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BUREAU OF FISCAL AND BUDGET STUDIES

# The State of the City's Economy and Finances

## December 14, 2012

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# TABLE OF CONTENTS

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# LIST OF TABLES



# LIST OF CHARTS

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# I. Executive Summary

In the over three years since the nadir of the most recent national recession, the U.S. economic recovery has for the most part been weak and inconsistent. Optimism, buoyed by the strengthening of certain national economic indicators, has often been ephemeral as the economic gains achieved have dissipated over time. Yet in the closing weeks of 2012, it appears that the nation's economic growth may have gained enough momentum to withstand the fiscal uncertainties of the coming year.

In 2012, the New York City economy has out-performed the nation as a whole. In the twelve months since October 2011 over 94,000 private-sector jobs have been added to the City's workforce. The number of payroll jobs in the City has now exceeded the pre-recession total, while the nation still lags far behind its pre-recession peak.

While the situation in Europe and the uncertainty in Washington DC regarding negotiations to avoid the "fiscal cliff" loom over the national economic condition, the Comptroller's Office forecasts moderate economic growth over the next twelve months at the national level. The improvement of the national economy should facilitate continued economic growth in the local economy in 2013. In the next year the City should begin to see declines in the unemployment rate and a strengthening of the rate of wage growth.

The cost to public and private property resulting from Superstorm Sandy has been estimated at over $13.3 billion citywide. In addition, the Comptroller's Office anticipates that the storm disrupted approximately $5 billion of economic activity throughout the City. Much of this economic activity will be recouped eventually. While it is estimated that the Gross City Product (GCP) will be depressed by less than 0.2 percentage point in 2012 as a result of the storm, the economic activity resulting from the recovery could add 0.5 percentage point to GCP in 2013.

The City's FY 2013 Budget as adopted in June 2012 totaled $68.501 billion. After modifications made in the November Plan, FY 2013 expenditures total $68.97 billion, an increase of $469 million since adoption. This increase is the product of additional State and Federal aid realized in the current fiscal year. The increase in State and Federal aid is partially offset by a reduction of $321 million in the City-funds budget. The City-funds reduction is primarily the result of the removal of $635 million of revenue related to the sale of taxi medallions. The City has delayed the medallion sales by a year, the result of a court decision invalidating the legislation which authorized it.

At budget adoption, the FY 2014 budget gap stood at $2.51 billion. Through a series of budgetary actions, the gap for the next fiscal year is currently $1.15 billion. The reduction in next year's budget gap is primarily the result of two actions: a PEG (program to eliminate the gap) and the increase of revenues attributable to the sale of taxi medallions. Revenues from the taxi medallion sale which were originally forecast for FY 2013 have been shifted to the outyears of the Financial Plan. The delay in realization of taxi medallion sale revenue has provided $425 million of gap relief in FY 2014. The November Plan's PEG program is expected to provide additional budget relief of

$555 million in FY 2013, $1 billion in FY 2014, $509 million in FY 2015, and $521 million in FY 2016.

The Comptroller's Office review of the November Plan finds that while the current year's budget is balanced and the outyear gaps appear manageable, there still exists an underlying risk to budgetary stability. This risk includes: potential reductions in State and Federal aid; a shortfall in budgeted overtime expenses; an over-estimation of Department of Education Medicaid reimbursement; the uncertainty of revenue from the sale of taxi medallions; and the lack of funding for the 2008 – 2010 round of collective bargaining for City employees represented by the United Federation of Teachers (UFT) and the Council of School Supervisors and Administrators (CSA).[1] As a result of these risks, which are partially offset by higher revenue estimates, the Comptroller's Office estimates that the City could face budget gaps as large as $2.716 billion in FY 2013 increasing to $2.723 billion in FY 2014, $3.755 billion in FY 2015, and $2.776 billion in FY 2016. These gaps are the result of net risks of $2.716 billion in FY 2013, $1.573 billion in FY 2014, $968 million in FY 2015, and $161 million in FY 2016.

[1] The 2008 – 2010 round of collective bargaining for UFT and CSA is effective FYs 2010 – 2012.

## *Table 1. FYs 2013 – 2016 Financial Plan*

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Changes FYs 2013 – 2016 Dollar | Percent |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Taxes: | | | | | | |
| General Property Tax | $18,644 | $19,184 | $19,846 | $20,489 | $1,845 | 9.9% |
| Other Taxes | $24,357 | $25,230 | $26,584 | $27,807 | $3,450 | 14.2% |
| Tax Audit Revenues | $838 | $709 | $709 | $709 | ($129) | (15.4%) |
| Subtotal: Taxes | $43,839 | $45,123 | $47,139 | $49,005 | $5,166 | 11.8% |
| Miscellaneous Revenues | $6,506 | $7,105 | $6,724 | $6,581 | $75 | 1.2% |
| Less: Intra-City Revenues | ($1,704) | ($1,606) | ($1,609) | ($1,614) | $90 | (5.3%) |
| Disallowances Against Categorical Grants | ($15) | ($15) | ($15) | ($15) | $0 | 0.0% |
| Subtotal: City-Funds | $48,626 | $50,607 | $52,239 | $53,957 | $5,331 | 11.0% |
| Other Categorical Grants | $978 | $951 | $916 | $902 | ($76) | (7.8%) |
| Inter-Fund Revenues | $538 | $509 | $508 | $509 | ($29) | (5.4%) |
| Total City & Inter-Fund Revenues | $50,142 | $52,067 | $53,663 | $55,368 | $5,226 | 10.4% |
| Federal Categorical Grants | $7,262 | $6,588 | $6,359 | $6,347 | ($915) | (12.6%) |
| State Categorical Grants | $11,566 | $11,703 | $12,042 | $12,521 | $955 | 8.3% |
| Total Revenues | $68,970 | $70,358 | $72,064 | $74,236 | $5,266 | 7.6% |
| **Expenditures** | | | | | | |
| Personal Service | | | | | | |
| Salaries and Wages | $21,875 | $21,823 | $22,004 | $22,320 | $445 | 2.0% |
| Pensions | $8,062 | $8,212 | $8,203 | $8,399 | $337 | 4.2% |
| Fringe Benefits | $8,419 | $8,797 | $9,431 | $10,142 | $1,723 | 20.5% |
| Retiree Health Benefits Trust | ($1,000) | ($1,000) | $0 | $0 | $1,000 | (100.0%) |
| Subtotal-PS | $37,356 | $37,832 | $39,638 | $40,861 | $3,505 | 9.4% |
| Other Than Personal Service | | | | | | |
| Medical Assistance | $6,282 | $6,366 | $6,447 | $6,415 | $133 | 2.1% |
| Public Assistance | $1,274 | $1,275 | $1,273 | $1,273 | ($1) | (0.1%) |
| All Other | $21,661 | $20,965 | $21,569 | $22,077 | $416 | 1.9% |
| Subtotal-OTPS | $29,217 | $28,606 | $29,289 | $29,765 | $548 | 1.9% |
| Debt Service | | | | | | |
| Principal | $1,941 | $2,075 | $2,320 | $2,314 | $373 | 19.2% |
| Interest & Offsets | $2,368 | $2,546 | $2,642 | $2,754 | $386 | 16.3% |
| Subtotal Debt Service | $4,309 | $4,621 | $4,962 | $5,068 | $759 | 17.6% |
| FY 2012 BSA & Discretionary Transfers | ($2,431) | ($31) | $0 | $0 | $2,431 | (100.0%) |
| FY 2013 BSA | $124 | ($124) | $0 | $0 | ($124) | (100.0%) |
| NYCTFA | | | | | | |
| Principal | $606 | $581 | $808 | $836 | $230 | 38.0% |
| Interest & Offsets | $1,193 | $1,329 | $1,463 | $1,635 | $442 | 37.0% |
| Subtotal NYCTFA | $1,799 | $1,910 | $2,271 | $2,471 | $672 | 37.4% |
| General Reserve | $300 | $300 | $300 | $300 | $0 | 0.0% |
| | $70,674 | $73,114 | $76,460 | $78,465 | $7,791 | 11.0% |
| Less: Intra-City Expenses | ($1,704) | ($1,606) | ($1,609) | ($1,614) | $90 | (5.3%) |
| Total Expenditures | $68,970 | $71,508 | $74,851 | $76,851 | $7,881 | 11.4% |
| **Gap To Be Closed** | **$0** | **($1,150)** | **($2,787)** | **($2,615)** | **($2,615)** | **N/A** |

## *Table 2. Plan-to-Plan Changes*
## *November 2012 Plan vs. June 2012 Plan*

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes: | | | | |
| General Property Tax | $13 | $14 | $15 | $16 |
| Other Taxes | $68 | ($1) | ($1) | ($1) |
| Tax Audit Revenues | $114 | $3 | $3 | $3 |
| Subtotal: Taxes | $195 | $16 | $17 | $18 |
| Miscellaneous Revenues | ($443) | $517 | $56 | $270 |
| Less: Intra-City Revenues | ($73) | ($9) | ($9) | ($9) |
| Disallowances Against Categorical Grants | $0 | $0 | $0 | $0 |
| Subtotal: City-Funds | ($321) | $524 | $64 | $279 |
| Other Categorical Grants | $54 | $32 | $0 | $0 |
| Inter-Fund Revenues | ($1) | ($1) | ($1) | $0 |
| Total City & Inter-Fund Revenues | ($268) | $555 | $63 | $279 |
| Federal Categorical Grants | $601 | $117 | ($12) | ($23) |
| State Categorical Grants | $136 | ($17) | ($98) | ($101) |
| Total Revenues | $469 | $655 | ($47) | $155 |
| **Expenditures** | | | | |
| Personal Service | | | | |
| Salaries and Wages | $74 | ($97) | ($135) | ($195) |
| Pensions | $0 | $98 | $197 | $295 |
| Fringe Benefits | ($10) | ($200) | ($166) | ($125) |
| Retiree Health Benefits Trust | $0 | $0 | $0 | $0 |
| Subtotal-PS | $64 | ($199) | ($104) | ($25) |
| Other Than Personal Service | | | | |
| Medical Assistance | ($1) | $0 | $0 | ($1) |
| Public Assistance | $0 | ($4) | ($6) | ($6) |
| All Other | $512 | ($267) | ($295) | ($324) |
| Subtotal-OTPS | $511 | ($271) | ($301) | ($331) |
| Debt Service | | | | |
| Principal | ($70) | ($84) | $14 | $13 |
| Interest & Offsets | $65 | ($9) | $7 | $20 |
| Subtotal Debt Service | ($5) | ($93) | $21 | $33 |
| FY 2012 BSA & Discretionary Transfers | ($23) | $0 | $0 | $0 |
| FY 2013 BSA | $0 | $0 | $0 | $0 |
| NYCTFA Debt Service | | | | |
| Principal | ($30) | ($210) | ($64) | ($72) |
| Interest & Offsets | $25 | $79 | $80 | $104 |
| Subtotal NYCTFA | ($5) | ($131) | $16 | $32 |
| General Reserve | $0 | $0 | $0 | $0 |
| | $542 | ($694) | ($368) | ($291) |
| Less: Intra-City Expenses | ($73) | ($9) | ($9) | ($9) |
| Total Expenditures | $469 | ($703) | ($377) | ($300) |
| **Gap To Be Closed** | **$0** | **$1,358** | **$330** | **$455** |

*Table 3. Risks and Offsets to the November 2012 Financial Plan*

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| **City Stated Gap** | **$0** | **($1,150)** | **($2,787)** | **($2,615)** |
| **Tax Revenues** | | | | |
| Property Tax | ($13) | $338 | $591 | $1,049 |
| Personal Income Tax | $36 | $299 | $129 | $221 |
| Business Taxes | ($24) | ($119) | ($92) | ($115) |
| Sales Tax | $10 | $85 | $205 | $321 |
| Real-Estate-Related Taxes | $79 | $41 | $37 | ($59) |
| **Subtotal** | **$88** | **$644** | **$870** | **$1,417** |
| **Taxi Medallion Sale** | **$0** | **($790)** | **($447)** | **($223)** |
| **Federal and State Aid** | **$0** | **($400)** | **($400)** | **($400)** |
| **Expenditures** | | | | |
| UFT/CSA Collective Bargaining | ($2,595) | ($900) | ($900) | ($900) |
| Overtime | ($149) | ($100) | ($100) | ($100) |
| DOE Medicaid Reimbursement | ($100) | ($100) | ($100) | ($100) |
| Public Assistance | ($20) | ($20) | ($20) | ($20) |
| Judgments and Claims | $60 | $93 | $129 | $165 |
| **Subtotal** | **($2,804)** | **($1,027)** | **($991)** | **($955)** |
| **Total Risk/Offsets** | **($2,716)** | **($1,573)** | **($968)** | **($161)** |
| **Restated (Gap)/Surplus** | **($2,716)** | **($2,723)** | **($3,755)** | **($2,776)** |

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# II. State of the City's Economy

Each of the past three years have ended with the hope that the U.S. economy was reaching a satisfactory growth path, only to have the new year bring more obstacles and disappointing performance. At the close of 2012, however, the hopes seem more well-founded as some of the impediments to growth appear to be abating. While the recession in Europe and slowdown in Asia are cause for concern, the American economy seems better positioned to achieve its potential than it has at any time in recent years.

On the crucial measure of job creation, New York City's economy has been more robust than the nation's, adding over 94,000 private-sector jobs between October 2011 and October 2012. The City has already exceeded the total number of payroll jobs it boasted prior to the recession, while the nation still finds itself 4.3 million jobs short of its previous peak. Despite its healthy job creation, the City's labor market remains soft, as evidenced by its 9.3 percent unemployment rate, and the economic recovery has yet to reach all of the City's communities. Employment data in late 2012 provided some hope that the labor market recovery is broadening, and a stronger national economy could help bring the local unemployment down to more acceptable level in 2013.

Although, at this writing, negotiations to avoid the "fiscal cliff" remain sensitive, the Comptroller is confident that the President and Congress will find a formula that eliminates that political threat to the country's economic health. There is less reason to be optimistic that quick remedies will be found for the economic slump in Europe, the growth challenges in Asia, and the political turmoil in the Middle East. Those international conditions will continue to constrain growth in the global, national and local economies in the coming year. However, there are enough positive signs in the domestic picture to believe that the coming year will see continued, and perhaps accelerated, recovery from the disastrous recession of four years ago.

## A. NYC'S ECONOMIC PERFORMANCE IN 2012

Through the first half of 2011, private-sector job creation in the City was strong, with payroll jobs increasing by over 73,000 through July (on a seasonally-adjusted basis). Some relapse occurred thereafter, as a weak second half brought the job growth tally down to 55,600 for the full year. It appears that a similar pattern is repeating in 2012. Through August 2012, the City's private sector added a record 105,500 jobs, but a soft September and October have eroded some of those gains. Through October, the year-to-date increase in private jobs stood at 89,900.

There is some evidence that changing seasonal employment patterns are contributing to the City's recent start-and-stop job performance. The autumn job declines in both 2011 and 2012 were concentrated in retail trade and educational services, both sectors that traditionally are highly seasonal. If hiring practices in those sectors are changing, it could distort the seasonal-adjustment process and create the illusion of more volatility than is really the case. Nevertheless, the autumn weakness in job growth in both years was evident in other sectors as well.

Despite the private-sector job losses in September and October, the city's job overall performance in 2012 has been encouraging. The year-to-date job gains of nearly 90,000 represent a 2.8 percent expansion in the private job base, the largest job increase through this point of the year on record. With 3.36 million private jobs, the city now has the greatest number of private payroll jobs since comparable data became available.

The job growth in the first ten months of 2012 has not been skewed toward either the high end or the low end of the pay scale. Job growth has been brisk in the Professional and Business Services sector, which added 33,700 workers from December through October. The sector includes a number of well-paying, high-value added industries such as legal services, advertising, accounting, architecture, engineering and computer systems design and services. Strong growth has also been seen in Leisure and Hospitality, especially Food Service, industries that offer more entry-level opportunities but often at low wages. Less dramatic but nonetheless steady growth has occurred in Health Services and Retail Trade. Employment in the Financial Services sector has been essentially stagnant over the past year.

The strong job growth evidenced by the data on payroll jobs however, has not been reflected in the household employment and unemployment data. While payroll jobs increased throughout 2012, the City's unemployment rate increased as well, reaching 10 percent in June and July. The diverging trends in the "employer survey" and the "household survey" data constituted one of the most puzzling features of the City's economic performance in 2012. This trend may be the result of new jobs being filled by commuters who do not count in the City's unemployment rate, or that many of the new jobs were being filled by free-lance employees being brought on to regular company payrolls. Neither of those explanations is entirely satisfactory, and the most obvious explanation of all—that the City's labor force was expanding faster than new jobs were being created—was demonstrably not true. Whatever the explanation for the rise in the city's unemployment rate, it created a justifiable sense of dissatisfaction with the City's economic performance.

Other disquieting evidence suggested that the City's labor market was still not back to its pre-recession health. The unemployment rate for African-American residents, which had spiked as high as 16.4 percent at the height of the recession, was dropping slowly until 2012. Unfortunately, it spiked again in early 2012 and averaged 14.6 percent over the first three quarters of the year. If that rising unemployment rate among blacks were a result of previously discouraged workers returning to the labor force, it could be dismissed as a temporary effect of the recovery. However, just the opposite was true—the city's African-American labor force has declined dramatically over the past two years. The unevenness of the City's recovery is also reflected in the high unemployment rate among Hispanics (9.9 percent) and young people (21.3 percent) in the third quarter of the year.

Another concern about the labor market picture is the slow growth in wages. Nine quarters after the trough of the local recession (4Q09 to 1Q12), private non-financial sector wages had risen only 3.1 percent, compared to a 22.8 percent rise in the nine quarters following the previous recession (3Q03 to 4Q05). The slow wage growth does not appear to be a result of a changing mix of jobs: average wages in retail trade dropped 3.1 percent, in accommodations and food service 5.3 percent, and in arts and entertainment, 21.6 percent. Unfortunately, consistent wage data does not extend beyond the first quarter of 2012. Personal income tax withholding data indicates that there may have been some firming of wages since early in the year, but workers still have considerable ground to make up.

Financial sector wages account for almost one-quarter of all wages paid to the City's private-sector workers, and 2012 began on a down note in that sector as well. Cash bonuses paid in the first quarter of the year reflected Wall Street's difficulties in the second half of 2011 when slow domestic growth and financial instability in Europe led to two consecutive unprofitable quarters for NYSE member firms. Although the industry as a whole returned to profitability in 2012, the business environment remained difficult for financial firms and it is likely that the overall cash bonus pool will decline for the second consecutive year.

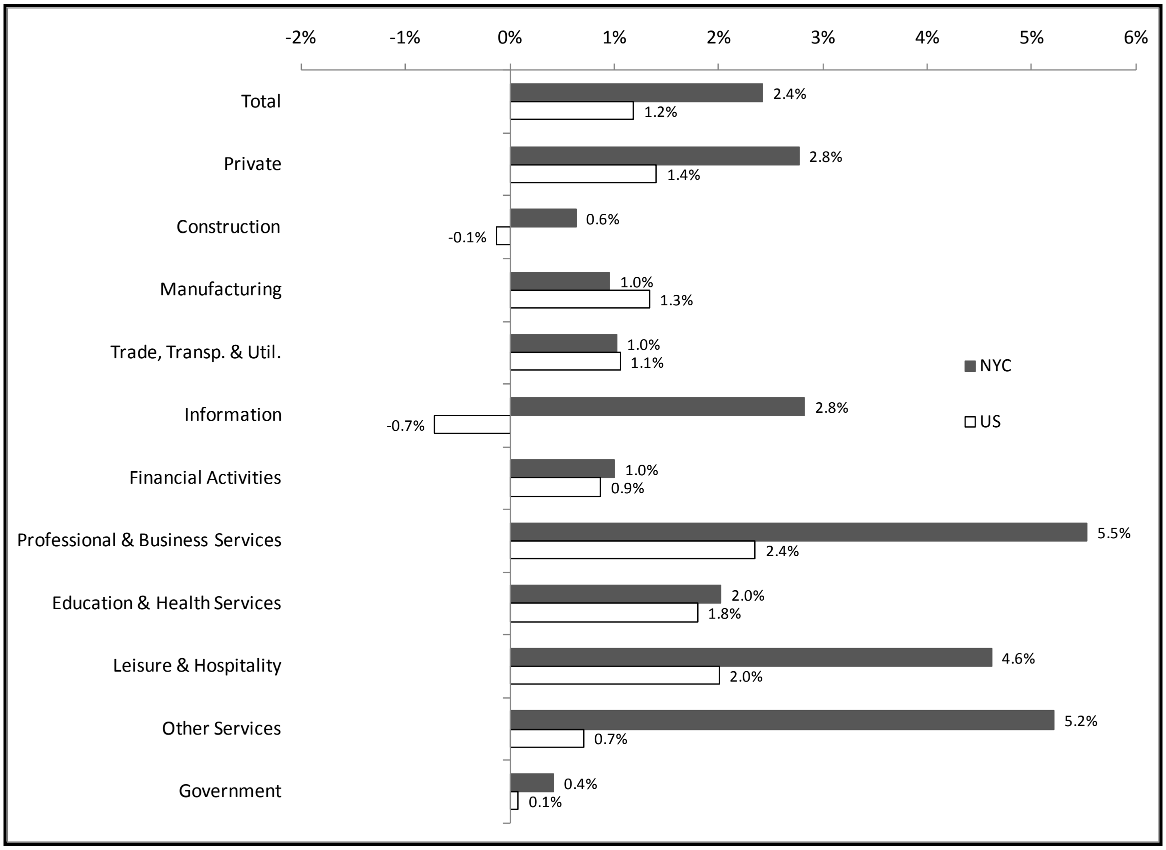
Mirroring the City's mixed economic performance in 2012, the City's real estate markets continued to recover, but without the boom psychology of the pre-recession years. While the financial industry's difficulties served to cool off the Manhattan office market somewhat, total leasing activity and direct space absorption remained in line with long-term growth trends, according to Cushman & Wakefield data. Although office rents have not returned to the over-heated levels of 2007 and 2008, they have firmed over the past two years and Commercial Rent Tax collections indicate that office building cash flows have continued to grow at a respectable rate. The major real estate firms also report that the City's retail space market continued to improve in 2012, with rising rental rates, especially along Fifth Avenue and in Times Square, indicating strong demand.

The City's residential market has paralleled the commercial market. Although the number of Manhattan apartment sales declined slightly through the first three quarters of 2012, according to Prudential Douglas Elliman, selling prices per square foot inched upward and the inventory of apartments on the market dropped to its lowest level in more than seven years. A tightening rental market portends that market absorption will increase in coming years, as owning once again becomes an attractive financial option. The improved market fundamentals are beginning to revive the residential construction industry, as building permits for Manhattan housing units picked up considerably beginning in the second half of 2011 and in 2012 are on track for the highest total since 2008.

Residential real estate in the other boroughs has followed a similar path. Through the first three quarters of 2012, sales volume of apartments and houses in Brooklyn and Queens were trailing that of the same period of 2011, but prices continued to firm as the inventory of unsold units declined. There are also some signs of revived construction activity in Brooklyn, Queens, Staten Island and the Bronx, as new housing units authorized increased by 15 percent in the first three quarters of 2012 compared to a year earlier.

Hospitality has been the brightest spot on the City's real estate landscape. Since 2001, the total number of annual visitors to the City has increased at a 3.8 percent annual average rate and the number of international visitors has increased at a 6.4 percent rate. That has allowed the City's hotel industry to add more than 20,000 rooms since 2006 while still maintaining high occupancy and room rates. A 4.5 percent increase in passenger arrivals at New York City airports through September indicates that tourism growth continues to be strong in 2012.

***Chart 1. Change in NYC and U.S. Payroll Jobs, First 10 Months of 2012***




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

On October 29, the City and surrounding areas were struck by Superstorm Sandy, the most costly storm in the City's history. As of late November, the damage to public and private property was estimated to be $13.3 billion citywide. Moreover, the Comptroller's Office has estimated that the storm and its aftermath disrupted about $5 billion of economic activity that would have otherwise occurred.

The Storm caused over 40 deaths in New York City, destroyed several hundred homes, and displaced thousands of people. Those costs cannot be measured in terms of dollars and cents. However, recent history indicates that modern economies are fairly resilient to the disruptions caused by such natural disasters. The economies of the Gulf Coast states after Katrina, and Japan after the Tohoku earthquake and tsunami, rebounded fairly rapidly. The Comptroller expects a similar rebound to occur in New York City in the weeks and months after Sandy. Much of the economic activity initially disrupted by the storm will be recouped, as large businesses complete transactions and fulfill orders that were pending, and consumers make purchases that were delayed by the storm. The Comptroller's Office anticipates that as much as 80 percent of the economic activity disrupted by the storm will be recouped, and that 2012 Gross City Product will be depressed by less than 0.2 percentage point as a result of it.

## B. ECONOMIC OUTLOOK

The recovery of both the national and the city economies is expected to pick up steam in the next four years, despite the concerns about the "fiscal cliff" and slowing economic growth in Europe and Asia. The primary reasons for such optimistic outlooks are the improvement in the housing market and a falling unemployment rate creating a "virtuous circle" of consumer confidence, spending increases, and new hiring. At the local level, there is also the potential for a slight positive economic gain associated with rebuilding after Superstorm Sandy.

The most pressing issue facing the economy as 2012 draws to a close is the so-called "fiscal cliff." The fiscal cliff is a budget mechanism established in August 2011, designed either to activate a painful mix of tax increases and spending cuts, or to force Congress to compromise on a long-term budget plan to avoid those measures. Although the budget negotiations appear rancorous and precarious, virtually all of Congress, the business community and the general public wishes to see a budget compromise that avoids the automatic tax increases and spending cuts. If left in place for any length of time, they would very likely push the national economy back into recession. Since the economic (and perhaps political) consequences would be so severe, the Comptroller believes that a budget plan that diffuses the fiscal cliff will be agreed to, if not before the end of the year then early in 2013.

The Comptroller believes that there is very little likelihood that the fiscal cliff will take effect and stay in place any significant length of time. The economic consequences, as well as the political damage to leaders of both parties, would be too great. The question is what kind of deal will be struck and when.

Since the budget negotiations aimed at avoiding the fiscal cliff are ultimately about reducing the federal budget deficit, whatever the outcome of the negotiations, federal fiscal policy in 2013 will be somewhat more contractionary than it has been in recent years. Based on the econometric and historical evidence, the Comptroller's Office does not believe that somewhat higher taxes on households earning above $250,000 will severely constrain short-run economic growth in the nation or the City. Likewise, we do not think that higher tax rates on capital gains or on dividend income will have a noticeable effect on the City's short-term economic growth rate. However, the expiration of the 2.0 percent payroll tax holiday, which has been in place during 2011 and 2012, can be expected to have an adverse effect on 2013 growth, as the increased payroll tax will be paid primarily by lower- and middle-income households who will have to cut back on their current consumption spending. It is not yet clear what federal expenditure cuts will be part of the eventual budget agreement, but if they are made pari passu with the tax increases, they could have a significant contractionary effect in 2013.

Offsetting the negative effects of the fiscal cliff or, far more likely, of a contractionary federal budget deal, is improved momentum in the private domestic economy. Through October, the national economy has added about 1.6 million jobs in 2012 and the unemployment rate has declined from 8.5 percent to 7.9 percent. With more people working, consumer confidence has risen, boosting spending. Through October, the number of cars and light trucks sold has increased 12.4 percent over the same period of 2011 and total retail and food service sales have increased 5.5 percent.

Probably the biggest positive factor in the domestic economy is the turn-around in the housing market. After six straight years in which declining residential investment depressed GDP growth (or exacerbated its decline), the housing industry finally contributed to GDP growth in 2012. In 2012, increased residential investment will contribute directly about 0.3 percentage point to real GDP growth and that contribution is likely to increase in 2013. Moreover, firming home values will help household net worth recover and boost consumer confidence, spilling over into other forms of consumer spending. While the housing market is still a long way from healthy balance, its recovery has clearly begun.

Helping to sustain the housing recovery, as well as other sectors of the economy, will be Federal Reserve policy. In December, the Fed announced it will continue to purchase $40 billion per month of agency mortgage-backed securities as initiated at the September meeting. In addition, the Committee decided to purchase $45 billion per month of longer-term Treasury securities after "Operation Twist" is terminated at the end of 2012. Finally, the Fed said it will continue its commitment to keep the federal funds rate low "at least through mid-2015." Those actions are intended to keep interest rates down for both businesses and consumers and encourage investors to seek more risky, growth-inducing investments.

While the probability of a contractionary turn in U.S. fiscal policy will sap some growth from the economy in 2013, contractionary fiscal policies in Europe have been doing so for some time. After the European Central Bank's September announcement of its readiness to buy the sovereign bonds of debt-stressed eurozone countries if necessary, and more recently the provision of a new round of loans to Greece, the possibility of a catastrophic meltdown of the eurozone has receded. However, the eurozone's "austerity" policies have already pulled the 17 countries of the euro area into recession and dramatically slowed growth in the broader European Union. That has had spillover effects on the United States, and on New York City in particular, where European banks have a large presence. Unfortunately, there is no reason to expect a significant pick-up in European growth in 2013, so the continent's economic problems will continue to act as a drag on U.S. growth.

Overall, despite some positive developments in the domestic economy, the Comptroller's Office is projecting only slightly faster U.S. economic growth in 2013, compared to the year just ending. The economic growth rate will remain well below the average annual 3.1 percent rate established between 1980 and 2007. It is a sobering commentary on the global economic picture that U.S. growth will probably be among the strongest in the developed world.

The improving national economy should facilitate continued economic growth in the local economy in 2013. In the coming year we should see a continued reduction in the City's unemployment rate and, finally, some improvement in the rate of wage growth.

An inflow of federal disaster aid and private insurance money to compensate for the physical damage caused by Superstorm Sandy will also help to boost growth in 2013 and 2014. However, the Comptroller's Office cautions that the fiscal boost will be modest in size. At present, it looks like public agencies and private citizens will receive about $10 billion in damage compensation spread over several years. That is a relatively small amount compared to the size of the City's economy. Given the plausible multiplier effects of that infusion of funds, the fiscal boost resulting from the Storm can be expected to add about 0.5 percentage point to the city's rate of growth in 2013.

Table 4 provides summary projections for five NYC and U.S. indicators from 2012 to 2016.

***Table 4. Selected NYC and the U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2012-2016***

| Selected NYC Economic Indicators, Annual Averages | | | | | | |
|---|---|---|---|---|---|---|
| | | **2012** | **2013** | **2014** | **2015** | **2016** |
| Real GCP, (2005 $), | Comptroller | 2.1 | 2.3 | 2.6 | 3.2 | 3.2 |
| % Change | Mayor | 2.8 | 0.0 | 1.5 | 1.9 | 2.0 |
| Payroll Jobs, | Comptroller | 78 | 64 | 69 | 71 | 70 |
| Change in Thousands | Mayor | 69 | 49 | 45 | 46 | 41 |
| Inflation Rate | Comptroller | 2.2 | 2.1 | 2.3 | 2.5 | 2.7 |
| Percent | Mayor | 2.1 | 1.8 | 1.9 | 1.8 | 2.1 |
| Wage-Rate Growth, | Comptroller | 1.6 | 3.3 | 3.0 | 3.0 | 3.1 |
| Percent | Mayor | 0.5 | 1.0 | 2.2 | 2.2 | 2.5 |
| Unemployment Rate, | Comptroller | 9.6 | 8.9 | 8.5 | 8.1 | 7.8 |
| Percent | Mayor | NA | NA | NA | NA | NA |

| Selected U.S. Economic Indicators, Annual Averages | | | | | | |
|---|---|---|---|---|---|---|
| | | **2012** | **2013** | **2014** | **2015** | **2016** |
| Real GDP, (2005 $), | Comptroller | 2.2 | 2.2 | 2.9 | 3.2 | 3.4 |
| % Change | Mayor | 2.1 | 1.8 | 2.9 | 3.3 | 3.0 |
| Payroll Jobs, | Comptroller | 1.9 | 2.0 | 2.0 | 2.4 | 2.3 |
| Change in Millions | Mayor | 1.8 | 1.7 | 2.4 | 2.7 | 2.6 |
| Inflation Rate | Comptroller | 2.3 | 1.9 | 2.1 | 2.3 | 2.6 |
| Percent | Mayor | 2.0 | 1.4 | 1.7 | 1.6 | 1.9 |
| Fed Funds Rate, | Comptroller | 0.1 | 0.2 | 0.4 | 1.2 | 2.2 |
| Percent | Mayor | 0.1 | 0.2 | 0.2 | 0.7 | 2.7 |
| 10-Year Treasury Notes, | Comptroller | 1.8 | 1.9 | 2.5 | 3.7 | 3.9 |
| Percent | Mayor | 1.8 | 2.4 | 3.2 | 3.7 | 4.3 |

Source: Comptroller=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the November Modification Fiscal Year 2013.

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# III. The City's Fiscal Outlook

The November Plan includes spending of $68.97 billion for FY 2013, an increase of $1.44 billion from FY 2012. However, both FYs 2012 and 2013 spending were reduced by prepayments. After netting out the effect of the prepayments, the FY 2013 budget in the November Plan totals $71.28 billion, $2.47 billion more than the adjusted FY 2012 spending. This growth in spending is due mainly to a $716 million increase in Federal and State categorical spending (supported by a corresponding increase in Federal and State categorical grants), a $671 million increase in debt service and the funding of the $300 million FY 2013 General Reserve.[2]

The FY 2013 budget has increased by $469 million since budget adoption in June, primarily due to upward revisions to the Federal and State categorical portions of the budget which, increased by $601 million, and $136 million respectively. As discussed in "Federal and State Aid" beginning on page 24, the increased Federal categorical grants results mainly from the rollover of unspent grants from the previous fiscal year while the additional State categorical grants reflect primarily additional funding for social services and transportation.

Partially offsetting the increases in the Federal and State categorical portions of the budget is a downward revision of $321 million to the City-funded portion of the budget. As Table 5 shows, the largest modification to FY 2013 City-fund revenues is the removal of $635 million of revenues from the sales of taxi medallions that were anticipated in the Adopted Budget. The sales of the medallions were predicated on the passage of the Street Hail Livery Law which contains a provision allowing the City to sell 2,000 additional taxi medallions. In the June 2012 Financial Plan, the City had anticipated revenues of $635 million in FY 2013, $365 million in FY 2014, and $460 million in FY 2015 from the sales of these medallions. However, on August 17, 2012 State Supreme Court Justice Arthur F. Engoron ruled the Street Hail Livery Law "null and void" as it violated the "Home Rule Clause" of the State Constitution. The ruling has essentially halted any sales of new taxi medallions in the current year. As a result, $425 million of the anticipated FY 2013 medallion sales revenue has been moved to FY 2014 with the remaining $210 million shifted into FY 2016 in the November Plan. The estimated revenues from the sales of taxi medallions now totals $790 million in FY 2014, $447 million in FY 2015, and $223 million in FY 2016. Due to the absence of an alternate proposal to effectuate these sales, the Comptroller's Office considers the assumption of this stream of revenues to be a risk to the Financial Plan, as discussed in "Risks and Offsets" beginning on page 15.

[2] The City budgets a $300 million general reserve at the beginning of the fiscal year to fund any contingency that may occur during the course of the fiscal year. Any funds remaining in the general reserve at the end of the fiscal year are used to fund the budget stabilization account.

*Table 5. Changes to the FY 2013 City-Funded Estimates*

($ in millions)

| REVENUES | | EXPENDITURES | |
|---|---|---|---|
| Tax Revenues | $181 | | |
| Non-Tax Revenues | $24 | Agency Increase | $136 |
| Taxi Medallions Sale | ($635) | HIP Rate Re-estimate | ($11) |
| Revenue PEGs | $109 | Expenditure PEGs | ($446) |
| **Total** | **($321)** | **Total** | **($321)** |

Expenditure-related programs to eliminate the gap (PEGs) account for the largest change to City-funded expenditures in the November Plan. As Table 5 shows, expenditure PEGs are expected to reduce FY 2013 spending by $446 million. With $109 million of revenue PEGs, the FY 2013 PEGs are expected to provide $555 million of budget relief in FY 2013. Both savings and revenues from PEG initiatives and the net increase in baseline tax revenue forecast help offset the shortfall resulting from the loss of anticipated tax medallion sale revenues and $136 million of agency new needs in FY 2013.

## A. THE OUTYEAR GAPS

The November Plan projects budget gaps of $1.15 billion in FY 2014, $2.787 billion in FY 2015, and $2.615 billion in FY 2016. Since the June Financial Plan, the outyear budget gaps have decreased by $1.358 billion, $330 million, and $455 million, in FYs 2014 – 2016, respectively.

In September, City agencies were instructed to submit plans to cut spending or increase revenues in an effort to begin addressing the FY 2014 gap. All city agencies, with the exception of the Department of Education (DOE) and uniformed agencies, were instructed to submit proposals that would provide budget relief equal to 5.4 percent of their FY 2013 budgets and 8.0 percent of their FY 2014 budgets. The DOE was required to submit proposals equivalent to 1.6 percent of its FY 2013 budget and 4.0 percent of its FY 2014 budget. Uniformed agencies were asked to submit proposals equivalent to 2.7 percent of their FY 2013 budgets and 4.0 percent of their FY 2014 budgets. The agency gap-closing proposals are reflected in the November Plan PEG which is expected to provide budget relief of $555 million in FY 2013, $1 billion in FY 2014, $509 million in FY 2015, and $521 million in FY 2016.

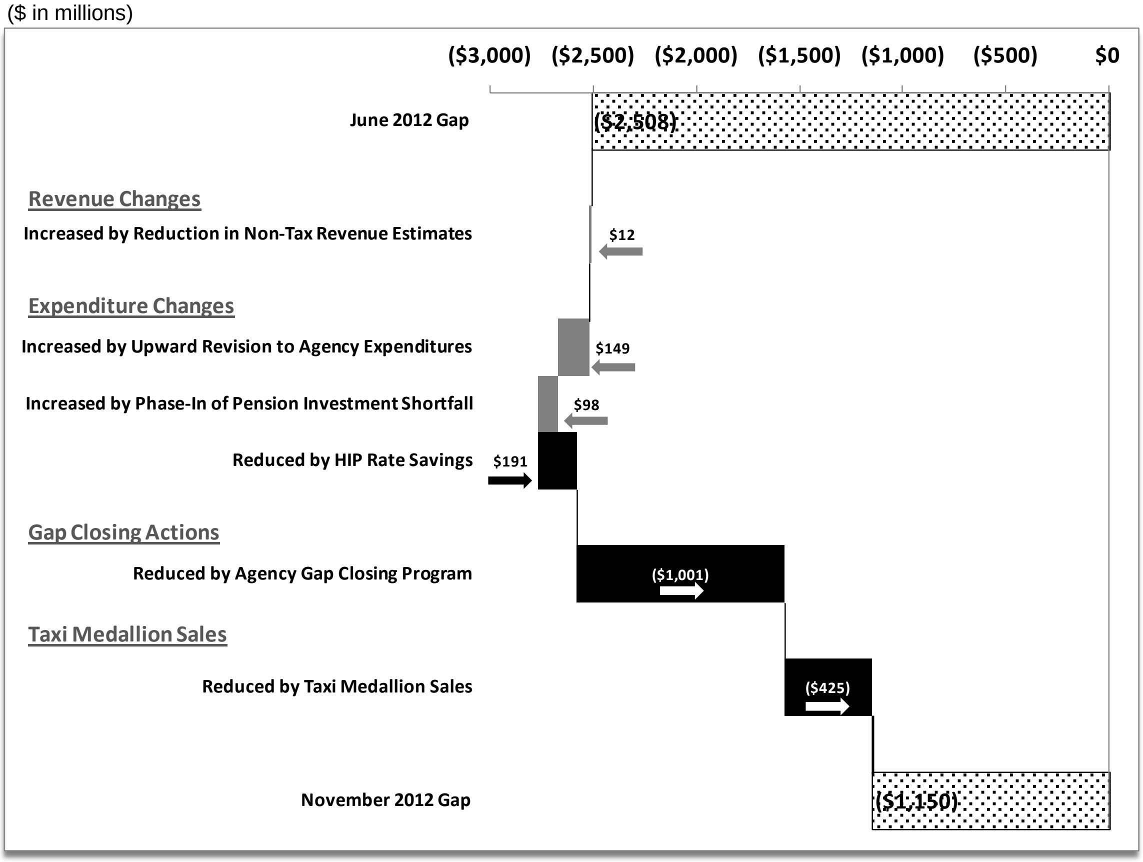
As Chart 2 shows, the reduction in the FY 2014 gap is attributable primarily to the $1 billion FY 2014 PEG and an additional $425 million of revenue from the taxi medallion sales. Expenditure increases resulting from the additional cost of phasing in the recognition of FY 2012 pension asset losses and agency new needs are partially offset by savings from the Health Insurance Plan rate reduction.

The FY 2015 budget gap is $1.637 billion greater than the gap from the prior year. The growth in the size of the budget gap is primarily attributable to the exhausting of resources in the Retiree Health Benefit Trust (RHBT) funds which had been used to offset pay-as-you-go retiree health insurance costs in FYs 2013 and 2014, as discussed in “Health Insurance” beginning on page 26. The RHBT assets are expected to be depleted after the planned use of $1 billion in

FY 2014 for retiree health insurance cost. The growth in the budget gap can also be attributed to the fact that the budgetary benefits of the November PEG decrease from $1 billion in FY 2014 to $509 million in FY 2015 and $521 million in FY 2016.

***Chart 2*. Reducing the FY 2014 Budget Gap**

($ in millions)




## B. RISKS AND OFFSETS

The Comptroller's Office estimates that the City could face budget gaps as large as $2.716 billion in FY 2013, $2.723 billion in FY 2014, $3.755 billion in FY 2015, and $2.776 billion in FY 2016. These gaps are the result of net risks of $2.716 billion in FY 2013, $1.573 billion in FY 2014, $968 million in FY 2015, and $161 million in FY 2016, that the Comptroller's Office has identified upon analysis of the November Plan, as shown in Table 6.

*Table 6. Risks and Offsets to the November 2012 Financial Plan*

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| **City Stated Gap** | **$0** | **($1,150)** | **($2,787)** | **($2,615)** |
| **Tax Revenues** | | | | |
| Property Tax | ($13) | $338 | $591 | $1,049 |
| Personal Income Tax | $36 | $299 | $129 | $221 |
| Business Taxes | ($24) | ($119) | ($92) | ($115) |
| Sales Tax | $10 | $85 | $205 | $321 |
| Real-Estate-Related Taxes | $79 | $41 | $37 | ($59) |
| **Subtotal** | **$88** | **$644** | **$870** | **$1,417** |
| **Taxi Medallion Sale** | **$0** | **($790)** | **($447)** | **($223)** |
| **Federal and State Aid** | **$0** | **($400)** | **($400)** | **($400)** |
| **Expenditures** | | | | |
| UFT/CSA Collective Bargaining | ($2,595) | ($900) | ($900) | ($900) |
| Overtime | ($149) | ($100) | ($100) | ($100) |
| DOE Medicaid Reimbursement | ($100) | ($100) | ($100) | ($100) |
| Public Assistance | ($20) | ($20) | ($20) | ($20) |
| Judgments and Claims | $60 | $93 | $129 | $165 |
| **Subtotal** | **($2,804)** | **($1,027)** | **($991)** | **($955)** |
| **Total Risk/Offsets** | **($2,716)** | **($1,573)** | **($968)** | **($161)** |
| **Restated (Gap)/Surplus** | **($2,716)** | **($2,723)** | **($3,755)** | **($2,776)** |

The potential cost of settling the 2008 – 2010 round of collective bargaining with the United Federation of Teachers (UFT) and Council of School Supervisors and Administrators (CSA) poses the largest risk to the November Plan's expenditure projections.[3] The City continues to maintain the position that any wage increases for UFT and CSA in the 2008 – 2010 round of collective bargaining have to be fully offset with productivity savings. As such, the November Plan contains no funding for the settlements of UFT and CSA contracts for the 2008 – 2010 round of collective bargaining. Should agreements mirroring the terms of the contract settlements reached with the other municipal unions be reached with the UFT and CSA, it would cost the City $2.595 billion in FY 2013, including retroactive cost, and $900 million annually thereafter. Other spending risks include overtime projections, Medicaid reimbursement assumptions for the Department of Education, and Public Assistance spending projections. Altogether, the Comptroller's Office has identified net expenditure risks of $2.804 billion in FY 2013, $1.027 billion in FY 2014, $991 million in FY 2015, and $955 million in FY 2016.

The City has filed an appeal against the State Supreme Court Justice's ruling that the Street Hail Livery law was "null and void", and continues to assume the realization of revenues from the sale of the 2,000 taxi medallions. However, the outcome of the appeal is uncertain. In addition, the aggressive schedule and unprecedented size of the sales casts doubt on the City's ability to achieve the projected revenues. As such, the Comptroller's Office considers the entire $1.46 billion of revenue from FYs 2014 through 2016 to be at risk.

[3] The 2008 – 2010 round of collective bargaining for UFT and CSA is effective FYs 2010 – 2012.

Additional risks to the Plan in the outyears result from the uncertainty surrounding Federal and State aid, as discussed in “Federal and State Aid” beginning on page 24. While the President and Congressional leaders have been meeting to address the “fiscal cliff,” it is likely that any resolution would involve a mixture of revenue enhancements and spending cuts which could translate into some reduction in Federal support for the City. In addition, the State’s budget picture in State Fiscal Year (SFY) 2014 could worsen significantly from the impact of Superstorm Sandy. Faced with these uncertainties, the Comptroller’s Office estimates that there could be a shortfall of $400 million in combined Federal and State support in each of FYs 2014 – 2016.

Mitigating these risks are the Comptroller’s Office’s higher revenue projections. As discussed in “Risks and Offsets to the City’s Tax Revenue Assumptions” beginning on page 21, the Comptroller’s Office estimates that tax revenues will be higher than the City’s projections by $88 million in FY 2013, $644 million in FY 2014, $870 million in FY 2015, and $1.417 billion in FY 2016.

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# IV. Revenue Assumptions

In the November Plan, City revenues are forecast to grow at an average annual rate of 2.5 percent from FY 2013 through FY 2016. This projection is based on the City's assumption of gradual expansion in the local and national economies. Total revenues are projected to increase from $69 billion in FY 2013 to $74.2 billion in FY 2016. Tax revenues are expected to comprise 64 percent of total revenues in FY 2013, increasing to 66 percent of total revenues by FY 2016. Property tax revenues are projected to grow from $18.6 billion in FY 2013 to $20.5 billion in FY 2016, while non-property tax revenues are expected to grow from $25.2 billion in FY 2013 to $28.5 billion in FY 2016.

Miscellaneous revenues, excluding intra-City revenues, are expected to increase from $4.8 billion in FY 2013 to $5.5 billion in FY 2014 before dropping to $5.1 billion and $5 billion in FYs 2015 and 2016, respectively. The higher revenues in each of FYs 2014 through 2016 relative to FY 2013 reflects the City's anticipation of $1.46 billion in non-recurring revenues from the sale of taxi medallions over this period. Excluding the revenue from the sale of taxi medallions, growth in miscellaneous revenue is expected to be flat over the Financial Plan period.

The November Plan estimates $18.8 billion of Federal and State aid in FY 2013, decreasing to $18.3 billion in FY 2014. The decline reflects the City's more conservative outlook in certain Federal aid categories. In FYs 2015 and 2016, Federal and State aid are expected to grow steadily reaching $18.9 billion in FY 2016, mainly due to increases in State education aid.

## Tax Revenues

The FY 2013 tax revenue forecast in the November Plan is relatively unchanged from the Adopted Budget. The current Plan includes an additional $195 million of FY 2013 tax revenue, bringing the total forecast for the fiscal year to $43.8 billion. Revenue projections for all major taxes were revised in the November Plan. The City's tax revenue forecasts for the property tax, Personal Income Tax (PIT), Banking Corporation Tax (BCT), and Unincorporated Business Tax (UBT) were increased while revenue forecasts for the General Corporation Tax (GCT), sales tax and real-estate-related taxes were lowered.[4]

### Changes from Adopted Budget

As detailed in Table 7, the largest change to the City's tax revenue forecast is a $114 million increase in projected revenues from tax audit that the City expects to collect in FY 2013. This revision is entirely due to a higher estimate for GCT audit revenues. The current Plan includes an additional $13 million of property tax revenue in FY 2013, $14 million in FY 2014, $15 million in FY 2015, and $16 million in FY 2016. This change is the result of the Department of Finance's (DOF) PEG to exercise more stringent verification of exemption and abatement

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

eligibility for not-for-profit entities as well as review of other programs such as the Industrial and Commercial Incentive Program and the Commercial Revitalization Program.

***Table 7. Revisions to the City's Tax Revenue Assumptions***

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| **November Modification – Total** | **$43,839** | **$45,123** | **$47,139** | **$49,005** |
| **Revisions:** | | | | |
| Property | 13 | 14 | 15 | 16 |
| Personal Income (PIT) | 17 | 0 | 0 | 0 |
| Business | 69 | 0 | 0 | 0 |
| Sales | (3) | 0 | 0 | 0 |
| Real-Estate Related | (7) | 0 | 0 | 0 |
| All Other | (8) | 0 | 0 | 0 |
| Tax Audit | 114 | 3 | 3 | 3 |
| **Revisions-Total** | **$195** | **$17** | **$18** | **$19** |

SOURCE: Office of Management and Budget.

Projected PIT revenues for FY 2013 were revised upward by $17 million in the November Plan. PIT collections for the first four months of the fiscal year are slightly higher than previously anticipated. Likewise, the FY 2013 forecast for business tax revenues increased by a net $69 million resulting from increases in projected BCT and UBT revenues of $117 million and $5 million respectively, and a decrease in projected GCT revenues of $53 million. These revisions also reflect first quarter collections for the business taxes.

Only minor adjustments were made to the remaining tax revenue forecasts in the November Plan. Projections for sales and real-estate-related tax revenues were lowered by $3 million and $7 million respectively while projected revenues from all other taxes were lowered by a combined $8 million.

## Projected Tax Revenue Growth, City Forecast, FYs 2013-2016

The November Plan assumes tax revenue will grow by 4.1 percent in FY 2013 to $43.8 billion. Consistent with the City's assumption of moderate economic growth in the outyears, total tax revenue is projected to increase by $5.17 billion from FY 2013 to FY 2016, an average annual growth rate of 3.8 percent. Over this period, non-property tax revenues are expected to grow at an average annual rate of 4.2 percent while property tax revenues are projected to grow at an average annual rate of 3.2 percent.

***Table 8. City's Tax Revenue Forecast, Growth Rate, FYs 2013 – 2016***

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Average Growth |
|---|---|---|---|---|---|
| Property | 2.7% | 2.9% | 3.5% | 3.2% | 3.2% |
| PIT | 6.7% | 0.7% | 6.6% | 3.8% | 3.7% |
| Business | 3.6% | 4.9% | 3.5% | 5.6% | 4.6% |
| Sales | 4.3% | 4.4% | 4.3% | 3.6% | 4.1% |
| Real-Estate Related | 6.3% | 13.1% | 11.5% | 10.7% | 11.7% |
| All Other | 2.0% | 3.5% | 3.3% | 3.2% | 3.3% |
| Total Tax with Audit | 4.1% | 2.9% | 4.5% | 4.0% | 3.8% |

SOURCE: NYC Office of Management and Budget.

As shown in Table 8, real property tax revenue is expected to grow by 2.7 percent in FY 2013 to $18.64 billion. Property tax revenue growth is expected to remain steady throughout the Plan period as the pipeline of assessed value increases is phased-in with moderate anticipated growth in market values for Classes 2 and 4. Property tax revenues are forecast to increase 2.9 percent in FY 2014, 3.5 percent in FY 2015, and 3.2 percent in FY 2016. Over the Plan period, property tax revenue growth is projected to average 3.2 percent annually.

The November Plan assumes $9.1 billion of PIT revenues in FY 2013, a 6.7 percent increase over the prior year. This robust growth estimate does not continue into FY 2014 declining to less than 1.0 percent the next year. The strong growth in FY 2013 reflects the City's expectation of continued recovery of the national and local economies. Additionally, the City's forecast assumes that the scheduled expiration of the "Bush" income tax rates for high-income filers at the end of CY 2012 will cause taxpayers to 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. In the outyears, PIT revenues are expected to grow more robustly, with gains of 6.6 percent and 3.8 percent in FYs 2015 and 2016. Average growth over the Financial Plan period is expected to be 3.7 percent annually.

Collections from business income taxes, i.e., the General Corporation Tax (GCT), Banking Corporation Tax (BCT), and Unincorporated Business Tax (UBT), are projected to grow 3.6 percent in FY 2013 to $5.5 billion. Revenue from the GCT is expected to grow by a modest 1.2 percent over the prior year. UBT revenue is expected to grow 8.1 percent in FY 2013, while BCT revenue is expected to grow 2.3 percent. Overall, business tax collections are expected to grow at an average annual rate of 4.6 percent from FY 2013 to FY 2016.

Collections from sales tax are expected to grow by 4.3 percent in FY 2013 to $6.1 billion, the result of gradual growth of income and employment in New York City, as well as continued strength in the tourism industry. The City expects sales tax revenue to grow at a steady rate, averaging 4.1 percent annually between FYs 2013-2016.

Revenues from real-estate-related taxes, which include the Real Property Transfer Tax and Mortgage Recording Tax, are projected to rise 6.3 percent in FY 2013 to $1.5 billion with an average annual growth rate of 11.7 percent over the Plan period. Mortgage Recording Tax revenue is expected to grow 10.7 percent in FY 2013, reflecting continued improvement in credit market conditions and refinancing opportunities. Revenue from the Real Property Transfer Tax is projected to grow 3.8 percent as revenues from commercial transactions continue to rebound and the housing market stabilizes.

### Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office estimates of risks and offsets to the City's tax revenue assumptions are based on current year collections and the Office's economic projections. As illustrated in Table 9, for FY 2013, the Comptroller's Office projects overall tax collections will be $88 million above the City's forecast. The offset is mostly due to higher revenue estimates for the real-estate-related taxes and PIT. The Comptroller's Office projects tax revenue offsets to grow from $644 million in FY 2014 to $1.4 billion in FY 2016.

***Table 9. Risks and Offsets to the City's Tax Revenue Projections***

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| Property | ($13) | $338 | $591 | $1049 |
| PIT | 36 | 299 | 129 | 221 |
| Business | (24) | (119) | (92) | (115) |
| Sales | 10 | 85 | 205 | 321 |
| Real-Estate Related | 79 | 41 | 37 | (59) |
| **Total** | **$88** | **$644** | **$870** | **$1,417** |

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

The Comptroller's Office's higher forecasts for most major tax revenue categories stems from the Comptroller's Office's belief that growth in the local economy in all years of the Plan period will be more robust than the City anticipates. The Comptroller's Office also has a more optimistic view of the City's real estate markets, assuming that real estate values and Real Property Tax collections will increase at a faster rate than the City's projections anticipate.

## Miscellaneous Revenues

The FY 2013 miscellaneous revenue forecast in the November Plan declined by nearly 10 percent or $516 million from the June 2012 Plan.[5] As Table 10 shows, the decline is due to a $544 million net reduction in the "other miscellaneous" category, resulting primarily from the removal of $635 million in anticipated revenues from the sale of taxi medallions.

***Table 10. Changes in FY 2013 Estimates***
***November 2012 vs. June 2012***

($ in millions)

| | November | June | Change |
|---|---|---|---|
| Licenses, Franchises, Etc. | $569 | $551 | $18 |
| Interest Income | 17 | 19 | (2) |
| Charges for Services | 888 | 887 | 1 |
| Water and Sewer Charges | 1,508 | 1,515 | (7) |
| Rental Income | 291 | 280 | 11 |
| Fines and Forfeitures | 812 | 805 | 7 |
| Other Miscellaneous | 717 | 1,261 | (544) |
| **Total** | **$4,802** | **$5,318** | **($516)** |

Source: NYC Office of Management and Budget.

The legislation authorizing the City to issue up to 18,000 livery cab licenses to provide car service to the outer boroughs and 2,000 new wheelchair accessible taxi medallions was struck down in August by Supreme Court Justice Arthur Engoron. The judge ruled that the Plan violates the State Constitution's "home rule" provision which requires state lawmakers to seek a home rule message from the local legislative body, in this case the New York City Council, on certain legislative items that impact a local municipality. The City has appealed the judge's ruling.

The City revised its FYs 2013-2016 Financial Plan to reflect the $635 million shortfall in anticipated revenues from the sale of taxi medallions in FY 2013. However, the current Plan reflects the City's assumption that the legislation will be upheld and that the sale of the

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

2,000 new taxi medallions will begin in FY 2014. The November Plan includes $790 million in anticipated revenues from medallion sales in FY 2014 an increase of $425 million since June. In FY 2015 and FY 2016 the anticipated revenue from the medallion sales is $447 million and $223 million, respectively.

The remaining changes to the miscellaneous revenue categories in the November Plan were minor. The City expects to collect an additional $18 million in FY 2013 in licenses, permits and franchises. Construction permit revenue estimates increased by $6.3 million as the Department of Buildings (DOB) anticipates an update in their cost of work estimate will boost revenues during the permit filling phase. In addition, FY 2013 projections for cable television franchise revenue have increased by $5.5 million in the November Plan while expected revenues from fees on sidewalk cafes increased by $2.3 million.

Projected interest income for FY 2013 fell by another $2 million in the current Plan, reflecting the City's assumption that the Federal funds rate will remain near zero until at least late CY 2014.

Projected revenues from charges for services increased by a net $1 million in the November Plan. The City removed a revenue PEG from a prior year which was expected to generate $17 million in service charges in FY 2013. However, this shortfall is offset by projected increases in several permit and fee revenues. The City plans to raise hourly parking rate South of $96^{th}$ Street from $3.00 to $3.50 to generate an additional $3.1 million in parking meter revenues. Additionally, the City plans to raise another $1.4 million in FY 2013 by raising garage hourly and monthly permit rates. The administration also plans to install 428 new multi-space meters in new commercial meter areas to raise an additional $2.4 million. School-lunch fees, which are expected to rise to $2.50 from $1.50, will raise another $4.4 million. Projected revenues from fire inspection fees were also raised in the November Plan by $6.5 million for FY 2013.

The November Plan includes an additional $11 million of rental income in FY 2013. The City expects to collect an additional $5 million in extended school use rental and $5 million more in commercial rents than previously anticipated. The City's projection for fines and forfeitures increased by $7 million mainly due to an increase in anticipated collections from settlement fines and Environmental Control Board (ECB) fines. Expected revenues from water and sewer charges were revised downward by $7 million in FY 2013.[6]

Total miscellaneous revenue is forecast to increase by a net $697 million in FY 2014 reflecting the City's anticipation of $790 million in revenues from the sale of taxi medallions. Excluding revenues from medallion sales, total miscellaneous revenue is expected to remain stable at $4.7 billion over the Financial Plan period.

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

## Federal and State Aid

The November Plan projects Federal and State aid of $18.83 billion for FY 2013, an increase of $737 million over the Adopted Budget. The majority of this total, about $601 million, is attributable to increases in Federal grants. The bulk of the additional Federal aid consists of unspent grants rolled forward from the previous year, a standard occurrence that typically takes place in the first quarter budget modification each fiscal year. The November Plan also recognizes an additional $136 million in State grants primarily for social services and transportation funding, which are partially offset by a decline in education aid stemming from revised growth assumptions for special education pre-kindergarten and related services.

The City has also modified its outyear Federal and State aid assumptions since the June Plan. The November Plan includes $18.29 billion in FY 2014 Federal and State grants, a $100 million increase over the previous projection but $537 million less than the FY 2013 funding level. While in the current year Federal and State funds support 27.3 percent of the expense budget, by FY 2014 Federal and State funds will support only 25.6 percent of overall spending. By FY 2015 Federal and State aid is projected to rise modestly to $18.40 billion and reach $18.87 billion in FY 2016. While the November Plan reflects year-to-year increases in Federal and State grants, these funds will continue to support a smaller portion of the City's spending. By FY 2015 Federal and State aid will fund only 24.6 percent of overall spending as growth of the City's expense budget is expected to outpace the growth of these funding sources.

The City's assumptions of Federal and State aid in the November Plan do not reflect the impact of a range of potential actions by both the Federal and State government. At the Federal level, the President and Congressional leaders have held discussions to resolve pending Federal budget cuts commonly referred to as the "fiscal cliff". Automatic across-the-board reductions in military and domestic spending will be triggered unless an alternative agreement is in place by January 1, 2013. While all parties involved remain hopeful that a "fiscal cliff" will likely be averted, the failure to reach a compromise that includes less drastic cuts would lead to the loss of certain Federal support in the current fiscal year, growing significantly in FY 2014.

The State's recent mid-year financial plan update assumes a FY 2014 operating budget gap of nearly $1 billion, similar to the gap projected in its first quarter update. However, the State acknowledged that clean-up and recovery efforts from Superstorm Sandy, which are not accounted for in the current FY 2014 gap projection, could have a significant adverse impact on its Financial Plan. The mid-year update indicated that a full assessment of the impact from Sandy will not be made available until January 2013, with the release of the State's FY 2014 Executive Budget. Given the uncertainties surrounding these developments, the Comptroller's Office estimates that the City could face a potential loss of $400 million in revenue from Federal and State budget reductions.

# V. Expenditure Analysis

Over the Financial Plan period, FYs 2013 – 2016, expenditures adjusted for prepayments and prior-year actions are projected to grow 7.8 percent, an annual average growth rate of 2.5 percent. As shown in Table 11, spending on debt service, health insurance, and judgments and claims (J&C) are the fastest growing areas. The combined growth in these areas over the Financial Plan period is projected to be 24.8 percent, or 7.7 percent annually. Spending in these areas is expected to grow from 16.8 percent of the budget in FY 2013 to 19.4 percent by FY 2016.

***Table 11. FY 2013 – FY 2016 Expenditure Growth***
***(Expenditures Adjusted for Prepayments)***

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Growth FYs 13-16 | Annual Growth |
|---|---|---|---|---|---|---|
| Debt Service | $6,108 | $6,531 | $7,233 | $7,539 | 23.4% | 7.3% |
| Health Insurance | 5,128 | 5,393 | 5,979 | 6,591 | 28.5% | 8.7% |
| J & C | 735 | 768 | 779 | 815 | 10.8% | 3.5% |
| **Subtotal** | **$11,971** | **$12,692** | **$13,991** | **$14,945** | **24.8%** | **7.7%** |
| Salaries and Wages | $21,566 | $21,538 | $21,721 | $22,036 | 2.2% | 0.7% |
| Pension | 7,937 | 8,087 | 8,079 | 8,274 | 4.2% | 1.4% |
| Other Fringe Benefits | 3,216 | 3,323 | 3,366 | 3,461 | 7.6% | 2.5% |
| Medicaid | 6,314 | 6,366 | 6,447 | 6,415 | 1.6% | 0.5% |
| Public Assistance | 1,274 | 1,275 | 1,273 | 1,273 | -0.1% | 0.0% |
| Other OTPS | 20,031 | 19,382 | 19,974 | 20,445 | 2.1% | 0.7% |
| **Subtotal** | **$60,338** | **$59,972** | **$60,860** | **$61,906** | **2.6%** | **0.9%** |
| MA FMAP Increase | **($32)** | **$0** | **$0** | **$0** | **(100.0%)** | **(100.0%)** |
| Retiree Health Benefit Trust | **($1,000)** | **($1,000)** | **$0** | **$0** | **(100.0%)** | **(100.0%)** |
| **Total** | **$71,277** | **$71,663** | **$74,851** | **$76,851** | **7.8%** | **2.5%** |

## Pensions

The City's contributions to the City's five actuarial pension systems are projected to remain relatively flat over the Financial Plan, increasing from $7.9 billion in FY 2013 to $8.3 billion by FY 2016. In the November Plan, the City increased pension projections by $98 million in FY 2014, $197 million in FY 2015 and $295 million in FY 2016 to fund higher pension contributions resulting from the shortfall in FY 2012 pension investment earnings. The pension funds earned a combined return of 1.37 percent for FY 2012, compared to the actuarial interest rate assumption (AIRA) of 7.0 percent used in calculating pension contributions. The additional funding adjusts for the shortfall between the FY 2012 actual investment earnings and the AIRA.

Pursuant to Chapter 96 of the New York City Charter, the Comptroller's Office has engaged Gabriel, Roeder, Smith & Company (GRS) to conduct two consecutive biennial independent actuarial audits. These audits consist primarily of an audit of employer contributions for FY 2012 and FY 2014 to validate actuarial calculations and methods, an experience study of data through June 30, 2011 and June 30, 2013 to validate actuarial assumptions, and an administrative review of the City's collection and processing of actuarial data. GRS has begun the audit process and is currently in the preliminary stage. Final reports are expected in the latter part of CY 2013.

## Labor

Labor negotiations between the City and the major municipal unions in the current round of collective bargaining continue to stand still. The City is holding firm in its proposal to grant five-year contracts, with no wage increases in the first three years of the contract, and a two percent increase in each of the remaining years. This proposal mirrors the 2011 agreement between New York State and the Civil Service Employees Association. Union officials are now indicating that they are willing to wait until a change in administration in 2014 to continue the negotiating process.

Despite the City's offer, the labor reserve in the November Plan contains funding for wage increases of only 1.25 percent annually after the three-year wage freeze. As a result, the labor reserve falls short of the cost of the City's proposed wage increases by about $16 million in FY 2013 with the shortfall growing to approximately $300 million by FY 2016.

The New York State Public Employment Relations Board (PERB) recently appointed a three-member fact-finding panel to conduct hearings and make recommendations on a contract settlement for the 2008 – 2010 round of collective bargaining for the United Federation of Teachers (UFT). The City continues to maintain the position that UFT and the Council of School Supervisors & Administrators (CSA) members will receive zero wage increase for that round of collective bargaining. Such a position is a departure from the pattern set by the contract agreements reached with the other municipal unions which settled for two annual wage increases of 4.0 percent over the comparable periods of their contracts. PERB recommendations are not binding but have served as a framework for previous settlements. If wage increases granted to UFT and CSA members are in-line with those gained by the other unions, it will cost the City approximately $2.595 billion in FY 2013, of which $272 million, $626 million, and $800 million are retroactive to FY 2010, FY 2011, and FY 2012, respectively. Thereafter, the annual cost of the wage increase will be $900 million beginning in FY 2014.[7]

## Health Insurance

The City's pay-as-you-go health insurance expenses for employees and retirees are projected to grow from $4.127 billion in FY 2013 to $6.590 billion in FY 2016 a 59.7 percent increase. Health insurance estimates for FY 2013 and FY 2014 however, are offset by $1 billion each year through the use of funds previously held in the Retiree Health Benefits Trust (RHBT) to pay retiree pay-as-you-go health costs.[8] As shown in Table 12, after adjusting for the use of

[7] The UFT and CSA contract settlements are one round behind the other municipal unions. The 2008-2010 round of collective bargaining for UFT and CSA is effective FYs 2010 – 2012.

[8] The RHBT assets were also 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 interest rate assumption (AIRA) in FY 2008 and FY 2009.

the RHBT funds, the projected growth in the City's health insurance costs is a more modest 28.5 percent, increasing from $5.127 billion in FY 2013 to $6.590 billion in FY 2016.

***Table 12. Pay-As-You-Go Health Expenditures***

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| Department of Education | $1,974 | $2,052 | $2,309 | $2,573 |
| CUNY | 43 | 41 | 41 | 40 |
| All Other | 2,110 | 2,300 | 3,630 | 3,977 |
| Total Pay-As-You-Go Health Insurance Costs | $4,127 | $4,393 | $5,980 | $6,590 |
| Adjustment for RHBT payment | 1,000 | 1,000 | 0 | 0 |
| Adjusted Total | $5,127 | $5,393 | $5,980 | $6,590 |

Recently, the New York State Department of Financial Services approved a premium rate increase of 5.2 percent for the Health Insurance Plan of Greater New York (HIPGNY) effective July 1, 2013. The City had assumed a premium rate increase of 9.5 percent for FY 2014 in the June 2012 Financial Plan. The lower rate reduces the City's health insurance cost by $11 million in FY 2013, $191 million in FY 2014, $210 million in FY 2015, and $232 million in FY 2016.

## Headcount

The November Plan includes a City-funded full-time headcount of 232,032 for FY 2013. This is a net increase of 154 from the Adopted Budget plan estimate of 231,878. The current planned headcount for FY 2013 compared to the Adopted Budget is presented in Table 13. Headcount changes since adoption include an additional 104 civilian positions in the Police Department, 104 positions in the Department of Social Services, 87 uniformed positions in the Department of Correction, 84 civilian positions in the Fire Department and 70 uniformed positions in the Police Department. Headcount reductions include 145 positions in the Department of Transportation, 124 civilian positions in the Department of Correction and 62 positions in the Department for Homeless Services.

Included in the November Headcount Plan are PEG reductions for FYs 2013-2016. The FY 2013 PEG reduction totals 627 positions with 592 resulting from attrition and 35 from layoffs. However, staffing requirements arising from agency needs, restorations and substitutions of prior PEGs, and other adjustments combine to increase headcount by 781 in FYs 2013, resulting in a net increase of 154 from the June Plan.

Additional attrition and layoffs of 626 and 85 positions, respectively, in FY 2014 bring the total PEG reduction to 1,338. Greater than half of the Citywide FY 2014 PEG headcount decrease results from the reduction of 385 positions through attrition in the Department of Social Services. The reduced headcount need is the effect of a redesign of client interaction process at the agency. PEG headcount reduction is expected to lower planned headcount by 1,400 positions in FY 2015, and 1,512 positions in FY 2016. In the outyears, PEG headcount reductions along with revisions due to new needs, PEG restorations and substitutions, and other adjustments combine to reduce headcount relative to the June 2012 Plan by 576 in FY 2014, 2,392 in FY 2015, and 4,351 in FY 2016.

***Table 13. Changes to FY 2013 City-Funded Full-Time Headcount November Plan vs. Adopted Budget***

| | Adopted Budget Estimate | November Plan Estimate | Change |
|---|---|---|---|
| **Pedagogical** | | | |
| Dept. of Education | 91,117 | 91,117 | 0 |
| City University | 3,180 | 3,180 | 0 |
| **Subtotal** | **94,297** | **94,297** | **0** |
| | | | |
| **Uniformed** | | | |
| Police | 34,309 | 34,379 | 70 |
| Fire | 10,274 | 10,274 | 0 |
| Corrections | 8,854 | 8,941 | 87 |
| Sanitation | 7,064 | 7,064 | 0 |
| **Subtotal** | **60,501** | **60,658** | **157** |
| | | | |
| **Civilian** | | | |
| Dept. of Education | 9,387 | 9,387 | 0 |
| City University | 1,687 | 1,687 | 0 |
| Police | 14,049 | 14,153 | 104 |
| Fire | 4,823 | 4,907 | 84 |
| Corrections | 1,708 | 1,584 | (124) |
| Sanitation | 1,855 | 1,888 | 33 |
| Admin for Children's Services | 6,409 | 6,409 | 0 |
| Social Services | 10,468 | 10,572 | 104 |
| Homeless Services | 1,934 | 1,872 | (62) |
| Health & Mental Hygiene | 3,415 | 3,426 | 11 |
| Finance | 1,858 | 1,858 | 0 |
| Transportation | 1,933 | 1,788 | (145) |
| Parks and Recreation | 2,658 | 2,665 | 7 |
| All Other Civilians | 14,896 | 14,881 | (15) |
| **Subtotal** | **77,080** | **77,077** | **(3)** |
| | | | |
| **Total** | **231,878** | **232,032** | **154** |

In the November Plan year-end full-time headcount is expected to increase to 233,085 in FY 2014 then to decline in FY 2015 to 232,740 and to 232,488 in FY 2016, as shown in Table 14. The numbers reflect significant reductions for the Department of Social Services for FYs 2015-2016, to reflect a multi-year planned re-engineering that will use 21st century technology and a re-designed business process to modernize the agency's interaction with clients, reduce administrative costs and improve program integrity.

***Table 14. City-Funded Full-Time Year-End Headcount Projections***

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| **Pedagogical** | | | | |
| Dept. of Education | 91,117 | 92,809 | 92,809 | 92,809 |
| City University | 3,180 | 3,180 | 3,180 | 3,140 |
| **Subtotal** | **94,297** | **95,989** | **95,989** | **95,949** |
| | | | | |
| **Uniformed** | | | | |
| Police | 34,379 | 34,379 | 34,379 | 34,379 |
| Fire | 10,274 | 10,274 | 10,274 | 10,274 |
| Corrections | 8,941 | 8,869 | 8,869 | 8,869 |
| Sanitation | 7,064 | 7,154 | 7,235 | 7,235 |
| **Subtotal** | **60,658** | **60,676** | **60,757** | **60,757** |
| | | | | |
| **Civilian** | | | | |
| Dept. of Education | 9,387 | 9,381 | 9,383 | 9,384 |
| City University | 1,687 | 1,647 | 1,647 | 1,597 |
| Police | 14,153 | 14,150 | 14,150 | 14,150 |
| Fire | 4,907 | 4,888 | 4,875 | 4,875 |
| Corrections | 1,584 | 1,563 | 1,563 | 1,563 |
| Sanitation | 1,888 | 1,973 | 2,013 | 2,009 |
| Admin for Children's Services | 6,409 | 6,401 | 6,401 | 6,401 |
| Social Services | 10,572 | 10,122 | 9,535 | 9,423 |
| Homeless Services | 1,872 | 1,959 | 1,959 | 1,959 |
| Health & Mental Hygiene | 3,426 | 3,279 | 3,279 | 3,279 |
| Finance | 1,858 | 1,858 | 1,855 | 1,855 |
| Transportation | 1,788 | 1,880 | 1,975 | 1,975 |
| Parks and Recreation | 2,665 | 2,593 | 2,596 | 2,596 |
| All Other Civilians | 14,881 | 14,726 | 14,763 | 14,716 |
| **Subtotal** | **77,077** | **76,420** | **75,994** | **75,782** |
| | | | | |
| **Total** | **232,032** | **233,085** | **232,740** | **232,488** |

As shown in Table 15, City-funded full-time equivalent (FTE) headcount is expected to total 23,748 in FY 2013. FTE headcount is projected to decrease by 976 in FY 2014 and then remain relatively flat for the remainder of the Plan period.

***Table 15. City-Funded FTE Year-End Headcount Projections FYs 2013-2016***

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---|---|---|---|---|
| **Pedagogical** | | | | |
| Dept. of Education | 553 | 553 | 553 | 553 |
| City University | 1,833 | 1,833 | 1,833 | 1,833 |
| Subtotal | **2,386** | **2,386** | **2,386** | **2,386** |
| | | | | |
| **Civilian** | | | | |
| Dept. of Education | 12,592 | 12,592 | 12,592 | 12,592 |
| City University | 935 | 935 | 935 | 935 |
| Police | 1,477 | 1,461 | 1,445 | 1,443 |
| Health & Mental Hygiene | 1,270 | 1,200 | 1,154 | 1,154 |
| Parks and Recreation | 2,620 | 1,790 | 1,808 | 1,808 |
| All Other Civilians | 2,468 | 2,408 | 2,408 | 2,408 |
| Subtotal | **21,362** | **20,386** | **20,342** | **20,340** |
| | | | | |
| **Total** | **23,748** | **22,772** | **22,728** | **22,726** |

## Overtime

FY 2013 overtime projection in the November Plan was increased by $20 million to a total of $1.12 billion. The revised estimate includes an additional $11 million for uniformed firefighters as a result of increased grant funding and $5 million for correction officers to meet year-to-date spending patterns. Even with the increase, the Comptroller's Office estimates that overtime spending could be at least $149 million higher than planned in FY 2013, as shown in Table 16.

***Table 16. Projected Overtime Spending, FY 2013***

($ in millions)

| | City Planned Overtime FY 2013 | Comptroller's Projected Overtime FY 2013 | FY 2013 Risk |
|---|---|---|---|
| Uniformed | | | |
| Police | $418 | $510 | ($92) |
| Fire | 299 | 299 | 0 |
| Correction | 68 | 125 | (57) |
| Sanitation | 79 | 79 | 0 |
| Total Uniformed | $864 | $1,013 | ($149) |
| | | | |
| Others | | | |
| Police-Civilian | $78 | $78 | $0 |
| Admin for Child Sacs | 13 | 13 | 0 |
| Environmental Protection | 22 | 22 | 0 |
| Transportation | 33 | 32 | 0 |
| All Other Agencies | 110 | 110 | 0 |
| Total Civilians | $256 | $256 | $0 |
| | | | |
| **Total City** | **$1,120** | **$1,269** | **($149)** |

The City's spending on overtime costs for uniformed employees of the Police Department (NYPD) has increased at a rate of 7.0 percent annually between FY 2007 and FY 2012 to just above $500 million. In the November Plan, the City estimates overtime spending of $418 million in FY 2013 for these employees. As in the past, the budget will be adjusted as the fiscal year proceeds to reflect actual spending. The Comptroller's Office expects FY 2013 police uniformed overtime spending to closely mirror such spending from the prior year. The Comptroller's Office estimates FY 2013 uniformed NYPD overtime at $510 million, $92 million higher than the City's estimate. This estimate does not include overtime cost associated with Superstorm Sandy. However, it is expected that Superstorm Sandy related overtime cost will be reimbursed by Federal disaster aid and therefore does not pose a risk to the budget at this point.

The average monthly expenditure on correction officers overtime increased from approximately $8 million in FYs 2009 to about $11 million in FY 2012. Uniformed overtime spending through October FY 2013 has remained at that level with spending totalling $46 million. Should this trend continue, DOC would spend about the same amount as FY 2012 for uniformed overtime, posing a risk to the budget of $57 million.

## Public Assistance

Through October, the City's public assistance caseload has averaged 353,808 recipients per month for FY 2013. The average monthly caseload has increased by about one percent, or 3,852 recipients compared with the same period in the previous year. From a historical perspective, the October public assistance caseload of 357,265 still remains well below the March 1995 peak of 1,160,593 recipients. Thus far in FY 2013, public assistance grants spending has averaged nearly $109 million per month, an increase of more than 4.0 percent from the monthly average of about $104 million during FY 2012.

The City's public assistance caseload projections remain unchanged in the November Plan, while grant projections have increased slightly since the June Plan. The November Plan continues to maintain a constant caseload projection of 352,956 over the Plan period. Total baseline grants expenditures are projected at about $1.25 billion in each of FYs 2013-2016. Although caseload in the current fiscal year appears in line with plan estimates, the upward trend in welfare grant expenditures in the current year may create a risk in future years. The Comptroller's Office estimates that the City's baseline grant projections are underfunded by approximately $20 million annually.

## Department of Education

The November Modification reflects a reduction of $210 million for the Department of Education (DOE) in the current year, trimming its budget to $19.51 billion in FY 2013. The primary reason for the decline in the agency's budget is the City's gap-closing program, which mandated spending cuts totaling $127 million. As a result of the agency's gap-closing program, $44 million in matching State funds for special education programs have also been reduced in the current year. The anticipated savings in the current year consist primarily of revised special education estimates for related services, pre-kindergarten program and contract schools.[9] These revisions account for $98 million in contractual savings towards the total gap-closing program. The remainder of the Doe's gap-closing effort is comprised mainly of partial-year offsets from various efficiencies and fringe benefits savings.

The Doe's FY 2014 budget, as modified in the November Plan, has been reduced by $432 million since the June Plan. The Doe's modified FY 2014 budget includes an additional $298 million in gap-closing initiatives. The Doe's gap-closing program would reduce City-funds support in FY 2014 by 3.1 percent from the June 2012 Plan estimate. This reduction however, is lower than the 4.0 percent target initially set for the DOE. The Department dealt with similar reductions, both in percentage and dollar terms, last fall when the FY 2013 Gap-closing program was unveiled. Unlike in prior years, layoffs of teachers and other staff were excluded from consideration in the November gap-closing program.

The Doe's FY 2014 gap-closing program includes $103 million in reduced contracts for special education services, as well as $97 million of savings resultant from administrative efficiencies. The majority of these reductions are reflected in central offices ($41 million), school

[9] These revisions also include negotiated savings from special education pre-kindergarten transportation contracts.

administrative/support services ($26 million) and operations ($19 million). In addition, the gap-closing actions in FY 2014 include expense adjustments of $38 million comprised of $28 million in special education instructional/support savings and $10 million in transportation savings, as well as revenue recognition of $60 million comprised of $32 million in additional Education Construction Fund revenue and $28 million in Federal funding for food services.

The Comptroller's Office assumes that the Department will continue to face annual risks of $100 million from its assumptions of Federal Medicaid reimbursement in the November Plan. The DOE estimates that $167 million in Medicaid revenue will be realized in each year of the Plan, reimbursing special education costs such as speech and occupational/physical therapies. The City and the State reached a settlement with the Federal government in 2009 in response to audit findings that showed improper billings of Medicaid reimbursement for these services between 1990 and 2001. The proceedings virtually halted the claims process in FY 2006 and subsequent years. After extensive delays in obtaining State approvals, the Medicaid claims process restarted in FY 2012. However, the Department managed to collect only $37 million in Medicaid reimbursement for FY 2012, falling significantly short of its initial target of $117 million. Given this shortfall, the Department's Medicaid revenue targets in the November Plan appear ambitious.

## Debt Service

As shown in Table 17 below, debt service, after adjusting for the impact of prepayments, totals $6.16 billion in FY 2013, $6.61 billion in FY 2014, $7.31 billion in FY 2015 and $7.61 billion in FY 2016.[10] Compared to the June 2012 Financial Plan estimates, these amounts represent decreases of $33 million in FY 2013, $224 million in FY 2014, and increases of $37 million in FY 2015 and $66 million in FY 2016. Between FY 2013 and FY 2016, total debt service is projected to increase by $1.46 billion, or 23.6 percent. These figures do not include debt of the New York City Municipal Water Finance Authority (NEW), which is backed by water and sewer user charges.

***Table 17. November 2012 Financial Plan Debt Service Estimates***

($ in millions)

| Category | FY 2013 | FY 20143 | FY 2015 | FY 2016 | Change from FYs 2013 to 2016 |
|---|---|---|---|---|---|
| Go[a] | $3,976 | $4,297 | $4,646 | $4,747 | $771 |
| NYCTFA [b] | 1,798 | 1,910 | 2,271 | 2,471 | 672 |
| Lease-Purchase Debt | 310 | 324 | 316 | 322 | 12 |
| TASK, Inc. | 74 | 74 | 75 | 74 | 0 |
| **Total** | **$6,158** | **$6,605** | **$7,307** | **$7,613** | **$1,455** |

SOURCE: November 2012 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 $33 million decrease in FY 2013 debt service is comprised of reductions of $28 million in GO and short-term debt service and $5 million in estimated NYCTFA savings. Of

[10] Includes GO, NYCTFA PIT bonds, TSASC as well as interest on short-term notes.

the $28 million drop in GO debt service, $12 million is the result of refunding savings and $16 million from revised baseline projections as a result of better than anticipated year-to-date new money borrowings. The $5 million reduction in FY 2013 NYCTFA debt service also results primarily from better than expected interest rates on current year borrowings.

The estimated debt service decrease of $224 million in FY 2014 is comprised of NYCTFA savings of $131 million and GO debt service savings of $93 million. NYCTFA savings are primarily due to the 2013 Series A & B refunding transaction which resulted in savings of $120 million in FY 2014. Similarly, GO savings in FY 2014 result primarily from the GO 2013 Series B & C refunding transaction which yielded savings of $89 million. Our office, together with the Office of Management and Budget (OMB) closely monitors the City's outstanding bonds and market conditions to refinance debt when attractive. Since January 1, 2010, refundings have saved City taxpayers and water and sewer rate payers over $1.5 billion.

The expected increases in debt service in FYs 2015 and 2016 reflect mainly the additional debt service associated with the Capital Acceleration Plan. In October, the Mayor announced a program, proposed by the Comptroller's Office, to accelerate more than $1 billion of capital spending, taking advantage of the current low interest rate environment while providing a stimulus to the local economy. The Capital Acceleration Plan is incorporated in the FY 2013 Adopted Commitment Plan, released in October. The increased borrowing in FYs 2015 and 2016 as a result of the Capital Acceleration Plan is expected to increase GO debt service by $21 million in FY 2015 and $34 million in FY 2016 and NYCTFA debt service by $16 million in FY 2015 and $32 million in FY 2016.

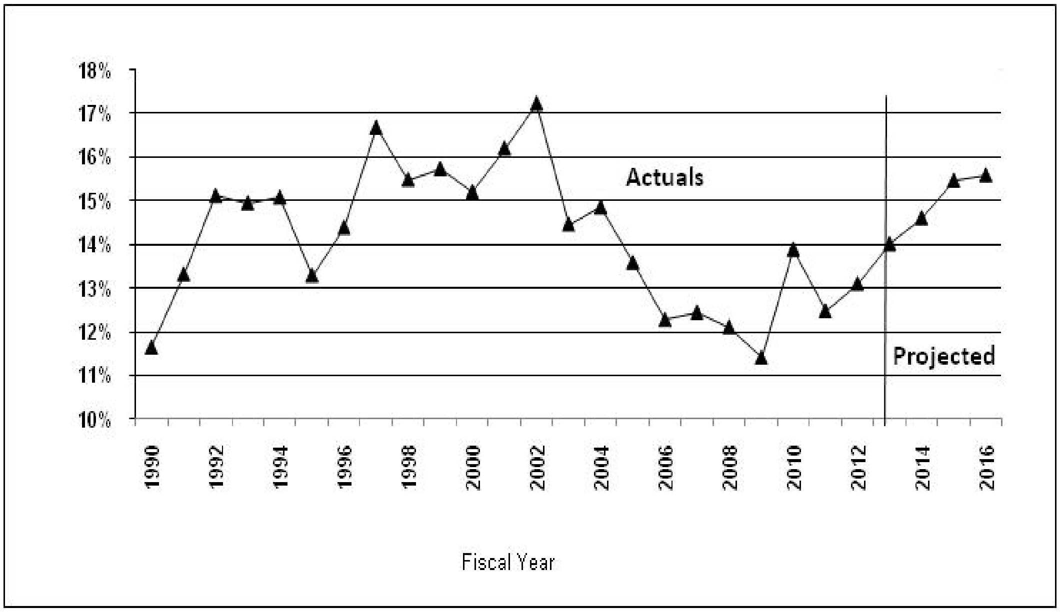
While it is early in the year to predict FY 2013 costs associated with variable rate bonds, the continued low interest rate environment portends another year of significant savings in the variable rate market. The Comptroller's Office will continue to monitor actuals and comment further after the release of the January Financial Plan.

### Debt Affordability

Debt service as a percent of local tax revenues and as a percent of City-funds expenditures are both accepted measures of debt affordability used by rating agencies and government officials alike.[11] In FY 2012, the City's debt service was 13.1 percent of local tax revenues. The November Plan projects debt service will consume 14 percent of local tax revenues in FY 2013, 14.6 percent in FY 2014, 15.5 percent in FY 2015, and 15.6 percent in FY 2016, as shown in Chart 3. 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 7.3 percent annual growth from FYs 2013 to 2016 while tax revenue during this period is projected to grow 3.8 percent annually.

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

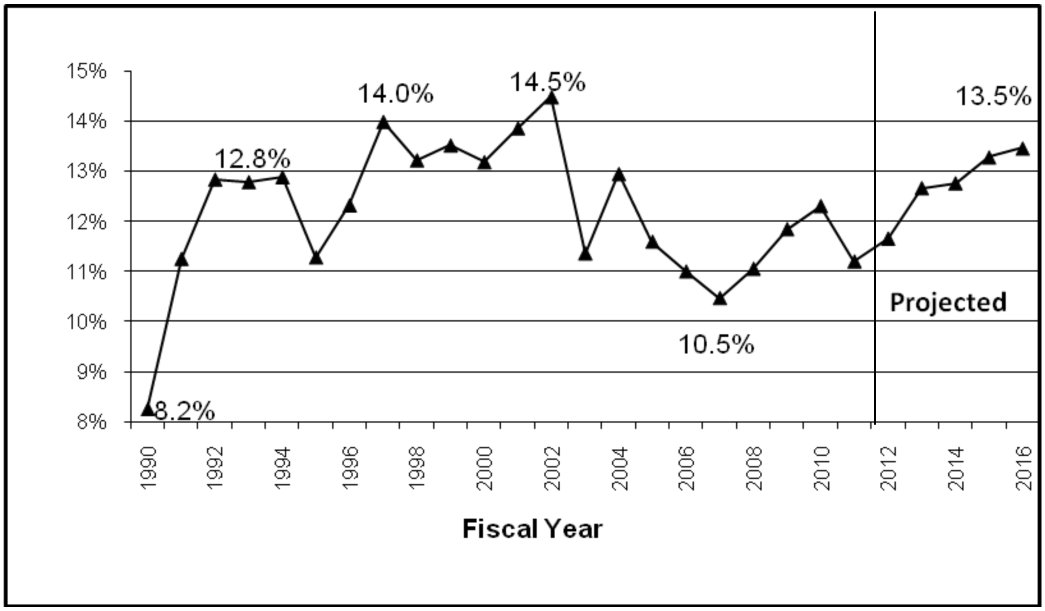
*Chart 3*. **Debt Service as a Percent of Tax Revenues, 1990 – 2016**




SOURCE: Office of Management and Budget, City of New York, November 2012 Financial Plan.

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. As shown in Chart 4, the City's ratio is estimated to be 12.7 percent in FY 2013, 12.8 percent in FY 2014, 13.3 percent in FY 2015, and 13.5 percent in FY 2016, comfortably below S&P's threshold for a high debt service burden.

***Chart 4.* NYC Debt Service as Percent of City-Funds Expenditures**




SOURCE: City of New York, Office of the Comptroller, Comprehensive Annual Financial Reports, FYs 1982 – 2012, and NYC Office of Management and Budget, FY 2013 November Financial Plan. Debt service is adjusted for prepayments.

## Financing Program

The November 2012 Financial Plan contains $31.14 billion of planned City and State-supported borrowing in FYs 2013-2016 as shown below in Table 18. The borrowing is composed of $9.48 billion of GO bonds, $11.18 billion of NYCTFA Personal Income Tax (PIT) borrowing, $5.95 billion of NYC Water Finance Authority (NYW) borrowing and $4.53 billion of borrowing from NYCTFA Building Aid Revenue Bonds (BARBs) that are supported by State building aid revenues.

***Table 18. FY 2013 November Plan, FYs 2013-2016***

($ in millions)

| Description: | Estimated Borrowing and Funding Sources FYs 2013-2016 | Percent of Total |
|---|---|---|
| General Obligation Bonds | $9,480 | 30.4% |
| NYCTFA – General Purposes | 11,180 | 35.9% |
| NYC Water Finance Authority | 5,949 | 19.1% |
| NYCTFA – BARBs | 4,529 | 14.6% |
| **Total** | **$31,138** | **100.0%** |

SOURCE: November 2012 Financial Plan, Office of Management and Budget.

Total projected borrowing in the November Plan for FYs 2013 through 2016 is $1.87 billion more than the June 2012 Financial Plan estimate. This represents an increase in planned borrowing from the June Financial Plan of $482 million in FY 2013, $766 million in FY 2014, $383 million in FY 2015 and $241 million in FY 2016. The additional financing will be spread across the major borrowing entities with projected increases of $590 million in GO borrowing, $590 million in NYCTFA borrowing, and $589 million in Water Finance Authority borrowing over the four-year period.

Total-funds borrowing in FY 2013 are projected to reach $8.52 billion, remain flat in FY 2014, and decline to $7.45 billion in FY 2015 and $6.65 billion in FY 2016. Local tax-supported borrowing (GO and NYCTFA PIT bonds) is estimated to total $5.1 billion in FY 2013, increasing to $5.76 billion in FY 2014, then dropping to $5.24 billion in FY 2015, and $4.56 billion in FY 2016.

## Capital Plan

The FYs 2013 – 2016 Capital Plan totals $32.49 billion in all-funds commitments, and $25.96 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 41.7 percent or $13.56 billion of the all-funds commitments planned for FY 2013. Planned commitments decrease in the outyears of the Plan, to $8.89 billion in FY 2014, $5.27 billion in FY 2015, and $4.77 billion in FY 2016.

***Table 19. FYs 2013 – 2016 Four-Year Capital Commitments, All-Funds***

($ in millions)

| Project Category | FY 2013 Adopted Commitment Plan | Percent of Total |
|---|---|---|
| Education & CUNY | $8,798 | 25.6% |
| Environmental Protection | 7,035 | 20.4 |
| Dept. of Transportation & Mass Transit | 5,118 | 14.9 |
| Housing and Economic Development | 3,092 | 9.0 |
| Administration of Justice | 1,806 | 5.3 |
| Technology and Citywide Equipment | 1,852 | 5.4 |
| Parks Department | 1,557 | 4.5 |
| Hospitals | 510 | 1.5 |
| Other City Operations and Facilities | 4,609 | 13.4 |
| **Total** | **$34,377** | **100.0%** |
| Reserve for Unattained Commitments | ($1,888) | |
| **Adjusted Total** | **$32,489** | |

SOURCE: Office of Management and Budget, FY 2013 Adopted Capital Commitment Plan, October 2012.

Commitments for capital projects in the DOE and the City University of New York (CUNY), account for $8.8 billion or 25.6 percent of all-funds planned commitments. Other major components of the Plan are the Department of Environmental Protection (DEP) which comprises 20.4 percent of the all-funds planned commitments, Department of Transportation (DOT) and Mass Transit which account for 14.9 percent, and Housing and Economic Development making up 9.0 percent of the Plan.[12] Consistent with prior plans, these four major program areas constitute a majority of the Commitment Plan, with $24.04 billion, or 70 percent of the Plan.

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

*Table 20. FYs 2013 – 2016 Four-Year Capital Commitments, City-Funds*

($ in millions)

| Project Category | FY 2013 Adopted Commitment Plan | Percent of Total |
|---|---|---|
| Environmental Protection | $6,902 | 24.8% |
| Education & CUNY | 4,981 | 17.9 |
| Dept. of Transportation & Mass Transit | 3,303 | 11.9 |
| Housing and Economic Development | 2,658 | 9.5 |
| Administration of Justice | 1,806 | 6.5 |
| Technology and Citywide Equipment | 1,838 | 6.6 |
| Parks Department | 1,373 | 4.9 |
| Hospitals | 508 | 1.8 |
| Other City Operations and Facilities | 4,478 | 16.1 |
| **Total** | **$27,847** | **100.0%** |
| Reserve for Unattained Commitments | ($1,888) | |
| **Adjusted Total** | **$25,959** | |

SOURCE: Office of Management and Budget, FY 2013 Adopted Capital Commitment Plan, October 2012.

The City-funded portion of the Plan totals $25.96 billion over FYs 2013 – 2016. DEP capital projects account for the largest share of the City-funds commitments totaling 24.8 percent of the Plan, followed by DOE and CUNY at 17.9 percent, DOT and Mass Transit at 11.9 percent, and Housing and Economic Development at 9.5 percent. Similar to the all-funds commitments, these four major program areas account for a majority of City-funds commitments accounting for 64.1 percent of the City-funds Commitment Plan, as shown in Table 20 above. The significant disparity between the DOE's almost 18 percent share of the City-funded Capital Plan and its 25.6 percent of the all-funds Capital Plan reflects the $3.81 billion of State-supported commitments for education between FYs 2013 – 2016. Capital funding for education projects comprises 58 percent of total State and Federal funding in FYs 2013 – 2016. The planned continuation of $4.5 billion in NYCTFA BARBs borrowing between FYs 2013 – 2016 is directly related to the continuing State support of education capital spending in New York City.[13] The BARBs statutory limit of $9.4 billion, however, will be approached by FY 2016.

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.

[13] Debt service payments for BARBs debt are secured by Building Aid revenues provided by the State of New York.

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# VI. Appendix ─ Revenue and Expenditure Details

### *Table A1.* November 2012 Financial Plan Revenue Detail

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Change FYs 2013-16 Dollar | Percent |
|---|---|---|---|---|---|---|
| **Taxes:** | | | | | | |
| Real Property | $18,644 | $19,184 | $19,846 | $20,489 | $1,845 | 9.9% |
| Personal Income Tax | $9,103 | $9,166 | $9,774 | $10,142 | $1,039 | 11.4% |
| General Corporation Tax | $2,477 | $2,685 | $2,788 | $2,917 | $440 | 17.8% |
| Banking Corporation Tax | $1,308 | $1,241 | $1,268 | $1,412 | $104 | 8.0% |
| Unincorporated Business Tax | $1,770 | $1,900 | $1,971 | $2,034 | $264 | 14.9% |
| Sale and Use Tax | $6,061 | $6,326 | $6,599 | $6,839 | $778 | 12.8% |
| Real Property Transfer | $946 | $1,055 | $1,174 | $1,300 | $354 | 37.4% |
| Mortgage Recording Tax | $594 | $686 | $767 | $848 | $254 | 42.8% |
| Commercial Rent | $653 | $694 | $731 | $770 | $117 | 17.9% |
| Utility | $402 | $421 | $434 | $446 | $44 | 10.9% |
| Hotel | $477 | $489 | $513 | $536 | $59 | 12.4% |
| Cigarette | $66 | $66 | $64 | $62 | ($4) | (6.1%) |
| All Other | $500 | $501 | $501 | $501 | $1 | 0.2% |
| Tax Audit Revenue | $838 | $709 | $709 | $709 | ($129) | (15.4%) |
| **Total Taxes** | **$43,839** | **$45,123** | **$47,139** | **$49,005** | **$5,166** | **11.8%** |
| **Miscellaneous Revenue:** | | | | | | |
| Licenses, Franchises, Etc. | $569 | $586 | $583 | $594 | $25 | 4.4% |
| Interest Income | $17 | $11 | $12 | $65 | $48 | 282.4% |
| Charges for Services | $888 | $921 | $917 | $917 | $29 | 3.3% |
| Water and Sewer Charges | $1,508 | $1,517 | $1,515 | $1,533 | $25 | 1.7% |
| Rental Income | $291 | $291 | $293 | $293 | $2 | 0.7% |
| Fines and Forfeitures | $812 | $815 | $815 | $814 | $2 | 0.2% |
| Miscellaneous | $717 | $1,358 | $980 | $751 | $34 | 4.7% |
| Intra-City Revenue | $1,704 | $1,606 | $1,609 | $1,614 | ($90) | (5.3%) |
| **Total Miscellaneous** | **$6,506** | **$7,105** | **$6,724** | **$6,581** | **$75** | **1.2%** |
| **Other Categorical Grants** | **$978** | **$951** | **$916** | **$902** | **($76)** | **(7.8%)** |
| **Inter-Fund Agreements** | **$538** | **$509** | **$508** | **$509** | **($29)** | **(5.4%)** |
| **Reserve for Disallowance of Categorical Grants** | **($15)** | **($15)** | **($15)** | **($15)** | **$0** | **0.0%** |
| **Less: Intra-City Revenue** | **($1,704)** | **($1,606)** | **($1,609)** | **($1,614)** | **$90** | **(5.3%)** |
| **TOTAL CITY-FUNDS, IFA & Other Categorical Grants** | **$50,142** | **$52,067** | **$53,663** | **$55,368** | **$5,226** | **10.4%** |

## *Table A1 (Con't).* November 2012 Financial Plan Revenue Detail

($ in millions)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Changes FYs 2013-16 Dollar | Changes FYs 2013-16 Percent |
|---|---|---|---|---|---|---|
| **Federal Categorical Grants:** | | | | | | |
| Community Development | $229 | $220 | $219 | $219 | ($10) | (4.4%) |
| Welfare | $3,218 | $3,123 | $3,079 | $3,070 | ($148) | (4.6%) |
| Education | $1,904 | $1,891 | $1,816 | $1,815 | ($89) | (4.7%) |
| Other | $1,911 | $1,354 | $1,245 | $1,243 | ($668) | (35.0%) |
| **Total Federal Grants** | **$7,262** | **$6,588** | **$6,359** | **$6,347** | **($915)** | **(12.6%)** |
| | | | | | | |
| **State Categorical Grants** | | | | | | |
| Social Services | $1,478 | $1,439 | $1,410 | $1,409 | ($69) | (4.7%) |
| Education | $8,388 | $8,643 | $8,946 | $9,309 | $921 | 11.0% |
| Higher Education | $235 | $235 | $235 | $235 | $0 | 0.0% |
| Department of Health and Mental Hygiene | $567 | $543 | $540 | $540 | ($27) | (4.8%) |
| Other | $898 | $843 | $911 | $1,028 | $130 | 14.5% |
| **Total State Grants** | **$11,566** | **$11,703** | **$12,042** | **$12,521** | **$955** | **8.3%** |
| | | | | | | |
| **TOTAL REVENUES** | **$68,970** | **$70,358** | **$72,064** | **$74,236** | **$5,266** | **7.6%** |

## *Table A2.* November 2012 Financial Plan Expenditure Detail

($ in thousands)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Change FYs 2013-16 Dollars | Change FYs 2013-16 Percent |
|---|---|---|---|---|---|---|
| Mayoralty | $92,624 | $85,865 | $85,674 | $85,657 | ($6,967) | (7.5%) |
| Board of Elections | $90,573 | $72,590 | $72,590 | $72,590 | ($17,983) | (19.9%) |
| Campaign Finance Board | $55,077 | $13,288 | $13,288 | $13,288 | ($41,789) | (75.9%) |
| Office of the Actuary | $6,015 | $6,246 | $6,248 | $6,250 | $235 | 3.9% |
| President, Borough of Manhattan | $4,420 | $2,466 | $2,473 | $2,478 | ($1,942) | (43.9%) |
| President, Borough of Bronx | $5,092 | $3,276 | $3,276 | $3,276 | ($1,816) | (35.7%) |
| President, Borough of Brooklyn | $5,154 | $3,016 | $3,016 | $3,016 | ($2,138) | (41.5%) |
| President, Borough of Queens | $4,558 | $2,896 | $2,899 | $2,903 | ($1,655) | (36.3%) |
| President, Borough of Staten Island | $3,850 | $2,319 | $2,319 | $2,319 | ($1,531) | (39.8%) |
| Office of the Comptroller | $75,277 | $75,613 | $75,862 | $76,273 | $996 | 1.3% |
| Dept. of Emergency Management | $54,725 | $12,651 | $6,097 | $6,104 | ($48,621) | (88.8%) |
| Office of Administrative Tax Appeals | $4,354 | $4,273 | $4,273 | $4,273 | ($81) | (1.9%) |
| Law Dept. | $142,555 | $135,700 | $131,727 | $129,998 | ($12,557) | (8.8%) |
| Dept. of City Planning | $23,919 | $20,386 | $20,298 | $20,310 | ($3,609) | (15.1%) |
| Dept. of Investigation | $16,532 | $16,559 | $16,483 | $16,483 | ($49) | (0.3%) |
| NY Public Library - Research | $21,556 | $14,734 | $14,734 | $14,734 | ($6,822) | (31.6%) |
| New York Public Library | $107,535 | $71,425 | $71,425 | $71,425 | ($36,110) | (33.6%) |
| Brooklyn Public Library | $80,663 | $53,493 | $53,493 | $53,493 | ($27,170) | (33.7%) |
| Queens Borough Public Library | $79,571 | $52,457 | $52,457 | $52,457 | ($27,114) | (34.1%) |
| Dept. of Education | $19,492,227 | $19,914,554 | $20,458,131 | $21,051,191 | $1,558,964 | 8.0% |
| City University | $832,578 | $796,136 | $796,223 | $784,684 | ($47,894) | (5.8%) |
| Civilian Complaint Review Board | $11,384 | $11,303 | $11,307 | $11,307 | ($77) | (0.7%) |
| Police Dept. | $4,594,159 | $4,426,173 | $4,397,040 | $4,396,211 | ($197,948) | (4.3%) |
| Fire Dept. | $1,873,400 | $1,703,994 | $1,619,566 | $1,620,248 | ($253,152) | (13.5%) |
| Admin. for Children Services | $2,811,527 | $2,745,222 | $2,745,787 | $2,745,787 | ($65,740) | (2.3%) |
| Dept. of Social Services | $9,282,020 | $9,298,003 | $9,386,782 | $9,337,499 | $55,479 | 0.6% |
| Dept. of Homeless Services | $925,157 | $847,601 | $842,488 | $842,288 | ($82,869) | (9.0%) |
| Dept. of Correction | $1,064,838 | $1,056,333 | $1,054,881 | $1,054,701 | ($10,137) | (1.0%) |
| Board of Correction | $1,059 | $1,178 | $1,178 | $1,178 | $119 | 11.2% |
| Citywide Pension Contribution | $7,937,405 | $8,087,399 | $8,078,814 | $8,274,491 | $337,086 | 4.2% |
| Miscellaneous | $6,456,454 | $7,106,762 | $8,922,159 | $9,791,383 | $3,334,929 | 51.7% |
| Debt Service | $4,309,442 | $4,620,602 | $4,962,302 | $5,068,977 | $759,535 | 17.6% |
| N.Y.C.T.F.A. Debt Service | $1,798,494 | $1,910,130 | $2,270,870 | $2,470,510 | $672,016 | 37.4% |
| FY 2012 BSA and Discretionary Transfers | ($2,431,487) | ($30,611) | $0 | $0 | $2,431,487 | (100.0%) |
| FY 2013 BSA | $124,386 | ($124,386) | $0 | $0 | ($124,386) | (100.0%) |
| Public Advocate | $2,186 | $1,533 | $1,533 | $1,533 | ($653) | (29.9%) |
| City Council | $52,090 | $49,442 | $49,442 | $49,442 | ($2,648) | (5.1%) |
| City Clerk | $4,506 | $4,359 | $4,362 | $4,362 | ($144) | (3.2%) |
| Dept. for the Aging | $262,820 | $232,390 | $232,388 | $232,388 | ($30,432) | (11.6%) |
| Dept. of Cultural Affairs | $149,455 | $92,575 | $92,575 | $92,575 | ($56,880) | (38.1%) |
| Financial Info. Serv. Agency | $89,322 | $91,230 | $89,944 | $90,444 | $1,122 | 1.3% |
| Office of Payroll Admin. | $20,911 | $27,614 | $27,691 | $27,719 | $6,808 | 32.6% |
| Independent Budget Office | $4,359 | $4,345 | $4,338 | $4,334 | ($25) | (0.6%) |
| Equal Employment Practices Comm. | $790 | $665 | $715 | $715 | ($75) | (9.5%) |

## *Table A2 (Con't).* November 2012 Financial Plan Expenditure Detail

($ in thousands)

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | Change FYs 2013-16 Dollars | Change FYs 2013-16 Percent |
|---|---|---|---|---|---|---|
| Civil Service Commission | $773 | $751 | $751 | $751 | ($22) | (2.8%) |
| Landmarks Preservation Comm. | $4,949 | $5,021 | $5,039 | $5,063 | $114 | 2.3% |
| Districting Commission | $1,661 | $0 | $0 | $0 | ($1,661) | (100.0%) |
| Taxi and Limousine Commission | $64,501 | $59,448 | $55,639 | $42,139 | ($22,362) | (34.7%) |
| Commission on Human Rights | $6,361 | $6,290 | $6,498 | $6,498 | $137 | 2.2% |
| Youth & Community Development | $328,155 | $218,003 | $208,067 | $208,067 | ($120,088) | (36.6%) |
| Conflicts of Interest Board | $2,057 | $2,072 | $2,072 | $2,072 | $15 | 0.7% |
| Office of Collective Bargain | $2,253 | $1,845 | $1,974 | $1,976 | ($277) | (12.3%) |
| Community Boards (All) | $15,073 | $14,295 | $14,297 | $14,300 | ($773) | (5.1%) |
| Dept. of Probation | $74,756 | $72,795 | $73,756 | $73,756 | ($1,000) | (1.3%) |
| Dept. Small Business Services | $135,902 | $92,901 | $85,966 | $85,973 | ($49,929) | (36.7%) |
| Housing Preservation & Development | $610,602 | $557,083 | $555,247 | $554,596 | ($56,006) | (9.2%) |
| Dept. of Buildings | $97,650 | $92,728 | $90,682 | $90,638 | ($7,012) | (7.2%) |
| Dept. of Health & Mental Hygiene | $1,645,330 | $1,515,452 | $1,508,113 | $1,507,839 | ($137,491) | (8.4%) |
| Health and Hospitals Corp. | $71,962 | $64,380 | $64,380 | $64,380 | ($7,582) | (10.5%) |
| Office of Administrative Trials & Hearings | $34,471 | $34,873 | $34,875 | $34,877 | $406 | 1.2% |
| Dept. of Environmental Protection | $1,140,366 | $1,106,353 | $1,090,876 | $1,087,242 | ($53,124) | (4.7%) |
| Dept. of Sanitation | $1,360,117 | $1,400,353 | $1,465,642 | $1,463,930 | $103,813 | 7.6% |
| Business Integrity Commission | $7,316 | $6,973 | $7,145 | $7,145 | ($171) | (2.3%) |
| Dept. of Finance | $226,728 | $219,214 | $218,729 | $218,729 | ($7,999) | (3.5%) |
| Dept. of Transportation | $824,250 | $683,636 | $687,865 | $689,565 | ($134,685) | (16.3%) |
| Dept. of Parks and Recreation | $308,223 | $282,227 | $282,111 | $282,111 | ($26,112) | (8.5%) |
| Dept. of Design & Construction | $108,003 | $107,365 | $107,365 | $107,365 | ($638) | (0.6%) |
| Dept. of Citywide Admin. Services | $388,403 | $371,070 | $372,626 | $372,559 | ($15,844) | (4.1%) |
| D.O.I.T.T. | $328,534 | $289,040 | $292,474 | $293,793 | ($34,741) | (10.6%) |
| Dept. of Record & Info. Services | $5,024 | $4,900 | $4,764 | $4,768 | ($256) | (5.1%) |
| Dept. of Consumer Affairs | $26,945 | $24,946 | $24,630 | $24,510 | ($2,435) | (9.0%) |
| District Attorney - N.Y. | $96,360 | $83,432 | $83,436 | $83,436 | ($12,924) | (13.4%) |
| District Attorney – Bronx | $50,653 | $50,447 | $50,450 | $50,450 | ($203) | (0.4%) |
| District Attorney – Kings | $80,931 | $82,303 | $82,307 | $82,307 | $1,376 | 1.7% |
| District Attorney – Queens | $49,258 | $48,959 | $48,961 | $48,961 | ($297) | (0.6%) |
| District Attorney - Richmond | $8,190 | $8,100 | $8,100 | $8,100 | ($90) | (1.1%) |
| Office of Prosec. & Spec. Narc. | $17,345 | $17,274 | $17,275 | $17,275 | ($70) | (0.4%) |
| Public Administrator - N.Y. | $1,368 | $1,271 | $1,279 | $1,279 | ($89) | (6.5%) |
| Public Administrator - Bronx | $564 | $485 | $493 | $493 | ($71) | (12.6%) |
| Public Administrator - Brooklyn | $656 | $574 | $582 | $582 | ($74) | (11.3%) |
| Public Administrator - Queens | $510 | $448 | $456 | $456 | ($54) | (10.6%) |
| Public Administrator - Richmond | $429 | $360 | $367 | $367 | ($62) | (14.5%) |
| General Reserve | $300,000 | $300,000 | $300,000 | $300,000 | $0 | 0.0% |
| Energy Adjustment | $0 | $70,336 | $102,661 | $134,478 | $134,478 | N/A |
| Lease Adjustment | $0 | $30,842 | $92,873 | $120,502 | $120,502 | N/A |
| OTPS Inflation Adjustment | $0 | $55,519 | $111,038 | $166,557 | $166,557 | N/A |
| **TOTAL EXPENDITURE** | **$68,970,161** | **$71,508,163** | **$74,851,009** | **$76,851,179** | **$7,881,018** | **11.4%** |

# Glossary of Acronyms

| | |
|---|---|
| **AIRA** | Actuarial Interest Rate Assumption |
| **BARB** | Building Aid Revenue Bonds |
| **BCT** | Banking Corporation Tax |
| **BSA** | Budget Stabilization Account |
| **CSA** | Council of School Supervisors and Administrators |
| **CUNY** | City University of New York |
| **CY** | Calendar Year |
| **DEP** | Department of Environmental Protection |
| **DOB** | Department of Buildings |
| **DOC** | Department of Correction |
| **DOE** | Department of Education |
| **DOF** | Department of Finance |
| **DOT** | Department of Transportation |
| **ECB** | Environmental Control Board |
| **FMAP** | Federal Medical Assistance Percentages |
| **FTE** | Full-Time Equivalent |

| | |
|---|---|
| **FY** | Fiscal Year |
| **GCP** | Gross City Product |
| **GCT** | General Corporation Tax |
| **GDP** | Gross Domestic Product |
| **GO Debt** | General Obligation Debt |
| **J&C** | Judgments and Claims |
| **NYC** | New York City |
| **NYCTFA** | New York City Transitional Finance Authority |
| **NYPD** | Police Department |
| **NYW** | Municipal Water Finance Authority |
| **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 |
| **RHBT** | Retiree Health Benefits Trust |

| | |
|---|---|
| **SFY** | State Fiscal Year |
| **S&P** | Standard and Poor's |
| **STAR** | School Tax Relief |
| **TSASC** | Tobacco Settlement Asset Securitization Corporation, Inc. |
| **UBT** | Unincorporated Business Tax |
| **UFT** | United Federation of Teachers |
| **U.S.** | United States |