The Comptroller's Comments on The Fiscal Year 2008 Executive Budget

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

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I. Executive Summary

The Mayor's Executive Budget for FY 2008 projects that the City will end FY 2007 with an extraordinary $5.63 billion surplus. The surplus has accumulated over several years of sustained economic growth and careful fiscal management. An expanding national economy, Wall Street profits, and a real estate boom have contributed to tax revenue collections that have been far greater than the City's projections. Since the FY 2007 budget was adopted last June, the City has increased tax revenue projections $4.95 billion for FY 2007 and $3.2 billion for FY 2008.

As in the recent past, the Administration is proposing to employ these surplus funds to reduce budget gaps in future years. Proposed gap-closing mechanisms include prepayments of future-year obligations including debt. For the first time, however, this year's proposed use of the surplus includes prepayments of expenses in the third year of the Financial Plan, FY 2010. As proposed, the FY 2007 surplus would close the FY 2008 budget gap and diminish the gaps in FY 2009 and FY 2010 to $1.553 billion and $3.261 billion, respectively. In FY 2011, which does not benefit from this year's surplus, the gap is projected to reach $4.289 billion. The FY 2008 budget reflects the benefit of $345 million in tobacco settlement revenues, the recognition of which was delayed from the FY 2006 and FY 2007 budgets.

In addition to the gap-closing plan, the Mayor has proposed to add very slightly to the $1 billion tax cut package presented in January. Energy-conservation tax incentives, valued at $3 million, have been proposed as part of the Mayor's plaNYC 2030. PlaNYC 2030 is a long-term plan to accommodate future population and economic growth in an environmentally sustainable way. The proposal would further reduce tax revenues by diverting $50 million from the personal income tax revenue stream to a new financing authority, the Sustainable Mobility and Regional Transportation (SMART) Financing Authority, which would help finance transportation infrastructure in the region. The plaNYC 2030 revenue measures are partly offset by a proposed cigarette tax increase that would yield about $20 million annually.

The details of the proposed authority and how it would interact with existing transportation-related authorities have not yet been fully revealed. The creation of such an authority would require approval by the State, and has been tied also to a controversial congestion pricing proposal. The Comptroller's Office is skeptical that the creation of another authority, with the accompanying lack of transparency and public input, is the best route to accomplish the desirable goal of expanding regional transportation investment.

The Comptroller's Office is projecting additional resources of $200 million from strong year-end personal income tax revenues in FY 2007 and $245 million in FY 2008. The FY 2008 adjustment is based on the Comptroller's expectations for an additional $440 million in FY 2008 tax revenues. These would more than offset added risks of $193 million, attributable to overtime expense, collective bargaining, and assumed Federal education aid. The Comptroller's Office expects that tax revenues will be stronger than the City's projections throughout the Plan period, offsetting risks and further reducing the outyear gaps to $648 million in FY 2009, $2.717 billion in FY 2010, and $3.991 billion in FY 2011. The Comptroller's Office's more optimistic tax revenue forecast is based on the expectation that the City's economy will continue to grow steadily through the Plan period.

The Mayor's budget presentations have distinguished between "controllable" and "non-controllable" expenditure categories, with items characterized as non-controllable such as pensions, debt service and health care expenses significantly out-growing the more discretionary programmatic spending categories. However, growth rates for some of the non-controllable items have begun to moderate. Pension costs, which escalated after investment losses in 2002 and 2003, are expected to remain relatively flat starting in FY 2009, and the State has brought growth of the local share of Medicaid expense under control by creating a cap. Overall, spending is slated to grow 3.8 percent annually over the Plan period, after adjusting for prepayments.

Additional tax dollars and expanded State education aid will support considerable growth in education spending over the Plan period. Department of Education (DOE) spending will grow from a base of $15.84 billion in FY 2007 to $20.14 billion in FY 2011. The Plan reflects significant State education aid increases in accordance with the Campaign for Fiscal Equity Court decision. State aid will account for 49 percent of total education spending by FY 2011, up from 45 percent in FY 2007. However, because the DOE has yet to identify the source of funds in assumed Federal support of collective bargaining expenditures, the City could face risks of $50 million in FY 2008 and $100 million yearly thereafter.

Another area benefiting from the proposed budget is the Health and Hospitals Corporation (HHC). With the Corporation threatened by large prospective budget gaps in recent years, the City and State have taken actions to improve HHC's cash position. The most recent Plan reflects actions that will lead to cash balances of $1.26 billion at the end of FY 2008. However, the Corporation still suffers from underlying operating deficits, causing its projected cash balance to diminish to $256 million by FY 2011.

Planned expenditures also include funding for the recently-ratified labor contracts for the Uniformed Firefighters Association (UFA) and the Council of School Supervisors and Administrators (CSA). Major outstanding contracts include those for the Policeman's Benevolent Association (PBA), the Captains Endowment Association (CEA), and the Sergeants Benevolent Association (SBA). The City has funded these contracts based on the agreement reached with the UFA.

Debt service is projected to cost $4.649 billion in FY 2007 and to increase 35.5 percent over the Plan period. Since debt service is projected to grow more rapidly than tax revenues, these costs will consume 15.2 percent of tax revenues by FY 2011, compared to 12.1 percent in FY 2007. The City has endeavored to contain debt service costs through refundings and other actions, including taking advantage of authority granted by the State Legislature to increase the amount of lower-cost Transitional Finance Authority borrowing. The City is seeking additional TFA capacity, which would further reduce borrowing costs. The Comptroller's Office is in favor of raising the NYCTFA cap to provide a substitute for higher-cost general obligation borrowing.

Growing debt service reflects the City's ambitious capital plan, which attempts to redress deficits in the state of good repair of the City's infrastructure, comply with Federal mandates, and provide expanded capacity for future growth. The City-funded portion of the Ten-Year Capital Strategy (TYCS) is valued at more than $65 billion, an increase in excess of $5 billion since the January presentation. The total-funds TYCS is now $83.7 billion. The increases in the TYCS derive primarily from new projects in the Department of Transportation, Administration of Justice and the catch-all category of Other City Services. The TYCS also includes $1.62 billion of capital investments related to plaNYC 2030.

The most significant City-funded portion of the TYCS is for projects managed by the Department of Environmental Protection, which are scheduled to cost $19.371 billion over the ten-year period. These projects are financed through the NY Municipal Water Finance Authority (NYW), whose debt service is supported by water rates rather than the City tax levy.

The New York City Water Board, which sets water rates, voted on May 14, 2007, to increase water rates 11.5 percent for FY 2008. This is the first double-digit rate increase since 1992. Pursuant to the NYW lease with the City, a rental payment from NYW for use of the City's assets is embedded in the water rates. The rental payment is based on a formula tying the amount of rent to NYW net debt service. With the growth of the debt-financed capital program, the rental payment to the City will grow in tandem.

To mitigate the impact of rapidly growing rental payments on ratepayers, the Comptroller's Office has proposed a strategy to lower the long-run costs of NYW's capital program. Under the Comptroller's plan, the City would forego collecting most rental payments from NYW and those funds would be used by NYW for rate reduction and pay-as-you-go capital spending. While this would increase the outyear budget gaps, the Comptroller's Office believes that it would result in appropriately retaining water system financial resources for the benefit of water ratepayers.

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Table 1. FYs 2008–FY 2011 Financial Plan

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008 – 2011 Dollar	Changes FYs 2008 – 2011 Percent
Revenues						
Taxes:						
General Property Tax	$13,373	$14,455	$15,518	$16,415	$3,042	22.7%
Other Taxes	$22,905	$22,375	$23,151	$24,206	$1,301	5.7%
Tax Audit Revenues	$559	$559	$560	$560	$1	0.2%
Miscellaneous Revenues	$5,912	$5,071	$5,087	$5,121	($791)	(13.4%)
Unrestricted Intergovernmental Aid	$340	$340	$340	$340	$0	0.0%
Less: Intra-City Revenues	($1,369)	($1,364)	($1,365)	($1,365)	$4	(0.3%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$41,705	$41,421	$43,276	$45,262	$3,557	8.5%
Other Categorical Grants	$1,002	$1,003	$1,012	$1,014	$12	1.2%
Inter-Fund Revenues	$428	$404	$396	$391	($37)	(8.6%)
Total City & Inter-Fund Revenues	$43,135	$42,828	$44,684	$46,667	$3,532	8.2%
Federal Categorical Grants	$5,302	$5,384	$5,369	$5,362	$60	1.1%
State Categorical Grants	$10,790	$11,408	$12,272	$12,715	$1,925	17.8%
Total Revenues	$59,227	$59,620	$62,325	$64,744	$5,517	9.3%
Expenditures						
Personal Service						
Salaries and Wages	$21,021	$22,060	$23,463	$24,586	$3,565	17.0%
Pensions	$5,728	$6,390	$6,461	$6,461	$733	12.8%
Fringe Benefits	$6,928	$6,716	$6,997	$7,316	$388	5.6%
Subtotal-PS	$33,677	$35,166	$36,921	$38,363	$4,686	13.9%
Other Than Personal Service						
Medical Assistance	$5,714	$5,603	$5,756	$6,076	$362	6.3%
Public Assistance	$1,187	$1,187	$1,187	$1,187	$0	0.0%
Pay-As-You-Go Capital	$200	$200	$200	$200	$0	0.0%
All Other	$17,033	$17,352	$17,814	$18,065	$1,032	6.1%
Subtotal-OTPS	$24,134	$24,342	$24,957	$25,528	$1,394	5.8%
Debt Service						
Principal	$1,765	$1,848	$1,872	$1,823	$58	3.3%
Interest & Offsets	$2,037	$2,393	$2,758	$3,230	$1,193	58.5%
Subtotal Debt Service	$3,802	$4,241	$4,630	$5,053	$1,251	32.9%
BSA	$2,360	$350	$0	$0	($2,360)	(100.0%)
Prepayments	($3,837)	($2,360)	($350)	$0	$3,837	(100.0%)
Debt Retirement						
Call 2009/2010 GO Debt	($39)	($345)	($386)	$0	$39	(100.0%)
Defease NYCTFA Debt	($25)	($294)	($270)	$0	$25	(100.0%)
Subtotal Debt Retirement	($64)	($639)	($656)	$0	$64	(100.0%)
Transfer for NYCTFA Debt Service	($548)	$0	$0	$0	$548	(100.0%)
Defeasance of certain NYCTFA Debt	($350)	$0	$0	$0	$350	(100.0%)
NYCTFA						
Principal	$463	$475	$497	$519	$56	12.0%
Interest & Offsets	$649	$662	$651	$635	($14)	(2.2%)
Subtotal NYCTFA	$1,112	$1,137	$1,149	$1,154	$42	3.8%
MAC Administrative Expenses	$10	$0	$0	$0	($10)	(100.0%)
General Reserve	$300	$300	$300	$300	$0	0.0%
	$60,596	$62,537	$66,951	$70,398	$9,802	16.2%
Less: Intra-City Expenses	($1,369)	($1,364)	($1,365)	($1,365)	$4	(0.3%)
Total Expenditures	$59,227	$61,173	$65,586	$69,033	$9,806	16.6%
Gap To Be Closed	**$0**	**($1,553)**	**($3,261)**	**($4,289)**	**($4,289)**	

Table 2. Plan-to-Plan Changes
April 2007 Plan vs. June 2006 Plan

($ in millions)

	FY 2008	FY 2009	FY 2010
Revenues			
Taxes:			
General Property Tax	($377)	$48	$433
Other Taxes	$3,495	$2,043	$1,885
Tax Audit Revenues	$50	$50	$50
Miscellaneous Revenues	$717	$289	$278
Unrestricted Intergovernmental Aid	$0	$0	$0
Less: Intra-City Revenues	($36)	($29)	($30)
Disallowances Against Categorical Grants	$0	$0	$0
Subtotal: City Funds	$3,849	$2,401	$2,616
Other Categorical Grants	$20	$8	$12
Inter-Fund Revenues	$55	$39	$31
Total City & Inter-Fund Revenues	$3,924	$2,448	$2,659
Federal Categorical Grants	$245	$329	$312
State Categorical Grants	$838	$1,360	$2,110
Total Revenues	$5,007	$4,137	$5,081
Expenditures			
Personal Service			
Salaries and Wages	$1,522	$2,313	$3,421
Pensions	$114	$531	$737
Fringe Benefits	$675	$159	$193
Subtotal-PS	$2,311	$3,003	$4,351
Other Than Personal Service			
Medical Assistance	$631	$381	$380
Public Assistance	($1,015)	($1,015)	($1,015)
Pay-As-You-Go Capital	$0	$0	$0
All Other	$1,776	$1,717	$1,866
Subtotal-OTPS	$1,392	$1,083	$1,231
Debt Service			
Principal	($1)	$48	$61
Interest & Offsets	($511)	($501)	($498)
Subtotal Debt Service	($512)	($453)	($437)
BSA	$2,360	$350	$0
Prepayments	($3,837)	($2,360)	($350)
Debt Retirement			
Call 2009/2010 GO Debt	($39)	($345)	($386)
Defease NYCTFA Debt	($25)	($294)	($270)
Subtotal Debt Retirement	($64)	($639)	($656)
Transfer for NYCTFA Debt Service	($548)	$0	$0
Defeasance of certain NYCTFA Debt	$0	$0	$0
NYCTFA			
Principal	$20	$36	$36
Interest & Offsets	$111	$115	$127
Subtotal NYCTFA	$131	$151	$164
MAC Debt Service/Administrative Expenses	$0	$0	$0
General Reserve	$0	$0	$0
	$1,233	$1,135	$4,303
Less: Intra-City Expenses	($36)	($29)	($30)
Total Expenditures	$1,197	$1,106	$4,273
Gap To Be Closed	$3,810	$3,031	$808

Table 3. FYs 2007-2011 Risks and Offsets

($ in millions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
City Stated Gap	**$0**	**$0**	**($1,553)**	**($3,261)**	**($4,289)**
Tax Revenue Assumptions					
Property Tax	$0	$0	$70	($90)	$30
Personal Income Tax	$200	$30	$290	$180	$40
Business Taxes	$0	$310	$535	$465	$270
Sales Tax	$0	$40	$80	$40	$0
Real-Estate-Related Taxes	$ 0	$60	$130	$160	$170
Subtotal	**$200**	**$440**	**$1,105**	**$755**	**$510**
Expenditure Projections					
Overtime	$0	($123)	($100)	($100)	($100)
Collective Bargaining	$0	($20)	0	($11)	($12)
Department of Education	$0	($50)	($100)	($100)	($100)
Subtotal	**$0**	**($193)**	**($200)**	**($211)**	**($212)**
Total Risk/Offsets	**$200**	**$247**	**$905**	**$544**	**$298**
Restated (Gap)/Surplus	**$200**	**$247**	**($648)**	**($2,717)**	**($3,991)**

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II. The FY 2007 Budget

Since budget adoption in June 2006, City-fund revenue estimates for FY 2007 have increased more than $5 billion, an upward revision of more than 13 percent. In contrast, FY 2007 expenditure estimates in the April Modification are $502 million below the Adopted Budget estimates. As a result, the City will end FY 2007 with an expected surplus of $5.6 billion. The City plans to use $1.25 billion of this surplus to pay down G.O. and NYCTFA debt maturing in FYs 2009 and 2010, resulting in debt service savings of $64 million in FY 2008, $639 million in FY 2009, and $656 million in FY 2010. The remaining $4.39 billion will be used to provide budgetary relief of $2.03 billion in FY 2008, $2.01 billion in FY 2009, and $350 million in FY 2010.

Upward revisions of $4.95 billion to tax revenue estimates account for the bulk of the increase in revenue estimates, as shown in Table 4. The increase in tax revenues reflects both the continued strength of the local economy and the commercial real estate market. Business and personal income tax revenue estimates in the April Modification are $1.96 billion and $997 million above the June 2006 estimates while the real-estate-related tax revenues are $1.43 billion higher.

Table 4. Changes in FY 2007 Tax Revenue Estimates April 2007 Modification vs. June 2006 Adopted Budget

($ in millions)

Property Tax	$1
PIT	997
Business Tax	1,963
Sales	14
Real-Estate-Related	1,434
All Others	92
Tax Audit	450
Subtotal Tax Revenues	$4,951
Non-Tax Revenues	$178
Total	**$5,129**

SOURCE: NYC Office of Management and Budget

The decrease in City-fund base-line expenditure estimates is due to an expected prior-year-payable savings of $400 million, a reduction in the General Reserve of $215 million, debt service savings of $384 million, and gap-closing programs totaling $224 million, as shown in Table 5. These reductions are partially offset by increases of $315 million for collective bargaining costs and $406 million in agency spending.

Table 5. Changes in FY 2007 Expenditure Estimates
April 2007 Modification vs. June 2006 Adopted Budget

($ in millions)

Prior-Year Payable	($400)
General Reserve	(215)
Debt Service	(384)
Programs to Eliminated the Gap (PEG)	(224)
Collective Bargaining	315
Agency Spending	406
Total Baseline Estimate	**($502)**

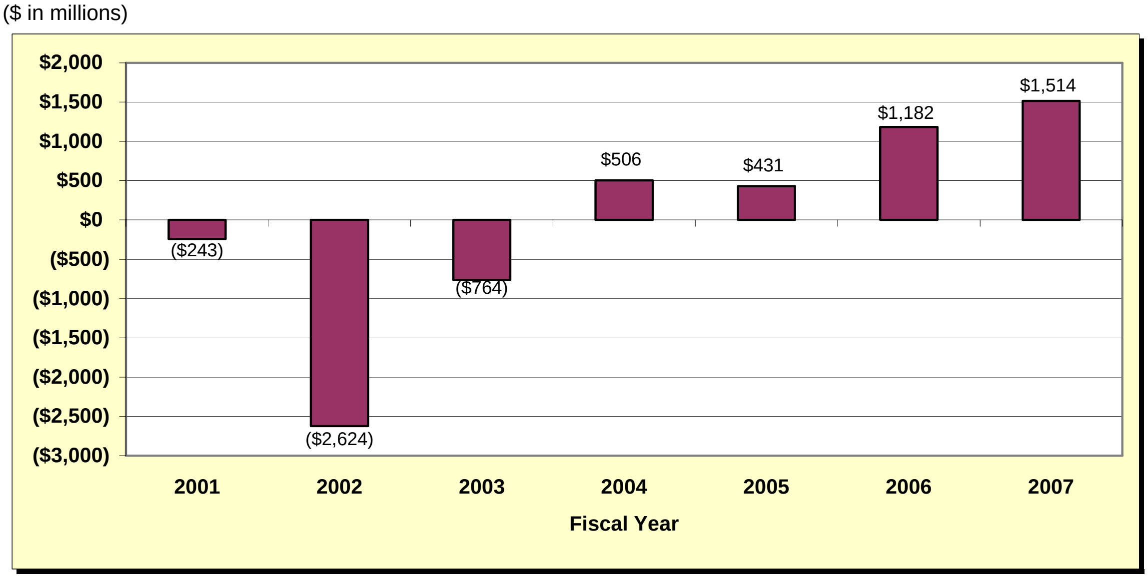
Source: NYC Office of Management and Budget

A. THE FY 2007 SURPLUS

The City's projected FY 2007 surplus of $5.63 billion reflects prepayments of $3.75 billion of FY 2007 expenses in FY 2006, as well as other non-recurring actions that accelerate expenditures and delay the recognition of revenues.[1] After adjusting for these actions, the City expects to generate a record operating surplus of $1.5 billion in FY 2007, as shown in Chart 1.

Chart 1. ***The City's Operating Results Adjusted for Non-Recurring Actions***

($ in millions)



SOURCE: New York City Office of the Comptroller

The projected year-end surplus will be used to provide budget relief in the outyears, as shown in Table 6. The City will use $703 million to pay down certain general obligation (G.O.) debt maturing in FYs 2009 and 2010 and another $543 million

[1] For a detailed discussion of the impact of non-recurring actions on the City's revenues and expenditures see "The FY 2007 Surplus" beginning on page 12 of *"The Comptroller's Comments on the Preliminary Budget for Fiscal Year 2008 and the Financial Plan for FYs 2007 – 2011,"* March 2007.

to defease certain New York City Transitional Finance Authority (NYCTFA) debt maturing in FYs 2009 and 2010. These actions will provide G.O. debt service savings of $39 million, $345 million, and $386 million and NYCTFA debt service savings of $25 million, $294 million, and $270 million in FYs 2008, 2009 and 2010, respectively.

Table 6. Use of the FY 2007 Year-End Surplus

($ in millions)

	Use of Surplus	Outyear Benefits		
		FY 2008	FY 2009	FY 2010
Debt Retirement				
Call 2009/2010 G.O. Debt	$703	($39)	($345)	($386)
Defease NYCTFA debt	543	(25)	(294)	(270)
Subtotal	$1,246	($64)	$(639)	($656)
Prepayment of G.O. Debt Service	$3,313	($953)	($2,010)	($350)
Prepayment of Subsidies				
Libraries	225	($225)	$0	$0
HHC	91	(91)	0	0
MTA/TA	208	(208)	0	0
Subtotal Prepayment of Subsidies	$524	($524)	$0	$0
Grant to NYCTFA	$548	($548)	$0	$0
Total	**$5,631**	**($2,089)**	**($2,649)**	**($1,006)**

SOURCE: NYC Office of Management and Budget

As shown in Table 6, $3.31 billion of the remaining $4.39 billion surplus will be used to prepay G.O. debt service in FYs 2007, 2008, and 2009 resulting in net debt service reduction of $953 million in FY 2008, $2.01 billion in FY 2009 and $350 million in FY 2010, representing the first time that the City is using current year surplus to provide budget relief in the third year of the Financial Plan. A grant of $548 million to NYCTFA for FY 2008 debt service and prepayments of FY 2008 subsidies to libraries, Health and Hospitals Corporation (HHC), and the Metropolitan Transit Authority (MTA) and the Transit Authority (TA) rounds out the use of the surplus.

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III. Balancing the FY 2008 Budget

Projected City-funds spending in the FY 2008 Executive Budget totals $43.1 billion, a decline of $690 million from the estimated FY 2007 spending of $43.8 billion.[2] However, the City's estimates include prepayments which distort the expected revenue generated and expenditures incurred in a fiscal year. After adjusting for the effect of prepayments, FY 2008 spending is projected to increase $3.42 billion, to $45.6 billion from $42.2 billion in FY 2007, or 8.1 percent.

The City's estimate for the FY 2008 budget has changed significantly since the July 2006 Plan. In that Plan, the City had projected a gap of $3.81 billion for FY 2008. The FY 2008 Executive Budget contains $9.14 billion of additional resources and $2.97 billion of additional obligations, as shown in Table 7. As a result, the City now expects to end FY 2008 with a year-end budget surplus of $2.36 billion.

Table 7. Changes to the FY 2008 Estimates
June 2006 Financial Plan vs FY 2008 Executive Budget

($ in millions)

June 2006 Gap	**($3,810)**
Additional Resources	
Prepayments	$4,385
Revenues[a]	3,813
Debt Service Savings[b]	470
Gap Closing Actions[c]	472
Subtotal	**$9,140**
Additional Obligations	
Agency Spending	($1,644)
Collective Bargaining	(627)
Retiree Health Benefits Trust Fund	(500)
Plan NYC 2030	(199)
Subtotal	**($2,970)**
FY 2008 Budget Stabilization Account	**($2,360)**
Executive Budget Gap	**$0**

[a] Revenues exclude the City's contribution to the SMART Fund with an intercept of personal income tax (PIT) revenue. This contribution is included as part of the $199 million plaNYC 2030 expenses.
[b] Includes NYCTFA debt service and the $64 million savings from FY 2007 debt retirement.
[c] Includes $410 million of expenditure reduction gap closing initiatives and $62 million of revenue enhancing gap-closing initiatives.
NOTE: Positive numbers decrease the gap and negative numbers increase the gap.
SOURCE: NYC Office of the Comptroller.

[2] Our analysis of the City's expenditure includes New York City Transitional Finance Authority debt service.

Almost half of the additional resources are from funds that will be transferred from FY 2007 via prepayments of $3.3 billion of FY 2008 G.O. debt service, $548 million of FY 2008 NYCTFA debt service, and $524 million of FY 2008 subsidies to the libraries, MTA/TA and HHC. Upward revisions to the City's revenue projections account for another $3.9 billion of the additional resources. Debt service savings and gap closing initiatives account for the remaining $942 million of additional resources.

While the City has closed the FY 2008 gap, projected deficits of $1.6 billion, $3.3 billion, and $4.3 billion loom in FYs 2009, 2010, and 2011, respectively. The FY 2009 and FY 2010 gaps are respectively, $3.03 billion and $808 million smaller than projected in the June Financial Plan. The reductions in the gaps are due largely to the use of FY 2007 resources to reduce expenses in FY 2009 and FY 2010 by $2.6 billion and $1.0 billion, respectively. Because the use of FY 2007 resources for outyear budgetary relief does not extend beyond FY 2010, the projected budget gap in FY 2011 rises to more than $4 billion, a level consistent with the budget gaps projected for FYs 2009 and 2010 in the June Financial Plan.

A. RISK AND OFFSETS

The Comptroller's Office projects that the City could have additional resources of $200 million in FY 2007, $247 million in FY 2008, $905 million in FY 2009, $544 million in FY 2010, and $298 million in FY 2011. These additional resources would result in a budget surplus of $200 million in FYs 2007 and FY 2008, respectively and narrow the City's projected gaps to $648 million in FY 2009, $2.717 billion in FY 2010, and $3.991 billion in FY 2011. Should the FYs 2007 and 2008 budget surpluses be used to prepay FY 2009 expenditures, the FY 2009 gap would be further reduced to $248 million.

As Table 3 on page 3 shows, the additional resources projected by the Comptroller's Office are driven by higher revenue projections relative to the City's. As discussed in "The City's Economic Outlook" beginning on page 13, the Comptroller's Office projects a more optimistic outlook for the local economy than the City's. As a result, the Office of the Comptroller's forecast for the economically sensitive personal, business and sales tax revenues are $380 million, $905 million, $685 million, and $310 million higher than the City's for FYs 2008, 2009, 2010, and 2011, respectively, accounting for most of the differences in forecasts in each of these years. In addition, the City's tax revenue projections include expected City contributions to the Sustainable Mobility and Regional Transportation Financing Authority (SMART) of $50 million, $220 million, $260 million, and $275 million in FYs 2008, 2009, 2010 and 2011, respectively through an intercept of personal income tax (PIT) revenues. Since State legislative approval for the creation of SMART is uncertain at this time, the City's contributions to SMART may not materialize, resulting in additional revenue to the City.

The Comptroller's Office's higher revenue estimates are tempered by risks to the City's expenditure projections totaling $193 million in FY 2008, $200 million in FY 2009, and $207 million in each of FYs 2010 and 2011. As discussed in "Overtime" beginning on page 26, the Comptroller's Office's analysis of overtime indicates that actual overtime spending could be $123 million higher than the City's estimate in FY 2008 and $100 million higher in each of the outyears. In addition, the City has assumed Federal funding of $50 million in FY 2008 and $100 million in each of the outyears of the Financial Plan for the Department of Education (DOE) collective bargaining. However, the City has yet to identify the sources for this funding. Finally, the Council of School Supervisors and Administrators (CSA) recently ratified a labor contract covering the period from July 1, 2003 to March 5, 2010. With the exception of the lump sum payment and the final 1.38 percent increase, both of which are higher than those granted in the teachers' contract, the CSA contract mirrored the terms of the teachers' contract over a comparable period, as discussed in "Labor" beginning on page 31. The Executive Budget contains funding for the CSA contract based on the teacher's settlement. The Comptroller's Office estimates that the higher lump sum and final increase will result in incremental costs of $22 million in FY 2007 and $7 million in each of FYs 2010 and 2011.

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IV. The City's Economic Outlook

A. COMPTROLLER'S ECONOMIC FORECAST FOR CYs 2007-2011

After three years of strong growth, the City's economy is expected to continue to decelerate in 2007 and into 2008. The primary cause of this slowdown, the weakening of the housing industry and the related deterioration of the sub-prime mortgage market, is expected to have less of an impact on the City's economy than on the nation as a whole.

Overall, the City's economy performed well in 2006. Real chain-weighted gross city product (GCP) grew 3.6 percent in 2006, nearly matching the 3.7 percent growth rate of 2005 and exceeding the 3.3 percent growth of the national economy. With employers adding 62,200 payroll jobs, the unemployment rate fell to 4.9 percent. The City's healthy economy was led by Wall Street, which had one of its best years on record. Profits of NYSE member firms surpassed $20 billion for the first time since 2000. Tourism, another critical "export industry," also had a strong year, with the number of tourists visiting the City hitting a record high.

However, a number of caution flags were raised during the year. The City's growth was strongest in the first quarter, and tapered off as the year wore on. That trend reflects the national pattern, with the national economy slowing significantly after a very strong first quarter. The weakest sector of the national economy has been residential investment, which has been declining since the last quarter of 2005. For the full year real residential investment declined 4.3 percent, the first such decline since 1995. Adding to concerns that weakness in the housing industry could spread to other sectors, business investment slowed significantly during the fourth quarter of 2006 and the first quarter of 2007.

Despite the concerns mentioned above, the City's economy appears to have begun 2007 on a strong note, aided by the ripple effect of large year-end Wall Street bonuses and another strong quarter for security industry firms. The current momentum seems strong enough to keep the local economy growing through 2007, albeit with a tapering-off pattern that resembles 2006. The prospects for 2008 depend to a great extent on the performance of the national economy. A bottoming of the housing market and stronger world demand for US goods and services should prevent the present growth slowdown from becoming more severe. Table 8 compares the Comptroller's and Mayor's forecasts.

Table 8. NYC Forecasts of (1) Change in GCP, Percent, and (2) Change in Payroll Jobs, Year-over-Year, Calendar Years 2007-2011

		2007	2008	2009	2010	2011
Change in GCP, percent	Comptroller	2.7	2.3	3.1	3.5	3.3
	Mayor	0.4	-0.2	2.5	2.9	2.8
Change in Payroll Jobs, '000	Comptroller	45.6	38.4	42.8	44.3	42.1
	Mayor	47.0	30.6	37.6	37.2	27.5

Source: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the Mayor (Office of Management and Budget) in the Executive Budget, 2007-2011.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

Since the United State's (U.S.) 15-year struggle with high inflation was resolved in the 1980s by the monetary policies of the Federal Reserve, nearly a quarter-century has passed. During that period of time, the country has experienced only two mild recessions. In fact, in only five of the subsequent 97 quarters has the nation's economy failed to grow. Modern central banking practices appear to have greatly diminished the classic investment-driven business cycles that occurred with such regularity.

Recessions themselves, unfortunately, are not entirely extinct, as the U.S. economy is still vulnerable to real and financial shocks that may disrupt its growth. During the past 25 years such shocks have included the savings and loan crisis, the Mexican Peso Crisis, the two Gulf Wars and the ensuing oil supply disruptions, the East Asian Financial Crisis, the bursting of the technology stock bubble correction, and the 9/11 terror attacks. Several of these shocks proved sufficient to cause the nation's economy to temporarily contract, while to others it remained remarkably resilient.

At the present time the principal threat to continued economic growth is the slump in the housing market and the ensuing turbulence in the subprime mortgage market. Data for the early months of 2007 do not provide cause for optimism that the housing market will swiftly rebound. March 2007 new home sales were down about 34 percent from two years earlier and the inventory of new, unsold homes was up by 22 percent to 539,000. In response to growing default rates on subprime mortgages, lenders are apparently tightening loan standards, further suppressing the rate of new home sales and deepening the retrenchment of home builders.

Economic forecasters are divided on the implications of the housing slump, although most do not believe that it will be sufficient to drag the national economy into outright recession. The Comptroller's Office shares that consensus view, anticipating that the slowdown in residential investment will continue to sap the economy of vigor during the coming year but will not prevent it from growing at a modest rate.

The local housing correction is likely to be less severe than in the nation as a whole. Most of the unsold inventory of new housing is on the suburban fringe of Sunbelt cities; in New York, the housing construction boom of the past few years will expand the total housing stock by only a few percent. Even if a glut of luxury condominiums develops, the broad middle of the City's home ownership and rental markets should be largely unaffected. Thus far, the high-end of the market has been performing well. According to Prudential Douglas Elliman, on a year-over-year basis, the number of Manhattan apartment sales in the first quarter of 2007 increased 73.3 percent, the average price per square foot rose 6.6 percent, and the listing inventory declined by 14.2 percent. The strong Manhattan market in early 2007 may be attributable to record Wall Street bonus payments at year-end, as well as to strong foreign demand resulting from a weaker dollar. Citywide, residential transaction volume appears to be off modestly, but home prices have held steady or even inched upward.

Nevertheless, subprime mortgage lending has emerged as an important housing issue in New York, as elsewhere. According to NYU's Furman Center for Real Estate and Urban Policy, the percentage of home purchase loans that were subprime in NYC more than tripled from 2002 to 2005, and is highly concentrated geographically. In 22 community districts, over 30 percent of all home purchase loans were subprime in 2005; in five community districts the subprime share of new home purchase loans was 50 percent or higher. With delinquency, and ultimately, foreclosure rates, much higher on subprime mortgages, the housing market in those neighborhoods is likely to be disrupted for some time. According to the Mortgage Bankers Association, the national delinquency rate on prime mortgages was 2.57 percent during the fourth quarter of 2006, but 13.33 percent on subprime mortgages.

Two characteristics of New York City's housing economy should, however, limit the adverse spillover to its broader economy. First, owner-occupied housing is a much smaller portion of the City's housing stock than it is of the nation's; only one-third of the City's housing units are owner-occupied. Second, those homes turn over at a much lower rate. Between 2001 and 2005, about 27 percent of the City's private homes changed hands, compared to over 40 percent at the national level. Also helping to contain the damage will be a local economy that is basically healthy, limiting the number of homeowners who experience unemployment or other income reductions.

Energy costs, although fairly stable during the past year, have become a permanent risk factor to the economy. The world is now operating with a margin of surplus capacity that is much smaller than in the past. Political or natural events can, virtually at any time, send energy prices soaring and seriously disrupt the world's economy.

Despite the housing and energy risks, the City's economy started 2007 on a very strong note. After adding 62,200 payroll jobs in 2006, employers added 18,000 more in the first quarter of 2007. By comparison, payroll jobs increased only 7,000 in the fourth quarter of 2006. Moreover, the number of employed City residents rose by 70,600 in 2006, implying continued growth in the City's self-employed work force, which has accounted for nearly two-thirds of the City's job growth since 1975. Although the unemployment rate rose to 4.7 percent in the first quarter of 2007, it remained less than half of what it was just ten years ago.

The City's personal income tax withholdings paychecks indicate that the job gains have been reinforced by strong income gains. Withholdings totaled $2.05 billion in the first quarter of 2007, 17.7 percent higher than in the first quarter of 2006. Similarly, estimated tax payments, which are based on taxpayers' estimates of interest earned, rental income, and capital gains, rose 19.5 percent on a year-over-year basis in the first quarter of 2007.

After one of the most profitable years in its history, Wall Street began 2007 with a great deal of momentum. Although the large trading profits several Wall Street firms reported in 2006 are not expected to recur, most of the indicators of securities industry conditions remain extremely positive. Interest rates should remain stable or even fall modestly during the year. In the twelve months ending April 30, 2007, the S&P 500 Index increased by approximately 16.7 percent and NYSE trading volume was at a high level throughout the early months of the year. According to the Securities Industry and Financial Markets Association, total corporate underwriting rose 12.9 percent in the first three months of 2007 compared with the corresponding period of 2006. With business conditions so favorable, the securities industry added 2,900 jobs in the first quarter of 2007 alone.

Tourism has long been a mainstay of New York City's economy but during the past decade it has become even more important. Record levels of tourists visited the City in 2006 and industry indicators remain positive for 2007. With the dollar depreciating 8.4 percent against major currencies since November 2005 and 29.2 percent since February 2002, the City has become a relative bargain for international tourists, while American travelers find their money goes farther in New York than in popular European destinations. According to the Port Authority of New York and New Jersey, total passenger traffic at the regional airports grew 3.5 percent in the first two months of 2007, on a year-over-year basis. The number of international passengers jumped 8.7 percent. With hotel occupancy rates and room rates near an all-time high, the City's tourism industry is actually pressing the limits of its capacity.

The City has approximately 572,000 wage and salary workers employed in professional and business services. While many provide their services to local firms, much of the demand also comes from businesses in the rest of the country and the world. The sector added about 16,000 payroll jobs in 2006, but for it to continue to expand, it will need continued growth of the U.S. economy.

Table 9 shows the forecasts of the Mayor and the Comptroller for the U.S. GDP and payroll jobs in 2007-2011. Neither projects a national recession, but the Comptroller's forecast anticipates stronger momentum in the outyears.

Table 9. Forecasts of U.S. Real GDP and U.S. Payroll Jobs, Percent Change, Calendar Years 2007-2011

		2007	2008	2009	2010	2011
U.S. Real GDP, Percent	Comptroller	2.0	2.0	2.5	3.4	3.7
	Mayor	2.3	2.8	3.1	3.1	2.7
U.S. Payroll Jobs, Percent	Comptroller	1.4	1.2	1.4	1.7	1.7
	Mayor	1.2	1.2	1.4	1.4	1.0

Source: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the NYC Office of Management and Budget for 2007-2011.

V. Revenue Assumptions

Total revenue projections for FY 2008 have increased $5 billion since the June 2006 Financial Plan, to $59.2 billion in the Executive Budget. Most of the increase ($3.9 billion) is due to upward revisions to City-fund revenues. The City's tax revenue projection has increased nearly $3.2 billion to $36.8 billion. General property tax revenues were revised downward $377 million, reflecting the City's tax reduction program. The sales tax revenue projection is slightly lower than the June Plan. Revised projections for the personal income tax (PIT), business tax and real-estate-related tax revenues all increased in excess of $1 billion, more than offsetting the drop in projected revenues from sales and property taxes. Projections for miscellaneous revenues were increased by $681 million. Projections for Unrestricted Intergovernmental Aid remain unchanged at $340 million.

Tax Revenues

Excluding the effect of tax programs proposed since June 2006, total tax revenue in FY 2008, as estimated in the Executive Budget, is expected to be $4.2 billion, or 12.6 percent, above the June 2006 Plan as illustrated in Table 10. Gains in business, personal income, and real-estate-related tax revenues account for 87 percent of the increase. Estimates for total tax revenues have been raised by $3.5 billion in FY 2009 and $3.8 billion in FY 2010, from last year's Adopted Budget.

Table 10. Changes to the City's FY 2008 Tax Revenue Estimates from the June 2006 Financial Plan, Exclusive of Recently Proposed Tax Programs

($ in millions)

	June 2006	May 2007	Change
FY 2008	$33,669	$37,912	$4,243
FY 2009	$35,248	$38,741	$3,493
FY 2010	$36,861	$40,707	$3,846

SOURCE: NYC Office of Management and Budget.

Tax Reduction Program

As a result of better than expected economic and revenue growth, the City has proposed various tax cuts and initiatives covering a wide array of tax categories. In addition to the tax programs announced in the January Plan, the City is continuing to introduce tax relief proposals in the latest budget. The amount of tax reduction provided by the series of new programs introduced since the Adopted Budget in June is expected to total approximately $1.1 billion in FY 2008.

Table 11. Tax Programs Proposed Since the June 2006 Financial Plan

($ in millions)

Tax Program	Impact on FY 2008
Tax Changes Proposed in the Preliminary Budget	
Property Tax Rate Reduction	($750)
NYC Child Care Credit	(42)
Unincorporated Business Tax (UBT)-Increase the deduction for compensation paid to active partners	(16)
UBT- 50 percent increase in the UBT/PIT credit	(28)
General Corporation Tax (GCT)-Resident PIT/S-corporation credit	(70)
GCT-50 percent phase-out of the alternative income-plus-compensation tax base	(18)
GCT-Small firm tax simplification	(8)
Sales Tax-Exempt all clothing and footwear purchases from the City sales tax	(110)
Tax Changes Proposed in the Executive Budget	
Cigarette Tax Increases	20
City Contribution to Sustainable Mobility and Regional Transportation (SMART) Fund	(50)
Solar Electric Abatement	(0)
Green Roof Abatement	(1)
Hybrid Vehicle Sales Tax Exemption	(2)
Total without $400 property tax rebate	**($1,075)**

Tax Revenue Outlook with Tax Programs

Including the recently proposed tax programs, the City is projecting total tax revenues of $36.8 billion in FY 2008, including revenues earmarked for NYCTFA debt service. The City has raised FY 2008 tax revenue projections by $595 million over the Preliminary Budget estimate and $3.2 billion, or 9.4 percent, over the estimates included in the June Adopted Budget.[3] As illustrated in Table 12, revisions to business, PIT, and real-estate-related tax revenues account for most of the increase.

Table 12. Changes to the City's FY 2008 Tax Revenue Estimates from the June 2006 Financial Plan, with Tax Programs

($ in millions)

Tax	June 2006	May 2007	Change
Property	$13,750	$13,373	($377)
PIT	7,538	8,562	1,024
Business	4,067	5,422	1,355
Sales	4,570	4,532	(38)
Real-Estate Transaction	1,549	2,630	1,081
All Other	1,686	1,759	73
Revenues from Audit	509	559	50
Total	**$33,669**	**$36,837**	**$3,168**

SOURCE: NYC Office of Management and Budget.

[3] The definition of individual tax revenues used in this section includes STAR, NYCTFA, and net lien sales of property.

Real property tax receipts, inclusive of the $400 property tax rebate to homeowners and a 5.0 percent property tax rate reduction, are expected to reach $13.4 billion in FY 2008. By historical standards, this represents relatively slow year-to-year growth of 1.8 percent. Excluding the proposed tax reduction programs, which total approximately $1 billion, growth in real property tax revenue is estimated at 9.4 percent. A comparison of tax liabilities across property classes reveals that Class 4 properties, most of which are commercial, account for over half of the anticipated revenue growth in FY 2008.

In last June's Adopted Budget, the City projected real property tax collections to yield $14 billion in FY 2008. The current forecast of $14.4 billion, as measured on a common basis which excludes adjustments from the recently proposed tax reduction programs, exceeds the former estimate by 2.7 percent.

Real property tax revenue is forecast to exhibit successively more tempered growth through the outyears, with an average annual growth rate of approximately 7.0 percent. The City is currently expecting a significantly higher level of real property tax revenue in the outyears compared to its Adopted Budget forecast last June. In FY 2009 and FY 2010, the upward adjustments are $900 million and $1.3 billion, or 5.9 percent and 8.5 percent, respectively. This stems from a surge in aggregate market and assessed values of Classes 2 and 4 properties in the latest real property tax roll. The rise in assessments is expected to reinforce the tax base through the outyears.

Projections for business tax revenues (general corporation, banking corporation, and unincorporated business taxes) for FY 2008 have risen $1.36 billion, or 33.3 percent, from last June's Adopted Budget forecast. Collections through March are $595 million above the Preliminary Plan estimates. Wall Street profits for calendar year 2006 were significantly higher than previously anticipated. While the forecast has been raised significantly, the current projection represents an 11.2 percent decline in business taxes revenue on a year-to-year basis reflecting the City's anticipation of a decline in Wall Street profits in calendar year 2007. For the outyears, the City has raised its forecasts $953 million in FY 2009, and $897 million in FY 2010, relative to the June 2006 forecast.

Revenue from real-estate-related taxes is expected to yield $2.6 billion in FY 2008, an increase of $1.08 billion from the amount estimated in last June's Adopted Budget, but $549 million, or 17.3 percent, less than the estimate for FY 2007. Revenue from the real property transfer tax for FY 2008 is forecast at $1.38 billion, $559 million higher than last June's Adopted Budget estimate, but 18.4 percent lower than the projected FY 2007 level. The mortgage recording tax revenue projection increased $522 million from the June Plan, but declined 16.0 percent, to $1.25 billion, compared to the previous year's level. The City anticipates the real estate market in New York City to weaken in FY 2008. The number of residential transactions is expected to decline in 2008 and 2009 reflecting the national slowdown in the housing sector. In addition, average sales prices are expected to fall by 12.6 percent from the peak in 2006 to the trough in 2009. Real property transfer tax revenue from commercial transactions is projected to decline 21.9 percent in 2008 and 22.7 percent in 2009, trending toward what the City considers a more sustainable level. Similarly, mortage recording tax collections from commercial transactions are also expected to drop in FYs 2008-2009. The City expects the downward trend in real-estate-related tax revenues to be reversed in FY 2010 and FY 2011.

The City raised its PIT revenue forecast for FY 2008 by $1.02 billion above the Adopted Budget estimate. Most of this increase was reflected in the November Plan estimates. On a year-to-year basis, FY 2008 PIT collections, before NYCTFA retention, are estimated to increase 0.8 percent over collections from FY 2007. Net collections through April are $119 million higher than projected in January. The PIT is expected to decrease 1.0 percent in FY 2009 before increasing by 3.9 percent in FY 2010 and 5.1 percent in FY 2011.

The sales tax revenue forecast for FY 2008 has been reduced by $38 million, to $4.53 billion, compared to the June's Adopted Budget. Collections through March are $16 million lower than projected in January. The sales tax exemption on purchases of clothing and footwear under $110 will reduce sales tax revenue by $110 million in FY 2008. Sales tax revenue is forecast to grow 2.5 percent in FY 2009, 4.9 percent in FY 2010, and 5.1 percent in FY 2011.

Risks and Offsets

Fiscal year-to-date PIT collections through April are $196 million above the April Modification estimate. The Comptroller's Office projects that PIT revenues for FY 2007 will be $200 million more than the City's estimate. The Comptroller's forecasts of revenues from the income-sensitive taxes (PIT, business taxes, and sales tax) for FY 2008 are also higher than the City's, reflecting a slightly more optimistic economic forecast than the City's. Total tax collections for FY 2008 are expected to exceed the City's estimates in the Executive Budget by $440 million, as shown in Table 13 on page 21. About three quarters of the difference stems from the Comptroller's higher projections of business taxes and PIT revenues. The Comptroller expects moderate growth in the NYC economy, while the City projects negative GCP growth in 2008. The Comptroller's Office also expects a less severe decline in real-estate-related activities in FY 2008, but the difference between the Comptroller's forecasts and the City's has narrowed since January.

For the outyears of the Financial Plan, the Comptroller's tax revenue forecasts are $1.105 billion, $755 million, and $510 million more than the Mayor's in fiscal years 2009, 2010, and 2011, respectively. This reflects the Comptroller's assumption of a moderate level of steady growth in the City's economy.

Table 13. Tax Revenue Risks and Offsets, Comptroller's Estimates

($ in millions)

Tax	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Property	$ 0	$0	$70	($90)	$30
PIT	200	30	290	180	40
Business	0	310	535	465	270
Sales	0	40	80	40	0
Real-Estate Transactions	0	60	130	160	170
All Other	0	0	0	0	0
Total	**$200**	**$440**	**$1,105**	**$755**	**$510**

SOURCE: NYC Comptroller's Office, based on data from NYC.

Miscellaneous Revenue

Miscellaneous revenues are locally raised non-tax revenues such as fees charged for licenses and franchises, charges for municipal services, fines, rental income, water and sewer revenues, interest income and asset sales. In the FY 2008 Executive Budget the City anticipates miscellaneous revenues to grow 10 percent to $4.5 billion (exclusive of private grants and intra-City revenues). This forecast is $440 million higher than the Preliminary Budget estimate and represents an increase of $681 million over the amount projected in the June 2006 Plan. As Table 14 shows, except for fines and forfeitures, FY 2008 estimates for all other categories have increased since the June Plan.

The largest increases are in the miscellaneous and interest income categories. The settlement the City reached with the Internal Revenue Service (IRS) involving a refund of FICA (i.e. Social Security and Medicare) tax that was inappropriately imposed on line-of-duty injury payments to uniformed workers in the 1990's added $141 million to the miscellaneous category. The other large increase in this category stems from anticipated payments for debt service from the Health and Hospital Corporation (HHC), worth $104 million in FY 2008, as a result of a transaction to enhance Medicaid revenues for the Corporation.[4]

The FY 2008 forecast for interest income has increased $251 million since the June Plan, reflecting higher than anticipated short-term interest rates. Notwithstanding the increase, the current forecast of $387 million represents a 15 percent decline compared to FY 2007. The lower estimate reflects the City's anticipation of a decline in the level of cash balances.

Projected increases in water and sewer revenues result from an upward revision of the City's water and sewer system's operating and maintenance costs. Most water and sewer revenues are earmarked for reimbursement for expenses related to the operation

[4] For a more detailed discussion on this transaction, please see "Health and Hospital Corporation" beginning on page 35.

and maintenance of the water and sewer system. A portion is also paid into the general fund as rent for the use of the facilities and is available for gap-closing purposes.

The New York City Water Board is responsible for setting water rates at a level sufficient to cover the Water Authority debt service expenses, the operation and maintenance (O&M) of the Water and Sewer System, and its contractual rent payments to the City. The Board adopted a rate increase of 11.5 percent for FY2008 and projects rate increases of more than 11 percent annually through 2011. Decreases in consumption, increases in O&M costs, and a large capital improvement program are driving rates higher. Rental payments to the City are equal to 15 percent of the Water Authority's debt service. As the capital borrowing program increases, the City's general fund benefits from higher rental payments. Over the financial plan period, rental payments are projected to grow 70 percent from $136 million in FY 2007 to $232 in FY 2011.

Table 14. Changes to the FY 2008 Miscellaneous Revenue Estimates June 2006 Plan vs FY 2008 Executive Budget

($ in millions)

	June 2006 Plan	FY 2008 Executive Budget	Change
Licenses, Franchises, Etc.	$396	$419	$23
Interest Income	136	387	251
Charges for Services	532	562	30
Water and Sewer Charges	1,081	1,183	102
Rental Income	174	194	20
Fines and Forfeitures	737	725	(12)
Miscellaneous	806	1,073	267
Total	**$3,862**	**$4,543**	**$681**

The forecasts for licenses and franchises and charges for services increased 6.0 percent, because of higher anticipated fee revenues such as permit revenues, concession and franchise revenues, and register fees. Projected rental income increased 11 percent as a result of additional airport and commercial rent the City expects to receive starting in FY 2008. The only category that shows a slight decline from the June Plan forecast is fines and forfeitures, because parking fines revenue was lower than originally forecast.

FY 2008 Non-Recurring Miscellaneous Revenues

Non-recurring miscellaneous revenues are mostly grouped in the miscellaneous category. They include asset sales, cash recoveries, refunds from prior year expenditures and other one time resources. For FY 2008, the City expects to generate over $500 million in non-recurring revenues. The largest item is the delayed recognition of tobacco settlement revenues from FY 2006 and FY 2007 to FY 2008 totaling $354 million. The aforementioned settlement with the IRS involving FICA tax refunds is expected to total $141 million in non-recurring revenues. The sale of taxi medallions is expected to generate another $30 million in non-recurring revenues in FY 2008.

Over the term of the Financial Plan, miscellaneous revenues are expected to decline 18 percent and remain flat at about $3.7 billion, due to the loss of non-recurring revenues anticipated in FY 2008 and a sharp decline in expected interest income.

Federal and State Aid

The FY 2008 Executive Budget reflects an increase of $286 million in Federal and State categorical grants compared with the January Plan, bringing the FY 2008 total to $16.09 billion. This is slightly less than projected grants of $16.17 billion for FY 2007 and comprises about 27.3 percent of the City's overall revenue budget in FY 2008. The additional aid reflected in the Executive Budget includes $202 million in State grants, mostly for welfare and education, and $84 million in Federal grants primarily for health, summer youth employment, and urban area security programs.

Compared with the June 2006 Plan, the amount the City expects for State grants has risen dramatically because of the Campaign for Fiscal Equity mandate. Based on the Governor's proposal to phase in significant increases in State support for education, the City has incorporated a net increase of about $624 million in State education aid for FY 2008. Farther out in the plan, the net increase in State education aid would top $2.46 billion by FY 2011, compared with the June 2006 projection. This landmark change is the main driver of growth in the City's Federal and State aid assumptions in the outyears, which reach $18.08 billion by FY 2011. This represents a growth of about 12 percent from the FY 2008 forecast and would constitute about 28.4 percent of the City's revenue budget in FY 2011.

The City has also recognized the impact of the adopted State budget in the FY 2008 Executive Budget, reflecting a reduction in State support of $30 million due to an increased charge for administration of the City's personal income tax. The more significant State budget impact will actually occur in FY 2007, which will require the City to absorb a reduction of $314 million in State assistance. This estimate mainly comprises a one-year cut in revenue sharing aid that would slash the City's unrestricted aid projection by $308 million. In addition, while the Executive Budget maintains a Federal Agenda of potential actions that could provide additional fiscal relief to the City, there is no assumption of anticipated Federal actions in the plan.

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VI. Expenditure Assumptions

Total-fund spending, which includes Federal and State categorical expenditures, in the FY 2008 Executive Budget is $59.2 billion, a decline of $763 million from the revised FY 2007 level. However, as discussed in “The FY 2007 Budget,” the City plans to use a total of $5.6 billion of FY 2007 resources for budgetary relief in FYs 2008 through 2009. After adjusting for this action, FY 2008 expenditure totals $61.7 billion, an increase of 4.8 percent from the adjusted FY 2007 estimate of $58.9 billion.

Expenditures, after adjusting for prepayments and prior-year actions, are projected to grow 11.9 percent over the Plan period, an annual growth of 3.8 percent. As shown in Table 15, expenditure increases are dominated by growth in spending on pension, health insurance, debt service, and judgments and claims (J&C). The combined growth in these areas over the Financial Plan period is projected to be 20 percent or 6.3 percent annually, more than two and one half times the projected average annual inflation rate for this period. Spending in all other areas is projected to grow 9.4 percent over the Financial Plan period, an annual growth rate of 3.1 percent.

Table 15. FY 2008 –FY 2011 Expenditures Adjusted for Prepayments and Other Prior Year Actions

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	Growth FY 08-11	Annual Growth
Pensions	$5,603	$6,265	$6,337	$6,336	13.1%	4.2%
Health Insurance	3,460	3,723	3,943	4,207	21.6%	6.7%
Debt Service	4,924	5,378	5,778	6,207	26.1%	8.0%
J & C	635	688	738	795	25.3%	7.8%
Subtotal	$14,621	$16,054	$16,796	$17,545	20.0%	6.3%
Wages and Salaries	$20,028	$20,318	$20,614	$21,251	6.1%	2.0%
CFE Supported Expenditures	723	1,476	2,256	2,302	218.4%	47.1%
City-Fund New Education Initiatives	0	0	326	767	N/A	N/A
Retiree Health Benefits Trust	500	0	0	0	(100.0%)	(100.0%)
Other Fringe Benefits	2,968	2,994	3,054	3,110	4.8%	1.6%
Public Assistance	1,187	1,187	1,187	1,187	0.0%	0.0%
Medicaid[a]	5,714	5,603	5,756	6,076	6.3%	2.1%
Other OTPS	15,924	16,191	16,602	16,795	5.5%	1.8%
Subtotal	$47,045	$47,768	$49,796	$51,488	9.4%	3.1%
Total Expenditure	**$61,666**	**$63,822**	**$66,592**	**$69,033**	**11.9%**	**3.8%**

SOURCE: NYC Office of the Comptroller

NOTE: Expenditures are total-fund expenditures and include NYCTFA debt service

[a] Medicaid growth in the Table reflects a one-time transaction for HHC in FY 2008. After adjusting for non-City funds and the one-time transaction, Medicaid outlay shows annual growth of 3.0 percent in FYs 2008 through 2011, reflecting the State cap on local Medicaid growth.

Overtime

The FY 2008 Executive Budget includes approximately $751 million for overtime expenditures. This estimate is $24 million more than the overtime cost projected in the FY 2008 Preliminary Budget, and is due mainly to an upward revision of $24 million for police civilian overtime. The Police Department (NYPD) civilian overtime cost has averaged about $45 million between FYs 2004 and 2006 and is expected to remain at that level in the near future. Lower overtime estimates for agencies such as the Fire Department (FDNY) and the Department of Sanitation (DOS) partially offset this projected increase in cost. The FY 2008 overtime projection, however, is about $111 million below estimated FY 2007 spending.

The Comptroller's Office's analysis indicates that FY 2008 overtime spending could exceed the City's projection by at least $123 million, as shown in Table 16. The City's FY 2008 estimate is $126 million, or 14 percent, less than the average overtime spending for FYs 2004 to 2006. The Executive Budget overtime estimate continues the City's practice of insufficiently budgeting overtime spending in the beginning of the fiscal year. At this time last year, the Executive Budget projection of FY 2007 overtime cost was $168 million, or 20 percent, below the average overtime spending for the last three years. During the course of the fiscal year, the City increased its overtime estimates in each subsequent modification.

Table 16. Projected Overtime Spending, FY 2008

($ in millions)

	City Planned Overtime FY 2008	Comptroller's Projected Overtime FY 2008	FY 2008 Risk
Uniformed Forces			
Police	$272	$375	($103)
Fire	151	151	0
Correction	55	75	(20)
Sanitation	57	57	0
Total Uniformed Forces	$535	$658	($123)
Others			
Police-Civilian	$40	$40	$0
Admin for Child Svcs	20	20	0
Environmental Protection	22	22	0
Transportation	30	30	0
All Other Agencies	104	104	0
Total Civilians	$216	$216	$0
Total City	**$751**	**$874**	**($123)**

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

Overtime cost for uniformed police employees account for almost all the risk to the overtime budget. Uniformed police overtime has averaged $345 million for FYs 2004 to 2006[5]. Cost for the first ten months of FY 2007 is $287 million and is on track to reach about $350 million for the full fiscal year. The City has budgeted $272 million for FY 2008, significantly below recent years' average. The Comptroller's Office expects uniformed police employees overtime spending to be more consistent with recent trends and estimates that uniformed police employees overtime spending will total $375 million in FY 2007.

The Comptroller's office also expects overtime spending in the Department of Correction (DOC) to exceed the City's projection. The department has spent $75 million on uniformed overtime for the first ten months of FY 2007 and is on target to spend $87 million for the full year, $26 million more than the average correction officers' overtime of $61 million over the last three years. The Comptroller's Office expects this trend to continue into FY 2008 and estimates that FY 2008 overtime cost could be at least $20 million higher than projected. The spike in DOC overtime spending in FY 2007 is due to an increase in arrests in CY 2006. Arrests in CY 2006 totaled 337,324, or 5.0 percent, more than in CY 2005. As a result, the average daily inmate population at the Department of Correction facilities has grown in recent months to about 14,000 inmates daily compared to 13,506 inmates in CY 2006. This, coupled with the difficulty in recruiting new correction officers, has resulted in higher than usual overtime costs for FY 2007.

The FY 2008 gap-closing actions include uniformed overtime reductions of about $12 million in the Fire Department and about $5 million in the Department of Sanitation. The Fire Department has been experiencing reductions in overtime for light duty assignment. Similarly, the Sanitation Department has experienced reduction in overtime spending as a result of lower overtime cost for new employees and improvements in trash dumping on regular shifts.

Headcount

City-funded FY 2008 full-time headcount is projected to reach 235,151, reflecting 1,663 more positions than expected in the June 2007 forecast, while the City-funded full-time equivalent (FTE) headcount projection of 30,201 represents a decrease from 30,311. The FY 2009 forecasts of 233,992 full-time positions and 30,162 FTE are slightly lower than those for FY 2008. The FY 2010 projections of 233,178 full-time positions and 30,104 FTE, also reflect a nominal decrease from FY 2009. After that, headcount is projected to remain relatively flat in FY 2011 at 233,463 full-time positions and 30,103 FTE respectively.

The largest projected increases in full-time headcount will be in the Department of Health and Mental Hygiene (DOHMH), the Department of Social Services (DSS), the Department of Parks and Recreation, the Police Department (NYPD), the Department of

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[5] Actual overtime expenditures are adjusted for one-time occurrences that include the World Trade Center disaster in FY 2001, the electrical blackout in FY 2004, the Republican National Convention in FY 2005, Hurricane Katrina relief work, and increased security following the London bombing in FY 2006.

Correction, and the Fire Department (FDNY). The DOHMH's full-time headcount is expected to grow by 1,079 positions during FY 2008, of which 530 results from the planned conversion of per diems to full-time employees. An additional 311 positions are expected to be transferred from the Health and Hospitals Corporation to DOHMH for the Early Intervention Program. Staffing for the office of the Chief Medical Examiner will be increased by 112 positions to support a higher volume of forensic DNA analysis, while miscellaneous new needs account for the remainder of the Department's projected growth.

Full-time headcount at the DSS is projected to increase by 464 positions during FY 2008 to facilitate additional staff at the offices of Child Support Enforcement, Adult Protective Services, Medicaid Provider Audits, and the Medical Insurance and Community Services Administration (MICSA).[6] The Department of Parks and Recreation plans to hire 341 more personnel for the maintenance of new and existing parks and playgrounds, tree pruning, dead tree removal, wood waste removal in areas affected by the Asian Long-horned Beetle, and a variety of forestry initiatives, including increasing the City's street tree inventory by 23,000 trees annually as part of the Mayor's proposed plaNYC 2030 program.[7]

The NYPD plans to increase its headcount by 247 civilian full-time jobs, including 162 traffic enforcement agents, of which 117 will be assigned to improve the flow of traffic Citywide as part of plaNYC 2030. The other 45 agents will be assigned to the Lower Manhattan Construction Command Center. The overall increase in the NYPD's headcount will also include the hiring of 68 custodians to help maintain police facilities that are routinely visited by the public. The FDNY's headcount is expected to grow by 205 full-time positions, including 32 uniformed personnel for the new Citywide North Fire Marshal Command; 22 Emergency Medical Technicians and Paramedics; and 19 positions to reduce the current backlog of facility repair work orders, improve maintenance of Departmental facilities, and reduce overtime spending.

The growth areas for City-funded full-time positions will be offset by a planned reduction of 1,140 pedagogical positions in FY 2008 at the Department of Education, which is being driven by an expected decline in enrollment of 8,474 pupils in FY 2008 following a decrease in enrollment in FY 2007. The most significant reduction in City-fund FTE headcount will be at the DOHMH, where FTE staffing is expected to decrease by 145 positions in FY 2008.

[6] MICSA staff are being added to address increases in the Medical Assistance caseload.

[7] PlaNYC 2030 is the Mayor's proposed program to make New York City an environmentally sustainable City.

Health Insurance

Spending for employee and retiree health insurance is projected to be \$3.960 billion in FY 2008, \$114 million less than the FY 2007 estimate. The drop in health insurance cost reflects a \$500 million reduction in the deposit into the Retiree Health Benefits Trust Fund (RHBTF).[8] Excluding the deposits into the RHBTF, health insurance expenditures are expected to grow from \$3.07 billion in FY 2007 to \$4.21 billion in FY 2011 as shown in Table 17. The growth over this period, which averages 8.2 percent annually, reflects an expected premium rate increase of 9.36 percent in FY 2008 and assumed increases of 8.0 percent for the remaining outyears.

Table 17. The City's Health Insurance Expenditures

(\$ in millions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Pay-as-you-go Expense	\$3,074	\$3,460	\$3,723	\$3,943	\$4,207
Deposit to Retiree Health Benefits Trust Fund	\$1,000	\$500			
Total	\$4,074	\$3,960	\$3,723	\$3,943	\$4,207

NOTE: The projections include health insurance expenditures for the Department of Education as well as the City's portion of the City University of New York.

[a] Expenditures for retirees' health insurance and welfare fund benefits will be paid out of the Retiree Health Benefits Trust Fund.

Since the FY 2008 January Plan, the City has revised its health insurance estimates downwards by \$82 million in FY 2007, \$51 million in FY 2008, \$72 million in FY 2009, \$65 million in FY 2010, and \$44 million in FY 2011. As shown in Table 18, the revisions stem mainly from re-estimates of headcount levels used to project costs, and adjustments to the initial funding for increases in HIP premium rates due to the enactment of Chapter 748 of the Laws of New York, 2006. This law, cited as "Timothy's law," mandates that coverage for mental illnesses must be provided under the same terms and conditions as coverage provided for physical illnesses.

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[8] The RHBTF was created with an initial deposit of \$1 billion in FY 2006 to establish reserves to offset liabilities from "other post-employment benefits" (OPEB) provided by the City to its retired employees. Every year's pay-as-you-go expenses for OPEB (which include retirees' health insurance, welfare benefit contributions for retirees, and Medicare Part B reimbursements) are expected to be channeled through the RHBTF. The City does not have any legal obligation to fund or reimburse the RHBTF.

Table 18. Revisions in Health Insurance Expenditure Projections
FY 2008 Executive Budget vs. January Plan

($ in millions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
FY 2008 January Plan	$4,156	$4,011	$3,795	$4,008	$4,251
Headcount Re-estimates	(83)	(64)	(71)	(78)	(57)
Other Headcount Changes	3	28	15	29	29
Transfer to Libraries for incremental HIP Rate Increase for FY 2008	(2)	(2)	(2)	(2)	(2)
Adjustment to Mental Health Parity Coverage		(13)	(14)	(14)	(14)
FY 2008 Executive Budget	**$4,074**	**$3,960**	**$3,723**	**$3,943**	**$4,207**

The projections include health insurance expenditures for the Department of Education as well as the City's portion for the City University of New York, and $1 billion in FY 2007 and $500 million in FY 2008 to the Retiree Health Benefits Trust Fund.

Pensions

The City's pension contributions are projected to grow from $4 billion in FY 2006 to $6.3 billion in FY 2009 before leveling off at $6.4 billion in FYs 2010 and 2011. Most of this growth is due to the phase-in through FY 2009 of investment losses experienced in FYs 2001 and 2002 into the actuarial asset values.

These projections include the estimated impact of death benefits related to the World Trade Center disaster provided by Chapter 445 of the Laws of 2006; additional pension costs associated with the assumption of City-wide wage increases patterned after the DC 37 and/or UFT agreements; and the impact of actual investment returns on pension fund investments through June 30, 2006. Additionally, a reserve of $200 million per year has been set aside for FY 2009 and beyond to accommodate the potential changes in actuarial assumptions and methods recommended by The Segal Company (Segal), who recently completed a charter-mandated, independent actuarial audit of the City's actuarial pension systems.[9]

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[9] Segal's actuarial audit findings and recommendations are discussed in "Pensions" in the December 14, 2006 Comptroller's report *"The State of the City's Economy and Finances*, 2006." Segal's reports, in their entirety, are available on the Comptroller's website at: http://comptroller.nyc.gov/bureaus/bud/all_budget_reports.shtm under "Miscellaneous Reports."

Table 19. FY 2008 Executive Budget Projections of the City's Pension Expenditures

($ in millions)

	FY 2006 Actual	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Five Actuarial Systems	$3,919	$4,757	$5,624	$6,283	$6,353	$6,353
Other Systems	96	104	104	107	108	108
TOTAL FY 2008 Exec.	$4,015	$4,861	$5,728	$6,390	$6,461	$6,461
TOTAL January Plan	$4,015	$4,866	$5,575	$6,151	$6,208	$6,208
Net Increase/(Decrease)		($5)	$153	$239	$253	$253

Pension contribution projections in the current Financial Plan are more than the January Plan estimates by $153 million for FY 2008, $239 million for FY 2009, and $253 million for each of FYs 2009 and 2010. These increases stem mainly from revisions to reflect census data and actuarial asset values as of June 30, 2006. The City also added about $3 million in FY 2010 and 2011 for anticipated changes in headcount level.

Labor

Wages and salaries are expected to increase from $19.4 billion in FY 2007 to $24.3 billion by FY 2011. Since the FY 2007 Adopted Budget, the City has increased its projections for wages and salaries in each year of the Plan, as shown in Table 20. These increases reflect the City's assumption of increased State education aid funding of $723 million in FY 2008, $1.48 billion in FY 2009, $2.26 billion in FY 2010, and $2.30 billion in FY 2011 as a result of the Campaign for Fiscal Equity court ruling. In addition, since budget adoption in June 2006, the City has added funding of $314 million, in FY 2007, $626 million in FY 2008, $990 million in FY 2009, and approximately $1.2 billion in each of FYs 2010 and 2011 to fund the incremental cost of wage increases patterned after the District Council 37 (DC 37), United Federation of Teachers (UFT and Uniformed Firefighters Association (UFA) agreements.

Table 20. Wages and Salaries

($ in millions)

	FY 2007 Adopted	FY 2008 Executive	Increase/ (Decrease)	Percent Increase
FY 2007	$18,741	$19,412	$671	3.6%
FY 2008	$18,992	$20,751	$1,759	9.3%
FY 2009	$19,240	$21,793	$2,553	13.3%
FY 2010	$19,535	$23,197	$3,662	18.7%
FY 2011	n/a	$24,320	n/a	n/a

On March 10, 2007 the Uniformed Firefighters Association (UFA) ratified the contract agreement reached between the City and the union that provides for wage increases of 4.0 percent effective August 1, 2006 and 4.0 percent compounded effective August 1, 2007.[10] The contract also includes provisions to increase the starting salaries for firefighters to $35,000 from $25,100 and provide additional welfare fund contribution and longevity benefits. The FY 2008 Executive Budget contains funding for all uniformed employees patterned after the UFA contract. Prior to the UFA agreement, the City had funded increases for uniformed employees patterned after the DC 37 agreement, which provided for wage increases of 2.0 percent for the first year and 4.0 percent for the second year. In the FY 2008 Executive Budget, the City added $19 million in FY 2007, $59 million in FY 2008, $111 million in FY 2009, $175 million in FY 2010, and $187 million in FY 2011 to fund the incremental cost of the uniformed employees increase.

The City also recently reached a contract settlement with the Council of School Supervisors and Administrators (CSA) which was ratified on May 16, 2007. Since the City and the CSA did not achieve a settlement in the previous two collective-bargaining rounds, this contract covers three bargaining rounds from July 1, 2003 to March 5, 2010. The contract provides for wage increases of:

- 3.0 percent increase on July 1, 2004.
- 1.136 percent increase on July 1, 2005.
- 3.25 percent increase on July 1, 2006.
- 5.46 percent increase on June 1, 2007.
- 2.0 percent increase on October 6, 2007.
- 5.0 percent increase on April 6, 2008.
- 1.38 percent increase on September 25, 2009.

Except for the final wage increase of 1.38 percent, the increases conform to the patterns ratified and accepted by United Federation of Teachers (UFT). Additionally, the agreement includes a lump-sum payment of $4,000 to active full-time employees on June 27, 2007 and monetary awards for programs such as meeting targeted performance measures, summer school programs, and leading high-needs schools for a minimum of three years. The Executive Budget includes funding for the CSA based on the UFT contract. As such, the City will need to fund the incremental cost of the final wage increase and the lump sum payment. The Comptroller's Office estimates that this will

[10] The DC 37 contract is discussed in greater detail in "Labor" beginning on page 25 of "*The Comptroller's Comments on the Adopted Budget for Fiscal Year 2007 and the Financial Plan for Fiscal Years 2007 – 2020,*" July 2006. The UFT contract is discussed in greater detail in "Labor" beginning on page 24 of the Comptroller's report on "*The State of the City's Economy and Finances, 2006,*" December 14, 2006.

result in incremental costs of $11 million in FYs 2010 and 2011 while the incremental cost of the lump sum payment will be $20 million in FY 2008.

As of the Executive Budget, the City has reached agreements with DC37, covering July 1, 2005 to March 2, 2008; UFT, covering October 13, 2007 to October 12, 2009; UFA, covering August 1, 2006 to July 31, 2008; and CSA, covering July 1, 2003 to March 5, 2010. The City has yet to reach an agreement with the Captains Endowment Association (CEA) whose contract expired on October 31, 2003. The Public Employment Relations Board (PERB) has recently appointed an arbitrator to settle this contract. The Sergeants Benevolent Association (SBA) whose contract expired on May 31, 2005 and the Patrolmen's Benevolent Association (PBA) whose contract expired on July 31, 2004 have also not reached an agreement with the City. The PBA contract will be settled through binding arbitration with PERB. This is the fifth time in the last six bargaining rounds that the PBA contract will be settled through binding arbitration.

Public Assistance

Since the end of FY 2006, the City's public assistance caseload fell almost 8.0 percent through April 2007. The April 2007 caseload of 363,392 represents a drop of more than 30,000 recipients compared with June 2006 and will likely be the third consecutive year of caseloads decline since a brief reversal of the downtrend during FY 2004. As the City indicated in recent months, current caseload levels are the lowest in more than 42 years. Compared with the peak caseload of 1,160,593 in March 1995—prior to the implementation of welfare reform—the April 2007 caseload represents a decline of about 69 percent.

In the FY 2008 Executive Budget, the City has revised its caseload projection to reflect declining caseload in recent months. Public assistance caseload is projected to remain at the March level of 368,892 during FY 2008, with $471 million in tax levy funds budgeted for welfare grant expenditures. This is within range of average monthly grants expenditures of about $40 million (tax levy share) thus far during FY 2007. Assuming monthly grants will continue to drift lower next year, public assistance spending appears to be adequately funded in the April Plan. Both caseload and spending projections are assumed constant across the remainder of the Plan period.

Department of Education

The FY 2008 Executive Budget reflects additional funding of almost $200 million for the Department of Education (DOE), compared with the January Plan. This brings the FY 2008 DOE budget to $16.87 billion, an increase of slightly more than $1 billion from projected FY 2007 spending. The funding increase in the Executive Budget includes $131 million in City and other categorical funds and $63 million in State funds. The additional funding would support Universal Pre-Kindergarten expansion ($62 million) and meet rising demand for DOE-based special education related services and collaborative team teaching services ($76 million). Other major changes include projected increases of $54 million for non-public school special education programs, $48 million for pupil transportation, and $26 million for school safety.

In addition, the Department has identified $75 million in efficiency savings that would free up corresponding funds to be allocated towards school-based spending. The Department has provided general details reflecting where these savings are expected, including $25 million from non-public school payments through more aggressive management of special education private school placements, $25 million from district administration, and $25 million from transportation, facilities, and food services. The breakdown of the reallocated dollars consists of $30 million and $45 million for general education and special education programs, respectively.

Since the June 2006 Plan, projected DOE funding for FY 2008 has grown $1.3 billion. A significant portion of this increase is attributable to the additional State education aid committed to satisfy the Campaign for Fiscal Equity (CFE) court order. As a result, State funding has risen by a net total of $624 million over this period. Meanwhile, City and other categorical grants have increased $566 million. The education aid increase in the outyears will be even more significant as the State is expected to follow through with the Governor’s proposal to phase in additional CFE funding over subsequent years. The City has incorporated an increase of $2.75 billion in State education support between FY 2007 and FY 2011, which brings State education aid assumptions to $9.93 billion by FY 2011. This would represent a 49 percent share of the projected DOE budget of $20.14 billion for FY 2011, compared to a 45 percent share in the forecasted funding for FY 2007. The Department’s budget, over the course of the current plan, would grow at an average of about $1.08 billion annually from a FY 2007 base of $15.84 billion, culminating in a 27 percent growth by FY 2011.

The Department’s planned allocations show sizable growth in DOE-based instructional spending and non-public school payments. General and special education instructional spending, excluding categorical programs, is projected to grow 39 percent from $7.60 billion in FY 2007 to $10.54 billion in FY 2011. Non-public school payments for handicapped programs and charter schools are estimated to grow even more rapidly at close to 43 percent, reaching $1.59 billion by FY 2011 from a FY 2007 base of $1.12 billion. Meanwhile, spending for support services is projected to grow 15 percent to $2.77 billion in FY 2011 due primarily to rising pupil busing costs. Fringe benefits, driven by health insurance expenditures, are expected to grow 7.0 percent from $2.03 billion to $2.17 billion during FYs 2007-2011.

Fiscal 2008 will also mark another turning point in the Mayor’s plan to reorganize the City’s public school system. As the Chancellor and the Mayor announced in January, the new plan would abandon the Department’s current regional operations structure in favor of the old community school district configuration. Beginning in FY 2008, principals will have three school support organization (SSO) options to select from for the provision of school support services. Among the three SSO models, principals may choose to join the empowerment schools network, enlist one of four DOE-based learning support organizations run by former regional superintendents, or enter into contract with one of nine external partnership support organizations designated by the Department. The City has not yet reflected the full fiscal impact of this change in the FY 2008 Executive Budget. Thus far, only $25 million has been redirected to cover the potential costs arising from this reform.

Another systematic change introduced in the Mayor's plan is the Fair Student Funding (FSF) reform, which would remedy inconsistencies, under current allocation methods, in tax levy funding on a per capita basis for various schools. This change would ensure that schools with similar enrollment levels will receive comparable tax levy allocations. The Department indicates that, in its first year, the FSF formula will funnel $110 million to approximately 700 schools that are deemed underfunded under the old formulas. Full implementation of the FSF reform is expected by the 2008-09 school year.

Health and Hospitals Corporation

The FY 2008 Executive Budget Modification has shored up considerably the financial outlook of the Health and Hospitals Corporation (HHC) through the recognition of Medicaid revenues that would culminate in strong year-end cash balances through FY 2009.

In the April Plan, HHC projects ending cash balances exceeding $1 billion in each of FYs 2007-2009. These projections stem from stronger revenue assumptions that now include Medicaid receipts for Upper Payment Limit (UPL) and Disproportionate Share (DSH) aid in each year of the Plan. Compared with the January Plan, the City has recognized net additional UPL and DSH revenues totaling $669 million in FY 2008 and $762 million in each of FYs 2009-2011. To facilitate these revenue actions, the City would incur net costs ranging from $120 million to $214 million in each of these years, as reflected in the April Plan.

The realization of certain portions of the new revenue will require favorable Federal legislation. The President recently vetoed the war supplemental package containing a provision that would have placed a one-year moratorium on the proposed cut in Federal Medicaid UPL payments. Given that this provision was not the cause of the President's veto, there remains optimism that the proposed moratorium will gain approval in the final resolution. While HHC's baseline assumptions in the FY 2008 Executive Budget reflect a favorable outcome, as a precaution, the HHC has opted to include the UPL revenue assumptions in its gap-closing program instead, beginning in FY 2009.

The higher revenue estimates enable the HHC to reduce its operating deficits significantly in FY 2008 and FY 2009. Compared with the January Plan, HHC's operating deficits have fallen $509 million to $284 million in FY 2008 and $190 million to $660 million in FY 2009. The improvement is even more pronounced when compared with estimates from a year ago, at which time HHC was facing operating deficits of almost $1 billion annually for both FY 2008 and FY 2009 in the June 2006 Plan.

After accounting for gap-closing actions, the City projects HHC would end FY 2008 with an operating deficit of $149 million and a record cash balance of $1.26 billion. For FY 2009, the HHC plan shows a surplus of $168 million, after gap-closing assumptions of $828 million. The large gap-closing program is due to the inclusion of certain UPL revenue that drives Federal and State actions to a level of $683 million in FY 2009. Over the remainder of the Plan, the City projects deficits of about $800 million annually for the Corporation. During these years, HHC's closing cash balance would fall to $619 million in FY 2010 and $256 million in FY 2011.

Debt Service

Debt service in the FY 2008 Executive Budget, adjusted for prepayments, totals $5.012 billion. This represents a decrease of $384 million from the June 2006 Financial Plan estimate. As Table 21 shows, a $354 million reduction in G.O. debt service estimate accounts for most of the downward revision.

Table 21. Changes to FY 2008 Debt Service Estimate June 2006 Financial Plan to FY 2008 Executive Budget

($ in millions)

Debt Service Category	
GO	($354)
NYCTFA	131
Lease- Purchase Debt	(158)
TSASC,Inc.	(3)
Municipal Assistance Corporation	0
Total	**($384)**

NOTE: Compares debt service figures from both plans adjusted for prepayments

Most of the revision to GO debt service stems from a shift of about $2 billion in borrowing from the GO credit to NYCTFA general purpose bonds and $1.3 billion from GO to NYCTFA Building Aid revenue bonds, which results in debt service savings of over $190 million in FY 2008. In addition, the elimination of short-term debt borrowing (Revenue and Tax Anticipation Notes) reduced FY 2008 debt service by another $75 million. Savings from refunding actions that took place after June 2006 contributed to a further reduction of $37 million in FY 2008.

Conversely, the increase in NYCTFA debt service is due primarily to debt service associated with additional NYCTFA borrowing as a result of the $3.3 billion shift from G.O. credit to NYCTFA borrowing. The $158 million reduction in lease purchase debt is due primarily to savings from the delayed issuance of Hudson Yards Infrastructure Corporation (HYIC) debt.

Debt Service in the Financial Plan Years

As shown in Table 22 on page 37, debt service, after adjusting for prepayments, is projected to grow from $4.65 billion in FY 2007 to $5.01 billion in FY 2008, $5.47 billion in FY 2009, $5.87 billion in FY 2010, and $6.30 billion in FY 2011. The forecast growth in total debt service from FY 2007 and FY 2011 is $1.65 billion, or 35.5 percent.

Table 22. FY 2008 Executive Budget & Financial Plan, April 2007

($ in millions)

Debt Service Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Change FY 2007 to FY 2011
G.O.[a]	$3,391	$3,575	$3,922	$4,316	$4,736	$1,345
NYCTFA[b]	940	1,112	1,137	1,149	1,154	214
Lease-Purchase Debt	223	227	319	314	317	94
TSASC,Inc.	85	88	89	90	91	6
MAC	10	10				(10)
Total	**$4,649**	**$5,012**	**$5,467**	**$5,868**	**$6,298**	**$1,649**

SOURCE: FY 2008 Executive Budget, April 2007, Office of Management & Budget.

NOTE: Debt service is adjusted for prepayments.

[a] – Included long-term GO debt service and interest on short-term notes

[b] – Amounts do not include NYCTFA Building Aid Revenue Bonds

General Obligation bonds (G.O.) make up the majority of the expected growth from FYs 2007-2011, accounting for $1.35 billion, or 82 percent, of the increase. The NYCTFA has utilized all of its additional authority of $2 billion in FY 2007 and would require State legislative action for any additional bonding capacity.

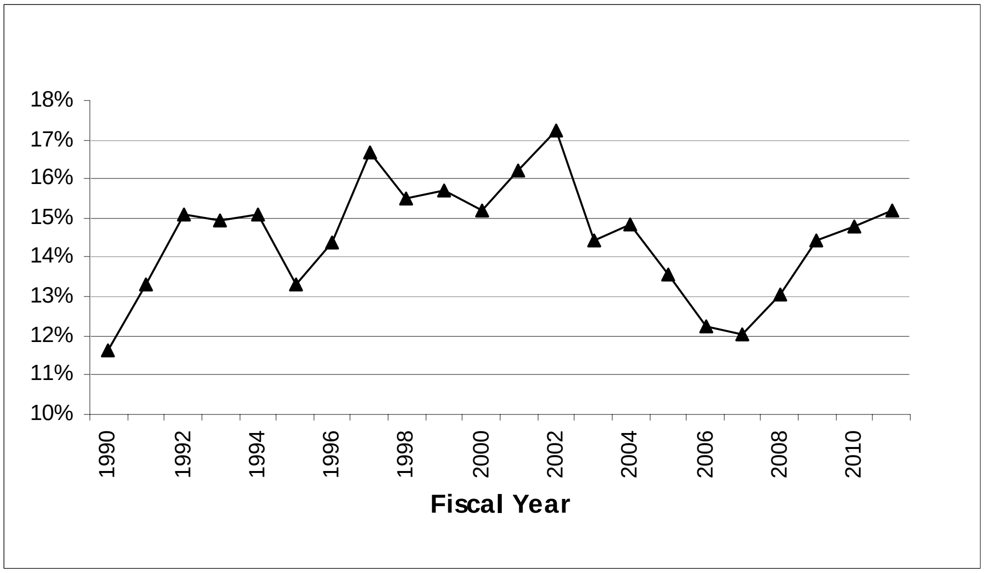
The $2 billion increase in NYCTFA debt issuance in FY 2007 is the reason for the increase in NYCTFA debt service of $214 million from FY 2007 to FY 2011. The increase in lease-purchase debt of $94 million over the same period is due primarily to the Hudson Yards Infrastructure Corporation's interest payments on its $2 billion bond issue in December 2006 which had no significant net interest costs due until FY 2009.

Debt Burden

A commonly accepted measure of debt burden and affordability is debt service as a percent of tax revenues. As shown in Chart 2, adjusted for prepayments, debt service as a percent of tax revenues is projected to be 12.1 percent in FY 2007, 13.1 percent in FY 2008, 14.4 percent in FY 2009, 14.8 percent in FY 2010, and 15.2 percent in FY 2011.[11] Debt service is projected to grow at a rate of 7.9 percent per year from FY 2007 to 2011, significantly outpacing tax revenue growth of 1.8 percent per year over the same period.

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

Chart 2. ***Debt Service as a Percent of Tax Revenues, FYs 1990-2011, FY 2008 Executive Budget***



SOURCE: FY 2008 Executive Budget and Financial Plan, NYC OMB, April 2007.

If debt service reflected the benefit of payments for prepayments and planned defeasance and principal redemption programs, the ratio would drop to 11.4 percent in FY 2007, 10.8 percent in FY 2008, 13.7 percent in FY 2009, 14.2 percent in FY 2010, and the same in FY 2011.

Financing Program

The Financing Program for FYs 2007-2011 totals $36.39 billion or an increase of $375 million from the January 2007 Financial Plan. As shown in Table 23, G.O. bonds, payable from property tax retention, constitute $22.2 billion, or 61 percent, of the total expected financing from FYs 2007-2011. NYCTFA debt constitutes only 5.5 percent, or $2 billion, all of which was borrowed in FY 2007. The administration is seeking additional bonding capacity for the NYCTFA. If authorized, the administration would issue about $10.5 billion of NYCTFA bonds over the Financial Plan period. The status of the legislative proposal is still pending.

The New York Water Finance Authority (NYW) borrowing comprises $11.19 billion or 30.7 percent of the Plan. These bonds, which are supported with water and sewer revenues, are used to fund the capital improvement program of the City's Department of Environmental Protection.

In addition, the Financial Plan includes an annual $200 million pay-as-you-go capital spending in FYs 2007 through 2011, for a total of $1 billion over this period. This amount represents almost 3.0 percent of the total capital financing need. Pay-as-you-go capital spending is, if properly implemented, a source of prudent funding for the capital program.

Table 23. Financing Program, FYs 2007-2011 as of the FY 2008 Executive Budget & Financial Plan, April 2007

($ in millions)

Type of Debt	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
GO	$820	$4,200	$4,850	$6,300	$6,030	$22,200
NYCTFA Bonds	2,000					2,000
Water Authority Bonds	2,111	1,871	2,428	2,385	2,394	11,189
Pay-As-You-Go Capital	200	200	200	200	200	1,000
Total	$5,131	$6,271	$7,478	$8,885	$8,624	$36,389

NOTE: Excluded from this table is estimated borrowing of $4.8 billion for NYCTFA BARBs and $1.8 billion for DASNY Excel bonds

Ten-Year Capital Strategy

Every odd calendar year the Mayor is required, in accordance with Section 215 of the City Charter, to publish a Ten-Year Capital Strategy (TYCS) to reflect the administration's long-term capital planning goals by agency. The TYCS for FYs 2008-2017 that was published in April 2007 totals $83.67 billion, an increase of $6.38 billion from the Preliminary Ten-Year Capital Strategy (PTYCS) produced in January 2007. City-funds account for $65.16 billion, or 78 percent of the capital strategy. Programmatically, education, environmental protection and the Department of Transportation projects account for 71 percent of the TYCS, or $59.05 billion of the total.

As shown in Table 24 on page 40, capital commitments in the Department of Transportation (DOT), the Administration of Justice, and Other City Services account for $6.13 billion or 96 percent of the change in the TYCS since January 2007.

Within the Other City Services category, capital projects for Department of Parks and Recreation have been increased by $1.095 billion to $2.65 billion while capital projects for technology have been increased by $890 million to $2.68 billion over the ten-year period. Within the Administration of Justice category, revisions to the Police Department's capital projects account for most of the $1.19 billion increase from $3.8 billion in the PTYCS to $4.99 billion in the TYCS. The Police Department capital projects have grown by $1.08 billion since the PCTYS, driven primarily by the addition of a $1 billion Police Academy building. Capital projects in the Department of Transportation have been increased by $2.145 billion to $11.106 billion with its Bridges program increasing by $1.33 billion, highway related projects increasing by $427 million, and the Traffic signal program increasing by $348 million.

Table 24. Ten-Year Capital Strategy, FYs 2008-2017, April 2007

($ in millions)

	January 2007 City Funds	January 2007 Total Funds	April 2007 City Funds	April 2007 Total Funds	Percent of Total – April 2007	Change in Total Funds from January
Education	$13,396	$28,417	$13,415	$28,463	34.0%	$46
Dept. of Transportation	7,444	8,961	8,688	11,106	13.3	2,145
Environmental Protection	19,399	19,512	19,371	19,485	23.3	(27)
Housing & Economic Development	4,896	5,540	5,006	5,643	6.7	102
Administration of Justice	3,797	3,800	4,986	4,990	6.0	1,190
Sanitation	2,785	2,785	2,906	2,913	3.5	128
Mass Transit	767	767	767	767	0.9	0
Other City Services	7,395	7,499	10,016	10,298	12.3	2,799
Total	**$59,878**	**$77,282**	**$65,155**	**$83,665**	**100.0%**	**$6,383**

SOURCE: Ten-Year Capital Strategy, FYs 2008-2017, NYC OMB, April 2007

Funding the Ten-Year Capital Strategy

The City-funded portion of the TYCS will be financed primarily with $45.8 billion of G.O. bonds and $19.4 billion of NY Water Finance Authority (NYW) bonds. Together, G.O. and NYW borrowing will finance $65.2 billion, or 78 percent of the total TYCS. New York State support is expected to fund another $15.4 billion of capital projects while the Federal Government and other non-city sources are anticipated to fund the remaining $2.5 billion and $600 million of capital projects, respectively.

Thus, G.O. bonds are projected to finance 55 percent, NYW bonds 23 percent, the State of New York 18 percent, and the Federal Government just 3 percent of the TYCS. Of the State support, over 97 percent, or $14.98 billion is expected to fund the NYC Department of Education (DOE). If the State funding were not to materialize, it would jeopardize a significant portion of the DOE's capital strategy.

Ten-Year Capital Strategy by Type of Work

The April 2007 TYCS total of $83.67 billion is broken down into three major types of work: 1) State of Good Repair ($40 billion); 2) Program Expansion ($19.61 billion); and 3) Programmatic Replacement ($24.05 billion). State of Good Repair projects account for 48 percent of the total, followed by Programmatic Replacement and Program Expansion which account for 29 percent and 23 percent of the TYCS, respectively.

Projects included under State of Good Repair are the reconstruction and rehabilitation of schools ($20.4 billion), reconstruction of the East River and other bridges ($5.8 billion), and the reconstruction and resurfacing of streets and highways Citywide ($4 billion).

Programmatic Replacement projects include capital programs for water quality mandates and preservation ($3.6 billion), water pollution control plant upgrades and stabilization ($2.8 billion), and Citywide information systems and related equipment ($2.7 billion).

Program expansion projects include the construction of new schools ($6.6 billion), assistance to owners of private housing ($1.9 billion), neighborhood based housing initiatives ($1.8 billion), and augmentation of sewers ($1.2 billion).

PlaNYC 2030 Capital Projects

The TYCS for FYs 2008-2017 contains $1.62 billion of capital investments related to plaNYC 2030. The plaNYC 2030 capital projects fall into five broad categories :

1. Parks ($957 million) — includes such projects as opening up schoolyards, completion of 8 regional parks, the installation of field lighting in 36 parks, new soccer fields, stocking of street trees, and Town Square initiatives.

2. Air Quality Initiatives ($411 million) — includes the expansion of Local Law 42 to include smaller buses, Staten Island Ferry engine upgrades, stocking parks with saplings, and replacement of fuel burners in NYC public schools.

3. Transportation ($250 million) — includes bus initiatives, building safe routes to transit and subways to sidewalks, improving congested corridors and growth areas, development of an intelligent transportation system, and development of a City bike network.

4. Energy ($3 million) — supports the construction of the City's first carbon-neutral building.

5. Housing ($2 million) —the development of a municipal land use database.

Borough Presidents' Proposed Reallocations

In accordance with Section 245 of the New York City Charter, the Borough Presidents may propose changes to the Preliminary Expense Budget during the Executive Budget process. The Queens and Manhattan Borough Presidents submitted proposals for inclusion in the Message of the Mayor.

The Queens Borough President recommended increasing allocations by $150 million. Suggested increases include additions of $53 million for health and mental health programs, $29 million for the City University of New York, $13.5 million for senior citizen related programs, $10.7 million for the Queens Public Library, $7 million for various housing programs, and $5.3 million for Parks and Cultural Affairs.

The proposed funding of the above reallocations would come from procurement efficiencies, expansion of the bottle return bill, energy conservation in public buildings, the elimination of the property tax exemption for Madison Square Garden, and ending the City's use of outside contractors for elevator inspections.

The Manhattan Borough President recommended increasing allocations by $25.9 million. Among the suggested increases are $24 million for the Department for the Aging, $15 million of which would fund community based contracts, and $9 million to fund the Senior Transportation Initiative. In addition, the Manhattan Borough President suggested increasing the budgets of the Department of Parks and Recreation by $1 million and Manhattan's 12 Community Boards by $900,000. The funding for the recommended initiatives would come from the planned FY 2008 surplus roll.

VII. Appendix – Revenue and Expenditure Details

Table A1. *FY 2008 Executive Budget Revenue Detail*

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008-2011 Percent	Changes FYs 2008-2011 Dollar
Taxes:						
Real Property	$13,373	$14,455	$15,518	$16,414	22.7%	$3,041
Personal Income Tax	$8,562	$8,473	$8,805	$9,254	8.1%	$692
General Corporation Tax	$3,067	$2,978	$3,047	$3,184	3.8%	$117
Banking Corporation Tax	$813	$658	$693	$729	(10.3%)	($84)
Unincorporated Business Tax	$1,542	$1,529	$1,561	$1,645	6.7%	$103
Sale and Use	$4,532	$4,646	$4,874	$5,122	13.0%	$590
Commercial Rent	$550	$566	$583	$601	9.3%	$51
Real Property Transfer	$1,381	$1,163	$1,178	$1,207	(12.6%)	($174)
Mortgage Recording Tax	$1,249	$1,118	$1,132	$1,159	(7.2%)	($90)
Utility	$355	$370	$385	$401	13.0%	$46
Cigarette	$137	$133	$130	$128	9.4%	$11
Hotel	$337	$353	$367	$381	13.1%	$44
All Other	$380	$389	$395	$396	4.0%	$15
Tax Audit Revenue	$559	$559	$560	$560	0.2%	$1
Total Taxes	**$36,837**	**$37,390**	**$39,228**	**$41,181**	**11.9%**	**$4,364**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$419	$420	$423	$427	1.9%	$8
Interest Income	$387	$137	$144	$144	(62.8%)	($243)
Charges for Services	$562	$549	$547	$548	(2.5%)	($14)
Water and Sewer Charges	$1,183	$1,183	$1,186	$1,214	2.6%	$31
Rental Income	$194	$193	$192	$192	(1.0%)	($2)
Fines and Forfeitures	$725	$723	$724	$724	(0.1%)	($1)
Miscellaneous	$1,073	$502	$506	$507	(52.7%)	($566)
Intra-City Revenue	$1,369	$1,364	$1,365	$1,365	(0.3%)	($4)
Total Miscellaneous	**$5,912**	**$5,071**	**$5,087**	**$5,121**	**(13.4%)**	**($791)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$327	$327	$327	$327	0.0%	$0
Other Federal and State Aid	$13	$13	$13	$13	0.0%	$0
Total Unrestricted Intergovernmental Aid	**$340**	**$340**	**$340**	**$340**	**0.0%**	**$0**
Other Categorical Grants	**$1,002**	**$1,003**	**$1,012**	**$1,014**	**1.2%**	**$12**
Inter Fund Agreements	**$428**	**$404**	**$396**	**$391**	**(8.6%)**	**($37)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**0.0%**	**$0**
Less: Intra-City Revenue	**($1,369)**	**($1,364)**	**($1,365)**	**($1,365)**	**(0.3%)**	**$4**
TOTAL CITY FUNDS	**$43,135**	**$42,829**	**$44,683**	**$46,667**	**8.2%**	**$3,532**

Table A1 (Con't). *FY 2008 Executive Budget Revenue Detail*

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008-2011 Percent	Changes FYs 2008-2011 Dollar
Federal Categorical Grants:						
Community Development	$269	$277	$262	$259	(3.7%)	($10)
Welfare	$2,290	$2,400	$2,393	$2,392	4.5%	$102
Education	$1,851	$1,898	$1,899	$1,900	2.6%	$49
Other	$892	$809	$815	$811	(9.1%)	($81)
Total Federal Grants	**$5,302**	**$5,384**	**$5,369**	**$5,362**	**1.1%**	**$60**
State Categorical Grants						
Social Services	$1,918	$1,803	$1,803	$1,803	(6.0%)	($115)
Education	$7,872	$8,628	$9,494	$9,932	26.2%	$2,060
Higher Education	$195	$195	$195	$195	0.0%	$0
Department of Health and Mental Hygiene	$432	$428	$427	$433	0.2%	$1
Other	$373	$354	$353	$352	(5.6%)	($21)
Total State Grants	**$10,790**	**$11,408**	**$12,272**	**$12,715**	**17.8%**	**$1,925**
TOTAL REVENUES	**$59,227**	**$59,621**	**$62,324**	**$64,744**	**9.3%**	**$5,517**

Table A2. *FY 2008 Executive Budget Expenditure Detail*

($ in thousands)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008 - 11 Percent	Dollar
Mayoralty	$86,394	$85,444	$85,114	$85,129	(1.5%)	($1,265)
Board of Elections	$100,719	$82,769	$75,719	$75,719	(24.8%)	($25,000)
Campaign Finance Board	$9,536	$8,394	$8,394	$8,394	(12.0%)	($1,142)
Office of the Actuary	$6,001	$5,901	$5,901	$5,901	(1.7%)	($100)
President, Borough of Manhattan	$4,663	$3,483	$3,483	$3,483	(25.3%)	($1,180)
President, Borough of Bronx	$6,377	$4,961	$4,961	$4,961	(22.2%)	($1,416)
President, Borough of Brooklyn	$6,843	$4,371	$4,371	$4,371	(36.1%)	($2,472)
President, Borough of Queens	$6,201	$3,988	$3,988	$3,988	(35.7%)	($2,213)
President, Borough of Staten Island	$4,185	$3,465	$3,465	$3,465	(17.2%)	($720)
Office of the Comptroller	$76,128	$75,652	$74,327	$74,327	(2.4%)	($1,801)
Dept. of Emergency Management	$11,261	$8,954	$8,954	$8,954	(20.5%)	($2,307)
Tax Commission	$2,584	$2,584	$2,584	$2,584	0.0%	$0
Law Dept.	$121,502	$119,549	$119,370	$119,370	(1.8%)	($2,132)
Dept. of City Planning	$25,141	$23,669	$23,669	$23,669	(5.9%)	($1,472)
Dept. of Investigation	$18,978	$18,978	$18,979	$18,869	(0.6%)	($109)
NY Public Library - Research	$19,262	$19,263	$19,263	$19,263	277.3%	$14,157
New York Public Library	$102,024	$102,024	$102,024	$102,024	490.9%	$84,757
Brooklyn Public Library	$74,860	$74,860	$74,860	$74,860	591.8%	$64,039
Queens Borough Public Library	$73,254	$73,254	$73,254	$73,254	542.2%	$61,847
Dept. of Education	$16,864,327	$17,984,887	$19,210,878	$20,135,191	19.4%	$3,270,864
City University	$571,363	$557,134	$557,187	$557,230	(2.5%)	($14,133)
Civilian Complaint Review Board	$11,953	$11,890	$11,890	$11,890	(0.5%)	($63)
Police Dept.	$3,677,953	$3,669,751	$3,675,634	$3,669,128	(0.2%)	($8,825)
Fire Dept.	$1,461,395	$1,449,988	$1,444,046	$1,445,127	(1.1%)	($16,268)
Admin. for Children Services	$2,734,554	$2,720,518	$2,720,518	$2,720,518	(0.5%)	($14,036)
Dept. of Social Services	$8,557,167	$8,415,701	$8,569,555	$8,728,733	2.0%	$171,566
Dept. of Homeless Services	$646,532	$637,625	$636,844	$636,844	(1.5%)	($9,688)
Dept. of Correction	$930,125	$911,234	$914,040	$913,449	(1.8%)	($16,676)
Board of Correction	$925	$925	$925	$925	0.0%	$0
Citywide Pension Contribution	$5,603,272	$6,265,317	$6,336,628	$6,336,245	13.1%	$732,973
Miscellaneous	$6,815,506	$7,033,330	$7,891,536	$8,691,188	21.9%	$1,559,471
Debt Service	$3,801,326	$4,240,964	$4,629,580	$5,052,652	32.9%	$1,251,326
M.A.C. Debt Service	$10,000	$0	$0	$0	(100.0%)	($10,000)
N.Y.C.T.F.A. Debt Service	$1,112,000	$1,137,000	$1,149,000	$1,154,000	3.8%	$42,000
Prepayments	($3,837,000)	($2,360,000)	($350,000)	$0	(100.0%)	$3,837,000
Budget Stabilization Account	$2,360,000	$350,000	$0	$0	(100.0%)	($2,360,000)
Transfer for N.Y.C.T.F.A. Debt Service.	($548,000)	$0	$0	$0	(100.0%)	$548,000
Defeasance of N.Y.C.T.F.A. Debt	($375,000)	($294,000)	($270,000)	$0	(100.0%)	$375,000
Call 2009/2010 G.O. Debt	($39,000)	($345,000)	($386,000)	$0	(100.0%)	$39,000
Public Advocate	$2,191	$2,191	$2,191	$2,191	0.0%	$0
City Council	$54,608	$54,608	$54,608	$54,608	0.0%	$0
City Clerk	$3,934	$3,934	$3,934	$3,934	0.0%	$0
Dept. for the Aging	$247,974	$242,293	$242,293	$241,293	(2.7%)	($6,681)
Dept. of Cultural Affairs	$154,699	$147,771	$147,771	$147,771	(4.5%)	($6,928)
Financial Information Services. Agency	$59,153	$53,351	$47,357	$47,357	(19.9%)	($11,796)
Dept. of Juvenile Justice	$125,848	$124,320	$124,320	$124,320	(1.2%)	($1,528)
Office of Payroll Admin.	$14,519	$12,941	$11,492	$11,492	(20.8%)	($3,027)
Independent Budget Office	$3,161	$3,151	$3,121	$3,121	(1.3%)	($40)
Equal Employment Practices Comm.	$773	$773	$773	$773	0.0%	$0

Table A2 (Con't). *FY 2008 Executive Budget Expenditure Detail*

($ in thousands)

	FY 2008	FY 2009	FY 2010	FY 2011	Changes FYs 2008 - 11 Percent	Changes FYs 2008 - 11 Dollar
Civil Service Commission	$611	$636	$636	$636	4.1%	$25
Landmarks Preservation Comm.	$4,321	$4,321	$4,321	$4,321	0.0%	$0
Taxi & Limousine Commission	$31,197	$28,487	$28,487	$28,487	(8.7%)	($2,710)
Commission on Human Rights	$7,180	$7,180	$7,180	$7,180	0.0%	$0
Youth & Community Development	$305,308	$275,200	$275,200	$275,200	(9.9%)	($30,108)
Conflicts of Interest Board	$1,917	$1,912	$1,912	$1,912	(0.3%)	($5)
Office of Collective Bargain	$1,862	$1,862	$1,862	$1,862	0.0%	$0
Community Boards (All)	$14,285	$14,280	$14,282	$14,284	(0.0%)	($1)
Dept. of Probation	$80,698	$80,698	$80,698	$80,698	0.0%	$0
Dept. Small Business Services	$171,442	$112,474	$107,983	$107,374	(37.4%)	($64,068)
Housing Preservat'n & Developm'nt	$503,487	$506,711	$490,785	$487,450	(3.2%)	($16,037)
Dept. of Buildings	$90,748	$83,723	$83,619	$83,366	(8.1%)	($7,382)
Dept. of Health & Mental Hygiene	$1,492,163	$1,554,988	$1,571,919	$1,580,886	5.9%	$88,723
Health and Hospitals Corp.	$127,176	$89,771	$92,382	$91,979	154.8%	$55,881
Dept. of Environmental Protection	$954,409	$932,758	$912,741	$910,967	(4.6%)	($43,442)
Dept. of Sanitation	$1,240,471	$1,273,925	$1,299,420	$1,354,227	9.2%	$113,756
Business Integrity Commission	$5,774	$5,774	$5,630	$5,630	(2.5%)	($144)
Dept. of Finance	$214,792	$212,715	$211,684	$211,684	(1.4%)	($3,108)
Dept. of Transportation	$619,392	$596,844	$594,934	$594,863	(4.0%)	($24,529)
Dept. of Parks and Recreation	$305,772	$303,429	$302,928	$301,575	(1.4%)	($4,197)
Dept. of Design & Construction	$105,870	$95,870	$95,870	$95,870	(9.4%)	($10,000)
Dept. of Citywide Admin. Services	$336,188	$309,990	$309,990	$309,990	(7.8%)	($26,198)
D.O.I.T.T.	$239,500	$239,627	$238,519	$238,645	(0.4%)	($855)
Dept. of Record & Info. Services	$6,579	$4,673	$4,673	$4,673	(29.0%)	($1,906)
Dept. of Consumer Affairs	$18,154	$15,674	$15,557	$15,342	(15.5%)	($2,812)
District Attorney – N.Y.	$76,672	$76,672	$76,672	$76,672	0.0%	$0
District Attorney – Bronx	$45,524	$45,524	$45,524	$45,524	0.0%	$0
District Attorney – Kings	$75,613	$75,613	$75,613	$75,613	0.0%	$0
District Attorney - Queens	$41,055	$45,152	$45,152	$45,152	10.0%	$4,097
District Attorney - Richmond	$7,479	$7,479	$7,479	$7,479	0.0%	$0
Office of Prosecut'n. & Spec. Narc.	$16,139	$16,139	$16,139	$16,139	0.0%	$0
Public Administrator - N.Y.	$1,185	$1,185	$1,185	$1,185	0.0%	$0
Public Administrator - Bronx	$439	$427	$427	$427	(2.7%)	($12)
Public Administrator - Brooklyn	$528	$528	$528	$528	0.0%	$0
Public Administrator - Queens	$402	$402	$402	$402	0.0%	$0
Public Administrator - Richmond	$313	$313	$313	$313	0.0%	$0
Prior Payable Adjustment	$0	$0	$0	$0	N/A	$0
General Reserve	$300,000	$300,000	$300,000	$300,000	0.0%	$0
Energy Adjustment	$0	$20,470	$19,448	$23,528	N/A	$23,528
Lease Adjustment	$0	$20,010	$40,620	$61,848	N/A	$61,848
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	N/A	$166,557
City-Wide Total	**$59,226,816**	**$61,173,115**	**$65,586,553**	**$69,033,033**	**16.6%**	**$9,805,883**

Glossary of Acronyms

BSA	Budget Stabilization Account
CSA	Council of Scholl supervisors and Administrators
CFE	Campaign for Fiscal Equity
CY	Calendar Year
DOC	Department of Corrections
DOE	Department of Education
DOHMH	Department of Health and Mental Hygiene
DOS	Department of Sanitation
DSH	Disproportionate Share
DSS	Department of Social Services
FDNY	Fire Department
FSF	Fair Student Funding
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax

GDP	Gross Domestic Product
GO Debt	General Obligation Debt
HHC	Health and Hospitals Corporation
HYIC	Hudson Yards Infrastructure Corporation
IRS	Internal Revenue Service
J&C	Judgments and Claims
MAC	Municipal Assistance Corporation
MICSA	Medical Insurance and Community Services Administration
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department
NYS	New York State
NYW	New York Water Finance Authority
OPEB	Other Post-employment Benefits
OMB	Office of Management and Budget
OTPS	Other than Personal Services

PBA	Patrolmen’s Benevolent Association
PERB	Public Employment Relations Board
PIT	Personal Income Tax
PTYCS	Preliminary Ten-Year Capital Strategy
PS	Personal Services
RHBTF	Retiree Health Benefits Trust Fund
SBA	Sergeant Benevolent Association
SMART	Sustainable Mobility and Regional Transportation
SSO	School Support Organization
TA	Transit Authority
TSASC	Tobacco Settlement Asset Securitization Corporation
TYCS	Ten-Year Capital Strategy
UBT	Unincorporated Business Tax
UFA	Uniformed Firefighters Association
UFT	United Federation of Teachers
U.S.	United States