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MAYOR DE BLASIO PRESENTS FISCAL YEAR 2017 PRELIMINARY BUDGET

Remarks as Prepared for Delivery

Good afternoon, everyone.

After two years in office, we're seeing the results of our disciplined fiscal stewardship, our strategic vision for New York City, and all we've done to support the success and hard work of New Yorkers.

Our Fiscal Year 2017 Preliminary Budget is \$82.1 billion.

It's a responsible budget on two levels: first, it addresses the needs of New Yorkers through targeted investments.

Second, it protects our fiscal health for the future through reserves that will help insulate us against uncertainty.

Today, we see that this approach is strengthening us: the City is in good fiscal health, our local economy is growing, and New York City is economically outpacing many other parts of the United States.

Yet despite our discipline, we face some major challenges that didn't exist the last time I spoke to you about our budget.

We're also watching a global and national economic landscape that looks increasingly uncertain.

And it's a landscape that continues to show chasms between those with wealth and those working to just get by.

The most recent evidence of this is the staggering Oxfam report released just days ago that found the richest 62 people worldwide have as much wealth as the poorest half of the world's population – 3.5 billion people.

The report also finds, and I quote – “The richest 1 percent have now accumulated more wealth than the rest of the world put together.”

I'll discuss this economic backdrop, describe our FY17 Preliminary Budget, and then I'll take questions on these topics.

But first I want to thank those who made this budget possible.

Let's begin by looking at the economic picture across the five boroughs.

Our local economy is strong, driven by our greatest resource: the guts, smarts, innovation and hard work of our 8.5 million people.

We're experiencing extraordinary employment growth.

In fact, we have some breaking news on this front!

Data released by the State Department of Labor just a couple of hours ago shows that we have set a NEW all-time high for jobs in New York City.

In December of 2015, the number of jobs in NYC exceeded 4.2 million.

And in the past two years, we have added over 220,000 new jobs.

This is the highest two-year gain ever.

And jobs are being added in every borough.

This chart shows job growth right before the recession hit, and again when growth resumed post-recession in 2014.

Look at the difference in growth across the boroughs – it's particularly extraordinary in the Bronx.

We've talked about building a 5 borough economy, and here's some evidence it's taking root.

There's also good news on wages. Real wages – that is wages adjusted for inflation – went up significantly in 2014.

Although this is meaningful progress, wages still have not rebounded to pre-recession levels.

Our growing economy is more diverse and less reliant on Wall Street.

We saw extraordinary 10 percent growth in jobs in the tech sector in 2014, bringing us to 113,000 jobs today. That's a great sign for NYC's economy of the future.

And it's driving up total jobs across our entire tech ecosystem – that total is nearly 300,000.

Other growing sectors include leisure and hospitality, healthcare, and professional and business services.

The positive momentum continues outside of strictly economic measures.

We welcomed an all-time high of 58.3 million visitors last year, as we announced earlier today. That makes 2015 the 6th consecutive year of record growth.

And NYC's population itself increased by almost half a million between 2000 and 2014. That's an incredible vote of confidence in this city and our future. And it's the biggest increase in population by number of any large American city.

So, there's certainly good news. We're in a recovery – as defined by economists – and our city is doing well.

But we continue to see something I've been talking about for years: Too many hard-working New Yorkers are struggling, even as our economy grows.

The road to the eventual wage growth we saw in 2014 was slow and uneven, and we still haven't caught up to our pre-recession peak.

And the New Yorkers primarily benefitting from that wage growth are the highest-paid among us.

There are so many New Yorkers doing everything right – creating jobs, innovating, and working hard – but it just isn't enough.

And as New Yorkers struggle in a relatively strong economy, it's worrying to watch economic storm clouds gather across the globe.

World stock markets have lost trillions of dollars since the first of the year. We're seeing slow or negative growth in many of the world's major economies. Nowhere has this been more clear than in China. And the rising dollar is hurting our exports.

The U.S. economy is out-performing other developed countries, but we've recently seen declines in retail sales and industrial production, and business spending remains slow.

New Yorkers know the economy can turn on us suddenly and without warning. It happened after 9/11 and it happened during the Great Recession of 2008.

In fact, in January 2008, the top economic forecasters of the "Blue Chip Consensus" predicted that the GDP would grow by \$738 billion. They were wrong.

It later became clear that the economy was already plunging into a recession at that time. Contrary to their prediction, the U.S. economy lost \$455 billion, sending millions of families tumbling down the economic ladder.

What would happen if we were to hit another recession?

City revenues would plummet. More families would face unemployment. More families would depend on the City for more services. Partners at other levels of government would slash aid. And the City would be forced to cut vital services, increase taxes, or both.

That's why we've raised our reserves to unprecedented levels.

We're maintaining the General Reserve – the City's precautionary savings for expenses – at \$1 billion annually.

We're also maintaining the Retirees Health Benefits Trust Fund – which pays for retired employee healthcare – at \$3.4 billion.

And we're now in the second year of the City's first-ever Capital Stabilization Reserve of \$500 million.

This protects our ability to make capital investments and allows us to retire debt in a downturn.

But while reserves are essential, they are not infinite.

A few months after that faulty prediction by economic pundits in 2008, the City of New York was forced to begin spending down its reserves in response to the Great Recession.

In just two years, the City had spent \$7 billion in reserves, raised taxes more than \$2 billion and cut vital services by \$3.5 billion.

That's a \$12.5 billion impact on the people of the city of New York.

That's why we know that being fiscally responsible goes beyond building reserves.

We also need to manage risk and uncertainty as best we can. We made critical progress on this by settling labor contracts with 94% of our workforce.

We're carefully managing our out-year gaps and we're finding savings across the government.

As of now, agency savings and debt savings will reduce expenses by over a billion dollars in FY16 and FY17 – and we'll have more savings to announce in the Executive Budget in the spring.

This is on top of the unprecedented healthcare savings we're achieving.

We hit our FY15 healthcare savings target of \$400 million and are on track to hit our FY16 target of \$700 million.

Ultimately, we'll see guaranteed savings of \$3.4 billion through FY18 and \$1.3 billion in savings every year thereafter.

And we're continuing to make targeted investments to support long-term economic growth and viability – putting resources into education, public safety, and infrastructure.

Because safe streets, a well-educated workforce, and easy transportation are the kinds of things that keep an economy running.

While we closely watch volatile global trends, and take every prudent step to keep our city working even in the face of an unexpected downturn, we also are contending with new challenges.

Let's start with the State Budget. The proposed budget unveiled last week presented us with some positive news, as well as some real uncertainties.

First, I am very pleased that the Governor is moving aggressively on some important programs that we in the City have championed, including supportive housing, paid family leave, and a \$15-an-hour minimum wage. For that I commend him.

However, the State also initially proposed budget cuts that would have cost the City nearly \$1 billion in FY17, and more in each succeeding year.

These proposed cuts included \$485 million from CUNY in FY17, and taking on \$209 million in State Medicaid payments in 2017, a figure which would grow close to \$1 billion per year in FY21.

Later, the Governor clarified that the CUNY and Medicaid proposals would be put through a collaborative process to identify reforms and efficiencies – and ultimately would not cost the City a penny.

And I will hold the Governor to that.

Our goal is to work energetically with both the Governor and the Legislature to make certain that these cuts do not appear in the final budget in April.

I will address this and a number of other important concerns about the State budget during our testimony in Albany next week.

What I want to discuss next is a new major obligation we face within our five New York City pension systems.

As part of a regular review process, the City Actuary is adjusting assumptions, and this will increase the City's pension costs by \$600 million annually.

We've included this expense in our balanced budgets for FY16 and FY17, and in our out-year gaps.

This adjustment simply reflects the increased lifespan of our employees, and such calculations are being made with respect to all pensions systems around the country.

Although this is a necessary adjustment, it's a new obligation that has serious ramifications.

This extra \$600 million is in addition to costs associated with lower earnings on pension investments for 2015, as reported by the Comptroller's office in November.

Consequently, our November financial plan reflects an additional contribution of \$73 million – which will grow to \$300 million in FY20 – to make up the gap caused by underperforming investments.

We're meeting all obligations to our five pension systems in FY17 through a \$9.4 billion commitment. It's vital we do so, in order to fulfill our promise to reach 100% funding of our pension systems by FY32.

Fully funding pensions is an essential obligation of any City or State that wants to maintain its fiscal health and take care of its employees and retirees.

On the other hand, consider what happens when a city or state forsakes its pension obligations. Just look across the river at New Jersey, which has seen its ratings cut a record 9 times by all three major ratings agencies since 2010.

(For those of you who might need a reminder, New Jersey's current governor first assumed his post that year.)

Now let's talk about another area where we're confronting major new challenges: our public health system.

NYC Health and Hospitals is the largest municipal hospital system in the nation. In 2014, its 11 hospitals, 70+ community-based clinics, and other facilities were visited nearly 5 million times. Almost 1 in 6 New Yorkers were treated.

While providing daily care for New Yorkers, NYC Health and Hospitals was also at the front line of the Ebola crisis – and they stepped up, expertly handling something the city had never seen before.

I give great credit to Dr. Ram Raju, President and CEO of NYC Health and Hospitals, for his leadership during that difficult time.

But today, Health and Hospitals is confronting a different kind of crisis.

By and large, the patients who go to Health and Hospitals are covered by Medicaid or are entirely uninsured. The federal government is cutting reimbursements for the care of these uninsured patients and Medicaid doesn't cover the costs of care, leaving Health and Hospitals to pick up millions of dollars in costs.

This is forcing Health and Hospitals to transform how they do business, because this current operating model is not fiscally sustainable.

Dr. Raju has already begun reforming the hospital system. While this process continues, we will provide \$337 million to cover pressing expenses.

This is similar to the way we have supported the New York City Housing Authority— another cornerstone of our city – as they reinvent themselves for the 21st century.

Tony Shorris, our First Deputy Mayor, and Dr. Herminia Palacio, our Deputy Mayor for Health and Human Services, will be working closely with Dr. Raju to develop a new model for Health and Hospitals.

So: I've given you an overview of some new challenges that we are tackling head-on. But there are other areas where we are investing to create a fairer, stronger city, and I'd like to go over those now.

Our work in FY17 will build on the investments we've made in the past two years that focused on our goal of creating One City, Rising Together.

These include nearly 2,000 new cops on the beat; investing in our plan for 200,000 affordable apartments; enrolling over 68,000 kids in free, full day Pre-K; launching the nation's most comprehensive mental health plan; and an aggressive new effort to tackle homelessness.

That work sets the stage for the investments we will make in FY17 to fight inequality and lift up New Yorkers.

In our OneNYC plan, we made an unprecedented commitment to bring 800,000 New Yorkers – almost one in ten of us – who are at or near the poverty line OUT of poverty.

Raising the minimum wage is the MOST powerful tool we have to get that done.

We are continuing to fight for a State law that would secure a \$15 minimum wage for every working New Yorker. But we're also taking every action we can on our own.

We're creating a \$15 minimum wage for every City employee and for our contracted workers who do vital human services work. That's some 50,000 New Yorkers.

Our budget will help lift up the next generation, too, through a number of investments that will bring our Equity and Excellence agenda to our schools.

It will provide over 400 literacy coaches by FY19 to ensure our more than 78,000 2nd graders will have every support they need to read at grade level.

It will provide the resources to ensure every middle schooler and high schooler – over 147,000 students a year – has the opportunity to visit a college campus.

And it will bring to life our other initiatives like Algebra for All, AP for All, and Computer Science for All.

Additionally, the School Construction Authority and DOE will be releasing an amendment to their current 5 Year Capital Plan today.

The plan will invest \$868 million to add 11,800 new seats to relieve overcrowding. When combined with the 32,629 seats we have already committed to build, the total tops 44,000 new seats over the next 3 years.

We are also proud to commit to adding 38,000 more school seats in the NEXT 5-Year Capital Plan, which will begin in FY20.

Now, when it comes to public safety, no other major U.S. city can compete with us. New York continues to be the safest large city in America.

The men and women of the NYPD are driving down crime every day, and we are deepening our efforts to increase the safety of our communities and of the officers that protect them.

Through NYC Safe, we're identifying the small number of violent mentally ill, getting them off the street and into treatment or incarceration.

We're expanding the ShotSpotter gunshot detection system in areas of high crime. We're changing the culture of violence at Rikers Island through new training and technology. And we are adding 15 new FDNY ambulance tours to help save lives.

We're also adding resources in this budget to make it easier and safer to get around the city.

We're funding more engineering, enforcement, and education as part of our Vision Zero Action Plan. \$115 million in capital will help build bike paths and safe pedestrian spaces in areas that need them. This is part of a total capital investment of \$128 million, which also funds red-light cameras across the city.

I've also heard from many of my constituents about congestion in the city. To address this quality of life issue, we are adding 327 new Traffic Enforcement Agents who will both improve traffic flow and increase safety.

We're also going to make buses that serve hundreds of thousands of New Yorkers quicker and more reliable by adding 100 bus lane cameras along 10 routes.

And we're turning our attention to waterborne transit, too. On top of bringing 24-7 ferry service to Staten Island, and funding two new ferry vessels, we are investing in a third ferry boat this year. That means that we will now be able to replace the three oldest boats in the fleet.

Our budget also funds major efforts to support NYers dealing with mental health challenges, and our efforts to tackle homelessness.

We're working to address mental health needs that were ignored for decades. ThriveNYC sets forth a comprehensive plan to make sure that all New Yorkers can get the care that they need. All its initiatives are funded in the FY17 budget, including NYC Mental Health Corps, a body of almost 400 clinicians to work in communities throughout the city; and the Mental Health First Aid initiative, which will train 250,000 New Yorkers to immediately recognize and respond to mental illness.

Now, we are using every tool, every power, every resource to address homelessness. A few highlights include Shelter Repair Squad 2.0, which will add a hotline for residents to report issues, a rapid response program to evaluate repairs, and more; In-Shelter Programming, which will provide services to help homeless adults get back on their feet, including adult literacy programs, substance abuse counseling, and internships; and expanding HomeBase, the prevention initiative that has already helped keep 91,000 New Yorkers out of shelter.

Before concluding, I want to take a moment to express my appreciation to City Council Speaker Melissa Mark-Viverito, Finance Chair Julissa Ferreras-Copeland, and the entire Council – our constant partners in making investments that lift up New Yorkers.

In this budget, I'm proud to deepen that partnership by funding a number of key Council priorities, including Park Enforcement Patrols and efforts that will end the AIDS epidemic in NYC by 2020. We'll also make investments to fight the scourge of K2, as well as fight elder abuse.

In conclusion, this is a budget that builds on our successes and reaffirms our commitment to discipline, responsibility and meeting our challenges head on.

A few words in Spanish:

Después de dos años en la Alcaldía, estamos viendo los resultados de nuestro gobierno progresista, honesto, y responsable.

La economía local está creciendo y nuestra situación fiscal es sólida, con reservas para proteger servicios municipales esenciales.

Sin embargo, enfrentamos posibles problemas por el presupuesto estatal, la economía mundial y nuevas obligaciones en el costo de nuestros hospitales y pensiones.

Este presupuesto extiende nuestros logros, reafirmando nuestro sentido de responsabilidad y nuestro deber de enfrentar los problemas de la ciudad.

Now, I'd like to introduce our Budget Director, Dean Fuleihan.

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