



Testimony of FPWA

Presented to:

**Committee on Finance and Committee on Governmental Operations, State & Federal
Legislation**

Oversight hearing: Preparing NYC for Changes in Federal Funding

Chairs Restler and Brannan

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We are grateful to the members of the Council Committee on Finance and Council Committee on Governmental Operations, State & Federal Legislation for holding this hearing, and to Chairs Restler and Brannan for the opportunity to provide testimony on behalf of FPWA (Federation of Protestant Welfare Agencies).

FPWA is a leading anti-poverty, social policy and advocacy organization dedicated to strengthening human services organizations and faith institutions and advancing economic security and justice for New Yorkers with low incomes. Since 1922, FPWA has driven groundbreaking policy reforms to better serve those in need. We work to dismantle the structural and systemic barriers that impede economic security and well-being, and we strengthen the capacity of human services agencies and faith organizations so New Yorkers with lower incomes can thrive and live with dignity.

FPWA has a membership network of 170 faith and community-based organizations. We support our members by offering workshops and training on topics such as leadership development, organizational management, and trauma-informed approaches to service delivery. FPWA provides a range of financial assistance grants through our member network, working to support individuals and families at the ground level. These grants provide direct support to New Yorkers in the form of scholarships, financial assistance for aging adults, funding for organizations providing HIV/AIDS related services, and more.

FPWA has also long been tracking the impact of federal funding on our city through our [NYC Funds Tracker](#). The NYC Funds Tracker is a data tool designed to shine a light on the fiscal workings of the city government, to help advocates, policy makers and community members fight for a budget that ensures physical, social, and economic wellbeing for all New Yorkers. Its origins go back to the first Trump presidency in 2019, when we first launched the Federal Funds Tracker in light of expected federal cuts that would impact the city's human services sector. We see this tool as vital, as local communities once again brace for the impact of federal spending cuts and seek to find new solutions that overturn long-term underinvestment in communities. The NYC Funds Tracker helps community members identify underinvestment by providing an overview of where the City's money comes from and where it goes.

This oversight hearing, focused on preparing New York City for changes in federal funding, comes at a critical time. According to a recent Urban Institute report, 62% of New York City households are economically insecure today. This means that nearly two-thirds of all households in New York City struggle to pay their bills and housing costs, afford health care and child care, and save for their futures. The number increases to a staggering 72% for households with children. This is unacceptable, and we know that the proposed federal cuts to critical income supports and programs will only exacerbate the high rate of

economic insecurity faced by New Yorkers. Despite understanding these changes in the City's budget, we still believe that the City has an obligation to meet this challenge, and ensure economic security for all New Yorkers, regardless of their race, gender identity, immigration status, or other characteristics.

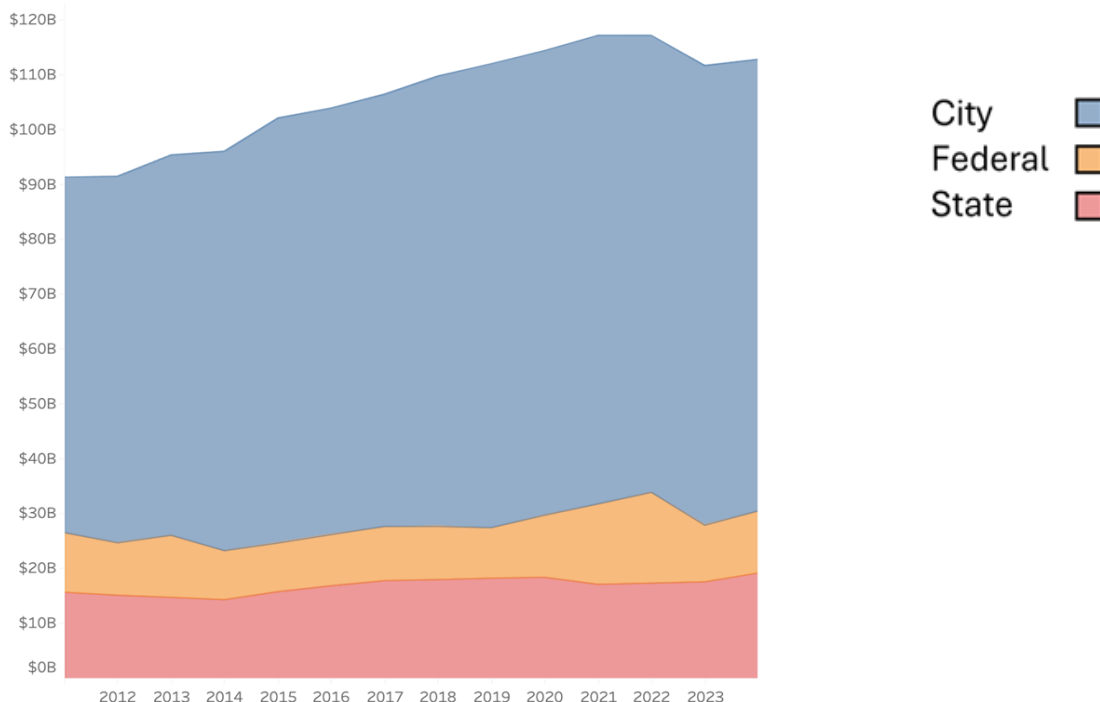
This hearing presents an opportunity to discuss how we can advance that goal despite the uncertainty facing our city from the federal administration. To achieve this, we call on the City to:

- Improve economic and budgetary management, including scenario planning for federal funding changes
- Bolster the City's own revenue sources
- Focus on ensuring economic security, not austerity
- Respond to threats by standing up for the values that New Yorkers hold dear.

The City must employ stronger budgetary management and planning

Through our [NYC Funds Tracker](#), we know that about 10% of the City's budget is directly at risk from potential federal funding cuts. We also know that even more is indirectly at risk through the federal funding that is channeled through the state budget (approximately a third of the state budget consists of federal funding).

Overview of NYC Budget funding sources



Source: NYC Funds Tracker

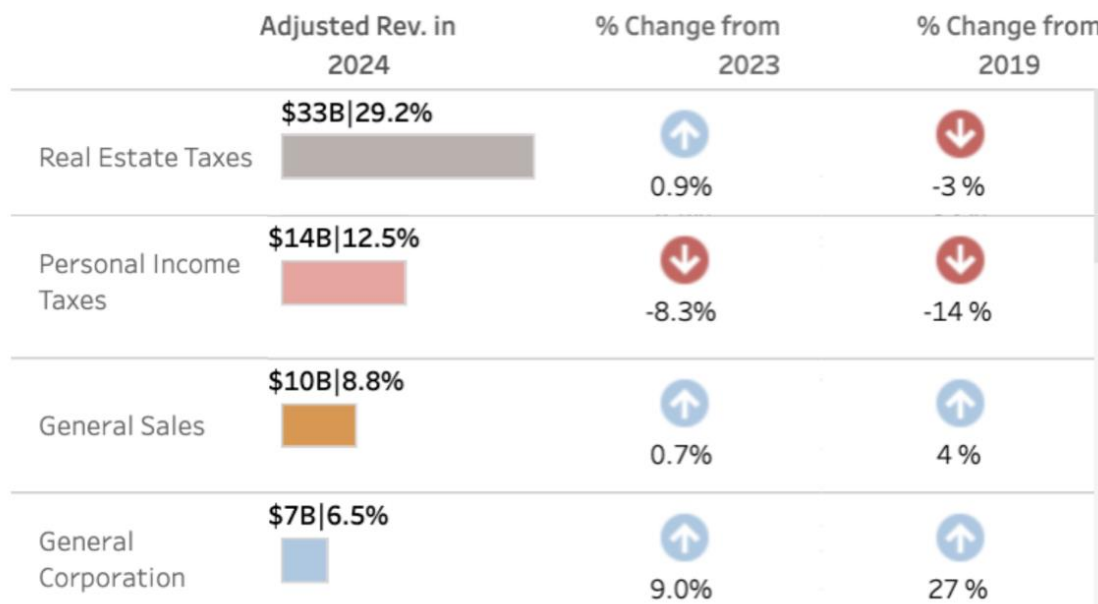
In this light, the City must do all it can to prepare for these potential changes. This starts by first having strong economic management and transparency in its budgeting process. The known underbudgeting of certain expenses, such as NYPD overtime, with other funds hidden elsewhere in the budget impacts transparency and the ability of the New York City community to work with accurate and complete information. We specifically call on the City to:

- undertake **scenario planning**, to work out how it will respond when the cuts do inevitably come and ensure the city is ready.
 - The OMB Commissioner said that he does not have a ‘Plan B’ if Federal dollars are cut, and at last month’s Preliminary Budget hearing, admitted that the City had not undertaken scenario planning to prepare for potential cuts. This is not acceptable when faced with the threat that NYC is currently staring down.
- **improve transparency and management of its ‘rainy day fund’** and be ready to fill any gaps that may arise.
 - Currently the City holds about \$2 billion in the fund.
 - A lack of transparency about the fund’s use and where else in the budget the City may be storing reserve funds hurts the ability of the community to plan accordingly.
- improve its **timely payment of contracts** for human services.
 - We recognize the progress that has been made to clear backlogs of contract payments. The City must continue to improve these processes as it is one thing that the City can do that is in its own control. Community Based Organizations should not have to be waiting on funds from the City at the same time they are facing federal funding cuts.

The City must bolster its own revenue sources

With the threat to federal funds, the City’s own revenue sources become more important than ever, accounting for 73% of the City’s revenue in FY24. Despite their importance, using the NYC Funds Tracker to examine these sources shows evidence of stagnation since the COVID-19 pandemic. While sales and corporation taxes are on an upward trend, real estate and personal income taxes are still below pre-pandemic levels after adjusting for inflation.

Overview of trends in top City revenue sources



Source: NYC Funds Tracker

While the City faces a combative federal administration, changes to its own revenue settings require only changes at the state level, or in some cases, entirely in its own control.

To this end, opportunities to improve the progressivity and amount of revenue generated from the City's two largest taxes are available. Options include a suite of modest reforms that would raise the personal income tax rate for the top 1% of earners as well as provide for more equitable taxation of real estate¹ [raising an additional \\$1 billion in revenue](#).

Ensuring its own revenue sources are stable, progressive and growing, will help the City stabilize its budget and ensure it is less vulnerable to the whims of other levels of government. Suring up its own revenue sources will also enable the City to invest in economic security.

The City must focus on economic security for all, not austerity

A city's budget should reflect the needs of its residents. Now, more than ever, the Administration must **resist calls to implement austerity measures** in response to federal funding constraints. The City should continue to fund the vital services we need and seek to ensure economic security. It can do this by enhancing processes for access to cash

¹ While some claim that such tax reform would cause the wealthy to leave the city, eroding the city's tax base, [studies have shown that is the cost of living, not tax that causes New Yorkers to leave](#).

assistance and SNAP, investing in the human services workforce, and other policy advancements as outlined in our testimony [to last month's preliminary budget hearing on general welfare](#).

When people have economic security they can fully participate in society and the economy. This has flow on effects that will only improve the city's prosperity and its own tax revenues in the longer term.

For example, as mentioned above, New York City collects a large proportion of its revenue from income tax (\$12.5b or 14%). This revenue draws heavily on middle-income earners, a sizeable portion of the tax base that is increasingly being squeezed by economic insecurity.

Over the last five years, New York has lost a net of more than 76,000 jobs paying middle-income wages – with remaining middle-income earners experiencing slower rates of real wage growth, relative to other income groups.

Improving economic security would allow more tax-paying New Yorkers to stay in the state, reversing the negative trend in personal income tax, and bolstering the city's revenue and economy.

The City must stand up for all New Yorkers and the values we uphold

Finally, all of the above-mentioned steps are necessary to enable **the administration to stand up for New Yorkers** when they need it most. This means stepping in to support and fund vital programs including for migrants, diversity, equity and inclusion, and the LGBT+ community that are being particularly targeted by federal funding cuts. It means defending New York's role as a sanctuary city, not supporting President Trump's ICE enforcement efforts. It means being on the front foot to fight back in the face of illegal funding claw backs.

Conclusion

It is true that the city is staring down potentially devastating cuts, but there are many levers inside its own control that it must fully use to prepare. Taking these steps outlined in our testimony would put New York on a path to ensuring economic security for all.

We thank you for your time and attention to these critical issues, and FPWA looks forward to working with you to respond to the changing federal funding landscape.