The Comptroller's Comments on the Adopted Budget for Fiscal Year 2010 and the Financial Plan for FYs 2010-2013

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

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I. Executive Summary

In compliance with State law, the City of New York adopted a balanced budget for FY 2010 on June 19, 2009. The size of the budget, $59.59 billion, is roughly the same as that presented in the Executive Budget released at the beginning of May. However, the Adopted Budget required new resources to address nearly $700 million in additional spending and a reduction in expected revenues of more than $200 million. These were funded through a variety of mechanisms that included eliminating a $530 million prepayment scheduled for FY 2011 and shifting a portion of it to FY 2010.

Tax revenues have evaporated as a result of the recession. FY 2010 baseline revenues are expected to be $1.56 billion less than in FY 2009. Personal income tax collections alone are expected to be approximately $3 billion less in FY 2010 than they were two years ago, a reduction that exceeds 30 percent.

The City has struggled to maintain budget balance since the impacts of the economic downturn became evident in mid-FY 2008. At that point, the FY 2010 budget was projected to total $65.8 billion, or $66.8 billion after adjusting for prepayments. The Adopted FY 2010 Budget, adjusted for prepayments, totals $65.226 billion, a reduction of $1.6 billion from the level forecast in January 2008. The reduction is even larger when considering only the City-funded portion of the budget, which was trimmed $1.9 billion during that period.

The spending reductions were coupled with significant revenue-raising actions, most notably in FY 2009 a mid-year property tax increase that is expected to yield $1.2 billion in FY 2010. The Adopted Budget includes an additional $879 million in revenue from sales tax increases and business tax reform, as well as $2 billion in Federal stimulus funds, including Medicaid cost relief.

This budget exhausts the considerable reserves that had been accumulated from FY 2003 to FY 2008. A portion–$1.8 billion– of the accumulated surpluses from these years helped to balance FY 2009. For FY 2010, prior year resources were used to prepay debt service, health insurance, subsidies to various entities and to fund other actions that reduced spending obligations by $5.636 billion.

In its review of the FY 2010 budget, the Comptroller's Office does not anticipate significant expenditure risks and takes a more optimistic view of tax revenue collections for the current year. The City's overtime projection is, as always, optimistic, and the Comptroller cautions that the City will face nearly $140 million in additional overtime expense. The Comptroller also anticipates that FY 2010 tax revenues may exceed the City's projections by $1.2 billion. Consequently, there may be additional resources of $1.096 billion in the current year that could be available for unexpected contingencies or to apply to FY 2011 gap-closing programs.

Risks to the budget mount in the outyears of the Financial Plan. The City's projected gaps grow from $4.9 billion in FY 2011 to $5.6 billion in FY 2013. However, substantial risks in the City's gap-closing program, and its assumption that it will continue to be held harmless by the Financial Control Board from certain standards promulgated by the Governmental Accounting Standards Board, outweigh potential additional tax revenues, and could lead the gaps to grow $300 million in FY 2011, $700 million in FY 2012 and well over $900 million in FY 2013.

The Mayor is required by the City Charter to submit a Preliminary Budget for the coming fiscal year to the City Council in January. Therefore, in six months time a preliminary plan to close the $4.9 billion FY 2011 gap must be in place. Even the additional resources anticipated by the Comptroller's Office would address only a fraction of the gap. Given the prolonged period of budget retrenchment the City has already endured, there are a dwindling number of gap-closing options that do not entail noticeable service impacts or tax increases.

Since FY 1987, when measured as a percent of revenues, the ensuing fiscal year's budget gap at the time of budget adoption has been higher than the projected gap for FY 2011 in only two instances: at the FY 2003 Adopted Budget and the FY 2006 Adopted Budget. In 2003, the gap was closed with an aggressive program to eliminate the gap, which included substantial tax increases and significant spending reductions. In FY 2006, tax revenues resurged unexpectedly to help eliminate the gap. Since this resurgence was a byproduct of the "bubble economy" characterizing the last economic expansion, the Comptroller believes that a similar performance is unlikely to be repeated in the near future.

As we have documented in previous reports, a large portion of gap-closing actions over the past 18 months have had recurring impacts. However, the gap-closing program is dwarfed by the magnitude of one-time actions that artificially reduced FY 2010 spending obligations. Although the use of surplus resources to prepay obligations has greatly assisted the task of balancing the FY 2010 budget, those obligations recur in the outyears of the Financial Plan but the resources do not.

The budget includes initiatives meant to contain spending growth over the longer term. Pension costs, debt service, and employee health insurance costs have grown robustly in recent years. The City has reduced significantly its capital program to slow the growth rate of debt service, although the benefits of this action won't be felt in the short run and are obtainable only if future capital budgets are smaller than in the current year. While the Municipal Labor Committee has agreed to certain changes in the distribution of the health insurance cost burden, additional savings included in the Financial Plan have yet to be negotiated and are at risk. Similarly, the creation of a new pension tier is yet to be approved by the State legislature.

Labor costs may also be higher than projected in the Plan. Annual wage increases of 1.25 percent have been budgeted for the next round of collective bargaining agreements. The United Federation of Teachers and the Council of School Supervisors and Administrators are the only unions that have not reached agreements with the City under the last round of collective bargaining, which granted 4.0 percent annual increases.

Pressure from the budget has led the City to abandon two practices that bolstered its long-term fiscal position. Starting in FY 2004, the City had haltingly begun to implement a "pay-as-you-go" component to its capital financing plan, which would in the long run reduce the City's overall debt service burden. In the January 2008 Financial Plan, $700 million in funding for "pay-go" was removed from the financing program. In addition, in FY 2006 the City established a fund to hold assets to offset accumulating liabilities for retiree health benefit expenses. This fund is now being tapped to free up resources for gap-closing purposes. No replenishment of this fund is scheduled during the Financial Plan period. This is unfortunate and the City should make every effort to resume both initiatives.

One year ago, the Comptroller noted that the City would face a lengthy period of stagnating revenues and increasing costs, making the task of balancing the budget extremely challenging. Indeed, laboring against strong headwinds, the City has succeeded in reducing the projected FY 2011 budget gap by slightly more than $200 million since the FY 2009 budget was adopted in June 2008. The potential for a surplus in FY 2010 and the availability of funds from the general reserve and other sources could provide some resources to partially address the gap; however, absent additional aggressive actions there still would remain a substantial shortfall even under an optimistic scenario.

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Table 1. FY 2010–FY 2013 Financial Plan

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2009 – 2013 Dollar	Changes FYs 2009 – 2013 Percent
Revenues						
Taxes:						
General Property Tax	$16,251	$17,327	$17,916	$18,304	$2,053	12.6%
Other Taxes	$18,463	$20,129	$21,605	$22,905	$4,442	24.1%
Tax Audit Revenues	$596	$596	$595	$594	($2)	(0.3%)
Miscellaneous Revenues	$5,973	$5,715	$5,750	$5,792	($181)	(3.0%)
Unrestricted Intergovernmental Aid	$340	$340	$340	$340	$0	0.0%
Less: Intra-City Revenues	($1,669)	($1,583)	($1,586)	($1,590)	$79	(4.7%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$39,939	$42,509	$44,605	$46,330	$6,391	16.0%
Other Categorical Grants	$1,053	$1,029	$1,033	$1,031	($22)	(2.1%)
Inter-Fund Revenues	$486	$453	$443	$443	($43)	(8.8%)
Total City & Inter-Fund Revenues	$41,478	$43,991	$46,081	$47,804	$6,326	15.3%
Federal Categorical Grants	$6,600	$6,389	$5,355	$5,344	($1,256)	(19.0%)
State Categorical Grants	$11,512	$11,975	$12,380	$13,034	$1,522	13.2%
Total Revenues	$59,590	$62,355	$63,816	$66,182	$6,592	11.1%
Expenditures						
Personal Service						
Salaries and Wages	$22,563	$23,277	$22,843	$23,690	$1,127	5.0%
Pensions	$6,700	$7,034	$7,358	$7,631	$931	13.9%
Fringe Benefits	$6,911	$6,703	$6,775	$7,708	$797	11.5%
Subtotal-PS	$36,174	$37,014	$36,976	$39,029	$2,855	7.9%
Other Than Personal Service						
Medical Assistance	$4,907	$5,622	$6,091	$6,271	$1,364	27.8%
Public Assistance	$1,299	$1,299	$1,299	$1,299	$0	0.0%
All Other	$18,859	$18,853	$19,479	$19,976	$1,117	5.9%
Subtotal-OTPS	$25,065	$25,774	$26,869	$27,546	$2,481	9.9%
Debt Service						
Principal	$1,649	$2,024	$2,098	$2,074	$425	25.8%
Interest & Offsets	$2,569	$2,633	$2,996	$3,298	$729	28.4%
Subtotal Debt Service	$4,218	$4,657	$5,094	$5,372	$1,154	27.4%
FY 2007 BSA	($31)	$0	$0	$0	$31	(100.0%)
FY 2009 BSA	($2,264)	$0	$0	$0	$2,264	(100.0%)
Prepayments	($2,036)	$0	$0	$0	$2,036	(100.0%)
Debt Retirement						
Call 2009/2010 GO Debt	($277)	$0	$0	$0	$277	(100.0%)
Defease NYCTFA Debt	($382)	$0	$0	$0	$382	(100.0%)
Subtotal Debt Retirement	($659)	$0	$0	$0	$659	(100.0%)
Transfer for NYCTFA Debt Service**	($646)	$0	$0	$0	$646	(100.0%)
FY 2008 Redemption of certain NYCTFA Debt	$0	($35)	$0	$0	$0	
NYCTFA						
Principal	$505	$493	$598	$631	$126	27.5%
Interest & Offsets	$633	$660	$559	$527	($106)	(18.2%)
Subtotal NYCTFA	$1,138	$1,153	$1,157	$1,158	$20	1.8%
General Reserve	$300	$300	$300	$300	$0	0.0%
	$61,259	$68,863	$70,396	$73,405	$12,146	19.8%
Less: Intra-City Expenses	($1,669)	($1,583)	($1,586)	($1,590)	$79	(4.7%)
Total Expenditures	**$59,590**	**$67,280**	**$68,810**	**$71,815**	**$12,225**	**20.5%**
Gap To Be Closed	**$0**	**($4,925)**	**($4,994)**	**($5,633)**	**($5,633)**	**N/A**

NOTE: Revenues include PIT revenues retained for NYCTFA debt service. Expenditures include NYCTFA debt service.
**Includes transfer of $546 million to NYCTFA for FY 2010 NYCTFA Debt Service and a prepayment of $100 million for FY 2010 PIT supported NYCTFA debt service with Building Aid Revenue.

Table 2. Plan to Plan Changes
June 2009 Plan vs. May 2009 Plan

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
Revenues				
Taxes:				
General Property Tax	($30)	$0	$0	$0
Other Taxes	$27	($10)	($10)	($132)
Tax Audit Revenues	$0	$0	$0	$0
Miscellaneous Revenues	($1)	($98)	($75)	($71)
Unrestricted Intergovernmental Aid	$0	$0	$0	$0
Less: Intra-City Revenues	($68)	($58)	($62)	($66)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	($72)	($166)	($147)	($269)
Other Categorical Grants	$25	$0	$0	$0
Inter-Fund Revenues	$11	$4	$4	$4
Total City & Inter-Fund Revenues	($36)	($162)	($143)	($265)
Federal Categorical Grants	$178	$62	($5)	($5)
State Categorical Grants	($105)	($40)	$21	$24
Total Revenues	**$37**	**($140)**	**($127)**	**($246)**
Expenditures				
Personal Service				
Salaries and Wages	($27)	($286)	($266)	$13
Pensions	$200	$0	$0	$0
Fringe Benefits	($90)	($110)	($89)	($106)
Subtotal-PS	$83	($396)	($355)	($93)
Other Than Personal Service				
Medical Assistance	$0	$1	$1	$0
Pay-As-You-Go	$0	$0	$0	$0
Public Assistance	$0	$0	$0	$0
All Other	$462	$140	$122	$130
Subtotal-OTPS	$462	$141	$123	$130
Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	($126)	($10)	($1)	($1)
Subtotal Debt Service	($126)	($10)	($1)	($1)
FY 2007 BSA	$0	$0	$0	$0
FY 2009 BSA	($314)	$0	$0	$0
Prepayments	$0	$0	$0	$0
Debt Retirement				
Call 2009/2010 GO Debt	$0	$0	$0	$0
Defease NYCTFA Debt	$0	$0	$0	$0
Subtotal Debt Retirement	$0	$0	$0	$0
Transfer for NYCTFA Debt Service	$0	$0	$0	$0
Defeasance of certain NYCTFA Debt	$0	$530	$0	$0
FY 2008 Redemption of certain NYCTFA Debt	$0	$0	$0	$0
NYCTFA				
Principal	$8	($82)	($36)	($3)
Interest & Offsets	($8)	$82	$36	$3
Subtotal NYCTFA	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0
	$105	$105	$265	($233)
Less: Intra-City Expenses	($68)	($58)	($62)	($66)
Total Expenditures	**$37**	**$207**	**($295)**	**($30)**
Gap To Be Closed	**$0**	**($347)**	**$168**	**($216)**

Table 3. Risks and Offsets to the FYs 2010 – 2013 Financial Plan

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
City Stated Gap	**$0**	**($4,925)**	**($4,994)**	**($5,633)**
Tax Revenues				
Property Tax	($40)	($55)	$30	$70
Personal Income Tax	190	(95)	(160)	(335)
Business Taxes	375	185	(200)	(190)
Sales Tax	300	140	0	(84)
Real-Estate-Related-Taxes	435	575	655	650
Subtotal	**$1,260**	**$750**	**$325**	**$111**
Delay in Implementing Sales Tax Initiatives	**($60)**	**$0**	**$0**	**$0**
Expenditures				
Overtime	($137)	($100)	($100)	($100)
10% Health Insurance Premium Co-pay	0	(357)	(386)	(418)
New Pension Tier Proposal	0	(200)	(200)	(200)
Public Assistance Grant Increase	0	0	0	(50)
Judgments and Claims	33	88	148	213
GASB 49	0	(500)	(500)	(500)
Subtotal	**($104)**	**($1,069)**	**($1,038)**	**($1,055)**
Total Risk/Offsets	**$1,096**	**($319)**	**($713)**	**($944)**
Restated (Gap)/Surplus	**$1,096**	**($5,244)**	**($5,707)**	**($6,577)**

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II. The FY 2010 to FY 2013 Financial Plan

The FY 2010 Budget adopted on June 19, 2009 totals $59.59 billion, a reduction of $1.48 billion from FY 2009.[1] While the FY 2010 Budget is balanced, multi-billion dollar gaps loom in the outyears of the Financial Plan. Gaps of $4.925 billion, $4.994 billion and $5.633 billion are projected for FYs 2011, 2012 and 2013, respectively.

The national recession gripping the country continues to erode the City's revenue base. FY 2010 baseline tax revenues are expected to be $1.56 billion less than FY 2009. To alleviate the drop in tax revenues, the City is implementing several tax initiatives that are expected to generate $879 million in FY 2010.[2] Among these initiatives are an increase to the City's sales tax by 0.5 percentage points, a repeal of the sales tax exemption on clothing purchases of $110 and above, and the imposition of a sales tax on the purchase of electric and natural gas from non-utility companies.

While these tax initiatives will generate significant revenues for the City, the FY 2010 Budget is balanced primarily with prepayments of FY 2010 debt service and subsidies along with agency gap-closing initiatives. Since June 2008, the City has proposed agency gap closing initiatives that will reduce spending or enhance revenues, providing more than $2 billion of expected budget relief in FY 2010.[3]

Prepayments of FY 2010 debt service and subsidies have reduced FY 2010 expenditures by $5.636 billion, as shown in Table 4. Prepayments of debt service account for $4.77 billion of the reduction. They include FY 2009 prepayments of general obligation (G.O.) and New York City Transitional Finance Authority (NYCTFA) debt service, a FY 2008 prepayment of G.O. debt service, and defeasance of G.O. and NYCTFA debt in FY 2007.

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[1] Includes New York City Transitional Finance Authority (NYCTFA) debt service.

[2] Tax revenues from these initiatives are expected to total $877 million in FY 2011, $943 million in FY 2012, and $976 million in FY 2013.

[3] Almost $2 billion of the agency gap closing initiatives are from expenditure reductions. During the course of FY 2009, with the exception of the uniformed agencies and the Department of Education (DOE), all City agencies were directed to reduce their FY 2010 budgets by a total of 16 percent. Uniformed agencies and the DOE were directed to identify savings of 12.5 percent and 13.4 percent, respectively.

Table 4. Prior Year Actions that Reduce FY 2010 Expenditures

($ in millions)

FY 2009 Prepayment of G.O. Debt Service	$1,286
FY 2009 Prepayment of Lease Purchase Debt Service	110
FY 2009 Prepayment of NYCTFA Debt Service[a]	646
FY 2008 Prepayment of G.O. Debt Service[b]	2,036
FY 2007 Defeasance of G.O. and NYCTFA Debt Service	659
FY 2007 Prepayment of Lease Purchase Debt Service	31
Prepayment of Subsidies to Libraries	264
Prepayment of Subsidies to TA/MTA	294
Prepayment of Subsidies to HHC	85
Prepayment of Retiree Pay-As-You-Go Health Insurance	225
Total	**$5,636**

[a] Includes $100 million of prepayment of PIT supported NYCTFA debt service.

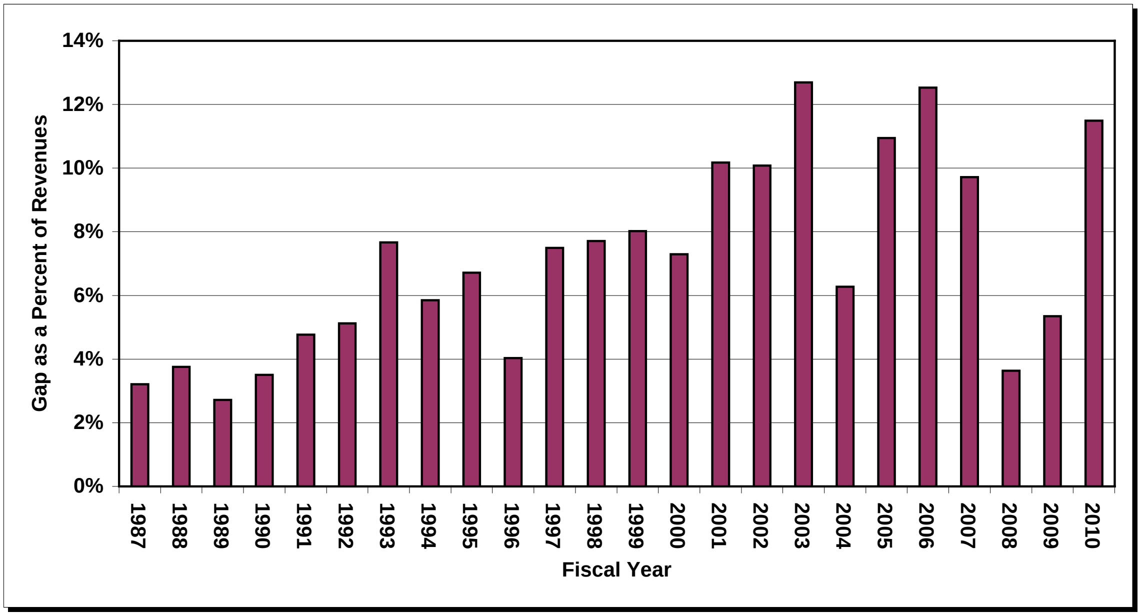
b Consists of $1.986 billion prepayment in FY 2008 and $50 million in interest savings.

The FY 2009 prepayments of FY 2010 expenditures are funded with surpluses accumulated in previous fiscal years. In each of FYs 2003 through 2008, the City's revenues exceeded expenditures, allowing the City to increase its prepayments from $681 million to $4.64 billion.[4] However, prepayments in FY 2009 dropped to $2.81 billion, indicating that approximately $1.8 billion of the accumulated surplus was needed for budget balance in FY 2009. The accumulated surplus will be exhausted in FY 2010 as there are no prepayments of outyear expenditures in the current Financial Plan.

The depletion of the surpluses accumulated in previous fiscal years presents a serious challenge to budget balance for outyears of the Plan. In fact, as shown in Chart 1, the FY 2011 gap as a percent of revenues is the third highest since FY 1987, when the control period under the Financial Emergency Act sunset. Only in the FYs 2003 and 2006 Adopted Budgets were the ensuing fiscal years' budget gaps as a percent of revenues higher. In FY 2006, higher than anticipated tax revenues from a healthy Wall Street and robust real estate market were significant in closing the FY 2007 gap. FY 2006 tax revenues were almost $4 billion more than projected at budget adoption which allowed the City to increase its prepayment of FY 2007 expenditures. In addition, FY 2007 tax revenues were more than $7 billion greater than projected in the June 2005 Financial Plan (for the FYs 2006 – 2009 Plan period).

[4] In any given fiscal year where revenues exceed expenditures, the prior year's prepayments of current year expenditure is not needed for budget balance and is therefore available for budget relief in the subsequent fiscal year in the form of higher prepayment.

Chart 1. **Ensuing Fiscal Year Budget Gap as a Percent of Projected Revenues at Budget Adoption**



However, the current recession all but rules out the possibility of substantial budgetary relief from a surge in tax revenues. Instead, the City will likely have to take drastic measures to balance the FY 2011 budget. The City faced a similar budget challenge in the aftermath of the terrorist attacks in September 2001. The FY 2004 gap as a percent of revenues in the June 2002 Financial Plan (for the FYs 2003 – 2006 Plan period) was 12.7 percent. To close the budget gap, the City implemented almost $8 billion of gap closing initiatives.

Risks and Offsets

As Table 3 on page 3 shows, the Comptroller's Office has identified additional resources of $1.1 billion in FY 2010 and risks of $319 million, $713 million, and $944 million in FYs 2011, 2012, and 2013, respectively. As a result, FY 2010 could end with a surplus of $1.1 billion. However, gaps in the outyears would widen to $5.2 billion in FY 2011, $5.7 billion in FY 2012, and $6.6 billion in FY 2013.

The additional resource in FY 2010 results from higher revenue forecast by the Comptroller's Office. The Comptroller outlook for the City's economy in FY 2010 is less pessimistic than the City's. As a result, the Comptroller's Office anticipates that tax revenues will be $1.26 billion above the City's projections. This higher tax revenue is tempered by risks to the City's expenditure estimates. As discussed in "Overtime" beginning on page 22, the Comptroller's Office estimates that overtime spending in FY 2010 will exceed the City's overtime budget by $137 million.

While the Comptroller's Office's economic outlook for FY 2010 is less pessimistic than the City's, the Office expects a slower recovery than the City. As a result, the Comptroller's projection of offsets to risks from higher tax revenues decline to $750 million in FY 2011, $325 million in FY 2012, and $111 million in FY 2013.

Risks to the City's expenditure estimates exceed $1 billion in each of the outyears. The City anticipates a combined savings of $557 million beginning in FY 2011 from proposals requiring employee contributions of 10 percent of health insurance premiums and restructuring pension benefits for new employees. The combined savings are expected to increase to $618 million by FY 2013. However these proposals require agreement by the municipal unions, and State legislative approval, respectively. The municipal unions have yet to indicate if they would agree to employee contributions towards health insurance premiums. While the State Legislature has introduced a pension reform bill for the State pension system that is similar to the City's proposal no action on the bill has been taken because of the stalemate in the State Senate. The passage of the State pension bill will have a significant impact on the success of the City's proposal.

The potential cost of funding pollution remediation out of the General Fund continues to pose a risk to the budget. As discussed in previous reports, Governmental Accounting Standards Board Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations, issued in November 2006, requires governments to treat pollution remediation as an operating expense. The New York State Financial Control Board passed a resolution on April 30, 2008 authorizing the City to delay the implementation of GASB Statement 49 until FY 2011. Because State law prohibits New York City from borrowing for operating expenses it will have to fund pollution remediation out of the General Fund. The City has estimated the cost of pollution remediation at $500 million annually. This amount is not included in the City's projections in the current Financial Plan.

III. The State of the Economy

A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2009-2013

The national and local economies continue on the path we described in the Comptroller's Comments on the Fiscal Year 2010 Executive Budget report, released in June 2009. The American economy appears to have remained in recession through the second quarter of 2009, although the data continue to suggest that a stabilization of the economy is underway. However, as the volatile but generally flattening stock indices of the intervening period suggest, there is widespread uncertainty about the timing of the eventual recovery and how vigorous it will be once it arrives.

During the second quarter indicators suggested a lessening of the recessionary momentum. Foremost among those indicators were the stock market indices, which showed gains of nearly 40 percent between the beginning of March and the beginning of June. The stock market is an important indicator of economic confidence as well as a source of wealth and a spur to spending. Various indicators of mortgage activity, home sales, and home prices have also shown some signs of stabilization or recovery. Consumer spending and retail sales, while sputtering, have not displayed the precipitous decreases of late 2009. Even auto sales, despite the disruptive bankruptcies of Chrysler and General Motors, show signs of improvement.

It also appears that the financial crisis is abating. In particular, banks that were required to raise new capital after the government stress tests have generally been able to do so, suggesting that investors have accepted the validity of the stress tests, and have concluded that the worst of the banking crisis is over. Technical indicators of financial market stress, such as the yield spread between AAA corporate bonds and 20-year Treasury bonds, also show an improving financial climate.

While the overall picture is that of recession gradually reaching its nadir, few of the indicators have yet convincingly signaled an imminent recovery. The combination of improved sectoral indicators with continued large-scale job contraction leads us to believe that the U.S. economy will continue to decline during the third quarter, but at a less alarming pace, and that an actual turnaround in the economy's trajectory will occur sometime during the second half of the year. Overall, 2009 will show the deepest reduction in Gross Domestic Product (GDP) of any calendar year in the postwar period. Moreover, the underlying economic problems that persist will not facilitate a quick "spring-back" in economic growth, as has often happened following sharp recessions in the past.

At the outset of the recession, many forecasters anticipated that New York, because of the concentration of financial services here, would bear the brunt of the downturn. Although the structure of the city's financial industry has been permanently altered and nearly 30,000 jobs in the sector have been lost, evidence is mounting that our city and region will be spared the worst. Thus far, the recession has hit the West and Upper Midwest the hardest, areas in which the financing and construction of new housing, and the production of autos and durable goods, were most important to regional economies. Through June, New York, New Jersey, and Connecticut each had unemployment rates below the national average. Although income and tax revenue declines have been significant, mostly because of the importance of investment income to individuals and businesses in our region, employment and paycheck incomes have held up relatively well.

As of June, 2009, NYC has lost over 110,600 payroll jobs, or 2.9 percent of its peak jobs total, reached in August, 2008. That compares to over 6 million jobs lost nationwide, representing 4.7 percent of the peak jobs total, reached in December, 2007.

The Comptroller's Office continues to project a decrease of 250,000 payroll jobs in the city from the cyclical peak in August 2008 through the expected trough in late 2010. Nevertheless, the city's economy, as measured by Gross City Product (GCP), is expected to underperform the national economy until 2013, primarily because of the large share of the city's output generated by the still-weakened financial sector. Table 5 compares the Comptroller's and Mayor's forecasts for the city.

Table 5. Forecasts of NYC GCP and Payroll Jobs Changes, 2009-2013

		2009	**2010**	**2011**	**2012**	**2013**
Change in GCP	Comptroller	(4.1%)	(2.9%)	0.7%	2.7%	3.0%
	City	(12.0%)	(1.9%)	3.2%	3.4%	2.2%
Change in Payroll Jobs, 000's	Comptroller	(110.0)	(87.0)	(7.0)	44.0	53.0
	City	(172.0)	(129.0)	9.0	39.0	42.0

Source: Comptroller=Forecast by the NYC Comptroller's Office. City=Forecast by the Mayor (Office of Management and Budget) in the Adopted Budget.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

Although New York's unique industry mix and combination of strengths and vulnerabilities produces a distinctive response to each national business cycle, the city's economic fortunes are inevitably tied to the nation's. The character of the national slump has determined the nature of the city's downturn and the timing and strength of the national recovery will set the pace for the city's. While there are signs that the nation's longest post-war recession is finally reaching a trough, there remain a number of economic pitfalls that, at best, will slow the pace of economic recovery and, at worst, may jeopardize the recovery entirely.

In the Comptroller's Comments on the Fiscal Year 2010 Executive Budget, the decline of real U.S. Gross Domestic Product was forecast at 3.3 percent during calendar year 2009. The Comptroller's Office is now anticipating a full-year decline of 3.1 percent. The change is entirely due to the recent Bureau of Economic Analysis (BEA) revision of first quarter GDP estimates to a slightly less disastrous 5.5 percent rate of decline. Otherwise our outlook has not changed; both the second and third quarters of the current year are expected to show negative GDP growth, with an actual turn-around in the national economy materializing sometime late in the year. The Comptroller's Office anticipates a very tepid recovery from the recession, however, with GDP growth not returning to its historical trend rate until 2013.

The most immediate obstacle to economic recovery is the continued high rate of job loss. While job losses nationwide eased from a monthly average of 691,000 in the first quarter to 436,000 in the second quarter, even the reduced level is disturbingly high and the moderating trend has not been sufficiently consistent to provide confidence of a stabilizing labor market. As long as substantial job losses continue, consumer spending will not recover and housing foreclosures, credit card delinquencies, and other problems impeding recovery will mount. Indeed, if the rate of job contraction does not abate soon, it is possible that the household income loss and associated erosion of consumer confidence will overwhelm the normal tendency of the economy to rebound, and further federal stimulus actions will become necessary. Even if the rate of job contraction slows significantly, as our forecast anticipates, it is likely that another "jobless" recovery will ensue, as has been the pattern in the aftermath of recent recessions.

Overall, the recovery from this recession is unlikely to be vigorous. During the years of excessive credit creation, American households increased significantly their indebtedness and are now engaged in a process of retrenchment. Between year-end 2004 and year-end 2007, the amount of mortgage debt outstanding on 1- to 4-family homes increased by 34.6 percent while consumer credit outstanding rose 17 percent. By 2008, the share of debtor households with debt-to-income ratios of over 40 percent had risen to 14.7 percent, compared to 11.8 percent in 2001. The credit expansion allowed personal consumption expenditures to increase at an annual rate of 5.5 percent from 2001 to 2007, even though personal income rose only 5.0 percent annually. As many households now struggle to reduce their indebtedness while many others find it difficult to obtain credit, total consumer credit outstanding has been declining and personal consumption growth will be limited to the rate of income growth, or possibly even less. That will deprive the recovery of the type of consumption surge that has fueled the early stages of past expansions.

While it currently appears that the worst of the banking crisis has passed, the financial system remains fragile and many important credit channels remained impaired or inoperative. Of particular importance is the market for commercial real estate loans. The market for new commercial real estate mortgage-backed securities (CMBS) has completely shut down, and many commercial and savings banks, traditional lenders to the real estate industry, are hesitant to add to their portfolios of commercial real estate loans. Yet, some $800 billion of CMBS will need to be refinanced in coming years, and if the economy is to function normally, new commercial real estate projects will also need to be financed. The Federal Reserve is attempting to re-start commercial real estate lending through its Term Asset-Backed Securities Loan Facility (TALF), but it remains to be seen how successful those efforts will be. Moreover, the CMBS problem is only one of a number of urgent credit issues.

Another significant factor is international trade. The International Monetary Fund (IMF) recently predicted that global economic activity would decline 1.4 percent in 2009, making it the deepest global recession since World War II. Moreover, growth in America's major trading partners, including the Euro area countries, the United Kingdom, Japan, and Mexico, is expected to be weak in 2010. Consequently, domestic businesses can expect little boost from export demand during the next two years.

The Comptroller's Office anticipates an unusually weak national economic recovery to begin in late 2009, with GDP growth gradually approaching its long-term trend rate by 2013. The city is likely to remain in recession through 2010 while the national recovery builds momentum.

Table 6. Forecasts of Real GDP and Payroll Jobs, Percent Change, 2009-2013

		2009	**2010**	**2011**	**2012**	**2013**
Change in GDP, Percent	Comptroller	(3.1)	0.4	2.3	2.8	3.0
	City	(3.5)	1.4	3.5	4.0	3.3
Change in Payroll Jobs,	Comptroller	(4.1)	(1.5)	1.6	2.0	2.0
Percent	City	(3.6)	(0.8)	1.5	2.4	2.2

Source: Comptroller=Forecast by the NYC Comptroller's Office. City=Forecast by the Mayor (Office of

IV. Revenue Assumptions

The FY 2010 Adopted Budget anticipates total revenues will decrease by 2.4 percent in FY 2010 to $59.6 billion. The decline reflects the City's projection of a further decline in non-property tax collections resulting from the slowdown in the national and local economies as well as an expected decline in miscellaneous revenue collections and State categorical grants in FY 2010. The Financial Plan forecasts revenue growth to resume in FY 2011 with year-over-year revenue growth of 4.6 percent, 2.3 percent and 3.7 percent in FYs 2011, 2012 and 2013, respectively. Tax revenues are expected to comprise 59 percent of total anticipated revenues in FY 2010 and over 63 percent in FY 2013. Over the Plan period, property tax revenues are expected to grow 12.6 percent while non-property tax revenues are expected to grow 23.3 percent.

Miscellaneous Revenues (excluding intra-City revenues) are projected to decline 8.6 percent in FY 2010 and another 2.4 percent over the Plan period mainly due to an expected drop in the level of non-recurring resources. State categorical grants are expected to increase by 13 percent by 2013 mostly due to an increase in projected education aid, while federal categorical grants are projected to decline 19 percent by FY 2013, reflecting the termination of the federal stimulus funds after FY 2011.

Tax Revenues

The FY 2010 Adopted Budget projects total tax revenue of $35.3 billion for FY 2010, including tax programs. Total tax revenues are expected to reach $38.1 billion in FY 2011, $40.1 billion in FY 2012, and $41.8 billion in FY 2013.[5] The average yearly growth in total tax revenue is forecast at 3.8 percent from FY 2009 to FY 2013. Excluding the effects of the tax programs, total tax revenue would amount to $34.4 billion in FY 2010, $37.2 billion in FY 2011, $39.2 billion in FY 2012, and $40.8 billion in FY 2013.

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

Table 7. NYC Tax Revenues, City Forecast, FYs 2009-2013

($ in millions)

	Forecast Annual Revenues					Change	Average Annual Growth
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FYs 2009-13**	**FYs 2009-13**
With Tax Programs	$35,989	$35,310	$38,052	$40,116	$41,803	$5,814	3.8%
Without Tax Programs	$35,989	$34,431	$37,175	$39,173	$40,827	$4,838	3.2%

SOURCE: NYC Office of Management and Budget.

Tax Program

The Adopted Budget and Financial Plan contain a number of tax initiatives proposed since May 2009 that raised business and sales tax revenue estimates.

- In the Adopted Budget the City proposed a sales tax on electric and natural gas transmission and distribution. The City expects this initiative to increase sales tax revenue by $83 million in FY 2010, $84 million in FY 2011, $87 million in FY 2012, and $89 million in FY 2013.

- In the Adopted Budget, the City proposed a conformity package which includes loophole closers that will bring City tax policy in line with State policy. The package is expected to increase overall tax revenues, but will also reduce taxes on businesses headquartered in New York City (NYC) by moving to a Single Sales Factor system of corporate taxation and by eliminating or lowering unincorporated business taxes for small businesses. The program increases tax revenue forecasts by $159 million in FY 2010, $132 million in FY 2011, $153 million in FY 2012, and $140 million in FY 2013.

In addition, projections of revenue from two sales tax initiatives proposed in the Executive Budget, repeal of the sales tax exemption on clothing and footwear purchases and an additional 0.5 percent sales tax increase, have been reduced by a total of $1.33 billion over the Plan period. The bulk of this decrease is due to the fact that the State approved the repeal of the exemption of sales tax only on clothing and footwear purchases of $110 or more. This reduced the expected revenues from this initiative by $1.19 billion over the Plan period.

Part of the reductions in the sales tax program is offset by the new tax programs contained in the Adopted Budget. As a result, in total, the current tax initiatives are expected to result in $879 million in revenues in FY 2010, $877 million in FY 2011, $943 million in FY 2012, and $976 million in FY 2013. This projection represents a net reduction $407 million from FY 2010 to FY 2013 compared to the Executive Budget.

Changes in Tax Revenue Forecasts

Since the Executive Budget, total forecasted tax revenue has been reduced by $727 million in FY 2009, $3 million in FY 2010, $10 million in FY 2011, $10 million in FY 2012, and $132 million in FY 2013, as shown in Table 8. Most of these revisions reflect adjustments in the City tax program and City/State offsets.

Forecast real property tax revenues have decreased by $37 million in FY 2009 and $30 million in FY 2010, while remaining unchanged for the rest of the Plan period compared to the Executive Budget. The FY 2010 Final Assessment Roll released on May 28, 2009 revealed that citywide market value declined for the first time since FY 1995. The 1.9 percent dip to $795.7 billion reduces total market value below the level reached two years ago.

The estimate for FY 2010 PIT revenues has been increased by $94 million. The City's previous projections had assumed a $94 million offset to PIT revenues in each of FYs 2010 through 2012 to account for adjustment to the State's remittance of PIT to the City. The $94 million increase reflects the acceleration of these outyear adjustments to FY 2009.[6]

In the Adopted Budget and Financial Plan, forecasts for sales tax revenue have been reduced by $226 million, $236 million, $257 million, $272 million for FYs 2010, 2011, 2012, and 2013, respectively. These changes reflect downward revisions of the additional revenues projected from the additional 0.5 percentage point sales tax rate increase and only a partial repeal of the sales tax exemption on clothing and footwear purchases, limited to purchases of more than $110. These reductions were partially offset by a new proposal to apply the full City sales tax to electric and natural gas customers that purchase energy from non-utility companies.

The business tax revenue projection has increased $159 million for FY 2010, $132 million for FY 2011, $153 million for FY 2012, and $140 million for FY 2013 from the May 2009 Plan. These increases are due to a new tax conformity package, which includes loophole closers, as well as the elimination or reduction of the UBT for eligible businesses. The City made no other significant changes in the forecast of business taxes.

The City also reduced its real-estate-related tax forecast $87 million for FY 2009, based on the actual collections in the first 11 months of the fiscal year.

[6] The FY 2009 forecast for PIT has been reduced by $589 million. Of this total, $420 million represents a correction to the State's remittance of net PIT revenue due to the City.

Table 8. Changes in NYC Tax Revenues, June 2009 vs. May 2009

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Property	($37)	($30)	$0	$0	$0
PIT	(589)	94	94	94	0
Business	1	159	132	153	140
Sales	(6)	(226)	(236)	(257)	(272)
Real-Estate-Related	(87)	0	0	0	0
All Other	(9)	0	0	0	0
Total Change	**($727)**	**($3)**	**($10)**	**($10)**	**($132)**

SOURCE: NYC Office of Management and Budget.

City Estimates of Growth in Tax Revenues

Total tax revenues are projected to increase $5.8 billion from FY 2009 to FY 2013, reflecting an average annual growth rate of 3.8 percent. Included in these are projections of additional revenues from sales and business tax initiatives. Without these tax initiatives, projected tax revenues would grow $4.8 billion, or 3.2 percent annually.

Projected FY 2010 real property tax revenue of $16.25 billion is 11.9 percent more than FY 2009. Property tax revenue continues to grow annually throughout the Plan period, although at declining rates of 6.6 percent, 3.4 percent, and 2.2 percent in FYs 2011, 2012 and 2013 respectively, as shown in Table 9. Projected annual average revenue growth from FYs 2009 to 2013 is 6.0 percent.

Non-property tax revenues are forecast to decline 11.2 percent in FY 2010, before rebounding in FYs 2011 to 2013. The City expects the non-property tax revenues to grow at an average annual rate of 2.3 percent in the Plan period. Non-property tax revenues are not expected to recover to their FY 2008 levels during the entire Plan period.

PIT revenue is forecast to grow 2.8 percent annually over the Financial Plan period. The City expects PIT revenues to decline 22.6 percent and 12.1 percent in FYs 2009 and 2010, before recovering to an annual growth of 13.6 percent, 6.3 percent, and 5.4 percent in FYs 2011 through 2013, respectively. This is based on the City's positive forecast of the local employment and wage rate for the outyears. Due to the sharp declines in FYs 2009 and 2010, the PIT revenue in FY 2013 will still be lower than its FY 2008 level.

Business tax revenues are projected to drop 7.4 percent in FY 2009 and 17.9 percent in FY 2010, before rising 11.3 percent, 12.8 percent, and 6.9 percent in FYs 2011 to 2013, respectively. This forecast follows the pattern of the City's forecast on GCP and personal income, with growth resuming in FY 2011. While the annual growth rate of business tax revenue is expected to average 2.4 percent during the Plan period, business tax revenue will not exceed its FY 2008 level until FY 2013.

Sales tax revenues, with the tax program, are expected to grow on average by 4.6 percent annually in FYs 2009 to 2013. Sales tax revenue is projected to decline 4.0 percent in FY 2009, followed by four consecutive years of growth. This growth is driven by the sales tax program and the anticipated improvement of the national and local economies. Sales tax revenues in FY 2011 and beyond are expected to exceed those of FY 2008. Without the tax program, sales tax revenue is expected to drop in FY 2010, followed by growth in the outyears.

The City expects the level of real-estate-related taxes to drop 50.5 percent and 13.6 percent in FYs 2009 and 2010, followed by growth of 10.3 percent, 9.2 percent, and 13.6 percent in FYs 2010-2013, respectively. The projected declines in FYs 2009 and 2010 are based on the City's forecasts of declines in residential and commercial transactions in those years. After this record decline and moderate recovery, the anticipated real-estate-related tax revenues in FY 2013 will still be lower than their FY 2008 level.

Table 9. Tax Revenues Forecast, Growth Rate, City Forecast, FYs 2009-2013

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Average Annual Growth
Property	10.0%	11.9%	6.6%	3.4%	2.2%	6.0%
PIT	(22.6%)	(12.1%)	13.6%	6.3%	5.4%	2.8%
Business	(7.4%)	(17.9%)	11.3%	12.8%	6.9%	2.4%
Sales	(4.0%)	2.4%	3.4%	6.2%	6.4%	4.6%
Real-Estate-Related	(50.5%)	(13.6%)	10.3%	9.2%	13.6%	4.3%
All Other	0.4%	(18.4%)	0.8%	(0.2%)	(0.3%)	(4.9%)
Total Change	**(7.2%)**	**(3.8%)**	**7.8%**	**5.4%**	**4.2%**	**3.8%**

SOURCE: NYC Office of Management and Budget.

Comptroller's Forecasts of Tax Revenues

The City has not made significant changes in its tax revenue forecasts since the Executive Budget, except for some adjustments on the tax programs and PIT offsets. Based on current year collections and economic growth projections, the Comptroller's Office estimates the risks and offsets to the City's tax revenue assumptions. The Comptroller's Office expects a total of $2.4 billion in additional tax revenues in FYs 2010 through 2013.

The Comptroller's Office forecasts risks for the real property tax revenues in FYs 2010 and 2011 of $40 million and $55 million respectively, as shown in Table 10. For the last two years of the Plan period, the Comptroller's Office forecasts offsets of $30 million and $70 million, respectively, reflecting the Comptroller's Office belief in an improving real estate market in the outyears.

The Comptroller's Office expects additional revenues of $865 million, and $230 million in FYs 2010 and FY 2011, and risks of $360 million, and $609 million in FYs 2012 and 2013, respectively, for the economically sensitive PIT, business taxes, and sales tax. This forecast stems from the Comptroller's less pessimistic near-term outlook for the economy, which helps bolster tax revenues through FY 2011. Furthermore, the Comptroller expects real-estate-related taxes to exceed the City's projections throughout the Plan period. However, the Comptroller expects a slower recovery from the current recession than the City's forecast, depressing tax revenue collections in FY 2012 and FY 2013.

The Comptroller's Office forecasts additional revenues from real-estate-related taxes of $435 million in FY 2010, $575 million in FY 2011, $655 million in FY 2012, and $650 million in FY 2013. These forecasts reflect the Comptroller's expectation that financing availability for residential and commercial real estate transactions will gradually improve as the credit crisis of 2008-2009 slowly abates.

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

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Property	$0	($40)	($55)	$30	$70
PIT	(20)	190	(95)	(160)	(335)
Business	(85)	375	185	(200)	(190)
Sales	(90)	300	140	0	(84)
Real-Estate Related	0	435	575	655	650
Total	**($195)**	**$1,260**	**$750**	**$325**	**$111**

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

Miscellaneous Revenues

Miscellaneous revenues consist of locally-raised non-tax revenues, including fees charged for licenses, franchises and permits, charges for municipal services, fines, rental income, water and sewer revenues and other miscellaneous sources of funds. The FY 2010 miscellaneous revenue projection included in the City's FY 2010 Adopted Budget and Financial Plan anticipates a $400 million decline from FY 2009. The $4.3 billion forecast is slightly lower than the Executive Budget estimate mainly because of the removal of the proposal to impose a fee on plastic bags, which failed to gain State legislative approval. The year-over-year decline in miscellaneous revenue projection is primarily due to a loss of non-recurring revenue streams in FY 2010, including $113 million in FICA refund payments and $220 million in refunds of prior year health insurance excess premium payments.[7]

Table 11. City Forecast of Miscellaneous Revenues

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Licenses, Franchises, Permits	$487	$479	$484	$488	$488
Interest Income	124	30	43	99	128
Charges for Services	655	674	659	659	659
Water and Sewer	1,301	1,369	1,340	1,356	1,368
Rental Income	253	220	214	214	214
Fines and Forfeitures	798	899	887	865	864
Other Miscellaneous	1,089	633	505	483	481
Total Miscellaneous Revenues	**$4,707**	**$4,304**	**$4,132**	**$4,164**	**$4,202**

SOURCE: NYC Office of Management and Budget.

[7] Miscellaneous revenue projections exclude private grants and intra-City revenues.

As Table 11 shows, water and sewer revenues are expected to represent the largest component of miscellaneous revenues throughout the Plan period. However, the bulk of these revenues are dedicated to the cost of providing water and sewer services and, therefore, are not available for general operating purposes.

Revenues from fines and forfeitures are expected to reach $900 million in FY 2010. This category has nearly doubled over the last decade. In addition to increases in the dollar amount of fines, the City has stepped up enforcement, especially of parking violations. Parking fine revenue, which currently comprises over 70 percent of this category, has grown steadily over the past 10 years due to an increase in parking violation fines, a rise in the number of traffic enforcement agents, and improvement in parking enforcement technology. In addition, in FY 2009, "block the box" violations were reclassified as parking violations and related fine revenues incorporated into parking fine revenues.

The category "other miscellaneous" which includes sale of City property, mortgages, cash recoveries and other revenues shows a 42 percent decline in FY 2010. The sharp drop is due to the above mentioned loss of non-recurring resources from FICA and health insurance refunds from excess health insurance premium payments. This category is projected to decline further in the outyears of the Plan.

Interest Income is projected to fall 76 percent in FY 2010, after falling nearly 70 percent in FY 2009. These projections reflect the decline in short-term interest rates and the City's expectation of lower cash balances. In the last two years of the Financial Plan, the City anticipates interest income will begin to recover as short-term interest rates are expected to rise. Total miscellaneous revenue is expected to remain flat at around $4.2 billion in the outyears of the Plan.

Federal and State Aid

In the Adopted Budget, Federal and State aid are projected to total $18.11 billion, comprising about 30 percent of the City's revenue budget. Projected grants in FY 2010 are almost $400 million lower than the $18.49 billion expected in FY 2009 mainly due to declining State support for welfare and education, partly offset by additional Federal funds provided under the economic stimulus plan. Over the remainder of the Plan, Federal and State grants are expected to rise to $18.36 billion in FY 2011 before dropping to $17.74 billion in FY 2012 primarily from the termination of Federal stimulus funds. Federal and State support, as a result, would fall from 30 percent of overall revenues in FY 2011 to about 28 percent in FY 2012. The proportion will remain at this level in FY 2013 even with a projected recovery to $18.38 billion because of a similar rebound in City revenues by the end of the Plan.

The Adopted Budget reflects a net increase of $73 million in Federal and State grants. This change includes an increase of $178 million in Federal funds, offset by a decline of $105 million in State aid. A revision of expected Federal stimulus funds has added another $134 million to the $1.04 billion assumed in the Executive Budget. The key component is an additional $64 million in education funding that also extends to

FY 2011, bringing the stimulus support for education to over $1 billion annually in FYs 2011 and 2012. The other notable change is an increase of $60 million in job training grants under the stimulus package. The decline in State aid is mainly attributable to a change in the timing of school building aid that is now recognized in FY 2009. In the outyears, the June Plan reflects only modest increases in Federal and State grants averaging almost $20 million annually on a net basis.

Combined with offsets from the increased Federal Medicaid funding match, the stimulus plan would provide a total benefit of $2.03 billion to the City's budget in FY 2010. An additional $1.35 billion in assistance is expected to materialize in FY 2011 and FY 2012 under the stimulus plan. This raises the total stimulus benefit in FYs 2009-2012 to $3.83 billion, an increase of $207 million compared to the May Plan estimate of $3.63 billion.

V. Expenditure Analysis

City-funds expenditures in the FY 2010 Adopted Budget, including NYCTFA debt service, total $41.5 billion, a moderate decrease of $36 million from the Executive Budget. However, as Table 12 shows, FY 2010 estimated spending is reduced by a $315 million increase in the FY 2009 Budget Stabilization Account (BSA) to prepay FY 2010 expenses. Adjusting for the increase in prepayments, FY 2010 Adopted Budget expenditures are $279 million higher than in the Executive Budget.

Table 12. Changes to the FY 2010 Expenditure Estimates

($ in millions)

City Council Initiatives and Restorations	$364
Delay in Tier 5 Pension Legislation	200
MTA Payroll Tax	43
Debt Service Savings	(118)
Fringe Benefits Re-Estimate	(113)
Labor Reserve Re-Estimate	(200)
Other Agency Expense Change	103
Subtotal	**$279**
Increase in FY 2009 BSA	(315)
Total Change	**($36)**

In addition to the increase in prepayments, reductions in the estimates for debt service, fringe benefits and labor reserve help offset spending increases due to City Council initiatives, elimination of the expected FY 2010 savings from proposed pension reform, revisions to agency spending, and the MTA payroll tax. More than half the debt service savings is due to the removal of $74.6 million in interest cost associated with Revenue and/or Tax anticipation notes (RANs/TANs) from the debt service projections.

As has typically been the case over the past several years, at budget adoption the City has removed from the debt service budget short-term note interest expense related to the issuance of RANs/TANs. The City's cash position has obviated the need for short-term borrowing since 2004. Given the current economic uncertainties, however, the Comptroller's Office has not determined the FY 2010 need for short-term borrowing at this time.

The Plan continues to carry the $74.6 million through the outyears of 2011-2013. The assumptions underlying this expense item should be revisited. The expense includes costs related to three seasonal borrowings totaling $2.4 billion, at an interest rate of 4.25 to 4.3 percent. Typical cash-flow patterns suggest that any potential need for short-term borrowing would be limited to one issuance covering the normal low-balance period of mid-December. Short-term interest rates, even in the current environment, have been considerably lower than assumed in the Plan.

Overtime

Projected overtime spending in the FY 2010 Adopted Budget totals $815 million, relatively unchanged from the FY 2010 Executive Budget. The projection includes a $6 million downward revision in overtime projections for uniformed employees at the Police Department (NYPD). The department expects to achieve these savings from unspecified agency-wide initiatives aimed at lowering overtime spending. However, this reduction is offset by upward revisions of approximately $5 million in overtime spending in various agencies.

The current FY 2010 overtime estimate is about 12 percent or $113 million lower than the FY 2009 forecast of $928 million. Overtime spending has grown annually at an average rate of 4.7 percent over the last five fiscal years. While growth in overtime spending in FY 2010 would likely be tempered by initiatives to curb overtime spending such as a 10 percent reduction in administrative uniformed overtime at the Fire Department and management proposals at the Department of Correction (DOC) to lower overtime expenditures, it is unlikely that FY 2010 overtime spending will be less than in FY 2009. The Comptroller's Office estimates that FY 2010 overtime spending will be at least $953 million, $25 million more than FY 2009 and $138 million above the City's estimate, as shown in Table 13.

Table 13. Projected Overtime Spending, FY 2010

($ in millions)

	City Planned Overtime FY 2010	Comptroller's Projected Overtime FY 2010	FY 2010 Risk
Uniformed Forces			
Police	$328	$420	($92)
Fire	147	147	0
Correction	59	90	(31)
Sanitation	56	56	0
Total Uniformed Forces	$590	$713	($123)
Others			
Police-Civilian	$45	$60	($15)
Admin for Child Svcs	13	13	0
Environmental Protection	21	21	0
Transportation	30	30	0
All Other Agencies	116	116	0
Total Civilians	$225	$240	($15)
Total City	**$815**	**$953**	**($138)**

NOTE: The Comptroller's overtime projection assumes that the City will be able to achieve some offsets to overtime spending from personal services savings.

The greatest risk to the City's overtime budget lies in overtime spending on uniformed police officers. The Comptroller's Office estimates that uniformed police officers overtime spending will exceed the City's estimate by $92 million while civilian overtime spending in the NYPD will be $15 million more than the City's estimate in

FY 2010. Over the last two fiscal years the NYPD has spent an average of $386 million for uniformed employees' overtime and $65 million for civilian employees' overtime. The overtime spending trend through May 2009 suggests that the NYPD will spend about $410 million for uniformed employees' overtime and $69 million for civilian employees' overtime in FY 2009. The Comptroller's Office estimates that FY 2010 overtime spending in the NYPD will total about $420 million for uniformed employees and $60 million for civilian employees.

The DOC has seen the cost of uniformed overtime spending increase steadily over the last several fiscal years to $98 million in FY 2008. The Department has spent $81 million on uniformed overtime for the first eleven months of FY 2009 and will likely spend about $90 million for the full fiscal year. The Comptroller's Office estimates that the Department will spend about the same amount for uniformed officers' overtime in FY 2010 due to on-going recruitment and management initiatives and a relatively constant level of the average daily inmate population.

Labor

The City's labor reserve totals $424 million in FY 2009, $746 million in FY 2010, $1.033 billion in FY 2011, $1.425 billion in FY 2012, and $1.731 billion in FY 2013. The balance mainly reflects funds for wage increases for unions that have not yet reached contract agreements with the City such as the United Federation of Teachers (UFT) and the Council of School Supervisors and Administrators (CSA). The employees represented by these unions are expected to receive wage increases patterned after contracts agreed to by the other major unions for a two-year contract of 4.0 percent increase on the first day of the contract and another 4.0 percent on the first day of the thirteenth month. Additionally, the City has reserved annual wage increases of approximately 1.25 percent for all employees following this round of collective bargaining agreements.

Since the FY 2010 Executive Budget, the balance in the labor reserve has been lowered by $200 million in FY 2010 and $279 million in each of FYs 2011 and 2012. Funds needed for wage increases in these fiscal years from the current round of collective bargaining are expected to be less than initially anticipated, due mainly to headcount reductions. Also, $8 million in FY 2009 and $23 million in each of FYs 2010 through 2013 were transferred from the labor reserve to various agencies to fund wage increases agreed to by employees whose unions have reached contract agreements.

As mentioned in The Comptroller's Comments on the Fiscal Year 2010 Executive Budget, a few of the major unions' contracts will expire in 2010. The District Council (DC37) current contract will expire on March 2, 2010. Contracts will also expire in the second half of 2010 for the Communications Workers of America (CWA), Organization of Staff Analysts (OSA), Uniformed Firefighters' Association (UFA), and the Patrolmen's Benevolent Association (PBA). Each additional percentage point wage increase above the funded amount for these employees will cost the City approximately $96 million.

The City recently granted wage increases of 8.16 percent compounded over two years for City managers and non-union City employees. The first increase of 4.0 percent is retroactive to March 3, 2008 and the second 4.0 percent is retroactive to March 3, 2009. These increases are patterned after the DC37 contract. The current balance on the labor includes funding for these increases.

Pensions

The FY 2010 Adopted Budget projects that the City's pension contributions will increase at an average annual rate of 4.6 percent from $6.268 billion in FY 2009 to $7.507 billion in FY 2013. This projection includes an annual reserve of $200 million beginning in FY 2011 to fund increased contributions from potential changes in actuarial assumptions and methods. Offsetting the expected increased contributions are anticipated annual savings of $200 million, also beginning in FY 2011, from a proposal to reform pension benefits for new employees. The proposal, which calls for a modification of the pension benefits structure for new employees, would require civilian workers to contribute to the pension plan for all years of service and for uniformed employees to work at least twenty-five years and be at least fifty years old to qualify for full pension. Current uniformed employees are eligible for full pension benefits when they reach twenty years of service, regardless of age.

The United Federation of Teachers (UFT), the union representing pedagogical employees, recently agreed to restructure pension benefits for new employees. The proposed agreement, which requires the State's approval, is similar to a pension reform bill introduced by the State Legislature. Under the agreement, employees represented by the UFT will keep the right to retire at age 55. However, they will vest in the retirement system after ten years of service compared to five years of service currently and qualify for retirement health benefits after fifteen years of service compared to ten years of service currently. Additionally, employees will contribute 4.85 percent of their pay to their pensions for 27 years, when the payments would drop to 1.85 percent. Currently, employees pay 4.85 percent for just 10 years, before the payment decreases to 1.85 percent.

The current pension projections for FY 2011 and the remaining outyears of the Financial Plan will likely be revised later in FY 2010 to reflect actual FY 2009 pension investment returns. The City's projections include $431 million in FY 2011, $794 million in FY 2012 and $1.173 billion in FY 2013 to phase-in expected FY 2009 investment losses. The City is required to phase-in over a seven-year period investment returns above or below the actuarial investment return assumption (AIRA) of 8.0 percent. The City's projections assume investment losses of 20 percent, 28 percent below the AIRA of 8.0 percent. Preliminary estimates indicate that the five actuarial pension funds experienced an aggregate investment loss of approximately 18 percent for FY 2009. As such, the City's pension expenditures will likely be lower by $30 million in FY 2011, $56 million in FY 2012, and $84 million in FY 2013.

Health Insurance

The City expects to spend $3.524 billion in FY 2010 for pay-as-you-go health insurance for active employees and retirees, $138 million more than estimated for FY 2009. The FY 2010 projection reflects an FY 2009 prepayment of $225 million of FY 2010 retiree pay-as-you-go health insurance. Similarly the City prepaid $460 million of FY 2009 pay-as-you go retiree health insurance premium in FY 2008. Adjusted for these prepayments, FY 2010 health insurance costs are expected to be $3.749 billion, an increase of $128 million from FY 2009, as shown in Table 14.

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

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Department of Education	$1,397	$1,535	$1,652	$1,662	$1,745
CUNY	37	40	43	47	47
All Other	1, 952	1,949	1,725	1,713	2,622
Total Pay-As-You-Go Health Insurance Costs	$3,386	$3,524	$3,420	$3,422	$4,414
FY 2008 prepayment	460	0	0	0	0
FY 2009 prepayment	(225)	225	0	0	0
Total Adjusted for prepayments	$3,621	$3,749	$3,420	$3,422	$4,414

The City and the municipal unions reached an agreement to restructure health benefits to City employees. The City had previously assumed annual savings of $200 million beginning FY 2010 from unspecified health insurance structuring. With the recent agreement, the City has revised the estimated savings to $200 million in each of FYs 2010 and 2011 and $150 million annually in FYs 2012 and 2013. The highlights of the 2009 Health Benefits Agreement includes savings from the HIP/HMO program whereby the preventive dental rider will be eliminated from the base program, a $100 co-payment will be established for each in-patient facility admission, and a $50 co-payment will apply to both ambulatory surgery facility treatment and a hospital emergency room visit if the patient is not admitted. There will also be savings realized from the GHI-CBP/Blue Cross and GHI/Blue Cross Senior Care program through the implementation of a $50 co-payment for a hospital emergency visit if the patient is not admitted and other productivity initiatives. The agreement also calls for the establishment of a Health Benefits Subcommittee to explore other efficiencies and productivity programs that would reduce costs in the future.

To further reduce health insurance cost, the City has proposed a 10 percent contribution from active and retired members toward their coverage that would reduce the City's share of health insurance expenditures by $357 million in FY 2011, $396 million in FY 2012, and $418 million in FY 2013. This measure has to be approved by the municipal unions before it can be implemented. Additionally, the City will also use $1.15 billion of funds previously accumulated in the Retiree Health Benefits Trust (RHBT) to pay retiree pay-as-you-go health insurance cost for FYs 2010 through 2012. The savings from the reduced health insurance cost will be used to fund additional pension contributions as a result of investment losses from the financial market crisis.

Headcount

City-funded full-time headcount has remained virtually unchanged since the Executive Budget, totaling 243,111 as of May 31, 2009. Table 15 shows the current FY 2010 forecast of 234,387 employees, which is 3.0 percent below the current FY 2009 estimate of 241,223. Headcount is expected to remain relatively stable in FY 2011, and then drop by more than 13,000 in FY 2012 when the Federal Stimulus Package expires. The City expects to reinstate approximately 10,000 of these full-time positions by the end of FY 2013.[8]

The decrease in the planned headcount from June 30, 2009 to June 30, 2010 can be attributed to Program to Eliminate the Gap (PEGs) that will be implemented in FY 2010. These PEGs include attrition, vacancy reductions, and layoffs, many of which are discussed in the Comptroller's Comments on the Fiscal Year 2010 Preliminary Budget and the Comptroller's Comments on the Fiscal Year 2010 Executive Budget. The agencies expected to absorb the biggest cuts are the NYPD (2,528), the Department of Education (720), the Administration for Children's Services (629), the Department of Social Services (606), the Department of Correction (464), the Department of Homeless Services (337), the Department of Parks and Recreation (247), and the Department of Sanitation (242).

The June 2009 Financial Plan has 1,458 more full-time positions in FY 2010 than the May 2009 Financial Plan, largely funded by savings from health insurance restructuring. Nearly 400 layoffs were averted at the NYPD, while another 400 jobs were spared at the Fire Department, as fire-company closures have been deferred until FY 2011. Technical adjustments at DOE, and other restorations at ACS account for most of the remainder.

[8] These year-over-year changes in FY 2012 and FY 2013 planned headcount are predominantly at the Department of Education as discussed in the Comptroller's Comments on the Fiscal Year 2010 Executive Budget.

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

	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical				
Dept. of Education	94,690	94,676	80,827	90,601
City University	2,656	2,656	2,656	2,656
Sub-total	**97,346**	**97,332**	**83,483**	**93,257**
Uniformed				
Police	33,217	34,109	35,002	35,284
Fire	11,172	10,772	10,772	10,772
Corrections	8,168	7,896	7,896	7,896
Sanitation	7,234	7,319	7,291	7,291
Sub-total	**59,791**	**60,096**	**60,961**	**61,243**
Civilian				
Dept. of Education	8,363	7,907	7,904	7,904
City University	1,614	1,475	1,475	1,475
Police	14,023	13,978	13,978	13,978
Fire	4,708	4,708	4,708	4,708
Corrections	1,449	1,430	1,430	1,430
Sanitation	1,871	1,917	1,917	1,917
Admin for Children's Services	6,073	5,963	5,963	5,963
Social Services	10,740	10,734	10,734	10,734
Homeless Services	1,884	1,927	1,914	1,915
Health and Mental Hygiene	3,863	3,893	3,892	3,892
Finance	2,074	2,056	2,038	2,038
Transportation	2,104	2,200	2,186	2,206
Parks and Recreation	2,849	2,887	2,887	2,887
All Other Civilians	15,635	15,148	15,067	15,069
Sub-total	**77,250**	**76,223**	**76,093**	**76,116**
Total	**234,387**	**233,651**	**220,537**	**230,616**

As shown in Table 16, City-funded full-time equivalent (FTE) headcount is expected to be approximately 26,300 in each of FYs 2010 through 2013, consistent with the May 209 Financial Plan.

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

	FY 2010	FY 2011	FY 2012	FY 2013
Pedagogical				
Dept. of Education	1,053	1,053	1,053	1,053
City University	1,393	1,393	1,393	1,393
Sub-total	**2,446**	**2,446**	**2,446**	**2,446**
Civilian				
Dept. of Education	14,917	14,917	14,917	14,917
City University	687	687	687	687
Police	1,784	1,784	1,784	1,784
Health and Mental Hygiene	1,350	1,349	1,342	1,342
Parks and Recreation	3,386	3,383	3,389	3,393
All Other Civilians	1,700	1,700	1,700	1,700
Sub-total	**23,824**	**23,820**	**23,819**	**23,823**
Total	**26,270**	**26,266**	**26,265**	**26,269**

Department of Education

The Department of Education (DOE) begins FY 2010 with projected funding of $18.38 billion, an increase of about $700 million over a FY 2009 Budget of $17.68 billion. The Department's fiscal outlook is stable for both FY 2010 and FY 2011 because of increased Federal support under the economic stimulus plan, providing the DOE temporary assistance of more than $1 billion annually through FY 2011. In FY 2012, however, funding for the Department is expected to drop significantly before recovering by the end of the Plan unless the Federal stimulus money is extended or alternative funding sources become available.

The Adopted Budget reflects a net increase of about $68 million in DOE funding compared with the Executive Budget. The latest changes include an increase of $26 million for a host of City Council initiatives that would continue funding for the Teacher's Choice program, partially restore cuts in custodial operations, as well as boost allocations to various schools across the City. The Adopted Budget also assumes an additional $42 million from the State, primarily for reimbursing the costs from the MTA mobility tax that will be assessed on school districts beginning in September.

In addition, the DOE budget also shows a $64 million increase in Federal stimulus funds that offsets a corresponding school aid reduction assessed by the State. While this will have no net impact on overall DOE funding, the changes would raise total Federal stimulus support for education to $1.02 billion in FY 2010. Federal funds would comprise 15 percent of the DOE budget in FY 2010, compared to 10 percent in FY 2009. Meanwhile, the State funding share of the DOE budget slips to 44 percent in FY 2010, from 49 percent in FY 2009.

Over the remainder of the Plan, the DOE budget is projected to rise by almost $1 billion to $19.37 billion in FY 2011, attributable to resumption of City and State funding growth and continuation of Federal assistance from the stimulus plan. However, by FY 2012, the outlook turns negative as the flow of stimulus funds terminates, causing the DOE budget to fall $650 million, or 3.4 percent, to $18.72 billion. By the end of the Plan, DOE spending is projected to recover from this drop to $19.43 billion in FY 2013.

Health and Hospitals Corporation

The fiscal outlook for the Health and Hospitals Corporation (HHC) remains basically unchanged since the Executive Budget. While the Corporation's cash balance remains strong in the near term, the City projects that rising budget deficits in the outyears of the Plan will erode its cash position over the longer term. With the exception of FY 2010, the June Plan shows budget deficits of over $1 billion annually in each year of the Plan, requiring the Corporation to implement sizable gap-closing programs in order to curtail further declines in its cash position.

In the current year, the City estimates that HHC will face, on an accrual basis, a budget deficit of $760 million. To offset this deficit, the Corporation plans to implement gap-closing actions of $361 million, consisting primarily of internal cost-containment measures and to a much lesser degree, Federal and State actions. The Corporation, thus far, has identified about $105 million in cost savings, about one-third of the $316 million target reflected in its gap-closing program. Key elements of the identified actions include staff reduction through a hiring freeze and layoffs, procurement savings, and enhanced revenue collection from improved billing practices. The Adopted Budget shows that the gap-closing program, combined with anticipated receipts of Medicaid Upper Payment Limit and Disproportionate Share revenues, would enable the Corporation to shore up its cash balance to $916 million by the end of the year, reflecting a modest decline of $7 million since the Executive Budget.

However, the budget deficit confronting the Corporation will escalate considerably beginning in FY 2011. The June Plan shows a FY 2011 projected deficit of $1.36 billion, representing an increase of more than $600 million from HHC's estimated gap for FY 2010. Over the remainder of the Plan, the Corporation's budget deficit is expected to rise to $1.51 billion in FY 2012 and reach $1.64 billion by FY 2013, owing to HHC's rising cost structure and stagnant revenue outlook. The gap-closing program in each of the outyears would range between $801 million and $851 million, yet unlike FY 2010, nearly 60 percent of the value stems from Federal and State actions. During the same span, the City forecasts a significant deterioration in HHC's cash position, with declines averaging about $300 million each year, reaching a depleted balance of $21 million by the end of the Plan.

Debt Service

Debt service for General Obligation (G.O.), NYC Transitional Finance Authority (NYCTFA), TSASC, and lease purchase debt service, adjusted for prepayment, is estimated to total $5.429 billion in FY 2010, an increase of $646 million from FY 2009. From FYs 2009 to 2013, debt service is projected to grow $1.82 billion to $6.604 billion by FY 2013, or 38.1 percent.

The City's debt service projections do not include the scheduled borrowing over the Financial Plan period of $2.5 billion in NYCTFA Building Aid Revenue Bonds (BARBs), in support of the NYC Department of Education's capital program. This borrowing is expected to be supported by State personal income tax and State building aid. [9]

As shown in Table 17, G.O. debt service is estimated to increase $1.64 billion, or 47 percent, from FY 2009 to FY 2013. This increase is driven by projected new G.O. borrowing totaling $22.7 billion for FYs 2010 through 2013, resulting in additional debt service of about $1.27 billion per year by FY 2013. However, recent State legislation authorizing NYCTFA borrowing under the general debt limit will allow the City to

[9] The $2.5 million BARBs is part of the State of New York's billion dollar commitment to share 50 percent of the NYC Dept. of Education's Capital Plan on a continuous basis.

replace some of its planned G.O. borrowing with lower cost NYCTFA borrowing, thereby mitigating some of the projected G.O. debt service growth.

Table 17. FYs 2009 – 2013 Debt Service Estimates

($ in millions)

Debt Service Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Change FYs 2009 – 2013
G.O.[a]	$3,487	$3,951	$4,406	$4,847	$5,127	$1,640
NYCTFA [b]	1,047	1,137	1,153	1,157	1,158	111
Lease-Purchase Debt	160	267	251	247	245	85
TSASC, Inc.	89	74	74	74	74	(15)
Total	**$4,783**	**$5,429**	**$5,884**	**$6,325**	**$6,604**	**$1,821**

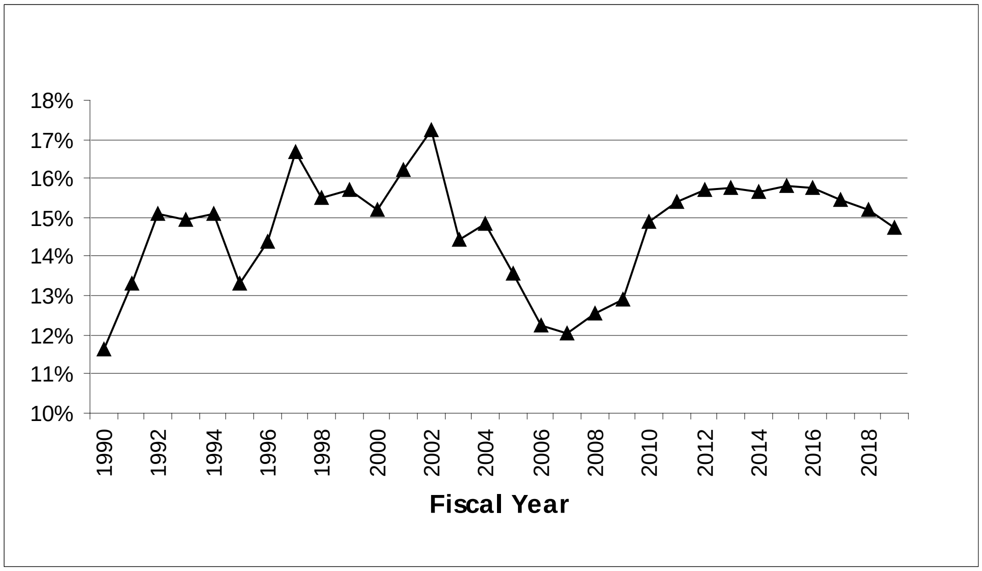
SOURCE: FY 2010 Adopted Budget & June 2009 Financial Plan.
NOTE: Debt Service is adjusted to net out the impact of prepayments.
[a] Includes long term G.O. debt service and interest on short term notes.
[b] Amounts do not include NYCTFA building aid revenue bonds debt service.

NYCTFA debt service is projected to grow $111 million over the Financial Plan period. In July 2009, the State Legislature passed legislation that will increase NYCTFA's capacity to issue more bonds for general capital purposes. The additional capacity will result in lower debt-service costs because of NYCTFA's higher credit rating, and lower interest costs.

Debt Burden

As shown in Chart 2, debt service as a percent of local tax revenues is projected to be 12.9 percent in FY 2009, rising to 15.8 percent by FY 2013. This increase results from projected debt service growth outpacing estimated growth in local tax revenues. Local tax revenues are projected to grow at an annual rate of 3.8 percent while debt service is estimated to grow at an annual rate of 8.4 percent from FY 2009 to FY 2013. As of FY 2008, debt per capita exceeded $7,100 and will continue to grow over the Financial Plan period. Beyond FY 2013, however, debt service growth is projected to stabilize and average about 2.5 percent annually from FYs 2013-2019, resulting in average annual growth of 3.7 percent from FY 2010 through FY 2019. However, this average long-term growth rate can be achieved only if subsequent capital plans do not increase capital spending in coming years.

Chart 2. **Total Debt Service as a Percentage of Local Tax Revenues, FYs 1990-2013**



SOURCE: FY 2010 Adopted Budget & Financial Plan, Office of Management & Budget, June 2009.

Financing Program

As shown in Table 18, the financing program for FYs 2010-2013 totals approximately $32.4 billion. Planned issuances of debt over the Financial Plan period include: G.O. bonds of $22.5 billion, NYC Municipal Water Finance Authority (NYWFA) debt of $7.45 billion, and NYCTFA – Building Aid bonds of $2.5 billion. There is no anticipated use of pay-as-you-go capital over the Financial Plan period. In addition, there is no scheduled borrowing for PIT-supported NYCTFA bonds, TSASC, Inc. and conduit (lease-purchase) debt. However, subsequent to the release of the Adopted Budget, the State Legislature passed legislation which allows PIT supported NYCTFA debt to be included under the general debt limit. It is expected that the lower cost NYCTFA borrowing will account for approximately half of the new capital borrowing projected for the Financial Plan period.

NYWFA debt is supported by water and sewer user fees and is not counted in the City's general indebtedness. The resulting debt service, however, contributes to the projected rise in water rates which were increased recently by 12.9 percent in FY 2010. Projected water and sewer rate increases are 14.3 percent in FY 2011, 11.5 percent in FY 2012, and 7.8 percent in FY 2013.

Table 18. FY 2010 Adopted Budget Financing & Funding Program, FYs 2010-2013

($ in millions)

Description	Estimated Borrowing and Funding Sources FYs 2010-2013	Percent of Total
General Obligation Bonds	$22,470	69.3%
NYC Municipal Water Finance Authority	7,450	23.0%
NYC TFA – Building Support Aid	2,500	7.7%
NYC TFA – General Purposes	0	0.0%
Pay-As-You-Go Capital	0	0.0%
Total	**$32,420**	**100.0%**

SOURCE: FY 2010 Adopted Budget and Financial Plan, Office of Management and Budget, June 2009.

FY 2010 Adopted Budget City Council Capital Appropriation Additions

Section 254 of the City Charter permits the Council to add and rescind capital appropriations to the City's Capital Commitment plan. For FY 2010, the City Council added $710.8 million in capital appropriations across various project types and rescinded $77.12 million of prior-year capital appropriations for a net addition of $633.7 million. This year, significant federal funding is included in the additions. Of the $710.8 million in additions, $451.5 million are City funds, $209.4 million are Federal funds, $45.02 million are State funds, and $4.9 million are private funds.

Four project types accounted for 64 percent of the additions. They include: $178.1 million for DEP, $177 million of which is federally-funded, $113 million for cultural institutions throughout the City, $88 million for the DOE, and $77.7 million for Parks Department projects.

VI. Appendix — Revenue and Expenditure Details

Table A1. ***FY 2010 Adopted Budget Revenue Detail***

($ in millions)

					Changes FYs 2010-13	
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**Dollar**	**Percent**
Taxes:						
Real Property	$16,251	$17,327	$17,916	$18,304	$2,053	12.6%
Personal Income Tax	$6,710	$7,621	$8,097	$8,531	$1,821	27.1%
General Corporation Tax	$2,024	$2,338	$2,705	$2,947	$923	45.6%
Banking Corporation Tax	$478	$649	$711	$745	$267	55.9%
Unincorporated Business Tax	$1,455	$1,461	$1,596	$1,689	$234	16.1%
Sale and Use	$4,948	$5,082	$5,412	$5,738	$790	16.0%
Real Property Transfer	$613	$649	$708	$794	$181	29.5%
Mortgage Recording Tax	$475	$551	$602	$694	$219	46.1%
Commercial Rent	$543	$531	$528	$537	($6)	(1.1%)
Utility	$391	$420	$434	$439	$48	12.3%
Hotel	$329	$331	$314	$295	($34)	(10.3%)
Cigarette	$96	$94	$92	$90	($6)	(6.3%)
All Other	$401	$402	$406	$406	$5	1.2%
Tax Audit Revenue	$596	$596	$595	$594	($3)	(0.4%)
Total Taxes	**$35,310**	**$38,052**	**$40,116**	**$41,803**	**$6,493**	**18.4%**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$479	$484	$488	$488	$9	1.9%
Interest Income	$30	$43	$99	$128	$98	326.7%
Charges for Services	$674	$659	$659	$659	($15)	(2.2%)
Water and Sewer Charges	$1,369	$1,340	$1,356	$1,368	($1)	(0.1%)
Rental Income	$220	$214	$214	$214	($6)	(2.7%)
Fines and Forfeitures	$899	$887	$865	$864	($35)	(3.9%)
Miscellaneous	$633	$505	$483	$481	($152)	(24.0%)
Intra-City Revenue	$1,669	$1,583	$1,586	$1,590	($79)	(4.7%)
Total Miscellaneous	**$5,973**	**$5,715**	**$5,750**	**$5,792**	**($181)**	**(3.0%)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$327	$327	$327	$327	$0	0.0%
Other Federal and State Aid	$13	$13	$13	$13	$0	0.0%
Total Unrestricted Intergovernmental Aid	**$340**	**$340**	**$340**	**$340**	**$0**	**0.0%**
Other Categorical Grants	**$1,053**	**$1,029**	**$1,033**	**$1,031**	**($22)**	(2.1%)
Inter Fund Agreements	**$486**	**$453**	**$443**	**$443**	**($43)**	(8.8%)
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	0.0%
Less: Intra-City Revenue	**($1,669)**	**($1,583)**	**($1,586)**	**($1,590)**	**$79**	(4.7%)
TOTAL CITY FUNDS	**$41,478**	**$43,991**	**$46,081**	**$47,804**	**$6,326**	15.3%

Table A1 (Con't.). *FY 2010 Adopted Budget Revenue Detail*

($ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010-13 Dollar	Changes FYs 2010-13 Percent
Federal Categorical Grants:						
Community Development	$305	$246	$241	$241	($64)	(21.0%)
Welfare	$2,562	$2,536	$2,527	$2,526	($36)	(1.4%)
Education	$2,746	$2,775	$1,758	$1,759	($987)	(35.9%)
Other	$987	$832	$829	$818	($169)	(17.1%)
Total Federal Grants	**$6,600**	**$6,389**	**$5,355**	**$5,344**	**($1,256)**	**(19.0%)**
State Categorical Grants						
Social Services	$1,947	$1,926	$1,917	$1,917	($30)	(1.5%)
Education	$8,186	$8,614	$8,965	$9,551	$1,365	16.7%
Higher Education	$198	$211	$211	$212	$14	7.1%
Department of Health and Mental Hygiene	$480	$475	$477	$477	($3)	(0.6%)
Other	$701	$749	$810	$877	$176	25.1%
Total State Grants	**$11,512**	**$11,975**	**$12,380**	**$13,034**	**$1,522**	**13.2%**
TOTAL REVENUES	**$59,590**	**$62,355**	**$63,816**	**$66,182**	**$6,592**	**11.1%**

Table A2. *FY 2010 Adopted Budget Expenditure Detail*

($ in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 - 13 Dollar	Percent
Mayoralty	$81,703	$81,128	$80,575	$80,585	($1,118)	(1.4%)
Board of Elections	$86,218	$71,542	$71,614	$71,629	($14,589)	(16.9%)
Campaign Finance Board	$67,551	$11,216	$11,220	$11,223	($56,328)	(83.4%)
Office of the Actuary	$5,139	$5,183	$5,188	$5,192	$53	1.0%
President, Borough of Manhattan	$4,426	$3,036	$3,043	$3,048	($1,378)	(31.1%)
President, Borough of Bronx	$5,453	$4,255	$4,265	$4,273	($1,180)	(21.6%)
President, Borough of Brooklyn	$5,485	$3,853	$3,863	$3,870	($1,615)	(29.4%)
President, Borough of Queens	$4,653	$3,597	$3,604	$3,609	($1,044)	(22.4%)
President, Borough of Staten Island	$3,870	$2,958	$2,965	$2,971	($899)	(23.2%)
Office of the Comptroller	$66,033	$66,086	$65,786	$65,786	($247)	(0.4%)
Dept. of Emergency Management	$19,643	$7,690	$7,694	$7,698	($11,945)	(60.8%)
Tax Commission	$3,632	$3,654	$3,658	$3,662	$30	0.8%
Law Dept.	$130,287	$119,753	$120,275	$120,321	($9,966)	(7.6%)
Dept. of City Planning	$28,421	$23,082	$23,017	$23,017	($5,404)	(19.0%)
Dept. of Investigation	$16,010	$15,881	$15,881	$15,881	($129)	(0.8%)
NY Public Library - Research	$28,101	$21,145	$21,145	$21,145	($6,956)	(24.8%)
New York Public Library	$118,489	$102,451	$102,451	$102,451	($16,058)	(13.5%)
Brooklyn Public Library	$88,957	$76,935	$76,935	$76,935	($12,022)	(13.5%)
Queens Borough Public Library	$87,156	$75,065	$75,065	$75,065	($12,091)	(13.9%)
Dept. of Education	$18,372,288	$19,358,456	$18,707,949	$19,424,428	$1,052,140	5.7%
City University	$683,699	$639,852	$641,597	$641,708	($41,991)	(6.1%)
Civilian Complaint Review Board	$10,271	$10,241	$10,262	$10,267	($4)	(0.0%)
Police Dept.	$4,131,012	$4,231,664	$4,310,322	$4,297,113	$166,101	4.0%
Fire Dept.	$1,605,886	$1,599,898	$1,598,927	$1,596,348	($9,538)	(0.6%)
Admin. for Children Services	$2,668,622	$2,607,295	$2,608,819	$2,608,820	($59,802)	(2.2%)
Dept. of Social Services	$7,886,502	$8,586,705	$9,054,813	$9,235,458	$1,348,956	17.1%
Dept. of Homeless Services	$665,213	$667,625	$666,445	$666,492	$1,279	0.2%
Dept. of Correction	$1,002,082	$1,022,570	$1,038,838	$1,035,693	$33,611	3.4%
Board of Correction	$971	$972	$972	$972	$1	0.1%
Citywide Pension Contribution	$6,575,368	$6,909,699	$7,233,372	$7,506,585	$931,217	14.2%
Miscellaneous	$6,669,724	$6,724,463	$7,353,349	$8,808,452	$2,138,728	32.1%
Debt Service	$4,217,574	$4,657,405	$5,093,703	$5,371,942	$1,154,368	27.4%
N.Y.C.T.F.A. Debt Service	$1,137,345	$1,152,930	$1,157,388	$1,157,826	$20,481	1.8%
Pre-Payments	($2,036,374)	$0	$0	$0	$2,036,374	(100.0%)
FY 2007 BSA	($30,865)	$0	$0	$0	$30,865	(100.0%)
FY 2009 BSA	($2,264,651)	$0	$0	$0	$2,264,671	(100.0%)
Transfer for N.Y.C.T.F.A. Debt Service.	($545,747)	$0	$0	$0	$545,747	(100.0%)
Prepayment of N.Y.C.T.F.A. Debt Service with Building Aid Revenues	($100,000)	$0	$0	$0	$100,000	(100.0%)
Defeasance of N.Y.C.T.F.A. Debt	($382,000)	($35,000)	$0	$0	$382,000	(100.0%)
Call 2009/2010 G.O. Debt	($276,634)	$0	$0	$0	$276,634	(100.0%)
Public Advocate	$1,771	$1,808	$1,813	$1,817	$46	2.6%
City Council	$50,536	$50,536	$50,536	$50,536	$0	0.0%
City Clerk	$5,197	$5,210	$5,210	$5,210	$13	0.3%
Dept. for the Aging	$287,953	$239,199	$239,199	$239,199	($48,754)	(16.9%)
Dept. of Cultural Affairs	$158,683	$130,851	$130,851	$130,851	($27,832)	(17.5%)
Financial Information Services. Agency	$58,408	$58,747	$56,095	$56,134	($2,274)	(3.9%)
Dept. of Juvenile Justice	$131,494	$132,045	$135,925	$135,934	$4,440	3.4%
Office of Payroll Admin.	$37,134	$41,552	$41,509	$41,496	$4,362	11.7%
Independent Budget Office	$3,117	$3,088	$3,089	$3,089	($28)	(0.9%)
Equal Employment Practices Comm.	$717	$728	$728	$729	$12	1.7%

Table A2 (Con't). *FY 2010 Adopted Budget Expenditure Detail*

($ in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	Changes FYs 2010 - 13	
					Dollar	**Percent**
Civil Service Commission	$618	$620	$621	$621	$3	0.5%
Landmarks Preservation Comm.	$4,870	$4,872	$4,872	$4,872	$2	0.0%
Taxi & Limousine Commission	$29,844	$29,157	$29,157	$29,157	($687)	(2.3%)
Commission on Human Rights	$6,903	$6,904	$7,001	$7,001	$98	1.4%
Youth & Community Development	$364,332	$247,898	$247,915	$247,932	($116,400)	(31.9%)
Conflicts of Interest Board	$1,883	$1,827	$1,828	$1,828	($55)	(2.9%)
Office of Collective Bargain	$1,945	$1,959	$1,960	$1,961	$16	0.8%
Community Boards (All)	$14,548	$12,737	$12,737	$12,737	($1,811)	(12.4%)
Dept. of Probation	$80,489	$79,623	$79,793	$79,793	($696)	(0.9%)
Dept. Small Business Services	$169,370	$94,645	$92,117	$87,688	($81,682)	(48.2%)
Housing Preservat'n & Developm'nt	$581,642	$478,192	$472,741	$471,873	($109,769)	(18.9%)
Dept. of Buildings	$103,461	$91,455	$91,455	$91,455	($12,006)	(11.6%)
Dept. of Health & Mental Hygiene	$1,641,961	$1,611,783	$1,620,172	$1,619,737	($22,224)	(1.4%)
Health and Hospitals Corp.	$95,547	$94,445	$94,542	$94,613	($934)	(1.0%)
Dept. of Environmental Protection	$1,024,155	$964,702	$964,362	$963,999	($60,156)	(5.9%)
Dept. of Sanitation	$1,300,551	$1,405,045	$1,434,425	$1,432,179	$131,628	10.1%
Business Integrity Commission	$7,146	$7,165	$7,075	$7,075	($71)	(1.0%)
Dept. of Finance	$225,309	$222,413	$221,498	$220,603	($4,706)	(2.1%)
Dept. of Transportation	$733,031	$697,198	$695,350	$686,750	($46,281)	(6.3%)
Dept. of Parks and Recreation	$294,454	$283,457	$283,720	$283,945	($10,509)	(3.6%)
Dept. of Design & Construction	$106,822	$107,222	$107,223	$107,224	$402	0.4%
Dept. of Citywide Admin. Services	$377,466	$379,645	$376,274	$382,744	$5,278	1.4%
D.O.I.T.T.	$244,537	$231,432	$229,972	$230,061	($14,476)	(5.9%)
Dept. of Record & Info. Services	$4,789	$4,555	$4,557	$4,897	$108	2.3%
Dept. of Consumer Affairs	$18,854	$16,538	$16,538	$16,538	($2,316)	(12.3%)
District Attorney – N.Y.	$82,116	$70,785	$70,819	$70,819	($11,297)	(13.8%)
District Attorney – Bronx	$46,111	$41,750	$41,750	$41,750	($4,361)	(9.5%)
District Attorney – Kings	$77,357	$70,869	$70,772	$70,772	($6,585)	(8.5%)
District Attorney – Queens	$45,797	$41,403	$41,219	$41,219	($4,578)	(10.0%)
District Attorney – Richmond	$7,600	$6,853	$6,853	$6,853	($747)	(9.8%)
Office of Prosecut'n. & Spec. Narc.	$16,220	$14,675	$14,675	$14,675	($1,545)	(9.5%)
Public Administrator - N.Y.	$1,268	$1,156	$1,156	$1,156	($112)	(8.8%)
Public Administrator – Bronx	$499	$425	$425	$425	($74)	(14.8%)
Public Administrator - Brooklyn	$605	$526	$526	$526	($79)	(13.1%)
Public Administrator – Queens	$473	$400	$400	$400	($73)	(15.4%)
Public Administrator - Richmond	$366	$297	$297	$297	($69)	(18.9%)
General Reserve	$300,000	$300,000	$300,000	$300,000	$0	0.0%
Energy Adjustment	$0	$80,798	$130,296	$179,506	$179,506	N/A
Lease Adjustment	$0	$22,098	$82,209	$106,773	$106,773	N/A
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	$166,557	N/A
City-Wide Total	**$59,589,463**	**$67,280,092**	**$68,810,295**	**$71,814,471**	**$12,225,008**	**20.5%**

Glossary of Acronyms

ACS	Administration for Children's Services
AIRA	Actuarial Investment Return Assumption
BARB	Building Aid Revenue Bond
BSA	Budget Stabilization Account
CSA	Council of School Supervisors and Administrators
CUNY	City University of New York
CWA	Communications Workers of America
DC37	District Council 37
DEP	Department of Environmental Protection
DOC	Department of Correction
DOE	Department of Education
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product
GDP	Gross Domestic Product

G.O. Debt	General Obligation Debt
HHC	Health and Hospitals Corporation
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department
NYWFA	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget
OSA	Organization of Staff Analysts
OTPS	Other than Personal Services
PBA	Patrolmen’s Benevolent Association
PEG	Program to Eliminate the Gap
PIT	Personal Income Tax
PS	Personal Services
RANs	Revenue Anticipation Notes
RHBT	Retiree Health Benefit Trust

STAR	School Tax Relief Program
TANs	Tax Anticipation Notes
TSASC	Tobacco Settlement Asset Securitization Corporation
UBT	Unincorporated Business Tax
UFA	Uniformed Firefighters' Association
UFT	United Federation of Teachers
U.S.	United States