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

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I. Executive Summary

New York City's recovery from the recession has matured into a solid expansion, with the city's economy 13 percent larger compared to what it was before the recession. Unlike expansions of the late 1990s and mid-2000s, Wall Street is not a major force driving the current growth, although it is supporting it. Rather, the drivers have been traditional business services industries such as accounting, advertising, architecture and engineering, as well as a new cluster of activities related to computer systems and technology.

Construction, commercial real estate and tourism have also prospered during the recovery. Permits for new housing units, which had dropped to about 7,500 per year from 2009 to 2011, recovered to over 20,000 units in 2014 and are running ahead of this pace in 2015. In commercial real estate, new leasing activity in Manhattan office space in 2014 was the highest since 1998, totaling over 32 million square feet leased. Consequently, the vacancy rate fell from 9.3 percent at 2013 year-end to 7.9 percent at 2014 year-end. Leasing activity continues to be strong in 2015 though not at quite the pace of 2014. Finally, tourism continues to fare well with the number of foreign and domestic visitors reaching 56.4 million in 2014, a 23 percent increase since 2009. All these positive gains in the economy bode well for the fiscal condition of the City. The FY 2016 Executive Budget and Financial Plan reflects the solid state of the current economy. The FY 2016 budget, totals $78.3 billion after a prepayment of $3.037 billion from FY 2015. This is more than the $2.006 billion that was rolled into FY 2015, indicating that the City is projected to generate an operating surplus in FY 2015.

The FY 2016 Executive Budget includes $2.1 billion of additional resources since the Preliminary Budget. The bulk of the resources are from a $1.46 billion increase to the roll-in from FY 2015. The roll-in was $1.58 billion in the Preliminary Budget. The remaining additional resources stem from a Citywide Savings Program of $465 million and increased tax revenue estimates of $185 million. These additional resources are used to support additional spending of $938 million, an increase of $250 million in the General Reserve, the establishment of a $500 million Capital Stabilization Reserve, and a $418 million downward revision in miscellaneous revenues mainly from delaying the planned auction of additional taxi medallions.

The current Citywide Savings Program represents a new approach to agency savings. Unlike past programs, where agencies were given specific reduction targets, the new program is voluntary with no specific reduction targets. The savings plan is expected to produce $2.9 billion of budget relief in FYs 2015 through 2019 and a combined $1.06 billion in budget relief for FYs 2015 and 2016. Debt service reductions account for $400 million or 38 percent of the savings. The other components include $125 million from additional revenues, $65 million from miscellaneous expenditures reduction and the ability to switch certain expenditures from City funds to State or Federal funds, and $56 million from a reduction to the City's other than personal services (OTPS) inflator. Agency spending reductions, across 31 agencies account for $409 million or 39 percent of the combined FYs 2015 and 2016 savings, the largest component of the Citywide

Savings Program. This savings represent 0.58 percent of agency City-funds expenditures. Agency reductions from past programs had averaged 2.6 percent of agency City-funds budget.

The May 2015 Financial Plan projects budget gaps of $1.57 billion in FY 2017, $1.97 billion in FY 2018, and $2.88 billion in FY 2019. The cumulative gap of $6.42 billion over FYs 2017 through 2019 is $1.93 billion more than the cumulative gap in the February Plan. The increase in the gap can largely be attributed to the increases in reserves. Since the Preliminary Budget, the City has established the new Capital Stabilization Reserve of $500 million, planned a $280 million deposit in the Retiree Health Benefit Trust, and an increase of $250 million to the General Reserve in each of FYs 2016 through 2019, for a total of $1.78 billion in additional reserves. While the cumulative gap is higher than in the Preliminary Budget, it compares favorably with those of past Executive Financial Plans. It is the third lowest since the FY 2003 Executive Financial Plan and is significantly below the $10.3 billion average in Executive Financial Plans from FYs 2003 through 2015.

The Comptroller's Office's analysis of the FY 2015 Executive Budget and Financial Plan shows that the outyear gaps could be lower than projected in the Plan. The Comptroller's Office projects a surplus of $422 million in FY 2016 and gaps of $716 million in FY 2017, $752 million in FY 2018, and $1.57 billion in FY 2019. The lower gaps result mainly from the Comptroller's Office's higher tax revenue forecasts, which are projected to exceed Plan projections by $594 million in FY 2016, $1.04 billion in FY 2017, $1.40 billion in FY 2018, and $1.49 billion in FY 2019. These higher tax revenues projections are partially offset by higher expenditure estimates of $172 million in FY 2016 and $180 million in each of the outyears of the Plan.

The City has added to its cushion against future downturns by increasing its General Reserve, depositing $280 million to the Retiree Health Benefits Trust (RHBT), and establishing a new $500 million Capital Reserve Fund. While the RHBT is not a true reserve — its purpose is to fund Other Postemployment Benefits (OPEB) liabilities — it has been used to provide budget relief in the past to avoid or mitigate cuts to essential services and layoffs. However, even with the increase in the RHBT, the General Reserve and the Capital Stabilization Reserve, the cushion against future downturns is still short compared to the reserves that were available entering the Great Recession.

Table 1. May 2015 Modification and FY 2016–FY 2019 Financial Plan

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Changes FYs 2015 – 2019 Dollar	Changes FYs 2015 – 2019 Percent
Revenues							
Taxes:							
General Property Tax	$21,471	$22,445	$23,477	$24,487	$25,556	$4,085	19.0%
Other Taxes	$28,600	$28,872	$29,594	$30,451	$31,408	$2,808	9.8%
Tax Audit Revenues	$982	$711	$711	$711	$711	($271)	(27.6%)
Subtotal: Taxes	$51,053	$52,028	$53,782	$55,649	$57,675	$6,622	13.0%
Miscellaneous Revenues	$8,188	$6,560	$6,715	$6,815	$6,875	($1,313)	(16.0%)
Less: Intra-City Revenues	($2,003)	($1,791)	($1,794)	($1,805)	($1,800)	$203	(10.1%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City Funds	$57,223	$56,782	$58,688	$60,644	$62,735	$5,512	9.6%
Other Categorical Grants	$888	$831	$839	$844	$841	($47)	(5.3%)
Inter-Fund Revenues	$559	$575	$546	$548	$548	($11)	(2.0%)
Federal Categorical Grants	$8,412	$7,127	$6,832	$6,401	$6,300	($2,112)	(25.1%)
State Categorical Grants	$12,569	$12,993	$13,364	$13,771	$14,102	$1,533	12.2%
Total Revenues	$79,651	$78,308	$80,269	$82,208	$84,526	$4,875	6.1%
Expenditures							
Personal Service							
Salaries and Wages	$24,149	$25,152	$25,275	$26,619	$28,129	$3,980	16.5%
Pensions	$8,621	$8,755	$8,719	$8,725	$8,823	$202	2.3%
Fringe Benefits	$8,697	$9,250	$9,737	$10,306	$11,097	$2,400	27.6%
Retiree Health Benefits Trust	$280	$0	$0	$0	$0	($280)	(100.0%)
Subtotal-PS	$41,747	$43,157	$43,731	$45,650	$48,049	$6,302	15.1%
Other Than Personal Service							
Medical Assistance	$6,455	$6,424	$6,424	$6,424	$6,424	($31)	(0.5%)
Public Assistance	$1,472	$1,481	$1,464	$1,464	$1,464	($8)	(0.5%)
All Other	$25,044	$24,040	$24,196	$24,269	$24,563	($481)	(1.9%)
Subtotal-OTPS	$32,971	$31,945	$32,084	$32,157	$32,451	($520)	(1.6%)
Debt Service							
Principal	$2,002	$2,254	$2,293	$2,266	$2,211	$209	10.4%
Interest Net of Offsets	$1,970	$2,331	$2,377	$2,553	$2,717	$747	37.9%
Subtotal Debt Service	$3,972	$4,585	$4,670	$4,819	$4,928	$956	24.1%
FY 2014 BSA	($2,006)	$0	$0	$0	$0	$2,006	(100.0%)
FY 2015 BSA	$3,037	($3,037)	$0	$0	$0	($3,037)	(100.0%)
TFA Debt Redemption	($99)	($103)	$0	$0	$0	$99	(100.0%)
TFA							
Principal	$606	$665	$852	$944	$979	$373	61.6%
Interest Net of Offsets	$1,392	$1,621	$1,499	$1,608	$1,800	$408	29.3%
Subtotal TFA	$1,982	$2,052	$2,150	$2,354	$2,779	$797	40.2%
Capital Stabilization Reserve	$0	$500	$0	$0	$0	$0	0.0%
General Reserve	$50	$1,000	$1,000	$1,000	$1,000	$950	1,900.0%
	$81,654	$80,099	$83,635	$85,980	$89,207	$7,553	9.3%
Less: Intra-City Expenses	($2,003)	($1,791)	($1,794)	($1,805)	($1,800)	$203	(10.1%)
Total Expenditures	$79,651	$78,308	$81,841	$84,175	$87,407	$7,756	9.7%
Gap To Be Closed	**$0**	**$0**	**($1,572)**	**($1,967)**	**($2,881)**	**($2,881)**	**N/A**

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

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues					
Taxes:					
General Property Tax	$100	$100	$100	$100	$100
Other Taxes	$455	$85	$16	($50)	($35)
Tax Audit Revenues	$70	$0	$0	$0	$0
Subtotal: Taxes	$625	$185	$116	$50	$65
Miscellaneous Revenues	$450	($378)	($90)	($47)	($215)
Less: Intra-City Revenues	($36)	$13	$20	$20	$25
Disallowances Against Categorical Grants	$0	$0	$0	$0	$0
Subtotal: City Funds	$1,039	($180)	$46	$23	($125)
Other Categorical Grants	($10)	($1)	($1)	($4)	($4)
Inter-Fund Revenues	($15)	$28	$3	$2	$2
Federal Categorical Grants	$13	$0	$399	$12	$3
State Categorical Grants	$76	$221	$183	$133	$420
Total Revenues	$1,103	$577	$630	$166	$296
Expenditures					
Personal Service					
Salaries and Wages	($92)	$277	$261	$206	$287
Pensions	$39	$221	$215	$235	$237
Fringe Benefits	$37	$73	$55	$19	$78
Retiree Health Benefits Trust	$280	$0	$0	$0	$0
Subtotal-PS	$264	$571	$531	$460	$602
Other Than Personal Service					
Medical Assistance	$8	$9	$9	$9	$9
Public Assistance	($4)	$74	$51	$51	$51
All Other	($66)	$779	$686	$337	$510
Subtotal-OTPS	($62)	$862	$746	$397	$570
Debt Service					
Principal	$0	($13)	($14)	($16)	($17)
Interest Net of Offsets	($188)	($59)	($78)	($129)	($104)
Subtotal Debt Service	($188)	($72)	($192)	($145)	($121)
FY 2014 BSA	$0	$0	$0	$0	$0
FY 2015 BSA	$1,459	($1,459)	$0	$0	$0
TFA Debt Defeasance	$0	$0	$0	$0	$0
TFA Debt Service					
Principal	($222)	($32)	($16)	($37)	($22)
Interest Net of Offsets	$138	($56)	($185)	($182)	($201)
Subtotal TFA	($84)	($88)	($201)	($219)	($223)
Capital Stabilization Reserve	$0	$500	$0	$0	$0
General Reserve	($250)	$250	$250	$250	$250
Less: Intra-City Expenses	($36)	$13	$20	$20	$25
Total Expenditures	$1,103	$577	$1,154	$763	$1,103
Gap To Be Closed	**$0**	**$0**	**($524)**	**($597)**	**($807)**

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

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018
Revenues				
Taxes:				
General Property Tax	$490	$359	$442	$517
Other Taxes	$1,672	$775	$539	$467
Tax Audit Revenues	$273	$2	$2	$2
Subtotal: Taxes	$2,435	$1,136	$983	$986
Miscellaneous Revenues	$168	($436)	($273)	$191
Less: Intra-City Revenues	($206)	$31	$31	$25
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$2,397	$731	$741	$1,202
Other Categorical Grants	$79	($45)	($33)	($23)
Inter-Fund Revenues	$26	$56	$28	$30
Federal Categorical Grants	$1,954	$798	$526	$108
State Categorical Grants	$168	$173	$70	($42)
Total Revenues	$4,624	$1,713	$1,332	$1,275
Expenditures				
Personal Service				
Salaries and Wages	$402	$484	$300	$231
Pensions	$26	($78)	($181)	($683)
Fringe Benefits	$27	$211	$277	$334
Retiree Health Benefits Trust	$280	$0	$0	$0
Subtotal-PS	$735	$617	$396	($118)
Other Than Personal Service				
Medical Assistance	$8	$9	$9	$9
Public Assistance	$44	$74	$51	$51
All Other	$2,404	$1,352	$1,058	$598
Subtotal-OTPS	$2,456	$1,435	$1,118	$658
Debt Service				
Principal	($145)	($111)	($13)	($16)
Interest Net of Offsets	($353)	($214)	($252)	($167)
Subtotal Debt Service	($498)	($325)	($265)	($183)
FY 2014 BSA	($23)	$0	$0	$0
FY 2015 BSA	$3,037	($3,037)	$0	$0
TFA Debt Defeasance	$0	$0	$0	$0
TFA Debt Service				
Principal	($159)	($219)	($180)	($194)
Interest Net of Offsets	($18)	($164)	($317)	($289)
Subtotal TFA	($177)	($383)	($497)	($483)
Capital Stabilization Reserve	$0	$500	$0	$0
General Reserve	($700)	$250	$250	$250
Less: Intra-City Expenses	($206)	$31	$31	$25
Total Expenditures	$4,624	($912)	$1,033	$149
Gap To Be Closed	**$0**	**$2,625**	**$299**	**$1,126**

Table 4. Risks and Offsets

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**$0**	**($1,572)**	**($1,967)**	**($2,881)**
Tax Revenues					
Property Tax	$0	$113	$318	$700	$1,038
Personal Income Tax	0	276	494	563	502
Business Taxes	0	(4)	(1)	70	54
Sales Tax	0	28	40	37	27
Real-Estate-Related Taxes	0	181	185	25	(129)
Subtotal	**$0**	**$594**	**$1,036**	**$1,395**	**$1,492**
Expenditures					
Overtime	$0	($192)	($100)	($100)	($100)
DOE Medicaid Reimbursement	(60)	(80)	(80)	(80)	(80)
VRDB Rate Savings	0	100	0	0	0
General Reserve	50	0	0	0	0
Subtotal	($10)	**($172)**	**($180)**	**($180)**	**($180)**
Total (Risks)/Offsets	($10)	**$422**	**$856**	**$1,215**	**$1,312**
Restated (Gap)/Surplus	**($10)**	**$422**	**($716)**	**($752)**	**($1,569)**

II. The City's Economic Outlook

A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2015-2019

The Comptroller's Office forecast anticipates continued moderate economic growth in the U.S. and in New York City during 2015. Although the national economy has now expanded for six consecutive years, there are no major imbalances that appear to pose significant recession risks and, with inflation running well below the Federal Reserve's 2 percent target rate, the central bank has no motive to induce a slowdown.

The American economy has experienced several growth spurts since the recovery began in July, 2009, each time kindling hopes that a more vigorous pace of expansion would take hold. The most recent surge spanned the second and third quarters of 2014, when real gross domestic product (GDP) grew at the brisk annual pace of 4.8 percent. However, the pace of growth tapered to 2.2 percent in the final quarter of the year and fell by 0.7 percent in the first quarter of 2015. Even though growth is expected to strengthen again in the spring, the winter setback makes it likely that GDP growth for the full year 2015 will again fall below 3.0 percent.

There are two principle reasons for GDP declining in the first quarter of the year. The rapid appreciation of the dollar relative to most major trading partner currencies during the past year has made imported goods relatively cheaper, resulting in a sharp increase in imports in late 2014 and a drop in U.S. industrial production in the first quarter of 2015. Another explanation is the unusually harsh winter weather in the Northeast and Midwest. Those two factors can account for some of the decline in GDP growth but not for all of it. During this recovery first quarters of the year have been, on average, notably weaker than the others, suggesting that changes in the seasonal nature of business activity are occurring that may not be fully captured in the seasonality adjustments for GDP.

With at least some of the winter doldrums expected to be transitory, the Comptroller's Office expects national economic growth to pick up in the second quarter and to remain fairly robust for the rest of the year. Year-over-year GDP growth is forecast at 2.6 percent. The nation is expected to add approximately 2.9 million new jobs, lowering the unemployment rate to 5.5 percent by the end of the year.

The Comptroller's Office forecasts that moderate economic growth will continue through 2019. Although there are risks to the economy that could manifest in an economic recession during the Plan period, none of them are great enough to lower the long-term growth forecasts at this time.

During the first five years of the recovery, New York City's economy grew at an average annual rate of about 2.8 percent, faster than the national economy's growth of 2.2 percent. While that reflects the underlying resilience of the city's economy and suggests an improving competitiveness in key business sectors, the Comptroller's Office believes the growth rates will begin to converge. The long-run rate of national labor force growth is much higher than the city's and, as the economic expansion lengthens, office leasing and other cost pressures will encourage more firms to spin off operations to lower-cost locations.

The City's economy generated a record-setting 120,000 new jobs in 2014 (on a year-over-year basis). With over 36,000 jobs added in retail trade, food service and home health care, job creation was again skewed toward low-wage sectors. In 2015 and subsequent years, the Comptroller's Office expects that the overall pace of job creation will slow and the proportion accounted for by low-wage sectors will diminish, as service-sector employment must in the long-run stay in proportion to the "export" base jobs that stimulate income growth.

Table 5 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2015 to 2019.

Table 5. Selected NYC Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2015-2019

NYC		2015	2016	2017	2018	2019
Real GCP, (2009 $),	Comptroller	3.2	2.7	2.6	2.7	2.7
% Change	Mayor	1.3	1.6	1.7	1.9	2.2
Payroll Jobs,	Comptroller	98	69	66	62	62
Change in Thousands	Mayor	67	62	56	49	47
Inflation Rate	Comptroller	0.7	1.8	2.3	2.4	2.4
Percent	Mayor	0.3	2.6	2.4	2.5	2.4
Wage-Rate Growth,	Comptroller	3.8	2.4	2.1	2.3	2.3
Percent	Mayor	2.0	2.6	3.0	3.1	3.3
Unemployment Rate,	Comptroller	6.4	6.0	5.7	5.5	5.2
Percent	Mayor	NA	NA	NA	NA	NA
U.S.		**2015**	**2016**	**2017**	**2018**	**2019**
Real GDP, (2009 $),	Comptroller	2.6	2.8	2.7	2.7	2.7
% Change	Mayor	3.0	2.6	2.7	2.5	2.9
Payroll Jobs,	Comptroller	2.9	2.4	2.2	2.1	2.1
Change in Millions	Mayor	3.2	2.5	1.8	1.2	1.5
Inflation Rate	Comptroller	0.5	1.5	2.0	2.1	2.1
Percent	Mayor	(0.3)	2.5	2.2	2.3	2.3
Fed Funds Rate,	Comptroller	(0.2)	0.5	1.0	2.4	3.0
Percent	Mayor	0.4	1.6	3.3	3.8	3.8
10-Year Treasury Notes,	Comptroller	2.2	2.7	3.4	3.9	4.4
Percent	Mayor	2.5	3.3	3.9	4.0	4.0

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. GCP=Gross City Product. Mayor= forecast by the NYC Office of Management and Budget in the Executive Budget Fiscal Year 2016 Message of the Mayor. NA=not available.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

The National Economy

During the five years of the present recovery the national economy has expanded at an annual rate of 2.2 percent, well below the average rate of previous post-war expansions. The growth slowdown in late 2014 combined with the decline in early 2015 has dashed hopes that this year's GDP increase would finally reach or exceed the historical benchmark growth rate of 3.0 percent. Nevertheless, the slow but steady progress of the recovery has positioned it for further growth this year and in the years ahead.

The caution households and businesses have exhibited has caused the economy to grow more slowly than it otherwise might have, but it has also produced fewer of the excesses that led to the last recession. Through the first five years of this recovery, real personal consumption spending has increased at only a 2.2 percent annual rate, compared to a 3.2 percent rate through the first five years of the previous recovery. Since businesses invest in new plants and equipment primarily to satisfy final demand from consumers, the deliberate pace of consumer spending has been reflected in a halting pattern of non-residential investment, which in real terms was only 8 percent greater in 1Q15 than it was in 1Q08.

Both households and businesses have been hesitant to increase their spending by taking on new debt. After 22 quarters, the total amount of consumer credit and home mortgage debt outstanding remained lower than when the expansion began, compared to the 75 percent increase in household debt that had occurred during a similar period of the previous expansion. As a result, the household debt service ratio[1] is at its lowest level since 1980, when the data begins. The personal savings rate has averaged 5.7 percent over the past five years, compared to 4.1 percent from 2001 to 2006.

Non-financial corporate businesses have expanded their long-term debt by only 7 percent during this recovery, compared to a 36 percent increase at a similar stage of the previous cycle. They have also accumulated almost $2 trillion in liquid assets, representing a near-record ratio to their short-term liabilities.

The deleveraging undertaken by the household and business sectors suggests that the economy should continue to grow for the foreseeable future. Often, recessions are triggered when over-extended households or businesses are forced to retrench because of unanticipated shocks to their wealth, income or confidence. The improved financial position of both sectors after six years of slow but steady recovery makes the kind of abrupt cutback in consumer and business spending that occurred in the third and fourth quarters of 2008 less likely and reduces the probability of a recession in the near future.

Several of the recessions the U.S. has experienced in the post-war period were either deliberately or inadvertently triggered by the Federal Reserve's monetary policies. Such a risk to continued economic growth looms again, as the Fed appears determined to begin normalizing monetary policy with its first increase in short-term interest rates since 2007. That move is anticipated to come in June or September. Insofar as the timing of the rate hike has been among the most widely anticipated and analyzed policy moves in the Fed's history, it is unlikely to rattle financial markets unless the magnitude and pace of tightening is more aggressive than the markets currently anticipate. However, several

[1] Quarterly required mortgage payments plus quarterly scheduled consumer debt payments divided by quarterly disposable personal income.

factors make it unlikely that the Fed will pursue an extremely aggressive course. First, inflation has been well below the Fed's 2 percent target rate for the past several years. Second, the Fed will not want to exacerbate the dollar's rise at a time when the central banks of major trading partners are pursuing quantitative easing. Third, the Fed has no reason to want to induce a recession at the present time and many reasons to want to avoid one.

There are several other risks to the current economic expansion. The appreciation of the dollar against major trading partner currencies during the past year makes U.S. exports more expensive abroad and goods imported into the U.S. cheaper. The exchange rate effect has already adversely affected the U.S. trade balance, with net exports dragging GDP growth down by 1.03 percentage points in 4Q14 and 1.90 percentage points in 1Q15. The drag is likely to persist and it could even grow larger should further currency appreciation occur.

Another risk is the on-going challenge of maintaining the European monetary union and the immediate risk that Greece will not be able to make its scheduled debt payments, possibly leading to its exit from the currency union. European authorities have managed a number of perilous situations in recent years and it is improbable that they will fail to reach a satisfactory compromise with the Greek government in the present round of talks. However, should a deadlock lead to a Greek default and abandonment of the euro, the effects would be highly unpredictable and potentially disruptive to the international financial system.

As it has been true since the last recession ended, ideological divisions in Washington also pose a threat to the continued growth of the U.S. economy. Congress recently passed a joint budget plan, with no Democratic Party support, which would cut an additional $5 trillion over 10 years from the already-stringent federal spending limits established by the Budget Control Act (BCA) of 2011. However, the President has said he will veto any budget bill that does not relax the spending caps mandated by the BCA for fiscal year 2016. In addition, the federal debt has already reached its legal limit and the Congressional Budget Office estimates that the Treasury will exhaust its so-called "extraordinary measures" used to continue funding federal operations by October or November. The course of negotiations over the budget and debt limit will undoubtedly be influenced by political positioning for the 2016 elections. Most economic forecasters assume that neither party will see a budget and debt crisis this fall as politically advantageous but past episodes have shown that disagreements between and within the parties can lead to disruptive stalemates.

Even if Congress and the President agree to new federal budget and debt policies without a crisis that disrupts the economy, federal fiscal policy is likely to remain comparatively austere. From 2001 through 2010, federal consumption expenditures increased at a real annual rate of 4.5 percent and contributed, on average, .32 percentage points to annual GDP growth. Since 2010, real federal spending has declined at a 3.0 percent annual rate and has deducted about .25 percentage points, on average, from annual GDP growth. The Comptroller's Office expects restrictive fiscal policy to continue at least through 2016.

The New York City Economy

New York City's quick rebound from the financial crisis and recession has matured into a sustained and impressive economic expansion. By April 2015 private employment was up 384,400 over its pre-recession peak, new housing construction had recovered to healthy levels, and the office vacancy rate was falling. Overall, by early 2015 the city's economy was about 13 percent larger than it was prior to the recession.

The City's economic growth appears to be solidly based, with most of its key economic base industries increasing their share of national employment, implying an improvement in their relative competitiveness. The city's growing start-up tech cluster has been attracting an increasing share of the nation's venture capital investments while established firms, ranging from Silicon Valley internet giants to venerable Detroit auto manufacturers, have been expanding operations here.

The current expansion has not been driven by a Wall Street boom as were the expansions of the late 1990s and mid-2000s. For the past several years the revenues and earnings of major financial companies have been hovering near pre-crisis levels but net income has been weighed down by legal settlements stemming from their past mortgage activities and other practices. Consequently, the financial industry has provided a stable base for the city's growth but has not been the source of it. Rather, the drivers of growth have been traditional business services industries such as accounting, architecture and engineering, as well as advertising, which has been revitalized by an upheaval in the media landscape and the innovations in marketing that have followed from it. Computer systems design and related services, the core of the city's nebulous tech industry, has also been a growth engine, expanding employment by nearly 50 percent since 2007.

The educational and medical sectors have also been sources of growth. The city's colleges, universities and professional schools have added 30,000 workers in the past decade and private suppliers of elementary and secondary educational services have expanded as well. The health care and social assistance sector has added nearly 100,000 workers since the recession ended with over half of that attributable to a doubling of home health care employment. The education and health care industries traditionally catered primarily to local demand but their rapid growth in recent years suggests that their expansion is being fueled, at least in part, from non-resident demand for those services and from non-local funding sources such as Medicaid. Expanded access to health care services through the Affordable Care Act should continue to propel growth in health care employment in 2015.

During each of the four years prior to the recession, permits for over 30,000 new housing units were issued, a level of new housing construction not seen since the early 1970s. The recession and disruptions to the mortgage market caused permits for new housing units to plunge to only about 7,500 per year from 2009 to 2011, but residential construction has rebounded sharply since then. In 2014, permits were issued for over 20,000 units and were running ahead of that pace in early 2015. Combined with a 20 percent increase in private non-residential construction spending and a 7 percent increase in government spending in 2014,[2] construction employment has climbed to its highest level since the financial crisis. While non-residential spending should remain strong through 2015, the uncertainty regarding the 421-a tax incentive program could deter new residential construction in the second half of the year.

Commercial real estate had a very strong year in 2014 and indications are that the high level of activity will persist through 2015. Total new leasing activity of Manhattan office space in 2014 was over 32 million square feet, the highest since 1998, and total direct absorption was almost 10.8 million square feet. Consequently, the Manhattan direct office vacancy rate fell from 9.3 percent at year-end 2013 to 7.9 percent at year-end 2014.[3] Leasing activity remained at a high level in the first quarter of 2015, albeit not at the previous year's pace. Usually, leasing of new office space indicates that corporations are intending to expand their operations and staffing.

Tourism and the industries it supports have also prospered during the recovery. The number of foreign and domestic visitors reached 56.4 million in 2014, a 23 percent increase since 2009, while the number of foreign visitors was about 12 million, a 42 percent increase since 2009.[4] Broadway theater attendance was up 14 percent to 13.13 million in 2014[5] while visitors to the Metropolitan Museum of Art topped six million for the third consecutive year. However, lower room occupancy rates in Manhattan hotels in the first quarter of 2015 may signal a slowing of the tourism industry's growth, as the strength of the dollar makes travel to the city more expensive for foreign vacationers.

Since the recession ended the city's retail trade and food service sectors have added nearly 150,000 jobs, including over 22,000 in the twelve months ending April 2015. Since 2009, the two sectors have accounted for nearly one-third of all job creation in the city. Tourism alone cannot have been the cause of all of that growth. Since the overall income growth of city residents has been slow, much of the growth must be attributed to changes in consumer behavior, including consuming more food away from home and doing more shopping close to home. The rapid growth of both sectors in the boroughs other than Manhattan supports the view that consumption patterns have been changing in ways favorable to those local services, but their continued growth will depend on the performance of the economic base industries that bring new income into the city.

The disproportionate increase of relatively low-wage jobs in retail, food service and home health care has contributed to the slow growth of household income since the recovery began. The median income of city households increased less than 1 percent between 2008 and 2013, and wage and earnings data for 2014 indicate that income growth remained sluggish. The Comptroller's Office expects that the mix of new jobs in 2015 will

[2] New York City Building Congress

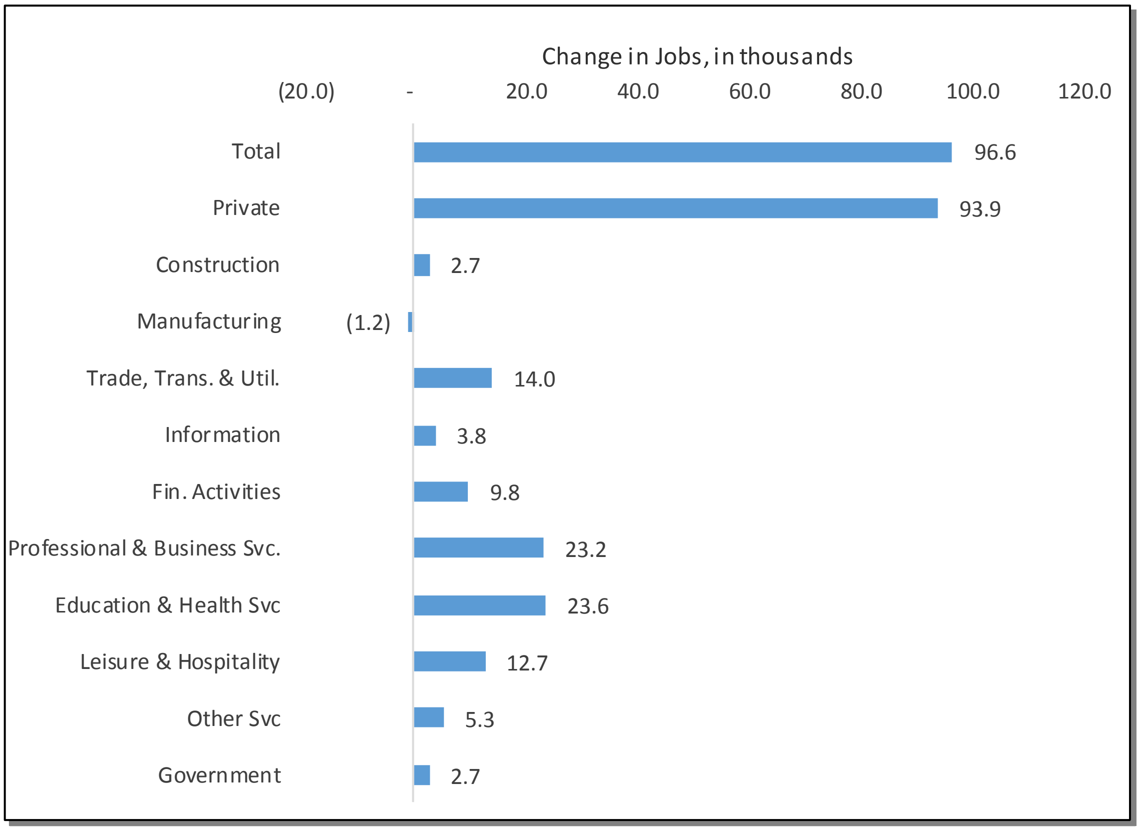
[3] Cushman & Wakefield

[4] NYC & Company

[5] The Broadway League

be more weighted towards high-wage positions and that a tightening labor market will begin to manifest in faster wage growth, with both factors contributing to faster income growth. However, a slowing pace of overall job creation will offset some of the improvement in wage growth and occupational composition. Chart 1 shows the change in jobs by industry between April 2014 and April 2015.

***Chart 1*. Change in the NYC Payroll-Jobs, April 2014 to April 2015**



Source: NYS Department of Labor.

III. The FY 2016 Executive Budget

The FY 2016 Executive Budget totals $78.3 billion, an increase of $577 million from the FY 2016 Preliminary Budget released in February. The non-City-funds portion of the budget increased by $757 million to $21.5 billion, while the City-funds portion of the budget declined by $180 million to $56.8 billion. The increase in the non-City-funds portion of the budget stems mainly from upward revisions of $509 million and $221 million to the Federal-funds and State-funds portion of the Budget, respectively. The Federal-funds and State-funds of the budget are discussed in greater detail in "Federal and State Aid" beginning on page 25.

The lower City-funds revenue estimates result from a reduction of $365 million in non-tax revenues, partially offset by an upward revision of $185 million to tax revenue projections, as show in Table 6. The change in non-tax revenue estimates reflects the removal of $312 million in taxi medallion auction revenues previously forecasted for FY 2016 and re-estimates of other non-tax revenues. Also included in the miscellaneous revenue estimates are $56 million in fees, fines, reimbursements and concession revenues which are included as part of the Citywide savings program. The increase in tax revenues is due to higher estimates for property, personal income and real-estate-related tax revenues totaling $295 million, offset by net decreases in other taxes of $110 million.

Table 6. Changes to FY 2016 City-Funds Estimates
FY 2016 Executive Budget vs. FY 2016 Preliminary Budget

($ in millions)

REVENUES		**EXPENDITURES**	
Property Tax	$100	Agency Expenses	$714
Personal Income Tax	148	Pension	181
Business Tax	(66)	Collective Bargaining	60
Sales Tax	(7)	Energy Adjustment	47
Real-Estate-Related Tax	47	Lease Adjustment	(34)
Other Taxes	(37)	Miscellaneous Expenses	(30)
Subtotal Tax Revenues	**$185**	**Subtotal**	**$938**
		General Reserve	$250
Taxi Medallion Sales	($312)	Capital Stabilization Reserve	$500
Savings Program (Revenues)	56	Savings Program (Expenses)	($409)
Other Non-Tax Revenues	(109)		
Subtotal Non-Tax Revenues	**($365)**	FY 2015 BSA	($1,459)
Total	**($180)**	**Total**	**($180)**

Baseline FY 2016 City-funds expenditures, before adjustments to the General Reserve, are $938 million above the Preliminary Budget, $714 million of which are due to an increase in agency spending. Table 7 shows the ten agencies with the largest increases. Together, these agencies account for more than two-thirds of the increase from the Preliminary Budget.

Table 7. Changes in FY 2016 Baseline Agency Spending from the Preliminary Budget

($ in millions)

Agency	$ Change	% Change
Dept. of Social Services	$132	1.7%
DYCD	53	21.3%
DEP	47	4.3%
Dept. of Correction	46	3.9%
DOT	38	7.5%
Dept. of Homeless Services	37	7.2%
CUNY	37	5.7%
DOITT	33	8.7%
Dept. of Buildings	32	27.1%
Dept. of Mental Health and Mental Hygiene	31	4.5%
All Other	228	1.1%
Total	**$714**	**2.1%**

In addition to changes to baseline agency spending estimates, the FY 2016 Executive Budget includes expense reductions totaling $409 million from a Citywide Savings Program, additional expenditures of $500 million to fund a Capital Stabilization Reserve (CSR) and an increase of $250 million to the General Reserve. The primary purpose of the CSR is to fund initial design and planning for capital projects but it may also be used to defease bonds to produce outyear debt service savings. Any unused balance in the CSR will be rolled into the next fiscal year through prepayments of the following year's expenditures.

Together, the increases in baseline spending and General Reserve along with the establishment of the CSR and Citywide Savings Program result in a net increase of $1.28 billion in FY 2016 expenditures from the Preliminary Budget. This increase is offset by additional prepayments of $1.46 billion of FY 2016 debt service. As a result of these additional prepayments, FY 2015 City-funds expenditures are $180 million less than the Preliminary Budget.

The additional prepayment of FY 2016 debt service comes from an increase of $1.04 billion in the FY 2015 City-funds revenue estimates and a reduction of $700 million in FY 2015 City-funds expenditures. The resulting $1.74 billion budget surplus was used to increase the Budget Stabilization Account (BSA) – used to prepay FY 2016 debt service – by $1.46 billion to $3.04 billion and to fund a planned deposit of $280 million into the Retiree Health Benefits Trust (RHBT). Table 8 shows the change to the FY 2015 BSA.

Table 8. Change to FY 2015 BSA

($ in millions)

February 2015 BSA	**$1,578**
Property Tax	100
Personal Income Tax	249
Business Tax	(42)
Sales Tax	(26)
Real-Estate-Related Tax	257
Tax Audit	70
Other Taxes	17
Subtotal Tax Revenues	**$625**
Non-Tax Revenues	345
Citywide Savings Program (Revenues)	69
Total Revenues	**$1,039**
Agency Expenses	$227
Energy Adjustment	65
Collective Bargaining	60
Miscellaneous Expenses	(151)
Pension	(31)
Prior-Year Estimate	(100)
General Reserve	(250)
Citywide Savings Program (Expenses)	(520)
Total Expenditures	**($700)**
RHBT Contribution	**$280**
Change in BSA	**$1,459**
May 2015 BSA	**$3,037**

A. CITYWIDE SAVINGS PROGRAM

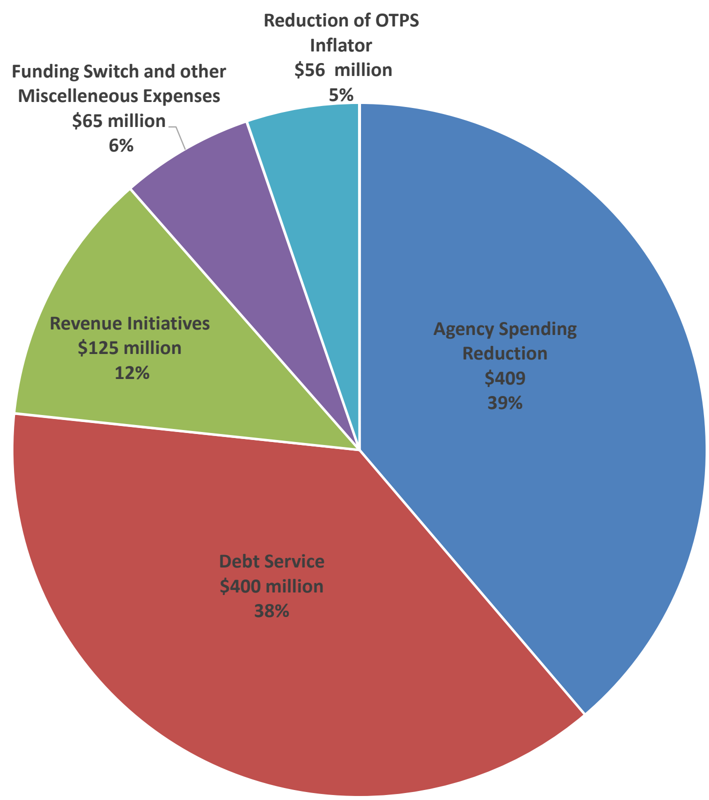
The Financial Plan includes a citywide savings program which is expected to generate savings of $589 million in FY 2015, $467 million in FY 2016, $641 million in FY 2017, $627 million in FY 2018, and $584 million in FY 2019. Unlike prior programs to eliminate the gap (PEG) which specified savings target for individual agencies, the current Citywide Savings Program is voluntary with no specific savings target. A total of 31 agencies participated in the Citywide Savings Program, setting a 41 percent participation rate.

Agency spending reductions account for $409 million of the combined FYs 2015 and 2016 savings of $1.055 billion, as shown in Chart 2.[6] These reductions represent 0.58 percent of agency City-funds expenditures. In past programs to eliminate the gap, agency reductions averaged 2.6 percent of agency City-funds expenditures. Debt service savings, primarily from a re-estimate of variable rate interest costs, refundings and additional State Building Aid for TFA debt service, account for another $400 million in FYs 2015 and 2016 combined. Another $125 million of benefits are from additional revenues from fees, fines, reimbursements and concession fees. The remaining

[6] Agency spending reductions exclude reductions in agency spending due to funding switch. These reductions are included with miscellaneous spending reductions and funding switches.

$121 million of savings stem from a $65 million reduction in miscellaneous expenses and funding switches and a $56 million reduction to the Other Than Personal Services (OTPS) inflator.[7]

***Chart 2*. Combined FY 2015 and FY 2016 Benefits from Citywide Savings Program**



Eighty-eight percent of the savings comes from seven agencies with spending reductions exceeding $10 million, as shown in Table 9. The largest reduction is in the Administration for Children Services (ACS) with a combined FYs 2015 and 2016 reduction of $117 million, or 28.7 percent of its FYs 2015 and 2016 City-funds budget. Approximately $82 million of the reduction is a result of additional FY 2015 Federal reimbursements for fringe benefits which reduces City-funds expenditures. However, this additional reimbursement does not extend beyond FY 2015. Excluding the $82 million reimbursement, ACS spending reductions related to the Citywide Savings Program drops to $35.8 million or 2 percent of ACS' City-funds budget for FYs 2015 and 2016.

Another agency with a large reduction relative to its City-funds budget is the Office of Payroll Administration, with reductions equal to 60.9 percent of its combined FYs 2015 and 2016 City-funds budget. Approximately $21 million of the reduction is due to lower CityTime Personal Services (PS) and OTPS spending. The remaining savings of

[7] Miscellaneous spending reductions consist of re-estimates of FICA, unemployment insurance benefit, supplemental welfare benefits and workers compensation re-estimates.

$556,000 is 2.0 percent of its combined FYs 2015 and 2016 City-funds budgets and consists of $404,000 from relinquishing two vacant positions and $152,000 from downgrading the executive agency counsel position to agency attorney. In total, agency spending reductions are 0.58 percent of the combined FYs 2015 and 2016 City-funds agency spending. Agency spending reductions in past programs to eliminate the gap averaged 2.6 percent of agency City-funds expenditures.

Table 9. Combined FY 2015 and FY 2016 Agency Spending Reductions in the Citywide Savings Program

($ in millions)

Agency	Amount	Share of Program Reductions	% of Agency City-Funds Budget
Administration for Children's Services	$117	28.7%	6.6%
Department of Social Services	83	20.2%	0.5%
Department of Sanitation	69	16.8%	2.3%
Department of Education	42	10.3%	0.2%
Office of Payroll Administration	21	5.2%	60.9%
Department of Health and Mental Hygiene	16	4.0%	1.2%
Department of Transportation	11	2.7%	0.6%
All Other Agencies	50	12.0%	0.4%
Total	**$409**	**100.0%**	**0.7%**

B. RISKS AND OFFSETS

The Comptroller's Office's evaluation of the May 2015 Financial Plan shows that there could be additional resources totaling $3.8 billion over the Plan period. These resources stem from the Comptroller's Office's higher tax revenue forecast. As Table 10 shows, the Comptroller's Office expects tax revenues to be above the City's forecast by $594 million in FY 2016, $1.04 billion in FY 2017, $1.40 billion in FY 2018, and $1.49 billion in FY 2019.

Offsetting some of the additional resources are risks to the overtime estimates and Department of Education (DOE) Medicaid reimbursement assumptions. The Comptroller's Office estimates that overtime spending could be $192 million above the Plan in FY 2016 and $100 million more in each of the outyears of the Plan while DOE Medicaid reimbursements could be $80 million below Plan assumptions in each of FYs 2016 through 2019. Overall, the additional resources projected by the Comptroller's Office would result in a surplus of $422 million in FY 2016 and reduce the outyear gaps to $716 million in FY 2017, $752 million in FY 2018, and $1.57 billion in FY 2019.

Table 10. Risks and Offsets

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
City Stated Gap	**$0**	**$0**	**($1,572)**	**($1,967)**	**($2,881)**
Tax Revenues					
Property Tax	$0	$113	$318	$700	$1,038
Personal Income Tax	0	276	494	563	502
Business Taxes	0	(4)	(1)	70	54
Sales Tax	0	28	40	37	27
Real-Estate-Related Taxes	0	181	185	25	(129)
Subtotal	**$0**	**$594**	**$1,036**	**$1,395**	**$1,492**
Expenditures					
Overtime	$0	($192)	($100)	($100)	($100)
DOE Medicaid Reimbursement	(60)	(80)	(80)	(80)	(80)
VRDB Rate Savings	0	100	0	0	0
General Reserve	50	0	0	0	0
Subtotal	($10)	**($172)**	**($180)**	**($180)**	**($180)**
Total (Risks)/Offsets	($10)	**$422**	**$856**	**$1,215**	**$1,312**
Restated (Gap)/Surplus	**($10)**	**$422**	**($716)**	**($752)**	**($1,569)**

IV. Revenue Assumptions

The FY 2016 Executive Budget and Financial Plan projects that total revenues will grow by $6.218 billion over the Financial Plan period, from $78.308 billion in FY 2016 to $84.526 billion in FY 2019. City-fund revenues will grow from $56.782 billion in FY 2016 to $62.735 billion in FY 2019, based on the City's assumptions of continued moderate growth in the local and national economies. Tax revenues are expected to comprise 64 percent of total revenues in FY 2016, and are projected to increase to 68 percent of total revenues in FYs 2018-2019. Property tax revenues are projected to grow 13.9 percent from $22.445 billion in FY 2016 to $25.556 billion in FY 2019, while non-property tax revenues are expected to grow 8.6 percent from $29.583 billion in FY 2016 to $32.119 billion in FY 2019.[8]

Miscellaneous revenue, excluding intra-City revenue, is expected to drop by 23 percent to $4.769 billion in FY 2016 as projected non-recurring revenues decline. Total miscellaneous revenues are estimated to grow 6.4 percent over the Plan period to $5.075 billion in FY 2019. Projected revenues over FYs 2016-2019 from the sale of taxi medallions declined by $535 million, from an estimated $1.266 billion in the February Plan to $731 million. Taxi medallion auctions, which last occurred in FY 2014, have been postponed until FY 2017.

The May 2015 Plan projects total Federal and State aid of $20.120 billion in FY 2016. The current forecast reflects an increase of $730 million compared to the February Plan. The increase is primarily due to $490 million in additional Community Development Block Grant (CDBG) funding mainly for disaster recovery related to Superstorm Sandy and $168 million more in State education aid reflecting school aid allocations in the enacted State Budget. Federal and State aid are expected to reach a combined $20.196 billion in FY 2017, $20.172 billion in FY 2018 and $20.402 billion in FY 2019. The trend in the outyears mainly reflects the City's expectation of education aid increases from the State.

Tax Revenues

In the FY 2016 Executive Budget and Financial Plan, total tax revenues are projected to grow 1.9 percent in FY 2016 to $52.028 billion, following an estimated 5.5 percent growth in FY 2015. The City raised its FY 2015 tax revenue forecast by a net $625 million, but believes lower levels of Wall Street profits and slower employment gains will temper the pace of non-property tax revenue growth in FY 2016. The increase in expected FY 2015 tax collections is mostly due to higher than expected collections from the Personal Income Tax (PIT), the Real Property Transfer Tax (RPTT), and the Mortgage Recording Tax (MRT), compared to the February Plan forecast. Tax revenue estimates were also raised in each of FYs 2016 through 2019 by a net $185 million, $116 million, $50 million and $65 million respectively.

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

Changes to the City's Tax Revenue Forecast

As Table 11 shows, since the February 2015 Financial Plan, the City increased its tax revenue forecasts in each of FYs 2015 – 2019. Revisions to the FY 2015 tax revenue forecast reflect current year collections. Personal Income Tax (PIT) collections through April were $428 million above the City's February Plan forecast, primarily due to higher than anticipated estimated payments. In the FY 2015 modified budget the City increased its PIT projection by only $249 million. Also in response to higher than expected collections, the FY 2015 forecast for the real-estate-related taxes was raised by $256 million. Revenues from commercial transactions continued to show strong growth, although slower than in the previous year.

Table 11. Revisions to the City's Tax Revenue Assumptions February 2015 vs. May 2015

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
February 2015 Financial Plan Total	**$50,428**	**$51,843**	**$53,666**	**$55,599**	**$57,610**
Revisions:					
Property	100	100	100	100	100
Personal Income (PIT)	249	148	48	(4)	15
Business	(42)	(66)	(24)	(18)	(18)
Sales	(26)	(7)	(7)	(7)	(7)
Real-Estate-Related	257	47	34	11	(8)
All Other	17	(37)	(35)	(32)	(18)
Tax Audit	70	0	0	0	0
Revisions -Total	$625	$185	$116	$50	$65
May 2015 Forecast - Total	**$51,053**	**$52,028**	**$53,782**	**$55,649**	**$57,675**

SOURCE: NYC Office of Management and Budget.

The City increased the real property tax revenue forecast by $100 million in each of FYs 2015 – 2019 to account for a downward revision in projected property tax refunds. Property tax revenue is forecast at $22.445 billion in FY 2016. This figure represents a year-over-year increase of $1.316 billion in property tax levy. The forecast is based on the FY 2016 tentative roll released in January 2015 from which the City estimated total billable assessed value of $194.8 billion in the FY 2016 final roll (before accounting for veterans and STAR exemptions). The final property assessment roll released on May 26th reflects a year-over-year increase of 6.94 percent in total billable assessed value to $195.2 billion for FY 2016.

The FY 2016 revenue projection for PIT increased $148 million since the February 2015 Plan, to $10.869 billion. The revision is mostly due to an increase in the forecast for estimated payments in FY 2016. Due to a provision in the State Fiscal Year 2015 – 2016 enacted budget, the current City budget includes an adjustment to the PIT which eliminates the entire State Tax Relief Program (STAR) rate cut for New York City residents with incomes above $500,000 a year. This change is expected to be revenue neutral. While collections in withholding and estimated payments will increase, the New York State reimbursement to the City for the STAR program will be reduced by the same amount.

Projected revenues from business income taxes, i.e., the General Corporation Tax (GCT), Banking Corporation Tax (BCT), and the Unincorporated Business Tax (UBT), decreased by a net $66 million from the February 2015 Plan to $6.196 billion in FY 2016. This change is mostly due to a $64 million reduction in the UBT forecast. The May 2015 Plan reflects the State's new corporate income tax reform for New York City signed into law on April 13, 2015, which unifies the taxation of general corporations and banking corporations. As a result, the current Plan reflects the transfer of nearly all anticipated BCT revenues into GCT revenues for FY 2016 and beyond. The City believes the related changes will be revenue neutral.

The FY 2016 projection for sales tax revenue decreased slightly, by $7 million to $7.038 billion, while the projection for real-estate-related-taxes (RPTT and MRT) increased by a combined $47 million to $2.497 billion.

Projected Tax Revenue Growth, City Forecast, FYs 2016-2019

The FY 2016 Executive Budget and Financial Plan projects total tax revenues will grow by $5.647 billion from FY 2016 to FY 2019, representing an average annual growth rate of 3.5 percent. As shown in Table 12, the current Plan assumes tax revenues will grow by a modest 1.9 percent in FY 2016, down from a projected 5.5 percent in FY 2015. This forecast is based on the City's assumption of slower growth in employment and wages in calendar years 2015-2016 as well as lower levels of Wall Street profitability. As collections from non-property revenues improve, total tax revenue growth is expected to accelerate to 3.4 percent in FY 2017 and remain fairly constant for the remainder of the Plan period.

Table 12. City's Tax Revenue Forecast, Growth Rate, FYs 2016 – 2019

	FY 2016	FY 2017	FY 2018	FY 2019	Average Annual Growth
Property	4.5%	4.6%	4.3%	4.4%	4.4%
PIT	1.3%	1.2%	2.1%	3.0%	2.1%
Business	2.3%	2.8%	3.0%	3.5%	3.1%
Sales	4.2%	4.0%	4.1%	3.5%	3.9%
Real-Estate-Related	(8.1%)	3.2%	2.9%	2.7%	2.9%
All Other	(3.0%)	2.5%	2.6%	2.1%	2.4%
Total Tax with Audit	**1.9%**	**3.4%**	**3.5%**	**3.6%**	**3.5%**

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

Property tax revenue is projected to grow 4.5 percent in FY 2016 to $22.445 billion. Projected growth in property tax revenue is supported by strong billable value growth in the FY 2016 assessment roll. Large commercial and residential properties account for most of the growth. Although the City anticipates that a rise in long-term interest rates will put downward pressure on market value growth in the outyears, property tax revenue growth is expected to surpass growth in non-property taxes over the forecast period and average 4.4 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.

Growth in PIT collections is expected to decelerate from the projected 5.7 percent in FY 2015 to an estimated 1.3 percent in FY 2016, to $10.869 billion. PIT collections in FY 2016 are expected to be dampened by an anticipated decline in Wall Street bonuses and slower growth in employment and wages. While total withholding is forecast to increase 4.6 percent over the prior year, growth in estimated payments is expected to be flat. Over the Financial Plan period, growth in PIT revenues is expected to average 2.1 percent annually.

Total business income tax revenues are forecast to grow by 2.3 percent in FY 2016 to a combined $6.196 billion. Tax payments from finance sector firms are expected to be constrained by an anticipated decline in Wall Street profits while non-finance sector payments are expected to show moderate growth. The unified GCT growth projection for FY 2016 is 1.3 percent, while collections from UBT are expected to grow by a much faster 4.3 percent in FY 2016, a result of continued growth of assets under management of the hedge fund industry. Over the Financial Plan period business tax revenues are forecast to average 3.1 percent growth annually.

Sales tax collections are forecast to grow 4.2 percent in FY 2016 and reach $7.038 billion in FY 2016. The current forecast is supported by the City's assumption of moderate growth in taxable consumption and wages. Tourism is expected to continue to support taxable consumption. Over the Plan period, revenues from the sales tax are projected to grow steadily, supported by gradual growth in employment and wages as well as continued strength in the tourism sector. Revenue growth from the sales tax is expected to average 3.9 percent annually from FYs 2016 through 2019.

The current Plan forecasts real-estate-related tax revenues of $2.497 billion in FY 2016. Growth in the combined real-estate-related tax revenue is expected to decline by 8.1 percent in FY 2016 after increasing by a projected 9.2 percent in FY 2015. Revenues from those taxes have rebounded since the financial crisis, growing by an estimated 48 percent from FY 2013 to FY 2015 as commercial property transaction volume increased and prices rose. In FY 2016 revenues from residential transactions are expected to grow 24.3 percent over the current year as a result of the large number of new condo units reaching the market. In contrast, revenues from commercial transactions are forecast to decline 26.8 percent as rising interest rate weakens international demand. Aggregate real-estate-related tax revenue is expected to average 2.9 percent growth annually over the Financial Plan period.

Risks and Offsets to the City's Tax Revenue Assumptions

The Comptroller's Office's projections of risks and offsets to the City's tax revenue assumptions are based on current collections and the Office's latest economic projections. As illustrated in Table 13, the Comptroller's Office projects tax revenue offsets growing from $594 million in FY 2016 to $1.492 billion in FY 2019.

The Comptroller's Office anticipates no offset from the property tax in FY 2015, but forecasts moderate property tax offsets in FYs 2016 and 2017 and more substantial offsets in FYs 2018 and 2019, driven by rising market values and assessments. The

Comptroller's Office's economic forecasts anticipate that long-term interest rates will remain historically low at least through 2017, in turn keeping mortgage rates and capitalization rates relatively low and prices, especially of commercial properties, high. Even as market value growth slows in the outyears, the pipeline of transitional values for Class 2 and Class 4 properties will continue to boost billable assessments, as will the recovery of new residential construction activity.

The Comptroller's Office continues to anticipate significant PIT offsets throughout the Plan period. The Comptroller's Office 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 and beyond will be determined by prevailing economic conditions. The strong stock market gains of 2012-2014 are expected to 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. Deferred compensation in the finance industry, awarded in prior years, has begun to vest and provides a delayed boost to PIT collections.

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

Table 13. Risks and Offsets to the City's Tax Revenue Projections

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019
Property	$113	$318	$700	$1,038
PIT	276	494	563	502
Business	(4)	(1)	70	54
Sales	28	40	37	27
Real-Estate-Related	181	185	25	(129)
Total	$594	$1,036	$1,395	$1,492

Miscellaneous Revenues

In the FY 2016 Executive Budget the City projects miscellaneous revenues to decline $1.42 billion from the FY 2015 estimate to $4.77 billion, exclusive of private grants and intra-city revenues. The year-over-year change reflects mostly a decline in projected non-recurring revenues in FY 2016. FY 2015 non-recurring revenues includes a $1 billion transfer from the Health Stabilization Fund which helped fund the cost of labor settlements. Compared to the February Plan, the FY 2015 Modified Budget raises miscellaneous revenue projections by $414 million in FY 2015 while the FY 2016 May Plan lowers the FY 2016 estimate by $365 million. The upward adjustment to FY 2015 reflects higher revenue forecasts for almost all categories of miscellaneous revenues. Projections for licenses and franchises, charges for services and fines and forfeitures increased by a combined $170 million. These changes result mainly from higher estimated collections for construction permits, cable television and Wi-Fi revenues, fees such as 421-a tax incentive program fees and civil service exam fees, as well as higher building fines, Environmental Control Board (ECB) fines, and fines related to speed, red light and bus lane cameras. Other miscellaneous revenues also increased by a net $231 million in FY 2015. These revenues include $81.7 million in proceeds from a settlement with Commerzbank and $173.5 million from the sale of a site on East 73rd Street.

As Table 14 shows, the current FY 2016 miscellaneous revenue projection declined by a net $365 million compared to the February Plan forecast. The lower estimate is primarily the result of the City's adjustment to the "other miscellaneous" category to account for the delay in proceeds from the sale of taxi medallions. The February Plan included $312 million in FY 2016 in proceeds from taxi medallion sales. The City contends that all taxi medallion auctions planned for FY 2016 has been postponed because the Taxi and Limousine Commission needs to updates rules and monitors trends in the yellow taxi and the "for hire" industries before it auctions more medallions. The current Plan forecasts medallion sales to yield a much lower $731 million over FYs 2016-19 compared to a projected $1.266 billion in the February Plan. Consistent with upward adjustments to the FY 2015 projection, the FY 2016 miscellaneous revenue forecast also raises revenues from licenses and franchises, charges for services and fines and forfeitures. The revision reflects mainly higher estimated collections from construction permits, tuition revenues and bus lane and red light camera fines.[9]

Table 14. Changes in FY 2016 Estimates May 2015 vs. February 2015

($ in millions)

	May 2015	February 2015	Change
Licenses, Franchises, Etc.	$641	$603	$38
Interest Income	29	45	(16)
Charges for Services	948	926	22
Water and Sewer Charges	1,516	1,563	(47)
Rental Income	271	271	0
Fines and Forfeitures	810	788	22
Other Miscellaneous	554	938	(384)
Total	**$4,769**	**$5,134**	**($365)**

Source: NYC Office of Management and Budget.

After accounting for the changes in estimates of revenue from the sale of taxi medallions, miscellaneous revenues are projected to increase slightly to $4.92 billion in FY 2017 and average 2.1 percent growth annually over the Financial Plan period.

[9] Water and sewer revenues are excluded from the analysis because the bulk of these revenues represents reimbursement for operation and maintenance (O&M) of the water delivery and sewer systems and therefore is not available for general operating purposes.

Federal and State Aid

The Executive Budget projects total Federal and State aid of $20.12 billion in FY 2016, supporting nearly 26 percent of the City's total spending. Overall, about 80 percent of the City's Federal and State aid assumptions are in support of education and social services expenditures. In comparison, in the current fiscal year, Federal and State grants are projected at $20.98 billion and similarly support about 26 percent of total spending. The higher projection in the current year stems mainly from greater Federal Hurricane Sandy-related reimbursement and more conservative assumptions of certain Federal aid in future years.

Compared to the Preliminary Budget, Federal and State aid have increased by a net $730 million in FY 2016, reflecting additional Federal grants of $509 million and State grants of $221 million. The major change in Federal grants is an increase of $490 million in the Community Development Block Grant (CDBG). The City now expects an additional $489 million in CDBG-Disaster Recovery grants for Sandy-related costs to flow into FY 2016, boosting the total to $788 million.[10] The residual Federal aid increase is comprised of increases of $17 million in education and $10 million in other, offset by a reduction of $8 million in social services. Under State aid assumptions, education aid has risen by a net $168 million since the February Plan. The City has reflected an increase of $251 million in formula school aids based on allocations enacted by the State, offset by a $35 million reduction in full-day Universal Pre-Kindergarten grants and $48 million in revised special education pre-kindergarten reimbursement. The enacted State budget has linked the implementation of a new teacher evaluation plan to the school aid increase for next year. Districts that fail to meet the implementation deadline of November 15, 2015 would see their school formula aids frozen at 2014-2015 school year levels. For the City, this means a potential loss of $505 million (including building aid) in State education funding for FY 2016.[11] The remainder of the State aid increase includes $23 million for social services, $14 million for health and mental health, $9 million for higher education and $7 million for other.

Over the outyears of the Plan, Federal and State aid are expected to grow from $20.12 billion in FY 2016 to $20.40 billion in FY 2019, with growth dragged down by the decline in CDBG grants. However, net of CDBG funds, Federal and State grants are projected to grow at almost 2 percent annually. The most significant area of growth is State education aid, which is projected to rise nearly 10 percent over the outyears of the Plan. The level of Federal and State support of the overall expense budget would decline to an average of 24 percent annually in FYs 2017-2019. Federal aid, net of CDBG funds,

[10] The City has also raised its CDBG Disaster Recovery grants by $391 million for FY 2017, while at the same time reduced the FY 2015 estimate by $79 million. Overall, a net increase of $805 million in CDBG-Disaster Recovery funding has been reflected over the current Plan period.

[11] The City's previous failure to implement a teacher evaluation plan on time resulted in a loss of $303 million in State education aid in FY 2013.

would stay virtually flat over the same span. In contrast, Federal aid[12] grew at an annual rate of nearly one percent over the past five years, therefore the potential for greater Federal support of the City's expense budget exists in the outyears.

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

V. Expenditure Analysis

The $78.3 billion FY 2016 Executive Budget is $1.34 billion, or 1.7 percent, less than the Modified FY 2015 Budget. However, the FY 2015 Modified Budget includes a $280 million deposit into the RHBT, a reduction in prior-year estimates of $100 million, and a diminished general reserve of $50 million. In addition, the FY 2015 Modified Budget reflects a net increase of $1.03 billion in debt service from prepayments while the FY 2016 Budget reflects a decrease of $3.037 billion in debt service from prepayments. After adjusting to eliminate the impact of these items, the FY 2016 Budget, less the General Reserve, totals $80.44 billion, $1.96 billion or 2.5 percent, more than the FY 2015 Modified Budget net of the General Reserve.

As shown in Table 15, expenditure increases are dominated by growth in spending on salaries and wages, debt service, health insurance, other fringe benefits, and judgments and claims (J&C). The combined growth in these areas over the Financial Plan period is projected to be $5.98 billion, or 14.5 percent. In contrast, spending in the remaining expenditure areas, excluding the new Capital Stabilization Reserve, is projected to increase by $481 million, a 1.2 percent increase. Overall, expenditures adjusted for prepayments is projected to grow by 7.3 percent over the Plan period, a 2.4 percent annual growth rate.

Table 15. FY 2016 – FY 2019 Expenditure Growth Adjusted for Prepayments

($ in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	Growth FYs 2016 - 19	Annual Growth
Salaries and Wages	$24,819	$24,935	$26,273	$27,783	11.9%	3.8%
Debt Service	6,638	6,820	7,173	7,707	16.1%	5.1%
Health Insurance	5,651	5,982	6,351	6,931	22.7%	7.0%
Other Fringe Benefits	3,507	3,659	3,853	4,065	15.9%	5.0%
J & C	710	746	782	817	15.1%	4.8%
Subtotal	**$41,325**	**$42,143**	**$44,432**	**$47,303**	**13.8%**	**4.4%**
Pensions	$8,631	$8,594	$8,601	$8,699	0.8%	0.3%
Medicaid	6,424	6,424	6,424	6,424	0.0%	0.0%
Public Assistance	1,481	1,464	1,464	1,464	(1.1%)	(0.4%)
Other OTPS	23,088	23,216	23,253	23,518	1.9%	0.6%
Subtotal	**$39,624**	**$39,699**	**$39,743**	**$40,105**	**1.2%**	**0.4%**
Expenditures Before CSR	**$80,948**	**$81,842**	**$84,175**	**$87,407**	**8.0%**	**2.6%**
CSR	$500	$0	$0	$0	(100.0%)	NA
Total Expenditures	**$81,448**	**$81,842**	**$84,175**	**$87,407**	**7.3%**	**2.4%**

Labor

The City has settled or reached tentative agreements with unions representing about 80 percent of employees for the current round of collective bargaining. For the unions that have not yet reached a settlement, funds have been set aside in the labor reserve following the established patterns for both civilians and uniformed employees.

The balance in the labor reserve now stands at $731 million in FY 2015, $1.2 billion in FY 2016, $840 million in FY 2017, $1.7 billion in FY 2018, and $2.7 billion in FY 2019.

Included in the labor reserve is $13 million in FY 2018 and $254 million in FY 2019 to fund annual wage increases of 1 percent for the entire workforce beyond the current round of collective bargaining and small amounts yet to be transferred to City agencies for employees whose contracts are settled.

The May Plan reflects additions to the labor reserve of $59 million in FY 2016 and $54 million in each of FYs 2017 to 2019 to fund wage increases for contract employees who provide essential services at locations such as senior and early childhood centers and homeless shelters. The funds will provide income adjustments for about 35,000 Full-Time Equivalent (FTE) employees who will receive a 2.5 percent wage hike. Of this total, about 10,000 FTE's who are currently receiving the minimum wage are expected to have their wages increased to $11.50 an hour. It will cost the City $25 million annually to increase the wages of the affected employees to $11.50 an hour and $29 million annually for the proposed wage hike. Another $5 million will be spent in FY 2016 to develop a career path program for employees of affected contractors.

Subsequent to the release of the May Plan, tentative contract agreements were announced between the City and the Uniformed Sanitationmen's Association (USA) and between the New York City Housing Authority (NYCHA) and the Teamsters Local 237. The USA's agreement conforms to the uniformed pattern and provides for wage increases of 11 percent over the length of the contract. The Local 237 agreement conforms to the civilian pattern and provides for wage increases of 10 percent over the contract period. The labor reserve contains funding to cover the cost of both agreements.

There are three unions representing the remaining rank and file uniformed employees who have not reached labor settlements with the City.[13] Among them is the Patrolmen's Benevolent Association (PBA), representing uniformed police officers whose contract negotiation with the City is currently in binding arbitration. The New York State Public Employment Relations Board (PERB) has appointed an arbitration panel to have hearings, whereby the PBA and the City present their respective positions. The hearings are ongoing. If the arbitration decision results in higher wage increases than funded for uniformed employees, the City's labor cost will increase for the current round of collective bargaining.

Overtime

The FY 2016 Executive Budget includes approximately $1.1 billion for overtime expenditures. This projection is approximately 19 percent lower than the FY 2015 overtime estimate of $1.36 billion and 23 percent lower than FY 2014 actual overtime expenditures of $1.44 billion. The unusually heavy snowfalls over the last two winters, the reduced headcount levels at both the Department of Correction (DOC) and the Fire

[13] Patrolmen's Benevolent Association (PBA), Uniformed Firefighters' Association (UFA), and Correction Officers' Benevolent Association (COBA).

Department (FDNY), as well as civil rights protests contributed to the high overtime spending in FYs 2014 and 2015. As a percentage of wages and salaries for all employees, overtime expenses in FY 2014 accounted for almost 6.0 percent compared to about an average of 5.5 percent in FYs 2009 through 2013.

As shown in Table 16, the Comptroller's Office projects that FY 2016 overtime expenditures will be $1.3 billion, about $192 million more than proposed in the FY 2016 Executive Budget stemming from uniformed personnel overtime in the NYPD and the DOC.

Table 16. Projected Overtime Spending, FY 2016

($ in millions)

	City Planned Overtime FY 2016	Comptroller's Projected Overtime FY 2016	FY 2016 Risk
Uniform			
Police	$424	$546	($122)
Fire	202	202	0
Correction	80	150	(70)
Sanitation	92	92	0
Total Uniformed	$798	$990	($192)
Others			
Police-Civilian	$85	$85	$0
Admin. for Children Services	17	17	0
Environmental Protection	23	23	0
Transportation	39	39	0
All Other Agencies	142	142	0
Total Civilians	$306	$306	$0
Total City	**$1,104**	**$1,296**	**($192)**

NYPD uniformed overtime spending grew at an average annual rate of 1.3 percent between FYs 2010 and 2014.[14] The FY 2015 overtime cost is expected to increase more sharply to about $560 million from $486 million spent in FY 2014. In FY 2015, additional overtime costs were incurred due to (1) local civil unrest stemming from the grand jury decisions in Ferguson, MO and Staten Island, (2) extended summer hours at NYCHA Community Centers, and (3) the "operation summer all out" program when police officer patrols were stepped up in precincts that experienced a higher number of shooting incidents. The summer initiatives, together with other new or enhanced crime fighting initiatives, will result in FY 2016 overtime spending being similar to that of FY 2015. The Comptroller's Office projects the NYPD will spend at least $546 million for uniformed overtime in FY 2016, about $122 million more than currently planned.

The FY 2016 Executive Budget expects the DOC to end FY 2015 with a headcount of about 9,537 uniformed personnel and end FY 2016 with about 9,653 uniformed personnel. The 116 additional officers in FY 2016 are expected to help serve some of DOC's current operational needs as well as provide staffing for some new

[14] The rates were calculated after overtime expenses were adjusted to exclude costs associated with Hurricane Sandy recovery and the Occupy Wall Street Movement.

initiatives. However, achieving the planned headcount levels may prove to be challenging given the difficulty in meeting planned headcount in recent years. The FY 2015 planned headcount implies a net increase of 615 officers in FY 2015. However, as of March 31, 2015, the DOC had 8,921 uniformed personnel. After expected attrition over the last quarter of the current fiscal year, without additonal hiring, the June 30, 2015 uniformed headcount is likely to fall below the June 30, 2014 headcount of 8,922 uniformed officers. A shortfall in headcount relative to the planned level will exert pressure on FY 2015 overtime spending. However, the increase to overtime will likely be offset by FY 2015 personal service cost accrual savings from the shorfall in staffing levels.

The DOC has spent $131 million on uniformed overtime through April 2015 and is on target to spend about $150 million for FY 2015. If this trend continues, the City's budget faces a risk of $70 million in FY 2016.

Headcount

The FY 2016 Executive Budget and May Financial Plan projects full–time City-funded headcount of 241,855 employees as of June 30, 2015. Total planned City-funded headcount remains fairly steady throughout the Financial Plan period, as shown in Table 17.

Table 17. City-Funded Full-Time Year-End Headcount Projections

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Pedagogical					
Dept. of Education	93,318	90,714	90,714	90,714	90,714
City University	4,162	4,357	4,391	4,391	4,391
Subtotal	**97,480**	**95,071**	**95,105**	**95,105**	**95,105**
Uniformed					
Police	34,483	34,483	34,483	34,483	34,483
Fire	10,781	10,782	10,782	10,782	10,782
Correction	9,537	9,653	9,678	9,678	9,678
Sanitation	7,297	7,310	7,445	7,445	7,445
Subtotal	**62,098**	**62,228**	**62,388**	**62,388**	**62,388**
Civilian					
Dept. of Education	9,025	9,114	9,089	9,089	9,089
City University	1,905	1,855	1,853	1,853	1,853
Police	15,055	14,884	14,884	14,884	14,884
Fire	5,371	5,599	5,599	5,599	5,599
Correction	1,738	1,883	1,883	1,868	1,868
Sanitation	2,064	2,135	2,178	2,178	2,178
Admin. for Children's Services	6,482	7,061	7,065	7,065	7,065
Social Services	10,601	10,689	10,252	10,230	10,230
Homeless Services	2,191	2,306	2,271	2,270	2,270
Health and Mental Hygiene	3,522	3,686	3,707	3,707	3,706
Finance	2,025	2,032	2,027	2,022	2,022
Transportation	2,353	2,466	2,312	2,312	2,321
Parks and Recreation	3,388	3,400	3,402	3,402	3,402
All Other Civilians	16,557	17,218	17,257	17,207	17,207
Subtotal	**82,277**	**84,328**	**83,779**	**83,686**	**83,694**
Total	**241,855**	**241,627**	**241,272**	**241,179**	**241,187**

City-funded headcount for FY 2016 has 170 fewer positions compared to the February Plan projection, as shown in Table 18. However, the reductions in the Plan include the shifting of 2,808 UPK positions in the Department of Education (DOE) from City-funded positions to State-funded positions. Further, the reduction of 151 uniformed positions in the Department of Sanitation for FY 2016 is due mainly to a postponement of hiring because of the delay in completing three of the four Marine Transfer Stations. Netting out these two reductions, the FY 2016 Executive Budget increases total City workforce by 2,789 positions, including 200 positions in the City University that are technical adjustments.[15]

[15] Technical adjustments to the headcount level represents a realignment of the Plan to actual headcounts. These employees may have already been hired in previous years and reflected in the actual headcount, but not previously reflected in the Plan. Technical adjustments may also include shifting positions to/from City funding from/to other types of funding.

Table 18. Changes to FYs 2015 – 2019 City-Funded Full-Time Headcount
May 2015 Financial Plan vs. February 2015 Financial Plan

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Pedagogical					
Dept. of Education	15	(2,589)	(2,589)	(2,589)	(2,589)
City University	0	200	200	200	200
Subtotal	**15**	**(2,389)**	**(2,389)**	**(2,389)**	**(2,389)**
Uniformed					
Police	0	0	0	0	0
Fire	0	1	1	1	1
Correction	0	127	152	152	152
Sanitation	(35)	(151)	72	72	72
Subtotal	**(35)**	**(23)**	**225**	**225**	**225**
Civilian					
Dept. of Education	0	82	57	57	57
City University	0	2	0	0	0
Police	4	35	35	35	35
Fire	0	30	35	35	35
Correction	10	156	156	141	141
Sanitation	0	12	55	55	55
Admin. for Children's Services	0	217	221	221	221
Social Services	57	328	227	264	264
Homeless Services	26	158	123	123	123
Health and Mental Hygiene	38	226	251	251	250
Finance	0	12	12	12	12
Transportation	(46)	227	73	73	82
Parks and Recreation	0	81	81	81	81
All Other Civilians	56	676	743	703	703
Subtotal	**145**	**2,242**	**2,069**	**2,051**	**2,059**
Total	**125**	**(170)**	**(95)**	**(113)**	**(105)**

Significant new additions to planned City-funds headcount for FY 2016 include:

- An increase of 217 positions in the Administration for Children's Services, of which 172 positions are to provide improved services, including in-sourcing some nurses and other staff.

- An increase of 145 positions in the DSS to expand issuances of the New York City Municipal Identification Card (IDNYC) beyond FY 2015.

- An increase of 178 positions in DHS to improve support in various areas like homeless prevention, rental assistance and advocacy.

- An increase of 283 positions in the Department of Correction (DOC), including 212 positions to promote anti-violence, improve responses to violent incidents, keep contraband out of facilities, reduce idle time for inmates and improve housing classification.

- An increase of 232 positions in the Department of Buildings, including 61 plan examiners and 57 enforcement personnel.

- An increase of 192 positions in the Department of Health & Mental Hygiene (DHMH), including 50 positions to try to eliminate rats from parks, sewers and sidewalks.

- An increase of 152 position in the DOT, including 62 positions to further promote the Mayor's vision of zero automotive accidents in the City.

- An increase of 124 positions in the Department of Information Technology & Telecommunications (DOITT), including 70 positions to reduce reliance on contractors.

Included in the May 2015 headcount plan is a net reduction of 161 uniformed and 367 civilian positions in FY 2016 attributed to the Citywide Savings Program. These headcount changes are expected to generate savings of approximately $26 million in FY 2016. Savings related to headcount changes over the Plan period are $2 million in FY 2015, $26 million in FY 2016 and $20 million in each of FYs 2017 through 2019. The increase in headcount related savings in FY 2016 is due to the full-year impact of FY 2015 headcount reductions and additional headcount reductions in FY 2016. Headcount savings dropped in the outyears primarily because $11 million of the headcount savings in FY 2016 is due to the delay of hiring for new Marine Transfer Stations to FY 2017. Following are some of the significant headcount changes expected by June 30, 2016 from this program:

- The Department of Social Services (DSS) plans to streamline some administrative processes that will allow it to eliminate 252 positions. Another five positions will be reduced after HASA (HIV/AIDS Services Administration) emergency housing oversight is consolidated under a single contractor, eliminating the need for staff to oversee multiple providers.

- The Department of Sanitation (DOS) plans to reduce 161 uniformed positions and add a net three civilian positions. A previously planned hiring of 147 uniformed and 43 civilian personnel to operate new Marine Transfer Stations will be postponed from FY 2016 to FY 2017, as the openings of the stations have been postponed. Further, 14 uniformed positions are to be reduced at DOS's chlorofluorocarbon (CFC) removal program. The reduction in the CFC removal program is not expected to result in service reductions but will simply align budgeted headcount with operational needs. DOS also plans to add 46 new civilian positions to hire in-house expertise to replace expensive "technology" contractors.

- The Department of Transportation (DOT) plans to reduce 52 positions, but 46 of those are shifts of funding source - 34 bridge inspector positions will become federally-funded and 12 speed-hump crew positions will become State-funded.

The other six positions will be reduced through a reorganization of Traffic Operations & Transportation Planning and management staff.

- The Department of Homeless Services (DHS) plans to consolidate some administrative functions and reduce 22 positions. DHS also plans to add two positions to replace two contract workers who currently provide information technology services.

- The Office of Payroll Administration plans to eliminate 20 positions, 18 of which are currently positions authorized for the CityTime timekeeping system.

June 30, 2015 Planned Headcount Target vs. March 31, 2015 Actuals

The actual City-funded full-time headcount was 238,438 employees on March 31, 2015, lower than the June 30, 2015 target by 3,417 employees, as shown in Table 19. Some agencies like the Department of Correction, the Department of Transportation, the Administration for Children's Services, the Department of Health and Mental Hygiene, and the Department of Social Services may find it difficult to hire enough employees to meet the June 30, 2015 target, over and above expected attrition; the Police department may also encounter this problem in connection with its civilian headcount targets.

Conversely, the Department of Education is likely to exceed its planned June 30, 2015 civilian headcount.

Table 19. City-Funded Full-Time Headcount
May 2015 Plan Target for June 30, 2015 vs. March 31, 2015 Actuals

	Mar. 31, 2015 Actuals	June 30, 2015 (May 2015 Plan)	Difference	Percent
Pedagogical				
Dept. of Education	93,607	93,318	(289)	(0.31%)
City University	4,003	4,162	159	3.97%
Subtotal	**97,610**	**97,480**	**(130)**	**(0.13%)**
Uniformed				
Police	35,139	34,483	(656)	(1.87%)
Fire	10,606	10,781	175	1.65%
Correction	8,921	9,537	616	6.91%
Sanitation	7,356	7,297	(59)	(0.80%)
Subtotal	**62,022**	**62,098**	**76**	**0.12%**
Civilian				
Dept. of Education	9,948	9,025	(923)	(9.28%)
City University	1,917	1,905	(12)	(0.63%)
Police	14,470	15,055	585	4.04%
Fire	5,360	5,371	11	0.21%
Correction	1,380	1,738	358	25.94%
Sanitation	1,924	2,064	140	7.28%
Admin. for Children's Services	5,904	6,482	578	9.79%
Social Services	10,125	10,601	476	4.70%
Homeless Services	1,892	2,191	299	15.80%
Health and Mental Hygiene	3,045	3,522	477	15.67%
Finance	1,859	2,025	166	8.93%
Transportation	1,868	2,353	485	25.96%
Parks and Recreation	3,205	3,388	183	5.71%
All Other Civilians	15,909	16,557	648	4.07%
Subtotal	**78,806**	**82,277**	**3,471**	**4.40%**
Total	**238,438**	**241,855**	**3,417**	**1.43%**

Pensions

The FY 2016 Preliminary Budget projects that the City's pension expenditures will increase by two percent to $8.632 billion in FY 2016, from $8.496 billion in FY 2015, and thereafter remain relatively flat through FY 2019, as shown in Table 20. The FY 2015 projections are unlikely to change and are considered to be final.

Table 20. FY 2015 – FY 2019 City Pension Expenditures

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Five Actuarial Systems	$8,487	$8,541	$8,437	$8,496	$8,587
Reserve for Expected Adjustments	0	61	120	57	57
Non-Actuarial Systems	65	69	73	78	83
Non-City Systems	71	85	88	94	95
Less: Intra City-Expense	(127)	(124)	(124)	(124)	(124)
Net Pension Expense May Plan	8,496	8,632	8,594	8,601	8,698
Net Pension Expense February Plan	8,456	8,405	8,375	8,360	8,457
Net Change	**$40**	**$227**	**$219**	**$241**	**$241**

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

Between the February and May plans, pension cost projections increased by $227 million for FY 2016, $219 million for FY 2017, and $241 million each for FYs 2018 and 2019. A portion of these increases — $181 million in FY 2016, $175 million in FY 2017, and approximately $196 million in each of FYs 2018 and 2019 — were due to adjustments to reflect certain improvements in census data.

About $70 million in FY 2015 and $45 million in each of FYs 2016 through 2019 were due to the transfer of funding from the labor reserve for additional pension costs associated with the labor contracts for uniformed employees based on the Uniform Superior Officers Coalition (USOC) agreement. The USOC agreement provided for an additional one-percent wage increase above the United Federation of Teachers (UFT) agreement. The current pension projections include the pension impact of both collective bargaining agreements for groups that have settled their contracts as well as assumed wage increases for groups that have not yet settled for the current collective bargaining round.

Investment Returns for FY 2015

The City's Office of the Actuary measures the actual investment returns earned by each pension fund each fiscal year and compares them to the returns that would have been generated if investment earnings had equaled the Actuarial Investment Return Assumption (AIRA).[16] Any investment returns above or below the AIRA for a given fiscal year are phased into the Actuarial Asset Value over a six-year period in accordance with the Actuarial Asset Valuation Methodology (AAVM) used by the City. As a result of the AAVM, the actuarial cost method, and other actuarial methodologies used by the City, each percentage point of investment earnings above or below the AIRA for FY 2015 is estimated to correspondingly lower or increase the City's pension expenditures by approximately $17 million in FY 2017, $35 million in FY 2018, and $52 million in FY 2019.[17]

[16] The City currently uses an AIRA of 7.0 percent per annum.

[17] The City currently uses the Entry Age Normal Actuarial Cost Method to calculate employer pension contributions.

Independent Actuarial Audits

The New York City Audit Committee engaged Gabriel, Roeder, Smith & Company (GRS) in 2012 to serve as the independent actuarial auditor under Chapter 96 of the New York City Charter and conduct two consecutive biennial independent actuarial audit, encompassing (1) audits of employer contributions for FY 2012 and FY 2014 to validate actuarial calculations and methods, (2) experience studies of data through June 30, 2011 and June 30, 2013 to validate actuarial assumptions, (3) two administrative reviews of the City's data collection processes to validate the data used in actuarial calculations, and (4) two certifications to confirm that the pension systems are being funded in conformity with all applicable financial, actuarial and statutory requirements.

GRS completed its first engagement and issued final reports on October 28, 2014. GRS is currently working on its second engagement and expects to issue final reports, containing their findings and recommendations, in the later part of 2015.

The City's Chief Actuary will review GRS' findings and recommendations, and taking into consideration these findings and recommendations, present to the Boards of Trustees of the pension funds recommendations for changes to calculations and methodologies as appropriate.

Health Insurance

Compared to the February Plan, the City's health insurance cost projections in the May Plan increased annually by $298 million in FY 2015, $74 million in FY 2016, $59 million in FY 2017, $25 million in FY 2018, and $83 million in FY 2019. The FY 2015 increase reflects a planned deposit of $280 million in the RHBT, which was created to fund retiree health benefits. The remaining increases will fund costs related to planned headcount changes.

Estimated FY 2016 health insurance expenditures for employees and retirees total $5.651 billion, an increase of 8 percent or $427 million over the FY 2015 estimate of $5.224 billion, as shown in Table 21. Thereafter, health insurance costs are projected to increase by approximately 7.0 percent annually to $5.98 billion in FY 2017, $6.35 billion in FY 2018 and $6.93 billion in FY 2019.

The projections are based on the assumption that underlying health insurance premium rates will increase by 2.89 percent for FY 2016, 9.0 percent in each of FYs 2017 and 2018, and 7.0 percent in FY 2019. The FY 2016 increase follows a zero percent health insurance premium rate increase for FY 2015, as Emblem Health – whose rates establish the amounts paid by the City for all employees – did not request a rate increase for CY 2014.

Table 21. FY 2016 Executive Budget Health Expenditures

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Department of Education	$1,972	$2,136	$2,239	$2,344	$2,599
CUNY	61	102	109	113	120
All Other	3,191	3,413	3,634	3,895	4,213
Total Health Insurance Costs	**$5,224**	**$5,651**	**$ 5,982**	**$6,352**	**$6,932**
Retiree Health Benefit Trust Fund (RHBT)*	**280**	**0**	**0**	**0**	**0**
Adjusted Total	**$5,504**	**$5,651**	**$5,982**	**$6,352**	**$6,932**

*The fund balance for the RHBT, as of June 30, 2016, is expected to be $2.6 billion.

The projected growth in health insurance costs are lower than the expected premium increases because the projections reflect savings from a May 2014 Healthcare Reform Agreement between the City and the Municipal Labor Committee (MLC).[18] Thus far, the City has outlined cumulative savings of $2.4 billion through FY 2018. The bulk of the savings result from the continued impact in future years of lower than expected health insurance premium rate increases in FY 2015 and FY 2016:

- The FY 2015 rates for Senior Care health insurance increased by 0.32 percent rather than the previously budgeted 8 percent, thus producing cumulative savings of $179 million through FY 2018.
- Similarly, the health insurance premium rate increase of 2.89 percent in FY 2016, rather than the 9.0 percent that was previously projected, is expected to result in cumulative savings of $1.12 billion through FY 2018.

Public Assistance

Through April, the City's FY 2015 public assistance caseload has averaged 349,860 recipients per month. The average monthly caseload has increased by about two percent, or 6,115 recipients compared to the average monthly caseload in FY 2014. The City's public assistance caseload still remains almost 70 percent below the historical peak, however it has rebounded sharply during FY 2015 since falling to a recent low of 336,403 in May 2014. The April 2015 public assistance caseload of 357,015 represents an increase of about 6 percent from the May 2014 caseload. Thus far in FY 2015, public assistance grants spending has averaged about $112 million per month, an increase of 5.7 percent from the FY 2014 monthly average of approximately $106 million.

The City has revised its FY 2016 public assistance caseload projection to an average of 368,869 monthly, which is an increase of 5.3 percent from the previous projection of 350,297. Thereafter, the caseload projection remains flat at 370,666 for FYs 2017-2019. The Executive Budget also raises estimates for baseline grants expenditures by about 6 percent to $1.43 billion in FY 2016. The funding would

[18] In May 2014, the City and the MLC reached an agreement on healthcare reform that will provide savings of $400 million in FY 2015, $700 million in FY 2016, $1 billion in FY 2017, and $1.3 billion annually in FY 2018 and beyond. The savings are earmarked to offset some of the cost of the current round of collective bargaining.

accommodate average monthly spending of $119 million, about 6 percent higher than the monthly average of $112 million thus far in FY 2015. For the remainder of the Plan, baseline grant spending is projected to fall slightly to $1.41 billion annually, mainly due to additional emergency assistance funding that the City has provided for rent arrears in FY 2016 only in the Executive Budget. The projections of public assistance grants spending in the Executive Budget appear consistent with recent trends. However, if the increase in public assistance spending continues for an extended period, it could pose risks to the City's assumptions over the outyears of the Plan.

Department of Education

The FY 2016 Executive Budget projects $21.75 billion in funding for the Department of Education (DOE), representing an increase of $904 million or 4.3 percent from the Fiscal 2015 estimate of $20.84 billion. City support constitutes nearly 47 percent, or $10.17 billion, of the Department's FY 2016 operating budget. State aid contributes an additional 45 percent, or $9.73 billion, towards the total, with the remainder comprised mainly of Federal grants. Compared with the February Plan, the Department's FY 2016 budget has increased by a net $168 million comprised of $168 million in State aid and $17 million in Federal grants, partly offset by a decline of $17 million in City-funds.

In the Executive Budget, the City has provided funding for an extensive list of initiatives covering a wide range of program areas totaling $118 million. Foremost among these is the Mayor's priority to continue support for the Renewal Schools program, targeting 94 of the City's worst-performing schools primarily through downsizing and extended school days as well as offering on-site community and social services. The Renewal Schools program will draw $50 million in City funds, which along with $58 million in Federal Title I funds, pushes total funding to $108 million. Additional City funds have also been reflected for a host of other actions, including $12 million for prevailing wage for custodians, $10 million for leases, $7 million in Fair Student Funding, $6 million for bus route efficiencies, $6 million for PCB removal and $6 million for preventive maintenance under the "One City, Built to Last" initiative. Despite these increases, City-funds decline in the Executive Budget mainly because of the following offsets: $56 million in reduced spending mostly in special education pre-kindergarten, $42 million in efficiency savings and $31 million in lower fuel and energy costs. The efficiency savings are expected from broad-based categories that are mostly administrative in nature. In the context of the citywide savings initiative, the DOE efficiencies constitute less than one percent of the overall value of the program despite it being the largest City agency. Moreover, the savings represent a mere 0.4 percent of the City support from the Department's February Plan baseline.

The additional State aid reflected in the Executive Budget is consistent with school aid allocations in the enacted State budget. In total, the City's projection of formula school aids rises by $251 million in the current plan, including $220 million in Foundation Aid.[19]

[19] The State has approved a new teacher evaluation plan with equal emphasis on student test performance and classroom observation. Unless school districts implement the new evaluation plan by a state-imposed deadline of November 15, 2015, they would have to forego increases in their school aid allocations for the

This increase in funding is partially offset by decreases of $35 million in full-day prekindergarten grants and $48 million in special education pre-kindergarten reimbursement. The City has opted to redirect the additional Foundation Aid to support the following areas: $107 million for Universal Prekindergarten, $36 million for charter school tuition and leases, $26 million in Fair Student Funding for low performing schools and $51 million for all other.

Over the remainder of the plan, the DOE budget is projected to grow at an average of 3.8 percent, or $848 million annually. DOE spending is budgeted to rise to $22.59 billion in FY 2017 and $23.41 billion in FY 2018, before reaching $24.29 billion by FY 2019. The largest component of the growth is City-funds, which is expected to rise by $1.58 billion over this period, while State funds makeup an additional $966 million. Federal and other categorical support are projected to remain basically flat in the outyears of the Plan.

The Department faces ongoing risks from its assumptions of Federal Medicaid revenue in the current Plan. The DOE budget anticipates Medicaid reimbursement of $67 million in the current year and $97 million annually in the outyears for special education occupational and physical therapy services. These targets are unrealistically high when compared to actual collections over the past two years, during which the Department only managed to collect $6 million in FY 2013 and $2 million in FY 2014. For FY 2015, the Department has thus far realized only $7 million in Medicaid revenue. Therefore, the Comptroller's Office projects risks of $60 million in FY 2015 and $80 million in each of FYs 2016-2018.

Health and Hospitals Corporation

The fiscal outlook for the Health and Hospitals Corporation (HHC) remains challenging in the Executive Budget. The projected HHC deficit for FY 2016 is expected to reach $618 million, on a cash basis, compared with an estimated surplus of $101 million for FY 2015. Compared with its January Plan projections, the Corporation's projected surplus for FY 2015 has declined by about $242 million. The major revision in FY 2015 is a reduction of $203 million in Supplemental Medicaid Upper Payment Limit revenue due to methodology changes at the Federal and State levels. In addition, the Corporation has baselined restructuring savings and cost containment actions previously held below the line in its gap closing program at a total of $280 million. HHC indicates that only about a quarter of the expected savings have been achieved, roughly $70 million, and their impact is largely muted in the current plan update because of spending increases in other areas. These developments have reduced HHC's projected FY 2015 year-end cash balance by virtually half, falling from $1.03 billion in the January Plan to a current estimate of $497 million.

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upcoming school year. The State Education Department (SED) expects to issue guidelines and regulations for the new plan, subject to review and approval by the State Board of Regents, by June 30, 2015. Districts are then required to submit their teacher evaluation plans for review by September 1st and secure SED approval by November 15th. The State Board of Regents recently indicated that the November 15th deadline is unrealistic for many districts and exemptions may be considered for certain districts facing hardships that would extend their deadline to September 1, 2016.

HHC expects its cash balance will fall by another $145 million to $352 million by the end of FY 2016. However, to achieve this balance, the Corporation is relying on a gap closing program of $475 million that contains $351 million in restructuring and other internal savings. Provided that these actions have generated only modest budgetary relief in FY 2015, HHC may need additional backing from the City in order to achieve its cash balance projection in FY 2016. In the past fiscal year, the City provided additional support by foregoing $300 million in a retroactive FY 2013 payment due from HHC. A similar scenario may reoccur given that HHC is still responsible for retroactive FY 2014 payments of $310 million to the City in FY 2015.

Debt Service

As shown in Table 22, debt service in the May 2015 Executive Budget and Financial Plan, net of prepayment adjustments, is projected to grow from $6.03 billion in FY 2015 to $7.79 billion in FY 2019, an increase of $1.76 billion, or an average growth rate of 6.6 percent per year. [20]

Table 22. May 2015 Financial Plan Debt Service Estimates

($ in millions)

Debt Service Category	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change from FYs 2015 – 2019
GO[a]	$3,748	$4,365	$4,460	$4,549	$4,633	$885
TFA [b]	1,982	2,052	2,150	2,354	2,779	797
Lease-Purchase Debt	224	221	210	269	295	71
TSASC, Inc.	74	74	74	82	82	8
Total	**$6,028**	**$6,712**	**$6,894**	**$7,255**	**$7,789**	**$1,761**

SOURCE: May 2015 Financial Plan.
NOTE: Debt service is adjusted for prepayments.
[a] Includes long-term GO debt service and interest on short-term notes.
[b] Amounts do not include TFA BARBs.

These projections represent decreases from the February 2015 Financial Plan of $271 million in FY 2015, $159 million in FY 2016, $393 million in FY 2017, $365 million in FY 2018, and $345 million in FY 2019.

The decrease in planned FY 2015 debt service is the result of a $187 million reduction in General Obligation (GO) debt service, and $84 million in estimated TFA savings. Of the $187 million decline in GO debt service, $153 million is the result of lowering estimates for current year interest costs for GO Variable Rate Demand Bonds (VDRB), along with $27 million in expense savings from lowered swap payments, and $7.8 million in refunding savings. TFA debt service savings of $84 million results primarily from reduced variable-rate interest cost assumptions.

The reduction in estimated debt service from the February Plan in FY 2016 is comprised of GO debt service and lease-purchase debt savings of $71 million and TFA

[20] Includes debt service on GO, TFA, and TSASC bonds as well as lease-purchase debt and interest on short-term notes.

savings of $88 million. GO savings of $58 million are derived from $25 million of refunding transaction savings, another $27 million in lowered projected debt service due to lower interest rates, and $6 million in lower projected VRDB costs. The balance of $13 million in savings is from a decrease in the City's interest supports payments (ISP) to the Hudson Yards Infrastructure Corporation (HYIC). The $88 million in lowered TFA projections in FY 2016 is from $46 million in lowered projected debt service, and $42 million of savings derived from the release of excess State Building Aid retention.[21]

The FY 2017 decrease of $393 million is attributed to TFA savings of $201 million along with GO savings of $94 million, and $98 million in lowered ISP payments to the HYIC. Of the $201 million in TFA estimated savings in FY 2017, $60 million is from excess State Building Aid retention released to TFA and another $60 million from a technical adjustment due to the over-financing of certain capital expenditures in the past. The balance of $81 million is primarily from lowered projected future debt service due to lower interest rate projections.

In FY 2018 the estimated $365 million of savings come from TFA savings of $220 million, GO savings of $114 million, and $32 million of lowered ISPs to the HYIC. Once again, over $88 million of TFA savings are from excess State Building Aid retention and $30 million from a technical adjustment from over-financed capital expenditures in the past, and the balance for both GO and TFA from a mix of achieved refunding savings and lowered future projected debt service.

In FY 2019, the estimated $345 million of savings are comprised of $223 million of projected TFA savings and $122 million of GO savings. Excess State Building Aid retention provides an estimated $115 million of relief to TFA, and the balance for both GO and TFA is from a mix of achieved refunding savings and lowered estimated future debt service.[22]

Debt Refinancing

The Comptroller's Office, together with the Office of Management and Budget (OMB), closely monitors the City's outstanding bonds and market conditions to refinance debt when opportunities to realize debt service savings present themselves. Since January 1, 2010, refundings have saved City taxpayers and water and sewer rate payers over $3.90 billion.[23]

Debt Affordability

Debt service as a percent of local tax revenues is one of several measures of debt affordability commonly used by municipal analysts and government officials alike. The

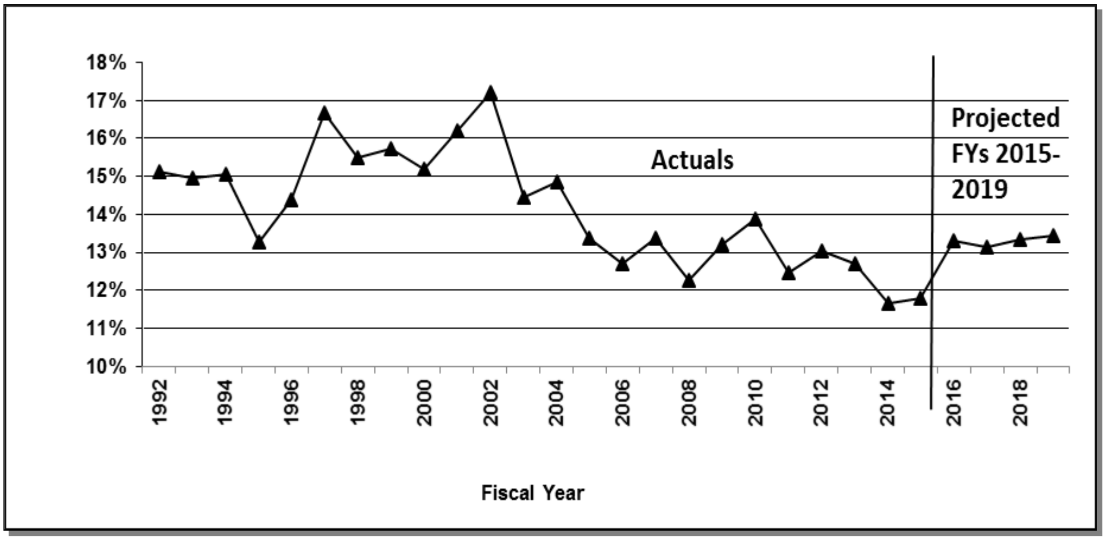
[21] Projected long-term interest rates on future borrowing for both GO and TFA have been lowered by 1.5 percent in FY 2016, and 1 percent in FYs 2017 through 2019.

[22] Excess State Building Aid retention represents Building Aid revenues above the debt service requirements of the TFA BARBs, and are, at the discretion of NYC OMB, used to offset debt service of the TFA at large.

[23] Includes Sales Tax Asset Receivable (STAR) Corporation refunding savings of $649 million.

May 2015 Plan projects that debt service will consume 11.8 percent of local tax revenues in FY 2015, 12.9 percent in FY 2016, 12.8 percent in FY 2017, 13.0 percent in FY 2018 and 13.5 percent in FY 2019, as shown in Chart 3. The upward trend of this ratio is the result of the City's debt service growing at a faster rate than its tax revenues. Between FY 2015 and FY 2019, the City's debt service is estimated to grow by 29 percent, resulting in an annual growth rate of 6.6 percent over the Financial Plan period. In contrast, the estimated annual tax revenue growth for the same period is 3.1 percent.

Chart 3. Debt Service as a Percentage of Tax Revenues, 1992 – 2019



SOURCE: NYC Office of Management and Budget, May 2015 Financial Plan.

Financing Program

The May 2015 Executive Budget and Financial Plan has $37.5 billion of planned City and State supported borrowing in FYs 2015 – 2019. As shown in Table 23, GO and TFA PIT-supported borrowing still account for three-quarters of the total borrowing over this period. Planned TFA PIT borrowing totals $15.10 billion while GO borrowing totals $13.01 billion.

Planned borrowing over FYs 2015 – 2019 is $1.34 billion higher than the February 2015 Plan. TFA borrowing is projected to increase by $740 million over the period, with GO borrowing increasing by $500 million along with increased NY Water Finance Authority (NYWFA) borrowing of $331 million. These increases are offset by a $229 million decrease in TFA BARBs borrowing. This borrowing plan for TFA BARBs keeps the issuance of future BARBs debt within its $9.4 billion statutory limit.

NYWFA planned FYs 2015 – 2019 borrowing of $6.57 billion accounts for 17.5 percent of the City's capital borrowing plan during this period. However, unlike other debt that is financed by revenues derived from collection of the property tax and other general fund revenues, NYWFA debt service is funded by water and sewer user fees that are collected directly by the NYC Water Board. As a result, NYWFA debt service is not included in the City's general fund.

Table 23. May Financing Program, FYs 2015 – 2019

($ millions)

Description:	Estimated Borrowing and Funding Sources FYs 2015-2019	Percent of Total
General Obligation Bonds	$13,010	34.7%
TFA – PIT Bonds	15,100	40.2
NYC Water Finance Authority	6,569	17.5
TFA – BARBs	2,844	7.6
Total	**$37,523**	**100.0%**

SOURCE: May 2015 Financial Plan, NYC Office of Management and Budget.

Capital Commitment Plan

The May Capital Commitment Plan for FYs 2015 – 2019 contains $57.38 billion in authorized all-funds commitments, as shown in Table 24.[24] Included in that is $48.62 billion in City-funds, as shown in Table 25. All-funds commitments increased by $4.25 billion, or 9.5 percent, from the February 2015 Commitment Plan.[25] Nearly all of the increase ($4.24 billion) was from net changes to City-funded projects.

On an all-funds basis:

- After adjusting for the reserve for unattained commitments of $4.38 billion over the period, the May 2015 Capital Commitment Plan for FYs 2015 – 2019 reflects $53 billion in commitments.
- The Plan is less front-loaded with 24.7 percent of all-funds commitments scheduled for FY 2015 compared to 38.8 percent in the February Plan.

Consistent with prior Plans, capital commitments for DOE and City University of New York (CUNY), the Department of Environmental Protection (DEP), the Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for 71 percent of all-funds commitments.[26]

[24] The Commitment Plan is a schedule of anticipated capital contract registrations.

[25] Since there was no FY 2019 Plan in February, changes are computed from FYs 2015-2018 alone.

[26] This percentage assumes all DOT project types, not just bridges and highways.

Table 24. FYs 2015 – 2019 Capital Commitments, All-Funds

($ in millions)

Project Category	May 2015 FYs 2015– 2019 Commitment Plan	Percent of Total
Education & CUNY	$14,186	24.7%
Environmental Protection	10,360	18.1
Dept. of Transportation & Mass Transit	9,091	15.8
Housing and Economic Development	7,034	12.3
Administration of Justice	3,565	6.2
Technology and Citywide Equipment	2,887	5.0
Parks Department	2,966	5.2
Hospitals	1,829	3.2
Other City Operations and Facilities	5,462	9.5
Total	**$57,380**	**100.0%**
Reserve for Unattained Commitments	($4,379)	N/A
Adjusted Total	**$53,001**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2015 – 2019 May Capital Commitment Plan, May 2015.

The net increase of $4.25 billion from the February 2015 Plan is comprised of a decrease of $3.14 billion in FY 2015, followed by estimated increases of $2.12 billion in FY 2016, $2.30 billion in FY 2017, and $2.96 billion in FY 2018 across 40 different project types.[27]

- The main drivers of the FY 2015 decline stems from decreases in the Parks Department, Economic Development, and the three library systems in the amounts of $574 million, $352 million, and $256 million, respectively. For the most part, these decreases represent rollovers to FY 2016 and beyond.
- The addition of $2.12 billion in FY 2016 is driven by $534 million for the Parks Department, $296 million for Economic Development Corporation, and $264 million for the Department of Correction from likely FY 2015 rollovers and additions. NYCHA also experiences a net City-funded increase of $128 million from FY 2015 to FY 2016, demonstrating an enhanced City interest in the ongoing capital maintenance of the authority.
- The increase of $2.3 billion in FY 2017 is driven by a $435.1 million increase to various Economic Development projects, $509 million to Highways and Highway Bridges projects, $274 million for additional work at the Parks Department, $240 million for Sewers projects, $223 million increase to Citywide equipment purchases including $135 million for energy efficiency and sustainability projects, $159 million increase to Courts-related projects, and $100 million in additional City funds for NYCHA.
- The additional $2.96 billion in FY 2018 is driven by increases of $579.2 million due to delayed Department of Correction (DOC) projects, $372 million in delayed

[27] There was no FY 2019 Plan in February 2015. Project types sometimes refer to agencies or broad categories of work within an agency.

HHC projects related to Hurricane Sandy, $246 million in increased Citywide equipment purchases including $139 million in energy efficiency and sustainability projects, $182 million of Parks related projects, $163 million of Highways related projects in DOT, and $100 million in City-funded increases to NYCHA.

The May 2015 Capital Commitment Plan increases City-funded projects over FYs 2015 – 2018 by $4.24 billion, the net result of changes to 40 project types.

On a City-funds basis:

- As shown in Table 25, after adjusting for the reserve for unattained commitments of $4.38 billion, the May 2015 Capital Commitment Plan for FYs 2015 – 2019 reflects $44.24 billion in City-funds commitments.
- DEP, Education & CUNY, DOT & Mass Transit, along with Housing and Economic Development (Business Services) account for 71 percent of City-funds commitments.
- The major drivers of the increase of a $4.24 billion increase from FYs 2015 – 2018 are from $709 million of increases to Economic Development projects, $589 million of projects for Citywide equipment purchases and energy efficiency projects, $400 million of DOT Highways related projects, $328 million in NYCHA capital improvements, and $319 million increase in DOC projects.[28]

Table 25. FYs 2015 – 2019 Capital Commitments, City-Funds

($ in millions)

Project Category	May 2015 FYs 2015 – 2019 Commitment Plan	Percent of Total
Environmental Protection	$10,020	20.6%
Education & CUNY	11,437	23.5
Dept. of Transportation & Mass Transit	6,744	13.9
Housing and Economic Development	6,342	13.0
Administration of Justice	3,446	7.1
Technology and Citywide Equipment	2,878	6.0
Parks Department	2,253	4.6
Hospitals	448	0.9
Other City Operations and Facilities	5,053	10.4
Total	**$48,621**	**100.0%**
Reserve for Unattained Commitments	($4,379)	N/A
Adjusted Total	**$44,242**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2015-2019 May Capital Commitment Plan, May 2015.

- The next highest increase is $298 million over the four-year period to Police Department capital projects, followed by $288 million of Sewers related projects in DEP, with an additional $272 million for Housing Preservation & Development

[28] Changes are computed over FYs 2015-2018 only. FY 2019 did not exist in the February 2015 Plan.

(HPD), followed by a $259 million increase to Mass Transit related projects at the MTA over the four-year period.

- A decrease of $141.3 million in Department of Sanitation related projects is due primarily from the delay of a new Sanitation garage for Manhattan Districts 6 & 8 in the amount of $155 million from FY 2017 to FY 2020.

Ten-Year Capital Strategy

The City issues a Ten-Year Capital Strategy every odd calendar year as required by Sections 215 and 234 of the City Charter. The Ten-Year Capital Strategy for FYs 2016 – 2025 sums to $83.78 billion – $75.5 billion of City-funds and $8.28 billion in non-City funds. This represents a $16.04 billion increase, or 23.7 percent, from the Preliminary Ten-Year Capital Strategy published in February 2015, as shown on Table 26. This is the second largest percentage increase in the Strategy since the 34 percent increase from the May 2005 Capital Strategy to the May 2007 Capital Strategy.

Table 26. May 2015 Ten-Year Capital Strategy, FYs 2016– 2025
Comparison to the February 2015 Preliminary Ten-Year Capital Strategy

($ in millions)

	February 2015 Capital Strategy – City Funds	February 2015 Capital Strategy – All-Funds	May 2015 Capital Strategy – City Funds	May 2015 Capital Strategy – All-Funds	Change in City Funds	Change in All-Funds
Education /CUNY	$22,376	$25,062	$20,749	$23,435	($1,627)	($1,627)
Environmental Protection	12,500	12,791	14,381	14,688	1,881	1,897
DOT and Transit	6,978	9,284	10,978	13,422	4,138	4,138
Housing (HPD and NYCHA)	6,957	7,764	7,773	8,357	816	593
Economic Development	1,114	1,205	3,289	3,380	2,175	2,175
All Other	10,007	11,629	18,329	20,496	8,322	8,867
Total	**$59,932**	**$67,735**	**$75,499**	**$83,778**	**$15,566**	**$16,043**

SOURCE: Ten-Year Capital Strategy, FYs 2016-2025, May 2015 and the Preliminary Ten-Year Capital Strategy, FYs 2016-2025, February 2015.

All-funds projects in the Strategy for Education/CUNY, DEP, Housing (including NYCHA) & Economic Development, and DOT/Transit, constitute three-quarters of the current Strategy. This is down from 82.8 percent of the total as of the Preliminary Strategy in February of this year. The categories with the largest changes from the Preliminary Capital Strategy are increases of $2.9 billion for DOT Bridges and Highway Bridges, $2.62 billion for technology related projects, $2.18 billion for economic development, $1.69 billion for Parks & Recreation, $1.47 billion for sewer projects, and $1 billion for court facilities projects.

Distribution of the All-Funds Ten-Year Capital Strategy

The three major categories describing the underlying nature of the planned capital work are the State of Good Repair (SOGR), Program Expansion, and Programmatic

Replacement. The current Strategy contains $47.63 billion for SOGR, or 57 percent of the Strategy, followed by Program Expansion at $19.65 billion, or 23 percent, and Programmatic Replacement with $16.5 billion, or 20 percent of the total Strategy.

Significant projects in the SOGR category are: 1) $16.82 billion for the reconstruction and rehabilitation of schools; 2) $7.74 billion for East River and other bridge reconstruction; 3) $4.25 billion for housing preservation and rehabilitation; 4) $3.67 billion for the reconstruction and resurfacing of streets and highways; and 5) $2.48 billion for resiliency, energy efficiency, and sustainability projects.

Major projects in the Program Expansion category are: 1) $5.43 billion for new school construction; 2) $4.1 billion for new and special needs housing; 3) $2.3 billion for neighborhood revitalization; 4) $1.62 billion for augmentation of sewers; and 5) $1.56 billion for green infrastructure related projects.

Highlights of the Programmatic Replacement category are: 1) $3.12 billion for the upgrade of water pollution control plants; 2) $1.83 billion for citywide information systems and equipment; 3) $1.76 billion for water main replacement and Dam safety programs; 4) $1.55 billion for water quality mandates and preservation; and 5) $1.54 billion for the reconstruction and renovation of court facilities.

Major Programmatic Agencies

Education

The Department of Education (DOE) capital programs account for $23.03 billion in all-funds, or 27 percent of the Ten-Year Capital Strategy. This is a decrease of $1.91 billion from the Preliminary Capital Strategy. Major projects include:

- Rehabilitation of School Components with a forecast total of $10.64 billion over the period. This area of work is dedicated to keeping major building and playground components like that of roofs, floors, windows, in a state of good repair.
- System Expansion with $3.67 billion to build new school space. This category is decreased by $1.56 billion from the Preliminary Capital Strategy.
- $1.7 billion for the renovation of leased space, building additions, new athletic fields and playgrounds. This category is reduced by $440 million from the Preliminary Strategy.
- $2.93 billion for the category of Emergency, Inspection, and Miscellaneous, which is comprised of mayoral/council programs, administrative costs, emergency projects, research and development, along with funds to complete prior plan projects.
- Almost $2.7 billion for Educational Enhancements. This category is technology driven, with eligible computer purchases, network upgrades, approved software

enhancements, along with re-wiring projects to better access the internet. Upgrades and replacements of science labs are part of this category as well.

- $780 million from the $2 billion Smart Schools Bond Act approved by voters in November 2014. This allocation will be used for technological enhancements, additional pre-kindergarten capacity, along with removal of transportable classroom units. The Comptroller's Office contends that this allocation short-changes the City by $88 million because it represents only 39 percent of the total issuance, against the 43.4 percent that would be deemed a fair share.
- $567 million is allocated for safety and security projects which include security systems, emergency lighting, and miscellaneous code compliance projects.

Department of Environmental Protection

The Department of Environmental Protection (DEP) capital programs account for $14.69 billion in all-funds, or 17.5 percent of the Ten-Year Capital Strategy total. DEP capital projects are divided into five program areas: water pollution control; water mains, sources and treatment; sewer related projects; water supply; and equipment purchases. This represents an increase of $1.9 billion from the Preliminary Capital Strategy.

Water pollution control projects total $5.59 billion and involve capital work at wastewater treatment plants, including projects to improve storm water capture, and conform to water quality mandates. These projects include:

- Plant Upgrading and Reconstruction, which constitutes 51 percent of water pollution control projects at $2.82 billion. The primary charge of this category is the reconstruction or replacement of components, or related conveyance infrastructure at in-city waste water treatment plants, including $425 million to address smaller capital projects at various plants, along with $522 million of plant upgrades to reduce carbon emissions and improve energy efficiency, and $179 million for floodwater resiliency upgrades.
- $1.55 billion for capital projects related to water quality mandates. The majority of the funding, about $1.3 billion, will be used for measures to prevent combined-sewer overflow (CSO) into local harbor waters.
- A new ten-year plan category created at the time of the Preliminary Strategy is the Green Infrastructure program which contains $718 million of funding. This program is seeking natural water absorption strategies through the use of constructed wetlands, bioswales, tree pits, green roofs, and permeable pavement projects throughout the City.

The water mains, sources, and treatment program area, which has been allocated $3.33 billion in the current Strategy, is dedicated to the upkeep of the water supply at its source and its related distribution systems. These projects include:

- The category of Trunk and Distribution Main replacement, which contains $1.43 billion of funding, including $365 million for underground infrastructure to accelerate the replacement of aging water mains. Related thereto, is an allocation of $139 million for emergency water main breaks as well as just over $66 million that will provide connections from the Manhattan portion of City Water Tunnel No. 3 to the water main distribution system.

- Water Quality Preservation programs for which $842.4 million of resources are dedicated. Included in this category are $121 million for the rehabilitation of the lower Catskill aqueduct and $114 million for the reconstruction of the New Croton Dam. Also included is $92 million for the development of a new hydro-electric facility on the Cannonsville reservoir.
- Dam Safety Program contains $321 million, of which $126 million is for the reconstruction of facilities at the Ashokan Reservoir and $90 million for the replacement of two City-owned upstate bridges.
- Two new initiatives totaling $42 million, the Bluebelt program and Water for the Future, which will provide resources to connect natural storm water drainage corridors along with Water for the Future projects to support the temporary shutdown of the Delaware Aqueduct.

Sewer related projects throughout the City are allocated $4.06 billion in the current Strategy. This represents an increase of $1.47 billion from the Preliminary Strategy. Included in this area are:

- A $1.47 billion allocation for the Replacement or Augmentation of Existing Systems. Included in this category are $596 million for the construction of a comprehensive sewer system in Southeast Queens to alleviate flooding, $130 million for sewer work to assist in Coney Island development, $69.8 million to address CSO discharge into Pugsley Creek, and $329 million for a Neighborhood Development Fund to provide for critical water and sewer related infrastructure work related to Department of City Planning re-zoning recommendations.
- $941.4 million for the Replacement of Chronically Failing Components to address malfunctioning or collapsed cement combined sewers. About $610 million of this allocation is reserved for emergency work citywide.
- $750 million for Programmatic Replacement and Reconstruction of sewers, of which $692 million is for additional funds to address flooding issues in Southeast Queens. This amount will bring the current Strategy support to Southeast Queens to over $1.28 billion over the ten-year period.
- Almost $360 million for the new Bluebelt program that aligns with a comprehensive storm water management plan focused on reducing local flooding.

The Water Supply program was allocated $1.18 billion over the current Strategy period. This includes:

- $511 million for the Kensico-City Tunnel for the construction of a tunnel connecting Kensico reservoir with the Catskill/Delaware Ultraviolet Light disinfection facility.
- $339.5 million for City Water Tunnel No. 3, Stage 1, which will modify the water chambers at the Hillview reservoir.
- $49.5 million for City Water Tunnel No. 3, Stage 2, which will provide DEP the ability to bypass tunnels 1 and 2 and allow inspection of those tunnels for the first time since inception.
- Water for the Future related projects totaling $228 million that will provide $102 million to rehabilitate a groundwater supply in Queens and create an alternative source, and another $126 million to rehabilitate the upper Catskill Aqueduct to augment its capacity.

DEP equipment programs total $526 million over the FYs 2016 – 2025 period. This includes:

- Water Meter replacements along with Utility Relocations. These two dominate this program area with an allocation of $386 million of the total. As part of this, in accordance with a cost-sharing agreement with local gas utilities, $237.4 million is allocated for gas utility relocation work that is caused by DEP water and sewer construction projects, along with $148.3 million for the replacement of residential and commercial water meters.

Department of Transportation (DOT) and Mass Transit

The current Ten-Year Capital Strategy contains $13.4 billion over FYs 2016 – 2025, or 16 percent of the all-funds total, for NYC DOT and mass transit projects. Sub-program areas which include Bridges, Highways, Traffic, Ferries, and Equipment are allocated $12.58 billion, and $837 million is allocated to New York City Transit infrastructure projects.

The Bridges program area contains both East River crossings and highway bridges citywide. Over $7.76 billion is allocated in this category. This is a $2.9 billion increase from the Preliminary Strategy and includes:

- $3.97 billion for the Fair and Good Bridges, which is projected to reconstruct 49 bridge structures rated “fair” and “good”, including $1.7 billion for the Brooklyn-Queens Expressway Cantilever Bridge and $357 million for the Shore Road Bridge.
- $2.51 billion for the category of Bridge Life Extension for rehabilitative work on 29 specific bridges rated “fair” or “good”, as well as a variety of other bridges. Just under $920 million is for East River bridges, with $323 million for work related to the Brooklyn Bridge and $300 million for the Williamsburg Bridge over the period.

The Highways program area totals $3.67 billion over the ten-year period and is comprised primarily of $1.63 billion for 7,524 lane-miles of street resurfacing and $1.4 billion for 407 lane-miles of street reconstruction. About $299 million of the street reconstruction allocation is dedicated to Vision Zero projects to promote pedestrian safety and $69 million for the reconstruction of Worth Street in Manhattan.

The Traffic program area within DOT sums to $641.5 million over the period and contains $235 million for signal installation of computerization, $180 million for lampposts and luminaries, and $122 million for installation of signals, streetlights, and lane markings related to highways projects.

The Ferries program contains $447 million over the period, of which $311.8 million is for the on-going capital maintenance and rehabilitation of DOT's eight ferry boats and $121 million is for improvements and rehabilitation of terminal buildings, slips, and racks at both St. George and Whitehall terminals.

The Ten-Year Plan category of transportation equipment contains $66.3 million over the ten-year period and includes $36 million for data processing equipment, along with $30 million for automotive and other equipment.

The Ten-Year Plan category of Transit is comprised primarily of miscellaneous transit improvement projects in the amount of $419 million along with Inter Fund Agreement (IFA) track infrastructure projects totaling $350 million which comprise over 90 percent of the $837 million total in this category.

Housing and Economic Development

This program area includes capital projects for HPD, NYCHA, and Small Business Services agencies.[29] The Preliminary Strategy allocates $11.74 billion, or 14.0 percent of the total Ten-Year Plan, to this area. Housing for HPD and NYCHA comprises $8.36 billion of the total amount, with Business Services at $3.38 billion. These two capital program areas have increased by $2.77 billion since the Preliminary Capital Strategy. The housing component's primary objective is to support the "Housing New York" program with the goal to create and preserve 200,000 units of affordable housing.

HPD spearheads this program area with $7.46 billion over the FYs 2016 – 2025 period. Three HPD categories, comprise over 90 percent of the allocation:

- Preservation, at $2.75 billion, will address the preservation of the existing affordable housing stock and assist in the creation of long-term affordability.
- The new construction category contains $2.03 billion to finance new affordable housing units. Housing New York's goal is to build 80,000 new units by FY 2024.
- The Special Needs category provides $2.08 billion for both the construction and preservation of housing for seniors, the disabled, and formerly homeless households throughout the five boroughs.

[29] The Economic Development Corporation (EDC) administers the capital program on behalf of SBS.

NYCHA, with $899 million in all-funds over the period, will address roof repairs, elevator replacements and other construction projects at various NYCHA developments. This includes a $308 million CDBG grant to rehabilitate NYCHA housing stock impacted by Superstorm Sandy.

The Department of Small Business services, in conjunction with the NYC Economic Development Corporation, has an allocation of $3.38 billion from FYs 2016 – 2025. Five Ten-Year Plan categories out of ten make up 94 percent of the agency total. These include Neighborhood Revitalization, Industrial Development, Commercial Development, Waterfront Development, and Market Development:

- The category of Neighborhood Revitalization contains planned projects of $2.07 billion. This category has increased by $1.66 billion from the Preliminary Capital Strategy. Major investments in Hunters Point South in Queens, Coney Island in Brooklyn, the Stapleton section of Staten Island, the Southwest Bronx, and the Rockaways in Queens are major elements of the Plan. This category also invests in physical improvements, including street light and sidewalk beautification, along with pedestrian and intermodal improvements in mixed-use areas.
- The current Strategy allocates $382 million to Industrial Development with a focus on City-owned or operated industrial real estate at the Brooklyn Navy Yard and the Brooklyn Army Terminal, along with improvements to the Bush Terminal in Brooklyn. Capital project objectives include infrastructure improvements along with bringing assets to a state-of-good repair to continue to foster private-sector interest in the facilities.
- The current Strategy allocates $304 million for Commercial Development of sites over the period such as Willets Point in Queens to create a mixed-use community. Overall, the goals of the category are to foster new industries and new retail opportunities.
- Waterfront Development contains $205 million of resources over the period. Primary objectives are the expansion and preservation of public waterfront locations throughout the City for transportation and recreational purposes. The Strategy includes funding for the construction of nine ferry terminals for the first phase of a Citywide Ferry system, as well as fortification projects to protect the City’s waterfront assets.
- The category of Market Development contains $158 million in the current Strategy and its primary focus is to provide infrastructure and other improvements to the Hunts Point Food Distribution Markets, along with improvements at the Essex Street Market and La Marqueta, both in Manhattan.

VI. Appendix

Table A1. *May 2015 Financial Plan Revenue Detail*

($ in millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015-19	
						Dollars	Percent
Taxes:							
Real Property	$21,471	$22,445	$23,477	$24,487	$25,556	$4,085	19.0%
Personal Income Tax	$10,726	$10,869	$11,001	$11,232	$11,568	$842	7.9%
General Corporation Tax	$3,236	$4,065	$4,223	$4,327	$4,465	$1,229	38.0%
Banking Corporation Tax	$853	$77	$6	$0	$0	($853)	(100.0%)
Unincorporated Business Tax	$1,969	$2,054	$2,140	$2,233	$2,326	$357	18.1%
Sale and Use Tax	$6,756	$7,038	$7,320	$7,617	$7,886	$1,130	16.7%
Real Property Transfer	$1,625	$1,513	$1,565	$1,614	$1,660	$35	2.2%
Mortgage Recording Tax	$1,093	$984	$1,012	$1,039	$1,064	($29)	(2.7%)
Commercial Rent	$740	$770	$805	$840	$875	$135	18.2%
Utility	$398	$398	$409	$423	$433	$35	8.8%
Hotel	$567	$539	$552	$565	$571	$4	0.7%
Cigarette	$49	$48	$47	$46	$45	($4)	(8.2%)
All Other	$588	$517	$514	$515	$515	($73)	(12.4%)
Tax Audit Revenue	$982	$711	$711	$711	$711	($271)	(27.6%)
Total Taxes	**$51,053**	**$52,028**	**$53,782**	**$55,649**	**$57,675**	**$6,622**	**13.0%**
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$665	$641	$625	$619	$616	($49)	(7.4%)
Interest Income	$21	$29	$85	$156	$163	$142	676.2%
Charges for Services	$948	$948	$949	$948	$948	$0	0.0%
Water and Sewer Charges	$1,537	$1,516	$1,454	$1,411	$1,375	($162)	(10.5%)
Rental Income	$284	$271	$271	$271	$271	($13)	(4.6%)
Fines and Forfeitures	$921	$810	$805	$801	$799	($122)	(13.2%)
Miscellaneous	$1,809	$554	$732	$804	$903	($906)	(50.1%)
Intra-City Revenue	$2,003	$1,791	$1,794	$1,805	$1,800	($203)	(10.1%)
Total Miscellaneous	**$8,188**	**$6,560**	**$6,715**	**$6,815**	**$6,875**	**($1,313)**	**(16.0%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**
Less: Intra-City Revenue	**($2,003)**	**($1,791)**	**($1,794)**	**($1,805)**	**($1,800)**	**$203**	**(10.1%)**
TOTAL CITY-FUNDS	**$57,223**	**$56,782**	**$58,688**	**$60,644**	**$62,735**	**$5,512**	**9.6%**
Other Categorical Grants	**$888**	**$831**	**$839**	**$844**	**$841**	**($47)**	**(5.3%)**
Inter-Fund Agreements	**$559**	**$575**	**$546**	**$548**	**$548**	**($11)**	**(2.0%)**

Table A1 (Con't). *May 2015 Financial Plan Revenue Detail*

($ in millions)

						Change FYs 2015-19	
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Dollars	Percent
Federal Categorical Grants:							
Community Development	$1,239	$1,011	$755	$334	$240	($999)	(80.6%)
Welfare	$3,389	$3,237	$3,235	$3,228	$3,223	($166)	(4.9%)
Education	$1,684	$1,713	$1,703	$1,703	$1,703	$19	1.1%
Other	$2,100	$1,166	$1,139	$1,136	$1,134	($966)	(46.0%)
Total Federal Grants	**$8,412**	**$7,127**	**$6,832**	**$6,401**	**$6,300**	**($2,112)**	**(25.1%)**
State Categorical Grants							
Social Services	$1,561	$1,522	$1,523	$1,529	$1,529	($32)	(2.0%)
Education	$9,243	$9,737	$10,065	$10,419	$10,703	$1,460	15.8%
Higher Education	$262	$271	$271	$271	$271	$9	3.4%
Department of Health and Mental Hygiene	$490	$482	$479	$479	$480	($10)	(2.0%)
Other	$1,013	$981	$1,026	$1,073	$1,119	$106	10.5%
`	**$12,569**	**$12,993**	**$13,364**	**$13,771**	**$14,102**	**$1,533**	**12.2%**
TOTAL REVENUES	**$79,651**	**$78,307**	**$80,269**	**$82,207**	**$84,526**	**$4,875**	**6.1%**

Table A2. May 2015 Financial Plan Expenditure Detail

($ in thousands)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015-19 Dollars	Change FYs 2015-19 Percent
Mayoralty	$113,303	$119,608	$117,047	$115,183	$120,239	$6,936	6.1%
Board of Elections	$115,395	$111,200	$87,563	$87,919	$87,919	($27,476)	(23.8%)
Campaign Finance Board	$12,499	$14,481	$13,710	$13,746	$13,746	$1,247	10.0%
Office of the Actuary	$7,206	$7,316	$7,414	$7,441	$7,441	$235	3.3%
President, Borough of Manhattan	$4,630	$4,713	$4,529	$4,566	$4,566	($64)	(1.4%)
President, Borough of Bronx	$5,527	$5,650	$5,404	$5,439	$5,439	($88)	(1.6%)
President, Borough of Brooklyn	$6,558	$5,763	$5,294	$5,330	$5,330	($1,228)	(18.7%)
President, Borough of Queens	$4,973	$5,155	$4,692	$4,720	$4,720	($253)	(5.1%)
President, Borough of Staten Island	$4,359	$4,313	$4,201	$4,223	$4,223	($136)	(3.1%)
Office of the Comptroller	$90,775	$91,560	$93,154	$93,676	$93,679	$2,904	3.2%
Dept. of Emergency Management	$70,849	$16,009	$13,029	$11,772	$11,772	($59,077)	(83.4%)
Office of Administrative Tax Appeals	$4,466	$4,608	$4,718	$4,752	$4,752	$286	6.4%
Law Dept.	$172,301	$182,445	$174,781	$176,159	$174,513	$2,212	1.3%
Dept. of City Planning	$29,411	$38,341	$39,752	$38,224	$36,108	$6,697	22.8%
Dept. of Investigation	$38,688	$26,270	$26,020	$26,170	$26,171	($12,517)	(32.4%)
NY Public Library - Research	$24,268	$23,800	$24,299	$24,425	$24,425	$157	0.6%
New York Public Library	$119,600	$116,241	$118,051	$118,487	$118,487	($1,113)	(0.9%)
Brooklyn Public Library	$89,390	$86,467	$87,971	$88,363	$88,364	($1,026)	(1.1%)
Queens Borough Public Library	$90,053	$87,351	$88,908	$89,228	$89,228	($825)	(0.9%)
Dept. of Education	$20,842,594	$21,746,784	$22,588,354	$23,414,320	$24,290,848	$3,448,254	16.5%
City University	$934,358	$950,717	$955,515	$960,120	$969,414	$35,056	3.8%
Civilian Complaint Review Board	$13,627	$15,077	$15,358	$15,427	$15,427	$1,800	13.2%
Police Dept.	$4,974,110	$4,645,898	$4,645,660	$4,690,499	$4,734,275	($239,835)	(4.8%)
Fire Dept.	$1,995,091	$1,819,223	$1,801,686	$1,777,341	$1,780,177	($214,914)	(10.8%)
Admin. for Children Services	$2,782,266	$2,846,325	$2,859,073	$2,864,340	$2,872,551	$90,285	3.2%
Dept. of Social Services	$9,900,536	$9,852,916	$9,871,549	$9,898,476	$9,890,869	($9,667)	(0.1%)
Dept. of Homeless Services	$1,160,278	$1,075,634	$1,089,613	$1,093,948	$1,093,701	($66,577)	(5.7%)
Dept. of Correction	$1,142,081	$1,216,346	$1,197,824	$1,197,403	$1,200,850	$58,769	5.1%
Board of Correction	$1,661	$1,758	$1,722	$1,731	$1,731	$70	4.2%
Citywide Pension Contribution	$8,494,772	$8,631,103	$8,594,489	$8,600,899	$8,698,633	$203,861	2.4%
Miscellaneous	$9,089,456	$9,969,574	$9,544,663	$10,905,545	$12,545,795	$3,456,339	38.0%
Debt Service	$3,971,817	$4,585,764	$4,670,562	$4,818,658	$4,928,079	$956,262	24.1%
TFA Debt Service	$1,981,770	$2,051,710	$2,149,800	$2,354,020	$2,778,720	$796,950	40.2%
Redemption of TFA Debt Service	($98,800)	($102,670)	$0	$0	$0	$98,800	(100.0%)
FY 2014 BSA	($2,005,731)	$0	$0	$0	$0	$2,005,731	(100.0%)
FY 2015 BSA	$3,037,089	($3,037,089)	$0	$0	$0	($3,037,089)	(100.0%)
Public Advocate	$3,263	$3,275	$3,333	$3,353	$3,353	$90	2.8%
City Council	$59,156	$61,024	$52,492	$52,820	$52,820	($6,336)	(10.7%)
City Clerk	$5,958	$5,381	$5,503	$5,536	$5,536	($422)	(7.1%)
Dept. for the Aging	$289,528	$268,902	$269,860	$269,923	$269,924	($19,604)	(6.8%)
Dept. of Cultural Affairs	$159,566	$150,502	$151,034	$150,145	$150,145	($9,421)	(5.9%)
Financial Info. Serv. Agency	$96,072	$101,327	$104,784	$107,201	$108,031	$11,959	12.4%
Office of Payroll Admin.	$18,207	$17,620	$17,938	$18,041	$18,041	($166)	(0.9%)
Independent Budget Office	$5,727	$5,856	$5,538	$5,582	$6,214	$487	8.5%
Equal Employment Practices Comm.	$1,097	$1,071	$1,106	$1,101	$1,101	$4	0.4%

Table A2 (Con't). *May 2015 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Change FYs 2015-19 *Dollars*	Change FYs 2015-19 *Percent*
Civil Service Commission	$1,071	$1, 082	$1,101	$1,105	$1,103	$32	3.0%
Landmarks Preservation Comm.	$5,175	$5,743	$6,101	$5,934	$5,944	$769	14.9%
Taxi & Limousine Commission	$76,959	$68,294	$50,384	$50,072	$50,074	($26,885)	(34.9%)
Commission on Human Rights	$7,385	$8,813	$8,857	$8,886	$8,887	$1,502	20.3%
Youth & Community Development	$437,476	$365,931	$355,916	$355,301	$355,001	($82,475)	(18.9%)
Conflicts of Interest Board	$2,218	$2,237	$2,283	$2,300	$2,301	$83	3.7%
Office of Collective Bargaining	$2,135	$2,516	$2,306	$2,319	$2,319	$184	8.6%
Community Boards (All)	$16,548	$16,961	$16,574	$16,663	$16,663	$115	0.7%
Dept. of Probation	$85,510	$87,525	$87,570	$87,730	$87,732	$2,222	2.6%
Dept. Small Business Services	$323,343	$236,426	$127,721	$189,503	$107,583	($215,760)	(66.7%)
Housing Preservation & Development	$979,713	$724,041	$594,953	$555,909	$555,057	($424,656)	(43.3%)
Dept. of Buildings	$112,561	$148,738	$150,503	$142,862	$138,920	$26,359	23.4%
Dept. of Health & Mental Hygiene	$1,524,595	$1,478,633	$1,473,387	$1,476,838	$1,479,989	($44,606)	(2.9%)
Health and Hospitals Corp.	$216,986	$163,379	$213,823	$236,167	$241,815	$24,829	11.4%
Office of Administrative Trials & Hearings	$36,765	$37,888	$38,687	$39,253	$39,254	$2,489	6.8%
Dept. of Environmental Protection	$1,635,262	$1,249,006	$1,202,317	$1,153,468	$1,120,718	($514,544)	(31.5%)
Dept. of Sanitation	$1,495,188	$1,540,285	$1,585,511	$1,591,251	$1,599,178	$103,990	7.0%
Business Integrity Commission	$8,718	$7,446	$7,587	$7,627	$7,627	($1,091)	(12.5%)
Dept. of Finance	$261,847	$260,750	$262,568	$266,710	$265,092	$3,245	1.2%
Dept. of Transportation	$953,368	$871,886	$850,809	$851,524	$851,972	($101,396)	(10.6%)
Dept. of Parks and Recreation	$419,597	$393,636	$393,931	$395,282	$395,290	($24,307)	(5.8%)
Dept. of Design & Construction	$175,265	$564,156	$546,652	$129,539	$129,549	($45,716)	(26.1%)
Dept. of Citywide Admin. Services	$403,413	$429,023	$404,816	$392,969	$390,603	($12,810)	(3.2%)
D.O.I.T.T.	$401,189	$430,207	$416,089	$423,773	$422,602	$21,413	5.3%
Dept. of Record & Info. Services	$6,379	$6,234	$5,872	$5,898	$5,898	($481)	(7.5%)
Dept. of Consumer Affairs	$38,312	$39,216	$38,697	$38,932	$38,848	$536	1.4%
District Attorney - N.Y.	$111,376	$97,087	$99,850	$100,667	$100,668	($10,708)	(9.6%)
District Attorney - Bronx	$59,927	$57,019	$58,626	$59,123	$59,124	($803)	(1.3%)
District Attorney - Kings	$95,582	$92,129	$94,074	$94,709	$94,710	($872)	(0.9%)
District Attorney - Queens	$56,872	$53,976	$55,308	$55,729	$55,729	($1,143)	(2.0%)
District Attorney - Richmond	$10,049	$9,498	$9,708	$9,774	$9,774	($275)	(2.7%)
Office of Prosec. & Spec. Narc.	$19,509	$19,381	$19,864	$20,009	$20,009	$500	2.6%
Public Administrator - N.Y.	$1,691	$1,656	$1,676	$1,682	$1,682	($9)	(0.5%)
Public Administrator - Bronx	$672	$640	$656	$661	$661	($11)	(1.6%)
Public Administrator - Brooklyn	$760	$701	$715	$718	$718	($42)	(5.5%)
Public Administrator - Queens	$560	$571	$585	$589	$589	$29	5.2%
Public Administrator - Richmond	$471	$469	$482	$487	$487	$16	3.4%
Prior Payable Adjustment	($243,000)	$0	$0	$0	$0	$243,000	(100.0%)
General Reserve	$50,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$950,000	1900.0%
Energy Adjustment	$0	$0	$49,239	$101,855	$143,420	$143,420	N/A
Lease Adjustment	$0	$0	$32,350	$63,670	$95,931	$95,931	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$166,557	$166,557	N/A
TOTAL EXPENDITURES	**$79,651,247**	**$78,308,498**	**$81,841,660**	**$84,174,778**	**$87,407,435**	**$7,756,188**	**9.7%**

Glossary of Acronyms

AAVM	Actuarial Asset Valuation Method
ACS	Administration for Children's Services
AIRA	Actuarial Interest Rate Assumption
BARB	Building Aid Revenue Bond
BCA	Budget Control Act
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CDBG	Community Development Block Grant
COBA	Correction Officers' Benevolent Association
CSO	Combined Sewer Overflow
CSR	Capital Stabilization Reserve
CUNY	City University of New York
DEP	Department of Environmental Protection
DHMH	Department of Mental Health & Mental Hygiene
DHS	Department of Homeless Services
DOC	Department of Correction

DOE	Department of Education
DOITT	Department of Information Technology & Telecommunications
DOS	Department of Sanitation
DOT	Department of Transportation
DSS	Department of Social Services
DYCD	Department of Youth and Community Development
ECB	Environmental Control Board
FDNY	Fire Department
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product
GCT	General Corporation Tax
GDP	Gross Domestic Product
GO Debt	General Obligation Debt
HHC	Health and Hospitals Corporation
HPD	Department of Housing Preservation & Development
HYIC	Hudson Yards Infrastructure Corporation

IDNYC	New York City Municipal Identification Card
IFA	Inter Fund Agreement
J&C	Judgments and Claims
MLC	Municipal Labor Committee
MRT	Mortgage Recording Tax
NYC	New York City
NYCHA	New York City Housing Authority
NYPD	New York City Police Department
NYW	New York City Municipal Water Finance Authority
O&M	Operation and Maintenance
OMB	Office of Management and Budget
OPA	Office of Payroll Administration
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
RPTT	Real Property Transfer Tax
SED	State Education Department
SOGR	State of Good Repair
STAR	School Tax Relief Program
TFA	New York City Transitional Finance Authority
TSASC	Tobacco Settlement Asset Securitization Corporation, Inc.
UBT	Unincorporated Business Tax
UFA	Uniformed Firefighters' Association
UFT	United Federation of Teachers
UPK	Universal Pre-K
U.S.	United States
USA	Uniformed Sanitationmen's Association
USOC	Uniform Superior Officers Coalition
VRDB	Variable Rate Demand Bond

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