



## CBC Statement on the NYC Adopted Budget for Fiscal Year 2022

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**New York, NY – June 30, 2021** - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

“Amidst unprecedented levels of federal aid and strengthening tax revenues, the New York City Fiscal Year 2022 Adopted Budget offered an opportunity to provide relief, support recovery, create a runway to restructure operations, and strengthen reserves. The budget includes the first ever deposit into the City’s new Rainy Day Fund and devotes substantial funds to a multitude of relief and recovery programs to address New Yorkers’ significant needs, including Summer Rising, 3K, and mental health services. However, the agreement largely misses a golden opportunity to stabilize the City’s finances in the long run, which is critical to addressing future New Yorkers’ important needs. Despite fiscal year 2021 tax revenues being \$2.1 billion more than previously expected and \$15 billion in additional federal aid, the budget hamstring the next Administration with sizable future budget gaps, plus looming fiscal challenges when federal funds are depleted, and labor contracts are negotiated.

We commend the Mayor and City Council for depositing \$500 million into the Rainy Day Fund. This is a great first step that should be followed by annual deposits into the fund. To build the fund to provide the resources the City should have to weather a recession, which CBC estimates at about \$11 billion, the City should enact legislation that sets minimum mandatory deposits.

With available details sparse thus far, it is not feasible to determine if the Adopted Budget makes more strategic use of the extraordinary federal aid. New Yorkers have significant needs, and the budget supports many different programs. The Mayor’s Executive Budget did not fully maximize the potential benefits of the aid because it was frontloaded, sprinkled among a broad set of initiatives, and used to fund between \$1.3 billion and \$4.0 billion annually in recurring programs, creating a fiscal cliff when the aid is depleted. We await details to provide a fuller evaluation.

However, no matter the uses, it is imperative that the City track federal spending in detail, including metrics for program goals and results.

Yet again, the City has taken a pass on scrubbing agency operating budgets, evaluating the effectiveness in order to prioritize programs, and increasing the efficiency of operations. Cumulative fiscal year 2021 and 2022 savings, which stood at \$3.9 billion as of the Executive Budget, were reported to be just \$100 million higher in the Adopted Budget, at \$4.0 billion. While details are still forthcoming, it is very likely that there is no new productivity-based savings program that reduces recurring spending and the vast majority of the savings are from debt service savings and re-estimates.

The City's leaders have left the next Administration with budget gaps of about \$5 billion annually in fiscal year 2023 to fiscal year 2025. These continue to include \$1 billion in annual unspecified labor savings, which is nothing more than a ruse used to understate the magnitude of the City's gaps. While all hope the economy is strong and revenues continue to come in above projections, which is likely in the near term, the next Administration will face substantial challenges--having to close these gaps, negotiate the next round of collective bargaining agreements without creating greater fiscal stress, address the looming fiscal cliff created by using federal funds for recurring programs, and improve the efficiency of City agencies so that they deliver what New Yorkers need in a fiscally sustainable manner."