

# Giving Some Back, Leaving Others Out:

## IBO's Analysis of the Administration's Second Consecutive Program to Eliminate the Gap This Fiscal Year



**IBO**

New York City  
Independent Budget Office  
Louisa Chafee, Director

110 William Street, 14<sup>th</sup> floor  
New York, NY 10038

Tel. 212-442-0632  
[www.ibo.nyc.gov](http://www.ibo.nyc.gov)  
[press@ibo.nyc.gov](mailto:press@ibo.nyc.gov)





This report was supervised by Sarita Subramanian with report production by Tara V. Swanson.

Contributors to this report include: Arden Armbruster, Jacob Berman, Brian Cain, Cameron Chapman, Logan Clark, Emma Gossett, Zachary Herman, Sarah Internicola, Julia Konrad, Jordan Paige, Emily Pramik, Amanda Raikes-Williams, Claire Salant, Youngwan Song, Cassandra Stuart, and Alaina Turnquist.

Please direct any inquires on this report to [saritas@ibo.nyc.gov](mailto:saritas@ibo.nyc.gov).

# Executive Summary

The Adams Administration (Administration) included a second round of reductions to agency budgets in its Program to Eliminate the Gap (PEG) in the Preliminary Budget and Financial Plan for fiscal year 2025. This PEG follows a first round of reductions from the Administration's November Plan, and totals just over \$3 billion for 2024 and 2025, although there were restorations of previous cuts that offset a portion. (All years refer to City fiscal years.) While the third round of reductions for the Executive budget has been called off, the cuts included in the two most recent plans have the potential to substantially impact the life experiences of New Yorkers. Separately, shortly after the November Plan was announced, the Administration announced a 20% reduction to the estimated cost of providing services for asylum seekers—which was reflected in the Preliminary Budget. Last week, the Administration announced an additional 10% reduction in those costs, which is anticipated to be reflected in the Executive Budget.

In this report, the Independent Budget Office (IBO) highlights areas that were cut in both plans, other areas in which cuts from the November Plan were restored in the Preliminary Budget, and areas where new cuts occurred in the Preliminary Budget. IBO found that:

- Areas that received cuts in both plans include those that largely contract with nonprofit organizations for the provision of human services: Department of Education early childhood programs, programs for justice-involved individuals (including criminal justice contracts, re-entry services, and mentorship programs), and older adult centers.
- Department of Cultural Affairs also received cuts in both plans and has reduced subsidies to the 34 members of the Cultural Institutions Group and grants to over 1,000 smaller organizations through the Cultural Development Fund (CDF) by 13% and 11%, respectively, since the Adopted Budget. IBO analysis of detailed CDF grant data showed that about 80% of this year's grantees received smaller or no awards than last year, and generally organizations that received smaller awards last year received disproportionately larger cuts to their grants this year.
- The Preliminary Budget included cuts from the November Plan that were either partially or fully restored. Partial restorations included one police officer academy class and one year of Summer Rising programming that will provide enrichment for about 100,000 elementary and middle school students this summer. Full restorations included the Parks Opportunity Program (a six-month job training program for thousands of low-income New Yorkers) and litter basket service.
- Among new cuts in the Preliminary Budget, the City reduced the overall budget for asylum seekers by 11% in 2024 and by 20% in 2025. The City's share of the overall costs was also reduced by 36% over 2024 and 2025, partly due to additional State funding.
- Some cuts have resulted in reductions to full-time headcount at agencies such as the Department of Buildings and the Department of Parks and Recreation, which could contribute to concerns about adequate staffing for service provision.

# Table of Contents

<b>Introduction</b>	<a href="#"><u>1</u></a>
<b>Different Categorizations of PEGs</b>	<a href="#"><u>1</u></a>
<b>Funding Swaps</b>	<a href="#"><u>2</u></a>
<b>Headcount Reductions</b>	<a href="#"><u>3</u></a>
<b>Restorations of First PEG in November</b>	<a href="#"><u>3</u></a>
<b>Police and Fire Departments</b>	<a href="#"><u>3</u></a>
<b>Student and Youth Services</b>	<a href="#"><u>4</u></a>
<b>Job Training and Workforce Development</b>	<a href="#"><u>4</u></a>
<b>Environment</b>	<a href="#"><u>4</u></a>
<b>PEGs in Both Rounds</b>	<a href="#"><u>5</u></a>
<b>Cultural Affairs</b>	<a href="#"><u>5</u></a>
<b>Department of Education</b>	<a href="#"><u>6</u></a>
<b>Justice-Involved Individuals</b>	<a href="#"><u>6</u></a>
<b>Older Adult Centers</b>	<a href="#"><u>6</u></a>
<b>New PEGs</b>	<a href="#"><u>6</u></a>
<b>Asylum Seekers</b>	<a href="#"><u>6</u></a>
<b>City University of New York</b>	<a href="#"><u>7</u></a>
<b>Department of Correction Overtime</b>	<a href="#"><u>7</u></a>
<b>Conclusion</b>	<a href="#"><u>8</u></a>

## Introduction

The Independent Budget Office (IBO) released its [Analysis of the 2025 Preliminary Budget and Financial Plan](#), in which IBO found that the City is on track to end this fiscal year (2024) with a surplus of \$2.8 billion more than the Adams Administration (Administration) projects. (All references are to City fiscal years unless otherwise noted.) Using that surplus to prepay expected expenditures, IBO estimates a \$3.3 billion surplus for 2025 and gaps in the outyears that are within the range that the City has closed in the past.

The Administration's Preliminary Budget also included a second round of reductions via the Program to Eliminate the Gap (PEG), which was initially [announced](#) in September 2023. At that time, the Administration directed agencies to reduce City-funded spending by 15%, requiring consecutive 5% reductions over the next three financial plans—the November Plan, Preliminary Budget, and Executive Budget. The Preliminary Budget PEGs follow the first round from the November Plan (see IBO's [previous PEG report](#)). Shortly after the release of the November Plan, the Administration also called for additional reductions to the cost of providing services for asylum seekers, as discussed below. While the Administration [announced](#) the cancellation of the third round of PEGs for the Executive Budget, the City will seek to reduce asylum seeker costs further.

## Different Categorizations of PEGs

Within the category of PEGs, the Administration includes expenditure reductions and changes to revenues. Expenditures can be reduced through implementing operational efficiencies, re-estimates of existing expenses, or service reductions. On the revenue side, agencies may offer re-estimates, which increase overall city revenues, or by implementing funding swaps which allow for other revenues such as Federal, State, or capital funds to be used rather than City expense funds. While the revenue options do not result in lower spending, they do allow for City funds to be put toward other uses. It is within the discretion of the Administration whether to credit these categories as PEGs, although arguably agencies should be making these adjustments regardless of the fiscal need for a PEG. Additionally, the effects of PEGs may be offset by other increases in the expense budget, sometimes within the same plan, as shown below in the discussion of the Department of Correction. As a result, IBO assesses the net impact of all adjustments, not solely the PEG, as that categorization is subject to administrative discretion.

In addition to the second round of PEGs, the Preliminary Budget also featured a limited restoration of some November PEGs. IBO recognizes that PEGs tell only one part of the budget story, as there are also adjustments beyond the PEGs. These include “new needs”—which are budget increases typically related to new initiatives—and “other adjustments”—which are negative or positive adjustments that are not classified as either a PEG or new need, but can also reflect a net-zero change or to account for legally mandated costs. Despite two rounds of PEGs, the total 2024 budget has increased by \$7 billion, or 7%, since the Adopted Budget from June 2023. Of this increase, \$2.4 billion (3%) is an increase in City funds including a prepayment for 2025 expenses. For an agency-level detail of the adjustments since the Adopted Budget for 2024 through 2027, see [IBO's Budget Changes from Adopted Budget to Preliminary Budget by Agency](#).

In this report, IBO will highlight some notable examples of the different types of PEGs in the Preliminary Budget. IBO first discusses funding swaps and headcount reductions, which can span across other categories. Other categories include: restorations of the first PEG in November, PEGs in both rounds (November and January), new PEGs in the second round, and a unique circumstance at the Department of Correction where a PEG to reduce overtime was offset by a larger increase in an “other adjustment” in the same category. Throughout the report, IBO additionally recognizes areas within particular agencies where a PEG in November might have impacted service delivery but was not restored.

Figure 1

**After Restorations of Cuts from the November Plan, The Preliminary Budget Included \$2.8 Billion in Net Cuts for 2024 and 2025 in the Program to Eliminate the Gap***Dollars in Thousands*

	Fiscal Year				
	2024	2025	2026	2027	2028
<b>PEGs</b>	<b>(\$1,268,916)</b>	<b>(\$1,764,442)</b>	<b>(\$585,104)</b>	<b>(\$621,806)</b>	<b>(\$696,402)</b>
Revenue Adjustments & Funding Swaps	(\$358,868)	(\$97,630)	(\$99,225)	(\$99,304)	(\$99,300)
Revenue Re-estimate	(334,219)	(67,777)	(69,130)	(69,056)	(69,077)
Funding Swap	(24,649)	(29,853)	(30,095)	(30,248)	(30,223)
<b>Expenditure Reductions</b>	<b>(\$910,048)</b>	<b>(\$1,666,812)</b>	<b>(\$485,879)</b>	<b>(\$522,502)</b>	<b>(\$597,102)</b>
Debt Service	(48,436)	(47,343)	(62,459)	(90,492)	(155,265)
Efficiency	(109,142)	(187,419)	(192,379)	(195,653)	(196,450)
Expense Re-estimate	(726,713)	(1,383,514)	(173,401)	(178,543)	(187,074)
Headcount Reduction	(13,951)	(35,099)	(44,707)	(45,569)	(45,567)
Service Reduction	(11,806)	(13,437)	(12,933)	(12,245)	(12,746)
<b>Restorations</b>	<b>\$65,807</b>	<b>\$129,103</b>	<b>\$133,346</b>	<b>\$135,249</b>	<b>\$140,130</b>

SOURCE: IBO analysis of Office of Management and Budget data.

NOTE: This table is a presentation of the total 2025 Preliminary Budget and Financial Plan PEG and its categorization by the Administration. However, IBO has broken out some specific categorizations: Funding Swaps and Headcount Reduction (changes with a headcount impact).

*New York City Independent Budget Office*

## Funding Swaps

Funding swap PEGs—which do not impact expenditures, program design, or service provision—total \$25 million in 2024 and \$30 million in each subsequent year. Some examples include the Department of Housing Preservation and Development (HPD), which claimed PEGs of over \$10 million each year of the plan by funding the New York City Housing Authority Vacant Unit Readiness Program with capital dollars, typically generated through debt financing, rather than through the general fund. This type of capital funding swap is only possible if the spending in question is eligible to be capitalized. Other smaller swaps occurred in the Department of Health and Mental Hygiene, the Department of Citywide Administrative Services, and the Office of Technology and Innovation.

## Headcount Reductions

Some PEGs adjust the budgeted headcount, or the number of employees an agency is permitted to hire. One common type of headcount PEG is a vacancy reduction, which eliminates unfilled budgeted positions (also called vacancies). The two largest vacancy reductions were in the Department of Buildings (DOB) and the Department of Parks and Recreation (DPR). DOB's headcount PEG reduced headcount by 137 positions in 2024 for a budget reduction of nearly \$11 million (with a reduction of 90 positions in each other year). DPR took a PEG for 375 positions and approximately \$9 million each year from 2025 through 2028. Such headcount PEGs are potentially concerning given the staffing and service concerns IBO highlighted in recent [City Council testimony on the Mayor's Management Report](#).

Conversely, some of the PEG restorations were also headcount restorations—headcount reductions from November that have been restored in the January Plan. The Fire Department received the largest headcount restoration, with 190 positions restored in each year of the plan. Note that although this year's Police Department academy was partially restored in this plan, headcount was never adjusted in the November Plan and therefore the January restoration did not impact headcount either. It is within the discretion of the Administration when to make headcount adjustments. IBO expects those adjustments will be made in a future financial plan.

Figure 2

### Personal Services PEGs From the Hiring Freeze and Vacancy Reductions Decrease Budgeted Headcount That Was Partially Offset by Restorations in 2025 Through 2028

Dollars in Thousands

	2024	2025	2026	2027	2028
Headcount Reduction PEGs	(\$13,951)	(\$35,099)	(\$44,707)	(\$45,569)	(\$45,567)
Budgeted Headcount Adjustment	(179)	(528)	(463)	(473)	(473)
Headcount Restoration PEGs	\$14,258	\$35,249	\$36,408	\$36,576	\$40,045
Budgeted Headcount Adjustment	190	270	270	270	270
<b>Net Total</b>	<b>\$307</b>	<b>\$150</b>	<b>(\$8,299)</b>	<b>(\$8,993)</b>	<b>(\$5,522)</b>
Budgeted Headcount Adjustment	11	(258)	(193)	(203)	(203)

SOURCE: IBO analysis of Mayor's Office of Management and Budget data.

NOTE: Headcount reductions are to full-time plus full-time equivalent positions. This table does not include headcount adjustments that were not categorized as PEGs.

New York City Independent Budget Office

## Restorations of First PEG in November

**Police and Fire Departments.** One of the single largest PEGs in the November Plan was the cancellation of an entire year's academy class for the New York Police Department (NYPD). Typically there are two classes each year that begin in the Spring and the Fall, with each class ultimately graduating about 600 officers. The November PEG was estimated to have saved the City over \$220 million each year from 2025 through 2028. In the Preliminary Budget, the Administration partially restored this PEG by reinstating the April 2024 Academy Class, adding more than \$52 million each year from 2025 through 2028. Due to timing, the Fall 2023 Academy Class was not restored, however. The NYPD had other large PEGs in November including reducing 347 civilian positions and delaying the replacement of agency vehicles that were not restored in the Preliminary Budget.

Like the NYPD, the Fire Department of New York (FDNY) saw a partial restoration of their November PEGs. In November, the Administration announced a one-year union-negotiated agreement where select fire companies would temporarily be reduced by one firefighter, as well as the enforcement of city rules to terminate employees that are on long-term light duty assignment. In the Preliminary Budget, both PEGs were restored. Notably, November PEGs to civilian headcount—266 civilian positions cut—and delaying the expansion of the Behavioral Health Emergency Assistance Response Division (B-HEARD)—\$2 million each year in the plan—were not restored in the Preliminary Budget. B-HEARD is

a pilot program where social workers and medical personnel respond to nonviolent mental and behavioral health 9-1-1 calls in select hours of the day in select areas of the City. From January through June 2023, B-HEARD served 5,095 out of 9,253 eligible individuals according to [the Administration](#).

In the November Plan, the FDNY had PEGs for uniformed, Emergency Medical Services, and civilian overtime totaling \$25 million in 2024. While not explicitly listed as a restoration, the Administration added \$74 million in civilian and uniformed overtime in the Preliminary Budget, more than offsetting the \$25 million PEG from November. This additional money brings 2024 overtime levels to \$495 million, within 2% of the \$504 million that was spent on overtime in 2023.

**Student and Youth Services.** The Preliminary Budget included a PEG restoration within Department of Education (DOE) for the Community Schools program, which contracts with community-based organizations to provide wrap-around services in high-poverty schools. In the November Plan, funding for Community School was reduced by \$10 million in 2024, and \$8 million each year from 2025 through 2027. The \$10 million PEG in 2024 was fully restored, however reductions to the subsequent outyears were not.

Notably, a cut in the November Plan to the Summer Rising program in the Department of Youth and Community Development (DYCD) budget was not restored in that agency's budget but there was an \$80 million addition of City funds to DOE's budget. Summer Rising is jointly funded by DOE and DYCD and connects over 100,000 elementary and middle school students to fun, culturally relevant, hands-on experiences over the summer. In the November Plan, DYCD had a PEG for \$20 million in 2025 through 2028 to Summer Rising, reducing program hours contracted with nonprofit providers for middle schoolers for summer 2024 and on Fridays. The \$20 million reduction was 12% of the total \$168 million in City funds for Summer Rising as of the Adopted Budget. The \$80 million in additional funding within DOE was added for 2025 only (not baselined for future years), for in-house summer instructional programs for elementary, middle, and high schools. Also within DYCD, a November Plan PEG that cut 3,500 slots (4% of total slots) to the Comprehensive Afterschool System of NYC (COMPASS), an afterschool program in New York City serving young people in grades K-12, with a savings of \$2 million in 2024 and \$7 million annually in 2025 through 2027, was not restored.

**Job Training and Workforce Development.** The Department of Parks & Recreation (DPR) and the Department of Social Services (DSS) jointly host a job training program called the Parks Opportunity Program, which “gives thousands of low-income New Yorkers six-month paid opportunities and training programs each year.”<sup>1</sup> The program hires part-time employees to assist with the maintenance of City parks, facilities, and open spaces. The first PEG cut this program's budget by \$12 million in 2024, and about \$25 million annually in 2025 through 2027—District Council 37 sued the City initially over these plans. The PEG was fully restored in the Preliminary Budget.

**Environment.** The Department of Sanitation (DSNY) received two notable PEG restorations in the January Plan. The first was for litter basket service; in November, the budget for litter basket service had been reduced for 2025 and each subsequent year, eliminating 80 uniformed positions and reducing the budget by over \$5 million in 2025 through 2027, and nearly \$10 million in 2028. This PEG was fully restored in the January Plan. The second DSNY restoration was for the Street Cleaning Job Training Participants (JTP). This program had been fully eliminated in the November Plan but was fully restored in the January Plan.

Three notable DSNY programs were not restored in the January Plan. The first is the elimination of Community Composting Program funding, which distributed City dollars to organizations that collect food scraps and other organic waste and convert them to fertilizer or animal feed, reducing greenhouse gas emissions and waste. The PEG eliminated between \$3 million and \$5 million in each year of the plan. The second PEG was a delay in the expansion of the City-run residential organics program to the Bronx and Staten Island until October 2024, reducing the 2024 and 2025 budgets by \$2.4 million each. The third PEG was to the SAFE (Solvents, Automotive, Flammables, and Electronics) Disposal Events, where residents can safely dispose hazardous household waste. The November PEG reduced funding for these events by about \$1 million each year of the plan.

Subsidies to the City's public library systems—New York, Brooklyn, and Queens Public Libraries (collectively “the Libraries”)—did not receive a PEG in the January Plan, sparing cuts to Saturday service which were [reportedly on the table](#). However, the 5% PEG from the November Plan that led the Libraries to end Sunday services was not reversed. While cuts to the Libraries are often part of budget negotiations between the administration and City Council, negotiations do not guarantee that PEGs will be restored. For example, in last year's budget cycle, the Libraries received a PEG in November for all fiscal years, but the restoration (which only came at the Adopted Budget in June) did not address cuts to 2023 funding. The individual systems likely differ in their abilities to absorb the cuts, given that a recent City Council [report](#) indicated that City contributions make up a larger share of the budgets for the Brooklyn and Queens Public Libraries than for the New York Public Library.



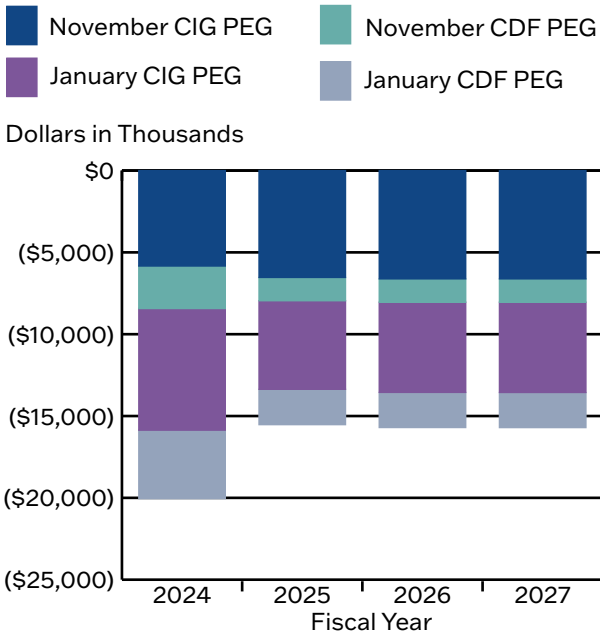
## PEGs in Both Rounds

**Cultural Affairs.** The Department of Cultural Affairs (DCLA) was cut by approximately 5% across all fiscal years in the Preliminary Plan, with large reductions in the current year—even though many organizations have had programs in operation. This reduction follows a similar PEG in the November Plan to DCLA’s core programs—subsidies to 34 members of the Cultural Institutions Group (CIG) and grants to cultural nonprofits through the Cultural Development Fund (CDF). For CIG subsidies, reductions after two rounds of PEGs total about \$13 million (\$6 million in November, \$7 million in January) for 2024 compared with the Adopted Budget—13% of the CIG subsidy budget this year. Reductions in each of the outyears totaled more than \$12 million per year. IBO [previously found](#) that CIG members with smaller budgets tend to rely more heavily on City subsidies, suggesting that the impacts of cuts may vary by member organization.

Reductions for the CDF total approximately \$7 million in 2024 (\$3 million in November, \$4 million in January), about 11% of the CDF Adopted Budget, not including Council initiatives administered by DCLA. CDF grants are awarded on a yearly cycle, and because DCLA’s 2024 budget was not exempt from the PEG, these cuts delayed funding confirmation letters for current-year grantees until eight months into the fiscal year. IBO analysis of CDF data provided by DCLA showed that about 80% of this year’s more than 1,000 grantees received smaller or no awards than last year. Among organizations that received cuts, the average reduction was 31% (about \$16,000). However, the overall average masks substantial variation when grouping by size of award. Organizations that received larger awards in 2023 had proportionally smaller average cuts of 21%, whereas organizations with smaller 2023 awards saw an average reduction of 59%. In comparison, when 2020 CDF awards were announced—before the onset of the pandemic and reforms to the CDF process—about 25% of grantees experienced a cut to their awards from the previous year. For CDF award data, see [CDF Awards by Organization by Year](#).

**Department of Education.** After a PEG reduction of \$120 million in the November Plan to DOE’s early childhood programs in each year for 2025 through 2027, these programs were cut by an additional \$50 million in each year for 2025 through 2028 in the Preliminary Budget. The Administration has yet to determine how the reductions will impact sites and seats. For more details, see IBO’s recent [report](#). The United Federation of Teachers sued the City over budget cuts in the November Plan, claiming that the City

Figure 3  
**Cultural Institutions Group and Cultural Development Fund Cuts at DCLA, 2024-2027**



SOURCE: IBO analysis of Office of Management and Budget data  
New York City Independent Budget Office

Figure 4  
**Analysis of Reductions in Cultural Development Fund Grant Amounts, by 2023 Award Size**

	Average Change	
	Percent	Dollars
All Organizations	(31%)	(\$15,716)
Large Awards	(21%)	(24,011)
Medium Awards	(34%)	(8,735)
Small Awards	(59%)	(6,927)

SOURCE: IBO analysis of Department of Cultural Affairs data.  
NOTES: The analysis above includes organizations that received an award in 2023 and either a reduction in funding or no funding in 2024. Large Awards are defined as organizations with 2023 awards equal to or exceeding the 66th percentile (\$43,140 and above). Medium Awards are defined as organizations with 2023 awards between the 33rd and 66th percentiles (\$17,967-\$43,139). Small Awards are defined as organizations with 2023 awards less than or equal to the 33rd percentile (\$17,966 and below).  
New York City Independent Budget Office

would be unable to provide students a “sound basic education” and that the City was supplanting City funds with State funds (which are intended to be supplemental to local resources). As of the Preliminary Budget, DOE’s budget would decrease from \$32.6 billion in 2024 to \$31.5 billion in 2025 but that is largely due to the infusion of temporary federal Covid aid in 2024 (which declines from \$4.3 billion in 2024 to \$2.2 billion in 2025). City funding for DOE increases from \$14.8 billion in 2024 to \$16.1 billion in 2025.

**Justice-Involved Individuals.** Across the November and Preliminary Financial Plans, the City’s criminal legal agencies—e.g., Department of Probation (DOP), Department of Correction (DOC), and the Office of Criminal Justice (OCJ)—have seen repeated PEGs to programming. These programs are generally not provided directly by the City, but rather through nonprofits that contract with the City. Many provider organizations specialize in working with justice-involved individuals, and some have contracts with multiple criminal legal agencies. While it is not yet clear whether PEGs to criminal justice programs across the City will result in service reductions, the overlap in providers means the impact of cuts may be compounded. For example, organizations that had contracts insourced as part of DOC’s November PEG may struggle to adapt to further cuts in contracts at DOP or OCJ.

In the Preliminary Budget, OCJ received PEGs beginning in 2025 to crime victim services (\$3 million each year in 2025 through 2027), criminal justice contracts (\$3 million in 2025), and re-entry services (\$3 million each year in 2026 and 2027). The same or similar programs were reduced in the November Plan. Factoring in November Plan PEGs, OCJ criminal justice contracts were reduced by \$40 million in total over the next three years across both plans. Similarly, cuts to re-entry services across both plans total \$24 million over three years.

At DOP, mentorship programs have been subjected to multiple cuts this budget cycle. The Arches mentorship program for young men was re-estimated a second time, for an additional cut of \$600,000 in 2024 and 2025 on top of reductions of \$1 million in all plan years in the November Plan. The IMPACT program—which provided mentorship and in-home services to adolescents and their families—was eliminated for savings of \$700,000 in 2024-2027. This follows the November cancellation of another DOP mentorship program for young adults, Next STEPS.

**Older Adult Centers.** Older Adult Centers (OACs) which are operated by the Department for the Aging (DFTA), were cut by \$13 million—11% of the \$122 million budget—each year for 2027 and 2028 in the November Plan. According to the Administration, the cuts were due to underutilization, with a plan that they hopefully could find additional revenue or efficiencies prior to 2027. In the Preliminary Budget, over \$18 million was cut in 2024, with a further \$2 million reduction in 2025 through 2028. As of the November Plan, the Administration cited similar claims of underutilization, despite reports that attendance at centers has been rebounding since declines during the pandemic.<sup>2</sup>

## New PEGs

**Asylum Seekers.** Days after the November Plan was released, the Administration announced a 20% PEG for all asylum costs by January. IBO incorporated lower costs into the models presented in its December 2023 [analysis](#), predicting that the City would spend less money than it had budgeted in the November Plan. In the Preliminary Budget, the City did reduce the overall budget for asylum seekers by 11% in 2024 and by 20% in 2025. This reduction brings costs closer in line with IBO’s middle cost estimate but is still \$2.4 billion more across the two years. The Administration has indicated that its budgeted savings come from three factors: lower population projections, service reductions, and contract adjustments. These contract adjustments are beginning to shift away from emergency procurement towards competitive procurement, including with more non-profit providers, with the goal being to reduce day-to-day costs.

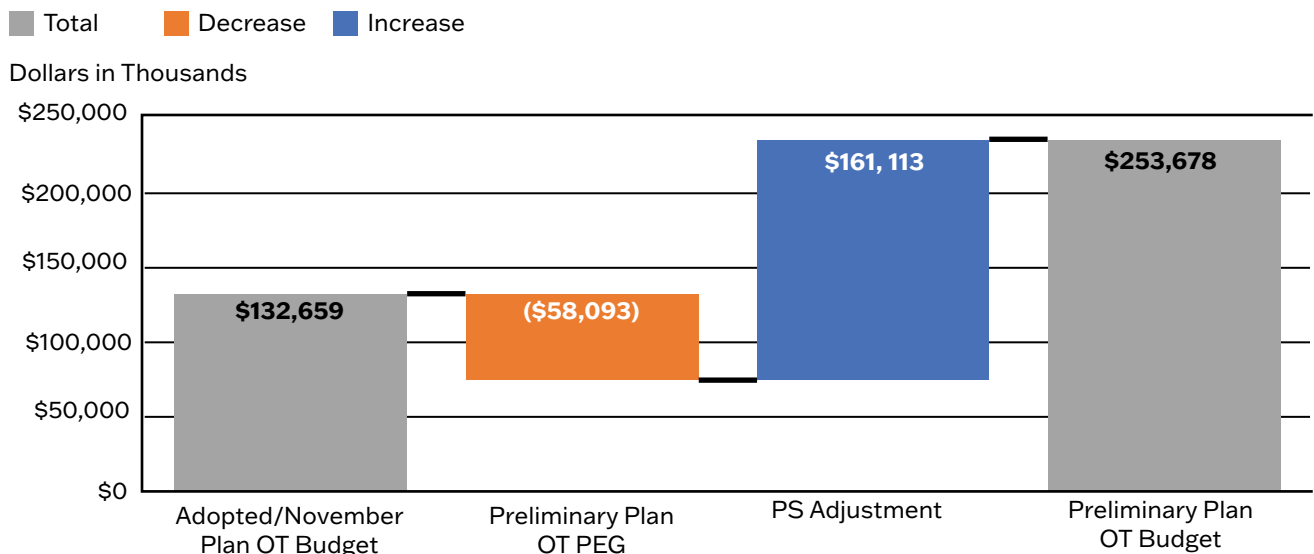
In addition to the overall cost reductions in the Preliminary Budget, the City’s share of the overall costs also was reduced by 36% over 2024 and 2025. This occurred in part by adding \$750 million in expected state funding in each of the two years as well as \$11 million in federal funds in 2024. These additions represent a 74% increase in state funds in 2024 and a 133% increase in 2025. The new state funding includes \$10 million for legal services, \$9 million for infectious disease prevention, and funds for Floyd Bennett Field, Creedmoor, and Randall’s Island.<sup>3</sup> These Preliminary Budget adjustments are spread across multiple agencies: Health and Hospitals (\$445 million in 2024 and \$1 billion in 2025); Department of Emergency Management (\$46 million in 2025); Department of Housing Preservation and Development (\$99 million in 2025); and Department of Homeless Services (\$59 million in 2024 and \$79 million in 2025). Looking ahead to the Executive Budget, the Administration called for an additional 10% cut to asylum seeker costs.

**City University of New York.** The City University of New York (CUNY) experienced a PEG of roughly \$20 million in each year of the financial plan for Personal Services (PS) savings. PS savings relate to payments to City employees such as salaries, wages, fringe benefits, and pension contributions. The CUNY PEG is for unsalaried staff across CUNY’s seven community colleges, which served more than 67,000 students in 2023.<sup>4</sup> On average, the budget for each community college was reduced by 3.2% in 2024, and roughly 2.6% in each year for 2025 through 2027. While final details are not yet determined, this PEG could lead to a reduction in staffing levels or in staff hours.

### Department of Correction Overtime

The overtime budget at the Department of Correction (DOC) had a net increase of \$103 million (78%) for 2024 in the January Plan, despite a PEG of \$58 million. A “PS Adjustment” of an additional \$161 million—the entirety of which was allocated to uniformed and civilian overtime—was also included in the Plan, more than offsetting the PEG. DOC also received its second PEG for “Less than Anticipated PS Spending,” with reductions of about \$31 million each year in 2024 and 2025 and \$50 million each year in 2026 and 2027. From the November to Preliminary Plans, the total DOC budget for 2024 increased by \$80 million, but decreased by \$23 million, \$37 million, and \$33 million for 2025 through 2027, respectively. IBO anticipates additional funding will be required in the outyears to cover overtime costs not currently reflected in the budget; in 2025, for example, IBO projects the agency will need \$157 million more than was budgeted in the Preliminary Plan.

Figure 5  
**Preliminary Budget Reflects a Net 78% Increase in DOC’s Fiscal Year 2024 Overtime Budget**



SOURCE: IBO analysis of Office of Management and Budget data

New York City Independent Budget Office

## Conclusion

The PEGs in the Preliminary Budget highlight areas where the Administration has chosen to make additional reductions after cuts from the November Plan, areas where previous cuts were restored, and areas with new cuts. Although the Preliminary Budget includes a net increase of 7% to the 2024 budget from Adoption, the reductions in some key areas may pose challenges to the City's ability to deliver critical services to New Yorkers. Specific areas that IBO has been monitoring include those that have received PEGs in both rounds and that largely contract with nonprofit organizations for service provision: grants or subsidies to cultural institutions, DOE early childhood programs, programs to support justice-involved individuals, and older adult centers.

---

## Endnotes

<sup>1</sup>[Mayor Adams Restores Funding to Keep City Streets, Parks Clean, Fight Rats | City of New York \(nyc.gov\)](#)

<sup>2</sup> Jeanmarie Evely (October 11, 2023) "NYC Senior Centers See Rebounding Demand" City Limits. Accessed on February 20, 2024 <https://citylimits.org/2023/10/11/nyc-senior-centers-see-rebounding-demand/>

<sup>3</sup>Most of the funds for the announced \$38 million in additional legal services will be reflected in the Executive budget.

<sup>4</sup>[Mayor's Preliminary Management Report, 2024.](#)