The Comptroller's Comments on the Adopted Budget for Fiscal Year 2009 and the Financial Plan for FYs 2009-2012

The City of New York
Office of the Comptroller
William C. Thompson, Jr., Comptroller

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For more information, visit www.comptroller.nyc.gov or call (212) 669-2507.

WILLIAM C. THOMPSON, JR.
Comptroller

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<u>Executive Deputy Comptroller</u>
Eduardo Castell

<u>Deputy Comptroller for Budget</u>
Marcia J. Van Wagner

<u>Bureau Chief</u>
Eng-Kai Tan

<u>Chief Economist</u>
Frank Braconi

<u>Project Coordinator</u>
Manny Kwan

<u>Principal Economist</u>
Farid Heydarpour

<u>Bureau Chief</u>
Tina Lubin

<u>Assistant Director</u>
Robert DeLaurentis

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Michael Hecht
Dahong Huang
Judith Lacari
Marcia Murphy
Albert Ng
Olayinka Olarewaju-Alo
Andrew Rosenthal
Michael Zhang

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I. Executive Summary

The past year has seen a long economic expansion unravel dramatically. The financial model that promoted the widespread securitization of residential and commercial mortgages and a variety of other assets proved seriously flawed: inadequate underwriting by financial institutions, deficient evaluation by private ratings agencies, and insufficient regulation by government led to collapsing asset values and a freezing of credit channels. The nation's financial institutions are expected to suffer losses approaching $600 billion on residential loans and securities alone, consumer spending is weakening, and skyrocketing energy prices are generating inflationary pressures. The credit markets, which lubricate economic activity, are still sorting and repricing risks and have failed to stabilize despite unprecedented interventions by monetary authorities.

Nonetheless, in FY 2008 the City of New York was able to preserve surpluses built up in prior years and add nearly $2 billion to the fund that is enabling it to balance FY 2009 and considerably narrow the FY 2010 budget gap. The accumulated surplus of $6.6 billion will make available additional resources of $3.81 billion in FY 2009, $2.45 billion in FY 2010 and $350 million in FY 2011. FY 2009 has already benefited from actions taken in FY 2007 that reduced FY 2009 spending by $675 million.

The Bloomberg Administration has prudently set aside surplus resources as a hedge against the city's volatile economy and tax revenues. Arguably, the strength of the city's tax collections during much of the Mayor's tenure has made such decisions less difficult than they would otherwise have been. However, the pressure to use resources for current benefits–such as increased services or tax reduction–can be tremendous, and the Mayor is to be commended for balancing immediate needs with preparation for the inevitable economic downturn. As a consequence, the level of City services and tax rates will be more stable in the coming period. Even greater commendation would be in order if the City would establish a formal budget reserve–a "rainy day fund"–to institutionalize the practice of smoothing the City's volatile revenues.

Despite the significant reserves devoted to reducing future budget gaps, the City still projects large out year budget gaps of $2.344 billion in FY 2010, $5.158 billion in FY 2011 and $5.108 billion in FY 2012. These projections would be much larger but for the assumption that the 7 percent reduction in the property tax that was enacted in FY 2008 will be rescinded in FY 2010. Without these additional revenues, the projected out year gaps would reach $3.567 billion in FY 2010, $6.456 billion in FY 2011, and $6.467 billion in FY 2012.

Stated spending is projected to decline from $62.94 billion in FY 2008 to $59.39 billion in FY 2009. However, these figures are artifacts of the way in which surplus resources are transferred from one year to the next. Adjusted for the transfers, spending will grow 4 percent from FY 2008 to FY 2009, and growth will average 4.1 percent per year for the entire Financial Plan period. While revenues are projected to grow at the same rate, they start from a lower base and thus the persistent gaps in the out years are created.

Furthermore, in most years of the Financial Plan period, risks identified by the Comptroller's Office outweigh potentially favorable developments. On net, the City is likely to experience a gap of $68 million in FY 2009, additional resources of $295 million in FY 2010, and increments of $538 million and $334 million to the gaps in FYs 2011 and 2012, respectively. As a result, the Comptroller's projected FY 2010 gap narrows to $2.049 billion while the FY 2011 and FY 2012 gaps widen to $5.696 billion and $5.442 billion, respectively.

For FY 2009, the gap emerges because tax revenues lag the City's projections and overtime expenditures exceed them. In subsequent years of the plan, the Comptroller's Office expects revenues to exceed the City's projections. Overall, the Comptroller's economic outlook, while gloomy, does not yield as sustained a fall-off in tax collections as does the City's forecast. The Comptroller expects more robust property values and a quicker return to income growth than the City, although the Comptroller expects outyear business tax revenues to grow more slowly.

Spending risks in the out years of the plan are considerable and derive from four sources. First, the City's proposed $200 million annual savings from health insurance restructuring would be welcome, but no plan is in place to achieve them. Second, the City continues to present optimistic projections of overtime costs, which the Comptroller expects will exceed planned amounts by $100 million per year. Third, pension costs will be higher because FY 2008 investment returns fell short of the zero percent return reflected in the Adopted Budget, and the City will be required to make additional pension contributions that the Comptroller's Office estimates will grow from $83 million to $225 million during the plan period. Fourth, changes in accounting standards will prevent the City from borrowing for certain activities that have been considered capital expenditures, unless there is a change in State law. These expenditures are estimated to total $500 million per year. Therefore, despite the Comptroller's forecast of lower judgments and claims costs than those projected in the Financial Plan, spending risks grow from $275 million in FY 2010 to $799 million in FY 2012.

The City continues to grapple with its cost structure. Rate increases for employee health insurance are projected to be 9.4 percent in FY 2009 and 8.0 percent annually thereafter. Although pension fund contributions are slated to grow at a very moderate 1.2 percent in the outyears of the Financial Plan, this moderation could be in jeopardy if investment returns do not recover quickly from FY 2008 results.

The increasing burden of debt service is cause for concern. Debt service is projected to increase 7.6 percent per year from FY 2008 to FY 2012. This growth is fueled by General Obligation debt borrowing that will average $6 billion per year and push the City's debt burden (debt service as a percent of tax revenues) from 13.8 percent in FY 2009 to 15.1 percent in FY 2012. Overall, New York City gross debt outstanding totaled more than $7,000 per capita in FY 2007. In the face of dwindling revenues, the City removed pay-as-you-go capital spending from its financing program to free resources for other purposes. While this is an appropriate short-term measure to lessen the impacts on services of shrinking resources, the City has removed this financing method from each year of the Financial Plan. Since the benefits of pay-as-you-go financing to the City's overall debt burden and the long-term costs of the capital program are cumulative, pay-as-you-go financing should be returned to the plan as soon as possible.

The City's budget will continue to be under pressure for some time to come, as the scenario of falling or stagnating revenues combined with rising costs continues to unfold. The judicious use of reserves to smooth out revenues has afforded the City some time to develop gap-closing initiatives to address the large budget gaps in FY 2010 and beyond. The best interest of New Yorkers will be served if these initiatives appropriately balance necessary services with the City's high tax burden and do not borrow from our future. In any event addressing the City's looming budget problems will require shared sacrifices.

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Table 1. FYs 2009-2012 Financial Plan

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FYs 2009 – 2012 Dollar	Percent
Revenues						
Taxes:						
General Property Tax	$13,917	$16,094	$17,107	$17,914	$3,997	28.7%
Other Taxes	$22,058	$21,547	$22,929	$24,412	$2,354	10.7%
Tax Audit Revenues	$577	$579	$579	$579	$2	0.3%
Miscellaneous Revenues	$5,671	$5,303	$5,365	$5,384	($287)	(5.1%)
Unrestricted Intergovernmental Aid	$340	$340	$340	$340	$0	0.0%
Less: Intra-City Revenues	($1,538)	($1,453)	($1,452)	($1,452)	$86	(5.6%)
Disallowances Against Categorical Grants	($15)	($15)	($15)	($15)	$0	0.0%
Subtotal: City-Funds	$41,010	$42,395	$44,853	$47,162	$6,152	15.0%
Other Categorical Grants	$1,029	$1,005	$1,006	$1,010	($19)	(1.8%)
Inter-Fund Revenues	$463	$425	$419	$419	($44)	(9.5%)
Total City & Inter-Fund Revenues	$42,502	$43,825	$46,278	$48,591	$6,089	14.3%
Federal Categorical Grants	$5,366	$5,283	$5,273	$5,282	($84)	(1.6%)
State Categorical Grants	$11,526	$11,939	$12,803	$13,103	$1,577	13.7%
Total Revenues	$59,394	$61,047	$64,354	$66,976	$7,582	12.8%
Expenditures						
Personal Service						
Salaries and Wages	$21,942	$22,974	$24,424	$24,694	$2,752	12.5%
Pensions	$6,296	$6,822	$6,890	$6,994	$698	11.1%
Fringe Benefits	$6,719	$7,008	$7,607	$8,209	$1,490	22.2%
Subtotal-PS	$34,957	$36,804	$38,921	$39,897	$4,940	14.1%
Other Than Personal Service						
Medical Assistance	$5,602	$5,756	$5,916	$6,089	$487	8.7%
Public Assistance	$1,177	$1,176	$1,176	$1,176	($1)	(0.1%)
All Other	$18,340	$18,461	$19,090	$19,589	$1,249	6.8%
Subtotal-OTPS	$25,119	$25,393	$26,182	$26,854	$1,735	6.9%
Debt Service						
Principal	$1,567	$1,643	$1,864	$1,970	$404	25.8%
Interest & Offsets	$2,343	$2,748	$2,933	$3,357	$1,013	43.2%
Subtotal Debt Service	$3,910	$4,391	$4,797	$5,327	$1,417	36.2%
FY 2007 BSA	($34)	($31)	$0	$0	$34	(100.0%)
FY 2008 BSA	($4,079)	$0	$0	$0	$4,079	(100.0%)
FY 2009 BSA	$812	($812)	$0	$0	($812)	(100.0%)
FY 2010 BSA	$0	$350	($350)	$0	$0	N/A
Prepayments*	$0	($2,036)	$0	$0	$0	N/A
Debt Retirement						
Call 2009/2010 G.O. Debt	($278)	($277)	$0	$0	$278	(100.0%)
Defease NYCTFA Debt	($363)	($382)	$0	$0	$363	(100.0%)
Subtotal Debt Retirement	($641)	($659)	$0	$0	$641	(100.0%)
Transfer for NYCTFA Debt Service	($546)	$0	$0	$0	$546	(100.0%)
NYCTFA						
Principal	$476	$498	$575	$634	$158	33.3%
Interest & Offsets	$658	$646	$539	$524	($134)	(20.4%)
Subtotal NYCTFA	$1,134	$1,144	$1,114	$1,158	$24	2.2%
General Reserve	$300	$300	$300	$300	$0	0.0%
	$60,932	$64,844	$70,964	$73,536	$12,604	20.7%
Less: Intra-City Expenses	($1,538)	($1,453)	($1,452)	($1,452)	$86	(5.6%)
Total Expenditures	$59,394	$63,391	$69,512	$72,084	$12,690	21.4%
Gap To Be Closed	**$0**	**($2,344)**	**($5,158)**	**($5,108)**	**($5,108)**	**N/A**

***** The $1.986 billion prepayment of FY 2010 debt service in FY 2008 is expected to generate $50 million in interest savings for FY 2010.

Table 2. Plan-to-Plan Changes
June 2008 Plan vs. May 2008

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012
Revenues				
Taxes:				
General Property Tax	($56)	($131)	($186)	($241)
Other Taxes	($15)	($16)	($16)	($16)
Tax Audit Revenues	$0	$0	$0	$0
Miscellaneous Revenues	$104	$25	$10	$20
Unrestricted Intergovernmental Aid	$0	$0	$0	$0
Less: Intra-City Revenues	($32)	($17)	($16)	($16)
Disallowances Against Categorical Grants	$0	$0	$0	$0
Subtotal: City Funds	$1	($139)	($208)	($253)
Other Categorical Grants	$23	$4	$3	$4
Inter-Fund Revenues	$5	$0	$0	$0
Total City & Inter-Fund Revenues	$29	($135)	($205)	($249)
Federal Categorical Grants	($29)	($30)	($30)	($31)
State Categorical Grants	$21	$1	$2	$2
Total Revenues	$21	($164)	($233)	($278)
Expenditures				
Personal Service				
Salaries and Wages	$296	$286	$292	$293
Pensions	$117	$122	$97	$103
Fringe Benefits	($21)	($20)	($20)	($20)
Subtotal-PS	$392	$388	$369	$376
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	$0	$0	$0	$0
All Other	$394	$26	$14	$10
Subtotal-OTPS	$394	$26	$14	$10
Debt Service				
Principal	$0	$0	$0	$0
Interest & Offsets	($119)	($14)	$8	$8
Subtotal Debt Service	($119)	($14)	$8	$8
FY 2007 BSA	$0	$0	$0	$0
FY 2008 BSA	($106)	$0	$0	$0
FY 2009 BSA	($507)	$507	$0	$0
FY 2010 BSA	$0	$0	$0	$0
Prepayments	$0	$(50)	$0	$0
Debt Retirement				
Call 2009/2010 G.O. Debt	$0	$0	$0	$0
Defease NYCTFA Debt	$0	$0	$0	$0
Subtotal Debt Retirement	$0	$0	$0	$0
Transfer for NYCTFA Debt Service	$0	$0	$0	$0
Defeasance of certain NYCTFA Debt	$0	$0	$0	$0
NYCTFA	$0	$0	$0	$0
Principal	$0	$0	$0	$0
Interest & Offsets	($1)	($1)	($35)	$0
Subtotal NYCTFA	($1)	($1)	($35)	$0
MAC Debt Service/Administrative Expenses	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0
	$0	$0	$0	$0
Less: Intra-City Expenses	($32)	($17)	($16)	($16)
Total Expenditures	$21	$839	$340	$378
Gap To Be Closed	**$0**	**($1,003)**	**($573)**	**($656)**

Table 3. Risks and Offsets to the FYs 2009 – 2012 Financial Plan

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012
City Stated Gap	**$0**	**($2,344)**	**($5,158)**	**($5,108)**
Tax Revenue Assumptions				
Property Tax	($65)	$70	$210	$475
Personal Income Tax	40	330	40	40
Business Taxes	(50)	30	(180)	(170)
Sales Tax	40	90	70	80
Real-Estate-Related Taxes	0	50	110	40
Subtotal	**($35)**	**$570**	**$250**	**$465**
Expenditure Projections				
Health Insurance Restructuring	$0	($200)	($200)	($200)
Overtime	(91)	(100)	(100)	(100)
Pension Investment Losses	0	(83)	(153)	(225)
Judgments and Claims	58	108	165	226
GASB 49	0	0	($500)	($500)
Subtotal	**($33)**	**($275)**	**($788)**	**($799)**
Total Risk/Offsets	**($68)**	**$295**	**($538)**	**($334)**
Restated (Gap)/Surplus	**($68)**	**($2,049)**	**($5,696)**	**($5,442)**

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II. The FY 2009 to FY 2012 Financial Plan

The City's FYs 2009-12 Financial Plan shows that while the City has adopted a balanced FY 2009 budget, it expects to face multi-billion dollar gaps in the outyears. As shown in Table 1 on page 1, the City projects gaps of $2.34 billion in FY 2010, $5.15 billion in FY 2011, and $5.11 billion in FY 2012.[1]

The FY 2009 budget is balanced with the help of a year-end budget surplus of $6.6 billion in FY 2008 of which $3.81 billion is used towards balancing the FY 2009 budget.[2] The remainder will be used to provide budget relief of $2.45 billion in FY 2010 and $350 million in FY 2011. In addition to the use of the FY 2008 budget surplus, the FY 2009 budget also benefits from actions taken in FY 2007, which further lower FY 2009 spending estimates by $675 million.[3] These prior actions help lower projected spending in FY 2009 to $59.39 billion from $62.94 billion in FY 2008. As benefits from prior-year actions decline in FYs 2010 and 2011 and cease altogether in FY 2012, expenditures are projected to grow to $63.39 billion, $69.51 billion, and $72.08 billion, respectively.

While the use of prior-year surplus resources for outyear relief has allowed the City to better address the fiscal challenges confronting the City, their use distorts the underlying expenditure growth over the Financial Plan period. After adjusting for the impact of budgetary relief provided by the use of prior-year surplus resources, projected FY 2009 expenditures total $63.88 billion, $2.44 billion, or 4.0 percent, more than the adjusted FY 2008 estimate. From FY 2009 to FY 2012, expenditures are expected to grow by 12.8 percent, or 4.1 percent annually. Revenues are projected to grow at the same rate, as shown in Table 4. However, gaps persist in the outyears because adjusted FY 2009 expenditures are approximately $4.5 billion higher than projected revenues. As a result, the comparable projected growth rates serve to widen the gap to more than $5 billion by FY 2012.

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[1] Revenues in this report include personal income tax revenues retained for New York City Transitional Finance Authority (NYCTFA) debt service and expenditures include NYCTFA debt service.

[2] The $6.6 billion FY 2008 budget surplus includes an FY 2008 BSA and discretionary transfers totaling $4.625 billion and prepayment of $1.986 billion of FY 2010 debt service.

[3] The City projects General Obligation (G.O.) and NYCTFA debt service savings of $278 million and $363 million, respectively, in FY 2009 from an early debt retirement initiative in FY 2007. In addition, of the $4.665 billion prepayments and transfers in FY 2007, $34 million was used to prepay FY 2009 lease debt obligations.

Table 4. Revenues and Expenditures Adjusted for the Impact of Prior-Year Actions

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	Growth FYs 09-12	Annual Growth
Revenues						
Tax Revenues	$36,552	$38,220	$40,615	$42,905	17.4%	5.5%
Non-Tax Revenues	5,950	5,605	5,663	5,685	(4.5%)	(1.5%)
Fed & State Categorical Grants	16,892	17,222	18,076	18,385	8.8%	2.9%
Total Revenues	**$59,394**	**$61,047**	**$64,354**	**$66,975**	**12.8%**	**4.1%**
Expenditures						
Health Insurance	$3,669	$4,028	$4,505	$5,048	37.6%	11.2%
Debt Service	5,044	5,535	5,911	6,485	28.6%	8.7%
Judgments & Claims	658	708	765	826	25.6%	7.9%
Subtotal	**$9,371**	**$10,271**	**$11,181**	**$12,359**	**31.9%**	**9.7%**
Salaries and Wages	$20,186	$20,438	$21,843	$22,112	9.5%	3.1%
Health Insurance Restructuring	0	(200)	(200)	(200)	N/A	N/A
Pensions	6,171	6,698	6,766	6,870	11.3%	3.6%
Other Fringe Benefits	3,050	3,180	3,302	3,362	10.2%	3.3%
Public Assistance	1,177	1,176	1,176	1,176	(0.1%)	0.0%
Medicaid	5,602	5,756	5,916	6,089	8.7%	2.8%
Other OTPS	16,849	17,005	17,576	18,015	6.9%	2.3%
Subtotal	**$53,035**	**$54,053**	**$56,379**	**$57,424**	**8.3%**	**2.7%**
State Aid for CFE	$1,476	$2,256	$2,302	$2,302	56.0%	16.0%
Total Expenditures	**$63,882**	**$66,580**	**$69,862**	**$72,085**	**12.8%**	**4.1%**

NOTE: Expenditures are adjusted to net out the effects of prepayments.

Revenue trends over the Financial Plan period are driven by tax revenues and Federal and State categorical grants. Projected FY 2009 tax revenues, which account for approximately 62 percent of total revenues, are $2.29 billion, or 5.9 percent, less than the FY 2008 estimate, reflecting the weakness in the national and local economy as discussed in "Tax Revenues" beginning on page 13. Following this decline, tax revenues are projected to grow 17.4 percent from FYs 2009 to 2012, reflecting an anticipated strengthening of the economy in the outyears. The projected growth in tax revenues is also boosted by a proposed rescission, beginning FY 2010, of the 7.0 percent property tax reduction initially implemented in FY 2008. Non-tax revenues are projected to decline 4.5 percent over the Plan period. The decline reflects primarily the loss of non-recurring FY 2009 revenues in the outyears of the Plan as discussed in "Miscellaneous Revenues" beginning on page 18.

Growth in projected expenditures over the Financial Plan period is dominated by growth in spending on health insurance, debt service, and judgments and claims (J & C). Spending in these areas, which accounts for almost 15 percent of the FY 2008 Adopted Budget, is projected to increase by 31.9 percent from FY 2009 to FY 2012, almost two and one-half times the projected rate of revenue growth. All other expenditure areas are expected to grow at 8.3 percent over the same period.

A. RISKS AND OFFSETS

As Table 3 on page 3 shows, the Comptroller's Office has identified additional resources of $295 million in FY 2010 and risks of $68 million, $538 million, and $334 million in FYs 2009, 2011, and 2012, respectively. Except for FY 2009, the Comptroller's Office expects overall tax revenues to be higher than the City's forecast in each year of the Financial Plan period. The higher revenue forecast is driven by a more optimistic outlook for the economy over this period as discussed in "The State of the City's Economy" beginning on page 9. However, the more favorable tax revenue forecasts in FYs 2011 and 2012 are more than offset by risks to the City's expenditure estimates.

As discussed in "Health Insurance" beginning on page 26, the City's projections for health insurance costs include savings of $200 million from an as yet undefined proposed restructuring of employees' health insurance beginning in FY 2010. In addition, the City's projections for pension contributions assume that pension investment returns for FY 2008 will be zero. However, preliminary estimates indicate that pension investments suffered a loss of 5.5 percent in FY 2008 which would result in additional pension contributions of $83 million, $153 million, and $225 million in FYs 2010, 2011, and 2012, respectively.

Beginning in FY 2011, the biggest risk to the City's budget is the potential cost of pollution remediation. The City currently accounts for pollution remediation in the capital budget. However, GASB statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued in November 2006, requires governments to treat pollution remediation as an operating expense. Under State law, New York City is prohibited from borrowing for operating expenses and therefore pollution remediation expenses will have to be funded in the operating budget. The City expects to comply with the requirements of GASB statement 49 beginning in FY 2011 and has estimated the cost of pollution remediation at $500 million annually. This amount is not included in the estimates in the current Financial Plan.

The remaining risk to the budget is due to the under-budgeting of overtime spending as discussed in "Overtime" beginning on page 22. Lower than projected judgments and claims cost would help offset some of the risks to the City's Plan projections. The Comptroller's Office estimates that judgments and claims cost would be lower than the City's projections by $58 million, $108 million, $165 million, and $226 million in FYs 2009, 2010, 2011, and 2012, respectively.

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III. The State of the City's Economy

A. COMPTROLLER'S ECONOMIC FORECAST FOR NYC, 2008-2012

Little has changed in the economic outlook since our last report in May, 2008, when the Comptroller's comments on the FY 2009 Executive Budget were released. In the intervening two months, the evidence has mounted that the city's economy, like that of the country, has slowed considerably but has resisted an outright contraction.

On a seasonally-adjusted basis, total private payroll jobs in the city jumped in January, but job creation since then has been negligible. Unadjusted private employment in June, 2008 was about 20,700 higher than in June, 2007. The city's performance was significantly better than the nation's, which lost 431,000 jobs over the same period of time. Moreover, in February 2008 the city's unemployment rate dropped below that of the nation as a whole for the first time in nearly twenty years.

There are also indications that income growth in the city has been more robust than in the nation. For the first five months of 2008, federal income taxes withheld from paychecks increased 1.4 percent compared to the first five months of 2007, while NYC income tax withholdings were up 6.4 percent for the same period. Income tax withholdings are a good indicator of income growth.

The City's housing market has also been more resilient than in most other metropolitan areas. By April, 2008, the Case-Shiller home price index for 20 major metropolitan areas was 15 percent below its level of April 2007; for the New York metropolitan area, the index declined only 8.4 percent. Other evidence suggests that the decline in home prices within NYC has been more moderate than in the metro area as a whole. According to Prudential Douglas Elliman's most recent market report, although Manhattan apartment prices fell 2.0 percent in the second quarter of 2008, they were still 10.9 percent higher than in the second quarter of 2007. According to the Real Estate Board of New York, Brooklyn condominium prices were up 4.0 percent in April compared to April, 2007. The City's own assessments of the market value of single-family homes, located primarily in boroughs other than Manhattan, decreased an aggregate 2.9 percent for FY 2009 compared to FY 2008.

Despite these indications that the city's economy is outperforming the national economy, there has been one very troubling development in the local picture—the "credit crunch" and the fall-off in financial sector revenues and profits. According to the Securities Industry and Financial Markets Association, the revenues of NYSE member firms doing business with the public were down 45 percent in the first quarter of 2008 (compared to the same quarter of 2007) and the industry suffered aggregate pre-tax losses of $22.4 billion. Since the financial industry accounts for a sizeable portion of the city's economic output, its recent difficulties will suppress Gross City Product (GCP) growth and eventually manifest itself in declining payroll employment.

On a calendar year basis, the Comptroller expects real GCP to increase 1.2 percent in 2008 and only 0.1 percent in 2009. Average annual payroll employment in the City is expected to rise 13,400 in 2008, but to decline 45,500 in 2009. The annual figures mask, however, a sharper quarterly pattern that anticipates the city's economic growth turning negative in the first quarter of 2009 and gradually recovering thereafter. The Comptroller expects the period of negative growth to be relatively brief, but also anticipates that the subsequent recovery will be weak. Paralleling our forecasts for the national economy, we expect that the three-year period of 2008 through 2010 will be one of unusual economic stasis. Table 1 compares the Comptroller's and Mayor's forecast of the City's economy.

Table 5. Forecasts of NYC GCP and Payroll Jobs, Percent Change, 2008-2012

Forecast by	Forecast of	2008	2009	2010	2011	2012
Comptroller	GCP	1.2	0.1	1.6	2.7	3.1
	Payroll Jobs	13.4	(45.5)	29.7	38.6	45.7
City	GCP	(7.5)	(1.3)	2.7	2.9	2.4
	Payroll Jobs	(10.7)	(46.3)	26.7	41.5	38.3

Source: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the Mayor (Office of Management and Budget) in the Adopted Budget.
Note: Payroll Job changes are in thousands and GCP changes are in percent.

B. UNDERLYING FACTORS AFFECTING THE FORECAST

The American economy has been beset by a series of significant problems that will suppress economic growth for some time. The deflation of the housing price boom, the implosion of the mortgage securities market, the freezing up of credit channels, and the spike in oil prices have all had serious impacts on the economy and no imminent resolution of those conditions seems likely. While the Comptroller remains optimistic that the national economy will avert a severe recession, there is little chance that a robust recovery will ensue.

Since the peak of the housing price boom was reached in July, 2006, home prices nationally have declined nearly 18 percent (according to the Case-Shiller index for 20 metropolitan areas). In some areas, notably Las Vegas, Phoenix and Miami, prices have declined nearly 30 percent. The house price declines have left many homeowners "underwater," meaning that they owe more on their homes than the home is currently worth. That increases their incentive to default on mortgage payments, increasing the default rate even higher than it would have been given the lax underwriting standards that prevailed at the height of the housing boom. According to the Mortgage Bankers Association, the delinquency rate on mortgage loans on 1- to 4-unit properties rose to 6.35 percent during the first quarter of 2008, up from 4.84 percent in the first quarter of 2007. The delinquency rate on subprime loans reached 18.79 percent. By the end of the quarter 2.47 percent of all mortgage loans were in the foreclosure process.

The decline in house prices has had two major economic effects. First, it has diminished the pool of home equity wealth that households had tapped heavily during the boom years to support household spending. According to estimates by economists James Kennedy and Alan Greenspan, net home equity extraction dropped more than 75 percent between the first quarter of 2006 and the first quarter of 2008, falling from $212.7 billion to $51.2 billion. During the late 1990s, home equity extraction averaged about $50 billion per quarter, so it is possible that this source of consumer spending will remain at its present level for some time to come.

A second effect of the decline in home prices, and the concurrent surge in mortgage defaults, was the impact on the financial sector. Banks and other institutions were forced to write down billions of dollars of mortgage-related assets, making many temporarily unprofitable, jeopardizing the solvency of some, and impairing the normal functioning of the credit system. The International Monetary Fund has estimated that institutional losses on U.S residential loans and securities could eventually total $565 billion. Moreover, the mortgage debacle reverberated through every corner of the financial sector, as the credit-worthiness of a wide variety of assets became suspect and investors worldwide scrambled to reduce their exposure to credit risk. During the first half of 2008 the malaise spread to the stock market, with the S&P 500 Index falling by about 14 percent from the beginning of the year through July 14th.

The disruptions in the housing and financial sectors have pushed the national economy to the brink of a recession. Job losses were initially concentrated in the construction and financial sectors (especially retail finance such as mortgage brokers, small depository institutions, and the like) but have gradually rippled outward to other industries. Six straight months of net job losses brought total private payroll jobs in the country in June 2008 to a level about 431,000 below that of June 2007. Real economic growth slowed to a 0.6 percent annual rate in the fourth quarter of 2007 and, at 1.0 percent, remained anemic in the first quarter of 2008. Gross domestic product (GDP) is expected to be positive, but to remain very weak, in the second quarter of 2008.

Contributing to the nation's economic woes has been the unprecedented run-up in crude oil prices and the corresponding increases in the prices of refined petroleum products. Crude oil prices roughly doubled between 2004 and 2007, then doubled again between July 2007 and July 2008, soaring above $140 per barrel. During the past year, retail gasoline prices jumped by $1.11, siphoning about $160 billion of purchasing power from American households and businesses and acting as a significant drag on economic growth.

In some respects it is remarkable that the American economy hasn't already lapsed into an outright recession. While that remains a significant risk, the more likely scenario is that the economy will expand at a tepid pace until the housing market stabilizes and the financial losses are sorted out. The Federal Reserve's aggressive moves to lower interest rates and to provide liquidity to the financial system probably prevented a much sharper downturn, while the income tax rebate enacted by Congress complemented the Fed's actions.

Although the tools of monetary and fiscal policy remain available to help mitigate any potential economic shocks, both the Federal Reserve and Congress will be constrained in using them simply to boost the economic growth rate. By holding its target interest rate steady at its last FOMC meeting, the Fed signaled a renewed emphasis on restraining inflation. Congress, meanwhile, will be hesitant to use further tax rebates or reductions as a stimulus tool. The recent tax rebates widened the federal government budget deficit to $165.93 billion in May, according to the Treasury Department. For the first eight months of Fiscal 2008, the budget deficit totaled $319.40 billion, more than double of the $148.45 billion deficit in the first eight months of the previous fiscal year.

Table 6 compares the Comptroller's and Mayor's forecast of national economy.

Table 6. Forecasts of Real GDP and Payroll Jobs, Percent Change, 2008-2012

Forecasts by	Forecasts of	2008	2009	2010	2011	2012
Comptroller	GDP	1.4	0.4	2.2	3.2	3.0
	Payroll Jobs	(0.1)	(0.4)	1.6	1.7	1.9
Mayor	GDP	1.1	1.7	3.2	3.3	3.0
	Payroll Jobs	0.0	0.4	1.3	1.7	1.5

Source: Comptroller=Forecast by the NYC Comptroller's Office. Mayor=Forecast by the NYC Office of Management and Budget.

IV. Revenue Assumptions

The FY 2009 Adopted Budget anticipates total revenues will decrease by 5.6 percent from FY 2008 to $59.4 billion. The decline reflects the City's anticipation of a decline in non-property tax collections resulting from the current slowdown in the national and local economies as well as from lower miscellaneous revenue collections. Over the Financial Plan period, total revenues are expected to grow 12.8 percent to $66.9 billion in FY 2012. Tax revenues are expected to comprise over 60 percent of total anticipated revenues and reach $42.9 billion in FY 2012. The City expects that growth in property tax revenue collections will sustain tax revenue growth of 17.4 percent over the Plan period.

In contrast, non-tax miscellaneous revenues (excluding intra-City revenues) are projected to decline 17.6 percent in FY 2009 and 5.0 percent over the Plan period, mainly due to an expected drop in the level of non-recurring resources and interest income. Federal categorical grants are also expected to decline slightly while State categorical grants are projected to grow 13.7 percent over the term of the Financial Plan, reflecting an expected increase in State education aid.

Tax Revenues

As a result of weakness in the national and local economies, the City's cyclical surge in tax revenues, which began in FY 2003, is expected to come to an end in FY 2009. In the FY 2009 Adopted Budget and Financial Plan, tax revenues are forecast at $36.6 billion in FY 2009, a decrease of 5.9 percent from FY 2008. Tax revenues are expected to grow to $42.9 billion in FY 2012, as shown in Table 7.[4] The Real Property Tax is expected to be the principal source of tax revenue growth, with revenues increasing $4.8 billion from FY 2008 to FY 2012. Non-property tax revenues are projected to decline in FY 2009 and FY 2010, and to remain below the FY 2008 level for the duration of the plan. However, the City expects a rebound in the local economy and in non-property tax revenues in FY 2011 and FY 2012.

[4] The definition of tax revenues of each single tax used throughout this section includes the proposed tax program and the school tax relief program (STAR). The personal income tax (PIT) includes the portion set aside for the NYCTFA.

Table 7. NYC Tax Revenues, City Forecast,
FYs 2008-2012

($ in millions)

	Forecast Annual Revenues					Change FYs 2008-12	Average Annual Growth
	FY 2008	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**		
Property	$13,163	$13,917	$16,094	$17,107	$17,914	$4,751	8.0%
Non-Property	25,677	22,635	22,126	23,508	24,991	(686)	(0.7%)
Total	**$38,841**	**$36,552**	**$38,220**	**$40,615**	**$42,905**	**$4,065**	**2.5%**

SOURCE: NYC Office of Management and Budget.

Changes in the City's Tax Revenue Forecasts

Lower-than-expected collections from the Unincorporated Business Tax (UBT) and the Mortgage Recording Tax (MRT) in April and May, and a lower estimate of quarterly payments of the Banking Corporation Tax (BCT) for June, resulted in changes in the FY 2008 total tax revenue estimate. Compared with the Executive Budget, estimates of BCT, UBT, and MRT revenues were reduced $107 million, $103 million, and $18 million respectively for FY 2008. As shown in Table 8, the FY 2008 revenue estimate for the Personal Income Tax (PIT) was increased by $177 million since the Executive Budget, due to strong wage earnings and non-wage income growth in the first half of 2008.

The property tax revenue estimate for FY 2008 increased by $12 million from the Executive Budget, to $13.163 billion. Decreased delinquencies and lien sale proceeds are the primary reasons for the additional revenue. The estimates for property tax revenues in FY 2009 and the outyears decreased, however, with the decreases reaching $241 million in FY 2012.

Compared with the Executive Budget, the City has not made any significant changes to non-property tax estimates from FY 2009 to FY 2012, except for a downward revision of $16 million in "other" taxes for each of FYs 2009 through 2011, and $17 million in FY 2012.

Table 8. Changes in NYC Tax Revenues, Adopted vs Executive Budget, FYs 2008-2012

($ in millions)

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Property	$12	($56)	($131)	($186)	($241)
PIT	177	0	0	0	0
Business	(197)	0	0	0	0
Sales	17	0	0	0	0
Real Estate Related	(9)	0	0	0	0
Other	11	(16)	(16)	(16)	(17)
Audit	(20)	0	0	0	0
Total Change	**($9)**	**($72)**	**($147)**	**($202)**	**($258)**

SOURCE: NYC Office of Management and Budget.

City's Forecasts of Growth in Tax Revenues

The City expects total tax revenues to increase $4.1 billion from FY 2008-FY 2012, or 2.5 percent annually. Real property tax revenues are expected to increase 8.0 percent annually from $13.2 billion in FY 2008 to $17.9 billion in FY 2012, while non-property tax revenues are expected to decline 0.7 percent annually, from $25.7 billion in FY 2008 to $25 billion in FY 2012, as shown in Table 9.

Table 9. Growth in NYC Tax Revenues, City Forecast, FYs 2009-2012

	FY 2009	FY 2010	FY 2011	FY 2012	Average Annual Growth, FY 2008-2012
Property	5.7%	15.6%	6.3%	4.7%	8.0%
Non-Property:	(11.9)	(2.3)	6.2	6.3	(0.7)
PIT	(12.1)	(5.9)	9.1	6.3	(1.0)
Business	(10.0)	(0.6)	8.5	7.8	1.1
Sales	(3.5)	0.0	3.7	6.7	1.7
Real-Estate-Related	(24.8)	(2.6)	(1.2)	5.8	(6.5)
Total	**(5.9%)**	**4.6%**	**6.3%**	**5.6%**	**2.5%**

SOURCE: NYC Office of Management and Budget.

The City forecasts that total tax revenue will decrease 5.9 percent in FY 2009, but will grow at a 5.5 percent average annual rate in the final three years of the Plan. Most of the expected decline in FY 2009 originates from projected decreases in business taxes, real-estate-related taxes, and PIT revenues.

Non-property taxes are forecast to decline 11.9 percent in FY 2009 and 2.3 percent in FY 2010, before rebounding in FYs 2011 and 2012. The City also forecasts that PIT revenues will decline in both FY 2009 and FY 2010, reflecting the City's anticipation of a sharp decline in Wall Street profits and bonuses. Although PIT revenue growth is expected to resume in FY 2011, total collections by 2012 are still expected to be below the levels of FY 2008.

Business tax revenues are projected to drop 10.0 percent in FY 2009 and 0.6 percent in FY 2010, due to an expected severe decline in New York Stock Exchange member-firm profits in calendar years 2008 and 2009, and to a more modest decline in non-financial firm earnings. A gradually improving economy is expected to produce business tax growth of 8.5 percent in FY 2011, and 7.8 percent in FY 2012. The average annual growth rate is 1.1 percent over the Plan period.

The City forecasts that real-estate-related tax revenues will decrease $604 million in the Plan period, or 6.5 percent annually. The City assumes a continuous decrease in collections from FY 2009 to FY 2011, due to an expected decline in both volume and price of residential and commercial transactions.

Sales tax revenue is forecast to drop 3.5 percent in FY 2009, as a result of the decline in wage earnings and private sector job losses. However, the City expects sales tax revenues to grow at an average annual rate of 5.2 percent from FY 2010 to FY 2012, reflecting an expected growth of wage income and consumer spending over that period.

The FY 2009 final property assessment roll showed a 1.91 percent increase in market values over the FY 2008 final assessment. Market value for Class 1 properties, the only property class to experience a decline, fell 0.95 percent. Growth in Classes 2 and 4 was 5.85 percent and 3.58 percent respectively. These two classes therefore contributed about 68 and 41 percent respectively to total growth. Single-family homes endured the largest decrease in value in Class 1 at 2.88 percent. Office buildings in Class 4 recorded an increase in market value of 1.07 percent. Overall, this fiscal year has the smallest annual market value percentage increase since FY 1998's 1.35 percent increase.

Overall, billable value increased by 6.86 percent from FY 2008. Class 1 grew by 5.01 percent while Classes 2 and 4 grew 6.38 percent and 7.18 percent, respectively. The sizeable pipeline of assessed value changes in the process of being phased-in results in the large rise in billable value despite a relatively small market value boost.

The change in the share of billable value for any class is normally limited by the Real Property Tax Law, which caps the change at a maximum of five percentage points each year, with the excess shifted onto other classes, as long as their billable values do not increase by over five percentage points. However, an amendment to the property tax law enacted in 2008 froze class shares for FY 2009, which must remain identical to those in FY 2008. The two classes with class share increases resulting from the annual assessment process, Classes 1 (28 percent) and Class 2 (3.0 percent), will have their increases shifted to Classes 3 and 4. Without the amendment, the property tax rate for Class 1 would have been raised from its current value of 15.605 percent to above 16 percent. Class 2's rate would have risen as well, and the rates for the other classes would have decreased. The actual tax rates for the classes are unclear because they would have depended on the amount that would have been shifted onto each class.

The FY 2009 forecast for real property tax revenues has been lowered by $56 million to $13.9 billion compared to the Executive Budget. Revenue projections for the remainder of the Plan period have also decreased by $131 million, $186 million, and $241 million for FYs 2010, 2011, and 2012 respectively. Average annual growth of real property tax revenues from FY 2008 to FY 2012 is 8.0 percent.

The 7.0 percent property tax cut, implemented in FY 2008, will continue in the current fiscal year budget, but the City plans to rescind it beginning in FY 2010. The tax rate increase will restore $1.223 billion, $1.298 billion, and $1.359 billion respectively in property tax revenues in FYs 2010 to 2012. The $400 property tax rebate remains in effect through the entire Plan period, subject to State legislative approval.

Comptroller's Forecasts of Tax Revenues

The Comptroller's real property tax revenue forecast has increased slightly from the May 2008 Plan due to the City's downward revision to the reserve estimation. The Comptroller's Office expects the City's real estate market will be less adversely affected by the national housing cycle than the City's forecasts suggest. Property tax revenue growth is expected to be 8.7 percent annually from FYs 2008 to 2012, with forecasts from the Comptroller greater than the City's projections for the latter three years.

The Comptroller's Office expects slow but positive growth in the NYC economy, compared with the City's forecast of a negative GCP growth in Calendar Years (CY) 2008 and 2009. Due to this slightly more optimistic estimate for the local economy, the Comptroller projects a $450 million offset for PIT revenue from FY 2009 to FY 2012. However, the Comptroller's Office is less optimistic about business tax revenues, and projects a total risk of $370 million for FYs 2009-2012 in business tax revenues. The Comptroller's Office agrees with the City in expecting a severe decline in real estate transaction activities, which translates into a forecast of a sharp decline in real-estate-related tax collections for FY 2009. But the Comptroller's Office anticipates an earlier recovery for real-estate-related taxes starting in FY 2011.

Overall, the Comptroller's Office forecast of total tax revenue is lower than the City's by $35 million in FY 2009, reflecting a more pessimistic view of property and business tax revenues. For the outyears of the Financial Plan, the Comptroller's tax revenue forecasts are $570 million, $250 million, and $465 million above the Mayor's in FYs 2010, 2011 and 2012, respectively. Lower forecasts for economically-sensitive business taxes in the last two years of the Financial Plan are offset by more optimistic forecasts for real property tax, PIT, sales tax, and real-estate-related tax revenues.

Table 10. Tax Revenue Risks and Offsets, Comptroller's Estimates

($ in millions)

Tax	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Property	$0	($65)	$70	$210	$475
PIT	20	40	330	40	40
Business	0	(50)	30	(180)	(170)
Sales	20	40	90	70	80
Real-Estate-Related	(30)	0	50	110	40
Total	**$10**	**($35)**	**$570**	**$250**	**$465**

SOURCE: NYC Comptroller's Office, based on data from NYC.

Miscellaneous Revenues

Miscellaneous revenues consist of locally-raised non-tax revenues, including fees charged for licenses, franchises and permits, charges for municipal services, fines, rental income, water and sewer revenues and other miscellaneous sources of funds. In the FY 2009 Adopted Budget and Financial Plan, the City increased its miscellaneous revenue projection by $72 million from the Executive Budget estimate to $4.13 billion in FY 2009 (exclusive of private grants and intra-City revenues). This estimate represents a drop of 18 percent from the prior year, mainly due to a loss of non-recurring revenue streams in FY 2009, and a sharp decline in expected interest income. Projections for the outyears remain virtually unchanged at approximately $3.9 billion annually.

Table 11. City Forecast of Miscellaneous Revenues

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012
Licenses, Franchises, Permits	$460	$455	$460	$464
Interest Income	85	89	135	141
Charges for Services	591	579	577	577
Water and Sewer	1,319	1,248	1,275	1,293
Rental Income	218	207	207	207
Fines and Forfeitures	748	748	747	747
Other Miscellaneous	712	524	512	502
Total Miscellaneous Revenues	**$4,133**	**$3,850**	**$3,913**	**$3,931**

Source: NYC Office of Management and Budget.

As Table 11 shows, over the Plan period, water and sewer revenues are expected to represent the largest component of miscellaneous revenues. However, less than 20 percent of these revenues are available for general operating purposes. Most are dedicated to the cost of providing water and sewer services. The remaining unencumbered proceeds represent rental payments from the Water Board for the use of the city's water supply, distribution and treatment plant.

The "other miscellaneous" category includes sale of City property, mortgages, cash recoveries and other revenues. For FY 2009 the City expects the other miscellaneous category to decline by over $500 million from the previous year, mostly due to decreases of non-recurring revenues in the current fiscal year. In FY 2008, the largest item was the delayed recognition of tobacco settlement revenues totaling $354 million; there are no sources of non-recurring revenues of similar magnitude in FY 2009 or the outyears. Non-recurring revenues in FY 2009 include $134 million resulting from a settlement the City reached with the Internal Revenue Service (IRS) involving a refund of FICA (i.e. Social Security and Medicare) tax, $38.5 million in expected proceeds from the sale of taxi medallions, and $6.5 million resulting from the agreement related to the State takeover of the City's Off–Track Betting Corporation (OTB). The agreement includes another lump-sum payment of $3.25 million in FY 2010. The miscellaneous category is expected to fall further in FY 2010 to $524 million and remain stable throughout the Plan period.

Interest income is expected to fall 77 percent to $85 million in FY 2009, reflecting the decline in short-term interest rates and the City's expectation of lower cash balances. In the last two years of the Financial Plan, the City anticipates interest income will begin to recover, as short-term interest rates are expected to rise. Estimates for the remaining categories in FY 2009 are also lower than the previous year's, but remain fairly stable over the Plan period.

Federal and State Aid

The City's Federal and State aid projections remain basically unchanged since the Executive Budget. In the Adopted Budget, the City estimates Federal and State categorical grants will total $16.89 billion in FY 2009. Funding from these sources is expected to grow to $17.22 billion in FY 2010, $18.08 billion in FY 2011 and reach $18.39 billion by FY 2012. Over the term of the plan, Federal and State grants are projected to constitute about 28 percent of the City's revenue budget.

The growth in the outyears of the plan is fueled mainly by a projected increase in education funding under the State's Four-Year Educational Investment Plan. Support for education, estimated at about 61 percent of total grants in FY 2009, will make up almost 65 percent of the overall Federal and State aid that the City expects to receive in FY 2012. The other major category is social services, which garners on average about 25 percent of total Federal and State grants anticipated in the plan.

The State's fiscal outlook poses an uncertainty on the City's outyear assumptions for intergovernmental aid. A mid-year budget update is expected in October that will shed more light on the State's budget condition. For the time being, estimates in the enacted State budget portray a bleak picture over the next two years, showing projected gaps of $5.0 billion and $7.7 billion in State fiscal years 2010 and 2011, respectively. These are the largest projected gaps that the State has faced since adopting a multi-year financial plan format in 2005. While the State remains committed to increasing education support and capping Medicaid spending growth, it has repeatedly targeted the City's revenue sharing aid, the City contribution towards personal income tax administration costs, and certain City/State cost-sharing arrangements for savings in its own budget. Given the magnitude of the outyear problem, future measures to close the State's budget gaps could have a significant impact on projected intergovernmental support in the City's plan.

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V. Expenditure Analysis

City-funds expenditures, including NYCTFA debt service, total $42.5 billion in the FY 2009 Adopted Budget, an increase of $29 million from the FY 2009 Executive Budget estimates.[5] However, as shown in Table 12, spending is actually $642 million higher than estimated in the Executive Budget. The bulk of the additional spending is funded with a $106 million increase in the prepayment of FY 2009 expenses and a $507 million reduction in the FY 2009 Budget Stabilization Account (BSA). Council initiatives totaling $412 million account for almost 65 percent of the spending increase.[6] The City Council initiatives comprise $363 million in programmatic initiatives and $49 million in member discretionary allocations.

Table 12. Changes to the FY 2009 Expenditure Estimates

($ in millions)

City Council Initiatives	$412
Labor	276
Agency Spending Rolls	65
Energy	38
Debt Service Savings	(119)
Judgments and Claims	(30)
Health Insurance	(29)
Other Adjustments	29
Subtotal	$642
Prepayment of FY 2009 Expenditures	(106)
FY 2009 BSA	(507)
Total	**$29**

SOURCE: NYC Office of Management and Budget.

Other spending increases include $276 million to fund the incremental cost of the Patrolmen's Benevolent Association (PBA) arbitration award for all uniformed employee's unions, the delay of $65 million of FY 2008 spending to FY 2009, and an upward revision of $38 million in the estimate for energy cost to reflect rising oil prices. A delay in the issuance of $800 million of G.O. bonds, planned elimination of short-term borrowing in FY 2009, downward revisions to J&C, and savings from a reduction in the GHI senior care rate combine to provide $178 million of savings in FY 2009.

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[5] City-fund expenditures include other categorical grant and inter-fund agreement but exclude Federal and State categorical spending. Federal and State categorical spending are supported by Federal and State categorical grants and hence do not impact the City's budget balance.

[6] The City's budget documents show City Council initiatives totaling $234 million. However, this figure nets out $119 million of debt service reduction, $30 million reduction in Judgments and Claims estimates, and $28.5 million in savings from a reduction in the GHI senior care rate, which are listed as City Council initiatives in the City budget documents. Together, these items offset City Council initiatives by $177.5 million.

Overtime

The FY 2009 Adopted Budget includes $810 million for overtime expenditures, about $18 million more than was projected in the FY 2009 Executive Budget. The increase reflects an adjustment for uniformed police officer wage increases provided in the recent settlement awarded to the PBA. The FY 2009 current projection is about $40 million or 4.7 percent lower than estimated spending for FY 2008. The Comptroller's Office estimates that FY 2009 overtime expenditures will be approximately $901 million, or $91 million more than the City's projection, as shown in Table 13.

Table 13. Projected Overtime Spending, FY 2009

($ in millions)

	City Planned Overtime FY 2009	Comptroller's Projected Overtime FY 2009	FY 2009 Risk
Uniformed			
Police	$291	$375	($84)
Fire	171	171	0
Correction	63	70	(7)
Sanitation	61	61	0
Total Uniformed	$586	$677	($91)
Others			
Police-Civilian	$40	$40	$0
Admin for Child Svcs	13	13	0
Environmental Protection	21	21	0
Transportation	30	30	0
All Other Agencies	120	120	0
Total Civilians	$224	$224	$0
Total City	**$810**	**$901**	**($91)**

NOTE: The Comptroller's Office overtime projection assumes that the City will be able to achieve some offsets to overtime spending from personal services savings.

Historically, the City has under-budgeted overtime projections in the Adopted Budget. From FY 2003 to FY 2007 actual overtime spending has averaged $889 million, 47 percent higher than the appropriations at the time of budget adoption. This trend has continued for FY 2008 with spending for overtime totaling $896 million through May, 19 percent more than the Adopted Budget forecast of $754 million.

As in the past, the risk to the budget stems mainly from overtime spending for uniformed police officers. The Comptroller's Office projects uniformed police overtime spending of $375 million for FY 2008, about $84 million more than the FY 2009

Adopted Budget forecast.[7] Uniformed police overtime has been averaging about $350 million since FY 2004 and is expected to be about $380 million for FY 2008.

Headcount

City-funded full-time headcount is projected to decline slightly from 244,019 in FY 2008 to 242,019 in FY 2009 before rising gradually to 243,687 in FY 2012. These levels are virtually unchanged since the May 2008 Financial Plan.[8] As of May, there were 241,896 City-funded full-time employees.

Although the overall projected decline in City-funded full-time headcount from FY 2008 to FY 2012 is negligible, some agencies anticipate changes over the Financial Plan period that are worth mentioning.

Among the uniformed agencies, the Police Department (NYPD) will see a planned decrease of 725 civilian jobs during FY 2009 mainly as a result of vacancy reduction associated with the department's Program to Eliminate the Gap (PEG). Uniformed headcount at NYPD however, is expected to rise by 1,000 jobs beginning in FY 2011 in response to salary increases. The Fire Department will increase its civilian ranks by 144 positions in FY 2009 due primarily to the addition of 100 full-time staff for EMS tours that are no longer privately (or volunteer) operated, and the civilianization of 42 uniformed jobs. The Department of Sanitation (DOS) FY 2009 PEG program includes cleaning and collection reductions and efficiencies that account for the bulk of the department's planned reduction of 148 uniformed full-time jobs in FY 2009. In FY 2011 however, 245 new uniformed jobs will be added primarily in response to DOS's plan to reopen four City-owned marine transfer stations that will be used to package trash for rail removal away from the City.

Agencies providing social services will also see some noteworthy changes in full-time headcount stemming mainly from PEGs. The Department of Social Services has lowered its headcount projection by 148 City-funded jobs in FY 2009 primarily because of vacancy reduction PEGs (84 positions) and a technical adjustment that will result in 56 City-funded positions being funded by the Federal government. The Administration for Children's Services is expected to reduce FY 2009 headcount by 280 positions. Meanwhile the Department of Homeless Services (DHS) will actually see an increase of 158 positions in FY 2009, 100 of which are due to the elimination of private security contracts in favor of DHS Special Officers. In education, civilian headcount at the City University of New York (CUNY) is expected to fall by 157 full-

[7] The Comptroller's Offices overtime projection takes into account potential overtime savings from the PBA arbitration award.

[8] Beginning in FY 2008, 50 seasonal workers were reclassified as Full-Time-Equivalents, and 40 full-time employees that were originally scheduled to work on the Flushing Meadows Pool and Ice Rink, from FY 2008 to FY 2010 will not be needed, as this project has been contracted out. Consequently, full-time headcount forecasts for Parks and Recreation were lowered by 90 positions for FYs 2008 to 2010 and by 50 positions in FYs 2011 and 2012 since the May 2008 Financial Plan.

time positions from FY 2008 to FY 2010 due mainly to uncertainty about the renewal status of the “Pathways to Success” program, and the Department of Education’s pedagogical staff will increase slightly in FY 2009 and FY 2010 in response to modified enrollment forecasts.

Table 14. City-Funded Full-Time Year-End Headcount Projections

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Pedagogical					
Dept. of Education	95,807	95,868	96,466	96,457	96,457
City University	2,687	2,686	2,668	2,668	2,668
Sub-total	98,494	98,554	99,134	99,125	99,125
Uniformed					
Police	35,284	35,284	35,284	36,284	36,284
Fire	11,264	11,222	11,222	11,222	11,222
Corrections	8,864	8,716	8,561	8,615	8,615
Sanitation	7,604	7,456	7,456	7,701	7,701
Sub-total	63,016	62,678	62,523	63,822	63,822
Civilian					
Dept. of Education	8,799	8,381	8,379	8,379	8,379
City University	1,659	1,640	1,502	1,502	1,502
Police	15,334	14,609	14,617	14,689	14,689
Fire	4,656	4,800	4,800	4,800	4,800
Corrections	1,451	1,422	1,518	1,518	1,518
Sanitation	1,961	1,895	1,889	1,935	1,935
Admin for Children's Services	7,216	6,936	6,932	6,932	6,932
Social Services	11,323	11,175	11,164	11,164	11,164
Homeless Services	2,063	2,221	2,204	2,204	2,204
Health and Mental Hygiene	4,106	4,015	3,990	3,988	3,988
Finance	2,181	2,102	2,101	2,101	2,101
Transportation	2,257	2,228	2,212	2,258	2,244
Parks and Recreation	3,233	3,161	3,171	3,228	3,228
All Other Civilians	16,270	16,202	16,072	16,056	16,056
Sub-total	82,509	80,787	80,551	80,754	80,740
Total	**244,019**	**242,019**	**242,208**	**243,701**	**243,687**

SOURCE: NYC Office of Management and Budget.

City-funded full-time equivalent (FTE) headcount is expected to remain at roughly 26,500 positions from FY 2008 to FY 2012, consistent with the May 2008 Financial Plan.

Table 15. City-Funded Full-Time Equivalent Year-End Headcount Projections

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Pedagogical					
Dept. of Education	1,053	1,053	1,053	1,053	1,053
City University	1,468	1,454	1,454	1,454	1,454
Sub-total	2,521	2,507	2,507	2,507	2,507
Civilian					
Dept. of Education	14,917	14,917	14,917	14,917	14,917
City University	800	766	766	766	766
Police	1,741	1,686	1,686	1,686	1,686
Health and Mental Hygiene	1,302	1,344	1,344	1,344	1,344
Parks and Recreation	3,748	3,579	3,502	3,519	3,519
All Other Civilians	1,814	1,711	1,709	1,709	1,710
Sub-total	24,322	24,003	23,924	23,941	23,942
Total	26,843	26,510	26,431	26,448	26,449

SOURCE: NYC Office of Management and Budget.

Labor

Projected funding for collective bargaining is budgeted in the labor reserve prior to transfers to various agencies. The labor reserve currently has balances of $529 million in FY 2008, $985 million in FY 2009, $1.751 billion in FY 2010, $2.179 billion in FY 2011, and $2.613 billion in FY 2012. Since the FY 2009 Executive Budget, the City has increased funding to the labor reserve by $210 million in FY 2008, $276 million in FY 2009, $290 million in FY 2010, $271 million in FY 2011, and $278 million in FY 2012.

These increases reflect mainly the funding of the incremental cost associated with the recent labor contract awarded to the PBA as well as incremental funding for all other uniformed employees patterned after the PBA contract. The PBA contract provided wage increases of 9.73 percent compounded over a two-year period.[9] Previously, the labor reserve contained funding patterned after the settlements with the other uniformed employees' unions, which provided for a total increase of 6.24 percent compounded, over an equivalent two-year period. These settlements contained a re-opener clause which allows the unions to renegotiate their contract in the event that the PBA is awarded a more generous contract. The Sergeants Benevolent Association (SBA), the Lieutenants Benevolent Association (LBA), the Uniformed Fire Officer's Association (UFOA), and Correction Captains' Association, Inc. (CCA) have renegotiated their contracts with the City. The modified contracts raised the top pay bracket by 3.3 percent.[10] Because the

[9] The PBA contract is discussed in greater detail in "Labor" beginning on page 30 of "*The Comptroller's Comments on the Fiscal Year 2009 Executive Budget,*" May 2008.

[10] The 3.3 percent increase in the top pay bracket essentially brings the salary increase in the top pay bracket to parity with the PBA contract. The 3.3 percent increase is equal to the salary differential after the 3.0 percent and 3.15 percent awarded in the other uniformed employees' contract and the 4.5 percent and 5.0 percent increase in the PBA award.

salary increase applies only to the top pay bracket, the savings to offset some of the cost of the increase in the renegotiated contract are less extensive than the PBA's. In the case of the SBA and LBA, both unions agreed to increase the number of tour rescheduling without pre- or post-tour overtime from 15 to 20 tours. On the other hand, both the CCA and UFOA opted for a decrease in the City's contribution to their benefit funds. It is likely that the other uniformed employee unions will renegotiate similar settlements with the City.

District Council 37 (DC37), whose contract expired on March 2, 2008, is currently negotiating its next round of collective bargaining contracts with the City. The budget contains funding for a two-year contract for the next round of collective bargaining with a 4.0 percent increase on the first day of the agreement and another 4.0 percent on the first day of the second year, mirroring the increases in the final two years of agreements reached between the City and unions representing uniformed sanitation workers and officers, correction captains and assistant deputy wardens, police detectives, sergeants, captains, and inspectors and fire officers.

Pensions

The City's pension contributions are currently projected to grow 5.1 percent annually from $5.6 billion in FY 2008 to $6.8 billion by FY 2012. These projections include funding that the City added in the FY 2009 Executive Budget, for expected FY 2008 investment losses relative to the actuarial investment return assumption (AIRA) of 8.0 percent. Returns above or below the AIRA in a given fiscal year are phased in over a six-year period in conjunction with One Year Lag Methodology (OYLM) implemented beginning in FY 2006. The City anticipated a zero percent pension investment return in FY 2008 resulting in additional costs of $121 million beginning in FY 2010 growing to $327 million by FY 2012. Preliminary estimates, however, indicate that the five actuarial pension funds experienced an investment loss of approximately 5.5 percent for FY 2008. This will result in additional costs to the City of about $83 million in FY 2010 growing to $225 million by FY 2012.

When compared to the FY 2009 Executive Budget, pension projections in the Adopted Budget increased by $117 million in FY 2009, $122 million in FY 2010, $98 million in FY 2011, and $103 million in FY 2012. These increases reflect mainly the reallocation of funds for pension costs associated with the PBA contract that was previously held in the labor reserve.

Health Insurance

Pay-as-you-go health insurance expenses for employees and retirees are projected to total $3.209 billion in FY 2009, $630 million lower than the current estimate for FY 2008. This reflects a planned prepayment in FY 2008 of $460 million of FY 2009 pay-as-you-go retiree health expenses. Adjusted for this prepayment, FY 2009 health insurance is expected to cost $3.669 billion, 8.6 percent more than the adjusted FY 2008 estimate of $3.379 billion.

Since the FY 2009 Executive Budget, the City has decreased its estimate of FY 2009 health insurance costs by $88 million. The revision is due mainly to an increase in prepayment of FY 2009 pay-as-you-go retiree health insurance expenditures from $400 million to $460 million and expected annual savings of $29 million beginning in FY 2009 from a lower GHI Senior Care rate.

The cost of health insurance is projected to grow to $4.849 billion by FY 2012, reflecting rate increases of 9.4 percent for FY 2009 and 8.0 percent in the remaining years of the Financial Plan. Beginning in FY 2010, the projections include expected savings of $200 million annually from a proposal to restructure City employees' health insurance. Additionally, the projections include savings of $116 million in FY 2009 and $89 million in each of FYs 2010 through 2012, from a planned increase, from 35 percent to 45 percent, in the fringe rate the City uses for Federal and State reimbursements for employees funded by State and Federal grants.

Public Assistance

The City's public assistance caseload continued to drift lower in FY 2008, ending the year with a caseload of 341,329 recipients in June 2008. Compared with the FY 2007 year-end caseload of 360,738, the City's welfare rolls reflects a decline of more than 19,000 recipients, or 5.4 percent, during FY 2008. This move extends the prevailing downtrend in public assistance caseload which, from a more historical perspective, has fallen a dramatic 70 percent since a peak of 1,160,593 was reached in FY 1995. The ongoing contraction puts recent caseload levels almost on par with those reported 45 years ago in 1963.

The Adopted Budget assumes caseload would average 342,509 recipients during FY 2009, supported by total funds of $1.14 billion for gross grants expenditures. The projected spending is in line with the average monthly grants of $97 million experienced in FY 2008. For the remainder of the plan, the City holds both caseload and spending projections constant at FY 2009 levels.

Department of Education

The FY 2009 Adopted Budget has increased funding to the Department of Education (DOE) by $159 million, including a restoration of $125 million to schools that significantly offsets school budget reductions previously contemplated by the City. Prior to budget adoption, schools were slated to absorb $181 million in cuts in their initial budget allocations for the coming school year. The restoration has softened these budget cuts to $56 million in FY 2009. Given that schools generated a FY 2008 surplus of $56 million, which was rolled into FY 2009 during the Executive Budget, it appears that schools have been spared from the direct brunt of the PEG reductions imposed on the Department. However, at this stage, it is difficult to determine the exact impact of the FY 2009 PEG program on individual school budgets based on available DOE allocation data.

The additional funding pushes the DOE budget to $17.76 billion in FY 2009, resulting in a projected increase of $936 million from estimated FY 2008 spending of $16.82 billion. Aside from the restored school allocations, the Adopted Budget also provides support to a host of programmatic enhancements totaling about $20 million, the most prominent of which are $13 million for the Teacher's Choice program, $2 million for dropout prevention and intervention, and $2 million for the Urban Advantage science initiative. A projected need of $14 million for rising fuel and energy costs rounds out the remainder of the additional funding provided in the Adopted Budget.

The plan extends budget restoration into the outyears at a similar level of $125 million annually in FYs 2010-2012. On average, about $90 million of this total would offset planned cuts in school allocations, bringing the PEG reduction in this category down to about $31 million annually in the outyears. Further, the funding offsets an assumed increase in special education High Cost Aid claims by an average of about $24 million each year, and partially restores $8 million to the English Language Learners reserve allocation and $3 million in anticipated hiring freeze savings.

Over the term of the June Plan, the DOE budget is projected to grow to $18.69 billion in FY 2010 and then $20.19 billion in FY 2011, before reaching $20.52 billion in FY 2012. In the final two years of the State's Four-Year Educational Investment Plan (EIP), the DOE budget shows State support increasing from $8.51 billion in FY 2009 to $8.94 billion in FY 2010 to $9.81 billion in FY 2011, reflecting an average annual growth of nearly $650 million over the next two years. By the end of the EIP in FY 2011, the Department's operating budget will have risen 27 percent from the FY 2007 base-year funding of $15.88 billion, based on projections in the June Plan. Further, State aid would comprise almost 49 percent of funding for DOE by FY 2011, compared with a 45 percent share in FY 2007. However, the State's dismal budget outlook raises concern whether it could continue to adhere to the commitment levels laid out in the EIP.

Health and Hospitals Corporation

The Health and Hospitals Corporation (HHC) begins FY 2009 with a clearer fiscal picture as Congress extended a moratorium that would delay implementation of changes in several Medicaid regulations. The implementation of these changes would have jeopardized key revenue assumptions in the Corporation's gap-closing program. The passage of the legislation, as signed by President Bush in June, postpones the implementation date to April 1, 2009 at the earliest, clearing a hurdle for the continuation of Medicaid upper payment limit (UPL) receipts in FY 2009.

This change has been reflected in the Adopted Budget mainly through a shift of more than $400 million in expected revenue from HHC's gap closing program to its baseline revenue projection for FY 2009. The additional baseline revenue shrinks the projected FY 2009 budget gap by a net $355 million to $770 million, compared with $1.12 billion in the Executive Budget. The Corporation's gap closing program still contains $455 million in planned actions to further reduce the gap to $315 million. The projected cash balance for the end of FY 2009 remains relatively unchanged from the Executive Budget at a robust $1.13 billion.

In the outyears of the plan, the Corporation's fiscal outlook turns more negative as budget gaps reach a higher range of $1.44 billion to $1.60 billion in FYs 2010-2012. The larger gaps stem from a rising cost structure that is expected to push expenses from $6.52 billion in FY 2009 to $7.10 billion by FY 2012, against a backdrop of stagnant revenues averaging about $5.42 billion each year. As a result, the City projects that HHC's cash position will deteriorate significantly over the remainder of the plan. The June Plan shows expected cash balances for HHC would fall to $708 million by the end of FY 2010 and then continue declining in the ensuing years to $381 million in FY 2011 and $54 million in FY 2012. To attain these projections, HHC will need to realize gap closing actions, on average, of about $1.1 billion each year. The proposed actions lean heavily on Federal and State initiatives, which comprise over 85 percent of the estimated revenue and savings to be achieved in the outyears.

Debt Service

Debt service is estimated to total $5.13 billion in FY 2009 and is projected to grow to $6.58 billion by FY 2012. From FY 2008 to FY 2012, debt service is projected to increase $1.67 billion, or 34.1 percent. These figures include NYC Transitional Finance Authority (NYCTFA), TSASC, and lease purchase debt service.

The City's debt service projections do not include the scheduled borrowing over the Financial Plan period of $2.7 billion in NYCTFA Building Aid Revenue Bonds (BARBs), in support of the NYC Department of Education's capital program. The City expects this borrowing to be supported by State personal income tax and State building aid. [11]

As shown in Table 16, G.O. debt service is estimated to increase $1.60 billion, or 45.8 percent, from FY 2008 to FY 2012. This increase is driven by projected new G.O. borrowing totaling $24 billion for FYs 2009 through 2012, requiring additional debt service of about $1.5 billion per year by FY 2012.

[11] The $2.7 million BARBS is part of the State of New York's $6.6 billion commitment to the NYC Dept. of Education's FY 2005-2009 Capital Plan which consist of $1.8 billion in Expanding our Children's Education & Learning bonds (EXCEL) and $4.8 billion of BARBs. The Dormitory Authority of the State of New York (DASNY) has completed the issuance of all $1.8 billion of EXCEL bonds.

Table 16. FYs 2008 – 2012 Debt Service Estimates

($ in millions)

Debt Service Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Change FYs 2008 – 2012
G.O.[a]	$3,485	$3,692	$4,111	$4,546	$5,081	$1,596
NYCTFA [b]	1,117	1,134	1,144	1,114	1,158	41
Lease-Purchase Debt	212	218	280	251	246	34
TSASC, Inc.	87	90	91	92	93	6
Municipal Assistance Corp.	3	0	0	0	0	(3)
Total	**$4,904**	**$5,134**	**$5,626**	**$6,003**	**$6,578**	**$1,674**

SOURCE: FY 2009 Adopted Budget, June 2008 Financial Plan.
NOTE: Debt Service is adjusted for prepayments.
[a] Includes long term G.O. debt service and interest on short term notes.
[b] Amounts do not include NYCTFA building aid

NYCTFA debt service is projected to grow $41 million over the Financial Plan period. Over the past few years, the City has unsuccessfully requested the State Legislature to pass legislation that would increase NYCTFA's capacity to issue more bonds for general capital purposes. The additional capacity, if used as a substitute for planned G.O. debt and not utilized to increase overall capital borrowing beyond the current plan, would result in lower debt-service costs because of NYCTFA's higher credit rating.

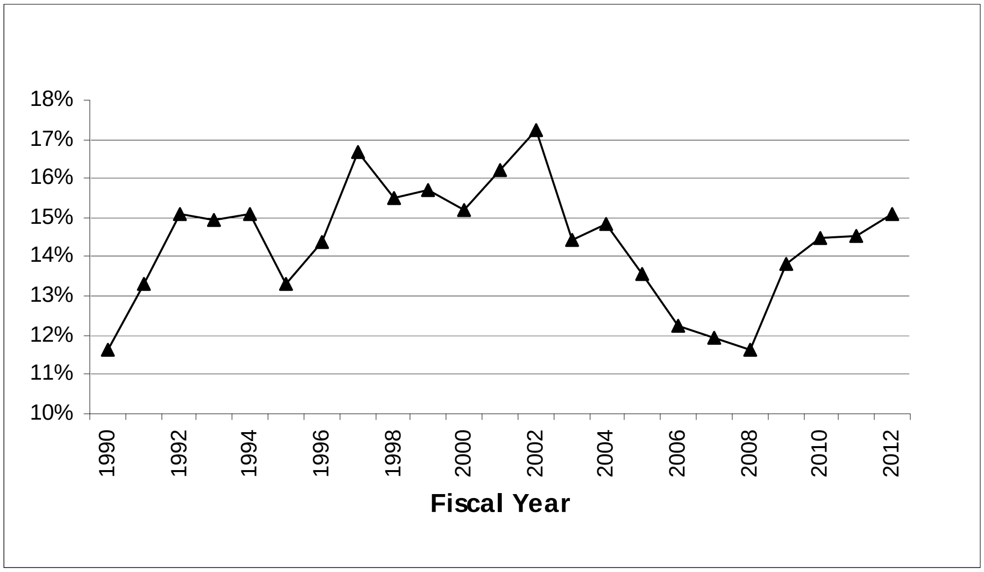
Prepayment of FY 2010 Debt Service

The FY 2009 Adopted Budget includes a FY 2008 prepayment of select G.O. debt service due in FY 2010. A payment of $1.986 billion was remitted to a separate debt service account on June 27, 2008. The account will earn interest of $50.055 million which, combined with the initial deposit, will pay an estimated $2.036 billion of debt service in FY 2010.

Debt Burden

As shown in Chart 1, debt service as a percent of local tax revenues is projected to be 13.8 percent in FY 2009, rising to 15.1 percent by FY 2012. This increase results from projected debt service growth outpacing estimated growth in local tax revenues. Local tax revenues are projected to grow at an annual rate of 4.1 percent while debt service is estimated to grow at an annual rate of 7.6 percent from FY 2008 to FY 2012. As of FY 2007, debt per capita was over $7,000 and will continue to grow over the Financial Plan period.

Chart 1. Total Debt Service as a Percentage of Local Tax Revenues, FYs 1990-2012



SOURCE: FY 2009 Adopted Budget & Financial Plan, Office of Management & Budget, June 2008.

Financing Program

As shown in Table 17, the financing program for FYs 2009-2012 totals approximately $35.7 billion. Planned issuances of debt over the Financial Plan period include: G.O. bonds of $24 billion, NYC Municipal Water Finance Authority (NYWFA) debt of $9.02 billion, and NYCTFA – Building Aid bonds of $2.7 billion. There is no anticipated use of pay-as-you-go capital over the Financial Plan period. In addition, there is no scheduled borrowing for PIT-supported NYCTFA bonds, TSASC, Inc. and conduit (lease-purchase) debt. As a result, G.O. borrowing will average $6 billion per year, followed by NYWFA debt of $2.26 billion per year, on average, over the Financial Plan period.

Table 17. FY 2009 Adopted Budget Financing & Funding Program, FYs 2009-2012

($ in millions)

Description	Estimated Borrowing and Funding Sources FYs 2009-2012	Percent of Total
General Obligation Bonds	$24,000	67.2%
NYC Municipal Water Finance Authority	9,020	25.2%
NYC TFA – Building Support Aid	2,700	7.6%
NYC TFA – General Purposes	0	0.0%
Pay-As-You-Go Capital	0	0.0%
Total	**$35,720**	**100.0%**

SOURCE: FY 2009 Adopted Budget and Financial Plan, Office of Management and Budget, June 2008.

Unlike other debt that is funded through the property tax and other general fund revenues, the NYCWFA debt service is funded by user fees. NYCWFA debt service is estimated to be $956 million in FY 2008, growing to $1.69 billion in FY 2012, an increase of 76.6 percent from FY 2008. [12] The escalating cost of debt service is largely responsible for the rate increases planned by the Water Board. In May 2008, the Water Board adopted a rate increase of 14.5 percent for FY 2009 and projects further rate increases of 14 percent in FY 2010, 12 percent in FY 2011, and 7.5 percent in FY 2012.

As a result of a provision in the lease agreement between the Water Board and the City, escalating debt service results in escalating rent payments by the Water Board to the City. The Comptroller has long advocated a renegotiation of the terms of the lease that would benefit rate payers over the short and long-term while acknowledging that it would result in a corresponding decrease in revenue to the City's general fund. The Comptroller's Office believes that the reprogramming of debt service coverage reserves after the satisfaction of each year's debt service requirements would not compromise the Water Finance Authority's credit rating.

FY 2009 Adopted Budget City Council Capital Appropriation Additions

Section 254 of the City Charter permits the Council to add and rescind capital appropriations to the City's Capital Commitment plan. For FY 2009, the City Council added $1.126 billion in capital appropriations across various project types and rescinded $699.6 million of prior-year capital appropriations for a net addition of $426.4 billion. Five project types accounted for 65 percent of the additions. They include: $246.3 million for cultural institutions throughout the City, $138.2 million for public buildings, $119.1 million for Department of Education projects, $117.1 million for Parks Department projects, and $110.9 million for Department of Health related projects.

[12] Debt service figures cited here do not reflect the benefit of the carry forward surplus.

VI. Appendix – Revenue and Expenditure Details

Table A1. *FY 2009 Adopted Budget Revenue Detail*

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FYs 2009-2012 Percent	Changes FYs 2009-2012 Dollar
Taxes:						
Real Property	$13,917	$16,094	$17,107	$17,914	28.7%	$3,997
Personal Income Tax	$8,694	$8,178	$8,926	$9,488	9.1%	$794
General Corporation Tax	$2,623	$2,679	$2,953	$3,167	20.7%	$544
Banking Corporation Tax	$647	$690	$759	$807	24.7%	$160
Unincorporated Business Tax	$1,668	$1,541	$1,616	$1,770	6.1%	$102
Sale and Use	$4,664	$4,666	$4,837	$5,161	10.7%	$497
Commercial Rent	$566	$583	$601	$623	10.1%	$57
Real Property Transfer	$1,063	$1,033	$1,021	$1,078	1.4%	$15
Mortgage Recording Tax	$871	$850	$839	$890	2.2%	$19
Utility	$377	$408	$430	$452	19.9%	$75
Cigarette	$102	$99	$97	$94	(7.8%)	($8)
Hotel	$394	$427	$456	$482	22.3%	$88
All Other	$389	$393	$394	$400	2.8%	$11
Tax Audit Revenue	$577	$579	$579	$579	0.2%	$1
Total Taxes	**$36,553**	**$38,219**	**$40,614**	**$42,905**	**17.4%**	**$6,352**
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	$460	$455	$460	$464	0.9%	$4
Interest Income	$85	$89	$135	$141	65.9%	$56
Charges for Services	$591	$579	$577	$577	(2.4%)	($14)
Water and Sewer Charges	$1,319	$1,248	$1,275	$1,293	(2.0%)	($26)
Rental Income	$218	$207	$207	$207	(5.0%)	($11)
Fines and Forfeitures	$748	$748	$747	$747	(0.1%)	($1)
Miscellaneous	$712	$524	$512	$502	(29.5%)	($210)
Intra-City Revenue	$1,538	$1,453	$1,452	$1,452	(5.6%)	($86)
Total Miscellaneous	**$5,671**	**$5,303**	**$5,365**	**$5,383**	**(5.1%)**	**($288)**
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capital Aid	$327	$327	$327	$327	0.0%	$0
Other Federal and State Aid	$13	$13	$13	$13	0.0%	$0
Total Unrestricted Intergovernmental Aid	**$340**	**$340**	**$340**	**$340**	**0.0%**	**$0**
Other Categorical Grants	**$1,029**	**$1,005**	**$1,006**	**$1,010**	**(1.8%)**	**($19)**
Inter Fund Agreements	**$463**	**$425**	**$419**	**$419**	**(9.5%)**	**($44)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**0.0%**	**$0**
Less: Intra-City Revenue	**($1,538)**	**($1,453)**	**($1,452)**	**($1,452)**	**(5.6%)**	**$86**
TOTAL CITY FUNDS	**$42,503**	**$43,824**	**$46,277**	**$48,590**	**14.3%**	**$6,087**

Table A1 (Con't.). *FY 2009 Adopted Budget Revenue Detail*

($ in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FYs 2009-2012 Percent	Changes FYs 2009-2012 Dollar
Federal Categorical Grants:						
Community Development	$277	$251	$248	$248	(10.5%)	($29)
Welfare	$2,486	$2,455	$2,455	$2,455	(1.2%)	($31)
Education	$1,761	$1,769	$1,777	$1,786	1.4%	$25
Other	$842	$808	$793	$793	(5.8%)	($49)
Total Federal Grants	**$5,366**	**$5,283**	**$5,273**	**$5,282**	**(1.6%)**	**($84)**
State Categorical Grants						
Social Services	$1,961	$1,952	$1,952	$1,943	(0.9%)	($18)
Education	$8,514	$8,951	$9,814	$10,123	18.9%	$1,609
Higher Education	$211	$211	$211	$211	0.0%	$0
Department of Health and Mental Hygiene	$459	$456	$460	$463	0.9%	$4
Other	$381	$369	$366	$363	(4.7%)	($18)
Total State Grants	**$11,526**	**$11,939**	**$12,803**	**$13,103**	**13.7%**	**$1,577**
TOTAL REVENUES	**$59,395**	**$61,046**	**$64,353**	**$66,975**	**12.8%**	**$7,580**

Table A2. *FY 2009 Adopted Budget Expenditure Detail*

($ in thousands)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FYs 2009 - 2012 Percent	Changes FYs 2009 - 2012 Dollar
Mayoralty	$84,494	$81,662	$81,692	$81,709	(3.3%)	($2,785)
Board of Elections	$89,166	$77,142	$77,198	$77,256	(13.4%)	($11,910)
Campaign Finance Board	$11,752	$11,252	$11,252	$11,252	(4.3%)	($500)
Office of the Actuary	$5,324	$5,395	$5,395	$5,395	1.3%	$71
President, Borough of Manhattan	$4,542	$3,263	$3,264	$3,266	(28.1%)	($1,276)
President, Borough of Bronx	$5,673	$4,650	$4,652	$4,653	(18.0%)	($1,020)
President, Borough of Brooklyn	$5,644	$4,084	$4,086	$4,087	(27.6%)	($1,557)
President, Borough of Queens	$4,705	$3,748	$3,750	$3,751	(20.3%)	($954)
President, Borough of Staten Island	$4,027	$3,233	$3,235	$3,236	(19.6%)	($791)
Office of the Comptroller	$67,994	$66,669	$66,669	$66,669	(1.9%)	($1,325)
Dept. of Emergency Management	$24,708	$8,913	$8,913	$8,913	(63.9%)	($15,795)
Tax Commission	$4,087	$4,023	$4,023	$4,023	(1.6%)	($64)
Law Dept.	$123,300	$123,997	$123,707	$124,628	1.1%	$1,328
Dept. of City Planning	$30,151	$23,171	$23,171	$23,171	(23.2%)	($6,980)
Dept. of Investigation	$18,108	$17,772	$17,628	$17,628	(2.7%)	($480)
NY Public Library - Research	$24,841	$23,583	$23,583	$23,583	(5.1%)	($1,258)
New York Public Library	$119,146	$112,898	$112,898	$112,898	(5.2%)	($6,248)
Brooklyn Public Library	$88,604	$83,941	$83,941	$83,941	(5.3%)	($4,663)
Queens Borough Public Library	$86,939	$82,354	$82,354	$82,354	(5.3%)	($4,585)
Dept. of Education	$17,743,707	$18,675,708	$20,176,406	$20,506,483	15.6%	$2,762,776
City University	$670,098	$627,559	$634,002	$635,652	(5.1%)	($34,446)
Civilian Complaint Review Board	$11,427	$11,262	$11,262	$11,262	(1.4%)	($165)
Police Dept.	$3,882,332	$3,935,441	$4,043,531	$4,048,197	4.3%	$165,865
Fire Dept.	$1,515,995	$1,516,093	$1,525,689	$1,526,278	0.7%	$10,283
Admin. for Children Services	$2,701,917	$2,692,531	$2,692,621	$2,692,620	(0.3%)	($9,297)
Dept. of Social Services	$8,497,219	$8,639,657	$8,799,326	$8,972,833	5.6%	$475,614
Dept. of Homeless Services	$669,101	$653,269	$653,269	$653,269	(2.4%)	($15,832)
Dept. of Correction	$986,647	$981,362	$991,875	$997,709	1.1%	$11,062
Board of Correction	$933	$933	$933	$933	0.0%	$0
Citywide Pension Contribution	$6,171,362	$6,698,040	$6,765,963	$6,869,638	11.3%	$698,276
Miscellaneous	$7,181,406	$7,530,753	$8,410,086	$9,292,406	29.4%	$2,111,000
Debt Service	$3,910,179	$4,390,966	$4,797,021	$5,326,924	36.2%	$1,416,745
N.Y.C.T.F.A. Debt Service	$1,133,541	$1,143,877	$1,114,032	$1,157,812	2.1%	$24,271
Prepayments	$0	($2,036,374)	$0	$0	0.0%	$0
FY 2007 BSA	($33,905)	($30,865)	$0	$0	(100.0%)	$33,905
FY 2008 BSA	($4,625,163)	$0	$0	$0	(100.0%)	$4,625,163
FY 2009 BSA	$812,226	($812,226)	$0	$0	(100.0%)	($812,226)
FY 2010 BSA	$0	$350,000	($350,000)	$0	0.0%	$0
Transfer for N.Y.C.T.F.A. Debt Service.	($545,747)	$0	$0	$0	(100.0%)	$545,747
Defeasance of N.Y.C.T.F.A. Debt	($363,000)	($382,000)	$0	$0	(100.0%)	$363,000
Call 2009/2010 G.O. Debt	($278,334)	($276,634)	$0	$0	(100.0%)	$278,334
Public Advocate	$2,889	$2,037	$2,037	$2,038	(29.5%)	($851)
City Council	$52,260	$52,260	$52,260	$52,260	0.0%	$0
City Clerk	$4,654	$4,554	$4,554	$4,554	(2.1%)	($100)
Dept. for the Aging	$271,002	$245,289	$244,289	$244,289	(9.9%)	($26,713)
Dept. of Cultural Affairs	$152,901	$144,419	$144,419	$144,419	(5.5%)	($8,482)
Financial Information Services. Agency	$61,215	$50,842	$52,979	$52,979	(13.5%)	($8,236)
Dept. of Juvenile Justice	$133,321	$133,788	$135,538	$139,408	4.6%	$6,087
Office of Payroll Admin.	$14,403	$11,368	$11,368	$11,368	(21.1%)	($3,035)
Independent Budget Office	$3,101	$2,994	$2,995	$2,996	(3.4%)	($105)
Equal Employment Practices Comm.	$799	$799	$799	$799	0.0%	$0

Table A2 (Con't). *FY 2009 Adopted Budget Expenditure Detail*

($ in thousands)

	FY 2009	FY 2010	FY 2011	FY 2012	Changes FYs 2009 - 2012 Percent	Changes FYs 2009 - 2012 Dollar
Civil Service Commission	$644	$644	$644	$644	0.0%	$0
Landmarks Preservation Comm.	$4,354	$4,354	$4,354	$4,354	0.0%	$0
Taxi & Limousine Commission	$30,084	$27,870	$27,870	$27,870	(7.4%)	($2,214)
Commission on Human Rights	$7,093	$7,093	$7,093	$7,093	0.0%	$0
Youth & Community Development	$352,838	$263,146	$263,146	$263,146	(25.4%)	($89,692)
Conflicts of Interest Board	$1,989	$1,989	$1,989	$1,989	0.0%	$0
Office of Collective Bargain	$1,876	$1,876	$1,876	$1,876	0.0%	$0
Community Boards (All)	$14,544	$13,844	$13,846	$13,846	(4.8%)	($698)
Dept. of Probation	$78,447	$77,800	$77,803	$77,803	(0.8%)	($644)
Dept. Small Business Services	$165,963	$109,804	$98,157	$97,067	(41.5%)	($68,896)
Housing Preservat'n & Developm'nt	$539,430	$482,184	$477,227	$477,352	(11.5%)	($62,078)
Dept. of Buildings	$107,293	$95,337	$95,083	$95,083	(11.4%)	($12,210)
Dept. of Health & Mental Hygiene	$1,620,797	$1,594,476	$1,602,297	$1,613,486	(0.5%)	($7,311)
Health and Hospitals Corp.	$100,800	$102,182	$101,779	$101,779	1.0%	$979
Dept. of Environmental Protection	$1,028,716	$944,779	$939,773	$939,547	(8.7%)	($89,169)
Dept. of Sanitation	$1,290,995	$1,367,788	$1,449,935	$1,457,297	12.9%	$166,302
Business Integrity Commission	$6,247	$6,148	$6,148	$6,148	(1.6%)	($99)
Dept. of Finance	$204,190	$200,694	$200,701	$200,708	(1.7%)	($3,482)
Dept. of Transportation	$704,410	$663,606	$664,574	$664,425	(5.7%)	($39,985)
Dept. of Parks and Recreation	$303,717	$296,678	$294,777	$294,777	(2.9%)	($8,940)
Dept. of Design & Construction	$103,087	$103,087	$103,087	$103,087	0.0%	$0
Dept. of Citywide Admin. Services	$336,657	$328,819	$328,821	$328,822	(2.3%)	($7,835)
D.O.I.T.T.	$257,316	$245,343	$244,883	$244,915	(4.8%)	($12,401)
Dept. of Record & Info. Services	$5,983	$4,847	$4,848	$4,850	(18.9%)	($1,133)
Dept. of Consumer Affairs	$18,779	$15,692	$15,477	$15,477	(17.6%)	($3,302)
District Attorney – N.Y.	$75,902	$74,886	$74,886	$74,886	(1.3%)	($1,016)
District Attorney – Bronx	$45,489	$44,389	$44,389	$44,389	(2.4%)	($1,100)
District Attorney – Kings	$75,728	$74,788	$74,788	$74,788	(1.2%)	($940)
District Attorney - Queens	$41,926	$44,225	$44,225	$44,225	5.5%	$2,299
District Attorney - Richmond	$7,405	$7,308	$7,308	$7,308	(1.3%)	($97)
Office of Prosecut'n. & Spec. Narc.	$16,588	$15,761	$15,761	$15,761	(5.0%)	($827)
Public Administrator - N.Y.	$1,242	$1,130	$1,130	$1,130	(9.0%)	($112)
Public Administrator - Bronx	$502	$409	$409	$409	(18.5%)	($93)
Public Administrator - Brooklyn	$582	$502	$502	$502	(13.7%)	($80)
Public Administrator - Queens	$455	$382	$382	$382	(16.0%)	($73)
Public Administrator - Richmond	$366	$297	$297	$297	(18.9%)	($69)
Prior Payable Adjustment	$0	$0	$0	$0	N/A	$0
General Reserve	$300,000	$300,000	$300,000	$300,000	0.0%	$0
Energy Adjustment	$0	$83,258	$92,518	$92,358	N/A	$92,358
Lease Adjustment	$0	$28,952	$59,062	$128,089	N/A	$128,089
OTPS Inflation Adjustment	$0	$55,519	$111,038	$166,557	N/A	$166,557
City-Wide Total	**$59,394,125**	**$63,391,338**	**$69,511,548**	**$72,084,061**	**21.4%**	**$12,689,936**

Glossary of Acronyms

AIRA	Actuarial Investment Return Assumption
BARB	Building Aid Revenue Bond
BCT	Banking Corporation Tax
BSA	Budget Stabilization Account
CCA	Correction Captains' Association, Inc.
CUNY	City University of New York
CY	Calendar Year
DASNY	Dormitory Authority of the State of New York
DC37	District Council 37
DOE	Department of Education
DHS	Department of Homeless Services
DOS	Department of Sanitation
EXCEL	Expanding Children's Education & Learning Bond
FTE	Full-Time Equivalent
FY	Fiscal Year
GCP	Gross City Product

GDP	Gross Domestic Product
G.O. Debt	General Obligation Debt
HHC	Health and Hospitals Corporation
J&C	Judgments and Claims
LBA	Lieutenants Benevolent Association
MAC	Municipal Assistance Corporation
MRT	Mortgage Recording Tax
NYC	New York City
NYCTFA	New York City Transitional Finance Authority
NYPD	New York City Police Department
NYWFA	New York City Municipal Water Finance Authority
OMB	Office of Management and Budget
OTPS	Other than Personal Services
PBA	Patrolmen's Benevolent Association
PEG	Program to Eliminate the Gap
PIT	Personal Income Tax
PS	Personal Services

SBA	Sergeants Benevolent Association
STAR	School Tax Relief Program
TSASC	Tobacco Settlement Asset Securitization Corporation
UBT	Unincorporated Business Tax
UFOA	Uniformed Fire Officer’s Association
UPL	Medicaid Upper Payment Limit