

**TESTIMONY OF COMMISSIONER MARTHA E. STARK
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**BEFORE THE CITY COUNCIL
COMMITTEE ON FINANCE**

ON THE FY2005 EXECUTIVE BUDGET

MAY 24, 2004

Good morning Chairman Weprin and honorable members of the Committee on Finance. As always, I am pleased to testify before you. I want to do three things in my testimony. First, I will describe a few Finance-related Executive Budget items. Second, I would like to update you about the final assessment roll and the lien sale that starts tomorrow. Finally, I would like to describe several legislative items where we would appreciate the Council's support. After my prepared remarks, I will be happy to take your questions.

Agency Budget Items

Let me describe a few Finance Executive Budget items -- three expense and one revenue.

Let me start with two space-related items included in the expense budget. The Executive budget includes a one-time \$289,448 payment that Finance will have to make to terminate our lease at 25 Elm Place. You will recall that 25 Elm Place was for many years a less than ideal office space, because of air quality and other problems. We have completed our relocation of employees from 25 Elm Place in Brooklyn to new offices in lower Manhattan at 59 Maiden Lane. I'm proud that we were able to make this move during my tenure.

Our move from 25 Elm Place still leaves Finance with a substantial presence in my home borough of Brooklyn; our business center remains open at 210 Joralemon Street, as do our offices at 345 Adams Street and our warehouse in Sunset Park.

I want to thank Assistant Commissioners Corinne Dickey and George Mark for their help in making this long-overdue move a reality.

While we're on space, the Executive Budget includes funding for a consolidated Bronx Business Center starting in Fiscal Year 2006. The new Bronx Business Center will be located at 3000-3002 Third Avenue. Finance's current Bronx facilities cannot accommodate the Department's needs to serve the public, and they both have environmental and technical issues that severely hamper our operations.

The consolidation will cost \$1.2 million in Fiscal Year 2006, followed by annual expenditures of \$2.5 million in Fiscal Year 2007 and beyond. The construction completion date is May 2006.

Finally, Finance transferred two lines to the Department of Information Technology for the consolidation of the 311 Project. The personal services cost to Finance is \$51,000 starting in fiscal year 2005. We made this transfer because 311 is now the number to call for all parking-related questions, and we expect that the 311 operators will answer more and more calls on our behalf. The most recently distributed batch of parking tickets list 311 as the number to call.

On the tax revenue collection side, I'm pleased to tell you that Finance continues to exceed its Program to Eliminate the Gap targets. Thanks to terrific management and the effort of hard-working employees across several divisions, Finance collected \$380 million in PEG revenue through April -- \$44 million above the plan.

What makes this achievement even more impressive is that these PEGs coincided with a very successful business tax amnesty program. As you know, we quadrupled our original \$20 million target, collecting more than \$80 million through amnesty. Just as important, we cleared millions

of dollars in old and bad debt off our books, so our collections team can focus on newer debt that is easier to collect.

For fiscal year 2005, Finance is responsible for collecting \$508 million in PEG revenue.

Let me update you on the final assessment roll and the upcoming lien sale.

Final Assessment Roll

Tomorrow, we release the Fiscal Year 2005 Final Assessment Roll. I thought I'd give you a quick preview:

The Final Market Value for all properties in the City is \$702 billion - down from a Tentative Market Value of \$707 billion. The billable assessed value dropped from \$104 billion to \$102 billion. This change reflects adjustments made on 140,000 properties since the release of the tentative roll on January 15. Of these changes, about 100,000 were reductions in market value applied to condominiums to reflect late-breaking changes in the market that we were unable to manually enter into our system before the taxable status date of January 5. The remaining 40,000 adjustments reflect the usual corrections and changes we make during the time between the release of the tentative and final assessment rolls.

2004 Lien Sale

As you know, this year's lien sale process will begin tomorrow with the publication of the 60-day notice to sell liens, and a mailing to about 13,000 property owners. That's about 4,000 less than last year, which is

great news. I won't review every detail of the process, since many members of your staff attended a briefing on the lien sale last week, and I thank you for that participation. Let me highlight two policy changes that we are making this year.

Start of 3-Year or 1-Year Clock

Starting this year, when Finance corrects a mistake, the lien sale "clock" will start from the date when we correct the mistake, not when the original charge was due. Let me explain.

Let's say we incorrectly credited Martha Stark's payment to Chairman Weprin's account in 2000. I realize there's a problem but the problem is not resolved until 2004. In the past, when Finance corrected the error by appropriately crediting my account for the payment we would also ask the Chairman to pay. However, because the original charge was due in 2000 more than three years ago, Chairman Weprin's property would be immediately eligible for the lien sale. Starting this year, the three-year period starts to run in 2004.

As a result of this change, 150 properties were removed from this year's 60-day lien sale list.

Installment Agreements Available to All Property Owners

As a result of concerns raised last year by owners of small businesses, Finance will for the first time allow all owners to enter into installment agreements. These agreements will be available as long as the owner has not defaulted on a previous agreement. In addition, if the

owner owes water charges s/he must enter into an agreement with the Department of Environmental Protection.

I want to also remind you of several other changes that Mayor Bloomberg empowered me to make in 2003 in order to make the lien sale process as smooth and customer-friendly as possible. Those included:

- Publishing addresses in the 60-day notice, in addition to borough, block and lot identifiers, which are a mystery to most people. This year, we have taken another step forward by listing the properties in alphabetical order by street name;
- Placing a tax lien ombudsperson in every borough payment center, so owners who want face-to-face meetings to resolve their debt do not have to travel to the new main office at 66 John Street in Lower Manhattan;
- Allowing owners to pay by personal check;
- Updating the lien list every week on our website, nyc.gov/finance, so owners can check to see if their payments have been applied or if their property has been removed if it had been placed on the list in error. In addition, we have noted on our website when a property is in the lien sale or has already been sold in a prior lien sale.

- Conducting evening outreach sessions in every borough during the 60-day notice, offering one-on-one help, allowing cash payments and initiating installment agreements. This year the Department of Housing Preservation and Development will participate in our community outreach sessions for the first time, helping to spread the word about legitimate loans that are available to distressed homeowners and the dangers of predatory lenders.

I would like to thank this committee and your colleagues for authorizing an extension of the City's ability to sell liens on delinquent property tax, water and sewer charges. While I am disappointed that the Council did not adopt changes proposed by Finance and the Department of Environmental Protection, I look forward to revisiting these ideas and other ways to make the lien sale an even more effective collection tool in the future

Legislation

Let me turn briefly to five legislative items that I would like you to support. One of them, the Administrative Law Judge bill, requires a home rule message from the Council; one would make paying property taxes easier and less prone to error; one would make the property tax system more transparent; and two others would improve our ability to administer property tax exemptions.

Making Administrative Law Judges City Employees

Our bill to allow Finance to hire Administrative Law Judges as City employees remains at the top of our agenda, awaiting a home rule message from the Council. I hate to sound like a broken record, but the need for this legislation remains, and we have provided this committee with the data to show that this legislation will be good for New Yorkers. The bill will create union jobs and save the City money. But far more importantly, the legislation will end the scheduling nightmare that now forces New Yorkers to wait in longer lines to contest their parking tickets when judges simply fail to show up for work. This is a particular problem in the summer and on Mondays and Fridays, as you can imagine.

Under our bill, judges will still be lawyers; they will still have the option of working part-time; and they will still exercise discretion. Moreover, judges will receive benefits and the job security that comes with civil service protection, as well as more extensive training, so that more of them will move up the ladder and make a career out of being an ALJ.

Your colleagues in Albany are ready to pass this bill. I urge you to send a home rule message in its favor.

Mandatory Electronic Funds Transfer Payments

With the annual tax bill around the corner, it's a good time to ask for your help on a bill that would require the City's largest taxpayers to pay their taxes via electronic funds transfer. There are several advantages to EFT payments, the primary one being that it eliminates keypunching errors as well as erroneous postings of payments to incorrect

accounts or pay periods. This saves Finance time and taxpayers aggravation. And, of course, EFT payments - which carry no convenience fees - guarantee that the City gets the money into the bank as quickly as possible. Please note that the bill only requires taxpayers with annual real property tax liability of more than \$300,000 per year and mortgage service companies to pay by EFT. Homeowners would not be required to make payments electronically, though we should encourage every taxpayer to pay by this way. We believe that Finance would save \$500,000 to \$1 million annually with this legislation.

Making Co-op Sales Public

I have described our success in making the property tax more transparent in the wake of the assessor scandal. In that vein, I would appreciate the Council's support of a bill we're taking to Albany to allow the publication of the sales price of cooperatives. We already make commercial and home sales prices public, which makes it easier for you and the public to gauge the accuracy of Finance's values. Now we'd like to do the same for co-ops. There are some companies that sell coop sales price data, but New Yorkers shouldn't have to pay to see this information. The goal, as always, is to make the property tax system as transparent and as accessible as possible.

Improving Exemption Administration

I also seek your support for two pieces of legislation related to property tax exemptions. Last year, as you may recall, we pushed for a bill that would streamline the administration of the Industrial and

Commercial Incentive Program, or ICIP exemption. Among other things, the bill would eliminate one layer of the application, in an effort to help us process this as-of-right exemption more quickly. We have overhauled the way we process ICIP and other exemption applications, but we really need help from Albany because the legal requirements of the application itself are quite cumbersome.

I also welcome your support of Finance's proposal to allow not-for-profit organizations to receive an exemption from the date they take ownership of the property. Many not-for-profits do not understand the current exemption rules, and often fail to pay taxes in the first year of ownership because they mistakenly believed that they did not owe them. Our proposal would alleviate the confusion and allow not-for-profits to focus on their core mission, which is to provide services in their communities. The legislation would obviate the need for not-for-profits to seek special legislation in Albany that allows Finance to grant exemptions retroactively, which we do on a case-by-case basis. As you will recall, if a not-for-profit purchases a property on January 6, 2004, under current law the organization is not entitled to an exemption until July 1, 2005. If the property were purchased before January 5, 2004, the exemption wouldn't start until July 1, 2004.

Rebate

Finally, I would like to reiterate the need for the Council's support for legislation that would give the City's deserving homeowners a \$400 property tax rebate. I don't think I need to review again all of the reasons why the rebate makes sense. The bottom line is that owners of

homes, co-ops and condominiums made a big sacrifice when the tax rate was increased in December 2002. Therefore, they should be given tax relief first especially because these homeowners will re-invest the \$400 rebate in New York City.

- With the Mayor's rebate, these homeowners will receive \$250 million in tax relief. Under the alternative proposal, these homeowners would receive just \$37 million.
- With the mayor's rebate, single-family homeowners would save on average almost 8 times as much as they would under the alternative.
- With the mayor's rebate, Brooklyn co-op owners would save 16 times more than under the alternative, and Manhattan co-op owners would save 4 times more than under the alternative.
- With the mayor's rebate, seniors with incomes less than \$32,400 would save two to three times as much as under the alternative.
- With the mayor's rebate, all Class 1 homeowners in Brooklyn will save \$43 million, compared with \$10 million under the alternative;
- Queens homeowners will save \$64 million under the rebate, compared with just \$14 million under the alternative.

- In the other boroughs, the savings for homeowners look like this: Staten Island, \$25 million vs. \$5 million; and The Bronx, \$13 million vs. \$3 million.

Conclusion

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