



**City
Budget
Report
Card**

Fiscal Year 2004

Promoting Trust

B The City's standards for transparency and timely adoption of its budget are good, but could be improved.

- Because the City continues to omit Transitional Finance Authority (TFA) and Tobacco Settlement Asset Securitization Corporation debt service from the budget, reported spending and revenues are misleading. Transparency is further eroded this year because the TFA is used to shift surplus revenues from fiscal year 2003 to fiscal year 2004.
- The City passed a budget five days before the new fiscal year, which is three weeks beyond the City Charter's target.

Budgeting Responsibly

D Despite a fiscal crisis, City spending is growing. Total spending rises 1.4 percent in fiscal year 2004, but spending funded by City revenue sources grows 6.1 percent. Inflation is expected to increase 2.4 percent in fiscal year 2004.

- Out year gaps grow from \$2 billion in fiscal year 2005 to \$3.3 billion in fiscal year 2007. The phase-out of tax increases authorized by the State Legislature is not matched by reduced spending.
- Out year gaps will grow larger if the Mayor grants wage increases to municipal workers, whose contracts have largely expired, without achieving offsetting productivity gains.
- Wall Street declines and short-sighted benefit improvements together drive the cost of supporting municipal workers' pensions to more than \$2.6 billion in fiscal year 2004, 49 percent higher than last year. Pension contributions will grow to \$4.5 billion by fiscal year 2007.
- Even without budgeted wage increases, fringe benefit expenses for municipal workers, excluding pensions, rise an average of five percent annually through fiscal year 2007.
- The City's State and labor partners have not cooperated in bringing so-called uncontrollable expenditures, such as fringe benefits, Medicaid and pensions, under control.

Budgeting Effectively

C The City is not maximizing the potential to provide government services at a lower unit cost through productivity improvements.

- The Mayor's goal of obtaining \$600 million of productivity and efficiency savings from municipal labor unions was not achieved.
- Since last year's budget was adopted, the City initiated \$225 million in productivity improvements. Together they amounted to only eleven percent of the City's entire \$2 billion in agency spending cuts, and less than one percent of the City's overall budget.

Tax Policy

F The City closed its budget gap with a heavy reliance on tax increases. As a result, New York City's tax burden, among the nation's highest, has grown even higher.

- The 18.5 percent increase in real property taxes enacted by the City Council last fall leaves in place an inequitable tax class system that subsidizes single-family residential properties while putting a higher burden on multi-family, utility, commercial and industrial properties. The burden imposed on commercial property owners is three times higher than the burden imposed on single-family homeowners.
- The City adopted, with State approval, \$1 billion in higher sales and personal income taxes for New York City residents. The State failed to approve a more equitable proposal for a personal income tax on commuters, who use City services without paying for them.