



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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New IBO Report on the Mayor's Budget Plan: Despite Surprising Job Growth, Fiscal Challenges Remain

The New York City Independent Budget Office today released its analysis of the Mayor's Preliminary Budget for 2012 and Financial Plan through 2015. The report finds that under the Mayor's plan, adjusted for IBO's revenue forecast and spending reestimates, the city will end the current year with a \$2.9 billion surplus, \$258 million less than the Bloomberg Administration's estimate. With the expectation that the surplus will be used to prepay some of next year's expenses, that the Mayor's plan for \$1.0 billion in gap-closing measures will be adopted, and that the state will provide \$600 million in requested aid, IBO projects that a relatively modest shortfall of \$195 million still remains in the 2012 budget.

IBO's projections for tax revenues in 2011 and 2012 are similar to those of the Bloomberg Administration. Although IBO's tax revenue forecast for 2013 is more than \$1.0 billion higher than the Mayor's, we still project a budget gap of \$3.9 billion.

"While New York City weathered the recession far better than many of us had expected and the rebound has also been surprisingly strong, the city continues to face economic and budget challenges," warned IBO Director Ronnie Lowenstein.

"Although we have already regained nearly half of the 131,700 private-sector jobs lost during the downturn, many of the jobs we are adding do not pay as well as the ones we lost. This will temper growth of the city's economy—and tax revenues—over the next few years. Moreover, cutbacks in state and federal aid, on top of local spending reductions, could take an increasing toll on city services," said Lowenstein.

The new report, *Analysis of the Mayor's Preliminary Budget for 2012*, highlights a number of issues in regard to city spending under the Mayor's plan:

- Department of Education spending on traditional public school classrooms will decline by \$207 million next year, while spending on nonpublic and charter schools as well as systemwide costs will increase by \$689 million.
- The potential loss of \$140 million in state and federal funds for the Advantage rental subsidy program could result in \$115 million to \$188 million in additional city funds on shelter spending as well as more state and federal dollars because the number of individuals and families remaining in or returning to the shelter system would increase.

- September's tornado and this winter's extraordinary snowfall caused nearly \$100 million in additional expenses this fiscal year.
- The number of city firefighters would fall to its lowest level since at least 1980 and the number of police officers would fall to its lowest level since 1992.

IBO's latest tax revenue and spending projections find that city expenditure growth continues to outpace tax revenue growth. Based on our economic forecast and the expectation of continued job gains, IBO projects tax revenues will grow at an average annual rate of 5.1 percent from 2011 through 2015. City-funded spending, adjusted for the use of surpluses for prepayments, is projected to rise at an annual average rate of 6.0 over the same period.

In dollar terms, IBO estimates that tax revenues will grow from \$39.0 billion in 2011 to \$47.6 billion in 2015. Looking just at city-funded spending and again adjusting for the use of surpluses, IBO expects expenditures to increase from \$44.8 billion in 2011 to \$56.5 billion in 2015.

The 61-page report is available at: <http://bit.ly/i40Wfp> . For a free, printed copy, call 212-442-0632.