The FY 2015 Preliminary Budget: Budgeting Responsibly, Progressively, Honestly
A Budget that Reflects Our Values

A first step toward charting a *new* course for our City.

Budgets are about *choices* – and choices are about *values.*
Addresses short-term and long-term risks facing the City in the years to come, as well as a structural deficit we have been left.

The previous administration left New York City in an unprecedented fiscal position – New York City has no labor contracts in place with the approximately 150 unions representing its workforce, and some unions have been without contracts since 2008.
Implementing a progressive agenda for New York City:

Creating an **NYPD Inspector General**

Fully funding **high-quality, full-day pre-k** for every four year-old and after-school programs for middle school students

Implementing and enforcing **Paid Sick Leave**
We’re enacting budget reform in our first budget by ending the “budget dance.” We are restoring unnecessary cuts made by the last administration, including permanently restoring funding to 20 fire companies which have been slated for closure year after year.
FY 2014 remains *balanced*, and we have a *preliminary* plan for balance in FY 2015.

The FY 2014 budget relies on the use of $1 \text{ billion} \text{ of resources from prior years for balance, and our plan for FY 2015 relies on the use of $1.8 \text{ billion} \text{ of resources from prior years for balance. Without these resources, both years would have had a deficit.}

And we are already facing a deficit of $1.1 \text{ billion} \text{ in the year after that, FY 2016.}

There remains significant *uncertainty* about the level of *State* and *Federal funding* the City can expect going forward.

Real *risks* to the local economy and the budget remain.
New York City’s unemployment rate has stayed above the State and U.S. levels over the last decade

* Preliminary data

Source: US BLS, NY State DOB
The Economy: Employment Growth in New York City Is Highest in Our Lowest-Paying Sectors

Percentage Change from Peak Employment Level Prior to the Recession (2012 Average Wage)

- Leisure & Hospitality ($37,000)
- Retail Trade ($36,000)
- Prof.& Bus. Svcs. ($103,000)
- Information ($116,000)
- Transportation ($50,000)
- Wholesale Trade ($88,000)
- Banking ($169,000)
- Insurance ($148,000)
- Real Estate ($67,000)
- Securities ($362,000)
- Construction ($72,000)

Source: New York State Department of Labor
Income Inequality in America Is at Levels Not Seen Since the Roaring Twenties

Income Inequality in New York City Is Even Worse than in the U.S. Overall

Income Share of Top 1% of Earners

Calendar Year

Income Share
Housing Sales Volume Remains Subdued but Prices have Begun to Recover

Source: NYC DOF, OMB. Transactions and prices reflect all residential property classes.
Sales of High-end Co-ops Pushed Average Prices to a New Peak in 2012. Volume has Not Returned to Pre-crisis Levels

Source: NYC DOF, OMB. Transactions and prices reflect co-op units.
Condo Prices have Nearly Recovered from the Slump, Driven by High-end Sales. However, Volume Still Remains Below Peak Levels

Source: NYC DOF, OMB. Transactions and prices reflect condo units.
New York City Technology Industry

The technology industry has added about **10,000 jobs** since 2009.

The *average wage* has grown nearly **17 percent** over the same period.

In 2013, the technology sector’s average wage of $119,000 was **42% higher** than the average private sector wage ($84,000).
College Readiness

“The [New York State test] data show that only one in four New York City students who started high school in 2009 and graduated in 2013 performed well enough on the Regents exams to meet the state definition of college readiness.”

- New York Times Editorial Board
  January 26, 2014
School Aid: NYS Has Not Kept Up With Its Obligations to Fund New York City Schools

There is a $2.7 billion gap per year between the current level of State aid and the funding levels agreed-upon following the Campaign for Fiscal Equity lawsuit.

We are asking the State for additional school aid dollars to fund improvements to New York City public schools, including:

- Reduced Class-Size and Additional Teacher Supports in Early Grade
- Elementary Common Core Academic Intervention
- “Raising the Floor” to increase Funding Equity Across Schools
School Aid: Following the Campaign for Fiscal Equity Settlement, NYS Walked Away from the Phase-in of Additional Education Aid

In FY 2015, the CFE Shortfall Will Be $2.7 Billion

NYC Foundation Aid Since Campaign for Fiscal Equity

*Original Phase-in per State FY 2008 Budget
## UPK Planning and Implementation Taskforce

<table>
<thead>
<tr>
<th>UPK Provider Setting</th>
<th>Full-Day UPK (FD)</th>
<th>Half-Day UPK (HD)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public School</td>
<td>16,119 seats</td>
<td>7,552 seats</td>
<td>23,671 seats</td>
</tr>
<tr>
<td>DOE CBOs</td>
<td>3,364 seats</td>
<td>18,812 seats</td>
<td>22,176 seats</td>
</tr>
<tr>
<td>ACS CBOs (ELNYC)</td>
<td>N/A</td>
<td>12,681 seats</td>
<td>12,681 seats</td>
</tr>
<tr>
<td>Total</td>
<td>19,483 seats</td>
<td>39,045 seats</td>
<td>58,528 seats</td>
</tr>
</tbody>
</table>

*Counts are current as of 12/5/2013. Numbers may change with mid-year expansion (to be updated in February, 2014).*
Decades of academic research have proven that high-quality pre-kindergarten is among the most effective ways to reduce economic inequality.

The proceeds from the proposed personal income tax surcharge will be dedicated solely to the expansion and enhancement of New York City’s pre-kindergarten and after-school programs. The City will place these funds in a “lockbox.”

Filling the gap in full-day pre-K access cannot wait – the children we could potentially place in programs this September will not get another chance to have a pre-K experience that sets them up for achievement and increased opportunities later in life.

We owe it to our children to maximize the number of options to add each year, rather than set limitations driven by legislative sessions and budget processes far removed from the pressing needs of our city’s children now.

Source: Ready to Launch: New York City’s Implementation Plan for Free, High-Quality, Full-Day Universal Pre-Kindergarten
The UPK/After-school Expansion Program Is a Centerpiece of the Financial Plan

Revenue Changes Include:

The FY 2015 Preliminary Budget includes an additional $530 million in revenue from a 0.534% increase in the personal income tax rate for households earning more than $500,000 per year.

This revenue will be dedicated to funding full-day Universal Pre-Kindergarten and After-School Programs beginning in FY 2015.

Expense Changes Include:

The FY 2015 Preliminary Budget provides $530 million for Universal Pre-Kindergarten and After-School Programs.
Even With the Proposed Temporary Increase in the Personal Income Tax on the Wealthiest New Yorkers, Rates Would Still Be Below Maximum Rates in 1990s and 2000s

* Assumes PIT increase effective June 2014
f=forecast
Over 95% of the Increased PIT Revenue Will Be Paid by Taxpayers with Annual Incomes Greater Than $1 Million

<table>
<thead>
<tr>
<th>Annual Income</th>
<th>Tax Payers</th>
<th>FY 2015 Revenue</th>
<th>% Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000 - $749,000</td>
<td>18,718</td>
<td>$9,000,000</td>
<td>1.7%</td>
</tr>
<tr>
<td>$750,000 - $999,999</td>
<td>8,796</td>
<td>$16,000,000</td>
<td>3.1%</td>
</tr>
<tr>
<td>$1,000,000+</td>
<td>22,691</td>
<td>$505,000,000</td>
<td>95.2%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50,205</td>
<td>$530,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
Our Local Hospitals are Struggling – and Several Have Already Closed their Doors

Interfaith Medical Center, Downstate Medical Center, Long Island College Hospital, Brookdale Hospital, Brooklyn Hospital Center, St. Johns Hospital, Wyckoff Medical Center, and Kingsbrook Jewish Medical Center are in severe distress.

And the Hospitals below have closed in recent years:

- Peninsula Hospital Center
- St. Vincent’s
- Mary Immaculate
- St. John’s
- Cabrini Medical Center
- Parkway Hospital
- Victory Memorial Hospital
- St. Vincent’s Midtown
- St. Joseph’s Hospital
- St. Mary’s Brooklyn Hospital
- Beth Israel Medical Center Singer Division
- Our Lady of Mercy Medical Center
- Florence D’Urso Pavilion
- Brooklyn Hospital Center Caledonian Division
- Interfaith Medical Center Brooklyn Jewish Division
- Staten Island University Concord Division
- North General
Health Care: We Need the Medicaid Waiver from Washington, D.C. Now

New York State has requested a waiver from the Federal Government which would provide $10 billion for healthcare statewide.

This waiver request has been pending in Washington, DC for over a year, and we cannot wait any longer. Washington must act.

These funds will be a key element in restructuring distressed local healthcare facilities and in maintaining HHC’s ability to serve all New Yorkers.

HHC provides comprehensive medical, mental health and substance abuse services to NYC residents, regardless of their ability to pay. Medicaid clients and the uninsured drive 66% of HHC’s discharges, and HHC’s share of Medicaid discharges among all NYS public hospitals is over 70%.
# New York City’s Unmet Need for Sandy Recovery

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Estimated Total Need</th>
<th>Committed Funding</th>
<th>Pending Funding</th>
<th>Total Funding</th>
<th>Unmet Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>2,056</td>
<td>540</td>
<td>847</td>
<td>1,387</td>
<td>(669)</td>
</tr>
<tr>
<td>Public Housing</td>
<td>930</td>
<td>108</td>
<td>200</td>
<td>308</td>
<td>(622)</td>
</tr>
<tr>
<td>Business</td>
<td>266</td>
<td>293</td>
<td>(27)</td>
<td>266</td>
<td>0</td>
</tr>
<tr>
<td>Infrastructure and Other City Services</td>
<td>2,001</td>
<td>360</td>
<td>495</td>
<td>855</td>
<td>(1,146)</td>
</tr>
<tr>
<td>Resiliency</td>
<td>2,400</td>
<td>294</td>
<td>(60)</td>
<td>234</td>
<td>(2,166)</td>
</tr>
<tr>
<td>Planning/Admin</td>
<td>170</td>
<td>178</td>
<td>(8)</td>
<td>170</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,818</strong></td>
<td><strong>1,773</strong></td>
<td><strong>1,447</strong></td>
<td><strong>3,220</strong></td>
<td><strong>(4,603)</strong></td>
</tr>
</tbody>
</table>

The City’s need for HUD funding is $7.8 billion, but the federal government is only covering $3.2 billion, leaving us with $4.6 billion in unmet need.

**Infrastructure and Housing** are the most critical short-term needs.

Resiliency needs are about the protection and safety of the City long-term.
Recent Federal Cuts to New York City Have Been Damaging

Federal support for food stamps has been *reduced* for *1 million* New York City households in need.

The Sequester of Federal funding *reduced aid* to New York City including:

- **Federal spending on Education** was cut $63M in 2014
- **Federal aid for Social Services and Health** was cut by $5.6M in 2013 and $32.3M in 2014
- **Federal funding for other areas, including Housing and Criminal Justice**, was cut by $7.8M in 2013 and $35.9M in 2014.
### Bargaining Units are Unsettled

All of the City’s Approximately 150 Collective Bargaining Units are Unsettled.
Before Mayor de Blasio, Previous Mayors Took Office with Some Major Contracts Already Settled

2002: Mike Bloomberg
  DC37 Already Settled

1994: Rudy Giuliani
  DC37 and UFT Already Settled

1990: David Dinkins
  PBA, DC37, and UFT Already Settled

1978: Ed Koch
  DC37, UFT, and PBA Already Settled

1974: Abe Beame
  PBA and UFT Already Settled
These Unsettled Contracts Have Been Expired For a Long Time

Expired Since 2008:
School Custodians – Local 891

Expired Since 2009:
Teachers, Health Care Workers – UFT, Local 1199

Expired Since 2010:
Nurses & Principals – NYSNA, CSA
The Department of Sanitation will have all the resources it needs to ensure our streets remain clear and safe throughout the Winter.

The previous plan budgeted $57 million for the Department of Sanitation to respond to snow and winter storms.

We have increased that allocation by $35 million, which will cover the costs to date as well as our expected costs for the rest of the season.
The Budget Launches A Progressive Agenda to Address the Tale of Two Cities

In addition to Universal Pre-Kindergarten & After-School Programs, the FY 2015 Preliminary Budget begins to fund our priorities as follows:

* Implements and enforces Paid Sick Leave

* Working with the Governor, we will cap the rent contribution for HIV/AIDS supportive housing clients

* Working with the Governor to develop a pilot homeless prevention program

* Increases funding for programs for Runaway and Homeless Youth

* Starts development of municipal IDs for city residents

* We are eliminating certain cuts imposed by the last administration that do not reflect our values, totaling $93 million in FY 2014 and $72 million in FY 2015

* Creates an independent NYPD Inspector General
NYCHA Will No Longer Pay the NYPD for Police Services in FY 2014

NYCHA has been paying the NYPD approximately $70 million annually for police services at NYCHA facilities.

The Preliminary Budget relieves NYCHA of the remaining $52.5 million that would otherwise be owed to the NYPD in FY 2014.

In order to keep the NYPD budget whole, the Preliminary Budget also provides the NYPD with an additional $52.5 million of City funds.

NYCHA will use these additional resources as follows:

- To reduce the level of outstanding work orders by 33%
- To significantly reduce response times for basic maintenance orders and skilled trade orders
- To create an independent inspection unit
Long-term Costs: Supporting the Retiree Health Benefits Trust Fund

The Retiree Health Benefits Trust Fund was established in FY 2006.

The Trust pays for the cost of retiree health benefits including health insurance, welfare funds, and Medicare Part B reimbursement.

The November Financial Plan assumed that the Trust would pay $1 billion of retiree health benefits costs in FY 2014 rather than the City, reducing our resources for later years.

The Preliminary Budget reverses the November Plan assumption – it is the fiscally prudent thing to do.
The Financial Plan Begins to End the “Budget Dance” of Prior Years

Restores funding for fire companies added back each of the past five years.

Restores funding for elected officials added back each of the past ten years.