New York City Comptroller
Scott M. Stringer
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COMPTROLLER SCOTT M. STRINGER RELEASES ANALYSIS OF NEW YORK CITY'S FISCAL YEAR 2017 ADOPTED BUDGET

Comptroller Projects a $3.6 Billion Gap in Fiscal Year 2018

Tax revenues are still growing – but slower than the average growth over the last four years

(New York, NY) – City-funded expenditures in New York City's $84.6 billion FY 2017 Adopted Budget will increase by 5.4 percent in the coming year, above the projected 1.6 percent growth in tax revenues, according to an analysis released today by New York City Comptroller Scott M. Stringer. The Comptroller's report also found that while the City has added to its budgetary cushion, it remains more than $750 million short of the minimum amount to be fully prepared for an economic downturn.

"Tax revenues have grown for seven years in a row, but the rate of growth is slowing," Comptroller Stringer said. "With our budget cushion still below optimal levels, now is the time to act and build up our reserves. We must do more to find agency efficiencies while revenue growth is still moving in the right direction."

Over the past year, causes for concern about the national economy have grown, with falling corporate profits, slowing job growth, and a deterioration of global economic conditions. While the threat of a near-term recession remains low, these uncertainties underscore the importance of boosting the budget cushion to safeguard against a possible downturn.

While the City has been adding to its budgetary cushion, it is still $762 million short of the bottom of the optimal range of 12 percent of adjusted expenditures and $5.8 billion below the top of the optimal range of 18 percent. The City will begin FY17 with a cushion of $9.4 billion, equal to just 11.1 percent of adjusted FY17 expenditures.

The analysis also found that the City's budget savings program relies heavily on spending reductions which would have formerly been labeled as budget adjustments. This list includes expenditure re-estimates, debt service savings, and hiring delays. Agency efficiency initiatives account for only 7.4 percent of the savings over FY16 and FY17.

Findings include:

- The Comptroller's Office's projects larger out-year gaps than forecast by the Administration. Projected gaps are $3.6 billion in FY 2018, $4.0 billion in FY 2019, and $3.4 billion in FY 2020.

- The greatest risk to the City's finances remains Health + Hospitals, which faces significant roadblocks to achieving its deficit reduction goals. Additional risks include under-budgeted overtime costs, increased homeless shelter spending, and low federal Medicaid reimbursements for special education services.

- Preliminary pension investment returns, after fees, are estimated to be 1.46 percent in FY 2016. The shortfall will result in an estimated increase in City contributions of approximately $122 million in FY 2018, $244 million in FY 2019, and $366 million in FY 2020. The Comptroller's Office will release final audited returns for FY 2016 this fall.

- Offsetting some of the risks is the Comptroller's Office's higher revenue forecast. The Comptroller's Office projects that revenues will be more than the Plan's by $601 million in FY 2017 and $1.0 billion over the Plan period. However, tax revenues in FY16 grew by only 3.6 percent, significantly less than average growth of 6.5 percent over the last four years.

- Since the proposed Executive Budget in April, expenditures in FY17 have increased by $543 million, including $473 million for City Council initiatives.

- The Adopted Budget Plan includes an additional $21 million in each year of the Plan to improve access to libraries. The City also baselined an additional $38.5 million in each year of the Financial Plan to fund Summer Youth Employment Program.

- Eleven months into FY16, the City only achieved 52 percent of its planned headcount growth, adding only 8,791 staff of the planned 16,845 increase. The June Plan counts this shortfall as part of its savings program for FY17.

"Given increased uncertainties in the global economy and signs of potential economic weakness at home, the City must take advantage of strong tax revenues before our window of opportunity to save and prepare for less robust times closes," Stringer said.

To read the full report, please click here.

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