

# Analysis of the November 2024 Financial Plan Fiscal Years 2025-2028 By the Independent Budget Office



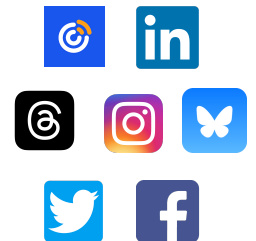
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In accordance with its New York City Charter mandate to enhance official and public understanding of the budgetary process and budget documents, the Independent Budget Office (IBO) presents highlights of its economic and revenue forecasts and re-estimates of expenses across the November 2024 Financial Plan spanning Fiscal Years 2025 through 2028. IBO analyzes historical spending trends and forecasts future changes to re-estimate spending compared with expenses presented in the Adams Administration's Financial Plan.

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# Overview

On November 20, 2024, the Administration presented its November 2024 Financial plan showing the following revenues and expenditures:

## Administration's 2024 November Plan, 2025-2028

*Dollars in Millions*

	2025	2026	2027	2028
Revenues	\$115,029	\$112,450	\$115,055	\$116,945
Expenditures	\$115,029	\$117,907	\$120,627	\$123,281
Gap to be Closed	\$-	(\$5,457)	(\$5,572)	(\$6,336)

SOURCE: Mayor's Office of Management and Budget (OMB)  
NOTE: Throughout this report, all years refer to City fiscal years unless otherwise noted.

*New York City Independent Budget Office*

In keeping with its mandate under the New York City Charter, IBO has independently conducted an economic forecast and review of City revenues and expenditures. This report presents IBO’s findings. It also highlights areas of uncertainty based on the potential for large shifts in federal policy and in the federal budget anticipated from the incoming presidential administration, even though IBO cannot yet incorporate estimates of these risks.

# Key Findings



## Uncertainties Loom Over Economic Projections

Potential federal policy changes greatly complicate all efforts to assess future revenues and expenditures. This comes just as the City's economy seems to be settling into a post-pandemic period of slower but sustained growth. (See IBO's [report](#) on economic and revenue forecasts for more details.)



## The Administration Slightly Underestimates the 2025 Budget Surplus

IBO's 2025 revenue forecast is slightly lower than the Administration's; IBO anticipates materially lower costs in such areas as services to asylum seekers and citywide personnel spending. IBO's analysis yields a total surplus of \$920 million, which is larger than the Administration's surplus estimate of \$96 million.



## A Tight City Financial Position Means Less Cushion To Rely On

Year-end operating surpluses have declined year over year since 2022, constraining the City's ability to use current year savings to offset the next year's gap. The City's financial position is tightening at a time when factors outside its control may require greater flexibility. In the short term, IBO's overall revenue forecasts largely align with the Administration's. However, several structural deficits in the City's budget have remained unaddressed for many years. If federal revenues are now cut or the City's economic picture declines, these gaps will make it increasingly difficult to continue to provide many of the services New Yorkers rely on.



## The Administration Underestimates the Budget Gaps for 2026-2028

IBO projects budget gaps of \$6.2 billion for 2026, \$7.9 billion for 2027, and \$7.5 billion for 2028, amounts that represent around 5% to 6% of the projected City revenues for each of those years. To address the 2026 gap and produce a balanced budget, the Administration will need to take corrective steps in January's Preliminary Budget.

# Federal Policy Risks

Federal changes may have significant direct and indirect impacts on New York City. IBO has not yet factored these into economic or revenue forecasts, given the lack of clarity around proposals.



## Tariffs

Widely imposed tariffs on imports could lead to challenges including: increasing inflation; halting interest rate reductions; and slowing economic growth.



## Tax Policy

A myriad of effects could flow from the extension, expansion, or revision of expiring provisions in the Tax Cuts and Jobs Act of 2017, including stimulated economic growth, and increased federal debt.



## Immigration

Major changes in federal immigration policy, including the potential for mass deportation and further limitations on asylum, could create upheaval in the labor market and impact State and City spending.



## Restructuring

The proposed Department of Government Efficiency (DOGE) or similar efforts to restructure the Federal government so as to cut as much as \$2 trillion in Federal spending, could (if successful) result in significant impacts for New York City.

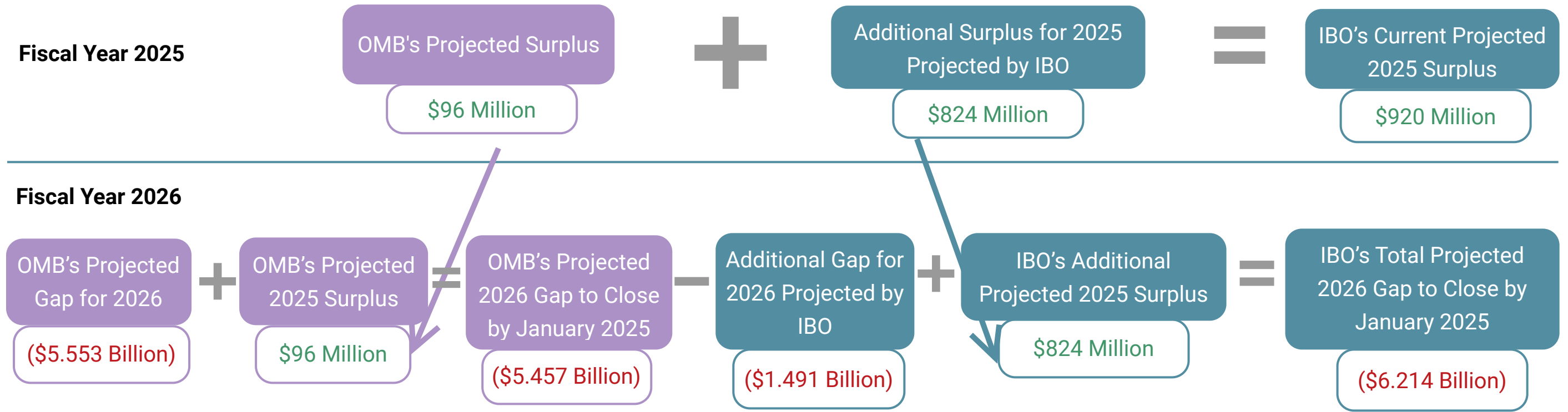
# IBO and Administration's Revenue Forecasts Align

## IBO Projects Slightly Lower Revenue in 2025, Slightly Higher Revenue Starting in 2026

Fiscal Year	Total Revenues		Annual Growth Rate in Revenues	
	IBO	Administration	IBO	Administration
2024 actual	\$74,049	\$74,049	--	--
2025	\$77,026	\$77,133	4%	4%
2026	\$78,702	\$77,929	2%	1%
2027	\$81,574	\$80,724	4%	4%
2028	\$84,879	\$83,022	4%	3%

SOURCES: IBO and OMB November 2024 Tax Revenue Forecasts

## Both IBO and Administration Project a Surplus for 2025 and a Deficit for 2026, But of Differing Sizes



Additional details on IBO's budget surplus and gap estimates across the Financial Plan can be found in subsequent tables in this report.

# IBO Total Revenue and Expenditure Projections Fiscal Years 2024-2028

*Dollars in Millions*

	Prior Year Actuals	Projections				Annual Average Change
	2024	2025	2026	2027	2028	2024-2028
<b>Total Revenue, Less Intra-City</b>	<b>\$113,130</b>	<b>\$114,898</b>	<b>\$113,300</b>	<b>\$114,931</b>	<b>\$118,473</b>	<b>1.2%</b>
Taxes	74,049	77,026	78,702	81,574	84,879	3.5%
Other City & Interfund Revenue (Less Intra-City)	7,570	7,090	6,919	6,873	6,910	
State, Federal, and Other Categorical Grants	31,510	30,782	27,679	26,485	26,684	
<b>Total Expenditures, Less Intra-City</b>	<b>\$111,355</b>	<b>\$114,074</b>	<b>\$120,338</b>	<b>\$122,815</b>	<b>\$126,008</b>	<b>3.1%</b>
<b>IBO Additional Operating Surplus / (Deficit)</b>		<b>\$824</b>	<b>(\$7,038)</b>	<b>(\$7,884)</b>	<b>(\$7,535)</b>	
IBO Prepayment Adjustment 2024/2025		(\$824)	\$824	-	-	
<b>IBO Surplus/(Gap) Projections</b>		<b>\$0</b>	<b>(\$6,214)</b>	<b>(\$7,884)</b>	<b>(\$7,535)</b>	
Adjustments for Prepayments and Non-Recurring Expenses						
Net Prepayments	\$1,082	\$4,301	\$96	\$0	\$0	
General Fund Reserves	-	1,450	1,450	1,450	1,450	
Other Adjustments	-	-	191	337	500	
<b>Total Expenditures Incurred in Fiscal Year</b>	<b>112,437</b>	<b>\$116,926</b>	<b>\$118,793</b>	<b>\$121,028</b>	<b>\$124,058</b>	<b>2.5%</b>
<b>City-Funded Expenditures Incurred in Fiscal year</b>	<b>\$84,319</b>	<b>\$91,059</b>	<b>88,391</b>	<b>91,255</b>	<b>94,755</b>	<b>3.0%</b>

SOURCES: IBO; OMB

NOTES: Figures may not add due to rounding. Net prepayments include payments of debt service. Total Expenditures Incurred in Fiscal Year is the sum of Total Expenditures and Net Prepayments, less General Fund Reserves and Other Adjustments. Total Expenditures Incurred removes the effect of prepayments and other adjustments to present the total expenditures incurred in a given fiscal year, rather than the cash paid for expenditures.



# Economic Forecasts

## IBO Compared with OMB

	Calendar Year				
	2024	2025	2026	2027	2028
<b>National Economy</b>					
Real GDP Growth					
IBO	2.8	1.6	2.0	2.2	2.3
OMB	2.7	2.1	1.8	1.7	1.8
Inflation Rate					
IBO	2.9	2.7	2.5	2.3	2.3
OMB	2.8	2.0	3.1	2.1	2.2
Personal Income Growth					
IBO	5.3	4.8	4.7	4.7	4.8
OMB	5.7	4.7	5.1	4.6	4.5
Unemployment Rate					
IBO	4.0	4.1	4.0	3.9	3.9
OMB	4.0	4.3	4.5	4.6	4.5
10-Year Treasury Bond Rate					
IBO	4.2	4.2	4.1	4.1	4.1
OMB	4.1	3.5	3.3	3.3	3.2
Federal Funds Rate					
IBO	5.1	3.9	3.1	3.0	3.0
OMB	5.1	3.8	2.6	2.6	2.6

	Calendar Year				
	2024	2025	2026	2027	2028
<b>New York City Economy</b>					
Nonfarm New Jobs (thousands)					
IBO (Q4 to Q4)	90.1	64.1	62.7	49.3	41.5
OMB (Q4 to Q4)	90.8	54.8	61.4	74.8	85.5
Nonfarm Employment Growth					
IBO (Q4 to Q4)	1.9	1.6	1.4	1.1	0.9
OMB (Q4 to Q4)	1.9	1.1	1.3	1.5	1.7
Inflation Rate (CPI-U-NY)					
IBO	3.1	2.7	2.6	2.4	2.4
OMB	3.6	2.8	2.0	1.7	1.7
Personal Income (\$ billions)					
IBO	797.8	832.3	874.3	913.6	951.4
OMB	734.2	765.8	801.4	839.8	879.6
Personal Income Growth					
IBO	3.3	4.3	5.0	4.5	4.1
OMB	5.5	4.3	4.6	4.8	4.7
Manhattan Office Rents (\$/sq.ft)					
IBO	80.4	79.9	80.1	80.4	80.6
OMB	81.8	81.8	81.9	82.2	82.7

SOURCES: IBO; OMB

NOTES: Rates reflect year-over-year percentage changes except for unemployment, 10-Year Treasury Bond Rate, Federal Funds Rate, and Manhattan Office Rents. The local price index for urban consumers (CPI-U-NY) covers the New York/Northern New Jersey region. Personal income is nominal. IBO and OMB measure New York City personal income differently, making data and forecasts not directly comparable.

# IBO Revenue Projections Fiscal Years 2024-2028

## IBO Revenue Projections Fiscal Years 2024-2028

Dollars in Millions

	Prior Year Actuals	Projection				Annual Average Change
	2024	2025	2026	2027	2028	2024-2028
<b>City Tax Revenue</b>						
Property	\$32,859	\$34,201	\$34,834	\$36,046	37,185	3%
Personal Income	15,671	17,165	17,692	18,516	19,827	6%
General Sales	9,914	10,218	10,604	11,025	11,487	4%
Corporate Taxes	6,886	6,555	6,244	6,324	6,502	-1%
Unincorporated Business	2,789	2,769	2,838	2,922	3,008	2%
Real Property Transfer	1,130	1,273	1,380	1,499	1,534	8%
Mortgage Recording	597	764	939	962	974	13%
Commercial Rent	918	946	980	997	1,007	2%
Utility	409	421	462	492	495	5%
Hotel Occupancy	706	749	776	808	845	5%
Cannabis	4	15	19	24	32	70%
Other Taxes and Audits	2,165	1,950	1,933	1,958	1,983	-2%
<b>Total City Taxes</b>	<b>\$74,049</b>	<b>\$77,026</b>	<b>\$78,702</b>	<b>\$81,574</b>	<b>\$84,879</b>	<b>3%</b>

SOURCES: IBO; OMB

NOTES: Corporate taxes comprise three separate taxes: the business corporation tax for C corporations, the general corporation tax, and the banking corporation tax for S corporations. Personal Income Tax is inclusive of revenue generated from the Pass-Through Entity Tax (PTET). Other Taxes includes small tax revenue sources including cigarette, liquor, off-track betting, taxi medallion, motor vehicle taxes as well as payments made in lieu of taxes; IBO does not individually forecast these revenues and uses OMB estimates in IBO's total revenue projection. IBO also does not re-estimate OMB's projections for STaR reimbursements, unrestricted revenues, or disallowances. Figures may not add due to rounding.

## IBO Revenue Projections Fiscal Years 2024-2028, continued

Dollars in Millions

	Prior Year Actuals	Projection				Annual Average Change
	2024	2025	2026	2027	2028	2024-2028
<b>Other Revenue</b>						
STaR Reimbursement	\$128	\$116	\$114	\$112	\$110	-4%
Miscellaneous Revenue	9,032	8,166	7,854	7,797	7,832	-4%
Unrestricted Intergovernmental Aid	41	14	-	-	-	n/a
Disallowances	(13)	(15)	(15)	(15)	(15)	n/a
<b>TOTAL CITY-FUNDED REVENUE</b>	<b>\$83,238</b>	<b>\$85,307</b>	<b>\$86,654</b>	<b>\$89,468</b>	<b>\$92,805</b>	<b>3%</b>
State Categorical Grants	\$19,231	20,100	\$19,234	\$18,209	\$18,350	-1%
Federal Categorical Grants	11,294	9,521	7,329	7,165	7,225	-11%
Other Categorical Aid	985	1,161	1,116	1,111	1,109	3%
<b>SUB-TOTAL REVENUE</b>	<b>\$114,748</b>	<b>\$116,089</b>	<b>\$114,333</b>	<b>\$115,952</b>	<b>\$119,489</b>	<b>1%</b>
Interfund Revenue	\$742	\$761	\$774	\$775	\$775	1%
Intra-City Revenue	\$2,360	\$1,952	\$1,807	\$1,796	\$1,791	-7%
<b>TOTAL REVENUE, Less Intra-City</b>	<b>\$113,130</b>	<b>\$114,898</b>	<b>\$113,300</b>	<b>\$114,931</b>	<b>\$118,473</b>	<b>1%</b>

# IBO Revenue Projections Fiscal Years 2024-2028

City Tax Revenue Projections Fiscal Years 2025-2028 IBO Compared With OMB  
Dollars in Millions

	Fiscal Year			
	2025	2026	2026	2026
Property				
IBO	\$34,201	\$34,834	\$36,046	\$37,185
OMB	34,223	34,630	35,668	36,360
Personal Income				
IBO	17,165	17,692	18,516	19,827
OMB	17,284	17,474	18,401	19,137
General Sales				
IBO	10,218	10,604	11,025	11,487
OMB	10,349	10,822	11,238	11,726
Corporate Taxes				
IBO	6,555	6,244	6,324	6,502
OMB	6,608	6,074	6,136	6,246
Unincorporated Business Taxes				
IBO	2,769	2,838	2,922	3,008
OMB	2,720	2,758	2,828	2,893
Mortgage Recording and Real Property Transfer				
IBO	2,037	2,319	2,462	2,508
OMB	1,927	2,087	2,273	2,386

SOURCES: IBO; OMB

NOTES: Corporate taxes comprise three separate taxes: the business corporation tax for C corporations, the general corporation tax, and the banking corporation tax for S corporations. Personal Income Tax is inclusive of revenue generated from the Pass-Through Entity Tax (PTET). Figures may not add due to rounding.

City Tax Revenue Projections Fiscal Years 2025-2028 IBO Compared With OMB,  
continued

Dollars in Millions

	Fiscal Year			
	2025	2026	2027	2028
Hotel Occupancy				
IBO	749	776	808	845
OMB	751	764	783	836
Cannabis				
IBO	15	19	24	32
OMB	11	20	28	30
Other Taxes & Audit				
IBO	3,317	3,375	3,447	3,485
OMB	3,260	3,300	3,369	3,408
Total Tax Revenue				
IBO	\$77,026	\$78,702	\$81,574	\$84,879
OMB	\$77,133	\$77,929	\$80,724	\$83,022

# IBO Expenditure Projections Fiscal Years 2024-2028

*Dollars in Millions*

	Prior Year Actuals 2024	Projection				Annual Average Change 2024-2028
		2025	2026	2027	2028	
Operational Expenditures						
Agency Expenditures	\$82,946	84,525	89,957	86,169	87,124	1.2%
Labor Reserve	388	968	1,141	1,432	2,110	n/a
<b>Total Operational Expenditures</b>	<b>\$83,334</b>	<b>\$85,493</b>	<b>\$91,098</b>	<b>\$87,601</b>	<b>\$89,233</b>	<b>1.7%</b>
Other Expenditures						
Fringe Benefits	\$12,888	\$12,590	\$13,915	\$14,643	\$15,211	4.2%
Debt Service	6,762	6,429	4,289	8,938	9,617	9.2%
Pension Contributions	9,215	9,355	10,379	10,801	10,926	4.3%
Judgments and Claims	1,517	877	823	840	862	-13.2%
<b>Subtotal Recurring Expenses</b>	<b>\$113,715</b>	<b>\$114,744</b>	<b>\$120,505</b>	<b>\$122,824</b>	<b>\$125,849</b>	<b>2.6%</b>
General Reserve	-	1,200	1,200	1,200	1,200	n/a
Capital Stabilization Reserve	-	250	250	250	250	n/a
Citywide Savings	-	(168)	-	-	-	n/a
Retiree Health Benefit Trust	-	-	-	-	-	n/a
Rainy Day Fund Deposit	-	-	-	-	-	n/a
Other Adjustments	-	-	191	337	500	n/a
Subtotal Non-Recurring Expenses	-	\$1,282	\$1,641	\$1,787	\$1,950	n/a
Intra-City Expenditures	\$2,360	\$1,952	\$1,807	\$1,796	\$1,791	n/a
<b>TOTAL EXPENDITURES, Less Intra-City</b>	<b>\$111,355</b>	<b>\$114,074</b>	<b>\$120,338</b>	<b>\$122,815</b>	<b>\$126,008</b>	<b>3.1%</b>

SOURCES: IBO; OMB

NOTES: Figures may not add due to rounding. Other non-recurring adjustments include reserve funds, energy, lease, and non-labor inflation adjustments. Debt service growth is unadjusted for prepayments of current year expenses with resources from the prior year. Fringe benefits include the cost of health benefits covered by the Retiree Health Benefit Trust. IBO does not individually re-estimate judgments and claims, reserve funds, or pensions in this report, and uses OMB estimates in IBO's total expenditure projection.

# Spending Differences Between IBO and the Administration

## Items that Affect the Gap

*Dollars in Millions*

	2025	2026	2027	2028
Gaps as Estimated in the November Financial Plan	-	(\$5,457)	(\$5,572)	(\$6,336)
Revenue				
Total City Taxes	(\$107)	\$773	\$850	\$1,857
Miscellaneous Revenue	\$4	\$4	\$4	\$4
<b>TOTAL REVENUE - CITY</b>	<b>(\$103)</b>	<b>\$776</b>	<b>\$854</b>	<b>\$1,860</b>
Expenditures - City Funded				
Fringe Benefits	\$220	\$225	\$233	\$241
Asylum Seekers	1,180	1,119	0	0
City-wide Personal Services	1,425	0	0	0
City-wide Other Than Personal Services	75	75	0	0
Debt Service	43	12	0	0
Youth and Aging	60	(45)	(37)	(37)
General Government	(62)	(310)	(315)	(308)
Public Safety and Judicial	(1,022)	(812)	(630)	(539)
Education	(906)	(1,314)	(1,481)	(1,740)
City University	35	35	0	0
Social Services, Homeless Services	(146)	(1,101)	(716)	(453)
Environmental Protection and Sanitation	(43)	(107)	(71)	(70)

SOURCES: IBO; OMB

NOTES: Figures may not add due to rounding. Negative pricing differences (in parentheses) widen the gaps, while positive pricing differences narrow the gaps. The categorization of agencies in IBO's chart generally mirrors the presentation of agencies in the Comptroller's Annual Comprehensive Financial Report.

## Items that Affect the Gap, continued

*Dollars in Millions*

	2025	2026	2027	2028
Transportation Services	35	32	28	(2,878)
Parks, Recreation, and Cultural Activities	(0)	(13)	(15)	(17)
Housing and Buildings	13	(32)	(43)	(44)
Libraries	0	0	0	0
Health	22	(119)	(118)	(121)
<b>TOTAL EXPENDITURES - CITY</b>	<b>\$927</b>	<b>\$(2,357)</b>	<b>\$(3,166)</b>	<b>\$(3,060)</b>
<b>TOTAL IBO PRICING DIFFERENCES</b>	<b>\$824</b>	<b>\$(1,580)</b>	<b>\$(2,312)</b>	<b>\$(1,200)</b>
IBO Prepayment Adjustment 2024/2025	\$(824)	\$824	\$-	\$-
<b>IBO SURPLUS / (GAP) PROJECTIONS</b>	<b>-</b>	<b>(6,213)</b>	<b>(7,884)</b>	<b>(7,536)</b>

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