COMMENTS ON NEW YORK CITY'S PRELIMINARY BUDGET FOR FY 2015 AND FINANCIAL PLAN FOR FISCAL YEARS 2014-2018

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I. Executive Summary

Nearly five years since the end of the last recession, the City's economy and finances continue to improve although sometimes erratically and unevenly. In 2013 the City added 96,100 private sector jobs, the most in any calendar year since 1999. The City's unemployment rate, which had remained stubbornly high during much of the economic recovery, finally showed an indication of improvement, as the year-end unemployment rate was over one percent lower than at the same point the year before. But this news is tempered by the fact that other key economic indicators have not reclaimed their pre-recession momentum. For the fifth straight year, New York City workers' wages have not kept pace with cost of living increases and the City has seen only modest growth in overall economic output.

The City's economic attainments in 2013 far outshined the country as a whole. U.S. economic growth, which seemed to finally be gaining some momentum, slowed down in 2013 as Gross Domestic Product (GDP) grew only 1.9 percent during the year. Federal fiscal policies and the uncertain political circumstances in Washington were the primary causes of economic growth deceleration in 2013. The Comptroller's Office is optimistic that a more favorable economic policy outlook for 2014 will reinvigorate the national economy. Certain key economic indicators have begun to exhibit positive momentum particularly relating to the nation's housing market. As a result of these factors, the Comptroller's outlook for the U.S. economy is for continued moderate growth over the next few years. The Comptroller expects U.S. economic growth to reach 3.0 percent in 2014 for the first time since 2005.

The national economic forecast presages similar growth at the city level. New York City's economy should continue its stable growth over the next few years. Job creation is expected to continue at a strong pace although not necessarily the benchmark set by 2013. Employment growth is seen across major industry sectors, a positive sign that New York City's economy is diversifying from an over-reliance on the traditional finance and insurance sectors. The Comptroller forecasts that the growth in employment will continue to cut into the City's unemployment rate. Wage rate growth is forecast to gain some potency in the coming years but may be partially offset by an increase in the inflation rate.

The City's economic recovery has facilitated a strengthening of the City's budgetary outlook. The financial plan released in November 2013 was the first time in memory in which the next year's budget was balanced prior to the issuance of the Preliminary Budget. The February Financial Plan, with no budget gaps to close in the coming fiscal year, presents a City budget that has relatively small outyear gaps and a good deal of resources available. But, as with the City's economic forecast, this good news is somewhat tempered by uncertainty, particularly as it relates to collective bargaining and the settling of expired municipal union contracts.

The FY 2014 budget totals $73.82 billion in the February Financial Plan, which includes an additional $862 million of City-funds. This increase is driven primarily by stronger than expected tax collections in the current year. These additional resources coupled with savings, particularly in debt service costs, enabled the City to restore certain services that had previously been cut from the budget as well as to replenish the Retiree Health Benefits Trust (RHBT) which had been scheduled to be depleted in the current fiscal year. The FY 2014 budget contains $1.77 billion of resources planned to be used to pay for FY 2015 expenses. This is a decrease in the magnitude of the prepayment from the prior fiscal year when the City utilized $2.8 billion of FY 2013 resources to pay for FY 2014 expenses.

The Preliminary FY 2015 Budget totals $73.71 billion, an increase of $970 million since the November Plan. The growth in the FY 2015 budget is primarily the product of an increase of $999 million in the City-funds budget. The additional City-funds revenues result from an increase of $1.12 billion in tax revenues and a decrease of $125 million in non-tax revenues. The additional tax revenues are comprised of an estimated $600 million of additional tax receipts coupled with $530 million of funds to be collected as a result of a planned personal income tax (PIT) surcharge. This surcharge on high-income earners would provide a dedicated funding stream for an expansion of the City's pre-kindergarten program as well as for after-school programming for middle school students. In addition to funding these programs, the additional FY 2015 resources are planned to add $300 million to the City's general reserve, increasing the reserve from $300 million to $600 million in FY 2015 and in each of the outyears of the Financial Plan.

While the Preliminary FY 2015 budget is balanced, there are significant risks that if realized could create large funding gaps. The single largest risk to the budget is the absence of funding for collective bargaining agreements for all of the City's municipal labor unions. Currently all of the City's over 150 collective bargaining units are working under the terms of expired contracts. The cost of settling such contracts could add significant costs to the Financial Plan. Furthermore, the City's forecast of an additional $530 million in FY 2015 resulting from the implementation of a PIT surcharge is dependent upon approval in Albany. If the State does not approve the surcharge, it will need to provide another reliable and stable source of funding for the UPK program.

Additional risks to the Plan include the City's underestimation of overtime spending and overestimation of Medicaid reimbursement to the Department of Education (DOE). The Comptroller estimates that uniformed overtime spending in the Police Department and Department of Correction will exceed the budgeted amount by $128 million in FY 2014, $122 million in FY 2015, and $100 million annually beginning FY 2016. Lower than estimated Medicaid reimbursements in the DOE could increase the risks to the Financial Plan by $30 million in FY 2014, $110 million in FY 2015, and $140 million annually beginning in FY 2016.

These risks are partially offset by the Comptroller's revenue projections. The Comptroller's Office expects tax revenues to be above the City's forecast in each year of the Financial Plan driven primarily by strength in the property tax. As a result of the higher tax revenue forecasts, the Comptroller projects additional resources of $510 million in FY 2015, $324 million in FY 2016, $997 million in FY 2017, and

$1.7 billion in FY 2018. These additional resources would offset the Comptroller's risks, resulting in surpluses of $510 million in FY 2015, $467 million in FY 2017 and $1.3 billion in FY 2018 and narrowing the FY 2016 gap to $735 million.

Table 1. FYs 2014 – 2018 Financial Plan

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Changes FYs 2014 – 2018 Dollar	Changes FYs 2014 – 2018 Percent
Revenues							
Taxes:							
General Property Tax	$20,006	$21,009	$22,047	$22,939	$23,815	$3,809	19.0%
Other Taxes	$26,015	$27,253	$28,512	$29,612	$30,636	$4,621	17.8%
Tax Audit Revenues	$710	$709	$709	$709	$709	($1)	(0.1%)
Subtotal: Taxes	$46,731	$48,971	$51,268	$53,260	$55,160	$8,429	18.0%
Miscellaneous Revenues	$7,281	$6,782	$6,808	$6,831	$6,489	($792)	(10.9%)
Less: Intra-City Revenues	($1,743)	($1,696)	($1,669)	($1,679)	($1,684)	$59	(3.4%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$52,254	$54,042	$56,392	$58,397	$59,950	$7,696	14.7%
Other Categorical Grants	$871	$843	$830	$826	$822	($49)	(5.6%)
Inter-Fund Revenues	$546	$520	$513	$513	$513	($33)	(6.0%)
Total City & Inter-Fund Revenues	$53,671	$55,405	$57,735	$59,736	$61,285	$7,614	14.2%
Federal Categorical Grants	$8,409	$6,402	$6,384	$6,370	$6,369	($2,040)	(24.3%)
State Categorical Grants	$11,737	$11,905	$12,275	$12,747	$13,143	$1,40633 3	12.0%
Total Revenues	$73,817	$73,712	$76,394	$78,853	$80,797	$6,980	9.5%
Expenditures							
Personal Service							
Salaries and Wages	$22,424	$22,466	$22,748	$23,017	$23,340	$916	4.1%
Pensions	$8,321	$8,330	$8,448	$8,553	$8,729	$408	4.9%
Fringe Benefits	$8,795	$9,173	$9,836	$10,557	$11,352	$2,557	29.1%
Subtotal-PS	$39,540	$39,969	$41,032	$42,127	$43,421	$3,881	9.8%
Other Than Personal Service							
Medical Assistance	$6,365	$6,447	$6,415	$6,415	$6,415	$50	0.8%
Public Assistance	$1,376	$1,396	$1,396	$1,402	$1,402	$26	1.9%
All Other	$23,460	$22,033	$22,385	$22,894	$23,188	($272)	(1.2%)
Subtotal-OTPS	$31,201	$29,876	$30,196	$30,711	$31,005	($196)	(0.6%)
Debt Service							
Principal	$1,935	$2,148	$2,351	$2,292	$2,266	$331	17.1%
Interest & Offsets	$2,132	$2,516	$2,639	$2,731	$2,798	$666	31.2%
Subtotal Debt Service	$4,067	$4,664	$4,990	$5,023	$5,064	$997	24.5%
FY 2012 BSA and Discretionary Transfers	($31)	$0	$0	$0	$0	$31	(100.0%)
FY 2013 BSA and Discretionary Transfers[a]	($2,807)	$0	$0	$0	$0	$2,807	(100.0%)
FY 2014 BSA	$1,770	($1,770)	$0	$0	$0	($1,770)	(100.0%)
NYCTFA Debt Redemption	($7)	($99)	($103)	$0	$0	$7	(100.0%)
NYCTFA							
Principal	$665	$897	$1,037	$1,182	$1,223	$558	83.9%
Interest & Offsets	$1,012	$1,271	$1,370	$1,419	$1,538	$526	52.0%
Subtotal NYCTFA	$1,677	$2,168	$2,407	$2,601	$2,761	$1,084	64.6%
General Reserve	$150	$600	$600	$600	$600	$450	300.0%
	$75,560	$75,408	$79,122	$81,062	$82,851	$7,291	9.6%
Less: Intra-City Expenses	($1,743)	($1,696)	($1,669)	($1,679)	($1,684)	$59	(3.4%)
Total Expenditures	$73,817	$73,712	$77,453	$79,383	$81,167	$7,350	10.0%
Gap To Be Closed	**$0**	**$0**	**($1,059)**	**($530)**	**($370)**	**($370)**	**N/A**

[a] FY 2013 BSA and Discretionary Transfers include prepayments of $2.727 billion of G.O. debt service, net equity contributions in bond refunding of $16 million, and subsidies of $64 million.

Table 2. February 2014 Plan vs. November 2013 Plan

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017
Revenues				
Taxes:				
General Property Tax	$173	$454	$556	$677
Other Taxes	$717	$670	$910	$845
Tax Audit Revenues	$0	$0	$0	$0
Subtotal: Taxes	$890	$1,124	$1,466	$1,522
Miscellaneous Revenues	$5	($2)	$173	$85
Less: Intra-City Revenues	($33)	($123)	($92)	($101)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$862	$999	$1,547	$1,506
Other Categorical Grants	($17)	$1	$1	$1
Inter-Fund Revenues	$11	$6	($1)	($1)
Total City & Inter-Fund Revenues	$856	$1,006	$1,547	$1,506
Federal Categorical Grants	$296	$66	$92	$90
State Categorical Grants	($40)	($102)	($74)	($136)
Total Revenues	$1,112	$970	$1,565	$1,460
Expenditures				
Personal Service				
Salaries and Wages	$52	$154	$206	$161
Pensions	$6	$90	$97	$33
Fringe Benefits	($67)	$22	$46	$52
Retiree Health Benefits Trust	$1,000	$0	$0	$0
Subtotal-PS	$991	$266	$349	$246
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	($11)	$11	$11	$11
All Other	$442	$603	$601	$602
Subtotal-OTPS	$431	$614	$612	$613
Debt Service				
Principal	$0	($39)	$0	($1)
Interest & Offsets	($183)	($15)	($6)	($6)
Subtotal Debt Service	($183)	($54)	($6)	($7)
FY 2012 BSA and Discretionary Transfers	$0	$0	$0	$0
FY 2013 BSA and Discretionary Transfers	$0	$0	$0	$0
FY 2014 BSA	$0	$0	$0	$0
NYCTFA Debt Defeasance	$0	$0	$0	$0
NYCTFA Debt Service				
Principal	($171)	$113	$148	$157
Interest & Offsets	$77	($146)	($159)	($169)
Subtotal NYCTFA	($94)	($33)	($11)	($12)
General Reserve	$0	$300	$300	$300
	$1,145	$1,093	$1,244	$1,140
Less: Intra-City Expenses	($33)	($123)	($92)	($101)
Total Expenditures	$1,112	$970	$1,152	$1,039
Changes to the Gap	**$0**	**$0**	**$413**	**$421**

Table 3. February 2014 Plan vs. June 2013 Plan

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017
Revenues				
Taxes:				
General Property Tax	$213	$454	$556	$677
Other Taxes	$1,203	$670	$910	$845
Tax Audit Revenues	$1	$0	$0	$0
Subtotal: Taxes	$1,417	$1,124	$1,466	$1,522
Miscellaneous Revenues	$708	$165	$184	$96
Less: Intra-City Revenues	($161)	($135)	($104)	($113)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$1,964	$1,154	$1,546	$1,505
Other Categorical Grants	$31	($1)	($1)	($1)
Inter-Fund Revenues	$10	$5	($2)	($2)
Total City & Inter-Fund Revenues	$2,005	$1,158	$1,543	$1,502
Federal Categorical Grants	$1,914	$109	$107	$97
State Categorical Grants	($19)	($142)	($193)	($185)
Total Revenues	$3,900	$1,125	$1,457	$1,414
Expenditures				
Personal Service				
Salaries and Wages	$255	$295	$328	$263
Pensions	$4	$4	($76)	($225)
Fringe Benefits	($86)	($314)	($315)	($337)
Retiree Health Benefits Trust	$1,000	$0	$0	$0
Subtotal-PS	$1,173	($15)	($63)	($299)
Other Than Personal Service				
Medical Assistance	($1)	$0	$0	$0
Public Assistance	($11)	$11	$11	$11
All Other	$2,072	$857	$703	$754
Subtotal-OTPS	$2,060	$868	$714	$765
Debt Service				
Principal	($23)	($173)	$37	$33
Interest & Offsets	($339)	$21	($79)	($76)
Subtotal Debt Service	($362)	($152)	($42)	($43)
FY 2012 BSA and Discretionary Transfers	$0	$0	$0	$0
FY 2013 BSA and Discretionary Transfers	($16)	$0	$0	$0
FY 2014 BSA	$1,628	($1,628)	$0	$0
NYCTFA Debt Defeasance	($7)	($1)	($5)	$0
NYCTFA Debt Service				
Principal	$0	$45	$93	$203
Interest & Offsets	($115)	($122)	($146)	($251)
Subtotal NYCTFA	($115)	($77)	($53)	($48)
General Reserve	($300)	$300	$300	$300
	$4,061	($705)	$851	$675
Less: Intra-City Expenses	($161)	($135)	($104)	($113)
Total Expenditures	$3,900	($840)	$747	$562
Changes to the Gap	**$0**	**$1,965**	**$710**	**$852**

Table 4. Risks and Offsets to the February 2014 Financial Plan

($ in millions, positive numbers reduce and negative numbers increase the gap)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
City Stated Gap	**$0**	**$0**	**($1,059)**	**($530)**	**($370)**
Tax Revenues					
Property Tax	$0	$244	$160	$685	$1,231
Personal Income Tax	$189	$107	$37	$30	$114
Business Taxes	($47)	$0	$32	$128	$194
Sales Tax	$0	$57	$93	$158	$180
Real-Estate-Related Taxes	$0	$310	$182	$140	$104
Subtotal	**$142**	**$718**	**$504**	**$1,141**	**$1,823**
Expenditures					
Overtime	($128)	($122)	($100)	($100)	($100)
DOE Medicaid Reimbursement	($30)	($110)	($140)	($140)	($140)
Judgments and Claims	$13	$24	$60	$96	$131
Subtotal	**($145)**	**($208)**	**($180)**	**($144)**	**($109)**
Total Risk/Offsets	**($3)**	**$510**	**$324**	**$997**	**$1,714**
Restated (Gap)/Surplus	**($3)**	**$510**	**($735)**	**$467**	**$1,344**

II. The State of the City's Economy

Measured purely in terms of job creation, 2013 was a very good year for New York City's economy. The City added 96,100 private sector jobs from December 2012 to December 2013, the most in a calendar year since 1999. The strong job creation finally began to register in the unemployment rate, which declined to 7.5 percent in December 2013 from 8.8 percent a year earlier. In other respects, however, the City's economy performed less impressively. Average weekly earnings of all private employees increased only 1.36 percent, marking the fifth straight year in which workers' weekly earnings failed to keep up with the cost of living, while the size of the City's economy as measured in dollars increased only modestly.

For many years analysts and civic leaders have warned that the City's economy was too reliant on the financial sector and that diversification of its economic base was imperative. Since the 2007-2009 financial crisis, the City's economy has undergone just such a diversification, with finance and insurance finishing 2013 with 29,000 fewer jobs than it had at its previous peak, while all other private employment has surpassed its previous peak by 243,000. Led by growth in educational services, health care, and technology-related business services, the City has easily outpaced the nation in job creation despite its struggling financial sector. However, no industries match finance for overall pay levels, and the diversification away from financial services has contributed to the sluggish growth in average worker earnings.

A. U.S. ECONOMIC OUTLOOK

The national economic recovery slowed significantly in 2013. The slowdown in economic growth was a direct and predictable result of national fiscal policies, which turned from stimulus to austerity at the beginning of the year. The "Fiscal Cliff" negotiations that concluded in 2012 allowed the two percent payroll tax holiday to expire and also failed to avert the across-the-board budget cuts known as sequestration. The combination of higher taxes and spending cuts were expected by forecasters to shave at about one percentage point from real GDP growth in 2013, and they did. The U.S. economy grew only 1.9 percent in 2013, after a 2.8 expansion in the previous year. Congress almost did more serious damage to the economy late in the year, allowing a Federal government shutdown to last for 16 days, but a federal default on its financial obligations was avoided at the eleventh hour.

The economic policy outlook for 2014 is more encouraging. Chastened by the political fallout of the budget and debt ceiling standoff in October 2013, Congress reached a two-year budget agreement that led to a series of appropriations acts for FY 2014 and provides for overall spending levels for FY 2015, and earlier this year voted to suspend the federal debt ceiling until March 2015. The budget agreement returns federal discretionary spending to pre-sequester levels, while removing the risk of further fiscal tightening during 2014 and perhaps 2015. Consequently, the economic momentum that the U.S. economy has gradually gathered should not be interrupted by another round of restrictive fiscal policies.

The positive economic momentum is most evident in the housing sector. The 20-city Case-Shiller Home Price Index posted a 13.5 percent gain in the twelve months ending in December 2013, and has registered a 21.7 percent increase since prices bottomed-out in January 2012. Although home prices remain well below their 2006 peak, the price rebound has helped to repair household balance sheets, with owners' equity in household real estate growing by over $3.6 trillion from its recessionary low. That recovery of household wealth allows more families to move from their present homes if they wish, thereby helping to unfreeze the housing market, while making homeowners more willing and able to spend money on home improvements and other consumption items.

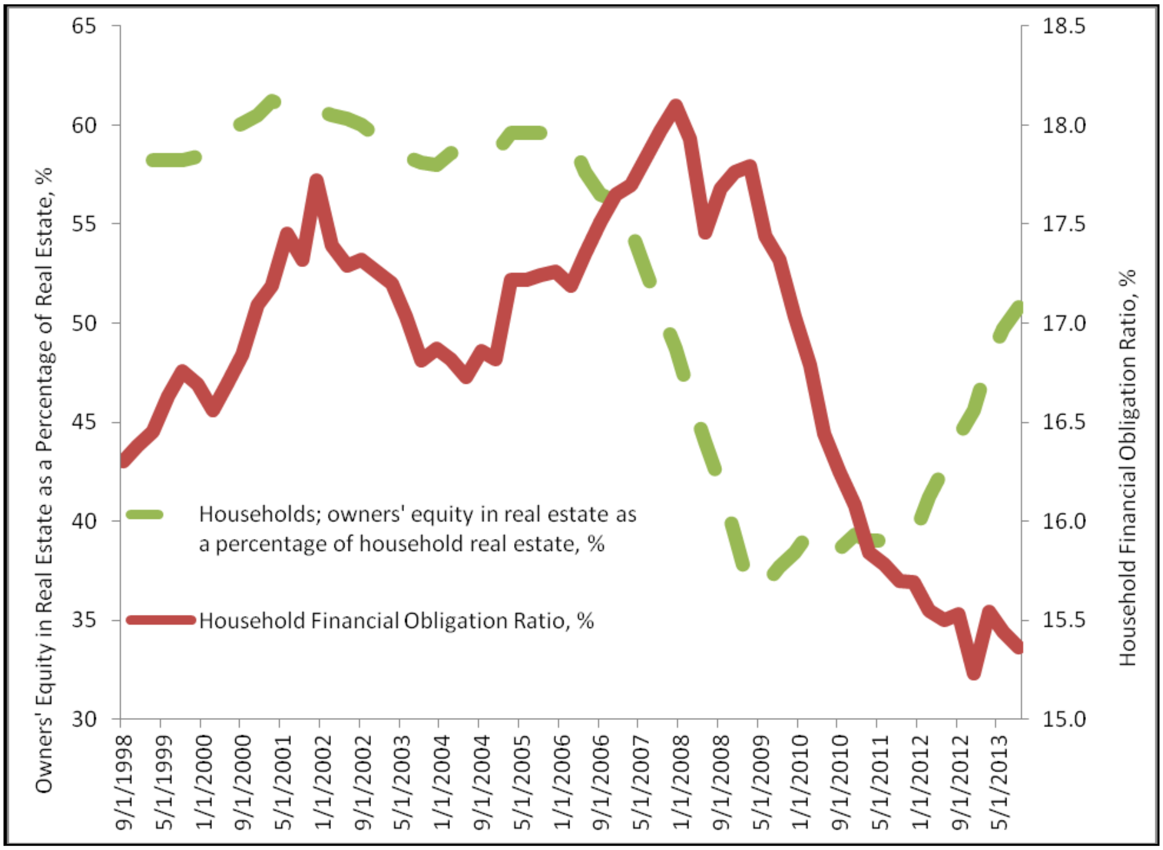
The house price recovery has also encouraged potential homebuyers to enter the market and has made new homebuilding more economically viable. Sales of new single-family homes rose 16.3 percent in 2013 while the number of new housing units started increased to 926,700, the most since 2008. Since both housing construction and new home sales remain 40 percent or more below their historic levels, there is still room for the housing sector to strengthen further in 2014 and to continue to provide a boost to the overall economy. However, housing alone cannot power the economy towards a 3.0 percent growth rate, as even in the best of times residential investment accounts for only 6 percent of GDP.

Since personal consumption expenditures represent about two-thirds of GDP, no U.S. economic expansion can be vigorous without strong final demand from consumers. So far in this expansion, the growth of consumption expenditures has been subpar. In the 1991 – 2000 expansion, real personal consumption expenditures increased at an approximate 3.7 percent annual rate. In the 2001 – 2007 expansion, they grew at a 3.0 percent annual rate. In the present expansion, personal consumption expenditures have grown at about a 2.2 percent annual rate.

There are two basic reasons for the weak growth of household spending since the conclusion of the 2007-2009 recession. First, when the housing price bubble burst, many households found themselves over-extended with mortgage and other debt, and many have made great efforts to "deleverage" their finances since. By the fourth quarter of 2007, household debt payments and other financial obligations relative to personal disposable income — the financial obligations ratio — reached an all-time high of 18.1 percent as seen in Chart 1. Since then, the financial obligations ratio has fallen steadily, reaching 15.2 percent as of the fourth quarter of 2012, the lowest level since 1981. While that means that American households are less burdened by debt than at any time in the past 30 years, it also means that they have not financed consumption increases with borrowed money. In fact, by the end of 2013, total consumer revolving credit outstanding—mostly credit card and similar debt — remained almost $150 billion below the peak level reached five years earlier.

The second reason is that wage growth has been unusually weak during this expansion. Over the past five years, the average hourly earnings of all private-sector workers has grown at a 1.9 percent annual rate — below even the 2.1 percent rate of consumer price inflation over the same period of time. Given that many households have become cautious about taking on debt, the unemployment rate remains high and consequently job security is low, and real earnings have not increased in five years, it is no small wonder that consumer spending has not been the engine of growth it has been in the past.

***Chart 1*. Owner's Equity in Real Estate as a Percentage of Household Real Estate and the Financial Obligation Ratio, 1998 – 2013**



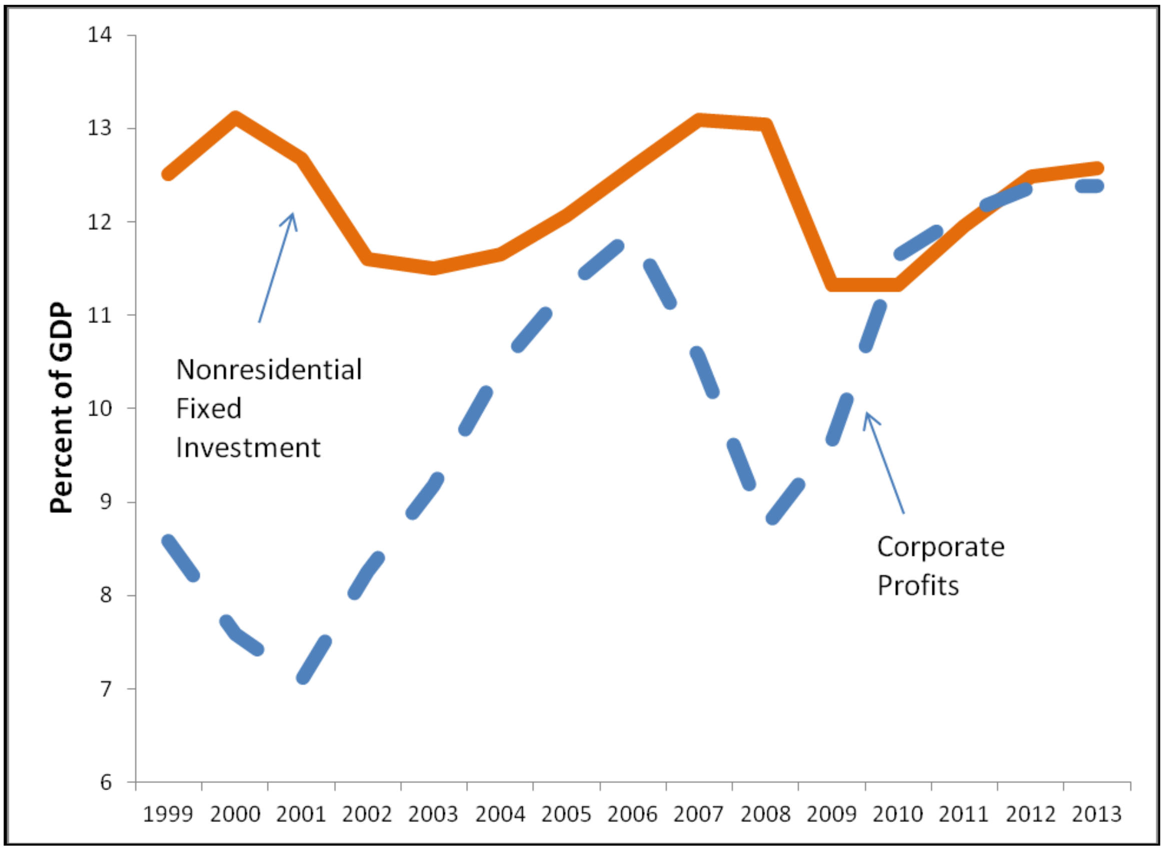
SOURCE: Federal Reserve Board of Governors.

There is some reason, however, to anticipate that wage growth, and hence consumption spending, will strengthen during 2014. Historically, wage rates tend to rise more rapidly once the unemployment rate dips below 6.0 percent, and the steady job creation of the past few years is gradually bringing unemployment down to that level. If the rate of job creation remains close to 200,000 per month, as it was during 2013, it is reasonable to expect the labor market to tighten enough to produce real wage increases during the coming year.

Many business cycle theorists believe that business spending on new plant, equipment and software is the key to rapid GDP growth, but thus far in this expansion business capital investment has been lackluster. For example, from 1997 to 2000, non-residential fixed investment averaged 13.9 percent of GDP. In the first four years of the current expansion, it has averaged only 11.8 percent of GDP. Nevertheless, corporate profits have continued to increase and probably topped $2 trillion in 2013 for the second consecutive year. Since U.S. corporations are now holding a record amount of cash, they are well positioned to step up their capital spending when increased demand for their goods and services warrants.

Chart 2 shows the trend of corporate profits and non-residential fixed investment, both expressed as a percent of GDP.

***Chart 2*. Corporate Profits and Non-residential Fixed Investment as Percentage of GDP, 1999 – 2013**



SOURCE: U.S. Bureau of Economic Analysis.

Since U.S. fiscal and monetary policy both appear to be on a stable and predictable course and no obvious excesses have arisen domestically that might undermine the gradually-improving conditions, the U.S. economy begins the year without identifiable threats to its continued growth. Although the Federal Reserve has recently begun the sensitive process of winding down its asset-purchase program, it appears to have convinced financial markets that "tapering" its asset purchases does not signal its immediate intention to raise interest rates. Indeed, after the tapering schedule was announced, long-term interest rates did not spike. According to the "forward guidance" provided by Fed Chairman Ben Bernanke and his successor Janet Yellen, short-term interest rates will be kept extremely low at least until 2015.

The downside risks to the economic outlook are primarily global in nature. There has recently been a flight of capital from some emerging economies that could cause systemic stress, but thus far it does not appear to pose a high risk to the U.S. economy. Because of the deep financial and trade linkages between the U.S. and Europe, the continued fiscal and currency problems of the Euro zone remain a concern as well, but the odds of a full-fledged financial crisis erupting in Europe in 2015 appear low. Nevertheless, while these low-level risks are unlikely to derail U.S. economic expansion, they do suggest that the small but helpful boost foreign trade provided to the U.S. recovery in recent years will not persist.

Consequently, the outlook for the U.S. economy is for continued moderate growth during 2014 and for the duration of the Financial Plan period. The Comptroller's Office expects U.S. economic growth to reach the 3.0 percent threshold in 2014 for the first time since 2005, and then to taper off slightly in the following years.

B. NEW YORK CITY'S ECONOMIC CONDITION AND OUTLOOK

New York City has experienced its share of booms and busts over the decades, making the current period of modest, steady growth an unusual one in its economic history. During the past four years the City has added an average of 81,000 private-sector jobs annually (measured December over December), with the greatest number, 96,100, coming in 2013. By the end of the year, the City had 205,000, or 6.3 percent, more private sector jobs than it had at its pre-recession peak in August 2008. Moreover, the job gains have been well-dispersed; among broad sectors, only finance and insurance, construction and manufacturing have failed to surpass their previous peak employment totals, as shown in Chart 3 on page 10.

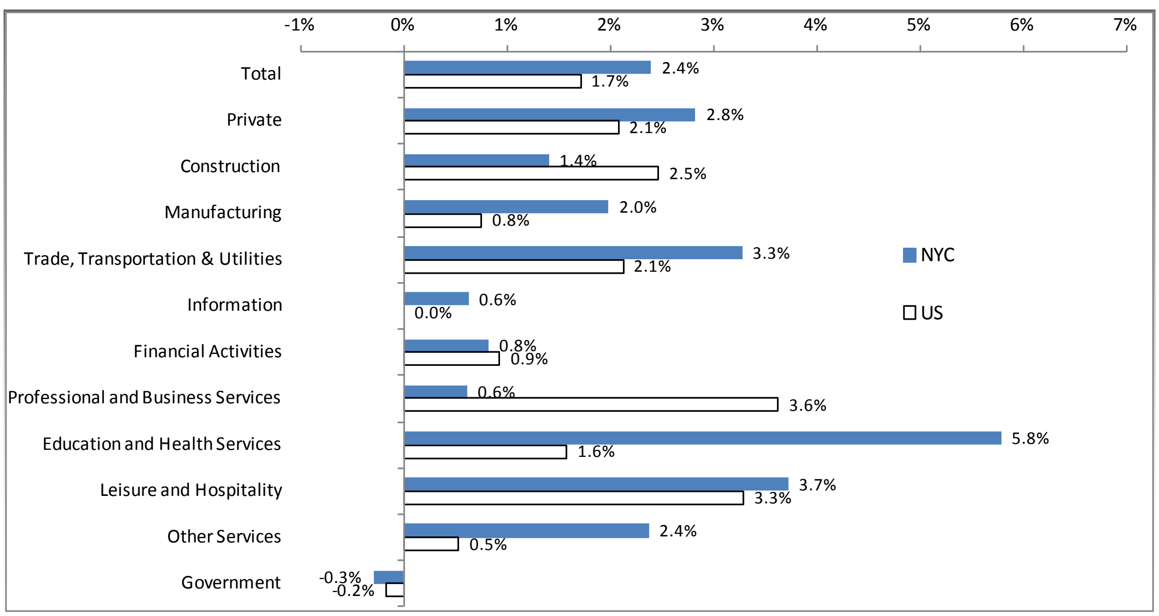
The City's steady job growth has been accomplished without much help from the financial sector. Although finance and insurance employment did recover somewhat from its recessionary low-point reached in January 2010, industry employment in December 2013 was still almost 25,000 jobs below its level in December 2007. The years since 2007 have been among the most tumultuous in the industry's history. As Wall Street struggles to reconfigure itself within a new market and regulatory environment, its long-term position in the City's economy is uncertain. However, the 40 percent gain in stock prices over the past two years has cushioned the industry's profits and bonus levels have remained fairly stable.

The professional and business services sector is also of particular importance to the City's economic condition because it attracts national and global business to the City and because its overall pay levels are high. During this recovery the sector has shown a mixed performance, with some traditional industries struggling and others emerging to prominence. Employment in the legal services industry, which has many linkages with finance and is subject to many of the same business trends, has declined by almost 9,000 since 2008. Likewise for the accounting industry, in which employment has declined by about 4,500 compared to its pre-recession peak.

Nevertheless, the past few years have witnessed the emergence of a dynamic new cluster of business services firms that have reestablished New York City's position as one of the nation's principal technology centers. Since 2008, employment in computer systems design and related services has expanded by almost 15,000, while employment in scientific research and development services has also grown. However, those figures capture only part of the activity, as many internet technology jobs are embedded in more traditional industries or firms. The effects can be detected in some traditional New York City industries such as advertising, which has expanded its employment in the City by nearly 10,000 workers since 2008.

A technological transformation is also evident in the City's information industry, which remains one of New York's signature industries. While employment in the City's traditional book and periodical industry has declined by more than one-quarter since its peak in 2000, the number of internet publishing and web search portal firms more than doubled between 2007 and 2012 and employment in them nearly tripled. Even those figures, however, understate the degree of change, as many traditional book and periodical publishers shift their emphasis to e-books and on-line publishing, becoming leaders in on-line content as they have been in print content.

***Chart 3*. NYC and U.S. Payroll Jobs, Percent Change, December 2012 to December 2013**



SOURCE: NYS Department of Labor and U.S. Bureau of Labor Statistics.

During 2013, local employment in the construction industries turned up after several years of substantial decline. It is likely that repair and restoration activity after Superstorm Sandy has contributed to the increase; employment by firms involved in the construction of new buildings has continued to drop, while employment in specialty trade contractors and building equipment contractors is up by about 17,000, year-over-year. A 62 percent increase in the number of new residential units permitted in 2013 indicates that construction employment will continue to rise in 2014.

In addition to the technology-related industries, continued steady employment growth in educational services, health care, retail trade and food service helped to reduce the City's unemployment rate from 8.8 percent in December 2012 to 8.1 percent in December 2013 (seasonally adjusted), but it remained well above the national rate. The faster decline in the national unemployment rate is primarily due to a falling labor force participation rate, which has suppressed growth in the national labor force to less than 300,000 workers over the past five years. A corresponding decline in labor force participation has not occurred in the City. As a result, since December 2008, New York City has accounted for an astonishing 42 percent of the increase in the national labor force.

The City's growing number of job seekers and high unemployment rate have contributed to a very slow rate of wage growth. Over the past five years, the average hourly earnings of all private-sector workers in the City has increased at only a 1.1 percent annual rate. Between December 2008 and December 2013, average hourly earnings of private sector workers increased by only 8.1 percent in total, compared to a 10.4 percent increase in the regional Consumer Price Index.

A stubbornly high unemployment rate and stagnant real wages have been the two principal flaws in the City's otherwise encouraging recovery from the financial crisis and recession of 2007 – 2009. With the national economy expected to show moderately stronger growth in 2014, the outlook is for a gradually tightening local labor market with wage growth that once again barely keeps pace with the cost of living.

Table 5 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2014 to 2018.

Table 5. Selected Economic Indicators, Annual Averages,
Comptroller and Mayor's Forecasts, 2014 – 2018

NYC	2014		2015		2016		2017		2018	
	Comp	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**
Real GCP (2009 $) Change	2.8%	1.2%	2.8%	2.0%	2.7%	2.8%	2.6%	2.5%	2.7%	2.3%
Payroll Jobs, Change (thousands)	71	57	68	52	66	56	62	54	59	54
Inflation Rate	1.9%	1.6%	2.3%	1.9%	2.4%	2.1%	2.6%	2.1%	2.9%	2.2%
Wage-Rate Growth	1.9%	2.3%	2.3%	2.5%	2.3%	3.1%	2.1%	3.1%	2.2%	3.1%
Unemployment Rate	7.6%	NA	6.7%	NA	5.9%	NA	5.1%	NA	4.4%	NA
U.S.	**2014**		**2015**		**2016**		**2017**		**2018**	
	Comp	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**
Real GDP (2009 $) Change	3.0%	2.5%	2.9%	3.1%	2.8%	3.3%	2.7%	3.2%	2.7%	3.0%
Payroll Jobs Change (millions)	2.2	1.9	2.3	2.4	2.2	2.6	2.1	2.4	2.0	1.8
Inflation Rate	1.6%	1.4%	2.0%	1.7%	2.1%	1.9%	2.5%	1.9%	2.6%	2.0%
Fed Funds Rate	0.2%	0.1%	0.3%	0.4%	1.8%	2.2%	3.0%	3.8%	3.7%	4.0%
10-Year Treasury Notes	3.0%	3.3%	3.5%	3.5%	3.9%	4.0%	4.4%	4.6%	5.0%	4.6%

NOTE: Comp=forecast by the NYC Comptroller's Office. GCP=Gross City Product. Mayor=forecast by the NYC Office of Management and Budget in the February 2014 Financial Plan. NA=not available.

III. The FY 2014 Budget

The FY 2014 budget totals $73.82 billion in the February Financial Plan, an increase of $1.11 billion from the November Financial Plan. The growth is comprised of an additional $862 million in the City-funds budget, an additional $296 million of Federal categorical funds, and a net decrease of $46 million in other non-City funds. The change in Federal-funds reflects additional Section 8 housing voucher grants of $133 million, community development block grants for disaster recovery of $95 million and Sandy related grants of $26 million.

The upward revision to City-funds revenue is the result of an increase in the FY 2014 tax forecast. The additional tax revenues are due mainly to higher estimates for property tax, personal income tax (PIT) and real-estate-related tax collections. The City's year-to-date tax receipts for these taxes are higher than projected in November. Through January, collections for property tax, PIT and real-estate-related taxes are $326 million, $354 million, and $238 million above the November Plan projections, respectively. Debt service savings resulting primarily from lower interest rate assumptions and budgetary savings from refunding provide an additional $277 million of resources to the FY 2014 budget.

The additional $1.14 billion of FY 2014 City-funds resources enabled the City to restore $93 million of cuts that were included in the November Plan as well as to fund $14 million of new initiatives proposed by the mayor, and increase pension contributions and other expenses. With no budget gap to address in FY 2015, the remaining $1 billion was used to preserve $1 billion in the Retiree Health Benefits Trust (RHBT) that had previously been earmarked to pay retiree health benefits in FY 2014. In the past, additional resources identified in the current fiscal year would fund a Budget Stabilization Account (BSA) or discretionary transfers to prepay certain expenditures in the next fiscal year to help reduce the gap.

Table 6. Changes to FY 2014 Estimates

($ in millions)

REVENUES		**EXPENDITURES**	
		Debt Service Savings	($277)
Property Tax	$173		
Personal Income Tax	339	PEG Restoration and Other Actions	$93
Business Tax	6	New Initiatives	14
Sales Tax	54	Pension	7
Real-Estate-Related Tax	310	Other Adjustments	25
Other Taxes	8	**Subtotal**	**$139**
Subtotal Tax Revenues	**$890**		
Non-Tax Revenues	($28)	**RHBT**	**$1,000**
Total	**$862**	**Total**	**$862**

The PEG restoration and other actions include $52.5 million in payment relief for the New York City Housing Authority.[1] An additional $25 million of restoration is due to the delay of the sale of City-owned properties to FY 2015.

The biggest adjustment to agency expenses is a $35 million increase in the snow budget.[2] The additional funding, resulting from unexpectedly high snowfall this winter, increases the total snow budget for FY 2014 to $93 million. Adjustments to other agency expenses result in a net increase of $25 million in agency spending.

[1] NYCHA has historically been required to pay the city for the provision of police services by the NYPD. This PEG restoration provides $52.5 million to the NYPD for the provision of this service for the remainder of FY 2014 thus eliminating the need for NYCHA to provide this funding.

[2] The entire $35 million increase is to the other-than-personal-service (OTPS) budget.

IV. The FY 2015 Preliminary Budget

The City presented the FY 2015 Preliminary Budget on February 12, 2014. Unlike in prior years, the Preliminary Budget did not have a gap to close. With no gap to close, most of the additional resources identified in the February Financial Plan went towards funding restoration of services that were reduced in prior plans, new initiatives and increasing reserves.

The Preliminary Budget for FY 2015 totals $73.71 billion, an increase of $970 million since the November Plan. The growth in the FY 2015 budget is the product of an increase of $999 million in the City-funds portion of the budget and a net reduction of $29 million in the other-funds portion of the budget.[3] The growth in the City-funds portion of the budget includes the assumption of $530 million in PIT revenues from an increase in the tax rate for high-income filers to fund universal pre-K (UPK) and after-school programs. Excluding the expenses of UPK and after-school programs and the dedicated PIT revenues to fund them, the City-funds portion of the budget is $469 million greater than the November Plan, as shown in Table 7.

Table 7. Changes to FY 2015 City-funds Estimates

($ in millions)

REVENUES		**EXPENDITURES**	
Property Tax	$454	Debt Service Savings	($87)
Personal Income Tax	106	State Budget Impact	(2)
Business Tax	(77)	PEG Restoration	72
Sales Tax	40	New Initiatives	26
Real-Estate-Related Tax	81	Pension*	87
Other Taxes	(10)	Other Adjustments	$73
Subtotal Tax Revenues	**$594**		
Non-Tax Revenues	(125)	General Reserve	$300
Universal Pre-K and After School Programs	$530	Universal Pre-K and After-School Programs	$530
Total	**$999**	**Total**	**$999**

*Excludes $2 million of pension expenditure related to UPK. This cost is included in the estimated UPK expenses of $530 million.

Tax revenue increases in the Preliminary Budget, net of the assumed revenues from the PIT rate increase to fund UPK and after-school programs, are driven mainly by upward revisions to the November Plan forecasts for property tax and PIT revenues. Property tax receipts are now expected to grow by 5.1 percent in FY 2015 compared to the 3.7 percent assumed growth in November. The revision to the PIT forecast, to a large

[3] The other-funds changes are increases of $66 million in Federal categorical funds, $6 million in inter-fund revenues, $1 million in other categorical funds and a decrease of $102 million in State categorical funds.

extent, is due to the increase in the FY 2014 estimate. While the Preliminary Budget assumes a lower PIT growth rate in FY 2015 than in the November Plan, the higher base from which PIT is growing enables the City to add $106 million to the November Plan FY 2015 forecast.

Restoration of service cuts included in previous programs to eliminate the gap (PEGs) include the preservation of 20 fire companies that were slated to be closed in FY 2015. The City had included the closing of fire companies in its financial plans since the January 2009 Financial Plan. The City Council has restored the funding for these fire companies in the adopted budget each year. The February 2014 Financial Plan eliminates this PEG and restores funding for these fire companies for FY 2015 and the outyears. The cost of the restoration of the 20 fire companies totals $59 million of the $72 million FY 2015 PEG restoration.

The City has increased the General Reserve in FY 2015 through FY 2018 by $300 million annually, bringing the total General Reserve in each of these years to $600 million. The General Reserve is a contingency reserve to fund any unforeseen shortfall in revenues or increase in expenditures during the course of the fiscal year. The funds in the General Reserve can be used for any budget purposes at the end of the fiscal year if these funds are not required to fund revenue shortfall or contingency expenditures.

Risks and Offsets

While the Preliminary FY 2015 budget is balanced, there are significant risks to the budget. The single largest risk to the budget is the absence of funding for collective bargaining agreements for all of the City's municipal labor unions. Currently all of the City's over 150 collective bargaining units are working under the terms of expired contracts. The cost of settling such contracts could add significant costs to the Financial Plan. The labor contracts are discussed in "Labor" beginning on page 29.

Table 8. Risks and Offsets to the February 2014 Financial Plan

($ in millions, positive numbers reduce and negative numbers increase the gap)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
City Stated Gap	**$0**	**$0**	**($1,059)**	**($530)**	**($370)**
Tax Revenues					
Property Tax	$0	$244	$160	$685	$1,231
Personal Income Tax	$189	$107	$37	$30	$114
Business Taxes	($47)	$0	$32	$128	$194
Sales Tax	$0	$57	$93	$158	$180
Real-Estate-Related Taxes	$0	$310	$182	$140	$104
Subtotal	**$142**	**$718**	**$504**	**$1,141**	**$1,823**
Expenditures					
Overtime	($128)	($122)	($100)	($100)	($100)
DOE Medicaid Reimbursement	($30)	($110)	($140)	($140)	($140)
Judgments and Claims	$13	$24	$60	$96	$131
Subtotal	**($145)**	**($208)**	**($180)**	**($144)**	**($109)**
Total Risk/Offsets	**($3)**	**$510**	**$324**	**$997**	**$1,714**
Restated (Gap)/Surplus	**($3)**	**$510**	**($735)**	**$467**	**$1,344**

Another significant risk to the budget is the estimate for overtime spending. The Comptroller's Office estimates that uniformed overtime spending in the Police Department and Department of Correction will exceed the budgeted amount by $128 million in FY 2014, $122 million in FY 2015, and $100 million annually beginning FY 2016. Lower than estimated Medicaid reimbursements in the DOE could also increase the risks to the Financial Plan by $30 million in FY 2014, $110 million in FY 2015, and $140 million annually beginning in FY 2016.

The Comptroller's Office expects tax revenues to be above the City's forecast in each of the fiscal years of the Financial Plan. As discussed in "Risks and Offsets to Tax Revenues" beginning on page 18, the higher tax revenue forecast results mainly from the Comptroller's Office's more positive outlook on the economy. As a result of the higher forecasts, the Comptroller's Office projects additional resources of $510 million in FY 2015, $324 million in FY 2016, $997 million in FY 2017, and $1.7 billion in FY 2018. If these additional resources were to materialize, it would result in surpluses of $510 million in FY 2015, $467 million in FY 2017 and $1.3 billion in FY 2018. The gap in FY 2016, which is currently projected at $1.1 billion, would narrow to $735 million.

The Financial Plan also includes the assumption of additional PIT revenues of $530 million, $533 million, $569 million, and $594 million in FYs 2015, 2016, 2017, and 2018, respectively, from an increase in the PIT rate on high-income filers to fund full-day UPK and after-school programs. Any tax rate increase will require State legislative approval. If the State does not approve the PIT increase, it will have to provide the City with another reliable and stable funding source.

Another revenue stream that requires State action is the assumed revenues from the sale of taxi medallions in FYs 2015 through 2017. These sales, which are in addition to the 400 to be sold in FY 2014, are contingent upon the State approval of a Disabled Accessible Plan (DAP) to be developed by the City. The City assumes that these sales would generate $481 million in FY 2015, $360 million in FY 2016, and $400 million in FY 2017. Any delay in the development or approval of such a plan could delay the sale of the additional medallions and the revenues.

A. REVENUE ASSUMPTIONS

Projected revenues in the FY 2015 Preliminary Budget and Financial Plan reflect the City's assumption that the local and national economies will continue to recover and experience moderate growth over the Plan period. Total revenue is projected to increase 9.5 percent during the Plan period, from $73.82 billion in FY 2014 to $80.80 billion in FY 2018. Tax revenues are expected to comprise 63 percent of total revenues in FY 2014, increasing to 68 percent of total revenues by FY 2018. Property tax revenues are projected to grow from $20.01 billion in FY 2014 to $23.82 billion in FY 2018, while non-property tax revenues are expected to grow from $26.73 billion in FY 2014 to $31.35 billion in FY 2018.

Miscellaneous revenue, excluding intra-City revenue, is expected to decrease from $5.54 billion in FY 2014 to $4.81 billion in FY 2018. The miscellaneous revenue forecast includes a combined $1.6 billion in revenues the City expects to realize from the sale of 2,000 taxi medallions in FYs 2014 through 2017. However, the sale of any more than 400 medallions is contingent upon State approval of a Disabled Accessibility Plan (DAP).

Total Federal and State aid is projected at $20.15 billion in FY 2014. The February Plan reflects an additional $296 million in Federal grants, largely from additional funding for Sandy recovery efforts and Section 8 housing assistance. This funding increase is partially offset by a $40 million reduction in State funding, primarily for special education pre-kindergarten services. In the outyears, Federal and State aid are expected to decline to $18.31 billion in FY 2015 before rising modestly to $18.66 billion in FY 2016, $19.12 billion in FY 2017 and $19.51 billion in FY 2018. This trend mainly reflects the City's expectation of education aid increases from the State.

Tax Revenues

Including revenues from the proposed PIT rate increase to fund UPK and after-school programs, the Preliminary Budget and Financial Plan projects $48.97 billion in total tax revenue for FY 2015. This forecast represents an increase of $2.2 billion, or 4.8 percent, from the projected FY 2014 level. Since the November 2013 Financial Plan, the City has increased its FY 2015 forecast by a net $1.1 billion. The revision is attributable to the inclusion of revenues from the proposed PIT tax program as well as forecast increases in the property tax, personal income tax, real-estate-related taxes and sales tax, which are partially offset by lower revenue projections for business taxes and other taxes. [4]

Changes to the FY 2015 Tax Revenue Forecast

As Table 9 shows, since the November 2013 Financial Plan, the City has increased its tax revenue forecast for every year of the Financial Plan period. The Preliminary Budget and Financial Plan identify additional tax revenues ranging from $890 million in FY 2014 to $1.8 billion in FY 2018. The total tax revenue projection for FY 2015 increased by $1.1 billion, from $47.85 billion in the November Plan to $48.97 billion in the current budget. The increase includes an additional $530 million in revenue in FY 2015 from an expected .534 percentage point increase in the top PIT rate for high-income filers to fund UPK and after-school programs.

Table 9. Revisions to the City's Tax Revenue Assumptions November 2013 vs. February 2014

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
November 2013 Financial Plan Total	**$45,841**	**$47,847**	**$49,802**	**$51,738**	**$53,334**
Revisions:					
Property	172	454	556	677	933
Personal Income (PIT)	339	106	246	332	305
Business	6	(77)	(45)	(149)	(195)
Sales	54	40	86	78	95
Real-Estate Related	310	81	99	20	80
All Other	9	(10)	(9)	(5)	16
Tax Audit	0	0	0	0	0
Tax Proposal: PIT increase to fund UPK	0	530	533	569	594
Revisions-Total	$890	$1,124	$1,466	$1,522	$1,826
February 2014 Financial Plan - Total	**$46,731**	**$48,971**	**$51,268**	**$53,260**	**$55,160**

SOURCE: NYC Office of Management and Budget.

The current FY 2015 tax revenue forecast also raises projected revenues from the property tax by a net $454 million, reflecting a $414 million levy increase resulting from changes in market and taxable billable values. The FY 2015 Tentative Assessment Roll, released in January 2014, shows a 6.6 percent market value increase to $914.8 billion, and an 8.0 percent taxable billable value increase to $185.4 billion compared to the previous year. The City anticipates the tentative roll to be reduced by $3.8 billion to $181.6 billion (nearly $10 billion greater than FY 2014).

Excluding the UPK tax proposal, the FY 2015 revenue projection for PIT increased $106 million since the November 2013 Plan to $9.80 billion. This forecast reflects the City's assumption of continued growth in employment and wages. FY 2015 revenue projections for sales and real-estate-related taxes (Real Property Transfer Tax and Mortgage Recording Tax) increased slightly, by $40 million and $81 million to

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

$6.63 billion and $2.18 billion, respectively, while projected revenues from business income taxes, i.e., the General Corporation Tax (GCT), Banking Corporation Tax (BCT), and the Unincorporated Business Tax (UBT), declined by a net $77 million from the November 2013 Plan to $5.91 billion.

Projected Tax Revenue Growth, City Forecast, FYs 2014 – 2018

Including revenues from the proposed PIT rate increase on high-income filers, the FY 2015 Preliminary Budget and Financial Plan projects total tax revenues will grow by $8.43 billion from FY 2014 to FY 2018, representing an average annual growth rate of 4.2 percent. Over the Financial Plan period, non-property tax revenues are expected to grow at an average annual rate of 4.1 percent while property tax revenues are expected to grow at an average annual rate of 4.5 percent.

After slowing to a projected 2.2 percent growth in FY 2014, total tax revenue growth is expected to accelerate to 4.8 percent in FY 2015 and remain relatively stable throughout the Plan period, as shown in Table 10. These projections are consistent with the City's assumption of moderate economic growth in FYs 2014 – 2018.

Table 10. City's Tax Revenue Forecast, Growth Rate, FYs 2014 – 2018

	FYs 2014-15	FYs 2015-16	FYs 2016-17	FYs 2017-18	Average Annual Growth
Property	5.0%	4.9%	4.0%	3.8%	4.5%
PIT	5.6%	5.0%	4.0%	2.9%	4.4%
Business	2.3%	3.3%	3.2%	3.7%	3.1%
Sales	3.2%	4.3%	3.7%	3.5%	3.7%
Real-Estate-Related	(8.7%)	10.0%	6.0%	5.4%	2.9%
All Other	27.4%	2.6%	3.3%	3.2%	8.6%
Tax Audit	(0.1%)	0.0%	0.0%	0.0%	(8.4%)
PIT Tax Program	N/A	0.6%	6.8%	4.4%	3.9%
Total W/ Audit and Tax Program	**4.8%**	**4.7%**	**3.9%**	**3.6%**	**4.2%**

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

Growth in projected property tax revenue is supported by strong billable value growth of 8.0 percent in the FY 2015 Tentative Assessment Roll. Higher sales prices, larger net operating income for property owners, and significant construction activity created strong market value growth. Class 4 properties (office and commercial space) showed the strongest market value increase at 10.1 percent, followed by a 7.3 percent overall growth in market value for Class 2 properties (rental apartments, condominiums, and cooperatives). Over the Plan period, property tax revenue growth is expected to average 4.5 percent annually, reflecting steady, moderate growth in billable assessed value, fueled in part by the phase in of the pipeline of assessed value growth from prior years.

After declining by a projected 5.1 percent in FY 2014, PIT revenue growth is expected to rebound to 5.6 percent in FY 2015. The expected drop in PIT revenues in FY 2014 is due to a reverse effect in non-wage income as taxpayers shifted their capital gains realizations and tax payments from tax year 2013 into tax year 2012 to take advantage of a more favorable federal long-term capital gains tax rate. Although the City expects withholding to continue to grow in FY 2014, the City believes the expected drop in estimated payments will lead to lower PIT revenues in FY 2014 compared to the previous year. In FY 2015 and beyond, non-wage income is expected to return to trend and employment and wages are expected to continue to grow. PIT revenue growth is projected to average 4.4 percent annually in FYs 2014 through 2018.

Business income tax revenues are forecast to decline 1.3 percent in FY 2014 before resuming growth in FY 2015. The net decline in FY 2014 is driven by a projected 10.3 percent fall in BCT collections as tax payments from large commercial banks decrease following a drop in mortgage transactions and an increase in settlements and legal fees. BCT revenue collection is expected to continue to decline in FY 2015, reflecting an anticipated decline in Wall Street profits due in part to ongoing litigation costs, increased regulatory constraints on the financial sector and tightened monetary policy as the Federal Reserve continues its gradual removal of accommodative monetary policy from the nation's financial system. Projected growth in GCT and UBT collections is expected to lift overall business tax revenue by 2.3 percent in FY 2015. Business tax collections are forecast to grow at an average of 3.1 percent annually in FYs 2014 through 2018.

The City projects sales tax revenue growth will remain relatively stable. Collections from sales tax continue to benefit from a robust tourism industry. The City expects taxable consumption to continue to grow moderately in the outyears, supported by gradual growth of income and employment as well as continued strength in the tourism sector. The current Financial Plan assumes revenue growth from the sales tax will average 3.7 percent annually in FYs 2014 through 2018.

Real-estate-related tax revenues are expected to grow by a healthy 30.4 percent in FY 2014. The current-year growth projection reflects strong demand for housing and commercial real estate. With higher property values and low interest rates, commercial property sales in the New York City continued to surge in calendar year 2013. In FY 2015, collections from real-estate-related taxes are expected to decline 8.7 percent as a result of slowdown in commercial transactions. Growth in the real-estate-related tax revenues is expected to resume in FY 2016. Over the Financial Plan period, revenues from the real-estate-related taxes are projected to grow by an average annual rate of 2.9 percent.

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office projections 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 11, for FY 2014 the Comptroller's Office forecasts an offset of $142 million to the City's overall tax revenue estimates. The net offset is attributed to an estimated $189 million offset in PIT revenues. The Comptroller's Office has not changed its forecast of PIT revenues from that presented in its July report on the Adopted Budget, when it projected a PIT offset of $683 million. The current offset reflects the City's recognition of additional PIT revenues since the Adopted Budget. Although the Comptroller's Office also recognized that some capital gains realizations were shifted into tax year 2012, it continues to believe that this effect was partially offset by stock market and real estate value gains that have occurred since the end of 2012.

For FYs 2015 through 2018, the Comptroller's Office projects tax revenue offsets ranging between $504 million and $1.82 billion. Real property tax revenues represent about two-thirds of the offset forecast for FY 2018. Because the City's property tax revenue forecasts are aggregated across property classes, it is not possible to identify precisely the source of divergence between the Comptroller's forecasts and those of the City. The Comptroller's Office forecasts a robust growth of over 6.2 percent in property tax revenue in FY 2015, before tapering off slightly in subsequent years. This anticipated growth will be led by rising market values, assessments and transitional values for Class 2 and Class 4 properties. The levy on Class 1 properties is expected to increase at a measured pace of 3.0 to 4.5 percent annually over the Financial Plan period, as several years of growth in assessed values brings more properties up against the 5-year, 20 percent cap on assessment increases.

The Comptroller's higher forecasts for most major tax revenue categories stems from the belief that growth in the local economy in the outyears of the Plan period will be somewhat more robust than the City anticipates. Large offsets in the real property tax revenue forecast in the final two years of the Plan are due primarily to the Comptroller's more optimistic forecast of commercial property value appreciation.

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

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Property	$0	$244	$160	$685	$1,231
PIT	189	107	37	30	114
Business	(47)	0	32	128	194
Sales	0	57	93	158	180
Real-Estate Related	0	310	182	140	104
Total	**$142**	**$718**	**$504**	**$1,141**	**$1,823**

Miscellaneous Revenues

The City's FY 2015 Preliminary Budget and Financial Plan includes miscellaneous revenue projection of $5.09 billion for FY 2015.[5] This projection represents a decrease of $452 million or 8.2 percent, from the FY 2014 miscellaneous revenue forecast. The year-over-year change primarily reflects a decline in projected non-recurring revenues from asset sales. The current FY 2015 miscellaneous revenue forecast is $125 million lower than the forecast included in the November 2013 Plan. As Table 12

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

shows, since the November Plan the City lowered its forecast for rental income, fines and forfeitures and other miscellaneous revenues while projections for licenses and franchises, charges for services and water and sewer charges were slightly raised. [6]

Table 12. Changes in FY 2015 Estimates
January 2014 vs. November 2013

($ in millions)

	February 2014	November 2013	Change
Licenses, Franchises, Etc.	$579	$578	$1
Interest Income	10	10	0
Charges for Services	922	915	7
Water and Sewer Charges	1,513	1,511	2
Rental Income	272	295	(23)
Fines and Forfeitures	784	803	(19)
Other Miscellaneous	1,006	1,099	(93)
Total	**$5,086**	**$5,211**	**($125)**

SOURCE: NYC Office of Management and Budget.

Projected revenues from charges for services increased by a net $7 million. The revision reflects a projected $24.2 million in additional revenues from CUNY tuition adjustment, consistent with legislation which authorizes CUNY to implement tuition increases of up to $300 annually (through State fiscal years 2015 – 2016). This increase is partially offset by an estimated $7.5 million decline in revenues stemming from the elimination of an increase in school lunch fees, which were set to rise to $2.50 in FY 2015. The City also reinstated the fire inspection fee exemption for non-profit charitable organizations, reducing projected revenues by $3 million annually. Revenue projections from parking meters were also lowered by $3.8 million annually starting in FY 2015 to reflect the sale of two municipal parking fields that took place in January 2014.

Projected rental income for the upcoming fiscal year declined by $22.5 million due to the loss of income from the Marriott Marquis Hotel, which was sold to the previous lease holder for $19.9 million in December 2013.[7]

Estimated revenues from fines and forfeitures declined by a net $19 million. The net decline is a result of an expected $8 million reduction in net revenues from moving violation fines due to higher administrative costs, and a projected $12 million reduction in revenues from red light camera fines reflecting increased compliance.

[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.

[7] Host Hotels & Resorts, holders of a 75-year-lease for the Marriott Marquis Hotel opted to buy the hotel from the Empire State Development Corporation (ESDC) under an amended lease agreement signed in 1988 between Host, New York City and the ESDC, which shortened the lease term to 40 years and provided the lease holder a chance to buy the building for a fixed $19.9 million.

Projected revenues from “other miscellaneous” which includes non-recurring revenues derived from asset sales and other one-time resources, declined by a net $93 million. The City postponed to FY 2016 the receipt of $100 million in revenues from the sale of NYC Department of Housing Preservation and Development (HPD) mortgages previously expected in FY 2015.

Over the Financial Plan period, the City expects to collect $1.6 billion from the sales of taxi medallions. The initial phase of a planned sale of up to 2,000 medallions in FYs 2014 – 2017 took place in November 2013, when the City auctioned the first 200 of the 400 medallions scheduled to be auctioned during FY 2014. The City recently auctioned an additional 168 medallions for an average winning bid of $863,742. The City plans to auction the remaining 32 medallions in late March. The expected revenue stream from the sale of taxi medallions through FY 2017 will keep miscellaneous revenues stable at $5.1 billion through FY 2017 before declining 6.7 percent in FY 2018.

Federal and State Aid

The February Financial Plan includes a projection of total Federal and State aid for FY 2014 of $20.15 billion, supporting about 27 percent of the City’s expenditure budget. The FY 2014 intergovernmental aid assumptions have risen by $256 million when compared to the November Plan, reflecting a $296 million increase in Federal aid partially offset by a $40 million decline in State grants.

A significant portion of the Federal aid increase stems from reimbursement for Super Storm Sandy recovery and related costs, adding $121 million to the City’s Federal aid assumptions in the February Plan. In total, approximately $1.24 billion is now assumed in FY 2014 Federal reimbursement for the City’s clean-up and recovery costs related to the storm. The February Plan also recognizes $133 million in housing grants for the Department of Housing Preservation and Development based on increased appropriations for the Federal Section 8 housing vouchers program. The remainder of the Federal aid increase is mainly comprised of re-estimates of welfare grants and funding modifications since the November Plan, partly offset by a reduction in assumed Medicaid revenue for the DOE. The decline in State grants is primarily the result of a revision in special education pre-kindergarten grants due to lower-than-expected utilization.

The Preliminary Budget projects $18.31 billion of Federal and State grants for FY 2015, about 83 percent of which would be spent in support of education and social services. Federal and State grants are expected to support nearly 25 percent of total spending in FY 2015, more in line with recent historical levels. The decline in the size of the Federal and State funded portion of the City’s budget in FY 2015 is attributable to the conclusion of Sandy relief aid and more conservative estimates of certain Federal grants.

Compared to the November Plan, the FY 2015 Federal and State aid projections show a net decline of $36 million, the combination of a $66 million increase in Federal grants and a $102 million decline in State aid. On the Federal side, the Preliminary Budget shows an increase of $95 million in welfare grants, partly offset by a reduction of

$30 million in DOE Medicaid revenue. The upward revision in welfare grants stems primarily from increases for child care and homeless services, as well as a realignment in the public assistance budget. The majority of the State aid reduction results from re-estimate of education aid, including a $47 million reduction in special education pre-kindergarten grants and a $36 million cut in Foundation Aid. The Foundation Aid re-estimate is based on school aid appropriations recommended in the Governor's proposed budget. While the Preliminary Budget assumes an overall positive impact of $2 million from the State Executive Budget, the estimate does not include the Foundation Aid cut because of the expectation that the DOE will need to absorb this loss in its own budget.

Federal and State grants are projected to increase to $18.66 billion in FY 2016, $19.12 billion in FY 2017 and $19.51 billion by FY 2018. These projections represent average annual growth of slightly over 2.0 percent, driven primarily by the City's expectation of education aid increases from the State. If these assumptions hold true, the level of Federal and State support for the City's expense budget would decline to about 24 percent annually in FYs 2016 – 2018. Federal funding is anticipated to be virtually flat from the FY 2015 level in FYs 2016 – 2018. However, over the past five years, Federal aid grew at an average annual rate of 2.7 percent, therefore the potential for additional Federal support of the City's expense budget is likely.

B. EXPENDITURE ANALYSIS

The Preliminary FY 2015 Budget includes $73.71 billion of expenditures, a modest decline from the $73.82 billion FY 2014 budget. However, expenditures in these fiscal years are distorted by prepayments of expenses with prior year resources. After netting out the impact of prepayments, estimated FY 2015 expenditures total $75.58 billion, $849 million more than the adjusted FY 2014 expenditures, as shown in Table 13. Over the Plan period, expenditures are projected to grow by 8.6 percent, or 2.1 percent annually. This growth is slightly below the projected revenue growth of 2.3 percent annually.

Table 13. FY 2014 – FY 2018 Expenditure Growth
Adjusted for Prepayments and Prior-Year Actions

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Growth FY 14-18	Annual Growth
Debt Service	$5,745	$6,832	$7,397	$7,624	$7,825	36.2%	8.0%
Health Insurance	$5,379	$5,671	$6,227	$6,848	$7,486	39.2%	8.6%
Judgments and Claims	$663	$674	$710	$746	$782	17.9%	4.2%
Subtotal	**$11,787**	**$13,177**	**$14,334**	**$15,218**	**$16,093**	**36.5%**	**8.1%**
Salaries and Wages	$22,102	$22,161	$22,443	$22,712	$23,034	4.2%	1.0%
Pensions	$8,197	$8,205	$8,324	$8,428	$8,605	5.0%	1.2%
Other Fringe Benefits	$3,337	$3,417	$3,518	$3,625	$3,772	13.0%	3.1%
Medicaid	$6,365	$6,447	$6,415	$6,415	$6,415	0.8%	0.2%
Public Assistance	$1,376	$1,396	$1,396	$1,402	$1,402	1.9%	0.5%
Other OTPS	$21,568	$20,778	$21,126	$21,593	$21,847	1.3%	0.3%
Subtotal	**$62,945**	**$62,404**	**$63,222**	**$64,176**	**$65,075**	**3.4%**	**0.8%**
Total	**$74,732**	**$75,581**	**$77,556**	**$79,394**	**$81,167**	**8.6%**	**2.1%**

SOURCE: NYC Office of the Comptroller and NYC Office of Management and Budget.

Debt service, health insurance expenditures and judgments and claims costs which together account for 15.7 percent of FY 2014 expenditures are projected to increase by a combined 36.5 percent over the Plan period, growing to 19.8 percent of spending by FY 2018. The remainder of the City's expenditures are projected to grow by a combined 3.4 percent over the Plan period. However, this growth does not take into account the potential cost of settling expired labor contracts. The City has budgeted for wage increases of 1.25 percent in the labor reserve in the Financial Plan. This is reflected in the projected annual growth of 1.0 percent in wages and salaries in Table 13.

Pension

Pension expenses in the FY 2015 Preliminary Budget are projected to remain fairly stable throughout the Plan period, increasing at an average rate of 1.2 percent per year.

The pension expense projections were updated with certain census data improvements and actual investment returns for FY 2012 (of 1.37 percent) and FY 2013 (of 12.12 percent). As seen in Table 14, these and other minor adjustments resulted in cost increases of $7 million in FY 2014, $89 million in FY 2015, $97 million in FY 2016, $33 million in FY 2017, and $23 million in FY 2018.

Table 14. FY 2014 – FY 2018 City Pension Expenditures

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Five Actuarial Systems	$8,133	$8,148	$8,256	$8,351	$8,523
Reserve for Expected Adjustments*	61	36	40	44	44
Non-Actuarial Systems	60	64	67	70	73
Non-City Systems	68	82	85	88	89
Less: Intra City-Expense	(124)	(124)	(124)	(124)	(124)
Net Pension Expense February Plan	8,197	8,205	8,324	8,428	8,605
Net Pension Expense November Plan	8,190	8,116	8,227	8,395	8,582
Net Change	**$7**	**$89**	**$97**	**$33**	**$23**

*The reserve is being held to accommodate expected changes in headcount, valuation refinements, and salary adjustments, and estimated pension cost related to UPK program.

NOTE: Totals may not add up due to rounding.

The projections made in the Preliminary Budget could change as a result of a variety of factors:

- FY 2014 cost projections would increase when approximately four thousand new Tier IV and Tier VI New York City Employees' Retirement System ("NYCERS") members are included in the valuation. This delay in valuation is the result of the backlog of processing the extraordinary number of new memberships received prior to the mandatory onset of Tier VI plans (on April 1, 2012). As shown in the table above, the City is holding a $61 million reserve in FY 2014 mainly for this purpose.

- The granting of retroactive salary increases as a result of any new collective bargaining settlements would increase pension contributions. Currently, all City collective bargaining units are working under the terms of expired contracts. The projections would be modified to the extent possible if any retroactive settlements are reached. The uncertainty is exacerbated by the fact that potential wage increases for teachers for the 2008 – 2010 round of collective bargaining, which have been assumed to be zero, are still awaiting a non-binding arbitrator's disposition. Impact of possible wage settlements are further discussed in our Labor section.

- Pension investment returns for FY 2014 and beyond, above or below the assumed actuarial interest rate assumption (AIRA), will have to be phased into the pension contribution.[8] The current pension cost projections are based on the assumption that the pension investments will earn 7.0 percent per year. However, in reality, actual investment returns will differ from that assumption. Each percentage point investment gain in FY 2014 above the 7.0 percent assumption will lower pension contributions by approximately $15 million in FY 2016, $30 million in FY 2017,

[8] Returns above or below the AIRA for a given fiscal year are phased in over a six-year period in conjunction with the Actuary's Actuarial Asset Valuation Method (AAVM).

and $45 million in FY 2018.[9] Through January 31, 2014, the pension funds have experienced investment gains of approximately 10.6 percent. If the funds hold on to these gains through the end of the fiscal year, the City's pension contribution will decrease by approximately $54 million in FY 2016, $108 million in FY 2017, and $162 million in FY 2018.

Health Insurance

The FY 2015 Preliminary Budget includes $5.67 billion for employee and retiree health insurance in FY 2015. The projected spending for FY 2015 is 5.0 percent, or just under $300 million, greater than the planned FY 2014 health expenditures. Between FY 2015 and FY 2018, health insurance expenditures are projected to increase by approximately 9.7 percent annually to $6.23 billion in FY 2016, $6.85 billion in FY 2017 and $7.49 billion by FY 2018. The outyear projections assume annual increases of 9.0 percent for health insurance rates.

Table 15. February Plan Health Expenditures

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Department of Education	$2,031	$2,165	$2,396	$2,652	$2,884
CUNY	56	91	92	91	91
All Other	3,292	3,416	3,739	4,105	4,511
Total Health Insurance Costs	**$5,379**	**$5,671**	**$6,227**	**$6,848**	**$7,486**

The City's health insurance costs have grown by more than 40 percent over the last four fiscal years from $3.6 billion in FY 2009 to $5.2 billion in FY 2013.[10] The rising costs were driven mainly by a steady increase in health insurance rates averaging approximately 10 percent annually. The more modest increase in health insurance costs for FY 2014 reflects an underlying increase of 5.0 percent in the health insurance rates for that year. In FY 2015, the health insurance rates remain relatively flat as Emblem Health, whose rate determines the City's overall health insurance cost, did not request a rate increase for CY 2014.

In the November Plan, the FY 2014 health insurance estimate reflected the use of $1 billion from the RHBT Fund to pay a portion of the FY 2014 retiree health insurance. As a result, health insurance expenditures were expected to be $4.37 billion. In the February Plan, the City rescinded this action and restored the funds to the RHBT. As such, when compared to the November Plan, FY 2014 health insurance expenditures show an increase of $1 billion. The projections in the outyears of the Plan are greater than the November Plan projections by $43 million in FY 2015 and about $60 million annually in FYs 2016 and 2017. The increases in the outyears primarily reflect the City's

[9] Investment losses below the 7.0 percent assumption will increase pension expenses by similar amounts.

[10] Health Insurance costs are adjusted for the use of RHBT funds and prepayments.

decision to cancel the planned closure of twenty fire companies and allocate additional funding for the proposed UPK program.

Labor

Currently all of the City's over 150 collective bargaining units are working under expired contracts. The costs associated with settling these contracts are the most significant outstanding risk to the Financial Plan.

The February Plan does not increase the funding for the labor reserve in anticipation of the resolution of contract negotiations. The labor reserve includes funds for 1.25 percent annual wage increases for the outstanding labor contracts beginning partially in FY 2014 for each year of the Plan period.

The Financial Plan currently does not include funding for any wage increases prior to FY 2014 for these expired contracts. With thousands of municipal employees working under expired contracts for multiple years, retroactive wage increases would pose a significant funding challenge to the budget. The City needs to reach resolution on expired labor contracts or at least to create a template for resolution, particularly in relation to retroactive wages, prior to the adoption of the FY 2015 budget to maintain the fiscal stability of the Financial Plan.

Headcount

The February 2014 Financial Plan includes City-funded full-time headcount of 236,011. This is a net increase of 553 from the November 2013 Financial Plan estimate of 235,458. Changes to City-funded full-time planned headcount since the November Plan for FYs 2014 – 2017 are presented in Table 16 (the November Plan did not include projections for FY 2018). Changes for FY 2014 in the February Plan include an additional 174 civilian positions in the Police Department, 69 civilian positions in the Fire Department, 66 positions in the Department of Transportation and 65 positions in the Department of Homeless Services.

Table 16. Changes to FYs 2014 – 2017 City-Funded Full-Time Headcount February 2014 Financial Plan vs. November 2013 Financial Plan

	FY 2014	FY 2015	FY 2016	FY 2017
Pedagogical				
Dept. of Education	0	904	1,871	1,871
City University	0	0	0	0
Subtotal	**0**	**904**	**1,871**	**1,871**
Uniformed				
Police	0	0	0	0
Fire	0	505	505	505
Correction	9	0	0	0
Sanitation	(1)	(1)	(1)	(1)
Subtotal	**8**	**504**	**504**	**504**
Civilian				
Dept. of Education	0	43	43	43
City University	0	0	0	0
Police	174	0	0	0
Fire	69	82	82	82
Correction	1	0	0	0
Sanitation	1	1	1	1
Admin. for Children's Services	0	0	0	0
Social Services	6	3	3	3
Homeless Services	65	(10)	(10)	(10)
Health & Mental Hygiene	21	19	17	17
Finance	5	5	5	5
Transportation	66	49	49	49
Parks and Recreation	20	22	22	24
All Other Civilians	117	197	242	242
Subtotal	**545**	**411**	**454**	**456**
Total	**553**	**1,819**	**2,829**	**2,831**

As shown in Table 17, during the Financial Plan period City-funded full-time headcount is scheduled to increase slightly in FY 2015 to 236,202 and to 236,891 in FY 2016, before declining slightly to 236,818 in FYs 2017 and 2018.

The planned Department of Education City-funded full-time pedagogical headcount has increased since the November Plan for FYs 2015 – 2017 as a result of the provision of universal full-day pre-kindergarten. The Department of Education's pedagogical headcount increased by 904 in FY 2015 and by 1,871 in FYs 2016 – 2017, as compared to the November Plan. The increase of 505 in the Fire Department's (FDNY) uniformed headcount reflects a decision to rescind the planned closure of 20 fire companies in FY 2015.

Table 17. City-Funded Full-Time Year-End Headcount Projections FYs 2014-2018

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Pedagogical					
Dept. of Education	92,809	94,007	94,974	94,974	94,974
City University	3,248	3,248	3,208	3,208	3,208
Subtotal	**96,057**	**97,255**	**98,182**	**98,182**	**98,182**
Uniformed					
Police	34,483	34,483	34,483	34,483	34,483
Fire	10,779	10,779	10,779	10,779	10,779
Correction	8,882	8,873	8,873	8,873	8,873
Sanitation	7,118	7,172	7,264	7,264	7,264
Subtotal	**61,262**	**61,307**	**61,399**	**61,399**	**61,399**
Civilian					
Dept. of Education	9,381	9,003	9,004	9,004	9,004
City University	1,756	1,724	1,674	1,674	1,674
Police	14,508	14,395	14,244	14,244	14,244
Fire	5,022	5,022	5,022	5,022	5,022
Correction	1,587	1,586	1,586	1,586	1,586
Sanitation	1,955	1,993	2,021	2,021	2,021
Admin. for Children's Services	6,399	6,399	6,399	6,399	6,399
Social Services	10,150	9,552	9,440	9,381	9,381
Homeless Services	1,982	1,948	1,948	1,948	1,948
Health & Mental Hygiene	3,371	3,357	3,349	3,349	3,349
Finance	1,914	1,911	1,906	1,901	1,901
Transportation	1,949	2,024	2,024	2,024	2,024
Parks and Recreation	3,357	3,262	3,262	3,264	3,264
All Other Civilians	15,361	15,464	15,431	15,420	15,420
Subtotal	**78,692**	**77,640**	**77,310**	**77,237**	**77,237**
Total	**236,011**	**236,202**	**236,891**	**236,818**	**236,818**

As shown in Table 18, City-funded full-time equivalent (FTE) headcount is projected to total 23,783 in FY 2014, decreasing by 1,028 in FY 2015 and remaining relatively unchanged for the remainder of the Plan period.

Table 18. City-Funded FTE Year-End Headcount Projections FYs 2014-2018

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Pedagogical					
Dept. of Education	553	553	553	553	553
City University	1,780	1,780	1,780	1,780	1,780
Subtotal	**2,333**	**2,333**	**2,333**	**2,333**	**2,333**
Civilian					
Dept. of Education	11,592	11,592	11,592	11,592	11,592
City University	984	984	984	984	984
Police	1,390	1,375	1,372	1,372	1,372
Health & Mental Hygiene	1,240	1,212	1,212	1,212	1,212
Parks and Recreation	2,935	2,910	2,910	2,911	2,911
All Other Civilians	3,309	2,349	2,349	2,341	2,341
Subtotal	**21,450**	**20,422**	**20,419**	**20,412**	**20,412**
Total	**23,783**	**22,755**	**22,752**	**22,745**	**22,745**

Overtime

The FY 2015 Preliminary Budget includes $1.06 billion for overtime expenditures, $106 million or 9.0 percent less than the current FY 2014 overtime projection of $1.16 billion. Based on current overtime spending patterns, the City's projections are projected to be under-budgeted for FY 2014 and FY 2015. As shown in Table 19, the Comptroller's Office is projecting overtime expenditures of $1.29 billion in FY 2014 and $1.18 billion in FY 2015.

Table 19. Projected Overtime Spending, FY 2014 and FY 2015

($ in millions)

	City Planned Overtime FY 2014	Comptroller's Projected Overtime FY 2014	FY 2014 Risk	City Planned Overtime FY 2015	Comptroller's Projected Overtime FY 2015	FY 2015 Risk
Uniform						
Police	$418	$490	($72)	$415	$490	($75)
Fire	307	307	0	229	229	0
Correction	69	125	(56)	68	115	(47)
Sanitation	79	79	0	70	70	0
Total Uniformed	$873	$1,001	($128)	$782	$904	($122)
Others						
Police-Civilian	$84	$84	$0	$79	$79	$0
Admin for Child Svcs	15	15	0	15	15	0
Environmental Protection	23	23	0	23	23	0
Transportation	36	36	0	34	34	0
All Other Agencies	130	130	0	122	122	0
Total Civilians	$288	$288	($0)	$273	$273	$0
Total City	**$1,161**	**$1,289**	**($128)**	**$1,055**	**$1,177**	**($122)**

When compared to the November Plan, there have been no significant changes to the overtime budget for FY 2014. The FY 2014 overtime budget estimate increased by only $12 million, including an additional $5 million for civilian employees at the NYPD. Overall, the budget was revised upwards to reflect actual spending patterns for the current fiscal year.

Overtime spending for uniformed employees at the NYPD will continue to pose the largest risk to the overtime budget in FY 2015. Through January of FY 2014, the NYPD uniform overtime expenditures exceeded $266 million and are on pace to mirror recent average expenditures of $488 million, over $70 million more than budgeted.[11] Should this trend continue into FY 2015, the budget could face a risk of at least $75 million.

[11] Excludes cost associated with Hurricane Sandy recovery and the Occupy Wall Street Movement.

Fiscal year-to-date overtime expenditures for the Department of Correction (DOC) indicate that overtime spending for uniformed employees in the DOC will exceed its overtime budget for FY 2014. The Comptroller's Office estimates that the FY 2014 uniformed employees' overtime will total $125 million, $56 million above the City's estimates. Although uniformed overtime spending for DOC has averaged $136 million over the last two fiscal years, the Department should be able to reduce overtime expenses going forward resulting from the recent graduation of four recruit classes.

Public Assistance

Through January, the City's public assistance caseload has averaged 348,229 recipients per month. The average monthly caseload in FY 2014 has declined by 2.4 percent, or 8,516 recipients compared with the same period in the prior year. The January 2014 public assistance caseload of 339,721 marks the first time that caseload has dipped below the 340,000-recipient threshold since January 2009. Thus far in FY 2014, public assistance grants spending has averaged slightly less than $108 million per month, representing a three percent decline from the FY 2013 monthly average of approximately $111 million.

Given the decline in caseload and monthly grant spending, the City has reduced both public assistance caseload and spending projections in the February Plan. Public Assistance caseload is estimated at an average of 350,297 recipients in each of FYs 2014-2018, down from the previous projection of 362,454. In addition, the City has reduced expected baseline grants spending by $31 million to $1.32 billion in FY 2014. The revised projection is more in line with recent trends and may still contain a modest cushion that would mitigate any spike in welfare grant expenditures over the remainder of the fiscal year. Going forward, baseline grant spending is projected to rise to $1.34 billion annually in the remainder of the Plan period.

Homeless Services

The February Financial Plan includes an additional $59.6 million in the current year and $76.5 million in the outyears for funding for the Department of Homeless Services. This funding increase is comprised of an additional $26.4 million of City-funds in the current year and $33.7 million in the subsequent years of the Plan period along with an additional $41.4 million of Federal funds in the current year and $54.1 million in the remaining years of the Plan. These numbers are offset by a reduction of State funding of $8.2 million in the current year and $11.4 million in each of the subsequent years of the Plan.

In the first seven months of the current fiscal year, the average daily shelter population has increased by 5.4 percent over last year's average. This increase is driven by a 6.1 increase in the homeless family population. The current single-adult homeless population has increased by 4.4 percent over last year's average. This growth in the homeless population though is not just a one-year aberration. The City's average daily homeless population has grown in each of the last five years.

Department of Education

The February Financial Plan reflects a decline of $100 million in the Department of Education's (DOE) FY 2014 budget. The DOE's $19.7 billion FY 2014 budget is about 2.5 percent or $470 million greater than actual FY 2013 spending levels. The reduction in the current year is primarily the result of lower estimates of Federal Medicaid reimbursement and special education pre-kindergarten grants. While the revision in special education pre-kindergarten grants is based on utilization trend, the lower Medicaid revenue assumption stems from a delay in the Department's effort to increase the level of claims for certain special education services.

The Preliminary FY 2015 budget projects DOE funding at $20.48 billion, representing an increase of $774 million or approximately 4.0 percent from the FY 2014 budget. Compared to the November Plan, the Department's Preliminary FY 2015 budget reflects net additional funding of $244 million. The bulk of the increase stems from the Mayor's initiative to begin implementation of full-day pre-kindergarten expansion in the upcoming school year. The Plan includes an additional $340 million funding for the UPK initiative, which is supported by a personal income tax rate increase on high-income filers.[12] The tax rate increase will require legislative approval from the State. The initiative would increase full-day pre-kindergarten enrollment by 53,000 over the next two years, 36,000 in FY 2015 and 17,000 in FY 2016. When fully implemented, the program is expected to serve about 73,000 children.

The State Executive Budget has a concurrent proposal for a statewide full-day pre-kindergarten program that is expected to be phased-in at a total cost of $1.5 billion over the next five years. This proposal would provide $100 million in FY 2015 for implementation of the program statewide. The proposed funding is inadequate to pay for the City's UPK expansion. If the State does not approve the PIT surcharge, it must provide the City with an alternative reliable and stable source of funding.

The increase to the FY 2015 budget resulting from the funding of full-day pre-kindergarten is partly offset by continued reductions into FY 2015 in special education pre-kindergarten funding of $47 million and Medicaid reimbursement of $30 million. In addition, the DOE's Foundation Aid projection has been reduced in the FY 2015 Preliminary Budget, reflecting a decrease of $36 million as compared to school aid estimates in the Governor's Proposed Budget.

Over the remainder of the Plan, the DOE budget is projected to rise to $21.02 billion in FY 2016, $21.55 billion in FY 2017, and $21.9 billion in FY 2018. Increased state aid is expected to comprise about $967 million or 68 percent of the total

[12] In conjunction with the full-day pre-kindergarten initiative, a related action to expand the City's after-school programs in middle schools, at an expected cost of $190 million, will also be supported by the proposed personal income tax rate increase.

growth over this period, with City funds essentially making up the remainder of the increase.

The February Plan assumes $50 million in DOE Medicaid revenue to be realized in the current fiscal year for reimbursement of special education costs such as speech and occupational/physical therapies. These Medicaid revenues are expected to increase to $137 million in FY 2015 and $167 million annually thereafter. Over the past two years, the Department was only able to recognize $37 million in Medicaid reimbursements in FY 2012 and $15 million in FY 2013.[13] The Department maintains that ongoing efforts to expand the claims process will likely improve its Medicaid collections over the intermediate term. However, until the DOE begins to generate a higher level of revenue claims in this category, the targets in the February Plan remain ambitious when compared to recent experience. The Comptroller's Office assumes that the DOE will likely face Medicaid revenue risks of $30 million in FY 2014, $110 million in FY 2015 and $140 million annually in FYs 2016 – 2018.

Debt Service

As shown in Table 20, debt service in the February Plan, after netting out the impact of prepayments, is projected to grow from $5.82 billion in FY 2014 to $7.91 billion in FY 2018, an increase of $2.09 billion, or an average annual growth of 8.0 percent.[14] This growth is more than twice the average growth rate of 3.9 percent over the last five fiscal years. As such, debt service in the outyears could be lower than projected.

Table 20. February 2014 Financial Plan Debt Service Estimates

($ in millions)

Debt Service Category	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change from FYs 2014 – 2018
G.O.[a]	$3,804	$4,348	$4,668	$4,710	$4,759	$955
NYCTFA [b]	1,677	2,168	2,406	2,601	2,761	1,084
Lease-Purchase Debt	263	316	322	312	305	42
TSASC, Inc.	74	74	74	74	82	8
Total	**$5,818**	**$6,906**	**$7,470**	**$7,697**	**$7,907**	**$2,089**

SOURCE: February 2014 Financial Plan.
NOTE: Debt service is adjusted for prepayments.
[a] Includes long-term G.O. debt service and interest on short-term notes.
[b] Amounts *do not* include NYCTFA building aid bonds.

[13] Of the $15 million in Medicaid revenue recognized in FY 2013, only $5 million has been collected to date. The remaining $10 million represents claims that are either still being processed or have not yet been billed by the Department.

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

These projections represent decreases from the November 2013 Financial Plan of $277 million in FY 2014, $87 million in FY 2015, $17 million in FY 2016, and $19 million in FY 2017.[15] The decrease in planned FY 2014 debt service is the result of a $121 million reduction in G.O. debt service, a $61 million decrease in lease-purchase debt service, and $95 million in estimated NYCTFA savings. Of the $121 million decline in G.O. debt service, $114 million is the result of lowering planned estimates for current year variable rate interest (VRDB) costs, along with $7 million in refunding savings achieved in FY 2014 to date. The decrease in lease-purchase / conduit debt service is comprised of a $45 million reduction in required City support to the Hudson Yards Infrastructure Corporation (HYIC) and $16 million from Education Construction Fund savings. The $95 million reduction in FY 2014 NYCTFA debt service results primarily from $90 million in savings from lower than expected interest rates on variable rate debt service, coupled with a refunding action generating savings of $5 million.

The reduction in estimated debt service for FY 2015 is comprised of G.O. debt service savings of $55 million and NYCTFA savings of $32 million. G.O. savings in FY 2015 result primarily from one refunding transaction which provided net savings of $42 million in FY 2015 with the remaining balance from lower VRDB interest estimates. NYCTFA savings are also primarily due to a refunding transaction which produced savings of $18 million in FY 2015, plus an estimated $14 million of projected variable rate interest savings.

The modest FYs 2016 and 2017 decreases from the November Plan of $17 million and $19 million, respectively, come primarily from lowering realized rates associated with FY 2014 borrowing relative to estimated rates.

So far in FY 2014, the City has paid approximately $23 million for G.O. VRDB costs. If this trend continues through June 2014, the City could realize additional budgetary savings of as much as $80 million in FY 2014. To date, OMB has already lowered budgeted G.O. VRDB costs by $205 million in FY 2014.

The Comptroller's Office, together with the Office of Management and Budget (OMB), closely monitors the City's outstanding bonds and market conditions to refinance debt when opportunities to realize debt service savings present themselves. Since January 1, 2010, refundings have saved City taxpayers and water and sewer rate payers over $2.17 billion.

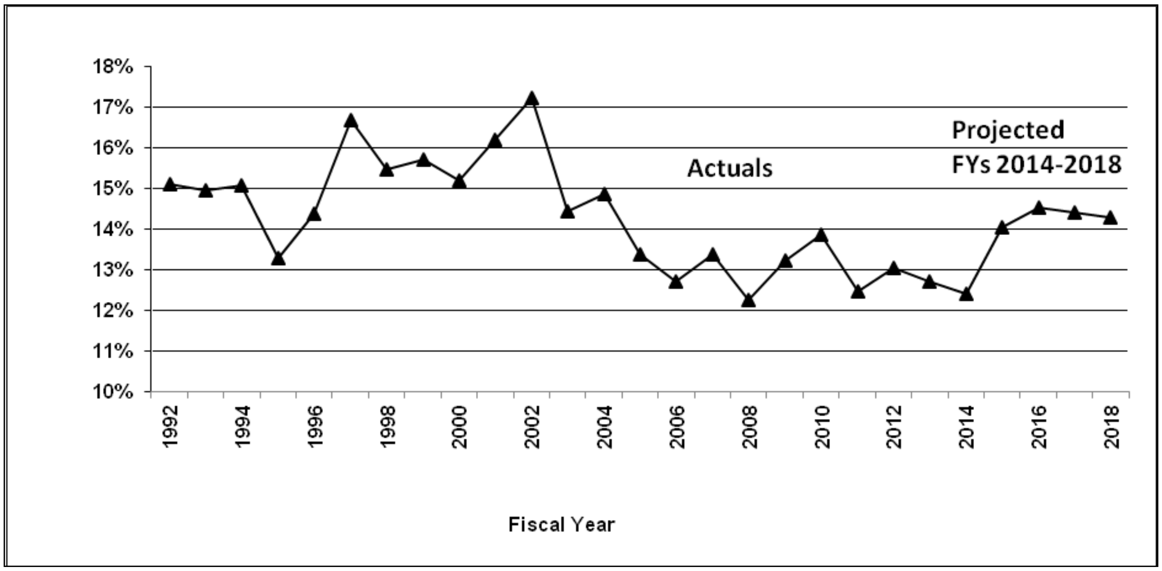
Debt Affordability

Debt service as a percent of local tax revenues is an accepted measure of debt affordability used by both rating agencies and governments. The February Plan projects that debt service will consume 12.4 percent of local tax revenues in FY 2014, 14 percent in FY 2015, 14.5 percent in FY 2016, 14.4 percent in FY 2017 and 14.3 percent in

[15] There was no official estimate for FY 2018 in either the July or November Plans.

FY 2018, as shown in Chart 4. The upward trend of this ratio is the result of the City's debt service growing at a faster rate than its tax revenues. Between FY 2014 and FY 2015 the City's debt service is estimated to grow by 18.7 percent. Between FYs 2015 and 2018, the average annual growth of debt service is scheduled to slow to 4.6 percent, resulting in an annual growth rate of 8.0 percent per year from FYs 2014-2018. In contrast, the estimated annual tax revenue growth for the same period is 4.2 percent. Even with this upward trend, the projected 14.3 percent ratio in FY 2018 is still well below the 20 percent affordability threshold the City imposed on itself in FY 2002.[16]

***Chart 4*. Debt Service as a Percentage of Tax Revenues, 1992 – 2018**



SOURCE: NYC Office of Management and Budget, February 2014 Financial Plan.

Financing Program

The February 2014 Financial Plan contains $36.38 billion of planned City and State supported borrowing in FYs 2014 – 2018, as shown in Table 21. Planned borrowing over FYs 2014 – 2017 is $535 million more than the November Plan, all attributable to the NYC Municipal Water Finance Authority (NYWFA).[17] G.O. and NYCTFA PIT-supported borrowing account for two-thirds of the total borrowing during this period. Planned NYCTFA bonds total $12.46 billion while G.O. borrowing totals $11.77 billion. The use of NYCTFA Building Aid Revenue Bonds (BARBs) to support the DOE capital program is assumed to continue throughout the Financial Plan period with $5.12 billion

[16] The FY 2002 Message of the Mayor stated that "…OMB shall monitor trends in the City's capital program in order to ensure that aggregate debt service of the sum of City G.O., lease, and MAC debt does not exceed 15 percent of the total City revenues and does not exceed 20 percent of City Tax revenues. Use of statutorily limited debt authority, such as the NYCTFA, will also be noted."

[17] The November 2013 Plan Financing Program included projections for FYs 2014 – 2017 only.

of State-supported NYCTFA BARB issuances anticipated, accounting for 14.1 percent of capital borrowing over the Plan period.[18]

NYWFA borrowing of $7.04 billion also accounts for a significant share of capital borrowing, 19.4 percent of the total. However, unlike other debt that is financed by revenues derived from collections of the property tax and other general fund revenues, NYWFA is funded by water and sewer user fees.

Minor adjustments to the Capital Commitment Plan in February appear to have driven the decision to leave the Financing Plan for G.O. and NYCTFA in place. The Comptroller's Office anticipates that the Executive Budget and Financial Plan process in the spring will shed more light on both the capital commitment plan and the resulting financing program.

Table 21. February 2014 Fincancing Program, FYs 2014 – 2018

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2014-2018	Percent of Total
General Obligation Bonds	$11,765	32.3%
NYCTFA – PIT Bonds	12,455	34.2
NYC Water Finance Authority	7,043	19.4
NYCTFA – BARBs	5,120	14.1
Total	**$36,383**	**100.0%**

SOURCE: February 2014 Financial Plan, NYC Office of Management and Budget.

Capital Commitment Plan

The February 2014 Capital Commitment Plan for FYs 2014 – 2017 includes $38.58 billion in authorized all-fund commitments, averaging $9.65 billion per year, as shown in Table 22.[19] This represents an increase of $82 million, or less than one-quarter percent, from the November 2013 Commitment Plan. Consistent with prior plans, capital commitments in DOE and CUNY, the Department of Environmental Protection (DEP), Department of Transportation (DOT) and mass transit, and housing and economic development account for more than 66 percent of all-fund commitments.[20]

After adjusting for the reserve for unattained commitments, the February 2014 Capital Commitment Plan for FYs 2014 – 2017 reflects $36.52 billion in all-funds

[18] With the NYCTFA BARB cap at $9.4 billion, the limit would be exceeded by the end FY 2017.

[19] Commitment Plan refers to a schedule of anticipated contract registrations. However, capital spending is not recorded by agency in the Commitment Plan. In addition, the February Commitment contains forecasts for FYs 2014-2017 only. FY 2018 appears at the time of the Executive Budget and Plan.

[20] This percentage assumes all DOT project types, not just bridges and highways.

commitments and $27.72 billion in City-fund commitments. The Plan is front-loaded with 45 percent of the all-funds commitments scheduled for FY 2014.

The $82 million increase in the February 2014 Capital Commitment Plan is comprised of offsetting changes to over 20 agencies. The most significant increases include an additional $58.6 million in the Department of Parks and Recreation largely due to additional Federal funds for Sandy-related expenditures, and an increase of $51.6 million for various highways related projects within DOT. The largest decreases to the capital plan consist of $35.5 million in CUNY related projects and a $34.2 million decrease in water pollution control related projects within DEP.

Table 22. FYs 2014 – 2017 Capital Commitments, All-Funds

($ in millions)

Project Category	**February FYs 2014 – 2017 Commitment Plan**	**Percent of Total**
Education & CUNY	$8,787	22.8%
Environmental Protection	7,510	19.5
Dept. of Transportation & Mass Transit	6,369	16.5
Housing and Economic Development	2,995	7.8
Administration of Justice	2,094	5.4
Technology and Citywide Equipment	2,258	5.9
Parks Department	2,503	6.5
Hospitals	1,235	3.2
Other City Operations and Facilities	4,835	12.5
Total	**$38,585**	**100.0%**
Reserve for Unattained Commitments	($2,060)	N/A
Adjusted Total	**$36,525**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2014-2017 February Capital Commitment Plan, February 2014.

The February 2014 Four-Year Capital Plan includes $29.78 billion of City-funded capital projects, as shown in Table 23, only $23 million more than allocated in the November 2013 Commitment Plan. Similarly, approximately 62 percent of the City-funds plan consists of capital projects in DEP, DOE and CUNY, DOT and mass transit, and housing and economic development.

Table 23. FYs 2014 – 2017 Capital Commitments, City-Funds

($ in millions)

Project Category	February FYs 2014 – 2017 Commitment Plan	Percent of Total
Environmental Protection	$7,420	24.9%
Education & CUNY	4,819	16.2
Dept. of Transportation & Mass Transit	3,702	12.4
Housing and Economic Development	2,472	8.3
Administration of Justice	2,007	6.7
Technology and Citywide Equipment	2,247	7.5
Parks Department	1,918	6.4
Hospitals	642	2.2
Other City Operations and Facilities	4,551	15.4
Total	**$29,778**	**100.0%**
Reserve for Unattained Commitments	($2,060)	N/A
Adjusted Total	**$27,718**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2014-2017 February Capital Commitment Plan, February 2014.

The DOE and CUNY capital budgets make up 16.2 percent of the City-funded capital plan but 22.8 percent of all-funds capital plan. This difference is attributable to the large amount of State support allocated to DOE projects in the form of State-authorized NYCTFA Building Aid Revenue Bonds backed by State building aid payments. State supported commitments for education projects total $3.96 billion for FYs 2014 – 2017. This aid represents 45 percent of the total State and Federal support to the entire commitment plan over that period.

V. Appendix — Revenue and Expenditures Details

Table A1. February 2014 Preliminary Budget Revenue Detail

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18 Dollars	Change FYs 2014-18 Percent
Taxes:							
Real Property	$20,006	$21,009	$22,047	$22,939	$23,815	$3,809	19.0%
Personal Income Tax	$9,276	$9,796	$10,288	$10,700	$11,013	$1,737	18.7%
General Corporation Tax	$2,719	$2,820	$2,901	$3,016	$3,127	$408	15.0%
Banking Corporation Tax	$1,217	$1,168	$1,183	$1,190	$1,226	$9	0.7%
Unincorporated Business Tax	$1,846	$1,925	$2,024	$2,099	$2,183	$337	18.3%
Sale and Use Tax	$6,424	$6,630	$6,915	$7,170	$7,422	$998	15.5%
Real Property Transfer	$1,433	$1,321	$1,430	$1,515	$1,596	$163	11.4%
Mortgage Recording Tax	$950	$854	$962	$1,020	$1,075	$125	13.2%
Commercial Rent	$689	$715	$745	$778	$812	$123	17.9%
Utility	$385	$399	$417	$424	$434	$49	12.7%
Hotel	$528	$539	$560	$577	$601	$73	13.8%
Cigarette	$57	$55	$53	$52	$51	($6)	(10.5%)
All Other	$491	$501	$501	$502	$502	$11	2.2%
Tax Audit Revenue	$710	$709	$709	$709	$709	($1)	(0.1%)
PIT Increase to Fund Full-Day UPK	$0	$530	$533	$569	$594	$594	N/A
Total Taxes	**$46,731**	**$48,971**	**$51,268**	**$53,260**	**$55,160**	**$8,429**	**18.0%**
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$581	$579	$589	$590	$588	$7	1.2%
Interest Income	$16	$10	$45	$134	$163	$147	918.8%
Charges for Services	$922	$922	$922	$922	$922	$0	0.0%
Water and Sewer Charges	$1,518	$1,513	$1,546	$1,513	$1,524	$6	0.4%
Rental Income	$281	$272	$272	$272	$272	($9)	(3.2%)
Fines and Forfeitures	$808	$784	$782	$782	$782	($26)	(3.2%)
Miscellaneous	$1,412	$1,006	$983	$939	$554	($858)	(60.8%)
Intra-City Revenue	$1,743	$1,696	$1,669	$1,679	$1,684	($59)	(3.4%)
Total Miscellaneous	**$7,281**	**$6,782**	**$6,808**	**$6,831**	**$6,489**	**($792)**	**(10.9%)**
Other Categorical Grants	**$871**	**$843**	**$830**	**$826**	**$822**	**($49)**	**(5.6%)**
Inter Fund Agreements	**$546**	**$520**	**$513**	**$513**	**$513**	**($33)**	**(6.0%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,743)**	**($1,696)**	**($1,669)**	**($1,679)**	**($1,684)**	**$59**	**(3.4%)**
TOTAL CITY FUNDS	**$53,671**	**$55,405**	**$57,735**	**$59,736**	**$61,285**	**$7,614**	**14.2%**

Table A1 (Con't). *February 2014 Preliminary Budget Revenue Detail*

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18 Dollars	Change FYs 2014-18 Percent
Federal Categorical Grants:							
Community Development	$1,276	$230	$219	$219	$219	($1,057)	(82.8%)
Welfare	$3,285	$3,234	$3,220	$3,217	$3,217	($68)	(2.1%)
Education	$1,719	$1,768	$1,797	$1,797	$1,797	$78	4.5%
Other	$2,129	$1,170	$1,148	$1,137	$1,136	($993)	(46.6%)
Total Federal Grants	**$8,409**	**$6,402**	**$6,384**	**$6,370**	**$6,369**	**($2,040)**	**(24.3%)**
State Categorical Grants							
Social Services	$1,489	$1,454	$1,450	$1,442	$1,442	($47)	(3.2%)
Education	$8,577	$8,810	$9,105	$9,449	$9,777	$1,200	14.0%
Higher Education	$256	$254	$254	$254	$254	($2)	(0.8%)
Department of Health and Mental Hygiene	$471	$451	$451	$451	$451	($20)	(4.2%)
Other	$944	$936	$1,015	$1,151	$1,219	$275	29.1%
Total State Grants	**$11,737**	**$11,905**	**$12,275**	**$12,747**	**$13,143**	**$1,406**	**12.0%**
TOTAL REVENUES	**$73,817**	**$73,712**	**$76,394**	**$78,853**	**$80,797**	**$6,980**	**9.5%**

Table A2. *February 2014 Preliminary Budget Expenditure Detail*

($ in thousands)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18 Dollars	Change FYs 2014-18 Percent
Mayoralty	$96,675	$86,464	$88,412	$87,831	$87,831	($8,844)	(9.1%)
Board of Elections	$143,309	$76,486	$76,486	$76,486	$76,486	($66,823)	(46.6%)
Campaign Finance Board	$71,864	$13,288	$13,288	$13,288	$13,288	($58,576)	(81.5%)
Office of the Actuary	$6,459	$6,261	$6,263	$6,263	$6,263	($196)	(3.0%)
President, Borough of Manhattan	$4,327	$4,179	$4,179	$4,179	$4,179	($148)	(3.4%)
President, Borough of Bronx	$5,308	$5,024	$5,024	$5,024	$5,024	($284)	(5.4%)
President, Borough of Brooklyn	$5,928	$4,907	$4,907	$4,907	$4,907	($1,021)	(17.2%)
President, Borough of Queens	$4,727	$4,385	$4,385	$4,385	$4,385	($342)	(7.2%)
President, Borough of Staten Island	$4,097	$3,956	$3,956	$3,956	$3,956	($141)	(3.4%)
Office of the Comptroller	$83,047	$86,339	$86,750	$86,834	$86,856	$3,809	4.6%
Dept. of Emergency Management	$59,637	$8,341	$7,956	$7,959	$7,959	($51,678)	(86.7%)
Office of Administrative Tax Appeals	$4,329	$4,273	$4,273	$4,273	$4,273	($56)	(1.3%)
Law Dept.	$166,036	$155,288	$146,895	$146,466	$147,104	($18,932)	(11.4%)
Dept. of City Planning	$21,955	$20,278	$20,290	$20,290	$20,290	($1,665)	(7.6%)
Dept. of Investigation	$36,660	$20,468	$20,435	$19,724	$19,724	($16,936)	(46.2%)
NY Public Library - Research	$22,638	$22,622	$22,622	$22,622	$22,622	($16)	(0.1%)
New York Public Library	$112,108	$112,108	$112,108	$112,108	$112,108	$0	0.0%
Brooklyn Public Library	$83,649	$83,625	$83,625	$83,625	$83,625	($24)	(0.0%)
Queens Borough Public Library	$82,931	$82,801	$82,801	$82,801	$82,801	($130)	(0.2%)
Dept. of Education	$19,675,721	$20,452,581	$20,990,637	$21,528,851	$21,872,900	$2,197,179	11.2%
City University	$875,855	$881,383	$868,299	$849,985	$848,680	($27,175)	(3.1%)
Civilian Complaint Review Board	$11,917	$12,242	$12,242	$12,257	$12,257	$340	2.9%
Police Dept.	$4,709,123	$4,447,414	$4,434,909	$4,427,762	$4,428,063	($281,060)	(6.0%)
Fire Dept.	$1,962,237	$1,761,682	$1,741,202	$1,723,109	$1,686,816	($275,421)	(14.0%)
Admin. for Children Services	$2,793,168	$2,827,812	$2,827,812	$2,827,812	$2,827,812	$34,644	1.2%
Dept. of Social Services	$9,581,799	$9,544,917	$9,505,266	$9,506,702	$9,506,702	($75,097)	(0.8%)
Dept. of Homeless Services	$1,040,349	$980,826	$980,626	$980,626	$980,626	($59,723)	(5.7%)
Dept. of Correction	$1,070,120	$1,062,597	$1,063,296	$1,062,745	$1,062,745	($7,375)	(0.7%)
Board of Correction	$1,246	$1,300	$1,236	$1,236	$1,236	($10)	(0.8%)
Citywide Pension Contribution	$8,197,080	$8,205,262	$8,324,120	$8,428,272	$8,604,539	$407,459	5.0%
Miscellaneous	$8,057,395	$8,545,514	$9,386,746	$10,368,703	$11,343,895	$3,286,500	40.8%
Debt Service	$4,066,766	$4,663,700	$4,990,306	$5,022,232	$5,064,058	$997,292	24.5%
N.Y.C.T.F.A. Debt Service	$1,677,320	$2,168,170	$2,406,240	$2,601,270	$2,761,210	$1,083,890	64.6%
FY 2012 BSA & Discretionary Transfers	($30,611)	$0	$0	$0	$0	$30,611	(100.0%)
FY 2013 BSA & Discretionary Transfers	($2,807,170)	$0	$0	$0	$0	$2,807,170	(100.0%)
FY 2014 BSA	$1,770,131	($1,770,131)	$0	$0	$0	($1,770,131)	(100.0%)
Redemption of N.Y.C.T.F.A. Debt Service	($7,240)	($98,800)	($102,670)	$0	$0	$7,240	(100.0%)
Public Advocate	$2,255	$2,255	$2,255	$2,255	$2,255	$0	0.0%
City Council	$51,529	$49,442	$49,442	$49,442	$49,442	($2,087)	(4.1%)
City Clerk	$5,069	$5,049	$5,049	$5,049	$5,049	($20)	(0.4%)
Dept. for the Aging	$260,692	$250,865	$245,362	$245,362	$245,362	($15,330)	(5.9%)
Dept. of Cultural Affairs	$159,263	$148,970	$148,970	$148,970	$148,970	($10,293)	(6.5%)
Financial Info. Serv. Agency	$94,605	$98,742	$99,088	$91,994	$91,791	($2,814)	(3.0%)
Office of Payroll Admin.	$28,176	$27,664	$27,692	$27,722	$27,722	($454)	(1.6%)
Independent Budget Office	$4,522	$4,355	$4,347	$4,333	$4,333	($189)	(4.2%)
Equal Employment Practices Comm.	$745	$715	$715	$715	$715	($30)	(4.0%)

Table A2 (Con't). *February 2014 Preliminary Expenditure Detail*

($ in thousands)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18 *Dollars*	*Percent*
Civil Service Commission	$1,040	$1,040	$1,040	$1,040	$1,040	$0	0.0%
Landmarks Preservation Comm.	$5,068	$5,023	$5,047	$5,047	$5,047	($21)	(0.4%)
Taxi & Limousine Commission	$65,332	$61,045	$56,545	$43,045	$43,045	($22,287)	(34.1%)
Commission on Human Rights	$6,396	$6,495	$6,495	$6,495	$6,495	$99	1.5%
Youth & Community Development	$386,001	$499,371	$473,386	$486,386	$495,386	$109,385	28.3%
Conflicts of Interest Board	$2,067	$2,067	$2,067	$2,067	$2,067	$0	0.0%
Office of Collective Bargain	$2,008	$2,001	$2,003	$2,003	$2,003	($5)	(0.2%)
Community Boards (All)	$15,936	$15,359	$15,361	$15,361	$15,361	($575)	(3.6%)
Dept. of Probation	$76,303	$75,816	$75,742	$75,727	$75,727	($576)	(0.8%)
Dept. Small Business Services	$512,568	$98,160	$85,388	$85,391	$85,391	($427,177)	(83.3%)
Housing Preservation & Development	$763,364	$551,132	$550,482	$550,482	$550,482	($212,882)	(27.9%)
Dept. of Buildings	$107,695	$99,163	$98,569	$98,569	$98,569	($9,126)	(8.5%)
Dept. of Health & Mental Hygiene	$1,425,390	$1,341,005	$1,332,776	$1,332,646	$1,332,646	($92,744)	(6.5%)
Health and Hospitals Corp.	$262,983	$81,074	$81,124	$81,175	$81,175	($181,808)	(69.1%)
Office of Administrative Trials & Hearings	$35,155	$35,157	$35,158	$35,158	$35,158	$3	0.0%
Dept. of Environmental Protection	$1,531,948	$1,104,315	$1,099,573	$1,052,683	$1,052,683	($479,265)	(31.3%)
Dept. of Sanitation	$1,417,313	$1,476,282	$1,482,646	$1,462,248	$1,462,567	$45,254	3.2%
Business Integrity Commission	$7,573	$7,192	$7,192	$7,192	$7,192	($381)	(5.0%)
Dept. of Finance	$244,610	$233,880	$233,245	$232,837	$232,837	($11,773)	(4.8%)
Dept. of Transportation	$881,488	$789,960	$786,353	$785,391	$785,391	($96,097)	(10.9%)
Dept. of Parks and Recreation	$385,036	$342,326	$337,231	$337,520	$337,520	($47,516)	(12.3%)
Dept. of Design & Construction	$123,520	$120,234	$120,234	$120,234	$120,234	($3,286)	(2.7%)
Dept. of Citywide Admin. Services	$396,394	$358,671	$356,320	$355,791	$355,791	($40,603)	(10.2%)
D.O.I.T.T.	$382,033	$341,007	$347,348	$348,479	$349,038	($32,995)	(8.6%)
Dept. of Record & Info. Services	$5,412	$4,863	$4,867	$4,867	$4,867	($545)	(10.1%)
Dept. of Consumer Affairs	$35,632	$30,237	$30,117	$30,117	$30,117	($5,515)	(15.5%)
District Attorney - N.Y.	$96,427	$83,749	$83,749	$83,749	$83,749	($12,678)	(13.1%)
District Attorney - Bronx	$54,245	$51,299	$51,299	$51,299	$51,299	($2,946)	(5.4%)
District Attorney - Kings	$87,948	$82,748	$82,748	$82,748	$82,748	($5,200)	(5.9%)
District Attorney - Queens	$52,156	$48,145	$48,145	$48,145	$48,145	($4,011)	(7.7%)
District Attorney - Richmond	$8,683	$8,530	$8,530	$8,530	$8,530	($153)	(1.8%)
Office of Prosec. & Spec. Narc.	$17,815	$17,816	$17,816	$17,816	$17,816	$1	0.0%
Public Administrator - N.Y.	$1,491	$1,464	$1,464	$1,464	$1,464	($27)	(1.8%)
Public Administrator - Bronx	$557	$565	$565	$565	$565	$8	1.4%
Public Administrator - Brooklyn	$664	$672	$672	$672	$672	$8	1.2%
Public Administrator - Queens	$526	$538	$540	$540	$540	$14	2.7%
Public Administrator - Richmond	$438	$441	$441	$441	$441	$3	0.7%
General Reserve	$150,000	$600,000	$600,000	$600,000	$600,000	$450,000	300.0%
Energy Adjustment	$0	$17,649	$1,933	$14,146	$43,783	$43,783	N/A
Lease Adjustment	$0	$38,136	$65,416	$93,514	$122,456	$122,456	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$166,557	$166,557	N/A
TOTAL EXPENDITURE	**$73,816,960**	**$73,712,246**	**$77,452,988**	**$79,383,043**	**$81,167,453**	**$7,350,493**	**10.0%**

Glossary of Acronyms

AAVM	Actuarial Asset Valuation Method
AIRA	Actuarial Interest Rate Assumption
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CUNY	City University of New York
CY	Calendar Year
DAP	Disabled Accessibility Plan
DC37	District Council 37
DOC	Department of Correction
DOE	Department of Education
ESDC	Empire State Development Corporation
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product

GCT	General Corporation Tax
GDP	Gross Domestic Product
G.O. Debt	General Obligation Debt
HPD	Department of Housing Preservation & Development
HYIC	Hudson Yards Infrastructure Corporation
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCERS	New York City Employees' Retirement System
NYCHA	New York City Housing Authority
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department
NYS	New York State
O&M	Operation and Maintenance
OMB	Office of Management and Budget
OTPS	Other than Personal Services
PEG	Program to Eliminate the Gap

PIT	Personal Income Tax
PS	Personal Services
RHBT	Retiree Health Benefits Trust
STAR	School Tax Relief
TSASC	Tobacco Settlement Asset Securitization Corporation, Inc.
UBT	Unincorporated Business Tax
UPK	Universal Pre-K
U.S.	United States
VRDB	Variable Rate Demand Bond