CITIZENS BUDGET COMMISSION

REPORT | CITY BUDGET

To Cross the Bridge Wisely

Strategies for NYC's Fiscal Year 2022 Executive Budget

April 20, 2021

Introduction

In January 2021, Mayor Bill de Blasio released a Fiscal Year 2022 Preliminary Budget that presented balanced budgets in fiscal years 2021 and 2022, with gaps exceeding $5 billion annually in fiscal years 2023 through 2025 when unspecified labor savings are eliminated. The soon to be released Fiscal Year 2022 Executive Budget will reveal how the Mayor proposes to address the City's extraordinary fiscal circumstances that recently have brightened.

Since the release of the Preliminary Budget, Congress passed the $1.9 trillion American Rescue Plan Act of 2021 (ARP), and New York State enacted a $212 billion fiscal year 2022 budget. These combine to deliver over $15 billion in new resources that will be included in the City's Executive Budget, which sets the stage for negotiations with the City Council. In crafting this budget, the Administration should leverage this opportunity to propose a multi-year plan that supports New Yorkers' critical needs, promotes the recovery, and uses federal resources as a bridge to long-term fiscal stability.

Four strategies are key to crossing that bridge successfully: use federal aid wisely; ensure efficient high-quality government services; right-size the workforce and support raises; and grow reserves.

Figure 1: Four Strategies to Cross the Bridge to Fiscal Stability

Implementing these strategies could reduce cumulative fiscal year 2023 through 2025 budget gaps by 62 percent, provide resources for employee raises, and start to rebuild the City's reserves. Disregarding approaches that stabilize the City's long-run fiscal condition would weaken the City's ability to provide needed services in the future and would increase the already daunting challenges that will be faced by the next Mayor.

Use Federal Aid Wisely

The City is poised to receive an infusion of federal aid exceeding $15 billion, including unrestricted ARP aid ($6 billion), Federal Emergency Management Administration (FEMA) reimbursement (over $2 billion), additional federal Medicaid assistance ($375 million), and education aid (nearly $7 billion) flowing through the State from both the ARP and the December 2020 stimulus bill (the Consolidated Appropriations Act, 2021).[1] The City should use federal aid wisely by:

- Spreading federal aid over multiple years;
- Averting unnecessary service cuts, while using the time to restructure spending to be sustainably supported with recurring revenues;
- Supporting temporary, targeted programs that address hardships of the pandemic and recession and promote the City's recovery, focused on areas not supported by federal and State programs;
- Not funding new recurring programs with these non-recurring revenues; and
- Publicly providing data on the use and impact of federal funds.

Spreading federal aid over multiple years can both support needed services, and provide the time it takes to restructure City spending to be sustainable with recurring revenues. Unrestricted ARP aid will come in two equal tranches, one by May 2021 and the second no earlier than May 2022. Expenditures can be made through December 2024. Spreading these funds equally over fiscal years 2021 through 2023, or perhaps longer, would be prudent. Similarly, ARP and December stimulus package education support coming through the State should be spread out smoothly and in accordance with requirements included in the State budget.

Aid could be used to reverse some of the service reductions implemented in the wake of the pandemic, including cuts to funding to schools, delays to the Accelerated Study in Associate Programs (ASAP) at CUNY, and litter basket collection at the Department of Sanitation (DSNY). Mayor de Blasio has already announced restoration of some of the cuts at DOE and DSNY. Most of these were planned one-time reductions, so funding in fiscal years 2022 and beyond was not eliminated from the budget.[2]

Federal aid can be used appropriately to address pandemic needs that are unmet by State and federal programs. Caution should be exercised so that the already massive federal and State efforts are not duplicated. Federal and State programs will provide supplemental unemployment insurance, unemployment assistance for undocumented individuals, individual income support, Paycheck Protection Program (PPP) loans and other small business support, aid to performing arts and food service businesses, rental assistance, and homeowner assistance.

The City should assess where gaps remain and may use funds appropriately for programs to provide temporary assistance in fiscal years 2022 and 2023. Specific hard-hit sectors, such as hotels, the performing arts, and food service, may benefit from additional support. The City also may consider additional health and social supports for residents in the hardest hit communities. But even one-time programs carry the risk that constituents will expect the services to continue and call for the programs to be made recurring, which would require identifying recurring revenue streams.

The City's elementary and secondary students have experienced significant hardship. Using temporary federal aid to return children to school, improve remote learning, and try to rectify the learning loss would be appropriate. Many students have been learning remotely for more than a year and continue to face substantial technological and other challenges. The City expanded in-person instruction over time and recently announced plans for an expanded summer program that combines academic and social-emotional learning, and all students' return to the classroom in September. The substantial federal and State education aid should address these needs.[3]

The City should not use the federal funds to create new, or support or expand existing, programs that will lack a substitute funding stream once the aid is depleted. Using one-time federal aid for recurring programs simply would create a fiscal cliff when the federal aid is depleted, squandering the opportunity the federal aid provides the City to stabilize its fiscal house.

Lastly, transparent reporting on the use of federal aid is essential for accountability. Thus far, the Administration has not provided details on pandemic-related spending. Fortunately, the New York City Independent Budget Office and the Office of the New York City Comptroller have provided some data to the public. Given the additional $15 billion in federal aid and the pivotal point in time this is for the City, with its quarterly budget modification the City should publish data that delineate spending related to the pandemic, including costs of pandemic response, costs of services that are increased or decreased due to the pandemic, and the use of federal relief and response funds.

Ensure Efficient, High-Quality Government Services

To serve residents and businesses well, encourage New Yorkers and businesses to stay, lure back those who left during the pandemic, and attract newcomers, the City should prioritize providing core services efficiently and effectively. A rapid and equitable recovery that helps New York City maintain its attractiveness and competitive position will be served well by ensuring high quality schools, sanitation, public safety, and responsive and essential social services, among others.

Not only should these be high quality, but they also should be run efficiently and prioritized. CBC has written about opportunities to increase efficiency, both by changes within the City's sole purview and others that require collaboration with labor.[4]

To prioritize services and identify and implement actions to increase efficiency, the City should implement a recurring, mandatory Program to Eliminate the Gap (PEG).[5] The discipline of regular operational review also can improve management by ensuring repeated examination of all aspects of operations. PEG programs require City agencies to assess operations and identify ways to increase efficiency, which can come from:

- Redesigning programs or services, or shrinking or eliminating those that are less cost-effective;
- Improving operations through use of technology or process redesign;
- Identifying alternate service providers within or outside of the public sector;
- Sharing resources across agencies or reducing or eliminating duplicative processes; and
- Strengthening centralized management of cross-agency operations, such as those for vehicles, office space, and energy.

Front-line workers and managers are a wonderful, critical resource for ideas that improve service efficiency and quality. Furthermore, some of these strategies involve work-rule changes that need to be negotiated with municipal unions. Fortunately, federal aid will provide the time to implement the more significant changes.

The PEG program should generate recurring savings equal to 2 percent of City-funded agency budgets in fiscal year 2022 that grow to 3 percent in fiscal year 2023 to 2025, recognizing that time left to implement changes for fiscal year 2022 is limited. Thereafter, there should be an annual PEG program that generates additional recurring savings equal to 2.5 percent of City-funded agency budgets.

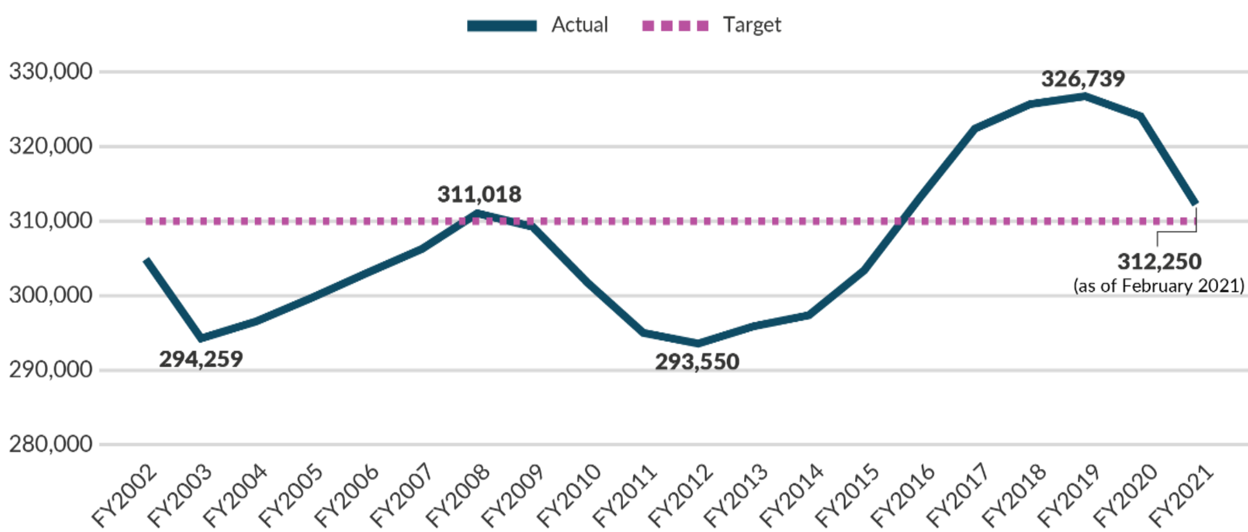
Agency PEG targets should be higher than the savings needed. This provides options that facilitate mayoral priority setting and better position the City to identify additional savings should they be needed. No agencies should be exempt from the PEG process; all agencies—even those providing critical health, education, and public safety services—can benefit from examining their operations to identify opportunities to reduce costs and preserve or improve services.

Structuring PEGs as a percentage of city-funded agency spending is appropriate, but savings are best assessed as a portion of City-spending that includes agency and centrally funded expenditures (other than debt service).[6] Implementing these PEG programs over the next four years cumulatively would reduce the recurring spending base for City services 7 percent in fiscal year 2025; however, if some of these savings are used to fund employee raises as recommended below, the reduction in recurring spending would be 4.8 percent. As discussed below, however, this reduction in baseline spending still allows spending to increase year to year.

Right-size the Workforce and Fund Employee Raises

Prior to the pandemic, the City's workforce had reached a new peak. In September 2019, the City had 327,110 full-time and full-time equivalent employees, an increase of 33,560 since its most recent low point in June 2012, and 16,092 higher than the June 2008 peak prior to the Great Recession. As of February 2021, actual headcount was 312,250 positions, a decrease of 14,860 positions or 4.5 percent from the peak. Given the long run trend and with a focus on efficiency, a reasonable target workforce size in the near term would be 310,000, which is in line with February 2016. (See Figure 2). As agency operations are scrutinized and innovative management strategies and technology employed, the target workforce size should continually be reevaluated. Savings from further headcount reductions are not accounted for separately, but rather are assumed to be part of the recurring PEG savings.[7]

Figure 2: NYC Full-Time and Full-Time Equivalent Headcount, FY 2002 - FY 2021



Source: City of New York, Office of Management and Budget, *Actual Fiscal Year 2021 Headcount as of February 28, 2021*, *Actual Fiscal Year 2020 Headcount as of June 30, 2020*, and fiscal year 2002 to 2019 editions.

One current risk is that the substantial influx of federal aid encourages the City to increase the size of the workforce. This would be poor management and unsustainable. It would create future budget shortfalls and fiscal instability when the federal funds are depleted.

Federal funds, however, provide the flexibility to slow the recent pace of workforce reduction. The current hiring freeze that permits agencies to replace one of every three non-essential, non-revenue generating positions has helped the workforce decline fairly rapidly. Given the reductions to date, the City could loosen the hiring freeze and permit replacing two of every three vacancies, calculated on the workforce in entirety without exceptions. The City should expand its criteria for allowing new hires beyond health and safety to include hires that facilitate efficiency, reorganization, and quality of priority services. The City should be intentional about what positions it fills; in addition to continued reduction the focus should be on shifting the workforce composition to ensure efficient provision of quality services rather than refilling positions when they become vacant.

Furthermore, to increase long-run fiscal stability, the City should reduce the number of unfilled vacant headcount in the budget. While the City has eliminated some of the vacant positions from the baseline authorized headcount, the majority remain in the budget. The City should remove half of the current vacancies (about 6,500 of the roughly 13,000 vacancies at the end of February 2021) in each year of the financial plan and allocate those remaining as required to efficiently staff priorities.

Finally, given its success in reducing the workforce by attrition and limiting hiring, the City does not need to implement an Early Retirement Incentive (ERI), which was authorized in the recently enacted State budget. An ERI would be needlessly costly; reducing headcount by another 2,250 employees, to the 310,000 target, would cost about $250 million with an ERI, but could easily be accomplished over one or two years with no additional expense by leveraging attrition and a partial hiring freeze.

Prior to the pandemic, the budget included funds to support one percent annual raises for the three years following the expiration of current or recently expired contracts. Funding for the first two years' raises was eliminated in the June 2020 Adopted Budget. As the City identifies and implements productivity improvements, it should use some of those funds to restore and enhance those raises, albeit modestly while the City is still recovering from the recession and pandemic. A robust, recurring PEG program would provide sufficient resources to reduce recurring City expenses and restore the raises equaling 1 percent in each of the first two years and an increase the raise to 2 percent in the third year.

The budget currently includes $1 billion in unspecified annual labor savings. Despite these being in the budget for nearly 10 months, the City has not negotiated any recurring savings. Instead, it secured agreements with some municipal unions to delay payments due to employees and welfare funds for roughly nine months, reducing expenses in fiscal year 2021 but increasing them in fiscal year 2022. Absent a reasonable plan to achieve these future savings, they should be removed from the budget because they obfuscate the magnitude of future City budget gaps.

One way to reduce recurring labor costs is to require that employees and retirees share some of the cost of health insurance premiums. Unlike New York State workers and most other public and private sector workers, most City employees and many retirees make no contribution to their premiums. The City's cost for health insurance for employees and retirees is over $7 billion annually.

CBC has recommended that the City phase in employee and retiree contributions over three years, with lower paid employees paying a smaller share than those more highly compensated, similar to New York State.[8] Relatively modest premium contributions—significantly lower than in the State—still would total $560 million in recurring health insurance premium savings for the City (about 8 percent of the City's health insurance premium expenses).

For the example recommended here, in fiscal year 2024 when phased in, an employee making less than $65,000 a year would contribute just $273 for single coverage and $936 for family coverage each year, while employees with higher salaries would contribute $624 for single coverage and $1,872 for family coverage annually.[9] The contributions would be less than half of the contributions made by New York State employees; NYS employees making more than $65,000 contribute $1,593 for single coverage and $6,228 for family coverage.[10] The impact on employee paychecks would be lower than the premium contribution because premium contributions are tax deductible. Similarly, retirees would contribute to their health insurance premiums, which includes pre-Medicare health benefits, Medicare Part B premiums, and supplemental Medicare policies.

Replenish and Increase the City's Reserves

The City had roughly half of CBC's recommended level of reserves before the pandemic.[11] Still, the City tapped its reserves and the Retiree Health Benefits Trust Fund (RHBT) to weather the recession. Federal and City funds provide the opportunity to replenish the RHBT and deposit money into the City's Rainy Day Fund (RDF). This is critical so that the City is better prepared for the next crisis. Specifically, the City should:

- Increase the fiscal year 2022 general reserve to $500 million;
- Replenish the $2.6 billion of the RHBT used in fiscal years 2020 and 2021 by fiscal year 2025; and
- Deposit funds into the newly created RDF. The Executive Budget should include $500 million annual deposits to the RDF, or 75 percent of the annual tax revenue growth above 3 percent, whichever is greater.

- By the end of fiscal year 2025, these actions would return the RHBT to its pre-pandemic balance of $4.6 billion and grow the RDF to at least $3 billion.[12]

Impact of these Strategies

These strategies would not only preserve the resources for critical services and support the recovery, but also would dramatically improve the City's long run fiscal stability. (See Table 1.) In aggregate, they would reduce the cumulative fiscal year 2023 through 2025 budget gap by 62 percent, leaving gaps of $526 million in fiscal year 2023, $3.1 billion in fiscal year 2024, and $2.4 billion in fiscal year 2025, while funding modest salary increases.

It is worth noting that these gaps may be over- or under-stated, depending on economic and other factors affecting spending. Tax revenue growth could be higher than the 2.9 percent annual average forecast by OMB, which would reduce these gaps. Also, spending often is lower than projected due to savings from bond refundings and issuances, and agencies spending that is less than budgeted. Conversely, service needs or underlying costs could grow, increasing these gaps.

These recommended strategies would increase City-funded spending, adjusted for reserves and prepayments, 3.3 percent per year on average—from $64.6 billion in fiscal year 2021 to $73.7 billion in fiscal year 2025. (See Table 2). Total spending would increase just 1 percent per year on average—from $95.2 billion in fiscal year 2021 to $99.0 billion in fiscal year 2025. As a portion of the budget, federal aid would decrease from 15.4 percent to 7.6 percent, while City-funded spending would increase from 67.9 percent to 74.4 percent—essentially demonstrating the federal aid bridge to stability. (See Figure 3). The stabilizing of the shore is demonstrated by the reduction in the recurring spending base by $3.7 billion, or 5.1 percent of City funds. Note that these expenditures are for annual needs and do not include the $5.1 billion that would have been set aside in the RDF and RHBT.

Table 1: NYC Financial Plan, Restatement Implementing Recommended Strategies

(all funds, dollars in millions)

	FY2021	FY2022	FY2023	FY2024	FY2025
NYC PRELIMINARY BUDGET					
Revenues	$95,053	$92,285	$95,114	$97,085	$98,911
Expenditures	95,053	92,285	99,425	101,278	103,189
Gap to Be Closed	*0*	*0*	*(4,311)*	*(4,193)*	*(4,278)*
Eliminate Unspecified Labor Savings	290	1,000	1,000	1,000	1,000
Revised Gap to Be Closed	*(290)*	*(1,000)*	*(5,311)*	*(5,193)*	*(5,278)*
REVENUE ADJUSTMENTS					
City Tax Revenue	$842	$0	$0	$0	$0
FEMA Reimbursement	1,650	500	0	0	0
American Rescue Plan (ARP) Local Aid	763	2,288	2,288	763	0
Federal Medical Assistance Percentage (FMAP)	125	250	0	0	0
Federal Education Aid Flowing Through the State Budget	0	4,835	602	602	602
NYC Tax Revenue from NYS Marijuana Legalization	0	4	19	27	42
TOTAL REVENUE ADJUSTMENTS	**$3,380**	**$7,877**	**$2,909**	**$1,392**	**$644**
EXPENDITURE ADJUSTMENTS					
Targeted Recovery and Relief Programs	$250	$1,250	$1,000	$0	$0
Reverse Proposed Service Reductions	0	370	0	0	0
Federal Funding for School Reopening and Learning Loss	0	3,000	1,660	1,107	504
General Reserve	0	400	0	0	0
Rainy Day Fund (RDF) Deposit	500	500	500	500	500
Retiree Health Benefits Trust (RHBT) Deposit	600	500	500	500	500
Recurring Efficiency PEG and Raises	$53	($653)	($1,866)	($2,281)	($3,187)
FY22 PEG	*$0*	*($870)*	*($1,331)*	*($1,343)*	*($1,357)*
FY23 PEG	*$0*	*$0*	*($1,076)*	*($1,086)*	*($1,097)*
FY24 PEG	*$0*	*$0*	*$0*	*($1,059)*	*($1,070)*
FY25 PEG	*$0*	*$0*	*$0*	*$0*	*($1,043)*
Restore and Increase Employee Raises (1%, 1%, 2%)	*$53*	*$217*	*$540*	*$1,208*	*$1,380*
Employee/Retiree Health Insurance Premium Contributions	$0	($155)	($320)	($540)	($558)
TOTAL EXPENDITURE ADJUSTMENTS	**$1,403**	**$5,213**	**$1,474**	**($714)**	**($2,241)**
RESTATED FINANCIAL PLAN					
Restated Revenues	$98,433	$100,162	$98,023	$98,477	$99,555
Restated Expenditures	96,746	98,498	101,899	101,564	101,948
GAP TO BE CLOSED BEFORE SURPLUS ROLL	**$1,687**	**$1,664**	**($3,877)**	**($3,088)**	**($2,393)**
Surplus Roll	**($1,687)**	**($1,664)**	**$3,351**	**$0**	**$0**
RESTATED GAP	**$0**	**$0**	**($526)**	**($3,088)**	**($2,393)**

Notes and Sources: See Appendix.

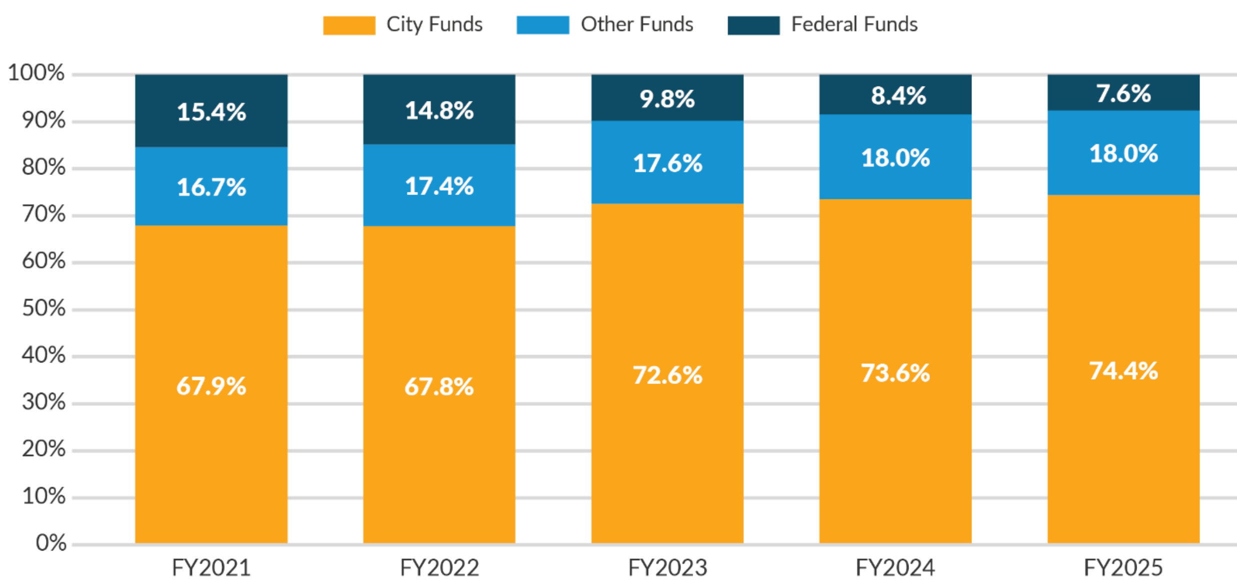
Table 2: Restated Expenditures, Adjusted for Reserves and Prepayments

	FY2021	FY2022	FY2023	FY2024	FY2025	CAGR
All Funds	**$95,151**	**$99,423**	**$100,657**	**$98,658**	**$99,042**	**1.0%**
Federal Funds	$14,609	$14,699	$9,836	$8,294	$7,526	-15.3%
State Funds	$14,781	$16,327	$16,765	$16,814	$16,814	3.3%
Other Categorical Funds	$1,133	$1,020	$988	$986	$985	-3.4%
City Funds	$64,628	$67,377	$73,068	$72,565	$73,717	3.3%
City-Funds Share	*67.9%*	*67.8%*	*72.6%*	*73.6%*	*74.4%*	

Note: Expenditures adjusted to exclude interfund agreements, reserves, deposits to the Retiree Health Benefits Trust and Rainy Day Fund, and to reverse prepayments.

Source: CBC analysis of Table 1 and the City of New York, Office of Management and Budget, *January 2021 Financial Plan Detail, Fiscal Years 2021-2025* (January 14, 2021), https://www1.nyc.gov/assets/omb/downloads/pdf/tech1-21.pdf.

Figure 3: Expenditure Shares by Funding Source, Restatement of NYC Financial Plan



Source: CBC analysis of Table 1 and the City of New York, Office of Management and Budget, *January 2021 Financial Plan Detail, Fiscal Years 2021-2025* (January 14, 2021), https://www1.nyc.gov/assets/omb/downloads/pdf/tech1-21.pdf.

Conclusion

In the last year of his term, Mayor de Blasio has the historic opportunity to serve the needs critical to New Yorkers and put the City on a path to solid fiscal footing. Doing so requires wise use of federal aid, meticulous prioritization and management of operations, working with labor, a commitment to effective and efficient government, and preparing for the future. While it may be tempting to use the influx of resources to support new programs and hire staff, such steps would be unwise and would leave his successor and future New Yorkers with significant fiscal challenges.

By Ana Champeny

APPENDIX

Notes for Table 1

Amounts intended to reasonably estimate the impact of implementing the proposed strategies. City tax revenue is additional revenue forecast this year based on analysis by the NYC Independent Budget Office and the Office of the New York City Comptroller; through February 2021, actual collections were $537 million ahead of plan. FEMA reimbursement is additional reimbursement for already incurred expenses due to increasing the Federal reimbursement rate from 75 percent to 100 percent based on the New York City Independent Budget Office analysis, plus 100 percent reimbursement of an additional $1 billion in eligible expenses through September 2021. COVID-related spending exceeded $2.6 billion during four months in fiscal year 2020 and has averaged $1.2 billion per quarter through the first three quarters of fiscal year 2021. Expenses may be incurred for another two quarters; $1 billion is just over 40 percent of two quarters of spending at the fiscal year 2021 rate of $1.2 billion per quarter. ARP is $6.1 billion divided across the fiscal years by eight quarters. FMAP is an additional $125 million for the last three quarters of calendar year 2021. Federal education aid flowing through the State is all of the December stimulus aid and 50 percent of the ARP aid in fiscal year 2022; the remaining 50 percent of ARP federal aid split into four equal installments in fiscal years 2022 to 2025. In fiscal year 2022 there is a $330 million offset due to a higher than enacted forecast for State Foundation Aid in the Preliminary Budget. City forecasts for Foundation Aid in fiscal years 2023 to 2025 are close to the agreement in the Enacted Budget and no additional adjustments are made. NYC revenue from legalization of adult-use recreational marijuana is one-sixth of the State's revenue estimate, adjusted to correspond to City fiscal years. Reversing spending reductions are primarily cuts to DOE school budgets and Department of Sanitation litter basket collection. Federal aid for schools is gradually phased out through fiscal year 2025. RDF deposits should be the higher of $500 million annually or 75 percent of the tax revenue growth exceeding 3 percent. The RHBT deposits equal the $1.0 billion used in fiscal year 2020 and the $1.6 billion currently scheduled for use in fiscal year 2021. Employee and retiree contributions phase in over three years.

Sources for Table 1

City of New York, Office of Management and Budget, *January 2021 Financial Plan Detail: Fiscal Years 2021-2025* (January 14, 2021), and *Financial Plan: Fiscal Years 2021-2025* (January 14, 2021); New York State Division of the Budget, *FY 2022 New York State Enacted Article VII Bills, Education, Labor, Family Assistance* (ELFA) (A3006-C/S2506-C), and *FY2022 Executive Budget Financial Plan: Updated for the Governor's Amendments and Forecast Revisions* (February 2021), www.budget.ny.gov/pubs/archive/fy22/ex/fp/fy22fp-ex-amend.pdf; Office of the New York City Comptroller, *Comments on New York City's Preliminary Budget for Fiscal Year 2022 and Financial Plan for Fiscal Years 2021-2025* (March 2, 2021), https://comptroller.nyc.gov/reports/comments-on-new-york-citys-preliminary -budget-for-fiscal-year-2022-and-financial-plan-for-fiscal-years-2021-2025/; New York City Independent Budget Office, *SNAPSHOT: Key Findings from IBO's Latest Economic Forecast and Review of the Mayor's 2022 Preliminary Budget and Financial Plan* (February 11, 2021), https://ibo.nyc.ny.us/iboreports/print-2021-preliminary-budget-slides.pdf; Jonathan Rosenberg, *FEMA Increase to Covid Reimbursement Means Over $1 Billion More for the City* (New York City Independent Budget Office, February 2021), https://ibo.nyc.ny.us/iboreports/FEMA-increase-to-covid-reimbursement-means-over-1-billion-more-for-the-city-fopb-1-feb2021.pdf; *American Rescue Plan Act of 2021*, P.L. 117-2; and *Consolidated Appropriations Act, 2021*, P.L. 116-260.

ENDNOTES

1. FEMA figure assumes reimbursement of $1.15 billion in already approved FEMA-eligible expenses due to the increase in the reimbursement rate, plus $1 billion in additional expenses incurred through September 2021 that could be eligible for reimbursement. The FMAP assumption is an additional three quarters of aid, at $125 million per quarter, extending to December 31, 2021.
2. Reductions to the Department of Education and CUNY ASAP were non-recurring; DSNY cuts were recurring.
3. In addition to the federal aid flowing to NYC through the budget, the Enacted Budget also increased state Foundation Aid by $530 million in fiscal year 2022. However, that is not reflected as additional revenue because the increase is already anticipated by the City—in fact, the City's Preliminary Budget projected Foundation Aid would be about $330 million higher in fiscal year 2022. Furthermore, expected increases in Foundation Aid in state fiscal years 2023 and 2024 also would be below the Preliminary Budget forecast. The shortfall in fiscal year 2022 is netted out of the total additional aid to the City, while no adjustments are made to the later years.

4. Ana Champeny, *Hard Choices That Can Balance New York City's Budget* (Citizens Budget Commission, June 10, 2020), https://cbcny.org/research/hard-choices-can-balance-new-york-citys-budget; and Ana Champeny and Maria Doulis, *How to Make $1 Billion in Labor Savings Real & Recurring* (Citizens Budget Commission, September 2, 2020), https://cbcny.org/research/how-make-1-billion-labor-savings-real-recurring.
5. Riley Edwards, "PEGging it Right: Guidelines for the PEG Process," *Citizens Budget Commission Blog* (March 5, 2019), https://cbcny.org/research/pegging-it-right.
6. These include health insurance and pension contributions.
7. OMB could leverage the PEG process to facilitate workforce reduction, for example by providing additional credit to agencies from initiatives that shrink headcount, while maintaining high-quality services.
8. Ana Champeny and Maria Doulis, *How to Make $1 Billion in Labor Savings Real & Recurring* (Citizens Budget Commission, September 2, 2020), https://cbcny.org/research/how-make-1-billion-labor-savings-real-recurring.
9. This proposal is half of aggregate savings from contributions detailed in Ana Champeny and Maria Doulis, *How to Make $1 Billion in Labor Savings Real & Recurring* (Citizens Budget Commission, September 2, 2020), https://cbcny.org/research/how-make-1-billion-labor-savings-real-recurring. For employees, the contribution rates would be 3 percent for single and 4 percent for family for employees making less than $65,000 a year, while those making more would contribute 7 percent for single coverage and 8 percent for family coverage. Annual premiums are about $9,300 for single coverage and $23,000 for family coverage. Contributions phase in over three years.
10. The NYS employee contributions are based on grades, with employees Grade 9 and lower contributing 12 percent and 26 percent per year, for single and family insurance, respectively. State employees in Grade 10 and above contribute 16 percent and 31 percent, per year, for single and family, respectively. For Grade 9 and lower, this is annual contributions of $1,194 for single coverage and $5,231 for family coverage, while contributions for Grade 10 are $1,593 for single coverage and $6,228 for family coverage. Grade 10 salary differs across titles but is roughly around $43,000; CBC's proposal recommends a $65,000 break point and lower contribution rates.
11. Charles Brecher, Thad Calabrese, and Ana Champeny, *To Weather a Storm: Create a NYC Rainy Day Fund* (Citizens Budget Commission, April 18, 2019), https://cbcny.org/research/weather-storm.
12. The Rainy Day Fund (also referred to as the revenue stabilization fund) currently has a balance of $493 million. Office of the New York City Comptroller, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020* (October 30, 2020), https://comptroller.nyc.gov/wp-content/uploads/documents/CAFR2020.pdf .