

CITIZENS BUDGET COMMISSION

1 Penn Plaza * Suite 640 * New York, NY 10119

Contact: Elizabeth Lynam
347-743-7784

Maria Doulis
212-279-2605, ext. 316

CBC RECOMMENDS FIVE FISCAL ACTIONS THAT SHOULD BE PRIORITIES FOR MAYOR BLOOMBERG'S FINAL 18 MONTHS

New York, NY – March 20, 2008 – The Citizens Budget Commission (CBC) today released a letter that it sent to Mayor Michael Bloomberg recommending five fiscal actions that it hopes will be priorities in the final months of his tenure. The letter commends him on his notable fiscal achievements to date, defines an agenda for further fiscal reforms – the need for better expenditure control, more disciplined debt policy, and better tax policy – and makes the following recommendations:

- **Use surplus revenues prudently.** In recent years, the City has benefited from extraordinary surplus revenues, and despite an economic slowdown, this year is no exception: the surplus is estimated to be over \$4 billion. The January plan calls for using nearly all these resources to cover operating expenses in fiscal year 2009. In the past, significant portions of any surplus revenues have been devoted to purposes with long-term benefits; this practice should continue in this year's budget by retiring more debt, retaining pay-go capital payments, or contributing to the retiree health insurance trust fund. Although this would create a gap in the fiscal year 2009 budget, it is more responsible to address this gap now – and not to postpone action for when the problem is even greater in fiscal years 2010 and 2011, when gaps are now projected to be \$4.2 billion and \$5.6 billion, respectively.

- **Promote efficiency in city services.** City agencies should be working to optimize their efficiency. A few weeks ago, targets for the agency program to eliminate the gap were increased by 3 percent. It should be made clear to agencies that they should be identifying cuts, especially in headcount, that will produce recurring savings. Headcount for the rest of the fiscal year is projected to grow to 312,571 positions from 307,956 in December 2007. This growth should be reversed; in fiscal year 2009, the municipal workforce should be lowered by an additional 1.5 percent, or 4,500 positions, to return the size of the workforce to one comparable to that at the beginning of the mayor's term. It should be kept at that level, or lower, for subsequent years with a goal of sustaining planned services with fewer workers. In addition, CBC supports the recently-announced Charter Revision Commission charged with conducting a top-to-bottom review of city government and recommending ways to make city operations more efficient and transparent. CBC recommends identifying an overall savings target – perhaps \$1 billion annually – that can guide the Commission's agenda. One area ripe for reform that will also generate savings is procurement. More extensive implementation of the recommendations in the CBC's 2002 report, *No Small Change: Opportunities for Streamlining Procurement in New York City*, should be a meaningful part of this program.

- **Renew efforts to control employee fringe benefit costs.** In years past, the mayor has identified a new tier in the pension system for new employees as a way to control the growth in pension expenses. He should renew that call and work with State leaders toward that goal. Similarly, current negotiations with the municipal employee unions to change health insurance arrangements should continue, in order to achieve larger savings than indicated in the January Financial Plan and even greater long-term savings. Such a restructuring will be critical as part of a long-term strategy to address the projected \$58.7 billion liability the City faces for retiree health insurance and other post-employment benefits.
- **Trim and reshape the capital budget.** As detailed in the CBC's December 2007 report *Capital Budgeting for 2030: Achieving the Goals of PLANYC*, the City's capital planning and budgeting should be improved. More should be done to assess the condition of the City's assets and to develop a comprehensive plan for achieving a state of good repair citywide. The City also should better justify expansion projects, particularly those in economic development. Finally, capital spending for the regular replacement of assets should be gradually shifted to the operating budget; this could begin in the next budget by designating some surplus revenues for pay-go capital investments as part of a regular replacement cycle program.
- **Restructure the property tax.** Last year's 7 percent reduction in the property tax rate eased the burden for all property tax payers, but the property tax rebates exacerbate the drastic inequity in the effective tax burden between small residential property and all other classes. The \$256 million annual homeowner rebate program should be repealed, or, if economic conditions allow, reconfigured; redirecting these savings would allow a cut in the citywide property tax rate by another 2 percent, or would allow more targeted tax relief to renters or business that bear the brunt of this tax.

The text of the full letter is available at www.cbcny.org.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York City and New York State governments.