



CBC Statement on the NYC Executive Budget for Fiscal Year 2022

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New York, NY – April 26, 2021 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

“The Executive Budget for Fiscal Year 2022 includes some commendable components but fails to leverage the historic opportunity enabled by federal aid, State education support, and higher tax revenue to both provide essential services now and stabilize the City’s fiscal future.

Many New Yorkers and New York businesses have and continue to experience significant hardship—both from the COVID pandemic and the recession. This budget uses the newly available resources to provide needed relief of that pain and restore important services.

Still, despite the additional \$15 billion in federal aid and billions in additional tax revenue, future budget gaps remain essentially unchanged, at roughly \$5 billion annually in fiscal years 2023 to 2025 when the unspecified labor savings are removed. Some of the federal aid is used wisely to support one-time fiscal and programmatic needs, including academic recovery, Summer Rising and the emergency food program. However, another portion supports recurring programs—including 3-K for All—that lack resources in the future. No matter how worthy the programs may be, this sets them up to fall off future budget cliffs since there are no efforts to identify efficiencies that could generate the resources to support the programs over time.

The savings program is anemic, relying mostly on non-recurring savings that do nothing to increase efficiency. Instead, the City should be implementing a regular, reasonably sized Program to Eliminate the Gap (PEG); the discipline of regular operational review can help prioritize programs, improve quality, and identify savings.

Furthermore, the City plans on reversing its recent progress in shrinking the workforce by adding 5,000 more staff. Had the City spread the federal money more evenly over a few years, it would have had time to restructure spending to increase efficiency and preserve services. Instead, most of the federal funds are used within two years.

Finally, the City eliminated unspecified labor savings in fiscal years 2021 and 2022 but continues to carry \$1 billion in annual labor savings in fiscal years 2023 through 2025. The savings were initially added in June 2020, but the City still has not identified any recurring spending reductions. Without a concrete, feasible plan, including these savings obfuscates the City's future fiscal problem.

One notable bright spot is the City reversing its plan to use \$1.6 billion from the Retiree Health Benefits Trust to balance the budget this year. Also, the City is increasing its general reserve in fiscal year 2022 by \$200 million, which is the right approach. The City also should be budgeting regular deposits into its newly established Rainy Day Fund.

The Executive Budget is the beginning of negotiations with the City Council; traditionally, City-funded spending increases hundreds of millions of dollars by the time the budget is adopted. Following this pattern would be a mistake and further exacerbate future problems.

The new resources, especially the federal aid and higher tax revenue forecast, provide the City with the runway needed to restructure its spending while preserving critical services and supporting pandemic hardship and recovery needs. This Executive Budget does not do this. Instead, it needlessly leaves the next Mayor to solve significant fiscal problems tomorrow that this budget should have started to address today.”