The City of New York

Budget Analysis Project

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The City of New York- Budget Analysis Project

Part 1:

***Background***

New York, Officially called as the City of New York is located at the entrance side of the Hudson River. It is the most influential and the largest American metropolis. It encompasses Staten Island and Manhattan and that is the western section of Long Island. In reality, New York is the collocation of many different neighborhoods and those neighborhoods are scattered among five boroughs of the city, Brooklyn, Staten Island, Manhattan, the Bronx, and Queens. Moving from cities to cites is like passing from one country to another. The urban areas are extended to the part of New York that touches Connecticut and New Jersey. It is the gateway to the North American continent and it also provides an exit to the ocean of the world.[[1]](#footnote-1)

It is the most ethnically diverse city and is based on various ethnic and religious groups. It is driven commercially and the city is famously congested. The City represents the collective consciousness of the United States and has all the business signs of the country. Wall Street represents finance, Fifth Avenue is linked with shopping, Broadway is representing theater, Seven Avenues signs the current fashion, machine politics is defined by Tammany hall and the image of Jazz age is ben revealed by the Harlem. However, the Bohemian lifestyle is represented by the Greenwich Village. The city has more Jew than any Jewish country, more Italian then Naples, More Irish then Dublin and it has more Puerto Ricans than San Juan. The status of Liberty is its great symbol and the metropolis city is it’s an example of a great icon [[2]](#footnote-2).

From two centuries the city has been the wealthiest and the largest city of America and it has been involved in trade through its port. The shoreline of New York City is about 600 miles and are in constant connection with the ocean. The city is also rich in minerals as well.

***Demography:***

The overall population of New York City is (2000) 8,008,278 and has an area of 790 square km. The New Jersey-Long Island Metro Area has a population of 18,897,109 and the New York–White Plains–Wayne Metro Division’s population is 11,576,251.[[3]](#footnote-3)

***Overview of Budget Process and Format***

With annual spending of $85 billion the budge of New York City is greater than most of the states and the budges represents all the important decision made for the betterment of the city. It shows which program is going to get all the funding and who is going to pay the taxes. The city balances its budget according to law and the Fiscal year of the city budget starts from the July first of every year and ends at the June 30th of the next year. [[4]](#footnote-4)

The expense budget of the city includes the salaries of government employees, pensions, operating expenses, and debt services. The Revenues budget estimates how many funds the city government will take during the year. Capital Budget is another budget that covers the funding that is used for physical infrastructures that are used in support of the government services. The economic Forecast of the Finance division shows a deceleration in the employment growth of the city. The growth has fallen to 1.8 percent in 2018 and 1.6 percent in 2019 and it is being predicted that it will decrease even more sharply in the coming years. The total review of the City economy is 10.1 in 2018. [[5]](#footnote-5)

The city council is the New York City’s government legislative branch and is composed of 51 members. The responsibilities of the councils related to the budget are very broad and it includes review, negotiation, modification and the oversight of the revenue of the city.[[6]](#footnote-6)

The mayor is responsible for the executive branch of the government and he or she delivers the programs and services of the government. Mayor develops an annual proposal for the allocation of the resources of the city through Capital, expense and the revenue budget. Mayor is also responsible to implement the Adopted budget of each year. The other responsibilities of the Mayor are to empower the agencies of the city under the gaudiness of the Management and Budget, office of the Mayor. [[7]](#footnote-7)

***Budget Process:***

The Borough president proposes the reallocation of Budget to meet the needs of the people. Community board plays an advisory role by preparing the priorities in the budget for the neighborhood. The city finance and operation are investigated by the Comptroller and the document of the budget is analyzed by the Independent Budget Office (IBO). The preliminary and the executive budge are prepared by the Mayor’s office and the city budget is approved by the City council after negotiation and providing oversight of the city agencies. Mayor has no veto power but is responsible to closely analyses the budget [[8]](#footnote-8)

The budget is also reviewed by the public advocates as well. They check the work of the city agencies and also monitors agreement with the City Charter. Specific policy proposals and analyses of the city budget are also done by public interest organocations. So, the citizen also plays a role in the Budget process.[[9]](#footnote-9)

***Budget Format:***

Selected information is presented in particular ways and the document of the budget focuses on certain questions, development, and relationships. Budget format establishes the rules by which the budget is designed. There are generally four types of approaches to budget format, program, performance, zero-based, plus hybrids and line-item.[[10]](#footnote-10)

New York’s budget does not contain performance information and neither it has any forecast for the future. The information that flows from the department head to the City administration do contain performance information. That information is helpful to determine the request of the budget and to forward it for further processes. The budget does include a forecast for the future as the expense budget is going to be $92.77 million in the year 2020 and it also predicts how the current changes will affect the future budget. The budget document is available online and it is in the form of a readable tool. However, the government website includes information regarding the budget basic, it includes the guide to the capital budget and the budget road map. [[11]](#footnote-11)

**Part 2nd:**

***Expenditure and Revenue Trends***:

Mayor de Blasio released the budget for the Fiscal year 2019 and that was $2.1 billion but a number of different council priorities were not the part of the council budget. Those were the fair faces, the rebate, property taxes, and the budgetary reserves. The Executive budget for the year 2019 and 2020 was quite balanced. After 2019 the expansion in the growth of the education and health cater could be seen in the city but the rate of employment is decelerating in the city of New York. [[12]](#footnote-12)

***Expenditure:***

The expenditure fits into two categories. One is the personal service and the other includes supplies, goods, and equipment. Personal services include the salaries and other fringe benefits for the employees of the city-state government. The capital budget is the expending on the infrastructure of the city which includes roads, schools, libraries, and parks. He capital budget finding s have certain eligibility requirements which are that the project must have a usefulness period of five years and the have a value of at least $35,000.[[13]](#footnote-13)

The current Executive budge has shown an increase of $258 million from the previous years and the city finds are of $68.25 billion for the Fiscal year 2020. The FY 20201 budget is almost one percent less than the Fiscal Year 2019 budget. The risk factors have softened and the economic growth will increase both in the City of New York and in the United States. The city is planning is going to $52 billion from, 2019 to the year 2022 and this spending is more than any previous spending records.[[14]](#footnote-14)

However, expenditures include personal expenditure which has increased by $1.047 for the year 2020. The Executive expenditure which is the expenditure on the government bodies has also increased by 999184152 dollars in the year 2020. The city government is also going to spend more in public safety and $5503468 is added for the year 2020 in the public safety expenditure. [[15]](#footnote-15)

The salaries and wages for the year 2019 were $ 305 and those have increased to $358. The amount paid as pension decreased from $84 to $48 for the FY 2020. The state government-owned some debt as well and those data includes the financial obligation that a have not yet been paid by the city government. The state debt per capita for the year 2019 was $2,910,552,089 and for the FY 2020, it is 3,208,040,809. The debt has shown an increase in the year 2020 which makes New York as the send among the states with debt and it makes the city stand in number sixth in per capita debt.[[16]](#footnote-16)

***Revenue:***

The total tax collection in the City of New York in the year 2019 was $61,066 and which increased in the year 2020 and that is $63,599. It is due to the tax policy changes at the federal level and thus the policy changes in the tax collection in the city. The growth level will slow after 2020 by 3.6 percent. the slower growth reflects the city economy and the national economy. As the interest rate is rising and the employment in the city is decelerating then it will have a negative effect on the income and the total taxation of the city. In the revenue budget, the growth of the unincorporated business taxes and the PIT spurred the economic condition of the city. The Unincorporated Business tax for the year 019 is 2,291 and for the year 2020 is 2,331.[[17]](#footnote-17) The increase in these taxes will strengthen the economy in the coming year as well. The city is the hub of fund management and the beneficiaries of these funds are in concentrated in the city and its suburbs. [[18]](#footnote-18)

The Capital gain for the year 2019 is$ 950 and for the year 2020, it is $900. The weak growth of the total capital grants in the City shows that the growth in the equity market is not permanent. PTI collection is less than 0.1 percent in the year 2019 and that is due to the temporary gain in the Fiscal year 2018. after 2019 the growth rate is slow which means that the economy of the New York City is slowing. [[19]](#footnote-19)

Throughout the financial plan, the property tax collection shows very strong annual growth and that will maintain strong growth throughout the year as well. The general corporation tax is declining in the city as it has enacted reform sin 2015 in the corporate tax. The GCT collection has dropped this year by 3 percent compared to 2019. This decrease in spite of the strong economy of the city is due to the overpaying of taxes by the forms to offset Theo liability.[[20]](#footnote-20)

The State also receive a budget from the federal government and that is also added in the revenue apart from the taxes. The funds are mainly in the form of education, Transportations and Medicaid grants. The federal categorical grant for the year 2019 was $7,591,931,554 and for the year 2020, the federal government granted $7,228,043,010. this decrease in the Federal funds might be due to the increased revenue from taxation of the city itself.[[21]](#footnote-21)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| The City Of New York  Expenditure Budget 2019-2020 | | | | | |
|  | 2019 Annual | | 2020 Budget | | Change |
|  | Amount | %of total | Amount | %of total | $ Change |
| Expenditure by Department |  |  |  |  |  |
| Personal | $49,034,746,478 | 0.54 | $51,346,380,541 | 0.55 | 1.047 |
| Executive | 39,038,133,554 | 0.43 | 40,037,317,706 | 0.43 | 999184152 |
| Public safety | 1,825,367,897 | 0.02 | 1,819,864,429 | 0.0196 | 5503468 |
| Other Departments | 2,910,552,089 | 0.032 | 3,208,040,809 | 0.0345 | 2589748009 |
| Total | $89,158,064,224 |  | $92,771,874,627 |  |  |
|  | | | | | |
| Expenditure by funds |  |  |  |  |  |
| General (property taxes) | $27,789,128,000 | 0.95 | $29,615,032,000 | 0.95 | 1825904000 |
| Utility | 387,000,000 | 0.013 | 397,000,000 | 0.012 | 10000000 |
| Road | 934,770,000 | 0.032 | 938,681,000 | 0.03 | 3911000 |
| Total | 29110898000 |  | 30950713000 |  |  |
|  | | | | | | |
| Exp by Category |  |  |  |  |  |
| Personal | $65,027,863,206 | 0.976 | $68,543,077,206 | 0.9763 | 3515214000 |
| Other Non-personal | $879,999,083 | 0.013 | $927,788,556 | 0.013 | 47789473 |
| Capital | $681,683,764 | 0.010 | $735,400,430 | 0.104 | 53716666 |
| Total | $66,589,546,053 |  | $70,206,266,192 |  |  |

[[22]](#footnote-22)

The Executive budget for the year 2019 is 2.1 billion to cover the speedy needs of the population. The expense budget covers the coast to run the whole city. It includes government spending to the expending of every individual in the locality. It also includes all the debt service, funds to operate city agency and the annual loan of the city.[[23]](#footnote-23)

The largest fund is generated by general taxation and that is $29,615,032,000 and the total review has increased to $30950713000 in the FY 2020 and it was $ 29110898000 in the FY 2019. The largest departmental activiti9es include the City Government its self and the amount is $51,346,380,541 for the year 2020. Total taxes for the year 2020 have increased to $1,247,958,000 that was $60,075,787,000 in the past year. Total Miscellaneous REVENUE has also increased from $6,792,444,103 in the year 2019 to $6,956,575,635 in the year 2020. The source of growth in the city is a different form of taxation. [[24]](#footnote-24)

The expense part of the budget has also increased in the current year and it shows that the government is spending more on Debt services. The Debt services for the year 2019 was $2,910,552,089 and for the FY 2020 it is $3,208,040,809. However, the source of revenue that should greatly change in the past years is Taxes from a general corporation which was $3,593,000,000 and that has changed to 3,722,000,000. The same trend is followed by Taxes from General property as well. [[25]](#footnote-25)

***Conclusion***

The city economy is strongly increasing in the year 2019 and onwards and the taxes from the general Corporation and general property are fueling the economy. There is no particular shift has been seen in the financial trends of the fiscal year 2019 and FY 2020. The economy of the city of New York is increasing but the rate of employment is not improving in the city.

The government is spending more on the Debt services in the year 2020 and it is diverting its focus from employment generation for the local people. The rate of unemployment could increase in the future and it could be a threat to the city in the future. The City Government need to focus more on revenue sources apart from taxation and should not expend more on debt service. The federal funds for the city have also been decreased. The Federal government should allocate more funds to the city of New York so that it could generate more review for the Federal government. It is a hub of business of the United States and it stood in number sixth in case of debt per capita. So, the debt of the state government needs to be minimized.

End Notes

“Budget Basics - IBO - Independent Budget Office.” Accessed July 25, 2019. https://ibo.nyc.ny.us/budgetbasics.html.

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19. Johnson and Dromm. [↑](#footnote-ref-19)
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23. Johnson and Dromm, “THE COUNCIL OF THE CITY OF NEW YORK.” [↑](#footnote-ref-23)
24. “Budget Basics - IBO - Independent Budget Office.” [↑](#footnote-ref-24)
25. “Budget Basics - IBO - Independent Budget Office.” [↑](#footnote-ref-25)