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What de Blasio's Budget is Missing

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New York City Mayor Bill de Blasio unveiled his $82 billion preliminary budget on Thursday, which included an increase in city spending from the previous fiscal year that will require some measure of savings down the road.

The mayor's plan increases spending without any increases to tax rates, thanks to rising property values and continued economic growth: Employment has reached an all-time high, real wages are growing and tourists are still flocking to the city in record numbers.

City-funded spending is increasing 4.5 percent (including budget reserves and after adjusting for debt prepayments). Contributions to the pension funds will be increased to reflect the costs of retirees living longer and investment returns missing their target. NYC Health + Hospitals will receive support to ease its cash crunch as its leadership works on a comprehensive plan for streamlining its operations. Other investments reflect spending necessary to address acute needs, such as increased Emergency Management Service tours in areas where voluntary ambulances no longer operate, or mayoral priorities, like improved mental health services.

But as de Blasio warned, the good times won't last forever, and good financial management requires exercising restraint and discipline in good times as well as bad ones. In this budget, growth in new spending has not been accompanied by a serious savings plan or a boost in reserves.

The mayor's budget includes $400 million in agency savings in fiscal year 2016 and $269 million in fiscal year 2017 – less than 1 percent of city-funded spending in each year. City Council members have called on the mayor to set a 5 percent target for agency savings; the mayor suggested that the Executive Budget will include a larger savings program, and this program should, indeed, go much further. Agencies should aggressively seek efficiencies to create savings that offset the costs of new programs. Operations should be reviewed vigorously, with programs restructured or eliminated when necessary and opportunities for leveraging city dollars identified.

A strong savings program will be essential to boost reserves, which currently stand at $1.5 billion, the same as last year. The mayor deserves credit for ending raids to the retiree health benefits trust fund and growing that fund to $3.4 billion, but additional deposits to the fund should be made this year as well. The city's savings should not remain static in a dynamic economic and political climate.

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