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Re-estimating the Mayor's Executive Budget and Financial Plan Through 2020: A Slowing Local Economy, But A Stable Budget Outlook

Mayor Bill de Blasio's Executive Budget for 2017 and Financial Plan Through 2020 proposes an increase in spending to support a bevy of new or expanded programs as well as a substantial infusion of city aid for the fiscally ailing municipal hospital system. His budget plan also includes doses of fiscal caution in the form of a larger citywide savings program and an increase in the amount of funds held in reserves.

Based on IBO's latest economic forecast and re-estimate of tax revenue and spending projections under the contours of the Mayor's executive budget and financial plan, there are reasons for optimism and prudence. Our latest economic forecast anticipates that local economic growth will slow, with a decline in job growth from the record levels of the past few years and a corresponding slowdown in revenue growth in the years ahead. Still, IBO expects that the city's fiscal condition will remain stable—budget surpluses this year and next and shortfalls in future years that will be relatively modest as a share of city-generated revenue.

IBO projects that the city will end the current fiscal year with a surplus of \$3.5 billion, \$151 million more than the Mayor's estimate. After adjusting for the use of this surplus to prepay some of next year's expenses, we project a comparatively small surplus of \$812 million in 2017 under the Mayor's plan. This amount may understate the "real" surplus because the Mayor's plan includes two reserve funds within the 2017 budget totaling \$1.5 billion—dollars that are recorded as expenditures but do not currently support any specific spending needs. Taking these reserves into account, the projected surplus for next year is effectively \$2.3 billion.

Total Revenue and Expenditure Projections						
<i>Dollars in millions</i>						
	2016	2017	2018	2019	2020	Average Change
Total Revenue	\$82,185	\$83,341	\$85,730	\$88,882	\$92,459	3.0%
Total Taxes	\$53,074	\$54,555	\$57,288	\$59,979	\$62,911	4.3%
Total Expenditures	\$82,185	\$82,529	\$87,914	\$91,095	\$93,280	3.2%
IBO Surplus/(Gap) Projections	\$0	\$812	(\$2,184)	(\$2,213)	(\$821)	
Adjusted for Prepayments and Debt Defeasances:						
Total Expenditures	\$82,055	\$86,036	\$87,914	\$91,095	\$93,280	3.3%
City-Funded Expenditures	\$58,831	\$62,760	\$64,913	\$67,786	\$69,520	4.3%
NOTES: IBO projects a surplus of \$3.508 billion for 2016, \$151 million above the de Blasio Administration's forecast. The surplus is used to prepay some 2017 expenditures, leaving 2016 with a balanced budget. Figures may not add due to rounding.						
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