



New York State Comptroller
THOMAS P. DiNAPOLI

LABOR

New York

Summer 2017

A MESSAGE FROM THE COMPTROLLER

Welcome to the Summer edition of *Labor New York*.

In early April, the Governor and the Legislature agreed on a budget for this fiscal year. The \$163 billion budget for 2017-18 includes criminal justice reforms and a plan to make college tuition-free for many New York students, along with additional funding for education, clean water and affordable housing. Unfortunately, the budget process was again largely hidden from public view, and serious concerns remain about the lack of transparency and accountability built into the Enacted Budget.

The State Budget offers a useful roadmap to State spending in the coming year, but uncertainties about policies at the federal level abound, complicating plans for New York and its local governments. An ill-conceived bill to repeal the Affordable Care Act has passed the House of Representatives; if it becomes law, it would deprive many New Yorkers of health insurance and punch a large hole in the State Budget. In addition, major cuts in federal aid for a variety of programs—including food, education and housing—that benefit New Yorkers are under discussion. An article inside summarizes two reports from my office about the potential impacts of such cuts on the State and on New York City.

We also have some good news to report, regarding the performance of the State pension fund and our successes in returning previously unclaimed funds to their rightful owners. I hope you enjoy our newsletter, and I look forward to working with you to address the challenges and opportunities facing our State.



Comptroller DiNapoli with Lana Cheung, Education Director of the New York Metropolitan Area Joint Board, Local 23-25 Workers United, at his annual Lunar New Year Celebration.



Comptroller DiNapoli with striking union workers of IUE-CWA District 1 employed at the Momentive Performance Materials plant in upstate New York.



The Comptroller makes remarks at the 40th Annual Legislative Breakfast of the New York State Public Employee Conference.

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INSIDE THIS ISSUE

- 1 A Message from the Comptroller
- 2 State Pension Fund Hits Record High
- 2 Federal Budget Cuts Threaten State & City Budgets
- 3 Labor Profile: Ellen Redmond, IBEW
- 3 DiNapoli Calls for Improvements to Drinking Water Infrastructure
- 4 DiNapoli: ESD Needs to Do a Better Job Reporting Results
- 4 DiNapoli Returns \$452 Million in Unclaimed Funds

STATE PENSION FUND HITS RECORD HIGH

In May, Comptroller Thomas P. DiNapoli announced that the New York State Common Retirement Fund (CRF) had reached a reported record-high value of \$192 billion, earning an estimated 11.42 percent annual return on investments as of March 31, 2017. The Fund's long-term expected rate of return is 7 percent.

The Fund is the third-largest public pension fund in the country and remains one of the nation's best-managed and best-funded pension plans. In April, the Pew Charitable Trusts

ranked New York's pension system as the third best-funded retirement system in the nation. Healthy returns in recent years have resulted in reductions in employer contributions in fiscal years 2014-2015, 2015-2016 and 2016-17, while allowing the rates to remain stable in 2017-2018.

Comptroller DiNapoli pointed out that the CRF's strong performance was good news for New York taxpayers, as well as for the 1 million members and pensioners of the New York State & Local Retirement System.

FEDERAL BUDGET CUTS THREATEN STATE & CITY BUDGETS

A pair of reports released by Comptroller DiNapoli cautioned that federal actions under consideration in Washington could hurt the budgets of the State (osc.state.ny.us/reports/budget/2017/2017-18-enacted-budget-report.pdf) and the City of New York (osc.state.ny.us/osdc/rpt2-2018.pdf), and pose key risks to both.

Leaders in Washington are considering cuts to federal aid for health care, food and nutrition support, education, housing and home heating, and other critical services. While New York State's Enacted Budget created a process that could be used to address potential reductions during the fiscal year, any resulting changes could pose unpredictable challenges for State agencies, local governments, nonprofits and others that rely on federal and State funding for the services they provide.

The Comptroller's report on the Enacted State Budget noted that All Funds tax collections last year were \$2.8 billion below initial projections. That shortfall was offset, in part, by larger-than-expected growth in federal receipts, which may not materialize in the coming year. Comptroller DiNapoli cautioned that decisions in Washington may force tough fiscal choices for the State.

The Comptroller's report on New York City's Financial Plan found that the City assumes the receipt of \$7.8 billion in federal aid in the 2018 fiscal year, representing more than

9 percent of its operating budget. These estimates exclude most federal Medicaid funds, which do not flow through the City's budget.

These estimates exclude federal funding to the Health and Hospitals Corporation, the New York City Housing Authority and the Metropolitan Transportation Authority, which all have a close financial relationship with the City. Some proposed federal cuts could require the City to increase its financial assistance to these entities. In total, federal aid approaches \$33 billion when the amounts in the City's operating and capital budgets are combined with Medicaid and the budgets of these public authorities.

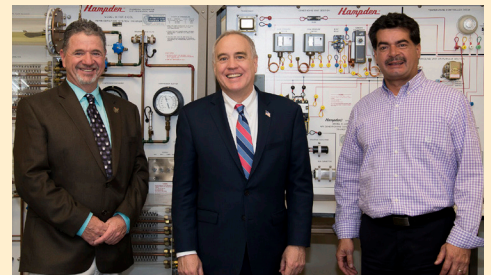
The Comptroller's report found that while the City projects a surplus of \$3.7 billion in the current fiscal year, it risks losing substantial federal funding in the years ahead due to proposed budget cuts. If federal aid were reduced, the City would be pressured to make up the difference with its own funds, rather than allowing vital services to be cut. The Comptroller recommended that the City continue to increase its reserves to cushion against the potential for federal budget cuts and the possible rollback of the Affordable Care Act. Since the release of the Comptroller's report, the City has revised its financial plan based on the adopted budget. The projected surplus is now \$4.2 billion and the City has increased its reserves.



The Comptroller with (L) Manuel Vilar, Police Benevolent Association of New York State (PBA of NYS) board member and (R) Peter Barry, PBA President.



Comptroller DiNapoli with Andrew Pallotta, New York State United Teachers (NYSUT) President at the NYSUT 45th Annual Representative Assembly.



The Comptroller meets with Hudson Valley Area Labor Federation President Ron Diaz and Westchester-Putnam Central Labor Body President Thomas Carey.

LABOR LEADER PROFILE: ELLEN REDMOND, INTERNATIONAL REPRESENTATIVE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, AFL-CIO

Ellen Redmond is a strong unionist: she's been fighting for members of the International Brotherhood of Electrical Workers (IBEW) for nearly 40 years. From local chapters to the State Capitol, Ellen has championed the rights of IBEW workers every step of her career.

The IBEW represents around three-quarters of a million skilled electrical workers in the United States and Canada, employed in a wide array of contexts including utilities, construction, telecommunications, broadcasting and government.

She joined Local Union 1049 as a member of the clerical staff in 1980 and rose through the union ranks. Ellen served as 1049's business manager and benefit plan administrator, and oversaw pension plan investments. In 1994, she became the first woman appointed to the Union's business staff when she was tapped as Director of External Affairs.



Ellen currently serves IBEW as an International Representative for the Third District and coordinates political and legislative affairs in New York State.

She is also Vice President of the New York State AFL-CIO and Chair of the Board of Directors of the New York State Workforce Development Institute. Ellen is a board member of United Way, a nonprofit charitable organization committed to advancing the common good for both Long Island and New York State.

In 2006, Ellen was honored by the Long Island Business News as one of the Top 50 Women on Long Island and the "50 Around 50" award.

Ellen graduated from the Cornell University School of Industrial and Labor Relations program, with an advanced degree in Labor Studies.

She resides in Smithtown with her family.

DiNAPOLI HIGHLIGHTS THE NEED TO IMPROVE DRINKING WATER INFRASTRUCTURE

New York's public water supply systems may require \$40 billion or more in repairs and improvements over the next two decades, according to a report (osc.state.ny.us/localgov/pubs/research/drinkingwatersystems.pdf) issued by Comptroller Thomas P. DiNapoli. Recent high-profile water system failures and problems with drinking water contamination in places such as Hoosick Falls and Newburgh are the latest signs of the need for major steps to modernize and safeguard water sources and delivery systems in the State.

In New York, cities, villages, towns and other local government entities generally operate and fund the systems that supply residents and businesses with water. They are paid for primarily through fees and property taxes. Alternatively, water authorities and private water companies provide these services in some communities. The State and federal government regulate public water systems and also provide some funding for improvements.

DiNapoli's report focused on several areas that need attention and resources, including protecting against water

contamination. Water contamination can originate from industrial sites as well as from inadequate treatment, improper separation of sewage, and agricultural and storm water runoff. Contaminated water can corrode aging pipes and fixtures containing lead, releasing this dangerous toxin into drinking water. Aging water systems, many operating far beyond their useful lives, often struggle to attract scarce public funds until a major failure occurs. Moreover, deteriorating systems can lose more than 50 percent of their water before it reaches users, needlessly increasing costs. All of these facts make for a challenging environment for municipalities.

The 2017-18 Enacted State Budget included several measures related to rebuilding and protecting New York's drinking water systems. These include the Clean Water Infrastructure Act of 2017 to support municipal drinking water and waste water infrastructure improvements and source water protection, a capital projects appropriation of \$2.5 billion for clean water infrastructure and related projects, and a new regulatory program to address the threat of water contamination.

DiNAPOLI: ESD NEEDS TO DO A BETTER JOB REPORTING RESULTS

An audit (osc.state.ny.us/audits/allaudits/093017/16s40.pdf) of Empire State Development (ESD) released by State Comptroller DiNapoli found that the public authority failed to meet more than half of the reporting requirements related to its tax credit and job creation programs, diminishing transparency and accountability.

ESD, New York's primary economic development agency, administers dozens of programs intended to spur economic activity, and spent almost \$2 billion on economic development grants during the last four fiscal years.

Auditors found that ESD failed to produce or complete many of the required performance and outcome reports required by law or regulation. In addition, 61 percent of program-specific reports were not completed. In most cases, ESD did not provide an explanation for why it had not completed required reporting obligations.

For the reports ESD did prepare, it was not clear whether they were done on time. For more than two dozen reports with evidence of when they were completed, the audit found they were generally submitted late, although most were submitted within two weeks of their due dates. The latest report issued, the 2015 START-UP NY annual report, was issued 91 days past its due date.

Comptroller DiNapoli called on ESD to provide better and timelier reporting, to ensure transparency in economic development spending and to promote an informed analysis on the return of the investments State taxpayers make through these programs. Although ESD officials generally disagreed with the audit, officials indicated that they were implementing new controls to ensure compliance with all reporting requirements.

DiNAPOLI RETURNS \$452 MILLION IN UNCLAIMED FUNDS

In February, Comptroller DiNapoli announced that a record amount of unclaimed funds, totaling \$452 million, was paid out to individuals and organizations in State Fiscal Year 2015-2016. This marks the third consecutive year that DiNapoli's office set a national record for the most unclaimed funds returned in one year.

Currently, there is approximately \$15 billion in lost or forgotten money that is held in custody by DiNapoli's Office of Unclaimed Funds and is still waiting to be claimed. For the public's protection, banks, insurance companies, utilities, investment companies and many other businesses are required by State law to surrender inactive accounts, or unclaimed funds, to the State Comptroller.

The Office of Unclaimed Funds helps connect lost money with its rightful owners by working with the media, State and

national associations, and community organizations, as well as by attending events all across the State, including the State Fair. New Yorkers can search for and claim lost money directly through the Comptroller's website at www.osc.state.ny.us/ouf.



Comptroller DiNapoli presents an unclaimed funds check to Janella T. Hinds, Secretary-Treasurer of the New York City Central Labor Council (NYCCLC).



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If you have any comments or suggestions for future topics to be addressed in this newsletter, **we want to hear from you!**

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