June 5, 2020

The Honorable Andrew M. Cuomo
Governor of the State of New York
Executive Chamber
State Capitol
Albany, NY 12224

Dear Governor Cuomo:

I write to you regarding S.8400/A.9789A, which would permit the City of New York to establish a Rainy Day Fund (RDF). The Citizens Budget Commission (CBC) has championed the creation of a well-designed RDF for New York City; however, this bill fails to place essential restrictions on the use of the RDF, and should not become law as currently drafted.

The purpose of an RDF is to save funds that can be used to stave off the worst service cuts or counterproductive budget actions when there is an emergency—a "rainy day." This bill does not restrict the use of the RDF's resources, instead allowing withdrawals to be made at the discretion of the Mayor and City Council.

For resources to constitute a true RDF, any withdrawal should be limited only to times of economic recession or severe emergency, which should be defined in law. CBC has recommended defining a recession as two successive quarters of economic contraction as indicated by declines in real gross city product or employment, and specifying that a severe emergency should be accompanied by revenue losses or increased expenditures of at least one percent of city-funded spending. These are similar to the restrictions on the State rainy day fund. Without these conditions, the bill would create an RDF that could be used as a slush fund instead of saved for a rainy day.

Furthermore, the bill allows the City to replace its annual practice of prepaying expenses to "roll" surplus revenues with placing those revenues into the RDF. Withdrawals of up to 50 percent of RDF balance can be made to balance the budget, and those greater than 50 percent would be permitted as long as accompanied by an explanation. This has three shortcomings. First, it
circumvents the intention of the RDF, which is to accumulate resources during good times for use in bad times. Second, codifying the practice that permits the City to run a structural deficit by conflating annual budget management with an RDF is not an improvement to fiscal management. Third, it does not reflect the intent of City voters who supported changing the New York City Charter to allow use of an RDF.

New York City has entered this fiscal crisis with a fraction of the resources that could have been available had the City been permitted to adequately fund and use an RDF. The State can help New York City better prepare for the next fiscal crisis, but this bill will not establish the RDF New York City needs.

I urge you to negotiate a chapter amendment with the bill sponsors and legislative leaders to require that any withdrawal be limited only to times of economic recession or severe emergency, as defined in law based on economic and fiscal indicators.

Sincerely,

Andrew S. Rein
President