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The Importance of Increasing Efficiency in New York City Government

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Mayor Bill de Blasio has thus far declined to require city agencies to meet targets for increasing efficiency in the delivery of government services. In doing so, he has broken a pattern established by every mayor since the fiscal crisis in the 1970s, and he's taking a gamble that may come back to haunt the city's taxpayers.

Large deficits and unlimited borrowing led to the city's loss of access to credit markets in 1975. It took six years for the city to achieve a balanced budget, and the challenge then became how to maintain that balance. The planning process revealed baseline projections of potential deficits, dubbed "gaps," in future years, and Mayor Ed Koch met the challenge by identifying steps to close those gaps; he called this the Program to Eliminate the Gap (PEG). From 1982 to 2013 every city financial plan included a PEG.

Because of Mayor Michael Bloomberg's PEGs and the improving economy, Mayor de Blasio inherited a balanced budget for fiscal years 2014 and 2015. His February 2015 preliminary financial plan kept the fiscal year 2015 budget balanced and achieved balance in fiscal year 2016 without the need for a PEG. But the financial plan identifies gaps exceeding \$1.0 billion in fiscal year 2017 and approaching \$2.1 billion in fiscal year 2019. Unforeseen expenses and an economic slowdown or recession could worsen the situation. The current economic expansion is already six years old and will be tied for the longest expansion ever if there is no recession by the end of fiscal year 2019.

Therefore, despite the city's current good fortune, Mayor de Blasio should begin planning now for how to close the projected gaps and cope with any unexpected adverse conditions. In the January 2007 plan, Mayor Bloomberg included a PEG to address future years' gaps, even though soaring tax revenues had led to a projected balanced budget for fiscal year 2008 - with no PEG needed. The city benefited from that discipline, as the Great Recession started in 2008, creating extraordinary pressure on the city's finances.

By not implementing a PEG in anticipation of projected and possibly growing deficits, Mayor de Blasio is postponing efficiency efforts that would make it easier to maintain balanced budgets in the future. The mayor undoubtedly would argue that his Administration is always looking for efficiencies, even if targets are not included in the budget. But if there are no targets, there is no pressure on Administration officials to achieve efficiencies, which are often resisted by agencies and advocates.

Even in a strong economy with the absence of short-term budget gaps, good management should include a continuous search for ways to achieve savings by making service delivery more efficient. That's just sound planning for how best to use the taxpayers' money.