GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-05-269, a report to congressional requesters

March 2005

SEPTEMBER 11

Recent Estimates of Fiscal Impact of 2001 Terrorist Attack on New York

Why GAO Did This Study

In 2002, GAO reported that the New York budget offices estimated that from the terrorist attack, New York City sustained tax revenue losses of $1.6 billion for 2002 and $1.4 billion for 2003, New York State $1.6 billion for 2002 and $4.2 billion for 2003. GAO found some limitations to these estimates, such as that it is likely that they included some of the economic recession under way in September 2001, as well as events after the attack, such as economic fallout from the Enron collapse and accounting firm improprieties.

After GAO issued its report in 2002, some New York agencies used revised economic data to assess the attack's fiscal impact. In this context, GAO was asked to update its report to ascertain whether the recent government studies using revised economic data would provide more precise information on the fiscal impact of the terrorist attack. In doing this work, GAO did not independently estimate the attack's impact on New York tax revenues.

What GAO Recommends

GAO makes no recommendations in this report.

In commenting on a draft of this report, the three New York agencies generally agreed with the information presented. In addition, two of the three agencies provided technical comments, which GAO incorporated, as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-05-269.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Nancy R. Kingsbury at (202) 512-2700 or kingsburyn@gao.gov.

What GAO Found

Three recent studies by New York government agencies concluded that the 2001 terrorist attack on the World Trade Center significantly reduced tax revenues in fiscal years 2002 and 2003. But their estimates of forgone tax revenues—$2.5 billion to $2.9 billion for New York City and about $2.9 billion for New York State—are generally less than previous estimates of forgone tax revenues. For example, the study completed in 2004 found, from revised economic data, that the economic recession that began before the attack generally had a greater impact on reducing New York tax revenues than initially projected. The studies completed in 2002 and 2003 were issued before subsequent revisions to employment data were released.

While the revised economic data indicate that New York's economy was generally weaker before the attack than initially expected, inherent uncertainties and data limitations still prevent the estimates from being precise. The differences in the recent estimates reflect the uncertainties, the timing of the studies, and data limitations. As GAO reported previously, precisely measuring the attack's effect on economic activity and tax revenues is inherently difficult, because it must be disentangled from other factors that also reduced tax revenues. In addition, a consensus has not yet emerged on employment and income impacts, key factors in measuring the attack's impact on New York tax revenues.

	Previous estimate of impact			Recent estimate of impact		
	2002	2003	Total	2002	2003	Total
City Office of Management and Budget	$1,600	$1,400	$3,000	$926	$1,569	$2,495
City Comptroller	n.a.	n.a.	n.a.	910–2,015	928	1,838–2,943
State Comptroller	n.a.	n.a.	n.a.	725	2,175	2,900
State Division of Budget	1,600	4,200	5,800	n.a.	n.a.	n.a.

Source: New York City Office of Management and Budget (2004), New York City Office of the Comptroller (2002), New York State Office of the State Comptroller (2003), and New York State Division of Budget (2002).

Note: Dollars in millions, unadjusted for inflation; n.a. is not applicable.

While the attack's fiscal impact on New York from 2002 through 2003 appears to be less severe than initially expected, ascertaining its long-term impact is difficult, because other events also affected New York's economy and tax revenues. For example, the New York City Office of Management and Budget projected more than $400 million in tax revenues forgone for 2004 and 2005, derived mostly because of estimates of securities jobs lost as a result of the attack. Even so, the extent to which securities jobs are fewer in New York City than if the attack had not happened is not clear. Other factors, such as the relatively high cost of conducting business have also affected securities employment in the city. The city's property tax revenues will be lower than had there been no attack, however, because destroyed and damaged buildings have not been reconstructed.