

**THE CITY COUNCIL'S  
RESPONSE TO THE MAYOR'S  
FY 2015 PRELIMINARY BUDGET AND  
FY 2014 PRELIMINARY MAYOR'S  
MANAGEMENT REPORT**

*As required under Sections 247b and 12e of the New York City Charter*



**THE COUNCIL  
CITY OF NEW YORK  
MELISSA MARK-VIVERITO  
SPEAKER  
JULISSA FERRERAS  
CHAIR, FINANCE COMMITTEE**

**April 23, 2014**

# Finance Division

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## **Finance and Administration**

*Jeffrey Rodus, Deputy Chief of Staff*

## **Finance Committee**

*Tanisha Edwards, Chief Counsel*

## **Economics and Revenue Unit**

*Raymond Majewski, Deputy Director, Chief Economist*

Paul Sturm, Unit Head

Emre Edev

## **Education, Public Safety, Contracts and Criminal Justice Unit**

*Regina Poreda Ryan, Deputy Director*

Eisha Wright, Unit Head

Christina Perrotti

Ellen Eng

## **Human Services, Health, and Governmental Operations Unit**

*Latonia McKinney, Deputy Director*

John Russell, Unit Head

Cirilhen Francisco

Kenneth Grace

Dohini Sompura

Norah Yahya

## **Housing, Infrastructure and Economic Development Unit**

*Nathan Toth, Deputy Director*

Chima Obichere, Unit Head

Aliya Ali

Sarah Gastelum

Kate Seeley-Kirk

## **Discretionary Funding and Financial Data Support Unit**

*Paul Scimone, Deputy Director*

Jia Feng

James Reyes

## **Administration**

Nicole Anderson

Maria Pagan

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## Executive Summary

On February 12, Mayor de Blasio submitted his \$73.7 billion Preliminary Budget for Fiscal Year 2015. The Council began its hearings on the budget on March 5, and over the next three weeks Council committees held hundreds of hours of hearings on agency budgets, with testimony from agency heads and the public.

The Mayor's Preliminary budget is a little more 'preliminary' than usual as when it was released the de Blasio Administration had been in office for less than 6 weeks. So it is understandable if this iteration of the budget does not fully express its agenda. But the progressive and inclusive direction of that agenda is clear, and one that the Council largely supports.

While it should come as no surprise that this Preliminary Budget reflects a change in priorities of a new Administration, the budget also reflects a remarkable and welcome change to the overall budgeting process. In past years, the process had garnered the nickname of the 'budget dance.' The Mayor would release a Preliminary Budget that would contain a number cuts to certain areas of the budget such as libraries, youth and senior programs, healthcare, firehouses, and education. These cuts would become the focus of the Council's budget hearings, its Charter mandated response to the Mayor, and the budget negotiations. Eventually the cuts would be largely restored in the Adopted Budget, only to reappear in the following year's Preliminary Budget. And the process would repeat all over again.

With the Preliminary Budget for Fiscal 2015 the budget dance appears to have ended. Most of the usual cuts were baselined (included in the base agency budget) in Mayor Bloomberg's November 2013 Financial Plan and Mayor de Blasio's Preliminary Budget continued the baselining.

The end of the budget dance allowed for a change in the tone of the Preliminary Budget hearings. Council Members engaged with agency heads and the public on broader operational issues, rather than just cuts and restorations. It is evident that many Council Members feel encouraged and hopeful about the budget process evolving into a more meaningful and thoughtful discussion of the priorities of the City and its residents. It shows great promise that this Administration intends to work with the Council as an equal partner, and we expect that to continue over the next four years.

The Council's Response to the Preliminary Budget for Fiscal Year 2015 also reflects the start of something new. Under Speaker Melissa Mark-Viverito, systems are being developed to encourage a more collegial, Member-driven process. Applying this to the Response, the Budget Negotiation Team (the group of Council Members that guides work on the budget) began its work months earlier than usual. The results of budget hearings were studied and input was sought from Council Members, both individually and through their borough delegations. This document captures what was learned in this process. The Council's response builds off the Mayor's Preliminary Budget and presents the following priorities that should be reflected in the City's Fiscal 2015 Budget.

- **Reform New York City's Taxes** so that taxes are not only efficient and transparent, but also encourage sustainable and affordable growth.
- **Transform the City's Budget** to provide for greater transparency to ensure the budget truly reflects the priority of New Yorkers.
- **Strengthen the City's Safety Net** so that all who need it have an accessible and realistic bridge out of poverty.

- **Stabilize New York City's Housing** so that every New Yorker has access secure, suitable, and affordable housing.
- **Protect the City's Workforce** to ensure that New Yorkers have a City Government that can quickly, efficiently, and effectively provide the services they deserve.
- **Provide Job Creation and Economic Development Opportunities** to unleash the inherent dynamism of the full range of New York's entrepreneurs to create stable and fair paying jobs.
- **Support New York City's Students** so that every child in New York has every opportunity to achieve their full potential, regardless of background or income.
- **Reform Law Enforcement and Criminal Justice** to guarantee that all New Yorkers not only enjoy the basic human right to safety and security, but in a way that treats them with respect and dignity.
- **Strengthen New York City's Infrastructure** so all residents and business have access to the amenities and service that should be expected in a world class city in the 21<sup>st</sup> century.
- **Innovate Government Operations with Technology** to not just make the City a global leader in technology, but to ensure that those efforts benefits all New Yorkers and bridge the digital divide.
- **Improve Agency Efficiency and Transparency** to safeguard that every tax dollar is not only properly spent, but in a way that maximizes results.

To achieve these priorities, the Council identified and outlined specific action items which are listed in the following pages. Moreover, these items were carefully selected to be achievable yet prudent, considering the City's fiscal situation. Even with the additions proposed here, the Council believes the City's budget would show a surplus of over \$700 million in Fiscal 2015<sup>1</sup>.

As this document embodies part of an on-going dialogue, we anticipate that these ideas will receive a full and thorough review by the Administration and its agencies. Moreover, we expect that suggestions not incorporated into future budget plans, will at a minimum receive detailed and substantive rationales as to why the Administration believes they are unworkable, and provide alternative suggestions where possible.

We look forward to a budget that takes the first steps to build a more equal and just New York City.

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<sup>1</sup> This surplus does not account for any additional expense arising from future labor settlements, due to the inherent difficulty in forecasting that cost.

## The Economy and Revenues

### Financial Plan

#### The Preliminary Budget

The Fiscal 2015 Preliminary Budget totals \$73.7 billion. This includes \$54 billion in City funds, which is revenue from City taxes, fees, fines, and other non-tax revenue. City funds are up 3.4 percent between Fiscal 2014 and Fiscal 2015. As required by law the budget is balanced for Fiscal 2014 and Fiscal 2015, a feat first achieved in the November 2013 Financial Plan but also maintained in the February 2014 Plan. Outyear gaps are modest and of the size that have proven to be easy to close in a healthy economy.

**TABLE 1: FEBRUARY FINANCIAL PLAN SUMMARY**

\$ Millions	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Avg. Annual Change
<b>REVENUES</b>						
Taxes	\$46,731	\$48,971	\$51,268	\$53,260	\$55,160	4.2%
Misc. Revenues	7,281	6,782	6,808	6,831	6,489	-2.8%
Less: Intra-City and Disallowances	<u>(1,758)</u>	<u>(1,711)</u>	<u>(1,684)</u>	<u>(1,694)</u>	<u>(1,699)</u>	<u>-0.8%</u>
<b>Subtotal, City Funds</b>	<b>\$52,254</b>	<b>\$54,042</b>	<b>\$56,392</b>	<b>\$58,397</b>	<b>\$59,950</b>	<b>3.5%</b>
State Aid	11,737	11,905	12,275	12,747	13,143	2.9%
Federal Aid	8,409	6,402	6,384	6,370	6,369	-6.7%
Other Categorical Grants	871	843	830	826	822	-1.4%
Capital Funds (IFA)	546	520	513	513	513	-1.5%
<b>TOTAL REVENUES</b>	<b>\$73,817</b>	<b>\$73,712</b>	<b>\$76,394</b>	<b>\$78,853</b>	<b>\$80,797</b>	<b>2.3%</b>
<b>EXPENDITURES</b>						
Personal Services	\$39,540	\$39,969	\$41,032	\$42,127	\$43,421	2.4%
OTPS	31,201	29,876	30,196	30,711	31,005	-0.2%
Debt Service	5,737	6,733	7,294	7,624	7,825	8.1%
General Reserve	150	600	600	600	600	
Less: Intra-City	<u>(1,743)</u>	<u>(1,696)</u>	<u>(1,669)</u>	<u>(1,679)</u>	<u>(1,684)</u>	<u>-0.9%</u>
<b>Spending Before Adjustments</b>	<b>\$74,885</b>	<b>\$75,482</b>	<b>\$77,453</b>	<b>\$79,383</b>	<b>\$81,167</b>	<b>2.0%</b>
Surplus Roll Adjustment (Net)	(1,068)	(1,770)				
<b>TOTAL EXPENDITURES</b>	<b>\$73,817</b>	<b>\$73,712</b>	<b>\$77,453</b>	<b>\$79,383</b>	<b>\$81,167</b>	<b>2.4%</b>
<b>Gap to be Closed</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(\$1,059)</b>	<b>(\$530)</b>	<b>(\$370)</b>	

#### Financial Plan with Impact of Proposals in Council's Response to Preliminary Budget

The Council's Response is consistent with prudent budgeting. Overall the package should cost \$257 million, approximately 0.4 percent of the overall budget and 0.6 percent of the City funds budget. The plan below shows the changes proposed in the Council's Preliminary Budget Response, the downside of the State budget and the upside of the Council forecast.

<b>TABLE 2: Changes to Preliminary Budget due to State Budget &amp; Council Response</b>		
<i>Dollars in Millions</i>		
	<b>FY14</b>	<b>FY15</b>
<b>February Plan Gap</b>	-	-
<b>Revenue Increase/( Decrease)</b>		
Council Tax Revenue Forecast	\$194	\$980
Council - Carried Interest	-	0
<b>State Budget</b>		
Didn't Approve City PIT Increase	-	(530)
PreK Funding	-	300
State School Aid		195
DOHMH Offset	-	(5)
<b>Total Revenue Change</b>	<b>\$194</b>	<b>\$940</b>
<b>Expense Increase/(Decrease)</b>		
<b>State Budget</b>		
Charter School Mandate	\$0	\$53
<b>Other Risks</b>		
DOE Medicaid Revenue Shortfall	-	87
<b>Council's Response: Additional Expenditures</b>	<b>\$0</b>	<b>\$257</b>
<b>Total Expense Change</b>	<b>\$0</b>	<b>\$397</b>
<b>Additional Prepayment Of 2015 Expense</b>	<b>(\$194)</b>	<b>\$194</b>
<b>Surplus/(Gap)</b>	<b>\$0</b>	<b>\$737</b>
<i>Source: OMB Fiscal 2015 Preliminary Budget and NYCC Budget Response</i>		

Even with the Council’s additions, the budget has a surplus in Fiscal 2015. Though not shown in the Plan above, the budget will remain balanced even with the extra spending continuing through the plan period. Indeed, the budget will be in surplus.

## Risks to the Preliminary Budget

### Upside Risks

The Finance Division’s forecast provides some good news: between now and Fiscal 2018, the City can expect about \$4.7 billion more in tax revenue compared to OMB’s February 2014 Plan forecast. About \$1 billion of this tax revenue would be available for use in Fiscal 2015.<sup>2</sup> Details of the forecast including downside economic risks are discussed below.

OMB has traditionally practiced rather conservative budgeting on the expense side too. Towards the end of the fiscal year it is usually found that there are excess funds set aside for prior year payables, judgments and claims, and a variety of other expenses. In the past these overestimates have been large enough to make significantly increased prepayments into the next fiscal year without the extra funds from the Finance Division’s forecast.

### Downside Risks

#### New York State Budget

<sup>2</sup> The Independent Budget Office’s Analysis of the Mayor’s Preliminary Budget for 2015, forecasts \$7 billion more in tax revenue than the Preliminary Budget between now and Fiscal 2018. For Fiscal 2014 & Fiscal 2015, they forecast \$1.4 billion more in tax revenue. <http://www.ibo.nyc.ny.us/iboreports/March2014.pdf>

Since the release of the City's Fiscal 2015 Preliminary Budget, New York State adopted its Fiscal 2014-2015 Budget. As is usually the case, it was a mixed bag for New York City. One key assumption of the budget, a personal income tax increase on high income households to pay for universal pre-kindergarten and after school programs for middle school students, did not occur. However, the budget did provide \$300 million to fund pre-kindergarten, as well as an increase in Foundation and a reduction of the Gap Elimination Adjustment that will increase flexible school aids by \$195 million. Additional state funding was not provided for after school programs for middle school students, although the State gave the City the option of using its school aid increase to pay for after school programs. The State has imposed additional costs on the City, notably those associated with new funding requirements for Charter Schools. The Finance Division has not fully evaluated the impact of the State Budget, though overall it appears the assumptions made in the Preliminary Budget were not fully realized.

### **Department of Education (DOE) Medicaid Revenue Shortfall**

The Preliminary Budget for the DOE includes a federal Medicaid Revenue estimate of \$50 million in Fiscal 2014 and \$137 million in Fiscal 2015. DOE's current plan to claim Medicaid in Fiscal 2015 will not achieve \$137 million in revenue. A more realistic revenue estimate would be this fiscal year's \$50 million projection, which is \$68.5 million short of the Fiscal 2015 projection. In order to meet the Preliminary Budget's \$137 million Medicaid revenue projection, the DOE would have to submit claims for speech therapy. The DOE estimates the potential revenue from claims for this service alone is \$71 million. However, as per federal Medicaid claiming requirements, the DOE may only submit claims for services provided by or under the direction of speech teachers with a Speech Language Pathology license, or SLP. In order for the DOE to submit this documentation, the United Federation of Teachers (UFT) must permit the DOE to use these licenses. The UFT does not currently allow the DOE to use the SLPs for Medicaid claiming purposes.

### **Collective Bargaining**

As of January 1, 2014 there were 152 collective bargaining agreements in need of settlement, some of which go back six years. The UFT and Principals' unions do not have contracts for the 2008-2010 round of collective bargaining and no municipal union has a contract for the 2010-2013 round of bargaining. The February 2014 Plan includes a reserve for collective bargaining that totals almost \$3.7 billion over the Plan period, which could fund raises of around 1.25 percent starting in Fiscal 2014. However, there are no collective bargaining reserves for the earlier rounds of settlements.<sup>3</sup> It is highly likely that City's collective bargaining reserves will be inadequate to cover settlements going forward, never mind retroactive adjustments. By some estimates, retroactive settlements for the 2008-2013 rounds could cost as much as \$7 billion their first year.<sup>4</sup> This is an extreme scenario, but even so, funding settlements with municipal unions are by far the greatest risk to February 2014 Financial Plan. Until a collective bargaining pattern is set, it is necessary to budget with extra caution. The Council believes its proposals are a cautious response to the needs of the City in the current situation.

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<sup>3</sup> There is a reserve for outstanding settlements from the 2006-2008 round.

<sup>4</sup> Citizen's Budget Commission "7 Things New Yorker's should know about Municipal Labor Contracts" May 2013.

## Economy and Tax Revenue Forecast<sup>5</sup>

### National Economy

The Finance Division is fundamentally optimistic about the U.S. economy. The headwinds are abating, starting with the financial sector which is reasonably healthy and adjusting to the new regulatory regime. Strong corporate balance sheets and an expanding economy should boost investment in equipment. Pent up demand for housing is helping to push up prices and with them the net worth of households, including middle class households. This increase in prices should also boost residential investment. Consumers are spending and falling unemployment along with rising net worth will only encourage them to do more. State and local governments have ceased to be a drag on economic growth, and while Federal policy remains incoherent, some of its destructive tendencies have waned.

Indeed, underscoring how much stronger the economy is, the Federal Reserve now views it strong enough to taper their monetary stimulus. After a weak 2013 growth of only 1.9 percent, and a slight dip in the first quarter due to inventory adjustments, the Finance Division expects real Gross Domestic Product growth to rebound to 2.7 percent in the second quarter, and pass three percent in 2015.

This strong growth is also translating into growing employment. As of March 2014, payroll growth has averaged 183,000 per month over the previous 12 months,<sup>6</sup> which is well above the 150,000 considered the minimum to keep pace with population growth. As a result, unemployment should continue to fall, reaching 5.5 percent around 2016. Though wage growth remains slow, it will outpace inflation.

**Risks:** There are some risks in the national forecast that could slow growth. There is a small chance that current slowdown could snowball, as the inventory correction entails slower job growth. Inadequate supply of homes and rising mortgage rates could push people out of the housing market. Long-term rates could go higher than we expect which could raise financing costs to prohibitive levels for many businesses. A slowdown in the Chinese economy could severely impact exports. IHS Global Insight currently rates the probability of a slowdown of this kind at 20 percent.

### City Economy

New York City is a success story. The City has now recovered more than 2.5 times the positions lost during the recession, and achieved a record 4 million in payroll employment as of last October. Population has reached a record 8.4 million, and real gross city product (GCP) achieved dynamic 3.1 percent growth in 2013. The Finance Division is optimistic the city will continue to grow. It has done well despite the headwinds and uneven growth of the national economy. As headwinds abate on the national economy it should pull the city's economy along with it.

In 2013 the City's payroll employment grew by over two percent for a third straight year. Total payroll in the city expanded by over 80,000 in 2012 and 2013.<sup>7</sup> Unfortunately wage growth has also maintained

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<sup>5</sup> This is an updated and abbreviated version of the Finance Division's forecast found in "Financial Plan Overview, Economy, Revenue, Pensions, Capital and Debt Service" released as a part of the Finance Committee's March 5, 2014 Hearing on the Mayor's Fiscal Year 2015 Preliminary Budget available at: <http://legistar.council.nyc.gov/LegislationDetail.aspx?ID=1664909&GUID=DC718460-6E0A-4C3E-ADA3-5D774EE75261&Options=&Search=>

<sup>6</sup> U.S. Bureau of Labor Statistics, 'The Employment Situation – March 2014.'

<sup>7</sup> New York State Department of Labor, Current Employment Statistics (CES), February 2014. All employment numbers.

the momentum of the previous year, with the average private sector wage growing by only 0.5 percent in 2013, roughly the same as in 2012. The different growth paths can be partially explained by a decreasing share of high-paying jobs, and an exceptional surge in low-paying employment, pumped up by dynamic tourism. The City's unemployment rate remained high at 7.9 percent as of February. However, the rate dropped a full percentage point over the previous 12 months. Real GCP is expected to slow to 2.3 percent in 2014, but will rebound to 2.8 percent in 2015, helped by stronger GDP.<sup>8</sup> Commercial real estate increased sales and leasing, while the residential market experienced soaring prices.

**Risks:** Historically, the securities industry has been a major dynamo in the City's economy. Its average wage of \$360,700 tops all other sectors. The securities sector faces the challenges of a weak global recovery, and a tough Dodd-Frank regulatory environment, limiting high-risk but profitable transactions. Though other sectors such as business services have compensated for this weakness, a further weakening in securities would be a major risk to city economic growth.

**TABLE 3 Council Economic Indicators**  
Calendar Years

	2013	2014	2015	2016	2017	2018
<b>NATIONAL ECONOMY</b>						
Real Gross Domestic Product, %	1.9	2.5	3.3	3.3	3.1	2.7
Unemployment Rate, %	7.4	6.4	5.9	5.4	5.1	5
Interest rates						
3-Month Treasury Bill, %	0.06	0.05	0.4	2.18	3.62	3.74
30-Year Mortgage Fixed, %	4	4.6	5	5.8	6.5	6.7
<b>NEW YORK CITY ECONOMY</b>						
Real Gross City Product, %	3.1	2.3	2.8	3	2.7	2.3
Private Employment						
Level Change, thousands	85.4	72.7	69.8	73.3	70.9	66.1
Percent Change, %	2.6	2.1	2	2.1	1.9	1.8
Average Private Wages, %	0.5	2	2.4	2.4	2.3	2.3
Total Private Wages, %	3.1	4.2	4.4	4.5	4.3	4.1
Wall Street (NYSE Members)						
Total Revenue, %	1.6	6.5	2.5	2.8	1.7	1.6
Total Compensation, %	4.3	3.8	5.1	5.2	4.6	4.6

Source: IHS Global Insight, March 2014 (Nat'l); New York City Council - Finance Division (City)

### Tax Forecast

Council Finance forecasts that tax revenues will be almost \$200 million above OMB in Fiscal 2014, and around \$1 billion above OMB for each year between Fiscal 2015 and 2018. Council Finance expects total tax collections to slow in Fiscal 2014 to 2.7 percent bringing in around \$46.9 billion including audits. This

<sup>8</sup> IHS Global Insight, March 2014.

compares with the unusually strong 8.5 percent growth in Fiscal 2013. This rollercoaster path is largely driven by the personal income tax (PIT). PIT collections soared over 15 percent in Fiscal 2013, as taxpayers moved forward their capital gains realizations to avoid the higher tax rates in tax year 2013. Tax year 2013 collections received in Fiscal 2014 were therefore ‘cannibalized’ for the previous year, and are expected to see negative growth. Frontloading of revenues aside, PIT collections will benefit going forward from rising employment and a ‘bullish’ stock market.

Business tax collections are projected as being close to flat in Fiscal 2014. Plunging collections from the banking corporation tax due to legal settlements, fines, and a weakening mortgage business, were offset by taxes on healthy profits through the unincorporated business tax. Business tax revenue is expected to strengthen in Fiscal 2015 as the national economy gains traction and increases its demand for City services.

Sales tax collections are experiencing strong growth in Fiscal 2014, supported by record tourism and growing consumer confidence. Healthy growth is expected to continue in the outyears as employment in the city expands. Hotel tax collections are particularly strong, directly thriving on record tourism levels. Collections are expected to be exceptionally strong in Fiscal 2014, and sustain healthy growth in the outyears.

The two transfer taxes, the real property transfer tax (RPTT) and the mortgage recording tax (MRT), are among the two most volatile taxes in the City’s budget. As the real estate market has been slowly recovering, the transfer taxes have improved. The RPTT will continue a steady growth in the outyears, at an average rate of 2.9 percent. The MRT on the other hand will see a slight dip in Fiscal 2015 as rising interest rates slow the recent spate of refinancing, before resuming a steady growth of 3.4 percent on average in Fiscal 2016 through 2018. The Commercial Rent Tax, buoyed by the strong Manhattan office market, continues the solid growth it has recently shown throughout the forecast period.

For Fiscal 2014, both OMB and Council Finance expect the Real Property Tax (RPT) to generate \$19.78 billion in revenues. This represents a fairly sizeable \$171 million increase over the November Plan largely due to greater lien sale proceeds and changes in the reserve<sup>9</sup>. The largest component of the change to the reserve reflects greater than expected revenues stemming from recent changes to the coop/condo abatement.

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<sup>9</sup> The levy is the raw amount of revenues that would be raised by the property tax and is generally determined at the outset of a fiscal year as the overall tax rate and billable assessed values are for the most part set at that point. The reserve reflects the various tax abatement programs, collections adjustments, and lien sale which when taken into account with the levy, result in the actual revenue impact in the budget.

**TABLE 4: Council vs. OMB (million \$)**  
**Fiscal Years**

	2014	2015	2016	2017	2018
Real Property	-	107.7	279.7	338.3	221.0
Personal Income	(49.8)	87.4	216.4	266.8	506.4
General	(29.1)	94.6	58.8	(92.3)	(150.7)
Banking	31.4	147.8	173.0	180.2	144.2
Unincorporated	88.3	131.2	155.0	187.3	197.1
Sales	14.1	59.7	32.1	51.1	76.3
Commercial Rent	(0.6)	(4.5)	(4.9)	(2.0)	4.4
Real Property Transfer	57.2	173.7	86.5	88.1	71.9
Mortgage Recording	55.9	126.3	33.6	25.6	8.0
Utility	7.7	23.5	24.3	42.6	60.0
Hotel	18.4	32.9	51.8	79.3	102.8
All Others:	-	-	-	-	-
Audits:	-	-	-	-	-
<b>Total Taxes</b>	<b>193.6</b>	<b>980.4</b>	<b>1106.3</b>	<b>1165.0</b>	<b>1241.6</b>

Source: NYC Council Finance, NYC Office of Management and Budget – February 2014

### Charter School Budget Risk

The Preliminary Budget estimate for spending on charter schools is \$1.2 billion in Fiscal 2015. This projection is an estimate of the cost of existing charter schools, including projected growth that will occur as some growing schools phase in additional grades. The estimate does not take into account the cost of new charter schools that will open next fall. The DOE expects 15 charter schools will open in the fall and serve 2,462 new students. Based on the City's general education tuition rate of \$13,527 per student, these new charter school students will cost the DOE \$33.3 million.

The Preliminary Budget estimate also does not take into account budget implications of Enacted State Budget legislation. Moving forward, the DOE must provide space in its buildings for all expanding and new charter schools, or else pay for them to locate in non-DOE buildings. The OMB's preliminary analyses suggest the legislation will cost the DOE \$20-\$32 million in Fiscal 2015.

In total, the Fiscal 2015 spending projection for charter schools will likely increase by at least \$53.3 million. The DOE should not use funding for public school budgets, including the State Foundation Aid increase or Gap Elimination Adjustment Restoration funds included in the Enacted State Budget, to fill the gap. The Council calls on the Administration to recognize the charter school gap as a new need in the Executive Budget.

### Universal Pre-K Expansion

The DOE's Preliminary Budget includes \$340 million for the expansion of full-day Universal Pre-Kindergarten (UPK). The estimate assumed the expansion would be funded with City funds generated by a new Personal Income Tax. However, the State did not approve this tax increase. Instead, the State provided \$300 million of additional funding in the Enacted State Budget for 2014-15 to expand UPK in New York City. Therefore, there is at least a \$40 million budget gap for the UPK expansion plan. In addition, it is unclear if the City will be able to use the State funds for administrative and other costs, or if the State funding will solely be allocated to schools and service providers on a per-pupil basis. Of the \$340 million for UPK expansion included in the DOE's Preliminary Budget, \$28.5 million is scheduled for

the cost of school support and central administration associated with the expansion. The DOE should not use funds that would have otherwise been allocated to school budgets to pay for UPK expansion. Though pre-kindergarten and early childhood education impact academic outcomes in future grades, the positive effects will not be realized if schools do not have the resources to provide a high-quality education for all grades.

**Medicaid Revenue Shortfall**

The Preliminary Budget for the DOE includes a federal Medicaid Revenue estimate of \$50 million in Fiscal 2014 and \$137 million in Fiscal 2015. The DOE expects it will come close to reaching its \$50 million projection this year, largely through claims for occupational and physical therapy. The DOE's current plan to claim Medicaid in Fiscal 2015 will not achieve \$137 million in revenue. A more realistic revenue estimate would be this fiscal year's \$50 million projection, which is \$68.5 million short of the Fiscal 2015 projection. In order to meet the Preliminary Budget's \$137 million Medicaid revenue projection, the DOE would have to submit claims for speech therapy. The DOE estimates the potential revenue from claims for this service alone is \$71 million. However, as per federal Medicaid claiming requirements, the DOE may only submit claims for services provided by, or under the direction of, speech teachers with a Speech Language Pathology license, or SLP. In order for the DOE to submit this documentation, the United Federation of Teachers (UFT) must permit the DOE to use these licenses. The UFT does not currently allow the DOE to use the SLPs for Medicaid claiming purposes.

The OMB should revise the Fiscal 2015 Medicaid revenue estimate to \$50 million in order to avoid a revenue shortfall next year, and it should no longer include speech claims in the estimate until the DOE can claim this revenue. In addition, the DOE should reach a deal with the UFT so it can submit claims for speech therapy services and maximize all potential Medicaid revenue.

## Tax Reform

Parts of the City's tax system are in need of reform. The issues are large, complex, and deserve careful examination before a reform is proposed. Ultimately reform will require action by the Governor and the State Legislature. The Council proposes three mechanisms where the Council can, in full partnership with the Mayor, examine the issues and build a consensus to take to Albany. Consistent with the Council's emphasis on transparency, the mechanisms include public processes, such as hearings and publications, as a part of investigating reforms.

### Reform the Property Tax

The City's real property tax system was designed in the late 1970s, a period when the City was struggling to hold on to its residents and jobs. Today, the City is growing and struggles to maintain affordability for residents. Numerous patches in the forms of abatements and exemptions have been added over the years in an attempt to update the system, but it has become increasingly clear that the tax is not well suited for the City's current needs and demands.

Numerous studies<sup>10</sup> have pointed out that the current system<sup>10</sup> is rife with inequalities with properties of similar value and use having very different tax bills. The system is also inordinately complex, making it difficult to administer and nearly impossible for taxpayers to understand. All of this not only creates a climate of distrust, but also may be discouraging adequate and a proper mix of development.

The City needs a property tax system that not only continues provide a stable source of revenue, but does so in a transparent, equitable way that seeks to manage sustainable and affordable growth for its residents. It is time that the City restructured its real property tax to meet the demands of NYC and her residents in the 21<sup>st</sup> century.

### Commission on Property Tax Reform

The commission would be charged with the task of evaluating and recommending reforms that would improve the equity, efficiency, and transparency of New York City's property tax system. Commissioners would be appointed by the Mayor and the Speaker. The commission will be required to seek input from the public through public hearings, research best practices, and publish a final report of recommendations with options to ensure any recommendations are revenue neutral to the City's budget. A potential model for the commission could be the 1993 NYC Real Property Tax Reform Commission.

In addition to the general goal of creating a more equitable and transparent property tax system, the Commission would be charged with looking at how the tax can be structured to encourage sustainable and affordable growth. This would include, but not be limited to issues about affordable housing, the treatment of vacant and underutilized properties, and the incubation and growth of new businesses and jobs.

### Review and Reform Tax Expenditures

New York City offers a variety of special tax breaks designed to encourage economic development, create jobs, increase affordable housing, and among other goals. These special tax breaks are called tax expenditures. By Department of Finance (DOF) calculations tax expenditures on the City's real property, excise, and business taxes reduce City revenues by over \$5.8 billion in Fiscal 2014. There are additional

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<sup>10</sup> New York City Independent Budget Office. December 5, 2006. *Twenty-Five Years After S7000A: How Property Tax Burdens Have Shifted in New York City*.

The Furman Center for Real Estate and Urban Policy. 2011. "Distribution of the Burden of New York City's Property Tax." *State of New York City's Housing and Neighborhoods 2011*.

expenditures on the personal income tax and other taxes. DOF currently does an annual report providing information on the expenditures, their size, and who receives them. They do not, however, examine whether they are achieving their intended goals.

### **Commission on Tax Expenditures**

Like the Commission on Property Tax Reform, the Commission on Tax Expenditures would be modeled on the 1993 NYC Real Property Tax Reform Commission. Commissioners would be jointly appointed by the Mayor and the Speaker, hold public hearings, and publish a set of proposed reforms. The goal would be to reform tax expenditures to increase their transparency and efficiency. Commissioners would be instructed to do this in the light of the Council's goal of creating a more inclusive, equitable, and affordable City. The special focus would be expenditures related to affordable housing and economic development.

### **Unified Development Budget Report with Performance Measurement**

A Unified Development Budget Report would expand on the transparency and reporting requirements instituted by Local Laws 69 of 1994, 48 of 2005, and 62 of 2010 which requires the City's Economic Development Corporation, as part of its contract with the City, to produce an annual public report of the majority of its development projects, detailing information including amount of subsidy and jobs created. The proposed report would expand this model to cover all economic and housing development projects subsidized by the City and its contracting partners. It would further expand the scope of the current reports to provide real evaluative analysis about the effectiveness of the various subsidies and program. It would be a follow-up to the work of the Blue Ribbon Commission on Tax Expenditures.

Mimicking the Mayor's Management Report that accompanies the budget, the report would take a page from the 12 states (such as Oregon, Washington, Minnesota, and Wisconsin) that do regular evaluation of their economic and housing development programs. Each program would be evaluated on a regular schedule, or prior to the legislative sunset of the program, and the evaluation would be a part of this report.

In order to improve the quality of these evaluations, the Council will pursue in Albany legislation to require regular reporting of employment and other information by recipients of as of right economic development tax expenditures. This information will be made available to authority doing the evaluations.

### **Carried Interest**

New York City's unincorporated business tax (UBT) has a tax break for management firms that run private equity funds, venture capital funds, angel funds, hedge funds, and certain real estate funds. The management firm is typically compensated by the fund through the right to receive 20 percent of profits on top of whatever they earn as partners in the fund. The 20 percent of the profits is referred to as "carried interest".

Although carried interest is essentially compensation for management, it is not treated that way in the tax code. The IRS views it as a type of investment income. Investment income gets no special treatment on the City's personal income tax, but it does on the City's UBT. Individuals or unincorporated entities, that are primarily engaged in investment on their own account, do not pay the UBT on income related to this investment. Therefore, since the IRS treats carried interest as investment income, this income is exempt from the UBT.

It is hard to think of why the compensation to these fund management companies should be treated differently to income to any other partnership. Why should a law firm, an auto repair shop, a cheese

shop, or medical partnership pay the UBT on their full income while most of the income of the management firm of a hedge fund or a private equity firm be exempt?

Removing this exemption will require State legislation.

The fiscal impact is difficult to estimate because this is a highly volatile revenue source. Council Finance believes the recent IBO estimate that eliminating the exemption would on average raise \$200 million a year is plausible.<sup>11</sup>

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<sup>11</sup> New York City Independent Budget Office, "Budget Options for New York City" December 2013.

## **Transform the City's Budget**

### **Accurate Forecasting of the Capital Commitment Plan**

The City of New York's Preliminary Capital Commitment Plan released on February 13, 2014 introduced planned commitments of \$29.8 billion (City funds only) over the four year period from 2014 to 2017. Of that total \$16.5 billion or 55.4 percent of the projected commitments were forecasted to occur in Fiscal Year 2014. The average level of commitment of City funded capital dollars from Fiscal Year 2010 through Fiscal Year 2013 is significantly less at \$6.5 billion per annum. The front loading of the Capital Commitment Plan has become so common that of the 40 City agencies submitting a capital plan 31 of them had 50 percent or more of their commitments forecast in Fiscal Year 2014 and 23 of those City agencies had 70 percent or more in Fiscal Year 2014. This method of forecasting is inaccurate and severely reduces the transparency of the document. The Council has called upon the last Administration to address this issue multiple times but most recently introduced a term and condition during adoption of the Fiscal Year 2014 budget which stated that each agency shall adequately update capital project milestones and provide explanations for any delays in the schedules of each project.

The City Council calls for the Administration to move commitment forecasts (when consistent with project realities) to the outer years of the four year plan to more accurately represent the timing of the commitment of capital dollars. The City Council also urges the Administration to reduce the level of appropriations it is currently carrying to no more than 25 percent of the adjusted Capital Commitment Plan. It is the contention of the Council that since the standard contingency for a capital project is 15 percent, this level of appropriation will allow for flexibility and a reserve for unattained commitments. A reserve in excess of this amount would allow the City Council's approval authority to be circumvented.

### ***Increased Detail in the Capital Budget Documents***

Included in the current Capital Commitment Plan are multiple lump sum project ID's that contain hundreds of millions of dollars with little or no detail as to how this funding will be used. While the Council recognizes the need for some generality at the Budget Line level the individual project ID's should be for a specific project or set of related projects and not a lump sum. The Council calls on the administration to remove or provide greater detail on all lump sum project ID's.

### **Improve Transparency of DOE's Capital Budget**

The Department of Education (DOE) and School Construction Authority (SCA) should improve the transparency of their capital plan. The DOE's Capital Commitment Plan is not transparent or useful for tracking individual projects, understanding year to year variance, or knowing the actual costs of projects. The DOE's Five-Year Capital Plan provides some detail on individual projects, but its structure does not allow for tracking individual projects and costs over time. The SCA's "Quarterly Status of Projects in Process" reports provide detailed information on individual projects, but the format of the reports limit their usefulness. As a step toward greater transparency, the SCA should make these reports available in Microsoft Excel format and should develop a mechanism for reporting on the implementation of the Five Year Plan at the project level within each annual amendment.

### **Budget Transparency through Appropriate Units of Appropriation**

Units of appropriation (U/A) are the basic levels of detail within an agency's operating budget, and it is at this level that the Council approves and adopts the expense budget. The Charter requires the U/As to reflect the main programmatic activities and goals of each agency. The U/As are intended to be highly descriptive in order to facilitate the Council and the public's understanding of agency spending and performance. Despite these Charter mandates, the expense budget the Council receives from the Mayor

is very different from the one the Charter envisions. With the exception of a few agencies, such as the Department of Correction and the Department of Health and Mental Hygiene, the programs and activities of an agency are often lumped together into one U/A. This means that the Council, at budget adoption, often does not approve agency programs, but rather broad U/As that may or may not be related to disparate agency programs and goals. In short, U/A are the cornerstone of a transparent budget; when the U/As do not properly reflect the programmatic activities the budget becomes less of an honest representation of the City's priorities.

As Budget Director Dean Fuleihan noted in his letter to Council Finance Committee Chair Julissa Ferreras on follow up answers to questions posed at the preliminary budget hearing on March 5, 2014, one of the Mayor's main goals in the budget process was to produce an "honest budget." To that end, the Council has compiled a list of the most significant U/A changes needed in the budget. Additionally, the Council strongly believes, that the identification, creation, and reorganization of U/As in the budget, like the rest of the budget process, should be considered an on-going endeavor. As City needs evolve, so too should the U/A in the budget and so we hope to have on-going dialogues about new U/As as time goes on.

### **Maintain Baselined Funding**

The Fiscal 2015 Preliminary Budget includes approximately \$483 million of baselined funding in Fiscal 2015, with half restored for agency operations, and the other half funding hundreds of community-based organizations throughout the City providing services that range from child care and HIV/AIDS services to afterschool programming and immigration services. The Council and the Administration have agreed to work together to determine the best course of action to ensure that current providers receive funding in Fiscal 2015.

Council initiatives are both restorations of budget cuts to City agencies and programs funded by the Council. The Bloomberg Administration imposed numerous rounds of budget cuts, also known as Programs to Eliminate the Gap (PEGs), in an effort to balance the City's budget. The Council restored many of these cuts, some that impacted agency headcount and spending, and others that reduced contractual spending on community-based organizations. The process of "cut" and "restore", often referred to as the "Budget Dance," went on for many years and resulted in a negotiated budget in which the Administration and the Council restored funding to agency operations, and hundreds of organizations and providers for a wide range of services throughout the City.

Baselining permanently adds funding to an agency's budget, but it does not and cannot name any particular community-based organization to receive the funding. Baselined funding is added into an agency's core budget for all four years and it does not need to be designated by the Council to be included in the Budget. Baselined allocations are not subject to the Council's application process or the Council's disclosure or transparency requirements.

The City agencies that include baselined funding for Council initiatives and restorations that are contracted out to community-based organizations are the Administration for Children's Services, the Department of Cultural Affairs, the Department for the Aging, the Department of Youth and Community Development, the Department of Health and Mental Hygiene, and the Human Resources Administration. (See Appendix A)

## **Strengthen the City's Safety Net**

### **Significantly Reduce the Homeless Population Living in Shelters**

After the termination of the Advantage Program, a rental assistance program for the homeless, the Bloomberg Administration did not seek to establish a new rental subsidy program for the City. As a consequence, the homeless population living in shelter increased. In addition, without a rental subsidy program to transition the homeless into permanent housing, the average length of stay in shelter also increased. The City has now been without a rental subsidy program for roughly three years.

In the Executive 2014 – 2015 State Budget, the Governor removed the restrictive language regarding the use of State funds for a rental subsidy program for the homeless for localities with populations greater than five million people, but the State did not add any additional funding for such a program. The State will allow the City to use existing Temporary Assistance for Needy Families (TANF) funds for a rental subsidy program, but the City will have to determine how to shift TANF funding for shelters to a rental subsidy program in such a way that there is not a shortfall for either.

The City cannot afford to move forward without a new rental subsidy program for the homeless in place or the homeless population will continue to grow. The Council calls upon the Administration to create a new rental subsidy program in line with the Coalition for the Homeless' recommendation of assisting at least 5,000 households annually. In addition, the Council requests that the Administration and DHS not place a two year time limit for rental subsidies, like what was in place during the Advantage program, but consider providing rental assistance for a longer period of time. The Council would also like to see that the new rental subsidy program addresses various financial circumstances that may hinder individuals and families from transitioning out of shelter and into permanent housing.

In addition, the Council requests that the Administration work with NYCHA to resume referrals of eligible homeless households for Section 8 vouchers and reinstate the NYCHA waiting list priority status to homeless individuals, especially those with special needs, such as the disabled, or the chronically homeless. These subset homeless populations would not benefit from a rental subsidy program, and would need permanent subsidized housing in order to remain out of shelter.

### **Increase Funding for Senior Case Management**

Case management agencies, contracted through the Department for the Aging (DFTA), provide assessment and link homebound seniors with services, including home delivered meals, homecare, information and referral, and other supportive programs. Seniors access case management services through referrals from senior centers, home delivered meal providers, hospitals and other community-based social service and health care agencies.

A study of caseloads in case management agencies contracted by DFTA's former Commissioner and now Deputy Mayor of Health and Human Services, Lilliam Barrios-Paoli, was released on March 20<sup>th</sup>, 2014. The study was based on a survey of 83 case managers (60 percent of all case managers contracted by DFTA), focus group sessions, and by shadowing case managers. The study recommended that case managers only have an average caseload of 65 clients. Also, current DFTA Commissioner, Donna Corrado, stated during The DFTA's Fiscal 2015 Preliminary Budget Hearing that she too agrees with the study's findings and that the case management ratio needs to be reduced to 65:1 in order for case managers to effectively do their work.

Additionally, given that case managers serve a population with specialized needs, it is essential that case managers are adequately trained. Many aging advocates are calling for case managers to hold a Masters in Social Work (MSW), which ensures that case managers are qualified to meet and address the needs of

the elderly. DFTA Commissioner also agrees that case managers should have specialized training, and stated during DFTA's Fiscal 2015 Preliminary Budget Hearing that can be achieved either through case managers having a MSW or that case managers are trained social workers on senior issues.

The Council strongly urges the Administration to add an additional \$2.6 million in funding to the baselined amount for case management, so that the case management ratio can be reduced from 80:1 to 65:1. Also, the Council asks the Administration to add additional funding to reduce the current case management waitlist, which is estimated to include at least 1,500 seniors across the City. Lastly, the Council recommends that the Administration evaluate the need for more highly trained case managers, either case managers who hold MSWs or have had significant training on senior issues, and include additional funding for case managers to hire such workers.

### **Increase funding to the City's Public Safety Net Hospitals**

As the largest safety net system in the City, the Health and Hospital Corporation (HHC) provides full access to quality health care for all, regardless of ability to pay and thus provides a disproportionate share of health care for the uninsured and Medicaid populations. In spite of five consecutive years of state Medicaid rate cuts to the HHC, totaling approximately \$540 million, planned reductions in the supplemental DSH payments to all hospitals will force HHC to expect an operating loss of \$428 million in Fiscal 2015. It is based, in part, on the assumption that, as health insurance coverage will increase under the Affordable Care Act (ACA), hospitals will experience lower uncompensated care costs.

Since Fiscal 2012, the City Council has been instrumental in partially restoring HHC's Unrestricted Operating Subsidy, which serves as a lump-sum appropriation to HHC in recognition of the financial challenges of serving uninsured and Medicaid patients. The Council calls for the enhancement of the Unrestricted Operating Subsidy to the Health and Hospital Corporation by \$2 million, from \$6 million to \$8 million, in recognition of the financial challenges of serving uninsured patients, like those undocumented, who will not be covered by the Affordable Care Act. Further, the Council calls on the Administration in securing funding for Federally Qualified Health Centers (FQHC) in Staten Island, where HHC has no public hospital facility.

### **Increase Funding to the Commission on Human Rights**

The New York City Commission on Human Rights (CCHR) enforces the New York City's Human Rights Law (NYCHRL) and educates the public about its scope. The NYCHRL is one of the most comprehensive in the nation, it prohibits discrimination in employment, housing, and public accommodations based on race, color, creed, age, national origin, alienage or citizenship status, gender (including gender identity and sexual harassment), sexual orientation, disability, marital status, and partnership status and includes 16 protected classes.

CCHR is primarily funded by the Federal government, with Community Development Block Grant (CDBG) revenue accounting for \$4 million or 62.5 percent of the budget and the remaining \$2.4 million or 37.5 percent City-tax levy. The budgeted headcount is 66, of which eleven are City funded and 55 are CDBG funded.

During the last two decades, the Commission's city-funded Personal Services (PS) budget dropped by 80 percent and staffing was cut by more than 90 percent. In 1992 the PS budget included \$5.6 million and 162 full-time positions while the Fiscal 2015 Preliminary budget includes only \$1.1 million and 11 full-time positions. While staff for the Commission's Law Enforcement and Community Relations Bureaus, which are responsible for enforcing the NYCHRL and educating the community on the Law, are all federally funded, these 55 positions cannot nearly account for the loss of the 151 City-funded positions.

Although the CDBG budget has remained relatively flat in the last five years there is concern that the CCHR is not able to meet the mandates set forth by the NYCHRL given the recent increases in the scope of the City's Human Rights Law.

During the Fiscal 2015 Preliminary Budget hearing the Commissioner stated that the CCHR needs additional staff to meet its expanded mandate; particularly requirements that the Commission create notices and provide training on a variety of topics. The Commissioner indicated that she would like to use the \$812,564 in anticipated lease savings to hire additional attorneys and human rights specialists. The Council supports this suggestion and calls upon the Administration to provide an overall increase to the CCHR's PS budget of \$1 million to hire 10 attorneys and five human rights specialists.

The average starting salary for an attorney is \$53,181 and the cost to hire 10 including fringe benefits is \$792,503. The starting salary for a human rights specialist is \$41,827 and the cost to hire 5 including fringe benefits is \$311,653.

### **Support Veterans**

Approximately 200,000 veterans live in New York City and the City should do more to address their needs. Many veterans are struggling with mental health challenges and suicide rates among veterans are significant. The New York City Department of Small Business Services estimates that the overall rate of veteran unemployment in the City is 10.5 percent. Often the challenges they face adapting to civilian life require specialized legal assistance.

The Council calls on the Administration to significantly expand the Mayor's Office of Veterans Affairs (MOVA), increasing its budget by \$400,000, in an effort to work with City agencies to develop programs that address the needs of New York City veterans. Also, the Council proposes that the City allocate \$1 million for mental health, employment and legal assistance services for veterans, working with the Council and other City agencies, to identify and fund community-based organizations that would have the greatest impact in meeting veterans' needs.

### **Expand Funding for Immigrant Legal Services**

This year, the New York City Council provided \$500,000 to support the New York Immigrant Family Unity Project pilot which is the nation's first government-funded legal representation program for detained immigrants. The Vera Institute of Justice designed the pilot in collaboration with the Cardozo Law School to represent indigent unrepresented New Yorkers in removal proceedings at the Varick Street Immigration Court with screening only for income eligibility. Brooklyn Defender Services (BDS) and the Bronx Defenders (BXD), functioning as a consortium known as the New York Immigration Defenders (NYID) is contracted to provide free legal representation to 20 percent or 190 of the approximately 900 indigent detained and otherwise-unrepresented immigrants who will face deportation in the New York City Immigration Court this year.

A study convened by the Chief Judge of the Second Circuit Court of Appeals, found that 60 percent of New Yorkers detained did not have an attorney and only 3 percent prevailed without one. The study also found that many of the ninety-seven percent of people who were deported were actually legally entitled to stay.

Funding for this initiative is critical as many New Yorkers facing deportation need an attorney to represent them in order to prevail in court. The Council calls upon the Administration to provide \$2.9 million in funding to support legal representation for the 900 indigent immigrants at the Varick Street Court.

## **Stabilize New York City's Housing**

### **Capture Excess Income Overage Fee in Affordable Housing Developments**

Affordable housing units constructed with assistance from the City have income thresholds that all households must meet in order to be eligible to obtain a unit. However, once in the unit, the household could see its income increase and even exceed the threshold, but still stay in the affordable unit and pay the affordable rent. In those cases, the City is subsidizing affordable housing for someone who does not need it. A possible solution to this issue would be to adjust local affordable housing development incentives (e.g. 421a, inclusionary zoning) to include an overage fee for residents whose income begins to exceed the income range for eligibility of the affordable unit. All residents in affordable units would be required to submit income data to the City on a regular set basis (i.e. every 2 years). Households whose income exceeds the eligibility thresholds for the unit they occupy would be required to pay a fee equal to 25 percent of the difference between their income and the upper limit of the threshold. The fee would be collected by the City via the landlord and would be dedicated to an affordable housing fund, which will be used to preserve and develop additional units of affordable housing throughout the City. It would encourage those who have less of a need for the affordable unit to vacate the unit, allowing it to be occupied by one who does need it, or if not, then they would help subsidize the construction of new affordable units. This would apply to newly subsidized units – old ones would be grandfathered in. This policy is in line with existing affordable rental and cooperative housing in New York City, such as the Mitchell Lama and SCRIE programs, which apply a surcharge to monthly rent if adjusted household income from the prior calendar year exceeds the maximum income limit.

The Council urge the Administration to support this proposal as an affordable housing tool. Efforts should be made to conduct outreach to state officials and consideration should be given to support amending state law where applicable.

### **Ease Transition of Section 8 Recipients as a Result of Downsizing Policies at HPD and NYCHA**

The New York City Department of Housing Preservation and Development (HPD) administers approximately 32,000 Section 8 vouchers in all five boroughs, with over 9,400 landlords participating in the program. HPD administers three different types of vouchers: about 23,000 regular housing choice vouchers, about 5,900 enhanced “sticky” vouchers, and about 3,000 project-based vouchers. Section 8 funding from the federal government comprises nearly 60 percent of the Agency’s budget, or about \$349 million in Fiscal Year 2014.

On March 1, 2013, due to sequestration, HPD had a five percent across the board cut on all federal programs for Federal Fiscal Year 2013 and outyears. As a result, HPD’s funding for the 100 percent federally funded Section 8 Program has been significantly reduced. This Congressional action resulted in a shortfall of approximately \$37 million to HPD’s Housing Choice Voucher Program in 2013, which the Council will ask Congress to reinstate in the Federal Fiscal 2015 budget response. At the City level, HPD employed two new policy changes to their Section 8 program in order to prevent the termination of vouchers; the agency required voucher holders to either pay a greater share of their rent or move to a smaller apartment. These cost saving policy measures will be applied at the first annual recertification after July 15, 2013.

HPD testified in April 2014 that 8,587 voucher holders could be affected by these new policy changes, including 5,561 regular voucher holders and 3,026 households with enhanced vouchers. In addition, HPD estimates that 131 households are currently in the process of moving or have completed a move due to

the downsizing policy; this includes 43 households with regular vouchers and 88 households with enhanced “sticky” vouchers. Due to strict federal guidelines governing Section 8 housing funds, HPD cannot use federally awarded Section 8 funds for any purpose other than rental subsidy. To ease the cost of moving related expenses for affected Section 8 voucher holders, we call on the administration to provide \$250,000 in funding specifically for this purpose.

In comparison to HPD, the New York City Housing Authority (NYCHA) estimates that they currently administer about 2,000 enhanced, “sticky” vouchers, where approximately 626 households are overhoused and may need to move. NYCHA estimates that their downsizing policy may impact approximately 310 out of 626 households. Unlike HPD, NYCHA provides a number of resources to support the transition into a smaller apartment, including help with moving expenses.

To ease the burden of moving related expenses HPD downsizing policies may have, the Council urges the Administration to provide \$250,000 in funding for effected families in HPD’s purview.

### **Increase Capital Funding to NYCHA for Maintenance**

In January 2013, NYCHA implemented a maintenance and repair backlog initiative to reduce the number of open work orders and the average response time. As of April 2014, NYCHA successfully reduced open work orders from a peak of 423,000 to approximately 88,000. Along with this progress, NYCHA also reduced the average time it takes to complete a maintenance task from 147 days to an average of 7 to 15 days, with skilled trade work requests taking longer to complete. Although much progress has been made to address efficiencies in maintenance requests, the Agency and NYCHA residents can benefit from quicker response times. To this end, in Fiscal 2013 the Council made a \$20 million, two-year commitment to fund a Painter's Apprenticeship Program at NYCHA. Capital funding was used to form the maintenance and resident employment program, which NYCHA converted to operating funds. In the course of two years, NYCHA hired 176 residents to work on painting work orders. Additional skilled trades that can be modeled after the Council funded Painter's Apprenticeship Program include: bricklayers, carpenters, electricians, exterminators, glaziers, plasterers, plumbers, and roofers. We respectfully request that the administration provide \$75 million in capital funding for additional apprenticeship programs that will both train NYCHA residents to be skilled tradesman as well as help address the backlog.

### **Increase the City’s Contribution to HPD’s Alternative Enforcement Program**

HPD’s Fiscal 2015 Preliminary Budget includes \$7.7 million for the Alternative Enforcement Program (AEP), which is funded mostly with federal Community Block Development Grants. The city only provides \$50,000 in funding. AEP allows the city to make repairs on the 200 worst kept buildings in the city, and then bills the landlord for the repairs. This keeps residents in the direst of conditions from waiting for landlords to act. By increasing the City’s contribution to \$1 million in Fiscal Year 2015, we are establishing our further commitment to a program with demonstrated success, and giving it the resources to expand.

## **Protect the City's Workforce**

### **Civilianization**

Uniform personnel within the New York City Police Department (NYPD) and the Department of Correction (DOC) have been long assigned to administrative and clerical duties. As a result, fewer uniformed personnel have been available to perform critical public safety functions in our neighborhoods and in the City Jails than the budgeted level would indicate. This has contributed to an increased reliance on overtime, within both the NYPD and the DOC. In the last five years, NYPD and DOC have spent 41 percent and 72 percent more respectively, than their budgeted overtime. In order to maximize existing uniform staff, the Council calls upon the Administration to civilianize uniform positions within both agencies. While there is an up-front cost to hiring civilians, in the long run it is a cost benefit to the City as civilian salaries and benefits are substantially lower.

In the NYPD, civilianization has been a long standing issue at the Police Department, particularly in light of its reliance on overtime to meet enforcement demands. NYPD has often reduced non-uniform staff in order to meet tighter budget demands. According to the Fiscal 2013 fourth quarter report provided to the City Council, there were 731 full duty uniformed officers in administrative and patrol commands performing civilian functions. This headcount does not include officers that are on limited, restricted or modified duty. The 731 full duty uniformed officers serving civilian functions means 731 officers are not performing their core function of maintaining public safety.

The Council calls upon the Administration to increase civilian staff by hiring 500 Police Administrative Aides (PAAs). The total cost to hire 500 PAAs at the starting salary of \$35,285 is \$26.3 million, which includes fringe benefits. Hiring 500 PAAs allows 500 of the 731 full duty uniformed officers, currently performing civilian tasks, to return to patrol and enforcement duties. The Council is confident that the NYPD can achieve this goal and believes that returning these officers to their core functions would improve the City's enforcement strength.

According to District Council 37, there are approximately 200 correction officers at the Department of Correction who are assigned to clerical and administrative roles. The City Council proposes that these 200 officers be assigned to security posts within the Jails, and backfill those positions with lower-paid civilian employees.

The Council proposes that the Administration hire 200 clerical associates to begin replacing the 200 uniformed officers performing administrative tasks. The average yearly salary for a Clerical Associate is \$33,928 and the cost to hire 200 is approximately \$10.1 million including fringe benefits. Increasing civilian staff will address the headcount and overtime needs of the Department and will insure that more security posts are operated on straight time, which will curtail overtime spending.

### **Review Contracts for Service and In-Source Jobs**

#### ***Consultant Conversion***

The Council passed the Outsourcing Accountability Act, Local Law 63 of 2011 which enhanced efforts to ensure that contracting agencies perform a comprehensive cost benefit analysis whenever the City proposes to enter into service contracts, including whether City employees could perform the work. However the City's contract budget continues to grow in large part due to the high costs of outside consultants.

At its Fiscal 2015 Preliminary Budget Hearing, the Financial Information Services Agency (FISA) reports that it continues to reduce its reliance on outside consultants through the gradual transfer from outside consultants to City employees saving the City millions of dollars.

The Council renews its recommendation that every agency conduct a thorough review of its current outside consultants and seek to convert those positions to City positions where feasible.

***Reduce Contracting Out***

The Fiscal 2015 Preliminary Budget includes \$11.78 billion for 16,796 in contracts. According to the Fiscal Policy Institute's Preliminary Budget Report, funding supports a number of contractors who employ large shares of their workforce with staffers who receive less than \$30,000 a year and receive little to no benefits. These contractors often operate without effective City oversight. The Council is concerned that with lower salaries come lower quality of service and, in the long-term, a higher demand for the government to provide subsidies to these under compensated employees.

The Council calls upon the Administration to use the City's municipal workforce as a vehicle to provide quality jobs that help uplift and sustain communities, particularly those which have been ignored by the former Administration.

***Expedite Civil Service Hiring***

According to the Preliminary Mayor's Management Report, the median time from civil service exam administration to the establishment of hiring lists was 344 days. The City needs to work toward reducing the time it takes to establish civil service hiring lists to give agencies the ability to address their human resources needs in short order. By expediting the civil service process, the City would be better equipped to serve New Yorkers and could potentially save millions in overtime.

## **Job Creation and Economic Development Opportunities**

### **Create New Technology Incubators**

Technology incubators not only provide start-ups with affordable spaces but access to early capital and mentors. By helping start-ups tackle the challenges of a fledgling technology company, incubators increase the chance of success. Technology incubators foster entrepreneurship and bring economic growth to the areas they are established in.

Technology incubators have managed to transform areas of New York City into hubs of entrepreneurship. For example the DUMBO Incubator transformed a formerly manufacturing area into an established hub for New York City technology and digital media startup businesses earning the nicknames “Digital District,” “Silicon Beach,” and “Brooklyn’s Madison Avenue.” NYCEDC provided a \$250,000 grant and partnered with [NYU-Poly](#) and [Two Trees Management](#) to launch the tech startup incubator.

The need for technology incubators in underdeveloped areas of New York City is undeniable. The City Council calls on the Administration to add \$1 million to launch four new technology incubators in the outer boroughs to support technology entrepreneurs and promote future growth in these areas.

### ***Increased Outreach to Small Businesses***

Small Business Services (SBS) needs to revamp and greatly improve their outreach efforts to their current and potential clients. It has become clear in Council hearings on the subject that small businesses are not aware of the many programs offered to them by the City of New York. It appears that much of the outreach efforts are conducted via the SBS website and are not reaching the target audience. It is unclear if this is solely a budget issue or if procedures need to be changed at SBS. The City Council calls on the Administration to do what is necessary to ensure that small businesses are receiving the many services available to them.

### **Expand Worker Cooperatives**

Often times minimum and low wage jobs do not provide enough of an economic boost to provide upward mobility for many New Yorkers. Worker Cooperatives are designed to help build assets and wealth among low-income individuals and communities, and create entrepreneurs and community leaders. Worker cooperatives are businesses that are owned and managed solely by their employees. Advocates contend that this business model could offer worker-owners higher wages, however, the nature of budding worker co-ops makes it difficult for them to secure loans, and a general lack of knowledge about the model means that it receives little attention from the City’s business service agencies.

The Council calls upon the Administration to allocate \$1.2 million to support this employment model by offering worker co-ops technical assistance, business planning and job training services. This funding would support the start-up of 28 new worker cooperative small businesses, as well as assist another 20 existing cooperatives. This program has the potential to create 234 jobs and/or small businesses by coordinating education and training resources and by providing technical, legal and financial assistance. This initiative will target the long-term unemployed and the growing number of under-employed and discouraged workers in high-needs neighborhoods.

### **Support Minority-and Women-owned Business Enterprises (MWBEs)**

In order to address the underutilization of MWBE’s in City contracting, the Council passed new reporting obligations under Local Law 1 of 2013 to create a more even playing field for MWBE’s. The Council

continues to be a strong advocate for Minority-and Women-owned Business Enterprises (MWBs) and believes they will play an integral role in the City's economic growth moving forward. All efforts should be made to ensure that these businesses receive every opportunity in procuring City contracts.

### **Restore Funding to Industrial Business Zones (IBZ)**

The IBZ program is currently managed by NYC Department of Small Business Services. The non-profit organizations that are contracted to provide services are known as Industrial Business Solutions Providers (IBSP), and there is currently an IBSP contracted organization for each IBZ. Last year, the Administration provided no funding for the IBSPs and the NYC Council provided \$1.2 million to retain and grow businesses in these areas. Funding does not exist in Fiscal 2015, however, the services provided by the IBSP contractors are unique to the manufacturing industry and have been invaluable in helping these businesses stay and thrive in New York City. The Council encourages the Administration to restore and baseline \$1.2 million necessary to support the IBSP contracts citywide.

## Support New York City's Students

### Eliminate School Lunch Fees

The DOE offers lunch to all students, serving approximately 633,000 lunches each day. A universal free lunch program is implemented in a selection of schools, and free lunch is available for qualifying students. For those students who pay, lunch costs \$1.75 per meal. Free lunch eligibility is based on poverty – a family of three must earn less than \$36,000 annually to qualify for free lunch. While approximately 640,000 or 75 percent of students qualify for free lunch, many low-income families struggle to pay the \$1.75 fee. Advocates believe that in many cases, qualifying students do not participate in the program because of the stigma associated with receiving free lunch. In addition, they have expressed concern that many undocumented families living in poverty may not complete the school lunch form for fear of repercussions associated with this status. Eating a nutritious lunch is essential for learning and developing, especially for those who may go hungry at home. The DOE should offer free lunch to all students to increase participation and ensure all students eat a healthy lunch in school.

The Preliminary Budget projects revenues of \$282.7 million in federal funds, \$9.9 million in State aid, and \$21.4 million from school lunch fees. However, the school lunch fee projection is overstated – in Fiscal 2013 lunch fee collection totaled only \$14 million. Based on experience in the Universal School Lunch Program, the Lunch 4 Learning Campaign estimates that 20 percent more children would eat school lunch if fees were eliminated. Because the DOE receives federal reimbursement on a per-meal basis, an increase in the number of meals served would lead to an increase in federal revenue. According to Lunch 4 Learning, a 20 percent increase in participation would cost the DOE \$20-\$24 million more than it now spends for a total City investment of \$57 million. The additional City funds would generate an estimated \$60 million in additional state and federal revenue.

Providing free lunch to all students is a feasible goal. Many large cities already offer universal free lunch, including Boston, Chicago, Syracuse, Philadelphia, and Rochester, through the Community Eligibility Option (CEO). CEO is a federal program that allows the DOE to provide free lunch to all students in schools where at least 40 percent of its students are directly certified for free meal eligibility, which is done by computer matching of DOE and Human Resources Administration (HRA) files indicating participation in either the Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF). Because students are directly certified, students qualifying for free lunch are not individually identified. Based on the reimbursement method, a school with 63 percent or more of its students directly certified would be fully reimbursed for all lunches served, including those who would not otherwise qualify for free lunch. Thus far the DOE has implemented CEO only in District 75 schools. The DOE should strategically expand CEO in schools to minimize the cost to the City of providing universal free lunch.

### Increase School Budgets

The Enacted State Budget for 2014-2015 includes an increase of \$195.8 million in flexible school aids for New York City as compared to the Governor's Executive Proposal, on which the DOE's Preliminary Budget is based. The Fiscal 2015 Executive Budget should add all of this State aid increase to school budgets, in units of appropriation 401 and 402. The DOE should use the additional funds to support schools and provide direct benefits to students, including increasing the number of guidance counselors and art teachers.

Preliminary Budget estimates suggest there will be funding for approximately 2,600 guidance counselors in schools (excluding District 75) in Fiscal 2015, though it is ultimately up to principals to decide how they spend their budgets. This averages out to be fewer than 2 guidance counselors per school, which is far too few to provide the academic, career, and emotional guidance students need. If the DOE earmarked \$49 million for guidance counselors – only a quarter of the additional state aid – the DOE could add approximately 795 guidance counselors to the school system. This estimate is based on an average starting salary of \$46,600 and \$15,000 in fringe benefits per head.

According to the Office of the New York City Comptroller, 419 or 28 percent of schools do not have a full-time certified arts teacher, and 306 or 20 percent of schools do not have full-time or part-time certified arts teacher. It would cost the DOE \$26 million to place a full-time certified art teacher in every school that does not have one. The DOE should earmark funds for these schools to hire at least one arts teacher.

### **Fund Small Schools Athletic League**

The DOE funds high school sports through its Public Schools Athletic League (PSAL), which distributes a total of \$23 million annually to more than 400 high school sports programs throughout the City. Approximately 37,000 students participate in PSAL. PSAL funding covers the cost of team coaches, referees, medical staff and administrative costs, while participating schools must pay for practice equipment, uniforms, busing and security. Due to the league requirements, PSAL is not suitable for many schools and their students, especially small schools and transfer schools. According to the Small Schools Athletic League (SSAL), PSAL funding is disproportionately distributed to schools serving more white students and economically advantaged students, while schools with fewer teams have higher rates of poverty and a greater proportion of minority students.

SSAL is a separate league with a \$1.25 million budget that operates in 37 high schools and serves 1,500 students. SSAL largely serves schools with high poverty rates and a high proportion of students of color, as well as students in transfer schools and over-aged/under-credited youth that are ineligible to participate in PSAL due to age restrictions. The league receives no DOE funding, rather principals use school funding to support their SSAL teams. The DOE should provide SSAL with \$1.25 million in Fiscal 2015 to maintain its current services levels. In addition, the DOE must develop a fair and equitable system for allocating PSAL funds to schools, and for giving far more high school students an opportunity to participate in competitive sports.

### **Restructure School Support**

The DOE's Preliminary Budget includes \$387.8 million in Fiscal 2015 for school support. Of this amount, \$237.4 million is scheduled in U/As 401 & 402 – General Education Instruction & School Leadership for roughly 60 Networks and five Clusters, as well as borough-based supports. The remaining \$150.4 million is scheduled in U/As 415 & 416 – School Support for superintendents, field-based support, the Committee on Special Education, and other areas. The DOE also supports schools, and School Support, through Central Administration, such as through its Office of Curriculum Instruction and Professional Development.

In Fiscal 2014, schools will spend only \$57.8 million for Networks, leaving \$179.6 million to fund the five Clusters and borough-based supports. According to the DOE, Clusters oversee Networks and work closely with central leadership. It is unclear what the exact role of the Clusters is and why the DOE needs this additional tier of support. The DOE should eliminate the Clusters to increase efficiency and achieve savings, and Networks can communicate directly with Central Administration.

## **Repair and Upgrade School Bathrooms**

The DOE's Proposed Five-Year Capital Plan for Fiscal Years 2015-19 includes \$50 million for cosmetic bathroom upgrades in schools. Under this new pilot program, the School Construction Authority (SCA) will complete cosmetic upgrades such as tile and fixture replacement, new doors, and painting to improve the appearance and functionality of bathrooms. This program does not include funding for the more expensive, complicated capital projects such as replacing pipes and toilets. The DOE anticipates performing cosmetic upgrades in approximately 125 bathrooms in Fiscal 2015. The City Council is very familiar with the state of disrepair of many school bathrooms throughout the City, and many Council Members have used their discretionary funds for such projects in recent years. The City Council supports this program and calls on the Administration to reprioritize capital funding and allocate additional funding to the program in order to make every bathroom in every school functional and appealing.

## **Expand Summer Jobs for City's Youth**

The Summer Youth Employment Program (SYEP) provides New York City youth between the ages of 14 and 24 with paid summer employment for up to six weeks in July and August. Participants work in a variety of entry-level jobs including government agencies, hospitals, summer camps, non-profits, small businesses, law firms, museums, sports enterprises, and retail organizations. Participants may work for up to 25 hours per week at \$8.00 per hour.

In 2011, youth aged 16-21 had the highest unemployment rate of all age groups in New York City, and in 2012, young adults aged 18-24 had an unemployment rate of 17 percent – nearly double that of those over the age of 25. The impact of the increase in funding would enable more of our City's youth, particularly in low income areas to develop the necessary skills to become employable adults. Each SYEP slot costs \$1,414; therefore every 5,000 additional slots added would cost an additional \$7.1 million.

Recognizing the critical importance of the Summer Youth Employment Program, and the shortfall of the amount of slots that are to be available this year, the Council would like to see additional money used to fund a more robust program. Currently, the proposed number of slots is 28,000, which would be the lowest in five years. The Council calls upon the Administration to add an additional \$13 million to DYCD's budget to restore the 8,000 slots that were lost due to the state mandated minimum wage increase and other one-time federal and private sources that have since been exhausted. The Council also calls on the Administration to provide a minimum of \$14.2 million for another 10,000 slots. This would all together provide 46,000 slots which would significantly improve the program and allow more youth opportunities to reach their potential. The Council recognizes that thousands more youth need summer jobs and strongly encourages the Administration to pursue all avenues to increase funding for SYEP.

## **Fund an Academic Scholarship for New York City Students**

The Administration should fund an Academic Achievement Award for New York City students attending the City University of New York (CUNY) and the Fashion Institute of Technology (FIT). While 60 percent of CUNY students receive the full Tuition Assistance Program (TAP) award, additional expenses such as books and transportation are a burden on many students. Additionally, CUNY's 3,000 full-time undocumented students are ineligible for TAP funds, but they would qualify for an Academic Achievement Award granted through CUNY.

CUNY has estimated that an \$800 annual award would cost \$10.9 million in year one and \$25.1 million by year four. This estimate assumes the award would be available to full-time CUNY students who graduated from a New York City high school with at least an 80 percent grade average and maintain at

least a B average each semester at CUNY. CUNY has estimated that in the first year of the scholarship, which would be available to the freshman cohort, approximately 13,500 CUNY students at community and senior colleges would qualify for an award.

FIT estimates approximately 230 incoming freshman students would qualify for the same award at FIT in year one. The \$800 award would cost \$184,000 next year, and the award would cost \$664,000 by year four.

### **Restore CUNY Prep**

CUNY Prep is a program funded through the Center for Economic Opportunities (CEO) and the City University of New York (CUNY) that helps students ages 16-18 earn their High School Equivalency Diploma and attend college. Prior to Fiscal 2014, CUNY Prep's budget was \$3.6 million. This fiscal year CEO reduced spending by \$900,000 or 25 percent in order to meet Program to Eliminate the Gap (PEG) targets. According to CUNY, the cut has resulted in service reductions and the elimination of various staff. Funding for CUNY Prep should be restored to the \$3.6 million funding level.

### **Instructional Support for After-School Programs**

The Mayor has proposed a \$190 million expansion of after-school programs in middle schools that don't currently have them and serve nearly 63,000 additional students. A number of recent studies have shown that children who participate in after school programs can reap a host of positive benefits in a number of interrelated outcome areas—academic, social/emotional, prevention, and health and wellness. Last year the City Council, DOE, the Robin Hood Foundation, The After-School Corporation (TASC) and Harvard Education Lab partnered to create a pilot extended school day program that focused on providing literacy instruction. The program has been viewed as a success by researchers and more importantly to participating teachers, principals, children and families. The lessons from this program are that high quality programming that is closely connected to school day work improves the overall impact of the after school program. Drawing on the lessons of this pilot program, the Administration should provide \$1.3 million through its middle school after school expansion to support community based organizations and school leaders to create high quality after school programming connected to school day learning.

### **Increase Funding for Priority 5 and 7 Vouchers**

The Council is concerned about the underestimated budget projections for the use of vouchers, which has increased ACS' deficit in childcare. For low-income vouchers, for example, ACS budgeted for 7,000 families and they are currently serving 12,000 families. Cash assistance voucher usage has gone down but the use of formal care (more expensive voucher) has increased, which increases the overall cost of vouchers. While the Mayor has made a commitment to restoring Priority 5 and 7 vouchers, the Preliminary Budget did not include any plans considering the current deficit. The Council calls upon the Administration to increase funding for vouchers by \$15 million in order to address the needs of communities across the City.

## **Reform Public Safety and Criminal Justice**

### **Bolster Precinct Staffing**

Commissioner Bratton testified that, since its peak headcount levels in 2001, each precinct has lost an average of 60 to 75 officers. The Department's funded peak headcount has decreased from 40,710 in Fiscal 2001 to its current level of 35,437. The impact of this decrease has been a heavy reliance on overtime to meet daily enforcement demands and implement new strategies, and decreased uniform staff at precincts. Overtime expenditures have grown to over \$500 million each year, and will likely exceed \$580 million this year. As of December 2013, precinct headcount was 14,358 in the 77 precincts combined. Precinct staff, however, is often pulled from their precinct assignments to cover special operations or events. The growing overtime expenditures and low precinct headcount remains a major concern of City Council.

The Council calls upon the Administration to hire an additional 1,000 police officers specifically to bolster precinct staffing. This would add about 13 officers per precinct. Precincts need additional officers in order to meet each community's policing needs and to implement an effective community policing program. As it currently stands, the Department's staffing level proposed in the Fiscal 2015 Preliminary Budget cannot accommodate new initiatives like Vision Zero and community policing efforts. Furthermore, a stronger police force is required to maintain current low levels of crime. The total cost to hire an additional 1,000 officers in Fiscal 2015 is \$94.3 million growing to \$97.9 million in Fiscal 2016.

To address the understaffing at the precinct levels, the Council urges the Administration to place these additional officers at precincts across the City.

### **Modernize and Repair Precincts**

City Council is concerned with the poor and outdated condition of many of the City's police precincts. As Commissioner Bratton testified at the Fiscal 2015 Preliminary Budget hearing, the City's precincts are in need of major repair and modernization. In his testimony, he noted that Los Angeles committed \$1.5 billion in repairs and renovations to 22 police precincts in its City. The Police Department's total Capital Commitment Plan for Fiscal 2014 through Fiscal 2018 is only \$662.5 million.

According to the Fiscal 2014 Asset Information Management Systems (AIMS) Report, the Police Department reported an estimated cost of \$62.1 million to repair its 154 assets, which include repairs to precinct houses. However, the NYPD's preliminary capital plan for improvements to Police Department property for Fiscal 2015 is \$14.5 million. The \$14.5 million does not include previous capital plans to completely replace four precincts (40<sup>th</sup>, 66<sup>th</sup>, 70<sup>th</sup> and 110<sup>th</sup>) that were estimated to cost \$30 million per precinct.

The Council calls upon the Administration to undertake a comprehensive assessment of precinct conditions to identify not only critical maintenance needs but also essential facilities upgrades. The long term neglect of the Department's precinct infrastructure can interfere with police operations and make improving police community relations difficult. The poor working conditions in some precinct buildings and the inhospitable public spaces in precincts do not reflect the incredible importance of police services to our city. The proposed Capital Budget should be reprioritized to include funding sufficient to replace outdated precincts, bring all precincts into a state of good repair, and introduce modern upgrades and facility redesigns that support the critical enforcement strategies, including community policing.

## **Implement Police Overtime Control Plan**

The New York City Police Department (NYPD)'s total uniform overtime expenditures average \$510 million for the past three fiscal years. Furthermore, the Department over the last five fiscal years has exceeded its adopted overtime budget by an average of 41 percent. The Fiscal 2014 City-funded budget includes \$391.7 million for uniform overtime, but the Department spent approximately 72 percent in the first half of the year. Overtime spending will likely top \$580 million this year. Despite the overtime spending pattern, the Fiscal 2015 City-funded budget includes just \$407 million for uniform overtime without a plan to limit spending to the proposed level.

The NYPD has argued that its overtime spending is critical to meet varying enforcement needs, to give the Department flexibility in officer deployment, and to compensate for the decreased uniform headcount, since its previous highs of about 40,000 officers in Fiscal 2000. The largest categories of uniform overtime expenditures have been events (planned and unplanned) and new arrests and investigations, which combined accounted for over 52 percent of overtime expenditures in Fiscal 2013. The NYPD's reports on overtime indicate predictable patterns in its use. The Department should implement a strict overtime control plan to limit assignments and practices that generate overtime.

The Council calls upon the Administration to reduce NYPD's Fiscal 2015 City-funded uniform overtime budget by \$50 million. Such a reduction is 12.3 percent of the NYPD's Fiscal 2015 City-funded uniform overtime budget of \$407 million, but only approximately 9.8 percent of total average uniform spending of \$510 million.

## **Embrace Innovative Anti-Gun Violence Strategies**

Two years ago, the City Council piloted an anti-gun violence initiative. The program model, designed by the Council's Task Force to Combat Gun Violence and called the NYC Crisis Management System, centers a collection of supportive and preventative services around a Cure Violence program (formerly known as Ceasefire). The initiative funded five program sites in neighborhoods with high incidences of gun violence. These neighborhoods are East New York, South Bronx, South Jamaica, North Harlem, and North Staten Island.

While the Council applauds the Administration for base lining funding for the Cure Violence and therapeutic and mental health services programs introduced by the Anti-Gun Violence initiative, we are troubled that other vital components of the NYC Crisis Management System were not funded. These include job training, legal services and conflict mediation programs in schools.

The Council calls upon the Administration to expand the Council's program model to ten additional communities. The cost to extend the NYC Crisis Management System and launch a Cure Violence program with the wrap around services in one neighborhood is \$955,800. The cost to expand the program to ten additional neighborhoods is \$9,558,000. The total cost to support the NYC Crisis Management System in five original neighborhoods and the ten additional neighborhoods is \$12 million. Given the initial positive outcomes, the Council calls upon the Administration to make the NYC Crisis Management System a permanent part of the City's anti-violence infrastructure.

## **Reduce Solitary Confinement Capacity**

During the Bloomberg Administration amidst growing criticism, the Department of Correction increased solitary confinement bed capacity, contending that punitive segregation is a crucial jail management tool. Other jurisdictions across the country have reduced this practice of imprisonment recognizing that solitary confinement is dangerous to inmates, especially adolescents and the mentally ill. Since Fiscal 2004, the total average number of inmates in solitary confinement in all categories increased by 144

percent from 359 to 875 in Fiscal 2013. The average number of inmates in central punitive segregation increased by 96 percent from 325 to 637 and inmates with a mental illness in MHAUII (MHAUII closed in December 2013) increased by 485 percent from 34 to 199.

In Fiscal 2013, the Department changed its solitary confinement policies and began to limit its use. Reforms included adoption of sentencing guidelines, expunging historical time owed, imposing penalties for more than one violation concurrently and not consecutively, and awarding conditional discharges for good institutional conduct and program participation.

The Council is pleased that the Department has comprehensively reviewed its use of solitary confinement and implemented some of the Council's recommendations from the Fiscal 2014 Preliminary Budget response. The Council however urges the Administration to reduce its overall solitary confinement capacity by at least 50 percent during the next year. The DOC should make removing adolescents and mentally ill inmates from solitary confinement units a priority. Solitary confinement not only has serious deleterious consequences for inmates, but it also has serious fiscal implications. It requires higher staffing levels because inmates require one-on-one escorts when outside of the jail cell.

The Department currently has 22 solitary confinement units which include 16 central punitive segregation units and six restrictive housing units. Closing one punitive housing area generally saves five correction officer positions, which are likely run on overtime given the fact that the Department has repeatedly testified that its uniform staffing is below the authorized level. The cost of filling one full time equivalent position on overtime is \$122,690 and the cost of five positions is \$613,450. Closing 11 punitive segregation housing areas could yield annual (including pension and fringe cost) savings of \$6.7 million.

### **Raise the Age of Criminal Responsibility**

New York State currently sets its age of criminal responsibility at 16. It is one of only two States that treat all 16 and 17-year-old defendants as adults. Data shows the vast majority of 16 and 17-year-olds defendants are arrested for misdemeanors or nonviolent offenses. Nonetheless, they are prosecuted in the adult court system, where they are subject to adult sentences and can acquire criminal records. Such outcomes make it much harder for them to obtain jobs, financial aid, or public housing or to be admitted into colleges. In addition, young people are far less likely to receive rehabilitative services in the adult system. Not surprisingly, young people who go through the adult system, as opposed to the juvenile justice system, have a much higher risk of re-offending in the future.

In Fall 2012, New York State Chief Judge Jonathan Lippman proposed legislation to raise the age of criminal responsibility for non-violent offenses from 16 to 18. In addition to several bills pending on this matter, Governor Cuomo plans to establish a Commission on Youth, Public Safety & Justice to provide concrete, actionable recommendations on the raise the age issue by the end of 2014.

Given the broad and growing coalition in support of raising the age of criminal responsibility the Administration should assess what steps city agencies can take to limit 16 and 17-year-olds' entry into the adult system prior to a legislative change. Options to consider include providing more alternatives to detention and incarceration for young defendants, housing young detainees off of Rikers Island, and developing addition youth court parts. Further, the Administration should develop a strategic plan for implementing a legislative change. Key agencies include the Administration for Children's Services, the Department of Correction, the Department of Probation, the District Attorneys and the Courts.

## Support Prosecutors

The Council urges the Administration to revisit and revise the previous workload funding analysis produced by the Criminal Justice Coordinator's Office. The previous workload analysis increased the baseline budgets by almost \$20 million for four of the District Attorneys collectively. By conducting another analysis of each of the City prosecutor's baseline budgets, the Council hopes that the Administration will provide each office with the necessary fiscal resources to carry out their core missions and address workload concerns due to changing and increasing caseloads. During the Fiscal 2015 Preliminary Budget Hearing for the Committee on Public Safety, each office presented several requests that reflect the growing demands of each office. These following specific requests were made at the hearing:

- The Queens DA requested funding and support of their plan to renovate and use the Queens House of Detention, which has been vacant since 2002. The plan hopes to consolidate the offices three locations to two locations and save \$3 million in rent costs of one of the current offices'.
- The Queens DA requested \$360,000 for anti-gun violence programs and \$270,000 to fund a program to address the financial exploitation of the elderly.
- The Richmond County DA requested \$190,000 for attorneys to support the work of the new Family Justice Center, which is set to open at the end of 2015.
- The Kings County DA requested \$3.93 million to fund new initiatives, such as conviction review, healthcare fraud, public integrity, crime strategies, labor and racketeering, and construction fraud. The conviction review unit, in particular, will examine all cases in dispute in Brooklyn, particularly those related to former NYPD Detective Louis Scarcella.
- The Bronx DA requested \$370,000 to hire 10 additional staffers or permanent assignment of 10 police officers to the complaint room. Officers are assigned to all of the other prosecutors' complaint rooms and the administration should similarly support the Bronx office. Additional support for the complaint room should reduce arrest to arraignment processing times.
- The Bronx DA requested \$386,000 to establish a Technical Case Enhancement Unit, which will assist attorneys in analyzing video, phone, and computer data.
- The Special Narcotics Prosecutor requested \$255,000 for expansion of their prescription drug unit and \$275,000 for investigative staff to address the growing heroin caseload.

### ***Address the Kings County District Attorney's Budget Deficit***

In addition to revisiting the baseline funding for the City's prosecutors, the Council calls upon the Administration to provide an additional \$2.78 million to the Kings County District Attorney's office. The Kings County DA's office demonstrated a need for the additional \$2.78 million in his testimony at the Committee on Public Safety Preliminary Budget hearing. District Attorney Thompson testified that his office faces a projected budget deficit that could result in the laying off of 50 current ADAs and a hiring freeze of additional ADAs. The Council urges the Administration to fund this request.

## Increase Emergency Medical Service Supervisors

The Fire Department's Emergency Medical Services (EMS) delivers ambulance and pre-hospital emergency medical services citywide. The Preliminary Budget for Fiscal 2015 includes \$240.1 million and 3,401 positions, but does not support an adequate level of field supervision.

In Fiscal 2013 (the last year for which annual data is available), EMS headcount was 3,240 and EMS operated an average of 644 ambulance tours daily; 423 Basic Life Support (BLS) units and 221 Advanced Life Support (ALS) units. Volunteer hospitals participating in the 911 system operated 349

tours (207 BLS and 142 ALS), for a system-wide total of 993 daily average tours. As each ambulance is staffed by either two emergency medical technicians (EMT) or two paramedics, the total staffing level averaged 1,986. These ambulance teams were supervised by 108 EMS lieutenants in conditions cars, which yielded an average ratio of one EMS supervisor to nineteen EMTs and or Paramedics.

According to the Department of Homeland Security FEMA's National Incident Management System (NIMS), the NY State Incident Management System, the Citywide Incident Management System (CIMS) and the FDNY Incident Command System (ICS), the span of control should be one supervisor to every seven EMT's or paramedics. The Department's current effective span of control is almost twice that. Establishing an appropriate span of control is essential to the operations of any emergency response agency as it ensures that there is not only an adequate level of supervision but also that there are coordinated responses among divisions and units while in the field. According to the EMS union not only is the average span of control too broad, but in an emergency, the ratio sometimes increases to one Lieutenant for every thirty or forty EMTs and Paramedics.

In Fiscal 2013, ambulances responded to approximately 1.3 million incidents, made 989,329 hospital transports, and had an average response time of six minutes and forty-five seconds up from six minutes and twenty five seconds in Fiscal 2012. The number of incidents is up by 10,000 from 2012, and by more than 50,000 from 2011. As the emergency call volume has increased it has become difficult for the Department to manage the workload. This is of grave concern to the Council as a delayed response to an emergency can have devastating consequences. In a recent tragedy, two toddlers lost their lives in a house fire and it took more than 21 minutes for an ambulance to respond to the emergency call.

The Council calls upon the Administration to reduce the span of control to one lieutenant for every seven EMTs or paramedics by hiring 76 emergency medical supervisors. The average salary for an EMS Lieutenant is \$58,825 and the cost to hire 76 including fringe benefits is approximately \$6.7 million. While this is an upfront cost to the City, there is no price on the number of lives that can be saved by reducing response times.

## **Strengthen the City's Infrastructure**

### **Management of the Capital Budget**

The City spends billions of dollars annually to rebuild, restore and upgrade its infrastructure assets, with projects ranging from developing citywide information technology systems and restoring city-owned buildings to replacing fire engines and repairing sidewalks. Proper management of these investments is vital to ensuring the City's long-term growth and sustainability. It is also important to consider the impact that investments of this magnitude will have on the City's economy.

With so much at stake, the Council recommends that the Administration develop infrastructure investment plans that focus on economic development, while continuously seeking to improve the management of these projects to ensure that the City gets the "biggest bang for its buck".

### ***Infrastructure Investment***

In light of a recent report by the Center for an Urban Future that cites the aging condition of the City's infrastructure and the dire need for investment, the Council recommends that the City find ways to accelerate the process of repairing and rebuilding the City's infrastructure. Among the many instances of the City's aging infrastructure, the report identified that 37 percent of all subway signals exceed their useful life, nearly 1,500 public housing buildings need exterior and façade work, and 170 school buildings were constructed over a century ago. Allowing the City's infrastructure to fall further into disrepair will cost hundreds of millions in the long run. Increasing investment in the City's infrastructure would act as an economic stimulus while creating thousands of well-paying jobs.

The City's Capital Budget is financed primarily through the issuance of municipal bonds. The Debt incurring power of the City is limited by the State Constitution to 10 percent of the average of five years' full valuation of taxable real estate. Planned debt issuance for Fiscal 2014 totals approximately \$6.5 billion. As property values have risen in the City, the amount of debt we can legally issue has also risen. Currently, the City is under the constitutional debt limit, so there is room to issue more debt. Additionally the conditions for borrowing are good because the City's bonds are highly-rated, and we can take advantage of historically low interest rates.

This proposal takes into consideration that by issuing more debt, the City will increase its Debt Services obligations, which in Fiscal 2014 represent approximately 13 percent of the City's tax revenue. But as a stimulus program, it would be a short-term plan, whereby the City's surge in investment propels private investment, in turn creating long-term economic growth. In order to diminish the City's reliance on debt to fund the Capital Budget, the Council will work with the Administration to seek revenue sources, including federal grants, tax and fee proposals dedicated to financing capital projects.

### ***Capital Projects and Cost Overruns***

In 2012, Science Applications International Corporation (SAIC), the main contractor behind the CityTime scandal, agreed to pay \$500 million in restitution and penalties for "defrauding the city into significantly overpaying" for services. Last year, Verizon agreed to pay the City \$50 million because of delays in projects associated with the Emergency Communications Transformation Project, the large scale effort to transform and consolidate the City's 911 Emergency Dispatch System. The Law Department is currently engaged in efforts to recover payments from Hewlett Packard, another major ECTP contractor. These cases are reminders that there is room for improvement when it comes to managing the City's capital contracts.

In order to more effectively exercise its oversight, the Council passed Local Law 18 of 2012 which requires the City to produce quarterly reports on significant cost overruns in capital projects. The most recent report included billions in cost overruns for over 100 capital projects.

The Council will continue its aggressive oversight of contracts that have grown over time and will make available the report to the Law Department for review. Furthermore, the Council will work with the Administration to: (1) create a mechanism to re-negotiate contracts when cost overruns occur; (2) develop a plan across all agencies to better review, track and monitor all city contracts (3) implement controls that prevent corruption and mismanagement; and (4) dedicate more resources to ensure better contract management in an effort to avoid the substantial costs of mismanagement.

### **Fund an Expansion of Ferry Service Citywide**

For many New Yorkers in the far reaches of the City, the daily commute is a multi-hour ordeal. Considering the prohibitive cost of building new subway lines, we must therefore turn to one of the City's most underused resources – the City's waterways. Ferry transportation has the potential to dramatically decrease commuting times for some of the most transit-starved neighborhoods, all while spurring vibrant development along many coastal neighborhoods. For instance, the New York City Economic Development Corporation estimates that ferry service from the east Bronx to Lower and Midtown Manhattan could reduce current transit times by as much as 69 percent. In addition, the success of the East River Ferry has proven that ferry service is a viable transit alternative. Ferries have also proven to be one of the most flexible and resilient modes of transportation during all types of emergencies such as Superstorm Sandy and the September, 2001 terrorist attack.

For these reasons, the Council calls upon the Administration to include in the Executive Budget capital funding for an expansion of ferry landing development and expense funding for operational support for expanded ferry service in the outer boroughs. This is particularly crucial, as expanded service, especially in transit-poor neighborhoods, would help redress inequities in access to transit, improve quality of life, and reduce gridlock and related air pollution.

### **Increase Funding for Road Resurfacing**

The consequences of deteriorating roads are dramatic, leading to countless flat tires and threatening the safety of cars, buses, bicycles and pedestrians. Less often discussed, but equally important, is that poorly maintained roads expose underground utility mains to leaks and ruptures. Roads with damaged foundations cannot absorb the vibrations of street traffic, leaving the utility mains below vulnerable to accelerated deterioration.

Approximately 1,000 of the City's 18,000 lane miles fall out of good repair each year. In other words, DOT must resurface at a minimum 1,000 lane miles of roads each year to keep our roads in a state of good repair. In Fiscal 2013, funding for road resurfacing was approximately \$181 million and is \$244 million in Fiscal 2014 due to increased spending for Sandy related repairs. However for Fiscal 2015, the Preliminary Budget includes only \$127.8 million for road resurfacing. This amount would pay to resurface only 660 lane miles, which is 34 percent less than the amount needed to maintain a state of good repair for our roads. As a result, the Council calls on the Administration to increase the funding for road resurfacing by \$53 million in Fiscal 2015. The increase in funding will bring total road resurfacing funding to \$181 million and allow the DOT to resurface 1,000 lane miles in Fiscal 2015.

### **Fully Fund Vision Zero**

In 2013, 286 people, including 168 pedestrians and 11 cyclists, were killed in traffic crashes in New York City, a 24 percent increase in the number of pedestrians killed compared to 2012. Similarly, the

beginning of 2014 has brought about a particularly tragic series of pedestrian and cyclist fatalities. On January 10, 2014, a 9-year-old boy walking with his father on West End Avenue at 97th Street in Manhattan was struck and killed by a taxi and on the same day, a 73-year-old man was fatally struck by a tour bus at 96th Street and Broadway. Again, on January 18, 2014, a woman was killed when she was struck by a vehicle as she crossed Grand Avenue at 69th Place in Queens. The driver of the vehicle, Abel Tinoco, was charged with a misdemeanor for driving with a suspended license. On the same day, a Ford Expedition fatally struck a man in Queens, near Cross Island Parkway and Union Turnpike.

On February 28, 2014 the Mayor released the City's Vision Zero report as a first step to begin to address the issues of death and injuries on City streets. The report laid out the City's action plan to reduce traffic fatalities and calls for a Vision Zero Task Force, with five City agencies. The Department of Transportation, the Police Department, the Taxi and Limousine Commission, the Department of Citywide Administrative Services, and the Department of Health and Mental Hygiene will be signed to implement the report's 63 recommendations encompassing enforcement, engineering, and education. As recommended in the Vision Zero Plan, DOT will seek to improve safety through better street design while the NYPD will increase street-level enforcement against dangerous driving behaviors, among others. Although the majority of the recommendations proposed by the Vision Zero plan would potentially require the commitment of additional resources, the Fiscal 2015 Preliminary Budget contains no direct funding for the initiative. As such, the Council calls on the Administration to fully fund the Vision Zero initiative in the Executive Budget.

### **Improve Parks Department Capital Project Management**

The process for implementing a Department of Parks and Recreation's capital project that has been funded begins with approval by the City's Office of Management and Budget (OMB). The approval is followed by a meeting with various stakeholders, such as community boards, Department of Parks and Recreation (DPR) staff and DPR Borough Commissioners, to develop the scope of the work and overall design of the project. Once the scope of the project has been established, the design must then be approved by the Public Design Commission and sometimes the Landmark Preservation Commission before proceeding to the procurement, construction, final inspection and close-out phases.

Because of the lengthy process and inadequate level of staffing, various concerns regarding the implementation of capital projects by DPR have been expressed by elected officials, community members and park advocates. Such concerns relate to the overall efficiency of the process, with many expressing frustration regarding delays, cost overruns and lack of communication between DPR and funders of capital projects. Often, the delays and cost overruns relate to problems securing various permits, the need to make revisions to the scope of the project, as well as coordinating the work schedules of the various contractors by staff.

Over the past decade, the City's capital commitment to parks has increased, with more than \$6 billion allocated citywide, in part, due to programs like PlaNYC Regional Parks and Million Trees initiative. However, DPR's Capital Division staffing has not kept pace with the increase in capital projects. In Fiscal 2013, to begin to address the staffing shortfall, 45 positions were added to the DPR's budget. Presently, the Department has requested that OMB fund an additional 55 positions in its Capital Division. The Council calls on the Administration to fully fund the Capital Division and support steps including legislative actions that may be needed to help streamline the current requirements for Public Design and the Landmarks Commissions' approval for capital projects in parks.

### **Increase Baseline Funding for Parks Maintenance Workers**

Last year, the Council successfully negotiated with the Administration to restore more than \$27 million for the Department of Parks and Recreation's Jobs Training Programs (JTPs) and seasonal workers. The Council is pleased to see that these restorations are baselined in the Preliminary Budget. However, these positions are seasonal and temporary. In fact, at present nearly 75 percent of the Department's maintenance staff consists of JTPs who generally cycle out after six months. As the City strives to create a fairer park system for all New Yorkers, funding for additional full-time maintenance positions for the highest-need neighborhood parks is essential. Additional full time hires would allow DPR to retain some of the JTPs as full-time workers. Since DPR has already invested time and resources into these workers and they are familiar with the parks that they are assigned, it is a policy that makes financial and procedural sense.

For these reasons, the Council strongly urges the Administration to provide additional funding of \$17.5 million for park maintenance. The additional funding would allow the Department to hire 10 full-time workers per borough to staff playgrounds with comfort stations and five full-time gardeners per borough to help maintain large neighborhood parks.

### **Increase Baseline Funding for Parks Enforcement Patrol**

The Parks Enforcement Patrol (PEP) division was created in 1981 as a companion to the Urban Park Ranger program. Public safety in parks and playgrounds is one of their most important responsibilities. Presently, PEP officers are assigned where there is a high concentration of patrons, providing a presence where they are most needed. However, because there are only 161 PEP officers available, many City parks are left without any PEP officers' presence. PEP officers are responsible for enforcing quality of life laws, the New York City Administrative Code, Parks' Rules and Regulations, and acting as Parks' ambassadors. In addition, they are available to assist the public with first aid, and crowd control during special events, such as parades and concerts.

According to the MMR, although major felony crimes in parks are declining, crimes against property is increasing. In the first four months of Fiscal 2014, crimes against property increased from 52 to 81 or 56 percent when compared to the previous year. As such, to begin to address the need for additional PEP officers and to ensure that more City parks receive the benefit of having PEP officers' presence, the Council urges the Administration to increase the baseline funding for PEP officers in Fiscal 2015 by \$10 million for 150 additional PEP officers, bringing the total number of PEPs to 311 in Fiscal 2015.

### **Provide a Base Level of Capital Funding for Smaller Organizations**

The Council encourages the DCLA to create a system in which smaller arts organizations can receive a base level of support from DCLA for capital funding. Often times smaller arts organizations cannot raise the necessary funds for capital projects and it minimizes their opportunity to better serve their communities.

### **Increase Funding to Libraries**

The Council urges the Administration to increase funding to the three library systems by \$35 million. This funding would go a long way to provide 6-day service, increasing hours of operation to over 50 hours a week, increasing education programs, and giving the systems leverage to increase non-city funds.

Throughout the Bloomberg Administration the systems were forced to reduce hours, lay-off staff and limit their circulation in an effort to meet the budget reduction requirements. While the November Plan

baselined funding for the three systems, it did not take into account the impact of budget reductions in the past.

### **Increase and Stabilize the Libraries Capital Commitments**

The City Council is concerned about the lack of capital commitments for the three Library systems in the out-years of the Preliminary 2014-2017 Capital Plan. The three systems have a total of \$47.3 million in Fiscal 2015, \$3.8 million in Fiscal 2016 and \$2.1 million in Fiscal 2017. The Council urges the Administration to provide adequate capital funding to help maintain and revitalize these critical institutions.

By providing the Libraries with almost no capital funding in the out-years of the plan, the Administration does not allow the Libraries to do any cyclical replacements of building systems, and provides little or no incentive for strategic planning for the future. Guaranteeing the three library systems a base level of capital funding would enable them to address the capital needs of the branches in a thoughtful and systematic way.

### **East River Esplanade Repair**

Recently, the Department of Parks and Recreation released the findings of a comprehensive underwater investigation and assessment of the various shoreline structures along the East River. According to the report, to repair the East River Esplanade, DPR would need \$115 million in capital funding, including \$14.8 million for the immediate remediation of conditions that are rated poor. If the Esplanade continues to deteriorate, the estimated cost of complete seawall reconstruction is \$430 million. Additionally, the Department would need \$11 million to reconstruct the East 107<sup>th</sup> Street Pier, which is in dire need of repair due to severe deterioration.

The Council recommends that funding for the necessary repairs to the East River Esplanade be included in the Mayor's Executive Budget. Efforts should be made to begin the repairs as soon as possible.

### **Post Sandy Resilience Plan**

Since Superstorm Sandy devastated significant parts of the City in October of 2012, the City has been rebuilding and doing so in a manner that will promote resiliency against future events. According to the Office of Management and Budget, capital damages at City agency facilities, including the New York City Housing Authority, totaled approximately \$3.5 billion. However, include additional costs for building more resiliently. For a more thorough understanding of the City's long-term needs in the face of climate change, a comprehensive strategy is laid out in the NYC Special Initiative for Rebuilding and Resiliency (SIRR) report "A Stronger More Resilient New York." This 435 page plan calls for the City to take on many challenges, not the least of which is significant investment in the City's infrastructure. This plan has a public price tag of \$14 billion (including rate-payer funded projects). Including other housing, business and City agency rebuilding and resiliency needs the total is about \$19.5 billion. The SIRR report clarifies that about \$10 billion is already funded or expected to be funded because it is included in the City's or DEP's capital plan or will be funded by federal Sandy aid. The unmet need is approximately \$4.5 billion. These estimates include costs covering the first phase of projects over the next ten years.

The Preliminary Capital Commitment Plan currently has \$250 million in City capital dollars for 254 different Superstorm Sandy related projects in 25 different City agencies. The Council wants clarity on how these current and future City capital relate to the "Stronger More Resilient New York Plan" and how the funding can best be used in tandem with the larger CDBG-DR and FEMA funding pools that are not a part of the City's capital budget."

### **Expand Affordable Housing**

One key issue of concern for the Council is the preservation and expansion of affordable housing for City residents. Half of all renter households are rent burdened, and one-third pay more than 50 percent of their incomes for rent. In light of this, the Council supports the de Blasio Administration's Housing Plan to create 90,000 new units of affordable housing and preserve an additional 110,000 units over the next 10 years. We encourage the Administration to reach the targeted goal of 200,000 units and to provide full transparency in the development opportunities, regulatory processes and leveraging of private investment necessary to carry out the plan.

### **Fund Neighborhood Plaza Partnership**

The benefits of public plazas are clear. According to the City's Department of Transportation, since the installation of the Union Square Plaza, for example, injury crashes within the area of the plaza have fallen by 26 percent and commercial vacancies by 49 percent. In addition, on Pearl Street in Brooklyn, the experience is a 172 percent increase in retail sales from businesses near the plaza. Yet, when a pedestrian plaza is built, it is up to a local not-for-profit, often a Business Improvement District (BID), to provide the expense funding for this plaza. Because every neighborhood does not have a BID, the Council urges the Administration to implement new efforts to support outer-borough plazas.

### **Increase Funding to NORCs and Underfunded Senior Centers**

The Administration baselined \$3 million in funding for senior centers. However, the Council is concerned that many senior centers are over utilized and may not have enough funding to sustain programming in the coming fiscal year. In addition, DFTA announced the award winners from its latest Naturally Occurring Retirement Communities (NORC) RFP in January. The total funding for the RFP was \$6.5 million, and 28 NORCS were awarded contracts, but some previously DFTA and Council funded NORCs lost out. The Council encourages the Administration to add at least an additional \$2 million for senior centers and NORCs to address shortfalls created by over utilization and the RFP.

## **Innovate Government Operations with Technology**

### **Increase Free Wi-Fi Access in the Park**

Since 2011, the City and AT&T have collaborated on a five-year initiative to provide free Wi-Fi service at 26 locations in 20 New York City parks across the five boroughs. Aside from the AT&T agreement there are an additional 72 Time Warner Cable/Cablevision park sites up and running in all five boroughs. When the project is completed, there will be 130 sites in total, a \$10 million investment.

The Council encourages the Administration to allocate additional funding to expand free Wi-Fi in more New York City parks, with the ultimate goal of covering all of the nearly 2,000 parks in the five boroughs. The City should negotiate with all wireless providers in the City to find ways to expand this service. Lastly,, the City should explore opportunities to expand the current program using NYCWiN, the City's existing wireless network.

### **Optimizing Utilization of Citywide Technology Systems**

The City has invested billions of dollars for its citywide information technology systems, most notably NYCWiN, the wireless network, Citytime, the automated timekeeping system and NYCAPS, the employee self-service human resources system. The City must ensure that it gets the greatest return on its investment by maximizing the utilization of citywide technology systems to meet the needs of all agencies.

During its Preliminary Budget Hearing, the Board of Elections testified that it was exploring options for a new employee time keeping system and discussed its need for wireless access for poll site reporting. The Council recommends that the Administration work with the Board to bring it into CityTime and NYCWiN. Furthermore, the Council calls on the Administration to audit the technological needs of all City agencies to identify ways to meets those needs using existing resources.

### **Open Source Alternatives**

In 2011, the City entered into an Enterprise Licensing Agreement (ELA) with Microsoft for citywide usage of all Microsoft desktop and server licensing products, including Windows, SharePoint, Exchange and SQL, for a total of \$67.8 million for three years. The Council urges the Administration to explore the feasibility of using open source software to replace the City's existing Enterprise Licensing Agreements. This could potentially save the City millions annually.

### **Centralized Management of the Webcasting Law**

Local Law 103 requires that all City agencies, committees, commissions, task forces, and the City Council record their open meetings in digital video format and webcast the meeting live where practicable. Not only does this law have the potential to increase transparency and public access, but also to modernize the way in which agencies interact with the public. The Council encourages the Administration to conduct a cost benefit analysis to determine the feasibility and potential cost savings for DoITT to centrally manage webcasting for all agencies.

## **Agency Efficiency and Transparency**

### **Leveraging the City's Purchasing Power**

DoITT recently consolidated dozens of the City's individual Microsoft Enterprise Licenses Agreements into one agreement saving the City millions of dollars per year. DCAS has taken advantage of rebates offered through the use of Procurement Cards for various citywide purchases and saved millions more by taking a citywide approach to fuel management and vehicle maintenance. The Council will work with all City agencies to identify additional opportunities to generate savings by leveraging the City's purchasing power. The Administration should explore opportunities to partner with the federal government, State government and other municipalities to combine its buying power and develop procurement strategies that take advantage of economies of scale.

### **Energy Policy and Energy Plan Report**

The Administration's energy policy will have a significant impact on both the City's expense budget, which includes approximately \$800 million for the citywide heat, light and power budget, and on the over \$450 million for energy efficiency related capital projects. The Director of OMB testified that the de Blasio Administration intends to continue much of the previous Administration's energy policy, including PlanNYC, the long-term sustainability plan.

While the Council supports the City's efforts to reduce the City's energy footprint, it would like the City to focus on the day to day management of the City's Energy Efficiency program. The Council calls on the Administration to put forth a comprehensive Energy Plan that sets short-term energy efficiency goals and how those goals will be achieved. Additionally, the Council urges the Administration to produce an annual Energy Efficiency report that includes all capital projects currently underway, energy audits conducted, efforts to seek alternative and sustainable energy sources, and the costs and savings associated with these efforts.

## Appendix A: Baselined Funding

Fiscal 2015 Baselined Restorations and Council Initiatives		
Agency	Restoration / Initiatives	Amount (\$000)
ACS	Child Care Restoration	\$62,500
CUNY	Black Male Initiative	\$2,500
DCLA	Coalition of Theaters of Color	\$700
DCLA	Cultural After School Adventure (CASA)	\$5,100
DCLA	Cultural Institutions Group Restoration	\$39,779
DCLA	Cultural Programs Group	\$14,313
DCLA	Design Week	\$100
DFTA	City Meals on Wheels	\$1,000
DFTA	Elder Abuse PEG Restoration	\$800
DFTA	Information and Referrals Contracts	\$1,000
DFTA	NORCs	\$900
DFTA	Senior Centers and Services	\$2,989
DFTA	Social Adult Day Care	\$400
DFTA	Borough President Discretionary PEG Restoration	\$4,100
DFTA	Case Management PEG Restoration	\$5,500
DFTA	Space Costs for Senior Centers	\$1,500
DFTA	Transportation Operating Costs	\$2,000
DHS	DHS - Medical Services PEG Restoration	\$1,200
DOE	DOE - School Lunch Fee	\$7,500
DOHMH	Anti-Gun Violence Initiative	\$2,385
DOHMH	Asthma Control Program	\$500
DOHMH	Autism Awareness Initiative	\$1,310
DOHMH	Bailey House	\$125
DOHMH	Callen Lorde Community Health Center	\$350
DOHMH	Cancer Initiative	\$1,525
DOHMH	Children Under Five Initiative	\$1,250
DOHMH	Family Planning	\$350
DOHMH	Geriatric Mental Health Services	\$2,000
DOHMH	HIV Prevention and Health Literacy for Seniors	\$400
DOHMH	HIV/AIDS Communities of Color Initiative	\$1,125
DOHMH	HIV/AIDS Faith Based Initiative	\$1,500
DOHMH	Infant Mortality Reduction Initiative	\$2,500
DOHMH	Injection Drug Users Health Alliance (IDUHA)	\$1,000
DOHMH	Mental Health Contracts	\$375
DOHMH	Obesity Intervention Program	\$1,300
DOHMH	HASA Nutrition Program Administration	\$995
DOHMH	HIV Contracts PEG Restoration	\$2,716
DOHMH	Nov 2012 Plan Mid-Year MH PEG Restoration	\$246
DOHMH	NYU Mobile Dental Van	\$268
DOHMH	School-Based Health Clinics	\$775

Agency	Restoration / Initiatives	Amount (\$000)
DOHMH	Suicide Prevention Hotline	\$247
DOHMH	Young Adult Institute and Workshop, Inc. (YAI)	\$200
DOHMH	Clinic and Outreach Layoff PEG Restoration	\$318
DOHMH	Clinic and Outreach Services PEG Restoration	\$297
DOHMH	Mental Health PEG Restoration - Chemical Dependency	\$525
DOHMH	Mental Health PEG Restoration - DD Clinics	\$806
DOHMH	Mental Health PEG Restoration - Mental Health Providers	\$1,164
DOHMH	Rapid HIV Testing	\$2,000
DPR	JTP Restoration	\$16,437
DPR	Playground Associates Restoration	\$1,000
DPR	Pool Closure and Season Reduction PEG Restoration	\$1,437
DPR	Seasonal Workforce Restoration	\$11,005
DPR	Tree Pruning PEG Restoration	\$2,000
DYCD	Adult Literacy Council Initiative	\$1,500
DYCD	Immigrant Opportunities Initiative	\$4,300
DYCD	Adult Literacy PEG Restoration	\$1,000
DYCD	Cornerstone PEG Restoration	\$926
DYCD	Out of School Time Council Restoration	\$51,400
DYCD	Runaway and Homeless Youth Restoration	\$7,170
DYCD	Beacon Closure PEG Restoration	\$2,146
DYCD	Beacon PEG Restoration	\$2,300
Elected Officials	Bronx Borough President PEG Restoration	\$2,142
Elected Officials	Brooklyn Borough President PEG Restoration	\$2,417
Elected Officials	Manhattan Borough President PEG Restoration	\$2,061
Elected Officials	Queens Borough President PEG Restoration	\$1,856
Elected Officials	Staten Island Borough President Restoration	\$1,873
Elected Officials	Public Advocate PEG Restoration	\$883
FDNY	Fire Company Restoration	\$59,190
HHC	Child Health Clinics	\$5,000
HHC	HHC Developmental Evaluation Clinics	\$1,467
HHC	HHC Unrestricted Subsidy PEG Restoration	\$6,000
HRA	Food Pantries Initiative	\$1,500
HRA	HASA Money Management GMHC Restoration	\$200
HRA	HASA Supportive Housing Case Managers	\$2,718
HRA	HASA Supportive Housing Contract	\$2,368
HRA	Teen RAPP	\$2,000
Libraries	Libraries PEG Restoration	\$106,335
	Public Administrators PEG Restoration	\$384
<b>TOTAL:</b>		<b>\$483,447</b>

\*Continuation from previous page.

## **Appendix B: Proposed Units of Appropriation**

### **Department of Education**

#### **New Unit of Appropriation for Universal Pre-Kindergarten**

Funding for the current Pre-Kindergarten (Pre-K) program is scheduled in budget code 4317 in U/As 401 & 402 – General Education Instruction & School Leadership and in budget code 8817 in U/As 481 & 482 – Categorical Programs. The funding is also reflected in a School Allocation Memorandum each year, showing that the funds are included in school budgets. Proposed funding for the expansion is scheduled primarily in U/As 401 & 402.

The Mayor’s proposal to expand full-day Pre-K citywide over the next two fiscal years would result in an additional \$340 million for the program, bringing the total cost of Pre-k to \$676.4 million annually. Of the new funding, \$291.4 million is scheduled in U/As 401 & 402. Most of the fund in U/A 402 will be used to fund Pre-K programs in community-based organizations (CBOs) through contracts with the DOE.

Given the size of the program and its unique programmatic function, a new U/A should be created for Pre-k funding to include funds for schools, CBOs, and professional development. Within each new U/A, funding for Pre-K should be disaggregated into budget codes to reflect various categories of spending. For example, funding for contracts with CBOs should be transparent in its own budget code, as should funding for school teachers and aides.

#### **Break Up U/As 401 & 402**

These U/As currently include funding for Pre-K, Elementary & Middle Schools, and High Schools. The existing U/A pair is estimated to total \$6.38 billion in Fiscal 15. This is a massive budget and should be divided into smaller U/As to increase accountability and transparency. In addition to creating a separate U/A for Universal Pre-K, there should be 2 U/A pairs to show funds for Elementary/Middle Schools and High Schools separately.

#### **Eliminate U/As 481 & 482 – Categorical Programs**

The DOE schedules funding for a variety of programs in U/As 481 & 482 – Categorical Programs. These programs are related by their funding source – Categorical Funds – but they are not programmatically related. The U/A structure is supposed to organize funding by program. The DOE should eliminate the Categorical Program U/As and move the funding into the appropriate programmatic U/As. For example, Categorical Programs includes funds for pre-kindergarten, which could be moved to the new U/As for Pre-k. Funds in budget code 8848 – Reimbursable Support for Special Education Instruction should be moved into the appropriate U/As that include funding for special education programs. The funding could be divided among various U/As as appropriate.

#### **Move Budget Code 4648 – Centrally Managed School Support out of U/As 401 & 402**

The Preliminary Budget currently includes funding for Networks and Clusters, as well as other school support structures such as borough-based support, in U/As 401 & 402 – General Education Instruction & School Leadership. The funds are scheduled in budget code 4648, “Centrally Managed School Support”. Corresponding headcount is scheduled in U/A 401, as well. These funds and staff do not directly support students. Including this budget code in U/As 401 & 402 is misleading and limits budget transparency. Even more misleading, the DOE’s budget already has a set of U/As specifically for school support – U/As 415 & 416. All funding and headcount for school support should be scheduled here.

### **Department of Youth & Community Development**

#### **New Unit of Appropriation for the Universal Middle School After-School Initiative**

The new Middle School After-School Initiative is lumped into one of DYCD's four U/As. U/A 312 totals 87 percent of the agency's entire budget, making it difficult to track specific program areas. The Universal Middle School After-School Initiative accounts for \$190 million of the agency's \$524 million budget for Fiscal 2015. This initiative is also an important piece of the Mayor's agenda so it is imperative to provide financial oversight to determine how funds are being spent and a new unit of appropriation would help.

## **Administration for Children's Services**

### **New Unit of Appropriation for Vouchers**

Currently, the Administration for Children's Services has two units of appropriations that include funding for the voucher system (U/A 003 and U/A 004) totaling \$1.1 billion. These U/As also include funding for Head Start, EarlyLearn NYC, and all other child care programming. The only separation between funding and programming is the delineation of Other Than Personal Services and Personal Services funding streams.

Childcare in ACS is currently operating at a deficit of over \$92 million and much of the deficit can be attributed to mandated vouchers. Funds are often moved across program areas which make it difficult to assess how funding sources are used to support vouchers and how spending on vouchers impact the overall ACS budget.

## **Department of Homeless Services**

### **New Unit of Appropriation for Homebase Program**

DHS's Homebase Program is the Department's major homeless prevention program. Currently, Homebase's budget is within DHS's prevention and aftercare program area. Given how much money is allocated towards this program yearly, it would be useful for Homebase to have its own unit of appropriation to better understand how funding is allocated in more detail.

### **Break Up U/A 100 and 200**

Currently, U/A 100 includes over \$120.9 million and U/A 200 includes \$860.7 million of DHS's budget. DHS's program budget is only allocated between these two units of appropriation, which makes it difficult to understand how funds are allocated. Each of the program areas within DHS should have its own unit of appropriation with various categories of spending reflected in budget codes.

## **Department of Investigations**

### **New Unit of Appropriation Description**

The Department currently budgets according to funding sources rather than program areas. The Department should rename the U/A to reflect program areas, such as Inspector General and Support, Administration, Policy and Outreach, and Specialized Units. The budget, as it stands, does not reflect that the agency has four investigative squads with two inspectors general each that cover multiple agencies. As it stands U/A 003 and 004 reflect intra-city payments and various budget codes represent federal asset forfeiture payments rather than reflecting how these monies are being budgeted.

## **Department of Health and Mental Hygiene**

### **New Units of Appropriation for Disease Prevention and Treatment - HIV/AIDS**

Currently, the Department of Health and Mental Hygiene has two units of appropriations that include funding for the HIV/AIDS services (U/A 102 and U/A 112). These U/As also include funding for Epidemiology, World Trade Center Programs, and all other Disease Prevention programming. Since over 98 percent of HIV/AIDS programming funds are derived from federal and state sources, new U/As should be created for HIV/AIDS funding to fully capture the changes that result from state and federal actions.

### **Clean-Up U/As for Disease Control and Epidemiology**

Currently, the Department of Health and Mental Hygiene has units of appropriation for Disease Control and Epidemiology (U/A 102 and U/A 112) and Epidemiology (U/A 109 and U/A 119). These two sets of U/As include funding for the epidemiology services. The Department should move all budget codes for epidemiology services out of U/A 102 and U/A 112 and into U/A 109 and U/A 119 to effectively capture all spending for these services within one set of U/As.

### **New Units of Appropriation for Early Intervention**

Currently, the Department of Health and Mental Hygiene includes all spending for the Early Intervention (EI) program in U/A 121, which also include funding for the Developmental Disabilities programming. A new U/A should be created to fully capture the changes in EI funding.

## **Human Resources Administration**

### **New Unit of Appropriation for Public Assistance Grants**

Currently the Human Resources Administration has one unit of appropriation that includes funding for public assistance grants (U/A 103) totaling \$1.3 billion. This U/A also includes funding for employment services administration, employment service contracts, food stamp operations, general administration, home energy assistance, office of child support enforcement, public assistance and employment administration, public assistance support grants, subsidized employment and job-related training, and substance abuse services. The only separation between funding and programming is the Other Than Personal Services funding stream.

Given the amount of funding allocated towards public assistance grants within HRA's budget, a new unit of appropriation should be created for this public assistance grants to better understand how funding is spent. Within each new unit of appropriation, various categories of spending should be reflected in budget codes. For example, it would be useful to understand how exactly Temporary Assistance for Needy Families and Safety-Net Assistance funding is allocated in detail.

## **New York Police Department**

### **Break Up U/A 001**

Currently U/A 001 cover \$2.91 billion of the department's \$4.7 billion budget. Within this U/A, there are eleven program areas. This U/A could be broken up into six U/As to reflect patrol, patrol support, detective bureau, organized crime control bureau, reimbursable overtime, and special operation. Some of the other program areas covered in U/A 001 could be moved to the existing U/As such as housing, school safety, etc.

## **Taxi and Limousine Commission**

### **New Unit of Appropriation for Enforcement**

Currently the Taxi and Limousine Commission's budget includes only two units of appropriation (U/A 001 and U/A 002) for Personal Services and Other Than Personal Services, respectively. As a result, all of the Commission's responsibility centers are within the two U/As. With the arrival of the City's new borough taxis, enforcement, both for illegal street hail and service refusal, has become particularly important. Therefore, there should be new unit of appropriation for enforcement to better monitor spending in this area.

## **Department of Buildings**

### **Break Up U/A 001**

Currently U/A 001 contains \$80 million of the Department's \$99.1 million budget. An additional U/A could be added to reflect Plan Review Services, given that the Department recently began offering

virtual plan exam reviews for minor construction permits through an online, automated system. This would allow more transparency in the permit and plan review process, and better outline how funding for this service is impacting the overall DOB budget.

## **Department of Sanitation**

### **New Unit of Appropriation for Landfill Tipping Fees**

In the Fiscal 2015 Preliminary Budget for Sanitation, the U/A for Other Than Personal Services (110) for Waste Disposal is \$468.2 million, which is 32 percent of the Department's \$1.5 billion Budget. Embedded in this number is the cost of tipping fees at landfills as far away as South Carolina. Landfill costs are expensive in high population density areas with high land values. Landfills also have finite capacity and it can be difficult to find ones with suitable capacity for long-term contracts. Depending heavily on landfills for the City's waste export strategy is risky as the City would be subject to rising market prices as landfill availability becomes scarcer. Additionally, landfills are bad for the environment as they emit greenhouse gases, there is danger of toxins leaching into soil and water systems, and numerous other risks. An additional U/A should be created for Landfill Tipping Fees.

## **Department of Environmental Protection**

### **New Unit of Appropriation for Sewer Maintenance and Repair**

On average, 1.3 billion gallons of wastewater flows daily through 7,500 miles of NYC sewers. Many City neighborhoods suffer from chronic street flooding, street caving and sewer backups due to numerous factors including clogged catch basins and grease buildup. Since impacts of these conditions negatively impact many New Yorkers we request that sewer maintenance and repair be broken out into its own Personal Services and Other Than Personal Services U/A.

## **Miscellaneous**

### **Break Up U/A 003**

This unit of appropriation covers fringe benefits, including health insurance, mandated benefits such as FICA and workman's compensation, and contributions to supplemental welfare benefit funds. It is a \$5 billion U/A for benefits of both active and retired city employees. Most other descriptions of these appropriations (such as in the City's financial statements) make the distinction of how much of this funding is dedicated to the active versus retired city employees. For example, post-employment benefits are treated as part of the New York City Other Post-Employment Benefit Plan, whose largest component is the Retiree Health Benefit Trust (RHBT). This U/A should be broken up into current and post-employment U/As. Besides aiding transparency, this would be useful given the special role that the RHBT plays in the City budget.

### **Break Up U/A 002**

This \$3 billion united of appropriation covers a diverse and unrelated group of city payments and reserve funds. This includes the general reserve, reserve for judgments and claims, subsidies for the New York City Transit and private busses, and state building aid. The logic of grouping such a diverse set of activities in one U/A is unclear. The U/A should be separated into components that more closely track the activities involved. At minimum the general reserve and the reserve for judgments and claims each deserve their own U/A.

### **Rename U/A 001 LABOR RESERVE**

U/A 001 is currently named Personal Services. This U/A should be renamed Labor Reserve since all of the funds in this U/A are for the Labor Reserve.