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RUSH TRANSCRIPT: MAYOR DE BLASIO PRESENTS FISCAL YEAR 2016 PRELIMINARY BUDGET

Mayor Bill de Blasio: Okay, I'm going to do my best in this presentation. Forgive my gravelly voice. I've been sick these last few days, but that will not stop me from providing a lot of insight and information here, as we go over the preliminary Fiscal 16 budget – joined by our First Deputy Mayor Tony Shorris; our Budget Director Dean Fuleihan; our Labor Commissioner Bob Linn, who will all jump in throughout the presentation, and they will also provide a technical briefing after this press conference, for those who want it. And I want to thank the deputy mayors and all in attendance.

So, we're building on last year's successful budget process. We feel very proud of the achievements of the last year and the way we went about this budget. We said from the beginning, there was an approach we believed in – some core values that we believed in. We needed a budget that was fiscally responsible, that was progressive, and that was honest. And that's what we devoted ourselves to over the last year. We devoted ourselves to that again in this budget. I want to go through each of those concepts and what it means, both in terms of last year's budget and the coming one.

So in terms of fiscal responsibility – most importantly, we addressed the great unknown, which was the labor situation for this city. We came up with a responsible, fair pattern for our employees, which allowed us then to make a series of decisions about the future of this city, fiscally. I want to remind everyone, we started with zero percent of our contract covered – now, approaching 72 percent. That was the first and most important thing we had to do to restore consistency in the fiscal process. We also addressed one of the great x-factors in municipal budgeting, which is health care costs for our employees, with a plan to secure \$3.4 billion in guaranteed health care savings. And I wanted to remind you, at the time we announced the original labor deals, we said – that is for the labor agreements in place now. We intend to build upon that in the future – the \$3.4 billion in guaranteed in health care savings – unprecedented. We've boosted our reserves, and you'll see in the course of this presentation why that was a priority for us in the past. It's very much of a priority for us this year as well, to keep our reserves high.

We included, in the last budget, some new spending, but it was very targeted – it aligned to our core priorities, and it was done in ways that we thought were careful and responsible. And we brought our out-year gaps down. So those were core building blocks of having a fiscally responsible budget for Fiscal 15, that we're in now. Now, you'll see – I think you have the books that go into detail here – that budget got pretty universal praise from the independent monitoring agencies, from Standard & Poors, from Fitch's, from Moody's – and as well, from our city comptroller and our state comptroller. So, it was very well received as having been a responsible and careful budget.

Since we adopted the budget back in June, we have gone farther – again, as I said, getting up it up to now between 71 and 72 percent of our workforce under contract. We have put in place clear and consistent patterns for our employees – both our civilian and our uniformed employees. And we're continuing to work every day on additional labor contracts.

So, that's fiscally responsible. Now, let's talk about the concept of why the last budget was progressive. Well, it focused on a number of initiatives aimed at addressing income inequality and other issues that had not gone addressed previously – pre-k for all, which I remind you, has an immediate positive economic impact for families that take advantage of it, but a very important long-term impact for the children who benefit, in terms of their economic future and their potential; afterschool for middle school kids, same thing – short-term positive impact for a lot of families, long-term impact on their kids and their economic future; the affordable housing program, which we launched; paid-sick leave, adding over a half million additional New Yorkers; the work we did to reinforce NYCHA, obviously our single greatest core of affordable housing – to reduce some of the pressures on NYCHA, financially; what we've done with Vision Zero as a crucial public safety initiative across the entire city; the STEM investments at CUNY – the whole concept of that to unleash opportunity for New Yorkers in the ever-growing tech field; and IDNYC, which is proven to be an incredibly popular effort to make sure that all New Yorkers have the right and recognition to ID.

All of those pieces define for us, in Fiscal 15, what made a progressive budget. So I covered a – what a fiscally responsible budget looked like, what a progressive budget looked like – third, what's an honest budget look like? Well, for us, we believe last year was a very productive and straightforward budget process – working closely and openly with our colleagues in the Council, offering a lot more information to the public. First of all, we got rid of the habit of putting items in for cuts that then later would inevitably – inevitably be restored. The most obvious example is fire houses, where year after year, there was a Kabuki theater around fire houses. We have made it a point not to engage in that practice. I think it's been appreciated by the City Council and the public alike. Second – trying to be straightforward about real costs. Previous budgets before this administration didn't acknowledge the reality of labor costs. We obviously have put a pattern in place which we're sticking to and so we're being obvious about labor costs, among others, that people need to see much more vividly displayed in this budget.

Now, we're very proud of last year's budget and it informed a lot of what we're doing this year. Before I go into the details of this year's budget, I want to talk about the economic outlook. And, from to time, you've heard me use the phrase “tale of two cities.” So I think we have here, a bit of a tale of two economies. You are going to see some very good news first – very promising news – then you're going to see some very sobering statistics and some of the real challenges and unknowns that we face up ahead.

Let's go over the good news first. The national economy has clearly seen some real and moderate growth and we're expecting a growth in wages and in number of jobs and accompanied by low inflation. So that's a very positive construct. The national economy is expected to add about 2.8 million new jobs this year. Inflation – almost at zero at 0.3 percent, expected. And wages are expected to grow 2.8 percent. So those are all very promising national – gross domestic progress growth is expected to rise this year and there's obviously stronger consumer confidence and consumer spending. These are good trends and, in terms of New York City, what you see is how strong we are now, in the context of national economy. Because I have my mic on, I can walk over here and you can still hear me. Here is New York City in the context of the national economy – California, New York state, Florida, New York City. So you see us between Florida and Illinois in terms of what our gross city product is compared to the gross state products of major states in this country. So we have a really thriving economy on many levels. And private employment – as you can see here – private employment levels have grown faster than the rest of the nation – that is since 2010. Now this is a real – an inspiring reality but a cautionary reality as well. Let's look over here – you go back to February, 2010 – New York City unemployment rate was 10 percent – 10 percent, which was obviously extraordinarily high and unacceptable rate. So, that's an example of how recently we were at an untenable level. Now we're down to 6.3 percent – a great improvement – as of this last December. So we saw how quickly things can improve but we're also cognizant of how that can turn the other way.

Tourism has been a really important piece of our economy. There's a lot of good news there with tourism levels having gone up now. 56.4 million tourists visited last year. That's an extraordinary number. That's part of the continued growth in tourism. According to NYC & Company, there's now over 350,000 tourism related jobs –

has about a \$61 billion dollar impact on our economy. So, that is outstanding. NYC & Company has done a tremendous job and we have been adding resources to them because we've seen such a great return on that investment.

And another good news story – the job growth that we have seen is relatively diversified. The stereotype of this city, once upon a time, was fire insurance – real estate. Now you see a lot of other sectors that are growing. If you look at where the greatest job growth has been – professional business services, leisure and hospitality, health, retail trade, education – so you see a good diversification there, in terms of our job growth.

Now, those are the good news elements, and they are good and they are real. But when we're undertaking a budget process, we have to look at a whole host of indicators. We have to think ahead. We have to prepare ourselves for a lot of different eventualities. And that's where some other facts have to come into play. The moderate growth that I talked about in the economy is meaningful, but we all know it is not reaching many Americans and many New Yorkers.

And this is the sustained impact of the Great Recession, and a lot of trends that we were experiencing, even before the Great Recession – the decline of the middle class that we were experiencing before that. The impact of all those years of things going the wrong direction means that, even with some growth, still too many people are left out. President Obama I think said it very powerfully in the State of the Union, which I thought was an extraordinary blueprint for how we turn the national economy around, how we create a more inclusive country, and address income inequality. The president said, "will we accept an economy where only a few of us do spectacularly well? Or will we commit ourselves to an economy that generates rising incomes and chances for everyone who makes the effort?" And I think, again, he laid out a blueprint associated with that notion of what an inclusive economy looks like.

Now, this is a set of ideas long overdue to be focused on in our country. The president has put forward these ideas. A lot of other people previously had not acknowledged or discussed some of these challenges, and what they mean nationally, and what they mean locally, for a place like New York City. But now you see an evolving recognition of the extent of the problem. So, I'm going to read you three quotes. In each case, we will let you know after who they are. First, "It's a tragedy – a human tragedy that the middle class in this country, by and large, doesn't believe the future will be better than the past, or their kids will have a brighter future than their own. We haven't seen rising incomes in decades. The American people are struggling to make ends meet." I agree with that quote, and that is from... Mitt Romney. The next quote – so you're going to see an emerging consensus – the next quote – "We know millions are still struggling and searching for a good job." Which left-wing economist is that? John Boehner. Finally, this recovery – and I discussed, there is a recovery going on. But how far is it reaching? How much effect is it having? The quote is, "This recovery is too fragile for far too many." Paul Ryan. All those quotes in just the last couple of weeks. These are people, obviously, I don't happen to share a political philosophy with, but I think it's very telling that you're seeing a more definitive recognition across the political spectrum of the fact that what we see – even with some hopeful signs of recovery – is not reaching deeply enough or quickly enough to so many people who need it.

Globally, we're confronting the same reality – a very chilling report came out last month from Oxfam, noting that the wealthiest 1 percent on this earth will soon own more than 50 percent of the world's wealth. And in terms of the United States itself, in recent years, share of national income of the top 10 percent surpassed the level that it was in 1928. This is very telling. In 1928 – the Roaring Twenties, before the depression, the period of our history most associated with income inequality – now we've actually surpassed that level in terms of the skew in our income. So these are all ideas we need to take very seriously and we need to understand what it means for us. And it is felt right here – and let's go back to something that we looked at just a moment ago – in terms of, I said, we have job growth and that's good. And it's a diversified job growth – a little more diversified economy – that's good. But here is the problem. Where you see most of the job growth – 65 percent, so two-thirds – is where earnings are lower. So, we're getting a lot of growth, but largely in low wage sectors.

We're glad these jobs are being created. We're glad people are getting these jobs. But in so many cases, it's not enough for people to make ends meet here in New York City. Which is why, in everything we're doing, we're trying to push wages up, push benefits up, push the costs of living down – particularly in terms of housing. Again, some examples of the disparities here – the top 1 percent of income tax filers, here in the city, are taking a growing share of city income. So we see clear and consistent disparity there. Now, for so much of the city – again, for so many households – the reality has not been forward movement, for a long long time. Here is inflation-adjusted medium income – median, excuse me, income of city households, going back to 1990. We see a decline in real dollars since 1990, and barely any movement since the 2010 recession – sorry, the start of the recovery in 2010. So, this is where we were at a time when there was forward movement. We had the Great Recession. We've experienced, officially, some economic recovery but as you can see, it's making very little impact on most families' income.

And in terms of moderate and middle income households – just to define that with the same definitions we use in our housing plan – moderate income households make between \$67,000 and \$101,000 – total household income – middle income households between \$101,000 and \$138,000 – so this is the middle class. For these families, that percentage that they make up of our city is down nearly 4 percent. That was about 29 percent in 1990 – over 800,000 households now – down to 25 percent of our city's population. As our population has grown, the percent of folks who would be squarely in the middle class has reduced.

And finally, this is one issue I've worked on for a long time, but it's very, very telling. In terms of real impact of all these trends on the everyday lives of families, here we have the Supplemental Nutrition Assistance Program – SNAP – otherwise known as food stamps. In the city of New York, this number of people enrolled has more than doubled since Fiscal 02 – 400,000 people back in Fiscal 02 – over one million New Yorkers now – one million households now. And that is including more than 640,000 children, in this city alone, on food stamps. So that says a lot about what's really happened to people's income inability to make ends meet.

And we also have to be clear about – even some of the positive signs, and signs that we're hopeful about, are not permanent or never-ending. Here is the GDP growth that we talked about earlier. There has been growth. That's a good thing. But look what happens over here – just a little bit up ahead, we start to see job growth tail off.

So there's some signs here that we have to be very sober about, and that is reflected in our budget process. Now, the economic realities are one thing, and then there's the reality of what happens at other levels of government. And there are some real uncertainties, both on the federal and state front, that we take very seriously. Let's talk about that, and talk about, also, what would happen to us if we had economic challenges up ahead.

First, let's talk about the federal government. We obviously for a long time have needed a lot more federal support in areas like affordable housing, education, infrastructure. We've been getting steadily less in recent years. And then the sequestration came along, and codified some of those cuts. And even though there's been fights, year after year, and back and forth actions in the congress – the sequestration started a new reality of the potential for much deeper cuts. The city has already felt the effect of this. The 2013 sequestration alone led to up to \$370 million dollars in cuts to the city. That was before the recent election. The recent election obviously brought in a congress that's even more focused on budget cutting. So, this is an area where we have a lot of concern. President Obama clearly has offered an alternative vision. We are not clear at all what the Congress is going to do in light of that vision, but we do see a negative trend – more and more focus on budget cutting on the kinds of things that not only would help New York City – it would help cities all over America, it would help our economy, it would help spur growth. We see the Congress turning away from those.

Highway Trust Fund – here is a classic example of something that the federal government did right for many, many years, building a highway system that was an underpinning of our economy. This was a consensus area. This was a non-partisan agreement for decades in this country. Now, on May 31st of this year, the Highway Trust Fund is scheduled to be insolvent, and there is no plan at this moment – no consensus plan – to address this issue. What does that mean for New York City and the New York metropolitan area? That could have a \$2 billion dollars negative impact on the metropolitan area in areas like road and bridge maintenance, MTA capital

projects – and obviously, some of the changes we're trying to make with Vision Zero. All of that could be undercut if the issue of the Highway Trust Fund is not addressed.

So, that's the federal level. Let's talk about the state level. And there's been a couple of things that really jumped out as we look at the initial state budget presentation. First of all, it's well known – this is, again, not relevant specifically to our city budget, but obviously to the economy of the city and everyone's life in the city – the MTA. The MTA, at this point, has a \$15.2 billion dollar capital shortfall. The state has not put forward a plan to address that yet, nor has the state met its obligation in terms of some of the other infrastructure – roads and bridges – that are obviously are aging.

But even more distinct is the issue of the education funding, which under the Campaign for Fiscal Equity agreement, several years ago – there was a clear agreement that the state was going to fund New York City schools in an equitable manner, given our percentage of the state's school population, and the needs of this city. Other major cities in the state were going to benefit too. So, let's look at what happened in Fiscal 08 – this obligation was met. So there was an agreement struck, Governor Spitzer and the legislature met the agreement, and then, as the economy worsened, there was a trend away from fulfilling the obligation under CFE.

I think we all recognize that those were tough years economically, and tough years for the state government. But now we're in a different reality, where the state government obviously is much – in a much stronger position, financially, overall – in addition, has the asset forfeiture money, over \$5 billion dollars. It's time to have a serious discussion, again, about the state's ongoing obligation to this city, and other cities around the state, in terms of the CFE agreement.

I want to note the city Comptroller Scott Stringer, in a recent op-ed, I think said very powerfully – not just about the CFE issue, but beyond – "the current spending plan – the current state spending plan does not provide New York City – which is the economic engine of the Empire State – with our fair share of funding." It's as simple as that, and that is something I'm certainly going to address in my Albany testimony later this month.

So, that's what happening in other levels of government. Now, let's go back to the macroeconomic dynamics. And this is another trend that should give us some concern. So, here is the current official economic recovery – or expansion – again, I'm the first to say, an expansion that many, many people have not felt the result of – but by pure economic indicators, this is now 68 months into this expansion. This is every economic expansion since World War II. Several were very long – most, much shorter. We are now past the average, which is 60 months or five years – we're eight months past that now.

A lot of people look at this and recognize this as a warning sign. Economic expansions do not go on forever, and we have to prepare for when things turn. So, this would be the time to start planning for that rainy day. We know that this is not just about the big economic cycles, or international or national trends – we also know that downturns can happen because of very specific events, specific problems that arise that can really have a profound impact. That was what happened to this city on September 11th, 2001. A specific tragedy occurred here that affected our economy locally for years to come, affected our city budget for years to come – absolutely unexpected, and we have to prepared for that kind of danger or eventuality. Of course, again, the Great Recession – something that was not projected, and struck much stronger than anyone ever could imagine. And then most recently, a tragedy that I've defined – I think rightfully – as the largest natural disaster in the history of the city – when Sandy hit, huge negative economic impact on this city in 2012. So these are the kinds of things you have to be ready for, and we're obliged to account for, and they can happen unexpectedly and send huge shocks through our system.

Now, what happens when we have either one of these sudden local shocks, or we have a bigger national and international economic downturn? Well, of course, tax revenues go down, and state funding declines. So here we have, after 9/11, non-property tax revenue decline by \$2.3 billion of these three years – '01, '02, '03. During the Great Recession, again, non-property tax revenue declined \$4.4 billion over three years and, at the same time, we had a decline of \$1.6 billion in state funding. So this is something we have to be very sober about – this

combination – our own revenues going down, state revenues going down, and therefore not being passed along to the city. It's a one-two punch that we have to be ready for.

So that is the mix of factors that we took into account in our planning. We do see some good news. We're hopeful about that. We appreciate it. We want to try to maximize it. But we see a number of areas of concern, a number of risks. So we're proceeding with caution. We're continuing a real devotion to having strong reserves. When we make decisions to invest, we're doing in a very targeted manner, according to our priorities. The goal in each investment is to create a stronger city, a safer city, a fairer city, and we're doing that in a way we think is very cost effective.

So I want to go into just the top-line numbers for a moment. I'm going to have Dean go into the specific budget charts. Let me do top-line numbers in some of the areas that we're focused on for investments. So, overall, the proposed the Fiscal 16 budget – \$77.7 billion – this is a balanced budget proposal and closes a deficit that was projected, as recently as November, to be \$1.8 billion dollars. Of course, we in the process, also maintain a balanced budget for the current fiscal year – Fiscal 15. We will have reserves of \$750 million per year included in Fiscal 15 through 19. We've been able to further reduce out-year deficits. They are still substantial but we've been able to reduce them. And again, we're going to make some very targeted and specific investments. Let's go over those, starting with public safety.

As many of you know, we're investing in vests for the men and women of the NYPD – spending \$7.3 million in this fiscal year and then adding \$4.2 million next fiscal year. So that will allow us to replace all of the bullet-resistant vests that are over the five-year warranty. That combined \$7.3 million this fiscal year and \$4.2 million next fiscal year will be able to cover them all. A fact that I shared with some of you the other day, but for everyone's benefit, a very powerful fact – since 1978, bullet-resistant vests have saved the lives of 87 NYPD officers. So this is a tremendously important investment. We're investing, as well, \$10 million dollars to expand the police cadet program. This is a very effective way of getting more and more young people from New York City to choose to do the work of protecting us and ensuring that we have great individuals becoming a part of the NYPD, going forward. And we added \$3 million dollars for the law department, as part of our effort to end that pattern of frivolous lawsuits against NYPD officers and against the city.

The fire department has added more than \$11 million dollars for 45 new ambulance tours and \$6.7 million to add 149 new EMS dispatchers. And that is both in those – both of those investments to bring down response time. As you know, when we came into office, we found a number of problems with the 9-1-1 system – the technology problems, which we've addressed. After a very thorough investigation, we've come up with a reform plan, but also some day-to-day management and approach problems that we wanted to change. One of the things we found was, to keep the city-wide average response time at a level that's acceptable, we needed to make these investments. They will help our city-wide dynamic. We think they'll particularly be helpful in some areas of the city that have had particular response time problems, including Staten Island, including Western Queens, and including the South Bronx.

In terms of the correction department – obviously, a tremendous focus on reducing the use of force, reducing violence on Rikers Island, adding personnel, getting away from any of the practices of the past that we found unhelpful and unfair. So, we have added \$35 million to the correction department as part of this reform. And we're adding \$3.6 million to improve recruitment and investigation of employees – meaning background checks on employees.

Now, in terms of education – obviously a tremendous priority – we're continuing the build-out of universal pre-k and of our after-school programs for middle school kids. These numbers will be familiar to a lot of you. They are repeating the numbers from last year. Last year, we had to spend a lot, in terms of the original costs and the startup costs of the pre-k and afterschool efforts. We feel very, very good about the numbers we reached through those investments – 53,000 kids in full-day pre-k, almost 100,000 kids – between 90 and 100,000 kids – in after-school programs in the middle school level. Both of those will now increase and we are going to be able

to get more done, we think, with these dollars because the startup costs have been accounted for. So, we're looking forward to expansion on both those fronts.

Some of the other things that we've talked about – clearly, a priority in this preliminary budget – the renewal schools effort to turn around 94 struggling schools, the teacher-leadership positions – it funds 594 model and master-teachers. This came out of the UFT agreement. It's going to allow us to reward stellar teachers, who are then going to play a bigger role in schools, particularly, that need them the most. We have funding in here for literacy intervention focused on kids with dyslexia. We have additional funding for language services for parents because we obviously are focused on parent engagement. That was a very big item in the teacher contract. We want to continue to deepen our efforts to bring parents in with additional language services and translation services for parents who need them.

Now, looking at CUNY, we are adding \$29 million for STEM programs and the ASAP program in our community colleges. 8,000 more students will have preparation now for STEM jobs. This is crucial. Tech-sector is one of our strongest areas here in the city – it's growing – a lot of opportunity. Too many New York City kids have not had a chance to access that opportunity. CUNY always has been the gateway to opportunity, so these STEM programs are going to make a big difference – the Solar Smart Initiative, which is going to help us move towards the installation of solar in many parts of the city. And \$1 million dollars for the Fatherhood Academy, to expand CUNY programs that help young fathers with education and jobs.

Now, let's talk about how we want to serve some of the most vulnerable New Yorkers, and let's start with addressing the homelessness crisis. This is obviously a situation we're very focused on. We're putting in some substantial investments to address homelessness. These investments are already being felt and beginning to turn the tide – \$28 million for rental assistance, and programs to move homeless New Yorkers out of shelter. Our priority is the kind of preventive efforts and the kind of efforts that help to get people away from shelter and towards housing in our neighborhoods. We also are adding \$8.6 million to keep New Yorkers from being homeless in the first place. So, it's a variety of tools – rental subsidies, anti-eviction legal services, counseling programs – things that help to interrupt the cycle that leads people to homelessness. We're also acknowledging, we have – and it's a well-known fact – we have some individuals who are homeless and choose to remain on the street, who do not accept offers of long-term shelter. We have to do a better job of serving them. And so we've added resources to expand drop-in center services for the street homeless as well.

In terms of the Administration for Children's Services – this is an area I spent a lot of time on, both in my time as a council member and my time as public advocate – we think it's crucial to keep upgrading the work at ACS. That means better training for ACS workers. They do extraordinarily difficult work. They need ongoing professional training. We're adding that. More resources for preventative services – we found, over the years, that is one of the things that works – when families are in distress, getting them support. And we want to make sure that that's accessible for the families who need it, so we've added resources there. In terms of community health – continuing our effort to build additional community health centers in neighborhoods that have distinct need, all over the city. So, we're going to continue to build that out.

Finally, in terms of IDNYC – guess what, we have more demand than we expected. IDNYC – it's a very, very pleasant surprise how extraordinary the demand is. So, we've added \$5 million dollars for staffing right away. And just to give you the update on the numbers overall – we've got about 10,000 cards that are either in people's hands already, or will be in the next week or two – about 6,000 already in people's hands. The next 4,000 will be in people's hands in the next week or two. So that'll be the first 10,000. Every time I turn around, this number is bigger. 260 – Is that right? Looks like a whole different number just a few hours ago. Okay, it keeps going up. 260,000 appointments – this is unbelievable – 260,000 appointments – so over a quarter of a million appointments have been made. The vast majority of those are scheduled over the next 90 days. We've made 90 days the standard. This is part of why it was so important to make this investment. We want people to be processed within 90 days of making their appointment.

Okay, we're going to – in terms of economic development, we're going to continue to focus on job creation, particularly through our small businesses. There's a lot we can do to encourage and support small business, and to promote economic development across the city. In terms of small business, we've taken actions to streamline and modernize our tax code and align it better to the state tax code. That reduces burdens on New York City businesses, particularly small businesses and manufacturers. And that is a revenue-neutral action. So that's an overdue reform that nets out well for us. We're also going – in the process – going to be reducing taxes for up to 45,000 small businesses and manufacturers.

And in terms of expanding opportunity through our minority and women-owned business enterprises, we're investing \$1.4 million at the Department of Small Business Services to greatly expand access to MWBE opportunities. This helps more and more businesses get certified so they can take advantage of these opportunities. A lot of business qualify but they didn't have the certification – couldn't follow through. We're going to help make sure a lot more of them can. Also, crucial to small business and to our economy overall – Department of Buildings – we're adding \$4.6 million. I've had many things to say about the changes and reforms we needed at the Department of Buildings. This has been something I worked on for a long time. We're making a major investment here – speed up the inspections, because a lot of businesses, particularly small business, can't move forward – opening up or expanding and hiring – unless they get inspections. So we're adding inspectors. We're adding automations so we can reduce backlogs. We're reducing the bureaucratic process. We're taking the hub system, which was started in the last administration. It was a good innovation. We're expanding that. So we think, in short order, this will help streamline the experience that small businesses have with the Department of Buildings.

Now finally, just to sum it up – and then I'll favor you with a few sentences of Spanish, before I bring up Dean Fuleihan – so, I'll state the obvious, but we believe this very strongly here. Budgets are about values. Budgets are, by definition, statement of values. It is an indication of what kind of city we are, what kind of city we want to be in the future. And so, we've put together a budget that is responsible, it's progressive, it's honest. It enhances public safety. It addresses income inequality issues. It promotes opportunity and helps to build a more inclusive city. This is what we look at as we go through this process each year. And we believe in this preliminary budget, we've been able to achieve the kinds of goals that we've put out for ourselves. Dean will go over some of the overall charts. And again, there will be a technical briefing afterward, but just a moment in Spanish.

[Mayor de Blasio speaks in Spanish]

And now, without further ado, the esteemed budget director, Dean Fuleihan.

Budget Director Dean Fuleihan, Office of Management and Budget: Thank you, Mr. Mayor. On the – I'm going to do this quickly – there will be a technical briefing, again, afterwards. So, I will focus on the most important slides – the one I think everyone here is familiar with – changed since the November 2014 financial plan. The top-line was the gap to be closed in November. So we entered this process with a billion-eight in 2016 and then a billion-two – billion-eight, then 2.2 roughly in the – at the end of the last year. We are now, if you look at the bottom of it actually – the bottom of the table – the gaps are now – we are in balance for 2015. We remain in balance. We are now balanced for 2016. The gap in 2017, 2018, 2019, are \$1 billion, \$1.3 billion, and \$2 billion dollars. These gaps will obviously need to be addressed and depending on the economy and that the risk the mayor focused on – they could obviously be increased, but important to note, these are low when compared to the past 13 years. How this was achieved is outlined in here – the revenue changes. It's a recognition of tax revenues across most of our revenue sources but most significantly, in the personal income tax of \$400 million and \$300 million next year. Those are revenues that are accounted for. It's still a cautious forecast but it does – it's clearly happened. Withholding was higher than we had originally anticipated. That's offset by some expense savings and actually, some expense savings in debt service and in pensions. And then we do account for the targeted agency spending in 2015, the net of \$130 million, and net of \$340 million in '16. And then the collective bargaining – that line is the additional cost of the uniform pattern.

On the next slide, this is city fund revenues and expenses – fairly straight forward. I'm not going to dwell on this one. I'm going to move onto the next slide as well. And these delineated – once again at the technical briefing or after here, I'm happy to do this – but this delineates the personal service and non-personal service for – here it's 2015, the next slide 2016, and then the final slide is the city fund revenue and expenses. As – let me catch up with you – so on that slide, it delineates what the mayor said – the 2016 all-funds number of \$77 billion. The 2015 number, the \$78 billion, reflects two major factors we accounted for and then started in the November financial plan – a significant increase and success in our agreements with FEMA and HUD. So that is about \$1.6 – \$1.7 billion. There's an additional \$300 – over \$300 million in homeland security grants that are reflected in those numbers. So that's really the success that we're having with the federal government and the agreements that we're reaching. And then there's the pre-payment which, in this budget, is \$1.4 billion and that's also on the first chart. That \$1.4 billion, which at this point now, with the \$100 million we did in the November financial plan, is now \$1.6 billion. And that's really the summary of where we are – and once again, cautious – a cautious financial plan that allows us to address targeted investments.

Mayor: Stay where you are.

OMB Director Fuleihan: Not going anywhere.

Mayor: Okay. Okay, we're going to do on-topic only, and the floor is open.

Question: Mayor, there wasn't any funding, at least that I saw, for – to grow the size of the police department. That's something that the City Council has talked about in the past, wanting to add 1,000 new officers. And your own police commissioner has also talked about this desire to add more officers. I'm wondering if that's something you considered and dismissed, and how you, sort of, came to the conclusions that you did.

Mayor: It's an ongoing discussion. As you know, Commissioner Bratton and his team have just finished their re-engineering evaluation, and they've put forward an initial plan. We're having very serious discussions about that. We're obviously going to have discussions with the City Council as well. So, that's not going to be ready until we get to the executive budget.

Way in the back.

Question: Mayor, it appears from the document that Health and Mental Hygiene, and also HRA, department of social services – you're basically [inaudible] funding those two agencies, insofar as that [inaudible] might contribute in some fashion to the governor's plan [inaudible]. Is it your expectation that they will do that by reprogramming existing dollars, and if that is your expectation, what do you say to the advocates who are looking for new money from you in this budget?

Mayor: Well, first of all, I commend the governor for the goal he's set, and we certainly going to be key participants in that. This is a preliminary budget, so we've addressed some of the things that we needed to address immediately, because they were Fiscal 15 expenditures. We've addressed some things that we're ready to include going forward. A lot more will be looked at and evaluated for – excuse me – the executive budget. So, we certainly want to figure out what role we need to play. Last year, as you know, we were – we were very, very happy to make progress, finally, on affordable housing for people with HIV and AIDS, but there's more work to be done. So, we'll assess that for the April budget.

Question: I was wondering if you could tell us more about how those billions of dollars in health savings were [inaudible]?

Mayor: Dean Fuleihan, or Bob Linn – Bob, I think it's your time. Come forward, Bob.

OMB Director Fuleihan: I'll start, and hand it over. Remember, the 2015 fiscal year savings is \$400 million, and the 2016 is \$700 million. Bob's going to explain. We're well on our way to achieve that, but I'll let you give them the details.

Commissioner Bob Linn, Office of Labor Relations: So, we submitted a report at the end of December that said we were going to meet the \$400 million – probably exceed the \$400 million for Fiscal 15. That will include things like the DEVA audit, which eliminates people who should not be covered by health coverage. And we've found those, and are eliminating them from coverage. We are saving money with our prescription drugs, we're saving money with GHI, we're saving money with Blue Cross, we're saving money with care management – a number of areas that are going to be in effect for this year, and we see pretty clearly that we're going to hit over \$700 million for next year, with additional types of improvements of creating greater efficiencies in healthcare.

Mayor: Sally.

Question: You talked about the \$3.4 billion in healthcare savings. Can you, or maybe Dean, explain – the fringe benefits still go up each year – you know, like [inaudible] What's the reason that the overall cost is going up if the unions are required to find 3.4 –

OMB Director Fuleihan: Once again, what we have attempted to do, and what we're starting to do – and this is the first \$400 million of that – is to bend the cost curve. It's not that we are changing, or we're going negative at this point, in healthcare costs. So, there are increases, but what we are doing, literally, is changing the trajectory of that going into the future.

Question: [inaudible] than you would have had –?

OMB Director Fuleihan: Of course. Absolutely.

Question: Regarding the \$3.2 million dollars for the law department – how many attorneys does that pay for, and what's the new threshold to determine whether a lawsuit is frivolous?

OMB Director Fuleihan: 40. 40 attorneys. I'm sorry, I missed the –

Mayor: [inaudible]

Question: The threshold to determine –

OMB Director Fuleihan: And paralegals, yes.

Question: –frivolous or not, and whether it's – [inaudible]?

OMB Director Fuleihan: I think we'll...

Mayor: Right. I mean, that's obviously a question for the Corporation Counsel, and we'll make sure you get a chance to ask that. But it's case by case. The point is, and we used the example of the case that got a lot of attention the other day with the machete attack. We understand that the standard assumption about economics was why fight the case when you could spend \$5,000 and end it, cut your losses, call it a day. We're saying that even if that was well-intentioned, and that was the policy of the city for decades, we want to change that by ending the upward trend of these frivolous lawsuits, so we will – wherever we think appropriate, means where we think everyone has done their job appropriately – we will take the case to trial. We'll spend what it takes. Bluntly, we believe the fact that we're willing to do that – we're going to make it very, very visible – will cause some of those who are bringing the frivolous lawsuits to cease and desist.
Yes.

Question: Mayor, getting back to the police budget. A couple of weeks ago, the police commissioner said that he wanted to establish a new anti-terror strike force of about 350 people – I wonder if that's new money, money you'd need to put in the budget, money you're hoping to get federal funds for – how will you fund it? And secondly, in terms of adding more police to the city – it's an ongoing discussion, but is it something you think is a positive thing you'd like to do if you had the money?

Mayor: Okay, I'll start on the second question, and then I'll frame the first one and go to you. Look, here's what's the most important thing – crime continues to go down. And I say God bless the men and women of the NYPD, because they're doing a great job. If you look at the first five weeks of this year, on the major crime index, crime continues to go down. There's always work to be done. But a lot of the approach being taken now is working with the resources we have. That being said, I have immense respect for Commissioner Bratton, and he thinks there are some things that we can do to improve our long-range approach – to improve the relationship between police and community. We're going to look at that. So I don't bias that discussion in advance. I'm going to have that discussion with the commissioner and his team, with the City Council, and we'll come back in April and let you know at that point what we believe is a fair proposal. The first one, again, was?

Question: [inaudible] terror money [inaudible]?

Mayor: Yes. I think – I think it's – first of all, he and I have talked about this several times, and I think it's a great idea, because what it means is we're not going to be taking officers out of precincts arbitrarily for when there's a particular duty involved like that – it means we're going to have a dedicated group of trained officers who will just focus, and that right there means we're using our existing resources more efficiently. But Dean, you want to –?

OMB Director Fuleihan: No, I think that's exactly the answer – that there are efforts to – to – to change the way the police force and resources have been allocated, and this is a perfect example, and I think actually, that's going to be part of the bigger conversation as well.

Question: Is there federal money that you could get – you know, that could pay for some of these new anti-terror initiatives?

OMB Director Fuleihan: You know, I don't have an immediate answer on that, but we'll come back to you, whether there's specific targeted federal money we can do this for, in addition to the Homeland Security money we get now.

Mayor: And let's – I appreciate the question, because we're clearly the number one terror target, and, to say the least, this is where we should see some additional federal investment, in perfecting our efforts to inhibit terrorism.
Dave.

Question: Mayor, where you see an increase over last year on things like ACS, homeless services, and then also the EMS – but in those three areas, is there something specifically that you looked at in last year's budget and said, this is something we need to fix and change and improve upon [inaudible] ACS, were there some cases where you were concerned, were there some response times with ambulances [inaudible]

Mayor: Sure. Well, I'll go with each one very quickly – the ambulances, yes, we saw in the response times, in those areas of the city – parts of Staten Island, parts of south Bronx, parts of western Queens – that we found unacceptable, and we wanted to address that locally, but also bring down the citywide average. So this is something that had been talked about previously as an option. We thought it was a worthy expenditure. In terms of homelessness crisis – clearly, with the constant upper pressure on housing prices, and the fact that this economic recovery, again, has not reached enough people – it is sadly not a shock that the numbers of homeless have gone up, but it's not an acceptable state of affairs, so we've been putting resources in a very targeted way into getting people out of shelter, and stopping people from ending up in shelter in the first place. So, this is something that we've seen a trend we don't like, and we believe other tools can work, and we've been adding tools as we go along, to make sure we have every option on the table to inhibit people from becoming homeless. In terms of – what was your third, I'm sorry?

Question: [inaudible]

Mayor: ACS. A lot of you know I've been working on this for a long time. And I give a lot of credit to our Deputy Mayor Lilliam Barrios-Paoli, and our ACS Commissioner Gladys Carrion, who continue to work on reforms and improvements in the agency. And I have a habit of calling them into my office on a regular basis, and saying, what's the next thing we have to do – not because of one particular tragedy – unfortunately, we do have tragedies that not only pull at our emotions and our feelings, but teach us some things we have to do better – but it's beyond that. It was really about looking structurally at the agency, and saying what hasn't been achieved in previous reforms. There were real reforms after the death of Elisa Izquierdo. There were real reforms after the death of Nixmary Brown. There were real reforms after the death of Marchella Pierce. But that doesn't mean everything was done that could be done, realistically. And so, we looked at some areas that structurally needed to be different. Clearly, the lack of training – the fact that a lot of people, very good and well-intentioned hardworking ACS workers only got training when they came in the door, and not even that much of it – that was a lost opportunity to help people learn how to do this very challenging work, and to sustain that training. That's one of the examples of something we thought had to be better. And – and something I've worked for on a long time – preventative services – we clearly didn't have enough. We saw cases where we believed a family would benefit from having that kind of intervention, from a nonprofit that could provide help to the family in their home – but there were not enough services available. A lot of families couldn't get access to them. We decided that was a worthy investment, and a good preventative measure.

Question: Mr. Mayor, in terms of the investments that you're making for reducing response times, and adding some ambulances – how did the city reach the – determine how much to bring those response times down by, and then, to what extent is the city taking into account end-to-end response times? One of the complaints that people have voiced is that the time that they want to bring it down – it doesn't take into account the time from when the person calls 9-1-1 to when the actual ambulance is dispatched?

First Deputy Mayor Anthony Shorris: Sure, let me address that in a couple of ways. So, first, there are two ways to measure – there is the traditional way the city's been measuring, and there is end-to-end, which is a preferred method. Here we're using the same method that the city used historically, just so everybody can have a basis of comparison. When using that method, the city's response time – which now runs about 6 minutes and 50 seconds on average, for those calls, which is a little higher than it's been in the past – but more importantly, there are communities in the city where we start running substantially higher than that – the communities the mayor has mentioned. As you know, last year, we were asked to do a pretty thorough look at how our 9-1-1 response time was looking – part of that was technology, part of it was staffing and operations. In the course of that, it became clear we could do a better job in some of those communities – and that would not only help in those communities, but bring down the whole citywide average. Hence, the resources that you're seeing here today – the 45 additional crews targeted at those neighborhoods; also, additional EMS dispatchers, who will help make sure the calls are transferred more rapidly; and there's actually even additional staff in the police department to help with their initial call-taking. So, we've been doing a pretty comprehensive review of the whole system. This will deal with some specific problems, and also bring the citywide average down to something more appropriate.

Question: Is the city looking to at some point switch over to an end-to-end?

First Deputy Mayor Shorris: Sure, and we report on an end-to-end basis on a regular basis. Here, we're just using it because it's the number everybody's used to. But absolutely.

Question: Mr. Mayor, could you talk a little bit more about the conditional funding for the Department of Correction to reduce use of force incidents? Is that to fund some of the initiatives that you've already announced – special enhanced security units? And also, when the Board of Correction recently voted to end solitary confinement or punitive seg for people under 21 – that was stipulated on whether or not there would be funding to do that? So can you tell us if this budget –

Mayor: Do you want to – do you want to separate out those pieces? Or do you want Tony to jump in? Tony.

First Deputy Mayor Shorris: So, the staffing that's here for the department includes a whole bunch of pieces – all part of our larger effort to reduce violence on the island. It includes additional staff, particularly to deal with the adolescents issues – initially the 16- to 18-year-olds, and now we're going to be looking at the 18- to 21-year-olds, which was what the Board of Corrections voted on. There are some 288 additional officers associated with that staffing, just for adolescents. But there's also staff to improve programming on the island; to improve the way we recruit, and check out officers who are candidates, at least, to be employed at the department; to improve training; and ultimately to reduce overtime on the island. So, it's part of a large-scale reform of the department – part of what I think the mayor and the commissioner discussed some months ago.

Question: [inaudible] increase staffing?

First Deputy Mayor Shorris: That's right.

Question: Mr. Mayor, you talked a lot about veterans being a personal thing for you – did you include any more funding for MOVA in this particular [inaudible]?

Mayor: We're, again, looking to April – we're going to be making some bigger decisions about how we approach the work we do around veterans, and the way we support veterans. Clearly, as I said in the State of the City, we're going to end chronic homelessness among veterans, and that is already baked in to, you know, the efforts we have delineated here in the preliminary budget. But that is just the beginning of the discussion. We're going to see if there's other things we need to do. Do you want to add?

First Deputy Mayor Shorris: No.

OMB Director Fuleihan: I mean, it is – once again, we're putting significant resources into the whole homeless program, and that is one of the clear goals that's going to be accomplished.

Question: [inaudible] MTA declined to [inaudible] increase funding to the MTA?

Mayor: You know, that's going to be looked at in terms of the 10-year capital plan, so – but for a few very specific, immediate things we have to put in for capital right now, really, that's an April discussion. We're going to – this has been a very big administration-wide effort to perfect our long-term vision in terms of capital spending, and that's one of the things that we have to talk about within it. That being said, the bigger issue, of course, is Albany's commitment, and in what we've seen initially, we don't see as substantial a commitment to the MTA as we think is necessary.

Question: Mr. Mayor, how do you like dealing with all these numbers, and [laughter] is that your favorite thing to do? And what are you drinking in that cup?

Mayor: Wouldn't you like to know? Okay. We have today the herbal tea – what kind of herbal tea is it? Lemon. We're having lemon today – with honey and more lemon. I strongly recommend it. How do I like working with the numbers? This is how you get things done. You know, the – I mean, thank God there's these wonderfully talented people working around me who have a deep expertise in terms of managing budgets and government, but in terms of the decisions, and taking the values and putting them into practice, it comes down to the numbers by definition. So, you better like working with numbers if you want to do this job. And I think there's been a real consensus in this team about the approach to take. We are all naturally progressive, and naturally fiscally cautious, simultaneously – which, if you go back to a couple years ago, what the projections would be, I'm not sure a lot of people picked up on that fact, but I actually think it is necessary to be fiscally cautious to guarantee that we can continue to apply our values on a consistent basis going forward. So, all the decisions come down to the numbers.

Phil: One or two more [inaudible]

Question: Mr. Mayor, how much [inaudible] would you say is in this budget? In years past, mayors have said, [inaudible] we may not get x amount from the federal government, or from the state, [inaudible], and also, separately, have you [inaudible] extending reductions at all? [inaudible]

Mayor: I've said to agencies that I expect them to find cost-efficiencies, and to determine programs that, you know, are not effective enough, or might be from another era, and to bring that back as part of the process leading to the executive budget. I think there's really substantial risks here. You know, I think part of this is to never be overconfident in budgeting. I think that got New York City into a lot of troubles – trouble – a few decades ago. So, I think what we've seen here is the – the federal dynamics are filled with question marks. The state dynamics are not particularly satisfying at this point. And the overall economic picture is not as good as some of the statistics suggest, and clearly at some point, you know, it's not going to last. So, there's a decent amount of risk. We've seen worse years, for sure, but there's some real risk here. You want to add, or –

Question: [inaudible] get the money, or that you're not going to get the money?

Mayor: Get which? I'm sorry.

Question: Both the federal money that you're worried about because of the Republican [inaudible] Congress, or, you know, the state [inaudible] are you putting it in the budget, what you wanted to get?

OMB Director Fuleihan: The federal risks are the assumption of what may happen – no, we have not taken things out in recognition of that. What we have reflected in the budget is what the governor, for example, at the state level, has put in. But we're recognizing those risks, and the financial plan for '15, for '16, remains very cautious.

Mayor: Yeah, and [inaudible] I would just add to that. For example, we do not have the CFE full amount in, because it's quite clear from the initial budget presentation in Albany that that's not been included. Some of the federal dangers are not specific yet – how would we grade it if the Highway Trust Fund were not reauthorized. So, I think the fact is that not every risk is accounted for here, but we are preparing with that assumption in mind.

Phil: Last call, guys?

Mayor: Let's do a few more. Go ahead.

Question: On the economic development front – the plan includes tax relief for 45,000 small businesses and manufacturers – I wondered how does that become revenue neutral, and would taxes rise, even moderately for some businesses or individuals [inaudible]?

OMB Director Fuleihan: So, we paralleled – we paralleled what the state had done. So the state, as of January of this year, had changed their entire corporate tax structure, and the entire way they tax corporations, and the finance sector. And they become one, and the modernized system that has really – has not been changed since the 1940s and 1950s – yes, of course, there are winners and losers in that. What the mayor has made certain – that will not be small business, and that will not be manufacturers, and who are actually manufacturing within New York City. And we were able to do all that in a revenue neutral way. And once again, in technical, we're happy to go into more detail.

Question: I was wondering if you guys put any money towards the Staten Island Ferry service expansion in the preliminary budget? I know you have until April 1st to study the capability of that, but, again, the service would have to start on May 1st, so I was wondering if you guys have planned ahead at all? If you're done studying it? Still studying it?

Mayor: Yeah, we're still studying – that's definitely an April discussion.

Question: [inaudible]

Mayor: No, I've been very clear with the commissioners that I want, you know, a very comprehensive review of each of their departments. I want them to look at what's working, what's not, including programs that may have been initiated years ago that may have outlived their usefulness. I want us to look at, you know, things where we can – for example, there's – in the previous administration – there was a real focus on contracting out and privatization. Some of those efforts did not work according to plan, and actually ended up losing money. I want a review and I want people to come back with cost-savings ideas.

Question: Is there any contingencies for what's happening with FEGs, for example – social services group [inaudible]

Mayor: You want to come up? Okay, Lilliam? Tony? Who's got it?

First Deputy Mayor Shorris: I'll just mention – and I'll let Lilliam answer this – but there were some PEGs in prior years that weren't actually –

Mayor: Did he say – did he say FEGS?

First Deputy Mayor Shorris: Oh, did you say FEGS? Or PEGs?

Mayor: It sounded like PEGs but I think –

First Deputy Mayor Shorris: I was going to answer the PEGs question –

Mayor: With an "F" right? Okay. Lilliam.

First Deputy Mayor Shorris: Lilliam can answer the FEGS question.

Mayor: FEGs is a nonprofit. Tell them – tell them what it is, just in –

Deputy Mayor Lilliam Barrios-Paoli, Health and Human Services: FEGS is called Federation Employment Guidance Service – an 80-year-old agency, that announced in the last two weeks, three weeks, that it was going into bankruptcy liquidation. [inaudible] is revenue neutral in that the contracts will be assigned to another not-for-profit, and life will go on, and services will continue. And as of today, most contracts have already been assigned. The state has to figure out what happens with the mental health – mental health practice and clinics that they have. That's well on its way as well. So it's tragic that it happened to FEGS but services will not be affected and revenue – I mean, and the cost will be – remain the same.

Mayor: Okay, a few more.

Question: Can Tony actually answer the PEGs question?

[Laughter]

Mayor: I just did answer it [Laughs]. That was a good try, though. Since we're not doing a traditional PEG program, we've asked every agency to come forward with savings.

Question: [inaudible] how much is in the healthcare retiree trust? Has that been increased over the last year?

OMB Director Fuleihan: It fluctuates. I believe – some one will correct me – I believe right now it's \$1.8 billion. Am I correct? I'm correct. It – by the end of the fiscal year – it will be back up to to \$2.2 billion because the payments actually do flow in there. The actions the mayor took last year, which was to reject the billion

dollar transfer from the fund into the city funds – that remains. And the additional \$864 million we put in last year, we made.

Question: Are you cutting any spending anywhere? Is anyone losing money? Is anything losing money at all? [inaudible]

Mayor: Again, we have a savings effort underway for the April plan. It's going to all be addressed in April.

Question: Mr. Mayor, you mentioned – I believe it was [inaudible] the average city-wide is 6.5. Could you give me an example of what it is that [inaudible]

First Deputy Mayor Shorris: It's about 6 minutes and 50 seconds – is the city-wide average. Right, that's about the average. We're actually shooting to bring it down, going forward. The Queens numbers were not dramatically higher, but they were higher. So they were, like, 7.1 – I think it was. And so, 7 minutes – 7.09 seconds. So it was higher. And the point was – and that varied by community – and there really shouldn't anywhere in New York that has longer response times than the average and we should bring the whole average down. So this is a process to begin to do that.

Mayor: Okay, almost done here. What do you got?

Question: What's the average response time for Staten –

Mayor: – Staten Island! How did I know you'd ask that?

[Laughter]

Mayor: Couldn't you switch it up and ask for the South Bronx?

First Deputy Mayor Shorris: It actually was very close to the city average.

Mayor: ...couldn't be different.

First Deputy Mayor Shorris: It was 6.51 last we looked.

Mayor: 6.51. Okay.

First Deputy Mayor Shorris: Yeah.

Mayor: Last call. Last call.

Question: [inaudible]?

Mayor: Do you want – we've got a relief pitcher here.

Commissioner Linn: So we are not done. We started with substantial changes in healthcare costs. We intend, as the mayor said, to increase upon that. We're going to look at retiree health savings, and we're going to look wherever we can find savings. But this is the – we just negotiated our first contract and my guess is that we will make major progress in all of these areas in the years to come.

Mayor: Okay. Last call – going once, going twice.

Happy budget, everyone. Thank you.

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