Commissioner Jacques Jiha, Ph.D.

FY19 Executive Budget Hearing Testimony

May 8, 2018

Good afternoon. Thank you, Chair Dromm and members of the Finance committee, for the opportunity to testify today.

My name is Jacques Jiha, and I am the commissioner of the Department of Finance.

I am joined today by First Deputy Commissioner Michael Hyman, as well as other senior members of my staff.

I am glad to report that the city's finances are in very good shape. Through April, City revenue for FY18 totaled $54.1 billion. That represents a 9.1% increase over the same period last year, largely attributable to a 22.3% increase in personal income-tax revenue. A large portion of the personal income-tax-revenue increase stems from a 2008 tax-law change. For years, the IRS allowed cash-basis hedge funds to defer the receipt and the recognition of certain management and incentive fees from offshore funds, thereby allowing hedge funds to grow deferred income from those funds, tax-free.

Congress put an end to that practice with the enactment of IRC section 457A in 2008, but gave the hedge-fund industry until December 2017 to recognize, for tax purposes, the fees earned or deferred before January 1, 2009. Some hedge-fund managers waited until the deadline to recognize and pay taxes on the fees.

Other factors that contributed to the increase in personal income-tax revenue are a big bump in Wall Street bonuses and an increase in capital gains, which boosted estimated payments by as much as 44.5%.

Put another way, we are not likely to see a repeat of this year's personal income-tax performance. It's a one-time windfall brought about by a confluence of factors. As such, we have to remain cautious in our approach to the budget.

While there is no evidence of a softening city economy on the horizon, there are enough warning signs to warrant caution, including increasing oil prices, volatile financial markets, and rising interest rates. We will remain vigilant, and will brief you on any important new developments.

When I appeared before this committee in March, I described an agency with an ambitious agenda, focused on serving the residents, visitors, and businesses that support New York City's robust and diversified tax-revenue base.

In the nine weeks since the preliminary hearing, we have made progress on a number of key initiatives, several of which we will share with you today.

The first is an effort to help New Yorkers who are at risk of losing their homes because they are struggling to pay their property taxes.

As you know, under existing law, the Department of Finance is required to offer property owners who are delinquent on their property taxes a payment agreement that allows them to put as little as zero down and make payments for a term of up to ten years. Liens cannot be sold on properties that are covered by an active payment agreement.

The agreements are available to all property owners regardless of income, circumstances, or property class. However, the current agreements do not take into account taxpayers' ability to pay and, as a result, are not sufficient to help homeowners who are experiencing economic hardship or living on a fixed income.

Furthermore, the agreements require that owners pay all of their newly incurred charges as they become due each quarter. Consequently, the default rate on these agreements is as high as 50%.

Once an owner defaults, he or she is ineligible for a new agreement for 5 years, unless there are extenuating circumstances, such as a job loss or death in the family—or, unless the owner somehow manages to pay 20% of the defaulted agreement.

Given the high default rate, there are a growing number of owners claiming "extenuating circumstances" so that they may receive another agreement and keep their property out of the tax-lien sale.

Working with the Council, we will soon introduce legislation to allow eligible homeowners to defer their delinquent and/or future property-tax payments.

Should this program become law, there would be several types of payment agreement available.

One, for seniors, would allow the Department of Finance to collect deferred property taxes when the home is sold or transferred to a new owner.

Other agreements would be tied to income—for example, homeowners facing hardships would have to pay no more than 8% of their income for either a fixed period of time determined by the homeowner, or until the situation improves.

The property-tax deferral and repayment program will be open to condominium and class-1 homeowners, earning $50,000 or less.

This program will help homeowners avoid the tax-lien-sale process, which is our last resort to collect delinquent property taxes and charges.

As you know, over the last three years, we have succeeded in reducing the number of properties in the lien sale by communicating more frequently and more urgently with homeowners. For instance, the 90-day at-risk pool has averaged about 23,000 properties, compared to an average of 26,700 in the three years prior—a decrease of 14%.

This trend is also reflected in the number of tax liens that are actually sold. We will not have the results for this year until the summer, but over the past three years, we have averaged a total of about 3,900 liens sold, compared to an average of about 5,000 liens sold in the preceding three years—a decrease of 22%.

We have also made significant progress on another priority: Making it easier for people who pay bail to receive their refunds at the conclusion of the trial.

As soon as someone becomes a surety—that is, a person who pays bail—we send them a brochure describing the process in detail, with information on how and when they can get their refund. We have also increased our efforts to locate and contact sureties who do not request their refunds. As a result of our more active outreach strategy, the total dollar amount of bail refunds issued has increased by 81%.

We have also reduced the convenience fee charged for cash-bail payments from 7% to 2.49%, which is in line with fees charged for other City services.

In summary, we have taken steps to improve a process that often places a heavy financial burden on the very New Yorkers who can least afford it.

And we will continue to improve our services for the millions of New Yorkers who come into contact with the Department of Finance each year, including the many drivers who will, at some point, receive a parking ticket.

It is not fun to see that orange envelope on your windshield.

However, if you do get a ticket and think that it was not justified, you now have someone in your corner.

As of last month, our parking-summons advocate, Mr. Jean Wesh, is on the job, identifying and resolving systemic issues regarding parking infractions.

New York is one of only two major cities in the country with an office devoted to advocating on behalf of parking-ticket recipients, and I look forward to sharing with you the reform proposals that will be put forward by the office of the Parking Summons Advocate.

While we are on the subject of parking, I would like to update you on upcoming changes to our stipulated fine and commercial abatement programs, which will achieve a number of goals for the City while making it easier for businesses to deal with their parking violations.

Fifteen years ago, large commercial fleet owners and drivers would contest nearly every parking ticket they received, successfully challenging many summonses. To reduce the administrative and financial burden placed on the commercial vehicle industry and the City by this practice, DOF instituted the Stipulated Fine and Commercial Abatement programs beginning in 2003. The programs require participants to voluntarily notify the City of all of their vehicles, supply a single point of contact to respond to parking-ticket reports, waive their right to contest summonses, and pay outstanding parking-summons balances regularly in exchange for reduced fines for certain violations.

DOF developed the programs' fine schedules to be cost-neutral to participating businesses. Discounted rates were established based on the frequency with which certain tickets were dismissed by administrative law judges.

There are now 1,647 participants in the Stipulated Fine program, composed primarily of trucks making deliveries, and 967 participants in the Commercial Abatement program, composed primarily of service vehicles. In FY17, 1.1 million violations were issued to vehicles enrolled in the programs, accounting for 43% of the 2.6 million parking violations issued to commercial vehicles citywide.

Since the programs were implemented, the City's needs, priorities, and enforcement technologies have changed. Changes to these programs are needed now to ease congestion while addressing growing consumer-delivery demands.

Hence, DOF is updating the fine schedule that program participants pay in order to more strongly discourage certain traffic violations. We will

- Increase now deeply discounted fines: The existing fine schedule discounts to $0 several violations that contribute to traffic congestion, encouraging disregard for these traffic rules. Our latest reform proposal adjusts many fines and ensures all violations are at least $25. DOF further proposes fines for double parking and no standing-commercial meter zones be increased to $60.

- Equalize fine schedules across programs: Currently, the Stipulated Fine and Commercial Abatement programs have two different fine-reduction schedules. Making all fine reductions the same for each program will equalize treatment across various industries.

These changes will generate more than $11 million for the City in FY19, but more importantly, they will encourage businesses to comply with the law, which should begin to address some of the City's congestion issues.

We continue to review every area of our work in order to improve efficiency and better serve our customers.

For example, after reviewing our costs associated with debit and credit card transactions, I am delighted to report that we will lower the convenience fee that we charge our customers.

This means that customers who pay their property and business taxes, parking tickets, and ECB debt will soon pay a convenience fee of 2%, reduced from the current 2.49%.

Finally, as I said in March, we are laying the groundwork for several major initiatives, including the One Account model, which will allow New Yorkers to interact with the department using a single account, and our new Call Center, which would give customers a direct line for questions about all business-tax services and personal benefits, including the Rent Freeze program and the veterans-tax-exemptions programs.

And so, in conclusion, we have made significant progress on our agenda, and we will continue to provide updates to the council in the coming months.

We are proud of where we stand and how far we have come as an agency, but we know that we have much work ahead of us.

And so we welcome and remain grateful for your continued partnership.

If you have concerns or ideas about how we do our work, please, let us know.

We are your eager partners, and we look forward to continuing a very productive relationship with the Finance committee.

Thank you and I am happy to take any questions.