

City Council Finance Committee Hearing

Preliminary Budget Hearing on FY 2018 Budget

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Good morning, Chairwoman Ferreras-Copeland and members of the City Council Committee on Finance. I am Michael Hyman, First Deputy Commissioner at the New York City Department of Finance (DOF). I am joined today by Jeffrey Shear, Deputy Commissioner for Treasury and Payment Services, and Samara Karasyk, Assistant Commissioner for External Affairs. Thank you for the opportunity to testify before you today on our Fiscal Year 2018 Preliminary Budget.

I am pleased to report that New York City's finances are currently stable. Through January, the City collected \$39.5 billion, which is 2.8 percent more than the same period last year. As of January 2017, the unrestricted cash balance for the City is \$11.1 billion.

The City's more economically sensitive taxes are showing some signs of weakness. Estimated payments, which are a key component of the personal income tax, declined by 13.7 percent in the first seven months of FY '17 – after going down 4.6 percent in the previous year, which came off record high levels. The Real Property Transfer Tax, which is an indicator of the health of the real estate market, has declined by 15 percent so far this fiscal year, down from an average growth rate of 19 percent in the previous three fiscal years. Put simply, while the City's finances are fine in the short term, there are some local economic uncertainties and risks related to the still developing national economic policies of the new administration. So we should approach the FY '18 Executive Budget and financial plan with caution. We will continue to closely monitor tax collections, and we will brief the Council as warranted.

What we are very certain about is our commitment to employing all necessary tools, resources and business strategies to continue building a customer-friendly agency. The NYC Department

of Finance has been focused on adherence to specific guiding principles that promote transparency, efficiency, and fairness. As a result, the entire agency has undergone a paradigm shift in how we operate, how we navigate challenges, and how we serve and respond to the needs of the public. We have strengthened many of our internal systems, initiated a number of new programs, and created policies that have not only upgraded services for New York City residents, but have also improved how customers engage with us.

At the same time, we have enjoyed building a collaborative relationship with the New York City Council as we have worked together to make improvements to programs and policies that benefit all New Yorkers. All of these efforts have been driven by the goal of improving and enhancing the overall customer experience of individuals who interact with the Department of Finance. I am excited to share the results and accomplishments of our work with you today.

Over the last decade, we have witnessed the importance of technology in driving unique and efficient customer experiences in every area of business. At this agency, we have maintained that government should be no exception. In the last two and a half years, the Department of Finance has made significant investments in technology to create new apps, and purchase cutting-edge software and digital mapping tools. We have also expanded our various e-services, including mobile and electronic processing platforms, to match customer expectations in the 21st century marketplace.

Our year old state-of-the-art Business Tax System completely transformed the way tax practitioners transact with our agency. For the first time, these practitioners have direct access to

business taxpayer accounts and perform many transactions online in a seamless and secure environment.

This new system also allowed us to issue more than 100,000 business tax refunds over the past year – a 400 percent increase in the number of refunds and a 13 percent increase in the value of refunds given. The average time for processing business refunds also dropped by 71 percent. As you might imagine, these refunds have been a nice surprise for many of our customers.

To help us generate the most accurate property tax assessments for New York City’s 1.2 million parcels, we are exploring a range of new technology such as Streetscape Imagery, 3D Digital Tax Mapping and Cyclomedia, which is unique software that provides high resolution and angular imagery, accurate measurements, and geo-coded parcels for precise address location. These tools will make our assessors’ jobs easier and their reporting more accurate.

Technology enhancements will also benefit New York City motorists in particular, by means of greater mobile access. DOF’s new parking app will launch next month and will allow New York City drivers to pay their tickets or dispute them by uploading evidence – all from the palm of their hand.

Technology may be central to driving our customer-centric agenda, but it is no more important than the relationships with our stakeholders and partners who help provide customer perspective and engagement in all that we administer and propose for legislation. Over the last two and a half years, in collaboration with the New York City Council, we have made tremendous

improvements to several programs that impact thousands of New Yorkers, including the annual Tax Lien Sale, our exemption programs for renters and homeowners, and our one-time Forgiving Fines: NYC Amnesty Program for ECB violations.

Our joint efforts included the creation of the Tax Lien Sale Task Force (mandated by Local Law 14 of 2015 and comprised of representatives from both the City Council and the Administration), which issued a report in September 2016 identifying concerns and recommending specific actions to improve the lien sale. These included notifying property owners when they are at risk of defaulting on their payment agreements, permitting monthly, in addition to, quarterly payment plans, and providing resources for financial counseling at lien sale events. The results of the taskforce are also reflected in Local Law 4 of 2017, enacted in January, which makes additional improvements to the lien sale process, reduces interest charges for liens sold, and re-authorizes the tax lien sale for four years.

As Commissioner Jiha mentioned in his testimony in favor of Local Law 4, DOF is continuing to research payment plan options to better serve senior property owners living on fixed incomes and all others experiencing economic hardship by examining best practices throughout the country. We look forward to sharing our findings and proposals with the Council.

DOF has seen evidence that robust outreach and improved processes enhance property tax compliance, and therefore reduce the number of properties in the initial tax lien sale pool. For the past three years, the number of properties at the 90-day notice mark has decreased from 27,233 in 2015 and 24,202 in 2016 to 22,639 this year, representing a 16.8 percent total

reduction in three years. The number of liens sold also decreased from 4,228 in 2015 to 3,461 in 2016. It is our goal to extend this trend and we look forward to continued collaboration with the City Council on reducing the numbers of lien sale properties.

Another successful partnership effort was the 90-day Forgiven Fines: New York City Amnesty Program for ECB judgment violations (made possible by Council legislation), which forgave interest and 100 percent of default penalties for debtors who complied with the program's terms and conditions. As a result, DOF collected \$45 million dollars associated with 128,000 paid violations. I'd like to thank Council Members Julissa Ferreras-Copeland, Ben Kallos, and Peter Koo for helping us spread the word and raise awareness about the program.

Now that the amnesty program is over, DOF is ramping up enforcement for unpaid and uncontested violations issued by the Department of Sanitation, the Department of Buildings, and other city agencies. Enforcement efforts for violations in judgment will include referrals to the City Marshals and City Sheriff for collection.

In January, we testified on the New York City Rent Freeze Program and highlighted many of our improvements to this renters' tax exemption.

One significant enhancement has been the revision of all applications, making them easier to understand and complete. The feedback from applicants and advocates has been very positive. The newly designed applications and other program-related materials now include information on how people with disabilities can receive assistance through the Department of Finance's Disability Service Facilitator. In addition, DOF has provided more space and better accessibility

at the SCRIE/DRIE walk-in center in Lower Manhattan, allowing customers to ask questions and seek assistance when completing forms. We are scheduled to pilot similar walk-in units in the outer boroughs starting this summer, and will continue partnering with many Council Members and community organizations on our outreach strategies to drive enrollment into the program.

Thanks to the City Council's support, last fall, DOF also started the renewal process for the Senior Citizen Homeowner Exemption and Disabled Homeowner Exemption Programs (SCHE/DHE). We sent letters to approximately 52,000 SCHE participants and 5,000 DHE participants. About half of those mailed have responded. Last month, DOF followed up with letters to the non-responders to encourage them to submit renewals applications by the March 15th deadline. It is crucial that every eligible property owner renews to avoid a break in their benefits. Although we realize that reinstating renewals will negatively impact some people who no longer qualify for the program, we are working to minimize that impact by applying the eligibility requirement prospectively.

In addition to providing exemptions for renters and homeowners, DOF continues to work diligently to protect property owners from losing their homes because of deed fraud. Just yesterday, the NYC Sheriff and the Queens District Attorney announced the indictments of nine individuals for deed fraud by the Queens County Grand Jury. Those indicted were supposed to help protect people--including three attorneys and two real estate corporations that in fact were preying on vulnerable homeowners including a U.S. Veteran, a single mother of five, and a senior citizen. These indictments account for the theft of 10 properties with property values of over \$4 million. Since the Sheriff's office entered into the review process of deed applications

almost three years ago, 1,707 cases have been referred to their office for investigation. Of these cases, 944 have been closed, 92 have become criminal investigations, and 671 are ongoing investigations. We have made 29 arrests for 41 properties with a total market value of about \$24 million. While we are doing all we can with the tools and resources at our disposal, we are working to secure deed fraud legislation at the state level that will provide increased transparency and accountability with notarial record keeping,

Transparency and accountability, as well as efficiency and fairness, are what support the overall mission and the business strategies at the agency. As part of our annual strategic planning process, DOF has developed dozens of projects that include improvements to technology, process re-engineering, operational effectiveness, investment in employees, and agency preparedness for 21st century challenges.

In 2017, DOF will be working hard to implement these projects with the goal of providing exceptional customer service to help New Yorkers better access benefits, address their questions and concerns, and be able to comply with ease and a full understanding of what is required. I'd like to take this opportunity to thank the DOF staff for their tireless dedication to ensuring that New Yorkers are treated fairly and respectfully.

Thank you for the opportunity to testify before you today. At this time, I am happy to take your questions.