NEW YORK CITY COMPTROLLER
BRAD LANDER

How Much Is Enough?

Evaluating the Need to Increase the City's Debt Capacity

BUREAUS OF BUDGET AND PUBLIC FINANCE

MARCH 2024

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Executive Summary

New York City government's statutory debt limit is set by the New York State Constitution. The City is permitted to incur indebtedness to execute its capital projects[1] up to a maximum tied by the State Constitution to a fraction of, conceptually, the value of real estate in New York City.[2] Given the increase in actual and planned contractual obligations for capital projects and the effect of the COVID-19 pandemic on NYC Department of Finance property tax assessments, the City's remaining debt-incurring power is narrowing.

As of June 30, 2023, the City's debt limit was $127.4 billion, and total indebtedness counted against it was $96.9 billion, leaving remaining debt-incurring power of $30.5 billion, or 24.0 percent of the limit. This was the smallest percentage since fiscal year 2014.[3]

Mayor Eric Adams recently indicated that additional capital needs related to the City's five-year educational facilities capital plan, the construction of new borough-based jail facilities, and reconstruction work on the Brooklyn-Queens Expressway triple cantilever, not reflected in the Financial Plan pose a risk of exceeding the debt limit in years beyond the Financial Plan. To mitigate this risk, the January 2024 Capital Commitment Plan lowered the targets for capital commitments by a total of $10.4 billion over the ten-year period from fiscal year 2024 to fiscal year 2033.

In response, as part of the State's fiscal year 2025 Executive Budget, Governor Kathy Hochul has proposed to increase the City's remaining debt-incurring power by a total of $12 billion over the next two fiscal years.[4] Both the Assembly and the Senate included this provision in their budget bills. The Mayor is separately seeking consideration of State legislation that would add $18.5 billion to the City's remaining debt-incurring power upon enactment, and also include a formula that would index debt-incurring power to the growth in the City's Personal Income Tax (PIT) and Pass-Through Entity Tax (PTET).[5] The Governor's budget proposal is not indexed for growth.

In addition to the overall debt limit, annual debt service as a share of local tax revenue is a key measure of debt affordability, with the City's 15 percent policy limit understood to be a widely accepted benchmark, often cited by the rating agencies and various monitors of the City's budget. The City's debt service for FY 2023 was 10.2 percent of its tax revenues.

This report analyzes the City's remaining debt-incurring power, the debt service impact of potential increases, and affordability metrics resulting from the additional borrowing required to fund the City's needs. In the Comptroller's assessment:

1. The incremental capital needs identified by the Adams Administration could add approximately $17.0 billion in commitments from fiscal year 2025 to fiscal year 2031.
2. Without an increase to the City's debt-incurring power, the Comptroller's analysis finds that the additional capital commitments could exhaust the City's capacity under the current debt limit in FY 2028 or shortly thereafter. (Using the Mayor's more optimistic forecast of the debt limit, the City's remaining debt-incurring power after the inclusion of the incremental needs and without any changes to the remainder of the Capital Plan would narrow to less than $1 billion in fiscal year 2030, but not exceed the limit).

3. The Governor's proposal for a $12 billion increase is reasonably sized and would enable the City to meet the additional capital needs, without breaching the debt limit for the next decade (under both the Comptroller's and OMB's forecasts), and without adding more indebtedness capacity than is warranted.
4. Incorporating the additional capital commitments identified by City Hall, under both the baseline and economic recession scenarios formulated by the Office of the Comptroller, debt service is projected to remain below the 15 percent threshold through fiscal year 2033.
5. Nonetheless, the City should formalize in its Debt Management Policy a mechanism to make the 15 percent threshold operational. This can be achieved by using the City's existing Capital Stabilization Reserve to pre-pay debt service in any fiscal year where debt service is projected to be above the 15 percent threshold, and by setting a minimum amount for the reserve.

The State Constitution generally provides that the local debt limit is set as a fraction of the "full valuation" of taxable real estate, because property tax is typically the main source of revenues for local governments. However, New York City is not easily compared to other large cities in the United States or in New York State. The City government has a larger population and range of responsibilities, but also has access to multiple tax revenue streams beyond the property tax (including income and sales tax). Therefore, the total value of its real estate may not be the most appropriate measure of overall capacity.

A new debt affordability study commissioned by the Office of the Comptroller gives a detailed overview of New York City government's debt and other fixed costs, considers the full breadth of revenues collected by the City, and examines both in the context of affordability as determined by the rating agencies. The main takeaways from the debt affordability study are:

1. General Obligation (GO) & Transitional Finance Authority Future Tax Secured (TFA FTS) bonds are highly rated in a narrow AAA/AA range, despite each rating agency using different methodologies and criteria. The City's adherence to well-established fiscal practices and strong budgetary management are often cited as key contributors to maintaining high ratings.
2. The City's debt affordability compares favorably to other municipalities, despite its high amount of debt outstanding.
3. Using current forecasted tax revenues, the City can absorb up to $18.5 billion of incremental capital commitments beyond those included in the January 2024 Capital Commitment Plan over the next decade, with annual debt service approaching, but not exceeding, 15 percent of tax revenues.

Finally, the Comptroller published a review of the methodology followed by the NYS Office of Real Property Tax Services (ORPTS) for the estimation of the City's special equalization ratios, a key parameter in the calculation of the City's debt limit. The main results are:

1. The City's debt limit is not based on the true market value of taxable real estate because special equalization ratios are fundamentally based on the NYC Department of Finance's (DOF) market value estimates. As is well-known, DOF estimates are significantly below

true market values. Removing the undervaluation either administratively or as a result of property tax reform, would expand the City's debt-incurring power.

2. ORPTS' methodology for the calculation of special equalization ratios should be updated to provide more clarity, simplicity, and predictability.

Projection of Remaining Debt-Incurring Power[6]

New York City government's debt-incurring power, or general debt limit, is set in the New York State Constitution at 10 percent of the 5-year average of the full valuation of real estate located in the city. The City can incur contractual obligations for capital projects, or indebtedness, up to the limit. Indebtedness is considered incurred at the time contracts for capital projects are registered by the Office of the Comptroller. Subsequently, the City issues bonds to reimburse the General Fund for the cost of the projects, primarily through General Obligation (GO) and Transitional Finance Authority Future Tax Secured (TFA FTS) bonds. Outstanding GO bonds and TFA FTS bonds are counted against the limit, but the latter only if above $13.5 billion.

Table 1 updates the estimates of remaining debt-incurring power that the Office published in 2023 with new information from the tentative Special Equalization Ratios for FY 2025 from the Office of Real Property Tax Services, assessed values in the NYC Department of Finance (DOF) FY 2025 Tentative Assessment Roll, a new property tax forecast,[7] and the January 2024 Capital Commitment Plan.

The updated assumptions project remaining debt-incurring power is expected to be $26.7 billion at the end of fiscal year 2024. The addition of new commitments throughout the forecast period show debt incurring power gradually dropping to $7.0 billion in fiscal year 2032.[8]

Table 1. Remaining Debt-Incurring Power as of Fiscal Year-End ($b)

Fiscal Year	General Debt Limit	Debt Applicable to the Limit	Contractual liability, land, and other liabilities	Total Indebtedness	Remaining Debt-Incurring Power
	(a)	(b)	(c)	(d) = (b) + (c)	(a) - (d)
2024	$131.6	$77.7	$27.3	$105.0	$26.7
2025	$136.5	$84.1	$31.3	$115.4	$21.1
2026	$139.3	$91.0	$34.1	$125.1	$14.1
2027	$146.9	$98.5	$35.1	$133.6	$13.2
2028	$151.9	$105.6	$35.1	$140.7	$11.2
2029	$157.2	$112.6	$35.4	$148.0	$9.2

Fiscal Year	General Debt Limit	Debt Applicable to the Limit	Contractual liability, land, and other liabilities	Total Indebtedness	Remaining Debt-Incurring Power
	(a)	(b)	(c)	(d) = (b) + (c)	(a) - (d)
2030	$162.6	$119.4	$35.4	$154.8	$7.8
2031	$168.0	$125.3	$35.4	$160.8	$7.3
2032	$173.5	$130.0	$36.6	$166.5	$7.0
2033	$179.1	$133.4	$38.7	$172.1	$7.0

Source: Office of the NYC Comptroller

While the January 2024 Capital Commitment Plan is projected to fit within the debt limit, the plan does not include incremental capital needs for the City's five-year educational facilities capital plan, the construction of borough-based jails, and the reconstruction of the Brooklyn-Queens Expressway (BQE) triple cantilever section. As analyzed further below, once included in the plan these needs would, in the Office of the Comptroller's estimates, exceed the City's debt limit. The Mayor's Office of Management and Budget (OMB) projects a higher debt limit that would be sufficient to accommodate the additional needs, but with a margin of less than $1 billion in fiscal year 2030.

Legislative Proposals to Increase TFA FTS Exempt Debt

One way to address the potential shortfall in the City's debt-incurring power is to increase the $13.5 billion TFA FTS exemption from the limit. This would reduce the amount of debt applicable to the limit dollar-for-dollar and correspondingly provide room to incur additional indebtedness.

At its inception in 1997, TFA was authorized to issue up to $7.5 billion in bonds that would be excluded from the debt counted toward the limit. The issuance ceiling was subsequently raised to $11.5 billion in 2000 and $13.5 billion in 2006.[9] In 2009, TFA was authorized to issue debt above $13.5 billion outstanding, with the excess becoming debt counted toward the limit. The change effectively turned TFA's issuance ceiling into a minimum exclusion from the debt limit.

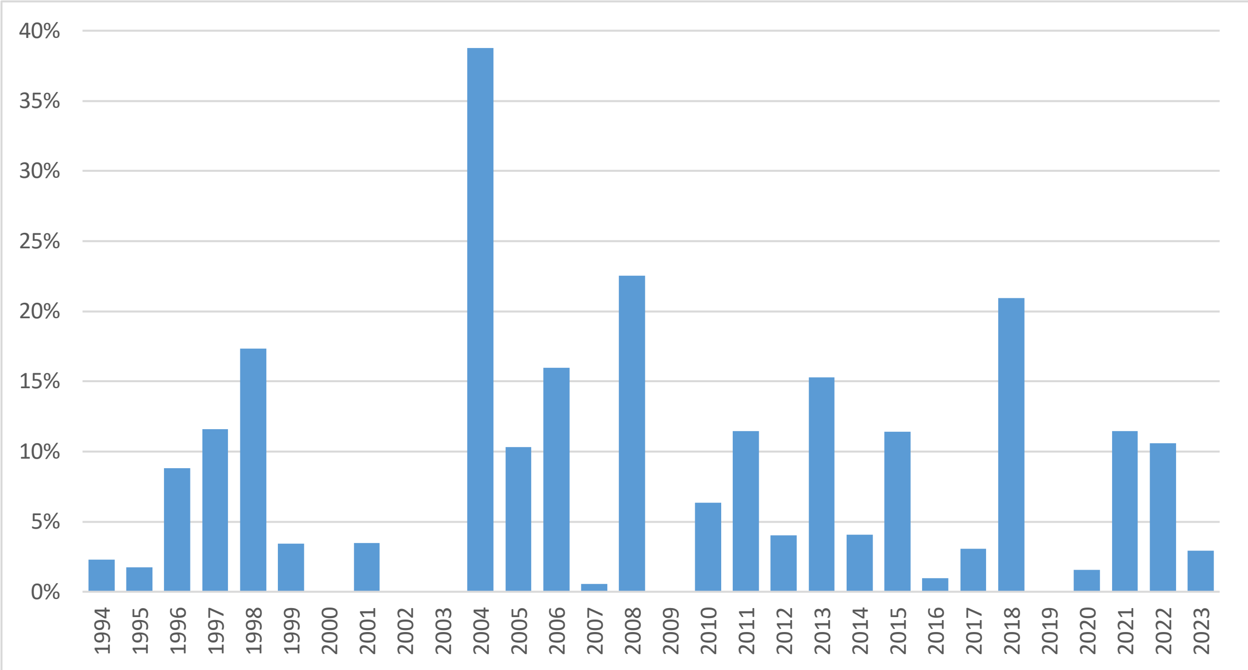
Two legislative proposals aim to increase the minimum exclusion, with the effect of lowering dollar-for-dollar the amount of debt counted toward the limit.

The Governor's State fiscal year 2025 Executive Budget (Public Protection and General Government Article VII Legislation, Part V) includes a proposal that would increase the exclusion to $19.5 billion in City's fiscal year 2025 and $25.5 billion in City's fiscal year 2026 for a total of $12 billion. The Senate and Assembly budget bills also include this increase.

Alternatively, the Mayor is proposing to increase the exclusion by $18.5 billion in fiscal year 2024 (for a total exclusion of $32 billion) and to index it, starting in fiscal year 2025, to the combined growth rate of Personal Income Tax (PIT) and Pass-Through Entity Tax (PTET) in the previous fiscal year, but only if positive and without consideration given to potential changes in tax policy.

Chart 1 shows the yearly growth rate of PIT (or PIT and PTET starting in fiscal year 2023), excluding years of decline. The series shows very high volatility with several years of double-digit growth, driven by economic recoveries, tax rate increases, and federal tax policy changes, among other factors. Based on historical precedent, indexing the TFA FTS exemption to PIT growth would result in rapid and unpredictable growth in the remaining debt-incurring power. For instance, the indexation formula proposed by the Mayor would have yielded an average annual indexation of 9.6 percent over fiscal years 2004-2023.

Chart 1. Annual Indexation in the Mayor's Proposal (Historical Values)



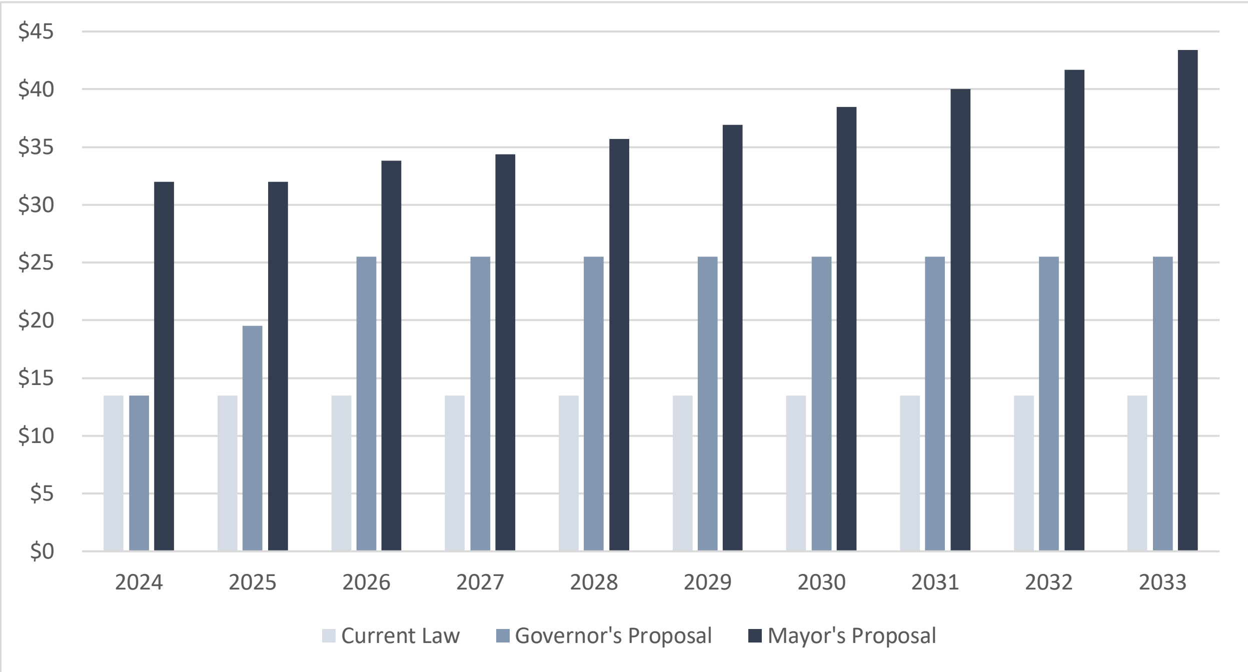
Source: Office of the NYC Comptroller

The Office of the Comptroller used its PIT and PTET forecast to calculate indexation under the Mayor's proposal up to fiscal year 2029 and the projected annual average growth rate (with years of decline set to zero) in fiscal years 2019-2028 equal to 4.1 percent afterwards. Under these assumptions, the Mayor's proposal would increase the exclusion by an additional $11.4 billion by fiscal year 2033, for a cumulative increase of $29.9 billion, bringing the total to $43.4 billion. The forecast calls for moderate growth and does not include large revenue jumps that, while historically common, are nonetheless difficult to predict. Accordingly, the estimate of the TFA

FTS exemption by fiscal year 2033 under the Mayor's proposal may be best interpreted as a lower bound.

The exempt amount under the legislative proposals is shown in Chart 2. The corresponding estimate of debt counted toward the limit is provided in the appendix.

Chart 2. TFA FTS Exclusion Under the Legislative Proposals ($b)



Source: Office of the NYC Comptroller

Remaining Debt-Incurring Power After Inclusion of Incremental Capital Needs

The Office of the Comptroller estimates incremental capital commitments not reflected in the January 2024 Capital Plan for the City's five-year educational facilities capital plan, construction of borough-based jails, and reconstruction of the Brooklyn-Queens Expressway triple cantilever to total $17.0 billion, broken out as follows:

1. Educational Facilities. The School Construction Authority (SCA) February 2024 Capital Plan reflects a need of $17 billion between fiscal year 2025 and fiscal year 2029. This is $8.6 billion more than included in the January 2024 Capital Commitment Plan.

2. Borough-Based Jails. The Brooklyn Detention Facility's total commitments in the January 2024 Capital Commitment Plan are $3.3 billion or approximately 80 percent higher than in the January 2023 Plan, before the award of the design-build contract in May of 2023. Applying the same cost revision to the other three detention facilities, the estimated additional increase to the City's capital plan to complete the facilities is $4.6 billion.

3. The Brooklyn Queens Expressway central section. The cost estimate in the application for federal funding is $5.5 billion, but the January 2024 Capital Plan only includes $1.7 billion in commitments, resulting in an additional need of $3.8 billion. The City sought funding for $800 million in federal grants; the initial application was rejected, but City Hall has indicated it plans to re-apply.

In testimony before the City Council discussing the FY 2025 Preliminary Budget, OMB placed the onus of the capital debt limit problem on the borough-based jails, which are essential to the City's plan to close Rikers Island, pursuant to local law. However, the newly projected planned commitments for the four borough-based jails of $13.3 billion is only 7.7 percent of the estimated $173.8 billion of capital commitments projected for the period FY 2024 to FY 2033.

The Office of the Comptroller made assumptions on the distribution of the incremental capital commitments considering OMB's and SCA's capital plans. The scenario for commitments, disbursements, and borrowing is shown in Table A2 in the appendix.

Table 2 shows projected remaining debt-incurring power after inclusion of the incremental capital commitments under current estimates for debt incurring power and the two legislative proposals. With no legislative action, the City is projected to breach the debt limit in fiscal year 2028 by $0.4 billion. If adopted, the Governor's proposal is sufficient to absorb the additional needs, providing a minimum of $2.4 billion of cushion in fiscal year 2032. The Mayor's proposal would result in more than $20 billion of remaining debt-incurring power in fiscal year 2033.

These estimates do not factor in premium generated from the issuance of bonds, nor do they capture the City's capacity to issue debt that is not counted toward the limit through various entities, both of which provide additional room to incur indebtedness. The Office of the Comptroller estimates that the continued issuance of premium bonds could generate more than $6 billion in additional debt-incurring power over the projection period.[10] For this reason, in the Comptroller's forecast of the debt limit and under the current $13.5 billion TFA FTS exemption, the breach is more likely projected to occur in fiscal year 2029 rather than fiscal year 2028 as indicated in the table. Using the Mayor's debt limit forecast[11] and accounting for the current TFA FTS exemption, the City's remaining debt-incurring power would drop to approximately $600 million in fiscal year 2030, but the limit would not be exceeded.

Table 2. Remaining Debt-Incurring Power Including Additional Capital Needs ($b)

Fiscal Year	Remaining Debt-Incurring Power Including New Needs		
	Current Estimate	Governor's proposal	Mayor's Proposal
2024	$26.7	$26.7	$45.2
2025	$20.2	$26.2	$38.7
2026	$9.5	$21.5	$29.8
2027	$5.1	$17.1	$26.0
2028	($0.4)	$11.6	$21.8
2029	($5.7)	$6.3	$17.7
2030	($8.5)	$3.5	$16.5
2031	($9.5)	$2.5	$17.0
2032	($9.6)	$2.4	$18.6
2033	($9.4)	$2.6	$20.5

Source: Office of the NYC Comptroller

Debt Affordability Under the Proposals

As analyzed in the companion study commissioned by the Comptroller for this report, debt affordability can be measured in different ways. The primary metric included in the City's Debt Management Policy to determine debt affordability is that annual debt service as a share of tax revenues should be no more than 15 percent.[12] The City manages its debt issuances and Capital Commitment Plan with an eye to maintaining affordability of debt service using this metric, but there is currently no mechanism to make it binding.

Based on the Office of the Comptroller's assumptions, to finance the estimated $17 billion of incremental commitments, a total of nearly $15 billion in bonds would need to be issued by fiscal year 2033, with the remaining $2 billion to be bonded in later years. Table 3 shows debt service as a percentage of tax revenue after the inclusion of the incremental capital needs. In the projection, the Office of the Comptroller used the conservative debt service assumptions in the January 2024 Capital Plan (5.78 percent interest rate) and its own tax revenue forecast under a baseline and a recession scenario.[13] Both scenarios project debt service as a percentage of revenues to rise close to, but not exceed, 15 percent by fiscal year 2033. This shows that the additional debt capacity authorized by the Governor's budget proposal is, under the projected

conditions, aligned with the City remaining below the 15 percent debt service threshold. This stands in contrast to the Mayor's proposal, which could put undue stress on the City's affordability metrics.

Table 3. Projected Debt Service as a Percentage of Tax Revenues Including Incremental Commitments

Tax Revenue Scenario	Fiscal Year									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Baseline	10.4%	10.9%	11.6%	12.0%	12.7%	13.2%	13.3%	13.7%	14.0%	14.1%
Recession	10.4%	11.6%	12.7%	12.9%	13.4%	13.8%	14.0%	14.4%	14.7%	14.8%

Source: Office of the NYC Comptroller

Should incremental commitments be incurred faster than assumed, debt service as a percentage of tax revenues would increase, and *vice versa*. Moreover, if the Mayor's legislative proposal to more significantly increase the debt limit were adopted, and if any significant portion of the additional capacity were utilized, it could push the City above the 15 percent threshold.

Proposed Change to the City's Debt Management Policy

Despite an established 15 percent policy benchmark, the City currently does not have a binding mechanism to implement measures in the event the benchmark is projected to be or is, in fact, breached. The Comptroller recommends amending the City's Debt Management Policy to explicitly adopt a mechanism to avoid exceeding the 15 percent debt service threshold. The Comptroller's proposal revolves around the use of the Capital Stabilization Reserve, which is already a budgeted expense in each year of the financial plan.

The Message of the Mayor for the fiscal year 2016 Executive Budget, published in May 2015, introduced the Capital Stabilization Reserve for the first time. The message stated (p.61, emphasis added):

> The Mayor's Executive Budget includes $500 million in fiscal year 2016 for a new Capital Stabilization Reserve in the operating budget to complement and support the release of the Ten-Year Capital Strategy. Expenditures from the Capital Stabilization Reserve will be directed in support of the streamlining and modernization of the Capital Program proposed by the Mayor. The Capital Stabilization Reserve will be used in part in the early stages of capital project planning and design for necessary up-front expenses including pre-scoping, whether capitally eligible or not. **The Capital Stabilization Reserve can also be**

> **used to defease City debt if not needed in total for other capital purposes. The Capital Stabilization Reserve can be used to prevent debt service costs from rising unduly as a percent of total taxes when revenues come under stress or there is an increase in interest rates or project costs.** The Capital Stabilization Reserve is consistent with the Mayor's commitment to build up various reserves.

The reserve was further described in NYC GO bond offering documents (GO 2015 Series F, p. 4, emphasis added):

> The Financial Plan also reflects the creation in fiscal year 2016 of a $500 million capital stabilization reserve, **which would be available for debt retirement in an economic downturn** or research before capital projects are funded to make capital investment more efficient.

In practice, the Capital Stabilization Reserve has not been used for the stated purpose and it is, like the General Reserve, part of the surplus that is used to cover the subsequent fiscal year's gap. Nonetheless, the Capital Stabilization Reserve is appropriated in the Adopted Budget and may be used to fund a payment to the General Debt Service Fund or TFA to pay debt service or defease targeted maturities to maintain debt service as a percentage of tax revenues below the 15 percent threshold throughout the Financial Plan years. The Comptroller's proposed mechanism is as follows:

1. The City sets a minimum amount for the Capital Stabilization Reserve and includes it in each year of the financial plan. The minimum amount should not be lower than the currently budgeted $250 million. This is consistent with current practice.
2. At the time of budget adoption, the Mayor produces a 10-year forecast of debt service and tax revenues. Should the forecast indicate a breach of the 15 percent threshold, the Mayor would not be able to draw down the current-year Capital Stabilization Reserve until the following Executive Budget.
3. The Mayor modifies its capital plan, debt service, and revenue assumptions as part of the November, Preliminary, and Executive budgets.
4. Should a breach be forecasted at the time of the Executive Budget, the Mayor uses funds up to the available amount in the Capital Stabilization Reserve to defease, redeem, or otherwise retire GO, TFA FTS bonds, or conduit debt. The method and selection of bonds is determined jointly by the Mayor and the Comptroller.

This approach has several advantages. First, it relies on an existing budgetary appropriation, without need to create separate funds. Second, it allows the City to flexibly address a potential breach of the 15 percent threshold through the budget cycle, and years in advance of it happening. Third, the adherence to the policy can be easily monitored. And lastly, it can be implemented by the Mayor and the Comptroller in the Debt Management Policy.

Conclusions

The Office of the Comptroller analyzed yet-unplanned capital needs for schools, borough-based jails, and the Brooklyn-Queens Expressway triple cantilever. Without legislative action, these incremental commitments could exceed (in the Comptroller's assessment) or substantially exhaust (in the Mayor's estimates) the City's debt-incurring power.

In light of these projections, the Governor's proposal to increase the TFA FTS exemption from the debt limit by $12 billion appears reasonably sized to accommodate incremental needs, is projected to provide an appropriate amount of debt incurring power cushion in the future, and is consistent with the City remaining below the 15 percent debt service threshold. This stands in contrast to the Mayor's proposal, which could put undue stress on the City's affordability metrics.

While debt issuance to finance the incremental commitments is not projected to exceed the City's debt affordability benchmark of 15 percent of debt service as a share tax revenue under projected conditions, the Comptroller is nonetheless concerned that the City lacks a mechanism to implement the 15 percent threshold. To this end, the Comptroller is recommending adopting into the City's Debt Management Policy the use of the City's Capital Stabilization Reserve to lower future-year debt service should it be forecasted to exceed the threshold. Implementing such a mechanism creates guardrails that ensure the capital planning process prioritizes projects and manages commitments to make sure that the City's debt service expense remains affordable.

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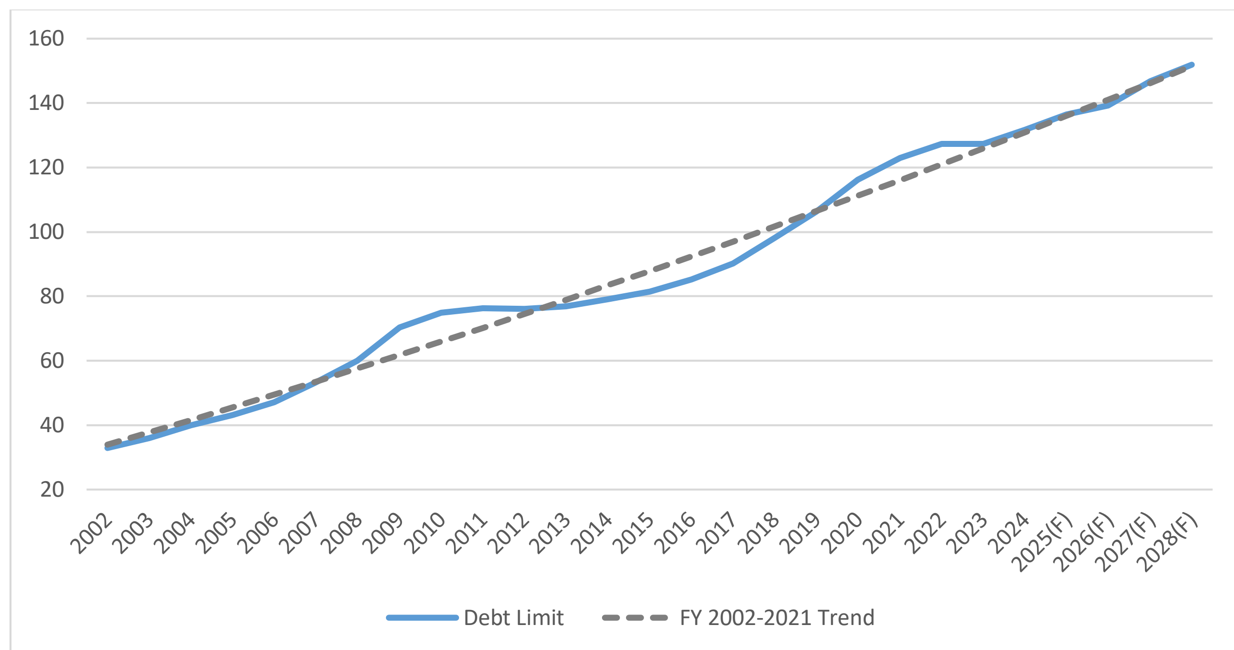
Appendix

Debt Limit Forecast

The Office of the Comptroller updated the forecast of the debt limit to incorporate tentative Special Equalization Ratios for FY 2025 from the Office of Real Property Tax Services, NYC DOF's FY 2025 Tentative Assessment Roll, and a new property tax forecast through FY 2028. As shown in Chart A1, the forecast matches the time trend established by the historical data between FY 2002 and FY 2021, extended to FY 2028. For this reason, the projection between FY 2029 and FY 2033 used in this report is also an extension of the pre-pandemic time trend. The final result is a downward revision of the debt limit relative to the estimate published in December 2023. The January 2024 Capital Commitment Plan reduced target commitments by $10.4 billion between FY 2024 and FY 2033, more than offsetting the downward revision to the debt limit estimate by the end of the projection period. In FY 2033, remaining debt-incurring power increased from nearly zero to $7.0 billion.

Chart A1. Debt Limit Forecast and Pre-Pandemic Trend ($b)



Source: Office of the NYC Comptroller

The difference between the Comptroller's and OMB's debt limit forecasts in FY 2026-2028 is primarily attributable to the choice of special equalization ratios (SERs), rather than the outlook for DOF assessed values. The Comptroller's estimate is based on ORPTS' methodology, which is explained in detail in the companion analysis to this report. The reason for the higher SERs relative to the Comptroller's December forecast is the estimate of 0.0 percent growth rate in DOF market values in the final FY 2025 assessment roll (growth in the tentative roll is already minimal at 0.7 percent) vs. growth in taxable billable assessed values before STAR of 3.4 percent. ORPTS

will incorporate the FY 2025 roll in the FY 2026 SERs and the debt limit is forecasted to increase by only 1.9 percent in that year. OMB instead forecasts the future full value of taxable real estate from FY 2026 onward using its forecast of DOF's market values, resulting in a lower implicit forecast of SERs and higher debt limit growth rates. In FY 2029-2033, as mentioned above, the Comptroller extends the FY 2002-2021 trend, which implies growth rates gradually declining from 3.5 percent to 3.2 percent. OMB's assumed growth rate over the same period starts at 3.8 percent and stabilizes at 4.7 percent in FY 2032.

Debt Projections

Table A1 reports the estimate of debt applicable to the limit under the two legislative proposals and with borrowing assumptions consistent with the January 2024 Capital Commitment Plan, but without the inclusion of incremental capital needs.

Table A1. Impact of Governor and Mayor Proposals on Debt Applicable to the Limit ($b)

Fiscal Year	Debt Applicable to the Limit		
	Current Estimate	Governor's proposal	Mayor's Proposal
2024	$77.7	$77.7	$59.2
2025	$84.1	$78.1	$65.6
2026	$91.0	$79.0	$70.7
2027	$98.5	$86.5	$77.6
2028	$105.6	$93.6	$83.3
2029	$112.6	$100.6	$89.2
2030	$119.4	$107.4	$94.5
2031	$125.3	$113.3	$98.8
2032	$130.0	$118.0	$101.8
2033	$133.4	$121.4	$103.5

Source: Office of the NYC Comptroller

Table A2 provides the assumptions on the distribution of incremental commitments, and associated disbursements and borrowing.

Table A2. Incremental Commitments, Disbursements, and Borrowing ($m)

Incremental Commitments	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**Total**
	0.00%	5.52%	21.40%	20.89%	20.89%	19.37%	8.22%	3.72%	0.00%	0.00%	**100%**
	-	939	3,645	3,559	3,559	3,299	1,399	633	-	-	**17,033**

Incremental Disbursements	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**
	18.00%	24.00%	19.00%	12.00%	8.00%	7.00%	5.00%	4.00%	2.00%	1.00%	**100.00%**

Incremental Borrowing	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**Total**
2025 Commitments	-	169	225	179	113	75	66	47	38	19	930
2026 Commitments	-	-	656	875	693	437	292	255	182	146	3,536
2027 Commitments	-	-	-	641	854	676	427	285	249	178	3,309
2028 Commitments	-	-	-	-	641	854	676	427	285	249	3,132
2029 Commitments	-	-	-	-	-	594	792	627	396	264	2,672
2030 Commitments	-	-	-	-	-	-	252	336	266	168	1,022
2031 Commitments	-	-	-	-	-	-		114	152	120	386
Total	**-**	**169**	**882**	**1,694**	**2,300**	**2,637**	**2,504**	**2,090**	**1,567**	**1,144**	**14,987**
Cumulative Unfinanced Commitments	-	770	3,534	5,398	6,657	7,320	6,215	4,758	3,190	2,046	
Cumulative Borrowing	-	169	1,051	2,744	5,044	7,681	10,185	12,275	13,843	14,987	
Cumulative Indebtedness Counted Toward the Debt Limit	**-**	**939**	**4,584**	**8,143**	**11,701**	**15,000**	**16,400**	**17,033**	**17,033**	**17,033**	

Source: Office of the NYC Comptroller

Endnotes

[1] Indebtedness is incurred at the time contracts for capital assets are registered by the Office of the Comptroller, without regard to their future financing through the issuance of bonds.

[2] A smaller fraction of the same estimate of real estate values is also a limit to the City's capacity to levy property taxes to pay for operating expenses. However, the ability to levy property taxes to pay General Obligation debt is unlimited.

[3] See NYC Annual Comprehensive Financial Report FY 2023, p.460-461.

[4] The Governor's proposal achieves this by raising the amount of Transitional Finance Authority Future Tax Secured (TFA FTS) bonds outstanding that is not subject to the debt limit.

[5] The Mayor's proposal raises the amount of TFA FTS bonds outstanding that is not subject to the debt limit and indexes the amount to the growth rate of PIT and PTET.

[6] For a detailed explanation of the City's debt-incurring power and methodological notes, please see the Office of the Comptroller's Annual Report on Capital Debt and Obligations.

[7] The methodology for the property tax forecast is described in the appendix of the December 2023 report.

[8] More details on the estimates are available in the appendix.

[9] In 2001, TFA was authorized to issue up to $2.5 billion in Recovery Bonds to finance costs related to the 9/11 attack. In April 2006, the TFA was authorized to issue up to $9.4 billion in Building Aid Revenue Bonds (BARBs) outstanding. Neither is debt counted toward the limit.

[10] The City sells premium bonds, whereby proceeds are higher than the bonds' face value (or "par") in exchange for a higher interest rate on coupons. In new issuances, the premium is the difference between proceeds net of underwriting costs. In refinancing issues, the premium is the difference between the par refunded and the face value of refunding bonds. The premium earned from new and refinancing issuances is an offset to the increase in indebtedness because proceeds reduce unfunded commitments or bonds outstanding by more than the par amount of new issuance.

[11] The difference between the Comptroller's and the OMB's estimate is explained in the appendix.

[12] Debt service includes General Obligation, Transitional Finance Authority Future Tax Secured, and City-related subject-to-appropriation debt. While the City endeavors to manage debt issuances and the Capital Commitment Plan to remain below this threshold, it lacks a mechanism to make it binding.

[13] The recession scenario was built averaging growth rates of common-rate-and-base revenues over the 1990s, 9/11, and the 2008 recessions. The scenario is based on the Office of the Comptroller's revenue forecast and assumes that a recession starts in FY 2025. Tax revenues drop in FY 2025 and FY 2026 before recovering in the following two years. Starting in FY 2029, the growth rates are the same as in the baseline forecast. In the scenario, tax revenues never recover above the baseline.

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