

## POLITICO

### Eleven things to watch for in de Blasio's executive budget

By [LAURA NAHMIAS](#)  
04/26/17 05:08 AM EDT

Mayor Bill de Blasio will unveil his executive budget proposal Wednesday, kicking off the final round of negotiations with the City Council over the city's spending plan for the fiscal year 2018 budget that must be finalized by June 30.

The \$84.67 billion spending plan de Blasio released in late January was the mayor's fourth, and the last before his fall re-election campaign.

*Story Continued Below*

De Blasio has benefited from the city being flush with cash for years as its economy has expanded. The city's budget has swelled commensurately — spending has increased 18 percent since de Blasio took office in January 2014.

But slowing economic growth and the uncertainty of future federal aid under President Donald Trump have raised questions about whether de Blasio will adjust the city's spending plans to reflect the new reality in Washington and coming shifts in the economy.

Here are eleven things to watch for as the budget is rolled out.

#### **1. How will the budget achieve more savings?**

De Blasio touted the city's historic level of funding reserves in January as part of his preliminary spending plan, with \$1 billion in the general fund, \$4 billion in the city's retiree health benefits fund and \$250 million in capital reserves. After asking city agencies to find at least \$1 billion in savings as part of last year's November budget modification, the mayor promised in January that the executive budget would include at least \$500 million more in new savings initiatives.

Budget watchdogs are now looking to see where those savings will come from. In recent years, de Blasio has touted savings that have largely come from cost re-estimates and funding shifts, or delays in planned hiring. The Citizens' Budget Commission and others have called for de Blasio to find more actual programmatic savings in the city spending plan.

And [some Council members are concerned](#) that even the city's sizable reserves might not be enough to cover potential federal funding cuts, or an unexpected economic downturn. The Council has [pressured the administration](#) to deepen the city's savings plan beyond the additional \$500 million the mayor promised.

## **2. Will the city add more money for the struggling Health + Hospitals system?**

Health + Hospitals, the city's 11 hospital public health system, [required a \\$338 million cash infusion in addition to last year's budget appropriation](#). The hospital system has seen declining utilization rates this year, leading to \$70 million less in revenue than what the city had budgeted.

Increasing the number of patients at the city's public hospitals was a key element of the mayor's plan to help the struggling hospital system, and former H + H president Ram Raju had hoped to increase the system's patient base by 43 percent by the year 2020, as part of a five-year plan to reduce the system's massive deficit.

The hospital system faces a \$1.8 billion deficit by Fiscal Year 2020, and could be further imperiled by changes at the federal level. The system's transformation plan relies on federal assistance of \$1.4 billion over four years, and relies on the federal government extending Medicaid coverage to undocumented immigrants for non-emergency services, a plan that would give the corporation \$18 million in the current fiscal year and \$96 million for each year thereafter starting in Fiscal Year 2018.

With those funds in question under Trump, budget watchers are looking to see if the de Blasio administration is willing to pump more money into the system.

## **3. Will there be Trump-specific adjustments?**

In the months since he released his preliminary budget, de Blasio has refused to say whether the city is planning to plug any gaps opened up by potential cuts in federal aid, telling reporters he doesn't want to give off the impression the city can afford to pay for possible cuts in Washington.

But will Tuesday's spending plan acknowledge what de Blasio himself has described as hundreds of millions of dollars in proposed federal cuts that could have a "hugely negative" impact on New York City's bottom line?

City officials estimate the Trump administration's executive order targeting sanctuary cities — which was [blocked in court](#) Tuesday — could threaten \$190 million in federal grants to the New

York Police Department. The mayor's administration has vowed to sue over any cuts in federal aid.

And while Republicans in Congress have so far been unable to repeal and replace the Affordable Care Act, GOP leaders have vowed to continue their efforts. State Comptroller Tom DiNapoli's office warned earlier this year that, depending on the replacement plan, 1.1 million New York City residents could lose Medicaid coverage and another 460,000 residents could lose coverage from insurance plans bought on the state's health care exchange. DiNapoli also warned the city would lose \$305 million a year if the ACA provision increasing Medicaid reimbursement rates for states that expanded their eligibility is repealed.

Other potential impacts of the federal budget on New York City are still unknown, and will depend on the outcome of Congress' negotiations later this year. But Trump's so-called "skinny budget" released in March contained a number of proposals that would lead to steep funding cuts for the city.

City Schools Chancellor Carmen Farina said the skinny budget contained proposed cuts of \$140 million to Title II-A funding and afterschool programs.

And the federal Department of Housing and Urban Development is [proposing funding cuts](#) to the already cash-strapped New York City Housing Authority, the city's massive public housing complex which has a \$17 billion capital deficit and is home to more than 400,000 New York City residents. NYCHA faces a potential \$370 million cut to its operating and capital budget, on top of \$81 million in cuts it has already received from Washington this year.

The City's Department of Housing Preservation and Development also [could lose \\$136 million](#) in federal aid if the Trump administration succeeds in cutting the \$6.2 billion Community Development Block Grant program.

It's unclear what, if any, impact the Trump administration's hard-line stance on immigration could have on the city's budget, but various fiscal agencies and DiNapoli have warned that any policy that affects the city's 3.2 million immigrants could have a significant financial impact. DiNapoli's office released an analysis projecting that immigrants accounted for \$271 billion in economic activity in 2015 in New York City, making up roughly a third of the city's gross product.

#### **4. How much is in the labor reserve?**

Thirteen of the city's contracts with municipal unions are set to expire in 2017. How much money is the city setting aside in its labor reserve in the executive plan to cover those costs?

### **5. Will de Blasio increase funding for nonprofit contracts?**

Hundreds of the city's nonprofit service providers launched a campaign this year [seeking a \\$500 million across-the-board 12 percent increase](#) to all human services contracts in the city budget. The nonprofits said they expected the increase to come after some groups had gone a decade without seeing funding boosts, which typically follow the same pattern and timing as labor contract negotiations.

The de Blasio administration has proposed a two percent increase for nonprofits' contracted personnel each year for the next three years, but nonprofits said that measure would do little to address underlying cost increases in rent and infrastructure. They also argue that increase wouldn't cover the costs of employees they had been forced to hire who are being paid for through donations because current contracts aren't big enough to cover them.

The City Council asked for a review of contract costs and changes to contracts "ensure that all of the city's human service agencies engage providers under terms that are fair and sustainable" in their own budget response, but will the administration go that far?

### **6. Are there changes in OMB's tax forecast?**

Another thing budget watchers will be keeping an eye on is whether city tax revenue collections are running ahead of projections this year or behind, and how the city's projections for coming years compare with what the city projected in January.

In mid-March, the State Financial Control Board, which reviews and oversees the city's finances, said that while the city property tax and tax audit revenue was higher than anticipated by \$353 million in the January preliminary budget, those increases were more than offset by shortfalls in other non-property taxes and miscellaneous revenues, which fell \$624 million short of projections because of a weakening in business and property transaction taxes.

City Councilman Dan Garodnick and the city's Economic Development Corporation have projected a dip in sales tax collections caused by a [drop-off in international tourism](#) following Trump's executive orders on immigration. Budget watchers, and Council members, will be looking to see if the executive budget shows a decline in sales tax collections.

### **7. Is the public employee headcount growing?**

De Blasio has overseen a major expansion of the city's workforce since he took office in January 2014, adding 16,000 new employees between 2014 and 2016, and bringing the overall headcount to 313,092 employees as of June 30 last year, with a significant part of the expansion stemming from the city's build-out of the universal pre-kindergarten program.

Last year's adopted budget anticipated the workforce would reach 323,200 by the end of this June. The preliminary budget released in January assumed a slight contraction in the city workforce over the course of the fiscal year that begins on July 1, with an anticipated total workforce of 322,818 employees.

Will those numbers change in the executive budget?

### **8. What's the total price tag for spending on initiatives announced since the preliminary budget?**

It's an election year, which typically means mayors propose new spending items — tangible evidence of a government at work. And de Blasio has proposed a number of new initiatives since he released the preliminary budget in January.

Shortly after his preliminary budget, for example, de Blasio released a five-year blueprint for managing the city's homelessness problem that includes plans to build 90 new shelters across the city while closing down cluster sites and moving homeless New Yorkers out of hotels. The administration has said the city will be able to pay for that plan with existing resources, and has said the costs of building new shelters will be offset by the savings associated with closing down hotels and shelters.

Budget watchdogs, along with city Comptroller Scott Stringer and some Council members, have expressed skepticism about the city's budget for shelter costs this year, which assumes a decline in the city's shelter census. They'll be looking to see if the city increases the proposed costs for shelters in the new spending plan.

The price tag for de Blasio's [new plan announced this week](#) to expand universal pre-kindergarten to all three-year-olds citywide by 2021 likely won't be reflected in this year's operating spending plan, or an update to the capital budget. The city is anticipating the first wave of students enrolled in the new program will cost \$16 million in Fiscal Year 2018.

Other initiatives will add up.

The administration announced [plans to add back in \\$10 million](#) in funding for homeless students. The City also plans to spend \$28.75 million over the next five years to add air-conditioning to city school classrooms, following complaints from parents, some Council members and Public Advocate Letitia James about overheated classrooms.

The mayor's new \$89.6 billion 10-year capital plan released in January was already the largest one in the city's history. But look for new costs to be added into it. The mayor's office announced this week the city would provide \$100 million in capital funding to build out the Manhattan Waterfront Greenway, an esplanade that would run alongside the East River between East 61st and East 53rd Streets.

De Blasio also announced earlier this year \$1.9 billion in new capital spending to deepen subsidies for affordability.

### **9. Which, if any, of the City Council's priorities are being funded?**

The City Council is calling for a universal free school lunch program, expansions to summer youth employment programs and more programming for the city's seniors. But will the de Blasio administration adopt any of the Council's major priorities?

Another question is whether the administration will include any new capital or expense funding for the mayor's 10-year plan to close Rikers, a major priority for City Council Speaker Melissa Mark-Vivierito which would presumably appear in the updated 10-year capital plan the mayor will release Wednesday.

### **10. Will de Blasio subsidize subway fares for poor people?**

The question of subsidizing subway fares for some New Yorkers pits the mayor's tale-of-two-cities rhetoric against his aversion to putting more money toward the MTA, the state authority controlled by his antagonist, Gov. Andrew Cuomo.

Advocates contend that for a mere budgetary pittance ([\\$200 million a year](#)), de Blasio could significantly improve the lives of hundreds of thousands of New York City's working poor. They further argue that "fair fares" would have a far greater impact on New York's working poor than de Blasio's ferry and Brooklyn-Queens streetcar plans.

The Council has proposed putting \$50 million toward the effort. And in a sign that a compromise is perhaps possible, advocates on Tuesday suggested the mayor consider phasing in the subsidies, starting in the second half of the fiscal year and with the poorest New Yorkers first.

“We have responded to the Mayor's concerns over cost by developing a phase-in program, meant to ease strains on the city budget, while providing time to get it right,” the Council’s transportation committee chair, Ydanis Rodriguez, said in a statement. “I am confident that as Mayor de Blasio has long been a leader in tackling poverty in New York City, he will see the value this can bring and the widespread benefits for the city as a whole. With just weeks left in this process, I know we can get this done.”

## **11. How does the city accommodate the recently passed state budget?**

The mayor's preliminary budget proposal came before Albany lawmakers and Cuomo reached their agreement earlier this month on the state’s \$153.1 billion annual budget, which included tens of millions of dollars worth of cuts to New York City.

Last year, the city refused to budget for the state’s clawback of hundreds of millions of dollars in STAR-C savings the city was set to realize over a three-year period as part of a refinancing of old debt. But the city had enough surplus last year to cover the loss of the savings.

It’s unclear whether the city will acknowledge the clawback this year as part of the executive budget this year.

The new state budget also cut some money to New York City senior centers, effectively eliminated \$20 million in state funding for special education services and [cut \\$44 million in foster care funding to New York City](#).

The de Blasio administration is unlikely to reduce service levels in response to the cuts, and will likely use city funds to cover the reduced state funding. Wonks are also curious to know the actual cost of a late deal in the state budget that deducts union dues from state personal income taxes. That deal will flow through to the city automatically and budget watchdogs expect the change will have at least some marginal fiscal impact that should be reflected in the executive spending plan.

— *Eliza Shapiro, Dana Rubinstein, Dan Goldberg, Gloria Pazmino and Sally Goldenberg contributed reporting.*