The Comptroller's Comments on the Preliminary Budget for FY 2010 and the Financial Plan for FYs 2009–2013

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

March 2009

Prepared by the New York City Office of the Comptroller, Bureau of Fiscal and Budget Studies
For more information, visit www.comptroller.nyc.gov or call (212) 669-2507.

WILLIAM C. THOMPSON, JR.
Comptroller

First Deputy Comptroller
Gayle M. Horwitz

Executive Deputy Comptroller
Eduardo Castell

Deputy Comptroller for Budget
Marcia J. Van Wagner

Bureau Chief
Eng-Kai Tan

Chief Economist
Frank Braconi

Project Coordinator
Manny Kwan

Principal Economist
Farid Heydarpour

Bureau Chief
Tina Lubin

Assistant Director
Robert DeLaurentis

Staff
Kettly Bastien
Rosa Charles
Carmen Cruz
Basil Duncan
Peter E. Flynn
Michele Griffin
Michael Hecht
Dahong Huang
Judith Lacari
Marcia Murphy
Albert Ng
Andrew Rosenthal
Michael Zhang
Orlando Vasquez

This page intentionally left blank.

TABLE OF CONTENTS

This page intentionally left blank.

LIST OF TABLES

LIST OF CHARTS

This page intentionally left blank.

I. Executive Summary

The collapse of a massive housing and credit bubble in the U.S. has propelled the world into a global recession. The reverberations within the financial sector have drained trillions of dollars of wealth from the balance sheets of U.S. households. While through much of 2008 New York City was slow to exhibit the impacts of the growing economic crisis, the city's economic and fiscal situation deteriorated rapidly in the autumn, prompting the Mayor to significantly downgrade his economic and revenue forecast in the November Modification to the Four-Year Financial Plan.

The January Preliminary FY 2010 Budget and Five-Year Financial Plan offers further downward revisions to the economic and tax revenue forecasts. Tax revenues are expected to decline $1.1 billion in FY 2009, $2 billion in FY 2010, $1.8 billion in FY 2011, $2 billion in FY 2012, and $1.9 billion in FY 2013 from the November projections. The revisions widened the FY 2010 gap to $3.611 billion and increased the outyear gaps in the remaining years of the Financial Plan to almost $7 billion, before implementation of gap closing initiatives. Among the proposed actions to address the increased gaps are additional agency spending reductions, sales tax increases, pension reform, and employee health care restructuring.

Prevented by law from establishing reserve accounts for use in later years, the City uses prepayments of future year expenses (particularly debt service) to "roll" its surpluses forward. This surplus roll grew each year from FY 2001 to FY 2008, reflecting surging revenues that exceeded each year's expenses. This trend has now reversed. Of a $4.635 billion prepayment made in FY 2008, the City plans to roll forward only $1.553 billion, using the remaining $3.082 billion to balance the FY 2009 Budget.

Final passage of the American Recovery and Reinvestment Act of 2009 was not completed at the time the January Plan was issued. Some portions of the Act will provide budget relief while other actions will restore services slated for cuts. The largest relief will come in the form of reduced Medicaid expenses for the City. This item was the only portion of the Act anticipated by the Mayor in the Financial Plan. In addition, funds for education spending will substitute at least in part for State education aid reductions that had led the Mayor to project a reduction of more than 14,000 in pedagogical headcount.

In its review of the Preliminary FY 2010 Budget and Five-Year Financial Plan, the Comptroller's Office has identified risks and offsets to the Mayor's projections. On net, these factors could result in significantly larger budget gaps throughout the Financial Plan period. Instead of budget balance in FY 2009 and FY 2010, the City may face gaps of $54 million and $1.865 billion, respectively. Net risks approximate $3 billion in the outyears, leading to gaps of $6.684 billion in FY 2011, $6.982 billion in FY 2012 and $6.862 billion in FY 2013.

In the view of the Comptroller's Office, the national recession is likely to be deeper than the current consensus forecasts, and the subsequent recovery will be weak. While the Comptroller's Office anticipates that the City's downturn in 2009 will not be as sharp as portrayed in the Mayor's forecast, the local economic recovery will be more tentative, and tax collections more anemic. This more pessimistic view underlies expectations of lower tax collections throughout the Financial Plan period.

In FY 2009, the Comptroller's Office projects that collections of the business, sales, and real-estate-related taxes will fall short of the Mayor's forecast based on current collection trends. Legislation to increase sales taxes has not been acted upon by the State Legislature, so $77 million of sales tax revenue are also at risk. Additionally, the Comptroller's Office identifies a risk of $242 million pertaining to the City's assumption that there will be a partial restoration of revenue sharing by the State, and an overtime spending risk of $112 million. These risks will be partly offset by restitution agreements achieved by the Manhattan District Attorney's Office that is $125 million greater than anticipated in the FY 2009 Budget, and the timing of the enhanced funding for Federal Medical Assistance Percentage from the American Recovery and Reinvestment Act of 2009 that would reduce the City's Medical Assistance spending by $607 million. Overall, however, the State's interpretation of language in the Act would leave the City $82 million short of its projections.

Despite a more pessimistic overall tax revenue forecast, the Comptroller's Office expects a gradual return to normal levels of real estate transactions volume beginning in 2010. As a result, real-estate-related taxes are expected to exceed the Mayor's projections in FY 2010. Overall, risks to the sales, personal and business income taxes outweigh any upside to the Comptroller's real-estate-related tax revenues.

In the outyears of the Plan, the bulk of the risks result from gap closing initiatives that rely on actions by third parties. Specifically, the City expects an average of $1 billion annually in budget relief in each of FYs 2010 through 2013 from proposed health insurance restructuring and employee premium contribution, pension reform and the restoration of State revenue sharing. These actions require either State or labor union approval. In addition, the City's assumption of additional sales tax revenues from sales tax increases would also require State legislative approval. Until there is some indication from the State or labor unions on how they will proceed with these proposals, the outcomes remain uncertain.

City-funded headcount is projected to decline more than 21,000 from FY 2009 to FY 2010 and remain at about 220,000 throughout the Plan period. The bulk of these reductions occur in the Department of Education. However, pedagogical headcount is likely to be restored with the American Recovery and Reinvestment Act funds. Reductions slated for the police department may also be at least partially offset with stimulus funds. Since the Financial Plan foresees these headcount reductions to be permanent, stimulus funds may only delay, but not prevent, the reductions.

To reduce debt service costs, the Mayor has proposed an additional 30 percent cut in the capital commitment plan. This reduction is on the heels of a 20 percent reduction outlined in the November capital plan. Together, the reductions would result in debt service savings of about $1 billion in FYs 2010 through 2013 out of a total debt service expense of $20.5 billion. The 30 percent reduction has not yet been itemized, but the projected savings are included in the Financial Plan. The trade-offs made between expansion projects and maintaining City assets in a state of good repair cannot yet be evaluated, but they will be of growing concern as capital dollars become more limited.

The situation facing the City would be considerably worse had it not applied a portion of excess resources accumulated when the economy was growing to produce savings in future budgets. In FY 2007, the City defeased General Obligation (G.O.) and New York City Transitional Finance Authority (NYCTFA) debt, resulting in lower debt service spending of $1.36 billion from FY 2008 through FY 2010. In FY 2008, the City prepaid nearly $2 billion of FY 2010 debt service. The City also provided an asset base for a Retiree Health Benefit Trust Fund (RHBTF), to partially offset its growing liability for the value of health benefits promised to municipal retirees. However, the catastrophic scale of the global downturn has far outweighed the City's prudence.

Complicating the City's efforts is the daunting State budget deficit. The State Legislature is contemplating measures to close a gap of nearly $14 billion in its upcoming 2009-2010 fiscal year. Since a large portion of State expenditure is devoted to various forms of aid to localities, municipalities suffer when the State closes budget gaps. Furthermore, the budgeting culture of Albany leads to "sweeps" of the cash reserves of a range of State entities, which form a haphazard State rainy day fund, and various cash flow manipulations and gimmicks. In addition to outright reductions in education aid and revenue sharing, for example, included in the Governor's Executive Budget is a proposal that the Battery Park City Authority borrow against its future revenues for the benefit of the state budget, which would reduce revenue to the City for the life of the bonds. The State Division of Budget also took actions that, while they have no budgetary impact for the City, will reduce the City's cash balances in the second half of this fiscal year and perhaps subsequent years as well. These actions include delaying reimbursements for the personal income tax component of School Tax Relief (STAR) aid and State aid for senior colleges.

The Bloomberg Administration's fiscal management has been notable for its minimal use of one-shots and gimmicks that has intermittently characterized City budgeting. There have been significant exceptions, such as the use of $2 billion in emergency borrowing authority to close budget gaps in the aftermath of the 9/11 attacks and the 2001-2002 recession. In this Financial Plan, the City deems it necessary to draw upon $1.2 billion of the balances accumulated in the RHBTF to partly offset increased City pension contributions that will be required as a result of market losses. These actions have a cost in the form of future debt service payments and higher future retiree health bills. It is critical that the City's budget planners explicitly consider the balance between costs to future taxpayers and the maintenance of current services should additional actions that yield one-time revenue infusions be contemplated.

This page intentionally left blank.

Table 1. FY 2009 – FY 2013 Financial Plan

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2009 – 2013 Dollar	Changes FYs 2009 – 2013 Percent
Revenues							
Taxes:							
General Property Tax	$14,500	$16,390	$17,322	$17,911	$18,299	$3,799	26.2%
Other Taxes	$20,937	$19,126	$20,992	$22,619	$24,182	$3,245	15.5%
Tax Audit Revenues	$680	$596	$596	$595	$594	($86)	(12.6%)
Miscellaneous Revenues	$5,945	$5,739	$5,908	$5,976	$5,992	$47	0.8%
Unrestricted Intergovernmental Aid	$254	$254	$254	$254	$254	$0	0.0%
Less: Intra-City Revenues	($1,631)	($1,462)	($1,462)	($1,462)	($1,462)	$169	(10.4%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$40,670	$40,628	$43,595	$45,878	$47,844	$7,174	17.6%
Other Categorical Grants	$1,104	$1,021	$1,023	$1,026	$1,025	($79)	(7.2%)
Inter-Fund Revenues	$477	$445	$437	$434	$433	($44)	(9.2%)
Total City & Inter-Fund Revenues	$42,251	$42,094	$45,055	$47,338	$49,302	$7,051	16.7%
Federal Categorical Grants	$6,037	$5,326	$5,323	$5,334	$5,334	($703)	(11.6%)
State Categorical Grants	$12,031	$11,629	$12,127	$12,390	$12,833	$802	6.7%
Total Revenues	$60,319	$59,049	$62,505	$65,062	$67,469	$7,150	11.9%
Expenditures							
Personal Service							
Salaries and Wages	$22,019	$21,817	$22,980	$23,203	$23,472	$1,453	6.6%
Pensions	$6,383	$6,502	$7,031	$7,280	$7,554	$1,171	18.3%
Fringe Benefits	$6,774	$6,451	$6,504	$6,767	$7,711	$937	13.8%
Subtotal-PS	$35,176	$34,770	$36,515	$37,250	$38,737	$3,561	10.1%
Other Than Personal Service							
Medical Assistance	$5,644	$4,756	$4,916	$6,089	$6,270	$626	11.1%
Public Assistance	$1,313	$1,299	$1,299	$1,299	$1,299	($14)	(1.1%)
All Other	$18,477	$17,787	$18,601	$19,256	$19,834	$1,357	7.3%
Subtotal-OTPS	$25,434	$23,842	$24,816	$26,644	$27,403	$1,969	7.7%
Debt Service							
Principal	$1,567	$1,649	$1,963	$2,022	$2,022	$455	29.1%
Interest & Offsets	$2,296	$2,735	$2,820	$3,189	$3,474	$1,178	51.3%
Subtotal Debt Service	$3,863	$4,384	$4,783	$5,211	$5,496	$1,633	42.3%
FY 2007 BSA	($34)	($31)	$0	$0	$0	$34	(100.0%)
FY 2008 BSA	($4,089)	$0	$0	$0	$0	$4,089	(100.0%)
FY 2009 BSA	$1,553	($1,007)	$0	$0	$0	($1,553)	(100.0%)
FY 2010 BSA	$0	$350	($350)	$0	$0	$0	N/A
Prepayments	$0	($2,036)	$0	$0	$0	$0	N/A
Debt Retirement							N/A
Call 2009/2010 GO Debt	($279)	($277)	$0	$0	$0	$279	(100.0%)
Defease NYCTFA Debt	($362)	($382)	$0	$0	$0	$362	(100.0%)
Subtotal Debt Retirement	($641)	($659)	$0	$0	$0	$641	(100.0%)
Transfer for NYCTFA Debt Service	($546)	($546)	$0	$0	$0	$546	(100.0%)
NYCTFA							
Principal	$475	$497	$575	$634	$634	$159	33.3%
Interest & Offsets	$658	$646	$539	$524	$528	($130)	(19.8%)
Subtotal NYCTFA	$1,134	$1,144	$1,114	$1,158	$1,162	$28	2.5%
General Reserve	$100	$300	$300	$300	$300	$200	200.0%
	$61,950	$60,511	$67,178	$70,563	$73,098	$11,148	18.0%
Less: Intra-City Expenses	($1,631)	($1,462)	($1,462)	($1,462)	($1,462)	$169	(10.4%)
Total Expenditures	$60,319	$59,049	$65,716	$69,101	$71,636	$11,317	18.8%
Gap To Be Closed	**$0**	**$0**	**($3,211)**	**($4,039)**	**($4,167)**	**($4,167)**	**N/A**

NOTE: Tax revenues include STAR and PIT revenue retained for NYCTFA debt service. Expenditures include NYCTFA debt service.

Table 2. Plan-to-Plan Changes
January 2009 Plan vs. November 2008 Plan

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012
Revenues				
Taxes:				
General Property Tax	($249)	$40	($41)	($259)
Other Taxes	($737)	($1,149)	($831)	($768)
Tax Audit Revenues	$0	$7	$7	$6
Miscellaneous Revenues	$124	$276	$402	$453
Unrestricted Intergovernmental Aid	($86)	($86)	($86)	($86)
Less: Intra-City Revenues	($24)	($15)	($16)	($16)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	($972)	($927)	($565)	($670)
Other Categorical Grants	$29	$2	$3	$3
Inter-Fund Revenues	$13	$20	$17	$14
Total City & Inter-Fund Revenues	($930)	($905)	($545)	($653)
Federal Categorical Grants	$221	$27	$43	$44
State Categorical Grants	$363	($317)	($678)	($718)
Total Revenues	($346)	($1,195)	($1,180)	($1,327)
Expenditures				
Personal Service				
Salaries and Wages	$107	($908)	($1,183)	($1,255)
Pensions	$87	($402)	($246)	($363)
Fringe Benefits	$48	($426)	($654)	($726)
Subtotal-PS	$242	($1,736)	($2,083)	($2,344)
Other Than Personal Service				
Medical Assistance	$0	($1,000)	($1,000)	$0
Public Assistance	$122	$127	$127	$127
Pay-As-You-Go Capital	$0	$0	$0	$0
All Other	($208)	($149)	$10	$162
Subtotal-OTPS	($86)	($1,022)	($863)	$289
Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	($18)	($9)	($34)	($138)
Subtotal Debt Service	($18)	($9)	($34)	($138)
FY 2007 BSA	$0	$0	$0	$0
FY 2008 BSA	($10)	$0	$0	$0
FY 2009 BSA	($250)	$250	$0	$0
FY 2010 BSA	$0	$0	$0	$0
Prepayments	$0	$0	$0	$0
Debt Retirement				
Call 2009/2010 GO Debt	($1)	$0	$0	$0
Defease NYCTFA Debt	$1	$0	$0	$0
Subtotal Debt Retirement	$0	$0	$0	$0
Transfer for NYCTFA Debt Service	$0	$0	$0	$0
NYCTFA Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	$0	$0	$0	$0
Subtotal NYCTFA	$0	$0	$0	$0
General Reserve	($200)	$0	$0	$0
	($322)	($2,517)	($2,980)	($2,193)
Less: Intra-City Expenses	($24)	($15)	($16)	($16)
Total Expenditures	($346)	($2,532)	($2,996)	($2,209)
Gap To Be Closed	**$0**	**$1,337**	**$1,816**	**$882**

NOTE: Tax revenues include STAR and PIT revenue retained for NYCTFA debt service. Expenditures include NYCTFA debt service.
As the November Plan did not contain a forecast for FY 2013, plan-to-plan changes are unavailable for that fiscal year.

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

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
City Stated Gap	**$0**	**$0**	**($3,211)**	**($4,039)**	**($4,167)**
Tax Revenues					
Property Tax	$0	($14)	($40)	$26	$38
Personal Income Tax	0	0	(565)	(655)	(495)
Business Taxes	(115)	(170)	(404)	(555)	(525)
Sales Tax	(237)	(989)	(1,000)	(1,057)	(1,083)
Real-Estate-Related Taxes	(87)	481	676	798	810
Subtotal	**($439)**	**($692)**	**($1,333)**	**($1,443)**	**($1,255)**
Restitution Agreement	**$125**	**$0**	**$0**	**$0**	**$0**
Restore Revenue Sharing to FY 2008 Level	**($242)**	**($242)**	**($242)**	**($242)**	**($242)**
Expenditures					
Overtime	($112)	($142)	($100)	($100)	($100)
Medical Assistance	607	(77)	(612)	0	0
Health Insurance Restructuring	0	(200)	(200)	(200)	(200)
10% Health Insurance Premium Co-pay	0	(357)	(386)	(418)	(423)
New Pension Tier Proposal	0	(200)	(200)	(200)	(200)
Judgments and Claims	7	45	100	160	225
GASB 49	0	0	(500)	(500)	(500)
Subtotal	**$502**	**($931)**	**($1,898)**	**($1,258)**	**($1,198)**
Total Risk/Offsets	**($54)**	**($1,865)**	**($3,473)**	**($2,943)**	**($2,695)**
Restated (Gap)/Surplus	**($54)**	**($1,865)**	**($6,684)**	**($6,982)**	**($6,862)**

This page intentionally left blank.

II. The State of the City's Economy

It is apparent that the deterioration of the national economy intensified during the last quarter of 2008, almost a year after the recession officially began. The economy contracted at an annualized rate of 6.2 percent (preliminary estimate) during the fourth quarter, as households severely cut back spending in response to rising unemployment and the alarming financial turmoil of September and October. Sharp economic contraction is expected to continue in the first quarter of 2009, before the rate of Gross Domestic Product (GDP) decline and job losses moderate during the spring and summer months.

New York City's economy, which withstood the weakening national economic trend during the first half of 2008, also appears to have contracted dramatically late in the year. The spreading of the national recession to nearly all sectors of the economy virtually ensures that 2009 will be one of the worst years for the local economy since 2002, and possibly since the end of the Second World War. Moreover, the city's financial sector has been seriously damaged and its ability to serve as the engine for future economic recovery is in question.

The present recession, in terms of GDP decline and job loss, is thus far comparable to the contractions of 1974-75, 1981-82, and 1990-91. However, the unique circumstances of this downturn, in particular the distress of the housing market and the disarray of the banking sector, make this potentially the most severe slump since 1945-1947. While the unique conditions characterizing this downturn pose serious risks to the country's future prosperity, they also make the current situation extremely sensitive to policies adopted by the Federal government and the Federal Reserve to mitigate it. Our outlook anticipates that such federal initiatives, including the economic stimulus package signed by the President on February 16, 2009 and the second phase of the banking sector rescue announced on February 10th, will be successful in preventing further destabilization of economic institutions but will not forestall the structural adjustments the economy must make, and the slower economic recovery that will result.

A. U.S. ECONOMIC OUTLOOK

As of early 2009, the outlook for the U.S. economy is highly uncertain. The most immediate concern is the recent rate of economic contraction. The sharp rate of decline estimated for the fourth quarter of 2008 is expected to continue through the first quarter of 2009, further undermining confidence and causing excessive cutbacks in household and business spending. Eventually, the reported rate of job loss, which has recently been running at nearly 650,000 per month, will begin to moderate and with it, the rate of GDP decline. The Comptroller's Office anticipates that such moderation will occur sometime in the spring, buoying hopes that the end of the recession is in sight and making the trajectory of the economy somewhat more predictable. Until that happens, however, there remains significant downside risk to the economic forecasts.

A second major source of uncertainty is the course of home prices. The run-up in home prices during the period of easy credit was a root cause of the current economic crisis, encouraging households to take on excessive debt, encouraging banks to underwrite risky loans, and lulling investors to underestimate the risks associated with mortgage-related securities. While few analysts expected homes to continue to appreciate at double-digit rates, equally few expected the correction in home prices to be so precipitous or severe. From July, 2006 through December, 2008, national home prices, as measured by the Case-Shiller 20-city average, fell by 27 percent, and in some metropolitan areas by over 40 percent. The fall in home prices has had serious consequences. It has prevented millions of homeowners from refinancing onerous variable-rate or teaser-rate mortgages, straining family budgets and causing some to default. Millions of other homeowners find themselves "under water," with mortgage principal greater than the market value of their homes. Many of those underwater homeowners may be tempted to default on their mortgages, even if their incomes are sufficient to pay the monthly carrying costs. With nearly 10 percent of all home mortgages either in foreclosure or 30 days or more delinquent at the end of the third quarter of 2008, the value of mortgage-backed securities has plummeted and asset write-downs by the institutions that hold them have soared.

As long as home prices keep falling, losses on those assets will continue to mount, and the damage to the financial system will be difficult to assess. The International Monetary Fund (IMF), for example, raised its estimate of potential losses on U.S.-originated credit assets from $1.4 trillion in October 2008 to $2.2 trillion in January 2009. The uncertainty about the scope of the losses, and in turn about the financial stability of institutions with large mortgage and mortgage-backed securities holdings, has been a primary cause of the freezing of credit markets, especially since the failure of Lehman Brothers in September. Once home prices stabilize, the value of mortgage-related assets will be easier to determine, and the overall risks to the financial system easier to measure.

Unfortunately, there is not yet any evidence that the slide in nationwide home prices has run its course. The rate of price decline slowed during the summer of 2008, but accelerated once again after the financial turmoil of September and October. According to one common view, home prices must fall an additional 10 to 15 percent in order to re-establish historical price-to-income relationships. That view, however, presumes that whatever base period is chosen reflects the "true" ratio and ignores other factors, such as the low interest rates that now prevail. Such factors considered, the Comptroller's Office believes that the adjustment in home prices that has already occurred is sufficient to re-establish balance in most regional markets, but that prices are now in danger of over-correcting. Continued downward pressure on housing prices is being exerted by foreclosure sales, by extraordinarily tight credit conditions, and by the recession. Nevertheless, the favorable combination of lower prices and lower interest rates will eventually draw buyers back into the housing market, and home prices should stabilize sometime during late 2009.

Another significant source of uncertainty is the deteriorating international economy. Although the current economic slump originated in the United States, it quickly spread to the European Union and is threatening emerging economies in Eastern Europe, Asia, Africa and Latin America. The IMF recently forecast that world economic growth will fall to 0.5 percent in 2009, the slowest annual rate of growth since World War II, with the advanced economies contracting by 2.0 percent and the growth of emerging economies such as China and India falling to half the rate of recent years. Trade bolstered the U.S. economy for much of 2008 but the globalize recession now threatens to turn the trade sector into a net negative in 2009. A stronger dollar and recession-plagued trading partners make it very unlikely that export demand will be a stimulus to recovery during the coming year. Moreover, the possibility of a negative feedback loop of financial instability, from the U.S. to Europe and Asia and back again, exists. On the positive side, world economic leaders have been unusually vigorous and coordinated in their response to this crisis.

Left entirely to the workings of the private market, the present problems would eventually be solved, but probably only after a protracted economic slump that could rival the Great Depression. Seeking to avert such a severe event, the Federal government and the Federal Reserve have taken unprecedented steps to repair the damage and mitigate the costs.

In early 2008, Congress enacted a $152 billion fiscal stimulus package, and in early 2009, an even larger stimulus program. The American Recovery and Reinvestment Act 2009 provides a fiscal stimulus of $787 billion, of which $185 billion will be made through September 2009 and an additional $399 billion during the following 12 months. The Congressional Budget Office estimates that the stimulus legislation will result in an increase in real GDP of between 1.4 and 3.8 percent by the fourth quarter of 2009, compared to the baseline projection, and between 1.1 and 3.3 percent by the fourth quarter of 2010.

In October 2008, Congress enacted the $700 billion Troubled Assets Relief Program (TARP), intended to stabilize the financial system. The first $350 billion of TARP money was used to provide immediate capital injections to banking institutions, and on February 12, 2009 the Obama Administration outlined its plans to use the remainder of the TARP funds. Although all the details of the plan have not been disclosed, thorough "stress tests" of banks, additional capital injections, and a public-private partnership to purchase distressed assets appear to be its principal components. A third Federal initiative, intended to prevent foreclosures and provide assistance to financially distressed homeowners, was announced on February 18th. It is unclear how effective these federal initiatives will be, but at minimum the TARP money did help to stabilize a dangerously fragile financial system and avert a deepening of the credit crisis.

The Federal Reserve system has also taken aggressive actions to free up credit channels and stimulate the economy. Having lowered the benchmark federal funds rate from 5.25 percent in mid-2007 to 0.15 percent by early 2009, the Fed has also implemented a number of programs to provide liquidity to the financial system and to encourage a return to normal credit conditions. Among those special liquidity programs are the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF), the Money Market Investor Funding Facility (MMIFF), the Primary Dealer Credit Facility (PDCF), and the Term Securities Lending Facility (TSLF), all of which were recently extended through October 30, 2009. Moreover, the Fed announced on February 10, 2009 that it intends to expand the scope of the Term Asset-Backed Securities Loan Facility (TALF), which will make loans to owners of asset-backed securities backed by newly and recently originated auto loans, credit card loans, student loans, and small business loans, to as much as $1 trillion. The Fed also indicated that it may broaden the eligible collateral to encompass other types of newly issued AAA-rated asset-backed securities, such as commercial mortgage-backed securities and private-label residential mortgage-backed securities. The programs already in operation have brought some stability to critical credit markets and the newer initiatives, such as the TALF, will help to further encourage credit extension to households and small businesses.

The Comptroller anticipates that federal stimulus spending, Treasury and Federal Reserve programs to ease credit conditions, and the normal cyclical rebound in consumer and business spending will combine to stabilize the economy in the second half of 2009, producing slight GDP growth in the fourth quarter of the year. For the full year, the Comptroller projects GDP to decline 3.5 percent, and to increase only 0.3 percent in 2010. The Comptroller's forecast remains somewhat more pessimistic than the consensus forecasts; the Blue Chip Economic Indicators consensus forecast (February 10), the Wall Street Journal consensus forecast (February 13), and the National Association of Business Economists consensus forecast (February 23), all project a 1.9 percent decline in real GDP for 2009.

The Comptroller's forecast for real GDP is similar to the Mayor's for 2009, but anticipates a weaker recovery through 2011. Even after the current recession ends, the Comptroller expects economic growth to be unusually sluggish for two principal reasons. First, it is apparent that the recession has spread worldwide, and many of America's important trading partners are now experiencing a virulent economic contraction. It is unlikely that they will rebound in time to provide a foreign trade stimulus to U.S. production; it is more likely that the trade sector will be a drag on domestic growth through 2010. Second, American households have suffered an enormous diminution of their net worth due to the plunge in home prices and the decline in the stock market. The resulting "negative wealth effect" can be expected to amplify recession-induced restraint in consumer spending, while tighter lending standards will constrain the rebound in housing and durable goods purchases that normally follows a recessionary period.

Tables 4 and 5 show the Comptroller's and the Mayor's forecast of five economic indicators for 2007 and 2008.

Table 4. Selected U.S. Economic Indicators, Annual Averages, Actual 2008 and Comptroller's Forecasts, 2009-2013

	2008	2009	2010	2011	2012	2013
Real GDP, (2000 $), % Change	1.1	(3.5)	0.3	2.3	2.8	3.0
Payroll Jobs (Annual Change in Millions)	(0.4)	(4.2)	(1.6)	1.6	2.0	2.0
Inflation Rate (%)	3.8	1.2	2.1	2.7	2.5	3.0
Fed Funds Rate (%)	1.9	0.2	0.7	1.2	1.5	3.2
10-Year Treasury Notes (%)	3.7	2.9	3.5	3.9	4.4	4.3

SOURCE: Actual 2008 U.S. date are from NYS Department of Labor, Bureau of Labor Statistics, and Federal Reserve Board of Governors.

Table 5. Selected U.S. Economic Indicators, Annual Averages, Actual 2008 and Mayor's Forecasts, 2009-2013

	2008	2009	2010	2011	2012	2013
Real GDP, (2000 $), % Change	1.2	(2.5)	2.2	3.2	2.8	2.6
Payroll Jobs (Annual Change in Millions)	(0.3)	(3.6)	0.0	2.1	2.3	1.9
Inflation Rate (%)	3.8	(1.2)	2.4	3.4	2.5	2.5
Fed Funds Rate (%)	1.9	0.1	0.9	3.3	4.8	4.7
10-Year Treasury Notes (%)	3.7	2.3	3.4	4.9	5.4	5.4

SOURCE: The NYC Office of Management and Budget in the January 2009 Financial Plan.

B. NEW YORK CITY'S ECONOMIC CONDITION AND OUTLOOK

From December, 2007 through August, 2008, national employment, measured by seasonally-adjusted nonfarm payroll jobs, decreased every month for a total loss of 1,100,000 jobs. Throughout the same period, New York City's total payroll employment actually grew by about 36,800. During that period, the resiliency of the city's employment base was encouraging, and even somewhat perplexing, considering that many of the nation's economic problems emanated from the financial sector. In fact, in 2008, even the city's finance and insurance sector maintained its employment better than the nation's, losing only 4,000 jobs, or 1.2 percent, compared to 117,000 nationwide, a 1.9 percent drop.

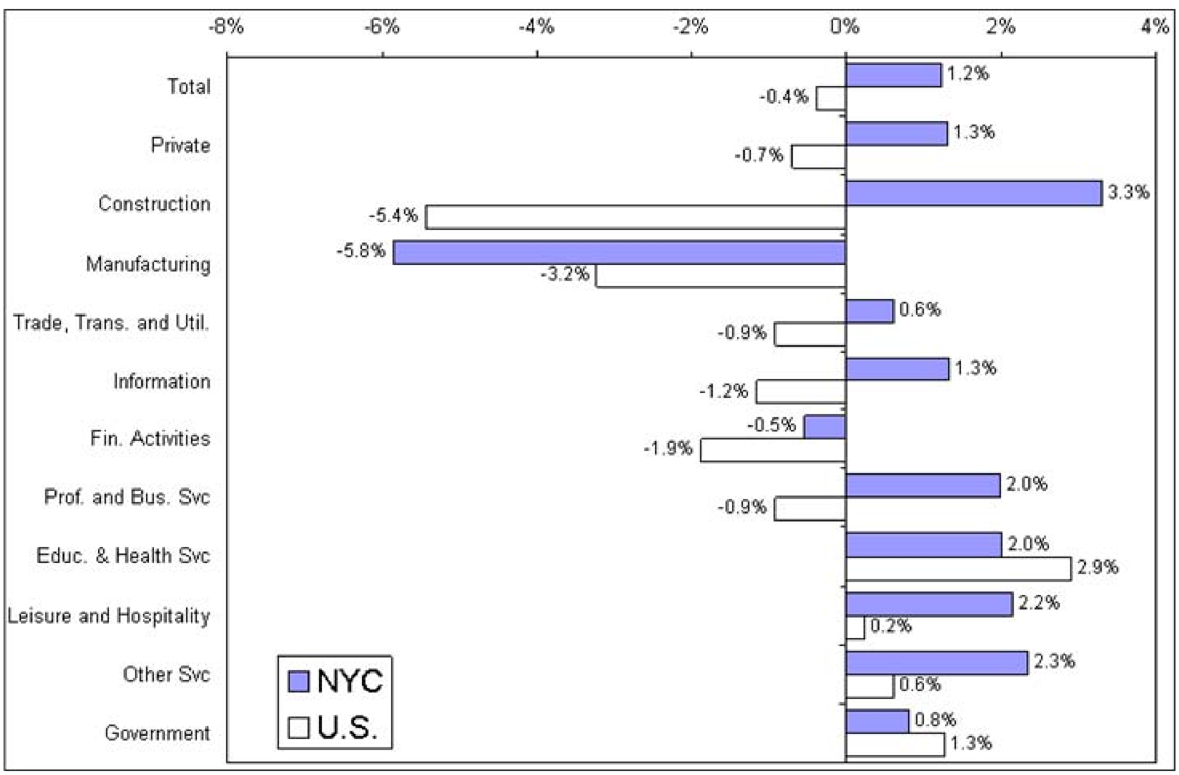
That favorable pattern changed abruptly in September 2008. From September 2008 through January 2009, the city's employment base contracted by 84,800 jobs, while national jobs declined by 2.6 million. Other indicators also suggest that the national economic storm blew into New York City late in the year. According to Prudential-Douglas Elliman, the median sales price of Manhattan condominiums declined 8.2 percent in the fourth quarter, while the City's sales tax collections, a good indicator of consumer and business spending, dropped 5.1 percent compared to the same period of 2007.

It would be an exaggeration to attribute the rapid deterioration of the city's economy to the dramatic failure of Lehman Brothers and the sudden acquisition of Merrill Lynch by Bank of America in mid-September. Those events surely intensified the subsequent contraction, because of their direct effects on the city's businesses and households and through their shock effects on resident and visitor spending. It is unlikely, however, that the city's economy would have withstood the national recession much longer, and there is anecdotal evidence that the relative stability of the city's financial employment was partly a mirage, as finance workers already laid off continued to receive severance payments for a period of time. Nevertheless, the failure of Lehman Brothers, in particular, is widely considered to have destabilized the entire world's financial system and in years to come it will likely be remembered as a watershed economic event.

The major determinant of the city's economic performance in 2009 and 2010 will be the course of the national economy. Many of the city's key industries, including professional and business services, retail trade and hospitality, and the financial services sector itself, are directly affected by the health of the national economy. As already discussed, there are currently profound uncertainties about the country's economic direction which translate into equally serious questions about the city's immediate economic future. Moreover, the city's sensitivity to national economic conditions is not constant, so even if a national economic recovery could be predicted with certainty, the city's return to economic health would not be guaranteed.

Chart 1 shows the year-over-year change in jobs for the city and the nation in 2008.

Chart 1. NYC and U.S. Job Growth, Percent Change, 2008 vs. 2007



Source: NYS Department of Labor.
NOTE: Jobs are based on annual averages of monthly data. Differences between years are shown in thousands and in parenthesis the percentage changes.

Many regional economic forecasters believe that this recession will take a disproportionate toll on New York, because the city is the center of the financial industry and the financial industry is at the center of the present economic crisis. The Comptroller's Office agrees with that position, insofar as the financial industry accounts for more than 30 percent of all wages paid in the city and approximately 50 percent of very-high income households residing in the city have at least one earner employed in the industry. The Comptroller expects that the financial crisis and recession will ultimately result in the loss of more than 46,000 financial industry jobs in the city, and that those job losses will cause, directly and indirectly, another 60,000 job losses in other sectors. Moreover, in addition to the loss of many high-wage jobs in financial services and associated fields, those who retain their jobs are likely to see reduced incomes due to slower base-pay growth and smaller annual bonuses, translating into sharply lower personal income tax collections, lower selling prices for luxury apartments, and a difficult sales environment for retail businesses providing high-end goods and services.

At the same time, there is some reason to be cautiously optimistic about the effect of the financial industry crisis on a broader cross-section of city businesses and households. The city's financial industry experienced significant consolidation and technological innovation during the past two decades, and even at its peak employment in August, 2007, the total number of financial industry jobs in the five boroughs was about 50,000 lower than it was in August, 1990. Furthermore, because of the streamlining of the industry over that time, a smaller proportion of the city's middle-income and upper-middle income households now derive all or part of their income from financial sector employment.

Similarly, there is reason to believe that the city is better positioned to weather this recession than some of those in the recent past. The recessions of 1973-75 and 1990-91, both of which were economically devastating for the city, came at a time when the city was also suffering significant structural change and fiscal fragility. In the four years prior to the onset of the mid-1970s recession, the city lost nearly 300,000 jobs, and it continued to lose jobs for more than two years after the national recession officially ended. Likewise, the city began losing jobs more than a year before the 1990-91 recession officially began, and continued to lose jobs for more than a year after it ended. In both of those slumps deficient city services, high crime, unfavorable tax rates, a declining population, and a vulnerable industry mix exacerbated the cyclical shocks. All of those conditions were more favorable entering this recession, and should cushion some of the damage that will certainly result from the turmoil in the financial industry.

Despite the city's stronger position when compared to earlier national recessions, the severity of the present downtown and the unique obstacles it presents to a healthy recovery ensure that 2009 and 2010 will be difficult years for the local economy. The Comptroller expects real Gross City Product (GCP) to contract by 4.6 percent in 2009 and by an additional 2.9 percent in 2010, with local economic growth not resuming until late 2010. On a year-over-year basis, the Comptroller expects the city to lose approximately 121,000 payroll jobs in 2009 and another 83,000 in 2010. The Comptroller's forecast for the city's economy is similar to the Mayor's, except that it anticipates a somewhat less precipitous decline in output and employment during 2009 but a later and more tentative recovery in 2010. Tables 6 and 7 compare the Comptroller's and Mayor's forecasts for the local economy.

Table 6. Selected NYC Economic Indicators, Annual Averages, Actual 2008 and Comptroller's Forecasts, 2009-2013

	2008	2009	2010	2011	2012	2013
Real GCP, (2000 $), % Change	0.3	(4.6)	(2.9)	0.7	2.7	3.0
Payroll Jobs (Annual Change), '000s	46.6	(120.5)	(82.7)	6.0	44.4	52.8
Wage-Rate Growth, %	(1.0)	(5.8)	(1.1)	1.1	2.6	2.6
Consumer Price Index (1982=100), % Change	3.9	1.7	1.9	2.5	2.9	3.2
Unemployment Rate, %	5.5	8.8	8.5	7.4	6.6	5.8

Source: Actual 2008 NYC data are from NYS Department of Labor, Bureau of Labor Statistics, and Federal Reserve Board of Governors.

Table 7. Selected NYC Economic Indicators, Annual Averages, Actual 2008 and Mayor's Forecasts, 2009-2013

	2008	2009	2010	2011	2012	2013
Real GCP, (2000 $), % Change	(5.9)	(11.2)	0.0	4.0	3.9	2.9
Payroll Jobs (Annual Change), '000s	20.0	(175.0)	(100.0)	24.0	36.0	51.0
Wage-Rate Growth, %	(0.4)	(7.5)	0.2	3.8	4.6	5.0
Consumer Price Index (1982=100), % Change	3.8	(1.0)	2.4	3.3	2.6	2.6
Unemployment Rate, %	NA	NA	NA	NA	NA	NA

Source Actual=preliminary NYC data from NYS Department of Labor, Bureau of Labor Statistics, and Bureau of Economic Analysis. Comptroller=forecast by the NYC Comptroller's Office. GCP=Gross City Product.

III. The FY 2009 Budget

The January Modification to the FY 2009 Budget has revised the City-funds part of the budget to $42.25 billion, a reduction of $251 million from the Adopted Budget.[1] The January Modification reflects $1.39 billion of budget relief initiatives implemented or proposed since the Adopted Budget. Without these initiatives, the January Modification would have shown a deficit of $653 million. This deficit is due primarily to a decline in revenue forecast.[2]

After lowering its FY 2009 City-funds revenue forecast by $233 million in November, the City has reduced its FY 2009 forecast by another $1 billion in the January Modification, bringing the total downward revision to FY 2009 revenue forecast since budget adoption to $1.25 billion.[3] Revisions to the City's tax revenue forecasts account for the bulk of this decrease. The continued deterioration of the financial markets and national economy has compelled the City to lower its tax revenue forecast more than $1 billion from $36.55 billion in the Adopted Budget to $35.46 billion in the January Modification. The drop in tax revenue is driven by downward revisions to the economically sensitive taxes. Collectively, the current estimates for sales, business, real estate transaction, and personal income tax (PIT) revenues are $1.26 billion less than those at budget adoption, offset partially by an increase in estimated tax audit revenues.

Downward revisions to spending have offset some of the drop in the revenue forecast. Estimated City-funds expenditures in the January Modification are $597 million less than the Adopted Budget.[4] However, the decrease results from a reduction of $200 million in the General Reserve, and the recognition of $500 million in prior-year payable savings, actions which typically are taken during the January Modification, together with an adjustment of $97 million in energy costs to reflect lower oil prices. Partially offsetting this reduction is an increase in agency spending of $200 million.

---

[1] Total-funds FY 2009 Budget, which includes Federal and State categorical grants and expenditures, total $60.32 billion, $925 million more than the Adopted Budget, reflecting a combined $1.2 billion increase in Federal and State categorical grants and a concomitant increase in Federal and State categorical expenditures. The change in Federal and State grants however, do not impact the budget gap because every dollar of Federal and State categorical grants is matched with a dollar of Federal and State categorical spending.

[2] The $653 million deficit is based on the assumption that the City will maintain the $812 million Budget Stabilization Account (BSA) in the Adopted Budget to prepay FY 2010 debt service. The City has the option to reduce the BSA to balance the current year budget, except that such action would increase the gap in the following fiscal year by an equal amount.

[3] City-funds revenue in this report includes the portion of personal income tax revenue (PIT) retained for New York City Transitional Finance Authority (NYCTFA) debt service, other categorical revenues and inter-fund agreement revenues.

[4] City-funds expenditures include NYCTFA debt service, other categorical and inter-fund agreement spending.

Table 8 shows the $1.39 billion budget relief initiatives that the City has taken in response to the revenue shortfalls. Programs to eliminate the gap (PEGs) since budget adoption total $499 million, comprised of $396 million in agency spending reductions and $103 million in agency revenue initiatives. A proposal in the November Modification for a mid-year repeal of the 7.0 percent property tax reduction in FY 2009 was approved by the City Council in December. The repeal is expected to generate $576 million in FY 2009. In the current Modification, the City has proposed two additional revenue initiatives which if approved, are expected to boost revenues by another $319 million. The revenue proposals are sales tax increases as discussed in greater detail in "Tax Revenues" beginning on page 19, and a proposal to the State to restore revenue sharing to its FY 2008 level. Together, all these actions will more than offset the shortfall in projected revenues and increase the FY 2009 Budget Stabilization Account (BSA) by $741 million to $1.553 billion.

Table 8. Changes to FY 2009 City-Funds Estimate from the Adopted Budget

($ in millions, positive numbers increase the BSA)

Revenue Change	
Tax Revenues	($1,092)
State Budget Revenue Impact	(327)
Non-Tax Revenues	169
Total Revenues	**($1,250)**
Expenditure Change	
Prior-Year-Payable Adjustment	$500
General Reserve Reduction	200
Energy Cost	97
Other Expenses	(200)
Total Expenditure Change	**$597**
Budget Relief Initiatives	
Programs to Eliminate the Gap (PEGs)	$499
Mid-Year Repeal of 7% Property Tax Reduction	576
Restore State Revenue Sharing to FY 2008 Level	242
Sales Tax Increase	77
Total Budget Relief	**$1,394**
Net Change (Increase/(Decrease) to BSA)	**$741**

Despite the souring economy, the City expects to end FY 2009 in balance and fund a BSA of $1.553 billion, due largely to budget surpluses accumulated in prior years. Budget surpluses accumulated in prior years are typically rolled into the outyears by prepaying select expenditures, after recording a $5 million surplus in the City's official accounts. In FY 2008, the City prepaid $4.635 billion of FY 2009 expenditures. In the January Modification, the City expects to use the entire BSA to prepay FY 2010 debt service. This indicates that the City expects to use $3.082 billion of the "roll-in" from FY 2008 to balance FY 2009. Combined with the $34 million prepayment of FY 2009 lease purchase debt service in FY 2007, the use of prior-year surplus in FY 2009 totals $3.116 billion. Table 9 on page 15 shows the City was able to increase its prepayments in each of FYs 2003 through 2007 as revenues generated in these years exceeded expenditures and the prior-year prepayments were not needed for budget balance. While revenues generated in FY 2008 exceeded expenditures, the FY 2008 prepayments of

$4.635 billion were less than the FY 2007 prepayments. This is because only $4.6 billion of the FY 2007 surplus were used to prepay FY 2008 expenses. The remaining $65 million were used to prepay FYs 2009 and 2010 lease purchase debt service.

Table 9. Addition to and Use of the Year-End Surplus

($ in millions)

	Addition to/ (Use of) Prior-Year Prepayments	Year-End Surplus Used for Prepayments
FY 2001	($243)	$2,955
FY 2002	($2,263)	$684
FY 2003	$736	$1,417
FY 2004	$506	$1,923
FY 2005	$1,606	$3,529
FY 2006	$222	$3,751
FY 2007*	$914	$4,665
FY 2008**	$35	$4,635
FY 2009***	($3,116)	$1,553

*The $4.665 billion FY 2007 year-end surplus was used to prepay $4.6 billion of FY 2008 expenses, $34 million of FY 2009 lease purchase debt service, and $31 million of FY 2010 lease purchase debt service.

**The FY 2008 year-end prepayment of $4.635 billion was $35 million more than the $4.6 billion prepayment of FY 2008 expenditure in FY 2007

***FY 2009 use of prior-year prepayments includes $3.082 billion of FY 2008 roll-in and $34 million in lease purchase debt service prepayment in FY 2007.

However, the City's operating results are worse than the use of the accumulated budget surplus suggests. This is because the FY 2009 budget reflects defeasance of General Obligation (G. O.) and NYCTFA bonds in FY 2007 which reduced FY 2009 debt service by $641 million. After accounting for this and the reduction in prepayments, the City's operating expenses in FY 2009 are expected to exceed revenues by $3.757 billion.

This page intentionally left blank.

IV. The Preliminary FY 2010 Budget

The City narrowed the FY 2010 budget gap to $1.34 billion in the November 2008 Financial Plan, from $2.34 billion in the June 2008 Financial Plan. The FY 2010 Preliminary Budget gap has since ballooned to $3.61 billion as the City's tax base continues to be eroded by the decline of Wall Street and the broader economy. The Preliminary FY 2010 Budget tax revenue estimates are down approximately $2 billion from November. Fall-off in the economically sensitive personal income, business, sales, and real-estate-related tax revenue projections account for almost all the downward revision, while the property tax revenue estimate was adjusted upward by $40 million.[5]

City-funds expenditures have been revised upwards $66 million. As discussed in "The FY 2009 Budget" the City has reduced its prepayments for FY 2010 by $250 million. The City also expects that proposed legislation to expand the red light camera program will result in additional cost of $32 million in FY 2010.[6] Revisions to agency spending account for another $121 million spending increase. These increases are partially offset by the revision to the budget for energy reflecting the lower cost of oil and the removal of the FY 2010 funding for changes to actuarial assumptions and methodology, reflecting the City's expectations that no change will be made to the FY 2010 funding calculation.

As Table 10 on page 18 shows, the City has proposed gap-closing initiatives totaling $2.61 billion to balance the FY 2010 budget. Of these, $918 million are agency PEGs, the implementation of which is within the control of the City. Approximately $1.7 billion would require actions by the State and labor unions to implement. The remaining $1 billion is expected to be closed with an increase in Federal matching funds for Medical Assistance ($1 billion in each of FYs 2010 and 2011).

After gap-closing actions, the Preliminary FY 2010 Budget totals $42.09 billion, a decline of $156 million from City-funds estimated FY 2009 spending of $42.25 billion.[7] However, as discussed in "Expenditure Analysis" beginning on page 27, expenditures in the Preliminary FY 2010 Budget are distorted by prepayments. City-funds expenditures, after adjusting for prepayments, total $46 billion relatively unchanged from the adjusted FY 2009 expenditures.

---

[5] The business tax revenues comprise General Corporation, Banking Corporation, and Unincorporated Business Tax revenues. The real-estate-related tax revenues consist of Real Property Transfer and Mortgage Recording Tax revenues

[6] The additional revenues from the expansion of the program, however, will result in a projected net benefit of $101 million.

[7] The $42.09 billion is the City-funds total of the Preliminary Budget and excludes Federal and State categorical aid and expenditures. Federal and State categorical aid and expenditures do not affect the gap, as every dollar of Federal and State categorical aid is matched with a dollar of Federal and State categorical expenditure. The total-funds Preliminary Budget, which includes Federal and State categorical aid and expenditures total $59.05 billion.

Table 10. Changes to FY 2010 Estimates from the November 2008 Plan

($ in millions, positive numbers decrease the gap)

November Gap	**($1,337)**
Revenue Change	
Tax Revenues	($1,999)
Non Tax Revenue	(15)
State Budget Impact	(194)
Total Revenue Change	**($2,208)**
Expenditure Change	
Funding for Changes in Actuarial Assumptions And Methodology	$200
Energy	137
State Budget Impact	(32)
Decrease in Prepayments	(250)
Other Expenses	(121)
Total Expenditure Change	**($66)**
January Gap	**(3,611)**
Gap Closing Initiatives	
Agency PEGs	$918
New Pension Tier Proposal	200
10% Health Insurance Premium Co-pay	357
Restore Revenue Sharing to FY 2008 Level	242
Sales Tax Program	894
Total	**$2,611**
Increase in Federal Medical Assistance Percentage	**$1,000**
Remaining Gap	**$0**

Risks and Offsets

As Table 3 on page 3 shows, the Comptroller's Office has identified risks ranging from $54 million to $3.473 billion in FYs 2009 through 2013. The risks in FY 2009 stem mainly from the Comptroller's lower tax revenue projections and higher overtime estimate, tempered by the timing of the enhanced funding for Federal Medical Assistance Percentage (FMAP) from the American Recovery and Reinvestment Act of 2009 (ARRA) and additional fines and fines and forfeitures revenues not anticipated in the Financial Plan. The additional fines and forfeitures revenues arise from restitution agreements achieved by the Manhattan District Attorney's Office that is $125 million more than anticipated in the January Modification.

The enhanced funding of FMAP in FY 2009 results from the State's allocation plan for a temporary increase in FMAP. The City's Financial Plan assumes that the City will receive additional FMAP funding for two years beginning in FY 2010, with $1 billion in each of FYs 2010 and 2011. The State's allocation plan shows that the City will receive $607 million in FY 2009. However, the funding will fall short of the City's projections by $77 million in FY 2010 and $612 million in FY 2011, resulting in an overall net reduction of $82 million from the Plan assumptions.

In the outyears of the Plan, the bulk of the risks result from gap closing initiatives that rely on actions by third parties. Specifically, the City expects an average of $1 billion annually in each of FYs 2010 through 2013 from proposed health insurance restructuring and employee premium contributions, pension reform and the restoration of State revenue sharing. These actions require either State or labor union approval. In addition, the City's assumption of additional sales tax revenues from sales tax increase would also require State legislative approval. Until there is some indication from the State or labor unions on how they will proceed with these proposals, the outcomes of these proposals remain uncertain.

The Comptroller's Office expects overall tax revenues to be lower than the City's forecast in each of the five years of the Financial Plan. The Comptroller's forecast for personal income, business and sales tax revenues are lower than the City's as discussed in "Risks and Offsets to Tax Revenues" beginning on page 22. A significant portion of the risks is due to the City's assumption of an increase in the sales tax which is expected to generate $77 million in FY 2009, $894 million in FY 2010, $920 million in FY 2011, $972 million in FY 2012, and $1.023 billion in FY 2013. However, the Comptroller expects a quicker recovery in the real estate market than the City, and hence expects real property transfer and mortgage recording tax revenues to exceed the City's projections.

A. REVENUE OUTLOOK

In the Preliminary Budget, the City projects City-fund revenues to decrease slightly in FY 2010 to $42.1 billion. Property tax revenues are expected to increase 13 percent in FY 2010, mostly due to revenue gained from the repeal of the 7.0 percent property tax cut, while non-property tax revenues are expected to decrease 9.0 percent, reflecting the national recession and the decline in Wall Street profitability. Over the Plan period, non-property taxes are projected to grow at an average annual rate of 3.5 percent. Total tax revenues are projected to grow at an average annual rate of 4.5 percent, reflecting the City's assumption of continued growth in property tax revenues.

Total revenues, which include tax and miscellaneous revenues and Federal and State categorical grants, are forecast to grow 12 percent between FYs 2009-2013, an average annual growth rate of less than 3.0 percent.

Tax Revenues

The Preliminary Budget projects $36.1 billion in total tax revenues for FY 2010, including tax programs and NYCTFA revenues. This forecast reflects no growth from the FY 2009 level, after a 6.8 percent decrease in the current year.[8] A continued decline in common rate and base tax revenues in FY 2010 is expected to be offset by new tax

[8] Throughout this section, the definition of tax revenue for each single tax includes the proposed tax program. Personal income tax (PIT) revenue includes School Tax Relief (STAR) reimbursement and the portion of PIT retained for New York City Financial Authority (NYCTFA) debt service. Property tax revenue includes STAR reimbursement. Total tax revenue includes STAR, NYCTFA, and tax audit revenues.

programs, including $1.2 billion from rescinding the 7.0 percent property tax cut, $256 million from the concomitant repeal of the $400 property tax rebate, and $894 million from sales tax programs. Compared with FY 2009, property tax and sales tax revenues are forecast to increase $1.9 billion and $401 million, respectively, while personal income tax (PIT), business taxes and real-estate-related taxes are expected to decline a total of $2.2 billion. Attributable to an expected economic recovery in the outyears, total tax revenue is forecast to grow at an average annual rate of 4.5 percent from FY 2009 to FY 2013.

Changes from November Modification

Total tax revenue projections for FY 2009 and FY 2010 have decreased $986 million and $1.1 billion, respectively, since the November Modification. This downward revision is attributable to declines in non-property tax revenue forecasts. The City also lowered its forecasts for total tax revenue $856 million, $1 billion, and $913 million for FY 2011, FY 2012, and FY 2013 respectively.

The City lowered its FY 2009 forecast for property tax revenue by $249 million, or 1.7 percent. The reduction is due to the loss of $256 million that the City expected to realize through the elimination of the $400 homeowner rebate scheduled to be paid in FY 2009. The City Council did not approve the City's proposal to eliminate the rebate and checks were mailed out in January.

Compared to the November Plan, property tax revenue forecasts are lower by $41 million, $259 million, and $646 million for FYs 2011, 2012 and 2013 respectively while up slightly by $40 million in FY 2010.

The largest forecast decline in non-property tax revenue in the January Financial Plan comes from the PIT. The City has decreased its FY 2010 PIT forecast $964 million, or 12.3 percent, compared to the forecast included in the November Plan. This change reflects further declines in wage earnings, bonuses, and capital gains realizations in tax year 2009. Wage earnings are expected to decline 11.3 percent and Wall Street bonuses are expected to decline over 50 percent in Calendar Year 2009. The forecasts for the outyears were also reduced $665 million, $616 million, and $505 million in FY 2011, FY 2012, and FY 2013, respectively.

The business tax revenue projection for FY 2010 has decreased $208 million, or 4.7 percent, from the November Modification. The decrease is attributable to a downward revision in the general corporation tax (GCT) and the unincorporated business tax (UBT) forecasts. The GCT revenue forecast declined $148 million and the UBT revenue forecast declined $60 million, compared with the previous plan. For the outyears, the total business tax forecast was reduced by $173 million in FY 2011, $160 million in FY 2012, and $41 million in FY 2013.

Due to the proposed sales tax revenue program, the sales tax revenue forecast has increased $548 million, or 12.2 percent, from the November forecast. The proposed initiatives, including repealing sales tax exemptions on clothing, a 0.25 percent sales tax rate increase, and sales tax base broadeners, if enacted, will increase City sales tax revenue $894 million, $920 million, $972 million, and $1 billion in FY 2010, FY 2011, FY 2012, and FY 2013, respectively. Because the underlying economic outlook has deteriorated, these changes translate into increased revenue forecasts of only $496 million, $597 million, and $790 million, for FY 2011, FY 2012, and FY 2013, respectively.

Projected real-estate-transaction tax revenues for FY 2010 were revised downward $505 million, or 30.4 percent, reflecting the City's anticipation of a further decline in both sales volume and prices for residential and commercial properties. The January plan reflects a $286 million decline in the real property transfer tax revenue projection, as well as $219 million drop in anticipated revenues from the mortgage recording tax. The estimated real-estate-related tax revenue has been revised down by $447 million, $495 million, and $399 million for FY 2011, FY 2012, and FY 2013, respectively. The City's tax revenue assumptions for FYs 2009-2013 are illustrated in Table 11.

Table 11. Changes to the City's Tax Revenue Assumptions, FYs 2009-2013

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Property	($249)	$40	($41)	($259)	($646)
PIT	(242)	(964)	(665)	(616)	(505)
Business	(85)	(208)	(173)	(160)	(41)
Sales	(117)	548	496	597	790
Real-Estate Transaction	(318)	(505)	(447)	(495)	(399)
All Other	24	(13)	(35)	(88)	(112)
Total	**($986)**	**($1,102)**	**($865)**	**($1,021)**	**($913)**

SOURCE: Office of Management and Budget.

Tax Revenue Trends

Total tax revenue is projected to increase $7.0 billion from FY 2009 to FY 2013, an average annual rate of growth of 4.5 percent. This growth reflects the impact of tax revenue initiatives which include the repeal of the $400 rebate to homeowners, the rescission of the 7.0 percent property tax cut and sales tax initiatives. Without these actions, projected tax revenues would grow only $5 billion, or 3.3 percent annually, over the same period.

Real property tax revenues, which account for approximately 40 percent of FY 2009 tax revenues, are expected to grow 9.8 percent in FY 2009 and an even stronger 13 percent in FY 2010. The spike in FY 2010 is due in part to the first full year of revenues from the rescission of the 7.0 percent property tax cut and the first year of the repeal of the $400 rebate to home owners. These actions are expected to generate additional revenues of $1.2 billion and $256 million, respectively, in FY 2010. More modest increases of 5.7 percent, 3.4 percent, and 2.2 percent are projected in the outyears from FYs 2011 to 2013. Average annual property tax revenue growth during the Financial Plan period is estimated at 6.0 percent.

Non-property tax collections are expected to decline in FYs 2009 and 2010 before rebounding in FY 2011, reflecting the City's expectation of a prolonged recession of the national and local economies. While non-tax revenues are expected to grow in each of the three years from FY 2011 through 2013 at an average annual rate of almost 8.0 percent, projected FY 2013 non-tax revenues will still be $785 million below the FY 2008 level.

Real-estate-related tax revenues are projected to experience the sharpest decline, with drops of 40.8 percent in FY 2009 and 23.1 percent in FY 2010, reflecting expectations of continuing weakness in both the commercial and residential real estate markets. The City anticipates that real-estate-related tax revenues will turn around in FY 2011 and grow at an annual rate of 9.3 percent from FYs 2011 to 2013. Despite the anticipated recovery, real-estate related tax revenues at the end of the Plan period will still be approximately 40 percent below the FY 2008 level.

Personal income tax growth averages 2.6 percent from FYs 2009 to 2013. The City estimates a decline in PIT revenues of 16 percent in FY 2009 and 17.3 percent in FY 2010 followed by increases of 16.3 percent, 8.1 percent, and 6.8 percent in FYs 2011 through 2013, respectively.

The City anticipates that business tax revenue will also decline in FYs 2009 and 2010, before recovering to a 9.5 percent average annual growth rate from FY 2011 to FY 2013. Business taxes are expected to grow 4.7 percent on an average annual basis over the Financial Plan period, as shown in Table 12.

Revenues from the sales tax are expected to grow on average 6.7 percent annually from FY 2009 to FY 2013. Sales tax revenue is forecast to decline 4.8 percent in FY 2009, followed by four years of consecutive growth. The growth in FY 2010 is driven by the sales tax initiatives which include repealing the tax exemption on purchases of clothing and footwear, increasing the sales tax rate from 4.0 percent to 4.25 percent, and expanding the sales tax base. Without the revenues these initiatives are expected to generate, projected sales tax revenues would decline 9.1 percent in FY 2010. Growth in the remaining outyears is fueled by both the sales tax programs and the economic recovery that is expected to begin in the second half of 2009.

Table 12. Tax Revenue Forecast, Growth Rate, FYs 2009 –2013

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FYs 2009-2013
Property	9.8%	13.0%	5.7%	3.4%	2.2%	6.0%
PIT	(16.0%)	(17.3%)	16.3%	8.1%	6.8%	2.6%
Business	(14.7%)	(8.4%)	9.5%	11.9%	7.1%	4.7%
Sales	(4.8%)	8.7%	4.5%	6.6%	7.0%	6.7%
Real-Estate Transaction	(40.8%)	(23.1%)	7.5%	5.9%	14.6%	0.1%
All Other	(10.5%)	(4.8%)	1.4%	0.3%	1.0%	(0.6%)
Total	**(6.8%)**	**0.0%**	**7.7%**	**5.7%**	**4.7%**	**4.5%**

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

Risks and Offsets to Tax Revenues

The Comptroller's Office projects the risks and offsets to the City's tax revenue assumptions, based on current year collections and economic growth projections.

For FY 2009, the Comptroller's Office expects tax revenues to be $362 million lower than the City's estimate, reflecting collections in the first six months of FY 2009. The differences stem from a more pessimistic forecast of business taxes, sales tax and real-estate-related taxes.

The Comptroller's Office expects real property tax revenues will be slightly lower than the City's estimate in FYs 2010 and 2011 by $14 million and $40 million respectively and slightly higher than the City's estimates in FYs 2012 and 2013 with offsets of $26 million and $38 million respectively. Although, the billable value in the FY 2010 Tentative Assessment Roll grew by 8.0 percent, market value decreased by 1.2 percent. Growth in property tax revenues is expected to be sustained by the pipeline buildup of positive assessed values in classes 2 and 4. Market value is expected to fall again in FY 2011 but increase in the last two years of the Plan. Market values for single family and small multi-family homes, which are Class 1 properties and make up most of the parcels in the City, have already fallen 5.0 percent in the recently released assessment roll. The Comptroller's Office projects revenues from real property tax will grow on average 5.5 percent annually over the Plan period.

The Comptroller's Office forecasts real-estate-related tax revenues will rise over the Financial Plan period from the unusually depressed base of FY 2009. The real property transfer tax is expected to increase on average 13.7 percent annually and the mortgage recording tax is expected to increase an average of 12.3 percent annually, as financial conditions stabilize and real estate transactions volume returns to a more typical level. Revenue from real property transfer taxes is forecast to be higher than the City's forecast by $238 million, $353 million, $432 million, and $438 million during FYs 2010 to 2013 respectively. The Comptroller's Office anticipates, however, that FY 2009 transfer tax revenues will be $56 million lower than the City's estimate. The Comptroller also anticipates that mortgage recording tax revenue will be $31 million lower than the City's forecast in FY 2009 and higher in FYs 2010-13, generating offsets of $243 million, $323 million, $366 million, and $372 million, respectively, in the last four years of the Plan period.

The Comptroller's Office's forecasts of PIT, business tax, and sales tax revenues for FYs 2009-2013 reflect the Comptroller's expectation of an unusually weak recovery from the current recession. In addition, the Comptroller's forecasts do not assume any additional revenues from proposed sales tax initiatives. This is because the proposed sales tax initiatives, which are expected to generate additional revenues of $77 million in FY 2009, $894 million in FY 2010, $920 million in FY 2011, $972 million in FY 2012, and $1.023 billion in FY 2013, require State legislative approval. Since State legislative approval of the proposed sales tax initiatives is uncertain at this point, the assumed revenues represent risks to the sales tax forecast. Overall, the Comptroller's Office expects combined risks of $439 million, $692 million, $1.33 billion, $1.44 billion, and $1.26 billion for FYs 2009, 2010, 2011, 2012, and 2013, respectively, for PIT, business tax, and sales tax revenues.

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

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Property	$0	($14)	($40)	$26	$38
PIT	0	0	(565)	(655)	(495)
Business	(115)	(170)	(404)	(555)	(525)
Sales	(237)	(989)	(1,000)	(1,057)	(1,083)
Real-Estate Related	(87)	481	676	798	810
Total	**($439)**	**($692)**	**($1,333)**	**($1,443)**	**($1,255)**

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

Miscellaneous Revenues

Miscellaneous revenues are locally raised non-tax revenues such as fees charged for licenses and franchises, charges for municipal services, fines, rental income, water and sewer revenues, interest income and nonrecurring revenues deriving from asset sales and other one-time resources. The City projects miscellaneous revenues will decline slightly in FY 2010 to $4.27 billion (exclusive of private grants and intra-City revenues). This forecast represents an increase of $261 million over the amount projected in the November Plan stemming from $165 million in additional revenue from agency gap closing actions and $133 million in expected revenue from proposed legislation to expand the red light camera program, including an increase in the fine amount from $50 to $100. Without these combined initiatives, the FY 2010 miscellaneous revenue forecast would have been approximately $37 million lower than the November forecast.

Excluding interest income, FY 2010 estimates for all other categories of miscellaneous revenues were revised upwards. The largest forecast increase, $153 million, is for fines and forfeitures. The change in this category includes the above mentioned $133 million in expected fine revenues from the proposed legislation to expand the red light camera program and $7.5 million in additional red light camera fines associated with increasing the number of cameras in existing locations. The forecast increase in the "other miscellaneous" category is mostly due to $84 million in revenues the City expects to collect if the State Legislature approves a proposal to charge a five-cent fee for each plastic bag dispensed in city stores. The initiative is expected to generate recurring revenues totaling $476 million over the Plan period.

Projected revenues from fees for City services increased by $29 million from the November Plan. This increase includes an additional $17 million the City expects to collect in revenues from an increase in single-space meter prices, from 50 cents/hour to 75 cents/hour, and $9.7 million in additional revenue from a CUNY tuition increase.

Table 14. City forecast of Miscellaneous Revenue

($ in millions)

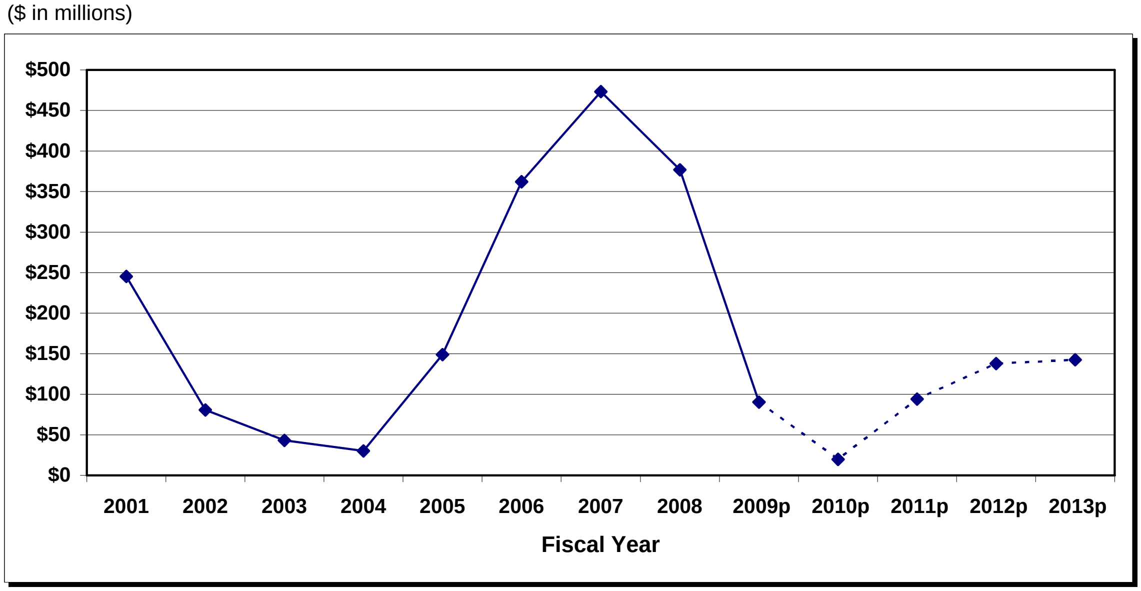
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Licenses, Franchises, Permits	$484	$476	$478	$481	$482
Interest Income	90	20	94	138	142
Charges for Services	631	648	644	644	644
Water and Sewer	1,312	1,253	1,280	1,296	1,311
Rental Income	228	212	212	212	212
Fines and Forfeitures	782	1,005	1,056	1,099	1098
Other Miscellaneous	787	663	682	644	641
Total Miscellaneous Revenue	**$4,314**	**$4,277**	**$4,446**	**$4,514**	**$4,530**

Note: Water & Sewer Revenues are not available for operating purposes because they are offset by expenditures related to providing water & sewer services.
Source: NYC Office of Management and Budget.

As shown in Chart 2, interest income, which peaked in FY 2007 at nearly half a billion dollars due to favorable interest rates and historically high levels of cash balances, is expected to drop to $20 million in FY 2010 reflecting interest rate cuts and expected lower levels of cash balances. Beginning in FY 2011 interest income is expected to rebound and stabilize at higher levels.

***Chart 2.* Interest Income**

($ in millions)



Over the Financial Plan period, miscellaneous revenue is expected to grow only 5.0 percent, from $4.3 billion in FY 2009 to $4.5 billion in FY 2013. Non-recurring resources, which yielded over $200 million in FY 2009, are not expected to be significant in FY 2010 or the outyears.

Federal and State Aid

The January Plan projects total Federal and State aid of nearly $17 billion for FY 2010, representing close to 29 percent of the City's revenue budget. Compared with the November Plan, the City's Federal and State aid assumptions have fallen by a net of $290 million. The decline is actually greater because the January Plan recognizes $347 million in new education building aid in support of school construction debt service costs. The money represents pass-through funds that have no net impact on the City's budget since a corresponding outflow is shown in Miscellaneous Agency spending. This funding, which was previously shown as a direct transfer to the NYCTFA, is now reflected in this manner to comply with enhanced disclosure requirements of the Governmental Accounting Standards Board. Excluding this change, the revenue decline more than doubles, primarily because of potential education aid loss proposed in the Governor's budget. Beyond FY 2010, Federal and State aid is expected to range between $17.5 billion and $18.2 billion annually, averaging about 28 percent of total revenues.

As part of the January Plan presentation, the City estimates the proposed State budget, excluding sales tax increases, will have a net negative impact of $1.5 billion in FYs 2009-10. The chief components of this impact are the proposed elimination of revenue sharing aid and reduction of education aid. The elimination of revenue sharing aid would lower the City's revenue projection by $328 million in FY 2010. However, since the State makes revenue sharing aid payments on a lag basis, with respect to the City fiscal year, the first installment of the cut would actually begin in FY 2009. Thus, the impact would double to $656 million in FYs 2009-10 combined. The plan estimates that education aid would fall by $771 million under the Governor's proposal to delay the phase-in of the State's Education Investment Plan and shift special education costs to the City. In addition, the City projects that State aid loss would total more than $400 million across various functions, with social services ($221 million), uniform services ($84 million) and health ($69 million) representing the majority of this estimate. These cuts are partly offset by savings and revenue increases totaling about $350 million, mainly from red light cameras ($100 million) and a new pension tier ($200 million).

In an unusual move, the City has incorporated a significant portion of this budget impact in the January Plan. The move represents a more conservative approach by the City, which normally does not reflect an impact until the State budget is finalized. The January Plan includes key pieces of the Governor's budget proposals that total $635 million in FYs 2009-10. It assumes a loss of $766 million in education aid that the Department of Education needs to absorb without any City funds offset, which the City claims could require layoffs of 14,000 teachers. Also, the January Plan reflects an annual reduction in revenue sharing aid of $85 million or a total of $170 million for FYs 2009-2010. The smaller impact is based on the assumption that the State will not completely eliminate this funding and would only reduce annual payment to a level comparable to the $242 million that the City received in FY 2008. Offsetting these changes, the Plan assumes $200 million in pension savings from the creation of a new tier and $100 million in revenue from additional red light cameras.

The January Plan also assumes $1 billion in annual savings for FYs 2010 and 2011 from a temporary increase in the Federal Medicaid Assistance Percentage (FMAP), based on provisions in the American Recovery and Reinvestment Act of 2009. The change is reflected as a direct offset against the City's Medicaid spending without any impact on its Federal aid assumptions. However, the State's current allocation plan of the enhanced FMAP funding to localities show that the City would receive only $1.92 billion in net offsets between FY 2009 and FY 2011, resulting in a risk of $82 million against plan assumptions. The State plan indicates that of the $11.1 billion in total FMAP relief for New York State, the State would keep about 76 percent, or $8.4 billion, of these funds for its own use. This is a significantly higher share than stated in the Governor's earlier announcement that the State would retain only 70 percent of the overall FMAP relief. If the Governor had kept his promise, about $2.37 billion in new FMAP funding would have been available to the City based on its share of the total local FMAP benefits under the State's plan.

The Act will also provide the City with substantial funding for Education. While the Department of Education will be a major beneficiary, the funding would not provide the City with additional gap closing relief. Though the distribution of a certain portion of the new aid is subject to the State's discretion, the DOE could potentially receive up to $1 billion annually over the next two years through a combination of State Fiscal Stabilization funds, Title I grants and special education aid. The additional funding has not yet been reflected in the DOE budget.

B. EXPENDITURE ANALYSIS

All-funds expenditures for FY 2010 in the January Financial Plan total $59.05 billion, or $1.27 billion (2.3 percent) less than projected FY 2009 expenditures.[9] However, the City's FY 2010 expenditure estimates are lowered by net prepayments and transfers totaling $3.9 billion. After adjusting for net prepayments, FY 2010 expenditures total $62.98 billion.[10] This is a more modest decline of 1.7 percent from the adjusted FY 2009 expenditure estimate of $64.08 billion. From FY 2009 to FY 2013, expenditures, after adjusting for prepayments, are projected to grow by 11.8 percent, or 2.8 percent annually.

As Table 15 shows, projected spending increases over the Financial Plan period are dominated by growth in health insurance costs, debt service, pensions, and judgments and claims (J&C) settlements. The combined spending in these areas, which accounts for approximately 24.3 percent of FY 2009 spending, is projected to grow 29.81 percent to 28.2 percent of spending by FY 2013. The City has proposed several initiatives to rein in pension and health insurance costs. If successfully implemented, these initiatives will lower pension and health insurance by $757 million in FY 2010 and $853 million by FY 2013, but will have little impact on their growth rates over this period. This is because while these initiatives will reduce costs in these areas, the reduction remains relatively

---

[9] Expenditures include NYCTFA debt service.

[10] Net prepayment for a given fiscal year is the prepayment of that fiscal year's expenditures minus the prepayment for the following year's expenditures.

constant each year. All other expenditures are projected to grow 7.8 percent over the Plan period, averaging 1.9 percent growth annually.

Table 15. FY 2009–FY 2013 Expenditure Growth Adjusted for Prepayments

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Growth FYs 09-13	Annual Growth
Pension	$6,259	$6,578	$7,107	$7,356	$7,629	21.9%	5.1%
Debt Service	4,997	5,528	5,898	6,369	6,658	33.2%	7.4%
Health Insurance	3,672	3,888	4,288	4,797	5,065	37.9%	8.4%
Judgments and Claims	638	675	732	793	856	34.3%	7.6%
Subtotal	$15,565	$16,668	$18,025	$19,315	$20,208	29.8%	6.7%
Wages and Salaries	$21,729	$21,524	$22,686	$22,909	$23,178	6.7%	1.6%
Other Fringe Benefits	3,101	3,202	3,197	3,260	3,300	6.4%	1.6%
Medicaid	5,644	4,756	4,916	6,089	6,270	11.1%	2.7%
Public Assistance	1,313	1,299	1,299	1,299	1,299	(1.0%)	(0.3%)
Other OTPS	16,721	16,368	17,125	17,718	18,233	9.0%	2.2%
Subtotal	$48,509	$47,149	$49,223	$51,276	$52,281	7.8%	1.9%
Health Insurance Cost Reduction	$0	($557)	($586)	($618)	($653)	N/A	N/A
Retiree Health Benefit Trust	0	(82)	(395)	(672)	0	N/A	N/A
Pension Reform	0	(200)	(200)	(200)	(200)	N/A	N/A
Total Expenditure	**$64,075**	**$62,978**	**$66,066**	**$69,101**	**$71,636**	**11.8%**	**2.8%**

SOURCE: NYC Office of the Comptroller.
NOTE: Expenditures are All-fund expenditures and include NYCTFA debt service.

Pensions

Pension expenditures are projected to increase at an average annual rate of 4.38 percent from $6.3 billion in FY 2009 to $7.4 billion by FY 2013. The current projections of pension expenses reflect the impact of a combined investment loss of 5.4 percent on pension fund investments through June 30, 2008, and reserves to fund a combined loss of 20 percent for FY 2009.[11] The projections also reflect annual savings of $200 million beginning in FY 2010 from pension reform and a reserve of $200 million annually beginning in FY 2011 to fund potential changes in actuarial assumptions and methods.

In the January Plan, the City increased pension contributions by $188 million in FY 2011, $347 million in FY 2012, and $513 million in FY 2013 to offset projected FY 2009 investment losses relative to the actuarial investment return assumption (AIRA) of 8.0 percent, bringing the total added since the November Plan to $431 million in FY 2011, $794 million in FY 2012, and $1.173 billion in FY 2013. The assumption of a 20 percent loss in FY 2009 matches the 20 percent loss pension investments had suffered fiscal year-to-date through December 31, 2008. Every percentage point in pension investment return on June 30, 2009 above or below the City's assumption will result in

[11] Reductions of $82 million in FY 2010, $152 million in FY 2011, and $225 million in FY 2012 in retiree pay-as-you-go health insurance contributions will fund a portion of the phase-in of FY 2008 investment losses.

additional or reduced pension contributions of $15 million in FY 2011, $28 million in FY 2012, and $42 million in FY 2013.

Currently, there is a proposal in the State Legislature to create a new tier of retirement benefits for future employees. This proposal calls for a modification to the pension benefits structure for new members. Under this proposal, civilian workers would be required to work until age sixty-two to qualify for a full pension and to contribute to the pension plan for all years of service. Uniformed employees would be required to work at least twenty-five years and be at least fifty years old to qualify for a full pension compared to twenty years with no age requirements for current workers. All new employees under the new tier would be required to complete ten years of credited service before their pensions are vested. The creation of a new tier of pension benefits is expected to reduce future employer contributions.

Health Insurance

Total pay-as-you-go health insurance expenses for employees and retirees are projected to grow from $3.212 billion in FY 2009 to $4.412 billion in FY 2013. The FY 2009 cost reflects a prepayment in FY 2008 of $460 million of FY 2009 pay-as-you-go retiree health expenses. Adjusted for this prepayment, estimated FY 2009 health insurance is $3.672 billion, as shown in Table 16, 11 percent more than in FY 2008.

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

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Department of Education	$1,392	$1,414	$1,547	$1,790	$1,783
CUNY	37	39	42	46	46
All Other	1,783	2,153	2,103	2,089	3,036
Health Insurance Savings	0	(357)	(386)	(418)	(453)
Total Pay-As-You-Go Health Insurance Costs	$3,212	$3,249	$3,306	$3,507	$4,412
Health insurance Cost Containment	0	200	200	200	200
Health Insurance Savings	0	357	386	418	453
Reduction to RHBTF	0	82	395	672	0
Prepayment	460	0	0	0	0
Adjusted Pay-As-You-Go Health Insurance Costs	$3,672	$3,888	$4,287	$4,797	$5,065

Projected health insurance expenditures reflect reductions of $639 million in FY 2010, $981 million in FY 2011, $1.290 billion in FY 2012, and $653 million in FY 2013. The City intends to negotiate with its municipal unions to reduce health insurance expenditures by $557 million in FY 2010, $586 million in FY 2011, $618 million in FY 2012, and $653 million in FY 2013. Approximately, two-thirds would come from a 10 percent premium contribution from active and retired members. The remaining $200 million annually is expected to be generated from as yet undefined cost containment initiatives. Additionally, $1.15 billion of retiree pay-as-you-go health insurance cost for FYs 2010 through 2012 will be paid from assets previously accumulated in the Retiree Health Benefits Trust (RHBT). The savings from the reduced retiree health insurance cost will be used to fund additional pension contributions as a result of investment losses from the financial market crisis.

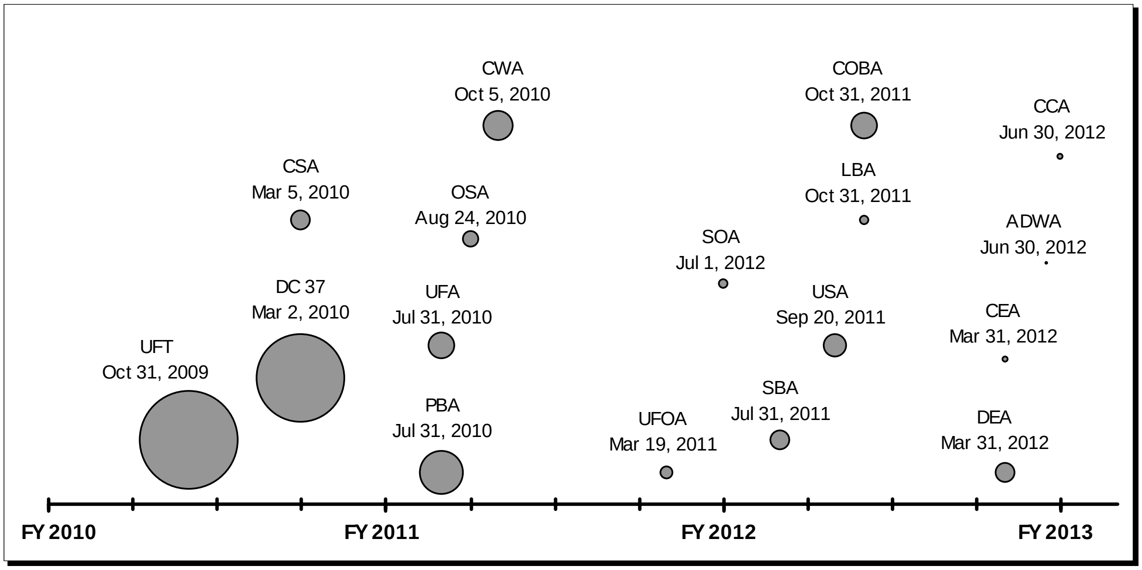
Health insurance costs, without the potential reductions, are expected to be $3.9 billion in FY 2010, $4.3 billion in FY 2011, $4.8 billion in FY 2012, and $5.1 billion in FY 2013. Over the Financial Plan period, health insurance is projected to grow 38 percent or 8.4 percent annually. The growth reflects premium increases of 9.73 percent for FY 2010 and 8.0 percent in each of the outyears and lower cost from expected headcount reductions, mainly at DOE.

Labor

The current balance in the City's labor reserve is $509 million in FY 2009, $1.086 billion in FY 2010, $1.465 billion in FY 2011, $1.860 billion in FY 2012, and $1.888 billion in FY 2013. Since the FY 2008 November Financial Plan, $208 million in FY 2009, $321 million in FY 2010, $340 million in FY 2011, $376 million in FY 2012, and $367 million in FY 2013 were transferred to various agencies to fund costs associated with recent labor agreements. The remaining funds in the labor reserve are budgeted primarily to cover potential costs associated with future collective bargaining agreements.

Other than employees represented by the United Federation of Teachers (UFT), principals and staff nurses, the City has contracts in place for the current collective bargaining round with all the other major unions (see Chart 3 for the contract expiration dates for the major unions). The UFT contract expires on October 31, 2009, but the labor reserve contains funding for a two-year contract with a 4.0 percent increase on the first day of the new contract, and another 4.0 increase on the first day of the 13th month of the contract, consistent with the current contracts of other City employees. The labor reserve also contains funding for increases for approximately 13,000 managers and non-unionized employees. These employees usually receive wage increases that mirrors the pattern negotiated with District Council 37 (DC37). The labor reserve contains funding of about $53 million in FY 2009 and $100 million annually beginning in FY 2010 for these employees.

***Chart 3*. Municipal Contracts Expiration Dates**



Note: Bubble size indicates the relative number of full-time City employees in each union.

Headcount

FY 2009 City-funded full-time headcount in the January Plan totals 241,263, almost 2,000 less than the actual headcount of 243,086 on December 31, 2008. The projected FY 2009 headcount is 0.3 percent above the November Modification. As Table 17 shows, headcount is expected to be reduced drastically in FY 2010 and remain relatively stable thereafter. In fact, since the November Modification the City has slashed its full-time headcount plan by more than 19,000 in FY 2010 and by nearly 20,000 in each of FYs 2011 to 2012, with the Department of Education (DOE) slated to absorb approximately 80 percent of these cuts.

DOE's FY 2010 target for full-time pedagogical staff has been reduced by 15,625 positions, and the current plan is to maintain all of these cuts through FY 2012. A proposed reduction in State education funding has led the City to respond with a proposed layoff of nearly 14,000 teachers and not filling over 200 additional vacancies. However, the American Recovery and Reinvestment Act of 2009 that was passed recently will alleviate many of the proposed reductions in State funding, allowing the City to avert the proposed layoffs. Further cuts of 1,440 teaching positions, unrelated to State education funding, will be realized through attrition.

The Police Department will use attrition to achieve its planned headcount, and expects the number of police officers and civilian employees, respectively, to be below November 2008 targets by 1,000 and 342 positions in each of FYs 2010 to 2012. Provisions for Community Oriented Policing Services (COPS) will provide additional funding to the City to mitigate planned police reductions. Thus, it is likely that the City will increase its police headcount plan in the Executive Budget. The Fire Department will similarly meet the headcount reduction requirements of several gap closing initiatives with attrition, resulting in net Plan to Plan reductions of 451 uniformed and 160 civilian positions in each of FYs 2010 to 2012. Specifically, 17 companies (including one for Governor's Island) will no longer be manned, thus eliminating the need for 419 uniformed jobs. The remaining 32 uniformed jobs will be cut by closing the Queens Fire Marshal Base. Attrition will also account for most of the civilian headcount reductions. The Fire Department plans to eliminate thirty Basic Life Support Tours which translates to the loss of 121 civilian jobs. The Department also will not fill 48 other civilian positions, and further intends to remove 29 civilian positions that are currently vacant. This will be offset by the hiring of 40 civilians to form a Fire Prevention Inspection Team to inspect buildings under construction, demolition, and abatement.

The gap closing initiatives at the Department of Correction (DOC) will result in more than 140 uniformed vacancies not being filled in each of FYs 2010 to 2012. The Five Day Recreation Schedule, which compresses the recreation schedule for adult inmates from seven to five days a week, will eliminate the need for 50 uniformed workers with a corresponding savings of $4.5 million per year beginning in FY 2010. Similarly, 61 fewer correction officers will be needed when three initiatives to minimize processing backlogs are implemented. The first pertains to a reduction in conviction to sentencing time, which the City intends to accomplish by better coordinating the schedules of attorneys and judges. The second seeks to expedite hearings for certain criminal cases by allocating dedicated court resources, and the third initiative speeds up bail processing and reduces pre-trial detention. Finally, other PEGs such as the increased use of Video Teleconferencing technology, and the Supervised Release of Low-Risk NYC Defendants (pre-trial detainees) to the Department of Probation will result in the need for 50 fewer DOC officers.

The Department of Sanitation (DOS) has four PEGs in the January 2009 Financial Plan, all of which will be facilitated by attrition. Beginning in FY 2010, DOS will attempt to operate some front-loading collection trucks with one person as opposed to two, subject to union approval, thus lowering uniformed headcount by 31 jobs. Two other PEGs, also beginning in FY 2010, will reduce civilian headcount by 20 employees through attrition and the elimination of existing vacancies. Finally, DOS intends to realize significant efficiency gains in refuse and recycling collections that presumably can be accomplished with 164 fewer field personnel in FY 2011, and 192 fewer field personnel in FY 2012 than anticipated in the November Plan.

The Administration for Children's Services (ACS) will implement new gap closing initiatives that will trim approximately 840 positions from this agency by the end of FY 2010, when compared to the November Modification. No restorations are expected for the remainder of the Plan period. Layoffs will account for cuts of 315 employees in the Family Permanency and Family Support Services, as well as 293 administrative personnel. Finally, much of the Family Preservation Program's current caseload will be served by the Family Services Unit or contracted providers. The resulting vacancies from attrition will not be filled, and current estimates put this number at 234 positions, beginning in FY 2010.

The Department of Homeless Services (DHS) has three PEGs that will reduce targeted headcount by 222 positions in each of FYs 2010 through 2012 compared to the November Modification. Specifically, the re-engineering of functions performed by

Community Assistants is expected to yield greater efficiencies, while DHS has managed to get concessions from those commercial hotels housing homeless families that were not providing social service staff. Other personnel reductions throughout the agency complete this triad of PEGs with recurring savings. DHS also plans to delay hiring in FY 2010, which will further reduce the need for 43 staff members in FY 2010.

The January 2009 Modification shows a net Plan to Plan reduction of more than 160 positions at the Department of Social Services (DSS) beginning in FY 2010. Technical offsets aside, the reductions are driven by the elimination of existing vacancies. The current Financial Plan also utilizes attrition to reduce the November 2008 estimates for the Department of Parks and Recreation by 109 positions.

Table 17. City-Funded Full-Time Year-End Headcount Projections

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical					
Dept. of Education	95,868	80,841	80,827	80,827	80,827
City University	2,686	2,656	2,656	2,656	2,656
Sub-total	98,554	83,497	83,483	83,483	83,483
Uniformed					
Police	35,128	33,217	34,109	35,002	35,284
Fire	11,222	10,771	10,771	10,771	10,771
Corrections	8,646	7,749	7,798	7,798	7,798
Sanitation	7,452	7,234	7,319	7,291	7,291
Sub-total	62,448	58,971	59,997	60,862	61,144
Civilian					
Dept. of Education	7,905	7,906	7,904	7,904	7,904
City University	1,640	1,475	1,475	1,475	1,475
Police	14,640	14,148	14,103	14,103	14,103
Fire	4,837	4,637	4,637	4,637	4,637
Corrections	1,423	1,502	1,502	1,502	1,502
Sanitation	1,895	1,871	1,917	1,917	1,917
Admin for Children's Services	6,702	5,966	5,963	5,963	5,963
Social Services	11,347	10,891	10,885	10,885	10,885
Homeless Services	2,221	1,989	2,032	2,032	2,032
Health and Mental Hygiene	4,037	3,916	3,949	3,949	3,949
Finance	2,112	2,119	2,101	2,083	2,083
Transportation	2,226	2,249	2,331	2,353	2,353
Parks and Recreation	3,092	2,849	2,925	2,925	2,925
All Other Civilians	16,184	15,846	15,387	15,263	15,267
Sub-total	80,261	77,364	77,111	76,991	76,995
Total	241,263	219,832	220,591	221,336	221,622

As shown in Table 18, City-funded full-time equivalent (FTE) headcount is expected to be approximately 26,700 in FY 2009, and remain at roughly 26,400 in the outyears, consistent with the November 2008 Financial Plan.

Table 18. City-Funded FTE Year-End Headcount Projections

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical					
Dept. of Education	1,053	1,053	1,053	1,053	1,053
City University	1,440	1,393	1,393	1,393	1,393
Sub-total	2,493	2,446	2,446	2,446	2,446
Civilian					
Dept. of Education	14,917	14,917	14,917	14,917	14,917
City University	738	687	687	687	687
Police	1,801	1,784	1,783	1,783	1,783
Health and Mental Hygiene	1,348	1,438	1,438	1,430	1,430
Parks and Recreation	3,566	3,381	3,409	3,413	3,416
All Other Civilians	1,798	1,731	1,733	1,733	1,733
Sub-total	24,168	23,938	23,967	23,963	23,966
Total	26,661	26,384	26,413	26,409	26,412

Overtime

The City has included approximately $843 million in the FY 2010 Preliminary Budget for overtime expenditures. This estimate is $64 million lower than the current FY 2009 overtime projection of $907 million. Through December 2008, the City has spent almost $500 million for FY 2009 overtime and is on track to spend just over $1 billion for the entire fiscal year. As shown in Table 19, overtime spending patterns indicate that the City's overtime projections for FY 2009 and FY 2010 are, once again, under-budgeted. The Comptroller's office estimates that overtime spending could be higher than budgeted by at least $111 million in FY 2009 and about $142 million in FY 2010.

As in the past, the risk to the FY 2010 overtime budget stems mainly from expected overtime spending for uniformed employees. The Comptroller's Office estimates that uniformed employees overtime will be about $746 million in FY 2010, $122 million higher than the City's estimate. Overtime spending for uniformed police officers poses the largest risk. Uniformed police overtime spending, which was $406 million in FY 2008, is expected to remain relatively flat through FY 2010. Through December 2008, the department has spent $204 million for uniformed overtime and is on target to spend about $410 million for FY 2009.

Table 19. Projected Overtime Spending, FY 2009 and FY 2010

($ in millions)

	City Planned Overtime FY 2009	Comptroller's Projected Overtime FY 2009	FY 2009 Risk	City Planned Overtime FY 2010	Comptroller's Projected Overtime FY 2010	FY 2010 Risk
Uniform						
Police	$347	$410	($63)	$334	$420	($86)
Fire	194	194	0	175	175	0
Correction	64	95	(31)	59	95	(36)
Sanitation	60	60	0	56	56	0
Total Uniformed	$665	$759	($94)	$624	$746	($122)
Others						
Police-Civilian	$43	$60	($17)	$40	$60	($20)
Admin for Child Svcs	13	13	0	13	13	0
Environmental Protection	21	21	0	21	21	0
Transportation	32	32	0	28	28	0
All Other Agencies	133	133	0	117	117	0
Total Civilians	$242	$259	($17)	$236	$256	($20)
Total City	**$907**	**$1,018**	**($111)**	**$843**	**$985**	**($142)**

The FY 2010 overtime budget in the Department of Correction (DOC) totals $59 million, a modest reduction from the FY 2009 Budget of $64 million. However, in FY 2008, the City spent $98 million on correction officers' overtime and is on target to spend about the same amount for FY 2009. Through December 2008, correction officers earned $47 million for overtime. While the Department of Correction (DOC) is working to improve operational efficiencies, which, if successful will lower overtime spending, the City projects that by June 30, 2010 there will be 7,749 correction officers, just over nine hundred fewer than the 8,657 officers employed as of December 30, 2008. The reduction in headcount will likely exert some pressure on overtime spending. As such, the Comptroller's Office projects overtime spending of $95 million for FY 2010, closer to the current spending level.

Public Assistance

For the current year, the City's public assistance caseload has averaged 338,420 recipients per month through January 2009. A year-over-year comparison shows that average caseload through January has declined 4.2 percent, or about 14,800 recipients, in FY 2009. Welfare caseload continues to hover near the 340,000 threshold, representing a dramatic 70 percent drop from the peak reached in 1995. Meanwhile, monthly grant expenditures have averaged about $98 million in the current year, showing no major deviation from this level over the past 18 months. Similarly, grant spending has also experienced a decline of over 60 percent from the historical peak of $252 million in 1995.

In the January Plan, the City has revised its public assistance caseload projections upward for FY 2010, with projected average caseload increasing from 342,509 in the November Plan to 350,838. The caseload revision is accompanied by a net $36 million boost in funding for baseline grants expenditures, reaching $1.17 billion in FY 2010. Both caseload and grants spending projections will be maintained at these levels over the remainder of the Plan. Given recent caseload levels, it appears that adequate funding has been provided in this area, barring a significant reversal in future caseload trend.

Department of Education

Building on a pattern that has set mounting challenges for the Department of Education (DOE) budget, the January Plan reflects another significant round of reductions that the Department must absorb if fiscal conditions for both the City and the State fail to improve or worsen in FY 2010. The January Plan changes mark the steepest cuts to have hit the Department in recent budget modifications, requiring the DOE to lower its FY 2010 spending projection by nearly $1.1 billion due to declining City and State support. Both the Chancellor and the Mayor have stressed the need to trim the Department's projected pedagogical workforce by 16 percent or 15,630 positions in FY 2010 to attain this level of savings. Of this total, nearly 14,000 positions will need to be eliminated through layoffs. It appears the fortuitous timing of the Federal Economic Stimulus Plan will help the Department stave off a majority, if not all, of these cuts, thus averting the possibility of layoffs. Early estimates indicate that the Federal Plan could provide the Department with up to $1 billion assistance each year in FYs 2010 and 2011.

The Department, which already sustained a $385 million reduction in City funds in the November Plan, now faces additional cuts totaling $306 million in City funds for FY 2010 in the January Plan. This brings the cumulative decline in City support to $691 million for FY 2010 since the June Plan. Overall, DOE spending is projected to fall from $17.6 billion in FY 2009 to $17.3 billion in FY 2010. The City funds portion of DOE spending is expected to remain constant at about $7.3 billion for FY 2009 and FY 2010, meeting the minimum maintenance-of-effort funding requirement under State education laws. Combined with prior reductions dating back to the January 2008 Plan, about $944 million in City support has been carved out of the DOE budget for FY 2010.

Under the January Plan PEG program, school-based spending would fall by $120 million, including $91 million from the elimination of 1,440 positions through attrition. The latest round of cuts also includes recognition of potential surpluses in food services, transportation and fringe benefits to provide net savings of $113 million, after covering $79 million in new needs mostly for special education private school payments and instructional support services. State aid offsets for certain special education programs would provide an additional $46 million in tax levy savings. Other major savings are expected from central/field support staff reduction ($9 million), Medicaid revenue ($9 million), and transportation and special education efficiency savings ($6 million).

The City has also opted to reflect the potential impact of the Governor's budget on the DOE budget in the January Plan. The plan reflects a loss of about $669 million mainly from the Governor's plan to extend the phase-in period of the State's Educational Investment Plan from four years to eight years. The lower support is almost entirely in foundation aid and could force layoffs of almost 14,000 pedagogues at the Department. In addition, the Governor's proposal to shift a greater burden of financing the special education pre-kindergarten program to the City would cost $97 million, bringing the total impact of the State Executive Budget to about $766 million in FY 2010. State education support is projected to decline $290 million to $8.22 billion in FY 2010, compared with an estimate of $8.51 billion in FY 2009.

The American Recovery and Reinvestment Act of 2009 proves to be the lone bright spot amid budget cuts contemplated by the City and State. The Act contains a sizable education component that will provide a major boost in funding for the Department over the next two years. While details are still preliminary in nature, the creation of a Fiscal Stabilization Fund to help states restore funding cuts to local education districts will provide the State with $2.5 billion in new Federal dollars. Assuming the City will receive its traditional education funding share under the State's allocation plan for these resources, more than $1 billion could become available to the Department in FYs 2010 and 2011. In addition, the City could receive more than $800 million in other aids over the next two years, primarily in Federal Title I grants for economically disadvantaged pupils and special education grants, bringing the potential two-year impact to almost $2 billion.

Health and Hospitals Corporation

The City projects the Health and Hospitals Corporation (HHC) to finish the current fiscal year with a cash balance of slightly more than $1.4 billion, a slight decline of less than $10 million from the November Plan estimate. This balance is predicated upon the receipt of $525 million in retro-supplemental Medicaid payments. As shown in the January Plan projections, the Corporation expects to retain a majority of this cash balance at the end of FY 2010. However, over the longer term, the Corporation's cash position is expected to weaken in the latter years of the Plan due to rising deficits in its operating projections, falling below $600 million by the end of the Plan in FY 2013.

The January Plan shows projected deficits for the Corporation, on an accrual basis, have increased by a total of more than $80 million in FYs 2009 and 2010 combined, primarily for additional personal services and fringe benefits spending reflected in its baseline assumptions. The Corporation faces a current year deficit of $976 million and an estimated gap of $1.34 billion in FY 2010. Over these two years, the January Plan has recognized an additional $380 million in the Corporation's gap-closing program, mainly in offsets through Federal and State actions and internal savings. As a result, the size of HHC's gap-closing program covering FYs 2009 and 2010 has expanded from $1.27 billion in the November Plan to about $1.65 billion in the January Plan, with Federal and State actions representing about $1.34 billion or 81 percent of this total.

The chief components of these assumptions include over $900 million from maximization of Medicaid Disproportionate Share (DSH) revenue and almost $300 million from Medicaid Upper Payment Limit (UPL) revenue. The bulk of the UPL revenue assumption is contingent upon the continuation of Federal moratorium on a Medicaid regulation change that would terminate this funding for hospitals. The current moratorium, which was set to expire in April, has now been extended to the end of June 2009 under the Federal Economic Stimulus Plan. The net impact of the January Plan changes raises HHC's projected FY 2010 year-end cash balance to nearly $1.3 billion, compared with $1 billion in the November Plan. Despite uncertainty surrounding the

Federal and State actions, the Corporation's near-term outlook remains stable, as evidenced by the high level of cash balance it will likely carry forward to the latter part of the Plan.

Over the longer term, however, HHC will face greater challenges as budget deficits climb to higher levels in FYs 2011-13. The Corporation projects that budget gaps will range between $1.49 billion and $1.74 billion during the remainder of the Plan. As a function of the rising deficits, year-end cash balances are expected to fall sequentially to $1.1 billion in FY 2011 and $883 million in FY 2012, before settling to $582 million in FY 2013. While these estimates represent an improvement over the November Plan, to reach these targets, the Corporation needs to achieve gap closing measures averaging about $1.1 billion annually in FYs 2011-13. Federal and State actions continue to be the most important element of these proposals, constituting 70 percent of the overall value of these programs.

Debt Service

As shown in Table 20, debt service, after adjusting for the impact of prepayments, is projected to grow from $5.07 billion in FY 2009 to $6.75 billion in FY 2013, an increase of $1.68 billion, or 33 percent.[12] These represent decreases from the November 2008 Financial Plan of $29 million in FY 2009, $10 million in FY 2010, $33 million in FY 2011, and $139 million in FY 2012.

Table 20. January 2009 Financial Plan Debt Service Estimates

($ in millions)

Debt Service Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Change from FYs 2009 – 2013
G.O.[a]	$3,677	$4,115	$4,532	$4,964	$5,250	$1,573
NYCTFA [b]	1,134	1,144	1,114	1,158	1,162	28
Lease-Purchase Debt	176	269	252	247	246	70
TSASC, Inc.	88	89	90	91	92	4
Municipal Assistance Corp.	0	0	0	0	0	0
Total	**$5,075**	**$5,617**	**$5,988**	**$6,460**	**$6,750**	**$1,675**
Change from Nov. Plan	**($29)**	**($10)**	**($33)**	**($139)**	**N/A**	**N/A**

SOURCE: January 2009 Financial Plan, January 2009.
NOTE: Debt service is adjusted for prepayments.
[a] Includes long term G.O. debt service and interest on short term notes.
[b] Amounts *do not* include NYCTFA building aid bonds.

The decrease of $29 million in FY 2009 compared to the November projection is due primarily to $20 million of interest savings related to interest exchange agreement payments, also known as swap agreements, and $7 million in lease-purchase savings

[12] Includes debt service on G.O., TFA, and TSASC bonds as well as lease-purchase debt and interest on short-term notes.

related to debt issued by the Dormitory Authority of the State of New York. In addition to these planned savings, however, the low variable interest-rate environment should provide significant savings in FY 2009.

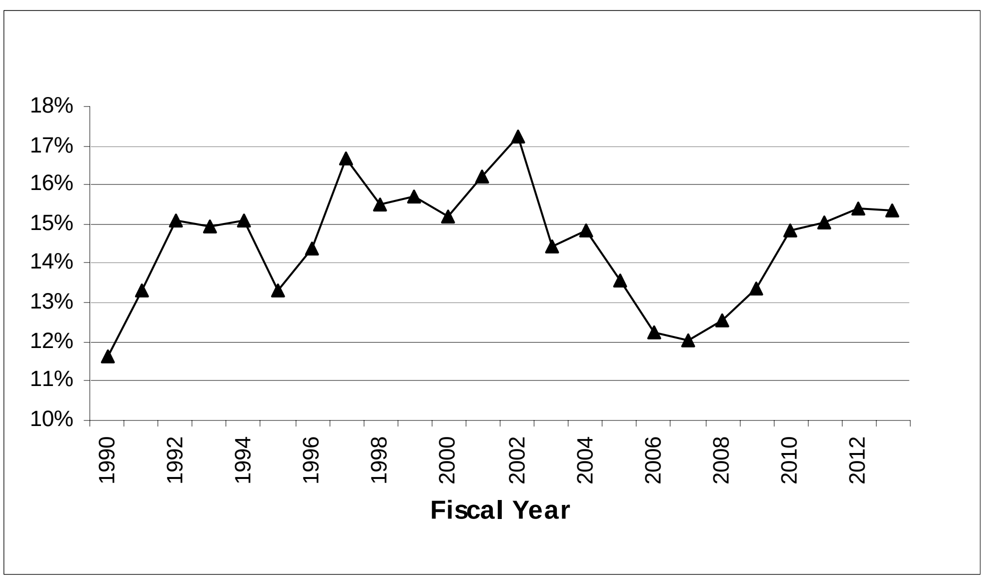
Decreases from the November 2008 Plan projected debt service in FYs 2010 – 2012 are due primarily to reductions in projected borrowing beginning in FY 2010 and continuing throughout the Financial Plan, as part of the 30 percent capital reduction program discussed further in the "Financing Program" section on page 40.

Debt Affordability

Debt service as a percent of local tax revenues is an accepted measure of affordability used by rating agencies and government officials alike. The January Plan projects debt service to consume 13.6 percent of local tax revenues in FY 2009, 15.1 percent in FY 2010, 15.3 percent in FY 2011, and 15.6 percent in FYs 2012 and 2013. The average debt service growth of 7.4 percent per year between FYs 2009 and 2013 is significantly greater than estimated annual tax revenue growth of 4.5 percent over the same period. The City has reduced its capital plan to bring the growth of debt service in line with other tax revenue growth, but the slower debt-service growth will not manifest itself until FY 2014.[13]

***Chart 4.* Debt Service as a Percent of Tax Revenues, 1990 – 2013**

($ in millions)



SOURCE: Office of Management and Budget, City of New York, January 2009 Financial Plan.

[13] Detailed debt-service documents from OMB contain estimates through FY 2019, beyond the traditional Financial Plan period.

Financing Program

The January 2009 Financial Plan contains $42.1 billion of planned borrowing in FYs 2009 through 2013 from combined City and State sources, as shown in Table 21. G.O. bonds account for $26.68 billion of expected borrowing over the period, or 63.3 percent of the total. Planned NYC Water Finance Authority borrowing of $10.45 billion also accounts for a significant share of capital resources, at 24.8 percent of the total. The use of NYCTFA Building Aid Revenue Bonds (BARBs) to support the DOE capital program is assumed to continue throughout the Financial Plan period with $5 billion of NYCTFA BARBs issuances planned, accounting for 11.9 percent of capital borrowing over the Plan period. There is no pay-as-you-go capital in the financing program.

Table 21. January 2009 Plan, FYs 2009 – 2013

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2009-2013	Percent of Total
General Obligation Bonds	$26,678	63.3%
NYC Water Finance Authority	10,448	24.8%
NYCTFA – BARBs	5,000	11.9%
Total	**$42,126**	**100.0%**

SOURCE: January 2009 Financial Plan, Office of Management and Budget.

Over the period FYs 2009 – 2012, total borrowing is estimated to increase by $108 million from the estimates in the November 2008 Financial Plan. This relatively small increase from November masks two key programmatic changes. G.O. borrowing is forecast to decline by $1.45 billion over FYs 2009-2012 as a direct impact of the 30 percent capital reduction program. This decrease, however, is offset by an assumed increase in NYCTFA BARBs borrowing of $1.55 billion over the same four-year period.[14]

The City has exhausted the $13.5 billion cap on NYCTFA borrowing for general purposes that is supported by PIT revenues. The Governor's budget, however, includes a proposal to increase the cap on NYCTFA borrowing for the City. The NYCTFA has traditionally been a less expensive cost of financing than G.O. bonds. Should the State authorize the increase in the cap on NYCTFA borrowing, the City has indicated that it would use the additional debt capacity to supplant G.O. borrowing.

Capital Plan

The January 2009 Capital Commitment Plan, for FYs 2009-2013, reflects a 30 percent reduction in the Capital Plan. The assumed commitment reductions begin in

[14] The November Plan Financing Program included projections for FYs 2009-2012 only.

FY 2010 and continue through FY 2013. The reduction is computed by multiplying the City-funded portion of the commitment plan, exclusive of DEP commitments, by 30 percent. City-funded reductions sum to $5.64 billion over the four-year period, from FYs 2010 through 2013. The 30 percent reduction in non-City commitments is entirely in DOE, and consists of $1.27 billion in BARBs supported commitments. In all, total commitment reductions are projected to be $6.917 billion over the four-year period. As of this plan, the reductions are "below the line" adjustments and are not yet incorporated in the programmatic detail of the Plan. OMB indicates that they will be incorporated in the programmatic detail during the Executive Budget and Financial Plan process.

Through January of FY 2009, City-funded year-to-date capital commitments were $3.63 billion. If City capital commitments were to continue at this pace, they would fall short of the FY 2009 City-funded commitment plan by $5.08 billion or 44.9 percent. Even if the remaining months averaged twice the amount of the first seven months, City-funded commitments would total $8.82 billion, or $2.5 billion below plan. Any amount not committed in FY 2009 will likely be rolled over to FY 2010, thereby increasing planned commitments above the 30 percent reduction to the extent of the rollover.

The January 2009 Capital Plan at a Glance

The January 2009 Capital Plan for FYs 2009 – 2013 contains $50.56 billion in authorized all-fund commitments, averaging $10.11 billion per year, as shown in Table 22.[15] This represents an increase of $192 million, or 0.4 percent, from the November 2008 Commitment Plan. Consistent with prior plans, capital commitments in DOE and CUNY, the Department of Environmental Protection (DEP), Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for more than 60 percent of all-fund commitments with 67.6 percent of the total.

After adjusting for the reduction program and the reserve for unattained commitments, the Capital Plan over FYs 2009 through 2013 totals $40.87 billion in all-funds commitments, and $32.61 billion in City-funds commitments. The plan is front-loaded with all-fund commitments totaling $14.656 billion in FY 2009, decreasing to $8.963 billion in FY 2010, $6.243 billion in FY 2011, and $4.870 billion in FY 2012, before increasing to a projected $6.135 billion in FY 2013. Thus, FY 2009 comprises about 36 percent of the five-year total.

[15] Commitment Plan refers to a schedule of anticipated contract registrations. However, capital spending is not recorded in the Commitment Plan.

Table 22. FYs 2009 – 2013 Capital Commitments, All-Funds

($ in millions)

Project Category	January 2009-2013 Commitment Plan	Percent of Total
Education & CUNY	$11,801	23.3%
Environmental Protection	10,064	19.9
Dept. of Transportation & Mass Transit	7,050	13.9
Housing and Economic Development	5,243	10.4
Administration of Justice	3,694	7.3
Technology and Citywide Equipment	2,564	5.1
Parks Department	2,649	5.2
Hospitals	854	1.7
Other City Operations and Facilities	6,636	13.2
Total	**$50,555**	**100.0%**
30 Percent Reduction Program	($6,917)	n/a
Reserve for Unattained Commitments	($2,771)	n/a
Adjusted Total	**$40,867**	**n/a**

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

The City-funded portion of the authorized Plan totals $41.03 billion over FYs 2009 through 2013, as shown in Table 23. After adjusting for the reduction program and the reserve for unattained commitments, the City-funded plan totals $32.614 billion. Capital projects in DEP, DOE and CUNY, DOT and Mass Transit, and Housing and Economic Development constitute 61 percent of the City-funds plan. The significant difference between the DOE's 14.3 percent share of the City-funded capital plan and its 23.3 percent share of the all-funds capital plan reflects the State-supported commitments of $5.91 billion over FYs 2009 through 2013. This $5.91 billion in State support for the education portion of the commitment plan comprises 62 percent of the total State and Federal support to the entire commitment plan over FYs 2009 through 2013.

Table 23. FYs 2009 –2013 Capital Commitment, City-Funds

($ in millions)

Project Category	January 2009-2013 Commitment Plan	Percent of Total
Environmental Protection	$9,833	24.0%
Education & CUNY	5,858	14.3
Dept. of Transportation & Mass Transit	5,052	12.3
Housing and Economic Development	4,273	10.4
Administration of Justice	3,690	9.0
Technology and Citywide Equipment	2,548	6.2
Parks Department	2,420	5.9
Hospitals	854	2.1
Other City Operations and Facilities	6,500	15.8
Total	**$41,028**	**100.0%**
30 Percent Reduction Program	($5,643)	
Reserve for Unattained Commitments	($2,771)	n/a
Adjusted Total	**$32,614**	**n/a**

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

This page intentionally left blank.

Appendix – Revenue and Expenditure Details

Table A1. ***January 2009 Preliminary Budget Revenue Detail***

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2009-13 Percent	Changes FYs 2009-13 Dollar
Taxes:							
Real Property	$14,500	$16,390	$17,322	$17,911	$18,299	26.2%	$3,799
Personal Income Tax	$8,287	$6,851	$7,968	$8,616	$9,198	11.0%	$911
General Corporation Tax	$2,433	$2,192	$2,458	$2,799	$3,021	24.2%	$588
Banking Corporation Tax	$447	$570	$662	$707	$741	65.8%	$294
Unincorporated Business Tax	$1,739	$1,470	$1,512	$1,675	$1,787	2.8%	$48
Sale and Use	$4,632	$5,033	$5,261	$5,609	$6,002	29.6%	$1,370
Commercial Rent	$828	$653	$703	$745	$853	3.0%	$25
Real Property Transfer	$679	$506	$543	$575	$660	(2.8%)	($19)
Mortgage Recording Tax	$556	$543	$531	$533	$557	0.2%	$1
Utility	$397	$391	$420	$434	$439	10.6%	$42
Cigarette	$389	$418	$436	$427	$427	9.8%	$38
Hotel	$102	$99	$97	$94	$92	(9.8%)	($10)
All Other	$446	$400	$401	$405	$405	(9.3%)	($41)
Tax Audit Revenue	$680	$596	$596	$595	$594	(12.7%)	($86)
Total Taxes	$36,116	$36,112	$38,910	$41,125	$43,075	19.3%	$6,959
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$484	$476	$478	$481	$482	(0.4%)	($2)
Interest Income	$90	$20	$94	$138	$142	57.8%	$52
Charges for Services	$631	$648	$644	$644	$644	2.1%	$13
Water and Sewer Charges	$1,312	$1,253	$1,280	$1,296	$1,311	(0.1%)	($1)
Rental Income	$228	$212	$212	$212	$212	(7.0%)	($16)
Fines and Forfeitures	$782	$1,005	$1,056	$1,099	$1,098	40.4%	$316
Miscellaneous	$787	$663	$682	$644	$641	(18.6%)	($146)
Intra-City Revenue	$1,631	$1,462	$1,462	$1,462	$1,462	(10.4%)	($169)
Total Miscellaneous	$5,945	$5,739	$5,908	$5,976	$5,992	0.8%	$47
Unrestricted Intergovernmental Aid:							
N.Y. State Per Capital Aid	$242	$242	$242	$242	$242	0.0%	$0
Other Federal and State Aid	$12	$12	$12	$12	$12	0.0%	$0
Total Unrestricted Intergovernmental Aid	$254	$254	$254	$254	$254	0.0%	$0
Other Categorical Grants	$1,104	$1,021	$1,023	$1,026	$1,025	(7.2%)	($79)
Inter Fund Agreements	$477	$445	$437	$434	$433	(9.2%)	($44)
Reserve for Disallowance of Categorical Grants	($15)	($15)	($15)	($15)	($15)	0.0%	$0
Less: Intra-City Revenue	($1,631)	($1,462)	($1,462)	($1,462)	($1,462)	(10.4%)	$169
TOTAL CITY FUNDS	$42,250	$42,094	$45,055	$47,338	$49,302	16.7%	$7,052

Table A1 (Con't.). *January 2009 Preliminary Budget Revenue Detail*

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2009-13 Percent	Changes FYs 2009-13 Dollar
Federal Categorical Grants:							
Community Development	$290	$257	$253	$253	$253	(12.8%)	($37)
Welfare	$2,629	$2,463	$2,469	$2,471	$2,471	(6.0%)	($158)
Education	$1,758	$1,774	$1,791	$1,800	$1,800	2.4%	$42
Other	$1,360	$832	$810	$810	$810	(40.4%)	($550)
Total Federal Grants	$6,037	$5,326	$5,323	$5,334	$5,334	(11.6%)	($703)
State Categorical Grants							
Social Services	$2,169	$2,004	$1,999	$1,989	$1,989	(8.3%)	($180)
Education	$8,517	$8,232	$8,698	$8,907	$9,283	9.0%	$766
Higher Education	$211	$211	$211	$211	$211	0.0%	$0
Department of Health and Mental Hygiene	$484	$461	$469	$472	$472	(2.5%)	($12)
Other	$650	$721	$750	$811	$878	35.1%	$228
Total State Grants	$12,031	$11,629	$12,127	$12,390	$12,833	6.7%	$802
TOTAL REVENUES	$60,318	$59,049	$62,505	$65,062	$67,469	11.9%	$7,151

Table A2. *January 2009 Preliminary Budget Expenditure Detail*

($ in thousands)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Changes FY 2009 - 13	
						Percent	Dollar
Mayoralty	$93,169	$82,687	$82,364	$82,387	$82,393	(11.6%)	($10,776)
Board of Elections	$89,374	$71,849	$72,043	$72,115	$72,130	(19.3%)	($17,244)
Campaign Finance Board	$11,466	$11,080	$11,083	$11,086	$11,090	(3.3%)	($376)
Office of the Actuary	$5,275	$5,288	$5,290	$5,291	$5,293	0.3%	$18
President, Borough of Manhattan	$4,860	$3,032	$3,069	$3,075	$3,079	(36.6%)	($1,781)
President, Borough of Bronx	$6,005	$4,275	$4,335	$4,343	$4,349	(27.6%)	($1,656)
President, Borough of Brooklyn	$5,705	$3,874	$3,933	$3,941	$3,947	(30.8%)	($1,758)
President, Borough of Queens	$4,772	$3,495	$3,543	$3,549	$3,554	(25.5%)	($1,218)
President, Borough of Staten Island	$4,049	$2,995	$3,032	$3,038	$3,042	(24.9%)	($1,007)
Office of the Comptroller	$69,138	$67,108	$67,111	$67,111	$67,111	(2.9%)	($2,027)
Dept. of Emergency Management	$64,634	$8,228	$8,233	$8,237	$8,241	(87.2%)	($56,393)
Tax Commission	$4,071	$3,710	$3,712	$3,714	$3,717	(8.7%)	($354)
Law Dept.	$125,668	$125,860	$117,920	$118,084	$118,084	(6.0%)	($7,584)
Dept. of City Planning	$33,582	$23,759	$22,919	$22,911	$22,903	(31.8%)	($10,679)
Dept. of Investigation	$17,752	$15,800	$15,656	$15,656	$15,656	(11.8%)	($2,096)
NY Public Library - Research	$24,772	$21,511	$21,511	$21,511	$21,511	(13.2%)	($3,261)
New York Public Library	$120,009	$104,692	$104,442	$104,442	$104,442	(13.0%)	($15,567)
Brooklyn Public Library	$89,179	$77,807	$77,557	$77,557	$77,557	(13.0%)	($11,622)
Queens Borough Public Library	$87,729	$76,630	$76,380	$76,380	$76,380	(12.9%)	($11,349)
Dept. of Education	$17,594,840	$17,306,645	$18,421,708	$18,652,748	$19,156,701	8.9%	$1,561,861
City University	$669,723	$629,906	$622,203	$623,906	$623,964	(6.8%)	($45,759)
Civilian Complaint Review Board	$11,448	$10,629	$10,644	$10,652	$10,657	(6.9%)	($791)
Police Dept.	$4,307,548	$4,148,263	$4,246,639	$4,325,298	$4,312,089	0.1%	$4,541
Fire Dept.	$1,640,676	$1,582,712	$1,594,393	$1,592,560	$1,589,740	(3.1%)	($50,936)
Admin. for Children Services	$2,724,898	$2,595,301	$2,599,548	$2,599,472	$2,599,473	(4.6%)	($125,425)
Dept. of Social Services	$8,689,753	$7,721,149	$7,876,925	$9,050,274	$9,230,919	6.2%	$541,166
Dept. of Homeless Services	$740,550	$614,953	$616,535	$616,535	$616,535	(16.7%)	($124,015)
Dept. of Correction	$1,022,061	$982,860	$1,021,045	$1,037,314	$1,034,168	1.2%	$12,107
Board of Correction	$956	$963	$963	$963	$963	0.7%	$7
Citywide Pension Contribution	$6,258,704	$6,377,580	$6,906,765	$7,156,067	$7,429,242	18.7%	$1,170,538
Miscellaneous	$6,298,290	$6,628,376	$7,184,574	$7,788,286	$8,976,727	42.5%	$2,678,437
Debt Service	$3,863,917	$4,384,144	$4,783,495	$5,211,005	$5,495,749	42.6%	$1,641,832
N.Y.C.T.F.A. Debt Service	$1,132,541	$1,143,877	$1,114,032	$1,157,812	$1,161,522	2.6%	$28,981
Pre-payments	$0	($2,036,374)	$0	$0	$0	N/A	$0
FY 2007 BSA	($33,905)	($30,865)	$0	$0	$0	(100.0%)	$33,905
FY 2008 BSA	($4,089,418)	$0	$0	$0	$0	(100.0%)	$4,079,418
FY 2009 BSA	$1,553,448	($1,007,701)	$0	$0	$0	(100.0%)	($1,553,448)
FY 2010 BSA	$0	$350,000	($350,000)	$0	$0	N/A	$0
Transfer for N.Y.C.T.F.A. Debt Service	($545,747)	($545,747)	$0	$0	$0	(100.0%)	$545,747
Defeasance of N.Y.C.T.F.A. Debt Service	($362,000)	($382,000)	$0	$0	$0	(100.0%)	$362,000
Call 2009/2010 Go Debt	($279,334)	($276,634)	$0	$0	$0	(100.0%)	$279,334
Public Advocate	$2,834	$1,833	$1,858	$1,862	$1,865	(34.2%)	($969)
City Council	$52,304	$52,260	$52,260	$52,260	$52,260	(0.1%)	($44)
City Clerk	$4,753	$4,704	$4,704	$4,704	$4,704	(1.0%)	($49)
Dept. for the Aging	$284,776	$244,675	$243,675	$243,675	$243,675	(14.4%)	($41,101)
Dept. of Cultural Affairs	$153,978	$132,783	$132,783	$132,783	$132,783	(13.8%)	($21,195)
Financial Info. Serv. Agency	$60,602	$49,196	$50,871	$49,307	$49,329	(18.6%)	($11,273)
Dept. of Juvenile Justice	$135,595	$133,163	$134,327	$138,207	$138,216	1.9%	$2,621
Office of Payroll Admin.	$14,150	$11,624	$11,455	$11,375	$11,360	(19.7%)	($2,790)
Independent Budget Office	$3,158	$3,054	$3,055	$3,056	$3,056	(3.2%)	($102)
Equal Employment Practices Comm.	$811	$765	$776	$776	$777	(4.2%)	($34)

Table A2 (Con't). *FY 2009 Preliminary Budget Expenditure Detail*

($ in thousands)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Changes FY 2009 - 13 Percent	Changes FY 2009 - 13 Dollar
Civil Service Commission	$644	$611	$612	$613	$613	(4.8%)	($31)
Landmarks Preservation Comm.	$4,756	$4,515	$4,515	$4,515	$4,515	(5.1%)	($241)
Taxi & Limousine Commission	$30,572	$28,791	$28,870	$28,870	$28,870	(5.6%)	($1,702)
Commission on Human Rights	$7,096	$6,901	$6,901	$6,901	$6,901	(2.7%)	($195)
Youth & Community Development	$357,386	$269,699	$255,436	$255,436	$255,436	(28.5%)	($101,950)
Conflicts of Interest Board	$1,963	$1,850	$1,850	$1,850	$1,850	(5.8%)	($113)
Office of Collective Bargain	$1,883	$1,763	$1,796	$1,797	$1,799	(4.5%)	($84)
Community Boards (All)	$15,095	$13,070	$13,072	$13,072	$13,072	(13.4%)	($2,023)
Dept. of Probation	$81,168	$79,686	$78,860	$78,860	$78,860	(2.8%)	($2,308)
Dept. Small Business Services	$175,427	$122,949	$92,218	$92,139	$88,217	(49.7%)	($87,210)
Housing Preservat'n & Developm'nt	$672,080	$487,789	$479,746	$479,419	$479,351	(28.7%)	($192,729)
Dept. of Buildings	$112,499	$96,072	$91,589	$91,589	$91,589	(18.6%)	($20,910)
Dept. of Health & Mental Hygiene	$1,719,455	$1,590,617	$1,605,175	$1,616,136	$1,616,356	(6.0%)	($103,099)
Health and Hospitals Corp.	$111,638	$97,657	$96,249	$96,379	$96,424	(13.6%)	($15,214)
Dept. of Environmental Protection	$1,044,293	$940,304	$935,403	$935,060	$935,060	(10.5%)	($109,233)
Dept. of Sanitation	$1,292,939	$1,315,567	$1,421,550	$1,447,422	$1,445,124	11.8%	$152,185
Business Integrity Commission	$6,358	$6,315	$6,315	$6,315	$6,315	(0.7%)	($43)
Dept. of Finance	$213,657	$200,851	$198,937	$198,410	$198,410	(7.1%)	($15,247)
Dept. of Transportation	$813,069	$701,533	$717,538	$730,875	$730,875	(10.1%)	($82,194)
Dept. of Parks and Recreation	$319,853	$289,889	$282,778	$282,797	$282,787	(11.6%)	($37,066)
Dept. of Design & Construction	$107,712	$106,047	$106,049	$106,050	$106,051	(1.5%)	($1,661)
Dept. of Citywide Admin. Services	$370,715	$350,469	$350,112	$344,226	$345,207	(6.9%)	($25,508)
D.O.I.T.T.	$264,922	$234,838	$231,486	$230,005	$230,074	(13.2%)	($34,848)
Dept. of Record & Info. Services	$6,445	$4,632	$4,637	$4,639	$4,978	(22.8%)	($1,467)
Dept. of Consumer Affairs	$21,693	$18,685	$16,288	$16,288	$16,288	(24.9%)	($5,405)
District Attorney – N.Y.	$90,784	$81,716	$70,810	$70,810	$70,810	(22.0%)	($19,974)
District Attorney - Bronx	$48,451	$45,905	$41,769	$41,769	$41,769	(13.8%)	($6,682)
District Attorney - Kings	$77,570	$77,697	$71,181	$71,083	$71,083	(8.4%)	($6,487)
District Attorney - Queens	$43,918	$45,613	$41,439	$41,220	$41,220	(6.1%)	($2,698)
District Attorney - Richmond	$7,866	$7,521	$6,822	$6,822	$6,822	(13.3%)	($1,044)
Office of Prosecut'n. & Spec. Narc.	$16,966	$16,112	$14,747	$14,747	$14,747	(13.1%)	($2,219)
Public Administrator - N.Y.	$1,256	$1,152	$1,152	$1,152	$1,152	(8.3%)	($104)
Public Administrator - Bronx	$509	$420	$420	$420	$420	(17.5%)	($89)
Public Administrator - Brooklyn	$597	$526	$526	$526	$526	(11.9%)	($71)
Public Administrator - Queens	$467	$400	$400	$400	$400	(14.3%)	($67)
Public Administrator - Richmond	$366	$297	$297	$297	$297	(18.9%)	($69)
Prior Payable Adjustment	($500,000)	$0	$0	$0	$0	(100.0%)	$500,000
General Reserve	$100,000	$300,000	$300,000	$300,000	$300,000	200.0%	$200,000
Fleet Reduction	$0	($20,000)	($2,000)	($2,000)	($2,000)	N/A	($2,000)
Energy Adjustment	($97,483)	($54,142)	$36,081	$79,194	$115,192	(218.2%)	$212,675
Lease Adjustment	$0	$28,952	$59,062	$128,089	$160,960	N/A	$160,960
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$166,557	N/A	$166,557
City-Wide Total	$60,317,703	$59,049,043	$65,715,573	$69,100,555	$71,635,930	18.8%	$11,318,227

Glossary of Acronyms

ACS	Administration for Children's Services
AIRA	Actuarial Investment Return Assumption
BARB	Building Aid Revenue Bond
BSA	Budget Stabilization Account
CCA	Correction Captains' Association
COBA	Corrections Officers' Benevolent Association
COPS	Community Oriented Policing Services
CSA	Council of School Supervisors and Administrators
CUNY	City University of New York
CWA	Communications Workers of America
DC37	District Council 37
DEP	Department of Environmental Protection
DHS	Department of Homeless Services
DOC	Department of Correction
DOE	Department of Education
DOP	Department of Probation

DOS	Department of Sanitation
DOT	Department of Transportation
DSS	Department of Social Services
FMAP	Federal Medicaid Assistance Percentage
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
IMF	International Monetary Fund
J&C	Judgments and Claims
LBA	Lieutenants Benevolent Association
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department

NYWFA	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget
OTPS	Other than Personal Services
PBA	Patrolmen’s Benevolent Association
PEG	Program to Eliminate the Gap
PIT	Personal Income Tax
PS	Personal Services
RHBT	Retiree Health Benefit Trust
SBA	Sergeants Benevolent Association
STAR	School Tax Relief Program
TSASC	Tobacco Settlement Asset Securitization Corporation
TARP	Troubled Asset Relief Program
TALF	Term Asset-Backed Securities Loan Facility
UBT	Unincorporated Business Tax
UFA	Uniformed Firefighters’ Association
UFOA	Uniformed Fire Officer’s Association
UFT	United Federation of Teachers

UPL Medicaid Upper Payment Limit

U.S. United States

USA Uniformed Sanitation Association