



The City of New York

Mayor's Office of Management and Budget

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Jacques Jiha, Ph.D.
Director

January 10, 2022

Dear Colleagues:

Last November, the City updated its financial plan. While Fiscal Year 2022 is balanced, the City faces a budget gap of \$2.9 billion in Fiscal Year 2023 that the Mayor must close in the upcoming Preliminary Budget. We face challenges closing this gap because of a slowing economy from the Omicron variant.

Further, Mayor Adams made a commitment to New Yorkers that his Administration will take a close, hard, look at how the City delivers services. In light of the Mayor's commitment to making government more efficient, more effective, and more customer-centric, and given the continued uncertainty around COVID-19 and a slowing economy, we must take immediate action to make better use of our resources and close the Fiscal Year 2023 budget gap.

As agency savings make up a substantial source of City resources needed to close the gap, you play a critical role in this exercise. For his first budget, the Mayor will be implementing a Program to Eliminate the Gap (PEG) that applies to all agencies, except the Department of Correction, Health + Hospitals, Department of Health and Mental Hygiene, and the Office of the Chief Medical Examiner, due to the unique challenges these agencies currently face. By January 21, you are asked to submit a PEG plan to reduce city-funded expenses in your agency by 3.0% in Fiscal Year 2022 and 3.0% in Fiscal Year 2023, as well as in the outyears. You are also asked to right size your agency's budgeted headcount by reducing vacancies. The vacancy savings you achieve will be applied toward your agency's PEG savings. You must submit proposals that meet the total target for each fiscal year. OMB staff will contact your budget office by close of business today with the savings levels, the required budgeted headcount reduction target, and information about the submission process.

Agencies will be required to find productivity and efficiency improvements by restructuring the delivery of programs or services, improving revenue collection, reducing administrative and overhead costs, and funding underused programs at the appropriate levels. Savings proposals must not result in reductions in direct services unless the services are underutilized, must not rely on new fees, fines, or concessions, and cannot be based on layoffs. If agencies don't achieve their savings targets, OMB will identify the savings opportunities.

The program savings and the resulting level of services that will be provided should be indicated in your proposals, which should be prioritized in the order of preferred implementation with your top proposal ranked first.

Until your program is approved by OMB, all City-funded hiring will be frozen. OMB will only permit hiring during this period to fill positions that have an immediate and direct impact on public health and public safety.

We know this has been a difficult two years for your agency. Your teams have done an exemplary job of guiding the city through the many challenges caused by the pandemic. Unfortunately, we must still overcome hurdles like the uncertain impact of COVID variants that have contributed to a slower-than-expected economic recovery at home. We have a very short window to close a nearly \$3.0 billion budget gap in Fiscal Year 2023, so we must ask you to be more resilient and resourceful and continue to maintain services with lower budgets.

I appreciate that this is a difficult request, and I have instructed my team to take every step they can to help. Thank you for your efforts and partnership, and do not hesitate to reach out if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jacques Jiha', with a stylized flourish extending to the right.

Jacques Jiha, Ph.D.
Budget Director