



State Study
Commission for
New York City

Final Report
to the New York
State Legislature

FINAL REPORT

OF

THE TEMPORARY STATE COMMISSION TO MAKE A STUDY

OF THE GOVERNMENTAL OPERATION OF THE

CITY OF NEW YORK

April 1973



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TO GOVERNOR NELSON A. ROCKEFELLER
AND THE LEGISLATURE OF THE STATE OF NEW YORK

THIS REPORT of the Temporary State Commission to Make a Study of the Governmental Operation of the City of New York is submitted as our Final Report pursuant to the requirements of the legislation creating this Commission.

We respectfully ask that those who read this report consider carefully the recommendations made by this Commission and by its various task forces.

Respectfully submitted,

Stuart N. Scott, Chairman
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April 15, 1973

**THE TEMPORARY STATE COMMISSION TO MAKE A STUDY OF THE GOVERNMENTAL
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STUDIES SPONSORED BY THE STATE STUDY COMMISSION
FOR NEW YORK CITY:

Re-Structuring the Government of the City of New York.
March, 1972.

Attitudes of New Yorkers about Reorganizing Their City
Government. June, 1972.

Concept of Multiple Functional Regions in the Tri-State
Metropolitan Region. October, 1972.

The Management of the Maximum Base Rent (MBR) Program by
the Housing and Development Administration of New York
City - from June 1970 to October 1972. November, 1972.

New York City Pensions. January, 1973.

Urban Renewal in Brownsville: The Management of Urban
Renewal in Brownsville Area 15, 1960-1973. January, 1973.

New York City's Mitchell-Lama Housing Program: The
Management of the Middle Income Housing Program by the
Housing and Development Administration of New York City.
January, 1973.

The Neighborhoods, The City, and The Region: Working
Papers on Jurisdiction and Structure. January, 1973.

Social Services in New York City. March, 1973.

A Superagency Evaluated: New York City's Housing and
Development Administration. March, 1973.

Health Care Needs and the New York City Health and
Hospitals Corporation. April, 1973.

New York City: Economic Base and Fiscal Capacity -
Summary. April, 1973.

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No governmental study commission can succeed without the efforts of talented, dedicated staff, or without the cooperation of public officials. The State Study Commission for New York City has been fortunate in the quality of support it has received from both these sources.

The members of the State Study Commission are especially grateful to Mr. Stephen Berger, the Commission's Executive Director, who has with great energy and intelligence guided the work of the various Task Forces and staff study groups. We are grateful also to our staff and the members of our Task Forces, who have contributed so much to our work.

We are likewise grateful to the innumerable City officials who, in either formal testimony or informal interviews, helped us to understand New York City, its government and its problems. And we are thankful to the staffs of several State agencies who have provided us with much valuable information about New York City's relationship with the State.

As long as dedicated people such as these continue to serve the public, the problems of New York City are not insurmountable.

Stuart N. Scott

Final Report of the
State Study Commission for New York City

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INTRODUCTION

The State Study Commission for New York City, known officially as the Temporary State Commission to Make a Study of the Governmental Operation of the City of New York, was created by the New York State Legislature in June, 1971.

The Legislature in recognizing the problems of New York City mandated that the Commission "Investigate and hold public hearings on present management, structure, organization and the fiscal and governance practices of the City of New York, and the agencies thereof." It urged the Commission "to make recommendations for improvements in the management" of the City.

In August 1971, in accordance with the enabling act, five commissioners were appointed, three by Governor Nelson A. Rockefeller and one each by Senate Majority Leader Earl W. Brydges and Assembly Speaker Perry B. Duryea.

These commissioners were:

Stuart N. Scott, attorney, past President of the
New York State Bar Association.

Hon. Shirley A. Chisholm member of the U. S. House
of Representatives for the 12th Congressional
District.

General Lucius D. Clay, U. S. Army, retired, senior
partner in Lehman Brothers, former military
governor of the U. S. Zone in Germany.

Herman Kahn, defense analyst, a founder of the Hudson Institute, mathematician, physicist, scientific and policy adviser to government and industry.

Robert J. Milano, industrialist, Chairman and Chief Executive Officer of Millmaster Onyx Corporation, New York City.

Mr. Scott was designated Chairman of the Commission and in September 1971, Dr. Howard F. Miller, Deputy Director of the New York State Division of the Budget, was assigned by Governor Rockefeller to help the Commission organize its staff and begin its work. In October 1971, John R. Bartels, Jr. was named General Counsel. Mr. Bartels was succeeded by Maurice Nadjari in March 1972. Upon Mr. Nadjari's appointment as Special Deputy Attorney General in September 1972, Richard J. Blumberg was named General Counsel.

On January 2, 1972, Stephen Berger was named Executive Director of the State Study Commission and began immediately to organize task forces and direct research for the Commission.

In February 1972, at the Association of the Bar of the City of New York, the Commission held its first public hearings. Upon the commencement of these hearings, Chairman Scott indicated how the Commission perceived its mission. He said:

In undertaking a study of New York City's government, this Commission recognizes that the problems confronting our City are not unique and can be found in most major population centers across the land.

If we are to discharge our responsibility fairly, there are several things we must do:

1. We must examine the structure and workings of the government of the City in a fair and objective way to determine whether or not the present form of City government is adequately responsive to the needs and desires of citizens who use its services, and if not, whether there are sound changes which can reasonably be recommended.
2. We must examine the relationships between the City and higher levels of government to determine whether there are services and responsibilities which should be taken over by the State or the Federal government.
3. We must examine the relationship between the City proper and the Greater Metropolitan Area to determine whether or not some sort of regional arrangement is necessary to deal with specific problems.

During this past decade discussion of "urban problems" has often degenerated into exercises of trying to fix blame. State and local administrators blamed the Federal government for failing to assume its responsibility, local legislators blamed state governments; urban experts blamed the middle class for moving to the suburbs; businessmen blamed the growing unattractiveness of the older urban central cities; and the voters, the people in the neighborhoods, blamed everyone in public office; and to some extent, they were all right.

This Commission's responsibility is not to assign blame, but to ask meaningful questions, and hopefully propose sensible solutions to some of these questions. We do not intend to conduct an academic exercise; we are concerned with the whole future of New York City.

There are eight million people who live in the neighborhoods of New York, as well as millions more in the surrounding areas who depend upon the vitality, health and strength of our City for their livelihood and for their future. We are determined that this study will give the people of New York the ability to be in control of not only their own, but their City's destiny.

In May of 1972, while the factual studies of our Task Forces were proceeding, the City Administration adopted a policy that no City employee could give us any information except under subpoena, under oath, and at a hearing at which two members of the Commission were present.

The latter requirement, relying on a provision of the Civil Rights Law, was in direct contravention of a provision in the statute creating this Commission which expressly permitted the Commission to delegate its powers to hold hearings and administer oaths. In addition, it impeded the progress of the Task Force studies.

Accordingly we brought an action to establish our right to hold hearings without the presence of two Commissioners.

[Temporary State Commission v. Greenidge.] The Supreme Court, New York County, the Appellate Division, First Department (4-1), and the Court of Appeals (7-0) all sustained our position.

THE TASKS OF CITY GOVERNMENT IN A CHANGING ENVIRONMENT

In establishing the State Study Commission for New York City, the State Legislature noted some of the apparent problems facing municipal government in New York City. Section I of the 1971 enabling statute states:

In the past five years, City expenditures for the City of New York have almost doubled from \$3.9 billion to \$7.7 billion. In the same period, ninety thousand new employees have been added to the city payrolls while at the same time the total population of the city has been decreasing. The resulting annual budgetary crises, with continually increasing taxes and staggering debts, are of serious concern to the residents of both the city of New York and to the total state.

It is abundantly clear that these ever-increasing expenses have yet to be brought under control. However, action must be taken soon if the economic viability of the city and the state are to be preserved. The quality of services to the public must be returned to an acceptable level and adequate fiscal controls must be adopted to see that full value is received for each tax dollar.

In many ways, there is no way to isolate the problems of governing New York City from the problems of the City itself. Indeed, the crisis in governing of New York City during the decade of the 1960s and to the present has been, to a significant extent, related to exogenous factors. Population movements, economic conditions, social disorganization, physical blight, intergroup conflict, and State and Federal actions have all had a marked impact on the ability of the City to effectively manage its problems.

Part of the difficulties stem from the City's changing population. New York City has had a long tradition of absorbing

and accommodating the continued waves of new immigrants. German and Irish, beginning in the 1840s; Italian and Jewish, from the 1880s; blacks in the 1920s; Puerto Ricans in the 1950s; and other Spanish speaking groups into the 1960s. Each of these groups as well as others have arrived poor, and often non-English speaking. Many immigrants, their children and grandchildren, are still here in the City, while others have fled to the suburbs, in a sense "colonizing" the metropolitan region.

The immigration of blacks and Spanish-speaking groups into the City has been a more difficult problem for the City government, a problem whose effects were severely felt in the 1960s. The latest immigrations have been complicated by a number of factors: 1) economic and social mobility and integration have been severely frustrated by racial attitudes; 2) the gap between the level of education and skills of the new immigrant and the levels needed to prosper and develop in the urban society have grown dramatically; much of the impetus for the latest immigration has been the increased mechanization of agriculture; 3) the erosion of the political party "machine," which, for all its failings and shortcomings, was an institutional mechanism for the gradual assimilation of new immigrants into the City's political and economic life. Municipal government has found it difficult to assume this function, and the splintered party apparatus no longer has the interest or ability to do so.

The latest immigration into the City, and the impact of urban out-migration over the past few decades,

have given the population of New York City an entirely different character. The white population in the City has declined from nearly 7 million in 1940 to 6 million in 1960 to 5.1 million in 1970; the black population has increased from 450,000 in 1940 to 1.1 million in 1960 to 1.7 million in 1970. Additionally, the total Spanish-speaking population for the City in 1970 has been reported to be approximately 1.2 million.

The problems of assimilation for the latest immigrants have been further complicated by the changes in the economic structure and activity of the City. Former immigrants were greeted by a substantial manufacturing and industrial sector in need of workers with limited skills. However, during the period of 1960 to 1970 alone, manufacturing employment in the City was reduced by 19 percent, resulting in a loss of about 181,000 jobs. This trend has continued into the 1970s; the City lost 73,000 jobs in 1972, over half of them in the manufacturing sector. Actually, during the three year period of 1969 to 1972, factory employment declined by 143,000. This compares with a loss of 137,000 jobs for the previous ten years combined. In the last three years, moreover, the City has lost a total of 250,000 jobs.

In addition to the new immigration of large numbers of poor and unskilled workers, there has been a concurrent out-migration of both middle class and whites to the suburbs. During the period 1950-1970, emigration from the City was over 1.5 million while the outer and inner ring suburbs of the metropolitan area experienced an immigration of over 2.5 million. [Thomas M. Stanback, Jr., "Suburbanization" in

Eli Ginsberg, et al., New York Is Very Much Alive: A Manpower View, p. 43.] Jobs and industries have followed the move to the suburbs; during the period 1960 to 1970, the City's share of metropolitan area jobs declined from 71.2 percent to 64.1 percent. Additionally, the number of resident, non-commuting employees within New York City fell by 11.63 percent during the same period.

These economic and demographic changes in the City have generated new needs and demands upon the City government. For as the City's low income population increased dramatically, housing problems in New York intensified with widespread abandonment and a current vacancy rate of about 1.5 percent. The number of people on public assistance dramatically increased to 1.2 million in 1972, a situation which means that one out of every six New Yorkers is receiving public assistance. Federal programs, such as Model Cities and manpower training, involved the City further in new programs. Drug addiction increased to the point where it is estimated that about 150,000 addicts now prey upon the City. Crime is perceived as the number one issue in the City. Municipal unions have greatly expanded in numbers, strength and finally in demands. Additionally, the City not only continued funding a larger share of its own tuition-free university, but instituted open-enrollment and greatly expanded an ambitious and costly graduate program. In ten years, a 55 percent growth occurred in City government employment, an increase of 146,300 jobs.

Finally, with new demands, tasks and programs, the City faced a fiscal crisis. From an expense budget in 1962-63 of

\$2.78 billion with a per capita cost of \$357.93, the City had in 1972-73 an expense budget of \$9.41 billion with a per capita cost of \$1192.29. This is an increase of about three and one-half times in a single decade. In addition, such revenue sources as businesses and taxpaying middle class residents have been fleeing the City. Not only were they not replaced with new revenue resources, but they were replaced with a citizenry in greater need of governmental programs and assistance. In addition to trying to maintain the already hard-pressed delivery of traditional City services such as police, sanitation, fire and education, the City continued to promise more and greatly expanded its whole program base. In fact, according to David Grossman, Director of the Budget, New York City has the most comprehensive program base in the country. This brought the resultant increase in costs, while the City was concurrently losing sources of revenue.

Despite the extensive and expansive response of the City government to the 1960s, a widespread feeling of disenchantment, almost anomie, pervades the citizens of New York [State Study Commission, Attitudes of New Yorkers about Reorganizing Their City Government, June 1972.] First, the City has failed to complete many new programs. Urban renewal projects designated in 1961 are yet to be complete; drug addiction programs have had limited impact; despite increases in the number of teachers and a decline in the student/teacher ratio, 66.3 percent of the elementary pupils in public schools, and 71.3 percent of the junior high pupils read below grade level.

Governmental reorganization into superagencies which theoretically appeared to be a major administrative breakthrough did not result in improved service delivery, better management and efficiency, but instead fostered waste and inefficiency. Community planning boards and other similar structures are still struggling to be effective inputs for citizen participation in government. Second, the City has seemingly been unable to maintain at a reasonable level many of the basic traditional essential services of a municipal government. The streets in many sections of the City remain dirty and the air quality is often unacceptable; City government telephones - especially complaint numbers - are either busy, unanswered, or inoperative.

Not only are there clear indications that municipal services have deteriorated while promises go unfulfilled, but there is also a sensation of helplessness - a feeling that there is no one or no place in City government to go to for assistance or redress, and that no one is held accountable. Productivity reports issue from City Hall, yet nothing appears to change. Increase in municipal employment has not meant an increase in service delivery. The task of governing New York City has become more complex, more difficult, but not insurmountable; the City is governable.

In order to carry out its mandate "...to make a study of the governmental operation of the City of New York" the Commission designated various task forces to study and make recommendations regarding various areas of City government.

Primary emphasis was first given to the problem of the structure of municipal government in New York City with the

establishment of the Task Force on Jurisdiction and Structure headed by Edward N. Costikyan and Professor Maxwell Lehman.

After extensive hearings, the Task Force submitted a detailed plan for restructuring New York City government, which adopted the concept of decentralization and which received widespread attention and debate. On April 19, 1972, this Commission endorsed the approach taken by the Task Force in a letter to the Governor, the Speaker of the Assembly and the Temporary President of the Senate, which stated:

In our letter of March 21, we acknowledged receipt of the report of the Commission's Task Force on Jurisdiction and Structure and stated our intention to study it carefully and report as soon as possible.

As you know, the task force report sets forth a detailed proposal for decentralization within the City.

In developing its proposal, the task force has heard over 150 witnesses in seven public hearings in all five boroughs, from Borough Presidents and civic and political leaders to interested citizens. All of these hearings were attended by members of the Commission. The members of the Commission and the task force have also met privately with many experts in and out of public life.

In their testimony before the task force, all five Borough Presidents supported some form of decentralization of City government.

Widespread public support has also been expressed for revising the City's Charter. This support has come from many different individuals and groups representing diverse points of view. For example, the Comptroller, the Borough Presidents and the Association for a Better New York have all indicated their support for some form of Charter revision.

We have now had an opportunity to carefully examine the report of the task force. It deals with questions which are both complex and important. While there are many areas still to be explored, and many questions to be answered, we are unanimous as to the following major points:

1. There is a widespread dissatisfaction with conditions in New York City and with the quality of the delivery of services by the City. There is a feeling that the situation is deteriorating and a strong sense of urgency that something be done about it promptly.

2. A major component in the dissatisfaction of citizens and community groups is the remoteness and inaccessibility of the central City government. People do not know where to go with their complaints and feel that the ultimate decision is in the hands of officials who are not familiar with their local problems. They desperately feel a lack of effective participation in the governance of their own affairs.

3. The report of the Task Force on Jurisdiction and Structure, entitled "Re-Structuring the Government of New York City", is a thorough, well thought out and intelligent proposal for ameliorating the above problems. It merits serious study and wide public discussion.

4. While many of the details of the task force report are controversial and require further studies, its basic approach - the establishment of district governments of the character suggested in the report - represents a sound solution to many of the present difficulties.

5. We, therefore, recommend that legislation be adopted at the present session of the Legislature authorizing the creation of a New York City Charter Revision Commission for the purpose of drafting a new charter for the City of New York and submitting the proposed new charter to the voters at an election held subsequent to the November 1972 election.

6. We further recommend that the Charter Revision Commission be directed to consider a re-structuring of the government of New York City along the basic lines proposed in the task force report.

7. We believe that re-structuring City government is only part of a larger need to re-examine the structure and inter-relationship of government at all levels.

Thus we recommended legislative action in 1972 calling for the creation of a New York City Charter Revision Commission. The City Administration also supported the legislation which was adopted by the Legislature in early May, 1972 and signed by the Governor shortly thereafter.

The City Charter Commission, composed of representatives chosen by City and State officials, was established in 1972 and

is chaired by State Senator Roy Goodman with Mr. Costikyan, Chairman of our Task Force, as Vice Chairman. As further evidence of our involvement in the process of Charter reform, two of our Commissioners - Lucius D. Clay and Robert J. Milano - were chosen to sit on the new Charter Commission.

This report, drawing upon the work done for us by our various Task Forces, suggests how New York City can be governed responsibly, effectively and efficiently.

FISCAL AND BUDGETARY PROBLEMS

The Expenditure-Revenue Gap

The core of New York City's fiscal problem has long been evident. In simplest terms, the City can no longer command the resources required to perform the staggering tasks of income redistribution and service provision to which it has committed itself; but its leaders have not yet adjusted either their attitudes or their spending decisions to this situation.

During the past decade, New York City's expense budget has increased nearly three and one-half times. About 55 percent of this growth has been financed through a six-fold increase in State and Federal aid to the City. Nevertheless, the growth of City-financed expenditures has also been substantial.

While the City has thus become increasingly dependent upon aid, it has also found it necessary to more than double its own revenue yield in order to meet its program commitments. This growth has been in part automatic -- caused by growth in the tax base -- and in part discretionary -- caused by the introduction of new taxes or rate increases. During the past decade, the real estate tax rate has risen from \$4.16 to \$6.52 per \$100 of assessed value; sales tax was increased to seven percent (of which the New York City share is four percent) and its coverage was extended; a graduated income tax was instituted; business taxes were increased, and a variety of nuisance taxes and user charges were newly instituted or increased.

New York City's Expense Budgets, 1962-1973
(in thousands of dollars)

	<u>Total Revenues</u>	<u>Local Revenues</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>% Aid of Total</u>
1962-63	\$2,777,232	\$2,041,006	\$ 570,297	\$ 165,929	26.5
1963-64	3,124,354	2,336,786	604,997	182,571	25.2
1964-65	3,391,695	2,511,625	661,796	218,274	25.9
1965-66	3,894,035	2,575,590	1,010,541	307,904	33.9
1966-67	4,616,273	2,878,094	1,161,381*	576,798	37.7
1967-68	5,272,401	3,059,221	1,467,215	745,965	41.9
1968-69	6,149,821	3,258,841	1,991,275	899,705	47.0
1969-70	6,590,900	3,538,480	1,992,633	1,059,787	46.3
1970-71	7,823,966	4,176,832	2,360,561	1,286,573	46.6
1971-72	8,650,719	4,609,541	2,516,774	1,524,404	46.7
1972-73	9,407,161	5,040,265	2,530,514	1,836,382	46.4

* Includes \$63,750,000 in "one-time" State aid for 1966-67 only.

Data compiled by the New York City Chamber of Commerce from Annual Reports of the Comptroller of the City of New York (1962-63 to 1971-72) and from estimates shown in Budget of the City of New York (1972-1973).

In recent years, several studies of New York City finances have attempted to forecast the growth of City expenditures, and the share to be financed directly from City revenues. Among these are the studies conducted for the Temporary Commission on City Finances, under the direction of Dean Dick Netzer of the New York University Graduate School of Public Administration, [Temporary Commission on City Finances, Financing Government in New York City, 1966]; later analyses by Dean Netzer, [Dick Netzer, "The Budget: Trends and Prospects," in Lyle C. Fitch and Annmarie Hauck Walsh (eds.), Agenda for a City, 1970, pp. 651-711]; and a comprehensive study, by the Maxwell Research Project on Public Finances of New York City under the direction of Dean Alan K. Campbell of Syracuse University, for the State Study Commission, [State Study Commission, New York City: Economic Base and Fiscal Capacity, April, 1973]. All have concluded that the existing revenue structure would not support the level of spending that the City's program commitments would require in years to come. The "automatic" annual increases in City tax yields would be far exceeded by cost increases for existing programs, even if no new programs were undertaken. In 1970, Dean Netzer predicted that

. . .if recent trends continue, the cost of the bundle of public services the City finances from its resources, however inadequate these services may be, are likely to rise perhaps \$200 million a year more rapidly than the funds produced, more or less automatically, by the City's existing revenue structure. To cover such a gap

would require each year City action equivalent to: doubling the rates of the City personal income tax; or increasing the City sales tax by 1.5 percentage points; or more than tripling the rates of the commercial occupancy tax; or tripling water charges; or a ten percent increase in the yield of the real property tax, above and beyond that now permitted by the State constitution.

Three years later, the staff of the Maxwell Research Project found the City's fiscal situation to be even more serious. Even under the optimistic assumption that the revenues generated by the existing City tax structure would increase by 50 percent between 1972 and 1979, they concluded that, holding constant the rate of State and Federal assistance, the cost of those services now funded by the City might exceed locally raised revenues by as much as \$3.2 billion. Even if the rate of increase in City employment, salary levels and pension contributions were sharply reduced, the City might still face a gap of \$2.3 billion. The \$3.2 billion gap would require annual tax increases of \$440 million; a \$2.3 billion gap, \$330 million.

Obviously, the levels of taxation that would result from annual increases of this sort would be neither feasible nor desirable. In testimony before this Commission, Dean Campbell cited predictions that, if recent growth rates are sustained, local government expenditures in New York will totally consume all personal income by the first decade of the next century.

For the next four years, at least, the prospects for massive increases in Federal and State aid to the City are not bright; indeed, the recent freeze imposed on housing subsidies

by the Federal government suggests that the City can expect less support from Washington in the future. Can the City close the gap between its income and its spending?

Areas and Causes of Expenditure Growth

The staff of the Maxwell Research Project has provided the State Study Commission with comparisons between the budgetary growth experienced by other large American cities. Their findings demonstrate clearly that New York City's much greater growth is due primarily to its unparalleled responsibility for a broad range of welfare, health and education functions. No other City can match the comprehensiveness of the governmental services paid for by New York City. The area of spending most closely associated in the public mind with spiralling City expenditures is public assistance and Medicaid; and this association is to some degree justified. In public assistance alone, transfer payments increased annually by 24% between 1965 and 1970. The City's share of this expenditure increased almost as fast. Medicaid explains a substantial part of the growth; medical payments for the indigent were budgeted at \$503 million in 1972-1973 out of a Department of Social Services total budget of \$2.6 billion.

During the current fiscal year, the City's Human Resources Administration has succeeded in curbing the escalation of welfare costs. But its strategy, relying heavily on the elimination of ineligibles, cannot be expected to maintain "zero growth" for very long. Unless deep-rooted social and economic trends can be reversed, the dependent population will be substantially larger a decade hence than it is today. And given the high rate of

inflation in the cost of basic necessities - especially food and housing - the City's bill for public assistance will undoubtedly be much higher.

The costs of the City's education system have also increased sharply: between 1965 and 1972 public school costs more than doubled. Part of this increase was due to greater enrollment: from 1,004,000 in 1961-62 to 1,132,000 in 1971-72; but a much greater share was due to increased per-pupil costs. Although enrollment is expected to level off in the mid-1970s, per-pupil costs will continue to rise. In addition, it is quite possible that a sharp reduction in the scope of parochial school education in the 1970s could increase public school enrollment by 20 percent or more. Like welfare, education will surely continue to command a large share of City resources.

The rate of expenditure increase for higher education, a field in which no other municipality offers programs remotely approaching the scope of those offered by New York City, has been even greater than that for welfare. Annual increases averaged 25 percent between 1965 and 1972, and the City's share of higher education costs has grown even faster. Obviously, part of this growth resulted from Open Enrollment. But per-student costs have risen sharply as well - from \$1150 in 1966 to \$2312 in 1971. Although the rate of enrollment increase is expected to decline after 1972-73 (with all four undergraduate classes now including open enrollment students), a high growth rate can still be expected. Even if it is only half that of recent years, higher education costs will still exceed \$800 million by 1979.

While increases in these costs explain most of the City's expenditures increase, the more traditional functions, especially in the criminal justice area, have also become costlier. Police, corrections, court, environmental protection, fire protection and parks costs have almost tripled over the last decade. This growth is particularly disturbing, in that the functions are almost entirely City-financed and should be more susceptible to City control.

Debt service costs, which exceeded \$1 billion in 1972-73 and which are financed almost entirely out of City revenues, have also become a serious burden. Interest payments cost the taxpayers of New York City \$475 million in 1972 - 1973.

It is clear that much of the expenditure increase was beyond the City's capacity to control, and will remain so in the future. General inflationary trends, for example, account for 24 percent of total budget growth between 1965 and 1972, according to the Maxwell Research Project. In the human resources area, Federal and State mandates gave the City no choice but to increase spending when the number of applications for public assistance and Medicaid skyrocketed; increases in these payments account for 44 percent of the growth between 1965 and 1972. State mandates impose other costs on the City as well, such as support for the courts. And even if the per-pupil costs of education had not changed, increased enrollment would still have required substantially higher school spending.

But other cost increases have clearly resulted from the decisions of City policy makers. The City has in the last decade

repeatedly chosen to increase the fiscal commitments it must meet from its own revenues. It has greatly enriched public school programs and has greatly expanded the City University, while maintaining its no-tuition policy. It has initiated the nation's largest day-care program, funded a wide variety of anti-addiction services and expanded its police forces.

The City has also assumed the burden of greatly increased personnel costs. In some instances, substantial increases were no doubt due City employees, to allow them to "catch up" with private sector counterparts; and many City blue-collar workers are still paid quite modest wages. But in many categories, City employees are by far the best-paid civil servants in the nation; many receive wages and salaries that compare favorably with those in the private sector, while enjoying pension and fringe benefits far superior to those offered by private employers. Only recently has the City made any attempt to relate wage and salary increases to some measures of increased employee productivity.

City officials have spoken out frequently and with some passion about the need for the Federal government and the State to assume a greater share of the City's fiscal burden. Virtually every study of City finances supports their position: the City simply cannot continue to bear the disproportionate share of the burden of social change which it has borne so long. The City's fiscal dilemma cannot be solved unless the Federal government assumes the costs for all public assistance, mandated social services and Medicaid. Full assumption of school costs, by either the Federal government or the State, may also be necessary.

Nevertheless, such transfers of responsibility will not by themselves solve the City's financial problems. The growth of those costs for which the City retained responsibility would eventually consume City revenues freed by the transfer; relief from the crisis would be short-lived. If, for example, all social welfare costs were assumed by the Federal government in the near future, the City would save about \$700 million now paid annually out of tax levy funds. Even if this change did not generate strong new pressures to spend the dividend in other areas, or to cut taxes - an extremely unrealistic assumption - the growth of other City costs, outpacing revenue growth by a substantial margin, would quickly consume the entire saving. Further, projections supplied to the State Study Commission by the Maxwell Research Project indicate that even if all welfare costs were transferred to another level of government, City costs might still exceed City revenues by as much as \$2 billion by 1979. Only in combination with a highly improbable set of circumstances - very slow growth in all costs and rapid increases in revenues - would removal of the burden of welfare costs allow the City to balance its 1979 budget.

Thus, even if the City escapes some of its major fiscal burdens, efforts to curb the increase of City-financed costs are necessary. And if such relief is not forthcoming - as seems likely in the short run, at least - cost-control efforts are the only source of hope for the City's hard-pressed taxpayers.

The Failure to Control City Costs

At the highest level, costs can be controlled only if critical decisions about the scope of City government are carefully related to the fiscal constraints under which the City operates. This is a requirement which the City's highest-ranking leaders have repeatedly ignored.

One example of this is the growth of City University. Without entering a judgment on the merits of the University's no-tuition policy, the growth of the City University system is a good example of the City undertaking a socially commendable activity without serious public discussion of the long-term costs involved: whether the City could afford to maintain both open enrollment and its no-tuition policy. Public statements by top City officials about open enrollment gave little indication of concern for its fiscal implications.

When fiscal considerations are not carefully figured into major policy decisions, it becomes quite easy to evade difficult questions about priorities. It becomes easy to let choices be dictated by short-term political and bureaucratic pressures, while pretending that the options do not exist.

The character of the City's budget process further aggravates the weaknesses of major policy decision making. In recent years there have been substantial improvements in the program analysis capacities of the Budget Bureau, and some improvements in the form of the budget document. But the budget process generally still does not function as a means for carefully analyzing on-going

City programs , or for intelligently evaluating alternate uses of scarce City funds. Thirteen years ago, Professors Sayre and Kaufman wrote that City priorities were often set through the cumulative effect of thousands of minute, line-item decisions of the Bureau of the Budget. [Wallace S. Sayre and Herbert Kaufman, Governing New York City: Politics in the Metropolis, 1960.] This is still true today. Top-level officials, moreover, almost never attempt to cut into the "base" of established agency programs; and when they have , it has been through hiring freezes, which allows them to evade responsibility for choosing where the axe should fall.

The budget process might be more effective as both a policy-making process and a means of cost control if it included some meaningful legislative review. The City Council now possesses all the formal powers needed to conduct a full review of programs presented in the executive budget, to hold agency heads accountable for their spending, and to shape the City's priorities but it has almost never exercised these powers. In most years it has made only trivial changes in the executive budget. It has been particularly loath to face the alternatives of raising taxes or cutting programs. In 1972 the Council clearly abdicated its responsibility. Faced with a substantial deficit, its leaders spoke boldly for a while about deep cuts in the Mayor's budget, dawdled over the issue of levying new taxes, and in the end simply refused to act at all on the budget which under law was tantamount to approval. It is difficult to

have any confidence in a legislative body which by its own choice plays no role in budget making.

The Board of Estimate has been much less passive in its approach to the budget. Its members have not hesitated to challenge the Mayor, and have sometimes tried to give serious attention to the questions of priorities embodied in the budget. But the Board as an institution is not well suited to this role. The Mayor's representative does not, of course, participate in any independent budgetary review. The Comptroller may know the actual details of the budget better than anyone else in the City; but as the active head of a large administrative agency, he has only limited time to devote to the policy questions involved in budgeting. The other members have few duties beyond those involved in Board membership; but they are too few in number to allow for any real specialization in various areas of government operation, which is probably essential to effective review of the budget. The Board may get deeply involved in selected details, especially regarding capital projects, but it rarely looks at the budget programmatically.

It might be argued that the roles played by the Council and the Board of Estimate are not really crucial anyway, since the most important issues inevitably have to be settled in Albany, in negotiations among the Mayor, the Governor and the Legislature. This is partly true, insofar as the Governor and Legislature, through their control of the City's taxing authority and borrowing capacity, and of the amounts and character of State aid, usually set the upper limits of the City budget.

But State leaders have usually been concerned only with aggregate totals; they have rarely given close attention to departmental or program estimates making up the total.

Equally as important as the character of the budget process in explaining fiscal irresponsibility is the separation of spending and financing roles within New York City government. The public school system exemplifies the problems such separation creates.

The Board of Education is authorized by State law to prepare its own budget, which is submitted to the Mayor for revision prior to its submission to the Council and the Board of Estimate. The Mayor virtually always reduces the Board's requests substantially. But once the budget is enacted, the Mayor and his Budget Director have little control over how the money is actually spent. The Board of Education, whose fiscal practices have been compared by its President, Joseph Monserrat, to those of "a candy store," has little control over spending. Indeed, a State Senate investigating committee concluded in 1971 that the Board did not even know, much less decide, how money was spent. This kind of management leads to incidents such as occurred in 1971, when the Board announced, half-way through the spring term, that it was overspending its budget by about \$40 million. The Board said it would eliminate the deficit by laying off all substitute teachers unless the City agreed to appropriate additional monies. The threat touched off a minor crisis, which was solved only when the Comptroller suggested rolling the added costs over into the following year's budget.

In an organization that lacks adequate fiscal controls, it is clearly easier to respond to the problem of limited resources by threatening in this fashion to cut essential services than it is to eliminate nonessentials. Other agencies, too, have learned to play the game. Threatening to turn away the following year's freshman class has become something of a ritual for City University officials. Such activities might be prevented if those who run the City's educational institutions were directly answerable to the elected officials who must raise the money.

Moreover, the autonomy of the City's two major educational agencies in collective bargaining largely undermines the overall budgetary controls formally exercised by the Mayor, the Council and the Board of Estimate. Expenditures mandated by contracts negotiated by these agencies and unions of their employees cannot be reduced by City officials. Both the Board of Education and the Board of Higher Education have been quite generous in settling salary disputes; the average salary for elementary and secondary school teachers, exclusive of summer or extra-curricular earnings, is now about \$15,000. On issues such as class size, the Board of Education and the United Federation of Teachers have inserted provisions strongly favored by both into their contract, thus obligating City budget makers to absorb added costs. This suggests that a cost-conscious perspective has been missing from collective bargaining in the educational field.

The absence of an adversary relationship in collective bargaining is not as obvious in the negotiations conducted by the Office of Labor Relations. The office is directly responsible to the man who must find the money. Nevertheless, the spending and financing perspectives are somewhat separated in these negotiations, too. The dominant value of the Office of Labor Relations has generally not been frugality, but the maintenance of labor peace. The stance of the City's other labor relations agency, the Office of Collective Bargaining is by law that of a mediator. Thus, although the City's public employee unions have taken the hard line on "bread and butter" issues traditionally taken by their private sector counterparts, the stance of the City has not been forceful.

The temptation to settle is increased by the possibility of deferring costs until a date in the distant future. Thus the City has agreed in recent years to several extremely generous pension settlements. Studies conducted for the State Study Commission indicate that pensions due under existing agreements will become one of the costliest items in the expense budget within a few years, perhaps exceeding \$3 billion by 1980. There is, in effect, a separation in time between the decision to spend and the burden of that spending. It should be noted that many pension costs are inevitable since by Constitutional provision in New York State, vested pension rights may not be reduced or otherwise impaired. The City can only curb the growth of pension costs by different arrangements with new employees.

The tendency to defer costs is also evident in areas other than collective bargaining. The City has increasingly resorted to borrowing to meet operating expenses. Items traditionally included in the expense budget have been redefined, by statute or by interpretation of the Corporation Counsel, as capital expenditures - emergency relocation, routine park and vehicle maintenance, manpower training programs, staff allowances for City Councilmen.

The City financed its 1971 "parity settlement" with police and firemen through a short-term loan, and in 1972 received special State authorization to borrow up to \$100 million to balance its 1972-73 expense budget. This trend is alarming, in view of the City's mounting debt service costs, which in 1972-73 consumed over 20 percent of the City's revenues. Since there is little reason to believe that the City's fiscal position is about to improve, there can be little justification for deferring operating costs. The only real justification is political: to pass the responsibility for paying on to someone else.

FAILURES OF ADMINISTRATION AND MANAGEMENT

Studies of the administration and management of New York City government have been central to the work of the State Study Commission. Our investigations indicate that the City suffers from major shortcomings in three important areas:

- 1) administrative structure
- 2) policy making and administration
- 3) management controls

Weakness in Administrative Structure

The incumbent administration came into office convinced that the City's administrative structure was seriously inadequate; and convinced as well that it could remedy the situation. Based upon the recommendations of the Mayor's Task Force on Executive Reorganization, and of several studies conducted under the auspices of the Institute for Public Administration, the Mayor and his associates concluded that City government could be managed most efficiently and effectively through a relatively small number of "superagencies," i.e., umbrella agencies under which the various departments operating in related fields - health, housing, human resources, etc. - would be subsumed. Between 1966 and 1968, seven of these superagencies were created, both by Executive Order and by local legislation. Others were created later.

The superagency concept, which is difficult to fault in principle, has been far from the administrative panacea it originally appeared to be. Not only have the major managerial weaknesses not been overcome, but the agencies have generated

some major problems of their own, chief of which has been the involvement of the Administrator in operational affairs.

Many of the superagencies, when created, did not actually include all the operating agencies in their respective fields. Because the functions of the Planning Commission and the Housing Authority were not included in the Housing and Development Administration, that superagency lost its potential for truly coordinating the City's housing activities. The Transportation Administration is not really a superagency at all, having almost no control of the City's major transportation functions.

Further, the original emphasis on a coordinating, supervisory and policy planning role for the major superagencies was quickly lost. The central offices of the Housing and Development Administration quickly became a "fifth department" as almost forty operating programs, including the extremely complex Maximum Base Rent program, were placed directly under the Administrator's charge. In other superagencies, Administrators have sometimes doubled as Commissioners of major departments: the Environmental Protection Administrator as the Sanitation Commissioner, for example, and the Health Services Administrator as the Addiction Services Commissioner. The Human Resources Administrator's position as Social Services Commissioner has become permanent. The Health Services Administrator is also the Chairman of the Board of Directors of the Health and Hospitals Corporation.

Although coordination was presented to the City Council as the primary benefit to be reaped from creation of the superagencies, the level of coordination among various related programs within the

superagencies still remains low. Simply collecting various social service agencies under the HRA umbrella proved to be of little value without careful redefinition of the purpose of the various services, and of how they should relate to each other. The superagency central offices have had limited value in effecting any kind of coordination or program integration among departments which, although under different administrators, have common interests - such as the Youth Services Agency and the Addiction Services Agency. Difficulties have also persisted within departments, such as the Housing and Development Administration's Department of Rent and Housing Maintenance, where the findings of inspectors from the Office of Code Enforcement are not accepted as evidence in District Rent Office proceedings. Indeed, in some instances, as a result of the weakening of top departmental leadership, the fragmentation and isolation of program units within the departments has increased.

In the Housing and Development Administration, many crises finally resulted in a massive shakeup within the agency. Following repeated public criticisms of the poor management of the agency, proposals in the City Council to dismantle it, and studies made by this Commission, a new Administrator was appointed and wholesale reorganization of the agency began. Speaking of that reorganization, Administrator Kerr, a management expert who had virtually no previous experience in housing, told this Commission:

I've taken some steps to shrink. I've eliminated some assistant administrators and in some parts I've shrunk, and other parts I've beefed up. You know, it's hard to make a generalization about the whole thing; the direction it might go, because I think the focus now has to be on the operations of the agency.

But, Mr. Kerr stated that there was a need for some "additional capacity at the administration level."

As a result of that consolidation...I found it necessary to request fifty additional accountants to be employed by the agency.

The need to grow appears to be characteristic of New York City's government reorganizations. New York City's Director of Personnel, Harry Bronstein, pointed out that "Reorganizations in most instances meant promotions for a lot of people."

The failure to make key personnel accountable has resulted in their demoralization. Commissioners and deputies see themselves serving, in some instances, as mere instruments of communication between the central offices and their program staffs, rather than as responsible decision makers. This Commission's Task Force report on the Health and Hospitals Corporation, for instance, documents the effect of central office power on the operations of the hospitals and on the morale of the City hospital directors.

Weaknesses in Policy Planning at the Agency Level

Studies conducted for the State Study Commission indicate that despite the creation of the superagencies the City government has not adequately developed a strong policy planning function

within its major agencies.

The creation of the superagencies was supposed to increase greatly the City's capacities for planning and policy development. Much of the energies of the Administrators and their staffs, it was expected, would be devoted to this function. But as we have seen, the operational responsibilities of the Administrators soon became paramount. In the Housing, and Human Resources superagencies, repeated crises have forced top officials to become more and more involved in the solution of short-term problems.

In the absence of long-range planning, the priorities of the superagencies have been determined by short-term fiscal, political and bureaucratic pressures. The emphasis of the Housing and Development Administration on new housing production, for example, seems to have resulted more from pressures to present tangible and visible achievements than from a thorough evaluation of the City's housing needs. Furthermore, resorting to reducing staff by attrition as a means of cutting costs has crippled the efforts of responsible line officials to plan their programs intelligently.

It must, of course, be pointed out that many of the most critical pressures on City policy planning have their origins at the Federal and State levels where shifts in funding levels, social services policies, and more recently the freeze on housing subsidies, have had particularly disconcerting effects.

The Inadequacy of Management Controls

The difficulty of ensuring effective and efficient performance of the tasks of government is one of the most persistent problems that City officials face. The factors which contribute to this problem are many and complex and can be reviewed here only briefly.

The way in which the Civil Service system has been operated makes it virtually impossible for the City to rid itself of non-productive employees. Incompetent and inefficient personnel are retained in City government, continually transferred from place to place or "buried" where they will, hopefully, do the least harm.

This is in part due to the sense of security which civil servants have as a result of their triple protections -- the legally defined rules of the Civil Service, the formidable power and solidarity of the unions and the benefits obtained through collective bargaining. While the unions have extracted generous benefits and salary settlements from a municipality with limited resources, the Civil Service system has supplied the employee with tenure. At the same time, the Civil Service regulations, as well as union prerogatives, have restricted the administration's options and ability to increase the productivity of its employees. The rigid structure of the Civil Service rules and regulations gives insufficient latitude to management to recruit and promote qualified personnel, and to eliminate the incapable. New York City's Director of Personnel, Harry Bronstein, indicated the extent of this difficulty in testimony before this Commission.

Civil Service employees can find in many instances a tendency that once they are in a job - they're cemented in a job permanently and there's very little anyone can do about it. I haven't been caught with my hand in the cookie jar, so to speak, and consequently, as long as I work from nine to five and do my job adequately ... I've got the job for life.

Part of the difficulty of eliminating incompetence and non-feasance no doubt results from the lack of any established criteria by which the work of civil servants might be evaluated. This not only makes it difficult to demonstrate incompetence; it makes it difficult to recognize and reward superior performances, and thus reduces the incentive for City employees to excel.

For example, even the probationary period for City employees has not operated effectively. According to Mr. Bronstein:

In many instances in the past, the probation period has been meaningless, because, if the agency head did not discharge the individual or demote him in the six month period, he automatically received tenure. Before the probationary period had terminated, if the agency head had not made up his mind as to whether he wanted to retain the individuals, he had to get permission from the individuals to allow the probationary period to be extended so that he could further evaluate him. But in many, many instances, it becomes automatic. We want to put some teeth in the probationary period, so that there can be a better evaluation, so that we could measure potential for advancement.

Once a civil servant has completed his probationary period it is extremely difficult to remove him. Even transfer to another agency is a difficult process. Mr. Bronstein says:

...But if any agency head is dissatisfied with an individual and wishes him transferred to another agency, there must be a willingness on the part of the agency to which he will go to accept him, there must be a willingness on the department that wants to get rid of him. And the individual must consent to that type of transfer. The individual's argument is that if he doesn't want to go, "bring me up on charges." Now if there isn't any reason to bring him up on charges then it becomes very, very difficult just to move him from one agency to another without his will.

We are convinced that the vast majority of City employees are competent, hard-working, honest men and women. Yet many of these employees are not as productive as their skills and salaries would seem to warrant. Obtaining from them the kind of performance they are capable of is the principal management challenge facing the City.

The capacities of City employees are also in many cases not fully utilized due to inappropriate job organization or assignment. As the City now recognizes, this has long been a problem in the Department of Social Services, where hundreds of caseworkers have been assigned to income maintenance, which gives them little or no opportunity to exercise their professional skills. Similarly, too much of the time of highly-paid City school teachers is spent in non-instructional work. Such misuse of personnel is not only inefficient in strict cost-benefit terms; it can also be quite costly in its adverse effect on the morale of the employees involved.

There are other issues related to developing an effective personnel policy. The changing ethnic composition of the City's population makes the demand for equal opportunity in City

employment not only a question of justice but also a necessity if City bureaucracy is to relate effectively to the public it serves.

Efforts to increase the number of minority workers in the non-managerial positions reflect the need to broaden the base of support in the community for services such as those by police, firemen and social service personnel. Mr. Bronstein says:

...under existing Civil Service Law it is very difficult for us to make any special effort to get minority groups into the Civil Service system. We have been stopped from requiring that candidates come from specific geographic areas which are deemed to be poverty areas in order to be eligible for certain Civil Service examinations. These restrictions also make it difficult to take advantage of the many State and Federal funded programs.

The City has, on the surface at least, pursued a vigorous policy of promoting equal opportunity for minorities and women with varying degrees of success. While there have been many occasions of appointments of both minorities and females to high administration positions, the extent that this policy has filtered down into all levels of City bureaucracy is minimal. While there is a general feeling that the City's policy of equal opportunity for minority racial groups has been at least sincere, the degree of commitment to equal opportunity for women has been at best token. Notwithstanding the appointment of several women to important positions in the administration, there have been numerous complaints about discrimination, most recently leveled at the City University system.

Employee morale is further damaged when the employee perceives that corruption is being tolerated and that important managerial jobs are being filled by political appointees whose qualifications are questionable. Corruption has certainly not been confined to this Administration; but its major managerial reform, creation of the superagencies, has failed to stop corruption. When the Housing and Development Administration was formed, the anti-graft unit within the Department of Buildings was abolished, and an Office of Inspector General for the entire superagency was established. Not only was this official too far removed from the operations of the departments to be effective in weeding out corruption, but the abnormally high turnover of the appointees - who had an average tenure of eleven months in office - rendered this office completely impotent in the face of corruption. In the rare instances when the office did uncover corruption, high agency and administration officials chose not to act until third parties such as the City Council and the press intervened and forced action.

It has widely been alleged that the use of the provisional appointment has been abused in City agencies. "Provisionals" can serve many legitimate purposes. The regular examination process often cannot keep up with a department's need for personnel in certain categories. Provisional appointments may expedite hiring and allow by-passing of inflexible Civil Service regulations, or hiring of highly qualified personnel on a temporary basis.

Charges of abuse in provisional appointments in the Housing and Development Administration, however, seem to be justified. Examination of the agency's personnel records in the fall of 1972 by the State Study Commission revealed that 83 percent of the 918 provisional employees of the Housing and Development Administration had held that status for more than nine months, in some instances for six or seven years. Provisional appointees accounted for one-third of the employees in the Housing and Development Administration central staff, and this percentage was more than one and one-half times as high as the percentage of provisionals in the agency as a whole. Thus it is clear that the use of provisional appointees has been a vehicle for the expansion of the central staff of the superagency - as opposed to assisting the line departments where personnel shortages are most critical and have the most effect on service delivery to the public.

Particularly alarming has been the appointment for political reasons of a number of totally unqualified provisionals to important managerial positions. Several cases of this nature have been documented by City officials in testimony before the State Study Commission. This practice can severely disrupt the functioning of an agency. There is evidence that this occurred, for instance, in the Housing and Development Administration, and that agency's new Administrator has in fact removed a number of these appointees from their positions.

Civil Service rigidities, inefficient use of trained personnel, corruption, and political appointments have complicated the job of managing City government. More recently, management has been

further complicated by the emergence of strong municipal employee unions. The effects of this development have been several.

First, what had in the past been considered areas of "management prerogative" have increasingly become subject to labor-management negotiations. The City's failure to deal effectively with labor demands means that unions by and large determine the working conditions of City employees. The inclusion of binding grievance arbitration in many union contracts has restricted the policy making role of public officials. Once a contract is signed, the government often loses the discretion it may have had in resolving disputes. Depending on the issue involved, this can have policy repercussions. Unions are widening their participation in program policy making, whether or not they have this role in the contract. Examples are the resolution of questions such as class size, workload, and number of police in patrol cars. In these cases it has been the union demands rather than the policy maker - or even policy considerations - which determine the outcome.

Second, as supervisory personnel have been unionized, the lines between management and labor have become blurred. Caseworkers and many of their supervisors belong to the same union; City University faculty and department chairmen belong to the same union; and the organizations of teachers and school supervisory personnel, although separate, are frequent allies in opposition

to the Board of Education or the City. Mr. Bronstein discussed this problem in testimony before this Commission:

At a certain supervisory level, there should be a cut-off of those people being part of a labor union - they should be management oriented. They should be the bosses, and they find themselves in an untenable position. They are a member of a labor union, whether its the same one or a different one. To really represent management when it comes to real hard supervision.... I think they should monitor the work produced by the individual. They should call any laxity to the attention of their principals. They should try to be innovative themselves to find out if there are systems that could better productivity.

Third, the City's unions sometimes reinforce the least desirable aspects of the Civil Service system. The determination of the unions to protect job security, no matter how justified management's complaints against a particular employee may be, increases the difficulty encountered in eliminating non-productive personnel. Their opposition to "lateral entry" reforms, which are advocated by the City, has made it difficult to bring fresh talent into the higher levels of the Civil Service.

Fourth, it has been proposed that residency in the City be made a requirement for City employment. Mr. Bronstein states:

We also believe that members of the uniformed forces who are residents tend to have better rapport with the communities they serve and greater sensitivity and understanding of the needs and attitudes of the members of these communities.

It is also evident that this would help to keep a significant number of middle class taxpayers and strengthen the commitment of public servants to bettering their City.

There have been other recommendations to improve management skills and to upgrade personnel, one being the creation of a Civil Service Academy to improve job preparedness. Such suggestions merit serious consideration if better employee morale and productivity are to be fostered.

CONCLUSIONS

Despite numerous difficulties and alarming trends, New York City remains the vibrant financial, business, cultural, communications and entertainment capital of the country and perhaps even the world. In addition to a resident population of nearly 8 million and the millions who come to work here each day, nearly 16 1/2 million people visited New York in 1970; seven of the ten largest United States corporations maintain their headquarters here; six of the nation's eight largest banks are in New York. New York's economy is changing; but a period of transition is not novel to this City's history and is not cause for despair. The demands on municipal government have been strong and complex; but although a lack of confidence in City government may be widespread, strong and sound management can restore the public's faith in its governmental system. While the Commission believes that structure and administrative reform will help, we remain convinced that the hope of the City - as always - is in its vast and diverse citizenry and its ability to produce in times of need the leadership necessary to maintain the greatness of New York City.

The reports and studies of our task forces have reviewed various activities of the City government. These studies, being broader in scope than the audits of the State Comptroller, and more evaluative than the annual program reviews of the Division of the Budget, are necessary tools for study and review. They provide, moreover, a model which could be utilized by a permanent

body charged with studying municipal government. In terms of our own studies, moreover, we are convinced that there are three major areas which require immediate attention by the City of New York if the government of the City is to develop in an orderly and productive fashion:

1. There must be careful redefinition of the governmental tasks and responsibilities appropriate to the government of New York City. The citizens of New York City have often been promised more than can reasonably be delivered by a City government. In many instances the rhetoric of political leaders has far outdistanced the capacity and ability of the City to produce. The result has been no definition of which tasks are essential and which are less significant.

In part this failure to order priorities stems from a notion that municipal government can be comprehensive and all-embracing - providing basic services and involving itself in income redistribution policies as well. We believe that increasing City costs and inadequate City revenues means that a comprehensive and all-embracing municipal government is no longer viable.

The City must not only economize, but it must abandon its role in areas into which municipal activity has extended. The City government must itself determine the value of its various programs. This kind of hard decision must be made. We believe, further, that the City has postponed these decisions

by relying on budget-balancing techniques such as borrowing, a hiring freeze and an attrition policy. These are poor substitutes for facing squarely a basic fiscal issue.

This responsible understanding of its proper role, accompanied by State and Federal assumption of costs currently borne by the City, will go far toward providing sound municipal government. Abandoning its responsibilities in areas such as those connected with income redistribution, the accompanying acceptance by the State or the Federal government of responsibilities for costs of welfare and Medicaid payments and the court system should result in an improved delivery of services by New York City. Further, serious consideration must be developed to deal with regional functions that have crossed New York City boundaries.

2. There must be an orderly and planned redistribution of important political powers within municipal government. This process must take place in two very distinct, yet quite related ways. First, there must be the establishment of true local government in the City of New York. This should be accomplished by a shared-function governmental system which will interrelate a strong central City government with a group of governments at the local level. A true implementation of decentralization will bring about the delineation of these local districts, provide for local councils, and include responsibility for specific governmental functions.

Second, there must be a simultaneous strengthening of the capacity of central government to deliver services and to deal with the local districts. Toward this end, the superagency concept has not proved effective. Truly effective central City government requires strong Mayoral power and true access for top agency officials to the Office of the Mayor, and when necessary, to the Mayor himself. It must provide that direct powers and responsibilities for line operations of the City departments be returned to Mayoral appointed Commissioners. Through such an arrangement, greater accountability would be vested in the Mayor and his department heads.

This dual approach - establishing local governments within the City and bringing the Mayor into closer contact with his line departments - will strengthen the Mayor's power.

3. Certain fiscal and management reforms must be introduced as administrative techniques. The City of New York has, through the introduction of a still largely experimental productivity program, helped focus attention on the need to increase the capacity of municipalities to manage themselves efficiently and effectively.

In addition to promoting productivity from the public sector, however, the City government must introduce more extensive reforms of its management system. In terms of management, productivity measures must be made more meaningful and appropriate; in terms of fiscal practice, a system of long-range budget planning should be introduced so that five-

year projections of revenue and expenditures would be made and be used to assist municipal planners.

The City must also stop fiscal practices which defer the costs of present-day governmental services into the future. These include collective bargaining settlements which defer payments to the last years of the contract, or which extend benefits into the period beyond the contract by means of lucrative pension agreements. These also include the growing and unwise practice of the City government of placing items more appropriate to the expense budget into the capital budget. While the City government has legal opinion that such practices conform to law, such trends are fiscally unsound. We call for a more clear definition of capital items in terms of City policy and in terms of City and State law.

Widespread reform of the Civil Service system itself is also necessary. In many instances the City has allowed itself to evade the provisions of the Civil Service merit system by the widespread use of provisional employees in Civil Service positions. While some of the reasons advanced for avoiding the Civil Service requirements are related to the strictures of the Civil Service system and appear to be valid, other reasons are related to a poorly developed labor relations policy by the City.

APPENDIX

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BACKGROUND
ON REPORTS PREPARED FOR
THE STATE STUDY COMMISSION

In order to carry out its mandate "...to make a study of the governmental operation of the City of New York" the Commission designated various task forces to study and make recommendations regarding various areas of City government.

Primary emphasis was first given to the problem of the structure of municipal government in New York City with the establishment of the Task Force on Jurisdiction and Structure headed by Edward M. Costikyan and Professor Maxwell Lehman.

The Task Force on Jurisdiction and Structure held extensive public hearings in each of the five boroughs and heard testimony from members of the City administration, State legislators, City Councilmen heads and members of local Community Planning Boards, Borough Presidents and numerous interested citizens. In addition, experts in the field of local government were called upon to testify, not only about the governmental structure of New York City and ways in which it could be improved, but also about forms of government in other major cities in the United States and abroad. The Task Force heard substantial testimony, some of which was eventually included by the Commission in a compendium of its working papers on Jurisdiction and Structure. [State Study Commission for New York City, The Neighborhoods, The City, and The Region: Working Papers on Jurisdiction and Structure, January 1973.] The Task Force submitted a detailed plan for restructuring New York City government which received widespread attention and generated much interest. [State Study Commission for New York City, Restructuring the Government of New York City, March 1972.]

The Task Force on Jurisdiction and Structure did not limit its work for this Commission to a new structure of local government. It also concentrated its attention on the problems faced by the City in the development of new approaches to delivering services and dealing with problems on a regional basis. [State Study Commission for New York City, Concept of Multiple Functional Regions in the Tri-State Metropolitan Region, September 1972.]

The work of our Task Force, and the suggestions made to us in our public hearings, had indicated that New York City residents were experiencing serious dissatisfaction with the quality of their government. In order to determine the extent of such dissatisfaction, we commissioned the Gallup Organization to survey New Yorkers and to determine their attitudes toward their government. [State Study Commission for New York City, Attitudes of New Yorkers about Reorganizing Their City Government, June 1972.]

In addition to our concern with the question of jurisdiction and structure, several additional task forces and study groups were set up by the State Study Commission. One of the most important of these was the Maxwell Research Project on Public Finances of New York City, under the general direction of Dr. Alan K. Campbell and Dr. Roy W. Bahl. Dr. Campbell is Dean of the Maxwell School of Citizenship and Public Affairs and Professor of Political Science at Syracuse University. Dr. Roy W. Bahl is Director of the Metropolitan and Regional Research Center and Associate Professor of Economics, The Maxwell School of Citizenship and Public Affairs.

Two reports were submitted to us by the Maxwell Research Project. The first report consisted of two papers by Professor Bernard Jump, Associate Professor of Economics, Hollins College, Roanoke, Virginia. [State Study Commission for New York City, New York City Pensions, January 1973.] The second report by the Maxwell Research Project on the Public Finances of New York City is New York City: Economic Base and Fiscal Capacity, April 1973. It presents:

1. A detailed examination of the effects of changes in the City's economic base on the individual components of such revenue sources as taxable property, taxable earnings and business income and taxable sales.
2. An analysis of external effects - population characteristics - on the City's expenditures, with particular attention focused on past trends in the functional composition and levels of City expenditures.
3. An evaluation of the effects of certain internal factors or input considerations on City expenditures.
4. The development of annual expenditure projections through the decade.

Additionally, three task forces were established to examine significant areas of New York City government for the purpose of recommending possible improvements. Three functional areas were chosen for study:

1. A superagency. The Study Group on the Housing and Development Administration was formed to evaluate the operations of a superagency as to its rationale, performance, and effectiveness as an administrative structure.
2. The delivery of certain services directly to the people. The Task Force on Social Services was organized to examine the City's ability and effectiveness in delivering a vital group of services directly to the people.

3. A new structure in New York City government (a quasi-public corporation). The Task Force on the Health and Hospitals Corporation was formed to study the newly formed quasi-public nonprofit corporation charged with the enormous and vital task of providing adequate health care for New York City.

The three Task Forces spent months examining vast amounts of public documents, internal memoranda, consultant studies, audits and various subpoenaed documents. Private hearings were held with the Administrators of superagencies, Commissioners and civil servants. Hearings were also held with overhead personnel including the Director of the Budget and the Director of Personnel. The studies attempted to examine the quality of the management and supervision of the various agencies involved, especially with regard to general standards of accountability and efficiency. The Task Forces were also concerned with the budgets and expenditures of public funds by the City agencies in order to ascertain the quality of the control over spending. Finally, the Task Forces were concerned with the personnel of the various agencies, in terms of quality and also in terms of the effective and efficient utilization of City employees.

Under the direction of Professor Frank J. Macchiarola of the Graduate School of City University of New York and Baruch College, the Study Group on the Housing and Development Administration produced four studies which dealt with the management of New York City's housing agency: [State Study Commission for New York City, The Management of the Maximum Base Rent (MBR) Program by the Housing and Development Administration - From June 1970 to October, 1972, November 1972; State Study Commission for New York City, New York City's Mitchell-Lama Housing Program, January 1973; State Study Commission for New York City, Urban Renewal In Brownsville, February 1973; State Study Commission for New York City, A Superagency Evaluated: New York City's Housing and Development Administration, March 1973.]

The Task Force on Social Services which was under the personal direction of our Executive Director, Stephen Berger, was composed of: Dr. Blanche Bernstein of the New School for Social Research; former City Welfare Commissioner, James R. Dumpson, Dean of Fordham University Graduate School of Social Service; former First Deputy Commissioner of Social Services, Maurice O. Hunt, Administrative Vice President, Federation of Protestant Welfare Agencies, Inc.; Dr. Alfred J. Kahn of the Columbia University School of Social Work; former First Deputy Human Resources Administrator, Bernard M. Shiffman, Executive Vice President, Community Council of Greater New York.

This Task Force was a "blue ribbon" panel of experts chosen for their academic expertise, broad practical experience and governmental service. Indeed, three were former officials in the City's welfare and social service agencies. [State Study Commission for New York City, Social Services In New York City, March 1973.]

The Task Force on the Health and Hospitals Corporation studied the approach to municipally supported health care taken by the City Administration in contracting its services to a quasi-public, non-profit corporation. This Task Force was asked to study that relationship and, in addition, to study the quality of hospital care in the City of New York. The Task Force report was prepared by: Professor William H. Glazier, Albert Einstein College of Medicine; Professor Clarence Teng of Columbia University School of Public Health; Anthony Robbins, M.D., Commissioner of Health, State of Vermont; Jennifer Robbins and James L. Garnett. The Staff Coordinator was Jo Ann Silverstein. [State Study Commission for New York City, Health Care Needs and The New York City Health and Hospitals Corporation, April 1973.]

In addition to the work of our task forces which have been of immeasurable assistance to us, other experts and scholars have helped us in our work and we are grateful to them.

I. The Neighborhoods, The City and the Region: Working Papers on Jurisdiction and Structure

[Summary]

The working papers which comprise this volume were prompted by the Commission's consideration of a basic question: how to increase citizen participation, given the complexity of modern urban government.

Citizen participation is here viewed not as a slogan, but as a meaningful and essential action of the part of those who are, in fact, the ultimate source of the governmental power exercised by elected officials.

Therefore, while these papers emphasize such matters as fiscal problems, questions of structural and institutional reorganization, comparative experiences of other cities, both in the U.S. and abroad, and discussions of local and regional approaches to dealing with problems, the question of the paramount importance of the citizen and his responsibility must be kept in mind.

In this respect, this volume should be read in conjunction with the proposal by this Commission's Task Force on Jurisdiction and Structure.

The first paper in this volume is by Daniel Patrick Moynihan and is a specific reaction to Re-Structuring the Government of New York City.

Early in the Commission's enquiries, the late Professor Wallace Sayre of Columbia University offered an analysis of London's new governmental structure and his assessment of its relevance for New York City.

The papers by Dean Alan Campbell of the Maxwell School of Citizenship and Public Affairs, Syracuse University, and by Dr. Annmarie Hauck Walsh of the Institute of Public Administration, New York City, were presented as testimony to this Commission and its Task Force on Jurisdiction and Structure at public hearings in February 1972.

Other papers by the Task Force staff deal with regionalism; a description of a regional approach now in existence in the Minneapolis-St. Paul area by James L. Garnett; examples of government in seven major world cities; recent proposals offered for re-structuring New York City government; and a chronological summary of the many official bodies and actions which have affected New York City's Charter form of government over the years.

II. Re-Structuring the Government of New York City

[Summary of Recommendations]

Prepared by the Task Force on Jurisdiction and Structure

The proposal for reorganization has the following characteristics:

GOALS:

- To develop the model of a shared-function governmental system, consisting of:
 - (a) a strong central City government, interlocked with
 - (b) a grouping of local governments
 - with which residents may identify;
 - in which local services may be delivered and monitored;
 - in which the residents may participate by meaningful governmental arrangements.
- To provide a system designed to satisfy two needs:
 - (a) improved delivery of services;
 - (b) government more sensitive, more accountable and more accessible to the City's residents.

ESSENTIAL ELEMENTS:

- 1. Delineation of local service-delivery districts, to be legally designated as governing and operating governmental units; and retention of a central service-delivery sector for those services that are designated as central.
- 2. Establishment of local councils, elected from geographic sub-divisions of the districts.
- 3. Election or appointment in each district of a local executive officer.
- 4. Grant of financial and budgetary powers to the local districts.
- 5. Reallocation of services among the levels of government in such a manner that each level performs those functions it is best equipped to perform.
- 6. Creation of a system of controls whereby a local district that fails properly to perform its services could be temporarily superseded.
- 7. Reorganization of the Board of Estimate into a City Policy Board, the major policy-making unit and mediating vehicle for inter-district and district-central matters.
- 8. Retention of the City Council as the central legislative body.

- 9. Retention of the Mayor as chief executive officer of the central government, as presiding member of the City Policy Board with a weighted vote, and as major spokesman for the whole City.
- 10. Retention of the Comptroller as chief auditing officer, both of the central and of the local governments.
- 11. Retention of the Borough Presidents, re-naming them County Executives, and vesting in them substantial powers as members of the City Policy Board.
- 12. Establishment of instruments to facilitate citizen-government communication.

PROPOSED
STRUCTURE:

Central Tier

Mayor:

- Would remain the Chief Executive Officer of the central City government, retaining over the line agencies of the central government all the powers he now holds:
 - Jurisdiction over the Budget Office, which would deal with the budgets of the central agencies.
 - Appointment, without confirmation from and other body, of deputies to assist him, and the heads of all departments under his jurisdiction.
 - Direction over the priorities and activities of the central City line agencies.
 - Appointment of judges, with the assistance of the Mayor's Committee on the Judiciary.
- Would preside over the Policy Board (replacing the Board of Estimate).
- As Chairman of the Policy Board, would continue to maintain a vital role in preparing the City's total Capital and Expense Budgets.
- Would exercise substantial influence over central and local service agency operations, conditions and budget, through his role as City negotiator in collective bargaining with municipal unions, since collective bargaining would continue as a central function.

- Would be spokesman for the entire City in relations with State and Federal governments, with public authorities, and with other municipalities in dealing with the City's economy, and in all matters affecting the population as a whole.
- Would be free of responsibilities for many day-to-day service delivery functions and would thus be able to devote greater attention to issues of city-wide concern.

COMPTROLLER:

- Would continue to be a city-wide elected independent officer empowered to audit, to probe financial transactions, and to report on the financial condition of the central City and of the districts.

BOROUGH
PRESIDENTS:

- Each Borough President would become a County Executive.
- In addition to serving as a member of the City Policy Board, each County Executive would have overview responsibilities of the Local Districts within his county.
- The planning, budget and management staff would be available to each County Executive.
- Would have the power to recommend, after proper investigation, that the functions of an entire Local Council be superseded.
- As a participant in the budget-making process, he would act in a "balance wheel" capacity among the various local and city-wide interests and local groups.
- He would also serve on regional bodies.

BOARD OF
ESTIMATE:

- City Policy Board would replace the Board of Estimate.
- Membership on the Policy Board would include the five County Executives; the Mayor, and the Comptroller.
- The Policy Board would mediate conflicts in relationships between the central and the local governments, and among Local District governments.
- Would share budget-preparation powers with the Mayor and supervise the development of budgetary allocation formulas for the Local District governments.
- Would share with the City Council the obligation to fix the annual tax rate.

- Would retain the exclusive power to grant franchises where they concern inter-district facilities.
- Would assume other responsibilities held by the Board of Estimate, including the granting of leases for City property for public use, approval of contracts, and related matters now included in the Charter, although where such matters might properly be devolved to the Local Districts, this should be done.
- A planning review office, a management unit, and budget staff should be assigned to the Board.

CITY
COUNCIL:

- Would retain all the powers held by the present City Council.
- Would remain the city-wide legislative body.
- Would retain its investigative powers.
- Would approve the budget, no longer sharing this authority with the Policy Board (successor to the Board of Estimate).
- Would share with the Policy Board responsibility for fixing the annual tax rates.
- Would have a reorganized committee system related to the work of the city-wide Mayoral agencies, i.e., a committee for each major central City activity.
- Would have a stronger staff to assist in evaluation of the budget, to advise on legal relationships with other City agencies and the State, to assist in the preparation of legislative bills and reports, to make the investigative function more useful, and to keep the committees informed on all relevant matters affecting the City and the Local Districts.
- The present elective office of the President of the City Council would be eliminated and the members of the Council would elect one of their members to serve as presiding officer.

DISTRICTS:

Local Tier

30 - 35 Local Districts would be created, each made up of 200,000 to 300,000 residents.

LOCAL COUNCILS:

-Each Local District would be subdivided into units of 20,000 - 30,000 for local elections, to facilitate citizen participation, and to encourage local diversity.

STAFF:

-Each Local District would be headed by a District Executive, elected by the general electorate or appointed by an elected Local Council, at the option of the District.

-Each District Executive would supervise administrative officers selected and employed by the district, all of whom would function from a "little City Hall" in the district.

COMMUNITY (PLANNING) BOARDS:

-The Community (Planning) Boards would remain, with the members appointed by either the County Executive or the Local District Council.

- Powers:

-Would continue to function as advisory, unsalaried bodies, empowered to examine into any matter affecting the interests of the Local District, and to act upon the request of the appointing officer or upon its own initiative.

BUDGET:

-The central Budget Office would remain under the Mayor, as at present, performing the budgetary function of the central government.

-Local budget offices would be attached to each Local District, to do the local budgeting.

-A small Division of Budget Policy would be created to serve as the budget arm of the City Policy Board.

SERVICE ALLOCATION:

-All governmental services now rendered to the City's residents should be reallocated to reflect the results of the following criteria:

(a) Services should be delivered by that governmental level which can most efficiently, effectively and swiftly deliver them.

- (b) Decisions should be made at the lowest governmental level possible. thus assuring swiftest response to residents and to conditions.
 - (c) Insofar as practicable, the lines of service delivery should be correlated with Local District lines once they are established.
- Certain of the services will be shared. Certain others are clearly regional, and should eventually be assigned to a regional entity.
 - Included within the jurisdiction of the Local Districts would be quasi-governmental activities such as local poverty groups, community corporations, addiction services.
 - Not every district would require every service. Two or more districts might undertake to perform a given service jointly; or one district might contract with another or with the private sector, where that might appear efficient.

III. Concept of Multiple Functional Regions in the Tri-State Metropolitan Region

[Summary of Recommendations]

Prepared by the Task Force on Jurisdiction and Structure

The Task force made the following recommendation:

1. The functions of government that spill over local borders and which require action by more than one governmental unit, and the spatial borders of these functions, should be delineated.
2. It should be recognized that boundaries of these "regions within the region" must be flexible, changing with technology, economic conditions, transportation development, housing, employment and recreational facility development.
3. Regional agencies should be constructed to deal with those regional functions and services not already handled by a metropolitan body. These may be single-purpose or multi-purpose agencies.
4. Since not every matter will affect all three states of the region, "sub-regional districts" should be created to deal with matters affecting only part of the region.
5. A central regional overhead agency should be established for the purpose of review, regional data collection, coordination of effort, comprehensive planning, and action-recommendation to the functional regional agencies and to the governmental jurisdictions of the three states. For this purpose, the existing Tri-State Regional Planning Commission should be utilized, given such additional legislative grants of power as to enable it to carry out its enlarged mandates. Its membership composition should be revised to reflect the new responsibilities.
6. In all of these agencies, the functional ones and the overhead, the requirement should be built in for continuous public reporting, for "input" by all levels of government and for local participation.
7. The three states constituting the New York-New Jersey-Connecticut metropolitan area, because of their constitutional powers, financial capacity, and their broad jurisdictions, are the appropriate governmental authorities to develop the necessary regional machinery. New York State should take the lead in the effort to tackle the problems of regionalism at this critical point in the life of New York City.

IV. Attitudes of New Yorkers About Reorganizing Their
City Government

[Summary]

Prepared by the Gallup Organization

Dissatisfaction with Government of New York City: In line with increasing dissatisfaction with governments in general in this country, the cross-section of residents of New York City were overwhelmingly critical of the overall performance of their city government. Condemnation was so uniform that there were no significant demographic differences. Combining categories of replies from the sample as a whole, only 8% were favorable, while 89% were unfavorable.

Handling Various City Problems: The sample was highly critical in most cases of the way various municipal functions were being handled. Ranked in order of dissatisfaction with city performance were: preventing waste and inefficiency in government operations; paying enough attention to neighborhood problems; handling the problem of narcotics and drug addicts; and insuring that people have decent housing. Least dissatisfaction was registered for removing garbage and trash; and taking care of snow removal.

Worries and Concerns: Narcotics and drug addicts; police protection to combat crime; decent housing; and running the public schools were problems that most concerned or worried respondents. Comparing these results to those for the previous question, a rough correlation seems to emerge: the public tends to assign the city government the lowest ratings in the case of problems it is most concerned about, and vice versa. The notable exception has to do with combatting crime, a matter of high concern but one about which the sample proved less critical of the city government than with respect to a good many other problem areas.

Contacts with City Officials: More than one-third had had contacts with city officials, but of these, two had found a good deal to be desired for every one who was basically satisfied with the treatment received.

Blame and Change: A sizable majority felt that the way city government is currently structured is more to blame for current woes than the personalities of incumbent officials; and almost three-quarters were correspondingly in favor of changing the present structure.

Ideas about Reorganization: The great majority are in favor of decentralizing, but there is a certain degree of ambiguity as to how far they want decentralization to go, with preferences for borough level governments or small local district governments coming out about even.

Allocation of Responsibilities: Borough governments had a slight edge in most cases concerning which level of government (central, borough or local district) should have primary responsibility for handling certain types of problems, although the differences were small in a number of instances.

Efficiency and Local Control: Almost two-thirds believed that decentralization (to an unspecified level) would make for greater efficiency.

City Employees: While one-half felt pay scales of City employees were about right, they also felt they did not work as hard as workers in private employment.

Local Democracy and Citizen Participation: If decentralization occurs, a large majority of respondents felt that local councils should be set up in each district, and they and their top officials should be elected by the people. A large majority vowed they would eagerly engage in citizen participation at the local level.

Identification of Elected Officials: Asked to name their Borough President, Congressman and City Councilman, the public did not display knowledge about matters indicative of widespread interest in political affairs. 30% could name their Borough President; 19% their Congressman; and 7% knew the name of even one Councilman.

V. New York City Pensions

[Summary of Findings]

Prepared by Maxwell Research Project

A. The Cost of Providing Retirement and Social Security Benefits to New York City Employees: Trends, Causes, and Prospects, 1961-1972.

1. New York City contributes financially to more than a dozen retirement systems and programs that provide pension benefits to retired or disabled City employees and their beneficiaries. Most of these programs are also operated by the City of New York. The City of New York also makes annual payments on behalf of its employees to the Federal social security programs.

2. The cost to the City of New York to provide its employees with retirement and social security benefits has grown from \$260.8 million in 1961 to \$753.9 million in 1972.

3. The center of New York City's employee retirement programs, in terms both of number of employees included and of cost to the City, is a group of five City-operated actuarial retirement systems - the New York City Employees Retirement System (NYCERS), the Teachers Retirement System, the Police Pension Fund (Article 2), the Fire Department Pension Fund (Article 1-A), and the Board of Education Retirement System.

4. Although nominally financed both by City contributions and by employee contributions, the total cost of benefits provided by the five actuarial systems is borne to an increasing extent by the City of New York. In 1961 the City's share of total contributions to these five retirement systems was 57%; by 1971 the City share had grown to 79%. The City share of contributions varies widely among the five systems with the 1971 City share being as low as 66% of total Board of Education Retirement System contributions and as high as 98% of total Fire Pension Fund contributions.

5. The pattern of costs to New York City for the provision of employee retirement benefits has been such that these costs have generally been increasing more rapidly than have City expenditures for wages and salaries. As a consequence, two of the five actuarial retirement systems - Police and Fire - now cost the City the equivalent of more than 20% of the annual salaries paid to members of these systems.

6. A variety of events has brought about the growth in City expenditures for retirement benefits. Employment growth alone has accounted for about 30% of the increase, with salary increases to individual employees accounting for another large

share. In addition, improved retirement benefits have contributed substantially to the growing costs. Some of the benefits improvements have come as State mandates that have required increased contributions by the City; other improvements have been initiated by the City itself.

7. Even the Federal government has played a significant role in adding to the City's retirement cost burden by its frequent increases in the social security tax rate and in the wage base subject to the tax. Payments by the City of New York to the Federal social security program have grown from \$30.7 million or nearly 12% of total City expenditures on retirement and social security in 1961 to \$146 million or more than 19% of comparable outlays in 1972.

B. The Cost of Providing Retirement and Social Security Benefits to New York City: Projecting to 1980.

1. Two alternative sets of projections of the costs to the City of New York for employee retirement and social security benefits have been computed for the years 1973-1980.

2. The more conservative of the sets of projections, based on the assumptions that there will be no increases in employment or salary levels after 1973 and no improvements at all in retirement benefits, suggests that New York City spending on retirement and social security benefits will reach about \$1.2 billion in 1976 and it will still exceed \$1.1 billion in 1980. Without reductions in employment and salary levels and assuming no changes in the legal requirements for funding retirement costs, it is virtually impossible for New York City's retirement and social security costs to be less than those indicated in the conservative set of projections

3. The second set of projections, more plausible because it is based on the assumption that employment and salary levels will continue to grow at rates that prevailed during most of the last decade, indicates that City retirement and social security outlays will total about \$2 billion in 1980.

4. If the City is able to curb almost immediately all growth in employment, salary levels, and the size of individual retirement benefits by 1974, it will be faced with an outlay for employee retirement benefits - exclusive of social security costs - totaling \$910 million or 50% more than it spent in 1972.

5. When the City's share of social security costs is included, the conservative projection of 1974 retirement and social security costs is about \$1.1 billion and the moderate projection is for a cost about \$1.2 billion or 50% or more greater than the comparable 1972 outlay.

VI. The Management of the Maximum Base Rent Program by the
Housing and Development Administration of New York City

[Summary]

Prepared by the Housing and Development Administration Study Group

Since 1943, New York City has been under a system of rent control. This system placed strong restrictions on the opportunity for rent increases for the more than one million housing units in the system. Because there was evidence which indicated that rent controls contributed to the rising number of building abandonments and in many cases provided inadequate revenue to landlords to maintain their buildings, the public debate surrounding the impending expiration of the old rent control statute in the Spring of 1970 became intense. The City had commissioned a number of studies on the subject of rent control most of which concluded that a new system had to be established which would yield a fairer profit to landlords, guarantee the upgrading and preservation of the housing stock, and provide a form of subsidy to poor tenants to offset the increase in rents.

In July 1970, the Mayor signed a new rent control statute into law called the Maximum Base Rent Program. This program which accepted part of the findings of the rent studies was a creation of the Housing and Development Administration. HDA also gave full assurances to the public that it was a feasible program which could be made fully operational on a schedule provided in the legislation.

Essentially, the program provides for a computer determination of the maximum base rent (MBR) for every rent controlled apartment. This maximum base rent is achieved by annual increases on the current rent of up to 7-1/2% beginning January 1, 1972.

In order to implement the program HDA had to:

1. Develop a procedure for computing the Maximum Base Rent.
2. Collect the necessary data.
3. Design and implement the computer system.
4. Develop and operationalize controls to insure adequate tenant safeguards.
5. Design and implement a system of protest to fairly dispose of challenges to the MBR orders.

In all five of these tasks, HDA has experienced severe setbacks.

Much of the MBR formula was prescribed in the statute creating the program. But the operations and maintenance figure which makes up 39% of the MBR had to be arrived at by HDA. In the development of this factor, HDA chose to use a formula approach which the agency concluded had advantages of feasibility of implementation which outweighed the fact that it was admittedly

less fair than other methods - such as a building by building audit. The formula chosen by HDA relied on data which had a number of shortcomings: the sample did not contain a significant number of small and Old Law buildings, it relied on data from 1967 and required an update using the Bureau of Labor Statistics Index, and proved to be grossly unrepresentative when used as an indicator of the number of error correction requests which would be necessary. The decision to use a formula approach, and the choice of a sample which was five years old and contained a number of deficiencies reflected the agency's emphasis on the ease of administration.

The inability accurately to predict the number of error corrections required led to massive delays in the computation of final MBR orders. McKinsey and Co., consultants to HDA, had estimated from its sample data that forms filled out by landlords for 14,000 units would have to be returned to landlords for corrections or additional information. But, in fact, more than 500,000 MBR's for units within the program were rejected on the basis of data errors. As of April 1973, these error corrections are still holding up the computation of many final MBR orders for 1972.

The computer system developed by HDA for the MBR was a massive undertaking whose start up time of one and one-half years, even in the hindsight of HDA officials, was insufficient.

The administration of the entire program also had a number of deficiencies relating to the aspects of housing maintenance. Thus the definition of what constitutes essential services was never determined, and the agency merely accepted at face value the statement of the landlord that he was indeed maintaining essential services. This acceptance without verification was done even though the inspections of certification of violation removal showed that over half of the certifications were false.

Finally, the development of the MBR protest mechanism has been most inadequate. There have been conflicting statements from HDA about the length of time within which a protest may be filed - varying from 30 to 120 days. The protest-challenge form which is used by both landlord and tenant is a confusing document. It requests information which the tenant, at least, has no way of knowing, such as the commercial income of the building, or the number of employees, and in no place is the tenant advised that he may protest on the grounds that essential services are not being provided. Moreover, work on resolving protests did not even begin until late 1972 - almost a full year after the program was to become operational, and after rent increases had been in effect.

MBR was given the highest priority by HDA including the right to draw upon talent from throughout the agency, \$4 million in contracts for outside help and an Assistant Administrator directly responsible to the HDA Administrator to guide the program. The program itself was a product of agency design from its submission to the City Council; from its conception through implementation. But in spite of all these features it became a disastrous management failure. As a policy, MBR has turned housing into what both former Administrator Walsh, in testimony before

this Commission, and the new Commissioner of Rent and Housing Maintenance Daniel Joy, have described as a form of modified "public utility," by guaranteeing rents equal to a cost plus fixed profit formula. However, HDA has not insured the quality of that public service.

The magnitude of the failure of the MBR program is a major indictment of the management of HDA itself. Not only has the agency failed to administer properly the technical aspects of the program, but it has also fostered public confusion about the program and the individuals who should be held accountable for its failure. The program has had numerous individuals in decision-making capacities, without any continuous supervisory responsibility. Indeed blame is spread not only from the Administrator down through the lowest levels of the agency - to the housing code inspectors and the district rent office personnel-but outside the agency as well - to insufficient data processing operations, to landlords' failure to supply accurate data and even to pressures placed on the agency and the courts by "irresponsible" union and landlord groups.

But in every aspect of the MBR program to date the public has lost, not only as it continues to pay increased rents but as it continues to have its tax dollars wasted by an inefficient bureaucracy.

Unfortunately, given the constraints upon the City's rent control law, the only viable option for the preservation of some form of rent control may be a renewal of the MBR program which is due to expire in June 1973.

VII. New York City's Mitchell-Lama Housing Program

[Summary]

Prepared by the Housing and Development Administration Study Group

The Mitchell-Lama middle income housing program was created in 1955 as a means of providing housing for persons whose income, while above public housing limits, was still too low to afford rents in decent housing in the free market. It originally aimed at the income range of between \$4,000 to \$6,000 per year, but as inflation affected the economy the target group gradually moved upward.

The program allowed the state or municipality to provide long-term mortgage loans to private housing companies financed by government bonds for up to fifty years covering up to 95% of the development costs. It provides a full or partial real estate tax exemption for up to thirty years in return for a limit on profits. It also provides an income limitation formula for tenants and requires the payment of annual surcharges on rent as the tenant's income goes above the maximum amount allowed in the formula.

Up until 1967, New York City's Mitchell-Lama housing program had successfully produced over 28,000 units of housing with rentals below \$30 per room. However, rising costs of development and interest rates and their effects on rentals - and consequently on those eligible to enter and able to afford the housing - posed serious problems for the program.

In addition the City faced increasing problems in financing its middle income housing program. The State Constitution allows the City to incur debt for housing only "...to an amount which shall not exceed two per centum of the average assessed valuation of such city." Theoretically, Mitchell-Lama projects are self-sustaining and therefore many projects would not incur debts chargeable to the 2% housing debt limit. However, since many projects were in arrears on mortgage payments, the State law, which mandates the inclusion of the total amount owed against the debt limit, began to severely strain the City's housing debt limit. The City began to move its projects into the capital debt, a procedure rejected by the voters in a 1971 referendum.

Another major difficulty for Mitchell-Lama came as the City began to extend the term of its Mitchell-Lama projects in short term financing. It was hoped that this would be a temporary measure which could be halted when the expected decline in the interest rate on long term bonds took place. Unfortunately, this never occurred. The HDA was cautioned on this gamble by Frank Kristof, a former HDA Assistant Administrator, who warned in 1967 that this was a risky course of action. It resulted in additional rental charges to Mitchell-Lama tenants.

In addition, since it was City policy to contract with housing companies for a maximum interest rate of 6% and since the interest rate on short-term bonds rose to 7.5% in 1969, the City was forced to absorb a substantial loss. As a result, fifty-one projects in temporary financing at interest rates greater than 6% were designated

in arrears and charged against the housing debt limit.

In order to escape from its dilemma, the City embarked on two courses of action. First, it secured passage of a bill creating the Housing Development Corporation which was empowered to issue \$800 million in housing bonds.

Second, the City moved its projects into the 10% debt limit on capital improvements from the 2% housing debt limit. This has two advantages; first if the projects as a whole are meeting 75% of their payments they are completely excluded from this debt limit; second, if projects are charged against the debt limit, only the amount in arrears, rather than the total mortgage is chargeable.

The problem of increasing arrearages was caused by the failure of the City to mandate rent increases in Mitchell-Lama projects which were necessary to cover mortgage costs. Nearly 43% of the projects in occupancy by the close of 1971 had never received an increase; nearly 40% of those projects were constructed and occupied prior to 1968, before the effects of rapid increases began to be felt. Additionally HDA has failed to pursue a vigorous policy of collecting surcharges from tenants whose income has risen above the maximum amount allowed. This is in part due to the unwarranted resistance of tenants to efforts by HDA to have income tax returns confirmed by the City's Finance Administrator in order to verify income. However, in both the case of rent increases and collection of surcharges, the City has been slow to do its duty because of the unfavorable political impact of such actions.

In terms of the management of the Mitchell-Lama program, HDA has organized it in such a way as to have created a fragmented and disjointed approach to its administration, planning and policy decisions. At one point or another, each of the middle management offices of the central staff of HDA intersects the administration of the Mitchell-Lama program. The Office of Government Liaison has the most direct relationship to the program and is responsible for coordinating the activities of the Departments of Development, and Relocation and Management Services with HDA'S Office of Fiscal and Administrative Services.

The Department of Development, Office of Housing and Facilities Production, handles the production of City Mitchell-Lama projects from original approval of the site and sponsor through construction and until a certificate of occupancy is granted. This Office has had problems with delays in its production schedule. In October 1972, only seven of the forty-six Mitchell-Lama projects in the pipeline were on schedule. This cumbersome and slow production schedule has resulted in costly delays and significantly affected cost overruns.

Once a certificate of occupancy is granted, the management of the project is shifted to the Department of Relocation and Management Services Division of Middle Income Housing. This office is responsible for the physical inspection of occupied developments by real estate managers, meetings with Boards of Directors of various projects, supervision of surcharge collection, approval and inspection of tenant applications, handling of tenant complaints and partial responsibility for the monitoring of the

various financial aspects of the program. It is evident that this Division is severely understaffed and that although it spends an inordinate amount of time on collection of surcharges, its success in this task has been very slight.

The City's Mitchell-Lama program illustrates two important lessons:

First, the City has pursued an irresponsible fiscal policy in light of its use of short term financing and the 10% debt limit. These creative fiscal maneuvers were a means of avoiding the politically unpopular need to increase rents and collect surcharges in all Mitchell-Lama projects. To pursue this course might have kept the program on a sound, self-sustaining fiscal base.

Second, the City has failed to organize efficiently its Mitchell-Lama program. In spite of the more successful administration of the State Mitchell-Lama program, the City not only failed to learn from the State's organizational structure, but did not even examine it. Problems diagnosed in the City's program as early as 1967 by HDA officials have gone unattended. The result is that HDA's administration of the Mitchell-Lama program reflects an overly cumbersome, fragmented, expensive contradiction to the presumed advantages of a superagency.

VIII. Urban Renewal in Brownsville

[Summary]

Prepared by the Housing and Development Administration
Study Group

The evidence from the Brownsville Urban Renewal Area study undertaken for the State Study Commission strongly suggests that the City's urban renewal efforts were characterized not only by delay and mismanagement, but also by inadequate planning and unmet promises. The Housing and Development Administration and its predecessor agencies must accept much of the responsibility for this record.

What is perhaps most striking about the Brownsville project is its present status. Not on paper, but before the eyes of anyone who walks through the area. Although urban renewal began there in 1961 and the City has since demolished hundreds of units of housing, today almost a dozen years later not a single project has been fully completed. Visible are twenty blocks of virtual rubble and vacant buildings, now relieved by some new structures where the City has moved in tenants although it has not yet granted certificates of occupancy. Not so obvious as these buildings and the adjoining wasteland, but perhaps even more important, are the hundreds of tenants who underwent uncertainty and hardship waiting in deteriorating buildings for relocation while the renewal process dragged on.

In the process the City failed to meet its own expectations about numbers of units to be constructed and failed even to come close to its own renewal schedule. Delay has been a hallmark of the City's urban renewal process, nowhere more evident than in Brownsville.

The City deserves credit for early recognizing that delay could undermine what it was trying to do, but unfortunately the City's agencies did not seem able to prevent that delay and its consequences. In 1961 the City Planning Commission noted that it was necessary "to move as swiftly as possible in this badly blighted section of Brownsville to check further deterioration and to extend and conserve a nucleus of good housing in the southern part of the area."

Despite this, the City took four and one-half years to move from designation of the urban renewal area to an actual proposal for the site. Thus it was October 15, 1965 before the City submitted to the Federal Government its first Loan and Grant Application for the project.

The City continually failed to meet its own deadlines; the City would revise the deadlines and then again fail to meet them. Originally the City proposed to complete land

acquisition in one month; the deadline was changed to two years; after five years, the City is only now completing that acquisition. Relocation was supposed to take two years but took five. Demolition had the same schedule and the same tardy reality.

The length of these delays meant more than inconvenience; it meant the City could not attain one of its central housing goals, the rehabilitation of hundreds of buildings and the stabilization of a neighborhood. Designating the area for rehabilitation proved counter-productive. While the City indicated it would use its code enforcement powers to force private owners to improve their properties, once the City indicated it would take over deteriorating buildings, landlords who in fact wanted to get rid of their properties at City prices, did not have the incentive to keep them up. Quite the contrary, they had an incentive to permit deterioration since the deteriorated buildings had been the ones City policy marked for acquisition and rehabilitation. In fact several buildings on the site have been demolished with the City being notified of the demolition after the fact. Yet people had to live in these buildings as they deteriorated because of the City's delays in acquisition and relocation. Some had to wait for seven years under these conditions.

Some of the delays may be attributed to inadequate planning by the City's housing agencies, but delay was not the only product of faulty planning. In some instances, a certain air of unreality pervaded the City's decisions or non-decisions concerning Brownsville. The City designed its plans for the Brownsville Urban Renewal Area to stabilize a community, and to provide integrated, middle income housing. But while the project was being delayed, the neighborhood was steadily and markedly changing. At present it is only 15% white, mostly concentrated in a single Mitchell-Lama project at the southern end of the area.

The City also ran into planning difficulties over industrial facilities within the urban renewal area. HUD and an independent feasibility study for the City suggested it was inadvisable to retain industrial plants in their present locations. Whether this was a reasonable decision or not is another issue, but the City proceeded to back itself into a corner on the question of the industrial plants. It made conflicting promises with regard to the closing of streets and now faces possible litigation.

Whether the results are examples of poor planning or distorted perspective or naivete, they are not isolated. They are like the decision, previously mentioned, to require landlords to rehabilitate their property under the threat that if they did not, the City would purchase them. Landlords liked the idea and let deterioration set in, hoping to receive

compensation above market value.

The basic goals in establishing HDA included coordination and rationalization of the City's housing efforts, but the Brownsville experience suggests that there was little of either, at the site or at the superagency.

Although the Department of Development had a project director on the renewal site, his authority extended no further than the activities of that one department. His office was across the hall from the Relocation office, but he had to deal with that department as an entity in its own jurisdiction. Cajoling and negotiating may have been open to him in handling other aspects of renewal besides development, but he could not invoke his own authority or that of anyone else on the site to coordinate activities of the related departments in the same superagency.

In fact, there was no one in the superagency unless one went to the Administrator himself who had this coordinating authority. The agency never took a total view of what was going on in Brownsville. The original plan was never reviewed so as to determine whether the program was in fact fulfilling that initial plan, and the plan was never basically evaluated and reviewed so that a more realistic view of the suitability of that urban renewal project could be determined. The rehabilitation effort was left virtually unattended, with little or no supervision by the City. Rehabilitation thus became massive deterioration. As cynics had predicted, the natural tendency for departments to go their separate ways powerfully asserted itself despite reorganization.

Clearly one of HDA's most serious failures in urban renewal was its long tolerance of the outrageous performance of the quasi-governmental firm, CURMCO, which was supposed to manage and maintain buildings awaiting eventual demolition. CURMCO showed a marked predilection for spending on its own overhead rather than for upkeep of tenanted buildings. Investigations by the Comptroller, the State Study Commission, and HDA itself finally led to the superagency's termination of its arrangement with CURMCO in January 1973. But it had taken HDA too long before it took this step, one which might not have been necessary if HDA had insisted earlier on closer monitoring of CURMCO's operations.

No one who understands the complexity of the housing situation in the United States would argue that there are easy answers for this frustrating situation. Besides confronting the basic problem of deteriorating housing, cities must face rising costs and conflicting community pressures. Furthermore, what cities do must conform to intricate programs administered by other jurisdictions. Yet despite all these hazards, a difficult situation unfortunately can be made worse. New York City's record in the Brownsville Urban Renewal Area proves this. The City seemed unable to plan. The City seemed unable to coordinate. The City seemed unable to keep its promises. But, as the people of Brownsville discovered, the City was very much capable of delay.

IX. A Superagency Evaluated: New York City's Housing and
Development Administration

[Recommendations]

Prepared by the Housing and Development Administration
Study Group

The study of the management of the Housing and Development Administration dealt with the question of how well HDA has marshalled its resources in the effort to satisfy the two broad mandates given to it by the City Charter: to produce housing, and to preserve the quality of existing housing.

In making its evaluation of the management performance of the Housing and Development Administration, the Study Group has considered the scope of the agency's housing mission, the administrative structure of the agency, and the quality of management within the agency. It asked whether these factors have increased or diminished the opportunities for success by the agency in fulfilling its mission. In short, the Study Group asked whether the bureaucracy helped or hindered the formulation and implementation of a housing policy for New York City.

It determined that notwithstanding the best of intentions, the Housing and Development Administration has been found severely wanting.

The deficiencies that have been uncovered within HDA are not only a function of the ways in which people have served within the structures of the agency. They are also a function of the administrative and management tools that have been given to the managers of the housing agency. While some deficiencies can be traced to inadequate levels of funding, over which the agency has little or no control, others have to do with the questions of strategy adopted by the agency in making the best of its administrative and political environment. These deficiencies make some fundamental and far-reaching changes in the agency absolutely necessary.

The following recommendations were made:

I. The elimination of the central staff of the Housing and Development Administration including the Office of the Administrator, and all Assistant Administrators and Directors of the offices within HDA. The functions and staff for Fiscal and Administrative Services, General Counsel, Inspector General and Public Affairs would be returned to the departments within HDA. Those functions and activities performed by agency offices, such as Equal Opportunity, would be transferred to other appropriate City agencies. The Offices of Management Planning and Programs and Policy would move to the office of a Deputy Mayor for Housing.

II. The restoration of operating authority to the department commissioners. Those sections of the City Charter which give powers to the Administrator of the Housing and Development Administration to organize his own departments should be repealed and replaced by sections which provide operating authority and operating roles for three new City departments: the Department of Development, the Department of Housing Maintenance and the Department of Buildings. The commissioners would be given power to select their deputies and would have prime responsibility for developing and managing programs under their jurisdiction. They would report directly to the Mayor and relate directly to the overhead agencies. This would have the desired effect of upgrading the role and prestige of the commissioners of the three departments since all operational activities and responsibilities would be restored to the department level.

III. The appointment of a Deputy Mayor for Housing. This Deputy Mayor would have no operational jurisdiction, but would have responsibility for coordinating all City housing programs. The Deputy Mayor for Housing would have the full support and mandate of the Mayor. He would be concerned with all aspects of housing policy and all agencies concerned with housing planning. In addition to his role as planning and policy coordinator for the departments currently within HDA, the Deputy Mayor would be involved with the Department of Real Estate, the City Housing Authority, the City Planning Commission and indeed all City agencies with regard to those functions appropriate to housing. Since the Deputy Mayor would have no line, or operating responsibilities, these would be placed at the department level and be the responsibilities of the various commissioners and agency heads. He would, however, not be a "Mayoral Assistant", but would have responsibilities to coordinate and set housing policy.

The office of the Deputy Mayor for Housing would be of limited size, to eliminate the temptation or the ability to become involved in the line operations and functions of the various housing departments. His staff would be drawn from two current offices within the central staff of HDA: (1) the Office of Management Planning and (2) the Office of Programs and Policy. The Deputy Mayor for Housing would have two principal assistants, one for data management and planning and one for housing policy. The office for data management planning would have responsibility for the collection and dissemination of housing data such as the housing stock monitoring system and Development Management Information System. It would be responsible for general management planning and evaluation. The office for housing policy would be an expert advisory group to the Deputy Mayor, concerned with developing the relationships between programs in the housing field, making long-range housing policy planning decisions and coordinating

relationships with the housing agencies.

IV. With regard to the four departments in HDA as they now are, these departments would be made more effective and efficient if the following changes are made:

1. The Department of Relocation and Management Services.

This department would be abolished. Its ineffectiveness as an independent department with limited ability to effect decision making on matters that concern it leads to this conclusion.

a. The major functions of the Office of Management Services (Middle Income Housing Management) would move to a new Office of Publicly Assisted Housing to be established in the Department of Development.

b. The Office of Relocation, including responsibilities related to relocation and including site management now in the Office of Management Services, would be placed in the Department of Development in a newly created Office of Relocation.

c. Emergency Relocation would be placed in the Human Resources Administration.

d. Commercial Relocation would be moved to the Economic Development Administration.

2. The Department of Development.

a. The Office of Housing Sponsorship in the Department of Development would be merged with the Office of Housing and Facilities Production in the Department of Development.* These would be combined with the middle income housing functions of the Office of Management Services from the Department of Relocation and Management Services to form an Office of Publicly Assisted Housing in the Department of Development.

b. A new Office of Rehabilitation would be created within the Department of Development. The Office of Rehabilitation Financing in the Department of Development would be expanded to include the rehabilitation activities of the Office of Special

* After this report had been prepared, HDA announced a decision to eliminate the Office of Housing Sponsorship.

Improvements, in the Department of Rent and Housing Maintenance.

c. The Office of Community Development within the Department of Development would continue.

d. A new Office of Relocation would be created within the Department of Development.

3. The Department of Buildings.

The Department of Buildings would remain a department principally concerned with the inspection of new construction and would not be affected by organizational changes.

4. The Department of Housing Maintenance.

a. Rehabilitation programs within the Office of Special Improvements would be abolished. The office of the Ombudsman would be completely abolished. Others would be placed within Code Enforcement.

b. The Office of Code Enforcement would be the focus of the City's efforts to increase housing quality. It would be given prime responsibility within the Department to develop a systematic and adequate housing improvement program, and in this effort would draw upon resources from the eliminated Office of Special Improvements.

c. The Office of Rent Control would continue as a unit within the Department of Housing Maintenance to administer the rent control program. At the present time the significant number of apartments covered by rent control indicates that staffing of this office will have to continue. Immediate attention should be given to updating the City's Rent Regulations, with principal attention given to those aspects of the Regulations which will improve housing quality and could be incorporated within the Housing Maintenance Code.

X. Social Services in New York City

[Conclusions and Recommendations]

Prepared by the Task Force on Social Services

In the field of publicly assured general social services, New York City is so underserved and so poorly provided for that many of its troubled and endangered citizens can find no aid. There is no evidence of any commitment to the delivery of social services to people who need them. Despite a long period of planning and high expenditures in the public and voluntary sectors, the City lacks the capacity to deliver even those social services currently mandated by Federal law and State policy.

The proposal for State takeover of public assistance and Medicaid, would allow the Human Resources Administration (HRA) to concentrate on its social service responsibility, which this Task Force feels is a reasonable division of tasks. However, HRA has a very long way to go before its considerable social services expenditure budget can be said to pay off in services to people who desperately need them.

While there are some exceptions - day care and drug rehabilitation services have been more available than other programs - and in spite of large service expenditure (between \$300 million to \$500 million per year, depending on what is included) most social services, when they exist at all, are not sufficient in quantity or quality.

In view of this the Task Force makes the following recommendations:

1. That the City define at once the structure and content of the general social services to be guaranteed at the local level for each Human Resources District. The community organization process in which the Human Resources Administration now is engaged is no substitute for clear and immediate provision for a mandated and essential social services structure in each area of the City. These core services should be planned and implemented in the reasonable future, and not left open-ended for a distant and unrealistic date - the current situation under HRA plans.
2. Provisions should be made for local planning, options, and active participation in the design and carrying out of services on top of this guaranteed, mandated and essential core. In short, our proposals give realistic support to community participation, diversity, and localization of services.

3. Once a public delivery structure is in place and commitment made to a service program maximum use can and should be made of voluntary social service agencies and of other community service organizations. The City must structure its own system for service delivery before it can expect optimum results from the purchase of service.

4. To integrate components of the Human Resources service system, to assure a public presence in every area, and to begin to make services accessible to all citizens, planning should assure in each area an information, advice, referral and case advocacy service. This should involve both a central location and outposting.

5. To make possible case integration, service accountability, monitoring of contracts, and implementation of public responsibility, each area must include a generalist social service location to deal on an ongoing basis with families in greatest need and to assure appropriate distinctions between specialized programs and linkage programs.

6. The Department of Social Services should redeploy its large core of trained and experienced social services personnel whose talents have been underutilized and deprecated during the long process of planning and reorganizing. To function adequately professional personnel require a strong supervisory structure, continued in-service training and a commitment to professional education so that the service staff may be renewed as necessary.

7. To assure focus on a guaranteed service and well developed local options as well, HRA should reexamine its proposed organizational structure, with specific reference to the fragmentation of responsibilities between the Service Department and the Department of Community Development. At best the current design is vague, loose, confusing. At its worst it is a structure designed for confrontation and conflict, not for planning and operational effectiveness.

8. The Department of Social Service now lacks adequate capacity for evaluation of its general social service system. An adequate evaluation program should be built immediately to insure that policy initiatives and organizational changes produce programs that effectively help people.

9. The City has been planning its social services systems since 1969. Other priorities and pressures, conflicts among components within the Human Resources family and indecision have led to unreasonable delay, while much of the City is now unserved. Federal regulations effective March 19, 1973 require

that there be a State-level service staff which will carry responsibility for "planning the content of the service programs" and for "program supervision of local agencies", as well as for "monitoring and evaluation of the service programs".

We suggest that the State set a deadline for the submission of an acceptable City-wide service model and another deadline for staged implementation. If the City continues to show lack of capacity to make progress in this field, serious consideration should be given to State operation of the social services network through its own pattern of localization and decentralization, and involving a bypassing of City government. This is an option within the scope of State legislation and the provisions of the Social Security Act.

Public Assistance

The largest segment of public welfare services is the public assistance program, which provides financial assistance for one out of every six, or 16% of New York City's population.

While the Task Force recognizes that City officials and experts have recently acknowledged serious flaws in the administration and security of the public assistance program, the fact remains that remedies are slow in being realized.

Face-to-Face Recertification: On the basis of pilot tests carried out in three district centers, this method of recertification of continued client need for financial assistance (instead of declaration by mail) disclosed total ineligibility rates ranging from 10-19% at the time of recertification. Administrator Sugarman planned City-wide implementation of the process for September 1972. However, in January 1973, Mr. Sugarman told the Task Force that he couldn't use the existing centers for the process, and instead would centralize and "computerize" the operation, which would not begin until April 1973. Meanwhile, the old mail declaration system is in effect. With a 10% ineligibility rate, a six month delay in instituting the system will cost the public treasury over \$50 million.

Recommendation: The Task Force believes that face-to-face recertification in the district centers was successful and there is neither valid reason for centralization nor justification for the delay. Recertification as planned should commence immediately in all district offices, with simultaneous efforts to computerize the system for future recertifications.

Employment of Public Assistance Recipients: In addition to eliminating ineligible clients from public assistance, the goal of providing employment for those who can work has received

specific attention by HRA, with a prototype center in Brooklyn devoted to this purpose.

The Jay Street Center: This center, the first of five such centers in the City, focuses on the unattached individual in the Home Relief or disabled caseload. The Task Force finds HRA efforts in this Center misdirected to a considerable extent, as from an employment point of view, these people are the least promising of all the groups on public assistance.

Recommendation: Before creating any more such centers, the Task Force recommends that HRA make a more realistic determination of who, within the caseload, are likely to be employable persons and that subsequent employment plans reflect consideration of these people.

Recommendation: An analysis of the AFDC caseload to identify the most probable employable mothers should be undertaken. The Task Force points out that, for instance, 38% of all AFDC mothers in the City have children all of whom are over six years of age. These children, in school, would need after school care at most. Among these mothers, those who have stated a desire for work should receive the concerted attention of the City and State to find jobs at prevailing wages.

State Takeover of Public Assistance Costs: The Task Force supports the proposals from many quarters for State takeover of public assistance operations with appropriate adjustment of revenue sources. The Task Force feels that the State may now be in a better position than the City to operate a tight, efficient, objective operation that will protect recipient rights while assuring the security of the program. The Task Force, however, does not agree with the Temporary Commission to Revise the Social Service Law, that following State takeover, localities could still operate the eligibility determination machinery. The Task Force recommends Legislative action this year, with a one-year transition period.

XI. Health Care Needs and the New York City

Health and Hospitals Corporation

[Summary of Recommendations]

Prepared by the Task Force on Health and Hospitals

The report contains a description and an assessment of how well the administration of the City of New York is currently fulfilling its health and medical care responsibilities to the citizenry. Under present arrangements, this task has been turned over to the New York City Health and Hospitals Corporation.

If one single conclusion emerges from the extensive testimony presented to the Task Force, it is that structural or organizational reform - in this instance the replacement of the old New York City Department of Hospitals by the Health and Hospitals Corporation - will not, of itself, remedy the deficiencies and problems of the municipal hospital system. The structural reorganization has had little direct effect on the well-known shortcomings of the municipal health care system.

The people of New York City are not being materially better served by the Health and Hospitals Corporation than by its predecessor agencies.

Neither government - be it at the state, local or Federal level - nor the medical profession can be the sole agents for medical care and medical progress. In the last analysis the responsibility for health is a personal, individual responsibility; and the medical care system cannot function effectively and responsively without a substantial input from the consumer.

It is at the public, consumer level that we find the essential insight into individual health care preferences, requirements and needs. And it is here, also, that we find a focus on the human goals and purposes of the health care system rather than on the needs of facilities and institutions. It is for this reason that effective authority is essential at the consumer level. This is the only way to ensure that the health care system will develop along the lines of shared governance between the providers of care and the consumers.

Centralized bureaucratic control has been endemic to New York City government; it is therefore not unique among the agencies responsible for health and medical services. However, at the same time that centralized decision making has increased in recent years it has become clear that a constraint can be applied and City government can begin to

be redirected by establishing a countervailing power among the citizens and the consumers at the local level. The increased influence of consumerism in American society today is intimately linked with efforts to decentralize urban government.

This report deals with this issue in some detail. Utilizing the mandate of recent Federal legislation, the proposal presented here holds out the prospect for enhanced community/consumer leverage in financial decision making with broad implications for the redesign and restructuring of the health care system in the direction of more ambulatory, primary care and away from the current emphasis upon costly hospital services.

The Health and Hospitals Corporation has proposed a more than one billion dollar budget to provide personal health services for the coming fiscal year; most of this will go into the hospital system. Is this the most effective use of these resources?

Over a decade ago a study* of 1,000 adults in the United States and Great Britain showed that in an average month 750 will experience an episode of illness, 250 of these will consult a physician, 9 will be hospitalized, 5 will be referred to another physician and 1 will be referred to a university medical center. Programs limited to hospital services, under these circumstances, will cover 3% of sick adults and 1% of the adults in the community.

The Health and Hospitals Corporation and its overhead City Planning and monitoring agency - the Health Services Administration - face a multitude of grave and pressing problems. The deficiencies and shortcomings in the organization of health care services in New York City that were described in testimony before the Commission and outlined in this volume cannot be overcome unless the following issues are brought to a favorable resolution:

- (1) Health Service objectives for the Public Sector must be defined clearly and unequivocally by the central City Administration, and the Corporation's programs and budget must reflect these objectives. In the absence of clearly defined health objectives, the public cannot assess the appropriateness of either the Corporation's budget or the allocation

* White, K., F. Williams and B.G. Greenberg, "The Ecology of Medical Care" in The New England Journal of Medicine, No. 265, November 2, 1961.

of tax levy funds.

(2) While it is clear that the Corporation will remain dependent to some extent upon City tax levy funds for the foreseeable future, the present control exercised over the Corporation by the City Bureau of the Budget should be re-examined, and this relationship must be clarified and justified.

(3) The Administration of the Health and Hospitals Corporation is indifferent and insensitive to its Board of Directors, to the providers of care, and to the consumers.

(4) A commitment to decentralization and away from centralized decision making authority must be made by the Corporation thereby strengthening and enhancing the role and authority of the hospital executive directors and the consumer groups at the local operating level. There must be a major change in the form and shape of the entire decision making process.

(5) The affiliation contracts with the medical schools and the teaching hospitals for professional services must be rewritten to make the providers more accountable and to eliminate dual administrative responsibility.

(6) A determination must be made that the needs of the citizens and the community are best served and limited resources are most effectively employed by a community-based, comprehensive health care system. Health care service is a total system and should be managed as such. To achieve this, the report calls for:

- a moratorium on new hospital construction.
- the designation of the New York State Health Planning Commission as the agency responsible for approving capital investments in the health field.
- the promulgation by the New York State Health Planning Commission of uniform minimum standards for medical care.
- the review and audit of progress toward achieving these minimum standards to be made the responsibility of the Health Services Administration of New York City.

- the designation by New York City's Comprehensive Health Planning Agency of District Health Units whose purpose shall be to approve or disapprove capital investment of more than \$100,000 by health care institutions within their boundaries and to negotiate for improvements to meet minimum standards.
- the District Health Units to report their decisions to the State Health Planning Commission for submission to the Federal government. Final approval of local decisions would rest with the State Health Planning Commission.

The record of the Health and Hospitals Corporation and of the Health Services Administration is one of false starts and missed opportunities. Inattention to the spirit of the Piel Commission recommendations and an ill-advised indifference to the broad mandate of the Corporation's enabling legislation and to the suggestions of the experienced hospital executive directors are at the root of the Corporation's plight today.

All is not lost. What is required now is courageous, informed, and determined leadership at the local community level, in the hospitals and at the central office to reverse direction and to build along the lines clearly laid down in this report.