NEW YORK CITY COMPTROLLER
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Bureau of Budget

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Comments on New York City's Fiscal Year 2018 Executive Budget

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I. Executive Summary

Economic Outlook Remains Positive But Slower Growth Ahead

The U.S. and NYC economies are expected to grow moderately over the forecast horizon, with a small bump up in the near term (2017-2018) and slower growth in the outyears (2019 to 2021). This slowdown is the result of a national economy operating at full employment and the moderating effect of wage increases demanded by increasingly scarce employees. Consistent with the moderate growth forecast scenario, we expect to see jobs growth slow and to see wages and salaries grow at levels slightly above the local inflation rate.

Consistent with our moderate economic growth forecast, the Comptroller projects total tax revenue to rise 2.6 percent in FY 2017 and 3.1 percent in FY 2018, slightly faster than the Administration's 2.3 percent and 3.0 percent growth forecasts. The difference is mostly due to the Comptroller's higher forecast for personal income tax (PIT) and property tax collections in the near term and from property taxes in the outyears. The Comptroller's Office forecast is above the Administration's by $181 million in the current year, rising to $550 million in FY 2020. Over the entire Plan period, FY 2017 to FY 2021, the net annual average growth in tax revenues of 4.1 percent equals that of the Administration's forecast.

The FY 2018 Executive Budget

The FY 2018 Executive Budget totals $84.9 billion, an increase of $192 million from the Preliminary Budget. The City-funds portion of the budget totals $61.1 billion, 72 percent of the budget. Tax revenues total $56.4 billion, a decrease of $567 million from the Preliminary Budget primarily from revisions to PIT, real estate-related, and sales tax revenue projections. Adjusted for prepayments and reserves, the FY 2018 budget increases by $1.5 billion over FY 2017, or 1.7 percent.

City-funds agency spending in the Executive Budget increased by $866 million. Three agencies, the Department of Homeless Services (DHS), the Department of Education (DOE), and the Administration for Children's Services (ACS) account for almost one-third of the increase.

The April Financial Plan included another round of the Citywide Savings Program (CSP), which is estimated to generate savings of almost $2 billion in FY 2017 through FY 2021. The new round of CSP brings the total savings in FY 2017 through FY 2021 to $6.2 billion.

Despite higher City-funds agency spending and lower City-funds revenues, the 2018 Executive Budget remains balanced, due to a reduction in pension contributions and decreases in debt service and retiree pay-as-you-go health insurance expenses as a result of additional prepayments in FY 2017. The additional prepayments bring the total prepayments of FY 2018 expenses to $3.727 billion. If the City does not add to the prepayments or reserves in the upcoming June Financial Plan, it will begin FY 2018 with a budget cushion of $9.3 billion, 10.7 percent of FY 2018 expenditures adjusted for prepayments and reserves. The City began FY 2017 with a cushion of $9.6 billion, 11.1 percent of adjusted FY 2017 expenditures.

Outyear Gaps Are Higher

Outyear gaps in the current financial plan are projected to be $3.59 billion in FY 2019, $2.98 billion in FY 2020, and $2.32 billion in FY 2021. The outyear gaps are between $277 million to $526 million larger than the January Plan gaps, despite additional savings from the new round of CSP. The increases are driven by both lower revenue and higher expenditure estimates. As in FY 2018, the lower outyear revenue projections reflect primarily downward revision to tax revenues, particularly PIT and real estate-related tax revenues. Spending increases reflect new needs, including spending on pre-K for three-year-olds, homeless shelters, and access to counsel in Housing Courts.

Comptroller's Risks and Offsets

The Comptroller's Office's analysis indicates that the outyear gaps could be larger than projected due primarily to higher expenditure estimates. The Comptroller's Office estimates that, on net, expenditures could be above the City's projections by $415 million in FY 2018, $391 million in FY 2019, $344 million in FY 2020, and $326 million in FY 2021. The higher expenditure estimates are driven by higher projections for overtime, homeless shelter expenditures, and support for New York City Health + Hospitals. The Comptroller's Office also expects lower Medicaid reimbursement for special education students resulting in higher City-funds expenditures to make up for the shortfall.

Offsetting some of the expenditure risks to the Financial Plan is the Comptroller's higher revenue forecast. The Comptroller's Office projects that revenues will exceed the Plan projection in each year of the Plan, due primarily to higher tax revenue forecast. Offsetting some of the higher tax revenue forecast in FY 2019 through FY 2021 is the Comptroller's Office assumption that taxi medallion sales totaling $731 million over this period will not materialize. Overall, the Comptroller's Office projects net risks of $415 million in FY 2018, $391 million in FY 2019, $13 million in FY 2020, and $280 million in FY 2021.

Federal Budget Risks Loom

For now, the outyear gaps remain manageable by historical measure. However, the budget is particularly vulnerable to Federal budget cuts. Cuts in President Trump's proposed budget would reduce the City's FY 2018 Federal grants by as much as $1 billion. The bulk of the cuts are in grants that support services to the City's most vulnerable populations and to other critical programs. Many of the President's proposed cuts would have deep impacts beyond the City budget, including to public housing, nutrition assistance, and health services, that state and local governments will be under pressure to maintain. To the extent that the City will need to make up for cuts in Federal funding to maintain and replace services, the outyear gaps would increase significantly. In this climate of uncertainty, prudent spending choices are needed and greater operational efficiencies need to be pursued.

Table 1. FY 2017 – FY 2021 Financial Plan

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 – 2021 Dollar	Change FYs 2017 – 2021 Percent
Revenues							
Taxes:							
General Property Tax	$24,606	$25,831	$27,492	$28,816	$30,125	$5,519	22.4%
Other Taxes	$28,989	$29,787	$31,037	$32,255	$33,489	$4,500	15.5%
Tax Audit Revenues	$1,251	$850	$721	$721	$721	($530)	(42.4%)
Subtotal: Taxes	**$54,846**	**$56,468**	**$59,250**	**$61,792**	**$64,335**	**$9,489**	**17.3%**
Miscellaneous Revenues	$7,011	$6,480	$6,640	$6,854	$6,841	($170)	(2.4%)
Unrestricted Intergovernmental Aid	$57	$0	$0	$0	$0	($57)	(100.0%)
Less: Intra-City Revenues	($2,065)	($1,815)	($1,737)	($1,739)	($1,744)	$321	(15.5%)
Disallowances Against Categorical Grants	$613	($15)	($15)	($15)	($15)	($628)	(102.4%)
Subtotal: City-Funds	**$60,462**	**$61,118**	**$64,138**	**$66,892**	**$69,417**	**$8,955**	**14.8%**
Other Categorical Grants	$976	$880	$868	$859	$856	($120)	(12.3%)
Inter-Fund Revenues	$641	$667	$662	$599	$597	($44)	(6.9%)
Federal Categorical Grants	$8,937	$7,799	$7,002	$6,897	$6,879	($2,058)	(23.0%)
State Categorical Grants	$14,437	$14,396	$14,849	$15,347	$15,702	$1,265	8.8%
Total Revenues	**$85,453**	**$84,860**	**$87,519**	**$90,594**	**$93,451**	**$7,998**	**9.4%**
Expenditures							
Personal Service							
Salaries and Wages	$25,759	$27,306	$28,625	$29,425	$30,064	$4,305	16.7%
Pensions	$9,395	$9,572	$9,866	$9,936	$10,001	$606	6.5%
Fringe Benefits	$9,456	$10,119	$10,795	$11,694	$12,483	$3,027	32.0%
Subtotal-PS	**$44,610**	**$46,997**	**$49,286**	**$51,055**	**$52,548**	**$7,938**	**17.8%**
Other Than Personal Service							
Medical Assistance	$5,915	$5,915	$5,915	$5,915	$5,915	$0	0.0%
Public Assistance	$1,584	$1,594	$1,605	$1,617	$1,617	$33	2.1%
All Other	$29,138	$28,118	$27,565	$27,571	$27,789	($1,349)	(4.6%)
Subtotal-OTPS	**$36,637**	**$35,627**	**$35,085**	**$35,103**	**$35,321**	**($1,316)**	**(3.6%)**
Debt Service							
Principal	$2,175	$2,194	$2,163	$2,293	$2,243	$68	3.1%
Interest & Offsets	$1,925	$2,133	$2,232	$2,494	$2,748	$822	42.7%
Subtotal Debt Service	**$4,100**	**$4,327**	**$4,395**	**$4,787**	**$4,991**	**$890**	**21.7%**
FY 2016 BSA & Discretionary Transfers	($4,038)	$0	$0	$0	$0	$4,038	(100.0%)
FY 2017 BSA	$3,727	($3,727)	$0	$0	$0	($3,727)	(100.0%)
TFA Debt Service							
Principal	$826	$980	$1,329	$1,305	$1,348	$522	63.2%
Interest & Offsets	$1,356	$1,221	$1,501	$1,817	$2,057	$701	51.7%
Subtotal TFA	**$2,182**	**$2,201**	**$2,830**	**$3,122**	**$3,405**	**$1,223**	**56.1%**
Capital Stabilization Reserve	$0	$250	$250	$250	$250	$250	NA
General Reserve	$300	$1,000	$1,000	$1,000	$1,000	$700	233.3%
	$87,518	**$86,675**	**$92,846**	**$95,316**	**$97,515**	**$9,997**	**11.4%**
Less: Intra-City Expenses	($2,065)	($1,815)	($1,737)	($1,739)	($1,744)	$321	(15.5%)
Total Expenditures	**$85,453**	**$84,860**	**$91,109**	**$93,577**	**$95,771**	**$10,318**	**12.1%**
Gap To Be Closed	**$0**	**$0**	**($3,590)**	**($2,983)**	**($2,320)**	**($2,320)**	**NA**

Table 2. Plan-to-Plan Changes
April 2017 Plan vs. January 2017 Plan

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues					
Taxes:					
General Property Tax	$206	$0	$0	$0	$0
Other Taxes	($453)	($567)	($475)	($626)	($523)
Tax Audit Revenues	$210	$0	$0	$0	$0
Subtotal: Taxes	**($37)**	**($567)**	**($475)**	**($626)**	**($523)**
Miscellaneous Revenues	$176	$118	$38	$50	$34
Unrestricted Intergovernmental Aid	$0	$0	$0	$0	$0
Less: Intra-City Revenues	($26)	($29)	$44	$48	$43
Disallowances Against Categorical Grants	$413	$0	$0	$0	$0
Subtotal: City-Funds	**$526**	**($478)**	**($393)**	**($528)**	**($446)**
Other Categorical Grants	($4)	$24	$21	$22	$23
Inter-Fund Revenues	($14)	$9	$4	$4	$4
Federal Categorical Grants	$111	$787	$191	$88	$98
State Categorical Grants	$20	($150)	($159)	($57)	($16)
Total Revenues	**$639**	**$192**	**($336)**	**($471)**	**($337)**
Expenditures					
Personal Service					
Salaries and Wages	($70)	($10)	($171)	($209)	($158)
Pensions	($18)	($247)	($234)	($216)	($169)
Fringe Benefits	($150)	($139)	($186)	($226)	($218)
Subtotal-PS	**($238)**	**($396)**	**($591)**	**($651)**	**($545)**
Other Than Personal Service					
Medical Assistance	$0	$0	$0	$0	$0
Public Assistance	$0	$0	$0	$0	$0
All Other	$337	$1,342	$564	$657	$668
Subtotal-OTPS	**$337**	**$1,342**	**$564**	**$657**	**$668**
Debt Service					
Principal	$0	($22)	($23)	($26)	($28)
Interest & Offsets	($101)	($8)	($35)	($20)	$27
Subtotal Debt Service	**($101)**	**($30)**	**($58)**	**($46)**	**($1)**
FY 2016 BSA and Discretionary Transfers	$0	$0	$0	$0	$0
FY 2017 BSA	$672	($672)	$0	$0	$0
TFA					
Principal	($3)	($17)	$25	($7)	($7)
Interest & Offsets	($2)	($6)	($43)	$2	$31
Subtotal TFA	**($5)**	**($23)**	**($18)**	**($5)**	**$24**
Capital Stabilization Reserve	$0	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0	$0
	$665	**$221**	**($103)**	**($45)**	**$146**
Less: Intra-City Expenses	($26)	($29)	$44	$48	$43
Total Expenditures	**$639**	**$192**	**($59)**	**$3**	**$189**
Gap To Be Closed	**$0**	**$0**	**($277)**	**($474)**	**($526)**

Table 3. Plan-to-Plan Changes
April 2017 Plan vs. June 2016 Plan

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020
Revenues				
Taxes:				
General Property Tax	$377	$219	$372	$427
Other Taxes	($711)	($1,103)	($844)	($729)
Tax Audit Revenues	$537	$136	$7	$7
Subtotal: Taxes	**$203**	**($748)**	**($465)**	**($295)**
Miscellaneous Revenues	$604	$46	($38)	$77
Unrestricted Intergovernmental Aid	$57	$0	$0	$0
Less: Intra-City Revenues	($301)	($51)	$22	$26
Disallowances Against Categorical Grants	$628	$0	$0	$0
Subtotal: City-Funds	**$1,191**	**($753)**	**($481)**	**($192)**
Other Categorical Grants	$123	$43	$33	$28
Inter-Fund Revenues	($5)	$23	$80	$18
Federal Categorical Grants	$1,264	$988	$322	$279
State Categorical Grants	$764	$103	$86	$98
Total Revenues	**$3,337**	**$404**	**$40**	**$231**
Expenditures				
Personal Service				
Salaries and Wages	$14	$93	($124)	($157)
Pensions	($27)	($138)	$14	$153
Fringe Benefits	($223)	($135)	($137)	($185)
Subtotal-PS	**($236)**	**($180)**	**($247)**	**($189)**
Other Than Personal Service	$0	$0	$0	$0
Medical Assistance	$0	$0	$0	$0
Public Assistance	$0	($8)	($8)	($7)
All Other	$1,688	$1,725	$899	$1,015
Subtotal-OTPS	**$1,688**	**$1,717**	**$891**	**$1,008**
Debt Service				
Principal	$0	($22)	$24	$23
Interest & Offsets	($256)	($111)	($184)	($177)
Subtotal Debt Service	**($256)**	**($133)**	**($160)**	**($154)**
FY 2016 BSA and Discretionary Transfers	($44)	$0	$0	$0
FY 2017 BSA	$3,727	($3,727)	$0	$0
TFA				
Principal	($3)	$9	$77	$46
Interest & Offsets	($38)	($297)	($148)	($98)
Subtotal TFA	**($41)**	**($288)**	**($71)**	**($52)**
Capital Stabilization Reserve	($500)	$250	$250	$250
General Reserve	($700)	$0	$0	$0
	$3,638	**($2,361)**	**$663**	**$862**
Less: Intra-City Expenses	($301)	($51)	$22	$26
Total Expenditures	**$3,337**	**($2,412)**	**$685**	**$888**
Gap To Be Closed	**$0**	**$2,816**	**($645)**	**($657)**

Table 4. Risks and Offsets to the April Financial Plan

(Positive numbers reduce the gap and negative numbers increase the gap)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
City Stated Gap	**$0**	**$0**	**($3,590)**	**($2,983)**	**($2,320)**
Tax Revenues					
Property Tax	$0	$34	$285	$572	$673
Personal Income Tax	122	280	146	48	(65)
Business Taxes	0	33	69	128	49
Sales Tax	0	32	(32)	(118)	(201)
State Sales Tax Intercept	0	(50)	(150)	0	0
Real Estate-Related Taxes	59	(74)	(76)	(80)	(81)
Subtotal Tax Revenues	**$181**	**$255**	**$242**	**$550**	**$375**
Non-Tax Revenues					
ECB Fines	$5	$30	$30	$30	$30
Late Filing/No Permit Penalties	0	5	5	5	5
Motor Vehicle Fines	0	5	5	3	3
Taxi Medallion Sales	0	0	(107)	(257)	(367)
Subtotal Non-Tax Revenues	**$5**	**$40**	**($67)**	**($219)**	**($329)**
Total Revenues	**$186**	**$295**	**$175**	**$331**	**$46**
Expenditures					
Overtime	(170)	(174)	(150)	(150)	(150)
DOE Medicaid Reimbursement	(20)	(70)	(70)	(70)	(70)
Homeless Shelters	0	(121)	(121)	(121)	(121)
NYC Health + Hospitals	0	(165)	(165)	(165)	(165)
Public Assistance	20	15	15	15	15
HYIC Interest Support Payments	0	0	0	47	65
VRDB Interest Savings	40	100	100	100	100
General Reserve	300	0	0	0	0
Subtotal	**$170**	**($415)**	**($391)**	**($344)**	**($326)**
Total (Risks)/Offsets	**$356**	**($120)**	**($216)**	**($13)**	**($280)**
Restated (Gap)/Surplus	**$356**	**($120)**	**($3,806)**	**($2,996)**	**($2,600)**

II. The City's Economic Outlook

Comptroller's Economic Forecast for NYC, 2017-2021

The national economy has been growing at a subpar pace since the Great Recession in 2008-2009 and we are forecasting more of the same over the 2017-2021 forecast horizon. Labor markets are strong but the gains in employment are mostly in low wage and part-time jobs, which is adding little to the personal consumption spending that generally drives economic growth at this point in the cycle. However, New York City's economy has been outperforming the nation and is projected to do so until 2019, after which the City's economy is expected to slow down. The City's strong job market along with a slight increase in earnings are expected to fuel consumer spending in the City. The City's other economic indicators are mixed, but point to moderate growth.

Table 5 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2017 to 2021.

Table 5. Selected Economic Indicators, Comptroller and Mayor's Forecasts, 2017-2021

ANNUAL AVERAGES		2017	2018	2019	2020	2021
Selected U.S. Economic Indicators						
Real GDP, (2009 $), (% Change)	Comptroller	2.1	2.3	2.0	1.7	1.5
	Mayor	2.3	2.5	2.3	2.3	2.2
Payroll Jobs, (Change In Millions)	Comptroller	1.8	1.8	1.8	1.3	0.9
	Mayor	2.2	1.8	1.5	1.4	1.1
Inflation Rate (Percent)	Comptroller	2.6	2.2	2.4	2.2	2.2
	Mayor	2.5	2.0	2.3	2.8	2.7
Fed Funds Rate, (Percent)	Comptroller	1.0	1.6	2.4	3.2	3.0
	Mayor	1.0	1.7	2.6	3.0	3.0
Selected NYC Economic Indicators						
Real GCP (2009 $, % Change)	Comptroller	2.2	2.4	2.0	1.6	1.6
	Mayor	1.7	1.8	1.6	1.8	1.9
Payroll Jobs, (Change In Thousands)	Comptroller	60	50	39	31	28
	Mayor	53	45	35	34	34
Inflation Rate (Percent)	Comptroller	2.4	2.7	2.6	2.4	2.4
	Mayor	2.5	2.0	2.4	2.7	2.7
Wage-Rate Growth, (Percent)	Comptroller	2.9	3.3	2.9	2.7	2.3
	Mayor	2.8	3.7	3.7	3.9	4.0
Unemployment Rate, (Percent)	Comptroller	4.2	4.6	5.1	5.2	5.0
	Mayor	NA	NA	NA	NA	NA

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. GCP=Gross City Product. Mayor= forecast by the NYC Office of Management and Budget in the Executive Budget Fiscal Year 2018 Message of the Mayor. NA=not available.

Underlying Factors Affecting the Forecast

The National Economy

The U.S. economy grew a tepid 1.6 percent in 2016, continuing the slowest growing business cycle expansion on record. The Obama administration, stymied by Congressional Republicans, did little (beyond the Economic Stimulus Act of 2008) to stimulate the growth that we would expect following a recession as deep as that of 2008 and 2009. While the headline unemployment rate has returned to pre-recession levels, labor force issues, such as continued elevated rates of involuntary part-time workers and so-called "discouraged" workers, make these numbers seem better than they actually are. Despite the slow growth, the so called "soft" indicators such as the Consumer Confidence Index and certain hard indicators such as wage growth point to strength. The Federal Reserve Open Market Committee has indicated that it sees the strength of wage rate growth as a sign of potential inflation (which would be common at this point in the business cycle) and is taking steps to stave off these potential price pressures, including raising the Fed Funds rate and selling assets from its balance sheet.

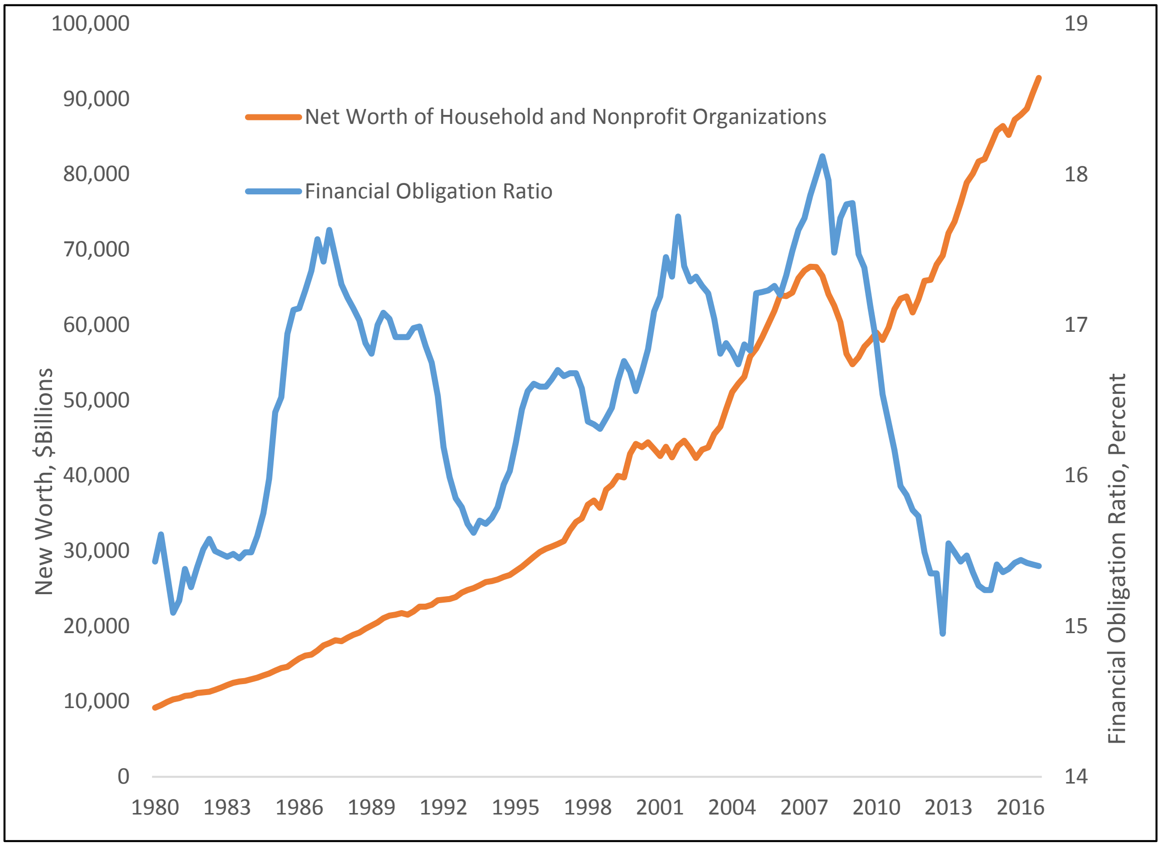
Slightly stronger growth is expected this year and next with the potential for additional growth should the Administration enact the stimulatory fiscal policies they promised during the campaign, including tax cuts and increased government spending on infrastructure.

The preliminary estimate of real GDP growth for the first quarter of 2017 was 0.7 percent, seasonally adjusted at annual rates. This estimate is expected to be revised upward, as conventional wisdom in the economics community believes this trend of lower first quarter GDP growth (seen previously in 2016) has more to do with the technical nature of calculating GDP growth and the seasonal adjustment process than with an actual depiction of the state of the economy.

Consumer spending, a major component of GDP, grew only 0.3 percent in the first quarter of 2017, the lowest in seven years, and contributed 0.23 percentage points to GDP growth. However, given the strength of consumer confidence, the relatively low levels of consumer debt as measured by the financial obligation ratio and household net worth, consumer spending is expected to improve.[1] Chart 1 shows that there is still considerable ability for consumption from either wealth or the ability to borrow.

[1] The ratio of total required household debt payments (mortgage and consumer debt payments) plus rent payments on tenant-occupied property, auto lease payments, homeowners' insurance, and property tax payments, to total disposable income. https://www.federalreserve.gov/releases/housedebt/about.htm

Chart 1. U.S. Households Still Have Considerable Spending Power From Increases In Wealth and the Ability to Borrow



SOURCE: Federal Reserve Board of Governors and the Conference Board.

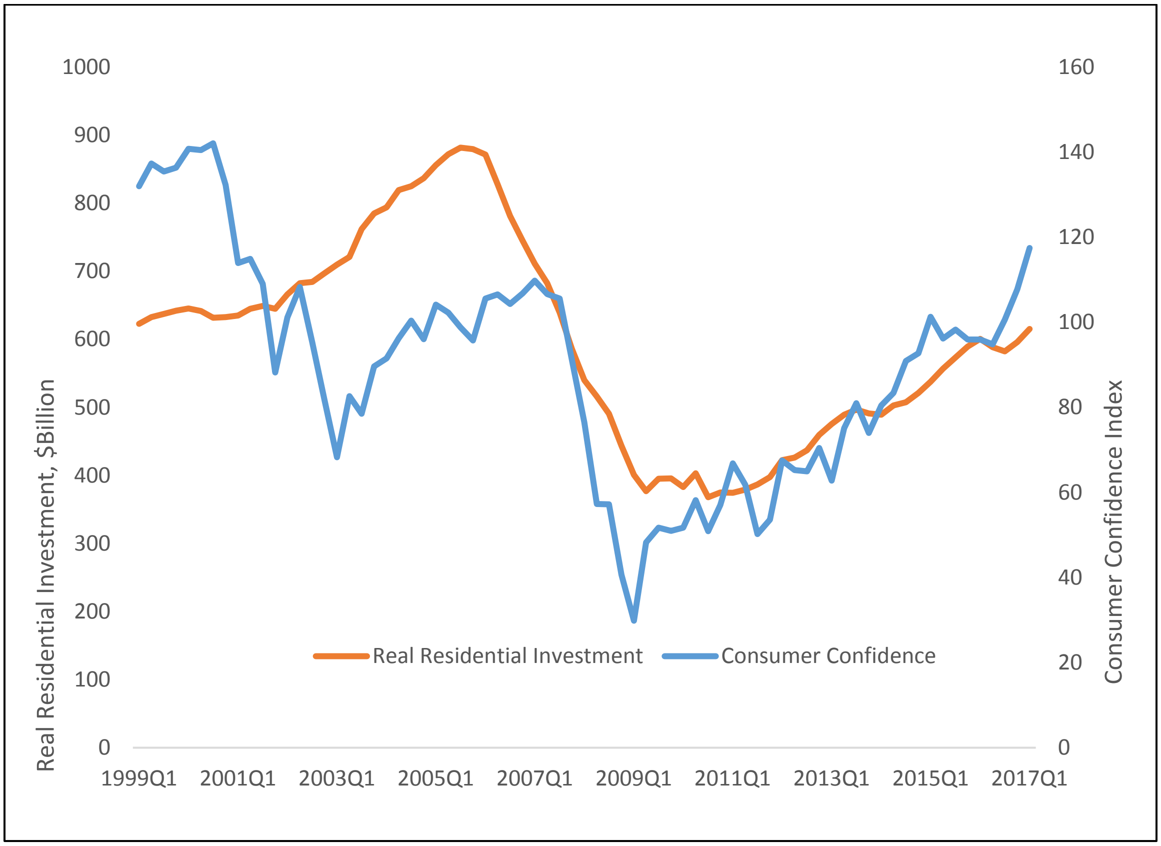
Discretionary income, from which much consumption is derived, is driven by the solid job market and lower energy cost. Payroll jobs grew 1.5 percent (seasonally adjusted annualized rate) in 1Q17 after growing 1.4 percent in 4Q16. In fact, since the Great Recession in February 2010, the U.S. private sector has been adding 191,000 jobs on average per month. Although that pace is not sustainable due to labor force constraints, it has only slowed down to 168,000 jobs per month in the first three months of 2017.

Furthermore, the official unemployment rate (U-3), which is the total number of unemployed as a percent of the civilian labor force, is at or close to the full employment level. The unemployment rate has been 4.7 percent in the last two quarters, the lowest in over nine years. The more comprehensive unemployment rate, U-6, which includes the unemployed plus persons marginally attached to the labor force and those employed part time for economic reasons, is 9.2 percent, the lowest since 9.1 percent in the first quarter of 2008.

Wealth is driven by the increase in house prices and home equity and by stock market gains. According to the Case-Shiller index, which tracks single-family home prices, as of February 2017, the U.S. 20-city composite index was 43.6 percent higher than its trough in 2012 and 4.8 percent below its peak in 2006. Also, the S&P500 has appreciated significantly since the Great Recession. As of May 12, 2017, the S&P500 has almost quadrupled (253.4 percent increase) from the 676.5 level in March 9, 2009 and is up 6.8 percent for the year.

Private investment grew 4.3 percent and contributed 0.69 percentage points to GDP growth in the first quarter of 2017. Both residential and nonresidential construction showed strong growth and contributed the most to economic growth. Although warm weather, especially in the Northeast, helped the construction sector in the first quarter of 2017, this trend is expected to continue during the remainder of 2017. Residential investment is expected to increase because the number of building permits surpassed the number of starts. As of the first quarter of 2017, the number of new, privately-owned housing units authorized by building permits surpassed the number of new, privately-owned housing units started by 3,000 on a seasonally adjusted annualized basis. Residential investment makes up about four percent of the GDP, but its changes strongly correlate with changes in GDP (Chart 2).

Chart 2. Real Residential Investment and Consumer Confidence, Both Leading Variables, Remain Strong



SOURCE: U.S. Bureau of Economic Analysis and the Conference Board.®

If enacted, the business tax cuts proposed by the Trump administration should have a temporary stimulatory effect on business investment. This is true whether the corporations do the investing themselves with retained earnings or give it to its shareholders who in turn will invest it elsewhere.

Government expenditure fell 1.7 percent as federal, state and local government expenditures declined in the first quarter of 2017. However, government expenditure is expected to grow next year.

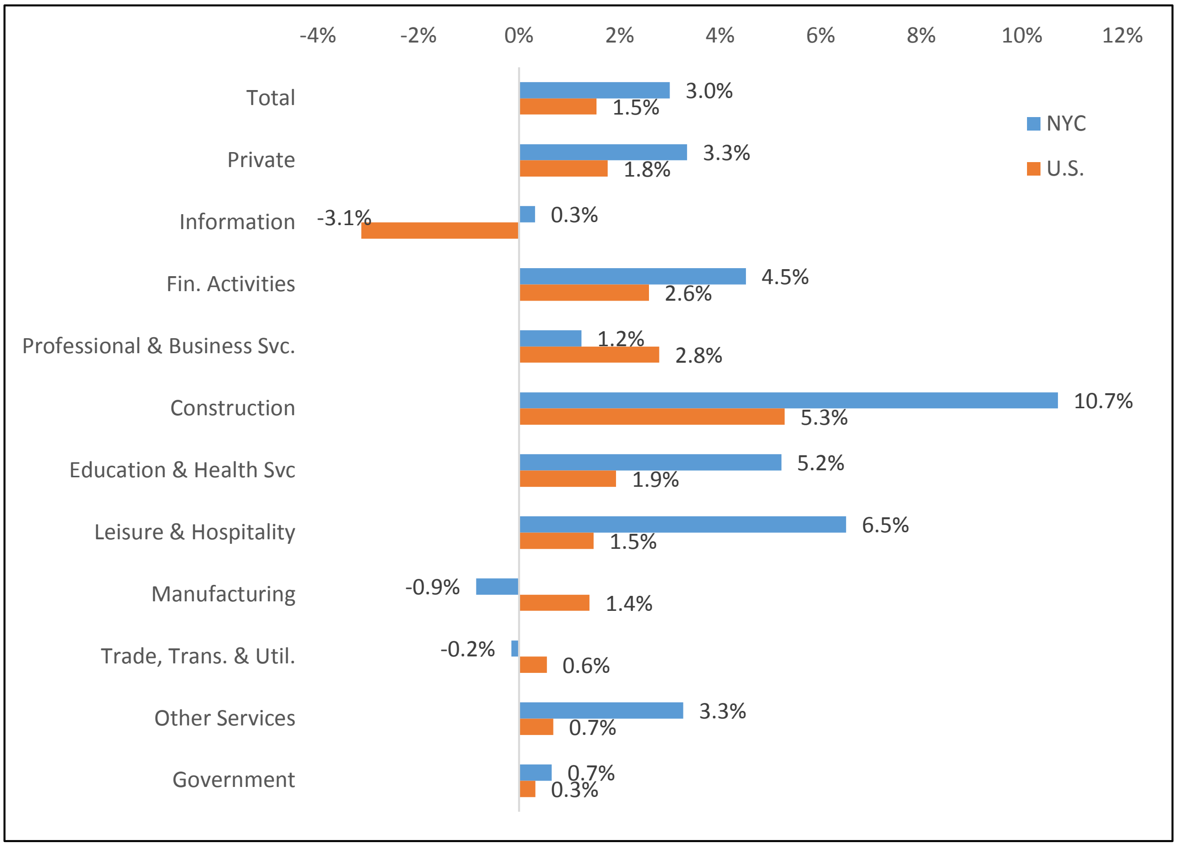
Net exports improved slightly in the first quarter as exports increased more than imports. However, this is not sustainable if the dollar remains strong vis-à-vis other currencies.

The New York City Economy

The City's economy has been outperforming the nation and it is expected to do so until 2019. If enacted, stimulus measures proposed by the Trump Administration are expected to boost growth slightly in 2018 before structural and cyclical factors retard growth. These structural factors include a strong dollar limiting exports of services, a tightening labor market, and locally, an increasing cost of living vis-à-vis other areas of the country.

In the near term, the City's economic momentum is expected to continue, but at a slower pace. The private sector added 31,400 jobs in the first quarter, for growth of 3.3 percent, the biggest increase in over two years and almost twice the national increase of 1.8 percent (Chart 3).

Chart 3. Job Growth in NYC Much Stronger Than the Nation 1Q17 over 4Q16 SAAR



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

However, most of the new jobs (15,000 or 47.8 percent) were in low-wage industries such as bars and restaurants, followed by medium-wage industries (11,200 or 35.7 percent) such as education services. High-wage industries such as finance and insurance grew by 5,200 jobs, or 16.5 percent. This breakdown is similar to the nation's composition of jobs gained in the first quarter where 52 percent were in low-wage industries, 31.1 percent in medium-wage industries, and 16.9 percent were in high-wage industries.

The number of employed City residents also increased, resulting in the employment-to-population ratio reaching a record high of 57.7 percent. The City's unemployment rate fell to 4.3 percent, the lowest rate on record, and below the nation's 4.7 percent. This was the first time in over five years that the City's unemployment rate has fallen below the nation's. The decrease was due to a decline in the number of unemployed, even in the face of continued labor force growth, which suggests that some of the City's discouraged job seekers are joining the labor force. The labor-force-participation rate rose to 60.3 percent, the highest in over three years. This could partially be explained by the increase in the minimum wage and average hourly earnings. Average hourly earnings (AHE) of total private NYC employees rose 3.4 percent on a year-over-year basis to $35.05 in the first quarter of 2017 as a result of the tightening labor market, the biggest first-quarter increase in two years.

Despite the gains in the labor market, the business environment remained mixed. After three years of decline, Wall Street profits, as measured by the pre-tax net income of the NYSE member firms, rose 21.1 percent to $17.3 billion. On the other hand, according to PwC MoneyTree, venture capital investment in the New York metro area declined 44.9 percent and nationally fell 11.6 percent in the first quarter of 2017, on a year-over-year basis. This was the fourth quarter of consecutive decline for the city and the sixth consecutive quarter of decline for the nation.

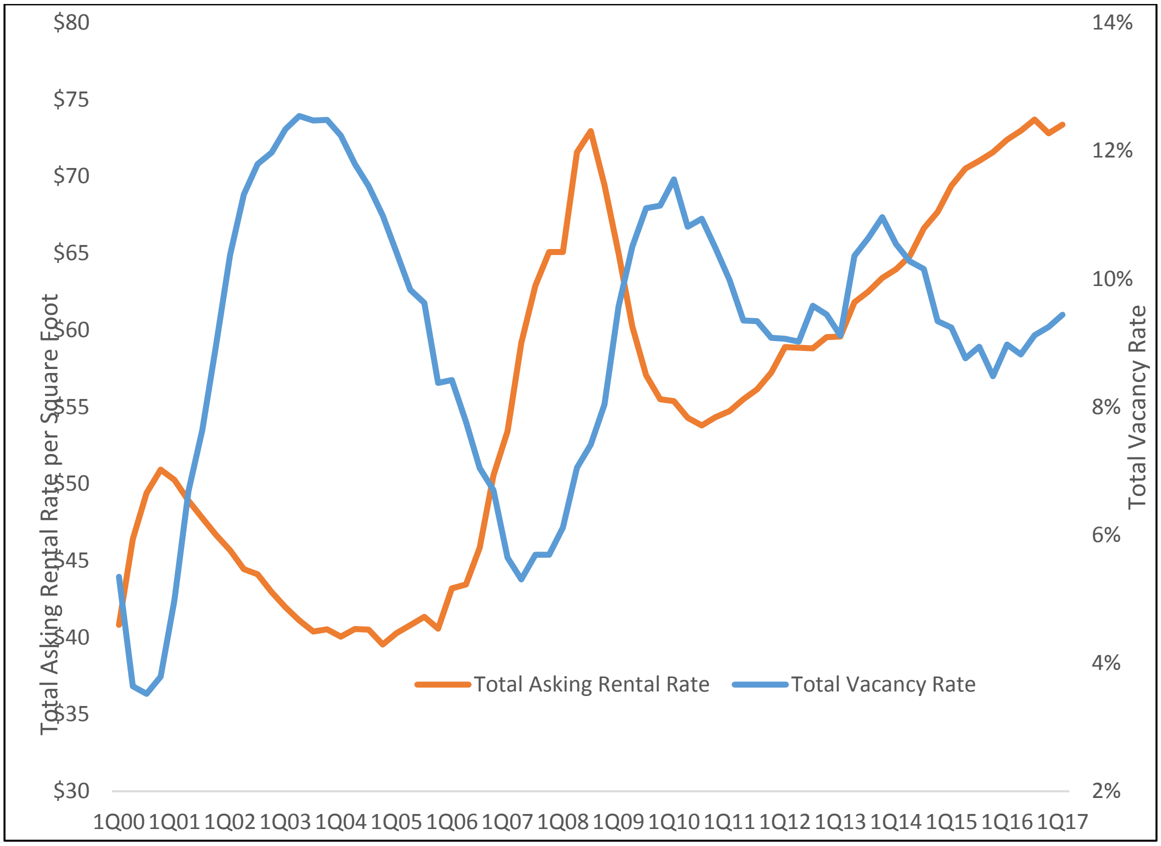
Additionally, both the residential and the commercial real estate markets remain soft. According to Douglas Elliman, the average residential price per square foot rose 3.8 percent and the number of sales rose 0.5 percent in Manhattan in the first quarter of 2017, compared to a year ago.[2] And according to Cushman and Wakefield, the commercial vacancy rate increased to 9.4 percent in the first quarter of 2017 from 9.0 percent in the first quarter of 2016. At the same time, the rental rate per square foot rose to $73 from $72 (Chart 4). The asking rent, however, may not be indicative of strength as there are reasons to believe that owners are making significant concessions to tenants to sustain those higher rents.

Finally, the city's leading economic indicators, including business condition indices and unemployment insurance claims in the first quarter of 2017, point to continued economic growth. According to the ISM-New York, Inc., business conditions in the New York City metro area improved in first-quarter 2017 over fourth-quarter 2016. ISM's current business condition index averaged 55.1 percent in first-quarter 2017. It has remained at this level for two consecutive quarters. (A reading greater than 50 percent indicates a faster pace of activity.) The six-month outlook rose to 71 percent in first-quarter 2017, the highest level of optimism since the second-quarter 2015.

Initial unemployment claims in New York City, which reflects the number of applicants for unemployment insurance, continued to decline on a year-over-year basis for the tenth consecutive quarter. According to the NYS Department of Labor, initial unemployment claims fell 3.5 percent in first-quarter 2017 on a year-over-year basis, slightly less than the 3.9 percent decline in first-quarter 2016.

[2] https://www.elliman.com/pdf/1a67b1d92427c5c724bbabbcf2a385795100843c

Chart 4. Despite Rising Commercial Vacancies, Asking Rentals are Still Increasing



SOURCE: Cushman and Wakefield.

III. The FY 2018 Executive Budget and Financial Plan

Overview: Changes to FY 2017 and 2018

FY 2017 Budget

The FY 2017 Budget in the April Financial Plan totals $85.45 billion, an increase of $639 million from the January Plan. The increase is primarily in the City-funds portion of the budget which has been increased by $525 million to $60.46 billion. The release of an additional $413 million from the reserve for disallowances against categorical grants accounts for the bulk of the increase in City-funds revenues (see sidebar). Non-tax revenue estimates are $133 million more than the January Plan while tax revenues are $37 million lower. The increase in non-tax revenues includes $16 million from revenue initiatives in the current round of Citywide Savings Program (CSP). The reduction in tax revenue estimates results from a reduction $453 million in non-property tax revenues mitigated by an increase of $206 million in property tax and $210 million in tax audit revenues. The reduction in non-property tax reflects weak current year collection, which through March is $275 million below the same period last fiscal year. The City now assumes a modest decline of 0.2 percent in FY 2017 non-property tax revenues, compared to a projected increase of 1.4 percent in January. In contrast, year-over-year property tax collection through March is 6.7 percent above last fiscal year's collection. The revision to property tax revenues increases the FY 2017 growth to 6.1 percent from the projected growth of 5.3 percent in the January Plan.

Reserve for Categorical Disallowances

The reserve for categorical disallowances is a set-aside for potential rejection of City claims against federal and state categorical aid. Subsequent to the Medicaid audit in 2006, the City increased the reserve substantially, eventually reaching over $1 billion. A review by the Office of Management and Budget concluded that a lower level was sufficient. The City released $215 million from the reserve in the January Plan, and an additional $413 million in the Executive Plan, leaving a balance of about $480 million. Because the reserve is against disallowances of prior-year claims already recorded as revenues, the released funds are treated as City-funds revenues in the fiscal year in which they are released.

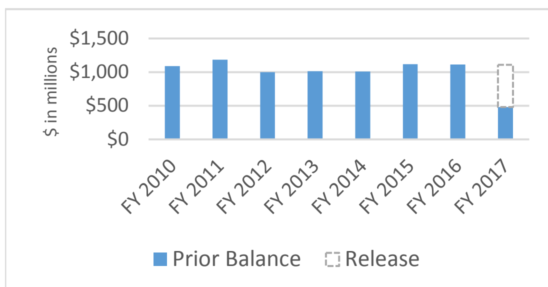


Table 6. Changes to FY 2017 City-Funds Estimates from the Preliminary Budget

($ in millions)

REVENUES		EXPENSES*	
Disallowance Against Categorical Grants	$413	Agency Expenses	$166
Property Tax Revenues	206	Miscellaneous Budget	31
Non-Property Tax Revenues	(453)	Pensions	(20)
Tax Audit Revenues	210	Energy Adjustment	(10)
Non-Tax Revenues	133	Citywide Savings Program	(314)
City Savings Program	16	**Subtotal**	**($147)**
Total	**$525**	BSA & Discretionary Transfers	672
		Total	**$525**

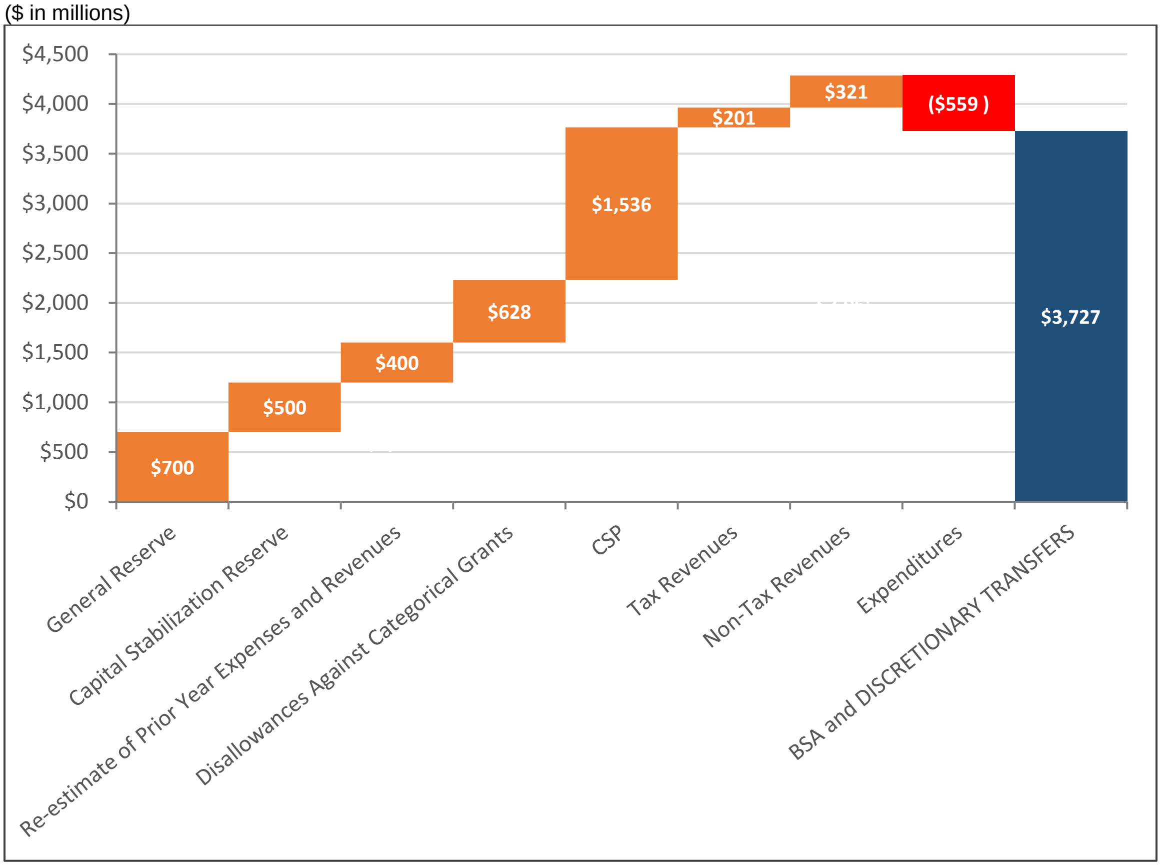
*Expenses exclude collective bargaining transfers

City-funds agency spending in the April Plan is $166 million above the January Plan. Spending reductions from the current round of CSP and downward revisions to pension contributions and energy expenditures result in a net reduction of $147 million in City-funds prior to pre-payments. The net reduction of $147 million in City-funds expenditures together with the increase in City-funds revenues allow the City to increase its Budget Stabilization Account (BSA) and discretionary transfers by $672 million, as shown in Table 6. The BSA and discretionary transfers are used to prepay FY 2018 expenses.

The increase in the BSA and discretionary transfers brings the total BSA and discretionary transfers to $3.73 billion. There were no BSA and discretionary transfers in the FY 2017 Adopted Budget. Since then, the City has added $4.3 billion of additional resources to the FY 2017 budget. About $600 million of the additional resources are used to fund additional agency spending. The remaining $3.73 billion was used to fund the BSA and discretionary transfers.

As Chart 5 shows, more than half of the additional resources are from reserves or adjustments to prior-year estimates. The reduction in the general reserve and the elimination of the FY 2017 capital stabilization reserve account for $1.2 billion of the additional resources. Adjustments to the estimates of prior-year payables and receivables and disallowances against categorical grants account for another $1.0 billion.

Chart 5. Funding the BSA and Discretionary Transfers



FY 2018 Budget

The City's FY 2018 Executive Budget totals $84.9 billion, an increase of $192 million from the Preliminary Budget. The increase reflects an upward revision of $787 million in Federal categorical grants and downward revisions of $150 million in State categorical grants and $478 million in City-funds.

Close to $610 million of the increase in Federal grants stems from the assumption of increased Community Development Block Grants (CDBG) of which almost $550 million is from Disaster Recovery CDBG. Other major increases include $84 million in Homeland Security grants and $58 million for Temporary Assistance to Needy Families grants. Overall, FY 2018 Federal grants sum to $7.8 billion, about $1.1 billion less than the FY 2017 estimate.

Most of the reduction in State grants is in the Department of Education (DOE). State grants in DOE is a net $130 million below the Preliminary Budget estimate, due primarily to a $166 million reduction in Foundation Aid. The Executive Budget also reflects a reduction of $64 million in State support for foster youth. Increases in other areas of State support, including a $13 million increase in the Department of Homeless Services, offset some the State aid reduction.

The reduction in City-funds revenues stems from a downward revision of $567 million in tax revenues, partially offset by an increase of $73 million in the projection for non-tax revenues. Revisions to personal income (PIT), real estate-related and sales tax revenue forecasts account for most of the tax revenue reduction. The FY 2018 PIT revenue revision reflects a weaker FY 2017 forecast, which is $197 million less than the Preliminary Budget. As a result, because the FY 2018

PIT revenue is growing off a lower base, it is $171 million below the Preliminary Budget, despite showing a higher growth rate. The reduction in real estate-related tax revenue stems primarily from the City's expectation that real estate transaction activities will be weaker than anticipated in the Preliminary Budget. Consequently, real estate-related tax revenue is now projected to decline by 5.0 percent in FY 2018 compared to 1.0 percent in the Preliminary Budget, resulting in a $181 million downward revision. Sale tax revenue re-estimate reflects primarily the recognition of the State sales tax intercept in SFY 2018, which reduces FY 2018 by $150 million.[3] In total, sales tax revenue in the Executive Budget is $195 million lower than the Preliminary Budget. A net increase of $73 million in non-tax revenues and an expected $16 million in revenues from the new round of CSP offset some of the tax revenues reduction.

Baseline City-funds expenditures increase is driven by an $866 million increase in agency expenses. Increases of $106 million in the Department of Homeless Services (DHS), $101 million in the Department of Education (DOE), and $77 million in the Administration for Children Services (ACS), account for almost a third of the increase in agency spending. Increases of $55 million for adult shelter operations and $47 million for family shelter operations account for the bulk of the increase in DHS. The largest addition to the DOE City-funds budget is $37 million to fund pre-K for three-year-olds and similar enhancements for EarlyLearn. In ACS, the largest increase in City-funds spending is for additional services, but rather to make up for the reduction in State funding for foster care and child care. Reductions in pension contributions and lease and energy expenses result in a net increase of $548 million in baseline expenditures. The reduction in pension contribution is due to actuarial adjustments and is discussed in greater detail in "Pensions" beginning on page 47. A new round of CSP and additional prepayments of FY 2018 expenditures offset the increase in baseline expenditures and decline in City-fund revenues, as shown in Table 7.

Table 7. Changes to FY 2018 City-Funds Estimates from the Preliminary Budget

($ in millions)

REVENUES		EXPENSES*	
Tax Revenues	($567)	Agency Expenses	$866
Non-Tax Revenues	73	Miscellaneous Budget	16
Subtotal	**($494)**	Pension	(253)
		Energy Adjustment	(49)
Citywide Savings Program	$16	Lease Adjustment	(32)
		Subtotal	**$548**
Total	**($478)**		
		Citywide Savings Program	(354)
		Prepayment	(672)
		Total	**($478)**

*Expenses exclude transfers for collective bargaining

Citywide Savings Program (CSP)

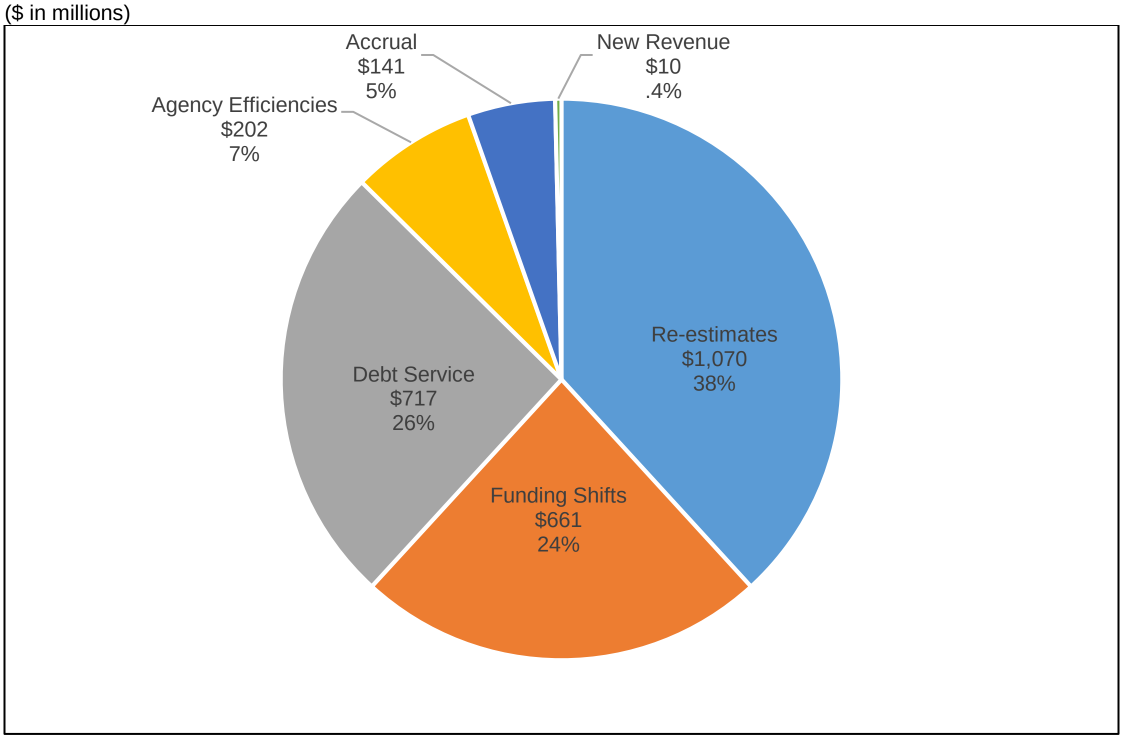
The April 2017 Financial Plan contains another round of CSP that is expected to provide budget relief totaling $330 million in FY 2017, $370 million in FY 2018, $421 million in FY 2019, $447 million in FY 2020, and $402 million in FY 2021. With the current round of CSP, estimated budget relief over the Plan period now totals $6.1 billion.

[3] The FY 2017 adopted State budget provides legal authority for the State to intercept $600 million in sales tax revenues, over three State fiscal years, to recoup refinancing savings in State-supported Sales Tax Asset Receivable Corporation (STARC) bonds. Previous financial plans had recognized only $200 million of the intercept. The current financial plan recognizes another $200 million of the intercept.

Only slightly more than half of the FY 2017 initiatives have recurring benefits that extend to the end of the Plan period. As a result, despite an expected $369 million in additional benefits from new initiatives, CSP savings in FY 2018 drop to $1.26 billion from $1.53 billion in FY 2017. Increasing the share of initiatives with recurring benefits would mitigate the need for new initiatives in the outyears. One way to achieve this is to increase the share of efficiency initiatives, which tend to have recurring benefits. Almost 90 percent of the efficiency initiatives in FY 2017 have recurring benefits that extend throughout the Plan period. These initiatives, totaling $25 million, are expected to generate recurring savings of $35 million in FY 2018, growing to $43 million by FY 2021. In FY 2018, almost 85 percent of the efficiency initiatives totaling $112 million are expected to generate recurring savings of more than $130 million in each of the outyears of the Plan. However, efficiency initiatives account for only 7 percent of the combined FY 2017 and FY 2018 CSP with re-estimates, funding shifts, and debt service accounting for almost 90 percent of the savings, as shown in Chart 6.[4]

Chart 6. Combined FY 2017 and FY 2018 Citywide Savings Program

($ in millions)



Risks and Offsets

As Table 8 shows, the Comptroller's Office has identified net additional resources of $356 million in FY 2017 driven by the Office's higher revenue projections and assumption that the FY 2017 General Reserve will not be needed for budget balance. The Comptroller's Office projects that revenues will be $186 million above the Plan estimate. Risks to the Plan's overtime estimate and assumption of Federal Medicaid reimbursement for special education students in the Department of Education offset some of the additional resources.

[4] The City's categorization of efficiency initiatives include some initiatives that are categorized under funding shift and new revenues in our categorization. Thus, under OMB's accounting, efficiencies in FY 2017 and FY 2019 total more than $400 million.

In the outyears, our office projects net risks of $120 million in FY 2018, $216 million in FY 2019, $13 million in FY 2020, and $280 million in FY 2021. The drop in the risk for FY 2020 reflects a smaller divergence between our PIT forecast and the Plan, and the removal of the risk associated with the State intercept of City sales tax with its termination in FY 2019. The outyear risks, if realized would create a gap of $120 million in FY 2018 and widen the outyear gaps to $3.8 billion in FY 2019, $3.0 billion in FY 2020, and $2.6 billion in FY 2021.

Overall, the Comptroller's Office revenue projections are higher than the Plan in each year of the Plan period, driven by higher projections for tax revenues. Risks and offsets to tax revenues are discussed in greater detail in "Tax Revenues" beginning on page 29.

Table 8. Risks and Offsets to the April Financial Plan

(Positive numbers reduce the gap and negative numbers increase the gap)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
City Stated Gap	**$0**	**$0**	**($3,590)**	**($2,983)**	**($2,320)**
Tax Revenues					
Property Tax	$0	$34	$285	$572	$673
Personal Income Tax	122	280	146	48	(65)
Business Taxes	0	33	69	128	49
Sales Tax	0	32	(32)	(118)	(201)
State Sales Tax Intercept	0	(50)	(150)	0	0
Real Estate-Related Taxes	59	(74)	(76)	(80)	(81)
Subtotal Tax Revenues	**$181**	**$255**	**$242**	**$550**	**$375**
Non-Tax Revenues					
ECB Fines	$5	$30	$30	$30	$30
Late Filing/No Permit Penalties	0	5	5	5	5
Motor Vehicle Fines	0	5	5	3	3
Taxi Medallion Sales	0	0	(107)	(257)	(367)
Subtotal Non-Tax Revenues	**$5**	**$40**	**($67)**	**($219)**	**($329)**
Total Revenues	**$186**	**$295**	**$175**	**$331**	**$46**
Expenditures					
Overtime	(170)	(174)	(150)	(150)	(150)
DOE Medicaid Reimbursement	(20)	(70)	(70)	(70)	(70)
Homeless Shelters	0	(121)	(121)	(121)	(121)
NYC Health + Hospitals	0	(165)	(165)	(165)	(165)
Public Assistance	20	15	15	15	15
HYIC Interest Support Payments	0	0	0	47	65
VRDB Interest Savings	40	100	100	100	100
General Reserve	300	0	0	0	0
Subtotal	**$170**	**($415)**	**($391)**	**($344)**	**($326)**
Total (Risks)/Offsets	**$356**	**($120)**	**($216)**	**($13)**	**($280)**
Restated (Gap)/Surplus	**$356**	**($120)**	**($3,806)**	**($2,996)**	**($2,600)**

Risks to the Plan's expenditure estimates stem primarily from assumptions of overtime spending, homeless shelter expenditures, and Health + Hospitals (H+H) support. Despite increases to the overtime budget in the current Plan, the Plan's assumptions are still significantly below recent spending patterns. The Comptroller's Office's analysis indicates that overtime could be above Plan by $170 million in FY 2017, $174 million in FY 2018 and $150 million in each of the outyears of the Plan as discussed in "Overtime" beginning on page 45.

City-funds spending on shelter operations in the Department of Homeless Services is projected to decline from $784 million in FY 2017 to $693 million in FY 2018 and remain relatively stable thereafter. However, current trends show that it is unlikely that the need for shelter services will diminish in the outyears of the Plan. Our analysis indicates that even if the adult shelter census were to stabilize at its current level, there is still risk of at least a $121 million shortfall in City funds as discussed further in “Homeless Services” beginning on page 50.

The Financial Plan continues to assume reimbursements from H+H for fringe benefits expenses and medical malpractice settlements. As discussed in previous reports, the Comptroller’s Office believes that the City is unlikely to require H+H to make these payments, as it has not done so in three of the last four fiscal years.

IV. Revenue Assumptions

In the FY 2018 Executive Budget and Financial Plan, total revenues are estimated to grow by $8.0 billion over the forecast period, from $85.45 billion in FY 2017 to $93.45 billion in FY 2021. Total revenue growth primarily reflects growth in tax revenues. City-funds revenues are projected to grow from $60.46 billion in FY 2017 to $69.42 billion in FY 2021. These projections are based on the Administration's assumption of modest growth in the local and national economies. Tax revenue growth is projected to slow to 2.3 percent in FY 2017 before accelerating and averaging 4.1 percent annually in FYs 2017-2021, driven by growth in both property and non-property tax revenues. Collections from the property tax are forecast to rise 22.4 percent from $24.61 billion in FY 2017 to $30.13 billion in FY 2021, while non-property tax revenues are expected to increase by 13.1 percent during the same period, from $30.24 billion in FY 2017 to $34.21 billion in FY 2021.[5]

Miscellaneous revenues, excluding intra-City revenues, are expected to decline by 2.2 percent in FY 2017 and by 5.7 percent in FY 2018 to $4.95 billion and $4.67 billion, respectively. These projections reflect the City's anticipation of lower non-recurring revenues and slightly lower collections from other miscellaneous revenue sources. Miscellaneous revenues are expected to rebound and grow by 5.1 percent in FY 2019, 4.3 percent in FY 2020, and remain nearly flat in FY 2021.

The Executive Budget projects $22.2 billion of Federal and State aid for FY 2018, representing a decline of about $1.18 billion from the FY 2017 estimate of $23.37 billion. The decline is mostly attributable to both the slowdown in the pace of Sandy-related reimbursement, and more conservative estimates of certain Federal grants. In FY 2018, Federal and State grants support about 26 percent of the City's overall spending, with nearly 80 percent of the funding allocated for education and social services. Over the outyears of the April Plan, Federal and State assistance are projected to fall modestly to $21.85 billion in FY 2019, before regaining ground to $22.24 billion in FY 2020 and $22.58 billion in FY 2021. These projections represent average annual growth of less than one percent between FY 2018 and FY 2021. Over this span, Federal aid is expected to decline by over $900 million as Sandy-related reimbursements continue to wind down and virtually disappear by FY 2021. In contrast, the City projects State aid to grow at an annual pace of 2.9 percent over this same period, driven primarily by a forecast of 3.6 percent annual growth in education aid.

Tax Revenues

In the April 2017 Financial Plan, total tax revenues are projected to grow 3.0 percent in FY 2018 to $56.47 billion, following an estimated 2.3 percent growth in FY 2017. The City reduced its projections for non-property tax revenues throughout the Financial Plan period. The FY 2017 tax revenue forecast declined by a net $37 million to $54.85 billion in the April 2017 Plan. The revision includes a $453 million decline in projected non-property tax revenues partially offset by increases of $206 million in property tax and $210 million in audit revenues. Weak finance sector payments and a decline in commercial real estate transactions are constraining business and real estate-related tax collections in the current fiscal year, while declining estimated payments are dampening personal income tax (PIT) collections. The April Plan also lowers tax revenue projections by a net

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[5] If not indicated specifically, throughout this section, property tax revenue includes School Tax Relief (STAR) reimbursement. Personal Income Tax (PIT) revenue include STAR reimbursement only in FY 2017. Starting in FY 2018, a PIT STAR credit will be applied against New York State taxes. These changes are revenue neutral to the City since the elimination of the reimbursement starting in FY 2018 will be fully offset by an increase in PIT collections.

$567 million in FY 2018, $475 million in FY 2019, $626 million in FY 2020, and $523 million in FY 2021.

Changes to the City's Tax Revenue Forecast

As Table 9 shows, revisions to the FY 2017 tax revenue projections include a decline of $453 million in anticipated revenues from non-property taxes led by lower revenue projections for PIT ($197 million), business tax ($118 million) and the combined real-estate-related taxes ($86 million). These revisions were partially offset by an increase of $206 million in estimated property tax revenue resulting from a re-estimate of property tax reserves and refunds and a $210 million increase in projected tax audit revenues for FY 2017.

Table 9. Revisions to the City's Tax Revenue Assumptions January 2017 vs. April 2017

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
January 2017 Financial Plan Total	**$54,883**	**$57,035**	**$59,725**	**$62,418**	**$64,858**
Revisions:					
Property	206	0	0	0	0
Personal Income (PIT)	(197)	(171)	(150)	(205)	(174)
Business	(118)	(18)	(23)	(17)	19
Sales	(50)	(195)	(29)	(44)	0
Real Estate-Related	(86)	(181)	(284)	(363)	(365)
All Other	(2)	(2)	11	3	(3)
Tax Audit	210	0	0	0	0
Revisions-Total	($37)	($567)	($475)	($626)	($523)
April 2017 Financial Plan - Total	**$54,846**	**$56,468**	**$59,250**	**$61,792**	**$64,335**

The FY 2018 Executive Budget projects total tax revenues of $56.47 billion, an increase of $1.6 billion, or 3.0 percent from the FY 2017 forecast. The April Plan lowered the FY 2018 tax revenue estimate by a net $567 million. Projected PIT revenues declined $171 million. This decline reflects mainly a lower projection for installment payments and an adjustment to the New York State School Tax Relief (STAR) program. Projected sales tax revenues declined by $195 million, primarily to account for the City's recognition of $150 million in sales tax revenue intercept by the State related to STARC bonds refinancing.[6] Projected revenues from the real-estate-related taxes declined by a combined $181 million. Net non-property tax revenue projections were revised downward throughout the Plan period.

Projected Tax Revenue Growth, FYs 2017 – 2021

The City projects total tax revenues will grow from $54.85 billion in FY 2017 to $64.34 billion in FY 2021, an average annual growth rate of 4.1 percent. Tax revenue growth is projected to slow to 2.3 percent in FY 2017, after growing by a moderate 3.2 percent in FY 2016. The projected slowdown in tax revenue growth in FY 2017 results primarily from an anticipated decline in revenues from the real-estate-related taxes. As Table 10 shows, the April Plan assumes growth in

[6] In the April Plan, the Administration recognized additional reductions in sales tax revenues of $50 million in FY 2017 and $150 million in FY 2018 to account for revenue intercept by New York State associated with the Sales Tax Asset Receivable Corporation (STARC) refinancing from which the City generated $650 million in savings. The State intercepted $50 million in collections from the sales tax in FY 2016 and is expected to recoup $200 million in each of fiscal years 2017 and 2018, and $150 million in FY 2019. The Administration has recognized the full $200 million in sales tax revenue intercept in FY 2017 but only $150 million in FY 2018 and none in FY 2019.

tax revenues will improve slightly to 3.0 percent in FY 2018 as collections from non-property taxes begin to improve.

Table 10. Tax Revenue Forecast, Growth Rates

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FYs 2017 – 2021 Average Annual Growth
Property						
Mayor	6.1%	5.0%	6.4%	4.8%	4.5%	5.2%
Comptroller	6.1%	5.1%	7.4%	5.8%	4.8%	5.8%
PIT						
Mayor	(0.3%)	3.1%	3.6%	4.6%	4.3%	3.9%
Comptroller	0.8%	4.4%	2.4%	3.7%	3.4%	3.5%
Business						
Mayor	2.8%	3.6%	3.3%	2.4%	3.8%	3.3%
Comptroller	2.8%	4.1%	3.8%	3.3%	2.5%	3.4%
Sales [a]						
Mayor	1.2%	5.4%	6.9%	4.6%	4.2%	5.3%
Comptroller	1.2%	5.1%	4.7%	5.6%	3.2%	4.7%
Real Estate-Related						
Mayor	(19.6%)	(5.0%)	2.7%	4.4%	1.9%	0.9%
Comptroller	(17.7%)	(10.2%)	2.7%	4.4%	1.9%	(0.5%)
All Other						
Mayor	3.8%	(0.3%)	2.5%	2.0%	2.2%	1.6%
Comptroller	3.8%	(0.3%)	2.5%	2.0%	2.2%	1.6%
Total Tax with Audit						
Mayor	**2.3%**	**3.0%**	**4.9%**	**4.3%**	**4.1%**	**4.1%**
Comptroller	**2.6%**	**3.1%**	**4.9%**	**4.8%**	**3.8%**	**4.1%**

[a] Projected sales tax revenue growth rates are net of the State intercept of sales tax revenues to recoup savings from the FY 2015 refinancing of Sales Tax Asset Receivable Corporation bonds.

The Comptroller's Office has revised its current year tax revenue forecasts as well as its projections for the remainder of the Financial Plan period. The Comptroller's Office projects total tax revenue to rise 2.6 percent in FY 2017 and 3.1 percent in FY 2018, slightly faster than the Administration's 2.3 percent and 3.0 percent growth forecasts for FYs 2017-2018 respectively. The difference is mostly due to the Comptroller's Office's higher forecast for PIT collections. Over the Plan period, both the Comptroller's Office and the City project average annual growth in total tax revenues of 4.1 percent.

As shown in Table 11, the Comptroller's Office projects a net offset of $181 million in FY 2017 driven by higher forecasts of PIT and the real estate-related tax revenues. The projected offsets in outyears are driven primarily by higher forecasts for PIT revenues in FY 2018, and property tax revenues in FYs 2019-2021. Net non-property tax revenue forecasts are lower than the City's in each of FYs 2019 through 2021.

The Comptroller's Office identifies net offsets growing from $181 million in FY 2017, to $550 million in FY 2020. For the last year of the Financial Plan, the Comptroller's Office forecasts a slightly lower offset of $375 million. A more detailed discussion of our projections and differences from the City's forecast follow.

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

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Property	$0	$34	$285	$572	$673
PIT	122	280	146	48	(65)
Business	0	33	69	128	49
Sales	0	32	(32)	(118)	(201)
State Sales Intercept	0	(50)	(150)	0	0
Real Estate-Related	59	(74)	(76)	(80)	(81)
Total	**$181**	**$255**	**$242**	**$550**	**$375**

Property Taxes

Growth projections for property tax revenue remain strong throughout the Plan period. Property tax revenue is expected to grow 5.0 percent in FY 2018 to $25.83 billion. This growth is supported by strong billable value growth of 8.45 percent in the FY 2018 tentative assessment roll. Total market value of all City properties is assessed at $1.157 trillion, an 8.74 percent increase from FY 2017. Billable assessed value on the final roll is forecast to grow 6.7 percent (before accounting for veterans' and STAR exemptions). Over the Financial Plan period, property tax revenue growth is expected to surpass growth in non-property tax revenues and average 5.2 percent annually, reflecting steady growth in projected property values and the phase-in of the pipeline of previous assessments.

The Comptroller's Office expects property tax revenue to grow at an average annual growth rate of 5.8 percent over the Plan period compared to the 5.2 percent growth anticipated by the City. In FY 2018, the Comptroller's Office is assuming a slightly lower reduction from the tentative roll to the final roll, resulting in net property tax revenue growth after reserves of 5.1 percent in FY 2018 compared to the City's 5.0 percent projection. The Comptroller's Office forecasts that growth in property tax revenue will begin to taper off over the forecast period as higher interest rates begin to put downward pressure on market and assessment values. Property tax revenue growth is expected to decline from the 7.4 percent forecast in FY 2019 to 4.8 percent by FY 2021. Although, the City expects a similar downward growth pattern to occur, the Comptroller's Office's forecasts remain slightly higher, resulting in offsets increasing from $34 million in FY 2018 to $673 million in FY 2021.

Personal Income Taxes

PIT revenue is expected to decline 0.3 percent in FY 2017 primarily due to a 12.3 percent drop in estimated payments. The City expects PIT revenue to rebound in FY 2018 and grow by 3.1 percent to $11.66 billion, although growth in estimated payments is expected to recover only slightly to 1.8 percent in FY 2018. Collections from withholding are expected to increase 9.7 percent in FY 2018, boosted by an adjustment to the STAR credit. Over the Plan period, net PIT revenue growth is projected to average 3.9 percent annually.

The Comptroller's Office projects PIT revenue to average annual growth of 3.5 percent from FY 2017 to FY 2021, slightly lower than the City's forecast of 3.9 percent. Although overall growth over the Plan period is similar, the Comptroller's Office's forecast assumes stronger near-term growth in FY 2017 and FY 2018, and conversely lower growth in the outyears compared to the City. For fiscal years 2017-2018, the major source of difference is the non-withholding component of income that is primarily associated with capital gains realizations. Processing delays for refunds due to new Federal filing requirements for EITC and Childcare Credits could still impact non-withholding revenues, but the Comptroller's Office's preliminary assessment of the 2017 filing season for personal income taxes is somewhat stronger than the City's. This is mainly due to higher than anticipated offset in payments from the State, which totaled $193 million in April, and helped to mitigate a year-over-year decline in estimated payments and extensions of more than $365 million.[7] The Comptroller's Office therefore anticipates a smaller decline in non-withholding in FY 2017.

For FY 2018, the Comptroller's Office anticipates that the uptick in the stock market that occurred since November 2016, which has resulted in record highs for the major indices, will contribute to growth in non-withholding tax revenue of 4.4 percent compared to a decline of 3.5 percent forecast by the City. Downside risks from declining sales of real estate assets are expected to be outweighed by the shifting of income into the new tax year that likely occurred in anticipation of federal tax rate cuts. The resulting offset to PIT is $280 million in FY 2018. In contrast, in the outyears, the major source of difference between the Comptroller's Office and the City's forecast is the withholding component of income tax related to wages and salary disbursements. After an anticipated one-time jump in withholding revenue of 8.9 percent in FY 2018, due to a change in the structure of the STAR rate reduction, the Comptroller's Office forecasts withholding to grow by only 3.6 percent on average from FY 2018 to FY 2021, compared to 4.7 percent for the City.[8] This lower growth reflects a weaker economic outlook projected by the Comptroller. In particular, the average overall New York City wage rate is projected to grow by only 2.6 percent in FY 2019-FY 2021 compared to 3.9 percent for the City. [9] As a result, the Comptroller's Office projects that the offset of $280 million in FY 2018 will decline to $146 million in FY 2019 and $48 million in FY 2020 and then a risk of $65 million in 2021.

Business Taxes

Following a 6.4 percent decline in FY 2016, the City expects business tax revenues (unincorporated business tax (UBT) and business corporation tax), to rebound modestly in FY 2017 and grow by 2.8 percent. This growth is supported by an estimated 4.7 percent increase in revenues from the business corporation tax partially offset by a projected decline of 0.7 percent in UBT revenues resulting from lower finance sector payments in calendar year 2017. An anticipated expansion of hedge fund assets under management is expected to boost UBT collections in FY 2018. Collections from the business corporation tax are expected to continue to grow in the next fiscal year, although at a slower rate of 2.5 percent. The April financial plan projects growth in aggregate business tax revenues of 3.6 percent in FY 2018 to $6.03 billion, and 3.3 percent average annual growth over FYs 2017-2021.

The Comptroller anticipates that collections from the combined business taxes will average annual growth of 3.4 percent over the forecast period, marginally higher than the City's forecast. The City anticipates that growth in the business corporation tax will drop off in FY 2018, averaging annual growth of only 1.9 percent in the outyears. The Comptroller's Office projects slightly higher growth in the business corporation tax through FY 2020, but slower growth in FY 2021. As a result, offsets to the business corporation tax are projected to increase from $40 million in FY 2018 to over $100 million in FY 2020 and FY 2021. The Comptroller's forecast for UBT is more similar to the City's, with smaller risks and offsets ranging from a $2 million offset in FY 2019 to a risk of $52 million in FY 2021.The net offsets for the combined business taxes are $33 million in FY 2018, $69 million in FY 2019, $128 million in FY 2020 and $49 million in FY 2021.

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[7] Offset payments are made by the State when final PIT revenues for a period are higher than initial estimates and transfers to the City.

[8] Effective in tax year 2017, the STAR PIT rate reduction for New York Residents has been restructured, and will be now reflected as a reduction in taxpayers' New York State tax liability, and an equal increase in their New York City Tax liability. The combined NYS and NYC liability will be unchanged under the restructuring. We anticipate that these rates will be reflected in updated withholding tables released in July 2017.

[9] The City's estimate also does not include lost revenue from recently enacted legislation that would exclude union dues from New York City taxable income, which is expected to result in a relatively small loss of $8-$10 million in tax revenue beginning in FY18.

Sales Tax

The April Plan assumes a 1.2 percent growth in revenues from the sales tax in FY 2017. The forecast is net of $200 million in payments to the State related to the City's refinancing of STARC bonds. Excluding the STARC reduction, sales tax revenue growth is projected at 3.4 percent in the current fiscal year. For FY 2018, growth is expected to accelerate to 5.4 percent. The City expects sales tax revenue to reach $7.37 billion in FY 2018, net of $150 million in anticipated State intercept. Since the Plan does not recognize any further intercept in FY 2019, projected growth in sales tax revenue accelerates to 6.9 percent in FY 2019 before slowing down in the last two years of the Plan period and averaging 5.3 percent annually from FY 2017 to FY 2021.

The Comptroller's Office believes the unrecognized sales tax revenue intercept of $50 million in FY 2018 and $150 million in FY 2019 represent risks to the City's forecast. For FY 2017, both the Comptroller and the City project sales tax revenue to rise by just 1.2 percent. Excluding STARC reductions, year-to-date collections through March rose 3.7 percent over the previous year. The Comptroller's Office expects that job gains and steady growth in the local economy will support sales tax revenue growth of 5.1 percent in FY 2018, net of $200 million in anticipated State intercept. The Comptroller's Office's baseline sales tax revenue forecast for FY 2018 is $32 million above the City's. However, since the City only recognizes $150 million of the $200 million in anticipated STARC reductions for FY 2018, the Comptroller projects a net risk of $18 million. For FY 2019-2021, the Comptroller's Office projects net risks of $183 million, $118 million, and $201 million respectively. These projections reflect the remaining $150 million in unrecognized STARC reductions in FY 2019 and an expected slowdown in local economic growth in the outyears of the Plan period. Overall, the Comptroller's Office projects sales tax revenue growth to average 4.7 percent annually in FYs 2017-2021.

Real Estate-Related Taxes

The City projects a significant decline of 19.6 percent in aggregate revenues from real estate-related taxes in FY 2017. Revenues from the real property transfer tax (RPTT) and the mortgage recording tax (MRT) are both expected to fall in the current fiscal year driven by a decline in commercial real estate sales. In FY 2018, aggregate real estate-related taxes are expected to drop another 5.0 percent to $2.3 billion. MRT revenues are expected to decline 13.0 percent as revenues from commercial mortgage recordings continue to fall. Collections from RPTT are projected to rise slightly by 1.4 percent in FY 2018, supported by modest growth in residential and commercial real-estate transactions. Aggregate real estate-related tax revenue is expected to average 0.9 percent growth annually over the forecast period.

The Comptroller's Office projects a 17.7 percent decline in combined revenues from RPTT and MRT in FY 2017 and another 10.2 percent decline in FY 2018. These revenues are expected to recover slowly over the Plan period but remain below FY 2017 levels by the end of the forecast period. After a record year of revenues from these two taxes in FY 2016 (a combined $3.0 billion), collections cooled off during the first nine months of the current fiscal year, declining by 17.2 percent compared to the first nine months of FY 2016. The Comptroller's Office forecasts aggregate real estate-related tax revenues to be $2.5 billion in the current fiscal year and further decline to $2.2 billion in FY 2018 before starting to slowly increase over FYs 2019-2021. The Comptroller's Office forecasts that the positive effects from increased employment and wages will be offset by higher interest rates. In contrast, the City expects that these revenues will recover and exceed FY 2017 level by the end of the Plan period. This difference results in offsets of $59 million in FY 2017 followed by risks in the outyears that grow from $74 million in FY 2018 to $81 million in FY 2021.

Audits

The City revised its estimate of tax audit revenues in the current fiscal year by $210 million bringing the FY 2017 total to $1.3 billion. The City projects that audit revenue will drop sharply to $850 million in FY 2018 and to $721 million for the remainder of the Plan. This is a significant drop compared to the $1 billion average realized over the past five years, and when measured as a share of total revenues. While corporate tax reform enacted in 2015 could potentially reduce tax avoidance through combined reporting requirements and other measures that were adopted, the effects of this are likely to occur beyond the Plan period given the lagged timing of audit revenue. The Comptroller's Office therefore projects that there could be considerable upside to revenue from tax audits of $125 million in FY 2018 and $250 million in the outyears.

Miscellaneous Revenues

The City raised its FY 2017 miscellaneous revenue projection by a net $150 million to $4.95 billion in the April 2017 Financial Plan.[10] The bulk of the increase, $98 million, reflects higher anticipated revenues from the category "other miscellaneous", including $30 million from the sale of development rights of the Brooklyn Heights library and $80 million recoupment of prior year expenses and fees in the Department of Education. These revenues were partially offset by a $23 million decline in tobacco settlement revenues to reflect an adjustment related to untaxed Native American tobacco sales. Adjustments to tobacco settlement revenues were carried throughout the Plan period. Other forecast changes include a net increase of $33 million in fine revenues from the City's Environmental Control Board (ECB) and the Department of Buildings, and a $19 million increase in estimated rental income, including $16 million in additional airport rent.

The FY 2018 Executive Budget reflects a 5.7 percent decline in miscellaneous revenues from the FY 2017 estimate to $4.67 billion. The year-over-year decline is mostly due to lower anticipated non-recurring revenues in FY 2018. The current FY 2018 miscellaneous revenue forecast increased $89 million compared to the January Plan estimate. Table 12 shows the changes in the FY 2018 miscellaneous revenue projections since the January 2017 Plan.

Table 12. Changes in FY 2018 Estimates
January 2017 vs. April 2017

($ in millions)	January	April	Change
Licenses, Franchises, Etc.	$645	$674	$29
Interest Income	110	110	0
Charges for Services	977	989	12
Water and Sewer Charges	1,361	1,400	39
Rental Income	225	251	26
Fines and Forfeitures	902	908	6
Other Miscellaneous	356	333	($23)
Total	**$4,576**	**$4,665**	**$89**

The revisions in the miscellaneous revenue categories were minor. The revenue forecast for licenses and franchises increased by $29 million, including $19 million in additional building permit revenues and $6 million in additional revenues from landfill gas concessions. Charges for services increased $12 million to account for higher anticipated collections from fees such as fire insurance and inspection, electrical inspection and others. Revenues from water and sewer charges increased by $39 million.[11] The increase in rental income ($26 million) is due mostly to an increase

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

[11] Water and sewer revenues are collected by the Water Board from dedicated water and sewer charges and reimburse the City Department of Environmental Protection for operation and maintenance of the water delivery and sewer systems, and therefore are not available for general operating purposes.

in anticipated airport rent to reflect adjustments to the base rent. The Projection for "other miscellaneous", which includes non-recurring revenues such as asset sales, refunds of prior-year expenditures and restitutions, declined $23 million to reflect an expected decline in tobacco settlement revenues as mentioned above.

The City expects total miscellaneous revenues to decline by 5.7 percent in FY 2018 and then grow by 5.1 percent in FY 2019, 4.3 percent in FY 2020 and remain nearly flat in FY 2021. The miscellaneous revenue forecast for the outyears of the Financial Plan continues to include funds from the sale of taxi medallions. The plan assumes $107 million in FY 2019, $257 million in FY 2020 and $367 million in FY 2021. The Comptroller's Office believes that given market conditions and uncertainty surrounding future taxi medallion sales, the $731 million in anticipated revenues from medallion sales represents a risk to the City's Financial Plan.

Based on the collection trend in recent years, the Comptroller's Office expects revenues from fines to be above the City's forecast by $5 million in FY 2017, $40 million annually in FYs 2018 and 2019, and $38 million in each of FYs 2020 and 2021. The Comptroller believes revenues from Environmental Control Board (ECB) fines could generate an additional $5 million in FY 2017 and $30 million annually over the Plan period. Motor vehicle fines could be higher by $5 million annually in FYs 2018 and 2019 and $3 million annually in FYs 2020 and 2021, while penalties from the Department of Buildings (DOB) are likely to exceed the City's current forecast by $5 million annually in FYs 2018 through 2021.

Federal and State Aid

The April Financial Plan projects total Federal and State aid of $23.37 billion in FY 2017, supporting about 27 percent of the City's budget. Compared with the January Plan, the City's assumption of Federal and State assistance in the current year has increased by $131 million, the bulk of which has been reflected in Federal grants including $33 million in health grants concentrated mostly in HIV/AIDS programs, $16 million in Community Development Block Grant (CDBG), $11 million in homeland security grants and $9 million in workforce development funding.

The Executive Budget projects $22.2 billion of Federal and State aid for FY 2018, supporting about 26 percent of the City's overall spending. Nearly 80 percent of Federal and State funds are in support of spending for education and social services. Compared to the Preliminary Budget, the City has reflected an increase of $787 million in Federal grants and a decline of $150 million in State grants. On the Federal side, the largest increase stems from additional CDBG assumptions of $607 million, with CDBG-Disaster Recovery (CDBG-DR) for Sandy-related projects accounting for $547 million of the total. Total Sandy-related reimbursement, including CDBG-DR, is expected to reach nearly $715 million in the FY 2018 Executive Budget. The remainder of the CDBG increase is earmarked mainly for lead testing and remediation of water in schools ($16 million) and façade repair work at the New York City Housing Authority ($59 million). In other areas, the City has reflected increases of $62 million in social services primarily for homeless families shelter re-estimates, $84 million in homeland security grants and $11 million in education.

Subsequent to the release of the Executive Budget, the White House unveiled the Proposed Federal FY 2017-18 Budget on May 23. As shown in Table 13, our preliminary analysis indicates that major reductions and eliminations outlined in the President's Budget could lead to reduced Federal support of at least $850 million against the City's current budget assumptions. The proposals contain deep cuts in funding for social services, community development/housing and education. The largest reductions in social services are a 10-percent cut in Temporary Assistance for Needy Families (TANF) and elimination of the TANF contingency funds that could potentially trim more than $190 million in Federal assistance. The budget also proposes to eliminate the Community Services Block Grant, Social Services Block Grant and Low-Income Home Energy Assistance Program that could result in additional cuts of nearly $120 million. Further, the elimination of Community Development Block Grants and various education grants could result in reductions of another $298 million and $134 million, respectively.

Table 13. Potential Impact of President Trump's Proposed Budget on FY 2018 Executive Budget

($ in millions)	FY 2018
Community Development & Housing	**$310**
Eliminate Community Development Block Grant	298
Eliminate Home Investment Partnership Program	12
Education	**$134**
Eliminate 21st Century Community Learning Centers	21
Eliminate Impact Aid	5
Eliminate Title II Supporting Effective Instruction Grants	108
Employment	**$30**
Senior Employment Grants Elimination	4
Workforce Innovation and Opportunity Act Grants Reduction	26
Social Services	**$330**
TANF Block Grant Reduction[1]	191
Eliminate Community Services Block Grant	48
Eliminate LIHEAP	23
Eliminate Social Services Block Grant	68
Homeland Security	**$27**
Homeland Security Grants Reduction	27
Other	**$19**
Dept of State Funding Reduction	13
Eliminate State Criminal Alien Assistance Program	6
Total	**$850**

[1] The estimates reflect a 10 percent reduction of the total Federal funds that the City assumes under the TANF program. The Federal budget seeks a 10 percent cut in TANF Block Grant and elimination of TANF Contingency Fund. However, because the City receives TANF funds from the State under the same revenue stream, it is difficult to determine which portion is subject to elimination as opposed to a 10 percent reduction. Once the City receives guidance from the State, the impact will likely change.

Following adoption of the State budget in early April, the Administration has adjusted its State aid projections in the FY 2018 Executive Budget, as shown in Table 14. The Executive Budget assumes State aid will reach $14.4 billion, with education aid accounting for nearly three-quarters of this total and reflecting an increase of 3.4 percent in FY 2018. While the enacted State budget included a larger FY 2018 school aid increase than the Governor's Executive Budget proposal, funding still fell $187 million short of the City's forecast, including a shortfall of $166 million in Foundation Aid. The City's financial plan reflects a commensurate decrease in school spending in FY 2018. The State budget also requires the City to pay more in basic tuition to charter schools. In FY 2018, the full additional cost of $57 million will be funded by the State, but in FY 2019 and beyond, the additional tuition payments to charter schools could pose a risk to the City's financial plan. (For more detailed discussion, refer to "Department of Education" on page 49.) The State also shifted new costs to the City, including $44 million in foster care services, $20 million annually for the placement of special education children in residential schools, and $4 million for child care subsidies for low-income families. The Legislature also provided new budgetary powers to the Governor, which could negatively impact the City if federal revenues to the State are reduced substantially in the upcoming federal fiscal year. Under the statute, if federal Medicaid receipts to the State are cut by more than $850 million, or all other non-Medicaid federal grants are cut by more than $850 million, the Governor could uniformly reduce related disbursements unless the Legislature adopts an alternative plan within 90 days.

Table 14. Changes from the January Plan due to Adopted 2017-2018 State Budget

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
School Aid					
Foundation Aid	(8)	(166)	(125)	(27)	31
Charter School Aid	0	57	0	0	0
All Other School Aid	16	(22)	(12)	(12)	(12)
Subtotal School Aid	**$8**	**($130)**	**($137)**	**($39)**	**$19**
Cost Shifts					
Foster Care Block Grant	(22)	(44)	(44)	(44)	(44)
Special Education	(10)	(20)	(20)	(20)	(20)
Child Care Block Grant	(2)	(4)	(4)	(4)	(4)
Subtotal Cost Shifts	**($34)**	**($68)**	**($68)**	**($68)**	**($68)**
Community College Aid	**$0**	**$11**	**$11**	**$11**	**$11**
DMV Traffic Adjudication	**($1)**	**($3)**	**($2)**	**$0**	**$0**
Total	**($26)**	**($190)**	**($196)**	**($96)**	**($38)**

The State budget agreement also enacted significant changes in the areas of criminal justice, higher education, and affordable housing. Under "Raise the Age" legislation, over the next few years, most New York adolescents under age 18 will be adjudicated in Family Court rather than Criminal Court. The changes apply to 16-year-olds on October 1, 2018 and 17-year-olds on October 1, 2019. The City is also required to establish specialized secure juvenile detention facilities for older youth and is prohibited from detaining anyone under age 18 on Rikers Island as of October 1, 2018. The fiscal impact of Raise the Age changes are unclear. Under the legislation, the City may apply for a financial hardship waiver to eliminate the required local share of related costs. The State now funds 50 percent of expenses at juvenile detention facilities. To be conservative, the State's financial plan assumes State financing of the additional local costs associated with the changes. Total costs to the State are forecast to be $77.5 million in SFY 2019 and rise to $378.4 million in SFY 2021.

The City's public universities may experience a boost in enrollment as the State's new Excelsior Scholarship program phases in. Beginning in the 2017-18 school year, full-time students with family income below $100,000 will be eligible for free tuition under the Excelsior program. The income threshold will rise to $125,000 in school year 2019-20. Students must agree to live and work in New York State following graduation or the scholarship may be converted into a loan. CUNY was also granted authority to increase undergraduate resident tuition by $200 per year for the next four years.

The State budget agreement also renewed the City's 421-a property tax exemption program, which had expired in early 2016. Under the new name "Affordable New York," development projects with

300 or more rental units in certain areas of Manhattan, Brooklyn and Queens will receive 35 years of a full property tax abatement in exchange for 40 years of maintaining affordability for 25 to 30 percent of units. Outside of these areas, developments will be eligible for the tax credit based on different affordability options. The State budget agreement also allocates additional capital funds to the City for supportive and affordable housing, including $200 million for NYCHA and $100 million for low-income affordable housing.

In the outyears, Federal and State grants are projected to rise to $21.85 billion in FY 2019, $22.24 billion in FY 2020 and $22.58 billion in FY 2021. These projections represent average annual growth of less than one percent. Federal aid is expected to decline by over $900 million over this period mainly due to the winding down of Sandy-related reimbursement. In contrast, the City projects State aid to grow at an average annual rate of 2.9 percent from FY 2018 to FY 2021, driven primarily by the City's assumed rate of school aid increase of 3.6 percent annually. If these assumptions hold true, the level of Federal and State support for the City's expense budget would decline to about 23.6 percent by FY 2021.

V. Expenditure Analysis

Total-funds FY 2018 expenditures in the April Financial Plan are projected to decline slightly from $85.45 billion in FY 2017 to $84.86 billion in FY 2018. However, both FY 2017 and FY 2018 include prepayments which lower expenditures in these fiscal years. In addition, expenditures in FY 2017 are further reduced by the take-down of the general reserve and re-estimates of prior-year payables and receivables. After adjusting for prepayments and other prior-year actions, and excluding re-estimates of prior-year receivables and payables and reserves, expenditures are projected to grow from $85.86 billion in FY 2017 to $87.34 billion in 2018, a growth of 1.7 percent, as shown in Table 15.

Expenditure growth over the Plan period is driven by spending on wages and salaries, debt service, health insurance, and other fringe benefits (excluding pensions). The combined spending in these areas is projected to grow by 18.3 percent over the Plan period, averaging 5.3 percent annually. All other expenditures, net of the General Reserve, Capital Stabilization reserve, and prior-year re-estimates, are projected to remain relatively flat over the same period, with a projected annual average growth of 0.4 percent.

Table 15. FY 2017 – FY 2021 Expenditure Growth Adjusted for Prepayments and Prior-Year Actions

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Growth FYs 17-21	Annual Growth
Salaries and Wages	$25,380	$26,938	$28,258	$29,057	$29,695	17.0%	4.0%
Debt Service	$6,282	$6,527	$7,225	$7,908	$8,396	33.6%	7.5%
Health Insurance	$5,856	$6,388	$6,861	$7,402	$8,067	37.8%	8.3%
Other Fringe Benefits	$3,515	$3,638	$3,833	$4,185	$4,304	22.4%	5.2%
Subtotal	**$41,034**	**$43,490**	**$46,177**	**$48,552**	**$50,463**	**18.3%**	**5.3%**
Pensions	$9,283	$9,459	$9,754	$9,824	$9,889	6.5%	1.6%
Medicaid	5,915	5,915	5,915	5,915	5,915	0.0%	0.0%
Public Assistance	1,584	1,594	1,605	1,617	1,617	2.0%	0.5%
Judgments and Claims	716	692	707	725	740	3.4%	0.8%
Other OTPS	27,332	26,186	25,700	25,694	25,898	(5.2%)	(1.3%)
Subtotal	**$44,830**	**$43,847**	**$43,682**	**$43,775**	**$44,058**	**(1.7%)**	**(0.4%)**
Expenditures Before Reserves and Prior-Year Re-estimates	**$85,864**	**$87,337**	**$89,858**	**$92,327**	**$94,521**	**10.1%**	**2.4%**
Prior-Year Receivables and Payables Re-estimate	**($400)**	**$0**	**$0**	**$0**	**$0**	**(100.0%)**	**(100.0%)**
General Reserve	**$300**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**233.3%**	**35.1%**
Capital Stabilization Reserve	**$0**	**$250**	**$250**	**$250**	**$250**		
Total	**$85,764**	**$88,587**	**$91,108**	**$93,577**	**$95,771**	**11.7%**	**2.8%**

Headcount: Hiring Lags Planned Increases

The April 2017 Financial Plan projects total-funded full-time headcount of 301,293 for fiscal year-end 2017, an increase of 14,291 or 5 percent from the FY 2016 actual year-end level. Planned headcount remains relatively stable over the Plan period, with a modest increase of 3,301 to 304,594 by fiscal year end 2021, an average annual increase of 0.3 percent, as shown in Table 16. During the release of the Executive Budget, the Mayor announced a plan to freeze hiring for certain managerial titles. The headcount plan does not reflect the Mayor's announced hiring freeze. It is likely that outyear headcount targets will be reduced once the specifics of the hiring freeze are developed. As discussed further below, headcount will likely fall significantly below plan in the current fiscal year.

Table 16. Total Funded Full-Time Year-End Headcount Projections – April 2017 Financial Plan

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Pedagogical					
Dept. of Education	119,280	120,378	121,395	121,501	122,891
City University	4,441	4,441	4,441	4,441	4,441
Subtotal	**123,721**	**124,819**	**125,836**	**125,942**	**127,332**
Uniformed					
Police	35,822	35,906	35,906	35,906	35,906
Fire	10,887	10,914	10,946	10,946	10,946
Correction	10,336	10,420	10,459	10,475	10,475
Sanitation	7,445	7,517	7,594	7,607	7,607
Subtotal	**64,490**	**64,757**	**64,905**	**64,934**	**64,934**
Civilian					
Dept. of Education	11,253	11,409	11,555	11,573	12,240
City University	1,907	1,926	1,941	1,945	1,945
Police	16,249	15,940	15,719	15,719	15,719
Fire	6,018	6,073	6,073	6,073	6,072
Correction	2,188	2,172	2,172	2,172	2,172
Sanitation	2,250	2,255	2,279	2,279	2,279
Admin. for Children's Services	7,116	7,145	6,962	6,961	6,961
Social Services	15,080	14,689	14,690	14,699	14,699
Homeless Services	2,446	2,483	2,483	2,483	2,483
Health and Mental Hygiene	5,674	5,398	5,362	5,353	5,353
Finance	2,169	2,180	2,180	2,180	2,180
Transportation	5,255	5,199	5,166	5,158	5,158
Parks and Recreation	4,335	4,275	4,275	4,263	4,260
All Other Civilians	31,142	31,081	30,818	30,772	30,807
Subtotal	**113,082**	**112,225**	**111,675**	**111,630**	**112,328**
Total	**301,293**	**301,801**	**302,416**	**302,506**	**304,594**

The April headcount plan, as shown in Table 17, shows a net increase of 590 in FY 2017 year-end headcount and a more than 1,000 increase in each of FYs 2018 through 2020 as compared to the January 2017 Financial Plan. Most of the increase in FY 2018 and beyond is in civilian headcount with DOE showing the greatest increase.

Table 17. Full-time Headcount Plan-to-Plan Comparison
January 2017 Financial Plan vs. April 2017 Financial Plan

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Pedagogical					
Dept. of Education	2	225	472	707	955
City University	0	0	0	0	0
Subtotal	**2**	**225**	**472**	**707**	**955**
Uniformed					
Police	0	84	84	84	84
Fire	3	4	8	8	8
Correction	0	0	0	0	0
Sanitation	0	12	25	38	38
Subtotal	**3**	**100**	**117**	**130**	**130**
Civilian					
Dept. of Education	28	155	291	305	318
City University	0	2	0	0	0
Police	191	(31)	(252)	(252)	(252)
Fire	41	93	93	93	92
Correction	0	0	0	0	0
Sanitation	0	(14)	(14)	(14)	(14)
Admin. for Children's Services	0	33	(150)	(150)	(150)
Social Services	(4)	(10)	(14)	(9)	(9)
Homeless Services	79	90	90	90	90
Health and Mental Hygiene	124	61	33	28	28
Finance	0	16	16	16	16
Transportation	11	18	13	13	13
Parks and Recreation	9	32	32	32	32
All Other Civilians	106	580	398	397	375
Subtotal	**585**	**1,025**	**536**	**549**	**539**
Total	**590**	**1,350**	**1,125**	**1,386**	**1,624**

Not all of these headcount increases, however, are accompanied by a net budgetary impact. Only 208 of the planned 590 increase in positions from the January Plan have an impact on the FY 2017 budget. The remaining increase represents adjustments to the headcount plan to reflect already-funded positions. Chart 7 shows the headcount increases from the January Plan that have budgetary impacts. Major net increases with budgetary financial impacts for FY 2017, as compared to the January Plan, include: 79 in the Department of Homeless Services (relating to Department of Social Services integration realignment, adding a charge of $3 million; staffing for homelessness prevention, adding a charge of $0.3 million; and street homelessness, leading to a charge of $1.4 million), 41 in civilian Fire (relating mainly to EMS ambulance tours, accounting for a cost of $1.8 million) and 30 in civilian Department of Education (relating to an "EarlyLearn Transfer-Quality Enhancements" initiative, resulting in a cost of $0.4 million in FY 2017).

Chart 7. Budget Impact of Headcount Increase

($ in millions)

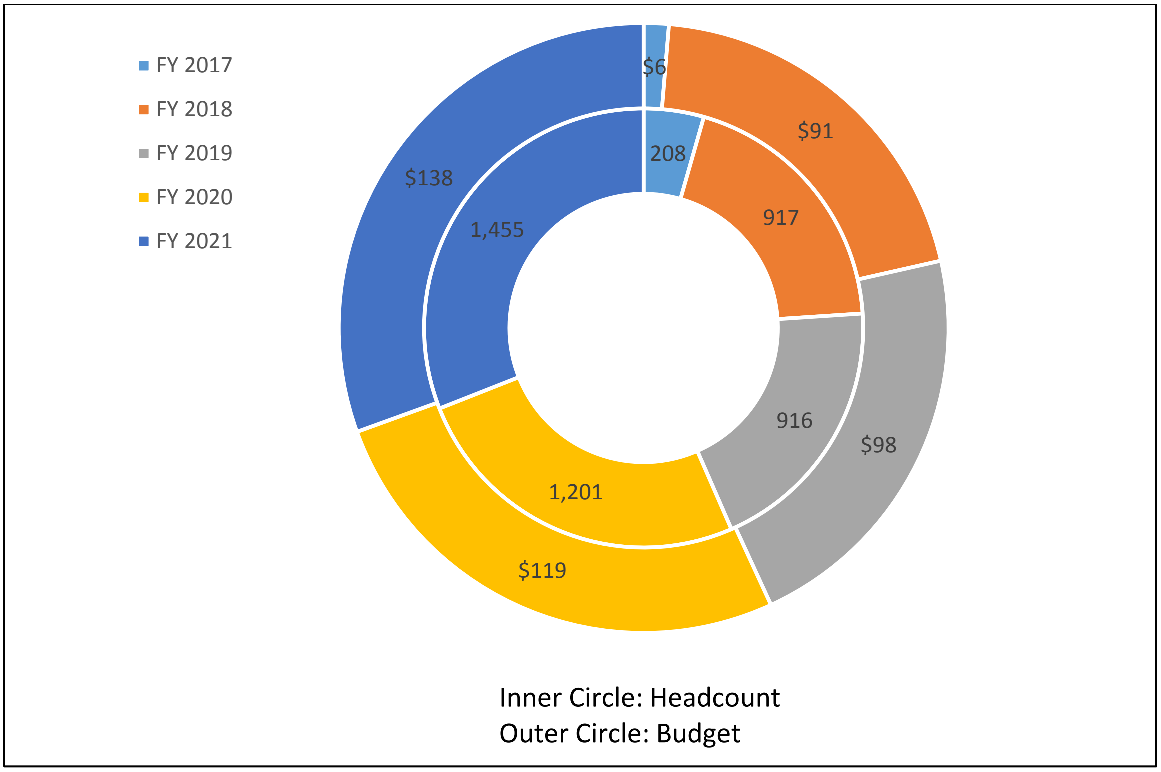


Table 18 compares actual headcount on March 31, 2017 to the planned FY 2017 year-end headcount. The headcount plan shows an expected net increase of 14,291 full-time employees Citywide, from June 30, 2016. As of March 31, 2017, three-quarters through the fiscal year, Citywide headcount has shown a net increase of only 6,294, only 44 percent of the planned increase.

The pace of increase indicates that headcount will likely fall short of the target for the current fiscal year, suggesting that there could be additional personal services accrual savings in the budget. Several agencies with significant planned increases are well short of the pace needed to meet their end target. These include:

- The Department of Social Services, which has added only 22 of the planned 1,816 increase.
- The Department of Finance, which has added only 31 of the planned 287 increase.
- The Department of Transportation, which has added only 75 of the planned 622 increase.
- The Police Department, which has added only 305 of the planned increase of 1,896 civilian employees.
- The Department of Sanitation, which has added only 32 of the planned 146 civilian increase.
- The Administration for Children's Services, which has added only 279 of the planned 1,144 increase.

- The Department of Correction, which has added only 152 of the planned increase of 619 civilian and 131 of the planned increase of 504 uniformed.
- The Department of Parks and Recreation, which has added only 113 civilian of a planned increase of 292.
- The Department of Health and Mental Hygiene, which has added only 483 of the planned 1,166 increase.
- The Department of Homeless Services, planned an increase of 42 full-time headcount, but instead had a decrease of 51.

Despite planned reductions, headcount in uniformed NYPD, FDNY, and Department of Sanitation, have increased since June 30, 2016. The Department of Education, with a planned reduction in civilian headcount of 995, has shown an increase of 214 since June 30, 2016.

Table 18. March 31, 2017 vs. Planned June 30, 2017

	6/30/2016 Actuals	3/31/2017 Actuals	April Plan 6/30/2017 Plan	Change 6/30/2016 Actuals to 3/31/2017 Actuals	Planned Change 6/30/2016 to 6/30/2017	Percent of Planned Change Achieved
Pedagogical						
Dept. of Education	115,799	118,324	119,280	2,525	3,481	72.5%
City University	4,232	4,415	4,441	183	209	87.6%
Subtotal	**120,031**	**122,739**	**123,721**	**2,708**	**3,690**	**73.39%**
Uniformed						
Police	35,990	36,342	35,822	352	(168)	(209.5%)
Fire	10,945	10,954	10,887	9	(58)	(15.5%)
Correction	9,832	9,963	10,336	131	504	26.0%
Sanitation	7,465	7,630	7,445	165	(20)	(825.0%)
Subtotal	**64,232**	**64,889**	**64,490**	**657**	**258**	**254.6%**
Civilian						
Dept. of Education	12,248	12,462	11,253	214	(995)	(21.5%)
City University	1,917	1,888	1,907	(29)	(10)	290.0%
Police	14,353	14,658	16,249	305	1,896	16.1%
Fire	5,813	6,206	6,018	393	205	191.7%
Correction	1,569	1,721	2,188	152	619	24.6%
Sanitation	2,104	2,136	2,250	32	146	21.9%
Admin. for Children's Services	5,972	6,251	7,116	279	1,144	24.4%
Social Services	13,264	13,286	15,080	22	1,816	1.2%
Homeless Services	2,404	2,353	2,446	(51)	42	(121.4%)
Health and Mental Hygiene	4,508	4,991	5,674	483	1,166	41.4%
Finance	1,882	1,913	2,169	31	287	10.8%
Transportation	4,633	4,708	5,255	75	622	12.1%
Parks and Recreation	4,043	4,156	4,335	113	292	38.7%
All Other Civilians	28,029	28,939	31,142	910	3,113	29.2%
Subtotal	**102,739**	**105,668**	**113,082**	**2,929**	**10,343**	**28.3%**
Total	**287,002**	**293,296**	**301,293**	**6,294**	**14,291**	**44.0%**

Overtime

The FY 2018 Executive Budget projects overtime expenditures totaling $1.37 billion, slightly lower than the current FY 2017 overtime projection of $1.42 billion, and 23 percent lower than FY 2016 overtime expenditures of $1.70 billion. The City has spent $1.44 billion so far on overtime through April and is on pace to spend $1.6 billion for FY 2017. The Comptroller's Office projects that overtime spending will be $1.54 billion for FY 2018, exceeding the Executive Budget's overtime projections by $174 million, as shown in Table 19.

Table 19. Projected Overtime Spending, FY 2018

($ in millions)	City Planned Overtime FY 2018	Comptroller's Projected Overtime FY 2018	FY 2018 Risk
Uniformed			
Police	$538	$560	($22)
Fire	243	243	0
Correction	165	220	(55)
Sanitation	100	100	0
Total Uniformed	**$1,046**	**$1,123**	**($77)**
Civilians			
Police-Civilian	$84	$100	$(16)
Admin for Child Svcs	17	30	(13)
Environmental Protection	23	35	(12)
Transportation	47	55	(8)
All Other Agencies	152	200	(48)
Total Civilians	**$323**	**$420**	**($97)**
Total City	**$1,369**	**$1,543**	**($174)**

The current overtime projections reflect the impact of several initiatives aimed at slowing down the growth of overtime costs for civilian employees. These initiatives include establishing an overtime cap and creating a central unit for skilled trade workers, employing pensioners as part-time workers to reduce reliance on overtime, and restricting waivers on civilian overtime caps. Despite these initiatives, the Comptroller's Office projects that civilian overtime will likely exceed the budgeted amount by $97 million for FY 2018.

Uniformed overtime expenditures account for about 70 percent of overtime spending. Over the last ten fiscal years, uniformed overtime spending increased from $653 million in FY 2007 to $1.2 billion in FY 2016 and is expected to remain at about the same level for FY 2017. Both the Comptroller's Office and the City project a drop in uniformed overtime for FY 2018, with the Comptroller's Office projecting a more moderate drop to $1.12 billion. The City projects a larger drop to $1.05 billion, resulting in a risk of $77 million.

Spending for uniformed overtime at the DOC grew at an average annual rate of just above 12 percent between FY 2007 and FY 2016. For FY 2017, overtime cost is on track to decline to about $230 million, a decrease of 9.5 percent when compared to FY 2016 spending of $254 million. This decline is due to an increase in uniformed headcount that alleviates the need for overtime usage. The Comptroller's Office estimates that this trend will continue into FY 2018 and expects DOC uniformed overtime spending to decline further to $220 million. The City is estimating a sharper drop to $165 million. As such, the Comptroller's Office is projecting a risk of $55 million in FY 2018 in DOC's uniformed overtime estimates.

In the Police Department, uniformed overtime spending is expected to be approximately $580 million for FY 2017, relatively flat when compared to overtime expenditures of $575 million for FY 2016. Similar to DOC, the reduction in NYPD overtime stems from an increase in uniformed headcount. Uniformed overtime is expected to decline to $560 million for FY 2018. The FY 2018

Executive Budget assumes Police uniformed spending of $538 million, posing a risk to the budget of $22 million.

Health Insurance

Employees' and retirees' pay-as-you-go health insurance cost in the 2018 Executive Budget is $485 million less than the Preliminary Budget. The FY 2018 projected health insurance cost of $5.988 billion reflects a reduction of $400 million in pay-as-you-go retiree health-care expenses from a planned prepayment in FY 2017. Adjusted for this prepayment, the FY 2018 health insurance cost is expected to be $6.388 billion as shown in Table 20. This is $532 million or 9 percent higher than the FY 2017 forecast of $5.856 billion. Underlying the FY 2018 projection are a premium rate increase of 7.84 percent for active employees and pre-Medicare retirees and a projected increase of 8 percent for the senior-care rate.[12] If recent trend holds true, the FY 2018 senior-care rate will likely be lower than projected. The senior care rate increased by 4.73 percent in FY 2017.

As shown in Table 20, health insurance costs are projected to increase to $6.861 billion in FY 2019, $7.402 billion in FY 2020 and $8.067 billion by FY 2021, an average annual increase of just over 8 percent. The outyear projections reflect annual increases in health insurance premium rates of 7 percent in FY 2019, 6.5 percent in FY 2020 and 6 percent in FY 2021. Senior-care rates are projected to increase by 5 percent annually for FY 2019 to FY 2021.

Table 20. Pay-As-You-Go Health Expenditures

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Department of Education	$2,236	$2,357	$2,523	$2,760	$3,083
CUNY	85	114	122	130	143
All Other	3,935	3,517	4,215	4,512	4,841
Sub Total	**6,256**	**5,988**	**6,861**	**7,402**	**8,067**
FY 2018 Prepayment	(400)	400	0	0	0
Adjusted Pay-As-You-Go Health Insurance Costs	**$5,856**	**$6,388**	**$6,861**	**$7,402**	**$8,067**
Increase	9.1%	9.1%	7.4%	7.9%	9.0%

The current health insurance projections incorporate savings agreed to in the Healthcare Reform Agreement of 2014 between the City and the Municipal Labor Committee (MLC). The agreed-to savings of $400 million in FY 2015, $700 million in FY 2016, $1 billion in FY 2017, and $1.3 billion annually in FY 2018 and beyond were earmarked to partially offset the cost of the current round of collective bargaining. The City has achieved cumulative savings of $2.1 billion for FYs 2015, 2016, and 2017 and has indicated that initiatives already implemented should generate savings of $1.1 billion for FY 2018, leaving about $150 million of savings to be identified.

Pensions

The FY 2018 Executive Budget projects that the City's pension contributions will increase by approximately 2 percent to $9.459 billion in FY 2018, from $9.284 billion in FY 2017. Thereafter, pension contributions are projected to grow moderately over the Financial Plan period, increasing

[12] The senior care rate is the premium the City pays to supplement shortfalls in Medicare benefits so that Medicare eligible retirees can maintain a similar level of benefits as active employees.

to $9.754 billion in FY 2019, $9.825 billion in FY 2020, and $9.888 billion in FY 2021 as shown in Table 21.

Between the January and April Plans, the Office of the Actuary revised its pension contribution projections to reflect updated census data as of June 30, 2016. The impact of updated census data were lower than the reserves for expected adjustments in the January Plan. This revision along with other technical adjustments result in net reductions in pension contributions of $18 million in FY 2017, $247 million in FY 2018, $233 million in FY 2019, $216 million in FY 2020, and $169 million in FY 2021. The FY 2017 projections are unlikely to be changed and are considered to be final.

Table 21. FY 2017 – FY 2021 City Pension Contributions

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Five Actuarial Systems	$9,233	$9,457	$9,715	$9,772	$9,838
Reserve for Expected Adjustments*	0	23	58	70	66
Non-Actuarial Systems	74	0	0	0	0
Non-City Systems	89	91	93	95	97
Less: Intra City-Expense	(112)	(112)	(112)	(112)	(112)
Net Pension Expense April Plan	$9,284	$9,459	$9,754	$9,825	$9,888
Net Pension Expense January Plan	$9,301	$9,706	$9,987	$10,040	$10,058
Net Change	**($18)**	**($247)**	**($233)**	**($216)**	**($169)**

*The reserve is being held to accommodate expected changes in headcount, valuation refinements, and salary adjustments.

**Totals may not add up due to rounding.

Investment Return for FY 2017

The Financial Plan projections are based on the assumption that pension investments will earn the actuarial interest rate assumption (AIRA) of 7 percent. Following the end of each fiscal year, the City's Office of the Actuary measures the investment returns earned by the pension funds and compares them to the returns that would have been generated if investment earnings had equaled the AIRA.[13] As of April 30, 2017, preliminary figures indicate that the pension funds have experienced investment gains of about 10.5 percent. Each percentage point in investment return above or below the AIRA in FY 2017 will, respectively, lower or increase pension contributions by approximately $24 million in FY 2019, $48 million in FY 2020, and $72 million in FY 2021.

Labor

The City has settled labor agreements with unions representing more than 99 percent of employees for the current round of collective bargaining. The City began this round of collective bargaining agreements by reaching a settlement with the United Federation of Teachers (UFT) in May 2014. This established the pattern of wage increases of 10 percent over seven years for civilian employees. The agreement also included wage increases corresponding to the two annual four-percent increases awarded to unions that settled in the prior round of collective bargaining. The two four-percent wage increases are being integrated into the salary base over four annual installments of two percent.[14]

In December 2014, the City reached an agreement with the Uniform Superior Officers Coalition (USOC) providing wage increases of 11 percent over a seven-year period, establishing the pattern

[13] Returns above or below the AIRA for a given fiscal year are phased in to the Actuarial Asset Value over a six-year period in accordance with the Actuary's Actuarial Asset Valuation Methodology (AAVM).

[14] The UFT did not reach an agreement with the City in the prior round of collective bargaining. The retroactive component of the wage increases for eligible employees is being phased in over five restructured lump sum payments. This pattern is applied to all unions that did not reach a settlement with the City in the prior collective bargaining round.

of wage increases for uniformed employees. All unions representing uniformed employees were able to settle contracts in line with the established pattern except for the Patrolmen's Benevolent Association (PBA). The PBA declared an impasse with the City and filed for a binding arbitration determination with the New York State Public Employment Relations Board (PERB). PERB rendered a final decision in November 2015 and granted annual wage increases of 1 percent over a two-year period to PBA members. Earlier this year, the City and the PBA reached a contract covering the latter five-year period and provided for wage increases of 9 percent, bringing the PBA in line with the pattern established by other uniformed settlements for the current round of collective bargaining.

The PBA's contract also included a 2.25 percent differential for officers' community policing work with the additional cost associated with this benefit to be partially offset by a modification to the salary schedules of new police officers. It will cost the City approximately $14 billion for all labor agreements through FY 2018. This cost has been partially offset by $3.5 billion previously reserved for wage increases, $3.4 billion of health insurance savings generated from the Health Reform Agreement, and a transfer of $1 billion from the Health Stabilization Fund resulting in a net cost of $6 billion.

The labor reserve contains funds for a 1.0 percent increase annually for the entire workforce beyond the current collective bargaining round. The labor reserve is currently budgeted at $59 million in FY 2017, $677 million in FY 2018, $1.591 billion in FY 2019, $1.935 billion in FY 2020, and $2.409 billion in FY 2021. Every additional percentage increase above the assumed wage increase would have a full-year cost of approximately $430 million.

Public Assistance

Thus far in FY 2017, the City's public assistance caseload has averaged 369,784 recipients on a monthly basis. Average monthly caseload through April FY 2017 has increased by less than one percent, or 1,494 recipients, compared to average monthly caseload of 368,291 over the same period in FY 2016. The number of public assistance recipients has largely been range-bound between 363,000 and 375,000 recipients per month since FY 2015. Over the past four months, however, the caseload has fallen by nearly 3 percent from 374,316 in December 2016 to 363,629 in April. While month-to-month fluctuations are not uncommon, a precipitous caseload drop in such a short span could signal the start of a downtrend and thus bears watching in the coming months. Meanwhile, public assistance grants spending has averaged about $118 million per month in the current fiscal year, basically unchanged from the average over the same period in FY 2016.

The City has maintained public assistance projections at a monthly average of 386,610 for FY 2017 and 388,600 over the remainder of the Plan period, unchanged since the January Plan. Net baseline grants expenditures are projected at approximately $1.48 billion in each of FYs 2017-2021. Both caseload and grants levels are currently running below the City's projections, which may result in savings of $20 million in FY 2017 and $15 million annually in each of the outyears.

Department of Education

In the April Modification, the Department of Education (DOE) budget reflects a net increase of $91 million in FY 2017. Additional funding in the current year mainly covers new needs in special education Carter Cases ($13 million), leases ($15 million), and lead testing/remediation ($17 million), as well as a prepayment to the MTA for student Metrocards ($45 million). The DOE budget also reflects additional revenues totaling $28 million mostly from State aid adjustments and the School Construction Authority. These increases are partly offset by $30 million in transportation savings due to lower inflation assumptions. The April Modification raises the DOE budget to a net $23.36 billion in FY 2017 or 4.4 percent above the FY 2016 actual spending of $22.37 billion.

The FY 2018 Executive Budget sets DOE funding at $24.27 billion, representing an increase of $905 million or nearly 3.9 percent from the FY 2017 budget. However, compared to the Preliminary Budget, the current FY 2018 Budget reflects a net decrease of $51 million. The decline is driven mainly by a net reduction of $130 million in assumed State support. The Enacted State budget provided about $187 million less than the City had anticipated from formula-based school aids, including $166 million in Foundation Aid, which is partly offset by a $57 million increase in charter school aid. In addition, the State budget enacted $500 per student charter school tuition increases, which will be fully reimbursed by the State in the 2017-18 school year. Thereafter, however, charter school tuition will grow annually based on rates that are on par with public school spending growth without further increase in dedicated charter school funding from the State. The City estimates the additional costs could range from $101 million in FY 2019 to $417 million by FY 2021, which could force the City to allocate a greater portion of its Foundation Aid receipts towards charter school expenditures.

The DOE budget also recognizes $119 million in new needs covering a wide range of initiatives. Chief among these actions are the Mayor's pre-kindergarten initiative for three-year olds, known as 3-K for All, and similar enhancements to the overall EarlyLearn program serving zero- to three-year olds. The program would begin in two school districts in FY 2018 and expand each year to reach eight districts by FY 2021 to serve upwards of 10,000 children. The City has provided about $37 million for these measures in FY 2018. The new needs also includes an additional $20 million for Universal Pre-Kindergarten, $10 million for students in shelters, $5 million for air conditioning in classrooms, $20 million for leases, and $19 million for lead testing/remediation.

Rounding out the changes in the Executive Budget are additional DOE savings reflected in the CSP totaling $70 million. The major components are permanent placement of teachers from the Absent Teachers Reserve pool ($11 million), reduction of per diem and per session hours ($9 million), re-estimates of the School's Out NYC program ($7 million), in-sourcing of various contractual services ($7 million), and transportation savings ($30 million). These latest savings push the DOE portion of the FY 2018 CSP up to $166 million in FY 2018.

Over the remainder of the plan, the DOE budget is projected to rise to $25.64 billion in FY 2019, $26.31 billion in FY 2020 and $27 billion in FY 2021. The significant spike in FY 2019, an increase of about $1.38 billion over the FY 2018 budget, marks the first year that funding for the EarlyLearn program will be transferred from the Administration for Children's Services to the DOE. The transfer comprises about $511 million of the FY 2018 increase, split mostly between Federal and City funds. Excluding the EarlyLearn transfers, the Department's budget reflects growth of 9 percent or $2.22 billion between FY 2018 and FY 2021. City and State funds are projected to constitute about $1.08 billion and $1.19 billion of this total, respectively, while Federal and other categorical grants would fall by a combined $47 million.

The Department will likely face risks from its assumptions of Federal Medicaid reimbursement in the April Plan. The DOE estimates it will realize $41 million in Medicaid reimbursement of special education related services costs in FY 2017 and $97 million annually in the outyears. The Department has realized an average of only $16 million annually over the past five years, therefore its Medicaid revenue assumptions will likely pose risks of $20 million in FY 2017 and $70 million in each of FYs 2018-2021.

Homeless Services

The City's homeless services spending is primarily driven by the Department of Homeless Services (DHS). However, funding for homeless assistance is also drawn from the budgets of other agencies, including the Department of Social Services, the Department of Youth and Community Development, the Department of Health and Mental Hygiene and the Department of Veterans Services. Table 22 details funding for major categories of Homeless Services across these agencies.

Table 22. Citywide Funding by Major Categories for Homeless Services

($ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Adult Shelter Operations	$326	$356	$456	$553	$432
Family Shelter Operations	505	577	653	845	906
Rental Assistance	23	39	97	181	324
Prevention, Diversion, Anti-Eviction & Aftercare	82	207	324	400	270
Domestic Violence, Youth & Emergency Shelters	88	95	102	123	147
Homeless Administration & Support	151	160	203	255	240
Total Citywide Homeless Spending	**$1,175**	**$1,433**	**$1,835**	**$2,356**	**$2,318**

FY 2018 Citywide homeless spending is projected to rise by more than 97 percent from FY 2014, to a projected $2.356 billion in FY 2017. The Executive Budget projects spending will drop by 1.6 percent. There are, however, substantial increases in citywide funding for family shelters, rental assistance, and for domestic violence, youth and emergency shelters. The most notable reduction among the major homeless services categories is within prevention and aftercare services. This decrease is driven by steep declines in Homebase funding in the FY 2018 Executive Budget. Homebase, which has been administered by DHS, is currently transitioning its programmatic elements to the Department of Social Services at the recommendation of a 90 day review of homeless service agencies and programs, published in April, 2016.

Planned expenditures for the Department of Homeless Services in the FY 2018 Executive Budget increase by more than $177 million compared to the January Plan. Approximately 62 percent of this planned increase will come from City funds. Some of the most notable changes to the January Plan are in funding amounts for shelter operations. Adult shelter operation expenses are slated to increase by approximately $57 million in City-funds, raising the total City contribution for adult shelter operations to $351.3 million, or 81.4 percent of overall adult shelter operations funding in FY 2018. Planned City-funds expenditures for family shelter operations are also increasing since the January Plan with $48.5 million added, which raises City-funds shelter operations to $341 million. City-funds account for just 37.7 percent of planned family shelter expenditures with federal funding accounting for the bulk of the remainder. Increased funding for Tier II family services shelters since the January Plan is a major driver of the increase in family shelter expenditures.

Other additions since the January Plan include $1.9 million for 17 new full-time positions for street homelessness efforts, $2.4 million for 38 new full-time intake positions and $1.8 million for 23 new full-time family shelter operations positions. DHS is also increasing its capital budget spending. In response to the City's unprecedented homelessness crisis, the City recently published "Turning the Tide on Homelessness," a plan that calls for the closure of some 360 cluster sites and commercial hotel locations which will be replaced with 90 borough-based shelters. This has prompted the addition of more than $123 million in the DHS 10-Year Capital Plan for the development of new shelter sites.

The FY 2018 Executive Budget also includes a notable movement of funds from the Department of Social Services budget to the Department of Health and Mental Hygiene budget, with impacts on homeless services and housing for homeless populations. An approximately $26.5 million portion of a $43 million allocation for supportive housing in the January Plan has been shifted away from the Department of Social Services budget to a newly created supportive housing oriented budget line for mental health services in the Department of Health and Mental Hygiene budget. The Department of Social Services will retain the remaining $16.5 million for other supportive housing activities in FY 2018.

Despite substantial increases in resources since the January Plan, adult shelter operations remain underfunded in the FY 2018 Executive Budget. Spending for adult shelter operations in the Executive Budget is 21.9 percent below currently projected spending for FY 2017. Since the start of FY 2017, the single adult shelter population has steadily increased, rising from over 12,850 individuals on the first day of the current fiscal year in July to approximately 14,000 individuals in early-May. If the City is able to halt this upward momentum and stabilize the adult shelter census at its current level, it will still face a risk of at least $121 million in City funds. The risk amount will escalate further if the adult shelter census experiences additional increases in FY 2018.

NYC Health + Hospitals

In its latest financial plan update, H + H projects to end the current fiscal year with a cash balance of $186 million. The revision marks an improvement from the previous update in the Adopted Budget that showed an ending cash balance of $116 million for H + H in FY 2017. Unlike in the previous year, the City has not provided additional direct assistance to H + H thus far in FY 2017. The City had previously forgone debt service payments in the April 2016 Plan of between $173 million and $203 million annually in FYs 2017-2020, benefitting H + H to the tune of $735 million in those years. However, despite the improved cash position in the current year, H + H will still face a sizable budget deficit of $1.14 billion on a cash basis in FY 2018.

The H + H cash financial plan currently projects receipts of $6.47 billion, a decline of more than $500 million from the prior year, against disbursements of $7.62 billion in FY 2018. The revenue decline is mainly due to a reduction in supplemental Medicaid revenue, a component that H + H has identified as one of the main causes for the structural imbalance in its financial plan. Over the remainder of the Plan period, scheduled cuts in Federal Disproportionate Share Hospital reimbursement would further erode supplemental Medicaid revenue by an additional $333 million, leaving overall revenue projections virtually flat in FYs 2018-2021. On the other hand, disbursements are estimated to rise by nearly 9 percent over the same period, pushing H + H into deeper budget deficits of between $1.76 billion and $1.95 billion beginning in FY 2019.

H + H anticipates reducing the majority of the projected deficits through actions from its Transformation Plan, which was originally released in May 2016. With the exception of certain adjustments, the framework of the plan has basically remained intact. H + H plans to achieve revenues and savings totaling about $1.21 billion in FY 2018, about two-thirds of which would stem from revenue actions. The revenue portion is broken down into 3 groupings, the foremost of which is $483 million in Medicaid waiver funds, followed by $252 million in health insurance initiatives and $85 million in Federal and State charity care. On the savings side, supply chain and care management initiatives are expected to reduce expenses by $137 million while restructuring and personnel actions would trim spending by another $250 million.

Beyond FY 2018, the Transformation Plan would increase in value to $1.76 billion in FY 2019 and $1.89 billion annually in FY 2020 and FY 2021. The Transformation Plan is an ambitious undertaking despite the City's assertion that most elements of the Transformation Plan are within H + H's reach, in particular the Medicaid waiver funds. The outlook is further clouded, among other issues, by uncertainties over Federal actions to overhaul the Affordable Care Act and H + H's ability to reach its MetroPlus enrollment targets and the associated revenues under this environment. In the latest revisions of the Transformation Plan, H + H has already proactively modified targets for various actions, an indication that certain initiatives are more achievable than others. Therefore, it is likely that the Plan will continue to evolve to reflect the realities of ongoing changes taking place at both the Federal and State levels. Given that there has been no regular reporting on the performance of the Transformation Plan, these may be the only clues on the direction of H + H's undertaking.

VI. Capital Budget and Financing Program

FY 2018 Capital Budget and Plan

The FY 2018 Executive Capital Budget proposes appropriations of $15.07 billion, of which $13.43 billion is in City Funds. This is an increase of $3.61 billion in City funds and $343.7 million in non-City funds from January's Preliminary Capital Budget.

The City also released the final version of the biennial Ten-Year Capital Strategy and the four year capital commitment plan with the Executive Capital Budget.

Ten-Year Capital Strategy

The City is required by the City Charter to issue a Ten-Year Capital Strategy (the Strategy) every odd calendar year. The Executive 2018 Ten-Year Capital Strategy for FYs 2018 – 2027 totals $95.8 billion — $88.9 billion in City-funds and $6.9 billion in non-City funds. This is a $6.3 billion, or 7.0 percent, increase from the Preliminary Strategy published in January 2017, as shown on Table 23.

Table 23. FY 2018 Executive Ten-Year Capital Strategy, FYs 2018 – 2027, Comparison to the Preliminary Ten-Year Capital Strategy, January 2017

($ in millions)	January 2017 Capital Strategy		Executive 2018 Capital Strategy		Change	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Education (DOE and CUNY)	$18,590	$20,764	$18,744	$20,918	$154	$154
Environmental Protection	17,453	17,651	17,863	18,073	410	422
DOT and Transit	13,453	15,306	14,011	15,867	558	561
Housing (HPD and NYCHA)	8,904	9,231	10,617	10,944	1,713	1,713
Business Services	2,793	2,946	3,050	3,203	257	257
All Other	22,067	23,658	24,638	26,840	2,571	3,182
Total	**$83,261**	**$89,556**	**$88,924**	**$95,845**	**$5,663**	**$6,289**

This $95.8 billion Strategy is estimated to be financed by $71 billion of NYC GO and TFA bonds, along with $17.9 billion of NYW bonds, and $6.9 billion of Federal, State, and private funds.

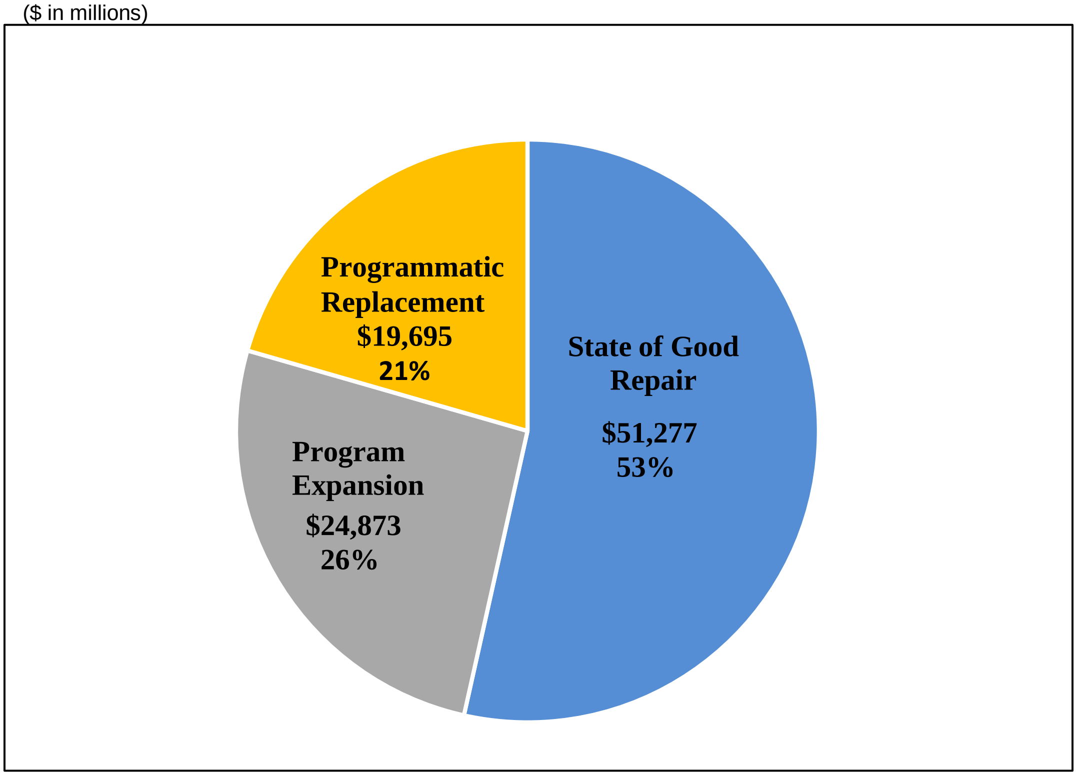
Similar to patterns of other Ten-Year Strategies, all-funds projects for Education, DEP, Housing (including NYCHA), and DOT/Transit constitute about 70 percent of the current Strategy. The categories with the largest changes from the Preliminary capital strategy are HPD and NYCHA with an increase of $1.71 billion, Resiliency, Energy Efficiency, and Technology projects with an increase of $952 million, Parks Department with an increase of $506 million, and DOT Highway related projects with an increase of $477 million.

The Capital Strategy is divided into three major "lifecycle" project categories: State of Good Repair, which involves fixing and repairing facilities and infrastructure; Program Expansion, which involves adding new or expanding current facilities and infrastructure; and Programmatic Replacement, which involves cyclical replacement of facilities or equipment. Those capital efforts entitled State of

Good Repair are allocated $51.3 billion followed by $24.9 billion for Program Expansion, and $19.7 billion for Programmatic Replacement as shown in Chart 8. This represents increases of $3.6 billion, $1.8 billion, and $860 million, respectively, from the Preliminary Strategy in January.

Chart 8. Ten-Year Capital Strategy, FYs 2018-2027, All Funds

($ in millions)



SOURCE: NYC OMB, Executive 2018 Ten-Year Capital Strategy.

Examples of state of good repair projects are $12.4 billion for reconstruction of schools; $8.2 billion for reconstruction of East River and other bridges; and $5.9 billion for reconstruction and resurfacing of streets and highways.

Examples of program expansion projects include $7.7 billion for new school construction and expansion, which includes the construction of new schools at a cost of $4.5 billion which provides an estimated 38,000 additional seats, and $3.2 billion for improvements to leased facilities, athletic fields and playgrounds, and building additions; $5.1 billion for new and special needs housing; and $2.2 billion for the construction of the third water tunnel, including the Kensico City Tunnel.

Programmatic replacement projects continue to include such items as $3.7 billion of upgrades to water pollution control plants; $2.5 billion for water main replacements and dam safety programs; and $2.1 billion for citywide information systems and equipment.

Major Programmatic Agencies

Education

The Department of Education (DOE) and CUNY capital programs account for $20.92 billion in all-funds, or 21.8 percent of the current Strategy. This is a $154 million increase ($123 million DOE & $31 million CUNY) from the Preliminary Strategy. DOE programs include:

- Rehabilitation of School Components with planned commitments of $7.63 billion over the period. This area of work is dedicated to keeping major building and playground components in a state of good repair, including roofs, parapets and new windows.
- System Expansion with $4.51 billion to create over 38,000 new seats.
- Other System Expansion with $3.18 billion for the renovation of leased space, building additions, new athletic fields and playgrounds, an increase of $58 million from the Preliminary condition.
- $3.22 billion for the category of Emergency, Inspection, and Miscellaneous, which is comprised of mayoral/council program, administrative costs, emergency projects, research and development, along with funds to complete prior plan projects.
- $1.27 billion for Educational Enhancements. This category is technology driven, with eligible computer purchases, network upgrades, approved software enhancements, along with re-wiring projects to better access the internet. Upgrades and replacements of science labs are part of this category as well.
- $390 million from the Smart Schools Bond Act approved by voters in November 2014 from an original allocation of $783 million. This allocation will be used for technological enhancements, additional pre-kindergarten capacity, along with removal of transportable classroom units. The remaining $393 million is expected to be committed in FY 2017, pending State approval.
- $331 million allocated for safety and security projects which include security systems, emergency lighting, and miscellaneous code compliance projects.

Department of Environmental Protection

The Department of Environmental Protection (DEP) capital programs account for $18.1 billion in all-funds, or 18.9 percent of the current Strategy total. This is $422 million higher than the Preliminary Strategy. DEP capital projects are divided into five program areas: water pollution control; water mains, sources and treatment; sewer related projects; water supply; and equipment purchases.

Water pollution control projects total $6.73 billion and involve capital work at wastewater treatment plants, including projects to improve storm water capture, and conform to water quality mandates. This is an increase of $121 million from the January Strategy. These projects include:

- Plant Upgrading and Reconstruction, which constitutes 54 percent of water pollution control projects with planned commitments of $3.6 billion. The primary charge of this category is the reconstruction or replacement of components, or related conveyance infrastructure at in-City wastewater treatment plants, including $644 million for plant upgrades that will reduce carbon emissions and make plants more energy efficient, and $539 million for upgrades to various wastewater treatment plants citywide.
- Capital projects related to water quality mandates with planned commitments of $1.85 billion. The majority of the funding, $885 million, will be used for measures to prevent combined-sewer overflow (CSO) into local harbor waters, including $735 million for CSO storage tanks at the Gowanus Canal in Brooklyn.
- The Green Infrastructure program with planned commitments of $936 million. This program invests in natural water absorption projects through the use of constructed wetlands, bioswales, tree pits, green roofs, and permeable pavement projects throughout the City to assist in reducing CSO issues.

The water mains, sources, and treatment program area, which has been allocated $4.12 billion in the current Strategy, is dedicated to the upkeep of the water supply at its source and its related distribution systems. This is an increase of $98 million from the Preliminary condition.

These projects include:

- Trunk and Distribution Main replacement, which is funded at $1.64 billion, including $589 million for a variety of state-of-good repair projects citywide, as well as $405 million for water main replacement in conjunction with DOT street reconstruction and coordinating Vision Zero initiatives, and $234 million for emergency water main work.
- Water Quality Preservation programs for which $971 million of resources are dedicated. This includes $145 million for the reconstruction of the New Croton Dam and $126 million for the continued rehabilitation of the Catskill Aqueduct between the Kensico and Hillview reservoirs in Westchester County.
- The Dam Safety program of $877 million, primarily made up of the $733 million rehabilitation of various structures at the Ashokan Reservoir upstate.
- Extensions to Accommodate New Construction funded at $61 million to construct new segments or extensions for access to water mains.

Sewer related projects throughout the City contain $4.31 billion in the current Strategy. This is an increase of $46 million from the Preliminary condition in January.

Commitments in this category include:

- A $1.88 billion allocation for the Replacement or Augmentation of Existing Systems. Included in this category is $961 million for the continued sewer build-out in Southeast Queens, $329 million for the provision of sewer infrastructure to accommodate rezoning in coordination with the Department of City Planning. Another $228 million is scheduled for sewer replacement in partnership with DOT street reconstruction and Vision Zero projects.
- $1.04 billion for the Replacement of Chronically Failing Components to address malfunctioning or collapsed combined sewers. About $623 million of this allocation is reserved for emergency work citywide, along with $106 million of sewer replacement in concert with DOT priorities.
- $531 million for Programmatic Replacement and Reconstruction for the reconstruction of storm and sanitary sewers with an emphasis on Southeast Queens ($472 million).
- Just over $350 million for the Bluebelt program for storm water management plan focused in mid Staten Island.

The Water Supply program was allocated $2.38 billion in the current Strategy. This is a modest increase of $23 million from the Preliminary condition. The planned commitments include:

- $339.5 million for City Water Tunnel No. 3, Stage 1, which will modify the gate chambers at the Hillview reservoir.
- $1.21 billion for the Kensico-Eastview connection tunnel. This redundancy creating tunnel will connect the Kensico reservoir with the Catskill/Delaware Ultraviolet light facility, both of which are located in Westchester County.
- $647 million for City Water Tunnel No. 3, Stage 2, which will provide DEP the ability to bypass tunnels 1 and 2 and allow inspection of those tunnels for the first time since they were introduced.
- $171 million for conveyance projects of which $145 million is scheduled to increase capacity in the upper Catskill Aqueduct.

DEP equipment programs total $540 million over the FYs 2018 – 2027 period. This includes utility relocation related sewer and water main projects along with DEP field operations and select administrative offices, which comprise the majority of the resources in this category. An estimated $168 million is for agency-wide management information system improvements along with a projected $140 million to pay for 51 percent of the cost of gas utility work that is impacted by water and sewer projects. Another $89 million is for the reconstruction and rehabilitation of field operations facilities and DEP administrative offices.

Department of Transportation (DOT) and Mass Transit

The current Ten-Year Capital Strategy contains $15.9 billion over FYs 2018 – 2027, or 16.6 percent of the all-funds total, for NYC DOT and mass transit projects. DOT projects, which include Bridges, Highways, Traffic, Ferries, and Equipment are allocated $15.21 billion, and $655 million is allocated to New York City Transit infrastructure projects of the MTA. This represents an increase of $561 million from the Preliminary Strategy.

The Bridges program area contains both East River crossings and highway bridges citywide. $8.23 billion is allocated in this category. This includes:

- $3.68 billion for reconstruction of bridge structures rated "fair" and "good". Two large projects account for over 50 percent of this category with $1.5 billion allocated to the Brooklyn-Queens Expressway Triple Cantilever Bridge and $345 million for the Shore Road Bridge over the Hutchinson River.
- $3.01 billion for the category of Bridge Life Extension is for bridge structures rated "fair" or "good" that require upgrades to their current condition. Highlights include $139 million for the Grand Street Bridge over Newtown Creek and $86 million for the FDR Northbound portion between 42nd and 49th streets in Manhattan.
- Just under $1.3 billion for East River bridges, with $343 million allocated to the Ed Koch Queensboro Bridge in FY 2018 for an upper roadway replacement, and rehabilitative work for the Manhattan Bridge ($330 million), the Williamsburg Bridge ($308 million), and the Brooklyn Bridge ($278 million).

The Highways program area totals $5.90 billion over the ten-year period and is comprised primarily of $1.64 billion for approximately 7,640 lane-miles of street resurfacing and $2.7 billion for approximately 673 lane-miles of street reconstruction. About $400 million of the street reconstruction allocation is dedicated to Queens Boulevard and Select Bus Service routes on Woodhaven Boulevard, both in Queens. Overall, this is an increase of $477 million from the Preliminary Strategy.

The Traffic program area within DOT sums to $656 million over the period and contains $286 million for signal installation and computerization, $195 million for lampposts and luminaries, and $66 million for an estimated 109 million linear feet of thermoplastic reflectorized pavement markings.

The program area of Ferries contains $319 million over the period, of which $230 million is for improvements and rehabilitation of terminal buildings, slips, and racks at both St. George and Whitehall terminals.

The Ten-Year Plan category of transportation equipment contains $110 million over the ten-year period and includes $51 million for automotive and other equipment along with $59 million for data processing equipment. This is an increase of $38 million from the Preliminary Strategy.

The Ten-Year Plan category of Transit (MTA) contains $655 million with $251 million for miscellaneous track improvements and the ongoing inter-fund agreements (IFA) Transit Infrastructure projects totaling $350 million. This is unchanged from the Preliminary Strategy.

Housing and Economic Development

This program area includes capital projects for Housing Preservation and Development (HPD), the New York City Housing Authority (NYCHA), and Small Business Services agencies. The current Strategy allocates $14.15 billion, or 14.8 percent of the total Ten-Year Strategy. Housing for HPD and NYCHA comprises $10.94 billion of the total amount, with Business Services/EDC at $3.2 billion. The housing component's primary objective is to support the "Housing New York" program whose goal is to create 200,000 units of affordable housing between FY 2014 and FY 2024. According to the February 2017 Preliminary Mayor's Management Report (MMR), through October 2016 more than 55,000 units have been preserved or created.[15]

HPD spearheads this program area with $9.5 billion over the FYs 2018 – 2027 period. Three HPD categories comprise 93 percent of the allocation:

- Preservation, at $3.74 billion, will address the preservation of the existing affordable housing stock and assist in the creation of long-term affordability. This increased by $1.0 billion from the Preliminary Strategy.
- The new construction category contains $3.08 billion to finance new affordable housing units as part of the Housing New York's goal to build and preserve 200,000 new units by FY 2024 and includes an augmentation of units with a qualifying income of $40,000 or less. This increased by over $650 million from the Preliminary Strategy.
- The Special Needs category provides $2.03 billion for both the construction and preservation of housing for seniors, the disabled, and formerly homeless households citywide.

NYCHA with $1.44 billion in all-funds over the period, will largely address roof replacements and façade replacements, along with elevator replacements at various NYCHA developments. This is an increase of $137 million from the Preliminary Strategy.

The Department of Small Business services, in conjunction with NYC Economic Development Corporation, has an allocation of $3.2 billion from FYs 2018 – 2027. This is an increase of $257 million from January. The Plan for SBS is heavily front-loaded with 86 percent of estimated commitments in the first four years. Four Ten-Year Plan categories make up 81 percent of the agency total. These include Neighborhood Revitalization, Waterfront Development, Commercial Development, and Industrial Development:

- The category of Neighborhood Revitalization contains planned projects of $1.64 billion. Specific neighborhood projects are still not enumerated in this particular component. Overall, it is for infrastructure improvements to support economic development and affordable housing initiatives.
- The current Strategy allocates $414 million to Industrial Development which continues to focus on City-owned or operated industrial real estate at the Brooklyn Navy Yard, the Brooklyn Army Terminal, and Bush Terminal in Brooklyn. Capital project objectives include infrastructure improvements along with bringing assets to a state-of-good repair. This is a $163 million increase from the Preliminary Strategy.
- Waterfront Development contains $248 million of resources over the period. Primary objectives are the expansion and preservation of public waterfront locations throughout the city for transportation and recreational purposes, as well as ferry purchases for a new Citywide Ferry System. This represents a decrease of $105 million from the Preliminary Strategy.
- The current Strategy allocates $301 million for Commercial Development of the life sciences industry in the city. Overall, the goals of the category are to foster the growth of new industries and new retail opportunities. This decreased by $42 million from the Preliminary Strategy.

[15] The next MMR is scheduled for September 2017.

- The categories of Miscellaneous and Community Development saw increases of $146 million and $100 million, respectively, but contain no specific descriptions with the exception of support for the Trust for Governors Island.

Capital Commitment Plan

The Executive 2018 Capital Commitment Plan for FYs 2017 – 2021 contains $78.05 billion in authorized all-funds commitments, as shown in Table 24. City-funds commitments account for $69.78 billion of the total, as shown in Table 25. All-funds commitments over FY 2017 through FY 2021 increased by $4.97 billion, or by 6.8 percent, from the January 2017 Commitment Plan.

All-Funds Commitments

After adjusting for the $5.51 billion reserve for unattained commitments, all-funds commitments total $72.54 billion. The authorized Plan is less front-loaded, with 24.6 percent of all-funds commitments scheduled for FY 2017, down from 27.4 percent in January 2017. Estimated capital commitments for DOE and CUNY, the Department of Environmental Protection (DEP), the Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for 67.7 percent of all-funds commitments, as shown in Table 24.[16]

Table 24. FYs 2017 – 2021 Capital Commitments, All-Funds

($ in millions)	Executive FYs 2017 – 2021 Commitment Plan	Change from January Plan	Percent of Total
Education and CUNY	$14,971	$226	19.2%
Environmental Protection	13,572	416	17.4
Dept. of Transportation and Mass Transit	13,883	938	17.8
Housing and Economic Development	10,407	1,882	13.3
Administration of Justice	5,295	42	6.8
Resiliency, Technology and Equipment	4,212	117	5.4
Parks Department	4,163	(67)	5.3
NYC Health +Hospitals	2,958	404	3.8
Other City Operations and Facilities	8,588	1,014	11.0
Total	**$78,051**	**$4,972**	**100.0%**
Reserve for Unattained Commitments	($5,514)	N/A	N/A
Adjusted Total	**$72,537**	**N/A**	**N/A**

SOURCE: NYC Office of Management and Budget, FY 2018 Executive Capital Commitment Plan, FYs 2017 – 2021, April 2017.
Numbers may not add due to rounding.

The $4.97 billion increase from the January 2017 Plan over FYs 2017-2021 is comprised of a decrease of $790 million in FY 2017, followed by increases of $2.77 billion in FY 2018, $1.21 billion in FY 2019, $685 million in FY 2020, and $1.09 billion in FY 2021. A significant portion of the FY 2017 decrease stems from assumed rollovers from FY 2017 to the outyears exemplified in the categories of Citywide Equipment Purchases ($514 million), Parks Department ($287 million), and the Department of Correction ($190 million).

In FYs 2018 through 2021, however, the net increase of $5.76 billion is driven by increases in HPD ($1.0 billion), Citywide Equipment Purchases ($639 million), economic development related projects ($443 million), and H + H related projects ($391 million). Within the DOT, there are

[16] Includes all DOT project types, not just bridges and highways. Housing refers to Housing Preservation & Development Agency (HPD) and the NYC Housing Authority (NYCHA)

increases to the program areas of Highways ($341 million), Highway Bridges ($264 million), and East River Bridge related work ($228 million).

In addition, in FYs 2018 through FY 2021, capital work for public building projects increased by $326 million, along with significant increases to ACS ($217 million) and Homeless Services ($218 million). On a percentage basis ACS and Homeless Services saw increases of 105 percent and 99 percent, respectively, from the January Plan.

City-Funds Commitments

City-funds commitments in the Executive 2018 Capital Commitment Plan total $69.78 billion, an increase of $4.64 billion, or 7.0 percent from the January Commitment Plan over FYs 2017 – 2021. After adjusting for the reserve for unattained commitments of $5.51 billion, City-funds commitments total $64.26 billion, as shown in Table 25. DEP, Education and CUNY, DOT and Mass Transit, along with Housing and Economic Development (Business Services) account for 68.2 percent of City-funds commitments over the FYs 2017-2021 period.

Major City-funds increases from the January 2017 Plan include:

- An increase of $1.35 billion for HPD for affordability programs augments the number of apartments with households earning less than $40,000 annually, along with additional units for seniors and veterans.
- A $439 million increase for economic development projects including $136 million for a "Made in New York" campus at Bush Terminal in Brooklyn.
- An increase of $401 million for H + H for various renovations at multiple facilities.

Table 25. FYs 2017 – 2021 Capital Commitments, City-Funds

($ in millions)	Executive FYs 2017 – 2021 Commitment Plan	Change from January Plan	Percent of Total
Environmental Protection	$13,271	$389	19.0%
Education and CUNY	12,849	226	18.4
Dept. of Transportation and Mass Transit	11,591	729	16.6
Housing and Economic Development	9,862	1,864	14.1
Administration of Justice	5,155	40	7.4
Resiliency, Technology and Equipment	3,768	114	5.4
Parks Department	3,615	(86)	5.2
NYC Health +Hospitals	1,544	401	2.2
Other City Operations and Facilities	8,124	965	11.6
Total	**$69,778**	**$4,640**	**100.0%**
Reserve for Unattained Commitments	($5,514)	N/A	N/A
Adjusted Total	**$64,264**	**N/A**	**N/A**

SOURCE: NYC Office of Management and Budget, FY 2018 Executive Capital Commitment Plan, FYs 2017 – 2021, April 2017.

Financing the Capital Program

The Executive 2018 Financial Plan contains $49.9 billion of planned City and State supported borrowing in FYs 2017 – 2021, as shown in Table 26. GO and TFA borrowing account for

80 percent of total borrowing over this period. Planned TFA bonds total $20.39 billion while estimated GO borrowing totals $19.37 billion. [17]

Planned borrowing over FYs 2017 – 2021 is $2.09 billion higher than the January 2017 Plan, attributable to increased TFA/GO borrowing of $2.18 billion along with a $85 million decrease in New York City Municipal Water Finance Authority (NYW) borrowing.

Planned FYs 2017 – 2021 NYW borrowing of $8.86 billion accounts for a significant 17.7 percent of the City's capital borrowing plan during this period. However, unlike other debt that is financed by revenues derived from collection of the property tax and other General Fund revenues, NYW debt service is funded by water and sewer user fees that are collected directly by the NYC Water Board. As a result, neither the water and sewer user fees nor the NYW debt service is included in the City's General Fund.

Total borrowing averages $8.0 billion over FY 2017 and FY 2018 and is projected to increase to an annual average of $11.3 billion over FYs 2019-2021. GO/TFA borrowing averages $6.04 billion in FYs 2017 and 2018, then increases to an average of $9.23 billion per year from FYs 2019-2021. The sharp rise in FY 2019-2021 results from a robust capital plan in FY 2017 and FY 2018.

Table 26. Executive FY 2018 Financing Program, FYs 2017 – 2021

($ in millions)	Estimated Borrowing and Funding Sources FYs 2017-2021	Percent of Total
General Obligation Bonds	$19,371	38.8%
TFA – PIT Bonds	20,390	40.9
NYC Water Finance Authority	8,856	17.7
TFA – BARBs	1,285	2.6
Total	**$49,902**	**100.0%**

SOURCE: NYC Office of Management and Budget, Executive Budget FY 2018 Financial Plan, April 2017.

Low market interest rates have allowed the City to realize debt service savings versus plan over the past several years. While there are likely to be savings from borrowing versus the current OMB interest rate assumptions, every one percentage point increase to current rates in the context of the current projected borrowing amounts, would reduce potential savings by $33 million in FY 2018, $110 million in FY 2019, $202 million in FY 2020, and $296 million in FY 2021.

Debt Service

As shown in Table 27, debt service in the FY 2018 Executive Budget, net of prepayment adjustments, is projected to grow from $6.35 billion in FY 2017 to $8.48 billion in FY 2021, an increase of $2.13 billion, or an average annual growth of 7.5 percent.[18]

[17] Unless otherwise indicated TFA refers to TFA Future Tax Secured (FTS) bonds, excluding TFA Building Aid Revenue Bonds (BARBs).

[18] Includes debt service on General Obligation (GO), Transitional Finance Authority (TFA), and TSASC bonds as well as lease-purchase debt.

Table 27. Executive 2018 Financial Plan Debt Service Estimates

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change from FYs 2017 – 21
GO[a]	$3,893	$4,103	$4,177	$4,520	$4,707	$814
TFA[b]	2,181	2,201	2,830	3,122	3,405	1,224
Lease-Purchase Debt	207	224	218	267	284	77
TSASC, Inc.	65	73	72	82	82	17
Total	**$6,346**	**$6,601**	**$7,297**	**$7,991**	**$8,478**	**$2,132**

SOURCE: Executive 2018 Financial Plan.

NOTE: Debt service is adjusted for prepayments.

[a] Includes long-term GO debt service.

[b] Amounts do not include TFA BARBs.

These projections represent all-funds decreases from the January 2017 Financial Plan of $116 million in FY 2017, $62 million in FY 2018, $86 million in FY 2019, and $51 million in FY 2020, followed by an increase of $23 million in FY 2021.

The decrease in planned FY 2017 debt service results from a $101 million reduction in GO and conduit debt service, and $6 million in estimated TFA savings. Almost $60 million of the decline in GO debt service is due to lower estimates of current year interest costs for GO Variable Rate Demand Bonds (VDRBs). The remaining reductions are due to savings of $23 million across four different conduit issuers, $16 million from lower than expected swap payments, and $9 million from lower projected TSASC debt service. The net savings of $6 million for TFA is the result of miscellaneous baseline adjustments.

The reduction in estimated debt service from the January 2017 Plan for FY 2018 is comprised of GO debt service savings of $30 million, TFA savings of $23 million, and TSASC savings of $9 million. Both GO and TFA savings results primarily from FY 2017 refundings. The FY 2019 and FY 2020 projected decreases from the January Plan of $86 million and $51 million come primarily from the combined savings of the aforementioned TFA and GO refunding transactions, along with savings from lower Hudson Yards interest support payments. The net increase of $23 million in FY 2021 is the manifestation of a growing borrowing program, as discussed above.

In addition, variable rates continue to be well below OMB's budgeted rates and are estimated to produce another $40 million in savings in FY 2017. With budgeted VRDB amounts in FYs 2018-2021 in the range of $300 million, there will likely be additional savings opportunities in the outyears of the Plan.

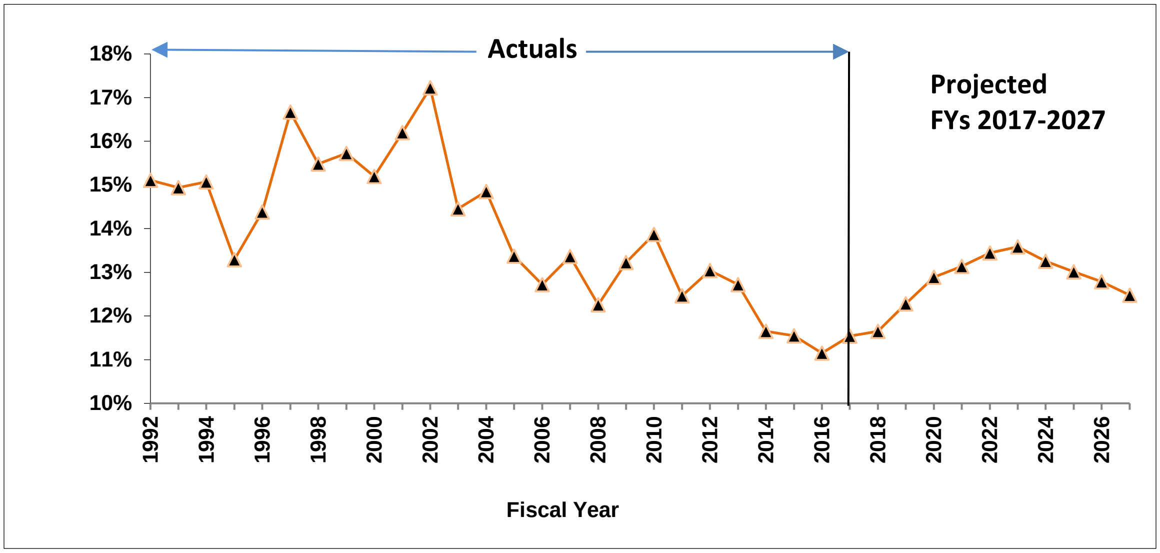
Debt Affordability

Debt service as a percent of local tax revenues is one of the measures of debt affordability. In recent years, it has been commonly accepted that a ratio below 15 percent of local tax revenues is sustainable. The Executive Budget and Financial Plan project that debt service will consume 11.5 percent of local tax revenues in FY 2017, 11.7 percent in FY 2018, 12.3 percent in FY 2019, 12.9 percent in FY 2020 and 13.1 percent in FY 2021, as shown in Chart 9.[19] The increasing ratio is the result of the City's debt service growing at a faster rate than its tax revenues. Between FY 2017 and FY 2021 the City's debt service is estimated to grow by just under 34 percent, or an average annual growth rate of 7.5 percent. In contrast, the estimated annual tax revenue growth rate for the same period is 4.1 percent. Beyond FY 2021, the ratio declines to 12.5 percent by FY 2027 as borrowing tapers off due to lower capital plan estimates. The debt service ratios imply annual average tax revenue growth of 4.77 percent after FY 2021. If capital commitments and expenditures remain higher in the later years, and if annual tax revenue growth were to average

[19] Includes TSASC debt service and revenues.

less than the assumed 4.8 percent, the debt service ratio would not decline as quickly as projected in the Ten-Year Capital Strategy (TYCS).

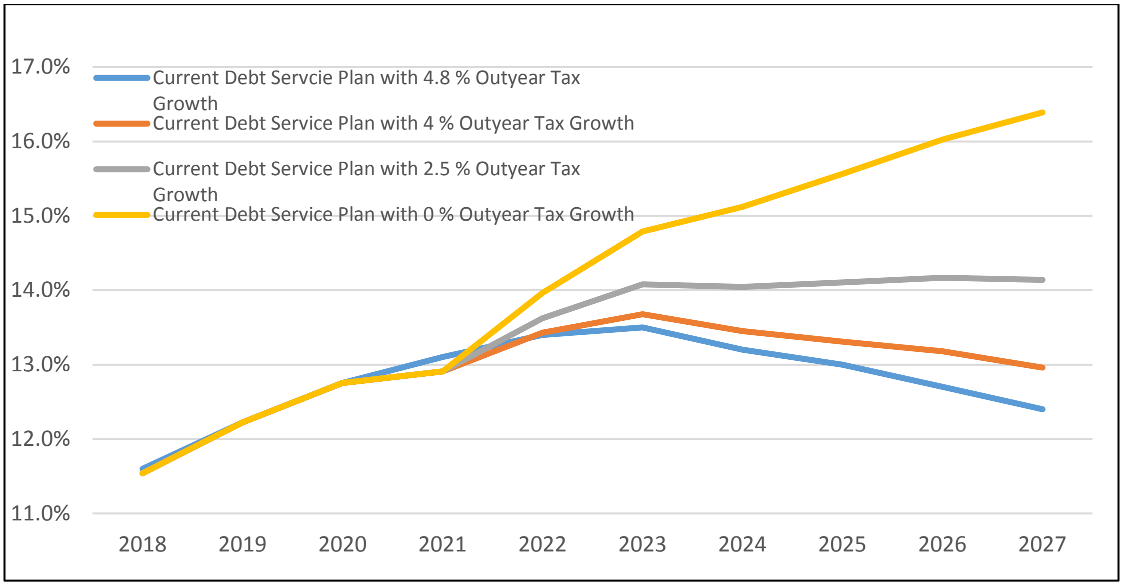
Chart 9. Debt Service as a Percentage of Tax Revenues, 1992 – 2027



SOURCE: NYC Office of Management and Budget, Executive 2018 Financial Plan.

Chart 10 below shows the sensitivity of changes in assumed outyear rates of growth beyond FY 2021. The City's current tax revenues projections used in the Ten-Year Capital Strategy from FYs 2022-2027 average 4.8 percent per year. If tax revenues beyond FY 2021 were to grow at either 4 percent or 2.5 percent per year, the ratio remains below 15 percent. It would take a significant economic downturn for the ratio to exceed the 15 percent threshold. As the chart shows, even if revenue growth were to come to a halt in the outyears, the 15 percent threshold would eventually be crossed in FY 2024.

Chart 10. Debt Service as a Percentage of Tax Revenues, 2018–2027, Sensitivity Analysis by Changing Tax Revenue Assumptions in FYs 2022 – 2027



SOURCE: NYC Office of Management and Budget, Executive 2018 Financial Plan and NYC Office of the Comptroller.

VII. Appendix

Table A1. April 2017 Financial Plan Revenue Detail

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 – 2021 Dollars	Percent	Annual Percent Change
Taxes:								
Real Property	$24,606	$25,831	$27,492	$28,816	$30,125	$5,519	22.4%	5.2%
Personal Income Tax	$11,310	$11,655	$12,073	$12,624	$13,166	$1,856	16.4%	3.9%
General Corporation Tax	$3,869	$3,890	$3,982	$4,004	$4,113	$244	6.3%	1.5%
Banking Corporation Tax	($75)	$0	$0	$0	$0	$75	(100.0%)	(100.0%)
Unincorporated Business Tax	$2,026	$2,137	$2,242	$2,371	$2,502	$476	23.5%	5.4%
Sale and Use Tax	$6,994	$7,369	$7,881	$8,245	$8,592	$1,598	22.8%	5.3%
Real Property Transfer	$1,345	$1,364	$1,400	$1,461	$1,490	$145	10.8%	2.6%
Mortgage Recording Tax	$1,074	$934	$959	$1,001	$1,020	($54)	(5.0%)	(1.3%)
Commercial Rent	$816	$848	$884	$919	$955	$139	17.0%	4.0%
Utility	$377	$382	$387	$396	$409	$32	8.5%	2.1%
Hotel	$571	$570	$592	$599	$608	$37	6.5%	1.6%
Cigarette	$44	$42	$41	$40	$39	($5)	(11.4%)	(3.0%)
All Other	$638	$596	$596	$596	$596	($42)	(6.6%)	(1.7%)
Tax Audit Revenue	$1,251	$850	$721	$721	$721	($530)	(42.4%)	(12.9%)
Total Taxes	**$54,846**	**$56,467**	**$59,250**	**$61,793**	**$64,336**	**$9,490**	**17.3%**	**4.1%**
Miscellaneous Revenue:								
Licenses, Franchises, Etc.	$738	$674	$663	$668	$662	($76)	(10.3%)	(2.7%)
Interest Income	$75	$110	$177	$241	$246	$171	228.0%	34.6%
Charges for Services	$1,007	$989	$991	$991	$991	($16)	(1.6%)	(0.4%)
Water and Sewer Charges	$1,389	$1,400	$1,385	$1,371	$1,359	($30)	(2.2%)	(0.5%)
Rental Income	$254	$251	$250	$250	$250	($4)	(1.6%)	(0.4%)
Fines and Forfeitures	$956	$908	$899	$891	$875	($81)	(8.5%)	(2.2%)
Miscellaneous	$527	$333	$538	$703	$714	$187	35.5%	7.9%
Intra-City Revenue	$2,065	$1,815	$1,737	$1,739	$1,744	($321)	(15.5%)	(4.1%)
Total Miscellaneous Revenue	**$7,011**	**$6,480**	**$6,640**	**$6,854**	**$6,841**	**($170)**	**(2.4%)**	**(0.6%)**
Unrestricted Intergovernmental Aid								
Other Federal and State Aid	$57	$0	$0	$0	$0	($57)	(100.0%)	(100.0%)
Total Unrestricted Intergovernmental Aid	**$57**	**$0**	**$0**	**$0**	**$0**	**($57)**	**(100.0%)**	**(100.0%)**
Reserve for Disallowance of Categorical Grants	**$613**	**($15)**	**($15)**	**($15)**	**($15)**	**($628)**	**(102.4%)**	**N/A**
Less: Intra-City Revenue	**($2,065)**	**($1,815)**	**($1,737)**	**($1,739)**	**($1,744)**	**$321**	**(15.5%)**	**(4.1%)**
TOTAL CITY-FUNDS	**$60,462**	**$61,117**	**$64,138**	**$66,893**	**$69,418**	**$8,956**	**14.8%**	**3.5%**
Other Categorical Grants	**$976**	**$880**	**$868**	**$859**	**$856**	**($120)**	**(12.3%)**	**(3.2%)**
Inter-Fund Agreements	**$641**	**$667**	**$662**	**$599**	**$597**	**($44)**	**(6.9%)**	**(1.8%)**

Table A1 (Con't). April 2017 Financial Plan Revenue Detail

($ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 – 2021 Dollars	Change FYs 2017 – 2021 Percent	Annual Percent Change
Federal Categorical Grants:								
Community Development	$1,640	$1,003	$332	$253	$235	($1,405)	(85.7%)	(38.5%)
Welfare	$3,675	$3,548	$3,300	$3,314	$3,318	($357)	(9.7%)	(2.5%)
Education	$1,702	$1,787	$2,033	$2,033	$2,033	$331	19.4%	4.5%
Other	$1,920	$1,461	$1,337	$1,297	$1,293	($627)	(32.7%)	(9.4%)
Total Federal Grants	**$8,937**	**$7,799**	**$7,002**	**$6,897**	**$6,879**	**($2,058)**	**(23.0%)**	**(6.3%)**
State Categorical Grants								
Social Services	$1,819	$1,711	$1,716	$1,727	$1,727	($92)	(5.1%)	(1.3%)
Education	$10,327	$10,683	$11,108	$11,554	$11,879	$1,552	15.0%	3.6%
Higher Education	$286	$297	$297	$297	$297	$11	3.8%	0.9%
Department of Health and Mental Hygiene	$625	$547	$539	$539	$523	($102)	(16.3%)	(4.4%)
Other	$1,380	$1,158	$1,189	$1,230	$1,276	($104)	(7.5%)	(1.9%)
Total State Grants	**$14,437**	**$14,396**	**$14,849**	**$15,347**	**$15,702**	**$1,265**	**8.8%**	**2.1%**
TOTAL REVENUES	**$85,453**	**$84,859**	**$87,519**	**$90,595**	**$93,452**	**$7,999**	**9.4%**	**2.3%**

Table A2. April 2017 Financial Plan Expenditure Detail

($ in thousands)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 – 2021 Dollars	Change FYs 2017 – 2021 Percent	Annual Percent Change
Mayoralty	$129,132	$131,093	$129,716	$122,040	$119,916	($9,216)	(7.1%)	(1.8%)
Board of Elections	$132,123	$140,996	$95,113	$96,564	$94,370	($37,753)	(28.6%)	(8.1%)
Campaign Finance Board	$16,205	$56,656	$14,015	$14,015	$14,015	($2,190)	(13.5%)	(3.6%)
Office of the Actuary	$7,193	$7,351	$7,351	$7,351	$7,351	$158	2.2%	0.5%
President, Borough of Manhattan	$4,837	$5,016	$4,584	$4,584	$4,584	($253)	(5.2%)	(1.3%)
President, Borough of Bronx	$5,794	$6,009	$5,451	$5,451	$5,451	($343)	(5.9%)	(1.5%)
President, Borough of Brooklyn	$6,395	$6,583	$5,695	$5,695	$5,695	($700)	(10.9%)	(2.9%)
President, Borough of Queens	$5,320	$5,580	$4,744	$4,744	$4,744	($576)	(10.8%)	(2.8%)
President, Borough of Staten Island	$4,427	$4,531	$4,244	$4,244	$4,244	($183)	(4.1%)	(1.0%)
Office of the Comptroller	$104,821	$105,425	$105,431	$105,431	$105,431	$610	0.6%	0.1%
Dept. of Emergency Management	$58,697	$59,228	$27,303	$27,238	$28,154	($30,543)	(52.0%)	(16.8%)
Office of Administrative Tax Appeals	$4,972	$5,146	$5,061	$5,061	$5,061	$89	1.8%	0.4%
Law Dept.	$216,043	$204,057	$202,262	$203,679	$203,679	($12,364)	(5.7%)	(1.5%)
Dept. of City Planning	$41,953	$49,506	$41,108	$40,267	$40,267	($1,686)	(4.0%)	(1.0%)
Dept. of Investigation	$47,563	$38,773	$35,592	$32,995	$32,995	($14,568)	(30.6%)	(8.7%)
NY Public Library — Research	$27,485	$27,612	$27,612	$27,612	$27,612	$127	0.5%	0.1%
New York Public Library	$135,520	$135,512	$135,512	$135,512	$135,512	($8)	(0.0%)	(0.0%)
Brooklyn Public Library	$100,625	$100,694	$100,695	$100,695	$100,695	$70	0.1%	0.0%
Queens Borough Public Library	$102,579	$102,077	$102,077	$102,077	$102,077	($502)	(0.5%)	(0.1%)
Dept. of Education	$23,360,086	$24,265,539	$25,642,587	$26,312,349	$27,000,964	$3,640,878	15.6%	3.7%
City University	$1,111,959	$1,114,341	$1,137,877	$1,145,654	$1,158,807	$46,848	4.2%	1.0%
Civilian Complaint Review Board	$16,176	$16,713	$16,713	$16,713	$16,713	$537	3.3%	0.8%
Police Dept.	$5,421,475	$5,296,980	$5,270,619	$5,238,915	$5,206,986	($214,489)	(4.0%)	(1.0%)
Fire Dept.	$2,061,244	$2,020,684	$1,987,511	$2,006,073	$2,005,489	($55,755)	(2.7%)	(0.7%)
Dept. of Veterans' Services	$4,064	$4,492	$4,493	$4,493	$4,493	$429	10.6%	2.5%
Admin. for Children Services	$2,957,740	$2,994,787	$2,520,399	$2,530,814	$2,530,814	($426,926)	(14.4%)	(3.8%)
Dept. of Social Services	$9,676,100	$9,850,896	$9,865,126	$9,923,419	$9,940,472	$264,372	2.7%	0.7%
Dept. of Homeless Services	$1,743,111	$1,608,439	$1,631,294	$1,642,262	$1,642,262	($100,849)	(5.8%)	(1.5%)
Dept. of Correction	$1,403,806	$1,428,233	$1,435,497	$1,450,928	$1,461,501	$57,695	4.1%	1.0%
Board of Correction	$2,737	$2,997	$2,997	$2,997	$2,997	$260	9.5%	2.3%
Citywide Pension Contribution	$9,282,808	$9,459,386	$9,754,062	$9,824,211	$9,889,079	$606,271	6.5%	1.6%
Miscellaneous	$8,571,629	$10,046,159	$11,467,829	$12,309,811	$13,301,367	$4,729,738	55.2%	11.6%
Debt Service	$4,100,154	$4,326,809	$4,394,908	$4,786,837	$4,990,634	$890,480	21.7%	5.0%
T.F.A. Debt Service	$2,181,410	$2,201,040	$2,829,930	$3,121,530	$3,405,180	$1,223,770	56.1%	11.8%
FY 2016 BSA and Discretionary Transfers	($4,037,505)	$0	$0	$0	$0	$4,037,505	(100.0%)	(100.0%)
FY 2017 BSA and Discretionary Transfers	$3,727,438	($3,727,438)	$0	$0	$0	($3,727,438)	(100.0%)	(100.0%)
Public Advocate	$3,599	$3,620	$3,620	$3,620	$3,620	$21	0.6%	0.1%
City Council	$64,077	$64,077	$54,200	$54,200	$54,200	($9,877)	(15.4%)	(4.1%)
City Clerk	$5,982	$5,558	$5,558	$5,558	$5,558	($424)	(7.1%)	(1.8%)
Dept. for the Aging	$339,257	$309,741	$312,297	$317,457	$317,457	($21,800)	(6.4%)	(1.6%)
Dept. of Cultural Affairs	$178,876	$143,621	$142,621	$142,621	$142,621	($36,255)	(20.3%)	(5.5%)
Financial Info. Serv. Agency	$102,805	$110,289	$110,933	$111,576	$111,576	$8,771	8.5%	2.1%
Office of Payroll Admin.	$16,461	$16,998	$16,999	$16,999	$16,999	$538	3.3%	0.8%
Independent Budget Office	$5,477	$5,513	$5,396	$5,395	$5,130	($347)	(6.3%)	(1.6%)
Equal Employment Practices	$1,139	$1,187	$1,187	$1,187	$1,187	$48	4.2%	1.0%

Table A2 (Con't). April 2017 Financial Plan Expenditure Detail

($ in thousands)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 – 2021 Dollars	Change FYs 2017 – 2021 Percent	Annual Percent Change
Civil Service Commission	$1,086	$1,094	$1,092	$1,092	$1,092	$6	0.6%	0.1%
Landmarks Preservation Commission	$5,885	$6,465	$6,276	$6,266	$6,286	$401	6.8%	1.7%
Taxi & Limousine Commission	$68,409	$56,364	$58,067	$51,060	$51,060	($17,349)	(25.4%)	(7.1%)
Commission on Human Rights	$12,120	$11,457	$11,458	$11,458	$11,458	($662)	(5.5%)	(1.4%)
Youth & Community Development	$589,076	$519,506	$502,651	$517,165	$517,098	($71,978)	(12.2%)	(3.2%)
Conflicts of Interest Board	$2,561	$2,580	$2,581	$2,581	$2,581	$20	0.8%	0.2%
Office of Collective Bargaining	$2,418	$2,322	$2,322	$2,322	$2,322	($96)	(4.0%)	(1.0%)
Community Boards (All)	$18,174	$17,406	$17,406	$17,406	$17,406	($768)	(4.2%)	(1.1%)
Dept. of Probation	$91,564	$96,233	$95,504	$95,042	$95,042	$3,478	3.8%	0.9%
Dept. Small Business Services	$322,552	$179,203	$141,624	$133,093	$126,312	($196,240)	(60.8%)	(20.9%)
Housing Preservation & Development	$1,335,564	$1,129,960	$836,499	$780,260	$768,918	($566,646)	(42.4%)	(12.9%)
Dept. of Buildings	$158,915	$183,776	$164,329	$165,599	$158,519	($396)	(0.2%)	(0.1%)
Dept. of Health & Mental Hygiene	$1,658,412	$1,561,364	$1,601,753	$1,630,081	$1,630,098	($28,314)	(1.7%)	(0.4%)
NYC Health + Hospitals	$703,287	$779,655	$798,105	$899,973	$799,357	$96,070	13.7%	3.3%
Office of Administrative Trials & Hearings	$42,121	$50,349	$49,922	$49,922	$49,922	$7,801	18.5%	4.3%
Dept. of Environmental Protection	$1,516,078	$1,406,733	$1,237,391	$1,215,339	$1,201,073	($315,005)	(20.8%)	(5.7%)
Dept. of Sanitation	$1,600,056	$1,662,676	$1,694,696	$1,708,308	$1,705,933	$105,877	6.6%	1.6%
Business Integrity Commission	$10,180	$8,728	$8,605	$8,605	$8,605	($1,575)	(15.5%)	(4.1%)
Dept. of Finance	$273,876	$293,716	$292,847	$293,061	$293,086	$19,210	7.0%	1.7%
Dept. of Transportation	$999,917	$958,141	$958,551	$913,817	$915,897	($84,020)	(8.4%)	(2.2%)
Dept. of Parks and Recreation	$499,539	$443,146	$437,288	$435,638	$434,187	($65,352)	(13.1%)	(3.4%)
Dept. of Design & Construction	$719,432	$351,837	$152,981	$158,611	$145,923	($573,509)	(79.7%)	(32.9%)
Dept. of Citywide Admin. Services	$462,598	$464,745	$415,721	$416,340	$417,430	($45,168)	(9.8%)	(2.5%)
D.O.I.T.T.	$555,996	$486,567	$461,503	$452,358	$452,206	($103,790)	(18.7%)	(5.0%)
Dept. of Record & Info. Services	$7,922	$8,084	$8,451	$8,451	$8,451	$529	6.7%	1.6%
Dept. of Consumer Affairs	$36,166	$39,080	$38,997	$38,997	$38,997	$2,831	7.8%	1.9%
District Attorney - N.Y.	$124,716	$102,723	$103,037	$103,042	$103,042	($21,674)	(17.4%)	(4.7%)
District Attorney – Bronx	$73,656	$71,381	$71,502	$71,500	$71,500	($2,156)	(2.9%)	(0.7%)
District Attorney – Kings	$100,378	$97,081	$97,329	$97,319	$97,319	($3,059)	(3.0%)	(0.8%)
District Attorney –Queens	$65,982	$63,580	$63,814	$63,822	$63,822	($2,160)	(3.3%)	(0.8%)
District Attorney - Richmond	$14,428	$13,954	$13,989	$13,990	$13,990	($438)	(3.0%)	(0.8%)
Office of Prosec. & Special Narc.	$22,121	$22,353	$22,453	$22,458	$22,458	$337	1.5%	0.4%
Public Administrator - N.Y.	$1,785	$2,804	$2,817	$2,817	$2,817	$1,032	57.8%	12.1%
Public Administrator - Bronx	$728	$692	$704	$704	$704	($24)	(3.3%)	(0.8%)
Public Administrator - Brooklyn	$859	$843	$855	$855	$855	($4)	(0.5%)	(0.1%)
Public Administrator - Queens	$612	$620	$632	$632	$632	$20	3.3%	0.8%
Public Administrator - Richmond	$514	$519	$531	$531	$531	$17	3.3%	0.8%
Prior Payable Adjustment	($400,000)	$0	$0	$0	$0	$400,000	(100.0%)	(100.0%)
General Reserve	$300,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$700,000	233.3%	35.1%
Citywide Savings Initiatives	$0	$0	($46,281)	($73,531)	($98,781)	($98,781)	N/A	N/A
Energy Adjustment	$0	$0	$22,099	$57,776	$101,321	$101,321	N/A	N/A
Lease Adjustment	$0	$0	$34,636	$70,311	$107,056	$107,056	N/A	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$166,557	$166,557	N/A	N/A
TOTAL EXPENDITURES	**$85,453,472**	**$84,860,243**	**$91,108,475**	**$93,576,983**	**$95,771,041**	**$10,317,569**	**12.1%**	**2.9%**

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