



**TESTIMONY OF NEW YORK CITY  
BUDGET DIRECTOR JACQUES JIHA, Ph.D.**

Fiscal Year 2024 Executive Budget Hearing

May 23<sup>rd</sup>, 2023

## **Fiscal Year 2024 Executive Budget Council Hearing Testimony**

Good morning, Speaker Adams, Chair Brannan, and members of the Finance Committee and City Council. Thank you for the opportunity to testify here today on the Mayor's Fiscal Year 2024 Executive Budget.

I am Jacques Jiha, Director of New York City Mayor's Office of Management and Budget. I am joined by OMB First Deputy Director Kenneth Godiner, and Senior Deputy Director for Intergovernmental Relations and Education, Latonia McKinney.

The last time I testified before you was on March 6.

At that time, we were receiving an average of 217 asylum seekers per day, and more than 30,000 migrants were housed in our shelter and HERRC systems. In total, we had spent more than \$650 million to provide food, shelter, and social services for over 50,000 migrants.

And we had received no help – meaning zero dollars – from the state or federal government.

Today – just 78 days later – we are receiving an average of 602 arrivals per day, are caring for 44,120 asylum seekers and more than 73,000 migrants having gone through our shelter system. To put these numbers in perspective, pre-asylum DHS census as of April 1, 2022, was 45,189 individuals. Very soon, we will be caring for more asylum seekers on a nightly basis than we had people in our entire DHS shelter system last year. Consistent with our forecast, the city has spent more than \$1 billion through the end of April, with the expectation of spending \$1.4 billion before July, and \$4.3 billion by July 2024.

Based on recent trends, this forecast seems optimistic. Please take a look at the chart on the screen. The black line shows the actual number of asylum seeker households in our shelter systems. The pink line represents the Executive Budget forecast. As depicted on the chart, in recent weeks the actual line has significantly diverged from the forecasted line. If this trajectory continues, asylum seeker costs will grow dramatically above the \$4.3 billion forecast.

Now, unlike the last time I was here, we know how much the federal and state governments have allocated in aid.

FEMA awarded the city \$8 million in December. Of the \$800 million allocated to localities nationwide, we received an initial award of \$30.5 million. In a nutshell, we have been awarded thus far only \$38.5 million by the federal government. Let me put that in perspective – at our current daily spending rate, that \$38.5 million barely covers five days of asylum seeker costs.

Though we appreciate that the state has committed to covering 29 percent of the asylum-seekers costs over the next two years, up to \$1 billion, this aid will only cover a fraction of the total cost and is partly offset by cuts and cost shifts of about \$500 million in each year.

So, what does this mean, and where does it leave us?

In the Executive Budget we reflected \$4.3 billion across Fiscal Years 2023 and 2024, and \$1 billion in Fiscal Year 2025 to account for asylum seeker costs. This is funded by \$2.7 billion in city resources over this fiscal year and the next, and \$710 million in Fiscal Year 2025.

We anticipated \$1 billion from the state in Fiscal Years 2023 and 2024, and we assumed that it would continue to cover 29 percent of the cost in Fiscal Year 2025.

And it was widely reported that we would be awarded the lion's share of the federal appropriation, so we assumed \$600 million in Fiscal Year 2024 from the federal government.

In my Preliminary Budget testimony, I warned of proposed state budget cuts that would drain city's resources. Thanks to the legislature, the harm was less pronounced in the state enacted budget. The MTA funding mandate was reduced by about half to \$235 million annually for two years. The Medicaid cuts were also reduced, though the state intends to fully shift those costs to localities by Fiscal Year 2026. But as stated earlier, despite the legislature's best effort, the state still imposed budget cuts of about \$500 million a year. We are still pushing the state on asylum seeker funding and will continue advocating for critical priorities that were not included in the state enacted budget, including our housing agenda.

The federal government's failure to deliver adequate assistance and the \$500 million a year of cuts and cost shifts imposed by the state creates a \$1 billion gap over Fiscal Year 2023 and Fiscal Year 2024 that will have to be addressed at Adoption.

We also addressed some other significant challenges in this Executive Budget and financial plan.

Most of our employees have not had a contract for over a year. The Mayor has made clear that paying a fair wage in order to attract and retain city workers is a priority. So, following settlements with DC37 and the PBA, we added \$16 billion across the financial plan to fully fund the cost of the labor patterns established by these two agreements across the city's workforce.

Now, the City's fiscal situation is made even more precarious because the national economy has entered a period of slow growth, with many economists predicting a downturn at the end of the year. The banking sector has not fully recovered from the recent turmoil, and stock markets remain highly unstable.

Here at home, we see mixed signals. Wall Street remains under stress as a result of the Federal Reserve's contractionary monetary policies. The commercial real estate industry continues to struggle. Office vacancy rates remain high with 90 million square feet of office space available for lease. We expect this level to peak at 23 percent this year and decline slightly over the financial plan.

Average home prices are projected to decline this year before resuming growth next year.

On the other hand, the local labor market remains resilient. Despite the decline in employment last month, over this year we are still adding jobs faster than the nation and state and have regained nearly all jobs lost to the pandemic.

The tourism sector has made a strong recovery. Hotel occupancy and room rates are higher than they were in early 2020, and theaters are seating 90 percent of their pre-pandemic audience levels.

As a result of this unanticipated strength of the local economy, we adjusted the tax revenue forecast above the January plan by \$2.1 billion in Fiscal Year 2023 and \$2.3 billion in Fiscal Year 2024. This upward revision was driven by unexpected gains in personal income, business, sales and hotel taxes. Of course, this increased revenue must be understood in the context of the immense fiscal challenges that the city is currently facing. Further, the growth of our tax revenue base in the outyears is projected to slow as the national and local economies cool.

The takeaway is that over the next few years our resources will not grow substantially, though we must still meet vast needs.

Considering these needs, concerns, and risks, we crafted a budget that remains true to the core principles that have driven every budget this administration has released. Specifically, we continue to maintain fiscal responsibility by achieving savings, upholding strong levels of reserves, and controlling spending,

The Fiscal Year 2024 Executive Budget is \$106.7 billion. Fiscal Years 2023 and 2024 remain balanced, with outyear gaps of \$4.2 billion, \$6 billion, and \$7 billion in Fiscal Years 2025 through 2027, respectively.

Facing \$10 billion in new needs over just Fiscal Years 2023 and 2024, which were largely driven by costs related to asylum seekers and labor settlements, the Mayor implemented a gap-closing strategy which included a Program to Eliminate the Gap, or PEG, and a reduction in current year reserves.

In the PEG, agencies were directed to reduce spending by 4 percent annually starting in Fiscal Year 2024, except DOE and CUNY, which were given a 3 percent target to minimize disruption during the school year.

Every agency submitted savings plans that met their target, including the NYPD and DOC. However, after reviewing PEG submissions, the Mayor determined that some agencies could only make their target by reducing services. Accordingly, he instructed us to adjust targets for agencies where initiatives would have jeopardized public safety, street and parks cleanliness and the social safety net, including Fire, Sanitation, Parks, Homeless Services, HRA, and DYCD.

Notably, Libraries and Cultural Affairs were exempted.

We achieved \$1.6 billion in savings over Fiscal Years 2023 and 2024, bringing total savings since last June to nearly \$4.7 billion over those years, all without service reductions, layoffs, or cuts to school budgets and classrooms.

Safeguarding our city's recovery and being fiscally prudent also includes maintaining budget reserves that protect the city from the unexpected. Reserves in Fiscal Year 2024 remain at a near-record level of \$8 billion, with \$1.2 billion in general reserves, \$2.0 billion in the Rainy-Day Fund, \$4.58 billion in the Retiree Health Benefits Trust, and \$250 million in the Capital Stabilization Reserve. We used about \$1.8 billion of our current year reserves to cover some Fiscal Year 2023 expenses, which is typical at the end of the fiscal year.

Overall, this budget supports all New Yorkers, particularly the most vulnerable, with nearly 60 percent of funding devoted to education, healthcare, and social services.

Now I would like to highlight some of the investments we made in this plan.

Mayor Adams has prioritized increasing funding for programs that support New Yorkers suffering from mental health issues. This includes honoring his commitment to the Mental Health Plan by baselining funding for the Mental Health Access Digital Hub, Clubhouse Capacity expansion, a school tele-mental health program, and the B-HEARD program.

We are also making investments to uplift working families, including outreach to expand awareness about tax benefits, such as the Earned Income Tax credit that was expanded under this administration, SNAP, Medicaid, and more.

To prevent housing-voucher discrimination, CCHR will have additional resources to hire attorneys within their Source of Income unit.

Because internet access is essential to connect with the modern world, we are providing free broadband access through Big Apple Connect to 73 more NYCHA developments, for a total of 202 serviced by the program. And to expand the city's digital outreach and provide improved services, the MyCity platform will expand to include childcare, workforce, and business portals.

Because education is the pathway to a secure, good paying, job, we have added resources to support our schools and CUNY.

DOE will integrate climate education and food education into the curriculum. And children in shelters will receive support they need to continue their educations from shelter-based community coordinators.

The CUNY Reconnect program will be expanded to help even more students who left school because of extenuating circumstances resume their education and earn degrees. And CUNY will help students by providing industry experts and advisors who will help connect students to internships and job opportunities.

We are also supporting the Mayor's Office for People with Disabilities' plan to promote workforce development for disabled New Yorkers.

To make the city cleaner, greener, and more sustainable, we are implementing PlaNYC initiatives, including the citywide organics expansion and climate budgeting, which is an OMB initiative. From now on, every investment decision the city makes will be viewed through the lens of meeting our climate goals so that we leave our children with a healthier and more resilient city.

Investing in New Yorkers only works if we have enough city workers to implement programs and services. In response to unprecedented challenges around recruiting and retaining employees across the city, we have implemented several new initiatives.

DCAS is leading a Vacancy Reduction Sprint, with Agency Recruitment Czars developing hiring plans that are tailored to their agency's needs and looking at ways to improve the city's hiring process.

We have also significantly increased outreach. In partnership with the council and DC37, DCAS has sponsored hiring halls that feature on-the-spot interviews. So far, almost 6,000 prospective employees have attended, resulting in 3,200 interviews and more than 1,000 job offers. I want to thank the council for participating in this effort and promoting the hiring hall events on your social media channels.

Further, to keep and attract talent, the city and DC37 will pilot flexible work options, including remote work, beginning June 1 in the Department Social Services and Department of Buildings.

At OMB, we're doing our part to speed up the hiring process. As promised, we are reviewing PAR requests faster, and are having ongoing discussions with our agency partners about potential improvements.

We are confident that these steps, taken together, will accelerate hiring and promote more efficient agency operations.

Now, I would like to discuss the city's \$164.8 billion Ten-Year Capital Strategy.

The plan includes \$76 million to add collection trucks to the DSNY fleet to implement the citywide curbside organics program, \$551 million to redevelop the CUNY Brookdale Campus and create a world-class science park and research center, and \$50 million to upgrade almost 90 school cafeterias citywide, bringing total cafeteria renovations by this administration up to almost 200.

To conclude, I would like to return to the most pressing concern the city faces today. This administration is moving heaven and earth to manage the ongoing influx of asylum seekers. And because we quickly adopted a comprehensive approach, this crisis is barely visible to most New Yorkers. Unlike other cities, we treat the new migrants humanely – you don't see tents on our sidewalks or in our parks. Every asylum seeker has a safe place to sleep, good food to eat, and access to social services, in accordance with the city's right to shelter mandate.

Providing these mandated services, however, is very expensive. And every New Yorker should be concerned about these escalating costs and their ramifications for potential service disruptions, and the very real possibility that this may go on for years.

The reality is that this is a fiscal emergency. Whether it's the \$4.3 billion in our forecast, or an elevated number per the current trend, unless we get meaningful assistance from the federal and state governments, we face the catastrophe of running out of places to house migrants and the resources needed to care for them. At the same time, we must keep the city safe, healthy, and clean.

As great as this city is, and despite all that we can do, we cannot bear this financial burden on our own.

I am again calling on the federal government to provide meaningful financial assistance. As stated earlier, the \$38.5 million that has been awarded to date covers just five days of costs. And the \$1 billion over two years from the state covers less than five months in fiscal years 2023 and 2024. That leaves the city responsible for every additional penny needed to cover the cost of caring for the asylum seekers in those two years. And, as a reminder, this crisis is already a year old, and will stretch into the future. This is not right. No local government can carry this kind of a financial burden without eventually cracking.

We need more than just funding, though. New York City cannot implement the immigration or decompression policies that will bring meaningful relief. We need an all-of-government, coordinated, effort to fairly relocate asylum seekers regionally so that New York does not remain the epicenter of the crisis. Additionally, the immigrants need Temporary Protected Status and work permits in order to accelerate their ability to secure work legally in the United States.

We must all act as well. I urge you to join the administration in calling on our state and federal partners to take bold steps. Please get on the train and go to Albany and Washington and tell the lawmakers that we need a decompression strategy and real financial assistance – meaning billions of dollars to cover our costs – for the duration of this crisis. And let them know what will happen without relief – namely that we will have to make terrible cuts to programs and services. And this will cause great and unnecessary pain.

This is truly an all-hands-on-deck moment. We look forward to working with you in any way we can to support your advocacy efforts.

Thank you again for inviting me to testify this morning. I look forward to working with the council to meet our joint priorities and address needs of all New Yorkers as we work together to deliver the Adopted Budget.

Now, I will take your questions.