

NYC's Already High Spending Keeps Climbing

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The recently released Fiscal Year 2025 Preliminary Budget proposes to increase City-funded spending \$2.3 billion, or 2.9 percent, in fiscal year 2025, even accounting for two Program to Eliminate the Gap (PEG) rounds.¹ City-funded spending would then grow another \$8.6 billion, or 3.3 percent annually, through fiscal year 2028. (See Figure 1.)

The current debate on City spending and savings plans should be informed by two key facts. First, the current budget is built on a spending base that swelled significantly before the pandemic. Between 2012 and 2019, City-funded spending increased \$19.7 billion (40.7 percent, or 5.7 percent per year), outstripping inflation by more than four times.² In the tail end of this period, the two years right before the pandemic, spending grew at an average rate of 6.4 percent annually.

Second, despite the pandemic, recession, and multiple rounds of PEGs, City-funded spending is slated to increase \$15.4 billion, or 22.6 percent, between fiscal years 2019 and 2025. Even without the costs of serving migrants and asylum seekers, spending would increase \$11.8 billion, or 17.3 percent.

The pandemic and recession barely slowed spending growth. After a more modest spending increase followed by a slight decline in the pandemic's first two years, City-funded spending in fiscal years 2022 and 2023 increased 5.7 percent and 10.0 percent, respectively. Over just two years, City-funded spending climbed \$11.2 billion, with just \$1.4 billion attributable to migrant and asylum seeker services in fiscal year 2023.

Over time, a material portion of spending growth was funded, but only temporarily, by record personal and business income taxes driven by very high Wall Street profits. In addition, federal COVID aid was used to start or expand recurring programs that may ultimately be sustained with City funds.



Due to these fiscal cliffs and other underbudgeted ongoing costs, the [Fiscal Year 2025 Preliminary Budget is short \\$3.6 billion to \\$3.9 billion annually of what would be needed to continue programs at the current services level.](#)³ While the revenues are not available to support this level of spending, fully funding the current level of services grow the fiscal year 2025 annual spending increase to \$6.0 billion, or 7.4 percent.

The City's fiscal condition is extremely precarious. The Citizens Budget Commission (CBC) projects out-year budget gaps of \$9.1 billion, \$8.8 billion, and \$9.7 billion in fiscal years 2026 to 2028, respectively.

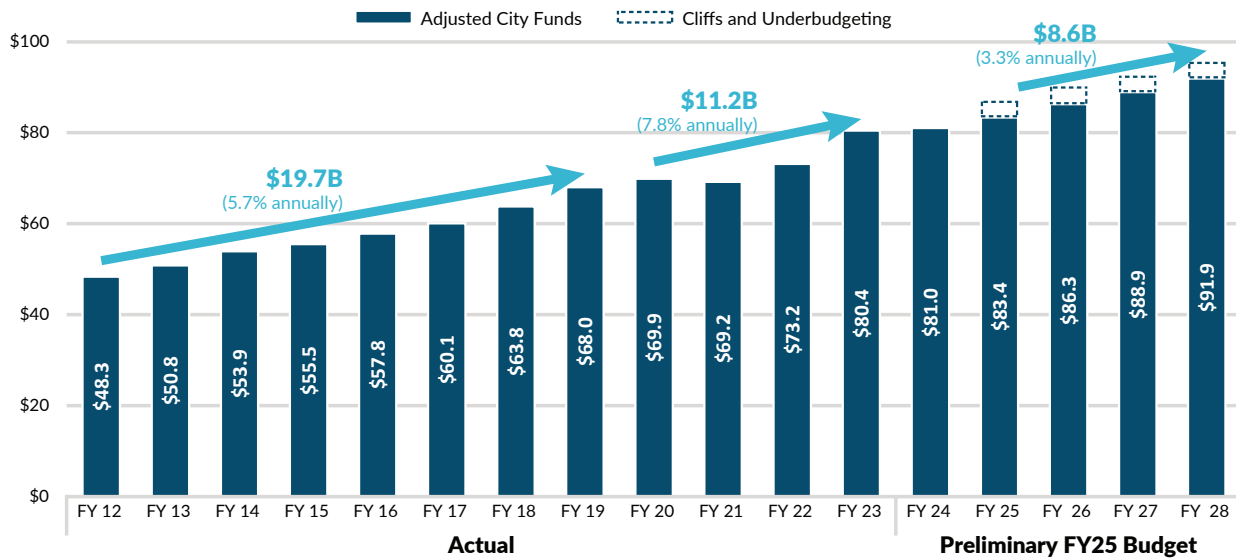
The decision to cancel the April 2024 PEG is ill-advised. Additional actions are needed to slow spending growth and close gaps. The budget should be more transparent by showing the full costs of programs and identifying which will be shrunk or eliminated. This transparency should help drive difficult decisions to prioritize programs and increase efficiency. Canceling the PEG, even while reducing spending on services for asylum seekers and migrants another 10 percent, defers the steps needed to stabilize the City's budget.

CBC's analysis found that:

- The Fiscal Year 2025 Preliminary Budget projects growth of \$2.3 billion in fiscal year 2025 in City-funded spending;
 - The \$1.2 billion increase in migrant and asylum seeker costs is just over half of the increase;
- The preliminary budget is short by \$3.6 billion in fiscal year 2025 to continue existing programs and services; if those City funds were fully reflected in the preliminary budget, spending would grow by \$6.0 billion—a 7.4 percent increase;
- Spending would grow another \$8.6 billion between fiscal year 2025 and fiscal year 2028, an average annual growth rate of 3.3 percent;
- Following a modest decrease in City-funded spending in fiscal year 2021 due to the pandemic, City-funded expenditures jumped \$11.2 billion in just two years (from fiscal year 2021 to fiscal year 2023), an annual growth of 7.8 percent;
 - Over the pandemic period, from fiscal year 2019 to fiscal year 2023, City-funded spending increased \$12.4 billion, or 18.3 percent; and
 - Even without the costs of serving migrants and asylum seekers, spending grew \$11.0 billion, or 16.2 percent, between fiscal years 2019 and 2023; and
- This was a continuation of rapid spending growth before the pandemic, when spending jumped \$19.7 billion between fiscal year 2012 and 2019—an annual average growth rate of 5.7 percent—more than four times the average rate of inflation during those years.

Budget adoption for fiscal year 2025 is still four months away, providing ample time for both Mayor Eric Adams and the City Council to take action to put the City on solid fiscal footing. The cancellation of the April 2024 PEG makes it even more critical that the City clearly and transparently show which programs are funded and which will be shrunk or eliminated.

Figure 1: Adjusted NYC City-Funded Spending, FY 2012 - FY 2028, Including CBC-Estimated Fiscal Cliffs and Underbudgeting
(dollars in billions)



Notes: Includes only City-funded expenditures. Excludes federal, State, other categorical, and interfund agreement expenditures. Excludes the General Reserve and Capital Stabilization Reserve. Expenditures adjusted for prepayments. Fiscal cliffs and underbudgeting estimates, which represent the City-funds needed to continue current programs, are based on CBC analysis of the Fiscal Year 2025 Preliminary Budget.

Sources: City of New York, Mayor’s Office of Management and Budget, *Fiscal Year 2025 Preliminary Budget: Financial Plan Detail* (January 16, 2024); Office of the New York City Comptroller, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023* (October 26, 2023), and fiscal year 2012 to fiscal year 2022 editions; and Ana Champeny and Julia Nagle, *Don’t Step Off the Cliff* (Citizens Budget Commission, February 8, 2024).

ENDNOTES

- [1] Spending is adjusted for prepayments and excludes the General and Capital Stabilization reserves. City of New York, Mayor’s Office of Management and Budget, *Fiscal Year 2025 Preliminary Budget: Financial Plan Detail* (January 16, 2024), <https://www.nyc.gov/assets/omb/downloads/pdf/tech1-24.pdf>, and *Fiscal Year 2025 Preliminary Budget: Program to Eliminate the Gap (PEG)* (January 16, 2024), <https://www.nyc.gov/assets/omb/downloads/pdf/peg1-24.pdf>.
- [2] CPI for NYC region increased at an average of 1.4 percent per fiscal year between fiscal years 2012 and 2019. See U.S. Department of Labor, Bureau of Labor Statistics, “Series Report for CUURS12ASA0,” (accessed February 18, 2024), <https://data.bls.gov/cgi-bin/srgate>.
- [3] Fiscal cliffs refer to recurring programs budgeted just one-year at a time, while underbudgeting refers to chronic underestimates of the level of funding needed for a program or service. See: Ana Champeny and Julia Nagle, *Don’t Step Off the Cliff* (Citizens Budget Commission, February 8, 2024), <https://cbcny.org/research/dont-step-cliff>.

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Policy Brief ■ February 2024

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