



## Statement on NYC's November 2022 Financial Plan for Fiscal Years 2023 to 2026

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New York, NY – December 15, 2022 - Citizens Budget Commission (CBC) President Andrew S. Rein released this [statement](#) on behalf of the CBC:

“The November 2022 Financial Plan for Fiscal Years 2023 to 2026 demonstrates that New York City’s long-term fiscal outlook is precarious and worsening. While the City’s Program to Eliminate the Gap (PEG) has provided some ongoing budget relief, increased pension costs due to poor market returns last year swamp those savings and widen future budget gaps to \$4.6 billion in fiscal year 2025 and \$5.9 billion in fiscal year 2026. Given the significant risk of a recession and other budget pressures, especially future collectively bargained raises, the City should make additional and ongoing efforts to reduce these gaps.

The PEG program reduces spending \$916 million in fiscal year 2023, \$1.6 billion in fiscal year 2024 and \$1.5 billion in fiscal years 2025 and 2026. Most of these savings are from spending re-estimates. It appears on initial review that few efforts focus on restructuring government operations to be more productive. The financial plan reduces vacancies by roughly 2,000 annually in fiscal years 2024 and 2025, which is welcome progress. However, this still leaves nearly 20,000 vacant positions. The City can and should both hire for critical functions and eliminate many more, ultimately unneeded, positions.

The budget includes \$1 billion in new spending for services provided to migrants. The federal and State governments should shoulder a significant portion of these costs, a position reflected in the financial plan. However, if federal and State revenues fall short of the \$1 billion in the plan, there will be a commensurate increase in City spending, putting further pressure on the budget.

Some may note that the fiscal year 2024 budget gap has been reduced, primarily due to PEG savings, including current-year PEG savings being used as budget relief next year. It would be a mistake to conclude from this that the City's fiscal situation is brighter. There are significant fiscal challenges ahead.

Employee raises of three percent annually would increase these gaps by around \$900 million in the first year, increasing to \$2.5 billion in the third year. A recession with revenue impacts equivalent to the average of the two recessions prior to the pandemic could cause revenue shortfalls of \$4.3 billion in the first year and between \$10 billion and \$16 billion over 3 years.

The best way to preserve services for New Yorkers when they need them most is to improve the quality and efficiency of the City's operations today. More transformative changes are needed to ensure future stability."

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#### **About Citizens Budget Commission**

The Citizens Budget Commission (CBC) is a nonpartisan, nonprofit civic organization whose mission is to achieve constructive change in the finances and services of New York City and New York State government. CBC's mission is rooted in serving New Yorkers at large, rather than narrow special interests; preserving public resources, whether financial or human; and focusing on the well-being of future New Yorkers, the most underrepresented group in city and state government.