



BLOG | CITY BUDGET

Spending In Perspective

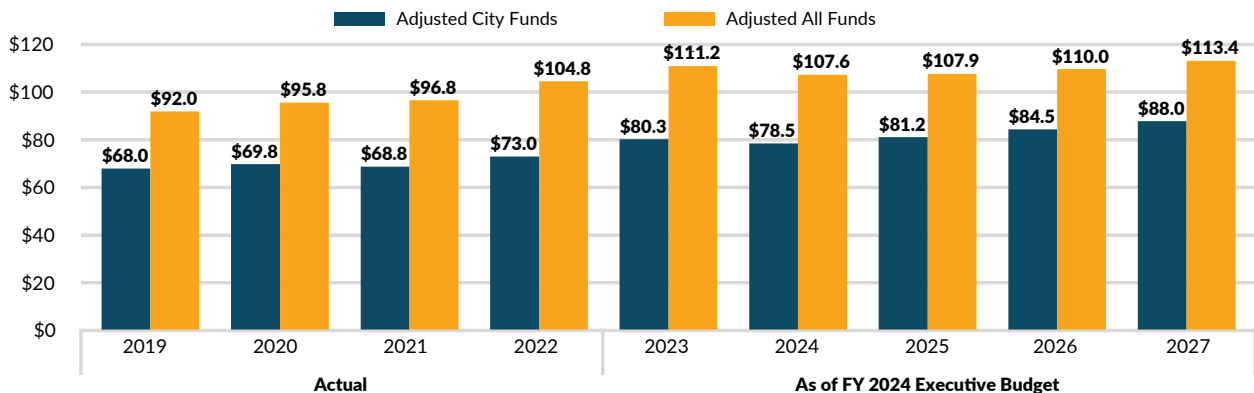
NYC FY 2024 Executive Budget

May 23, 2023

The New York City Fiscal Year 2024 Executive Budget proposes to spend \$107.6 billion in All funds and \$78.5 billion in City funds in fiscal year 2024, once adjusted for pre-payments and other accounting actions in order to clarify the City’s actual obligations in each year. While proposed fiscal year 2024 City funds spending declines 2.2 percent from what is currently projected for fiscal year 2023, it is 7.5 percent higher than fiscal year 2022. (See Figure 1.)

To put in a longer-term perspective, even after growing an average of 6.3 percent in fiscal years 2018 and 2019—and despite the pandemic and recession—City-funded spending increases 2.9 percent annually between fiscal years 2019 and 2024. Furthermore, after the value of the Program to Eliminate the Gap (PEG) is deducted, the City funds budget is projected to grow 3.9 percent annually through fiscal year 2027—hardly austerity.

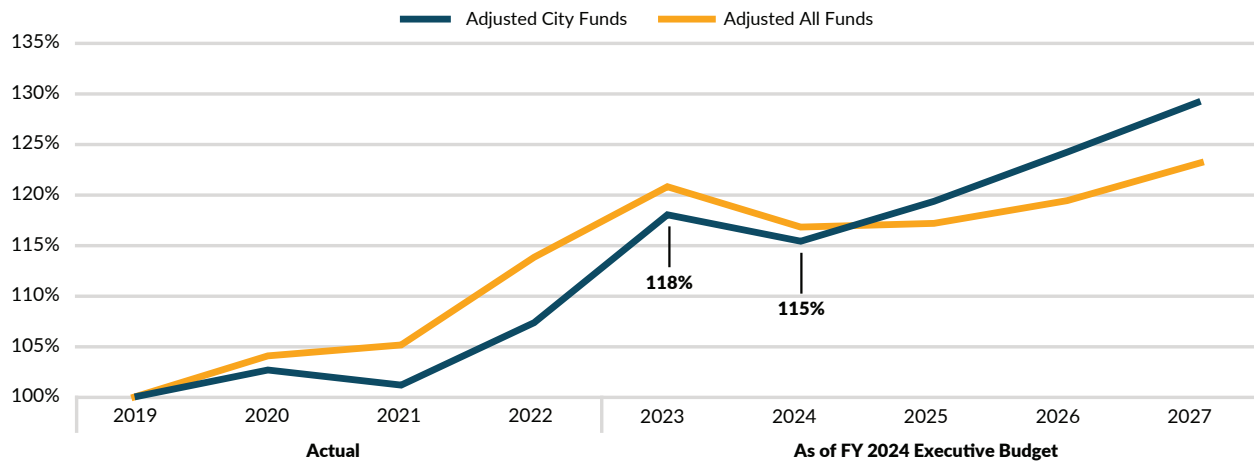
Figure 1: NYC Adjusted All Funds and City Funds Expenditures, FY 2019 - FY 2027
(dollars in billions)



Note: Expenditures adjusted by CBC to exclude reserves, deposits to the Rainy Day Fund and the Retiree Health Benefits Trust, inter-fund agreements, and to adjust for prepayments.
Sources: City of New York, Mayor’s Office of Management and Budget, *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023); and Office of the New York City Comptroller, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022* (October 27, 2022), and fiscal year 2019 to 2021 editions.

These trends somewhat mask annual changes. Strong tax revenues from a record-setting 2021 in the finance sector and the unprecedented influx of \$13.0 billion in federal COVID aid allowed the City to significantly boost spending in fiscal years 2022 and 2023. (See Figure 2.) Almost incredibly, tax revenues from fiscal years 2020 through 2024 are now projected to exceed January 2020's pre-pandemic forecast by \$1.0 billion. Then fiscal year 2020 to fiscal year 2024 tax revenues were projected to total \$338.5 billion over the five years, lower than the current estimate of \$339.5 billion.¹ Actual collections in fiscal years 2020 to 2022 totaled \$198.2 billion; the current forecast for fiscal years 2023 and 2024 is \$141.3 billion.

Figure 2: Cumulative Percent Change in Adjusted All Funds and City Funds Expenditures, FY 2019 - FY 2027



Note: Expenditures adjusted by CBC to exclude reserves, deposits to the Rainy Day Fund and the Retiree Health Benefits Trust, inter-fund agreements, and to adjust for prepayments.
Sources: City of New York, Mayor's Office of Management and Budget, *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023); and Office of the New York City Comptroller, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022* (October 27, 2022), and fiscal year 2019 to 2021 editions.

Unfortunately, the City used these funds to expand programs that are unsustainable once the one-time money is spent down, rather than as a bridge that would have provided time for the City to restructure operations and prioritize spending to ensure critical services are fiscally sustainable. Adjusted City funds spending increased 6.1 percent in fiscal year 2022 and is currently projected to increase 10.0 percent in fiscal year 2023, after accounting for the PEG. All funds spending, including federal COVID aid, increased 8.3 percent and 6.1 percent in fiscal years 2022 and 2023, respectively. Spending from fiscal year 2023 to fiscal year 2024 is slated to decline for All funds and for City funds, as the federal COVID aid is being depleted and the influx of tax revenue from Wall Street's strength is spent down.

Now, the City faces a rocky economic recovery with significant uncertainty: a risk of recession, still evolving commercial real estate market response to remote work, and depressed retail and food service activity in central business districts. Budget gaps could reach \$7.5 billion, \$9.7 billion, and \$10.7 billion in fiscal years 2025 to 2027, respectively.²

More proximately, the balanced-on-paper fiscal year 2024 budget is likely \$3.0 billion short due to fiscal cliffs, underbudgeting, and the assumption of \$600.0 million of federal aid for asylum seekers. The Adams Administration's savings plans are just the beginning of what is needed to put the City's budget on a fiscally sustainable path. Absent additional PEGs focused on productivity and prioritization of higher impact programs, the City will be on a path to slash services or raise taxes, which both will drive away residents and businesses of all types.

Ana Champeny
Vice President for Research

Endnotes

- [1] City of New York, Mayor's Office of Management and Budget, *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023), www.nyc.gov/assets/omb/downloads/pdf/mm4-23.pdf; and Office of the New York City Comptroller, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022* (October 27, 2022), and fiscal year 2020 to 2021 editions, comptroller.nyc.gov/reports/annual-comprehensive-financial-reports/.
- [2] Prahbleen Gill, *PEGs in Perspective – Fiscal Year 2024 Edition* (Citizens Budget Commission, May 23, 2023), <https://cbcny.org/research/pegs-perspective>.