



New York City

**Mayor's Office of Management and Budget**

**FY 2022 Executive Budget Hearing  
Testimony**

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**TESTIMONY OF JACQUES JIHA, Ph.D., DIRECTOR, MAYOR'S OFFICE OF MANAGEMENT AND BUDGET OF THE CITY OF NEW YORK TO THE CITY COUNCIL ON THE EXECUTIVE BUDGET FOR FISCAL YEAR 2022 AND THE APRIL 2021 FINANCIAL PLAN**

May 24, 2021

Thank you Chair Dromm, Subcommittee Chair Rosenthal, and members of the Finance Committee, for the opportunity to testify today concerning the Fiscal Year 2022 Executive Budget.

My name is Jacques Jiha, Director of the New York City Mayor's Office of Management and Budget. I am joined today by OMB's First Deputy Director, Kenneth Godiner.

I am happy to report today that we are on the path to recovery from the pandemic and our outlook has significantly improved, largely because of our successful vaccination campaign and the federal stimulus.

Moody's Investor Services and S&P agree. Within the past 10 days they both expressed confidence in our fiscal planning and the city's emergence by raising our GO bond outlook from "negative" to "stable."

While the stimulus is a bridge to economic and financial recovery, it is important to note that the city is on the path to emerging from the greatest financial stress-test it has ever experienced.

The Fiscal Year 2021 Budget was balanced in April, June, and again this January, despite substantially diminished resources, and without any assistance from the Federal or State governments. The Fiscal Year 2022 Executive Budget was balanced this January, and remains now balanced at \$98.6 billion, and out-year budget gaps are manageable and within historic norms.

And we did all of this without layoffs or major disruptions in services. Our cash position has been strong without any short-term borrowing; and we have met all our financial and pension obligations.

This was possible largely because of the strong measures we took to reduce expenses and headcount. Since June, we generated \$3.9 billion in savings (that is,

net of the restorations we made primarily as a result of the federal stimulus), and we brought down headcount to about 314,000 employees from a peak of 327,000 in September 2019 as a result of a strict attrition management initiative.

More importantly, the administration in partnership with the City Council built record levels of reserves before the pandemic (about \$6.1 billion), which became available to help balance the budget during the height of our fiscal challenges.

Now, because the difficult but necessary decisions were already made and the city's finances were relatively stable, we did not have to dig ourselves out of a massive hole when help arrived. This allows us to invest billions of stimulus dollars across the financial plan that will both improve the economy and improve people's lives.

It also allows us to rebuild our reserves by adding \$200 million to the general reserve in Fiscal Year 2022 and reversing the withdrawal of \$1.6 billion from the Retiree Health Benefits Trust that was planned for Fiscal Year 2021.

Now there is \$3.8 billion in the Retiree Health Benefits Trust, \$493 million in the Rainy Day fund, and \$300 million in the general reserve, for a total of \$4.59 billion in reserves next fiscal year. And we maintain annual reserves of \$1.25 billion between Fiscal Years 2023 and 2025 in the General Reserve and the Capital Stabilization Reserve.

Right now, we are starting to see signs of the recovery across the country and at home.

Employment growth across the country has accelerated. As of April, the US economy recovered 63 percent of the jobs lost in the downturn, and employment levels are expected back to pre-pandemic highs by the end of 2022.

Over the same period, NYC recouped 42 percent of lost jobs. Between December and April *alone* the City gained back 160,000 jobs, driven by increases in restaurants, hotels, and healthcare. And last month, the unemployment rate declined to 11.4 percent, down from a pandemic high of 20 percent in May 2020.

As job growth continues, we forecast that city employment will reach 4.5 million, by December 2021 jobs, which is just 200,000, short of peak employment.

Because of this growth, we have revised our tax-revenue forecasts higher by \$1.5 billion over Fiscal Years 2021 and 2022, driven by gains in personal and business income taxes. The property tax forecast for Fiscal Year 2022 and beyond remains unchanged.

You can actually see a resurgence happening right now throughout the city.

Weekday subway ridership is on the rise, and restaurant attendance is increasing as occupancy limits are relaxed and the weather improves.

The City's workforce has returned to their offices. Large private employers like JP Morgan, Citibank, and Goldman Sachs are expected to bring employees back in the summer, with some recently advancing start dates.

Baseball stadiums and cultural attractions are ramping up to capacity, our libraries are reopening, and Broadway turns the lights back on in the fall.

As I mentioned earlier, this momentum is propelled by our aggressive vaccination campaign and the federal stimulus.

We have administered 79 million vaccine doses to date, with 3.4 million New Yorkers fully vaccinated.

To reach unvaccinated and hesitant populations, we are taking a creative approach. Our public relations campaign stretches across social media platforms, cable TV, and public transportation. Mobile vaccination buses reach New Yorkers in traditionally underserved TRIE neighborhoods. Centers and pop-up sites are in unique and interesting places like the Museum of Natural History, Citi Field, Yankee Stadium and, now, subway stations. We are also partnering with entities like Citi Bike and Shake Shack to provide incentives. And by now every New Yorker should know that all centers accept walk-ins.

Our \$700 million vaccination program is a success. COVID -19 cases, hospitalizations, infection rates, and deaths have declined steadily since reaching a second wave peak in February.

As our vaccination campaign has saved lives and set the stage for the reopening, the shift to Democratic control in Washington, D.C., led to a significant change in our financial position.

Over the past 13 months cities and states across the country incurred tremendous costs as the need for services increased with the severity of the pandemic. At the same time, revenues plummeted. To address this problem, the Congress passed, and the President signed into law, the American Rescue Plan which includes \$350 billion in relief for state and local governments.

New York City will receive \$5.9 billion in local aid and \$7 billion in federal education aid that must be used by calendar year 2024. The local aid will be disbursed in two tranches – we received the first tranche last week and the second will come in about a year.

In addition to helping us to recover financially, the allocation of stimulus funding allowed New York State to withdraw proposed budget cuts and shifts and provide long-awaited Campaign for Fiscal Equity (CFE) funding, which will ramp up to \$1.1 billion annually. The Council’s advocacy over many years helped make this happen – thank you!

The stimulus-driven investments in this Plan bridge the gap to recovery. Speaking broadly, we have used them to boost education, public and mental health, non-profit support, public safety, and support for small business and tourism.

We have deepened investments in education because the youngest New Yorkers’ success will propel the city’s growth for years to come.

We are using newly released CFE funding to make sure that every one of our schools receives at least 100 percent of Fair Student Funding, beginning in Fiscal Year 2022.

Universal, free, 3-K for All will be available to every family by September 2023.

Students have suffered during the pandemic, so we are investing \$500 million in Fiscal Year 2022 and \$350 million over Fiscal Year 2023 and 2024 to accelerate academic opportunities and make up for the learning gap caused by the pandemic.

We have also funded digital tools that support technology literacy, restorative justice programs, an expansion of the number of Community Schools from 266 to 406 and have strengthened Special Education Services to address services like physical and speech therapy that could not be delivered during the pandemic.

To make sure that students have a fun, safe summer, the Administration created “Summer Rising,” a program that will include academic, recreational, and social

emotional learning. We also deepened youth employment opportunities by adding 5,000 CUNY Summer Youth Employment slots which allows us to serve a total of 75,000 participants.

In recognition of the impact the pandemic has had on New Yorkers' emotional wellbeing, we are adding 25 new mobile teams that will bring mental health services directly to New Yorkers. Also, now EMS and social workers will be able to respond to urgent, non-violent, mental health needs citywide.

This has been a challenging time for seniors as well. To help them recover, we are expanding 25 more senior centers in underserved communities and increasing model budget funding.

We have heard your concerns about the funding needs of the city's Human Services Providers, which have been a critical piece of the City's pandemic response. So, in this Plan, we added funds in the baseline to cover 100 percent of non-profit provider indirect rates.

Bringing the city back includes support for small businesses that have suffered during the pandemic. Beginning this Summer, eligible small businesses in low to moderate income neighborhoods will have access to a \$100 million grant pool to help them bridge the gap to recovery. We are also investing \$30 million this year to leverage \$70 million in private investment to offer low-interest loans to small businesses citywide.

The need to socially distance has highlighted the value of expanding public space. In this Plan, we are deepening our investment in the Open Restaurants and Streets programs and increasing space for cyclists on boulevards and the Brooklyn Bridge.

And, of course, we need visitors to return to our hotels, restaurants, and cultural attractions. To help welcome them back NYC &Co will launch the largest tourism campaign in the City's history.

When tourists return, they will find a cleaner city, especially in core business districts, thanks to the City Cleanup Corp, a New Deal style program that will employ 10,000 New Yorkers through the end of the year. Litter basket collection service has been restored as well.

Not only will the city be cleaner, it will be greener. Organics collection, a shared priority for the Council and Administration, will be resumed beginning this Fall.

This means 3.5 million New Yorkers who previously received service will be able to opt-in to the weekly curbside composting service.

We are also increasing investments in public safety and criminal justice. This includes hate crime prevention measures, the Mayor's "Safe Summer" program for youth, and a doubling of the Cure Violence workforce this year and tripling it in Fiscal Year 2023.

More than \$1.8 billion of new investments in this Plan are identified as priorities in Council's Preliminary Budget response. On top of what I already noted in my testimony, like Fair Student Funding and increasing the indirect rate, we restored College Access for all, allocated funding for small group tutoring, and will ensure that every school has a nurse. On the capital side, we added \$94 million to restore funding for the 116<sup>th</sup> Precinct.

Before I conclude, I'd like to discuss the capital plan.

COVID-19 substantially disrupted the City's capital planning, though critical life-safety needs, health and safety and COVID-related projects for school reopening, were never paused. As of April, all restrictions have been lifted and the process has completely resumed.

Despite these challenges, \$6.7 billion through April 2021. March and April commitments were \$1.4 billion and \$1.3 billion, respectively, once all the capital contract restrictions were lifted.

We continue to work with agencies, the Law department and MOCS so the agencies can commit as much of their 2021 programs as possible in the remaining two months.

The Ten-Year Executive Capital Strategy is \$133.7 billion, an increase of \$14.9 billion over the Preliminary Capital Plan. We anticipate investing just over \$21.9 billion in infrastructure in Fiscal Year 2022, alone.

Major additions to the Ten-Year Capital Strategy include:

- Fully funding affordable housing through Your HomeNYC
- Resurfacing 1,150 miles of lanes, including 50 miles of bike lanes each year

- Expanding school capacity for Universal 3K
- Completing the Manhattan Greenway
- Funding the East Side Coastal Resiliency project (ESCR), and
- Expanding the LifeSci NYC Initiative

To conclude, we are on the path to recovery, and our outlook has drastically improved.

To preserve the momentum, we remain committed to our vaccination program and the strong fiscal management practices that guided our recovery and prevented the need for short term debt financing, major programmatic cuts, or layoffs. It has never been more important to build and maintain reserves and make strategic investments that help us grow and prosper.

We look forward to working with you as we approach adoption to advance our shared goals, which include rebuilding this city and forging a recovery for all of us.

Thank you again for the opportunity to testify today.

Now I look forward to taking your questions.