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**Testimony of Louisa Chafee, Director, New York City Independent Budget Office  
To The New York City Charter Revision Commission  
June 13, 2024**

Good evening, Chairman Scissura, Vice-Chair Doctor Dukes, Executive Director Savino, members of the Commission. I am Louisa Chafee, Director of the New York City Independent Budget Office (IBO).

IBO is a nonpartisan, independent government agency mandated by the New York City Charter (Charter). IBO's mission is to enhance public understanding of New York City's budget, public policy and economy through independent analysis. Our vision is to empower New Yorkers to engage with their government and shape the future for their families and their communities, armed with budget and policy information that is accessible, transparent, and timely.

IBO owes its existence to the decision by our City's voters to adopt the proposals put forth by the 1989 Charter Revision Commission. IBO was a key component of the Commission's commitment to enhance access to information, and specifically, transparency in the City's budget process.

As the Mayor's press release stated, this Commission is charged "to evaluate processes for determining the financial impact of proposed legislation . . . , whether the financial impact is funded, and making that information more transparent to the public." I am pleased to be here to discuss IBO's work in support of those goals. Our suggestions focus on the following areas: first, the importance of making so-called units of appropriation more understandable; second, how to structure fiscal impact analysis; third, how to promote greater efficiency in contract spending; and finally, the need to reaffirm and clarify the City's basic budget framework.

**Enhancing the City Budget's Structure to Promote Transparency**

I would like to begin by focusing on an important reform from the 1989 Charter that merits further attention. For the fiscal year that starts on July 1st, the Mayor's proposed budget totals \$111.6 billion. The City's budget is larger than all but a handful of state budgets. Crafting a process that ensures that this budget is transparent and fiscally sound is an important undertaking, with significant consequences for all New Yorkers.

Each year, when the City Council adopts the budget, it authorizes spending in a series of categories, which the Charter refers to as units of appropriation--commonly known as U/As. Under section 100 c of the Charter, a unit of appropriation is supposed to reflect the budget "for a particular program, purpose, activity or institution." In practice over the years, units of

appropriation have become extremely broad, to the point where they do not promote transparency as envisioned.

The idea was for the budget to be assembled with clear, understandable building blocks to show New Yorkers how the City allocates its resources and to facilitate effective oversight. Large mid-year shifts in spending between one unit of appropriation and another require City Council approval. In practice, though, neither the Charter goal of transparency, nor the specific goal to ensure Council review of major shifts in spending, have been realized.

Some agency budgets include U/A categories that are readily understandable and allow the public to clearly see how various kinds of programs are funded. An example would be the Department of Social Services (Human Resources Administration), which has several clearly understandable U/A categories, such as one for legal services programs, one for emergency food assistance, one for the Fair Fares program, etc. But the budgets for many other City agencies are more opaque. For some smaller agencies, the entire agency has only two U/As, one for “personnel costs” and one for “non-personnel” costs, even though the agency itself serves several distinct functions. In other cases, including some very large agencies, the U/A categories are simply so huge that no useful information is communicated to the public.

If you are a parent who seeks to understand school spending, you would find that the Department of Education (DOE) places almost \$7 billion—over 22% of the agency’s budget—in a single U/A entitled “general education instruction and school leadership.” This item encompasses many different kinds of educational programs. While more granular information is found in “budget codes” elsewhere in the City’s voluminous budget, funds can be shifted among various DOE programs, and one or more of them can be severely increased or decreased, without City Council review or approval.

Similarly, if you are a New Yorker who wants public safety resources targeted toward precinct-level policing at the community level, the budgets for all 123 police precincts are combined into a single “operations” U/A, along with all of the NYPD’s boroughwide offices, and various response units or divisions such as detective work, forensic investigation, narcotics, and strategic response. This U/A is budgeted at \$1.5 billion—out of total agency budget of approximately \$5.8 billion.

The intention of the “single program” language from the 1989 Charter was, quite plainly, to make this type of budget information more accessible to the public. While new U/As are often added each year as part of budget negotiations, there has not been a systematic approach to the dual challenge of ensuring both transparency and managerial flexibility. This Commission may wish to examine the Charter’s description of units of appropriation in light of the goal of increased transparency, so that the public can clearly identify how each key function of an agency is provided and funded.

## **Enhancing Accessibility of Fiscal Impact Information**

Providing the public with credible independent information and making that analysis fully transparent so that New Yorkers may draw their own conclusions is central to IBO's mission.

As you may know, the Charter, in sections 33 and 260 b, respectively, currently requires the City Council to prepare fiscal impact statements on each proposed local law prior to a committee vote and directs the IBO to prepare such analyses when requested by specific officials, such as a Council committee chair or ranking minority member. While most fall outside the specific terms of that section, IBO often responds to requests for independent fiscal evaluation of proposed local laws from Council Members, other elected officials, advocates and members of the public. IBO's ability to provide useful analysis depends on the clarity of the proposed language, the existence and timeliness of data from the relevant agencies, and the timing of the request relative to a potential Council vote.

As a point of comparison, the Congressional Budget Office (CBO) is legally mandated to price virtually all Congressional enactments each year. However, its staff is considerably larger than IBO's, and the Congressional calendar affords significant time between committee vote and adoption. Further, while CBO prices out many bills, most of its cost estimates indicate negligible budgetary impact.

Here in New York City, in recent years the Council has enacted 125-175 local laws each year. The Council's standard calendar does not afford much time between Committee consideration and a full Council vote. As in the federal arena, most laws do not have significant budget impacts, and some are drafted in a manner that makes estimating costs very difficult. IBO welcomes a dialogue with the Commission as to how IBO might add value in this area, particularly by analyzing proposals that have the potential to trigger large cost increases, in amounts that would be material to the City's overall budget. For example, this process could focus on proposals with price tags that amount to at least one-half of one percent of the City's annual budget, which would be about \$550 million per year.

## **Ensuring Cost-Effective Services to New Yorkers and Fairness to City Service Providers**

Fiscal responsibility is not merely a theoretical ideal. New Yorkers are not well-served unless City agencies administer the budget effectively and efficiently, ensuring the City gets real value for its spending. It is not enough to provide access to information so that New Yorkers can see how much is budgeted for programs they care about. It is also crucial that the budgeted funds flow on a timely basis so as to ensure the delivery of those programs. In other words, the system for spending the money is also important.

For these reasons, IBO urges the Commission to consider some targeted reforms in contract-based spending, which exceeded \$40 billion during fiscal year 2023.

Emergency contracting is ripe for reform. IBO's analyses of areas such as asylum-seeker services and the City's COVID-19 response raise concerns that the City has incurred increased costs due

to government agencies' continued reliance on contracts that were first awarded at the height of a crisis. It makes sense that agencies sometimes must award emergency contracts with little if any competition. But they are then often extended long past when it is both feasible and prudent to seek other vendors at lower costs. IBO supports this Commission's examination of the idea to establish time-limitations for these contracts, such as by requiring that the Comptroller and the Mayor renew their joint determination that the emergency procurement method continues to be appropriate after the emergency contract has been in place for two years.

As any household knows, sound fiscal management means one pays the bills on time. Yet, the City often fails to do this. While this problem affects many areas of the budget, nowhere is the situation more critical than for human services programs such as pre-K, senior centers and services for the unhoused.

Most services for vulnerable New Yorkers are provided by nonprofit human services providers whose existence is threatened by delayed payments on their City contracts. The Charter has long given the Procurement Policy Board (PPB) the authority, but not a mandate, to establish rules to fix this problem. Through its work, IBO has seen this increasing fiscal stress in a sector that is important to the City's accomplishment of its goals, and therefore suggests that the Commission consider strengthening the PPB's Charter mandates.

No vendor should be asked to provide services without being paid for months. While this is critical in human services, there are other types of services (such as security guards) where vendors deploy large payrolls exclusively dedicated to City work, but experience payment gaps based on delays in contract registration and invoice review.

To illustrate this point, I will refer to one high-profile service area that IBO has studied closely: immigration legal services. City financial data indicates that for contracted programs with start dates since July 2022, contract registration has lagged by an average of about 259 days, meaning that those providers have had to operate over eight months without payment. Since 2023, the timeliness of registration (which is the legal trigger that authorizes payment to start) of this type of contract has improved somewhat, but such providers have been paid an average of only 26% of the annual value of their contract. For these providers to have been paid only one quarter of their annual contract value as of eleven months into the fiscal year clearly indicates that payments are still really late relative to when the work is done. And this is for immigration legal services providers, whose help with asylum applications and work permits is greatly needed due to the increasing size of newly arriving asylum-seekers.

Why aren't the City's bills paid? Sometimes it is because a contract ends and—while the City intends to extend the contract and to continue services without interruption—the responsible City agency does not complete the process of registering a new contract early enough. Sometimes, even for contracts that are registered on time, payments lapse because an invoice is

not considered complete or contains relatively minor items questioned by the receiving government agency.

Not only has this late payment issue arisen in connection with various IBO analyses, it was also quite central to much of the work I did, both inside government and in the nonprofit sector, prior to my appointment as IBO Director. I was proud to serve on Mayor Adams' and Comptroller Lander's Joint Task Force to Get Nonprofits Paid on Time. As that task force made clear, the problem of late payment presents huge operational challenges for providers upon which the City depends.

The Commission could substantially alleviate these challenges by allowing the public to vote to require the City to pay its bills. The key Charter changes needed to ensure progress in this area are not hugely complex. The Commission could empower the PPB to solve the lateness problem by simply changing the Charter language that now authorizes the PPB to act to language that mandates such action. This relatively minor wording change could then allow the PPB, for example, to establish rules that require City agencies to extend contracts before they lapse and to pay at least a substantial portion of any duly submitted invoice from a services contractor in good standing.

There are other readily achievable Charter changes that could advance the goal of ensuring a financially responsible business partnership between the City and vendors that provide services to millions of New Yorkers. A further example of a change would be to raise the Charter's threshold for when public hearings are required on individual contracts. Such a change could shorten the time frames and thus speed up the registration and payment process.

Fiscal responsibility is also closely tied to accountability. The Charter already establishes many Mayoral mandates and agency requirements that impact spending. The Charter describes the mission of more than a dozen critical Mayoral functions, such as the Office of Management and Budget and the Office of Operations, but it does not do so for the Mayor's Office of Contract Services (MOCS), which regulates a very large area of spending. In the end, real accountability for fiscal responsibility may continue to prove challenging absent a clearer Charter mandate, establishing specific responsibilities for MOCS in this area.

### **Protecting the Framework for Sound Budgeting**

IBO suggests that the Commission review ways to strengthen the budgetary framework, including by moving more of the protections from the state Financial Emergency Act into the Charter and by strengthening Charter provisions concerning the Revenue Stabilization Fund, commonly called the Rainy Day Fund. IBO supports Charter language to ensure that all relevant information is made available to enable City fiscal monitors, including IBO, to analyze the City's budget and fiscal health, as well as the inclusion in the Charter of more details on the transparency, usage, and implementation of all of the City's reserve accounts, including but not limited to the Rainy Day Fund.

IBO welcomes the opportunity to work with you and your staff around these and other ideas for enhancing financial responsibility and increasing transparency. I'm available if you have any questions this evening, or in the weeks to come.