Budget Director's FY27 Executive Budget Council Testimony
June 9, 2026

Good morning, Speaker Menin, Chair Lee, Leader Carr, members of the Finance Committee, and all other members with us today.

My name is Sherif Soliman, and I am the Director of the Mayor's Office of Management and Budget.

Thank you for the opportunity to testify today about the Executive Budget for Fiscal Year 2027.

I am joined today by First Deputy Director Tara Boirard, Senior Deputy Director Latonia McKinney, and Deputy Directors Joshua Goldstein, Nathan Gusdorf, Liz Hoffman, and Patrick DiStefano.

When I testified on the Preliminary Budget in March, I spoke about significant and chronic underbudgeting across many areas and the approach that our administration took to introduce transparency, predictability, and less risk in the City's budget. Addressing billions of dollars in known expenses in the Preliminary Budget was a prudent, fiscally responsible and necessary step to take, but it meant that we needed to confront a staggering $12 billion gap over fiscal years 2026 and 2027.

We immediately went to work and applied a variety of strategies to address this inherited challenge. Through a combination of savings plans led by newly appointed Chief Savings Officers (CSOs), additional tax revenue, and significant financial support from our partners in state government, we eliminated the gap and presented a balanced Executive Budget -- one that puts the City back on a strong financial footing; one that invests in an affordable, safe and vibrant city; and one that continues core government operations that New Yorkers depend on.

And we balanced the $124.7 billion Fiscal Year 2027 budget without raising property taxes, without drawing down the Rainy Day Fund or Retiree Health Benefit Trust Fund, and without slashing services.

This morning, I will discuss in greater detail the multifaceted approach we took to close the gap, focusing on three main areas: 1) recurring savings initiatives; 2) significant state aid; and 3) restructuring unfunded pension liabilities.

The Executive Budget includes $1.77 billion in savings from Chief Savings Officers and vacancy alignment over Fiscal Years 2026 and 2027, all without slashing services.

By category, Chief Savings Officers saved:

- $24 million from giving up unused space, consolidating leases, and other leasing savings and efficiencies:
- $28 million from modernizing city technology, software licensing efficiencies, and other IT savings;
- $94 million from pursuing better contract rates, terminating contracts in favor of in-sourcing, and other contract savings and efficiencies;
- $368 million from improving the efficiency of public services, managing overtime, and phasing out unused programs, and other program savings; and
- $947 million improving our financial management, claiming revenue that the city is owed, accurately estimating expenses; and
- $307 million from the vacancy reduction.

This is the first phase of this exercise. Executive Order 12 is now embedded into agency operations, and our savings officers will continue to work with OMB and the Office of the First Deputy Mayor to find savings and efficiencies.

As I noted, $307 million of the $1.77 billion was achieved by reducing vacancies. This savings exercise was paired with a removal of the two-for-one hiring restriction that has largely been in place since COVID and slowed down the hiring process. Agencies can now move quickly to hire up to their funded personal services budgets, which will improve service delivery.

On top of savings achieved through the CSO initiative and vacancy alignment, in the Executive Budget we implemented policy changes to contain rapidly escalating costs in due process cases and the CityFHEPS program.

In the Executive Budget we have made investments to address the underlying systemic issues which have led to a shortage of services available to special education students in the public school system. This includes adding $150 million for special education Pre-K services and ensuring that children in private schools have access to DOE service providers, which are a less expensive alternative to the private market. At the same time, we will improve the administrative procedures for due process hearings.

We know that CityFHEPS is a lifeline for thousands of New Yorkers leaving the shelter system and seeking stable housing. As both the stewards of the program and an administration that firmly believes in its purpose, we want to protect it by placing it on firm financial footing. That is why we are pursuing reforms such as centralizing support functions, strengthening oversight, and implementing administrative improvements that protect the program's future. We can curb spending growth without cutting vouchers and, at the same time, develop strategies to improve the program. I look forward to discussing this with the Council in the weeks ahead.

Next, I would like to express my deep gratitude to Governor Hochul, Majority Leader Stewart-Cousins, Speaker Heastie, and members in both houses for supporting the significant package of state aid that helped address our budget challenges. I would also like to thank you, Speaker Menin, and members of the Council for your advocacy on behalf of additional resources for our city.

The Governor's Executive Budget included an additional $383 million in foundation aid, and a provision to allow the City to decouple from certain corporate tax cuts that had been included in H.R. 1, that will generate approximately $700 million in fiscal year 2027.

State support continued with a $1.5 billion commitment from the Governor on the day before we released our Preliminary Budget to provide $500 million in one-time unrestricted aid, and a recurring restoration of cuts and cost shifts including $300 million per year on youth programming, $150 million to reverse the sales tax intercept for distressed hospitals, and $60 million to reverse lower reimbursement rates for public health funding. An additional $97 million in school aid was also realized.

Finally, the enacted state budget included approximately $4 billion more through a mix of direct aid such as restoring the state share of line-of-duty survivor benefits, state authorizations such as a more flexible schedule for class size compliance, and new revenue from the state's first pied-à-terre tax for non-primary resident homes valued at over $5 million.

It has long been understood that the property tax system is inequitable. This reality manifests itself in many ways, including the regressive way that the luxury market is taxed. The pied-à-terre tax will remedy some of that inequity for high value homes over $5 million and will generate $500 million in recurring tax revenue that will support much-needed city services across the five boroughs.

The enacted state budget also authorized a restructuring of unfunded pension liabilities in the City's retirement systems, subject to approval by the trustees of each retirement system, to ensure that we are making predictable and even payments over time

The restructuring proposal allows a short five-year extension to a 22-year payment schedule that began in 2010, which required employer contributions to pay down unfunded actuarial liabilities as calculated by the Office of the Actuary. The original amortization schedule was back-ended with annual payments beginning at $4.0 billion and climbing to $7.2 billion at the end of the amortization period in 2032, when the cost would plummet to zero.

There is a better way to finance long-term obligations – flat dollar, level payments – and that is what the pension restructuring proposal accomplishes. Instead of completing payments in 2032, we will get there in 2037, with no impact on retiree benefits.

Smoothing the pension payments over time will generate savings of $652 million this fiscal year, $1.64 billion in FY27, and roughly $1.6 billion annually in the remaining out-years of the financial plan.

And our retirement systems will remain fundamentally sound. The average funded ratio for the five retirement systems is 86 percent, higher than the 79 percent national average.

This reasonable funding policy, and the multi-year savings it will produce, will ensure that NYers have a local government that is more financially stable while ensuring a continued pathway to a 100 percent funded ratio for the City's retirement systems, and I thank the Council for including this proposal in the Preliminary Budget response.

Now, I would like to share technical details about the Fiscal Year 2027 Executive Budget.

Fiscal Years 2026 and 2027 remain balanced. The Fiscal Year 2028 gap is $7.1 billion, which is in line with historical averages The gaps in Fiscal Years 2029 and

2030 of $9.1 billion and $9.8 billion, respectively are lower than during the Great Recession years as a percentage of gaps over revenue.

We will continue to identify structural solutions and make long-term systemic changes to improve the city's long-term fiscal outlook and reduce outyear gaps.

Our administration is committed to rebuilding and maintaining high levels of reserves to ensure that we can weather an economic downturn. We replenished the Rainy Day Fund to $2 billion and the Retiree Health Benefit Trust to $5.2 billion. As a percentage of revenues, our reserves are approximately 8 percent, higher than the pre-COVID 10-year average of 7.3 percent.

Turning to our revenue forecast, we recognize headwinds, including the ongoing war in the Middle East and a subdued labor market, but also economic strengths including continued market momentum, financial and artificial intelligence investment, and elevated commercial leasing activity that is driving down vacancies. The result is that, before accounting for changes in savings and tax programs, the tax revenue forecast has been revised up by $75 million in Fiscal Year 2026 and is unchanged in Fiscal Year 2027, as compared with the Preliminary Budget.

And we incorporated the Council's proposal to reduce the Unincorporated Business Tax credit, which will generate $68 million annually, also as of Fiscal Year 2027.

By virtue of our strong fiscal management, we have made new critical investments in New Yorkers that are focused on retaining our tax base, taking preventative measures to save money down the line, and spending more efficiently to deliver faster results for New Yorkers.

From a big picture perspective, we added roughly $17 billion in new spending across the Preliminary and Executive Budgets, with just $1.39 billion, or 8 percent, attributable to programmatic administration initiatives with the rest toward addressing chronic underbudgeting for known critical needs and core government operations like snow removal and IT costs.

In terms of programmatic investments, our administration has baselined needs that were typically deferred to adopted budget negotiations and funded for just one fiscal year. In the Executive Budget we baselined funding for the library systems, Parks Department, Fair Fares, cultural organizations, and the City University of New York (CUNY). This removes the uncertainty many New Yorkers experience every July around ongoing access to their neighborhood library, cleanliness in their parks, the cost of traveling to and from work or their doctor, accessing the public art sphere, and preserving CUNY as an engine of upward mobility.

We also made investments to improve the lives of the youngest New Yorkers by increasing childcare provider rates, expanding the NYC Reading and Solves program, and funding the Little Apple – the city's first ever municipal daycare program.

We also deepened our commitment to a safer New York with investments in the newly formed Office of Community Safety, an 800 percent increase in funding for the Office for the Prevention of Hate Crimes, and staffing within the Civilian Complaint Review Board and Fire Department.

The Mayor also expanded his commitment to safer streets, and deepened funding for waste containerization.

We have boosted economic justice and worker protections with support for street vendors and commercial lease legal assistance, and expanded capacity for the Department of Consumer and Worker Protection to grow by 181 heads and $18 million over the next three fiscal years.

And we are improving New Yorkers' health and wellbeing by supporting survivors of domestic violence, seniors, and access to mental healthcare.

I think we can all agree that these are necessary investments that improve the quality of life for New Yorkers across every borough and community.

Turning now to the capital budget, the five-year capital plan totals $117.1 billion, growth of $4.1 billion over the Preliminary Capital Plan.

The affordability crisis is exacerbated by an acute housing crisis and the administration's block-by-block housing plan addresses the crisis head-on. That is why we invested an additional $4 billion in Housing Preservation and Development agency capital funds over the five-year plan, and $500 million more in fiscal year 2031, to build and preserve affordable housing across the five boroughs.

We have also invested an additional $500 million in fiscal year 2028 for comprehensive NYCHA renovations. And we're allocating $256 million from this fiscal year through fiscal year 2028 along with funds from the expense budget to restore vacant units so more families can move into safe, stable homes.

This capital plan includes a total of $5.6 billion for NYCHA, the most city capital devoted to NYCHA in recent history.

I look forward to working as partners to address the fiscal challenges ahead and identify resources that support our mutual priorities, including keeping New York safe and clean, promoting education and public health, taking on the affordability crisis, and making this city livable each and every day for the people who build it.

Thank you again for the opportunity to testify today, and I am happy to answer any questions that you might have.