



BLOG | CITY BUDGET

# The City's Fiscal Year 2021 Executive Budget

## Slower But Still Growing

April 17, 2020

As presented, Mayor Bill de Blasio's Executive Budget for fiscal year 2021 shows a significant 8.3 percent decrease in spending in fiscal year 2021. However, clear understanding of the trajectory of the budget requires adjustments for the timing of spending, the use of reserves, and assumed federal aid.

The adjustments reveal that the critically important component that is spending supported by City funds, which includes tax, fee, and fine revenue, is projected to grow 2.3 percent this year and 1.3 percent in fiscal year 2021. Despite the significant projected shortfall in tax revenue, using \$4.0 billion in reserves and Retirement Health Benefit Trust Fund (RHBT) resources makes this possible.

The total budget, which includes federal funds, is projected to increase 6.3 percent this year, followed by a 3.6 percent decline in fiscal year 2021. This is the result of the City's expectation to receive significant federal aid during fiscal year 2020. Over the two years, from fiscal year 2019 to fiscal year 2021, the total budget grows 2.5 percent.

The reliance on non-recurring federal aid, reserves, and Retiree Health Benefits Trust fund resources to support recurring spending contributes to the significant \$5 billion fiscal year 2022 gap that ultimately will have to be addressed.

### Adjusting the City Budget

The City's fiscal monitors routinely adjust spending to reflect actual trends in spending. Table 1 shows the reported budget, the necessary adjustments, and the adjusted all funds and City funds spending figures.

**Table 1: New York City Budget for Fiscal Years 2019 to 2021**  
(dollars in millions)

	2019	Executive FY21 Budget	
	Actual	2020	2021
<b>NYC Budget, As Reported</b>	<b>\$91,779</b>	<b>\$97,438</b>	<b>\$89,332</b>
% change		6.2%	-8.3%
<b>Adjustments</b>			
Interfund Agreements		(\$672)	(\$675)
(Deposits to)/Withdrawals From the Retiree Health Benefits Trust	(\$100)	\$1,000	\$1,600
Net Surplus Roll	\$355	\$66	\$4,155
Roll In	\$4,576	\$4,221	\$4,155
Roll Out	(\$4,221)	(\$4,155)	
Budgetary Reserves		(\$20)	(\$100)
<b>Total Adjustments</b>	<b>\$255</b>	<b>\$374</b>	<b>\$4,980</b>
<b>Adjusted NYC All Funds Budget</b>	<b>\$92,034</b>	<b>\$97,812</b>	<b>\$94,312</b>
% change		6.3%	-3.6%
<b>Non-City Funds</b>	<b>\$23,692</b>	<b>\$27,883</b>	<b>\$23,457</b>
<b>Adjusted NYC City Funds Budget</b>	<b>\$68,342</b>	<b>\$69,929</b>	<b>\$70,855</b>
% change		2.3%	1.3%

**Note:** Adjusted growth may be revised to reflect the treatment of federal Medicaid assistance.

**Sources:** City of New York, Office of Management and Budget, *Executive Budget: Fiscal Year 2021: Message of Mayor* (April 16, 2020), and *Executive Budget: Fiscal Year 2021: Financial Plan Update* (April 16, 2020); and Office of the New York City Comptroller, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019* (October 31, 2019).

Total adjustments in fiscal year 2020 increase spending by \$374 million to \$97.8 billion, an increase of 6.3 percent over fiscal year 2019. In fiscal year 2021 the adjustment is much larger and increases spending by \$5.0 billion to \$94.3 billion. The main adjustments that contribute to the increase are the use of \$1.6 billion in resources from the RHBT plus a prepayment of \$4.2 billion in fiscal year 2021 expenses in fiscal year 2020. The City is able to amass the resources to support prepaying \$4.2 billion of fiscal year 2021 obligations in fiscal year 2020 despite the decrease in tax revenue by tapping the RHBT, implementing a savings program, using budgetary reserves, and expected new federal funding.

The total budget reflects not just City actions and resources, but also federal and State funding levels. An important measure to understand trends in what the City economy supports over time is the adjusted City funds budget, which removes State, federal, and other categorical aid. The adjusted City funds budget is \$69.9 billion in fiscal year 2020, a 2.3 percent increase over fiscal year 2019, and is forecast to reach \$70.9 billion in fiscal year 2021, a further 1.3 percent increase.

In fiscal year 2021 the all funds budget decreases as non-City funds decline by \$4.4 billion in fiscal year 2021, reflecting the absence of the expected one-time increase in federal aid in fiscal year 2020 as well as State aid cuts implemented in the Enacted Fiscal Year 2021 New York State Budget.

### Change from the Preliminary to Executive Budget

While Table 1 reflected the change across fiscal years, Table 2 shows the change between the Preliminary and Executive Budgets. As presented, when compared to the Preliminary Budget, the Executive Budget is \$6.0 billion lower in fiscal year 2021. Once adjusted, the Executive Budget for fiscal year 2021 proves to be only \$1.8 billion lower. For City funds, when compared to the Preliminary Budget, Executive Budget spending is \$1.1 billion lower in fiscal year 2020 and \$1.5 billion lower in fiscal year 2021.

**Table 2: New York City Budget for Fiscal Years 2020 and 2021, as of the Preliminary and Executive Budgets for Fiscal Year 2021**  
(dollars in millions)

	<u>2020</u>	<u>2021</u>
<b>Preliminary Financial Plan</b>		
All Fund, As Reported	\$95,426	\$95,299
All Funds, Adjusted	\$95,905	\$96,096
City Funds, Adjusted	\$71,067	\$72,306
<b>Executive Financial Plan</b>		
All Fund, As Reported	\$97,438	\$89,332
All Funds, Adjusted	\$97,812	\$94,312
City Funds, Adjusted	\$69,929	\$70,855
<b>Change</b>		
All Funds, Reported	\$2,012	(\$5,967)
All Funds, Adjusted	\$1,907	(\$1,784)
City Funds, Adjusted	(\$1,138)	(\$1,451)

**Note:** Adjusted growth may be revised to reflect the treatment of federal Medicaid assistance.

**Sources:** City of New York, Office of Management and Budget, *Executive Budget: Fiscal Year 2021: Message of Mayor* (April 16, 2020), *Executive Budget: Fiscal Year 2021: Financial Plan Update* (April 16, 2020), and *Preliminary Budget: Fiscal Year 2021: Financial Plan Summary* (January 16, 2020).

## Conclusion

While the de Blasio Administration has implemented spending reductions, the budget is still projected to grow. The situation in fiscal year 2021 is precarious—State aid could be cut during the year, federal aid may be lower and less flexible than expected, and tax revenues could be below expectations. With just \$100 million in the general reserve to hedge against those risks, additional spending cuts may be needed.

Furthermore, the City will need to address significant outyear gaps and with fewer reserves. Recessions often depress revenues over multiple years. While reserves have allowed the City to cover the shortfall this year and next, a significant fiscal challenge looms for fiscal year 2022. Most of the savings proposed in the budget do not recur and projected spending growth resumes at a faster pace. Despite an expectation that tax revenues will rebound and increase by 7.4 percent in fiscal year 2022, the City forecasts a budget gap of \$5.0 billion. Gaps in fiscal years 2023 and 2024 are \$4.5 billion and \$4.9 billion, respectively. While the City has devised a short-term solution reliant on tapping reserves, the long-term solution to the fiscal crisis has yet to be identified.

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