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Testimony on NYC's Spending of Federal COVID-19 Relief Funds

Submitted to the New York City Council Committee on Finance and Committee on Oversight and Investigations

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Thank you for the opportunity to testify today. I am Ana Champeny, Vice President for Research at the Citizens Budget Commission (CBC), a nonpartisan, nonprofit think tank and watchdog devoted to constructive change in the finances and services of New York State and City governments.

New York City will receive over \$25 billion in federal COVID-19 relief funds from all sources, including the Federal Emergency Management Agency (FEMA). Around \$19 billion of these funds had been spent through the end of fiscal year 2022. While others will discuss the allocation of the funds to specific programs or agencies, I will focus on two critical points about the use of this unprecedented level of federal aid:

1. Due to a lack of a robust tracking system, which reflects the lack of a robust performance management system, we know very little about the impact of these funds. It is not sufficient to know how much was spent on what program; the public should know the benefits and outcomes of those investments; and
2. The City is using this one-time aid to fund recurring programs, a fiscally imprudent strategy that has left the City with a fiscal cliff of at least \$1 billion in fiscal year 2026, and potentially more if non-recurring service expansions are also expected to continue. The City should clearly state that these programs will end when the federal aid is depleted, or that they will continue and either widen the City's budget gap or be supported with identified revenues or other program reductions.

Inadequate Tracking of Federal Funds

CBC's report [Track to Have Impact](#), released in January of this year, recommended a structure and process for developing a robust tracking system that would include spending and associated program performance metrics. Specifically, CBC recommended that a tracking system:

- Identify the funds being tracked;
- List the programs being supported and at what level of funding;
- Specify program goals and implementation benchmarks; and
- Provide a portfolio of resource and performance metrics for each program, including inputs, processes, outputs, quality, efficiency, and outcomes.

We proposed that the Mayor establish a COVID Federal Aid Tracking Working Group that brought together representatives from the Mayor's Office of Management and Budget, the City and State Comptrollers' offices, the Mayor's Office of Operations, key City agencies, fiscal monitors, advocates, community groups, and providers to identify critical metrics.

Unfortunately, tracking systems to date have fallen short. The City did not implement a robust tracker like the one we recommended. Its financial data are not complete or appropriately detailed, and it contains no performance metrics. Specifically, the City's COVID Funding website provides high-level spending data on some of the key funding streams. While both the City Comptroller and the Independent Budget Office have filled some of the void with their COVID funding dashboards, they are constrained by the level of detail available in the City's financial systems and can only provide relatively high-level spending data.

None of the trackers include the performance data needed to demonstrate what these funds have delivered for New Yorkers, a fact that partly reflects the City's lack of a performance management system. There is no evidence that the City fully leveraged this unprecedented federal funding strategically and effectively to provide relief, support the City's recovery, and provide a runway to restructure for a more fiscally sustainable City.

However, there are still \$6.2 billion in funds to be spend over the next three years; the City should closely assess how best to allocate those funds and provide clear and transparent information about the programs being funded, including goals, benchmarks, and performance metrics.

Fiscal Cliffs Loom Due to Funding Recurring Programs with Non-Recurring Revenue

As CBC called out in May 2021 in [Federal Aid Now, Fiscal Cliffs Later](#), the City uses one-time federal State and Local Fiscal Recovery Funds (SLFRF) and Elementary and Secondary Education Relief Funds (ESSER)—the most flexible streams—to fund recurring programs. Now, as the funds are being spent down and the City looks ahead to fiscal year 2026, the federal funding fiscal cliff of at least \$1 billion, and perhaps twice that, is coming into focus.

The Office of the State Comptroller's [fiscal cliff tracker](#) identifies specific programs that rely on federal funding and will have funding shortfalls in fiscal years 2023 through 2026. Their analysis shows the federal fiscal cliff to be \$82 million this year, \$90 million in fiscal year 2024, \$423 million in fiscal year 2025, and \$1.1 billion in fiscal year 2026. In fiscal year 2026, this includes \$376 million for 3K expansion, \$61 million for nonprofit indirect cost rate funding, \$51 million for the Community Schools Expansion, \$16 million for universal access to counsel in Housing Court, \$6 million for Clubhouses, and \$4 million for street basket waste collection.

The City should release a list of programs that will be underfunded when the federal aid is depleted. The list should quantify the shortfall in funding by program and clearly state whether the program will be ended. If the City intends to continue these programs with City dollars, it should include them in baseline spending in the financial plan and either widen budget gaps or fund them with resources reallocated from existing programs. The City's budget gaps should be accurate and complete; continuing fiscal cliff programs without reallocation of City funds would increase the fiscal year 2025 gap from \$3.7 billion to \$4.1 billion and the fiscal year 2026 gap from \$4.0 billion to \$5.1 billion.

Thank you.