COMMENTS ON NEW YORK CITY'S MODIFIED FISCAL YEAR 2015 EXECUTIVE BUDGET

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I. Executive Summary

It is now nearly five years since the end of the Great Recession, but the national economy continues to experience slow and uneven growth. In the view of the Comptroller's Office, the disappointing economic performance is due in part to a deficiency in aggregate demand. There are also indications, however, that the economy has entered a period in which its underlying growth potential is diminished, and that the growth rates achieved in previous expansions will not be attained in the near future.

Despite lackluster growth in the national economy, New York City has posted an impressive job creation record since the end of the recession. Total payroll employment in the City through April 2014 is 5.5 percent above the pre-recession peak. However, the City's overall economic product has not been growing briskly, primarily because its high-wage, high-value added industries such as Finance and Legal Services continue to struggle in the new financial and regulatory environment. The City's net private sector employment gain in 2013 was a solid 74,500, but many of the jobs created were in low-wage industries (such as Retail Trade and Food Service). The average inflation-adjusted hourly wage of the City's private-sector workers is still more than 4.0 percent below its pre-recession peak.

Within this mixed economic context, the City released the FY 2015 Executive Budget and Financial Plan on May 8th which was subsequently modified on May 21st (discussed below). The Budget and Financial Plan include funding for the settlement of all labor contracts based on the pattern of the agreement between the City and United Federation of Teachers (UFT). The agreement with the UFT covers the nine year period from November 1, 2009 to October 31, 2018, with the first two years of the agreement corresponding to the unsettled prior round when most municipal employee unions negotiated contracts including two annual wage increases of four percent. The City assumes that the economic substance of the UFT agreement will apply to other unions which did not reach a settlement with the City in the prior round and that the latter seven years of the UFT agreement will serve as a pattern for unions which had settled the prior round. The May 21st modification was made to reflect a change in the budgetary treatment of lump sum payments to prospective retirees which are provided for in the UFT contract in the Executive Budget. The budget changes were jointly agreed to by the Comptroller and the Administration after the Comptroller indicated that the accounting treatment of these payments would be different from that initially anticipated in the unmodified Executive Budget.

The City estimates that the Citywide cost of the settlement will total $13.56 billion through FY 2018. However, the City expects that the Financial Plan impact will total only $5.65 billion after netting out the expected health savings from the agreement, the use of funds from the Health Stabilization Fund (HSF) and funding already in the City's labor reserve.

Mainly as a result of the funding for the new contracts, the outyear gaps in the Modified May Financial Plan have widened from the February Plan by $1.51 billion in FY 2016, $1.45 million in FY 2017 and $2.74 billion in FY 2018 to yield modified gaps of $2.57 billion, $1.88 billion, and $3.11 billion in FYs 2016 through 2018, respectively. However, the Comptroller's Office's analysis of the budget indicates that these gaps could be smaller than projected in the Financial Plan. The Comptroller's Office estimates that the gaps would be $1.77 billion in FY 2016, $406 million in FY 2017, and $914 million in FY 2018. The Comptroller's Office also estimates surpluses of $138 million in FY 2014, and $797 million in FY 2015 which, if rolled into FY 2016 would further reduce the FY 2016 gap to $830 million.

The reason for the smaller gap projections lies in the Comptroller's Office's higher revenue projections. The Comptroller's Office's revenue forecasts are above the Plan projections by $131 million in FY 2014, $881 million in FY 2015, $983 million in FY 2016, $1.65 billion in FY 2017, and $2.37 billion in FY 2018. However, the Comptroller's Office's estimate of overtime spending, Medicaid reimbursement to the Department of Education for special education services, cost of fair hearings for social services recipients, and debt service result in a net increase in expenditures of $84 million in FY 2015 and $180 million in each of the outyears of the Plan.

Table 1. May 2014 Modification and FYs 2015–2018 Financial Plan

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Changes FYs 2014 – 2018 Dollar	Percent
Revenues							
Taxes:							
General Property Tax	$20,194	$20,906	$21,946	$22,839	$23,714	$3,520	17.4%
Other Taxes	$26,891	$26,922	$28,091	$29,049	$29,978	$3,087	11.5%
Tax Audit Revenues	$860	$709	$709	$709	$709	($151)	(17.6%)
Subtotal: Taxes	$47,945	$48,537	$50,746	$52,597	$54,401	$6,456	13.5%
Miscellaneous Revenues	$7,347	$7,063	$6,994	$6,986	$6,622	($725)	(9.9%)
Less: Intra-City Revenues	($1,776)	($1,795)	($1,820)	($1,823)	($1,828)	($52)	2.9%
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$53,501	$53,790	$55,905	$57,745	$59,180	$5,679	10.6%
Other Categorical Grants	$900	$761	$837	$832	$828	($72)	(8.0%)
Inter-Fund Revenues	$538	$527	$513	$513	$513	($25)	(4.6%)
Total City & Inter-Fund Revenues	$54,939	$55,078	$57,255	$59,090	$60,521	$5,582	10.2%
Federal Categorical Grants	$8,303	$6,377	$6,333	$6,310	$6,299	($2,004)	(24.1%)
State Categorical Grants	$11,770	$12,460	$12,904	$13,401	$13,953	$2,183	18.5%
Total Revenues	$75,012	$73,915	$76,492	$78,801	$80,773	$5,761	7.7%
Expenditures							
Personal Service							
Salaries and Wages	$24,339	$22,430	$24,231	$24,196	$25,615	$1,276	5.2%
Pensions	$8,270	$8,354	$8,445	$8,546	$8,723	$453	5.5%
Fringe Benefits	$8,737	$9,058	$9,722	$10,444	$11,240	$2,503	28.6%
Subtotal-PS	$41,346	$39,842	$42,398	$43,186	$45,578	$4,232	10.2%
Other Than Personal Service							
Medical Assistance	$6,365	$6,447	$6,415	$6,415	$6,415	$50	0.8%
Public Assistance	$1,379	$1,428	$1,407	$1,413	$1,413	$34	2.5%
All Other	$23,146	$22,364	$22,818	$23,307	$23,860	$714	3.1%
Subtotal-OTPS	$30,890	$30,239	$30,640	$31,135	$31,688	$798	2.6%
Debt Service							
Principal	$1,935	$2,147	$2,365	$2,306	$2,282	$347	17.9%
Interest & Offsets	$2,105	$2,458	$2,545	$2,629	$2,721	$616	29.3%
Subtotal Debt Service	$4,040	$4,605	$4,910	$4,935	$5,003	$963	23.8%
FY 2012 BSA and Discretionary Transfers	($31)	$0	$0	$0	$0	$31	(100.0%)
FY 2013 BSA and Discretionary Transfers[a]	($2,807)	$0	$0	$0	$0	$2,807	(100.0%)
FY 2014 BSA	$1,636	($1,636)	$0	$0	$0	($1,636)	(100.0%)
NYCTFA Debt Redemption	($7)	($99)	($103)	$0	$0	$7	(100.0%)
NYCTFA							
Principal	$606	$765	$915	$1,051	$1,083	$477	78.7%
Interest & Offsets	$1,065	$1,394	$1,520	$1,596	$1,754	$689	64.7%
Subtotal NYCTFA	$1,671	$2,159	$2,435	$2,647	$2,837	$1,166	69.8%
General Reserve	$50	$600	$600	$600	$600	$550	1,100.0%
	$76,788	$75,710	$80,880	$82,503	$85,706	$8,918	11.6%
Less: Intra-City Expenses	($1,776)	($1,795)	($1,820)	($1,823)	($1,828)	($52)	2.9%
Total Expenditures	$75,012	$73,915	$79,060	$80,680	$83,878	$8,866	11.8%
Gap To Be Closed	**$0**	**$0**	**($2,568)**	**($1,879)**	**($3,105)**	**($3,105)**	**N/A**

[a] FY 2013 BSA and Discretionary Transfers include prepayments of $2.727 billion of G.O. debt service, net equity contributions in bond refunding of $16 million, and subsidies of $64 million.

Table 2. May 2014 Plan vs. February 2014 Plan

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues					
Taxes:					
General Property Tax	$188	($103)	($101)	($100)	($135)
Other Taxes	$876	($331)	($421)	($563)	($894)
Tax Audit Revenues	$150	$0	$0	$0	$0
Subtotal: Taxes	$1,214	($434)	($522)	($663)	($759)
Miscellaneous Revenues	$66	$281	$186	$155	$133
Less: Intra-City Revenues	($33)	($99)	($151)	($144)	($144)
Disallowances Against Categorical Grants	$0	$0	$0	$0	$0
Subtotal: City Funds	$1,247	($252)	($487)	($652)	($770)
Other Categorical Grants	$29	($82)	$7	$6	$6
Inter-Fund Revenues	($8)	$7	$0	$0	$0
Total City & Inter-Fund Revenues	$1,268	($327)	($480)	($646)	($764)
Federal Categorical Grants	($106)	($25)	($51)	($60)	($70)
State Categorical Grants	$33	$555	$629	$654	$810
Total Revenues	$1,195	$203	$98	($52)	($24)
Expenditures					
Personal Service					
Salaries and Wages	$1,915	($36)	$1,483	$1,179	$2,275
Pensions	($51)	$24	($3)	($7)	($6)
Fringe Benefits	($58)	($115)	($114)	($113)	($112)
Retiree Health Benefits Trust	$0	$0	$0	$0	$0
Subtotal-PS	$1,806	($127)	$1,366	$1,059	$2,157
Other Than Personal Service					
Medical Assistance	$0	$0	$0	$0	$0
Public Assistance	$3	$32	$11	$11	$11
All Other	($314)	$331	$433	$413	$672
Subtotal-OTPS	($311)	$363	$444	$424	$683
Debt Service					
Principal	$0	($1)	$14	$14	$16
Interest & Offsets	($27)	($58)	($94)	($102)	($77)
Subtotal Debt Service	($27)	($59)	($80)	($88)	($61)
FY 2012 BSA and Discretionary Transfers	$0	$0	$0	$0	$0
FY 2013 BSA and Discretionary Transfers	$0	$0	$0	$0	$0
FY 2014 BSA	($134)	$134	$0	$0	$0
NYCTFA Debt Defeasance	$0	$0	$0	$0	$0
NYCTFA Debt Service					
Principal	($59)	($132)	($122)	($131)	($140)
Interest & Offsets	$53	$123	$150	$177	$216
Subtotal NYCTFA	($6)	($9)	$28	$46	$76
General Reserve	($100)	$0	$0	$0	$0
	$1,228	$302	$1,758	$1,441	$2,855
Less: Intra-City Expenses	($33)	($99)	($151)	($144)	($144)
Total Expenditures	$1,195	$203	$1,607	$1,297	$2,711
Gap To Be Closed	**$0**	**$0**	**($1,509)**	**($1,349)**	**($2,735)**

Table 3. Risks and Offsets to the May 2014 Modification and the FYs 2015-2018 Financial Plan

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
City Stated Gap	**$0**	**($0)**	**($2,568)**	**($1,879)**	**($3,105)**
Tax Revenues					
Property Tax	$0	$0	$260	$785	$1,331
Personal Income Tax	$135	$622	$618	$686	$808
Business Taxes	($4)	($28)	($56)	$10	$32
Sales Tax	$0	$0	$40	$52	$63
Real-Estate-Related Taxes	$0	$259	$107	$114	$137
Speed Camera Revenues	$0	$28	$14	$7	$0
Subtotal	**$131**	**$881**	**$983**	**$1,654**	**$2,371**
Expenditures					
Overtime	($30)	($109)	($100)	($100)	($100)
DOE Medicaid Reimbursement	($30)	($40)	($70)	($70)	($70)
Cost of Fair Hearings	($3)	($10)	($10)	($10)	($10)
Debt Service	$70	$75	$0	$0	$0
Subtotal	**$7**	**($84)**	**($180)**	**($180)**	**($180)**
Total (Risks)/Offsets	**$138**	**$797**	**$803**	**$1,474**	**$2,191**
Restated (Gap)/Surplus	**$138**	**$797**	**($1,765)**	**($405)**	**($914)**

II. The City's Economic Outlook

A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2014-2018

The Comptroller's forecast anticipates continued economic growth in the U.S. and in New York City during 2014 and 2015. However, the rate of economic growth, both nationally and locally, is likely to remain below previous expansions and will be insufficient to attain full employment and strong wage growth.

Although almost five years have passed since the end of the Great Recession, the pace of recovery has remained weak. The U.S. economy has grown at an average annual rate of 2.3 percent since 2009, well below the 3.0 percent annual average growth achieved between 1978 and 2007. The City's economy has performed slightly better, but Gross City Product (GCP) has still grown at a below-par average annual rate of 2.4 percent.

The weak economic growth can be attributed to many factors. Most importantly, there was a dramatic retrenchment in household debt levels after credit-fueled consumption prior to the financial crisis left many households over extended. The income and wealth declines caused by the recession, coupled with household deleveraging, created a shortfall in aggregate demand that the Federal government was incapable of fully offsetting due to its ideological divisions and partisan gridlock. Other economic and political disruptions, such as the European debt crisis, the U.S. government shutdown and two standoffs over the U.S. debt ceiling, not only lowered global demand but also created an atmosphere of economic uncertainty that was damaging to consumer and business confidence.

In 2014, however, there do not seem to be any immediate threats to the nation's economic growth. No economically-disruptive political standoffs over the budget or debt are anticipated this year. There do not appear to be any asset price bubbles ready to burst catastrophically. Even the European debt crisis has calmed considerably; yields on Greece's 10-year government bonds are back to pre-crisis levels, while Ireland and Portugal have recently satisfied the terms of their emergency loans from the European Union, the International Monetary Fund, and the European Central Bank and are no longer operating under international supervision.

Despite a weak first quarter, economic growth is expected to pick up in the remainder of 2014. For the full year, the U.S. economy is expected to grow 2.2 percent, and to reach a 3 percent growth rate in 2015. In 2016 through 2018, the economy is forecast to grow at an annual rate of slightly under 3 percent. Total national employment is expected to grow by an average of 195,000 jobs per month during 2014, and the unemployment rate is expected to fall to 6.1 percent by the end of the year. The inflation rate should remain below the 2.0 percent target, encouraging the Federal Reserve to keep the federal funds rate at close to zero, but yields on 10-year treasury securities are expected to rise somewhat as markets see economic growth strengthening.

The City's economy is expected to perform slightly better in 2014 than it did in 2013. The pace of job growth in 2014 is expected to be less than in 2013, but the average wage rate should show stronger growth due to a more favorable mix of jobs and a tightening labor market by the end of the year.

Table 4 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2014 to 2018. Although the Mayor forecasts faster growth for the U.S. economy through 2018, the Comptroller's forecast for New York City's economic growth is higher in each year from 2014 through 2018. The Comptroller's forecast anticipates that the City's economy will keep pace with the nation's, while the Mayor implies that the growth rate of the City's economy will lag that of the nation as a whole.

Table 4. Selected NYC and the U.S. Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2014-2018

NYC										
	2014		**2015**		**2016**		**2017**		**2018**	
	Comp	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**
Real GCP (2009 $) Change	2.7%	0.1%	2.8%	1.8%	2.7%	2.6%	2.6%	2.4%	2.7%	2.3%
Payroll Jobs, Change (Thousands)	65	58	65	51	65	58	62	55	59	50
Inflation Rate	1.8%	1.7%	2.3%	1.7%	2.4%	1.8%	2.6%	2.1%	2.9%	2.3%
Wage-Rate Growth	1.8%	2.5%	2.3%	1.1%	2.3%	3.1%	2.1%	3.1%	2.2%	3.1%
Unemployment Rate	7.6%	NA	6.9%	NA	6.3%	NA	5.9%	NA	5.6%	NA
U.S.										
	2014		**2015**		**2016**		**2017**		**2018**	
	Comp	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**	**Comp**	**Mayor**
Real GDP (2009 $) Change	2.2%	2.5%	3.0%	3.1%	2.8%	3.2%	2.7%	3.1%	2.7%	3.0%
Payroll Jobs Change (millions)	2.3	2.2	2.4	2.8	2.2	2.8	2.1	2.4	2.0	1.9
Inflation Rate	1.6%	1.6%	1.9%	1.9%	2.1%	1.7%	2.3%	1.9%	2.6%	2.1%
Fed Funds Rate	0.1%	0.1%	0.3%	0.4%	1.8%	2.2%	3.0%	3.8%	3.7%	4.0%
10-Year Treasury Notes	2.9%	3.3%	3.5%	3.9%	3.9%	4.3%	4.4%	4.6%	5.0%	4.6%

SOURCE: Comp=forecast by the NYC Comptroller's Office. Mayor=forecast by the NYC Office of Management and Budget in the Executive Budget Fiscal Year 2015 Message of the Mayor. GCP=Gross City Product. NA=not available.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

The National Economy

Nearly five years have passed since the end of the Great Recession but the U.S. economy continues to grow slowly, attaining an annual average rate of growth of only 2.3 percent per year over the past four calendar years. In the view of the New York City Comptroller's Office, the primary reason for the disappointing growth has been a deficiency of aggregate demand, which in part reflects a shortcoming in national economic policy. However, there are also some disturbing signals that the U.S. economy has entered a longer period of sluggish economic growth, which some economists have labeled "secular stagnation."

It is useful to compare the third and fourth years of the 1992-2001 economic expansion, which stands as the country's longest economic expansion in the post-war period and one of the strongest, to the third and fourth years of the present expansion, which arguably has been the weakest. Table 5 on page 8 shows the percentage-point contributions to real Gross Domestic Product (GDP) growth, in each of those two-year periods, by major category of economic activity.

During the third and fourth years of the 1990s expansion, the economy grew at an annual rate of 3.35 percent, while during the equivalent stage of the present expansion, the growth rate was exactly one percentage point lower. Personal consumption expenditures on goods did not differ significantly in their contributions to growth, and in fact consumption on durable goods has provided somewhat more of a boost in this cycle. Also, at a comparable stage of the current expansion, residential investment is contributing more to growth than it was to the 1990s' impressive expansion.

At the same time, there are three areas of economic activity that are clearly not contributing to economic growth as they did in the 1990s.

One stark difference between the two periods is that government consumption expenditures and gross investment, during the recent period, has been a drag on economic growth. Coincidently, both periods were years of declining expenditures on national defense, therefore the Federal government's negative effect on GDP was comparable. But during 1994-1995, declining Federal expenditures were more than offset by rising state and local government spending, leading to a net positive effect of government on GDP. In 2012-2013, however, state and local governments, severely constrained by the revenue after-effects of the recession but no longer cushioned by revenue transfers through the American Recovery and Reinvestment Act (ARRA) of 2009, were also forced to cut back their spending. Although Federal budget sequestration was eased by the Bipartisan Budget Act (BBA) of 2013, federal discretionary spending is expected to grow slowly throughout the coming decade. State and local governments may begin to increase spending as their income and property tax revenues gradually improve, but government spending as a whole is unlikely to provide a significant lift to the economy in the foreseeable future.

Table 5. Contributions to Growth in Two Recoveries

	1994-95	2012-13
Average Real GDP Growth %	**3.35**	**2.35**
Percentage Point Contribution to Growth:		
Personal Consumption Expenditures	2.23	1.45
Goods	0.98	0.79
Durable Goods	0.49	0.54
Nondurable Goods	0.50	0.27
Services	1.25	0.65
Gross Private Domestic Investment	1.23	1.09
Fixed Investment	1.15	0.92
Nonresidential	1.03	0.59
Structures	0.11	0.17
Equipment	0.77	0.29
Intellectual Property Products	0.16	0.13
Residential	0.12	0.33
Change in Private Inventories	0.09	0.18
Net Exports of Goods and Services	(0.14)	0.11
Exports	0.93	0.42
Imports	(1.07)	(0.31)
Government Consumption	0.06	(0.32)
Federal	(0.26)	(0.27)
State and Local	0.32	(0.05)

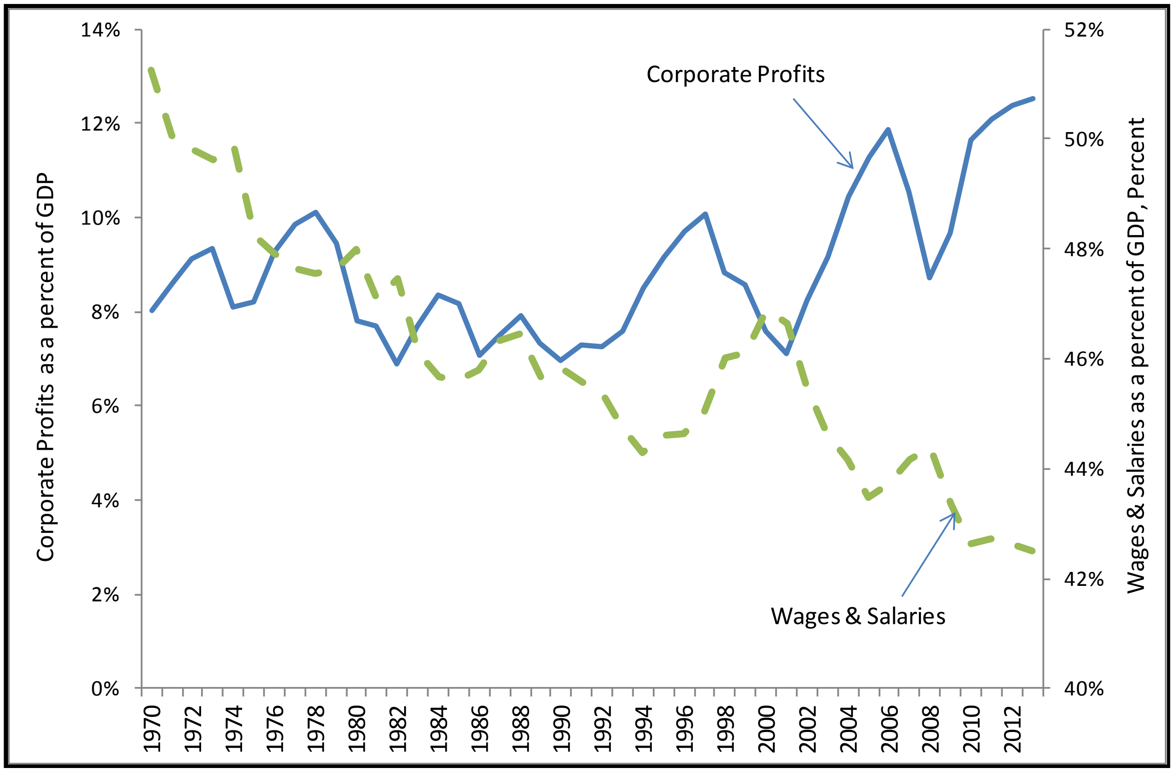
SOURCE: U.S. Bureau of Economic Analysis; New York City Comptroller's Office.

The second big difference between the two periods was the relatively poor performance of non-residential fixed investment in 2012-2013. Nonresidential fixed investment contributed about one percentage point to the annual growth rate in the earlier period, but only 0.59 percentage points to the growth rate in the latter period. In the current recovery, the weakness has been primarily in business spending on equipment, especially on computers and other information processing equipment. This lends some credibility to the argument that the big economic effects of information and internet technology occurred in the 1990s, and that the country is now in a period where the investment surge in information technology, and the productivity payoffs stemming from it, are waning.

The third big difference is in the contribution of personal consumption expenditures. Consumer spending on durable goods, including automobiles, has increased commensurately with a healthy recovery but spending on nondurable goods and services has been weak. It appears that households have been adjusting their budgets to a post-recession environment of slow wage and income gains. Spending on durable goods, health care, and meals away from home has increased strongly while spending on housing, travel and recreation has lagged. Overall, slower growth in personal consumption expenditures accounts for about 0.79 percentage points of the shortfall in GDP growth during 2012-2013, compared to the equivalent stage of the 1990s expansion.

Sluggish growth in personal consumption spending is understandable considering the stagnation in household incomes that has occurred since the 2007-2009 recession. During the first four years of the current expansion total wages and salaries increased at an annual rate of 3.4 percent, compared to a 5.0 percent annual rate of increase during the first four years of the 1990s expansion. The reasons for the slow growth in wages during the current recovery are not entirely clear; the depth of the Great Recession, and the degree of slack it created in labor markets, is probably a major contributor. However, a long-term decline in the share of GDP going to wages and salaries, a long-term increase in the share going to corporate profits, and widening income inequality among households could portend persistently sluggish household income growth and persistently weak growth in consumption spending. Chart 1 shows the long-term trend in wages and salaries, and corporate profits.

Chart 1. **Corporate Profits, and Wages and Salaries as a Percent of GDP, 1970-2013**



Source: U.S. Bureau of Economic Analysis.

The three major differences between the current economic expansion and the much stronger economic expansion of the 1990s each have the potential to persist for some time and may therefore continue to drag on the rate of economic growth. While the term "secular stagnation" may be somewhat of a misnomer—it really refers to slower growth rather than to outright stagnation—the analytical arguments and empirical evidence behind it are credible. In fact, during the 21st Century, the average annual real growth rate of the U.S. economy has only been 1.8 percent, so it is possible that the nation is already well into a period of slower potential growth. The Comptroller's economic forecasts for 2014 through 2018 reflect such tempered expectations.

Within the context of a lower potential growth rate, 2014 and 2015 should be relatively favorable years. No serious imbalances have yet emerged to pose a risk to the sustainability of the expansion, and the Federal Reserve is expected to hold short-term interest rates close zero at least until mid-2015. Although the housing market has cooled somewhat in response to higher mortgage rates since mid-2013, total private employment growth in 2014 has been averaging well over 200,000 per month, a rate of job creation consistent with solid economic growth.

The New York City Economy

New York City's impressive job creation record since the end of the recession has been discussed at length in previous budget reports of the Comptroller. Through April 2014, total payroll employment in the City had increased by 5.5 percent compared to its pre-recession peak, whereas total national employment still did not reach the peak level prior to the recession. Although the City's unemployment rate remains higher than the national rate, that is because the City's labor force participation rate has not dropped as precipitously as has the national rate—making the City's high unemployment rate a counterintuitive indicator of economic vitality rather than weakness. If the national labor force participation rate had not declined, the unemployment rate would still be over 10 percent.

Nevertheless, concerns remain about the City's labor market and economic growth outlook. Most obvious is that there are still approximately 300,000 unemployed New Yorkers who are actively seeking work and regardless of the technicalities of the unemployment rate measure, it is imperative that the number be reduced. At the current rates of labor force expansion and job creation, it will take several more years for the number of unemployed New Yorkers to dwindle to pre-recession levels.

There are also signs that the rate of job creation is gradually slowing. In 2012, the City's private sector added 95,700 payroll employees (net, December over December). In 2013, the net private sector employment gain was 74,500. In April 2014, the total of private jobs was 65,400 above the level of April 2013. In fact, the 12-month moving average of the net employment gain has been falling steadily since mid-2012, indicating slowing momentum in job creation.

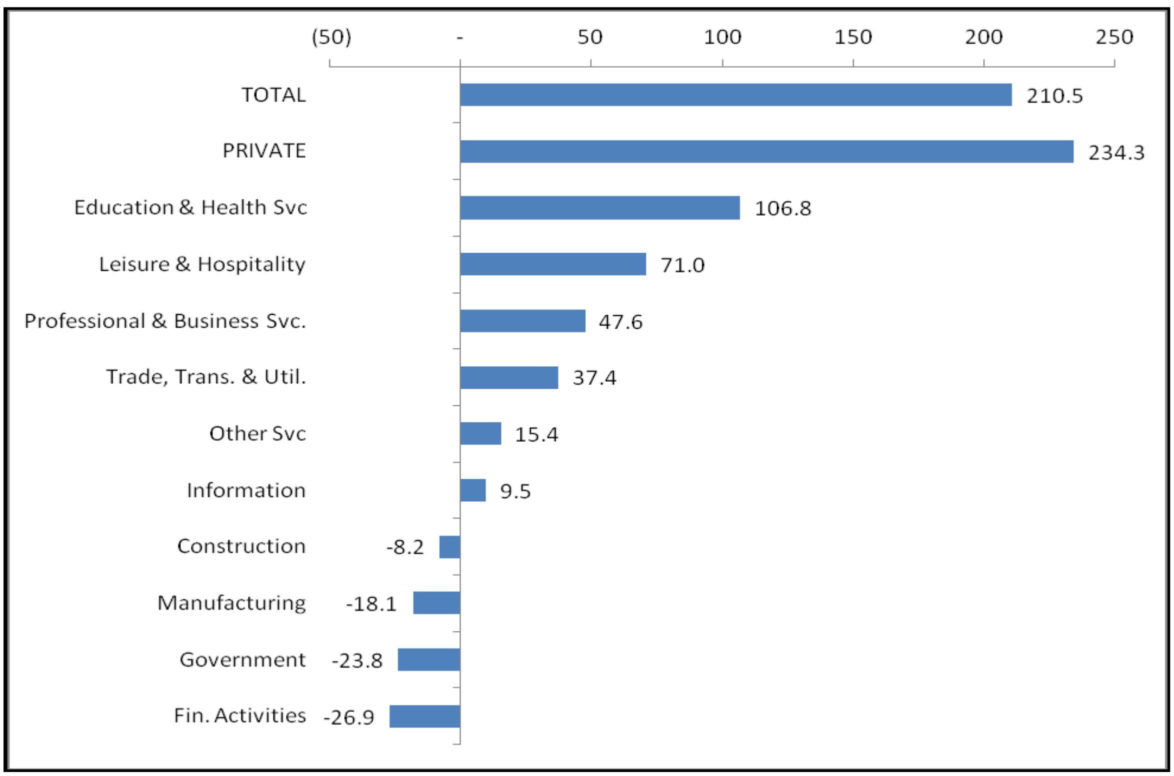
During the past two years, the composition of the job creation has also become a concern. In 2011, nearly one-third of all new jobs added in the City were in high-paying industries such as Finance and Professional and Business Services. In 2012, that proportion slipped to 22 percent, and in 2013, to only 14 percent. The proportion of jobs added in mid-wage industries (Government, Information, Arts and Entertainment) declined from 29 percent in 2012 to 16 percent in 2013. Conversely, the portion of new jobs added in low-wage industries (Retail Trade, Health Care, Accommodations and Food Service) rose from 49 percent in 2012 to 69 percent in 2013.

The slowdown in job creation in the City's high-wage industries and the corresponding rising proportion of jobs in low-wage industries has contributed to the lackluster growth in wages for New York City workers. The average hourly inflation-adjusted wage of New York City's private-sector workers peaked at $29.13 in January 2008 (using the January 2007 price level as the base) and fell to a low of $27.28 in August 2011. Since then, it has only recovered modestly, to $27.87 as of March 2014.

In addition to stalling the improvement in living standards for most New York City workers, the slowdown in high-wage job creation is a major reason GCP has not grown as impressively as its jobs base has. Over the past four calendar years, the City's economy has grown at a 2.4 percent annual rate, only marginally faster than the national rate of 2.3 percent. The reason that the City's superior performance in job creation has not translated into a significantly better performance in overall economic growth is that its high-wage, high-value added industries have languished while its low-wage, low-value added industries have boomed.

Chart 2 shows the change in jobs by industry from the previous peak in August 2008. The largest gains from the previous peak were mostly in the industries that have lower than average wages. For example, Education and Health Services, which added 106,800 jobs, paid an average salary of less than $56,000 per year while Leisure and Hospitality, which added 71,000 jobs, paid less than $39,000 per year in 2012. The average salary for all industries was about $81,000 per year in 2012 and for the private sector, it was $84,000.

***Chart 2.* Total Change in NYC Payroll Jobs (Thousands), From August 2008 to April 2014**



Source: NYS Department of Labor.

According to the U.S. Bureau of Economic Analysis, while overall U.S. GDP increased by 9.8 percent from 2009 to 2013, the real output of the Finance and Insurance sector increased by only 2.9 percent. Although the financial industry accounts for only about 10 percent of private sector employment in the City, it accounts for about

31 percent of total private wages paid and a similar share of the City's GCP. Its slow and frequently sputtering recovery from the crisis of 2008-2009 has suppressed employment and wages and acted as a drag on the City's overall economic growth. Higher stock prices, a pick-up in initial public offerings and merger and acquisition activity, and a record year for corporate debt issuance in 2013 provide hope that stability based on traditional bread-and-butter lines of business will return to Wall Street in the near future. However, the excesses that characterized the pre-crisis years should not return and probably will not, so the City's economy will have to grow through a broader and more economically sustainable expansion of its economic base.

In recent years the growth of some of the City's emerging businesses, especially in the technology sector, has contributed to rising optimism about the City's economic future. Those industries, which include several established New York industries recently rejuvenated by technology and the internet, do hold the promise of a long-awaited economic diversification from finance and real estate. However, their overall impact on the City's economy will remain comparatively small for the foreseeable future, and the City's economic prosperity during the next several years will continue to be tied to its traditional mainstays such as Finance, Real Estate, Business and Professional Services, and Information.

Those mainstay industries should be helped during 2014 and into 2015 by a gradually improving national economy, to which they are inextricably tied. The Comptroller's Office anticipates an acceleration in the rate of local economic growth to 2.7 percent in 2014 and to 2.8 percent in 2015, as a steadier national economy creates an improved business climate for the City's many firms that depend on non-local customers for their revenue and earnings growth.

III. The Modified FY 2015 Executive Budget

The City released the FY 2015 Executive Budget and the Financial Plan for FYs 2015 – 2018 on May 8, 2014. The Executive Budget and the Financial Plan included funding for expired labor contracts patterned after the settlement with the UFT. The agreement includes compensating UFT members for the two four percent wage increases granted to most other municipal unions in the previous round of collective bargaining for which the City and the UFT did not reach an agreement. Following the release of the FY 2015 Executive Budget and the Financial Plan, the Comptroller's Office, in conversation with the Administration, raised issues about the anticipated accounting treatment for the lump sum payments which constitute retroactive pay for employees expected to retire between June 30, 2014 and October 2020. Subsequently, the Comptroller and the Administration jointly announced that these payments should be charged to FY 2014. The estimated cost of these payments is $725 million of which $610 million is advanced from FYs 2015, 2016, 2017, and 2018, and $115 million from FYs 2019 and 2020. The Modified FY 2014 Budget and Modified May Financial Plan reflect these changes.

The City's Modified FY 2015 Executive Budget totals $73.9 billion, an increase of $203 million from the FY 2015 Preliminary Budget released in February. This increase is driven by an upward revision of $555 million in the State-funds portion of the Budget offset by reductions of $252 million in the City-funds, $25 million in the Federal-funds, and $82 million in other-categorical funds. The inter-fund-agreement portion of the Budget remains relatively flat with a modest increase of $7 million. As discussed in "Federal and State Aid" beginning on page 26, the increase in the State portion of the budget is due primarily to $300 million in State grants to support full day Universal Pre-kindergarten (UPK) and a $202 million increase in formula-based school aid.

The City-funds portion of the Budget totals $53.79 billion. The most significant change to the City-funds Budget is the addition of funding for new labor contracts. The City estimates that the Citywide cost of the settlement through FY 2018 will total $13.56 billion. However, the City expects that the budget impact through FY 2018 will total only $5.65 billion after netting out the expected healthcare savings from the agreement, the use of funds from the Health Stabilization Fund (HSF) and funding already in the labor reserve, as discussed in greater detail in "Labor" beginning on page 34. Consequently, the City has increased the labor reserve by $1.83 billion in FY 2014, $1.24 billion in FY 2016, $890 million in FY 2017 and $2.01 billion in FY 2018 and reduced the labor reserve by $325 million in FY 2015. The labor reserve in FY 2015 is reduced because the use of $1 billion from the HSF and projected FY 2015 healthcare savings of $700 million together with the $369 million already budgeted in the labor reserve for wage increases exceed the estimated settlement cost of $1.44 billion.

New initiatives totaling $248 million and agency spending increases of $228 million add another $476 million to the Modified Executive Budget. Expense changes include an additional $21 million for initiatives introduced in the Preliminary Budget. Spending on Vision Zero, the City's initiative to improve traffic safety accounts for $46 million of the increase. Spending on other new initiatives is distributed among various agencies.

Partially offsetting the additional spending in the Modified Executive Budget is the takedown of $530 million in City-funded spending for the expansion of full day UPK and after school program corresponding to the removal of the increase in tax revenue from the Administration's proposed PIT surcharge on high earners. The UPK and after school programs are now funded by State aid. The State budget provides $300 million in funding for the expansion of full day UPK, $40 million below the estimated expense in the Preliminary Budget. However, the City maintains that it is sufficient to fund the program because of lower-than-expected start-up costs. The expansion of after school is funded by a portion of the $196 million increase in Foundation Aid to the City in the Enacted State Budget. The expansion of full day UPK and after school is discussed in greater detail in "Department of Education", beginning on page 40. The net impact of the expenditure changes results in a reduction of $386 million in City-funded baseline expenditures in the Modified Executive Budget.

Table 6. Changes to City-Funds Estimates
Modified FY 2015 Executive Budget vs. FY 2015 Preliminary Budget

($ in millions)

REVENUES		EXPENDITURES	
Property Tax	($103)	New Initiatives	$248
Personal Income Tax	55	Agency Expenditures	228
Business Tax	46	Pension	24
Sales Tax	36	Debt Service	(30)
Real-Estate-Related Tax	51	Labor Settlement	(326)
Other Taxes	10	UPK and After School	(530)
Subtotal Tax Revenues	**$95**	**Subtotal**	**($386)**
Non-Tax Revenues	$183		
		FY 2014 BSA	**$134**
Reversal of PIT to fund UPK	($530)		
Total	**($252)**	**Total**	**($252)**

City-funds revenues in the Modified Executive Budget are $252 million below the Preliminary Budget amount. This reduction is primarily due to the reversal of the City's assumption of $530 million in additional personal income tax (PIT) revenues from a proposed PIT surcharge to fund the expansion of UPK and after school programs. Baseline tax revenue estimates are $95 million above the Preliminary Budget estimates. Non-tax revenues have been revised upwards by $183 million. This increase results primarily from an upward revision of $114 million to the revenues from the sale of taxi medallions.

The reduction of $252 million in City-funds revenues and $386 million in City-funded expenditures results in a budget surplus of $134 million in FY 2015 which offset a $134 million reduction in the prepayment of FY 2015 debt service. The reduction brings the FY 2014 Budget Stabilization Account (BSA) to $1.636 billion.

The FY 2014 BSA has grown by $1.49 billion since the Adopted Budget. The increase results from a $3.21 billion increase in City-funds revenues and a $1.72 billion increase in City-funded expenditures, as shown in Table 7. Revision to PIT estimates accounts for $1.15 billion of the revenue increase. The revision to PIT revenues stems from lower-than-expected shift of capital gain realization from tax year 2013 to 2012 and continued strength in Wall Street profits. All other tax revenues have increased by $1.49 billion with property tax and real-estate-related taxes growing by $401 million and $550 million, respectively.

The two largest increases in expenditures are $1.83 billion for the net cost for the labor settlement discussed above and the reversal of the previous administration's designation of $1 billion of Retiree Health Benefits Trust to pay a portion of the City's FY 2014 retiree health insurance cost. Revisions to agency spending add another $271 million to the Adopted Budget estimates. A reduction of $400 million to the General Reserve, recognition of $400 million in prior-year-payable savings, and debt service savings of $535 million combine to offset the increase by $1.34 billion.

Table 7. Change to FY 2014 BSA

($ in millions)

June 2013 BSA	**$142**
Property Tax	401
PIT	1,146
Business Tax	181
Sales Tax	137
Real-Estate-Related Tax	550
Tax Audit	151
Other Taxes	65
Subtotal Tax Revenues	**$2,631**
Non-Tax Revenues	580
Total Revenues	**$3,211**
Net Labor Settlement Cost	$1,831
Reversal of Use of RHBT funds	1,000
Agency Spending	271
PEG Restoration, New Initiatives and Other Changes	127
Debt Service Savings	(535)
Prior-Year-Payable Savings	(400)
General Reserve	(400)
Miscellaneous Expense Changes	(177)
Total Expenditures	**$1,717**
Change in BSA	**$1,494**
May 2014 BSA	**$1,636**

RISKS AND OFFSETS

The Modified May 2014 Financial Plan contains projected gaps of $2.57 billion in FY 2016, $1.88 billion in FY 2017, and $3.11 billion in FY 2018. However, the Comptroller's Office's analysis of the Financial Plan indicates that these gaps could be smaller. As shown in Table 8, the Comptroller's Office expects tax revenues to be above the City's projections by $131 million in FY 2014, $881 million in FY 2015, $983 million in FY 2016, $1.65 billion in FY 2017, and $2.37 billion in FY 2018. The stronger tax revenue forecast is driven by the Office's more optimistic outlook on the local economy. In addition, the Comptroller's Office estimate that based on current experience, speed cameras could be above the City's estimates by $28 million in FY2015, $14 million in FY 2016, and $7 million in FY 2017.

Partially offsetting the gains from the higher tax revenue forecast are risks to the City's overtime expenditures, Department of Education's (DOE) Medicaid reimbursement estimates, and cost of fair hearings. Based on the trend of overtime costs in recent years, and year-to-date spending, the Comptroller's Office estimates that the City's overtime projections could be understated by $30 million in FY 2014, $109 million in FY 2015, and $100 million in each of FYs 2016 through 2018. Similarly, the recent pattern of Federal reimbursement for special education services at DOE indicates that the City's estimate of Federal reimbursement is overstated. The Comptroller's Office estimates that reimbursement will likely be below the City's estimate by $30 million in FY 2014, $40 million in FY 2015, and $70 million in each of FYs 2016 through 2018. The City also did not account for the shifting of the cost of fair hearings for social services recipients from the State to the City. The Enacted SFY 2015 State budget and the accompanying financial plan assumes receipt of $3 million in FY 2014 and $10 million a year thereafter from New York City by shifting costs of fair hearings for social services recipients from the State to the City. The expenditure risks in FY 2014 are offset by variable interest rate savings of $70 million on long term bond. In FY 2015, the Comptroller's Office estimates another $75 million in debt service savings to offset some of the expenditure risks. The Financial Plan debt service projections include debt service for $2.4 billion of seasonal borrowing in each of FYs 2015 through FY 2018. The Comptroller's Office believes that the FY 2015 borrowing will not be needed thereby saving $75 million in debt service associated with the borrowing. There is also the potential for further debt service savings in variable rate demand bonds (VRDB). The VRDB debt service projection in FY 2015 is based on a rate of 4.1 percent for tax exempt variable rate demand general obligation (G.O.) bonds and 6 percent for taxable variable demand G.O. bonds. Interest rates on the City's VRDB for the last four years have been under 1.0 percent.

Table 8. Risks and Offsets to the May 2014 Modification and the FYs 2015 – 2018 Financial Plan

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
City Stated Gap	**$0**	**($0)**	**($2,568)**	**($1,879)**	**($3,105)**
Tax Revenues					
Property Tax	$0	$0	$260	$785	$1,331
Personal Income Tax	$135	$622	$618	$686	$808
Business Taxes	($4)	($28)	($56)	$10	$32
Sales Tax	$0	$0	$40	$52	$63
Real-Estate-Related Taxes	$0	$259	$107	$114	$137
Speed Camera Revenues	$0	$28	$14	$7	$0
Subtotal	**$131**	**$881**	**$983**	**$1,654**	**$2,371**
Expenditures					
Overtime	($30)	($109)	($100)	($100)	($100)
DOE Medicaid Reimbursement	($30)	($40)	($70)	($70)	($70)
Cost of Fair Hearings	($3)	($10)	($10)	($10)	($10)
Debt Service	$70	$75	$0	$0	$0
Subtotal	**$7**	**($84)**	**($180)**	**($180)**	**($180)**
Total (Risks)/Offsets	**$138**	**$797**	**$803**	**$1,474**	**$2,191**
Restated (Gap)/Surplus	**$138**	**$797**	**($1,765)**	**($405)**	**($914)**

The Comptroller's Office estimates that, on net, the City could have additional resources ranging from $138 million in FY 2014 to $2.20 billion in FY 2018. These additional resources would result in a surplus of $138 million in FY 2014 and $797 million in FY 2015, and reduce the gaps in FYs 2016 through 2018 to $1.77 billion, $405 million and $914 million, respectively. If the estimated surpluses in FYs 2014 and FY 2015 were to be rolled into FY 2016, it would further reduce the City's projected FY 2016 gap to $830 million.

IV. Revenue Assumptions

Projected revenues in the Modified FY 2015 Executive Budget and Financial Plan reflect the City's assumption that the local and national economies will continue to recover and experience moderate growth over the Plan period. Total revenue is projected to increase 7.7 percent from $75.01 billion in FY 2014 to $80.77 billion in FY 2018. Tax revenues are expected to comprise 64 percent of total revenues in FY 2014, increasing to 67 percent of total revenues by FY 2018. Property tax revenues are projected to grow from $20.19 billion in FY 2014 to $23.71 billion in FY 2018, while non-property tax revenues are expected to grow from $27.75 billion in FY 2014 to $30.69 billion in FY 2018.

Miscellaneous revenue, excluding intra-City revenue, is expected to decrease from $5.57 billion in FY 2014 to $4.79 billion in FY 2018. The miscellaneous revenue forecast includes a combined $1.65 billion in revenues the City expects to realize from the sale of 2,000 taxi medallions in FYs 2014 through 2017. However, the sale of any more than 400 medallions is contingent upon State approval of a Disabled Accessibility Plan (DAP), which the City is required to develop in order to sell the remaining 1,600 medallions.

Total Federal and State aid are projected at $20.07 billion in FY 2014, declining to $18.84 billion in FY 2015. The Modified FY 2015 Executive Budget reflects a net increase of $530 million in Federal and State aid, comprised of $555 million in additional State grants offset by $25 million in Federal cuts. The additional State aid stems primarily from education aid, including $300 million for full day UPK expansion and $202 million in operating school aid. In the outyears, Federal and State aid are expected to grow to $19.24 billion in FY 2016, $19.71 billion in FY 2017 and $20.25 billion in FY 2018. This trend mainly reflects the City's assumption of education aid increases from the State.

Tax Revenues

In the Modified FY 2015 Executive Budget and Financial Plan, total tax revenues are projected to grow 1.2 percent in FY 2015, to $48.54 billion, following growth of about 4.9 percent in FY 2014. The slower growth projected for FY 2015 reflects a net decline in non-property tax revenues of $120 million, offset by a projected increase of $712 million in revenues from the property tax. The Modified Executive Budget and Financial Plan also removes $530 million in FY 2015 and $1.7 billion in FYs 2016-2018 of the proposed Personal Income Tax (PIT) rate increase, included in the February Plan to fund UPK and after school programs. The State rejected the City's proposal to increase the PIT rate for high earners. Instead, the State provided the necessary funding as additional school aid to the City.[1]

Changes to the FY 2015 Tax Revenue Forecast

As Table 9 shows, since the February 2014 Financial Plan, the City increased its tax revenue forecast for FY 2014 and decreased its overall tax revenue projections for FYs 2015-2018. Since the City secured funding for UPK and after school programs, it removed the revenue assumptions associated with the PIT rate increase from its FYs 2015-2018 tax revenue forecast. Revisions in FY 2014 estimates reflect higher than expected tax collections through April. In particular, PIT collections through April were $648 million above the February Plan forecast, mostly due to higher than expected estimated payments.

Table 9. Revisions to the City's Tax Revenue Assumptions
February 2014 vs. May 2014

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
February 2014 Financial Plan – Total	**$46,731**	**$48,971**	**$51,268**	**$53,260**	**$55,160**
Revisions:					
Property	188	(103)	(101)	(100)	(101)
Personal Income (PIT)	652	55	(26)	(107)	(148)
Business	125	46	41	7	(6)
Sales	36	36	31	90	134
Real-Estate-Related	0	51	75	26	(33)
All Other	63	11	(9)	(10)	(11)
Tax Proposal: PIT increase to fund UPK	0	(530)	(533)	(569)	(594)
Audit	150	0	0	0	0
Revisions –Total	$1,214	($434)	($522)	($663)	($759)
May 2014 Financial Plan – Total	**$47,945**	**$48,537**	**$50,746**	**$52,597**	**$54,401**

SOURCE: NYC Office of Management and Budget.

The current FY 2015 tax revenue forecast is $434 million lower than the February Plan forecast. The decrease is largely due to the removal of $530 million in revenues from the proposed PIT rate increase. Estimates for property tax revenues were lowered by approximately $100 million annually starting in FY 2015 to reflect an increase in anticipated refunds.

The FY 2015 property tax revenue forecast of $20.91 billion reflects a $1.22 billion levy increase over the prior year from changes in market and taxable billable values. The FY 2015 Tentative Assessment Roll, released in January 2014, shows a 6.6 percent market value increase to $914.8 billion, and an 8.0 percent taxable billable value increase to $185.4 billion compared to last year. The City anticipates the tentative roll will be reduced by $3.8 billion to $181.6 billion (nearly $10 billion greater than FY 2014).

[1] If not indicated specifically, throughout this section, Personal Income Tax (PIT) and Property Tax revenues include School Tax Relief (STAR) reimbursement. Individual tax revenue analysis excludes audit and tax proposals.

Excluding the property tax forecast, the Modified FY 2015 Executive Budget reflects slightly higher tax revenue projections compared with the February Plan estimates. FY 2015 projected PIT revenues, excluding the removal of the UPK tax proposal increased by $55 million to $9.85 billion. FY 2015 revenue projections for sales and real-estate-related taxes (Real Property Transfer Tax and Mortgage Recording Tax) increased by $36 million and $51 million to $6.67 billion and $2.23 billion, respectively, while projected revenues from business income taxes, i.e., the General Corporation Tax (GCT), Banking Corporation Tax (BCT), and the Unincorporated Business Tax (UBT), increased by a net $46 million to $5.96 billion.

Projected Tax Revenue Growth, City Forecast, FYs 2014 – 2018

The Modified FY 2015 Executive Budget and Financial Plan projects total tax revenues will grow by $6.46 billion from FY 2014 to FY 2018, an average annual growth rate of 3.2 percent. Over the forecast period, non-property tax revenues are expected to grow at an average annual rate of 2.6 percent while property tax revenues are expected to grow at an average annual rate of 4.1 percent.

After growing by a projected 4.9 percent in FY 2014, total tax revenue growth is expected to decelerate to 1.2 percent in FY 2015. The City expects growth in non-property tax revenue to be nearly flat in the coming fiscal year due in large part to a projected decline in anticipated revenues from PIT and real-estate-related taxes in FY 2015. As Table 10 shows, tax collections are expected to rebound in FY 2016 and grow moderately in the last two years of the Plan period.

Table 10. City's Tax Revenue Forecast, Growth Rate, FYs 2014 – 2018

	FYs 2014-15	FYs 2015-16	FYs 2016-17	FYs 2017-18	Average Annual Growth
Property	3.5%	5.0%	4.1%	3.8%	4.1%
PIT	(0.8%)	4.2%	3.2%	2.6%	2.3%
Business	0.9%	3.2%	2.7%	3.5%	2.5%
Sales	3.2%	4.2%	4.5%	4.1%	4.0%
Real-Estate-Related	(6.6%)	10.8%	3.8%	3.0%	2.6%
All Other	0.3%	2.1%	2.5%	2.8%	1.9%
Tax Audit	(17.5%)	0.0%	0.0%	0.0%	(4.7%)
Total Tax W/ Audit	**1.2%**	**4.6%**	**3.6%**	**3.4%**	**3.2%**

SOURCE: NYC Office of Management and Budget and NYC Comptroller's Office.

Growth in projected property tax revenue is supported by strong billable value growth of 8.0 percent in the FY 2015 Tentative Assessment Roll. Higher sales prices, larger net operating income for property owners, and significant construction activity created strong market value growth. Class 4 properties (office and commercial space) showed the strongest market value increase at 10.1 percent, followed by a 7.3 percent overall growth in market value for Class 2 properties (rental apartments, condominiums, and cooperatives). Over the forecast period, property tax revenue growth is expected to average 4.1 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 two consecutive years of record high PIT revenues, the City expects collections from PIT to drop slightly in FY 2015. Total withholding is expected to decline while refunds are expected to increase. Continued employment growth is projected to be more than offset by a decline in anticipated bonus payouts. Revenue from PIT collections is expected to rebound in FY 2016 and grow by 4.2 percent as employment and wages continue to grow. PIT revenue is projected to average 2.3 percent growth annually from FYs 2014 through 2018.

Business income tax revenues are forecast to increase by less than 1.0 percent in FY 2015 before rebounding in FY 2016. The marginal increase in FY 2015 is driven by a projected 4.7 percent growth in UBT revenues offset by a 4.0 percent fall in BCT collections and a nearly flat growth rate for GCT revenues. The continued decline in BCT revenues reflects a projected drop in Wall Street profits in calendar year 2014, weakness in mortgage activity and tightened monetary policy. The projected decline in Wall Street profits is expected to weaken finance sector payments while payments from non-finance sector firms are projected to grow moderately, resulting in nearly flat growth for GCT revenues. UBT collections are expected to benefit from record high hedge fund assets under management in FY 2015. Projected growth in GCT and UBT collections is expected to lift overall business tax revenue by 3.2 percent in FY 2016. Business tax revenues are forecast to grow at an average rate of 2.5 percent annually from FYs 2014 through 2018.

The City projects sales tax revenue growth to decelerate to 3.2 percent in FY 2015 compared to a projected 5.3 percent growth in FY 2014. This forecast is supported by the City's assumption of moderate growth in taxable consumption and wages. Beyond FY 2015, revenues from the sales tax are projected to continue to grow moderately supported by gradual growth of income and employment as well as continued strength in the tourism sector. Revenue growth from the sales tax will average 4.0 percent annually from FYs 2014 through 2018.

Real-estate-related tax revenues are expected to decline by 6.6 percent in FY 2015 after growing by a projected 30.4 percent in FY 2014. Collections from real-estate-related taxes have rebounded strongly from the recession but have not reached their FY 2007 peak. In FY 2015, collections from both the real-property-transfer tax and the mortgage recording tax are expected to decline, driven by a projected decline in commercial transactions as interest rates rise, as well as a decline in commercial mortgage recordings due to an expected slowdown in commercial real estate activity. Revenues from residential transactions are forecast to continue to grow in FY 2015. Real-estate-related tax revenues are projected to grow by an average annual rate of 2.6 percent from FYs 2014 to 2018.

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office's assumptions of risks and offsets to the City's tax revenue assumptions are based on current year collections and the Office's economic projections. As illustrated in Table 11, for FY 2014 the Comptroller's Office forecasts an offset of $131 million to the City's overall tax revenue estimates. The net offset is attributed to an estimated $135 million offset in PIT revenues based on forecast collections in the final two months of the fiscal year.

For FYs 2015 through 2018, the Comptroller's Office projects tax revenue offsets ranging between $853 million and $2.37 billion.

The Comptroller's Office shows no offset in FY 2015 property tax revenues, but notes that the City's revenue forecasts are based on a predicted $3.8 billion decrease in total assessed value in the final roll compared to the tentative roll. This decrease is large by historical standards and, should it fail to materialize, FY 2015 property tax revenues could be substantially higher. As decreases from the tentative to final roll result from Tax Commission actions, Department of Finance changes by notice, and the completion of exemption processing, the Comptroller's Office is at an informational disadvantage in assessing the magnitude of such a decrease, and therefore incorporates the City's final roll assumptions as a baseline for its property tax forecasts.

The Comptroller's Office forecasts increasing property tax offsets in FY 2016 through FY 2018, led by rising market values, assessments and transitional values for Class 2 and Class 4 properties. The levy on Class 1 properties is expected to increase at a measured pace of 3.0 to 4.5 percent annually over the Financial Plan period, as several years of growth in assessed values brings more properties up against the 5-year, 20 percent cap on assessment increases. The large offsets in real property tax revenue forecast in the final two years of the Plan are due primarily to the Comptroller's more optimistic forecast of commercial property value appreciation.

The Comptroller's Office forecasts consistently large offsets from PIT revenue throughout the Plan period. The Comptroller believes that all substantial capital gains shifts in response to Federal tax changes have already occurred, and that growth in PIT collections in FY 2015 will be determined primarily by economic conditions prevailing in calendar years 2014 and 2015. The strong stock market gains of 2012 and 2013 should provide a basis for a continued high level of long-term capital gains realizations and estimated tax payments while projected employment and wage growth supports continued moderate growth in PIT withholding.

The Comptroller's higher forecasts for most major tax revenue categories reflects the cumulative effects of stronger local economic growth than the City forecasts, as well as a somewhat higher inflation rate over the period.

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

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Property	$0	$0	$260	$785	$1,331
PIT	135	622	618	686	808
Business	(4)	(28)	(56)	10	32
Sales	0	0	40	52	63
Real-Estate-Related	0	259	107	114	137
Total	**$131**	**$853**	**$969**	**$1,647**	**$2,371**

Miscellaneous Revenues

Miscellaneous revenues are non-tax revenues such as fees charged for licenses and franchises, charges for municipal services, fines, rental income, water and sewer revenues, interest income and non-recurring revenues deriving from asset sales and other one-time resources. The Modified FY 2015 Executive Budget projects miscellaneous revenues will decline by 5.4 percent on a year-over-year basis, to $5.27 billion in FY 2015. The lower projection stems mainly from an expected drop in non-recurring revenues in FY 2015. Non-recurring revenues are projected to top $800 million in FY 2014 due to proceeds from asset sales, refunds from prior-year expenses and proceeds from the sale of taxi medallions. Excluding revenues from taxi medallion sales, the FY 2015 miscellaneous revenue budget does not include major non-recurring revenue sources. Projected FY 2015 revenues for licenses and franchises, interest income, rental income and fines and forfeitures are also lower on a year-over-year basis. Of that decrease, $56.4 million represents a decline in projected fine revenue. Part of the reduction is attributable to restaurant fine amounts being lowered by 15 percent. This measure began under the previous Administration and the new fine amounts are currently going through the City's rulemaking process. The second assumption embedded in the reduction stems from legislation enacted in December of 2013, reducing fine amounts and allowing first time violations to be cured by presenting evidence that the offense is resolved within a specific timeframe and exempting the fine. The City projects a decrease of $44 million in revenues from permits in FY 2015. Revenues from fines and forfeitures are estimated to drop 6.5 percent in FY 2015 as the City implements regulations to ease the burden on small business.[2]

The current FY 2015 miscellaneous revenue forecast is $182 million higher than the FY 2015 Preliminary Budget forecast. As Table 12 shows, since the February Plan the City raised its forecast for licenses and franchises by $4 million, charges for services by $7 million, water and sewer charges by $46 million, fines and forfeitures by $5 million and other miscellaneous revenue by $120 million.[3]

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

[3] Water and sewer revenues of the City consist of two parts: reimbursement for operation and maintenance (O&M) of the water delivery and sewer systems and rental payments from the Water Board for the use of the City's water supply, distribution and treatment plant. The bulk of these revenues represents reimbursement for O&M and therefore is not available for general operating purposes.

Table 12. Changes in FY 2015 Estimates
February 2014 vs. May 2014

($ in millions)

	May 2014	February 2014	Change
Licenses, Franchises, Etc.	$583	$579	$4
Interest Income	10	10	0
Charges for Services	929	922	7
Water and Sewer Charges	1,559	1,513	46
Rental Income	272	272	0
Fines and Forfeitures	789	784	5
Other Miscellaneous	1,126	1,006	120
Total	**$5,268**	**$5,086**	**$182**

SOURCE: NYC Office of Management and Budget.

The City increased its estimate for licenses and franchises by $4 million mostly due to a re-estimate of revenues from construction permits. The projection for charges for services reflects an additional $3.9 million in revenue from fees related to vehicle booting operations and a $3 million increase in revenue from credit card convenience fees. Estimated revenues from fines and forfeitures increased by a net $5 million since the February Plan. Projected fine revenues from the Environmental Control Board (ECB) and from the Department of Consumer Affairs (DCA), decreased by a combined $2.4 million to reflect the City's establishment of "cure periods" for signage infractions. This decline is more than offset by an expected increase of $7.6 million in revenues from speed camera fines in FY 2015. Recent State legislation authorized the City to expand its school zone speed camera program. The legislation allows the City to increase the number of speed cameras from 20 to 140 in FY 2015.

The greatest change to the FY 2015 miscellaneous revenue estimate was in the "other miscellaneous" category, which increased by $120 million since the February Plan. The increase is mostly due to an additional $114 million in anticipated revenues from taxi medallion sales. Concurrently, the City lowered its revenue projection from medallion sales by $69 million in FY 2014. Although the City has auctioned all 400 medallions scheduled during FY 2014, the City adjusted its revenue projections in FYs 2014-15 to reflect the timing of the closings of the medallion sales. The $114 million increase in projected revenues in FY 2015 includes $45 million in additional revenues from higher than expected medallion bids placed in recent auctions. The current Financial Plan anticipates the receipt of $1.65 billion from the sale of 2,000 medallions over FYs 2014-17. However, State law requires that the City's Taxi and Limousine Commission (TLC) complete a Disabled Accessibility Plan (DAP) before the City is allowed to sell the remaining 1,600 medallions. Last December, the City announced a settlement agreement between the TLC and the Federal government, which resolved legal issues raised regarding wheelchair accessible taxicabs. The agreement requires that half of the City's taxi fleet be wheelchair-accessible by 2020. Recently, the TLC voted unanimously to approve regulations which satisfy the requirements of the Federal settlement agreement.

Excluding revenues from taxi medallion sales, total miscellaneous revenue is expected to decline by 11 percent in FY 2015 and remain stable at around $4.8 billion annually over the Plan period.

Federal and State Aid

The Modified FY 2015 Executive Budget projects total Federal and State aid of $18.84 billion in FY 2015, supporting about 26 percent of the City's total spending. Overall, about 84 percent of the City's Federal and State aid assumptions are in support of education and social services expenses. In comparison, in the current fiscal year, Federal and State grants are projected at $20.07 billion and support nearly 27 percent of total spending. The higher projections in the current year stem mainly from expected Federal reimbursement for the clean-up and recovery costs related to Hurricane Sandy. Under the City's projections, about $1.12 billion in Federal Sandy-related reimbursement in the current year will not continue into FY 2015. The City's more conservative assumptions of certain Federal aid in future years also contribute to the decline of these projections in FY 2015.

Compared to the Preliminary Budget, Federal and State aid have increased by a net $530 million in FY 2015, showing a $555 million increase in State grants offset by a $25 million decline in Federal assistance. Under the State aid assumptions, education aid has risen by $523 million since the February Plan. Among the major components, $300 million has been enacted by the State to support full day UPK expansion in the City, replacing City funds previously budgeted for this purpose. The State budget also provides an increase of $202 million in formula-based school aids. The bulk of the additional school aid is comprised of $196 million in Foundation aid, with the remainder reflected mainly in special education High Cost/Excess Cost aids. In addition, State support for charter schools has increased by $21 million stemming from an approved tuition increase. The increase raises the charter school tuition rate to $13,777 per student in FY 2015 with additional increases to follow in subsequent years.[4] The remaining State aid increase in the Modified Executive Budget is mainly reflected in the areas of health and mental health ($17 million) and social services ($7 million). On the Federal side, the only noteworthy change is the reduction of $50 million in Medicaid reimbursement for the Department of Education. The reduction is partly offset by increased funding for social services, including $19 million in childcare block grants enacted in the State budget. The City could face a risk of $10 million in FY 2015 from a State chargeback for costs of fair hearings for social services recipients. The enacted State budget stipulates that, unless the City can meet certain performance criteria, the State has the authority to charge the City for a portion of its fair hearing costs.

Over the outyears of the Plan, Federal and State aid are expected to grow from $18.84 billion in FY 2015 to $20.25 billion in FY 2018, an average increase of about

[4] The State has approved a series of increases for charter school per capita tuition rate that would take effect at $250 in FY 2015, $350 in FY 2016 and $500 in FY 2017. By FY 2017, the City's charter school tuition rate would increase to $14,027 per student from the current level of $13,527.

2.4 percent a year. The most significant area of growth is State support for education aid, which is projected to rise nearly 12.5 percent over the outyears of the Plan. Under these assumptions, the level of Federal and State support of the overall expense budget would decline to about 24 percent annually in FYs 2016-2018. Over this span, Federal aid would decline modestly from $6.38 billion in FY 2015 to $6.30 billion in FY 2018. In contrast, Federal aid grew at an annual rate of 2.7 percent over the past five years. Therefore, there is likely to be greater Federal support of the City's expense budget in the outyears compared to the City's expectation.

V. Expenditure Analysis

All-funds expenditures in the Modified FY 2015 Executive Budget total $73.92 billion, a decline of $1.10 billion from the modified FY 2014 budget. Both the FY 2015 and FY 2014 expenditures are reduced by expected or actual prepayments in the prior-fiscal year. The City prepaid $2.84 billion of FY 2014 expenditures and plans to prepay $1.64 billion of FY 2015 debt service towards the end of the current fiscal year. After netting out these prepayments, the adjusted FY 2015 expenditures total $76.65 billion, $429 million more than the adjusted FY 2014 expenditures of $75.53 billion.

From FY 2015 to FY 2018, expenditures adjusted for prepayments are projected to grow by 9.4 percent, or 3.0 percent annually, the same rate as the projected average annual revenue growth. The average annual inflation rate over the same period is 2.1 percent. Spending on wages and salaries, debt service, health insurance, other fringe benefits excluding pension, and judgments and claims, which together make up 51.6 percent of the adjusted FY 2015 expenditures accounts for most of the growth, averaging 4.5 percent growth annually, as shown in Table 13. All other expenditures are projected to average 1.5 percent growth over the same period.

Table 13. FY 2015 – FY 2018 Expenditure Growth Adjusted for Prepayments

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	Growth FY 15-18	Annual Growth
Wages and Salaries	$23,118	$23,915	$23,882	$25,296	9.4%	3.0%
Debt Service	6,763	7,345	7,582	7,840	15.9%	5.0%
Health Insurance	5,625	6,174	6,773	7,427	32.0%	9.7%
Other Fringe Benefits	3,348	3,459	3,575	3,718	11.0%	3.6%
J & C	674	710	746	782	16.0%	5.1%
Subtotal	**$39,529**	**$41,603**	**$42,559**	**$45,063**	**14.0%**	**4.5%**
Pensions	$8,227	$8,316	$8,417	$8,594	4.5%	1.5%
Medicaid	6,447	6,415	6,415	6,415	(0.5%)	(0.2%)
Public Assistance	1,428	1,407	1,413	1,413	(1.0%)	(0.3%)
Other OTPS	21,019	21,421	21,875	22,393	6.5%	2.1%
Subtotal	**$37,121**	**$37,559**	**$38,120**	**$38,815**	**4.6%**	**1.5%**
Total	**$76,649**	**$79,162**	**$80,679**	**$83,878**	**9.4%**	**3.0%**

Overtime

The Modified FY 2015 Executive Budget includes approximately $1.09 billion for overtime expenditures. This projection is approximately 15 percent lower than the current FY 2014 overtime estimate of $1.28 billion. The unusually heavy snowfalls and reduced headcount levels at the Department of Correction (DOC) exerted pressure on overtime expenditures in FY 2014. The Comptroller's Office projects the FY 2015 overtime expenditures will be $1.2 billion, posing a risk to the City's budget of $109 million, as shown in Table 14.

Table 14. Projected Overtime Spending, FY 2015

($ in millions)

	City Planned Overtime FY 2015	Comptroller's Projected Overtime FY 2015	FY 2015 Risk
Uniform			
Police	$418	$480	($62)
Fire	230	230	0
Correction	68	115	(47)
Sanitation	87	87	0
Total Uniformed	$803	$912	($109)
Others			
Police-Civilian	$82	$82	$0
Admin for Child Svcs	17	17	0
Environmental Protection	23	23	0
Transportation	34	34	0
All Other Agencies	127	127	0
Total Civilians	$283	$283	$0
Total City	**$1,086**	**$1,195**	**($109)**

The Comptroller's Office expects police uniformed overtime spending to remain relatively flat for FY 2015 at $480 million, similar to the estimated FY 2014 spending but above the amount in the FY 2015 Budget. This poses a risk to the budget of $62 million.

For several years, the DOC found it challenging to recruit and expand its uniform staffing levels. This situation has improved enabling the DOC to hire 649 new officers in 2014. The DOC will now be able to maximize security while reducing overtime expenses. As such, the Comptroller's Office expects uniformed overtime spending at DOC to continue declining when compared to recent fiscal years. The Comptroller's Office expects that FY 2015 uniformed DOC overtime will be about $115 million, $10 million lower than estimated for FY 2014 and $24 million lower than in FY 2013.

Headcount

The May 2014 Financial Plan includes City-funded full-time headcount of 236,112. This is a net increase of 101 from the February 2014 Financial Plan estimate. Changes to City-funded full-time planned headcount since the February Plan for FYs 2014 – 2018 are presented in Table 15 and include an additional 54 positions in the Department of Transportation (DOT) and a reduction of 48 positions in the Department of Health and Mental Hygiene in FY 2014.

Table 15. Changes to FYs 2014 – 2018 City-Funded Full-Time Headcount
May 2014 Financial Plan vs. February 2014 Financial Plan

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Pedagogical					
Dept. of Education	0	(861)	(1,828)	(1,828)	(1,828)
City University	0	90	125	159	0
Subtotal	**0**	**(771)**	**(1,703)**	**(1,669)**	**(1,828)**
Uniformed					
Police	0	0	0	0	0
Fire	0	1	1	1	1
Correction	2	16	16	16	16
Sanitation	1	67	16	16	16
Subtotal	**3**	**84**	**33**	**33**	**33**
Civilian					
Dept. of Education	0	(18)	(18)	(18)	(18)
City University	0	2	0	0	0
Police	9	207	207	207	207
Fire	0	78	78	73	73
Correction	12	12	12	12	12
Sanitation	5	47	51	51	51
Admin. for Children's Services	0	0	362	362	362
Social Services	0	715	219	96	37
Homeless Services	0	0	0	0	0
Health and Mental Hygiene	(48)	54	40	36	36
Finance	0	15	15	15	10
Transportation	54	116	116	116	116
Parks and Recreation	0	7	7	7	7
All Other Civilians	66	373	379	378	378
Subtotal	**98**	**1,608**	**1,468**	**1,335**	**1,271**
Total	**101**	**921**	**(202)**	**(301)**	**(524)**

As shown in Table 16, during the Financial Plan period City-funded full-time headcount is scheduled to increase slightly in FY 2015 to 237,123, to decline slightly to 236,689 in FY 2016, and then to remain relatively stable in FYs 2017 and 2018 at 236,517 and 236,294, respectively.

Table 16. City-Funded Full-Time Year-End Headcount Projections FYs 2014-2018

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Pedagogical					
Dept. of Education	92,809	93,146	93,146	93,146	93,146
City University	3,248	3,338	3,333	3,367	3,208
Subtotal	**96,057**	**96,484**	**96,479**	**96,513**	**96,354**
Uniformed					
Police	34,483	34,483	34,483	34,483	34,483
Fire	10,779	10,780	10,780	10,780	10,780
Correction	8,884	8,889	8,889	8,889	8,889
Sanitation	7,119	7,239	7,280	7,280	7,280
Subtotal	**61,265**	**61,391**	**61,432**	**61,432**	**61,432**
Civilian					
Dept. of Education	9,381	8,985	8,986	8,986	8,986
City University	1,756	1,726	1,674	1,674	1,674
Police	14,517	14,602	14,451	14,451	14,451
Fire	5,022	5,100	5,100	5,095	5,095
Correction	1,599	1,598	1,598	1,598	1,598
Sanitation	1,960	2,040	2,072	2,072	2,072
Admin. for Children's Services	6,399	6,399	6,761	6,761	6,761
Social Services	10,150	10,267	9,659	9,477	9,418
Homeless Services	1,982	1,948	1,948	1,948	1,948
Health and Mental Hygiene	3,323	3,411	3,389	3,385	3,385
Finance	1,914	1,926	1,921	1,916	1,911
Transportation	2,003	2,140	2,140	2,140	2,140
Parks and Recreation	3,357	3,269	3,269	3,271	3,271
All Other Civilians	14,427	15,837	15,810	15,798	15,798
Subtotal	**78,790**	**79,248**	**78,778**	**78,572**	**78,508**
Total	**236,112**	**237,123**	**236,689**	**236,517**	**236,294**

The Financial Plan headcount projections provide for core services and for restructuring and streamlining agency operations including:

- **Police Department** – The Police Department received funds to hire an additional 178 Police Communication Technicians to address increases in workload and will receive City funds to hire an additional 147 Traffic Enforcement Agents; additionally, civilian headcount will increase to staff the newly-created Office of Collaborative Policing and the Risk Assessment and Compliance Unit. The Police Department hired 1,873 recruits in FY 2014 - 1,247 in July 2013 and 626 in January 2014.

- **Department of Correction** – In FY 2014, 649 new officers were on duty; beginning in FY 2015 enhanced baseline funding will enable the Department of Correction to fill additional positions.

- **Administration for Children's Services** – New resources provided in the Financial Plan will lead to hiring resulting in 362 new positions - including 197 Child Protective Specialists and supervisors - enabling improved investigative practices, better monitoring of high-risk cases and improved program management, particularly in field offices with the highest caseloads in the Bronx and Brooklyn.

- **Fire Department –** The Financial Plan includes $1.4 million for 16 positions to develop and support a new Fire Prevention Information Management system replacing an existing system; funds for five positions for additional civilian fire inspectors needed to accommodate increased class locations for universal pre-K; and funds for 25 positions for human resources purposes, including recruitment, compliance and EEO.

- **Department of Parks and Recreation –** Funds are provided for the continuation in FY 2015 of full-time positions in the Capital Projects Division for the design and construction of parks projects.

- **Department of Environmental Protection –** The Financial Plan provides funds for 2,161 positions for the maintenance of water main and sewer infrastructure; for 295 police personnel - including 221 environmental police officers who protect the upstate watershed and respond to hazardous materials emergencies; for 51 positions at the Catskill/Delaware Ultraviolet Disinfection Facility; for 1,884 positions for the City's 14 Wastewater Treatment Plants; for 56 positions for the Croton Water Filtration Plant, expected to be fully operational by May 2015; for 157 positions to enforce the City's air and noise codes; and for 52 positions for the implementation of the City's Green Infrastructure Plan. Additionally, efficiencies are expected to be identified by the Department's Operational Excellence initiative, enabling the reduction of positions within the Department's Bureau of Wastewater Treatment.

- **Department of Transportation –** Funding in the Financial Plan is provided for 53 positions for road maintenance services, including the annual replacement of 15 million linear feet of lane markings; for 44 positions for the operation and maintenance of speed cameras; for 18 positions for the design of new bus routes; for 790 positions for activities related to bridge operations; for approximately 1,470 full-time and seasonal positions related to roadway repair and maintenance; for 1,322 positions for traffic operations; and for 686 positions for ferries.

As shown in Table 17, City-funded full-time equivalent (FTE) headcount is projected to total 23,549 in FY 2014, decreasing by 407 in FY 2015, by a further 431 in FY 2016 to 22,711, and then remaining relatively unchanged for the remainder of the Plan period.

Table 17. City-Funded FTE Year-End Headcount Projections FYs 2014-2018

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Pedagogical					
Dept. of Education	553	593	593	593	593
City University	1,780	1,780	1,788	1,795	1,780
Subtotal	**2,333**	**2,373**	**2,381**	**2,388**	**2,373**
Civilian					
Dept. of Education	11,592	11,592	11,592	11,592	11,592
City University	984	984	984	984	984
Police	1,422	1,407	1,404	1,404	1,404
Health and Mental Hygiene	1,084	1,183	1,186	1,186	1,186
Parks and Recreation	2,916	2,850	2,850	2,851	2,851
All Other Civilians	3,218	2,753	2,314	2,306	2,306
Subtotal	**21,216**	**20,769**	**20,330**	**20,323**	**20,323**
Total	**23,549**	**23,142**	**22,711**	**22,711**	**22,696**

Labor

Prior to the release of the FY 2015 Executive Budget, the City reached a tentative agreement with the UFT on a nine year labor contract covering the period from November 1, 2009 to October 31, 2018. The contract was ratified on June 3, 2014. The first two years of the agreement corresponds to the 2008 – 2010 round of collective bargaining for which most of the City's other municipal labor unions had reached a two year agreement wherein members received two annual wage increases of four percent. The latter seven years of the agreement represents the current round of collective bargaining.

For the 2008 – 2010 round of collective bargaining, the agreement will compensate UFT members for the two four percent wage increases that were given in the 2008 – 2010 round. However, under the terms of the agreement, the value of these increases will be converted into a series of base salary increases and lump sum payments. First, the two four percent wage increases will be integrated into the salary base over four installments of two percent annual increases beginning on May 1, 2015. Therefore, by May 1, 2018, the 2008-2010 round raises will be fully incorporated into the members' salaries. Second, the cumulative lump sum that will accrue to members between November 1, 2009 and May 1, 2018 will be paid to members still in active service in installments, as follows: 12.5 percent in October 2015, 12.5 percent in October 2017, 25 percent in October 2018, 25 percent in October 2019 and the remainder in October 2020. The only exception to the delayed lump sum payments will be to the group of members who have already retired or will retire by June 30, 2014. This group will receive their accrued lump sum in one payment.[5]

[5] As per the agreement, the total lump sum payments to UFT members of this group will be limited to $180 million.

The latter seven years of the agreement, which corresponds to the current round of collective bargaining, provides no wage increase for the first 18 months, followed by annual wage increases of 1.0 percent for the next three years, and annual increases of 1.5 percent, 2.5 percent and 3.0 percent thereafter.

Therefore, combining the 2008 – 2010 round with the current round, UFT members will receive their wage increases as follows:

- Nov 1, 2009 – zero percent wage increase
- Nov 1, 2010 – zero percent wage increase
- Nov 1, 2011 – zero percent wage increase
- May 1, 2013 – 1.0 percent wage increase
- May 1, 2014 – 1.0 percent wage increase
- May 1, 2015 – 3.0 percent wage increase
- May 1, 2016 – 3.5 percent wage increase
- May 1, 2017 – 4.5 percent wage increase
- May 1, 2018 – 5.0 percent wage increase

Furthermore, members who are on payroll on the date of ratification will receive a $1,000 ratification bonus.

The City assumes that the economic substance of the UFT agreement will apply to all municipal labor unions that did not reach an agreement with the City in the 2008 – 2010 round of collective bargaining. For those municipal labor unions which settled with the City in the 2008 – 2010 round of collective bargaining, the City assumes that the current round of collective bargaining will be patterned after the latter seven years of the agreement with the UFT, with a one percent increase on the first day of the 19th month after the expiration of the previous contract, followed by annual increases of 1.0 percent, 1.0 percent, 1.5 percent, 2.5 percent, and 3 percent.

Subsequent to the release of the FY 2015 Executive Budget and the May 2014 Financial Plan, after a series of discussions initiated by the Comptroller's Office, the Administration agreed to modify its accounting treatment of the lump sum payments to projected Fiscal Year 2015 through Fiscal Year 2020 retirees, and recognize these lump sum payments in FY 2014. Consequently, the City modified the FY 2015 Executive Budget and May 2014 Financial Plan and recognized $725 million of these payments in FY 2014, of which $610 million was advanced from FYs 2015, 2016, 2017, 2018, and $115 million was advanced from FYs 2019 and 2020.

The City estimates that the total cost of the expected settlements through FY 2018 will be $13.56 billion.[6] The UFT settlement is estimated to account for $5.83 billion of which $2.20 billion is due to the restructured payments for the 2008 – 2010 round of

[6] The cost of the settlement includes employees at the Health and Hospitals Corporation, the New York City Housing Authority, and the City University of New York.

collective bargaining. The estimated cost for the other unions that have not yet settled the 2008 – 2010 round of collective bargaining is $1.87 billion of which $697 million is due to the restructured payments for the 2008 – 2010 round. The cost of settlements with the remaining unions is expected to be about $5.86 billion.

However, the City estimates that the Financial Plan impact of the settlements will be only $5.65 billion because of the following offsets:

- The use of $1 billion from the Health Stabilization Fund (HSF).[7]
- Expected health care cost savings of $3.4 billion from an agreement with the Municipal Labor Coalition to identify areas of efficiencies and reduce costs of certain services.
- Funding of $3.5 billion already budgeted in the FYs 2015 to 2018 labor reserves.

The City's estimates of the costs of labor settlements are predicated on the assumption that all the municipal unions will agree to the assumed pattern. There are indications that the Patrolmen's Benevolent Association (PBA) will proceed with the Public Employment Relations Board's (PERB) mediation of its contract negotiation with the City rather than engage in negotiations based on the current pattern. PERB had declared an impasse in contract negotiation between the City and the PBA just before the announcement of the UFT agreement, and appointed an arbitrator to mediate negotiations between the City and PBA. If mediation does not result in an agreement, the parties may move forward to binding arbitration.

If all labor settlements conform to the assumed pattern, the Comptroller's Office estimates that the cost of these will extend to FY 2021 because of the final three lump sum installments and the lagged pension associated with the final two annual raises. The Comptroller's Office estimates that the cost in FYs 2019 through 2021 will total $6.03 billion. After accounting for the assumed health care savings and anticipated labor reserves, additional funding required would be $935 million in FY 2019, $426 million in FY 2020, and $266 million in FY 2021, as shown in Table 18.

[7] The Health Stabilization Fund was created in the mid-1980s primarily to pay the difference between the then higher GHI health insurance premium rate and the HIP rate since the City pays health insurance for all employees at the HIP rate. The City makes an annual contribution to the HSF based on negotiation with municipal unions. Ever since the GHI premiums fell below HIP premiums, the HSF has accumulated a surplus. The current balance in the HSF is approximately $1.2 billion.

Table 18. Estimated Cost of Labor Setllements

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Wages	$847	$992	$1,727	$2,735	$3,743	$1,348	$402	$48
Lump Sum Payments	$965	$190	$737	$159	$842	$1,271	$1,431	$1,530
Ratification Bonus & UFT Enhancements	$146	$261	$157	$29	$9	$0	$0	$0
Gross Cost	**$1,958**	**$1,443**	**$2,621**	**$2,923**	**$4,614**	**$2,619**	**$1,833**	**$1,578**
Health Savings & Offsets	($127)	($1,769)	($1,385)	($2,034)	($2,599)	($1,684)	($1,407)	($1,312)
Net Budget Impact	**$1,831**	**($326)**	**$1,236**	**$889**	**$2,015**	**$935**	**$426**	**$266**

NOTE: FYs 2014 ─ 2018 costs are NYC OMB's estimates. FYs 2019 ─ 2021 costs are Comptroller's Office's estimates.

Pensions

Pension expenses in the Modified FY 2015 Executive Budget are projected to remain fairly stable throughout the Plan period, increasing at an average rate of 1.4 percent per year.

The pension expense projections were updated from the February Plan to reflect removal of the reserve for FY 2014. As seen in Table 19, these and other minor adjustments resulted in the projections being lowered by $52 million in FY 2014, $9 million in FY 2016, and $11 million annually in FY 2017 and FY 2018. In FY 2015, there was a net increase to the cost estimates by $22 million.

Table 19. FY 2014 – FY 2018 City Pension Expenditures

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Five Actuarial Systems	$8,142	$8,148	$8,256	$8,351	$8,523
Reserve for Expected Adjustments*	0	60	37	38	38
Non-Actuarial Systems	60	64	67	70	73
Non-City Systems	68	82	85	88	89
Less: Intra City-Expense	(124)	(127)	(129)	(129)	(129)
Net Pension Expense Modified May Plan	8,145	8,227	8,316	8,417	8,594
Net Pension Expense February Plan	8,197	8,205	8,324	8,428	8,605
Net Change	**($52)**	**$22**	**($9)**	**($11)**	**($11)**

*The reserve is being held to accommodate expected changes in headcount, valuation refinements, and salary adjustments.
NOTE: Totals may not add up due to rounding.

The projections for FY 2015 onward will change as a result of a variety of factors:

- The FY 2014 valuation did not include approximately four thousand new Tier IV and Tier VI New York City Employees' Retirement System ("NYCERS") members. This delay was the result of the backlog of processing the extraordinary number of new memberships received prior to the mandatory onset of Tier VI plans (on April 1, 2012). These members will be included from FY 2015 onwards. Additionally, the cost that was supposed to have been paid in FY 2014 on account of these members will be treated as an "actuarial loss" and amortized over fifteen years starting from FY 2015.

- The City recently reached a nine-year labor agreement with the UFT dating back to the 2008 – 2010 contract period and covering the subsequent seven-year period. The City expects to reach similar agreements with the other unions that had not settled the 2008 – 2010 round of collective bargaining. The latter seven years of the UFT contract is expected to serve as a pattern for the rest of the municipal unions. It is important to note that the City's current pension projections do not include the pension cost of the anticipated settlements. These costs are currently funded through the labor reserve. The labor settlements were discussed above in more detail in "Labor" beginning on page 34.

- Pension investment returns for FY 2014 and beyond, above or below the assumed actuarial interest rate assumption (AIRA), will have to be phased into the pension contribution calculations.[8] The current pension cost projections are based on the assumption that the pension investments will earn 7.0 percent each year after FY 2013. However, actual investment returns will differ from this assumption. Each percentage point investment gain in FY 2014 above or below the 7.0 percent assumption will lower or increase pension contributions by approximately $17 million in FY 2016, $34 million in FY 2017, and $51 million in FY 2018. Through April 30, 2014, the pension funds have experienced investment gains of approximately 13.5 percent. If investment markets stay at the same level at the end of the fiscal year, the City's pension contribution will decrease by approximately $111 million in FY 2016, $222 million in FY 2017, and $332 million in FY 2018.

Health Insurance

The Modified FY 2015 Executive Budget includes $5.63 billion for employee and retiree health insurance in FY 2015. Since Emblem Health, whose rate determines the City's overall health insurance cost, did not request a rate increase for CY 2014, the FY 2015 health insurance projections remained relatively flat when compared to the FY 2014 estimate of $5.35 billion. In the outyears, however, health insurance costs are projected to increase by approximately 9.7 percent annually to $6.18 billion in FY 2016, $6.77 billion in FY 2017 and $7.43 billion by FY 2018, reflecting an annual increase of 9.0 percent in the assumption for health insurance rates.

[8] Returns above or below the AIRA for a given fiscal year are phased in over a six-year period – starting from the second subsequent fiscal year – as per the Actuary's Actuarial Asset Valuation Method (AAVM). For example, the gains above or below the AIRA in FY 2014 will impact the Actuarial Asset Value (and, consequently, employer contributions) from FY 2016 onwards.

Table 20. Modified FY 2015 Executive Budget Health Expenditures

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Department of Education	$2,031	$2,126	$2,349	$2,582	$2,834
CUNY	52	95	97	99	94
All Other	3,267	3,404	3,729	4,092	4,499
Total Health Insurance Costs	**$5,350**	**$5,625**	**$6,175**	**$6,773**	**$7,427**

Compared to the February Plan, health insurance projections were lowered annually by $29 million in FY 2014, $46 million in FY 2015, $52 million in FY 2016, $75 million in FY 2017, and $58 million in FY 2018. This resulted mainly from retiree health care savings stemming from a lower than anticipated retirement rate, which resulted in savings of $25 million in FY 2014 and $40 million in each of FYs 2016 to 2018.

The health projections do not reflect the savings that are expected to be realized from the recently agreed to Health Reform Agreement between the City and the Municipal Labor Coalition (MLC). The projected savings of $400 million in FY 2015, $700 million in FY 2016, $1 billion in FY 2017, and $1.3 billion in FY 2018 will instead offset the cost associated with the projected wage increases for City employees. If adjusted for the health reform savings, health insurance projections will increase by 5.5 percent annually from $5.2 billion in FY 2015 to $6.1 billion in FY 2018.

Public Assistance

Through April, the City's public assistance caseload has averaged 345,158 recipients per month in FY 2014. The average monthly caseload in FY 2014 has declined by 3.8 percent, or 13,568 recipients compared with the same period in the prior year. The City's public assistance caseload has remained under the 340,000-recipient threshold since falling below it in January for the first time since 2009. Thus far in FY 2014, public assistance grants spending has averaged slightly less than $107 million per month, representing about a 4 percent decline from the FY 2013 monthly average of $111 million.

Going forward, the City projects monthly caseload to be constant at 350,297 recipients, unchanged since the February Plan. This projection is maintained from FY 2015 through FY 2018. Under baseline grant spending, the City has provided an additional $12 million each year for the cost of rental assistance to individuals with HIV/AIDS, raising the annual budget for baseline grants spending to about $1.35 billion in FY 2015. The additional funding helps ease the rent burden of this population by capping client contributions at 30 percent of household income. In the outyears, baseline grants spending is projected to remain steady at an average of $1.35 billion annually in FYs 2016-2018.

Department of Education

The Modified FY 2015 Executive Budget projects $20.62 billion of funding for the Department of Education (DOE), an increase of $880 million or 4.5 percent from the Fiscal 2014 estimate of $19.74 billion. City support constitutes nearly 46 percent, or $9.47 billion, of the Department's FY 2015 operating budget, with the State contributing an additional 45 percent of the total. The remainder of the DOE funding is comprised mainly of Federal and other categorical grants. Significant portions of the new funding in FY 2015 will support the mayor's educational priorities of expanding full day pre-kindergarten and middle-school after school programs. The FY 2015 increase also factors in rising support for charter schools both due to significant growth in charter school enrollment and enhanced funding enacted in the State budget.

Compared with the February Plan, the Department's FY 2015 budget has increased by a net $145 million. This is mainly comprised of a $522 million increase in State funds, offset by decreases of $341 million in City funds and $50 million in Federal grants. The City and State funding changes center primarily on the full day pre-kindergarten and after school expansion initiatives. The City previously provided $340 million for the full day UPK expansion in the February Plan, which has now been removed and replaced by $300 million in State grants designated for this purpose. The City maintains the State funding would still adequately support the expansion of the full day UPK program mainly because of lower-than-expected start-up costs for many of the community-based organizations (CBO) that will participate in the expansion. Consistent with the Preliminary Budget targets, the Department continues to expect an expansion from the current level of nearly 19,500 seats to a projected 53,604 seats by the beginning of the upcoming school year. The program is expected to reach full capacity of 73,250 seats by the second half of FY 2016.

In addition, the Modified Executive Budget reflects spending of $145 million for expansion of after school programs in middle schools. The funding of this program, which previously resided in the Department of Youth and Community Development (DYCD) budget at a higher estimate of $190 million, will now be wholly supported by a portion of the $196 million in additional Foundation Aid enacted in the State budget. The program is expected to serve 43,000 additional students during the school year and provide summer programs for over 21,000 students.

The Modified Executive Budget also shows a significant boost in State and City support for charter schools, which increased by $93 million since the Preliminary Budget. State funds make up about $78 million of this total, including $57 million comprised mainly of the residual Foundation aid increase and $21 million from the approved tuition increase of $250 per capita. Charter school enrollment is expected to grow by 17 percent in the coming year, from 70,918 in the current year to a projected 82,989 in FY 2015. The City attributes the enrollment growth to both grade expansions in existing schools and the debut of 15 new schools, as well as lower student attrition than in prior years.

The Department has identified savings of $167 million from overestimating fringe benefits costs ($105 million) and re-bidding of special education bus contracts

($62 million). These savings will offset, among other costs, reduced Medicaid revenue of $70 million and $97 million in new needs that include expanded arts instruction ($23 million), replacement teachers for probation reassignment ($18 million), the aforementioned charter school support ($15 million), English language learners ($13 million), new schools support ($10 million) and leases ($13 million).

Despite the reduced Medicaid revenue assumption, the Department could still face a risk of $40 million in FY 2015. The revenue comes from Federal reimbursement for special education services that include speech, occupation and physical therapies. Given the amounts of Medicaid revenue recognized by the DOE in recent years, $37 million in FY 2012 and $15 million in FY 2013, it is highly unlikely that it will realize the full $67 million currently assumed for FY 2015 unless the Medicaid claims process significantly improves.[9]

Over the outyears of the Plan, the DOE budget shows annual increases of over $600 million on average, rising from the FY 2015 base of $20.62 billion to $22.44 billion by FY 2018. City support for the Department is expected to remain steady at an average of 46 percent of overall funding, ranging between $9.47 billion in FY 2015 and $10.12 billion in FY 2018. Over the same span, State support for DOE is expected to grow from $9.33 billion in FY 2015 to $10.49 billion in FY 2018. These projections would push the State funding share of the DOE operating budget from 45 percent in FY 2015 to nearly 47 percent by the end of the Plan period. The increasing proportion stems chiefly from the growth in Foundation aid and rising charter schools support from approved tuition increases over the next two years.

Health and Hospitals Corporation

The fiscal outlook for the Health and Hospitals Corporation (HHC) remains challenging under the City's forecast in the Modified Executive Budget. The projected HHC deficit for FY 2015 is expected to reach $702 million, on an accrual basis, compared with an estimated gap of $645 million for FY 2014. Compared with the February Plan, the Corporation's projected deficit for FY 2015 has declined by about $6 million. Among the major changes in the Modified Executive Budget is the transition of behavioral health managed care under MetroPlus that reflects both revenues and expenses from the program, resulting in a modest net positive impact on the HHC budget. In addition, the Modified Executive Budget shows a decline of $41 million in Community Development Block Grants, offset mostly by $36 million in lower-than-expected other postemployment benefits costs.

The Modified Executive Budget contains gap-closing actions totaling $690 million to reduce the projected FY 2015 budget deficit. Chief among these actions

[9] The DOE has experienced a setback in the submission of speech therapy claims because of the United Federation of Teachers' ongoing refusal to allow the use of Speech and Language Pathology (SLP) licenses for these claims. Under Federal Medicaid rules, speech therapy claims must include documentation that services had been rendered by or "under the direction" of SLP-licensed teachers.

is expected revenue of $400 million from the State's recently finalized Medicaid waiver. In April 2014, the State reached a Medicaid waiver agreement with the Federal government that would provide $8 billion over the next five years to public hospitals and safety net providers statewide. To receive the Medicaid waiver funds, providers must achieve certain performance milestones that aim at reducing avoidable hospitalizations and improving access to services. The Corporation anticipates cost containment actions and ongoing restructuring savings will round out the remaining $290 million of its gap-closing program.

Over the course of the Plan, the City projects HHC's budget deficit will increase to $1.01 billion in FY 2016, $1.38 billion in FY 2017 and $1.67 billion in FY 2018. The growing deficits are attributable both to HHC's rising cost structure and tepid revenue outlook. Over this span, expenses are projected to grow by nearly $1 billion, from $8.86 billion in FY 2015 to $9.84 billion in FY 2018. Meanwhile, revenues are expected to increase from $8.17 billion in FY 2015 to an average of $8.39 billion in FY 2016 and FY 2017, before slumping back down to $8.17 billion in FY 2018. Third-party revenues, constituting nearly 62 percent of operating revenues, would decline from $5.04 billion in FY 2015 to $4.74 billion in FY 2018. The decline is primarily due to a reduction in supplemental Medicaid revenues set to take effect during FY 2017, driving projections from nearly $2 billion in each of FYs 2015-2017 down to $1.8 billion in FY 2018.[10] In the outyears, HHC's gap-closing program would increase to $786 – $883 million each year in FYs 2016-2018. Against this backdrop, HHC's cash position would begin to deteriorate beginning in FY 2017. The Modified Executive Budget shows HHC will end with an $804 million closing cash balance in FY 2015 that is expected to hold firm through FY 2016 at $760 million. However, starting in FY 2017, the Corporation's ending cash balance would drop to $493 million and become virtually depleted by FY 2018 at $17 million.

Debt Service

Projected debt service expenditures, excluding the impact of prepayments, in the Modified FY 2015 Executive Budget and Financial Plan are $5.79 billion in FY 2014, $6.84 billion in FY 2015, $7.42 billion in FY 2016, $7.66 billion in FY 2017, and $7.92 billion in FY 2018. These estimates reflect decreases of $27 million in FY 2014, $69 million in FY 2015, $52 million in FY 2016, and $41 million in FY 2017, followed by an increase of $15 million in FY 2018 from the February 2014 Plan.

The $27 million decrease in the FY 2014 debt service estimate is the result of offsetting baseline adjustments. The primary drivers of the FY 2015 decrease are $60 million in G.O. savings, and $9 million of New York City Transitional Finance Authority (NYCTFA) savings. G.O. savings of $50 million are from the removal of planned issuance of $1.42 billion of G.O. bonds in the first-half of FY 2015. NYCTFA savings of $ 9 million reflect miscellaneous baseline adjustments.

[10] HHC indicates that cuts to Medicaid Disproportionate Share Hospital payments could total $2.6 billion over the FYs 2017-2024 period.

The decrease in the FY 2016 debt service projection of $52 million is the result of the G.O. savings of $80 million offset by $28 million of NYCTFA increases from additional NYCTFA borrowing in FY 2015 in the amount of $650 million. The majority of G.O. savings in FY 2016 come from the continued impact of $1.13 billion in lowered G.O. borrowing in FY 2015. The decrease of $41 million in FY 2017 is the combination of continued G.O. savings of $87 million offset by increases in NYCTFA debt service totaling $46 million. The projected increase of $15 million in FY 2018 is comprised of G.O. savings of $61 million offset by NYCTFA estimated increases of $76 million.

As shown in Table 21, debt service, after netting out prepayments, is projected to grow by $2.13 billion, or 36.8 percent between FY 2014 and FY 2018.

Table 21. Debt Service FYs 2014 – 2018, May 2014

($ in millions)

Debt Service Category	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014 – 2018
G.O.[a]	$3,777	$4,288	$4,588	$4,623	$4,698	$921
NYCTFA[b]	1,672	2,159	2,434	2,647	2,837	1,165
Lease-Purchase Debt	262	317	323	312	305	43
TSASC, Inc.	79	74	74	74	82	3
Total	**$5,790**	**$6,838**	**$7,419**	**$7,656**	**$7,922**	**$2,132**

SOURCE: Modified FY 2015 Executive Budget, May 2014, Office of Management & Budget.
NOTE: Debt service is adjusted for prepayments.
[a] – Includes long-term G.O. debt service and interest on short-term notes.
[b] – Amounts do not include NYCTFA Building Aid Revenue Bonds (BARBs).

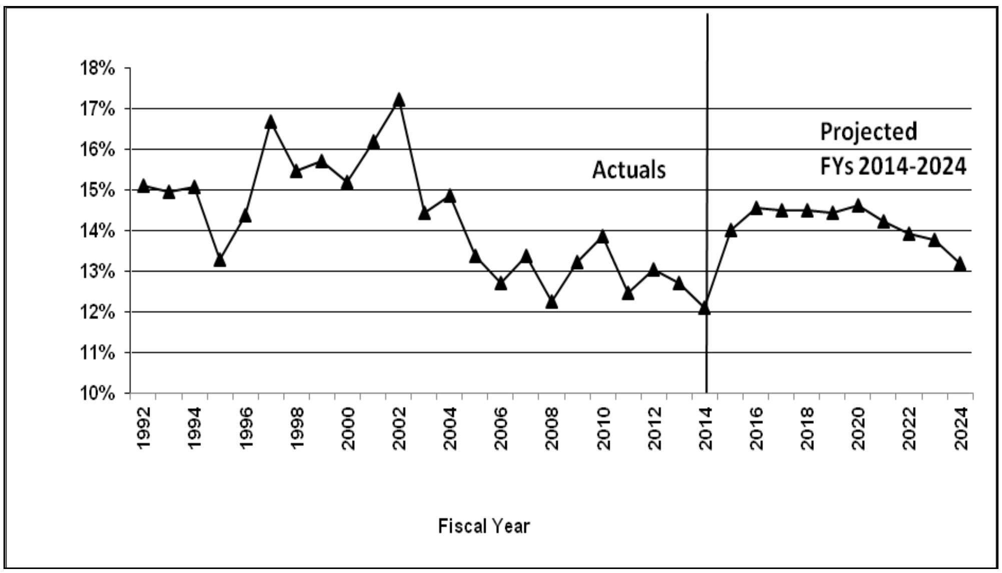
The Financial Plan forecasts that G.O. debt service will increase by $921 million, or 24.4 percent, from FY 2014 to FY 2018. The Plan assumes an increase of $1.16 billion for servicing NYCTFA PIT bond debt over the same period, an increase of 69.7 percent. The rapid growth in NYCTFA debt service expenses is the result of large forecasted borrowing during the Plan period. The City estimates that NYCTFA borrowing during FYs 2014 – 2018 will exceed G.O. borrowing by $2.28 billion.

Significant savings may still be achievable in FY 2014 from variable rate interest on long-term debt. The Comptroller's Office estimates potential savings of approximately $70 million in this category of debt service which have not yet been reflected in the budget for both G.O. and NYCTFA. In addition, the Comptroller's Office forecasts that seasonal borrowings will not be needed in FY 2015 resulting in additional budget savings of $75 million. Furthermore, variable interest rates were under 1 percent in the last four years while the Financial Plan assumes interest rates of 4.1 percent on tax exempt variable rate demand G.O. debt and 6.0 percent on taxable variable rate demand G.O. debt in FY 2015. The Plan forecasts GO tax-exempt variable rate interest rates of 4.25 percent in each of FYs 2016-2018 while holding taxable variable rates flat at 6.0 percent over the same period. Every one percent drop in variable interest rate assumptions would result in estimated savings of $108 million for GO and NYCTFA debt service in FY 2015, $107 million in FY 2016, and $106 million in each of FYs 2017 and 2018.

Debt Affordability

Debt burden and affordability are issues a municipality must evaluate as part of its long-term planning. A commonly accepted measure of affordability is debt service as a percentage of local tax revenues.[11] As shown in Chart 3, adjusted for prepayments, the City's debt service as a percentage of tax revenues is projected to be 12 percent in FY 2014, increasing to 14 percent in FY 2015, 14.6 percent in FY 2016, and 14.5 percent in each of FYs 2017 and 2018.[12] The increase in this ratio is the result of debt service growth, projected at an average rate of 8.0 percent per year from FY 2014 to FY 2018, outpacing tax revenue growth of 3.2 percent per year over the same period. Debt service growth is expected to slow to only 1.3 percent a year during FYs 2018 – 2024, reflecting the decline in the City's capital cash need forecast.

***Chart* 3. Debt Service as a Percentage of Tax Revenues, FYs 1992 – 2024, FY 2015 Modified Executive Budget**



SOURCE: Modified FY 2015 Executive Budget and Financial Plan, NYC Office of Management and Budget, May 2014.

The slower growth helps stabilize the ratio at about 13.2 percent by FY 2024. Outyear forecasts are somewhat volatile and subject to change due to scope changes, capital project delays, cost overruns and the overall uncertainty of the City's capital program. Conservatively budgeted interest rates of 7.0 percent over the period help mitigate this concern.

[11] Debt service in this analysis is comprised of G.O., lease-purchase, PIT-supported NYCTFA, and TSASC debt service.

[12] Debt service is adjusted for prepayments. Prior-year prepayments are added back to the total and current year planned prepayments are subtracted from the total.

Financing Program

As shown in Table 22, the Financial Plan includes $38.41 billion of planned City and State supported borrowing in FYs 2014 through 2018. Planned borrowing in FYs 2014 – 2018 is approximately $2.03 billion higher than estimated in the February 2014 Financial Plan. This increase is due primarily to: 1) an increase of $1.55 billion in NYCTFA borrowing; 2) an increase of $666 million in NYCTFA Building Aid Revenue Bonds (BARBs) borrowing; and 3) a decrease of $148 million in planned New York City Municipal Water Finance Authority bonds. The overall borrowing plan decreases by $1.13 billion in FY 2014 and $120 million in FY 2015, followed by consecutive increases of $477 million in FY 2016, $1.18 billion in FY 2017, and $1.63 billion in FY 2018.

G.O. and NYCTFA PIT-supported borrowing account for two-thirds of the total borrowing during the period. Planned NYCTFA bond issuance totals $14 billion while G.O. borrowing totals $11.73 billion. The use of NYCTFA BARBs to support the DOE capital program is assumed to continue throughout the Financial Plan period with $5.79 billion of State-supported NYCTFA BARB issuances anticipated, accounting for 15.1 percent of capital borrowing over the Plan period.[13]

NYC Municipal Water Finance Authority (NYWFA) borrowing of $6.90 billion accounts for the remainder, or 17.9 percent, of capital borrowing, over the period. However, unlike other debt that is financed by the property tax and other general fund revenues, the NYWFA is funded by water and sewer user fees.

Table 22. FYs 2014 – 2018 Financing Program, May 2014

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2014-2018	Percent of Total
General Obligation Bonds	$11,725	30.5%
NYCTFA – PIT Bonds	14,005	36.5
NYC Water Finance Authority	6,895	17.9
NYCTFA – BARBs	5,786	15.1
Total	**$38,411**	**100.0%**

SOURCE: Modified FY 2015 Executive Budget & Financial Plan, NYC Office of Management and Budget.

Capital Plan

The Executive Capital Commitment Plan for FYs 2014 – 2018 totals $48.9 billion, of which $37.06 billion is City-funded. After accounting for the $2.81 billion reserve for unattained commitments, total planned commitments for this period are $46.08 billion, while City-funds commitments are estimated to be

[13] With the NYCTFA BARB debt limit at $9.4 billion, and already outstanding debt of $6.4 billion, the limit would be approached during the course of FY 2017.

$34.26 billion. The Plan is front-loaded, with 56 percent of City authorized commitments for FYs 2014 – 2018 planned for the first two years of the Plan period. This represents an increase in all-funds authorized commitments of $3.80 billion from the February 2014 Plan, of which $2.36 billion is City-funds. Thus, the authorized level of commitments has increased by 7.9 percent in City-funds and 9.8 percent in all-funds between the February and May Plans. When comparing the two plans after the reserve for unattained commitments, the increase is $2.77 billion all-funds, of which $1.33 billion is in City-funds over FYs 2014-2017.[14] The percent increases from the February 2014 Plan to the May 2014 Plan are 4.8 percent City-funds and 7.6 percent all-funds, respectively, when using the commitment figures after the reserve for unattained commitments.

Consistent with prior plans, capital commitments in the primary infrastructure agencies DOE and the City University of New York (CUNY), the Department of Environmental Protection (DEP), Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for 70.9 percent of the total projected commitments over the Plan period, as shown in Table 23.

Table 23. FYs 2014 – 2018 Capital Commitments, Total Funds

($ in millions)

Project Category	May 2014-2018 Commitment Plan	Percent of Total
Education & CUNY	$13,152	26.9%
Environmental Protection	9,215	18.9
Dept. of Transportation & Mass Transit*	7,214	14.8
Housing and Economic Development	5,050	10.3
Administration of Justice	2,568	5.3
Technology and Citywide Equipment	2,322	4.7
Department of Parks and Recreation	2,622	5.4
Hospitals	1,270	2.6
Other City Operations and Facilities	5,467	11.2
Total	**$48,880**	**100.0%**
Reserve for Unattained Commitments	($2,805)	N/A
Adjusted Total	**$46,076**	**N/A**
*** Includes all DOT project types**		

SOURCE: Office of Management and Budget, Capital Commitment Plan Executive Budget FY 2015, May 2014.

These same agencies account for more than 66 percent of the City-funds Capital Plan. The significant difference between the DOE’s 17.6 percent share of the City-funds Capital Plan and its 26.9 percent share of the all-funds Capital Plan reflects the agency’s large State-supported capital program which includes $6.61 billion for FY 2014 through FY 2018. Over half of the total State and Federal support in the entire FYs 2014 – 2018 Commitment Plan goes towards funding the DOE capital program.

[14] The changes are derived from FYs 2014-2017, as FY 2018 was not part of the February Plan.

Table 24. FYs 2014 – 2018 Capital Commitment, City-Funds

($ in millions)

Project Category	May 2014-2018 Commitment Plan	Percent of Total
Environmental Protection	$8,924	24.1%
Education & CUNY	6,533	17.6
Dept. of Transportation & Mass Transit	4,593	12.4
Housing and Economic Development	4,476	12.1
Administration of Justice	2,479	6.7
Technology and Citywide Equipment	2,311	6.2
Department of Parks and Recreation	2,051	5.5
Hospitals	677	1.8
Other City Operations and Facilities	5,020	14.6
Total	**$37,063**	**100.0%**
Reserve for Unattained Commitments	(2,805)	N/A
Adjusted Total	**$34,258**	**N/A**

SOURCE: Office of Management and Budget, Capital Commitment Plan Executive Budget FY 2015, May 2014.

Hurricane Sandy Impact on Capital Plan

The Executive Budget and Financial Plan contain an accounting of estimated capital costs related to Hurricane Sandy. It is anticipated that the storm will result in capital budget costs of $3.66 billion. HHC hospitals account for $1.03 billion of the estimated costs, followed by the Parks Department at $710 million, along with DOT at $565 million, the DOE at $402 million, and the NYC Housing Authority with $399 million. These five agencies alone account for 85 percent of the Hurricane Sandy total.

Programmatic Review of Capital Plan

The May 2014 Executive Capital Commitment Plan for FYs 2014 – 2018 is $3.80 billion greater than the February 2014 Plan in all-funds (authorized funds). The increase is comprised of various changes among 40 plus project types. Approximately $5.5 billion of commitments are expected to be rolled from FY 2014 to FY 2015.

The agencies that experienced the most growth over the FYs 2014-2017 period are: 1) the Department of Education with a $1.76 billion increase; 2) Housing Preservation and Development (HPD) with a $777 million increase; 3) Economic Development with a $514 million increase; and 4) the Fire Department at $206 million.[15] Agencies with the most all-funds decreases over the comparison period include: 1) DEP equipment with a decrease of $79 million; 2) DOT Ferries with a decrease of $62.5 million and 3) Dept. of Cultural Affairs with a decline of $33 million. When using City funds alone as the measure, the largest increases over the comparison period are: 1)

[15] The February 2014 Commitment Plan reflected commitments in FYs 2014-2017. Figures cited are changes to authorized commitment levels.

HPD at $775 million; 2) Economic Development at $514 million; and 3) the Department of Education at $506 million.

Environmental Protection

Capital commitments for the Department of Environmental Protection (DEP) account for $9.21 billion or 18.9 percent of the total funds in FYs 2014 – 2018 May Commitment Plan, as shown in Chart 4 on page 49. Some of the major planned commitments include $1.80 billion for maintaining the integrity of existing wastewater treatment facilities, $1.30 billion for the extension and reconstruction of 322 miles of sewers citywide, $560 million for the construction of a bypass for the Rondout-West Branch Tunnel to address Delaware aqueduct leaks, $1 billion for the replacement and extension of trunk and distribution water mains citywide, and $360 million for green infrastructure initiatives to address combined sewer overflow issues. In addition, $166 million is budgeted for traditional grey infrastructure to meet combined sewer overflow challenges, and $180 million for the reconstruction of the Gilboa Dam in the Catskill watershed region.

Education

The May Capital Commitment Plan includes $13.15 billion, or 26.9 percent of the total citywide planned commitments, in FYs 2014 – 2018 for capital projects related to education, as shown in Chart 4. The current Plan includes $12.73 billion of commitments for the DOE, and $421 million for CUNY. The DOE's Capital Plan within the City's Financial Management System (FMS) reporting system is modeled after the School Construction Authority's (SCA) FYs 2015-2019 Plan. Highlights of the DOE/SCA Capital Plan include $3.90 billion in new capacity projects with planned construction of approximately 39,500 classroom seats across 58 buildings in a combination of new facilities, expansions or leases, $3.30 billion for exterior and interior state of good repair projects, $3.50 billion for mandated programs and remediation on building code compliance projects, and $1.6 billion for School Enhancement Projects which will include technology projects, bathroom upgrades, realignment of existing facilities, upgrade or installation of science labs, physical fitness projects, and the installation of Point of Service systems in cafeterias to allow students to pay with a standard e-card.

The CUNY capital plan is primarily allocated towards the upgrade and maintenance of the community college physical facilities. This includes such projects as the rehabilitation and replacement of electrical systems at Queensborough Community College ($35 million), a construction of a green roof at Manhattan Community College ($12 million), and the renovation of the 500 Grand Concourse location of Hostos Community College ($15 million). In addition, the Plan includes $100 million for the Hunter College Science and Health Professions Building to be situated on E. 74th Street.

Transportation

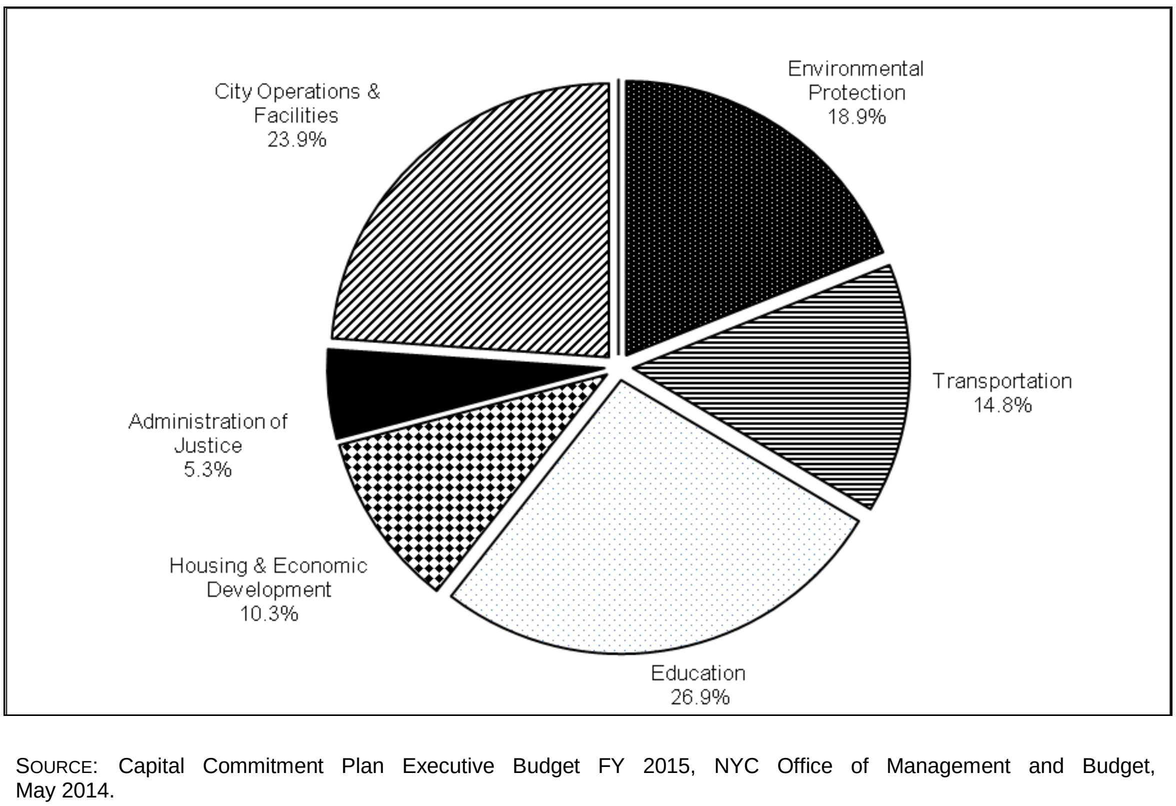
The transportation portion of the Capital Plan is composed of two types of projects: mass transit administered by the Metropolitan Transportation Authority (MTA) on behalf of New York City Transit; and the Highways, Bridges, and street resurfacing programs, which are administered by the Department of Transportation (DOT).

The May Plan for FYs 2014 – 2018 contains $530 million in capital commitments for mass transit projects, and $6.69 billion for the DOT capital program. As shown in Chart 4, this program area makes up 14.8 percent of the May Commitment Plan.

Planned commitments for mass transit are heavily front-loaded in the Plan with 58 percent of the five-year total or $310 million planned for FY 2014. City support to the MTA for capital work at New York City Transit (NYCT) constitutes a small portion of the NYCT's $16.80 billion capital program. MTA bonds and other Federal grants support a significant portion of its capital needs. Over the period FYs 2014-2018, the annual average capital commitment amount is $106 million. It still remains below the nearly $280 million per year average seen in FYs 1989 – 2005.

Just below 14 percent, or $6.69 billion of the May Capital Plan for FYs 2014 – 2018 is for street resurfacing, highway reconstruction, and bridge rehabilitation projects managed by the City's DOT. Highlights of the DOT plan include $402 million for waterway bridges including the Queensboro Bridge at $154 million, the Manhattan Bridge at $102 million, and the Brooklyn Bridge at $52 million.

Chart 4. **May 2014 Capital Plan Total Funds, FYs 2014 – 2018, Shares of $48.88 Billion**



SOURCE: Capital Commitment Plan Executive Budget FY 2015, NYC Office of Management and Budget, May 2014.

The Plan includes $1.40 billion for rehabilitation and reconstruction of 27 bridges rated “fair”, $676 million for bridge life extension project for 22 bridges, $884 million for 263 lane miles of street reconstruction, $587 million for street and arterial resurfacing projects that will cover 2,980 lane miles, $427 million for ferry boat replacements or reconstructions, and $407 million for signal installation and maintenance with modernization of signalized intersections supporting Vision Zero initiatives.

Housing and Economic Development

Housing and economic development projects account for $5.05 billion, or 10.3 percent, of planned capital commitments from FY 2014 to FY 2018. Of this total, $3.31 billion, or 6.8 percent, are commitments for housing related projects.[16] The primary objective of the City’s capital housing program is the preservation of existing affordable housing through assistance to private owners, coupled with new construction. Other program areas which utilize housing capital dollars are low-income rental programs and supportive housing, and loan programs which allow owners of private properties to renovate buildings through the use of low-interest loans. These programs are forecast to produce about 20,000 units during the Plan period. Through various new construction initiatives, the Department of Housing Preservation and Development (HPD) plans to produce 18,000 new units over the Plan period in a broad array of housing options with various tiers of affordability. HPD also plans to fund 6,700 units to benefit low-income households with special needs and formerly homeless. In addition to these initiatives that will flow through HPD’s budget, 30,000 units are expected to be produced absent City subsidies via the Housing Development Corporation and other private entities.

Capital commitments for Economic Development total $1.74 billion, or 3.6 percent of total capital commitments over the Plan period. Major elements of the Plan include large scale housing development projects including Coney Island West ($181 million), Hunter’s Point South in Queens (Phase 2 – $99 million), and development in the Stapleton section of Staten Island ($95 million). Approximately $118 million is planned for the Brooklyn Navy Yard for the rehabilitation of Building 77 to create new spaces for manufacturing and industrial tenants, $59 million for the rehabilitation of existing structures and upgrades to basic infrastructure to facilitate future development on Governor’s Island, $100 million for construction and infrastructure at the Applied Sciences Campus on Roosevelt Island, $100 million for new commercial space at the Brooklyn Army Terminal, and $21 million for continued infrastructure improvements at Willets Point. Over $185 million has been committed in prior years for Willets Point.

Administration of Justice

Commitments under the category of Administration of Justice include capital projects in the Department of Correction, the Police Department, and Courts Administration. In the May 2014 Commitment Plan, $2.57 billion, or 5.3 percent of the

[16] Housing capital commitments are comprised of Commitments for HPD and NYCHA projects.

FYs 2014-2018 total is allocated for projects in these agencies. Planned commitments in the Police Department total $785 million. Major projects for the Police Department include $101 million for the construction, rehabilitation, maintenance, relocation of police facilities citywide, $159 million for police communication and computer equipment, and $53 million to maintain or replace operational and support vehicles and marine launches throughout the agency.

Capital commitments in the Department of Correction (DOC) total $1.25 billion over FYs 2014 – 2018. Major projects undertaken by DOC are capacity replacement initiatives including $558 million for a new detention center on Rikers Island, $107 million for fire life safety upgrades at Rikers Island facilities, $71 million for heating, ventilation and air conditioning systems at various prison facilities, $51 million for façade rehabilitation, window replacements, and roof reconstruction at various facilities, $59 million for the restoration of damaged areas related to Hurricane Sandy, and $48 million for equipment, computers, and vehicles throughout the agency.

Court facilities projects total $530 million over FYs 2014 – 2018. Highlights of the Plan include $107 million for various capital improvements at 100 Centre Street, along with $59 million for the continuation of the new Bronx Criminal Court project, and $50 million of capital work at 360 Adams Street in Brooklyn.

Other City Operations and Facilities

Capital projects designated as City operations include projects for the Department of Sanitation (DOS), the Fire Department, the Department of Parks, public buildings, the Department of Information, Technology and Telecommunications (DOITT), public libraries and cultural institutions, and hospitals. Almost 24 percent or $11.68 billion of the May 2013 Commitment Plan in All-funds is allocated for City operations.

The Department of Parks and Recreation's capital plan totals $2.62 billion for FYs 2014 – 2018. Parks' capital plan is heavily front-loaded with $1.52 billion, or 58 percent of its total commitments, scheduled in FY 2014. Major projects include $440 million for reconstruction of core infrastructure, including parks and playgrounds, pools, recreation facilities, vehicles and equipment, retaining walls, and other waterfront infrastructure. The Plan also contains $114 million for the planting of new trees citywide, and $99 million for the rehabilitation of Parks-owned bridges citywide.

Approximately, $806 million, or 1.6 percent of the FYs 2014 – 2018 Plan is allocated for computer equipment purchases and installation related to DOITT. These commitments are also heavily front-loaded in the Plan with 64 percent, or $512 million planned for FY 2014. Highlights of the Plan include $557 million for Emergency Communication Transformation Program (ECTP) systems and facilities. ECTP projects have been and continue to be reviewed for cost-overruns and inefficiencies. In addition, $114.5 million is in the Plan for infrastructure improvements to facilitate City agency internet access, data center hosting, e-mail, security and firewall solutions, disaster recovery sites, wireless solutions, and remote access.

The $1.33 billion capital program for the DOS comprises 2.7 percent of total commitments over FYs 2014 – 2018. Major components of the DOS plan include $442 million for vehicles and equipment, $298 million for construction and rehabilitation of garages and other facilities, and $249 million for the reconstruction of marine transfer stations citywide and other facilities in accordance with the City's Solid Waste Management Plan.

The May 2014 Commitment Plan over FYs 2014-2018 contains $573 million for capital projects in the public libraries. Highlights of the capital program for libraries include $288 million in funding for the New York Public Library, $168 million for the Queens Public Library, $93 million for the Brooklyn Public Library, and $24 million for the Research Libraries. Over 63 percent of planned commitments ($364 million) are in FY 2014.

The Department of Cultural Affairs capital plan totals $932 million for FYs 2014-2018, or 1.9 percent of total commitments. Projects include $98 million for the shark exhibit at the New York Aquarium, $17 million of improvements to the Brooklyn Children's Museum, along with $14 million for upgrades and improvements to the Snug Harbor Cultural Center in Staten Island. Smaller amounts are scattered across a myriad of cultural organizations and arts organizations throughout the City.

Over $1.52 billion is allocated over the FYs 2014 – 2018 Plan period for citywide equipment purchases, administered by DCAS. This includes $544 million for energy efficiency projects and building retrofits and also over $585 million for purchases of computers, local area network upgrades, and mainframes for various agencies citywide.

Public works projects, also administered primarily by Department of Citywide Administrative Services (DCAS), typically involve the rehabilitation of City-owned office space, the renovation of leased space, compliance with legal mandates and correction of unsafe conditions. The May 2014 Plan contains $932 million for this work, including $360 million in improvements to public buildings citywide, and $149 million for the improvement, reconstruction, or modernization of long-term leased facilities citywide.

The May Commitment Plan for the Health and Hospitals Corporation (HHC) totals $1.27 billion, or 2.6 percent of total estimated capital commitments over FYs 2014 – 2018. HHC's current plan is noticeably larger relative to past plans due to over $590 million of capital works that still remain in the Plan to repair damage caused by Hurricane Sandy at Bellevue, Coney Island, and the Coler-Goldwater Specialty hospitals. Other major projects include $107 million for the purchase of EMS ambulances for the FDNY.

VI. Appendix – Revenue and Expenditure Details

Table A1. Modified May Financial Plan Revenue Detail

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18 Dollars	Change FYs 2014-18 Percent
Taxes:							
Real Property	$20,194	$20,906	$21,946	$22,839	$23,714	$3,520	17.4%
Personal Income Tax	$9,928	$9,851	$10,262	$10,593	$10,865	$937	9.4%
General Corporation Tax	$2,844	$2,858	$2,950	$3,036	$3,136	$292	10.3%
Banking Corporation Tax	$1,217	$1,168	$1,183	$1,190	$1,226	$9	0.7%
Unincorporated Business Tax	$1,846	$1,933	$2,016	$2,086	$2,168	$322	17.4%
Sale and Use Tax	$6,460	$6,666	$6,946	$7,260	$7,556	$1,096	17.0%
Real Property Transfer	$1,433	$1,352	$1,476	$1,531	$1,576	$143	10.0%
Mortgage Recording Tax	$950	$874	$991	$1,030	$1,062	$112	11.8%
Commercial Rent	$697	$715	$745	$778	$812	$115	16.5%
Utility	$393	$415	$413	$421	$431	$38	9.7%
Hotel	$534	$535	$556	$573	$595	$61	11.4%
Cigarette	$55	$53	$51	$50	$49	($6)	(10.9%)
All Other	$534	$502	$502	$501	$502	($32)	(6.0%)
Tax Audit Revenue	$860	$709	$709	$709	$709	($151)	(17.6%)
Total Taxes	**$47,945**	**$48,537**	**$50,746**	**$52,597**	**$54,401**	**$6,456**	**13.5%**
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$621	$583	$591	$592	$590	($31)	(5.0%)
Interest Income	$16	$10	$45	$134	$163	$147	918.8%
Charges for Services	$922	$929	$929	$929	$929	$7	0.8%
Water and Sewer Charges	$1,497	$1,559	$1,565	$1,513	$1,509	$12	0.8%
Rental Income	$294	$272	$272	$272	$272	($22)	(7.5%)
Fines and Forfeitures	$844	$789	$787	$787	$787	($57)	(6.8%)
Miscellaneous	$1,377	$1,126	$985	$936	$544	($833)	(60.5%)
Intra-City Revenue	$1,776	$1,795	$1,820	$1,823	$1,828	$52	2.9%
Total Miscellaneous	**$7,347**	**$7,063**	**$6,994**	**$6,986**	**$6,622**	**($725)**	**(9.9%)**
Other Categorical Grants	**$900**	**$761**	**$837**	**$832**	**$828**	**($72)**	**(8.0%)**
Inter Fund Agreements	**$538**	**$527**	**$513**	**$513**	**$513**	**($25)**	**(4.6%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($1,776)**	**($1,795)**	**($1,820)**	**($1,823)**	**($1,828)**	**($52)**	**2.9%**
TOTAL CITY FUNDS	**$54,939**	**$55,078**	**$57,255**	**$59,090**	**$60,521**	**$5,582**	**10.2%**

Table A1 (Con't). Modified *May Financial Plan Revenue Detail*

($ in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18	
						Dollars	**Percent**
Federal Categorical Grants:							
Community Development	$1,110	$243	$228	$224	$219	($891)	(80.3%)
Welfare	$3,297	$3,257	$3,237	$3,228	$3,224	($73)	(2.2%)
Education	$1,710	$1,718	$1,738	$1,738	$1,738	$28	1.6%
Other	$2,186	$1,159	$1,130	$1,120	$1,118	($1,068)	(48.9%)
Total Federal Grants	**$8,303**	**$6,377**	**$6,333**	**$6,310**	**$6,299**	**($2,004)**	**(24.1%)**
State Categorical Grants							
Social Services	$1,484	$1,461	$1,469	$1,464	$1,466	($18)	(1.2%)
Education	$8,576	$9,333	$9,668	$10,054	$10,497	$1,921	22.4%
Higher Education	$256	$260	$260	$260	$260	$4	1.6%
Department of Health and Mental Hygiene	$492	$468	$458	$458	$458	($34)	(6.9%)
Other	$962	$938	$1,049	$1,165	$1,272	$310	32.2%
Total State Grants	**$11,770**	**$12,460**	**$12,904**	**$13,401**	**$13,953**	**$2,183**	**18.5%**
TOTAL REVENUES	**$75,012**	**$73,915**	**$76,492**	**$78,801**	**$80,773**	**$5,761**	**7.7%**

Table A2. Modified *May Financial Plan Expenditure Detail*

($ in thousands)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18 Dollars	Percent
Mayoralty	$103,986	$94,481	$93,864	$93,399	$90,665	($13,321)	(12.8%)
Board of Elections	$144,267	$108,646	$84,220	$84,220	$84,220	($60,047)	(41.6%)
Campaign Finance Board	$71,864	$12,293	$13,288	$13,288	$13,288	($58,576)	(81.5%)
Office of the Actuary	$6,460	$6,259	$6,261	$6,261	$6,261	($199)	(3.1%)
President, Borough of Manhattan	$4,400	$4,359	$4,210	$4,210	$4,210	($190)	(4.3%)
President, Borough of Bronx	$5,314	$5,208	$5,029	$5,029	$5,029	($285)	(5.4%)
President, Borough of Brooklyn	$6,120	$5,381	$4,911	$4,911	$4,911	($1,209)	(19.8%)
President, Borough of Queens	$5,133	$4,669	$4,390	$4,390	$4,390	($743)	(14.5%)
President, Borough of Staten Island	$4,367	$4,154	$3,959	$3,959	$3,959	($408)	(9.3%)
Office of the Comptroller	$83,779	$86,372	$86,783	$86,867	$86,889	$3,110	3.7%
Dept. of Emergency Management	$59,710	$8,519	$8,134	$8,137	$8,137	($51,573)	(86.4%)
Office of Administrative Tax Appeals	$4,329	$4,273	$4,273	$4,273	$4,273	($56)	(1.3%)
Law Dept.	$163,303	$164,684	$153,812	$152,239	$152,877	($10,426)	(6.4%)
Dept. of City Planning	$23,640	$27,988	$27,658	$27,658	$27,658	$4,018	17.0%
Dept. of Investigation	$37,234	$22,915	$22,882	$22,171	$22,171	($15,063)	(40.5%)
NY Public Library - Research	$22,762	$22,656	$22,656	$22,656	$22,656	($106)	(0.5%)
New York Public Library	$112,397	$112,185	$112,185	$112,185	$112,185	($212)	(0.2%)
Brooklyn Public Library	$83,626	$83,177	$83,177	$83,177	$83,177	($449)	(0.5%)
Queens Borough Public Library	$83,777	$83,372	$83,372	$83,372	$83,372	($405)	(0.5%)
Dept. of Education	$19,709,251	$20,614,443	$21,216,725	$21,818,582	$22,427,464	$2,718,213	13.8%
City University	$877,888	$910,493	$904,875	$908,329	$856,052	($21,836)	(2.5%)
Civilian Complaint Review Board	$11,917	$12,758	$12,758	$12,774	$12,774	$857	7.2%
Police Dept.	$4,735,759	$4,481,575	$4,464,370	$4,457,163	$4,456,669	($279,090)	(5.9%)
Fire Dept.	$1,976,019	$1,776,242	$1,751,969	$1,733,410	$1,695,784	($280,235)	(14.2%)
Admin. for Children Services	$2,793,401	$2,798,881	$2,824,065	$2,824,065	$2,824,065	$30,664	1.1%
Dept. of Social Services	$9,542,281	$9,717,731	$9,639,089	$9,631,617	$9,630,180	$87,899	0.9%
Dept. of Homeless Services	$1,044,950	$952,696	$948,387	$948,387	$948,387	($96,563)	(9.2%)
Dept. of Correction	$1,097,645	$1,068,106	$1,066,980	$1,066,429	$1,066,429	($31,216)	(2.8%)
Board of Correction	$1,642	$1,618	$1,501	$1,474	$1,474	($168)	(10.2%)
Citywide Pension Contribution	$8,145,307	$8,227,060	$8,315,594	$8,416,876	$8,593,582	$448,275	5.5%
Miscellaneous	$9,881,197	$8,205,119	$10,644,618	$11,259,510	$13,393,636	$3,512,439	35.5%
Debt Service	$4,039,481	$4,604,591	$4,910,387	$4,935,043	$5,003,148	$963,667	23.9%
N.Y.C.T.F.A. Debt Service	$1,671,730	$2,158,790	$2,434,450	$2,647,400	$2,836,940	$1,165,210	96.7%
FY 2012 BSA & Discretionary Transfers	($30,611)	$0	$0	$0	$0	$30,611	(100.0%)
FY 2013 BSA & Discretionary Transfers	($2,807,170)	$0	$0	$0	$0	$2,807,170	(100.0%)
FY 2014 BSA	$1,636,325	($1,636,325)	$0	$0	$0	($1,636,325)	(100.0%)
Redemption of N.Y.C.T.F.A. Debt Service	($7,240)	($98,800)	($102,670)	$0	$0	$7,240	(100.0%)
Public Advocate	$2,330	$2,257	$2,257	$2,257	$2,257	($73)	(3.1%)
City Council	$51,529	$56,663	$49,442	$49,442	$49,442	($2,087)	(4.1%)
City Clerk	$5,008	$5,299	$5,103	$5,103	$5,103	$95	1.9%
Dept. for the Aging	$262,800	$259,376	$251,273	$251,273	$251,273	($11,527)	(4.4%)
Dept. of Cultural Affairs	$153,580	$148,447	$148,447	$148,447	$148,447	($5,133)	(3.3%)
Financial Info. Serv. Agency	$94,674	$100,443	$99,990	$92,895	$92,693	($1,981)	(2.1%)
Office of Payroll Admin.	$28,449	$27,668	$27,696	$27,726	$27,726	($723)	(2.5%)
Independent Budget Office	$4,613	$4,389	$4,345	$4,335	$4,327	($286)	(6.2%)
Equal Employment Practices Comm.	$790	$949	$814	$814	$814	$24	3.0%

Table A2 (Con't). *Modified May Financial Plan Expenditure Detail*

($ in thousands)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change FYs 2014-18 *Dollars*	Change FYs 2014-18 *Percent*
Civil Service Commission	$1,040	$1,040	$1,040	$1,040	$1,040	$0	0.0%
Landmarks Preservation Comm.	$5,122	$5,268	$5,092	$5,092	$5,102	($20)	(0.4%)
Taxi & Limousine Commission	$65,356	$62,995	$58,344	$44,844	$44,794	($20,562)	(31.5%)
Commission on Human Rights	$6,398	$6,494	$6,494	$6,494	$6,494	$96	1.5%
Youth & Community Development	$388,352	$328,078	$288,631	$288,631	$288,631	($99,721)	(25.7%)
Conflicts of Interest Board	$2,067	$2,117	$2,117	$2,117	$2,117	$50	2.4%
Office of Collective Bargaining	$2,182	$2,318	$2,185	$2,185	$2,185	$3	0.1%
Community Boards (All)	$15,940	$15,405	$15,400	$15,400	$15,400	($540)	(3.4%)
Dept. of Probation	$76,368	$79,765	$77,942	$77,927	$77,927	$1,559	2.0%
Dept. Small Business Services	$521,907	$118,926	$89,711	$89,514	$89,514	($432,393)	(82.8%)
Housing Preservation & Development	$799,150	$536,376	$534,955	$534,961	$534,925	($264,225)	(33.1%)
Dept. of Buildings	$107,539	$107,253	$102,252	$102,307	$99,862	($7,677)	(7.1%)
Dept. of Health & Mental Hygiene	$1,440,328	$1,385,202	$1,360,598	$1,360,455	$1,360,455	($79,873)	(5.5%)
Health and Hospitals Corp.	$80,602	$81,044	$81,094	$81,145	$81,145	$543	0.7%
Office of Administrative Trials & Hearings	$35,223	$35,324	$35,326	$35,326	$35,326	$103	0.3%
Dept. of Environmental Protection	$1,566,582	$1,164,855	$1,134,914	$1,072,014	$1,054,516	($512,066)	(32.7%)
Dept. of Sanitation	$1,459,464	$1,481,054	$1,534,872	$1,513,992	$1,514,143	$54,679	3.7%
Business Integrity Commission	$7,655	$7,010	$7,010	$7,010	$7,010	($645)	(8.4%)
Dept. of Finance	$248,415	$243,900	$241,712	$241,565	$241,058	($7,357)	(3.0%)
Dept. of Transportation	$931,778	$828,405	$819,560	$822,164	$821,979	($109,799)	(11.8%)
Dept. of Parks and Recreation	$386,170	$349,612	$344,022	$344,293	$344,268	($41,902)	(10.9%)
Dept. of Design & Construction	$114,831	$121,232	$121,232	$121,232	$121,232	$6,401	5.6%
Dept. of Citywide Admin. Services	$401,703	$374,471	$364,876	$364,288	$364,084	($37,619)	(9.4%)
D.O.I.T.T.	$382,920	$363,447	$352,032	$352,663	$353,589	($29,331)	(7.7%)
Dept. of Record & Info. Services	$5,536	$5,050	$5,054	$5,054	$5,054	($482)	(8.7%)
Dept. of Consumer Affairs	$35,644	$30,739	$30,348	$30,354	$30,360	($5,284)	(14.8%)
District Attorney - N.Y.	$97,803	$91,278	$91,278	$91,278	$91,278	($6,525)	(6.7%)
District Attorney - Bronx	$54,373	$53,624	$53,624	$53,624	$53,624	($749)	(1.4%)
District Attorney - Kings	$87,713	$87,983	$87,983	$87,983	$87,983	$270	0.3%
District Attorney - Queens	$52,507	$51,093	$51,093	$51,093	$51,093	($1,414)	(2.7%)
District Attorney - Richmond	$9,081	$9,036	$9,036	$9,036	$9,036	($45)	(0.5%)
Office of Prosec. & Spec. Narc.	$18,162	$18,346	$18,346	$18,346	$18,346	$184	1.0%
Public Administrator - N.Y.	$1,492	$1,512	$1,512	$1,512	$1,512	$20	1.3%
Public Administrator - Bronx	$567	$606	$606	$606	$606	$39	6.9%
Public Administrator - Brooklyn	$665	$673	$673	$673	$673	$8	1.2%
Public Administrator - Queens	$526	$538	$540	$540	$540	$14	2.7%
Public Administrator - Richmond	$438	$441	$441	$441	$441	$3	0.7%
Prior Payable Adjustment	($400,000)	$0	$0	$0	$0	$400,000	(100.0%)
General Reserve	$50,000	$600,000	$600,000	$600,000	$600,000	$550,000	1100.0%
Energy Adjustment	$0	$0	($8,971)	$2,084	$51,051	$51,051	N/A
Lease Adjustment	$0	$0	$33,668	$63,347	$93,916	$93,916	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$166,557	$166,557	N/A
TOTAL EXPENDITURE	**$75,011,611**	**$73,914,570**	**$79,059,690**	**$80,679,421**	**$83,877,860**	**$8,866,249**	**11.8%**

Glossary of Acronyms

AAVM	Actuarial Asset Valuation Method
AIRA	Actuarial Interest Rate Assumption
ARRA	American Recovery and Reinvestment Act
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CBO	Community-Based Organization
CUNY	City University of New York
CY	Calendar Year
DAP	Disabled Accessibility Plan
DCA	Department of Consumer Affairs
DCAS	Department of Citywide Administrative Services
DEP	Department of Environmental Protection
DOC	Department of Correction
DOE	Department of Education

DOITT	Department of Information, Telecommunications, and Technology
DOS	Department of Sanitation
DOT	Department of Transportation
DYCD	Department of Youth and Community Development
ECB	Environmental Control Board
ECTP	Emergency Communication Transformation Program
EMS	Emergency Medical Services
FMS	Financial Management System
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
G.O. Debt	General Obligation Debt
HPD	Department of Housing Preservation and Development
HSF	Health Stabilization Fund

MLC	Municipal Labor Coalition
MTA	Metropolitan Transportation Authority
NYC	New York City
NYCERS	New York City Employees' Retirement System
NYCHA	New York City Housing Authority
NYCT	New York City Transit
NYCTFA	New York City Transitional Finance Authority
NYS	New York State
O&M	Operation and Maintenance
OMB	Office of Management and Budget
OTPS	Other than Personal Services
PBA	Patrolmen's Benevolent Association
PEG	Program to Eliminate the Gap
PERB	Public Employment Relations Board
PIT	Personal Income Tax
PS	Personal Services

RHBT	Retiree Health Benefits Trust
SCA	School Construction Authority
SFY	State Fiscal Year
SLP	Speech and Language Pathology
STAR	School Tax Relief
TLC	Taxi & Limousine Commission
TSASC	Tobacco Settlement Asset Securitization Corporation, Inc.
UBT	Unincorporated Business Tax
UFT	United Federation of Teachers
UPK	Universal Pre-K
U.S.	United States
VRDB	Variable Rate Demand Bonds