



CBC Statement on the New York City Fiscal Year 2021 Executive Budget

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New York, NY – April 16, 2020 - Citizens Budget Commission (CBC) President Andrew S. Rein issued this statement on the New York City Executive Budget on behalf of CBC:

"Facing what may become New York City's most significant fiscal crisis in generations, Mayor Bill de Blasio proposed a Fiscal Year 2021 Executive Budget that is balanced using substantial reserves, somewhat optimistic assumptions about federal aid, assumptions of no additional State budget cuts, and a larger than usual savings plan that does not yield significant recurring savings. While the City is to be commended for balancing the budget without tax increases or borrowing, it has used a short-term strategy that leaves a significant gap in fiscal year 2022, which could be worse if the economy does not rebound as the City projects.

This fiscal crisis will affect multiple years and the savings plan should be larger with more recurring value. There should be no illusion that spending reductions will be easy or painless, but they are possible and necessary to stave off more painful actions later. The two-year, \$2.7 billion savings program totals less than 2 percent of the budget and relies primarily on underspending, spending delays, and re-estimates instead of program efficiencies. Working with its labor partners the City should identify non-core services and subsidies to reduce or suspend, while seeking additional efficiencies in agency operations, employee benefits, contracts, leased space, and fleet operations. Mayor de Blasio emphasized the need to support health, safety, shelter, and access to food. Spending reductions should be focused on paring down to efficiently providing these and other core

needed services, so that substantial savings can strengthen the City's ability to weather the full length of the economic downturn.

The budget relies on diverting \$2.6 billion from the Retiree Health Benefits Trust (RHBT) and \$1.4 billion of other reserves. This is a reasonable choice given the lack of true rainy day reserves and the severity of the crisis. However, this is only a bridge and is not a long-term solution. The federal aid also should not be expected to recur. These actions, with the lack of recurring value from the savings program, leave fiscal year 2022 with a looming \$5.0 billion gap, despite the budget's assumption that tax revenue growth rebounds to 7.4 percent that year."