The Comptroller's Comments on the Fiscal Year 2010 Executive Budget

The City of New York
Office of the Comptroller
William C. Thompson, Jr., Comptroller

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I. Executive Summary

The worst economic downturn since the end of World War II is taking a heavy toll on the city's economy. Although the city's labor and housing markets have been less severely affected by the recession than those in many other areas of the country, the Comptroller's Office does expect a decrease of 250,000 jobs from the cyclical peak in August 2008 through the expected trough in late 2010. The deteriorating labor market will push the number of unemployed residents to nearly 400,000 by mid-2010. Furthermore, the city's economy is projected to under-perform the nation's until 2013, primarily because of the challenges facing the financial sector. While the finance and insurance sector and the professional and business services industries accounted for 25 percent of the city's employment in August 2008, they have absorbed 48 percent of the job reductions since.

Because the City is highly reliant on income-sensitive taxes, the recession's impacts on revenues have been amplified, resulting in FY 2010 Executive Budget projections of a total tax revenue decline of 11.3 percent, or $4.4 billion from FY 2008 to FY 2010. Non-property tax revenues are not expected to recover their pre-recession levels during the Plan period.

As a result, the City's fiscal outlook is extraordinarily sobering. The FY 2010 Executive Budget and Four-Year Financial Plan depicts a risk-laden gap-closing program to balance the FY 2010 Budget, followed by projected budget gaps of $4.578 billion in FY 2011, $5.162 billion in FY 2012 and $5.417 billion in FY 2013. However, this review by the Comptroller's Office reveals net risks to the budget that would push gaps to $734 million in FY 2010, $6.654 billion in FY 2011, $7.542 billion in FY 2012 and $8.298 billion in FY 2013. Such large projected gaps are unprecedented, and given that the City has been striving to contain expenditures and raise revenues since mid-FY 2008, after it became clear that the economy was faltering, additional gap-closing actions will become increasingly difficult to achieve.

The Comptroller's assessment of risk to tax revenues includes a projected shortfall in FY 2009 collections of $280 million due to current collection trends and the failure, thus far, of the City's sales tax increase initiatives to gain passage by the State Legislature. Because of differences in economic outlook and the uncertainty surrounding State legislative approval of the City's sales tax proposals, the Comptroller's Office identifies tax revenue risks of $60 million in FY 2010, $575 million in FY 2011, $928 million in FY 2012 and $1.41 billion in FY 2013. Additionally, lack of action in Albany on the Mayor's proposal to impose a fee on plastic bags creates a risk of $100 million in FY 2010, which grows to $160 million in FY 2011.

The majority of the $574 million expenditure risk identified by the Comptroller's Office for FY 2010 stems from projected savings associated with changes to employee benefits. The Mayor is proposing to "restructure" employee health insurance benefits, which would require approval by municipal unions, and to create a new, less costly pension tier, requiring approval of the unions and the legislature. These initiatives are projected to yield $200 million apiece in annual savings. The other elements of spending risk for FY 2010 include $70 million in payroll taxes enacted by the State Legislature to support the Metropolitan Transportation Authority (MTA), and $137 million in overtime.

These risks persist in the outyears of the Plan and are augmented by others. Savings from a component of the Mayor's health insurance cost containment initiative requiring employees to contribute 10 percent towards health insurance premiums are planned to commence in FY 2011. With no agreement with the unions in place, this must be considered at risk. In addition, in 2008 the Financial Control Board (FCB) granted the City a temporary waiver from a new requirement that certain expenses previously financed in the capital budget be funded through the operating budget. That waiver expires in FY 2011, but the Financial Plan includes no funding for this category of spending, which the City has estimated will cost $500 million per year. The net risks to the outyears of the Plan include an offset that the Comptroller's Office believes will accrue from lower judgments and claims expenses.

In the period between the release of the Preliminary Budget in January and the Executive Budget on May 1, the American Recovery and Reinvestment Act (ARRA) was passed, providing significant sums to state and local governments to stimulate the economy. While the Mayor's Preliminary Budget anticipated some of the impacts of ARRA, the package will provide education funding that will offset cuts made in the State Enacted Budget and stave off the need to lay off some 14,000 teachers. Therefore, the headcount projections in the Executive Budget do not reflect as draconian a reduction for FY 2010 as anticipated previously. However, full-time City-funded headcount is expected to contract by about 8,000 in FY 2010, to be achieved through a mix of attrition and layoffs. Since most municipal employee unions have contracts in place through FY 2011, there is little opportunity other than lay-offs to save on direct labor costs.

An intention to implement a 30 percent reduction to major components of the capital commitment plan was announced at the time of the January Plan. The purpose of the reduction was to bring growth in debt service costs in line with the average growth in tax revenues by reducing the size of the capital commitment program. The FY 2010 Executive Capital Commitment Plan would achieve a 17 percent reduction in the City-funded portion of the Plan, after the reserve for unattained commitments. Because the impacts of incremental changes to the size of the capital commitment plan are felt over a long period, debt service is expected to continue to grow 8.0 percent per year through FY 2013, slowing to a 2.3 percent pace thereafter. However, historically there is a tendency for the commitment plan to understate out-year commitments compared to actual results. On average from FY 2002 to FY 2008, the third and fourth years of the Plan were underestimated by 35 percent and 51 percent, respectively.

While uncertainty always haunts projections in the Four-Year Financial Plans, the current economic circumstances bring uncertainties into greater relief. For FY 2009 the Financial Plan assumes investment losses on pension investments of 20 percent. Assets of the Retiree Health Benefits Trust Fund (RHBT) will be tapped to offset these additional costs. If the financial markets perform even worse than projected, the City will be obligated to continue to finance any shortfall in investment returns. Every percentage point in pension investment return on June 30, 2009 above or below the current projections will result in additional or reduced contributions of $15 million in FY 2011, $28 million in FY 2012, and $42 million in FY 2013.

Moreover, the State budget is much more cyclically sensitive than the City's. Since the State Enacted Budget was approved by the Legislature, the Governor has warned that, based on current tax collections, the State could be facing a gap of at least $3 billion in the current fiscal year. Since about 70 percent of the State budget consists of aid to localities, additional gap-closing actions in Albany are certain to result in more stress on the City budget.

The hurdles the City is facing during this Financial Plan period are daunting. The recession in all likelihood will be followed by several years of lackluster growth. As a result, even if the City achieves its ambitious gap-closing plan, and despite the presence of substantial federal stimulus dollars, out-year gaps loom. Additional gap-closing initiatives will be necessary, and they will likely require sacrifice and patience on the part of New York City residents.

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Table 1. FY 2010 – FY 2013 Financial Plan

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2009 – 2013 Dollar	Changes FYs 2009 – 2013 Percent
Revenues						
Taxes:						
General Property Tax	$16,281	$17,327	$17,916	$18,304	$2,023	12.4%
Other Taxes	$18,436	$20,139	$21,615	$23,037	$4,601	25.0%
Tax Audit Revenues	$596	$596	$595	$594	($2)	(0.3%)
Miscellaneous Revenues	$5,974	$5,813	$5,825	$5,863	($111)	(1.9%)
Unrestricted Intergovernmental Aid	$340	$340	$340	$340	$0	0.0%
Less: Intra-City Revenues	($1,601)	($1,525)	($1,524)	($1,524)	$77	(4.8%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$40,011	$42,675	$44,752	$46,599	$6,588	16.5%
Other Categorical Grants	$1,028	$1,029	$1,033	$1,031	$3	0.3%
Inter-Fund Revenues	$475	$449	$439	$439	($36)	(7.6%)
Total City & Inter-Fund Revenues	$41,514	$44,153	$46,224	$48,069	$6,555	15.8%
Federal Categorical Grants	$6,422	$6,327	$5,360	$5,349	($1,073)	(16.7%)
State Categorical Grants	$11,617	$12,015	$12,359	$13,010	$1,393	12.0%
Total Revenues	**$59,553**	**$62,495**	**$63,943**	**$66,428**	**$6,875**	**11.5%**
Expenditures						
Personal Service						
Salaries and Wages	$22,590	$23,563	$23,109	$23,677	$1,087	4.8%
Pensions	$6,500	$7,034	$7,358	$7,631	$1,131	17.4%
Fringe Benefits	$7,001	$6,813	$6,864	$7,814	$813	1.6%
Subtotal-PS	$36,091	$37,410	$37,331	$39,122	$3,031	8.4%
Other Than Personal Service						
Medical Assistance	$4,907	$5,621	$6,090	$6,271	$1,364	27.8%
Public Assistance	$1,299	$1,299	$1,299	$1,299	$0	0.0%
All Other	$18,397	$18,713	$19,357	$19,846	$1,449	7.9%
Subtotal-OTPS	$24,603	$25,633	$26,746	$27,416	$2,813	11.4%
Debt Service						
Principal	$1,649	$2,021	$2,080	$2,057	$408	24.7%
Interest & Offsets	$2,695	$2,646	$3,015	$3,316	$621	23.1%
Subtotal Debt Service	$4,344	$4,667	$5,095	$5,373	$1,029	23.7%
FY 2007 BSA	($31)	$0	$0	$0	$31	(100.0%)
FY 2009 BSA	($1,950)	$0	$0	$0	($1,950)	(100.0%)
Prepayments	($2,036)	$0	$0	$0	$0	(100.0%)
Debt Retirement						
Call 2009/2010 GO Debt	($277)	$0	$0	$0	$277	(100.0%)
Defease NYCTFA Debt	($382)	$0	$0	$0	$382	(100.0%)
Subtotal Debt Retirement	($659)	$0	$0	$0	$659	(100.0%)
Transfer for NYCTFA Debt Service	($546)	$0	$0	$0	$546	(100.0%)
Building Aid Revenue Support for NYCTFA Debt Service	($100)	$0	$0	$0	$100	(100.0%)
Defeasance of certain NYCTFA Debt	$0	($530)	$0	$0	$0	0.0%
FY 2008 Redemption of certain NYCTFA Debt	$0	($35)	$0	$0	$0	0.0%
NYCTFA						
Principal	$497	$575	$634	$634	$137	27.5%
Interest & Offsets	$641	$578	$523	$524	($117)	(18.2%)
Subtotal NYCTFA	$1,138	$1,153	$1,157	$1,158	$20	1.8%
General Reserve	$300	$300	$300	$300	$0	0.0%
	$61,154	$68,598	$70,629	$73,369	$12,215	20.0%
Less: Intra-City Expenses	($1,601)	($1,525)	($1,524)	($1,524)	$77	(4.8%)
Total Expenditures	**$59,553**	**$67,073**	**$69,105**	**$71,845**	**$12,292**	**20.6%**
Gap To Be Closed	**$0**	**($4,578)**	**($5,162)**	**($5,417)**	**($5,417)**	**N/A**

NOTE: Revenues include PIT revenues retained for NYCTFA debt service. Expenditures include NYCTFA debt service.

Table 2. Plan-to-Plan Changes
May 2009 Plan vs. June 2008 Plan

($ in millions)

	FY 2010	FY 2011	FY 2012
Revenues			
Taxes:			
General Property Tax	$187	$220	$2
Other Taxes	($3,111)	($2,790)	($2,797)
Tax Audit Revenues	$17	$17	$16
Miscellaneous Revenues	$671	$448	$442
Unrestricted Intergovernmental Aid	$0	$0	$0
Less: Intra-City Revenues	($148)	($73)	($72)
Disallowances Against Categorical Grants	$0	$0	$0
Subtotal: City Funds	($2,384)	($2,178)	($2,410)
Other Categorical Grants	$23	$23	$23
Inter-Fund Revenues	$50	$30	$20
Total City & Inter-Fund Revenues	($2,311)	($2,125)	($2,367)
Federal Categorical Grants	$1,139	$1,054	$78
State Categorical Grants	($322)	($788)	($744)
Total Revenues	($1,494)	($1,859)	($3,033)
Expenditures			
Personal Service			
Salaries and Wages	($384)	($861)	($1,585)
Pensions	($322)	$144	$364
Fringe Benefits	($7)	($794)	($1,345)
Subtotal-PS	($713)	($1,511)	($2,566)
Other Than Personal Service			
Medical Assistance	($849)	($295)	$1
Public Assistance	$123	$123	$123
All Other	($64)	($377)	($232)
Subtotal-OTPS	($790)	($549)	($108)
Debt Service			
Principal	$7	$157	$110
Interest & Offsets	($54)	($287)	($342)
Subtotal Debt Service	($47)	($130)	($232)
FY 2007 BSA	$0	$0	$0
FY 2009 BSA	($1,138)	$0	$0
FY 2010 BSA	($350)	$350	$0
Prepayments	$0	$0	$0
Debt Retirement			
Call 2009/2010 GO Debt	$0	$0	$0
Defease NYCTFA Debt	$0	$0	$0
Subtotal Debt Retirement	$0	$0	$0
Transfer for NYCTFA Debt Service	($546)	$0	$0
Building Aid Revenue Support for NYCTFA Debt Service	($100)	$0	$0
Defeasance of certain NYCTFA Debt	$0	($530)	$0
FY 2008 Redemption of certain NYCTFA Debt	$0	($35)	$0
NYCTFA			
Principal	$0	$0	$0
Interest & Offsets	($6)	$39	($1)
Subtotal NYCTFA	($6)	$39	($1)
General Reserve	$0	$0	$0
	($3,690)	($2,366)	($2,907)
Less: Intra-City Expenses	($148)	($73)	($72)
Total Expenditures	($3,838)	($2,439)	($2,979)
Gap To Be Closed	**$2,344**	**$580**	**($54)**

Table 3. Risks and Offsets to the FYs 2009 – 2013 Financial Plan

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
City Stated Gap	**$0**	**$0**	**($4,578)**	**($5,162)**	**($5,417)**
Tax Revenues					
Property Tax	$0	($15)	($40)	$25	$40
Personal Income Tax	(100)	(20)	(5)	(73)	(335)
Business Taxes	(85)	190	(195)	(385)	(385)
Sales Tax	(2)	296	71	(103)	(272)
Additional 0.5% Sales Tax Increase	(52)	(552)	(572)	(608)	(646)
Repeal Sales Tax Exemption on Clothing	(36)	(394)	(409)	(439)	(462)
Real-Estate-Related Taxes	(5)	435	575	655	650
Subtotal	**($280)**	**($60)**	**($575)**	**($928)**	**($1,410)**
Plastic Bag User Fee	**($0)**	**($100)**	**($160)**	**($140)**	**($140)**
Expenditures					
Overtime	($0)	($137)	($100)	($100)	($100)
Health Insurance Restructuring	0	(200)	(200)	(200)	(200)
10% Health Insurance Premium Co-pay	0	0	(357)	(386)	(418))
New Pension Tier Proposal	0	(200)	(200)	(200)	(200)
Payroll Tax		(70)	(72)	(74)	(76)
Public Assistance Grant Increase					(50)
Judgments and Claims	7	33	88	148	213
GASB 49	0	0	(500)	(500)	(500)
Subtotal	**$7**	**($574)**	**($1,341)**	**($1,312)**	**($1,331)**
Total Risk/Offsets	**($273)**	**($734)**	**($2,076)**	**($2,380)**	**($2,881)**
Restated (Gap)/Surplus	**($273)**	**($734)**	**($6,654)**	**($7,542)**	**($8,298)**

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II. The FY 2009 Budget

The City's May Modification reflects the financial crisis and deepening recession that have gripped the nation and the City since budget adoption in June 2008. The City's FY 2009 tax revenue estimate is $503 million below the June 2008 projection and $2.14 billion less than FY 2008 receipts, the first time tax revenues will decline year-over-year since FY 2002. The decline in the tax revenue estimate is partially offset by an upward revision of $301 million in non-tax revenues, $125 million of which is due to restitution agreements achieved by the Manhattan District Attorney's Office.

Downward revisions to City-funds spending estimates more than offset the drop in projected revenues. The usual reduction to the General Reserve and recognition of prior-year-payable savings in January account for $760 million of this reduction. A temporary increase in the Federal Medical Assistance Percentage (FMAP), from the American Recovery and Reinvestment Act of 2009 (ARRA), accounts for another $447 million of savings in City-funds spending. Table 4 shows changes to the FY 2009 Budget since adoption.

Table 4. Changes in FY 2009 Estimates
May Modification vs. Adopted Budget

($ in millions, positive numbers reduce the gap)

Adopted Budget Gap	**$0**
Tax Revenues	($503)
Other non-tax revenues	301
Total Revenues	**($202)**
Prior-year payable	$500
General Reserve	260
Federal Matching for FMAP	447
Energy	94
Debt Service Savings	188
State Budget Expense Impact	(44)
Other Agency spending	(200)
Total Expenditures	**$1,245**
May Budget (Gap)/Surplus	**$1,043**
Gap-Closing Initiatives	
Mid Year Property Tax Increase	$576
Repeal Sales Tax Exemption on Clothing	36
0.5% Sales Tax Increase	52
Agency PEGS	507
Total-Gap-Closing Initiatives	**$1,171**
Budget (Gap)/Surplus after Gap-Closing Initiatives	**$2,214**
Prepayments of FY 2010 Expenditures	($1,684)
Defeasance of Certain 2011 NYCTFA Debt	($530)
Remaining Gap	**0**

Even though the spending reductions are expected to result in a FY 2009 Budget surplus of $1.043 billion, the City finds it necessary to include gap-closing initiatives totaling $1.171 billion in FY 2009 to help address the fiscal challenges confronting FY 2010. Of these initiatives, only agency programs to eliminate the gap (PEGs) are within the control of the Mayor. However, the mid-year property tax increase was approved by the City Council in December 2008. The repeal of the sales tax exemption on clothing and a 0.5 percentage point sales tax increase would require State legislative approval. If the City were to achieve the full benefits from these gap-closing initiatives, the additional resources combined with spending reductions would allow the City to increase its prepayments of FY 2010 expenses by $1.684 billion to $2.496 billion, and defease $530 million of certain FY 2011 New York City Transitional Finance Authority (NYCTFA) debt.

The use of FY 2009 resources to prepay outyear expenditures is made possible by surpluses accumulated in prior fiscal years. These accumulated surpluses allowed the City to prepay $4.635 billion of FY 2009 expenditures in FY 2008. Of this, $1.609 billion will be needed to balance the FY 2009 Budget. The remaining $3.026 billion will be used to fund the prepayment of FY 2010 expenditures and the defeasance of certain FY 2011 NYCTFA debt.

In addition to the FY 2008 prepayments, FY 2009 expenditures were further reduced by actions taken in FY 2007. These actions include the defeasance of General Obligations (G.O.) and NYCTFA debt, which reduced FY 2009 debt service by $641 million, and the prepayment of $34 million of FY 2009 lease purchase debt service. After adjusting for the impact of these prior actions and the portion of FY 2008 prepayments required for budget balance, the City's estimated operating expenses in FY 2009 exceeds projected revenues by $2.284 billion. Thus, while the May Modification presentation shows a budget surplus, the current fiscal year will in effect end in an operating deficit.

III. The City's Economic Outlook

A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2009-2013

During late 2008 and early 2009, the U.S. economy contracted at an alarming rate, raising fears among reputable forecasters as well as the general public that the country was heading into a second Great Depression. Fortunately, in recent months a number of indicators have signaled that the pace of economic decline is slowing significantly, raising hopes that the end of the longest post-war recession is in sight. While the Comptroller's Office concurs that the two-quarter economic free-fall that began in September has slowed, and that a technical end to the recession will probably come during 2009, we believe that many significant obstacles to full economic recovery remain. Rather than anticipating the type of vigorous rebound that followed most 20th Century recessions, the Comptroller's Office expects an extended period of slow and halting recovery that will pose a new set of challenges for households, businesses and government.

Thus far, the city's economic contraction has been milder than the nation's. Local businesses have slashed proportionately fewer jobs and residential real estate prices have proven among the most resilient in the country. One reason the city has fared better is that the bursting of the credit bubble, and the subsequent freezing of credit markets, has disproportionately affected construction, manufacturing, and freight transportation, industries not highly concentrated in New York City. Since December 2007, construction, manufacturing, transportation, warehousing and retail trade have accounted for about two-thirds of the national job decline. At the employment peak, those industries accounted for over 30 percent of national nonfarm employment but for only 17 percent of the city's. Even within the financial sector, the largest job losses have thus far occurred in the "retail" operations associated with housing finance and real estate; only 15 percent of financial industry job reductions since August 2007, have been in commercial banking and securities, commodities contracts, and investments.

Although the city's labor and housing markets have been less severely affected by the recession than those in many other areas of the country, the recession has and will continue to have a damaging effect on the city's economy. The Comptroller's Office projects a decrease of 250,000 payroll jobs from the cyclical peak in August 2008 through the expected trough in late 2010. The deteriorating labor market will push the number of unemployed residents from a cyclical low of 166,500 in December 2007 to nearly 400,000 by mid-2010. Many other households will experience declining economic circumstances through work hour reductions, smaller annual bonuses, reduced business incomes, and lower interest and investment income.

New York City is estimated to have produced nearly 4.0 percent of the nation's gross domestic product (GDP) in 2008, and its economic growth outpaced the nation's in 2005, 2006, and 2007. However, the city's economic growth rate is estimated to have fallen below the nation's during 2008, and unfortunately, it is projected to under-perform the nation until 2013. That is primarily because of the well-known difficulties of the city's financial sector. While the finance and insurance sector and the professional and business services industries accounted for 25 percent of the city's employment in August 2008, they have since absorbed 48 percent of the job reductions. Moreover, those are high-wage, high-value added activities that have a disproportionate effect on the city's economic output.

Although the Comptroller's Office does not believe that the recent crisis spells "the end of Wall Street," the structural damage that the crisis has caused will take years to repair, and some highly-profitable financial activities may never return to their pre-crisis levels. Other financial activities will need to be reinvented to address the excesses and pitfalls that were revealed by the crisis, and that will take years of innovation and experimentation. In the meantime, it is likely that the city's economic recovery will lag behind even the tepid growth projected for the national economy.

Table 5 compares the Comptroller's and Mayor's forecasts for the city.

Table 5. NYC Forecasts of (1) Change in GCP, Percent, and (2) Change in Payroll Jobs, Year-over-Year, Calendar Years 2009-2013

		2009	**2010**	**2011**	**2012**	**2013**
Change in GCP, percent	Comptroller	(4.1)	(2.9)	0.7	2.7	3.0
	Mayor	(12.0)	(1.9)	3.2	3.4	2.2
Change in Payroll Jobs, '000	Comptroller	(120.0)	(84.0)	6.0	44.0	52.0
	Mayor	(172.0)	(129.0)	9.0	39.0	42.0

SOURCE: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the Mayor (Office of Management and Budget) in the Executive Budget, 2009-2013.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

After 16 months of recession, there are signs that indicate that the national economy's steep decline is leveling off. The indicators are not robust, but are broad enough to indicate that the rate of decline experienced for the past two quarters will not continue into the spring and summer months. Among the indicators that signal a slowing rate of decline are: increases in mortgage applications and home sales; stabilizing, if not growing, retail sales; stabilizing auto sales; declining initial unemployment insurance claims; declining monthly job losses; declining risk premiums in corporate bond and inter-bank credit markets; increases in issuance of certain asset-backed securities; increases in consumer and small business confidence indexes; and a stock market rally. In addition, businesses cut back their inventories severely during the first quarter, a necessary precondition for resumed growth, and mortgage rates have declined precipitously, creating a more favorable climate for housing market stability.

There are several reasons the Comptroller's Office believes these indicators are reliable and not simply signaling a "false dawn." First is the historical pattern of business cycles. Since 1947, there have been only two occasions (1953-1954 and 1974-1975) when the U.S. economy has had three consecutive quarters of negative real GDP growth and, of course, only one occasion in the past century when the U.S. economy lapsed into outright depression. Consumers and businesses can tighten belts and retrench spending only so long in response to economic shocks such as September's financial turmoil. Eventually, their need for household necessities and for long-term residential and business investments produces a spring-back in spending and a reversal of the vicious cycle of economic decline. Usually, those spending decisions are supported by a rebound in consumer and business confidence, such as various indicators suggest is now occurring.

Also important has been the vigorous actions taken by the federal government in response to the financial crisis. The President and Congress have enacted a meaningful economic stimulus program that is just beginning to have an effect on consumer and government spending. The economic impact of the stimulus will grow in coming quarters, and will hopefully reinforce the natural tendency of the economy to adjust to adverse shocks. In addition, the $750-billion Trouble Asset Relief Program (TARP) legislation has eased a dangerous capital crunch in the banking system, while the Treasury Department is proceeding with a longer-term program to remove distressed assets from banks' balance sheets. Perhaps most importantly, the Federal Reserve has implemented a series of unprecedented steps to provide liquidity to the financial system and to restart important financial markets that had virtually disappeared. The various Federal Reserve programs have contributed to a normalization of the commercial paper market, lowered mortgage and other long-term interest rates, and restarted asset-backed securities issuance.

Nevertheless, it is premature to anticipate the end of the recession, which is already the longest economic slump since 1933. Overall, the economic indicators signal stabilization, not recovery, and disappointing retail sales in March and April are a pointed reminder that American households remain under substantial economic stress. The Comptroller's Office consequently anticipates that the recession will continue through the present quarter and probably through the third quarter of 2009 as well, with a recovery taking root late in the year. The rate of real GDP decline should slow from the 6.3 percent and 6.1 percent rates of the last quarter of 2008 and the first quarter of 2009, respectively, to approximately 2.0 percent in the second and third quarters.

The character of the ultimate recovery is a critical consideration for the City's tax and revenue budgeting. Unfortunately, the Comptroller's Office sees little reason to be optimistic that the recovery from this recession will be vigorous. During the years of excessive credit creation, American households significantly increased their indebtedness and are now engaged in a process of retrenchment. Between year-end 2004 and year-end 2007, the amount of mortgage debt outstanding on 1- to 4-family homes increased by 34.6 percent while consumer credit outstanding rose 17 percent. By 2007, the share of debtor households with debt-to-income ratios of over 40 percent had risen to 14.7 percent, compared to 11.8 percent in 2001.

Although most American households have debt burdens that are easily manageable, clearly a significant number had become over-extended. Their problems were exacerbated by the housing deflation and associated credit market turmoil, which both deprived them of housing equity against which to borrow and prevented them from refinancing onerous mortgages. As a result, the number of mortgage foreclosures has soared and delinquencies on other forms of consumer credit, including auto loans and credit cards, have also risen.

The credit expansion allowed personal consumption expenditures to increase at an annual rate of 5.5 percent from 2001 to 2007, even though personal income rose only 5.0 percent annually. As many households now struggle to reduce their indebtedness while many others find it difficult to obtain credit to buy homes, cars and nondurable goods, personal consumption growth will be limited to the rate of income growth, or possibly even less. That will deprive the recovery of the type of consumption surge that has fueled the early stages of past expansions.

A second factor is the decline of household wealth. Rapid increases in asset values, particularly of homes and stocks, stimulate consumer spending even beyond the loan collateral those assets represent. When households see their homes appreciating and their 401(k) portfolios growing, they feel—and in fact, are—richer and tend to reduce their savings in favor of current consumption. When asset prices decline, the opposite effect takes place. Because of the decline in home and stock prices since 2007, this "wealth effect" will further constrain consumer spending and economic growth. From the end of 2006 to the end of 2008, the net worth of households and nonprofit institutions fell nearly 18 percent, or over $10.8 trillion.

A third significant factor is the international character of this recession. Although the financial crisis started in the United States, many other regions of the world either had holdings of distressed U. S. securities or had experienced similar credit expansions and housing price bubbles. As a result, the crisis quickly spread abroad and there are now few regions of the globe that are insulated. The International Monetary Fund (IMF) recently predicted that global economic activity would decline 1.3 percent in 2009, making it the deepest global recession since World War II. Moreover, the contraction will be particularly sharp among America's major trading partners in Europe, where output is expected to decline by 4.0 percent in 2009 and by a lesser amount in 2010. Consequently, domestic businesses can expect little boost from export demand during this year and next, and the foreign trade sector may even be a net drag on the already weak U. S. economy.

For these reasons, the Comptroller's Office anticipates a very weak national economic recovery in late 2009 and 2010, followed by better, but still modest, growth in 2011, 2012 and 2013. Since much of New York City's economic activity is derived from services provided to firms and households elsewhere (for example, advertising and legal billings, architectural and engineering services, corporate securities underwriting, etc.), the city is likely to remain in recession through 2010 while the national recovery builds momentum. The Comptroller expects that it will take until 2012 before both the national and local economies are growing at some semblance of their pre-crisis rates.

Table 6 compares the Comptroller's and Mayor's forecasts for the nation.

Table 6. Forecasts of U.S. Real GDP and U.S. Payroll Jobs, Percent Change, Calendar Years 2009-2013

		2009	**2010**	**2011**	**2012**	**2013**
U.S. Real GDP, Percent	Comptroller	(3.3)	0.4	2.3	2.8	3.0
	Mayor	(3.5)	1.4	3.5	4.0	3.3
U.S. Payroll Jobs, Percent	Comptroller	(4.1)	(1.5)	1.6	2.0	2.0
	Mayor	(3.6)	(0.8)	1.5	2.4	2.2

SOURCE: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the NYC Office of Management and Budget for 2009-2013.

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IV. The FY 2010 Executive Budget and FYs 2010 – 2013 Financial Plan

The impact of the financial crisis and recession on the FY 2010 Budget is more severe than first anticipated. After the financial crisis erupted in September, in the November 2008 Financial Plan Modification, the City projected that year-to-year, FY 2010 tax revenues would decline $541 million, or 1.5 percent. The City now projects tax revenues will decline $2.14 billion in FY 2009 and another $2.261 billion in FY 2010, a drop of more than 6.0 percent from FY 2009.

Table 7 shows, the change in FY 2010 estimates since the June 2008 Financial Plan. City-funds revenue forecast have been revised downward by $4 billion while City-funds expenditures have been reduced by $409 million. As a result, the $2.344 billion gap projected in the June 2008 Financial Plan has widened by more than two and a half times to $5.861 billion.

Table 7. Changes in FY 2010 Estimates May 2009 vs. June 2008

($ in millions)

Gap at Adopted (June 2008)	**($2,344)**
Tax Revenues	($4,112)
Other non-tax revenues	186
Total Revenues	**($3,926)**
Federal Matching for FMAP	$850
Energy	134
Pension Contributions	110
Debt Service Savings	47
State Budget Expense Impact	(162)
Other Agency spending	(570)
Total Expenditures	**$409**
May (Gap)/Surplus	**($5,861)**
Gap-Closing Initiatives	
Eliminate $400 Rebate	$256
Repeal Sales Tax Exemption on Clothing	394
Additional 0.5% Sales Tax Increase	552
Plastic Bag User Fee	100
Pension Reforms	200
Agency PEGS	2,225
Total Gap-Closing Initiatives	**$3,727**
(Gap)/Surplus after Gap-Closing Initiatives	**($2,134)**
Prior-Year Prepayments and Discretionary Transfer	$1,684
Building Aid Revenue Support for NYCTFA Debt Service	$100
Eliminate FY 2010 BSA	$350
Remaining Gap	**$0**

To address the gap of almost $6 billion the City is proposing gap-closing initiatives totaling $3.727 billion. Many of these initiatives, including the repeal of sales tax exemption on clothing and a 0.5 percentage point increase in the sales tax would be FY 2009 initiatives with recurring benefits. Of the $2.225 billion agency PEGs, $972 million are due to recurring benefits from FY 2009 initiatives.

Even if the City is successful in implementing all of its proposed gap-closing initiatives, it is left with a gap of $2.134 billion. This remaining gap is expected to be closed with an anticipated increase of $1.684 billion in FY 2009 prepayments and discretionary transfer, an additional $100 million in Building Aid Revenues that will be used to pay the Department of Education (DOE) PIT-supported NYCTFA debt service and the elimination of the $350 million FY 2010 Budget Stabilization Account contained in the June 2008 Financial Plan.

In addition to the gap-closing initiatives and FY 2009 prepayments, actions taken in FYs 2007 and 2008 are significant in balancing the FY 2010 Budget. The City prepaid $1.986 billion of FY 2010 debt service in FY 2008, which together with interest savings, reduced FY 2010 debt service by $2.036 billion. Further, the defeasance of certain G.O. and NYCTFA debt in FY 2007 reduced debt service by $659 million. Finally, the FY 2007 prepayments and discretionary transfer included a prepayment of $31 million of FY 2010 lease purchase agreement. Altogether, these prior-year actions provided $2.726 billion of budget relief in FY 2010.

Risks and Offsets

The Comptroller's Office's analysis of the May 2009 Modification and Financial Plan identified risks ranging from $273 million to $2.856 billion in the Modification and Plan projections. As Table 3 on page 3 shows, these risks could open up gaps of $273 million and $734 million in FYs 2009 and 2010, respectively, and widen the outyear gaps to $6.654 billion in FY 2011, $7.542 billion in FY 2012, and $8.298 billion in FY 2013.

In FY 2009, risks to the May Modification estimates lie mainly in the City's tax revenue forecasts. The Comptroller's Office expects tax revenues to be $280 million less than the City's forecast. The lower tax revenue forecast reflects the Office's less optimistic view of the economy and the uncertainty of the State approval of the City's sales tax proposals. In the outyears, the Comptroller's Office expects a slower recovery in the local economy relative to the City's forecast. However, the impact on tax revenues is tempered by the Office's belief that the real estate market will recover more quickly than the City anticipates. As a result, the Comptroller's Office anticipates net risks to the City's tax revenue forecasts of $60 million in FY 2010, $575 million in FY 2011, $928 million in FY 2012, and $1.41 billion in FY 2013. In addition, the City's assumption of additional revenues from a 5-cent plastic bag user fee beginning in FY 2010 poses a risk as discussed in "Miscellaneous Revenues" beginning on page 22.

The bulk of the risks to the City's FY 2010 expenditure estimates are due to gap-closing initiatives that require the consent of the City's municipal unions and State legislative action. The City expects to achieve savings of $400 million in FY 2010 from unspecified health insurance restructuring and pension reform. Pension reform was proposed by the City in the January Plan but the State did not enact pension reform in its adopted budget. It is uncertain if and when pension reform will be enacted.

Another risk to expenditures stems from the recent bill signed by the Governor to provide additional funding to the MTA. The bill includes a payroll tax of 0.34 percent. This tax would result in additional personal services spending of approximately $70 million annually.

Additional risks exist in the outyears. The City has included savings beginning at $357 million in FY 2011 from a proposed 10 percent employee contribution to health insurance premiums. The projected savings grow to $418 million by FY 2013. This proposal, however, would require negotiations with the municipal labor unions. Until there is some indication whether the municipal labor unions will accept this proposal, it remains a risk to the budget.

Also, beginning in FY 2011, the biggest risk to the City's budget is the potential cost of pollution remediation. The City currently accounts for pollution remediation in the capital budget. However, GASB statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued in November 2006, requires governments to treat pollution remediation as an operating expense. Under State law, New York City is prohibited from borrowing for operating expenses and therefore pollution remediation expenses will have to be funded in the operating budget. The City expects to comply with the requirements of GASB statement 49 beginning in FY 2011 and has estimated the cost of pollution remediation at $500 million annually. This amount is not included in the estimates in the current Financial Plan.

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V. Revenue Assumptions

Total revenue projections for FY 2010 have decreased $1.49 billion since the June 2008 Financial Plan, to $59.4 billion in the Executive Budget. The decrease is primarily driven by a $3.1 billion decline in non-property tax revenue projections, reflecting a deterioration of the local economy since last June, the housing and financial sector crisis and the disarray in the banking system. Miscellaneous revenue projections for FY 2010 were increased by $523 million since last June due primarily to the City's initiatives to raise revenues by increasing fees and fines. The FY 2010 projection for State categorical grants declined $322 million and projected Federal categorical grants increased $1.1 billion, mostly from the recognition of resources provided by the ARRA stimulus plan.

Tax Revenues

Excluding tax programs, the City projects total tax revenues of $34.4 billion in the FY 2010 Executive Budget. This forecast reflects a 2.4 percent decrease from the Preliminary Budget forecast and a 6.2 percent drop from the FY 2009 level.[1]

A continued decline in common rate and base tax revenues in FY 2010 is expected to be partially offset by new tax programs, including a proposed sales tax rate increase and repeal of the sales tax exemption on clothing and footwear. Including tax programs, the City projects $35.3 billion in total tax revenues for FY 2010, a 2.2 percent reduction from the Preliminary Budget. Due to an expected economic recovery in the outyears, total tax revenue is forecast to grow at an average annual rate of 3.4 percent from FY 2009 to FY 2013.

Tax Program

The City's Executive Budget includes two sales tax initiatives — a one-half percentage point sales tax rate increase and the repeal of the sales tax exemption on clothing and footwear. The proposed sales tax rate increase is expected to raise sales tax revenues $52 million, $552 million, $572 million, $608 million and $646 million in FYs 2009 to 2013, respectively. The proposed repeal of the sales tax on clothing and footwear will raise sales tax revenues by $36 million, $394 million, $409 million, $439 million and $462 million in FYs 2009 to 2013, respectively. These initiatives require State Legislation which has not yet materialized.

[1] If not indicated specifically, throughout this section, the definition of tax revenue for each single tax includes the proposed tax program. Personal income tax (PIT) revenue includes School Tax Relief (STAR) reimbursement and the portion of PIT retained for New York City Financial Authority (NYCTFA) debt service. Property tax revenue includes STAR reimbursement. Total tax revenue includes STAR, NYCTFA, and tax audit revenues.

Changes from January Plan

Total tax revenue projections, with the tax program, have increased $600 million for FY 2009, and decreased $800 million for FY 2010, since the Preliminary Budget. The downward revision for FY 2010 reflects declines in all major tax revenue forecasts. The City also lowered its forecasts for total tax revenue $849 million, $999 million, and $1.1 billion for FYs 2011, 2012, and 2013, respectively.

The City has increased its real property tax revenue forecast by $56 million in FY 2009, and $5 million annually in each of FYs 2011 to 2013. The increase in the outyears stems from an upward revision to expected STAR aid.[2] However, the City decreased its forecast for FY 2010 by $109 million primarily because of a greater-than-expected reduction in property value from the Tentative Assessment Roll, to be recognized in the Final Assessment Roll scheduled to be released at the end of May.

In the FY 2010 Executive Budget, forecasts for all non-property taxes have been revised downward. The City has decreased its FY 2010 personal income tax (PIT) forecast $235 million, or 3.4 percent, compared to the forecast in the Preliminary Budget. This change reflects the deepening of the recession in the national and local economies and the impact of the continued financial market turmoil. Wall Street bonuses are forecast to decline for the third year in a row and more private sector unemployment is expected. The PIT forecasts for the outyears were also reduced further by $442 million, $613 million, and $667 million for FYs 2011, 2012, and 2013, respectively.

The largest forecast decline in FY 2010 non-property tax revenues comes from the business taxes. The business tax revenue projection for FY 2010 has decreased $275 million, or 6.5 percent, from the Preliminary Budget. The decrease is attributable to a downward revision in the forecasts for all three business taxes. The general corporation tax (GCT) revenue forecast declined $168 million, the banking corporation tax (BCT) revenue forecast declined $92 million, and the unincorporated business tax (UBT) revenue forecast declined $15 million, compared with the Preliminary Budget. For the outyears, the total business tax forecast was reduced by $184 million in FY 2011, $169 million in FY 2012, and $168 million in FY 2013.

Excluding the tax program, the FY 2010 Executive Budget sales tax revenue forecast decreased $70 million, or 1.7 percent, from the Preliminary Budget. Even when the proposed tax program is included, the sales tax revenue forecast is still lower by $18 million, or 0.4 percent, compared to the Preliminary Budget. If enacted, the proposed sales tax initiatives--repeal of the sales tax exemptions on clothing, and the additional 0.5 percent sales tax rate increase--will increase City sales tax revenue $88 million, $946 million, $981 million, $1.047 billion, and $1.108 billion in FYs 2009, 2010, 2011, 2012 and 2013, respectively. Because the underlying economic outlook has deteriorated, these changes are insufficient to fully offset the decline in expected revenues for FYs 2010 through 2013.

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[2] Property tax includes New York State STAR aid for property tax.

The City has reduced its real-estate-related tax revenue projections for FY 2010 by $71 million, or 6.1 percent, reflecting the City's anticipation of a further decline in both the number of transactions and sales prices for residential and commercial properties. The Executive Budget reflects a $40 million decline in the real property transfer tax revenue projection, as well as a $31 million drop in anticipated revenues from the mortgage recording tax for FY 2010. For the outyears, the estimated real-estate-related tax revenue has been revised down by $46 million, $10 million, and $25 million for FYs 2011, 2012, and 2013, respectively. The City's tax revenue assumptions for FYs 2009-2013 are illustrated in Table 8.

Table 8. Changes to the City's Tax Revenue Assumptions, FYs 2009-2013

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Property	$56	($109)	$5	$5	$5
PIT	(62)	(235)	(442)	(613)	(667)
Business	393	(275)	(184)	(169)	(168)
Sales	49	(18)	(75)	(93)	(132)
Real-Estate Transaction	(161)	(71)	(46)	(10)	(25)
All Other	325	(91)	(107)	(119)	(153)
Total	**$600**	**($800)**	**($849)**	**($999)**	**($1,140)**

SOURCE: Office of Management and Budget.

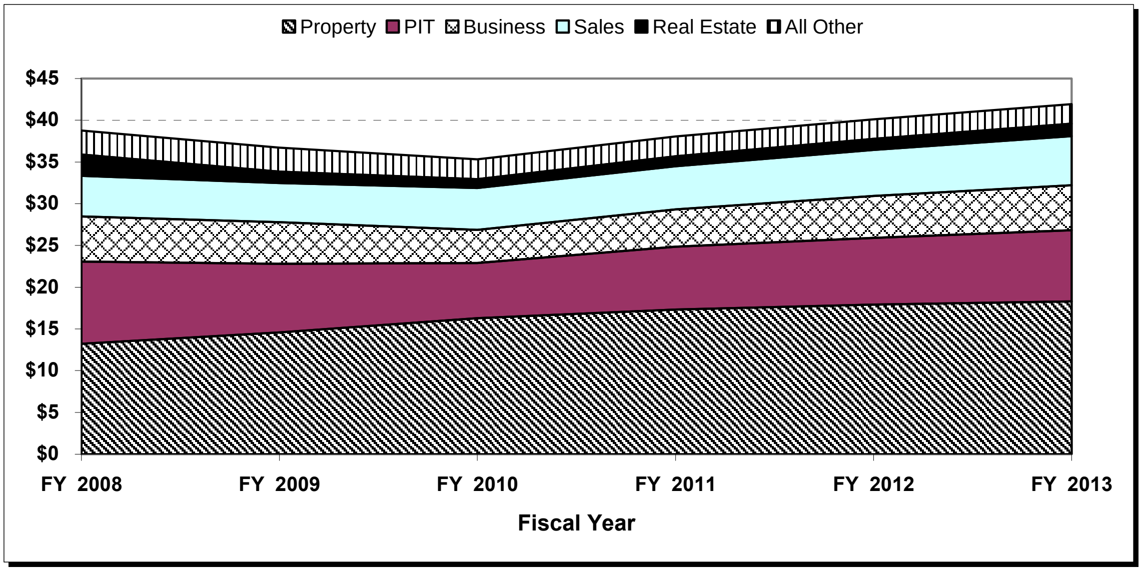
Tax Revenue Trends

Including the tax program, total tax revenue is projected to increase $5.2 billion from FY 2009 to FY 2013, an average annual rate of growth of 3.4 percent. Chart 1 on page 20 shows, the projected growth of the major tax revenue categories. Without the sales tax initiatives, projected tax revenues would grow only $4.2 billion, or 2.8 percent annually, over the Plan period.

Real property tax revenue is projected to increase 10.2 percent in FY 2009 and 11.8 percent in FY 2010. Growth slows to 6.4 percent, 3.4 percent, and 2.2 percent in the final three years of the Plan period as the phase-in of assessed value increases is completed. Revenue is projected to expand 25.7 percent, or $3.7 billion, from FYs 2009 to 2013, an annual average growth rate of 5.9 percent.

Chart 1. **Projected Trend of Major Tax Revenue Categories**

($ in billions)



Non-property tax collections are expected to increase in FYs 2009 to 2013 by $1.5 billion, or 1.6 percent annually. Non-property tax revenues are projected to decline in FYs 2009 and 2010, before rebounding in FYs 2011 to 2013. The City expects the non-property tax revenues to grow in each of the three years from FYs 2011 through 2013 at an average annual rate of almost 7.0 percent. However, non-property tax revenues are not expected to recover to their FY 2008 levels during the Financial Plan period.

PIT yearly growth is expected to average 0.9 percent from FYs 2009 to 2013. The City estimates a decline in PIT revenues of 16.6 percent in FY 2009 and 19.6 percent in FY 2010, followed by increases of 13.8 percent, 6.3 percent, and 6.6 percent in FYs 2011 through 2013, respectively. While the annual growth rates are expected to be over 6.0 percent in the last three years of the Plan, expected PIT revenue in FY 2013 will still be $1.3 billion lower than the FY 2008 level.

Business tax revenue is forecast to grow 1.8 percent on an average annual basis over the Financial Plan period. The City expects business tax revenues to decline 7.4 percent and 21 percent in FYs 2009 and 2010, respectively, before recovering to a 10 percent average annual growth rate from FY 2011 to FY 2013. Despite strong projected growth in FYs 2011 to 2013, business tax revenue forecast for FY 2013 would still be below the FY 2008 level.

Revenues from the sales tax, with the tax program, are expected to grow on average by 5.8 percent annually from FY 2009 to FY 2013. Sales tax revenue is forecast to decline 3.8 percent in FY 2009, followed by four years of consecutive growth with sales tax revenues in each of these fiscal years projected to be higher than that in FY 2008. The growth in FY 2010 and beyond is driven by the sales tax initiatives, which include repealing the tax exemption on purchases of clothing and footwear and increasing the sales tax rate by 0.5 percent. Without these programs, projected sales tax revenues would be lower by $524 million in FY 2010 and the recovery would be delayed to FY 2012.

Real-estate-related tax revenues are projected to experience the sharpest decline, with drops of 47.1 percent in FY 2009 and 19.2 percent in FY 2010, reflecting expectations of continued weakness in both the commercial and residential real estate markets. The City anticipates that real-estate-related tax revenues will rebound in FY 2011 and grow at an annual rate of 11.4 percent from FYs 2011 to 2013. Despite the anticipated recovery, real-estate related tax revenues at the end of the Plan period will still be more than $1 billion below the FY 2008 level.

Table 9. Tax Revenue Forecast, Growth Rate, FYs 2009 –2013

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Average Annual Growth
Property	10.2%	11.8%	6.4%	3.4%	2.2%	5.9%
PIT	(16.6%)	(19.6%)	13.8%	6.3%	6.6%	0.9%
Business	(7.4%)	(21.0%)	12.4%	12.7%	7.4%	1.8%
Sales	(3.8%)	7.1%	3.4%	6.4%	6.4%	5.8%
Real-Estate Transaction	(47.1%)	(19.2%)	10.3%	9.2%	13.6%	2.5%
All Other	0.8%	(18.6%)	0.8%	(0.2%)	(0.3%)	(5.0%)
Total	**(5.3%)**	**(3.8%)**	**7.8%**	**5.4%**	**4.5%**	**3.4%**

SOURCE: NYC Office of Management and Budget and NYC Comptroller's Office.

Risks and Offsets to Tax Revenues

Based on current year collections and economic growth projections, the Comptroller's Office projects the risks and offsets to the City's tax revenue assumptions. For FY 2010, the Comptroller's Office expects tax revenues to be $60 million lower than the City's estimate, as shown in Table 10. The lower forecasts stem from the uncertainty surrounding State legislative approval of the City's sales tax proposals and differences in economic outlook. For the outyears, the Comptroller's Office expects combined risks of $575 million, $928 million, and $1.41 billion for FYs 2011, 2012, and 2013, respectively.

The Comptroller's Office forecast for real property tax revenues continues to be lower than the City's in the near-term and slightly stronger in the last two years of the Financial Plan. This outlook results in risks of $15 million and $40 million in FYs 2010 and 2011 respectively, and offsets of $25 million and $40 million in FYs 2012 and 2013, respectively. Average annual growth from FYs 2009 to 2013 remains projected at 5.5 percent.

The Comptroller's forecasts for real-estate related tax revenues are significantly higher than the City's throughout the Plan period. Total collections are expected to increase 59.3 percent from FYs 2009 to 2013. Over the same period, the real property transfer tax and the mortgage recording tax are forecast to climb 54 percent and 64.4 percent, respectively. The Comptroller's Office believes that real estate activity was unusually suppressed by credit market turmoil in FY 2009 and will gradually return to normality during the Plan period. A $5 million combined risk is estimated for FY 2009, while $435 million, $575 million, $655 million, and $650 million in offsets are expected in FYs 2010 through 2013.

The Comptroller's Office's forecasts of revenues derived from income sensitive taxes (PIT, business taxes, and sales tax) reflect the Comptroller's expectation of a weak and halting recovery from the current recession. Both the Mayor and the Comptroller expect a decline in non-property tax revenues in FYs 2009 and 2010 and a rebound in the outyears. However, the Comptroller expects a slower recovery from the present economic slump, while the City projects a relatively strong recovery in FYs 2011 to 2013. In addition, the Comptroller considers revenues from the proposed sales tax initiatives at risk. These proposals require State legislative approval. Since the State did not consider these proposals in its recent budget process, the sales tax initiatives are uncertain at the present time. Overall, the Comptroller's Office expects combined risks of $275 million, $480 million, $1.11 billion, $1.6 billion, and $2.1 billion for FYs 2009, 2010, 2011, 2012, and 2013, respectively, for PIT, business tax, and sales tax revenues.

Table 10. Risks and Offsets to the City's Revenue Projections

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Property	$0	($15)	($40)	$25	$40
PIT	(100)	(20)	(5)	(73)	(335)
Business	(85)	190	(195)	(385)	(385)
Sales	(90)	(650)	(910)	(1,150)	(1,380)
Real-Estate Related	(5)	435	575	655	650
Total	**($280)**	**($60)**	**($575)**	**($928)**	**($1,410)**

SOURCE: NYC Office of Management and Budget and NYC Comptroller's Office.

Miscellaneous Revenues

Miscellaneous revenues are locally raised non-tax revenues, such as fees charged for licenses and franchises, charges for municipal services, fines, rental income, water and sewer revenues, interest income and non-recurring revenues deriving from asset sales and other one-time resources. In the FY 2010 Executive Budget, miscellaneous revenues are estimated at $4.37 billion, a decrease of $69 million from FY 2009 (exclusive of private grants and intra-City revenues). As Table 11 shows, this latest forecast is $96 million higher than the Preliminary Budget estimate. The largest forecast increases are in water and sewer revenues ($115 million) and charges for services ($114 million).

Table 11. Changes in FY 2010 Estimates
Preliminary FY 2010 Budget vs. FY 2010 Executive budget

($ in millions)

	Preliminary	Executive	Change
Licenses, Franchises, Etc.	$476	481	$5
Interest Income	20	30	10
Charges for Services	648	762	114
Water and Sewer Charges	1,253	1,368	115
Rental Income	212	220	8
Fines and Forfeitures	1,005	894	(111)
Other Miscellaneous	663	618	(45)
Total	**$4,277**	**$4,373**	**$96**

SOURCE: NYC Office of Management and Budget.

Water and sewer revenues represent the largest category in miscellaneous revenues. However, the bulk of these revenues are dedicated to the cost of providing water and sewer services and, therefore, not available for general operating purposes.

The increase in charges for services results mainly from a reallocation of $100 million in expected revenues from the proposed 5-cent user fee for disposable plastic bags, which was previously accounted for in the "other miscellaneous" category. In light of the State's not addressing this initiative in its budget process, the Comptroller's office considers the initiative at risk. The City expects to collect the remaining $14 million in revenues from fees, such as a credit card convenience fee, civil service exam fees and multi-space meters in commercial parking zones.

Estimates for fines and forfeitures and "other miscellaneous" categories were revised downward by $111 million and $45 million, respectively. The net decrease in the "other miscellaneous" category results from the above mentioned reallocation of the $100 million in estimated revenues from the proposed plastic bag user fee. This loss is partially offset by $71 million the City expects to receive in Health and Hospitals Corporation payments which were delayed from FY 2009 to FY 2010.

Throughout the plan period, estimates for fines and forfeitures were revised downward to reflect the red light camera legislation enacted by the State. In the January Plan, the City submitted a proposal to expand the red light camera program to an unspecified number of locations and to increase the fine amount from $50 to $100. The City expected to raise an additional $133 million in FY 2010, $188 million in FY 2011 and $252 million in each of FYs 2012-13. Instead, the recently passed State Legislation allows the City to install cameras in 50 additional locations and it does not authorize fine increases. The City's current estimates stemming from the program were reduced by $115.8 million in FY 2010, $174.8 million in FY 2011, and $239.6 million in each of FYs 2012 through 2013.

Over the Financial Plan period, miscellaneous revenue is expected to remain stable at $4.3 billion annually. Unlike previous years, non-recurring resources are not expected to be significant in FY 2010 or the outyears.

Federal and State Aid

The Executive Budget projects Federal and State aid to total $18 billion in FY 2010, constituting about 30 percent of the City's revenue budget. These estimates represent a significant improvement over the January Plan due to recognition of new Federal assistance stemming from the ARRA. Compared with the January Plan, the City has recognized about $1.1 billion in additional Federal aid in FY 2010, with a similar increase expected in FY 2011. Combined with the FMAP increase, the other major component of the ARRA stimulus package, the federal plan is expected to provide overall support of about $3.63 billion to the City's expense budget over the course of the current plan. However, because the stimulus funding would only last through FY 2011, Federal and State grants are projected to drop from $18.3 billion in FY 2011 to $17.7 billion in FY 2012, before rising to $18.4 billion by FY 2013.

The new Federal funds recognized in the Executive Budget are chiefly in education. The Financial Plan has identified three major components of the additional education aid. The City estimates that ARRA would provide the Department of Education with $335 million in Title I funding for economically disadvantaged students. Federal IDEA grants for special education also are expected to increase by $158 million. In addition, the distribution of State Fiscal Stabilization Grants under ARRA would restore about $459 million in school aid reductions by the State. Altogether, these resources would increase funding to the DOE by $952 million in FY 2010, rising to $961 million in FY 2011. The Executive Budget also anticipates the receipt of an additional $48 million in Community Development Block Grant (CDBG) in FY 2010 covering various programmatic areas, including building repairs and remediation projects for the Departments of Education and Housing Preservation and Development. No additional CDBG funding is expected after FY 2011 under the stimulus plan. Rounding out the remainder of the ARRA impact are funds earmarked for foster care and adoption services ($20 million), transportation ($10 million) and higher education ($14 million). The residual flow from this group is projected at $20 million in FY 2011 and $10 million in FY 2012.

The City also has revised its savings assumptions for the FMAP increase in the Executive Budget. The Financial Plan previously expected the FMAP increase would ease the City's Medicaid burden by $1 billion annually in FYs 2010 and 2011. However, the State's allocation methodology of the FMAP dollars, which essentially retains a greater share of these funds for its own budget relief than initially indicated by the Governor, has significantly dampened the outlook for these savings. As a result, the City now is recognizing about $400 million less in FMAP dollars than previously assumed in the January Plan. The timing of the savings has been revised to $447 million in FY 2009, $850 million in FY 2010, and $295 million in FY 2011.

The Executive Budget recognizes a net cost of $161 million for FY 2010 from the enacted State budget. The components of this estimate are a $96 million shortfall in red light camera revenues, $59 million in additional expenditures for welfare and correction and $91 million in health insurance costs, partly offset by $85 million from the restoration of revenue sharing aid. The net cost of these changes is estimated to range between $152 million and $213 million in the outyears of the Plan.

The City also anticipates substantial gap-closing relief from actions requiring approval by the State. While these actions remain viable options, they were not addressed by the State in its budget process. Total revenues and savings from these initiatives are expected at $1.25 billion in FY 2010 and $1.34 billion in FY 2011, including a proposed increase in the City's sales tax rate and repeal of the clothing sales tax exemption that would boost tax revenues by $946 million and $981 million sequentially during these two years. A 5-cent plastic bag use fee would generate $100 million in FY 2010 and $160 million in FY 2011. Lastly, the creation of a new pension tier for new City employees would garner savings of $200 million annually.

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VI. Expenditure Assumptions

Total-funds spending, which includes Federal and State categorical expenditures, totals $59.6 billion in the FY 2010 Executive Budget, a decline of $1.8 billion from the revised FY 2009 level.[3] However, the FY 2010 expenditure estimates reflect spending reductions in excess of $5 billion from FY 2009 prepayments and other prior-year actions. After adjusting for prepayments and prior-year actions, FY 2010 expenditures total $65.404 billion, an increase of 2.8 percent from the adjusted FY 2009 estimate of $63.6 billion.

Over the Plan period, expenditures adjusted for prepayments and prior-year actions are projected to grow 9.8 percent, an annual average growth rate of 3.2 percent. As shown in Table 12, expenditure increases are dominated by growth in spending on pensions, health insurance, debt service, and judgments and claims (J&C). The combined growth in these areas over the Financial Plan period is projected to be 20 percent, or 6.3 percent annually, more than two and a half times the projected average annual inflation rate for this period. All other expenditures are projected to grow 5.1 percent over the Plan period, averaging 1.7 percent growth annually.

Table 12. FYs 2010 – 2013 Expenditure Growth

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	Growth FYs 10–13	Annual Growth
Pension	$6,575	$7,110	$7,433	$7,707	17.2%	5.4%
Debt Service	5,481	5,820	6,252	6,530	19.2%	6.0%
Health Insurance	4,078	4,438	4,717	5,080	24.6%	7.6%
J & C	663	720	781	844	27.3%	8.4%
Subtotal	**$16,797**	**$18,088**	**$19,183**	**$20,161**	**20.0%**	**6.3%**
Salaries and Wages	$22,285	$23,257	$22,804	$23,372	4.9%	1.6%
Other Fringe Benefits	3,205	3,328	3,405	3,352	4.6%	1.5%
Medicaid	5,757	5,916	6,090	6,271	8.9%	2.9%
Public Assistance	1,299	1,299	1,299	1,299	0.0%	0.0%
Other OTPS	17,393	17,197	17,781	18,209	4.7%	1.5%
Subtotal	**$49,939**	**$50,997**	**$51,379**	**$52,503**	**5.1%**	**1.7%**
MA FMAP Increase	($850)	($295)	$0	$0	(100.0%)	(100.0%)
Health Insurance Cost Reduction	($200)	($557)	($586)	($618)	209.0%	45.7%
Retiree Health Benefit Trust	($82)	($395)	($672)	($0)	(100.0%)	(100.0%)
Pension Reform	($200)	($200)	($200)	($200)	0.0%	0.0%
Total Expenditures	**$65,404**	**$67,638**	**$69,105**	**$71,846**	**9.8%**	**3.2%**

[3] Expenditures in this report include NYCTFA debt service.

Overtime

The City budgeted approximately $816 million in the FY 2010 Executive Budget for overtime expenditures, $27 million less than projected in the FY 2010 Preliminary Budget. This decline is due mainly to a $30 million downward revision in overtime projections for uniformed employees at the Fire Department. The current forecast for the Fire Department reflects savings of $3.4 million from an initiative to reduce administrative uniformed overtime by 10 percent and an adjustment that reflects uniformed overtime spending trends in the Department in recent fiscal years.

The current FY 2010 estimate of overtime spending is about $112 million less than the FY 2009 forecast of $928 million. This estimate continues a pattern of under-budgeting at the beginning of the fiscal year. For FY 2009, overtime cost was expected to total $792 million in the FY 2009 Executive Budget. Since then the forecast has increased by $136 million or 17 percent, mainly to fund overtime earned by uniformed employees at the Police Department and the Department of Correction (DOC).

As Table 13 shows, the Comptroller's Office estimates that FY 2010 overtime spending will be at least $137 million more than the City's estimate. Most of the risk to the overtime budget stems from the uniformed employees overtime budget. The City's overtime budget for uniformed employees is $594 million. However, uniformed employee overtime cost, which has averaged $639 million annually between FYs 2005 to 2008, is on track to reach about $700 million for FY 2009. The Comptroller's Office estimates that uniformed employees overtime cost will total $716 million in FY 2010.

Table 13. Projected Overtime Spending, FY 2010

($ in millions)

	City Planned Overtime FY 2010	Comptroller's Projected Overtime FY 2010	FY 2010 Risk
Uniformed Forces			
Police	$334	$420	($86)
Fire	145	145	0
Correction	59	95	(36)
Sanitation	56	56	0
Total Uniformed Forces	$594	$716	($122)
Others			
Police-Civilian	$45	$60	($15)
Admin for Child Svcs	13	13	0
Environmental Protection	21	21	0
Transportation	28	28	0
All Other Agencies	115	115	0
Total Civilians	$222	$237	($15)
Total City	**$816**	**$953**	**($137)**

NOTE: The Comptroller's overtime projection assumes that the City will be able to achieve some offsets to overtime spending from personal services savings.

Overtime spending estimates for police officers present the greatest risk to the overtime budget. The budgeted amount of $334 million is $86 million lower than the Comptroller's projection. Uniformed overtime spending in the Police Department for the first ten months of FY 2009 totals $341 million and is expected to be about $410 million for the fiscal year. Should this trend continue into FY 2010, uniformed police overtime spending will be at least $420 million.

The overtime budget for uniformed DOC officers also faces a risk of $36 million. The department has spent $75 million on uniformed overtime for the first ten months of FY 2009 and is on target to spend just under $100 million for the full fiscal year. The Comptroller's Office estimates that the Department will spend $95 million on uniformed officer's overtime in FY 2010. The expected drop in overtime spending from FY 2009 is due to on-going recruitment and management initiatives and a relatively constant level of the average daily inmate population. The average daily inmate population through March 2009 was 13,406 compared to 13,962 in 2008 and 13,985 in FY 2007.

Headcount

Current City-funded full-time headcount has remained virtually unchanged since the Preliminary Budget, totaling 243,357 as of March 31, 2009. Table 14 shows, the current FY 2010 forecast of 232,929 employees, which is 6.0 percent above the one shown in the January 2009 Modification. Headcount is expected to remain relatively stable in FY 2011, and then drop by more than 13,000 in FY 2012 when the Federal Stimulus package expires. The City expects to reinstate approximately 10,000 of these full-time positions by the end of FY 2013.

As expected, DOE's proposed layoff of roughly 14,000 full-time teachers in FY 2010 was averted by Federal Stimulus funding. This accounts for the 6.0 percent plan-to-plan increase in FY 2010 full-time headcount. Unfortunately, this funding is set to expire at the end of FY 2011, and layoffs reappear in FY 2012. However, when compared to the January 2009 Financial Plan, the March 2009 Modification reflects an optimism about the City's ability to fund and reinstate almost 10,000 pedagogical positions in FY 2013.

As part of the City's Program to Eliminate the Gap (PEGs), several agencies are reducing planned headcount. Most notably, planned civilian headcount for the Police Department in the FY 2010 Executive Budget is 520 positions less than the previous target in the FY 2010 Preliminary Budget. Specifically, the current budget will eliminate 125 traffic enforcement agent (TEA) positions via attrition and vacancy reductions, and lay off an additional 395 civilian employees agency-wide, when compared to the January Modification. At the DOC, 72 civilian vacancies will be eliminated in each of FYs 2010 through 2013. DOC will, however, benefit from a PEG restoration of 259 corrections officers and seven civilians in FY 2010, arising from revised capacity efficiency assumptions. The Department also will hire 98 more officers for Bronx Court holding cells in the upcoming fiscal year.

For the second consecutive financial plan, the Department of Homeless Services (DHS) again has PEGs that are dominated by layoffs, and to a lesser extent attrition, which will reduce targeted headcount by a minimum of 105 positions in each of FYs 2010 through 2013 as compared to the January Modification. The Department of Social Services, the Department of Probation and the Department of Health and Mental Hygiene will see plan-to-plan reductions of 145, and just over 36 and 30 existing vacancies respectively, in each of FYs 2010 through 2013.

The Department of Transportation (DOT) will achieve most of its plan-to-plan gap-closing headcount reductions through funding switches. In total, 54 full-time City-funded positions will be federally funded as of FY 2010, of which 34 pertain to staff for a traffic management center, while the remaining 20 will continue in their current roles for ferry maintenance, but will now be funded by the Federal Transportation Administration (FTA). Additionally, in FY 2010 only, 33 positions formerly funded by the City, now will be funded by the State under the Consolidated Local Street and Highway Improvement Program (CHIPS). Augmenting the gap-closing funding switches are vacancy reductions in the borough engineering office and other divisions that will trim 17 positions from the previous Financial Plan beginning in FY 2010. Other technical adjustments will further reduce DOT's targeted headcount by an additional 41 positions in FY 2010, 60 positions in FY 2011, and 96 positions in each of FYs 2012 and 2013 respectively when compared to the January Financial Plan. These technical adjustments will have no gap-closing effect.

Table 14. City-Funded Full-Time Year-End Headcount Projections

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical					
Dept. of Education	95,868	94,690	94,676	80,827	90,601
City University	2,686	2,656	2,656	2,656	2,656
Sub-total	**98,554**	**97,346**	**97,332**	**83,483**	**93,257**
Uniformed					
Police	35,128	33,217	34,109	35,002	35,284
Fire	11,223	10,772	10,772	10,772	10,772
Corrections	8,658	8,141	7,896	7,896	7,896
Sanitation	7,452	7,234	7,319	7,291	7,291
Sub-total	**62,461**	**59,364**	**60,096**	**60,961**	**61,243**
Civilian					
Dept. of Education	7,905	7,906	7,904	7,904	7,904
City University	1,640	1,579	1,475	1,475	1,475
Police	14,640	13,628	13,663	13,668	13,678
Fire	4,836	4,708	4,708	4,708	4,708
Corrections	1,423	1,437	1,430	1,430	1,430
Sanitation	1,895	1,871	1,917	1,917	1,917
Admin for Children's Services	6,702	5,966	5,963	5,963	5,963
Social Services	11,346	10,740	10,734	10,734	10,734
Homeless Services	2,221	1,884	1,927	1,914	1,915
Health and Mental Hygiene	3,977	3,863	3,893	3,892	3,892
Finance	2,126	2,107	2,089	2,071	2,071
Transportation	2,226	2,104	2,200	2,186	2,206
Parks and Recreation	3,096	2,849	2,887	2,887	2,887
All Other Civilians	16,175	15,577	15,108	15,027	15,031
Sub-total	**80,208**	**76,219**	**75,898**	**75,776**	**75,811**
Total	**241,223**	**232,929**	**233,326**	**220,220**	**230,311**

As shown in Table 15, City-funded full-time equivalent (FTE) headcount is expected to be approximately 26,400 in each of FYs 2010 through 2013, consistent with the January 2009 Financial Plan.

Table 15. City-Funded FTE Year-End Headcount Projections

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical					
Dept. of Education	1,053	1,053	1,053	1,053	1,053
City University	1,440	1,393	1,393	1,393	1,393
Sub-total	**2,493**	**2,446**	**2,446**	**2,446**	**2,446**
Civilian					
Dept. of Education	14,917	14,917	14,917	14,917	14,917
City University	738	687	687	687	687
Police	1,801	1,784	1,783	1,783	1,783
Health and Mental Hygiene	1,263	1,418	1,418	1,410	1,410
Parks and Recreation	3,721	3,393	3,426	3,433	3,438
All Other Civilians	1,835	1,729	1,731	1,731	1,731
Sub-total	**24,275**	**23,928**	**23,962**	**23,961**	**23,966**
Total	**26,768**	**26,374**	**26,408**	**26,407**	**26,412**

Health Insurance

The City expects to spend a combined $3.796 billion on pay-as-you-go health insurance for employees and retirees in FY 2010, $581 million or 18 percent more than amount budgeted for FY 2009. In the outyears health insurance spending is expected to decline to $3.486 billion in FY 2011 and to $3.460 billion in FY 2012 before increasing to $4.462 billion in FY 2013, as shown in Table 16.

The projected health insurance spending reflects a prepayment of $460 million of FY 2009 costs in FY 2008 as well as savings of $282 million in FY 2010, $952 million in FY 2011, $1.258 billion in FY 2012, and $618 million in FY 2013. These savings include as yet undefined cost containment measures which are expected to reduce spending by $200 million annually beginning in FY 2010, and reductions in the City's health insurance spending of $357 million in FY 2011, $386 million in FY 2012, and $418 million in FY 2013 from a proposal that will require a 10 percent contribution for premiums from employees and retirees. The implementation of these two measures will require reaching agreements with the municipal unions. Additionally, the City will use $1.15 billion of the RHBT assets to partially pay retiree pay-as-you-go health insurance cost for FYs 2010 through 2012. The savings to the City from the reduced health insurance expense will be used to fund additional pension contributions resulting from pension investment losses.

Table 16. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Department of Education	$1,397	$1,582	$1,702	$1,716	$1,803
CUNY	37	40	43	47	47
All Other	1,781	2,374	2,298	2,283	3,230
Health Insurance Cost Containment	0	(200)	(200)	(200)	(200)
Health Insurance Reform Savings	0	0	(357)	(386)	(418)
Total Pay-As-You-Go Health Insurance Costs	$3,215	$3,796	$3,486	$3,460	$4,462
Health insurance Cost Containment	0	200	200	200	200
Health Insurance Reform Savings	0	0	357	386	418
Reduction to RHBTF	0	82	395	672	0
Prepayment	460	0	0	0	0
Adjusted Pay-As-You-Go Health Insurance Costs	*$3,675*	*$4,078*	*$4,438*	*$4,718*	*$5,080*

From FYs 2009 to 2013, health insurance cost is expected to increase by 8.4 percent annually, excluding projected savings. The projections reflect premium increases of 12.8 percent in FY 2010 and 8.0 percent in each of the outyears. Since FY 2000, the City has seen premium increases averaging 9.55 percent annually.

Pensions

The City's May 2009 Financial Plan projects pension expenses of approximately $6.4 billion in FY 2010, $6.9 billion in FY 2011, $7.2 billion in FY 2012 and $7.5 billion in FY 2013. The projections include funding of $431 million in FY 2011, $794 million in

FY 2012 and $1.173 billion in FY 2013 to offset projected FY 2009 investment losses of 20 percent.[4] Pension fund investments on March 31, 2009 showed a fiscal year-to-date loss of 26 percent. Every percentage point in pension investment return on June 30, 2009 above or below the current funding will result in additional or reduced contributions of $15 million in FY 2011, $28 million in FY 2012, and $42 million in FY 2013.

As part of its gap-closing initiatives, the City has proposed pension benefit reform for new employees which is expected to reduce annual contributions by $200 million beginning in FY 2010. In order for the City to achieve the projected savings, the City Actuary will have to change the current assumptions and methodology in determining pension contributions. Any changes in key methodologies will require State Legislation. In addition, the City Actuary has not indicated if he will commit to such changes.

A proposal in the State Legislature to create a new pension tier of retirement benefits for future employees was not enacted during the State's Adopted Budget process. It is uncertain if or when such a proposal will be enacted. The proposal calls for a modification of pension benefits structure for new employees, mainly requiring civilian workers to contribute to the pension plan for all years of service. Additionally, uniformed employees would be required to work at least 25 years and be at least 50 years old to qualify for full pension compared to 20 years with no age requirements for current employees.

The pension projections also reflect the impact of a combined investment loss of 5.4 percent on pension fund investments for FY 2008 and a reserve of $200 million annually beginning in FY 2011 to fund potential changes in actuarial assumptions and methods.

Labor

The City has contracts in place for the current round of collective bargaining with most major unions. Contracts for United Federation of Teachers (UFT) and Council of School Supervisors and Administrators will expire on October 31, 2009 and March 5, 2010, respectively. However, the first two increases in the next contract for these unions will correspond to the last two increases of the current contracts for the remaining municipal unions. The labor reserve contains funding for a two-year contract for UFT and CSA employees of a 4.0 percent increase on the first day of the contract and another 4.0 percent on the first day of the thirteenth month of the contract, patterned after the contracts for other municipal unions.

The City has reserved annual wage increases of approximately 1.25 percent for all employees for the next round of collective bargaining in the Financial Plan. Several

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[4] The City's current actuarial asset valuation method recognizes pension investment returns above or below the Actuarial Investment Return Assumption (AIRA) of 8.0 percent over a seven-year period, cumulatively zero percent in year one, 15 percent in year two, 30 percent in year three, 45 percent in year four, 60 percent in year five, 80 percent in year six, and 100 percent in year seven.

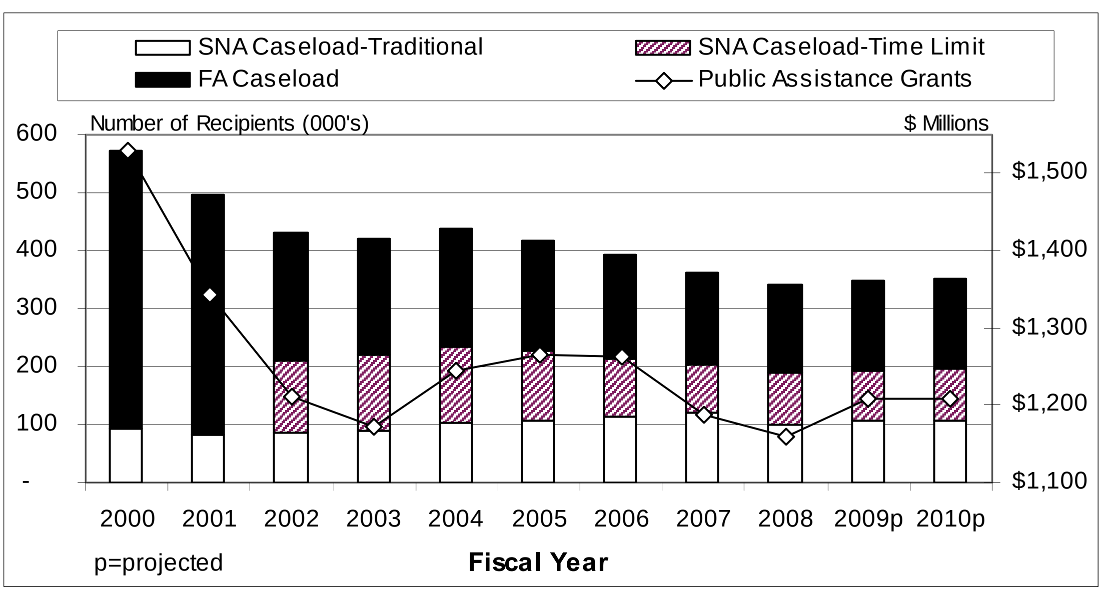
unions' contracts will expire over the next two fiscal years. District Council 37's (DC37) contract will expire on March 2, 2010, the latter half of FY 2010. Contracts for Communications Workers of America (CWA), Organization of Staff Analysts (OSA), Uniformed Firefighters' Association (UFA), and Patrolmen's Benevolent Association (PBA) will expire in FY 2011. Each additional percentage wage increase above the funded amount for these unions will cost the City about $96 million annually.

Public Assistance

In the Executive Budget, the City has maintained the same projections for public assistance caseload and grants expenditures as in the January Plan. The City anticipates welfare caseload to reach 348,061 by the end of the current fiscal year. Over the course of the Plan, caseload is projected to reach 351,452 by the end of FY 2010 and then stay flat from FY 2011 through FY 2013. Projected gross baseline grants are expected to reach $1.21 billion in FY 2009 and remain constant through the remainder of the Plan.

The City's public assistance caseload and grant expenditures have both declined significantly since FY 2000, as shown in Chart 2. A comparison of fiscal year-end caseloads from FY 2000 to FY 2008 shows a decrease of about 40 percent in the number of public assistance recipients, from 572,872 to 341,329. The City's caseload actually reached 334,329 in September 2008, the lowest level since the early 1960's, but has since rebounded to 342,333 in the latest reported caseload for April 2009. Similarly, baseline grants also have fallen by about 24 percent from $1.53 billion to $1.16 billion from FY 2000 to FY 2008. Given the current economic climate, the break in the declining trend in FY 2009 is not surprising. While there are signs of an upturn slowly emerging—both caseload and monthly grants expenditures have begun to rise during the latter portion of FY 2009—additional data is still needed to determine if this is the beginning of a major reversal in public assistance caseload and spending trends.

***Chart 2*. Public Assistance Caseload and Spending Trends, FYs 2000-2010**



Further, the City's public assistance budget has not yet reflected a State action to incrementally increase basic allowances for cash assistance recipients by 10 percent annually over the next three years. The initiative, which is slated to go into effect in July 2009, will be wholly funded by the State during the implementation period from FY 2010 through FY 2012. However, once fully implemented, the City would be required to contribute to the funding of this new cost. Based on State estimates, this action could require additional City funding of at least $50 million beginning in FY 2013.

Department of Education

The Executive Budget has reflected a significant boost to the Department of Education (DOE) budget from funding provided in the Federal Economic Stimulus Plan. Compared with the January Plan, the Executive Budget raises the DOE spending projection by nearly $1 billion, almost entirely in Federal funds, to $18.31 billion for FY 2010. The new Federal funding would lift funding for the DOE budget over the next two years, partly offsetting the cumulative impact of State and City budget cuts that the Department sustained in prior plans and averting potential layoffs of its pedagogical staff.

Against a backdrop of City and State budget difficulties, the Preliminary Budget in January had cast a worrisome fiscal outlook for the Department in coming years. Between the June 2008 and January 2009 plans, the projected FY 2010 budget for the Department fell by a net of about $1.37 billion to $17.32 billion after absorbing reductions mostly in State and City funds. The heaviest round of cuts occurred in January, which slashed funding for the Department by a net total of $981 million. At the time, the Department indicated that reduced State support of $766 million would force the layoffs of nearly 14,000 pedagogical positions. The Department also would have needed to identify alternative funding sources to make up for a proposed shift in State costs for pre-kindergarten handicapped services.

As detailed in the Executive Budget, the Federal Economic Stimulus Plan adds new funding of $952 million to the DOE budget in FY 2010. Of this total, $335 million in Title I funds and $158 million in special education grants would flow to the Department under the federal plan. The other components stem from the distribution of Fiscal Stabilization Grants by the State, restoring $362 million in school aid reduction assessed to the City and $97 million in funding for pre-kindergarten handicapped services. The Department already has indicated that layoffs of pedagogical positions no longer will be needed because of the infusion of Federal funds.

Though in a recent announcement, the Chancellor indicated that in order to close an internal gap of $405 million, school budgets will be further trimmed by 5.0 percent in FY 2010. The cuts will likely lead to reduce funding for after-school and weekend programs. While no teacher layoffs are expected, other staffing titles such as, teacher assistants and school aids, may face elimination. The Department largely has been exempted from additional PEG reductions in the Executive Budget. Compared to the January Plan, City funding for the DOE actually has increased by almost $100 million mainly from the recognition of a FY 2009 surplus ($55 million), revised health insurance costs ($35 million) and collective bargaining transfers ($23 million), offset by net energy savings ($15 million). Regarding the State's maintenance-of-effort funding requirement, the FY 2010 Executive Budget exceeds the mandate with an $85 million year-to-year increase in City funds over the FY 2009 spending projection.

The new federal funds would bring about a temporary change in the Department's funding structure over the next two years. The DOE budget, which receives 90 percent of its financial support from the City and State, would see these two sources shrink to respective shares of about 40 and 45 percent in the next two years. Federal support, which traditionally constitutes only up to 10 percent of the DOE general expense budget, is expected to average more than 14 percent annually in FYs 2010 and 2011. The overall DOE budget is projected to grow $654 million in FY 2010 and $1.02 billion in FY 2011, reaching $19.34 billion in FY 2011. However, the termination of the Federal stimulus funding would cause a decline of $647 million in projected spending for FY 2012, before recovering by $715 million in FY 2013. As a result, projected DOE spending for FY 2013 is only marginally higher than in FY 2011.

Health and Hospitals Corporation

In the Executive Budget, the City projects the Health and Hospitals Corporation (HHC) will retain a cash balance of $922 million by the end of FY 2010. While HHC's cash balance remains relatively strong, it represents a decline of $375 million from the $1.3 billion previously anticipated in the Preliminary Budget. The decline mainly is attributable to the recognition of the State budget impact and a shortfall in HHC's prior assumption for maximization of Medicaid Disproportionate Share (DSH) revenues. Over the longer term, the Corporation's cash balance is expected to decline about $300 million annually to $658 million in FY 2011 and $350 million in FY 2012.

The City projects that, on an accrual basis, HHC would face a budget deficit of $718 million in FY 2010, representing a reduction of $624 million since the January Plan. The Executive Budget shows a net increase of $662 million in the Corporation's baseline revenue projections, mostly due to a delay in the timing of retroactive Medicaid Upper Payment Limit (UPL) revenues that now are expected to materialize in FY 2010 instead of FY 2009. The Corporation's baseline revenues also reflect additional UPL revenue assumptions that previously were held below-the-line as Federal and State actions in its gap-closing program. Given the nature of the changes, the revenue increase does not represent new resources to the HHC financial plan as a whole, since they were already captured in prior plans as FY 2009 revenues or gap-closing actions. In fact, because of the State budget impact and lower expectation for DSH revenue maximization, the overall value of baseline and gap-closing revenue assumptions have actually declined, evidenced by the diminished FY 2010 ending cash balance.

For FY 2010, the Corporation is contemplating a gap-closing program of $361 million that chiefly relies on internal savings of $316 million. While HHC has not yet outlined a plan for the full savings, some of the measures already identified include efficiencies in procurement and revenue collections, as well as savings through attrition and layoffs. The balance of the program is expected from medical malpractice cost containment ($25 million) and Federal/State actions ($20 million).

In the outyears, the City projects HHC spending to range between $7.34 billion in FY 2011 to $7.82 billion in FY 2013, reflecting an average growth of more than 3.0 percent annually from a base of $7.1 billion in FY 2010. Meanwhile, revenues are expected to be stagnant between $5.95 billion and $6.18 billion in FYs 2011 - 2013, compared to a higher base of $6.39 billion in FY 2010. As a result, budget gaps are expected to widen in the outyears to a range of $1.39 billion to $1.63 billion annually. To achieve the projected cash balances during these years, the Corporation would need to implement gap-closing programs of more than $800 million each year. HHC also would return to a greater reliance on Federal and State actions to close its gaps, with expectations of $460 million to $525 million in each of the outyears.

Debt Service

As shown in Table 17, debt service, after adjusting for prepayments, is projected to grow from $4.84 billion in FY 2009 to $5.55 billion in FY 2010, $5.89 billion in FY 2011, $6.33 billion in FY 2012, and $6.61 billion in FY 2013. Over the FYs 2009 - 2013 period, total debt service is expected to grow $1.76 billion, or 36.4 percent. This represents decreases of $232 million in FY 2009, $62 million in FY 2010, $129 million in FY 2011, $134 million in FY 2012, and $145 million in FY 2013 from the January Plan.

Table 17. FY 2010 Executive Budget & Financial Plan, May 2009

($ in millions)

Debt Service Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Change FYs 2009 – 2013
G.O.[a]	$3,511	$4,066	$4,416	$4,848	$5,128	$1,617
NYCTFA[b]	1,079	1,137	1,153	1,157	1,158	79
Lease-Purchase Debt	163	278	251	247	245	82
TSASC,Inc.	89	74	74	74	74	(15)
Total	**$4,842**	**$5,555**	**$5,894**	**$6,326**	**$6,605**	**$1,762**

SOURCE: FY 2010 Executive Budget, May 2009, Office of Management & Budget.
NOTE: Debt service is adjusted for prepayments.
[a] – Included long-term GO debt service and interest on short-term notes.
[b] – Amounts do not include NYCTFA Building Aid Revenue Bonds (BARBs).

General Obligation bonds (G.O.) make up the majority of the expected growth in debt service from FYs 2009 - 2013, accounting for $1.62 billion, or 92 percent of the increase. The NYCTFA currently has no additional bonding capacity and thus its debt service is relatively flat through FY 2013.

The decrease of $232 million in FY 2009 from the January Plan is due primarily to estimated G.O. variable rate demand bond (VRDB) savings of $168 million, VRDB savings related to NYCTFA bonds of $53 million, and lease-purchase debt savings of $13 million. Savings of $62 million in FY 2010 is mainly attributable to $27 million in lower than anticipated G.O. borrowing costs, $22 million of estimated debt service savings from the use of ARRA sponsored Federal School Tax Credit Bonds, and

$7 million of NYCTFA baseline re-estimates. The decrease of $129 million in FY 2011 is due to $77 million anticipated benefit from the Federal School Tax Credit bonds[5], $24 million in lower debt service costs related to one-half percent drop in interest rate cost assumptions, and approximately $15 million in lower-than-expected borrowing costs. Estimated savings of $134 million and $145 million in FYs 2012 and 2013, respectively, follow a similar pattern with $98 million and $108 million of estimated savings from Federal School Tax Credit bonds coupled with savings from lowered interest rate borrowing assumptions of one-half percent in the first half of FY 2011, 1.0 percent in the second-half of FY 2011, and one-half percent lower in the first half of FY 2012 from the January Plan.

Debt Burden

An accepted measure of debt burden and affordability is debt service as a percent of tax revenues.[6] As shown in Chart 3, adjusted for prepayments, debt service as a percent of tax revenues is projected to be 12.8 percent in FY 2009, increasing to 15.2 percent in FY 2010, 15.2 percent in FY 2011, and stabilizing at 15.7 percent in FYs 2012 - 2013.[7] Debt service is projected to grow at a rate of 8.0 percent per year from FYs 2009 to 2013, significantly outpacing tax revenue growth of 3.4 percent per year over the same period. The City has reduced its capital program over the FYs 2010 – 2019 period to bring the growth of debt service in line with tax revenue growth. As a result, projected debt service growth slows significantly beyond FY 2013, and over the FYs 2010 – 2019 period, is projected to grow at an annual pace of about 3.5 percent matching expected annual tax revenue growth of 3.5 percent over the same period. This comparable growth helps stabilize the ratio at about 15 percent by FY 2019.

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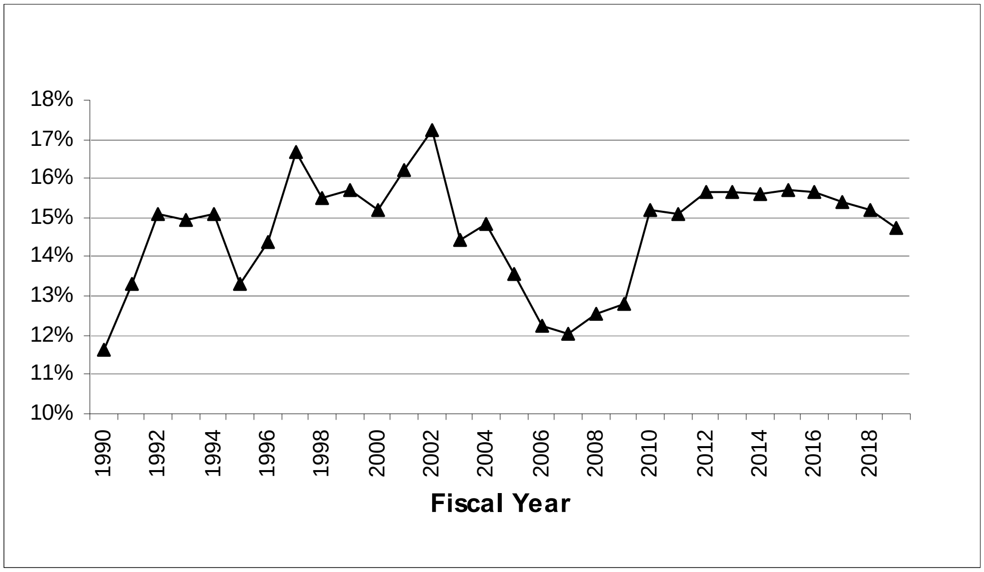
[5] Includes Qualified School Construction Bonds (QSCBs) and Qualified Zone Academy Bonds (QZABs).

[6] Debt service in this analysis is comprised of G.O., lease purchase, PIT-supported NYCTFA, and TSASC debt service.

[7] Debt service is adjusted for prepayments. Prior-year prepayments are added back to the total and current year planned prepayments are subtracted from the total.

Chart 3. **Debt Service as a Percent of Tax Revenues, FYs 1990-2019, FY 2010 Executive Budget**



SOURCE: FY 2010 Executive Budget and Financial Plan, NYC Office of Management and Budget, May 2009.

Financing Program

The Financing Program for FYs 2009 - 2013 totals $42.81 billion, an increase of $685 million from the January 2009 Financial Plan. As shown in Table 18, G.O. bonds, payable from property tax retention, constitute $27.76 billion, or 64.8 percent of the total expected financing from FYs 2009-2013. This level of borrowing represents a $1.08 billion increase from the January Plan. Included in the G.O. borrowing plan is the assumed use of about $1.7 billion of Qualified School Construction bonds (QSCBs) and Qualified Zone Academy bonds (QZABs). The QSCBs are assumed to be issued as zero-interest bonds sold at par in lieu of the deep discount of a zero-coupon bond. If the bonds are sold below par, it would diminish the theoretical benefit of the program as more bonds would have to be issued for the same funding requirements.

The administration is seeking additional bonding capacity for the NYCTFA Personal Income Tax bonds. If authorized, the City would issue about one half of the current G.O. borrowing in NYCTFA PIT bonds over the Financial Plan period. The PIT-supported NYCTFA credit is more highly rated than G.O. and will offer a lower cost vehicle as well as diversifying the City's debt issuance. The legislative proposal is still pending.

The New York Water Finance Authority (NYWFA) borrowing comprises $10.05 billion, or 23.5 percent of the Plan. These bonds, which are supported with water and sewer revenues, are used to fund the capital improvement program of the City's Department of Environmental Protection. Projected borrowing for NYWFA has actually declined by $398 million from the January Plan.

NYCTFA Building Aid Revenue Bonds (BARBs) sum to $5 billion, or 11.7 percent, over the period with $2.5 billion in FY 2009 and the balance of $2.5 billion to be issued over FYs 2010-2013. These bonding assumptions remain unchanged from the January Plan.

The Financial Plan includes no pay-as-you-go capital spending over this period. However, when properly implemented, it is a source of prudent funding for the capital program reducing the need to borrow exclusively for capital needs.

Table 18. FYs 2009-2013 Financing Program, May 2009

($ in millions)

Type of Debt	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total
GO	$5,291	$6,450	$6,000	$5,300	$4,720	$27,761
NYCTFA PIT Bonds	0	0	0	0	0	0
Water Authority Bonds	2,600	2,202	1,934	1,753	1,561	10,050
NYCTFA BARBs	2,500	250	800	700	750	5,000
Total	$10,391	$8,902	$8,734	$7,753	$7,031	$42,811

SOURCE: FY 2010 Executive Budget, May 2009, Office of Management and Budget.
Note: NYCTFA BARBs are supported by State Building Aid and its debt service is not included in the debt service budget.

Capital Plan

The FY 2010 Executive Capital Commitment authorized Plan for FYs 2009 - 2013 equals $47.11 billion in total funds and $37.07 billion in City funds.[8] After the reserve for unattained commitments of $2.91 billion over the period, total capital commitments will be $44.2 billion and City-funds commitments will be $34.17 billion. The Plan continues to be front-loaded with more than 50 percent of both total and City commitments over FYs 2009 - 2013 in FYs 2009 and 2010. An analysis of seven Executive Budget Commitment Plans from FY 2002 to FY 2008 reveals a tendency for the Plan to underestimate out-year commitments versus actual results. The third and fourth year of a plan, on average, understated actual results, by 35 and 51 percent, respectively.

In January, the City proposed a 30 percent commitment reduction program to the January G.O. and BARB-funded capital plan with estimated reductions of $6.917 billion over FYs 2010 - 2013.[9] As of the May 2009 Plan, the commitment plan achieved lowered commitments of $3.45 billion in all-funds over FYs 2009-2013.[10] As shown in Table 19, City-funds authorized capital commitments in January 2009 were $41.03 billion over FYs 2009 - 2013 and have declined to $37.08 billion in May 2009, a decrease of

[8] City-funds exclude NYCTFA BARBs.

[9] The planned reduction was presented below the line in the January Commitment Plan.

[10] This is comprised of lowered City-funds commitments of $3.95 billion coupled with an increase of $508 million in non-City funds.

$3.95 billion, or 9.6 percent. When comparing the fully authorized January 2009 City commitment level of $41.03 billion against the current City-funds capital commitment program of $34.17 billion after the reserve for unattained commitments over FYs 2009 - 2013, the decline is $6.86 billion, or about 17 percent from the January Commitment Plan.[11] In addition, this decrease includes projected City-funds commitment reductions of $662 million over FYs 2009 - 2013 to the DEP. The DEP was assumed to be exempt from the reduction program in the January Plan.

Table 19. Changes in the Capital Commitment Plan from January to May 2009, City Funds

($ in millions)

Description	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FYs 2009 – 2013
January City Authorized Commitments	$15,648	$7,479	$6,017	$4,357	$7,529	$41,030
January City Commitments after Reserve for Unattained Commitments and the Reduction Program	$11,304	$7,144	$5,023	$4,000	$5,145	$32,616
May City Authorized Commitments	$13,315	$8,928	$5,028	$3,971	$5,833	$37,075
May City Commitments after Reserve for Unattained Commitments	$9,752	$8,699	$5,733	$4,588	$5,397	$34,169
Change from January in City Authorized	($2,333)	$1,449	($989)	($386)	($1,696)	($3,955)
Change from January In City Authorized after reserve for Unattained Commitments	($1,552)	$1,555	$710	$588	$252	$1,553

SOURCE: May 2009 Executive Commitment Plan & January 2009 Commitment Plan, OMB & NYC Comptroller.

Consistent with prior plans, capital commitments in DOE and the City University of New York (CUNY), the Department of Environmental Protection (DEP), Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for the majority of all-fund commitments with 68 percent of the total projected commitments over the period, as shown in Table 20.

[11] The 2009 "Message of the Mayor" that was released with the Executive Budget shows a capital reduction of 27 percent. The reduction was derived by calculating the decrease in commitments over the FYs 2009 - 2019 City-funds G.O. base in the May Plan from the commitments over the FY 2010 - 2019 period in the January Plan and adding a 4 percent offset in education projects from the $1.694 billion of Qualified School Construction Bonds to this decrease.

Table 20. FYs 2009 – 2013 Capital Commitments, All-Funds

($ in millions)

Project Category	May 2009-2013 Commitment Plan	Percent of Total
Education & CUNY	$11,791	25.0%
Environmental Protection	9,386	19.9
Dept. of Transportation & Mass Transit	6,497	13.8
Housing and Economic Development	4,526	9.6
Administration of Justice	3,065	6.5
Technology and Citywide Equipment	3,344	7.1
Department of Parks and Recreation	2,321	4.9
Hospitals	722	1.5
Other City Operations and Facilities	5,458	11.7
Total	**$47,109**	**100.0%**
Reserve for Unattained Commitments	($2,906)	n/a
Adjusted Total	**$44,203**	**n/a**

SOURCE: Office of Management and Budget, FY 2010 May Capital Commitment Plan, May 2009.

The City-funds portion of the authorized Plan totals $37.075 billion over FYs 2009 through 2013, as shown in Table 21. After adjusting for the reserve for unattained commitments, the City-funds plan totals $34.169 billion. As in total-funds commitments, capital projects in DEP, DOE and CUNY, DOT and Mass Transit, and Housing and Economic Development constitute more than 60 percent of the City-funds plan. The significant difference between the DOE's 15.8 percent share of the City-funds capital plan and its 25 percent share of the all-funds capital plan reflects the State-supported commitments of $5.95 billion over FYs 2009 through 2013. This $5.95 billion in State support for the education portion of the commitment plan comprises 59 percent of the total State and Federal support in the entire commitment plan over FYs 2009 through 2013.

Table 21. FYs 2009 – 2013 Capital Commitment, City-Funds

($ in millions)

Project Category	May 2009-2013 Commitment Plan	Percent of Total
Environmental Protection	$9,171	24.7%
Education & CUNY	5,845	15.8
Dept. of Transportation & Mass Transit	3,999	10.8
Housing and Economic Development	3,573	9.6
Administration of Justice	3,060	8.3
Technology and Citywide Equipment	3,328	9.0
Department of Parks and Recreation	2,082	5.6
Hospitals	722	1.9
Other City Operations and Facilities	5,295	14.3
Total	**$37,075**	**100.0%**
Reserve for Unattained Commitments	(2,906)	n/a
Adjusted Total	**$34,169**	**n/a**

SOURCE: Office of Management and Budget, FY 2010 May Capital Commitment Plan, May 2009.

Ten-Year Capital Strategy

Every odd calendar year the Mayor is required, in accordance with Section 215 of the City Charter, to publish a Ten-Year Capital Strategy (TYCS) to reflect the administration's long-term capital planning goals by agency. The TYCS for FYs 2010-2019 that was published in May 2009 totals $61.68 billion, a decrease of $9.40 billion from the Preliminary Ten-Year Capital Strategy (PTYCS) produced in November 2008. City-funds account for $47 billion, or 76 percent of the capital strategy. Programmatically, education, environmental protection and the Department of Transportation projects account for 71 percent of the TYCS, or $43.77 billion of the total.

As shown in Table 22, capital commitments in the DOE, DEP, and Housing and Economic Development account for $7.18 billion or 76 percent of the decrease in the TYCS since November 2008.

Table 22. Ten-Year Capital Strategy, FYs 2010-2019, May 2009

($ in millions)

	November 2008 City Funds	November 2008 Total Funds	May 2009 City Funds	May 2009 Total Funds	Percent of Total – May 2009	Change in Total Funds from November 2008
Education	$13,338	$26,582	$11,040	$22,000	35.7%	($4,582)
Dept. of Transportation	7,526	9,633	6,144	8,850	14.3	(783)
Environmental Protection	14,283	14,508	12,839	12,920	20.9	(1,588)
Housing & Economic Development	5,154	5,597	3,770	4,582	7.4	(1,015)
Administration of Justice	3,163	3,163	3,141	3,141	5.1	(22)
Sanitation	2,478	2,478	2,108	2,108	3.4	(370)
Mass Transit	707	707	601	601	1.0	(106)
Other City Services	8,331	8,407	7,360	7,473	12.1	(934)
Total	**$54,980**	**$71,075**	**$47,004**	**$61,675**	**100.0%**	**($9,400)**

SOURCE: Ten-Year Capital Strategy Spreadsheet, FYs 2010-2019, NYC OMB, May 2009.

Funding the Ten-Year Capital Strategy

The City-funds portion of the TYCS will be financed primarily with $32.5 billion of G.O. bonds and $12.8 billion of New York Water Finance Authority (NYW) bonds. Together, G.O. and NYW borrowing will finance $45.3 billion, or 73 percent of the total TYCS. New York State support is expected to fund another $11.5 billion of capital projects while the Federal Government and other non-city sources are anticipated to fund the remaining $3.2 billion.

Thus, G.O. bonds are projected to finance 53 percent, NYW bonds 21 percent, the State of New York 19 percent, and the Federal Government just 5.0 percent of the TYCS. Of the non-City support, over 74 percent, or $10.96 billion is expected to fund capital projects in DOE. This projection reflects the continued assumed support of State Building Aid to help finance DOE's capital strategy.

Ten-Year Capital Strategy by Type of Work

The May 2009 TYCS total of $61.68 billion is broken down into three major types of work: 1) State of Good Repair ($28.76 billion); 2) Program Expansion ($19.12 billion); and 3) Programmatic Replacement ($13.80 billion). State of Good Repair projects account for 46.6 percent of the total, followed by Program Expansion and Programmatic Replacement which account for 31 percent and 22.4 percent of the TYCS, respectively.

Projects included under State of Good Repair are the reconstruction and rehabilitation of schools ($12.34 billion), reconstruction of the East River and other bridges ($4.64 billion), and the reconstruction and resurfacing of streets and highways Citywide ($3.16 billion).

Program expansion projects include the construction of new schools ($9.52 billion), construction of water conveyance systems, ($1.96 billion), new and special needs housing initiatives ($1.8 billion), and construction of the third water tunnel ($1.13 billion).

Programmatic Replacement projects include capital programs for water quality mandates and preservation ($2.16 billion), water pollution control plant upgrades and stabilization ($1.84 billion), and Citywide information systems and related equipment ($1.82 billion).

Borough Presidents' Proposed Reallocations

In accordance with Section 245 of the New York City Charter, the Borough Presidents may propose changes to the Preliminary Expense Budget during the Executive Budget process. The Queens Borough President submitted a proposal for inclusion in the Message of the Mayor. None of the other borough presidents submitted proposals in time for inclusion in the Message of the Mayor.

The Queens Borough President recommended proposed allocation changes of $1.024 billion. This includes funding restoration of $691 million to the Department of Education, and $129 million to the Police Department. Other suggested increases include additions of $46 million for youth programs, $39 million for health and mental health programs, $35 million for the CUNY, $27.5 million for senior citizen-related programs, $21 million for Parks, $16.8 million for Cultural Affairs, $9.6 million for the Queens Public Library, $7 million for various housing programs, and $1.4 million for the Queens Borough President's office and $1.3 million for community boards.

The Queens Borough President did not propose specific reductions in other appropriations within the borough to offset the above increases. Instead, the proposed funding of the increases would come from procurement efficiencies, expansion of the bottle return bill, energy conservation in public buildings, the elimination of the property tax exemption for Madison Square Garden, eliminating school year jury duty for teachers, and extending the general corporation tax to insurance company business income.

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VII. Appendix — Revenue and Expenditure Details

Table A1. ***FY 2010 Executive Budget Revenue Detail***

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 - 13	
					Dollar	**Percent**
Taxes:						
Real Property	$16,281	$17,327	$17,916	$18,304	$2,023	12.4%
Personal Income Tax	$6,616	$7,527	$8,003	$8,531	$1,915	29.0%
General Corporation Tax	$2,024	$2,338	$2,705	$2,947	$923	45.6%
Banking Corporation Tax	$478	$649	$711	$745	$267	55.9%
Unincorporated Business Tax	$1,455	$1,461	$1,596	$1,689	$234	16.1%
Sale and Use	$5,015	$5,186	$5,516	$5,870	$855	17.0%
Real Property Transfer	$613	$649	$708	$794	$181	29.5%
Mortgage Recording Tax	$475	$551	$602	$694	$219	46.1%
Commercial Rent	$543	$531	$528	$537	($6)	(1.1%)
Utility	$391	$420	$434	$439	$48	12.3%
Hotel	$329	$331	$314	$295	($34)	(10.3%)
Cigarette	$96	$94	$92	$90	($6)	(6.3%)
All Other	$401	$402	$406	$406	$5	1.2%
Tax Audit Revenue	$596	$596	$595	$594	($3)	(0.4%)
Total Taxes	**$35,313**	**$38,062**	**$40,126**	**$41,935**	**$6,622**	**18.8%**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$481	$484	$488	$488	$7	1.5%
Interest Income	$30	$43	$99	$128	$98	326.7%
Charges for Services	$762	$819	$799	$799	$37	4.9%
Water and Sewer Charges	$1,368	$1,339	$1,355	$1,368	$0	0.0%
Rental Income	$220	$214	$214	$214	($6)	(2.7%)
Fines and Forfeitures	$894	$887	$865	$864	($30)	(3.4%)
Miscellaneous	$618	$502	$481	$478	($140)	(22.7%)
Intra-City Revenue	$1,601	$1,525	$1,524	$1,524	($77)	(4.8%)
Total Miscellaneous	**$5,974**	**$5,813**	**$5,825**	**$5,863**	**($111)**	**(1.9%)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$327	$327	$327	$327	$0	0.0%
Other Federal and State Aid	$13	$13	$13	$13	$0	0.0%
Total Unrestricted Intergovernmental Aid	**$340**	**$340**	**$340**	**$340**	**$0**	**0.0%**
Other Categorical Grants	**$1,028**	**$1,029**	**$1,033**	**$1,031**	**$3**	**0.3%**
Inter Fund Agreements	**$475**	**$449**	**$439**	**$439**	**($36)**	**(7.6%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,601)**	**($1,525)**	**($1,524)**	**($1,524)**	**$77**	**(4.8%)**
TOTAL CITY FUNDS	**$41,514**	**$44,153**	**$46,224**	**$48,069**	**$6,555**	**15.8%**

Table A1 (Con't.). ***FY 2010 Executive Budget Revenue Detail***

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 - 13	
					Dollar	**Percent**
Federal Categorical Grants:						
Community Development	$305	$246	$241	$241	($64)	(21.0%)
Welfare	$2,543	$2,541	$2,532	$2,532	($11)	(0.4%)
Education	$2,682	$2,711	$1,759	$1,759	($923)	(34.4%)
Other	$892	$829	$828	$817	($75)	(8.4%)
Total Federal Grants	**$6,422**	**$6,327**	**$5,360**	**$5,349**	**($1,073)**	**(16.7%)**
State Categorical Grants						
Social Services	$1,941	$1,931	$1,922	$1,922	($19)	(1.0%)
Education	$8,209	$8,649	$8,939	$9,524	$1,315	16.0%
Higher Education	$198	$211	$211	$211	$13	6.6%
Department of Health and Mental Hygiene	$468	$475	$477	$477	$9	1.9%
Other	$801	$749	$810	$877	$76	9.5%
Total State Grants	**$11,617**	**$12,015**	**$12,359**	**$13,011**	**$1,394**	**12.0%**
TOTAL REVENUES	**$59,553**	**$62,495**	**$63,943**	**$66,429**	**$6,876**	**11.5%**

Table A2. *FY 2010 Executive Budget Expenditure Detail*

($ in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 - 13 Dollar	Percent
Mayoralty	$81,494	$81,128	$80,575	$80,585	($909)	(1.1%)
Board of Elections	$86,218	$71,542	$71,614	$71,629	($14,589)	(16.9%)
Campaign Finance Board	$67,551	$11,216	$11,220	$11,223	($56,328)	(83.4%)
Office of the Actuary	$5,139	$5,183	$5,188	$5,192	$53	1.0%
President, Borough of Manhattan	$3,274	$3,036	$3,043	$3,048	($226)	(6.9%)
President, Borough of Bronx	$4,343	$4,255	$4,265	$4,273	($70)	(1.6%)
President, Borough of Brooklyn	$4,067	$3,853	$3,863	$3,870	($197)	(4.8%)
President, Borough of Queens	$3,998	$3,597	$3,604	$3,609	($389)	(9.7%)
President, Borough of Staten Island	$3,092	$2,958	$2,965	$2,971	($121)	(3.9%)
Office of the Comptroller	$66,033	$66,086	$65,786	$65,786	($247)	(0.4%)
Dept. of Emergency Management	$18,635	$7,690	$7,694	$7,698	($10,937)	(58.7%)
Tax Commission	$3,632	$3,654	$3,658	$3,662	$30	0.8%
Law Dept.	$130,287	$119,753	$120,275	$120,321	($9,966)	(7.6%)
Dept. of City Planning	$24,177	$23,082	$23,017	$23,017	($1,160)	(4.8%)
Dept. of Investigation	$16,010	$15,881	$15,881	$15,881	($129)	(0.8%)
NY Public Library - Research	$21,136	$21,145	$21,145	$21,145	$9	0.0%
New York Public Library	$102,654	$102,451	$102,451	$102,451	($203)	(0.2%)
Brooklyn Public Library	$77,087	$76,935	$76,935	$76,935	($152)	(0.2%)
Queens Borough Public Library	$75,286	$75,065	$75,065	$75,065	($221)	(0.3%)
Dept. of Education	$18,304,484	$19,329,419	$18,682,087	$19,396,680	$1,092,196	6.0%
City University	$631,999	$622,594	$624,345	$624,456	($7,543)	(1.2%)
Civilian Complaint Review Board	$10,271	$10,241	$10,262	$10,267	($4)	(0.0%)
Police Dept.	$4,126,794	$4,232,068	$4,310,902	$4,298,023	$171,229	4.1%
Fire Dept.	$1,589,887	$1,595,948	$1,594,977	$1,592,398	$2,511	0.2%
Admin. for Children Services	$2,610,402	$2,607,283	$2,608,807	$2,608,808	($1,594)	(0.1%)
Dept. of Social Services	$7,886,048	$8,595,656	$9,063,764	$9,244,409	$1,358,361	17.2%
Dept. of Homeless Services	$665,171	$669,397	$668,218	$668,265	$3,094	0.5%
Dept. of Correction	$992,705	$1,022,132	$1,038,400	$1,035,255	$42,550	4.3%
Board of Correction	$971	$972	$972	$972	$1	0.1%
Citywide Pension Contribution	$6,375,368	$6,909,699	$7,233,372	$7,506,585	$1,131,217	17.7%
Miscellaneous	$7,019,899	$7,093,101	$7,698,955	$8,890,974	$1,871,075	26.7%
Debt Service	$4,343,750	$4,666,945	$5,094,560	$5,372,591	$1,028,841	23.7%
N.Y.C.T.F.A. Debt Service	$1,137,345	$1,117,933	$1,157,389	$1,157,826	$20,481	1.8%
Pre-Payments	($2,036,374)	$0	$0	$0	$2,036,374	(100.0%)
FY 2007 BSA	($30,865)	$0	$0	$0	$30,865	(100.0%)
FY 2008 BSA	$0	$0	$0	$0	$0	N/A
FY 2009 BSA	($1,949,870)	$0	$0	$0	$1,949,870	(100.0%)
FY 2010 BSA	$0	$0	$0	$0	$0	N/A
Transfer for N.Y.C.T.F.A. Debt Service.	($545,747)	$0	$0	$0	$545,747	(100.0%)
Building Aid Revenue Support for NYCTFA Debt Service	($100,000)	$0	$0	$0	$100,000	(100.0%)
Defeasance of N.Y.C.T.F.A. Debt	($382,000)	($530,000)	$0	$0	$382,000	(100.0%)
Call 2009/2010 G.O. Debt	($276,634)	$0	$0	$0	$276,634	(100.0%)
Public Advocate	$1,771	$1,808	$1,813	$1,817	$46	2.6%
City Council	$50,536	$50,536	$50,536	$50,536	$0	0.0%
City Clerk	$5,197	$5,210	$5,210	$5,210	$13	0.3%
Dept. for the Aging	$240,163	$239,199	$239,199	$239,199	($964)	(0.4%)
Dept. of Cultural Affairs	$130,846	$130,851	$130,851	$130,851	$5	0.0%
Financial Information Services. Agency	$58,408	$58,747	$56,097	$56,136	($2,272)	(3.9%)
Dept. of Juvenile Justice	$130,854	$132,045	$135,925	$135,934	$5,080	3.9%
Office of Payroll Admin.	$37,134	$41,588	$41,509	$41,496	$4,362	11.7%
Independent Budget Office	$3,117	$3,088	$3,089	$3,089	($28)	(0.9%)
Equal Employment Practices Comm.	$717	$728	$728	$728	$11	1.5%

Table A2 (Con't). *FY 2010 Executive Budget Expenditure Detail*

($ in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 - 13 Dollar	Percent
Civil Service Commission	$618	$620	$621	$621	$3	0.5%
Landmarks Preservation Comm.	$4,870	$4,872	$4,872	$4,872	$2	0.0%
Taxi & Limousine Commission	$29,644	$29,157	$29,157	$29,157	($487)	(1.6%)
Commission on Human Rights	$6,903	$6,904	$7,001	$7,001	$98	1.4%
Youth & Community Development	$281,819	$247,898	$247,915	$247,932	($33,887)	(12.0%)
Conflicts of Interest Board	$1,814	$1,827	$1,828	$1,828	$14	0.8%
Office of Collective Bargain	$1,795	$1,809	$1,810	$1,811	$16	0.9%
Community Boards (All)	$12,735	$12,737	$12,737	$12,737	$2	0.0%
Dept. of Probation	$80,374	$79,623	$79,793	$79,793	($581)	(0.7%)
Dept. Small Business Services	$123,079	$93,430	$91,192	$87,430	($35,649)	(29.0%)
Housing Preservat'n & Developm'nt	$513,159	$477,302	$471,938	$471,800	($41,359)	(8.1%)
Dept. of Buildings	$101,856	$91,455	$91,455	$91,455	($10,401)	(10.2%)
Dept. of Health & Mental Hygiene	$1,594,664	$1,612,752	$1,621,195	$1,620,812	$26,148	1.6%
Health and Hospitals Corp.	$94,664	$94,445	$94,542	$94,613	($51)	0.1%
Dept. of Environmental Protection	$1,022,534	$963,870	$963,530	$963,167	($59,367)	(5.8%)
Dept. of Sanitation	$1,296,793	$1,401,206	$1,430,344	$1,428,061	$131,268	10.1%
Business Integrity Commission	$7,146	$7,165	$7,075	$7,075	($71)	(1.0%)
Dept. of Finance	$226,447	$223,551	$222,637	$221,742	($4,705)	(2.1%)
Dept. of Transportation	$705,169	$688,477	$686,629	$678,029	($27,140)	(3.8%)
Dept. of Parks and Recreation	$292,041	$282,929	$283,191	$283,417	($8,624)	(3.0%)
Dept. of Design & Construction	$106,822	$107,222	$107,223	$107,224	$402	0.4%
Dept. of Citywide Admin. Services	$376,984	$379,163	$375,792	$382,262	$5,278	1.4%
D.O.I.T.T.	$243,130	$230,063	$228,603	$228,692	($14,438)	(5.9%)
Dept. of Record & Info. Services	$4,789	$4,555	$4,557	$4,897	$108	2.3%
Dept. of Consumer Affairs	$18,854	$16,538	$16,538	$16,538	($2,316)	(12.3%)
District Attorney – N.Y.	$81,973	$70,773	$70,807	$70,807	($11,166)	(13.6%)
District Attorney – Bronx	$46,034	$41,750	$41,750	$41,750	($4,284)	(9.3%)
District Attorney – Kings	$77,244	$70,869	$70,772	$70,772	($6,472)	(8.4%)
District Attorney - Queens	$45,732	$41,403	$41,219	$41,219	($4,513)	(9.9%)
District Attorney - Richmond	$7,578	$6,853	$6,853	$6,853	($725)	(9.6%)
Office of Prosecut'n. & Spec. Narc.	$16,118	$14,675	$14,675	$14,675	($1,443)	(9.0%)
Public Administrator - N.Y.	$1,155	$1,156	$1,156	$1,156	$1	0.1%
Public Administrator - Bronx	$424	$425	$425	$425	$1	0.2%
Public Administrator - Brooklyn	$526	$526	$526	$526	$0	0.0%
Public Administrator - Queens	$400	$400	$400	$400	$0	0.0%
Public Administrator - Richmond	$297	$297	$297	$297	$0	0.0%
Prior Payable Adjustment	$0	$0	$0	$0	$0	N/A
General Reserve	$300,000	$300,000	$300,000	$300,000	$0	0.0%
Energy Adjustment	$0	$80,798	$130,296	$179,506	$179,506	N/A
Lease Adjustment	$0	$22,098	$82,209	$106,773	$106,773	N/A
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	$166,557	N/A
City-Wide Total	**$59,552,644**	**$67,072,810**	**$69,104,809**	**$71,846,548**	**$12,293,904**	**20.6%**

Glossary of Acronyms

AIRA	Actuarial Investment Return Assumption
ARRA	American Recovery and Reinvestment Act
BARB	Building Aid Revenue Bonds
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CDBG	Community Development Block Grant
CHIPS	Consolidated Local Street and Highway Improvement Program
CSA	Council of School Supervisors and Administrators
CUNY	City University of New York
CWA	Communications Workers of America
DC37	District Council 37
DEP	Department of Environmental Protection
DHS	Department of Homeless Services
DOC	Department of Correction
DOE	Department of Education
DOT	Department of Transportation

DSH	Medicaid Disproportionate Share
FMAP	Federal Medicaid Assistance Percentage
FTA	Federal Transit Administration
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
G.O. Debt	General Obligation Debt
HHC	Health and Hospitals Corporation
IMF	International Monetary Fund
J&C	Judgments and Claims
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYWFA	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget

OSA	Organization of Staff Analysts
OTPS	Other than Personal Services
PTYCS	Preliminary Ten-Year Capital Strategy
PBA	Patrolmen’s Benevolent Association
PEG	Program to Eliminate the Gap
PIT	Personal Income Tax
PS	Personal Services
QSCB	Qualified School Construction Bonds
QZAB	Qualified Zone Academy Bonds
RHBT	Retiree Health Benefit Trust
STAR	School Tax Relief Program
TARP	Troubled Asset Relief Program
TEA	Traffic Enforcement Agent
TSASC	Tobacco Settlement Asset Securitization Corporation
TYCS	Ten-Year Capital Strategy
UBT	Unincorporated Business Tax
UFA	Uniformed Firefighters’ Association

UFT	United Federation of Teachers
UPL	Medicaid Upper Payment Limit
U.S.	United States
VRDB	Variable Rate Demand Bond