Review of the Financial Plan of the City of New York

Report 16-2022

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Rahul Jain, Deputy Comptroller

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Message from the Comptroller

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Since March 2020, New York City has grappled with a catastrophic public health crisis along with multiple economic and social disruptions arising from the COVID-19 pandemic. The pandemic remains a threat to our health and our economy, even as we make valuable progress toward a return to normality.

More than 20 months after the initial devastation in New York City, the economy is maintaining a slow but sustained recovery. The City continues to regain jobs and attract visitors and commuters, which have all recently reached post-pandemic highs. Vaccination and testing availabilty, federal relief and stimulus funds, and State and local programs are helping families and businesses take important steps to rebuild and renew their communities. The road back will take time, however, and will include challenges along the way.

Over the last year, I joined in the calls for federal relief to provide a “fiscal bridge” to ensure that New York City could manage the short-term costs of the pandemic and to spur renewed economic activity to revive revenues. Federal relief is expected to fund $13.7 billion of spending through fiscal year 2025, representing a massive and necessary boost to City finances. The prudent use of these funds will play an important role in the shape of its fiscal recovery. Ultimately, however, it is wise management of the City’s own resources and programs that will be necessary to achieve a sustainable long-term recovery.

The November budget modification and financial plan provides good news for the City, as strong market returns have resulted in significant reductions in the City’s pension liability, thereby reducing budget gaps by nearly a third from the levels projected in June. The City should capitalize on this good fortune and be proactive, balancing efforts to boost recovery and provide services to those who remain in need with the steps needed to ensure long-term stuctural budgetary balance, in order to continue providing high-quality services in the future. Setting aside resources to address unexpected challenges, including new spending obligations, will strengthen New York City’s fiscal foundation and keep the City attractive to residents and create economic opportunity for all.

New York City and its new mayoral administration face an important moment in the City’s history. Choices made today will have long-lasting implications for the City’s finances and economy. Elected officials, policy experts, advocates and community leaders must work together to ensure a robust, inclusive recovery and a return to structural budget balance over the long term.

Thomas P. DiNapoli
State Comptroller

Contents

I. Executive Summary

On November 30, 2021, the City released its seventh budgetary update since the COVID-19 pandemic began, its modified November 2021 financial plan (the “November Plan”). The City’s finances have experienced considerable fluctuation throughout this time, fueled by volatility in everything from employment to federal aid. The November Plan reflects many of these same factors and the City’s evolving response.

The Plan continues to add funds to mitigate the effects of an uneven recovery, while revising economic expectations, planning for slower employment gains but faster growth in economic output. Amid continued economic uncertainty, and despite financial plan risks from recurring and newly created spending, the incoming mayoral administration and City Council have an opportunity to be proactive in managing the budget and ensuring long-term fiscal stability.

The City now forecasts a surplus of $965 million in the fiscal year ending in June 2022 (FY 2022), based largely on the receipt of $750 million in unrestricted federal aid in the current year, through federal reimbursements for pandemic-related expenses that were paid with City fund revenues in FY 2021. Out-year gaps, which averaged $4 billion from FY 2023 through FY2025 in the Adopted Budget in June 2021 (the “June Plan”), were narrowed substantially to an average of $2.6 billion, or 3.6 percent of City-Fund revenues, the lowest level since FY 2016. (See Figure 1 below.) Unrestricted federal aid in FY 2022, and pension investment return of nearly 26 percent in FY 2021 that reduced the City’s pension liability and associated planned contributions, are the main drivers of the decline.

Despite the most recent positive news, the Office of the State Comptroller (OSC) has identified several risks that could pose challenges to the City’s budget in the future. On a net basis, OSC has identified risks that could increase City spending by more than $2.2 billion in FY 2023, $3 billion in FY 2024, and $3.3 billion in FY 2025, fueling gaps that could average more than $5 billion annually beginning in FY 2023. (See Figure 2.)

Risks associated with the Department of Education for transportation costs, Carter cases (involving students with disabilities), and charter schools combined would total $782 million in FY 2023 and would exceed $1.1 billion annually by FY 2025. These spending areas fueled higher-than-projected spending growth even prior to the pandemic.

In addition, housing and homeless support enhancements over the last year for rental assistance, single-adult shelters, prevailing wages for Department of Homeless Services security guards, and homeless outreach and wellness efforts are expected to exceed City projections by $390 million annually beginning in FY 2023. Subsidies for the MTA that are not included in the plan amount to an additional $220 million annually by FY 2025, which include spending for the Fair Fares program, MTA paratransit and MTA Bus operations.

Two other risks to the November Plan, in combination reaching more than $1 billion per year beginning in FY 2023, are associated with management of the City’s workforce. OSC projects that unbudgeted spending growth for overtime will exceed City projections by more than $500 million annually over the duration of the financial plan. Another risk associated with managing the City’s workforce is an earmark for $500 million in unspecified labor savings, a reduction from $1 billion which OSC had noted as a risk in the June Plan. At the same time, the City has used federal aid to fund new recurring expenses that could add spending of more than $1 billion in FY 2026, outside of the financial plan period.

In addition to these quantifiable risks, other potential negative economic circumstances are also not anticipated in the plan. While the City's current economic assumptions over the plan are justifiable, they also increase the likelihood of downside risk in the out-years. Such scenarios include a slowdown in the financial markets, sustained inflation and supply chain woes, or an extended period of managing the virus that continues to require changes in the behavior of individuals and businesses.

Even during the strongest expansion prior to the pandemic, from 2010 to 2019, the City added fewer than 100,000 jobs annually. Assuming a similar annual employment growth trajectory in this case, the City would reach pre-pandemic levels of employment by the first quarter of 2027. This downside risk requires the City to be better prepared through the set-aside of reserves and other funds, where possible, and to identify options for budgetary flexibility in case economic outcomes lag the City's projections.

To this point, the City's revenues have come in above June projections, but well below the average November adjustment over the last decade, suggesting one source of regular upside for the City's budget, its conservative revenue projections, may prove to be less of a bulwark against spending growth than in past years. If this trend were to continue, the City would need to refocus on managing expenditures within more significant resource constraints than it has faced in the recent past.

There are ways the City can begin to prepare for potential changes to resource constraints. One source of savings in the current year has been staffing. Offsets to the budget risks in FY 2022 from reduced staffing expenditures could reach more than $1 billion. The current state of the City's workforce and the expiration of the City's collective bargaining agreements for many employees provide the incoming mayoral administration with an opportunity to work with the City's unions to agree to fund contracts in a fiscally responsible way going forward, while still allowing for high-quality service delivery.

The Mayor-elect has also publicly announced support for the reinstatement of a "Program to Eliminate the Gap," which is a set of revenue increases and spending reductions that agencies work on with the City's Office of Management and Budget to reduce the size of future budget gaps. While the announced targets of 3 to 5 percent may be difficult for some agencies to achieve while maintaining services, the identification of potential efficiencies and the prioritization of program activities are important steps forward in advancing fiscal discipline in the face of potential resource constraints. The November plan did not include any efficiencies in its savings program and recent savings initiatives have not been clearly linked to performance.

The City has budgeted for the use of $13.7 billion in federal aid, but $8.8 billion is planned to be spent in FY 2022, leaving less than $5 billion over the remaining three years. The City may be able to push unspent funds into the out-years to reduce gaps further.

Reviewing and appropriately budgeting for planned spending, identifying available federal aid and identifying options to eliminate the City's out-year gaps are concrete steps to begin creating flexibility to manage the City's budget amid the continuing pandemic and recovery in their ensuing stages. The approach may also allow the incoming administration to route funds to newly proposed initiatives to tackle the City's evolving challenges and take advantage of opportunities to pursue growth. Fixing the damage from COVID-19 will take time, and efforts to boost the short-term economic outlook in a fiscally responsible manner will leave the City in a better position to achieve and sustain budgetary balance, while providing needed public services to maintain the City's quality of life and competitiveness over the long term.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2022	FY 2023	FY 2024	FY 2025
Revenues				
Taxes				
General Property Tax	$ 29,284	$ 30,042	$ 30,471	$ 30,881
Other Taxes	32,222	34,674	36,372	37,833
Tax Audit Revenue	921	721	721	721
Subtotal: Taxes	$ 62,427	$ 65,437	$ 67,564	$ 69,435
Miscellaneous Revenues	7,140	6,531	6,538	6,567
Unrestricted Intergovernmental Aid	750	- - -	- - -	- - -
Less: Intra-City Revenue	(2,084)	(1,449)	(1,450)	(1,444)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 68,218	$ 70,504	$ 72,637	$ 74,543
Other Categorical Grants	1,120	993	991	990
Inter-Fund Revenues	729	732	730	730
Federal Categorical Grants	16,514	9,284	8,613	7,915
State Categorical Grants	16,266	16,412	16,637	16,887
Total Revenues	**$ 102,847**	**$ 97,925**	**$ 99,608**	**$ 101,065**
Expenditures				
Personal Service				
Salaries and Wages	$ 31,373	$ 30,945	$ 31,088	$ 31,372
Pensions	9,932	9,665	9,048	8,176
Fringe Benefits	12,324	12,327	13,423	14,381
Subtotal: Personal Service	$ 53,629	$ 52,937	$ 53,559	$ 53,929
Other Than Personal Service				
Medical Assistance	6,546	6,494	6,494	6,494
Public Assistance	1,651	1,650	1,650	1,650
All Other	40,656	32,895	32,501	32,446
Subtotal: Other Than Personal Service	$ 48,853	$ 41,039	$ 40,645	$ 40,590
Debt Service	6,791	7,995	8,335	8,880
FY 2021 Budget Stabilization & Discretionary Transfers	(6,107)	- - -	- - -	- - -
FY 2022 Budget Stabilization	965	(965)	- - -	- - -
Capital Stabilization Reserve	- - -	250	250	250
General Reserve	300	1,000	1,000	1,000
Deposit to the Rainy Day Fund	500	- - -	- - -	- - -
Less: Intra-City Expenses	(2,084)	(1,449)	(1,450)	(1,444)
Total Expenditures	**$ 102,847**	**$ 100,807**	**$ 102,339**	**$ 103,205**
Gap to Be Closed	**$ - - -**	**$ (2,882)**	**$ (2,731)**	**$ (2,140)**

Source: NYC Office of Management and Budget

FIGURE 2
Office of the State Comptroller
Risk Assessment of the New York City Financial Plan
(in millions)

	Better/(Worse)			
	FY 2022	FY 2023	FY 2024	FY 2025
Gaps Per NYC Financial Plan	**$ - - -**	**$ (2,882)**	**$ (2,731)**	**$ (2,140)**
Savings from Staffing Vacancies[1]	1,050	- - -	- - -	- - -
Tax Revenues	800	50	(250)	(350)
Subsidy to MTA Bus	222	65	(21)	(61)
Debt Service	20	150	- - -	- - -
Street Homeless Outreach and Wellness	- - -	(8)	(8)	(8)
DHS Prevailing Wage Security Guards	- - -	(41)	(41)	(41)
Fair Fares NYC	- - -	(71)	(75)	(76)
Rental Assistance	- - -	(200)	(200)	(200)
Public Health Corps	- - -	(200)	(200)	(200)
Labor Savings[2]	- - -	(500)	(500)	(500)
MTA Paratransit Funding	(28)	(55)	(77)	(91)
DHS Single-Adult Shelters	- - -	(146)	(146)	(146)
Charter Tuition	- - -	(282)	(433)	(625)
Student Transportation	(138)	(138)	(138)	(138)
Carter Cases	(142)	(362)	(362)	(362)
Uniformed Agency Overtime	(667)	(508)	(510)	(510)
OSC Risk Assessment	**1,117**	**(2,246)**	**(2,961)**	**(3,308)**
Potential Gaps Per OSC[3,4]	**$ 1,117**	**$ (5,128)**	**$ (5,692)**	**$ (5,448)**

1 The November Plan assumes the City's full-time work force will total 309,859 employees by June 30, 2022, which is 19,560 more than reported as of September 30, 2021. The planned increase appears very unlikely based on recent trends. OSC estimates the City could realize additional savings from lower-than-planned normal gross full-time pay and associated payroll taxes.

2 The November Plan assumes that wage increases during the first two years of the next round of collective bargaining will be funded with productivity improvements. This assumption allowed the City to reduce its reserve for collective bargaining by $53 million in FY 2021, $217 million in FY 2022, $540 million in FY 2023 and $805 million in FY 2024 (a total of $1.6 billion over four years).

3 The November Plan includes a general reserve of $300 million in FY 2022 and $1 billion in each of fiscal years 2023 through 2025. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2023 through 2025. The November Plan also includes reserves of $200 million in FY 2022 and $275 million beginning in FY 2023 to fund potential changes to planned pension contributions from future actuarial audit recommendations. The Retiree Health Benefits Trust, which the City has used in the past as a rainy day fund, had a balance of $3.8 billion as of the end of FY 2021.

4 State law requires surplus resources accumulated by the City to be deposited into a rainy day fund (i.e., the Revenue Stabilization Fund). The November Plan assumes the City will deposit $500 million into the fund in FY 2022, which will increase the balance to $1 billion. These resources would be available to help balance the budget if there were a compelling fiscal need.

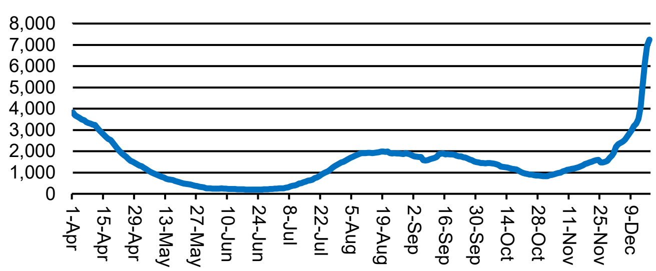
II. The COVID-19 Pandemic in New York City

More than a year ago, the first vaccine against COVID-19 was administered in New York City. By December 19, 2021, almost 13 million doses had been administered in the City and 71 percent of residents had been fully vaccinated, according to City data.[5] Vaccination rates vary by race and ethnicity, however. Rates for Black or African American residents (50 percent), Latino or Hispanic residents (63 percent), and White residents (57 percent) remain behind the overall citywide vaccination rate. As of November 3, 2021, all New York residents aged 5 and older were eligible to be vaccinated.

On June 15, 2021, when 70 percent of adult New York State residents had received at least one dose of a COVID-19 vaccine, the Governor lifted most restrictions, allowing New York City establishments to open at full capacity.

During mid-June 2021, the COVID-19 Delta variant, deemed highly transmissible by the Centers for Disease Control and Prevention (CDC), had taken over as the dominant variant of COVID-19 and new cases started to rise. New cases had averaged about 200 per day, the lowest average of daily new cases since the pandemic began. However, by mid-August, average daily new cases had reached almost 2,000 (see Figure 3).

FIGURE 3
New York City Daily New COVID-19 Cases, 7-day Average



Note: Data included confirmed and probable cases. As a result of reporting delays, the most recent data may be incomplete.
Sources: NYC Department of Health and Mental Hygiene; OSC analysis

[5] According to the CDC, as of December 19, 2021, 61.4 percent of the population nationwide has been fully vaccinated.

Beginning in August 2021, the Mayor implemented vaccine mandates for employees in City-run healthcare facilities with an option for weekly COVID-19 testing, and then implemented the *Key to the City*, requiring employees and customers of indoor entertainment, recreation, dining and fitness venues to have at least one dose of a COVID-19 vaccine.

By November 1, 2021, all City employees were required to have at least one dose of a COVID-19 vaccine or be placed on unpaid leave. Due to staffing challenges, Department of Corrections employees had until December 1, 2021 to receive a first dose of the vaccine.

In recent weeks, a new COVID-19 variant (Omicron), has been identified. The Mayor has extended vaccine mandates to private sector employees and to religious and private schools. Effective December 13, 2021, the Governor has reinstated a mask in all indoor public places unless businesses or venues implement a vaccine mandate. The Mayor has also announced the City will expand testing sites and distribute masks and at-home test kits. The City must remain vigilant to manage further outbreaks of the virus.

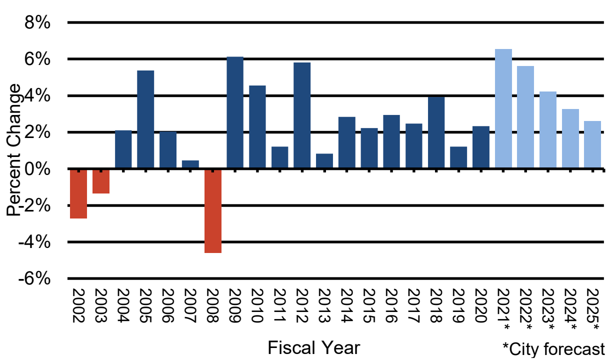
III. Economic Trends

With the November Plan, the current economic backdrop is more unsettled than in June. Despite signs of a sharp rebound in the fourth calendar quarter, full-year gross domestic product (GDP) growth is expected to be 5.7 percent (according to IHS Markit), significantly below the 7.4 percent projected in June. Average annual growth forecast in the outyears (2023-2025) levels off at 2.5 percent, comparable to the pre-pandemic five-year average. Similarly, the growth forecasts for both New York State and the New York City metropolitan area were reduced from 7 percent in June to 6 percent in November for 2021. The growth in the outyears averages 2.9 percent annually for both.

These forecasts were generated prior to the recent Federal Reserve announcement of an accelerated taper (doubling the pace at which it is reducing bond purchases) and signaling a more aggressive rate hike schedule for 2022 which could restrain economic progress.

The City raised its annual New York City real gross city product (GCP) forecast for 2021 from 5.1 percent in April to 6.5 percent in November.

FIGURE 4
Change in NYC Gross City Product



Note: Data prior to 2021 is from the Bureau of Economic Analysis.
Sources: Bureau of Economic Analysis; NYC Office of Management and

Much of this is attributable to strong performance of the securities industry.[6] The City forecasts growth over the period 2022-2025 to average 3.9 percent (see Figure 4).

The securities subsector (within the finance and insurance sector) had an outsized contribution to the City's economy in 2020. Based on the latest county-level data from the Bureau of Economic Analysis, GCP declined by 5.3 percent in 2020. The finance and insurance sector, fueled by the securities sub-sector growth of 4.4 percent, had the second highest growth of any sector (after information services which grew by 4.5 percent). Securities represented a higher share of the City's economy in 2020 than in the prior two years. This could pose a risk in the coming years if other sectors don't recover to enough offset the projected slow down within the securities industry.

The securities industry has not only been a leader in having its workers return to the office, but has also demonstrated resilience during a period of extreme volatility and uncertainty. In 2021, securities industry firms posted the second strongest first-half earnings on record (after 2009), and initial third-quarter results continue to demonstrate strong profitability. However, market volatility has increased in response to fears of inflation and declining future economic growth.

Job growth has also slowed, particularly in the third quarter with the arrival of new COVID-19 variants. At the national level, after averaging more than 710,000 new jobs per month from February through July, the U.S. added just 378,000 jobs on average between September and November. Employment remains 3.9 million jobs below February 2020 pre-pandemic levels.

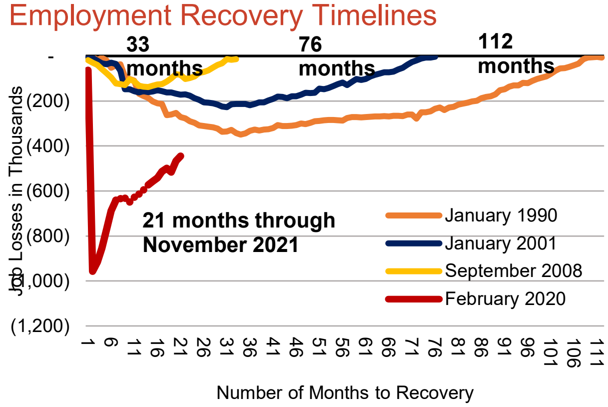
[6] For more detail, see Office of the State Comptroller (OSC), *The Securities Industry in New York City*, Report 12-2022, October 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-12-2022.pdf.

While New York State has added 30,000 jobs on average per month this year (seasonally adjusted) through November, employment remains 786,000 below the February 2020 peak. New York City is responsible for more than half the State's job growth, adding 18,600 jobs per month this year, inclusive of September, when the City lost jobs for the first time since January. Employment for New York City remains 444,000 below its pre-pandemic peak, a decline of about 9.4 percent, lagging both the State (8 percent) and nation (2.6 percent).

The City revised its job forecast down in the November Plan and now projects an average monthly year-over-year job growth of 48,300 jobs on a non-seasonally adjusted basis in 2021, a decline from the 151,300 jobs projected in the April Plan. Based on current trends, the City would need to add 62,250 jobs in December for it to reach the Plan's forecast.

The City is currently 21 months into its employment recovery (see Figure 5) and the pace of job growth has slowed from the sharp rebound witnessed in the first 10 months.

FIGURE 5
Employment Recovery Timelines



Sources: NYS Department of Labor, Current Employment Statistics, seasonally adjusted; OMB projections; OSC analysis

The Plan expects employment to reach pre-pandemic levels by the third quarter of 2024, revised from the April Plan's prediction of the first quarter of 2023. This projection assumes that the City will average job growth of 163,400 per year through 2024. In the strongest expansion prior to the pandemic (2010 to 2019), the City added fewer than 100,000 jobs annually. Assuming a similar growth trajectory in this case, the City would reach pre-pandemic levels by the first quarter of 2027.

The forecast for weaker GCP growth in the out-years suggests a return to pre-pandemic levels of employment may take longer than the City projects. In addition, the reliance of the City's jobs recovery on the sectors (leisure and hospitality, administrative services, other personal services and retail) which comprised 70 percent of the job losses in 2020) that were severely impacted by the absence of tourists and office, also suggests the likelihood of a slower jobs recovery.

The risks of COVID-19 variants and subsequent travel restrictions and other mandates present significant challenges to establishing reliable forecasts. The recovery of the hardest hit sectors is largely dependent upon a rebound in tourist activity and the return of office workers.

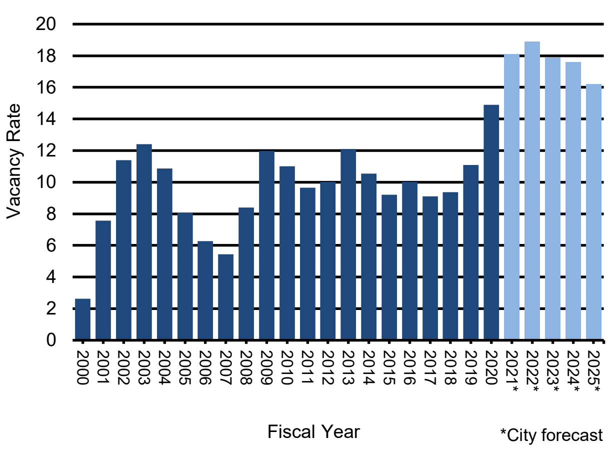
According to NYC & Company (the City's official tourism agency), City tourism is expected to grow 55 percent from 2020 in 2021 to reach 34.6 million visitors, which is about half the pre-pandemic peak (66.6 million in 2019). According to Oxford Economics, total tourism spending is not expected to recover to pre-pandemic levels until 2023, with international visitor spending not returning to pre-pandemic levels until 2026.[7]

[7] For more detail, see Office of the State Comptroller (OSC), *The Tourism Industry in New York City: Reigniting the Return*, Report 2-2022, April 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-2-2022.pdf.

The timing and extent of the return of office workers following the widespread adoption of telecommuting during the pandemic present another uncertainty. In the latest survey conducted by the Partnership for New York City (taken between October 19 and 29, 2021), 28 percent of Manhattan office workers are in the office on an average workday and 54 percent are still fully remote. While employers in this survey expected 57 percent of office workers to return at least three days a week by the end of January, the recent surge in cases and the emergence of new variants are likely to readjust some of these expectations.

Office vacancies have continued to rise. The November Plan forecasts vacancies to peak in 2022, and not to return to pre-pandemic levels during the Plan period (see Figure 6). According to a recent OSC report, nearly one-fifth (19 percent) of office space in Manhattan remains vacant as of the third quarter of 2021, the highest level in more than 30 years.[8]

FIGURE 6
Vacancy Rate for Manhattan Office Space



Sources: NYC Office of Management and Budget; OSC analysis

While local economic growth is expected to remain strong through the end of 2021, driven by securities industry and technology sector profitability, the outlook in coming years is for slower growth with increasing uncertainty. The expectations for further federal stimulus have been removed and, with the rise in inflation, the Federal Reserve has signaled an increased urgency to begin raising interest rates. Rate hikes would likely impact securities industry profitability as risky assets will become less attractive. Furthermore, the current fluid nature of travel restrictions, both within the United States and internationally, will continue to impact economic activity, potentially extending the period before the recovery of the tourism and office sectors. This coupled with the likelihood that supply chain issues are unlikely to abate before the end of next year, means that volatility is likely to remain. Furthermore, any additional unforeseen stress on this unsettled recovery will likely have a material impact on the City's overall economic prospects.

[8] For more detail, see Office of the State Comptroller (OSC), *The Office Sector in New York City*, Report 11-2022, October 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-11-2022.pdf.

IV. Changes Since the June 2021 Plan

In June 2021, the City projected a balanced budget for FY 2022 and budget gaps of $4.1 billion in FY 2023, $3.8 billion in FY 2024 and $4.1 billion in FY 2025 (see Figure 7; next page). The November Plan incorporates a number of changes since then, almost all of which come from revisions to the City's expenditure forecasts.

Among the changes in the November Plan, the City has identified unplanned agency spending needs, partially restored the "two for one" hiring-and-attrition savings initiative announced during FY 2021, and proposed a citywide savings program that would fully offset these costs over four years. While more than three-quarters of the anticipated savings will come from lower debt service, none of the savings will come from implementing new efficiencies (for more detail, see the "Citywide Savings Program" section).

The new agency needs will increase City-funded spending by $545 million in FY 2022, $390 million in FY 2023 and by smaller amounts in subsequent years. Much of the spending is concentrated in the uniformed agencies (e.g., public safety improvements and emergency relief at the Rikers Island jail), transportation and environmental protection services, fleet electrification, social services (e.g., re-entry housing and supportive services), nonrecurring costs associated with the pandemic, and a one-time increase in funding for taxi medallion loan guarantees.

In addition, the City significantly lowered its forecast of planned pension contributions (by $104 million in FY 2022, $804 million in FY 2023, $1.6 billion in FY 2024, and by $2.4 billion in FY 2025), almost all of which is fueled by higher-than-expected investment returns in FY 2021. These resources will: permit the City to offset an anticipated increase in payouts for judgments and claims against the City ($150 million annually); reduce by one-half the amount of anticipated labor savings (to $500 million annually) beginning in FY 2023; and help narrow the out-year budget gaps to an average of $2.6 billion annually.

The City now forecasts a surplus of $965 million in FY 2022, based largely on the receipt of $750 million in unrestricted federal aid in the current year. The additional federal aid will reimburse the City for pandemic-related expenses that were paid with City fund revenues in FY 2021 but are eligible for reimbursement from the Federal Emergency Management Agency.[9]

The reported out-year gaps, as a share of City fund revenues, now average 3.6 percent, which is the lowest level since FY 2016 when compared to the same point in the budget cycle in prior years. The budgets for these years include a general reserve and a capital stabilization reserve totaling $1.25 billion. If the reserves are not needed for other purposes, they could be used to narrow the projected gaps to an annual average of 1.8 percent.

While the out-year budget gaps, as reported, appear manageable, the City still faces a number of challenges, including uncertainty over the outcome of the next round of collective bargaining, and budgetary risks, such as higher overtime, special education costs and operating subsidies for public transit.

The City also faces a number of risks to its revenue forecasts, including slowing economic growth against a backdrop of potentially higher interest rates, a jobs recovery protracted into the third quarter of 2024 at least, tourism spending not returning to pre-pandemic levels until 2026 (after the financial plan period), and the

[9] Under generally accepted accounting principles, unanticipated categorical aid for prior-year services is recognized in the fiscal year in which the resources are realized.

uncertainty regarding whether and when office workers will return fully to in-person work.

The City did not make any significant revisions to its revenue forecast for FY 2022. Since 2010, tax collections have generally exceeded expectations and the additional revenues were available to offset unplanned costs and to close projected budget gaps.

For example, tax collections exceeded the City's initial forecast by an average of nearly $1.9 billion in fiscal years 2018 and 2019. While collections fell short of the City's initial forecast (by $331 million) in FY 2020 after the pandemic took hold, collections greatly exceeded expectations in FY 2021 (by $6.9 billion). In contrast, the City raised its tax revenue forecast by $71 million in the current fiscal year.

FIGURE 7

Financial Plan Reconciliation—City Funds
November 2021 Plan vs. June 2021 Plan
(in millions)

	Better/(Worse)			
	FY 2022	**FY 2023**	**FY 2024**	**FY 2025**
Projected Gaps Per June 2021 Plan	**$ - - -**	**$ (4,051)**	**$ (3,837)**	**$ (4,069)**
Unrestricted Federal Aid (FEMA Rollover)	**750**	**- - -**	**- - -**	**- - -**
Updated Tax Estimates				
Real Estate Transactions	97	- - -	- - -	- - -
Sales Taxes	27	- - -	- - -	- - -
Hotel Taxes	7	- - -	- - -	- - -
Business Taxes	(4)	- - -	- - -	- - -
Personal Income	(73)	- - -	- - -	- - -
Other Taxes	17	- - -	- - -	- - -
Subtotal	**71**	**- - -**	**- - -**	**- - -**
Other Revenue Reestimates	**65**	**50**	**66**	**83**
Total Revenue Reestimates	**886**	**50**	**66**	**83**
Citywide Savings Programs				
Agency Actions	270	80	58	21
Debt Service	238	396	454	472
Subtotal	**508**	**475**	**513**	**493**
Restoration of FY 2021 Savings Initiative	**- - -**	**(84)**	**(86)**	**(87)**
New Agency Needs	**(545)**	**(390)**	**(348)**	**(428)**
Updated Estimates				
Anticipated Labor Savings	- - -	(500)	(500)	(500)
Judgments and Claims	- - -	(150)	(150)	(150)
Pension Contributions	104	804	1,612	2,420
All Other	11	(2)	(1)	(1)
Subtotal	**115**	**153**	**961**	**1,769**
Net Change	**965**	**204**	**1,106**	**1,929**
Gaps to Be Closed Before Prepayment	**$ 965**	**$ (3,847)**	**$ (2,731)**	**$ (2,140)**
FY 2022 Prepayment of FY 2023 Expenses	(965)	965	- - -	- - -
Gaps to Be Closed Per November 2021 Plan	**$ - - -**	**$ (2,882)**	**$ (2,731)**	**$ (2,140)**

Note: Columns may not add due to rounding.
Sources: NYC Office of Management and Budget; OSC analysis

V. State and Federal Actions

State Budget

The State Division of the Budget (DOB) recently issued its mid-year update of the State Fiscal Year (SFY) 2021-22 financial plan. Like other states and local governments, New York has experienced an unanticipated surge in tax receipts, and accordingly, the State has revised its forecast for receipts significantly upwards. Even after making provision for increases to its reserves and for higher planned disbursements since the fiscal year began, DOB does not project any budget gaps over the financial plan period through SFY 2024-25.

The Governor is scheduled to release the Executive Budget, for SFY 2022-23, in mid-January 2022. Over the previous decade, some of the gap-closing actions proposed in State budgets have adversely impacted the City's financial plan. While many such proposals were excluded from the budgets that were ultimately adopted, others were enacted into law. Recent examples of such adverse budgetary impacts on the City are highlighted below.

City's Public Health and Social Services

- Beginning in SFY 2012, the funding formulas for cash assistance were revised over several budgets and has resulted in the City paying a larger share of cash assistance benefits.
- The City is required to fund 15 percent of the cost of the family assistance and emergency family assistance programs. This cost-sharing requirement was first introduced in SFY 2016 and was phased in over several budgets through SFY 2022, no other local government in the State incurs this local share requirement. The City also contributes 71 percent of the cost of the Safety Net assistance program, which is 21 percentage points higher than was required before SFY 2012.
- In 2019, the State reduced its reimbursement for certain health programs from 36 percent to 20 percent.

Metropolitan Transportation Authority (MTA)

- State law enacted in 2020 required the City to increase its share (from one-third to half) of the net cost (i.e., the cost after fare collections and subsidies) of the MTA's paratransit program, up to a capped amount ($277 million in 2021 rising to $310 million in 2023) until June 30, 2024.
- State legislation enacted in 2020 required the City to contribute $3 billion to the MTA's 2020-2024 capital program (the State also contributed $3 billion).

Health + Hospitals (H+H)

- As Medicaid is its largest source of patient revenue, H+H's continued financial stability relies heavily on actions taken by the State to reduce Medicaid costs as well as the continued receipt of supplemental Medicaid payments, which are dependent on City and State support. The uncertain impacts of the COVID-19 pandemic on the State and City budgets could affect future financial support.
- Federal COVID-19 aid to New York State enabled the State to restore Medicaid cuts in the SFY 2021-22 budget, which otherwise would have negatively impacted H+H by almost $500 million over two years.

The November Plan does not anticipate the potential impact of any potential adverse State actions, but it does assume that State education aid to the City will be increased each year by an amount sufficient to fully phase in the State's foundation aid formula by City FY 2024. This three-year phase in of education aid was approved by the State Legislature last year as part of the SFY 2022 enacted budget and will provide record levels of State funding for education. The City also assumes the State will continue to assume financial responsibility for the growth in the local share of Medicaid (estimated at $4.8 billion in SFY 2022, $2.4 billion for the City), which was fully implemented beginning in SFY 2016.

Federal Assistance

The November Plan anticipates that the City will receive $13.7 billion in pandemic relief over the financial plan period (see Figure 8, next page). When combined with $8.7 billion in such relief recognized during fiscal years 2020 and 2021, federal receipts could total $22.5 billion over six years, a historic level of federal support in response to extraordinary events.

The pandemic relief anticipated during the financial plan period is allocated mainly to the Department of Education to support various programs ($7.1 billion including a small amount of fiscal relief funds from the mayoralty), the largest of which is an expansion in 3-K (education services for three-year-olds), which is expected to recur beyond FY 2025. For more detail, see OSC's September 2021 report on the NYC Department of Education Response to the COVID-19 Pandemic.

The balance of the pandemic relief ($6.6 billion over four years) is dedicated to: the short-term federal reimbursement of costs and revenue losses attributed to the public health emergency; initiatives to promote a local economic recovery; and continued efforts to monitor and vaccinate people against COVID-19.While almost all of this spending ($5.6 billion) is not expected to recur beyond FY 2022, and spending on recovery efforts will wind down quickly after that fiscal year ends, the City has also incorporated a number of planned service expansions and restorations outside of the Department of Education.

FIGURE 8

Federal Relief for COVID-19, Fiscal Years 2022 through 2025

(in millions)

	FY 2022	FY 2023	FY 2024	FY 2025	Total
Sources of Funding					
Education Aid	$ 3,255	$ 1,849	$ 1,384	$ 530	$ 7,018
Fiscal Relief Funds	3,425	288	226	452	4,391
FEMA Reimbursement	1,493	4	1	- - -	1,498
Public Health Grants	572	135	23	- - -	730
Other	97	5	3	3	107
Total Sources	**$ 8,842**	**$ 2,280**	**$ 1,637**	**$ 985**	**$13,744**
Uses of Funding					
School Fiscal Relief and Recovery	3,209	1,777	1,389	726	7,100
Public Health Services	2,145	138	23	- - -	2,306
Revenue Replacement	1,862	9	- - -	5	1,876
Other Fiscal Relief/Reimbursement	1,400	93	1	- - -	1,494
Service Expansions and Restorations	228	264	224	253	968
Total Uses	**$ 8,842**	**$ 2,280**	**$ 1,637**	**$ 985**	**$13,744**

Note: Totals may not add due to rounding. The City also recognized pandemic relief amounting to $2 billion in FY 2020 and $6.7 billion in FY 2021, mostly for reimbursements from FEMA and local fiscal relief, for a total of $22.5 billion over six years.

Sources: NYC Office of Management and Budget; NYS Division of the Budget; OSC analysis

Funding for the service expansions and restorations outside of the Department of Education is estimated to average $242 million annually over the financial plan period. Most of the funding is dedicated to increasing financial support for administrative expenses of community-based organizations (i.e., the “indirect rate”) and partially restoring a citywide hiring and attrition management initiative, and enhancing a number of supportive services (e.g., senior services, mental health treatment, and funding for universal access to counsel in housing court).

When combined with recurring spending at the Department of Education (mostly for the expansion of 3-K), the cost of service expansions and restorations is expected to exceed $1 billion annually once fully phased in) and is expected to recur beyond FY 2025, when the federal aid is projected to be exhausted.

In addition, the investments in other recovery efforts (such as supports for learning loss) are assumed to be temporary, but may become popular among the public. Spending on these programs could exceed the City’s current expectations.

The City has not yet identified any alternative recurring resources to fund the cost of these service expansions beyond the financial plan period, creating some budgetary uncertainty.

Congress has not yet approved a package of spending bills to complete action on the budget for federal fiscal year 2022, which began on October 1, 2021. In the interim, lawmakers have approved a continuing resolution to fund the federal government through February 18, 2022 as budget negotiations continue.

In November 2021, the President signed into law the Infrastructure Investment and Jobs Act, which provides more than $1 trillion for rebuilding the nation’s infrastructure, including transportation (highways, bridges, rail and ports) and utilities (power, water and broadband internet), and other purposes. This legislation includes $550 billion in new spending over five years beyond the base funding called for under a reauthorization of the Fixing America’s Surface Transportation Act.

The State, the City and public authorities could benefit substantially from such increased funding, including at least $10.7 billion in transit funding for the Metropolitan Transportation Authority. The Act will also provide significant funding for various megaprojects in the region, such as the planned expansion and renovation of the northeast corridor rail line between Newark and the City (i.e., the Gateway Program), and for airport improvements.

Congress is also considering a $2 trillion social and climate spending package to implement the remainder of the President’s broader economic agenda (“Build Back Better”). The proposal would provide funding for free, universal prekindergarten for three-year-olds and four-year-olds and expanded subsidies for child care ($400 billion); extend for a year the expansion of the Child Tax Credit enacted last year as part of the American Rescue Plan, create a new federal paid family and medical leave program, and allocate $555 billion to help address the adverse effects of climate change. The latest version of the bill would provide funding for a number of overlapping initiatives planned or recently undertaken by the City.

A narrow majority in the House of Representatives approved the Build Back Better bill, but the outcome of negotiations in the Senate remains uncertain at this time.

VI. Citywide Savings Program

In the November Plan, the City included a Citywide Savings Program that would total $983 million in savings between fiscal years 2022 and 2023. As shown in Figure 9, the current program does not include any savings generated through efficiencies and consists largely of debt service savings (64 percent over two years and nearly 80 percent over the financial plan period).

Savings from revenue and expense reestimates would total $350 million between fiscal years 2022 and 2023, resulting primarily from one-time vacancies in FY 2022 ($160 million), fringe benefits adjustments ($50 million), and prior year revenue ($40 million). Most of the savings associated with staffing reductions are from the continued suspension of the Fire Department’s Fly Car program, which was designed to shorten emergency medical response times (219 positions generating savings of $14 million annually beginning in FY 2023).

Debt service savings, the largest component of the program, total $634 million between fiscal years 2022 and 2023, and an average of about $460 million in the following years. The savings are largely to be generated from lower-than-planned capital expenditures, which reduce the City’s borrowing needs, and lower-than-planned variable rates.

The City has restored an average of about $86 million in each fiscal year starting in FY 2023, covering approximately 1,500 positions, from the hiring and attrition management initiative introduced in the January 2021 Plan. This initiative, which is not part of the current Citywide Savings Program, was initially designed to eliminate nearly 5,000 positions and save an average of about $340 million annually starting in FY 2022, but the City has partially restored funds and headcount in each plan since. Positions scheduled for elimination in FY 2022 were restored in June 2021, and further restorations in the November Plan leave the initiative cutting only 2,478 positions and saving an average of $192 million annually beginning in FY 2023.

Additionally, in the FY 2021 Citywide Savings Program, the City had identified Police Department overtime savings of $175 million annually beginning in FY 2022. Savings from Department of Correction overtime would also total $70 million in FY 2022 and $25 million annually thereafter. Based on current trends and City projections, a majority of these savings is not likely to materialize, although unexpected costs could be offset with savings in other personnel costs (for more detail, see the discussion on uniformed agency overtime in Section VIII, “Expenditure Trends”).

FIGURE 9
Citywide Savings Program
(dollars in millions)

	Positions	FY 2022	FY 2023	FY 2024	FY 2025	Total
Agency Actions						
Efficiencies	- - -	$ - - -	$ - - -	$ - - -	$ - - -	**$ - - -**
Expense Reestimates	(234)	201	42	20	21	**284**
Revenue Reestimates	- - -	69	38	38	- - -	**145**
Agencies Subtotal	**(234)**	**$ 270**	**$ 80**	**$ 58**	**$ 21**	**$ 429**
Debt Service	- - -	238	396	454	472	**1,560**
Total	**(234)**	**$ 508**	**$ 475**	**$ 513**	**$ 493**	**$ 1,989**

Note: Totals may not add due to rounding. Changes in headcount are as of June 30, 2023.
Sources: NYC Office of Management and Budget; OSC analysis

VII. Revenue Trends

The November Plan adjusts total revenues upwards primarily due to higher federal grants in FY 2022 (up 21 percent from the June Plan) (see Figure 10). Total revenues, including federal and State categorical aid, are now expected to reach a record $102.8 billion in FY 2022, up 2.6 percent from the $100.2 billion in FY 2021, which was also boosted by federal relief and stimulus funds.

FIGURE 10
November Plan Increases versus June Plan

$ Millions	FY 2022	FY 2023	FY 2024	FY 2025
FEMA	+$750			
Federal grants	+$2,816	+$40	+$10	+$6
State grants	+$313	+$103	+$11	+$10
Miscellaneous	+$74	+$50	+$66	+$83
Non-Property Tax Revenues	+$71			
Other	+$99	+$7	+$5	+$5
Total Increase	**+$4,123**	**+$201**	**+$92**	**+$104**
Total Revenues	$102,847	$97,925	$99,608	$101,065

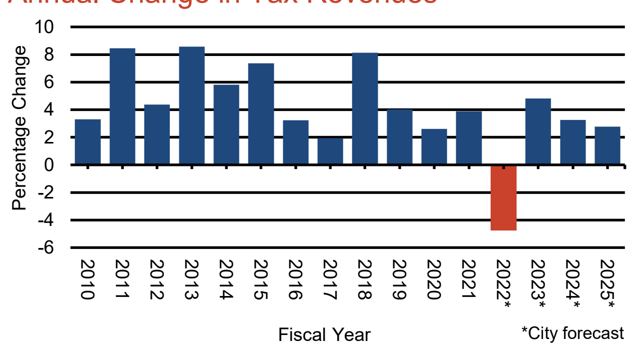
Note: Other includes grants and inter-fund agreements
Sources: NYC Office of Management and Budget; OSC analysis

Locally generated revenues (i.e., City funds) account for about 66 percent of total revenues, or $68.2 billion for FY 2022. This is a lower share than the recent 10-year average prior to the pandemic of 72 percent (from FY 2011 to FY 2020) due to the increase in grant funding. Compared to the June Plan, City fund revenues are now projected to be higher by a total of $199 million over the three-year period from FY 2023 through FY 2025 due to higher miscellaneous revenues, primarily water and sewer fees.

Tax collections account for most of City fund revenues (92 percent). The November Plan increased the forecast by $71 million for FY 2022 in nonproperty collections, primarily due to higher real property transfer tax and sales tax collections. Over the last decade, the November Plan has adjusted revenues upward by about $500 million annually. The out-year (FY 2023 to FY 2025) projections remain unchanged. The November Plan projects a 4.7 percent (or $3.1 billion) decrease in total tax collections for FY 2022. This is a larger decline than the 3.3 percent projected in June, as collections for the base year (FY 2021) came in higher than forecast. If realized, this would be the first decline since 2009 (when collections fell 6.7 percent or $2.6 billion).

Collections are expected to grow at an average annual rate of 3.6 percent during the out-years. However, this growth rate is slightly slower than what was projected in the June Plan (3.7 percent) and slower than the average growth in prior years of 5.1 percent (see Figure 11).

FIGURE 11
Annual Change in Tax Revenues



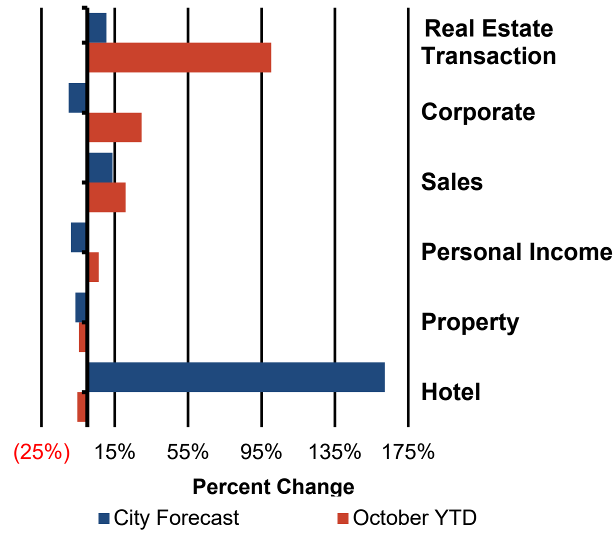
Note: Includes revenue from tax audits.
Sources: NYC Office of Management and Budget; OSC analysis

Through the first four months of FY 2022, total tax collections were up 2.9 percent compared to the same period in the prior year. While all the major taxes are trending ahead of forecasts, real property transaction taxes, corporate taxes and sales taxes are significantly stronger than the City's forecasts (see Figure 12).

As property taxes have not been adjusted in the November Plan, they are likely to be addressed in the preliminary budget issued after the release of the tentative property tax assessment roll in January. Property taxes constitute a significantly large portion of total tax collections, particularly in recent years. In FY 2021, property taxes represented 48 percent of total tax collections (including audits), which is the highest share on record since 1993 (earliest available data). From 1993 to 2015, property taxes accounted for 39 percent of total tax collections; over the past five years (2016 to 2020) that share has increased to an average of 45 percent. Based on the current forecast for FY 2022, a one percentage point change in property tax collections would equate to $293 million impact in collections.

While the City only did a technical adjustment for the November Plan, OSC forecasts that there is likely to be an upside revision of $800 million for FY 2022 in the subsequent plan based on current trends. OSC estimates that the out-years are likely to be adjusted higher by $50 million in FY 2023, and lower by $250 million in FY 2024 and by $350 million in FY 2025, primarily driven by lower sales and corporate tax collections. There is less clarity in the longer term about the likely levels of business and social activity as the economy adjusts to reach a new normal. The November Plan is based on the trends shown in Figure 13 and discussed below.

FIGURE 12
Change In Tax Revenues FY 2022 Through October Versus Annual Forecast for FY 2022



Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 13
Trends in City Fund Revenues
(in millions)

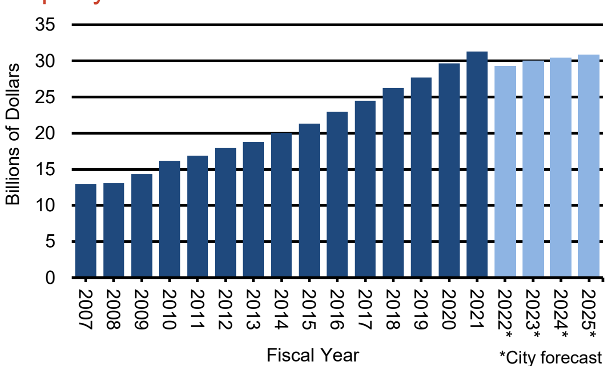
	FY 2022	Annual Growth	FY 2023	FY 2024	FY 2025	Average Three-Year Growth Rate
General Property Tax	$ 29,284	-6.5%	$ 30,042	$ 30,471	$ 30,881	1.8%
Personal Income Tax	13,754	-8.9%	14,728	15,280	15,849	4.8%
Sales Tax	7,450	13.7%	8,339	8,992	9,501	8.4%
Business Taxes	6,379	-10.1%	6,713	6,882	6,996	3.1%
Real Estate Transaction Taxes	2,146	10.6%	2,254	2,380	2,508	5.3%
Other Taxes	2,493	4.2%	2,640	2,838	2,979	6.1%
Tax Audits	921	-19.1%	721	721	721	-7.8%
Subtotal: Taxes	**62,427**	**-4.7%**	**65,437**	**67,564**	**69,435**	**3.6%**
Miscellaneous Revenues	5,056	-11.0%	5,082	5,088	5,123	0.4%
Unrestricted Intergovt. Aid	750	N/A	- - -	- - -	- - -	0.0%
Grant Disallowances	(15)	N/A	(15)	(15)	(15)	0.0%
Total	**68,218**	**-4.2%**	**70,504**	**72,637**	**74,543**	**3.0%**

Sources: NYC Office of Management and Budget; OSC analysis

General Property Tax

The November Plan makes no changes to the June Plan forecast for property tax collections, the City's largest and most stable source of tax revenue. Collections in FY 2022 are expected to fall to $29.3 billion, a decrease of 6.5 percent from FY 2021 (see Figure 14), the first decrease in this category since 1998. The final FY 2022 property assessment roll released in May showed a decrease of 5.2 percent from FY 2021 in the total taxable value of property, fueled by changes in commercial property (Class 4) valuations[10]. Property tax collections are not spread evenly over the fiscal year, as payments tend to cluster around due dates. However the share of collections for the fiscal year-to-date is on pace with historical trends. No adjustments were made to the out-year forecast in the November Plan.

FIGURE 14
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Property tax revenues are expected to resume growth in FY 2023, albeit at a slower pace than in the years before the pandemic. The City expects collections to grow at an annual average rate of 1.8 percent for fiscal years 2023 through 2025, down from a rate of 6.4 percent for fiscal years 2017 through 2021.

Nearly one-fifth (19 percent) of office space in Manhattan remains vacant as of the third quarter of 2021, the highest level in more than 30 years. Asking rents have fallen as well, though less drastically (down 5 percent from 2019). With lingering questions around the future of office space, the uncertainty in the commercial market represents a continued risk to property tax revenues, as commercial properties raise more property taxes than any other property type subcomponent. If commerical market values show a further decline on the FY 2023 preliminary assessment rolls expected in January, the City may need to lower its collections forecast in the out-years.

The Mayor and the City Council Speaker continue to support the Advisory Commision on Property Tax Reform created in 2018. Designed to create a clearer and fairer system, the Commision is mandated to ensure that there will be no impact to the revenue used to fund essential City services. The Commission resumed its public hearings in May 2021 and is expected to release updated recommendations before the end of the year.

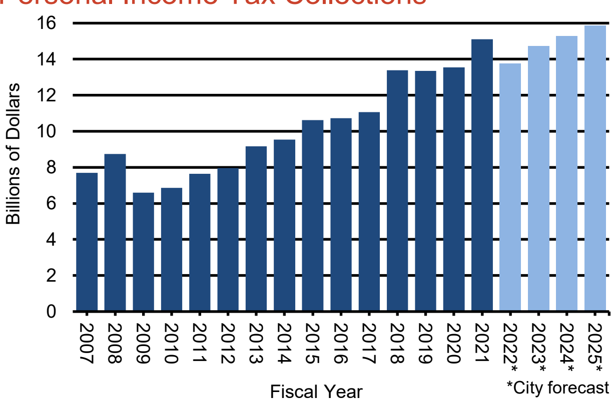
Personal Income Tax

In June 2021, the City projected personal income tax collections to decline by 7.7 percent in FY 2022, the largest decline since the Great Recession. This decrease reflects the City's assumption of a large drop in capital gains, a fall in State distribution payments and an end to pandemic-related government assistance programs (i.e., transfer payments).

[10] For more detail on the City's office market, see OSC, *The Office Sector in New York City*, Report 11-2022, October 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-11-2022.pdf

Despite that projected decline, the November Plan further lowered the City's forecast by $73 million to $13.8 billion in FY 2022 (see Figure 15). This is the first downward adjustment to these revenues in a November Plan since FY 2017 and the largest since FY 2012. While collections have been strong, increasing by 7.4 percent in the first five months of the FY 2022 when compared to the same period last year, employment growth has been slow. The City does not expect jobs to reach their pre-pandemic peak until the third quarter of calendar year 2024, six quarters later than forecast in the June Plan.

FIGURE 15
Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

The largest adjustment in the plan is due to the City lowering its forecast for distribution payments from the State by $184 million because of a timing issue, which inflated FY 2021 payments at the cost of FY 2022. Each month the State administers the personal income tax and remits to the City an estimate of its share. As taxpayers file their final tax returns, the State makes offset payments (or deductions) to the City to adjust for inaccurate distributions earlier in the filing season. The November Plan also lowered the FY 2022 forecast for withholding (i.e., the amount of tax taken from employee paychecks) by $47 million, as job gains have been slower-than-expected in the third quarter of 2021, especially in low-wage sectors such as leisure and hospitality and retail. However, the City still expects withholdings to increase by 4.1 percent in FY 2022, reflecting Wall Street bonuses reaching a record high as well as slow but continued employment growth.

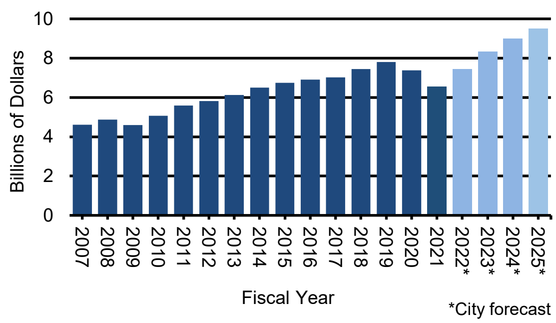
Despite recent volatility, market returns remained on an upward trajectory through the third quarter of 2021. As a result, the November Plan increased the forecast for estimated payments, the component of personal income tax that affects nonwage income, by $184 million in FY 2022. Even though estimated payment collections have been stronger than expected since the June Plan, the City still expects them to decline by 23.3 percent for the year, reflecting a 36 percent decline in capital gains. However, OSC expects capital gains will be higher than expected, resulting in collections exceeding the projection by $500 million annually.

The City has not revised its personal income tax forecasts for FY 2023 through FY 2025. As the City expects employment growth to speed up, the November Plan projects growth in collections of 7.1 percent in FY 2023, followed by average annual growth of 3.7 percent in the final two years of the financial plan period, reaching $15.8 billion in FY 2025. If recent changes to the State income tax rate were to result in an out-migration of high-income earners, this could also present a risk to the City's forecast.

Sales Tax

Sales tax collections have been steady in the first four months of FY 2022, growing 21 percent over the same period in FY 2021. The November Plan adjusts collections up by $27 million to $7.45 billion from $7.42 billion in the June Plan (see Figure 16). The out-years were left unchanged from the June Plan.

FIGURE 16
Sales Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

According to the Siena College New York Consumer Sentiment Index for the third quarter of 2021, New York City metropolitan area consumer sentiment is trending lower as inflation and COVID-19 variants remain concerning. Despite consumer sentiment being low, employment and wages are on the rise, boosting consumer spending. According to IHS Markit, retail sales for the New York City metro area are expected to grow by 7.4 percent in FY 2022 and 1.5 percent in FY 2023. The City expects sales tax collections to grow by 13.7 percent in FY 2022 and 11.9 percent in FY 2023.

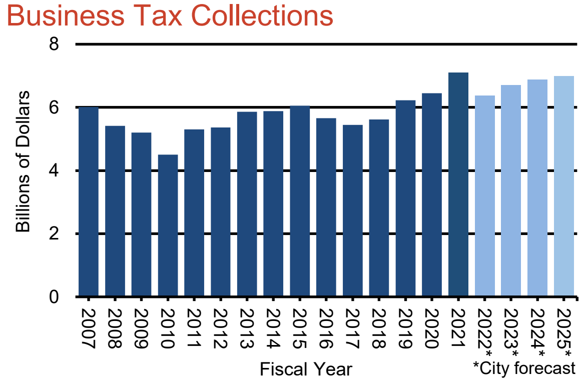
According to the Federal Reserve's Beige Book, a report which provides anecdotal information on current economic conditions, released December 1, 2021, New York City stores are seeing improvements with the return of tourists and office workers, but in-store sales remain below pre-pandemic levels. This is because online sales as a share of retail sales have grown significantly over the past several years. In taxable year 2019-2020 (March 1 – February 28 is when full year taxable sales are reported to the State), online sales made up 12 percent, whereas in taxable year 2020-2021 they made up 21 percent.

As attractions like Broadway are boosting visitor numbers, COVID-19 variants could nevertheless push back the recovery in tourism. Current projections are that tourism is not expected to recover to pre-pandemic levels until 2024. These risks could impact collections in the current fiscal year and the out-years.

Business Taxes

The November Plan adjusts business tax collections downward by $4 million from the June Plan to $6.38 billion in FY 2022 (see Figure 17). Business taxes include the business corporation tax and the unincorporated business tax. Business corporation taxes were adjusted $42 million upward to $4.42 billion while unincorporated business taxes were adjusted $46 million downward to $1.96 billion.

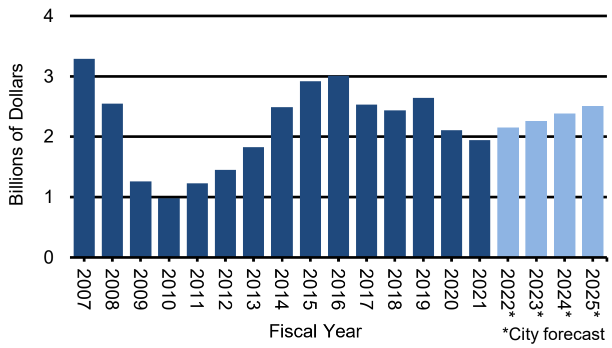
FIGURE 17
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Despite the City's overall adjustment downward, business taxes have been strong in the first four months of FY 2022 growing 30 percent compared to the same period in FY 2021. Wall Street profits grew 12.5 percent over the same period in 2020 to reach $31 billion, the strongest first half since 2009. While current profits and collections are strong, the City anticipates Wall Street profits will decline by 3.2 percent to $49.3 billion in calendar year 2021 and decline 59.4 percent in calendar year 2022. The City did not adjust for out-years.

FIGURE 18
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

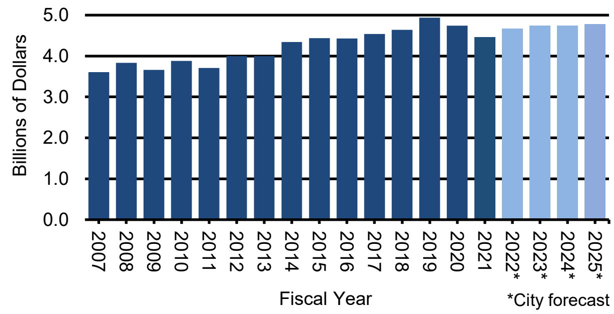
Real Estate Transaction Taxes

The November Plan revises expected transaction tax revenues upward by $97 million (4.7 percent) in FY 2022 compared to the June Plan, at $2.1 billion (see Figure 18). For FY 2022-to-date (July through October), total real estate sales are up 86 percent over the same period in FY 2021, and are up 18 percent compared to the same period in FY 2020, before the pandemic. This recovery has been driven largely by residential properties, which account for 74.4 percent of total sales in the current fiscal year. In comparison, during the ten-year period prior to the recession (FYs 2010-2019), residential sales accounted for just over half of the total (52.5 percent). In contrast, the commercial sales market remains depressed and is expected to require a more protracted period for recovery.

Miscellaneous Revenues

Miscellaneous revenues consist of recurring revenues (including fines, fees, forfeitures, charges for services, licenses and permits) and one-time payments (including settlements, litigation, asset sales and payments from agencies). These revenues in FY 2022 are expected to total $5.1 billion, an 8.7 percent decline from the prior year as one-time payments (including a Health + Hospitals payment of $212 million) had been much stronger than expected in FY 2021. The majority of this total represents recurring revenues which are projected to grow 4.8 percent to $4.7 billion from FY 2021 (see Figure 19).

FIGURE 19
Recurring Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

This growth in recurring revenues is partly driven by licenses, permits and franchises. Another component of growth is charges for services, which were depressed in FY 2021.

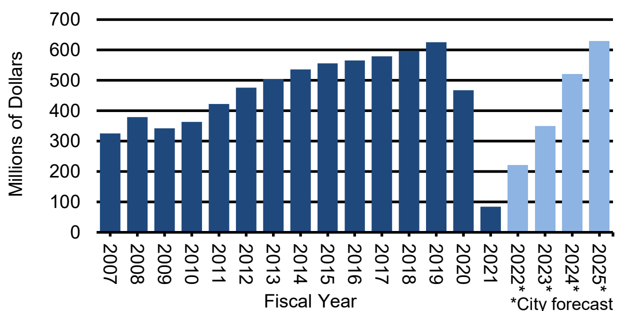
Currently, miscellaneous revenues for the first four months of FY 2022 are flat compared to the same period in FY 2021. Despite this, the November Plan adjusted miscellaneous revenues from the June Plan up by $74 million in FY 2022. The adjustment includes increases in water and sewer charges ($31 million) and one-time payments ($42 million). The one-time payment adjustment includes a land sale for affordable housing in Greenpoint ($21 million), a Verizon payment to the City ($8.7 million), and a refund of prior years’ expenses ($9.6 million).

The Plan also includes increases of $45 million in each of the out-years, as water and sewage costs and maintenance are expected to continue to rise, and funds from reimbursements for new water and sewage expansion projects are realized.

Hotel Tax

The November Plan increased the forecast for the hotel tax by $7 million to $222 million in FY 2022 (see Figure 20). This is more than 2.5 times higher than collections in FY 2021, reflecting the City's assumption of a recovering tourism industry. The recovery can be seen in the City's hotel occupancy, which reached 72 percent during the week of Thanksgiving compared to 33 percent earlier this year. However, the occupancy rate is still below the 83 percent from the same week in 2019.

FIGURE 20
Hotel Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

The FY 2022 forecast would be an additional $60 million higher if it were not for the Mayor's executive order that eliminated the hotel room occupancy tax from June 1, 2021 to August 31, 2021. The November Plan estimate is double the June projection for those three months because the recovery of the hotel industry has been stronger than anticipated.

The November Plan expects collections to grow at an average annual rate of 41.6 percent the following three years and reach $630 million, exceeding the pre-pandemic level in FY 2025. However, the recent surge in COVID cases, the new Omicron variant, and various restrictions to combat the pandemic that have again been imposed, may slow the recovery of the hotel industry.

VIII. Expenditure Trends

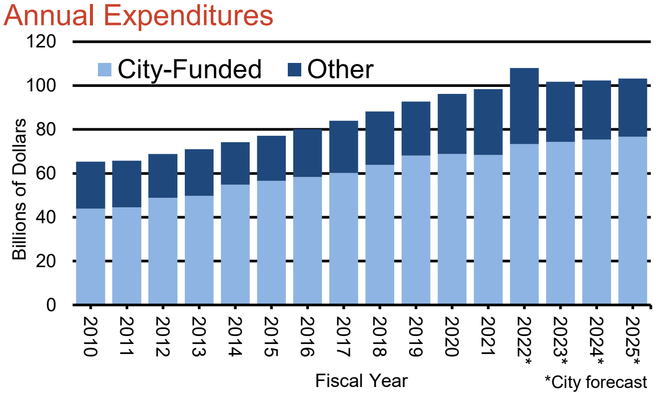
Citywide expenditures are projected to total $108 billion in FY 2022, after adjusting for surplus transfers, which obscure total expenditures (see Figure 21). The portion funded with locally generated revenue (i.e., City funds) is estimated at $73.4 billion. The portion funded with other sources, mostly federal and State categorical grants, is $34.6 billion (32 percent of total spending).

During the pandemic, the growth in City-funded spending slowed to 1 percent in FY 2020 and declined by 0.6 percent in FY 2021, after averaging 5 percent annually in the decade prior. The City's response included implementation of significant gap closing actions, such as citywide savings initiatives and a drawdown of reserves.

Total spending still rose in FY 2021, however, funded through federal emergency and fiscal relief programs. As a result, Total Funds spending increased by an estimated average of 3 percent annually over the two years through FY 2021, fueled mainly by costs associated with the pandemic.

City-funded spending is budgeted to rebound sharply in FY 2022, with an increase of 7.3 percent (6.3 percent excluding reserves). The growth is driven mostly by several nonrecurring expenses, including higher potential payouts for judgments and claims against the City, funding for City Council initiatives, new agency needs and a temporary restoration of a citywide savings initiative. In addition, a portion of FY 2021 City-funded costs were shifted to FY 2022 (including a deferment of certain labor costs for municipal employees to help achieve a $1 billion labor savings target in FY 2021 and supplemental Medicaid funding for the City's public hospitals). The City also intends to deposit $500 million into its rainy-day fund in FY 2022.

FIGURE 21
Annual Expenditures



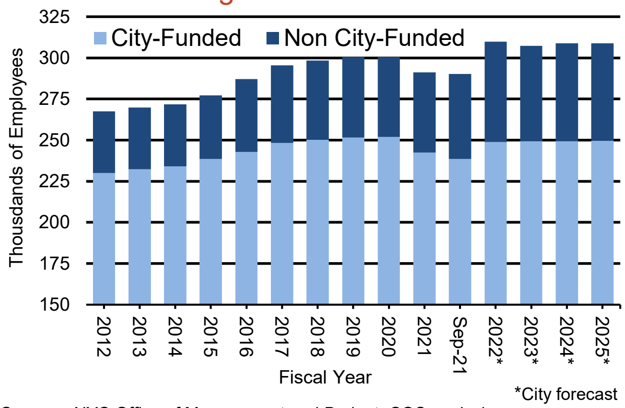
Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reservves and a planned rainy-day fund deposit of $500 million in FY 2022.
Sources: NYC Office of Management and Budget; OSC analysis

The November Plan assumes spending will grow much more slowly over the remainder of the financial plan period averaging 1.1 percent annually over the next three years, excluding reserves and labor savings. Health insurance costs are the largest cost driver followed by debt service, which is based on conservative assumptions. Declining pension contributions are the largest source of offset for spending growth. The City also anticipates a wind down of largely nonrecurring, pandemic-related spending.

However, the financial plan also includes sizable risks, including the receipt of $500 million in recurring labor savings beginning in FY 2023 (see "Collective Bargaining" in this section for more detail), unaddressed out-year expenses for education, higher-than-planned mandated operating subsidies for public transit and potential higher overtime costs.

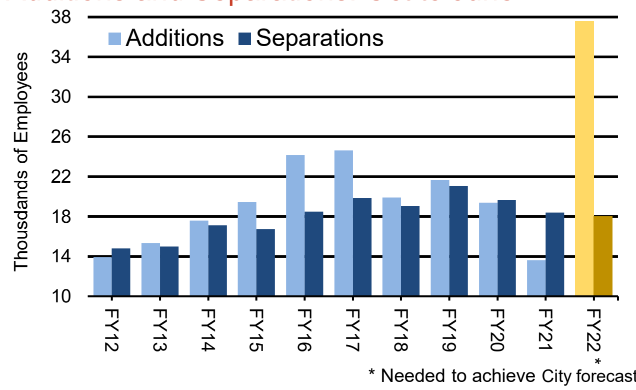
Between June 2020 and September 2021, the City's full-time work force (including positions funded by federal and State categorical grants) decreased by 10,147 employees, totaling 290,299. In this time, the City-funded portion of the work force decreased by 13,439 employees (see Figure 22), however 3,292 full-time staff were funded with State or federal grants. Attrition was lower than average when compared to a similar period in recent years prior to the COVID-19 pandemic. However, hiring was even lower

FIGURE 22
Full-Time Staffing Levels



Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 23
Additions and Separations: Oct to June



Sources: NYC Office of Management and Budget; OSC analysis

(the lowest it has been in the last decade), likely reflecting the effects of the City's hiring freeze, resulting in a net decline.

The November Plan assumes the City's full-time work force will reach 309,859 positions by the end of FY 2022, which is 19,560 positions (6.7 percent) greater than current levels. Historically, in the past 10 years, the City has averaged attrition of 18,021 positions between October and June each year.

In order for the City to achieve its planned work force targets for FY 2022, it will need to add 37,581 people (19,560 additions plus an estimated 18,021 of attrition replacement), which is unlikely given the historical trend. Since FY 2012, the most the City has added between October and June is 24,621 people in FY 2017 (see Figure 23). The average number of additions for each year in this period is 18,971.

Hiring to achieve the planned headcount is to be concentrated at Department of Education (8,000 new teachers, of which 2,100 will be funded with State or federal funding), the Department of Social Services (2,100 additonal staff, of which 869 will be funded with State or federal funding) and the Police Department (1,600 more civilians), excluding hiring based on attrition that will take place at those agencies during the rest of the fiscal year.

If the year-end staffing target is not met, the City could realize substantial savings from lower personal service costs, which OSC estimates could total more than $1 billion in FY 2022. The unfilled vacancies may also have an impact on the City's ability to meet its service demands, including new and existing programs.

The City is using additional federal aid for COVID-19 relief to offset a portion of City-funded personal service costs in FY 2022, and to staff program expansions. However, the funding for these positions (a total of 4,830) by FY 2025) is nonrecurring and is projected to be exhausted over the balance of the financial plan period. The City has not yet identified any alternative recurring resources to fund these 4,830 positions beyond the financial plan period.

In the first quarter of FY 2022, the City did not utilize all of the federal pandemic aid that it allocated to support personal service costs in that year (e.g. pedagogues at the Department of Education and uniformed employees at the Department of Correction). If not needed for this purpose, the resources may be redirected elsewhere, including future fiscal years.

The November Plan is based on the trends shown in Figure 24 and discussed below.

Collective Bargaining

As of December 2021, the City had reached settlements with approximately 89 percent of the represented work force for the 2017-2021 round of collective bargaining. The portion of the work force that has not yet reached new settlements consists mainly of those in unions representing police officers (currently in arbitration) and firefighters. The City has set aside funding for the applicable unsettled contracts based on the wage patterns established for civilian and uniformed employees for this round of bargaining.

The next round of collective bargaining began for many civilian employees in May 2021 (see Figure 25). Contracts for the remainder of the municipal work force are scheduled to expire by the end of FY 2023.

FIGURE 25
Selected Unions' Contract Expiration Dates

Union	Contract Expiration Date	Number of Full-Time Employees	Fiscal Year of Impact
PBA	7/31/2017	22,982	Expired
UFA	7/31/2017	7,940	Expired
DC 37	5/25/2021	57,469	FY 2021
UFT	9/13/2022	112,903	FY 2023

Note: Full-time work force as of November 2021.
Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 24
Trends in City-Funded Spending in November 2021 Financial Plan
(dollars in millions)

	FY 2021	FY 2022	Annual Growth	FY 2023	FY 2024	FY 2025	Average Three-Year Growth Rate
Salaries and Wages	$20,617	$20,089	-2.6%	$20,677	$20,954	$21,424	2.2%
Pension Contributions	9,302	9,788	5.2%	9,520	8,904	8,032	-6.4%
Debt Service	6,129	6,604	7.7%	7,812	8,167	8,719	9.7%
Medicaid	5,687	6,444	13.3%	6,392	6,392	6,392	-0.3%
Health Insurance	4,855	5,551	14.3%	6,925	7,638	8,291	14.3%
Other Fringe Benefits	2,732	3,351	22.7%	3,819	3,913	4,033	6.4%
Energy	685	817	19.4%	838	856	876	2.3%
Judgments and Claims	528	1,197	126.6%	768	785	801	-12.5%
Public Assistance	810	891	10.0%	891	891	891	0.0%
Other	16,897	17,828	5.5%	15,958	16,118	16,472	-2.6%
Subtotal	**$68,242**	**$72,560**	**6.3%**	**$73,601**	**$74,618**	**$75,933**	**1.5%**
General Reserve	- - -	300	NA	1,000	1,000	1,000	NA
Capital Stabilization Reserve	- - -	- - -	NA	250	250	250	NA
Rainy-Day Fund	- - -	500	NA	- - -	- - -	- - -	NA
Labor Savings	- - -	- - -	NA	(500)	(500)	(500)	NA
Prior Years' Expenses	143	- - -	NA	- - -	- - -	- - -	NA
Total	**$68,385**	**$73,360**	**7.3%**	**$74,351**	**$75,368**	**$76,683**	**1.5%**

Note: Totals may not add due to rounding. Spending is adjusted for surplus transfers.

Sources: NYC Office of Management and Budget; OSC analysis

The November Plan assumes wage increases in the first two years of the next round will be funded through productivity improvements, and that the City will also realize annual labor savings of $500 million starting in FY 2023, which are currently earmarked for fringe benefits.

The proposed savings through productivity improvements and unspecified labor savings will require the cooperation of the City's municipal unions to be realized. The City has about six months remaining in FY 2022 to identify how the unspecified labor savings, or alternative resources, will be achieved (This year, the City utilized financial plan savings from lower planned pension contributions to reduce the annual savings targets by one-half, from $1 billion).

The City could incur labor costs beyond the amounts assumed in the November Plan pending the outcome of the upcoming negotiations (which may not be known for some time), resulting in budgetary uncertainty.[11]

Health Insurance

Together, two agreements reached between the City and the Municipal Labor Committee (MLC) in 2014 and 2018 generated cumulative savings of $10.3 billion on health insurance costs through FY 2022 along with estimated recurring savings of $1.9 billion beginning in FY 2022. These savings were used to help fund wage increases for the municipal work force.

In July 2021, the City announced it had reached agreement with the MLC to implement the NYC Medicare Advantage Plus Program for its roughly 250,000 City retirees. While the agreement, which stems from the 2018 MLC savings agreement, could reduce health care costs by about $600 million annually, the savings will be credited to the Health Stabilization Fund (HSF), which currently funds some health benefits including certain categories of prescription drugs (and has been utilized in the past to help fund labor costs). While this would help to maintain the balance held by the HSF, the City will not realize any financial plan savings from this latest accord.

In September 2021, an organization representing municipal retirees filed a lawsuit to halt implementation of the program. Recently, the presiding judge approved a revised implementation plan, which includes new reporting requirements from the City. Under the interim decision, the City is permitted to implement the program with an effective date of April 1, 2022, three months later than initially planned.

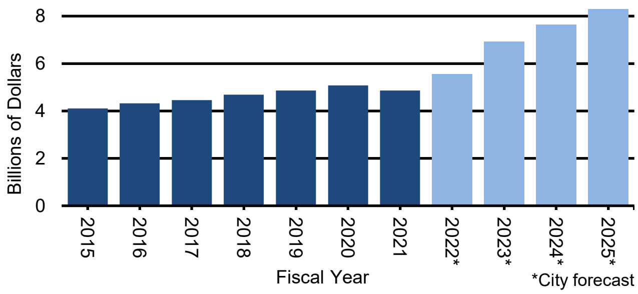
As discussed in the previous section, the City is seeking recurring labor savings of $500 million annually beginning in FY 2023, which are currently earmarked for fringe benefits. As in past rounds of collective bargaining, a portion of these savings may come from actions to help hold down the growth in health insurance costs. Changes to the City's health insurance benefits would require agreement between the City and the municipal labor unions before they can be implemented.

City-funded health insurance costs declined in FY 2021 (by 4.4 percent), in large part because a portion of fringe benefit costs were reimbursed by temporary federal pandemic relief. Despite the 2014 and 2018 MLC agreements, City-funded insurance costs are projected to resume growing in FY 2022 to reach $8.3 billion by FY 2025 (see Figure 26), 71 percent more than in FY 2021.[12]

[11] Each 1 percent increase to base wages could increase labor costs by an estimated $460 million when fully annualized. The City's labor reserve includes funding for wage increases of 1 percent annually beginning in the third year beyond the current (2017-2021) round of bargaining.

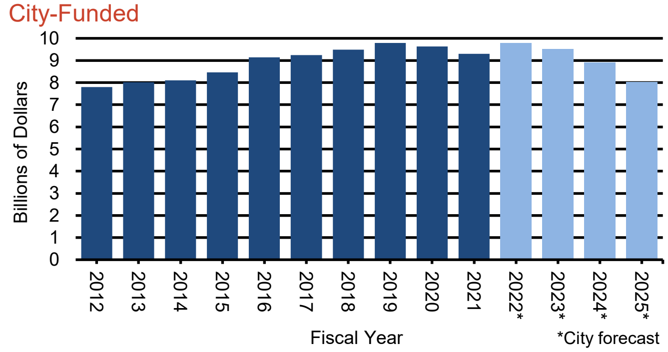
[12] The City's primary insurer has requested that the State approve its request to increase health insurance

FIGURE 26
Health Insurance Costs
City-Funded



Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

FIGURE 27
Pension Contributions
City-Funded



Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

Pension Contributions

Pension contributions, which have been stable in recent years, are projected to total $9.8 billion in FY 2022, and to decline sharply over the next three years to $8 billion (10.8 percent of City fund revenues), which would be the lowest level since FY 2014 (see Figure 27). The decline mostly reflects the benefit of higher-than-anticipated investment returns in FY 2021.

In FY 2021, the City's pension systems earned, on average, 25.8 percent on their investments, greatly exceeding the assumed gain of 7 percent. As a result, the City was permitted to reduce planned pension contributions by $805 million in FY 2023, $1.6 billion in FY 2024 and by $2.4 billion in FY 2025.

The November Plan also assumes implementation of the City Actuary's recommended changes in assumptions and methods used to calculate employer contributions to the pension systems.

The financial condition of the City's five actuarial pension systems has greatly improved since FY 2014, when the City adopted new, more transparent financial reporting standards.[13] In the aggregate, the pension systems had enough assets on hand to fund (on a market-value basis) 96 percent of their accrued pension liabilities at the end of FY 2021 (see Figure 28). Since FY 2013, the unfunded net liability for all five systems has declined by $50.3 billion (84 percent) to $9.6 billion.

The financial markets have become more volatile in recent months in response to investor concerns over the potential economic impact of relatively high inflation as well as a new COVID-

FIGURE 28
Funded Status of the NYC Retirement Systems
(As of June 30, 2021)

Pension System	Funded Status
Board of Education Retirement System	122%
Teachers' Retirement System	100%
Police Pension Fund	97%
New York City Employees' Retirement System	93%
Fire Pension Fund	80%
All Systems	**96%**

Sources: NYC Retirement Systems; NYC Comptroller; OSC analysis

premiums for active employees by 6.9 percent in FY 2023. The increase, if approved, is slightly greater than that assumed in the November Plan (6.25 percent).

[13] Governmental Accounting Standards Board, Statement No. 68.

19 variant, which could adversely impact investment performance in the near term.

OSC estimates that the City's pension systems earned about 2 percent on their investments during the first five months of FY 2022, compared to the expected annual gain of 7 percent.[14]

Debt Service

City-funded debt service is expected to grow by 9.2 percent annually (42 percent) from $6.1 billion in FY 2021 to $8.7 billion in FY 2025 (see Figure 29). The November Plan already reflects $1.6 billion of debt service savings over the financial plan period since the start of the fiscal year.

The November Plan includes savings from a $1 billion refunding of Transitional Finance Authority (TFA) bonds in August, saving a total of $248 million with most of the savings being reflected in fiscal years 2023 through 2026.

The November Plan also reflects lower than expected capital expenditures which has led to the City reducing bond issuances by $2.6 billion in FY 2022 and by another $940 million over the next three fiscal years, producing substantial savings over the financial plan period. Bond issuances in fiscal years 2026 through 2031, however, are expected to be $4.3 billion higher than assumed in the Adopted Budget.

Variable rate debt service costs have been lower than the City anticipated, saving $49 million since the beginning of FY 2022. The City may achieve additional plan savings based on the rate of capital spending and its conservative interest rate assumptions. Lower than expected variable rates alone may produce additional savings of $20 million in FY 2022 and $150 million in FY 2023.

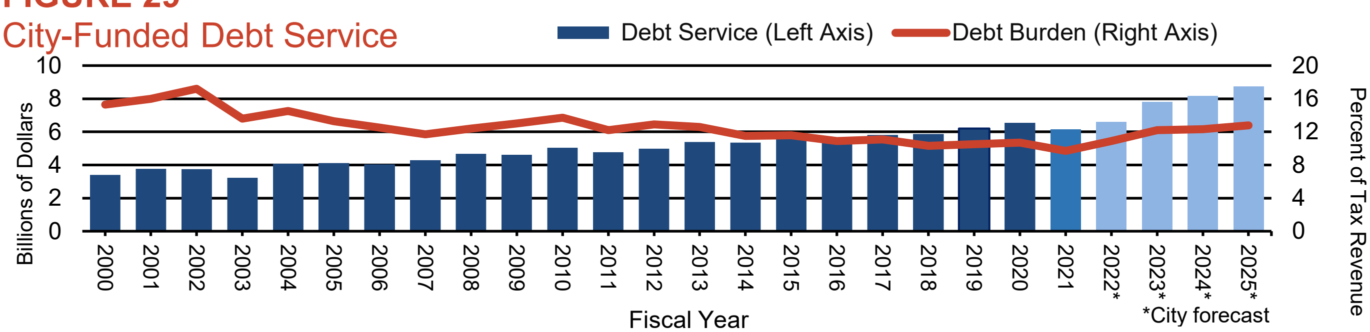
The City's debt burden, which reflects debt service as a percentage of tax revenue, is expected to be 10.9 percent for FY 2022 and to remain in the 12 percent range for FY 2023 through FY 2025.

OSC estimates that the debt burden will rise to 14.2 percent by FY 2029, just below the City's self-imposed cap of 15 percent.

Most of the City's capital program is funded by borrowing. The City Comptroller's annual report, forecasts that the City's remaining statutory debt-incurring power will decline from $48 billion in FY 2022 to $25 billion by the beginning of FY 2025. OSC estimates that by the end of FY 2025, the City's debt-incurring power might

FIGURE 29

City-Funded Debt Service



Note: Debt service has been adjusted for prepayments and defeasances.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

[14] Since FY 2012, the pension funds have earned, on average, 9.2 percent on their investments.

be as low as $10 billion which would hinder the funding of capital spending given that the City expects to issue $15.7 billion for non-water and sewer projects in FY 2026. (Water and sewer projects are funded by the Municipal Water Finance Authority.)

The City's debt incurring power is reliant on the full market value of real property in the City rising at the same rate or faster than the City's capital spending to allow for the additional borrowing. The City must carefully monitor property values in relation to spending to ensure that promised future capital spending can be achieved.

Medicaid

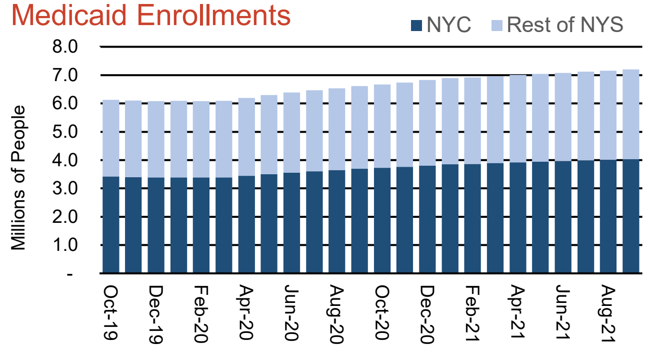
In September 2021, more than 4 million City residents (46 percent of the City's population) were enrolled in Medicaid (see Figure 30), which provides health insurance to low-income children and adults. Enrollees include 652,000 people who have enrolled in Medicaid since February 2020. This sharp increase coincides with the COVID-19 public health emergency. Enrollment growth rates in Queens and Staten Island (each 23 percent) exceeded citywide growth (19 percent) during the same period. Enrollment in the rest of the State grew by 17 percent.[15]

Policies implemented during the public health emergency have also facilitated enrollment, and more people have become eligible for benefits. The policies are expected to remain in place throughout the public health emergency which has been extended through mid-January 2022.

The November Plan assumes that the City-funded cost of Medicaid will total nearly $6.4 billion annually in FY 2022 through FY 2025, unchanged since the Adopted FY 2022 Plan.

The Families First Coronavirus Response Act, passed in March 2020, began providing retroactive additional federal Medicaid aid as of January 1, 2020, and will continue through the COVID-19 public health emergency. The City estimates $591 million in total savings through September 2021. The extension of the health emergency period, through mid-January 2022, will enable the City to benefit from additional federal Medicaid support through March 2022. OSC estimates the total savings to be $855 million based on 100 percent reimbursement through March 31, 2022.[16]

FIGURE 30
Medicaid Enrollments



Note: Enrollment totals for a month may be updated in subsequent months to reflect retroactive enrollments and/or disenrollments.
Sources: NYS Department of Health; OSC analysis

The growth in Medicaid enrollment has slowed and may start to decline with the continued decline in unemployment. These estimates assume that the State will not require the City to cover a larger share of Medicaid program costs, which it has attempted to do in the past.

[15] Nationally, Medicaid enrollment increased by 18.5 percent from February 2020 through May 2021.

[16] The City could benefit from additional savings, as the enhanced rate also applies to the City share of supplemental Medicaid payments made on behalf of H+H not included in the above estimates, of which the City has already benefited from savings of $156 million.

Social Services

Cash Assistance

The November Plan makes no changes to City spending on cash assistance that is included in the June Plan. Enrollment is down from its peak in September 2020 (391,432), but has increased slightly since June, from 371,357 to 376,685 (1.4 percent) in November. Enrollment, which has grown faster in the City than in the rest of the State, is likely to remain higher than pre-pandemic levels for the foreseeable future as a result of economic conditions and policies implemented during the pandemic The City-funded portion of public assistance is budgeted at $891 million annually beginning in FY 2022, which is higher than pre-pandemic levels.

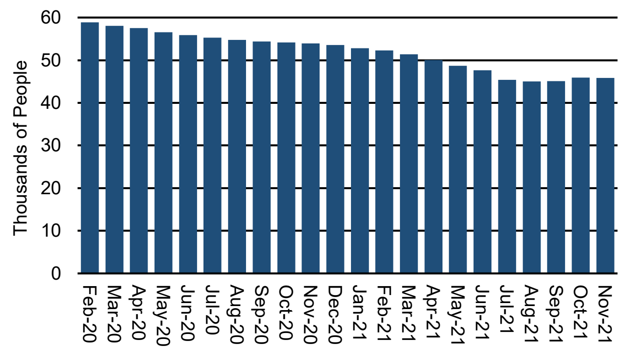
A detailed discussion of enrollment trends, policy implementation and one-time payments for rent and utilities is included in our analysis of the April Plan.

Homeless Services

The November Plan includes modest one-time additions for shelter air purifiers and a vaccine incentive in FY 2022 ($6.0 million and $95,000 respectively) and also budgets for additional funding for street outreach ($5.5 million). The plan is otherwise unchanged from the June Plan.

The total homeless population in shelters operated by the Department of Housing Services (DHS) was 45,873 in November 2021 (see Figure 31), which represents a 22 percent decline (of 12,973 people) since February 2020, just before the start of the pandemic. This level is the lowest seen in the City since September 2012. In this period, more than half of people in shelter (58 percent) belonged to families with children. Families with children also experienced most of the decline (of about 10,400 people, or 80 percent).

FIGURE 26
People in Homeless Shelters



Sources: NYC Department of Homeless Services; OSC analysis

Before the pandemic, the number of single adults in shelter had been on a steady rise before peaking in January 2021. Although there has been a decline in recent months, on average, the FY 2022 population is closer to FY 2020 levels. Total spending in this area for FY 2020 was $826 million, which is $146 million (18 percent) more than what is planned for FY 2023 through FY 2025. If the single adult population remains level throughout the rest of the plan, the City may incur additional costs.

In June 2021, the City began relocating the people who had been staying in commercial hotels for COVID-19 isolation (about 8,000 in total) back to congregate care settings. The City recently completed this process.

Additionally, the New York State moratorium on residential evictions, which was set to expire on August 31, 2021, was extended again until January 15, 2022. The expiration could result in strains on the shelter system and also could increase costs associated with the DHS (see the April Plan report for pre-pandemic costs and population growth analysis). This risk may be mitigated by the addition of $34 million in FY 2022 to increase the rate of the City's rental assistance program, known as CityFHEPS, and align it more closely with Section 8 vouchers and fair market rents.

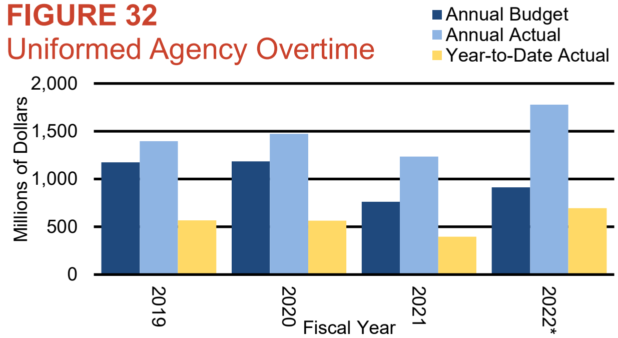
However, we note that the total voucher program planned spending in the Human Resources Administration's budget would decrease by $202 million beginning in FY 2023, creating an ongoing risk to the City's budget beginning in that year. On December 10, the Governor signed legislation also raising the rate of the State's housing voucher amount, known as FHEPS, to mirror the City action. This may ultimately result in the City receiving additional funding from the State, but this is currently not reflected in the November Plan. Lastly, as noted above, the plan allocates $40.5 million to provide the prevailing wage to shelter security guards in FY22 only, leaving a gap in the out years.

Uniformed Agency Overtime

Citywide overtime through the first five months of the current fiscal year has totaled $847 million, $327 million greater than costs incurred during the same period in FY 2021. The four uniformed agencies (i.e., police, fire, correction, and sanitation) contribute more than 80 percent of the total ($693 million; see Figure 32). Overtime costs at these agencies have not only surpassed last year's spending for the first five months by a combined $297 million but have also exceeded the City's forecast by $336 million.

The Police Department overtime budget remains virtually unchanged in the November 2021 financial plan, with the City's estimate for FY 2022 at $435 million, $45 million less than actual overtime expenses in FY 2021 ($480 million). However, through the first five months of the fiscal year, police overtime totaled $301 million, exceeding plan estimates and actual costs last fiscal year through the same period by $132 million and $140 million, respectively. The increase largely reflects uniformed personnel overtime resulting from the return of planned events after most were suspended in FY 2021, as we discussed in OSC's previous report on the FY 2022 Adopted Plan. Year to date overtime is roughly in line with

FIGURE 32
Uniformed Agency Overtime



*The FY 2022 Annual Actual amount is OSC's forecast
Sources: Office of Management and Budget; Financial Management System

pre-pandemic spending in FY 2019 ($315 million) and FY 2020 ($318 million) through the same period.

Based on current spending levels and past trends, OSC estimates overtime at the Police Department is likely to reach pre-pandemic spending levels of more than $700 million. The Department is generating savings in other personnel costs that could be used to offset some of the excess overtime costs, as the City has done in previous years. However, OSC projects the City will need to find about $140 million in alternative savings to cover overtime costs in FY 2022.

The City also estimates that police overtime will total $394 million in each year beginning in FY 2023, a $40 million decrease from the FY 2022 estimate which reflects the transfer of school safety agents out of the Police Department. OSC projects that the City will need at least $250 million annually in additional resources to account for higher-than-expected police overtime costs in the out-years.

Overtime costs at the Department of Correction have grown rapidly since the beginning of FY 2021 largely due to staff unavailability. Higher rates of employees out on sick leave and absent without leave (AWOL) have forced available staff to work double and triple shifts. However, the City has not modified the FY 2022 overtime budget since November 2020 although costs through the first five months totaled $97 million, already exceeding the entire fiscal year budget of $88 million for Correction overtime and nearly tripling last year's costs through the same period ($35 million).

While the Independent Monitor, appointed to oversee reform in New York City jails, acknowledges the City's and the Department's efforts to remedy the staffing crisis, among other issues, a recent report stated that it is "impossible to fix these problems quickly." The situation at the Department could also be exacerbated with additional staff unavailable for duty due to the City's vaccine mandate, which went into effect for Correction personnel on December 1, 2021.

OSC finds it reasonable that overtime will continue near current levels and projects that total FY 2022 costs for Correction overtime could exceed the planned amount by $150 million. Additionally, until the Department demonstrates the ability to reduce overtime usage, OSC estimates that costs in subsequent years could be similar to pre-pandemic levels and exceed the plan by $90 million annually starting in FY 2023.

Fire Department overtime totaled $167 million over the first five months of the fiscal year, $68 million more than planned. The City has a practice of modifying the Department's overtime budget towards the end of the fiscal year, therefore comparisons to the budget in early months are not necessarily indicative of the full year's results. However, year to date costs are $48 million greater than last year's through the same period although overtime at the Fire Department has remained relatively level for almost a decade. The City attributes the increase to lower-than-planned uniformed staffing levels, driven by smaller class sizes to maintain social distancing and by higher rates of medical leave and light duty (which reduced firefighter availability).

At its current pace, overtime at the Department is projected to total more than $400 million, the most expensive year on record. The City may need to find additional resources of about $170 million to cover the unanticipated costs, although the Department has increased the next two class sizes to help reach planned staffing levels and reduce overtime. Regardless, the City's practice of only addressing the current year's costs could potentially leave the Fire Department with unanticipated costs of $100 million annually beginning in FY 2023.

Similarly, overtime costs at the Department of Sanitation are on pace to reach the highest level on record for the second consecutive year. Year to date overtime totaled $128 million, nearly exhausting the entire fiscal year budget of $136 million only five months in and surpassing costs incurred last year through the same period by $48 million. The City attributes the increased costs to a hiring freeze at the Department during FY 2021, which placed a strain on overtime coming into this fiscal year. As is the case with other agencies, high rates of medical leave at the Department of Sanitation also contributed to more overtime.

Increased hiring is currently underway, but uniformed staffing is still lower-than-planned as of November 2021. The City is also approaching its winter season, which is the period when overtime within the Sanitation Department historically rises, largely because of snow removal. Higher demand for overtime in the coming months, as well as lower employee availability due to the City's vaccine mandate could further inflate overtime costs. The City may have to find alternative resources to fund over $150 million in unanticipated overtime in FY 2022. Assuming spending in subsequent years returns to pre-pandemic levels, the City's current estimates could result in a liability of about $30 million annually beginning in FY 2023.

IX. 10-Year Capital Strategy

The update to the 10-year capital strategy released by the City in October outlines commitments totaling $147.1 billion which represents a $13.3 billion increase over the amount anticipated by the City in April 2021. Of the $13.3 billion increase, $3.6 billion is expected to be committed in the first four years, with the balance of $9.7 billion projected to be committed in the last six years. The main source of funding for this capital plan is bonds issued by or on behalf of the City. Of the $147.1 billion in capital investments planned, funding from Federal sources accounts for only $4.3 billion.

As shown in Figure 33, $11.4 billion of the increase will be dedicated to projects related to the environment, housing, parks and recreation, transportation, education, health and hospitals, small business services, the Transit Authority and technology and equipment.

FIGURE 33
10-Year Capital Plan
October 2021 vs. April 2021
(in millions)

Category	October Plan	April Plan	Variance
Environment	$25,402	$22,669	$2,733
Housing	17,373	15,125	2,248
Parks & Recreation	7,166	5,613	1,553
Transportation	23,750	22,846	904
Education	23,090	22,200	890
Health & Hospitals	4,186	3,300	886
Small Business	5,870	4,999	871
Transit Authority	2,480	1,700	780
Resiliency, Tech & Equipment	9,898	9,367	531
All Other	27,856	25,926	1,930
Total	**$147,071**	**$133,745**	**$13,326**

Sources: NYC Office of Management and Budget; OSC analysis.

- The largest increase, $2.7 billion, is in the Department of Environmental Protection. The October strategy calls for a $808 million increase in spending for sewer extensions and a $506 million increase for replacement or augmentations of existing sewer systems.

- Housing project commitments increased by $2.2 billion for public housing upgrades at the New York City Housing Authority ($1.7 billion) and occupied in rem rehabilitation, new construction and special needs housing ($500 million).

- Parks and recreation projects increased by $1.5 billion mostly for major recreational facilities, neighborhood parks and playgrounds and park reconstruction.

- Transportation projects increased by $904 million, which includes $644 million for bridge repair and bridge life extension, primary street reconstruction and reconstruction of ferry boats.

- Education projects increased by $890 million mostly for emergency and inspection projects and rehabilitation of school components.

- Health and Hospitals projects increased by $886 million mostly for information systems and routine reconstruction.

- Small business services projects increased by $871 million mostly for industrial and waterfront development.

- About $780 million was rolled over from FY 2021 funds into FY 2022 for New York City Transit and does not represent additional funding.

- Resiliency, technology and equipment projects are projected to increase by $531 million, mostly for electronic data processing equipment for the Department of Information Technology & Communications and for citywide and miscellaneous energy efficiency and sustainability projects.

X. Semi-Autonomous Entities

Department of Education

Like most school districts, the New York City school district has been impacted by the pandemic in a number of ways. One of the most important has been a significant drop in student enrollment over the past two years. Nevertheless, with the help of emergency federal aid, the City increased FY 2022 education spending by $3.3 billion over FY 2021 levels. The November Plan allocates almost $37.8 billion to the Department of Education (DOE) for FY 2022, amounting to 36.7 percent of the City's total budget. The City is expected to fund almost $19.3 billion (51.1 percent) of the total, with the remainder funded by the State (34.1 percent) and the federal government and other sources (14.8 percent).

Federal aid and other sources have provided an annual average of 7.8 percent of the DOE's budget over the previous 10 years, while City funds have accounted for an average of 56.4 percent. Federal funds account for an unusually large share of the Department's budget during the financial plan period thanks to the provision of $6.7 billion in federal relief funds through FY 2025.[17] A recent report from OSC provides detail on how these funds will be used, and the out-year risks associated with their use.

City-funded staff at the DOE decreased by 5,940 positions between June 2020 and September 2021 (the most recent data available). However, this loss was partially offset by an increase of more than 4,000 positions funded by State and federal dollars, many of which are likely to return to City-funded status as emergency federal funds are depleted. The November Plan expects the Department to add 8,578 total-funds positions (including 6,360 City-funded) by June 2022, a target that it seems unlikely to reach. Thus, the City may recognize some savings related to unfilled positions at the DOE.

Despite such potential savings, the November Plan does not address a number of pre-existing expenses that are likely to increase in future years. While some of the extraordinary federal aid may be used to mitigate these costs initially, they are systemic and will continue to recur after federal aid is exhausted.

City spending on Carter cases (federally-mandated special education services) reached $807 million in FY 2021, more than two and a half times the amount budgeted five years earlier. The November Plan anticipates that spending on Carter cases will decrease by $142 million in FY 2022 before falling another $220 million in FY 2023 and remaining flat thereafter. Carter case spending, however, has increased by an average of $99 million annually over the past five years. Until the City can demonstrate that spending for Carter cases has actually begun to decline, these costs are likely to exceed estimates beginning in FY 2022. Such expenses may be even higher because parents have challenged the City's ability to provide adequate services during the pandemic.

Similarly, the cost of student transportation has grown faster than anticipated, requiring the City to add funding in each of the past five fiscal years (averaging $138 million annually). The City added $359 million for this purpose over the course of FY 2021 alone, but has not reflected such increases in later years.

Additionally, the financial plan does not reflect future increases to charter school per-pupil tuition rates that are mandated in State law. The City's preliminary estimates show that such costs

[17] This calculation includes all Coronavirus Response & Relief Supplemental Appropriations (CRRSA) and American Rescue Plan (ARP) funding allocated to the DOE in FYs 2022-25. It excludes $335 million in federal relief funds used for education which are held in other agencies.

to the City could increase by $282 million in FY 2023, $433 million in FY 2024, and $625 million in FY 2025 if not offset by additional State aid.

Finally, the City plans to use a portion of the one-time, emergency federal aid to implement permanent, recurring initiatives such as universal 3-K. Once the federal funds are exhausted in FY 2025, the City will need to devote additional resources to continue providing these programs.

Metropolitan Transportation Authority

The MTA is facing challenges in closing the budget gaps in its financial plan, relying heavily on federal aid and funds from deficit borrowing. Although riders have begun to return, in November 2021, subway ridership was still only 44 percent of 2019 ridership, bus ridership was at 64 percent and MTA weekday commuter railroad ridership was at around 50 percent of 2019 levels. MTA bridge and tunnel crossings, however, had returned to pre-pandemic levels.

On November 17, 2021, the MTA updated its previous financial plan which had been released in July. The MTA's November plan forecasts balanced budgets through 2025 but makes some changes in its July assumptions. The MTA's November plan forecasts $1.5 billion of additional dedicated tax revenues as economic activity is returning faster than the MTA had expected, and an increase in corporate taxes is also bringing in additional revenue.

As a result of this increased revenue, the MTA now plans to defer the fare increase that was planned for 2021 and remove proposed service cuts as well as savings from a wage freeze for a portion of its workforce as had been assumed in July. The MTA's November plan assumes the implementation of a 4 percent fare yield increase in July 2022 (delayed from November 2021) and 4 percent increases in fare and toll yields in March 2023 and March 2025. These are expected to bring in $1.9 billion over the financial plan period.[18] The MTA's November Plan assumes $1.4 billion of borrowing for operating purposes will be needed to close the budget gap in 2025, a slight increase from what was assumed in July.

A recent report released by OSC found that the MTA's transformation plan consolidated some functions, but most of its savings were from reducing maintenance and operational positions and not administrative positions as first envisioned. Although the MTA has ended its transformation plan, the MTA's November plan expects the consolidated functions to bring in an additional $150 million annually in unspecified savings from 2022 through 2025. It is not yet clear how the MTA will balance its budgets after federal operating assistance is exhausted and if ridership does not return to pre-pandemic levels because of increased telecommuting.

The MTA had a potential funding gap in its 2020-2024 capital program because debt capacity was used to issue $2.9 billion in Bond Anticipation Notes (BANs) for operating purposes. The recently passed federal Infrastructure Investment and Jobs Act is expected to bring the MTA as much as $10 billion over the five-year duration of the bill (which will overlap with the next five-year capital program) which could offset the risk to the current capital program if the MTA were to permanently finance the BANs with long-term debt, as it has indicated in its financial plan. The additional funds could also allow the MTA to lower its projected borrowing for capital work and related debt service.

The City may be required to allocate additional funds for the MTA that are not currently included

[18] The MTA board raised tolls by 6 percent in April 2021 but deferred its decision on raising fares at the time.

in its financial plan since it is responsible for paying the operating deficits of the formerly private MTA Bus services after fares and other operating revenues are applied. The City has budgeted $456 million in each year of its plan for these subsidies, but the MTA expects the cost to the City to average $602 million annually starting in 2022. Since the federal funding the MTA will receive lowers the City's obligation toward MTA Bus, the City could see savings of $222 million in FY 2022 and $65 million in FY 2023 but then face increased costs in the out-years, rising to $61 million in FY 2025.

State law requires the City to fund half of the net cost (i.e., the cost after fare collections and subsidies) of the MTA's paratransit program, up to a capped amount ($277 million in 2021 rising to $310 million in 2023) until June 30, 2024 (although the requirement is likely to be extended beyond that date). While the City included $63 million in FY 2021 to fund its increased obligation, it made no provision to fund the increase in subsequent years. Further, the MTA expects pre-pandemic paratransit ridership to return in 2023 and subsequently grow, which could increase the cost to the City by $28 million in FY 2022, rising to $91 million in FY 2025.

The City is also responsible for funding the "Fair Fares" program, subsidizing half-fares on MTA subways, some bus systems and paratransit for certain income-eligible New Yorkers. Fair Fares enrollment has risen from 193,864 in FY 2020 to 259,596 by December 2021, following recent advertising of the program. Last year, the City spent $37.1 million on the program, of which $8.3 million was funded with federal COVID-19 relief funds. The November Plan includes $53 million in FY 2022 for the program; $14 million of the expense will be offset with federal COVID-19 relief funds. However, the financial plan does not include program funding beyond FY 2022.

The MTA has asked for additional State assistance to help it with its structural financial imbalance once the federal funding runs out. Any new State subsidies are likely to fall predominantly on economic activity in and around the City, similar to the majority of the current subsidies. The City and the State should start discussions as soon as possible about how the MTA will be financed even as both governments face uncertainties regarding balancing their own budgets on a recurring basis without federal aid. The pace of the City's recovery relies in part on how well the MTA emerges from this financial crisis.

NYC Health + Hospitals

NYC Health + Hospitals (H+H) faces significant challenges including the delay of federal COVID-19 relief funding, declining use of services, a large share of patients who lack health insurance, and the unknown long-term impacts of the COVID-19 pandemic.

H+H was able to manage its financial challenges early in the pandemic, largely because of the receipt of federal funding and the actions of the City to provide cash flow support as needed, as well as the elimination of planned State cuts to Medicaid. The most recent executive cash financial plan was released on May 11, 2021 (the "May Plan"), but the agency has held committee meetings outlining anticipated changes to its finances since, especially as they pertain to federal funds and new programs.

H+H updated its estimate of the costs related to COVID-19 and paid out $2.5 billion in expenses through October 2021, $454 million higher than what was anticipated in the May Plan, however these costs could be as high as $3 billion. FY 2022 costs could exceed costs incurred in FY 2021. H+H assumes the receipt of over $1.8 billion in revenue from the federal CARES Act and Federal Emergency Management

Agency (FEMA). The FEMA revenue is $232 million less than what was anticipated in the May Plan and $354 million has yet to be received (see Figure 34). H+H has applied for additional federal COVID-19 relief funding and expects that the current unfunded liability of almost $678 million and any future costs related to the pandemic will be offset with federal funds.

FIGURE 34
H+H Federal COVID-19 Aid
(Cash Basis, $ in millions)

	FY 2020	FY 2021	FY 2022	FY 2023-2024	Total
COVID-19 Costs	**$ 788**	**$1,058**	**$654**	**-**	**$2,500**
CARES Act	1,031	171	-	-	**1,201**
FEMA	-	266	354	-	**620**
Received	-	*266*	-	-	*266*
Anticipated	-	-	*354*	-	*354*
Total COVID-19 Aid	**$1,031**	**$ 437**	**$354**	**-**	**$1,822**

Sources: NYC Office of Management and Budget; NYC Health and Hospital; OSC analysis

H+H has benefited financially from federal legislation that has delayed planned cuts in federal supplemental Medicaid payments through federal fiscal year 2023. The May Plan assumes the federal share of these cuts will resume in FY 2024 with the City maintaining its share of the payments as a subsidy of about $600 million annually in FY 2024 and FY 2025. However, given the uncertainty of the City's future financial position the receipt of these funds could be at risk.

A new initiative was implemented that brought vaccines, COVID-19 testing and basic healthcare to unsheltered homeless people with costs reimbursed with City funds of $2.3 million in FY 2021 and $11.5 million in FY 2022. H+H has committed staff and secured a contract for mobile van services through FY 2025. The City will cover the cost of the program but it is not funded in the City's financial plan past FY 2022.

The City also established the NYC Public Health Corps (PHC), a network of public health workers, in a collaboration between H+H and the Department of Health and Mental Hygiene (DOHMH). In FY 2022, the PHC is funded with $150 million in City funds and $50 million in federal American Rescue Plan funding, with $50 million in city funds budgeted for DOHMH and the remaining funding budgeted for H+H. The November Plan does not reflect PHC funding past FY 2022.

H+H is still assessing the impact of the City imposed vaccine mandate, which increased overtime costs and reduced the number of full-time nursing staff at its facilities. An initial estimate brings the cost close to $60 million.

About $1 billion in funding related to federal programs anticipated in FY 2021 has not been received. H+H will need to receive some of the outstanding FEMA and supplemental Medicaid payments by the end of December 2021 in order to maintain a cash balance sufficient to continue operations without interruption. H+H is working closely with the City on the remaining liabilities (about $585 million) due to it and continues to monitor its cash position in relation to the ongoing uncertainty surrounding COVID-19.

H+H reports that patient utilization is slowly approaching pre-pandemic levels, but new COVID-19 variants could impact its recovery. H+H's future financial position will be largely contingent on the receipt of supplemental Medicaid and federal reimbursement for its COVID-19 response. Costs will likely grow as the pandemic persists. Without such federal aid, the City will likely step in to provide further financial assistance. Potential uncertainties related to the City's future financial condition could make such assistance difficult to sustain.

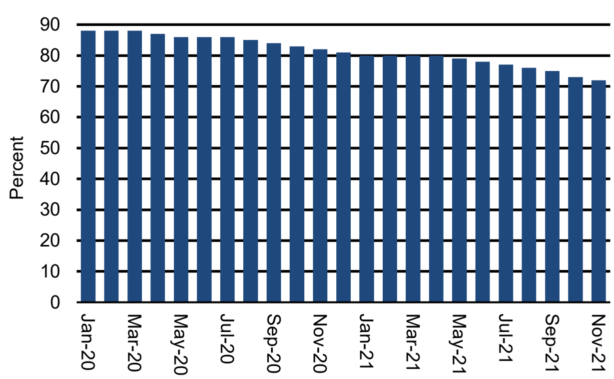
New York City Housing Authority

In December 2020, the New York City Housing Authority (NYCHA) board met to discuss the agency's anticipated $300 million budget gap (8 percent of operations) in FY 2022, its largest gap since 2016. NYCHA is expected to publish an updated plan during its upcoming board meeting on December 29, 2021.

The pandemic has significantly impacted rent collections, which have declined as a result of reductions in rent (due to lower incomes), a new policy to delay rent increases, and a rise in rent delinquencies. NYCHA reports the total rent loss for FY 2020, when the pandemic began to take hold, at $71 million. NYCHA was able to offset the losses with $129 million in federal aid. Between February 2020 and June 2021, the rent collection rate declined from 88 percent to 78 percent. The rate then declined further to 72 percent in November 2021 (see Figure 35).

The State extended the residential eviction moratorium again until January 15, 2022, which could further impact collections. The New York State Emergency Rental Assistance Program (ERAP) was also available to NYCHA tenants, but this funding has already been maximized. Calls for the U.S. Treasury Department to reallocate funding from states that have not used 65 percent of initial ERAP funds to states that have already exhausted funding could provide additional rent collection replacement for NYCHA, if addressed.

FIGURE 35
NYCHA Rent Collection Rate



Sources: New York City Housing Authority; OSC analysis

The November Plan includes $488 million for NYCHA in FY 2022, of which $240 million will be City funds. The balance is to come from the federal government, including $179 million in Community Development Block Grant funding. Support for public housing infrastructure was removed from the final version of the federal infrastructure bill but has been proposed as part of the Build Back Better plan, which has thus far been passed by the House of Representatives. The current proposal allocates $65 billion to preserve and rebuild public housing, including to “repair, replace, or construct properties.” NYCHA is expected to receive a significant portion of these funds, which could provide an estimated $40 billion needed to bring its properties to a minimal state of good repair.

NYCHA’s projected deficits for 2023 through 2025 average $310 million annually, nearly four times higher than the out-year deficits projected in the 2020 financial plan.

XI. Other Issues

Credit Rating

In August 2021, Fitch Ratings changed its negative outlook on New York City's General Obligation bonds to stable, while maintaining their "AA-" rating. The upgrade noted that "Fitch expects long-standing cautious revenue forecasting and robust oversight will allow the city to navigate the uncertain economic environment and reduce the risk that future budgets will be reliant on continued significant amounts of non-recurring revenue." Rating and outlook changes for other rating agencies have not changed since the release of OSC's August report on the City's budget, which contains a more comprehensive review of the City's credit ratings and their movement since the pandemic began.

Prior Years' Expenses

At the end of each fiscal year, the City estimates the amount of expenses that have been incurred but not yet paid, and the amount of revenues earned but not yet received. The City generally makes conservative estimates because an unfunded liability has a budgetary impact in the current fiscal year.

Between fiscal years 2011 through 2020, the City realized an average benefit of $342 million annually from overestimating prior years' expenses and underestimating prior years' receivables. However, for the first time on record since at least the 1990s, the write down of the City's receivables exceeded the savings from overestimating prior-year payables. As a result, the City incurred a net cost of $143 million in FY 2021.

The cost is attributed mainly to a one-time write down of federal pandemic relief recognized in FY 2020 ($460 million). The City had intended to utilize Coronavirus Relief Funds to cover the local share of FEMA reimbursements, but these funds were repurposed as revenue in FY 2021 after the President waived the local share requirement. As a result, the write down is fiscally neutral over two fiscal years. The November Plan does not anticipate any resources from overestimating prior years' expenses during the financial plan period.

As of FY 2021, the balance held for prior years' expenses not yet paid totaled $19 billion, which is the highest level in at least 11 years. Similarly, the balance held for prior years' revenues not yet collected totaled $19.2 billion, also the highest in at least 11 years. Given the size of these year-end balances, the City's cash reserves could experience heightened volatility depending on when expenses are paid, and revenues are received.

Revenue Stabilization Fund

The November Plan assumes the City will deposit $500 million into the Revenue Stabilization Fund (i.e., the City's rainy-day fund) in FY 2022, which will raise the balance to $1 billion. The City has not yet made the deposit but expressed intent to do so sometime after June 2022 when it concludes the fiscal year.

The City's plan to build up the rainy day fund so soon after its creation is prudent. However, the City does not currently have a published policy defining the purpose of the fund, the target level of reserves, or how resources would be replenished after a drawdown. OSC recommends that the City consider certain best practices adopted by other large U.S. cities to help strengthen its reserve policy.

Post-Employment Benefits

The City's unfunded liability for post-employment benefits other than pensions (OPEBs), such as retiree health care, reached $117.9 billion in FY 2021, an increase of $29.6 billion (33.4 percent) in four years. The City, like many employers, does not fund its OPEB liability on an actuarial basis but rather pays the annual cost of benefits to current retirees on a pay-as-you-go (PAYGO) basis. OPEB costs, on a PAYGO basis, are projected to rise from $2.8 billion in FY 2021 to nearly $3.8 billion in FY 2026, an increase of 34.3 percent in five years.

Retiree Health Benefits Trust

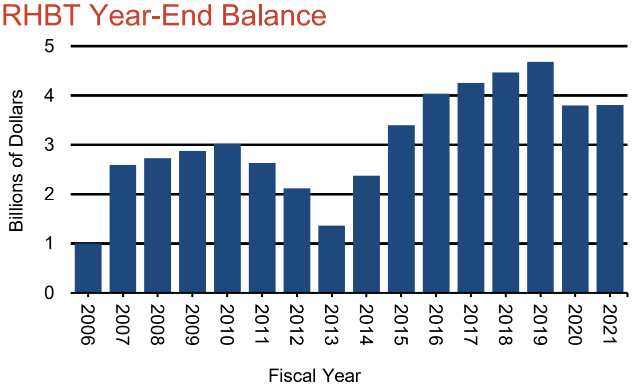
In FY 2006, the City established the Retiree Health Benefits Trust (RHBT) to help fund the future cost of OPEBs. However, the RHBT has been used as a rainy-day fund twice since its inception.

The City drew down more than half the resources in the RHBT during fiscal years 2011 through 2013. While the City replenished these resources and increased the balance over the next five years through FY 2019, it drew down resources from the RHBT a second time in FY 2020 (by $1 billion) to help offset a revenue shortfall in that year attributed to the social and economic impacts of COVID-19.

While the City had intended to draw down another $1.6 billion in FY 2021, the improved financial outlook since the beginning of FY 2021 permitted the City to rescind the planned drawdown and to prepay a portion of FY 2022's OPEB expenses ($425 million). The balance held in the RHBT now stands at $3.8 billion (excluding prepayments; see Figure 36).

FIGURE 36

RHBT Year-End Balance



Note: Adjusted for prepayments.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

Appendix A: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	Plan	Variance Sept 2021 to June 2022		
	June 2020	Sept 2021	June 2022	June 2023	City Funds	Non-City Funds	Total Funds
Public Safety	**85,806**	**81,407**	**83,473**	**77,784**	**(1,638)**	**3,704**	**2,066**
Police Uniformed	35,910	34,698	35,030	35,030	332	0	332
Civilian	15,519	14,215	15,821	10,501	1,655	(49)	1,606
Fire Uniformed	11,047	10,657	10,945	10,952	282	6	288
Civilian	6,366	6,389	6,475	6,504	70	16	86
Correction Uniformed	9,237	7,883	7,460	7,060	(4,023)	3,600	(423)
Civilian	1,741	1,572	1,962	1,958	354	36	390
District Attys. & Prosec.	4,843	4,920	4,609	4,609	(389)	78	(311)
Probation	1,116	1,051	1,139	1,138	71	17	88
Board of Correction	27	22	32	32	10	0	10
Health & Welfare	**27,878**	**26,264**	**30,215**	**29,824**	**2,601**	**1,350**	**3,951**
Social Services	12,330	11,603	13,706	13,626	1,234	869	2,103
Children's Services	7,039	6,754	7,300	7,300	346	200	546
Health & Mental Hygiene	5,530	5,193	6,176	5,916	777	206	983
Homeless Services	2,119	1,931	2,158	2,123	200	27	227
Other	860	783	875	859	44	48	92
Environment & Infra.	**26,365**	**25,620**	**27,482**	**27,626**	**655**	**1,207**	**1,862**
Sanitation Uniformed	7,755	7,790	7,482	7,696	(367)	59	(308)
Civilian	2,107	1,987	2,180	2,156	187	6	193
Transportation	5,120	5,082	5,614	5,677	302	230	532
Parks & Recreation	4,236	3,941	4,474	4,341	415	118	533
Other	7,147	6,820	7,732	7,756	118	794	912
General Government	**12,634**	**11,835**	**13,494**	**13,259**	**1,262**	**397**	**1,659**
Finance	1,996	1,863	2,159	2,159	284	12	296
Law	1,713	1,605	1,795	1,795	140	50	190
Citywide Admin. Svcs.	2,403	2,176	2,547	2,548	233	138	371
Taxi & Limo. Comm'n.	584	497	586	586	89	0	89
Investigations	361	318	380	363	54	8	62
Board of Elections	682	729	517	517	(212)	0	(212)
Info. Tech. & Telecomm.	1,673	1,608	1,870	1,850	265	(3)	262
Other	3,222	3,039	3,640	3,441	409	192	601
Housing	**4,088**	**3,907**	**4,744**	**4,653**	**482**	**355**	**837**
Buildings	1,676	1,611	2,102	2,024	427	64	491
Housing Preservation	2,412	2,296	2,642	2,629	55	291	346
Dept. of Education	**134,684**	**132,766**	**141,344**	**147,511**	**6,360**	**2,218**	**8,578**
Pedagogues	121,077	119,822	127,941	128,570	5,982	2,137	8,119
Non-Pedagogues	13,607	12,944	13,403	18,941	378	81	459
City University of NY	**6,288**	**5,973**	**6,212**	**6,387**	**239**	**0**	**239**
Pedagogues	4,545	4,316	4,441	4,441	125	0	125
Non-Pedagogues	1,743	1,657	1,771	1,946	114	0	114
Elected Officials	**2,703**	**2,527**	**2,895**	**2,780**	**302**	**66**	**368**
Hiring & Attrition Mgmt.	**- - -**	**- - -**	**- - -**	**(2,478)**	**- - -**	**- - -**	**- - -**
Total	**300,446**	**290,299**	**309,859**	**307,346**	**10,263**	**9,297**	**19,560**

Sources: NYC Office of Management and Budget; OSC analysis

Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

(518) 474-4015

www.osc.state.ny.us

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