CITY EMPLOYEES UNION LOCAL 237

AFFILIATED WITH THE

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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Good Afternoon. My name is Ruben Torres, and I am the Secretary-Treasurer of Teamsters Local 237. I'd like to thank Chairwoman Mendez and the Committee for holding this hearing regarding the Shelter Allowance increase and how it affects NYCHA's budget.

Local 237 is proud to represent two-thirds of the New York City Housing Authority's workforce. Our members work in the field or help administer NYCHA. However, because of budget shortfalls the possibility of layoffs continues to threaten workers who provide vital services to residents.

We believe that any plan to lay off NYCHA employees will greatly affect the high standards of service that the Housing Authority currently provides. Furthermore, during this period of rapid construction of luxury private apartments, we cannot afford to reduce the services--and quality of life--of the 400,000 people who currently reside in *public* housing.

Recently the state legislature passed, and the governor signed into law, an increase in the Shelter Allowance. This increase will help alleviate some of NYCHA's budget shortfall.

Local 237 seeks the Council's support in getting NYCHA to devote the funds, freed by the allowance increase, towards retaining NYCHA's workers. We further implore the Council to consider adding funds to NYCHA's budget with the express purpose of preserving NYCHA's critical workforce so residents in NYCHA housing won't have to face a drastic reduction in services.

This issue is of particular concern to us because Local 237 members not only work for NYCHA, they also depend on it for affordable housing; over 20 percent of NYCHA's workforce lives in public housing. If NYCHA reduces its workforce, our members will not only lose *their jobs*, but the quality of *their housing* will decline as well.

The workers of Local 237 ask you to consider not only their jobs, but the quality of public housing. When considering the Shelter Allowance increase, think of the workers, think of the residents and think of the future of New York City public housing.

Thank you for the opportunity to testify. I would be happy to answer any questions you may have.

TESTIMONY BY NYCHA CHAIRMAN TINO HERNANDEZ

CITY COUNCIL SUB-COMMITTEE ON PUBLIC HOUSING

"THE SHELTER ALLOWANCE INCREASE AND HOW IT WILL AFFECT NYCHA'S BUDGET"

THURSDAY, SEPTEMBER 20, 2007, 1:00 P.M.
COMMITTEE ROOM, CITY HALL

Chair Mendez and members of the committee, good afternoon. I am Tino Hernandez, Chairman of the New York City Housing Authority. Joining me today are Board Member Margarita López and General Manager Doug Apple. We are here to discuss the Shelter Allowance increase and how it will affect NYCHA's budget.

The Shelter Allowance Legislation

As you know, on August 15th Governor Eliot Spitzer signed the Shelter Allowance Legislation into law. The bill enables NYCHA to receive a shelter allowance for its 27,000 residents on public assistance that is equal to the allowance private landlords receive. The legislation was sponsored by Assemblyman Vito Lopez and Senator Andrew Lanza. NYCHA is deeply grateful to them for spearheading the bill in the State Legislature. We are also deeply appreciative to Governor Spitzer for signing the bill. Together, with this one action, they remedied a fundamental inequity that existed for decades. They also recognized that the State of New York must be part of the solution to preserve public housing and the homes of over 408,000 New Yorkers.

We thank Mayor Michael R. Bloomberg for his leadership on this issue. He made the Shelter Allowance bill a priority as part of his State legislative agenda and he strongly urged passage of the bill with legislative leaders.

The success of the Shelter Allowance bill is also the result of the work of a broad coalition of New Yorkers who demonstrated their strong commitment to public housing. This never would have happened without the broad support of the New York City Council. I want to thank you, Madam Chair, for your leadership and the members who stood shoulder to shoulder with NYCHA in this effort along with dozens of other City and State, members of Congress, labor partners, housing advocates and the residents of public housing. You have shown the good that can be done when people work together and we are very grateful.

Before I turn to how the Shelter Allowance will affect NYCHA's budget, let me provide some background.

Impact on NYCHA's Budget

Landlords receive a shelter allowance from the State to cover rents for residents who are on public assistance. Prior to this legislation, the size of the shelter allowance provided to private landlords was much larger than that given to public housing authorities – sometimes nearly three times greater depending on family and apartment size. Now, NYCHA will receive a shelter allowance on par with that received by private landlords.

Revenue from the Shelter Allowance bill will be phased in over three years. We estimate that NYCHA will receive the following revenue: $6.7 million in 2007; $29.5 million in 2008; $40.1 million in 2009, and finally, $47 million by the year 2010, when it is fully phased in. Mayor Bloomberg agreed early on to fund the City's share, approximately $15.4 million after full implementation.

Staff from NYCHA, the City's Human Resources Administration and the State Office of Temporary and Disability Assistance are now meeting to develop implementation plans.

Funds from the increased shelter allowance will enable NYCHA to reinvest in essential core services that most directly affect residents at the development level. This includes hiring more core service staff. Notwithstanding our financial constraints, it is imperative that we continue to hire staff in positions that provide core services to NYCHA residents at their developments. We must have the caretakers, elevator mechanics, carpenters, and others in the skilled trades who perform the critical functions like plumbing, heating, maintenance, repairs and trash removal that touch the daily lives of residents. Core services are our highest priority.

Addressing the Risks

Passage of the Shelter Allowance bill was an unprecedented accomplishment. However, given that nearly 85 percent of NYCHA's revenue from government sources comes from Washington, it has always been clear that revenue from the shelter allowance legislation, by itself, cannot solve all of NYCHA's budgetary issues. Last May, the NYCHA Board passed a 2007 Financial Plan that contained remaining budget gaps of $51 million in the current year as well as a $124 million next year.

NYCHA has had to make some difficult decisions to address the realities of sharply diminishing Federal subsidies. NYCHA's shortfall from the Federal government amounts to approximately $439 million since 2002. We estimate that the shortfall for FY2007 will be $135 million. This amounts to an overall reduction of Federal dollars totaling $574 million. Add to that our 21,000 unsubsidized State and City units, which receive no Federal funding whatsoever to support operations, escalating non-discretionary costs to operate public housing in areas such as utilities, and it is all too clear that as things stand now public housing in New York City faces serious risks.

NYCHA's 2007 budget continues to include service modifications to increase efficiencies and reduce costs:

- Reduced departmental budgets;
- Use of capital funds for maintenance operations;
- Continuation of a partial hiring freeze;
- Consolidation of management offices; and...
- Negotiating the disposition of vacant or surplus NYCHA land to the City for affordable housing development.

NYCHA's 2007 budget also continues to include a provision for a reduction of our workforce, which we are poised to implement. Once again, the significant Federal disinvestment in public housing is forcing NYCHA to make tough decisions.

Conclusion

Public housing is a Federal program. The only way it can be adequately funded is at the Federal level. That is true of NYCHA and of public housing authorities across the country. The sooner that message is heard in Washington the sooner we can take the necessary steps to preserve public housing in this City and throughout the country. Thus, our focus now shifts to the Federal government.

We will continue working with our Congressional Delegation to ensure that NYCHA receives its fair share of the national public housing subsidy from Washington. In the Federal Fiscal 2008 budget poised to be completed by Congress in the near future, and we are again being funded at only 83% of our operating costs – the sixth straight year in which we have not received full funding. Another effort in Washington is being championed by

Senator Charles Schumer and Congresswoman Nydia Velázquez. They have introduced the Schumer-Velázquez bill, which would federalize the 21 State and City developments I mentioned earlier. Passage of this legislation would yield $54 million in new dollars and go a long way in addressing our structural deficit.

The significance of the Shelter Allowance legislation goes beyond the increased revenue it will provide the Housing Authority. The collaboration of the stakeholders I mentioned earlier that made this legislation a reality says clearly that we all want to preserve public housing in New York City. Public housing is a critical component of the City's supply of affordable housing and we must ensure its viability for future generations.

Given the success of the effort around the Shelter Allowance bill, it is imperative that we continue to work together for the necessary funding to preserve this critical housing stock and to find solutions to achieve structural financial balance.

At the same time, we at NYCHA will continue to tighten our belts and make crucial choices as we work to obtain additional funding. Together, we can ensure NYCHA's future as the nation's premier housing authority and continue to fulfill our mission.

Let me conclude my remarks here and answer any questions you may have.

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Testimony
Of Preston Niblack, Deputy Director
Before the City Council Subcommittee on Public Housing:
The Shelter Allowance Increase—How Will it Affect NYCHA's Budget?

September 20, 2007

Good afternoon Chair Mendez and Members of the Subcommittee and Council. I am Preston Niblack, deputy director at the Independent Budget Office. I am accompanied today by Brendan Cheney, our housing analyst. Thank you for the opportunity to testify today about the budget deficits facing the New York City Housing Authority (NYCHA).

Although the recently enacted shelter allowance increase will begin to help close NYCHA's budget gaps, they remain dauntingly large. NYCHA continues to present a plan that has little chance of success, leaving what is widely considered to be one of the best public housing systems in the country in peril.

NYCHA's budget for fiscal year 2007 (NYCHA's fiscal year corresponds to the calendar year), presented in May, projected a $271 million budget shortfall—equivalent to almost 10 percent of operating expenses. Through a series of measures, this was brought down to a projected $52 million in the May budget plan. This was achieved through $45 million in net spending reductions previously implemented, and a further planned $18 million in savings from a partial hiring freeze and service reductions scheduled to go into effect October 1st, 2007. The bulk of the savings was achieved, however, by the use of $150 million in one-time, non-recurring funds, including the use of capital funds and the sale of NYCHA property for development (a transaction which has yet to be completed).

Since the budget was approved by the authority's board, there has been one substantial piece of good news for NYCHA's financial situation. On August 15th, Governor Elliot Spitzer signed a bill that will equalize the shelter allowance paid to public assistance recipients living in public housing to what it pays for those who live in private housing. The bill will phase in the increase over three years. Once fully phased in, NYCHA will see an increase in annual revenue of $47 million. Since the bill was effective immediately, IBO projects that NYCHA's revenue for 2007 will increase by almost $9 million.

Unfortunately, this still leaves NYCHA with a $43 million budget shortfall for 2007. The housing authority's projections for future fiscal years show even larger deficits. Taking into account only the cost saving or revenue raising initiatives that are under NYCHA's control or those that have been approved by the federal Department of Housing and Urban Development (HUD), the housing authority faces a $129 million deficit in 2008, and $145 million deficits in 2009, 2010, and 2011.

NYCHA has recently shown a pattern of optimistic projections, delayed action, and unrealistic assumptions. You may recall that as late as January of this year, NYCHA had not revised its projections of a $30 million budget gap for 2007. In our testimony before this subcommittee in January, we estimated that the authority was actually facing a deficit for 2007 approaching $300 million. In fact, when NYCHA finally produced the 2007 budget and financial plan in May, their estimate of their 2007 deficit was over $270 million.

NYCHA's current financial plan also relies on expense projections that may prove optimistic. The four-year budget plan shows only a one percent increase in total expenditures overall between 2008 and 2011. Salaries and fringe benefits are projected to grow by just 2.3 percent over the plan period, while other than personal services spending is essentially flat.

NYCHA Budget Projections *Thousands of Dollars*	2007	2008	2009	2010	2011
Operating Budget Deficit	$(270,750)	$(223,834)	$(250,594)	$(251,229)	$(251,229)
Departmental Reductions - Implemented	45,524	25,642	25,642	25,642	25,642
Revised Deficit, May Plan	**($225,226)**	**($198,192)**	**($224,952)**	**($225,587)**	**($225,587)**
NYCHA Actions					
State Subsidy	3,400	3,400	3,400	3,400	3,400
Vacant Land to HPD	50,000	-	-	-	-
Utilize Capital Funds for Operations	100,000	-	-	-	-
Sale of Occupied Single Family Homes	-	5,000	6,000	-	-
Hiring Freeze (Oct. 1, 2007)	10,000	-	-	-	-
Service Reductions (Oct. 1, 2007)	8,000	30,000	30,000	30,000	30,000
Shelter Rent 3 Year Phase In - *Approved*	8,910	30,462	40,837	46,655	46,655
Projected Deficit	**($44,916)**	**($129,330)**	**($144,715)**	**($145,532)**	**($145,532)**
Legislative Agenda					
Section 8 Transition	2,235	35,760	62,580	75,096	75,096
Increase Federal Proration	-	47,221	47,221	47,221	47,221
City / State Unit Federalization	-	54,600	54,600	54,600	54,600
Potential Surplus / Deficit	**$(42,681)**	**$8,251**	**$19,686**	**$31,385**	**$31,385**
SOURCES: IBO; NYCHA 2007 Budget.					

NYCHA continues to hope to avoid the coming gaps by obtaining approval of its state and federal agenda. The first item is the transition of federally subsidized units to Section 8 vouchers, generating a hoped-for $36 million in 2008, $63 million in 2009, and $75 million in 2010 and 2011. After considerable delay, HUD is currently reviewing NYCHA's property appraisals. Although this is finally progress, it is not clear that after HUD's review is complete NYCHA can expect to receive approval for the full value of the savings.

The two other initiatives call for an increase in appropriations to the public housing operating account from 85 percent of full funding to 90 percent, and for the federal government to take over the city- and state-sponsored units. Combined, these two initiatives would increase NYCHA revenues by $102 million annually. At this point, there is nothing to indicate that the Bush Administration and the Congress will take these actions. As the economy begins to show signs of weakness, pressures on the federal and state budgets will not make it any easier to obtain additional funds.

It is difficult to emphasize enough the urgency of NYCHA's fiscal straits. NYCHA has no additional reserves beyond the minimum required by HUD, and can no longer fund budget deficits with reserves without losing some federal grants, and further imperiling its shaky financial status.

NYCHA lacks a serious alternative plan in the increasingly likely event that much of its legislative agenda is not realized. Without these initiatives, the housing authority faces the prospect of serious deterioration of what many have called the best public housing system in the country, and ultimately a serious threat to a major source of affordable housing in the city.

Thank you, and I would be happy to respond to any questions you may have.