



## CBC Calls for Greater Savings to Address Looming NYC Budget Gap

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New York, NY – March 24, 2020 - Citizens Budget Commission (CBC) President Andrew S. Rein release this statement on managing the New York City budget:

"Responding to the pandemic and the economic crisis it has triggered will have a significant impact on New York City's finances in both the near and long term. Mayor Bill de Blasio's announcement that city agencies will be asked to find savings in the Executive Budget is important and necessary; however, setting the savings target at \$1.3 billion over two years is a gentle-touch approach rather than a bold rapid response that recognizes the potential severity of the health and economic crises. To meet the imminent challenges the savings plan should be significantly larger and explicitly focused on generating recurring savings in spending.

The fiscal impact of pandemic response and the economic disruption are still unknown. Additional spending has been and will be necessary to provide critical services, and the strain on the safety net is likely to increase. CBC analysis of prior recessions suggests a similar recession could result in up to \$20 billion in revenue shortfalls over three fiscal years. The Office of the New York City Comptroller estimates the revenue shortfall in fiscal years 2020 and 2021 could total \$6 billion, opening a fiscal year 2021 budget gap of that magnitude. This gap may expand once spending on the response is added and if the downturn proves worse than currently projected.

Managing this challenge requires immediate action to begin reining in spending. The federal government may step in to reimburse expenses and provide aid, but that assistance is unlikely to take care of the full gap. Using funds from the Retiree Health Benefits Trust would be a short-sighted measure that does little to improve the soundness of City

finances and makes future New Yorkers pay for today's problems. A bold savings plan is needed to ensure the pandemic response can continue as necessary and the fiscal stability needed to ensure that services for the neediest New Yorkers are preserved.

The savings program announced is of similar magnitude as prior plans implemented by the de Blasio Administration. Last year the two-year savings presented in the Executive Budget for Fiscal Year 2020 amounted to 0.66 percent of city-funded spending; the \$1.3 billion target announced for the Executive Budget for Fiscal Year 2021 amounts to 0.91 percent. This is essentially conducting business as usual instead of shifting budgeting and management strategy from leveraging economic growth to mitigating a likely downturn.

The City should control all non-critical spending in the current year and increase the target size of next year's savings program to \$3 billion. This savings program should be fundamentally different from past plans that relied primarily on debt service savings, expense re-estimates, and funding shifts to state and federal revenue streams. Agencies should be charged with generating a menu of options for spending reductions that are rooted in improving efficiency, streamlining operations, and supporting more cost-effective operations. Previously, efficiency savings averaged just 0.23 percent of City-funded spending.

As information on the economic and fiscal effects becomes available, the City will have to update its fiscal management strategy, work with municipal unions on workforce savings, and potentially enact more far-reaching measures, such as hiring freezes, layoffs, or service cuts. But the first step should be to save now and generate an ambitious agency savings plan presented in the Fiscal Year 2021 Executive Budget."