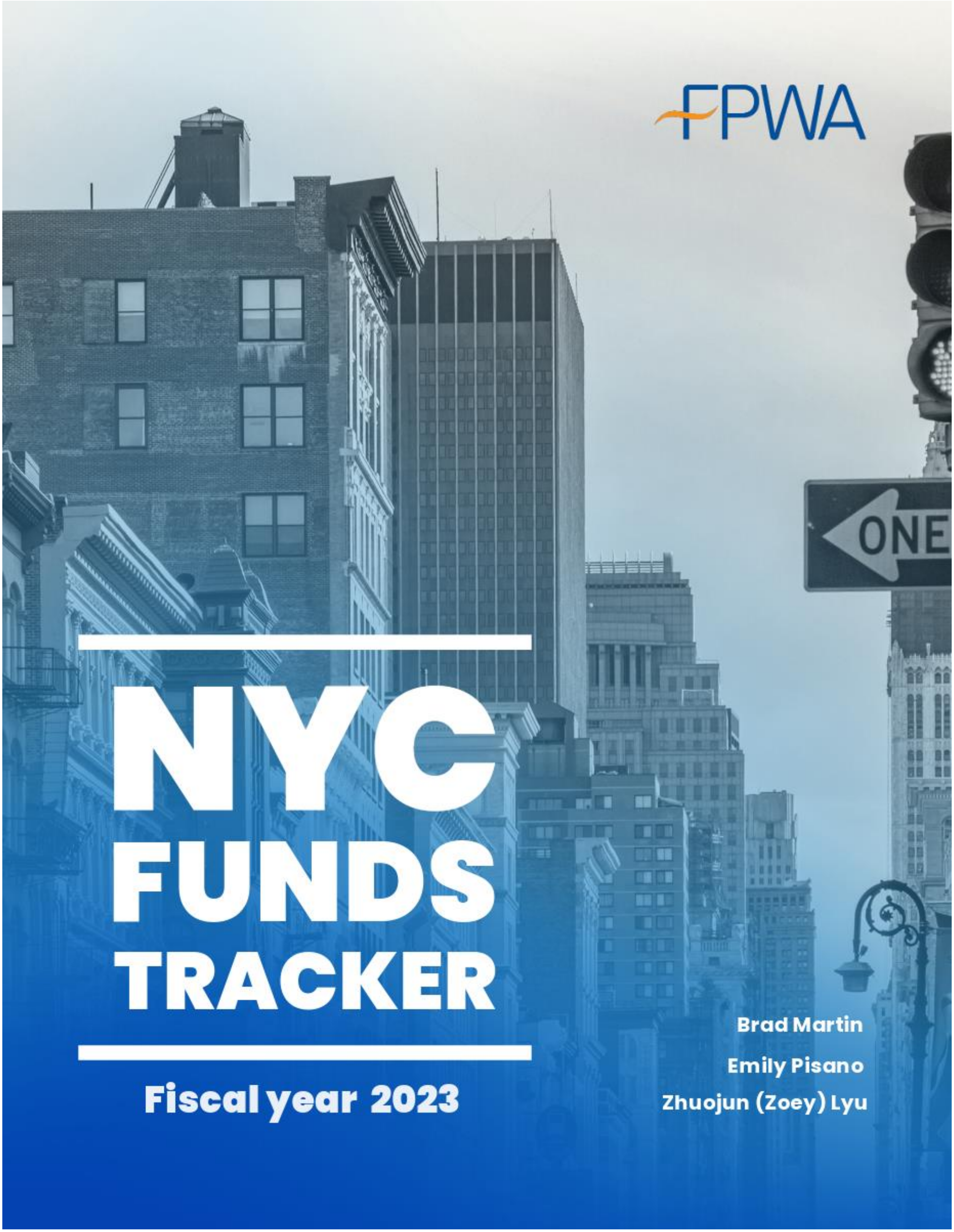

NYC FUNDS TRACKER

Fiscal year 2023

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At a Glance

FPWA's NYC Funds Tracker (Funds Tracker) takes a comprehensive look at New York City's general operating fund (General Fund) – examining revenue streams and expenditures. It marks the next step in a long line of work from FPWA, which has been tracking funding to the city's human services agencies since 2019.

In breaking down the numbers underlying New York's budget, the Funds Tracker identifies trade-offs made by the city – often with the human services sector losing out. As the city looks to Fiscal Year 2025 (FY25), this historical perspective can help inform fair and equitable budget decision making that not only allocates sufficient funding to maintain current social services but corrects persistent underfunding plaguing the sector. Our analysis of Fiscal Year 2023 (FY23) found that:

- In FY23, the city raised $107.8 billion in revenue and had $100.2 billion in expenditure.
  - The excess of $7.6 billion between revenue and expenditure was mainly used to service debts.
  - After adjusting for inflation, this is a 5 percent reduction in revenue and a 4.7 percent decrease in expenditure compared to FY22. This is the first year on record that revenue and expenditure declined. This decline in revenue was driven by a 37.6 percent decrease in federal funding.
- While funding for human services rebounded slightly, this comes off record lows in FY22, as highlighted in our previous Human Services Funds Tracker report. This slight improvement in funding is not enough to undo these previous cuts.

Our analysis of longer-term trends between FY11[1] and FY23 found that:

- State and federal funding to human services agencies has declined (decreasing 6.9% and 23% respectively), despite increasing need in New York City.
- Relatedly, the city has had to step in to fund more of its operating budget. The city now funds 74.9 percent of its operating budget through its own sources, up from 70.7.
  - This exposes the city to greater volatility in the event of an economic downturn.
- The city's overall budget expenditure has still increased over time – however this has not been shared evenly. While overall budget expenditure has increased by 25.6 percent, human service agencies have only seen a 16.8 percent increase in funding.

Overall, decreases in state and federal funding to human services are being compounded by budget decisions made at the city level. While FY23 saw some modest improvements in human services funding, these increases make up a mere fraction of the multi-year, coordinated divestment that has taken place since FY11.

This continual divestment in the city's vital human services sector threatens the services that so many New Yorkers rely on.

[1] FY11 is the earliest year available in Checkbook NYC data.

1 Introduction and Background

Purpose

The NYC Funds Tracker (Funds Tracker) seeks to promote transparency and understanding of funding directed to NYC's human services agencies.

Hosted on FPWA's website, the Funds Tracker uses Open Data from Checkbook NYC to provide an overview of the city's revenue sources and the flow to budget expenditure. At its core, it provides an overview of where the city's money comes from and where it goes with a focus on what this means for the many nonprofit providers who rely on city funding and the crucial support they provide to New Yorkers.

While the Funds Tracker takes a backwards look at funding, its retrospective analysis can help contextualize the budget decisions the city is making now. Releasing this broadened analysis is of paramount importance to contextualizing the FY25 budget, with the city facing the expiration of federal funds and projecting growing budget gaps in the future.

All analysis in this report has been completed using data found within the Funds Tracker.

Scope

The NYC Funds Tracker tracks eight agencies involved in the administration of human services, including[2]:

- The Administration for Children's Services (ACS)
- Department of Social Services/Human Resource Administration (DSS)
- Department of Youth and Community Development (DYCD)
- Department for the Aging (DFTA)
- Department of Health and Mental Hygiene (DOHMH)
- Department of Homeless Services (DHS)
- Housing Preservation and Development (HPD)
- Small Business Services (SBS)

The Funds Tracker also includes information on Department of Education funding, recognizing that while education is not traditionally considered part of human services, it is integral to the functioning of the sector. Understanding and advocating for adequate funding for the Department of Education is critical to ensuring fair and equitable social and economic outcomes.

At a less granular level, the Funds Tracker includes data on other non-human service agency funding, grouping the remaining NYC agencies together as 'other agencies'.

Background

The NYC Funds Tracker expands on previous funding analysis conducted by FPWA. In 2019, FPWA launched a Federal Funds Tracker in light of expected federal cuts to local funding which would impact the city's human services sector. This initial Funds Tracker tracked federal aid provided to four human services agencies, namely: the Administration for Children's Services (ACS), Department of Social

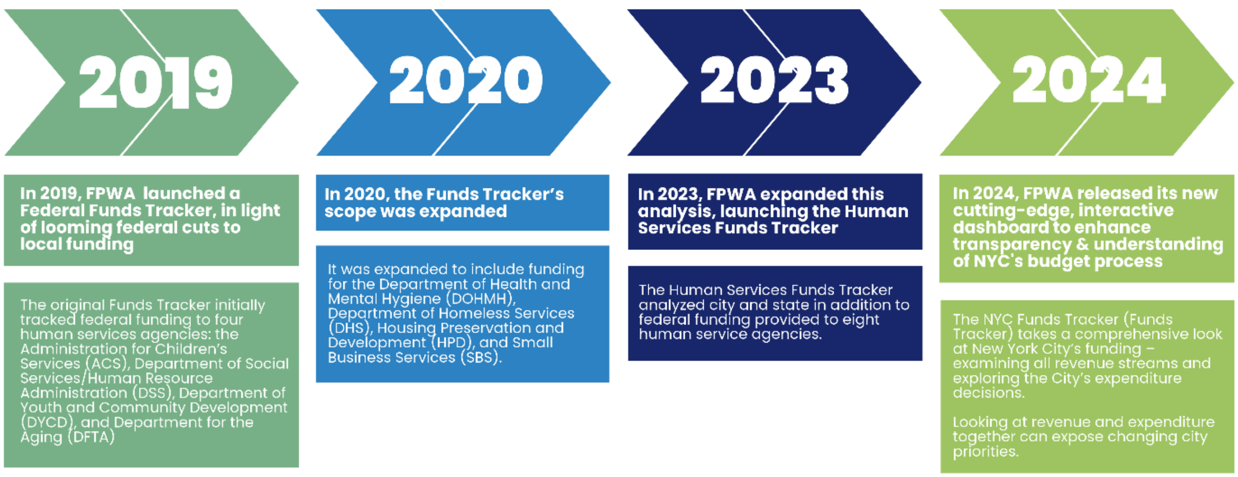
[2] In this report we use the term "human services agencies" to refer to these eight agencies.

Services/Human Resource Administration (DSS), Department of Youth and Community Development (DYCD), and Department for the Aging (DFTA).

In 2020, the Funds Tracker's scope was expanded to include federal funding for four additional agencies: the Department of Health and Mental Hygiene (DOHMH), Department of Homeless Services (DHS), Housing Preservation and Development (HPD), and Small Business Services (SBS).

In 2023, FPWA expanded analysis of the city's expenditure's further, launching the "Human Services Funds Tracker". For the first time, FPWA's analysis extended beyond federal aid to include city and state funds for eight human service agencies.

The latest iteration of the Funds Tracker broadens this analysis to look comprehensively at NYC's full stream of funding, examining city revenue in addition to expenditure for the previously tracked human services agencies and the Department of Education.



2 Overview of the City Budget

The budget describes how the city raises revenue and how it spends its money.

In New York City, the government receives revenue from three main sources:

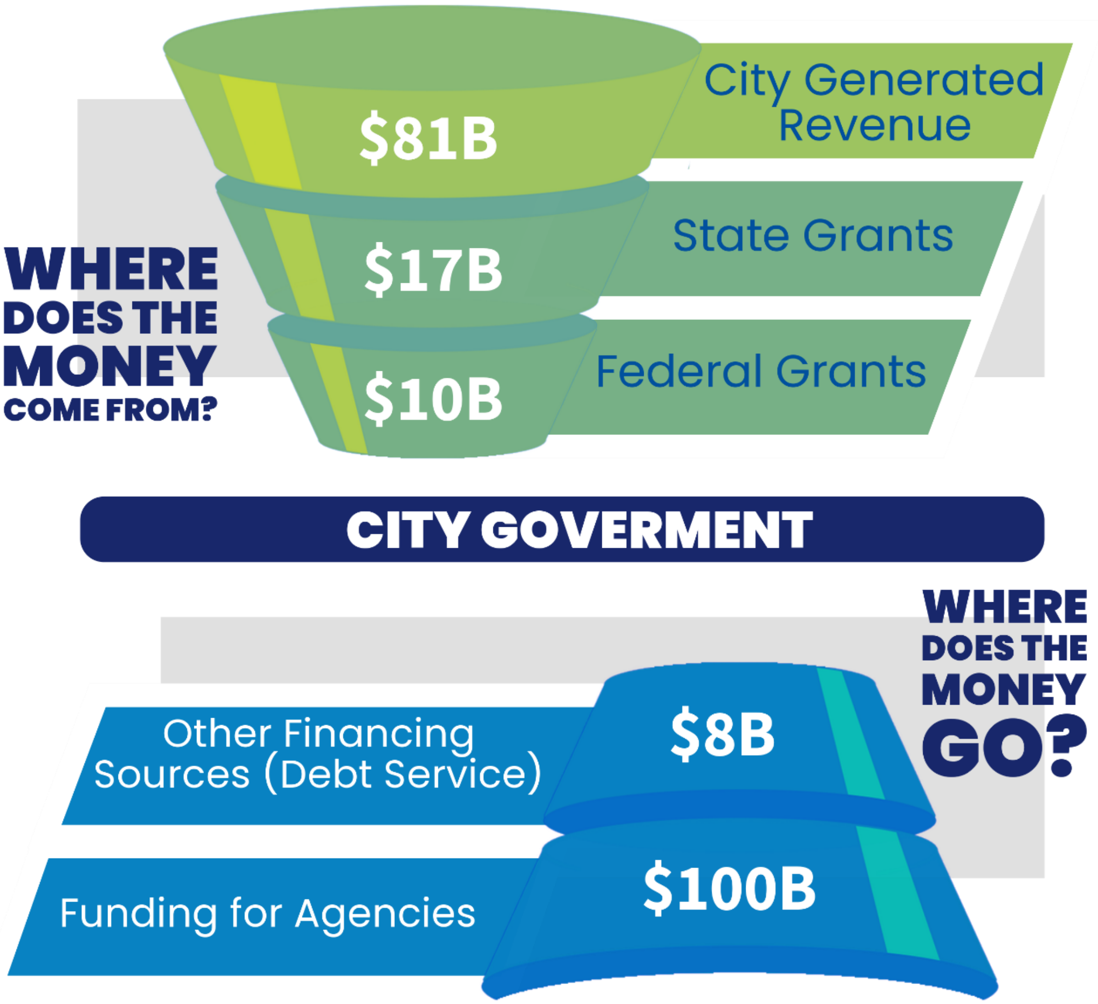
- "City funds," such as taxation and fees for services.
- "Federal funds" received in the form of grants and other aid.
- "State funds" received in the form of grants and other aid.

Based on the amount of revenue it receives, the city then uses this money to fund its operating budget, allocating this funding to its agencies through the budget process.

By law, New York City is required to maintain a balanced budget, which means that the ability of the government to meet the needs of the city is dependent on the revenue it can raise.[3] In FY23, the city raised $107.8 billion in revenue and had $100.2 billion in expenditure. The excess of $7.6 billion between revenue and expenditure was mainly used to service debts. An overview of the city's budget is outlined in Figure 1.

[3] More information about New York City's budget can be found in the Independent Budget Office's *Understanding New York City's Budget – A Guide*.

Figure 1 – Overview of City's FY23 Budget



As part of the budget process, the city also estimates future revenues and expenditures for the next four fiscal years. Any projected differences between revenues and expenditures are referred to as budget gaps.

Examining the city's budget is particularly important now as the city prepares its FY25 budget in a time of fiscal constraint. The city is currently grappling with budget gaps, with drivers including but not limited to:

- Expiring federal COVID-19 funding;
- Increased costs to support new New Yorkers;
- Overspending, including on uniformed overtime.

In this context, the tracker aims to increase transparency in the city's finances and call on the city government to partner with the non-profit sector to address these pressures.

This report will examine the city's revenue sources, analyze how it distributes its budget and then compare these to better understand the city's priorities with respect to its human services agencies.

3 Revenue: Where does the Money Come From?

The New York City Government relies on annual revenue to fund its yearly expenditures. In FY23, the city collected over $107.8 billion in General fund revenues,[4] a nominal increase of around $1 billion from the previous fiscal year.

Context: What Are the Sources of NYC Revenue?

The Funds Tracker breaks revenue down by funding source, helping to identify how much of the city's funding is affected by economic and fiscal headwinds or political decisions at other levels of government.

At a high-level, revenue is drawn from a variety of city, state, and federal sources. As seen on the "Revenue Over Time" page of the Funds Tracker, city funds, or city-controlled funding sources, make up the bulk of New York's annual revenue, with the overwhelming majority generated by city taxes. This past fiscal year, the city collected over $73.4 billion in taxes, accounting for 68.1 percent of general fund revenue. An additional $7.1 billion, or 6.6 percent of general fund revenue, was collected from other city funding streams, including charges for services, fines and forfeitures, interest income, licenses, permits and privileges as well as a few other miscellaneous sources (as categorized by the city).

Beyond city funds, federal and state aid make up a large portion of New York's annual revenue stream. In FY23, $27.2 billion, or 25.1 percent of the city's yearly revenue, came from grants and aid provided to the city, with 15.8 percent from state funding and 9.3 percent from federal funding. Federal and state funds are often paid directly to city agencies, with specific purposes – this enables the funds tracker to identify funding specific to human services agencies.

3.1 Revenue in FY23

While FY23 revenues were nominally the highest on record for the city, real gains slowed as the city's funding sources shifted in a post-pandemic economy. In fact, FY23 revenue growth failed to keep pace with inflation.

For the first time in Funds Tracker history, New York City's general fund revenue, when adjusted for the increase in consumer prices (CPI-U), declined by 5 percent.

This decline in real revenue comes primarily from a retraction of federal funding, with the city losing around $4 billion from federal sources. For context, federal aid made up 9.3 percent of the city's FY23 revenue, down from 14.1 percent just the year prior (FY22). When adjusted for inflation, this reduction in federal funding is even greater, amounting to a real loss of $6 billion. While city and state funding nominally increased, these gains too were eroded by inflation.

Figure 2 shows the inflation-adjusted changes in city revenue between FY22 and FY23.

[4] The General Fund is the major operating fund of the city. Substantially all tax revenues, federal and state aid (except aid for capital projects), and other operating revenues are accounted for in the General Fund. The Capital Projects Fund, General Debt Service Fund, and Special Revenue Fund are not included in the General Fund.

Figure 2 – Citywide Revenue, FY22 and FY23, Inflation Adjusted[5]

Funding Source	FY22 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
City funds	80.7	80.7	0.1	0.1%	
State funds	16.8	17.1	0.2	1.4%	
Federal funds	16.0	10.0	-6.0	-37.6%	
Total	113.5	107.8	-5.7	-5.0%	

3.2 Revenue Trends

Strikingly, the reduction in federal grant funding brings federal and state aid contributions below pre-pandemic trends. In FY11, state and federal grants made up almost a third of the city's revenue (29.3 percent). In FY23, this decreased to just a quarter (25.1 percent). While the city's own revenue sources, such as taxation, have surged over this period, growth in state aid has been modest, while federal aid is now below what it was in FY11 (in real terms).

Figure 3 shows how citywide revenue sources have changed in the long term. Despite the reduction in federal funds, the surge in city funds has meant that overall revenue has grown in real terms since FY11.

Figure 3 – Citywide Revenue, FY11 and FY23, Inflation Adjusted

Funding Source	FY11 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
City funds	62.1	80.7	18.7	30.1%	
State funds	15.3	17.1	1.8	11.9%	
Federal funds	10.5	10.0	-0.5	-5.0%	
Total	87.8	107.8	20.0	22.8%	

As city funds have grown at a faster rate than state and federal funds the composition of the city's revenue has changed. This means that the city now bears a greater proportion of its operating costs.

[5] Table figures may not add due to rounding

Context: Increasing Dependence on City Funds

State and federal aid is vital to city revenue, particularly in the context of stabilizing budgets. This has become clear from pandemic policy. A flood of aid, both in the form of direct relief to New Yorkers and additional funding to agencies, helped the city not only in addressing the acute complications of the crisis, but also in its effort to deal with long-term consequences.

Now as city and state aid slows and the city bears a greater proportion of operating costs, a potential economic downturn poses an even greater risk to city agencies.

In the event of a recession, downward pressure on tax income could reduce revenue and threaten the city's annual cash flow. The higher reliance on tax as a portion of general fund revenue means that the city budget is exposed to greater volatility.

To hedge against these economic headwinds, New York City's Office of Management and Budget has taken steps to ensure future revenue stability, saving a portion of each year's revenues as reserves. The city has increased its reserve allocation in recent years. Today, the city's total reserves are at near record-high levels, amounting to over $8 billion.

While increased savings may be prudent in the absence of state and federal aid, an increase in reserves reduces the proportion of revenue that goes to funding the current operating budget. To counteract this downward pressure, the city must find additional ways to bolster revenue, such as through increasing federal and state aid or tax reform.

3.3 Deep-dive: State and Federal Aid for Human Services Agencies

For most state and federal grants, the federal and state governments pay these funds directly to city agencies. Of these funds, the Funds Tracker breaks down the funds that are paid directly to human services agencies.

State and federal aid is particularly important to human services agencies, with some agencies relying on state and federal sources for the majority of their operating budgets. For human services agencies, FY22 saw large decreases in federal and state grants, as highlighted in our previous Human Services Funds Tracker report.

FY23 saw federal and state grants rebound from these record lows experienced in FY22, as outlined in Figure 4.

Figure 4 – Federal and State Grants to Human Services Agencies, FY22 and FY23, Inflation Adjusted[6]

Funding Source	FY22 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
Federal funds for human services agencies	4.1	4.4	0.3	6.4%	

[6] This table includes only federal and state funding sources as these revenues are allocated for specific agencies and purposes. City revenues are paid into the general fund and not allocated to specific agencies at the time revenue is raised. The government allocates these revenues through the budget process (see section 4. Budget Expenditure).

Funding Source	FY22 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
State funds for human services agencies	2.3	2.8	0.4	18.4%	⬆
Total	6.5	7.2	0.7	10.7%	⬆

Despite FY23 increases in federal and state aid this has not been enough to reverse the longer-term, downward trend.

As outlined in Figure 5, federal and state grants to human services agencies are in fact below FY11 levels, contradicting the narrative that aid is above historical norms.

Figure 5 – *Federal and State Grants to Human Services Agencies, FY11 and FY23, Inflation Adjusted*

Funding Source	FY11 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
Federal Funds for human services agencies	5.7	4.4	-1.3	-23.0%	⬇
State Funds for human services agencies	3.0	2.8	-0.2	-6.9%	⬇
Total	8.7	7.2	-1.5	-17.5%	⬇

This decrease in state and federal funds over the past 12 years has disproportionately impacted the funding of human services agencies.

3.3.1 Federal Grants for Human Services Agencies

The downward trend in human services funding is particularly influenced by the sector's reliance on federal aid. Federal funding directly provided to agencies is almost double that provided by state funding for the eight human services agencies monitored by FPWA, which has exposed the sector to greater impact from recent decreases in federal funding.

For instance, federal funding directly received by the Department of Health and Mental Hygiene was reduced by almost 35 percent from $690 million to $450 million, in part reflecting changing funding needs in a post-pandemic world. A simultaneous reduction in federal and state aid has led to the city having to fund a larger portion of the Department's operations.

Despite long-term reductions in directly provisioned federal aid, some human services agencies were able to secure additional federal aid in FY23. Notably:

- The Administration for Children's Services received an additional $256.6 million from the Child Care and Development Block Grant (CCDBG).
- The Department of Youth and Community Development saw an over $60 million increase in federal grant funding, driven by increased Departmental funding for Temporary Assistance for Needy Families (TANF), a block grant used to fund cash assistance and other critical programs.

- The Department of Homeless Services saw a $244 million increase in federal funding following a large decline in funding in FY22. While federal funding to the department is back up to $387 million, funding is still about half of FY19 inflation-adjusted levels.

It should be noted that while TANF funding increased in the last fiscal year, it remains far below previous funding levels. Since FY18, TANF grant funding has decreased by over 39 percent ($600 million after adjusting for inflation).

3.3.2 State Grants for Human Services Agencies

State grants have remained more stable than federal funds, with an increase in overall funding going to human services agencies across the period of the Funds Tracker.

Between FY22 and FY23, state grants to the Department of Homeless Services increased from $120 million to $590 million, in an attempt to help with recent arrivals. State funding allocated to the Department of Health and Mental Hygiene's budget increased by over 20 percent, from $420 million to $510 million over the last year, but state aid to the department is still below 2016-2019 allocation levels.

On the other hand, there were concerning reductions to State Preventative Services and Safety Net Programming. In FY23, state allocations to State Preventative Services, which focus on preventing child abuse and neglect and strive to help families keep their children safely at home, declined by 11.5 percent in real terms, continuing trends in FY22.

Since FY21, the State Preventative Services grant has decreased by 21.9 percent.

Moreover, Safety Net Assistance, which provides cash assistance to certain eligible individuals and families with low incomes, is well below pre-pandemic levels. Down from $450 million in 2019, the state only allocated around $370 million for the FY23 program. While this Safety Net Assistance aid was increased slightly in FY23, inflation has made this increase only keep pace with the low levels provided in the prior fiscal year. These chronically low state contributions to cash assistance, coupled with the limited federal TANF funding for cash assistance, has caused many New Yorkers to go without this critical income support, as highlighted in FPWA's Caught in the Gaps report.

Supplemental Nutrition Assistance Program (SNAP), which is federally funded but state administered, increased slightly from $11.8 million to $13.2 million. Still, funding is less than pre-FY18 levels, and as the city continues to struggle to process SNAP applications in a timely manner, more funding is urgently needed to ensure New Yorkers can receive SNAP when they need it most.

Reductions in these types of state grants, which help individuals and families meet their basic needs, threaten to exacerbate poverty and deepen economic inequality in our city.

4. Budget Expenditure: Where does the Money go?

The revenues explored in the previous section directly impact how much funding is available to the city to fund its operating expenses through the budget process. Despite stunted state and federal funding, overall revenue has continually increased over the period of the Funds Tracker, meaning that the amount of funding available for the city to fund its services has also increased.

4.1 Budget Expenditure in FY23

In FY23 the city had $100.2 billion in actual expenditure, with an additional $7.6 billion in surplus that it used to service debts.

The city has increased its reserve allocation in recent years, maintaining near-record levels, with $8.0 billion in total reserves in FY23, despite reductions in real agency spending.

While decisions to increase reserves, or not draw on them, may be prudent, it reduces the proportion of revenue that can be used to fund the current operating budget.

As seen in Figure 7, in FY23 the city reduced its operating budget by 4.7 percent compared to FY22.

Figure 7 – Breakdown of Budget Expenditure, FY22 and FY23, Inflation Adjusted

Agencies	FY22 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
Human services agencies	23.0	23.0	0.0	0.2%	
Department of Education	33.3	31.0	-2.3	-6.9%	
Other agencies	48.9	46.2	-2.7	-5.6%	
Citywide expenditure (total)	105.1	100.2	-5.0	-4.7%	

This real reduction in budget expenditure is a relatively rare occurrence over the past twelve years, last occurring in FY17.

4.2 Budget Expenditure Trends

Despite the decrease in real budget expenditure between FY22 and FY23, New York City's expenditure budget has largely grown since 2011. In real terms, it has grown from $79.8 billion in FY11 to $100.2 billion in FY23 – an increase of 26 percent. Despite this increase, this growth has not been reflected evenly across all agencies.

Human services agencies' expenditure budgets have grown more slowly over the past 12 years compared to other agencies.

As seen in Figure 8, while "other agencies" have had their expenditure budgets grow by 34 percent since 2011, human services agencies have only grown by 17 percent.

Figure 8 – Breakdown of Budget Expenditure, FY11 and FY23, Inflation Adjusted

	FY11 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
Human services agencies	$19.7	$23.0	3.4	17%	
Department of Education	$25.6	$31.0	5.4	21%	

	FY11 ($ billion)	FY23 ($ billion)	Change ($ billion)	Change (%)	Direction
Other agencies	$34.5	$46.2	11.6	34%	⬆
Citywide expenditure (total)	$79.8	$100.2	20.4	26%	⬆

This look backwards reveals a consistent trend of divestment away from vital human services across multiple administrations. This trend is also consistent with what has been observed in federal and state aid outlined in the revenue section of this report.

Exploring the data further reveals particularly concerning trends in expenditure for the city's two largest human services agencies. In FY11, the city allocated approximately 19 percent of its expenditure budget to ACS and DSS (5 percent and 14 percent, respectively). In FY23, this shrunk to only 14 percent (3 percent and 11 percent, respectively). In real terms, DSS' budget has grown just 2 percent over the past 12 years, despite continual growth in the support needs of New Yorkers over this time. The situation is even worse for ACS, which has seen its budget shrink by 17 percent over this same period.

This continual divestment in human services agencies is particularly concerning given the uneven pandemic recovery experienced by the city.

We know that these funding levels are hampering vital supports that many rely on to survive. Divestment is impacting service delivery, with only 30 percent of cash assistance applications and under 40 percent for SNAP meeting the criteria for timely processing.[7]

If budgets are a reflection of a city's priorities it is clear that the city's vital human services sector has not been one for successive New York City governments.

[7] https://www.nyc.gov/assets/operations/downloads/pdf/mmr2023/2023_mmr.pdf

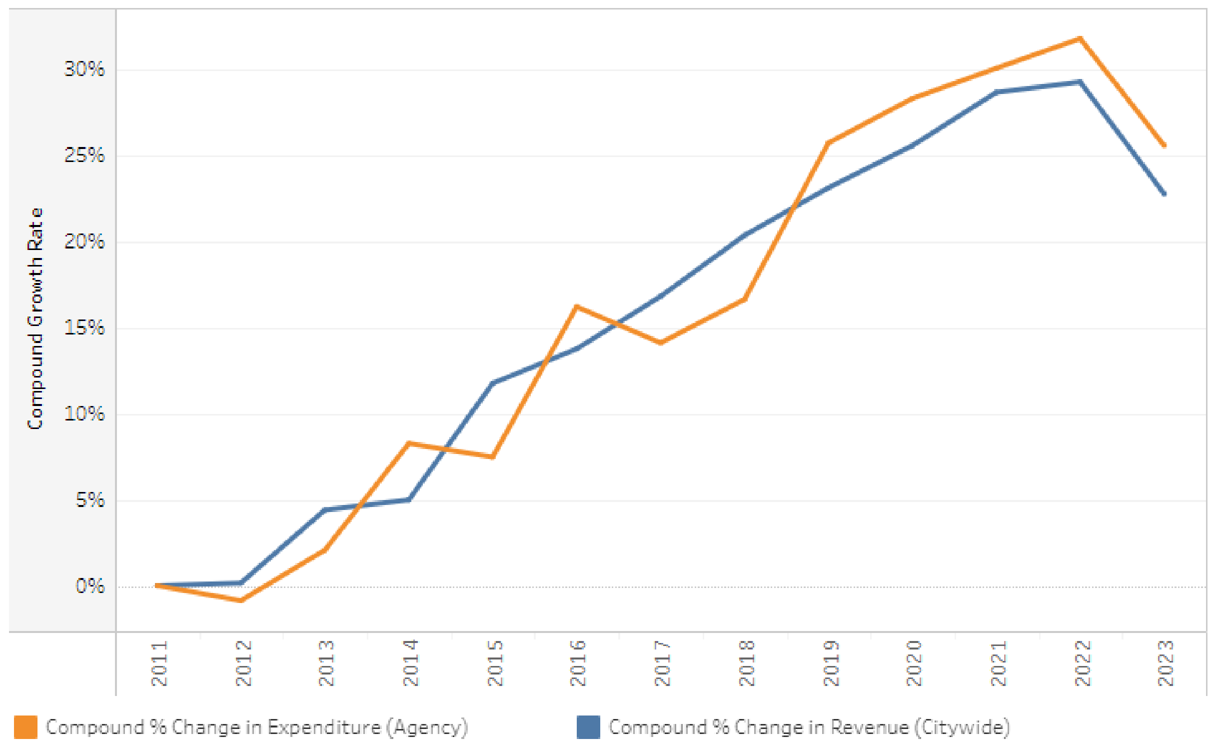
5. Comparison of Revenue and Expenditure

Finally, this section combines the points discussed above to provide an analysis of how revenue and expenditure relate to each other. The purpose of this analysis is to directly investigate whether decreased funding to human services agencies could be driven by decreasing or stagnant revenue levels.

Over the past 12 years, both citywide revenue and citywide expenditure have increased. 2023 was the first time in recent years that both of these figures decreased in real terms.

As seen in Figure 9 from the Funds Tracker, agency budget expenditure is broadly correlated with citywide revenue.

Figure 9 - Growth in Citywide Revenue Versus Citywide Budget Expenditure

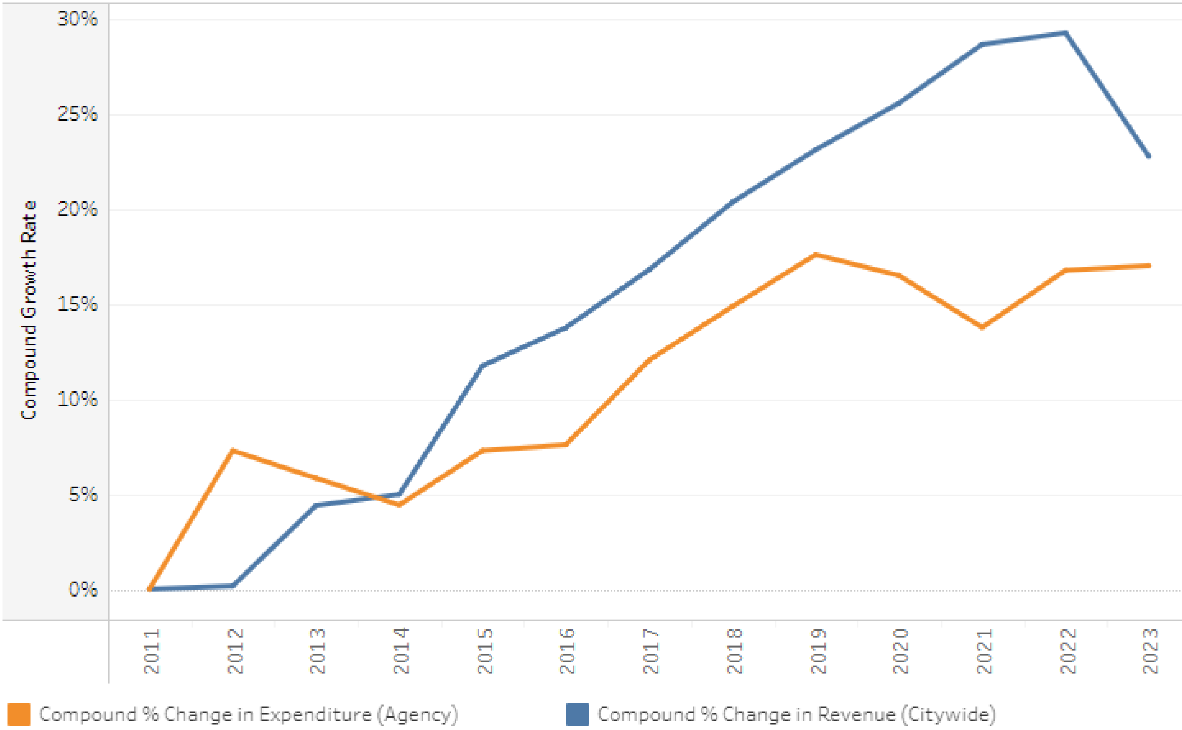


As expected, the city generally increases its budget expenditure as revenue increases.

The next chart investigates whether this trend holds true when looking at only expenditure for human services.

Figure 10 shows citywide revenue again, but instead of showing the growth in budget expenditure for all agencies, it focuses on only human services agencies. As demonstrated, expenditure in human services has lagged the overall increase in revenue.

Figure 10 – Growth in Citywide Revenue Versus Expenditure in Human Services Agencies



This graph reveals that stagnating investment in human services cannot be blamed on a lack of revenue. While some of this divestment could be explained by decreases in federal and state aid for human services, city revenue has still grown over this time. Decreasing state and federal funding for human services is compounded by budget decisions at the city level.

In other words, divestment in human services agencies is a deliberate policy decision made by successive governments at all levels.

Conclusion

The NYC Funds Tracker data reveals that human service agencies have not reaped their fair share of increasing revenue, receiving less funding increases than other sectors of NYC Government.

This continued underinvestment in the sector is exacerbated by long-term decreases in federal aid which is now below even pre-pandemic levels.

With this historical view of fiscal policy, policy makers can contextualize the funding needs for human services. The Funds Tracker reveals that each level of government needs to do more to fulfil its obligation to the wellbeing of all New Yorkers, especially the city's population who has been made vulnerable.