

# New York City: Strong Fiscal Controls Outweigh Political Promises

Following his recent primary victory, Zohran Mamdani is the heavy favorite to win New York City's (NYC) mayoral election. His platform proposes a range of tax increases and additional debt to support programs aimed at affordability and income inequality, which has raised concerns among some NYC investors about the potential effects on the city's credit profile. But campaign promises should always be viewed cautiously, especially when they diverge from the practical realities of governmental frameworks. As such, we believe that Mamdani's proposals are unlikely to meaningfully impact NYC's creditworthiness. In fact, the city is uniquely protected from fiscally questionable plans, regardless of their popularity, by a set of guardrails that have existed for decades.

First and foremost, both state law and city charter require the NYC budget to be balanced under GAAP reporting. This provision, somewhat rare among local governments, keeps political initiatives from morphing into fiscal stress. City finances are also backstopped by the New York State Financial Control Board, a state oversight agency that regularly reviews the city's financial plan and can take control of city finances if management fails to meet certain budgetary standards. Due in large part to these safeguards, the city has produced structurally-stable results every year since fiscal 1981.

The budget process also lowers risk by preventing unilateral decisions by the mayor. Before adoption, the mayor's budget faces review and approval by city council. Even if the mayor vetoes any changes, the council can override them with a two-thirds majority vote. This power balance lasts throughout the fiscal year, with mid-year budget modifications from the mayor requiring city council approval.

Outside of NYC's fiscal framework, we believe parts of Mamdani's platform will be difficult to implement, especially his proposed hikes on corporate and personal income taxes. Modifications to these revenue sources require state approval, and both the governor and legislature have expressed skepticism and an unwillingness to authorize increases. These rates have remained largely unchanged over the last two decades, reflecting the state's reluctance in implementing major tax overhauls.

Additional items on the candidate's platform would require buy-in from other public agencies, including his plan to eliminate bus fares. This service is provided by the Metropolitan Transportation Authority (MTA), a state-controlled agency. Even though its credit profile has improved, prompting recent upgrades by Moody's and S&P, the MTA would likely require a revenue replacement before authorizing any bus fare modifications.



**JEFFREY T. DEVINE**

*Vice President  
Director, Municipal Research*

Mamdani's plan also proposes \$70 billion in new borrowing for affordable housing, but overlooks the state's constitutional debt limit, of which the city only has \$42 billion in available capacity. While it's true that the state can increase the debt cap, prior changes have been relatively modest and infrequent: over the last two decades, the limit has been raised just four times, averaging only \$5 billion.

Since its 1975 fiscal crisis, NYC has demonstrated financial stability through multiple economic cycles and mayoral administrations. Candidate proposals may grab headlines, but it's important to remember that the city's budget—the fourth largest in the nation behind California, New York State, and Texas—is protected by multiple overlapping safeguards. In addition, city finances are boosted by several other core credit fundamentals, including its status as a globally important economic hub, extremely large and diverse tax base, and well-funded pension system. These factors have allowed the city to maintain its "AA" categorical ratings for over fifteen years, and we expect the city's fiscal controls to promote further stability. We continue to monitor developments that may impact the city's credit profile and will adjust our exposure accordingly.

---

**DISCLOSURES:**

All material has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information. This represents the views and opinions of GW&K and does not constitute investment advice, nor should it be considered predictive of any future market performance.

## ENTREPRENEURIAL DRIVEN, CLIENT FOCUSED

GW&K is a Boston-based investment firm with \$52.0 billion under management and over half a century of creating long-term, trusted client relationships.

[www.gwkinvest.com](http://www.gwkinvest.com)

**Boston Headquarters**  
222 Berkeley Street  
Boston, Massachusetts 02116  
617.236.8900

**Other Location**  
Winter Park, Florida