty line, and some areas of our city suffer  
8 from rates of unemployment that are greater than



9 they were during the Great Depression.

10 Governor Cuomo recognized that the  
11 effects of chronic poverty are devastating to our  
12 children.

13 Pensions and medical insurance are the  
14 primary obligations that lock the city's finances  
15 in structural unbalance. While we have had some  
16 success in working with our unions to reduce  
17 costs, our medical insurance costs will be almost  
18 \$59 million and pension costs are projected to  
19 increase from \$5 million to \$49.2 million next  
20 fiscal year. Together these costs represent  
21 almost 25 percent of our entire city budget.

22 Last year we were forced to amortize  
23 rapidly escalating pension costs in order to  
24 mitigate the devastating impact on our budget.

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1 Governor Cuomo's pension reform enabled us to  
2 take advantage of the amortization option. Yet  
3 amortizing the pension costs only provided  
4 \$12 million of temporary relief. This temporary  
5 relief was appreciated, and we may have no choice  
6 but to pursue this again this year.

7 We are loath to take this step again.  
8 Pushing our obligations into the future is not a  
9 long-term solution. But without additional state  
10 support, we may have no choice.

11 We are resolved to do what we can to meet  
12 the challenge, including pursuing reductions and  
13 efficiencies. We respect and appreciate Governor  
14 Cuomo's efforts to incentivize funding to

15 municipalities by encouraging consolidation and  
16 intermunicipal agreements to reduce costs across  
17 the board.

18           our dilemma is that Rochester has already  
19 embraced this approach. Rochester and Monroe  
20 County have consolidated services and/or executed  
21 shared services intermunicipal agreements with  
22 our water authority, the 911 call center, the  
23 Rochester-Monroe County International Airport,  
24 the library system, and the Rochester City School

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1 District, as well as certain fire and social  
2 services, to name a few.

3           while there may still be opportunities to  
4 seek out consolidations in categories like sewer  
5 districts and lighting districts, many of the  
6 big-ticket consolidations have already taken  
7 place.

8           The fact that the City of Rochester has  
9 been ahead of the curve, so to speak, limits our  
10 current possibilities to realize any meaningful  
11 savings through this initiative. We believe that  
12 the situation in Rochester is an unforeseen  
13 consequence to an otherwise sound proposal, which  
14 we hope will be factored into our request for  
15 more equitable AIM aid.

16           Despite the City of Rochester's efforts  
17 to manage conservatively, workforce efficiencies  
18 are a mere fraction compared to our structural  
19 imbalance. We have secured almost \$45 million in  
20 efficiencies in the last 10 budget years. Still,

21 costs for the public safety alone are 42 percent  
22 of our total budget, and continue to grow, which  
23 is propelling us towards a crisis.

24 Rochester has already cut personnel and

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1 renegotiated our union contracts. The  
2 combination of relatively flat revenues,  
3 including AIM aid, the property tax levy, and an  
4 uncontrollable sales tax -- and the burden of  
5 unfunded mandates -- leaves us with few remaining  
6 options to adequately fund one of the primary and  
7 most basic responsibilities of government, to  
8 protect our people and their property.

9 A failure to do so not only endangers the  
10 well-being of our citizens, but also makes us  
11 less desirable as a city. Smart businesspeople  
12 will not locate their businesses or keep their  
13 businesses in municipalities that they do not  
14 trust are safe.

15 Absent new formula funding or some other  
16 direct funding route, one of the most immediate  
17 ways to help Rochester and other municipalities  
18 fund public safety services is to implement an  
19 equitable, need-based AIM aid formula, and  
20 mandate reform.

21 Unfunded mandates continue to place an  
22 unfair burden on municipalities. Just one  
23 example of many: Prior to 1992, a surcharge was  
24 collected on all fire insurance policies to

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1 reimburse local governments for code enforcement  
2 expenses. The justification for this surcharge  
3 was based upon the principle that proper code  
4 enforcement directly impacts life safety and  
5 property loss.

6 However, these funds have been diverted  
7 to the General Fund. The state continues to  
8 collect the funds from the insurers, but no  
9 longer shares the revenue with the localities,  
10 creating a hardship for the municipality.

11 Even as we continue to implement  
12 efficiencies and reduce costs, unfunded mandates  
13 remain a burden on cities. State aid has not  
14 kept pace with the burden of state mandates.

15 Rochester continues to have the highest  
16 Maintenance of Effort (MOE) and the lowest per  
17 capita Aid to Municipalities (AID) of our major  
18 upstate cities. Because of the state's MOE  
19 requirement, more than 70 percent of our tax levy  
20 goes to our school district.

21 It is time to take a new approach, a more  
22 equitable approach to AIM aid. The current  
23 system of AIM aid allocation is arbitrary at  
24 best -- biased at worst -- and certainly unfair

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1 to Rochester. For decades, the approach to AIM  
2 has pitted municipality against municipality,  
3 which is very unfortunate. It is time to replace  
4 the current flat rate system with a formula-based  
5 system that takes need and other factors into  
6 consideration.

7           The current system represents a  
8           perpetration of entrenched inequities that is  
9           inconsistent with the high standards of fairness  
10          the people of this great state deserve and  
11          demand. I call on our legislative leaders in the  
12          strongest terms to take up this task for the  
13          betterment of the entire state.

14                 In closing, we are committed to following  
15          the state's lead and make systemic changes to the  
16          way we do business on the local level, as you  
17          have done on the state level, but we must have  
18          the right financial tools to do so. Today I ask  
19          that you provide Rochester and other upstate  
20          cities with those tools.

21                 Simply said, New York State's approach to  
22          distributing aid to Rochester and other upstate  
23          cities and the level of aid being distributed are  
24          not meeting our needs.

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1           I started my comments today by telling  
2           you that the situation in Rochester is a call to  
3           action that cannot go answered, so this is my  
4           call to you. It is time to change the way that  
5           New York State supports municipalities. Let's  
6           make this the year that we finally stop talking  
7           about unfunded mandates and actually do something  
8           meaningful to relieve municipalities of the  
9           burden of unfunded mandates.

10                 Let's make this the year that we work  
11          together to come up with a needs-based AIM aid  
12          formula that provides equitable assistance to

13 all.

14 Let's make this the year that the state  
15 steps up to the plate when it comes to investing  
16 in public safety at the community level. Let's  
17 make this the year that we start making our  
18 cities strong and truly livable again.

19 I believe in Rochester, and I want you to  
20 believe in Rochester too. Rochester has many  
21 assets to build upon, and we need your help to  
22 make sure that the "cycle of decline" of which  
23 Governor Cuomo speaks does not become a vortex of  
24 despair. Let's seize this opportunity to rebuild

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1 our cities and restore the faith and pride the  
2 people of New York have in their local  
3 communities.

4 I appreciate your time and your  
5 attention, and I would be happy to respond to  
6 your questions. Thank you.

7 CHAIRMAN FARRELL: Thank you very much.  
8 Questions? Mr. Gantt.

9 ASSEMBLYMAN GANTT: Mayor Warren, you  
10 talked about what Rochester needs. Can you  
11 explain that to us a little better and tell us  
12 how you got yourself or at least how the city got  
13 itself into that position, given the Kodaks and  
14 the Xerox and Bausch & Lomb and some of those  
15 things that happened years ago that's not  
16 happening today on behalf of you and your city?

17 MAYOR WARREN: Well, Assemblyman Gantt,  
18 about 20 years ago Rochester -- the Rochester of

19 today is not the Rochester of 20 years ago. When  
20 we look at the fact that Kodak has reduced  
21 employment from 50,000 employees down to less  
22 than 5,000 in the City of Rochester; the same  
23 thing has gone for many of our major  
24 corporations.

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1 When it comes down to the AIM formula, we  
2 contribute \$119.1 million to our school district,  
3 but we only receive \$88 million in AIM aid. And  
4 years ago, when other upstate cities came to  
5 Albany to ask for additional aid, we were not in  
6 need of that aid. Now we are. I've just already  
7 stated that we are fifth in the nation for  
8 childhood poverty. In the last two years we've  
9 gone from 11th in the nation to seventh, and now  
10 to fifth. And so that means that we are in a  
11 crisis right now, and we need help.

12 ASSEMBLYMAN GANTT: So what you're  
13 saying, it seems that New York State has not  
14 recognized that there is a big difference between  
15 what you now have today and those of us who  
16 started 40, 50 years ago had at the time, given  
17 the fact that we've lost, as you say, many jobs  
18 from Kodak, Xerox and Bausch & Lomb. Where we  
19 always could walk out of one door into another  
20 door and receive a job, those jobs are now gone.  
21 The tax base is gone.

22 And the difference is you now need help  
23 from the state in terms of making some  
24 corrections in the AIM aid that you continue to

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1 talk about.

2 MAYOR WARREN: Absolutely. And we need  
3 help when it comes down to equitable distribution  
4 of the AIM aid. It is actually not beneficial to  
5 the City of Rochester to have to contribute  
6 \$119.1 million to our school district, which is a  
7 state mandate, and only receive \$88 million in  
8 AIM aid. And when you look at some of the other  
9 upstate cities, what they receive in AIM aid  
10 actually covers the cost of what they contribute  
11 to their school district.

12 ASSEMBLYMAN GANTT: Can you also get into  
13 the MOE, the Maintenance of Effort that was  
14 passed here at the state, or a few years ago, and  
15 what we give as MOE and what some of the other --  
16 let me just say it, what Buffalo gives as MOE and  
17 what you get as AIM aid and what they get as AIM  
18 aid and try and make those comparisons?

19 We I believe have always tried to do the  
20 right thing on behalf of the kids who we have to  
21 educate in the City of Rochester, but that has  
22 come to haunt us, in my opinion.

23 MAYOR WARREN: Of course we want to make  
24 sure that we are supporting our children that

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1 attend school in our city school district, and so  
2 we've always given a significant amount of money  
3 to our children that attend Rochester City  
4 Schools, and that amount is \$119.1 million. I  
5 believe that amount is \$31 million more than what



6 Buffalo contributes to their school district.  
7 And we're mandated from the state to do that.  
8 And of course we don't have a problem with doing  
9 that, but when we are supportive on one end with  
10 our school district but we're punished on the  
11 other end when it comes down to the Aid to  
12 Municipalities that we receive from the state,  
13 this is a problem.

14 ASSEMBLYMAN GANTT: So there needs to be  
15 some real changes in terms of what the statutes  
16 are, given AID aid, given MOE and some other  
17 things. So there's a real need to really go in  
18 and look at that, in your opinion, so that we can  
19 become fairly subsidized from the state level, as  
20 does Buffalo, Syracuse and some others.

21 Because as I look at the issue here from  
22 Albany, it talks about Rochester having  
23 24.3 percent while Buffalo has 35.8 percent and  
24 Yonkers and Syracuse have about 23, 24 percent.

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1 And when the population and the percentage that  
2 you're given versus the percentages that some of  
3 the other cities are given -- we ought not to be  
4 having a fight, necessarily, about taking away  
5 from one city to give to another, but we do think  
6 there's unfairness in the way we dole out aid, in  
7 your opinion?

8 MAYOR WARREN: I think that across the  
9 board what you've heard from many of the mayors  
10 that have been here today is that they want an  
11 increase in AIM aid because they have to be able

12 to sustain themselves.

13           You know, we've done everything that we  
14 could possibly to contain ourselves and to make  
15 sure that we are fiscally sound. I've talked  
16 about the fact that we have, you know,  
17 consolidated much of our 911 services, we've  
18 consolidated our water authority, we've  
19 consolidated with our county with our libraries,  
20 we have reduced our staff. We've gone from, I  
21 believe, 4,000 employees down to 27 employees.  
22 And, you know, last year we amortized our  
23 pension. This year we may have to do that again.

24           So as a city, we have looked at -- and

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1 we've also supported and our council have passed  
2 the Restructuring Board help, and we are looking  
3 to do that. So we are doing everything that we  
4 can on our end to maintain ourselves as a city.  
5 And we're asking the state for help when it comes  
6 down to the increasing our revenue. We cannot  
7 continue to do things the way that we have been  
8 doing them because it's not getting any better,  
9 it's getting worse.

10           I've just said in the last 10 years we've  
11 gone from being 11th in the nation for childhood  
12 poverty down to now being fifth. And when we  
13 come down to our educational system, we have the  
14 worst educational system, public school system,  
15 in the state. You know, our test scores are the  
16 worst among all the other cities.

17           We are in a crisis in Rochester, a crisis

18 that we have never been in before. And I think  
19 that sometimes people look at the old Rochester,  
20 the fact that we were the home to Kodak and  
21 Bausch & Lomb and Xerox, and they may overlook  
22 us. But at this point in time we are in a crisis  
23 and we need your help.

24 ASSEMBLYMAN GANTT: Thank you, Mayor.

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1 Thank you, Mr. Chairman.

2 CHAIRMAN FARRELL: Thank you.

3 Further questions?

4 CHAIRMAN DeFRANCISCO: Senator Gipson.

5 SENATOR GIPSON: Thank you, Mayor Warren,  
6 for being here today.

7 According to your testimony, you have  
8 done a great deal in the past several years to  
9 try to consolidate services, to try to share  
10 services. Under the current proposal for the tax  
11 freeze, if you've had a chance to review that, in  
12 the second year your taxpayers would only be able  
13 to really benefit from that if you could find a  
14 way to share more services.

15 Do you think there's a way that you can  
16 share more services that you've already done? Is  
17 there room to do that within your city?

18 MAYOR WARREN: Well, we can do a little.  
19 I talked about consolidating sewer districts and  
20 lighting districts, and there may be some other  
21 things that we might be able to do with our  
22 school district. But most of the major  
23 consolidations we have already done. And so

24 that's why we're asking for, you know, some

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1 consideration when you look at those AIM aid  
2 allocations from those consolidations that we  
3 have already done.

4 SENATOR GIPSON: Have you or do you know  
5 if even the city council has had time to really  
6 review the proposed tax freeze? Are you familiar  
7 with it?

8 MAYOR WARREN: The proposed tax freeze  
9 that the Governor just released?

10 SENATOR GIPSON: Yes.

11 MAYOR WARREN: Yes. My budget director  
12 has been reviewing that, and he can answer that.

13 SENATOR GIPSON: I would appreciate any  
14 feedback he could provide us with in terms of how  
15 he feels it will help or hurt the City of  
16 Poughkeepsie {sic}. In my opinion, it's very  
17 complicated and certainly looking to hear input  
18 from those who will have to deal with it.

19 MR. WAGNER: I agree, it would be  
20 complicated. The first year compliance is really  
21 drives it --

22 SENATOR GIPSON: I'm sorry, I was just  
23 reminded that I said the City of Poughkeepsie  
24 instead of Rochester. I do know that you're from

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1 Rochester.

2 Go ahead.

3 MR. WAGNER: Yes, the second year would

4 be complicated. The first year it's just a  
5 matter of compliance. You know, we've lived  
6 within the tax cap for the last three years. In  
7 fact, we haven't raised our tax levy in the last  
8 three years.

9 So the first year is strictly a matter of  
10 complying with it. You know, we would intend to  
11 do that anyway. Going forward, it does become  
12 more complicated the way you would have to work  
13 with -- first of all, our school district would  
14 be part of our efficiencies, because we have a  
15 dependent school district.

16 We would also have to involve the county,  
17 so it would get a little complicated. We would  
18 have to commit to 1 percent, 2 percent, 3 percent  
19 efficiencies over the next three years, so it  
20 would be challenging to do that.

21 SENATOR GIPSON: Thank you very much --  
22 oh, go ahead.

23 MAYOR WARREN: And a 2 percent tax levy,  
24 if we decided to do that this year, would only

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1 yield us about \$3.2 million.

2 We have really a \$37.5 million budget  
3 gap, and we've that cost, by other efficiencies  
4 and other cuts, down to 27.5. But by increasing  
5 our taxes, you know, 2 percent, that will only  
6 yield us about \$3.2 million. This is not  
7 something that we would be able to tax ourselves  
8 out of.

9 SENATOR GIPSON: Okay. And in the city

10 of Rochester, I think I heard you allude to some  
11 other districts. Are those taxing districts that  
12 you alluded to, some lighting and water  
13 districts? Do they levy taxes on their own  
14 within the city?

15 MAYOR WARREN: We charge -- how we charge  
16 for our services when it comes down to our refuse  
17 collection and other things, it's on our tax bill  
18 we charge.

19 SENATOR GIPSON: Well, thank you again  
20 for that feedback, the Mayor of Rochester. I  
21 appreciate it. If you're ever in the great City  
22 of Poughkeepsie, please look us up.

23 CHAIRMAN FARRELL: Thank you very much.  
24 Assemblywoman Earlene Hooper.

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1 ASSEMBLYWOMAN HOOPER: Mayor Warren, this  
2 is not a question, more of a statement. I am  
3 humbly proud to see someone of your caliber and  
4 that you are the mayor of Rochester. Your  
5 presentation has been organized, precise,  
6 inclusive, yet quite understandable. And it has  
7 been a pleasure to listen to you.

8 I look forward to doing whatever we can,  
9 in concert with my other colleagues, to help  
10 Rochester, as we will with all cities. But I am  
11 indeed impressed and proud that this next  
12 generation will be there for me when I need you.  
13 Thank you.

14 MAYOR WARREN: Thank you, Assemblywoman  
15 Hooper. I really appreciate it.

16 CHAIRMAN DeFRANCISCO: Senator Smith.

17 SENATOR SMITH: Thank you, Mr. Chairman.

18 Mayor Warren, you've come a long way from  
19 establishing the SNUG program up in Rochester to  
20 now being mayor. But congratulations to you.

21 Just one quick question. In your  
22 testimony you talked about the arbitrary  
23 assessment or the arbitrary allocation of AIM  
24 money. Is there a formula that you would

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1 suggest? I've heard most of the mayors be  
2 concerned about the AIM money and the lack  
3 thereof, but have yet to hear what that formula  
4 should be for allocation other than "we need  
5 more."

6 MAYOR WARREN: Well, I think that you  
7 should consider poverty and it should be  
8 needs-based. Sort of like the federal government  
9 distributes consolidated block grant funding.

10 SENATOR SMITH: Okay, that's good. Thank  
11 you very much.

12 CHAIRMAN FARRELL: Assemblyman Gantt.

13 ASSEMBLYMAN GANTT: Yes, Chairman  
14 Farrell.

15 Ms. Warren, could you tell us how much  
16 you pay for the sheriff's department each year?

17 MAYOR WARREN: I'm sorry? I didn't hear  
18 the question, sir.

19 ASSEMBLYMAN GANTT: Could you tell us how  
20 much you pay for the sheriff's department, your  
21 portion of the sheriff's department?

22 MAYOR WARREN: Our police department?

23 ASSEMBLYMAN GANTT: No, the sheriff's  
24 department.

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1 MAYOR WARREN: A million dollars.

2 ASSEMBLYMAN GANTT: For your share of the  
3 sheriff's department?

4 MAYOR WARREN: For unarraigned prisoners.  
5 Are you talking about the Rochester Police  
6 Department?

7 ASSEMBLYMAN GANTT: No. No, no. You pay  
8 a portion of the sheriff's department cost  
9 yearly. Do you know what that cost is?

10 MAYOR WARREN: No. I think that what we  
11 do, the county bills on their county taxes for  
12 the county sheriff's department. But we do  
13 contribute a million dollars to the county --

14 ASSEMBLYMAN GANTT: Your taxpayers pay  
15 it, is that correct?

16 MAYOR WARREN: Yes.

17 ASSEMBLYMAN GANTT: What I'm trying to  
18 get at is what happens if the state statute would  
19 allow you to either not pay that, since you've  
20 got your own police department -- and I haven't  
21 lived in the city for 60 years. I know that the  
22 sheriff does not provide any services I know of  
23 to the city directly.

24 what happens if you were allowed to not

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1 pay for that and then take those dollars and put  
2 those towards your problem?



3           MAYOR WARREN: So I understand the  
4 question correctly, so that the percentage that  
5 our city taxpayers pay on their county bill for  
6 the county sheriff's department would then shift  
7 to the city's taxes and would pay for the  
8 Rochester Police Department.

9           I'm not sure of the county's numbers when  
10 it comes down to how much the City of Rochester  
11 actually pays them for the county sheriff's  
12 department, and so we would have to --

13           ASSEMBLYMAN GANTT: A few years back,  
14 there was a vote on metro police. Do you have  
15 any idea what cost savings you would have had,  
16 given the fact that we gave you metro police?

17           MAYOR WARREN: I'm sorry, I do not know.

18           MR. WAGNER: I'm not sure either, but I  
19 do know that the county used to contribute about  
20 \$300,000 towards downtown policing within the  
21 City of Rochester, and they have ceased doing  
22 that for several years.

23           ASSEMBLYMAN GANTT: Yeah, that's downtown  
24 police. But no, I'm talking about the metro

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1 police, where there could be a large savings,  
2 given the fact of all the duplications that you  
3 have between your police department and the  
4 sheriff's department. And neither of you have  
5 that number?

6           MAYOR WARREN: No, it's something that  
7 we'd have to look into.

8           ASSEMBLYMAN GANTT: And I apologize for  
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9 asking.

10 MAYOR WARREN: It's something that we can  
11 look into. It would be shifting the cost from  
12 what city of Rochester taxpayers pay on their  
13 county bill to now pay on their city bill for RPD  
14 services. And it's something that we can look  
15 into. It may be one of the consolidations that  
16 we did previously look to, but we can look at  
17 that.

18 ASSEMBLYMAN GANTT: The last question I  
19 have, does something have to change?

20 MAYOR WARREN: Absolutely. Something has  
21 to change, and we need more AIM aid to change it.

22 CHAIRMAN DeFRANCISCO: Senator Krueger.

23 SENATOR KRUEGER: Thank you, Mayor. It's  
24 nice to have you here today testifying, and

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1 congratulations on your new job.

2 MAYOR WARREN: Thank you.

3 SENATOR KRUEGER: On page 4, in the top,  
4 you have a "Pension Relief" section. And I was  
5 just a little confused. In the last sentence of  
6 the first paragraph you point out that you've had  
7 success working with your unions, your medical  
8 insurance costs are going to be almost  
9 \$59 million, and then it's the end of the  
10 sentence I'm confused. It says "Pension costs  
11 are projected to increase from \$5 million to  
12 \$49.2 million next fiscal year."

13 In one year you're jumping from  
14 \$5 million cost to \$49 million cost?

15           MAYOR WARREN: I'm sorry, that's a typo.  
16 It should be up \$5 million, it should be  
17 increased up \$5 million, not from \$5 million to  
18 \$49 million.

19           SENATOR KRUEGER: Thank you. Because I  
20 thought you should be actually tearing your hair  
21 out in front of us if that was the annual  
22 increase.

23           MAYOR WARREN: No. No. It's a typo,  
24 sorry.

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1           SENATOR KRUEGER: Thank you very much.

2           CHAIRMAN FARRELL: Thank you.

3           Further questions?

4           Thank you very much.

5           CHAIRMAN DeFRANCISCO: Excuse me, I do.

6           CHAIRMAN FARRELL: Oh, I'm sorry.

7           CHAIRMAN DeFRANCISCO: That's all right.

8           I may have misunderstood you, but did you  
9 say the AIM funding to other cities -- not  
10 Rochester, but to other cities -- was sufficient  
11 to pay their share of the school tax that that  
12 city has to pay?

13           MAYOR WARREN: The state-mandated costs.  
14 That back in I believe 2007, the state mandated a  
15 Maintenance of Effort to all cities that told  
16 them that they had to continue to contribute the  
17 same amount of money that they contributed that  
18 year, in 2007, every year after that. They could  
19 not reduce that amount.

20           At the time, Rochester was contributing  
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21 \$119.1 million. I believe that Buffalo was  
22 contributing around \$77 million, and Syracuse  
23 about \$80 million. For what they receive in AIM  
24 aid, it covers their school -- what they pay in

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1 their Maintenance of Effort. For Rochester, we  
2 receive \$88 million, but we pay \$119.1 million to  
3 our school district.

4 CHAIRMAN DeFRANCISCO: Well, according to  
5 the numbers, Syracuse, where I come from,  
6 actually got \$71 million, which also was  
7 insufficient. Let me ask this --

8 MAYOR WARREN: So according to our  
9 calculations, we pay a Maintenance of Effort  
10 of \$119.1 million, and we receive AIM aid of  
11 \$88.2 million. Buffalo pays \$70.3 million in the  
12 Maintenance of Effort and receives \$161.2 million  
13 in AIM aid. Syracuse pays \$64.4 million in their  
14 maintenance of Effort and receives \$71.7 million  
15 in their AIM aid.

16 CHAIRMAN DeFRANCISCO: And are you saying  
17 that when this Maintenance of Effort came in,  
18 there was some commitment that the AIM aid would  
19 be sufficient to cover what the Maintenance of  
20 Effort was?

21 MAYOR WARREN: No, I'm saying that we're  
22 caught in Catch-22 situation, that our budget  
23 deficit is about \$37 million. If we received  
24 enough AIM aid to cover what we pay for our MOE,

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1 that would be another \$31 million that we would  
2 be able to have in our coffers.

3 CHAIRMAN DeFRANCISCO: I understand. Let  
4 me ask you another question. What do you think  
5 of the Governor's tax cut package, including no  
6 corporate taxes for upstate manufacturers,  
7 cutting the corporate tax rate and the like?

8 MAYOR WARREN: I think that that helps  
9 the City of Rochester when we look at the number  
10 of start-up businesses that we're having, from  
11 spinoffs from Kodak and many other companies that  
12 have decreased employment.

13 However -- and we will be going after and  
14 looking for, you know, state help in trying to go  
15 after the federal manufacturing grant. And I  
16 think that that will help us being able to list  
17 that on our application, that there's a zero  
18 percent manufacturing charge for -- or corporate  
19 tax for manufacturing companies in Rochester.  
20 That benefits us.

21 But again, it doesn't help us when we  
22 talk about what we need to receive on the revenue  
23 side to continue to maintain services to our  
24 citizens. When they call 911, they still want to

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1 make sure that a police officer responds or a  
2 firefighter responds.

3 You know, turning our heat down from 67  
4 to 62 is not necessarily yielding us the results  
5 that we want. We need to be able to bring in  
6 additional revenue. And we are containing our

7 expenses as much as we can, but it's the revenue  
8 side that -- it's going to go up even if we  
9 contain that. Because, as you know, inflation,  
10 the costs to fill up our police cars are going  
11 up. The costs to light our buildings are going  
12 up.

13 So even though we're trying to contain  
14 our expenses, the costs are still going up and  
15 we're not being able to realize any revenue, any  
16 new revenue.

17 CHAIRMAN DeFRANCISCO: But isn't the  
18 reason you're in the position you're in now is  
19 because you lost huge manufacturers like Kodak,  
20 Bausch & Lomb and Xerox, and these major, major  
21 companies that no one in my early life would have  
22 even thought would go somewhere?

23 And I guess the point I'm trying to get  
24 at is I'm glad you recognize the importance of

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1 the tax cuts, because your real source of revenue  
2 isn't from the State of New York, but really from  
3 the growth in your community. And I know there's  
4 a short-term problem, but we've got to deal with  
5 the long-term issue because we lose more  
6 manufacturers.

7 In Syracuse, Central New York, it's been  
8 the same thing, that companies are leaving daily,  
9 major manufacturing companies, and those are  
10 tough to replace. So we've got to look at it at  
11 both ends. We've got to contain costs at the  
12 state level so we can reduce taxes so you'll have

13 a base to go from rather than it getting worse  
14 and worse and worse.

15 Do you agree with that logic?

16 MAYOR WARREN: To a certain degree I do.  
17 when we look at the fact that, you know, Kodak  
18 has demolished a number of their buildings in the  
19 city of Rochester so that they can pay a reduced  
20 property tax.

21 And so the taxes that we realize from our  
22 property taxes from these companies that have  
23 laid off workers and downsized has been a burden  
24 on our city. I think we've gone from receiving

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1 about -- how much in property taxes from Kodak?  
2 About \$13 million annually from Kodak in just  
3 property taxes.

4 But it still does not negate the fact  
5 that we receive \$31 million less in AIM aid than  
6 we contribute to our school district. And we  
7 have a \$37 million budget deficit or budget gap.  
8 If we are able to at least be on par, per capita,  
9 with at least Buffalo, we will be in a much  
10 better situation financially than we are now.

11 CHAIRMAN DeFRANCISCO: Thank you.

12 CHAIRMAN FARRELL: Thank you.

13 New York City Council Speaker Melissa  
14 Mark-Viverito.

15 COUNCIL SPEAKER MARK-VIVERITO: Good  
16 afternoon.

17 CHAIRMAN FARRELL: Good afternoon.

18 welcome.

19 COUNCIL SPEAKER MARK-VIVERITO: Thank

20 you.

21 So good afternoon, Chairman DeFrancisco,  
22 Chairman Farrell, and members of the Finance and  
23 Ways and Means Committees. I'm Melissa  
24 Mark-Viverito, and I am the Speaker of the

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1 New York City Council, where I also represent  
2 East Harlem and the Bronx.

3 Today we are joined by quite a few of our  
4 Council colleagues who I would like recognize  
5 here today. We are joined by our Majority Leader  
6 Jimmy Van Bramer, Minority Leader Vincent  
7 Ignizio, our Finance Chair Julissa Ferreras, our  
8 State and Federal Leg chairperson Karen  
9 Koslowitz, Education Chair Danny Dromm, Deputy  
10 Leaders Vincent Gentile, James Vacca, Debby Rose,  
11 and Ritchie Torres; former Assemblymembers who  
12 are now Councilmembers in our body Inez Barron,  
13 Mark Weprin, Vanessa Gibson; as well as  
14 Councilmembers Levin, King, Richards, Miller, and  
15 Menchaca.

16 CHAIRMAN DeFRANCISCO: Okay, your time's  
17 up.

18 (Laughter.)

19 COUNCIL SPEAKER MARK-VIVERITO: Thank  
20 you.

21 Governor Cuomo's Executive Budget for  
22 state fiscal year 2014-2015 contains several  
23 elements that we at the New York City Council  
24 welcome -- such as the renter's tax credit,



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1 something that is sorely needed in New York City,  
2 where 70 percent of residents are renters, and  
3 half of them pay more than one-third of their  
4 income in rent.

5 We urge your support for this, and of  
6 course, we hope that you will make again this  
7 year many of the important spending restorations  
8 that you made last year -- to the Youth  
9 Development Program (YDP) and Runaway Homeless  
10 Youth, to the CUNY ASAP program and to CUNY's  
11 base operating aid, to name a few.

12 We also hope that the \$81.5 million that  
13 the General Fund will receive from the JPMorgan  
14 settlement reached by Attorney General  
15 Schneiderman will be used to supplement, not  
16 supplant, funding for housing programs, including  
17 programs that will benefit city residents.

18 There are a few areas where we have some  
19 concerns, which we'll of course be discussing  
20 with you in the coming weeks. There are two in  
21 particular that I would like to highlight today.

22 Let me start with the Homeless Housing  
23 and Assistance Program, which in the Governor's  
24 budget would more than double, to \$63 million.

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1 This is terrific. However, the Article 7 Aid to  
2 Local Governments bill expressly prohibits using  
3 homeless housing funding to provide rental  
4 assistance to persons leaving shelter without a  
5 plan approved by the Office of Temporary and

6 Disability Assistance (OTDA).

7           The homeless shelter population in our  
8 city has risen 70 percent in the last decade, and  
9 the previous administration's approach to the  
10 problem of homelessness clearly failed. We  
11 believe that rental assistance is the best, most  
12 cost-effective tool we have to help families  
13 living in shelter achieve stable, permanent  
14 housing; certainly more cost-effective than  
15 warehousing families and children in homeless  
16 shelters. We hope that you and the Governor will  
17 work together with us in the city to craft a  
18 rental-assistance program that will help us  
19 finally begin to address the crisis of  
20 homelessness in New York City.

21           Secondly, we of course particularly  
22 welcome the Governor's commitment to universal  
23 full-day pre-kindergarten and after-school. The  
24 importance of early childhood education to future

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1 success in school, career, and life is now widely  
2 acknowledged in countless studies and has been  
3 borne out in practice in communities across the  
4 country.

5           In particular, it is so critically  
6 important to give disadvantaged, low-income, and  
7 students of color access to the same kind of  
8 quality early-education opportunities that their  
9 more fortunate counterparts have, in order to  
10 help close the widening achievement gap between  
11 poor and non-poor students, which unfortunately

12 continues to widen.

13 In short, universal pre-K will help level  
14 the playing field for thousands of New York's  
15 children who otherwise could be left behind. The  
16 Governor has acknowledged this, and we are happy  
17 he's invested in the issue. Where we part  
18 company with Governor Cuomo is on the question of  
19 funding.

20 We agree with Mayor de Blasio on the need  
21 for a dedicated local funding stream to fully  
22 support these programs in the city. And I think  
23 that's why it was so important to in this first  
24 opportunity to interact with you, to have a

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1 strong presence of the legislative body in  
2 New York City so that we can make that point  
3 clear. In our view, no program is more critical  
4 to expand right away than universal pre-K.

5 The Governor's proposal ramps up too  
6 slowly, starting at only \$100 million, not all of  
7 which, of course, will go to New York City. But  
8 by our estimate, it will cost us as much as  
9 \$300 million annually to make pre-k truly  
10 universal just in New York City.

11 Let me be clear, however. We are not in  
12 any way rejecting or demeaning what the Governor  
13 has put on the table, but we want to fulfill this  
14 promise to our city's working families and  
15 children as soon and as fully as possible. We  
16 think the best way to accomplish that is through  
17 the very modest tax increase on the well-to-do

18 that the mayor has proposed. And we think our  
19 own recent experience demonstrates that this  
20 modest increase will have little or no impact on  
21 the city's economy.

22 In fact, in eight out of the last  
23 20 years, the city's top marginal income tax rate  
24 has been higher than what Mayor de Blasio is

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1 proposing -- and by the way, kicked in at much  
2 lower income levels. And we did not see  
3 taxpayers or businesses abandoning the city.

4 We also have the precedent of a temporary  
5 increase in the top marginal rate in order to  
6 meet a particularly acute need; namely the Safe  
7 Streets/Safe City program. We think this  
8 experience shows that the well-to-do, who have  
9 thrived in New York City, are willing to pay a  
10 little more to ensure that the city as a whole  
11 may thrive as well. Today, UPK is that acute  
12 need.

13 And finally, we believe that this is a  
14 local home-rule matter. Last year the  
15 legislature granted sales tax increases to four  
16 counties, all at the counties' request. We are  
17 only asking for the same right, to tax  
18 ourselves -- nowhere else -- to decide as a city  
19 what our budget priorities should be and how we  
20 meet them. New York City deserves that.

21 Our arguments here today apply equally to  
22 after-school programming, which will cost over  
23 \$200 million annually to expand in New York City.

24 The Governor's proposal doesn't start funding

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1 until next fiscal year, 2015-2016, and relies on  
2 casino revenues that are insufficient and  
3 frankly, speculative.

4 So I'd like to conclude today with a plea  
5 for fairness. In numerous ways, state budgets  
6 over the last several years have been balanced on  
7 the back of New York City. Three prominent  
8 examples include the broken promise of the  
9 Campaign for Fiscal Equity, the elimination of  
10 AIM aid to New York City, and the cessation of  
11 funding for state-sponsored NYCHA developments.  
12 Together, these actions have cost the city as  
13 much as \$4 billion or more annually in state aid.

14 As a basic matter of fairness, this  
15 cannot continue. The city's economy generates  
16 48 percent of all state tax revenues, according  
17 to a Rockefeller Institute study, but only  
18 receives 40 percent of total state spending in  
19 return.

20 Now, we're not saying that we should get  
21 back exactly what we send to Albany -- merely  
22 that, as times improve, New York City deserves a  
23 fairer shake in the state budget than it has  
24 received recently.

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1 So I want to thank you for your time and  
2 attention today, and I'd be happy to answer any  
3 questions you may have. And you will be seeing

4 more of us in Albany, not less, as we continue to  
5 discuss these important issues that matter to all  
6 of us. Thank you.

7 CHAIRMAN FARRELL: Thank you very much.

8 To begin with, Assemblywoman Nolan.

9 ASSEMBLYWOMAN NOLAN: Thank you,  
10 Mr. Farrell. Thank you, my colleagues.

11 First, I want to just say, by way of  
12 explanation, it's a very historic day here in  
13 Albany. Thirty years ago, when I got here, I got  
14 here in time to see the late Eileen Dugan even  
15 appointed to either of the Senate Finance or the  
16 Ways and Means Committee. And as all the years  
17 have gone on, we've had a few more women, a few  
18 more women in these seats. But for all the  
19 years, there were never -- except for your  
20 predecessor, Christine Quinn -- a woman in that  
21 seat. And all the local government officials  
22 were always men.

23 And so I want to just say what a historic  
24 part of history you are today to build on what

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1 Christine did when, year after year, she was the  
2 only woman in the room; and now we have three  
3 female mayors -- Albany, Syracuse, and  
4 Rochester -- and yourself coming.

5 So it's really, really a great day here.  
6 And I know Earlene and Liz and the other women  
7 who are here really feel it -- I'm sure the men  
8 do too, but we're feeling it and making it real.

9 I also want to give a shout-out -- you

10 have Queens, obviously, in the house. All four  
11 of the people --

12 (Laughter.)

13 COUNCIL SPEAKER MARK-VIVERITO: Very well  
14 represented.

15 ASSEMBLYWOMAN NOLAN: -- with you at the  
16 table are from Queens, so I have to make sure my  
17 other colleagues know that, because we don't like  
18 to mess with our borough.

19 And I guess part of the question I have  
20 about the pre-K -- I'm sure you heard the  
21 questions earlier -- how locked is the box going  
22 to be, because that's a concern for members  
23 outside the city, and how fast are you going to  
24 get us the home rule, and how much is it going to

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1 articulate that the money is to not supplement?  
2 In other words, that money will be used for pre-K  
3 and after-school programs. Because I think that  
4 was certainly a concern when Mayor de Blasio was  
5 here.

6 So how fast are you going to get us the  
7 home rule, and what are you going to do to make  
8 sure that my colleagues from around the state,  
9 who are understandably concerned about how that  
10 money will be used, that it will be used in the  
11 way that you and the mayor say?

12 And welcome. Like I said, welcome.

13 COUNCIL SPEAKER MARK-VIVERITO: Thank you  
14 very much. Thank you.

15 And, you know, the mayor is very clear,

16 obviously. As we are well aware, that was a  
17 major point of his campaign and his platform.  
18 And it is something that was overwhelmingly  
19 well-received in New York City, and it continues  
20 to be well-received, this idea of a tax. So  
21 clearly there is an interest, on those of us that  
22 have invested our time and are supporting it,  
23 that it be solely dedicated to what it has been  
24 committed to.

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1 so the idea of setting up that lockbox  
2 obviously ultimately, you know, lies with the  
3 mayor, but we would definitely be a  
4 counterbalance and be using the weight of the  
5 institution to make sure that the commitments  
6 that were made are ones that are adhered to. And  
7 dedicating that revenue source, in terms of this  
8 tax, for that purpose is clearly important and  
9 something that we would want to make sure gets  
10 done.

11 with regards to the home rule, you know,  
12 clearly we also need the help of Albany in  
13 getting the bill introduced so that we can also  
14 put forward the home-rule message, which is again  
15 a priority for us. And we would move it as  
16 quickly as possible through our Education  
17 Committee.

18 And it's something that we would to see  
19 happen during this budget cycle, so clearly time  
20 is of the essence, since you pass your budget  
21 earlier than we do. But we are definitely



22 committed to working collectively as a body to  
23 make sure that that gets done.

24 ASSEMBLYWOMAN NOLAN: There are a number

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1 of drafts circulating, so you can I think get  
2 that up, you know, fairly quickly. And we look  
3 forward to it.

4 And obviously a lot of us stayed today to  
5 hear your testimony. As I said, you have really  
6 historic shoes you're filling there, because for  
7 so long it was just Chris. So it was a great day  
8 for women in Albany, and we're really glad that  
9 you are here.

10 Thank you.

11 COUNCIL SPEAKER MARK-VIVERITO: Thank you  
12 so much.

13 I just want to add one thing, because I  
14 think it's important to me and to many of my  
15 colleagues that are here.

16 You know, when we talk about the  
17 achievement gap in New York City, which I know  
18 also in other municipalities exists, we're  
19 talking particularly, you know, the inability --  
20 or not the inability, the -- because of the lack  
21 of a level playing field for children of color,  
22 in particular, in low-income communities to  
23 really have an opportunity to advance. And that  
24 is really due to -- as we have seen historically,

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1 and we see through studies, early education is  
2 critical to creating that level playing field.

3           So it is a real urgency for my district,  
4           it's a real urgency for the vast majority of  
5           New York City that we create that opportunity.  
6           Because as New York City advances, everybody  
7           benefits from that. And the economy benefits,  
8           not only of New York City but of New York State,  
9           and it's investing in our young people that we're  
10          going to be able to do that.

11          So this is why this is so much of a  
12          priority for us as a legislative body.

13          CHAIRMAN DeFRANCISCO: Senator Smith.

14          SENATOR SMITH: Thank you very much,  
15          Mr. Chairman.

16          Madam Speaker, good to see you.

17          COUNCIL SPEAKER MARK-VIVERITO: Same  
18          here.

19          SENATOR SMITH: Let me first congratulate  
20          you on the aggressive stance you took on the paid  
21          sick leave so quickly that's so important to so  
22          many people in the district that I represent, and  
23          around the city.

24          And also thank you for supporting the

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1          airport workers, 32BJ. A lot of those workers  
2          who, again, live in the district that I  
3          represent, live in a lot of our districts. They  
4          are hurting. And the fact that you came out so  
5          forcefully so early made a great difference.

6          And to my colleagues at the table, all  
7          from Queens -- Van Bramer, Dromm, Ferreras,  
8          Koslowitz --

9 (Laughter.)

10 COUNCIL SPEAKER MARK-VIVERITO: I didn't  
11 realize it when I sat them up here. There's a  
12 little bit of balance inequity here, but --

13 SENATOR SMITH: But I have to take the  
14 privilege of recognizing colleagues from the area  
15 that I represent is obviously chair of  
16 Environmental Protection, Donovan Richards is  
17 there, and also your chair of Labor, Daneek  
18 Miller. I did see Ruben Wills sometime earlier  
19 today.

20 But you made some very fine appointments,  
21 if I might say so myself. It shows some very  
22 good people such that I expect the city to do  
23 very well.

24 Just two things. One, you mentioned it

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1 in your comments about AIM, and I spoke to the  
2 mayor about this earlier today. While it was not  
3 part of his priority list, I do hope that you and  
4 your Council members will push us and push the  
5 Governor around AIM. We have been flat, in terms  
6 of zero for AIM, for quite some time now. And I  
7 think it's just time for us to receive our due  
8 respect as relates to AIM money.

9 And lastly -- and I did ask the mayor  
10 this question and I do hope that the Council will  
11 support him on this -- aside from the education  
12 piece which is so important to us, job creation  
13 is paramount. One of the things that the mayor  
14 talked about when he was down in Washington was

15 the importance of infrastructure work. And in  
16 order to do so in the state, we need to establish  
17 an infrastructure bank. We hope perhaps the city  
18 could look into it similar.

19 But clearly we stand to need a great deal  
20 of infrastructure work around the City of  
21 New York which would create a tremendous amount  
22 of jobs. And I would hope that you and the  
23 Council members would encourage our members to  
24 look at infrastructure bank establishment on the

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1 state level, but also your colleagues to do so in  
2 the city.

3 COUNCIL SPEAKER MARK-VIVERITO: No,  
4 that's a valid point. It obviously is a priority  
5 for us. We've done some initiatives to that end,  
6 and we've talked very much consistently about job  
7 creation as necessary, and looking at different  
8 fields.

9 So yes, we would definitely want to join  
10 you in that sentiment and take that up quickly.

11 SENATOR SMITH: Well, thank you very  
12 much, Madam Speaker, Mr. Chairman. And so good  
13 to see my colleagues from Queens -- not that you  
14 did that on purpose, but you got my vote.

15 CHAIRMAN FARRELL: Thank you.

16 Assemblyman Colton.

17 ASSEMBLYMAN COLTON: Thank you. I would  
18 also like to welcome you here to Albany and thank  
19 you for raising the important issue in terms of  
20 universal pre-K, together with the mayor earlier

21 in his testimony.

22 One of the things that I think is  
23 important to take note of is that in New York  
24 city -- and in other parts of the state,

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1 possibly -- but in New York City, in a district  
2 like mine, there are many parents who are on a  
3 waiting list for universal pre-K. Can you  
4 amplify a little bit about this problem and how  
5 that affects not only the child's education but  
6 also the family and the well-being of the family  
7 where there is no universal pre-K program that is  
8 available because there's a waiting list?

9 COUNCIL SPEAKER MARK-VIVERITO: No, I  
10 mean obviously it's a real issue. And these are  
11 the challenges that we currently have in the city  
12 and that we've got to continue to address.

13 I mean, I think that the message here,  
14 you know, united is the investment in education,  
15 whether it be early education, we also alluded to  
16 the fact that there's some cuts indicated in the  
17 Governor's budget regarding higher education,  
18 which obviously is critical. The CUNY system is  
19 so vital to so many of our families to succeed.  
20 So those are issues that we have to look at.

21 But yes, I mean we have many  
22 neighborhoods where there are incredible waiting  
23 lists. And that just speaks to the need that we  
24 have. And obviously there's a real interest as

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1 was laid out in the report that came out this  
2 morning from the mayor talking about exactly how  
3 it's going to be done, that there have been  
4 spaces identified. We do need to do some capital  
5 work to increase the capacity.

6 But, you know, this is a very dire  
7 situation, and families really are anxious for us  
8 to address this. And that's why it became such  
9 an incredibly important issue during the campaign  
10 and why so many of us are here making this a  
11 priority.

12 Thank you for your advocacy.

13 ASSEMBLYMAN COLTON: I've heard the  
14 figure of approximately 50,000 children on the  
15 waiting list right now, where the parents want  
16 pre-K and they don't have it because the spaces  
17 are not available, there's not the funding for  
18 it.

19 COUNCIL SPEAKER MARK-VIVERITO: Right.  
20 And the half-day pre-K is not, obviously,  
21 sufficient, and it doesn't really meet the needs  
22 of families. And that's probably why in some  
23 cases you might not have as many people taking  
24 advantage of that, because it doesn't really meet

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1 the need. We need full-day pre-K and to increase  
2 the capacity within the system that we have in  
3 New York City to provide for that.

4 ASSEMBLYMAN COLTON: And also I think you  
5 indicated that it would require about  
6 \$300 million a year in order to provide pre-K.

7 COUNCIL SPEAKER MARK-VIVERITO: Yes.

8 ASSEMBLYMAN COLTON: Approximately how  
9 much per child, do you have an estimate how much  
10 per child is being spent on pre-K?

11 COUNCIL SPEAKER MARK-VIVERITO: Well,  
12 right now I do not have that figure.

13 I know that the report that came out this  
14 morning that I was looking at was \$10,900, about  
15 that, that is projected. And the way it's being  
16 envisioned and laid out is what it will cost per  
17 child, which really is quite a minimal investment  
18 when you look at it at the end of the day.

19 ASSEMBLYMAN COLTON: Absolutely. And  
20 also would it not be likely that if universal  
21 pre-K was provided, that more parents might even  
22 be encouraged to apply for it, if the spaces were  
23 available?

24 COUNCIL SPEAKER MARK-VIVERITO: Of

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1 course. Without a doubt. I mean, and that's  
2 what we're seeing, as you indicated, with the  
3 waiting lists and the fact that really the  
4 half-day pre-K really hasn't met that need. Yes,  
5 definitely, I believe that's the case.

6 ASSEMBLYMAN COLTON: So the estimate  
7 might even, you know, grow bigger than that  
8 because of the fact that there would be more  
9 parents applying. And of course the preparedness  
10 that the children receive in those early grades  
11 is going to benefit them throughout their  
12 educational careers.

13 COUNCIL SPEAKER MARK-VIVERITO: Right.

14 ASSEMBLYMAN COLTON: I think studies have  
15 shown that. which would be a very strong  
16 economic engine for economic growth in the city.

17 COUNCIL SPEAKER MARK-VIVERITO:  
18 Completely. That's exactly what it is when we  
19 talk about that achievement gap and figuring ways  
20 to really have that not be the reality for our  
21 children, and also creating opportunities for  
22 them in terms of the workforce and being better  
23 prepared moving forward.

24 So that is why all of these issues.

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1 combine, the pre-K versus the investment; we  
2 talked about the CFE money as well, that we  
3 haven't received that money. when you talk about  
4 the needs of our educational system and our  
5 higher educational system, that all is one, you  
6 know, spectrum that is very much needed for  
7 families and for children to succeed.

8 ASSEMBLYMAN COLTON: Now, also, in terms  
9 of the CFE, the promise had been originally made,  
10 a commitment was made to provide over a five-year  
11 installment monies to high-needs districts,  
12 including New York City; there are others also  
13 throughout the state.

14 In terms of CFE, how is the city being  
15 affected by not being able to get those  
16 installments in the way they were promised, over  
17 the five years, by them being deferred?

18 COUNCIL SPEAKER MARK-VIVERITO: well, I



19 mean clearly, first and foremost, one of the --  
20 probably my colleague would be better-versed, but  
21 one of the aspects of the CFE money is first and  
22 foremost also really not only in terms of  
23 instruction, but also reducing class sizes, where  
24 that money would be specifically invested in

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1 reducing class sizes. And what we're seeing is  
2 actually there's been -- although very slight, we  
3 have seen actually classroom sizes increasing.

4 So that is clearly important. And also  
5 for quality instruction and development of  
6 curriculum, et cetera. But we haven't seen that.  
7 So obviously it impacts in classroom, and it  
8 impacts the quality of the education that the  
9 child is receiving, and that's important. So  
10 that's why we also mention it about the fact that  
11 the CFE is one area also where the city is being  
12 shortchanged, in addition to the other areas that  
13 I've highlighted. That all compounds the  
14 situation, obviously.

15 ASSEMBLYMAN COLTON: Yes, definitely.

16 The last part I would just like to  
17 reiterate is associate myself with Assemblymember  
18 Nolan that, you know, because so many promises  
19 have been broken by so many governments at  
20 different levels, it is very important that there  
21 be some kind of a lockbox that the mayor  
22 indicated in his earlier testimony. But there be  
23 some real specific mechanism for a lockbox to  
24 ensure that in fact these monies would be used to

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1 expand pre-K and make it universal.

2 So I think that in a proposal that is  
3 going to be made, it's very important that that  
4 be very specific and that be part of it in some  
5 way. I think that would be very helpful to us in  
6 supporting and sponsoring such a proposal.

7 COUNCIL SPEAKER MARK-VIVERITO: I agree,  
8 and I would support that. I think we definitely  
9 would want to play a role as the Council to make  
10 sure that that is what is happening, and that it  
11 really be dedicated specifically and solely not  
12 only for early pre-K but also the after-school  
13 programs as defined in the mayor's plan.

14 Thank you, Assemblyman, for your  
15 advocacy.

16 ASSEMBLYMAN COLTON: Thank you very much.  
17 Thank you, Mr. Chair.

18 CHAIRMAN FARRELL: Thank you.  
19 Senator?

20 CHAIRMAN DeFRANCISCO: Senator Krueger.

21 SENATOR KRUEGER: So nice to see so much  
22 of the City Council here today.

23 COUNCIL SPEAKER MARK-VIVERITO: Yes.

24 SENATOR KRUEGER: And as far as

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1 shout-outs, Manhattan is in the room, thanks to  
2 Melissa Mark-Viverito being here.

3 (Laughter.)

4 SENATOR KRUEGER: So welcome.

5 I actually think you raise so many  
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6 important points in your testimony. You know,  
7 even though the mayor and the comptroller were  
8 here before, I think highlighting some of the  
9 issues that the Council absolutely should be  
10 staying on top of -- the funding, as you pointed  
11 out, for the Homeless Housing Assistance Program  
12 so far does not allow it to be used for rental  
13 subsidies, which we know was a critical loss to  
14 the City of New York when we had a program and  
15 then -- it wasn't a very good program, but we had  
16 one. And then we lost it, and we've seen our  
17 homeless population and families with children  
18 skyrocketing.

19 So I would urge you to continue to be  
20 active on pushing the state to ensure that funds  
21 can be available for rental subsidies for  
22 homeless.

23 I also am very glad to see that you have  
24 highlighted that there's \$81.5 million from the

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1 JPMorgan settlement that moved from the Attorney  
2 General to the General Fund after the budget went  
3 to print.

4 And so at least I have been advised that  
5 there will be programmatic explanations for the  
6 \$81.5 million in the 20- or 30-day amendments by  
7 the Governor. I think we should all be watching  
8 carefully to see what that money is for. And I  
9 agree completely, there is no reason to use that  
10 money to replace other commitments the state has  
11 already made in housing.

12 COUNCIL SPEAKER MARK-VIVERITO: Agreed.

13 SENATOR KRUEGER: We need it for new --  
14 we have a very long list of what we need it for.  
15 We need it go towards those things.

16 And just finally, the renters tax credit,  
17 I see that you were supporting it. I will only  
18 suggest you take a hard look at the different  
19 ways a renters credit could be formulated,  
20 because I actually think the way it's formulated  
21 in the Governor's package is not nearly as  
22 progressive for renters as models that could be  
23 submitted.

24 So I know that I'm going to be working on

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1 alternative proposals to the Governor's model and  
2 suggest that we work together on that, because I  
3 think you'll find from the experts in the City of  
4 New York who have looked at this, there are ways  
5 we could do it to have a greater impact on the  
6 lowest-income renters.

7 COUNCIL SPEAKER MARK-VIVERITO: I will  
8 definitely look forward to it, Senator. Your  
9 advocacy and your leadership on these issues is  
10 unparalleled, so definitely would love to talk to  
11 you more about ways that you think it could be  
12 improved.

13 But the overall idea, obviously, a  
14 renter's credit is something that definitely  
15 would benefit New York City residents.

16 SENATOR KRUEGER: So thank you very much  
17 for all coming to Albany.

18 COUNCIL SPEAKER MARK-VIVERITO: Thank you  
19 very much.

20 CHAIRMAN FARRELL: Thank you very much.  
21 Assemblyman Weprin.

22 ASSEMBLYMAN WEPRIN: Good afternoon.  
23 Congratulations.

24 COUNCIL SPEAKER MARK-VIVERITO: Hi.

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1 Former colleague and Assemblyman, nice to see  
2 you.

3 ASSEMBLYMAN WEPRIN: Yes, it's great to  
4 see so many of my former colleagues both in the  
5 City Council and the Assembly here today, as well  
6 as the staff. I see a lot of the finance staff  
7 and other staff, so I think that's great.

8 When the mayor was here earlier this  
9 morning, I asked him about a bill that I have  
10 which would revoke Madison Square Garden's tax  
11 exemption, which has existed in perpetuity since  
12 1982 and was originally intended only to be 10  
13 years, according to Mayor Koch and others at the  
14 time. That results in about \$17 million in  
15 annual revenue that the City of New York is now  
16 losing.

17 The mayor strongly endorsed that proposal  
18 and he said he'd like to work with us to do that,  
19 to have it happen. You may recall, Madam  
20 Speaker, that I think it was around 2007, 2008, I  
21 cosponsored a resolution in the City Council,  
22 along with former Councilmember Helen Sears,  
23 Danny Dromm's predecessor, to urge Albany to

24 revoke the tax exemption. And as it turns out, I

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1 ended up introducing the bill when I got here.

2 But we're now up to 49 cosponsors, so we have for  
3 the first time some actual momentum on it.

4 so if you could do another resolution  
5 with the new City Council, that might be helpful.

6 COUNCIL SPEAKER MARK-VIVERITO: Well, I  
7 appreciate you bringing it up. I definitely will  
8 discuss that with my colleagues. I'm not going  
9 to state a position at this time because we  
10 haven't discussed it internally. But definitely  
11 I know it's something that has come up in many  
12 different occasions, and the idea overall of tax  
13 breaks and subsidies continues to be a discussion  
14 moving forward.

15 But definitely would love to at least  
16 going back to the colleagues, look at that and  
17 see how we can be supportive. Thank you.

18 CHAIRMAN FARRELL: Assemblyman Mosley.

19 ASSEMBLYMAN MOSLEY: Thank you,  
20 Mr. Chairman.

21 First of all, congratulations, Madam  
22 Speaker. Welcome to Albany, and to all my  
23 colleagues, former colleagues and your colleagues  
24 on the City Council, and to Brooklyn. I see a

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1 lot of Brooklyn members are in attendance.

2 My question is pretty basic. We talk  
3 about this whole home-rule measure in terms of

4 wanting to tax New York City residents. Can you  
5 extrapolate, particularly for those individuals  
6 who are watching at home, or in their office, how  
7 could this benefit the rest of the state when it  
8 comes to us taking on this measure of taxing just  
9 New York City residents and what savings the  
10 state could see itself as relates to monies that  
11 they will be saving in lieu of this home-rule  
12 measure?

13 COUNCIL SPEAKER MARK-VIVERITO: I mean,  
14 as you're stating, I mean obviously if we are  
15 taxing our own city residents and we're  
16 dedicating that funding specifically for early  
17 education and for after-school programs, that's  
18 less money that we're going to have to ask the  
19 state to give to New York City. So that  
20 obviously benefits the state overall.

21 And so it's really critical -- I mean,  
22 this is -- again, home rules are something that  
23 always has been granted to other municipalities.  
24 We're asking the same consideration. And this is

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1 not something that affects the greater state,  
2 this only affects a select few people, and that's  
3 within New York City's boundaries, of which the  
4 legislature and the mayor have oversight.

5 ASSEMBLYMAN MOSLEY: Has the city done a  
6 cost-benefit analysis as it relates to the  
7 home-rule measures in terms of what the state  
8 would benefit in terms of the city being granted  
9 this home-rule measure?

10 COUNCIL SPEAKER MARK-VIVERITO: Well, I  
11 mean I don't -- I've not seen that as of yet. I  
12 think obviously that's something that we could  
13 definitely look at.

14 I don't know if Councilmember Dromm  
15 wanted to make a statement, if you wanted to  
16 speak a little bit to that.

17 NYC COUNCILMAN DROMM: Is it on?

18 COUNCIL SPEAKER MARK-VIVERITO: Yes.

19 NYC COUNCILMAN DROMM: Just to say that  
20 there so many social benefits from the programs  
21 that we're proposing, that the cost savings I'm  
22 not exactly sure right now what they would be to  
23 the city.

24 But obviously providing early childhood

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1 education is one of the major ways to save money,  
2 because study after study after study has shown  
3 that children who receive an early childhood  
4 education obviously benefit through their  
5 lifetime. Many more go to college, we avoid the  
6 pipeline to prison and the costs that are related  
7 to that. So there is a tremendous amount of  
8 savings especially in the universal pre-K program  
9 that we're proposing.

10 ASSEMBLYMAN MOSLEY: Now, as my colleague  
11 had noted about the CFE money, in lieu of these  
12 studies that are out there that go to your point,  
13 this hurdle that we ourselves with CFE funding,  
14 could this have a detrimental impact subsequently  
15 on those students who will be given that early



16 leg up with universal pre-K and then find  
17 themselves in the situation where they're in a  
18 classroom with 30, 35 kids?

19 Being a teacher and seeing that  
20 firsthand, obviously, you know, you see kids kind  
21 of regress, you know, to that point. So can you  
22 extrapolate on it?

23 NYC COUNCILMAN DROMM: Sure. You know, I  
24 was a former New York City public school teacher

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1 also for 25 years before being elected to the  
2 Council, and also the director of a daycare  
3 center at 125th Street and Amsterdam Avenue in  
4 Harlem.

5 And we see tremendous benefit for the  
6 children immediately coming out, but you don't  
7 want to lose that as you move along. And one of  
8 the initiatives that the Council had in the past  
9 which was highly successful was our middle  
10 schools initiative, and that's something that I  
11 think we have to continue to look at and continue  
12 to fund as well, moving forward in the budget, so  
13 that when kids get to the fifth, sixth, seventh  
14 and eighth grades we don't lose the benefits that  
15 they had.

16 But even with that risk being taken, kids  
17 who have had pre-K, no matter what, in the end  
18 still wind up better than if they never had pre-K  
19 at all.

20 ASSEMBLYMAN MOSLEY: Well, again, thank  
21 you, Madam Speaker, and to your colleagues. And

22 as the uncle of several Latina little girls,  
23 nieces, I want to thank you for being the shining  
24 example that you are.

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1 COUNCIL SPEAKER MARK-VIVERITO: Thank you  
2 so much. That means a lot. Thank you very much.

3 CHAIRMAN FARRELL: Thank you very much,  
4 and congratulations again.

5 COUNCIL SPEAKER MARK-VIVERITO: Thank  
6 you, Assemblyman, Chairman. Nice to see you.

7 CHAIRMAN FARRELL: Next is Stephen J.  
8 Acquario, executive director, New York State  
9 Association of Counties; Marcus Molinaro,  
10 Dutchess County executive; and Anthony Picente,  
11 Oneida County executive and New York State County  
12 Executives Association president.

13 Good afternoon. Not evening yet.

14 MR. ACQUARIO: Good afternoon and thank  
15 you, Chairman Farrell and Chairman Martins,  
16 Chairman Magnarelli of the Local Government  
17 Committees. Members of the Assembly and Senate,  
18 thank you for having us here today. It's an  
19 important day.

20 This is an important day for local  
21 governments. This is our opportunity to come to  
22 the state to discuss the quality of life, the  
23 impact of the Governor's budget in your  
24 communities all across this great State of

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1 New York.

2 I'm joined today by the Oneida County  
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3 executive, Anthony Picente, who also serves as  
4 president of the County Executives Association,  
5 on my left. And on my right, the county  
6 executive of Dutchess County, Marcus Molinaro.

7 My role here today -- we did submit  
8 written testimony to the committees. We have  
9 also submitted our budget analysis of the  
10 Executive Budget. We will not work off of those  
11 documents but, in the interests of time, work  
12 through some talking points.

13 My role here today will be to redefine  
14 the mission and the role of county government in  
15 the intergovernmental process. County Executive  
16 Molinaro will talk about a specific mandate  
17 relief proposal tied to universal pre-K. And  
18 County Executive Picente will address some issues  
19 concerning shared services and consolidation  
20 which have been the topic of most of this day.

21 For the most part, counties are the  
22 administrative arm of the state and the federal  
23 government, providing locally the services  
24 created in the state Capitol. But we also have

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1 dual function: local and state service delivery.

2 Locally we provide essential public  
3 safety services, keeping the communities safe,  
4 public health, social welfare, roads and bridges,  
5 recording the deeds and public records -- truly a  
6 local government function.

7 On the state level, most of our services  
8 are mandated by the State of New York. And the

9 Governor and the Legislature have recognized the  
10 impact of this partnership that it has on county  
11 spending and budgeting and, more importantly, on  
12 the local taxpayers.

13 In particular, one of the counties are  
14 here today to thank you, in particular, for your  
15 efforts to reduce this county tax burden. When  
16 you lower the costs for counties, this translates  
17 directly to lowering the costs for county  
18 taxpayers. An example being when the state  
19 capped the local share of Medicaid and created a  
20 Tier 6, you provided significant savings for  
21 taxpayers in the future. The savings from these  
22 reforms will grow over the decades to come and  
23 will help reduce the pressure on future property  
24 taxes.

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1 But I want to be clear, because sometimes  
2 mandate relief is misunderstood. These reforms  
3 did not lower existing costs for the counties.  
4 They capped us where we are so that we avoid  
5 future increases. We still pay \$7.5 billion in  
6 Medicaid, and we still send \$12.4 billion in  
7 total to pay for nine state-mandated programs and  
8 services to the state's capital. And that's why  
9 our county leaders keep telling us they need more  
10 relief.

11 In order for local governments to reduce  
12 the property tax levies, the state must reduce  
13 the cost of the mandates we fund. This conforms  
14 with the basic tenet of governing that counties

15 have long espoused, that decisions are always  
16 better when the full cost and consequence of the  
17 decision is borne by the entity making those  
18 decisions.

19 As an example of smarter governmental  
20 administration, it is only common sense that  
21 universal pre-K changes that are being proposed  
22 follow this model. And with us here today is the  
23 Dutchess County executive, Marcus Molinaro, to  
24 discuss the impact of universal pre-K on all of

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9  
1 our children.

2 Mr. Molinaro.

3 COUNTY EXECUTIVE MOLINARO: Thank you,  
4 Steve, and thank you, Mr. Chairman. I'd like to  
5 say it's nice to be back in Albany.

6 CHAIRMAN FARRELL: I was going to say  
7 welcome back.

8 COUNTY EXECUTIVE MOLINARO: I'd like to  
9 say that.

10 (Laughter.)

11 COUNTY EXECUTIVE MOLINARO: To all of  
12 you, thanks for the opportunity to offer some  
13 comments. And certainly to my former colleagues  
14 in the State Assembly, thanks for allowing us to  
15 be here with you today.

16 I want to speak specifically to the issue  
17 of universal pre-kindergarten; in particular, the  
18 relationship county governments have to the  
19 provision of this important service currently.

20 I preface those comments by offering to  
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21 you, as I think some of you know, not only is  
22 universal pre-K in the form of special education  
23 pre-K a mandated service applied to county  
24 governments, I also would like to share with you

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1 that this particular matter, having been studied  
2 by many of us, is of a personal nature for me, as  
3 the proud parent of two young children, a  
4 4-year-old son and 9-year-old daughter. My  
5 daughter Abigail will spend her entire life  
6 requiring special education and then special  
7 support services throughout her lifetime, as she  
8 does live with developmental disabilities -- in  
9 fact, has benefited from this state's and our  
10 county's Early Intervention and special education  
11 preschool program.

12 As the State of New York moves toward a  
13 goal of full-day pre-kindergarten for all  
14 children, we'd like to and I think we must ensure  
15 that our preschool children with special needs  
16 are not left behind. Special-needs children  
17 between the ages of 3 and 5 receive essential  
18 services such as speech therapy, occupational  
19 therapy and physical therapy through New York  
20 State's preschool special education programming.

21 The preschool special ed program is  
22 funded by state and county dollars. In fact,  
23 this state is the only one in the nation to  
24 require county governments to shoulder the

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1 responsibility for what is a public education  
2 requirement. And in this case, school districts  
3 are charged with determining eligibility and  
4 ensuring the provision of services.

5 Today, services for special-needs  
6 children can be splintered and in many cases  
7 unbalanced. A child may be handed from one  
8 agency or government program and service provider  
9 many times even before they reach the age of 5.

10 In this case we believe state funding  
11 must be used for the expansion of statewide  
12 universal pre-kindergarten. This for as is as  
13 important to New York City as it is for the rest  
14 of us, and it is critically important for these  
15 young children.

16 I'd offer to you that in 2001-2002 the  
17 New York State Education Department studied a  
18 sample of 3- and 4-year-old children with  
19 disabilities. The study concluded that by grade  
20 3, children who had received preschool special  
21 education services were more developmentally  
22 advanced than the comparison group who did not  
23 receive those services.

24 The study further concludes that a more

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1 highly integrated preschool special education  
2 program and services leads to higher levels of  
3 development. Counties, in this case, should  
4 universal pre-K be expanded, counties will be  
5 severely challenged to maintain our tax levels  
6 beneath the property tax cap in a fully expanded

7 UPK program unless financing and program  
8 responsibilities are more appropriately realigned  
9 in the current special education preschool  
10 program.

11 Therefore, counties strongly endorse  
12 state-funded universal preschool statewide for  
13 all our children. Thank you.

14 MR. ACQUARIO: Thank you, Mr. Molinaro.

15 Let me now focus on another proposal  
16 contained in the Executive Budget, specifically a  
17 property tax freeze, which has been the subject  
18 of a line of questions by this panel throughout  
19 the day.

20 Let me clear, we sincerely appreciate the  
21 Governor's focus, your focus on property taxes  
22 and your efforts to rein them in. They are too  
23 high. I acknowledge and accept that local  
24 governments can and should do more to consolidate

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1 governmental functions and share more services.  
2 However, there are barriers to effective doing  
3 this. We look forward to discussing these  
4 barriers and working with you to enact a budget  
5 that addresses local needs and concerns.

6 And at this time I'd like to recognize  
7 the Oneida County executive, Anthony Picente, who  
8 will talk about the role of counties have been  
9 playing in shared services and consolidation.

10 COUNTY EXECUTIVE PICENTE: Thank you,  
11 Steve.

12 And thank you, Chairman DeFrancisco,



13 Chairman Farrell, and members of the committee.

14 Counties have long believed that sharing  
15 services and functions at the local level can  
16 lower costs for taxpayers. That's a primary  
17 reason why counties across this states have been  
18 aggressively pursuing shared service arrangements  
19 and consolidations across governments within  
20 counties as well as across county lines.

21 Improving government efficiency is a  
22 constant. It's a never-ending pursuit for those  
23 of us in local governments. Let me give you some  
24 examples of consolidations that have taken place

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1 throughout the state on behalf of county  
2 governments.

3 In my county alone, and in many others,  
4 911 services have been consolidated. What used  
5 to be three public safety answering centers in  
6 Oneida County are now one. The Town of  
7 New Hartford, the City of Utica had their own,  
8 and the county had their own. When we  
9 consolidated, we saved an annual expense to the  
10 town -- the largest town in Oneida County -- of  
11 \$750,000 annually, and the City of Utica nearly a  
12 million dollars, with economy of scale, by  
13 putting more police officers on the street.

14 Onondaga County and Oneida County just  
15 recently in the last year entered into an  
16 agreement on medical examiner services. I  
17 eliminated four coroner positions in the county  
18 for what was an inefficient system and, rather

19 than reinvent the wheel and begin our own medical  
20 examiner services, looked across the border to  
21 Onondaga County, that had a state-of-the-art  
22 facility and the ability to do this on a contract  
23 basis. We recently entered into a five-year  
24 agreement with Onondaga in which those services,

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1 which are essential to public health and safety  
2 and making sure that investigations on the law  
3 enforcement end, and prosecutions, can be  
4 properly done and that those services are done in  
5 the proper way.

6 Ulster County repurposed an elementary  
7 school as an extension of their community college  
8 and offices for all their health and human  
9 services.

10 In Genesee and Orleans Counties they're  
11 sharing public health services. This initiative  
12 is the first of its kind in New York State.

13 Essex County consolidated its offices of  
14 Community Development, Planning, Youth Bureau,  
15 Stop DWI and Traffic Safety into one Office of  
16 Community Resources.

17 Chemung County is consolidating all of  
18 the highway departments, with one exception, in  
19 their county.

20 And those are just the tip of the  
21 iceberg. Dutchess County, under my colleague  
22 Mr. Molinaro, shares school resource officers and  
23 provide a conflict defender program jointly with  
24 their neighbor Ulster County.

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1 Westchester provides employee assistance  
2 programs to 33 municipalities and neighboring  
3 Putnam County.

4 Nassau buys numerous commodities --  
5 gasoline, diesel, heating oil, motor oil, the  
6 list goes on -- with many communities throughout  
7 their county.

8 Rensselaer County again dispatches all  
9 fire departments and ambulance squads and police  
10 departments for all of its municipalities, with  
11 one exception.

12 So in short, counties understand the  
13 challenges that you face at the state level. We  
14 have to do more with less, and we are. We have  
15 had to close budget gaps, share services, and  
16 reduce the programs and services at the local  
17 level. As you can see from these examples, we  
18 are doing just that.

19 On behalf of counties across the state,  
20 we are ready, willing and able to continue  
21 sharing services and lead the effort towards  
22 consolidating local government functions. We  
23 appreciate the difficult decisions that we have  
24 all had to make over the past five years, and we

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1 pledge here today to continue working with all of  
2 you, with the Governor, as we continue to develop  
3 the proposals contained in the Executive Budget  
4 that impact local government.

5 Thank you.

6 MR. ACQUARIO: Thank you.

7 CHAIRMAN FARRELL: Thank you very much.  
8 Questions?

9 Yes, Mr. Magnarelli.

10 ASSEMBLYMAN MAGNARELLI: Thank you all  
11 for being here. I do appreciate hearing from  
12 you. Good to see you again.

13 Medicaid administration, can someone  
14 answer the question of what is the status of  
15 local Medicaid administration? And what issues  
16 or challenges have the counties had in  
17 implementing a state takeover of Medicaid  
18 administration?

19 MR. ACQUARIO: Yes, I'll take a start at  
20 answering that question, and then I'll ask my  
21 colleague David Lucas from our office to help  
22 bring about some additional information with  
23 respect to implementing the administrative  
24 takeover.

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1 This has not exactly gone as planned.  
2 The administration had proposed a multiyear  
3 effort to take over various functions of County  
4 Departments of Social Services. And starting in  
5 New York City, where it was going to take over  
6 managed long-term care components and then  
7 proceed upstate, it has been delayed with respect  
8 to implementing that certain provision. And then  
9 it was going to move into different aspects of  
10 implementing the Affordable Care Act alongside  
11 Medicaid applications in the state.

12           So as far as the counties saving money  
13 with respect to Medicaid administration, I don't  
14 believe that that has come about yet. We are in  
15 full support of the state assuming a greater role  
16 in financing Medicaid and certainly support a  
17 greater role of the state, where it makes sense,  
18 to continue to assume local functions of Medicaid  
19 administration.

20           David, do you want to add anything else?

21           No.

22           So we're not exactly where we thought we  
23 could be when it was first proposed back in --

24           ASSEMBLYMAN MAGNARELLI: So the counties

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1           are still --

2           MR. ACQUARIO: We're still administering  
3 that, yes.

4           ASSEMBLYMAN MAGNARELLI: -- the  
5 administration?

6           MR. ACQUARIO: Yes.

7           ASSEMBLYMAN MAGNARELLI: Is there any  
8 idea of when that's going to change?

9           MR. ACQUARIO: I think it's going to be  
10 ongoing. That as the state continues to  
11 implement the Affordable Care Act, and the state  
12 sorts out processing applications for healthcare,  
13 whether it's Health Insurance Exchange, there  
14 will always be a role for the counties in  
15 Medicaid administration, with a local office for  
16 somebody to walk in off the street and apply for  
17 healthcare. So there is always going to be a

18 role for complex cases, special-needs cases, for  
19 the counties to be there.

20 But I think, Dave, over the next two  
21 years, the state hopefully can -- 2018 was the  
22 time limit put forth by the Executive I believe  
23 last year.

24 Tony?

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1 COUNTY EXECUTIVE PICENTE: We've started  
2 the slow phase-in of some of the new applications  
3 in our county that would be administered by the  
4 state.

5 One of the difficulties is letting that  
6 be known in the way that -- for the most part,  
7 when people come for Medicaid services, they end  
8 up in county offices. And the transition is  
9 going to be a difficult one in how we bridge that  
10 to tell people where to go for Medicaid services.  
11 But we're slowly seeing a little bit of that as  
12 we transition in the beginning phases.

13 ASSEMBLYMAN MAGNARELLI: Another question  
14 that I have revolves around the different aids  
15 that have been put in place in our budgets over  
16 the last couple of years -- Citizens  
17 Reorganization Empowerment Grants, Citizen  
18 Empowerment Tax Credit. Have these been used to  
19 any extent in our county governments?

20 MR. ACQUARIO: I think they are  
21 legitimate programs to put out there. But I  
22 think ultimately it's the people's decision to  
23 decide whether or not to reorganize their

24 governments. It's not applicable to county

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1 government, but it's more applicable to villages  
2 and towns. But ultimately we believe it is up to  
3 the electorate to decide that, the citizens  
4 themselves.

5 ASSEMBLYMAN MAGNARELLI: But the question  
6 is are these tools that are being given within  
7 the budget, are they being used to any extent as  
8 far as the local governments are concerned?

9 MR. ACQUARIO: I think the shared  
10 services grants are being used effectively.  
11 That's part of that initiative. And I'd like to  
12 see that program continue and expand. They have  
13 been very helpful in funding and furthering  
14 consolidation efforts, and I believe that that  
15 program should perhaps be tied more towards the  
16 property tax freeze proposal, rebates, that have  
17 been advanced by the Executive, but more tied  
18 toward incentivizing local governments to share  
19 best practices and expand.

20 We provided a list of 10 or so proposals  
21 that the counties are doing right now. There's  
22 scores more of these proposals that are being  
23 implemented across the state where counties don't  
24 know in Onondaga what's happening in Nassau.

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1 So I think we could do a better job of  
2 sharing what we're doing across the state, as  
3 opposed to requiring the 3 percent cut of a

4 property tax levy. That's a very difficult  
5 decision to make when that will really affect  
6 local quality-of-life services.

7 ASSEMBLYMAN MAGNARELLI: Thank you very  
8 much.

9 Thank you, Mr. Chairman.

10 CHAIRMAN FARRELL: Thank you.

11 Senator?

12 CHAIRMAN DeFRANCISCO: Senator Gipson.

13 SENATOR GIPSON: Thank you all for being  
14 here today, and thank you for bringing along my  
15 county executive with you from Dutchess County.

16 I know that as an organization you have  
17 expressed interest in supporting many of the  
18 bills that I'm carrying that deal with mandate  
19 relief. And I appreciate you doing that, and I  
20 look forward to working with you as we move  
21 forward on that important issue.

22 But today I'd like to sort of address  
23 some things that are more urgent within the  
24 Governor's proposed budget, to get your feedback

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1 on it. I want to start with my county executive,  
2 Marc Molinaro. I'd like to get your input, if  
3 you don't mind, on what I think was actually a  
4 great proposal from the Governor to reduce  
5 corporate taxes on manufacturing to zero percent.  
6 It's a good idea, except for one thing. My  
7 district would not qualify, and many others would  
8 not qualify either, because we are all in a zone  
9 that currently pays MTA payroll taxes.



10           It would seem to me that you would want  
11 to make the effort to help those who are under  
12 the most regressive tax burden first. I would  
13 think those who are paying the MTA payroll tax  
14 would qualify as being under a regressive tax  
15 burden. And to me, at least, it doesn't seem  
16 fair that we are not able to benefit from this  
17 zero percent tax decrease. And certainly I want  
18 to encourage people to move to my district and  
19 not move out of my district. I think probably  
20 the other counties surrounding me would feel the  
21 same way.

22           We also, as you know, have had and will  
23 probably continue to have a large amount of  
24 layoffs from IBM, one of our largest employers.

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1           So I'd just like to get your input as the  
2 county executive of Dutchess County, one of those  
3 paying the MTA payroll tax, what impact this  
4 would have if we were not able to partake in this  
5 zero percent tax.

6           COUNTY EXECUTIVE MOLINARO: Sure. While  
7 I can't tell you that we've conducted a thorough  
8 analysis of what would happen if we're not  
9 included, I can offer you a couple of things.

10           First, as you probably recall,  
11 Dutchess County was one of several that took  
12 legal action or at least later joined legal  
13 action on the imposition of the MTA payroll tax.  
14 And while we were exceptionally happy with the  
15 State Legislature's willingness to cut that tax

16 significantly, it still remains a heavy burden in  
17 our community and certainly for those other  
18 counties that fall within the MTA region on Long  
19 Island and throughout the Hudson Valley.

20 Our first priority would be to repeal the  
21 MTA payroll tax. That in fact is perhaps among  
22 the most onerous, and it is impact significantly  
23 our larger employers, including governments --  
24 county governments, municipal, school districts,

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1 et cetera -- are also paying that tax. So we are  
2 now taxing our residents to pay a tax. It would  
3 be, I think, in our best interests to see that  
4 repealed initially.

5 Secondly, to your specific question,  
6 Senator -- and I thank you for asking it, and I  
7 certainly thank you and your colleagues in the  
8 Hudson Valley delegation for making it clear that  
9 to exclude the Hudson Valley from the upstate  
10 zeroing out of the corporate tax would be a  
11 significant oversight if not error. It is our  
12 hope that the Legislature, you, the Governor and  
13 others will find it appropriate to include the  
14 mid-Hudson Valley, which many time is considered  
15 upstate when it is convenient to call us upstate.  
16 We'd like to see certainly the same benefit  
17 extended to our communities as well.

18 And while everyone who's come before you  
19 today has been talking about the burden of state  
20 government, I would tell you that I think many of  
21 the communities in the Hudson Valley are primed

22 for significant economic development. With a  
23 little bit of tax relief and a little bit of  
24 consideration, I think we have number of

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1 locations that will grow. So we're hopeful that  
2 you and others will continue your advocacy to see  
3 that our county and others in the valley are  
4 included in that proposal.

5 SENATOR GIPSON: Thank you for that. And  
6 I appreciate your continued support on repealing  
7 the MTA payroll tax. I hope that we can make  
8 some progress with that in the near future.

9 I'd like to ask Mr. Acquario a question,  
10 just representing your organization, regarding  
11 the tax freeze that you alluded to. I know in my  
12 county of Dutchess County, I'm sure in Oneonta  
13 County the same, you know, there's multiple  
14 layers of government, multiple municipalities,  
15 cities, towns, villages, water districts, sewer  
16 districts -- they would all, if I understand you  
17 correctly, have the opportunity to participate in  
18 this tax freeze, I guess you would say.

19 I have concerns about how it would be  
20 implemented and how effective it could be. I  
21 just wondered what sort of your position is on  
22 that and, as you've studied it, if you feel  
23 confident that New York State would be able to  
24 implement this program.

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1 MR. ACQUARIO: The county executive is  
2 handing me a piece of paper because he wanted to

3 at least acknowledge the collective levy in  
4 Dutchess, which is your senatorial district, is  
5 about \$25 million. This would be the amount of  
6 money that the levy would have to be cut from  
7 your local governments and the county, excluding  
8 the school districts.

9 Now, I want to say that the Governor's  
10 focus on property taxes, the Legislature's focus  
11 on property taxes is commendable, laudable, long  
12 overdue to really try to reduce this burden on  
13 the property taxpayer. But there's an easier way  
14 to get it done. We believe that the proposal  
15 that has been submitted to you is far too complex  
16 and burdensome for the local governments to  
17 manage themselves.

18 From the county's perspective, if I use a  
19 county levy of \$50 million, \$40 million of that  
20 is state-mandated. So we would, in effect, have  
21 to cut 3 percent off the remaining \$10 million of  
22 local services.

23 I think there's an easier way to get to  
24 the benefit of the homeowner or the property

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1 taxpayer, and that's through mandate relief. And  
2 we've submitted a proposal to you here today,  
3 through universal pre-K, which we feel the  
4 children that are being served in this program  
5 deserve to get better streamlined programs and  
6 services, but there are many other ways that we  
7 could do it, working together with the State  
8 Legislature. Perhaps it's through the local

9 government efficiency grant program that we  
10 talked about earlier as well, trying to provide  
11 more incentives.

12 So a long answer to you is I think  
13 there's a way to accomplish what the Governor's  
14 vision is of too much local government. I've  
15 acknowledged that the counties, local governments  
16 can do a better job in sharing services. We are  
17 always open to a modern and efficient system of  
18 local government. But the present proposal is  
19 too cumbersome.

20 SENATOR GIPSON: Thank you for that  
21 detailed insight.

22 My time is up, but I just want to just  
23 confirm the number \$25 million that you  
24 mentioned -- and I appreciate you bringing those

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1 numbers. That did not include school tax, is  
2 that right?

3 MR. ACQUARIO: That's correct.

4 Oh, it does, I'm sorry.

5 SENATOR GIPSON: It does or it does not?

6 MR. ACQUARIO: My apologies, it does  
7 include the school districts.

8 SENATOR GIPSON: Okay. That's important  
9 to know.

10 It is interesting to note that in this  
11 tax freeze proposal that the school tax drops off  
12 in the third area and is not a part of sort of  
13 the equation, when that is really the highest tax  
14 that most of our counties pay, certainly in my

15 area.

16 Thank you for your time today. Thank you  
17 for your insight, I really do appreciate it.

18 MR. ACQUARIO: Thank you, Senator.

19 CHAIRMAN FARRELL: Thank you very much.  
20 Assemblyman Oaks.

21 ASSEMBLYMAN OAKS: Thank you, Chairman.

22 And thank you for your presentations  
23 today.

24 I know some of the discussion has been on

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1 the special ed -- and the Governor did put some  
2 minimal proposals, I think dealing with the  
3 special ed itinerant teacher. That of what he's  
4 proposing, compared to what you're proposing, is  
5 just a small step in the process?

6 COUNTY EXECUTIVE MOLINARO: It is,  
7 Assemblyman Oaks, and thank you for that  
8 question.

9 You know, our concern is really twofold.  
10 We have, I think, an historic opportunity. You  
11 have the City of New York pursuing a universal  
12 pre-K program, under the leadership of the City  
13 Council and Mayor de Blasio. You have the  
14 Governor speaking about it, state legislative  
15 leaders speaking about it.

16 Universal pre-K cannot be universal  
17 unless it includes special education services.  
18 And to have the state, with the Governor's  
19 proposal to phase in universal pre-K, not include  
20 special education, would be an incomplete

21 solution.

22 To Senator Gipson's comments about the  
23 impact in our own community, just for reference,  
24 in Dutchess County alone special education

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1 preschool is approximately \$7.5 million.

2 Now, we're not in the education business.  
3 County governments, in fact, are I would argue  
4 the least able to address public education. So  
5 from our perspective, this is one of those  
6 chances where good public policy meets what has  
7 been the argument and cry of counties and local  
8 governments for years, the issue of mandate  
9 relief.

10 And I would just offer again, from a  
11 personal perspective, special education preschool  
12 is in fact the universal preschool of upstate.  
13 As the state continues to add new expectations  
14 and requirements on the public education system,  
15 there's going to be downward pressure. There  
16 will be more young people who are expected,  
17 demanded, required to receive special education  
18 services. To not have the state fund special ed  
19 pre-K outside of the city or make it universal  
20 statewide, you'll have an entire class of young  
21 people who won't be receiving an integrated  
22 public education system.

23 And worse, the current costs to county  
24 governments will only skyrocket because there

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1 will be more and more demand that young people  
2 receive the necessary services in order to access  
3 public education.

4 so we think this is one of those  
5 opportunities that all come together at the right  
6 time. It is a mandate relief effort, but it is  
7 also an effort to provide, we think, the most  
8 integrated and comprehensive public education  
9 system the state can offer.

10 ASSEMBLYMAN OAKS: Do you have any sense  
11 on what the costs of doing that would be?

12 COUNTY EXECUTIVE MOLINARO: Special  
13 education pre-K in the City of New York, the  
14 city's portion is approximately \$800 million.  
15 When you look outside the city, it's  
16 approximately \$200 million statewide that the  
17 counties currently contribute to the program.

18 MR. ACQUARIO: But we would not be  
19 asking -- you know, I think it would be  
20 reasonable to ask for Year 1 to contribute that  
21 amount of money. This would be a three-year,  
22 perhaps, phase-in of steps to try to at least,  
23 Assemblyman, bring the state into the existing  
24 law. The existing law should read about

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1 30 percent of county share instead of the 40 that  
2 we're paying right now. So at the very least,  
3 try to conform with the law.

4 ASSEMBLYMAN OAKS: Let me just ask, too,  
5 there's Early Intervention services that are  
6 separate from that as well. Is there an



7 opportunity in that area as well?

8 COUNTY EXECUTIVE MOLINARO: We would  
9 argue you can take back anything you'd like.

10 But the Early Intervention services were  
11 passed to county governments with the expectation  
12 at the time that they were sort of public health  
13 requirements. And we of course manage a public  
14 health system in partnership, if you will, with  
15 the state.

16 I think our consideration proposal at  
17 this point is focused just on special education  
18 pre-K, that linking it with universal pre-K  
19 statewide makes sense, and at least at this point  
20 the counties -- you know, I don't think I can  
21 speak for every one of us, but I think in our  
22 case the counties will continue in the near term  
23 to provide EI services.

24 In my county, Early Intervention services

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1 represent about \$2 million in expense. So pre-K,  
2 special education pre-K, is the larger component.

3 And I would reinforce, though, that  
4 again, because of standards that are being  
5 increased in public education, more and more  
6 young people are being directed to preschool  
7 special ed to prepare them to enter into  
8 kindergarten. So in fact, EI services are  
9 becoming more and more limited, while pre-K is  
10 becoming more -- special education pre-K is  
11 becoming more universal because so many are being  
12 encouraged and pushed, and appropriately so, into

13 special education preschool.

14 ASSEMBLYMAN OAKS: You talked about the  
15 counties would be happy for anything in takeover  
16 at the state level, and obviously the issues  
17 surround that of how we're funding it now, what  
18 the impact would be at the state level and the  
19 county level, but certainly Medicaid is even on  
20 the scale certainly the big item.

21 Within Medicaid I know there have been  
22 some proposals that I've heard relating to giving  
23 counties maybe even some flexibility, sharing in  
24 cost savings with the state, maybe even county by

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1 county having some opportunities that may be  
2 difficult within your organization to get  
3 uniformity because the state is very different.

4 But whether it's that or anything else,  
5 other mandate-relief ideas or thoughts?  
6 Obviously, universal pre-K it sounds like is the  
7 push for this year, but --

8 MR. ACQUARIO: Well, there's a drawer of  
9 them. Where do you start?

10 I think maybe we should look at what  
11 we're doing -- the federal government recognizes  
12 education 3 years old to 21, but in New York  
13 State, we're bifurcating it. We had a program  
14 for special-needs children of zero to 2 -- Early  
15 Intervention -- 3 to 5, preschool special  
16 education with the counties involved through the  
17 school system, but not really. And then you have  
18 5 to 21 in the school system.

19 I think maybe the state should look at 3  
20 to 21, just like the federal government is saying  
21 is an educational program. As County  
22 Executive Molinaro mentioned, we're not in the  
23 education business. Well, perhaps zero to 3  
24 should -- instead of zero to 2 for Early

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1 Intervention, maybe we should increase the age  
2 for the county responsibility to zero to 3. I  
3 don't know, but that would be an area where we  
4 could look at.

5 Indigent defense, the cost of indigent  
6 defense is another area we would call to your  
7 attention for mandate relief to try to take over  
8 and fix this broken system of providing defense  
9 to the indigent.

10 There's a TANF safety-net shift that was  
11 made a few years ago. We would like to revert  
12 back to the 50/50 share instead of the present  
13 71/29 percent in public assistance.

14 There are many programs, but we try to be  
15 reasonable in our ask with the state. The  
16 counties continue to call for Medicaid takeover  
17 of the financing. Outside New York City we're  
18 paying \$2 billion. Five years, take it over  
19 completely, and write the law to provide property  
20 tax relief with every dime that you take over.

21 So there's any number of programs, but  
22 what makes the most sense for the state and  
23 localities is to get together and work through  
24 some of the issues.

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1 ASSEMBLYMAN OAKS: Thank you very much.

2 CHAIRMAN FARRELL: Thank you.

3 CHAIRMAN DeFRANCISCO: Senator Martins.

4 SENATOR MARTINS: Good afternoon. Thanks  
5 for being here, I do appreciate it.

6 One of the themes that comes up often  
7 when we talk about consolidation I think is an  
8 understanding of what each level of government's  
9 role actually is. In a system where you have a  
10 state government, a county government, a town  
11 government, a village government, a city  
12 government, who does what and who should be doing  
13 what. And so when we look at county government  
14 in this case, what would you suggest would be the  
15 proper role of county government in the State of  
16 New York.

17 And it changes from area to area, region  
18 to region, relationship with your local  
19 municipalities, towns and cities within your  
20 jurisdiction, whether or not you provide police  
21 protection or don't provide police protection.  
22 Yet when we talk about the interface between  
23 counties and the state, you know, there's  
24 generally a catchall, and we hear it every year.

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1 And so I would think that it's certainly a lot  
2 more complex than the one-dimensional discussion  
3 that oftentimes accompanies these hearings.

4 But what I would ask is this. You know,  
5 let's talk about finances for county government.

6 Because when I see county executives and when I  
7 see county officials saying that a large  
8 percentage of your tax levy goes towards paying  
9 state mandates, we're also not discussing the  
10 other revenue streams that the county has,  
11 including sales tax revenue, mortgage tax  
12 revenue, or any other revenue streams that were  
13 created by the state for your benefit to provide  
14 those mandates.

15 And so they're funded not necessarily  
16 only through your property taxes, but they're  
17 also funded through all of these other taxes.  
18 And oftentimes -- and you can tell me if I'm  
19 wrong, in either your respective counties --  
20 those other revenues are more than the property  
21 tax levy. And they go a long way towards  
22 providing for the resources you need to provide  
23 for the services that you provide as counties.

24 So I'd just like to hear your comments on

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1 that.

2 MR. ACQUARIO: Well, I'll take a start at  
3 that and then the county executives can  
4 contribute their own perspective.

5 You are right, the counties rely on two  
6 forms of revenue, property tax and sales tax.  
7 And in the aggregate collection, they're about  
8 the same. Property taxes and sales tax  
9 collections from the counties is about  
10 \$10 billion, \$5 billion, just about, for round  
11 numbers, each collectible.

12           But I think we have to remember why we  
13 have sales taxes. Why do counties impose a sales  
14 tax? Why does the City of New York impose a  
15 sales tax? It has a permanent authority in the  
16 City. We don't have a permanent authority; we  
17 have to come back every two years for a renewal.

18           We have sales taxes because of Medicaid.  
19 That's when it started. The first county sales  
20 tax was the year of the state-imposed Medicaid.  
21 We can't forget the actions of the past and what  
22 has led to today and the collection of sales  
23 taxes.

24           When we talk about property taxes tied to

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1           nine state mandates, if we didn't have the sales  
2 tax, Senator, to supplement the programs imposed  
3 by the state on us, our property taxes would be  
4 more than double in the state. That's the answer  
5 that I would give you back on sales taxes not  
6 being part of this discussion all the time.  
7 sales taxes are there to offset the impact on the  
8 property tax base.

9           SENATOR MARTINS: Agreed. I agree.

10           So if we're going to discuss the impact  
11 of Medicaid expenses as a component of a county's  
12 overall budget, then let's also include the fact  
13 that there's a sales tax component there, and  
14 that sales tax component was placed there so as  
15 to pay for that portion of it.

16           And when we talk about the efforts that  
17 this Legislature has had, certainly over the last

18 three years that I have been here, to take over a  
19 larger portion of the increases or the increases  
20 going forward, when it comes to Medicaid I think  
21 we have to do that in the context of that overall  
22 context of sales tax having been allowed for that  
23 very purpose. We shouldn't de-link or unlink  
24 those two items.

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1 MR. ACQUARIO: No, agreed. I don't think  
2 it should be de-linked. It's part of the  
3 discussion.

4 And I also appreciate your initial  
5 comment about what we're doing here now. We're  
6 discussing the role of government, the  
7 administration of government, the division of  
8 that administration by the counties, the cities,  
9 the villages.

10 Villages are an incredibly important  
11 component of your Senate district, unlike the  
12 Dutchess County Senator to your right there. A  
13 very different role of villages there than the  
14 power of the villages on Long Island. Each of  
15 these local governments has different  
16 characteristics.

17 And I would agree with you that we  
18 shouldn't separate the two, they should be part  
19 of one discussion about funding all of these  
20 programs at the state and local government level.

21 COUNTY EXECUTIVE PICENTE: But it is  
22 true, though, the other aspect that sometimes  
23 gets lost in translation is the sales tax is

24 shared in most communities, in most counties

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1 throughout.

2 Now, I'm one of the benefactors of one of  
3 the highest in New York State, and part of that  
4 was put in because of our rising Medicaid costs a  
5 few years back. Yet the portion of sales tax is  
6 still shared with all towns, all villages and the  
7 three cities. I have three cities in my county,  
8 I have 26 towns and 19 villages. And they all  
9 share in that sales tax, in some formula or not.

10 So the overall -- when we have to come  
11 down, as Steve said, every two years, we're not  
12 just coming for the County of Oneida, we're  
13 coming for those towns and villages.

14 Now, I represent a county in which  
15 agriculture, as it is in the state, is the  
16 number-one industry. I have numerous farmers who  
17 will tell me, keep raising the sales tax, keep  
18 our property taxes as they are. Yet I have the  
19 retail and the business community telling me:  
20 Drop it down, down, down further.

21 We've tried to strike a balance. You  
22 know, as Steve said, in most counties there are.  
23 But in mine there hasn't been because we have  
24 tried to stem and keep property taxes at their

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1 lowest level. Our property tax levy sits at just  
2 over \$67 million. That's what we collect on that  
3 end. My sales tax collection for our share is



4 about \$92 million.

5 And that really should not be -- I had an  
6 economics professor from one of the colleges call  
7 me and say, "You're out of whack there." And I  
8 said "I know that." But that's the balance that  
9 we try to strike in terms of providing those  
10 services and in terms of the sharing that takes  
11 place.

12 That 92 is not what's all collected in  
13 sales tax. Another 45 is shared with the three  
14 cities, the 26 towns, the 19 villages. And  
15 therein lies the problem of consolidation.

16 COUNTY EXECUTIVE MOLINARO: And don't  
17 overlook that it's not only a requirement, it was  
18 a -- the fact that counties were able to impose  
19 sales taxes comes at the cities, in certainly  
20 most cases, the cities relinquishing their right  
21 to collect a local sales tax within those  
22 parameters, their communities.

23 The sharing came about because, quite  
24 frankly, the development of New York State

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1 changed from a city-and-village-centric  
2 development, except perhaps in certain locations,  
3 to suburbanization. So the cities were losing  
4 upstate their revenue options, sales tax revenue.  
5 So a county sales tax then shared with the cities  
6 and towns ensured that certain cities, especially  
7 those deteriorating, weren't going to lose this  
8 valuable funding stream.

9 But your point is well-taken. In my

10 county we do not speak of mandates as a component  
11 of property taxes. It would be disingenuous for  
12 us to do that. We speak of it in a much broader  
13 term. We don't identify it separately on our tax  
14 bill. We say, and it's accurate, that 70 percent  
15 of net-to-county costs are mandated by the  
16 federal and state government. How we conclude  
17 the necessity to pay for those is through a  
18 series of funding streams.

19         So your point is well-taken. It is not  
20 to -- it would be incorrect, inaccurate and  
21 disingenuous of any of us to suggest that  
22 mandates lead only to property tax increases.  
23 Mandates lead to the need to come up with  
24 multiple revenue streams.

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1         Our argument at this point is simply we  
2 are overtaxed as it is. But to focus on just the  
3 property tax levy as a response, tax cap, and  
4 then policies to stay under that cap without  
5 looking at the driving force of many of our  
6 budget expenses, mandates, is equally  
7 disingenuous.

8         So what we've done in Dutchess County,  
9 I'd offer you, is -- I'll start to answer the  
10 question that you started with, what is the  
11 appropriate role of government. Last year while  
12 the State of New York had its shared services  
13 grant program -- and I don't recall the  
14 appropriation, but Dutchess County put on the  
15 table \$2 million of Dutchess County money to

16 incentivize the consolidation of local  
17 governments.

18 And we said to the 20 towns, eight  
19 villages and two cities in Dutchess: Identify  
20 what you believe are your core responsibilities  
21 and let's talk about what could be centralized at  
22 the county level and we'll pay to make that  
23 transition. Very effective in our first year.

24 And we think, with appropriate mandate

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1 relief, we can keep directing those dollars to  
2 towns, villages and cities to come up with new  
3 consolidation and shared services efforts so we  
4 only focus on those services that are appropriate  
5 for each level of government.

6 SENATOR MARTINS: I appreciate that. And  
7 thank you. Perhaps that is the difference, a  
8 county-centric consolidation or shared services  
9 as opposed to a state-imposed model that doesn't  
10 take into consideration the regional differences.

11 Chairman, thank you very much. Thank  
12 you.

13 MR. ACQUARIO: Thank you.

14 CHAIRMAN FARRELL: Thank you.

15 Assemblywoman Schimel.

16 ASSEMBLYWOMAN SCHIMEL: Thank you for  
17 coming. I'm sorry for the distraction of me  
18 coming in and out, but there's a lot going on  
19 today.

20 And forgive me if I missed this, I've  
21 been asking around. When we talk about the tax

22 cap -- and in your writings it's a 2 percent  
23 property tax cap. But is that held fast?  
24 Because I know I'm hearing other terms. I know

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1 the school boards have approached me that it's  
2 actually 1.66, it's 1.46.

3 What is the Governor -- the Governor  
4 talks about 2 percent tax cap. Is that a hard  
5 and fast number, or is sometimes -- will it be  
6 based on the CPI and another number that the  
7 comptroller will come out with a lower cap? Are  
8 you adhering to that number, or is it understood  
9 that it's just 2 percent?

10 MR. ACQUARIO: Well, in the Governor's  
11 plan, as we understand it, in Year 1 you have to  
12 stay within 1.66 percent.

13 ASSEMBLYWOMAN SCHIMEL: Okay. There's a  
14 big difference between 2 and 1.66, right, in  
15 terms of services?

16 MR. ACQUARIO: It is whatever the CPI is  
17 or 2, whichever is less.

18 So this year, 1.66. It will be 1.66 next  
19 year as well when we checked it.

20 ASSEMBLYWOMAN SCHIMEL: So this term  
21 about -- when we say a 2 percent tax cap, it's  
22 not a fair term. In this discussion, it really  
23 is 1.66, correct?

24 MR. ACQUARIO: 1.66, that's correct.

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1 ASSEMBLYWOMAN SCHIMEL: Okay. That's the  
2 first concern I have, because that's a big

3 difference in terms of the numbers. In terms of  
4 the services that you have to provide, that could  
5 be a couple of people.

6 And what I'm coming back from, and I have  
7 to tell you, I'm speaking from all my locals, and  
8 I'll probably pitch this question to both  
9 counties, towns, villages, cities, in terms of  
10 the executive management, we've had major storms  
11 in my neck of the woods, emergencies. I  
12 daresay -- I'm not sure of the public works,  
13 slash, highway, what the budgets look like now.  
14 we've had two major storms in my area. And those  
15 are not exempt from that cap, correct?

16 MR. ACQUARIO: No, they're not.

17 ASSEMBLYWOMAN SCHIMEL: Okay, that's my  
18 first concern.

19 And what I'm speaking about now is,  
20 again, I find it disingenuous to punish the  
21 executives of the various local governments  
22 because if you do pierce that cap and my  
23 constituents do not get their rightfully wanted  
24 PIT credit, it's your fault, right?

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1 MR. ACQUARIO: Yes.

2 ASSEMBLYWOMAN SCHIMEL: That really is  
3 troublesome. That's why I ran back here, I want  
4 to put it on the record.

5 I know that in my area, Long Island --  
6 I'm from Nassau -- county, towns, villages, we do  
7 work around. There are no overlapping services  
8 in my -- we have, in fact, intermunicipal

9 agreements up the wazoo. In fact I've done more  
10 parkland alienations with that man that I could  
11 spare -- you know, we understand who's best to  
12 service, some are -- so I find my biggest problem  
13 is in fact to punish the people doing the work.

14 And so I just wanted to put that on the  
15 record, that I have a real problem with that,  
16 because -- and one more thing. I know back home  
17 we've had consolidated services already. Are  
18 those going to be retroactive?

19 In other words, if my sewer district has  
20 already combined a village and a special district  
21 and we were subject to that, will they be  
22 rewarded for that work that had been done last  
23 year, or is this a line in the sand just going  
24 forward? Because we have had a number of

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1 consolidated services.

2 So I want to know if they're going to be  
3 rewarded for their past work, or is that the old  
4 "sorry, that was last year"? Because how do you  
5 reconsolidate what's already been consolidated?  
6 And I'm wondering, in your information, do you  
7 know if that holds up?

8 MR. ACQUARIO: Well, that's a very timely  
9 and important question. That is not the case in  
10 the current proposal before you.

11 But the membership have been calling us  
12 saying, we have been doing many of the things  
13 that County Executive Picente presented to this  
14 body a few minutes ago, extensive shared services

15 and consolidation efforts, that would not receive  
16 credit, if you will, for their taxpayers, for  
17 their homeowners to receive the rebate. which  
18 the state, if they want to give a rebate to the  
19 homeowners, it's a wonderful thing. But there's  
20 an easier way to do that.

21 ASSEMBLYWOMAN SCHIMEL: So Marc had bad  
22 timing to do it last year, you could have held up  
23 another year and maybe have benefited from that.

24 COUNTY EXECUTIVE MOLINARO: Yeah, but

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1 then I would have been here still, and that  
2 wouldn't have been good for anyone.

3 (Laughter.)

4 COUNTY EXECUTIVE MOLINARO:  
5 Assemblywoman, I would, though, offer -- that is  
6 the concern. I mean, the tax cap for many of us  
7 is incentive enough to consolidate. We would  
8 again reinforce that modest mandate relief,  
9 freeing up resources at the county level to then  
10 refocus on greater consolidation, is certainly  
11 open to us.

12 we don't want to go above the property  
13 tax cap. we don't want to tax people more. But  
14 give us a degree of greater latitude to infuse  
15 resources to consolidate, centralize and share  
16 services, and many of the counties across the  
17 state could do that.

18 And as has been in our case, we're  
19 willing to incentivize it at the local level. We  
20 just don't want to miss the opportunity now,

21 while the state of New York is talking about  
22 universal pre-K, to miss that special ed pre-K is  
23 funded in part by county governments. Provide us  
24 that relief, strengthen the program, and commit

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1 us to rededicating those dollars to either tax  
2 relief or just a continued consolidation. That  
3 for us would be doable.

4 ASSEMBLYWOMAN SCHIMEL: Thank you.

5 CHAIRMAN FARRELL: Senator?

6 CHAIRMAN DeFRANCISCO: All set? Thank  
7 you very much.

8 MR. ACQUARIO: Thank you.

9 COUNTY EXECUTIVE MOLINARO: Thank you.

10 COUNTY EXECUTIVE PICENTE: Thank you.

11 CHAIRMAN FARRELL: Next, New York State  
12 Conference of Mayors, Peter Baynes, executive  
13 director. 2:25.

14 (Laughter.)

15 CHAIRMAN FARRELL: P.m.

16 (Laughter.)

17 MR. BAYNES: Thank you, Chairman Farrell,  
18 Chairman --

19 CHAIRMAN DeFRANCISCO: Excuse me. She's  
20 just about ready to fall down here. She's got to  
21 take a short break.

22 (To stenographer.) Take as much time as  
23 you need. They have agreed to cut back on your  
24 remarks the whole time that you're gone, just so

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1 that we don't get any further behind.

2 (Brief recess taken.)

3 CHAIRMAN DeFRANCISCO: Peter Baynes,  
4 you're on.

5 MR. BAYNES: Good afternoon. And I first  
6 want to say thank you to everybody, all the  
7 members of the committee, and also our  
8 stenographer, for your efforts today and your  
9 patience.

10 I'm with the New York Conference of  
11 Mayors. We represent the cities and villages  
12 across the State of New York. With me is our  
13 deputy director and legislative director Barbara  
14 Van Epps.

15 We are just going to focus primarily on  
16 the two key points of our testimony, first having  
17 to do with the real property tax freeze that's in  
18 the Executive Budget.

19 First of all, we just want to make the  
20 point with the property tax freeze that we,  
21 representing our mayors, controlling property tax  
22 is the number-one priority of our association.  
23 If you go through our legislative program, I  
24 think virtually every proposal in there would

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1 have the by-product of helping control property  
2 taxes.

3 Just in terms of how the property tax  
4 freeze would work, it's been alluded to a little  
5 bit here today, but basically starting in 2015,  
6 in order for the property tax freeze to benefit a

7 property owner, any municipality they were  
8 within, or school district, would have to stay  
9 under the cap. In the second year, that the  
10 municipality or school would have to stay under  
11 the cap and develop a countywide efficiency plan  
12 with other local governments in their county.  
13 And then in the next three years they would  
14 collectively within the county have to show  
15 savings from those cooperative and shared service  
16 components of the plan in an amount equal to 1  
17 percent of the countywide property tax levy in  
18 that first year, then 2 percent and then  
19 3 percent.

20 Again, we think property tax relief is  
21 key right now throughout the state, and we  
22 support the Governor's efforts in that regard.  
23 However, in terms of how this proposal is  
24 structured, we do have some significant concerns.

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1 First of all, the tax cap itself -- let's  
2 not talk about the freeze but talk about the cap.  
3 The cap came with a promise of mandate relief,  
4 which I think any neutral observer would say that  
5 promise has primarily not been met.

6 There have been two very significant  
7 things the Legislature has done, and we have  
8 given credit to them and will continue to give  
9 credit to you for that. One is the Medicaid cap.  
10 That directly helps county governments. And then  
11 Tier 6, which we know any pension reform is  
12 difficult to achieve, and that will save billions

13 of dollars over the lifetime of Tier 6.  
14 Unfortunately, most of those savings won't happen  
15 until the next generation of taxpayers throughout  
16 New York.

17 The other unpromised part of the tax cap  
18 is that there's been no increase in state aid,  
19 which we'll talk about a little bit more after we  
20 talk about the tax freeze.

21 Specifically with the tax freeze, one  
22 concern is that it fails to acknowledge what  
23 local governments have already done in terms of  
24 shared services, consolidated services. I've

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1 been at the Conference of Mayors 29 years. I  
2 know from talking to local officials, from being  
3 in their communities, that they've been making  
4 these efforts I would say since 2008, once the  
5 economy got into such trouble, that the efforts  
6 have been redoubled at the local level. And then  
7 with the tax cap, even more the efforts have been  
8 more sharply focused at the local level in coming  
9 up with shared and consolidated services.

10 So the problem, and this was alluded to  
11 with our last speaker in some of the questioning,  
12 is that the local governments that have done  
13 things, significant things to save money in terms  
14 of shared services, they are going to be punished  
15 for their good behavior under this proposal.  
16 Because this proposal and its shared-service  
17 requirements only applies prospectively, starting  
18 in June of 2015.

19                   so we think that punishing good behavior  
20 is a key shortcoming in this proposal. You heard  
21 from County Executive Picente what he's done in  
22 his county with local governments. We are in the  
23 process at the Conference of Mayors of surveying  
24 all of our members on what they have done, so

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1       that we can, rather than just say they're doing  
2 it, show to you, to the Executive branch, what  
3 they've been doing in terms of shared services.  
4 And we will share that with each of you.

5                   But I just have -- one response so far is  
6 from the mayor of Jamestown, which is kind of a  
7 typical mid-sized upstate city that's struggling  
8 for efficiencies to control their property taxes.  
9 The mayor there, Sam Teresi, in the 13 years he's  
10 been mayor, is working with county, has given up  
11 13 services that the county now takes over. He  
12 collaborates with the county on 10 other  
13 services. There are five other services that the  
14 city shares with its municipal neighbors.

15                   And all together, he's been able to  
16 generate \$5 million in savings and at the same  
17 time has reduced his workforce by 20 percent over  
18 that 13-year period.

19                   Where else does he have to go to get the  
20 1 percent, 2 percent, 3 percent of a property tax  
21 levy savings under this proposal? Our fear is  
22 that he will not be able to do that, and  
23 therefore his residents will not be able to  
24 benefit from the plan.

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1           And also, the plan also does not  
2     acknowledge the municipalities in the first two  
3     years of the tax cap that stayed under the tax  
4     cap. If you in the first two years of the cap  
5     stayed under it, in most cases you had to use  
6     fund balance to do it, you had to reduce  
7     services, probably reduce the size of your  
8     workforce. So, you know, you've used the tools  
9     you have to stay under the cap; now you're at the  
10    point where if you don't stay under the cap going  
11    forward, under this proposal, your residents  
12    would be punished.

13           So we think there needs to be recognition  
14    both of the efficiencies at the local level in  
15    previous years and the extent to which the  
16    municipality stayed under the cap.

17           We also think the tax cap itself includes  
18    disincentives to consolidate or to share  
19    services. The way the property tax cap works is  
20    if a local government stops providing a service  
21    and transfers it to another local government, the  
22    amount of the savings that the first local  
23    government would have by transferring the  
24    services, their cap would be lowered by that

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1     amount.

2           So on the face of it, that's a  
3    disincentive to want to share a service or to  
4    transfer a service when you know your cap's going  
5    to come down. Especially in a lot of

6 circumstances it goes from, in the example I  
7 gave, a municipality will give up a service that  
8 they fund through a fee, say, water rents. They  
9 transfer it, say, to the county, and now they pay  
10 they county for that service, but they pay for it  
11 through the general fund, through the property  
12 tax. Yet their cap is coming down at the same  
13 time.

14 We think that needs to be revisited in  
15 terms of the language of the tax cap so that  
16 there isn't a disincentive to share.

17 And lastly, we just want to make sure the  
18 point is made -- and I think those of you that  
19 have been in local government, most of you  
20 have -- is that bigger isn't always better.  
21 Consolidated isn't always better. You know, we  
22 have local governments for a reason, because they  
23 are closest to the people. Difficult challenges  
24 that need to be worked out can be worked out

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1 locally with a local government who understands  
2 what the community needs, the community has an  
3 opportunity for input.

4 So let's not fall into the trap that  
5 consolidation always is the best way to go.

6 The second main topic we wanted to  
7 mention is the AIM program, which has received a  
8 lot of attention here today, especially on the  
9 equity side of it. You know, people talk about  
10 the STAR program and now the tax freeze as new --  
11 as some of the first property tax relief programs

12 we've ever had in New York.

13 We would say that the AIM program, which  
14 used to be known as revenue-sharing, is really  
15 the first property tax relief program in New  
16 York. Unfortunately, relatively it's been in  
17 mothballs for the last seven or eight years. The  
18 aid is actually down \$50 million, or 7 percent,  
19 since 2008-2009. New York City, in its \$327  
20 million in AIM funding, was totally eliminated.

21 You know, if you put it in perspective  
22 with school aid, schools have needs and we  
23 acknowledge that clearly, and schools deserve an  
24 increase in school aid every year. But just to

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1 get a sense of priorities and where your  
2 resources are going, the increase in school aid  
3 this year is more, just the increase is more than  
4 all the AIM funding that goes to all the local  
5 governments in the State of New York.

6 So I think with a budget being a  
7 reflection of priorities, your partners at the  
8 municipal level would hope that as you go through  
9 the budget deliberations you can find additional  
10 AIM funding for local governments, as you heard  
11 today from mayors throughout the morning and this  
12 afternoon.

13 Just quickly, some positive things in the  
14 budget, the EPF funding increase, and also the  
15 authorization for the Superfund Cleanup Program,  
16 which would include \$10 million for municipally  
17 owned brownfields, is a very positive sign in the

18 budget. A related item that isn't in the budget  
19 but we would love to see the Legislature pass  
20 this bill, which Senator Martins and  
21 Assemblywoman Schimel have introduced for us, and  
22 that would eliminate what's known as the asbestos  
23 notification fee. It's a fee local governments  
24 pay to the Department of Labor when they're going

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1 to take down an abandoned building that by no  
2 choice of the municipality, they're stuck with  
3 it, they have to take the building down.

4 The fee they have to pay to the  
5 Department of Labor is very significant. It's a  
6 \$12 million statewide expense to local  
7 governments when they have to take down abandoned  
8 properties. That's one small but very  
9 significant thing I think you could do, is to  
10 eliminate that fee. Especially in cases where  
11 it's municipal property only because they had to  
12 foreclose on the property or take the property  
13 because it's unsafe.

14 One other very positive sign in the  
15 budget is the expansion of design/build from the  
16 state to local governments. Design/build is the  
17 construction contracting method that has saved  
18 the state significant amounts of money, including  
19 with the new Tappan Zee Bridge. It's also sped  
20 up the conclusion of projects.

21 The Governor would propose expanding it  
22 to local governments with a population of 50,000  
23 or more. Which is a good start, but we would



24 love to see it expanded to all over the

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1 government to see what they can do with it to  
2 generate more economic activity at the local  
3 level.

4 I will conclude with that, just by saying  
5 I really think local officials, mayors, are on  
6 the same page with you in terms of what they want  
7 to achieve. They want to improve the quality of  
8 life in their communities, they want to create  
9 jobs, do all of that while keeping taxes under  
10 control.

11 And I think working with you, and you  
12 working with them, providing mandate relief,  
13 additional state aid, they can get the job done.  
14 And we hope through this budget process this year  
15 we'll see that kind of a partnership.

16 Thank you.

17 CHAIRMAN DeFRANCISCO: Assemblywoman  
18 Schimel.

19 ASSEMBLYWOMAN SCHIMEL: Yes, thank you.  
20 I will try and be brief. It actually is a  
21 question or a statement.

22 I need you, if possible, Peter, to dispel  
23 a myth that is pervasive in part of my house that  
24 local governments, that there's so much overlap

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1 in services -- case in point, highway  
2 maintenance, that villages, towns, counties,  
3 state, we all do the same thing. That it could

4 be one entity doing all of it. That, you know,  
5 let's take apart -- look at the storm that  
6 happened in Long Island last week, that there are  
7 members and the public and the media that believe  
8 if you go to Long Island, one entity can do, you  
9 know, all the roads. And there's overlap that if  
10 a village is doing it, the town could do it.

11 I mean, can you dispel that? I mean, I  
12 don't see that. I see everyone has more than  
13 enough to do. And the taxes that are paid are  
14 very earmarked for the specific job that they  
15 have. And actually at a local level, it's  
16 actually spent quite efficiently, if you will,  
17 because it zeroes down in the roles that they  
18 have to play. Can you talk a little bit about  
19 this myth about overlaps with the different  
20 governments in suburban areas in particular?

21 MR. BAYNES: Yeah. I mean, like I said  
22 earlier, bigger isn't always better. And there  
23 have been studies that have shown the smaller the  
24 local government, the closer they are to their

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1 residents, the more efficient they are by  
2 necessity.

3 what we're finding in the survey results  
4 we're getting on the question of shared service  
5 and consolidation is just what you talk about.  
6 Rather than overlap, they're actually sharing  
7 services across boundary lines. They're in some  
8 cases working with the state -- we'll provide you  
9 a plow, you provide us salt. You know, doing

10 things to be as efficient as possible.

11 It's a difficult myth to dispel. What we  
12 like to say is we don't have too many local  
13 governments, we have local governments that are  
14 too expensive because of the way we force them to  
15 operate in New York.

16 So I think if you look at the data, say,  
17 on dissolution of villages, the votes on  
18 dissolution over the last three years since the  
19 law was changed, there have been 20 votes by the  
20 public in these villages, 20 votes -- it wasn't  
21 the elected officials deciding, it was the public  
22 deciding. And actually in three cases, but one  
23 of them is subject to a re-vote, only in three of  
24 the 20 cases did the residents say, we have too

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1 much government, we want to get rid of village  
2 government.

3 So, you know, local government is about  
4 giving people what they want and need as  
5 efficiently as you can. And I think our setup,  
6 even though there's a large number that's thrown  
7 out there in terms of how many local governments  
8 we have, which is vastly overinflated, you know,  
9 I think the local governments we have do a good  
10 job of providing the services that their  
11 residents really need.

12 ASSEMBLYWOMAN SCHIMEL: Thank you.

13 CHAIRMAN DeFRANCISCO: My favorite  
14 Assemblyman, Assemblyman Oaks.

15 ASSEMBLYMAN OAKS: Thank you, Chairman.

16 And thank you for your comments about  
17 some of the intermunicipal challenges that we  
18 have and some of the things already being done  
19 within that.

20 Clearly, though, there are municipalities  
21 who are in financial -- you know, who have great  
22 challenges who have actually gone to the state  
23 and said, you know, we need some help. And at  
24 least a couple either small cities or

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1 municipalities have -- the Restructuring Board  
2 has gone to them.

3 Are they receiving help? And are we  
4 anticipating more that may be requesting this?  
5 Or are we --

6 MR. BAYNES: Well, the Financial  
7 Restructuring Board that you allude to, I think  
8 officially they have accepted two applications  
9 from municipalities. I know they have quite a  
10 few more before them that they're considering.

11 The jury is really out as to how  
12 effective it's going to be. I think there will  
13 be quite a bit of interest from local governments  
14 for the reasons Senator DeFrancisco pointed out  
15 earlier, that if it could possibly help you --  
16 local governments, they're looking for help.  
17 They're looking to be as efficient as possible.  
18 If this board could possibly help them, hey,  
19 we'll go to the board and see what they can do,  
20 what they can offer.

21 we don't know if the board has enough

22 power to really help them. They do have some  
23 money, which would be helpful for some efficiency  
24 grants. And I don't know what the capacity of

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1 that board will be if it gets a hundred, 200  
2 local governments coming before it, you know, to  
3 get its job done.

4 But, you know, it's going to be  
5 interesting to see how it plays out this year.

6 ASSEMBLYMAN OAKS: Does NYCOM have a role  
7 on that board?

8 MR. BAYNES: No, we don't.

9 ASSEMBLYMAN OAKS: Thank you.

10 CHAIRMAN DeFRANCISCO: Thank you very  
11 much. We're all set.

12 MR. BAYNES: Thank you.

13 CHAIRMAN DeFRANCISCO: The next speaker  
14 is Gerry Geist, Association of Towns, and whoever  
15 else is walking down with him.

16 Okay, go ahead.

17 MR. GEIST: Good afternoon. Thank you,  
18 Chairman Farrell and Chairman DeFrancisco and all  
19 committee members, for granting the Association  
20 of Towns this opportunity to comment on the  
21 Governor's budget proposal.

22 My name is Gerry Geist, and I'm the  
23 executive director of the Association of Towns.  
24 And on behalf of the 932 towns and almost

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1 9 million New Yorkers, we are pleased and honored  
2 to be here to talk to you about the Governor's

3 budget proposal.

4 With me today on my left is Ed Theobald,  
5 the supervisor of the Town of Manlius in Onondaga  
6 County, and on my right is Dorothy Goosby,  
7 councilwoman, Town of Hempstead in Nassau County.

8 In the interests of time, we will address  
9 some of the highlights of the Executive Budget  
10 and initiatives that we feel should be included  
11 in the state budget. We are hopeful that this  
12 budget and legislative session will address these  
13 challenges by providing more state revenue  
14 sharing, increased funding for roads, bridges and  
15 clean drinking water, reforming the property tax  
16 system to streamline tax assessing, and  
17 distribute the costs of local services more  
18 equitably.

19 We are especially grateful for the  
20 \$75 million increase in the CHIPS funds that was  
21 added to the budget last year. Increasing CHIP  
22 funding in last year's budget is an example of  
23 the state and local partnership we are seeking.  
24 We thank you for increasing CHIPS last year and

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1 hope that you can do something again this year.

2 We also want to support the waiving of  
3 asbestos notification fees that was just  
4 mentioned by the previous speaker. We believe  
5 that budget amendments would be a real savings to  
6 all taxpayers and all municipalities around the  
7 state, and we support and urge your consideration  
8 in adopting those measures.

9 with regards to the tax freeze and the  
10 tax cap proposal, we want to applaud the Governor  
11 for focusing a lot of attention on real property  
12 taxes throughout the State of New York. It's a  
13 major concern, and we share his concern and  
14 applaud focusing all our energies on trying to  
15 help our taxpayers.

16 We want you to realize that even while  
17 this proposal is well-intentioned, it leaves out  
18 a number of New Yorkers. For example, there  
19 would be no rebate checks if a town would  
20 decrease its taxes below what they charged the  
21 previous year. There would be no rebate checks  
22 if a town, due to a new regulation, bond  
23 commitment, contractual obligation, or emergency,  
24 must raise the levy above the cap. And there's

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1 no rebate checks for businesses or farmers.

2 So what we want to say to you is we want  
3 local government to be a full partner and a  
4 participant in these proposals. You have heard  
5 that the shared services program does not credit  
6 all these programs that have been already  
7 undertaken by many governments throughout the  
8 state. In effect, it has a chilling effect on  
9 governments that would be considering shared  
10 programs this year because the way the Governor's  
11 proposal is set forth, it would have to be in the  
12 next year. That's a hardship.

13 Plus we also feel that the Governor's  
14 proposal on shared services doesn't recognize the

15 fact that local governments have been working  
16 hard to stay within the cap, and they've been  
17 trying desperately to find ways to use shared  
18 services. And we don't know where there's going  
19 to be much room for them to go beyond where  
20 they've already gone.

21 There's been a recent study by Cornell  
22 University that studied shared services, and  
23 they've pointed out that almost a third of all  
24 essential services a town provides are now being

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1 performed by shared services.

2 So we believe that any projected funding  
3 for a tax freeze proposal should be also  
4 dedicated to needed repairs on our aging  
5 infrastructure, which we believe will reduce  
6 property taxes for everyone, put people to work,  
7 and save lives without creating or implementing a  
8 new program.

9 Let us emphasize this point, we support  
10 tax relief. But we want to make sure that  
11 everyone is included and that local government is  
12 a full partner and participant in how these  
13 programs are administered.

14 And at this time I would like to  
15 introduce to you Supervisor Ed Theobald, from the  
16 Town of Manlius, so he can tell you his  
17 experience in Onondaga County with trying to  
18 maintain his property tax.

19 SUPERVISOR THEOBALD: Thank you, Gerry.

20 First of all, I would like to thank  
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21 Senate Finance Chairman DeFrancisco and Assembly  
22 Ways and Means Chairman Farrell for allowing us  
23 to speak today on behalf of the association of  
24 Towns to discuss some of the budget proposals and

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1 how they affect our towns.

2 First of all, the overview. The Town of  
3 Manlius, we are the third-largest town in  
4 Onondaga County. We consist of a little over  
5 32,000 residents. We have three villages --  
6 Fayetteville, Manlius and Minoa -- which I like  
7 to refer to them as our three gems; two school  
8 districts, Fayetteville-Manlius and East  
9 Syracuse-Minoa; and one town police department,  
10 which by the way was consolidated between the  
11 villages and the three towns in 1985 under  
12 then-Town Supervisor Richard Lowenberg.

13 What we really need, instead of  
14 incentives towards such things as the tax rebate  
15 and consolidation, is more state revenue sharing,  
16 increased CHIPS and AIM funding, not more  
17 restrictions put on us with property tax caps.  
18 That these proposals throw all of the towns  
19 together who have dissimilar fiscal positions is  
20 totally unreasonable.

21 The New York State Comptroller's Fiscal  
22 Stress Monitoring System gives the Town of  
23 Manlius among the lowest percentage of all  
24 municipalities in New York State. Lower is good

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1 here, just in case you were wondering.

2 Our Onondaga County comptroller issued a  
3 report in 2011 stating that we had the  
4 second-lowest cost structure of all 19 townships  
5 in the county.

6 Our average growth tax rate has been  
7 under 2 percent the last 12 years. We don't need  
8 incentives to consolidate. As our Executive  
9 Director Gerry Geist stated, and it is in his  
10 written testimony as well, we have implementing  
11 shared services for decades between the towns,  
12 villages, and county.

13 We organized a shared service task force  
14 in 2005 under then-Town Supervisor Henry Chapman  
15 between our three villages and town, and which  
16 continues to meet and address shared services  
17 today. We have instituted such things as shared  
18 billing services between the three village EMS  
19 and fire departments, as well as insurance  
20 coverages. We consolidated codes and dog  
21 control.

22 Two years ago we conducted a fire  
23 consolidation study which resulted in an  
24 organizational consolidation between all of the

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1 fire departments in the town. A fire district  
2 consolidation did not result in any cost savings,  
3 and in fact would only have resulted in one more  
4 layer of government.

5 And most recently, we successfully  
6 negotiated a snow plow contract between the

7 county and towns, which included the villages,  
8 and we worked closely with our county legislators  
9 and our county executive's office.

10 Also echoing our executive director  
11 regarding towns that may not be able to stay  
12 under the tax cap levy each year, when our town  
13 experienced going over our property tax cap levy  
14 in 2012, it was due to a capital purchase in one  
15 of our fire protection districts which was  
16 planned long before the tax cap levy was  
17 instituted. And now we're working with another  
18 fire protection district which is long overdue  
19 for a safe and more-than-adequate fire station  
20 which could possibly have the same tax cap result  
21 as last in a future budget.

22 So I guess it seems to me that these  
23 budget proposals always look from the bottom up  
24 when they should be starting, I believe -- my

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1 opinion, and a few people have mentioned this to  
2 me -- should start at the top regarding  
3 government consolidation, controlling unfunded  
4 mandates passed down to us. I think, in all  
5 candor, that you should begin at the top and work  
6 your way down to us. And once you get to us, I  
7 think you'll find by then that many of us, the  
8 majority of us, have our local government taxes  
9 and fiscal responsibilities all under control.

10 Thank you.

11 MR. GEIST: Councilwoman Goosby.

12 COUNCILWOMAN GOOSBY: Greetings to Senate

13 Finance Chairman John DeFrancisco, Ranking Member  
14 Liz Krueger, and Assembly Ways and Means Chairman  
15 Denny Farrell, Ranking Member Robert Oaks, and  
16 Deputy Speaker Earlene Hooper, my Assemblywoman,  
17 Assemblywoman Schimel, and Senator Martins. Good  
18 evening. And greetings to all of the other  
19 Senate and Assembly members who are here today.

20 I want to compliment Governor Cuomo for  
21 his dedication to tax relief and acknowledge the  
22 hard work of his Tax Relief Commission. Former  
23 Governor George Pataki and former Comptroller  
24 Carl McCall have come together in a bipartisan

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1 effort to produce suggestions in a time when  
2 taxpayers are struggling to make ends meet.

3 I am Town of Hempstead Councilwoman  
4 Dorothy Goosby. Our township is the largest town  
5 in New York State and the nation. We are home to  
6 almost 800,000 residents. Our town's workforce  
7 maintains 1,200 miles of roadway, collects  
8 garbage from 85,000 homes, and provides water to  
9 130,000 customers.

10 I am the first vice president of the  
11 Association of Towns of the State of New York, an  
12 organization dedicated to helping towns obtain  
13 greater economy and efficiency.

14 The organization presents more than  
15 560 hours of live annual training to town  
16 officials through a staff of attorneys with more  
17 than 80 years of experience in municipal law. It  
18 offers legal services to more than 20,000 town

19 officials. Additionally, two programs  
20 established and sponsored by the association  
21 allow 1,000 municipalities to participate in a  
22 shared municipal insurance service.

23 New York State is a diverse state. The  
24 services needed or desired in my town might not

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1 be needed or desired in another town. That is  
2 why a generation ago the people of New York  
3 approved home rule. Some towns might have higher  
4 property taxes because the residents in that town  
5 are willing to pay for a particular service. Our  
6 hope is that we can work with you to help honor  
7 our diversities while working together to achieve  
8 common goals.

9 Today I would like to discuss one  
10 component on the Governor's tax relief agenda.  
11 Specifically, the recent proposed tax freeze  
12 program presents a set of challenges to local  
13 governments which are in addition to the  
14 challenges already presented by rising costs and  
15 declining aid to localities. Don't get me wrong;  
16 the Town of Hempstead is dedicated to property  
17 tax relief. We have actually reduced total town  
18 taxes for 2014. In fact, this year makes  
19 Hempstead's third successive tax-cut budget.

20 As currently configured, however, the  
21 Governor's tax-freeze initiative may be  
22 unavailable to Town of Hempstead residents. A  
23 municipality is required to raised taxes in order  
24 for its residents to take advantage of the rebate

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1 provided by the state. Health insurance costs  
2 are rising at a rate of roughly 6 percent per  
3 year for our town. Indeed, by 2015 our costs  
4 will be 23 percent higher than they were in 2011:  
5 \$42.1 million projected for 2014, \$57.7 million  
6 in 2015. And that is in spite of the fact that  
7 we have implemented lifetime employee health  
8 insurance contributions.

9 The costs of complying with state  
10 regulations in areas such as water quality can  
11 result in an increase of 10 percent per year just  
12 to install equipment to remove contaminants.  
13 While costs are rising, the amount of assistance  
14 to local government is decreasing. State  
15 per-capita aid to the Town of Hempstead has  
16 fallen in recent years. In 2009, my town  
17 received \$4.18 million. Four years later, in  
18 2013, our aid has been reduced by 7.9 percent to  
19 \$3.85 million.

20 While New York State has increased its  
21 share of mortgage recording receipts it receives,  
22 no such increase has been provided to local  
23 towns. In fact, our town has seen its mortgage  
24 recording revenues drop from \$48 million in 2005

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1 to \$13.7 million in 2011. This is an astounding  
2 71.5 percent drop in this revenue source.

3 The Town of Hempstead provides municipal  
4 services to other local governments. Shared  
5 services, however, are not a panacea. In 2012,

6 for example, the Town of Hempstead received \$4.3  
7 million in revenue for sanitation services  
8 provided to other governments. These shared  
9 service revenues provide a 4 percent offset in  
10 our local sanitation budget, but represent less  
11 than 1 percent of the total Hempstead town  
12 budget.

13 Like the Governor's tax-freeze rebates  
14 being unavailable to residents of municipalities  
15 that lower or keep their levies flat, this  
16 proposal would not credit shared-service programs  
17 that are already in place, programs that are  
18 saving money and increasing efficiencies.

19 Assuming the unlikely event that the Town  
20 of Hempstead has a levy increase in the second  
21 year of the Governor's tax freeze proposal, based  
22 on 2014 levy amounts we would need to save  
23 \$2.6 million in Year 3 of the plan, \$5.2 million  
24 in Year 4, and \$7.8 million in Year 5 -- and risk

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1 the possible denial of all state aid for an  
2 undetermined period of time if our efforts are  
3 deemed insufficient.

4 Let us work together. New York State  
5 legislators, local government officials and the  
6 Governor have a common goal. That goal is to  
7 provide our taxpayers with needed relief.  
8 Indeed, that is why we in the Town of Hempstead  
9 have cut taxes for three years in a row. At the  
10 same time, we are hopeful that we can work with  
11 state officials to control mandates on local

12 governments and increase aid rather than impose a  
13 new set of challenges as seen in the local tax  
14 freeze proposal.

15 Thank you very much for allowing me to  
16 have this time to speak.

17 CHAIRMAN FARRELL: Thank you. Thank you  
18 very much.

19 Questions?

20 Assemblywoman Earlene Hooper.

21 ASSEMBLYWOMAN HOOPER: Thank you,  
22 Mr. Chair.

23 Before I ask one or two questions, I  
24 would like to acknowledge Councilwoman Dorothy

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1 Goosby, who is one of the historical figures in  
2 my community.

3 You may not know this, but when the  
4 Nassau County Legislature was developed, it was  
5 Dorothy Goosby who served as our Rosa Parks, and  
6 we acknowledge the historical achievements and  
7 contributions she has made to our community. And  
8 serving on the Town of Hempstead's board, as I  
9 believe the only Democrat, and refusing to serve  
10 as a minority when her voice was always heard and  
11 she actually represents all of the people. And  
12 I'm very honored that she's here with us today.

13 COUNCILWOMAN GOOSBY: Thank you very  
14 much.

15 ASSEMBLYWOMAN HOOPER: And I serve with  
16 you, we serve together collectively for the  
17 benefit of our constituents.



18 COUNCILWOMAN GOOSBY: Thank you,  
19 Deputy Speaker.

20 ASSEMBLYWOMAN HOOPER: Councilwoman  
21 Goosby, just one or two things I would like to  
22 ask of you as I was going through the  
23 presentation and reviewing the presentation that  
24 was given to us. On page 3, second paragraph,

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1 fourth line down where it talks about water and  
2 sewer systems, of which we both are very  
3 familiar.

4 Now, the Town of Hempstead is responsible  
5 for those unincorporated villages, am I correct?

6 COUNCILWOMAN GOOSBY: Exactly right.

7 ASSEMBLYWOMAN HOOPER: That means  
8 Roosevelt, Uniondale, those villages that do not  
9 have mayors, they are protected and serviced by  
10 the Town of Hempstead?

11 COUNCILWOMAN GOOSBY: No, by Nassau  
12 County.

13 ASSEMBLYWOMAN HOOPER: By Nassau County.

14 COUNCILWOMAN GOOSBY: Yes.

15 ASSEMBLYWOMAN HOOPER: So in the Village  
16 of Hempstead where we have a serious issue as  
17 relates to the sewer system, the issue that was  
18 discussed on page 3 -- infrastructure  
19 improvements, state revenue sharing, spending  
20 money on local infrastructure, roads, bridges,  
21 water and sewer systems and parks -- this is  
22 referring to those villages that are not  
23 incorporated, am I correct?

24 COUNCILWOMAN GOOSBY: Actually, in some

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1 areas -- see, there's a diversity between towns.  
2 And our towns are -- your town, he may be the one  
3 responsible for sewage. But in Nassau County,  
4 the county is responsible for it even though we  
5 pay a tax to the county to help the village with  
6 that.

7 ASSEMBLYWOMAN HOOPER: When you say "we,"  
8 you mean the Village of Hempstead rather than --

9 COUNCILWOMAN GOOSBY: The Village of  
10 Hempstead, right.

11 ASSEMBLYWOMAN HOOPER: -- pay to the  
12 county.

13 COUNCILWOMAN GOOSBY: Yes.

14 ASSEMBLYWOMAN HOOPER: So when we look at  
15 the sewer system in the Village of Hempstead,  
16 which is over 100 years old and at any day it's  
17 going to collapse, we need to look towards the  
18 county in terms of this infrastructure  
19 revenue-sharing to assure that the Village of  
20 Hempstead residents have adequate resources to  
21 address the sewer system, am I correct?

22 COUNCILWOMAN GOOSBY: Well, not  
23 completely. The state has a great responsibility  
24 as well. As you know, we had \$5 million given

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1 for a study which did not go to the areas where  
2 you were, incidentally, getting at. But it did  
3 not come to the Village of Hempstead. If it did,

4 we didn't see it.

5 ASSEMBLYWOMAN HOOPER: Right, I  
6 understand that.

7 COUNCILWOMAN GOOSBY: And I'm one of  
8 those people who really suffers very much from  
9 the fact that the sewer system is extremely  
10 terrible.

11 So we need help from the state, and the  
12 county definitely should work with the village to  
13 make sure that the sewer system is correct. It  
14 should be done properly. I know some of the  
15 streets where we have the biggest problem are  
16 village streets. And then there are other  
17 streets that are county streets.

18 So the village has their own sewer  
19 systems, so to speak, and the county has some.  
20 So it all connects. But that's where we need to  
21 pull it together, so that the county helps the  
22 village and the state helps the county.

23 ASSEMBLYWOMAN HOOPER: So therefore, when  
24 we look at the need for the upgrade of the sewer

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1 system in the Village of Hempstead, we also need  
2 the state to look and work with the county to  
3 assure that the funds that are going to be there  
4 for this infrastructure improvement state  
5 revenue-sharing, that the state makes sure that  
6 the county and the village work together.

7 COUNCILWOMAN GOOSBY: Exactly.

8 ASSEMBLYWOMAN HOOPER: Thank you very  
9 much. That's a very important issue, and I know

10 personally what you have experienced in reference  
11 to the system in the village of Hempstead.

12 And I'm very, very proud and honored that  
13 you're here today, I really am.

14 COUNCILWOMAN GOOSBY: Thank you.

15 ASSEMBLYWOMAN HOOPER: And I will be  
16 certainly telling my constituents, our  
17 constituents back in the village of Hempstead  
18 what a wonderful job you did today.

19 COUNCILWOMAN GOOSBY: Thank you. Thank  
20 you so much.

21 CHAIRMAN FARRELL: Any further questions?  
22 Thank you. Thank you very much.

23 CHAIRMAN DeFRANCISCO: As you're leaving,  
24 just a comment. Our county is smaller than your

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1 town, okay?

2 (Laughter.)

3 CHAIRMAN DeFRANCISCO: Our county is  
4 smaller than your town.

5 COUNCILWOMAN GOOSBY: Well, the town is  
6 the largest town in the United States of America.  
7 And there aren't any other towns larger than us.  
8 so I think your county is much smaller, too.

9 CHAIRMAN DeFRANCISCO: Thank you very  
10 much.

11 MR. GEIST: Thank you very much.

12 CHAIRMAN FARRELL: John Whiteley,  
13 New York State Property Tax Reform.

14 Brevity is a major reform.

15 MR. WHITELEY: Mr. Chairman,

16 Mr. Chairman, distinguished members, I'm John  
17 Whiteley, legislative affairs officer of the  
18 New York State Property Tax Reform Coalition, a  
19 bipartisan volunteer organization representing  
20 the interests of grassroots individuals and  
21 groups statewide who urgently seek property tax  
22 relief and reform via state legislation. The  
23 coalition was established in 2007, and I have  
24 personally been involved in these issues since

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1 1993.

2 In speaking at this hearing in recent  
3 years, I have lamented Albany's continued failure  
4 to implement a long-overdue middle-class circuit  
5 breaker to provide relief to local taxpayers --

6 CHAIRMAN DeFRANCISCO: Excuse me. Excuse  
7 me. Excuse me, can you give respect to the  
8 speaker who's waited all day for this  
9 opportunity? Thank you.

10 MR. WHITELEY: So I've come before you  
11 many times saying we really need to have a  
12 circuit breaker.

13 I am pleased to be able to say that  
14 thanks to this Governor's initiative, we can  
15 finally see some light at the end of that long  
16 tunnel. But to get there, we will need your  
17 strong support, not just to endorse the proposed  
18 circuit breaker, but to make it a better circuit  
19 breaker, a more meaningful circuit breaker that  
20 directs most of its relief, as a circuit breaker  
21 should, to those most overwhelmed by property

22 taxes, those paying unsustainable percentages of  
23 their income in property tax, and those at  
24 greatest risk of being forced from their homes.

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1 The proposed circuit breaker falls  
2 woefully short in this respect by largely  
3 ignoring the fundamental principle of targeted  
4 relief which underlies the very concept of a  
5 circuit breaker. Its formula includes as many  
6 beneficiaries as possible, beginning with those  
7 bearing relatively modest burdens at 3 percent of  
8 income, and pays for the cost of this unusual  
9 breadth of circuit-breaker coverage by topping  
10 out at benefit levels which fail to make much of  
11 a difference for those paying double-digit  
12 percentages of their income in property tax --  
13 those that a circuit breaker should be most  
14 designed to help.

15 Such a broad-based approach might be  
16 understandable if we didn't already have in place  
17 a \$3.5 billion STAR program for virtually every  
18 homeowner and a \$400 million program for \$350  
19 "family rebate" checks. But we do have those  
20 programs, and the \$1 billion circuit breaker  
21 should be different and complement those  
22 programs, not provide basically more of the same.

23 We also oppose linking circuit-breaker  
24 eligibility to local governments' adherence to

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1 the property tax levy cap. To fully appreciate  
2 this, one needs to understand what the circuit

3 breaker really is. And misconceptions abound, so  
4 please bear with me.

5 We hear concerns, for example, about  
6 regional equity and how to make the circuit  
7 breaker fair to school districts and  
8 municipalities statewide. But schools and  
9 municipalities don't pay taxes, they collect  
10 them. Taxes are paid by individual households,  
11 one at a time. And the unique, irreplaceable  
12 feature of the circuit breaker as a form of  
13 property tax relief is that the eligibility and  
14 benefit amount is calculated for each individual  
15 taxpayer based on his real individual burden,  
16 rather than on some mythical average or median  
17 burden in a given taxing jurisdiction.

18 It's truly a bottom-up system of property  
19 tax relief. If you're paying 10 or 20 percent of  
20 your income in property tax on your home, whether  
21 you live in Bronxville, Boonville, Binghamton or  
22 Buffalo, you've got a problem, and you need some  
23 help. How that shakes out by school,  
24 municipality or region should not matter as far

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1 as tax fairness is concerned. Only politically  
2 does it somehow become an issue.

3 To continue this thread and get to my  
4 point, we hear of wealthy communities and school  
5 districts and assume that those people won't need  
6 as much circuit-breaker relief as those at the  
7 other end of the spectrum. And indeed, fewer  
8 taxpayers in those communities may qualify as a

9 percentage of the total. But please understand  
10 that some of our most struggling property  
11 taxpayers live in such communities, in which a  
12 solid majority of the residents are either  
13 relatively affluent or otherwise willing and able  
14 to support spending and tax levels which are  
15 forcing more and more of the struggling minority  
16 out of their homes.

17 And the smaller that minority, the worse  
18 off they are without the lifeline of a circuit  
19 breaker. Such taxpayers have no control over the  
20 demographics of their community and will likely  
21 never be able by themselves to achieve the 40  
22 percent voting strength to block an override of  
23 the tax cap. Losing their circuit-breaker  
24 lifeline due to an override they can't defeat

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1 would be an unconscionable injustice and worsen  
2 their situation.

3 And that's why the Legislature should  
4 decouple the circuit breaker from the tax cap.

5 To just briefly address the rest of the  
6 Governor's property tax relief package, we  
7 support relief for renters. They pay property  
8 taxes through the landlord. But it should be  
9 included as an additional component of the  
10 circuit-breaker bill, as is the normal practice.

11 And we look forward to talking with Senator  
12 Krueger, and we thank her for all her dedication  
13 to the circuit breaker and including renters.

14 Thank you very much.



15           And we question the policy merit of the  
16 two-year property tax freeze, seemingly designed  
17 mainly as a way to jawbone local governments and  
18 school districts into cost savings through  
19 consolidation or shared services. While such  
20 cost savings are important, we wish at least  
21 equal attention would be paid to the continuing  
22 costs of unfunded state and federal mandates.

23           From a property tax relief standpoint,  
24 the circuit breaker is most urgent and should be

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1 fully implemented immediately, rather than  
2 further delayed by a quirky freeze that's going  
3 to go away in two years.

4           We are currently developing specific  
5 proposals for what we believe will provide a more  
6 efficient and meaningful circuit breaker and  
7 overall property tax relief package, based on the  
8 concerns and recommendations above. We hope to  
9 have that within a few days and will convey it to  
10 you promptly, as a follow-up to my remarks today.

11           In closing, let me note that the role of  
12 the property tax in funding services in New York  
13 State has reached truly unreasonable proportions  
14 that have further confirmed its well-earned  
15 status as our most despised and burdensome tax.  
16 It is also inherently the least equitable,  
17 starting with the flawed presumption that an  
18 increase in one's property value denotes an  
19 ability to pay more taxes.

20           And it hits hardest at the middle class,

21 contributing to its decline amidst a level of  
22 income inequality not seen since the eve of the  
23 Great Depression, with our state at the top of  
24 the list nationally.

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1 As the Governor commendably points out,  
2 we now pay some \$50 billion through this  
3 miserable, crushing tax, compared to \$40 billion  
4 in income tax. This needs to change. And for  
5 that to happen, the state's taxation and fiscal  
6 policies need to change. And they need to change  
7 in a way that will systematically and permanently  
8 lower property taxes for everyone who pays them,  
9 by gradually reducing the continuing overuse of  
10 this archaic system for schools and other local  
11 governments.

12 And to do that, the state must soon begin  
13 to play a significantly enhanced funding role  
14 going forward, more in line with its  
15 constitutional obligations and our 21st-century  
16 economic realities. Some initial suggestions  
17 will be included in our paper mentioned above.

18 This underlying need for systematic and  
19 systemic funding reform and how to get there  
20 should be on the minds of all of us, regardless  
21 of current fiscal constraints, as we consider  
22 this budget and the future of our state.

23 I thank you for this opportunity and will  
24 be happy to respond to any questions.

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1 CHAIRMAN DeFRANCISCO: Senator Martins.

2 SENATOR MARTINS: Good evening.

3 MR. WHITELEY: Good evening, Senator.

4 SENATOR MARTINS: It's good to see you  
5 again.

6 MR. WHITELEY: Good to see you, Senator.

7 Thank you.

8 SENATOR MARTINS: Thank you. We had this  
9 discussion probably about a year ago during our  
10 last discussion regarding circuit breakers, and I  
11 would just ask -- I'm looking forward to  
12 receiving and reviewing your report. I would  
13 just ask that in considering a circuit breaker  
14 that we not make it one-dimensional; that is,  
15 relying exclusively on income as the barometer to  
16 trigger a circuit breaker.

17 Because as I think we all understand,  
18 there are other factors that go into a person or  
19 a family's ability to maintain or stay in their  
20 home, not just their income but also the number  
21 of dependents that they have, the amount of their  
22 mortgage. Certainly income is a factor, but I  
23 would tend to -- I would suggest, and I would  
24 hope you would agree, that someone who lives in a

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1 million-dollar home who's retired or who has  
2 decided that they no longer need to work and is  
3 living off of investments and does not have  
4 income per se shouldn't have the benefit of a  
5 circuit breaker if they don't have a mortgage,  
6 they don't have kids, their kids are out of the

7 house.

8           whereas someone who lives at home, has a  
9 number of children, trying to raise them, has a  
10 significant mortgage on their house which they're  
11 trying to maintain and putting some money aside  
12 in order to provide for their children's future,  
13 college expenses and the like, that there are  
14 different dynamics and it shouldn't all be boiled  
15 down to a circuit breaker that relies exclusively  
16 on income, and property taxes as a percentage of  
17 income, to be triggered.

18           MR. WHITELEY: Yes, we did have that  
19 conversation, and we talked afterwards about  
20 that. And we're prepared to work with you on any  
21 concerns and issues you have.

22           I think that the standard system for  
23 circuit breakers is tried and true. This is not  
24 a new system, as you know. There's about 30

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1 states that do it. And they do it primarily  
2 through income because that's what you use to pay  
3 taxes.

4           And I think one of the things that we  
5 want to avoid is making it terribly complicated  
6 any more than it has to be. That's the one of  
7 the issues, is trying to explain to people how it  
8 works.

9           And since you deal with it as a tax  
10 credit on the income tax, which is a good way to  
11 do it, that data is already there. It's  
12 verifiable, it's in your income tax, it keeps it

13 fairly simple. That's what the existing circuit  
14 breaker does, it's just that it's such a low  
15 level that it's not meaningful.

16 So we really would like, if at all  
17 possible, to stick to that tried-and-true formula  
18 rather than branching off into something else.  
19 But we're prepared to discuss, obviously,  
20 anything.

21 And in particular, it needs to be  
22 meaningful. Because the way the current circuit  
23 breaker in the Executive proposal is structured,  
24 when it gets just to amounts that would really

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1 help the people who are most overburdened, people  
2 paying 10, 15, 20 percent of their income in  
3 property tax, it kind of -- that's where it cuts  
4 off, either through the formula or through the  
5 cap, the credit limit. So that's the really huge  
6 problem. And we need to I think restructure  
7 that; that's the most urgent thing.

8 But we're prepared to be open-minded, and  
9 I look forward to talking with you some more.

10 CHAIRMAN DeFRANCISCO: Thank you very  
11 much, and thank you for your patience. We went  
12 over a little bit for a change.

13 MR. WHITELEY: I'd be here at 6 o'clock  
14 in the morning if there were somebody to listen.

15 (Laughter.)

16 CHAIRMAN DeFRANCISCO: Well, no one else  
17 would be here, though.

18 MR. WHITELEY: Yeah. Thank you.

19 CHAIRMAN DeFRANCISCO: Thank you very  
20 much.  
21 And thanks to the stenographer. Tomorrow  
22 you get two breaks.  
23 (Whereupon, the budget hearing concluded  
24 at 6:10 p.m.)

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