



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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**IBO: As Budget Gap for 2003 Widens
Mayor's \$500 Million Contingency Plan May Be Insufficient**

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City Faces Several Years of Deep Shortfalls

The Independent Budget Office today released its analysis and reestimate of the Mayor's Executive Budget for 2003. The report finds that even if all of the gap-closing measures proposed in the Executive Budget are adopted, a \$785 million shortfall remains for fiscal year 2003. Given the uncertainty of some of these measures and the widening gap, the \$500 million contingency plan proposed by the Mayor may not be enough to close the shortfall.

"Over the next few years the city must confront larger budget gaps than it did during the recession of the early 1990s," said IBO Director Ronnie Lowenstein. "These gaps result from a combination of the recession, expenditures growing faster than revenues, and the tragic events of September 11. And this year—unlike the recent past—there will be no year-end surplus to help the city remedy next year's shortfall."

IBO estimates that city tax revenue will not return to its 2001 level until 2004. Although US economic growth has resumed, New York City's economy has shown little sign of a turnaround. IBO expects that the local economy will see virtually no growth in the current calendar year and only weak growth next year.

With the city struggling to escape the recession and the effects of September 11, along with its underlying structural budget imbalance, there are large shortfalls to confront in 2004 and beyond. Even if all of the Executive Budget gap-closing measures are adopted, IBO still projects shortfalls of \$3.6 billion in 2004 and more than \$4 billion in each of the two years that follow. These estimates are roughly \$1 billion higher than the Mayor's for each year.

"Some combination of deeper spending cuts, additional federal and state aid, and/or tax increases will be necessary to bring the city budget into long-term structural balance," said Lowenstein.

IBO's *Analysis of the Mayor's Executive Budget for 2003* is available on-line at www.ibo.nyc.ny.us. A free, printed copy can be requested by calling 212-442-0632.