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## **IBO Reports on Mayor's 2005 Budget Plan Fiscal Picture Improves, Most Program and Service Spending Flat**

The Independent Budget Office today released its analysis of the Mayor's Preliminary Budget for fiscal year 2005 and Financial Plan through 2008. IBO's review finds that under the Mayor's plan, spending on most city programs and services will grow at an average rate well below inflation. But because of fast-rising costs for debt service, pensions, Medicaid, and some other portions of the budget over which the city has limited control, IBO projects city spending will total over \$50 billion in 2007.

"New York City's near-term fiscal outlook is certainly much better than it was just a year ago," said IBO Director Ronnie Lowenstein. "IBO now expects city tax revenue for the current year to be \$1 billion more than the level projected in last June's Adopted Budget. As a result of the improving local economy and a set of tax increases and spending cuts, we anticipate the city will end the current year with a \$1.6 billion surplus and 2005 with a nearly \$470 million surplus."

But Lowenstein warned of some potential difficulties ahead. "If a number of key measures in the budget plan are not achieved—from anticipated revenue from Battery Park City to wage increases for city employees funded solely by givebacks—the 2005 surplus could become a shortfall and projected gaps of \$1.7 billion in 2006 and \$2.7 billion in 2007 could increase by over \$1 billion annually."

IBO's report analyzes the Mayor's budget plan and presents an independent forecast of city revenues for 2004 through 2008. Among some of IBO's key findings:

- Tax revenues will total \$26.5 billion in 2004, 14 percent more than in 2003. Over three-fifths of this growth can be attributed to tax increases rather than economic growth. In 2005, as some of the tax increases phase out, tax revenues will rise just 2.3 percent to \$26.9 billion.
- The public assistance caseload will decline slightly in the second half of calendar year 2004 as well as in 2005 and then level off. Accordingly, city expenditures on public assistance will decrease from \$498 million in fiscal year 2005 to \$479 million in 2006.
- The Department of Homeless Services budget grew from \$392.9 million in 1999 to \$632.4 million in 2003. This increase largely reflected the growth in the number of homeless families entering the shelter system. With the number of families entering the shelter system falling by 2 percent in the first half of fiscal year 2004, IBO projects that homeless services spending will now stabilize.

(Over)

- From 1999 through 2003, education department spending grew from \$9.6 billion to \$12.7 billion, an increase of 30 percent. IBO estimates that school spending in 2004 will be roughly \$12.75 billion and increase to \$12.8 billion in 2005, a rise of less than 1 percent a year.
- IBO projects that police overtime will total \$325 million in 2005—\$115 million more than projected in the Preliminary Budget. Police overtime is currently on pace to reach \$387 million this year.

Sections of the report were made available during the City Council's budget hearings. The full, 123-page report is available on IBO's Web site at [www.ibo.nyc.ny.us](http://www.ibo.nyc.ny.us). A free, printed copy can be obtained by calling IBO at 212-442-0632.