New York City Comptroller
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BUREAU OF FISCAL AND BUDGET STUDIES

Comments on New York City's Amended Adopted Budget for FY 2011 and the Financial Plan for FYs 2011 - 2014

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I. Executive Summary

The City's economy has embarked on a slow climb out of recession, but the prospects for significant easing of its fiscal condition are distant. The City's $63.2 billion Adopted FY 2011 Budget (as amended on July 13, 2010) is balanced by virtue of service reductions and an aggressive labor policy that may yet prove unattainable. Uncertainty over what actions will be taken by State and Federal legislators had intensified the challenges facing the City. The Four-Year Financial Plan, as amended, contemplates budget gaps of $3.3 billion beginning in FY 2012 growing to $4.8 billion by FY 2014.

These projected budget gaps are improved from the gaps projected a year ago. The Financial Plan submitted at the time of FY 2010 Budget adoption foresaw a gap of nearly $5 billion for FY 2011, which has now been closed, a similar gap for FY 2012 and a gap exceeding $5.6 billion in FY 2013. The actions taken during the past year to reduce spending and raise revenue, along with shifting economic forecasts, have yielded reductions in the outyear gaps of about $1.6 billion to $1.7 billion.

The national economy benefited significantly from Federal actions to counteract the impacts of the worst financial crisis since the Great Depression. The American Recovery and Reinvestment Act (ARRA) raised the level of GDP (Gross Domestic Product) and reduced the unemployment rate, according to analysis by the Congressional Budget Office. However, the headwinds of household indebtedness, loss of wealth, and a decimated construction sector have hampered the economy's ability to rebound even with extensive Federal stimulus. With the impetus for growth provided by ARRA drawing to a close, and other sectors of the economy continuing to lag, the economic recovery remains precarious.

While escaping some of the worst ravages of the recession, New York City had lost more than 182,000 jobs by December 2009. While a job growth trend emerged early in 2010, it has not developed momentum. Consequently, the city's unemployment rate has drifted down only slowly from its peak of 10.5 percent in late 2009 to 9.5 percent in June 2010. The financial services sector, which generated $61 billion in profits in 2009 but lost jobs, typically helps pull the City out of downturns. However, the impacts of financial regulatory reform are likely to diminish the sector's ability to generate the level of profits and salaries that characterized the last decade. Tax revenues in FY 2011 will just be regaining their 2008 level.

New York State's budget has been hit harder than the City's because of its greater reliance on cyclically-sensitive taxes. Political considerations have exacerbated the budget crisis and thrown budgetary planning into chaos for local governments across the State. The period leading up to the City's budget adoption included State legislative passage of budget bills that were subsequently vetoed, almost in their entirety, by the Governor.

In the FY 2011 Adopted Budget, as amended, the City revised its projections to accommodate the shifting picture in Albany by removing its residual revenue sharing aid assumption for FYs 2010 and making other adjustments. The City also made some accommodations to similarly unpredictable developments in Congress, where legislation to extend the enhanced Federal Medicaid match for states has so far failed to gain traction. The impact of these adjustments created a revenue loss for FY 2010, which closed on June 30th. This loss will be covered by reserves available to address discrepancies for the completed fiscal year.

The Comptroller's Office review of the amended FY 2011 Adopted Budget and FYs 2011 to 2014 Financial Plan finds that significant risks remain. The greatest risk to the budget stems from the toughening of the Mayor's stance toward the United Federation of Teachers and the Council of Supervisors and Administrators, who represent Department of Education pedagogical staff (UFT) and principals and assistant principals (CSA). The decision to require that any raises be funded through offsetting cost-savings was a unilateral one and is disputed by the union. Since this action provides additional resources projected to range from $800 million to $900 million per year, it constitutes a large risk.

In addition, while the City is setting aside a portion of the FY 2011 General Reserve to cover the potential loss of Federal Medicaid Assistance Percentage (FMAP) relief, it would not be sufficient to cover the full impact. As is always the case at the time of the Adopted Budget, the Comptroller has also identified a risk to overtime spending. In the Comptroller's assessment, these risks are partly offset by lower Judgments and Claims (J&C) costs and higher tax revenues than the City projects. Real-estate-related tax revenues are expected to grow at a higher rate than projected by the City because of stronger domestic and international demand for New York City real estate, and sales tax collections are projected to be greater.

The combined risks and offsets identified by the Comptroller's Office would, if realized, create a budget gap of $690 million in FY 2011 and increase budget gaps to $3.98 billion in FY 2012, $5.1 billion in FY 2013 and $5.35 billion in FY 2014. After many rounds of budget cuts, it is clear that addressing these gaps will involve increasingly difficult choices. Most immediate will be how to address the sharp fall-off in education spending in FY 2012, occasioned by the end of the Federal Stimulus Package. The budget currently reflects a significant decline in the number of teachers in FY 2012. If those cuts are to be avoided, the City will need to find about $1 billion annually in additional resources, after closing the existing projected budget gaps.

Without the reserves prudently created by the City during flush times to cushion the impacts of an inevitable downward swing in the business cycle, the wrenching choices now facing the City would be much worse. However, even after the economy recovers, the City's fiscal position will continue to be challenged by the costs of debt service and employee health insurance and pensions, which will together consume 28 percent of the City's budget by FY 2014.

Table 1. FYs 2011 – 2014 Financial Plan

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011 – 2014 Dollar	Changes FYs 2011 – 2014 Percent
Revenues						
Taxes:						
General Property Tax	$16,989	$17,632	$17,901	$18,038	$1,049	6.2%
Other Taxes	$21,295	$22,557	$23,803	$24,995	$3,700	17.4%
Tax Audit Revenues	$622	$621	$620	$620	($2)	(0.3%)
Subtotal: Taxes	$38,906	$40,810	$42,324	$43,653	$4,747	12.2%
Miscellaneous Revenues	$5,912	$5,738	$5,769	$5,819	($93)	(1.6%)
Unrestricted Intergovernmental Aid	$14	$314	$314	$314	$300	2,142.9%
Less: Intra-City Revenues	($1,616)	($1,498)	($1,502)	($1,502)	$114	(7.1%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$43,201	$45,349	$46,890	$48,269	$5,068	11.7%
Other Categorical Grants	$1,235	$1,142	$1,139	$1,137	($98)	(7.9%)
Inter-Fund Revenues	$558	$493	$493	$493	($65)	(11.6%)
Total City & Inter-Fund Revenues	$44,994	$46,984	$48,522	$49,899	$4,905	10.9%
Federal Categorical Grants	$6,813	$5,747	$5,674	$5,667	($1,146)	(16.8%)
State Categorical Grants	$11,352	$12,274	$12,487	$12,903	$1,551	13.7%
Total Revenues	$63,159	$65,005	$66,683	$68,469	$5,310	8.4%
Expenditures						
Personal Service						
Salaries and Wages	$21,576	$21,011	$21,329	$21,875	$299	1.4%
Pensions	$7,612	$7,876	$7,983	$8,086	$474	6.2%
Fringe Benefits	$7,669	$8,088	$8,409	$8,917	$1,248	16.3%
Retiree Health Benefits Trust	($395)	($672)	$0	$0	$395	(100.0%)
Subtotal-PS	$36,462	$36,303	$37,721	$38,878	$2,416	6.6%
Other Than Personal Service						
Medical Assistance	$5,166	$5,947	$6,171	$6,778	$1,612	31.2%
Public Assistance	$1,586	$1,626	$1,614	$1,614	$28	1.8%
All Other	$19,415	$19,290	$19,832	$20,377	$962	5.0%
Subtotal-OTPS	$26,167	$26,863	$27,617	$28,769	$2,602	9.9%
Debt Service						
Principal	$1,789	$2,152	$2,133	$2,104	$315	17.6%
Interest & Offsets	$2,422	$2,527	$2,632	$2,736	$314	13.0%
Subtotal Debt Service	$4,211	$4,679	$4,765	$4,840	$629	14.9%
FY 2010 BSA & Discretionary Transfers	($3,642)	$0	$0	$0	$3,642	(100.0%)
FY 2008 Redemption of Certain NYCTFA Debt	($35)	$0	$0	$0	$35	(100.0%)
NYCTFA						
Principal	$457	$578	$685	$707	$250	54.8%
Interest & Offsets	$718	$1,037	$1,152	$1,312	$594	82.7%
Subtotal NYCTFA	$1,175	$1,615	$1,837	$2,019	$844	71.8%
General Reserve	$437	$300	$300	$300	($137)	(31.4%)
	$64,775	$69,760	$72,240	$74,806	$10,031	15.5%
Less: Intra-City Expenses	($1,616)	($1,498)	($1,502)	($1,502)	$114	(7.1%)
Total Expenditures	$63,159	$68,262	$70,738	$73,304	$10,145	16.1%
Gap To Be Closed	**$0**	**($3,257)**	**($4,055)**	**($4,835)**	**($4,835)**	**N/A**

Table 2. Plan-to-Plan Changes
July 2010 Plan vs. May 2010 Plan

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
Revenues				
Taxes:				
General Property Tax	$20	$0	$0	$0
Other Taxes	($6)	($7)	($6)	($6)
Tax Audit Revenues	$0	$0	$0	$0
Tax Fairness Program	$0	$0	$0	$0
Subtotal: Taxes	$14	($7)	($6)	($6)
Miscellaneous Revenues	$36	$30	$32	$39
Unrestricted Intergovernmental Aid	$0	$302	$302	$302
Less: Intra-City Revenues	($14)	$0	$0	$0
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$36	$325	$328	$335
Other Categorical Grants	($49)	$0	$0	$0
Inter-Fund Revenues	$0	$0	$1	$1
Total City & Inter-Fund Revenues	($13)	$325	$329	$336
Federal Categorical Grants	$122	$57	$34	$35
State Categorical Grants	$112	$74	$71	$72
Total Revenues	$221	$456	$434	$443
Expenditures				
Personal Service				
Salaries and Wages	$51	($31)	($6)	($13)
Pensions	$0	($44)	($87)	($87)
Fringe Benefits	$136	$118	$130	$134
Retiree Health Benefits Trust	$0	$0	$0	$0
Subtotal-PS	$187	$43	$37	$34
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	$23	$23	$23	$23
All Other	$369	($157)	($225)	($224)
Subtotal-OTPS	$392	($134)	($202)	($201)
Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	($94)	($17)	($11)	$23
Subtotal Debt Service	($94)	($17)	($11)	$23
FY 2010 BSA & Discretionary Transfers	($370)	$0	$0	$0
FY 2008 Redemption of Certain NYCTFA Debt	$0	$0	$0	$0
NYCTFA Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	($17)	$38	$37	$19
Subtotal NYCTFA	($17)	$38	$37	$19
General Reserve	$137	$0	$0	$0
Less: Intra-City Expenses	($14)	$0	$0	$0
Total Expenditures	$221	($70)	($139)	($125)
Gap To Be Closed	**$0**	**$526**	**$573**	**$568**

Table 3. Risks and Offsets to the July 2010 Financial Plan

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
City Stated Gap	**$0**	**($3,257)**	**($4,055)**	**($4,835)**
Tax Revenues				
Property Tax	($39)	($67)	($98)	($92)
Personal Income Tax	($96)	($61)	($4)	$45
Business Taxes	$33	($43)	($218)	($102)
Sales Tax	$114	$119	$110	$78
Real-Estate-Related-Taxes	$349	$447	$524	$591
Subtotal	**$361**	**$395**	**$314**	**$520**
State Aid	**$0**	**($300)**	**($300)**	**($300)**
Expenditures				
UFT/CSA Collective Bargaining	($898)	($800)	($897)	($900)
FMAP Extension	($142)	($61)	($269)	$0
Overtime	($96)	($100)	($100)	($100)
Judgments and Claims	$85	$143	$203	$265
Subtotal	**($1,051)**	**($818)**	**($1,063)**	**($735)**
Total Risk/Offsets	**($690)**	**($723)**	**($1,049)**	**($515)**
Restated (Gap)/Surplus	**($690)**	**($3,980)**	**($5,104)**	**($5,350)**

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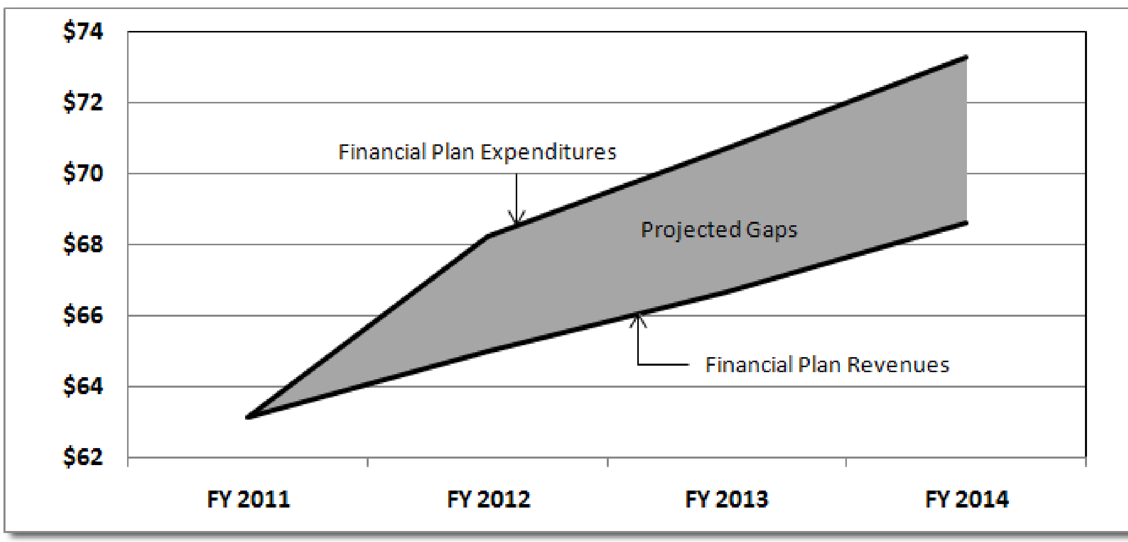
II. The FY 2011 to FY 2014 Financial Plan

On July 13, the City released amendments to the FY 2011 budget, as adopted on June 29, and the June 2010 Financial Plan. The July 2010 Financial Plan increased the FY 2011 budget by $82 million, from $63.077 billion at budget adoption to $63.159 billion. The amendments reflect revisions to the FY 2011 Adopted Budget and June 2010 Financial Plan projections of State Budget impact.

The City's July Financial Plan shows that while the City has adopted a balanced FY 2011 budget, it expects to face multi-billion dollar gaps in the outyears as shown in Chart 1. The City projects gaps of $3.257 billion in FY 2012, $4.055 billion in FY 2013, and $4.835 billion in FY 2014. Expenditures in each of the outyears are expected to grow faster than revenues, accounting for the widening gap in each year.

***Chart 1*. The FYs 2011 – 2014 Expenditure and Revenue Projections**

($ in billions)



SOURCE: NYC Office of Management and Budget.

The FY 2011 budget is balanced with the help of prior-year actions that reduced FY 2011 expenditures by $3.677 billion. Without these actions, FY 2011 spending would have totaled $66.837 billion instead of the $63.159 billion estimated in the July Plan. As Table 4 shows, prepayments of certain FY 2011 expenditures in FY 2010 account for all but $35 million of the benefits from prior-year actions.

Table 4. Prior-Year Actions that Reduce FY 2011 Expenditures

($ in millions)

FY 2010 Prepayment of G.O. Debt Service	$2,888
FY 2010 Prepayment of NYCTFA Debt Service	371
FY 2010 Prepayment of Subsidies to Libraries	164
FY 2010 Prepayment of Subsidies to TA/MTA	219
FY 2008 Redemption of Certain NYCTFA Debt	35
Total	**$3,677**

After adjusting for the impact of prior-year actions, FY 2011 spending is $1.037 billion more than adjusted FY 2010 spending, an increase of 1.6 percent. In the outyears, spending grows by 2.1 percent in FY 2012, and 3.6 percent in FYs 2013 and 2014. In contrast, revenue growth is expected to grow more slowly at about 2.7 percent a year. Table 5 shows the revenue and expenditure projections, adjusted for prior-year actions, and projected growth over the Plan period.

Table 5. Revenues and Expenditures Adjusted for the Impact of Prior-Year Actions

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Growth FYs 11-14	Annual Growth
Revenues						
Tax Revenues	$38,906	$40,810	$42,324	$43,653	12.2%	3.9%
Non-Tax Revenues	6,088	6,174	6,198	6,246	2.6%	0.9%
Fed & State Categorical Grants	18,165	18,021	18,161	18,570	2.2%	0.7%
Total Revenues	**$63,159**	**$65,005**	**$66,683**	**$68,469**	**8.4%**	**2.7%**
Expenditures						
Debt Service	$5,387	$6,294	$6,602	$6,859	27.3%	8.4%
Health Insurance	4,494	4,761	5,128	5,527	23.0%	7.1%
Judgments & Claims	686	744	804	867	26.4%	8.1%
Subtotal	**$10,567**	**$11,799**	**$12,534**	**$13,253**	**25.4%**	**7.8%**
Salaries and Wages	$21,213	$20,649	$20,963	$21,509	1.4%	0.5%
Pensions	7,488	7,752	7,858	7,962	6.3%	2.1%
Other Fringe Benefits	3,175	3,284	3,194	3,303	4.0%	1.3%
Public Assistance	1,586	1,626	1,614	1,614	1.8%	0.6%
Medicaid	6,022	6,342	6,593	6,778	12.6%	4.0%
Other OTPS	18,037	17,834	18,136	18,799	4.2%	1.4%
Subtotal	**$57,521**	**$57,531**	**$58,626**	**$60,051**	**4.4%**	**1.4%**
MA FMAP Increase	($856)	($395)	($422)	$0	(100.0%)	N/A
Retiree Health Benefit Trust	($395)	($672)	$0	$0	(100.0%)	N/A
Total Expenditures	**$66,837**	**$68,262**	**$70,738**	**$73,304**	**9.7%**	**3.1%**

NOTE: Expenditures are adjusted to net out the effects of prepayments.

Revenue growth over the Financial Plan period is driven mainly by tax revenues, which account for approximately 62 percent of total FY 2011 revenues. After dropping by more than 7.0 percent in FY 2009 in the wake of the financial crisis, tax revenues are expected to grow by 4.2 percent in FY 2011 to $38.9 billion, slightly more than the FY 2008 level of $38.8 billion.[1] Over the Plan period, tax revenues are projected to grow at an average rate of 3.9 percent. Both non-tax revenues and Federal and State categorical grants are expected to remain relatively stable in FYs 2012 through 2014.

[1] Estimated FY 2010 tax revenues is 3.7 percent more than FY 2009 tax revenues.

Growth in projected expenditures over the Financial Plan period is dominated by growth in spending on health insurance, debt service, and judgments and claims (J & C). Spending in these areas, which accounts for almost 16 percent of FY 2011 expenditures in the July 2010 Financial Plan, is projected to increase by 25.4 percent from FY 2011 to FY 2014, double the projected rate of tax revenue growth. All other expenditure areas are expected to grow 4.4 percent over the same period.

Risks and Offsets

The Comptroller's Office has identified net risks of $690 million, $723 million, $1.049 billion, and $515 million in FYs 2011 through 2014, respectively. As a result, the FY 2011 budget could face a gap of $690 million while outyear gaps could grow to $3.980 billion in FY 2012, $5.104 billion in FY 2013, and $5.350 billion in FY 2014.

The greatest risk to the City's projections is the City's assumption that the United Federation of Teachers (UFT) and the Council of School Supervisors and Administrators (CSA) would agree to a settlement in the current round of collective bargaining that would preclude wage increases for their members in the first two years of the contract. All other major municipal unions had settled for two annual wage increases of 4.0 percent over comparable periods of their contracts. Previously, the City had reduced funding for wage increases from 4.0 percent to 2.0 percent in each of the first two years of the current round of collective bargaining for UFT and CSA. In the July 2010 Financial Plan, the City has eliminated wage increases for UFT and CSA members to avoid layoffs of teachers. However, as discussed in "Labor" beginning on page 23, the UFT has released a statement stating their disagreement with the City's position. The Comptroller's Office estimates that the City faces risks of $898 million, $800 million, $897 million, and $900 million in each of FYs 2011 through 2014, respectively, from its labor assumptions for UFT and CSA.[2]

Another significant risk to the City's expenditure projections is the assumption that Congressional action will result in offsets to Medicaid spending from a two-quarter extension of the enhanced FMAP program. However, as discussed in "Federal and State Aid" beginning on page 17, despite efforts to revive the FMAP extension in the Senate, the measure has thus far failed to attain the necessary votes for inclusion in the Jobs bill. As a result, it is uncertain if the City will achieve the assumed offsets to Medicaid spending of $279 million in FY 2011, $61 million in FY 2012, and $269 million in FY 2013. As a contingency, the City has increased its General Reserve for FY 2011 by $137 million to offset any potential FMAP shortfall. As a result, the risk from FMAP extension assumptions is reduced to $142 million in FY 2011 while the entire $61 million in FY 2012 and $269 million in FY 2013 are at risk. State budget actions could also pose additional risks to the Financial Plan projections in the outyears. The Comptroller's Office estimates that State Aid could be reduced by $300 million annually beginning in FY 2012.

[2] The FY 2011 risk includes $272 million in wage increases retroactive to FY 2010.

Persistent under-budgeting for overtime at the beginning of the fiscal year continues to pose a risk to the City's overtime estimates. The Comptroller's Office estimates that overtime spending could be $96 million more than budgeted in FY 2011.

Partially offsetting the risks to the City's projections is the Comptroller's higher estimates for tax revenues. As discussed in "Tax Revenues" beginning on page 13, the Comptroller's Office estimates that tax revenues will be higher than the City's forecast by $361 million in FY 2011, $395 million in FY 2012, $314 million in FY 2013, and $520 million in FY 2014.

III. The State of the City's Economy

A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2010-2014

The national and local economies continue on the path we described in the Comptroller's Comment on the Fiscal Year 2011 Executive Budget, released in June 2010. As we anticipated in that report, economic growth appears be moderating after rebounding strongly in the second half of 2009.

By the end of 2009, the nation had lost almost 8.4 million payroll jobs to the recession and New York City had lost almost 182,100. Over 15 million Americans were unemployed, among them more than 400,000 residents of the city. The individual, social and economic costs of such mass unemployment will reverberate for decades to come. Fortunately, about six months after the trough of the recession (a fairly typical interval) employment began to grow again and private-sector payroll employment has increased in each month of 2010. More surprisingly, payroll employment in New York City, which usually lags the national trend, also began to grow early in 2010 and the city added 61,700 jobs in the first six months of the year.

However, the pace of the recovery has begun to waver, with GDP growth moderating in the first quarter and private-sector employment growth slowing nationwide in May and June. Unfortunately, we see this as more than a statistical blip; a number of significant imbalances remain uncorrected from the pre-recession period of excessive debt creation. In particular, household debt burdens remain historically high and both residential and commercial construction activity is suppressed by sluggish demand, distressed loans and wary lenders. In addition, the European debt crisis threatens to curb U.S. export demand and to inhibit governments, including the U.S. government, from adopting further stimulatory measures that may be needed.

The issues that will drag on the recovery are not susceptible to quick resolution. More likely, they will slowly dissipate as millions of households restore their finances and credit ratings, thousands of businesses reconsider their staffing and space needs, and hundreds of banks repair their balance sheets and resume their normal real estate and small business lending. Consequently, we anticipate that national economic growth will only gradually converge to its historic trend rate and that the unemployment rate will remain uncomfortably high for several years.

Overall, the Comptroller's forecast calls for the U.S. economy, as measured by the change in real GDP, to grow 2.9 percent this year and 2.7 percent in 2011. The city's economy, as measured by the change in real Gross City Product (GCP), is expected to grow 1.4 percent in 2010 and 2.8 percent in 2011. We expect that a declining price level will remain a more immediate threat than inflation during the coming year and, as a result, the Federal Reserve will keep short-term interest rates extremely low at least until early 2011. We expect the yield on 10-year Treasury notes to average 3.7 percent in 2010 and 4.0 percent in 2011, as inflation remains remote and investors continue to favor the safety of U.S. government securities.

Table 6 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2010 to 2014.

Table 6. Selected U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2010-2014

		2010	2011	2012	2013	2014
Real GDP, (2005 $),	Comptroller	2.9	2.7	3.1	2.9	3.1
% Change	Mayor	2.9	3.1	3.7	3.1	2.8
Payroll Jobs,	Comptroller	(0.2)	1.5	1.6	1.8	2.1
Change in Millions	Mayor	(0.9)	2.2	3.8	3.1	2.1
Inflation Rate	Comptroller	1.3	1.0	1.6	1.9	2.3
Percent	Mayor	2.0	1.9	2.2	2.2	2.1
Fed Funds Rate,	Comptroller	0.2	0.6	2.0	3.7	4.3
Percent	Mayor	0.2	1.7	3.3	3.6	4.6
10-Year Treasury Notes,	Comptroller	3.7	4.0	4.6	5.2	6.0
Percent	Mayor	4.0	4.9	5.5	5.7	6.0

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the Executive Budget Fiscal Year 2011 Message of the Mayor.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

In our June report, we discussed several factors that we believe will cause the recovery to be relatively weak and choppy. These include: high household indebtedness, continued disruption in real estate and construction markets, and the European debt crisis. The faltering Congressional willingness to support additional beneficial aid and stimulus measures is rapidly emerging as yet another constraint on economic growth.

The American Recovery and Reinvestment Act (ARRA), enacted in February 2009, has played a critical role in the current recovery. As an exercise in macroeconomic fiscal policy, it was unique not only in its size but also in its timing. It was one of the few occasions when Congress recognized the need for fiscal stimulus contemporaneously with the onset of a downturn, and designed and implemented a program of tax cuts and spending increases that had a significant and immediate effect in supporting aggregate demand. According to the nonpartisan Congressional Budget Office (CBO), in the first quarter of 2010 ARRA's programs:

- Raised the level of real GDP between 1.7 percent and 4.2 percent.

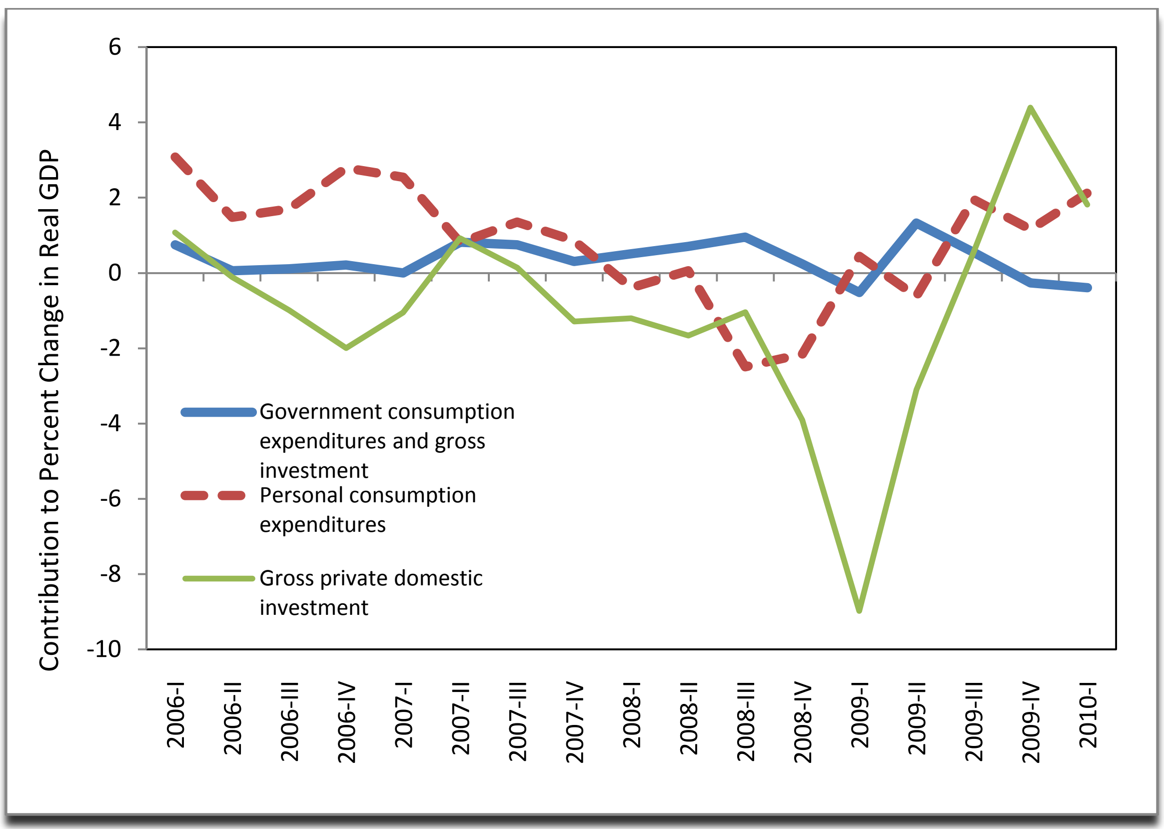
- Lowered the unemployment rate between 0.7 percentage points and 1.5 percentage points.

- Increased the number of people employed between 1.2 million and 2.8 million, and

- Increased the number of full-time-equivalent (40-hours of employment per week for one year) jobs by 1.8 million to 4.1 million compared with what those amounts would have been otherwise.

Chart 2 plots the contribution to GDP growth made by personal consumption expenditures, private investment, and government consumption and investment. As the chart shows, government expenditures, partially due to ARRA, supported the economy at a time when personal consumption expenditures and private investment were plunging. In fact, the role of ARRA is understated by the chart, because the stimulus package delivered about $156 billion in personal and business tax cuts and incentives by the second quarter of 2010, as well as $78.3 billion in aid to individuals impacted by the recession, boosting private demand. Chart 2 also shows that by the fourth quarter of 2009, government spending had become a net drag on GDP growth, entirely because of declining state and local spending. During the first half of 2010, state and local governments reduced employment by 95,000, while private jobs increased by about 600,000.

***Chart 2.* Contribution Of Government Expenditure To Percent Change In Real GDP, 2006Q1 to 2010Q1**



SOURCE: Bureau of Economic Analysis.

According to CBO estimates made soon after the ARRA was signed, about three-quarters, or $584 billion, of the fiscal impact (outlays plus revenue reductions) would occur within the first 18 months, or by the end of federal fiscal year 2010. In federal fiscal year 2011, beginning October 1, 2010, the total fiscal impact of ARRA would fall to $134 billion, and in fiscal year 2012, to $36 billion.

Through the second quarter of 2010, the ARRA provided over $92 billion in fiscal relief to states, much of which filtered down to the local governments that provide many services to the public. That fiscal relief helped to partially offset revenue declines experienced by state and local governments and directly prevented layoffs of public employees, including some 14,000 teachers in New York City. However, like many other provisions of the ARRA, aid to state governments will tail off dramatically in federal fiscal year 2011, which begins in October 2010.

The Comptroller's forecasts have not anticipated a second stimulus package on the scale of the ARRA, accounting in part for the relatively slow economic growth embodied in those forecasts. However, we did anticipate additional federal actions to ameliorate continuing high unemployment and expected certain further measures to aid states and localities, preventing them from laying off workers and exacerbating the soft consumer demand. The recent Congressional failure to authorize further extended unemployment benefits and to provide continued Medicaid funding assistance to states causes us to reevaluate that expectation, however, and constitutes an additional downside risk to our economic forecasts.

Table 7 presents the Mayor's and Comptroller's forecasts for five local economic variables.

Table 7. Selected NYC Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2010-2014

		2010	2011	2012	2013	2014
Real GCP, (2005 $), % Change	Comptroller	1.4	2.8	2.9	3.0	3.0
	Mayor	3.6	0.2	2.4	2.3	2.1
Payroll Jobs, Change in Thousands	Comptroller	(9.9)	36.0	35.3	45.2	58.9
	Mayor	(58.0)	12.0	40.0	41.0	31.0
Inflation Rate Percent	Comptroller	1.5	1.0	1.6	2.3	2.3
	Mayor	2.0	2.1	2.4	2.4	2.3
Wage-Rate Growth, Percent	Comptroller	2.4	2.3	3.2	3.5	3.8
	Mayor	3.8	4.0	0.9	3.5	3.7
Unemployment Rate, Percent	Comptroller	10.0	9.1	8.4	7.6	6.8
	Mayor	NA	NA	NA	NA	NA

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the Executive Budget Fiscal Year 2011 Message of the Mayor. GCP=Gross City Product. NA=not available.

IV. Revenue Assumptions

The July Financial Plan anticipates total revenues will decline 1.0 percent in FY 2011 to $63.2 billion after increasing 6.0 percent in FY 2010. Although tax revenues are expected to increase $1.6 billion in FY 2011, reflecting the City's more positive economic outlook, the City anticipates miscellaneous revenues and unrestricted intergovernmental aid, as well as State and Federal categorical aid, to decline from FY 2010 levels. Tax revenues are projected to comprise 62 percent of total anticipated revenues in FY 2011.

Miscellaneous revenue collections (excluding intra-City revenues) are projected to decline 9.1 percent in FY 2011, mainly due to an anticipated drop in water and sewer revenues and an expected decline in the level of non-recurring resources. The anticipated decline in State and Federal categorical aid is partly due to FY 2010 education aid cuts that required the advance of Federal stimulus funds from FY 2011 to offset their impact. In addition, the City does not assume future awards of certain federal grants and does not recognize the roll of unspent federal funds until later in the fiscal year, further reducing FY 2011 Federal categorical aid projection.

Over the four years of the Financial Plan period, total revenues are projected to increase by over $5 billion or 8.4 percent to $68.5 billion in FY 2014. Tax revenues are forecast to grow 12.2 percent over the same period.

Tax Revenues

In the July Financial Plan, the City projects total tax revenues of $38.91 billion in FY 2011, an increase of $1.58 billion from the FY 2010 forecast. Non-property tax revenues are estimated to grow 4.5 percent in FY 2011 while property tax revenues are expected to grow 4.0 percent. Total tax revenues are forecast to grow to $43.65 billion by FY 2014, as shown in Table 8. From FY 2010 through FY 2014, average annual growth rate in total tax revenues is projected at 4.0 percent.[3]

Table 8. NYC Tax Revenues, City Forecast, FYs 2010-2014

($ in millions)

	Forecast Annual Revenues					Change FYs 2010 - 14	Average Annual Growth
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**		
Property	$16,342	$16,988	$17,631	$17,901	$18,038	$1,696	2.5%
Non-Property	20,981	21,918	23,179	24,423	25,615	4,634	5.1%
Total	**$37,323**	**$38,906**	**$40,810**	**$42,324**	**$43,653**	**$6,330**	**4.0%**

SOURCE: NYC Office of Management and Budget.
NOTE: Total may not add due to rounding.

[3] If not indicated specifically, throughout this section, the definition of total tax revenues include School Tax Relief (STAR) reimbursement and tax audit revenues. Personal income tax (PIT) and Property tax revenues include School Tax Relief (STAR) reimbursement.

Changes in Tax Revenue Forecasts

Since the Executive Budget, total tax revenue projected for FY 2011 has increased by $14 million. With the exception of the property tax forecast, all tax revenue projections included in the July Financial Plan remain largely unchanged from the Executive Budget forecasts. The $14 million increase reflects a $20 million increase in the property tax revenue which resulted from a higher expected tax levy, partially reduced by an increase in the reserve for uncollectible taxes. In addition, the City increased its projection of tax revenue loss due to the State's cigarette tax increase by another $6 million. Forecasts for remaining tax revenues in the outyears are unchanged from the Executive Budget forecasts.

For FY 2010, the real property tax revenue forecast increased by $46 million from the Executive Budget. This positive change is mainly a result of a projected decrease in refunds. On a year-over-year basis, real property tax revenues are expected to grow $646 million in FY 2011. The increase results mainly from expected growth in the tax levy.

The market value of real property in the city fell by 0.4 percent for FY 2011 in the Final Assessment Roll, relative to the market value reflected in the Tentative Assessment Roll. The total market value dropped 0.2 percent compared to FY 2010. The only property class that recorded a market value decline for FY 2011 was Class 1 (single-family and multi-family houses) at 2.8 percent. The billable assessed value for all property classes combined increased 4.1 percent. Property tax rates for Classes 1 and 2 increased for the new fiscal year, while Classes 3 and 4 were granted lower rates.

Changes in other FY 2010 tax forecasts include an increase in personal income tax revenue (PIT) of $13 million, an increase of $20 million in sales tax revenue, a decrease of $31 million in real-estate-related taxes and a net increase of $66 million in business tax revenue. Overall, the FY 2010 tax revenue forecast increased by nearly $114 million since the Executive Budget.

City Estimates of Growth in Tax Revenues

Total tax revenue is projected to increase $6.3 billion from FY 2010 to FY 2014, reflecting an average annual growth rate of 4.0 percent. Non-property taxes are expected to be the principal source of tax revenue growth with revenues increasing from $21 billion in FY 2010 to nearly $26 billion in FY 2014, an average annual growth rate of 5.1 percent.

As Table 9 shows, real property tax revenues are estimated to grow on average 2.5 percent annually in FYs 2010 through 2014. Property tax revenue growth slows considerably in FY 2011 and continues to decelerate over the Plan period, reflecting the diminishing pipeline of assessed value growth accumulated when real estate values surged. The declining annual rates of growth in FYs 2011 to 2014 are 4.0 percent, 3.8 percent, 1.5 percent, and 0.8 percent, respectively.

Personal income tax revenues are expected to grow 9.2 percent in FY 2011 after falling 0.8 percent in FY 2010. In the outyears of the Plan, growth is expected to be steady but slower at 5.1 percent, 4.7 percent, and 4.6 percent in FYs 2012 through 2014, respectively. The average yearly growth rate of PIT revenue from FY 2010 through FY 2014 is 5.8 percent.

Business tax revenues are projected to have declined 12.1 percent in FY 2010, before increasing an estimated 7.2 percent, 9.9 percent, 7.1 percent, and 4.7 percent in FYs 2011 through 2014, respectively. Banking tax revenues are not expected to rebound until FY 2012. Over the four-year period, the annual rate of growth of business tax revenue is expected to be 7.2 percent. Nevertheless, the City does not expect overall business tax revenue collections to reach FY 2009 levels until FY 2012.

Sales tax revenues are estimated to have grown 9.1 percent in FY 2010, but the pace of increase is expected to drop to 2.6 percent in FY 2011. The FY 2010 increase was due entirely to a rate increase and tax base changes which took effect in August 2009. Over the Financial Plan period sales tax revenue growth is expected to improve to 4.1.percent, 5.8 percent and 5.5 percent in FYs 2012 – 2014 respectively. Projected annual average growth rate in FYs 2010 to 2014 is 4.5 percent.

The City anticipates that real-estate-related tax revenues will exhibit the fastest growth throughout the Plan period, reflecting the anticipated recovery in the real estate market. After falling an expected 21.9 percent in FY 2010, real-estate-related tax revenues are expected to rebound in FY 2011 and grow at an average rate of 12.2 percent annually.

Table 9. Tax Revenues Forecast, Growth Rate, City Forecast, FYs 2010-2014

	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**Average Annual Growth FYs 2010 – 2014**
Property	12.8%	4.0%	3.8%	1.5%	0.8%	2.5%
PIT	(0.8%)	9.2%	5.1%	4.7%	4.6%	5.8%
Business	(12.1%)	7.2%	9.9%	7.1%	4.7%	7.2%
Sales	9.1%	2.6%	4.1%	5.8%	5.5%	4.5%
Real-Estate-Related	(21.9%)	10.3%	15.4%	11.8%	11.2%	12.2%
All Other	0.3%	(11.5%)	(1.1%)	(0.2%)	1.5%	(2.9%)
Total Change	**3.6%**	**4.2 %**	**4.9%**	**3.7%**	**3.1%**	**4.0%**

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

Risks and Offsets

With the exception of FY 2010, the City has not made significant adjustments to its tax revenue forecasts since the Executive Budget. Based on the Comptroller's latest economic forecast and current year collections, the Comptroller's Office forecasts of risks and offsets to the City's tax revenue projections are illustrated in Table 10 on page 16.

For FY 2010, the Comptroller's Office expects tax revenues to be $11 million below the City's forecast. The risk is due to lower forecasts for business tax revenues, offset partially by higher PIT and real-estate-related tax revenue forecasts. For FY 2011, the Comptroller's Office forecasts that overall tax revenues will be $361 million higher than the City anticipates due to higher forecasts for business, sales and real-estate-related tax revenues, somewhat offset by lower property and PIT tax revenue forecasts. The Comptroller believes that because of strong domestic and international demand for New York City real estate, transaction volume and prices will strengthen in FY 2011. PIT risks stem in part from the Comptroller's belief that Wall Street cash bonuses will not return to the levels seen prior to the financial crisis and that interest income of high net worth taxpayers will remain relatively flat for an extended period.

The Comptroller's Office forecasts for property tax revenues are slightly below the City's forecast in FYs 2011 through 2014. The Comptroller believes real estate prices, especially for commercial properties, will not reach the extraordinary levels of the middle of this decade.

The Comptroller's Office's forecast of PIT revenue is slightly above the City's in FYs 2010 and 2014. For FYs 2011 through 2013, the Comptroller's Office's forecast is lower than the City's by $96 million, $61 million, and $4 million, respectively.

Our sales tax revenue projections are slightly above the City's forecast with offsets of more than $100 million in FYs 2011 – 2013 and $78 million in FY 2014.

The Comptroller's Office forecast risks for the business tax revenues of $27 million in FY 2010 and $43 million, $218 million and $102 million respectively in FYs 2012 – 2014. The Comptroller expects that new regulatory constraints will limit the profitability of banks and other financial firms and thereby have a negative impact on General Corporation Tax (GCT) and Banking Corporation Tax (BCT) receipts, resulting in slower revenue growth than the City projects in the outyears.

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

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Property	$0	($39)	($67)	($98)	($92)
PIT	11	(96)	(61)	(4)	45
Business	(27)	33	(43)	(218)	(102)
Sales	0	114	119	110	78
Real-Estate-Related	5	349	447	524	591
Total	**($11)**	**$361**	**$395**	**$314**	**$520**

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

Miscellaneous Revenues

Excluding intra-City revenues, the FY 2011 miscellaneous revenue projection of $4.3 billion included in the City's July 2010 Financial Plan is $432 million lower than the

FY 2010 forecast. Most of this decline reflects an anticipated drop in water and sewer revenues. In addition, the City expects a decline in the level of non-recurring resources.[4]

The current FY 2011 miscellaneous revenue projection increased by $22 million from the Executive Budget forecast. The City increased its projections for rental income by $20.3 million due to anticipated lease payments from the Economic Development Corporation (EDC) associated with the 42nd Street project which previously were collected and retained over many years by EDC on behalf of the City. The inappropriate retention of these funds was identified in an audit by the Comptroller's Office.[5] The City expects total payments related to the 42nd Street project to exceed $120 million over the four years of the Financial Plan period. Another adjustment to the FY 2011 miscellaneous revenue budget includes a $1 million increase in additional inspection and maintenance fees.

Revisions to the miscellaneous revenue projections in the outyears reflect the FY 2011 adjustments. Miscellaneous revenues are expected to remain fairly constant at around $4.3 billion over the Financial Plan period.

Table 11. City Forecast of Miscellaneous Revenue

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Licenses, Franchises, Permits	$479	$481	$485	$486	$488
Interest Income	22	48	105	138	159
Charges for Services	736	751	748	748	747
Water and Sewer	1,623	1,332	1,335	1,329	1,356
Rental Income	233	243	251	255	263
Fines and Forfeitures	830	848	825	824	824
Other Miscellaneous	805	593	491	487	480
Total Miscellaneous Revenue	**$4,728**	**$4,296**	**$4,240**	**$4,267**	**$4,317**

SOURCE: NYC Office of Management and Budget.

Federal and State Aid

Subsequent to the release of the Adopted Budget, the City submitted an amended budget modification to align its projections with the latest developments in the State budget. Chief among these changes is the removal of the City's revenue sharing aid assumptions that would have had an immediate negative impact of $150 million in FY 2010. The City has already eliminated its projections for this unrestricted aid in

[4] 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 represent reimbursement for O&M and therefore are not available for general operating purposes.

[5] See New York City Comptroller's Audit released on April 28, 2010 entitled: "Audit Report on the Financial and Operating Practices of the New York City Economic Development Corporation and Compliance with its Master and Maritime Contracts July 1, 2005 – June 30, 2008".

FY 2011 during the Executive Budget.[6] The amendment also reflects offsets that include State reimbursement for adult shelter allowances, which was restored by the Legislature and escaped the Governor's veto. The reinstatement of these funds provides $84 million in FY 2010 and $62 million annually beginning in FY 2011. In addition, the State also granted the City authorization to continue financing pollution remediation costs through its capital budget instead of the operating budget, allowing the City to bypass the budgetary implications of a requirement under Governmental Accounting Standards Board Statement No. 49 (GASB 49).[7] The GASB 49 relief represents annual savings in the City's operating budget of $150 million in FYs 2011 and 2012, and $200 million in FY 2013 and thereafter.

The Adopted Budget, as amended, contains projected Federal and State grants of $18.17 billion, comprising about 29 percent of the City's overall revenue budget. Funding for education and welfare programs represents nearly 85 percent, or $15.35 billion of the total Federal and State aid that the City expects to receive in FY 2011. However, compared with FY 2010, the support for welfare and education represents a projected decline of more than $900 million that is mainly attributable to the State's fiscal woes. Over the remainder of the Plan, Federal and State grants are expected to decline to $18.02 billion in FY 2012 before reversing course in FY 2013 with an anemic recovery to $18.16 billion and rounding out the current Plan at an estimated $18.57 billion in FY 2014. The continued decline in FY 2012 is primarily due to the end of Federal Stimulus funding that has provided an average of $1 billion annually in assistance to the education budget over Fiscal Years 2010 and 2011.

While the City has already accounted for most of the budget impact as proposed by the Governor, the delay of State budget adoption still casts uncertainty over the level of education aid that the City will receive in FY 2011. Among the budget bills approved by the Legislature at the end of June, the City would have received a restoration of $177 million in school aid against the Governor's proposed cut of $493 million in the State Executive Budget. However, the Governor subsequently vetoed almost the entirety of the legislative restorations.[8] The Legislature could conceivably override the Governor's vetoes, though it is unclear if both the Assembly and Senate would be able to muster the two-thirds majority votes needed for such an override.

[6] The City also removed its revenue sharing aid assumptions for FY 2012 and beyond during the Executive Budget. However, revenue sharing aid for these years has been restored at $302 million in the budget amendment to reflect assumptions in the State's financial plan.

[7] The GASB requirement affected New York City uniquely because State law prohibits the City from incurring deficits as determined by GASB reporting rules. The City will continue to reflect GASB 49 reporting requirements in its annual financial statements.

[8] The Governor's veto also inadvertently denied the City permission to advance $202 million of Chapter I grants for use in FY 2011, a process that the State has reauthorized on a continuous basis for many years. Both the Governor and the Legislature have expressed their intent to restore the authorization before the end of the calendar year.

Further, the City could face significant risks from its assumption that the enhanced Federal Medicaid Assistance Percentage (FMAP) under the Stimulus Plan would be extended by two additional quarters. The extension would preserve the enhanced Federal matching rate, due to expire at the end of December 2010, through June 2011. Despite repeated attempts to revive the FMAP extension in the Senate, the measure has thus far failed to attain the necessary votes for inclusion in the Jobs bill. A scaled down version of the legislation, introduced recently as a compromise over cost concerns, was similarly struck down by the Senate. As the fate of the FMAP extension grows more uncertain, the City's entire savings assumptions from this action could be jeopardized. The Plan currently expects FMAP extension savings of $279 million in FY 2011, $61 million in FY 2012 and $269 million in FY 2013 for a total of $609 million across the Plan period. The City has increased its General Reserve by $137 million as a contingency for the uncertainty of the FMAP extension savings.

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V. Expenditure Analysis

FY 2011 City-funds expenditures in the July 2010 Financial Plan total $43.2 billion, a moderate increase of $36 million from the Executive Budget. However, as Table 12 shows, FY 2011 estimated spending is reduced by a $371 million increase in the FY 2010 Budget Stabilization Account (BSA) and discretionary transfers to prepay FY 2011 expenses. Adjusting for the increase in prepayments, FY 2011 expenditures are $407 million higher than in the Executive Budget.

Table 12. Changes to the FY 2011 Expenditure Estimates

($ in millions)

City Council Initiatives and Restorations	$395
General Reserve	137
DOE	124
GASB 49	(150)
Debt Service	(140)
Judgments and Claims	(29)
Other Agency Expense Change	70
Subtotal	**$407**
Increase in FY 2010 BSA	(371)
Total Change	**($36)**

Approximately $395 million of the increase is due to City Council initiatives and restorations of some of the previously proposed cuts in agency spending. The July Plan also increases the General Reserve by $137 million as a contingency against any FMAP shortfall. Finally, the use of estimated FY 2010 savings from the City's proposal not to award any pay raises for teachers and principals in the current round of collective bargaining to support FY 2011 Department of Education expenditures account for another $124 million of the spending increase.[9] These increases are partially offset by the transfer of $150 million for pollution remediation cost from the General Fund to the Capital Fund, and reductions of $140 million and $29 million in the debt service and judgments and claims (J&C) estimates.

In June, the State Legislature enacted a bill amending the New York State Financial Emergency Act (FEA) to allow the City to finance pollution remediation through the capital fund rather than the operating fund. GASB Statement 49, Accounting and Financial Reporting for Pollution Remediation, requires government to report pollution remediation as an operating expense in its financial statement. The City's May Financial Plan includes $150 million in each of FYs 2011 and 2012 and $200 million in each of FYs 2013 and 2014 to fund pollution remediation. The amendment to the FEA

[9] After the release of the Executive Budget in May, the City announced that it will eliminate a proposed 2.0 percent wage increase in each of the first two years of the next round of the teachers' and principals' contracts to avoid the layoffs of teachers proposed in the Executive Budget.

will allow the City to remove the funding for pollution remediation from its General Fund starting in FY 2011.

Overtime

The City has budgeted $848 million for overtime expenditures in FY 2011, about $4 million more than the FY 2011 Executive Budget forecast. The increase reflects an upward adjustment to the uniformed firefighters' overtime estimate primarily as a result of the restoration of fire companies that were scheduled for closure in FY 2011. The FY 2011 overtime projection is $187 million lower than the expected spending for FY 2010. The Comptroller's office estimates that overtime spending could be higher than budgeted by at least $96 million in FY 2011, as shown in Table 13.

Table 13. Projected Overtime Spending, FY 2011

($ in millions)

	City Planned Overtime FY 2011	Comptroller's Projected Overtime FY 2011	FY 2011 Risk
Uniform			
Police	$368	$440	($72)
Fire	136	136	0
Correction	70	80	(10)
Sanitation	55	55	0
Total Uniformed	$629	$711	($82)
Others			
Police-Civilian	$38	$52	($14)
Admin for Child Svcs.	7	7	0
Environmental Protection	22	22	0
Transportation	30	30	0
All Other Agencies	122	122	0
Total Civilians	$219	$233	($14)
Total City	**$848**	**$944**	**($96)**

Historically, the City has consistently under-budgeted overtime projections at the beginning of the fiscal year. This is done as an effort to control overtime spending. From FY 2005 to FY 2009 actual overtime spending has exceeded the Adopted Budget estimate by 28 percent to 48 percent. This trend continued in FY 2010 with overtime spending expected to be 27 percent higher than the amount appropriated at the FY 2010 Budget adoption.

The City spent $431 million for uniformed police overtime in FY 2009. For FY 2010 uniformed police overtime spending is expected to remain relatively stable at about $437 million. The Comptroller's Office expects that this trend will continue into FY 2011 and projects that overtime spending will be approximately $440 million. The City has budgeted only $368 million in uniformed police overtime spending for FY 2011. As such, uniformed police overtime poses a risk of $72 million for FY 2011, accounting for the bulk of overtime risk.

Overtime spending for the Department of Correction (DOC) officers has remained relatively stable from FY 2007 to FY 2009, averaging about $93 million annually. The Department is expected to spend about the same amount for FY 2010. Initiatives to improve operations are currently being implemented by the DOC which if successful will also lower overtime spending. As a result, the City has projected overtime cost of $70 million for uniformed officers. Through May of FY 2010, fiscal year-to-date uniformed corrections overtime spending totals $82 million. The Comptroller's Office estimates that uniformed overtime spending will be $87 million for FY 2010, $4 million less than the FY 2009 spending. The Comptroller's Office expects uniformed overtime spending in DOC to continue to decline in FY 2011 and projects that uniformed overtime spending will total $80 million in FY 2011, $10 million more than the City's estimate.

Labor

The July 2010 Financial Plan reflects the City's decision to cancel planned teacher layoffs by utilizing funds previously set aside in the Department of Education's (DOE) budget for wage increases for pedagogical employees and school principals and administrators. In the FY 2011 Executive Budget, the City had proposed granting wage increases of 2.0 percent on the first day of the contract and another 2.0 percent on the first day of the 13th-month of the contract for employees earning up to $70,000 a year. This proposal, patterned after wage increases granted to managers at the DOE, included a cap of $2,828 for raises for employees earning more than $70,000 annually. The July 2010 Financial Plan has removed funds for any wage increases for these employees under the current round of collective bargaining.

The United Federation of Teachers (UFT) applauded the City's decision to avoid the layoff of teachers. However, the UFT has released a statement voicing their opposition to the City's cancellation of planned wage increases. The UFT's contract negotiation with the City is at an impasse and currently in mediation at the New York State Public Employment Relations Board (PERB). If mediation fails, a fact-finding panel will be appointed to hold hearings and make recommendations. Although any recommendations made by PERB's fact-finding panel are not binding, these recommendations have formed the basis for labor agreements between the City and UFT in the past.

The July 2010 Financial Plan reflects the Mayor's decision not to fund wage increases for the two years after current municipal labor contracts expire. For the subsequent two-year period, the City's labor reserve contains funding for future annual wage increases of approximately 1.25 percent. The City has indicated that in the near term, any wage increases will have to be funded through the implementation of productivity actions. Including pension cost, a 1.0 percent wage increase for all employees would cost approximately $300 million annually.

Pensions

The July 2010 Financial Plan projects that the City's contributions to the five actuarial pension systems will increase from $7.488 billion in FY 2011 to $7.962 billion in FY 2014. The FY 2011 projection is approximately 13 percent or $851 million higher than the FY 2010 contributions. The increase reflects the impact of FYs 2008 and 2009 investment losses to the five actuarial pension systems. Beginning in FY 2012, the increased costs are partially offset by a reduction to contributions from the City's assumption of a combined investment gain of 12 percent for FY 2010. The City estimates that the phase-in of the gains above the actuarial interest rate assumption of 8.0 percent will reduce pension contributions by $18 million in FY 2012, $33 million in FY 2013, and $49 million in FY 2014. Preliminary estimates indicate that the five pension systems have earned slightly more than 13 percent for FY 2010. Every percentage point in pension investment return on June 30, 2010 above or below the Financial Plan assumption will result in additional or reduced contributions of $12 million in FY 2012, $22 million in FY 2013, and $33 million in FY 2014.

The pension projections also include a reserve of $600 million annually to fund potential costs that may eventually arise from the Chief Actuary's recommendations to change any of the methods and assumptions used in calculating pension contributions. The Comptroller's Office has engaged The Hay Company (Hay) to conduct two consecutive biennial independent actuarial audits. Hay has completed their first audit and is in the process of conducting the second audit. Hay will issue recommendations that may result in the modification of the underlying assumptions after the completion of the second actuarial audit. Any recommendations put forward by Hay will be reviewed by the City's Actuary.

Health Insurance

The July 2010 Financial Plan projects that the City's spending for employee and retiree health insurance is projected to increase at an average rate of 10.5 percent from $4.099 billion in FY 2011 to $5.527 billion in FY 2014. The projections reflect a rate increase of 11.2 percent for FY 2011 and expected rate increases of 8.0 percent annually over the Financial Plan. Health insurance expenditures have shown continued growth as a share of the City's budget increasing from 4.4 percent of the budget in FY 2000 to a projected 6.5 percent of the budget for FY 2011.

The FY 2011 cost is reduced by the use of $395 million from the Retiree Health Benefits Trust Fund (RHBT) to pay for retiree pay-as-you-go health insurance. The savings from the use of RHBT funds will be offset by additional pension expenditures that have resulted from pension investment returns below the Actuarial Investment Rate Assumption (AIRA). After adjusting for this initiative, the FY 2011 health insurance projection is $4.494 billion, as shown in Table 14 on page 25.

Since the FY 2011 Executive Budget, the City has adjusted its projections upwards mainly to account for costs associated with the reversal of planned layoffs and increased headcount levels in the outyears for the Department of Education (DOE) and recent New York State legislation mandating autism health coverage.[10] The new

[10] This measure has been approved by the Assembly and Senate and is awaiting the Governor's signature.

legislation prevents denial of coverage on the basis that autism treatments are educational rather than medical in their scope. The City estimates that this measure would increase the health insurance costs by $40 million in each of FYs 2011 to 2014.

Table 14. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Department of Education	$1,525	$1,717	$1,760	$1,858	$1,968
CUNY	45	42	46	46	46
All Other	2,142	2,340	2,283	3,224	3,513
Total Pay-As-You-Go Health Insurance Costs	$3,712	$4,099	$4,088	$5,128	$5,527
Adjustment for RHBT payment	82	395	672	0	0
FY 2010 prepayment	225	0	0	0	0
Total Adjusted for prepayments	$4,019	$4,494	$4,760	$5,128	$5,527

The remaining increase is due to re-estimates of headcount, reflecting the City's rescission of its plan to layoff teachers and the City Council's restoration of certain agency staffing cuts increased health insurance cost for FY 2011. These actions increased health insurance by $88 million in FY 2011, $55 million in FY 2012, $68 million in FY 2013, and $71 million in FY 2014. These increases are partially offset by a reduction of $9 million in the estimate of the State health surcharge.

Headcount

Planned FY 2011 year-end City-funded full-time headcount in the July Plan shows an increase of 5,514 from the FY 2011 Executive Budget, the increase mainly reflecting the Mayor's decision to rescind proposed layoffs in the Department of Education. Pedagogical City-funded full-time headcount is greater than the Executive Budget forecast by 4,396 in FY 2011, 4,911 in FY 2012, 5,469 in FY 2013 and 5,395 in FY 2014. For FY 2011, the restoration of the pedagogical positions will be funded by eliminating a proposed wage increase for pedagogical positions. For FYs 2012, 2013 and 2014 the restoration of the positions will be funded by adjustments to collective bargaining agreements. Restoration of staffing at fire companies scheduled for closure accounts for 505 of the remaining headcount increase in FY 2011.[11]

The FY 2011 July Plan also reflects the reversal of the Mayor's plan to merge the Administration for Children's Services (ACS) with the Department of Juvenile Justice (DJJ) in FY 2011, as the City Council did not pass enabling legislation amending the City Charter and the City's Administrative Code. As a result of the cancellation of the Plan to merge the DJJ with ACS, the current headcount plan reverses the transfer of 710 employees from the DJJ to ACS included in the Executive Budget. This reduction in

[11] The City had proposed eliminating manning at 15 engine companies and one Ladder Company as part of its Preliminary FY 2010 program to eliminate the gap (PEG). The City Council restored staffing for one fiscal year at budget adoption in FY 2010. This is the second fiscal year the Council is restoring staffing for this cut. The elimination of staffing at an additional four engine companies was proposed in the Preliminary FY 2011 Budget. The City Council's restoration of proposed engine closures and staffing elimination applies only to FY 2011. Headcount reductions associated with company closures and staffing elimination remain in the City's outyear projections.

ACS headcount is partially offset by an increase of 234 child protective and child welfare personnel due to the City Council's restoration of cuts in these areas. As a result, headcount in ACS shows a net reduction of 476 employees from the Executive Budget.

Overall, year-end full-time headcount is expected to be 234,761 for FY 2011, and then to decline significantly in FY 2012 to 224,214. This decline reflects the expiration of the Federal Stimulus Package, which places nearly 10,000 teaching jobs at risk in FY 2012. Headcount in FYs 2013 and 2014 is expected to increase to 227,021 and 232,185 respectively, reflecting a rebound in DOE pedagogical positions.

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

	FY 2011	FY 2012	FY 2013	FY 2014
Pedagogical				
Dept. of Education	94,492	84,952	87,435	92,602
City University	3,173	3,173	3,173	3,173
Sub-total	**97,665**	**88,125**	**90,608**	**95,775**
Uniformed				
Police	34,309	34,309	34,309	34,309
Fire	10,879	10,299	10,299	10,299
Corrections	8,576	8,555	8,555	8,555
Sanitation	7,075	7,047	7,292	7,292
Sub-total	**60,839**	**60,210**	**60,455**	**60,455**
Civilian				
Dept. of Education	7,628	7,904	7,904	7,904
City University	1,601	1,580	1,580	1,580
Police	14,378	14,378	14,378	14,378
Fire	4,803	4,850	4,847	4,844
Corrections	1,638	1,638	1,638	1,638
Sanitation	1,861	1,861	1,861	1,861
Admin for Children's Services	5,947	5,713	5,713	5,713
Social Services	10,598	10,352	10,352	10,352
Homeless Services	2,044	1,974	1,975	1,975
Health and Mental Hygiene	3,716	3,684	3,684	3,684
Finance	2,041	2,023	2,023	2,023
Transportation	2,117	2,110	2,130	2,130
Parks and Recreation	2,554	2,722	2,723	2,723
All Other Civilians	15,331	15,090	15,090	15,150
Sub-total	**76,257**	**75,879**	**75,958**	**75,955**
Total	**234,761**	**224,214**	**227,021**	**232,185**

As shown in Table 16, City-funded full-time equivalent (FTE) headcount is expected to total 25,621 in FY 2011. FTE headcount is projected to decrease by 296 in FY 2012 and then remain relatively flat for the remainder of the Plan period.

Table 16. City-Funded FTE Year-End Headcount Projections

	FY 2011	FY 2012	FY 2013	FY 2014
Pedagogical				
Dept. of Education	1,053	1,053	1,053	1,053
City University	2,176	2,176	2,176	2,176
Sub-total	**3,229**	**3,229**	**3,229**	**3,229**
Civilian				
Dept. of Education	14,641	14,641	14,641	14,641
City University	658	658	658	658
Police	1,508	1,576	1,576	1,576
Health and Mental Hygiene	1,186	1,174	1,174	1,174
Parks and Recreation	2,667	2,322	2,326	2,326
All Other Civilians	1,732	1,725	1,726	1,725
Sub-total	**22,392**	**22,096**	**22,101**	**22,100**
Total	**25,621**	**25,325**	**25,330**	**25,329**

Department of Education

The Department of Education (DOE) begins FY 2011 with projected funding of $18.61 billion, an increase of approximately $285 million over the FY 2010 budget of $18.33 billion. The July 2010 Financial Plan reflects a net increase of nearly $164 million in the Department's funding compared with the Executive Budget. The major change in the July 2010 Financial Plan is the roll of $124 million from DOE's FY 2010 collective bargaining reserve into the current year. This action stems from the Mayor's position that no raises will be granted to teachers and principals in their respective collective bargaining rounds covering November 1, 2009 through October 31, 2011 and March 6, 2010 through March 5, 2012.

The Mayor's aggressive stance builds on previous assumptions that annual salary increases of only 2.0 percent (capped at $2,828) would be given to teachers and principals, compared to a pattern of 4.0 percent annual increases for most municipal workers. The policy of zero-percent raises also frees up $276 million in current year funding earmarked for collective bargaining increases. Combined with the FY 2010 roll, $400 million has been redirected to help mitigate what would have been more severe reductions in school budget allocations. The Department indicates that the use of these funds would help contain budget cuts for any given school at a maximum of 4.2 percent compared to the previous year's budget. Overall, school budgets would need to absorb a cut of $313 million in FY 2011. However, negotiations between the City and the unions have been declared an impasse and are currently being mediated by the State's Public Employment Relations Board, putting the City's savings assumptions in doubt.[12] Other changes in the July 2010 Financial Plan include increases of $23 million in City Council initiatives and $4 million in State funding for the Universal Pre-Kindergarten program.

[12] A more detailed discussion can be found in the Labor section beginning on page 23.

On the State aid front, the Department's fiscal outlook remains in flux as the State has yet to finalize education aid appropriations to school districts. At issue is the Governor's veto of a legislative restoration of about $565 million in school aid statewide, compared to the proposed cut of $1.41 billion in the State Executive Budget. The Department, under the legislative restoration, would have received $177 million more in aid than currently assumed in the July 2010 Financial Plan. It is unclear if the Legislature could secure the votes that will be needed to override the Governor's veto.

In the outyears, funding for the Department is expected to dip to $18.49 billion in FY 2012, reflecting a decline of $122 million from the FY 2011 budget. The main reason for this decline is the termination of Federal Stimulus dollars, which have boosted the DOE budget by an average of $1 billion annually in FY 2010 and FY 2011. Federal funds, which comprised about 15 percent of DOE funding during these two years, would revert back to their pre-ARRA funding level of less than 10 percent of the Department's budget in FY 2012. This decrease is partly offset by the resumption of State aid growth in the Department's projections, which is expected to rise from $7.97 billion in FY 2011 to $8.80 billion in FY 2012. However, given the State's budget difficulties, the reliability of such estimates could be tenuous at best. Over the remainder of the Plan, the DOE budget is projected to rise to $18.87 billion in FY 2013 and round out the current Plan with an estimate of $19.51 billion in FY 2014. Compared with the FY 2012 budget, funding for the DOE is projected to increase by $1.02 billion over the final two years of the Plan. City funds are expected to comprise about $536 million, or 53 percent, of this cumulative increase, while State funds would make up the remainder.

Health and Hospitals Corporation

Compared to the Executive Budget, the July Plan shows a net improvement of roughly $300 million in the Health and Hospitals Corporation (HHC) budget for FY 2011. Consequently, the Corporation's projected year-end cash balance for FY 2011 has increased to $887 million from $492 million in the Executive Budget. The improvement is mainly attributable to the Corporation's revised estimate for Medicaid Disproportionate Share (DSH) revenue maximization, as the City indicates that the State budget may contain sufficient appropriations for HHC to achieve its initial target of $300 million. The value of this action was reduced to $50 million in the Executive Budget over doubts in HHC's ability to draw down these funds because of lack of available funding.

The July Plan also contains a significantly different presentation of HHC's fiscal projections compared to previous plans. In the current Plan, the Corporation has opted to incorporate a substantial portion of its gap-closing program into the baseline projections, effectively reducing its FY 2011 projected deficit by about $500 million even before accounting for the impact of the revision for DSH revenue maximization. As a result, the July Plan now shows a much smaller deficit, before gap-closing actions, of $490 million for FY 2011, compared to the Executive Budget estimate of $1.3 billion. However, after gap-closing actions, the projected FY 2011 budget gap has only improved by $301 million since the Executive Budget, mainly from the improved outlook for DSH revenue maximization. While this change in presentation has no material impact on

HHC's fiscal status, its baseline assumptions now contain a greater degree of uncertainty because of the inclusion of revenue actions that may still be subject to Federal/State appropriations and savings initiatives that have not fully materialized.

For FY 2011, the change in presentation has reduced HHC's gap closing actions by more than $500 million, including supplemental Medicaid revenues totaling $226 million, corporate savings of $238 million and malpractice reform savings of $45 million. Reductions ranging between $769 million and $916 million annually are similarly reflected in HHC's gap closing program for FYs 2012 – 2014. HHC's outlook will become more challenging in the outyears as budget gaps are projected to rise to $502 million in FY 2012 and $693 million in FY 2013, before reaching $857 million in FY 2014. To offset these deficits, HHC would rely heavily on restructuring initiatives announced in May to provide annual savings of $304 million once fully implemented in FY 2014. The chief components of HHC's restructuring plan include reduction of construction and maintenance staff, outsourcing of laboratory services, realignment of long-term care through downsizing and revenue optimization, cutbacks in affiliation contracts and other administrative efficiencies. During this period, the Corporation anticipates its cash balance will fall sequentially to $672 million in FY 2012 and $460 million in FY 2013, before ending the current Plan with $29 million in FY 2014.

Debt Service

Debt service for General Obligation (G.O.), NYC Transitional Finance Authority (NYCTFA), TSASC, and lease purchase debt, adjusted for prepayment, is estimated to total $5.46 billion in FY 2011, an increase of $257 million from FY 2010. From FYs 2010 to 2014, debt service is projected to grow $1.73 billion to $6.93 billion by FY 2014, or 33.3 percent.

The City's debt service projections do not include the scheduled borrowing over the Financial Plan period of $4 billion in NYCTFA Building Aid Revenue Bonds (BARBs), in support of the NYC Department of Education's capital program. This borrowing is expected to be supported by State building aid. [13]

As shown in Table 17, G.O. debt service is estimated to increase $844 million, or 22.6 percent, from FY 2010 to FY 2014. This increase is driven by projected new G.O. borrowing of $10.67 billion in FYs 2011 through 2014, resulting in additional debt service of approximately $644 million per year by FY 2014.

[13] The $4 billion in estimated BARBs issuance is part of the State of New York's intended commitment to share 50 percent of the NYC Dept. of Education's Capital Plan on a continuous basis.

Table 17. FYs 2010–2014 Debt Service Estimates

($ in millions)

Debt Service Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Change FYs 2010 – 2014
G.O.[a]	$3,733	$3,945	$4,409	$4,497	$4,577	$844
NYCTFA [b]	1,219	1,176	1,615	1,837	2,019	800
Lease-Purchase Debt	179	265	270	268	263	84
TSASC, Inc.	72	74	74	74	75	3
Total	**$5,203**	**$5,460**	**6,368**	**$6,676**	**$6,934**	**$1,731**

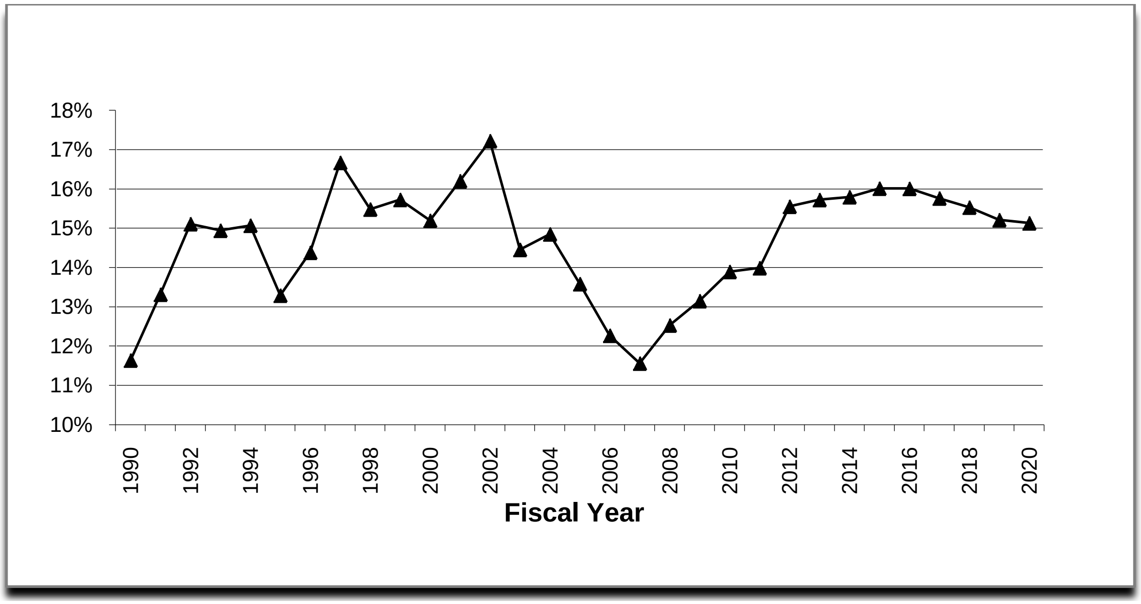
SOURCE: July 2010 Financial Plan.
NOTE: Debt Service is adjusted to net out the impact of prepayments.
[a] Includes long-term G.O. debt service and interest on short-term notes.
[b] Amounts do not include NYCTFA building aid revenue bonds debt service.

NYCTFA debt service is expected to grow by $800 million from FYs 2010 – 2014, or 65.6 percent over the period. Similar to GO, planned NYCTFA borrowing of $10.676 billion over the Plan accounts for an estimated increase of almost $630 million in NYCTFA debt service costs by FY 2014.

Debt Burden

As shown in Chart 3, debt service as a percent of local tax revenues is projected to be 13.9 percent in FY 2010, rising to 15.8 percent by FY 2014. This increase results from projected debt service growth outpacing estimated growth in local tax revenues. Local tax revenues are projected to grow at an annual rate of 4.0 percent while debt service is estimated to grow at an annual rate of 7.4 percent from FY 2010 to FY 2014. As of FY 2009, debt per capita exceeded $7,700 and will continue to grow over the Financial Plan period. Beyond FY 2014, however, debt service growth is projected to stabilize and average about 2.7 percent annually from FYs 2014 – 2020, resulting in average annual growth of 4.5 percent from FY 2010 through FY 2020. Outyear debt service growth, however, might be understated as subsequent capital plans are likely to increase capital spending above current estimates in the years to come.

***Chart 3.* Total Debt Service as a Percentage of Local Tax Revenues, FYs 1990-2014**



SOURCE: July 2010 Financial Plan, Office of Management & Budget, July 2010.

Financing Program

As shown in Table 18, the financing program for FYs 2011 – 2014 totals approximately $32.1 billion. Planned issuances of debt over the Financial Plan period include: G.O. bonds of $10.67 billion, NYCTFA PIT bonds in the amount of $10.67 billion, NYC Municipal Water Finance Authority (NYWFA) debt of $6.77 billion, and NYCTFA – Building Aid bonds of $4 billion. There is no anticipated use of pay-as-you-go capital over the Financial Plan period. In addition, there is no scheduled borrowing for TSASC, Inc. and conduit (lease-purchase) debt. Both NYC GO and NYCTFA anticipate using Build America Bonds (BABs), and Qualified School Construction Bonds (QSCABs). Both bond programs provide significant interest subsidies for the City with BABs' reimbursement rate at 35 percent and QSACBs at 100 percent of interest costs.

NYWFA debt is supported by water and sewer user fees and is not counted in the City's general indebtedness. The resulting debt service, however, contributes to the projected rise in water rates which were increased recently by 12.9 percent in FY 2011. Water and sewer rates are projected to increase 9.8 percent per year in FYs 2012 through 2014.

Table 18. July 2010 Financial Plan Financing & Funding Program, FYs 2011-2014

($ in millions)

Description	Estimated Borrowing and Funding Sources FYs 2011-2014	Percent of Total
General Obligation Bonds	$10,665	33.2%
NYCTFA – General Purposes	10,665	33.2
NYC Municipal Water Finance Authority	6,765	21.0
NYCTFA – Building Support Aid	4,039	12.6
Total	**$32,134**	**100.0%**

SOURCE: July 2010 Financial Plan, Office of Management and Budget, July 2010.

VI. Appendix ─ Revenue and Expenditure Details

Table A1. *July 2010 Financial Plan Revenue Detail*

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011-14 Dollar	Changes FYs 2011-14 Percent
Taxes:						
Real Property	$16,988	$17,632	$17,901	$18,038	$1,050	6.2%
Personal Income Tax	$8,291	$8,712	$9,118	$9,535	$1,244	15.0%
General Corporation Tax	$2,478	$2,788	$3,055	$3,228	$750	30.3%
Banking Corporation Tax	$839	$903	$931	$924	$85	10.1%
Unincorporated Business Tax	$1,588	$1,701	$1,789	$1,891	$303	19.1%
Sale and Use	$5,144	$5,356	$5,666	$5,979	$835	16.2%
Real Property Transfer	$628	$703	$765	$828	$200	31.8%
Mortgage Recording Tax	$455	$547	$633	$726	$271	59.6%
Commercial Rent	$566	$563	$572	$583	$17	3.0%
Utility	$383	$398	$412	$425	$42	11.0%
Hotel	$373	$373	$348	$352	($21)	(5.6%)
Cigarette	$74	$71	$71	$69	($5)	(6.8%)
All Other	$477	$442	$443	$455	($22)	(4.6%)
Tax Audit Revenue	$622	$621	$620	$620	($2)	(0.3%)
Total Taxes	**$38,906**	**$40,810**	**$42,324**	**$43,653**	**$4,747**	**12.2%**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$481	$485	$486	$488	$7	1.5%
Interest Income	$48	$105	$138	$159	$111	231.3%
Charges for Services	$751	$748	$748	$747	($4)	(0.5%)
Water and Sewer Charges	$1,332	$1,335	$1,329	$1,356	$24	1.8%
Rental Income	$243	$251	$255	$263	$20	8.2%
Fines and Forfeitures	$848	$825	$824	$824	($24)	(2.8%)
Miscellaneous	$593	$491	$487	$480	($113)	(19.1%)
Intra-City Revenue	$1,616	$1,498	$1,502	$1,502	($114)	(7.1%)
Total Miscellaneous	**$5,912**	**$5,738**	**$5,769**	**$5,819**	**($93)**	**(1.6%)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$0	$302	$302	$302	$302	N/A
Other Federal and State Aid	$14	$12	$12	$12	($2)	(14.3%)
Total Unrestricted Intergovernmental Aid	**$14**	**$314**	**$314**	**$314**	**$300**	**2,142.9%**
Other Categorical Grants	**$1,235**	**$1,142**	**$1,139**	**$1,137**	**($98)**	**(7.9%)**
Inter Fund Agreements	**$558**	**$493**	**$493**	**$493**	**($65)**	**(11.6%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,616)**	**($1,498)**	**($1,502)**	**($1,502)**	**$114**	**(7.1%)**
TOTAL CITY FUNDS	**$44,994**	**$46,984**	**$48,522**	**$49,899**	**$4,905**	**10.9%**

Table A1 (Con't.). *July 2010 Financial Plan Revenue Detail*

($ in millions)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011-14 Dollar	Changes FYs 2011-14 Percent
Federal Categorical Grants:						
Community Development	$247	$240	$240	$240	($7)	(2.8%)
Welfare	$2,747	$2,712	$2,681	$2,681	($66)	(2.4%)
Education	$2,568	$1,723	$1,723	$1,723	($845)	(32.9%)
Other	$1,251	$1,072	$1,030	$1,023	($228)	(18.2%)
Total Federal Grants	**$6,813**	**$5,747**	**$5,674**	**$5,667**	**($1,146)**	**(16.8%)**
State Categorical Grants:						
Social Services	$2,051	$2,040	$2,013	$2,012	($39)	(1.9%)
Education	$7,983	$8,806	$8,960	$9,288	$1,305	16.3%
Higher Education	$187	$220	$220	$220	$33	17.6%
Department of Health and Mental Hygiene	$445	$435	$434	$436	($9)	(2.0%)
Other	$686	$773	$860	$947	$261	38.0%
Total State Grants	**$11,352**	**$12,274**	**$12,487**	**$12,903**	**$1,551**	**13.7%**
TOTAL REVENUES	**$63,159**	**$65,005**	**$66,683**	**$68,469**	**$5,310**	**8.4%**

Table A2. *July 2010 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011 – 14 Dollar	Percent
Mayoralty	$93,379	$90,910	$90,931	$90,943	($2,436)	(2.6%)
Board of Elections	$89,372	$76,494	$76,509	$76,509	($12,863)	(14.4%)
Campaign Finance Board	$14,510	$13,013	$13,017	$13,017	($1,493)	(10.3%)
Office of the Actuary	$5,302	$5,306	$5,310	$5,310	$8	0.2%
President, Borough of Manhattan	$4,226	$2,892	$2,902	$2,908	($1,318)	(31.2%)
President, Borough of Bronx	$5,203	$3,933	$3,947	$3,955	($1,248)	(24.0%)
President, Borough of Brooklyn	$5,208	$3,557	$3,571	$3,579	($1,629)	(31.3%)
President, Borough of Queens	$4,739	$3,329	$3,339	$3,346	($1,393)	(29.4%)
President, Borough of Staten Island	$3,761	$2,795	$2,806	$2,811	($950)	(25.3%)
Office of the Comptroller	$69,829	$69,546	$69,565	$69,586	($243)	(0.3%)
Dept. of Emergency Management	$32,202	$29,854	$7,452	$7,456	($24,746)	(76.8%)
Tax Commission	$3,775	$3,779	$3,783	$3,783	$8	0.2%
Law Dept.	$130,591	$128,269	$127,964	$127,814	($2,777)	(2.1%)
Dept. of City Planning	$26,650	$23,002	$22,665	$22,665	($3,985)	(15.0%)
Dept. of Investigation	$15,781	$15,745	$15,745	$15,745	($36)	(0.2%)
NY Public Library - Research	$23,000	$18,970	$18,970	$18,970	($4,030)	(17.5%)
New York Public Library	$115,343	$92,216	$92,216	$92,216	($23,127)	(20.1%)
Brooklyn Public Library	$85,970	$68,461	$68,461	$68,461	($17,509)	(20.4%)
Queens Borough Public Library	$84,198	$66,301	$66,301	$66,301	($17,897)	(21.3%)
Dept. of Education	$18,602,026	$18,479,635	$18,862,030	$19,497,228	$895,202	4.8%
City University	$758,800	$719,653	$719,867	$719,979	($38,821)	(5.1%)
Civilian Complaint Review Board	$10,270	$9,711	$9,716	$9,716	($554)	(5.4%)
Police Dept.	$4,239,935	$4,243,720	$4,214,785	$4,211,658	($28,277)	(0.7%)
Fire Dept.	$1,624,797	$1,579,198	$1,575,573	$1,573,960	($50,837)	(3.1%)
Admin. for Children Services	$2,640,189	$2,575,015	$2,576,697	$2,576,697	($63,492)	(2.4%)
Dept. of Social Services	$8,405,045	$9,195,442	$9,406,372	$10,013,581	$1,608,536	19.1%
Dept. of Homeless Services	$744,609	$718,075	$715,389	$715,446	($29,163)	(3.9%)
Dept. of Correction	$1,011,476	$1,023,007	$1,019,795	$1,019,795	$8,319	0.8%
Board of Correction	$999	$999	$999	$999	$0	0.0%
Citywide Pension Contribution	$7,487,681	$7,752,214	$7,858,451	$7,961,628	$473,947	6.3%
Miscellaneous	$6,287,494	$6,535,119	$7,899,454	$8,709,372	$2,421,878	38.5%
Debt Service	$4,210,472	$4,679,250	$4,764,800	$4,840,526	$630,054	15.0%
N.Y.C.T.F.A. Debt Service	$1,175,714	$1,614,610	$1,837,120	$2,018,070	$842,356	71.6%
FY 2010 BSA	($3,642,142)	$0	$0	$0	$3,642,142	(100.0%)
Defeasance of N.Y.C.T.F.A. Debt Service	($35,000)	$0	$0	$0	$35,000	(100.0%)
Public Advocate	$2,256	$1,797	$1,803	$1,807	($449)	(19.9%)
City Council	$52,883	$52,883	$52,883	$52,883	$0	0.0%
City Clerk	$5,066	$5,066	$5,066	$5,066	$0	0.0%
Dept. for the Aging	$263,517	$225,554	$224,977	$224,977	($38,540)	(14.6%)
Dept. of Cultural Affairs	$149,850	$109,880	$109,880	$109,880	($39,970)	(26.7%)
Financial Info. Serv. Agency	$62,948	$60,296	$59,935	$59,945	($3,003)	(4.8%)
Dept. of Juvenile Justice	$148,327	$134,727	$134,736	$131,531	($16,796)	(11.3%)
Office of Payroll Admin.	$71,290	$65,759	$52,784	$36,727	($34,563)	(48.5%)
Independent Budget Office	$4,455	$4,407	$4,407	$4,407	($48)	(1.1%)
Equal Employment Practices Comm.	$744	$744	$745	$745	$1	0.1%

Table A2 (Con't). *July 2010 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2011	FY 2012	FY 2013	FY 2014	Changes FYs 2011 - 14 Dollar	Percent
Civil Service Commission	$652	$653	$653	$653	$1	(0.2%)
Landmarks Preservation Comm.	$5,583	$4,627	$4,663	$4,669	($914)	(16.4%)
Taxi & Limousine Commission	$31,260	$30,716	$30,716	$30,716	($544)	(1.7%)
Commission on Human Rights	$7,269	$7,366	$7,366	$7,366	$97	(1.3%)
Youth & Community Development	$334,443	$236,734	$236,750	$236,750	($97,693)	(29.2%)
Conflicts of Interest Board	$2,023	$1,988	$1,988	$1,988	($35)	(1.7%)
Office of Collective Bargain	$2,101	$2,102	$2,103	$2,103	$2	0.1%
Community Boards (All)	$14,707	$14,569	$14,569	$14,569	($138)	(0.9%)
Dept. of Probation	$79,767	$74,696	$74,199	$74,199	($5,568)	(7.0%)
Dept. Small Business Services	$131,226	$108,129	$105,078	$99,165	($32,061)	(24.4%)
Housing Preservation & Development	$605,062	$564,754	$563,701	$563,456	($41,606)	(6.9%)
Dept. of Buildings	$98,418	$92,448	$92,448	$92,466	($5,952)	(6.0%)
Dept. of Health & Mental Hygiene	$1,594,629	$1,563,053	$1,558,593	$1,559,757	($34,872)	(2.2%)
Health and Hospitals Corp.	$94,826	$118,707	$118,778	$118,778	$23,952	25.3%
Office of Administrative Trials & Hearings	$26,566	$26,566	$26,566	$26,566	$0	0.0%
Dept. of Environmental Protection	$1,015,639	$984,451	$980,194	$980,194	($35,445)	(3.5%)
Dept. of Sanitation	$1,343,959	$1,361,769	$1,385,561	$1,441,880	$97,921	7.3%
Business Integrity Commission	$7,287	$7,232	$7,232	$7,232	($55)	(0.8%)
Dept. of Finance	$217,879	$216,545	$215,656	$215,662	($2,217)	(1.0%)
Dept. of Transportation	$687,979	$670,390	$679,764	$679,764	($8,215)	(1.2%)
Dept. of Parks and Recreation	$276,139	$266,328	$266,871	$267,031	($9,108)	(3.3%)
Dept. of Design & Construction	$106,592	$106,496	$106,547	$106,571	($21)	(0.0%)
Dept. of Citywide Admin. Services	$394,020	$342,768	$349,037	$349,037	($44,983)	(11.4%)
D.O.I.T.T.	$246,783	$231,306	$230,590	$230,590	($16,193)	(6.6%)
Dept. of Record & Info. Services	$4,986	$4,901	$5,240	$5,240	$254	5.1%
Dept. of Consumer Affairs	$19,430	$19,430	$19,430	$19,430	$0	0.0%
District Attorney - N.Y.	$78,253	$76,238	$76,238	$76,238	($2,015)	(2.6%)
District Attorney - Bronx	$46,578	$45,347	$45,016	$44,905	($1,673)	(3.6%)
District Attorney - Kings	$77,820	$75,136	$75,136	$75,136	($2,684)	(3.4%)
District Attorney - Queens	$45,738	$44,777	$44,317	$44,317	($1,421)	(3.1%)
District Attorney - Richmond	$7,695	$7,446	$7,297	$7,297	($398)	(5.2%)
Office of Prosec. & Spec. Narc.	$17,144	$16,526	$16,526	$16,526	($618)	(3.6%)
Public Administrator - N.Y.	$1,268	$1,156	$1,156	$1,156	($112)	(8.8%)
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	$376	$307	$307	$307	($69)	(18.4%)
General Reserve	$436,500	$300,000	$300,000	$300,000	($136,500)	(31.3%)%
Energy Adjustment	$0	$51,108	$87,056	$105,704	$105,704	N/A
Lease Adjustment	$0	$23,642	$85,344	$136,982	$136,982	N/A
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	$166,557	N/A
TOTAL EXPENDITURE	**$63,158,913**	**$68,262,410**	**$70,738,793**	**$73,304,306**	**$10,145,393**	**16.1%**

Glossary of Acronyms

ACS	Administration for Children's Services
AIRA	Actuarial Interest Rate Assumption
ARRA	American Recovery and Reinvestment Act
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CBO	Congressional Budget Office
CSA	Council of School Supervisors and Administrators
DSH	Medicaid Disproportionate Share
DJJ	Department of Juvenile Justice
DOC	Department of Correction
DOE	Department of Education
EDC	Economic Development Corporation
FEA	New York State Financial Emergency Act
FMAP	Federal Medical Assistance Percentages
FTE	Full-Time Equivalent

FY	Fiscal Year
GASB	Governmental Accounting Standards Board
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
G.O. Debt	General Obligation Debt
HHC	Health and Hospitals Corporation
J&C	Judgments and Claims
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYWFA	New York City Municipal Water Finance Authority
O&M	Operation and Maintenance
OMB	Office of Management and Budget
OTPS	Other than Personal Services
PEG	Program to Eliminate the Gap
PERB	Public Employment Relations Board

PIT	Personal Income Tax
PS	Personal Services
QSCB	Qualified School Construction Bonds
RHBT	Retiree Health Benefit Trust
STAR	School Tax Relief
UFT	United Federation of Teachers
U.S.	United States