

**TESTIMONY OF COMMISSIONER MARTHA E. STARK
NEW YORK CITY DEPARTMENT OF FINANCE**

**BEFORE THE CITY COUNCIL
COMMITTEE ON FINANCE**

HEARING ON THE FY2005 PRELIMINARY BUDGET

MARCH 4, 2004

Good afternoon Chairman Weprin and members of the Committee on Finance. Thank you for inviting me to testify today on the preliminary budget items that relate to the Department of Finance. As per your request, I'll keep my remarks to ten minutes so that I save enough time to answer your questions.

Let me start by discussing a couple of Finance-related budget issues and then move on to some legislative issues and a couple of recent accomplishments of note.

Last year at this time, I opened my remarks by discussing the possibility of contingency cuts in the context of a very difficult budget climate. But thanks to Mayor Bloomberg's and the City Council's courageous leadership, not to mention the tremendous sacrifices that New Yorkers have made, I won't emphasize budget cuts this year. While we're not out of the woods yet, as the Mayor has said repeatedly, we are cautiously optimistic.

Preliminary FY05 Budget Items

In conjunction with a city-wide initiative with DCAS and OMB and other city Agencies, Finance projects a savings of \$2.3 million from the proposed reallocation of per diem temporary workers to full-time NYC employees. Finance's current temporary contract ends April 1, 2004. The 218 new employees will be deployed and continue to work in the Department's most vital areas as clerical staff. The savings stems from the fact that we now have 297 per diem contract workers. We only need 218 based on our operational needs.

We are very excited about the consolidation of our operations in the Bronx into a new Bronx Business Center to be located at 3000-3002 Third Avenue. The physical infrastructure of our two existing Bronx facilities cannot be retrofitted to accommodate additional staff needed in the Bronx. Moreover, both existing sites lack space for public access and have severe problems with their air conditioning systems, which pose health risks and often cause our computers to malfunction. Also, the phone systems in these buildings are so antiquated that they do not even support answering machines. Finally, and most important, the new facility will allow Finance to provide high-quality service in a comfortable physical environment.

The consolidation cost is \$1.2 million in FY2006, followed by annual expenditures of \$2.5 million in FY07 and beyond. The construction completion date is May 2006.

Finally, this May we will close our offices at 25 Elm Place in Brooklyn, which is an environmentally challenged building, to say the least. If you ask long-time Finance employees who have worked there, they will tell you what a great accomplishment this is.

As I mentioned last year, this move will not affect customer service in Brooklyn, which is handled a few blocks away at 210 Joralemon Street. Also, we still have two other offices in my home borough - 345 Adams Street and our warehouse in Sunset Park.

Lien Sale Reauthorization and Bill to Hire ALJs and Employees

Let me talk about two Finance related budget policy issues -- lien sale reauthorization, and a bill that would allow Finance to hire Administrative Law Judges as part-time employees instead of contract workers.

As you know, the Bloomberg Administration has proposed changes to the lien sale legislation that would enable Finance and the Department of Environmental Protection to collect unpaid debt. I'll save most of my comments on the lien sale for a future hearing, but I wanted to emphasize that the purpose of these changes is to collect more debt owed the City and put people on notice about amounts that they owe and potential errors in our records -- not sell more liens. Because of the tremendous effort we've made to give people a chance to pay their debt during the noticing period, most people avoid the lien sale by paying or resolving errors when they are discovered.

This year we will continue to improve the process. For example, we are working with the Department of Housing Preservation and Development to make people aware of loan programs that may be available to them. And we are expanding the number of owners who are eligible for installment agreements.

At the same time, we collected or appropriately credited \$180 million during the notice period and the sale itself.

As for the ALJ bill: Last spring we sought a home rule message from the Council for legislation allowing Finance to make Parking Administrative Law Judges City employees. Last fall, at the

Council's request, we followed up by providing data showing that we would save \$1 million through this plan and, more importantly, we would be able to address a chronic cancellation problem that hinders our ability to reduce wait times for parking ticket hearings and provide efficient service to New Yorkers.

I won't describe the data here, though I did attach copies to my testimony. All I'll say is that your colleagues in Albany are ready to pass this legislation once they receive a home rule message from you; I once again urge you to do so.

Business Tax Amnesty

Let me say a word about our business tax amnesty program, which ended on January 23. That word is - awesome!

OMB initially asked us to collect \$20 million from amnesty, but OMB allowed us to increase the budget target to \$40 million once the program got underway. Not all the receipts are counted, but we have already surpassed \$80 million in collections - quadruple our initial goal. More important, amnesty allowed Finance to clear its books of millions of dollars in old and bad debt. This includes abated penalties, which were eliminated for qualified taxpayers; up to three years of waived interest; and debt that was cancelled because our books showed liability that did not actually exist.

For example, our books showed that many taxpayers, who had been self-employed in one year and were assumed to have remained self-employed in subsequent years, and therefore liable for the Unincorporated Business Tax, had in fact taken salaried jobs

in the years in question. Once they filed the proper returns, their UBT debt disappeared.

I attribute the amnesty's success to an amazing team effort at Finance led by Ellen Hoffman and implemented by Leslie Zimmerman and Michael Phillips. By the way, Michael Phillips, who has worked for New York City for 30 years, is retiring on April 1. As most of you know, he's been awesome and is, among other things, a true summons processing expert. Last year, he took over Collections and has done an awesome job there. He will be sorely missed.

Tentative Assessment Roll/Assessor Reform

Let me move on to another recent event - the January 15 release of the Final Task Force Report on assessor reform and the FY05 tentative assessment roll

As I said in January, with this report and this roll, we have ended a chapter in the City's history and entered a new era of renewed faith in the way we value property. In less than two years, we have vastly improved the way we do our jobs, and we have begun to turn a confusing, secretive process into something that New Yorkers can understand and believe in.

The report and the roll are available on our web site, but let me touch on some of the highlights.

The report detailed several steps taken to reduce the risk of corruption, and steps we're going to take to improve the valuation process and make it easier to understand. These include:

- Limiting contact between owners and assessors

- Reorganizing assessment districts
- And undertaking an analysis of the impact of possible changes to the State property tax laws that might make the laws simpler and fairer.

I won't go into detail about the tentative assessment roll, which is fully described on our web site. This roll is notable for several important changes that are a direct result of the task force's effort to reform the assessment process and make property valuation more transparent.

The most obvious change can be seen in the assessment notices that Finance mailed to almost 66,000 owners of income-producing properties. For the first time, these so-called "flack notices", which have been renamed Notices of Value, are showing owners the factors Finance used to estimate the value of their properties. An example is attached to my testimony. Next January, Finance will send similarly detailed Notices of Value to all 950,000 properties, including homeowners.

In this spirit of transparency, Finance added more information about how we value properties in the flyers we enclosed with their actual Notices of Value. Finance has also revised the assessment guidelines to account for specific situations where the previous guideline categories could not effectively capture value.

Finally, the roll reflects Finance's growing ability to react quickly to late-breaking developments in the market, thanks to

better use of market analysis, better technology and better management.

For example, Finance is required to value property as of January 5 each year. However, in order to value almost 1 million properties, Finance develops guidelines in the fall. This year Finance was able to globally adjust all properties valued based on these indicators to reflect changes in mortgage interest rates and other indicators such as the yield rates for treasury notes as of January 5. So, for example, while the yield rate for a 5-year treasury note traded at about 3.25 percent in the fall, Finance has made adjustments to reflect that the yield rate increased to 3.79 percent on January 5, 2004.

This roll was produced by a tremendously talented and dedicated team led by Acting Assistant Commissioner Dara Ottley-Brown.

Thank you for your time and attention. Let me stop there and answer your questions.

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