



New York City Comptroller
Scott M. Stringer

NEWS

Testimony

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TESTIMONY OF NEW YORK CITY COMPTROLLER BEFORE MEMBERS OF THE NEW YORK FINANCIAL CONTROL BOARD

It's a pleasure to join Mayor de Blasio, Comptroller DiNapoli, Budget Director Labate and the members and staff of the Financial Control Board.

The mission and responsibilities of this board are as important today as they were following New York City's brush with bankruptcy in 1975.

And the rigorous scrutiny of the City's budget and financial plan is one of my office's most serious and critical responsibilities.

We are continuing 37 consecutive years of balanced budgets in this City. And I want to commend Mayor Bill de Blasio for his leadership.

Let me begin with a review of our FY 15 performance and look forward — and the news is good. Since our FY 2015 budget was adopted last year, the City has identified \$5.5 billion in additional resources in FY 2015.

Over half of that was generated by robust tax revenues, which came in \$3 billion above forecast. In fact, tax revenues last year were 7 percent higher than the previous year.

Moreover, the City spent less than one-fifth of these additional resources — saving more than \$4 billion for the future, nearly \$3.6 billion in the form of a pre-payment for FY 2016.

Those funds were more than enough to eliminate the FY 16 gap. Additionally, the City budget identified \$2.4 billion in new resources for FY 2016.

These resources funded additional expenditures, increased the general reserve, and established the capital stabilization reserve.

My office projects that even higher revenues in FY 2016 will more than offset identified risks. These include higher uniform overtime costs, as well as lower Medicaid claims by DOE for special education services.

At the end of the day, projected revenues will reduce our cumulative out-year gaps to more than \$1.8 billion. This would be the lowest level in over 20 years.

But good years cannot breed complacency.

Our economy faces potential instabilities from abroad – from Greece to China. There is uncertainty over federal monetary policy, as well as fiscal risk with the nation’s debt limit and budget policy.

And New York City knows better than most that our economy could be at risk from terrorism or natural disasters.

Now, of course, the best protection against downturns is to accumulate resources and build a financial cushion. But the question is: how much is enough?

Today, my office is releasing a report showing, for the first time, the details of New York’s prudent accumulation and use of prior year resources in the last two economic cycles.

The purpose is to define the appropriate level of a financial cushion needed for New York City to weather the next downturn.

The findings are sobering.

In the aftermath of the last two recessions, New York needed over \$8 billion of prior year assets and reserves to maintain budget balance.

Thankfully, we have turned the corner:

- Our tax revenues are 33% higher than they were before the financial crisis.
- We have over 400,000 more jobs than before the great recession.
- We’ve reversed 6 years of annual operating deficits in our budget – and will end FY 2015 with our first operating surplus since 2008.

But our financial cushion remains well below its level at the beginning of FY 2009.

I have previously urged the administration to increase the cushion, and I commend the Mayor for doing that. He declined to draw down \$1 billion from the OPEB trust in FY 2014 and has since added more than \$1.8 billion to the trust.

He’s increased the general reserve to its highest level ever, and established a new capital reserve.

Our analysis shows that, based on two prior recessions and the guidelines of rating agencies, the City needs a cushion in the range of 12 to 18 percent of its adjusted operating budget – with 15 percent the norm and

midpoint.

Currently, we're not even at the bottom end of that range.

As FY 2016 begins, we're \$1.2 billion short of 12%. That must change – and it can.

As the years of stable growth continue, we should be able reach 18 percent – or the equivalent of an additional \$6 billion.

Again, it is a pleasure to meet with the FCB.

By working together with the state — and Mayor de Blasio — I know that we will protect the integrity of New York's budget process, and ensure our City's fiscal future.

Thank you very much.

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