New York City Comptroller
John C. Liu

BUREAU OF FISCAL AND BUDGET STUDIES

Comments on New York City's Fiscal Year 2014 Executive Budget

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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

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I. Executive Summary

The Comptroller's economic forecast continues to call for moderate economic growth for the nation and the City. However, there are indications that the long wait for a true recovery from the disastrous recession of 2008 – 2009 may finally be ending. We expect to see slightly faster growth in the City's economy in 2013, relative to the past few years, with national growth following suit in 2014. The major threat to that more favorable scenario remains Federal economic policy, as continued partisan deadlock over the Federal budget could counteract some of the improvements that are visible in the private economy.

The Comptroller's Office expects that New York City's economy will slightly outperform the nation's economy in 2013, after which the local and national growth rates should converge. Although the Comptroller forecasts year-over-year job growth to slow in 2013, the City's economy should continue to benefit from the large job gains that occurred in the past two years. The Comptroller estimates that the City's economy will grow by 2.8 percent in 2013 and by 2.7 percent in 2014. Wage rate growth should finally begin to pick up after five-years of stagnation, but the unemployment rate is expected to remain stubbornly high, as new job creation is matched by labor force growth as discouraged workers begin to filter back into the labor market.

The Mayor's FY 2014 Executive Budget totals $69.78 billion which is $275 million lower than the FY 2014 Preliminary Budget. The FY 2014 Executive Budget is $2.07 billion less than the current modified FY 2013 Budget of $71.85 billion. While it appears that the FY 2014 expenditures are lower than expenditures in FY 2013, the spending estimates are masked by prepayments and other one-time adjustments. After netting out the impact of these actions, FY 2014 expenditures are expected to be $481 million or 0.7 percent greater than FY 2013.

The FY 2014 Executive Budget, as required by law, is a balanced budget. Yet, there are certain risks that the Comptroller has identified, which if realized would result in large budget gaps that would require further budgetary belt tightening or increased revenues. These risks total $2.524 billion in FY 2013, $577 million in FY 2014, $1.141 billion in FY 2015, $610 million in FY 2016 and $324 million in FY 2017. The largest risk to the Plan assumptions is the absence of funding of wage increases for teachers and principals for the 2008 – 2010 round of collective bargaining. The City's other major municipal unions agreed to contracts that granted two annual 4.0 percent pay increases. If the teachers and principals were awarded an identical contract, the City would have an additional $2.595 billion expense in FY 2013, including retroactive costs, and $900 million of additional expenses each year thereafter. Other risks to the Plan's expenditure assumptions include an underestimation of overtime expenses which could cost $161 million in FY 2014 and $100 million a year in the outyears of the Plan, and the assumption of $80 million of Medicaid reimbursement in the Department of Education in FY 2014 and $100 million in each of the subsequent years of the Plan.

The largest revenue risk identified in the Executive Budget is the anticipation of $1.46 billion of revenues from the sale of taxi medallions in FY 2014 through FY 2017. As a result of a court ruling preventing the sale of the taxi medallions, the City has revised its schedule of expected taxi medallion revenues; the Plan now assumes $300 million in FY 2014, $400 million in FY 2015, $360 million in FY 2016, and $400 million in FY 2017. While the City has appealed the court ruling which prevented the taxi medallion sale, the Comptroller's Office feels that because of the continuing uncertainty, the assumption of this revenue stream is a risk to the Plan. There is concern that even if the sale is eventually authorized, the market for the medallions may not be as robust as the City has assumed and revenues may fall far short of plan.

Offsetting some of the risks is the Comptroller's more positive outlook for the City's tax collections. In FY 2014 tax revenues are expected to exceed the Financial Plan estimates by $771 million. This estimate is driven primarily by estimates of an additional $683 million in PIT revenues during the next fiscal year. The Comptroller's Office recognizes the apparent forward-shifting of capital gains realizations into CY 2012, but does not expect the corresponding drop in FY 2014 PIT revenues to be as precipitous as the City forecasts. In addition, the large gains in stock market values recorded during the first five months of CY 2013 suggest that that both Wall Street profits and capital gains realizations will hold up better than anticipated by the City's forecasts. Consequently, the Comptroller expects a decrease in overall PIT revenues of only 1.2 percent in FY 2014.

For FYs 2015 through 2017, the Comptroller's Office projects tax revenue offsets to grow from $230 million to $976 million. The higher forecasts for most major tax revenue categories stem 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. Large offsets in the real property tax revenue forecast in the final two years of the Plan are due primarily to the Comptroller's more optimistic forecast of commercial property value appreciation.

At adoption last June, the FY 2014 gap stood at $2.51 billion. The Administration has closed the gap primarily through the initiation of a PEG in November 2012, which provided $1.05 billion in gap-closing resources and an additional $2.04 billion surplus from FY 2013 which enabled the Administration to pre-pay certain FY 2014 expenses.[1] In addition, the Administration increased FY 2014 revenues by a net $31 million, reduced estimated energy costs by $105 million; secured $191 million of savings from re-estimates of the HIP rate and reduced debt service expenditures by $205 million. These expenditure reductions were slightly offset by additional FY 2014 pension expenses of $203 million, increased agency expenditures of $616 million and an increase to the general reserve of $150 million.

[1] The FY 2013 Adopted Budget includes a Budget Stabilization Account (BSA) of $124 million funded with a projected FY 2013 budget surplus to prepay FY 2014 debt service. The additional $2.04 billion budget surplus brings the FY 2013 surplus to $2.161 billion.

Table 1. May 2013 Modification and FYs 2014 – 2017 Financial Plan

($ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Changes FYs 2013 – 2017 Dollar	Changes FYs 2013 – 2017 Percent
Revenues							
Taxes:							
General Property Tax	$18,780	$19,709	$20,555	$21,491	$22,262	$3,482	18.5%
Other Taxes	$25,488	$24,821	$26,583	$27,602	$28,767	$3,279	12.9%
Tax Audit Revenues	$1,060	$709	$709	$709	$709	($351)	(33.1%)
Subtotal: Taxes	$45,328	$45,239	$47,847	$49,802	$51,738	$6,410	14.1%
Miscellaneous Revenues	$6,359	$6,562	$6,612	$6,619	$6,730	$371	5.8%
Less: Intra-City Revenues	($1,732)	($1,563)	($1,561)	($1,565)	($1,566)	$166	(9.6%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$49,940	$50,223	$52,883	$54,841	$56,887	$6,947	13.9%
Other Categorical Grants	$996	$888	$893	$881	$877	($119)	(11.9%)
Inter-Fund Revenues	$560	$535	$516	$515	$515	($45)	(8.0%)
Total City & Inter-Fund Revenues	$51,496	$51,646	$54,292	$56,237	$58,279	$6,783	13.2%
Federal Categorical Grants	$9,005	$6,429	$6,312	$6,295	$6,292	($2,713)	(30.1%)
State Categorical Grants	$11,344	$11,701	$12,037	$12,519	$13,033	$1,689	14.9%
Total Revenues	$71,845	$69,776	$72,641	$75,051	$77,604	$5,759	8.0%
Expenditures							
Personal Service							
Salaries and Wages	$22,083	$22,032	$22,158	$22,429	$22,785	$702	3.2%
Pensions	$8,185	$8,317	$8,326	$8,524	$8,778	$593	7.2%
Fringe Benefits	$8,553	$8,827	$9,447	$10,148	$10,913	$2,360	27.6%
Retiree Health Benefits Trust	($1,000)	($1,000)	$0	$0	$0	$1,000	(100.0%)
Subtotal-PS	$37,821	$38,176	$39,931	$41,101	$42,476	$4,655	12.3%
Other Than Personal Service							
Medical Assistance	$6,335	$6,366	$6,447	$6,415	$6,415	$80	1.3%
Public Assistance	$1,378	$1,387	$1,385	$1,385	$1,391	$13	0.9%
All Other	$22,279	$20,765	$21,295	$21,804	$22,273	($6)	(0.0%)
Subtotal-OTPS	$29,992	$28,518	$29,127	$29,604	$30,079	$87	0.3%
Debt Service							
Principal	$1,941	$1,958	$2,321	$2,314	$2,259	$318	16.4%
Interest & Offsets	$2,312	$2,478	$2,602	$2,724	$2,812	$500	21.6%
Subtotal Debt Service	$4,253	$4,436	$4,923	$5,038	$5,071	$818	19.2%
FY 2012 BSA and Discretionary Transfers[a]	($2,431)	($31)	$0	$0	$0	$2,431	(100.0%)
FY 2013 BSA and Discretionary Transfers[b]	$2,161	($2,161)	$0	$0	$0	($2,161)	(100.0%)
FY 2014 BSA	$0	$142	($142)	$0	$0	$0	0.0%
NYCTFA							
Principal	$606	$665	$852	$944	$979	$373	61.6%
Interest & Offsets	$1,135	$1,144	$1,404	$1,528	$1,682	$547	48.2%
Subtotal NYCTFA	$1,741	$1,809	$2,256	$2,472	$2,661	$920	52.8%
General Reserve	$40	$450	$300	$300	$300	$260	650.0%
	$73,577	$71,339	$76,395	$78,515	$80,587	$7,010	9.5%
Less: Intra-City Expenses	($1,732)	($1,563)	($1,561)	($1,565)	($1,566)	$166	(9.6%)
Total Expenditures	$71,845	$69,776	$74,834	$76,950	$79,021	$7,176	10.0%
Gap To Be Closed	**$0**	**$0**	**($2,193)**	**($1,899)**	**($1,417)**	**($1,417)**	**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, $64 million of subsidies and $23 million of net equity contribution in bond refunding. Of the $156 million in lease debt service prepayment, $125 million was for FY 2013 lease debt service. The remaining $31 million was for FY 2014 lease debt service.

[b] FY 2013 BSA and Discretionary Transfers include prepayments of $2.097 billion of G.O. debt service and $64 million of subsidies.

Table 2. Plan-to-Plan Changes
May 2013 Modification vs. June 2012 Plan

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
Revenues				
Taxes:				
General Property Tax	$149	$539	$724	$1,018
Other Taxes	$1,199	($410)	($2)	($206)
Tax Audit Revenues	$336	$3	$3	$3
Subtotal: Taxes	$1,684	$132	$725	$815
Miscellaneous Revenues	($590)	($26)	($56)	$308
Less: Intra-City Revenues	($101)	$34	$39	$40
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$993	$140	$708	$1,163
Other Categorical Grants	$72	($31)	($23)	($21)
Inter-Fund Revenues	$21	$25	$7	$6
Total City & Inter-Fund Revenues	$1,086	$134	$692	$1,148
Federal Categorical Grants	$2,344	($42)	($59)	($75)
State Categorical Grants	($86)	($19)	($103)	($103)
Total Revenues	$3,344	$73	$530	$970
Expenditures				
Personal Service				
Salaries and Wages	$282	$112	$19	($86)
Pensions	$123	$203	$320	$420
Fringe Benefits	$124	($170)	($150)	($119)
Retiree Health Benefits Trust	$0	$0	$0	$0
Subtotal-PS	$529	$145	$189	$215
Other Than Personal Service				
Medical Assistance	$52	$0	$0	($1)
Public Assistance	$104	$108	$106	$106
All Other	$1,130	($467)	($569)	($597)
Subtotal-OTPS	$1,286	($359)	($463)	($492)
Debt Service				
Principal	($70)	($201)	$15	$13
Interest & Offsets	$9	($77)	($33)	($10)
Subtotal Debt Service	($61)	($278)	($18)	$3
FY 2012 BSA and Discretionary Transfers	($23)	$0	$0	$0
FY 2013 BSA and Discretionary Transfers	$2,037	($2,037)	$0	$0
FY 2014 BSA	$0	$142	($142)	$0
NYCTFA Debt Service				
Principal	($30)	($126)	($20)	$36
Interest & Offsets	($33)	($106)	$21	($3)
Subtotal NYCTFA	($63)	($232)	$1	$33
General Reserve	($260)	$150	$0	$0
	$3,445	($2,469)	($433)	($241)
Less: Intra-City Expenses	($101)	$34	$39	$40
Total Expenditures	$3,344	($2,435)	($394)	($201)
Gap To Be Closed	**$0**	**$2,508**	**$924**	**$1,171**

Table 3. Risks and Offsets to the FY 2014 Executive Budget Financial Plan

($ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
City Stated Gap	**$0**	**$0**	**($2,193)**	**($1,899)**	**($1,417)**
Tax Revenues					
Property Tax	$0	$31	$8	$239	$557
Personal Income Tax	$0	$683	$213	$283	$362
Business Taxes	$0	($8)	($89)	$26	($18)
Sales Tax	$0	$33	$42	$95	$100
Real-Estate-Related Taxes	$11	$32	$56	$42	($25)
Subtotal	**$11**	**$771**	**$230**	**$685**	**$976**
Taxi Medallion Sale	**$0**	**($300)**	**($400)**	**($360)**	**($400)**
Expenditures					
UFT/CSA Collective Bargaining	($2,595)	($900)	($900)	($900)	($900)
Overtime	($0	($161)	($100)	($100)	($100)
DOE Medicaid Reimbursement	$0	($80)	($100)	($100)	($100)
Judgments and Claims	$60	$93	$129	$165	$200
Subtotal	**($2,535)**	**($1,048)**	**($971)**	**($935)**	**($900)**
Total Risk/Offsets	**($2,524)**	**($577)**	**($1,141)**	**($610)**	**($324)**
Restated (Gap)/Surplus	**($2,524)**	**($577)**	**($3,334)**	**($2,509)**	**($1,741)**

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II. The FY 2013 Budget

The FY 2013 Modified Budget that was released with the FY 2014 Executive Budget and May 2013 Financial Plan totals $71.845 billion, an increase of $1.472 billion from the January Financial Plan, and a cumulative increase of $3.344 billion from the Adopted FY 2013 Budget. The increase from January reflects the realization of an additional $1.257 billion of tax revenues. The cumulative increase from June is primarily the result of an additional $2.344 billion in Federal categorical grant funds and $1.67 billion in tax revenues. The additional Federal categorical grant funds consist primarily of expected Federal reimbursement of $1.462 billion for Super Storm Sandy-related emergency and recovery expenses and $600 million from the rollover of unspent grants from the previous fiscal year. The increases in Federal grants and tax revenues are partially offset by the removal, in the November Modification, of $635 million of assumed taxi medallion sales revenues and a net decrease of $49 million in all other revenues.

The City-funds portion of the budget, which excludes Federal, State and other categorical as well as the intra-City and inter-fund agreement portions of the budget, has increased by $933 million to $49.94 billion since budget adoption. The increase in City-funds revenues is due to an upward revision of $1.67 billion in tax revenues as well as a $100 million revenue enhancement program to eliminate the gap (PEGs). These increases are offset by the removal of $635 million in assumed taxi medallion sale revenues and a downward revision of $142 million in non-tax revenues.

Table 4. Changes to the FY 2013 City-Funds Estimates

($ in millions, postitve numbers decrease the gap and negative numbers increase the gap)

	June to Nov. Mod.	Nov. to Jan. Mod.	Jan. to May Mod.	June to May Mod.
Beginning Gap	**$0**	**$0**	**$0**	**$0**
Changes to Revenues				
Tax Revenues	$181	$232	$1,257	$1,670
Non Tax Revenues	24	13	(179)	(142)
Taxi Medallion Sales	(635)	0	0	(635)
Revenue PEGs	109	(6)	(3)	100
Total Revenue Changes	**($321)**	**$239**	**$1,075**	**$993**
Changes to Expenditures				
Agency Expenditures	($136)	($24)	($40)	($200)
Pensions	0	0	(124)	(124)
Prior-Year-Payable	0	500	0	500
General Reserve	0	200	60	260
HIP Rate Re-estimate	11	0	0	11
PEGs	446	(10)	0	436
Debt Service	0	56	8	64
Energy	0	0	97	97
Total Expenditure Changes	**$321**	**$722**	**$1**	**$1,044**
FY 2013 BSA and Discretionary Transfers	**$0**	**($961)**	**($1,076)**	**($2,037)**
Remaining Gap Current Plan	**$0**	**$0**	**$0**	**$0**

The enhanced tax revenue estimates for FY 2013 reflect the ongoing economic recovery in New York City. Employment gains, healthy Wall Street profits, a strong rebound in the real-estate market, and a robust tourism industry helped boost tax revenues in FY 2013. Furthermore, the acceleration of capital gains realizations and business activities including real estate transactions into FY 2013, in response to the fiscal cliff and the expiration of the Bush-era tax cuts, have provided an additional lift to the FY 2013 tax collections. Table 5 shows, the change in FY 2013 tax revenue forecasts since budget adoption.

Table 5. Change to the FY 2013 Tax Revenue Forecasts

($ in millions)

	June to Nov.	Nov. to Jan.	Jan. to May	June to May
Property	$0	$15	$121	$136
PIT	17	(5)	627	639
Business Tax	69	62	145	276
Sales Tax	(3)	0	10	7
Real-Estate-Related Tax	(7)	152	109	254
Tax Audit	113	0	222	335
Other Taxes	(8)	8	23	23
Total	**$181**	**$232**	**$1,257**	**$1,670**

City-funds expenditures are $1.044 billion below the Adopted Budget estimates. The reduction in expenditures is achieved in part by spending PEGs which are expected to generate FY 2013 savings of $436 million. Adjustments to prior-year-payable estimates and the general reserve in the latter part of the fiscal year account for a combined $760 million reduction in expenditures. Upward revisions of $200 million to agency spending and $124 million in pension contributions partially offset the spending reductions.

The $1.044 billion reduction in FY 2013 City-funds obligations along with the $933 million increase in City-funds revenues results in an increase in the budget surplus of $2.037 billion, bringing the total current fiscal year budget surplus to $2.161 billion. This budget surplus will be used to prepay $2.097 billion of FY 2014 debt service and $64 million of FY 2014 library subsidies through the Budget Stabilization Account (BSA) and discretionary transfers.

While it is estimated that the current fiscal year will close with a $2.161 billion budget surplus, this is not the result of greater revenues than expenditures in the current year, but rather because of budget surpluses accumulated in prior fiscal years. As Table 6 shows, year-end budget surpluses, less the reported surplus, are rolled into the next fiscal year through the prepayments of the ensuing fiscal years' expenditures. When the budget surplus in a given fiscal year is greater than the budget surplus in the previous fiscal year it indicates revenues have exceeded expenditures. Conversely, when the budget surplus in a given fiscal year is less than the budget surplus in the previous fiscal year, it indicates that expenditures in that fiscal year were less than the revenues. Thus, despite a projected budget surplus of $2.161 billion for FY 2013, estimated expenditures before prepayments in fact exceed revenue projections by $270 million.

Table 6. Accumulation of the Year-End Budget Surplus

($ in millions)

	Roll-in of Prior-Years Budget Surplus	Add'n to/(Use of) Budget Surplus	Year-End Budget Surplus
FY 2001	$2,615	$334	$2,949
FY 2002	$2,944	($2,258)	$686
FY 2003	$681	$741	$1,422
FY 2004	$1,417	$511	$1,928
FY 2005	$1,923	$1,611	$3,534
FY 2006	$3,529	$227	$3,756
FY 2007	$3,751	$919	$4,670
FY 2008	$4,600	$40	$4,640
FY 2009	$4,669	($1,750)	$2,919
FY 2010	$2,945	$706	$3,651
FY 2011	$3,646	$101	$3,747
FY 2012	$3,742	($1,275)	$2,467
FY 2013	$2,431	($270)	$2,161

Note: Except for FYs 2008 through 2010 and FY 2013, roll-in of prior-years surplus is $5 million less than the prior-year year-end budget surplus. This is because in each of FYs 2001 through 2012, $5 million of surplus is reported and not available for prepayments. Of the $4.665 billion available for prepayments in FY 2007, $4.6 billion was used to prepay FY 2008 expenditures, $34 million was used to prepay FY 2009 expenditures, and $31 million was used to prepay FY 2010 expenditures. The roll-in of prior-years budget surplus in these fiscal years reflects the multi-year prepayments. Similarly, of the $2.461 billion available for prepayment in FY 2012, $2.431 billion was used to prepay FY 2013 expenditures, and the remaining $31 million was used to prepay FY 2014 expenditures.

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III. The City's Economic Outlook

A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2013-2017

The Comptroller's forecast continues to call for moderate economic growth for the US and the City. However, there are indications that the long wait for a true recovery from the disastrous recession of 2008 – 2009 may finally be ending. The Comptroller's Office expects to see slightly faster growth in the City's economy in 2013, relative to the past few years, with national growth following suit in 2014. The major threat to that more favorable scenario remains Federal economic policy, as continued partisan deadlock over the Federal budget could counteract some of the improvements that are visible in the private economy.

Over the past three calendar years, America's real GDP has grown at an average annual rate of 2.1 percent. That is the rate the Comptroller's Office is expecting for 2013 as well. Some improvements in the private economy—most notably a significant pickup in the housing market and a lower unemployment rate—will be offset by the effects of higher payroll taxes, a cutback in Federal Government spending, and continued public-sector job reductions. The 2-percent payroll tax holiday, which was in effect during 2011 and 2012 but expired on January 1, 2013, is expected to reduce disposable personal income by $180 billion and actual consumer spending by about $125 billion this year. The Federal budget sequester, which took effect April 1, is anticipated to reduce government spending by about $85 billion in 2013. Those two changes in fiscal policy alone are expected to reduce real GDP growth by about one-percentage point this year.

Since the payroll tax increase and the sequester cuts are one-time adjustments that affect the level of Federal taxation and spending but not the rate of their growth, the adverse effects of those changes are not expected to affect directly the rate of GDP growth in 2014. Consequently, the Comptroller's Office expects the rate of GDP growth next year to inch closer to its historical rate of 3.2 percent (1947-2007) and to finally match it in 2016, barring any significant new changes to the Federal Government's fiscal policy mix.

In addition, we expect the Federal Reserve's accommodative monetary policy to last several more years. The Fed implemented its third round of "quantitative easing" last September, which involves purchasing $85 billion of securities ($40 billion asset-backed securities and $45 billion long-term treasuries) each month until it determines that the "outlook for the labor market" has improved substantially. With the unemployment rate still 7.5 percent in April, 2013, we expect the fed to continue its long-term asset purchases at least through 2013. Moreover, the Fed's has stated that the exceptionally low range for the Federal Funds rate will be appropriate at least as long as the unemployment rate remains above 6.5 percent, a threshold the Comptroller's Office does not expect to be crossed until late 2015. Consequently, the Comptroller expects historically low interest rates to prevail for the next two to three years, and for the inflation rate to remain below the Fed's desired rate throughout 2013 and much of 2014.

New York City's economy is expected to perform slightly better than the nation's in 2013, after which the local and national growth rates should converge. Although the Comptroller expects year-over-year job growth to slow in 2013, the City's economy should continue to benefit from the large job gains that occurred in the past two years. The City's economy is expected to grow by 2.8 percent in 2013 and by 2.7 percent in 2014. Wage rate growth should finally begin to pick up after five years of stagnation, but the unemployment rate is expected to remain stubbornly high, as new job creation is matched by labor force growth as discouraged workers begin to filter back into the labor market.

Table 7 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2013 to 2017.

Table 7. 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	2.8	2.7	3.2	3.2	3.0
percent Change	Mayor	1.1	0.7	2.4	2.4	2.4
Payroll Jobs,	Comptroller	43	43	44	44	30
Change in Thousands	Mayor	54	52	50	49	47
Inflation Rate	Comptroller	2.1	2.3	2.5	2.7	2.8
Percent	Mayor	1.9	2.0	1.8	1.8	2.0
Wage-Rate Growth,	Comptroller	2.0	2.6	2.9	2.8	2.9
Percent	Mayor	2.1	1.2	2.4	2.7	2.9
Unemployment Rate,	Comptroller	9.0	8.6	8.1	7.7	7.5
Percent	Mayor	NA	NA	NA	NA	NA
Selected U.S. Economic Indicators, Annual Averages						
		2013	**2014**	**2015**	**2016**	**2017**
Real GDP, (2005 $),	Comptroller	2.1	2.9	3.2	3.4	3.3
percent Change	Mayor	1.6	2.7	3.4	3.2	3.2
Payroll Jobs,	Comptroller	2.1	1.9	2.0	2.2	2.0
Change in Millions	Mayor	1.9	2.0	2.7	2.8	2.4
Inflation Rate	Comptroller	1.8	2.1	2.2	2.6	2.7
Percent	Mayor	1.6	1.7	1.6	1.6	1.8
Fed Funds Rate,	Comptroller	0.2	0.2	0.4	2.0	3.2
Percent	Mayor	0.2	0.2	0.2	1.6	3.6
10-Year Treasury Notes,	Comptroller	2.0	2.5	3.7	3.9	4.4
Percent	Mayor	2.4	3.1	3.5	4.0	4.7

Source: Comptroller=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the Executive Budget Fiscal Year 2014 Message of the Mayor. GCP=Gross City Product. NA=not available.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

The National Economy

Four years after the Great Recession, the global debate over how to best promote recovery is still heated. In Europe, where economic policy is complicated by the desire to maintain a 17-country currency union, fiscal "austerity" has prevailed, arguably short-circuiting the recovery entirely. In Japan, where economic malaise predated the recession and continued after it, a new government has taken office with a bold fiscal and monetary policy agenda. In the United States, where aggressive fiscal and monetary policies initially met with some success, an ideologically divided Congress has failed to provide a fiscal compliment to the Federal Reserve's stimulatory monetary program and economic growth has remained subpar.

President Obama and the Republican-controlled House of Representatives have had a series of economically-disruptive political standoffs during the past few years. In August 2011, the country came perilously close to default on its national debt, as Republicans refused to raise the national debt limit without Federal spending reductions of an equal magnitude. The crisis was diffused with a budget sequester mechanism that created an even larger policy crisis at the end of 2012. The eleventh-hour "fiscal cliff" negotiations eventually resulted in higher tax rates on the highest-earning households--a mildly contractionary policy shift--while allowing the 2.0 percent payroll tax holiday on wage income to elapse--a highly contractionary change. Moreover, a number of other components of the "fiscal cliff" were deferred; the sequester was delayed until March 1st and the debt limit was suspended until May 18th. Contrary to the expectations of the designers of the sequester mechanism, sequestration did begin on the later date, giving the economy another negative jolt that will be felt throughout 2013.

Due to higher tax revenue and various financial maneuvers adopted by the Treasury, it is now believed that another confrontation over the debt limit can be deferred until September or later. Although Congressional Republicans are likely to demand more spending cuts, it does not look like they will focus their efforts on achieving more short-run reductions beyond those already adopted. Rather, both the President's and the Speaker's public comments suggest that the focus of the budget debate has shifted toward long-run deficit reduction. Consequently, the Comptroller's forecast does not anticipate a furthering tightening of the fiscal screws in 2014. There remains, however, a risk that a broad budget agreement later this year could have contractionary impacts if, for example, it includes a limitation on deductions for mortgage interest, state and local taxes, or other tax benefits utilized by middle- and upper-middle income tax filers.

During 2012, the decline in Federal, State and local government consumption and investment expenditures subtracted .34 percentage points from GDP growth. That negative factor was nearly offset by the increase in residential investment, which added .27 percentage points to GDP growth. Given the deep cutbacks required by the sequester, it is unlikely that housing will be able to offset the government drag on GDP in 2013. However, the revival of the housing market remains one of the most positive economic trends to emerge during the past few months.

According to the National Association of Realtors, during the first four months of 2013 existing home sales were up nearly 10 percent compared to the same period of the previous year, while new home sales were running 27 percent above the level of the previous year, according to the Census Bureau. Revived home-buying activity, and a sudden lack of inventory of homes for sale, has encouraged builders to ramp up construction, leading to a 29 percent increase in housing starts during the first four months of 2013 compared to year-earlier levels. Residential construction employs a large number of workers directly, while also supporting employment in a host of associated industries. Given the depths to which the housing industry had sunk by 2009 and the momentum that is now evident in it, housing can fuel GDP growth for several more years before overheating once again becomes a concern. In the first four months of 2013, housing starts were at an annual rate of 935,000, compared to a historical average (1987-2007) of 1.53 million, while direct employment in residential construction was only 580,000, compared to a historical average of 751,000.

An improving housing market also supports economic growth through balance-sheet and psychological channels. Between 1Q2007 and 2Q2011, nearly $3.6 trillion of household residential equity evaporated, primarily because housing prices plunged 31 percent during that time (measured by the Case-Shiller home price index). Between 2Q2011 and 4Q2012, more than $1.7 trillion of household equity was restored, in part because home prices increased more than 5.0 percent during that time. Moreover, the rate of price increase has been accelerating, with the 3-month moving average of home price growth increasing each month between September 2012 and February 2013. Rising home prices and growing home equity make home-owning households feel more financially secure, contributing to rising consumer confidence and robust consumer spending.

During the first quarter of 2013, real consumer spending grew at a 3.2 percent annual rate, the fastest in over two years, and contributed 2.24 percentage points to GDP growth. Unfortunately, the spending was not fueled by corresponding gains in household incomes. The wage and salary component of personal income grew at just a 2.2 percent annual rate in the quarter, while an additional 2 percent of wages and salaries (on the first $113,700 of earnings) were withheld due to the expiration of the payroll tax holiday. Consumers increased their spending primarily by reducing savings; the personal savings rate dropped from 4.7 percent in fourth quarter of 2012 to 2.6 percent in the first quarter of 2013.

The continued weakness of the labor market has been the most disturbing characteristic of the slow recovery. Wages have grown at only a 2.0 percent rate since the recovery began and total civilian employment is still three million below the pre-recession peak. Although the unemployment rate fell by 0.6 percentage points between April 2012 and April 2013, even that apparent improvement has been assisted by a declining labor force participation rate, which has kept monthly labor force growth well below its underlying demographic rate of increase. If new entrants and discouraged job-seekers begin to filter back into the job market, the unemployment rate could plateau for some time. Without improvements in the rate of job creation and wage growth, the economy will continue to struggle.

The New York City Economy

New York City's recovery from the recession has been impressive. Since the trough of the recession in May 2009, the City has gained 271,500 private payroll jobs, an 8.7 percent increase from the number that was recorded at that time. By April 2013, the City's private-sector payroll job total was 155,400 over its previous peak. In comparison, the nation has gained only 5.2 million private jobs since the recession ended, a gain of just 4.8 percent, and the total is still 2 million below its pre-recession peak.

The most surprising aspect of the City's job creation during the recovery is that it has been accomplished while its traditional driver of economic growth, the finance sector, has languished. Employment in the City's finance and insurance sector has increased by just 700 since the recession ended, and the share of private-sector employees working in that sector has fallen from 10.2 percent to 9.4 percent. Meanwhile, the share employed in professional and business services has grown from 18.2 percent to 18.9 percent, while the employment share of leisure and hospitality has grown from 9.8 percent to 10.8 percent. Such shifts in the employment mix represent, in a statistical sense, a diversification away from the financial sector. Nearly four years into the recovery, it is beginning to look like that shift is structural, and not merely an artifact of nonsynchronous industry cycles.

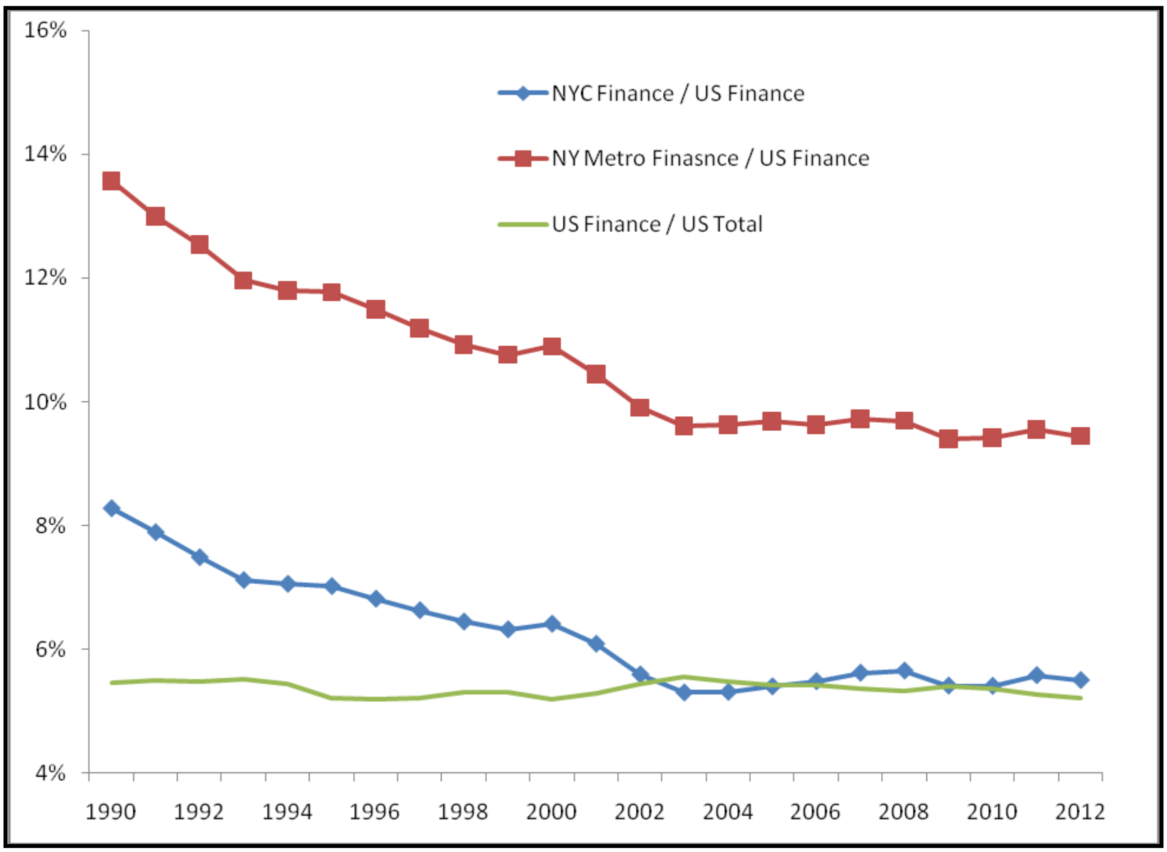
From its cyclical peak to its trough, the City's finance industry lost about 41,000 jobs, bottoming out in January 2010 at 307,600 payroll employees. Employment then grew for nearly two years, helped by record Wall Street firm profits in 2009. Since the beginning of 2011 it has hovered around the 320,000 mark, as Wall Street profits have continued to be volatile within a difficult business environment.

As Chart 1 on page 14 shows, despite the inflation and subsequent bursting of the credit bubble, there has been very little long-term change in the finance and insurance share of U.S. private employment. The chart also shows that there was a pronounced decline in the New York City and the New York Metropolitan Area share of national financial employment during the 1990s, which accelerated in the aftermath of 9/11. However, since 2003, both the local and regional shares of total U.S. financial employment have stabilized. While there is little to suggest that the City's position in the national financial network is being seriously eroded, there is also little in the trend data to suggest that finance will be a jobs-driver in the U.S. or the region in coming years.

One important sector in which New York City has actually increased its share of national employment over the past decade is Leisure and Hospitality. The city's share of national employment in the Leisure and Hospitality sector had been declining for some time, bottoming out at about 2.0 percent in the mid-1990s. Since then the City's employment growth in the sector has outpaced that in the nation, reaching 2.6 percent in 2012. The City has always had an over-sized representation in the arts and entertainment, epitomized by Broadway, but like many other large cities has been under-represented in food services. Fueled by tourism and possibly other factors, employment in the City's food service industry more than doubled between 1992 and 2012 and has increased by about 44,000 since the end of the recession. According to NYC & Company, the number of domestic and international visitors grew 2.1 percent in 2012, and momentum appears strong in 2013, with airport passenger arrivals and hotel occupancy rates up during the first quarter compared to year-ago levels. However, it would be a mistake to attribute the growth in the City's leisure and hospitality industries to tourism alone; from 2000 to 2010, Manhattan gained about 1,400 food and drinking establishments, while the other boroughs added 4,300.

For many years health care has been one of the city's most steadily growing industries and reliable sources of new jobs, with its share of total employment increasing from 8.8 percent to 11 percent over the past two decades. However, in recent years employment growth in the industry has slowed; since 2004, average employment growth in health care, excluding home health care, averaged only 0.7 percent annually. In 2012, the rate of growth of the city's health care employment, excluding home health care, slowed to 0.2 percent. In 2012 the industry faced a great deal of uncertainty with the legal and electoral challenges to the Affordable Care Act. Although national health care reform survived both challenges, uncertainty surrounding its implementation remains. The Comptroller's Office believes that in the long run the Affordable Care Act may help to restrain health care costs and hence the rate of growth of employment in that sector, but in the short run it may support gains in health care employment. In the three years after Massachusetts implemented the health care reform on which the national reform was modeled, health care employment grew almost twice as fast as its long-term rate.

***Chart 1.* Finance Employment as a Percent of Total U.S. Private Employment and New York City and New York Metropolitan Share of U.S. Finance Employment**



Since the end of the recession, the Business and Professional Services sector has added nearly 73,000 payroll jobs — more than one-quarter of net new private-sector job creation in the City. Although all of the industries comprising that sector, with the exception of legal services, have been growing, two of the outstanding performers have been computer systems design and related services, and advertising. Employment in computer systems design and services is up by 37 percent since the end of the recession while employment in advertising has grown by 19 percent. While it is difficult to prove with existing data, the employment trends do support anecdotal and trade reports of a growing synergy between internet technology firms and New York's more traditional business service firms.

***Chart 2.* Business and Professional Services Employment as a Percent of Total U.S. Private Employment and New York City and New York Metropolitan Share of U.S. Business and Professional Services Employment**

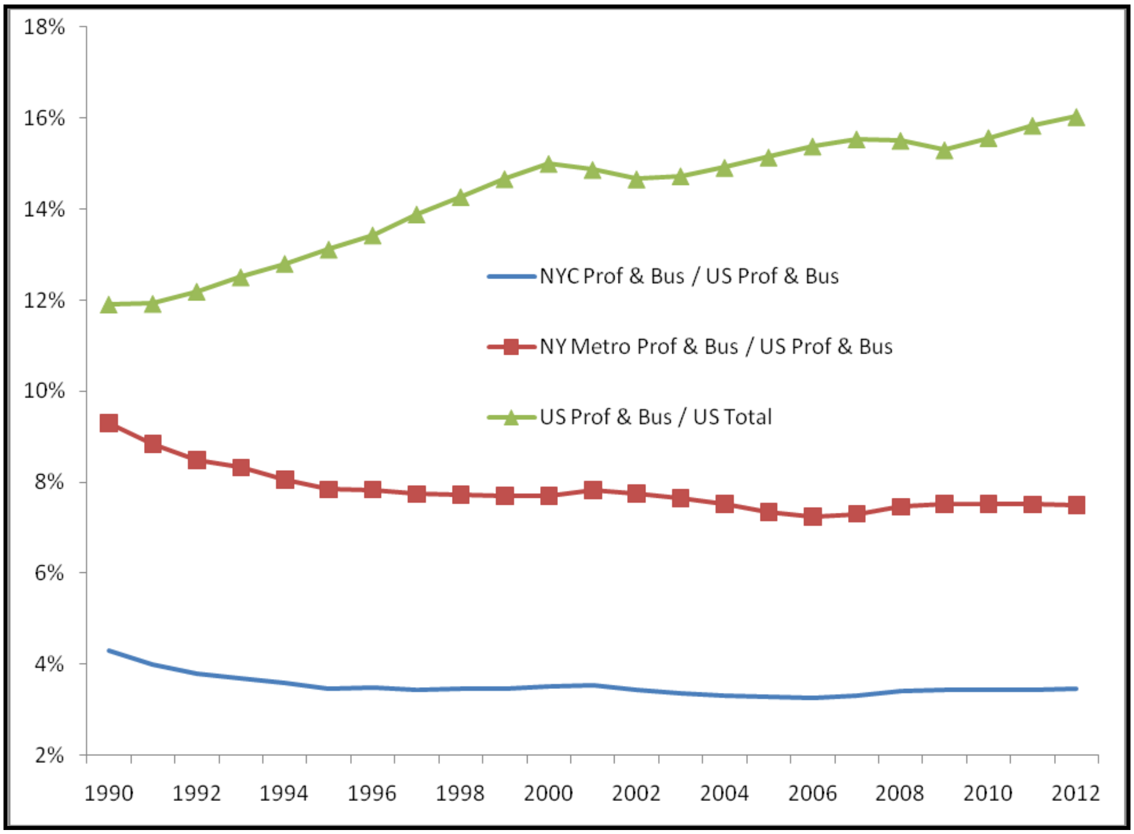


Chart 2 shows that New York City and the New York Metropolitan region have been holding their share of national Business and Professional Services employment since the early 1990s and, in fact, the City has actually increased its share since the end of the recession. Unlike finance and insurance, however, Business and Professional Services have been consistently growing as a share of total U.S. private employment, from 11.9 percent in 1990 to 16 percent in 2012. It augers well for the City's economic future that it has been gaining employment share in a major economic sector that has also been growing as a share of national employment. However, it is difficult to base economic forecasts on continued gains in employment share attributable to elusive "competitiveness" factors, so some slowdown in that sector can be anticipated.

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IV. Balancing The FY 2014 Budget

The FY 2014 Executive Budget totals $69.776 billion, a modest decrease of $275 million from the FY 2014 Preliminary Budget. The change is the result of a decrease of $462 million in the City-fund portion of the Budget, offset partially by an additional $187 million in the non-City-funds portion of the Budget. The increase in the non-City-funds portion of the Budget reflects the restoration of $250 million of State education aid that was removed from the Preliminary FY 2014 Budget in anticipation of the City failing to adopt a teacher evaluation system by the June 2013 deadline. A subsequent amendment added in the State's Adopted Budget removed the threat of the loss of this aid. In total, the State-categorical portion of the Budget has increased by $336 million, while the Federal-categorical portion of the Budget has decreased by $114 million. The other-categorical and inter-fund agreement portion of the Budget has decreased by $52 million and increased by $17 million, respectively.

Over $50.22 billion of the FY 2014 Executive Budget is supported by City-funds. As shown in Table 8, the largest change in City-funds revenues since the FY 2014 Preliminary Budget is a reduction of $300 million in anticipated revenues from the sale of taxi medallions. The Preliminary Budget included $600 million of revenues from the sale of taxi medallions. As a result of a court ruling preventing the sale of the taxi medallions, the City has revised its schedule of expected taxi medallion revenues; the Plan now assumes $300 million in FY 2014, $400 million in FY 2015, $360 million in FY 2016, and $400 million in FY 2017. While the City has appealed the court ruling which prevented the taxi medallion sale, the Comptroller's Office feels that the assumption of this revenue stream is a risk to the Plan. There are additional concerns that even if the sale is eventually authorized the market for the medallions may not be as robust as the City has assumed.

Table 8. Changes in FY 2014 City-Funds Estimates from the Preliminary Budget

($ in millions)

Revenue Changes		**Expenditure Changes**	
Tax Revenues	($194)	Pension	$105
Delay in Taxi Medallion Sales	(300)	Agency Expenditures	327
Non-Tax Revenues	32	Debt Service	(5)
		Energy Savings	(105)
Total	**($462)**	General Reserve	150
		FY 2013 BSA and discretionary transfers	(1,076)
		FY 2014 BSA	142
		Total	**($462)**

The largest change to the expenditure assumptions in the Executive Budget is the increase in the prepayment of FY 2014 expenditures through the FY 2013 Budget Stabilization Account (BSA) and discretionary transfers. As shown in Table 5 on page 6, the increase in the FY 2013 BSA results primarily from the realization of an additional $1.67 billion of tax revenues in the current fiscal year. These additional revenues include increased revenue assumptions of $639 million in personal income tax (PIT), $276 million in business tax, $254 million in real-estate-related tax, and $335 million in tax audit. The FY 2014 Executive Budget closes a $2.508 billion gap identified in the June 2012 Financial Plan. As Table 9 shows, the gap has been closed primarily with a $1.049 billion PEG and with $2.037 billion of surplus FY 2013 revenue. These funds, along with $31 million in additional FY 2014 revenue, balance the FY 2014 Budget as well as paying for $467 million in additional expenses and a $142 million FY 2014 BSA.

Table 9. Closing the FY 2014 Gap

($ in millions, negative number increase the gap and positive numbers decrease the gap)

June 2012 Gap	**($2,508)**
Property Tax Revenues	$525
Non-Property Tax Revenues	(410)
Taxi Medallion Revenues	(65)
Non-Tax Revenues	(19)
Total Baseline Revenues	**$31**
HIP Rate Re-estimate	191
Debt Service	205
Energy	105
Pensions	(203)
General Reserve	(150)
City-funds Expenditures	(615)
Total Baseline Expenditures	**($467)**
PEGs	$1,049
FY 2013 BSA	$2,037
FY 2014 BSA	($142)
Executive Budget Gap	**$0**

Risks and Offsets

The Comptroller's Office has indentified net risks to the Executive Budget and the Financial Plan of $2.524 billion in FY 2013, $577 million in FY 2014, $1.141 billion in FY 2015, $610 million in FY 2016, and $324 million in FY 2017. If these risks were to materialize, the resulting budget gaps would be $2.524 billion in FY 2013, $577 million in FY 2014, $3.334 billion in FY 2015, $2.509 billion in FY 2016, and $1.741 billion in FY 2017.

As Table 10 shows, the largest risk to the Plan assumptions is the absence of funding of wage increases for teachers and principals for the 2008 – 2010 round of collective bargaining.[2] The City's other major municipal unions agreed to contracts that granted two annual 4.0 percent pay increases. If the teachers and principals were awarded an identical contract the City would have an additional $2.595 billion expense in FY 2013, including retroactive costs, and $900 million of additional expenses each year

[2] The 2008 – 2010 round of collective bargaining for the United Federation of Teachers (UFT) and Council of School Supervisors and Administrators (CSA) is effective FY 2010.

thereafter. Other risks to the Plan's expenditure assumptions include an underestimation of overtime expenses which could cost $161 million in FY 2014 and $100 million a year in the outyears of the Plan, and the assumption of $80 million of Medicaid reimbursement in the Department of Education in FY 2014 and $100 million annually in the outyears of the Plan.

Table 10. Risks and Offsets to the FY 2014 Executive Budget Financial Plan

($ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
City Stated Gap	**$0**	**$0**	**($2,193)**	**($1,899)**	**($1,417)**
Tax Revenues					
Property Tax	$0	$31	$8	$239	$557
Personal Income Tax	$0	$683	$213	$283	$362
Business Taxes	$0	($8)	($89)	$26	($18)
Sales Tax	$0	$33	$42	$95	$100
Real-Estate-Related Taxes	$11	$32	$56	$42	($25)
Subtotal	**$11**	**$771**	**$230**	**$685**	**$976**
Taxi Medallion Sale	**$0**	**($300)**	**($400)**	**($360)**	**($400)**
Expenditures					
UFT/CSA Collective Bargaining	($2,595)	($900)	($900)	($900)	($900)
Overtime	($0	($161)	($100)	($100)	($100)
DOE Medicaid Reimbursement	$0	($80)	($100)	($100)	($100)
Judgments and Claims	$60	$93	$129	$165	$200
Subtotal	**($2,535)**	**($1,048)**	**($971)**	**($935)**	**($900)**
Total Risk/Offsets	**($2,524)**	**($577)**	**($1,141)**	**($610)**	**($324)**
Restated (Gap)/Surplus	**($2,524)**	**($577)**	**($3,334)**	**($2,509)**	**($1,741)**

The largest revenue risk identified in Executive Budget is the anticipation of $1.46 billion of revenues from the sale of taxi medallions in FY 2014 through FY 2017. As discussed in the previous section, the Comptroller's Office feels that at this point, it's not prudent to assume revenues from these sales given the uncertainty of the pending decision on the appeal.

Offsetting some of the risks is the Comptroller's Office's more positive outlook for the City's tax collections. The Comptroller Office projects tax revenues that exceed the Financial Plan estimates by $771 million in FY 2014, $230 million in FY 2015, $685 million in FY 2016, and $976 million in FY 2017. These revenue estimates are discussed further in "Tax Revenues" beginning on page 21.

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V. Revenue Assumptions

The FY 2014 Executive Budget and Financial Plan projects that total revenue will grow from $71.85 billion in FY 2013 to $77.60 billion in FY 2017, averaging 1.9 percent growth annually. The City's revenue projection reflects its assumption of modest growth in the national and local economies during the Plan period. 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 $18.8 billion in FY 2013 to $22.3 billion in FY 2017, while non-property tax revenues are expected to grow from $26.5 billion in FY 2013 to $29.5 billion in FY 2017.

Miscellaneous revenue, excluding intra-City revenue, is expected to increase from $4.6 billion in FY 2013 to $5 billion in FY 2014 and remain around this level for the balance of the Financial Plan period. The increase in miscellaneous revenues in FY 2014 through FY 2017 relative to FY 2013 reflects 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, average annual growth in miscellaneous revenue in FYs 2013 – 2017 is expected to be nearly flat.

Total Federal and State aid is projected at $20.3 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 grow moderately, from $18.1 billion in FY 2014 to $19.3 billion in FY 2017, reflecting an average annual growth rate of slightly more than 2.0 percent.

Tax Revenues

In the FY 2014 Executive Budget and Financial Plan, total tax revenues are projected to decline 0.2 percent in FY 2014, to $45.24 billion, following an estimated 7.6 percent growth in FY 2013. The projected decline in FY 2014 tax revenues reflects an expected deceleration in non-property tax revenue growth. The City expects a decline in Wall Street profits and bonus payments, as well as a reversal of the FY 2013 surge of capital gains income, when investors shifted long term capital gains realizations from tax year 2013 into tax year 2012 in anticipation of federal tax rate increases.

Changes to the FY 2014 Tax Revenue Forecast

As Table 11 shows, total tax revenue projections for FY 2014 increased by a net $132 million from $45.11 billion in the June 2012 Plan to $45.24 billion in the Executive Budget. FY 2014 Property tax and real-estate-related taxes (real property transfer and mortgage recording taxes) experienced the largest tax revenue forecast increases. The

City's downward revisions to projected revenues from the Personal Income Tax (PIT), business taxes, sales and other taxes partially offset these increases.[3]

Table 11. Revisions to the City's Tax Revenue Assumptions
June 2012 vs. May 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	149	539	724	1,018
Personal Income (PIT)	639	(384)	(84)	(100)
Business	276	(100)	(37)	(210)
Sales	7	(3)	(9)	(10)
Real-Estate-Related	254	92	153	145
All Other	23	(15)	(25)	(31)
Audit	336	3	3	3
Revisions –Total	$1,648	$132	$725	$815
May 2013 Financial Plan – Total	**$45,328**	**$45,239**	**$47,847**	**$49,802**

SOURCE: NYC Office of Management and Budget.

The FY 2014 forecast for property tax revenue increased $539 million from the June 2012 forecast, to $19.7 billion. This change is mostly the result of a $464 million increase in anticipated tax levy resulting from changes in market and taxable billable values.

The PIT revenue forecast for FY 2014 decreased by a net $384 million, to $8.8 billion, since the June 2012 Plan. The net decline reflects the City's assumption of greater-than-anticipated reduction in non-wage income in FY 2014, caused by a shift in capital gains realizations from tax year 2013 into tax year 2012 as taxpayers sought to avoid the higher long-term capital gains tax rates that many anticipated.

Estimated FY 2014 revenues from business income taxes, i.e., General Corporation Tax (GCT), Banking Corporation Tax (BCT), and the Unincorporated Business Tax (UBT), declined by a net $100 million from the June 2012 Plan forecast to a combined $6.32 billion. This decline is primarily the result of a downward revision to projected GCT and UBT revenues. The City expects 2013 Wall Street profits of $13.4 billion, down from the $23.9 billion of profits in 2012.

The Executive Budget projects $1.83 billion of real-estate-related tax revenue in FY 2014 an increase of $92 million over the June 2012 Plan estimate. Projected sales tax revenue for FY 2014 fell by $3 million to $6.32 billion.

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

In the FY 2014 Executive Budget and Financial Plan, the City projects total tax revenue to increase by $6.4 billion from FY 2013 to FY 2017, an average annual growth rate of 3.4 percent. The FY 2014 tax revenue forecast of $45.24 billion represents a decrease of $89 million from the FY 2013 level. As shown in Table 12, total tax revenue

[3] If not indicated specifically, tax revenues include PEGs and tax programs. Personal Income Tax (PIT) and property tax revenues include School Tax Relief (STAR) reimbursement.

collections are expected to decrease 0.2 percent in FY 2014, then grow by 5.8 percent in FY 2015 4.1 percent in FY 2016 and 3.9 percent in FY 2017. Non-property tax collections are expected to fall 3.8 percent in FY 2014 and to average 2.6 percent growth annually from FYs 2014 through 2017, while property tax revenue is forecast to grow at an average annual rate of 4.3 percent during the same period.

Table 12. City's Tax Revenue Forecast, Growth Rate, FYs 2014 – 2017

	FY 2014	FY 2015	FY 2016	FY 2017	Average Growth
Property	4.9%	4.3%	4.6%	3.6%	4.3%
PIT	(9.7%)	10.3%	3.6%	3.2%	1.6%
Business	(0.6%)	4.6%	2.7%	4.9%	2.9%
Sales	4.2%	4.2%	3.6%	3.9%	4.0%
Real-Estate-Related	1.8%	14.2%	9.5%	9.7%	8.7%
All Other	1.3%	2.9%	3.0%	2.3%	2.4%
Total Tax with Audit	**(0.2%)**	**5.8%**	**4.1%**	**3.9%**	**3.4%**

SOURCE: NYC Office of Management and Budget.

Real property tax revenue is expected to grow 4.9 percent in FY 2014. This growth rate reflects a projected 5.3 percent growth in the tax levy over FY 2013 based on the FY 2014 tentative roll released by the Department of Finance on January 15, 2013. In the outyears, property tax revenue growth is expected to remain steady. Although the City anticipates that higher capitalization rates due to an expected rise in long-term interest rates will slow down growth in Classes 2 and 4 market values in the outyears, the pipeline of assessed value increases to be phased-in is expected to counteract the effects of weak anticipated growth in market values for those classes.

After growing by a projected 14 percent in FY 2013, PIT revenue is expected to drop by nearly 10 percent in FY 2014. The large decline from the prior year is mostly due to an anticipated reverse effect in non-wage income as taxpayers shifted their capital gains realizations and tax payments from tax year 2013 into tax year 2012 to take advantage of a more favorable federal long-term capital gains tax rate. PIT withholding is expected to grow moderately in FY 2014. The City anticipates growth in employment and wages will offset weakness in Wall Street bonus payouts. PIT revenue is forecast to rebound in FY 2015 and grow steadily in FYs 2016 – 2017 reflecting the City's expectation of continued recovery in the national and local economies. Average PIT revenue growth from FY 2014 through FY 2017 is expected to be 1.6 percent annually.

The City's FY 2014 forecast for business tax revenues shows a slight decline of 0.6 percent from the FY 2013 forecast. The net decline in FY 2014 is driven by an anticipated 9.5 percent fall in BCT revenues in FY 2014. The combination of gradual withdrawal of government support from the financial system, tighter government regulations, and an expected decline in Wall Street profits is expected to have a negative impact on BCT collections in the next fiscal year. Lower anticipated Wall Street profitability is also expected to impact tax payments from non-bank finance sector firms, dampening GCT growth in FY 2014. Growth in UBT revenue is estimated at 4.6 percent in FY 2014 due to continued recovery in the hedge fund and private equity fund industries. Overall, growth in business tax revenues is expected to rebound to 4.6 percent in FY 2015, averaging 2.9 percent annually from FY 2013 to FY 2017.

Revenue from the sales tax is projected to grow 4.2 percent in FY 2014. The City believes gradual growth of income and employment in the City will continue to lift taxable consumption. Moreover, the strength in tourism spending is expected to continue. 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. Sales tax revenue is expected to grow at a steady pace in the outyears, averaging 4.0 percent annually from FY 2014 through FY 2017.

After growing 24 percent in FY 2013, real-estate-related tax revenue is expected to increase by only 1.8 percent in FY 2014. The City expects revenues from residential and commercial transactions to be subdued, reflecting the above mentioned shift in capital gains realizations and tax payments from tax year 2013 into tax year 2012. In FY 2015, real-estate-related tax revenue is expected to rebound and grow steadily throughout the Plan period, reflecting continued improvement in credit market conditions and refinancing opportunities. Projected average annual growth in real-estate-related tax revenue in FYs 2013-2017 is a healthy 8.7 percent.

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 13, for FY 2013 the Comptroller's Office forecast a small offset of $11 million to the City's overall tax revenue estimates. For FY 2014, the Comptroller's overall tax revenue projection is $771 million higher than the City's. Most of this offset is attributed to an estimated $683 million offset in PIT revenues. While recognizing the apparent forward-shifting of capital gains realizations into 2012, the Comptroller does not expect the corresponding drop in FY 2014 PIT revenues to be as precipitous as the City forecasts. The Comptroller's Office considers it neither possible nor appropriate to forecast stock prices; however, the large gains in stock market values recorded during the first five months of 2013 suggest that that both Wall Street profits and capital gains realizations will hold up better than anticipated by the City's forecasts. Consequently, the Comptroller projects a decrease in overall PIT revenues of only 2.7 percent in FY 2014.

For FYs 2015 through 2017, the Comptroller's Office projects tax revenue offsets to grow from $230 million to $976 million. 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. Large offsets in the real property tax revenue forecast in the final two years of the Plan are due primarily to the Comptroller's more optimistic forecast of commercial property value appreciation.

Table 13. Risks and Offsets to the City's Tax Revenue Projections

($ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Property	$0	$31	$8	$239	$557
PIT	0	683	213	283	362
Business	0	(8)	(89)	26	(18)
Sales	0	33	42	95	100
Real-Estate-Related	11	32	56	42	(25)
Total	**$11**	**$771**	**$230**	**$685**	**$976**

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

Miscellaneous Revenues

Miscellaneous revenues are non-tax revenues such as fees charged for licenses and franchises, charges for municipal services, fines, rental income, water and sewer revenues, interest income and non-recurring revenues deriving from asset sales and other one-time resources. The FY 2014 Executive Budget projects that miscellaneous revenues will increase 8.0 percent on a year-over-year basis, to $5 billion in FY 2014.[4] In the November 2012 Plan, FY 2014 miscellaneous revenue was forecasted at $5.5 billion. This forecast was subsequently lowered to $5.3 billion in the January 2013 Plan and yet again to the current estimate of $5 billion. These downward revisions are mainly the result of changes in the timing of expected proceeds from the sale of taxi medallions.

Due to the uncertainty of the outcome of the City's appeal against the New York State judge's ruling preventing the sale of 2,000 new taxi medallions, the City has once again revised the miscellaneous revenue forecast to reflect further delays in the receipt of anticipated revenues from the proposed sale. [5] Proceeds from taxi medallion sales, which were expected to be realized over three fiscal years beginning in FY 2013, are now projected to begin in FY 2014 and extend through FY 2017. The current projection of revenues from taxi medallion sales is $300 million, $400 million, $360 million and $400 million in FYs 2014 – 2017 respectively.

As Table 14 shows, except for small revisions to the forecast for the different classes of miscellaneous revenue, the FY 2014 miscellaneous revenue projection is virtually unchanged from the June 2012 forecast of $5 billion.

[4] Miscellaneous revenue analysis excludes private grants and intra-City revenues.

[5] 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.

Table 14. Changes in FY 2014 Estimates May 2013 vs. June 2012

($ in millions)

	May 2013	June 2012	Change
Licenses, Franchises, Etc.	$584	$563	$21
Charges for Services	917	881	36
Water and Sewer Charges	1,514	1,525	(11)
Rental Income	292	290	2
Fines and Forfeitures	816	804	12
Other Miscellaneous	866	916	(50)
Interest Income	10	12	(2)
Total	**$4,999**	**$4,991**	**$8**

SOURCE: NYC Office of Management and Budget.

The City's current FY 2014 miscellaneous revenue estimate reflects a net increase of $8 million compared to the forecast included in the June 2012 Plan. The category of miscellaneous revenue that experienced the greatest change since the June 2012 Plan is the "other miscellaneous" class which includes non-recurring revenues. Other miscellaneous revenue declined by a net of $50 million since the June Plan. This decrease is entirely due to a downward revision to estimated proceeds from the sale of taxi medallions in FY 2014 from $365 million in the June 2012 Plan to $300 million in the Executive Budget.

The FY 2014 estimate for revenue derived from licenses and franchises increased by a net $21 million. The construction permit revenue estimate increased by $13 million in FY 2014 in anticipation of Department of Buildings (DOB) updates to their cost-of-work estimate. The FY 2014 projection for cable television franchise revenue has also increased, by $5.5 million, while expected fees from sidewalk cafes increased by $2.3 million annually.

Since the June 2012 Plan, estimated FY 2014 revenues from charges for services increased by a net $36 million. Tuition adjustments at CUNY increased projected revenues by $23 million annually in the Executive Budget. In addition, since the June 2012 Plan, the City increased several permit and fee revenues. Hourly parking rates south of 96th Street were increased from $3.00 to $3.50, and from $1.00 to $1.50 between 96th and 100th 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 $1.4 million annually. The City anticipates it will collect an additional $7.4 million annually from 428 new multi-space meters it plans to install in new commercial meter areas. An additional $8.8 million of annual revenue from school-lunch fees is expected as a result of the increase of the fee charged from $1.50 to $2.50. Projected revenues from fire and elevator inspection fees were also increased by $4.4 million and $4.9 million respectively. These increases were somewhat offset by a $17.2 million reduction in projected revenues from non-residential waste collection fees and the elimination of a building inspection safety program which was estimated to generate $9.9 million annually.

The City's projection for rental income increased by a net $2 million since the June 2012 Plan. The FY 2014 projection for fines and forfeitures increased by

$12 million mainly due to an increase in anticipated collections from settlement fines, Environmental Control Board (ECB) fines and bus lane camera fines. Expected revenues from water and sewer charges were revised downward by $11 million in FY 2014.[6]

The City's FY 2014 projection for interest income decreased by $2 million since the June 2012 Plan to $10 million. Interest income, which reached an all time high of $473 million in FY 2007, has since fallen considerably, reflecting the Federal Reserve's strategy of keeping interest rates extraordinarily low in order to promote economic growth.

The largest source of non-recurring miscellaneous revenue projected for FY 2014 through FY 2017 is the sale of taxi medallion. Excluding revenues from taxi medallion sales, total miscellaneous revenue is expected to remain stable at around $4.7 billion annually over the Financial Plan period.

Federal and State Aid

The Executive Budget projects total Federal and State aid of $18.13 billion in FY 2014, supporting 26 percent of the City's expenditures. By comparison, in the current fiscal year Federal and State grants support over 28 percent of total spending. This decline is mainly attributable to the more conservative assumptions of certain Federal aid in future years and greater Federal support in FY 2013 for the clean-up and recovery costs related to Super Storm Sandy. An additional $1.5 billion in Federal aid was incorporated into the current year budget to cover storm-related spending that will not continue into FY 2014. Overall, about 83 percent of the Federal and State aid to the City funds education and social services expenditures.

Unlike in past years, the City's Federal and State aid estimates have not changed significantly since the June 2012 Plan. While the fluctuations in State education aid assumptions over this period were noteworthy, Federal and State grants show a net decrease of less than 1.0 percent or only $61 million.[7] This decline is the result of reductions of $42 million of Federal funds and $19 million of State funds. By function, the declining support is reflected primarily in education and health/mental health, which is partly offset by gains in social services. Also reflected within the Federal funds decrease is the impact from sequestration, which the City expects will lower Federal aid by $141 million in FY 2014.

State education aid estimates have been modified multiple times over the past year as a result of the inability of the City and the United Federation of Teachers to reach agreement on a new teacher evaluation plan. At one point, State education aid estimates for FY 2014 were $400 million less than the June 2012 Plan projections. Since that time

[6] 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.

[7] See the Department of Education section for a more detailed discussion on State education aid.

(as noted in the Education section) State education funding for FY 2014 has been restored. Accordingly, the Executive Budget has reflected an increase in State education aid by a net $326 million.

Over the outyears of the Plan, Federal and State aid are expected to grow moderately from $18.13 billion in FY 2014 to $19.33 billion in FY 2017, representing an average increase of about 2.2 percent annually. The most significant growth stems from the recognition of State education aid in the latest projections. However, even with this growth, the level of Federal and State support is projected to decline in the outyears as a percentage of the City's expense budget. The May Plan projects Federal and State support will comprise an average of 24.5 percent of overall spending over the remainder of the Plan.

VI. Expenditure Analysis

Total expenditures in the FY 2014 Budget are $69.776 billion, $2.069 billion less than the FY 2013 Budget of $71.845 billion. While it appears that the FY 2014 expenditures are lower than FY 2013 the spending estimates are masked by prepayments and other one-time adjustments. After netting out the impact of these actions FY 2014 expenditures are expected to be $481 million higher than FY 2013.

The FY 2014 expenditures have been reduced through the prepayment of $2.05 billion in debt service and $64 million in library subsidies.[8] Prepayments of $2.431 billion of FY 2013 expenditures in FY 2012 and the $2.161 billion prepayment of FY 2014 expenditures with FY 2013 resources result in a net reduction of $270 million of FY 2013 spending.

In addition, the FY 2013 Budget includes $1.462 billion of one-time spending on emergency, relief and clean-up services related to Super Storm Sandy compared to $4.891 million for FY 2014. Furthermore, FY 2013 expenditures have been lowered through reductions in the prior-year-payable estimate and general reserve, totaling $660 million. Expenditures after netting out the impact of these prepayments and non-recurring actions are projected to grow by 8.5 percent, an annual growth rate of 2.8 percent, over the Plan period.

Table 15. FY 2014 – FY 2017 Expenditure Growth Adjusted for Prepayments and Prior-Year Actions

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	Growth FYs 14-17	Annual Growth
Debt Service	$6,245	$7,179	$7,510	$7,732	23.8%	7.4%
Health Insurance	5,425	5,998	6,599	7,269	34.1%	10.3%
J & C	768	779	815	851	10.9%	3.5%
Subtotal	**$12,438**	**$13,956**	**$14,924**	**$15,852**	**27.5%**	**8.4%**
Salaries and Wages	21,744	21,873	22,144	22,501	3.5%	1.1%
Pensions	8,192	8,202	8,399	8,653	5.6%	1.8%
Other Fringe Benefits	3,322	3,364	3,459	3,549	6.8%	2.2%
Medicaid	6,366	6,447	6,415	6,415	0.8%	0.3%
Public Assistance	1,387	1,385	1,385	1,391	0.2%	0.1%
Other OTPS	19,377	19,749	20,224	20,660	6.6%	2.2%
Subtotal	**$60,388**	**$61,020**	**$62,026**	**$63,169**	**4.6%**	**1.5%**
Total	**$72,826**	**$74,976**	**$76,950**	**$79,021**	**8.5%**	**2.8%**

Nearly all of the growth in expenditures during the Plan period occurs in three areas: debt service, health insurance expenditures and judgments and claims costs. These

[8] The $2.462 billion FY 2012 BSA and discretionary transfers included a $31 million prepayment of FY 2014 debt service. The $2.161 billion FY 2013 BSA and discretionary transfers include prepayments of $2.097 billion of FY 2014 debt service and $64 million of FY 2014 library subsidies. The FYs 2012 and 2013 prepayments of FY 2014 debt service and the prepayment of $142 million of FY 2015 debt service through the FY 2014 BSA reduce FY 2014 debt service by a net $2.05 billion.

three expenditures are projected to grow a combined 27.5 percent over the Plan period, an annual growth rate of 8.4 percent. All other spending combined is projected to average 1.5 percent annual growth.

Overtime

The FY 2014 Executive Budget includes approximately $1.03 billion for overtime expenditures. This projection is about 23 percent lower than the FY 2013 overtime estimate of $1.328 billion. However, the FY 2013 overtime budget includes $165 million for overtime costs related to emergency and recovery response to Super Storm Sandy. After netting out Sandy-related overtime expenses in FY 2013 the City's FY 2014 overtime estimate is only 12 percent lower than the FY 2013 overtime budget. The Comptroller's Office projects that FY 2014 overtime expenditures will be approximately $1.190 billion, posing a risk to the City's budget of $161 million, as shown in Table 16.

Table 16. Projected Overtime Spending, FY 2014

($ in millions)

	City Planned Overtime FY 2014	Comptroller's Projected Overtime FY 2014	FY 2014 Risk
Uniform			
Police	$415	$520	($105)
Fire	215	215	0
Correction	69	125	(56)
Sanitation	77	77	0
Total Uniformed	$776	$937	($161)
Others			
Police-Civilian	$78	$78	$0
Admin for Child Svcs	13	13	0
Environmental Protection	22	22	0
Transportation	33	33	0
All Other Agencies	107	107	0
Total Civilians	$253	$253	$0
Total City	**$1,029**	**$1,190**	**($161)**

The Comptroller's Office expects police uniformed overtime spending to be about $520 million for FY 2014, a slight increase over the estimated FY 2013 spending of $508 million. The Comptroller's estimate for police uniformed overtime is $105 million greater than the planned amount. The Comptroller's Office also expects uniformed overtime spending in the Department of Correction (DOC) to exceed the City's estimate by $56 million in FY 2014. DOC has spent $118 million on uniformed overtime through April 2013 and is on target to spend about $140 million for FY 2013. DOC has achieved some level of success in its recruitment initiatives to expand its uniform staffing levels. The department has graduated three recruit classes in 2013 and a fourth class has begun training. Additional officers will enable DOC to maximize security while reducing overtime expenses.

Headcount

The FY 2014 Executive Budget includes City-funded full-time headcount of 234,566. This is a net increase of 905 from the June 2012 Financial Plan estimate of 233,661. Major additions to planned headcount since the June Plan include:

- 633 positions in the Department of Parks and Recreation, primarily for the maintenance of parks.
- 343 uniformed and civilian Police Department positions for various needs, including anti-terrorism programs, staffing for a new Police Academy and staffing for a new precinct.
- 177 pedagogical and civilian City University positions.
- 113 civilian positions in the Fire Department.

Major reductions include:

- 273 positions in the Department of Social Services reflecting modernization of business processes incorporating a multi-year re-design of its client services delivery model, including self-directed service initiatives and the use of Internet-based and mobile applications to provide more options, such as on-line recertification and secure, enhanced client accounts.
- 179 positions in the Department of Transportation due in part to Citywide fleet consolidation, staff reductions due to the conversion from single space to multi-space parking meters and various switching of Federal and State program funding.
- a net reduction of 118 positions in the Department of Correction (there is a planned addition of 15 uniformed positions and a planned reduction of 133 civilian positions) reflecting a planned headcount reduction to be achieved in part by identifying existing long-term vacancies and creating efficiencies by redeploying tradespersons within the Support Services Division.
- 76 positions in the Department of Health & Mental Hygiene due to a variety of program cutbacks.

The current planned headcount for FY 2014 compared to the June 2012 Financial Plan is presented in Table 17. The Executive Budget also includes funding for the restoration of 1,935 positions in the Department of Education — 1,842 pedagogical positions and 93 civilian positions that were planned as reductions for FY 2014 in the January Financial Plan — as a result of the State's decision to rescind the Annual Professional Performance review penalty beyond the current year.

Table 17. Changes to FY 2014 City-Funded Full-Time May Plan vs. June 2012 Financial Plan

	June 2012 Financial Plan	Executive Budget Estimate	Change
Pedagogical			
Dept. of Education	92,809	92,809	0
City University	3,180	3,248	68
Subtotal	**95,989**	**96,057**	**68**
Uniformed			
Police	34,309	34,483	174
Fire	10,274	10,274	0
Correction	8,854	8,869	15
Sanitation	7,246	7,194	(52)
Subtotal	**60,683**	**60,820**	**137**
Civilian			
Dept. of Education	9,381	9,381	0
City University	1,647	1,756	109
Police	14,047	14,216	169
Fire	4,808	4,921	113
Correction	1,696	1,563	(133)
Sanitation	1,972	1,977	5
Admin. for Children's Services	6,401	6,401	0
Social Services	10,407	10,134	(273)
Homeless Services	1,934	1,959	25
Health & Mental Hygiene	3,412	3,336	(76)
Finance	1,858	1,905	47
Transportation	2,065	1,886	(179)
Parks and Recreation	2,588	3,221	633
All Other Civilians	14,773	15,033	260
Subtotal	**76,989**	**77,689**	**700**
Total	**233,661**	**234,566**	**905**

As shown in Table 18, while the FY 2014 year-end full-time headcount is expected to be 234,566, the Financial Plan assumes a decline in headcount in each of the subsequent years: 234,142 in FY 2015, 233,860 in FY 2016, 233,785 in FY 2017. The reduction in the outyears reflect significant cutback at the Department of Social Services resulting from its ongoing multi-year planned re-engineering, taking advantage of new technology to modernize and streamline the agency's operations.

Table 18. 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	92,809	92,809	92,809	92,809
City University	3,180	3,248	3,248	3,208	3,208
Subtotal	**93,600**	**96,057**	**96,057**	**96,017**	**96,017**
Uniformed					
Police	34,379	34,483	34,483	34,483	34,483
Fire	10,274	10,274	10,274	10,274	10,274
Correction	8,942	8,869	8,869	8,869	8,869
Sanitation	7,064	7,194	7,235	7,235	7,235
Subtotal	**60,659**	**60,820**	**60,861**	**60,861**	**60,861**
Civilian					
Dept. of Education	9,387	9,381	9,383	9,384	9,384
City University	1,687	1,756	1,724	1,674	1,674
Police	14,363	14,216	14,217	14,217	14,217
Fire	4,931	4,921	4,908	4,908	4,908
Correction	1,584	1,563	1,563	1,563	1,563
Sanitation	1,892	1,977	2,017	2,013	2,013
Admin. for Children's Services	6,336	6,401	6,401	6,401	6,401
Social Services	10,569	10,134	9,541	9,429	9,370
Homeless Services	1,860	1,959	1,959	1,959	1,959
Health & Mental Hygiene	3,437	3,336	3,330	3,325	3,325
Finance	1,880	1,905	1,902	1,897	1,892
Transportation	1,782	1,886	1,978	1,978	1,978
Parks and Recreation	3,126	3,221	3,224	3,224	3,224
All Other Civilians	14,943	15,033	15,077	15,010	14,999
Subtotal	**77,777**	**77,689**	**77,224**	**76,982**	**76,907**
Total	**232,036**	**234,566**	**234,142**	**233,860**	**233,785**

As shown in Table 19, City-funded full-time equivalent (FTE) headcount is expected to total 23,235 in FY 2013. FTE headcount is projected to decrease by 429 in FY 2014, by 409 in FY 2015 and then remain relatively unchanged for the remainder of the Plan period.

Table 19. 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	553	553	553	553
City University	1,833	1,780	1,780	1,780	1,780
Subtotal	**2,188**	**2,333**	**2,333**	**2,333**	**2,333**
Civilian					
Dept. of Education	12,241	12,592	12,592	12,592	12,592
City University	935	984	984	984	984
Police	1,410	1,394	1,378	1,376	1,376
Health & Mental Hygiene	1,264	1,231	1,185	1,185	1,185
Parks and Recreation	2,660	1,563	1,581	1,581	1,581
All Other Civilians	2,537	2,709	2,344	2,344	2,336
Subtotal	**21,047**	**20,473**	**20,064**	**20,062**	**20,054**
Total	**23,235**	**22,806**	**22,397**	**22,395**	**22,387**

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Health Insurance

The FY 2014 Executive Budget includes $4.424 billion for employees and retirees pay-as-you-go health insurance. This projection assumes the use of $1 billion from the Retiree Health Benefits Trust Fund (RHBT) to pay a portion of the FY 2014 retiree pay-as-you-go health insurance. After adjusting for this offset, FY 2014 health insurance expenditures are expected to be $5.424 billion, 5.0 percent over the adjusted health insurance budget for FY 2013.[9] As shown in Table 20, health insurance spending is projected to increase at an annual rate of just above ten percent between FY 2013 and FY 2017. The projections reflect a 5.2 percent rate increase in health insurance premiums for FY 2014 and expected rate increases of 9.0 percent in each of FYs 2015 to 2017.

Table 20. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Department of Education	$1,997	$2,056	$2,305	$2,559	$2,839
CUNY	44	41	41	40	40
All Other	2,119	2,327	3,652	4,000	4,390
Total Pay-As-You-Go Health Insurance Costs	$4,160	$4,424	$5,998	$6,599	$7,269
Adjustment for RHBT payment	1,000	1,000	0	0	0
Adjusted Total	$5,160	$5,424	$5,998	$6,599	$7,269

Health insurance estimates in the Executive Budget increased modestly by an average of $48 million annually over the estimates in the Preliminary Budget. These increases stem from the restoration of planned headcount reductions at the DOE and other adjustments to headcount levels. The City, in response to the continued growth in health care costs has reached out to municipal labor unions to restructure healthcare benefits to incorporate wellness initiatives, active disease management, and other measures that could potentially lower health care costs.

Pensions

The City projects pension expenditures of $8.19 billion for FY 2014, $131 million higher than the estimated spending for FY 2013. Pension expenditures are projected to remain flat for FY 2015 at $8.20 billion before increasing to $8.40 billion in FY 2016 and to $8.65 billion in FY 2017. These projections reflect the impact of the new assumptions and methods adopted by the actuarial systems in FY 2012 and the additional cost that resulted from FY 2012 investment experience. For FY 2012, pension investments earned a combined return of 1.37 percent compared to the actuarial interest rate assumption (AIRA) of 7.0 percent. The FY 2014 Executive Budget and Financial Plan includes an

[9] The FY 2013 health insurance expenditure in the general fund budget is similarly reduced by $1 billion through the use of RHBT funds to pay a portion of retiree pay-as-you-go health insurance. RHBT funds were also used to offset health insurance cost by $82 million in FY2010, $395 million in FY 2011, and $672 million in FY 2012.

additional $98 million in FY 2014, $197 million in FY 2015, $295 million in FY 2016, and $393 million in FY 2017 to fund this shortfall.

As of March 31, 2012, the pension investments have earned a return of 12.4 percent in FY 2013. Investment earnings above or below the expected AIRA as of June 30, 2013 will affect the City's contributions beginning in FY 2015. Each one percentage point of earnings above the AIRA will lower pension expenditures by $15 million in FY 2015 increasing to $45 million in FY 2017.[10]

The Comptroller's Office has engaged Gabriel, Roeder, Smith & Company (GRS), pursuant to Chapter 96 of the New York City Charter, to conduct two consecutive biennial independent actuarial audits. The first audit is ongoing. GRS will audit employer contributions for FY 2012 to validate actuarial calculations and methods and perform an experience study of data through June 30, 2011 to review actuarial assumptions. GRS will also do 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 an auditor and considers these findings as part of the Chief Actuary's review of the assumptions and methods used to calculate pension expenses.

Labor

Labor negotiations for the current round of collective bargaining between the City and the major municipal unions remain at a standstill. The City has proposed terms which mirror the 2011 five-year agreement between New York State and the Civil Service Employees Association (CSEA). That agreement included zero wage increases in the first three years and annual raises of 2.0 percent in the last two years of the contract. However, the City's labor reserve reflects the cost of only 1.25 percent annual wage increases in the last two years of the proposed contract. In order to fund a 2.0 percent wage increase in each of the last two years of a five-year contract the City would need to budget an additional $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 fact-finding panel appointed by the New York State Public Employment Relations Board (PERB) to conduct hearings and make recommendations on wage increases for United Federation of Teachers (UFT) members for the last round of collective bargaining agreements held its first hearing on May 6, 2013. The panel has additional hearings scheduled for June and July. After all hearings are held, the panel will produce a report with recommendations for a contract resolution. While PERB recommendations are non-binding they have served as a framework for the final labor contract in the past. The City continues to take the position that UFT and the Council of School Supervisors & Administrators (CSA) members will receive zero wage increase for the previous round of collective bargaining. This is unlike the other unions, which have all settled for two annual wage increases of 4.0 percent over the comparable periods

[10] Returns above or below the AIRA for a given fiscal year are phased in over a six-year period in conjunction with the Actuary's Actuarial Asset Valuation Methodology (AAVM).

of their contracts. If wage increases granted to UFT and CSA members are similar to those gained 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 FY 2010, FY 2011, and FY 2012, respectively, and $900 million annually beginning in FY 2014.[11]

Public Assistance

The City's public assistance caseload for FY 2013 has averaged 358,726 recipients per month through April 2013. The average monthly caseload has increased by 2.2 percent, or about 7,600 recipients when compared with the same period in FY 2012. The April 2013 public assistance caseload of 364,920 remains about 70 percent below the March 1995 peak of 1,160,593 recipients. Thus far in FY 2013, public assistance grants spending has averaged about $111 million per month, an increase of 6.5 percent from a monthly average of about $104 million during FY 2012.

As a result of the increase in public assistance caseloads during FY 2013, the Executive Budget has reflected increases in both public assistance caseloads and grant projections. The Executive Budget assumes an increase in caseload projections from a monthly average of 352,956 to 359,142 for FY 2013 and projects a further increase to 362,454 for FY 2014. Total baseline grants expenditures are projected at approximately $1.34 billion for FY 2013 and $1.35 billion annually for FYs 2014-2017. The May Plan projections for public assistance spending appear to be in line with current trend.

Department of Education

The FY 2014 Executive Budget includes $19.83 billion of funding for the Department of Education (DOE), an increase of $625 million from the FY 2013 estimate of $19.21 billion. City support constitutes approximately 47 percent, or $9.28 billion, of the Department's FY 2014 operating budget, with the State contributing 44 percent of the total. The remainder of the DOE funding is comprised mainly of Federal and other categorical grants.

Since the June 2012 Plan, the Department's FY 2014 Budget has declined by $525 million. The reduction is attributable to declines of $373 million in City funds and $208 million in Federal and State aid, offset by an increase in other categorical grants of over $50 million. The declining City support mostly reflects the impact of the City's gap-closing actions, which reduced funding for the Department by 3.1 percent or $298 million. The DOE gap-closing program does not involve layoffs of teaching or administrative personnel. The actions are comprised primarily of $103 million in reduced contractual costs for special education services and $97 million in administrative efficiencies. The remainder of the City-funds reduction is comprised of $38 million in special education and transportation adjustments and $60 million in revenue offsets.

[11] The UFT and CSA contracts are one round behind settlements for the other unions.

Projected State funding for the Department has fallen by $79 million, when compared to the June 2012 Plan, to $8.6 billion in the Executive Budget. The modest decline, however, belies the significant swings in State education aid estimates during this span. In the January 2013 Plan, the City reflected losses in State Foundation Aid resulting from the failure to strike a deal with the United Federation of Teachers (UFT) on a teacher evaluation system. The City's failure to meet the State's January deadline cost the DOE $250 million in FY 2013 and prompted the State to propose a June 2013 deadline for establishing a teacher evaluation plan for the 2013-14 school year. To account for the potential miss of this second deadline, $250 million was deducted annually in the January Plan from DOE's baseline Foundation Aid projections starting in FY 2014. The proposal was later amended in the adopted State budget authorizing the State education commissioner to impose a teacher evaluation plan on the City if both sides could not reach agreement. Under the mandate, the City would not be penalized for further losses in Foundation Aid beyond the current school year, even if it fails to finalize a teacher evaluation plan with the teachers union. As a result, in the Executive Budget the Foundation Aid removed from the DOE budget has been restored for FY 2014 and beyond. As indicated in the Preliminary Budget, the Foundation Aid loss would have necessitated the reduction of 1,842 teachers and 93 administrative personnel.

The primary change to Federal funding for the DOE stems from the impact of budget sequestration, which reduces FY 2014 support by $63 million, mainly in Title I and special education grants. In addition, the City has also reduced its expectation of Medicaid revenue by $50 million since June 2012.

Over the outyears of the Plan, the DOE budget increases by an average of over $600 million annually, rising from the FY 2014 base of $19.83 billion to $21.66 billion by FY 2017. City support for the Department is expected to remain steady at about 47 percent of overall funding, ranging between $9.62 billion in FY 2015 to $10.04 billion in FY 2017. The pending resolution of the teacher evaluation plan also translates into a more optimistic outlook for State education aid, which is projected to grow from $8.62 billion in FY 2014 to $9.73 billion in FY 2017. Over this period, the State-funding share of the DOE operating budget would increase modestly from 44 to nearly 45 percent.

Health and Hospitals Corporation

The fiscal outlook for the Health and Hospitals Corporation (HHC) remains challenging under the City's forecast in the Executive Budget. The projected HHC deficit for FY 2014, on an accrual basis, shows a decline of $314 million when compared to the June 2012 Plan. This decline is attributable to a net decrease in operating expenses of $361 million, driven primarily by lower other post-employment benefits (OPEB) costs of $327 million, which is partly offset by a net decline of $47 million in revenues. However, because the majority of the changes affect HHC only on an accrual basis, as in the case of the lower OPEB costs, there will be no significant impact on its cash position.

The projected FY 2014 year-end cash balance has risen by nearly $548 million since June 2012 to an estimated $661 million. This stems primarily from a $383 million increase in the size of the Corporation's gap closing program. The Executive Budget projects an accrual basis deficit of $811 million for HHC in FY 2014. Under the Plan, the Corporation currently contemplates a gap closing program of $873 million to offset the FY 2014 deficit. The gap-closing program is noteworthy both for its size, which is among the largest in recent memory, and its increasing reliance on Federal and State actions. Federal and State actions are expected to provide $658 million in budget relief, comprising 75 percent of the value of the overall gap closing program. The controllable portion of the Corporation's gap closing program, including nearly $200 million in corporate restructuring and cost containment savings, comprises the remainder. The uncertainty of the Federal and State actions, which remain largely unspecified at this point, raises doubts as to whether HHC could achieve its year-end cash balance projection in FY 2014.

The City projects a continued decline in the Corporation's financial condition over the latter years of the Plan. The May Plan estimates HHC's operating deficit, before gap-closing actions, will rise from $811 million in FY 2014 to $863 million in FY 2015. The Corporation is expected to face budget deficits of $1.03 billion in FY 2016 and $1.33 billion in FY 2017, respectively. As expected, HHC gap-closing programs will remain aggressive over this period, ranging between $914 million and $966 million annually. The larger gap-closing programs outlined for these years rely mainly on increased Federal and State support, which are estimated to hover between $498 million and $552 million during FYs 2015 – 2017. Savings from corporate actions are expected to provide approximately $390 million of gap closing resources in each of these years. The chief component of which is $300 million in annual savings to be derived from cost containment actions.

Debt Service

Projected debt service expenditures, excluding the impact of prepayments, in the FY 2014 Executive Budget and Financial Plan are $6.06 billion in FY 2013, $6.32 billion in FY 2014, $7.25 billion in FY 2015, $7.58 billion in FY 2016, and $7.81 billion in FY 2017. These estimates reflect decreases of $21 million in FY 2013, $80 million in FY 2014, $4 million in FY 2015, and increases of $8 million in FY 2016 and $22 million in FY 2017 from the January Plan. Since the June 2012 Plan, FY 2013 debt service estimates have decreased by $128 million, FY 2014 estimates have decreased by $510 million, FY 2015 estimates have decreased by $17 million and FY 2016 estimates have increased by $36 million.[12]

The $128 million decrease in the FY 2013 debt service estimate is the product of a $66 million reduction in General Obligation (G.O.) debt service and $62 million reduction of NYC Transitional Finance Authority (NYCTFA) debt service. The primary drivers of the FY 2013 savings are $49 million of G.O. and NYCTFA refunding savings, $28 million of savings from lower than expected interest rates on current year borrowings, and $17 million of savings from the avoidance of issuing short-term notes due to substantial general fund cash balances throughout the year.

[12] Debt service projections in the June 2012 Financial Plan did not extend beyond FY 2016.

The substantial decrease in FY 2014 debt service estimates is the result of two factors offset by miscellaneous baseline increases: $462 million of G.O. and NYCTFA refunding savings, and $90 million of savings from lower interest rates on current-year borrowings from both issuers. The relatively modest decrease of $16 million in FY 2015 and increase of $36 million in FY 2016 are comprised of numerous minor offsetting baseline adjustments.

As shown in Table 21, debt service, after adjusting for prepayments, is projected to grow by $1.74 billion, or 29 percent between FY 2013 and FY 2017.

Table 21. Debt Service FYs 2013 – 2017, May 2013

($ in millions)

Debt Service Category	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change FYs 2013 – 2017
G.O.[a]	$3,938	$4,112	$4,607	$4,716	$4,759	$821
NYCTFA[b]	1,741	1,809	2,256	2,472	2,661	920
Lease-Purchase Debt	314	324	316	322	312	(2)
TSASC,Inc.	70	74	74	74	73	3
Total	**$6,063**	**$6,319**	**$7,253**	**$7,584**	**$7,805**	**$1,742**

SOURCE: FY 2014 Executive Budget, May 2013, Office of Management & Budget.
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 Revenue Bonds (BARBs).

The Financial Plan forecasts that G.O. debt service will increase by $821 million, or 21 percent, from FY 2013 to FY 2017. The Plan assumes an increase of $920 million for servicing NYCTFA PIT bond debt over the same period, an increase of 53 percent. The rapid growth in NYCTFA debt service expenses is the result of a large forecasted borrowing during the Plan period. The City estimates that NYCTFA borrowing during FYs 2013 – 2017 will exceed G.O. borrowing by $2.15 billion. Significant savings may still be achievable in FY 2013 in variable rate interest on long-term debt. The Comptroller's Office estimates potential savings of approximately $165 million in this category of debt service which have not yet been reflected in the budget.

Debt Affordability

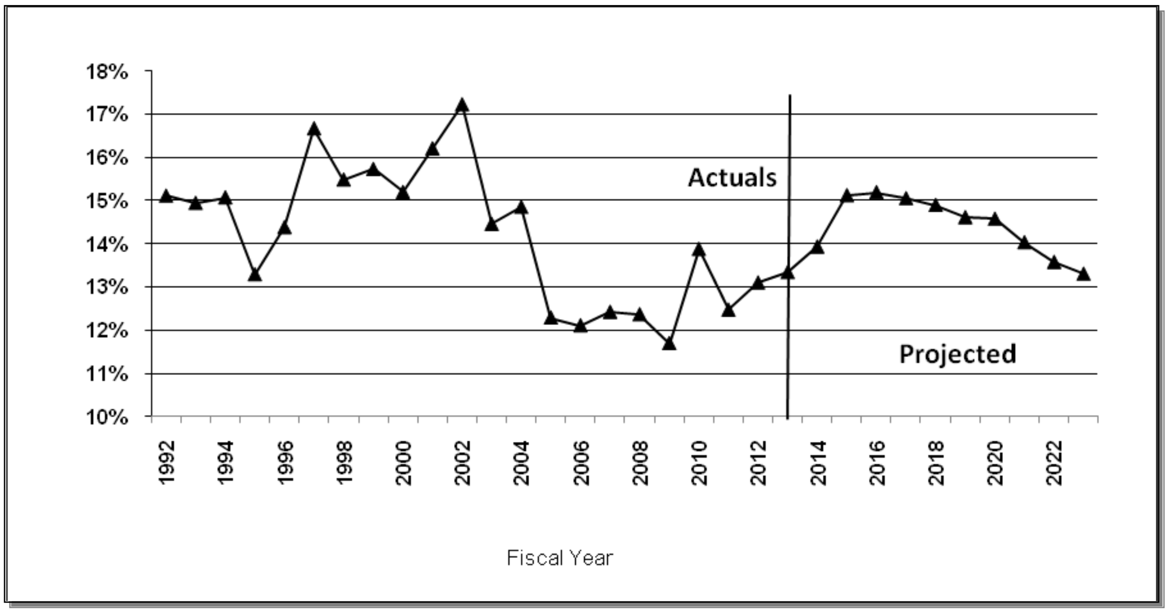
Debt burden and affordability are issues a municipality must evaluate as part of its long-term planning. A commonly accepted measure of affordability is debt service as a percentage of local tax revenues.[13] As shown in Chart 3, adjusted for prepayments, the City's debt service as a percentage of tax revenues is projected to be 13.4 percent in FY 2013, increasing to 14 percent in FY 2014, 15.2 percent in FYs 2015 and 2016, and 15.1 percent in FY 2017.[14] The increase in this ratio is the result of debt service growth projected at an average rate of 6.5 percent per year from FY 2013 to FY 2017, outpacing

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

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

tax revenue growth of 3.4 percent per year over the same period. Debt service growth is expected to slow during FYs 2017 – 2023, reflecting the decline in the City's capital cash need forecast. The slower growth helps stabilize the ratio at about 13.5 percent by FY 2023. It is unclear how accurate capital cash needs forecasts for the outyears are due to scope changes, capital project delays, cost overruns and the overall uncertainty of the City's capital program. Conservatively budgeted interest rates of 7.0 percent over the period help mitigate this concern to an extent.

***Chart* 3. Debt Service as a Percentage of Tax Revenues, FYs 1992 – 2023, FY 2014 Executive Budget**



SOURCE: FY 2014 Executive Budget and Financial Plan, NYC Office of Management and Budget, May 2013.

Financing Program

As shown in Table 22, the Financial Plan includes $37.82 billion of planned City and State supported borrowing in FYs 2013 through 2017. Planned borrowing in FYs 2013 – 2016 is approximately $2.14 billion higher than estimated in the June 2012 Financial Plan.[15] This increase is due primarily to: 1) an increase of $858 million in NYCTFA borrowing; 2) an increase in G.O. borrowing of $410 million; 3) an increase of $669 million in planned New York City Municipal Water Finance Authority bonds; and 4) an increase of $201 million in NYCTFA Building Aid Revenue Bonds (BARBs) borrowing. Nearly half of the increase is the result of the $1 billion Capital Acceleration Program initiated in the Fall of 2012 along with additional capital commitment increases of over $3 billion from the October Capital Plan. Super Storm Sandy-related commitments make up the majority of this incremental change. These estimated capital commitment (contract registration) increases create the need for increased borrowing.

[15] The June 2012 Plan Financing Program included projections for FYs 2013 – 2016 only.

G.O. and NYCTFA PIT-supported borrowing account for slightly less than two-thirds of the total borrowing during the Plan period. Planned NYCTFA bond issuance totals $13.61 billion while G.O. borrowing totals $11.46 billion. The use of NYCTFA BARBs to support the DOE capital program is assumed to continue throughout the Financial Plan period with $5.53 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 $7.23 billion accounts for the remainder, 19.1 percent, of capital borrowing, for the Plan period. However, unlike other debt that is financed by the property tax and other general fund revenues, NYWFA is funded by water and sewer user fees.

Table 22. FYs 2013 – 2017 Financing Program, May 2013

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2013-2017	Percent of Total
General Obligation Bonds	$11,460	30.3%
NYCTFA – PIT Bonds	13,608	36.0
NYC Water Finance Authority	7,230	19.1
NYCTFA – BARBs	5,525	14.6
Total	**$37,823**	**100.0%**

SOURCE: May 2013 Executive Budget & Financial Plan, NYC Office of Management and Budget.

The $669 million increase in NYWFA borrowing is heavily front-loaded in the Plan with $518 million of the increase occurring in FY 2013. This increase is due to the refinement of the current year's capital needs and the funding of a $400 million year-end construction fund balance.

Capital Plan

The Executive Capital Commitment Plan for FYs 2013 – 2017 totals $44.49 billion of which $34.31 billion is City-funded. After accounting for the $2.0 billion reserve for unattained commitments, total planned commitments for this period are $42.49 billion while City-funds commitments are estimated to be $32.3 billion. The Plan is front-loaded, with approximately 59 percent of both total and City commitments for FYs 2013 – 2017 planned for in the first two years of the Plan period.

Consistent with prior plans, capital commitments in the primary infrastructure agencies (DOE and the City University of New York (CUNY), the Department of Environmental Protection (DEP), Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for 69.5 percent of the total projected commitments over the Plan period as shown in Table 23.

Table 23. FYs 2013 – 2017 Capital Commitments, Total Funds

($ in millions)

Project Category	May 2013-2017 Commitment Plan	Percent of Total
Education & CUNY	$11,024	24.8%
Environmental Protection	8,993	20.2
Dept. of Transportation & Mass Transit*	7,308	16.4
Housing and Economic Development	3,591	8.1
Administration of Justice	2,134	4.8
Technology and Citywide Equipment	2,280	5.1
Department of Parks and Recreation	2,380	5.4
Hospitals	1,503	3.4
Other City Operations and Facilities	5,282	11.9
Total	**$44,495**	**100.0%**
Reserve for Unattained Commitments	($2,008)	N/A
Adjusted Total	**$42,487**	**N/A**
*** Includes all DOT project types**		

SOURCE: Office of Management and Budget, Capital Commitment Plan Executive Budget FY 2014, May 2013.

These same agencies account for more than 65 percent of the City-funds Capital Plan. The significant difference between the DOE's 17.7 percent share of the City-funds Capital Plan and its 24.8 percent share of the all-funds Capital Plan reflects the agency's large State-supported capital program which includes $4.96 billion for FY 2013 through FY 2017. Nearly half of the total State and Federal support in the entire FYs 2013 – 2017 Commitment Plan goes towards funding DOE's capital program.

Table 24. FYs 2013 – 2017 Capital Commitment, City-Funds

($ in millions)

Project Category	May 2013-2017 Commitment Plan	Percent of Total
Environmental Protection	$8,900	25.9%
Education & CUNY	6,055	17.7
Dept. of Transportation & Mass Transit	4,392	12.8
Housing and Economic Development	2,995	8.7
Administration of Justice	2,061	6.6
Technology and Citywide Equipment	2,263	6.0
Department of Parks and Recreation	1,651	4.8
Hospitals	995	2.9
Other City Operations and Facilities	4,999	14.6
Total	**$34,311**	**100.0%**
Reserve for Unattained Commitments	(2,008)	N/A
Adjusted Total	**$32,303**	**N/A**

SOURCE: Office of Management and Budget, Capital Commitment Plan Executive Budget FY 2014, May 2013.

Programmatic Review of Capital Plan

The May 2013 Executive Capital Commitment Plan for FYs 2013 – 2017 is $263 million greater than the January 2013 Plan.[16] The increase is comprised of various changes among 40 plus project types. Approximately $2.4 billion of commitments are expected to be rolled from FY 2013 to FY 2014.

Environmental Protection

Capital commitments for the Department of Environmental Protection (DEP) account for $9 billion or 20.2 percent of the total funds FYs 2013 – 2017 May Commitment Plan, as shown in Chart 4 on page 45. Some of the major planned commitments include $1.4 billion for maintaining the integrity of existing wastewater treatment facilities, $1.3 billion for the extension and reconstruction of 366 miles of sewers citywide, $977 million for the construction of a bypass for the Rondout-West Branch Tunnel, $883 million for the replacement and extension of trunk and distribution water mains citywide, and $264 million for green infrastructure initiatives to address combined sewer overflow issues. In addition, $216 million is budgeted for traditional grey infrastructure to meet combined sewer overflow challenges, $260 million for the reconstruction of the Gilboa Dam in the Catskill watershed region, and $257 million for land acquisition related to the Staten Island Bluebelt program.

Education

The May Capital Commitment Plan includes $11.02 billion, or 24.8 percent of the total citywide planned commitments, in FYs 2013 – 2017 for capital projects related to education, as shown in Chart 4. The current Plan includes $10.56 billion of commitments for the DOE, and $460 million for CUNY. Highlights of the current DOE capital plan include $4.5 billion in new capacity projects with planned construction of approximately 35,000 classroom seats across 75 buildings in a combination of new facilities, expansions or leases, $3.2 billion for exterior and interior state of good repair projects, $2 billion for mandated programs and remediation on building code compliance projects, and $1.6 billion in Children First Initiatives which will realign, upgrade, enhance, and expand existing facilities to help further the educational experience.

The CUNY capital plan is primarily allocated towards the upgrade and maintenance of the community college physical facilities. This includes such projects as the rehabilitation and replacement of electrical systems at Queensborough Community College ($35 million), and central plant upgrades for Kingsborough Community College ($18.6 million). In addition, the new North Instructional Building at the Bronx Community College is substantially completed and operational ($102 million).

[16] The January 2013 Commitment Plan reflected commitments in FYs 2013-2016. Changes noted are after the reserve for unattained commitments over FYs 2013-2016 only.

Transportation

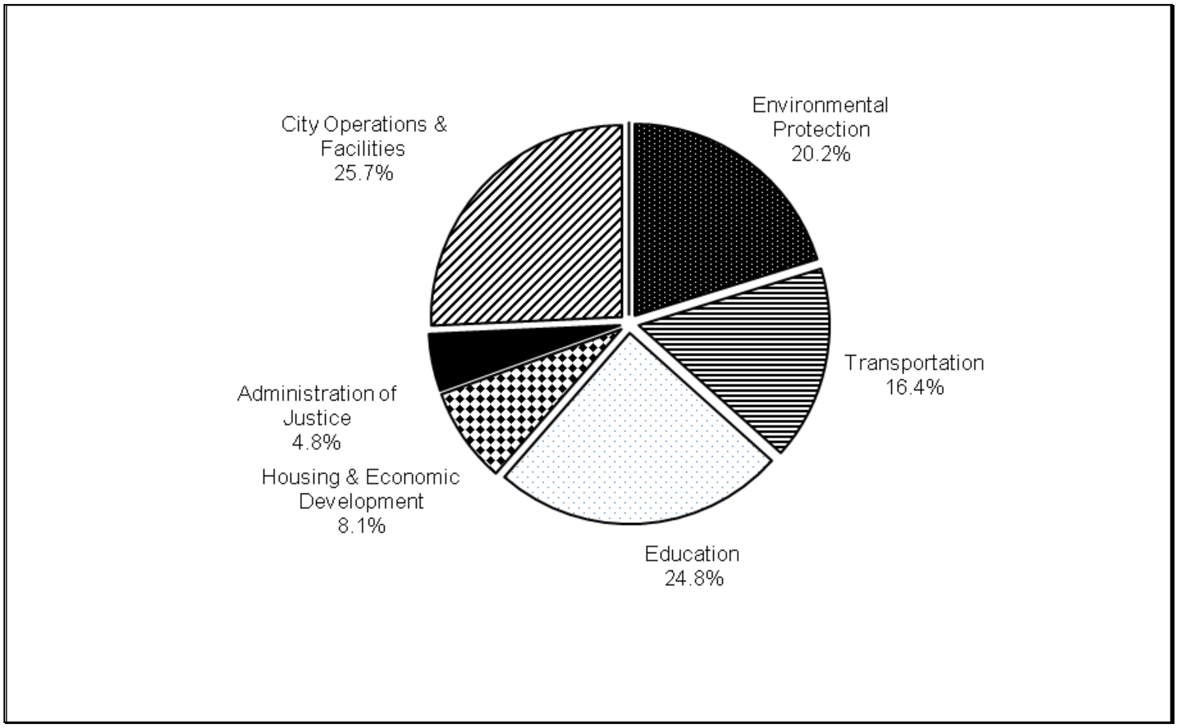
The transportation portion of the Capital Plan is composed of two types of projects: projects for mass transit administered by the Metropolitan Transportation Authority (MTA) on behalf of New York City Transit; and the Highways and Bridges program, which is administered by the Department of Transportation (DOT).

The May Plan for FYs 2013 – 2017 contains $616 million in capital commitments for mass transit projects, and $6.69 billion for the DOT capital program. As shown in Chart 4, this program area makes up 16.4 percent of the May Commitment Plan.

Planned commitments for mass transit are heavily front-loaded in the Plan with 71 percent of the five-year total or $436 million planned for FYs 2013 and 2014. These two fiscal years alone exceed the entire funding of $346 million for FYs 2008 – 2012. City support to the MTA for capital work at New York City Transit (NYCT) constitutes a small portion of the NYCT's $12 billion capital program. MTA bonds and other Federal grants support a significant portion of its capital needs. Although the current Plan reverses a period of decreased support for NYCT during the period of FYs 2006 – 2012, it still remains below the nearly $280 million per year average seen in FYs 1989 – 2005.

Fifteen percent, or $6.69 billion of the May Capital Plan for FYs 2013 – 2017 is allocated for street resurfacing, highway reconstruction, and bridge rehabilitation projects managed by the City's DOT. Highlights of the DOT plan include $1.3 billion for the rehabilitation and reconstruction of about 25 bridges, $896 million for about 266 lane miles of street reconstruction, $397 million for 12 bridges scheduled for life extension, $524 million for street and arterial resurfacing projects, $381 million for ferry boat replacements or reconstructions, and $152 million for signal installation and maintenance with modernization of signalized intersections.

Chart 4. **May 2011 Capital Plan Total Funds, FYs 2013 – 2017, Shares of $44.5 Billion**



SOURCE: Capital Commitment Plan Executive Budget FY 2014, NYC Office of Management and Budget, May 2013.

Housing and Economic Development

Housing and economic development projects account for $3.59 billion, or 8.1 percent, of planned capital commitments from FY 2013 to FY 2017. Of this total, $2.17 billion, or 4.9 percent, are commitments for housing projects.[17] The primary objective of the City's capital housing program is the preservation of existing affordable housing through assistance to private owners to avoid abandonment. Other program areas which utilize housing capital dollars are low-income rental programs and supportive housing, and loan programs which allow owners of private properties to renovate buildings through the use of low-interest loans. These programs are forecast to produce about 12,000 units during the Plan period. Through various new construction initiatives, the Department of Housing Preservation and Development (HPD) plans to produce in excess of 10,000 units over the Plan period in a broad array of housing options. HPD also plans to fund 3,300 units to benefit low-income households with special needs.

Capital commitments for economic development total $1.42 billion, or 3.2 percent of total capital commitments over the Plan period. Major elements of the Plan include $162 million for acquisition and infrastructure improvements at Willets Point, $132 million for the rehabilitation of existing structures and upgrades to basic infrastructure to facilitate future development on Governor's Island, $133 million for

[17] Housing capital commitments are comprised of Commitments for HPD and NYCHA projects.

development and infrastructure improvements at the Brooklyn Navy Yard Industrial Park, $100 million for construction and infrastructure at the Applied Sciences Campus on Roosevelt Island, and $160 million for the development of the City's waterfront properties throughout the City.

Administration of Justice

Commitments under the category of Administration of Justice include capital projects in the Department of Correction, the Police Department, and Courts Administration. In the May 2013 Commitment Plan, $2.13 billion, or 4.8 percent of the FYs 2013-2017 total is allocated for projects in these agencies. Planned commitments in the Police Department total $654 million. Major projects for the Police Department include $92 million for the construction, rehabilitation, maintenance, relocation of police facilities citywide, $97 million for police communication and computer equipment, $52 million to maintain or replace operational and support vehicles throughout the agency, and $44 million for the construction of the World Trade Center Security Plan.

Capital commitments in the Department of Correction (DOC) total $1.17 billion over FYs 2013 – 2017. Major projects undertaken by DOC are capacity replacement initiatives including $547 million for a new detention center on Rikers Island, $63 million for window and façade replacements and roof reconstruction at various facilities, $65 million for the restoration of damaged areas related to Super Storm Sandy, and $50 million for equipment, computers, and vehicles throughout the agency.

Court facilities projects total $306 million over FYs 2013 – 2017. Highlights of the Plan include $18 million for the continuation of a new court facility on Staten Island, $21 million for continued improvements to the court facility at 215 E. 161 Street in the Bronx, along with $49 million of capital work at 60 Centre Street and $28 million of various capital improvements at 100 Centre Street, both in lower Manhattan.

Other City Operations and Facilities

Capital projects designated as city operations include projects for the Department of Sanitation (DOS), the Fire Department, the Department of Parks, public buildings, the Department of Information, Telecommunications, and Technology (DOITT), public libraries and cultural institutions, and hospitals. Over 25 percent or $11.44 billion of the May 2013 Commitment Plan in All-funds are allocated for city operations.

The Department of Parks and Recreation capital Plan totals $2.38 billion for FYs 2013 – 2017. The Parks capital plan is heavily front-loaded with $1.54 billion, or 65 percent of its total commitments, scheduled for FY 2013. Major projects include $225 million for construction necessary to re-open beaches shut down as a result Super Storm Sandy, $259 million for long-term construction related to beachfront areas related to storm damage, and $163 million for the citywide tree planting program.

Approximately, $912 million, or 2.1 percent of the FYs 2013 – 2017 Plan is allocated for computer equipment purchases and installation related to DOITT. These commitments are also heavily front-loaded in the Plan with over 80 percent, or

$764 million planned for FY 2013. Highlights of the Plan include $585 million for Emergency Communication Transformation Program (ECTP) systems and facilities. ECTP projects have been and continue to be reviewed for cost-overruns and inefficiencies.

The $1.47 billion capital program for the DOS comprises 3.3 percent of total commitments over FYs 2013 – 2017. Major components of DOS' plan include $541 million for the reconstruction of marine transfer stations citywide and other facilities in accordance with the City's Solid Waste Management Plan, and $521 million for vehicle and equipment replacements.

The May 2013 Commitment Plan contains $530 million for capital projects in the public libraries. Highlights of the capital program for libraries include $277 million in funding for the New York Public Library, $152 million for the Queens Public Library, $83 million for the Brooklyn Public Library, and $17.7 million for the Research Libraries over FYs 2013 – 2017. Over 60 percent of planned commitments ($335.8 million) are in FY 2013.

The Department of Cultural Affairs' capital plan totals $819 million for FYs 2013 – 2017, or 1.8 percent of total commitments. Projects include $168 million for the shark exhibit at the New York Aquarium, which includes $60 million to repair damages from Super Storm Sandy, $21 million of improvements to the Brooklyn Children's Museum, along with $8 million for the renovation of the Cooper Hewitt Museum.

Over $1.37 billion is allocated over the FYs 2013 – 2017 Plan period for citywide equipment purchases, administered by DCAS. This includes $524 million for energy efficiency projects and building retrofits.

Public works projects, also administered primarily by DCAS, typically involve the rehabilitation of City-owned office space, the renovation of leased space, compliance with legal mandates and correction of unsafe conditions. The May 2013 Plan contains $997 million for this work; including $211 million in improvements to public buildings citywide, $116 million for the improvement, reconstruction, or modernization of long-term leased facilities citywide, and $203 million for energy efficiency and building retrofit projects.

The May Commitment Plan for the Health and Hospitals Corporation (HHC) totals $1.5 billion, or 3.4 percent of total estimated capital commitments. HHC's current plan is noticeably larger relative to past plans due to an additional $712 million of capital works to repair damage caused by Super Storm Sandy at Bellevue, Coney Island, and the Coler-Goldwater Specialty hospitals. Other major projects include $111 million for the purchase of EMS ambulances for the FDNY.

Ten-Year Capital Strategy – Changes from January

Every odd calendar year, the Mayor is required, in accordance with Section 215 of the City Charter, to publish a Ten-Year Capital Strategy (TYCS) to reflect the administration's long-term capital planning goals by agency. The TYCS for FYs 2014 – 2023 totals $53.7 billion, an increase of $2.86 billion from the preliminary TYCS published in January 2013. City-funds account for $39.68 billion, or 73.9 percent of the capital strategy. Programmatically, education, environmental protection, transportation/mass transit, and housing projects account for 81 percent, or $43.65 billion, of the TYCS.

Table 25 on page 49 compares the current TYCS with the January TYCS. Over one-half, or $1.53 billion, of the $2.86 billion increase in the Plan from January 2013 is attributable to increases in four program areas: 1) $705 million for DOT; 2) $319 million for projects related to the administration of justice; 3) $258 million for DOS projects; and 4) $249 million for the DEP projects.

Funding the Ten-Year Capital Strategy

The City-funds portion of the TYCS will be financed primarily with $27.3 billion of G.O. and NYCTFA PIT bonds and $12.4 billion of New York City Municipal Water Finance Authority (NYWFA) bonds. Together, G.O., NYCTFA PIT and NYWFA borrowing will finance $39.7 billion, or 74 percent of the total TYCS. New York State funds are expected to finance another $10.3 billion of capital projects while Federal Funds and other non-city sources are anticipated to fund the remaining $3.7 billion.

In percentage terms, 50.8 percent of the TYCS is projected to be financed by G.O. and NYCTFA PIT bonds, 23.1 percent by NYWFA bonds, 19.2 percent by the State, and 6.7 percent by the Federal funds. More than 70 percent, or $9.9 billion, of the non-City support is for capital projects in the DOE. This projection reflects the assumption of continuing support of State Building Aid to help finance DOE's capital strategy.

Ten-Year Capital Strategy by Type of Work

The May 2013 TYCS is comprised of three major types of capital projects: 1) State of Good Repair which accounts for 49.6 percent of the Plan ($26.62 billion); 2) Program Expansion which accounts for 25.3 percent of the Plan ($13.57 billion); and 3) Programmatic Replacement which accounts for 25.2 percent of the Plan ($13.54 billion).

State of Good Repair projects include reconstruction and rehabilitation of schools ($11.88 billion), reconstruction of East River and other bridges ($4.33 billion), and the reconstruction and resurfacing of streets and highways citywide ($2.64 billion).

Program Expansion projects include the construction of new schools ($7.76 billion), construction of water conveyance systems including the third water tunnel, ($1.64 billion), new and special needs housing initiatives ($1.29 billion), and sewer extensions and augmentation ($996 million).

Programmatic Replacement projects include capital programs for water pollution control plant upgrades and stabilization ($3.2 billion), water quality mandates and preservation ($2.52 billion), water main replacement and dam safety programs ($1.49 billion), and the purchase of sanitation equipment ($1.05 billion).

Table 25. Ten-Year Capital Strategy, FYs 2014 – 2023, May 2013

($ in millions)

	January 2013 City-Funds	January 2013 Total Funds	May 2013 City-Funds	May 2013 Total Funds	Percent of Total Funds May 2013	Change in Total Funds from January 2013
Education	$9,880	$19,665	$9,936	$19,827	36.9%	$162
Dept. of Transportation	5,357	7,436	5,368	8,141	15.2	705
Environmental Protection	12,162	12,162	12,374	12,410	23.1	248
Housing & Economic Development	2,651	3,257	2,704	3,277	6.1	20
Administration of Justice	1,937	1,937	2,202	2,257	4.2	320
Sanitation	1,305	1,305	1,562	1,564	2.9	259
Mass Transit	520	520	520	520	1.0	0
Other City Services	4,496	4,571	5,011	5,722	10.6	1,151
Total	**$38,308**	**$50,853**	**$39,677**	**$53,718**	**100.0%**	**$2,865**

SOURCE: Ten-Year Capital Strategy, FYs 2014-2023, NYC OMB, May 2013. Numbers may not add due to rounding.

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VII. Appendix – Revenue and Expenditure Details

Table A1. *FY 2014 Executive Budget Revenue Detail*

($ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change FYs 2013-17 Dollar	Change FYs 2013-17 Percent
Taxes:							
Real Property	$18,780	$19,709	$20,555	$21,491	$22,262	$3,482	18.5%
Personal Income Tax	$9,725	$8,782	$9,690	$10,042	$10,368	$643	6.6%
General Corporation Tax	$2,567	$2,586	$2,757	$2,866	$3,023	$456	17.8%
Banking Corporation Tax	$1,433	$1,297	$1,330	$1,340	$1,375	($58)	(4.0%)
Unincorporated Business Tax	$1,762	$1,843	$1,903	$1,947	$2,056	$294	16.7%
Sale and Use Tax	$6,071	$6,323	$6,590	$6,829	$7,092	$1,021	16.8%
Real Property Transfer	$1,092	$1,110	$1,266	$1,387	$1,515	$423	38.7%
Mortgage Recording Tax	$709	$723	$828	$906	$1,000	$291	41.0%
Commercial Rent	$660	$686	$715	$745	$778	$118	17.9%
Utility	$382	$394	$405	$419	$423	$41	10.7%
Hotel	$509	$513	$536	$560	$576	$67	13.2%
Cigarette	$63	$63	$62	$60	$59	($4)	(6.3%)
All Other	$515	$501	$501	$501	$501	($14)	(2.7%)
Tax Audit Revenue	$1,060	$709	$709	$709	$709	($351)	(33.1%)
Total Taxes	**$45,328**	**$45,239**	**$47,847**	**$49,802**	**$51,737**	**$6,409**	**14.1%**
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$577	$584	$584	$587	$600	$23	4.0%
Interest Income	$16	$10	$10	$28	$108	$92	575.0%
Charges for Services	$857	$917	$909	$910	$910	$53	6.2%
Water and Sewer Charges	$1,435	$1,514	$1,511	$1,536	$1,504	$69	4.8%
Rental Income	$293	$292	$295	$295	$295	$2	0.7%
Fines and Forfeitures	$804	$816	$816	$814	$814	$10	1.2%
Miscellaneous	$645	$866	$926	$884	$933	$288	44.7%
Intra-City Revenue	$1,732	$1,563	$1,561	$1,565	$1,566	($166)	(9.6%)
Total Miscellaneous	**$6,359**	**$6,562**	**$6,612**	**$6,619**	**$6,730**	**$371**	**5.8%**
Other Categorical Grants	**$996**	**$888**	**$893**	**$881**	**$877**	**($119)**	**(11.9%)**
Inter-Fund Agreements	**$560**	**$535**	**$516**	**$515**	**$515**	**($45)**	**(8.0%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,732)**	**($1,563)**	**($1,561)**	**($1,565)**	**($1,566)**	**$166**	**(9.6%)**
TOTAL CITY-FUNDS	**$51,496**	**$51,646**	**$54,292**	**$56,237**	**$58,278**	**$6,782**	**13.2%**

Table A1 (Con't). *FY 2014 Executive Budget Revenue Detail*

($ in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Changes FYs 2013-17 Dollar	Changes FYs 2013-17 Percent
Federal Categorical Grants:							
Community Development	$230	$220	$219	$219	$219	($11)	(4.8%)
Welfare	$3,389	$3,163	$3,139	$3,127	$3,124	($265)	(7.8%)
Education	$1,903	$1,803	$1,816	$1,815	$1,815	($88)	(4.6%)
Other	$3,483	$1,243	$1,138	$1,134	$1,134	($2,349)	(67.4%)
Total Federal Grants	**$9,005**	**$6,429**	**$6,312**	**$6,295**	**$6,292**	**($2,713)**	**(30.1%)**
State Categorical Grants							
Social Services	$1,532	$1,469	$1,446	$1,442	$1,433	($99)	(6.5%)
Education	$8,060	$8,622	$8,931	$9,285	$9,733	$1,673	20.8%
Higher Education	$235	$256	$256	$256	$256	$21	8.9%
Department of Health and Mental Hygiene	$584	$454	$451	$451	$451	($133)	(22.8%)
Other	$933	$900	$953	$1,085	$1,160	$227	24.3%
Total State Grants	**$11,344**	**$11,701**	**$12,037**	**$12,519**	**$13,033**	**$1,689**	**14.9%**
TOTAL REVENUES	**$71,845**	**$69,776**	**$72,641**	**$75,051**	**$77,603**	**$5,758**	**8.0%**

Table A2. *FY 2014 Executive Budget Expenditure Detail*

($ in thousands)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change FYs 2013-17 *Dollars*	Change FYs 2013-17 *Percent*
Mayoralty	$96,808	$87,760	$86,380	$86,328	$85,901	($10,907)	(11.3%)
Board of Elections	$117,763	$112,258	$76,486	$76,486	$76,486	($41,277)	(35.1%)
Campaign Finance Board	$12,177	$71,864	$13,288	$13,288	$13,288	$1,111	9.1%
Office of the Actuary	$5,812	$6,459	$6,261	$6,263	$6,263	$451	7.8%
President, Borough of Manhattan	$4,606	$2,618	$2,457	$2,462	$2,462	($2,144)	(46.5%)
President, Borough of Bronx	$5,339	$3,424	$3,245	$3,245	$3,245	($2,094)	(39.2%)
President, Borough of Brooklyn	$5,768	$3,195	$2,893	$2,893	$2,893	($2,875)	(49.8%)
President, Borough of Queens	$4,700	$3,141	$2,866	$2,870	$2,875	($1,825)	(38.8%)
President, Borough of Staten Island	$3,966	$2,395	$2,303	$2,303	$2,303	($1,663)	(41.9%)
Office of the Comptroller	$76,277	$76,166	$76,545	$76,832	$76,883	$606	0.8%
Dept. of Emergency Management	$76,209	$13,023	$6,369	$6,376	$6,379	($69,830)	(91.6%)
Office of Administrative Tax Appeals	$4,354	$4,273	$4,273	$4,273	$4,273	($81)	(1.9%)
Law Dept.	$141,952	$144,208	$138,417	$132,292	$132,292	($9,660)	(6.8%)
Dept. of City Planning	$24,439	$20,848	$20,278	$20,290	$20,290	($4,149)	(17.0%)
Dept. of Investigation	$32,149	$17,312	$17,236	$17,236	$16,724	($15,425)	(48.0%)
NY Public Library - Research	$22,278	$14,976	$14,975	$14,975	$14,975	($7,303)	(32.8%)
New York Public Library	$111,172	$72,591	$72,591	$72,591	$72,591	($38,581)	(34.7%)
Brooklyn Public Library	$82,711	$53,994	$53,994	$53,994	$53,994	($28,717)	(34.7%)
Queens Borough Public Library	$82,460	$53,261	$53,261	$53,261	$53,261	($29,199)	(35.4%)
Dept. of Education	$19,176,460	$19,820,363	$20,435,675	$21,019,234	$21,654,260	$2,477,800	12.9%
City University	$832,859	$862,081	$859,100	$847,731	$828,444	($4,415)	(0.5%)
Civilian Complaint Review Board	$11,598	$11,917	$12,242	$12,242	$12,257	$659	5.7%
Police Dept.	$4,754,528	$4,448,248	$4,414,852	$4,416,293	$4,416,909	($337,619)	(7.1%)
Fire Dept.	$1,910,380	$1,712,903	$1,627,634	$1,624,782	$1,627,274	($283,106)	(14.8%)
Admin. for Children Services	$2,812,511	$2,718,440	$2,732,966	$2,732,966	$2,732,966	($79,545)	(2.8%)
Dept. of Social Services	$9,490,872	$9,424,419	$9,532,044	$9,469,026	$9,470,462	($20,410)	(0.2%)
Dept. of Homeless Services	$999,258	$902,599	$897,104	$896,904	$896,904	($102,354)	(10.2%)
Dept. of Correction	$1,090,673	$1,064,961	$1,059,851	$1,060,551	$1,060,000	($30,673)	(2.8%)
Board of Correction	$1,059	$1,246	$1,235	$1,235	$1,235	$176	16.6%
Citywide Pension Contribution	$8,061,170	$8,192,439	$8,201,814	$8,399,491	$8,653,352	$592,182	7.3%
Miscellaneous	$6,588,946	$7,127,044	$8,951,788	$9,841,833	$10,783,086	$4,194,140	63.7%
Debt Service	$4,252,314	$4,436,211	$4,922,569	$5,037,974	$5,071,455	$819,141	19.3%
N.Y.C.T.F.A. Debt Service	$1,741,244	$1,808,790	$2,256,450	$2,471,600	$2,660,720	$919,476	52.8%
FY 2012 BSA & Discretionary Transfers	($2,431,487)	($30,611)	$0	$0	$0	$2,431,487	(100.0%)
FY 2013 BSA & Discretionary Transfers	$2,161,437	($2,161,437)	$0	$0	$0	$2,161,437	(100.0%)
FY 2014 BSA	$0	$142,000	($142,000)	$0	$0	$0	N/A
Public Advocate	$2,252	$1,523	$1,523	$1,523	$1,523	($729)	(32.4%)
City Council	$52,102	$51,517	$49,442	$49,442	$49,442	($2,660)	(5.1%)
City Clerk	$4,532	$4,437	$4,440	$4,440	$4,440	($92)	(2.0%)
Dept. for the Aging	$265,976	$224,998	$226,031	$225,328	$225,328	($40,648)	(15.3%)
Dept. of Cultural Affairs	$148,456	$88,609	$88,609	$88,609	$88,609	($59,847)	(40.3%)
Financial Info. Serv. Agency	$89,387	$91,763	$90,425	$90,925	$90,925	$1,538	1.7%
Office of Payroll Admin.	$21,422	$27,588	$27,664	$27,692	$27,722	$6,300	29.4%
Independent Budget Office	$4,358	$4,344	$4,337	$4,333	$4,333	($25)	(0.6%)
Equal Employment Practices Comm.	$790	$665	$715	$715	$715	($75)	(9.5%)

Table A2 (Con't). *FY 2014 Executive Budget Expenditure Detail*

($ in thousands)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Change FYs 2013-17 Dollars	Change FYs 2013-17 Percent
Civil Service Commission	$773	$1,040	$1,040	$1,040	$1,040	$267	34.5%
Landmarks Preservation Comm.	$4,954	$5,005	$5,023	$5,047	$5,047	$93	1.9%
Districting Commission	$1,661	$0	$0	$0	$0	($1,661)	(100.0%)
Taxi and Limousine Commission	$42,013	$62,194	$59,885	$55,385	$41,885	($128)	(0.3%)
Commission on Human Rights	$6,460	$6,287	$6,495	$6,495	$6,495	$35	0.5%
Youth & Community Development	$330,579	$240,707	$208,085	$208,085	$208,085	($122,494)	(37.1%)
Conflicts of Interest Board	$2,053	$2,033	$2,033	$2,033	$2,033	($20)	(1.0%)
Office of Collective Bargain	$2,124	$2,008	$2,001	$2,003	$2,003	($121)	(5.7%)
Community Boards (All)	$15,786	$15,411	$15,359	$15,361	$15,361	($425)	(2.7%)
Dept. of Probation	$74,133	$76,477	$75,587	$75,513	$75,498	$1,365	1.8%
Dept. Small Business Services	$153,314	$100,143	$82,385	$81,937	$81,940	($71,374)	(46.6%)
Housing Preservation & Development	$786,860	$558,119	$554,908	$554,258	$554,258	($232,602)	(29.6%)
Dept. of Buildings	$108,144	$103,587	$94,586	$93,992	$93,992	($14,152)	(13.1%)
Dept. of Health & Mental Hygiene	$1,665,514	$1,326,753	$1,327,219	$1,326,497	$1,326,447	($339,067)	(20.4%)
Health and Hospitals Corp.	$177,162	$67,572	$68,607	$68,657	$68,708	($108,454)	(61.2%)
Office of Administrative Trials & Hearings	$34,554	$35,012	$35,014	$35,016	$35,016	$462	1.3%
Dept. of Environmental Protection	$1,720,970	$1,118,671	$1,103,115	$1,098,373	$1,051,483	($669,487)	(38.9%)
Dept. of Sanitation	$1,431,810	$1,422,988	$1,460,447	$1,458,735	$1,458,948	$27,138	1.9%
Business Integrity Commission	$7,397	$7,145	$7,192	$7,192	$7,192	($205)	(2.8%)
Dept. of Finance	$228,123	$230,105	$228,278	$227,643	$227,235	($888)	(0.4%)
Dept. of Transportation	$915,319	$731,606	$729,008	$730,387	$730,387	($184,932)	(20.2%)
Dept. of Parks and Recreation	$395,787	$325,481	$321,017	$321,017	$321,017	($74,770)	(18.9%)
Dept. of Design & Construction	$127,551	$119,742	$120,234	$120,234	$120,234	($7,317)	(5.7%)
Dept. of Citywide Admin. Services	$418,490	$376,516	$357,859	$355,716	$355,187	($63,303)	(15.1%)
D.O.I.T.T.	$347,997	$323,589	$319,800	$322,380	$321,989	($26,008)	(7.5%)
Dept. of Record & Info. Services	$5,469	$4,999	$4,863	$4,867	$4,867	($602)	(11.0%)
Dept. of Consumer Affairs	$26,929	$26,056	$25,656	$25,536	$25,536	($1,393)	(5.2%)
District Attorney - N.Y.	$101,432	$83,745	$83,749	$83,749	$83,749	($17,683)	(17.4%)
District Attorney – Bronx	$52,160	$51,705	$51,708	$51,708	$51,708	($452)	(0.9%)
District Attorney – Kings	$84,667	$82,744	$82,748	$82,748	$82,748	($1,919)	(2.3%)
District Attorney – Queens	$50,865	$48,919	$48,321	$48,321	$48,321	($2,544)	(5.0%)
District Attorney - Richmond	$8,524	$8,201	$8,201	$8,201	$8,201	($323)	(3.8%)
Office of Prosec. & Spec. Narc.	$17,841	$17,744	$17,745	$17,745	$17,745	($96)	(0.5%)
Public Administrator - N.Y.	$1,446	$1,355	$1,363	$1,363	$1,363	($83)	(5.7%)
Public Administrator - Bronx	$563	$483	$491	$491	$491	($72)	(12.8%)
Public Administrator - Brooklyn	$656	$585	$593	$593	$593	($63)	(9.6%)
Public Administrator - Queens	$510	$277	$289	$290	$290	($220)	(43.1%)
Public Administrator - Richmond	$429	$364	$371	$371	$371	($58)	(13.5%)
Prior Payable Adjustment	($500,000)	$0	$0	$0	$0	$500,000	(100.0%)
General Reserve	$40,000	$450,000	$300,000	$300,000	$300,000	$260,000	650.0%
Energy Adjustment	$0	$0	$17,649	$1,933	$14,146	$14,146	N/A
Lease Adjustment	$0	$0	$38,136	$65,416	$93,514	$93,514	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$166,557	$166,557	N/A
TOTAL EXPENDITURE	**$71,845,057**	**$69,776,190**	**$74,833,207**	**$76,950,493**	**$79,021,419**	**$7,176,362**	**10.0%**

Glossary of Acronyms

AAVM	Actuarial Asset Valuation Methodology
AIRA	Actuarial Interest Rate Assumption
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
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
DOITT	Department of Information, Telecommunications, & Technology
DOT	Department of Transportation
DOS	Department of Sanitation

ECTP	Emergency Communication Transformation Program
EMS	Emergency Medical Services
FDNY	Fire Department
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
MRT	Mortgage Recording Tax
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCT	New York City Transit
NYCTFA	New York City Transitional Finance Authority

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
RHBT	Retiree Health Benefits Trust
RPT	Real Property Transfer Tax
STAR	School Tax Relief
TSASC	Tobacco Settlement Asset Securitization Corporation
TYCS	Ten-Year Capital Strategy
UBT	Unincorporated Business Tax
UFT	United Federation of Teachers

U.S.	United States