Statement on the New York City Fiscal Year 2023 Executive Budget

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New York, NY – April 26, 2022 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

"The Executive Budget takes some positive steps but focuses on spending more, nearly to the exclusion of the savings, restructuring, and efficiency needed to shore up the City's fiscal house. While the Preliminary Budget had a Program to Eliminate the Gap (PEG), the Executive Budget funds programs that would expand the gap by $1 billion annually, chipping away at the City's long run ability to protect future New Yorkers from economic instability or unnecessary service cuts. The Mayor funds some crucial priorities but takes virtually no action to offset this spending with savings, other than the welcome reduction in the City's fleet.

The budget makes a modest deposit to the Rainy Day Fund and restores half the funds cut from the labor reserve during the recession. Still, these welcome and beneficial actions only account for about one-quarter of the extra revenues expected this and next year, with the rest helping to increase City-funded fiscal year 2023 spending by $2.3 billion, growth of about 5 percent from fiscal year 2022. Furthermore, the budget adds roughly 3,000 positions, wiping out nearly half of the vacancy reduction in the Preliminary Budget.

Spending more now is seductive, but shortsighted. The Council wants to add well over $1 billion in recurring spending. While the Executive Budget supports critical priorities, such as mental health and improving housing and land use processes, the City's leaders should not pretend the City can have and do it all. Undisciplined management and a spending spree will set the city back, not propel it forward. Focused priorities, well managed, are critical to a bright future.

Without increasing productivity or shrinking lower priority programs, the City may be on a path to massive service cuts or harmful tax increases when the next downturn arrives. We understand that increasing efficiency is challenging and takes time, however, the City should make every effort it can immediately and include savings in the budget when adopted.

Major takeaways include:

Reserves and Revenues

Despite a sluggish economic recovery, record profits on Wall Streets, recovery in tourism, and strength in the residential real estate market have led to a $1.7 billion increase in expected tax revenues this year. However, risks abound, including a rocky recovery, inflation, global instability, and economic changes like remote work that may affect commercial real estate and future income taxes. With the average economic recovery since the 1970s being approximately six years, the City should grow rainy day reserves to over $8 billion by the end of the financial plan.

Spending, Productivity, and Holding the Line

The Adams Administration added $2.3 billion in spending in fiscal year 2023, while finding just $270 million and $141 million in savings in fiscal years 2022 and 2023, respectively; these savings are primarily from re-estimates and debt service savings. While the City is increasing spending in important areas, such as mental health services, homeless services, and summer youth programs, it did not heed our recommendation to include a three percent productivity PEG in the Executive Budget that could have funded these programs. The CBC urges the Mayor and City Council to identify and include 3 percent efficiency savings in the Adopted Budget.

Fiscal Cliffs

While the Executive Budget appears to have addressed a portion of the City-funded fiscal cliff in fiscal year 2023, there was little action taken to address the $2 billion fiscal cliff in fiscal year 2026.

Labor Reserve

The labor reserve—funds set aside to support future labor contracts—saw restoration of funding for raises of half of one percent in the first two years. Existing funding already provided for annual raises of one percent thereafter. Given the current economic climate, especially with regards to inflation, these reserves may be woefully insufficient. Annual three percent raises over three years would increase spending by $3.8 billion annually by fiscal year 2026."