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April 1, 2026

Statement on the New York City Council's Preliminary Budget Response

The Council's plan is beset by optimistic assumptions, fuzzy math, and dramatic staffing reductions

New York, NY | Fiscal Policy Institute Acting Executive Director Emily Eisner released the following statement on behalf of FPI:

New York City faces a significant fiscal imbalance in the year ahead. The $5.4 billion shortfall is the result of state law constraining revenue and the prior administration underbudgeting spending needs. A real, lasting solution to the City's budget challenges must begin with New York State, which controls the amount of revenue the City can collect while obligating it to fund a broad range of public services.

Because the State budget is still being negotiated, responsible City policymakers should advocate for greater revenue authority and direct funding from the State while preparing a next-best contingency plan in the event the State fails to provide support. The Mayor's preliminary budget did just this—calling for funding and revenue authority from the State while putting forward a backup plan that leans on a modest rise in property tax rates. Such actions are necessary simply to balance the budget. The City will need further resources to finance an agenda that makes New York more affordable.

By contrast, the City Council's budget response falls short of a realistic, sustainable plan to correct the fiscal imbalance. The Council balances the budget by assuming $3.5 billion in reestimates and imposing $2.0 billion in spending cuts that it claims will not affect services. The plan is beset by optimistic assumptions and fuzzy math. First, the expense reestimates proposed by the Council do not appear to add up to the total savings it purports to find. An initial review of the Council's expense reestimates suggests they have only identified about $2.6 billion, leaving more than $450 million unaccounted for.

Second, the backbone of the Council's saving and reestimate plan is $2 billion in vacancy reductions. While the Council claims it does not *want* to eliminate a substantial number of jobs, their budget is only balanced by assuming these positions remain unfilled.

Finally, the Council appears to assume that the State will provide an additional $600 million in education aid beyond the level set out in the Governor's executive budget. Assuming state aid that has not yet been enacted is an unwise fiscal practice. The State should support New York City schools by increasing education aid—but it is imprudent for the Council to include such funding in its plan before securing a commitment from the State.

Taken together, these proposals do not represent a realistic, sustainable plan to support high-quality public services.