SIRMIUM CAPITAL
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Mamdani's Affordability Promise Meets Fiscal Reality

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At Sirmium, our job is to make money for clients, not to score political points. So this analysis is deliberately bipartisan: we're not evaluating Mayor Mamdani's politics, we're evaluating the numbers, because the numbers are what determine whether capital deployed in and around New York City is well positioned or exposed. Whatever one thinks of the policy goals, the fiscal mechanics are what matter to an investor, and those mechanics are worth understanding clearly.

That bipartisan lens is worth applying to one more constituency before we get to the numbers: the city's own police force. It is understandable that the NYPD, the workforce responsible for the public safety that underpins any functioning city economy, has met this administration with more skepticism than most. Mamdani called the department racist and a threat to public safety in 2020 and called for defunding it during that period, and while he has since walked back some of that rhetoric, he has also pushed to strip the police commissioner of final say over officer discipline in favor of a civilian review board, and he downplayed an incident in which two officers were injured, drawing a public rebuke from the officers' union. None of that bears on whether the budget adds up, but it is a reasonable, nonpartisan explanation for why rank and file officers and their union have reacted to this administration with real caution, and it is worth keeping in mind as context for the numbers that follow.

Zohran Mamdani won the mayoralty on a single word: affordability. Free buses, universal childcare, city run grocery stores, a rent freeze: all funded, in the pitch, by finally making the wealthiest New Yorkers and corporations pay their share. A year into his term, the affordability promise and the fiscal reality are pulling in different directions, and the gap between them is the real story of his first budget.

The Budget, By the Numbers

Mamdani inherited what he called an "Adams Budget Crisis," a $12 billion two year shortfall he attributed to years of underbudgeting essential services like shelter, rental assistance, and special education under the previous administration. Whatever its origin, the number was real and closing it fell to him.

In May 2026, Mamdani proposed a **$124.7 billion Executive Budget**. The City Council adopted an even larger **$125.8 billion budget on June 30, the largest in city history**, up from roughly $70 billion under Mayor Bloomberg a little over a decade ago. On paper, it closed the gap without raising property taxes, touching the rainy-day reserves, or cutting social services. In practice, it closed the gap through:

- **$8 billion in state aid** from Albany, nearly a 50% increase in state support since Governor Hochul took office
- **Delayed pension payments**, saving an estimated $1.6 billion in the coming fiscal year by pushing obligations onto future budgets, though the NYPD's pension fund opted out and is not part of that savings figure. **NYPD personnel can see exactly what that means for their own pension in the companion piece on our website**.
- **A new pied à terre tax** on ultra wealthy second homes, raising an estimated $500 million a year, a fraction of the original gap

Notably absent: the corporate and personal income tax increases on high earners that Mamdani actually campaigned on. Albany rejected them outright. The revenue that was supposed to permanently fund universal childcare, free buses, and city run groceries never materialized, so the money came from one time and borrowed sources instead.

The consequence shows up immediately in the city's own projections. Even after this "balanced" budget, New York still faces gaps of **$6.4 billion in FY2028, $8.2 billion in FY2029, and $8.5 billion in FY2030**. Comptroller Mark Levine, a fellow Democrat and not a political opponent, has flagged the pension delay as a maneuver that pushes today's obligations onto tomorrow's taxpayers. The city's underlying operating deficit in FY2026 was $1.8 billion, the fourth consecutive deficit year and the largest since 2020.

The Affordability Math

Mamdani ran on a mandate to make the city affordable, and then produced a budget that is, by the numbers, the opposite. The headline figure barely registers as shocking only because New York has been fiscally undisciplined for so long; for perspective, that's comparable to the entire annual budget of a midsized nation like Greece or Thailand, spent governing a single city. The Bloomberg comparison is instructive: the city's last budget under Bloomberg, adopted for fiscal 2014, was about $70 billion. In little more than a decade, the budget has grown by nearly 80%, outpacing both inflation and the city's own economic growth.

And it's happened while the city has been losing the one resource that makes big government affordable: people. New York's population fell sharply during the pandemic, down 5% from April 2020 to July 2022, and while it has since rebounded, it remained below its 2020 baseline. That matters because a bigger bill split among fewer taxpayers is simple arithmetic. By the Lincoln Institute's fiscally standardized measure, New York's per capita general spending in 2023 (the most recent data available) ran more than 30% higher than Los Angeles and more than double Houston's.

What that spending buys is genuinely mixed. Take the city's schools, the largest district in the country. The Department of Education's budget climbed from roughly $34 billion in 2019 to over $40 billion, with per student spending projected to approach $35,000 in fiscal 2026, among the highest of any district in the nation, even as enrollment has shrunk. The results haven't kept pace with the spending: graduation rates, test scores, and reading levels remain middling, often comparable to districts spending a fraction of what New York does per student.

Now come the taxes, because every political argument eventually ends up with the same question: who will pay? NY already sits at the extreme end of the American tax spectrum. Combined state and city income tax for top earners already reaches 14.77%; layer on federal taxes and the marginal rate can exceed 50%, running close to 55% on certain investment income. On business taxes, the city's combined corporate rate of 17.44%, once state, city, and regional layers are stacked, is the highest in the country, according to the Citizens Budget Commission. Mamdani's own fallback, if Albany won't approve further income and corporate hikes, is to raise property taxes by nearly 10%. New Yorkers are paying rates that approach European countries that provide universal healthcare, free college, and sound infrastructure. And what do New Yorkers get? Roughly 300 miles of sidewalk sheds.

The broader pattern extends beyond New York, to blue cities as a category, where governments tend to promise more, spend more, deliver less, and defer the fiscal reckoning to some future administration. Los Angeles is a case in point: its fiscal year 2025 to 2026 homelessness budget runs about $950 million even as homelessness rose roughly 9% countywide and 10% in the city in 2023 alone (up 70% countywide and 80% in the city since 2015), and a city audit of $2.4 billion in homelessness funding couldn't reliably determine where the money went or what it accomplished. Chicago tells a similar story, a city with an underwater mayoral approval rating and pension obligations large enough to threaten insolvency on their own. The pattern across all three cities isn't ideology, it's a theory of government that equates progress with adding programs, which produces exactly the unaffordability those programs were meant to solve.

On housing specifically, this is where the critique lands closest to home. Mamdani's instinct to prioritize affordability, especially housing, is correct, but subsidies are the wrong tool, since they tend to push rents up rather than down. New York's rental assistance spending rose from $263 million in fiscal 2020 to $1.34 billion in the most recent reported year, a fivefold increase, over a period in which housing costs got worse, not better. Echoing the economics writer Matthew Yglesias, a more durable alternative is simpler and less politically satisfying: build more market rate housing, which expands the tax base, fills the schools, and grows the local economy enough to make the rest of the budget sustainable on its own.

What the Underlying Economy Looks Like

Set the budget fight aside and the ground level numbers are not encouraging either:

- New York City added only **27,100 jobs in all of 2025**, an anemic figure for a city this size, with job losses in nearly every major sector except healthcare
- Inflation in the city is running hotter than the national rate, **4% versus 3.3%** as of March 2026, and regional prices sit roughly 9% above the national average
- By the mayor's own account, one in four New Yorkers live in poverty, even as the city sits atop what he calls the wealthiest economy in the wealthiest country in the world

That last point is worth sitting with. It's Mamdani's own diagnosis of the problem he was elected to solve, and more than a year in, the affordability crisis he ran on hasn't meaningfully eased. Rent is frozen for stabilized tenants, but for the roughly three quarters of New Yorkers not in stabilized units, the labor market and inflation numbers matter far more, and both are moving the wrong way.

Where He Needs to Improve

It's worth asking, plainly, what theory of government sits underneath all of this. If the answer is that progress means adding another program every budget cycle, the city will keep reproducing the very unaffordability it is trying to solve, because unaffordability is what happens when government grows faster than the society it is meant to serve.

The honest critique isn't that Mamdani is a radical remaking the city overnight. The numbers don't support that. It's narrower and, in some ways, more damning: **the gap between what he promised and what he's actually able to fund is being bridged with borrowed time, not new revenue.** Some specific things to watch:

1. **A structural funding plan, not one time patches.** Pension deferrals and state bailouts aren't renewable. Without a real revenue source, the FY2028 through FY2030 gaps are not hypothetical, they're already on the books.
2. **A credible jobs strategy.** Near zero private sector job growth outside healthcare is a huge alarm for a city whose entire tax base depends on a thriving private economy, and a shrinking population makes every existing obligation more expensive per remaining taxpayer.
3. **Spending that tracks results, not just intentions.** The city's education budget is a case study: enrollment down, per pupil spending among the highest in the nation, and outcomes that don't reflect it. The same test, dollars in versus results out, should apply to every line item, not just the ones that are politically convenient to defend.
4. **Housing supply over housing subsidy.** The rental assistance line has grown fivefold in a few years while rents kept climbing, a sign that subsidizing demand without expanding supply just bids up price. The more durable fix, and the one with actual precedent, is making it routine to build market rate housing at scale: more units, a bigger tax base, and a city that can eventually afford itself.
5. **Honesty about tradeoffs with Albany.** If the income tax path is dead, the administration needs a plan B that doesn't quietly become "spend now, bill later," the exact pattern already visible in the numbers above, and the exact pattern that got the city into the Adams era hole in the first place.

The affordability promise was the right diagnosis, but the fix isn't to announce more programs. For the fundamentals to work, we need fewer promises and more permits.
