



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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IBO Reports on the Executive Budget for 2024 and Financial Plan through 2027

Despite Challenges, IBO is Optimistic About the City’s Short Term Fiscal Health;

Slower Growth, Revenue Reductions and Cost Obligations Loom Large in Out-Year Budget Gaps

Report link: <https://bit.ly/3W3Seqm>

The New York City Independent Budget Office (IBO) issued its analysis of the Executive Budget for Fiscal Year 2024 and Financial Plan through 2027. The report provides details of IBO’s most recent economic forecast along with explanations of our re-estimates of revenues and expenditures, including information from the state budget which was finalized after the release of the Executive Budget. “IBO’s Executive Budget analysis provides macro and micro information about the budget to help the public understand where the city stands financially and give elected officials data to help inform their debates on budget priorities and negotiations toward an adopted budget,” said **IBO Director Louisa Chafee**. “It is also important for planning to protect the city from future financial uncertainties.

IBO projects that the city will end the current fiscal year with an additional \$2.1 billion. Surplus funds of \$3.035 billion were already budgeted as prepayments for 2024 expenses. Strong tax revenues accompanying rebounding job growth have cushioned burgeoning expenses, including those of union contract settlements and costs associated with shelter and services for asylum seekers, but considerable risks remain. COVID-19 relief funds, which will not continue beyond 2025, also supported the city’s recovery. But there is cause for concern due to anticipated budget gaps in Fiscal Years 2025 to 2027 between \$5.8 and \$7.7 billion when expenditures will increase by 11.1 percent over the course of the financial plan while revenues only grow by 1.9 percent.

IBO Total Revenue and Expenditure Projections Fiscal Years 2023-2027							
<i>Dollars in millions</i>							
	Prior Year Actuals	Projections					Average Annual Change 2023-2027
	2022	2023	2024	2025	2026	2027	
Total Revenue	\$107,430	\$109,570	\$106,275	\$107,829	\$108,679	\$111,701	0.8%
Total City Taxes	69,431	72,071	70,939	74,437	76,556	79,538	2.8%
Total Expenditures	\$104,360	\$107,488	\$108,336	\$113,613	\$115,745	\$119,392	2.7%
IBO Revenue Less Expenditures	n/a	\$2,082	(\$2,061)	(\$5,784)	(\$7,066)	(\$7,691)	
IBO Prepayment Adjustment 2023/2024	n/a	(\$2,082)	\$2,082	-	-	-	
IBO Surplus/(Gap) Projections		\$0	\$21	(\$5,784)	(\$7,066)	(\$7,691)	

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IBO's projections differ from the Executive Budget in part due to information from the state budget received after the Executive Budget was released. Given the strength of the city's recovery, IBO has a rosier forecast of future revenue than the Executive Budget.

Conversely, it believes that the Executive Budget's spending projection is some \$10.9 billion less over the course of the financial plan, and its report details these risks. In addition, IBO found areas in which it believes city spending is either over- or under- budgeted, including in several under-funded program areas which historically have been omitted or understated in the Executive Budget, only to be restored during negotiations to finalize the adopted budget. IBO has included these in its re-estimates of forecast city expenditures.

Some examples include:

- The exhaustion of COVID-related federal funding will have an acute effect on the city's education spending. IBO estimates that the city will need to provide an additional \$5 million for the DOE budget in the current year, \$285 million in 2024, \$668 million in 2025, and \$881 million annually in 2026 and 2027, as the city has used the federal Covid-19 stimulus funds to pay for programs that IBO anticipates will continue beyond the funds' expiration. These programs include Summer Rising, contracted nursing services, Pathways to Graduation, pre-school special education, mental health counseling, and others.
- City uniformed agencies—the Police, Fire, Correction, and Sanitation Departments—historically have very high overtime costs. Although most are on track to spend less than the amounts budgeted in 2023, IBO expects the out years of the financial plan will result in the city's needing to spend \$435 million more than budgeted levels in 2024, for instance. IBO's report includes the additional funding required for overtime in the remaining years of the financial plan.
- In an example of a re-estimate that is lower priced but produces a high impact for people, the city did not include sufficient out-year funding for key legal assistance programs, including anti-eviction and related services, as well as deportation defense services. This will require an additional \$9 million in city funds in 2023, \$56 million in 2024 and 2025 and \$72 million for 2026 and 2027.

New York City Independent Budget Office

The New York City Independent Budget Office (IBO) is authorized under the New York City Charter to provide nonpartisan budgetary, economic, and policy analysis for the residents of New York City and their elected officials. IBO helps to increase New Yorkers' understanding of and participation in the budget process.