



Statement on the New York City Fiscal Year 2024 Preliminary Budget

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New York, NY – January 12, 2023 - Citizens Budget Commission (CBC) President Andrew S. Rein released [this statement](#) on behalf of the CBC:

“Facing a possible recession, large future budget gaps, and the biggest competitive threats to keeping residents and businesses in decades, this year’s budget should focus not just on what New Yorkers need today but making sure the City can provide for needs tomorrow. How? Prioritize critical services, manage them relentlessly, save for a rainy day, and protect from massive future cuts by restraining spending growth.

Mayor Eric Adams’ Fiscal Year 2024 Preliminary Budget takes some positive steps—reducing 4,300 vacancies, maintaining the annual General and Capital Stabilization Reserves, having agencies self-fund new needs, and resisting calls to add significant new but unaffordable spending. To be clear, the vacancy reduction still leaves the City with over 23,000 vacancies, plenty to hire for critical positions to provide services. Staffing challenges are managerial (allocation among and within agencies and faulty hiring systems) and due to a tough labor market, and not budgetary.

While these are positive steps, much more aggressive action is needed to stabilize future budgets, hedge against a looming recession, and improve the quality and efficiency of services. This should not be delayed.

This budget does not add to the Rainy Day Fund. It maintains the \$1.8 billion in the fiscal year 2023 General and Capital Stabilization Reserves. This is prudent given the myriad risks, including \$1 billion in fiscal year 2023 reported spending on migrants for which federal funding has not yet been secured. Still, sufficient funds should be available to deposit \$1 billion to the Rainy Day Fund.

It does not mitigate the fiscal cliffs created by using federal COVID and non-recurring City funds to support ongoing services. The City will need to decide whether to cut these

programs—including rental vouchers and shelter security wages—or reduce spending on other programs to keep these going.

Unfortunately, still absent are substantial efforts to restructure and manage how services are delivered to increase their quality but reduce their costs over time. One bright spot is the City's effort to increase the speed of land use reviews and remove administrative barriers to development; this low-cost, impactful approach, which realizes that some critical improvements come from the City facilitating and not impeding progress, is one to be replicated across City agencies and programs.

Balancing Fiscal Year 2024, Budget Gaps, and Fiscal Risks

The Preliminary Budget balances fiscal year 2024 by rolling \$1.5 billion in resources (higher revenues and lower spending) from fiscal year 2023, increasing the fiscal year 2024 revenue forecast \$738 million, using \$390 million in federal funds as fiscal relief, and reducing fiscal year 2024 spending by \$300 million. Savings from eliminating 4,300 vacant positions are estimated to be \$181 million this year and \$350 million next year, approaching the Administration's original savings targets.

While balanced on paper, fiscal year 2024 still faces fiscal risks and a potential recession. Risks from fiscal cliffs (including expiration of federal aid) total more than \$1 billion; labor contracts have yet to be settled; and spending, such as police overtime and DOE special education, is underbudgeted.

Budget gaps of \$5.0 billion in fiscal year 2026 and \$6.5 billion in fiscal year 2027 are substantial but show only part of the problem. Future labor agreements, funding so programs don't fall off the fiscal cliff, and spending on services for migrants could increase the gaps to more than \$10.0 billion.

The City's economic forecast reflects slowing growth but does not forecast a recession. While revenue projections for business and sales taxes were increased, the City did not update the forecast for the property tax or the personal income tax (PIT), wisely opting to wait for release of the Fiscal Year 2024 Tentative Property Tax Roll next Tuesday and more information on PIT collections for tax year 2022.

Two Time Periods

The New York City budget story is the tale of two time periods, with reasonably ample resources now to help balance the budget but significant gaps and risks in the future. The Preliminary Budget kicks off the City's budget negotiations. In order to better prepare for the uncertainty facing the City, the Administration's planning for its Executive Budget should address the \$1.1 billion fiscal cliff, deposit \$1.0 billion in the Rainy Day Fund, and initiate a productivity PEG (program to eliminate the gap) that tasks agencies with

restructuring programs to improve the quality and cost-effectiveness of City services. We also urge the City Council to focus not just on programs that serve New Yorkers today, but on how to mitigate significant future risks to ensure the City has adequate resources to serve New Yorkers in the near future, when needs may even be greater."

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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.