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IBO Releases Analysis of Mayor's Preliminary Budget for 2006

Report Restates Budget in Terms of Programs and Year-to-Year Spending Comparisons

The Independent Budget Office today released its Analysis of the Mayor's Preliminary Budget for fiscal year 2006 and Financial Plan through 2009. IBO's review finds the city on surer fiscal footing than just three years ago. Based on our projection of a continued surge in tax revenues, we anticipate the city will end the current fiscal year on June 30 with a surplus of \$2.5 billion—\$500 million more than the Mayor projected in January. Even with the expiration of the increases in the sales tax and personal income tax for high income filers, IBO expects the city to end next fiscal year with a surplus of more than \$470 million.

But the fiscal picture dims in 2007. "Without a large surplus from 2006 to cover the ongoing imbalance between revenues and expenditures, a budget gap of nearly \$3.5 billion emerges in 2007," said IBO Director Ronnie Lowenstein. "The shortfall could come sooner and be larger in 2007 depending upon the outcome of several issues, including settlements with the city's labor unions, resolution of the Campaign for Fiscal Equity lawsuit, and the amount of aid the city receives from the state and federal governments," Lowenstein added.

The report issued today also opens a new chapter in IBO's efforts to help the public and their elected officials have a better understanding of the city's budget and its implications for programs and services. In addition to IBO's standard review and reestimate of key tax and budget proposals made by the Mayor, several new features are added:

- Agency budget reviews are organized by programs or activities rather than by more arbitrary units of appropriation or staff costs and other costs as in the typical budget format. Restating agency budgets in terms of programs or services provides New Yorkers with a more meaningful and accessible way of considering spending decisions.
- Spending changes are presented in year-to-year terms rather than from one quarterly Financial Plan to the next. This enables readers to have a much clearer view of spending changes. For example, under the usual format a cut to the public libraries of \$13.6 million for 2006 would be reported based on a proposed reduction between the last quarterly Financial Plan and the January plan. But in year-over-year terms the total cut is actually \$35.6 million.

- In an effort to link budgetary resources to results produced, a number of agency sections in the report include relevant data from Mayor's Management Reports and other sources.

“We believe these new features will make the tracking of changes in city spending on programs and services easier for the public and elected officials,” said Lowenstein.

Many of the sections of this report were made available during the City Council's budget hearings. The full, 154-page report is available on our Web site at www.ibo.nyc.ny.us/iboreports/march2005.pdf. A free, printed copy can be obtained by calling IBO at 212-442-0632.