



New York City Comptroller
John C. Liu

NEWS RELEASE

PR13-06-080
Contact: E.J. Kessler, (212) 669-3747

June 5, 2013
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LIU TESTIFIES ON MAYOR’S EXECUTIVE BUDGET
Warns of Risks of Expired Labor Contracts, Finds Extra \$440 Million for Programs, Reports Results of ‘People’s Budget’ Online Voting

NEW YORK, N.Y. — City Comptroller John C. Liu testified today before the City Council Committee on Finance regarding Mayor Bloomberg’s Executive FY 2014 Budget and 2014-2017 Financial Plan, again warning that the Mayor’s lack of funding for wage increases for municipal workers working under expired union contracts could result in multi-year, multi-billion-dollar gaps.

“As we have said in testimony here over and over again, City workers are working under expired contracts,” Comptroller Liu told the Finance Committee. “The Mayor has not budgeted sufficiently for even the small wage increases he envisions, and has put aside *bupkis* for any retroactive wages.”

The Comptroller has also identified some \$440 million in the budget that the Council could use to restore to programs cut by the Mayor, such as firehouses and child care. Those funds include \$165 million in debt-service savings in the current fiscal year, the potential for another \$125 million of such savings in the next year, and the overfunding of the general reserve by \$150 million.

And, as promised, Liu reported on the results of the “voting” at Peoplesbudgetnyc.com, the website the Comptroller’s office created to “crowd-source” the City budget. The website was based on The People’s Budget NYC — a comprehensive plan including 68 proposals that could make The New York City Dream a reality by making City schools great again, building affordable housing, enhancing public safety, housing the homeless, and providing social services to our growing senior population.

In the month of its operation, Peoplesbudgetnyc.com, registered 1,250 users and 10,618 votes on 132 ideas. Sixty-four of those ideas came from the public, including the No. 1 proposal, to support more adult literacy programs.

The second and third top-rated proposals were: longer library hours and recouping \$163 million from Hewlett Packard for its overbilling on ECTP.

Following is Comptroller Liu's testimony:

**TESTIMONY BY CITY COMPTROLLER JOHN C. LIU
ON THE EXECUTIVE NEW YORK CITY FY 2014 BUDGET
AND 2014-2017 FINANCIAL PLAN,
June 5, 2013
(As prepared for delivery)**

Thank you, Chairman Recchia and members of the City Council Finance Committee for providing me the opportunity to comment on the Mayor's Executive Budget for Fiscal Year 2014.

Deputy Comptroller Ari Hoffnung and our Executive Director for Budget, Jonathan Rosenberg, are here with me today.

I can and will talk to you today about the Executive Budget as it is...But I'd also like to paint a picture for you of the kind of budget we could have, if we focused our priorities to better reflect The New York City Dream. What do I mean by that?

Over the past few months, my office has embarked on an effort to articulate what The New York City Dream means to average New Yorkers. We call it The People's Budget NYC.

I'll go into detail about The People's Budget in a few minutes. First, let's talk about the Executive Budget in front of us.

The Mayor's FY 2014 Executive Budget totals \$69.78 billion, \$275 million less than the FY 2014 Preliminary Budget Mayor Bloomberg presented to the Council in January.

The FY 2014 Executive Budget is \$2.07 billion less than the modified FY 2013 budget of \$71.85 billion. But that savings is illusory.

The City will not actually be spending any less in FY 2014 than in FY 2013; it just looks that way because of prepayments and other one-shots. In addition, the FY 2013 budget is inflated by \$1.5 billion of Sandy related spending. After netting out these effects, we expect that the City will spend \$481 million or 0.7 percent *more* in FY 2014 than in the current fiscal year.

That is not the only sleight of hand in the FY 2014 Executive Budget.

The Mayor, as required by law, must balance the budget and, technically speaking, he has. Yet, as my office has stressed time and again, the Administration's budgeting hides risks which could result in large gaps – \$2.524 billion in FY 2013 and \$577 million in FY 2014.

The Daily News may only have discovered it last month but, as we have said in testimony here over and over again, *all* City workers are working under expired contracts.

The Mayor has not budgeted sufficiently for even the small wage increases he envisions, and has put aside *bupkis* – as my grandmother in Taiwan would say – for any retroactive wages.

As The News delicately put it, there could be “hell to pay.”

The largest risk, as we have pointed out before, is the absence of wage increases for teachers and principals for the 2008–2010 round of collective bargaining.

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If the teachers and principals gained an identical contract to the one that the other municipal unions got in that round, the City would need to pay out \$2.595 billion in FY 2013, including retroactive wages, and \$900 million more each year thereafter.

But this mammoth risk is not the only possible hole on the expense side.

The Mayor's budget also underestimates overtime expenses, which could cost \$161 million in FY 2014 and \$100 million annually in the outyears.

It also assumes \$80 million in Medicaid reimbursements for the Department of Education that my office doesn't think will happen.

On the revenue side, the largest risk we continue to see is the assumption of \$1.46 billion of revenues over four years from the sale of taxi medallions starting in FY 2014.

The taxi medallion sale is in court, and it is unclear how the judge will rule. We are also concerned that, even if the sale eventually does go forward, the market for the medallions may not be as robust as the City has assumed.

True, we do see some good news on the revenue side that offsets some of these risks.

My office projects that the City will reap \$771 million more in taxes than the Mayor's FY 2014 Financial Plan estimates, largely on the strength of personal income tax revenues.

But my office does not expect that personal income tax revenues will drop as much as the City forecasts, mostly because of the large gains in the stock market during the first five months of 2013.

My office also projects that the City economy will grow more in FYs 2014-2015 than the Mayor thinks it will. Job growth has strengthened considerably, although minority unemployment remains disproportionately and unacceptably high at 11.2 percent compared to 5.9 percent for white New Yorkers. All told, we think the City will collect anywhere from \$230 million to \$976 million more in taxes, mostly because of commercial-property appreciation.

We also see some potential on the savings side.

Last June, the Administration forecast a budget gap of \$2.51 billion for FY 2014, and it closed that gap through a PEG and by rolling over an additional \$2.04 billion surplus from FY 2013.

We have identified even more resources that could offset cuts to vital services such as fire companies and child care.

First, significant savings may still be possible in FY 2013, thanks to favorable interest rates, including about \$165 million of debt-service savings that are not reflected in this budget.

Second, in FY 2014, debt-service savings could add another \$125 million if the budget's variable interest rate assumptions are brought into line with the already conservative assumptions of the FY 2013 budget.

Finally, the Administration has funneled another \$150 million into the general reserve for FY 2014, bringing the total for the year to \$450 million.

The general reserve is a fund to cover any unforeseen expenses or shortfall in revenues during the fiscal year. It usually is funded at \$300 million. It hasn't been used for current-year expenses in recent memory.

But since the Administration has padded it out, maybe the Council could use some of that money to fund what the average New Yorker dreams about when he or she thinks about this City at its best.

Most of us have now been through many budgets, and have observed and participated in what we know as "the budget dance." That's the annual ritual where we fight with the Mayor over \$200 million – a mere one-half of 1 percent of the total budget – to restore the fire companies, after-school programs, and all the other worthy things that he cuts every year.

I know some of you agree with me when I say that I've always found the budget dance to be a distraction that kept us from focusing on the larger picture of what New Yorkers really want from City government.

Earlier this year, I asked my staff to comb through the entire budget. I challenged them to identify new resources that could be used to make new investments in New York City.

In April, we released The People's Budget NYC – a comprehensive plan including 68 proposals that could make The New York City Dream a reality by translating our values and priorities into dollars and cents.

These proposals include making City schools great again, building affordable housing, enhancing public safety, housing the homeless, and providing social services to our growing senior population.

We also found \$15 billion in revenue to pay for those proposals – including enough to cut the City personal income tax for 99 percent of earners.

Then, early in May, we put The Peoples Budget online, and invited all New Yorkers to discuss our proposals, vote them up or down, and add their own ideas.

In a manner of speaking, we "crowd-sourced" the City budget!

The results of this discussion, which ended on June 3rd, have been illuminating. In the month of its operation, the online tool we created, Peoplesbudgetnyc.com, registered 1,250 users and 10,618 votes on 132 ideas.

Sixty-four of those ideas, about half, came from the public.

New Yorkers of all walks of life used the Peoplesbudgetnyc.com as a way to understand and learn about City spending.

On May 28, I visited a GED class at a youth center in the South Bronx that was using the website to teach civics and government.

I promised New Yorkers that I would bring the top three proposals which received the most votes on the site to your attention today. I am delighted to report that the No. 1 proposal, which is to support more adult literacy programs, comes from the people directly.

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The second and third top-rated proposals are included in The People's Budget: longer library hours, and recouping \$163 million from Hewlett Packard for its overbilling on ECTP.

The strength of these three proposals show the fervent desire of ordinary New Yorkers to better themselves through education, to share in the riches of our City's cultural resources, and to hold corporations accountable.

They show a need for our budget to focus on basic fairness.

The People's Budget NYC was not the first time any American City tried to crowd-source budget ideas; Chicago also did it last year. Even so, I don't think it is boasting to say that The People's Budget NYC stands out as a signal experiment in participatory democracy and in taxpayer engagement.

I appreciate your time and attention today. Thank you for allowing me to bring some new ideas to the table. I'm happy to take any questions you may have.

Background

Report: Comptroller John C. Liu's Comment on New York City's Executive Budget for FY 2014 and Financial Plan for FYs 2014-2017, June 5, 2013:

<http://www.gothamgazette.com/index.php/government/4248-politicians-advocates-see-end-to-citys-annual-budget-dance>

Video: Comptroller Liu talks to students about the People's Budget NYC:

<https://www.youtube.com/watch?v=CD7iN5pbY8g&feature=youtu.be>

Liu launches online tool to "crowd-source" the City budget:

http://www.comptroller.nyc.gov/press/2013_releases/pr13-05-069.shtm

Comptroller Liu proposes the People's Budget:

http://www.comptroller.nyc.gov/press/2013_releases/pr13-04-052.shtm

Comptroller Liu's testimony on the Preliminary FY 2014 Budget and 2013-2017 Financial Plan:

http://www.comptroller.nyc.gov/press/2013_releases/pr13-03-037.shtm

*Visit www.comptroller.nyc.gov for the latest news, events, and initiatives.
Follow Comptroller Liu on Twitter. To receive Twitter updates via text message, text "follow johncliu" to 40404. View the latest Comptroller's office videos on YouTube.*

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