



CITIZENS BUDGET COMMISSION

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Statement by Diana Fortuna President of the Citizens Budget Commission

On the Adoption of New York City's Fiscal Year 2002 Budget

Negotiations between the Mayor and the City Council have produced a short-sighted budget that spells trouble for the new City officials who will be elected later this year.

Although the agreement includes a few laudable outcomes, the most troubling fiscal issue was apparently not even debated—the decision to balance the budget with \$2 billion in one-time surplus funds.

It will be left to those new officials to answer the question of how the City can afford its \$40 billion budget after the surplus is depleted.

In contrast to prior years, when the city's surging economy rode to the budget's rescue, the combination of a sagging economy and unfinished collective bargaining contracts make significant future surpluses unlikely.

This leaves the City with unsustainably high recurring costs, including:

- More municipal employees—257,000 in 2001—than at any time in the last 25 years.
- A 13 percent increase in spending from fiscal year 2000 to fiscal year 2002, without counting any labor settlement costs that might exceed the terms already granted to District Council 37.
- A \$25 billion capital plan that commits the City to an unprecedented \$5 billion in debt service costs by fiscal year 2005.

City leaders do deserve praise for two actions. First, the personal income tax cut, while small, will improve the city's competitiveness by bringing its tax burden closer to that of competing jurisdictions. While much of the remaining tax cut plan is not well targeted, the plan at least avoids the pitfall of ballooning in later years without offsetting spending cuts. Second, although educational innovation is sorely needed, City leaders were right to avoid an unproductive showdown on school privatization that would have led to rancor rather than results. However, those achievements are overshadowed by the overall budget strategy.

Finally, on education, it appears that both City and State leaders are leaving the city's 1.1 million schoolchildren in the lurch as planning must begin for the next school year. With no collective bargaining agreement, no state budget, and a city budget that includes unspecified education cuts, school officials will not be well equipped to address the significant challenge of making urgently needed improvements to public education.

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