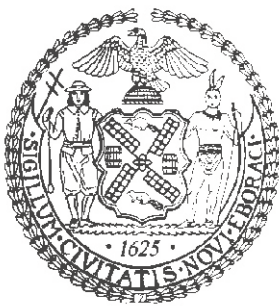


# **The Comptroller's Comments on the Fiscal Year 2009 Executive Budget**



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

**May 2008**

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# TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY .....</b>	<b>iv</b>
<b>II. THE CITY'S ECONOMIC OUTLOOK .....</b>	<b>5</b>
A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2008- 2012 .....	5
B. UNDERLYING FACTORS AFFECTING THE FORECAST .....	6
<b>III. THE FY 2008 BUDGET.....</b>	<b>9</b>
<i>The FY 2008 Surplus .....</i>	<i>10</i>
<b>IV. BALANCING THE FY 2009 BUDGET.....</b>	<b>13</b>
RISK AND OFFSETS.....	14
<b>V. REVENUE ASSUMPTIONS.....</b>	<b>17</b>
<i>Tax Revenues .....</i>	<i>17</i>
<i>Miscellaneous Revenues .....</i>	<i>20</i>
<i>Federal and State Aid .....</i>	<i>22</i>
<b>VI. EXPENDITURE ASSUMPTIONS.....</b>	<b>25</b>
<i>Overtime .....</i>	<i>26</i>
<i>Headcount.....</i>	<i>27</i>
<i>Health Insurance .....</i>	<i>29</i>
<i>Pensions.....</i>	<i>29</i>
<i>Labor .....</i>	<i>30</i>
<i>Department of Education.....</i>	<i>32</i>
<i>Health and Hospitals Corporation .....</i>	<i>33</i>
<i>Debt Service.....</i>	<i>34</i>
<i>Capital Plan.....</i>	<i>38</i>
<i>Borough Presidents' Proposed Reallocations .....</i>	<i>39</i>
<b>VII. APPENDIX – REVENUE AND EXPENDITURE DETAILS.....</b>	<b>41</b>
<b>GLOSSARY OF ACRONYMS.....</b>	<b>45</b>

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## LIST OF TABLES

TABLE 1.	FYs 2009 – 2012 FINANCIAL PLAN .....	1
TABLE 2.	PLAN-TO-PLAN CHANGES MAY 2008 PLAN VS. JUNE 2007 PLAN.....	2
TABLE 3.	FYs 2008 – 2012 RISKS AND OFFSETS .....	3
TABLE 4.	NYC FORECASTS OF (1) CHANGE IN GCP, PERCENT, AND (2) CHANGE IN PAYROLL JOBS, YEAR-OVER-YEAR, CALENDAR YEARS 2008-2012 .....	6
TABLE 5.	FORECASTS OF U.S. REAL GDP AND U.S. PAYROLL JOBS, PERCENT CHANGE, CALENDAR YEARS 2008-2012.....	8
TABLE 6.	CHANGE IN THE FY 2008 BUDGET SURPLUS SINCE JUNE 2007 .....	9
TABLE 7.	CHANGES IN FY 2008 TAX REVENUE ESTIMATES MAY 2008 MODIFICATION VS. JUNE 2007 ADOPTED BUDGET .....	10
TABLE 8.	CHANGES IN FY 2008 EXPENDITURE ESTIMATES MAY 2008 MODIFICATION VS. JUNE 2007 ADOPTED BUDGET .....	10
TABLE 9.	USE OF THE FY 2008 YEAR-END SURPLUS.....	11
TABLE 10.	CHANGES TO THE FY 2009 ESTIMATES JUNE 2007 FINANCIAL PLAN VS FY 2009 EXECUTIVE BUDGET .....	13
TABLE 11.	CHANGES TO THE CITY’S FY 2009 TAX REVENUE ESTIMATES FROM THE JUNE 2007 PLAN .....	17
TABLE 12.	TAX REVENUE RISKS AND OFFSETS, COMPTROLLER’S ESTIMATES.....	20
TABLE 13.	CHANGES TO THE FY 2009 MISCELLANEOUS REVENUE ESTIMATES JUNE 2007 PLAN VS. FY 2009 EXECUTIVE BUDGET.....	21
TABLE 14.	FYs 2009 – 2012 EXPENDITURE GROWTH .....	25
TABLE 15.	PROJECTED OVERTIME SPENDING, FY 2009.....	26
TABLE 16.	CITY-FUNDED FULL-TIME YEAR-END HEADCOUNT PROJECTIONS .....	28
TABLE 17.	CITY-FUNDED FTE YEAR-END HEADCOUNT PROJECTIONS .....	29
TABLE 18.	PROJECTIONS OF THE CITY’S CONTRIBUTIONS TO THE FIVE ACTUARIAL PENSION SYSTEMS ....	30
TABLE 19.	LABOR CONTRACTS EXPIRING IN FYs 2008 AND 2009.....	31
TABLE 20.	CHANGES TO FY 2009 SINCE JUNE 2007 FINANCIAL PLAN .....	35
TABLE 21.	FY 2009 EXECUTIVE BUDGET AND FINANCIAL PLAN ESTIMATES.....	35
TABLE 22.	FY 2009 EXECUTIVE BUDGET FINANCING PROGRAM, FYs 2009-2012.....	37
TABLE 23.	FYs 2009 – 2012 CAPITAL COMMITMENTS, ALL-FUNDS .....	39
TABLE A1.	FY 2009 EXECUTIVE BUDGET REVENUE DETAIL .....	41
TABLE A2.	FY 2009 EXECUTIVE BUDGET EXPENDITURE DETAIL .....	43

## LIST OF CHARTS

CHART 1.	THE CITY’S OPERATING RESULTS ADJUSTED FOR NON-RECURRING ACTIONS .....	11
CHART 2.	TOTAL DEBT SERVICE AS A PERCENTAGE OF LOCAL TAX REVENUES, FYs 1990-2012 .....	36

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# **I. Executive Summary**

The Mayor's FY 2009 to FY 2012 Executive Budget and Financial Plan was presented on May 1, 2008. In the midst of weak and uncertain local and national economies, the Mayor proposes to restrain spending and apply a cumulative budget surplus of \$6.5 billion to balance the FY 2009 budget and reduce projected budget gaps in FYs 2010 and 2011.

This year began with a lackluster first quarter, and the Comptroller expects the nation's economy to eke out a 1.2 percent expansion for the year, followed by near-stagnation in 2009. The Comptroller also expects weak growth, of 1.0 percent and 0.2 percent, in the City's gross product this year and next. Although the Comptroller does not expect the present slowdown to be as disastrous for New York City's workforce as were the 1990-91 and 2001 recessions, total employment will begin to trend downward through the remainder of this year and into 2009. Through the spring of 2009, the Comptroller expects the City to lose approximately 85,000 payroll jobs.

Although the economic projections of the Comptroller's Office are less pessimistic than those in the Executive Budget, tax revenues are expected to decline 6.0 percent, or \$2.32 billion, in 2009. This decline exceeds the Mayor's projections by \$95 million because the Comptroller's Office expects weaker property tax collections. The speedier recovery projected by the Comptroller will bolster income, sales, and real-estate-related taxes beginning in FY 2010, resulting in collections that are \$565 million greater than the Mayor projects in that year.

As the economy soured over the past year, the Mayor took action to ensure that the FY 2009 budget would be balanced and to mitigate the impact of the downturn on subsequent years of the Financial Plan period. Last June, a \$1.55 billion FY 2009 budget gap was identified. Since then, projected FY 2009 total revenues have declined \$213 million. Resources became available during FY 2008 through greater-than-expected revenues, the implementation of a program to eliminate the gap, and other spending adjustments that include elimination of pay-as-you-go capital financing. These resources have enabled the City to expand its Budget Stabilization Account from \$2.552 billion at the time of budget adoption to \$4.519 billion, which will be used to provide a grant to the New York City Transitional Finance Authority (NYCTFA) and to prepay certain FY 2009 subsidies and debt service in FYs 2009 to 2011.

Including the impacts of the gap-elimination program, the Mayor's proposed budget for FY 2009 grows 3.1 percent from FY 2008, after adjusting for prepayments. Spending growth averages 4.3 percent for FY 2009 through FY 2012. Spending growth continues to be driven by debt service and health insurance costs, which together account for more than 30 percent of projected expenditure increases from FY 2009 to FY 2012.

The FY 2010 gap, pegged at \$3.4 billion in June 2007, soared to \$4.2 billion by the release of the January Financial Plan. Since then, the Mayor has scheduled the use of \$1.9 billion of unanticipated resources in FY 2008 to prepay FY 2010 debt service and



the rescission of the 7.0 percent property tax reduction—which would increase FY 2010 revenues \$1.2 billion. FY 2010 will benefit from \$460 million in additional gap-closing actions. Furthermore, a portion of the FY 2008 Budget Stabilization Account (BSA) will be transferred to FY 2010 via the City’s usual prepayment process, and the capital plan has been extended over five years, rather than four, to reduce the rate of capital spending and associated debt service growth. These actions are projected to offset the impacts of the worsened economic outlook, fund new needs, and reduce the projected FY 2010 gap to a much more manageable \$1.341 billion. However, in the absence of substantial BSA payments, a \$4.5 billion budget gap re-emerges in FY 2011 and FY 2012.

The Comptroller’s Office has identified risks of \$130 million, \$156 million and \$55 million in FYs 2008, 2009 and 2011, respectively, and offsets to risks of \$363 million and \$181 million in FYs 2010 and 2012. After the release of the Executive Budget, the Public Employment Relations Board (PERB) ruled on the FYs 2005-2007 Patrolmen’s Benevolent Association’s (PBA) labor contract with the City. The ruling results in costs that are in excess of the funds that had been put aside in anticipation of the contract settlement. These incremental costs include \$185 million in FY 2008 retroactive expense and about \$40 million per year from FY 2009 onward. Other risks include overtime, which the City routinely underestimates at this point in the budget cycle, and the proposed initiative to contain \$200 million per year in employee health insurance costs, which lacks specificity. These risks are partly offset by savings in judgments and claims (J&C), where legislative changes and improved risk management and settlement methods have contained costs. After a \$95 million tax revenue risk in FY 2009, the Comptroller’s Office expects tax revenues to exceed the Mayor’s projections in the remaining years of the Plan period.

Apart from these risks, the City could face additional labor costs if the other uniformed employee unions choose to renegotiate their contracts with the City. If this were to occur, the City could face an additional retroactive cost of \$385 million and \$80 million per year going forward.

The Mayor has accumulated a record of responsible stewardship of the City’s budget during his tenure in office. The Mayor has focused on using surplus resources to mitigate the impacts of the volatility of New York City’s revenues, which are highly correlated with the fortunes of the financial sector. Spending by City agencies, except the Department of Education, has remained restrained, and the current program to eliminate the gap includes a high proportion of recurring actions rather than “one-shots.” However, budgetary challenges remain, even without the current economic downturn.

Establishing a statutory rainy day fund would enable the City to manage its finances in a more transparent and straightforward fashion. The present method of applying surplus resources to future years is complicated, difficult for the public to understand, and in some instances lacks flexibility that would allow resources to be applied when they are truly needed. The most effective rainy day funds combine ease of making deposits with rules for making withdrawals. The Comptroller continues to urge the City to explore establishing such a fund, which would require enabling legislation in Albany.

The City's capital program totals \$38.92 billion for FYs 2009-2012, after applying the reserve for unattained commitments and the 20 percent capital reduction program, which applies only to the City-funded portion of the plan except for the Department of Environmental Protection (DEP). To achieve this revised commitment plan, City agencies and the Office of Management and Budget will be reviewing their priorities over the summer. The details of the revised plan will be released in September. The revisions are likely to reflect not only consideration of expectations for slower growth but also the realities of cost pressures in the construction industry.

Capital commitments are front-loaded, with 38 percent of the all-funds plan, or \$14.72 billion, to be committed in FY 2009. For every billion dollars of capital borrowing, annual debt service costs rise roughly \$75 million. The inclusion of pay-as-you-go capital financing in the City's financing program reduces debt service costs over the long run. Given the current budgetary pressures it is understandable that this portion of the capital financing program has been suspended. However, it should be resumed as soon as possible.

One area of particular concern for the Comptroller's Office is the siphoning of water system resources, which are financed through water and sewer rates, to the City's general fund via annual rental payments made by the Water Board to the City. The Comptroller has proposed an alternate use of the Water Board's rental payment. This proposal to assign rental payments toward rate reduction and pay-as-you-go capital would benefit rate payers over the short and long term. However, it would also result in a concomitant decrease in revenue to the City's general fund. The Water Board will issue a Request for Proposals to evaluate the current water, sewer, and storm water rate structure. The best outcome of this review would be a more transparent assignment of the costs of government services and a slower rate of growth of water and sewer rates.

HHC also continues to be a source of concern. The escalating cost of health care is a national problem. In the absence of federal reform of the health insurance system, the Health and Hospitals Corporation (HHC) continues to face budgetary challenges. These have been dealt with thus far through various actions that have provided HHC with infusions of cash. However, despite HHC's ability in recent years to manage its finances, the long-term health of the Corporation is uncertain, and measures are being considered in Washington, D.C. that could limit HHC's financial flexibility and increase demands on the City for assistance.

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**Table 1. FYs 2009 – 2012 Financial Plan**

(\$ in millions)

					Changes FYs 2009 – 2012	
	FY 2009	FY 2010	FY 2011	FY 2012	Dollar	Percent
<b>Revenues</b>						
Taxes:						
General Property Tax	\$13,973	\$16,225	\$17,293	\$18,155	\$4,183	29.9%
Other Taxes	\$22,073	\$21,563	\$22,945	\$24,428	\$2,355	10.7%
Tax Audit Revenues	\$577	\$579	\$579	\$579	\$2	0.3%
Miscellaneous Revenues	\$5,567	\$5,278	\$5,355	\$5,363	(\$204)	(3.7%)
Unrestricted Intergovernmental Aid	\$340	\$340	\$340	\$340	\$0	0.0%
Less: Intra-City Revenues	(\$1,506)	(\$1,436)	(\$1,436)	(\$1,436)	\$70	(4.6%)
Disallowances Against Categorical Grants	(\$15)	(\$15)	(\$15)	(\$15)	\$0	0.0%
Subtotal: City-Funds	\$41,009	\$42,534	\$45,061	\$47,415	\$6,406	15.6%
Other Categorical Grants	\$1,006	\$1,001	\$1,003	\$1,006	\$0	0.0%
Inter-Fund Revenues	\$458	\$425	\$419	\$419	(\$39)	(8.5%)
Total City & Inter-Fund Revenues	\$42,473	\$43,960	\$46,483	\$48,840	\$6,367	15.0%
Federal Categorical Grants	\$5,395	\$5,313	\$5,303	\$5,313	(\$82)	(1.5%)
State Categorical Grants	\$11,505	\$11,938	\$12,801	\$13,101	\$1,596	13.9%
Total Revenues	\$59,373	\$61,211	\$64,587	\$67,254	\$7,881	13.3%
<b>Expenditures</b>						
Personal Service						
Salaries and Wages	\$21,646	\$22,688	\$24,132	\$24,401	\$2,755	12.7%
Pensions	\$6,179	\$6,700	\$6,793	\$6,891	\$712	11.5%
Fringe Benefits	\$6,740	\$7,028	\$7,627	\$8,229	\$1,489	22.1%
Subtotal-PS	\$34,565	\$36,416	\$38,552	\$39,521	\$4,956	14.3%
Other Than Personal Service						
Medical Assistance	\$5,602	\$5,756	\$5,916	\$6,089	\$487	8.7%
Public Assistance	\$1,177	\$1,176	\$1,176	\$1,176	(\$1)	(0.1%)
Pay-As-You-Go Capital	\$0	\$0	\$0	\$0	\$0	N/A
All Other	\$17,946	\$18,435	\$19,076	\$19,579	\$1,633	9.1%
Subtotal-OTPS	\$24,725	\$25,367	\$26,168	\$26,844	\$2,119	8.6%
Debt Service						
Principal	\$1,567	\$1,643	\$1,864	\$1,970	\$404	25.8%
Interest & Offsets	\$2,462	\$2,762	\$2,925	\$3,349	\$886	36.0%
Subtotal Debt Service	\$4,029	\$4,405	\$4,789	\$5,319	\$1,290	32.0%
FY 2007 BSA	(\$34)	(\$31)	\$0	\$0	\$34	(100.0%)
FY 2008 BSA	(\$3,973)	\$0	\$0	\$0	\$3,973	(100.0%)
FY 2009 BSA	\$1,319	(\$1,319)	\$0	\$0	(\$1,319)	(100.0%)
FY 2010 BSA	\$0	\$350	(\$350)	\$0	\$0	N/A
Prepayments	\$0	(\$1,986)	\$0	\$0	\$0	N/A
Debt Retirement						
Call 2009/2010 G.O. Debt	(\$278)	(\$277)	\$0	\$0	\$278	(100.0%)
Defease NYCTFA Debt	(\$363)	(\$382)	\$0	\$0	\$363	(100.0%)
Subtotal Debt Retirement	(\$641)	(\$659)	\$0	\$0	\$641	(100.0%)
Transfer for NYCTFA Debt Service	(\$546)	\$0	\$0	\$0	\$546	(100.0%)
NYCTFA						
Principal	\$475	\$497	\$575	\$634	\$159	33.3%
Interest & Offsets	\$660	\$648	\$574	\$524	(\$136)	(20.6%)
Subtotal NYCTFA	\$1,135	\$1,145	\$1,149	\$1,158	\$23	2.0%
MAC Administrative Expenses	\$0	\$0	\$0	\$0	\$0	
General Reserve	\$300	\$300	\$300	\$300	\$0	0.0%
	\$60,879	\$63,988	\$70,608	\$73,142	\$12,263	20.1%
Less: Intra-City Expenses	(\$1,506)	(\$1,436)	(\$1,436)	(\$1,436)	\$70	(4.6%)
Total Expenditures	\$59,373	\$62,552	\$69,172	\$71,706	\$12,333	20.8%
<b>Gap To Be Closed</b>						
	\$0	(\$1,341)	(\$4,585)	(\$4,452)	(\$4,452)	N/A

**Table 2. Plan-to-Plan Changes**  
**May 2008 Plan vs. June 2007 Plan**

(\$ in millions)

	FY 2009	FY 2010	FY 2011
<b>Revenues</b>			
Taxes:			
General Property Tax	(\$285)	\$882	\$966
Other Taxes	(\$336)	(\$1,622)	(\$1,301)
Tax Audit Revenues	\$18	\$19	\$19
Miscellaneous Revenues	\$487	\$181	\$224
Unrestricted Intergovernmental Aid	\$0	\$0	\$0
Less: Intra-City Revenues	(\$142)	(\$71)	(\$71)
Disallowances Against Categorical Grants	\$0	\$0	\$0
Subtotal: City Funds	(\$259)	(\$612)	(\$163)
Other Categorical Grants	(\$1)	(\$11)	(\$11)
Inter-Fund Revenues	\$47	\$22	\$21
Total City & Inter-Fund Revenues	(\$213)	(\$601)	(\$153)
Federal Categorical Grants	\$15	(\$51)	(\$48)
State Categorical Grants	\$95	(\$337)	\$83
Total Revenues	(\$103)	(\$989)	(\$118)
<b>Expenditures</b>			
Personal Service			
Salaries and Wages	(\$332)	(\$644)	(\$311)
Pensions	(\$211)	\$191	\$274
Fringe Benefits	\$59	\$63	\$339
Subtotal-PS	(\$484)	(\$390)	\$302
Other Than Personal Service			
Medical Assistance	(\$1)	\$0	\$0
Public Assistance	(\$10)	(\$11)	(\$11)
Pay-As-You-Go Capital	(\$200)	(\$200)	(\$200)
All Other	\$397	\$461	\$697
Subtotal-OTPS	\$186	\$250	\$486
Debt Service			
Principal	(\$281)	(\$229)	\$41
Interest & Offsets	\$69	\$4	(\$305)
Subtotal Debt Service	(\$212)	(\$225)	(\$264)
FY 2007 BSA	\$0	\$0	\$0
FY 2008 BSA	(\$1,421)	\$0	\$0
FY 2009 BSA	\$969	(\$969)	\$0
FY 2010 BSA	\$0	\$350	(\$350)
Prepayments	\$0	(\$1,986)	\$0
Debt Retirement			
Call 2009/2010 G.O. Debt	\$0	\$0	\$0
Defease NYCTFA Debt	\$0	\$0	\$0
Subtotal Debt Retirement	\$0	\$0	\$0
Transfer for NYCTFA Debt Service	(\$546)	\$0	\$0
Defeasance of certain NYCTFA Debt	\$0	\$0	\$0
NYCTFA			
Principal	\$0	\$0	\$56
Interest & Offsets	(\$3)	(\$4)	(\$62)
Subtotal NYCTFA	(\$3)	(\$4)	(\$5)
MAC Debt Service/Administrative Expenses	\$0	\$0	\$0
General Reserve	\$0	\$0	\$0
	(\$1,511)	(\$2,974)	\$169
Less: Intra-City Expenses	(\$142)	(\$71)	(\$71)
Total Expenditures	(\$1,653)	(\$3,045)	\$98
<b>Gap To Be Closed</b>	<b>\$1,550</b>	<b>\$2,056</b>	<b>(\$216)</b>

**Table 3. FYs 2008 – 2012 Risks and Offsets**

(\$ in millions)

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>City Stated Gap</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,341)</b>	<b>(\$4,585)</b>	<b>(\$4,452)</b>
<b>Tax Revenue Assumptions</b>					
Property Tax	\$0	(\$125)	(\$70)	\$30	\$245
Personal Income Tax	0	40	465	60	70
Business Taxes	0	(50)	30	(180)	(170)
Sales Tax	0	40	90	70	80
Real-Estate-Related Taxes	0	0	50	110	40
<b>Subtotal</b>	<b>\$0</b>	<b>(\$95)</b>	<b>\$565</b>	<b>\$90</b>	<b>\$265</b>
<b>Expenditure Projections</b>					
Health Insurance Restructuring	\$0	\$0	(\$200)	(\$200)	(\$200)
Overtime	0	(109)	(100)	(100)	(100)
Labor	(185)	(40)	(40)	(40)	(40)
Variable rate debt service interest savings	20	0	0	0	0
Judgments and Claims	35	88	138	195	256
<b>Subtotal</b>	<b>(\$130)</b>	<b>(\$61)</b>	<b>(\$202)</b>	<b>(\$145)</b>	<b>(\$84)</b>
<b>Total Risk/Offsets</b>	<b>(\$130)</b>	<b>(\$156)</b>	<b>\$363</b>	<b>(\$55)</b>	<b>\$181</b>
<b>Restated (Gap)/Surplus</b>	<b>(\$130)</b>	<b>(\$156)</b>	<b>(\$978)</b>	<b>(\$4,640)</b>	<b>(\$4,271)</b>

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## **II. The City's Economic Outlook**

### **A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2008-2012**

The credit market turmoil that erupted in August, 2007 continues to batter financial firms and to reverberate throughout the American economy, but there is a growing consensus that the most dangerous phase of the crisis is past. During coming months the national housing slump and the lingering effects of the credit crisis may drag the economy into outright recession or, more likely, produce a prolonged period of quasi-recession and tepid growth. The City's economy, which has out-performed the nation's thus far, can be expected to weaken considerably during the remainder of 2008, as cut backs at financial firms ripple through the local economy.

The national economy has barely grown during the past six months, eking out a 0.6 percent annual rate of growth in the fourth quarter of 2007 and the first quarter of 2008. The figure for 1Q08 was particularly weak, as all of the gain can be attributed to producers' accumulation of unsold inventories. The Comptroller anticipates essentially no growth again in the second quarter, followed by a very sluggish recovery as the income tax rebate program and lower interest rates begin to counteract the negative factors dragging on the nation's economy. For the full year, economic growth is expected to total only 1.2 percent, and the year-over-year gain for 2009 is anticipated to be even smaller.

After scoring a 3.2 percent gain in 2007, real chain-weighted gross city product (GCP) grew an estimated 0.8 percent in the first quarter of 2008. The City added 14,100 more payroll jobs in the first four months of 2008, but that was due to very strong job growth in January; there has been little net job creation since. Although the Comptroller does not expect the present slowdown to be as disastrous for the City's workforce as were the 1990-91 and 2001 recessions, it is likely that total employment will begin to trend downward through the remainder of this year and into 2009. From peak to trough, the Comptroller expects the City to lose approximately 85,000 payroll jobs. Not all of those workers will become fully unemployed, however, as self-employment will continue to serve as a counter-cyclical buffer to changes in the payroll job base.

There are several reasons the City's economy has remained somewhat more resilient than the nation's. New economic drivers, such as tourism, are less responsive to domestic economic factors and at times can play a counter-cyclical role. Moreover, the City's housing and construction sectors have thus far escaped the severe slump which has affected other parts of the country. Nevertheless, the City's economic prosperity is based upon the provision of a wide range of business and professional services, especially financial services, to national and international clients. The financial sector has already incurred damaging losses, and as the U. S. economy continues to sputter, and European and other international markets also weaken, it will be more and more difficult for the



City's economy to maintain momentum. We expect the City's economy to grow very slowly for the remainder of 2008 and well into 2009.

Table 4 compares the Comptroller's and Mayor's forecasts.

**Table 4. NYC Forecasts of (1) Change in GCP, Percent, and (2) Change in Payroll Jobs, Year-over-Year, Calendar Years 2008-2012**

		2008	2009	2010	2011	2012
<b>Change in GCP, percent</b>	Comptroller	1.0	0.2	1.6	2.7	3.1
	Mayor	(7.5)	(1.3)	2.7	2.9	2.4
<b>Change in Payroll Jobs, '000</b>	Comptroller	3.8	(49.8)	29.8	38.6	45.7
	Mayor	(10.7)	(46.3)	26.7	41.5	38.3

Source: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the Mayor (Office of Management and Budget) in the May 2008 FYs 2008-2012 forecast.

## **B. UNDERLYING FACTORS AFFECTING THE FORECAST**

The U.S. economy is facing a combination of problems that will almost certainly continue to suppress growth. Plummeting house prices, record mortgage delinquencies and foreclosures, skyrocketing energy and commodities prices, and tightening credit conditions are likely to curtail consumer and business spending throughout the coming year, keeping the economy on the precipice of a full-blown recession. However, most indicators suggest continued stagnation rather than sharp contraction, and it may be possible for the national economy to skirt the kind of year-to-year declines that characterized previous post-war recessions. Whether growth resumes in the later half of 2008 depends, in part, on the efficacy of the actions already taken by Congress and the Federal Reserve, as well as on how quickly the housing market bottoms out and the financial sector restores normal operations.

This spring, the Federal Reserve and the U.S. Treasury joined forces to prevent the credit crisis from unraveling the complicated system of trades and counter trades on which the modern financial system is based. In offering to loan up to \$200 billion in Treasury securities while accepting a variety of mortgage-related assets as collateral, the Fed took completely unprecedented steps to provide liquidity to the financial system and to serve as a "market maker of last resort" for besieged mortgage securities. The new procedure for providing liquidity to investment banks, analogous to the loans it historically made to commercial banks through its discount window, quelled the market panic and reassured financial institutions and other investors that their counterparties would have sufficient liquidity to fulfill their commitments. In what now appears to have been the climatic hours of the crisis, the Fed and the Treasury also facilitated the acquisition of Wall Street mainstay Bear Stearns by JPMorgan Chase. Although the Bear Stearns acquisition may ultimately result in the loss of thousands of jobs, inaction would have cost the City many more.

Furthermore, the Federal Reserve aggressively lowered interest rates, announcing the seventh cut in its target for the federal funds rate on April 29. In the course of eight months, the Fed reduced the federal funds rate from 5.25 percent to 2.0 percent. It is only

the second time within the past 30 years the federal funds rate has been so low. While the lower short term rates have had limited impact on the economy thus far, the effect should grow more stimulatory as investor confidence returns to financial markets.

There are some signs that financial markets are gradually calming. For example, the “TED spread,” a widely used indicator of investor risk aversion, has declined significantly since the beginning of April. The spread, which measures the difference in interest rates on 3-month Treasury bills and on 3-month LIBOR loans, was over 200 basis points in mid-March, but was hovering around 100 basis points during the middle of May. Commercial and investment banks have gradually found buyers for leveraged loans, mortgage debt, and other troubled assets, allowing them to repair their balance sheets and to position themselves for renewed lending activities. Another sign of market vitality was given when Visa, Inc. successfully issued \$18 billion in public stock, the largest initial public offering in U.S. history.

Despite such positive developments, capital markets have not yet returned to normal operations. According to the Federal Reserve Board’s Loan Officer Survey for April 2008, about 55 percent of domestic banks reported tightening lending standards on loans to large and middle-market firms during the past three months, compared to 30 percent in the January survey. Securitization of mortgages has all but ceased, and the interest rate spread between 10-year Treasury bills and 30-year mortgage rates has remained stubbornly wide. Most significantly for the ailing housing market, mortgage rates have not declined dramatically. While the effective federal funds was cut by 3.25 percentage points from July 2007 to May 2008, interest rates on 30-year, conventional mortgages have dropped by only 0.7 percentage point.

The financial turmoil of the past year has taken its toll on New York’s financial services sector. New York Stock Exchange member firms that conduct business with the public reported a collective \$7.3 billion loss for 2007, compared to after-tax profits of \$13.6 billion in 2006. The losses were primarily associated with write-downs from sub-prime loans and related mortgage securities, which could eventually total \$565 billion, according to a recent report from the International Monetary Fund. Over the next several years, the weakened banking sector may be prone to further consolidation, which often results in job losses.

The City’s economy is heavily dependent on the health of the financial markets. The financial sector accounts for less than 10 percent of the City’s employment, but for over 30 percent of its salaries and wages. Moreover, each job in the financial sector supports about 1.5 jobs elsewhere in the City’s economy.

Since August, financial firms with a large presence in New York have announced over 18,000 layoffs. For the most part, they have not disclosed where those layoffs will occur, but many of them will undoubtedly be in New York. Through the first quarter of 2008, net job losses within the City’s financial sector have come exclusively in the securities industry. In the five months following its peak in October 2007, securities industry employment fell 2,900. By comparison, from 2000 through 2003 the industry lost 40,200 jobs from peak to trough, an average of 1,300 jobs a month. Of course, much

of that job loss can be attributed to the 9/11 terror attacks. An analysis of previous Wall Street cycles leads the Comptroller to expect a net decline of between 15,000 and 25,000 jobs in the City's financial sector, from August, 2007 through March, 2009.

Falling employment in the financial sector will ripple through the City's economy. There is already evidence of employment cut-backs by firms that provide professional services to the securities industry, and secondary jobs losses in food service, real estate, and a wide range of other local services can be expected. The stagnating national economy will also dampen demand for other services provided by New York-based firms to individuals and businesses throughout the country, including legal services, accounting, engineering and architecture, and advertising.

In February, Congress enacted a \$168 billion stimulus package of tax rebates for households and tax breaks for businesses. The one-time injection of income will reach consumers during May and June, and the effect on consumer spending should be felt for several quarters thereafter. We calculate the rebates will add approximately one percentage point to GCP growth in 2008. Unfortunately, the recent spike in energy prices will offset some of that beneficial effect.

Despite Wall Street's recent adversities, several factors may help mitigate the economic slowdown in the City. The Comptroller does not expect the local housing market to drop as severely as in other cities where price gains were primarily attributable to easy credit and speculative excess. New York's housing price appreciation can be better justified by an improvement in fundamental factors, and the City's large population of affluent renters represents a pool of potential buyers should housing prices dip to "bargain" levels. Although new housing permits are expected to fall by approximately 50 percent in 2008, the local construction industry will remain active completing the unusually large number of housing units started during the past two years.

Furthermore, while a weak dollar is inflationary and could undermine the country's economic health in the long run, its recent slide will have short-term beneficial effects. The nation's manufacturing sector benefits from exchange rates that make American goods more price competitive, while New York becomes an even more appealing destination for domestic and international tourists.

***Table 5. Forecasts of U.S. Real GDP and U.S. Payroll Jobs, Percent Change, Calendar Years 2008-2012***

		2008	2009	2010	2011	2012
<b>U.S. Real GDP, Percent</b>	Comptroller	1.2	0.6	2.2	3.2	3.0
	Mayor	1.1	1.7	3.2	3.3	3.0
<b>U.S. Payroll Jobs, Percent</b>	Comptroller	(0.1)	(0.4)	1.6	1.7	1.9
	Mayor	0.0	0.4	1.3	1.7	1.5

Source: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the NYC Office of Management and Budget, May 2008 FYs 2008-2012 forecast.

### III. The FY 2008 Budget

City-funds revenue in the May Modification of the FY 2008 budget is projected to be \$2.5 billion more than was expected at the time of budget adoption in June 2007. In contrast, FY 2008 expenditure estimates in the April Modification are \$1.5 billion below the Adopted Budget estimates. As a result, the City will add \$3.9 billion to the \$2.55 billion budget surplus projected in the Adopted Budget, as shown in Table 6, and the City will in effect end FY 2008 with an expected budget surplus of \$6.5 billion. The City plans to use \$1.986 billion of this surplus to prepay FY 2010 general obligation (G.O.) debt service. The remaining \$4.52 billion will be used to provide budgetary relief of \$3.2 billion in FY 2009, \$969 million in FY 2010, and \$350 million in FY 2011.

*Table 6. Change in the FY 2008 Budget Surplus since June 2007*

(\$ in millions, positive numbers increase the surplus)

BSA at Budget Adoption	\$2,552
Change in Estimates	
Increase in Revenue Estimates	\$2,549
Decrease in Expenditure Estimates	<u>1,404</u>
Total Change	\$3,953
Budget Surplus in May Modification	\$6,505
Early Payment of FY 2010 Debt Service	<u>(1,986)</u>
BSA at Executive Budget	\$4,519

SOURCE: NYC Office of the Comptroller

Upward revisions of \$2.2 billion to tax revenue estimates account for the bulk of the increase in revenue estimates, as shown in Table 7. Revisions to PIT revenue accounts for more than 67 percent of the increase in non-property tax revenue estimates. Year-to-date PIT collections are significantly above the Adopted Budget forecast. Despite posting record losses in 2007, Wall Street firms paid out hefty bonuses on 2007 earnings.

Since budget adoption in June, the City has asked all City agencies to develop gap-closing programs (PEG) to get a head start on the fiscal challenges confronting the City in the outyears. Proposed revenue PEGs are expected to generate \$106 million in FY 2008.

**Table 7. Changes in FY 2008 Tax Revenue Estimates  
May 2008 Modification vs. June 2007 Adopted Budget**

(\$ in millions)

Property Tax	\$9
Non-Property Tax	1,699
Tax Audit	<u>500</u>
Subtotal Tax Revenues	\$2,208
Non-Tax Revenues	\$235
Revenue PEGs	<u>106</u>
Subtotal Non-Tax Revenues	\$341
<b>Total</b>	<b>\$2,549</b>

SOURCE: NYC Office of Management and Budget

The decrease in City-funds baseline expenditure estimates is due to budget relief actions taken by the City and to routine technical adjustments. Agency spending reduction programs are expected to produce savings of \$511 million in FY 2008. In addition, the City is eliminating a planned \$100 million pay-as-you-go capital funding to achieve further budgetary relief. Routine reduction in the general reserve and recognition of prior-year-payable savings in the January Modification lower spending estimates by another \$700 million. Downward revisions to debt service and agency spending along with additional collective bargaining cost round out the change in expenditure estimates.

**Table 8. Changes in FY 2008 Expenditure Estimates  
May 2008 Modification vs. June 2007 Adopted Budget**

(\$ in millions)

Expenditure PEGs	(\$511)
Prior-year payable	(500)
General Reserve	(200)
Debt Service	(108)
Pay-As-You-Go Capital	(100)
Agency Spending	(77)
Collective Bargaining	<u>92</u>
Total Expenditure Change	(\$1,404)

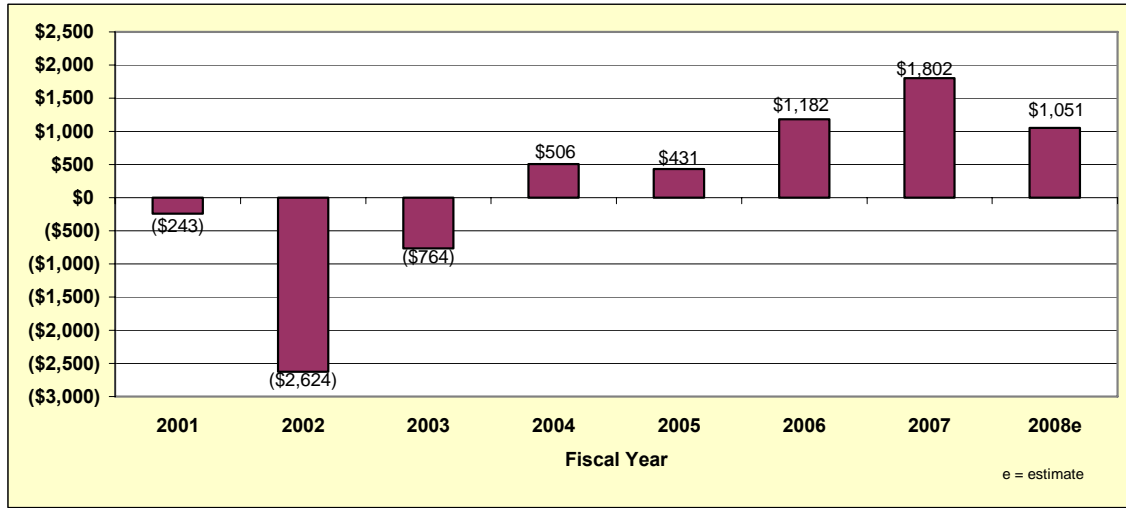
Source: NYC Office of Management and Budget

## The FY 2008 Surplus

The City's projected FY 2008 budget surplus of \$6.5 billion reflects prepayments of \$4.6 billion of FY 2008 expenses in FY 2007, as well as the impact of prior fiscal years' actions that resulted in one-time revenue enhancements or non-recurring savings in FY 2008. These actions include a one-time boost in revenues of \$354 million from the delayed recognition of FYs 2006 and 2007 residual tobacco settlement revenue to FY 2008, a \$350 million reduction in NYCTFA debt service (from an FY 2006 NYCTFA bond defeasance) and \$60 million in debt service savings from a bond retirement program in FY 2007. After adjusting for these actions, the City expects to generate an operating surplus of \$1.1 billion in FY 2008, as shown in Chart 1.

**Chart 1. The City's Operating Results Adjusted for Non-Recurring Actions**

(\$ in millions)



SOURCE: NYC Office of the Comptroller

The projected year-end budget surplus will be used to provide budget relief in the outyears, as shown in Table 9. The City will use \$1.986 billion to pay FY 2010 G.O. debt service. Of the remaining \$4.52 billion, \$3.07 billion will be used to pre-pay FYs 2009 thru 2011 G.O. debt service resulting in net G.O. debt service reduction of \$1.75 billion in FY 2009, \$969 million in FY 2010 and \$350 million in FY 2011. Prepayments of FY 2009 pay-as-you-go retiree health insurance, subsidies to libraries and the Metropolitan Transit Authority (MTA) and the Transit Authority (TA) along with a grant to NYCTFA rounds out the use of the surplus.

**Table 9. Use of the FY 2008 Year-End Surplus**

(\$ in millions)

	Use of Surplus	Outyear Benefits		
		FY 2009	FY 2010	FY 2011
Prepay FY 2010 G.O. Debt Service	\$1,986	\$0	(\$1,986)	(\$0)
Prepayment of G.O. Debt Service	\$3,073	(\$1,754)	(\$969)	(\$350)
Prepayment of FY 2009 retiree pay-as-you go health insurance	\$400	(\$400)		
Prepayment of Subsidies				
Libraries	\$225	(\$225)	\$0	\$0
MTA/TA	\$275	(\$275)	\$0	\$0
Subtotal Prepayment of Subsidies	\$500	(\$500)	\$0	\$0
Grant to NYCTFA	\$546	(\$546)	\$0	\$0
<b>Total</b>	<b>\$6,505</b>	<b>(\$3,200)</b>	<b>(\$2,955)</b>	<b>(\$350)</b>

SOURCE: NYC Office of the Comptroller

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## IV. Balancing The FY 2009 Budget

Projected City-funds spending in the FY 2009 Executive Budget totals \$42.5 billion, a decline of \$3.1 billion from the estimated FY 2008 spending of \$45.6 billion.<sup>1</sup> However, the City's estimates include prepayments, transfers, and other prior-year actions that distort the expected revenue generated and expenditures incurred in a fiscal year. After adjusting for the effect of these actions, FY 2009 spending is projected to increase \$2.2 billion to \$46.3 billion, from \$44.2 billion in FY 2008.

The City's estimate for the FY 2008 budget has changed significantly since the June 2007 Plan. Overall, the City has lowered its revenue forecast and expenditure estimates \$213 million and \$2.7 billion, respectively, resulting in net budgetary relief of \$2.5 billion. This enabled the City to close the \$1.55 billion gap projected in the June 2007 Financial Plan and increase the FY 2009 BSA \$969 million, as shown in Table 10.

**Table 10. Changes to the FY 2009 Estimates  
June 2007 Financial Plan vs FY 2009 Executive Budget**

(\$ in millions, positive numbers narrows the gap while negative numbers widen the gap.)

<b>June 2007 Gap</b>	<b>(\$1,550)</b>
<b>Changes in Revenue Estimate</b>	
Tax revenues	(\$824)
Elimination of contribution to SMART fund	220
Non-Tax Revenues	249
Revenue PEGs	142
<b>Subtotal</b>	<b>(\$213)</b>
<b>Changes in Expenditure Estimates</b>	
Increase in Prepayments of FY 2009 Expenditures	\$1,967
Expenditure PEGs	1,165
Debt Service Savings	215
Eliminate Pay-As-You-Go Capital Fund	200
Collective Bargaining	(437)
Agency Spending Increase	(378)
<b>Subtotal</b>	<b>\$2,732</b>
<b>Increase in FY 2009 Budget Stabilization Account</b>	<b>(\$969)</b>
<b>Executive Budget Gap</b>	<b>\$0</b>

Projected FY 2009 tax revenues have been revised downwards \$824 million from the June Plan, reflecting the slowing local economy. The drop-off in tax revenue forecast is cushioned by the removal of a proposal to establish a Sustainable Mobility and

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<sup>1</sup> Our analysis of the City's expenditure includes New York City Transitional Finance Authority debt service.



Regional Transportation (SMART) Financing Authority, an increase in non-tax revenues, and revenue PEGs.<sup>2</sup>

An increase of \$1.97 billion in the projected prepayments of FY 2009 expenses accounts for more than 70 percent of the downward revision in expenditure estimates.<sup>3</sup> City-wide agency gap-closing programs, the elimination of planned pay-as-you-go capital funding, and debt service savings further lower expenditure estimates by \$1.38 billion. The reductions in projected spending are partially offset by increases in collective bargaining costs and agency spending.

While the City has closed the FY 2009 gap, projected deficits of \$1.3 billion, \$4.6 billion, and \$4.5 billion loom in FYs 2010, 2011, and 2012, respectively. The FY 2010 gap is \$2.1 billion smaller while the FY 2011 gap is \$216 million larger than projected in the June Financial Plan. The reduction in the FY 2010 gap is due largely to a planned prepayment of \$1.986 billion of FY 2010 debt service in FY 2008. The projected increase in the FY 2011 gap is due mainly to a lower revenue forecast offset partially by a reduction in expenditure estimates.<sup>4</sup>

## **RISK AND OFFSETS**

As Table 3 on page 3 shows, the Comptroller's Office has identified risks of \$130 million, \$156 million, and \$55 million in FYs 2008, 2009, and 2011, respectively, and offsets to risks of \$363 million, and \$181 million FYs 2010, and 2012, respectively. The risks in FY 2008 derive mainly from the incremental retroactive cost of the recent Public Employment Relations Board's (PERB) ruling on the FYs 2005 – 2007 Patrolmen's Benevolent Association (PBA) labor contract. As discussed in "Labor" beginning on page 30, the City's labor reserve contains funding for wage increases of 3.0 percent in FY 2005, and 3.15 percent in FY 2006. The PERB award provides wage increases of 4.5 percent in FY 2005 and 5.0 percent in FY 2006 resulting in incremental retroactive cost of \$185 million in FY 2008. This additional cost is partially offset by expected variable rate debt service savings of \$20 million and lower costs for judgments and claims (J&C). The City projects that J&C will grow from \$661 million in FY 2008 to \$856 million by FY 2012. Based on settlement trends over the past few years, the Comptroller's Office expects J&C cost to hover around \$600 million over the Financial

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<sup>2</sup> The City had proposed establishing a SMART Financing Authority that would be partially funded by PIT revenues as part of its congestion pricing proposal. Increases in non-tax revenue projections are discussed in "Miscellaneous Revenues" beginning on page 20.

<sup>3</sup> The \$1.967 billion increase in prepayments of FY 2009 expenditures will be used to increase prepayments of G.O. debt service by \$521 million, provide a grant of \$546 million to NYCTFA, prepay subsidies of \$500 million, and prepay \$400 million of FY 2009 retiree pay-as-you-go health insurance cost.

<sup>4</sup> FY 2011 expenditures in the May 2008 Financial Plan are lower than the June 2007 projections mainly because of debt service savings from a one-year stretch out of capital projects, a roll of \$350 million of FY 2010 surplus into FY 2011, and the elimination of planned FY 2011 pay-as-you-go capital funding, which together more than offset expenditure increases in other areas.

Plan period.<sup>5</sup> As such, the City could realize savings from lower J&C costs of \$35 million in FY 2008, \$88 million in FY 2009, \$138 million in FY 2010, \$195 million in FY 2011, and \$256 million in FY 2012.

Risks to the City's FY 2009 budget projections lie primarily in the forecast for property tax revenues, overtime cost estimates, and incremental labor cost from the PERB award. The Comptroller's office expects slower growth in billable assessed value than the City and projects that property tax revenue will be \$125 million below the City's forecast.<sup>6</sup> Adding to this is the risk to overtime spending which the Comptroller estimates will exceed the City's projections by \$109 million in FY 2009 and \$100 million in each of the outyears. The Comptroller's Office also expects that beginning FY 2009, the differential between the terms of the PERB award and the funded increases in the labor reserve will add \$40 million annually to the City's projected labor cost.

In the outyears of the Financial Plan, the Comptroller's Office expects overall tax revenues to be higher than the City's forecast in each of FYs 2010 through FY 2012. The Comptroller's higher revenue projections are driven mainly by a more optimistic outlook for the local economy over this period. However, the Comptroller's more favorable revenue outlook in the outyears is tempered by expectations of higher spending than projected by the City. The risks to expenditure assumptions result mainly from the City's proposal to restructure employees' health insurance and lower overtime estimates. The City estimates that the proposed restructuring of employees' health insurance will produce annual savings of \$200 million beginning FY 2010. However, there are no details yet regarding the nature of the restructuring and how the savings would be achieved. As such, the health insurance restructuring proposal poses a risk to the budget.

In addition to the above risks, the City could face additional labor costs if the other uniformed employees' unions choose to renegotiate their contracts with the City. The labor contracts of these unions contain a re-opener clause which allows the unions to renegotiate their contracts in the event that the PBA is awarded a more generous contract. Should these unions restructure their contracts to mirror the PERB award, it would cost the City an additional \$385 million in retroactive payments in FY 2008, and \$80 million a year in additional labor cost beginning in FY 2009.

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<sup>5</sup> After reaching a peak of \$627 million in FY 2003, J&C costs dropped to \$517 million in FY 2006 before rising to \$564 million in FY 2007.

<sup>6</sup> Despite the current weakness in the real estate market, billable assessed value continues to grow mainly because of state law capping annual assessment increases. As such, assessed value growth lagged significantly behind market value growth during the boom years of the real estate market providing a foundation for continued billable assessed value growth despite a weak real estate market.

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## V. Revenue Assumptions

Total revenue projections for FY 2009 have decreased \$103 million since the June 2007 Financial Plan, to \$59.1 billion in the Executive Budget. The downward revision is due to a decline of \$259 million in estimated City-fund revenues in FY 2009, offset by an increase in estimated federal and categorical grants of \$15 million and \$95 million, respectively and an increase in inter-fund revenues. The City's tax revenue projection has decreased \$603 million to \$36.6 billion. General property tax revenues were revised downward by 2.0 percent or \$285 million. Business and real estate related tax revenue estimates have also declined compared to the June 2007 forecasts, reflecting the problems affecting the financial and housing sectors. Projections for sales tax and PIT have increased. Employment gains and bonus payouts lifted the City's PIT estimate by 2.6 percent compared to the June 2007 Plan. Miscellaneous revenue projections were increased \$345 million of which \$142 million represent agency programs to reduce the gap. Overall, total revenues are expected to increase 12 percent over the Plan period while tax revenues are expected to increase 15 percent.

### Tax Revenues

The City projects total tax revenues of \$36.6 billion in the FY 2009 Executive Budget. The tax revenue forecasts for FY 2009 have been reduced \$603 million, or 1.6 percent, compared with the June 2007 Plan.<sup>7</sup> As illustrated in Table 11, the drop in the forecast is due to a downward revision of \$893 million to the property tax, business taxes and real-estate-related taxes, offset by an increase in personal income tax (PIT), sales tax, and other taxes.

**Table 11. Changes to the City's FY 2009 Tax Revenue Estimates  
from the June 2007 Plan**

(\$ in millions)

Tax	June 2007	May 2008	Change
Property	\$14,258	\$13,973	(\$285)
PIT	8,473	8,694	221
Business	5,199	4,938	(261)
Sales	4,646	4,664	18
Real-Estate-Related	2,281	1,934	(347)
All Other	1,811	1,843	32
Revenues from Audit	559	577	19
Total	\$37,227	\$36,624	(\$603)

SOURCE: NYC Office of Management and Budget.

The City has introduced several tax programs in the Executive Budget, including restoration of full property tax, a solar electric abatement, a green roof abatement, and a hybrid vehicle sales tax exemption. The proposed restoration of full property tax is

<sup>7</sup> The definition of tax revenues of each single tax used throughout this section excludes the proposed tax program and audits, but includes the school tax relief program (STAR) and the portion of PIT set aside for the NYCTFA.

expected to raise property tax revenues \$1.22 billion in FY 2010, \$1.30 billion in FY 2011, and \$1.36 billion in FY 2012.

## **Tax Revenue Outlook**

As national and local economic conditions deteriorated, the City lowered tax revenue projections in the October, January and May modifications to the FY 2008 Adopted Budget and Financial Plan.

Real property tax revenue, including lien sales earnings, is expected to be \$14 billion in FY 2009, a decrease of \$285 million from last year's June Plan projection and an increase of 6.3 percent from FY 2008. In the June 2007 Plan, the City anticipated real property tax revenue of \$14.3 billion, which is 2.0 percent higher than the current forecast.

Although the City proposes extending the \$400 property tax rebate through the entire Plan period, it plans to discontinue the 7.0 percent property tax reduction starting in FY 2010. Receipts from the real property tax, driven by the assessment phase-in of Class 2 and Class 4 market value growth that occurred during the past few years, are projected to be higher than the June 2007 Plan in the outyears. The repeal of the property tax cut will restore over \$1 billion annually to the City's real property tax collections in fiscal years 2010 to 2012, as stated above. Rescinding the tax reduction yields an estimated annual growth of 9.1 percent from FY 2009 to FY 2012. The annual growth rate would be 6.3 percent if the property tax cut were preserved.

The City's PIT revenue forecast for FY 2009, including the fraction earmarked for NYCTFA debt service, has been raised \$221 million, or 2.6 percent, above the June 2007 Plan estimate. On a year-over-year basis, however, PIT revenues are forecast to decline 10.5 percent in FY 2009 to \$8.7 billion, reflecting projected City job losses, a decline in capital gains realizations, and a drop in Wall Street bonuses for calendar year (CY) 2008. PIT withholding in FY 2009 is forecast to drop 6.9 percent, following an expected 27.8 percent decline in Wall Street bonus payouts in CY 2008. Installment payments in FY 2009 are expected to drop 11.8 percent, due to the decline in capital gains realizations in CY 2008. Settlement payments in CY 2008 are forecast to decrease significantly from 2007, reflecting the expectation that the growth in the income of hedge fund managers in CY 2007 will not be repeated in 2008. PIT revenue collection is forecast to decrease 5.9 percent in FY 2010 and increase by 9.1 percent and 6.3 percent in FY 2011 and FY 2012, respectively.

Projections of business tax revenues for FY 2009 are \$261 million, or 5.0 percent, less than those estimated in the June 2007 Plan. The City expects a mild recession, a decline in national pre-tax corporate profits, and weak financial sector payments to New York City in CY 2008. The City is expected to lose 44,000 jobs in CY 2008, due to the national recession. The liability of the non-financial sector is forecast to decline 7.7 percent and the liability of the finance sector is expected to be very weak in CY 2008. On a year-over-year basis, business taxes in FY 2009 are forecast to decline 13.2 percent. The general corporation tax (GCT), banking corporation tax (BCT) and unincorporated

business tax (UBT) are expected to drop 9.4 percent, 25.0 percent, and 13.5 percent in FY 2009 from the prior year, respectively. Business taxes are forecast to decline 0.6 percent in FY 2010 and grow 8.5 percent and 7.8 percent in FY 2011 and FY 2012, respectively.

The City anticipates sales tax revenues of \$4.7 billion in FY 2009, representing a 0.4 percent increase over the June 2007 Plan and a 3.2 percent decline from FY 2008. The decline reflects an expected drop in wage earnings growth, a private sector job loss, and a decline in Wall Street bonuses. Higher gasoline and food prices are expected to further slow personal consumption spending and reduce sales tax collections. Spending fueled by real estate transactions is also expected to decrease. The City expects sales tax revenue to be flat in FY 2010, and then grow 3.7 percent and 6.7 percent in FY 2011 and FY 2012, respectively.

Real-estate-related tax revenues are expected to yield \$1.9 billion in FY 2009, \$347 million less than the amount anticipated at the time of the FY 2008 Adopted Budget, and \$647 million, or 25.1 percent, less than the estimate for FY 2008. Revenues from the mortgage recording tax for FY 2009 are forecast at \$871 million, a 25.4 percent decline from the FY 2008 level. Real property transfer tax revenues are expected to decline 24.8 percent to \$1.1 billion. The City expects collections from residential transactions to decline 22.3 percent in FY 2009, due to a further decline in the volume of transactions and sharper sales price declines. Transaction volume and prices of one-to-three family homes are forecast to fall by 6.9 and 7.6 percent, respectively, while volume and prices for co-op and condos are expected to fall 4.5 and 10.8 percent, respectively. At the same time, revenues from commercial transactions are expected to drop 26.9 percent, with transactions and price falling 10.1 and 19.8 percent, respectively. The City projects that real property transfer tax collections will decline 2.6 and 1.2 percent in FY 2010 and FY 2011, respectively, before growth resumes in FY 2012.

## **Risk and Offsets**

The Comptroller's Office forecasts of economically sensitive taxes are based on its forecast for the local economy. Both the Mayor and the Comptroller expect a decline in tax revenues in FY 2009. However, the Comptroller expects slow but positive growth in the NYC economy, while the City projects negative GCP growth in CYs 2008 and 2009. The Comptroller does not expect a severe drop in the City's residential real estate market, but anticipates a relatively slow recovery from the present economic slump. As a result, the Comptroller's projections of property and real-estate-related tax revenues are more optimistic than the Mayor's in FYs 2011 and 2012, but his projections of business tax collections are less optimistic for those years.

The Comptroller's Office projects risks of \$50 million in FY 2009 in business tax revenues, mainly due to less optimistic estimates for bank tax revenues. The projected \$40 million offset for PIT revenue is based on a slightly more optimistic calculation of the impact of the decline in Wall Street bonuses and job losses on income. The Comptroller's Office agrees with the City in expecting a severe decline in real estate

transaction activities, which translates into a forecast of a sharp decline in real-estate-related tax collections for FY 2009.

The Comptroller's forecast of real property tax revenue remains unchanged from March 2008. It continues to be based on the belief that the real estate market will recover faster than the City anticipates in the outyears. Property tax revenue is projected to be below the City's forecast in FYs 2009 and 2010 and above the City's forecast in FYs 2011 and 2012. Projected revenue growth between FYs 2009 and 2012 remains at 6.8 percent annually.

For FY 2009, the Comptroller's Office projects that total tax collections trail the Executive Budget target by \$95 million, as shown in Table 12. Overall, for the outyears of the Financial Plan, the Comptroller's tax revenue forecasts are \$565 million, \$90 million, and \$265 million more than the Mayor's in FYs 2010, 2011 and 2012, respectively. Lower forecasts for economically sensitive business taxes in the last two years of the Financial Plan are offset by more optimistic forecasts for real property tax, PIT, sales tax, and real-estate transaction tax revenues.

**Table 12. Tax Revenue Risks and Offsets, Comptroller's Estimates**

(\$ in millions)

<b>Tax</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Property	\$0	(\$125)	(\$70)	\$30	\$245
PIT	0	40	465	60	70
Business	0	(50)	30	(180)	(170)
Sales	0	40	90	70	80
Real-Estate-Related	0	0	50	110	40
<b>Total</b>	<b>\$0</b>	<b>(\$95)</b>	<b>\$565</b>	<b>\$90</b>	<b>\$ 265</b>

SOURCE: NYC Comptroller's Office, based on data from NYC.

## Miscellaneous Revenues

Miscellaneous revenues are locally-raised, non-tax revenues such as fees charged for licenses and franchises, charges for municipal services, fines, rental and interest income, water and sewer revenues, and other miscellaneous revenues including asset sales. In the FY 2009 Executive Budget, the City anticipates that miscellaneous revenues will decline 17 percent to \$4.1 billion (exclusive of private grants and intra-City revenues). This forecast is \$109 million higher than the Preliminary Budget estimate and \$345 million above the June 2007 Plan forecast. As Table 13 shows, the largest forecast increases since the June 2007 Plan are in the other miscellaneous category. Most of the increase, \$134 million, is due to the settlement the City reached with the Internal Revenue Service (IRS) involving a refund of FICA (i.e. Social Security and Medicare) tax that was inappropriately imposed on line-of-duty injury payments to uniformed workers in the 1990s. The increase in this category also includes projected reimbursement for HHC debt service and allocation of overhead expenses totaling \$11.5 million.

**Table 13. Changes to the FY 2009 Miscellaneous Revenue Estimates  
June 2007 Plan vs. FY 2009 Executive Budget**

(\$ in millions)

	<b>June 2008 Plan</b>	<b>FY 2009 Executive Budget</b>	<b>Change</b>
Licenses, Franchises, Etc.	\$420	\$459	\$39
Interest Income	137	85	(52)
Charges for Services	549	591	42
Water and Sewer	1,192	1,297	105
Rental Income	193	218	25
Fines and Forfeitures	723	748	25
Other Miscellaneous	502	663	161
<b>Total</b>	<b>\$3,716</b>	<b>\$4,061</b>	<b>\$345</b>

Over the Financial Plan period, water and sewer revenues are expected to represent the largest component of miscellaneous revenues. The FY 2009 forecast for water and sewer revenues increased \$105 million to \$1.3 billion since the June Plan. Water and sewer revenues of the City consist of two parts: reimbursement for operation and maintenance (O&M) of the water delivery and sewer systems and rental payments from the Water Board for the use of the City's water supply, distribution and treatment plant. Even though the bulk of these revenues are dedicated to the costs of providing water and sewer services and therefore not available for general operating purposes, \$179 million or 14 percent in FY 2009 represents projected rental payments.<sup>8</sup> Rental payments to the City are projected to grow 42 percent over the Financial Plan period while reimbursement for operation and maintenance (O&M) of the system is projected to decline 7.3 percent over the same period. The growth in rental payments is driven by escalating NYC Municipal Water Finance Authority (NYWFA) debt service as discussed in "Financing Program" beginning on page 36.

Interest income is the only category that shows a decline compared to the June Plan forecast. Interest rates have declined in response to the 3 percentage point decrease in the Fed Fund rate since the beginning of FY 2008. The City expects interest rates to decline further and remain low in FY 2009. In addition, the City expects cash balances to return to historical levels.

FY 2009 estimates for the remaining categories have all increased since the June 2008 Plan. Charges for services increased \$42 million due to re-estimates of fee

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<sup>8</sup> The rental payment is equal to the greater of debt service payments for outstanding water and sewer related general obligation debt or 15 percent of Water Authority debt service. Since FY 2005 rental payments have equaled 15 percent of Water Authority debt service as outstanding water and sewer G.O. debt has declined.



revenues such as City register fees, tuition fees and multi-space meter revenues. Likewise, changes in projected revenues from licenses & franchises reflect upward revisions to building and construction permits, cable TV franchise revenues and concession revenues. Estimates for both rental income and fines and forfeitures have increased by \$25 million each over the same period.

Unlike the current fiscal year, FY 2009 miscellaneous revenue budget does not include significant non-recurring revenue items. Overall, miscellaneous revenues are expected to decline slightly during the Financial Plan period.

## **Federal and State Aid**

In the May Plan, Federal and State aid is projected to remain level between FYs 2008 and 2009 at about \$17 billion each year. Thereafter, total aid is expected to reach \$17.3 billion in FY 2010 and \$18.1 billion in FY 2011, before topping out at \$18.4 billion in FY 2012. On average, Federal and State grants represent about 28 percent of the City's overall revenue budget over the term of the plan. Programmatic support for education and social services constitute the bulk of the Federal and State grants provided to the City. For the FY 2009 Executive Budget, more than 85 percent, or nearly \$15 billion, of total Federal and State aid is reflected in agency budgets within these categories.

Among the notable changes in the May plan, the City has incorporated the impact of the State enacted budget in its baseline assumptions. The City estimates that the enacted State budget resulted in revenue losses and additional costs totaling about \$300 million in FYs 2008 and 2009.<sup>9</sup> The key pieces of this impact are the loss of \$85 million in revenue sharing aid in FY 2008 and a reduction of \$179 million in the City's education aid projection for FY 2009. In addition, a provision in the enacted State budget to cut certain local assistance by 2.0 percent is expected to reduce funding to the City by about \$33 million for a range of programs. Changes in various taxes could lead to a net revenue loss of \$13 million for the City. These changes include reduced cigarette tax revenue of \$27 million and increased PIT administration cost of \$13 million, partly offset by internet sales tax collection of \$27 million.

The May Plan also reflects additional reimbursement from the Federal government in support of the City's fringe benefits expenditures. The new negotiated rate provides about \$116 million in expense savings for FY 2009 and \$89 million annually in FYs 2010-12. The majority of the new Federal funding is budgeted within the Department of Social Services (DSS), Administration for Children's Services (ACS) and

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<sup>9</sup>The City estimates that, on a net basis, the enacted State budget widened its budget gap by \$126 million across FYs 2008-2009. This lower figure does not include certain adjustments such as school aid, which reflects lower expected State funding for education without a corresponding increase in City funds.

Department of Homeless Services (DHS). Further, unlike prior years, the Executive Budget does not contain a Federal and State Agenda. The City has accordingly removed its gap closing assumption for expected Federal assistance, which previously accounted for \$100 million in annual revenue for FYs 2009-2012.

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## VI. Expenditure Assumptions

Total-funds spending, which includes Federal and State categorical expenditures, totals \$59.4 billion in the FY 2009 Executive Budget, a decline of \$3.4 billion from the revised FY 2008 level.<sup>10</sup> However, as discussed in “The FY 2008 Budget,” the City plans to use a total of \$6.5 billion of FY 2008 resources for budgetary relief in FYs 2009 through 2011. After adjusting for this action and other prior-year actions, FY 2009 expenditure totals \$63.2 billion, an increase of 3.1 percent from the adjusted FY 2008 estimate of \$61.4 billion.

Over the Plan period, expenditures adjusted for prepayments and prior-year actions are projected to grow 13.4 percent, an annual average growth rate of 4.3 percent. As shown in Table 14, expenditure increases are dominated by growth in spending on health insurance, debt service, and judgments and claims (J&C).<sup>11</sup> The combined growth in these areas over the Financial Plan period is projected to be 28.5 percent, or 8.7 percent annually, almost four times the projected average annual inflation rate for this period.

**Table 14. FYs 2009 – 2012 Expenditure Growth**

(\$ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	Growth FY 09–12	Annual Growth
Health Insurance	\$3,697	\$4,057	\$4,533	\$5,077	37.3%	11.2%
Debt Service	5,164	5,550	5,938	6,477	25.4%	7.8%
Judgments and Claims	688	738	795	856	24.5%	7.6%
<b>Subtotal</b>	<b>\$9,549</b>	<b>\$10,345</b>	<b>\$11,266</b>	<b>\$12,410</b>	<b>30.0%</b>	<b>9.1%</b>
Salaries and Wages	\$19,890	\$19,824	\$20,784	\$21,052	5.8%	1.9%
New Education Initiatives	0	326	767	767	N/A	N/A
Health Insurance Restructuring	0	(200)	(200)	(200)	N/A	N/A
Pensions	6,054	6,576	6,668	6,766	11.8%	3.8%
Other Fringe Benefits	3,043	3,171	3,293	3,353	10.2%	3.3%
Public Assistance	1,177	1,176	1,176	1,176	(0.1%)	0.0%
Medicaid	5,602	5,756	5,916	6,089	8.7%	2.8%
Other OTPS	16,458	16,968	17,550	17,991	9.3%	3.0%
<b>Subtotal</b>	<b>\$52,224</b>	<b>\$53,597</b>	<b>\$55,954</b>	<b>\$56,994</b>	<b>9.1%</b>	<b>3.0%</b>
CFE Supported Expenditures	\$1,476	\$2,256	\$2,302	\$2,302	56.0%	16.0%
<b>Total Expenditure</b>	<b>\$63,249</b>	<b>\$66,198</b>	<b>\$69,522</b>	<b>\$71,706</b>	<b>13.4%</b>	<b>4.3%</b>

Spending in all other areas, excluding Campaign for Fiscal Equity (CFE) supported expenditures, is projected to grow 9.4 percent over the Financial Plan period,

<sup>10</sup> Expenditures in this report include NYCTFA debt service.

<sup>11</sup> While the City projects J&C spending to average 7.6 percent annual growth over the Plan period, the Comptroller’s Office expects J&C spending to be relatively flat over the same period.

an annual growth rate of 3.0 percent.<sup>12</sup> Growth in pension contributions, which had averaged 25.9 percent from FYs 2001 to 2007, is expected to slow to 3.8 percent annually over the Plan period mainly because actuarial investment losses in FYs 2001 through 2003 will be fully phased into the actuarial asset values by the early part of the Financial Plan period.

## Overtime

The City budgeted approximately \$792 million in the FY 2009 Executive Budget for overtime expenditures. This is about \$13 million more than the overtime cost projected in the FY 2009 Preliminary Budget. The increase is due mainly to an upward revision of the Department of Correction's (DOC) overtime forecast to reflect collective bargaining settlements. The FY 2009 forecast, however, is about \$50 million lower than the current forecast for FY 2008. The Comptroller's Office estimates FY 2009 overtime spending will be at least \$109 million more than the City's forecast as shown in Table 15.

**Table 15. Projected Overtime Spending, FY 2009**

(\$ in millions)

	<b>City Planned Overtime FY 2009</b>	<b>Comptroller's Projected Overtime FY 2009</b>	<b>FY 2009 Risk</b>
Uniformed Forces			
Police	\$273	\$375	(\$102)
Fire	171	171	0
Correction	63	70	(7)
Sanitation	61	61	0
Total Uniformed Forces	\$568	\$677	(\$109)
Others			
Police-Civilian	\$40	\$40	\$0
Admin for Child Svcs	13	13	0
Environmental Protection	21	21	0
Transportation	30	30	0
All Other Agencies	120	120	0
Total Civilians	\$224	\$224	\$0
<b>Total City</b>	<b>\$792</b>	<b>\$901</b>	<b>(\$109)</b>

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

As in past fiscal years, the Executive Budget overtime estimate continues the City's practice of understating overtime spending in the beginning of the fiscal year. This is most apparent in the estimate for uniformed police overtime spending. This cost is projected to be \$273 million in FY 2009, about the same amount that was budgeted in the executive budgets for FYs 2007 and 2008. Uniformed police overtime has been

<sup>12</sup> CFE supported expenditure growth is driven by the phase-in schedule of increased State education funding in response to the November 2006 CFE court ruling

averaging about \$350 million since FY 2004.<sup>13</sup> Overtime expenditure in the Police Department for the first ten months of FY 2008 totals \$301 million and is on track to reach about \$360 million for the full fiscal year. The Comptroller's Office expects this trend to continue into FY 2009 and projects that uniformed police overtime spending will total \$375 million.

The FY 2009 overtime budget also faces a risk of \$7 million in spending for DOC's uniformed officers. Corrections has spent \$83 million on uniformed overtime for the first ten months of FY 2008 and is on target to spend \$100 million for the full fiscal year, about \$32 million more than the average correction officers' overtime of \$68 million over the last four years. The Comptroller's Office estimates FY 2009 overtime spending of \$70 million. The expected drop in overtime spending from FY 2008 is due to on-going recruitment initiatives and a relatively constant level of the average daily inmate population. The average daily inmate population through March 2008 was 13,962 compared to 13,985 in FY 2007.

## Headcount

City-funded full-time headcount is projected to decline slightly over the Financial Plan period, as shown in Table 16. When compared to the June 2007 Financial Plan, projected headcount is higher by an average 1.4 percent for fiscal years 2008 through 2011. Although PEG related headcount reductions have lowered estimates by 2,640 in FY 2008, 4,970 in FY2009, 5,063 in FY 2010, and 3,854 in FY 2011, these reductions have been more than offset by technical adjustments.

Headcount reductions related to the current Financial Plan were most pronounced at the New York City Police Department (NYPD), ACS, DSS, and the Department of Education (DOE). At NYPD, planned custodial and other civilian jobs have been reduced by 199 positions beginning in FY 2009. In FY 2010, NYPD will simply maintain its current operational strength, as low recruiting and high police academy dropout rates have thwarted efforts to increase uniformed headcount by 1,000 jobs. Planned full-time headcount at ACS has been reduced by 210 positions from FY 2009 to FY 2012 by eliminating direct congregate care and foster care support, along with other agency-wide reductions. At DSS, 140 additional jobs will be reduced mainly through eliminating administrative vacancies and leave lines. DOE's headcount target has also been lowered by 121 jobs from FYs 2009 through 2012 due to planned reductions in administrative positions at their central and regional offices.<sup>14</sup>

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<sup>13</sup> Actual overtime expenditures are adjusted for one-time occurrences that include the electrical blackout in FY 2004, the Republican National Convention in FY 2005, Hurricane Katrina relief work, and increased security following the London bombing in FY 2006.

<sup>14</sup> Earlier PEGs that were introduced since the June 2007 Financial Plan are discussed in detail in *"The Comptroller's Comments on the Preliminary Budget for FY 2009 and the Financial Plan for FYs 2008 to 2012."*

The overall change in City-funded full-time headcount projections since the June 2007 Financial Plan is due mostly to technical adjustments. At the NYPD, 4,945 Full-Time-Equivalent School Safety Agents are being reclassified as full-time employees, while approximately 1,900 full-time pedagogical employees at the DOE who were previously listed under non-City funds now have their positions accurately listed as City-funded jobs.

**Table 16. City-Funded Full-Time Year-End Headcount Projections**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Pedagogical</b>					
Dept. of Education	95,807	95,868	96,353	96,344	96,344
City University	2,687	2,668	2,668	2,668	2,668
Sub-total	98,494	98,536	99,021	99,012	99,012
<b>Uniformed</b>					
Police	35,284	35,284	35,284	36,284	36,284
Fire	11,264	11,226	11,226	11,226	11,226
Corrections	8,864	8,716	8,561	8,615	8,615
Sanitation	7,604	7,456	7,456	7,701	7,701
Sub-total	63,016	62,682	62,527	63,826	63,826
<b>Civilian</b>					
Dept. of Education	8,799	8,381	8,379	8,379	8,379
City University	1,659	1,623	1,502	1,502	1,502
Police	15,334	14,607	14,615	14,687	14,687
Fire	4,656	4,796	4,796	4,796	4,796
Corrections	1,451	1,422	1,518	1,518	1,518
Sanitation	1,961	1,895	1,889	1,935	1,935
Admin for Children's Services	7,216	6,936	6,932	6,932	6,932
Social Services	11,323	11,175	11,164	11,164	11,164
Homeless Services	2,063	2,221	2,204	2,204	2,204
Health and Mental Hygiene	4,106	4,015	3,990	3,988	3,988
Finance	2,181	2,102	2,101	2,101	2,101
Transportation	2,257	2,228	2,212	2,258	2,244
Parks and Recreation	3,323	3,251	3,261	3,278	3,278
All Other Civilians	16,270	16,174	16,074	16,058	16,058
Sub-total	82,599	80,826	80,637	80,800	80,786
<b>Total</b>	<b>244,109</b>	<b>242,044</b>	<b>242,185</b>	<b>243,638</b>	<b>243,624</b>

City-funded full-time equivalent (FTE) headcount is expected to remain at approximately 26,400 positions throughout the Financial Plan. This represents a reduction in projected headcount of over 4,000 FTE jobs since the FY 2008 Adopted Budget, and is largely due to the reclassification of school safety agents discussed above.

**Table 17. City-Funded FTE Year-End Headcount Projections**

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b>Pedagogical</b>					
Dept. of Education	1,053	1,053	1,053	1,053	1,053
City University	1,468	1,454	1,454	1,454	1,454
Sub-total	2,521	2,507	2,507	2,507	2,507
<b>Civilian</b>					
Dept. of Education	14,917	14,917	14,917	14,917	14,917
City University	800	766	766	766	766
Police	1,824	1,771	1,771	1,771	1,771
Health and Mental Hygiene	1,313	1,346	1,346	1,346	1,346
Parks and Recreation	3,514	3,424	3,383	3,399	3,399
All Other Civilians	1,804	1,715	1,715	1,716	1,716
Sub-total	24,172	23,939	23,898	23,915	23,915
<b>Total</b>	26,693	26,446	26,405	26,422	26,422

## **Health Insurance**

In the FY 2009 Executive Budget, health insurance costs for employees and retirees is projected to total \$3.297 billion in FY 2009, a decrease of \$382 million from the June 2007 estimate. This drop reflects a planned prepayment of \$400 million of FY 2009 pay-as-you-go retiree health expenses in the Executive Budget. Adjusted for this prepayment, FY 2009 health insurance is expected to cost \$3.697 billion, 9.8 percent higher than the adjusted FY 2008 estimate of \$3.367 billion. This projection reflects an expected premium rate increase of 9.4 percent for FY 2009.

The cost of health insurance is projected to grow to \$4.877 billion by FY 2012. These projections include expected savings of \$200 million annually, beginning in FY 2010 from a proposal to restructure the City's employees' health insurance. Although the City and the Municipal Labor Committee (MLC) are currently discussing the terms of the restructuring, no details have been released on how this will be accomplished.

In addition, the City is increasing the fringe rate it charges for Federal and State reimbursements for employees funded by State and Federal grants from 35 percent to 45 percent. This increase is expected to offset the City's health insurance cost by \$116 million in FY 2009 and \$89 million in each of FYs 2010 through 2012.

## **Pensions**

The City's pension contributions are projected to increase from \$5.6 billion in FY 2008 to \$6.8 billion in FY 2012. These projections include the impact of the FY 2007 investment earnings and the expectation that investment returns for the City's pension systems will be zero for FY 2008. These projections also include additional costs resulting from recent collective bargaining settlements and a reserve of \$200 million



annually beginning in FY 2010 to fund potential changes in actuarial assumptions and methodology.

As shown in Table 18, the Executive Budget pension projections are lower than the January Plan's by \$4 million in FY 2008 and \$58 million in FY 2009, but higher by \$164 million in FY 2010, \$263 million in FY 2011, and \$346 million in FY 2012. The increases in projections in the outyears are driven primarily by expected underperformance in pension investments relative to the actuarial investment return assumption (AIRA) of 8.0 percent. Returns above or below the AIRA in a given fiscal year are phased in over a six year period with a two year lag. The phase-in of an expected zero percent pension investment return in FY 2008 will result in additional pension contributions of \$121 million beginning in FY 2010 growing to \$327 million by FY 2012. Every one percent gain or loss in pension investment return above or below the City's assumption will result in incremental reduction or increase in pension contributions of approximately \$15 million in FY 2010 growing to \$41 million in FY 2012.

***Table 18. Projections of the City's Contributions to the Five Actuarial Pension Systems***

(\$ in millions)

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>FY 2009 January Plan Budget</b>	<b>\$5,625</b>	<b>\$6,113</b>	<b>\$6,412</b>	<b>\$6,406</b>	<b>\$6,421</b>
FY 2008 Asset Losses at 0%	0	0	121	222	327
Net Actuarial and Pension Reserve Adjustments	0	(43)	26	26	26
Other Adjustments	(4)	(15)	17	15	(7)
Total	(4)	(58)	164	263	346
<b>FY 2009 Executive Budget</b>	<b>\$5,621</b>	<b>\$6,055</b>	<b>\$6,576</b>	<b>\$6,669</b>	<b>\$6,767</b>

NOTE: Pension expenditures do not include intra-City expenses of \$124 million annually.

## **Labor**

PERB which had been deliberating the PBA labor contract, issued an award on May 19, 2008 covering a two-year period from August 1, 2004 to July 31, 2006. The award provided wage increases of 4.5 percent on the first day of the contract and 5.0 percent on the first day of the thirteenth month of the contract for a total increase of 9.725 percent, compounded, over the term of the contract. In addition, the award increased the starting salary for police officers in the Police Academy from \$25,100 to \$35,881.

The City's labor reserve contains funding for wage increases, patterned after the settlements with the other uniformed employees' unions, of 6.245 percent, compounded, over the two-year period. Part of the incremental cost will be funded by productivity savings and givebacks in the contract. These productivity savings and givebacks include:

- Reducing the annual leave days for new hires from 20 days to 10 days for each of the first five years of employment.

- Modifying the current six named rescheduling days for all employees without the payment of overtime, which provides for greater flexibility in scheduling and overtime savings.
- Holding Range Day (firearms qualification) for all employees on an annual leave day.
- Increasing the rescheduling days for all employees without the payment of pre-tour or post-tour overtime from 15 days to 20 days.

The award will increase labor costs above the amount funded in the labor reserve by \$20 million in FY 2005, growing to \$55 million by FY 2008, for a total increase in retroactive cost of \$185 million. The retroactive cost does not include pension cost and is not offset by givebacks and productivity savings. Going forward, the incremental cost including pension and adjusted for givebacks and productivity savings will total \$40 million annually.

Contracts with the other uniformed employee unions contained a re-opener clause which allows these unions to renegotiate their contract in the event that the PBA is awarded a more generous contract. Should the other uniformed employee unions restructure their contracts to mirror the PBA's, it would cost the City an additional \$325 million in retroactive payments and \$80 million a year beginning in FY 2009.

The PBA has announced that it will begin negotiations with the City on its next round of collective bargaining for a contract that begins on August 1, 2006. In addition, the District Council 37 (DC37) contract expired on March 2, 2008 and the union has started negotiations with the City for the next round of collective bargaining. Contracts will also expire by October 2008 for members of the Communications Workers of America (CWA), the Organization of Staff Analysts (OSA), and the Uniformed Firefighters Association (UFA), as shown in Table 19. The budget contains funding for a two-year contract for the next round of collective bargaining with a 4.0 percent increase on the first day of the agreement and another 4.0 percent on the first day of the second year for these unions. These increases mirror the increases in the final two years of agreements reached between the City and unions representing uniformed sanitation workers and officers, correction captains and assistant deputy wardens, police detectives, sergeants, captains, and inspectors and fire officers.

***Table 19. Labor Contracts Expiring in FYs 2008 and 2009***

	<b>Beginning of Contract</b>	<b>End of Contract</b>
District Council 37 (DC37)	July 1, 2005	March 2, 2008
Organization of Staff Analysts (OSA)	July 13, 2006	August 24, 2008
Communications Workers of America (CWA)	September 6, 2006	October 5, 2008
Uniformed Firefighters Association (UFA)	August 1, 2006	July 31, 2008

## **Department of Education**

The FY 2009 Executive Budget reflects a decline of \$216 million in the Department of Education (DOE) expense budget compared with the January Plan. The bulk of this change occurs in the Department's Federal and State aid assumptions. In particular, the DOE budget reflects reductions of \$199 million from aligning its education aid assumption with the enacted State budget and \$103 million from removing a prior assumption of Federal support for collective bargaining expenditures. The revenue decline is partly offset by an increase of \$82 million in City funds.

The additional City funds address about \$130 million in new needs and transfers, including \$30 million for school food services, \$46 million in non-public school payments (mainly charter schools and pre-school special education), \$17 million for energy and about \$10 million each for school safety and leases. In addition, the Executive Budget reflects an incremental surplus roll of \$56 million from FY 2008. These increases are partly offset by additional PEG reductions of \$104 million, comprising mainly \$45 million from lower spending accrual reserve, \$17 million from administrative savings, \$18 million from reduced facility costs and \$10 million from fringe benefits savings. These additional actions push the total PEG program up to \$428 million in FY 2009. Of the \$324 million in PEG actions already incorporated in the baseline, \$181 million is expected from reductions against school budgets. The baseline PEG actions also include savings of \$48 million from increased efficiencies, a hiring freeze and a funding shift of \$47 million from the additional receipt of State special education high cost aid. The net impact of these reductions will likely be less severe for schools that generated a surplus in FY 2008.

While total DOE funding is still projected to grow by nearly \$800 million, or 4.7 percent, in FY 2009, the sizable PEG program has stalled the rising trend in City-funded support for the Department. The FY 2009 Executive Budget shows that DOE would begin the upcoming school year with the smallest City funds increase in recent years. The FY 2009 Executive Budget contains an increase of \$243 million in City funds for the DOE budget, factoring in the surplus roll from FY 2008. Adjusting for the net impact of surplus rolls, the growth in City funds becomes a more modest \$149 million in FY 2009. In comparison, in the five years prior, the annual increase in City funds for the DOE expense budget has averaged about \$380 million, with total City-funded DOE expenditures increasing from \$5.10 billion in FY 2003 to a projected \$7.01 billion in FY 2008.

The Department's State aid assumptions, which had been a source of uncertainty prior to enactment of the State budget, reflect growth of \$608 million in FY 2009 with Foundation Aid constituting the bulk of this increase. The State Education Department indicates that \$456 million of the additional Foundation Aid allocation to the City in FY 2009 will be subject to Contract for Excellence (CFE) compliance. Under CFE provisions, schools are required to target their Foundation Aid allocations in areas such as class size reduction, additional time on task including extended day, middle and high school restructuring, and professional development. While the funding allocation for the individual areas has not yet been determined, about \$153 million of the City's

\$258 million CFE plan was earmarked for class size reduction in FY 2008. Therefore, it is likely that the majority of CFE funding will continue to be designated for this category in FY 2009.

In the outyears of the plan, the City projects the DOE budget would grow from \$17.6 billion in FY 2009 to \$18.5 billion in FY 2010, and top \$20 billion by FY 2011. By the end of the plan, the DOE budget would reach \$20.38 billion in FY 2012. The uneven growth between FY 2009 and FY 2011 stems from adjustments in the City's education aid assumptions in the outyears. In the May Plan, the City has lowered its expectation of State education aid by a net \$595 million in FY 2010, which is about \$400 million more than reductions taken in any other year. This is based on a revised interpretation of the phase-in schedule for Foundation Aid that now recognizes a more significant portion of the flow to materialize in FY 2011 rather than FY 2010. In contrast, City funds will rise steadily during this period, growing by more than \$500 million in FY 2010 and over \$600 million in FY 2011. City-funded support for the Department would reach \$8.41 billion in FY 2012, reflecting growth of about \$1.4 billion or 20 percent from the FY 2008 base year.

## **Health and Hospitals Corporation**

In the May Plan, the City has reflected an improvement in the financial outlook of the HHC mainly from the recognition of additional Medicaid Upper Payment Limit (UPL) revenue. The Corporation's projected baseline revenue shows an increase of \$347 million in FY 2008 since the January Plan primarily from the enhanced UPL revenues from prior years. The additional revenue translates into a stronger cash balance for the FY 2009 Executive Budget despite a slight deterioration in the Corporation's projected deficit. HHC is expected to build on an opening cash balance of \$921 million and achieve a closing balance of about \$1.14 billion by the end of FY 2009, an increase of more than \$200 million from the January Plan estimate of \$926 million. Notwithstanding these developments, HHC still faces an operating deficit of \$1.12 billion on an accrual basis in FY 2009, which has worsened by \$71 million since the January Plan.

To achieve its year-end cash balance target, the Corporation would need to rely on a gap-closing program of \$888 million in FY 2009. The chief components of the HHC gap closing program are Federal and State actions totaling \$738 million, including over \$400 million in additional UPL revenue. Unlike the FY 2008 baseline assumptions, the realization of UPL revenue in FY 2009 and beyond would hinge on the extension of a moratorium on a number of proposed Medicaid regulation changes, among which is the restriction on Federal UPL reimbursement. The current moratorium expired on May 25, 2008 and therefore poses significant uncertainty on HHC's budget assumptions going forward. Provisions to delay the implementation of these changes are now included in the Iraq War Supplemental Funding bill that would extend the moratorium to April 1, 2009. The Senate has already passed the measure by an overwhelming margin. While full congressional approval is likely, final resolution of this issue will probably occur in June, at the earliest, since the President has threatened to veto the legislation.

Over the remainder of the plan, the City projects that HHC would face annual deficits ranging from \$1.41 billion to \$1.52 billion, an increase of more than \$200 million annually on average compared with the January Plan projections. The greater deficits in the May Plan are mainly attributable to the recognition of collective bargaining expenses, while revenue projections remain stagnant in FYs 2010-12. The Corporation plans to address the gaps with Federal and State actions averaging over \$900 million each year. As in FY 2009, the expected assistance in the outyears is primarily conditioned on the continued availability of UPL reimbursement from the Federal government. The remainder of the gap closing program is comprised of \$105 million in operational savings and \$50 million in revenue actions. Accordingly, the Corporation's cash balance is projected to fall significantly each year to \$731 million in FY 2010, \$399 million in FY 2011, and \$65 million in FY 2012.

## **Debt Service**

Since budget adoption in June 2007, the City has reduced its debt service projections \$112 million in FY 2008, \$213 million in FY 2009, \$227 million in FY 2010, and \$269 million in FY 2011.<sup>15</sup> Debt service in the May 2008 Financial Plan is now expected to total \$4.95 billion in FY 2008, \$5.25 billion in FY 2009, \$5.64 billion in FY 2010, \$6.03 billion in FY 2011, and \$6.57 billion in FY 2012, growth of 32.7 percent over the Financial Plan period. These estimates include NYCTFA, TSASC, and lease-purchase debt service.

As shown in Table 20 below, changes in FY 2009 include a decrease in G.O. debt service of \$112 million, a modest reduction of \$2 million for NYCTFA debt service, conduit debt service savings of \$101 million, and a \$1 million increase for TSASC, Inc. debt service.

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<sup>15</sup> The City's debt service projections do not include the scheduled borrowing over the Financial Plan period of \$1.01 billion in Expanding our Children's Education & Learning (EXCEL) bonds and \$3.4 billion in NYCTFA Building Aid Revenue Bonds (BARBs) to support the NYC Department of Education's capital program. The City expects this borrowing to be funded by State personal income tax and State building aid. To date, the Dormitory Authority of the State of New York (DASNY) has issued \$1.38 billion of EXCEL bonds and the NYCTFA has issued \$1.3 billion of BARBs.

**Table 20. Changes to FY 2009 since June 2007 Financial Plan**

(\$ in millions)

Description	FY 2009	% of Total
General Obligation	(\$112)	52.3%
NYCTFA	(2)	1.0
Conduit Debt	(101)	47.2
TSASC Inc.	1	(0.5)
Total	(\$214)	100.0 %

SOURCE: NYC Office of Comptroller with use of FY 2009 Executive Budget and the FY 2008 Adopted Budget & Financial Plan, Office of Management & Budget

The G.O. debt service decrease in FY 2009 is due primarily to \$40 million of unplanned refunding savings and \$70 million of savings from lower than anticipated borrowing costs. The conduit or lease-purchase debt service savings of \$101 million results from \$59.3 million of lower than expected interest costs related to Hudson Yards, \$27.7 million of savings from the G.O. take out of Jay Street Development Corporation conduit debt service, and \$11.5 million in savings from the use of Housing Finance Agency's (HFA) debt service reserves for the HFA's lease-purchase debt's final payment year. The NYCTFA and TSASC's changes are modest and represent adjustments to baseline estimates.

As shown in Table 21, G.O. debt service is estimated to increase \$1.54 billion, or 43.6 percent, from FYs 2008 to 2012. This increase is driven by projected new G.O. borrowing totaling approximately \$23.2 billion for FYs 2009 through 2012, requiring additional debt service of about \$1.5 billion per year by FY 2012.

**Table 21. FY 2009 Executive Budget and Financial Plan Estimates**

(\$ in millions)

Debt Service Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Change FY 2008 to FY 2012
General Obligation <sup>a</sup>	\$3,532	\$3,811	\$4,125	\$4,537	\$5,074	\$1,542
NYCTFA <sup>b</sup>	1,102	1,135	1,145	1,149	1,158	56
Lease-Purchase Debt	219	218	280	251	246	27
TSASC, Inc.	87	90	91	92	93	6
Municipal Assistance Corp.	10	0	0	0	0	(10)
<b>Total</b>	<b>\$4,950</b>	<b>\$5,254</b>	<b>\$5,641</b>	<b>\$6,029</b>	<b>\$6,571</b>	<b>\$1,621</b>

NYCTFA debt service is projected to grow \$56 million over the Financial Plan period. The City has repeatedly requested the State Legislature pass legislation that would increase the NYCTFA debt-incurring capacity. At this time, no further increase has been granted. If used as a substitute for planned G.O. debt and not utilized to increase

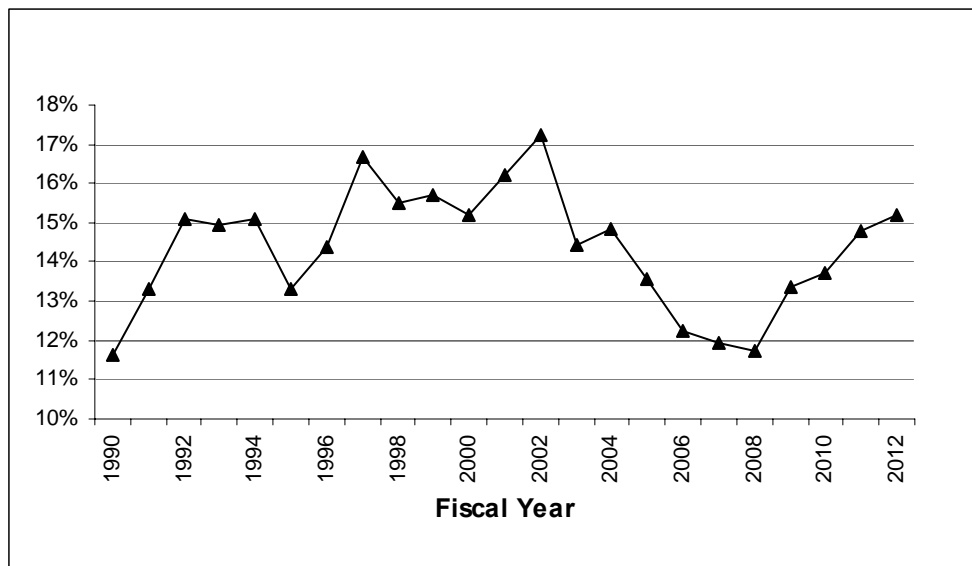
overall capital borrowing, NYCTFA debt's better credit ratings should result in lower debt-service costs.

### Debt Burden

As shown in Chart 2, debt service as a percent of local tax revenues is projected to be 11.8 percent in FY 2008, rising to 15.2 percent by FY 2012. 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 2.6 percent while debt service is estimated to grow at an annual rate of 7.3 percent over the Financial Plan period.

Faced with a challenging fiscal outlook in the outyears the City has opted to eliminate its pay-as-you-go capital program which would have reduced the amount of capital borrowing by about \$700 million over the Financial Plan period. However, this action increases debt service by approximately \$5 million in FY 2009, \$19 million in FY 2010, \$36 million in FY 2011, and \$55 million in FY 2012. Nonetheless, the City is able to achieve a net reduction in debt service over the Financial Plan period by stretching out the capital program from four years to five years.

**Chart 2. Total Debt Service as a Percentage of Local Tax Revenues, FYs 1990-2012**



SOURCE: FY 2009 Executive Budget & Financial Plan, Office of Management & Budget, May 2008.

### Financing Program

As shown in Table 22, the financing program for FYs 2009-2012 totals approximately \$34.7 billion. Planned issuances of debt over the Financial Plan period include: G.O. bonds of \$23.2 billion, NYC Municipal Water Finance Authority (NYWFA) debt of \$8.79 billion, and NYCTFA – BARBs of \$2.7 billion. By the end of

FY 2008, the DASNY will have finalized their issuance of about \$1.8 billion of bonds for education purposes. The May 2007 Financial Plan has eliminated planned pay-as-you-go capital over the Financial Plan period. There is no scheduled borrowing for NYCTFA personal income tax-backed bonds or TSASC, Inc. and conduit (lease-purchase) debt.

G.O. bonds continue to account for the majority of the borrowing at 67 percent, followed by NYWFA at 25 percent and BARBs at just below 8.0 percent of total anticipated borrowing over FYs 2009-2012.

In addition, the recently introduced Capital Commitment Plan reduction program of 20 percent per year for FYs 2009-2012 results a \$1.7 billion reduction in G.O. borrowing over the Financial Plan period. NYWFA borrowing, however, is projected to increase by \$134 million over the same period, due to the exemption of Department of Environmental Protection (DEP) capital program from capital commitment reductions.

**Table 22. FY 2009 Executive Budget Financing Program,  
FYs 2009-2012**

(\$ millions)

Description:	Estimated Borrowing and Funding Sources FYs	Percent of Total
	2009-2012	
General Obligation Bonds	\$23,200	66.9%
NYC Municipal Water Finance Authority	8,787	25.3%
NYC TFA – Building Support Aid	2,700	7.8%
DASNY – Education Purposes	0	0.0%
NYC TFA – General Purposes	0	0.0%
Pay-As-You-Go Capital	0	0.0%
<b>Total</b>	<b>\$34,687</b>	<b>100.0%</b>

SOURCE: FY 2009 Executive Budget and Financial Plan, Office of Management and Budget, May 2008.

Unlike other debt that is funded through the property tax and other general fund revenues, the NYWFA debt service is funded by user fees. NYWFA debt service is estimated to be \$1.16 billion in FY 2009, growing to \$1.69 billion in FY 2012, an increase of 45.5 percent over the period.<sup>16</sup> The escalating cost of debt service is largely responsible for the rate increases planned by the Water Board. In May 2008, the Water Board adopted a rate increase of 14.5 percent for FY 2009 and projects further rate increases of 14 percent in FY 2010, 12 percent in FY 2011, and 7.5 percent in FY 2012.

As a result of a provision in the lease agreement between the Water Board and the City, escalating debt service results in escalating rent payments by the Water Board to the City. The Comptroller has proposed an alternate use of the Water Board's rental payment to the City's general fund. This proposal to assign rental payment toward rate reduction and pay-as-you-go capital would benefit rate payers over the short and long-term but

<sup>16</sup> Debt service figures cited here do not reflect the benefit of the carry forward surplus.



would result in a concomitant decrease in revenue to the City's general fund. The Comptroller's Office believes that the reprogramming of debt service coverage reserves after the satisfaction of each year's debt service requirements would not compromise the Water Finance Authority's credit rating, would serve to mitigate proposed rate increases, and would assign the costs of government services in a more transparent manner.

## **Capital Plan**

The Executive Budget Capital Commitment Plan for FYs 2009-2012 totals \$38.92 billion, after applying the reserve for unattained commitments and the 20 percent capital reduction program. Of this amount, \$30.73 billion is City-funded and \$8.19 billion is non-City funded. The Department of Education, DEP, Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for 70 percent of all-fund commitments.<sup>17</sup>

The 20 percent capital reduction program applies only to City-funded commitments and excludes the DEP. Over the FYs 2009-2012 period, capital commitments will be reduced \$5.09 billion from the level projected in January 2008. At this time, there is no specificity to the reduction program. Details of the reduction will be presented in the September 2008 Commitment Plan.

DOE and CUNY combine to tally 26 percent of citywide commitment dollars followed by DEP at 22.4 percent, DOT and Mass Transit at 14.3 percent, Housing and Economic Development at 7.6 percent, and the Administration of Justice category at 7.8 percent. The plan is front-loaded with all-fund net commitments totaling \$14.72 billion in FY 2009, decreasing to \$8.98 billion in FY 2010, \$8.43 billion in FY 2011, and further to \$6.79 billion in FY 2012. Thus, 38 percent of the all-funds plan is expected to be committed in FY 2009.

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<sup>17</sup> Commitment Plan refers to a schedule of anticipated contract registrations. However, detailed capital spending is not recorded in the Commitment Plan.

**Table 23. FYs 2009 – 2012 Capital Commitments, All-Funds**

(\$ in millions)

<b>Project Category</b>	<b>May 2008 Commitment Plan</b>	<b>Percent of Total</b>
Education & CUNY	\$11,210	26.0%
Environmental Protection	9,657	22.4
Dept. of Transportation & Mass Transit	6,148	14.3
Housing and Economic Development	3,274	7.6
Administration of Justice	3,362	7.8
Technology and Citywide Equipment	1,937	4.5
Parks Department	1,876	4.4
Hospitals	465	1.1
Other City Operations and Facilities	5,152	11.9
<b>Total</b>	<b>\$43,082</b>	<b>100.0%</b>
Capital Reduction Program	(5,086)	
Reserve for Unattained Commitments	\$923	n/a
<b>Adjusted Total</b>	<b>\$38,919</b>	<b>n/a</b>

SOURCE: Office of Management and Budget, FY 2009 Executive Capital Commitment Plan, May 2008

## **Borough Presidents' Proposed Reallocations**

Section 245 of the NYC Charter allows Borough Presidents to propose modifications to the Preliminary Expense Budget during the Executive Budget process. Their proposals cannot lead to any net increase to the budget. The Queens and Manhattan Borough Presidents have submitted proposals in the current Executive Budget process.

The Queens Borough President proposed allocation changes of \$308 million. The changes include increases of \$70 million for the Police Department, \$58 million for health and mental health programs, \$43 million for the City University of New York, \$13.5 million for senior programs, \$10.8 million for the Department of Sanitation, \$9.8 million for youth programs, \$7 million for the Queens Public Library, \$5.5 million for the Department of Cultural Affairs, and \$4.7 million for the Parks Department.

These increases are proposed to be funded from the retention of the City share of the 4.0 percent sales tax on luxury items, sales tax on aviation fuel, procurement consolidations, energy conservation at City agencies, elimination of school year jury duty for teachers, elimination of the property tax exemption for Madison Square Garden, converting the multiple dwelling registration flat fee to a per unit fee, and extending the general corporation tax to insurance company business income.

The Manhattan Borough President has recommended only one increase to the Borough of Manhattan Community College in the amount of \$2.5 million. The Manhattan Borough President proposed funding this increase by assessing all vacant residential lots in Manhattan at Class 4 rates.

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## VII. Appendix – Revenue and Expenditure Details

**Table A1. FY 2009 Executive Budget Revenue Detail**

(\$ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FY 2009-12	
					Percent	Dollar
<b>Taxes:</b>						
Real Property	\$13,973	\$16,225	\$17,293	\$18,155	29.9%	\$4,182
Personal Income Tax	\$8,694	\$8,178	\$8,926	\$9,488	9.1%	\$794
General Corporation Tax	\$2,623	\$2,679	\$2,953	\$3,167	20.7%	\$544
Banking Corporation Tax	\$647	\$690	\$759	\$807	24.7%	\$160
Unincorporated Business Tax	\$1,668	\$1,541	\$1,616	\$1,770	6.1%	\$102
Sale and Use	\$4,664	\$4,666	\$4,837	\$5,161	10.7%	\$497
Commercial Rent	\$566	\$583	\$601	\$623	10.1%	\$57
Real Property Transfer	\$1,063	\$1,033	\$1,021	\$1,078	1.4%	\$15
Mortgage Recording Tax	\$871	\$850	\$839	\$890	2.2%	\$19
Utility	\$377	\$408	\$430	\$452	19.9%	\$75
Cigarette	\$102	\$99	\$97	\$94	(7.8%)	(\$8)
Hotel	\$394	\$427	\$456	\$482	22.3%	\$88
All Other	\$404	\$410	\$411	\$417	3.1%	\$13
Tax Audit Revenue	\$577	\$579	\$579	\$579	0.2%	\$1
<b>Total Taxes</b>	<b>\$36,624</b>	<b>\$38,367</b>	<b>\$40,817</b>	<b>\$43,163</b>	<b>17.9%</b>	<b>\$6,539</b>
<b>Miscellaneous Revenue:</b>						
Licenses, Franchises, Etc.	\$459	\$455	\$460	\$464	1.1%	\$5
Interest Income	\$85	\$89	\$136	\$141	65.9%	\$56
Charges for Services	\$591	\$578	\$577	\$578	(2.2%)	(\$13)
Water and Sewer Charges	\$1,297	\$1,245	\$1,271	\$1,289	(0.6%)	(\$8)
Rental Income	\$218	\$207	\$207	\$207	(5.0%)	(\$11)
Fines and Forfeitures	\$748	\$747	\$746	\$746	(0.3%)	(\$2)
Miscellaneous	\$663	\$521	\$522	\$502	(24.3%)	(\$161)
Intra-City Revenue	\$1,506	\$1,436	\$1,436	\$1,436	(4.6%)	(\$70)
<b>Total Miscellaneous</b>	<b>\$5,567</b>	<b>\$5,278</b>	<b>\$5,355</b>	<b>\$5,363</b>	<b>(3.7%)</b>	<b>(\$204)</b>
<b>Unrestricted Intergovernmental Aid:</b>						
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
<b>Total Unrestricted Intergovernmental Aid</b>	<b>\$340</b>	<b>\$340</b>	<b>\$340</b>	<b>\$340</b>	<b>0.0%</b>	<b>\$0</b>
<b>Other Categorical Grants</b>	<b>\$1,006</b>	<b>\$1,001</b>	<b>\$1,003</b>	<b>\$1,006</b>	<b>0.0%</b>	<b>\$0</b>
<b>Inter Fund Agreements</b>	<b>\$458</b>	<b>\$425</b>	<b>\$419</b>	<b>\$419</b>	<b>(8.5%)</b>	<b>(\$39)</b>
<b>Reserve for Disallowance of Categorical Grants</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>0.0%</b>	<b>\$0</b>
<b>Less: Intra-City Revenue</b>	<b>(\$1,506)</b>	<b>(\$1,436)</b>	<b>(\$1,436)</b>	<b>(\$1,436)</b>	<b>(4.6%)</b>	<b>\$70</b>
<b>TOTAL CITY FUNDS</b>	<b>\$42,474</b>	<b>\$43,960</b>	<b>\$46,483</b>	<b>\$48,840</b>	<b>15.0%</b>	<b>\$6,366</b>

**Table A1 (Con't.). FY 2009 Executive Budget Revenue Detail**

(\$ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FY2009-12	
					Percent	Dollar
<b>Federal Categorical Grants:</b>						
Community Development	\$277	\$251	\$248	\$248	(10.5%)	(\$29)
Welfare	\$2,486	\$2,455	\$2,455	\$2,455	(1.2%)	(\$31)
Education	\$1,761	\$1,769	\$1,777	\$1,786	1.4%	\$25
Other	\$871	\$838	\$823	\$824	(5.4%)	(\$47)
<b>Total Federal Grants</b>	<b>\$5,395</b>	<b>\$5,313</b>	<b>\$5,303</b>	<b>\$5,313</b>	<b>(1.5%)</b>	<b>(\$82)</b>
<b>State Categorical Grants</b>						
Social Services	\$1,954	\$1,952	\$1,952	\$1,943	(0.6%)	(\$11)
Education	\$8,513	\$8,951	\$9,814	\$10,123	18.9%	\$1,610
Higher Education	\$211	\$211	\$211	\$211	0.0%	\$0
Department of Health and Mental Hygiene	\$447	\$456	\$460	\$463	3.6%	\$16
Other	\$380	\$368	\$364	\$361	(5.0%)	(\$19)
<b>Total State Grants</b>	<b>\$11,505</b>	<b>\$11,938</b>	<b>\$12,801</b>	<b>\$13,101</b>	<b>13.9%</b>	<b>\$1,596</b>
<b>TOTAL REVENUES</b>	<b>\$59,374</b>	<b>\$61,211</b>	<b>\$64,587</b>	<b>\$67,254</b>	<b>13.3%</b>	<b>\$7,880</b>

**Table A2. FY 2009 Executive Budget Expenditure Detail**

(\$ in thousands)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FY 2009 - 12	
					Percent	Dollar
Mayorality	\$84,474	\$81,642	\$81,672	\$81,689	(3.3%)	(\$2,785)
Board of Elections	\$89,162	\$77,139	\$77,194	\$77,253	(13.4%)	(\$11,909)
Campaign Finance Board	\$11,752	\$11,252	\$11,252	\$11,252	(4.3%)	(\$500)
Office of the Actuary	\$5,324	\$5,395	\$5,395	\$5,395	1.3%	\$71
President, Borough of Manhattan	\$3,386	\$3,259	\$3,260	\$3,262	(3.7%)	(\$124)
President, Borough of Bronx	\$4,820	\$4,643	\$4,645	\$4,646	(3.6%)	(\$174)
President, Borough of Brooklyn	\$4,360	\$4,078	\$4,080	\$4,081	(6.4%)	(\$279)
President, Borough of Queens	\$4,023	\$3,744	\$3,746	\$3,747	(6.9%)	(\$276)
President, Borough of Staten Island	\$3,319	\$3,228	\$3,230	\$3,231	(2.7%)	(\$88)
Office of the Comptroller	\$67,958	\$66,633	\$66,633	\$66,633	(1.9%)	(\$1,325)
Dept. of Emergency Management	\$14,708	\$8,889	\$8,889	\$8,889	(39.6%)	(\$5,819)
Tax Commission	\$4,084	\$4,021	\$4,021	\$4,021	(1.5%)	(\$63)
Law Dept.	\$123,288	\$123,985	\$123,695	\$124,616	1.1%	\$1,328
Dept. of City Planning	\$26,656	\$23,158	\$23,158	\$23,158	(13.1%)	(\$3,498)
Dept. of Investigation	\$18,105	\$17,769	\$17,625	\$17,625	(2.7%)	(\$480)
NY Public Library - Research	\$23,506	\$23,506	\$23,506	\$23,506	0.0%	\$0
New York Public Library	\$112,968	\$112,718	\$112,718	\$112,718	(0.2%)	(\$250)
Brooklyn Public Library	\$84,121	\$83,872	\$83,872	\$83,872	(0.3%)	(\$249)
Queens Borough Public Library	\$82,537	\$82,288	\$82,288	\$82,288	(0.3%)	(\$249)
Dept. of Education	\$17,584,456	\$18,537,200	\$20,037,898	\$20,367,975	15.8%	\$2,783,519
City University	\$614,143	\$601,745	\$605,109	\$608,760	(0.9%)	(\$5,383)
Civilian Complaint Review Board	\$11,427	\$11,262	\$11,262	\$11,262	(1.4%)	(\$165)
Police Dept.	\$3,718,300	\$3,777,098	\$3,885,062	\$3,889,506	4.6%	\$171,206
Fire Dept.	\$1,514,481	\$1,514,713	\$1,524,309	\$1,524,898	0.7%	\$10,417
Admin. for Children Services	\$2,688,819	\$2,692,285	\$2,692,374	\$2,692,374	0.1%	\$3,555
Dept. of Social Services	\$8,492,734	\$8,639,336	\$8,799,005	\$8,972,513	5.6%	\$479,779
Dept. of Homeless Services	\$666,591	\$652,574	\$652,574	\$652,574	(2.1%)	(\$14,017)
Dept. of Correction	\$983,377	\$978,540	\$989,053	\$994,886	1.2%	\$11,509
Board of Correction	\$933	\$933	\$933	\$933	0.0%	\$0
Citywide Pension Contribution	\$6,054,498	\$6,576,094	\$6,668,356	\$6,766,353	11.8%	\$711,855
Miscellaneous	\$6,673,855	\$7,601,121	\$8,478,138	\$9,357,625	40.2%	\$2,683,770
Debt Service	\$4,029,381	\$4,404,569	\$4,788,934	\$5,318,958	32.0%	\$1,289,577
N.Y.C.T.F.A. Debt Service	\$1,135,029	\$1,145,365	\$1,149,032	\$1,157,812	2.0%	\$22,783
Prepayments	\$0	(\$1,986,319)	\$0	\$0	N/A	\$0
FY 2007 BSA	(\$33,905)	(\$30,865)	\$0	\$0	(100.0%)	\$33,905
FY 2008 BSA	(\$3,973,206)	\$0	\$0	\$0	(100.0%)	\$3,973,206
FY 2009 BSA	\$1,318,809	(\$1,318,809)	\$0	\$0	(100.0%)	(\$1,318,809)
FY 2010 BSA	\$0	\$350,000	(\$350,000)	\$0	N/A	\$0
Transfer for N.Y.C.T.F.A. Debt Service.	(\$545,747)	\$0	\$0	\$0	(100.0%)	\$545,747
Defeasance of N.Y.C.T.F.A. Debt	(\$363,000)	(\$382,000)	\$0	\$0	(100.0%)	\$363,000
Call 2009/2010 G.O. Debt	(\$278,334)	(\$276,634)	\$0	\$0	(100.0%)	\$278,334
Public Advocate	\$2,025	\$2,036	\$2,036	\$2,037	0.6%	\$12
City Council	\$52,260	\$52,260	\$52,260	\$52,260	0.0%	\$0
City Clerk	\$4,543	\$4,543	\$4,543	\$4,543	0.0%	\$0
Dept. for the Aging	\$256,895	\$256,650	\$255,650	\$255,650	(0.5%)	(\$1,245)
Dept. of Cultural Affairs	\$142,886	\$142,861	\$142,861	\$142,861	(0.0%)	(\$25)
Financial Information Services. Agency	\$61,215	\$50,842	\$52,979	\$52,979	(13.5%)	(\$8,236)
Dept. of Juvenile Justice	\$132,276	\$133,636	\$135,386	\$139,256	5.3%	\$6,980
Office of Payroll Admin.	\$14,398	\$11,364	\$11,364	\$11,364	(21.1%)	(\$3,034)
Independent Budget Office	\$3,101	\$2,994	\$2,995	\$2,996	(3.4%)	(\$105)
Equal Employment Practices Comm.	\$799	\$799	\$799	\$799	0.0%	\$0

**Table A2 (Con't). FY 2009 Executive Budget Expenditure Detail**

(\$ in thousands)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FY 2009 - 12	
					Percent	Dollar
Civil Service Commission	\$644	\$644	\$644	\$644	0.0%	\$0
Landmarks Preservation Comm.	\$4,348	\$4,348	\$4,348	\$4,348	0.0%	\$0
Taxi & Limousine Commission	\$30,076	\$27,862	\$27,862	\$27,862	(7.4%)	(\$2,214)
Commission on Human Rights	\$7,093	\$7,093	\$7,093	\$7,093	0.0%	\$0
Youth & Community Development	\$301,228	\$263,146	\$263,146	\$263,146	(12.6%)	(\$38,082)
Conflicts of Interest Board	\$1,988	\$1,988	\$1,988	\$1,988	0.0%	\$0
Office of Collective Bargain	\$1,876	\$1,876	\$1,876	\$1,876	0.0%	\$0
Community Boards (All)	\$13,831	\$13,833	\$13,835	\$13,835	0.0%	\$4
Dept. of Probation	\$78,412	\$77,766	\$77,769	\$77,769	(0.8%)	(\$643)
Dept. Small Business Services	\$146,010	\$107,184	\$97,038	\$96,949	(33.6%)	(\$49,061)
Housing Preservat'n & Developm't	\$513,294	\$482,154	\$477,196	\$477,321	(7.0%)	(\$35,973)
Dept. of Buildings	\$104,184	\$95,265	\$95,012	\$95,012	(8.8%)	(\$9,172)
Dept. of Health & Mental Hygiene	\$1,573,195	\$1,593,716	\$1,601,538	\$1,612,726	2.5%	\$39,531
Health and Hospitals Corp.	\$100,669	\$102,182	\$101,779	\$101,779	1.1%	\$1,110
Dept. of Environmental Protection	\$1,006,679	\$941,161	\$936,154	\$935,929	(7.0%)	(\$70,750)
Dept. of Sanitation	\$1,284,889	\$1,363,247	\$1,445,395	\$1,452,758	13.1%	\$167,869
Business Integrity Commission	\$6,247	\$6,148	\$6,148	\$6,148	(1.6%)	(\$99)
Dept. of Finance	\$204,030	\$200,535	\$200,542	\$200,548	(1.7%)	(\$3,482)
Dept. of Transportation	\$685,895	\$661,344	\$662,312	\$662,164	(3.5%)	(\$23,731)
Dept. of Parks and Recreation	\$299,899	\$294,898	\$292,997	\$292,997	(2.3%)	(\$6,902)
Dept. of Design & Construction	\$103,087	\$103,087	\$103,087	\$103,087	0.0%	\$0
Dept. of Citywide Admin. Services	\$332,371	\$324,827	\$324,829	\$324,830	(2.3%)	(\$7,541)
D.O.I.T.T.	\$256,993	\$245,446	\$244,985	\$245,017	(4.7%)	(\$11,976)
Dept. of Record & Info. Services	\$4,808	\$4,847	\$4,848	\$4,850	0.9%	\$42
Dept. of Consumer Affairs	\$18,766	\$15,678	\$15,463	\$15,463	(17.6%)	(\$3,303)
District Attorney – N.Y.	\$74,772	\$74,856	\$74,856	\$74,856	0.1%	\$84
District Attorney – Bronx	\$44,847	\$44,388	\$44,388	\$44,388	(1.0%)	(\$459)
District Attorney – Kings	\$74,776	\$74,782	\$74,782	\$74,782	0.0%	\$6
District Attorney - Queens	\$41,386	\$44,225	\$44,225	\$44,225	6.9%	\$2,839
District Attorney - Richmond	\$7,302	\$7,307	\$7,307	\$7,307	0.1%	\$5
Office of Prosecut'n. & Spec. Narc.	\$15,738	\$15,761	\$15,761	\$15,761	0.1%	\$23
Public Administrator - N.Y.	\$1,130	\$1,130	\$1,130	\$1,130	0.0%	\$0
Public Administrator - Bronx	\$409	\$409	\$409	\$409	0.0%	\$0
Public Administrator - Brooklyn	\$502	\$502	\$502	\$502	0.0%	\$0
Public Administrator - Queens	\$382	\$382	\$382	\$382	0.0%	\$0
Public Administrator - Richmond	\$297	\$297	\$297	\$297	0.0%	\$0
Prior Payable Adjustment	\$0	\$0	\$0	\$0	N/A	\$0
General Reserve	\$300,000	\$300,000	\$300,000	\$300,000	0.0%	\$0
Energy Adjustment	\$0	\$76,416	\$96,178	\$98,095	N/A	\$98,095
Lease Adjustment	\$0	\$28,952	\$59,062	\$128,089	N/A	\$128,089
OTPS Inflation Adjustment	\$0	\$55,519	\$111,038	\$166,557	N/A	\$166,557
<b>City-Wide Total</b>	<b>\$59,373,643</b>	<b>\$62,552,613</b>	<b>\$69,171,992</b>	<b>\$71,705,975</b>	<b>20.8%</b>	<b>\$12,332,332</b>

## **Glossary of Acronyms**

<b>ACS</b>	Administration for Children's Services
<b>AIRA</b>	Actuarial Investment Return Assumption
<b>BARB</b>	Building Aid Revenue Bond
<b>BCT</b>	Banking Corporation Tax
<b>BSA</b>	Budget Stabilization Account
<b>CFE</b>	Campaign for Fiscal Equity
<b>CFE</b>	Contract for Excellence Compliance
<b>CUNY</b>	City University of New York
<b>CWA</b>	Communications Workers of America
<b>CY</b>	Calendar Year
<b>DASNY</b>	Dormitory Authority of the State of New York
<b>DC37</b>	District Council 37
<b>DEP</b>	Department of Environmental Protection
<b>DOC</b>	Department of Corrections
<b>DOE</b>	Department of Education
<b>DSS</b>	Department of Social Services



<b>DOT</b>	Department of Transportation
<b>EXCEL</b>	Expanding Children’s Education & Learning Bond
<b>FTE</b>	Full-Time Equivalent
<b>FY</b>	Fiscal Year
<b>GCP</b>	Gross City Product
<b>GCT</b>	General Corporation Tax
<b>GDP</b>	Gross Domestic Product
<b>G.O. Debt</b>	General Obligation Debt
<b>HFA</b>	Housing Finance Agency
<b>HHC</b>	Health and Hospitals Corporation
<b>J&amp;C</b>	Judgments and Claims
<b>MAC</b>	Municipal Assistance Corporation
<b>MTA</b>	Metropolitan Transportation Authority
<b>MLC</b>	Municipal Labor Committee
<b>NYC</b>	New York City
<b>NYCTFA</b>	New York City Transitional Finance Authority
<b>NYPD</b>	New York City Police Department

<b>NYWFA</b>	New York City Municipal Water Finance Authority
<b>OMB</b>	Office of Management and Budget
<b>OSA</b>	Organization of Staff Analysts
<b>OTPS</b>	Other than Personal Services
<b>PBA</b>	Patrolmen's Benevolent Association
<b>PEG</b>	Program to Eliminate the Gap
<b>PERB</b>	Public Employment Relations Board
<b>PIT</b>	Personal Income Tax
<b>PS</b>	Personal Services
<b>SMART</b>	Sustainable Mobility and Regional Transportation
<b>STAR</b>	School Tax Relief Program
<b>TSASC</b>	Tobacco Settlement Asset Securitization Corporation
<b>UBT</b>	Unincorporated Business Tax
<b>UFA</b>	Uniformed Firefighters Association
<b>UPL</b>	Medicaid Upper Payment Limit
<b>U.S.</b>	United States