

New York City Independent Budget Office



Analysis of the January 2025 Preliminary Budget and 2025-2029 Financial Plan



February 27, 2025



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Current Events in Federal Government

As New York City moves forward to consider and adopt a budget for the fiscal year that will begin on July 1, 2025, the scale of the looming uncertainties resulting from a rapidly and dramatically changing federal landscape is difficult to overstate.

The context in which City lawmakers will be adopting the FY 2026 budget includes:

- The City's budget currently includes \$9.7 billion in federal funding (8%), and New York State's budget includes \$93 billion (38%).
- New York City's economy currently includes over 46,000 federal employees, including: Social Security Administration staff, air traffic controllers, Transportation Security Administration agents, federal park staff at cultural sites such as the Statue of Liberty.

As of the release of this report, the potential depth and breadth of federal budget and policy changes, with a Republican-controlled Congress and White House, is emerging.

- The White House has empowered and ratified key activities undertaken by an initiative it terms the Department of Government Efficiency or "DOGE." Through the activities of DOGE, the Trump Administration has clearly revealed its intent to radically downsize or eliminate existing federal agencies, programs, grants and employees, with little indication as yet as to how or if it plans to manage continuity of operations, revenue collection or public safety.
- On February 25, 2025, the House of Representatives passed its "blueprint" for the federal budget, which now moves to the next phase of negotiations between House and the Senate. It is expected to incorporate massive cuts to Medicaid, Medicare, food assistance, and other "safety net" programs upon which many New Yorkers rely.
- On February 19, 2025, the federal Department of Transportation attempted to rescind implementation of congestion pricing. The action has moved to the courts for resolution and it raises serious fiscal and policy concerns for the City's public transit system.
- Currently, the President has imposed 25% tariffs on imported steel and aluminum and a 10% tariff on Chinese imports, and has reaffirmed his intention to reimpose 25% tariffs on Canadian and Mexican products in the near term.
- The commitment remains for mass deportation of recent and long-residing immigrants. Fear in this arena is disrupting sectors of the City's workforce, including construction, hospitality, and home health care.

Risks to New York City Budget

Federal Aid

City agencies that receive the most federal dollars include:

- Department of Education (DOE, \$2.3 billion, 7%) to fund several programs including those for low-income students through Title I funding.
- Department of Social Services (DSS, \$1.9 billion, 14%) to fund safety net supports including food assistance, energy assistance, income support, and Medicaid.
- Housing Preservation & Development (HPD, \$1.2 billion, 58%) is the City agency with the largest share of federal dollars in its budget. HPD uses federal funds for rental housing vouchers, housing inspections, and financing the development of affordable housing.

Other funding at risk based on the federal House of Representatives blueprint includes cuts to several areas that could impact funding to New York City agencies or institutions. These include anti-terrorism homeland security grants, federal research grants for medical and education institutions, public transit assistance, and climate resiliency. Some cuts will impact capital funding as well.

State Aid

Reductions in federal aid to New York State will create State budget gaps. This may then have compounding effects on how State dollars flow to local government, including New York City .

This year's New York City budget has \$20 billion in State funding (17%). Some of the agencies with the most federal support also have the most State support: DOE (\$14 billion, 41%) and DSS (\$1.0 billion, 8%).

Loss of either aid category could add pressure for New York City to fill the gap.

City Budget Represents Only Some of the Ways Federal Dollars Touch New York City

Four Ways Federal Dollars Flow to New York City 2025 City Budget Includes \$9.7 Billion in Direct Federal Revenue

Through New York State

The State often serves as a passthrough of federal funds, while exercising some discretion on how to distribute those funds within federal rules. This includes cash assistance, Supplemental Security Income, Medicaid funding, food benefits such as the Supplemental Nutrition Assistance Program (SNAP), and education funding.

Through New York City

Some funds are allocated directly to New York City either through a competitive process or by formula. Examples include funding for Section 8 housing vouchers, Community Development Block Grants, Title I, III, and IV education grants, school meals, and City-contracted Head Start early childcare.

Through Individuals

The federal government directly issues benefits to individuals across a wide range of programs. This include payments through Social Security, Medicare, and tax refunds.

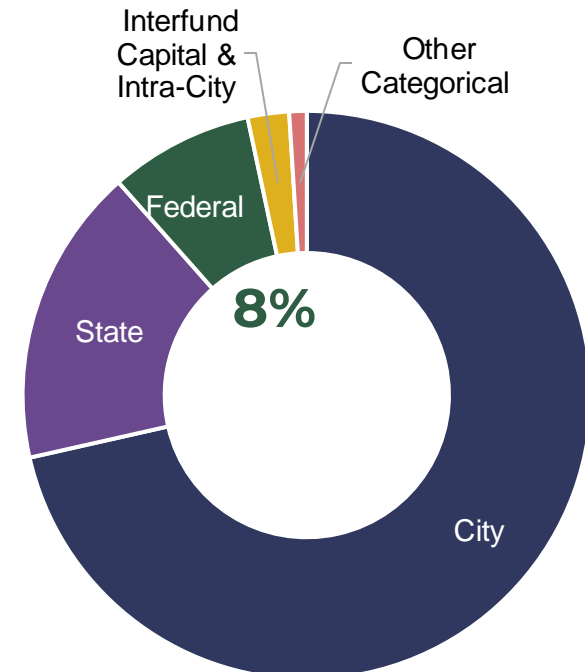
Through Other Public Entities

Federal dollars also pass through other entities that provide public services. This includes the Metropolitan Transportation Authority, City University of New York four-year colleges, New York City Housing Authority, and New York City Health + Hospitals.

SOURCE: OMB

NOTE: OMB recognizes federal dollars as they are received over the course of the fiscal year. IBO expects the 2025 amount to increase in future financial plan updates. For 2024, the City received \$11.3 billion (10% of the total budget) in federal funding. For more detail on social and human services programs that rely on federal funds, please see [City Comptroller's report](#).

City Budget Revenue Sources



The federal and State risks to the City's budget are compounded by legal troubles of Mayor Adams and his administration. The Mayor was indicted last fall on federal criminal charges.

The newly-installed leadership at the Department of Justice has now sought to drop these charges (with an option to later reinstate them). The presiding judge has yet to rule on this request.

- Four Deputy Mayors recently [resigned](#) in the wake of these legal challenges, including the City's First Deputy Mayor. They collectively oversee much of the key functions of City government—operations, health and human services, and public safety.
- Meanwhile, in response to these developments, Governor Kathy Hochul has made several legislative proposals for increased oversight of New York City, in an effort to restore trust in the City's governance. If enacted, these proposals would further limit New York City's autonomy from the State.

Given the sweeping, rapidly changing and somewhat chaotic federal, State and City policy and budgetary environment, it is impossible to yet say the specific impacts of all of these challenges. Nonetheless, IBO's forecasts incorporate early indicators for how consumers and businesses will respond to the rapidly evolving situation.

New York City Independent Budget Office



On January 16, 2025, Mayor's Office of Management and Budget (OMB) under Mayor Adams presented its 2026 Preliminary Budget and Financial Plan covering fiscal years 2025 through 2029.

In keeping with its mandate under the New York City Charter, the Independent Budget Office (IBO) has conducted an independent economic review to forecast City revenues and expenditures. This report presents IBO's findings compared with OMB's budget projections.

IBO's Analysis of the Preliminary Budget



Throughout this report, all years refer to City fiscal years unless otherwise noted.

Federal Policy Risks to City Budget Forecasting

Federal changes may have significant direct and indirect affects on New York City. One month into the Trump Administration, it is unclear how many ideas will become fully enacted policies and when. IBO's economic, revenue, and expense forecasts do not incorporate expectations around specific federal policy proposals but reflect a heightened level of uncertainty around how the economy will respond to federal changes.

IBO further discusses the implications of federal changes in its [economic and tax forecast report](#).

Tariffs

Widespread tariffs have been proposed, and while some have been enacted, others have been cancelled or delayed. The Trump administration has yet to present a clear roadmap for the size, timing, industries, or geographical parameters of tariffs. Widely imposed tariffs on imports could lead to challenges such as: increased inflation, disrupted supply chains, halts to planned interest rate reductions, and slower economic growth.

Immigration

Major changes in federal immigration policy could create upheaval in the City's labor market across a range of sectors. The threat of mass deportation for undocumented immigrants will be felt in sectors such as construction, food service, and hospitality. Restrictions on visas for highly-skilled workers in specialty industries would be felt in the financial, technology, and healthcare sectors. Also affected by federal changes are those who received Temporary Protected Status from qualifying countries.

Federal Aid Reductions

The Trump administration has made overtures to drastically reduce federal agencies such as the Dept. of Housing and Urban Development and spending in major areas such as Medicare, Medicaid, and food benefits. (See page 5 for more details on how federal dollar flow to New York City.) At the same time, dispersed federal dollars related to asylum seekers have already been clawed back. New York City and other levels of state and local government are mounting legal challenges to protect Congressionally-appropriated payments.

Tax Policy

Both Houses of Congress have proposed various extensions, expansions, or revisions to the Tax Cuts and Jobs Act of 2017. How tax reform is structured may increase wealth inequality, add to the federal debt, and stimulate economic growth.



IBO Estimates a Larger 2025 Budget Surplus Than OMB

IBO's 2025 revenue forecast is similar to that presented by OMB. For expenditures, IBO anticipates net savings from staffing vacancies and other programs, despite continued overspending on uniformed overtime. IBO's analysis yields a total operating surplus of nearly \$3.8 billion, which is larger than the Administration's current surplus estimate of \$2.3 billion.



In Recent Years, City Spending Has Outpaced Revenues

While both OMB and IBO forecast an operating surplus, the fact remains that the City's year-end operating surplus has decreased every year since 2022, and IBO now forecasts that this trend will continue in 2025. Past budget surpluses have allowed the City to continue to balance its budget even while adding substantial funds for known expenditures such as uniformed overtime and housing vouchers, but this cushion is shrinking. This tightening of the City's financial position coincides with the occurrence of factors outside the City's control—such as cuts to federal funding or the possibility of a recession—that further threaten the City's financial footing. IBO discusses the details of its forecasts of expenditures in this [report](#).



OMB Underestimates Budget Gaps for 2026-2028

IBO projects a small budget gap of \$188 million for 2026 followed by larger gaps: \$5.9 billion for 2027 and \$5.6 billion for 2028, with a smaller gap of \$4.4 billion in 2029. These amounts represent around 4% to 6% of the projected City revenues for each of those three years. OMB is forecasting smaller gaps of \$4.2, \$5.4, and \$5.1 billion in 2027 through 2029, respectively. The City has closed gaps of similar size in the past, although it has not faced as significant a set of challenges at the federal level in any recent era.

IBO Forecasts Larger Gaps Compared with Adams Administration

IBO and OMB Estimates of Revenue, Expenditures, and Budget Gaps

Dollars in Millions	Fiscal Year									
	2025		2026		2027		2028		2029	
	OMB	IBO	OMB	IBO	OMB	IBO	OMB	IBO	OMB	IBO
Revenue	\$116,492	\$116,789	\$114,524	\$115,847	\$116,323	\$118,294	\$118,278	\$119,856	\$121,438	\$125,111
Expenditures	\$116,492	\$115,366	\$114,524	\$117,458	\$120,570	\$124,229	\$123,659	\$125,497	\$126,519	\$129,516
Gap to Be Closed	\$0	\$1,423	\$0	(\$1,611)	(\$4,247)	(\$5,935)	(\$5,381)	(\$5,641)	(\$5,081)	(\$4,405)

SOURCES: Mayor's Office of Management and Budget (OMB) and Independent Budget Office (IBO) January 2025 Budget Forecasts

NOTES: When the \$1.4 billion operating surplus from 2025 is used to pre-pay 2026 expenditures, IBO's estimated deficit for 2026 is \$188 million. Revenue and expenditure estimates do not include intra-city transfers.

IBO Projects Surplus in 2025 and Small Deficit in 2026

Fiscal Year 2025	OMB's Projected Surplus			Additional Surplus for 2025 Projected by IBO			IBO's Current Projected 2025 Surplus	
	\$2.344 Billion		+	\$1.423 Billion		=	\$3.767 Billion	
Fiscal Year 2026	OMB's Projected Gap for 2026	OMB's Projected 2025 Surplus		OMB Presents a Balanced Budget		Additional Gap for 2026 Projected by IBO	IBO's Additional Projected 2025 Surplus	IBO's Total Projected 2026 Gap to Close by June 2025
	(\$2.344 Billion)	+ \$2.344 Billion	=	\$0	-	(\$1.611 Billion)	+ \$1.423 Billion	= (\$188 Million)

SOURCE: IBO; OMB

How the City Uses Surpluses to Pre-Pay Next Year's Expenses and Balance Its Budget

Both the Adams Administration and IBO project operating surpluses in the 2025 budget, though their projections differ. The Administration presents its 2026 budget using its expected operating surplus (\$2.3 billion) for "budget stabilization," prepaying expenses that will be incurred in 2026 to produce a balanced budget, as required by law.

IBO projects a \$3.8 billion operating surplus in 2025—\$1.4 billion more than the Administration estimates—and IBO also expects that the Administration will choose to apply it as a prepayment of 2026 expenses.

Alternatively, the Administration could apply the 2025 surplus to a reserve account, most typically to the Revenue Stabilization Fund (commonly referred to as the Rainy Day Fund) or the Retiree Health Benefits Trust.

IBO estimates a \$1.6 billion gap for next year. When combined with IBO's anticipated additional surplus for 2025, IBO projects a small deficit of \$188 million in 2026.

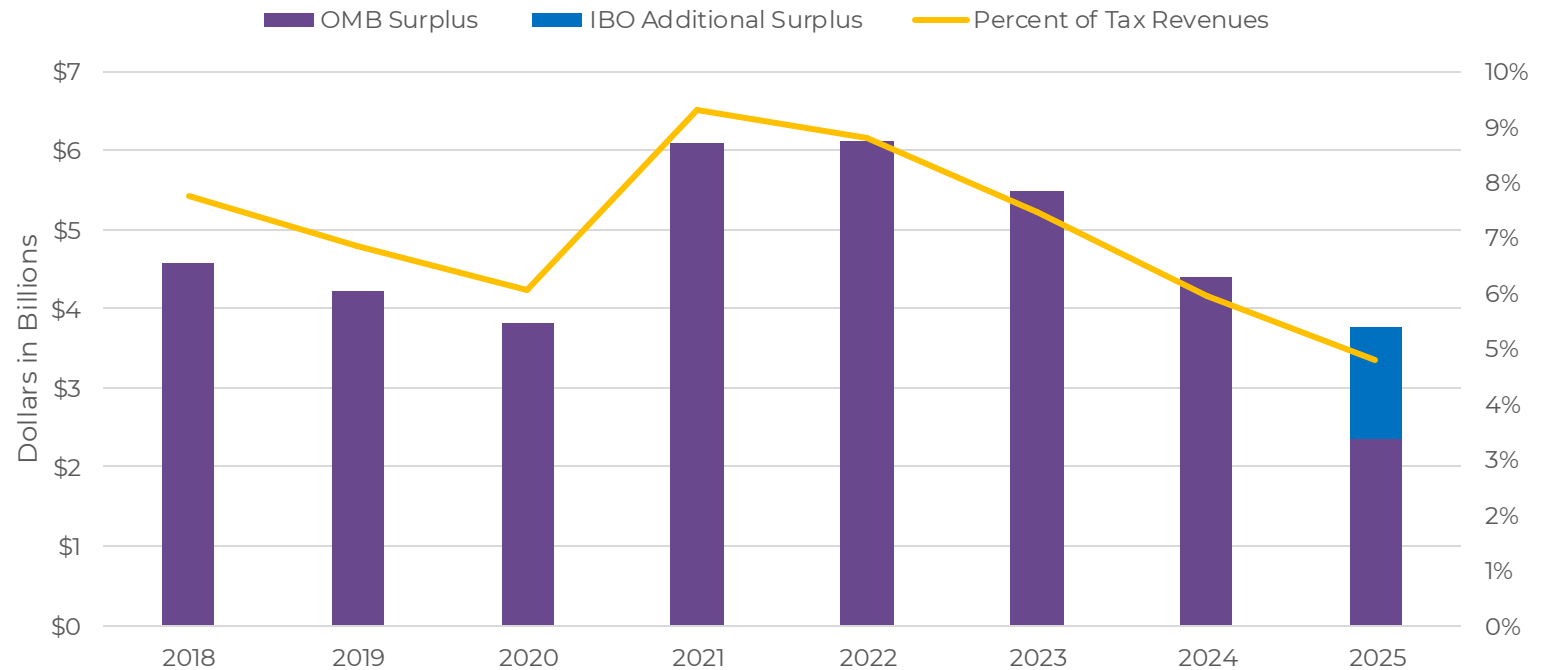
In Recent Years, City Spending Has Outpaced Revenues

Operating Surplus Declining as a Percent of Tax Revenues

The City's year-end operating surplus has decreased every year since 2022.

- IBO forecasts that this trend will continue in 2025.
- Past budget surpluses have allowed the City to continue to balance its budget despite spending outpacing revenues. Over time, however, this cushion has shrunk.
- This contraction in the City's fiscal cushion coincides with external political and economic pressures, reducing the City's ability to put money into the Rainy Day Fund—which helps underpin the City's financial stability.
- Pre-pandemic, the City's surplus hovered around 7-8% of City tax revenue. This share went up during years with large influxes of federal COVID-19 stimulus funding.
- Currently, the surplus is around 5%, below pre-pandemic levels.

Operating Surplus as a Percent of Year End Tax Revenues



SOURCES: IBO; OMB

NOTE: 2025 surpluses are estimates while 2018 through 2024 represent actual amounts while 2025 represents the current year estimates.

**New York City
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Supplemental Tables



IBO Total Revenue and Expenditure Projections

Dollars in Millions		Prior Year Actuals	Financial Plan Projections					Annual Average Change
		2024	2025	2026	2027	2028	2029	2024-2029
Total Revenue, Less Intra-City		\$113,130	\$116,789	\$115,847	\$118,294	\$119,856	\$125,111	2.0%
	Taxes	74,049	78,678	80,716	83,430	86,972	90,622	\$4.1%
	Other City & Interfund Revenues (Less Intra-City)	7,570	7,150	6,973	6,919	6,951	6,982	(1.6%)
	State, Federal, and Other Categorical Grants	31,510	30,961	28,158	27,944	25,933	27,506	(2.7%)
Total Expenditures, Less Intra-City		\$111,355	\$115,366	\$117,458	\$124,229	\$125,497	\$129,516	3.1%
IBO Additional Operating Surplus / (Deficit)			\$1,423	(\$1,611)	(\$5,935)	(\$5,641)	(\$4,405)	
IBO Prepayment Adjustment 2024/225			(1,423)	1,423	-	-		
IBO Surplus / (Gap) Projections			\$0	(\$188)	(\$5,935)	(\$5,641)	(\$4,405)	
Adjustments for Prepayments and Non-Recurring Expenses								
	Net Prepayments	1,082	2,053	2,344				
	FY23 Budget Stabilization	5,479	0	0				
	FY24 Budget Stabilization	(4,397)	4,397	0				
	FY25 Budget Stabilization		(2,344)	2,344				
	General Fund Reserves		50	1,450	1,450	1,450	1,450	
	Other Adjustments		(550)	191	337	500	500	
Total Expenditures Incurred in Fiscal Year		\$112,437	\$117,919	\$118,161	\$122,442	\$123,547	\$127,566	3.2%
City-Funded Expenditures Incurred in Fiscal Year		\$84,319	\$88,649	\$92,704	\$93,155	\$96,886	\$110,567	3.6%

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.

National Economic Forecasts: IBO Compared with OMB

National Economy		Calendar Year				
		2025	2026	2027	2028	2029
Real GDP Growth						
	IBO	2.0	1.7	1.9	2.0	2.1
	OMB	2.0	2.0	1.8	1.9	1.9
Inflation Rate						
	IBO	2.4	2.8	2.5	2.2	2.1
	OMB	2.1	2.4	2.4	2.0	2.3
Personal Income Growth						
	IBO	5.1	4.7	4.6	4.8	4.9
	OMB	4.9	5.1	4.6	4.8	4.5
Unemployment Rate						
	IBO	4.1	4.0	4.0	4.0	4.0
	OMB	4.4	4.6	4.6	4.6	4.4
10-Year Treasury Bond Rate						
	IBO	4.4	4.3	4.2	4.2	4.2
	OMB	3.9	4.0	3.5	3.5	3.5
Federal Funds Rate						
	IBO	4.2	3.4	3.0	3.0	2.9
	OMB	4.0	3.7	3.1	3.1	3.1

IBO’s forecast of the national economy continues to predict economic growth at a relatively stable pace with unemployment holding steady.

Sudden shocks to the economy, such as those from a major policy change, could rapidly change this trajectory.

Retail Sales Are Down Nationally

National retail sales in January were down by nearly a percentage point compared to December, particularly driven by lower auto sales.

Tariffs Anticipated to Drive Upward Inflation

A widespread increase in tariff rates on goods imported to the United States is likely to produce upward inflationary pressure, as the import tax, in most cases, be passed onto the consumer in the form of higher prices. This upward pressure is reflected in IBO’s 2026 estimates.

SOURCES: IBO; OMB

NOTES: Rates reflect year-over-year percentage changes except for unemployment, 10-Year Treasury Bond Rate, and Federal Funds Rate.

Local Economic Forecasts: IBO Compared with OMB

New York City Economy		Calendar Year				
		2025	2026	2027	2028	2029
Nonfarm New Jobs Q4-Q4 (In Thousands)						
	IBO	69.4	61.5	50.5	43.9	40.9
	OMB	67.3	73.5	72.9	91.3	86.8
Nonfarm Employment Growth Q4-Q4						
	IBO	1.5	1.3	1.0	0.9	0.8
	OMB	1.4	1.5	1.5	1.8	1.7
Inflation Rate (CPI-U-NY)						
	IBO	3.2	3.0	2.8	2.5	2.4
	OMB	2.5	1.8	1.6	1.4	1.3
Personal Income (Dollars in Billions)						
	IBO	836.8	877.5	916.9	954.5	992.7
	OMB	820.9	858.5	896.2	939.0	981.6
Personal Income Growth						
	IBO	4.6	4.9	4.5	4.1	4.0
	OMB	4.3	4.6	4.4	4.8	4.5
Manhattan Office Rents (\$/ sqft)						
	IBO	80.8	80.5	80.6	80.6	80.3
	OMB	81.8	82.2	82.7	83.7	84.1

IBO’s forecast of the local economy reflects national economic trends, but also specific local dynamics including its unique industrial mix, of which the finance industry plays a key role.

City’s Tightening Labor Force

New York City faces a shrinking workforce, as older workers move to retirement and younger workers are not replacing them at the same rate. The Trump administration has proposed numerous changes in immigration policy which would further constrain the City’s labor force.

International Tourism

If rising geopolitical tensions discourage international tourism to the United States, this would have an outsized negative impact on the City’s hospital, retail, entertainment, and food service sectors. Foreign tourists, in general, spend more money and stay for longer visits than domestic tourists.

SOURCES: IBO; OMB

NOTES: Rates reflect year-over-year percentage changes except for 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: City Tax Revenue

Dollars in Millions	Prior Year Actual	Financial Plan Projections					Annual Average Change
	2024	2025	2026	2027	2028	2029	2024-2029
City Tax Revenue							
Property	\$32,859	\$34,201	\$35,242	\$36,691	\$38,035	\$39,489	3.7%
Personal Income	15,671	17,790	17,971	18,535	19,785	20,772	5.8%
General Sales	9,914	10,304	10,682	11,111	11,579	12,091	4.1%
Corporate Sales	6,886	7,058	6,978	6,882	7,145	7,586	2.0%
Unincorporated Business	2,789	3,086	3,206	3,320	3,441	3,559	5.0%
Real Property Transfer	1,130	1,317	1,411	1,496	1,532	1,563	6.7%
Mortgage Recording	597	725	902	926	936	943	9.6%
Commercial Rent	918	947	992	1,011	1,023	1,031	2.3%
Utility	409	449	469	531	507	535	5.5%
Hotel Occupancy	706	770	801	835	867	902	5.0%
Cannabis	4	17	23	28	33	36	56.2%
Other Taxes and Audits	2,165	2,015	2,039	2,064	2,089	2,115	(0.5%)
Total City Tax Revenue	\$74,049	\$78,678	\$80,716	\$83,430	\$86,972	\$90,622	4.1%

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's estimates in IBO's total tax revenue projection. Figures may not add due to rounding.

IBO Revenue Projections: Total Revenue

Dollars in Millions		Prior Year Actual	Financial Plan Forecast					Annual Average Change
		2024	2025	2026	2027	2028	2029	2024-2029
	Total City Tax Revenue	\$74,049	\$78,678	\$80,716	\$83,430	\$86,972	\$90,622	4.1%
	Other City Revenue	9,188	8,418	8,003	7,937	7,964	7,995	(2.7%)
	State Categorical Grants	19,231	20,138	19,421	19,400	17,453	18,966	(0.3%)
	Federal Categorical Grants	11,294	9,647	7,620	7,432	7,371	7,432	(8.0%)
	Other Categorical Aid	985	1,176	1,117	1,112	1,110	1,108	2.4%
	Sub-Total Revenue	\$114,748	\$118,057	\$116,877	119,312	\$120,869	\$126,123	1.9%
	Interfund Revenue	742	760	777	778	778	778	1.0%
	Intra-City Revenue	2,360	2,028	\$1,808	1,796	1,791	1,791	(5.4%)
	Total Revenue, Less Intra-City	\$113,130	\$116,789	\$115,847	\$118,295	\$119,856	\$125,111	2.0%

SOURCES: IBO; OMB

NOTES: Other City Revenue refers to STAR reimbursements, miscellaneous revenue, unrestricted intergovernmental aid, and disallowances, which IBO does not re-estimate OMB's projections for these categories. Figures may not add due to rounding.

City Tax Revenue Projections: IBO Compared with OMB

Part 1 of 2

Dollars in Millions		Forecast				
		2025	2026	2027	2028	2029
Property						
	IBO	\$34,201	\$35,242	\$36,691	\$38,035	\$39,489
	OMB	34,223	34,839	35,831	36,659	37,491
Personal Income						
	IBO	17,790	17,971	18,535	19,785	20,772
	OMB	17,408	17,621	18,336	19,069	19,923
General Sales						
	IBO	10,304	10,682	11,111	11,579	12,091
	OMB	10,288	10,751	11,198	11,684	12,075
Corporate Taxes						
	IBO	7,058	6,978	6,882	7,145	7,586
	OMB	7,239	7,267	6,779	6,904	7,395
Unincorporated Business Taxes						
	IBO	3,086	3,206	3,320	3,441	3,559
	OMB	3,024	3,140	3,197	3,252	3,387
Mortgage Recording and Real Property Transfer						
	IBO	2,041	2,313	2,421	2,468	2,506
	OMB	1,942	2,070	2,220	2,328	2,432

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 enacted in 2022.

City Tax Revenue Projections: IBO Compared with OMB

Part 2 of 2

Dollars in Millions		Fiscal Year				
		2025	2026	2027	2028	2029
Hotel Occupancy						
	IBO	\$770	\$801	\$835	\$867	\$902
	OMB	761	790	821	846	878
Cannabis						
	IBO	17	23	28	33	36
	OMB	14	20	28	30	30
Other Taxes and Audit						
	IBO	3,411	3,500	3,606	3,619	3,681
	OMB	3,345	3,409	3,511	3,525	3,592
Total Tax Revenue: IBO		\$78,678	\$80,716	\$83,430	\$86,972	\$90,622
Total Tax Revenue: OMB		\$78,244	\$79,907	\$81,921	\$84,297	\$87,203

SOURCES: IBO; OMB

NOTES: Figures may not add due to rounding. Other Taxes includes small tax revenue sources including cigarette, liquor, off-track betting, taxi medallion, and motor vehicle taxes, as well as payments made in lieu of taxes. IBO does not individual forecast these revenue items and instead uses OMB's estimates in IBO's total tax revenue projections.

IBO Expenditures Projections

Dollars in Millions		Prior Year Actual	Projections					Annual Average Change
			2024	2025	2026	2027	2028	
Operational Expenditures								
	Agency Expenditures	\$82,946	\$87,939	\$87,030	\$87,534	\$86,372	\$87,786	1.1%
	Labor Reserves	\$388	\$968	\$1,141	\$1,432	\$2,110	\$2,538	
Total Operational Expenditures		\$83,334	\$88,907	\$88,171	\$88,966	\$88,481	\$90,324	1.6%
Other Expenditures								
	Fringe Benefits	12,888	12,642	13,962	14,692	15,452	15,862	4.2%
	Debt Service	6,762	6,429	4,289	8,938	9,617	10,441	9.1%
	Pension Contributions	9,215	9,355	10,379	10,801	10,926	11,867	5.2%
	Judgements and Claims	1,517	877	823	840	862	862	-10.7%
Subtotal Recurring Expenses		\$113,715	\$118,210	\$117,625	\$124,238	\$125,339	\$129,357	2.6%
	General Reserve		\$50	\$1,200	\$1,200	\$1,200	\$1,200	
	Capital Stabilization Reserve		-	250	250	250	250	
	Citywide Savings		(316)	-	-	-	-	
	Other Adjustments		(550)	191	337	500	500	
Subtotal Non-Recurring Expenses			(\$816)	\$1,641	\$1,787	\$1,950	\$1,950	
Intra-City Expenditures		\$2,360	\$2,028	\$1,808	\$1,796	\$1,791	\$1,791	
Total Expenditures, Less Intra-City		\$111,355	\$115,366	\$117,458	\$124,229	\$125,497	\$129,516	3.1%

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 re-estimate judgements and claim, reserve funds, or pensions in this report, using OMB's estimates in IBO's Subtotal Recurring Expenses.

Differences in Revenue Estimates: IBO Compared with OMB

Dollars in Millions	2025	2026	2027	2028	2029
Gaps as Estimated OMB's January 2025 Financial Plan	--	--	(\$4,247)	(\$5,381)	(\$5,081)
Revenue					
City Taxes					
Property	(\$22)	\$403	\$860	\$1,376	\$1,998
Personal Income	382	350	199	716	849
General Sales	16	(69)	(87)	(105)	16
Corporate Taxes	(181)	(289)	103	241	191
Unincorporated Business	62	66	123	189	172
Real Property Transfer	87	122	139	107	73
Mortgage Recording	13	121	63	33	1
Commercial Rent	16	41	45	44	39
Hotel Occupancy	9	11	14	21	24
Utility	-	-	-	-	-
Cannabis	3	3	-	3	6
Other Taxes and Audits	50	50	50	50	50
Total City Taxes	\$434	\$809	\$1,509	\$2,675	\$3,419
Miscellaneous Revenue	3	3	3	3	3
TOTAL REVENUE - CITY	\$437	\$812	\$1,512	\$2,678	\$3,422

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 re-estimate judgements and claim, reserve funds, or pensions in this report, using OMB's estimates in IBO's Subtotal Recurring Expenses.

Differences in Expense Estimates: IBO Compared with OMB

Dollars in Millions	2025	2026	2027	2028	2029
Expenditures – City Funded					
Fringe Benefits	\$168	\$177	\$184	\$190	\$198
Asylum Seekers	319	927	-133	-	-
Citywide Personal Services	470	-	-	-	-
Citywide Other Than Personal Services	-	-	-	-	-
Debt Service	53	12	-	-	-
Youth and Aging	96	-66	-60	-60	-60
General Government	-14	-320	-333	-325	-318
Public Safety and Judicial	-844	-844	-671	-558	-379
Education	312	-830	-1,108	-1,367	-1,367
City University	8	-	-	-	-
Social Services, Homeless Services	218	-1,235	-856	-593	-593
Environmental Protection and Sanitation	2	-129	-87	-83	-83
Transportation Services	35	35	33	27	27
Parks, Recreation, and Cultural Activities	6	-7	-8	-9	-10
Housing and Buildings	3	-29	-43	-41	-41
Libraries	-	-	-	-	-
Health	153	-115	-117	-121	-121
Total Expenditures – City	\$985	(\$2,423)	(\$3,201)	(\$2,938)	(\$2,747)

Current Year Savings

IBO anticipates less spending for:

- City personnel costs due to vacancies
- Asylum seekers given the declines in population and shelter closures

Future Year Expected Needs

Areas that are historically underbudgeted:

- Housing vouchers (CityFHEPS) and cash assistance
- Education costs related to mandates (class size, special education, and charter schools) and for programs previously funded with COVID-19 stimulus funds
- Uniformed overtime costs

SOURCES: IBO; OMB

NOTES: Negative pricing differences (in parentheses) widen the gaps, while positive pricing differences narrow the gaps. The categorization of City agencies in IBO's chart generally mirrors the presentation of agencies in the Comptroller's Annual Comprehensive Financial Report.

Differences in Expense Estimates: IBO Compared with OMB

Dollars in Millions	2025	2026	2027	2028	2029
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Differences in Revenue and Expense Estimates: IBO Compared with OMB

Dollars in Millions	2025	2026	2027	2028	2029
Gap as Estimated in the January 2025 Financial Plan	-	-	(\$4,247)	(\$5,381)	(\$5,081)
Total Revenue - City	437	812	1,512	2,678	3,422
Total Expenditures – City	985	(2,423)	(3,201)	(2,938)	(2,747)
Total IBO Pricing Differences	1,422	(1,611)	(1,688)	(260)	676
IBO Prepayment Adjustment 2025/2026	(1,422)	1,422	-	-	-
IBO Surplus/(Gap) Projections	-	(\$189)	(\$5,935)	(\$5,641)	(\$4,405)

SOURCES: IBO; OMB

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SOURCES: IBO; OMB

Report Contact and Credits

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