Statement on the New York City Fiscal Year 2023 Budget Agreement

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New York, NY – June 10, 2022 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

"With $4.5 billion available to allocate in the budget, the City's leaders were presented an important opportunity to support services, stabilize the budget, and deposit significant funds into the Rainy Day Fund (RDF). While the budget funds priorities and takes some steps to save for a future recession and stabilize the budget, it misses the opportunity to make a substantially higher RDF deposit and massively increases spending to a level not sustainable over time with City revenues.

The RDF deposit was increased by $750 million to $1.45 billion. This addition is beneficial and important, but only represents 17 percent of the extra money available. Following CBC's recommendation would have added another $1.5 billion to the RDF, significantly strengthening the City's ability to weather the next recession or emergency. The Budget does deposit $750 million in the Retiree Health Benefits Trust fund (RHBT), a positive step toward addressing the long-term liability for other postemployment benefits, and increases the fiscal year 2023 General Reserve, a smart move given the economic uncertainty. While these actions are better than using the resources to increase programs outright, they are not rainy day reserves and can be used to increase spending even in the good times.

The deal significantly increases spending by $1.15 billion over the Executive Budget. While full details will not be available until next week, this increase will likely drive fiscal year 2023 City-funded spending growth to nearly 8 percent or more, more than any year in the past decade.

Many priorities of the Mayor and City Council were funded. Some were funded on a recurring basis, which wisely reflects their costs over time, rather than setting up future fiscal problems for each program. However, there appears to be no offsetting savings from increasing efficiency, reducing spending on lower impact programs, or even vacancy elimination.

The budget adds funds to the City's labor reserve, reportedly now able fund 1.25 percent annual salary increases, which is a prudent move to reduce ongoing fiscal risks. Nonetheless, raises are likely to be higher than 1.25 percent. Three years of 3 percent raises, for example, would cost around $1.4 billion in the first year and $4.3 billion in the third year, significantly more than has been set aside.

While annual budget gaps averaging $4 billion can appear "manageable," they have increased from the Executive Budget when gaps averaged $3.7 billion, and do not account for the fiscal cliffs resulting from time-limited federal and City funds, contracts costing more than the labor reserve, and economic instability.

While this year's revenue windfall made it easier to increase spending in the short run, the City will need to take actions to bring recurring revenues and recurring spending in line. Restructuring operations and focusing on priorities will be essential. The $300 million in additional savings identified in the Adopted Budget likely comes from re-estimates and debt service savings. The City missed an opportunity to engage in a concerted effort to improve government services and secure efficiency savings. To bring spending levels back down to fiscally sustainable levels, the Administration should be requiring agencies to find recurring efficiency savings of 3 percent to 5 percent to be included in the November 2022 financial plan."