

Unpacking the PEG:

Examining the Impact of the NYC November 2023 Financial Plan Savings

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INTRODUCTION

In September 2023, Mayor Eric Adams’s Office of Management and Budget (OMB) directed every City agency to identify actions that would reduce City-funded spending by 5 percent through a Program to Eliminate the Gap (PEG). This directive came as OMB projected multi-billion-dollar budget gaps, in part due to spending \$10.8 billion in fiscal years 2024 and 2025 on housing and services for migrants and asylum seekers, \$6.9 billion more than previously budgeted.¹

Even after the PEG, the November 2023 Financial Plan projects out-year budget gaps of \$7.1 billion in fiscal year 2025, \$6.5 billion in fiscal year 2026, and \$6.4 billion in fiscal year 2027, which do not include the impacts of the federal and City fiscal cliffs or potentially higher revenues.²

The November 2023 PEG comes on the heels of four prior savings plans during the first two years of the Adams Administration. As with the prior PEGs, agencies were instructed to avoid service cuts where possible and not layoff staff. In addition, OMB reinstated a hiring freeze, froze certain other than personal services (OTPS) spending such as out-of-town travel and the use of temporary services contracts, directed the uniformed agencies to reduce overtime spending, and halted any new agency spending.³

CBC’s review of the November 2023 PEG covering fiscal years 2024 to 2027 found that:

- Eighty percent of the PEG savings should not affect services;
 - 16.7 percent is from increasing efficiency;
 - 31.8 percent is from underspending and re-estimates of what programs will actually cost;
 - 12.4 percent is from shifting costs from City funds to State or federal resources;



- 10.5 percent is from vacancy reduction initiatives that eliminate 2,407 positions in fiscal year 2025;
 - 3.2 percent is from debt service savings; and
 - 5.4 percent is from collecting more revenue than currently projected from fees, fines, and taxes.
- Program reduction savings are roughly 20 percent, twice the share of prior PEGs;
 - The cancellation of five classes of police officers represents one-half of all program reduction savings and one-tenth of the total PEG; and
 - Most agencies reduced their City-funded agency operating budget by at least 4.5 percent.

Despite the 5 percent agency target, the PEG reduction is approximately 2.2 percent of total City-funded spending because OMB excludes certain funds from the PEG. CBC’s analysis estimated that 58 percent of fiscal year 2025 City-funded spending was not subject to the PEG, including central costs for fringe benefits and pensions, the Medicaid local share, and spending on migrants and asylum seekers.

To help present a balanced Preliminary Fiscal Year 2025 Budget this month as legally required, Mayor Adams directed agencies to identify a second 5 percent PEG in the upcoming budget, as well as a 20 percent reduction in spending on asylum seekers and migrants. Agencies should continue to identify efficiency savings that do not affect critical program services.

80 PERCENT OF NOVEMBER 2023 PEG SAVINGS WILL NOT AFFECT SERVICES

CBC found that in the four savings plans before November of 2023, 92 percent of the savings did not reduce services but instead came from re-estimates, funding shifts, vacancy reductions, debt service savings, efficiencies, or new revenues.⁴ In the November 2023 PEG, this number is modestly lower, with 80 percent of cumulative four-year savings coming from these categories.

Of the cumulative four-year impact of spending reductions in the latest PEG: 31.8 percent are re-estimates and underspending, 12.4 percent are funding shifts, 10.5 percent are vacancy reductions, 3.2 percent are debt service savings, 16.7 percent are efficiency savings, and 5.4 percent are revenues. (See Figures 1A and 1B.) Typically, the distribution of savings in the current year differs from the latter years because the types of savings that happen mid-year rely more on underspending and funding shifts.

Underspending and re-estimates are \$515 million in fiscal year 2024 and more than \$500 million annually in fiscal years 2025 to 2027. Some re-estimates do not recur, such as Department of Education (DOE) personal service savings from vacant positions in fiscal year 2024 for \$102.7 million and a one-year delay in the expansion of the Department of Parks and Recreation (DPR) Swim Safety program for \$5.3 million. Other re-estimates are recurring and reflect ongoing changes in spending projections. For example, DOE is reducing superintendent budgets by 5 percent, for annual savings of \$9.3 million.

CBC and the City's fiscal monitors assign each spending reduction to a category that indicates how savings will be achieved. The categories used by the CBC for this brief are:

- 1) Budget Lowered (for funding shifts or items not being spent):
 - a. Underspending or Re-estimates: Savings generated from lower than previously expected costs or underspending not attributable to specific efforts to reduce spending.
 - b. Funding Shifts: Reductions in City-funded spending due to securing non-City revenues; these may be one-time or recurring.
 - c. Vacancy Reduction: Savings from eliminating vacant positions and accruals, short-term savings from temporarily unfilled positions, and hiring delays.
 - d. Debt Service Savings: Savings from lower-than-expected debt service, including variable rate interest, refunding savings, and differences in actual versus projected debt service on new debt.
- 2) Program Reduction: Savings that reduce the City funds budget of certain programs, potentially affecting services.
- 3) Efficiency Savings: Initiatives that lower spending without reducing services through improvement in operations.
- 4) Revenue Savings: Initiatives that increase City revenue.

Figure 1A: November 2023 PEG by Category, FY 2024 - FY 2027
(dollars in millions)

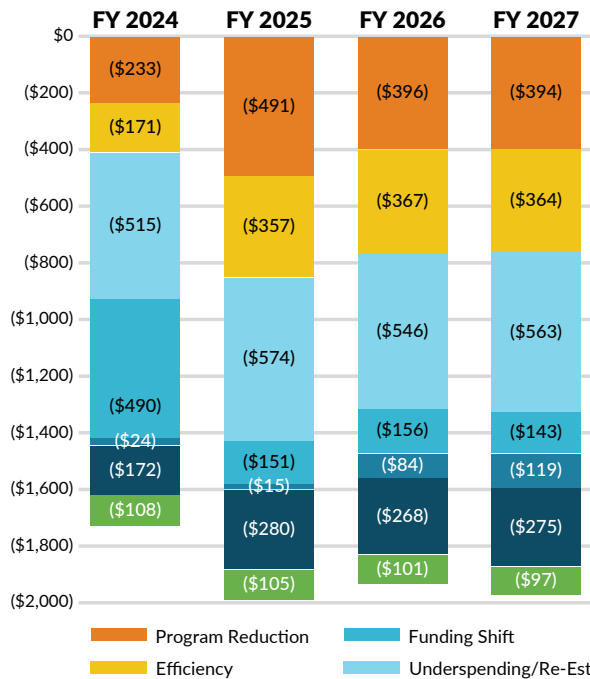


Figure 1B: November 2023 PEG Shares by Category, FY 2024 - FY 2027



Note: CBC categorization of PEG initiatives. OMB categorization differs.

Source: City of New York, Mayor's Office of Management and Budget, *November 2023 Program to Eliminate the Gap* (November 16, 2023).

More than one-quarter of the fiscal year 2024 PEG savings are from funding shifts (\$489.6 million), which decrease to approximately \$150 million in fiscal years 2025 to 2027. The one-time funding shifts in fiscal year 2024 are mainly due to higher than expected federal or State revenue for prior year services, with the majority, \$340 million, from the Department of Social Services (DSS) (\$284.4 million), the Department of Health and Mental Hygiene (\$37.8 million), and the Department of Youth and Community Development (\$17.8 million).

Recurring funding shifts also do not affect services, but just shift their support to non-City revenue sources. For example, the New York City Housing Authority (NYCHA) will use capital funds instead of City funds for the Vacant Unit Readiness Program, which renovates vacant apartments for tenants. Similarly, DOE is securing additional federal funding of \$60 million a year for the School Food program, freeing up the same amount of City funding for other expenditures.

There are vacancy reduction and hiring freeze initiatives that reduce headcount by 2,407 full-time positions in fiscal year 2025; associated savings, including fringe benefits, are \$172 million in fiscal year 2024 and average \$274 million annually in fiscal years 2025 to 2027. These positions are either currently vacant or expected to become vacant and remain unfilled in this year or next. Therefore, unlike prior PEGs that eliminated only currently vacant positions and did not affect services, some of these reductions will reduce staffing below those currently on-board. CBC's analysis of on-board headcount as of October 31, 2023 and the PEG finds that 48 percent of the vacancy and hiring freeze positions are currently filled. (There are also positions eliminated for PEGs classified as program reduction or re-estimates; the PEG eliminates a total of 2,873 positions across 24 agencies in fiscal year 2025.)

Maximizing efficiency is critical because it reduces City costs while maintaining service levels. Efficiencies total 16.7 percent of savings cumulatively in the November 2023 PEG. Programs and processes may be streamlined; technology can be leveraged to reduce time; and work rules can be renegotiated to create flexibility and increase productivity. Because efficiency savings require program changes, current year savings are often lower. In the November 2023 PEG, agencies identified approximately \$360 million of annually recurring efficiency savings, including:

- Reducing DOE administrative staff per diem and per session costs, which cover work or training completed outside of normal business hours, for savings of \$85.9 million this year and \$96.3 million annually beginning in fiscal year 2025;
- Reducing Early Childhood spending while maintaining current seat levels for annual savings of \$120 million beginning in fiscal year 2025;
- Reassigning staff at the Fire Department for \$12.8 million in savings annually;
- Eliminating DOE copiers and printers as leases expire for savings of \$3.5 million per year; and
- Ending an unused DOE training program for \$3.0 million in annual savings.

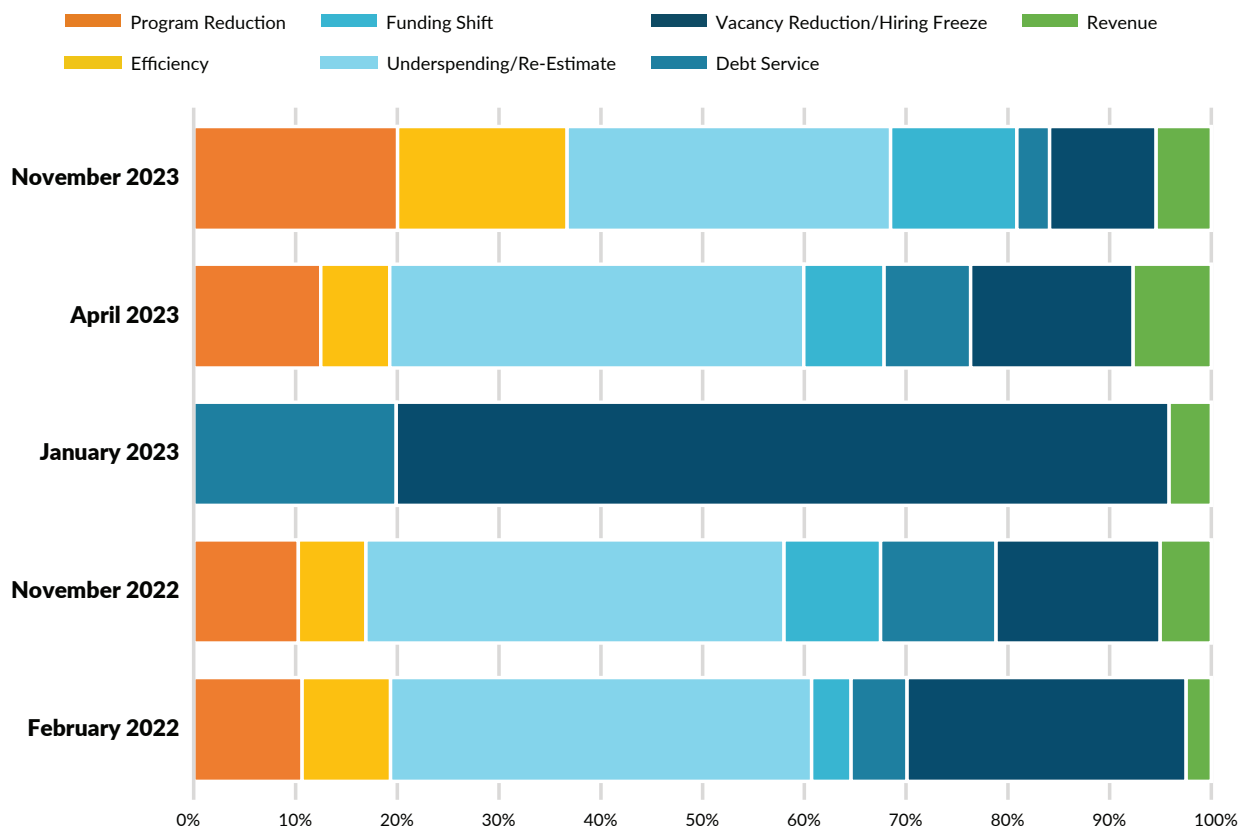
Rather than reduce spending, PEG measures sometimes increase City revenue, such as through hikes in fees, fines, or permits, or better collection rates. The November 2023 PEG includes

additional revenue of \$42 million in fiscal year 2024 from increased speed camera enforcement at certain intersections, increased Department of Finance audit revenue of \$24.3 million in fiscal year 2024, doubling annually thereafter, and \$7.5 million a year from ensuring recipients are eligible for the coop and condo property tax abatement.

PROGRAM REDUCTION SAVINGS ARE ROUGHLY 20 PERCENT, WITH HALF COMING FROM THE NYPD

Across the four years of the November 2023 savings plan, 20.0 percent are from program reductions that may directly affect the level of services being provided, up from 12.5 percent in the April 2023 PEG and 10.3 percent in the November 2022 PEG. (See Figure 2.) Cumulatively, in the first four PEGs, program reductions were 10.0 percent of all savings, excluding illusory savings.⁵

Figure 2: Cumulative PEG Shares by Category and Financial Plan



Sources: City of New York, Mayor's Office of Management and Budget, *November 2023 Program to Eliminate the Gap* (November 16, 2023), *Fiscal Year 2024 Executive Budget, Program to Eliminate the Gap* (April 26, 2023), *Fiscal Year 2024 Preliminary Budget, Program to Eliminate the Gap* (January 12, 2023), *Fiscal Year 2023 November Plan Program to Eliminate the Gap* (November 15, 2022), and *Fiscal Year 2023 Preliminary Budget, Program to Eliminate the Gap* (February 16, 2022).

The largest programmatic reduction PEGs are in the Police Department (NYPD). (See Table 1.) The cancellation of five Police Academy classes of roughly 600 recruits each accounts for more than half of all the program reduction savings and 10.4 percent of total PEG savings. It is estimated to save \$41.7 million in fiscal year 2024, increasing to \$288.9 million in fiscal year 2025, and then decreasing to \$229.1 million in fiscal years 2026 and 2027. The NYPD will also delay vehicle purchases, for cumulative savings of \$73.3 million in fiscal years 2024 and 2025.

In total, CBC’s analysis identified 29 program reduction initiatives in fiscal year 2024, saving a total of \$233.1 million, though 80 percent of these are for less than \$10 million each. In fiscal years 2025 to 2027, savings from 30 program reduction initiatives total \$490.5 million, \$395.7 million, and \$393.8 million, respectively.

The City will save \$102.5 million over four years by reducing the subsidy to New York City Health + Hospitals, the second largest programmatic reduction in the current PEG. Elimination of the Job Training Programs at the Department of Sanitation (DSNY) and DPR similarly reduces the Department of Social Services (DSS) spending by \$102.1 million over four years.

Within DSNY, there are nine program reduction initiatives that will save \$14.6 million in fiscal year 2024 and more than \$25 million annually in fiscal years 2025 to 2027; DSNY program reduction PEGs are 46 percent of the Department’s total PEG savings. An across-the-board cut of 5 percent to the operating subsidies for each of the library branches, approximately \$22 million annually, represents 6 percent of total program reduction PEGs and 1.2 percent of the total November 2023 PEG.

Table 1: Program Reduction PEGs by Agency, November 2023 PEG, FY 2024 - 2027
(dollars in millions)

	FY 2024	FY 2025	FY 2026	FY 2027	Four-Year Total	Program Reduction Share	PEG Share
Police Department	(\$79.3)	(\$324.6)	(\$229.1)	(\$229.1)	(\$862.2)	57.0%	11.4%
Health + Hospitals	(\$23.7)	(\$25.8)	(\$26.2)	(\$26.7)	(\$102.5)	6.8%	1.4%
Social Services	(\$13.9)	(\$28.8)	(\$29.6)	(\$29.8)	(\$102.1)	6.7%	1.4%
Sanitation	(\$14.6)	(\$26.9)	(\$25.0)	(\$25.4)	(\$91.8)	6.1%	1.2%
Public Libraries	(\$23.6)	(\$22.0)	(\$22.3)	(\$22.3)	(\$90.2)	6.0%	1.2%
Youth and Community Development	(\$2.3)	(\$25.6)	(\$25.7)	(\$25.6)	(\$79.2)	5.2%	1.0%
Education	(\$48.5)	(\$8.0)	(\$8.0)	(\$8.0)	(\$72.5)	4.8%	1.0%
Citywide Administrative Services	(\$9.8)	(\$10.9)	(\$12.2)	(\$9.3)	(\$42.1)	2.8%	0.6%
Cultural Affairs	(\$8.6)	(\$8.0)	(\$8.0)	(\$8.0)	(\$32.6)	2.2%	0.4%
All Other	(\$8.8)	(\$10.0)	(\$9.6)	(\$9.6)	(\$38.0)	2.5%	0.5%
TOTAL PROGRAM REDUCTION PEGS	(\$233.1)	(\$490.5)	(\$395.7)	(\$393.9)	(\$1,513.3)	100.0%	20.0%

Note: CBC categorization of PEG initiatives. OMB categorization differs.

Source: City of New York, Mayor’s Office of Management and Budget, *November 2023 Program to Eliminate the Gap* (November 16, 2023).

MOST AGENCIES REDUCED AGENCY SPENDING BY AT LEAST 4.5 PERCENT

Of the 65 agencies that identified PEG savings, 39 (60 percent) reduced their City-funded agency operating budget between 4.5 percent and 5.0 percent. Just seven agencies achieved savings of more than 5.0 percent, while 19 agencies reduced spending across the four years by less than 4.5 percent. (See Tables 2A and 2B.) PEGs at the Department of Environmental Protection (DEP) and DSS are a significantly smaller share of the total City-funded agency spending, when the calculations include water and sewer charges for DEP operations, Medicaid local share payments, and public assistance grants; as those three items are not subject to the PEG, they were excluded in Table 2A to reflect the PEG share more accurately.

Table 2A: Seven Agencies with Four-Year November 2023 PEG Savings Exceeding 5 Percent, FY 2024 - FY 2027

	Four-Year Spending Reduction
Finance	-16.9%
Environmental Protection <i>(excluding water and sewer charges)</i>	-10.3%
Social Services <i>(excluding Public Assistance Grants and Medicaid)</i>	-9.9%
Correction	-6.3%
Equal Employment Practices	-6.0%
Payroll Administration	-5.6%
City Planning	-5.3%

Table 2B: Ten Agencies with the Lowest Share of Cumulative November 2023 PEG Savings, FY 2024 - FY 2027

	Four-Year Spending Reduction
Emergency Management	-3.4%
Citywide Administrative Services	-3.2%
Mayoralty	-3.1%
Sanitation	-3.0%
Public Administrator - Manhattan	-2.9%
Health + Hospitals	-2.7%
Law Department	-2.5%
City University of New York	-2.1%
Homeless Services	-1.4%
Debt Service	-0.7%

Note: Excludes elected officials not required to participate in the PEG. Budgets adjusted to exclude asylum seeker and migrant expenses; water and sewer fee funded environmental protection; and City-funded Medicaid and public assistance. Agency budgets based on Fiscal year 2024 Adopted Budget financial plan.

Sources: CBC analysis of City of New York, Mayor's Office of Management and Budget, *Fiscal Year 2024 Adopted Budget: Financial Plan* (June 30, 2023), *Fiscal Year 2024 Adopted Budget: Financial Plan Expense* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Budget Function Analysis* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Expense, Revenue, and Contract Budget* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Revenue Detail* (July 3, 2023), *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023), *Fiscal Year 2024 Executive Budget: Revenue Detail* (April 26, 2023), *Fiscal Year 2024 Executive Budget: Budget Function Analysis* (April 26, 2023), and *Fiscal Year 2024 Executive Budget: Expense, Revenue, and Contract Budget* (April 26, 2023).

PEG EXCLUDED 58 PERCENT OF CITY FUNDS

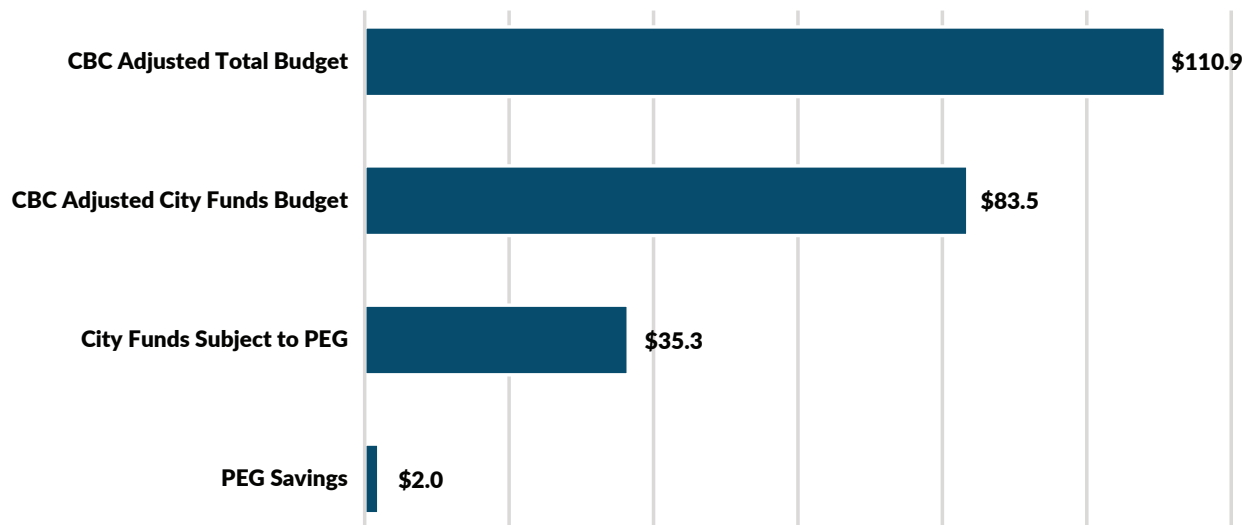
When setting PEG targets for agencies, OMB excludes certain City-funded expenditures that are centrally funded, like employee benefits, are not at the City's discretion, or are exempted for other policy reasons. The first two categories are challenging or impossible to change in the short run,

though savings on benefits are possible over the long term and should be a component of efforts to stabilize City finances. The November 2023 PEG targets were based on the June 2023 Adopted Budget. Based on OMB’s target savings, CBC’s analysis finds that approximately 42.3 percent of City-funded spending was subject to the PEG. (See Figure 3 and Table 3.)

The November 2023 funding base excluded:

- Employee benefits and pension contributions that are funded centrally and are not part of agency operating budgets;
- The City’s local share for Medicaid, which is determined by the State;
- Public assistance payments made by the City;
- Budgetary reserves—the General Reserve and Capital Stabilization Reserve, which are not initially allocated to particular programs, but are for contingencies;
- Debt service expenses;
- Spending on migrants and asylum seekers;
- Agency budgets of elected officials who are not mandated to participate in the PEG; and
- Other expenses that CBC could not specifically identify but were excluded, such as required MTA subsidies.⁶

Figure 3: November 2023 PEG Savings for FY 2025 as a Share of the NYC Budget
(dollars in billions)



Note: CBC Adjusted budget excludes Interfund Agreements, Reserves, and adjusts for prepayments. Analysis based on fiscal year 2025 budget as of the Adopted Fiscal Year 2024 budget, which was the base used by OMB for setting PEG targets for agencies.

Sources: CBC analysis of City of New York, Mayor’s Office of Management and Budget, *Fiscal Year 2024 Adopted Budget: Financial Plan* (June 30, 2023), *Fiscal Year 2024 Adopted Budget: Financial Plan Expense* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Budget Function Analysis* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Expense, Revenue, and Contract Budget* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Revenue Detail* (July 3, 2023), *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023), *Fiscal Year 2024 Executive Budget: Revenue Detail* (April 26, 2023), *Fiscal Year 2024 Executive Budget: Budget Function Analysis* (April 26, 2023), and *Fiscal Year 2024 Executive Budget: Expense, Revenue, and Contract Budget* (April 26, 2023).

Table 3: City Funds Subject to and Excluded from the November 2023 PEG
(dollars in billions)

	FY 2024	FY 2025	FY 2026	FY 2027
CBC ADJUSTED CITY FUNDS BUDGET	\$82.4	\$83.5	\$86.9	\$90.3
Pensions	\$9.5	\$10.3	\$10.7	\$10.9
Central Fringe	\$7.8	\$8.3	\$8.8	\$9.3
Medicaid	\$6.8	\$6.6	\$6.7	\$6.9
Public Assistance	\$1.7	\$1.7	\$1.7	\$2.0
Budgetary Reserves	\$1.5	\$1.5	\$1.5	\$1.5
Debt Service	\$7.6	\$8.1	\$8.9	\$9.6
Elected Officials	\$0.8	\$0.7	\$0.7	\$0.7
Asylum Seeker Costs	\$2.9	\$1.0	\$0.0	\$0.0
Other Exclusions	\$9.8	\$10.1	\$9.7	\$10.5
CITY FUNDS SUBJECT TO THE PEG	\$34.2	\$35.3	\$38.2	\$39.0

Note: Excludes elected officials not required to participate in the PEG. Budgets adjusted to exclude asylum seeker and migrant expenses; water and sewer fee funded environmental protection; and City-funded Medicaid and public assistance. Agency budgets based on Fiscal year 2024 Adopted Budget financial plan.

Sources: CBC analysis of City of New York, Mayor’s Office of Management and Budget, *Fiscal Year 2024 Adopted Budget: Financial Plan* (June 30, 2023), *Fiscal Year 2024 Adopted Budget: Financial Plan Expense* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Budget Function Analysis* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Expense, Revenue, and Contract Budget* (July 3, 2023), *Fiscal Year 2024 Adopted Budget: Revenue Detail* (July 3, 2023), *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023), *Fiscal Year 2024 Executive Budget: Revenue Detail* (April 26, 2023), *Fiscal Year 2024 Executive Budget: Budget Function Analysis* (April 26, 2023), and *Fiscal Year 2024 Executive Budget: Expense, Revenue, and Contract Budget* (April 26, 2023).

Does the City Council Approve the PEGs?

While the City Council approves modifications to the current year budget, the Council’s ability to change the PEGs in the current year is constrained. After the release of a financial plan, the City must submit a budget modification to the Council within 30 days to implement changes to the current year’s budget. There are two types of modifications—ones that move funds already appropriated in the Adopted Budget (shifting spending authority between Units of Appropriation (UA)) and ones that designate spending of newly received revenues in the current year.

Importantly, even absent an approved modification, the Mayor and OMB can elect through budgetary controls to spend less than appropriated in the adopted budget. If the Executive wants to reduce spending in a particular area—for example to implement a PEG—it often can do so without the Council approving a budget modification. However, the City cannot increase spending for a particular UA without Council approval, except for smaller shifts permitted by the City Charter.

The Council formally introduces the budget modification at the next Stated Meeting, after which the Council has 30 days to act on the modification. For modifications that shift previously appropriated

funds to new uses, the Council must approve or reject the entirety of the changes and cannot make line-item adjustments. For new appropriations, the Council has the same authority as when adopting the budget; it can change which appropriations will receive the funding and add terms and conditions but cannot increase the amount of new revenue. If the Council takes no action within 30 days, the modifications take effect.

For the November 2023 Financial Plan, most of the changes to implement the PEG were in a [reappropriation modification](#)—spending authority was increased by \$3.4 billion in 150 UAs and decreased by the same amount in 181 UAs. This [modification](#) implements not only the PEG but all other changes in City-funded spending in the November 2023 Financial Plan, including shifts to other Council initiatives. The modification allocating was for \$776.3 million and directed \$642.6 million to prepay fiscal year 2025 expenses and \$133.8 million to increase funding for [Carter Cases](#).

THE NOVEMBER 5 PERCENT PEG WILL REDUCE TOTAL CITY-FUNDED SPENDING BY APPROXIMATELY 2.2 PERCENT

The savings in the November Plan PEG total \$1.7 billion in fiscal year 2024, \$2.0 billion in fiscal year 2025, \$1.9 billion in fiscal year 2026, and \$2.0 billion in fiscal year 2027.⁷ Since the City excludes certain City-funded spending from the PEG, savings as a percentage of the total City-funded budget, are significantly lower than the annual 5 percent target. In fiscal year 2024, total PEG savings are just 2.1 percent of the City-funded budget; the savings average 2.2 percent across fiscal years 2024 to 2027. (See Table 4.) Relative to the whole City budget, including federal and State aid, the PEG equals 1.5 percent of spending in fiscal year 2024 and 1.7 percent over the four years of the financial plan.

Table 4: November 2023 PEG Savings as a Share of Total and City-Funded Budget, FY 2024 - 2027
(dollars in millions)

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>Four-Year Total</u>
TOTAL PEG SAVINGS	(\$1,713)	(\$1,972)	(\$1,917)	(\$1,955)	(\$7,557)
Total PEG Savings as a Share of					
<i>Total Budget</i>	1.5%	1.7%	1.7%	1.7%	1.6%
<i>City-Funded Budget</i>	2.1%	2.3%	2.2%	2.2%	2.2%

Notes: PEG savings are shown as the share of the November 2023 budget if there had been no PEG (PEG savings as a percentage of the adjusted budget plus the PEG).

Source: City of New York, Mayor's Office of Management and Budget, *November 2023 Program to Eliminate the Gap* (November 16, 2023), and *November 2023 Financial Plan* (November 16, 2023).

WHAT TO LOOK FOR IN THE JANUARY 2024 FINANCIAL PLAN

Following the release of the November 2023 financial plan, agencies were instructed to submit savings plans for the Fiscal Year 2025 Preliminary Budget, which is due to be released in January 2024. Agencies will submit reductions equal to 5 percent of the November 2023 City-funded budgets; Mayor Adams exempted NYPD, FDNY, and DSNY from the next round of 5 percent PEGs. City agencies are also directed to reduce spending on services to asylum seekers and migrants by 20 percent in fiscal years 2024 and 2025.⁸ The City is also continuing the hiring freeze, limits on other than personal services spending, overtime reduction efforts, and the freeze on City-funded new spending that were implemented as part of the November 2023 PEG.

Agency PEG Initiatives

As agencies have now completed four rounds of PEGs (excluding the January 2023 Vacancy Reduction), savings initiatives are starting to hit City services more directly. Low-hanging fruit was picked early, and it is now more challenging for agencies to find savings. Still, City agencies should use a data driven approach to identify less- or in-effective programs and inefficient processes that can be shrunk or streamlined to reduce costs. Agency leadership should collaborate with line staff to determine how programs and services can be delivered more efficiently.

Agencies appear to be identifying more efficiencies—the share of the November 2023 PEG that is categorized as efficiencies is 16.7 percent, up from 6.8 percent, 6.7 percent, and 8.7 percent in the three prior PEG rounds (excluding the Vacancy Reduction). These efforts should be continued and strengthened. Furthermore, as agencies have had more time to prepare (the January 2024 PEG was initially mentioned in September 2023), there may be even greater efficiency savings in the January 2024 PEG.

However, given the significant opposition to some of the November 2023 PEGs, it is possible that some initiatives will be restored. Whether any restorations are “paid for” with other PEG savings remains to be seen.

Asylum Seeker and Migrant Services PEG

Spending on services for migrants and asylum seekers can be reduced either by having fewer households in shelter at any given point in time (either because of fewer entries and/or shorter stays) or by spending less per day per household. In fact, several fiscal monitors project significantly lower spending than currently budgeted because of different assumptions about per-diem costs, long-term arrival trends, and average lengths of stay. (See Table 5.) Some of these estimates are more than 20 percent below currently budgeted City spending.

The Comptroller’s Office also recently released a report recommending that contracts for migrant and asylum seeker services be competitively sourced whenever possible. After the Adams Administration authorized an emergency declaration on July 30, 2022, the City awarded 74 contracts

totaling \$1.4 billion using emergency procurement methods. Problems arising related to these contracts include insufficient vetting of prime and subcontractors to ensure that they can perform the services adequately; limited evaluation of the services performed before contract extensions are approved; and limited or reduced competition as noticing requirements are eliminated and specific vendors are invited to apply. Returning to standardized procurement practices wherever possible should increase competition and drive down the cost of providing services.⁹

Table 5: NYC and Fiscal Monitor Projections for City-Funded Spending on Migrants and Asylum Seekers
(dollars in millions)

	FY 2024	FY 2025	Two-Year Total
NYC Office of Management and Budget	\$3,566	\$5,540	\$9,106
NYC Independent Budget Office	\$2,676	\$2,852	\$5,528
<i>% decrease from NYC OMB</i>	-25.0%	-48.5%	-39.3%
NYC Comptroller	\$2,919	\$3,940	\$6,859
<i>% decrease from NYC OMB</i>	-18.1%	-28.9%	-24.7%
NYS Comptroller	\$3,141	\$4,450	\$7,591
<i>% decrease from NYC OMB</i>	-11.9%	-19.7%	-16.6%

Source: City of New York, Mayor's Office of Management and Budget, *November 2023 Financial Plan* (November 16, 2023); New York City Independent Budget Office, *Mind the Gap: New York City's Economy Shows Resilience While Inflation Cools, But Expenses Yield Budget Uncertainty* (December 2023); Office of the New York City Comptroller, *The State of the City's Economy and Finances* (December 15, 2023); and Office of the New York State Comptroller, *Review of the Financial Plan of the City of New York* (Report 16-2024, December 2023).

ENDNOTES

- [1] City of New York, Mayor's Office of Management and Budget, *September Program to Eliminate the Gap Letter* (September 9, 2023).
- [2] Testimony of Ana Champeny, Vice President for Research, Citizens Budget Commission, *Testimony on the NYC November 2023 Financial Plan, Submitted to the New York City Council Committee on Finance* (December 11, 2023), <https://cbcny.org/research/testimony-nyc-november-2023-financial-plan>; New York City Independent Budget Office, *Mind the Gap: New York City's Economy Shows Resilience While Inflation Cools, But Expenses Yield Budget Uncertainty* (December 2023), <https://ibo.nyc.ny.us/iboreports/mind-the-gap-new-york-citys-economy-shows-resilience-while-inflation-cools-but-expenses-yield-budget-uncertainty-fiscal-outlook-december-2023.pdf>; and Office of the New York City Comptroller, *The State of the City's Economy and Finances* (December 15, 2023), <https://comptroller.nyc.gov/reports/annual-state-of-the-citys-economy-and-finances/>.
- [3] City of New York, Mayor's Office of Management and Budget, *September Program to Eliminate the Gap Letter* (September 9, 2023).
- [4] Gill Prabhleen, "PEGs in Perspective: NYC FY 2024 Executive Budget," (Citizens Budget Commission, May 23, 2023), <https://cbcny.org/research/pegs-perspective>.
- [5] Illusory savings, referred to as cost-avoidance by OMB, are of \$1.2 billion in the November 2022 PEG and \$131 million in the April 2023 PEG. Because illusory savings offset new spending added in the same budget, they do not reduce budget gaps and were excluded from the analysis. For more information, see [7 Facts About the Adams Administration's Prior Savings Plans](#) and [PEGs in Perspective](#).
- [6] OMB does not release the full list of exemptions or the PEG base for each agency. CBC excluded items known to be exempt for the PEG than, based on the City meeting the 5 percent PEG target, calculated how much other City-funded spending needed to be excluded.
- [7] City of New York, Mayor's Office of Management and Budget, *November 2023 Program to Eliminate the Gap* (November 16, 2023), <https://www.nyc.gov/assets/omb/downloads/pdf/peg11-23.pdf>.
- [8] City of New York, Mayor's Office of Management and Budget, *January Program to Eliminate the Gap Letter* (November 20, 2023).
- [9] Office of the New York City Comptroller, *Rethinking Emergency Procurements: A Roadmap to Efficiency and Accountability* (November 30, 2023), https://comptroller.nyc.gov/reports/rethinking-emergency-procurements/#_ftnref10.

Unpacking the PEG:

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