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Chair
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June 26, 2023

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The Honorable Eric L. Adams
Mayor of the City of New York
City Hall
New York, NY 10007

Treasurer
Alair Townsend

General Counsel
Edward Wallace

The Honorable Adrienne E. Adams
Speaker of the New York City Council
City Hall
New York, NY 10007

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Jamie Rubin
Merryl Tisch
Alair Townsend

Dear Mayor Adams and Speaker Adams:

The Citizens Budget Commission urges you to adopt a fiscal year 2024 budget that not only provides critical services to New Yorkers in the upcoming year but stabilizes the City's precarious fiscal and service outlook.

We recommend the City adopt a budget that:

1. Narrows future budget gaps;
2. Reduces future fiscal cliffs by including spending for ongoing programs in the outyears;
3. Offsets all added spending for recurring activities with savings elsewhere in each year of the financial plan;
4. Includes realistic annual spending estimates for all functions, including uniformed overtime and special education; and
5. Deposits at least half of any additional fiscal year 2023 resources into the Rainy Day Fund.

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Significant funds are available in the short-term, comprised of billions of dollars from higher than projected fiscal year 2023 revenues and lower than projected spending. However, the future budget gaps are huge, growing from \$7.5 billion in fiscal year 2025 to \$10.7 billion in fiscal year 2027, including those reported in the Executive Budget plus the cost of continuing ongoing programs facing fiscal cliffs and realistic spending for underbudgeted activities.

President
Andrew S. Rein

Both the Administration and the City Council will likely want to add funds to continue or expand the fiscal cliff programs (including FHEPS rental vouchers that will cost \$400 million just to maintain the current program), add or expand other programs, or reverse PEG savings.

Ample available resources may make this possible for fiscal year 2024, but shortsightedness would increase the chances of massive service cuts, perhaps as early as fiscal year 2025.

Using currently swollen coffers to boost recurring programs with funding for just one year would be a mistake. Funds for recurring programs should be added to each year of the financial plan and the additional spending offset with savings elsewhere. Absent this, the fiscal year 2025 cliffs and the outyear budget gaps will be even bigger. The burgeoning habit of funding major programs one year at a time is effectively putting the budget dance of years' past on steroids, potentially creating massive annual service crises. This is dangerous and, in your power to stop.

Furthermore, these additional resources should not be used to merely support added spending next year. At least half of the additional resources not included in the Executive Budget should be deposited into the Rainy Day Fund to protect New Yorkers from a revenue sapping recession.

The budget should be based on accurate spending projections, and in particular cease its fanciful budgeting for uniformed overtime and special education, which have exceeded adopted budget levels for many years.

Finally, while revenue estimates may be conservative, the downside risk is real, and budgeting based on the assumption that revenue surges will wipe out the City's massive budget plays chicken with New Yorkers' future. The City must prioritize critical programs and deliver them more efficiently.

We urge you to take these steps which will help New Yorkers thrive now and in the future.

Sincerely,



Andrew S. Rein
President
Citizens Budget Commission

Cc:

Sheena Wright, First Deputy Mayor

Jacques Jiha, Director of the Mayor's Office of Management and Budget

Justin Brannan, Chair of the New York City Council Committee on Finance

Tanisha Edwards, Chief Financial Officer and Deputy Chief of Staff to the City Council Speaker