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## Federal Changes and Silent Mayor Imperil City's Financial Future

[Budget Chartbook](#) | [Economic Forecast](#) | [Breakdown of City Spending](#)

**February 27, 2025** – The New York City Independent Budget Office (IBO) is publishing its independent analysis of the Mayor's Preliminary Budget. One month into the Trump administration, the [risks federal actions pose](#) to New York City's financial health are becoming clearer. The recently announced spending cut targets for the federal budget could have profound effects on New York City's ability to provide key social services and more.

Already, the White House empowered initiative termed the Department of Government Efficiency (DOGE) has clawed back \$81 million in [Congressionally approved FEMA funds](#), money that was legally appropriated and dispersed to New York City for migrant shelter services. Meanwhile, [federal efforts to halt congestion pricing](#), if successful, would further strain both City and State revenues and risk the health of New York City's public transportation system. Recent Deputy Mayor resignations, and the silence of Mayor Adams in defending New York City, make it difficult to assess the City's response to federal actions that will negatively affect New Yorkers.

With this context in mind, IBO is compelled to highlight the potential impact of federal actions. New York State receives \$93 billion, and New York City receives \$9.7 billion in federal funds for programs through various agencies that support New Yorkers. The potential loss of federal funds to the City and State risk the financial stability of the City's economy. For a breakdown of federal funding, [please reference pages 3 – 5 of the Budget Chartbook](#).

For many years, New York City has been able to balance its annual budget by paying next year's expenses with current year surpluses. In recent years, the amount of surplus the City applies to the following year have decreased. Thus, despite the City being [projected to have a \\$3.8 billion surplus this year](#), its fiscal position is tightening. Last year, the surplus was \$4.4 billion and in 2023, it was \$5.4 billion. Signs of emerging economic and fiscal challenges are beginning to present themselves, including slowing economic growth, stubborn inflation, and growing consumer anxiety. Any combination of federal funding cuts, an economic downturn, or an unforeseen crisis could undercut City revenues and put increased pressure on the City's budget.

The City's financial challenges extend beyond federal policy and reliance on past surpluses. Other financial management challenges include chronic underbudgeting, rising overtime costs, and funding ongoing education programs with time-limited COVID-19 funds that have expired.

- **CityFHEPS Funding:** One area that IBO has identified as chronically underbudgeted includes housing vouchers. Last year, IBO flagged a lack of transparency in [funding](#) for the City's main housing voucher program, the City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS). Although the Administration's 2026 budget figure aligns with historical trends, the program remains underbudgeted in future years of the financial plan.
- **Overtime Costs:** Last year, IBO [identified a \\$605 million shortfall](#) in the Fiscal Year 25 Executive Budget due to unaccounted overtime costs for uniformed agencies. The City is currently on track to spend more than \$840 million than budgeted in 2025. More recently, IBO highlighted that NYPD's overtime policies are costing the City millions. Based on IBO estimates, the City could [save \\$49 million on](#) Governor Hochul's overnight policing initiative alone with targeted implementation.
- **Federal Stimulus Funding:** IBO has been tracking this issue since 2020—from looking at the City's [plans](#) for stimulus funds, to [tracking](#) City funds used to plug those future budget holes, including [multiple education programs](#). Compounding the issue, most services for 3-K and Summer Rising are provided by nonprofit providers, whom the City [neglects to pay on time](#).

While New York City appears to have a larger surplus than estimated by the Administration and the Office of Management and Budget, it continues to rely on financial adjustments that are inherently risky. Persistent budgeting issues—such as underestimated program costs, excessive overtime spending, and imprudent budgeting—combined with potential federal funding cuts and economic uncertainty, put the City's ability to weather near-term shocks and maintain long-term fiscal stability at risk.





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