



The City of New York

**Office of Management and Budget**

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**TESTIMONY OF DEAN FULEIHAN, DIRECTOR, MAYOR'S OFFICE OF  
MANAGEMENT AND BUDGET OF THE CITY OF NEW YORK TO THE CITY  
COUNCIL ON THE EXECUTIVE BUDGET FISCAL YEAR 2017**

**May 6, 2016**

Thank you Finance Chair Julissa Ferreras-Copeland, members of the Finance Committee and members of the City Council for the opportunity to testify today on the Mayor's Executive Budget. On behalf of Mayor de Blasio and this administration, we are grateful for the partnership and collaboration we have shared with the City Council throughout last year's budget process and the Fiscal Year 2017 Preliminary and Executive Budgets. I'm joined at the table today by Larian Angelo, the First Deputy Director at OMB. We also have our talented staff here to assist me in answering questions. I also want to thank Latonia McKinney and the Council Finance staff for their many contributions to this process.

After more than two years in office and three Executive Budgets, Mayor de Blasio's vision for the City, the strategic investments the administration has put to work in every neighborhood and our disciplined fiscal management, are all producing tangible results. Our Fiscal Year 2017 Executive Budget is \$82.2 billion. With our projected changes, both the Fiscal Year 2017 budget and the Fiscal Year 2016 budget remain balanced.

In keeping with this administration's established practices, the Fiscal Year 2017 Executive Budget is highly responsible. It makes investments that address longstanding structural issues that affect all New Yorkers. I will detail those in a moment. It also protects our fiscal health for the future through a citywide savings program and by maintaining unprecedented reserves.

The Fiscal Year 2017 Preliminary Budget has identified \$1.1 billion in savings and in this plan we have found an additional \$1.25 billion in savings by the end of Fiscal Year 2017. These additional savings will pay for nearly all of the Executive Budget's new investments. For the first time in this Administration, we are achieving savings in both a Preliminary and an Executive Budget. The citywide savings program totals more than \$2.3 billion, making this the largest such program in the last 5 years. And there's more to come, because the Mayor is instructing the government to find hundreds of millions more in savings by November.

Meanwhile, our landmark agreement with the Municipal Labor Committee is creating the first significant structural changes to the City's health plans in decades, bringing us closer to our commitment to achieve \$3.4 billion in healthcare savings through Fiscal Year 2018 and \$1.3 billion a year after that. We have already met our Fiscal Year 2016 healthcare savings target of \$700 million and we will achieve our Fiscal Year 2017 goal of \$1 billion. Our agreement

involves significant changes to the City's health plans to create incentives for employees to improve their health, use primary care and avoid costly emergency room visits.

At the same time we have been demanding savings, we have also been maintaining strong reserves. This year, we will add \$250 million to the Retiree Health Benefit Trust Fund to bring it to a total of \$3.7 billion. That means for the first time ever, the City has added to the Retiree Health Benefit Trust Fund three years in a row. We're maintaining the General Reserve – the City's precautionary savings for expenses – at \$1 billion annually. Traditionally, this reserve was held at less than a third of that. And we're now in the second year of the City's first-ever Capital Stabilization Reserve of \$500 million.

Our disciplined approach has received consistent praise from our monitors, who cite our prudent, professional management of the City's fiscal health. Yet, we continue to face major challenges. So, I'll discuss the current economic situation, describe our Fiscal Year 2017 Executive Budget investments, and then I look forward to your questions.

The Mayor has said the job of government is to ensure that residents are living and working in a safe, strong city that both grows and attracts the best talent. That's exactly what we are seeing today. Our population and local economy are growing in every borough. As our population grows, so does our economy.

New York City is home to an all-time high of nearly 4.3 million jobs. This includes 249,000 jobs added in the past two years – which is a record for any two-year period in city history. We are also seeing positive change in the quality of the economy – it continues to diversify, showing growth across multiple significant industries.

In 2015, as in 2014, every borough saw employment growth, with Queens, the Bronx and Brooklyn continuing to lead the way. As New Yorkers struggle during relative good economic times, financial news worldwide is worrying. Among the troubling signs are:

- Current U.S. GDP growth estimates for the first quarter of 2016 are below 1 percent.
- Economists are lowering growth expectations, corporate profits are falling and first quarter revenues at the major investment banks dropped 19 percent in 2016 compared to a year ago.
- Growth is slowing worldwide. Global equity markets are down. Brazil and Russia are in recession, and the European, Canadian and Japanese economies are sluggish.

Meanwhile, here in the city, the world economy's effect on our financial services community is reducing our forecasted tax revenue. We expect tax growth to be around 3.5 percent in Fiscal Year 16 and 1.7 percent in Fiscal Year 17, after having averaged nearly 7 percent for the past five years.

And New Yorkers know we must be ready for whatever fiscal challenges are ahead, especially since we've had consistently declining support. The latest State Budget initially included

dangerous cuts and cost shifts. But, with the Council's help, we managed to avoid hundreds of millions of cuts to CUNY and Medicaid. In the enacted State budget, our public schools will see an increase to help raise achievement and keep our universal pre-kindergarten program going. But there is still a State shortfall of \$1.6 billion to the Campaign for Fiscal Equity Funding. And the State has yet to release \$220 million previously committed for homelessness programming. In addition, the Governor has pledged to take \$600 million of the City's sales tax revenue over the next 3 years. We avoided the worst consequences this year, but we may not be so fortunate next time.

Federal funding has also been uncertain. It took a decade for Congress to agree on a multi-year surface transportation program with the first meaningful increase since 2005. And there is no resolution to set funding levels for federal agencies and programs past September. We also face risk on counter-terrorism funding. Right now, we are urging Congress to reject a large proposed cut to the Urban Area Security Initiative grant (UASI). The UASI grant was recommended at \$330 million in the President's request for Fiscal Year 2017, after being funded at \$600 million in Fiscal Year 2016.

We look forward to the Council's support to help us ensure our federal and State partners make the best fiscal and policy decisions with all of our city's residents closely in mind.

Yet, even in the face of uncertainty, it is our obligation to continue making crucial investments in our city's future.

#### Education:

The Executive Budget funds initiatives in the Mayor's Equity and Excellence agenda including:

- Algebra for All 8th and 9th graders;
- AP Classes for All and individual college counseling for all high school students.

We are investing more than \$160 million a year to raise our schools to an average of 91 percent of the Fair Student Funding standard and ensure no school is at less than 87 percent. We have already allocated funds to raise our Renewal and Community Schools to 100 percent. And as the Mayor said up in Albany, we are urging New York State to continue its support, so we can raise the Fair Student Funding average to 100% by Fiscal Year 2021.

#### Homelessness:

We are investing \$66 million to help implement our new plan to address homelessness in Fiscal Year 2017, including:

- Home-Stat: This pairs existing response and prevention programs with innovations designed to better identify, engage and move homeless New Yorkers from the streets to appropriate services and permanent housing.

- An adjustment of reimbursement rates to improve shelter and services quality and increase accountability.
- Converting shelter units to permanent housing.

These investments are offset by \$38 million in savings from uniting the Department of Homeless Services and the Human Resources Administration under one Commissioner.

#### Our Public Hospital System:

New York City needs a public healthcare system to ensure access to quality care regardless of income or immigration status. Health + Hospitals is central to that commitment, but it is also facing significant threats to its fiscal sustainability.

Changes in State Medicaid policy and federal Affordable Care Act include much-needed reforms, but they have produced growing revenue declines for our hospitals. A third of the system's patients are uninsured. Their care is insufficiently funded today and may be completely unfunded soon. The State has been moving Medicaid beneficiaries into managed care, which pays at a lower rate than fee for service. And the shift to managed care also means our hospitals are no longer eligible for a vital federal supplement: the Upper Payment Limit.

The system is facing a projected operating gap of \$1.8 billion by 2020. We have created a realistic and credible plan to work with all interested parties to close this gap by Fiscal Year 2020 through projected savings of \$700 million and projected new revenues of \$1.1 billion. In addition, in Fiscal Year 2016 alone, the City will add \$500 million to support Health + Hospitals. This includes \$337 million to pay debt service and medical malpractice costs, as well as \$160 million for operating costs and \$200 million in capital spending to bring computer systems up to industry standards. In Fiscal Years 2017 through 2020, the City will continue to cover Health + Hospitals debt service: \$180 million in Fiscal Year 2017; \$173 million in Fiscal Year 2018; \$179 million in Fiscal Year 2019; \$203 million in Fiscal Year 2020.

These significant investments will help Health + Hospitals to execute its comprehensive plan – Health Care for Our Neighborhoods – to transform the system for the 21<sup>st</sup> century.

First, we will stabilize revenue by ensuring more New Yorkers and getting a fair share of State and federal insurance funding. Another key element, which we need the Council's help with, involves urging Congress to eliminate federal cuts to support for treating the uninsured. Second, we are investing \$100 million in new capital funding to expand community-based preventive, primary and outpatient care that is the future of American health-care.

Third, we will improve the system's quality and efficiency by:

- Using buying power to reduce the cost of supplies;
- Educating patients on the importance of preventive care;

- Consolidating services;
- Creating an efficient workforce through attrition, retraining and collaboration with labor.

Other important investments in the Fiscal Year 2017 budget include:

#### Public Safety:

We are investing \$70 million to create a new precinct to address the needs of southeast Queens and relieve pressure on the large and spread out 105<sup>th</sup> precinct.

We are building on significant investments in our Preliminary Budget, funding \$5 million in Fiscal Year 2017 and \$9.8 million in Fiscal Year 2018 to add 50 new ambulance tours to ensure faster response times in Queens and the Bronx.

We are also adding \$5.5 million to fight opioid drugs through educating medical professionals about overprescribing; distribution of life-saving drugs; and more seats in treatment facilities.

#### Transportation:

We are investing \$21 million to acquire additional snow clearing equipment to help us get onto narrow roads, sidewalks and bus stops.

We are adding \$276 million for bridge repair, including \$244 million for the Ed Koch Queensboro Bridge.

We are spending \$186 million more to repave 1,300 lane miles of our roadways in Fiscal Year 2018, keeping the pace we set in 2017.

We are investing \$42 million to purchase and upgrade ferries, and outfit the Brooklyn Navy Yard as our ferry system homeport.

#### Water and sewer:

Righting a long-standing wrong, we will no longer charge homeowners for the water rental payment. This will save homeowners \$244 million in Fiscal Year 2017 and \$268 million in Fiscal Year 2018. All customers will see a 7 percent savings through Fiscal Year 2020. The Mayor has announced a one-time, water and sewer bill credit for the owners of all one-, two- and three-family homes: a 17 percent savings for a typical single-family household and a 40 percent savings for the 150,000 homeowners who use the least water.

Other investments in our water infrastructure include \$21 million to disinfect and fill the Brooklyn-Queens leg of Water Tunnel #3 by the end of 2017. And we will invest an additional \$7 million to construct a connection between Water Tunnel #3's Brooklyn-Queens section and the Richmond Tunnel to Staten Island.

We are also adding \$305 million in this capital budget and another \$300 million in Fiscal Year 2022 to accelerate construction of two shafts that will bring water from Tunnel #3 to Brooklyn and Queens. Construction will start in 2020, a year earlier than previously planned.

Board of Elections:

Following the problems that New Yorkers experienced in the recent presidential primary, we have created what the Mayor has called a challenge grant for the Board of Elections. The Board of Elections is not a City agency, but it is funded by the City. Our Executive Budget covers the basic expenses of running three additional elections in 2016. But we need the BOE to adopt a more professional approach so we're using our resources to help bring the City's voting processes up to par.

Finally, in this budget, we're pleased to fund a number of key Council priorities including:

- \$12 million for increased seasonal staffing to enhance park and playground maintenance and allow comfort stations to be open to dusk; and additional resources for the Rockaway Boardwalk.
- \$5.8 million to increase by two thirds funding for Beacon Community Centers in public schools.
- \$4.8 million to raise salaries for contracted case management social workers who care for our seniors.
- \$800,000 in baselined funding to cover rising rent costs at about 45 senior centers.
- \$3 million for 15 NYCHA senior centers.
- \$10 million to purchase land and design two new full-service animal shelters.
- \$2.3 million to increase special and discharge grants for foster youth.

In conclusion, the Fiscal Year 2017 Executive budget reaffirms the commitment the Mayor and City Council share to fiscal responsibility and meeting our challenges head on.

I want to thank you again for the opportunity to testify today.

And now, we look forward to your questions.

**THE COUNCIL  
THE CITY OF NEW YORK**

**Appearance Card**

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

☐ in favor ☐ in opposition

Date: \_\_\_\_\_

**(PLEASE PRINT)**

Name: Deer Fuler

Address: \_\_\_\_\_

I represent: NYC CMB

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☐ in favor ☐ in opposition

Date: \_\_\_\_\_

**(PLEASE PRINT)**

Name: LARIA ARSECU

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I represent: DMB

Address: 75 Park Place

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