

September 12, 2023

Breaking Down the Fiscal Impact of City Aid to Migrants

Statement from Fiscal Policy Institute Executive Director Nathan Gusdorf:

“While the growth in asylum seeker costs is adding new fiscal strain, the City’s request for 15 percent cuts across all agencies — which totals \$10 billion in cuts in one year — significantly overstates the fiscal impact of migrant arrivals.

“The City estimates the total cost for asylum seekers over 2024 and 2025 is \$10.9 billion — however, the City’s portion of the cost for asylum seekers over 2024 and 2025 is \$8.9 billion, of which \$2.4 billion was already budgeted for in the adopted budget. This puts the City’s new funding need at \$6.5 billion over the next two years: \$2.3 billion in 2024 and \$4.1 billion in 2025. The proposed budget cuts of \$10 billion per year are billions of dollars higher than the increased cost estimates for asylum seekers.

“The City’s projected budget gaps may also explain these proposed cuts. However, the City typically underestimates revenue in budget outyears. Given the State’s improving economic outlook and the City’s intentionally conservative outyear forecasting, the City’s total budget gap for 2024 is likely smaller than projected. Finally, the City’s cost estimates for asylum seekers assume that no progress is made on finding efficiencies in housing or work permits, and that the per-night cost for households remains \$383 in the coming two years.

“At a time when many New Yorkers and asylum seekers alike are relying on essential City services, and as the economy recovers from the Covid recession, City leaders should consider the long-term detrimental economic impact of service cuts.”

Migrant Costs: In August 2023, the City updated its cost estimates for providing shelter and support to asylum seekers, adding \$2.33 billion in expected costs in the current fiscal year (FY24) and \$4.1 billion in the next fiscal year (FY25).

City cost estimates for asylum seeker support in the New York City fiscal year 2024 adopted budget and August 2023 updateⁱ

Dollars in billions

	FY2023	FY2024	FY2025	3 year total
FY24 Adopted – All funds	\$1.4	\$2.9	\$1.0	\$5.3
City funds	\$0.96	\$1.7	\$0.71	\$3.4

State funds	\$0.44	\$0.56	\$0.29	\$1.3
Federal funds	–	\$0.14	–	\$0.14
August 2023 Update – All funds	\$1.5	\$4.7	\$6.1	\$12.3
City funds¹	\$1.0	\$4.0	\$4.8	\$9.9

Updated City Cost estimates between Adopted and August

Dollars in billions

	FY2023	FY2024	FY2025	3 year total
August Update – City funds	\$1.0	\$4.0	\$4.8	\$9.9
FY24 Adopted – City funds	\$0.96	\$1.7	\$0.71	\$3.4
<i>New City need for asylum seekers (unbudgeted costs)</i>	–	\$2.3	\$4.1	\$6.5

September 2023 PEG: The 15% PEG announced on September 9, 2023 would result in a \$9.6 billion cut in the current fiscal year, rising to \$10.4 billion by fiscal year 2027.

September 2023 PEG cuts by fiscal yearⁱⁱ

Dollars in billions

	2024	2025	2026	2027
9/23 PEG	\$(9.6)	\$(9.7)	\$(10.0)	\$(10.4)
PEG cut as share of all funds budget	-9.0%	-8.7%	-8.8%	-8.9%
PEG cut as share of city funds	-12.5%	-11.6%	-11.5%	-11.5%

¹ August 2023 updated estimate for fiscal year 2025 city funds expenditure accounts for an anticipated additional \$1 billion in State funding, pending approval in the State fiscal year 2025 budget, as announced by Governor Hochul in August 2023.

Agency Cuts: Cuts concentrated among agencies that provide critical services to migrant families, including the Departments of Education, Social Services, and Homeless Servicesⁱⁱⁱ

September 2023 PEG cuts for fiscal year 2024 by agency

Dollars in billions

Agency	FY24 PEG
Department of Education	\$ (2.1)
Department of Social Services	\$ (1.4)
Police Department	\$ (0.8)
Dept. of Homeless Services	\$ (0.4)
Fire Department	\$ (0.3)
Dept of Environmental Prot.	\$ (0.2)
Health and Hospitals Corp.	\$ (0.2)
Department of Sanitation	\$ (0.2)
All Other	\$ (3.9)
Total	\$ (9.6)

Outyear Budget Gaps

- The fiscal year 2024 adopted budget projected modest gaps in line with historical norms. These [routine budget gaps typically disappear](#) as revenue exceeds initial projections.
- Updated asylum seeker cost estimates would result in a \$2.3 billion shortfall in the current fiscal year and would raise the projected fiscal year 2024 gap from \$5.1 billion to \$9.2 billion. Asylum seeker cost estimates currently have no effect on budget gaps after fiscal year 2025.
- In the months since the fiscal year 2024 budget was adopted, national and local economic data have exceeded expectations and reduced expectations of an impending recession.

Outyear budget gaps projected in fiscal year 2024 adopted budget and updated to account for August 2023 update to cost estimates^{iv}

Dollars in billions

	FY24	FY25	FY26	FY27
Adopted Budget Gap	–	\$5.1	\$6.8	\$7.9
% of budget	–	4.8%	6.4%	7.3%
Budget Gap after August cost update ^v	\$2.3	\$9.2	–	–
% of budget	2.2%	8.7%	–	–
Historical average projected shortfall	–	2.8%	6.3%	6.2%

Household Costs

- Higher costs are driven by higher-than-expected recent arrivals of asylum seekers and upward revisions to arrivals over the next two years
- The city is currently spending \$380 per household per day. The city projects no added efficiencies to reduce the cost per household over the next two years. The city projects no added efficiencies to reduce the cost per household over the next two years.

Number of asylum seeker households supported by city, as projected in the fiscal year 2024 adopted budget and August 2023 updated cost estimate^{vi}

	Aug 2023	FY24 avg	FY25 avg
Adopted budget	19,100	–	–
August update	25,600	33,860	43,880
Cost per household per day	\$380	\$383	\$383

ⁱ Sources: New York City Mayor’s Office of Management and Budget, *June 2023 Adopted Budget, Fiscal Year 2024 – Expense, Revenue, and Contract Budget* (July 3, 2023); New York City Mayor’s Office of Management and Budget, *April 2023 Executive Budget, Fiscal Year 2024 – Mayor’s Message* (April 3, 2023); New York City Office of the Mayor, “As City Nears Arrival of 100,000 Asylum Seekers Since Last Spring, Mayor Adams Lays out Updated Costs if State and Federal Governments do not Take Swift Action” (August 9, 2023), nyc.gov/office-of-the-mayor/news/583-23/as-city-nears-arrival-100-000-asylum-seekers-since-last-spring-mayor-adams-lays-out-updated.

ⁱⁱ Source: New York City Mayor's Office of Management and Budget, "Expense Financial Plan – Adopted/Preliminary" (July 2023), access from NYC Open Data, data.cityofnewyork.us/City-Government/Expense-Financial-Plan-Adpt-Prel/e4p3-6ecr. Note: Per September 9, 2023 PEG order, estimates model 15 percent reduction to city funds expenditures for fiscal year 2024 and outyears, excluding offices of elected officials and certain non-discretionary agency lines, including pension contributions and debt service.

ⁱⁱⁱ Source: New York City Mayor's Office of Management and Budget, "Expense Financial Plan – Adopted/Preliminary" (July 2023), access from NYC Open Data, data.cityofnewyork.us/City-Government/Expense-Financial-Plan-Adpt-Prel/e4p3-6ecr.

^{iv} New York City Mayor's Office of Management and Budget, *April 2023 Executive Budget, Fiscal Year 2024 – Mayor's Message* (April 3, 2023); New York City Office of the Mayor, "As City Nears Arrival of 100,000 Asylum Seekers Since Last Spring, Mayor Adams Lays out Updated Costs if State and Federal Governments do not Take Swift Action" (August 9, 2023), nyc.gov/office-of-the-mayor/news/583-23/as-city-nears-arrival-100-000-asylum-seekers-since-last-spring-mayor-adams-lays-out-updated; Andrew Perry, "Low Expectations: Understanding the NYC Budget Gap," *Fiscal Policy Institute* (May 2023), https://fiscalpolicy.org/wp-content/uploads/2023/05/Low-Expectations_-Understanding-the-NYC-Budget-Gap-1.pdf.

^v FPI calculation based on fiscal year 2024 adopted budget and August 2023 updated cost estimate

^{vi} Source: New York City Office of the Mayor, "As City Nears Arrival of 100,000 Asylum Seekers Since Last Spring, Mayor Adams Lays out Updated Costs if State and Federal Governments do not Take Swift Action" (August 9, 2023), nyc.gov/office-of-the-mayor/news/583-23/as-city-nears-arrival-100-000-asylum-seekers-since-last-spring-mayor-adams-lays-out-updated