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Comments on New York City's Fiscal Year 2016 Adopted Budget

July 30, 2015

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I. Executive Summary

Since last year's June FY 2015 Adopted Budget and Financial Plan, which showed a projected FY 2016 gap of $2.63 billion, the City has identified $5.94 billion of additional resources. These resources eliminated the projected gap and funded $1.77 billion of additional expenditures, $335 million in City Council initiatives, increased the General Reserve by $250 million and established a new Capital Stabilization Reserve with $500 million. The additional resources also offset reductions of $360 million from taxi medallion sales — due to planned delays to the outyears — and $101 million in other non-tax revenues.

The majority of the additional resources came from the rolling of prior year resources into FY 2016 through a prepayment of $3.55 billion of FY 2016 debt service in FY 2015. The remaining additional resources came from a $1.33 billion increase in estimated FY 2016 tax revenues, $753 million in debt service savings from lower than budgeted interest rates and $306 million in FY 2016 budget relief from the Citywide Savings Program, the first expenditure reduction program of the de Blasio administration.[1]

The City was able to generate a significant prepayment for FY 2016 as a result of strong FY 2015 tax revenues which are projected to come in $3.13 billion above what was forecast at FY 2015 Budget adoption last year. FY 2015 tax revenues of $51.75 billion came in above trend at 7.0 percent above FY 2014 — almost a full percentage point higher than the 6.1 average growth from FY 2009 through FY 2014.

Other FY 2015 resources included: $545 million in non-tax revenues, a $730 million take-down of the General Reserve, $642 million in debt service savings, $349 million in FY 2015 budget relief from the Citywide Savings Program, and $100 million from prior-year payable adjustments — bringing total additional FY 2015 resources to $5.5 billion. In addition to funding the $3.55 billion prepayment of FY 2016 debt service, the additional resources allowed the City to deposit $955 million into the Retiree Health Benefits Trust (RHBT), to fund $454 million of additional spending, and to offset a $532 million reduction in FY 2015 taxi medallion sales revenue. The strong revenue growth in FY 2015 will enable the City to close the fiscal year with the first operating surplus since the Great Recession.

Looking ahead, expenditures, adjusted for prepayments and other prior-year actions, are projected to grow by 6.9 percent from FY 2016 through FY 2019, averaging 2.3 percent a year (after accounting for the Capital Stabilization Reserve). The high growth areas — salaries and wages, debt service, health insurance, other fringe benefits and judgments and claims — grow by 14 percent over the Plan period, averaging 4.6 percent a year. The low growth areas in this financial plan are pensions, Medicaid, public assistance and the remaining other than personal service (OTPS) which together

[1] The Comptroller's Office counts $159 million of debt service savings that the City counted in its Citywide Savings Program in the debt service savings category.

are budgeted by the City to grow by 0.5 percent over the Plan period, or 0.2 percent a year.

Despite the increase in expenditures, the fiscal outlook in the Adopted Budget Financial Plan, which shows cumulative outyear gaps totaling $6.23 billion, is stronger than that of the Executive Budget Financial Plan which had cumulative outyear gaps of $6.42 billion. The outyear gaps decreased even as the FY 2015 prepayments and RHBT deposits increased by $517 million and $675 million, respectively. The cumulative outyear gap in the current Financial Plan is the second smallest since FY 2003.

The Comptroller's Office's analysis of the budget indicates that the fiscal outlook may be stronger than projected by the City. The Comptroller's Office has identified net resources of $41 million in FY 2015, $839 million in FY 2016, $1.06 billion in FY 2017, $1.17 billion in FY 2018, and $1.30 billion in FY 2019. These resources stem primarily from the Office's higher tax revenue forecast which is more than the City's forecast by $81 million in FY 2015, $822 million in FY 2016, $1.12 billion in FY 2017, $1.33 billion in FY 2018, and $1.54 billion in FY 2019.

Other additional resources identified by the Comptroller's Office include debt service savings of $189 million in FY 2016 and additional fine revenues from the extension and expansion of the bus lane camera program of $12 million in FY 2016, $21 million in FY 2017, $19 million in FY 2018, and $17 million in FY 2019. Risks to the City's estimate for overtime, Department of Education (DOE) Medicaid reimbursement, Universal Pre-Kindergarten (UPK) funding, and pension contributions offset some of the additional resources. The Comptroller's Office estimates that overtime spending could exceed the Plan's estimate by $104 million in FY 2016 while DOE Medicaid reimbursements could be below the City's estimate by $60 million in FY 2015 and $80 million annually beginning FY 2016. In addition, UPK funding could fall short by $21 million annually beginning FY 2017.

In addition, the Plan's projections of pension contributions do not take into account the impact of the FY 2015 pension investment return which is preliminarily projected to be 3.3 percent compared to the Actuarial Interest Rate Assumption of 7.0 percent. The Comptroller's Office estimates that this shortfall in investment return will result in additional pension contributions of $70 million in FY 2017, $141 million in FY 2018, and $211 million in FY 2019.

Even as the City is benefiting from strong revenues which allows it to fund new initiatives, it is important to keep in mind the rapidity and extent to which the City's budget situation can worsen, as experienced in the Great Recession. The City has used part of its additional resources to increase the fund balance in the RHBT, to increase the General Reserve and establish a new Capital Stabilization Reserve. In order to be prepared for the next cyclical downturn, the City must continue to find a balance between additional spending and accumulating the resources needed to build up a larger cushion, which remains billions below what it was entering the Great Recession.

Table 1. FYs 2016–2019 Financial Plan

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Changes FYs 2016 – 2019 Dollar	Changes FYs 2016 – 2019 Percent
Revenues						
Taxes:						
General Property Tax	$22,589	$23,697	$24,705	$25,769	$3,180	14.1%
Other Taxes	$28,919	$29,796	$30,658	$31,620	$2,701	9.3%
Tax Audit Revenues	$711	$711	$711	$711	$0	0.0%
Subtotal: Taxes	$52,219	$54,204	$56,074	$58,100	$5,881	11.3%
Miscellaneous Revenues	$6,539	$6,684	$6,785	$6,844	$305	4.7%
Less: Intra-City Revenues	($1,769)	($1,763)	($1,774)	($1,769)	$0	0.0%
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$56,974	$59,110	$61,070	$63,160	$6,186	10.9%
Other Categorical Grants	$856	$846	$851	$848	($8)	(0.9%)
Inter-Fund Revenues	$575	$546	$548	$549	($26)	(4.5%)
Federal Categorical Grants	$7,146	$6,878	$6,475	$6,375	($771)	(10.8%)
State Categorical Grants	$12,977	$13,349	$13,755	$14,083	$1,106	8.5%
Total Revenues	$78,528	$80,729	$82,699	$85,015	$6,487	8.3%
Expenditures						
Personal Service						
Salaries and Wages	$25,391	$25,443	$26,791	$28,307	$2,916	11.5%
Pensions	$8,755	$8,719	$8,770	$8,868	$113	1.3%
Fringe Benefits	$9,278	$9,758	$10,327	$11,122	$1,844	19.9%
Subtotal-PS	$43,424	$43,920	$45,888	$48,297	$4,873	11.2%
Other Than Personal Service						
Medical Assistance	$6,326	$6,424	$6,424	$6,424	$98	1.5%
Public Assistance	$1,481	$1,464	$1,464	$1,464	($17)	(1.1%)
All Other	$24,632	$24,316	$24,413	$24,727	$95	0.4%
Subtotal-OTPS	$32,439	$32,204	$32,301	$32,615	$176	0.5%
Debt Service						
Principal	$2,231	$2,310	$2,283	$2,227	($4)	(0.2%)
Interest & Offsets	$2,311	$2,308	$2,465	$2,629	$318	13.8%
Subtotal Debt Service	$4,542	$4,618	$4,748	$4,856	$314	6.9%
FY 2015 BSA	($3,554)	$0	$0	$0	$3,554	(100.0%)
TFA Debt Redemption	($103)	$0	$0	$0	$103	(100.0%)
TFA						
Principal	$696	$871	$889	$1,171	$475	68.2%
Interest & Offsets	$1,353	$1,344	$1,554	$1,698	$345	25.5%
Subtotal TFA	$2,049	$2,215	$2,443	$2,869	$820	40.0%
Capital Stabilization Reserve	$500	$0	$0	$0	($500)	(100.0%)
General Reserve	$1,000	$1,000	$1,000	$1,000	$0	0.0%
	$80,297	$83,957	$86,380	$89,637	$9,340	11.6%
Less: Intra-City Expenses	($1,769)	($1,763)	($1,774)	($1,769)	$0	0.0%
Total Expenditures	$78,528	$82,194	$84,606	$87,868	$9,340	11.9%
Gap To Be Closed	**$0**	**($1,465)**	**($1,907)**	**($2,853)**	**($2,853)**	**N/A**

Table 2. Plan-to-Plan Changes
June 2015 Plan vs. May 2015 Plan

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
Revenues				
Taxes:				
General Property Tax	$144	$220	$218	$213
Other Taxes	$47	$202	$207	$212
Tax Audit Revenues	$0	$0	$0	$0
Subtotal: Taxes	$191	$422	$425	$425
Miscellaneous Revenues	($21)	($31)	($30)	($31)
Less: Intra-City Revenues	$22	$31	$31	$31
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$192	$422	$426	$425
Other Categorical Grants	$25	$7	$7	$7
Inter-Fund Revenues	$0	$0	$0	$1
Federal Categorical Grants	$19	$46	$74	$75
State Categorical Grants	($16)	($15)	($16)	($19)
Total Revenues	$220	$460	$491	$489
Expenditures				
Personal Service				
Salaries and Wages	$239	$168	$172	$178
Pensions	$0	$0	$45	$45
Fringe Benefits	$28	$21	$21	$25
Subtotal-PS	$267	$189	$238	$248
Other Than Personal Service				
Medical Assistance	($98)	$0	$0	$0
Public Assistance	$0	$0	$0	$0
All Other	$592	$120	$144	$164
Subtotal-OTPS	$494	$120	$144	$164
Debt Service				
Principal	($23)	$17	$17	$16
Interest & Offsets	($20)	($69)	($88)	($88)
Subtotal Debt Service	($43)	($52)	($71)	($72)
FY 2015 BSA	($517)	$0	$0	$0
TFA Debt Redemption	$0	$0	$0	$0
TFA Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	($3)	$65	$89	$90
Subtotal TFA	($3)	$65	$89	$90
Capital Stabilization Reserve	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0
	$198	$322	$400	$430
Less: Intra-City Expenses	$22	$31	$31	$31
Total Expenditures	$220	$353	$431	$461
Gap To Be Closed	**$0**	**$107**	**$60**	**$28**

Table 3. Plan-to-Plan Changes
June 2015 Plan vs. June 2014 Plan

($ in millions)

	FY 2016	FY 2017	FY 2018
Revenues			
Taxes:			
General Property Tax	$503	$662	$735
Other Taxes	$822	$741	$674
Tax Audit Revenues	$2	$2	$2
Subtotal: Taxes	$1,327	$1,405	$1,411
Miscellaneous Revenues	($457)	($304)	$161
Less: Intra-City Revenues	$53	$62	$56
Disallowances Against Categorical Grants	$0	$0	$0
Subtotal: City Funds	$923	$1,163	$1,628
Other Categorical Grants	($20)	($26)	($16)
Inter-Fund Revenues	$56	$28	$30
Federal Categorical Grants	$817	$572	$182
State Categorical Grants	$157	$55	($58)
Total Revenues	$1,933	$1,792	$1,766
Expenditures			
Personal Service			
Salaries and Wages	$723	$468	$403
Pensions	($78)	($181)	($638)
Fringe Benefits	$239	$298	$355
Subtotal-PS	$884	$585	$120
Other Than Personal Service			
Medical Assistance	($89)	$9	$9
Public Assistance	$74	$51	$51
All Other	$1,944	$1,178	$742
Subtotal-OTPS	$1,929	$1,238	$802
Debt Service			
Principal	($134)	$4	$1
Interest & Offsets	($234)	($321)	($255)
Subtotal Debt Service	($368)	($317)	($254)
FY 2015 BSA	($3,554)	$0	$0
TFA Debt Redemption	$0	$0	$0
TFA Debt Service			
Principal	($219)	($180)	($194)
Interest & Offsets	($167)	($252)	($200)
Subtotal TFA	($386)	($432)	($394)
Capital Stabilization Reserve	$500	$0	$0
General Reserve	$250	$250	$250
	($745)	$1,324	$524
Less: Intra-City Expenses	$53	$62	$56
Total Expenditures	($692)	$1,386	$580
Gap To Be Closed	**$2,625**	**$406**	**$1,186**

Table 4. Risks and Offsets

($ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**$0**	**($1,465)**	**($1,907)**	**($2,853)**
Tax Revenues					
Property Tax	$0	($13)	$195	$376	$750
Personal Income Tax	$81	$392	$704	$818	$840
Business Taxes	$0	$58	($1)	$70	$54
Sales Tax	$0	$40	$40	$37	$27
Real-Estate-Related Taxes	$0	$345	$185	$25	($129)
Subtotal	**$81**	**$822**	**$1,123**	**$1,326**	**$1,542**
Bus Lane Camera Fines	**$0**	**$12**	**$21**	**$19**	**$17**
Expenditures					
Overtime	$0	($104)	$0	$0	$0
UPK Funding	$0	$0	($21)	($21)	($21)
DOE Medicaid Reimbursement	($60)	($80)	($80)	($80)	($80)
Pension Contribution	$0	$0	($70)	($141)	($211)
VRDB Rate Savings	$0	$125	$88	$70	$52
Short Term Borrowing	$0	$64	$0	$0	$0
General Reserve	$20	$0	$0	$0	$0
Subtotal	**($40)**	**$5**	**($83)**	**($172)**	**($260)**
Total (Risks)/Offsets	**$41**	**$839**	**$1,061**	**$1,173**	**$1,299**
Restated (Gap)/Surplus	**$41**	**$839**	**($404)**	**($734)**	**($1,554)**

II. The FY 2016 Adopted Budget

The City adopted a balanced FY 2016 budget of $78.53 billion on June 26, 2015. The budget was balanced in part by prepaying a portion of FY 2016 debt service in FY 2015 and redeeming $196 million of New York City Transitional Finance Authority (TFA) bonds in FY 2013. The FY 2015 prepayments reduce FY 2016 debt service by $3.55 billion while the TFA bond redemption reduces it by $103 million. After netting out these prepayments, FY 2016 expenditures total $82.19 billion.

The FY 2015 $3.55 billion prepayment is $1.55 billion more than FY 2014's prepayment of $2.01 billion. The increase to the prepayment indicates that not only was it unnecessary to draw upon the $2.01 billion that was rolled into FY 2015 for budget balance, but that the City was also able to accumulate additional resources in FY 2015 to add to the roll.

The $78.53 billion Adopted Budget is $220 million above the Executive Budget. The City-funds portion of the Budget accounts for $191 million of the increase. As shown in Table 5, the increase in City-funds is due entirely to upward revisions in the City's property and personal income tax revenue forecasts. Conversely, business, sales and real-estate-related tax revenues are below the Executive Budget estimates.

Table 5. Changes to City-Funds Estimates
FY 2016 Adopted Budget vs. FY 2016 Executive Budget

($ in millions)

REVENUES		**EXPENDITURES**	
Property Tax	$144	Council Initiatives	$335
PIT	285	Patrol Enhancement	110
Business Tax	(62)	Police Overtime Adjustment	98
Sales Tax	(12)	Debt Service	(46)
Real-Estate-Related	(164)	Miscellaneous Expenditures	46
Total	**$191**	Pension	12
		Agency Expense	154
		Subtotal	**$708**
		FY 2015 BSA	**($517)**
		Total	**$191**

City-funds expenditures, before prepayments, are $708 million higher than in the Executive Budget, as shown in Table 5. Council initiatives totaling $335 million account for almost half of the increase. The Adopted Budget also includes $110 million for hiring 1,297 additional police officers and civilianizing 415 administrative and clerical positions currently held by police officers. In addition, the Budget includes a net increase of $98 million to uniformed police overtime, reflecting a $113 million increase to the baseline overtime estimate and an estimated $16 million reduction in overtime due to the additional police officers. Agency expenses are $154 million higher and include the rescission of $3.15 million of the Department for the Aging's proposed savings from the Executive Budget. This $3.15 million restoration, along with additions of $8.8 million to the Comprehensive After-School System (COMPASS) and $5.46 million to discretionary child care, were added to the Council's initiatives, bringing its total to $352 million.

An increase of $517 million to the FY 2015 Budget Stabilization Account (BSA) — used to prepay FY 2016 debt service — results in a net increase of $191 million in FY 2015 City-funds expenditures. Table 6 shows the change to the BSA since May. City-funds revenues and expenditures are $814 million and $297 million above the May projections, respectively. The spending increase is driven by an additional $675 million deposit into the Retiree Health Benefits Trust (RHBT) — which brings the total FY 2015 RHBT deposit to $955 million — and an upward revision of $22 million to the debt service estimate.[2] Reductions to the General Reserve, miscellaneous expenses, labor reserve and agency spending totaling $400 million offsets some of the increase. The increase in the FY 2015 BSA brings its total to $3.55 billion.

Table 6. Change to FY 2015 BSA

($ in millions)

May FY 2015 BSA	**$3,037**
Revenue Changes	
Tax Revenues	$693
Non-Tax Revenues	121
Subtotal Revenues	**$814**
Expenditure Changes	
Retiree Health Benefit Trust Deposit	$675
Debt Service	22
General Reserve	(30)
Miscellaneous Expenses	(91)
Labor Reserve Adjustment	(100)
Agency Spending	(179)
Subtotal Expenditures	**$297**
Total Change in BSA	**$517**
June FY 2015 BSA	**$3,554**

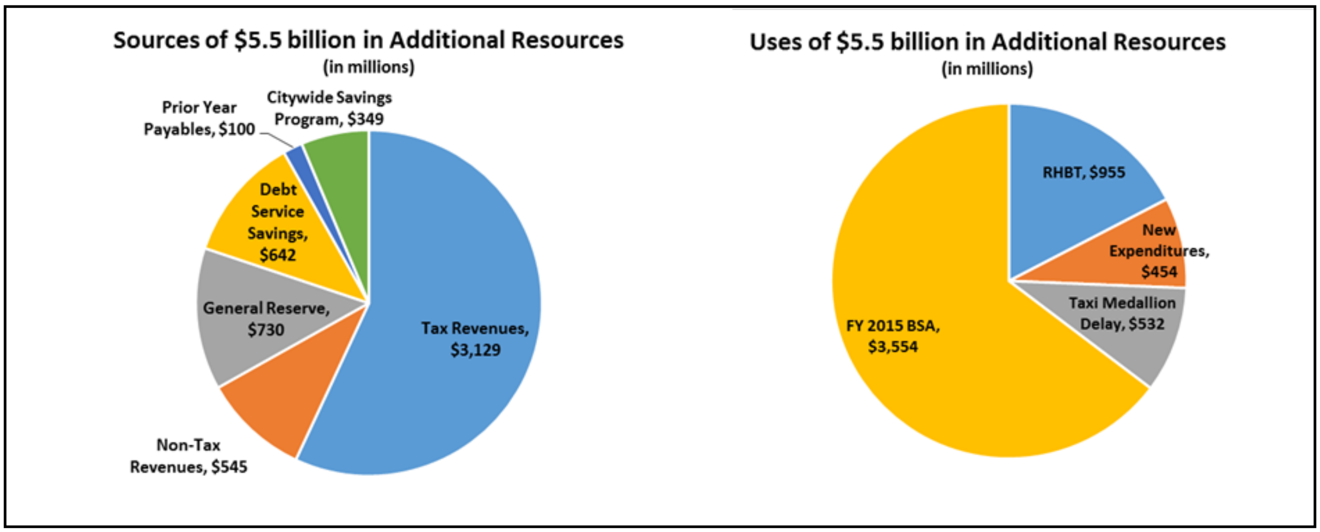
From FY 2015 Budget adoption through the end of FY 2015, the City identified and benefitted from $5.5 billion in additional resources. The majority of these sources came from $3.129 billion in additional tax revenues. These additional tax revenues were mostly due to collections in personal income tax (PIT), real-estate transaction tax, and property tax that were above forecasts. The other additional resources were: $730 million takedown of the General Reserve, $642 million in debt service savings, $100 million in the takedown of prior-year payables, $349 million from the Citywide Savings Program and $545 million in non-tax revenues. As a basis for comparison, in the ten years from

[2] The RHBT was established in June 2006 to fund health and welfare benefits for retired City employees and their dependents.

FY 2005 through FY 2014, revenues added to the budget within a fiscal year averaged $1.69 billion.

The additional resources identified after the FY 2015 Adopted budget were used as follows: $955 million was added to the RHBT, $532 million in revenues was foregone in FY 2015 by delaying to the outyears the scheduled sale of additional taxi medallions, $454 million funded new agency expenses and $3.55 billion was used for the BSA to prepay FY 2016 expenses.

***Chart 1*. Sources and Uses of $5.5 billion in Additional Resources Estimated for FY 2015 Since Budget Adoption in June, 2014**



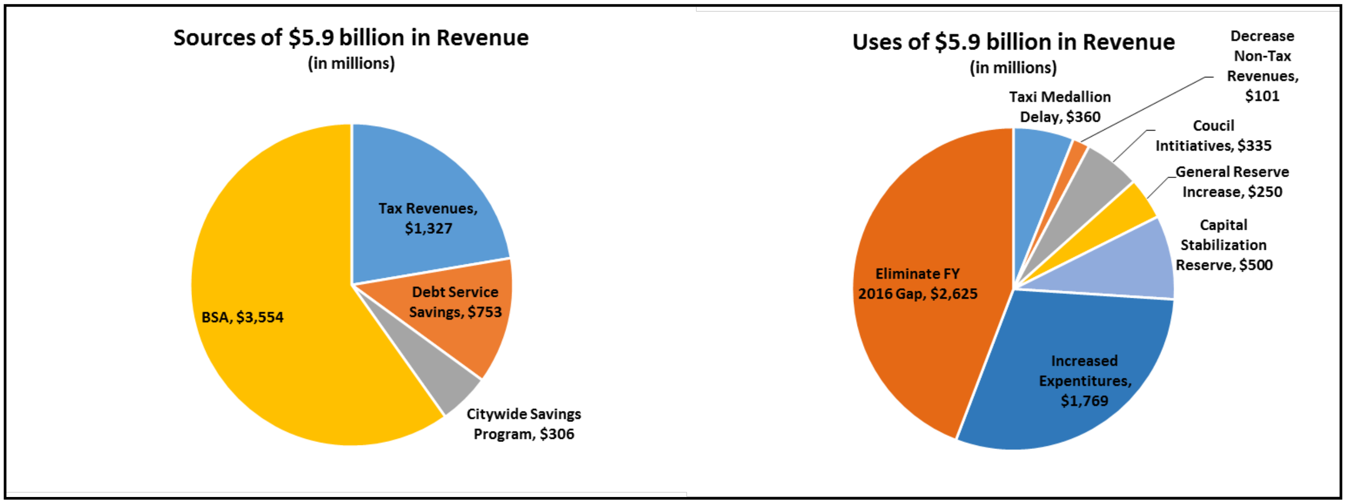
Looking at the current fiscal year, FY 2016 has $5.94 billion more in resources compared to last June's projections in the FY 2015 Adopted Budget and Financial Plan. These resources are comprised of: $1.33 billion in tax revenues, $753 million in debt service savings, $306 million from the Citywide Savings Program and $3.55 billion from the FY 2015 prepayment.[3]

Of the additional resources, $2.63 billion was used to close the projected gap in FY 2016. The additional resources also paid for $1.77 billion in increased expenditures, $335 million in City Council initiatives, a $360 million decrease in revenue from delaying the sale of additional taxi medallions, a decrease of $101 million in other non-tax revenues, $500 million for the new Capital Stabilization Reserve (CSR), and an increase of $250 million to the General

[3] The Comptroller's Office restated Citywide Savings Program of $306 million excludes $159 million in debt service savings which the Comptroller's Office instead fully includes in the debt service savings category.

Reserve, along with the RHBT deposit and the FY 2015 roll-out have increased the City's cushion against the next cyclical downturn. The City is on the right track in increasing its cushion although the cushion is still billions short of its peak entering the Great Recession.

***Chart 2.* Sources and Uses of $5.9 billion in Additional Resources Projected for FY 2016 Since Budget Adoption in June, 2014**

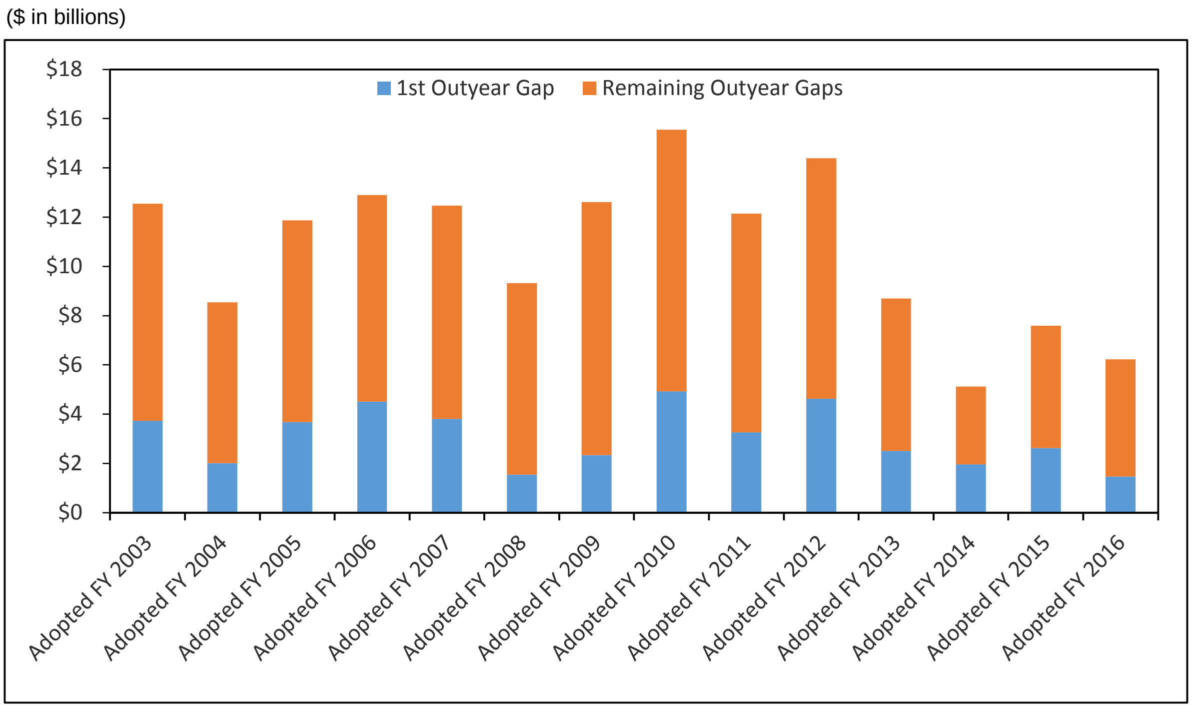


The Outyear Gaps

While the FY 2016 Budget is balanced, outyear gaps exist in the Financial Plan. However, even with a General Reserve at $1 billion in each of the outyears, Chart 3 shows that the current cumulative outyear gap of $6.2 billion is the second smallest at adoption since FY 2003.[4]

[4] The General Reserve in each of the outyears at budget adoption was $200 million in FY 2003, $300 million in FYs 2004 through 2013 and $750 million in FY 2014.

***Chart 3*. First-Outyear Gap and Cumulative Outyear Gaps at Adoption**



Risks and Offsets

As Table 7 shows, the Comptroller's Office has identified additional resources ranging from $41 million in FY 2015 to $1.30 billion in FY 2019. The additional resources stem primarily from the Comptroller's Office's tax revenue forecast which is above the Plan's projections by $81 million in FY 2015, $822 million in FY 2016, $1.12 billion in FY 2017, $1.33 billion in FY 2018, and $1.54 billion in FY 2019. In addition, the Comptroller's Office estimates that the extension and expansion of the City's bus lane camera program will yield additional revenues of $12 million in FY 2016, $21 million in FY 2017, $19 million in FY 2018, and $17 million in FY 2019. The Comptroller's Office also expects FY 2016 debt service costs to be $189 million below the Plan estimate because the Office anticipates that variable rate demand bond (VRDB) interest will be below the Plan's assumption and that short-term borrowing assumed in the Plan for FY 2016 will not be needed. In the outyears, the Comptroller's Office estimates debt service savings from lower VRDB interest costs of $88 million in FY 2017, $70 million in FY 2018, and $52 million in FY 2019.

Table 7. Risks and Offsets

($ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**$0**	**($1,465)**	**($1,907)**	**($2,853)**
Tax Revenues					
Property Tax	$0	($13)	$195	$376	$750
Personal Income Tax	$81	$392	$704	$818	$840
Business Taxes	$0	$58	($1)	$70	$54
Sales Tax	$0	$40	$40	$37	$27
Real-Estate-Related Taxes	$0	$345	$185	$25	($129)
Subtotal	**$81**	**$822**	**$1,123**	**$1,326**	**$1,542**
Bus Lane Camera Fines	**$0**	**$12**	**$21**	**$19**	**$17**
Expenditures					
Overtime	$0	($104)	$0	$0	$0
UPK Funding	$0	$0	($21)	($21)	($21)
DOE Medicaid Reimbursement	($60)	($80)	($80)	($80)	($80)
Pension Contribution	$0	$0	($70)	($141)	($211)
VRDB Rate Savings	$0	$125	$88	$70	$52
Short Term Borrowing	$0	$64	$0	$0	$0
General Reserve	$20	$0	$0	$0	$0
Subtotal	**($40)**	**$5**	**($83)**	**($172)**	**($260)**
Total (Risks)/Offsets	**$41**	**$839**	**$1,061**	**$1,173**	**$1,299**
Restated (Gap)/Surplus	**$41**	**$839**	**($404)**	**($734)**	**($1,554)**

The Comptroller's Office's risks to the Plan's overtime spending, Medicaid reimbursement assumptions, UPK funding and pension contributions offset some of the additional resources. The Comptroller's Office estimates that overtime spending in FY 2016 will be above the Plan's projection by $104 million and that Medicaid reimbursement in the Department of Education will be below the Plan estimates by $60 million in FY 2015 and $80 million in each of the outyears of the Plan. Also, beginning in FY 2017, the City's assumption of UPK funding could be underestimated by $21 million annually, as discussed in "Department of Education" beginning on page 28. Furthermore, the Plan's pension contribution projections do not account for the impact of FY 2015 pension investment return which is preliminarily estimated at 3.3 percent compared to the Actuarial Interest Rate Assumption (AIRA) of 7.0 percent. The Comptroller's Office estimates that this shortfall in pension investment return will result in additional pension contributions of $70 million in FY 2017, $141 million in FY 2018, and $211 million in FY 2019.

III. The State of the City's Economy

COMPTROLLER'S ECONOMIC FORECAST, 2015-2019

No significant changes were made to our economic forecasts since the Comptroller's Comment on the Fiscal Year 2016 Executive Budget was released in June. Both the U.S. and NYC economies are expected to grow at a moderate pace during the coming fiscal year and the risk to those forecasts are relatively low.

There have been some revisions and updates of macroeconomic indicators since the Comptroller's last report but the resulting changes to the forecasts are trivial. According to the Bureau of Economic Analysis, real GDP growth, which was initially estimated at 0.2 percent in the first quarter of 2015, was revised to a negative 0.2 percent. Offsetting that negative revision, the U.S. economy has added an average of 208,000 jobs per month in the first half of 2015, a strong rate of job creation although less than the 239,000 average during the corresponding period of 2014.

The remainder of 2015 is expected to be strong enough to raise the GDP growth to 2.5 percent for the year, slightly better than in 2014. Based on good recent reports on consumer spending, personal income, household net worth, and new and existing home sales, the Comptroller's forecast for the second quarter of 2015 is higher than the consensus forecast, as is the Comptroller's forecast for the entire year. However, the poor start to 2015 will again prevent the U.S. economy from reaching the historical 3.0 percent growth benchmark.

The city's economy is expected to continue its strong performance seen in 2014. The city's economy grew an estimated 3.5 percent in the first quarter of 2015, with the total number of jobs growing at an annual rate of 2.3 percent.

The risks to the Comptroller's Office's forecasts are primarily international in origin. An exit of Greece from the European monetary union could be disruptive to international financial markets, although at this time it appears that that perennial risk has again been averted. The American economy also seems relatively well insulated from the deflation of China's real estate and stock market bubbles, but those adjustments could have indirect effects on corporate earnings, business confidence and business investment.

The Federal Reserve's intention to begin normalizing monetary policy with a short-term rate increase during 2015 poses another risk, but Chairperson Yellen has attempted to reassure markets that interest rate rises will be moderate and cautious.

Overall, the Comptroller's Office expects the national and local economies to continue on their path of moderate growth. Table 8 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2015 to 2019.

Table 8. Selected NYC and the U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2015-2019

NYC		2015	2016	2017	2018	2019
Real GCP, (2009 $),	Comptroller	3.2	2.7	2.6	2.7	2.7
Percent Change	Mayor	1.3	1.6	1.7	1.9	2.2
Payroll Jobs,	Comptroller	95	69	66	62	62
Change in Thousands	Mayor	67	62	56	49	47
Inflation Rate	Comptroller	0.7	1.8	2.3	2.4	2.4
Percent	Mayor	0.3	2.6	2.4	2.5	2.4
Wage-Rate Growth,	Comptroller	3.8	2.4	2.1	2.3	2.3
Percent	Mayor	2.0	2.6	3.0	3.1	3.3
Unemployment Rate,	Comptroller	6.4	6.0	5.7	5.5	5.2
Percent	Mayor	NA	NA	NA	NA	NA

U.S.		2015	2016	2017	2018	2019
Real GDP, (2009 $),	Comptroller	2.5	2.8	2.7	2.7	2.7
Percent Change	Mayor	3.0	2.6	2.7	2.5	2.9
Payroll Jobs,	Comptroller	2.9	2.4	2.2	2.1	2.1
Change in Millions	Mayor	3.2	2.5	1.8	1.2	1.5
Inflation Rate	Comptroller	0.5	1.5	2.0	2.1	2.1
Percent	Mayor	(0.3)	2.5	2.2	2.3	2.3
Fed Funds Rate,	Comptroller	0.2	0.5	1.0	2.4	3.0
Percent	Mayor	0.4	1.6	3.3	3.8	3.8
10-Year Treasury Notes,	Comptroller	2.2	2.7	3.4	3.9	4.4
Percent	Mayor	2.5	3.3	3.9	4.0	4.0

Source: Comptroller = forecast by the NYC Office of the Comptroller. Mayor = forecast by the NYC Office of Management and Budget in the June 2015 Financial Plan. GCP = Gross City Product. NA = not available.

IV. Revenue Assumptions

The FY 2016 Adopted Budget and Financial Plan projects total revenues will grow by $6.49 billion over the span of the Plan period, from $78.53 billion in FY 2016 to $85.02 billion in FY 2019. City-funds revenues are projected to grow from $56.97 billion in FY 2016 to $63.16 billion in FY 2019, reflecting the City's assumptions of moderate growth in the local and national economies. Tax revenues are expected to comprise 66 percent of total revenues in FY 2016 and are projected to increase to 68 percent of total revenues in FYs 2018-2019. After the stronger than previously forecast collections in FY 2015, the City projects tax revenue growth to slow significantly in FY 2016 before growth accelerates in FYs 2017-2019. Property tax revenues are projected to grow 14.1 percent from $22.59 billion in FY 2016 to $25.77 billion in FY 2019, while non-property tax revenues are expected to grow 9.1 percent from $29.63 billion in FY 2016 to $32.33 billion in FY 2019.[5]

Miscellaneous revenue, excluding intra-City revenue, is expected to come in at $4.77 billion in FY 2016, a 24 percent drop from the FY 2015 estimate, as non-recurring revenues decline. Total miscellaneous revenues are estimated to grow 6.4 percent over the Plan period to $5.08 billion in FY 2019.

The June 2015 Plan projects total Federal and State aid of $20.12 billion in FY 2016. The current forecast reflects only a marginal increase of $3 million from the Executive Budget, mainly from increased Federal support for the Breakfast in the Classroom initiative, which is partly offset by declining State special education reimbursement. In the outyears, Federal and State aid are expected to reach a combined $20.23 billion in each of FYs 2017 and 2018, and $20.46 billion in FY 2019. The trend in the outyears mainly reflects the City's expectation of education aid increases from the State.

Tax Revenues

The Adopted Budget projects total tax revenues of $52.22 billion in FY 2016, approximately $191 million above the forecast in the FY 2016 Executive Budget. The current FY 2016 tax revenue projection represents an increase of $472 million, or less than 1.0 percent, from the FY 2015 tax revenue estimate. Non-property tax revenues are projected to fall 2.1 percent in FY 2016 while property tax revenues are expected to grow 5.2 percent.

Changes to the City's Tax Revenue Forecast

As Table 9 shows, since the May 2015 Financial Plan, the City increased its tax revenue forecasts in each of FYs 2015-19. The June Modification raised the FY 2015 tax revenue forecast by a net $694 million, to $51.75 billion. Most of the change is due to a

[5] If not indicated specifically throughout this section, Personal Income Tax (PIT) and Property tax revenues include School Tax Relief (STAR) reimbursement.

$422 million increase in estimated Personal Income Tax (PIT) revenues, as collections were unexpectedly strong in the final three months of the year. The FY 2015 revenue projection for the combined real-estate-related tax, namely the Real Property Transfer Tax (RPTT), and the Mortgage Recording Tax (MRT), increased by $198 million since the May Plan. The FY 2015 projection for the combined business income taxes, namely, the General Corporation Tax (GCT), the Banking Corporation Tax (BCT), and the Unincorporated Business Tax (UBT), was also revised upward by a net $25 million.[6]

For FY 2016, the City increased its real property tax revenue projection by $144 million and raised projected PIT revenue by $285 million to reflect an upward revision to projected withholding collections. Projected real-estate-related tax revenues, however, decreased by a combined $164 million compared to the May Plan. Revenue projections for the real property tax were also raised in FYs 2017 through 2019 by $220 million, $218 million and $213 million respectively, while PIT projections were raised by $202 million, $207 million and $212 million respectively over the same period.

Table 9. Revisions to the City's Tax Revenue Assumptions May 2015 vs. June 2015

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
May 2015 Financial Plan Total	**$51,053**	**$52,028**	**$53,782**	**$55,649**	**$57,675**
Revisions:					
Property	$0	$144	$220	$218	$213
Personal Income (PIT)	422	285	202	207	212
Business	25	(62)	0	0	0
Sales	0	(12)	0	0	0
Real-Estate-Related	198	(164)	0	0	0
All Other	(43)	0	0	0	0
Tax Audit	92	0	0	0	0
Revisions -Total	$694	$191	$422	$425	$425
June 2015 Forecast - Total	**$51,747**	**$52,219**	**$54,204**	**$56,074**	**$58,100**

Projected Tax Revenue Growth, Forecast, FYs 2016-2019

The City projects total tax revenues will grow by $6.35 billion from FY 2015 to FY 2019, representing an average annual growth rate of 2.9 percent. As shown in Table 10, the current Plan assumes growth in tax revenues will slow to less than 1.0 percent in FY 2016, down from a projected 7.0 percent growth in FY 2015. This cautious forecast, which serves as a base for tax revenue growth in the outyears, results in conservative estimates of tax revenue throughout the Plan period. The FY 2016 forecast is mostly based on the City's assumption of slower growth in employment and wages in calendar years 2015-2016 as well as lower levels of Wall Street profitability. As collections from non-property tax revenues improve, total tax revenue growth is expected

[6] On April 13, 2015, the State of New York signed into law the new corporate income tax reform for New York City, which unifies the taxation of general corporations and banking corporations effective January 1, 2015.

to accelerate to 3.8 percent in FY 2017, 3.4 percent in FY 2018 and 3.6 percent in FY 2019.

Table 10. Tax Revenue Forecast, Growth Rates, FY 2016 through FY 2019

	FY 2016	FY 2017	FY 2018	FY 2019	Average Annual Growth
Property					
Mayor	5.2%	4.9%	4.3%	4.3%	4.7%
Comptroller	5.1%	5.8%	5.0%	5.7%	5.4%
PIT					
Mayor	0.1%	0.4%	2.1%	3.0%	1.4%
Comptroller	2.8%	3.1%	2.9%	3.0%	3.0%
Business					
Mayor	0.8%	3.8%	3.0%	3.5%	2.8%
Comptroller	1.8%	2.8%	4.1%	3.2%	3.0%
Sales					
Mayor	4.0%	4.2%	4.1%	3.5%	3.9%
Comptroller	4.6%	4.2%	4.0%	3.4%	4.0%
Real-Estate-Related					
Mayor	(20.0%)	10.5%	2.9%	2.7%	(1.7%)
Comptroller	(8.2%)	3.1%	(3.0%)	(3.1%)	(2.9%)
All Other					
Mayor	(1.2%)	2.5%	2.6%	2.1%	1.5%
Comptroller	(1.2%)	2.5%	2.6%	2.1%	1.5%
Total Tax with Audit					
Mayor	**0.9%**	**3.8%**	**3.4%**	**3.6%**	**2.9%**
Comptroller	**2.3%**	**4.3%**	**3.7%**	**3.9%**	**3.6%**

SOURCE: NYC Office of Management and Budget and NYC Office of the Comptroller.

Property tax revenue in the Plan is projected to grow 5.2 percent in FY 2016 to $22.59 billion. Projected growth in property tax revenue is supported by strong billable value growth in the FY 2016 final assessment roll. Large commercial and residential properties account for most of the growth. Although the City anticipates that a rise in long-term interest rates will put downward pressure on market value growth in the outyears, property tax revenue growth is expected to surpass growth in non-property taxes over the forecast period and average 4.7 percent annually, reflecting steady, moderate growth in billable assessed value, fueled in part by the phase-in of the pipeline of assessed value growth from prior years.

After a projected 9.8 percent growth in PIT collections in FY 2015, PIT revenue is budgeted to be nearly flat in FY 2016 at $11.15 billion. PIT collections in FY 2016 are expected to be dampened by an anticipated decline in Wall Street bonuses and slower growth in employment and wages. While total PIT withholding is forecast to increase 4.6 percent over the prior year, estimated payments are expected to decrease slightly. Over the forecast period, growth in PIT revenues is expected to average just 1.4 percent annually.

Total business income tax revenues are forecast to grow by just 0.8 percent in FY 2016 to a combined $6.13 billion. The City expects tax payments from finance sector firms to be constrained by an anticipated decline in Wall Street profits while non-finance sector payments are expected to show moderate growth. Growth in business tax revenues are forecast to average 2.8 percent annually in FYs 2016 through 2019.

Sales tax collections are forecast to grow 4.0 percent in FY 2016 to $7.03 billion in FY 2016. The current forecast is supported by the City's assumption of moderate growth in taxable consumption and wages. Tourism is expected to continue to support taxable consumption. Over the forecast period, revenues from the sales tax are projected to grow steadily at an average annual rate of 3.9 percent. Growth in sales tax revenue is supported by gradual growth in employment and wages as well as continued strength in the tourism sector.

The June Plan projects real-estate-related tax revenues will decline 20 percent in FY 2016 to $2.33 billion following a projected 17.2 percent growth in FY 2015. This projection is driven by an expected fall in commercial transactions as rising interest rates weaken international demand. In FY 2016, revenues from residential transactions are expected to show strong growth over FY 2015 as a result of the large number of new condo units reaching the market. However, revenues from commercial transactions are forecast to decline at a faster rate. Aggregate real-estate-related tax revenue is expected to decline at an average of 1.7 percent annually over the forecast period.

Overall, the Comptroller's Office projects greater tax revenue growth than the City's forecast. As shown in Table 10, the Comptroller's Office estimates that tax revenue will grow by an average of 3.6 percent annually in FYs 2016 through 2019, 0.7 percentage points above the City's projection. The Plan assumes tax revenues will grow by less than 1.0 percent in FY 2016 while the Comptroller's Office estimates that FY 2016 tax revenues will grow by 2.3 percent. Although the Comptroller's Office continues to project higher tax revenue growth than the City in the outyears, the disparity between the projections going forward is narrower than in FY 2016.

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office's projections of risks and offsets to the City's tax revenue assumptions are based on current collections and the Office's latest economic projections. As illustrated in Table 11, the Comptroller's Office projects tax revenue offsets growing from $81 million in FY 2015 to $1.54 billion in FY 2019.

The Comptroller's Office forecasts a small risk in FY 2016 property tax, but growing offsets in FYs 2017 through 2019, driven by rising market values and assessments. The Comptroller's Office's economic forecasts anticipate that long-term interest rates will remain historically low at least through 2017, in turn keeping mortgage rates and capitalization rates relatively low and prices, especially of commercial properties, high. Even as market value growth slows in the outyears, the pipeline of transitional values for Class 2 and Class 4 properties will continue to boost billable assessments, as will the recovery of new residential construction activity.

The Office anticipates significant PIT offsets that grow throughout the Plan period. Continued employment growth and improving wage growth should keep collections from payroll withholding growing at a steady pace. The flattening of stock market prices in 2015 should slow the growth of estimated tax payments but the large stock market gains of 2012-2014 will provide some residual momentum in long-term capital gains realizations and tax payments.

In contrast to the PIT forecast, the Comptroller's Office projects declining offsets from real-estate-related taxes through FY 2018, ending in a risk of $129 million in FY 2019. The Comptroller's Office believes that commercial and high-end residential real estate in Manhattan has benefitted from extraordinarily low long-term interest rates and from foreign money seeking safe-haven investments. Eventually, however, the price adjustments will be completed and the property transactions they trigger will diminish. Strengthening residential real estate markets in the other boroughs will help to cushion transaction tax revenues as the Manhattan commercial real estate cycle tops out.

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

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Property	$0	($13)	$195	$376	$750
PIT	81	392	704	818	840
Business	0	58	(1)	70	54
Sales	0	40	40	37	27
Real-Estate Related	0	345	185	25	(129)
Total	**$81**	**$822**	**$1,123**	**$1,326**	**$1,542**

Miscellaneous Revenues

Excluding intra-City revenues, the FY 2016 Adopted Budget and Financial Plan projects miscellaneous revenues will decline by 24 percent on a year-over-year basis, to $4.77 billion in FY 2016. The current FY 2015 miscellaneous revenue forecast of $6.31 billion reflects a net increase of $121 million compared with the May Plan forecast. The revised FY 2015 forecast includes an additional $31 million in projected revenues from debt service on the Department of Housing Preservation and Development (HPD) loans and another $31.8 million in asset sales and other revenues. FY 2015 projected revenues from licenses and franchises increased by a net $13 million mostly due to additional revenues from construction and building permits and Taxi and Limousine Commission (TLC) licenses. Revenues from charges for services increased by a net $22 million to account for higher estimated revenues from tuition and education related fees and 421-A tax incentive program fees. Fines and forfeitures increased by a net $32 million in FY 2015, mostly due to higher Environmental Control Board (ECB) and parking violation fines. The City left its FYs 2016-2019 miscellaneous revenue forecasts virtually unchanged from the May Plan forecasts.

As Table 12 shows, the FY 2016 miscellaneous revenue projection of $4.77 billion includes much lower projected revenues from the "other miscellaneous" category. This category includes the sale of City properties, mortgages, refunds of prior year expenditures, settlement revenues and other one-time resources. The lower forecast reflects primarily a decline in projected non-recurring revenues in FY 2016. In FY 2015, this category includes a $1 billion transfer from the Health Stabilization Fund which helped fund the cost of labor settlements, and over $290 million in non-recurring revenues from asset sales and restitution.

Table 12. June 2015 Financial Plan
Miscellaneous Revenue Projections

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Licenses, Franchises, Etc.	$678	$641	$625	$619	$616
Interest Income	21	29	85	156	163
Charges for Services	970	948	949	948	948
Water and Sewer Charges	1,537	1,517	1,454	1,412	1,374
Rental Income	270	271	271	271	271
Fines and Forfeitures	953	810	805	801	799
Other Miscellaneous	1,877	554	732	804	904
Total	**$6,306**	**$4,770**	**$4,921**	**$5,011**	**$5,075**

SOURCE: NYC Office of Management and Budget.

After declining to $4.7 billion in FY 2016, total miscellaneous revenues are expected to remain stable and average $5 billion in FYs 2017-2019.

The Comptroller's Office expects revenues from bus lane camera fines to be above the City's forecast in each of FYs 2016-2019 by $12 million, $21 million, $19 million and $17 million respectively. The offset stems from the recent State-enacted extension and expansion of the City's bus lane camera program. The program was extended for five years and expanded to allow the City to select an additional 10 bus routes for camera enforcement. Currently, the City has cameras installed at five routes. We estimate that the additional cameras will yield $69 million more in fine revenues net of annual operating cost over the Financial Plan period.

Federal and State Aid

The Adopted Budget for FY 2016 assumes $20.12 billion of Federal and State aid, about $900 million less than the FY 2015 estimates of $21.02 billion. The decline is attributable both to the City's conservative Federal aid estimates in FY 2016 and the recognition of Federal reimbursement in FY 2015 for Hurricane Sandy clean-up and recovery efforts that will have a smaller impact in FY 2016. For FY 2016, Federal and State grants constitute about 26 percent of the City's expense budget. Overall, about 81 percent of Federal and State aid is dedicated for education and social service expenditures.

Federal and State aid estimates for FY 2016 reflect a net increase of $3 million since the Executive Budget. This increase is primarily the result of an additional $31 million in Federal support assumed for the DOE's Breakfast in the Classroom initiative — including $15 million in Community Development Block Grant (CDBG) funding — partly offset by declines in other CDBG funding and State grants for certain private special education programs.

The City anticipates Federal and State support to rise modestly in FY 2017 and FY 2018 while reflecting a larger increase in FY 2019. While the City has assumed significant increases in state education aid, rising by nearly 10 percent from $9.72 billion in FY 2016 to $10.69 billion in FY 2019, the growth in overall Federal and State aid are projected to slow down significantly because of sequential declines in Federal Hurricane Sandy reimbursement.

Over the outyears of the June Plan, Federal and State grants are projected to grow at less than 1.0 percent on average. Federal and State support of the expense budget would decrease over the course of the Plan from 25.6 percent in FY 2016 to 23.3 percent in FY 2019 because of the more rapid growth of the City's spending projections. However, net of Hurricane Sandy reimbursement, Federal grants would remain virtually flat over the outyears. In comparison, Federal aid grew at nearly 1.0 percent annually over the past five years, therefore the potential for greater Federal support of the City's expense budget exists in the outyears. [7]

[7] Adjusted for the impact of American Recovery and Reinvestment Act (ARRA) and Hurricane Sandy-related reimbursements.

V. Expenditure Assumptions

All-funds spending totals $78.53 billion in the FY 2016 Adopted Budget, $2.02 billion less than modified FY 2015 budget. However, as discussed in Section II, when netting out the impact of prepayments and bond redemptions, the total is $82.19 billion.[8] In order to compare FY 2016 spending to FY 2015, further adjustments must be made. FY 2015 expenditures are inflated by an increase in prepayments and a deposit of $955 million to the RHBT and are somewhat reduced by taking down the General Reserve and prior-year payables. After accounting for these measures, the adjusted FY 2016 budget totals $80.69 billion, which is $2.47 billion or 3.2 percent more than the adjusted FY 2015 budget.

Over the Plan period, expenditures adjusted for prepayments and prior-year actions are projected to grow 6.9 percent, an annual average growth rate of 2.3 percent. As shown in Table 13, growth in salaries and wages, debt service, health insurance, other fringe benefits and judgments and claims account for most of this growth. Together, these expenses, which account for more than 50 percent of the adjusted FY 2016 spending, are projected to grow by 14.4 percent over the Plan period, or 4.6 percent annually. Spending on other expenditures, excluding the Capital Stabilization Reserve is projected to grow by 0.5 percent over the same period, or 0.2 percent annually.

Table 13. FYs 2016 – 2019 Expenditure Growth

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Growth FYs 16–19	Annual Growth
Salaries and Wages	$25,054	$25,102	$26,445	$27,961	11.6%	3.7%
Debt Service	6,591	6,833	7,191	7,725	17.2%	5.4%
Health Insurance	5,660	5,986	6,355	6,937	22.6%	7.0%
Other Fringe Benefits	3,527	3,677	3,871	4,083	15.8%	5.0%
J & C	710	746	782	817	15.1%	4.8%
Subtotal	**$41,543**	**$42,344**	**$44,643**	**$47,523**	**14.4%**	**4.6%**
Pensions	$8,643	$8,607	$8,657	$8,756	1.3%	0.4%
Medicaid	6,326	6,424	6,424	6,424	1.5%	0.5%
Public Assistance	1,481	1,464	1,464	1,464	(1.1%)	(0.4%)
Other OTPS	23,692	23,355	23,417	23,700	0.0%	0.0%
Subtotal	**$40,142**	**$39,850**	**$39,963**	**$40,344**	**0.5%**	**0.2%**
Expenditures Before CSR	**$81,685**	**$82,194**	**$84,607**	**$87,868**	**7.6%**	**2.5%**
CSR	$500	$0	$0	$0	(100.0%)	(100.0%)
Total Expenditure	**$82,185**	**$82,194**	**$84,607**	**$87,868**	**6.9%**	**2.3%**

[8] The FY 2015 prepayments reduced FY 2016 GO and TFA debt service by $1.976 billion and $1.578 billion, respectively, while the FY 2013 bond defeasance reduced FY 2016 TFA debt service by $103 million.

Pensions

Pension expenditures in the FY 2016 Adopted Budget and June Financial Plan are projected to grow at an average annual rate of 0.4 percent from $8.644 billion in FY 2016 to $8.756 billion by FY 2019.

Table 14. FY 2015 – FY 2019 City Pension Expenditures

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Five Actuarial Systems	$8,486	$8,541	$8,437	$8,496	$8,587
Reserve	0	61	120	101	103
Other Systems	136	154	161	172	178
Less: Intra City-Expense	(126)	(112)	(112)	(112)	(112)
Net Pension Expense Adopted Budget	8,496	8,644	8,606	8,657	8,756
Net Pension Expense Modified May Plan	8,496	8,632	8,594	8,601	8,698
Net Change	**$0**	**$12**	**$12**	**$56**	**$58**

NOTE: Totals may not add up due to rounding.

As shown in Table 14, projected pension expenditures are higher than the FY 2016 Executive Budget and Financial Plan by $12 million in each of FYs 2016 and 2017 and approximately $57 million in each of FYs 2018 and 2019. The differences result primarily from: (1) a funding switch of $12 million in each of FYs 2016 through 2019 from intra-City funds to the general fund, (2) additional pension costs of $17 million in FY 2018 and $19 million in FY 2019 due to the additional employees to be hired by NYPD in FY 2016, and (3) additional pension costs of $25 million in each of FYs 2018 and 2019 stemming from increased police overtime funding provided for FY 2016.

The June Financial Plan projections are based on the assumption that pension investment returns in FY 2015 and beyond will earn the actuarial interest rate assumption (AIRA) of 7.0 percent. However, preliminary estimates indicate that pension investments have earned approximately 3.3 percent during FY 2015. The Comptroller's Office estimates that the shortfall in earnings will result in additional pension contributions of approximately $70 million in FY 2017, $141 million in FY 2018, and $211 million in FY 2019.

Health Insurance

The FY 2016 Adopted Budget projects health insurance spending during FY 2016 for employees and retirees will total $5.661 billion, an increase of about $10 million over the FY 2016 Executive Budget projection. Thereafter, health insurance costs are expected to increase at an average rate of 7.0 percent to $6.937 billion by FY 2019, as shown in Table 15.

Table 15. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Department of Education	$1,940	$2,123	$2,221	$2,324	$2,579
CUNY	62	102	109	113	120
All Other	3,205	3,436	3,656	3,918	4,238
Total Pay-As-You-Go Health Insurance Costs	$5,207	$5,661	$5,986	$6,355	$6,937
Retiree Health Benefits Trust Fund (RHBT)	955	0	0	0	0
Adjusted Total	$6,162	$5,661	$5,986	$6,355	$6,937

For active employees and retirees that are not eligible for Medicare, the projections reflect assumed health insurance premium rate increases of 2.89 percent for FY 2016, 9.0 percent in each of FYs 2017 and 2018, and 7.0 percent in FY 2019. The senior care rate, on the other hand, declined slightly by .07 percent in FY 2016. For the outyears, the senior care rate is then expected to increase by 8.0 percent in each of FYs 2017 and 2018, and 5.0 percent in FY 2019. While the lower FY 2016 senior care rate reduces health insurance costs by $31 million in FY 2016, $34 million in FY 2017, $38 million in FY 2018, and $41 million in FY 2019 – all of these savings are credited to the labor union's healthcare savings target in the Healthcare Reform Agreement between the City and the Municipal Labor Committee (MLC). Since these savings are already assumed in the Financial Plan they do not result in additional budget savings for the City.[9] Thus far, the cumulative savings from lower than projected health insurance premium rate increases in FY 2015 and FY 2016 account for $1.9 billion of labor's Healthcare Reform Agreement savings through FY 2019.

Headcount

The FY 2016 Adopted Budget and June Financial Plan projects full-time total funded headcount of 282,785 employees as of June 30, 2015. Planned full-time total funded headcount increases to 288,610 in FY 2016 and then remains fairly steady throughout the Financial Plan period.

[9] The City and the MLC reached a healthcare reform agreement in May 2014 that will provide 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. The savings are earmarked to offset some of the cost of the current round of collective bargaining.

Table 16. Total Funded Full-Time Year-End Headcount Projections

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Pedagogical					
Dept. of Education	111,581	114,211	114,388	114,704	114,704
City University	4,162	4,357	4,391	4,391	4,391
Subtotal	**115,743**	**118,568**	**118,799**	**119,095**	**119,095**
Uniformed					
Police	34,483	35,780	35,780	35,780	35,780
Fire	10,789	10,790	10,790	10,790	10,790
Correction	9,537	9,653	9,678	9,678	9,678
Sanitation	7,414	7,427	7,562	7,562	7,562
Subtotal	**62,223**	**63,650**	**63,810**	**63,810**	**63,810**
Civilian					
Dept. of Education	10,521	10,770	10,714	10,703	10,703
City University	1,905	1,855	1,853	1,853	1,853
Police	15,177	15,319	15,319	15,319	15,319
Fire	5,393	5,616	5,614	5,614	5,614
Correction	1,747	1,889	1,889	1,874	1,874
Sanitation	2,178	2,247	2,290	2,290	2,290
Admin. for Children's Services	6,648	7,226	7,230	7,230	7,230
Social Services	14,535	14,454	13,974	13,952	13,952
Homeless Services	2,267	2,316	2,271	2,270	2,270
Health and Mental Hygiene	5,191	5,104	4,861	4,861	4,860
Finance	2,037	2,044	2,039	2,034	2,034
Transportation	4,918	4,854	4,844	4,836	4,845
Parks and Recreation	3,993	4,005	3,944	3,944	3,944
All Other Civilians	28,309	28,693	28,690	28,546	28,456
Subtotal	**104,819**	**106,392**	**105,532**	**105,326**	**105,244**
Total	**282,785**	**288,610**	**288,121**	**288,231**	**288,149**

The June Plan for FY 2016 projects 2,640 more positions compared to the May projection, over 64.8 percent of which is from the planned increase at the NYPD. That increase is comprised of an additional 1,297 officer positions and an additional 415 civilian positions, for a total increase to the Police Department of 1,712 total-funded full-time employees since May. The additional civilian employees will allow the Department to assign police officers currently performing administrative and clerical duties to patrol duties.

A second major planned headcount increase since May, is in the Department of Education (DOE), which has a projected total headcount increase for FY 2016 of 777, comprised of 699 pedagogical employees and 78 non-pedagogical employees. The increase at DOE accounts for nearly 29 percent of the total change compared to the May Plan. Together, NYPD and DOE account for nearly 94.3 percent of the changes in projected headcount for FY 2016 since the Executive Budget.

Nearly 70 percent of the 777 DOE headcount increase for FY 2016 – specifically 539 positions – can be attributed to a planned headcount increase for UPK instruction. In addition, increases to the DOE headcount include 60 new positions for a Committee on Special Education and 59 new positions for physical education and wellness.

Table 17. Changes to FYs 2015 – 2019 Total Funded Full-Time Headcount June 2015 Financial Plan vs. May 2015 Financial Plan

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Pedagogical					
Dept. of Education	0	699	376	192	192
City University	0	0	0	0	0
Subtotal	**0**	**699**	**376**	**192**	**192**
Uniformed					
Police	0	1,297	1,297	1,297	1,297
Fire	0	0	0	0	0
Correction	0	0	0	0	0
Sanitation	0	0	0	0	0
Subtotal	**0**	**1,297**	**1,297**	**1,297**	**1,297**
Civilian					
Dept. of Education	0	78	72	61	61
City University	0	0	0	0	0
Police	0	415	415	415	415
Fire	0	2	2	2	2
Correction	0	(2)	(2)	(2)	(2)
Sanitation	0	0	0	0	0
Admin. for Children's Services	1	0	0	0	0
Social Services	0	15	9	9	9
Homeless Services	0	10	0	0	0
Health and Mental Hygiene	10	0	(143)	(143)	(143)
Finance	0	0	0	0	0
Transportation	0	0	0	0	0
Parks and Recreation	0	0	0	0	0
All Other Civilians	1	126	95	94	94
Subtotal	**12**	**644**	**448**	**436**	**436**
Total	**12**	**2,640**	**2,121**	**1,925**	**1,925**

The current headcount plan also shows a reduction of 143 positions in the Department of Health and Mental Hygiene (DOHMH) in FY 2016. This reduction reflects the transfer of Correctional Health expenditures from DOHMH to the Health and Hospitals Corporation (HHC). As a result of the transfer, the 142 DOHMH positions associated with Correctional Health are no longer counted in the DOHMH headcount. Rather, the personal services (PS) cost associated with these positions is now reflected as an other than personal (OTPS) cost since it is now part of the City's subsidy to HHC, a covered organization whose staffing is separate from the City's headcount.

June 30, 2015 Planned Headcount vs. May 31, 2015 Actuals

The actual total-funded full-time headcount was 277,166 employees on May 31, 2015, which is 5,619 employees less than the June 30, 2015 planned headcount – a shortfall of 2.0 percent, as shown in Table 18. Several agencies like the Department of Correction, the Administration for Children's Services, the Department of Social Services, the Department of Transportation, the Department of Health and Mental Hygiene, and the Department of Homeless Services are not likely to have met the

June 30, 2015 planned amount. With one month left in the fiscal year, on May 31st, headcount in these agencies ranged from 9.3 percent to 20.7 percent short of their June 30th planned headcount.

Conversely, the DOE is likely to substantially exceed its planned June 30, 2015 civilian headcount. Headcount at the department on May 31st was 1,770 above the planned June 30, 2015 headcount.

Table 18. Total-Funded Full-Time Headcount June 2015 Plan Target for June 30, 2015 vs. May 31, 2015 Actuals

	May 31, 2015 Actuals	June 30, 2015 Plan	Difference	Percent of Target
Pedagogical				
Dept. of Education	112,203	111,581	622	0.6%
City University	4,030	4,162	(132)	(3.2%)
Subtotal	**116,233**	**115,743**	**490**	**0.4%**
Uniformed				
Police	34,855	34,483	372	1.1%
Fire	10,502	10,789	(287)	(2.7%)
Correction	8,831	9,537	(706)	(7.4%)
Sanitation	7,412	7,414	(2)	(0.0%)
Subtotal	**61,600**	**62,223**	**(623)**	**(1.0%)**
Civilian				
Dept. of Education	11,669	10,521	1,148	10.9%
City University	1,915	1,905	10	0.5%
Police	14,596	15,177	(581)	(3.8%)
Fire	5,477	5,393	84	1.6%
Correction	1,386	1,747	(361)	(20.7%)
Sanitation	2,005	2,178	(173)	(7.9%)
Admin. for Children's Services	5,973	6,648	(675)	(10.2%)
Social Services	13,462	14,535	(1,073)	(7.4%)
Homeless Services	1,981	2,267	(286)	(12.6%)
Health and Mental Hygiene	4,332	5,191	(859)	(16.5%)
Finance	1,859	2,037	(178)	(8.7%)
Transportation	4,461	4,918	(457)	(9.3%)
Parks and Recreation	3,851	3,993	(142)	(3.6%)
All Other Civilians	26,366	28,309	(1,943)	(6.9%)
Subtotal	**99,333**	**104,819**	**(5,486)**	**(5.2%)**
Total	**277,166**	**282,785**	**(5,619)**	**(2.0%)**

Overtime

The FY 2016 Adopted Budget includes $1.2 billion for overtime expenditures. The Comptroller's Office estimates that overtime spending could be higher than budgeted by at least $104 million, as shown in Table 19.

Table 19. Projected Overtime Spending, FY 2016

($ in millions)

	City Planned Overtime FY 2016	Comptroller's Projected Overtime FY 2016	FY 2016 Risk
Uniform			
Police	$522	$546	($24)
Fire	202	202	0
Correction	80	160	(80)
Sanitation	94	94	0
Total Uniformed	$898	$1,002	($104)
Others			
Police-Civilian	$85	$85	$0
Admin for Child Svcs	17	17	0
Environmental Protection	23	23	0
Transportation	39	39	0
All Other Agencies	143	143	0
Total Civilians	$307	$307	$0
Total City	**$1,205**	**$1,309**	**($104)**

The City Council and the City Administration have agreed, as part of the Budget Adoption process, to add 1,297 additional uniformed-police personnel and to cap uniformed-police overtime at $522 million. The additional personnel are expected to reduce overtime needs. In addition, the City plans to hire 415 civilians to perform administrative and clerical duties currently undertaken by police officers so that these officers can be assigned to patrol duties. Together, the additional hiring and the reassignment of 415 police officers will increase enforcement strength by 1,712 officers of which 300 will be assigned to counterterrorism duties and the rest to increase the patrol strength at local precincts. The increase in precinct personnel is expected to reduce the demand for overtime work.

The Comptroller's Office believes that it will be difficult to limit overtime to $522 million in FY 2016. While the City has not outlined a hiring plan for the additional officers, it is expected that the hiring will be staggered in two or three groups, with most of the additional officers being assigned to precincts in the latter part of FY 2016. Therefore, any overtime savings from increased police headcount will only be realized towards the end the fiscal year. In addition, initiatives such as the extended summer hours program at New York City Housing Authority Community Centers and the "Summer All Out" program, both of which are expected to be continued in FY 2016, are overtime-intensive. Furthermore, the City's new and enhanced crime-fighting initiatives, such as neighborhood-policing efforts, will continue to exert pressure on the overtime budget. As such, the NYPD may not be able to adhere to the overtime cap for FY 2016. [10]

[10] The "operation summer all out" program increases police officer patrols in precincts with a higher number of shootings.

For several years, the Department of Correction (DOC) has been incurring additional overtime hours to meet its operational needs. DOC's uniformed-officers' overtime cost grew from $90 million in FY 2010 to $139 million in FY 2013, but then dipped to $125 million in FY 2014. The department has been more successful with its recruitment initiatives and, as a result, uniformed headcount has increased from a low of 8,456 at the end of FY 2011 to 8,831 as of May 31, 2015. While the City expects additional officers would help alleviate the DOC's reliance on overtime hours to meet operational needs, new initiatives being implemented at the Department, such as increasing the staff-to-inmate ratio for inmates 21 years and younger, are exerting pressure on staffing needs. The City estimates that DOC will spend about $162 million for uniformed overtime in FY 2015, about 30 percent higher than in FY 2014. If DOC overtime continues at the FY 2015 level, the City's budget could face a risk of $80 million in FY 2016.

Department of Education

The FY 2016 Adopted Budget includes $21.89 billion for the Department of Education's operating budget, an increase of about $1.06 billion over the agency's FY 2015 estimated budget of $20.83 billion. The Department's Adopted FY 2016 budget reflects a net increase of about $148 million in funding over the Executive Budget projection of $21.75 billion. The new funding includes an increase of $107 million in City-funds and a net increase of $41 million in Federal, State and other categorical grants.

The additional funding reflected in the Adopted Budget primarily consists of $118 million for mayoral initiatives and $26 million for City Council initiatives. Under mayoral initiatives, the Adopted Budget has provided $35 million for Breakfast in the Classroom programmatic and start-up costs, with Federal funds constituting nearly $31 million of the total. In addition, the City also increased funding for UPK by $35 million, comprised mainly of $21 million for additional teachers and paraprofessionals and $14 million for administrative oversight of standalone UPK sites. Other noteworthy increases include: $19 million for the Committee on Special Education (for both pre-kindergarten and K-12), $13 million for an additional hour of instructional time in Renewal Schools, and $7 million for physical education and wellness programs. The major increases under the City Council initiatives are continued support of $10 million for Teacher's Choice and $4 million for the Urban Advantage science program.

Over the remaining years of the Plan, the Department's budget is expected to rise to $22.70 billion in FY 2017 and $23.54 billion in FY 2018, before topping out at $24.42 billion in FY 2019. The trend reflects annual funding increases averaging about $841 million during this span. The Plan projects that the Department's operating budget will remain relatively stable in composition over the outyears, with about 48 percent of funding provided by the City and 44 percent provided by the State.

Our assessment of the Department's Medicaid revenue assumptions remains negative. The DOE continues to assume Medicaid revenue of $67 million in FY 2015 and $97 million annually in FYs 2016-2019 in the June Plan. However, given that only

$7 million in revenue has been realized for FY 2015 and only $2 million was collected in the previous year, it does not appear the DOE will achieve its Medicaid revenue targets. These assumptions will likely pose risks of $60 million in FY 2015 and $80 million in each of FYs 2016-2019. Also, a majority of the additional funding for the UPK program reflected in the FY 2016 Adopted Budget does not extend beyond the current year, therefore needs could surface in the outyears at $21 million annually in FYs 2017-2019.

Debt Service

Debt service for General Obligation (GO), Transitional Finance Authority (TFA), TSASC, and lease-purchase debt, after adjusting for prepayments, totals $6.67 billion in the FY 2016 Adopted Budget. This represents an increase of $620 million from FY 2015 and comes primarily from increased principal due of $229 million in FY 2016, along with $286 million in higher estimated variable rate interest costs, a $64 million increase in planned short-term interest costs associated with a forecasted cash flow borrowing, and $28 million in increased letter of credit & remarketing fees. The Comptroller's Office does not expect any short-term cash flow borrowing need in FY 2016. By FY 2019, debt service is projected to grow an additional $1.14 billion to $7.81 billion, or 29.2 percent more than the FY 2015 total of $6.05 billion.

As shown in Table 20, GO debt service is estimated to increase by $831 million, or 22 percent, from FY 2015 to FY 2019. This increase is driven primarily by planned new GO borrowing of $11.11 billion for FYs 2016 through 2019. New borrowing will increase annual debt service by approximately $551 million by FY 2019. In addition, conservative budgeting for variable interest rates well above the levels experienced in FY 2015 will add another $279 million to the forecasted annual variable rate demand bond (VRDB) interest costs by FY 2019.

TFA debt service is expected to grow by $852.1 million or by 42.2 percent from FY 2015 to FY 2019. Planned TFA borrowing of $13.5 billion over FYs 2016-2019 accounts for $699 million of the increase. The remaining increase is primarily the result of differences in actual VRDB costs in FY 2015 versus the forecast for such costs in FY 2019.

Table 20. FYs 2015–2019 Debt Service Estimates

($ in millions)

Debt Service Category	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015 – 2019
G.O.[a]	$3,730	$4,321	$4,408	$4,478	$4,561	$831
TFA [b]	2,017	2,049	2,215	2,443	2,869	852
Lease-Purchase Debt	224	221	210	269	295	71
TSASC, Inc.	74	74	74	82	82	8
Total	**$6,045**	**$6,665**	**$6,907**	**$7,272**	**$7,807**	**$1,762**

SOURCE: June 2015 Financial Plan.

NOTE: Debt Service is adjusted to net out the impact of prepayments.

[a] Includes long-term G.O. debt service and interest on short-term notes.

[b] Amounts do not include TFA Building Aid Revenue Bonds debt service.

The Financial Plan does not assume savings from refunding activities in the outyears. However, the Comptroller's Office and the NYC Office of Management and Budget (OMB) monitor outstanding debt and market conditions to actively refinance higher coupon debt to reduce debt service cost. Based on the coupons on outstanding bonds that exceed current interest rates, it is likely that there will be refunding opportunities over the Plan period. Since January 2010, the City has achieved gross refunding savings of over $3.9 billion on GO, TFA, and New York Water bonds.[11]

The underlying interest rate assumptions for long-term fixed-rate and variable rate borrowing in the June Financial Plan are less conservative than at this time last year, but do provide a buffer against sudden rises in market rates. If VRDB interest rates and their resulting costs were to continue at their current historically low levels, there would be at least $125 million in savings in FY 2016, $88 million in FY 2017, $70 million in FY 2018, and $52 million in FY 2019.

Debt Burden

As shown in Chart 4, debt service as a percentage of local tax revenues is projected to rise from 11.5 percent in FY 2015 to 13.3 percent by FY 2019.[12] This is the result of projected debt service growth outpacing estimated growth in local tax revenues. Between FY 2015 and FY 2019, local tax revenues are projected to grow at an annual rate of 2.9 percent while debt service is estimated to grow at an annual rate of 6.7 percent. Beyond FY 2019, however, debt service growth is projected to average about 3.2 percent annually from FYs 2019 to 2025, resulting in average annual debt service growth of 4.6 percent for the FY 2015 – FY 2025 period. As a result, debt service as a percent of local tax revenues is projected to increase slightly to 13.5 percent by FY 2025.[13]

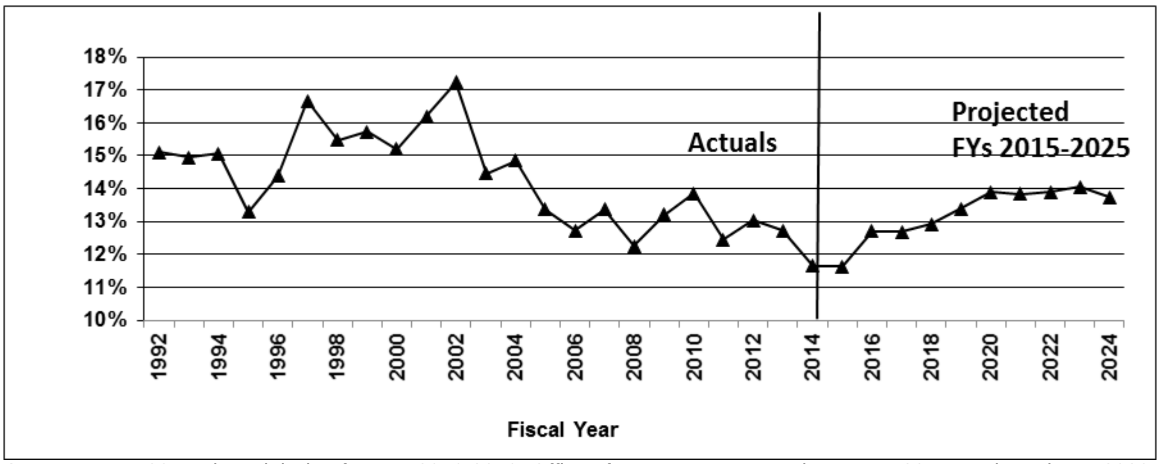
[11] Includes STAR Corporation refunding savings of $649 million.

[12] TSASC revenues and expenditures are not included in ratio computation.

[13] Tax revenue growth is assumed at 3 percent per annum in FYs 2020-2025. If the tax growth rate dropped to 1.0 percent per year over FYs 2020-2025, the debt ratio would increase to 15.2 percent by FY 2025.

Despite an ambitious $83.8 billion Ten-Year Capital Strategy (the Strategy) over FYs 2016 – 2025, of which $75.5 billion is City-funded, the resulting projected debt service does not exceed 15 percent of local tax revenues, a commonly held benchmark of affordability. The City-funded portion of the Strategy consist of $61.1 billion of combined GO and TFA borrowing and $14.4 billion of New York City Municipal Water Finance Authority (NYW) debt. The NYW borrowing does not impact the City's General Fund but rather is borne by water and sewer rate payers. The Strategy's affordability rests on GO and TFA long-term borrowing rates remaining at or below 6.0 percent, along with annual local tax revenue growth in the range of 3.0 to 4.0 percent annually.

***Chart 4*. Total Debt Service as a Percentage of Local Tax Revenues, FYs 1992-2025**



SOURCE: June 2015 Financial Plan for FYs 2016-2019, Office of Management & Budget, June 2015. Projected FYs 2020-2025, NYC Office of the Comptroller.

Capital Budget Additions

The Adopted Budget process via Section 254 of the New York City Charter, added $655.6 million of appropriations to the FY 2016 Capital Budget, 78 percent of which were concentrated in six agencies. There is $156.6 million for the Department of Cultural Affairs (DCLA), $127.9 million for the Parks Department (DPR), $113.1 million of Council additions for the DOE, $51.5 million for the City University of New York (CUNY), $32.3 million for the Department of Housing Preservation and Development (HPD), and $28.7 million for the New York City Housing Authority (NYCHA). All projects are City-funded. The Council also rescinded $61.4 million of City-funded projects from a variety of agencies for a net addition of $594.2 million in FY 2016. These additional amounts should appear in the Adopted Capital Commitment Plan expected in September or October of 2015.

These FY 2016 additions to the Capital Budget are about $40 million higher than the $626.4 million added in FY 2015, less rescindments of $72.2 million in City-funds, resulting in a net addition of $554.2 million in FY 2015.

VI. Appendix

Table A1. ***FY 2016 Adopted Budget Revenue Detail***

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016-19 Dollars	Percent
Taxes:						
Real Property	$22,589	$23,697	$24,705	$25,769	$3,180	14.1%
Personal Income Tax	$11,154	$11,203	$11,439	$11,780	$626	5.6%
General Corporation Tax	$4,023	$4,223	$4,327	$4,465	$442	11.0%
Banking Corporation Tax	$77	$6	$0	$0	($77)	(100.0%)
Unincorporated Business Tax	$2,034	$2,140	$2,233	$2,326	$292	14.4%
Sale and Use Tax	$7,026	$7,320	$7,617	$7,886	$860	12.2%
Real Property Transfer	$1,418	$1,565	$1,614	$1,660	$242	17.1%
Mortgage Recording Tax	$915	$1,012	$1,039	$1,064	$149	16.3%
Commercial Rent	$770	$805	$840	$875	$105	13.6%
Utility	$398	$409	$423	$433	$35	8.8%
Hotel	$539	$552	$565	$571	$32	5.9%
Cigarette	$48	$47	$46	$45	($3)	(6.3%)
All Other	$517	$514	$515	$515	($2)	(0.4%)
Tax Audit Revenue	$711	$711	$711	$711	$0	0.0%
Total Taxes	**$52,219**	**$54,204**	**$56,073**	**$58,100**	**$5,881**	**11.3%**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$641	$625	$619	$616	($25)	(3.9%)
Interest Income	$29	$85	$156	$163	$134	462.1%
Charges for Services	$948	$949	$948	$948	$0	0.0%
Water and Sewer Charges	$1,517	$1,454	$1,412	$1,374	($143)	(9.4%)
Rental Income	$271	$271	$271	$271	$0	0.0%
Fines and Forfeitures	$810	$805	$801	$799	($11)	(1.4%)
Miscellaneous	$554	$732	$804	$904	$350	63.2%
Intra-City Revenue	$1,769	$1,763	$1,774	$1,769	$0	0.0%
Total Miscellaneous	**$6,539**	**$6,684**	**$6,785**	**$6,844**	**$305**	**4.7%**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,769)**	**($1,763)**	**($1,774)**	**($1,769)**	**$0**	**0.0%**
TOTAL CITY-FUNDS	**$56,974**	**$59,110**	**$61,069**	**$63,160**	**$6,186**	**10.9%**
Other Categorical Grants	**$856**	**$846**	**$851**	**$848**	**($8)**	**(0.9%)**
Inter-Fund Agreements	**$575**	**$546**	**$548**	**$549**	**($26)**	**(4.5%)**

Table A1 (Con't). *FY 2016 Adopted Budget Revenue Detail*

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016-19 Dollars	Change FYs 2016-19 Percent
Federal Categorical Grants:						
Community Development	$1,013	$758	$336	$243	($770)	(76.0%)
Welfare	$3,237	$3,235	$3,228	$3,223	($14)	(0.4%)
Education	$1,730	$1,747	$1,776	$1,776	$46	2.7%
Other	$1,166	$1,138	$1,135	$1,133	($33)	(2.8%)
Total Federal Grants	**$7,146**	**$6,878**	**$6,475**	**$6,375**	**($771)**	**(10.8%)**
State Categorical Grants						
Social Services	$1,522	$1,524	$1,529	$1,530	$8	0.5%
Education	$9,724	$10,053	$10,409	$10,691	$967	9.9%
Higher Education	$271	$271	$271	$271	$0	0.0%
Department of Health and Mental Hygiene	$482	$479	$479	$479	($3)	(0.6%)
Other	$978	$1,022	$1,067	$1,112	$134	13.7%
` **Total State Grants**	**$12,977**	**$13,349**	**$13,755**	**$14,083**	**$1,106**	**8.5%**
TOTAL REVENUES	**$78,528**	**$80,729**	**$82,698**	**$85,015**	**$6,487**	**8.3%**

Table A2. *FY 2016 Adopted Budget Expenditure Detail*

($ in thousands)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016-19 Dollars	Change FYs 2016-19 Percent
Mayoralty	$119,963	$117,047	$115,183	$120,239	$276	0.2%
Board of Elections	$140,253	$87,650	$88,006	$88,006	($52,247)	(37.3%)
Campaign Finance Board	$14,481	$13,710	$13,746	$13,746	($735)	(5.1%)
Office of the Actuary	$7,316	$7,414	$7,441	$7,441	$125	1.7%
President, Borough of Manhattan	$4,713	$4,529	$4,566	$4,566	($147)	(3.1%)
President, Borough of Bronx	$5,646	$5,399	$5,433	$5,433	($213)	(3.8%)
President, Borough of Brooklyn	$5,863	$5,294	$5,330	$5,330	($533)	(9.1%)
President, Borough of Queens	$5,155	$4,692	$4,720	$4,720	($435)	(8.4%)
President, Borough of Staten Island	$4,333	$4,201	$4,223	$4,223	($110)	(2.5%)
Office of the Comptroller	$93,652	$95,246	$95,768	$95,771	$2,119	2.3%
Dept. of Emergency Management	$16,026	$13,029	$11,772	$11,772	($4,254)	(26.5%)
Office of Administrative Tax Appeals	$4,608	$4,718	$4,752	$4,752	$144	3.1%
Law Dept.	$183,195	$174,781	$176,159	$174,513	($8,682)	(4.7%)
Dept. of City Planning	$38,112	$39,752	$38,224	$36,108	($2,004)	(5.3%)
Dept. of Investigation	$26,270	$26,020	$26,170	$26,171	($99)	(0.4%)
NY Public Library - Research	$26,845	$24,335	$24,461	$24,461	($2,384)	(8.9%)
New York Public Library	$132,236	$118,195	$118,631	$118,631	($13,605)	(10.3%)
Brooklyn Public Library	$98,702	$88,147	$88,539	$88,539	($10,163)	(10.3%)
Queens Borough Public Library	$99,949	$89,466	$89,786	$89,786	($10,163)	(10.2%)
Dept. of Education	$21,894,474	$22,702,839	$23,540,698	$24,416,454	$2,521,980	11.5%
City University	$977,678	$968,848	$989,475	$1,015,504	$37,826	3.9%
Civilian Complaint Review Board	$15,077	$15,358	$15,427	$15,427	$350	2.3%
Police Dept.	$4,825,046	$4,769,460	$4,824,175	$4,876,802	$51,756	1.1%
Fire Dept.	$1,829,233	$1,802,338	$1,778,020	$1,780,856	($48,377)	(2.6%)
Admin. for Children Services	$2,860,742	$2,859,841	$2,865,106	$2,873,319	$12,577	0.4%
Dept. of Social Services	$9,776,282	$9,872,639	$9,899,584	$9,891,977	$115,695	1.2%
Dept. of Homeless Services	$1,080,069	$1,089,839	$1,094,183	$1,093,936	$13,867	1.3%
Dept. of Correction	$1,222,389	$1,198,717	$1,198,344	$1,201,790	($20,599)	(1.7%)
Board of Correction	$2,537	$2,503	$2,511	$2,511	($26)	(1.0%)
Citywide Pension Contribution	$8,643,115	$8,606,501	$8,657,446	$8,755,845	$112,730	1.3%
Miscellaneous	$10,028,590	$9,519,519	$10,864,501	$12,506,081	$2,477,491	24.7%
Debt Service	$4,541,693	$4,618,231	$4,747,814	$4,855,598	$313,905	6.9%
TFA Debt Service	$2,049,330	$2,214,600	$2,442,830	$2,869,340	$820,010	40.0%
Redemption of TFA Debt Service	($102,670)	$0	$0	$0	($102,670)	(100.0%)
FY 2015 BSA	($3,553,889)	$0	$0	$0	$3,553,889	(100.0%)
Public Advocate	$3,375	$3,333	$3,353	$3,353	($22)	(0.7%)
City Council	$61,024	$52,492	$52,820	$52,820	($8,204)	(13.4%)
City Clerk	$5,743	$5,503	$5,536	$5,536	($207)	(3.6%)
Dept. for the Aging	$309,707	$271,390	$272,264	$273,108	($36,599)	(11.8%)
Dept. of Cultural Affairs	$165,837	$145,292	$144,403	$144,403	($21,434)	(12.9%)
Financial Info. Serv. Agency	$101,327	$104,784	$107,201	$108,031	$6,704	6.6%
Office of Payroll Admin.	$17,620	$17,938	$18,041	$18,041	$421	2.4%
Independent Budget Office	$5,856	$5,538	$5,582	$6,214	$358	6.1%
Equal Employment Practices Comm.	$1,071	$1,106	$1,101	$1,101	$30	2.8%

Table A2 (Con't). *FY 2016 Adopted Budget Expenditure Detail*

($ in thousands)

	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2016-19 Dollars	Percent
Civil Service Commission	$1,082	$1,101	$1,105	$1,103	$21	1.9%
Landmarks Preservation Comm.	$5,743	$6,101	$5,934	$5,944	$201	3.5%
Taxi & Limousine Commission	$68,866	$71,552	$50,072	$50,074	($18,792)	(27.3%)
Commission on Human Rights	$10,323	$8,857	$8,886	$8,887	($1,436)	(13.9%)
Youth & Community Development	$487,537	$355,718	$355,103	$354,803	($132,734)	(27.2%)
Conflicts of Interest Board	$2,237	$2,283	$2,300	$2,301	$64	2.9%
Office of Collective Bargaining	$2,516	$2,306	$2,319	$2,319	($197)	(7.8%)
Community Boards (All)	$17,077	$16,574	$16,663	$16,663	($414)	(2.4%)
Dept. of Probation	$89,328	$87,570	$87,730	$87,732	($1,596)	(1.8%)
Dept. Small Business Services	$256,163	$127,605	$189,389	$107,566	($148,597)	(58.0%)
Housing Preservation & Development	$750,956	$601,671	$573,027	$572,176	($178,780)	(23.8%)
Dept. of Buildings	$154,420	$153,166	$145,584	$141,641	($12,779)	(8.3%)
Dept. of Health & Mental Hygiene	$1,348,060	$1,303,736	$1,307,187	$1,310,338	($37,722)	(2.8%)
Health and Hospitals Corp.	$325,047	$399,706	$423,548	$429,389	$104,342	32.1%
Office of Administrative Trials & Hearings	$39,150	$40,003	$40,592	$41,091	$1,941	5.0%
Dept. of Environmental Protection	$1,252,396	$1,202,460	$1,153,611	$1,120,861	($131,535)	(10.5%)
Dept. of Sanitation	$1,563,955	$1,626,690	$1,647,209	$1,655,232	$91,277	5.8%
Business Integrity Commission	$7,446	$7,587	$7,627	$7,627	$181	2.4%
Dept. of Finance	$261,531	$262,568	$266,710	$265,092	$3,561	1.4%
Dept. of Transportation	$877,168	$854,036	$855,475	$855,923	($21,245)	(2.4%)
Dept. of Parks and Recreation	$405,384	$394,408	$395,787	$395,795	($9,589)	(2.4%)
Dept. of Design & Construction	$564,168	$546,669	$129,560	$129,571	($434,597)	(77.0%)
Dept. of Citywide Admin. Services	$431,505	$405,166	$393,321	$390,956	($40,549)	(9.4%)
D.O.I.T.T.	$432,785	$417,097	$424,781	$423,610	($9,175)	(2.1%)
Dept. of Record & Info. Services	$6,245	$5,872	$5,898	$5,898	($347)	(5.6%)
Dept. of Consumer Affairs	$39,297	$38,697	$38,932	$38,848	($449)	(1.1%)
District Attorney - N.Y.	$97,312	$100,075	$100,892	$100,893	$3,581	3.7%
District Attorney - Bronx	$57,069	$58,626	$59,123	$59,124	$2,055	3.6%
District Attorney - Kings	$93,475	$94,074	$94,709	$94,710	$1,235	1.3%
District Attorney - Queens	$55,806	$57,138	$57,559	$57,559	$1,753	3.1%
District Attorney - Richmond	$9,748	$9,708	$9,774	$9,774	$26	0.3%
Office of Prosec. & Spec. Narc.	$21,441	$21,924	$22,069	$22,069	$628	2.9%
Public Administrator - N.Y.	$1,762	$1,676	$1,682	$1,682	($80)	(4.5%)
Public Administrator - Bronx	$668	$656	$661	$661	($7)	(1.0%)
Public Administrator - Brooklyn	$757	$715	$718	$718	($39)	(5.2%)
Public Administrator - Queens	$571	$585	$589	$589	$18	3.2%
Public Administrator - Richmond	$474	$482	$487	$487	$13	2.7%
General Reserve	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$0	0.0%
Energy Adjustment	$0	$49,239	$101,855	$143,420	$143,420	N/A
Lease Adjustment	$0	$32,350	$63,670	$95,931	$95,931	N/A
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	$166,557	N/A
TOTAL EXPENDITURES	**$78,528,042**	**$82,194,200**	**$84,606,501**	**$87,867,869**	**$9,339,827**	**11.9%**

VII. Glossary of Acronyms

AIRA	Actuarial Interest Rate Assumption
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CDBG	Community Development Block Grant
COMPASS	Comprehensive After School System
CSR	Capital Stabilization Reserve
CUNY	City University of New York
DOC	Department of Correction
DOE	Department of Education
DOITT	Department of Information Technology and Telecommunications
ECB	Environmental Control Board
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
GO Debt	General Obligation Debt

HPD	Department of Housing Preservation and Development
J&C	Judgments and Claims
MLC	Municipal Labor Committee
MRT	Mortgage Recording Tax
NYCHA	New York City Housing Authority
NYPD	New York City Police Department
NYW	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget
OTPS	Other Than Personal Services
PIT	Personal Income Tax
PS	Personal Services
RHBT	Retiree Health Benefits Trust
RPTT	Real Property Transfer Tax
STAR	Sales Tax Asset Receivable Corporation
STAR	School Tax Relief Program
TFA	New York City Transitional Finance Authority
TLC	Taxi and Limousine Commission

TSASC	Tobacco Settlement Asset Securitization Corporation, Inc.
UBT	Unincorporated Business Tax
UPK	Universal Pre-Kindergarten
VRDB	Variable Rate Demand Bond

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