



CBC Statement on New York City's November 2021 Financial Plan for Fiscal Years 2022 to 2025

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

“The November 2021 Financial Plan for Fiscal Years 2022 to 2025 has some good news, including additional FEMA reimbursement and lower pension spending due to extraordinary investment returns. While the plan reduces the budget gaps to \$2.9 billion for next year, \$2.7 billion in fiscal year 2024, and \$2.1 billion in fiscal year 2025, in reality the gaps are about \$750 million higher annually because the plan includes illusionary labor and attrition savings.

The gaps appear manageable, but with the next round of collective bargaining unfunded, the budget's reliance on non-recurring federal and City funds to pay for ongoing programs, and the slow economic recovery, Mayor-elect Adams should actively manage these gaps starting on day one.

The budget essentially does not include money to pay for the next round of raises for City employees. The de Blasio Administration zeroed out the labor reserve for the first two years; increases of 2 percent annually would require \$540 million this year, \$1.2 billion in fiscal year 2023, and \$2.2 billion by fiscal year 2025.

Furthermore, ongoing programs are currently being supported with non-recurring funds, creating both near- and mid-term fiscal cliffs. Starting in fiscal year 2023, recurring funding would be needed if the City wants to continue programs such as prevailing wages for shelter security or higher rent levels for housing vouchers, which are supported with City funds only for the current fiscal year. A \$1.3 billion to \$4 billion annual federal fiscal cliff will arrive starting in fiscal year 2025 with the depletion of federal COVID-aid, which is funding the expansion of 3-K, mental health services, educational enhancements, nonprofit administrative support, and other programs.

Importantly, the plan maintains the City's commitment to a \$500 million deposit to the Rainy Day Fund in fiscal year 2022. This is a good first step, and the City's plan should include annual deposits crucial to preparing for the next recession.

Mayor Adams will be leading a City in recovery, with a precarious economy and pandemic whose trajectory is uncertain. While there are some positive economic trends, job growth is slower than forecast. The City's tax revenues are currently closely aligned with the financial plan, suggesting that at least for the near term the City should not count on significantly higher than expected tax revenue. Furthermore, longer run structural changes in commuting, telework, tourism, or migration of high-earner households may present challenges and negatively affect City revenues.

Mayor de Blasio did not take the opportunity to use extraordinary levels of federal aid to help restructure the City's budget and workforce to be fiscally sustainable with recurring City revenues. Mayor-Elect Adams should proactively take steps to do so. He is right to support a 3 percent to 5 percent Program to Eliminate the Gap or PEG, and it would be extremely helpful if the current and incoming Administrations worked together to have those options ready by January 1st to be considered for the Preliminary Budget. Mayor-elect Adams also should be working with the municipal unions to leverage the next round of collective bargaining agreements to make changes allowing the City to be more productive, use those savings to fund raises, close budget gaps, and help City employment be more supportive to skill building and career enhancement; these changes would ensure this next collective bargaining round is a City saver and not a budget buster."