



TO: NYC MUNICIPAL LABOR COMMITTEE
FROM: POLICY RESEARCH GROUP
RE: FISCAL YEAR 2006 EXECUTIVE BUDGET
DATE: MAY 6, 2005

The Mayor released yesterday his Executive Budget for Fiscal Year 2006 which begins on July 1. Major highlights are:

- the expected surplus for Fiscal Year 2005, \$3.271 billion, will be the highest ever recorded by the city (see attached Table 1)
- for the first time since 1990, the Financial Plan accompanying the Executive Budget includes for each year a labor reserve for collective bargaining of approximately 1.5% of payroll
- the new Financial Plan projects additional pension costs resulting from changes in actuarial assumptions. It does not include any of the assumed savings that the city's actuary has also discussed implementing. Pension cost increases are \$144 million in Fiscal Year 2005 and \$547 million in Fiscal Year 2006
- the Mayor is proposing new tax reductions. The most significant is the elimination of the city's portion of the sales tax (4.0%) on purchases of clothing totaling less than \$110 (estimated loss to the city of \$230 million)

- revenue estimates are being increased over the January Plan by \$1.360 billion for Fiscal Year 2005. After offsetting for additional expenses of \$95 million, this will allow the city to make a transfer of \$1.264 billion to Fiscal Year 2006.
- the city is projecting that only half of the projected revenue increase for Fiscal Year 2005 will reoccur in Fiscal Year 2006. Revenue estimates for the coming year thus are up by only \$692 million
- the city had projected in January \$500 million in additional state funds for Fiscal Year 2006 but will be receiving only \$317 million (of which \$230 million derives from the sales tax on inexpensive clothing that the Mayor is proposing to discontinue).
- in the Executive Budget, new Federal aid originally tabbed at \$250 million has been reduced to \$50 million
- proposed reductions or additional funding added for Fiscal Year 2006 include:
 - \$50 million increase in education
 - \$15 million increase in youth programs
 - \$17 million decrease in fire resulting from a proposed reduction in fire staffing
- the projected deficit for Fiscal Year 2007 is \$4.473 billion (see attached Table 2). This is the third largest next year deficit in the city's history. It should be recalled that the largest, \$6.351 billion, was projected in April of 2003 for Fiscal Year 2005 which is now expected to finish with a \$3.271 billion surplus.

**TABLE 1: NEW YORK CITY BUDGETARY
SURPLUSES BEFORE TRANSFERS,
FISCAL YEARS 1981 THROUGH 2005**
(\$ in millions)

FISCAL YEAR	BUDGETARY SURPLUS*
2005	\$3,271**
2004	\$1,928
2003	\$1,422
2002	\$686
2001	\$2,949
2000	\$3,192
1999	\$2,620
1998	\$2,086
1997	\$1,367
1996	\$229
1995	\$71
1994	\$72
1993	\$371***
1992	\$570
1991	\$27
1990	\$253
1989	\$409
1988	\$225
1987	\$567
1986	\$423
1985	\$570
1984	\$517
1983	\$507
1982	\$379
1981	\$486

Notes:

- * Based on Generally Accepted Accounting Principles. Except as noted, the surplus indicated is the amount before transfers to the next fiscal year.
- ** As projected in the Executive Budget Fiscal Year 2006.
- *** Fiscal Year 1993 surplus recalculated because of accounting adjustment due to GASB; originally stated as \$412 million. Once recalculated, after transfers the surplus became a \$36 million deficit.

Source: New York City Office of the Comptroller.
New York City Office of Management and Budget.

**TABLE 2: COMPARISON OF OUTYEAR DEFICITS
AS PROJECTED IN NEW YORK CITY'S
EXECUTIVE BUDGETS WITH FINAL RESULTS**

(\$ In millions)

PROJECTED IN APRIL/MAY*	FISCAL YEAR	OUTYEAR DEFICIT
2005	2007	\$4,473
2004	2006	\$3,762
2003	2005	\$6,351
2002	2004	\$5,232
2001	2003	\$2,620
2000	2002	\$1,679
1999	2001	\$1,679
1998	2000	\$1,456
1997	1999	\$1,990
1996	1998	\$1,402
1995	1997	\$592
1994	1996	\$1,308
1993	1995	\$1,687
1992	1994	\$1,310
1991	1993	\$833
1990	1992	\$905
1989	1991	\$571
1988	1990	\$516
1987	1989	\$420
1986	1988	\$495
1985	1987	\$870
1984	1986	\$323
1983	1985	\$460

Notes:

- * In April (or May) 14 (or 13) months before the start of the fiscal year for which the projection is made. For example, the projected gap or deficit for Fiscal Year 2004 was estimated in April 2002, 14 months before July, 2003, the beginning of Fiscal Year 2004.

Source: Based on data of the New York City Office of Management and Budget as appearing in the financial plans.