



CITIZENS • BUDGET • COMMISSION

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CBC STATEMENT ON THE NEW YORK CITY EXECUTIVE BUDGET FOR FISCAL YEAR 2017

New York, NY – April 26, 2016 – The Mayor’s new financial plan contains mixed messages of short-run optimism and significant new spending on the one hand and longer-term cautious revenue estimates and modest reserves on the other. The hope is increased spending can be sustained in more difficult economic times through implementation of an enhanced Citywide Savings Plan and other gap closing measures; but many of the anticipated savings, particularly those for NYC Health + Hospitals (H+H), are uncertain, putting future budget gaps at risk of mushrooming.

Added Spending

City-funded spending in fiscal year 2017 will be \$2.5 billion greater than fiscal year 2016 (not including \$1.5 billion in reserves). The budget adds \$1.2 billion in new agency spending in fiscal year 2017, including \$339 million more for the Department of Homeless Services and the Human Resources Administration, \$217 million more for the Department of Education, and \$160 million more for H+H. The City will also forgive H+H’s debt service payments, worth \$180 million in fiscal year 2017 and more in later years, as part of a plan to support H+H as it implements a savings plan.

Cautious Revenue Estimates and Modest Reserves

Recognizing signs of a slowing national economy, the financial plan relies on conservative economic projections. Tax revenues are projected to grow by 1.9 percent in fiscal year 2017 and 3.6 percent on average between fiscal years 2016 and 2017.

The budget retains wisely reserves of \$1.5 billion and adds \$250 million to the Retiree Health Benefits Trust Fund to bring its total balance to \$3.7 billion – the highest ever.

Risks to Budget Gaps

The plan includes additional savings totaling \$1.25 billion in fiscal years 2016 and 2017; there are some productivity and efficiency measures, but savings are largely reliant on additional Medicaid revenues, debt service savings, and other re-estimates, rather than agency initiatives.

In addition the savings plan for H+H relies largely on Medicaid revenues that require waivers that must be approved by the Federal government, a highly uncertain proposition. Failure to obtain these waivers, increase MetroPlus revenues, and/or implement expense reductions will place additional stress on the City’s coffers.

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 State and New York City governments.