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BUREAU OF FISCAL AND BUDGET STUDIES

State of the City's Economy and Finances

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I. Executive Summary

Nearly four years have passed since the start of the most recent recession. While New York City, through prudent budgetary management, was able to weather the uncertainty of this period of economic turmoil better than most municipalities, ultimately New York City's budget was unable to remain completely unaffected by the dynamics of the national and worldwide economy.

New York City is required to adopt a balanced budget at the beginning of each fiscal year. In addition, the City is required to present a financial plan for the subsequent three fiscal years. It is commonplace for the outyears of the Financial Plan to be out of balance until such point at which the City Charter mandates that they be brought into balance (typically the January prior to the ensuing fiscal year). Since July 2006, when the FY 2007 Budget was adopted, the outyear gaps in the succeeding fiscal year have ranged from $1.55 billion to $4.952 billion, averaging $3.18 billion over the period. In each of those years, the City was able to partially close these gaps with additional funds in the current fiscal year, averaging $1.48 billion over the five fiscal years. In all but one of the last five fiscal years, the ensuing year budget gaps were decreased in the November Financial Plan.

At budget adoption in July 2011, the FY 2013 budget gap stood at over $4.6 billion. Through a series of budgetary actions, the gap for the next fiscal year is currently $2.08 billion. Yet, unlike in prior years, next year's budget gap was not reduced with any significant roll of current year funds. While both the national and local economic recoveries have unfolded much as the Comptroller's Office anticipated, slow growth in real economic activity gives concern for the recovery's sustainability. As a result of the economic slowdown, the Comptroller's Office does not foresee that any additional revenues will materialize later in the fiscal year. Therefore, absent an unexpected turnaround, the City will need to close the FY 2013 budget gap primarily with further reductions in spending. This comes on the heels of a gap-closing program initiated as part of the November Plan which consists of $470 million of agency expenditure reductions and revenue enhancements in FY 2012 and $1 billion in FY 2013.

The Comptroller's Office takes a guarded view of the national and local economies. The U.S. housing market shows virtually no signs of revival while new job creation numbers are well below expectations. The national economy will not likely be able to generate the rapid growth necessary to bring down the high unemployment rate until the housing market is revitalized. Moreover, the European debt crisis has emerged as a significant drag on global economic growth with the potential of causing further economic instability in 2012.

The Comptroller's Office anticipates only a very modest acceleration in the rate of economic growth as labor market and housing market conditions gradually improve in tandem. The Comptroller expects a European recession to occur but is hopeful that it will be mild enough for the U.S. economy to escape its downdraft and continue to grow at a modest, if somewhat reduced, pace. As a result of these factors, the Comptroller's Office has reduced some of its revenue assumptions, paralleling the City's own revenue estimate reductions in the November Plan.

The current FY 2013 budget gap of $2.08 billion is the result of a series of actions that reduced the $4.6 billion gap from adoption. In September 2011, the Mayor instructed City agencies to propose gap-closing initiatives within their agencies to get a head start on addressing the FY 2013 gap. The November Plan includes agency gap-closing initiatives totaling $470 million in FY 2012, $1 billion in FY 2013, $626 million in FY 2014, and $628 million in FY 2015. Gap-closing initiatives with values of $5 million or more, commonly referred to as core PEGs (Program to Eliminate the Gap), account for most of the budget relief. Of the 159 FY 2012 initiatives, only 20 are core PEGs. However, they account for $337 million or 72 percent of the PEG benefits. Similarly, core PEGs which make up only 11 percent of the FY 2013 initiatives account for 74 percent of the benefits.

In addition to the PEG initiatives, the FY 2013 gap is mitigated by two major one-time revenue enhancers. The City has proposed the sale of 1,500 additional taxi medallions with revenue from the sale estimated at $1 billion. In addition, the City proposes to tap into the Retiree Health Benefit Trust (RHBT) to fund current year health care costs for retirees. Utilizing an additional $1 billion from the RHBT in FYs 2013 and 2014 will essentially drain the fund of all its assets. The City's reliance on one-time revenue enhancers further underscores the severity of the size of future budget gaps.

The gap-closing initiatives are partially offset by $485 million of increased agency spending. The majority of these expenditures are the result of increased overtime estimates in the current year for the City's uniformed forces. The Plan also includes an additional $500 million in FY 2013 for additional agency spending.

The Comptroller's Office review of the November Plan finds that significant risks remain. In FY 2012, the risks include: reductions in State aid; overtime expenses, which even with the additional funding added in the November Modification is still underfunded; lower than expected tax revenue estimates; and funding of the next round of collective bargaining for City employees represented by the United Federation of Teachers (UFT) and the Council of School Supervisors and Administrators (CSA). The November Plan does not include any funding for wage increases for the first two years of the current round of collective bargaining for the UFT and CSA, reflecting the Mayor's decision that any wage increases in these years be funded with offsetting productivity savings. Since other municipal employee unions have settled for two annual wage increases of 4.0 percent over comparable period, excluding funding for these increases represents a significant risk to the Plan. A settlement that mirrors the agreement of the other city unions would cost the City $1.698 billion in FY 2012, including the cost of increases retroactive to FYs 2010 and 2011.

In total, the Comptroller's Office has identified risks of $1.7 billion for FY 2012. The magnitude of the risk from the potential UFT and CSA contracts declines significantly in the outyears as the retroactive component associated with the potential wage increase is only a risk in the current fiscal year. Thus, even with the added risks associated with the State budget impact beginning in FY 2013, the overall outyear risks decline over the Plan period. The Comptroller's Office estimates additional risks totaling $1.12 billion in FY 2013, $574 million in FY 2014 and $84 million in FY 2015. If these risks and offsets were to materialize, they would result in potential gaps of $1.7 billion in FY 2012, $3.17 billion in FY 2013, $4.4 billion in FY 2014, and $4.96 billion in FY 2015.

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Table 1. FY 2012–FY 2015 Financial Plan

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015	Changes FYs 2012 – 2015 Dollar	Percent
Revenues						
Taxes:						
General Property Tax	$17,860	$18,452	$18,876	$19,306	$1,446	8.1%
Other Taxes	$23,543	$24,494	$25,146	$26,444	$2,901	12.3%
Tax Audit Revenues	$670	$694	$676	$676	$6	0.9%
Subtotal: Taxes	$42,073	$43,640	$44,698	$46,426	$4,353	10.3%
Miscellaneous Revenues	$6,225	$6,998	$6,018	$6,081	($144)	(2.3%)
Unrestricted Intergovernmental Aid	$25	$0	$0	$0	($25)	(100.0%)
Less: Intra-City Revenues	($1,749)	($1,531)	($1,532)	($1,537)	$212	(12.1%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$46,559	$49,092	$49,169	$50,955	$4,396	9.4%
Other Categorical Grants	$1,032	$937	$933	$929	($103)	(10.0%)
Inter-Fund Revenues	$550	$508	$503	$503	($47)	(8.5%)
Total City & Inter-Fund Revenues	$48,141	$50,537	$50,605	$52,387	$4,246	8.8%
Federal Categorical Grants	$7,570	$6,586	$6,479	$6,401	($1,169)	(15.4%)
State Categorical Grants	$11,300	$11,185	$11,332	$11,413	$113	1.0%
Total Revenues	$67,011	$68,308	$68,416	$70,201	$3,190	4.8%
Expenditures						
Personal Service						
Salaries and Wages	$22,059	$21,614	$21,691	$21,637	($422)	(1.9%)
Pensions	$8,424	$8,570	$8,448	$8,694	$270	3.2%
Fringe Benefits	$8,031	$8,370	$8,959	$9,547	$1,516	18.9%
Retiree Health Benefits Trust	($672)	($1,000)	($1,000)	$0	$672	(100.0%)
Subtotal-PS	$37,842	$37,554	$38,098	$39,878	$2,036	5.4%
Other Than Personal Service						
Medical Assistance	$6,215	$6,326	$6,463	$6,643	$428	6.9%
Public Assistance	$1,385	$1,365	$1,365	$1,365	($20)	(1.4%)
All Other	$21,043	$19,949	$20,668	$21,204	$161	0.8%
Subtotal-OTPS	$28,643	$27,640	$28,496	$29,212	$569	2.0%
Debt Service						
Principal	$1,971	$2,180	$2,198	$2,278	$307	15.6%
Interest & Offsets	$2,191	$2,459	$2,679	$2,752	$561	25.6%
Subtotal Debt Service	$4,162	$4,639	$4,877	$5,030	$868	20.9%
FY 2011 BSA & Discretionary Transfers	($3,742)	$0	$0	$0	$3,742	(100.0%)
FY 2012 BSA	$12	($12)	$0	$0	($12)	(100.0%)
NYCTFA						
Principal	$591	$803	$757	$837	$246	41.6%
Interest & Offsets	$952	$956	$1,248	$1,358	$406	42.6%
Subtotal NYCTFA	$1,543	$1,759	$2,005	$2,195	$652	42.3%
General Reserve	$300	$300	$300	$300	$0	0.0%
	$68,760	$71,880	$73,776	$76,615	$7,855	11.4%
Less: Intra-City Expenses	($1,749)	($1,531)	($1,532)	($1,537)	$212	(12.1%)
Total Expenditures	$67,011	$70,349	$72,244	$75,078	$8,067	12.0%
Gap To Be Closed	**$0**	**($2,041)**	**($3,828)**	**($4,877)**	**($4,877)**	**N/A**

Table 2. Plan-to-Plan Changes
November 2011 Plan vs. June 2011 Plan

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
Revenues				
Taxes:				
General Property Tax	$21	$35	$32	$32
Other Taxes	$5	$123	$39	($8)
Tax Audit Revenues	$10	$35	$10	$10
Subtotal: Taxes	$36	$193	$81	$34
Miscellaneous Revenues	$270	$1,018	($22)	$21
Unrestricted Intergovernmental Aid	($12)	($12)	($12)	($12)
Less: Intra-City Revenues	($200)	($5)	($9)	($14)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$94	$1,194	$38	$29
Other Categorical Grants	($161)	($221)	($223)	($224)
Inter-Fund Revenues	$1	$7	$2	$2
Total City & Inter-Fund Revenues	($66)	$980	($183)	($193)
Federal Categorical Grants	$896	$197	$164	$163
State Categorical Grants	$270	$95	$169	$233
Total Revenues	$1,100	$1,272	$150	$203
Expenditures				
Personal Service				
Salaries and Wages	$557	$335	$307	$260
Pensions	$0	$0	$0	$0
Fringe Benefits	$46	($6)	$57	$92
Retiree Health Benefits Trust	$0	($1,000)	($1,000)	$0
Subtotal-PS	$603	($671)	($636)	$352
Other Than Personal Service				
Medical Assistance	($2)	($1)	$0	$0
Public Assistance	$0	$0	$0	$0
All Other	$799	($375)	($195)	($140)
Subtotal-OTPS	$797	($376)	($195)	($140)
Debt Service				
Principal	($19)	($9)	$37	$35
Interest & Offsets	($67)	($134)	($18)	($35)
Subtotal Debt Service	($86)	($143)	$19	$0
FY 2011 BSA & Discretionary Transfers	($4)	$0	$0	$0
FY 2012 BSA	$12	($12)	$0	$0
NYCTFA Debt Service				
Principal	$0	$10	($36)	$21
Interest & Offsets	($22)	($122)	($9)	($61)
Subtotal NYCTFA	($22)	($112)	($45)	($40)
General Reserve	$0	$0	$0	$0
	$1,300	($1,314)	($857)	$172
Less: Intra-City Expenses	($200)	($5)	($9)	($14)
Total Expenditures	$1,100	($1,319)	($866)	$158
Gap To Be Closed	**$0**	**$2,591**	**$1,016**	**$45**

Table 3. Risks and Offsets to the November 2011 Financial Plan

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
City Stated Gap	**$0**	**($2,041)**	**($3,828)**	**($4,877)**
Tax Revenues				
Property Tax	$0	($39)	($17)	$14
Personal Income Tax	$15	$12	$338	$249
Business Taxes	($241)	($244)	$0	$163
Sales Tax	$0	($65)	$20	$98
Real-Estate-Related-Taxes	$53	$167	$133	$127
Subtotal	**($173)**	**($169)**	**$474**	**$651**
Expenditures				
UFT/CSA Collective Bargaining	($1,698)	($897)	($900)	($900)
Overtime	($42)	($100)	($100)	($100)
Dept. of Education	$0	($50)	($50)	($50)
Proposed Pension Changes	$213	$257	$137	$415
Judgments and Claims	$0	$35	$65	$100
Subtotal	**($1,527)**	**($755)**	**($848)**	**($535)**
State Budget Impact	**$0**	**($200)**	**($200)**	**($200)**
Total Risk/Offsets	**($1,700)**	**($1,124)**	**($574)**	**($84)**
Restated (Gap)/Surplus	**($1,700)**	**($3,165)**	**($4,402)**	**($4,961)**

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II. State of the City's Economy

For both the national and local economies, 2011 has been more disappointing than encouraging. Although expectations were not high going into the year, there has been discouragingly little improvement in the principal areas that trouble the economy. In particular, the housing market shows virtually no signs of revival and new job creation has been well below expectations. Moreover, the European debt crisis has emerged as a significant drag on global economic growth with the potential for causing further economic instability in 2012.

The Comptroller has been citing the European sovereign debt problem as a risk to the U.S. and New York City economies since his March 2010 budget report. Since that time, the problem has intensified dramatically, and for the past several months developments in Europe have dominated international financial market movements. Unfortunately, the crisis has escalated so severely that it can no longer be considered to be a mere risk to the city's economy; it must now be considered a material factor that will have adverse effects on the city's economy in 2012. How severe the repercussions will be are still uncertain and depend to a great extent on how elected European leaders and appointed banking officials respond to future developments in the financial markets.

A. NYC'S ECONOMIC PERFORMANCE IN 2011

By some measures New York City's economy outperformed the national economy in 2011. The city's economy grew at an average annualized rate of 1.9 percent in the first three quarters of 2011, somewhat faster than the national growth rate of 1.2 percent. However, rather than building momentum, both economies grew more weakly than in 2010. By comparison, the city's economy grew at an annualized average rate of 5.5 percent in the first three quarters of 2010, while the U.S. economy grew at a 3.4 percent rate during the same period of time.

Following the 2008-2009 recession, the U.S. economic recovery gained momentum, with growth of real Gross Domestic Product (GDP) peaking in the first quarter of 2010 at 3.9 percent (at an annualized rate). Thereafter, the recovery slowed, with the rate of growth declining in each of the subsequent four quarters. The nadir was reached during the winter of 2011, when national economic growth fell to a barely discernable 0.4 percent. The slowing trend provoked widespread fears that the economy was nearing "stall speed" and that the risks of another recession had grown dangerously high. Indicators improved in the autumn, however, and a 2.0 percent annualized growth rate in the third quarter helped to quell fears that the economy was slipping into recession after only two years of recovery.

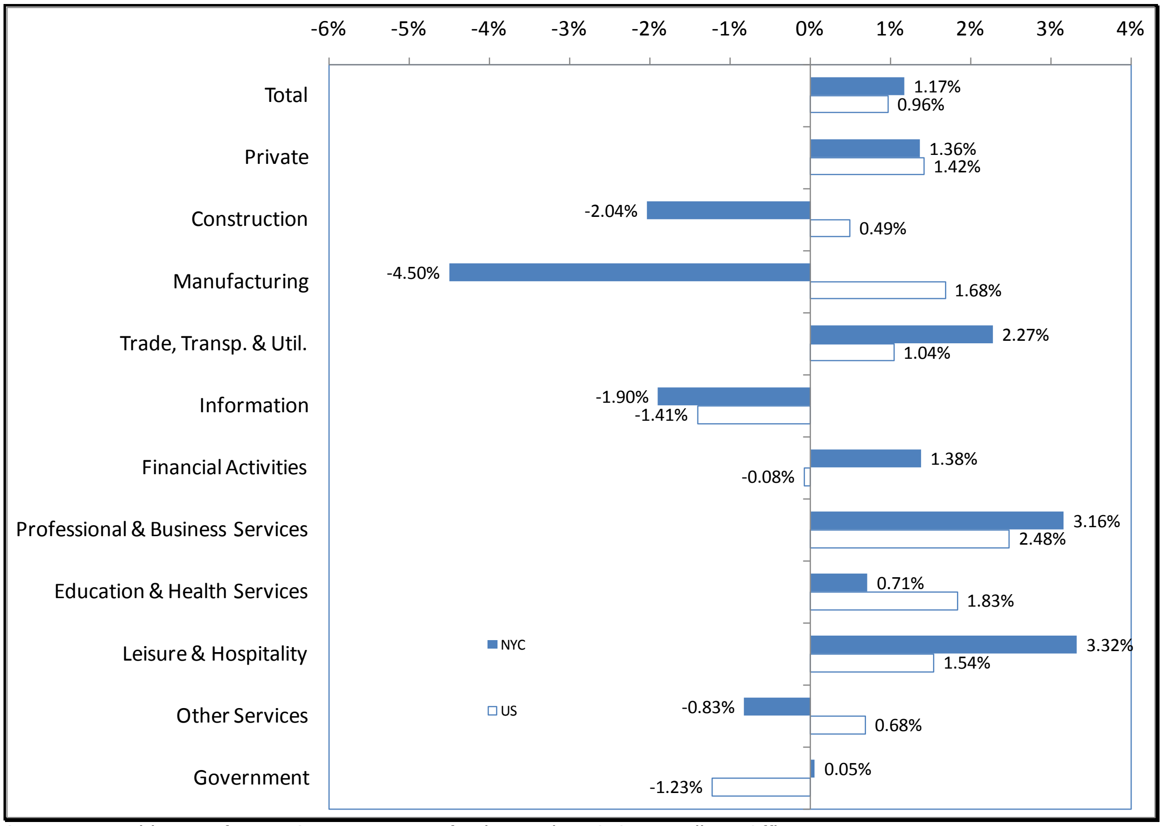
Lagging the national turnaround, New York City's economy did not pull out of the recession until the first quarter of 2010. When it did, however, it grew with more vigor than the national economy, and during the first ten months of 2010 nearly 8.0 percent of national job creation occurred in the five boroughs. That strong growth was aided by record Wall Street profits in 2009, but the financial sector accounted for only about 11.5 percent of the local jobs created. Strong employment growth in professional and business services, educational and health services, and in leisure and hospitality demonstrated that the local recovery was broad-based. Unfortunately, job creation and overall economic growth faltered in the final months of 2010, and the city's economic performance in 2011 was spotty.

The pattern in 2011 was similar to that of the previous year. Job growth was strongest in the early months of the year, as was the overall rate of local economic growth. Real GCP grew at only a 1.8 percent annual rate in the second and third quarters and by October, the number of private payroll jobs was only 20,300 above the level of the previous October.

The inconsistent growth in the national and local job base has been paralleled by unemployment rates that have remained stubbornly high. The national unemployment rate, which hit a peak of 10.1 percent in October 2009, has not improved significantly during 2011, hovering at or near 9.0 percent for most of the year. The stationary unemployment rate was consistent with national job growth that barely kept pace with the demographic growth of the labor force, estimated to be about 125,000 per month. Similarly, the city's unemployment rate, while slightly lower than the national rate, declined only to 8.8 percent in October, from 8.9 percent in January.

The convergence in economic performance between national and local economies during 2011 is also evidenced by wage trends. Early in the year, due primarily to a strong Wall Street bonus season, total wages paid to New York City workers increased much faster (on a year-over-year basis) than did national wages. However, during the middle two quarters of the year, local wage growth tracked the nation's fairly closely. National wage and salary disbursements increased by about 3.1 percent during the second and third quarters (on a year-over-year basis). Comparable data is not available at the local level, but New York City personal income tax withholdings increased by 3.6 percent over the same period of time. Since the City's PIT is only mildly progressive, aggregate PIT withholdings can be used as a short-term indicator of total wage trends and indicate that local wage growth was on a par with national wage growth in the second and third quarters.

Chart 1. **Change in NYC and U.S. Payroll Jobs, First 10 Months of 2011**



SOURCE: Monthly Data from U.S. Department of Labor and NYC Comptroller's Office.

In some areas, however, the city's economic picture was more favorable than the nation's. While 2011 brought renewed downward pressure on home prices in much of the country, in New York City home prices stabilized. The Case-Shiller Home Price Index for the 20-city U.S. average declined 4.0 percent from 3Q10 to 3Q11, while according to the Furman Center at New York University, home prices in the five boroughs increased 0.6 percent over the same period. Overall, the decline in home prices in the city and its environs from their peak values has been less severe than the national decline. Moreover, new residential construction in the city (as measured by building permits) rebounded markedly during the first 10 months of 2011, while residential construction in the country as a whole slumped further.

Similar performance was seen in the city's commercial real estate markets. According to CBRE, the U.S. office vacancy rate was 16.2 percent in 3Q11, down only 60 basis points from its recessionary peak. However, Cushman and Wakefield data show the Manhattan office vacancy rate at 7.9 percent, down 110 basis points from its recessionary peak. Moreover, Cushman and Wakefield report that Manhattan office space absorption topped three million square feet in both the second and third quarters of 2011, the highest quarterly totals since 4Q06.

Another bright spot in the city's economy has been tourism. According to the Mayor's Office, the city is on track to host a record number of visitors in 2011 and will have 90,000 hotel rooms by the end of the year, a 24 percent increase since 2006. Despite the expansion of the room inventory, the city's occupancy rate was 90.7 percent in October 2011, according to PKF Consulting, close to its historic high. Since the end of the local recession in December 2009, the leisure and hospitality sector has added 20,900 jobs, accounting for more than one-quarter of all private job growth in the city.

B. ECONOMIC OUTLOOK

Both the national and local recoveries have unfolded much as the Comptroller's Office anticipated, with slow growth in real economic activity providing frequent cause to doubt the recovery's sustainability. Consumer spending has been somewhat more resilient than expected and household debt reduction has been more rapid (partially due to foreclosures and write-downs). On the downside, the housing and labor markets have been slower to recover than anticipated.

Because personal consumption spending accounts for over 70 percent of GDP, the rate of growth of consumer spending is a major determinant of the pace of real economic growth. However, consumer spending dollars come primarily from current earnings, so it is not independent of factors that affect consumer incomes. Paralleling the slowing of GDP growth, real consumer spending during the first three quarters of 2011 grew at only a 1.7 percent annual rate, after increasing at a 2.8 percent rate over the same period in 2010. However, growth in real disposable personal income slipped from 4.2 percent in the first three quarters of 2010 to -0.4 percent in the first three quarters of 2011. The slowdown in income growth was a result of the sluggish growth in new job creation and wages. Considering the disappointing gains in household incomes in 2011, consumer spending held up relatively well and consumers' reluctance to spend cannot be considered a primary cause of the weak recovery. Further evidence that consumers are not holding back due to weak confidence is provided by the national savings rate, which slipped to 3.8 percent in 3Q11, well below the long-term historical rate.

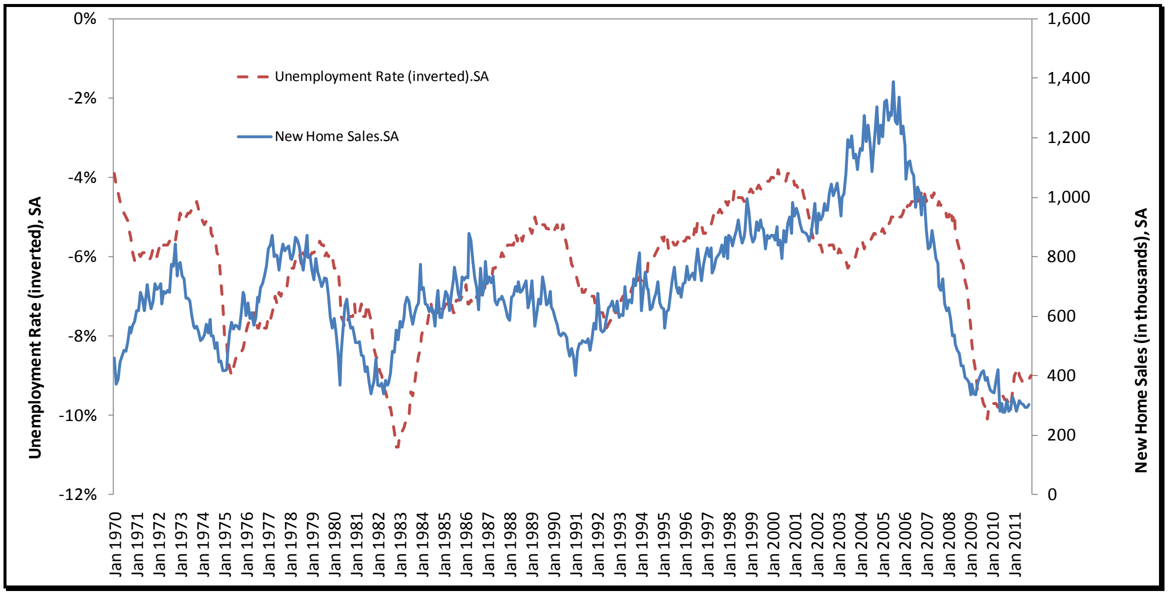
During the credit bubble of the past decade, mortgage and other household debt mushroomed and the household debt service ratio (the ratio of debt service payments to disposable personal income) reached record levels. The high household debt levels were a principal reason the Comptroller's Office anticipated an unusually weak recovery from the 2008-2009 recession. Due to widespread mortgage foreclosures, as well as to low mortgage interest rates and consumer borrowing restraint, there has been significant progress toward a more sustainable household debt profile. By the second quarter of 2011, the household debt service ratio had fallen to its lowest level since 1994.

Nevertheless, the housing sector remains troubled and it continues to be a drag on the economy. Gross private investment in residential structures relative to GDP has been mired at about half of its historical rate for the past three years and shows no signs of turning around. Sales of new single-family homes in 2010 were the fewest since data collection began in 1963 and are on track to establish a new record low in 2011. The extraordinarily low level of new home sales, and consequently of new homes built, is due to a dramatic slowdown in new household formations as well as to the overhang of foreclosed properties on the market. With the employment rate of Americans between 20 and 29 years old only 67 percent, many young people have delayed establishing their own households and buying homes. Until job opportunities become more plentiful and the economic optimism of young adults is restored, new housing construction will continue to languish. The Comptroller does not expect to see significant improvement in these conditions during 2012.

Without a normally-functioning housing construction industry, the nation's economy cannot return to full prosperity. Since overall economic growth is dependent on a healthy residential construction industry and, in turn, the housing market requires a healthy economy, the Comptroller's Office anticipates only a very gradual acceleration in the rate of economic growth as labor market and housing market conditions gradually improve in tandem. There is some hope, however, that the very low rates of household formations and new housing construction in recent years will eventually generate strong housing demand and demand for related goods and services, insofar as life-cycle purchases like housing can be delayed only so long. The expectation that a degree of pent-up demand for housing and related items will eventually manifest itself underlies the Comptroller's forecast of a strengthening economy in the outyears of the Financial Plan.

Chart 2 shows the close relationship between movements in the unemployment rate and new home sales.

Chart 2. **New Home Sales vs. Unemployment Rate (Inverted), Seasonally Adjusted, January 1970-October 2011**



SOURCE: Monthly Data from the U.S. Department of Labor and the U.S. Census Bureau.

The Comptroller's Office believes that the gradual recovery process discussed above could be expedited if the federal government coupled significant short-term fiscal stimulus with meaningful long-term budget reforms. Unfortunately, ideological and political divisions in Congress do not seem conducive to that policy mix. Rather, the automatic budget reductions that are slated to take effect on January 1, 2013 will likely further impede recovery. The extension of the Social Security payroll tax reduction through 2012 will merely help to keep the recovery on its present slow course.

The most serious risk to the Comptroller's economic scenario is the European debt crisis. In the worst case, a default by one or more European governments and a disorderly breakup of the euro zone could trigger a global financial panic similar to that which occurred in the aftermath of the Lehman bankruptcy. Such a financial trauma could well plunge the United States into another deep recession with nearly incalculable economic and social repercussions. In the best case, political divisions in the European community will be overcome and leaders will devise an immediate and effective plan to lessen the debt burdens of Greece, Ireland, Portugal, Italy and Spain and to stimulate economic growth throughout Europe.

The Comptroller's Office economic forecast anticipates a middle scenario for the European debt crisis, in which the European Central Bank (ECB) or the European Financial Stabilization Fund (EFSF) is eventually authorized to engage in large-scale support of debt-stressed governments, possibly after intermediate measures prove insufficient and a European recession creates even more financial instability. That scenario entails some adverse consequences for both the U.S. and New York City economies. The Comptroller expects a European recession to occur but is hopeful that it will be mild enough for the U.S. economy to escape its downdraft and continue to grow at a modest, if somewhat reduced, pace.

The effects on the local economy are likely to be more pronounced. European banks, which are highly exposed to both the economic and financial risks of the current crisis, have a large footprint in the city. According to Federal Reserve data, European banks have more than $1 trillion of assets in New York City offices, accounting for nearly two-thirds of all foreign banks assets in the city. They also have extensive ties to other financial firms in the city, have thousands of employees in New York City offices, and are active lenders in the city's economy. Moreover, many New York City non-financial firms have extensive business relationships with European counterparts and the city attracts millions of European business and leisure travelers each year. Because of such widespread commercial interactions between New York and Europe, adverse effects on the city's economy are inevitable and are a primary reason the Comptroller reduced his economic and tax revenue forecasts for FY 2012.

Table 4 provides summary projections for major economic indicators in 2011 through 2015 for the City and the nation.

Table 4. Selected NYC and the U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2011-2015

Selected NYC Economic Indicators, Annual Averages						
		2011	**2012**	**2013**	**2014**	**2015**
Real GCP, (2005 $),	Comptroller	2.8	1.8	2.4	3.0	3.2
% Change	Mayor	1.4	0.1	1.6	2.3	2.6
Payroll Jobs,	Comptroller	39	43	55	65	59
Change in Thousands	Mayor	40	24	38	47	55
Inflation Rate	Comptroller	2.9	2.0	2.1	2.3	2.5
Percent	Mayor	2.9	1.9	1.9	2.1	2.2
Wage-Rate Growth,	Comptroller	2.9	2.7	3.0	3.0	2.8
Percent	Mayor	3.6	1.8	1.8	2.6	2.6
Unemployment Rate,	Comptroller	8.7	8.4	7.6	6.8	5.9
Percent	Mayor	NA	NA	NA	NA	NA
Selected U.S. Economic Indicators, Annual Averages						
		2011	**2012**	**2013**	**2014**	**2015**
Real GDP, (2005 $),	Comptroller	1.7	1.8	2.5	3.1	3.3
% Change	Mayor	1.5	1.8	2.3	3.4	3.4
Payroll Jobs,	Comptroller	1.3	1.9	2.2	2.4	2.2
Change in Millions	Mayor	1.2	1.3	1.7	2.5	2.7
Inflation Rate	Comptroller	3.1	1.9	2.0	2.1	2.3
Percent	Mayor	3.2	1.6	1.8	2.0	2.0
Fed Funds Rate,	Comptroller	0.1	0.1	0.2	1.2	2.7
Percent	Mayor	0.1	0.1	0.1	1.2	3.3
10-Year Treasury Notes,	Comptroller	2.8	2.4	2.9	3.7	4.3
Percent	Mayor	2.8	2.7	2.9	3.6	4.6

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the Executive Budget Fisc al Year 2012 Message of the Mayor.

III. The City's Fiscal Outlook

The FY 2012 Budget as modified in November totals $67.011 billion, an increase of $1.135 billion from FY 2011. However, the FY 2012 budget is balanced with $3.73 billion of previously accumulated budget surplus. The City prepaid $3.742 billion of FY 2012 expenses in FY 2011, and the current modified budget assumes a very minimal budget surplus of $12 million, using $3.73 billion of the prior-year surplus. [1] In contrast, FY 2011 added $96 million to the accumulated surplus, growing it from $3.646 billion to $3.742 billion. Adjusting for the impact of prepayments, the FY 2012 budget totals $70.741 billion, an increase of almost $5 billion from the adjusted FY 2011 spending.

The FY 2012 budget has increased by $1.1 billion since budget adoption. The non-City-funded portion of the budget, which comprises Federal, State, other categorical and inter-fund agreement expenditures, accounts for $1 billion of the increase. Because non-City-funded expenditures are funded with matching non-City-funded revenues, they do not have an impact on budget balance. Every dollar change in non-City-funded expenditures is matched with a corresponding change in non-City-funded revenues.

The City-funded portion of the FY 2012 Budget has increased by $94 million. Increases in City-funds revenues are mainly the result of revenue programs to eliminate the gap (PEGs) that are anticipated to generate $69 million of additional revenues, with revisions to the Adopted Budget baseline revenue forecasts adding another $25 million. At the same time, despite expenditure PEGs totaling $401 million, City-funded expenditures are expected to grow by $82 million before prepayment of $12 million of FY 2013 general obligations (GO) debt service. This increase is the result of a series of revisions to agency spending and the removal of assumed savings from prior PEGs that were incorporated into the City's baseline estimates. Overall, City-funded spending has increased by a combined $483 million. More than half the changes are due to increases in the uniformed overtime budgets in the Police Department, Fire Department, and Department of Correction and the removal of assumed savings from baseline gap-closing overtime initiatives in these departments.

[1] The FY 2011 prepayments include $2.784 billion of General Obligations (GO) bonds, $790 million of New York City Transitional Finance Authority (NYCTFA) bonds, $4 million in net equity contribution in bond refunding, and $164 million in library subsidies.

Table 5. Changes to the FY 2012 City-Funded Estimates

($ in millions)

REVENUES		EXPENDITURES	
		Agency Increase	$276
Tax Revenues	$24	Reversal of Previous PEGs	$207
Non-Tax Revenues	$1	Expenditure PEGs	($401)
Revenue PEGs	$69	FY 2012 BSA	$12
Total	**$94**	**Total**	**$94**

As the figure to the right shows, changes to the City-funds baseline revenues and expenditures created a gap of $458 million in the FY 2012 budget before PEG implementation. The PEGs proposed in the November Modification, discussed in "Program to Eliminate the Gap" beginning on page 15, is expected to provide $470 million in budget relief — $69 million in additional revenues and $401 million in spending reductions. As a result, the FY 2012 budget is expected to end with a modest surplus of $12 million which will be used to fund a FY 2012 Budget Stabilization Account (BSA) to prepay FY 2013 GO debt service.

FY 2012 BSA ($ in millions)	
Adopted Budget Gap	**$0**
Baseline Changes	
Revenue Increases	$25
Expenditure Increases	($483)
Gap	($458)
PEGs	$470
Post PEG Surplus	$12
FY 2012 BSA	**($12)**
November Gap	**$0**

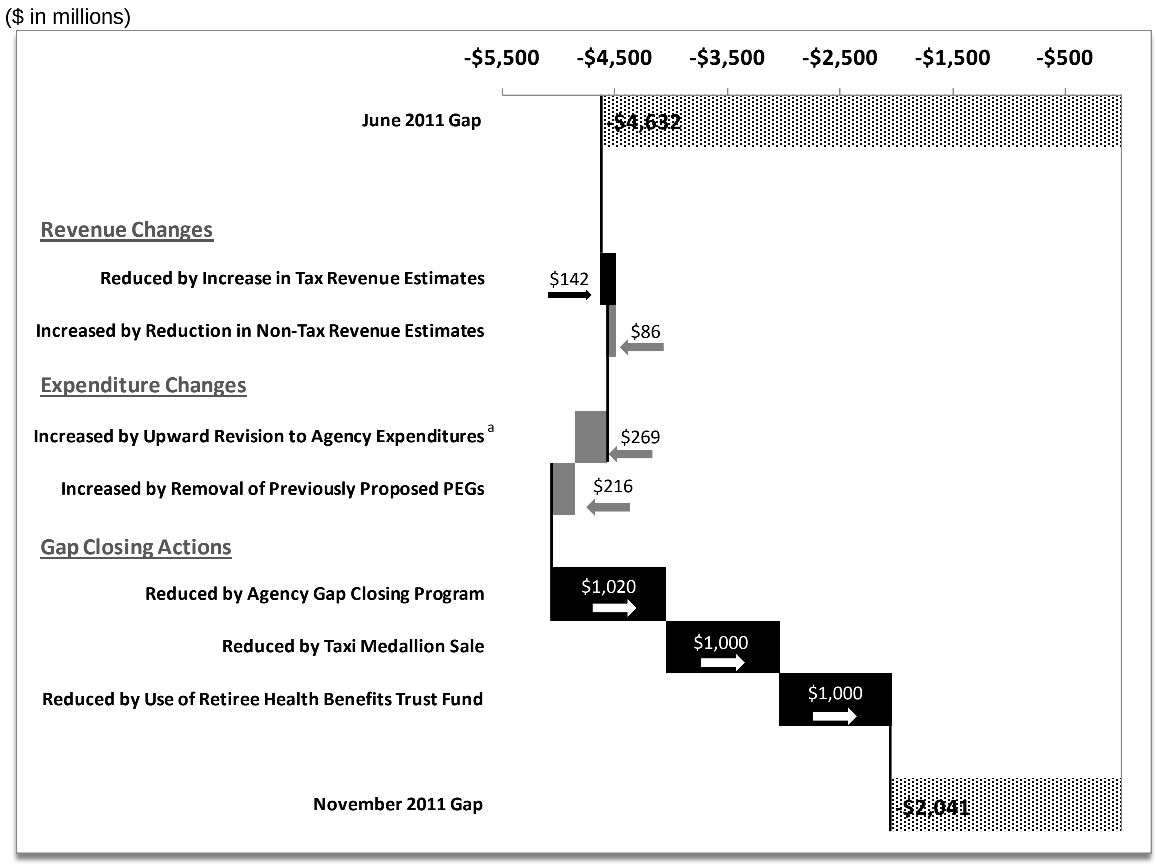
NOTE: Negative numbers increase the gap and positive numbers decrease the gap.

THE OUTYEAR GAPS

The June Financial Plan presented outyear budget gaps of $4.6 billion in FY 2013, $4.8 billion in FY 2014, and $4.9 billion in FY 2015. In order to reduce these gaps the City instructed City agencies to submit plans to cut spending or increase revenue equivalent to 2.0 percent of the agencies' budget for the remainder of the current fiscal year and 6.0 percent for FY 2013. These actions were planned to achieve targeted budget relief of $500 million in FY 2012 and $1.5 billion in FY 2013. The gap-closing initiatives included in the November Financial Plan is projected to provide budget relief of $470 million in FY 2012, $1.02 billion in FY 2013, $626 million in FY 2014, and $628 million in FY 2015.

In addition to the agency gap-closing initiatives, the November Plan also includes plans to draw down $1 billion of Retiree Health Benefits Trust (RHBT) assets in each of FYs 2013 and 2014 to fund pay-as-you-go retiree health benefits in those years. Further, the City expects to realize an additional $1 billion in revenues from the sale of 1,500 taxi medallions in FY 2013 as discussed in "Miscellaneous Revenues" beginning on page 25. These actions, combined with adjustments to baseline revenue and expenditure estimates more than halved the FY 2013 budget gap projected in June to $2.041 billion as shown in Chart 3.

***Chart 3*. Reducing the FY 2013 Budget Gap**



[a] Net of $12 million prepayment of GO debt service from FY 2012 BSA.

In the latter half of the Financial Plan period, budget gaps are projected to grow to $3.8 billion in FY 2014 and to $4.877 billion in FY 2015. The drop in FY 2013 is due mainly to the fact that the $1 billion revenue from the sale of taxi medallions is a non-recurring initiative for FY 2013. In addition, the PEG benefits decline from $1.02 billion in FY 2013 to $626 million in FY 2014 as some of the PEG benefits do not recur beyond FY 2013. Similarly, the widening of the budget gap in FY 2015 is a result of the loss of the use of RHBT assets to fund retiree pay-as-you-go health benefits after FY 2014.

PROGRAM TO ELIMINATE THE GAP (PEG)

The November Modification agency PEGs are estimated to produce budget relief totaling $470 million in FY 2012, $1.02 billion in FY 2013, $626 million in FY 2014, and $628 million in FY 2015. More than 80 percent of the PEG benefits result from spending reductions which are expected to produce savings of $404 million, $900 million, $529 million, and $530 million in each of FYs 2012 through 2015, respectively.[2] Additional revenues, primarily from audits, fees, permits and miscellaneous revenues account for the remaining benefits.

PEGs with recurring benefits are expected to reduce the budget gaps by $308 million in FY 2012, $885 million in FY 2013, $601 million in FY 2014, and $628 million in FY 2015 as shown in Table 6. PEG initiatives in FY 2012 account for most of the benefits in the outyears, providing budget relief of $645 million in FY 2013, $348 million in FY 2014, and $372 million in FY 2015. The spike in FY 2013 PEG benefits is due mainly to lower variable rate demand bond interest rate assumptions, lower assumed rates on short term borrowing, and refunding savings. Together, these actions are expected to produce savings of approximately $200 million. In total, debt service savings from refinancing, lower interest rate assumptions and lower realized rates on debt issuance are expected to reduce debt service by $56 million in FY 2012, $229 million in FY 2013, $30 million in FY 2014, and $44 million in FY 2015.

Table 6. The November Plan PEGs

($ in thousands)

	FY 2012	FY 2013	FY 2014	FY 2015
Recurring PEGs				
FY 2012 Expenditure PEGs	$267,879	$560,977	$296,395	$319,598
FY 2013 Expenditure PEGs	0	195,177	197,824	198,319
FY 2014 Expenditure PEGs	0	0	10,000	11,000
FY 2015 Expenditure PEGs	0	0	0	1,000
FY 2012 Revenue PEGs	40,297	84,040	51,278	51,996
FY 2013 Revenue PEGs	0	44,531	45,971	46,185
Total Recurring PEGs	**$308,176**	**$884,725**	**$601,468**	**$628,098**
Non-Recurring PEGs				
FY 2012 Expenditure PEGs	$136,464	$0	$0	$0
FY 2013 Expenditure PEGs	0	133,833	0	0
FY 2014 Expenditure PEGs	0	0	25,000	0
FY 2012 Revenue PEGs	25,315	0	0	0
FY 2013 Revenue PEGs	0	1,436	0	0
Total Non-Recurring PEGs	**$161,779**	**$135,269**	**$25,000**	**$0**
Total PEGs	**$469,955**	**$1,019,994**	**$626,468**	**$628,098**

In total, the PEGs in the November Plan consist of 266 initiatives of which 186 are to be implemented in FY 2012, 75 in FY 2013, 4 in FY 2014 and 1 in FY 2015.[3]

[2] Expenditure PEGs in this section exclude the cost associated with the implementation of certain revenue PEGs. The benefits of revenue PEGs are adjusted to account for the cost associated with implementing these PEGs.

[3] Details of the PEG initiatives can be found on New York City's Office of Management and Budget website at http://www.nyc.gov/html/omb/downloads/pdf/peg11_11.pdf.

Only 34 of the PEG initiatives are core PEGs which generate savings or revenues of $5 million or more. However, these PEGs are expected to generate $337 million of benefits in FY 2012, $754 million in FY 2013, $417 million in FY 2014, and $414 million in FY 2015. Thus, approximately 13 percent of the initiatives are expected to produce more than 70 percent of the savings in FYs 2012 and 2013 and approximately two-thirds of the savings in the latter half of the Plan period. Table 7 below shows the core PEG initiatives.

Table 7. November Plan Core PEGs

($ in millions)

Agency	**Initiative**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Dept. of Education	SE Pre-K Revenue PEG	$37.6	$62.3	$62.3	$62.3
	Pre-K Handicapped Tuition and Related Services Reduction	$30.0	$21.5	$25.8	$34.5
	Related Services Savings	$18.0	$18.0	$18.0	$18.0
	Pre-K Handicapped Transportation Savings	$14.4	$14.4	$14.4	$14.4
	Facilities OTPS Efficiencies	$12.0	$12.0	$0.0	$0.0
	Lease Savings	$10.0	$10.0	$10.0	$10.0
	Food services Re-estimate	$10.0	$0.0	$0.0	$0.0
	Facilities OTPS Efficiencies	$8.0	$8.0	$0.0	$0.0
	Facilities PS Efficiencies	$5.0	$5.0	$0.0	$0.0
	Building Aid for GO Debt Service	$0.0	$100.0	$0.0	$0.0
	Medicaid Revenue PEG	$0.0	$50.0	$50.0	$50.0
Administration for Children Services	Fringe Reimbursement Rate Increase	$35.8	$0.0	$0.0	$0.0
	One Time Revenue Settlements	$16.9	$0.0	$0.0	$0.0
Police Dept.	Operating Efficiencies - OT Savings	$0.0	$50.0	$50.0	$50.0
Dept. of Social Services	Fringe Reimbursement Rate Increase	$36.6	$0.0	$0.0	$0.0
	Sell City Owned Buildings	$0.0	$0.0	$25.0	$0.0
Dept. of Finance	Increase Audit Tax Revenue Baseline	$10.0	$35.0	$10.0	$10.0
	Exemption Renewal and Verification	$0.0	$7.1	$7.1	$7.1
Dept. of Citywide Admin. Service	Property Sales	$6.5	$0.0	$0.0	$0.0
	Additional Court Reimbursement	$5.7	$0.0	$0.0	$0.0
Dept. of Sanitation	Recycled Bulk and Paper Sales Revenue	$5.8	$2.9	$2.9	$2.9
	Marine Transfer Station (MTS) Staffing	$0.0	$16.3	$0.0	$0.0
	Civilian Hiring Freeze	$0.0	$5.1	$0.0	$0.0
	Privatize Operations of Four Marine Transfer Stations	$0.0	$0.0	$8.0	$8.0
Fire Dept.	Establish Building Inspection Safety Protocol Fee	$0.0	$7.5	$9.0	$9.0
Dept. of Parks And Recreation	Agency Attrition	$0.0	$5.8	$0.0	$0.0
	Parks Revenue	$0.0	$13.0	$13.0	$13.0
Dept. of Correction	SCOC Variance Savings	$5.0	$9.2	$9.3	$9.4
Dept. of Transportation	Bus Stop Shelter Scroller Revenue	$5.8	$0.0	$0.0	$0.0
	Parking Meter Initiatives and Efficiencies	$0.0	$7.0	$7.0	$7.0
Dept. of Information, Technology and Telecommunication	Cable Franchise Revenue	$8.0	$4.0	$4.0	$4.0
Dept. of Youth & Community Development	Reduce OST Slots	$0.0	$5.9	$5.9	$5.9
Debt Service	Debt Service Savings	$56.1	$228.8	$30.0	$43.7
OTPS Inflation Adjustment	OTPS Inflator	$0.0	$55.5	$55.5	$55.5
Total		**$337.3**	**$754.3**	**$417.1**	**$414.7**

RISKS AND OFFSETS

Agency gap-closing initiatives and other actions including the sale of 1,500 taxi medallions in FY 2013, and the use of $1 billion of RHBT assets in each of FYs 2013 and 2014 towards retiree pay-as-you-go health insurance have reduced the outyear budget gaps to $2.041 billion in FY 2013, $3.828 billion in FY 2014, and $4.877 billion in FY 2015 in the November Plan. However, the Comptroller's Office's analysis of the budget indicates that net risks to the Plan's projections could create a gap of $1.7 billion in FY 2012, and widen the outyear gaps to $3.165 billion in FY 2013, $4.402 billion in FY 2014, and $4.961 billion in FY 2015, as shown in Table 8.

Table 8. Risks and Offsets to the November 2011 Financial Plan

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
City Stated Gap	**$0**	**($2,041)**	**($3,828)**	**($4,877)**
Tax Revenues				
Property Tax	$0	($39)	($17)	$14
Personal Income Tax	$15	$12	$338	$249
Business Taxes	($241)	($244)	$0	$163
Sales Tax	$0	($65)	$20	$98
Real-Estate-Related-Taxes	$53	$167	$133	$127
Subtotal	**($173)**	**($169)**	**$474**	**$651**
Expenditures				
UFT/CSA Collective Bargaining	($1,698)	($897)	($900)	($900)
Overtime	($42)	($100)	($100)	($100)
Dept. of Education	$0	($50)	($50)	($50)
Proposed Pension Changes	$213	$257	$137	$415
Judgments and Claims	$0	$35	$65	$100
Subtotal	**($1,527)**	**($755)**	**($848)**	**($535)**
State Budget Impact	**$0**	**($200)**	**($200)**	**($200)**
Total Risk/Offsets	**($1,700)**	**($1,124)**	**($574)**	**($84)**
Restated (Gap)/Surplus	**($1,700)**	**($3,165)**	**($4,402)**	**($4,961)**

The largest risk to the FY 2012 budget stems from the unsettled labor contracts for the United Federation of Teachers (UFT) and the Council for School Supervisor and Administrator (CSA). As discussed in "Labor" beginning on page 32, the UFT and CSA have yet to reach labor agreements with the City on the round of collective bargaining corresponding to the round where other major municipal unions settled for two annual wage increases of 4.0 percent. A settlement that mirrors the agreement of the other unions would cost the City $1.698 billion in FY 2012, including the cost of increases retroactive to FYs 2010 and 2011.

The magnitude of the risk from the potential UFT and CSA contracts declines significantly in the outyears as the retroactive component associated with the potential wage increase is only a risk in the current fiscal year. Thus even with the added risks associated with the State budget impact beginning in FY 2013, the overall outyear risks decline over the Plan period. As discussed in "Federal and State Aid" beginning on page 27, the City could face a potential shortfall in State support of $200 million in each of FYs 2013 through 2015.

Partially offsetting the FY 2012 risks is the Comptroller's Office's estimate that pension costs would be lower than assumed in the Financial Plan. The November Plan pension cost projections for the five actuarial pension funds include a $1 billion reserve in each of FYs 2012 through 2015 in anticipation of increased pension contributions resulting from changes in actuarial assumptions and methodologies. In addition, the projections assume savings of $131 million and $252 million in FYs 2014 and 2015, respectively, from pension reforms. As discussed in "Pension" beginning on page 29, the Comptroller's Office estimates that pension contributions after incorporating the proposed actuarial changes and actual FY 2011 investment experience would be lower than the Plan projections by $213 million in FY 2012, $257 million in FY 2013, $137 million in FY 2014, and $415 million in FY 2015.

In addition to the offsets from lower pension contributions, the Comptroller's Office's higher tax revenue forecasts for FYs 2014 and 2015 provide further offsets to risks in the latter half of the plan period. These risks are discussed in more detail in "Risks and Offsets to the City's Tax Revenue Assumptions" beginning on page 24.

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IV. Revenue Assumptions

In the November Modification, the total revenue projection for FY 2012 increased by $1.1 billion from the June Plan. The current $67 billion projection is $1.1 billion, or 1.7 percent higher, than FY 2011 actual total. The Plan-to-Plan increase is primarily the result of the enhancement of projected Federal and State categorical grants by $896 million and $270 million, respectively. The majority of the increase is unspent Federal funds from FY 2011 rolled into the current fiscal year, augmented by greater expectations of State health and social services grants. In addition, the current FY 2012 revenue forecast reflects a net $70 million increase in the miscellaneous revenue projection, excluding intra-City revenues, which results mostly from increases in anticipated non-recurring miscellaneous revenues and charges for services. The FY 2012 tax revenue forecast increased by $36 million from the Adopted Budget.

Over the Financial Plan period, total revenue is forecast to increase 4.8 percent from $67 billion in FY 2012 to $70.2 billion in FY 2015. Tax revenues are projected to comprise 63 percent of total revenues in FY 2012, growing to 66 percent of total revenues by FY 2015. Property tax revenues are projected to grow from $17.9 billion in FY 2012 to $19.3 billion in FY 2015, while non property tax revenues, excluding audits, are expected to grow from $24.2 billion in FY 2012 to $26.4 billion in FY 2015.

Tax Revenues

In the November Modification, the City's FY 2012 tax revenue forecast increased only slightly, by a net $36 million, from $42.04 billion to $42.07 billion. All major tax forecasts were revised in the November Modification. Revenue projections for the Personal Income Tax (PIT), the General Corporation Tax (GCT) and the Unincorporated Business Tax (UBT) were lowered, while revenue forecasts for the Banking Corporation Tax (BCT), sales tax, property tax and real-estate-related-taxes were raised in the current budget.[4]

Changes from Adopted Budget

As detailed in Table 9, the largest change to the tax forecast is a reduction of $134 million in anticipated PIT revenues. Although net FY 2012 PIT collections for the first four months of the fiscal year were higher than previously anticipated in the June Plan, the excess collection was in large part due to State/City offsets. The outyear

[4] If not indicated specifically, throughout this section, Personal Income Tax (PIT) and Property tax revenues include School Tax Relief (STAR) reimbursement.

forecasts for PIT have also been revised downward, paralleling the City's outlook for capital gains and wage earnings.

The City's forecasts for the business tax revenues have also been revised. The FY 2012 business tax revenue forecast decreased by a net $30 million. The decline in the business tax coincides with lower rates of growth for both the gross city product (GCP) and the nation's GDP compared to the June assumptions. The forecast for BCT revenues increased by $71 million, while the forecast for UBT and GCT revenues declined by $1 million and $100 million respectively. The outyear forecasts for the business tax revenue declined as well, in line with the changes to the FY 2012 business tax projections.

Table 9. Revisions to the City's Tax Revenue Assumptions

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
November Modification – Total	**$42,073**	**$43,640**	**$44,698**	**$46,426**
Revisions:				
Property	21	35	32	32
Personal Income (PIT)	(134)	(100)	(132)	(150)
Business	(30)	(29)	(77)	(112)
Sales	70	84	67	58
Real-Estate Related	87	151	175	198
All Other	11	17	6	(2)
Tax Audit	10	35	10	10
Revisions-Total	**$36**	**$193**	**$81**	**$34**

SOURCE: Office of Management and Budget.

Projections for sales tax revenues increased slightly for each year of the Financial Plan period. For FY 2012, the City increased its sales tax revenue forecast by $70 million, even though collections for the first four months of the fiscal year are slightly below the June Plan forecast.

The City's forecasts for the real-estate-related tax revenues were also raised throughout the Plan period. Both the real property transfer tax and the mortgage recording tax revenue forecasts for FY 2012 were increased, by $79 million and $8 million respectively. Property tax revenue projections were raised slightly for FYs 2012-2015. Finally, projections for tax audit revenues were also revised upward.

Projected Tax Revenue Growth, FYs 2012-2015

The City's current tax revenue forecast of $42.07 billion for FY 2012 represents an increase of 4.3 percent, or $1.7 billion from FY 2011. As Table 10 shows, total tax revenues are expected to grow 3.7 percent in FY 2013, 2.4 percent in FY 2014 and 3.9 percent in FY 2015. Over the entire Financial Plan period, non-property tax revenues are expected to grow at an annual average rate of 3.8 percent while property tax revenues are expected to grow on average 2.6 percent annually.

Table 10. City's Tax Revenue Forecast, Growth Rate, FYs 2012-2015

		Financial Plan Period Growth			
	FYs 2011-2012	FYs 2012-2013	FYs 2013-2014	FYs 2014-2015	FYs 2012-2015
Property	4.5%	3.3%	2.3%	2.3%	2.6%
PIT	5.8%	6.2%	1.1%	6.5%	4.6%
Business	7.9%	1.8%	1.1%	2.8%	1.9%
Sales	5.0%	3.4%	4.0%	4.3%	3.9%
Real-Estate Related	10.7%	7.2%	13.0%	12.2%	10.8%
All Other	(2.1%)	0.6%	2.5%	2.7%	1.9%
Tax Audit	(32.2%)	3.6%	(2.5%)	0.0%	0.3%
Total	**4.3%**	**3.7%**	**2.4%**	**3.9%**	**3.3%**

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

The projected growth in FY 2012 property tax revenues results mainly from an increase in FY 2012 assessment values for Class 2 and 4 properties. In the outyears of the Financial Plan, growth in property tax revenues is expected to taper off, reflecting the City's anticipation of higher interest rates, which are expected to increase capitalization rates and put downward pressure on Class 2 and Class 4 market value growth. However, the increase in FY 2012 assessment values for these properties is expected to build-up the "pipeline" of assessment values enough to provide stable revenue growth in property tax collections over the Plan period.[5]

The City expects PIT revenues to grow 5.8 percent in FY 2012 and 6.2 percent in FY 2013, reflecting continued growth in the national and local economies. However, PIT revenue growth is expected to slow considerably in FY 2014. The City believes that the scheduled expiration of the Bush tax cuts at the end of calendar year (CY) 2012 will accelerate capital gains realizations into tax year 2012, resulting in a spike in FY 2013 PIT revenues and a corresponding slowdown in revenue growth in FY 2014. PIT revenue is expected to grow at an average rate of 4.6 percent annually over the Plan period.

Business tax revenues are expected to grow 7.9 percent in FY 2012, driven mainly by growth in projected GCT and UBT revenues. The expected growth in FY 2012 GCT and UBT revenues results mostly from strength in profits from finance sector firms. In contrast, BCT revenues are expected to shrink in FY 2012, due mainly to the gradual decline of government support. Starting in FY 2013, business tax revenue growth is expected to slow significantly as the implementation of regulatory changes and the withdrawal of government support from the finance and banking industries weigh on the profitability of these industries. Further clouding the profit outlook in these industries is

[5] Class 1 properties are valued based on sales of comparable properties. Class 2 and Class 4 properties are valued based on the capitalization of income.

the sluggish economic recovery and the uncertainty surrounding the European debt crisis. Business income tax collections are expected to grow at an average annual rate of 1.9 percent in FYs 2012-2015.

The City expects collections from the sales tax to grow 5.0 percent in FY 2012. Slow but continued job growth, income expansion and a vibrant tourism sector underlie the City's assumption. The City estimates that a record 49 million visitors spent over $31 billion in New York City in calendar 2010, and expects that tourism will remain strong in the coming years. For FYs 2013 through 2015, the City projects sales tax revenues will return to trend growth, averaging an annual growth rate of 3.9 percent.

Among all tax revenue sources the City anticipates that real-estate-related tax revenues will exhibit the fastest growth in FY 2012. Collections from real property transfer tax and mortgage recording tax combined are projected to grow by a net 10.7 percent in FY 2012. The increase is driven by an expected surge in commercial transaction revenues. Revenues from residential transactions are expected to decline in FY 2012.

Risks and Offsets to the City's Tax Revenues Assumptions

The Comptroller's estimates of risks and offsets to the City's tax revenue assumptions are based on current year collections and its economic projections. Since the June Plan, the Comptroller's Office has lowered its expectation of economic growth for both the local and national economies.

As Table 11 shows, the Comptroller's Office has identified overall tax revenues risks of $173 million in FY 2012, and $169 million in FY 2013. For FYs 2014-2015, the Comptroller's Office has identified net offsets of $474 million and $651 million respectively. In FY 2012 the risk stems from lower estimates for business tax revenues, partially offset by higher estimates for PIT and the real-estate-related tax revenues. Although the City lowered its projections for GCT revenues in the November Plan, the Comptroller's Office believes collections from both the GCT and the BCT will still be lower than the City's current forecast. The Comptroller's Office anticipates that continued financial volatility and other stresses stemming from the European debt crisis will adversely affect financial industry profits during 2012.

Even though the City increased its forecasts for the real-estate-related tax revenues throughout the Plan period, the Comptroller's Office projections for the real-estate-related tax revenues, while unchanged since the July Plan, continue to be higher than the City's forecasts. The Comptroller's Office believes that continued stock market volatility and low interest rates will further encourage institutional investors to shift portfolios towards commercial real estate, especially in premium markets such as New York City, thereby stimulating transactions of commercial properties. However, the

Comptroller's Office is concerned that the reduction in Fannie Mae and Freddie Mac maximum loan limits, which took effect October 1, may impede the continued gradual recovery of the City's residential market.

The offsets identified by the Comptroller's Office for FYs 2014 and 2015 are mainly the result of the Comptroller's higher estimates for PIT and real-estate-related tax revenues. The Comptroller's more optimistic projection for PIT in the last two years of the Plan period stems from the Comptroller's Office's more sanguine expectations for employment and wage growth in the later years of the Plan. Additionally, the Comptroller anticipates that business tax revenues will rebound and surpass the City's forecast in FY 2015.

Table 11. Risks and Offsets to the City's Tax Revenue Projections

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
Property	$0	($39)	($17)	$14
PIT	15	12	338	249
Business	(241)	(244)	0	163
Sales	0	(65)	20	98
Real Estate-Related	53	167	133	127
Total	**($173)**	**($169)**	**$474**	**$651**

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

Miscellaneous Revenues

The City's current FY 2012 miscellaneous revenue forecast is $4.48 billion, $70 million greater than the amount forecasted in the FY 2012 June Plan. [6] As Table 12 shows, the City revised its forecast for all categories of miscellaneous revenue. Revenue projections for licenses and franchises, charges for services, rental income and "other miscellaneous" were increased by $16 million, $32 million, $22 million and $54 million, respectively, while projections for interest income, water and sewer charges and fines and forfeitures declined by $17 million, $4 million and $33 million, respectively. [7]

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

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

Table 12. Changes in FY 2012 Estimates
November 2011 vs. June 2011

($ in millions)

	November	June	Change
Licenses, Franchises, Etc.	$543	$527	$16
Interest Income	17	34	(17)
Charges for Services	827	795	32
Water and Sewer Charges	1,435	1,439	(4)
Rental Income	279	257	22
Fines and Forfeitures	781	814	(33)
Other Miscellaneous	594	540	54
Total	**$4,476**	**$4,406**	**$70**

SOURCE: NYC Office of Management and Budget.

The increase in the forecast for licenses and franchises is the result of an additional $5.8 million of revenue realized from the installation of bus stop shelter scrollers and $8 million of additional cable franchise revenues. Estimates for revenues from charges for services were also increased, mostly due to $20 million of additional revenues associated with a tuition increase at the City University of New York and a $9 million increase in projected Section 421(A) tax exemption fees.[8]

The City's forecast of FY 2012 rental income was also revised upward. The $22 million increase in FY 2012 and beyond reflects the City's re-estimate of airport revenues. The current forecast for revenues in the "other miscellaneous" category increased by $54 million, including an expected $30 million in additional revenues from asset sales through the New York City Economic Development Corporation's (EDC) and another $5.7 million in anticipated court reimbursement revenues.

Partially offsetting the above revisions is a $17 million decline in projected interest income. The City has lowered its FY 2012 forecast for interest income by 50 percent from its adopted budget level reflecting lower than expected interest rates for the year. Projected revenues from fines and forfeitures were also lowered by a net $33 million, primarily due to a decrease of $35.3 million in estimated parking violation fine revenues.

The FY 2012 miscellaneous revenue budget contains nearly $70 million in anticipated non-recurring revenues stemming mostly from asset sales. This amount is less than half the amount of one-time miscellaneous revenues received in FY 2011.

[8] Section 421A is a program administered by the NYC Department of Housing Preservation and Development (HPD) to promote multi-family residential construction by providing a declining property tax exemption on the new value created by the improvement. The City collects a filing fee of 4/10 of 1.0 percent of the total project cost or total project sell-out price, if the project is a co-op or condominium.

With the exception of FY 2013 when miscellaneous revenues spike to $5.5 billion, the City expects growth in miscellaneous revenues to be relatively flat over the Financial Plan period. The increase in FY 2013 results from the anticipation of a one-time revenue infusion of $1 billion from the sale of taxi medallions. The legislation, which authorizes the City to issue an additional 1,500 taxi medallions, has passed both the Senate and the Assembly but has yet to be signed by the Governor.

Federal and State Aid

The November Modification projects Federal and State aid of $18.87 billion for FY 2012, an increase of $1.17 billion since the Adopted Budget. Nearly $900 million of this increase is attributable to Federal grants. The bulk of the additional Federal grant funding consists mainly of unspent funds rolled forward from FY 2011, a normal routine in the first quarter budget modification. In addition, the November Modification recognizes an additional $270 million in State grants, primarily in the areas of health and social services.

Changes to the City's outyear Federal and State aid assumptions since the June Plan are smaller in comparison, ranging from an additional $292 million for FY 2013 to an additional $396 million for FY 2015. FY 2013 Federal and State grants are projected to be $17.77 billion, over $1 billion less than the current year estimate. Federal and State support of the overall expense budget would decline from 28.2 percent in FY 2012 to 25.3 percent in FY 2013. This trend is expected to continue over the latter years of the Plan period as Federal and State aid would remain virtually flat through FY 2014 and FY 2015, while the City's expense budget is anticipated to rise by more than $4.7 billion. By FY 2015, Federal and State assistance would support only 23.7 percent of overall spending.

The City's assumptions of Federal and State aid in the November Plan do not incorporate any potential impact of actions the State may take to address its budget deficit in the upcoming fiscal year. The State's mid-year financial plan update in November revealed a larger gap than projected in its first quarter fiscal update. In the latest update, the State projects that the gap for FYs 2012-2013 will likely fall between $3 billion to $3.5 billion, compared to the previous estimate of $2.4 billion.[9] While these deficits are not as substantial as they have been in prior years, the areas in which savings can be realized have diminished. The enacted budget for the current year contains two-year appropriations for Medicaid and school aid that reflect modest growth for both functions. Combined, the State's mid-year fiscal update still maintains spending growth of 4.0 percent for these two categories in the next fiscal year. Assuming these appropriations will remain intact through the State budget process, it would remove Medicaid and

[9] The State's mid-year update also indicates a budget gap of $350 million in the current fiscal year will be addressed via a Fiscal Management Plan to be developed by the Division of Budget.

education aid as areas that could provide significant savings to the State's gap-closing program, as shown in recent years. While a recent agreement between the Governor and the State Legislature to restructure the State's personal income tax rates could bring significant fiscal relief, the City could still face a risk of up to $200 million as potential State budget actions could reduce support for social services and other areas.

V. Expenditure Analysis

Over the Financial Plan period, expenditures adjusted for prepayments and prior-year actions are projected to grow 6.1 percent, an annual average growth rate of 2.0 percent. As shown in Table 13, expenditure increases are dominated by growth in spending on debt service, health insurance, and judgments and claims (J&C). The combined growth in these areas over the Financial Plan period is projected to be 26.7 percent, or 8.2 percent annually, more than three times the projected average annual inflation rate for this period. All other expenditures are projected to grow 1.4 percent over the Plan period, averaging 0.5 percent growth annually.

Table 13. FY 2012 – FY 2015 Expenditure Growth

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015	Growth FYs 12-15	Annual Growth
Debt Service	$5,705	$6,398	$6,882	$7,225	26.7%	8.2%
Health Insurance	4,773	5,121	5,590	6,122	28.3%	8.7%
J & C	655	685	718	754	15.1%	4.8%
Subtotal	**$11,133**	**$12,204**	**$13,190**	**$14,101**	**26.7%**	**8.2%**
Salaries and Wages	$21,763	$21,335	$21,412	$21,358	(1.9%)	(0.6%)
Pension	8,300	8,445	8,455	8,822	6.3%	2.1%
Other Fringe Benefits	3,187	3,174	3,289	3,340	4.8%	1.6%
Medicaid	6,339	6,358	6,463	6,643	4.8%	1.6%
Public Assistance	1,385	1,365	1,365	1,365	(1.4%)	(0.5%)
Other OTPS	19,431	18,512	19,202	19,701	1.4%	0.5%
Subtotal	**$60,405**	**$59,189**	**$60,186**	**$61,229**	**1.4%**	**0.5%**
MA FMAP Increase	($124)	($32)	$0	$0	(100.0%)	(100.0%)
Retiree Health Benefit Trust	($672)	($1,000)	($1,000)	$0	(100.0%)	(100.0%)
Pension Reform	$0	$0	($131)	($252)	N/A	N/A
Total	**$70,742**	**$70,361**	**$72,245**	**$75,078**	**6.1%**	**2.0%**

Pensions

The City's projected pension expenditures in the November Plan remain unchanged from the June Plan. The current projections show pension expenditures growing from $8.3 billion in FY 2012 to $8.6 billion by FY 2015. These projections include reserves of $1 billion in each fiscal year of the Plan, in anticipation of proposed changes in actuarial assumptions and methods by the Chief Actuary of the City's Retirement Systems. In addition, the projections assume savings of $131 million and $252 million in FYs 2014 and 2015, respectively, from pension reforms.

In December, following the release of Hay Group's final actuarial audit reports, the Chief Actuary began the process of presenting his proposals for changes to the actuarial assumptions and methodologies used in calculating employer pension contributions to the Boards of Trustees of the pension systems. Highlights of the proposals include:

- Reducing the actuarial interest rate assumption (AIRA) from 8.0 percent, gross of expenses, to 7.0 percent, net of expenses.[10]

- Revising retiree mortality assumptions to reflect expected improvements in future mortality.

- Increasing probabilities for accidental disability retirements for pension system members who are eligible for "World Trade Center" benefits.[11]

- Implementing a "market value restart" as of June 30, 2011 – i.e., resetting the "actuarial value of assets" to the "market value" as of that date.

- Replacing the current "frozen initial liability" actuarial cost method with the "entry age" actuarial cost method that uses a 20-year increasing dollar amortization for the initial unfunded actuarial liability. This change will mitigate and smooth out the financial impact of the proposed changes in actuarial assumptions.

Table 14 below shows the Comptroller's Office's projected reductions in pension contributions to the five actuarial pension funds after incorporating FY 2011 investment experience and all proposed actuarial changes. While the November Plan projections include assumed savings in FYs 2014 and 2015 from pension reform, the Actuary's costs are based on the current benefit structures. Thus, if the City were to achieve its proposed pension reform, the reductions in FYs 2014 and 2015 would be greater than the surpluses shown in Table 14.

[10] Under the current 8.0 percent AIRA, investment expenses are recouped with interest in the second fiscal year following the year they occur. The Chief Actuary estimates that, net of investment expenses, the current AIRA is equivalent to 7.8 percent. Thus, the proposed 7.0 percent AIRA, net of expenses, is equivalent to a 0.8 percent reduction.

[11] World Trade Center benefits: Subsequent to the terrorist attacks on the World Trade Center on 9/11/2001 ("WTC"), several laws created presumptive disability and death benefits, potentially payable to certain eligible retirement system members (who worked in specified neighboring areas during a specified time after the attack) or to the survivors of such members.

Table 14. Financial Impact on City's Contribution to the Five Actuarial Pension Funds Due to Proposed Changes toActuarial Assumptions and Methodologies

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
Baseline Contribution	$7,302	$7,419	$7,452	$7,829
Reserve for Actuarial Changes	1,000	1,000	1,000	1,000
Pension Reform Savings	0	0	(131)	(252)
Miscellaneous Adjustments	0	20	(9)	(27)
Total November Plan Projection	**$8,302**	**$8,439**	**$8,312**	**$8,550**
Pension Contributions After All Changes[a]	**$8,089**	**$8,182**	**$8,175**	**$8,135**
Surplus Over November Plan[b]	**$213**	**$257**	**$137**	**$415**

[a] Includes impact of all Chief Actuary's proposals and FY 2011 investment experience.
[b] The surplus does not include assumed savings of $131 million in FY 2014 and $252 million in FY 2015 from pension reform.

Health Insurance

The November Modification projects spending of $4.101 billion in FY 2012 growing to $6.122 billion in FY 2015 for employee and retiree health insurance. The current projections reflect the use of Retiree Health Benefits Trust (RHBT) assets to pay for retiree pay-as-you-go health insurance. The City plans to pay $672 million of pay-as-you-go retiree health insurance in FY 2012 and $1 billion in each of FY 2013 and FY 2014 with RHBT assets.[12]After adjusting for these payments, health insurance cost is expected to be $4.773 billion in FY 2012, $5.121 billion in FY 2013, and $5.590 billion in FY 2014, as shown in Table 15. Underlying these projections are projected premium rate increases of 9.8 percent for FY 2012, 9.5 percent for FY 2013, and 9.0 percent annually for FYs 2014 and 2015.

Table 15. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015
Department of Education	$1,860	$1,943	$2,089	$2,269
CUNY	40	44	45	44
All Other	2,201	2,134	2,456	3,809
Total Pay-As-You-Go Health Insurance Costs	$4,101	$4,121	$4,590	$6,122
Adjustment for RHBT payment	672	1,000	1,000	0
Adjusted Total	**$4,773**	**$5,121**	**$5,590**	**$6,122**

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

Labor

The United Federation of Teachers (UFT) and the City are still awaiting the appointment of a fact-finding panel by the New York State Public Employment Relations Board (PERB) to conduct hearings and make recommendations on wage increases for UFT members. The City continues to maintain its position that UFT and the Council of School Supervisors & Administrators (CSA) members will receive zero wage increase for the previous round of collective bargaining. This is a departure from the contracts of the other unions, which have all settled for two annual wage increases of 4.0 percent over comparable periods of their contracts. While PERB recommendations are not binding, they have served as the basis of past agreements. If the UFT and CSA members were awarded wage increases similar to those gained by the other unions, it would cost the City approximately $1.698 billion in FY 2012, which includes retroactive pay of $272 million and $898 million for FY 2010 and FY 2011, respectively, $897 million in FY 2013, and $900 million in FY 2014.[13]

In order to balance the FY 2012 budget, the Administration removed funding for a one-year wage increase of 1.25 percent for City employees following an assumed two years of zero wage increases.[14] The previous round of contracts with most of the City's major unions has expired or will expire shortly. Recently, the City began negotiations with District Council 37, the largest municipal union, for the current round of collective bargaining. The City offered a five-year contract with a freeze on wages for the first three years and wage increases of 2.0 percent each in the fourth and fifth year. This offer is similar to the recent labor contract agreements between New York State and the Civil Service Employees Association (CSEA) and Public Employees Federation (PEF). The CSEA's contract is a five-year agreement which includes a freeze on wages for three years and annual wage increases of 2.0 percent in the fourth and fifth year while the PEF contract is a four-year agreement which includes a freeze on wages for three years and a wage increase of 2.0 percent in the fourth year. The City's labor reserve still contains $167 million in FY 2013, $326 million in FY 2014, $542 million in FY 2015 mainly to fund annual wage increases of 1.25 percent beyond the three-year period. Including pension costs, a 1.0 percent wage increase for all city employees would cost approximately $300 million annually.

Overtime

In the November Modification FY 2012 citywide overtime expenditures were increased by $292 million over the amount estimated in the FY 2012 Adopted Budget.

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

[14] This action enabled the City to lower expenditures by $20 million in FY 2012, $107 million in FY 2013, $224 million in FY 2014, and $311 million in FY 2015.

The current overtime projection of $1.135 billion is now consistent with overtime spending levels in recent fiscal years. Between FYs 2008 and 2011, the City spent an average of $1.106 billion on overtime. The increase mainly reflects an upward adjustment of $250 million to uniformed overtime expenditures. Police uniformed overtime was increased by $150 million while uniformed overtime for the Fire Department (FDNY), Department of Correction (DOC), and Department of Sanitation (DOS) were increased by $77 million, $19 million, and $4 million, respectively. Despite the revisions, the City's overtime estimate is still $42 million less than the Comptroller's Office's projection, as shown in Table 16.

Table 16. Projected Overtime Spending, FY 2012

($ in millions)

	City Planned Overtime FY 2012	Comptroller's Projected Overtime FY 2012	FY 2012 Risk
Uniform			
Police	$480	$500	($20)
Fire	238	238	0
Correction	88	110	(22)
Sanitation	68	68	0
Total Uniformed	$874	$916	($42)
Others			
Police-Civilian	$79	$79	$0
Admin for Child Svcs	12	12	0
Environmental Protection	22	22	0
Transportation	36	36	0
All Other Agencies	112	112	0
Total Civilians	$261	$261	$0
Total City	**$1,135**	**$1,177**	**($42)**

Police overtime estimates in the November Modification also include an additional $33 million for civilian overtime. This increase brings the Plan for civilian overtime to $79 million and total Police overtime to $559 million. Through November, the City has spent $30 million for NYPD civilian overtime and $213 million for uniformed overtime, including approximately $6 million related to the Ocuppy Wall Street movement. Uniformed police overtime expenses have increased at an average rate of 5.0 percent annually between FY 2008 and FY 2011. After adjusting for expenses associated with the Occupy Wall Street movement and Hurricane Irene the growth in NYPD uniformed overtime in FY 2012 appears to be in the same range as the prior four fiscal years. As a result, by the end of the fiscal year, the Comptroller's Office estimates that the uniformed NYPD overtime expenditures will reach $500 million, $20 million greater than the amount planned in the current budget.

The Comptroller's Office also expects FY 2012 uniformed overtime spending in the Department of Correction (DOC) to exceed the City's estimate by $22 million. DOC has spent $47 million on uniformed overtime through November and is on target to spend approximately $63 million more on overtime for FY 2012. This projection is similar to actual FY 2011 overtime spending of $107 million.

Public Assistance

Through October, the City's public assistance caseload has averaged 349,956 recipients per month in FY 2012. The average monthly caseload has increased by less than one percent, or 1,822 recipients when compared with the same period in FY 2011. With a reported caseload of 352,361 in October, the City's public assistance population remains approximately 70 percent lower than the FY 1995 peak of 1,160,593. Despite the slight uptick in the average monthly caseload, monthly grant expenditures have been averaging 3.3 percent less than during FY 2011. Baseline grants expenditures have averaged approximately $102 million a month in the first four months of FY 2012 compared to $106 million a month during FY 2011. The lower grants spending is the extension of a declining trend that began in the latter half of FY 2011.

The City's public assistance caseload and grant projections remain unchanged since the June Plan. The November Plan maintains a constant caseload projection of 361,900 over the course of the Plan period. Total baseline grants expenditures are projected at about $1.31 billion for FY 2012, rising to $1.35 billion annually in FYs 2013-2015. To date, actual caseload in the current fiscal year is running well below the November Plan estimates. Likewise, the City's baseline grant projection for FY 2012 contains a cushion that could withstand a higher trend in welfare grant expenditures for the remainder of the fiscal year.

Department of Education

In the November Modification the Department of Education's (DOE) budget increased by $33 million up to $19.46 billion for FY 2012. This increase is the net of an additional $180 million from Federal and other funding sources, offset by $147 million in PEG reductions. The additional Federal funding of $121 million stems mainly from the recognition of Title I School Improvement Grant in the current year and carryover of unspent Federal ARRA monies from FY 2011. In addition to the Federal funding, the Department's budget is augmented in the November Modification by $33 million in School Construction Authority grants and $25 million in State and other funds.

Among the actions reflected in FY 2012 from the current round of PEG initiatives are special education savings of $62 million stemming from slower growth assumed for preschool and related services, further savings of $38 million from enhanced State support of preschool special education services, and $47 million from various efficiencies in food services, lease payments and facilities costs.

The DOE's FY 2013 PEG program totals $301 million, or 3.2 percent of the City-funded portion of the agency's FY 2013 budget as projected in the June Plan. The agency's PEG is about half of the original target DOE was given when agencies were notified of the PEG in October. The original PEG target, which would have slashed City support to the Department by 6.0 percent, would have required the DOE to locate $567 million in savings or increased revenue in FY 2013. Unlike in previous years, DOE's PEG program for FY 2013 does not include layoffs of any personnel at the Department. Those PEGs that commence in FY 2012 would provide about half of the expected overall savings.

In addition to the agency's planned expenditure reductions, the FY 2013 gap-closing plan includes two revenue measures that would generate $150 million in relief. Under the plan, the Department is expected to receive a transfer of $100 million in building aid on a one-time basis in FY 2013. The transaction involves shifting $100 million in NYCTFA Building Aid to support the City's GO debt that would in turn provide a corresponding credit to the Department's operating budget. The PEG program also anticipates a $50 million increase in Medicaid revenue for special education services such as speech and occupational/physical therapies. In 2009, the City and the State reached a settlement with the Federal government to resolve audit findings that showed the Department had improperly billed Medicaid for these services between 1990 and 2001. The proceedings brought the claims process to a virtual halt in FY 2006 and subsequent years. After extensive delays in obtaining State approvals, the Department was finally allowed to restart the Medicaid claims process in the current school year. This latest revision boosts the DOE's FY 2013 Medicaid assumptions to $167 million, surpassing the previous peak of $154 million for this revenue source. Given its background and uncertainty of current Medicaid revenue expectation, the more aggressive assumption could pose risks to the Department's budget starting in FY 2013.

Debt Service

As shown in Table 17 below, debt service, after adjusting for the impact of prepayments, totals $5.78 billion in FY 2012, $6.47 billion in FY 2013, $6.96 billion in FY 2014 and $7.30 billion in FY 2015.[15] Compared to the June 2011 Financial Plan, these amounts represent decreases of $112 million in FY 2012, $255 million in FY 2013, $26 million in FY 2014, and $40 million in FY 2015. Between FY 2012 and FY 2015, total debt service is projected to increase by $1.53 billion, or 26.4 percent.

[15] Includes debt service on General Obligation (GO), NYCTFA, and TSASC bonds as well as lease-purchase debt and interest on short-term notes.

Table 17. November 2011 Financial Plan Debt Service Estimates

($ in millions)

Category	FY 2012	FY 2013	FY 2014	FY 2015	Change from FYs 2012 to 2015
GO[a]	$3,918	$4,318	$4,554	$4,715	$797
NYCTFA [b]	1,543	1,759	2,005	2,195	652
Lease-Purchase Debt	240	321	323	315	75
TSASC, Inc.	74	74	75	75	1
Total	**$5,775**	**$6,472**	**$6,957**	**$7,300**	**$1,525**

SOURCE: November 2011 Financial Plan.
NOTE: Debt Service is adjusted for prepayments.
[a] Includes long-term GO debt service and interest on short-term notes.
[b] Amounts *do not* include NYCTFA building aid bonds.

The decrease of $112 million in FY 2012 debt service is comprised of reductions of $90 million in GO and lease-purchase debt service and $22 million in estimated NYCTFA savings. Of the $90 million in estimated savings for GO, $50 million comes from a combination of offsetting items: 1) $42.8 million of projected savings on interest rate swap agreements; 2) $20 million of savings from better than anticipated year-to-date new money borrowings; 3) an increase of $6.6 million due to refunding equity contributions; 4) a $5.1 million increase due to a lower forecast of GO interest earnings on bond proceeds; and 5) a $1.2 million increase in variable rate bond interest costs. The additional $40 million in lower projected costs in FY 2012 for GO debt is from lower lease-purchase debt service estimates, of which $24.2 million of savings is derived from the termination of Dormitory Authority of the State of New York (DASNY) courts interest rate swap agreements, and $16 million from lower than forecasted interest rates on the Hudson Yards Infrastructure Corporation's (HYIC) $1 billion October 2011 financing.[16] NYCTFA savings in FY 2012 of $22 million are derived primarily from better than expected interest rates on current year borrowings.

The FY 2013 estimated debt service decrease of $255 million is comprised of GO debt service savings of $126 million accompanied by NYCTFA savings of $112 million, and $17 million of lease-purchase debt service decreases. The GO savings are primarily the result of $78 million in lowered variable rate interest assumptions, $35 million in reduced forecast interest rates on short-term borrowing, and $34 million in lower debt-service costs from debt issues to date, in FY 2012.

NYCTFA projected savings in FY 2013 of $112 million are due primarily to lowered expected variable rate interest costs which produce an estimated savings of

[16] In this instance, the DASNY swaps were "in the money" and thus produced savings upon termination earlier this fiscal year. Also the HYIC actual borrowing costs on its $1 billion bond offering were priced at 5.56 percent compared with the budgeted rate of 7.0 percent.

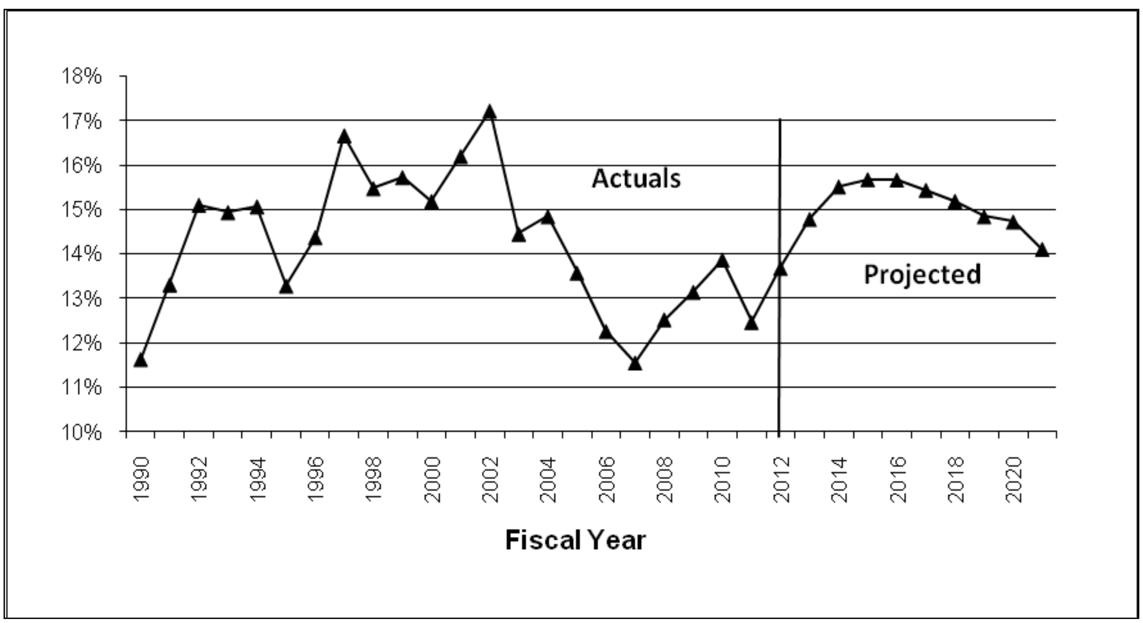
$42 million as well as $50 million in refunding savings, lower borrowing costs on YTD borrowings, and less projected borrowing in FY 2012.

Debt service savings in FYs 2014 and 2015 are primarily the result of continued NYCTFA savings from better than expected interest rates in YTD FY 2012 borrowings and refunding actions.

Debt Affordability

Debt service as a percent of local tax revenues and City-funds expenditures is an accepted measure of affordability used by rating agencies and government officials alike.[17] In FY 2011, debt service as a percent of local tax revenues was 12.5 percent. The November Plan projects debt service will consume 13.7 percent of local tax revenues in FY 2012, 14.8 percent in FY 2013, 15.5 percent in FY 2014, and 15.7 percent in FY 2015. The increase in the debt service to tax revenue ratio reflects the disparity between debt service and tax revenue growth over the Plan period. Debt service is projected to average 8.1 percent annual growth from FYs 2012 to 2015 while tax revenue growth during this period is projected to grow 3.3 percent annually. This disparity accounts for the ratio's increase from 13.7 percent in FY 2012 to 15.7 percent by FY 2015.

***Chart 4*. Debt Service as a Percent of Tax Revenues, 1990 – 2021**

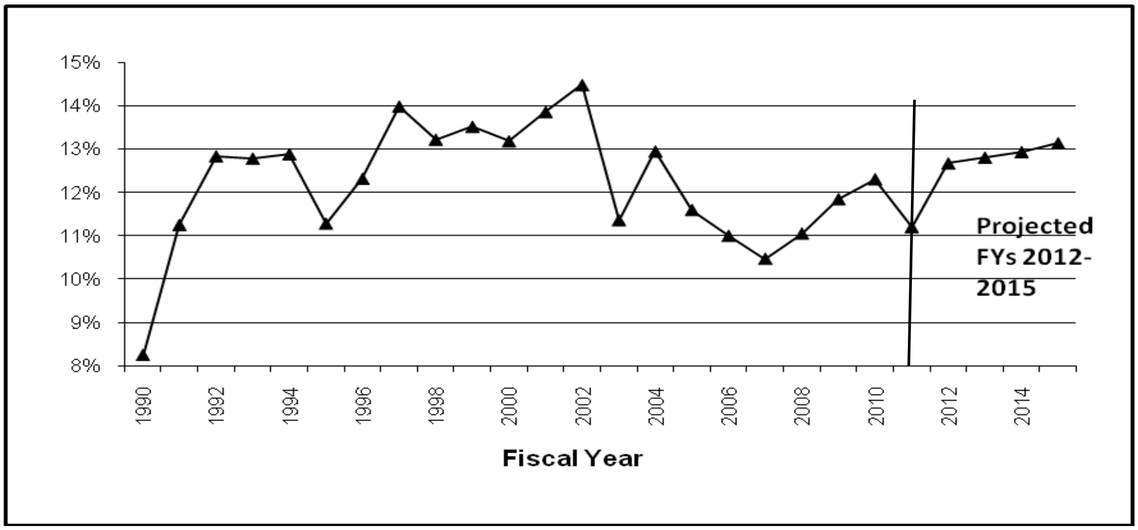


SOURCE: Office of Management and Budget, City of New York, November 2011 Financial Plan.

[17] Debt service in this discussion is adjusted for prepayments.

Another measure used by rating agencies to measure debt affordability is comparing debt service to total City-funds expenditures. Standard and Poor's (S & P) considers a ratio of debt service to general fund expenditure above 15 percent as an indication of a high debt service burden. The City's ratio is estimated to be 12.4 percent in FY 2012, 12.7 percent in FY 2013, and 13.1 percent in FY 2014 and FY 2015, comfortably below S & P's threshold for high debt service burden.

***Chart 5*. NYC Debt Service as Percent of City-Funds Expenditures**



SOURCE: City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, FYs 1982 – 2011, and NYC Office of Management and Budget, FY 2012 Adopted Financial Plan, June 2011. Debt service is adjusted for prepayments.

Financing Program

The November 2011 Financial Plan contains $30.7 billion of planned City and State-supported borrowing in FYs 2012-2015 as shown below in Table 18. The borrowing is composed of $10.22 billion of GO bonds, $9.79 billion of NYCTFA Personal Income Tax (PIT) borrowing, $6.25 billion of NYC Water Finance Authority (NYW) borrowing and $4.4 billion of borrowing from NYCTFA Building Aid Revenue Bonds (BARBs) that are supported by State building aid revenues.

Table 18. FY 2011 November Plan, FYs 2012-2015

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2012-2015	Percent of Total
General Obligation Bonds	$10,215	33.3%
NYCTFA – General Purposes	9,790	31.9%
NYC Water Finance Authority	6,246	20.3%
NYCTFA – BARBs	4,439	14.5%
Total	**$30,690**	**100.0%**

SOURCE: November 2011 Financial Plan, Office of Management and Budget.

Between FYs 2012 – 2015, total borrowing is estimated to increase by $611 million from the estimates in the June 2011 Financial Plan. This represents an increase in planned borrowing from the June Financial Plan of $132 million in FY 2012, $167 million in FY 2013, $168 million in FY 2014, and $144 million in FY 2015. The increase is due primarily to projected increases of $355 million in GO borrowing and $289 million in NYCTFA BARBs borrowing over the period. NYCTFA PIT bond borrowing is forecasted to decline by $70 million over the Financial Plan period along with a modest increase in NYW borrowing of $37 million over the same period.

Total-funds borrowing in FY 2012 are projected to reach $8.45 billion, before declining to an estimated $7.73 billion in FY 2013, $7.64 billion in FY 2014, and $6.87 billion in FY 2015. Local tax-supported borrowing (GO and NYCTFA PIT bonds) is estimated to total $5.33 billion in FY 2012 before dropping to an estimated $5 billion in FY 2013, $5.04 billion in FY 2014, and $4.64 billion in FY 2015.

Capital Plan

The FY 2012 – 2015 Capital Plan totals $32.25 billion in all-funds commitments, and $25.10 billion in City-funds commitments over the Plan period, after adjusting for the reserve for unattained commitments, as shown in Tables 19 and 20. The Plan is front-loaded with 38.7 percent or $12.46 billion of the all-funds commitments planned for FY 2012. Planned commitments decrease in the outyears of the Plan, to $8.28 billion in FY 2013, $6.44 billion in FY 2014, and $5.06 billion in FY 2015.

Table 19. FYs 2012 – 2015 Four-Year Capital Commitments, All-Funds

($ in millions)

Project Category	FY 2012 September 2011 Commitment Plan	Percent of Total
Education & CUNY	$8,970	26.1%
Environmental Protection	7,694	22.4
Dept. of Transportation & Mass Transit	4,690	13.6
Housing and Economic Development	3,291	9.6
Administration of Justice	1,633	4.7
Technology and Citywide Equipment	1,744	5.1
Parks Department	1,505	4.4
Hospitals	634	1.8
Other City Operations and Facilities	4,223	12.3
Total	**$34,384**	**100.0%**
Reserve for Unattained Commitments	($2,139)	
Adjusted Total	**$32,245**	

SOURCE: Office of Management and Budget, FY 2012 September Capital Commitment Plan, September 2011.

Commitments for capital projects in the DOE and the City University of New York (CUNY), account for $8.97 billion or 26.1 percent of all-funds planned commitments. Other major components of the Plan are the Department of Environmental Protection (DEP) at 22.4 percent, Department of Transportation (DOT) and Mass Transit at 13.6 percent, and Housing and Economic Development at 9.6 percent.[18] As with past plans, these four major program areas constitute a majority of the Commitment Plan, with $24.65 billion, or 71.7 percent of the Plan.

[18] DEP capital commitments are primarily funded through the issuance of Water Finance Authority Debt.

Table 20. FYs 2012 – 2015 Four-Year Capital Commitments, City-Funds

($ in millions)

Project Category	FY 2012 September 2011 Commitment Plan	Percent of Total
Environmental Protection	$7,488	27.5%
Education & CUNY	4,898	18.0
Dept. of Transportation & Mass Transit	2,912	10.7
Housing and Economic Development	2,576	9.5
Administration of Justice	1,633	6.0
Technology and Citywide Equipment	1,714	6.3
Parks Department	1,324	4.8
Hospitals	632	2.3
Other City Operations and Facilities	4,063	14.9
Total	**$27,239**	**100.0%**
Reserve for Unattained Commitments	($2,139)	
Adjusted Total	**$25,100**	

SOURCE: Office of Management and Budget, FY 2012 September Capital Commitment Plan, September 2011.

The City-funded portion of the Plan totals $25.10 billion over FYs 2012 – 2015. DEP's capital projects account for the largest share of the City-funds Plan with 27.5 percent, followed by DOE and CUNY at 18 percent, DOT and Mass Transit at 10.7 percent, and Housing and Economic Development at 9.5 percent. Similar to all funds commitments, these four major program areas constitute 65.7 percent of the City-funds Plan as shown in Table 20 above. The significant disparity between the DOE's 18 percent share of the City-funded Capital Plan and its 26.1 percent of all-funds Capital Plan reflects the $4.06 billion of State-supported commitments for education between FYs 2012 – 2015. Capital funding for education projects comprises 44 percent of total State and Federal funding in the Commitment Plan over FYs 2012 – 2015. The planned continuation of $4.4 billion in NYCTFA BARBs borrowing between FYs 2012 – 2015 is directly related to the State's continued support of education capital spending in New York City.

Nearly all of DEP's capital projects are funded by the New York Water Finance Authority (NYW), the debt service of which is paid by water and sewer user fees; while GO and NYCTFA PIT bonds will finance the remainder of the City-funded capital program through general fund revenues and NYC personal income taxes retained by the NYCTFA.

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VI. Appendix – Revenue and Expenditure Details

Table A1. November 2011 Financial Plan Revenue Detail

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015	Change FYs 2012-15 Dollar	Change FYs 2012-15 Percent
Taxes:						
Real Property	$17,860	$18,452	$18,876	$19,306	$1,446	8.1%
Personal Income Tax	$8,615	$9,148	$9,253	$9,859	$1,244	14.4%
General Corporation Tax	$2,625	$2,781	$2,865	$2,952	$327	12.5%
Banking Corporation Tax	$1,298	$1,169	$1,078	$1,085	($213)	(16.4%)
Unincorporated Business Tax	$1,798	$1,877	$1,946	$2,016	$218	12.1%
Sale and Use Tax	$5,867	$6,068	$6,313	$6,584	$717	12.2%
Real Property Transfer	$853	$895	$997	$1,117	$264	30.9%
Mortgage Recording Tax	$508	$564	$652	$734	$226	44.5%
Commercial Rent	$622	$642	$663	$686	$64	10.3%
Utility	$416	$430	$446	$458	$42	10.1%
Hotel	$406	$384	$387	$408	$2	0.5%
Cigarette	$70	$69	$67	$65	($5)	(7.1%)
All Other	$466	$468	$479	$480	$14	3.0%
Tax Audit Revenue	$670	$694	$676	$676	$6	0.9%
Total Taxes	**$42,074**	**$43,641**	**$44,698**	**$46,426**	**$4,352**	**10.3%**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$543	$538	$543	$546	$3	0.6%
Interest Income	$17	$19	$21	$91	$74	435.3%
Charges for Services	$827	$862	$859	$860	$33	4.0%
Water and Sewer Charges	$1,435	$1,415	$1,436	$1,444	$9	0.6%
Rental Income	$279	$282	$290	$293	$14	5.0%
Fines and Forfeitures	$781	$806	$804	$803	$22	2.8%
Miscellaneous	$594	$1,545	$533	$507	($87)	(14.6%)
Intra-City Revenue	$1,749	$1,531	$1,532	$1,537	($212)	(12.1%)
Total Miscellaneous	**$6,225**	**$6,998**	**$6,018**	**$6,081**	**($144)**	**(2.3%)**
Unrestricted Intergovernmental Aid:						
Other Federal and State Aid	$25	$0	$0	$0	($25)	(100.0%)
Total Unrestricted Intergovernmental Aid	**$25**	**$0**	**$0**	**$0**	**($25)**	**(100.0%)**
Other Categorical Grants	**$1,032**	**$937**	**$933**	**$929**	**($103)**	**(10.0%)**
Inter-Fund Agreements	**$550**	**$508**	**$503**	**$503**	**($47)**	**(8.5%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,749)**	**($1,531)**	**($1,532)**	**($1,537)**	**$212**	**(12.1%)**
TOTAL CITY-FUNDS	**$48,142**	**$50,538**	**$50,605**	**$52,387**	**$4,245**	**8.8%**

Table A1 (Con't). November 2011 Financial Plan Revenue Detail

($ in millions)

	FY 2012	FY 2013	FY 2014	FY 2015	Changes FYs 2012-15 Dollar	Changes FYs 2012-15 Percent
Federal Categorical Grants:						
Community Development	$246	$227	$220	$220	($26)	(10.6%)
Welfare	$3,247	$3,127	$3,118	$3,118	($129)	(4.0%)
Education	$2,034	$1,947	$1,927	$1,852	($182)	(8.9%)
Other	$2,043	$1,285	$1,214	$1,211	($832)	(40.7%)
Total Federal Grants	**$7,570**	**$6,586**	**$6,479**	**$6,401**	**($1,169)**	**(15.4%)**
State Categorical Grants						
Social Services	$1,557	$1,440	$1,437	$1,437	($120)	(7.7%)
Education	$8,130	$8,214	$8,263	$8,263	$133	1.6%
Higher Education	$214	$214	$214	$214	$0	0.0%
Department of Health and Mental Hygiene	$568	$533	$532	$531	($37)	(6.5%)
Other	$831	$784	$886	$968	$137	16.5%
Total State Grants	**$11,300**	**$11,185**	**$11,332**	**$11,413**	**$113**	**1.0%**
TOTAL REVENUES	**$67,012**	**$68,309**	**$68,416**	**$70,201**	**$3,189**	**4.8%**

Table A2. November 2011 Financial Plan Expenditure Detail

($ in thousands)

	FY 2012	FY 2013	FY 2014	FY 2015	Change FYs 2012-15 Dollars	Change FYs 2012-15 Percent
Mayoralty	$95,406	$89,164	$87,260	$87,129	($8,277)	(8.7%)
Board of Elections	$102,190	$71,888	$71,888	$71,888	($30,302)	(29.7%)
Campaign Finance Board	$12,250	$13,288	$13,288	$13,288	$1,038	8.5%
Office of the Actuary	$6,848	$6,300	$6,253	$6,255	($593)	(8.7%)
President, Borough of Manhattan	$4,183	$2,564	$2,591	$2,595	($1,588)	(38.0%)
President, Borough of Bronx	$5,111	$3,420	$3,428	$3,428	($1,683)	(32.9%)
President, Borough of Brooklyn	$5,339	$3,146	$3,154	$3,154	($2,185)	(40.9%)
President, Borough of Queens	$4,544	$2,979	$2,986	$2,986	($1,558)	(34.3%)
President, Borough of Staten Island	$3,813	$2,426	$2,431	$2,431	($1,382)	(36.2%)
Office of the Comptroller	$73,517	$74,486	$74,594	$74,694	$1,177	1.6%
Dept. of Emergency Management	$40,979	$14,914	$6,412	$6,429	($34,550)	(84.3%)
Tax Commission	$3,996	$4,098	$4,098	$3,863	($133)	(3.3%)
Law Dept.	$135,308	$136,320	$129,657	$129,657	($5,651)	(4.2%)
Dept. of City Planning	$26,971	$20,799	$20,247	$20,143	($6,828)	(25.3%)
Dept. of Investigation	$15,863	$15,851	$15,851	$15,851	($12)	(0.1%)
NY Public Library - Research	$22,122	$15,729	$15,729	$15,729	($6,393)	(28.9%)
New York Public Library	$110,591	$76,722	$76,722	$76,722	($33,869)	(30.6%)
Brooklyn Public Library	$82,891	$57,311	$57,311	$57,311	($25,580)	(30.9%)
Queens Borough Public Library	$81,591	$56,158	$56,158	$56,158	($25,433)	(31.2%)
Dept. of Education	$19,427,756	$19,497,975	$19,937,048	$20,088,652	$660,896	3.4%
City University	$779,598	$768,033	$752,535	$750,946	($28,652)	(3.7%)
Civilian Complaint Review Board	$9,342	$9,750	$9,781	$9,784	$442	4.7%
Police Dept.	$4,674,853	$4,382,843	$4,374,001	$4,372,696	($302,157)	(6.5%)
Fire Dept.	$1,802,217	$1,693,641	$1,645,915	$1,600,385	($201,832)	(11.2%)
Admin. for Children Services	$2,837,461	$2,705,164	$2,702,171	$2,702,736	($134,725)	(4.7%)
Dept. of Social Services	$9,305,513	$9,352,332	$9,460,491	$9,656,239	$350,726	3.8%
Dept. of Homeless Services	$824,672	$764,973	$756,326	$756,316	($68,356)	(8.3%)
Dept. of Correction	$1,084,310	$1,041,081	$1,040,689	$1,040,509	($43,801)	(4.0%)
Board of Correction	$980	$940	$1,000	$1,000	$20	2.0%
Citywide Pension Contribution	$8,299,854	$8,445,405	$8,323,954	$8,569,727	$269,873	3.3%
Miscellaneous	$6,150,744	$6,467,432	$7,271,703	$9,138,672	$2,987,928	48.6%
Debt Service	$4,161,930	$4,639,148	$4,877,360	$5,030,723	$868,793	20.9%
N.Y.C.T.F.A. Debt Service	$1,542,797	$1,758,740	$2,004,640	$2,194,630	$651,833	42.3%
FY 2011 BSA and Discretionary Transfers	($3,742,031)	$0	$0	$0	$3,742,031	(100.0%)
FY 2012 BSA	$12,035	($12,035)	$0	$0	($12,035)	(100.0%)
Public Advocate	$2,206	$1,603	$1,606	$1,606	($600)	(27.2%)
City Council	$50,969	$49,442	$49,442	$49,442	($1,527)	(3.0%)
City Clerk	$4,383	$4,349	$4,352	$4,355	($28)	(0.6%)
Dept. for the Aging	$256,295	$232,083	$232,083	$232,083	($24,212)	(9.4%)
Dept. of Cultural Affairs	$149,977	$94,474	$94,474	$94,474	($55,503)	(37.0%)
Financial Info. Serv. Agency	$88,347	$92,658	$89,926	$88,693	$346	0.4%
Office of Payroll Admin.	$57,489	$45,331	$30,609	$30,661	($26,828)	(46.7%)
Independent Budget Office	$4,388	$4,368	$4,368	$4,369	($19)	(0.4%)
Equal Employment Practices Comm.	$789	$790	$790	$790	$1	0.1%

Table A2 (Con't). November 2011 Financial Plan Expenditure Detail

($ in thousands)

	FY 2012	FY 2013	FY 2014	FY 2015	Change FYs 2012-15 Dollars	Change FYs 2012-15 Percent
Civil Service Commission	$734	$751	$751	$751	$17	2.3%
Landmarks Preservation Comm.	$4,759	$4,723	$4,729	$4,729	($30)	(0.6%)
Taxi & Limousine Commission	$38,388	$37,177	$37,177	$37,177	($1,211)	(3.2%)
Commission on Human Rights	$7,126	$6,501	$6,501	$6,501	($625)	(8.8%)
Youth & Community Development	$302,545	$208,091	$208,091	$203,155	($99,390)	(32.9%)
Conflicts of Interest Board	$2,012	$2,084	$2,084	$2,084	$72	3.6%
Office of Collective Bargain	$2,254	$2,157	$2,159	$2,160	($94)	(4.2%)
Community Boards (All)	$15,238	$14,372	$14,372	$14,372	($866)	(5.7%)
Dept. of Probation	$75,004	$73,595	$73,433	$69,039	($5,965)	(8.0%)
Dept. Small Business Services	$149,027	$100,667	$94,696	$88,563	($60,464)	(40.6%)
Housing Preservation & Development	$768,057	$560,003	$553,238	$551,815	($216,242)	(28.2%)
Dept. of Buildings	$94,715	$89,624	$89,641	$89,624	($5,091)	(5.4%)
Dept. of Health & Mental Hygiene	$1,633,299	$1,508,755	$1,503,281	$1,502,320	($130,979)	(8.0%)
Health and Hospitals Corp.	$74,115	$67,349	$67,349	$66,849	($7,266)	(9.8%)
Office of Administrative Trials & Hearings	$33,915	$35,436	$35,438	$35,440	$1,525	4.5%
Dept. of Environmental Protection	$1,051,051	$1,018,438	$1,018,799	$1,019,676	($31,375)	(3.0%)
Dept. of Sanitation	$1,329,241	$1,318,824	$1,460,096	$1,458,840	$129,599	9.7%
Business Integrity Commission	$7,307	$7,116	$7,116	$7,116	($191)	(2.6%)
Dept. of Finance	$224,136	$220,198	$219,381	$219,131	($5,005)	(2.2%)
Dept. of Transportation	$815,222	$679,992	$685,648	$685,647	($129,575)	(15.9%)
Dept. of Parks and Recreation	$319,715	$267,101	$275,196	$275,280	($44,435)	(13.9%)
Dept. of Design & Construction	$111,506	$106,798	$106,822	$106,822	($4,684)	(4.2%)
Dept. of Citywide Admin. Services	$375,477	$351,124	$350,119	$349,770	($25,707)	(6.8%)
D.O.I.T.T.	$333,997	$276,541	$271,593	$266,382	($67,615)	(20.2%)
Dept. of Record & Info. Services	$5,035	$5,091	$5,095	$4,958	($77)	(1.5%)
Dept. of Consumer Affairs	$27,248	$23,636	$23,406	$23,320	($3,928)	(14.4%)
District Attorney - N.Y.	$88,814	$75,866	$75,866	$75,866	($12,948)	(14.6%)
District Attorney - Bronx	$48,600	$46,561	$46,450	$46,450	($2,150)	(4.4%)
District Attorney - Kings	$77,042	$77,043	$77,043	$77,043	$1	0.0%
District Attorney - Queens	$47,373	$45,802	$45,802	$45,802	($1,571)	(3.3%)
District Attorney - Richmond	$7,936	$7,521	$7,521	$7,521	($415)	(5.2%)
Office of Prosec. & Spec. Narc.	$16,955	$16,883	$16,883	$16,883	($72)	(0.4%)
Public Administrator - N.Y.	$1,268	$1,181	$1,181	$1,181	($87)	(6.9%)
Public Administrator - Bronx	$499	$425	$425	$425	($74)	(14.8%)
Public Administrator - Brooklyn	$605	$526	$526	$526	($79)	(13.1%)
Public Administrator - Queens	$473	$400	$400	$400	($73)	(15.4%)
Public Administrator - Richmond	$380	$311	$311	$311	($69)	(18.2%)
General Reserve	$300,000	$300,000	$300,000	$300,000	$0	0.0%
Energy Adjustment	$0	$57,434	$97,915	$119,286	$119,286	N/A
Lease Adjustment	$0	$24,906	$86,821	$114,332	$114,332	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$111,038	N/A
TOTAL EXPENDITURE	**$67,011,454**	**$70,349,086**	**$72,244,196**	**$75,077,784**	**$8,066,330**	**12.0%**

Glossary of Acronyms

AIRA	Actuarial Interest Rate Assumption
BARB	Building Aid Revenue Bond
BCT	Business Corporation Tax
BSA	Budget Stabilization Account
CSA	Council of School Supervisors and Administrators
CSEA	Civil Service Employees Association
CUNY	City University of New York
CY	Calendar Year
DEP	Department of Environmental Protection
DOC	Department of Correction
DOE	Department of Education
DOS	Department of Sanitation
DOT	Department of Transportation
ECB	European Central Bank

EDC	NYC Economic Development
EFSF	European Financial Stabilization Fund
FDNY	New York City Fire Department
FMAP	Federal Medical Assistance Percentage
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
GO Debt	General Obligation Debt
HPD	Housing Preservation Development
J&C	Judgments and Claims
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
OMB	Office of Management and Budget
OTPS	Other than Personal Services

PEF	Public Employees Federation
PEG	Program to Eliminate the Gap
PERB	Public Employment Relations Board
PIT	Personal Income Tax
PS	Personal Services
RHBT	Retiree Health Benefit Trust
STAR	School Tax Relief
UBT	Unincorporated Business Tax
UFT	United Federation of Teachers
U.S.	United States