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**IBO Report on Mayor's 2013 Preliminary Budget and Financial Plan:
City Adding Jobs Despite Wall Street Weakness**

Report Link: <http://bit.ly/Hn2tgx>

The New York City Independent Budget Office today released its analysis of the Mayor's Preliminary Budget for 2013 and Financial Plan through 2016. The report presents an economic forecast and tax revenue projections that have been completely revised since the agency presented testimony on the city's fiscal outlook to the City Council earlier this month.

"Just a few days after we presented our economic and tax forecast, the state Department of Labor dramatically revised its job numbers for 2011. Given the extent of the changes, we thought it was essential that IBO undertake a new economic and revenue forecast incorporating the updated numbers," said IBO Director Ronnie Lowenstein.

The new forecast includes much stronger gains in employment than income. IBO projects substantial job growth, with the city gaining 435,000 jobs in calendar years 2011-2016. But with the expectation of continued weakness in Wall Street revenues and profits, growth in personal income for city residents and tax collections for the city is less robust than the job gains.

Three quarters of the job gains are projected in four industry sectors: education, health care, and social assistance; professional and business services; leisure and hospitality; and wholesale and retail trade. Many of the jobs in these sectors have relatively modest wage levels. In contrast, the extraordinarily high-paying securities sector is expected to add only 1 out of 37 new jobs IBO projects over calendar years 2012-2016.

With a subdued Wall Street, tax revenues are projected to grow at a substantial rate, but not nearly the pace of the double-digit gains during 2004-2007 after the previous downturn. IBO projects tax revenues will rise 4.3 percent this fiscal year and total \$41.4 billion. In 2013, tax revenues are projected to rise an additional 5.5 percent and total \$43.6 billion. By 2016, tax revenues are expected to reach \$51.0 billion.

The report, an *Analysis of the Mayor's Preliminary Budget for 2013*, also examines and reestimates city spending. Among the highlights:

- Spending on the city's traditional general education public school classrooms will decline by \$203 million (3.3 percent) in 2013 under the Mayor's plan.

- Charter schools allocations will be \$51 million higher than the \$779 million reflected in the budget plan for 2013, and \$82 million more than budgeted for 2014 based on already approved plans for new charter schools.
- The cost of homeless shelters for families will be an estimated \$37 million more than budgeted for this year and \$76 million more than planned for 2013 because the number of families in shelters is generally rising and their length of stay has increased.
- The pension changes passed in Albany will save the city \$27 million less in 2015 and \$56 million less in 2016 than projected by the Mayor based on the Governor's original proposal. Additionally, health insurance costs are projected to be an average of \$45 million higher annually than the Mayor estimated for 2013-2016.

Based on IBO's economic forecast and tax revenue projections along with our reestimates of spending under the Mayor's budget plan, we expect the city will end the current fiscal year with a surplus of \$1.4 billion. Assuming the surplus will be used to prepay some of next year's expenses and that the Mayor's plan for just over \$1.0 billion in cost-cutting and revenue-raising measures are approved, and that the sale of new taxi medallions will generate an additional \$1.0 billion, we project a surplus of \$544 million in 2013. We estimate a shortfall of \$2.2 billion remains for 2014.

We urge readers not to compare IBO's surplus and gap estimates with those contained in the Preliminary Budget and Financial Plan because our projections are built off job numbers that were substantially revised by the state labor department after the Mayor released his budget plan.

IBO's report was completed as state legislative leaders came to an agreement on the state budget. This report does not reflect changes in the Governor's proposals, which have not yet been formally approved.

The 52-page report is available at: <http://bit.ly/Hn2tgx>. For a free, printed copy, call 212-442-0632.