



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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IBO Report on Mayor's 2004 Budget Plan: Despite Cuts, City Spending Would Grow

The Independent Budget Office today released its analysis of the Mayor's Preliminary Budget for fiscal year 2004 and Financial Plan through 2007. Among the report's key findings is that despite agency cuts of \$955 million implemented last November and proposals for an additional \$333 million in cuts in the Preliminary Budget, IBO estimates total city-funded spending would grow \$1.6 billion in 2004 and total \$32.8 billion.

"The cost of Medicaid, debt service, and pensions and fringe benefits for city workers are driving the increase in spending," said IBO Communications Director Doug Turetsky. "At the same time, spending by most agencies that provide services to individuals and communities is falling."

IBO estimates that the city's share of Medicaid spending will rise by \$330 million in 2004 and total \$4.2 billion. The city's contribution to its five pension funds will be \$2.6 billion in 2004, an \$827 million increase over 2003. Spending for fringe benefits will rise by an estimated \$146 million in 2004, and total \$2.8 billion (excluding public school employees).

Spending on debt service, including the Transitional Finance Authority, would total a projected \$3.9 billion in 2004 and is expected to rise to \$5.3 billion by 2007. Several refundings of city debt in 2003 have helped to lower costs this year and in the future. But \$2 billion in borrowing in the wake of September 11 have added to debt service costs—\$95 million in 2004 and \$165 million annually over the next three decades.

IBO estimates that of the combined \$1.3 billion in spending reductions from November and January, about half would come from specific cutbacks in programs or services and from other unspecified cuts in agency budgets that may ultimately affect services. The other half of agency spending reductions would come from reestimates of service needs, shifting costs to federal or state resources, and similar actions.

IBO's report provides a detailed review of the Preliminary Budget and includes our own projection of tax collections and other revenue, repricing of the Mayor's policy proposals, as well as reestimates of the cost of delivering existing services.

Sections of the report were made available during the City Council's budget hearings. The full, 105-page report is now available on IBO's Web site at www.ibo.nyc.ny.us/iboreports/march2003WEB.pdf. A free, printed copy can be obtained by calling IBO at 212-442-0632.

