



FINANCE

New York City’s fiscal year budget of nearly \$90 billion is bigger than that of forty states. The budget might be the most important policy document for the city, because elected officials set policy priorities based on the budget. Charter 2019 is looking at many finance-related changes to the City Charter—and here are some of the big ones.

Procurement

How It Is Now

- Procurement is the city’s system for purchasing and contracting for goods and services. For instance, when the city signs a contract with a nonprofit to provide beds for homeless New Yorkers, that’s procurement. Every year, tens of billions of dollars are spent on procurement.

Why Should You Care?

- There are many steps in the procurement process involving multiple city agencies, and because there’s no mandated oversight timeline, it can take a long time for a vendor to get paid.
- **Payments to vendors are often made more than six months after the contract start date—meaning vendors essentially need to work for free during that time.**
 - This is especially problematic for nonprofits, who sometimes need to take out loans and pay interest out of pocket in order to provide services by the contract start date.
- There are other issues with the procurement process, too. The Mayor and Comptroller are the only ones who select members for the Procurement Policy Board (PPB). Some argue that other elected officials should have appointment powers since the PPB plays a big role in formulating contract policy for the entire city.
- Also, after all the agency oversight, it’s up to the Comptroller to “register” a contract in the city record, so if they see a reason to refuse to register a contract, it can cause conflict between the Comptroller and the Mayor and delay the process even longer.

What Experts and Advocates are Proposing

- The Commission has received many proposals to address the city’s late payments to its vendors.
 - Create a “strict time frame” for oversight agencies to complete their reviews. This proposal was submitted by a coalition of over 100 nonprofits.
 - Require contract registration earlier in the procurement process, or before a service contract begins, which would allow payments to be made sooner.
 - Have the city pay all interest accumulated on loans incurred during the waiting period.
 - Create a public-facing database that tracks a contract through every stage of the review and registration process.
- Change the composition of the PPB by giving appointment power to elected officials in addition to the Mayor and Comptroller
- Specify in the Charter how contract registration disputes between the Mayor and Comptroller should be handled, such as by giving a third party final arbitration authority.

Units of Appropriation – or Allocating the City’s Funds

How It Is Now

- One piece of the City Budget is called the Expense Budget, which pays for city government services such as employee salaries, pensions, and routine operating expenses. It’s divided by city agency and then by “units of appropriation,” which spell out where funds should be spent. Units of appropriation are a legally binding commitment to spending the allocated funds on their defined programs. For example, here’s a budget appropriation for NYC schools:

General Instruction and School Leadership -- Personal Service	
Adopted Budget Appropriation	Description
\$6.403 billion (Representing ~42% of the total PS budget)	Provides for direct general education instruction, school supervision and instructional support services[,] including professional development, parent coordinators, math and literacy coaches etc. for elementary, middle and high schools. As well as funds for high school vocational, alternative, career education, school correction facilities & off-site education centers. Also included are instructional funds allocated for special purposes such as summer and evening instructional program, before and after school time and extended use and special purposes appropriated funds for NYSTL and the universal pre-k program.

- As you can see in the table above, one unit of appropriation can contain multiple activities. It’s impossible to know how much of the \$6.403 billion will be spent on, for example, math and literary coaches for high schools.

Why Should You Care?

- The Charter requires that units of appropriation are “for a particular program, purpose, activity, or institution,” but some argue this is not followed to the extent it should be and multiple programs are lumped together in violation of Charter requirements. This can make it hard for the Council to set policy by directing funds to a specific program.
- So, if the City Council wanted to make sure the Department of Education spent \$50 million on math and literary coaches, there’s no way for them to do so. Only the Mayor can do that.

What Experts and Advocates are Proposing

- Amend the Charter’s language regarding “units of appropriation” and give specific definitions for terms like “program” and “activity,” to ensure that that each unit of appropriation represents a single program, activity, or function, and to curb the current practice of establishing large units of appropriation containing multiple programs.

Mayoral Impoundment Power – or Refusing to Spend Money in the Budget

How It Is Now

- Even when units of appropriation are made, the Mayor has the ability to not spend that money during the year, at any time for any reason, without the Council's approval. This is known as **impoundment power**.

Why Should You Care?

- The Mayor can cancel out the Council's fiscal policy by using impoundment power. By not spending the full amount of an appropriation, the Mayor are essentially making a policy decision that the Council cannot veto. This is a lot of power for one person—not even the President or Governor have authority like this.
 - For example, using the same table as above: If in June, the Council and Mayor passed a budget designating \$50 million toward the math and literary coaches program. In August, the Mayor could decide not to spend that \$50 million. No one can stop the Mayor from doing this.

What Experts and Advocates are Proposing

- Limit the Mayor's impoundment power to situations of fiscal emergency
- Require the Mayor to seek the Council's approval for any impoundment of funds above a stated amount.

That's it for the highlights! If you want to get really nerdy, keep reading.

Independent Budgets for Certain Offices

How It Is Now

- The Mayor and City Council control the budgets for most city agencies, including some entities that oversee them.

Why Should You Care?

- Allowing the Mayor or the Council to control the budgets of entities who oversee them could present a conflict of interest
- Giving an agency an independent budget makes sure they have sufficient financial resources to perform their operations, and it removes them from a politicized budgeting process.

Proposals

- NYC already has two models for independent budgets in place that can be broadened to more agencies, such as the Conflicts of Interest Board and Department of Investigation, and entities that review actions of Mayoral agencies such as Office of Administrative Trials and Hearings independent budgets.

- Give the Public Advocate, Comptroller, Borough Presidents, and community boards independent budgets, under the rationale that they serve as independent voices in the city.

Comprehensive Capital Planning in The Capital Budget

How It Is Now

- The Capital Budget funds physical infrastructure like public school buildings and roads. Like the Expense Budget, the Capital Budgets contains individual budget lines that fund different capital needs.
- There's also a Ten-Year Capital Strategy, which sets forth the city's overall strategy for capital planning and investments.

Why Should You Care?

- Some argue that the Capital Budget doesn't provide enough detail, and that it contains spending authorizations higher than each agency can or would spend in one year. This makes it difficult for the Council to effectively make policy because it cannot direct funds to specific projects (similar to the issues with units of appropriation).
- Experts and advocates also argue that the Capital Budget process doesn't adequately facilitate future growth. The Ten Year Capital Plan outlines the city's general approach to capital planning, but it doesn't allow for more comprehensive, citywide planning as part of the budget process.

Proposals

- Require that any project that exceeds a certain cost receive its own budget line in the Capital Budget in order to allow the Council to have a say in where funds are spent.
- Require the Capital Budget to include reporting that details the originally approved budget and completion schedule, along with the actual costs and schedule once completed. In addition, create and maintain a publicly available capital projects tracker to promote transparency.
- Have the Department of City Planning develop the Capital Budget instead of the Office of Management and Budget. Some advocates say this will enable a more holistic capital planning for the city.

The Council's Terms and Conditions Power in the Expense Budget

How It Is Now

- In the Expense Budget, the Council has authority to add "terms and conditions" to any appropriation when they adopt the budget, but the Charter doesn't define the phrase "terms and conditions."
- The city's Law Department takes the position that terms and conditions may not be used to establish program or policy requirements that would change legislation or administrative rules, but they may include reporting requirements or specific uses for the funds.

Why Should You Care?

- The 1989 Charter Revision Commission envisioned the City Council playing a large policy-making role, but with the Council's "terms and conditions" power unclear, that policy-making role isn't being fulfilled to the extent it could.

Proposals

- Clarify the extent of the Council's power to issue "terms and conditions," so that everyone is on the same page.

Estimating the City's Revenues

How It Is Now

- One of the other aspects of the City Budget is the Revenue Budget, which estimates how much money the City will bring in for the next fiscal year. Because the City must keep a balanced budget each year (the City can only spend what it brings in, unlike the Federal budget which operates in a deficit), the Revenue Budget sets the ceiling on how much money the City can spend.
- Under the Charter, the Mayor has exclusive power to estimate much of the revenue.

Why Should You Care?

- In the past, Mayors have been accused of using their power to underestimate the estimated revenue in order to kill certain programs.

What Experts and Advocates Are Proposing

- Require the Mayor to set the revenue estimate earlier in the year, so that during budget negotiations everybody knows the amount of funds that should be spent.
- Have a third party, like the IBO or Comptroller, set revenue estimate in order to remove politics from the process.