



New York City Comptroller
John C. Liu

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**NYC COMPTROLLER JOHN C. LIU
PUTS FORWARD NEW INITIATIVES FOR
CUTTING WASTE, SPURRING INVESTMENT**

Proposals Unveiled Today in State of the City Address

New York, NY – City Comptroller John C. Liu today offered fresh ideas for cutting waste, spurring investment to ensure sustainable growth, and doing more to enhance the economic security of all New Yorkers – in a State of the City address delivered at the City College of New York.

In addition to highlighting the nearly \$1 billion in savings his office has identified over the past two years, Comptroller Liu outlined proposals and put forth an ambitious plan to battle unemployment, increase oversight of City finances, assist small business, and create a more level playing field for all New Yorkers.

Among the proposals:

- Taking advantage of low interest rates to accelerate capital construction projects, helping stimulate the economy and create 15,000 jobs.
- Working with telecommunications companies to offer low-cost internet access to more New Yorkers.
- Increasing the New York City Pension Funds’ economically-targeted investments by \$1 billion, thereby putting money back into the local economy while at the same time generating solid returns.
- Enhancing the retirement security of New Yorkers in the private sector by having the same staff that manages the City’s pension system oversee a fund for private workers, leveraging their investment expertise and economies of scale.
- Slashing personal income taxes for 99 percent of New York City filers – joint filers with incomes below \$500,000 – while nominally raising taxes on top earners.
- Establishment of a new government subcontracting system to finally track and monitor the billions of dollars spent on subcontractors each year.

- Introduction of Checkbook 2.0, the newest version of the Comptroller's best-in-class website that gives the public the ability to see each agency's budget, revenue, and contracts.
- A new 212-NO-WASTE hotline for New Yorkers to report waste.

The full text of the speech as prepared for delivery is below:

New York City Comptroller John C. Liu

“Bridging the Great Divide”

State of the City Address

City College of New York

Thursday, February 16, 2012

Good morning everyone, and thank you, Geronimo, for sharing your story with us. As someone who is a proud product of New York City public schools myself, it was very moving to watch this group of students, parents, and teachers fight so hard to keep their school open. What a great lesson for all to learn: That if you want something and you work hard for it, you can accomplish it. Congratulations to you and the entire Wadleigh family.

Thanks, also, to Sharlene Ogando for that beautiful rendering of our national anthem. She's got some voice, doesn't she? American Idol, here we come...

I'd also like to thank Dr. Lisa Coico and the staff of City College for working so diligently with our office on every detail of this event. City College and the CUNY system are so vital to this City, providing higher education at an affordable cost.

Over the past century and a half, CUNY has had a profound impact on millions of lives. Many who walked through the gates of CUNY were the first in their families to step foot inside a college. Countless New Yorkers are indebted to CUNY for their education and the skills that empowered them to move up the economic ladder.

It's so nice to see so many CUNY people here. Thank you Chancellor Matthew Goldstein, Executive Vice Chancellor Allan Dobrin, and Senior Vice Chancellor Jay Hershenson. Thank you and the entire CUNY system for the important work that you do.

We are also joined by Bronx Borough President Ruben Diaz Jr., Brooklyn Borough President Marty Markowitz, Queens Borough President Helen Marshall, members of the New York City Council, New York State Senate, and New York State Assembly. Thank you for your service to New Yorkers.

I'd also like to take this opportunity to thank Jeremy Lin for all of his contributions to the success of the New York Knicks. Perhaps if I were several inches taller, I would have become

one of the first Asian-Americans to play for the Knicks, instead of the first Asian-American to serve as New York City Comptroller.

Regardless, I'm sure you can understand why I find Jeremy Lin's story so inspiring. As an Asian-American he is managing against all odds to take his career to the next level. And, at the same time he's getting great headlines in the New York Post! I gotta talk to him about that.

And thanks to all of you for taking time out of your busy schedules to be here today.

Some of you may know my story: My family immigrated to the United States from Taiwan when I was five years old. When we first arrived in New York I didn't speak a word of English. Our family of five squeezed into a one-bedroom apartment in Flushing. A few years later, we moved into a two-bedroom, until my parents finally "made it," and we moved into what felt like a mansion, a three-bedroom house in Bayside.

Moving around a lot meant that I attended three different elementary schools. Later on, I schlepped—which in Mandarin means "traveled"—two hours each way, every day, on the Q27 bus and the 4 or the D train to attend the Bronx High School of Science.

Our lives weren't easy back then. As immigrants with little English, us kids were always translating almost anything that was important for our parents. At school I was often picked on and definitely took my share of punches because I looked different than the other kids in my class.

Although we faced many challenges, like other immigrant families, my Mom and Dad embraced this City and believed in the American Dream. So much so that they changed the names of their three sons to John, Robert, and Edward in honor of the Kennedy boys.

New York gave us a chance to make something of ourselves. And we did.

What I want more than anything is for the kids of today's New York — kids like Geronimo and Sharlene, and my son Joey — to have the same kind of chance that we had. I want them to have access and opportunities to enjoy all the richness that New York has to offer. I want to ensure that the field they play and work on is indeed level.

The recession of the last few years has had an enormous impact on the City of New York, especially on communities of color and on the young. In the fourth quarter of 2011, the unemployment rate among the City's Hispanic population was 10 percent. Among African-Americans, 13.6 percent, as compared to the overall unemployment rate of 9 percent.

During the recent recession, the employment rate for young people fell to its lowest point since World War II. To make matters worse, many students graduate from college with enormous debt. Many struggle to find jobs in their chosen fields. They are being referred to as "The Lost Generation."

Compare that to a generation ago, when my family arrived here in the 1970s. In those years, young people believed that they could change the world. Stop the Vietnam War. Liberate women. Expand civil rights. And they did.

It was a heady time to be an American student. A time of creativity and innovation and opportunity. So much so that my Dad moved his entire family from Taipei to New York City, just to be part of it. And people still come here, from all over the world, hungering for those same opportunities.

Every New Yorker should have the chance to succeed.

As we begin to move from recession to recovery, we need to ensure that people don't get left behind. Because we know, that the wider prosperity is spread, the more sustainable our recovery will be.

Today, I'll give you an overview of the City's finances and its economy. I'll follow that with some ideas for cutting waste in City spending and doing more with less. I'll also talk about how we can create jobs and provide greater economic security. I'll then discuss economic equity and bridging the divide.

First, the economy...

While we can all be proud and grateful that the City's economy rebounded from the financial crisis far better than anyone expected, we are not out of the woods yet.

In the second half of 2011 we lost more than 12,000 private sector jobs. Just a year ago, the City's unemployment rate was well below the national average. By the end of 2011, it was higher by half a percent.

The struggles of the financial services industry itself are one reason for the City's lost economic momentum. 2011 was the worst for Wall Street since the collapse of 2008, and employment in the industry has slipped by some 5,000 jobs since early last year.

A sluggish national economy and international instability present perils for our local recovery.

There is risk to our economic health from Washington's actions, or lack thereof. Looming at the end of this year are \$1.2 trillion in automatic federal budget cuts, scheduled to take effect because some in Congress refused to make the tough choices needed for deficit reduction.

As we saw with the debt ceiling negotiations this past summer, and the stalling of the President's jobs bill in the fall, a few in Congress have shown a disturbing willingness to derail even the simplest measures meant to protect our fragile economy.

Then we see the uncertainty in Europe that has depressed stocks, introduced a high degree of volatility into financial markets, and deterred firms from making new investments.

A European debt crisis is the most significant risk to the City's economy this year. My economists have long warned that a meltdown of the Euro Zone could cause pandemonium in financial markets and lead to a severe worldwide recession. We trust that Europe's leaders will prevent this from happening.

But even a mild European recession and continued stress on European banks will have adverse repercussions here in New York. The reality is that Europe's banks are New York City's banks.

European banks have more than a trillion dollars of assets in their New York City offices. They own or lease more than 8.5 million square feet of office space. And they employ approximately 45,000 people in New York City.

They are also active lenders to local businesses. Should European banks reduce their asset portfolios and trim their payrolls, the effects would ripple throughout the New York City economy.

Barring catastrophes in Europe or in Washington, though, my office projects that growth will be slow but somewhat steady in the next couple of years. The President's efforts this month, if successful, would help considerably. An extension of the payroll tax cut and unemployment insurance would inject \$2.6 billion into our economy helping to create or maintain 13,000 jobs.

Today, more than 350,000 New Yorkers languish in unemployment. That is more than twice the number of unemployed this City had a few years ago. Is it any wonder that people occupy parks, clamoring for a better economic plan, when they are left jobless year after year?

The economic divide has indeed grown wider and wider. According to the Fiscal Policy Institute, nearly 80 percent of the income growth in New York City in recent years went to the wealthiest 5 percent of our taxpayers.

Economic recovery is not our only objective; so is economic equality. There is no prosperity when wealth is shared by only a tiny portion of the City's residents.

The adverse economic environment also depresses the City's finances.

Over the past decade, the City has been able for the most part to avoid many of the devastating budgetary cuts and layoffs that other states and municipalities have faced thanks to Mayor Bloomberg and the New York City Council. The City's accumulation of unused surplus, built up during a period of robust revenue growth, created a financial cushion for the economic downturn. The existence of this cushion, though, has masked the budget's structural imbalance. Which in plain English means that the City is spending more money than it takes in.

Dipping into our retiree health fund combined with other one-off measures has allowed the mayor to balance a \$68.7 billion budget for the 2013 fiscal year. The City is projecting budget gaps of \$3 billion in Fiscal '14 and \$3.5 billion the year after that. These will have to be fixed the old fashioned way—with careful decisions about public priorities.

Given that our City continues to face these budgetary fiscal challenges my top priority continues to be cutting waste. Through our Audit and Contract review powers, we work vigorously to ensure that money is recouped and saved whenever possible.

Our audit staff, led by Deputy Comptroller Tina Kim, have completed nearly 200 audits of City agencies, recouping money for the City treasury and providing guidance on how more can be done with less. In one case, a City agency is returning \$120 million to City coffers.

Our Contracts team, led by Deputy Comptroller Geneith Turnbull has applied new approaches and technology towards increasing scrutiny of City contracts, especially when expensive consultants are involved. In one case, Geneith and her staff rejected a \$286 million contract for a

backup 911 Call Center. Not because we don't think the project is important, but because the bulk of that money was allotted to unspecified 'time and expense' costs, which we believe incentivizes cost overruns and time delays. We set out guidelines for restructuring the contract, resulting in a nearly \$200 million reduction in the cost of the contract.

And famously, we stopped the hemorrhaging of City funds on the City Time project, the cost of which had mushroomed from its budget of \$68 million to more than \$600 million by the time I took office. With the leadership of Deputy Comptroller Simcha Felder we turned the spigot off on City Time.

We worked with City Hall to get the project back on track. And we put a final deadline on it so we could get something back for all of the taxpayers' money already spent. Last June, we signed an agreement with the Bloomberg Administration for the gradual transfer of the system's operation from outside consultants to City employees. That resulted in additional savings of more than \$20 million per year.

We asked taxpayers to get involved by giving us their ideas about where to look for waste in City spending. Our office held a series of town hall meetings in every borough to introduce our audit staff to the public and gather insight so that we could do our job even better.

We also conducted training for almost 500 auditors and investigators from over 40 City and State agencies to strengthen their skills in fraud detection and, at the same time, bring better controls to government financial operations.

The work we've done to cut waste, together with the overwhelming imperative to close the City's future budget gaps, convinced us that we need to build on our success and do even more. So let me spell out a four point Campaign to Cut Waste.

Point Number One—We'll establish a waste hotline—212-NO-WASTE, that's 212-N-O-W-A-S-T-E—as well as a website where City employees, contractors, and members of the public can report waste.

Number Two - We will implement Checkbook 2.0, the newest version of our best-in-class website that gives the public the ability not only to see every single dollar the City spends but also each agency's budget, revenue, and contracts. Under the supervision of Deputy Comptroller for Public Affairs Ari Hoffnung, our goal is to make New York City the most financially transparent government in the United States. When the public can easily track government spending, government will be that much more judicious with the public's money.

Number Three —In order to rein in runaway IT costs that drain our City's scarce resources, we call for the Citywide implementation of an Information Technology dashboard. This system, mirroring one used by the federal government, would require City agencies to track their IT projects according to budget, schedule, and performance. A New York City IT Dashboard would act as an early warning system which could prevent a boondoggle like City Time from happening again.

Number Four - We call for a new system to track government subcontracting, also based on a federal model, that forces prime City contractors to be responsible and accountable for the performance of the subcontractors they use. This will help the City enforce prompt payment

policies and more accurately track the actual spending with minority and women-owned businesses.

Beyond cutting waste, we work to make government smarter, more innovative, and more efficient. Our Bureau of Public Finance, led by Deputy Comptroller Carol Kostik, supervised multiple refinancings of the City's debt, saving more than \$560 million in the last two years alone. Today, we have commenced another bond refinancing that itself may yield another \$100 million in savings.

The pursuit of smarter government requires us to look closely at how we engage community based organizations that many residents rely upon for essential services. These organizations should be able to focus on their core missions of helping people, rather than being forced to waste time complying with unnecessary bureaucracy.

Shortly after I was elected, I met with Mayor Bloomberg and spoke about the need to reform the VENDEX system, especially to reduce red tape for our City's nonprofits. Let's get it done. And while we're at it, let's eliminate the VENDEX administrative fees for nonprofits as well.

Smarter government also compels us to think 'outside the box', to look at processes that have been in place forever but may no longer work well. Take for instance the system by which we invest pension assets. The process is the same as it was 70 years ago, even though the financial markets and our portfolio today are vastly different.

Given that poor market returns have been the main driver of escalating pension costs over the past decade, we took a hard look at our investments. While New York City's funds have performed, more or less on par, there are some public pension systems that have consistently outperformed the City's.

By adopting the best practices gleaned from those systems, we proposed, together with Mayor Bloomberg and many of the City's labor leaders, a comprehensive overhaul of asset management for our pensions.

Based on the experience from those pension systems, we can enhance returns on our funds and therefore reduce pension costs; this could easily save City taxpayers \$30 billion over 30 years. And this would be done without reducing anyone's benefits. Ricardo Morales, our first deputy comptroller, will continue to play a major role in making this initiative a reality.

Now let's talk about expanding opportunities and creating jobs.

Part of the City's current budget is a \$35 billion four-year capital plan to build schools, fix roads and bridges, and upgrade other parts of our infrastructure. The decision has already been made to borrow and expend those funds.

Right now, interest rates are at historical lows, which makes borrowing less expensive. Since we're going to borrow that money over the next few years, why not do some of it sooner? Interest rates are super low and we can potentially lower the overall costs of the capital plan. Moreover, there is unused capacity in the construction industry and the jobs are needed now.

I therefore challenge City agencies to identify \$2 billion of spending on construction projects that

could be accelerated and developed over the next two years. Needless to say, my Public Finance folks stand ready to work on raising the necessary funds in the capital markets. These accelerated investments would help stimulate the economy by creating 15,000 jobs. Now that's a shot in the arm we could use!

There's another way to help create jobs in New York City. Our pension funds have been at the forefront of making what are called economically-targeted investments, which means that they plow money back into the local economy. For example, over the years, our pension funds have financed more than 38,000 workforce and affordable housing units in New York City.

At the moment, we have approximately \$1 billion of these investments. We plan to invest another billion of capital, as part of this initiative. This exciting effort will be led by Deputy Comptroller and Chief Investment Officer Larry Schloss.

My office will work to broaden the reach of our economically targeted investments to potentially include small business loans, growth capital, green job projects, and housing preservation and development.

We will, of course, continue to pursue market-level returns as well as specific benefits to New York City, in particular, to low, moderate, and middle income communities. This will help create and preserve local jobs and strengthen our New York City economy. We look forward to working with Public Advocate Bill de Blasio and the other pension trustees to make this happen.

As we create jobs within the City, it is imperative that we keep in mind the need to reduce not only unemployment, but unemployment disparities as well.

One way to reduce these disparities is by opening up City business to minority and women entrepreneurs. These businesses have a strong track record of creating jobs in neighborhoods where jobs are needed the most.

Since my office launched our MWBE Report Card for City agencies a year ago, the numbers have inched up, though only by a minimal amount. Opening up contracting opportunities for MWBEs will not only create jobs locally, but also achieve better results for our taxpayers.

Working with our pension trustees, we've expanded the pension investment allocation with MWBE firms to \$6.5 billion. We've also substantially increased opportunities for MWBEs in the underwriting of billions of dollar of City bonds.

Managing government finances and finding ways to put people back to work are critical to our City's success. We also have to help people plan for long-term economic security.

The discussion of pensions today is remarkably one-sided and short-sighted. It seems to be all about cost, with no consideration of need. Worse yet, the scapegoating of public employees seems to be relentless.

It's silly to blame our police officers, firefighters, teachers, and other City employees for what happened during the recession. They didn't cause it and they are certainly not responsible for the economic problems we have today. Taking pensions away from those who have them is not the answer.

It's like a bunch of people waiting for a bus in the rain. If only one person has an umbrella, does it make sense to take her umbrella away? Of course not. What does make sense, and what we're trying to figure out, is how to give everyone an umbrella so that they are all protected from the storm.

We partnered with a renowned expert on pension and retirement issues at The New School, Dr. Teresa Ghilarducci, who is here with us today.

Teresa and her staff did outstanding work for us, in a report called "Are New Yorkers Ready for Retirement?"—and the answer to that question, by the way, is unfortunately a resounding no.

In fact, our City is already experiencing the early stages of a burgeoning retirement crisis. It was recently reported that the number of elderly people in New York City's homeless shelters shot up 55 percent over the last 10 years. Half of that increase occurred in the last two years alone. This is both a social and an economic issue.

If we don't help people plan for their eventual retirement now, the increasing strain on the City's social services from seniors living in poverty will be overwhelming. Let's face it, we are not, nor do we want to be, a City that lets our seniors go hungry and homeless.

Dr. Ghilarducci has been advancing the concept of Personal Retirement Accounts for private sector workers. For employers who choose to participate, the program would pool employee and employer contributions into a professionally managed retirement fund, one that can leverage economies of scale and offer portable, efficient, low-cost pension benefits. Studies have shown that when offered the chance, workers will participate in retirement plans with their own contributions.

It is difficult, if not impossible, to retire solely on Social Security. That is why this proposal holds such great promise.

Dr. Ghilarducci's proposal is to have the same staff that manages the New York City pension funds oversee a fund for private workers. This fund would leverage the expertise of the Asset Management Bureau, but the money it invests would be wholly provided—not by taxpayers—but by participating employers and their employees.

This idea, by the way, is now being considered by the California legislature. What a shame it would be if a great idea, homegrown here in New York City, was launched elsewhere first. Let's not forget that Frances Perkins, the driving force behind Social Security, worked in New York State government before she became FDR's Secretary of Labor and the first woman cabinet member. Who knows? Bigger things may lay ahead for Dr. Ghilarducci.

As a City, we should also advance greater economic equity and begin to narrow the wealth gap. To do this, I wholeheartedly support Manhattan Borough President Scott Stringer's call to create a progressive Personal Income Tax system in New York City. Ever since the Governor Cuomo and the State Legislature were able to achieve the overhaul of state income taxes, discussions about how to do it in the City have been abuzz.

My office has developed a tax plan that would more closely track the progressive curve inherent

in the federal tax brackets. Our plan would cut personal income taxes on joint filers with incomes below \$500,000. All told this would reduce personal income taxes for 99 percent of all New Yorkers.

Filers earning over half a million dollars per year would pay a nominal additional amount. We don't believe that they will flee the City as a result. Mayor Bloomberg has consistently said that New York City is a premium product and worth every penny of it. And we agree. Indeed, it is draconian cuts to essential services that have the most potential to cause flight. All New Yorkers want to live in a City with safe streets, strong schools, and clean parks.

Whether it be the Borough President's plan or ours, making the personal income tax system more progressive will also help the City's economy. Since low- and middle-income households tend to spend a higher proportion of their overall disposable income, and a higher proportion of it locally, cutting taxes for them will generate strong multiplier effects in our City's economy.

Let me say one more thing about City taxes. If the economy improves more than we expect, let's use the extra revenues generated by income taxes to roll back a portion of the City's sales tax, which is arguably the most regressive tax we have. It's time we get serious about lowering the burden on working families by making the City's tax structure more just.

Another proposal which would improve the lives of working families is to expand the prevailing wage law. Unfortunately many workers have been cheated out of fair wages for work performed on City projects. Our Bureau of Labor Law has collected over \$10.5 million from contractors in the last two years on behalf of these workers. We have also debarred 11 contractors from doing business with the City in connection with labor law violations.

We applaud Speaker Christine Quinn and the City Council for their efforts to expand the universe of workers covered by prevailing wage. This bill would empower my office to do even more to protect the working men and women of this City by ensuring that those employed on City-funded projects are paid a decent wage.

The wealth divide is not the only profound gap in our society. It rests on top of another divide, one that is easy to ignore but needs to be addressed immediately in order for prosperity to be shared equally. I'm talking about the digital divide that makes it difficult for kids without access to technology and the Internet to do their homework and to perform to the best of their ability in school. This digital divide also affects the unemployed or under-employed, who cannot look for work successfully without the ability to search and apply for jobs online.

Working with the Federal Communications Commission, the largest cable companies in America have already agreed to provide families, whose kids qualify for the National School Lunch program, with broadband Internet access at a steep discount for \$9.95 a month. This program will soon be launched in all 50 states, including our own, and will make a huge difference in low-income communities.

I believe we can and should expand this program even further. I'd like to see New York City's telecommunications companies offer the same kind of discount to low-income households, like those on Food Stamps, or living in Section Eight housing, on Medicaid, or on SSI. There are many people in our great City who can benefit from broadband Internet access. They need to be connected or they will be left behind.

Which brings me back to where we started today, talking about access and opportunity and ensuring that there is a way in for all New Yorkers, especially our children.

We decided to come to City College today, because CCNY represents the best of what we've been talking about. It has been the way in for so many people, that for generations would otherwise have been kept out, because of language, or race, or financial status.

High quality education is the cure for what ails us on almost every level in our society, from elementary schools in local neighborhoods to New York City's world class specialized high schools—including the new Math, Science, and Engineering school right here at City College. We need to build on the great foundation we have in New York City and pour our energy and resources into making these schools the best they can possibly be. Because they are the key to spreading prosperity and to bridging the great divide between the haves and have-nots in our society.

That's why I applaud the mayor's successful efforts to attract a new engineering school to New York, the partnership between Cornell University and Israel's Technion Institute.

Now let's build on that.

Let's make New York City the education capital of the world. Let's attract universities and colleges from across the country and around the globe to open up facilities and campuses here.

Currently we have a Mayor's Office of Film, Theatre, and Broadcasting. Let's establish a Mayor's Office of Colleges & Universities, that would market the City to educational institutions and make it easier for them to open up shop here, or partner with our terrific CUNY colleges.

In exchange for public incentives, we would also encourage greater access for minorities and women at these institutions so that they can fully participate as faculty and students.

It is crucial that minority students not fall behind in math, science, and technology because as we know, these are the skills and knowledge that they will need to compete in a global economy.

As our City's Chief Financial Officer, I am often asked for stock picks. My response is always the same — education is the best long-term economic investment.

Ladies and gentleman, brothers and sisters, I've been privileged to serve as your City Comptroller for the past two years, just past the halfway point in my term of office.

I've laid out for you where we are with the City's economy and budgetary outlook...

What my office has been doing with short and long term fiscal challenges...

And some ideas and initiatives to make New Yorkers and the City as a whole more economically and fiscally secure.

Through it all, I continue to stress that...

It's not just about numbers, it's about people.

It's not just about costs, it's about need.

It's not just about recovery, it's about equity.

As we all work to move New York City forward, you can expect me and my office to vigorously discharge our duties. Expect us to be objective and diligent. And expect us to defy conventional thinking and past practice when we feel it necessary.

You never know what potential could be unlocked when new stuff is given a chance. I mean, how about those New York Knicks! And who's been carrying them these last couple of weeks? It's been sheer Lin-Sanity! Just think about what Jeremy Lin has achieved, what would have been unimaginable just a couple of weeks ago.

Let's make New York City a place where new ideas are welcomed and people have a way to bridge the great divide.

And through it we can make this City an incredible place of opportunity, a place of infinite possibility, like the City me and my family found, when we arrived here forty years ago.

Thank you so much for joining me this morning.

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