TESTIMONY BEFORE THE CITY COUNCIL FINANCE COMMITTEE
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Good afternoon. I am Maria Doulis, a Senior Research Associate at the Citizens Budget Commission. The Citizens Budget Commission, founded in 1932, is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York City and New York State government.

Thank you for the opportunity to testify today on the Executive Budget for Fiscal Year 2009. With a surplus projected in the current year and a budget balanced for fiscal year 2009, this is a critical opportunity to think about the long-term fiscal challenges facing the City. The budget offers a realistic assessment of the economic problems facing New York City – problems whose full extent has yet to be determined – and presents a sound strategy for dealing with these challenges in the coming year.

In particular, CBC supports and asks you to support two key actions: (1) the use of one-time surplus revenues to retire $2 billion of debt; and (2) the 20 percent reduction in the capital program. Both of these measures will reduce future debt service costs, which are projected to grow to $6.6 billion by fiscal year 2012.

These actions are just a starting point; more must be done – starting now – to address the incongruity in the City's finances. With a booming economy producing large revenue surpluses for the past several years, rollovers from year-to-year have become standard practice: for example, the fiscal year 2009 budget is balanced thanks to the transfer of $3.2 billion in revenues from prior years. This masks the disparity between recurring revenues and expenditures that is starkly apparent in the large looming outyear gaps. With no surplus revenues projected to fill these gaps, the City faces deficits of $4.6 billion in fiscal year 2011 and $4.5 billion in fiscal year 2012. Confronting this reality means that steps must be taken to bring expenditures under control.

First, the Council should show support for an efficient and effective city government by supporting the Program to Eliminate the Gap (PEG). The PEG totals $1.3 billion in fiscal year 2009 and is a source of over $1 billion in recurring savings for the life of the plan. Rather than one-time cuts and deferred expenditures, the program should seek productivity gains to provide the same level of services with increased efficiency. Continuing civilianization at the Fire Department, worth $2 million in savings in fiscal year 2012, is a good example.

All agencies can benefit from reviewing operations toward this goal; therefore, the Council should resist the call to shield any agencies from the PEG. For several agencies, the PEG represents a slowing of growth and not actual decrease in resources provided to agencies year-to-year. This is true for the Department of Education, which will still reach full funding planned under the settlement by fiscal year 2012. While it is certainly in the Council's prerogative to keep its commitment to classroom funding, the Council should strive to offset any restorations with other initiatives that produce recurring savings.

Second, the Council should work together with the Mayor to address "non-discretionary" spending items, notably pensions and fringe benefits. As it did last year, the Council should refrain from issuing home rule messages on State bills for retirement benefit enhancements;

these pension sweeteners add air to ballooning pension expenses projected to be $6.9 billion in fiscal year 2012. In addition, the Council should support negotiations for fair health care restructuring that will provide significant long-term savings for the City – estimated at about $200 million a year – and that will go a long way toward addressing the $58.7 billion liability for retiree health benefits.

Thank you. I would be pleased to answer any questions.