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May 31, 2022

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President
Andrew S. Rein

Dear Mayor Adams and Speaker Adams:

Currently strong revenues, combined with significant federal aid, provide the City a critical opportunity to support services New Yorkers need now, restore the balance of the cut made to the labor reserve during the pandemic, and deposit significant funds into the Rainy Day Fund (RDF) to help protect the services New Yorkers need from severe cuts during the next recession or severe emergency. Fiscal preparedness is key to stability and ongoing prosperity; based on prior recessions, the City could face a revenue shortfall totaling \$13 billion to \$19 billion over three years in the next recession.

The City has approximately \$4.5 billion more in revenues available in fiscal years 2022 and 2023 than was projected in the Executive Budget. This includes \$3 billion in fiscal year 2022 tax revenues identified by New York City Comptroller Brad Lander in [Preparing for the Next Fiscal Storm](#), and \$1.5 billion in fiscal year 2023 revenue identified in the Mayor's May 25th Revenue Letter to the City Council.

To use this \$4.5 billion to protect future New Yorkers and increase budget stability in the Adopted Budget, CBC urges you to:

- Deposit half of the newly identified resources, \$2.3 billion, into the RDF. While the Comptroller's recommended \$1.8 billion additional deposit would provide great benefit, given the Revenue Letter's additional resources, CBC recommends a larger deposit of \$2.3 billion. Adding this to the \$700 million deposit already planned would increase the deposit to \$3 billion and the RDF's balance to \$3.5 billion, significantly improving New York's ability to weather the next storm and progressing toward [CBC's recommended RDF total balance](#) of \$12 billion;

- Add \$1.7 billion to the labor reserve over the financial plan. The Executive Budget wisely restored half the reduction that was made to the labor reserve during the pandemic. This \$1.7 billion addition would fully restore the reduction, offsetting more of the cost of future employee raises and reducing the fiscal risk associated with collective bargaining; and
- Use the remaining resources for non-recurring actions. The City should not increase its fiscal cliffs by funding recurring programs with non-recurring revenue or driving spending to unsustainable levels. Adjusted for prepayments, the Fiscal Year 2023 Executive Budget already proposes to increase City-funded spending 5.8 percent. Rather than adding unsustainable spending, the remaining monies should be used for pay-as-you-go capital programs, to build up the Retiree Health Benefit Trust fund, or other one-time actions.

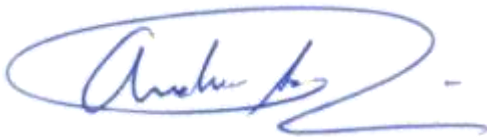
To further protect the future, CBC recommends that you:

- Shift between \$250 million and \$500 million annually from the general and capital stabilization reserves to the RDF. This would not enlarge future budget gaps and would increase the City's cushion to offset revenue loss during a future recession. CBC previously recommended this \$500 million annual shift, while the City Comptroller recommends \$250 million; and
- Commit to setting rules to govern the RDF in Local Law. To ensure the RDF has resources available to be used during a recession or severe emergency, the City should enact legislation setting a target size, mandating deposits, and specifying criteria for withdrawing funds. In addition to CBC, both the [State](#) and City Comptrollers have identified these as important steps.

Finally, CBC continues to support prioritizing core services—emphasizing some while de-emphasizing those less impactful and lower priority—and identifying efficiencies in operations that can improve the quality of services and reduce ongoing costs. These actions will help reduce budget gaps and allow the City to address its fiscal cliffs.

We welcome the opportunity to discuss. Thank you for your consideration.

Sincerely,



Andrew S. Rein
President
Citizens Budget Commission

cc: The Honorable Thomas DiNapoli, New York State Comptroller
The Honorable Brad Lander, New York City Comptroller
The Honorable Justin Brannan, Chair, New York City Council Finance Committee
Jacques Jiha, Ph.D., NYC Budget Director
Tanisha Edwards, Chief Financial Officer, City Council