Review of the Financial Plan of the City of New York

Report 3-2020

OFFICE OF THE NEW YORK STATE COMPTROLLER

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May 2019

Message from the Comptroller

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As the State's chief financial officer, I have a constitutional and statutory responsibility to monitor the finances of the City of New York.

This report discusses the economic, fiscal and social challenges facing New York City in an effort to promote an informed discussion. I encourage every City stakeholder to learn more about these issues and to participate fully in the public debate.

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

On April 25, the Mayor released his executive budget for fiscal year (FY) 2020 and the associated financial plan (the "April Plan"). The FY 2020 budget totals $92.5 billion, including $68.2 billion that will be funded with locally generated revenues (i.e., City funds).

The April Plan projects a surplus of $3.5 billion in FY 2019 (see Figure 1), which will be used to help balance the FY 2020 budget. The surplus results mostly from resources from the citywide savings program, a reduction in unneeded reserves, and higher-than-expected revenues.

Over the past year, the City has raised its revenue forecast for FY 2019 by $1.4 billion, mostly from higher tax collections ($805 million) but also from the receipt of certain nonrecurring resources. The April Plan assumes personal income tax collections will decline by $651 million in FY 2019 after a sharp falloff in December and January, but collections have been stronger than anticipated in recent months. As a result, personal income tax collections will likely exceed the City's forecasts (see Figure 2).

The citywide savings program is expected to generate $2.5 billion during fiscal years 2019 and 2020, and reduce planned staffing by 3,112 positions by the end of FY 2020. Despite the savings program, staffing is still projected to increase slightly to 305,242 by the end of FY 2020, the highest level on record. Most of the cost-saving actions planned by the City are within its control to implement.

City-funded spending is projected to grow by 5.4 percent in FY 2020, slower than in the two prior years but still faster than inflation (2.2 percent). Excluding reserves, the growth rate would be reduced to 3.6 percent.

The City's ten-year capital strategy, which totals $116.9 billion, is the largest on record. As a result, City-funded debt service is projected to increase by 51 percent between fiscal years 2018 and 2023, reaching $8.9 billion. The debt burden (i.e., debt service as a share of tax revenue) would rise to 13.1 percent, but would remain below the City's target of 15 percent.

Despite a balanced budget in FY 2020, the City projects budget gaps of $3.5 billion in FY 2021, $2.9 billion in FY 2022 and $3.2 billion in FY 2023. The gaps for fiscal years 2021 and 2022 are about $600 million larger than projected by the City nearly one year ago. While higher agency spending and labor costs are the main factors behind the growth, the State budget includes actions that shifted costs to the City and created new unfunded mandates.

Although larger, the out-year budget gaps are still relatively small as a share of City fund revenues and are manageable under current conditions. In addition, the April Plan assumes that the City's economy will slow sharply during the financial plan period, but growth remains strong, increasing the likelihood of unanticipated tax revenues. The budgets for these years also include a general reserve of $1 billion and a capital stabilization reserve of $250 million, which, if not needed, could be used to narrow the gaps.

The City's budget faces few immediate risks. The City's economy is strong, although trade tensions, an international incident or some unforeseen development could trigger an economic setback.

There also remains the possibility of federal budget cuts. Unless Congress acts, discretionary federal spending will be cut by $125 billion in federal fiscal year (FFY) 2020, which begins October 1, 2019. The potential cuts could adversely impact New York City, and could fall hardest on the City's most vulnerable residents. Congress could act to lift the spending caps as it has done in prior years, but failure to reach an agreement could lead to a government shutdown while leaving the cuts in place.

In addition, the Health and Hospitals Corporation, the New York City Housing Authority and the Metropolitan Transportation Authority face significant operational and financial challenges, which could require additional financial support from the City during the financial plan period.

Over the past few years, the City has taken steps to increase its reserves, which now exceed $5.7 billion, the highest level on record. With few immediate budget risks and the prospect of unanticipated tax revenues, the City will have an opportunity to increase its reserves or to reduce the size of the FY 2021 budget gap.

FIGURE 1

New York City Financial Plan

(in millions)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues					
Taxes					
General Property Tax	$ 27,795	$ 29,529	$ 30,909	$ 32,150	$ 33,110
Other Taxes	32,030	32,597	33,391	34,358	35,289
Tax Audit Revenue	1,058	999	721	721	721
Subtotal: Taxes	$ 60,883	$ 63,125	$ 65,021	$ 67,229	$ 69,120
Miscellaneous Revenues	8,065	6,955	6,911	6,884	6,879
Unrestricted Intergovernmental Aid	201	- - -	- - -	- - -	- - -
Less: Intra-City Revenue	(2,220)	(1,819)	(1,817)	(1,815)	(1,814)
Disallowances Against Categorical Grants	91	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 67,020	$ 68,246	$ 70,100	$ 72,283	$ 74,170
Other Categorical Grants	1,207	928	870	863	863
Inter-Fund Revenues	657	735	672	672	672
Federal Categorical Grants	8,494	7,226	7,069	6,998	6,966
State Categorical Grants	15,473	15,333	15,719	16,186	16,693
Total Revenues	**$ 92,851**	**$ 92,468**	**$ 94,430**	**$ 97,002**	**$ 99,364**
Expenditures					
Personal Service					
Salaries and Wages	$ 29,051	$ 29,978	$ 30,905	$ 30,757	$ 31,645
Pensions	9,936	9,951	10,118	10,564	10,620
Fringe Benefits	10,642	11,394	11,853	12,527	13,228
Subtotal: Personal Service	$ 49,629	$ 51,323	$ 52,876	$ 53,848	$ 55,493
Other Than Personal Service					
Medical Assistance	5,915	5,915	5,915	5,915	5,915
Public Assistance	1,595	1,651	1,651	1,651	1,650
All Other	32,312	30,426	30,411	30,718	30,958
Subtotal: Other Than Personal Service	$ 39,822	$ 37,992	$ 37,977	$ 38,284	$ 38,523
Debt Service	6,630	7,238	7,625	8,315	9,070
FY 2018 Budget Stabilization & Discretionary Transfers	(4,576)	- - -	- - -	- - -	- - -
FY 2019 Budget Stabilization	3,516	(3,516)	- - -	- - -	- - -
Capital Stabilization Reserve	- - -	250	250	250	250
General Reserve	50	1,000	1,000	1,000	1,000
Less: Intra-City Expenses	(2,220)	(1,819)	(1,817)	(1,815)	(1,814)
Total Expenditures	**$ 92,851**	**$ 92,468**	**$ 97,911**	**$ 99,882**	**$ 102,522**
Gap to be Closed	**$ - - -**	**$ - - -**	**$ (3,481)**	**$ (2,880)**	**$ (3,158)**

Source: NYC Office of Management and Budget

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

	Better/(Worse)				
	FY 2019	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Gaps Per NYC Financial Plan	**$ - - -**	**$ - - -**	**$ (3,481)**	**$ (2,880)**	**$ (3,158)**
Tax Revenues	450	400	400	400	400
Miscellaneous Revenues	75	125	125	125	125
Debt Service	- - -	75	- - -	- - -	- - -
Uniformed Agency Overtime	- - -	(100)	(100)	(100)	(100)
Fair Fares NYC Program	- - -	- - -	(212)	(212)	(212)
OSC Risk Assessment	**525**	**500**	**213**	**213**	**213**
Potential Gaps Per OSC[1,2]	**$ 525**	**$ 500**	**$ (3,268)**	**$ (2,667)**	**$ (2,945)**

[1] The April Plan includes a general reserve of $50 million in FY 2019 and $1 billion in each of fiscal years 2020 through 2023. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2020 through 2023. If not needed, these resources could be used to help close the projected budget gaps. The April Plan also includes reserves of $200 million in FY 2022 and $275 million in FY 2023 to fund potential changes in the actuarial assumptions and methodologies used to calculate employer pension contributions.

[2] The Retiree Health Benefits Trust, which the City has used in the past as a rainy-day fund, has a balance of nearly $4.5 billion (net of any prepayments).

II. Changes Since the Beginning of the Fiscal Year

New York City has made a number of changes to its revenue and expenditure forecasts since the budget was adopted almost one year ago. As a result, the City now projects a surplus of $3.5 billion in FY 2019, mostly from resources from the citywide savings program, a reduction in unneeded reserves in the current fiscal year and an increase in its revenue forecast (see Figure 3, next page).

The citywide savings program is expected to generate $1.5 billion in FY 2019, including a one-time reimbursement of $371 million from the Health and Hospitals Corporation. The program is expected to generate an annual average of $951 million over the next three years. Debt service savings make up about one-fifth of the program's value (for more detail, see Section IV, "Citywide Savings Program").

Since July 1, 2018, the City has freed up nearly $1.4 billion in reserves in FY 2019 by reducing the general reserve (by $1.1 billion) and the reserve for federal and State disallowances (by $106 million), and by eliminating the capital stabilization reserve ($250 million). The City also anticipates savings from overestimating prior years' expenses ($400 million).

Since the beginning of the fiscal year, the City has raised its revenue forecast by $1.4 billion in FY 2019, driven mostly by higher tax collections. Tax collections are expected to be higher by $805 million, and the City also benefited from a number of one-time actions ($399 million) such as an unanticipated bank settlement and the sale of City-owned property.

Estimated personal income tax payments were down by $1.2 billion in December and January compared to one year earlier. While much of the decline had been anticipated by the City, collections still fell short of the City's expectation by $433 million. Although the City assumes only half of the shortfall will be recovered by the end of the fiscal year, the April Plan expects personal income tax collections to exceed the estimate at the beginning of the fiscal year by $351 million in FY 2019. As discussed later in this report, actual collections have exceeded the City's latest expectations.

The April Plan also includes changes in pension contributions resulting from an updated actuarial valuation, including savings from better-than-expected pension fund investment earnings in FY 2018 and the release of unneeded reserves. As a result, pension contributions increased by $86 million in FY 2019, but estimates of future contributions were reduced by $50 million in FY 2020, $392 million in FY 2021 and $451 million in FY 2022.

The combination of the citywide savings program, unneeded reserves and higher revenues was more than enough to offset the impact of wage increases for the municipal work force in fiscal years 2019 and 2020, address the adverse impact of the State budget and fund new agency needs. Agency needs totaled $831 million in FY 2019 and averaged more than $1 billion in subsequent years. Much of the new needs were concentrated in the Department of Education and social services agencies.

The April Plan shows budget gaps of $3.5 billion in FY 2021 and $2.9 billion in FY 2022. These gaps are about $600 million larger than projected one year ago. While higher agency spending and labor costs are the main factors behind the growth in the budget gaps, the enacted State budget for State fiscal year (SFY) 2019-2020 includes actions that shift costs from the State to the City or create new unfunded mandates.

Despite the larger gaps, they are still relatively small as a share of City fund revenues (averaging 4.4 percent). In addition, the budgets for these years each include a general reserve of $1 billion and a capital stabilization reserve of $250 million, which, if not needed for other purposes, could be used to narrow the gaps.

FIGURE 3
Financial Plan Reconciliation—City Funds
June 2018 Plan vs. April 2019 Plan
(in millions)

	Better/(Worse)			
	FY 2019	**FY 2020**	**FY 2021**	**FY 2022**
Projected Gaps Per June 2018 Plan	**$ - - -**	**$ (3,260)**	**$ (2,889)**	**$ (2,285)**
Tax Reestimates				
Personal Income	351	176	39	134
Real Estate Transactions	174	85	35	24
Business Taxes	109	(115)	(87)	48
Sales Taxes	65	100	62	73
General Property Taxes	6	234	198	448
Tax Audits	- - -	275	- - -	- - -
Other Taxes	101	19	12	7
Subtotal	**805**	**774**	**259**	**734**
Other Revenue Reestimates				
Bank Settlement	219	- - -	- - -	- - -
Proceeds from Sale of City Property	118	- - -	- - -	- - -
Unrestricted Prior-Year Federal Aid	61	- - -	- - -	- - -
All Other	228	72	91	89
Subtotal	**626**	**72**	**91**	**89**
Total Revenue Reestimates	**1,431**	**846**	**350**	**823**
Citywide Savings Program				
Agency Actions	818	867	713	677
Health and Hospitals Corporation Reimbursement	371	- - -	- - -	- - -
Debt Service	329	166	209	224
Total	**1,519**	**1,032**	**922**	**900**
Reserves				
General Reserve	1,075	- - -	- - -	- - -
Capital Stabilization Reserve	250	- - -	- - -	- - -
Disallowances of Federal and State Aid	106	- - -	- - -	- - -
Total	**1,431**	**- - -**	- - -	- - -
Net Cost of Collective Bargaining (C/B)	**(227)**	**(704)**	**(967)**	**(1,444)**
State Budget Impact	**(63)**	**(306)**	**(259)**	**(259)**
Expenditure Reestimates				
New Agency Needs	(831)	(1,138)	(997)	(1,021)
Pension Contributions (excluding C/B)	(86)	50	392	451
Prior Years' Expenses	400	- - -	- - -	- - -
All Other	(59)	(36)	(33)	(46)
Net Change During FY 2019	**3,516**	**(256)**	**(592)**	**(595)**
Surplus/(Gap)	**$ 3,516**	**$ (3,516)**	**$ (3,481)**	**$ (2,880)**
Surplus Transfer	(3,516)	3,516	- - -	- - -
Projected Gaps Per April 2019 Plan	**$ - - -**	**$ - - -**	**$ (3,481)**	**$ (2,880)**

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

III. State and Federal Actions

1. State Budget

The enacted State budget for SFY 2019-2020 includes actions that will increase the City's costs and create new unfunded mandates. In total, the City estimates that these actions increased its costs by $63 million in FY 2019 and $306 million in 2020 (see Figure 4), and by similar amounts in subsequent years.

FIGURE 4

City Assessment of State Budget Impact

(City funds in millions) Better (Worse)

	FY 2020
School Aid	$ (25)
Cost Shifts	(185)
Election Reforms	(96)
Net Change	**$ (306)**

Source: NYC Office of Management and Budget

While the State budget increased education aid to the City by $373 million (3.4 percent) in FY 2020, the increase is $25 million less than anticipated by the City in its February Plan. In addition to the increase in education aid, the State also extended mayoral control over the City's schools for another three years. The State budget excludes a proposal made by the Governor that would have required the City to dedicate an amount equal to up to 75 percent of the increase in State foundation aid to underfunded high-need schools.[3]

The State budget does include, however, two initiatives proposed by the Governor that will shift a greater share of the financial responsibility for two programs to the City. For example, the City is now required to fund 10 percent of the cost of the Family Assistance program at a cost of $63 million in FY 2019 and $125 million annually thereafter. The State also reduced its reimbursement for certain public health programs from 36 percent to 20 percent, increasing the City's costs by $59 million annually beginning in FY 2020.

In addition, the State approved legislation that requires local election districts to allow early voting for nine consecutive days through the Sunday before Election Day, and to consolidate federal, state and local primary elections into a single June election. The April Plan includes $96 million to permit early voting at a minimum of 100 polling places and to implement other reforms, but the New York City Board of Elections has so far approved only 38 sites.

The State will require (effective June 1, 2019) that internet marketplace providers collect State and local sales taxes from third-party sellers that use their platforms. The City, however, will not benefit because it will be required to provide the Metropolitan Transportation Authority (MTA) with the revenues expected from this initiative to help fund the MTA's capital program (for more detail, see Section VII, "Semi-Autonomous Entities").

Last year, the State budget required the City to match the State's $50 million capital contribution to the Hudson River Park for SFY 2018-2019. This year's budget requires the City to match the State's capital contribution of $23 million.

2. Federal Budget

Under the spending caps imposed by the Budget Control Act of 2011, discretionary spending will be reduced by $125 billion in federal fiscal year (FFY) 2020, which begins October 1, 2019, from the levels authorized for FFY 2019 unless Congress acts.

Such cuts could adversely impact New York City's budget, and could fall hardest on the City's most vulnerable residents. The State budget director is authorized to take steps to manage significant reductions in federal aid should they arise, which could lead to cuts in State aid to the City. Congress could act to lift the spending caps

[3] Beginning with the 2019-2020 school year, the State budget requires certain school districts, including New York City, to prioritize funding for underfunded high-need schools and to submit a report to the State Department of Education on how the district effectuated the appropriate level of funding for those schools.

as it has done in prior years, but the failure to reach an agreement could lead to a government shutdown while leaving the cuts in place.

On April 30, 2019, the President and Democratic congressional leaders announced an agreement to pursue a $2 trillion plan to rebuild the nation’s infrastructure, including highways, railways and bridges. While New York City could benefit from such an initiative, the parties have not reached agreement on the sources of funding or program allocations.

As a result of the changes in federal tax policy and increased federal spending, the federal budget deficit is approaching $1 trillion. The combination of economic stimulus and growing budget deficits could lead to higher interest rates, making it more expensive to service the federal debt and leaving fewer resources for entitlement and other federal programs. Currently, interest rates remain at historically low levels.

In February 2018, Congress temporarily suspended the debt limit through March 1, 2019.[4] Without an increase in the debt limit, the federal government could run out of cash by September 2019, even after taking into account extraordinary measures by the Treasury to preserve cash. A federal government default could increase the chance of an economic downturn, and could adversely impact the municipal bond market by increasing borrowing costs and impairing market access.

[4] On March 2, 2019, the debt limit was reinstated and was automatically increased to reflect cumulative borrowing incurred during the suspension period. Congress has not raised the debt limit to allow for any additional borrowing.

IV. Citywide Savings Program

In November 2018, the Mayor announced a citywide savings program that was designed to generate $1.3 billion during fiscal years 2019 through 2023. The program was expanded in February and again in April, and is now expected to generate $2.5 billion over two years, and reduce planned staffing by 3,112 positions by the end of FY 2020 (see Figure 5).

The mayoral agencies will contribute $818 million in FY 2019, $866 million in FY 2020, and smaller amounts in subsequent years. Efficiencies will generate more than $400 million annually beginning in FY 2020 by eliminating vacant positions, shifting financial responsibility from the City to the State and federal governments, and implementing revenue-generating actions (e.g., higher fines and fees).

Reestimates will produce $687 million in FY 2019, though more than three-quarters of that amount will come from nonrecurring actions. More than one-quarter of the savings in FY 2020 will come from eliminating a reserve to offset the impact of inflation on certain administrative costs. Service reductions (e.g., eliminating extended learning time at Renewal and Rise schools) will generate only a small amount of savings.

The Department of Education has the largest program, valued at $256 million in FY 2020. Almost one-third of the savings will come from consolidating certain administrative functions.

The uniformed agencies will contribute $164 million in FY 2020, with half of that amount coming from the Department of Correction, mostly from unspecified personal service savings and consolidating facilities at Rikers Island.

An improved short-term financial outlook at the Health and Hospitals Corporation will allow the Corporation to reimburse the City for costs it paid on the Corporation's behalf in prior years, mostly debt service and medical malpractice claims.

Debt service is expected to be lower than previously planned by $329 million in FY 2019 and $702 million through FY 2023. These savings represent one-fifth of the program's five-year value. Most of the savings will come from delays in planned capital expenditures during fiscal years 2019 through 2021, refinancing debt at lower interest rates, and from lower-cost variable-rate debt.

Nearly all of the initiatives in the citywide savings program are within the City's control to implement. However, some require the cooperation of third parties. For example, the Department of Education anticipates that the federal government will approve Medicaid reimbursement for transportation services provided to students with disabilities ($20 million annually beginning in FY 2020). The department will need to obtain State approval before a claim can be made to the federal government.

FIGURE 5
Citywide Savings Program
(in millions)

	Positions	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Mayoral Agencies							
Efficiencies	(3,060)	131	461	431	428	431	1,882
Reestimates	(15)	687	377	258	224	239	1,785
Service Reductions	(37)	- - -	27	25	25	25	101
Subtotal	**(3,112)**	**818**	**866**	**713**	**676**	**696**	**3,769**
Health and Hospitals Corp.	- - -	371	- - -	- - -	- - -	- - -	**371**
Debt Service	- - -	329	166	209	224	104	**1,031**
Total	**(3,112)**	**1,518**	**1,032**	**922**	**900**	**799**	**5,171**

Note: Totals may not add as a result of rounding.
Sources: NYC Office of Management and Budget; OSC analysis

V. Revenue Trends

New York City's economy has experienced uninterrupted job growth for nine consecutive years, pushing employment to a record of 4.55 million jobs. Employment has grown by 820,400 jobs since 2009, the largest and longest job expansion in the post–World War II period (see Figure 6). Both the average number of jobs added per year (91,200) and the average annual rate of growth (2.2 percent) have significantly exceeded those in prior expansions.

The tight labor market pushed the unemployment rate to 4.1 percent in 2018, the lowest annual rate since the series began in 1976, and it has remained near that level in 2019. Inflation remains low and wage growth has grown at the fastest rate since 2008, helped by increases in New York's minimum wage. Tourism also remains strong, with the number of visitors reaching 65.1 million in 2018, the ninth-consecutive record.

The April Plan assumes that the City's economy will slow sharply during the financial plan period, but will not enter a recession. Growth in the gross city product, for example, is expected to slow from 4.8 percent in 2018 to 3 percent in 2019, and then fall below 1 percent by 2022.

Similarly, the City expects job growth to slow from 86,700 in 2018 to 68,900 in 2019, and then drop below 50,000 by 2023. However, job growth has picked up, averaging 92,200 jobs through April 2019 (an even faster pace than last year). The City also expects wage and personal income growth to slow in the coming years.

Based on these conservative assumptions, the April Plan assumes that City fund revenues will increase by only 1.8 percent in FY 2020 to $68.2 billion, less than half of the 4.3 percent growth rate in FY 2019 (see Appendix A). The growth in tax collections is projected to average 3.2 percent during fiscal years 2020 through 2023, compared to 5.4 percent during the prior ten-year period.

The Office of the State Comptroller (OSC) expects tax collections to exceed the City's expectations by $450 million in FY 2019 and $400 million annually beginning in FY 2020 based on current trends. In addition, miscellaneous revenues are likely to exceed the City's forecast by $75 million in FY 2019 and $125 million annually beginning in FY 2020.

FIGURE 6
Comparison of Economic Expansions in New York City since 1950

Expansion Period	Years	Jobs Added	Growth Rate	Average Annual Jobs Added	Average Annual Growth Rate
1950 - 1953*	3	56,000	1.6%	18,700	0.5%
1954 - 1957	3	110,400	3.2%	36,800	1.1%
1958 - 1960	2	59,300	1.7%	29,600	0.8%
1961 - 1962	1	32,900	0.9%	32,900	0.9%
1963 - 1969	6	264,800	7.5%	44,100	1.2%
1977 - 1981	4	169,300	5.3%	42,300	1.3%
1982 - 1989	7	263,200	7.9%	37,600	1.1%
1992 - 2000	8	445,300	13.5%	55,700	1.6%
2003 - 2008	5	273,600	7.7%	54,700	1.5%
2009 - 2018	**9**	**820,400**	**22.0%**	**91,200**	**2.2%**

*Data series begins in 1950, so this may not capture prior years of growth
Source: U.S. Bureau of Labor Statistics, Current Employment Survey, Total Non-Farm Employment

1. General Property Tax

The final property tax roll for FY 2020 shows that the market value of properties in the City rose by 5.2 percent, the slowest rate of growth in six years (see Figure 7). Despite the slower growth, market values reached a record of more than $1.3 trillion.

The April Plan assumes that property tax collections will increase by 6.2 percent in FY 2020 based on the tentative property tax roll that was released in January 2019. Despite the slower growth in market values, property tax collections could be marginally higher than planned in FY 2020 based on the final property tax roll.

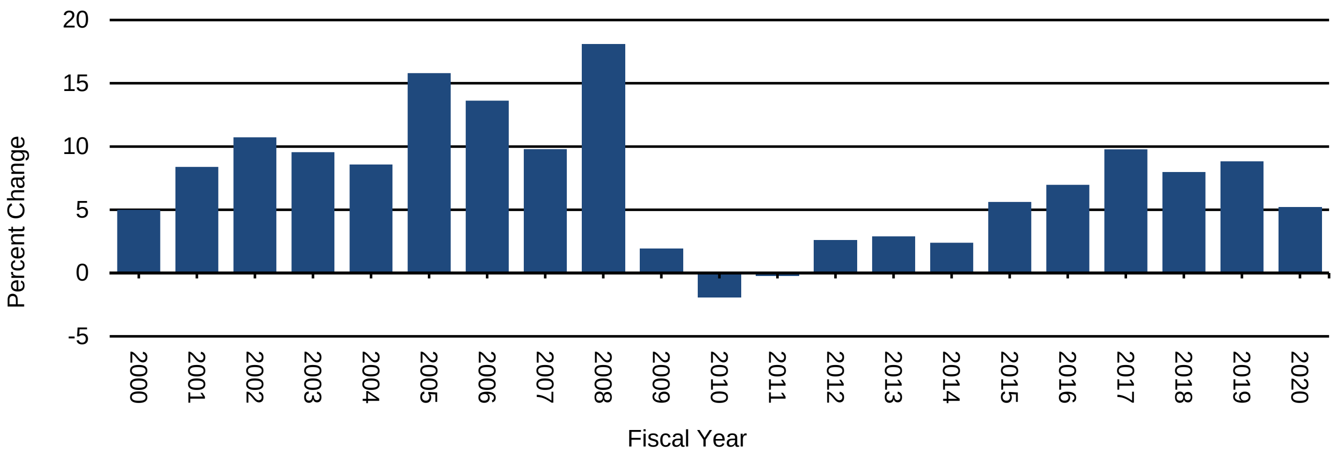
The April Plan assumes that interest rates will rise and hold down the growth in property values in subsequent years, especially large residential and commercial properties. Consequently, the growth in property tax collections are expected to slow to an average of 3.9 percent during fiscal years 2021 through 2023.

Although the Federal Reserve raised short-term interest rates four times in 2018, muted inflation and recent economic developments have caused the Fed to put a hold on further increases. It has also curtailed further reductions in its balance sheet, which had put upward pressure on long-term rates. The financial markets have reacted favorably to these developments, and interest rates have eased. Lower rates could allow property values to grow faster than assumed in the April Plan, yielding significantly higher tax collections than anticipated by the City.

At the beginning of FY 2019, the City set aside $1.8 billion in a reserve for delinquencies, refunds and tax abatements. Although the reserve was reduced in the February Plan, the reduction was almost completely reversed in the April Plan because collections had weakened.

While not yet fully understood, the City speculates that the slowdown in collections may have resulted from higher abatements. As more information becomes available, the City could reduce the reserve, freeing up resources for other purposes. For example, the reserve could be reduced by more than $200 million if the reserve, as a share of taxes levied, remains the same as last year.

FIGURE 7
Growth in Market Value of Properties



Sources: NYC Department of Finance; OSC analysis

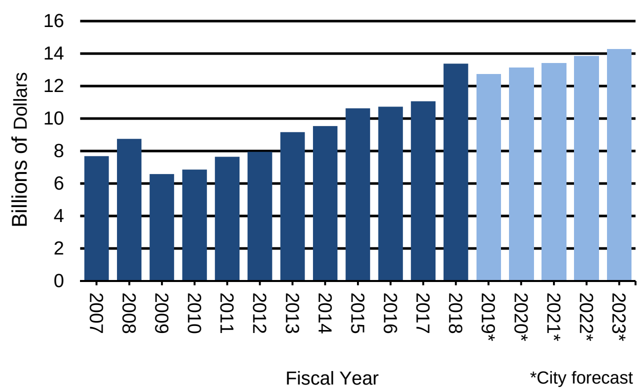
2. Personal Income Tax

Personal income tax collections surged by 15.8 percent in FY 2018 in response to changes in federal tax policies that affected taxpayer behavior, as well as strong job growth, higher bonuses and capital gains.[5]

The April Plan assumes personal income tax collections will decline in FY 2019 by $651 million (3.5 percent) after a sharp falloff in collections in December and January (see Figure 8), but collections have been much stronger than anticipated in recent months. Tax collections are likely to exceed the City's forecasts for a number of reasons.

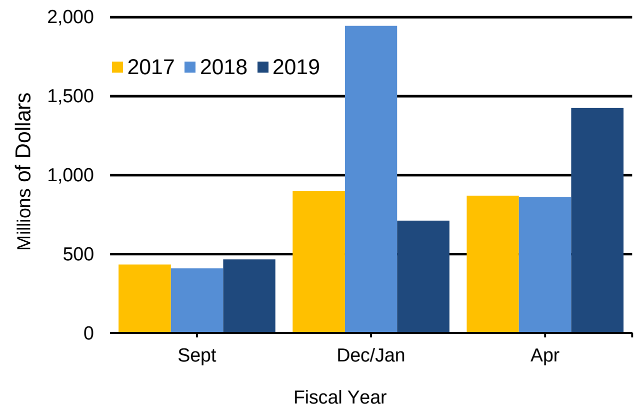
The April Plan assumes that estimated personal income tax payments on nonwage income will decline in FY 2019 by more than $1 billion from the record set in FY 2018. Last year, payments were boosted by a 2008 federal law that required the repatriation of deferred compensation that was held overseas. As a result, capital gains reached their highest level in the past decade.

FIGURE 8
Personal Income Tax Collections



Sources: NYC Comptroller; NYC Office of Management and Budget

FIGURE 9
Estimated Payment Collections



Source: NYC Office of Management and Budget

Estimated payments fell by $1.2 billion in December 2018 and January 2019, compared to the prior fiscal year (see Figure 9). Many speculated that the decline was due largely to the federal limitation on the deductibility of state and local taxes, which reduced taxpayer incentives to make early payments.

While the City had anticipated much of the decline, collections were still short by $433 million. The City assumed that nearly half the decline would be recovered by the end of the fiscal year. However, collections were $561 million higher in April 2019 than one year earlier, a larger increase than the City had expected, and estimated payments have now exceeded the City's forecast for the entire year. Based on this development, payments are likely to exceed the City's forecast by $350 million in FY 2019 and $250 million annually thereafter.

Payments from taxpayers making their final annual filings in April have also surged, rising by 32.5 percent. Because growth exceeds the April Plan forecast of 17.6 percent, OSC expects final payments to be $50 million higher in FY 2019 than assumed in the April Plan.

[5] The growth in personal income tax has been adjusted for changes in the administration of the New York State School Tax Relief Program.

The April Plan assumes that collections from withholding (i.e., the amount of tax taken from employees' paychecks) will increase by 4.8 percent in FY 2019. This would be the slowest growth in seven years, primarily reflecting lower Wall Street bonuses. OSC estimated that securities industry bonuses declined by 14 percent in 2018, the largest decline in seven years.

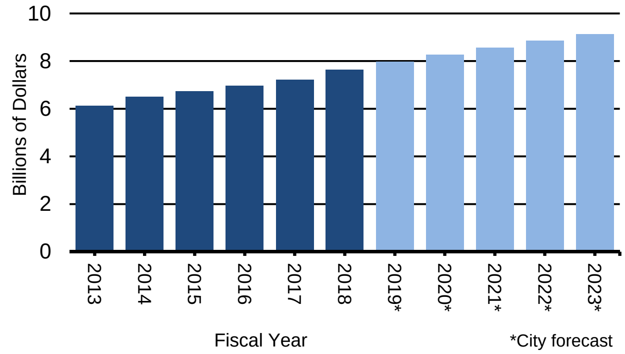
The April Plan assumes that personal income tax collections will grow by 3.3 percent in FY 2020, less than half the average growth rate between fiscal years 2009 and 2017 based on the City's assumptions of slower job and wage growth, and a slight increase in capital gains. The April Plan assumes that further weakening in job and wage growth will limit revenue growth to an average annual rate of 2.8 percent during fiscal years 2021 through 2023.

The State administers the City's personal income tax and remits to the City an estimate of its share each month. As the year progresses, the State makes adjustment payments based on a review of taxpayer patterns. The April Plan assumes payments will decline by $165 million in FY 2020 and will decline further in FY 2021. The State budget, however, assumes that these payments will continue to grow during the financial plan period. As a result, OSC expects State distribution payments to be higher by at least $100 million annually beginning in FY 2020.

3. Sales Tax

Strong consumer confidence, a solid job market, wage gains and increasing tourism propelled growth in sales tax collections to 5.9 percent in FY 2018, the strongest rate of growth in five years.[6] While these factors continue to contribute to growth in FY 2019, the rate of growth slowed to 4.8 percent through March 2019.

FIGURE 10
Sales Tax Collections



Note: Adjusted for STARC repayments in fiscal years 2016-2019.
Sources: NYC Office of Management and Budget; OSC analysis

The April Plan assumes that the growth in sales tax collections will slow sharply in the last quarter of the fiscal year as a result of smaller federal tax refunds and an easing in consumer confidence. OSC expects collections to exceed the City's forecast by $50 million in FY 2019 based on a continuation of current collection trends.

The April Plan assumes collections will slow to 3.6 percent in FY 2020, reaching $8.3 billion (see Figure 10). Although the number of visitors to the City is expected to set a new record in 2019 (67.1 million), the City expects sales tax collections to slow based on the expectation of slower job and wage growth. OSC expects collections to exceed the City's estimates by $50 million annually beginning in FY 2020 based on our expectation of stronger job growth.

A provision in the enacted New York State budget for SFY 2019-2020 requires internet marketplace providers (such as Amazon and eBay) to collect sales taxes from third-party sellers that use their platforms. Although City residents will pay these taxes, the City's budget is not expected to benefit. Pursuant to State law, the State Comptroller will transfer the amounts expected from this initiative to a lockbox dedicated to the MTA's capital program.

[6] Sales tax growth rates are adjusted to account for the State's recoup of savings to the City from refinancing bonds of the Sales Tax Asset Receivable Corporation.

4. Business Taxes

The business corporation tax was created in April 2015 through State legislation that combined the City's banking and general corporation taxes. The change was intended to be revenue-neutral, but collections declined and fell short of expectations. Collections in FY 2019, however, have exceeded expectations.

The April Plan assumes that collections from the business corporation tax will increase by 12.6 percent to reach $3.9 billion in FY 2019, the highest level in three years (see Figure 11). However, collections have been even stronger than anticipated, increasing by 17 percent through the first ten months of FY 2019.

Collections from the unincorporated business tax, however, have been disappointing. After strong growth in FY 2018, the unincorporated business tax declined by 11 percent in the first ten months of FY 2019. While collections from the business corporation tax are likely to exceed the City's estimate for FY 2019, these gains are likely to be offset by a shortfall from the unincorporated business tax.

The April Plan assumes that collections from the business corporation tax will decline by 3.8 percent in FY 2020 on the assumption that securities industry profits will decline by 21 percent in 2019 to $21.6 billion. For the remainder of the financial plan period, the City expects growth to resume, albeit slowly.

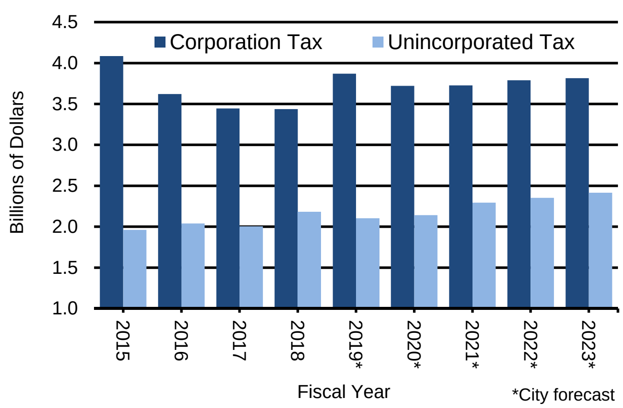
Unincorporated business tax collections are expected to rebound in FY 2020, growing by 1.8 percent and reaching $2.1 billion on the assumption that the hedge fund industry will recover in 2019. The April Plan assumes collections will average 4.1 percent annually during the balance of the financial plan period.

5. Real Estate Transaction Taxes

After declining for two consecutive years, the City expects transaction tax collections (from the real property transfer tax and the mortgage recording tax) to increase by 5.5 percent in FY 2019, reaching $2.6 billion (see Figure 12).

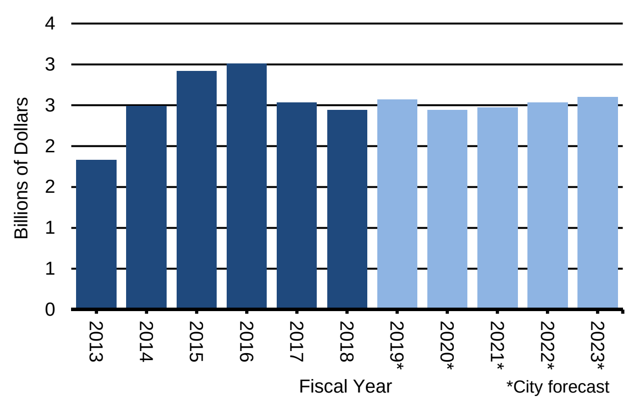
While commercial activity was strong earlier in the fiscal year, preliminary data from the NYC Department of Finance shows a decline in the value of commercial sales (11 percent) in the third quarter of the fiscal year, as well as continued decline in the value of residential sales (5 percent). Nonetheless, year-to-date collections from both transaction taxes are currently on target.

FIGURE 11
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 12
Real Estate Transaction Taxes



Sources: NYC Office of Management and Budget; OSC analysis

The April Plan assumes that transaction tax collections will decline by 4.9 percent or $127 million in FY 2020. Although the City expects the total value of residential transactions to increase by more than 9 percent, commercial transactions are expected to decline by 10 percent. We note that the residential market is facing several headwinds, including the impact of new federal tax laws that limit the deduction for state and local taxes, and recently enacted taxes on high-value properties to benefit the MTA, which take effect on July 1, 2019 (see Section VII, “Semi-Autonomous Entities”).

6. Audit Revenues

Each year, the Department of Finance conducts audits of individuals and businesses to ensure compliance with the tax code. In FY 2018, audit revenue set a record of more than $1.3 billion (see Figure 13), driven by business tax audits.

The April Plan assumes revenue from audits will decline by $280 million in FY 2019 to $1.1 billion. As of April 2018, collections have totaled only $588 million, but City representatives are confident the year-end target will be met.

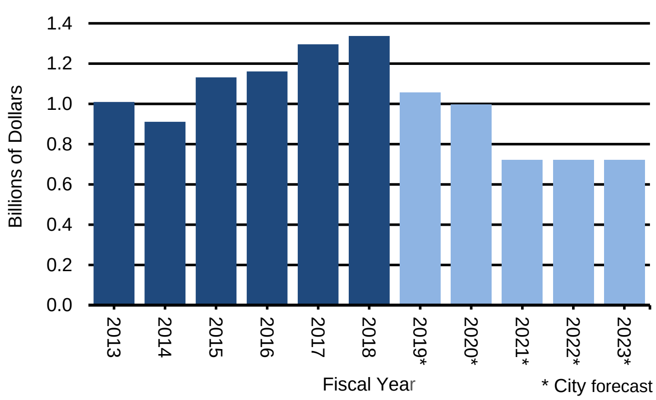
The April Plan assumes collections will decline further in FY 2020, although only slightly. However, it assumes collections will fall sharply in FY 2021, averaging $721 million during fiscal years 2021 through 2023, the lowest level since FY 2005. Thus, it is likely that audit revenue will exceed the City’s estimates for these years.

7. Miscellaneous Revenues

The April Plan assumes that miscellaneous revenues will total $5.8 billion in FY 2019, but then average $5 billion during fiscal years 2020 through 2023. Recurring revenues (i.e., licenses, fines, forfeitures and charges for services), which represent the bulk of collections, have increased steadily in recent years. The April Plan assumes recurring miscellaneous revenues will reach $4.8 billion in FY 2019 (see Figure 14) and then decline slightly in subsequent years.

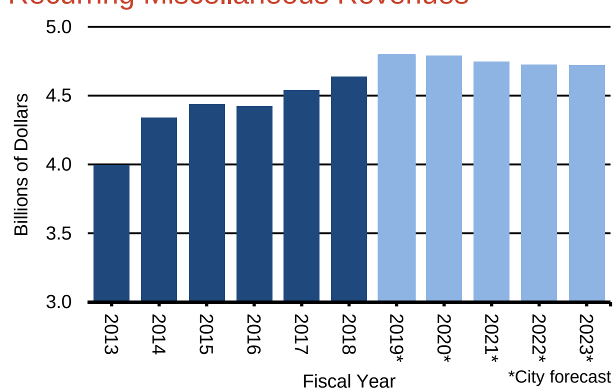
The City raised its forecast for recurring miscellaneous revenues by $263 million in FY 2019. Through the first nine months of FY 2019, collections from licenses, fines and forfeitures (representing about half of recurring revenues) have risen by 12 percent, faster than assumed in the April Plan (0.3 percent). As a result, OSC estimates that miscellaneous revenues could exceed the City’s forecast by $75 million in FY 2019 and by $125 million annually in subsequent years.

FIGURE 13
Audit Revenue



Source: NYC Office of Management and Budget

FIGURE 14
Recurring Miscellaneous Revenues



Note: Recurring revenue includes fines, fees, forfeitures and licenses.
Sources: NYC Office of Management and Budget; OSC analysis

VI. Expenditure Trends

Expenditures are projected to total $92.5 billion in FY 2020, including programs funded with federal and State categorical grants. The portion funded with locally generated revenue (i.e., City funds) is expected to total $68.2 billion. After adjusting for surplus transfers, City-funded expenditures are projected to total $71.8 billion.

City-funded expenditures increased by 57 percent between fiscal years 2009 and 2019, more than three times faster than the local inflation rate. This represents an increase of $24.7 billion during the 10-year period, with nearly one-third of the increase devoted to the Department of Education. The balance of the increase is mostly concentrated in the uniformed agencies, such as the Police Department, and social service agencies, such as the Department of Homeless Services. There has also been a substantial increase (39 percent) in debt service costs to finance the City's capital program.

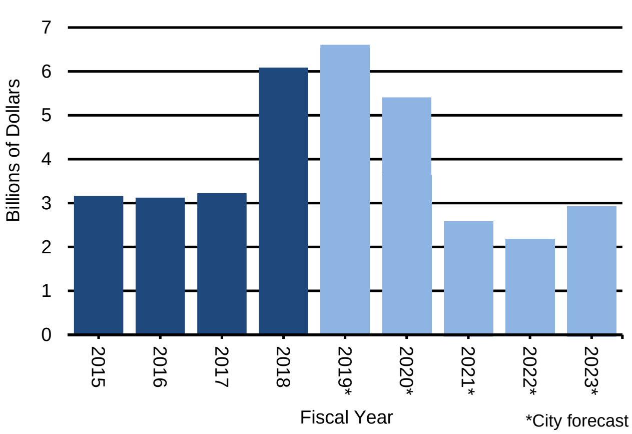
City-funded spending is projected to grow by 5.4 percent in FY 2020, slower than the growth in the two prior years (see Figure 15). Growth is largely driven by higher debt service and staffing costs (see Appendix B). The FY 2020 budget includes $1.25 billion in reserves. Excluding these reserves, the growth rate would be reduced to 3.6 percent.

City-funded spending is driven in FY 2020 by the costs associated with the current round of collective bargaining, projected increases in health insurance and debt service costs, and the full-year cost of staff additions during FY 2019.

Personal service costs (i.e., costs associated with the municipal work force) represent more than half of City-funded expenditures. Between fiscal years 2000 and 2013, employee fringe benefits accounted for an increasing share of these costs (see Figure 16). By FY 2013, fringe benefits made up more than half (51 percent) of personal service costs. The growth was driven mostly by higher pension contributions and health insurance costs.

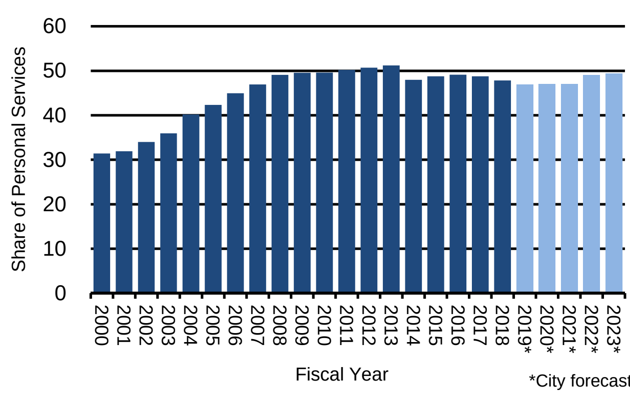
In recent years, fringe benefits have grown more slowly. The slower growth reflects national trends in health insurance premiums and the agreement between the City and the Municipal Labor Committee to generate health insurance savings to help pay for wage increases. It also reflects the lower cost of pension plans for employees hired after March 31, 2012, and better-than-expected investment earnings. While fringe benefits will account for 47 percent of personal service costs in fiscal years 2019 and 2020 (four percentage points less than in FY 2013), they are projected to reach 49 percent in FY 2022.

FIGURE 15
Growth in City-Funded Expenditures



Note: Adjusted for surplus transfers.
Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 16
Fringe Benefits as a Share of Personal Service Costs



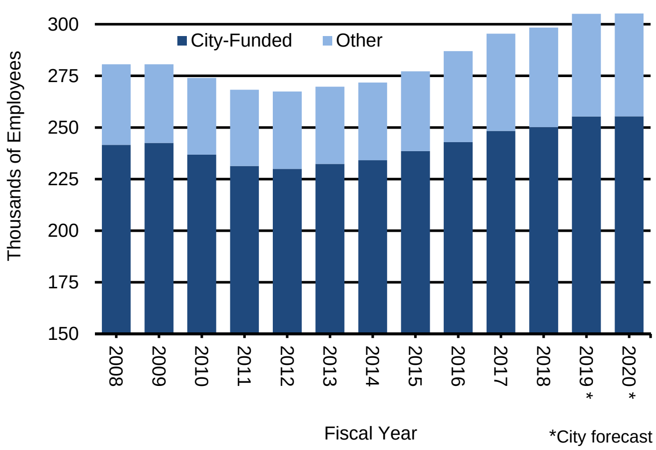
Notes: Adjusted for discretionary transfers and prepayments.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

Since FY 2012, the City's full-time work force (including positions funded by federal and State categorical grants) has grown by 30,947 employees (see Figure 17), reaching 298,370 in June 2018 (including a record 250,105 City-funded employees). This was the highest level since the 1975 fiscal crisis (for more detail, see Appendix C).

Despite the agency savings program that is expected to reduce planned levels by more than 3,100 positions by June 30, 2020, staffing levels are projected to increase slightly in FY 2020 to 305,242, the highest on record.

The April Plan assumes that the City will reach its hiring target in FY 2019. As of February 2019, however, the City remained 4,392 positions below its year-end target. As a result, the City could realize significant savings from delayed hiring.

FIGURE 17
Full-Time Staffing Levels



Sources: NYC Office of Management and Budget; OSC analysis

1. Collective Bargaining

As of May 2019, almost two-thirds of the municipal work force had reached new labor agreements with the City for the 2017-2021 round of bargaining. In August 2018, the rank-and-file members of District Council 37 (DC 37), which represents about one-quarter of the municipal work force, approved an agreement that calls for wages to increase by 7.4 percent (compounded) over a 44-month period.[7]

In October 2018, the rank-and-file members of the United Federation of Teachers (UFT), which represents more than one-third of the municipal work force, approved a similar agreement. The UFT agreement also includes financial incentives ($5,000 to $8,000 annually) for members who transfer to hard-to-staff positions at high-needs schools.

The City has a long history of pattern bargaining, and it expects the agreements with DC 37 and the UFT to set the framework for negotiations with the remainder of the municipal work force for the 2017-2021 round of negotiation. According to the City, similar wage agreements with the entire work force would cost $8.8 billion during fiscal years 2018 through 2022.

At the same time the City announced the agreement with DC 37, it announced that it had reached a second agreement with the Municipal Labor Committee (MLC) to generate health insurance savings to fund wage increases. The April Plan assumes the latest agreement will generate savings of $200 million in FY 2019, $300 million in FY 2020 and $600 million in FY 2021, plus recurring savings of $633 million beginning in FY 2022.[8]

[7] The first wage increase of 2 percent, retroactive to September 2017, was paid shortly after the agreement was ratified. The second wage increase of 2.25 percent was paid in October 2018. The agreement also calls for a wage increase of 3 percent in October 2019. In addition, the pattern provides funding equal to 0.25 percent of wages to be used to fund benefit items.

[8] The MLC agreement calls for recurring savings of $600 million beginning in FY 2022.

FIGURE 18
Budgetary Impact of Pattern Labor Settlements
(in millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Pattern Cost (2017-2021 Contract Period)	**$ (255)**	**$ (781)**	**$ (1,730)**	**$ (2,657)**	**$ (3,390)**
Offsets					
Labor Reserve	113	354	726	1,128	1,413
Anticipated Health Insurance Savings	- - -	200	300	600	633
Total Offsets	**113**	**554**	**1,026**	**1,728**	**2,046**
Net Budgetary Impact	**$ (142)**	**$ (227)**	**$ (704)**	**$ (929)**	**$ (1,344)**

Sources: NYC Office of Management and Budget; OSC analysis

According to the agreement, the savings are guaranteed and are enforceable through arbitration. In addition, the annual savings targets could be met with nonrecurring savings that may include drawing down resources from the health stabilization fund, which currently has a balance of $1.6 billion.

A committee including representatives from the City and the MLC, plus an independent arbitrator, has been established to recommend modifications in the way health care is currently provided or funded.

After taking into account the savings anticipated in the health insurance agreement and funding that was previously set aside in the City's labor reserve, the net cost of the 2017-2021 round of bargaining would grow from $142 million in FY 2018 to $1.3 billion in FY 2022 (see Figure 18). These costs are in addition to those incurred from the 2010-2017 round of bargaining.

None of the unions that represent uniformed employees have reached new agreements with the City. In March 2018, the Patrolmen's Benevolent Association (PBA), which represents police officers, filed a petition with the New York State Public Employment Relations Board requesting the appointment of a three-member arbitration panel. Although the panel has been selected, the proceedings have been delayed pending the outcome of a lawsuit by the PBA objecting to the City's appointment to the panel. According to State law, arbitration awards for disputes between the City and police officers are binding on both parties and limited to two years.

2. Health Insurance

In May 2014, the City and the MLC reached the first of two agreements to generate health insurance savings to help fund wage increases for municipal employees. Under the first agreement, the City and the unions agreed to generate $3.4 billion during fiscal years 2015 through 2018, and $1.3 billion in recurring savings beginning in FY 2019.

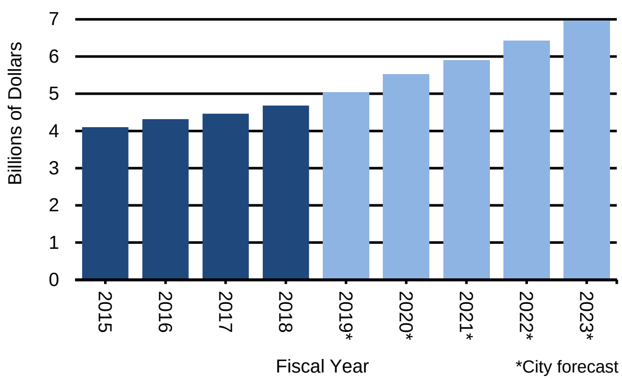
In October 2018, the Commissioner of Labor Relations reported that the City exceeded the cumulative four-year target by $86 million. These savings were credited toward the second health insurance savings agreement that was announced in June 2018.

More than three-quarters of the cumulative savings from the first agreement came from lower-than-planned increases in health insurance premiums and other administrative actions. Cost-containment initiatives accounted for one-fifth of the savings ($723 million), mostly from higher co-payments.

In total, the two agreements are expected to produce cumulative savings of $10.3 billion through FY 2022 and recurring savings of $1.9 billion beginning in FY 2022. Despite these agreements, health insurance costs are projected to approach $7 billion in FY 2023 (see Figure 19), 49 percent more than in FY 2018.

In December 2018, the Commissioner of the Office of Labor Relations announced that the City had reached agreement with its primary insurer to increase health insurance premiums for active employees by 3.5 percent in FY 2020 and by 3 percent in FY 2021. The increases are about half of those the City had anticipated, which will generate significant savings that will be credited against the savings targets in the second agreement.

FIGURE 19
Health Insurance Costs
City-Funded



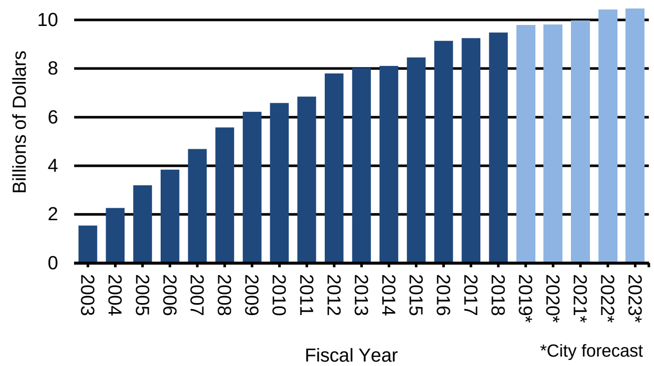
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

3. Pension Contributions

After rising rapidly between fiscal years 2003 and 2012, the growth in City-funded pension contributions slowed, averaging 3.3 percent annually through 2018. The slower rate of growth reflected the impact of changes in assumptions and methodologies used to calculate City pension contributions, savings from lower-cost pension plans for employees hired after March 31, 2012, and better-than-expected investment earnings.[9]

As shown in Figure 20, the April Plan assumes that pension contributions will continue to grow slowly in fiscal years 2019 through 2021, but then pick up beginning in FY 2022, reflecting the impact of labor agreements for the 2017-2021 round of bargaining. By FY 2023, pension contributions are projected to total $10.5 billion.

FIGURE 20
Pension Contributions
City-Funded



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

The April Plan includes changes in pension contributions resulting from an updated actuarial valuation, as well as a number of technical adjustments. The valuation update incorporates savings from better-than-expected pension fund investment earnings in FY 2018. It also reflects higher pension contributions from a calculation error, and changes in assumptions and methods recommended by the City Actuary based on the findings of an independent actuarial consultant.

The February Plan included pension reserves of $100 million in each of fiscal years 2019 and 2020, rising to $400 million beginning in FY 2021 for such contingencies. After accounting for the changes discussed above, the City eliminated the reserve in fiscal years 2019 through 2021, and reduced the reserves in the next two fiscal years, leaving a balance of $200 million in FY 2022 and $275 million in FY 2023 to fund future changes that may result from the next biennial independent review of the City's pension systems as mandated by the City Charter.

[9] The pension funds have earned, on average, 8 percent on their investments since the earnings assumptions were lowered to 7 percent beginning in FY 2012.

As of May 24, 2019, the pension funds had earned about 4 percent on their investments, three percentage points less than the expected annual return of 7 percent. In recent weeks, the financial markets have become more volatile in response to trade tensions with China. Each percentage-point difference from the expected annual return could increase (or decrease) pension contributions by about $30 million in FY 2021, $60 million in FY 2022 and $90 million in FY 2023.

In the five years since the City adopted new, more transparent financial reporting standards for pension liabilities in FY 2014, the financial condition of the City's five actuarial pension systems has improved. In the aggregate, the pension systems had enough assets to fund (on a market-value basis) 76 percent of their accrued pension liabilities as of the end of FY 2018 (see Figure 21). During this period, the unfunded net liability for all five systems declined by $12.1 billion to $47.8 billion.

FIGURE 21
Funded Status of the NYC Retirement Systems
(As of June 30, 2018)

Pension System	Funded Status
Board of Education Retirement System	90%
Police Pension Fund	79%
New York City Employees' Retirement System	78%
Teachers' Retirement System	74%
Fire Pension Fund	65%
All Systems	**76%**

Sources: NYC Retirement Systems; NYC Comptroller; OSC analysis

4. Debt Service

City-funded debt service increased at an average annual rate of only 0.4 percent during fiscal years 2015 through 2018 because of historically low interest rates that reduced the cost of new issuances and created opportunities to refinance outstanding debt. During the past four fiscal years, debt service was lower than the City's estimates at the beginning of the fiscal year by an average of $537 million annually. With fewer opportunities to refinance outstanding debt, the City has realized budgetary savings of $329 million in FY 2019.

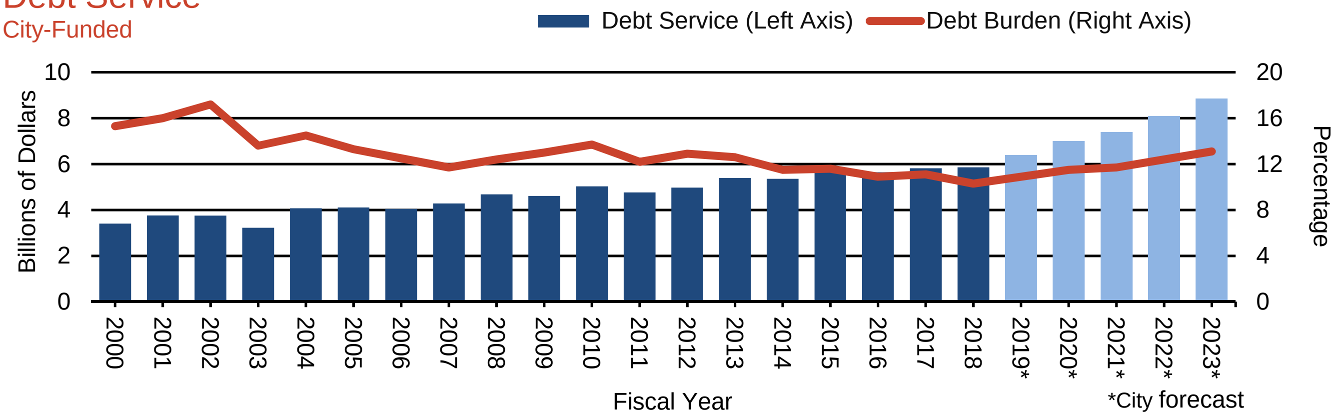
In April 2019, the City released its biennial 10-year capital strategy, which totals $116.9 billion, the largest on record. The proposed strategy is 22 percent larger than the strategy released two years ago, with most of the increase concentrated in corrections, education, the environment and housing. The City will fund $110.7 billion of the cost ($21.8 billion more than two years ago), with the balance funded by the federal and State governments.

The April Plan assumes debt service will grow by 9.5 percent in FY 2019 and will reach $8.9 billion by FY 2023 (see Figure 22, next page), 51 percent higher than in FY 2018. However, debt service may grow more slowly because interest rates remain low and, even though the City's capital program is expanding, the City's agencies have historically fallen short of their annual capital commitment targets. OSC estimates savings of $75 million in FY 2020.

In FY 2019, City-funded commitments are projected to total $10.4 billion, 19 percent less than expected at the beginning of the fiscal year. So far, through March 2019, the City has committed only $6.5 billion. The City expects commitments to total $14.6 billion by FY 2020, which appears optimistic given current trends.

Debt service as a share of tax revenue (i.e., the debt burden) has fallen from a post-recession peak of 13.7 percent in FY 2010 to 10.3 percent in FY 2018. The April Plan assumes that the debt burden will rise to 13.1 percent by FY 2023, but this estimate is based on conservative assumptions for tax collections, interest rates and capital commitments.

FIGURE 22
Debt Service
City-Funded



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

Although debt service is projected to account for a larger share of tax revenue, the share would remain well below the City's target of 15 percent. To prevent the debt burden from rising too quickly in the event of a rapid hike in interest rates or a sharp decline in tax revenue, the City established a capital stabilization reserve in FY 2016. The reserve is valued at $250 million annually during fiscal years 2020 through 2023.

5. Medical Assistance

Medicaid provides health insurance to low-income children and adults, and pays more toward long-term-care costs than any other source. Medicaid also provides subsidies to health care providers (such as the Health and Hospitals Corporation) that serve large numbers of low-income patients and uninsured patients.

The City's Medicaid caseload grew steadily after the recession and accelerated after January 1, 2014, when Medicaid eligibility expanded under the federal Affordable Care Act (ACA). Enrollment reached almost 3.7 million people in December 2015, an increase of 510,000 people since December 2013.

In January 2016, the caseload fell by 134,000 as the State transferred certain immigrants who were ineligible for federal Medicaid to the Essential Plan (funded by federal and State resources). Since then the Medicaid caseload has gradually declined, to less than 3.5 million as of August 2018 (the latest data available). Of the people enrolled in Medicaid, 80 percent are in managed care plans.

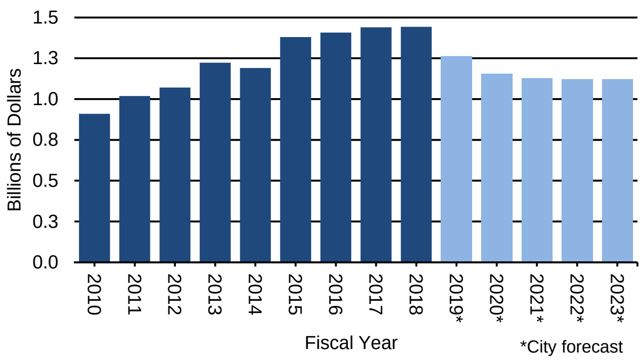
A provision in the ACA increased the federal reimbursement rate to the states that had expanded coverage to certain childless adults prior to the ACA (from 50 percent to 90 percent in 2018). The City's savings have reached $389 million annually, which has been used largely to provide the City with fiscal relief and additional financial support to the Health and Hospitals Corporation. The City will further benefit when the rate increases to 93 percent in 2019. In subsequent years, the rate will return to 90 percent.

The City-funded share of Medicaid will total $5.8 billion in FY 2019 (9 percent of City fund revenues) and remain at that level. In 2015, the State completed a phased takeover of the growth in the local share of Medicaid costs in order to provide budgetary relief to local governments, and this has resulted in estimated savings to the City of $1.7 billion in SFY 2020.

6. Uniformed Agency Overtime

Overtime at the four uniformed agencies accounted for 80 percent of citywide overtime. In FY 2018, overtime at these agencies reached a record of $1.4 billion (see Figure 23), an increase of 58 percent since FY 2010. The April Plan assumes that overtime will decline to $1.3 billion in FY 2019. As discussed below, the City is making some progress in reducing overtime in the uniformed agencies from the record set in FY 2018, although costs could exceed the City's estimates during the financial plan period.

FIGURE 23
Uniformed Agencies Overtime



Sources: NYC Financial Management System; NYC Office of Management and Budget; OSC analysis

The Police Department accounts for about half of all overtime at the uniformed agencies. The department set a record of $724 million in FY 2018, but the April Plan assumes overtime will decline by $90 million in FY 2019.

The City expects overtime at the Fire Department to total $328 million in FY 2019, only slightly less than last year. The department has had difficulties filling positions in the Emergency Medical Services division, which has increased the need for overtime.

After setting a record of $275 million in FY 2016, overtime at the Department of Correction declined to $222 million in FY 2018 with the hiring of 1,897 additional correction officers. The April Plan assumes overtime will decline further to $157 million in FY 2019, a reduction of 43 percent since the record was set in FY 2016.

Last year, the inmate population in the City's jails averaged 8,896, the lowest daily average since 1981. The population continues to decline, averaging 8,079 during the first nine months of FY 2019. The City intends to close Rikers Island and transition to a smaller, borough-based jail system by 2026, which could further decrease the need for overtime. The City has allocated $8.7 billion in its 10-year capital program for this purpose.

The City expects overtime at the Department of Sanitation to total $143 million in FY 2019, which is $21 million less than last year, because the mild winter resulted in lower-than-expected spending for snow removal.

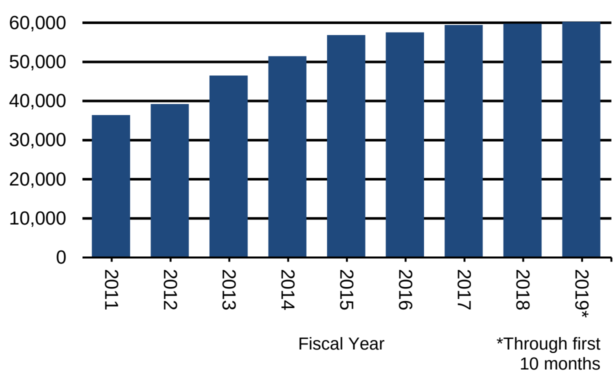
The April Plan assumes that overtime costs at the uniformed agencies will decline by $180 million in FY 2019. While overtime could exceed the City's forecast by more than $100 million, these unplanned costs could be offset, as they have been in past years, by savings in other personal service costs or by the receipt of unplanned federal and State categorical grants.

The April Plan assumes overtime will decline by another $100 million in FY 2020 and essentially remain at that level for the remainder of the financial plan period. These savings appear optimistic given current trends in FY 2019.

7. Homeless Services

The homeless population in shelters operated by the Department of Homeless Services increased by 63 percent between fiscal years 2011 and 2017, reaching a record of 59,400 (see Figure 24). The overall caseload has increased slowly since then, setting new records (the caseload averaged 60,250 through April 2019). Although enrollment in the family program has declined by 1.7 percent in FY 2019, the single-adult shelter population has increased by 8.5 percent.

FIGURE 24
Homeless Shelter Population



Sources: NYC Department of Homeless Services; OSC analysis

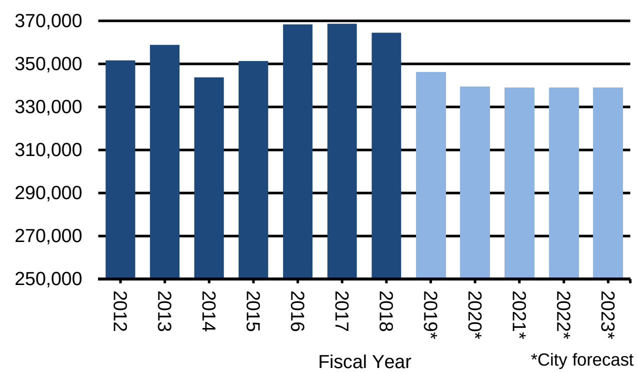
Costs at the Department of Homeless Services have more than doubled since FY 2011, reaching $2.1 billion in FY 2018. The April Plan assumes that the City-funded cost of homeless services will total more than $1.3 billion in FY 2019 and then decline slowly during the financial plan period. However, this assumption may be optimistic given the continued growth in the single-adult shelter population.

In February 2017, the City released a comprehensive plan to end its reliance on costly commercial hotels and cluster sites (i.e., apartments owned by private landlords) by opening 90 new borough-based shelters. Of these new shelters, 23 have been opened, and the City expects to open another 16 in 2019.

8. Public Assistance

The public assistance caseload reached its highest level in 10 years during FY 2017, but since then it has declined by 11 percent to 335,117 people in April 2019, the lowest monthly level in nearly five years. The April Plan assumes that the caseload will average 339,000 people during fiscal years 2020 through 2023 (see Figure 25).

FIGURE 25
Public Assistance Caseload



Source: NYC Human Resources Administration; OSC analysis

The April Plan estimates that public assistance costs will total $1.7 billion in FY 2020 ($855 million in City funds). These costs are projected to remain consistent in subsequent years since the caseload is not expected to change. These estimates, however, reflect the higher cost of homeless prevention programs, such as rental subsidies, and a State action that requires the City to fund a larger share of these costs.

VII. Semi-Autonomous Entities

1. Department of Education

New York City has the largest public school system in the nation, serving over 1.1 million students in more than 1,800 schools. The City employs more than 133,000 full-time civilian and pedagogical employees to support these students. Citywide enrollment grew by more than 3 percent between fiscal years 2014 and 2017 before falling by more than 1 percent over the next two years. The April Plan forecasts that both public school enrollment and staffing levels will increase by less than 1 percent in FY 2020.

The April Plan allocates $33.9 billion to the Department of Education in FY 2020, accounting for 35 percent of the City's budget.[10] This represents a $398 million increase over FY 2019. New York City is expected to fund $19.3 billion (57 percent) of the total cost, with the remainder funded by the State (36 percent) and the federal government and other sources (7 percent).

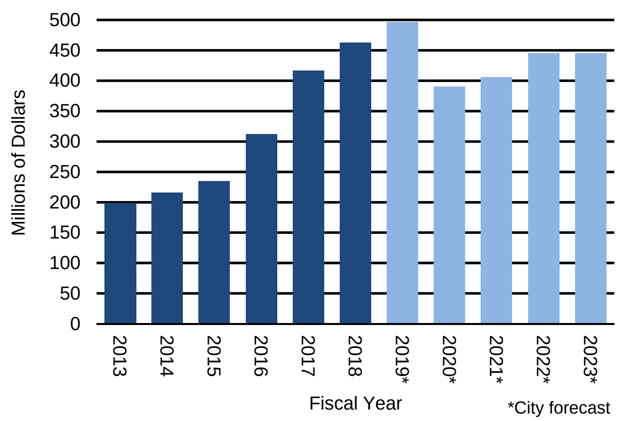
The April Plan adds $314 million to the department's budget in FY 2019 to fund new needs, rising to about $350 million in later years. Much of the increase ($203 million in FY 2019 and $102 million annually thereafter) would be used to provide federally mandated services to students with disabilities.

Under federal law, school districts are required to provide appropriate services to students with disabilities through individualized education programs (IEPs). If a district cannot provide the required services itself, it must reimburse parents for private schools and/or outside services that are included in IEPs. Additionally, if a parent challenges a district's evaluation of their child in an IEP, the district may be required by an independent arbiter to fund additional services. These cases are called "Carter" cases after a 1993 U.S. Supreme Court ruling.

The April Plan includes $81 million annually beginning in FY 2020 to allow teams to conduct more timely evaluations of students with special needs and to fund 90 new specialized classes expected to serve approximately 900 students. This investment is intended to improve the City's capacity to provide services that are included in many IEPs, thereby reducing its spending on Carter cases.

The April Plan assumes that the cost of Carter cases will decline by $106 million in FY 2020 to $390 million. However, spending has increased steadily over the past five years (see Figure 26), and the extent to which the new initiative will reduce costs is not yet known. As a result, it is possible that the City could be called upon to increase its funding for Carter cases beginning in FY 2020.

FIGURE 26
Carter Case Spending



Sources: NYC Office of Management and Budget; OSC analysis

The April Plan also includes $88 million annually beginning in FY 2020 to fund an increase in the per-pupil charter-school tuition rate as mandated by State law. However, it does not assume any further increases in subsequent years. The City has not yet released updated estimates of these out-year impacts, but they could be substantial based on the City's earlier estimates.

[10] This estimate includes debt service and pension contributions.

2. Metropolitan Transportation Authority

The Metropolitan Transportation Authority is facing its greatest crisis in decades. Service has deteriorated on the City's subways, buses and commuter railroads, and the MTA has large funding gaps in its operating and capital budgets. Subway ridership has fallen for three consecutive years, and the MTA anticipates a further decline in 2019. Fare evasion has increased and is responsible for more than $200 million in lost revenue, according to the MTA.

While the MTA projects a balanced operating budget for 2019, it projects out-year gaps that grow from $467 million in 2020 to $976 million in 2022 even after raising fare and toll revenue by 4 percent in 2019, and assuming another increase of 4 percent in 2021.

The MTA's financial plan assumes wage increases of 2 percent for the next round of collective bargaining for all of its unions. Almost all of the collective bargaining contracts for the MTA's represented employees have expired. (The current contract with the Transport Workers Union, the MTA's largest union, expired on May 15, 2019.) The actual cost of the next term of collective bargaining could be higher (or lower) than assumed by the MTA.

The MTA recently directed its agencies to identify $500 million in recurring savings beginning in 2020.[11] The MTA has also warned that it may become necessary to reduce services or increase fares and tolls more than planned to close the projected budget gaps.

The MTA also has large unfunded capital needs, although the magnitude is unknown since the MTA has not yet released its 20-year capital needs assessment. The president of New York City Transit (which operates the City's subways and buses) estimates that about $40 billion will be needed over the next 10 years to modernize the subway and bus system.

In recent months, the State has taken a number of actions to generate new sources of capital funding for the MTA. For example, the State authorized the MTA to establish a congestion tolling program in Manhattan's Central Business District.[12] Implementation cannot begin before December 31, 2020, and passenger vehicles will not be charged more than once per day.

The MTA is required to establish a six-member traffic mobility review board to make recommendations to the MTA Board on the congestion toll amounts (including a variable pricing structure), and credits and discounts that will be available to drivers. The review board will be required to ensure that net revenues will be sufficient to generate $15 billion for the MTA's 2020-2024 capital program, with any remainder available for successor capital programs.

The State also approved an increase in the real estate transfer tax on sales of residential properties in New York City of $3 million or more and sales of other properties in the City of $2 million or more. In addition, the State approved a progressive tax on sales of residential properties in the City totaling $2 million or more (known as the mansion tax). These initiatives, which become effective on July 1, 2019, are expected to generate $365 million annually for the MTA.

In addition, internet marketplace providers will be required (effective June 1, 2019) to collect State and local sales taxes from third-party sellers that use their platforms. The State budget requires the State and the City to direct a portion of their sales tax collections to the MTA's capital program ($240 million in SFY 2019-20, $320 million in SFY 2020-21 and slightly higher amounts annually thereafter).

[11] Nonreimbursable costs would be reduced by $350 million annually and capital reimbursable costs would be reduced by $150 million annually.

[12] The congestion pricing zone is 60th Street and below, excluding the FDR Drive and State Route 9A, known as the West Side Highway.

The State estimates that these new taxes will support another $10 billion in bonding. Thus, together with congestion pricing, the State has authorized new sources of funding that are expected to generate $25 billion for the 2020-2024 capital program.

The revenues from congestion pricing, the higher real estate transfer tax, the mansion tax and sales taxes will be deposited in a lockbox dedicated to the MTA's capital program, so the resources cannot be diverted for other purposes. Under State law, 80 percent of the capital project costs paid from the lockbox will be devoted to projects that benefit New York City Transit, Staten Island Railway and MTA Bus; 10 percent will go to Long Island Rail Road projects; and 10 percent will go to Metro-North Railroad projects.

The State has taken a number of other steps in an effort to ensure that the MTA improves its operations. The State directed the MTA to hire an outside firm to review, among other things, fraud, duplication of functions, and options for potential cost efficiencies.

The MTA is also required, by June 30, 2019, to develop and complete a reorganization plan. The plan could, in whole or in part, include the assignment, transfer, sharing, or consolidation of powers, functions or activities of the MTA. A majority of the MTA Board will have to approve any reforms before they could be implemented. The MTA is not authorized to implement any reforms that would impair the rights of the MTA's bondholders or violate any labor agreements.

On April 17, 2019, the MTA Board approved a contract with Alix Partners, at a cost of $4.1 million, to conduct both the review and to develop a reorganization plan. The review must be completed by July 31, 2019, and any findings must be incorporated into the MTA's reorganization plan.

In addition, the MTA is required to contract with a certified public accounting firm for the provision of an independent comprehensive forensic audit, including the examination and accounting of the MTA's capital elements. This review must be completed by January 1, 2020.

The State also mandated that the MTA use the design-build method for construction projects that cost more than $25 million, unless it receives a waiver from the State. It must also establish a major construction review unit staffed with in-house and external experts with experience in engineering, design, construction or project management to review all large-scale capital projects before awarding the contracts, including all signal upgrades. The MTA will also be required to submit a 20-year capital needs assessment to the Capital Program Review Board (CPRB) every five years starting in 2023.

The MTA is expected to submit a proposed 2020-2024 capital program to the CPRB by the end of September 2019. The combination of new State resources and anticipated federal capital grants are expected to contribute $32 billion to the 2020-2024 capital program. However, until the MTA releases its proposed capital program and a 20-year needs assessment, it remains to be seen how much more funding will be needed.

It also remains unclear how the State will fund its outstanding commitment for the MTA's 2015-2019 capital program. The State budget appropriates the final $1.5 billion installment of the State's $7.3 billion commitment for the MTA's 2015-2019 capital plan, but it has not identified the sources of funding.

The State may elect to meet its commitment through direct payments to the MTA or it could provide additional recurring revenues to back additional MTA bonding. As a result, it is difficult to assess the impact on taxpayers or the State budget until the sources of funding have been identified.

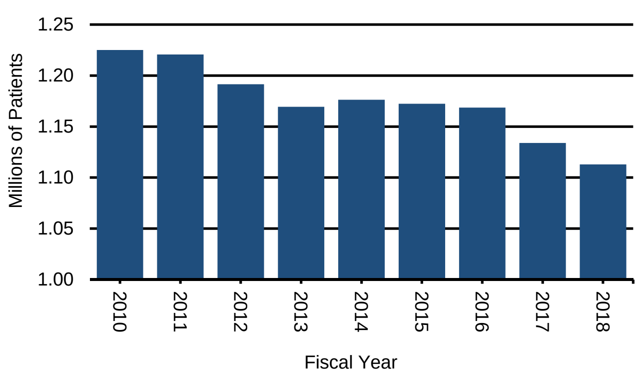
State law requires the State to begin making payments only after the MTA has effectively exhausted all other MTA sources of capital funding, or when MTA capital resources planned for the capital program are not available, but no later than SFY 2025-26 or the completion of the 2015-2019 capital program.[13]

The City has committed $2.7 billion for the MTA's 2015-2019 capital plan, but has only funded $821 million. The City has indicated that another $600 million will be funded through as yet unidentified "alternative non tax levy revenue sources." The remaining $1.2 billion will be provided concurrently with additional State funds in accordance with the funding needs of the MTA's capital program.

3. Health and Hospitals Corporation

The Health and Hospitals Corporation provides health and mental health services to more than 1.1 million City residents. The Corporation faces significant challenges, including the declining use of services (see Figure 27), a trend that has continued in FY 2019; reduced federal funding; and a large share of patients who lack health insurance.

FIGURE 27
Total Patients Served at the Health and Hospitals Corporation



Source: NYC Mayor's Management Report

Despite steps by the Corporation to improve its financial position, the City expects to increase its financial support from $1.1 billion in FY 2014 to $2 billion by FY 2022. Starting in FY 2020, the City will subsidize the Corporation's efforts to register people who are eligible for health insurance and to provide free or low-cost primary care and specialty services to uninsured people.

On May 8, 2019, the Corporation released a revised cash financial plan (the "May Plan"). While the May Plan still projects a large cash balance for FY 2020 ($854 million), reflecting the benefit of supplemental Medicaid payments for prior years, it shows that the Corporation's efforts to reduce costs and increase revenues fell short of target in FY 2019. In addition, the Corporation projects annual losses that grow from $99 million in FY 2021 to $399 million in FY 2023. As a result, the cash balance is projected to decline to $83 million by FY 2023.

Moreover, these estimates assume successful implementation of future gap-closing actions (e.g., $1.6 billion in FY 2021). This presentation obscures the size of the underlying budget gaps and is inconsistent with the presentation of the City's own financial plan. The City changed the presentation of the Corporation's financial plan in October 2016. The Corporation has not released a financial plan on an accrual basis since November 2018.

[13] The MTA is authorized to issue bond anticipation notes backed by expected State funding when the MTA has exhausted its own funding sources for the 2015-2019 capital program.

4. New York City Housing Authority

The New York City Housing Authority (NYCHA) is an important component of the City's supply of affordable housing. NYCHA manages approximately 176,000 apartments that house nearly 400,000 residents, which amounts to 8 percent of the City's rental apartments.

According to NYCHA, federal funds make up 60 percent ($2.1 billion) of NYCHA's operating budget and 86 percent of the portion that is not funded with rent proceeds. As a result of inadequate federal funding coupled with mismanagement, the City's public housing properties have fallen into disrepair.

On January 31, 2019, NYCHA, the City, the U.S. Department of Housing and Urban Development (HUD) and the U.S. Southern District Court of New York signed an agreement to remedy the deficient physical conditions in NYCHA properties, ensure that NYCHA complies with its obligations under federal law, and reform the management structure of NYCHA.

The agreement requires the City to continue to provide $2 billion in capital funding to NYCHA that the City had planned for fiscal years 2018 through 2027. The City will also be required to supplement these capital funds with an additional $1 billion during fiscal years 2019 through 2022, and then $200 million annually thereafter beginning in FY 2023.

The City is also required to continue to provide nearly $1 billion in operating assistance to NYCHA that the City had budgeted during fiscal years 2018 and 2027, and to not impose any payment requirements on NYCHA. The April Plan includes the agreed-upon capital and operating funding during the financial plan period.

In addition, the agreement requires the City, HUD and the Southern District to jointly agree on the selection of a permanent chairman and CEO for NYCHA.[14] As required by the agreement, HUD and the Southern District have appointed a monitor in consultation with NYCHA and the City. The monitor will approve or reject action plans developed by NYCHA to achieve sustained compliance with milestones, detailed in the agreement, for remedying lead paint conditions as well as resolving deficiencies related to heat, mold, elevators and pests.

The City is required to pay for the costs of the monitor as well as the cost of a consultant to propose organizational reforms at NYCHA. These costs have not been included in the April Plan.

NYCHA estimates that its capital needs will total $31.8 billion over the next five years and $45.2 billion over the next 20 years. Despite the commitment of additional City and State funding, the amount of capital resources currently available to NYCHA in the 2019 through 2023 period is only $6.4 billion, a fraction of the total needed.

On December 12, 2018, the City announced a proposal that, if fully realized, could address an additional $16 billion of NYCHA's capital needs over the next 10 years. The proposal requires the participation of private developers and an expansion of the federal Rental Assistance Demonstration program.

NYCHA is also experiencing difficulty in balancing its operating budget. In 2018, NYCHA reported a final operating budget deficit of $25 million. It expects to finish 2019 with a surplus of $33 million but forecasts a deficit of $67 million in 2020 and higher deficits thereafter.

[14] The agreement requires that the new CEO of NYCHA be hired within 60 days of the agreement's signing, but the City, the Southern District and HUD have agreed to extend the timeline for the hiring by a total of 90 days.

VIII. Other Issues

1. Fair Fares NYC Program

On January 4, 2019, the City launched a pilot program known as Fair Fares NYC to provide half-fares to low-income New Yorkers who use the subway or bus systems operated by the Metropolitan Transportation Authority (MTA).

The MTA has created a special Fair Fares MetroCard that allows the purchase of half-priced 7-day or 30-day unlimited passes at MTA vending machines and subway station booths. The card also includes a pay-per-ride option. The City is paying for half of the cost of the new MetroCards, and eligible participants will be required to pay the other half.

An estimated 30,000 working New Yorkers who receive cash assistance benefits and 130,000 working New Yorkers who receive Supplemental Nutritional Assistance Program (SNAP) benefits are eligible to receive the new MetroCard.

The Mayor and the Speaker of the City Council recently announced that eligibility will be expanded later this year to include eligible residents at the New York City Housing Authority, enrolled students at the City University of New York, and veterans with incomes at or below the federal poverty line. In January 2020, the City intends to launch an open enrollment process for eligible New Yorkers at or below the federal poverty line who do not have discounted transportation from the MTA or the City.

The April Plan includes $106 million in each of fiscal years 2019 and 2020, but the program is not funded in subsequent years. The City Council had previously estimated the cost of Fair Fares at $212 million annually when fully implemented. As of May 2019, 45,075 individuals had enrolled in the program.

2. Property Tax Litigation

On April 24, 2017, Tax Equity Now New York (a coalition of advocates, property owners and tenants) filed suit against the State and the City claiming that the current real property tax system in New York City violates the State and federal constitution and the Fair Housing Act.

The lawsuit alleges that the City's property tax system imposes unequal tax burdens on similarly valued properties within the same property class, and imposes disproportionate financial burdens on racial minorities. On September 24, 2018, the State Supreme Court dismissed all but two of the claims against the State, but did not dismiss any of the 16 claims against the City. The City and the State have appealed this decision.

In June 2018, the Mayor and City Council Speaker established an advisory commission to develop recommendations to make the City's property tax system simpler, clearer and fairer, while ensuring that there is no reduction in the revenue used to fund essential City services. The commission held several public hearings through February 2019, but no further meetings or public hearings have been scheduled.

Appendix A: City-Fund Revenue Trends

(in millions)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Property Tax	$ 27,795	$ 29,529	$ 30,909	$ 32,150	$ 33,110
Personal Income Tax	12,729	13,145	13,429	13,856	14,296
Sales Tax	7,827	8,267	8,553	8,852	9,134
Business Taxes	5,973	5,863	6,021	6,142	6,230
Real Estate Transaction Taxes	2,571	2,444	2,472	2,535	2,600
Other Taxes	2,930	2,878	2,916	2,973	3,029
Tax Audits	1,058	999	721	721	721
Subtotal: Taxes	**60,883**	**63,125**	**65,021**	**67,229**	**69,120**
Miscellaneous Revenues	5,845	5,136	5,094	5,069	5,065
Unrestricted Intergovernmental Aid	201	0	0	0	0
Grant Disallowances	91	(15)	(15)	(15)	(15)
Total	**$ 67,020**	**$ 68,246**	**$ 70,100**	**$ 72,283**	**$ 74,170**

Annual Rate of Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Property Tax	6.0%	6.2%	4.7%	4.0%	3.0%
Personal Income Tax	-4.9%	3.3%	2.2%	3.2%	3.2%
Sales Tax	5.2%	5.6%	3.5%	3.5%	3.2%
Business Taxes	6.3%	-1.8%	2.7%	2.0%	1.4%
Real Estate Transaction Taxes	5.5%	-4.9%	1.1%	2.5%	2.6%
Other Taxes	9.5%	-1.8%	1.3%	2.0%	1.9%
Tax Audits	-20.9%	-5.6%	-27.8%	0%	0%
Subtotal: Taxes	**3.0%**	**3.7%**	**3.0%**	**3.4%**	**2.8%**
Miscellaneous Revenues	16.5%	-12.1%	-0.8%	-0.5%	-0.1%
Unrestricted Intergovernmental Aid	N/A	N/A	N/A	N/A	N/A
Grant Disallowances	-34.7%	N/A	N/A	N/A	N/A
Total	**4.3%**	**1.8%**	**2.7%**	**3.1%**	**2.6%**

Sources: NYC Office of Management and Budget; OSC analysis

Appendix B: City-Fund Expenditure Trends

(in millions)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Salaries and Wages	$ 20,210	$ 21,257	$ 21,978	$ 21,436	$ 21,949
Pension Contributions	9,792	9,807	9,973	10,420	10,475
Debt Service	6,400	7,008	7,402	8,097	8,856
Medicaid	5,813	5,813	5,813	5,813	5,813
Health Insurance	5,032	5,526	5,901	6,422	6,964
Other Fringe Benefits	3,037	3,239	3,376	3,526	3,686
Energy	792	798	819	837	867
Judgments and Claims	557	572	587	602	618
Public Assistance	678	856	856	855	855
Other	16,119	15,636	15,626	15,905	15,995
Subtotal	**68,430**	**70,512**	**72,331**	**73,913**	**76,078**
Prior Years' Expenses	(400)	- - -	- - -	- - -	- - -
General Reserve	50	1,000	1,000	1,000	1,000
Capital Stabilization Reserve	- - -	250	250	250	250
Total	**$ 68,080**	**$ 71,762**	**$ 73,581**	**$ 75,163**	**$ 77,328**

Annual Rate of Growth	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Salaries and Wages	9.3%	5.2%	3.4%	-2.5%	2.4%
Pension Contributions	3.3%	0.2%	1.7%	4.5%	0.5%
Debt Service	9.2%	9.5%	5.6%	9.4%	9.4%
Medicaid	-1.8%	0%	0%	0%	0%
Health Insurance	7.5%	9.8%	6.8%	8.8%	8.4%
Other Fringe Benefits	7.9%	6.7%	4.2%	4.4%	4.5%
Energy	1.9%	0.8%	2.6%	2.2%	3.6%
Judgments and Claims	-10.6%	2.7%	2.6%	2.6%	2.7%
Public Assistance	-7.3%	26.3%	0.0%	-0.1%	0.0%
Other	9.8%	-3.0%	-0.1%	1.8%	0.6%
Subtotal	**6.8%**	**3.0%**	**2.6%**	**2.2%**	**2.9%**
Prior Years' Expenses	N/A	N/A	N/A	N/A	N/A
General Reserve	N/A	N/A	N/A	N/A	N/A
Capital Stabilization Reserve	N/A	N/A	N/A	N/A	N/A
Total	**6.6%**	**5.4%**	**2.5%**	**2.2%**	**2.9%**

Note: Debt service and totals have been adjusted for surplus transfers. Judgments and claims excludes a prior-year reimbursement from the Health and Hospitals Corporation in FY 2019.

Sources: NYC Office of Management and Budget; OSC analysis

Appendix C: Full-Time Staffing Levels by Agency

		Actual FY 2009	Actual FY 2012	Actual FY 2018	Forecast FY 2019	Plan FY 2020
Public Safety		**82,382**	**78,944**	**87,119**	**86,367**	**85,787**
Police	Uniformed	35,641	34,510	36,643	36,113	36,113
	Civilian	15,034	14,238	15,251	15,611	15,472
Fire	Uniformed	11,459	10,260	11,244	10,951	10,952
	Civilian	4,690	5,055	5,905	6,252	6,366
Correction	Uniformed	9,068	8,540	10,653	10,226	9,854
	Civilian	1,420	1,413	1,770	2,151	1,997
District Attys. & Prosecutors		3,911	3,941	4,592	3,783	3,778
Probation		1,147	976	1,033	1,245	1,217
Board of Correction		12	11	28	35	38
Health & Welfare		**29,459**	**27,004**	**28,143**	**30,686**	**30,598**
Social Services		14,093	13,918	12,969	14,305	14,523
Children's Services*		7,403	6,152	6,593	7,168	7,217
Health & Mental Hygiene		5,214	4,470	5,432	5,788	5,580
Homeless Services		2,026	1,818	2,368	2,578	2,385
Other		723	646	781	847	893
Environment & Infrastructure		**24,693**	**23,004**	**25,795**	**27,913**	**27,491**
Sanitation	Uniformed	7,612	6,991	7,558	7,823	7,799
	Civilian	2,019	1,854	2,120	2,270	2,247
Transportation		4,423	4,405	4,842	5,495	5,458
Parks & Recreation		3,760	3,095	4,097	4,399	4,263
Other		6,879	6,659	7,178	7,926	7,724
General Government		**9,733**	**9,348**	**11,815**	**13,377**	**13,353**
Finance		1,961	1,750	1,882	2,155	2,146
Law		1,277	1,265	1,581	1,929	1,910
Citywide Admin. Services		2,054	1,919	2,300	2,493	2,534
Taxi & Limo. Commission		378	435	526	618	618
Investigations		233	191	365	395	391
Board of Elections		340	340	537	517	517
Info. Tech. & Telecomm.		1,213	1,041	1,493	1,785	1,840
Other		2,277	2,407	3,131	3,485	3,397
Housing		**3,678**	**3,156**	**3,838**	**4,384**	**4,435**
Buildings		1,183	1,051	1,565	1,869	1,852
Housing Preservation		2,495	2,105	2,273	2,515	2,583
Department of Education		**123,726**	**118,716**	**132,699**	**133,073**	**134,316**
	Pedagogues	112,993	107,625	119,900	120,697	121,771
	Non-Pedagogues	10,733	11,091	12,799	12,376	12,545
City University of New York		**4,669**	**5,085**	**6,429**	**6,383**	**6,387**
	Pedagogues	2,993	3,362	4,549	4,441	4,441
	Non-Pedagogues	1,676	1,723	1,880	1,942	1,946
Elected Officials		**2,274**	**2,166**	**2,532**	**2,888**	**2,875**
Total		**280,614**	**267,423**	**298,370**	**305,071**	**305,242**

*ACS data for FY 2009 includes the Department of Juvenile Justice

Sources: NYC Office of Management and Budget; OSC analysis

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