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**Testimony of Louisa Chafee, Director, New York City Independent Budget Office  
On IBO's Analysis of the 2025 Preliminary Budget and Financial Plan  
To The New York City Council Committee on Finance  
Monday, March 4, 2023**

Good afternoon, Speaker Adams, Chair Brannan, and members of the Finance Committee. I am Louisa Chafee, Director of the New York City Independent Budget Office (IBO). I am here today with my colleagues, Sarah Parker and Sarita Subramanian, IBO's Senior Research and Strategy Officers. We appreciate the opportunity to discuss the Preliminary Budget with you today.

Recently, IBO has published three reports on this budget: [Analysis of the 2025 Preliminary Budget and Financial Plan](#); details on [IBO's economic and revenue forecasts](#); and an examination of the second [Program to Eliminate the Gap](#) (PEG) this fiscal year. Here are critical highlights:

*Fiscal Outlook, Economy, and Revenues:*

- IBO forecasts a \$6.0 billion surplus in the current year, \$2.8 billion higher than the Administration's expected surplus of \$3.1 billion. This higher surplus results from IBO's forecast of \$900 million more in City tax revenues and \$1.9 billion less in City-funded spending than presented by the Administration.
- IBO estimates next fiscal year—2025—will end with a surplus of \$3.3 billion. This is driven by using the 2024 surplus to pre-pay some of next year's expenses and an additional \$2.0 billion in anticipated tax revenues, but is offset by \$1.5 billion in additional spending over the Administration's projections. Recognizing that the City continues to face financial challenges, IBO's analysis concludes that the City's budget gaps from 2026 through 2028 are within the range that the City has closed in the past.
- IBO's economic forecast predicts moderate but slowing growth for the local economy. The Federal Reserve's actions to raise interest rates, the easing of supply-side bottlenecks, and productivity gains have helped reduce inflationary pressures. It has been increasingly clear in recent months that the economy has reached a position, for the time being, where the question is not whether growth will continue, but how great that growth will be.
- Over 77,000 jobs were added in New York City in 2023, in keeping with IBO's projections over the past year. While the jobs numbers for New York City are back to pre-pandemic levels, the City still lags behind the national economy. IBO estimates the City will add around 90,000 jobs in 2024 before gradually moderating in the future years as the post-pandemic recovery fades.
- IBO estimates that City tax revenue will grow by an annual average of 3.1%, growing from \$73.8 billion in 2024 to \$85.3 billion in 2028. IBO anticipates higher tax receipts than the Administration in every year of the financial plan. Real property tax, as the single largest tax revenue for the City, is expected to help drive this growth.

## Expenditures

- IBO's re-estimates of lower spending include reductions in the following areas: \$1.6 billion less on City workforce salaries and fringe due to staffing vacancies, \$2.4 billion less on asylum seekers across 2024 and 2025, and \$91 million in tuition savings from lower charter school enrollment from 2026 through 2027.<sup>1</sup> These reductions are partly offset by additions elsewhere.
- The Preliminary Budget included a second round of PEG reductions totaling \$934 million for 2024 and \$1.8 billion for 2025. Despite these PEGS, the overall City budget increased to \$116 billion in 2024 due to restorations and other increases.
- Many of the human services areas that sustained cuts in both PEG plans will greatly impact the nonprofit community-based organizations that are under contract to provide these programs. This includes the Department of Education early childhood programs, programs for justice-involved individuals, and older adult centers.
- Early childhood programs face especially notable cuts, potentially straining many New York families relying on these publicly funded services. These cuts are compounding longstanding challenges felt by nonprofits under contract with the City: late registration, late payment, inequity in pay-scales and potential fiscal cuts due to the end of COVID era fiscal supports.
- Despite schools receiving full Fair Student Funding for students, the Department of Education faces a significant budget shortfall due to the end of \$7 billion in federal education Covid-related funds. The Community Schools PEG, though fully restored for 2024, also leaves future years underfunded. This could mean fewer resources for staff and students and reduced contracts for the community-based organizations who provide wrap-around services.
- The November Plan's 5% budget cut to the City's library systems resulted in the decision to halt services on Sunday and this reduction remains unchanged in the Preliminary Budget. Even as the City Council and Administration negotiate, these cuts are occurring now, in real time, and are already impacting communities.
- The Administration anticipates costs of \$4.2 billion for asylum seekers this year, compared with IBO's estimate of \$3.6 billion. A notable expense by either estimate, it is manageable within the context of the overall City Budget of \$116 billion, especially when a portion is expected to be reimbursed by the State if claims are properly submitted.
- IBO wants to emphasize to the Council how much the City workforce has shrunk, decreasing from 300,000 active to 285,000 employees since 2020. Hiring freezes and slow hiring practices have left the City struggling to recruit, retain and replace agency staffing. This change in staffing has led to operational challenges across numerous critical areas, as experienced by New Yorkers day to day and supported by data, as seen in the Mayor's Management Report.

While the City must continue to navigate financial uncertainties, IBO's findings indicate that with sound fiscal management and careful prioritization, New York City can achieve a balanced budget without fundamentally compromising City services. We're here to answer any questions and provide further details as needed. Thank you for the opportunity to testify today.

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<sup>1</sup> IBO re-estimates budgeted City spending based on historical trends and potential impacts of policy changes.