



## Statement Regarding the New York City Fiscal Year 2023 Preliminary Budget

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**New York, NY – February 16, 2022** - Citizens Budget Commission (CBC) President Andrew S. Rein released this [statement](#) on behalf of the CBC:

“Mayor Eric Adams’ Preliminary Budget proposes important, welcome, and refreshing initial steps in the right direction, especially reducing unneeded vacant positions to realize recurring savings and removing the \$500 million in specious labor savings—a victory for fiscal integrity. Still, to bolster New York’s competitiveness and ability to serve New Yorkers in the future, the City should take significant additional actions in the Executive and Adopted Budgets to make government more efficient, stave off the looming fiscal cliffs, and save for the inevitable next downturn.

The budget wisely includes a Program to Eliminate the Gap (PEG), saving \$866 million this year and \$1.1 billion annually thereafter, and benefits from higher than expected tax revenues, \$1.6 billion this year and an average of \$575 million annually in fiscal years 2023 through 2025. The City-funded budget increases spending modestly, by 2.3 percent, in part to fund the Summer Youth Employment Program, Fair Fares, and Fair Futures. Using the right approach, the City redeployed resources within the Police Department to implement parts of the Blueprint to End Gun Violence, rather than increasing spending.

These actions leave gaps of \$2.7 billion, \$2.2 billion, and \$3.0 billion in fiscal years 2024 to 2026, respectively. While these gaps appear manageable, the fiscal challenges are actually larger. Future risks and unaddressed needs abound. The rocky recovery and evolving economy of remote work may affect mid- and long-term revenues; the City’s revenue forecast is appropriately cautious. Furthermore, raises for City employees, while they should be funded by increased productivity, could significantly increase City spending.

The City faces a fiscal year 2023 fiscal cliff of \$653 million because recurring programs such as the housing voucher rent increase and prevailing wages for shelter security were only funded

for fiscal year 2022. The Administration did not include funding for these programs beyond fiscal year 2022. Continuing any of these programs would increase City spending above what is proposed. Lastly, there remains over \$1.3 billion of programs funded with federal monies, such as 3K expansion and increased overhead for non-profits, that will dry up in fiscal year 2026. The Administration should review federal COVID-related spending to ensure resources strategically support the City's recovery without creating unsustainably-funded programs; further changes should be forthcoming in the Executive Budget.

In January, Mayor Adams instituted a PEG that directed most City agencies to identify savings of 3 percent in fiscal years 2022 and 2023 and beyond. While yielding important headcount reduction, the PEG fell short of the savings target; it delivered savings of \$866 million in fiscal year 2022 and \$1.1 billion in annually recurring savings in fiscal year 2023 and beyond. Agencies heeded the Mayor's directive to eliminate unneeded vacant positions, with 3,200 removed from the fiscal year 2022 authorized headcount, and 7,000 eliminated in fiscal year 2023 and beyond. However, savings from restructuring operations to be more efficient are a very small share of the PEG. The budget appears to also miss the opportunity to identify savings from centrally managed services, such as fleet and space management.

The Administration should identify additional agency and central function efficiency savings to include in the Executive Budget. It also is critically important that the Administration work with its municipal unions to identify and implement efficiency savings and rationalize benefit levels and administration during collective bargaining negotiations.

Recognizing strength in residential markets and a rebound in commercial real estate, the City increased the property tax forecast \$839 million in fiscal year 2023, \$669 million in fiscal year 2024, and \$436 million in fiscal year 2025. Other tax revenues have been performing ahead of the plan this year, providing an additional \$1.5 billion in fiscal year 2022. However, the economic recovery has been sluggish and structural changes in commuting or travel could hamper tax revenue growth; OMB reduced non-property tax revenues around \$100 million in fiscal years 2023 and 2024.

While the City reports record reserves, they are relatively unchanged and this budget does not include additional deposits into the City's Rainy Day Fund. To help the City weather the inevitable future recession or severe emergency, the financial plan should include annual deposits of at least \$500 million to the Fund.

Importantly, the Preliminary Budget is the beginning of the process. Many more steps should be taken in the Executive and Adopted Budgets to address the city and federal fiscal cliffs, restructure to make government more efficient, and save for the inevitable next downturn."