



New York City Comptroller
John C. Liu

BUREAU OF FISCAL AND BUDGET STUDIES

Comment on New York City's Preliminary Budget for FY 2014 and Financial Plan for Fiscal Years 2013-2017

March 4, 2013

JOHN C. LIU
Comptroller

First Deputy Comptroller
Ricardo E. Morales

Deputy Comptroller for Public Affairs & Budget
Ari Hoffnung

Executive Director for Budget
Jonathan Rosenberg

Bureau Chief
Eng-Kai Tan

Chief Economist
Frank Braconi

Project Coordinator
Manny Kwan

Bureau Chief
Kirk Parks

Principal Economist
Farid Heydarpour

Staff
Kettly Bastien
Amitabha Basu
Rosa Charles
Carmen Cruz
Peter E. Flynn
Michele Griffin
Michael Hecht

Dahong Huang
Irina Livshits
Marcia Murphy
Albert Ng
Andrew Rosenthal
Orlando Vasquez

This page intentionally left blank.

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	v
II. THE STATE OF THE CITY'S ECONOMY.....	5
A. U.S. ECONOMIC OUTLOOK	5
B. NEW YORK CITY'S ECONOMIC CONDITION AND OUTLOOK.....	7
III. THE FY 2013 BUDGET	11
IV. THE PRELIMINARY FY 2014 BUDGET	15
RISKS AND OFFSETS	16
A. REVENUE OUTLOOK.....	18
<i>Tax Revenues</i>	18
<i>Miscellaneous Revenues</i>	22
<i>Federal and State Aid</i>	24
B. EXPENDITURE ANALYSIS.....	25
<i>Pensions</i>	26
<i>Health Insurance</i>	27
<i>Labor</i>	27
<i>Headcount</i>	28
<i>Overtime</i>	31
<i>Public Assistance</i>	32
<i>Department of Education</i>	32
<i>Health and Hospitals Corporation</i>	34
<i>Debt Service</i>	35
<i>Capital Commitment Plan</i>	38
<i>Ten-Year Capital Strategy</i>	40
V. APPENDIX – REVENUE AND EXPENDITURE DETAILS	43
GLOSSARY OF ACRONYMS	47

This page intentionally left blank.

LIST OF TABLES

TABLE 1.	FYs 2013 – 2017 FINANCIAL PLAN	1
TABLE 2.	PLAN-TO-PLAN CHANGES JANUARY 2013 PLAN VS. JUNE 2012 PLAN.....	2
TABLE 3.	RISKS AND OFFSETS TO THE JANUARY 2013 FINANCIAL PLAN	3
TABLE 4.	SELECTED NYC AND THE U.S. ECONOMIC INDICATORS, ANNUAL AVERAGES, COMPTROLLER AND MAYOR’S FORECASTS, 2013-2017	9
TABLE 5.	CHANGES TO THE FY 2013 CITY-FUNDS ESTIMATES.....	12
TABLE 6.	CLOSING THE FY 2014 GAP.....	15
TABLE 7.	RISKS AND OFFSETS TO THE JANUARY 2013 FINANCIAL PLAN	17
TABLE 8.	REVISIONS TO THE CITY’S TAX REVENUE ASSUMPTIONS JUNE 2012 VS. JANUARY 2013	19
TABLE 9.	CITY’S TAX REVENUE FORECAST, GROWTH RATE, FYS 2014 – 2017	20
TABLE 10.	RISKS AND OFFSETS TO THE CITY’S REVENUE PROJECTIONS	22
TABLE 11.	CHANGES IN FY 2014 ESTIMATES JANUARY 2013 VS. JUNE 2012.....	23
TABLE 12.	FY 2013 – FY 2017 EXPENDITURE GROWTH ADJUSTED FOR PREPAYMENTS AND PRIOR-YEAR ACTIONS	26
TABLE 13.	PAY-AS-YOU-GO HEALTH EXPENDITURES	27
TABLE 14.	CHANGES TO FY 2014 CITY-FUNDED FULL-TIME HEADCOUNT JANUARY PLAN VS. ADOPTED BUDGET	29
TABLE 15.	CITY-FUNDED FULL-TIME YEAR-END HEADCOUNT PROJECTIONS FYS 2013-2017.....	30
TABLE 16.	CITY-FUNDED FTE YEAR-END HEADCOUNT PROJECTIONS FYS 2013-2017	30
TABLE 17.	PROJECTED OVERTIME SPENDING, FY 2013 AND FY 2014	31
TABLE 18.	JANUARY 2013 FINANCIAL PLAN DEBT SERVICE ESTIMATES	35
TABLE 19.	JANUARY 2013 FINANCING PROGRAM , FYS 2013 – 2017.....	38
TABLE 20.	FYS 2013 – 2016 CAPITAL COMMITMENTS, ALL-FUNDS	39
TABLE 21.	FYS 2013 – 2016 CAPITAL COMMITMENTS, CITY-FUNDS	39
TABLE 22.	PRELIMINARY TEN-YEAR CAPITAL STRATEGY, JANUARY 2013 VS. TEN-YEAR CAPITAL STRATEGY, MAY 2011	40
TABLE 23.	ESTIMATED AGENCY CAPITAL RESOURCES ASSOCIATED WITH SANDY STORM DAMAGE FYS 2013-2023	42
TABLE A1.	JANUARY 2013 PRELIMINARY BUDGET REVENUE DETAIL	43
TABLE A2.	JANUARY 2013 PRELIMINARY BUDGET EXPENDITURE DETAIL	45

LIST OF CHARTS

CHART 1.	NYC AND U.S. AVERAGE ANNUAL PAYROLL JOBS, PERCENT CHANGE, 2012 VS. 2011	7
CHART 2.	DEBT SERVICE AS A PERCENT OF TAX REVENUES, 1992 – 2017	37

This page intentionally left blank.

I. Executive Summary

In 2012, the local and national economic recoveries finally showed signs of consistency after a period of erratic fluctuations. Encouraging trends in the U.S. housing market translated into a positive uptick in the job creation numbers nationwide. New and existing housing sales posted strong gains in 2012 while new construction also saw a marked increase over the prior year. The strengthening of the housing market after years of anemic growth offers a positive outlook for the economy as a whole as a vital housing market tends to boost employment in a variety of associated industries. In addition, rising home values during 2012 induce a “wealth effect,” whereby households spend more readily when they feel that their housing equity is appreciating. During the first nine months of 2012, home equity grew by \$1.2 trillion nationwide.

While the housing industry provided encouraging news for the economy in 2012, unemployment still remained unacceptably high throughout the year. The change to Federal fiscal policy, with a focus on austerity and belt tightening threatens to retard the rate of real economic growth by as much as 1.5 percentage points in 2013, relative to what would have been expected had Federal fiscal policy remained unchanged. The Comptroller’s Office forecasts that this change in fiscal priorities will offset some of the underlying economic improvement to produce a fourth straight year of 2-percent economic growth.

The City’s January Financial Plan is the final stage in the closing of a \$2.51 billion budget gap which was projected for FY 2014 in June 2012. The FY 2014 budget gap has been closed with an additional \$491 million in revenue, a reduction of \$56 million in the expenditure estimates, agency reductions under a PEG program totaling \$1 billion and an additional \$961 million in surplus FY 2013 funds which will be used to prepay FY 2014 debt service.

The Preliminary FY 2014 Budget as presented totals \$70.05 billion. The FY 2014 Budget is \$322 million less than the current modified FY 2013 budget. However, the current year’s budget includes \$1.38 billion of Super Storm Sandy-related spending. Exclusive of Sandy-related expenditures, the FY 2014 budget is actually \$1.08 billion or 1.57 percent greater than the FY 2013 budget. The year-to-year increase is almost entirely the result of growth in the City-funds portion of the budget which is projected to rise from \$48.9 billion in FY 2013 to \$50.7 billion in FY 2014.

While the January Financial Plan presents a balanced budget for both FYs 2013 and 2014, the Comptroller’s review of the Plan finds certain risks to budgetary assumptions that could create large budget gaps in the current and future fiscal years. The realization of all of the risks to the current Plan would leave the City with gaps of \$2.68 billion in FY 2013 and \$1.68 billion in FY 2014, while the gaps in FYs 2015 – 2017 could grow to \$3.75 billion, \$2.68 billion and \$2.15 billion respectively.

The single largest risk to the Financial Plan is the absence of funding for wage increases for employees belonging to the United Federation of Teachers (UFT) and

Council of School Supervisors and Administrators (CSA) for the 2008 – 2010 round of collective bargaining. While all of the other municipal unions settled for two-year contracts with wages increases of 4.0 percent at the beginning of the first and second year of the contract, the City never came to contract agreement with the UFT and CSA. A settlement with these unions comparable to those received by our other municipal unions would cost the City \$2.595 billion in the current fiscal year, of which \$1.67 billion would be funding retroactive wages. Going forward, the Comptroller's Office estimates the additional cost of such a settlement would be approximately \$900 million a year.

The Comptroller's Office has uncovered additional risks to the revenue forecasts of the outyears of the Financial Plan. These include the City's assumptions on taxi medallion revenues and Federal and State Aid estimates. The Financial Plan includes \$1.46 billion of revenue derived from the sale of 2,000 new taxi medallions. The sale is suspended indefinitely as a result of a court injunction. While the City has appealed the court's ruling which suspended the sale, given the uncertainty of the outcome of the appeal, the entire \$1.46 billion of taxi medallion revenues assumed in the Financial Plan is at risk.

Additional uncertainty regarding State education aid resulting from the inability of the City to come to an agreement on a teacher evaluation plan as well as the financial impact of the Federal sequester add additional risk to the Plan. The Comptroller's Office estimates that the Federal and State Aid could decline by as much as \$400 million as a result of these actions.

On the expenditure side, the Comptroller's Office assumes risks resulting from the underestimation of overtime costs and public assistance claim costs along with overly optimistic Department of Education (DOE) Medicaid reimbursement assumptions. These risks are slightly offset by overestimates of judgments and claims (J&C) against the City.

While persistent slow economic growth, at the national and local level, continues to hinder rapid growth in tax revenues similar to what the City experienced a decade ago. The Comptroller's Office does have a slightly more positive outlook on tax receipts in the outyears of the Financial Plan as compared to the Administration. In FY 2014, driven primarily by more optimistic growth assumptions in personal income tax collections, the Comptroller's Office estimates an offset of \$386 million to the aforementioned risks. This offset increases to \$508 million in FY 2015, \$910 million in FY 2016 and \$1.03 billion in FY 2017 propelled by continued growth in personal income tax collection as well stronger tax revenue assumptions for the property and sales taxes.

Table 1. FYs 2013 – 2017 Financial Plan

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Changes FYs 2013 – 2017	
						Dollar	Percent
Revenues							
Taxes:							
General Property Tax	\$18,659	\$19,579	\$20,403	\$21,337	\$22,106	\$3,447	18.5%
Other Taxes	\$24,574	\$25,145	\$26,412	\$27,541	\$28,779	\$4,205	17.1%
Tax Audit Revenues	\$838	\$709	\$709	\$709	\$709	(\$129)	(15.4%)
Subtotal: Taxes	\$44,071	\$45,433	\$47,524	\$49,587	\$51,594	\$7,523	17.1%
Miscellaneous Revenues	\$6,586	\$6,875	\$6,758	\$6,715	\$6,458	(\$128)	(1.9%)
Less: Intra-City Revenues	(\$1,777)	(\$1,608)	(\$1,611)	(\$1,616)	(\$1,613)	\$164	(9.2%)
Disallowances Against Categorical Grants	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	\$0	0.0%
Subtotal: City Funds	\$48,865	\$50,685	\$52,656	\$54,671	\$56,424	\$7,559	15.5%
Other Categorical Grants	\$981	\$940	\$907	\$895	\$891	(\$90)	(9.2%)
Inter-Fund Revenues	\$571	\$518	\$517	\$517	\$517	(\$54)	(9.5%)
Total City & Inter-Fund Revenues	\$50,417	\$52,143	\$54,080	\$56,083	\$57,832	\$7,415	14.7%
Federal Categorical Grants	\$8,655	\$6,543	\$6,361	\$6,349	\$6,346	(\$2,309)	(26.7%)
State Categorical Grants	\$11,301	\$11,365	\$11,685	\$12,147	\$12,275	\$974	8.6%
Total Revenues	\$70,373	\$70,051	\$72,126	\$74,579	\$76,453	\$6,080	8.6%
Expenditures							
Personal Service							
Salaries and Wages	\$22,031	\$21,744	\$21,902	\$22,206	\$22,533	\$502	2.3%
Pensions	\$8,062	\$8,212	\$8,203	\$8,399	\$8,652	\$590	7.3%
Fringe Benefits	\$8,500	\$8,765	\$9,400	\$10,111	\$10,796	\$2,296	27.0%
Retiree Health Benefits Trust	(\$1,000)	(\$1,000)	\$0	\$0	\$0	\$1,000	(100.0%)
Subtotal-PS	\$37,593	\$37,721	\$39,505	\$40,716	\$41,981	\$4,388	11.7%
Other Than Personal Service							
Medical Assistance	\$6,314	\$6,366	\$6,447	\$6,415	\$6,415	\$101	1.6%
Public Assistance	\$1,274	\$1,275	\$1,273	\$1,273	\$1,279	\$5	0.4%
All Other	\$22,205	\$20,788	\$21,402	\$21,865	\$22,235	\$30	0.1%
Subtotal-OTPS	\$29,793	\$28,429	\$29,122	\$29,553	\$29,929	\$136	0.5%
Debt Service							
Principal	\$1,941	\$1,958	\$2,321	\$2,314	\$2,259	\$318	16.4%
Interest & Offsets	\$2,309	\$2,529	\$2,605	\$2,721	\$2,802	\$493	21.4%
Subtotal Debt Service	\$4,250	\$4,487	\$4,926	\$5,035	\$5,061	\$811	19.1%
FY 2012 BSA and Discretionary Transfers ^a	(\$2,431)	(\$31)	\$0	\$0	\$0	\$2,431	(100.0%)
FY 2013 BSA	\$1,085	(\$1,085)	\$0	\$0	\$0	(\$1,085)	(100.0%)
NYCTFA							
Principal	\$606	\$665	\$852	\$944	\$979	\$373	61.6%
Interest & Offsets	\$1,154	\$1,173	\$1,405	\$1,523	\$1,670	\$516	44.7%
Subtotal NYCTFA	\$1,760	\$1,838	\$2,257	\$2,467	\$2,649	\$889	50.5%
General Reserve	\$100	\$300	\$300	\$300	\$300	\$200	200.0%
	\$72,150	\$71,659	\$76,110	\$78,071	\$79,920	\$7,770	10.8%
Less: Intra-City Expenses	(\$1,777)	(\$1,608)	(\$1,611)	(\$1,616)	(\$1,613)	\$164	(9.2%)
Total Expenditures	\$70,373	\$70,051	\$74,499	\$76,455	\$78,307	\$7,934	11.3%
Gap To Be Closed	\$0	\$0	(\$2,373)	(\$1,876)	(\$1,854)	(\$1,854)	N/A

^a FY 2012 BSA and Discretionary Transfers include prepayments of \$1.34 billion of G.O. debt service, \$879 million of NYCTFA debt service, \$156 million of lease debt service, net equity contributions in bond refunding of \$23 million, and \$64 million of subsidies.

Table 2. Plan-to-Plan Changes
January 2013 Plan vs. June 2012 Plan

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016
Revenues				
Taxes:				
General Property Tax	\$28	\$409	\$572	\$864
Other Taxes	\$285	(\$86)	(\$173)	(\$267)
Tax Audit Revenues	\$114	\$3	\$3	\$3
Subtotal: Taxes	\$427	\$326	\$402	\$600
Miscellaneous Revenues	(\$363)	\$287	\$90	\$404
Less: Intra-City Revenues	(\$146)	(\$11)	(\$11)	(\$11)
Disallowances Against Categorical Grants	\$0	\$0	\$0	\$0
Subtotal: City Funds	(\$82)	\$602	\$481	\$993
Other Categorical Grants	\$57	\$21	(\$9)	(\$7)
Inter-Fund Revenues	\$32	\$8	\$8	\$8
Total City & Inter-Fund Revenues	\$7	\$631	\$480	\$994
Federal Categorical Grants	\$1,994	\$72	(\$10)	(\$21)
State Categorical Grants	(\$129)	(\$355)	(\$455)	(\$475)
Total Revenues	\$1,872	\$348	\$15	\$498
Expenditures				
Personal Service				
Salaries and Wages	\$230	(\$176)	(\$237)	(\$309)
Pensions	\$0	\$98	\$197	\$295
Fringe Benefits	\$71	(\$232)	(\$197)	(\$156)
Retiree Health Benefits Trust	\$0	\$0	\$0	\$0
Subtotal-PS	\$301	(\$310)	(\$237)	(\$170)
Other Than Personal Service				
Medical Assistance	\$31	\$0	\$0	(\$1)
Public Assistance	\$0	(\$4)	(\$6)	(\$6)
All Other	\$1,056	(\$444)	(\$462)	(\$536)
Subtotal-OTPS	\$1,087	(\$448)	(\$468)	(\$543)
Debt Service				
Principal	(\$70)	(\$201)	\$15	\$13
Interest & Offsets	\$6	(\$26)	(\$30)	(\$13)
Subtotal Debt Service	(\$64)	(\$227)	(\$15)	\$0
FY 2012 BSA and Discretionary Transfers	(\$23)	\$0	\$0	\$0
FY 2013 BSA	\$961	(\$961)	\$0	\$0
NYCTFA Debt Service				
Principal	(\$30)	(\$126)	(\$20)	\$36
Interest & Offsets	(\$14)	(\$77)	\$22	(\$8)
Subtotal NYCTFA	(\$44)	(\$203)	\$2	\$28
General Reserve	(\$200)	\$0	\$0	\$0
	\$2,018	(\$2,149)	(\$718)	(\$685)
Less: Intra-City Expenses	(\$146)	(\$11)	(\$11)	(\$11)
Total Expenditures	\$1,872	(\$2,160)	(\$729)	(\$696)
Gap To Be Closed	\$0	\$2,508	\$744	\$1,194

Table 3. Risks and Offsets to the January 2013 Financial Plan

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
City Stated Gap	\$0	\$0	(\$2,373)	(\$1,876)	(\$1,854)
Tax Revenues					
Property Tax	(\$13)	\$31	\$119	\$350	\$668
Personal Income Tax	\$24	\$326	\$228	\$266	\$312
Business Taxes	(\$19)	(\$50)	(\$116)	(\$143)	(\$236)
Sales Tax	\$10	\$75	\$210	\$352	\$337
Real-Estate-Related Taxes	<u>(\$14)</u>	<u>\$4</u>	<u>\$67</u>	<u>\$85</u>	<u>(\$56)</u>
Subtotal	(\$12)	\$386	\$508	\$910	\$1,025
Taxi Medallion Sale	\$0	(\$600)	(\$497)	(\$363)	\$0
Federal and State Aid	\$0	(\$400)	(\$400)	(\$400)	(\$400)
Expenditures					
UFT/CSA Collective Bargaining	(\$2,595)	(\$900)	(\$900)	(\$900)	(\$900)
Overtime	(\$69)	(\$161)	(\$100)	(\$100)	(\$100)
DOE Medicaid Reimbursement	(\$40)	(\$80)	(\$100)	(\$100)	(\$100)
Public Assistance	(\$20)	(\$20)	(\$20)	(\$20)	(\$20)
Judgments and Claims	<u>\$60</u>	<u>\$93</u>	<u>\$129</u>	<u>\$165</u>	<u>\$200</u>
Subtotal	(\$2,664)	(\$1,068)	(\$991)	(\$955)	(\$920)
Total Risk/Offsets	(\$2,676)	(\$1,682)	(\$1,380)	(\$808)	(\$295)
Restated (Gap)/Surplus	(\$2,676)	(\$1,682)	(\$3,753)	(\$2,684)	(\$2,149)

This page intentionally left blank.

II. The State of the City's Economy

With the U.S. economy still struggling to regain its historical growth rate and the unemployment rate hovering close to 8.0 percent, the focus of national economic policy has turned to deficit reduction. The tax policy changes that resulted from the end-of-year “fiscal cliff” negotiations will increase national taxes by about \$180 billion in 2013, and the automatic budget sequestration scheduled to take effect March 1st will cut Federal spending by about \$85 billion. That abrupt fiscal tightening will reduce the rate of real economic growth by as much as 1.5 percentage points in 2013, relative to what would have been expected had Federal fiscal policy remained unchanged. Although there were promising signs that the U.S. economy was building momentum in 2013, the change in fiscal priorities will offset some of the underlying improvement to produce a fourth straight year of 2-percent economic growth.

New York City's economic recovery also showed signs of broadening in 2012, although, as at the national level, unemployment remained unacceptably high. Job creation, especially in the first half of the year, was robust, and there were indications of further recovery in residential real estate. Nevertheless, the City's economy will be slowed by the change in Federal fiscal policies in 2013, with the expiration of the 2-percent payroll tax holiday expected to have the most noticeable effect.

A. U.S. ECONOMIC OUTLOOK

After a turbulent 2012, the U.S. economy should provide a smoother ride in 2013. The first half of 2012 was dominated by the European debt crisis, which held the potential of seriously disrupting world trade and finance. After the European Central Bank quelled the growing panic in September, attention turned to the U.S. Presidential election, which was, in many ways, a referendum on the nation's fundamental economic values. After the November election, the news was dominated by the so-called fiscal cliff political gamesmanship that unnerved the business community and the informed citizenry alike. The year ended with an unexpected decline in GDP in the fourth quarter, which can be attributed in part to the uncertainty surrounding Federal fiscal policy. Although 2013 will not be free of political rancor or international instability, the contours of economic policy, both in the U.S. and abroad, have clarified and policy risk has been reduced accordingly.

The most encouraging economic development of the past year has been the revival of the U.S. housing market. Existing home sales rose 9.2 percent in 2012 from the previous year while new home sales rose 19.9 percent. In response to the higher level of transactions activity, new housing starts rose 28.1 percent. Most importantly, home prices rose 5.6 percent from November 2011 to November 2012 (according to the Case-Shiller Home Price Index) and the real estate data vendor CoreLogic estimates that 1.4 million homeowners moved out of a negative equity position during the first three quarters of the year.

Although housing prices and residential construction are still well below their long-term trend levels, all of the important indicators confirm a long-awaited turning point in the housing market. A return to normalcy in the housing market will benefit the economy in a number of ways. An annual average of 755,000 workers were employed in the residential construction industry from 1988 to 2008. The current number is more than 180,000 below that (on a seasonally-adjusted basis), representing the direct employment gains that could be realized with a full housing recovery. A healthy level of residential transactions and new construction also lifts employment in a variety of associated industries, including building materials, construction equipment, home furnishings, finance, law, architecture and real estate. Moreover, rising home values induce a “wealth effect,” whereby households spend more readily when they feel that their housing equity is appreciating. According to the Federal Reserve, from year-end 2007 to year-end 2011, households saw their home equity dwindle by \$3.8 trillion. During the first nine months of 2012, it grew by \$1.26 trillion.

Although consumer spending grew by only 1.9 percent in 2012 compared with 2.5 percent in 2011, personal consumption spending strengthened in the last quarter of the year. It is likely that perceptions of renewed housing appreciation contributed to the improvement. Consumer spending is, of course, a double-edged sword; the economy cannot grow significantly without demand growth from households, but excessive spending unsupported by income growth can lead to credit bubbles like that which led to the recent recession. However, disposable personal income in the fourth quarter of 2012 increased at its fastest rate since the end of the recession, so a firmer foundation for consumer spending may be developing. Also, the household debt service-to-income ratio has fallen to its lowest level since 1983, so there is room for an expansion of consumer credit to further fuel consumption.

Non-residential fixed investment, comprised primarily of business spending on structures, equipment and software, remained strong in 2012 despite the uncertain policy environment. Corporate profits continued to increase and reached a new high of \$1.97 trillion (at an annual rate) in the third quarter of 2012. Corporate profits in the first three quarters of 2012 were \$1.93 trillion, 8.1 percent more than the same period in 2011. Moreover, U.S. corporations are holding a record amount of cash, suggesting that they are positioned to expand rapidly when increased demand for their goods and services warrants.

Against these positive developments must be weighed the recent and impending changes to Federal fiscal policies. Legislation adopted or which expired at the beginning of the year will raise taxes by about \$180 billion in 2013. About \$60 billion of that represents higher tax rates on high-income earners and will have relatively little short-term effect on the economy. However, the expiration of the 2-percent payroll tax holiday will reduce households’ disposable income by \$120 billion and will reduce consumer spending by more than 1 percent. Even a conservative estimate of the fiscal multiplier suggests that the payroll tax change will reduce 2013 GDP growth by at least 0.5 percent point.

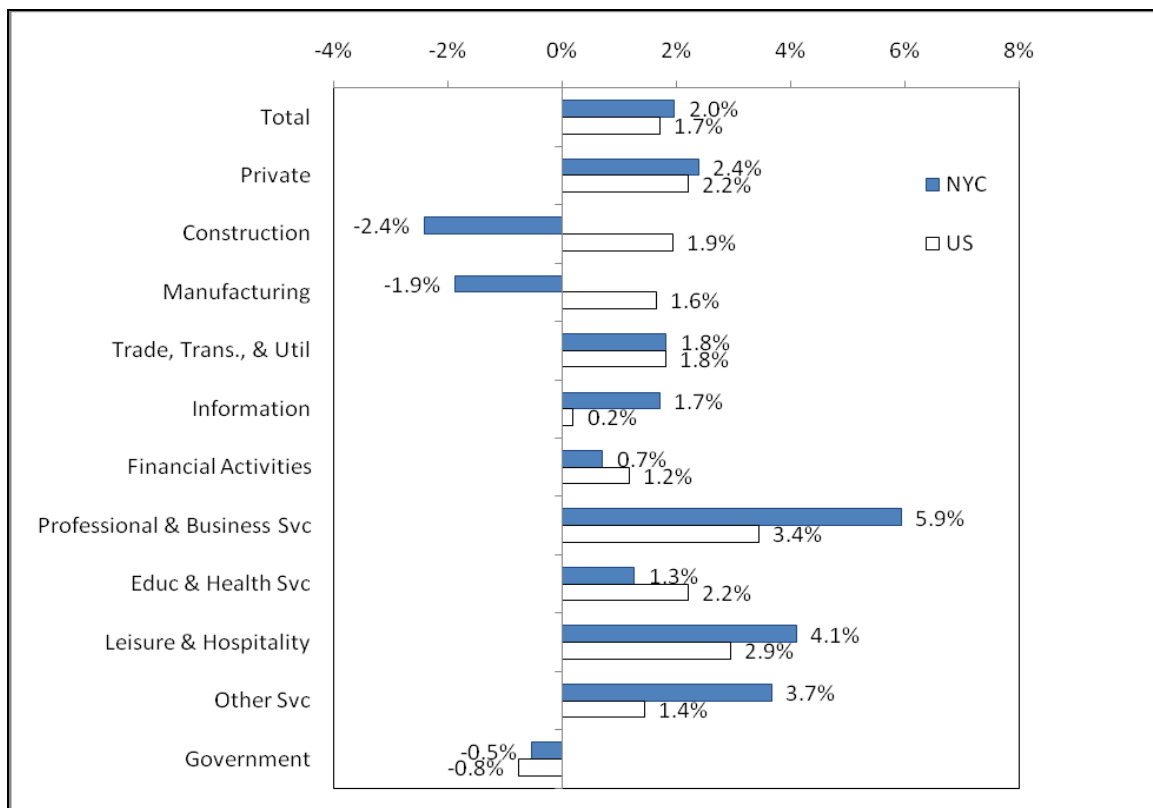
At the beginning of the year, Congress postponed to March 1st the date on which the automatic spending reductions mandated by the Budget Control Act of 2011 take effect, and suspended the statutory Federal Debt Ceiling limitation until May 18th. Also, the continuing resolution which funds Federal agencies expires on March 27th. Those important deadlines ensure further policy uncertainty during the first quarter of the year. Although the outcome of the budget negotiations is impossible to predict, the comments of both Republican Congressional leaders and the President suggest that further fiscal tightening equal to or greater in magnitude than the sequester mandate is likely.

B. NEW YORK CITY'S ECONOMIC CONDITION AND OUTLOOK

New York City's economy kept pace with, and on some measures outperformed, the national economy in 2012. Real gross city product (GCP) grew 2.2 percent, about the same as the national rate. However, had it not been for Super Storm Sandy, the city's economic growth would have been slightly higher. Total private-sector jobs in the city were up by 77,300, or 2.4 percent, on a year-over-year basis, which compares favorably with national job growth of 2.2 percent during the same period.

Chart 1 shows the year-over-year change in the annual average of monthly jobs for different sectors for the City and the nation in 2012.

Chart 1. NYC and U.S. Average Annual Payroll Jobs, Percent Change, 2012 vs. 2011



Source: NYS Department of Labor and Bureau of Labor Statistics.

Note: Jobs are based on annual average of monthly data.

Less satisfactory has been the progress in reducing unemployment. The City's average unemployment rate rose to 9.5 percent in 2012, from 9.0 percent in 2011. The higher unemployment rate seems inconsistent with the strong recorded job creation, especially insofar as BLS data indicate that the City's labor force increased by only 22,800 in 2012. A recent Independent Budget Office study, however, suggests that the BLS data may be understating the recent rate of expansion in the City's labor force.

As in the nation as a whole, the City's residential real estate market strengthened in 2012. However, the improvements were spotty and the City's housing market remains far from healthy. Manhattan apartment sales in 2012 were 3.4 percent greater than in the prior year, according to Prudential Douglas Elliman, but the increase was only achieved with a fourth-quarter surge that may have been motivated, in part, by the impending increase in capital gains tax rates. Manhattan square-foot prices were off slightly from the previous year. By the end of the year the listing inventory was down significantly from the end of 2011, portending a strengthening of prices in 2013. New residential construction activity in Manhattan (as measured by building permits granted) began to pick up in mid-2011 and the tighter inventory of existing apartments may provide a further impetus to new construction in the coming year.

Brooklyn and Queens displayed a pattern different from Manhattan. According to Prudential Douglas Elliman, sales volume of homes fell in both boroughs in 2012, but prices firmed. Like Manhattan, though, the listing inventory dwindled. New construction activity picked up in Brooklyn, Queens, the Bronx and Staten Island, as revived market-rate housing in Brooklyn added to the ongoing affordable housing development in the boroughs.

Manhattan's office market also had a mixed year in 2012. The pace of leasing activity and overall space absorption slowed, and the office vacancy rate ticked up compared to year-end 2011. Most of the major lease deals in 2012 were renewals, with firms opting to stay put while national economic conditions remained uncertain. Nevertheless, asking rents continued to recover from their plunge during the financial crisis and the market for major commercial investment properties continued to thaw.

The City's tourism industry had another record year in 2012. According to NYC & Company, 52 million visitors came to the City in 2012, the most ever, boosting the City's economy by \$55 billion. According to the PKF Consulting, average daily hotel occupancy rate was 87.9 percent in 2012, the highest on record. The average daily room rate was \$284, an increase over 2011 but below the peak of \$307 in 2008. The high occupancy and room rates are especially impressive considering that since 2010 more than 11,000 new hotel rooms have been completed, according to Smith Travel Research.

Of course, the City's economy was brought to a standstill late in the year by Super Storm Sandy, which dislocated thousands of residents and jeopardized hundreds of businesses. The Comptroller's Office estimates that the storm deducted about 0.2 percentage points from the City's economic growth rate in 2012. However, the infusion of funds from private insurance companies and Federal disaster aid is expected to add about 0.5 percentage point to the City's rate of growth in 2013. The disaster

funding will partially offset the lower personal consumption expenditures resulting from the new Federal tax rates.

Table 4 shows the Comptroller's and the Mayor's forecast of five economic indicators for the City from 2012 to 2016.

Table 4. Selected NYC and the U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2013-2017

Selected NYC Economic Indicators, Annual Averages						
		2013	2014	2015	2016	2017
Real GCP, (2005 \$),	Comptroller	2.6	2.6	3.2	3.2	3.0
Percent Change	Mayor	0.0	0.9	2.2	2.6	2.4
Payroll Jobs,	Comptroller	50	48	45	43	30
Change in Thousands	Mayor	41	41	38	44	44
Inflation Rate	Comptroller	2.1	2.3	2.5	2.7	2.8
Percent	Mayor	1.9	1.9	1.6	1.8	1.9
Wage-Rate Growth,	Comptroller	1.8	2.5	2.9	2.9	2.9
Percent	Mayor	1.5	1.7	2.1	2.8	2.9
Unemployment Rate,	Comptroller	8.4	7.8	7.4	7.0	6.8
Percent	Mayor	NA	NA	NA	NA	NA
Selected U.S. Economic Indicators, Annual Averages						
		2013	2014	2015	2016	2017
Real GDP, (2005 \$),	Comptroller	1.9	2.9	3.2	3.4	3.3
Percent Change	Mayor	1.5	2.2	3.4	3.4	3.2
Payroll Jobs,	Comptroller	1.9	1.9	2.0	2.1	2.0
Change in Millions	Mayor	1.8	1.8	2.5	3.0	2.6
Inflation Rate	Comptroller	1.9	2.1	2.3	2.6	2.7
Percent	Mayor	1.6	1.7	1.4	1.6	1.7
Fed Funds Rate,	Comptroller	0.2	0.2	0.4	2.0	3.2
Percent	Mayor	0.2	0.2	0.7	2.7	4.0
10-Year Treasury Notes,	Comptroller	1.9	2.5	3.7	3.9	4.4
Percent	Mayor	2.4	3.2	3.7	4.3	4.9

Source: Comptroller=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the January 2013 Financial Plan. NA=not available.

This page intentionally left blank.

III. The FY 2013 Budget

The January Modification to the FY 2013 budget totals \$70.373 billion, an increase of \$1.403 billion from the November Modification and a cumulative increase of \$1.872 billion from the Adopted Budget. The increase in the budget since adoption is due almost entirely to an additional \$1.994 billion in the Federal categorical portion of the budget. Most of the increase in the Federal categorical portion of the budget stems from the anticipated receipt of \$1.38 billion in Federal Emergency Management Agency (FEMA) aid to cover expenses incurred by City agencies in providing emergency and protective services and clean-up operations related to Super Storm Sandy.¹

Downward revisions to the State categorical and City-funds portion of the budget offset some of the increase in the Federal categorical portion of the budget. The City has decreased its State categorical aid in FY 2013 to account for the loss of \$250 million in State education aid. These funds were tied to the City's successful implementation of a teacher evaluation system prior to an agreed upon deadline. As a result of the failure of the City to reach an agreement with the United Federation of Teachers (UFT) on an evaluation system the State rescinded this funding from its plan, as discussed in "Department of Education" beginning on page 32.

The City-funds portion of the FY 2013 budget has declined by \$82 million to \$48.865 billion since the budget was adopted. The decrease is the net result of various budgetary actions which occur in the January Modification. The single largest action is the removal of an anticipated \$635 million of revenue from the sale of taxi medallions.² On August 17, 2012, State Supreme Court Justice Arthur F. Engoron ruled the law authorizing the sale of the new taxi medallions "null and void" because it violated the "Home Rule Clause" of the State Constitution. While the City has appealed the ruling, the City believes that the appeal process will delay the sales of taxi medallions and does not expect the first auction of taxi medallions until FY 2014.

Approximately two-thirds of the loss in expected FY 2013 taxi medallion sale revenues is offset by upward revisions to tax revenues. As shown in Table 5, total tax revenues increase by a net of \$413 million in the January Modification. Revisions to business tax, real-estate-related tax, and tax audit revenues account for most of the increase.³ The increase in business tax revenues is the net result of an increase of \$170 million in the banking corporation tax (BCT) revenue forecast and reductions of \$37 million and \$2 million in the general corporation and unincorporated business tax revenue forecasts, respectively. The higher BCT forecast reflects both calendar year 2012

¹ In addition to the \$1.38 billion aid to the General Fund budget, FEMA is providing an additional \$3.083 billion to the Capital budget to cover Sandy damages and capital expenditures.

² The June 2012 Financial Plan includes projected revenues from the sales of \$635 million in FY 2013, \$365 million in FY 2014 and \$460 million in FY 2015.

³ Business tax comprises general corporation tax, unincorporated business tax and banking corporation tax. Real-estate-related tax comprises real property transfer tax and mortgage recording tax.

Wall Street profitability and strong refinancing activities as a result of historically low mortgage rates. The stronger real-estate-related tax revenue forecast reflects the continuing rebound in the commercial and residential real-estate market and a rush to complete real-estate transactions before the anticipated increase in Federal capital gains tax rate takes effect at the start of calendar year 2013.

Table 5. Changes to the FY 2013 City-Funds Estimates

(\$ in millions)

REVENUES		EXPENDITURES	
Property Tax	\$15	Prior-Year-Payable	(\$500)
PIT	\$12	General Reserve	(\$200)
Business Tax	\$131	Debt Service	(\$56)
Sales Tax	(\$3)	HIP Rate Re-estimate	(\$11)
Real-Estate-Related Tax	\$145	Agency Increase	\$160
Tax Audit	<u>\$113</u>	Subtotal	(\$607)
Subtotal Tax Revenues	\$413		
Non-Tax Revenues	\$36	PEG	(\$436)
Revenue PEGs	\$104		
Taxi Medallion Sales	<u>(\$635)</u>	FY 2013 BSA	<u>\$961</u>
Total	(\$82)	Total	(\$82)

Baseline City-funded expenditure estimates have been reduced by \$607 million. Adjustments to prior-year-payable estimates and a take-down of the general reserve account for \$500 million and \$200 million, respectively, of the expenditure reduction. Debt service savings and the re-estimate of the health insurance premium rate decrease expenditures by another \$67 million but are offset by \$160 million in agency spending increases.

In addition to the baseline expenditure reductions, savings resulting from agency PEGs lowered the expenditure estimates by an additional \$436 million. These expenditure reductions, along with \$104 million in additional revenues were part of a Financial Plan PEG which required agencies to reduce spending and/or enhance revenue in an amount equivalent to 1.6 percent of the Department of Education's budget (DOE), 2.7 percent of uniformed agency budgets, and 5.4 percent of the budgets of all other City agencies.⁴

⁴ The City issued a letter in September 2012 to all city agencies instructing them to submit plans to reduce spending or increase revenues to begin addressing the FY 2014 gap. All City agencies, with the exception of DOE and uniformed agencies were required to submit plans that would produce budget relief equal to 5.4 percent of their budget in FY 2013 and 8.0 percent in FY 2014. DOE was required to submit plans equal to 1.6 percent of its FY 2013 budget and 4.0 percent of its FY 2014 budget while uniformed agencies were required to submit plans equal to 2.7 percent of its FY 2013 budget and 4.0 percent of its FY 2014 budget.

The combined savings from the expenditure PEGs and the baseline spending reductions reduce FY 2013 spending by \$1.043 billion. This reduction in spending offsets the \$82 million decline in revenues from the Adopted Budget and increases the FY 2013 Budget Stabilization Account (BSA) by \$961 million, bringing the amount in the BSA to \$1.085 billion. The BSA is earmarked to prepay FY 2014 debt service.

This page intentionally left blank.

IV. The Preliminary FY 2014 Budget

The Preliminary FY 2014 Budget totals \$70.051 billion, a modest decline of \$322 million from the modified FY 2013 budget. However, the FY 2013 budget includes \$1.402 billion of Super Storm Sandy-related spending compared with only \$527,000 in FY 2014. Excluding Sandy-related spending, the FY 2014 budget is actually \$1.08 billion greater than the FY 2013 budget. This increase is almost entirely the result of growth in the City-funds portion of the budget which is projected to rise from \$48.865 billion in FY 2013 to \$50.685 billion in FY 2014.⁵ Decreases in Federal categorical, inter-fund agreement, and other categorical portions of the budget offset a portion of the increase.⁶

The Preliminary FY 2014 Budget closes a \$2.508 billion gap projected in the June 2012 Financial Plan. As Table 6 shows, the gap is closed with an additional \$491 million in revenue, a reduction of \$56 million in the expenditure estimates, FY 2014 PEG budget relief of \$1 billion and an increase of \$961 million in the FY 2013 BSA to prepay FY 2014 debt service.

Table 6. Closing the FY 2014 Gap

(\$ in millions)	
June 2012 Gap	\$2,508
Tax Revenues	\$310
Taxi Medallion Sales	235
Non-Tax Revenues	(54)
Subtotal Revenues	\$491
Agency Expenditures	(\$237)
Pension Asset Losses	(98)
Debt Service	200
HIP Rate Re-estimate	191
Subtotal Expenditures	\$56
PEGs	\$1,000
BSA	\$961
January 2013 Gap	\$0

The increase in tax revenues is driven primarily by a \$395 million upward revision to real property tax revenue forecast. This revision mainly reflects the tentative roll for FY 2014. The increase in taxi medallion sales revenue in FY 2014 results from the deferral of \$635 million of funds originally assumed to be accrued in FY 2013. These taxi medallion sale revenues were distributed among the outyears. As discussed in “The FY 2013 Budget” beginning on page 11, the City believes that the appeal process will delay the sale of taxi medallions until FY 2014. As such, the City has removed the

⁵ In addition to the City-funds portion of the budget, the State categorical funds part of the budget shows a modest increase of \$64 million from FY 2013 to FY 2014.

⁶ Excludes Sandy-related aid and spending.

\$635 million from FY 2013 and increased taxi medallion revenues by \$235 million in FY 2014, \$37 million in FY2015, and \$363 million in FY 2016.

Reductions in debt service and health insurance costs account for the bulk of the decline in expenditure estimates. The drop in debt service expenditures reflects refunding savings and lower than previously expected interest rates. The decrease in health insurance cost is due to lower than previously budgeted premium rate increase. The City had budgeted for a 9.5 percent rate increase in the Adopted Budget. Subsequent to budget adoption, the New York State Department of Financial Services approved a premium rate increase of 5.2 percent for the Health Insurance Plan of Greater New York (HIPGNY) effective July 1, 2013.

RISKS AND OFFSETS

While the January Financial Plan shows balanced budgets for FYs 2013 and 2014, the Comptroller's Office has identified net risks ranging from \$295 million to \$2.676 billion over the Plan period which if realized would result in gaps of \$2.676 billion and \$1.682 billion in FYs 2013 and 2014, respectively and widen the gaps to \$3.753 billion in FY 2015, \$2.684 billion in FY 2016, and \$2.149 billion in FY 2017, as shown in Table 7. The largest risk to the Financial Plan is the absence of funding for wage increases for employees belonging to the UFT and the Council of School Supervisors and Administrators (CSA) for the 2008 – 2010 round of collective bargaining.⁷ The UFT and CSA are one round behind the other municipal unions in contract settlement. The other municipal unions settled for two-year contracts with wage increases of 4.0 percent at the beginning of the first and second year of the contract. A comparable settlement with the UFT and CSA would cost the City \$2.595 billion in FY 2013, including retroactive costs, and \$900 million a year beginning FY 2014. The status of the UFT and CSA contracts is discussed in "Labor" beginning on page 27.

⁷ The 2008-2010 round of collective bargaining for UFT and CSA is effective 2010 – 2012.

Table 7. Risks and Offsets to the January 2013 Financial Plan

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
City Stated Gap	\$0	\$0	(\$2,373)	(\$1,876)	(\$1,854)
Tax Revenues					
Property Tax	(\$13)	\$31	\$119	\$350	\$668
Personal Income Tax	\$24	\$326	\$228	\$266	\$312
Business Taxes	(\$19)	(\$50)	(\$116)	(\$143)	(\$236)
Sales Tax	\$10	\$75	\$210	\$352	\$337
Real-Estate-Related Taxes	<u>(\$14)</u>	<u>\$4</u>	<u>\$67</u>	<u>\$85</u>	<u>(\$56)</u>
Subtotal	(\$12)	\$386	\$508	\$910	\$1,025
Taxi Medallion Sale	\$0	(\$600)	(\$497)	(\$363)	\$0
Federal and State Aid	\$0	(\$400)	(\$400)	(\$400)	(\$400)
Expenditures					
UFT/CSA Collective Bargaining	(\$2,595)	(\$900)	(\$900)	(\$900)	(\$900)
Overtime	(\$69)	(\$161)	(\$100)	(\$100)	(\$100)
DOE Medicaid Reimbursement	(\$40)	(\$80)	(\$100)	(\$100)	(\$100)
Public Assistance	(\$20)	(\$20)	(\$20)	(\$20)	(\$20)
Judgments and Claims	<u>\$60</u>	<u>\$93</u>	<u>\$129</u>	<u>\$165</u>	<u>\$200</u>
Subtotal	(\$2,664)	(\$1,068)	(\$991)	(\$955)	(\$920)
Total Risk/Offsets	(\$2,676)	(\$1,682)	(\$1,380)	(\$808)	(\$295)
Restated (Gap)/Surplus	(\$2,676)	(\$1,682)	(\$3,753)	(\$2,684)	(\$2,149)

Adding to the risks in the outyears are the City's assumptions on taxi medallion revenues and Federal and State Aid. While the City has appealed the court's ruling which cancelled the taxi medallion sale, given the uncertainty of the outcome of the appeal, the Comptroller's Office believes that the entire \$1.46 billion of taxi medallion revenues assumed in the Financial Plan is at risk. With regards to Federal aid, there is still a large degree of uncertainty regarding the Federal budget. Although the passage of the American Tax Relief Act (ATRA) helped avert a fiscal cliff, it did not address the automatic across-the-board cuts to the budget, ("the sequester"), which went into effect on March 1st. Any cuts in the Federal budget would result in a reduction in Federal support for the City. Given the uncertainties surrounding the Federal budget, the Comptroller's Office estimates that there could be a shortfall of \$400 million in Federal and State support in each of FYs 2014 through 2017.

Higher tax revenue forecasts of the Comptroller's Office offset some of the risks in the outyears. The Comptroller's Office projects that tax revenues will be above the City's by \$386 million in FY 2014, \$508 million in FY 2015, \$910 million in FY 2016, and \$1.025 billion in FY 2017. The higher tax revenue forecasts reflects the Comptroller's Offices more optimistic economic forecast. The Comptroller's tax revenues forecast are discussed in "Risks and Offsets to Tax Revenues" beginning on page 21.

A. REVENUE OUTLOOK

Projected revenues in the FY 2014 Preliminary Budget and Financial Plan reflect the City's assumption that the local and national economies will experience modest growth over the Plan period. Total revenue is projected to increase 8.6 percent from \$70.4 billion in FY 2013 to \$76.5 billion in FY 2017. Tax revenues are expected to comprise 63 percent of total revenues in FY 2013, increasing to 67 percent of total revenues by FY 2017. Property tax revenues are projected to grow from \$18.7 billion in FY 2013 to \$22.1 billion in FY 2017, while non-property tax revenues are expected to grow from \$25.4 billion in FY 2013 to \$29.5 billion in FY 2017.

Miscellaneous revenues, excluding intra-City revenues, are expected to increase from \$4.8 billion in FY 2013 to \$5.3 billion in FY 2014, dropping slightly to \$5.1 billion in each of FYs 2015-2016, before returning to the FY 2013 level of \$4.8 billion in FY 2017. The higher revenues in FYs 2014, 2015 and 2016 relative to FY 2013 reflect the City's anticipation of \$1.46 billion in non-recurring revenues from the sale of taxi medallions over this period. Excluding the revenue from the sale of taxi medallions, growth in miscellaneous revenue is expected to be flat over the Financial Plan period.

Total Federal and State aid is projected at \$20 billion in FY 2013, but is expected to decline by over \$2 billion in FY 2014. The higher projection in FY 2013 aid is primarily attributable to anticipated Federal reimbursement to cover the City's clean-up and recovery costs related to Super Storm Sandy. In the outyears, Federal and State aid are expected to remain relatively stable, reaching \$18.6 billion by FY 2017.

Tax Revenues

The Preliminary Budget and Financial Plan projects \$45.43 billion in total tax revenue for FY 2014, an increase of \$1.36 billion or 3.1 percent from the FY 2013 level. Since the June 2012 Financial Plan, the FY 2014 forecast has increased by a net \$327 million.⁸ The revision is attributable to increases in revenue projections for the property tax, real-estate-related taxes and sales tax partially offset by lower revenue projections for the business taxes, the personal income tax (PIT) and other taxes.⁹

Changes to the FY 2014 Tax Revenue Forecast

As Table 8 shows, including tax revenue Pegs, total tax revenue projections for FY 2014 increased from \$45.11 billion in the June 2012 Plan to \$45.43 billion in the current budget. The FY 2014 property tax revenue projection increased \$409 million from the June 2012 forecast, to \$19.58 billion. The increase is mostly due to a \$339 million levy increase resulting from changes in market and taxable billable values.

⁸ The increase includes tax revenue PEGs of \$17 million for FY2014. Excluding PEGs, baseline tax revenues increased by \$310 million.

⁹ If not indicated specifically, throughout this section, Personal Income Tax (PIT) and Property Tax revenues include School Tax Relief (STAR) reimbursement. Individual tax revenue analysis excludes audit.

The FY 2014 Tentative Assessment Roll released in January 2013 shows a 4.3 percent market value increase to \$873.7 billion and a 6.9 percent taxable billable value increase to \$173.5 billion compared to the previous year. The City anticipates the tentative roll to be reduced by \$3.4 billion to \$170.1 billion (\$7.8 billion greater than FY 2013 taxable billable value) as a result of Tax Commission actions including valuation reductions due to property damage from Super Storm Sandy.

**Table 8. Revisions to the City's Tax Revenue Assumptions
June 2012 vs. January 2013**

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016
June 2012 Financial Plan Total	\$43,644	\$45,107	\$47,122	\$48,987
Revisions:				
Property	28	409	572	863
Personal Income (PIT)	12	(27)	(99)	(89)
Business	131	(111)	(54)	(79)
Sales	(3)	10	(5)	(31)
Real-Estate-Related	145	67	21	(21)
All Other	(1)	(24)	(36)	(46)
Tax Audit	115	3	3	3
Revisions-Total	\$427	\$327	\$402	\$600
January 2013 Financial Plan - Total	\$44,071	\$45,433	\$47,524	\$49,587

SOURCE: NYC Office of Management and Budget.

Note: Total may not add due to rounding.

The FY 2014 revenue forecast of \$9.14 billion for PIT represents a slight decline of \$27 million from the June 2012 forecast. The City expects growth in PIT collections to decelerate in FY 2014 reflecting an expected decline in capital gains realizations. Projected revenues from business income taxes, i.e., the General Corporation Tax (GCT), Banking Corporation Tax (BCT), and the Unincorporated Business Tax (UBT), declined by a net \$111 million from the June 2012 Plan to \$5.72 billion. This decline is mostly driven by a downward revision to projected GCT revenues. The City believes a slowdown in local economic growth in CYs 2013-2014 will impact FY 2014 business tax collections from both finance and non-finance sectors.

The FY 2014 real-estate-related tax revenue forecast, which includes revenues from real property transfer tax and mortgage recording tax, increased by \$67 million to \$1.81 billion since the June 2012 Plan. The current forecast reflects the continued rebound in the real estate markets. The FY 2014 projection for sales tax revenue increased by only \$10 million from the June 2012 Plan. The current sales tax revenue forecast of \$6.34 billion reflects the City's assumption of moderate growth in employment and wages and continued strength in the tourism sector.

Projected Tax Revenue Growth, City Forecast, FYs 2014-2017

In the FY 2014 Preliminary Budget and Financial Plan the City projects total tax revenue will grow by \$7.5 billion from FY 2013 to FY 2017, representing an average annual growth rate of 4.0 percent. Over the Financial Plan period, non-property tax revenues are expected to grow at an average annual rate of 3.8 percent while property tax revenues are projected to grow at an average annual rate of 4.3 percent.

After increasing 4.7 percent in FY 2013, total tax revenue growth is expected to decelerate to 3.1 percent in FY 2014, as shown in Table 9. This projection is consistent with the City's assumption of a slowdown in the national and local economies. Weak non-property tax revenue growth of 1.7 percent is offset by an expected 4.9 percent growth in property tax revenue in FY 2014. Growth in projected property tax revenue is supported by strong billable value growth in FY 2014. Although market value increases were small for Class 1 properties (mostly one- and two-family homes) and small Class 2 properties (rental buildings, co-ops and condominiums of less than 11 units), their billable assessed value grew at a stronger pace, a legacy of past value growth and the statutory assessment caps on those properties that limit assessment growth in any given year. Property tax revenue growth is expected to average 4.3 percent annually over the Plan period, reflecting moderate billable assessed value growth fueled in part by the phase-in of the pipeline of assessed value growth from prior years.

Table 9. City's Tax Revenue Forecast, Growth Rate, FYs 2014 – 2017

	FY 2014	FY 2015	FY 2016	FY 2017	Average Growth
Property	4.9%	4.2%	4.6%	3.6%	4.3%
PIT	0.5%	5.9%	3.9%	3.7%	3.4%
Business	1.7%	4.5%	5.2%	5.3%	4.2%
Sales	4.5%	4.1%	3.2%	3.8%	3.9%
Real-Estate-Related	6.9%	8.5%	8.4%	11.3%	8.8%
All Other	2.0%	2.8%	2.8%	1.9%	2.4%
Total Tax with Audit	3.1%	4.6%	4.3%	4.0%	4.0%

SOURCE: NYC Office of Management and Budget.

After growing by a projected 6.7 percent in FY 2013, PIT revenue is expected to increase by only 0.5 percent in FY 2014. The nearly flat growth from the prior year reflects the City's assumption that installment payments on tax year 2013 will decline 2.9 percent. The City believes the expectation of higher Federal income tax rates for high income earners at the end of CY 2012 precipitated an acceleration of capital gains realizations from tax year 2013 into tax year 2012. In addition, the City anticipated that Wall Street bonus payouts would decline slightly. In the outyears, with continued recovery in employment and wages, PIT revenues are expected to grow more robustly, with gains of 5.9 percent in FY 2015, 3.9 percent in FY 2016 and 3.7 percent in FY 2017. Average growth over the Financial Plan period is expected to be 3.4 percent annually.

Business tax revenues, which include the general corporation, banking corporation, and unincorporated business taxes, are forecast to grow by 1.7 percent in FY 2014, following a projected 4.8 percent growth in FY 2013. The slow growth in business tax revenues is primarily the product of an anticipated 5.7 percent decline in BCT revenues in FY 2014. The combination of gradual withdrawal of government support from the financial system, tighter government regulations, and a foreclosure settlement deal reached between the Federal government, state attorneys and five major banks, is expected to have a negative impact on BCT collections in the next fiscal year. Growth in business tax revenues is expected to rebound to 4.5 percent in FY 2015 and average 4.2 percent throughout the Plan period.

Revenues from the sales tax are expected to grow 4.5 percent in FY 2014, the result of gradual growth of income and employment in New York City as well as continued strength in the tourism industry. Despite Super Storm Sandy, a record 52 million visitors spent an estimated \$36.9 billion in New York City in 2012. Visitor spending in 2013 is expected to remain strong. Over the Financial Plan period, the City expects sales tax revenue to grow at a steady pace, averaging 3.9 percent annually.

Revenues from the real-estate-related taxes, which include the real property transfer tax and the mortgage recording tax, are projected to rise 6.9 percent in FY 2014 after growing by a projected 16.8 percent in FY 2013. The spike in projected FY 2013 growth is in part due to the rush to complete property sales in 2012, before the anticipated increase in the Federal capital gains tax rate. FY 2014 growth in the real property transfer tax and the mortgage recording tax revenues are forecast at 5.8 percent and 8.5 percent respectively. Over the Financial Plan period, combined revenues from real-estate-related taxes are expected to grow by an average of 8.8 percent annually, reflecting continued improvement in the residential and commercial real estate markets.

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office projections of risks and offsets to the City's tax revenue assumptions are based on current year collections and the Office's economic projections. As illustrated in Table 10, for FY 2013 the Comptroller's Office forecasts a slight risk of \$12 million to the City's overall tax revenue estimates. The Comptroller's projections for property, business and real-estate-related tax revenues for FY 2013 are slightly lower than the City's, while its estimates for PIT and sales tax revenues are slightly higher. For the upcoming fiscal year, the Comptroller's overall tax revenue projection is \$386 million above the City's forecast, largely due to the Comptroller's more optimistic projection for PIT collections in FY 2014.

For FY 2015 through FY 2017, the Comptroller's Office projects tax revenue offsets to grow from \$876 million in FY 2015 to \$1.02 billion in FY 2017. The Comptroller's higher forecasts for most major tax revenue categories stems from the Comptroller's belief that growth in the local economy in the outyears of the Plan period will be more robust than the City anticipates.

The Comptroller's Office real property tax forecasts have incorporated the recently released FY 2014 Tentative Assessment Roll. The Comptroller's forecast assumes that Class 1 market values will increase due to steadily improving job growth and wages. In addition, multi-family residential building and commercial property prices will likely exhibit tempered and solid growth, respectively, despite higher capitalization rates in the outyears, along with a healthy pipeline of assessed values being phased-in. The Comptroller's real property forecast for FY 2013 assumes a small risk of \$13 million with an offset of \$31 million in FY 2014. Large offsets are forecast in the final two years of the Plan, due primarily to the Comptroller's more optimistic forecast of commercial property value appreciation. Average annual estimated revenue growth in the real property tax is 5.1 percent from FYs 2013 to 2017.

The Comptroller's Office projects a \$326 million offset to the City's PIT forecast for FY 2014. The Comptroller does not expect the forward-shifting of capital gains realizations in FY 2013 to be as pronounced as the City anticipates, and therefore expects a smaller drop-off in PIT growth in FY 2014. From FY 2014 to FY 2017, the Comptroller's Office expects PIT revenue to grow at an annual rate of 4.3 percent, only slightly slower than the City's forecast of 4.5 percent over the same period.

The Comptroller's Office forecasts that revenues from the three principal business taxes, the GCT, BCT and UBT, will grow at an annual rate of 3.3 percent from FY 2013 to FY 2017, slightly below the 4.2 percent rate of growth forecast by the City. Based on expectations of stronger national and local economic growth, the Comptroller's forecast for general corporation tax revenues is higher than the City's. However, the Comptroller expects that the business climate for financial firms will remain difficult for several years as the industry continues to adapt to a new financial environment, and consequently that BCT and UBT revenue growth will be modest.

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

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Property	(\$13)	\$31	\$119	\$350	\$668
PIT	24	326	228	266	312
Business	(19)	(50)	(116)	(143)	(236)
Sales	10	75	210	352	337
Real-Estate-Related	(14)	4	67	85	(56)
Total	(\$12)	\$386	\$876	\$910	\$1,025

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

Miscellaneous Revenues

The City's FY 2014 Preliminary Budget and Financial Plan includes miscellaneous revenue projection of \$5.27 billion for FY 2014.¹⁰ This projection represents an increase of \$458 million from the FY 2013 miscellaneous revenue forecast. The increase is mostly due to \$600 million in anticipated revenues from the sales of taxi medallions, partially offset by an expected decrease in other miscellaneous revenue sources.

Due to the uncertainty surrounding the ongoing litigation related to the State law that authorizes the sale of 2,000 new taxi medallions, the City has once again revised the current miscellaneous revenue forecast to reflect a delay in anticipated revenues from the proposed sale. In the November Plan, the City revised its FYs 2013-2016 Financial Plan to reflect a \$635 million shortfall in anticipated revenues from the sale of taxi medallions in FY 2013. The current Financial Plan reflects the City's assumptions that the legislation will be upheld and that the sale of the 2,000 new taxi medallions will begin in FY 2014. The current Plan includes \$600 million in anticipated revenues from medallion sales in FY 2014, an increase of \$235 million since the June 2012 Plan. In FYs 2015-2016,

¹⁰ Miscellaneous revenue analysis excludes private grants and intra-City revenues.

projected revenues from taxi medallion sales are \$497 million and \$363 million respectively.¹¹

As Table 11 shows, the City's current FY 2014 miscellaneous revenue estimate reflects a net increase of \$276 million compared to the FY 2014 forecast included in the June 2012 Plan. The largest change in the FY 2014 miscellaneous revenue forecast since June 2012 is a net increase of \$229 million in the forecast for "other miscellaneous," due entirely to an increase in expected revenues from the sale of taxi medallions.

**Table 11. Changes in FY 2014 Estimates
January 2013 vs. June 2012**

(\$ in millions)

	January 2013	June 2012	Change
Licenses, Franchises, Etc.	\$579	\$563	\$16
Interest Income	11	12	(1)
Charges for Services	920	881	39
Water and Sewer Charges	1,514	1,525	(11)
Rental Income	282	290	(8)
Fines and Forfeitures	816	804	12
Other Miscellaneous	1,145	916	229
Total	\$5,267	\$4,991	\$276

SOURCE: NYC Office of Management and Budget.

The remaining changes to the miscellaneous revenue budget since the June 2012 Plan were minor. The FY 2014 estimates for revenue from licenses and franchises increased by a net \$16 million. Construction permit revenue estimates increased by \$9 million in FY 2014 as the Department of Buildings (DOB) anticipates that an update in their cost of work estimate will boost revenues starting in FY 2013. Projections for cable television franchise have also increased by \$5.5 million in each of FYs 2013 and 2014, while expected fees on sidewalk cafes increased by \$2.3 million annually.

The City has once again, lowered its interest income projections over the Plan period, reflecting its assumption that the Federal Funds rate will remain near zero through 2014.

Projected revenues from charges for services increased by a net \$39 million in FY 2014. Since the June 2012 Plan, the City has increased several permit and fee revenues. Hourly parking rates south of 96th Street in Manhattan were increased from \$3.00 to \$3.50 and from \$1.00 to \$1.50 for parking between 96th and 110th Streets. These changes are expected to generate an additional \$7.7 million annually in parking meter revenues. An increase in garage parking rates is expected to yield another \$3.3 million annually. In addition, the City anticipates that it will raise \$7.4 million annually from 428 new multi-space meters it plans to install in both passenger and commercial meter areas. An increase in school-lunch fees, from \$1.50 to \$2.50, will raise another \$8.8 million annually. Projected revenues from fire inspection fees were also raised by \$4.4 million annually.

¹¹ On August 17, 2012, the New York State Supreme Court ruled that certain aspects of the legislation that authorizes the sale of taxi medallions were unconstitutional. The City has appealed the decision.

The FY 2014 projection for rental income decreased by a net \$8 million since the June 2012 Plan. The decline is primarily due to the timing of \$11 million in rent prepayments from the New York City Economic Development Corporation (NYCEDC) that are now expected to materialize in FY 2013 instead of FY 2014. The City's projection for fines and forfeitures increased by \$12 million in FY 2014, mainly due to an increase in anticipated collections from settlement fines, Environmental Control Board fines and bus lane camera fines. Expected revenues from water and sewer charges were revised downward by \$11 million in FY 2014.¹²

Total miscellaneous revenue is forecast to increase by a net \$458 million to \$5.27 billion in FY 2014, and to remain stable at just above \$5 billion in FYs 2015-2016, before declining slightly to \$4.8 billion in FY 2017. Excluding revenues from the sale of taxi medallions, total miscellaneous revenue is expected to average \$4.7 billion over the Plan period.

Federal and State Aid

The January Plan projects total Federal and State aid for FY 2013 of \$19.96 billion, supporting nearly 28 percent of the City's expenditure budget. Since adoption last June, the FY 2013 intergovernmental aid assumptions have risen by approximately \$1.87 billion, reflecting a \$1.99 billion increase in Federal aid partially offset by a \$129 million decline in State grants. The projected increase in Federal aid is primarily the result of anticipated FEMA reimbursement for Super Storm Sandy-related costs that the City anticipates to receive in the current year. In total, about \$1.4 billion in Federal funds has been reflected as full reimbursement for the City's clean-up and recovery costs related to the storm.

The Sandy relief aid is expected to have a broad-based effect within the City's budget, concentrating in the areas of Environmental Protection (\$552 million), Police and Fire (\$179 million), Sanitation (\$135 million), Education (\$110 million), Health and Hospitals (\$100 million) and Homeless and Social Services (\$60 million). The remainder of the Federal aid increase mainly results from funding modifications from the November Plan. The decline in State grants is primarily attributable to the City missing a State-imposed deadline to reach agreement on a teacher evaluation system with the teachers union. The lack of an agreement has resulted in a loss of \$250 million in general support Foundation Aid in the current year.¹³ More importantly, the State indicates the FY 2013

¹² Water and sewer revenues of the City consist of two parts: reimbursement for operation and maintenance (O&M) of the water delivery and sewer systems and rental payments from the Water Board for the use of the City's water supply, distribution and treatment plant. The bulk of these revenues represents reimbursement for O&M and therefore is not available for general operating purposes.

¹³ A recent State Supreme Court ruling prohibits the State from withholding school aid payments to the City as a penalty for the lack of a teacher evaluation system. Until the case is resolved in court, the State does not have the authority to remove any portion of education aids that are due to the City.

school aid loss will extend to future years, as these funds will be permanently removed from the City's school aid base.

For FY 2014, Federal and State grants are expected to support about 25 percent of total spending, more in line with recent historical levels. The decline in the size of the Federal and State funded portion of the City's budget in FY 2014 is attributable to the conclusion of Sandy relief aid and more conservative estimates of certain Federal grants, as well as the growth in City-funds spending. The Preliminary FY 2014 Budget includes \$17.91 billion of Federal and State grants, of which about 82 percent support education and social services expenditures. The FY 2014 Federal and State aid projections have declined by \$283 million since June 2012, the result of a \$72 million increase in Federal grants and a \$355 million decline in State aid. As in FY 2013, the State aid decline is mainly driven by a drop in State education support due to the lack of a performance evaluation plan for City teachers.

The FYs 2013-14 State Executive Budget is likely to have a neutral impact on the City's budget. However, the Governor has set a new deadline for an agreement on a teacher evaluation plan for the upcoming school year. Under the Governor's plan, if the City fails to negotiate an agreement with the UFT on this issue by June 1, 2013, the State would unilaterally implement a new teacher evaluation plan for the City. The City would be required to implement the new plan by September 1, 2013. If approved, the Plan would avert the loss of an additional \$224 million in school aid, which would have been in jeopardy if the City continued to miss the State-imposed deadlines. Over the remainder of the Plan, Federal and State grants are projected to increase only modestly to \$18.05 billion in FY 2015, \$18.50 billion in FY 2016 and \$18.62 billion in FY 2017. The level of Federal and State support will lag further behind the City's spending growth and would support only 23.7 percent of the expense budget in FY 2015 and FY 2016, before declining to 23.3 percent by FY 2017.

B. EXPENDITURE ANALYSIS

Total expenditures in the FY 2014 budget are \$322 million less than the FY 2013 budget. However, the FY 2014 expenditures are reduced by \$1.085 billion, the result of a planned prepayment of debt service in FY 2013. Similarly, prepayments of \$2.431 billion of FY 2013 expenditures in FY 2012 result in a net reduction of \$1.346 billion of FY 2013 spending. In addition, the FY 2013 budget includes \$1.402 billion of one-time spending on emergency, relief and clean-up services related to Super Storm Sandy. As Table 12 shows, after adjusting for prepayments and Sandy-related spending, expenditures are projected to grow by 9.8 percent from FY 2013 to FY 2017, an annual growth rate of 2.4 percent.

**Table 12. FY 2013 – FY 2017 Expenditure Growth
Adjusted for Prepayments and Prior-Year Actions**

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Growth FY 13-17	Annual Growth
Debt Service	\$6,011	\$6,325	\$7,183	\$7,502	\$7,710	28.3%	6.4%
Health Insurance	5,122	5,384	5,970	6,582	7,176	40.1%	8.8%
J & C	735	768	779	815	851	15.8%	3.7%
Subtotal	\$11,868	\$12,477	\$13,932	\$14,898	\$15,738	32.6%	7.3%
Salaries and Wages	\$21,558	\$21,458	\$21,618	\$21,922	\$22,249	3.2%	0.8%
Pensions	7,937	8,087	8,079	8,274	8,527	7.4%	1.8%
Other Fringe Benefits	3,211	3,302	3,344	3,440	3,530	9.9%	2.4%
Medicaid	6,346	6,366	6,447	6,415	6,415	1.1%	0.3%
Public Assistance	1,274	1,275	1,273	1,273	1,279	0.3%	0.1%
Other OTPS	19,155	19,202	19,806	20,232	20,569	7.4%	1.8%
Subtotal	\$59,481	\$59,690	\$60,567	\$61,557	\$62,570	5.2%	1.3%
Total	\$71,349	\$72,167	\$74,499	\$76,455	\$78,307	9.8%	2.4%

SOURCE: NYC Office of the Comptroller and NYC Office of Management and Budget.

Debt service, health insurance expenditures and judgments and claims costs are projected to grow the fastest with a combined growth of 32.6 percent over the Plan period, or an annual growth rate of 7.3 percent. All other spending combined is projected to average 1.0 percent annual growth.

Pensions

The FY 2014 Preliminary Budget includes \$8.09 billion for pension expenses in FY 2014, a net increase of \$150 million over the FY 2013 estimate. The FY 2014 pension cost has increased by \$98 million since the June 2012 Financial Plan. This increase reflects funding to offset the shortfall in FY 2012 pension investment earnings. Pension costs are expected to grow 2.0 percent annually increasing to \$8.53 billion in FY 2017. Underlying these projections are changes to the actuarial assumptions and methods used to calculate pension expenditures. The State Legislature enacted the recommended changes including the reduction of the actuarial interest rate assumption (AIRA) from 8.0 percent, gross of expenses, to 7.0 percent, net of expenses, and the use of the entry age actuarial cost methodology to calculate pension contributions effective beginning FY 2012. Under the entry age actuarial cost method the initial unfunded actuarial liability is being amortized over 22 years using increasing dollar payments while subsequent actuarial gains and losses will be amortized using level dollar payments, generally over 15 years.

Pursuant to Chapter 96 of the New York City Charter, the Comptroller's Office has engaged Gabriel, Roeder, Smith & Company (GRS) to conduct two consecutive biennial independent actuarial audits of the New York City pension systems. The engagements will consist primarily of an audit of employer contributions for FY 2012 and FY 2014 to validate actuarial calculations and methods, an experience study of data through June 30, 2011 and June 30, 2013 to validate actuarial assumptions, and an administrative review of the City's collection and processing of actuarial data. The City's

Chief Actuary usually reviews the findings and recommendations put forward by the auditor and incorporates these findings as part of the Actuary's review of the assumptions and methods used to calculate pension expenses.

Health Insurance

The FY 2014 Preliminary Budget includes \$4.384 billion for pay-as-you-go health insurance spending for employees and retirees in FY 2014 growing to \$7.176 billion in FY 2017. The FY 2014 budgeted amount is \$262 million more than the estimated FY 2013 spending of \$4.122 billion. The additional cost reflects a 5.2 percent rate increase in the health insurance for FY 2014. This increase is significantly lower than the nine percent average annual increase that the City has experienced since FY 2000.

The City's expenditure on health insurance is offset by \$1 billion in each of FY 2013 and FY 2014. The City will use the assets of the Retiree Health Benefits Trust (RHBT) funds to pay a portion of retiree pay-as-you-go health insurance in these fiscal years.¹⁴ After adjusting for this offset, health insurance cost is expected to be \$5.122 billion in FY 2013 and \$5.384 billion in FY 2014 as shown in Table 13.

Table 13. Pay-As-You-Go Health Expenditures

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Department of Education	\$1,968	\$2,038	\$2,294	\$2,559	\$2,764
CUNY	41	41	41	40	40
All Other	<u>2,113</u>	<u>2,305</u>	<u>3,635</u>	<u>3,983</u>	<u>4,372</u>
Total Pay-As-You-Go Health Insurance Costs	\$4,122	\$4,384	\$5,970	\$6,582	\$7,176
Adjustment for RHBT payment	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Total	\$5,122	\$5,384	\$5,970	\$6,582	\$7,176

Labor

Contract negotiations between the City and its major labor unions in the current round of collective bargaining remain at a virtual standstill. The City's proposal for a five-year contract with no wage increase in the first three years and a 2.0 percent increase in each of the remaining two years. The proposed wage increases mirrors the 2011 agreement between New York State and the **Civil Service Employees Association (CSEA)**. However, DC 37, the City's largest municipal employee union, argues that basing a settlement on the agreement between the State and the CSEA is unreasonable since, unlike CSEA members who receive step increases in addition to wage increases, very few DC 37 members receive step increases. The labor reserve reflects the cost of 1.25 percent wage increases in the last two years of a five-year contract. The additional cost of a 2.0 percent wage increase in the final two years of a five-year contract for

¹⁴ The RHBT assets were reduced by \$82 million in FY 2010, \$395 million in FY 2011, and \$672 million in FY 2012 to partially offset additional pension expenditures that resulted from pension investment returns below the Actuarial Investment Rate Assumption (AIRA) in FY 2008 and FY 2009. The reductions of \$1 billion in each of FYs 2013 and 2014 will fund general expenditures.

employees represented by major labor unions would be \$13 million in FY 2013, \$77 million in FY 2014, \$200 million in FY 2015, \$325 million in FY 2016, and \$410 million in FY 2017.

The labor reserve contains no funding for any wage increases for the 2008 – 2010 round of collective bargaining for employees represented by the United Federation of Teachers (UFT) and Council of School Supervisors and Administrators (CSA).¹⁵ The City continues to take the position that any wage increases for UFT and CSA members will have to be offset by productivity savings. A three-member fact-finding panel has been appointed by the New York State Public Employment Relations Board (PERB) to conduct hearings and make recommendations on wage increases for UFT members for the 2008 – 2010 round of collective bargaining. While PERB recommendations are not binding they have served as frameworks for agreements in past settlements. If the UFT and CSA members were to receive wage increases comparable to those received by the other unions, it will cost the City approximately \$2.595 billion in FY 2013, which includes \$272 million, \$626 million, and \$800 million retroactive to FYs 2010, 2011 and 2012, respectively, and \$900 million annually beginning FY 2014.¹⁶

Headcount

The January 2013 Financial Plan includes a City-funded full-time headcount of 232,127 for FY 2014. This is a net decrease of 1,534 from the Adopted Budget plan estimate of 233,661. The current planned headcount for FY 2014 compared to the Adopted Budget is presented in Table 14. Major headcount changes for FY 2014 since the Adopted Budget include an additional 633 positions in the Department of Parks and Recreation, primarily for the maintenance of parks and an additional 343 uniformed and civilian positions in the Police Department for various needs, including anti-terrorism program, staffing for a new Police Academy and staffing for a new precinct. Major reductions include a reduction of 1,842 pedagogical positions in the Department of Education due to pedagogical personal service reductions, a reduction of 283 positions in the Department of Social Services reflecting modernization of business processes, a reduction of 182 positions in the Department of Transportation due in part to Citywide fleet consolidation and various switching of Federal and State program funding, a reduction of 133 civilian positions in the Department of Correction reflecting a planned reduction of civilian headcount, and a reduction of 115 positions in the Department of Health & Mental Hygiene due to a variety of program cutbacks.

¹⁵ The 2008 – 2010 round of collective bargaining for UFT and CSA is effective FYs 2010 – 2012. The UFT and CSA contracts are one round behind the settlements of the other municipal unions.

¹⁶ The other municipal unions received two annual wage increases of 4.0 percent in the last round of collective bargaining.

**Table 14. Changes to FY 2014 City-Funded Full-Time Headcount
January Plan vs. Adopted Budget**

	Adopted Budget Estimate	January Plan Estimate	Change
Pedagogical			
Dept. of Education	92,809	90,967	(1,842)
City University	3,180	3,180	0
Subtotal	95,989	94,147	(1,842)
Uniformed			
Police	34,309	34,483	174
Fire	10,274	10,274	0
Correction	8,854	8,869	15
Sanitation	7,246	7,154	(92)
Subtotal	60,683	60,780	97
Civilian			
Dept. of Education	9,381	9,288	(93)
City University	1,647	1,687	40
Police	14,047	14,216	169
Fire	4,808	4,902	94
Correction	1,696	1,563	(133)
Sanitation	1,972	1,973	1
Admin for Children's Services	6,401	6,401	0
Social Services	10,407	10,124	(283)
Homeless Services	1,934	1,959	25
Health & Mental Hygiene	3,412	3,297	(115)
Finance	1,858	1,880	22
Transportation	2,065	1,883	(182)
Parks and Recreation	2,588	3,221	633
All Other Civilians	14,773	14,806	33
Subtotal	76,989	77,200	211
Total	233,661	232,127	(1,534)

In the January Plan, year-end full-time headcount is expected to increase to 232,127 in FY 2014 then to decline in FY 2015 to 231,706, to 231,419 in FY 2016, and to 231,360 in FY 2017, as shown in Table 15. The numbers reflect significant reductions for the Department of Social Services to reflect a multi-year planned re-engineering that will use 21st Century technology and a re-designed business process to modernize the agency's interaction with clients, reduce administrative costs and improve program integrity.

Table 15. City-Funded Full-Time Year-End Headcount Projections FYs 2013-2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Pedagogical					
Dept. of Education	90,420	90,967	90,967	90,967	90,967
City University	3,180	3,180	3,180	3,140	3,140
Subtotal	93,600	94,147	94,147	94,107	94,107
Uniformed					
Police	34,379	34,483	34,483	34,483	34,483
Fire	10,274	10,274	10,274	10,274	10,274
Correction	8,941	8,869	8,869	8,869	8,869
Sanitation	7,064	7,154	7,235	7,235	7,235
Subtotal	60,658	60,780	60,861	60,861	60,861
Civilian					
Dept. of Education	9,387	9,288	9,282	9,283	9,283
City University	1,687	1,687	1,647	1,597	1,597
Police	14,363	14,216	14,217	14,217	14,217
Fire	4,921	4,902	4,889	4,889	4,889
Correction	1,584	1,563	1,563	1,563	1,563
Sanitation	1,888	1,973	2,013	2,009	2,009
Admin for Children's Services	6,336	6,401	6,401	6,401	6,401
Social Services	10,568	10,124	9,531	9,419	9,360
Homeless Services	1,872	1,959	1,959	1,959	1,959
Health & Mental Hygiene	3,430	3,297	3,294	3,294	3,294
Finance	1,880	1,880	1,877	1,877	1,877
Transportation	1,782	1,883	1,978	1,978	1,978
Parks and Recreation	3,090	3,221	3,224	3,224	3,224
All Other Civilians	14,909	14,806	14,823	14,741	14,741
Subtotal	77,679	77,200	76,698	76,451	76,392
Total	231,937	232,127	231,706	231,419	231,360

As shown in Table 16, City-funded full-time equivalent (FTE) headcount is expected to total 23,268 in FY 2013. FTE headcount is projected to decrease by 1,003 in FY 2014 and then remain relatively flat for the remainder of the Plan period.

Table 16. City-Funded FTE Year-End Headcount Projections FYs 2013-2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Pedagogical					
Dept. of Education	355	329	329	329	329
City University	1,833	1,833	1,833	1,833	1,833
Subtotal	2,188	2,162	2,162	2,162	2,162
Civilian					
Dept. of Education	12,241	12,592	12,592	12,592	12,592
City University	935	935	935	935	935
Police	1,411	1,394	1,379	1,376	1,376
Health & Mental Hygiene	1,258	1,186	1,141	1,141	1,141
Parks and Recreation	2,623	1,605	1,623	1,623	1,623
All Other Civilians	2,612	2,391	2,390	2,390	2,390
Subtotal	21,080	20,103	20,060	20,057	20,057
Total	23,268	22,265	22,222	22,219	22,219

Overtime

The FY 2014 Preliminary Budget includes approximately \$1.03 billion for overtime expenses, about 20 percent lower than the estimated FY 2013 overtime spending of \$1.29 billion. However, the FY 2013 estimate is inflated by nearly \$154 million of overtime expenses related to Super Storm Sandy. After adjusting for Sandy-related overtime, the FY 2014 overtime spending is 10 percent below the FY 2013 estimate.

The Comptroller's Office projects that FY 2013 overtime expenditures, including Sandy-related overtime, will total approximately \$1.357 billion. Through January 2013, the City has incurred \$852 million in overtime expenditures for the current fiscal year. The Comptroller's Office estimates that overtime spending will total \$1.187 billion in FY 2014. The differences between the Comptroller's Office's and the City's estimates are shown in Table 17.

Table 17. Projected Overtime Spending, FY 2013 and FY 2014

(\$ in millions)

	City Planned Overtime FY 2013	Comptroller's Projected Overtime FY 2013	FY 2013 Risk	City Planned Overtime FY 2014	Comptroller's Projected Overtime FY 2014	FY 2014 Risk
Uniform						
Police	\$495	\$510	(\$15)	\$415	\$520	(\$105)
Fire	308	308	0	215	215	0
Correction	71	125	(54)	69	125	(56)
Sanitation	<u>119</u>	<u>119</u>	<u>0</u>	<u>77</u>	<u>77</u>	<u>0</u>
Total Uniformed	\$993	\$1,062	(\$69)	\$776	\$937	(\$161)
Other						
Police-Civilian	\$85	\$85	\$0	\$78	\$78	\$0
Admin for Child Svcs.	13	13	0	13	13	0
Environmental Protection	25	25	0	22	22	0
Transportation	45	45	0	31	31	0
All Other Agencies	<u>127</u>	<u>127</u>	<u>0</u>	<u>106</u>	<u>106</u>	<u>0</u>
Total Civilians	\$295	\$295	(\$0)	\$250	\$250	\$0
Total City	\$1,288	\$1,357	(\$69)	\$1,026	\$1,187	(\$161)

The City's FY 2013 overtime expenditure estimate has increased by \$187 million since adoption. The majority of this increase occurred in the uniformed agencies as a result of Sandy-related costs. Uniformed employees overtime costs increased by \$146 million, including \$78 million for the New York City Police Department (NYPD), \$41 million for the Department of Sanitation (DSNY), \$20 million for the Fire Department (FDNY) and \$7 million for the Department of Correction (DOC).

The Comptroller's Office estimates police uniformed overtime spending in FY 2013 will total approximately \$510 million of which \$78 million are directly related to Super Storm Sandy. Through January 2013, the NYPD has spent \$323 million on uniformed overtime. The Comptroller's Office estimates that uniformed police overtime

expenses will increase slightly in FY 2014, growing to about \$520 million. The Comptroller's Office also expects uniformed overtime spending in the DOC to exceed the City's estimate by \$54 million in FY 2013 and \$56 million in FY 2014. DOC has spent \$86 million on uniformed overtime through January 2013 and is on target to spend at least \$125 million for the fiscal year.

Public Assistance

The City's public assistance caseload has averaged 356,745 recipients per month through January 2013. The average monthly caseload has increased by 1.7 percent, or about 5,900 recipients when compared with the same period in FY 2012. The January 2013 public assistance caseload of 364,996 represents a decline of nearly 70 percent from the March 1995 peak of 1,160,593 recipients. Thus far in FY 2013, public assistance grants spending has averaged about \$110.1 million per month, an increase of 5.6 percent from the monthly average of about \$104.3 million during FY 2012.

The City's public assistance caseload projections remain unchanged in the January Plan, while grant projections have increased slightly since the June Plan. The January Plan continues to maintain a constant caseload projection of 352,956 over the plan period. Total baseline grants expenditures are projected at approximately \$1.25 billion in each of FYs 2013-2017. Public assistance caseload and grants expenditures are both running well above the plan estimates in the current year. The more significant rise in welfare grant expenditures will likely pose risks to the January Plan assumptions. The Comptroller's Office estimates that the City's baseline grant projections are underfunded by approximately \$20 million annually.

Department of Education

The January Plan includes \$19.22 billion for the Department of Education's (DOE) budget in FY 2013, a decline of about \$60 million from actual spending of \$19.28 billion in FY 2012. The January plan reflects a significant loss in State education aid as a result of the City's failure to reach an agreement with the United Federation of Teachers (UFT) on a teacher evaluation system by the State-imposed deadline of January 17, 2013. The impasse prompted the Governor to reaffirm that this deadline would not be changed, and education aid increases (above 2011-12 school year levels) that the City was due to receive would be eliminated. Combined with cuts included in the November Plan gap-closing program, the DOE's FY 2013 budget has been reduced by \$498 million since budget adoption in June 2012. About \$352 million of this decrease is the result of reduced State support, which includes a loss of \$250 million in Foundation Aid from the lack of a teacher evaluation system.¹⁷ In addition, the mid-year implementation of gap-

¹⁷ The State Supreme Court has issued a preliminary injunction on the Governor's plan to eliminate the education aid increase for the City in FY 2013. The lawsuit, filed by a group of public school parents and children, will proceed in the courts before a decision can be made on whether the Governor can unilaterally reduce the City's school aid receipts.

closing actions from the November Plan reduced City tax levy support for the DOE by \$122 million.

Compared to the June 2012 Plan estimate, the FY 2014 Preliminary Budget for the Department has been reduced by \$828 million, largely a result of similar revenue losses. The full-year impact of the gap-closing actions would lower City funding for the Department by 3.1 percent or \$298 million in FY 2014. The DOE's FY 2014 gap-closing program includes \$103 million in reduced contractual costs for special education services, as well as \$97 million of savings resultant from administrative efficiencies. The majority of the administrative savings are reflected in central offices (\$41 million), school administrative/support services (\$26 million) and operations (\$19 million). Further, the FY 2014 PEG actions also include expense adjustments of \$38 million consisting of \$28 million in special education instructional/support savings and \$10 million in transportation savings, as well as revenue recognition of \$60 million comprised of \$32 million in additional Education Construction Fund revenue and \$28 million in Federal funding for food services.

State support for the Department in FY 2014 has declined by over \$400 million since the June 2012 Plan. The withholding of Foundation Aid for failure to comply with the State's teacher evaluation plan deadline reduces State funding by \$287 million in FY 2014. To make up for this loss, the Department is expected to slash teacher headcount by 1,842 positions and non-teaching personnel by 93 positions. The remainder of the decline in State support is mainly attributable to revised utilization estimates of special education pre-kindergarten services.

The FYs 2013-14 State Executive Budget further stipulates that if a teacher evaluation plan is not in place by June 1, 2013 for the upcoming school year, the State would impose its own plan on the City. If adopted by the State Legislature, the City would be required to implement the new teacher evaluation system by September 1, 2013. The proposal would prevent the potential loss of an additional \$224 million in school aid linked to the establishment of a teacher evaluation plan.

The loss of these funds would have further eroded the State's share of DOE funding in relation to the City. Already, for FY 2014, State funds are expected to support only 42.5 percent of the DOE operating budget, compared to a recent peak of over 48 percent in FY 2009. Meanwhile, City funds would support 47.5 percent of the DOE budget in FY 2014. The January Plan projections estimate that the DOE budget will rise to \$20.08 billion in FY 2015 and \$20.67 billion in FY 2016, before leveling out at \$21.04 billion in FY 2017. Over this span, the City-funds share of the DOE operating budget would grow to 48.4 percent by FY 2017, while State support would remain relatively unchanged.

The Department has revised its Medicaid revenue assumptions in the January Plan to reflect the current status of these claims. As of December 2012, the DOE had yet to process any claims for Medicaid revenue and is currently in the process of preparing only \$2.5 million in claims over the near term. The FY 2013 projection has been reduced accordingly to \$67 million from the original estimate of \$167 million. For FY 2014,

Medicaid revenue has been similarly reduced by \$50 million to \$117 million. Given the current status of the claims process, the Department could face risks of \$40 million in FY 2013, \$80 million in FY 2014 and annual risks of \$100 million thereafter.

Health and Hospitals Corporation

The fiscal outlook for the Health and Hospitals Corporation (HHC) remains challenging under the City's forecast in the January Plan. The projected HHC deficit for FY 2013, on an accrual basis, shows a decline of about \$300 million when compared to the June Plan. The decline is mainly attributable to a decrease in other post-employment benefits (OPEB) costs of \$316 million, partly offset by a net increase of \$16 million in other expenses. The majority of the changes, however, affect HHC on an accrual basis only and therefore would not improve its cash position. In fact, despite showing a lower deficit on an accrual basis in the current year, the Corporation's projected year-end cash balance has deteriorated significantly. The projected FY 2013 year-end cash balance has fallen by \$182 million since the June Plan, to \$140 million in the January Plan, ranking it among the lowest current-year projections in recent years. To achieve this cash balance, HHC will need to realize \$183 million in Federal reimbursement of revenue loss due to Super Storm Sandy. Among the damages from Sandy were the forced evacuation and temporary closures of two major HHC facilities—Bellevue and Coney Island Hospitals. The timing of these Federal receipts is uncertain and could pose a risk to HHC's cash projections if significant delays occur.

In FY 2014, the Preliminary Budget projects an accrual basis deficit of \$611 million for HHC, an improvement of \$518 million since the June Plan. In addition to reduced OPEB costs of \$325 million, the Corporation has reflected a net increase of about \$180 million in revenues. To offset the FY 2014 deficit, HHC would rely heavily on gap-closing actions totaling nearly \$700 million, an increase of about \$200 million since the June Plan. The chief components of the gap-closing program are Federal and State actions of \$550 million, which remain largely unspecified at this point. Given the uncertainty and the significant dependence on these actions, any major revenue loss could further diminish the Corporation's already modest cash balance projection of \$163 million for the end of FY 2014.

Looking forward, the City projects a continued decline in the Corporation's financial condition over the latter years of the Plan. The January Plan estimates HHC's operating deficit, before gap-closing actions, will rise from \$611 million in FY 2014 to \$703 million in FY 2015. Further out, the Corporation is expected to face budget deficits of \$907 million in FY 2016 and \$1.23 billion in FY 2017, respectively. In response, HHC has assumed more aggressive gap-closing programs in the outyears, expanding to \$988 million in FY 2015, \$1.08 billion in FY 2016 and \$1.10 billion in FY 2017. The larger gap-closing programs outlined for FYs 2015-2017 rely primarily on increased Federal and State support. Between FY 2015 and FY 2017, Federal and State actions would range between \$825 million and \$950 million annually, constituting about 85 percent of HHC's gap-closing program. In comparison, in the June Plan, Federal and State actions comprised only 70 percent of HHC's gap-closing actions over the same period.

Debt Service

As shown in Table 18, debt service in the January Plan, after netting out the impact of prepayments, is projected to grow from \$6.08 billion in FY 2013 to \$7.78 billion in FY 2017, an increase of \$1.7 billion, or 27.9 percent.¹⁸ These projections represent decreases from the June 2012 Financial Plan of \$107 million in FY 2013, \$430 million in FY 2014, and \$14 million in FY 2015, followed by an increase of \$28 million in FY 2016.¹⁹

Table 18. January 2013 Financial Plan Debt Service Estimates

(\$ in millions)

Debt Service Category	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change from FYs 2013 – 2017
G.O. ^a	\$3,936	\$4,163	\$4,610	\$4,713	\$4,749	\$813
NYCTFA ^b	1,760	1,838	2,257	2,467	2,649	889
Lease-Purchase Debt	314	324	316	322	312	(2)
TSASC, Inc.	74	74	74	74	73	(1)
Total	\$6,084	\$6,399	\$7,257	\$7,576	\$7,783	\$1,699

SOURCE: January 2013 Financial Plan.

NOTE: Debt service is adjusted for prepayments.

^a Includes long-term G.O. debt service and interest on short-term notes.

^b Amounts *do not* include NYCTFA building aid bonds.

The FY 2013 decrease in debt service is comprised of reductions of \$68 million in G.O. and short-term debt service and \$43 million in estimated NYCTFA savings, offset by a \$4 million increase in lease-purchase debt service. Of the \$68 million drop in G.O. debt service, \$28 million is the result of refunding savings while \$14 million is due to a downward revision in baseline projections as a result of lower than anticipated interest rates on new money borrowings. An additional \$17 million of G.O. savings is related to the elimination of short-term note borrowing in FY 2013 (Revenue/Tax Anticipation Notes). The \$43 million reduction in FY 2013 NYCTFA debt service results primarily from \$18 million in savings from year-to-date (YTD) refunding actions, with the balance from lower than expected interest rates on variable rate debt service.

The estimated debt service decrease of \$430 million in FY 2014 is comprised of G.O. debt service savings of \$227 million and NYCTFA savings of \$203 million. G.O. savings in FY 2014 result primarily from two YTD refunding transactions which yielded savings of \$211 million in FY 2014. NYCTFA savings, also, are primarily due to two YTD refunding transactions which produced savings of \$192 million in FY 2014. The Comptroller's Office, together with the Office of Management and Budget (OMB) closely monitors the City's outstanding bonds and market conditions to refinance debt when opportunities to realize debt service savings present themselves. Since January 1, 2010, refundings have saved City taxpayers and water and sewer rate payers over \$1.6 billion.

¹⁸ Includes debt service on G.O., NYCTFA, and TSASC bonds as well as lease-purchase debt and interest on short-term notes.

¹⁹ There was no official estimate for FY 2017 in the July or November Plan.

The modest FY 2015 decrease from the June Plan of \$14 million results primarily from debt service savings of \$30 million due to lower than expected interest in YTD borrowing offset by additional debt service associated with the Capital Acceleration Plan (CAP). Increased debt service costs in FY 2016 are primarily the result of the additional borrowing associated with CAP.

In October 2012, the Mayor announced a program, proposed by the Comptroller's Office, to accelerate more than \$1 billion of capital spending, taking advantage of the current low interest rate environment while providing a stimulus to the local economy. The Capital Acceleration Plan was first incorporated in the FY 2013 Adopted Commitment Plan and continues in the January Plan as well.

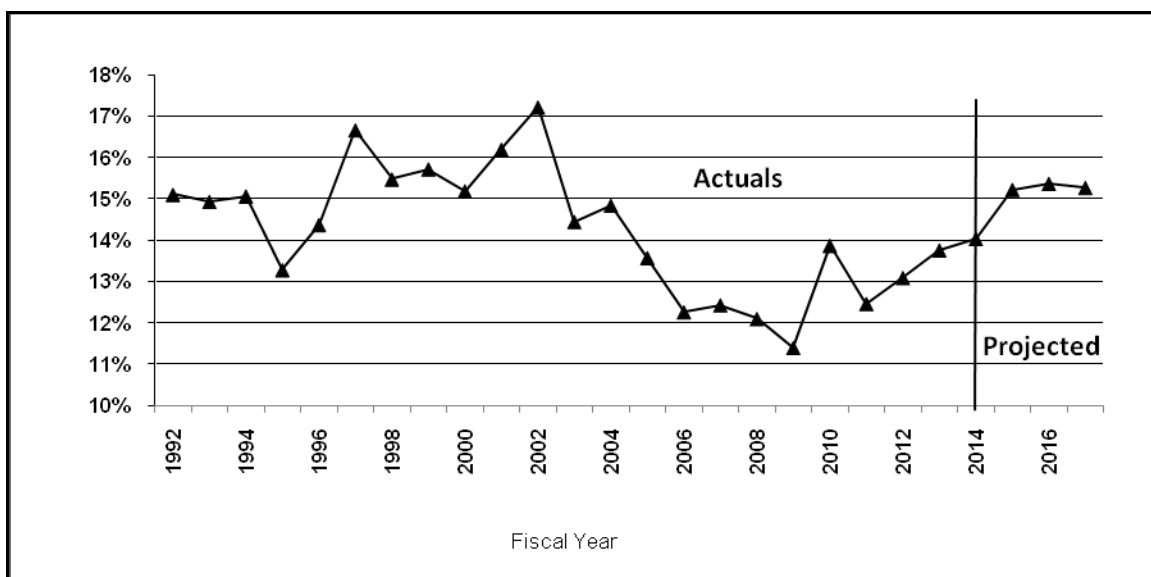
FY 2013 YTD variable rate debt service costs are nearly \$26 million. If this trend continues through June 2013, the City could realize savings of as much as \$150 million in FY 2013 variable rate debt service cost. The Comptroller's Office will continue to monitor actuals and comment further in May 2013.

Debt Affordability

Debt service as a percent of local tax revenues is an accepted measure of debt affordability used by rating agencies and government officials alike. The January Plan projects that debt service will consume 13.8 percent of local tax revenues in FY 2013, 14 percent in FY 2014, 15.2 percent in FY 2015, 15.4 percent in FY 2016 and 15.3 percent in FY 2017, as shown in Chart 2. The growth in this ratio is the result of debt service growing at a faster rate than tax revenues. Between FYs 2013 and 2017, the average annual growth of debt service is estimated to be 6.3 percent compared with an estimated annual tax revenue growth of 4.0 percent over the same period. However, the 15.3 percent ratio in FY 2017 is still below the 20 percent threshold the City imposed on itself in FY 2002.²⁰

²⁰ The FY 2002 Message of the Mayor stated that "...OMB shall monitor trends in the City's capital program in order to ensure that aggregate debt service of the sum of City G.O., lease, and MAC debt does not exceed 15 percent of the total City revenues and does not exceed 20 percent of City Tax revenues. Use of statutorily limited debt authority, such as the NYCTFA, will also be noted."

Chart 2. Debt Service as a Percent of Tax Revenues, 1992 – 2017



SOURCE: NYC Office of Management and Budget, January 2013 Financial Plan.

Financing Program

The January 2013 Financial Plan contains \$37.3 billion of planned City and State supported borrowing in FYs 2013 through 2017 as shown in Table 19. Planned borrowing in FYs 2013 – 2016 is approximately \$1.77 billion higher than estimated in the June 2012 Financial Plan.²¹ This increase is due primarily to: 1) an increase of \$678 million in NYCTFA borrowing; 2) an increase in G.O. borrowing of \$250 million; 3) an increase of \$741 million in planned New York Water Finance Authority bonds; and 4) an increase of \$103 million in TFA BARBs borrowing. Most of the change is due to the Capital Acceleration Program of just over \$1 billion put forth by the Comptroller and accepted by the Mayor in the fall of 2012.

G.O. and NYCTFA PIT-supported borrowing account for just below two-thirds of the total borrowing during this period. Planned NYCTFA bonds total \$13.37 billion while G.O. borrowing totals \$11.24 billion. The use of NYCTFA Building Aid Revenue Bonds (BARBs) to support the DOE capital program is assumed to continue throughout the Financial Plan period with \$5.43 billion of State-supported NYCTFA BARB issuances anticipated, accounting for 14.6 percent of capital borrowing over the Plan period.

NYC Municipal Water Finance Authority (NYWFA) borrowing of \$7.28 billion also accounts for a significant share of capital borrowing, at nearly one-fifth of the total. However, unlike other debt that is financed by revenues derived from collections of the property tax and other general fund revenues, NYWFA is funded by water and sewer user fees. The \$741 million increase in NYWFA borrowing is heavily front-loaded in the Plan with \$531 million of the increase occurring in FY 2013. This increase is due to the

²¹ The June 2012 Plan Financing Program included projections for FYs 2013 – 2016 only.

refinement of the current year's cash flow needs and the funding of a \$400 million year-end construction fund balance.

Table 19. January 2013 Financing Program , FYs 2013 – 2017

(\$ millions)

Description:	Estimated Borrowing and Funding Sources	
	FYs 2013-2017	Percent of Total
General Obligation Bonds	\$11,240	29.4%
NYCTFA – PIT Bonds	13,368	36.3%
NYC Water Finance Authority	7,277	19.7%
NYCTFA – BARBs	5,427	14.6%
Total	\$37,312	100.0%

SOURCE: January 2013 Financial Plan, NYC Office of Management and Budget.

Capital Commitment Plan

The January 2013 Capital Commitment Plan for FYs 2013 – 2016 includes \$39.34 billion in authorized all-fund commitments, averaging \$9.8 billion per year, as shown in Table 20.²² This represents an increase of \$4.96 billion, or 14.4 percent, from the FY 2013 Adopted Commitment Plan. Over \$3 billion of the increase is due to the impact of Super Storm Sandy. Consistent with prior plans, capital commitments in DOE and CUNY, the Department of Environmental Protection (DEP), Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for more than 68 percent of all-fund commitments.²³

After adjusting for the reserve for unattained commitments, the January 2013 Capital Commitment Plan for FYs 2013 – 2016 reflects \$37 billion in all-funds commitments and \$30.53 billion in City-fund commitments. The Plan is front-loaded with 38 percent of the all-funds commitments scheduled for FY 2013.

The \$4.96 billion increase in the Four-Year Capital Plan is made up primarily of \$991 million for Highways and Highway Bridges, \$949 million for HHC-owned structures and equipment, \$500 million for Parks Department projects, \$494 million for HPD, and \$458 million for DEP projects related to the City's water supply.

²² Commitment Plan refers to a schedule of anticipated contract registrations. However, capital spending is not recorded by agency in the Commitment Plan. In addition, the January Commitment contains forecasts for FYs 2013-2016 only. FY 2017 appears at the time of the Executive Budget and Plan.

²³ This percentage assumes all DOT project types, not just Bridges and Highways.

Table 20. FYs 2013 – 2016 Capital Commitments, All-Funds

(\$ in millions)

Project Category	February FYs 2013 – 2016 Commitment	Percent of
	Plan	Total
Education & CUNY	\$8,998	22.9%
Environmental Protection	7,844	20.0
Dept. of Transportation & Mass Transit	6,305	16.0
Housing and Economic Development	3,675	9.4
Administration of Justice	1,938	4.9
Technology and Citywide Equipment	2,184	5.5
Parks Department	2,057	5.2
Hospitals	1,459	3.7
Other City Operations and Facilities	4,877	12.4
Total	\$39,337	100.0%
Reserve for Unattained Commitments	(\$2,338)	N/A
Adjusted Total	\$36,999	N/A

SOURCE: NYC Office of Management and Budget, FYs 2013-2016 January Capital Commitment Plan, January 2013.

The January 2013 Four-Year Capital Plan includes \$32.87 billion of City-funded capital projects as shown in Table 21, \$5.02 billion more than allocated in the FY 2013 Adopted Commitment Plan. Similarly, approximately 63 percent of the City-funds plan consists of capital projects in DEP, DOE and CUNY, DOT and Mass Transit, and Housing and Economic Development. More than \$3 billion of the increase is associated with Super Storm Sandy-related capital spending as discussed in “Super Storm Sandy Impact on Capital Budget” beginning on page 41.

Table 21. FYs 2013 – 2016 Capital Commitments, City-Funds

(\$ in millions)

Project Category	February FYs 2013– 2016 Commitment	Percent of
	Plan	Total
Environmental Protection	\$7,797	23.7%
Education & CUNY	5,181	15.8
Dept. of Transportation & Mass Transit	4,538	13.8
Housing and Economic Development	3,191	9.7
Administration of Justice	1,938	5.9
Technology and Citywide Equipment	2,170	6.6
Parks Department	1,865	5.7
Hospitals	1,459	4.4
Other City Operations and Facilities	4,730	14.4
Total	\$32,869	100.0%
Reserve for Unattained Commitments	(\$2,338)	N/A
Adjusted Total	\$30,531	N/A

SOURCE: NYC Office of Management and Budget, FY 2013-2016 January Capital Commitment Plan, January 2013.

The DOE's capital budget makes up 15.8 percent of the City-funded capital plan but 22.9 percent of all-funds capital plan. This difference is attributable to the large amount of State support allocated to DOE projects in the form of State-authorized NYCTFA Building Aid Revenue Bonds backed by State building aid payment. State supported commitments for education projects total \$3.81 billion for FYs 2013 through 2016. This represents 59 percent of the total State and Federal support to the entire commitment plan over that period.

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 Preliminary Ten-Year Capital Strategy (PTYCS) for FYs 2014 – 2023 totals \$50.85 billion, a decrease of \$3.25 billion from the TYCS published in May 2011. City-funds account for \$38.3 billion, or 75 percent of the capital strategy. Programmatically, education, environmental protection, transportation, and housing capital projects account for 84 percent, or \$42.5 billion, of the all-funds PTYCS.

Table 22 compares the current PTYCS and the previous TYCS from May 2011. Approximately \$1.88 billion, or 58 percent, of the decrease is attributable to reductions in Water Supply-related, DOE, and HPD capital projects.

**Table 22. Preliminary Ten-Year Capital Strategy, January 2013
vs. Ten-Year Capital Strategy, May 2011**

(\$ in millions)

	May 2011 City-Funds	May 2011 All-Funds	January 2013 City-Funds	January 2013 All- Funds	Percent of Total (All- Funds) January 2013	Change in All- Funds from May 2011
Education	\$10,143	\$20,193	\$9,880	\$19,665	38.7%	(\$528)
Dept. of Transportation	4,486	7,031	5,357	7,436	14.6	405
Environmental Protection	12,264	12,569	12,162	12,162	23.9	(407)
Housing & Economic Development	3,211	4,155	2,651	3,257	6.4	(898)
Administration of Justice	2,259	2,259	1,937	1,937	3.8	(322)
Sanitation	1,559	1,559	1,305	1,305	2.6	(254)
Mass Transit	652	656	520	520	1.0	(136)
Other City Services	5,511	5,676	4,496	4,571	9.0	(1,105)
Total	\$40,085	\$54,099	\$38,308	\$50,853	100.0%	(\$3,245)

SOURCE: NYC OMB. Numbers may not add due to rounding.

Funding the Ten-Year Capital Strategy

The City-funds portion of the PTYCS will be financed primarily with \$26.1 billion of G.O. and NYCTFA PIT bonds and \$12.2 billion of New York Water

Finance Authority (NYW) bonds. Together, GO, NYCTFA PIT and NYW borrowing will finance \$38.3 billion, or 75.3 percent of the total PTYCS. New York State Funds are expected to finance another \$10.3 billion or 20.2 percent of capital projects while the Federal Government and other non-city sources are anticipated to fund the remaining \$2.3 billion, or 4.5 percent.

More than 78 percent, or \$9.78 billion, of the non-City support is planned to fund capital projects in the DOE. This projection reflects the continued assumed support of State building aid and the use of NYCTFA BARBs to help finance DOE's capital strategy.

Ten-Year Capital Strategy by Type of Work

The January 2013 PTYCS is comprised of three major types of capital projects: 1) State of Good Repair, which accounts for 48.3 percent of the Plan (\$24.55 billion); 2) Program Expansion, which accounts for 26.2 percent of the Plan (\$13.35 billion); and 3) Programmatic Replacement, which accounts for 25.5 percent of the Plan (\$12.95 billion).

State of Good Repair projects include reconstruction and rehabilitation of schools (\$11.61 billion), reconstruction of East River and other bridges (\$3.75 billion), and the reconstruction and resurfacing of streets and highways citywide (\$2.71 billion).

Program Expansion projects include the construction of new schools (\$7.88 billion), construction of water conveyance systems, (\$837 million), new and special needs housing initiatives (\$1.29 billion), and the continued construction of the third water tunnel (\$828 million).

Programmatic Replacement projects include capital programs for water quality mandates and preservation (\$2.63 billion), water pollution control plant upgrades and stabilization (\$3.16 billion), and water main replacement and dam safety programs (\$1.4 billion).

Super Storm Sandy Impact on Capital Budget

Federal funding to repair and strengthen City infrastructure damaged by Super Storm Sandy totals \$3.1 billion and is allocated across many different agencies citywide, as shown in Table 23. Four agencies, DOT, HHC, Parks and Recreation, and HPD account for \$2.54 billion or 82.4 percent of the total amount. Just over 95 percent of the capital spending is projected for FYs 2013 and 2014.

Table 23. Estimated Agency Capital Resources Associated with Sandy Storm Damage FYs 2013-2023

(\$ in millions)

Agency Name	\$'s in thousands	% of Total
Transportation	\$823,653	26.7%
Health and Hospitals Corp.	\$711,962	23.1%
Parks and Recreation	\$528,093	17.1%
Housing Preservation & Development	\$477,000	15.5%
Education	\$200,000	6.5%
Correction	\$82,188	2.7%
Cultural Affairs	\$75,550	2.5%
Environmental Protection	\$48,583	1.6%
Economic Development	\$45,264	1.5%
Fire Department	\$39,335	1.3%
Police	\$16,834	0.5%
Brooklyn Public Library	\$6,953	0.2%
Queens Public Library	\$5,753	0.2%
Sanitation	\$5,639	0.2%
Dept. of Information, Technology, and Telecommunications.	\$5,266	0.2%
Human Resources	\$3,505	0.1%
City University	\$3,398	0.1%
Health	\$3,100	0.1%
Children's Services	\$273	0.0%
Department of Citywide Admin. Services	\$124	0.0%
New York Public Library	\$30	0.0%
Total	\$3,082,503	100%

SOURCE: Preliminary Ten-Year Capital Strategy, Fiscal Years 2014-2023, NYC OMB, January 2013.

NOTE: OMB expects Federal Reimbursement for the capital costs listed by agency.

V. Appendix – Revenue and Expenditure Details

Table A1. January 2013 Preliminary Budget Revenue Detail

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change FYs 2013-17	
						Dollar	Percent
Taxes:							
Real Property	\$18,659	\$19,579	\$20,403	\$21,337	\$22,106	\$3,447	18.5%
Personal Income Tax	\$9,098	\$9,139	\$9,675	\$10,053	\$10,420	\$1,322	14.5%
General Corporation Tax	\$2,493	\$2,567	\$2,683	\$2,809	\$2,994	\$501	20.1%
Banking Corporation Tax	\$1,361	\$1,284	\$1,372	\$1,506	\$1,545	\$184	13.5%
Unincorporated Business Tax	\$1,763	\$1,864	\$1,918	\$1,969	\$2,075	\$312	17.7%
Sale and Use Tax	\$6,061	\$6,336	\$6,594	\$6,808	\$7,065	\$1,004	16.6%
Real Property Transfer	\$1,036	\$1,096	\$1,187	\$1,287	\$1,433	\$397	38.3%
Mortgage Recording Tax	\$656	\$712	\$775	\$840	\$935	\$279	42.5%
Commercial Rent	\$653	\$679	\$706	\$734	\$763	\$110	16.8%
Utility	\$382	\$400	\$413	\$424	\$425	\$43	11.3%
Hotel	\$502	\$504	\$526	\$550	\$563	\$61	12.2%
Cigarette	\$63	\$63	\$62	\$60	\$59	(\$4)	(6.3%)
All Other	\$506	\$501	\$501	\$501	\$501	(\$5)	(1.0%)
Tax Audit Revenue	\$838	\$709	\$709	\$709	\$709	(\$129)	(15.4%)
Total Taxes	\$44,071	\$45,433	\$47,524	\$49,587	\$51,593	\$7,522	17.1%
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	\$554	\$579	\$582	\$585	\$598	\$44	7.9%
Interest Income	\$17	\$11	\$12	\$65	\$143	\$126	741.2%
Charges for Services	\$876	\$920	\$916	\$916	\$916	\$40	4.6%
Water and Sewer Charges	\$1,505	\$1,514	\$1,512	\$1,530	\$1,541	\$36	2.4%
Rental Income	\$303	\$282	\$296	\$296	\$296	(\$7)	(2.3%)
Fines and Forfeitures	\$800	\$816	\$816	\$815	\$814	\$14	1.8%
Miscellaneous	\$754	\$1,145	\$1,013	\$892	\$537	(\$217)	(28.8%)
Intra-City Revenue	\$1,777	\$1,608	\$1,611	\$1,616	\$1,613	(\$164)	(9.2%)
Total Miscellaneous	\$6,586	\$6,875	\$6,758	\$6,715	\$6,458	(\$128)	(1.9%)
Other Categorical Grants	\$981	\$940	\$907	\$895	\$891	(\$90)	(9.2%)
Inter-Fund Agreements	\$571	\$518	\$517	\$517	\$517	(\$54)	(9.5%)
Reserve for Disallowance of Categorical Grants	(\$15)	(\$15)	(\$15)	(\$15)	(\$15)	\$0	0.0%
Less: Intra-City Revenue	(\$1,777)	(\$1,608)	(\$1,611)	(\$1,616)	(\$1,613)	\$164	(9.2%)
TOTAL CITY-FUNDS	\$50,417	\$52,143	\$54,080	\$56,083	\$57,831	\$7,414	14.7%

Table A1 (Con't). January 2013 Preliminary Budget Revenue Detail

(\$ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Changes FYs 2013-17	
						Dollar	Percent
Federal Categorical Grants:							
Community Development	\$229	\$219	\$219	\$219	\$219	(\$10)	(4.4%)
Welfare	\$3,293	\$3,121	\$3,076	\$3,067	\$3,064	(\$229)	(7.0%)
Education	\$1,956	\$1,841	\$1,816	\$1,815	\$1,815	(\$141)	(7.2%)
Other	\$3,177	\$1,362	\$1,250	\$1,248	\$1,248	(\$1,929)	(60.7%)
Total Federal Grants	\$8,655	\$6,543	\$6,361	\$6,349	\$6,346	(\$2,309)	(26.7%)
State Categorical Grants							
Social Services	\$1,495	\$1,439	\$1,410	\$1,409	\$1,410	(\$85)	(5.7%)
Education	\$8,084	\$8,296	\$8,564	\$8,922	\$8,975	\$891	11.0%
Higher Education	\$235	\$235	\$235	\$235	\$235	\$0	0.0%
Department of Health and Mental Hygiene	\$582	\$553	\$550	\$550	\$550	(\$32)	(5.5%)
Other	\$905	\$842	\$926	\$1,031	\$1,105	\$200	22.1%
Total State Grants	\$11,301	\$11,365	\$11,685	\$12,147	\$12,275	\$974	8.6%
TOTAL REVENUES	\$70,373	\$70,051	\$72,126	\$74,579	\$76,452	\$6,079	8.6%

Table A2. January 2013 Preliminary Budget Expenditure Detail

(\$ in thousands)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change FYs 2013-17	
						Dollars	Percent
Mayoralty	\$99,420	\$86,737	\$85,674	\$85,657	\$85,657	(\$13,763)	(13.8%)
Board of Elections	\$114,723	\$72,590	\$72,590	\$72,590	\$72,590	(\$42,133)	(36.7%)
Campaign Finance Board	\$55,077	\$13,288	\$13,288	\$13,288	\$13,288	(\$41,789)	(75.9%)
Office of the Actuary	\$6,015	\$6,246	\$6,248	\$6,250	\$6,250	\$235	3.9%
President, Borough of Manhattan	\$4,601	\$2,466	\$2,473	\$2,478	\$2,478	(\$2,123)	(46.1%)
President, Borough of Bronx	\$5,254	\$3,276	\$3,276	\$3,276	\$3,276	(\$1,978)	(37.6%)
President, Borough of Brooklyn	\$5,787	\$3,016	\$3,016	\$3,016	\$3,016	(\$2,771)	(47.9%)
President, Borough of Queens	\$4,717	\$2,896	\$2,899	\$2,903	\$2,908	(\$1,809)	(38.4%)
President, Borough of Staten Island	\$3,973	\$2,319	\$2,319	\$2,319	\$2,319	(\$1,654)	(41.6%)
Office of the Comptroller	\$75,277	\$75,613	\$75,862	\$76,273	\$76,273	\$996	1.3%
Dept. of Emergency Management	\$75,876	\$12,751	\$6,097	\$6,104	\$6,107	(\$69,769)	(92.0%)
Office of Administrative Tax Appeals	\$4,354	\$4,273	\$4,273	\$4,273	\$4,273	(\$81)	(1.9%)
Law Dept.	\$143,707	\$139,363	\$135,150	\$129,998	\$129,998	(\$13,709)	(9.5%)
Dept. of City Planning	\$24,185	\$20,554	\$20,298	\$20,310	\$20,310	(\$3,875)	(16.0%)
Dept. of Investigation	\$26,392	\$16,559	\$16,483	\$16,483	\$16,483	(\$9,909)	(37.5%)
NY Public Library - Research	\$22,005	\$14,734	\$14,734	\$14,734	\$14,734	(\$7,271)	(33.0%)
New York Public Library	\$109,766	\$71,775	\$71,425	\$71,425	\$71,425	(\$38,341)	(34.9%)
Brooklyn Public Library	\$82,334	\$53,843	\$53,493	\$53,493	\$53,493	(\$28,841)	(35.0%)
Queens Borough Public Library	\$81,220	\$52,807	\$52,457	\$52,457	\$52,457	(\$28,763)	(35.4%)
Dept. of Education	\$19,203,796	\$19,518,602	\$20,076,117	\$20,664,178	\$21,027,906	\$1,824,110	9.5%
City University	\$833,403	\$802,411	\$796,223	\$784,684	\$784,422	(\$48,981)	(5.9%)
Civilian Complaint Review Board	\$11,384	\$11,303	\$11,307	\$11,307	\$11,323	(\$61)	(0.5%)
Police Dept.	\$4,723,585	\$4,438,101	\$4,410,283	\$4,412,312	\$4,412,312	(\$311,273)	(6.6%)
Fire Dept.	\$1,897,271	\$1,710,766	\$1,626,352	\$1,623,371	\$1,625,815	(\$271,456)	(14.3%)
Admin. for Children Services	\$2,818,832	\$2,745,768	\$2,746,314	\$2,746,314	\$2,746,314	(\$72,518)	(2.6%)
Dept. of Social Services	\$9,344,579	\$9,300,543	\$9,386,781	\$9,337,498	\$9,338,937	(\$5,642)	(0.1%)
Dept. of Homeless Services	\$954,283	\$847,601	\$842,488	\$842,288	\$842,288	(\$111,995)	(11.7%)
Dept. of Correction	\$1,069,193	\$1,059,031	\$1,054,881	\$1,054,701	\$1,054,701	(\$14,492)	(1.4%)
Board of Correction	\$1,059	\$1,178	\$1,178	\$1,178	\$1,178	\$119	11.2%
Citywide Pension Contribution	\$7,937,405	\$8,087,399	\$8,078,814	\$8,274,491	\$8,527,352	\$589,947	7.4%
Miscellaneous	\$6,598,064	\$7,090,918	\$8,953,267	\$9,809,858	\$10,752,824	\$4,154,760	63.0%
Debt Service	\$4,250,275	\$4,487,082	\$4,925,642	\$5,034,798	\$5,060,722	\$810,447	19.1%
N.Y.C.T.F.A. Debt Service	\$1,760,164	\$1,837,710	\$2,256,950	\$2,466,930	\$2,649,260	\$889,096	50.5%
FY 2012 BSA and Discretionary Transfers	(\$2,431,487)	(\$30,611)	\$0	\$0	\$0	\$2,431,487	(100.0%)
FY 2013 BSA	\$1,085,415	(\$1,085,415)	\$0	\$0	\$0	(\$1,085,415)	(100.0%)
Public Advocate	\$2,257	\$1,533	\$1,533	\$1,533	\$1,533	(\$724)	(32.1%)
City Council	\$52,100	\$49,442	\$49,442	\$49,442	\$49,442	(\$2,658)	(5.1%)
City Clerk	\$4,540	\$4,359	\$4,362	\$4,362	\$4,362	(\$178)	(3.9%)
Dept. for the Aging	\$262,928	\$232,390	\$232,388	\$232,388	\$232,388	(\$30,540)	(11.6%)
Dept. of Cultural Affairs	\$152,189	\$92,575	\$92,575	\$92,575	\$92,575	(\$59,614)	(39.2%)
Financial Info. Serv. Agency	\$89,422	\$91,800	\$90,514	\$91,014	\$91,014	\$1,592	1.8%
Office of Payroll Admin.	\$20,972	\$27,614	\$27,691	\$27,719	\$27,749	\$6,777	32.3%
Independent Budget Office	\$4,359	\$4,345	\$4,338	\$4,334	\$4,334	(\$25)	(0.6%)
Equal Employment Practices Comm.	\$790	\$665	\$715	\$715	\$715	(\$75)	(9.5%)

Table A2 (Con't). January 2013 Preliminary Budget Expenditure Detail

(\$ in thousands)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change FYs 2013-17	
						Dollars	Percent
Civil Service Commission	\$773	\$751	\$751	\$751	\$751	(\$22)	(2.8%)
Landmarks Preservation Comm.	\$4,962	\$5,021	\$5,039	\$5,063	\$5,063	\$101	2.0%
Districting Commission	\$1,661	\$0	\$0	\$0	\$0	(\$1,661)	(100.0%)
Taxi and Limousine Commission	\$43,786	\$62,448	\$60,139	\$55,639	\$42,139	(\$1,647)	(3.8%)
Commission on Human Rights	\$6,422	\$6,290	\$6,498	\$6,498	\$6,498	\$76	1.2%
Youth & Community Development	\$329,569	\$229,203	\$208,067	\$208,067	\$208,067	(\$121,502)	(36.9%)
Conflicts of Interest Board	\$2,057	\$2,072	\$2,072	\$2,072	\$2,072	\$15	0.7%
Office of Collective Bargain	\$2,260	\$1,845	\$1,974	\$1,976	\$1,976	(\$284)	(12.6%)
Community Boards (All)	\$15,773	\$14,295	\$14,297	\$14,300	\$14,300	(\$1,473)	(9.3%)
Dept. of Probation	\$75,663	\$74,468	\$73,828	\$73,828	\$73,828	(\$1,835)	(2.4%)
Dept. Small Business Services	\$144,725	\$104,596	\$86,316	\$86,323	\$86,326	(\$58,399)	(40.4%)
Housing Preservation & Development	\$656,494	\$557,504	\$555,644	\$554,994	\$554,994	(\$101,500)	(15.5%)
Dept. of Buildings	\$106,104	\$93,751	\$91,705	\$91,661	\$91,661	(\$14,443)	(13.6%)
Dept. of Health & Mental Hygiene	\$1,672,351	\$1,530,292	\$1,521,494	\$1,521,196	\$1,521,146	(\$151,205)	(9.0%)
Health and Hospitals Corp.	\$171,962	\$65,385	\$64,380	\$64,380	\$64,380	(\$107,582)	(62.6%)
Office of Administrative Trials & Hearings	\$34,554	\$34,873	\$34,875	\$34,877	\$34,877	\$323	0.9%
Dept. of Environmental Protection	\$1,693,094	\$1,106,778	\$1,091,350	\$1,089,160	\$1,086,993	(\$606,101)	(35.8%)
Dept. of Sanitation	\$1,473,050	\$1,420,546	\$1,466,843	\$1,465,131	\$1,465,140	(\$7,910)	(0.5%)
Business Integrity Commission	\$7,397	\$6,973	\$7,145	\$7,145	\$7,145	(\$252)	(3.4%)
Dept. of Finance	\$227,137	\$220,287	\$219,861	\$219,935	\$220,000	(\$7,137)	(3.1%)
Dept. of Transportation	\$911,737	\$683,636	\$687,865	\$689,565	\$689,565	(\$222,172)	(24.4%)
Dept. of Parks and Recreation	\$399,539	\$319,137	\$319,021	\$319,021	\$319,021	(\$80,518)	(20.2%)
Dept. of Design & Construction	\$125,209	\$116,949	\$116,949	\$116,949	\$116,949	(\$8,260)	(6.6%)
Dept. of Citywide Admin. Services	\$406,756	\$372,272	\$372,752	\$372,382	\$372,387	(\$34,369)	(8.4%)
D.O.I.T.T.	\$335,771	\$295,227	\$299,021	\$300,900	\$299,390	(\$36,381)	(10.8%)
Dept. of Record & Info. Services	\$5,460	\$4,900	\$4,764	\$4,768	\$4,768	(\$692)	(12.7%)
Dept. of Consumer Affairs	\$26,980	\$24,946	\$24,630	\$24,510	\$24,510	(\$2,470)	(9.2%)
District Attorney - N.Y.	\$97,748	\$83,432	\$83,436	\$83,436	\$83,436	(\$14,312)	(14.6%)
District Attorney – Bronx	\$51,500	\$50,447	\$50,450	\$50,450	\$50,450	(\$1,050)	(2.0%)
District Attorney – Kings	\$83,375	\$82,303	\$82,307	\$82,307	\$82,307	(\$1,068)	(1.3%)
District Attorney – Queens	\$51,537	\$48,959	\$48,961	\$48,961	\$48,961	(\$2,576)	(5.0%)
District Attorney - Richmond	\$8,240	\$8,100	\$8,100	\$8,100	\$8,100	(\$140)	(1.7%)
Office of Prosec. & Spec. Narc.	\$17,345	\$17,274	\$17,275	\$17,275	\$17,275	(\$70)	(0.4%)
Public Administrator - N.Y.	\$1,449	\$1,271	\$1,279	\$1,279	\$1,279	(\$170)	(11.7%)
Public Administrator - Bronx	\$564	\$485	\$493	\$493	\$493	(\$71)	(12.6%)
Public Administrator - Brooklyn	\$656	\$574	\$582	\$582	\$582	(\$74)	(11.3%)
Public Administrator - Queens	\$510	\$448	\$456	\$456	\$456	(\$54)	(10.6%)
Public Administrator - Richmond	\$429	\$360	\$367	\$367	\$367	(\$62)	(14.5%)
Prior Payable Adjustment	(\$500,000)	\$0	\$0	\$0	\$0	\$500,000	(100.0%)
General Reserve	\$100,000	\$300,000	\$300,000	\$300,000	\$300,000	\$200,000	200.0%
Energy Adjustment	(\$12,836)	\$34,390	\$51,481	\$37,960	\$51,929	\$64,765	(504.6%)
Lease Adjustment	\$0	\$30,842	\$92,873	\$120,502	\$148,959	\$148,959	N/A
OTPS Inflation Adjustment	\$0	\$55,519	\$111,038	\$166,557	\$222,076	\$222,076	N/A
TOTAL EXPENDITURE	\$70,373,224	\$70,051,065	\$74,498,588	\$76,455,133	\$78,307,417	\$7,934,193	11.3%

Glossary of Acronyms

AIRA	Actuarial Interest Rate Assumption
ATRA	American Tax Relief Act
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BLS	Bureau of Labor Statistics
BSA	Budget Stabilization Account
CAP	Capital Acceleration Plan
CSA	Council of School Supervisors and Administrators
CSEA	Civil Service Employees Association
CUNY	City University of New York
CY	Calendar Year
DEP	Department of Environmental Protection
DOB	Department of Buildings
DOC	Department of Correction
DOE	Department of Education
DOT	Department of Transportation

DSNY	Department of Sanitation
FDNY	Fire Department
FEMA	Federal Emergency Management Agency
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
HPD	Housing Preservation & Development
J&C	Judgments and Claims
NYC	New York City
NYCEDC	New York City Economic Development Corporation
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department
NYS	New York State

NYWFA	New York Municipal Water Finance Authority
O&M	Operation and Maintenance
OMB	Office of Management and Budget
OPEB	Other Post Employment Benefits
OTPS	Other than Personal Services
PEG	Program to Eliminate the Gap
PERB	Public Employment Relations Board
PIT	Personal Income Tax
PS	Personal Services
PTYCS	Preliminary Ten-Year Capital Strategy
RHBT	Retiree Health Benefits Trust
TSASC	Tobacco Settlement Asset Securitization Corporation
TYCS	Ten-Year Capital Strategy
STAR	School Tax Relief
UBT	Unincorporated Business Tax

UFT	United Federation of Teachers
U.S.	United States
YTD	Year-to-date