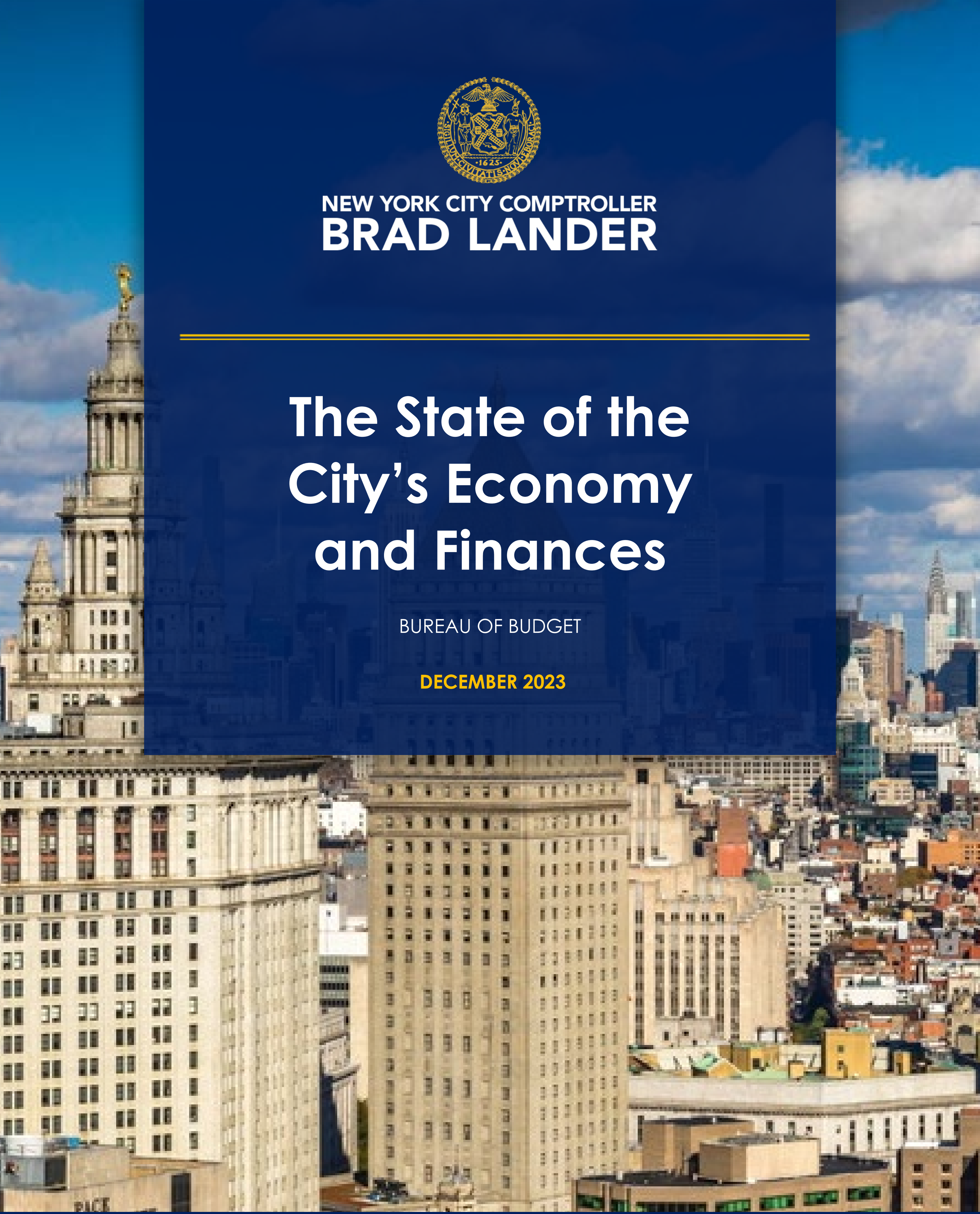

NEW YORK CITY COMPTROLLER
BRAD LANDER

The State of the City's Economy and Finances

BUREAU OF BUDGET

DECEMBER 2023

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Contents

List of Tables

List of Charts

I. Executive Summary

The Comptroller's annual assessment of New York City's economy and municipal finances – mandated by the City Charter – is an opportunity to gain perspective on the past year's economic and fiscal developments and to formulate the outlook for the years ahead.

By several key measures, the city's economy outperformed the expectations the Office, along with most other economic forecasters, formulated last December. Jobs returned to their pre-pandemic level, wage earnings grew at a healthy 5.2 percent, population losses narrowed, and tourism is well on its way to returning to its previous peak.

Progress was far slower in the commercial real estate sector. Despite higher office attendance and job gains in traditionally office-using industries, this sector will continue to face headwinds going forward. And despite overall growth, New Yorkers' income per capita suffered a drop in 2022 – due in part to the expiration of the federal transfer programs of 2020 and 2021, and in part to the composition of job gains, which are now concentrated in the Health Services sector, particularly in the sector's low-wage components of home health care and social assistance.

The outlook going forward is that economic growth will continue at a moderate pace, below the strong growth trajectory in the years before the pandemic. Fiscally, tax revenues are projected to exceed currently budgeted projections, but will not be sufficient to close the budget gaps the City is facing, given increasing costs for City personnel, chronic underbudgeting, shelter for asylum seekers without sufficient Federal support, and the expiration of Federal pandemic stimulus.

Based on its forecast of revenues and expenses, the Comptroller's Office is projecting a small surplus of $517 million for FY 2024. For FY 2025, the City faces a projected gap of $7.77 billion (7.3 percent total projected revenues). When FY 2024 surplus funds, General Reserve, and Capital Stabilization Reserve are applied to prepay FY 2025 expenses, as they typically are, the projected FY 2025 gap shrinks to $5.80 billion (5.4 percent of total projected revenues). When the Comptroller's Office's adjustments to OMB's projections are included (including habitual areas of underbudgeting), restated gaps are projected to grow in the out years, reaching $12.24 billion in FY 2027 (11.2 percent of total revenues).

While the state of the City's finances is challenging, the Comptroller's Office urges the Mayor and City Council not to use the City's long-term reserves (the Revenue Stabilization Fund and the Retiree Health Benefit Trust balance) to cover the budget gaps. As previously recommended by this Office, the City should set rules for deposits and withdrawals, to preserve their use for periods of recession. Instead, the City should redouble efforts to control ballooning costs in areas including claims against the City, special education Carter Cases, and overtime spending. The Office also continues to urge Albany to consider modest revenue increases on the wealthiest households to enable municipalities including the City of New York to preserve key programs enhanced by federal pandemic aid, such as UPK/3K/childcare, student mental health, Summer Rising, and other proven programs.

Stronger management to address fiscal challenges will also require more detailed and up-to-date information on policy impacts and cost trends, including the population of asylum seekers and real-time cost data on the price of emergency procurements, as well as more specific reporting on the progress of implementing PEGs, to assess whether projected savings are being achieved. To this end, the Comptroller's Office calls on OMB to reinstate recurring oversight meetings with the City's fiscal monitors, as previously recommended by the NYS Comptroller and the Citizens Budget Commission.

The November 2023 Financial Plan

Overall, the Financial Plan update released in November increased the FY 2024 Adopted Budget by $3.40 billion to $110.52 billion. City-fund revenues projected by the Mayor's Office of Management and Budget (OMB) in FY 2024 are $776 million more than the Adopted Budget, with most of the remainder coming from revisions to Federal and State categorical aid. The increase in Federal aid ($1.54 billion) is largely the result of the recognition of prior-year revenues in the current year, the rolling forward of unspent funds, and shifts of COVID-related aid from FY 2025 to FY 2024. Almost half of the $936 million in increased State grants comes from increases in expected asylum-seeker assistance. While aid for asylum seekers improved somewhat on the State side, funding from Albany and especially from Washington for these costs is still woefully inadequate.

On the expenditure side, the largest single programmatic increase to the City-funds budget is the addition of $1.35 billion for services, largely shelter, for people seeking asylum (a cost the City currently estimates to total $4.72 billion in FY 2024, rising to $6.10 billion in FY 2025.) This increase – along with other, smaller increases to agency expenditures – is offset by expense reductions of $1.61 billion through the Mayor's Program to Eliminate the Gap (PEG) for FY 2024. The PEG also includes estimates of increased revenue for a total FY 2024 PEG of $1.71 billion.

Projecting the number of asylum seekers in City shelters is challenging. While new policies that can affect future trends have been put in place, legal challenges remain to time limits on right-to-shelter, and their impact is yet to be established empirically. In addition, variation in the inflow of asylum seekers could offset their impact.

The uncertainty is compounded by the scarcity of data made available by the Administration. Similarly, there is little visibility into the components and trajectory of the per diem cost, making any scenario fundamentally assumption-driven. The Comptroller's Office estimates that asylum seeker costs will total $465 million *less* than the City has budgeted this year, and $1.61 billion less than planned for FY 2025. When the Comptroller's Office's estimates of reimbursements from the Federal government (less than currently budgeted) and the State (more than currently budgeted) are taken into account, this results in City-fund offsets of $674 million and $1.60 billion in FY 2024 and FY 2025, respectively. For FY 2026 and FY 2027, the Comptroller's Office projects asylum seeker costs will be $1.99 billion and $2.49 billion more than currently budgeted (all City funds).

The Comptroller is strongly opposed to displacing homeless families from shelter and further disrupting the education of young people who have recently experienced trauma, and strongly urges more focus on expanding access to the legal services, case management, and workforce development that will help new arrivals obtain work authorization and employment as a path out of shelter, a more humane way and economically productive way to reduce shelter costs. The clinic that opened last month to help process applications for the estimated 15,000 immigrants newly eligible for Temporary Protective Status (TPS), a partnership of the City, State, and Federal government is a promising model to build on.

The Comptroller's Office estimate of total asylum seeker costs in FY 2024 and FY 2025 is about 20 percent lower than what OMB has projected over the two years. This is nearly identical to the reduction in budgeted costs that OMB instructed agencies that serve asylum-seekers to take in a letter sent shortly after the November Plan. The November PEG letter also directed agencies to reduce City-funded spending by an additional 5 percent to be implemented in the upcoming Preliminary Budget, with exceptions for Police, Fire and Sanitation departments. This continues efforts to close outyear budget gaps, which OMB currently estimates at $7.11 billion in FY 2025, falling slightly to $6.39 billion in FY 2027. Most concerning in this PEG is the Administration's escalation of cuts to agency programs and staffing in areas that rely on relatively small budgetary amounts to deliver critical services to New Yorkers.

As noted above, the Comptroller's Office estimates wider gaps than OMB of $7.77 billion in FY 2025, escalating to $12.24 billion by FY 2027. The expenditure risks this Office has identified that contribute to these larger gaps are driven by the City's chronic underbudgeting of certain costs—including overtime, shelter costs (non-asylum related), special education Carter Cases, and rental assistance. For example, just over $3 billion (82 percent) of the expenditure risks identified by this Office for FY 2025 is the result of chronic underbudgeting. Fiscal cliffs created by funding longer-term programs like 3-K and Summer Rising with expiring Federal Covid aid account for another $470 million (12 percent), unfunded mandates and other costs comprise the remaining 6 percent. In FY 2026, underbudgeting accounts for nearly half of the expenditure risk.

The Mayor has continued to point to the City's asylum seeker response as the reason for the budget gaps. However, as described, much of these gaps already existed. As the next round of PEG reductions are made, the Administration must identify long-term strategies to increase efficiency without cutting core services like the City's libraries and CUNY, which were once again targeted with subsidy reductions in the November PEG. As this Office has advocated for before, these strategies include holding agencies accountable for claim and settlement payouts, and more effective staff management to reduce costly overtime.

To enable the continuation of valuable public education programs including 3-K, Summer Rising, and student mental health services that have been funded by Federal Covid aid which is now expiring, the Office urges Albany to consider modest revenue increases on the wealthiest households, of the kind proposed last spring by this office, in order to provide support to municipalities across the state to continue these critical investments for New York's future.

The City's Adopted Capital Plan for FYs 2024 – 2027, released in September, totals $77.92 billion in commitments, a $1.29 billion decrease compared to the April 2023 Capital Plan for the same period. The City has made progress in recent years at achieving a higher rate of its planned capital commitments. In FY 2023, the City committed $16.48 billion or 88 percent of its planned commitments – about 28 percentage points higher than the average achievement rate of 60.4 percent over FY 2012 – FY 2022. Timely and on-budget completion of the City's capital projects are essential for upkeep of the City's infrastructure and ensuring its continued growth. The Comptroller's Office recently released its Annual Report on Capital and Debt Obligation, which provides how the City finances these critical infrastructure projects.

Overall, the outlook for the City's economy is one of stability following the recovery from the pandemic-induced recession and the uncertainty of just one year ago. While the City continues to face challenges that require thoughtful and careful financial planning—as well as Federal and State support—NYC continues to be a place where millions want to live, work, and visit. With well-targeted plans to address fiscal stress, stronger management to address challenges of affordability and quality-of-life, and strategic investments in our city's future, New York City's economy can continue to thrive and grow in the years to come.

Table 1. FY 2024 – FY 2027 November Financial Plan

					Change FYs 2024 –2027	
($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Dollar	Percent
Revenues						
Taxes:						
General Property Tax	$32,709	$32,794	$33,068	$33,722	1,013	3.1%
Other Taxes	38,275	39,747	41,118	42,962	4,687	12.2%
Tax Audit Revenues	747	773	773	773	26	3.5%
Subtotal: Taxes	**$71,731**	**$73,314**	**$74,959**	**$77,457**	**$5,726**	**8.0%**
Miscellaneous Revenues	8,177	7,656	7,573	7,518	(659)	(8.1%)
Unrestricted Intergovernmental Aid	0	0	0	0	0	N/A
Less: Intra-City Revenues	(2,175)	(1,927)	(1,931)	(1,928)	247	(11.4%)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	0	0.0%
Subtotal: City-Funds	**$77,718**	**$79,028**	**$80,586**	**$83,032**	**$5,314**	**6.8%**
Other Categorical Grants	1,228	1,087	1,082	1,082	(146)	(11.9%)
Inter-Fund Revenues	723	728	735	736	13	1.8%
Federal Categorical Grants	11,859	7,675	7,142	7,100	(4,759)	(40.1%)
State Categorical Grants	18,987	18,093	17,589	17,651	(1,336)	(7.0%)
Total Revenues	**$110,515**	**$106,611**	**$107,134**	**$109,601**	**($915)**	**(0.8%)**
Expenditures						
Personal Service						
Salaries and Wages	$32,509	$32,725	$34,130	$35,261	2,752	8.5%
Pensions	9,629	10,374	10,774	10,899	1,270	13.2%
Fringe Benefits	13,277	13,951	14,725	15,363	2,086	15.7%
Subtotal-PS	**$55,415**	**$57,050**	**$59,629**	**$61,523**	**$6,108**	**11.0%**
Other Than Personal Service						
Medical Assistance	$6,760	$6,599	$6,728	$6,878	$118	1.7%
Public Assistance	1,646	1,642	1,642	1,992	346	21.0%
All Other	44,554	41,326	37,155	36,492	(8,062)	(18.1%)

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FYs 2024 –2027 Dollar	Change FYs 2024 –2027 Percent
Subtotal-OTPS	**$52,960**	**$49,567**	**$45,525**	**$45,362**	**($7,598)**	**(14.3%)**
Debt Service						
Principal	$4,139	$4,171	$4,218	$4,405	$266	6.4%
Interest & Offsets	3,562	4,053	4,706	5,174	1,611	45.2%
Subtotal Debt Service	**$7,701**	**$8,224**	**$8,924**	**$9,579**	**$1,877**	**24.4%**
FY 2023 BSA and Discretionary Transfers	($5,479)	$0	$0	$0	$5,479	(100.0%)
FY 2024 BSA	$643	($643)	$0	$0	($643)	(100.0%)
Capital Stabilization Reserve	$250	$250	$250	$250	$0	0.0%
General Reserve	$1,200	$1,200	$1,200	$1,200	$0	0.0%
Less: Intra-City Expenses	(2,175)	(1,927)	(1,931)	(1,928)	247	(11.4%)
Total Expenditures	**$110,515**	**$113,721**	**$113,597**	**$115,986**	**$5,470**	**4.9%**
Gap to be Closed	**$0**	**($7,110)**	**($6,463)**	**($6,385)**	**($6,385)**	**N/A**

Source: Mayor's Office of Management and Budget

Note: Numbers may not add to totals due to rounding. Excludes TSASC debt service costs of $76 million in FY 2024, $76 million in FY 2025, and $69 million in FYs 2026 – 2027, which are paid outside of the City debt service budget (099).

Table 2. Plan-to-Plan Changes, November 2023 Plan vs. June 2023 Plan

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Revenues				
Taxes:				
General Property Tax	$4	$428	$435	$484
Other Taxes	562	0	0	0
Tax Audit Revenues	26	52	52	52
Subtotal: Taxes	**$592**	**$480**	**$487**	**$536**
Miscellaneous Revenues	369	38	16	5
Unrestricted Intergovernmental Aid	0	0	0	0
Less: Intra-City Revenues	(185)	53	52	52
Disallowances Against Categorical Grants	0	0	0	0
Subtotal: City-Funds	**$776**	**$571**	**$555**	**$593**
Other Categorical Grants	146	12	11	12
Inter-Fund Revenues	3	3	3	4
Federal Categorical Grants	1,540	(142)	87	73
State Categorical Grants	936	379	112	111
Total Revenues	**$3,400**	**$823**	**$768**	**$793**
Expenditures				
Personal Service				
Salaries and Wages	($489)	($1,021)	($1,014)	($1,103)
Pensions	(13)	(49)	(111)	(168)
Fringe Benefits	(50)	(222)	(222)	(200)

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Subtotal-PS	**($552)**	**($1,292)**	**($1,347)**	**($1,471)**
Other Than Personal Service				
Medical Assistance	($20)	$0	$0	$0
Public Assistance	(4)	(8)	(8)	(8)
All Other	3,557	4,760	1,782	824
Subtotal-OTPS	**$3,533**	**$4,752**	**$1,774**	**$816**
Debt Service				
Principal	$0	$42	$68	$72
Interest & Offsets	(39)	(57)	(152)	(191)
Subtotal Debt Service	**($39)**	**($15)**	**($84)**	**($119)**
FY 2023 BSA and Discretionary Transfers	$0	$0	$0	$0
FY 2024 BSA	$643	($643)	$0	$0
Capital Stabilization Reserve	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0
Less: Intra-City Expenses	($185)	$53	$52	$52
Total Expenditures	**$3,400**	**$2,855**	**$395**	**($722)**
Gap to be Closed	**$0**	**($2,032)**	**$374**	**$1,515**

Source: Mayor's Office of Management and Budget

Note: Numbers may not add to totals due to rounding.

Table 3. Risks and Offsets to the November 2023 Financial Plan

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

	FY 2024	FY 2025	FY 2026	FY 2027
City Stated Gap	**$0**	**($7,110)**	**($6,463)**	**($6,385)**
Tax Revenues				
Property Tax	$140	$306	$426	$1,133
Personal Income Tax	938	777	628	375
Business Taxes	91	0	114	355
Sales Tax	318	266	139	42
Real Estate Transaction Taxes	(397)	(639)	(621)	(715)
All Other	30	40	50	60
Audit	200	200	200	200
Subtotal Tax Revenues	**$1,320**	**$950**	**$936**	**$1,450**
Miscellaneous Revenues	$84	$173	$166	$116
Total Revenues	**$1,404**	**$1,123**	**$1,102**	**$1,566**
Expenditures				
PS Accrual Savings	$600	$500	$0	$0
Temporary and Professional Services	0	(181)	0	0
Overtime	(870)	(775)	(565)	(565)

	FY 2024	FY 2025	FY 2026	FY 2027
Collective Bargaining Agreements	(72)	(120)	(170)	(180)
Pension	279	0	0	0
Asylum Seekers Expenses	674	1,600	(1,991)	(2,492)
Education	(109)	(1,323)	(1,976)	(2,659)
Public Health Corps	0	(13)	(49)	(49)
Public Assistance	(300)	(300)	(300)	0
Rental Assistance	(235)	(500)	(500)	(500)
Contributions to MTA	(156)	(147)	(268)	(450)
Shelter Capacity (Non-Asylum Seeker)	(350)	(350)	(350)	(350)
Prevailing Wage for Shelter Security Guards	(55)	(55)	(55)	(55)
Foster Care Reimbursement Rate	(118)	(118)	(118)	(118)
City Settlements	(175)	0	0	0
Total Expenditures	**($887)**	**($1,782)**	**($6,342)**	**($7,418)**
Comptroller's (Risks)/Offsets	**$517**	**($659)**	**($5,240)**	**($5,852)**
Restated (Gap)/Surplus	**$517**	**($7,769)**	**($11,703)**	**($12,237)**
Budgeted Reserves	$1,450			
Projected Roll (Surplus + Budgeted Reserves)	($1,967)	$1,967		
Restated (Gap) with Projected FY 2024 Roll		**($5,803)**		

Source: Office of the New York City Comptroller

Note: Numbers may not add to totals due to rounding.

II. The State of the City's Economy

Economic Forecast, 2023 – 2027

The U.S. economy remained resilient in 2023 despite rising interest rates and indications of stress in the mid-sized segment of the banking sector. Significantly outperforming almost all economic forecasts from one year ago, U.S. real (i.e., inflation-adjusted) Gross Domestic Product (GDP) expanded at an average annual rate above 3 percent through the first three quarters of the year.

Heading into 2024, economic growth is expected to slow down as recently diminishing employment gains signify an end to the post-pandemic economic recovery period and a return to prior trends. This return to normalcy is accompanied by a more restrictive monetary policy and a less expansionary fiscal policy that are likely to serve as counterweights to upward inflationary and economic pressures.

The Office of the NYC Comptroller forecasts real GDP to grow at a moderate 1.7 percent annual pace in each of calendar years 2024 and 2025, accelerating somewhat in 2026-2027 to 2.3-2.4 percent annual growth. U.S. job growth is projected to slow to 0.7 percent in 2024, followed by even slower expansion in payrolls in 2025 and after. The forecast assumes that the Federal Funds Rate remains above 5.0 percent in 2024 and gradually falls beginning in 2025 to 2.6 percent by 2027. Longer-term interest rates are expected to decline slightly with the 10-year Treasury rate dropping below 4.0 percent in 2024 from its current level of 4.3 percent. These projected rate changes are in the context of decelerating inflation, with the headline Consumer Price Index (CPI) inflation rate having already declined to 3.1 percent year-over-year as of November 2023 and projected to decrease to 2.3 percent by 2027 – nearing the Federal Reserve target inflation rate of 2.0 percent.[1]

The forecast also calls for the pace of job growth in NYC to slow markedly. In the context of slower economic growth and with the job recovery from the pandemic essentially complete, the gain in NYC payrolls is projected to be under 30,000 annually in 2024 and 2025, accelerating slightly in subsequent years. This is down from the significant job growth of the past two years—where the annual average of NYC payrolls grew by more than 300,000 in 2022 and is likely to finish 2023 with about a 130,000 gain. Total wage earnings in NYC are projected to increase by 3.9 percent in 2024 and grow at similar rates through 2027 amidst lower inflation and modest job growth.

Wall Street profits in 2024 are expected to remain near their 2023 level but are forecast to decline in 2025, an effect of slower projected gains in equity markets and lower interest rates. There is significant uncertainty around commercial office rental rates and vacancy levels, which have already been affected by a post-pandemic drop in demand for in-person space and an increased supply from

[1] The data cited are from the headline CPI, which measures prices on all items. The Federal Reserve is understood to prefer using the core Personal Consumption Expenditures (PCE) price index, which excludes the volatile prices for food and energy and is weighted differently than CPI. As of October 2023, core PCE inflation is 3.4 percent year-over-year, higher than headline CPI which is at 3.2 percent. But the two measures move very similarly over longer time periods and they are close in the forecast.

newly opened towers. The forecast projects modest increases from the current average asking rent per square foot for Manhattan offices and a slight decrease in still historically high vacancy rates.

Table 4 summarizes the Comptroller's economic projections and compares these to the last published projections of the Mayor's Office of Management and Budget (OMB), from the Executive Budget in April 2023. Like many other economic forecasters earlier in 2023, OMB at that time expected a sharp economic slowdown in the rest of the year. Such a slowdown has not occurred, and OMB itself no longer expects it in its interim unpublished forecast. Because the economic assumptions underlying OMB's tax revenue projections in their November Plan are based on the earlier economic forecast, they are out of synch with current economic performance.

Table 4. Forecast of Selected Economic Indicators, Calendar Year Averages, 2023 to 2027

		2023	2024	2025	2026	2027
U.S. Economy						
Real GDP, (Constant $, % Change)	Comptroller	2.4%	1.7%	1.7%	2.3%	2.4%
	Mayor*	1.0%	1.5%	1.5%	1.7%	1.7%
Payroll Jobs, (% Change)	Comptroller	2.3%	0.7%	0.4%	0.4%	0.3%
	Mayor*	1.6%	(0.4%)	(0.2%)	0.1%	0.3%
Fed Funds Rate, (Percent)	Comptroller	5.0%	5.1%	4.2%	3.2%	2.9%
	Mayor*	5.1%	4.6%	3.2%	2.6%	2.6%
10-Year Treasury Notes, (Percent)	Comptroller	4.0%	4.2%	4.0%	4.0%	4.0%
	Mayor*	4.0%	3.7%	3.4%	3.3%	3.2%
Consumer Price Index (% Change)	Comptroller	4.2%	2.8%	2.2%	2.2%	2.2%
	Mayor*	4.4%	2.7%	2.2%	2.2%	2.3%
NYC Economy						
Payroll Jobs, (Change In Thousands)	Comptroller	132.8	26.8	27.5	30.8	31.9
	Mayor*	92.3	76.7	74.9	77.3	70.7
Total Wage Earnings (% Change)	Comptroller	5.2%	3.9%	3.8%	3.8%	3.9%
	Mayor*	0.5%	5.1%	4.9%	4.5%	4.7%
Consumer Price Index, NY area (% Change)	Comptroller	3.8%	3.0%	2.4%	2.3%	2.3%
	Mayor*	3.5%	1.9%	1.7%	1.6%	1.7%
Wall Street Profits ($ Billions)	Comptroller	26.4	25.5	21.4	22.8	23.7
	Mayor*	21.8	26.6	19.7	23.4	23.5
Total Asking Rental Rate, Manhattan Offices (% Change)	Comptroller	1.1%	0.1%	0.3%	1.0%	1.4%
	Mayor*	0.2%	0.9%	1.2%	0.9%	1.3%
Total Vacancy Rate, Manhattan Offices	Comptroller	22.2%	22.2%	22.0%	21.7%	21.4%
	Mayor*	22.7%	21.4%	20.1%	19.3%	19.2%

Source: Office of the New York City Comptroller and Mayor's Office of Management and Budget

Note: *These economic assumptions are from the Mayor's FY2024 Executive Budget (April 2023), which are the assumptions used for their November Plan tax revenues projection.

Economic growth surprised in 2023

At the end of 2022, the consensus among economic forecasters called for a sharp slowdown in U.S. economic activity in 2023, with many projecting a recession. The Blue Chip Consensus

Forecast from December 2022 was for 0.3 percent growth in 2023, with the most optimistic group of 10 forecasters (out of about 50) expecting only 1.2 percent growth on average. These expectations were based on stubbornly high inflation rates, a Federal Reserve that was continuing to raise short-term interest rates at a pace not seen since the 1980s, an inverted yield curve, and an anticipation that the economic stimuli of pandemic recovery and aggressive fiscal policy were already receding.

As the year unfolded, inflation rates receded while the economy continued to grow, and unemployment rates remained steady at an historically low level. Including a rapid third quarter growth rate of 5.2 percent, GDP growth in 2023 thus far is averaging above a 3 percent annual rate. The inflation rate for all items is still slightly above 3 percent year-over-year, a significant drop from its 2022 peak near 9 percent but higher than the Federal Reserve's target of 2 percent. This has led the monetary authority to keep short-term interest rates above 5 percent, although they have stopped their increases in the rates. Most economic forecasters changed their views during this year, and to many it now appears that a "soft landing" of lowered inflation without a recession is likely.

As shown in Table 5, in December 2022 the members of the Federal Open Market Committee (FOMC) expected inflation to subside in 2023 but did not anticipate raising the Federal Funds rates by as much as they have. However, output growth exceeded their expectations by a wide margin and unemployment stayed lower, most recently measured at 3.7 percent. Their outlook for 2024 continues to expect moderate growth rates with unemployment only slightly higher than current levels. They also anticipate inflation to get close to their target rate, which explains why they predict the policy-controlled Fed Funds rate to decline below 5.0 percent.

Table 5. FOMC Members Economic Projections December 2022 and 2023 (Medians)

		Dec 2022	Dec 2023	Difference
2023	GDP growth	0.5%	2.6%	2.1%
	Unemployment rate	4.6%	3.8%	(0.8%)
	Core PCE inflation	3.5%	3.2%	(0.3%)
	Federal Funds rate	5.1%	5.4%	0.3%
2024	GDP growth	1.6%	1.4%	(0.2%)
	Unemployment rate	4.6%	4.1%	(0.5%)
	Core PCE inflation	2.5%	2.4%	(0.1%)
	Federal Funds rate	4.1%	4.6%	0.5%

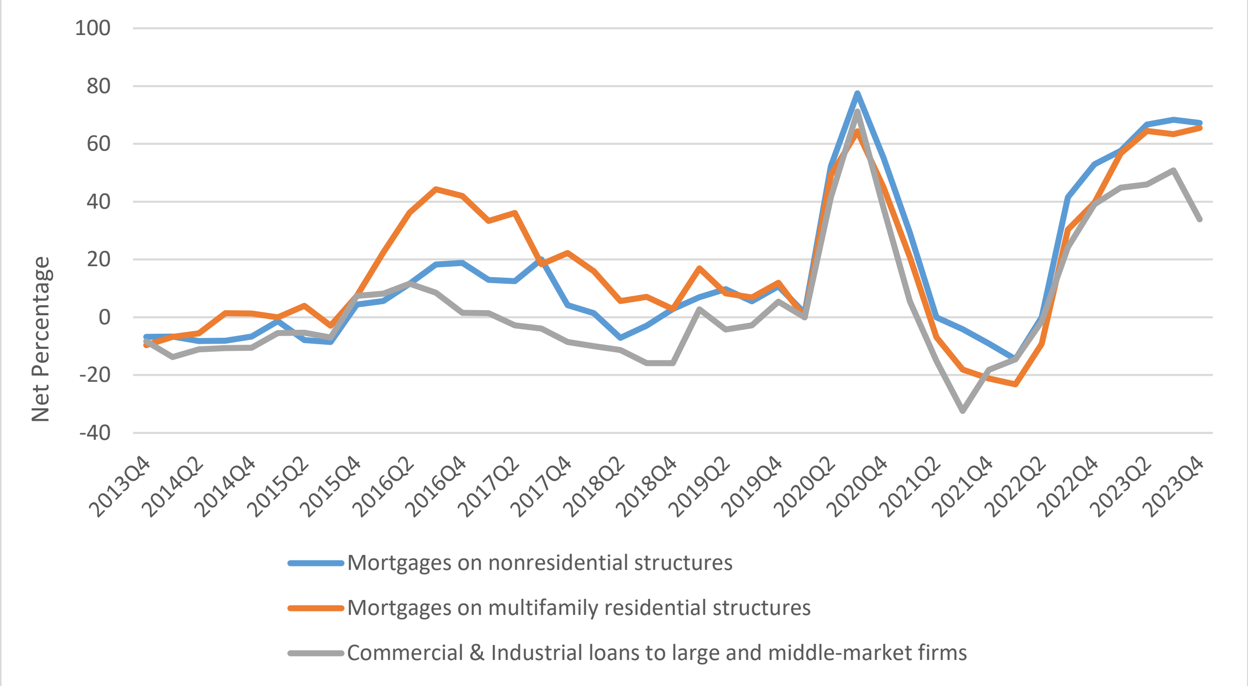
Source: Federal Reserve Board of Governors, Summary of Economic Projections

Bank failures in 2023 have led to credit tightening but not a credit "crunch"

In the Spring of 2023, a series of isolated liquidity crises at mid-sized banks led to concern of wider financial turmoil and potential impact on lending conditions. Among the fallen were two lenders active in NYC real estate markets—Signature Bank, which is prominent in the multifamily market, and First Republic which specialized in high-end mortgages. Federal regulators managed to mitigate the spread of the crisis by expanding lending facilities and guarantees on deposits and facilitating the private purchase or takeover of the banks' assets which were generally still performing.

But the event is not without some possible lasting effects. The crises likely served as a warning to other mid-sized banks to improve their liquidity position and some may also be expecting stronger regulatory requirements to come in the near future. Chart 1 shows the Fed's quarterly survey of senior loan officers, the majority of whom report that lending standards on commercial mortgages are getting tighter. It should be noted, however, that most of these respondents answered "tightened somewhat" rather than the more severe "tightened considerably" response. The total volume of U.S. bank lending grew at only a 1.7 percent annual rate in the third quarter, slower than inflation and lagging well behind economic growth. But this is still much less loan contraction than in the last true credit "crunch" in 2009, when lending fell by more than 5 percent.

Chart 1. Loan Officer Survey on Lending Standards, Net Percentage of Domestic Banks Tightening Standards, by Type of Loan



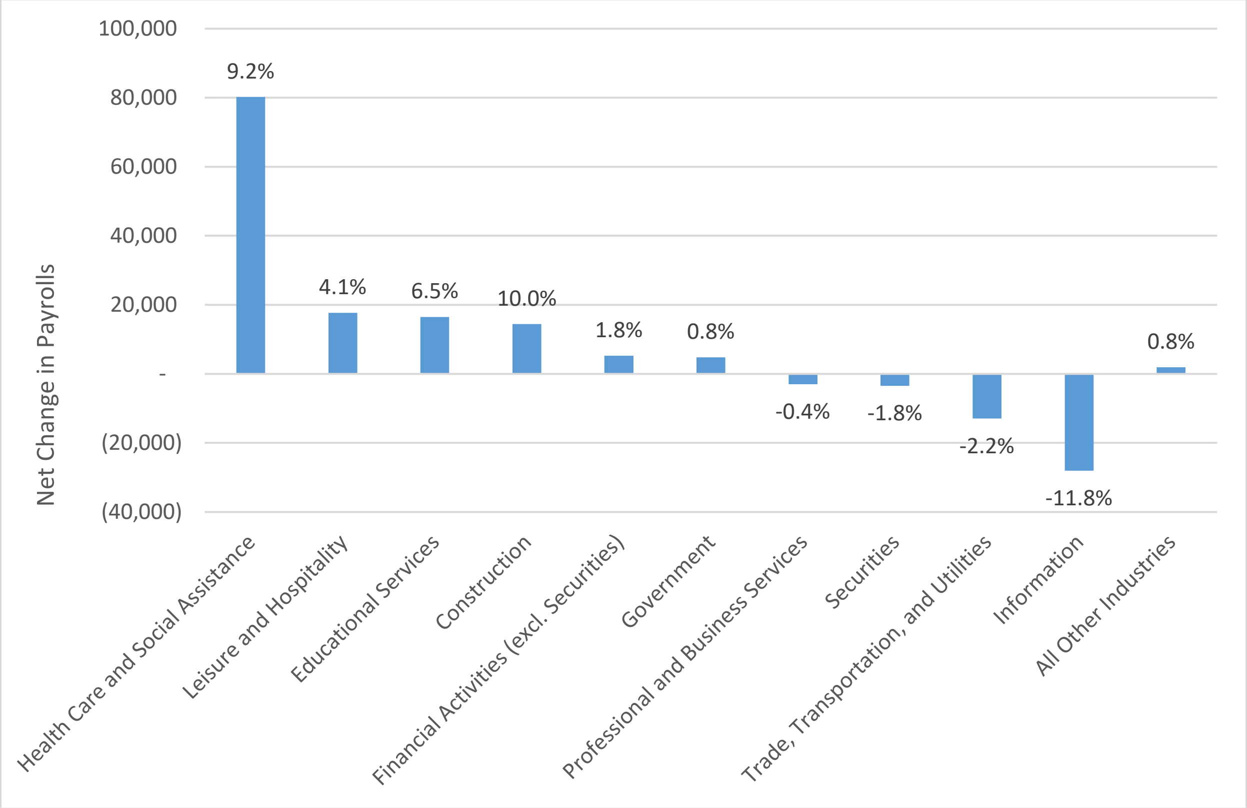
Source: Federal Reserve, Senior Loan Officer Opinion Survey on Bank Lending Practices

NYC employment has been growing slowly overall in the past year, with gains concentrated

Figures from the Current Employment Survey (CES) show citywide employment downshifting to a more moderate growth pace in 2023, with NYC payrolls rising only 51,000 from the end of last year through October 2023 after recovering briskly from the pandemic in 2022 (up 237,000) and 2021 (303,000).[2]

Moreover, job creation was considerably less broad-based than in the prior years, accruing almost exclusively to four industry sectors: Health & Social Assistance, Private Educational Services, Leisure & Hospitality, and Construction. Chart 2 shows the change in NYC payrolls by industry for the 12 months ending October 2023.

Chart 2. Change in NYC Employment, October 2022 to October 2023, by Industry



Source: NY State Department of Labor; based on seasonally adjusted industry payroll counts from Mayor's Office of Management and Budget

[2] We anticipate that the next revisions to the CES (due in March 2024) will somewhat narrow the difference between job gains in 2023 and 2022. The Quarterly Survey of Employment and Wages (QCEW) suggests that payroll counts will be revised downward for late 2022. We estimate the 2023 gain though October will thereby rise to 110,000 while the 2022 gain will be lowered to 194,000.

Of these industries, Health Care & Social Assistance has been the largest contributor, by far, to overall job creation, adding over 80,000 jobs in the past 12 months and accounting for 90 percent of the net gain in private employment. And even within the Health & Social Assistance category, 65 percent of the job growth in the past year jobs have been added in the sum of just two subsectors: (i) home health care services which added 38,000 jobs; and, (ii) individual and family services which added 14,000. As discussed below, many of these jobs are home-based and may be largely created by utilization of a single Medicaid program and are not driven by demand coming from private sector spending in NYC. Another likely source of social services job gains are the service firms contracted by the City to provide shelter and services to asylum seekers.

Medicaid and CDPAP likely responsible for much of NYC employment growth in Health & Social Assistance

Growing utilization of the Consumer Directed Personal Assistance Program (CDPAP) potentially explains much of the job growth in the Health & Social Assistance Sector in NYC in recent years. The program is part of Medicaid, which is administered by NY State and is funded by a combination of State and Federal dollars. The program pays for in-home health care and personal assistance and allows eligible beneficiaries to choose their own providers, which can often be a family member. While paid entirely by public funds, the providers are usually paid through intermediaries and thus appear to be employed in the private sector. This program had already been growing rapidly for several years before the pandemic,[3] and it appears that it may have accelerated its growth in the past three years.

A contributing factor to the job growth for in-home health and individual services is the pandemic era expansion of Medicaid enrollment in NYC, which rose from 3.39 million in March 2020 to a peak of 4.47 million in June 2023—more than 50 percent of the city's population.[4] This increase came about from the combination of severe job losses in the early months of the pandemic and a Federal law that required state Medicaid programs to keep people continuously enrolled without annual means-tested verifications until the end of the COVID-19 Public Health Emergency (PHE). With the PHE officially ended in May 2023, the State began unwinding the continuous coverage in July with NYC Medicaid enrollments falling for the first time since the pandemic began, to 4.38 million in August 2023. This unwinding is slated to continue through next May and the Medicaid enrollment counts are expected to decline until then. Consequently, the Comptroller's forecast expects that job growth in the sector will slow in 2024, with 21,000 jobs added during 2024 in Education & Health Services. Chart 3 shows the growth in NYC Health & Social Assistance jobs since 2019 alongside the growth in Medicaid enrollment.

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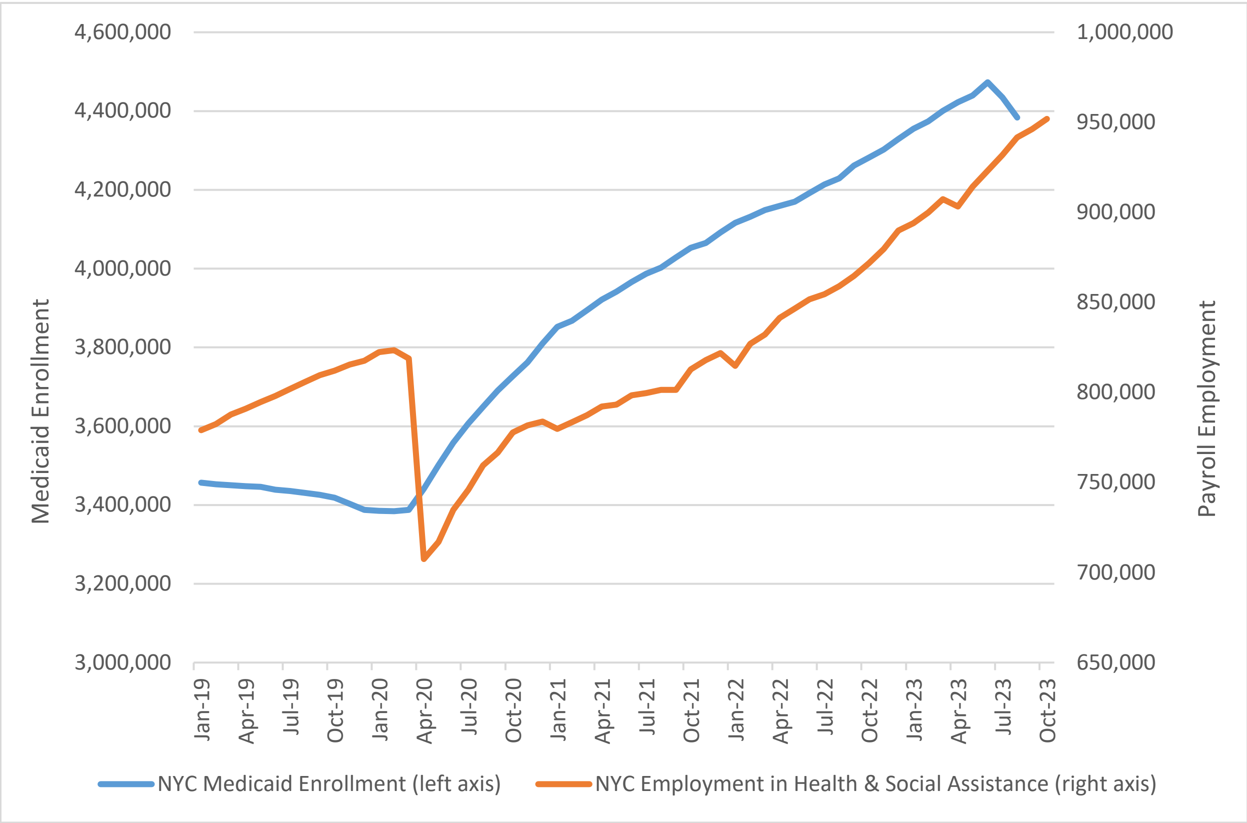
[3] See this Fiscal Brief from the Independent Budget Office for a pre-pandemic look at the rise of the program.

[4] Based on Medicaid enrollment counts from the NY State Department of Health. Many Medicaid enrollees may have additional insurance coverage, including so-called "dual eligibles" with both Medicare and Medicaid. Because Medicare coverage is provided to elderly and disabled individuals, the dual eligible population are likely a significant fraction of those utilizing in-home health and social services.

Chart 3. Medicaid Enrollment and Health & Social Assistance Employment during Pandemic Era



Source: NY State Dept. of Health; NY State Dept. of Labor; Mayor's Office of Management and Budget

Employment growth is mostly in local-market sectors

Unlike Securities, Tech, and Tourism, which are largely export industries—i.e., they largely serve markets (and generate tax revenues from) outside the region—Health & Social Assistance is essentially a local market sector, and much of it is funded by state and local government. Moreover, it is largely a low-wage industry—an issue discussed below. Private Education is also largely a local market sector; while colleges and universities certainly attract students from around the nation and around the globe, the sector overall largely services locals. Relying on local market sectors is not a path to long-run sustainable growth and prosperity.

To a lesser extent, Leisure & Hospitality is also a local market sector. Of course, the Hospitality segment is largely an export industry and a key part of the city's Tourism cluster. However, most of these jobs—as well as the jobs being created—are at restaurants and largely outside the prime tourist-frequented areas of Manhattan. Still, it is reassuring to see this sector—which plays an important role in the vibrancy of the city's economy and its general ambience—continuing to rebound from its extraordinary low levels at the depths of the pandemic.

Finally, the brisk growth in Construction employment, which has even outpaced strongly upward nationwide trends, reflects significant resilience. The housing shortage will continue to provide fundamental demand for construction, although increased financing costs and other economic challenges may hold some projects back. For office buildings, although changed work patterns are reducing demand for building more space, construction demand will likely be generated in this transformed market through residential conversions or renovations of existing buildings. Also adding to construction demand will be a desire to renovate or replace space in a transition toward clean energy—including Federal tax incentives created by the Inflation Reduction Act. All of these are persistent conditions likely to continue to buoy construction spending and employment in 2024 and beyond.

Information and Securities industries trimming jobs, retail not returning to prior levels

What about the lagging sectors? Most notable among these is Information, which has shed roughly 30,000 jobs in 2023 through October. Early in the year, job cuts at tech firms likely contributed to this pullback, which had been expected because of lower profits and higher interest rates in a heavily leveraged sector. (The state of the technology industry was profiled in NYC in the Comptroller's October Spotlight.) However, nearly half of the net job loss over the year has come since May and has accrued to the Motion Picture & Broadcasting industries where strikes began around that time. Another sluggish industry that is widely viewed as a leading indicator of overall job growth—but which also may have been adversely affected by these strikes—is Employment Services, which includes contract workers across a broad range of industries. The outlook for the city's important Information and Professional & Business Services sectors—and, to some extent, the outlook for the city's economy more broadly—will be better understood once the extent and speed with which these industries snap back, now that the strikes have been settled, is further clarified. The Comptroller's Office's forecast calls for a partial bounce-back in the Information sector, adding 7,000 jobs in 2024.

Job growth in the city's key Financial Services sector, especially the Securities Industry, slowed substantially in 2023, following brisk growth in 2022. The turmoil in the Banking sector back in March did not appear to have a significant impact on overall employment in the sector, with bank employment rising slightly over the past year. More recently, however, employment across the sector has retreated modestly, and there have been a number of layoff announcements. The forecast expects that stronger equity market performance in 2023 combined with stabilizing interest rates will allow the sector to complete its job trimming by the end of 2023 and to grow moderately in 2024, by 5,000 jobs (1.1 percent), and at a similar pace in later years.

The rebound in the city's Retail sector, following its pandemic plunge, stalled in 2023 as employment was essentially flat at about 13 percent below pre-pandemic levels (the state of the retail and consumer services cluster was featured in the Comptroller's December Spotlight). Given the trend toward on-line shopping, which kicked into high gear almost a decade ago and accelerated sharply during the pandemic, it is difficult to see much if any job gains coming from this broad sector. The forecast for payrolls in 2024 and beyond is essentially flat.

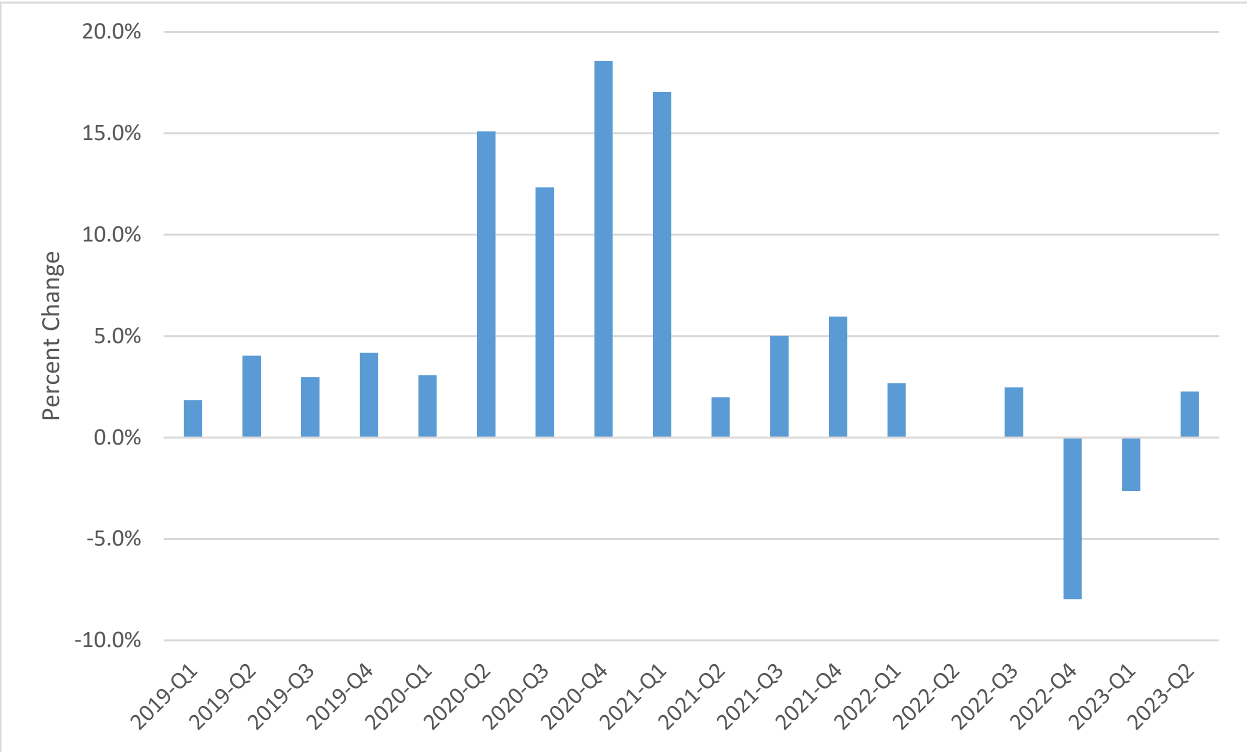
Average wages reflect slow growth in higher-wage jobs and faster growth in lower-wage ones

While wages have continued to grow within most NYC industries, average wages across all industries have been impacted by a shifting share of employment towards lower wage jobs. As mentioned above, Health & Social Assistance added 80,000 jobs from October 2022 to October 2023, accounting for 90 percent of the net change in citywide private employment. While this industry does have some high-paying jobs, the overall average annual wage in the sector was under $58,000 in 2022, well below the all-industry average of $117,000. Furthermore, the Health & Social Assistance jobs added in the past year were heavily concentrated in two of the lowest-paid subsectors. Home health care services and social assistance services accounted for more than four-fifths of the net jobs gained in the sector. These subsectors had average annual wages of $32,000 and $39,000, respectively, according to the latest data.[5] Meanwhile, as mentioned above, some of the highest-paying sectors have grown slowly or shed jobs within the past year, including Information (average annual wage $187,000), Finance ($360,000), and Professional & Technical Services ($168,000).

Chart 4 shows the pattern of year-over-year growth in average wages across all industries in NYC since 2019. In the height of the pandemic in 2020 and early 2021, average wages in NYC grew rapidly as higher-paying office-based jobs often continued remotely while lower-paying service industries faced steeper payroll reductions and slower recovery. Later in 2021 and in early 2022, lower-paying service jobs in retail, hospitality, healthcare, and social services recovered, which slowed the rate of growth in average pay, but this was accompanied by continued growth and strong bonus incentive pay in the higher-wage sectors. Later in 2022 and into 2023, growth in lower-wage sectors—especially in the lowest-paid subsectors within Health & Social Assistance—combined with very little net job growth in higher-wage industries has brought average wages lower. Also contributing to the late-2022, early-2023 decline was a steep reduction in bonus incentive payments especially in the securities sector, which is discussed below.

[5] Quarterly Census of Employment and Wages, NY State Department of Labor, 2022-Q3 through 2023-Q2.

Chart 4. Fourth-Quarter Growth in Average Wage Paid in NYC

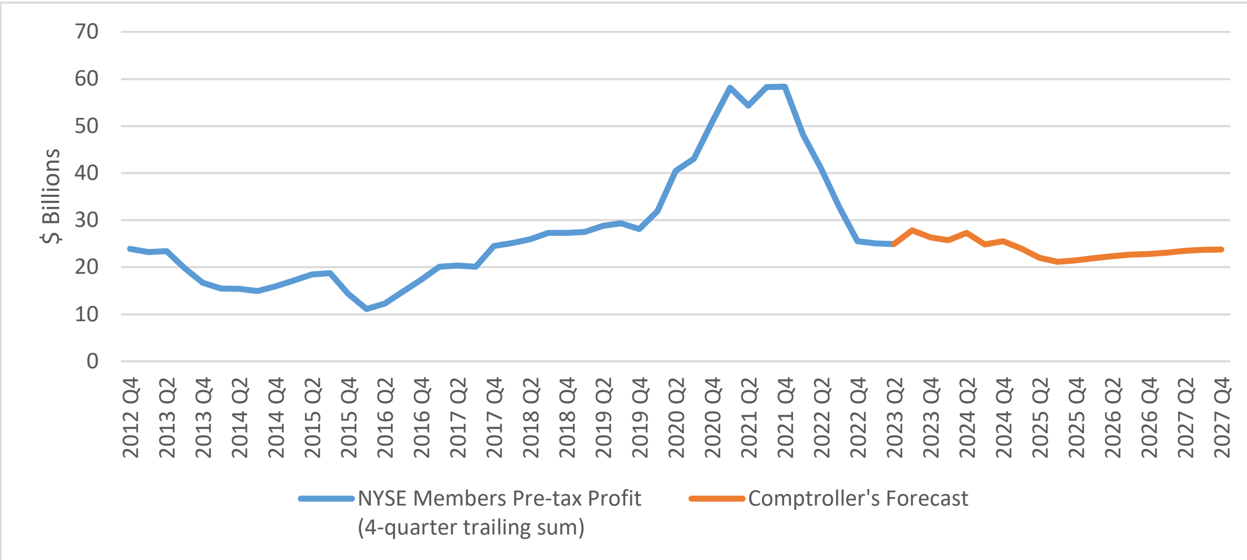


Source: Quarterly Census of Employment and Wages, NY State Department of Labor

Wall Street profits back down from their record highs

Fueled by strong growth in equity valuations and low interest rates—which were largely a product of expansive fiscal and monetary policies—profits in NYC's Securities industry soared extraordinarily in 2020 and 2021, with earnings more than double 2019 levels. In 2022, the situation largely reversed with rising interest rates and a stock market that lost nearly 20 percent of its value over the course of the year (as measured by the S&P 500). Wall Street firms' profits rapidly fell back to a level that is within the range of the historical patterns existing before 2020. Pre-tax profits of New York Stock Exchange member firms in 2022 were $25.5 billion, 9 percent below their 2019 profits. The stock market has improved in 2023 and the outlook is for economic growth rates to be moderate in the coming few years. As can be seen in Chart 5, the Comptroller's forecast calls for Wall Street profits to remain near their current level in 2024 – 2027.

Chart 5. Wall Street Profits



Source: Intercontinental Exchange; Office of the New York City Comptroller

Bonus incentive payments in the securities industry constitute a large and highly variable part of NYC's wage compensation. Bonuses in the industry are almost universally paid in December through March and are largely based on the profitability of the prior calendar year. Bonuses from December 2022 through March 2023 were estimated to be approximately $24 billion, a decline of more than 20 percent versus the prior year.[6] For the bonus season beginning in December 2023, the Comptroller estimates a moderate increase in the bonus pool because of a much stronger equity market performance in 2023. However, a looser labor market than in the prior year and a reduced headcount may work against the forecast, and the compensation consulting firm Johnson Associates expects incentive compensation in the financial sector to be flat or to decline somewhat for the 2023 season.

Office real estate market still down

NYC's commercial real estate market continues to sit in an uncertain place. The pandemic's sudden shift to remote and hybrid work, some of which has proven lasting, reduced demand for office space in new and renewing leases. This shock came during a period of already planned increases in the supply of NYC office space with inventory growing by 4 percent over the past 5 years, to a record high level.[7] These conditions inevitably led to a decline in office market rents on new leases, which fell citywide by more than 7 percent in nominal terms since the first quarter of 2020 and have not shown significant upward movement to date. Total vacancy rates (which

[6] The bonus pool estimates are based on the excess of personal income tax withholding payments above the baseline set between April and November.

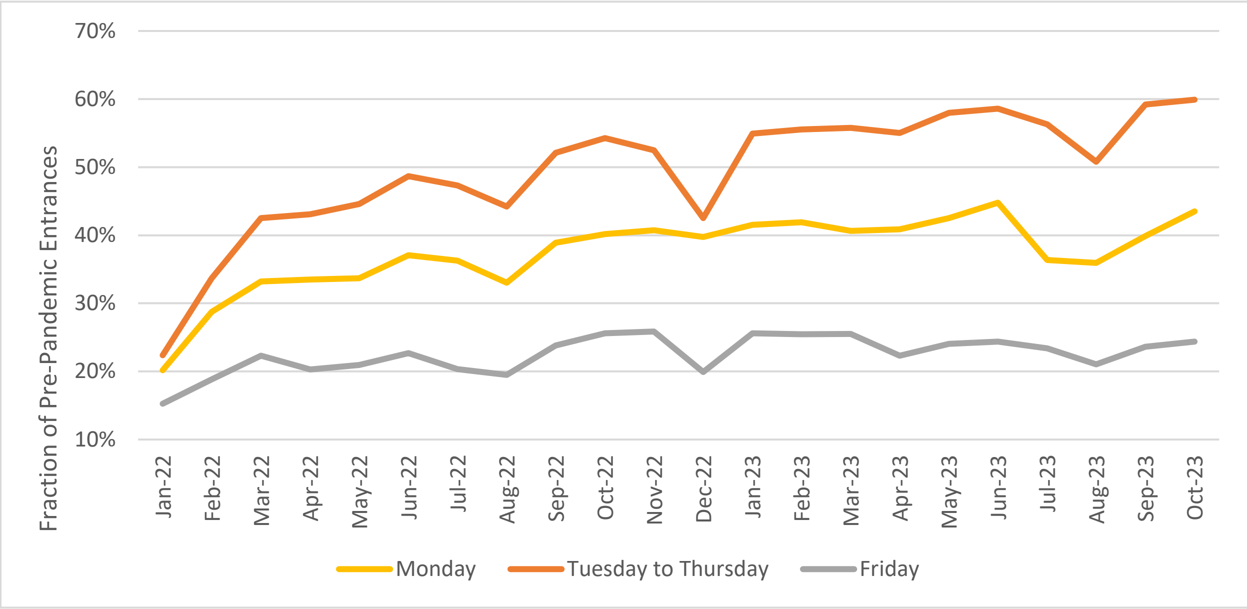
[7] Source for this and the following office market data: CoStar

include sublease vacancies) currently stand at a record high near 15 percent after spending 10 years pre-pandemic close to 8 percent, according to CoStar data.

The post-pandemic return to the office has been maturing in NYC, and the new normal emerging appears to be a hybrid workplace with mid-week office presence much greater than on Mondays and Fridays. Chart 6 shows the history of in-office presence by day-of-the-week, based on security cards monitored by Kastle Systems for a sample of pre-existing office buildings and shown as a percent of pre-pandemic levels. Tuesdays through Thursdays are back to about 60 percent of their earlier levels and have continued to trend upward—rising by about 6 percent year-over-year in October—although a slowing rate of growth through much of 2023 suggests that that this measure may not be returning to 100 percent. Mondays are also trending slightly upward—3 percent growth year-over-year in October—but remain near 45 percent attendance, while Fridays remain flat below 25 percent of prior attendance.

The Kastle data may not be a fully representative sample, [especially among newer buildings](). An alternative measure from [REBNY]() based on cell phone location data from Placer.ai shows a 66 percent visitation in September 2023 rate versus September 2019 (over all days of the week), although the rate of change over the year appears similar to Kastle's data. Subway data from MTA also show rising mid-week fare counts, up to 71 percent of pre-pandemic levels on Tuesdays through Thursdays in October 2023, from 64 percent in October 2022. All of this is consistent with a recent survey by the [Partnership for NYC]() confirming these trends, with 64 percent of Manhattan office-based employers reporting hybrid schedules, 72 percent of workers in Manhattan offices reporting in-person at least three days a week, and only 6 percent of office workers for these employers working fully remotely.

Chart 6. NYC Office Building Entrances by Day of Week

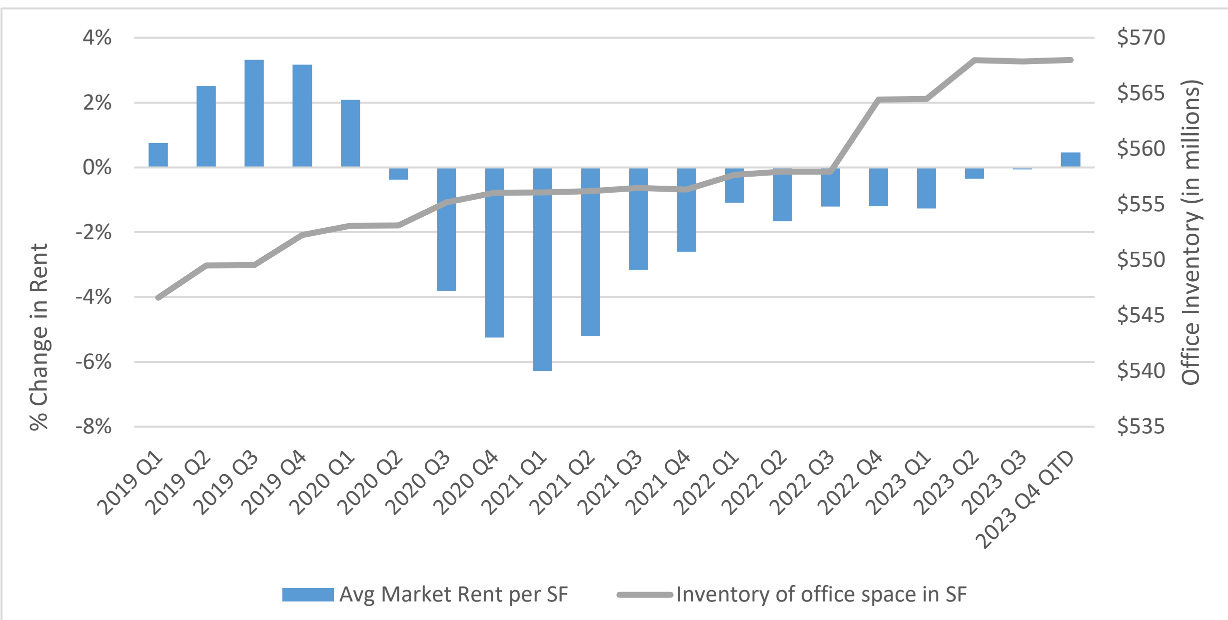


Source: Kastle Systems Back-to-Work Barometer

The Comptroller's Office's outlook for office real estate expects that these mid-week attendance numbers will continue to slowly improve, but that the permanent shift in work patterns will be a negative drag on demand for NYC office space for several years to come. It does not appear that many NYC employers will completely abandon their office spaces while most of their employees are coming in on most weekdays. But the hybrid workplace may curb some employers' desires to expand their footprints when their workforce grows, and many may look to reduce their costs when renewing leases by reducing their conferencing and flexible spaces.

Despite demand headwinds and recent growth in supply, the Comptroller's Office expects that significantly lowered leasing costs will gradually entice new tenants into good deals for NYC office spaces, eventually bringing down vacancy rates and nudging up rents. Rental cost per square foot for NYC offices is showing small but positive movement for the first time since the pandemic, up 0.5 percent year-over-year as of the middle of November (see Chart 7). The total supply of office space has recently leveled off after growing by 15 million square feet (2.7 percent) since the first quarter of 2020. And, also for the first time since the pandemic began, the amount of NYC office space available for either new leases or subleases is lower than at the end of last year (a positive absorption rate).

Chart 7. NYC Office Rent and Total Supply of Office Space



Source: CoStar

Note: Values are for the last day of each quarter except for 2023 Q4, which is measured in the middle of November.

The forecast calls for office market conditions to remain challenging for the next few years, without significant increases in rent or drops in vacancy rates. The Office expects vacancy rates to remain essentially flat in 2024 and 2025 and decline slightly into 2025 and 2026. Likewise, office rents are forecast to rise by only 0.1 percent in 2024, 0.3 in 2025, and 1.0 and 1.4 percent in 2026-27, respectively. These rates of increase are below expected price inflation generally, and therefore represent further declines in real rental rates.

Housing costs stabilizing but outlook is for little relief

After rising by 40 percent from December 2021 to May 2023, median asking rents for apartment units listed online (on StreetEasy.com) have stabilized in recent months and actually declined slightly from their peaks—with one-bedrooms in the city falling by $115 per month (3.3 percent) in September and October 2023 from their previous peak of $3,495 in August. Average sales price of listed condominiums on StreetEasy.com have risen 4.1 percent over the past year, spurred by recovery in the average Manhattan condo sale price (+7.8 percent) which one year ago was still below its nominal pre-pandemic level. In the other direction were drops in average sale price in Brooklyn (-1.2 percent) and Queens (- 1.7 percent) over the year. But in the most recent months, sale prices in each borough have been mostly flat. It appears likely that high mortgage interest rates may have already suppressed growth in sale prices in NYC, as current sales prices after adjusting for general inflation are 13 percent below March 2020.

But despite some signs of stabilizing prices, the longer-term outlook for NYC housing is tight. Since 2010, NYC has added 983,000 jobs while adding (on net) only 293,000 housing units.[8] While many of NYC's workers find housing outside the city, as always, the dearth of in-city housing relative to the job base fuels constant pressure on prices and availability for housing units in the city.

New construction would be one way to alleviate this housing pressure somewhat, and this remains a stated policy goal of the Mayor. In 2022, permits for residential construction surged with net additions of about 70,000 units planned, three times the average of the previous five years.[9] This surge was mainly the result of the impending expiration of 421-a property tax incentives and the rush to start projects before June 15, 2022. But through late 2022 and into 2023, the combination of higher interest rates, increased input costs, and capacity limits in the construction industry leave uncertainty over whether many of these projects will be completed within the four-year window required for utilization of the 421-a tax breaks. And new permits issued since the closing of the program in June 2022 remain below their five-year average levels from 2017-2021, although some of this decline may be fairly assigned to projects shifted earlier because of the grandfathering deadline. Future growth in NYC housing will depend on the path of long-term interest rates and the passage and implementation of new housing policy incentives.

[8] Data are from the NYC Department of City Planning's Housing Database.

[9] ibid.

NYC tourism has recovered to near its pre-pandemic levels

After the decrease in tourism during the pandemic the number of tourists vising the city, although not yet up to the pre-pandemic level, has been increasing. NYC Tourism+Conventions' outlook forecasts total visitors to NYC to increase from 63.3 million in 2023 to 69.6 million in 2024. The number of international tourists is also finally forecast to get back to its pre-pandemic level before 2024.

Hotel occupancy rates have fully recovered to pre-pandemic levels in the outer boroughs and are close to that threshold in Manhattan. While some hotel rooms have been removed from the available inventory to house asylum-seekers, the total number of hotel rooms citywide is higher than before the pandemic. Average daily room rates have sky-rocketed to record levels, far exceeding overall inflation. Since the onset of the pandemic, room rates are up 33 percent in Manhattan and up nearly 60 percent in the outer boroughs. In just the past 12 months, they are up 9 percent and 24 percent, respectively. This reflects strong tourism demand, though the very recent rise may have been partly driven by the recent implementation of Airbnb restrictions and its effect on the supply of overall available lodging space, as well as the number of units being rented by the City to provide shelter for asylum seekers.

Attendance and revenues at Broadway shows spent most of 2023 approaching their comparable 2018-2019 levels, but have been slipping somewhat in the past three months and remain down around 20 percent below the pre-pandemic norm. But one lackluster Fall season is not enough to draw longer-term conclusions, and the overall trajectory looks like a recovery for the industry.

Personal income in NYC fell in 2022

As shown in Table 6, total personal income of NYC residents dropped in 2022 by 4.2 percent and per capita income dropped 2.8 percent, even before adjusting for inflation.[10] Population losses (-1.5 percent) were responsible for a large part of the decline. A drop in after government transfers to individuals at the end of pandemic federal assistance also reduced personal transfers (-20.2 percent), as expected.

Additionally, net earnings of residents remained flat in nominal terms (+0.1 percent) despite a 4.4 percent increase in the earnings of those working in New York City. Earnings rose faster for non-residents (i.e., those who work in NYC but live outside of the city) due to the combination of: (i) job gains which tilted toward lower-wage industries that have a higher concentration of NYC residents; and, (ii) out-migration.

[10] Note that the Bureau of Economic Analysis' latest personal income data release also showed significant revisions of previous estimates back to 1979. Total income was revised downward in each year 2019-21, with a particularly strong downward adjustment of 5.2 percent in 2020. Net earnings of residents in that year were lowered by 4.1 percent while net earnings of those working in NYC was only reduced by 0.3 percent. In other words, the BEA had underestimated the earnings losses of residents and/or the earnings of non-residents.

Table 6. Personal Income of NYC Residents 2019-2022

	2019	2020	2021	2022
Total ($b)	$627.1	$635.6	$693.9	$664.5
% change	2.1%	1.4%	9.2%	(4.2%)
Per capita	$71,072	$72,722	$82,036	$79,719
% change	2.1%	2.3%	12.8%	(2.8%)
Population	8,822,926	8,740,647	8,459,001	8,335,897
% change	0.0%	(0.9%)	(3.2%)	(1.5%)
Major components				
Net earnings by place of work ($b)	$555.1	$545.0	$592.1	$615.5
% change	4.1%	(1.9%)	8.5%	4.4%
Net earnings by place of residence ($b)	$393.3	$371.4	$408.4	$408.7
% change	1.0%	(5.6%)	10.0%	0.1%
Dividends, interest, and rent ($b)	$126.9	$114.1	$125.4	$127.9
% change	0.9%	(10.1%)	9.9%	2.0%
Personal transfers ($b)	$106.9	$150.2	$160.2	$127.9
% change	7.8%	40.4%	6.7%	(20.2%)

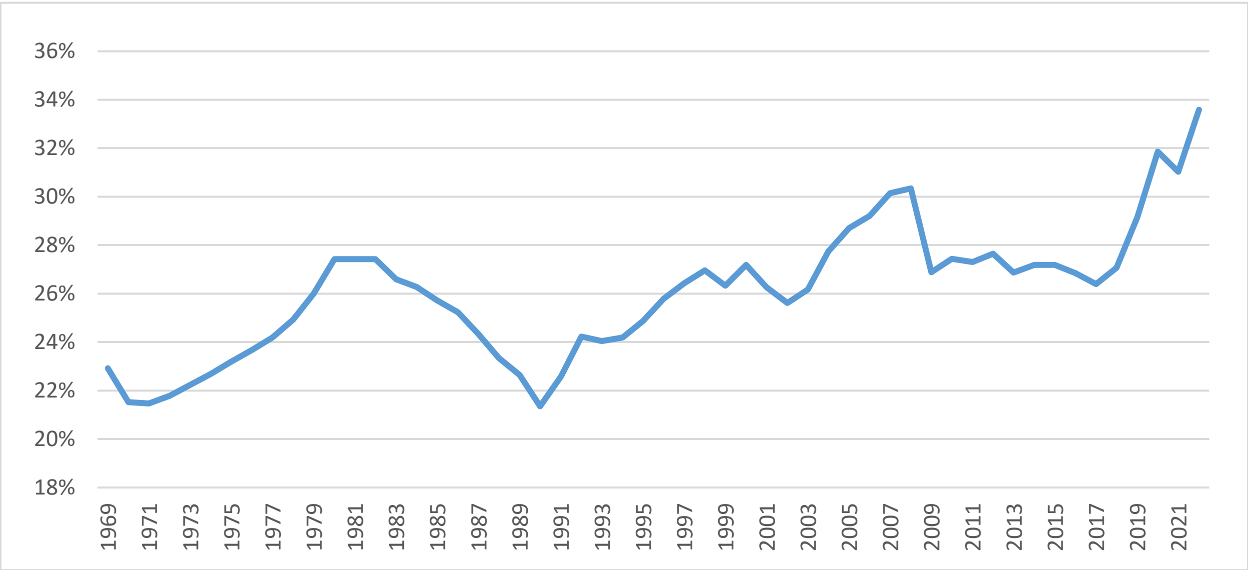
Source: Bureau of Economic Analysis, Office of the New York City Comptroller. Definitions are available here: https://www.bea.gov/help/glossary/local-area-personal-income

Chart 8 shows the share of net earnings (earnings net of contributions to social insurance programs) accruing to NYC's non-resident workers. From 1969 to 2022, the data show five distinct periods:

1. A period of increasing non-resident share in the 1970s, growing from 21.5 percent in 1970 to 27.4 percent in 1980.
2. A decline in the share through the 1980s, bottoming at 21.4 percent in 1990.
3. Increasing share between 1990 and 2008 to a pre-pandemic peak of 30.3 percent.
4. A period of stability between 2009 and 2018, with the share averaging 27.1 percent.

5. A sharp increase between 2019 (29.2 percent) and 2022—when the share reached a new peak of 33.6 percent through outmigration and income gains at the top of the distribution, where workers were already less likely to be NYC residents.

Chart 8. Share of Net Earnings Going to Non-Residents 1969-2022



Source: Bureau of Economic Analysis, Office of the New York City Comptroller

Out-migration from NYC declined in 2022

The latest release of the Census Bureau's American Community Survey for 2022 provides an update on migration trends in and out of NYC. Table 7 reports estimates[11] of net migration of householders by borough in surveys from 2017 to 2022.[12] The data do not follow individual households over time, but survey respondents are asked whether they lived in the same unit one year ago. The migration status of the responding householder is used to determine the migration status of the entire household.

It should be noted that this is not a perfect measure for at least two reasons. First, householders that moved abroad are not surveyed, leading to an underestimate of outmigration. Second, not all moves imply a change in the number of households in NYC (for instance, when children move out while their parents do not), leading to an overestimate of outmigration.

[11] The analysis is based on the Public Use Microdata Sample (PUMS) and, as such, results can differ from tables available at data.census.gov. ACS estimates of the number of residents are based on Census' annual Population and Housing Units Estimates, and are not revised retroactively as new "vintages" are released. This is of particular importance as data from before the 2020 enumeration underestimate population in NYC.

[12] The 2020 ACS is an experimental product that is particularly affected by non-response during the COVID-19 pandemic.

With these caveats in mind, the data indicates that net outmigration dropped to 37,700 in 2022, less than half the spike in 2021. Furthermore, in 2022, Manhattan returned to gain households. The same pattern is evident for internal U.S. migration (which excludes international in-migration), with the loss of households narrowing to 57,600 in 2022 after reaching 90,500 in 2021.

Table 7. Households Net Migration

(in thousands)	2017	2018	2019	2021	2022
Manhattan	8.7	4.6	6.3	(7.2)	8.5
Bronx	(8.0)	(10.5)	(10.3)	(13.2)	(14.1)
Brooklyn	(13.2)	(18.5)	(9.0)	(30.9)	(6.1)
Queens	(14.9)	(14.4)	(12.9)	(19.4)	(20.3)
Staten Island	(3.7)	(3.0)	(2.6)	(5.9)	(5.8)
Total net migration	(31.2)	(41.7)	(28.5)	(76.6)	(37.7)
Total internal U.S. migration	(52.5)	(57.7)	(50.8)	(90.5)	(57.6)

Source: Census Bureau, Office of the New York City Comptroller

Table 8 focuses on migration within the U.S. to and away from NYC and reports the top three states for incoming and outgoing households, their percentage of total migration flows (adding to approximately 50 percent), and the average income of households.[13] Most of in- and out-migration took place with the rest of New York State and New Jersey. Outside of NYC's metropolitan area, the main source of inflow was California while the main destination was Florida. ACS data shows that between 2021 and 2022, the average income of incoming households increased, while that of outgoing households decreased.

Table 8. Internal U.S. Migration To and From NYC

Year	Incoming households			Outgoing households		
	State	% of U.S. inflow	Average income ($000s)	State	% of U.S. outflow	Average income ($000s)
2021	NY	25.2%	$146.6	NY	23.1%	$173.0
	NJ	12.7%	$108.7	NJ	17.5%	$144.7
	CA	12.3%	$135.5	FL	10.3%	$138.7
	All		$123.5	All		$149.9

[13] Only households with non-zero income are included in the calculation.

Year	Incoming households			Outgoing households		
	State	% of U.S. inflow	Average income ($000s)	State	% of U.S. outflow	Average income ($000s)
2022	NY	26.1%	$120.3	NY	25.4%	$157.8
	CA	11.9%	$193.0	NJ	16.5%	$142.7
	NJ	9.1%	$161.3	FL	8.9%	$116.2
	All		$138.8	All		$133.6

Source: Census Bureau, Office of the New York City Comptroller

The ACS also provides information on the means of transportation to work, including Work From Home (WFH).[14] Table 9 below shows the share of employed respondents indicating WFH based on migration status. The table distinguishes between persons that moved into NYC from the rest of the U.S., moved within NYC, moved out to the rest of the U.S., and those that did not move. Not surprisingly, the WFH share was higher in 2021 than in 2022. WFH was lower for those that did not move, as persons who can work from home tend to have higher income and are more mobile. More interesting is that the share of persons working from home is higher among those moving into NYC than among those that left in 2022.

Table 9. Work From Home and Migration Status

Year	Share working from home among those that			
	Moved in from the U.S.	Moved within NYC	Moved out of NYC	Did not move
2019	6.3%	4.6%	7.7%	4.6%
2021	38.5%	33.9%	39.2%	22.3%
2022	30.8%	19.5%	25.2%	15.3%

Source: Census Bureau, Office of the New York City Comptroller

Risks to the Economic Forecast

There is a risk that the forecast of moderate economic growth is too optimistic, and near-flat growth or even a recession is a possibility. There is currently a range of opinion among economic forecasters, with more than a few expecting 2024 to show zero or negative growth rates. Current

[14] This is in response to the question: "how did this person usually get to work last week?"

high interest rates, which are unlikely to be falling soon, could suppress investment, job growth, consumer spending, and profitability.

In NYC, there is a risk that key higher-wage sectors—such as Finance, Information, and Professional Services—do not resume their growth after minimal (or negative) job growth in 2023. Upcoming jobs reports will be important for gauging whether job losses in some parts of these sectors will continue or whether there is a bounce-back. Also at risk in NYC is the health of commercial real estate. As noted above, there are signs that the losses may have bottomed out, but if further declines occur to rent and occupancy rates, or financial conditions worsen, there could be greater turmoil in the industry with potential broader impacts on the NYC economy.

III. The State of the City's Finances

As growth of the local economy slows over the next year, the Comptroller's Office forecasts that local tax revenues will fall slightly in FY 2024 before growing moderately from FY 2025 through FY 2027, the current financial plan period. While growth is expected to be slow, the Comptroller's Office projections of tax and other City-funded revenues are above what is currently budgeted. However, the Comptroller's Office also projects higher City-funded expenditures than currently budgeted. The reforecast results in budget gaps that are larger than those projected by OMB, growing from 7.3 percent of total revenues in FY 2025 to 11.2 percent in FY 2027.

The gaps, which are considerable, are due to a combination of factors including the chronic underbudgeting of certain expenditures, the costly provision of shelter and services for asylum seekers without sufficient Federal support, unfunded mandates from the State, and the expiration of Federal pandemic stimulus. Long-term and well-targeted financial planning is, and will be, necessary to help close these gaps.

The November Financial Plan

The November 2023 Financial Plan increases the FY 2024 Adopted Budget by $3.40 billion to $110.52 billion. Nearly three-quarters of the increase comes from revisions to Federal and State categorical aid. Federal categorical aid budgeted in FY 2024 grew by $1.54 billion compared with the Adopted Budget, driven mainly by the recognition of nearly $450 million of prior year revenues in the current year, rolling forward about $300 million of grants from FY 2023, and reallocating about $228 million in COVID aid from FY 2025 into FY 2024. Funding from State categorical grants increased by $936 million compared with the Adopted Budget, including $447 million of funds added to help pay for City services to people seeking asylum. Other changes in the non-City-funds portion of the budget include increases of $145 million in other categorical grants and $3 million in Inter-fund Agreement revenues.

The City-funds budget, which excludes State, Federal, Other Categorical, and Inter-fund Agreement funding, totals $77.72 billion, $776 million more than the Adopted Budget. This includes $592 million in additional forecasted tax revenues, primarily from higher collections of Personal Income Tax (PIT) and related Pass-Through Entity Tax (PTET) and business income taxes, and $184 million in non-tax revenues, largely due to higher estimates of interest income and fine revenue. Of the increased City-funds revenue in FY 2024, $106 million is credited to the Mayor's Program to Eliminate the Gap (PEG), which is described in detail in the following section.

In terms of changes to City-funds expenditures, the November Plan adds $1.35 billion to fund services for people seeking asylum (see Asylum Seeker Section for more details), $593 million in net agency expenditure changes, and $33 million to the City's labor reserve for collective bargaining (to reflect the City's agreement with the union that represents the Staten Island ferry workers). As shown in Table 10, these increases are offset by $1.61 billion PEG expense savings in FY 2024, along with $240 million in savings due to a funding swap using Federal COVID stimulus funds in lieu of previously budgeted City funds. The greatest programmatic City-funded increases to agency expenditures in the November Plan, apart from asylum seeker funding, are the additions of $490 million to fund special education Carter Cases and $116 million for pupil transportation at the Department of Education (DOE) and $120 million for the Board of Elections (BOE) for citywide elections in FY 2024.

Overall, the November Plan results in a total net increase of City-funded costs of $133 million in FY 2024. The remaining $643 million in FY 2024 City revenues over the Adopted Budget is used to prepay FY 2025 debt service costs, which helps lower the projected gap in that year. The Mayor will need to present the FY 2025 budget as balanced in the upcoming Preliminary Budget, to be released in January.

Table 10. Changes to FY 2024 and FY 2025 City-Funds Estimates from the June 2023 Plan

($ in millions)	FY 2024	FY 2025
Gap to be Closed – Adopted Plan	**$0**	**($5,079)**
Revenues		
Tax Revenues	$592	$480
Including Tax Revenues Credited to PEG	*34*	*60*
Non-Tax Revenues	184	91
Including Non-Tax Revenues Credited to PEG	*72*	*51*
Total Revenue Changes	**$776**	**$571**
Expenditures		
Agency Expenditures	$593	$93
(Savings from PEG)	(1,607)	(1,861)
Services to People Seeking Asylum	1,354	4,828
Federal Funding Swap	(240)	228
Labor Reserve Adjustment for MEBA	33	6
Pension Savings	0	(49)
Total Expenditure Changes	**$133**	**$3,245**
Gap To Be Closed Before Prepayments	**$643**	**($7,753)**
FY 2024 Prepayment of FY 2025 Debt Service	**($643)**	**$643**
Gap to be Closed – November Plan	**$0**	**($7,110)**

Changes to the Outyears of the Financial Plan

Despite the funds budgeted for prepayments, the City's projected gap for FY 2025 is $7.11 billion, $2.03 billion more than OMB projected in the June Financial Plan. City-projected gaps in FY 2026 and FY 2027 decreased slightly compared to June, by $373 million to $6.46 billion in FY 2026, and by $1.52 billion to $6.39 billion in FY 2027.

The largest changes to City-funded expenditures in each of the outyears of the November Plan are increased funds budgeted for services for people seeking asylum, which grow by $4.83 billion, $2.0 billion, and $1.0 billion, in FY 2025 through FY 2027, respectively. These and other agency expense changes (averaging $93 million annually) are offset by PEG reductions of $1.86 billion, $1.81 billion, and $1.85 billion in FY 2025 through FY 2027. Outyear costs are reduced somewhat due to higher than anticipated pension returns in FY 2023, by $49 million in FY 2025 growing to $168 million in FY 2027.

OMB's estimates of City-funded revenues increased in the outyears, by $571 million, $555 million and $593 million in FY 2025 through FY 2027. This is largely due to increased estimates of property tax revenues, which the City revised upwards by $427 million in FY 2025, $434 million in FY 2026, and $483 million in FY 2027. Federal categorical grants were revised down in FY 2025 following the shift of COVID aid into the current year and increased only slightly in FY 2026 and FY 2027 compared with the June Plan. Estimates of State aid increased by $380 million (of which $270 million is expected asylum seeker aid) in FY 2025, and $112 million in FY 2026 through FY 2027.

Overall, total revenues in the November Plan are $825 million, $769 million, and $793 million more than what was forecast in June for FY 2025 through FY 2027, respectively. Total expenditures are $2.86 billion more than budgeted in June for FY 2025, $395 million more for FY 2026, and $723 million *less* than forecast in June for FY 2027.

Program to Eliminate the Gap (PEG)

On September 9th, OMB sent a letter with savings instructions to all agencies in an effort to close projected budget gaps. Outlined in this letter was a Program to Eliminate the Gap (PEG) with a directive to cut City-funded spending by 5 percent in each year of their November Plan submissions. The letter also directed that additional 5 percent PEGs would be required for each year in the financial plan updates released in January and April. In addition, agencies were informed of a hiring freeze effective as of October 1st and a freeze on certain other than personnel services (OTPS) spending categories, effective September 15th.[15] The City's uniformed agencies were also asked to submit plans to reduce overtime spending.

The November Plan's PEG totals $7.56 billion over four years, including additional revenues and expense savings: $1.71 billion in FY 2024, $1.97 billion in FY 2025, $1.92 billion in FY 2026, and $1.95 billion in FY 2027. Per OMB, all agencies met their assigned targets.

To present a comprehensive picture of the November Plan's PEG, the Comptroller's Office organized initiatives into the categories detailed below, followed by definitions and highlights by category.

PEG Category Highlights

In the analysis below the Comptroller's Office groups the City's PEG initiatives into five categories—PS Savings, Expense Re-Estimates, Possible Program Impact, Revenue, and Debt Service— and describes select initiatives in each. While the categories focus on different areas, they are not mutually exclusive and ultimately, initiatives across all of them can impact the delivery of services. Most concerning in this PEG is the Administration's escalation of cuts to agency programs and staffing in areas that rely on relatively small budgetary amounts to deliver services to New Yorkers.

Table 11. PEGs Under Comptroller's Office Categories

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
PS Savings	($718)	($1,201)	($1,121)	($1,135)
Expense Re-Estimate	($233)	($172)	($138)	($135)
Possible Program Impact	($146)	($333)	($322)	($331)
Revenue	($592)	($251)	($252)	($234)
Debt Service	($24)	($15)	($84)	($119)
November 2023 Financial Plan Total	**($1,713)**	**($1,972)**	**($1,917)**	**($1,955)**

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Note: Revenue PEGS are reflected here as negative amounts as they reduce projected budget gaps, whether by increasing revenue or offsetting City spending through the use of other-funds revenue.

[15] Only public health, public safety, and revenue generating roles were exempted from the hiring freeze on a limited one-hire-for-one-separation basis. The OTPS freeze impacts specified object codes and includes out-of-town travel (except to Albany and Washington D.C.), use of temporary service contracts, new and extended or renewed consultant contracts, and contracts for equipment and furnishings. Exemptions from the OTPS freeze can be granted by OMB and the First Deputy Mayor's Office.

The PS Savings category includes PEGs that reduce budgeted positions and create ongoing personnel cost savings or provide shorter-term savings due to the hiring freeze but leave positions in the City's budgeted headcount.

Table 12. PS Savings PEG Initiatives

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
PS Savings	($718)	($1,201)	($1,121)	($1,135)

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

- The November 2023 PEG reduced City-funded headcount by 2,396 positions in FY 2024, 2,873 positions in FY 2025, 2,853 positions in FY 2026, and 2,851 positions in FY 2027. The reductions equate to salary and wage savings of $159 million in FY 2024, $249 million in FY 2025, $251 million in FY 2026, and $254 million in FY 2027.
    - The highest headcount reductions (baselined in FY 2025) are: 647 at the Police Department (NYPD), 583 at the Department of Sanitation (DSNY), 476 positions at the Fire Department (FDNY), 432 in the DOE, 284 (increasing to 347 in FYs 2026 and 2027) in the Department of Parks and Recreation, and 154 (falling to 125 by FY 2027) in the Office of Technology and Innovation (OTI). (For more details on these cuts see the Headcount section of this report.)
- The largest proportion of PS savings in the PEG, however, is made up of personnel services savings without headcount reductions: $380 million in FY 2024 (53.0 percent of the PS savings category), $668 million in FY 2025 (55.6 percent), $563 million in FY 2026 (50.2 percent), and $568 million in FY 2027 (50.1 percent).
    - 33 agencies have savings under this category, plus associated pension and fringe benefit reductions. In general, these are accompanied by vague descriptors of "less than expected PS spending" or "staffing efficiency" without any detail on how agencies will attain these savings.
    - The NYPD initiative for police officer academy class cancellations is the largest component of personnel savings. The PEG totals $41.8 million in FY 2024, $289 million in FY 2025, $229 million in FY 2026, and $229 million in FY 2027. These savings do not correspond to a reduction in projected headcount, which may mean that the class cancellations are intended to be temporary.
- The letter sent to agencies in September specified that the City's four uniformed agencies (Correction, Sanitation, Fire, and Police) implement overtime reduction initiatives:
    - Only FDNY has overtime reductions in the PEG: non-field uniformed overtime spending reductions in the amounts of $17.9 million in FY 2024, $28.1 million in FY 2025, $11.4 million in FY 2026 and FY 2027; EMS overtime reductions of

$2.6 million in FY 2024 and $4.0 million in FY 2025 and out; civilian overtime reductions of $4.3 million in FY 2024 and $6.4 million in FY 2025 and out. Per OMB, initiatives that reassign full-duty uniformed staff to the field and shift staffing at 20 engine companies from five to four firefighters will also reduce overtime expenditures. Despite these initiatives, the FDNY FY 2024 overtime budget reflects a net increase of $148 million compared with the Adopted Budget. (See the Overtime section of this report for a discussion on how class cancellations may impact those costs.)

Table 13. Expense Re-Estimate PEG Initiatives

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Expense Re-Estimate	($233)	($172)	($138)	($135)

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Expense re-estimates capture areas where OMB anticipates spending to come in at lower levels than budgeted at Adoption. Expense re-estimates can sometimes include efficiencies—initiatives that reduce costs without impacting service levels, for example through rate reductions or consolidations. Other re-estimates may indicate that agencies will be unable to provide services or maintain programs at current levels due to hiring delays or the OTPS spending freeze.

- The highest proportion of savings in this category is due to less than anticipated spending with $88.2 million in FY 2024, $69.6 million in FY 2025, $73.0 million in FY 2026, and $72.9 million in FY 2027. Lower than expected amounts may imply less spending required than originally budgeted, or, alternatively, that spending is lower because of inadequate service levels.
    - 38 agencies have items in this category, including the Department of City Planning for less than expected spending on the City Environmental Quality Review manual and the Taxi and Limousine Commission for less than expected spending for the Street Hail Livery Improvement Fund.

- Efficiencies represent a slightly smaller portion of this category: $23.3 million in FY 2024, $61.7 million in FY 2025, $60.2 million in FY 2026, and $57.2 million in FY 2027.
    - This includes efficiencies from telecommunications savings across citywide agencies—although primarily concentrated at OTI: $9.6 million in FY 2024 savings and $8.6 million in FY 2025 and out.
    - The Department of Health and Mental Hygiene (DOHMH) has committed to savings through efficiencies totaling $6.0 million in FY 2024 and $11.1 million in FY 2025 and out. These savings are concentrated in administrative process improvements, both internally and at partner agencies.

Table 14. Possible Program Impact PEG Initiatives

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Possible Program Impact	($146)	($333)	($322)	($331)

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

The possible program impact category includes items that OMB labeled and acknowledged would impact service levels, and others that the Comptroller's Office identified as likely to impact services.

- PEG initiatives that OMB labeled as service reductions[16] include:
    - The DOE reduced community school allocations by $10.0 million in FY 2024 and $8.0 million in FY 2025 and out.
    - The Department of Social Services (DSS) transferred two job training programs to the Parks department (DPR) and DSNY for savings of $13.9 million in FY 2024, $28.8 million in FY 2025, $29.6 million in FY 2026, and $29.8 million in FY 2027.
    - The Department of Youth and Community Development (DYCD) partially cut Summer Rising summer camp services for middle schoolers and reduced legal services, recreational events, and youth service coordination through its Office of Neighborhood Safety.
    - DSNY eliminated community composting (Grow NYC and other non-profit drop-off locations) and a related buildout of a temporary site for its operations and ended a job training program partnered with DSS. DSNY is also delaying the rollout of curbside composting in Staten Island and the Bronx.

- Additional items that the Comptroller's Office identified as likely to impact services in some capacity include:
    - Like last year, the City's libraries were targeted with a reduction to their subsidies, totaling $23.6 million in FY 2024, $22.0 million in FY 2025, and $22.3 million in FY 2026 and out. The library subsidies were reduced in last year's savings program by $20.5 million annually (with a one-year reprieve received at Adoption for FY 2024 only). Thus, the cumulative outyear reduction totals over $42 million in FY 2025 and out. As a result, libraries will no longer offer seven-day service at any locations.[17]

[16] OMB categorized the cancellation of police officer academy classes as a service reduction; however, they are categorized under PS savings in this report.

[17] https://investinlibraries.org/

- The DOE is reducing early childhood programs by $120 million a year in FY 2025 and out, citing unused seats. The implementation plan for this initiative remains to be determined.
- The Department of Cultural Affairs (DCA) is cutting subsidies to the City's Cultural Institutions Group (a citywide collective of 34 cultural organizations on City-owned land) by $5.8 million in FY 2024, $6.5 million in FY 2025, and $6.6 million in FYs 2026 and 2027. DCA is also cutting funding for the Cultural Development Fund and is pausing funding for CUNY's Cultural Corps, a program that enables students to work for cultural organizations in the City.
- The new Criminal Justice Coordinator Office, established in last June's Plan by absorbing a significant portion of the duties of the Mayor's Office of Criminal Justice, is reducing spending on the Alternatives to Incarceration program by $6.7 million in FY 2025 and $8.9 million in FY 2026 and FY 2027. The agency also lists less than anticipated spending for supervised release programs and re-entry services, at a savings of $21.1 million in FY 2025 and $10.5 million in FYs 2026 and 2027. Note that the Department of Correction (DOC) reduced the non-profit provision of similar services during the last PEG cycle with the explanation that such services were to be offered in-house.
- The Administration for Children's Services (ACS) is limiting non-profit contracts and undergoing a "slot re-estimate" for the Close to Home residential program ($7.1 million in FY 2025 and out), despite results in the latest Mayor's Management Report (MMR) highlighting a year-over-year increase in program placements and utilization.[18] OMB stated that the realigned budget remains sufficient due to low utilization.
- The Parks Department is delaying several programs to create FY 2024 savings: Community Garden Anti-Gun Violence ($140,000), the SPARX program for girls in technology ($335,000), Swim Safety expansion ($5.3 million), trail formalization ($2.4 million), and tree risk management ($2.7 million).
- DSS is cutting support for two Mayor's Office of Immigrant Affairs (MOIA) programs, We Speak NYC and the non-profit-partnered Rapid Response Legal Collective by $587,000 in FY 2024 and $562,000 in FY 2025 and out.
- The Department of Citywide Administrative Services (DCAS) is reducing spending on electric vehicle purchases, anticipated to save $9.8 million in FY 2024, $10.9 million in FY 2025, $12.2 million in FY 2026, and $9.3 million in FY 2027.
- OTI is reducing spending on the Participatory Budgeting program, the Taskforce on Racial Equity and Inclusion, and training support for Community Boards in the Civic Engagement Commission ($643,000 in FY 2024, $575,000 in FY 2025 and out). The agency is also reducing promotional support for the Mayor's Office of Media and Entertainment grants program by $1.1 million per fiscal year.

[18] https://www.nyc.gov/assets/operations/downloads/pdf/mmr2023/acs.pdf, page 228.

- The Department of Consumer and Worker Protection is canceling the expansion of its Annual Tax Season Initiative for moderate and low-income New Yorkers at a savings of $1.4 million per fiscal year.

Table 15. Revenue PEG Initiatives

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Revenue	($592)	($251)	($252)	($234)

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Note: Revenue PEGS are reflected here as negative amounts as they reduce projected budget gaps, whether by increasing revenue or offsetting City spending through the use of other-funds revenue.

The revenue category reflects either new funds coming into the budget due to re-estimates of existing revenue items, an increase in fees, efficiencies resulting in improved revenue collection, prior year revenue applied to the current plan, or City funding that is offset by other types of funding.

- The higher FY 2024 revenue initiatives are largely due to grant revenues not recognized in prior years and applied to the current fiscal year ($355 million).[19] (The agency with the largest adjustment is DSS; for further detail see the *Federal and State* aid section of this report.)

- Savings are also recognized for shifts of eligible expenses to increased Federal sources:
  - DOE recognized $60.0 million in savings per fiscal year associated with Federal food revenues exceeding budgeted levels; ACS also recognized increased Title XX funding of $4.2 million in FY 2024, while DSS recognized additional revenue from the Federal Child Care Block grant of $15.5 million per fiscal year of the Plan.

- Another area of savings is the revenue maximization category, which includes the Department of Transportation's (DOT) initiative for additional speed camera revenue from high-speeding areas ($40.0 million in FYs 2024, 2025, and 2026 and $36.0 million in FY 2027) and DCAS' pledge to collect additional revenue from civil service exam fees of $1.0 million per fiscal year of the Plan.

- The Department of Finance (DOF) will hire 45 additional staffers to increase tax audit reviews, with budgeted net revenues of $24.3 million in FY 2024 and $48.7 million in FY 2025 and out; and two staffers to improve vehicle booting enforcement for net

[19] This includes $195.5 million in Federal revenues, $122.5 million in State revenues, and $38 million in other categorical grants.

revenues of $5.5 million in FY 2024, $5.3 million in FY 2025, $2.6 million in FY 2026, and $1.8 million in FY 2027.

Table 16. Debt Service PEG Initiatives

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Debt Service	($24)	($15)	($84)	($119)

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Debt service PEGs are discussed in the *Capital Budget and Financing* section of this report.

PEGs Announced for the January Budget and Financial Plan

On November 20th, the Administration called for another round of PEG initiatives to be submitted by agencies as part of their January Plan budgets by December 8. The budget cycle's second round of cuts calls for additional 5 percent reductions every fiscal year of the plan with exemptions for DSNY, FDNY, and NYPD. The Office of the Comptroller expects the PEG targets may total approximately $1.65 billion per year. The Administration is also seeking a 20 percent reduction on asylum seeker spending over FY 2024 and FY 2025, or $2.2 billion. Cost scenarios for asylum seekers spending can be found in the *Asylum Seeker* section of this report.

Risks and Offsets

As previously described, the November Plan projects a balanced budget for FY 2024 and gaps of $7.11 billion in FY 2025, $6.46 billion in FY 2026, and $6.39 billion in FY 2027.

The Comptroller's Office restates the City's gaps based on its own estimates of revenues and expenditures; the Office estimates risks, which increase City gaps, and offsets that reduce them, as shown in Table 17. Based on these risks and offsets, the Comptroller's Office estimates that FY 2024 will end with a small surplus of $517 million.[20] Outyear gaps are projected to be $7.77 billion in FY 2025, growing to $11.70 billion in FY 2026 and $12.24 billion FY 2027, all higher than OMB's current estimates (7.3 percent of total projected revenues in FY 2025 growing to 11.2 percent in FY 2027). Each year of the financial plan, however, includes $1.45 billion in budgeted reserves that are not allocated to specific expenses. If FY 2024 reserves and surplus funds are applied to prepay FY 2025 expenses, this would reduce the FY 2025 gap to $5.80 billion (5.4 percent of projected total revenues).

[20] Above the surplus of $643 million projected by OMB in the November Plan and currently budgeted to prepay FY 2025 expenses.

Table 17. Risks and Offsets to the November 2023 Financial Plan

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

	FY 2024	FY 2025	FY 2026	FY 2027
City Stated Gap	**$0**	**($7,110)**	**($6,463)**	**($6,385)**
Tax Revenues				
Property Tax	$140	$306	$426	$1,133
Personal Income Tax	938	777	628	375
Business Taxes	91	0	114	355
Sales Tax	318	266	139	42
Real Estate Transaction Taxes	(397)	(639)	(621)	(715)
All Other	30	40	50	60
Audit	200	200	200	200
Subtotal Tax Revenues	**$1,320**	**$950**	**$936**	**$1,450**
Miscellaneous Revenues	$84	$173	$166	$116
Total Revenues	**$1,404**	**$1,123**	**$1,102**	**$1,566**
Expenditures				
PS Accrual Savings	$600	$500	$0	$0
Temporary and Professional Services	0	(181)	0	0
Overtime	(870)	(775)	(565)	(565)
Collective Bargaining Agreements	(72)	(120)	(170)	(180)
Pension	279	0	0	0
Asylum Seekers Expenses	674	1,600	(1,991)	(2,492)
Education	(109)	(1,323)	(1,976)	(2,659)
Public Health Corps	0	(13)	(49)	(49)
Public Assistance	(300)	(300)	(300)	0
Rental Assistance	(235)	(500)	(500)	(500)
Contributions to MTA	(156)	(147)	(268)	(450)
Shelter Capacity (Non-Asylum Seeker)	(350)	(350)	(350)	(350)
Prevailing Wage for Shelter Security Guards	(55)	(55)	(55)	(55)
Foster Care Reimbursement Rate	(118)	(118)	(118)	(118)
City Settlements	(175)	0	0	0
Total Expenditures	**($887)**	**($1,782)**	**($6,342)**	**($7,418)**
Comptroller’s (Risks)/Offsets	**$517**	**($659)**	**($5,240)**	**($5,852)**
Restated (Gap)/Surplus	**$517**	**($7,769)**	**($11,703)**	**($12,237)**
Budgeted Reserves	$1,450			
Projected Roll (Surplus + Budgeted Reserves)	($1,967)	$1,967		
Restated (Gap) with Projected FY 2024 Roll		**($5,803)**		

Source: Office of the New York City Comptroller

Note: Numbers may not add to totals due to rounding

Revenue

The Comptroller's Office estimates that City-funded revenues will exceed OMB's projections in each year of the Plan – by $1.40 billion in FY 2024, $1.12 billion in FY 2025, $1.10 billion in FY 2026, and $1.57 billion in FY 2027. Most of this difference comes from higher tax revenue forecasts in each year of the Plan. In FY 2024 the Comptroller's Office projects $1.32 billion in additional tax revenue compared with the City, $938 million of which comes from higher Personal Income Tax/Pass-Through Entity Tax projections. The Comptroller's Office projects all major tax sources will come in higher than OMB's estimates in FY 2024 except for real estate-related taxes, which are projected to come in $397 million lower. In the outyears, the difference between the Comptroller's Office's and the City's total tax forecast falls to $950 million in FY 2025 and $936 million in FY 2026, before growing to $1.45 billion in FY 2027.

The Comptroller's Office also estimates that Miscellaneous revenues will come in higher than OMB's projections, by $84 million in FY 2024, $173 million in FY 2025, $166 million in FY 2026, and $116 million in FY 2027, due to higher forecasts of interest rates and fines. (For more details on the Comptroller's tax and miscellaneous revenue projections see the *Revenue Analysis* section of this report.)

Expenditures

The Comptroller's Office estimates net expenditure risks of $887 million in FY 2024, $1.78 billion in FY 2025, $6.34 billion in FY 2026, and $7.42 billion in FY 2027.

As described in the *Services to People Seeking Asylum* section of this report, the Comptroller's Office updated its estimates of the cost of the City's asylum seeker response. Against the higher estimates included in the November Plan, the Comptroller's Office projects *offsets* for these costs in FY 2024 and FY 2025 only, of $674 million and $1.60 billion, respectively. However, *risks* remain for FY 2026 and FY 2027—of $1.99 billion and $2.49 billion, respectively.

Based on population growth since August, when the Mayor introduced new policies to reduce the shelter stays of asylum seekers through time limits, the Comptroller's Office projects that costs will total $4.26 billion in FY 2024, $465 million *less* than currently budgeted by OMB. However, the Comptroller's Office's offset is also impacted by its projections of how much State and Federal support the City will receive for these costs this year. Based on commitments made by the Governor in the Enacted State Budget and more recent updates, this Office expects the City will get more State aid than currently budgeted. As for Federal aid, the Comptroller's Office estimates the City will receive less than currently budgeted, as it has yet to receive a waiver for certain reimbursement requirements that it has requested. These factors result in a net offset of $674 million in FY 2024.

In the outyears, the Comptroller's Office estimates that the asylum seeker costs will total $4.49 billion in FY 2025, $3.99 billion in FY 2026, and $3.49 billion in FY 2027. For FY 2025, this is $1.61 billion less than currently budgeted, resulting in an offset of $1.60 billion, after accounting for a small amount of State funding that the Comptroller's Office projects the City may not receive in that year. The November Plan also added placeholder City-funded amounts of $2 billion and $1 billion in FY 2026 and FY 2027, respectively. Despite the difficulty of forecasting these costs in the longer term, the Comptroller's Office estimates a City-funded risk for each of those years of $1.99 billion and $2.49 billion, respectively, barring any Federal or State aid.

In addition to the offsets for asylum seeker costs, the Comptroller's Office projects that non-overtime PS costs will come in lower than budgeted in FYs 2024 and 2025, by $600 million and $500 million, respectively. Despite the reductions to PS costs included in the City's PEG, the City full-time vacancy rate remains at 5.3 percent. Given the City's hiring freeze and actual spending thus far this fiscal year, PS costs are likely to total less than currently budgeted. See the *Headcount* section of this report for more details. While the Comptroller's Office projects non-overtime PS costs to come in lower than budgeted, risks are projected for overtime in each year of the Plan, totaling $870 million in FY 2024, $775 million in FY 2025, and $565 million for both FY 2026 and FY 2027, with police overtime the largest component of these risks. See the *Overtime* section for more details.

The DOE poses the largest set of cumulative risks over the Plan period. The Comptroller's Office estimates DOE expenditures will be $109 million above what the City has budgeted for FY 2024, growing to $2.66 billion in FY 2027. For the current year, the largest portion of this risk relates to the DOE's overestimate of State Medicaid revenue to reimburse costs. In FY 2025 through FY 2027, these risks also include the chronic underbudgeting for special education Carter Cases, pupil transportation, and charter schools, as well as the fiscal cliffs created by the exhaustion of Federal COVID stimulus funding for programs that are expected to continue past the funding's expiration (Summer Rising, Special Education Pre-K Expansion, Universal 3-K, and Community Schools). See the *Department of Education* section for a further discussion of these risks.

Other risks include underbudgeting of the City social service programs based on current caseloads and census. This includes: $300 million each year from FY 2024 through FY 2026 for public assistance costs; $350 million each year of the Plan period for shelter costs (not related to asylum seekers) at the Department of Homeless Services; and $235 million in FY 2024 growing to $500 million in FY 2025 through FY 2027 for rental assistance voucher costs based on the current implementation of the City's rental assistance programs. See the *Other Social Services* section for more details. This Office also includes as a risk additional funding necessary to cover foster care reimbursement costs as mandated by the State—an $118 million ongoing cost that is not yet reflected in the November Plan.

The City also continues to underbudget its ongoing support for the Metropolitan Transportation Authority (MTA). The November Plan maintains the increased City contribution for paratransit expenses mandated by the State Enacted Budget in FY 2024 and FY 2025. However, additional funds are still necessary to cover expenses in FY 2024 and the outyears. In addition to paratransit, the City has also underbudgeted operating subsidies for the MTA Bus Company and the Staten Island Railway. Together, these paratransit, MTA Bus, and Staten Island Railway obligations pose a combined risk of $156 million in FY 2024, growing to $450 million in FY 2027.

Lastly, the Comptroller's Office has included as risks estimates of settlement costs for two class action lawsuits against the DOC for FY 2024 ($175 million), underbudgeting for temporary and professional services in FY 2025 only ($181 million), as well as collective bargaining costs above what is included in the City's labor reserve. These collective bargaining costs result from an arbitration award reached with the New York State Nurses Association this summer and total $72 million in FY 2024 increasing to $180 million in FY 2027. (See Comments on New York City's FY 2024 Adopted Budget for details on this risk.)

Revenue Analysis

Tax Revenues

The Comptroller's Office anticipates that City-funded revenues, including tax and miscellaneous revenues, will come in higher than OMB's projections in each year of the Plan – by $1.40 billion in FY 2024, $1.12 billion in FY 2025, $1.10 billion in FY 2026, and $1.57 billion in FY 2027. Most of this difference comes from higher tax revenue forecasts.

As shown in Table 18, in FY 2024, the Comptroller's Office projects $1.32 billion in additional tax revenue compared to the November Financial Plan, largely due to PIT/PTET and Sales Tax, which are offset by lower real estate transaction taxes. For the remaining Plan years, the difference between the Comptroller's Office's and the City's total tax forecasts are $950 million in FY 2025, $936 million in FY 2026, and $1.45 billion in FY 2027. The differences are largely due to the Comptroller's Office's higher estimates of PIT/PTET and property tax revenues.

Table 18. Tax Revenues Risks and Offsets

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Property Tax	$140	$306	$426	$1,133
PIT/PTET	938	777	628	375
Business taxes	91	0	114	355
Sales Tax	318	266	139	42
Real Estate-Related	(397)	(639)	(621)	(715)
Other	30	40	50	60
Audits	200	200	200	200
Total	**$1,320**	**$950**	**$936**	**$1,450**

Source: Office of the New York City Comptroller

Table 19 shows FY 2024 collections through October and full-year revenues in OMB's November Plan. Plan projections call for revenue to fall in FY 2024 by 2.3 percent on a year-over-year basis. As collections through October are on par with the previous year, OMB's expectation is for a steep decline in the rest of the fiscal year. As explained in the November Economic Newsletter and further below, PIT/PTET collections will be significantly lower in December 2023 than in December 2022, likely suppressing the overall tax revenues year-over-year growth rate until the last quarter of FY 2024. Through October business income taxes collections grew 9.1 percent though the full-year estimate calls for a 7.2 percent decline. The Comptroller estimates that total tax revenue in FY 2024 will decrease 0.5 percent compared to FY 2023.

Table 19. FY 2024 YTD (thru October) Collections and the November 2023 Financial Plan

	Year to Date Tax Collections			Total Tax Collections			
($ in millions)	FY 2023	FY 2024	Year-Over-Year Growth	FY 2023	FY 2024 November Plan	Change	Year-Over-Year Growth
Property Tax	$16,700	$17,115	2.5%	$31,507	$32,577	$1,070	3.4%
PIT & PTET	4,728	4,461	(5.7%)	17,183	15,346	(1,837)	(10.7%)
Business Taxes	1,701	1,856	9.1%	8,519	7,903	(616)	(7.2%)
Sales Tax	2,988	3,132	4.8%	9,540	9,840	300	3.1%
Real Estate Transaction Taxes	929	627	(32.5%)	2,175	2,083	(92)	(4.2%)
All Other Taxes	731	656	(10.3%)	3,176	3,235	59	1.9%
Audits	175	161	(8.3%)	1,337	747	(590)	(44.1%)
Total Including Audits	**$27,952**	**$28,007**	**0.2%**	**$73,437**	**$71,731**	**($1,706)**	**(2.3%)**

Source: Office of the New York City Comptroller and Mayor's Office of Management and Budget

Table 20 compares growth rates for the taxes and Table 21 compares the levels of forecast tax revenue.

Table 20. Comparison of Tax Revenue Projections: Growth Rates

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FYs 2023-2027 Annual Average Growth
Property						
Comptroller	7.0%	3.8%	0.8%	1.2%	4.1%	2.4%
Mayor		3.4%	0.3%	0.8%	2.0%	1.6%
PIT/PTET						
Comptroller	2.9%	(5.2%)	3.8%	2.7%	4.5%	1.4%
Mayor		(10.7%)	5.1%	3.7%	6.2%	0.8%
Business						
Comptroller	3.5%	(6.2%)	(3.1%)	1.2%	4.3%	(1.0%)
Mayor		(7.2%)	(2.0%)	(0.2%)	1.3%	(2.1%)
Sales						
Comptroller	11.7%	6.5%	4.2%	4.3%	3.2%	4.5%
Mayor		3.1%	4.9%	5.7%	4.1%	4.4%
Real Estate- Related						
Comptroller	(32.8%)	(22.5%)	3.0%	8.0%	4.1%	(2.7%)
Mayor		(4.2%)	14.0%	5.1%	6.9%	5.2%
All Other						
Comptroller	23.6%	3.1%	2.8%	3.0%	3.1%	3.0%
Mayor		2.1%	2.5%	2.7%	2.8%	2.6%
Audits						
Comptroller	57.5%	(29.2%)	2.7%	0.0%	0.0%	(7.6%)
Mayor		0.0%	3.5%	0.0%	0.0%	0.9%
Total Tax						
Comptroller	**5.5%**	**(0.5%)**	**1.7%**	**2.2%**	**4.0%**	**1.8%**
Mayor		**(2.3%)**	**2.2%**	**2.2%**	**3.3%**	**1.3%**

Source: Office of the New York City Comptroller and Mayor's Office of Management and Budget

Table 21. Comparison of Tax Revenue Projections: Levels

($ in millions)		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Property Tax	**Comptroller**	$31,645	$32,849	$33,100	$33,494	$34,855
	Mayor		32,709	32,794	33,068	33,722
PIT/PTET	**Comptroller**	17,183	16,284	16,902	17,350	18,131
	Mayor		15,346	16,125	16,722	17,756
Business Taxes	**Comptroller**	8,519	7,994	7,745	7,840	8,181
	Mayor		7,903	7,745	7,726	7,826
Sales Taxes	**Comptroller**	9,540	10,158	10,586	11,044	11,394
	Mayor		9,840	10,320	10,905	11,352
Real Estate-Related Taxes	**Comptroller**	2,175	1,686	1,736	1,875	1,952
	Mayor		2,083	2,375	2,496	2,667
Other Taxes	**Comptroller**	3,038	3,133	3,222	3,319	3,421
	Mayor		3,103	3,182	3,269	3,361
Audits	**Comptroller**	1,337	947	973	973	973
	Mayor		747	773	773	773
Total	**Comptroller**	**73,437**	**$73,051**	**$74,264**	**$75,895**	**$78,907**
	Mayor		**$71,731**	**$73,314**	**$74,959**	**$77,457**

Source: Office of the New York City Comptroller and Mayor's Office of Management and Budget

Real Property Tax

The City collected $31.64 billion in property taxes in FY 2023. This was 7.0 percent over the FY 2022 revenue. The Comptroller projects property tax revenue of $32.72 billion in FY 2024, an increase of 3.9 percent over the FY 2023 revenue. Revenues are projected to slow, growing at an average annual rate of only 2.0 percent through 2027, when property tax collections are expected to reach $34.86 billion.

The Comptroller's property tax forecast exceeds OMB's by $140 million in FY 2024, $307 million in FY 2025, $426 million in FY 2026, and $1.14 billion in FY 2027. For FY 2024 and FY 2025, the difference between the Comptroller's and OMB's revenue forecasts are due to cancellations, refunds, and delinquencies. The differences in FY 2026 and FY 2027 are primarily the result of the Comptroller's higher levy forecast. The Comptroller is forecasting an average levy growth of 2.7 percent from FY 2025 to FY 2027 while OMB is forecasting an average levy growth of 1.5 percent during this period. The Comptroller's levy forecast has not changed since the report on the Adopted FY 2024 Budget, and it will be updated after the publication of the FY 2025 tentative assessment roll in January.

Personal Income Tax and Pass-Through Entity Tax

The NYC and NYS Pass-Through Entity Tax (PTET) are optional taxes paid by partnerships and S-corporations (including LLCs treated as S-corporations for tax purposes) that is credited in full against Personal Income Tax (PIT) liabilities by its partners or shareholders. The purpose of the taxes is to allow the taxpayer to reduce their federal income tax liability by pre-paying their state and local income taxes at the entity level, which avoids the current limitation on deducting such tax payments from their federal taxable individual income. The City introduced this elective tax in December 2022 while New York State had created it one year prior. This introduction and the adjustment to it—by both taxpayers and the State tax authority—led to some unusual timing of NYC tax collections over the past year even though the structure itself should not change total State or City income tax liabilities.

NYC received $1.68 billion in PTET payments in December 2022, a larger amount than would ordinarily occur in the month because the payments were based on the full 2022 tax year income (as there had been no prior estimated payments made during that year). The value of these collections was either returned to taxpayers through reduced PIT liabilities on their 2022 returns, or as PTET refunds on their entity returns. The corresponding PIT liability reductions have shown up in NYC collections in a variety of forms: reductions in extension payments, reductions in final return payments, increases in PIT refunds, and a reduction in the City/State offset payments that true-up revenues due to the City after processing all relevant tax returns.

Table 22 compares PIT collections in FY 2023 to the prior fiscal year. Withheld taxes, which include both base wages and salaries and bonus incentive pay, increased by nearly 5 percent. This is even though bonuses paid from December 2022 to March 2023 (when the NYC financial and other industries usually make such payments) were estimated to have fallen by more than 20 percent versus the prior year for a tax collection decline of more than $300 million.[21]

Sharply lower installment payments were the result of two factors: (i) extraordinarily large tax liabilities on capital gains realized in calendar year 2021 are expected to have been followed by much lower net capital gains realizations in tax year 2022, as the stock market reversed its strong upward trend and lost value over the year; and (ii) estimated PTET payments in March and June 2023 are expected to have been substituted dollar-for-dollar by reductions in estimated PIT payments. Lower extension and final return payments, as well as larger refunds, are in part a result of reduced capital gains tax liabilities but also reflect the crediting of PTET payments made in December for tax year 2022. The combined total of PIT and PTET collections (excluding audits) increased in FY 2023 by 2.9 percent, a positive surprise in revenue compared with the declines OMB and Comptroller projected one year ago (-8.5 percent and -7.3 percent, respectively).

[21] The bonus pool estimates are based on the excess of personal income tax withholding payments above the baseline set between April and November.

Table 22. PIT and PTET Collections, FY 2023 versus FY 2022

($ in millions)	FY 2022	FY 2023	Difference	Percent Change
PIT				
Withholding	$10,925	$11,464	$540	4.9%
Installment Payments	2,229	1,337	(892)	(40.0%)
Extension Payments	2,463	882	(1,581)	(64.2%)
Final Returns	839	666	(173)	(20.6%)
Offsets	1,196	2,069	874	73.1%
Assessments	412	412	0	0.0%
Charges	(80)	(80)	0	0.0%
City Audits	36	33	(2)	(6.8%)
Refunds	(1,285)	(1,955)	(670)	52.1%
Total	**$16,734**	**$14,829**	**($1,905)**	**($11.4%)**
PTET				
Payments & Assessments	$0	$2,501	$2,501	N/A
Refunds	0	(23)	(23)	N/A
Distribution Offset	0	(99)	(99)	N/A
Total	**$0**	**$2,379**	**$2,379**	**N/A**
PIT+PTET				
Total w/ Audits	**$16,734**	**$17,208**	**$475**	**2.8%**
Total w/o Audits	**$16,698**	**$17,175**	**$477**	**2.9%**

Source: Office of the New York City Comptroller and Mayor's Office of Management and Budget

FY 2024 collections through October 2023 for PIT and PTET are shown in Table 23. Thus far, collections on current-year income, including withholding and PIT/PTET installments, are stronger than expected. Withholding collections are up by more than 7 percent. While installment payments (mostly the quarterly estimated payment due in September) fell by $179 million, this is expected from the substitution of PTET payments which at $397 million have easily made up for the gap. Combined installment collections exceeded last year's by $218 million, a 47 percent gain. Bringing the collections numbers down versus last year are the City/State offsets, which fell by $518 million. The offsets are based on reconciliation of prior payments made by the State to the City, usually after the time tax returns are processed. In the Autumn of 2022, these payments were unusually high because of unexpectedly large capital gains and other income that generated tax year 2021 liabilities. Not surprisingly, these offsets were much smaller this Autumn. Also reducing revenues in FY 2024 are large refunds on PTET returns of $150 million, reflecting overpayments that may be a symptom that taxpayers are still adjusting to the new tax. The Comptroller's Office expects that most of the financial reckoning of

PTET payments made for tax year 2022 has already taken place, and refunds and offsets related to its introduction, while still noticeable and volatile,[22] are unlikely to be as large going forward.

Table 23. PIT and PTET Collections, FY 2024 to-Date Versus FY 2023

($ in millions)	FY 2023 through October	FY 2024 through October	Difference	Percent Change
PIT				
Withholding	$3,221	$3,455	$234	7.3%
Installment Payments	459	280	(179)	(39.0%)
Extension Payments	0	0	0	N/A
Final Returns	198	116	(82)	(41.6%)
Offsets	991	473	(518)	(52.2%)
Assessments	59	45	(15)	(24.5%)
Charges	(32)	(32)	0	0.0%
City Audits	4	6	1	27.7%
Refunds	(168)	(219)	(51)	30.7%
Total	**$4,733**	**$4,123**	**($610)**	**(12.9%)**
PTET				
Payments & Assessments	$0	$397	$397	N/A
Refunds	0	(147)	(147)	N/A
Distribution Offset	0	94	94	N/A
Total	**$0**	**$344**	**$344**	N/A
PIT+PTET				
Total w/ Audits	**$4,733**	**$4,466**	**($266)**	**(5.6%)**
Total w/o Audits	**$4,728**	**$4,461**	**($267)**	**(5.7%)**

Source: Office of the New York City Comptroller and Mayor's Office of Management and Budget

The Comptroller's Office's forecast calls for the combined total of PIT and PTET collections to decline in FY 2024 by 5.2 percent versus the prior fiscal year. This is both because of an expectation that the economy will cool off in the coming year and because of the reduced offset payments from the State which reflect lowered liabilities from tax year 2022. In addition, anticipated PTET payments in December 2023 will be significantly lower than those made in

[22] For instance, offsets were negative in November 2023 (-$118 million vs. +$164 million in November 2022), while refunds remained relatively stable ($81 million vs. $71 million the previous year).

December 2022, when taxpayers utilizing the newly enacted NYC PTET made a full year's worth of estimated tax payment for 2022. Despite a projected decline in revenue, the Comptroller's Office's forecast of PIT and PTET in FY 2024 is more than $900 million above OMB's November Plan forecast. The difference declines gradually to $777 million in FY 2025, $628 million in FY 2026, and $375 million in FY 2027.

It should be noted that OMB's November Plan revenue estimates are based on economic assumptions from last Spring when the expectation was for much slower economic growth. Therefore, it is likely that OMB will the raise PIT/PTET forecasts in the Preliminary Budget.

Sales Tax

Total sales tax collected in FY 2023 was $9.54 billion, an increase of 11.7 percent over the FY 2022 collections. The Comptroller projects FY 2024 sales tax revenue of $10.16 billion, an increase of 6.5 percent over the FY 2023 collections. As of October 2023, FY 2024 total sales collections were about 4.8 percent higher than the similar time in FY 2023. Revenues are projected to increase and reach $11.39 billion by FY 2027. These projections reflect an expectation that consumer spending will continue to grow with the economy and increased wages, even if at a slower pace than last year, and an expectation of a continued rebound in tourism. But they also reflect some loss in consumer momentum under higher prices and interest rates and a diminishing pool of savings originally built-up in 2020 and 2021.

Despite rapid growth in prices over the past couple of years, even inflation-adjusted consumer spending did not decrease. Wage growth and a pool of savings fueled by federal transfer payments and strong investment earnings helped consumers counter the spending disincentive of increased prices. The Comptroller's Office is forecasting total wage growth of 3.9 percent per year during the plan period—meaningfully slower than in 2021 (8.8 percent growth), 2022 (6.6 percent), or 2023 (estimated 5.2 percent). Combined with decelerating inflation, this real wage growth will support gains in consumer spending, slower than experienced the last couple of years but still moving upward.

After the decrease in tourism during the pandemic the number of tourists vising the city, although not yet up to the pre-pandemic level, has been increasing. According to NYC Travel & Tourism outlook, total visitors to NYC are forecasted to increase from 63.3 million in 2023 to 69.6 million in 2024.[23] The number of international tourists is finally forecast to get back to the level in 2019 before the pandemic by 2024. The Comptroller's forecast of the Hotel Tax is higher than OMB's by $30 million in FY 2024, growing to $60 million by FY 2027.

Table 24 shows total taxable sales in NYC after adjusting for inflation for the second quarter of 2023 (2023Q2) and, for a pre-pandemic comparison, the second quarter of 2019 (2019Q2). The

[23] See NYC Travel and Tourism Outlook, July 2023.

table shows that inflation-adjusted total sales in 2023Q2 were $2.30 billion above the comparable quarter in 2019, an increase of 4.4 percent. However, sales in accommodation and food services—especially for restaurants and drinking places—and construction were still below their 2019 levels. But even though inflation-adjusted overall sales have risen to be greater than they were pre-pandemic, they still lag where they would be if they had continued at their pre-pandemic growth trend for each year since 2019. Apart from online retail and utilities & information (which includes software publishers, wireless telecommunication carriers, and other internet-focused services), all sales categories are below their hypothetical pre-pandemic trend.

Table 24. NYC Taxable Sales

	Inflation-Adjusted Taxable Sales*				Gap/growth relative to pre-pandemic trend	
	2023 Q2 ($b)	2019 Q2 ($b)	Change	% Change	Difference ($b)	% Difference
Total taxable sales	$54.50	$52.20	$2.3	4.4%	($5.00)	(8.4%)
Retail	$16.30	$16.00	$0.4	2.3%	($0.80)	(4.8%)
Online retail	$3.00	$1.30	$1.7	129.6%	$1.00	48.2%
Accommodation and food services	$10.30	$10.80	($0.5)	(4.5%)	($2.10)	(6.9%)
Restaurants and drinking places**	$7.10	$7.60	($0.6)	(7.3%)	($1.50)	(17.6%)
Transportation	$1.60	$1.50	$0.1	8.9%	($0.30)	(15.6%)
Construction	$1.60	$1.70	($0.1)	(6.4%)	($0.40)	(20.2%)
Utilities & Information	$8.10	$6.80	$1.3	18.6%	$0.80	11.0%
Manufacturing	$2.10	$2.10	$0.0	0.0%	($0.40)	(14.5%)
Other	$14.60	$13.50	$1.1	8.3%	($1.80)	(11.0%)

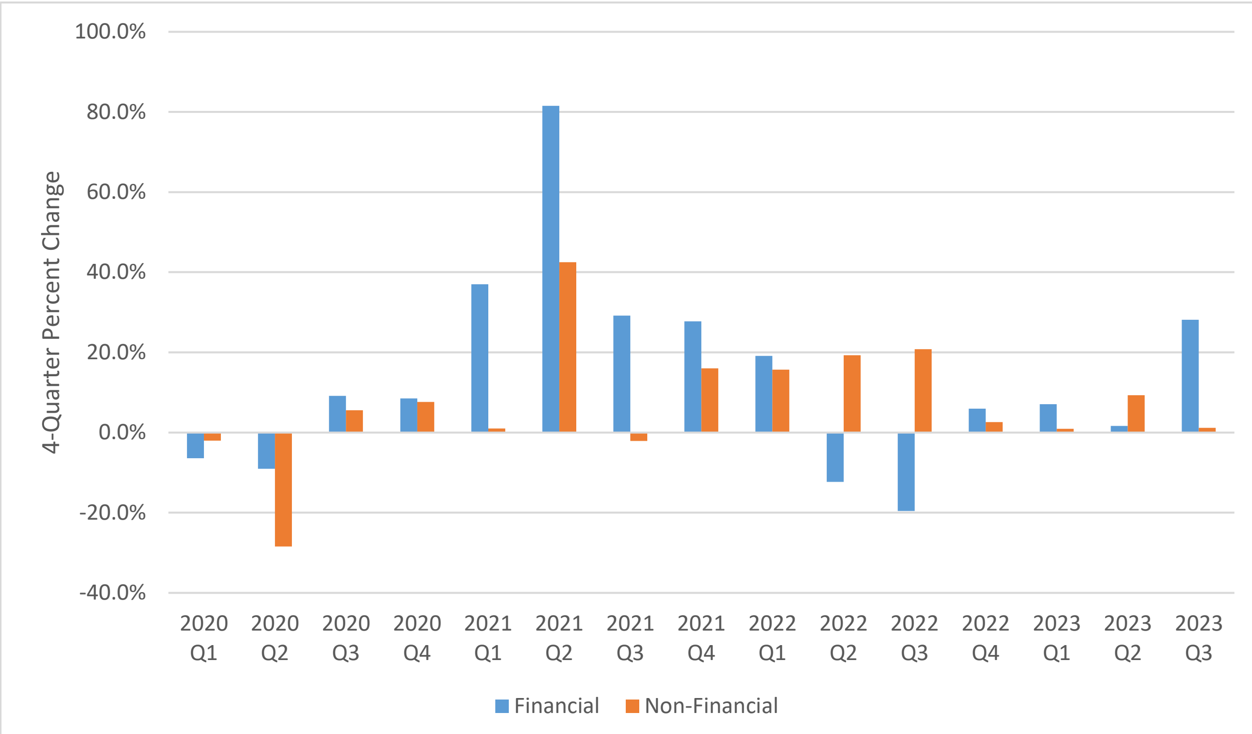
Source: NYS Department of Taxation and Finance, Bureau of Labor Statistics, Office of the New York City Comptroller.

Note: * Inflation adjustment uses NY metro area CPI less shelter (not seasonally adjusted). ** Inflation adjustment for restaurants and drinking places uses NY metro area food away from home CPI (not seasonally adjusted.

Business Income Taxes

Business income taxes (the Business Corporation Tax, the General Corporation Tax, the Unincorporated Business Tax, and the remainder of the Banking Corporation Tax) collected in FY 2023 were $8.52 billion, an increase of 3.5 percent over FY 2022 and a record high level. However, this was a marked slowdown from the growth of 9 and 18 percent in fiscal years 2021 and 2022, respectively. The change in pace is attributable to rising interest rates beginning in the middle of 2022, a retraction in fiscal stimulus (see the impact on NYC residents' personal income in the economy section above), and a drop in Wall Street profits. Chart 9 shows the year-over-year changes in NYC business income tax payments, separately for financial and non-financial businesses.

Chart 9. NYC Business Income Tax Payments (Percent Change Year-Over-Year)



Source: NYC Department of Finance

For the first large collections of business income taxes in FY 2024 in September 2023, total payments were up $153 million (9 percent) above the same month last year, driven by firms in the financial industry. The Comptroller’s economic forecast calls for inflation and economic growth to slow, and for interest rates to remain stable in 2024 and start falling in 2025. Consistent with this forecast is our projection that business income tax revenue will come down from its current record high, declining in FY 2024 and FY 2025 by 6.2 percent and 3.1 percent, respectively. After FY 2025, business taxes are expected to resume growing, by 1.3 percent in FY 2026 and 4.3 percent in FY 2027.

Real Estate Transaction Taxes and Other Taxes

NYC collects taxes based on the value of two types of real estate-related transactions: (i) the real property transfer tax (RPTT) applies to the sale or transfer of a controlling interest in real property; and (ii) the mortgage recording tax (MRT) is charged on mortgages for most categories of real property—including mortgage refinancings but excluding mortgages on cooperative apartments. The city collected $2.18 billion in transaction taxes in FY 2023--$1.29 billion in RPTT and $898.1 million in MRT. This is a 48.9 percent decrease from the FY 2022 transaction taxes collected.

The Comptroller's Office forecasts that total transaction taxes collection will be $1.69 billion in FY 2024—$1.10 billion in RPTT and $588 million in MRT, a 22.5 percent decrease from FY 2023. This is a $465 million downward revision from the August forecast due to lower than anticipated collections so far in the fiscal year. As of October 2023, real estate transaction taxes collected are 32.5 percent less than what was collected at a similar period during FY 2023. The decline is driven by the impact of high mortgage rates on residential transactions and refinancings and a further fall in commercial real estate sales. The Comptroller's Office is forecasting collections of $1.74 billion in FY 2025, $1.88 billion in FY 2026 and $1.95 billion in FY 2027.

Regarding other tax revenues, the Office of the Comptroller expects $960 million annually in tax audits. This is $200 million above OMB's baseline and more in line with historical norms. OMB increased tax audits revenues in the November Plan by $26.1 million in FY 2024 and $52.3 million in FY 2025 through FY 2027 due to increased staffing and training at the Department of Finance (see also the discussion of revenue PEGs).

Risks to the Tax Revenues Forecast

Several components of the tax revenue forecast are sensitive to the state of the economy. PIT and business taxes are especially sensitive to economic growth, which potentially will be lower than what the Comptroller has forecast for future years. If NYC's important industry tax bases in Finance, Information, and Professional Services do not grow as well as forecast, collections of PIT and business income taxes will also be reduced. One important channel of risk comes from a continuation of currently elevated interest rates and increased caution at smaller regional banks that play a sizable role in the NYC's commercial lending market. These conditions hold the potential to increase the cost of financing in future years and curtail lending activity both for NYC real estate and for locally operating businesses.

There is also substantial uncertainty around commercial property values in the wake of a post-pandemic transformation in office utilization and brick-and-mortar retail. It is conceivable that NYC, and Manhattan especially, will face permanently lower demand for its commercial space. In such a case, the resulting downward effect on rent and higher vacancy rates would continue to suppress commercial property values and income sources that contribute directly to the basis for real property taxes, transaction taxes, and commercial rent tax. The Comptroller's June Economic Newsletter examined the property tax revenue implications of multiple scenarios for commercial office property valuation that could occur over the Plan period including both a path of recovery more optimistic than our forecast and a severely pessimistic projection (similar to the "Doomsday" scenario outlined in this paper) where valuation of office properties in the NYC property tax roll decline by 40 percent over the course of the next eight years. The analysis concluded that in the most severely negative scenario, real property tax collections would decline by about $300 million relative to the Comptroller's Office's forecast in FY 2025 (0.9 percent), $700 million in FY 2026 (2.1 percent), and $1.1 billion in FY 2027 (3.0 percent).

Miscellaneous Revenues

The November Plan increases the FY 2024 miscellaneous revenue estimate from the previous Plan by a net $184 million to $6.0 billion, a level virtually unchanged from FY 2023. The revision includes approximately $73 million in PEG initiatives and mainly reflects higher projections for interest income and fine revenues. Projected interest income, which the City earns by investing funds from diverse sources, increased by $75 million to $511 million in FY 2024 reflecting higher short-term interest rates and greater than anticipated cash balances. Interest income projections for the outyears of the Plan period also increased by $32 million and $11 million in FY 2025 and FY 2026, respectively. Total interest income projections decline steadily in the outyears from $511 million in FY 2024 to $225 million in FY 2027, as short-term interest rates are expected to decline over the Plan period. Table 25 shows the changes in the FY 2024 miscellaneous revenue projections since the June Plan.[24]

Table 25. Changes in FY 2024 Miscellaneous Revenue Estimates, June 2023 Plan vs. November 2023 Plan

($ in millions)	Actual FY 2023	FY 2024 June Forecast	November FY 2024 Forecast	Change FY 2024
Licenses, Permits & Franchises	$763	$695	$696	$1
Interest Income	508	436	511	75
Charges for Services	848	1,021	1,039	18
Water and Sewer Charges	1,710	1,862	1,887	25
Rental Income	266	258	258	0
Fines and Forfeitures	1,455	1,178	1,226	48
Other Miscellaneous	417	368	385	17
Total	**$5,968**	**$5,818**	**$6,002**	**$184**

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Projections for fines and forfeitures increased by $48 million in FY 2024. This is mostly driven by higher revenue collections from speed camera fines. Legislation passed in 2019 authorizes the

[24] Miscellaneous revenue analysis excludes intra-City revenues. Water and sewer revenues are mostly payments from the New York City Water Board for the operation and maintenance of the water delivery and sewer system and are not available for general operating purposes.

city to place speed cameras in 750 school zones operating 24 hours a day, seven days a week. Revenues from speed camera fines are projected to reach $244 million in FY 2024 and decline slightly throughout the Plan period as compliance increases.

Projections for charges for services increased $17.9 million in FY 2024. This is mostly due to fees from the Affordable NY Housing Program ($15.0 million). Anticipated fees from Section 421-a housing projects also increased by $1.9 million.

The forecast for "other miscellaneous" revenues which are mostly non-recurring, increased by a net $17 million. This includes $9.0 million in additional affirmative litigation revenues, $5.0 million from In-Rem negotiated sales, $3.8 million in recouped fees for Economic Development Corporation (EDC) administered programs, and $2.6 million in refund of prior-year expenses. Partly offsetting these increases is a $4.2 million reduction in tobacco settlement revenues. The downward revision reflects the FY 2024 TSASC Budget which assumes a decline in tobacco consumption.

Table 26 shows the City's November Plan projections for all categories of miscellaneous revenues. After increasing 17.5 percent in FY 2023, the City expects total miscellaneous revenues to increase by a mere 0.6 percent to $6.0 billion in FY 2024, before declining steadily to $5.6 billion by FY 2027. The lower projections are mostly driven by an anticipated decline in interest income as Federal-Funds Rates are expected to gradually fall throughout the Plan period.

Table 26. Miscellaneous Revenue Forecast, November 2023 Plan

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Licenses, Permits & Franchises	$696	$707	$713	$693
Interest Income	511	350	248	225
Charges for Services	1,039	1,025	1,029	1,030
Water and Sewer Charges	1,887	1,840	1,841	1,838
Rental Income	258	261	258	258
Fines and Forfeitures	1,226	1,220	1,226	1,221
Other Miscellaneous	385	326	327	325
Total	**$6,002**	**$5,729**	**$5,642**	**$5,590**

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Based on the City's November Plan and current collections, the Comptroller's Office expects total miscellaneous revenue will be above the City's forecast by $84 million in FY 2024, $173 million in FY 2025, $166 million in FY 2026 and $116 million in FY 2027. The offset derives from fine revenues and interest income.

While the November plan raised projected fine revenues by $48 million in FY 2024 and between $39 million and $46 million annually in the outyears, the Comptroller anticipates revenues from fines could be above the City's forecast by $42 million in FY 2024, $41 million in FY 2025 and $36 million in each of FY 2026 through FY2027. These offsets are mainly attributable to higher projections for camera fines, late filing/no permit penalties at the Department of Buildings (DOB) and Environmental Control Board (ECB) fines.

Based on the Comptroller's forecast of short-term interest rates and the cash balance, the Office projects interest income will be above the City's current projections by $42 million in FY 2024, $132 million in FY 2025, $130 million in FY 2026, and $80 million in FY 2027.

Federal and State Aid

The November Financial Plan projects total categorical Federal and State aid of $30.85 billion in FY 2024, supporting nearly 28 percent of the City's expenditure budget. Compared with the Adopted Budget, the City has reflected a net increase of $2.48 billion in the current year consisting of increases of $1.54 billion in Federal aid and $936 million in State grants.

The increased Federal aid in FY 2024 includes the recognition of $446 million in prior year revenue mainly at DSS, the largest components of which are $365 million in Temporary Assistance for Needy Families grants and $41 million in Medicaid and Food Stamp administration reimbursement. (The recognition of prior year revenues includes $250 million taken as part of the PEG and $196 million in other adjustments.) The City has also rolled nearly $300 million forward from FY 2023, consisting mainly of Homeland Security Grants and Epidemiology and Laboratory Capacity grants. In addition, the November Plan shifts Coronavirus State and Local Fiscal Recovery Funds (SLFRF) totaling a net $228 million, previously earmarked for use in FY 2025, into the current year. DOHMH also shows a significant increase of $257 million (net of rollovers) in its Federal aid assumptions, including $195 million in COVID-related grants.

The November Plan revisions raise total Federal COVID assistance anticipated by the City to $4.2 billion in FY 2024 – FY 2027, as shown in Table 27. Together with grants already recognized in FY 2020 through FY 2023, tallied at about $21.43 billion, overall COVID assistance is expected to reach a total of $25.62 billion. The largest components comprising this figure are FEMA reimbursement currently estimated at $6.63 billion, American Rescue Plan and Coronavirus Response and Relief Supplemental Appropriations Act (ARP-CRRSA) education grants totaling $6.89 billion and SLFRF grants of $5.88 billion.

Table 27. Projected Federal COVID Assistance – November 2023 Plan

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Total
ARP SLFRF	$1,060	$475	$0	$0	$1,535
ARP Education	1,994	0	0	0	1,994
FEMA	6	1	1	0	8
Epidemiology and Laboratory Capacity Grants	220	0	0	0	220
All Other	357	53	20	10	440
Total	**$3,636**	**$530**	**$21**	**$10**	**$4,197**

Source: Mayor's Office of Management and Budget

The November Plan also adds $936 million in FY 2024 State aid. Nearly half of this funding ($447 million) is asylum seeker aid. Also included is $122 million in prior year revenue flowing to DSS and the Department for the Aging; $76 million is added for indigent legal services due to the Hurrell-Harring legal settlement reforms,[25] and a modification related to Office of Court Administration caseloads adds $47 million, both at the Office of Criminal Justice. Lastly, $79 million was added for various DOHMH initiatives including early intervention services, State Office of Mental Health aid, and 988 crisis line support.

Over the remainder of the Plan, total Federal and State grants are projected to fall sequentially to $25.77 billion in FY 2025 and $24.73 billion in FY 2026 before reaching $24.75 billion in FY 2027, mirroring the declines in both Federal COVID grants and Federal and State support for asylum seekers in the latter years of the Plan. Moreover, school aid normally drives the growth in State aid estimates in the outyears. In the November Plan, however, State education aid would decline modestly after FY 2024. Without school aid growth as an offset, overall State aid is expected to fall from about $19 billion in FY 2024 to $17.65 billion in FY 2027.

Expenditure Analysis

Total-funds FY 2024 expenditures as presented in the November Plan increase by 1.5 percent compared with actual FY 2023 expenditures.[26] However, expenditures in both years reflect the impact of prepayments, which shift spending between fiscal years. In addition, FY 2023 is reduced

[25] Hurrell-Harring Settlement Implementation | New York State Office of Indigent Legal Services (ny.gov)

[26] FY 2023 actual expenditures are $108.88 billion, including $699 million in Inter-fund Agreements as detailed in Schedule G6 of the Annual Comprehensive Financial Report.

by estimates of prior year payables and is increased by spending on restricted fund activity, while FY 2024 includes $1.20 billion in the General Reserve and $250 million in the Capital Stabilization Reserve, both of which were spent down at the close of FY 2023. Net of prepayments and budgeted reserves, FY 2024 expenditures total $113.90 billion. This is an increase of 3.6 percent from the adjusted FY 2023 expenditures of $109.97 billion. Adjusting for these costs provides a more accurate measure of the growth in the budget over time.

The increase in budgeted spending in FY 2024 compared with FY 2023 actuals, is driven by a 7 percent increase in planned OTPS spending. Excluding asylum-seeker spending in both years, OTPS spending in FY 2024 would stay essentially flat compared with FY 2023 – in part due to the OTPS spending freeze put in place in September. The initiative impacts about 10 percent of the City's total OTPS budget for FY 2024. Actual spending in the impacted categories through October was about 3 percent less than the same point last year.[27] In terms of personnel services, FY 2024 spending is budgeted to increase only slightly over FY 2023's actuals – by about 1 percent. Debt service costs are projected to increase by 3.2 percent (adjusted for prepayments).[28]

Over the Plan period, expenditures net of prepayments and excluding reserves, are projected to grow slowly by 0.6 percent, averaging 0.2 percent growth annually. As shown in Table 28, expenditure growth over the Plan period is driven by spending on PS costs, which are projected to grow by 11 percent over the plan period, and debt service costs, which are projected to grow by 24 percent from FY 2024-FY2027. Spending on OTPS costs is projected to decline by $7.38 billion or 14 percent, partially due to $3.70 billion less spending planned for the City's asylum seeker response in FY 2027 than budgeted in FY 2024. As detailed in the Risks and Offsets section in this report, the Comptroller's Office estimates that many OTPS costs causing the decrease in the year-over-year comparison are underbudgeted and that actual outyear costs will be higher than currently reflected in the financial plan.

[27] Includes only object codes cited as part of the OTPS freeze. Excludes Intra-City funding.

[28] Includes GO, TFA FTS, and Lease Debt. TSASC debt service is excluded.

Table 28. FY 2024-FY 2027 Expenditure Growth, Adjusted for Prepayments and Reserves

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Growth FYs 24-27	Annual Growth
Personal Service						
Salaries and Wages	$32,153	$32,432	$33,808	$34,938	8.7%	2.8%
Pensions	9,517	10,261	10,662	10,787	13.3%	4.3%
Health Insurance	8,485	8,988	9,562	10,005	17.9%	5.6%
Other Fringe Benefits	4,708	4,877	5,076	5,272	12.0%	3.8%
Subtotal-PS	**$54,863**	**$56,559**	**$59,109**	**$61,002**	**11.2%**	**3.6%**
Other Than Personal Service						
Medicaid	$6,760	$6,599	$6,728	$6,878	1.7%	0.6%
Public Assistance	1,646	1,642	1,642	1,992	21.0%	6.6%
Judgments and Claims	1,165	877	823	840	(27.9%)	(10.3%)
Contractual Services	24,202	21,835	21,228	20,238	(16.4%)	(5.8%)
Other OTPS	17,565	17,179	13,693	14,007	(20.3%)	(7.3%)
Subtotal-OTPS	**$51,337**	**$48,132**	**$44,114**	**$43,955**	**(14.4%)**	**(5.0%)**
Debt Service	**$7,701**	**$8,224**	**$8,924**	**$9,579**	**24.4%**	**7.5%**
Expenditures Excluding Reserves Only	**$113,901**	**$112,914**	**$112,147**	**$114,536**	**0.6%**	**0.2%**
BSA and Discretionary Transfers	($4,836)	($643)				
General Reserve	1,200	1,200	1,200	1,200		
Capital Stabilization Reserve	250	250	250	250		
Total Expenditures	**$110,515**	**$113,721**	**$113,597**	**$115,986**		

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Note: Intra-city adjustments are reflected in each of their respective expense categories. Excludes TSASC debt service costs of $76 million in FY 2024, $76 million in FY 2025, and $69 million in FYs 2026-2027, which are paid outside of the City debt service budget (099).

Headcount

The November Plan, as shown in Table 29, projects total full-time authorized headcount of 300,516 for FY 2024, with the number of budgeted full-time employees declining by more than 2,000 positions each year in both FYs 2025 and 2026, to 298,235 and 295,800 respectively, and settling at 295,794 in FY 2027. The overall year-over-year decline in headcount is driven primarily by lower projections of pedagogical and civilian employees. Pedagogical headcount is budgeted to decline by 2.1 percent to 127,656 by FY 2027, and civilian headcount is budgeted to decrease by 1.6 percent to 107,561 by FY 2027. Uniformed headcount is projected to decline by less than 1 percent over the plan period and is primarily driven by reductions in DSNY authorized headcount (net reduction of 224 positions over the Plan period, or 2.8 percent). While the City has proposed the cancellation of incoming NYPD classes, the Plan maintains the Police's uniformed authorized (or budgeted) headcount at its current level—suggesting this is a temporary reduction.

Table 29. Total Funded Full-Time Year-End Headcount, November 2023 Financial Plan

	FY 2024	FY 2025	FY 2026	FY 2027	Percent Change FY 2024 – FY 2027
Pedagogical					
Dept. of Education	126,075	125,186	123,367	123,367	(2.1%)
City University	4,289	4,289	4,289	4,289	0.0%
Subtotal	**130,364**	**129,475**	**127,656**	**127,656**	**(2.1%)**
Uniformed					
Police	35,051	35,001	35,001	35,001	(0.1%)
Fire	10,762	10,762	10,762	10,762	0.0%
Correction	7,060	7,060	7,060	7,060	0.0%
Sanitation	7,978	7,752	7,754	7,754	(2.8%)
Subtotal	**60,851**	**60,575**	**60,577**	**60,577**	**(0.5%)**
Civilian					
Dept. of Education	12,495	12,736	12,189	12,189	(2.4%)
City University	1,735	1,735	1,735	1,735	0.0%
Police	13,944	13,843	13,843	13,843	(0.7%)
Fire	6,164	6,032	6,032	6,032	(2.1%)
Correction	1,728	1,727	1,722	1,722	(0.3%)
Sanitation	1,743	1,627	1,627	1,627	(6.7%)
Admin. for Children's Services	7,080	7,045	7,044	7,044	(0.5%)
Social Services	12,138	12,009	11,994	11,994	(1.2%)
Homeless Services	1,920	1,905	1,887	1,887	(1.7%)
Health and Mental Hygiene	5,935	5,631	5,575	5,571	(6.1%)
Finance	1,932	1,932	1,932	1,932	0.0%
Transportation	5,762	5,838	5,841	5,841	1.4%
Parks and Recreation	4,492	4,476	4,413	4,413	(1.8%)

	FY 2024	FY 2025	FY 2026	FY 2027	Percent Change FY 2024 – FY 2027
All Other Civilians	32,233	31,649	31,733	31,731	(1.6%)
Subtotal	**109,301**	**108,185**	**107,567**	**107,561**	**(1.6%)**
TOTAL	**300,516**	**298,235**	**295,800**	**295,794**	**(1.6%)**

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Compared with the FY 2024 Adopted Budget and June Financial Plan, each fiscal year saw a net decrease in year-end headcount, as shown in Table 30. This was primarily due to vacancy reductions taken as part of the PEG. Total headcount reductions as part of the PEG were 2,396 positions in FY 2024, 2,873 positions in FY 2025, 2,853 position in FY 2026, and 2,851 in FY 2027. Notably, the Department of Finance's headcount was increased by 47 positions as part of its revenue PEG to increase tax audit revenue and collections from booting enforcement and legal support. The PEG reductions in headcount were partially offset by new needs and other adjustments, which account for increases of 510 in FY 2024, 238 in FY 2025, 214 in FY 2026, and 210 in FY 2027. The District Attorneys' Offices and the Office of Prosecution-Special Narcotics received additional headcount of 66 in FY 2024 and 218 in the outyears to address discovery compliance needs, at a cost of $3.2 million in FY 2024 and $17.6 million in FY 2025 and out. There were also Financial Plan headcount adjustments of 444 positions in FY 2024, mostly at DOHMH (151 positions) and the Police Department (139 positions), primarily funded through additional State or Federal grants.

Table 30. Full-Time Headcount Changes, November 2023 Financial Plan vs. June 2023 Financial Plan

	FY 2024	FY 2025	FY 2026	FY 2027
Pedagogical				
Dept. of Education	0	0	0	0
City University	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**
Uniformed				
Police	50	0	0	0
Fire	(192)	(192)	(192)	(192)
Correction	0	0	0	0
Sanitation	0	(262)	(262)	(262)
Subtotal	**(142)**	**(454)**	**(454)**	**(454)**
Civilian				
Dept. of Education	(680)	(432)	(432)	(432)
City University	0	0	0	0
Police	(558)	(659)	(659)	(659)
Fire	(211)	(334)	(334)	(334)

	FY 2024	FY 2025	FY 2026	FY 2027
Correction	(2)	(3)	(4)	(4)
Sanitation	(205)	(321)	(321)	(321)
Admin. for Children's Services	1	(34)	(35)	(35)
Social Services	4	4	2	2
Homeless Services	0	0	0	0
Health and Mental Hygiene	122	39	29	25
Finance	47	47	47	47
Transportation	(6)	0	0	0
Parks and Recreation	(263)	(282)	(345)	(345)
All Other Civilians	7	(206)	(133)	(131)
Subtotal	**(1,744)**	**(2,181)**	**(2,185)**	**(2,187)**
TOTAL	**(1,886)**	**(2,635)**	**(2,639)**	**(2,641)**
PERCENT CHANGE	**(0.6%)**	**(0.9%)**	**(0.9%)**	**(0.9%)**

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

As discussed in the PEG Savings description, agencies proposed headcount reductions to meet the Administration's savings target. By agency, the largest reductions associated with the PEG are as follows:

- The DOE's plan to reduce its civilian headcount by 680 in FY 2024 and 432 in FY 2025, for a savings of $80.4 million and $69.3 million respectively.
- The Police Department's plans to reduce its School Safety division (by 322 positions each year of the plan period) and other civilian non-safety positions (by 325 positions each year) for a total of 647 positions each year, with associated savings of $3.3 million in FY 2024 (partial savings) and $33.3 million in FY 2025.
- The Fire Department plans to reduce its positions by a total of 361 positions in FY 2024 and 476 in FY 2025 through a civilian hiring freeze (151 positions in FY 2024 growing to 266 positions in FY 2025), a delay in BHEARD expansion (20 positions), and planned separations of light duty uniformed staff (190 positions). In total, these reductions are forecasted to save $22.4 million in FY 2024 and $45.3 million in FY 2025.
- The Sanitation Department plans to reduce its positions by a total of 205 positions in FY 2024 and 583 in FY 2025 through a civilian hiring freeze (205 positions in FY 2024 growing to 321 positions in FY 2025), changes to boost Collection Productivity (73 positions), and service reductions in Get Stuff Clean programs (94 positions), litter basket (80 positions) and lot cleaning services (15 positions). Together these actions are forecasted to save $13.7 million in FY 2024 and $34.9 million in FY 2025.

Table 31. PEG Reductions Full-time Headcount Changes

	FY 2024	FY 2025
Personnel Reductions		
Dept. of Education	(680)	(432)
Police Department	(647)	(647)
Fire Department	(361)	(476)
Dept. of Parks & Recreation	(308)	(284)
Dept. of Sanitation	(205)	(583)
Office of Technology and Innovation	(107)	(154)
Dept. of Buildings	(62)	(117)
Other City Agencies	(26)	(180)
Total	**(2,396)**	**(2,873)**

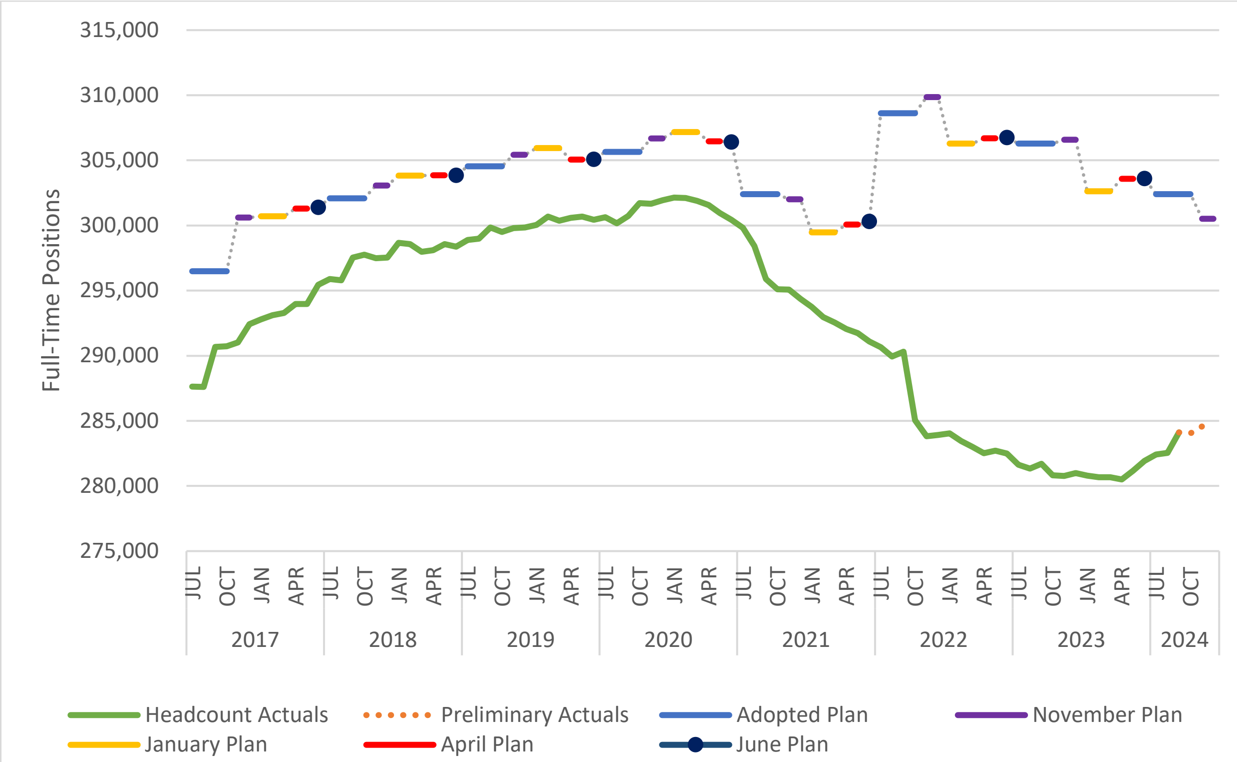
Source: Office of the New York City Comptroller

In terms of actual full-time headcount, following an uptick in the number of full-time employees over the spring and summer (growing from 280,502 in April 2023 to 284,104 in September 2023), growth in the City's full-time workforce has slowed in October and November (at 284,047 positions and 284,569 positions respectively), likely the result of the hiring freeze announced in September.

As Chart 10 shows, while the PEG eliminated vacant positions in the November Plan, the City's workforce is still well below authorized hiring levels. The City's vacancy rate remains high by historical standards at 5.3 percent, as of November's preliminary data.

Due to the current hiring freeze, lower-than-budgeted headcount is expected to persist for the remainder of FY 2024 and into FY 2025. Based on the current vacancy rate and accrual savings already taken through the PEG, the Comptroller's Office projects that non-overtime salary and wage costs will total about $600 million less than currently budgeted by the City for FY 2024 and about $500 million for FY 2025. This Office will continue to monitor the impact of future PEGs, the continuation of the hiring freeze, and the number of vacancies on the City's capacity to provide core services.

Chart 10. Full-Time Headcount, Actual vs Plan, FY 2017—FY 2024



Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Note: Plan values are assigned to specific months - July through October are assigned the Adopted Plan value, November and December are the November Plan value, January through March are the Preliminary Plan value, April through May are the Executive Plan value, and June is the final June Plan value. Data on actual full-time employment are preliminary for October and November FY 2024; they are derived from initial payroll results and have not yet been published by OMB.

Overtime

The November Plan includes $1.51 billion for FY 2024 overtime expenditures, including both uniformed and civilian, a net increase of 12 percent or $166 million when compared to the Adopted Budget. Of this amount, $148 million in funds were added to the FDNY overtime budget, $16 million to NYPD's overtime budget, and there was a net increase of $2 million for all other agencies. The net increase to the FDNY's FY 2024 overtime budget comes despite $40 million in gap-closing initiatives for the FDNY, including $33 million in PEGs to the FDNY uniformed overtime budget.

Despite the additions to the overtime budget, the Comptroller's Office projects a higher FY 2024 overtime cost of $2.4 billion, posing a risk to the budget of $870 million. This includes a $271 million risk for civilian overtime and a $599 million risk for uniformed overtime, of which $450 million is for the Police Department. The risks to civilian overtime costs for FY 2024 stem mainly from lower headcount levels at most City agencies. The City's vacancy rate is currently at 5.3 percent and the hiring freeze now in effect (primarily for civilians) will result in higher overtime usage for the remainder of the fiscal year as employees retire or leave the City's workforce. Additionally, collective bargaining agreements have resulted in a higher wage base for employees.

Uniformed overtime accounts for about two-thirds of annual overtime expenses. Actual uniformed overtime costs have increased at an annual rate of 6.9 percent from $1.19 billion in FY 2018 to $1.67 billion in FY 2023.[29] The highest annual growth rates were at the FDNY and the NYPD, at 9.7 percent and 6.8 percent, respectively.[30] Overtime costs for FDNY have increased from $263 million in FY 2018 to $417 million in FY 2023 and for NYPD from $590 million to $821 million in FY 2023. DOC increased by 6.4 percent from $198 million in FY 2018 to $270 million in FY 2023. Sanitation uniformed overtime increased by an annual rate of 2 percent to $158 million in FY 2023 from $143 million in FY 2018.

Through October 2023, the City has spent $288 million for uniformed police overtime and is on pace to spend about $900 million for FY 2024 as shown in Table 32, resulting in a police overtime risk of $450 million in FY 2024. The Comptroller's Office is also projecting a risk of $124 million for uniformed overtime at DOC. The City currently has $126 million budgeted but based on spending to date the Comptroller's Office projects total uniformed overtime at DOC will total $250 million. The department has spent $74 million for uniformed overtime through October 2023.

Table 32. Projected Overtime Spending, FY 2024

($ in millions)	FY 2024 Adopted Budget	FY 2024 November Plan	FY 2024 Comptroller's Projection	FY 2024 Risk
Uniformed				
Police	$437	$450	$900	($450)
Fire	251	375	400	(25)
Correction	126	126	250	(124)
Sanitation	136	133	133	0
Total Uniformed	**$950**	**$1,084**	**$1,683**	**($599)**
Civilian				
Police-Civilian	$80	$83	$100	($17)
Social Services	25	25	100	(75)
All Other Agencies	293	321	500	(179)
Total Civilians	**$398**	**$429**	**$700**	**($271)**
TOTAL CITY RISK	**$1,348**	**$1,513**	**$2,383**	**($870)**

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget
Note: Police overtime includes $150 million in overtime cost associated with the Enhanced Subway Safety Initiative implemented in FY 2023. The State reimbursed the City $62 million towards that cost.

[29] Includes $150 million in overtime cost associated with the Enhanced Subway Safety Initiative implemented in FY 2023. The State reimbursed the City $62 million towards this cost.

[30] Ibid.

As to the outyears, the City's total overtime budget for FY 2025 through FY 2027 is currently estimated to be at a similar level as FY 2024, at $1.44 billion in FY 2025 and $1.46 billion in each of FYs 2026 and 2027. These projections reflect PEG initiatives for the FDNY and the DSS valued at $67 million in FY 2025 and $51 million in each of FYs 2026 and 2027. These savings may not be fully achieved given that FDNY continues to experience higher sick leave usage than normal and the difficulty the department may experience in reducing overtime usage for non-critical areas. DSS is operating below budgeted headcount level and currently has a vacancy rate of 10 percent.

Overtime costs in FY 2025 will be further strained by the City's proposal to cancel five incoming NYPD classes. Excluding unplanned events, NYPD FY 2025 overtime costs could be at least $950 million, posing a risk to the budget of $479 million in that fiscal year. As the City begins to hire new NYPD officers in FY 2026, NYPD uniformed overtime cost is expected to be lower at about $900 million for FY 2026 and $850 million in FY 2027.[31] For the last several fiscal years, the department added four classes annually averaging 600 officers per class. NYPD's uniformed headcount level, which was at 33,838 as of November 30, 2023, will decline to between 28,000 and 29,000 by year-end FY 2025. On average, approximately 3,000 uniformed personnel have retired or left the department annually over the last three fiscal years compared to an average of 2,400 new officers hired annually.

Overall, the Comptroller's Office is projecting total overtime risks (uniformed and civilian) of $870 million in FY 2024, $775 million in FY 2025 and $565 million in FY 2026 and FY 2027.

Contracted Temporary Services and Contracted Professional Services

City agencies often contract with outside vendors to staff and perform essential functions, including legal services, accounting services, architectural and engineering services, and other consultant services. These contracts can be used to counter high vacancy rates in particular areas or titles. Since FY 2019, agencies have consistently spent upwards of $1 billion on these services. The November Plan increased funding for these services in FY 2024 by $220 million from $897 million in the Adopted Budget to $1.12 billion (all funds).[32] As of October 2023, the City has committed to spend $1.04 billion, an increase of $107.3 million or 11.5 percent compared to the same time period last fiscal year (some, but not all of these categories of spending including the City's PEG OTPS freeze). Funding for these services sharply falls to $747 million in FY 2025, and then slowly ramps down to $727 million in FY 2027.

[31] In its March 2023 report Overtime Overview: A Deep Dive into NYPD Uniformed Overtime Costs, the Comptroller's Office found that historically overtime at NYPD did not necessarily decrease as actual headcount increased. However, the expected decrease in uniformed headcount due to the class cancelations is higher than more recent declines and it's unclear whether the impact will follow historic patterns.

[32] Excludes costs related to asylum-seeker services, Federal stimulus aid, COVID-19 response, and Carter Cases.

The City systematically under-budgets these expenses in the Adopted Budget and then adjusts spending during the fiscal year. It is likely that agencies will still require these services at a similar level in FY 2025, which could pose a City-funds risk of $181 million to the FY 2025 budget. The City could reduce its reliance on these services if it hires up to its authorized headcount in the outyears.

Health Insurance

The November Plan projects employees' and retirees' pay-as-you-go health insurance costs of $7.99 billion for FY 2024. This projection reflects a prepayment of $500 million paid in FY 2023 for FY 2024 retiree health insurance costs. After netting out the impact from this action, the FY 2024 health insurance cost is expected to be $8.49 billion, about $17 million higher than the FY 2023 actual cost (also adjusted for prepayments).

When compared to the FY 2024 Adopted Budget, health insurance projections decreased by $52 million in FY 2024, $242 million in FY 2025, $279 million in FY 2026, and $290 million in FY 2027, mainly from a reduction in funding for DOE employees as part of the November Plan PEG. DOE revised health insurance projections primarily to realign costs with the department's civilian headcount levels and to recognize savings associated with the reduction to headcount levels by 680 employees in FY 2024 and 432 employees in each of FYs 2025, 2026, and 2027. For all other active employees and retirees, health insurance projections were lowered by $4 million in FY 2024, $34 million in FY 2025, $45 million in FY 2026, and $49 million in FY 2027 to reflect lower headcount levels. There were minor reductions to the health insurance projections for CUNY by $1 million in FY 2025 and $5 million in FY 2027.

Health insurance costs are then projected to increase at an annual rate of 5.6 percent to $8.99 billion in FY 2025, $9.56 billion in FY 2026, and $10 billion in FY 2027. The projections reflect $1.3 billion in annual savings from the 2014 Health Savings Agreement and $600 million annually from the 2018 Health Savings Agreement. The outyear projections assume annual increases in health insurance premium rates for active employees and pre-Medicare retirees of 5.75 percent in FY 2025, 5.5 percent in FY 2026, and 5.25 percent in FY 2027. Premium rates for senior care health insurance are projected to increase by 4.7 percent in FY 2025 and in FY 2026, and by 4.6 percent in FY 2027.[33]

The annual increase to premium rates assumed for FYs 2025 through 2027 for active employees and pre-Medicare retirees is 1.25 percent lower than the assumed increases to the rates used in calculating the City's Other Postemployment Benefits (OPEB) Valuation liability as of June 30, 2023. The OPEB calculation assumes increases to the premium rates of 7.0 percent for FY 2025,

[33] The senior care rate is the premium the City pays to supplement shortfalls in Medicare benefits so that Medicare eligible retirees can maintain similar level of benefits as active employees.

6.75 percent for FY 2026, and 6.5 percent for FY 2027.[34] At this time, there is a level of uncertainty in projecting the assumed rates of increases to the health insurance premiums. The City is currently reviewing expressions of interest in response to a Negotiated Acquisition request released in the Fall of 2022 to provide health benefit services to active employees and pre-Medicare retirees. The City anticipates negotiating more favorable health insurance costs with the health care provider chosen, which could result in even lower annual increases to the health insurance rates for FYs 2025 through 2027 than reflected in the November Plan.

Table 33. Projected Pay-As-You-Go Health Expenditures

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Department of Education	$2,896	$3,127	$3,408	$3,545
CUNY	128	139	140	148
All Other	4,961	5,722	6,015	6,313
Sub-total	7,985	8,988	9,563	10,006
FY 2024 Retiree Health Prepayment	500			
PAYGO Health Insurance Costs	$8,485	$8,988	$9,563	$10,006

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Note: All Other includes all active employees as well as retirees.

The City's plan to switch to a Medicare Advantage Plan for retirees has stalled. The implementation of a Medicare Advantage Plan would result in lower health care costs of $600 million annually, which will then be deposited into the Health Insurance Stabilization Fund.[35] However, the proposed switch to a Medicare Advantage Plan was challenged in court by retirees claiming that the plan would not offer the same quality of benefits to members. In August, the New York State Supreme Court issued a permanent injunction against the implementation of the Plan. The City then filed an appeal against the permanent injunction and is awaiting a decision by the Appellate Division of the State Supreme Court.

[34] June 30, 2023, GASB 74/75 Report for the City of New York and the New York City Health Benefits Program prepared by the New York City Office of the Actuary.

[35] The Health Insurance Stabilization Fund created in the mid 1980's paid the difference between the GHI and HIP health insurance premiums, essentially protecting employees and retirees from paying more to be covered by GHI. Currently, the City contributes $35 million to the fund annually. For several fiscal years, the GHI premium was lower than the HIP premium, leading to a higher than anticipated balance in the fund. Over time, the City and unions were able to draw from the fund balance to offset wage increases and other benefits for employees. In recent years, however, GHI health insurance premiums have been about equal or higher than HIP premiums. This has led to a reduction in the balance of the fund and the likelihood that the fund will not be able to meet obligations in coming fiscal years without additional contributions.

Pensions

The November Plan projects pension contributions of $9.52 billion for FY 2024. Contributions are then expected to increase at an annual rate of 4.3 percent to $10.79 billion in FY 2027, as shown in Table 34. When compared to the FY 2024 Adopted Budget, pension contributions estimates were lowered by $13 million in FY 2024, $49 million in FY 2025, $111 million in FY 2026, and $168 million in FY 2027. Pension investments experienced a combined investment gain of 7.98 percent on market value for FY 2023. The reduction of pension contributions in the outyears represents the phasing in of those additional earnings.[36] For FY 2024, the reduction resulted from an improvement to the underlying data used to calculate pension contributions.

Table 34. Changes to City Pension Contributions

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Five Actuarial Systems	$9,247	$9,903	$10,357	$10,553
Other Systems & Reserves	395	519	527	513
Less: Intra City-Expense	(112)	(112)	(112)	(112)
Net Pension Expense Adopted Budget	9,530	10,310	10,772	10,954
FY 2023 Investment Gains above AIR	0	(49)	(109)	(166)
Data Improvements & All Other	(13)	0	(2)	(2)
Net Pension Expense November Plan	$9,517	$10,261	$10,661	$10,786

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Pursuant to Chapter 96 of the New York City Charter, the Comptroller's Office has engaged Milliman, Inc., to conduct two consecutive biennial independent actuarial audits. Milliman has recently completed their first audit and issued the following reports:[37]

[36]Pension contributions are projected based on the assumption that pension investments will earn the actuarial interest rate (AIR) of 7 percent. Investment returns above or below the AIR for a given fiscal year are phased in over a five-year period beginning the second fiscal year following the given fiscal year and amortized over 15 years.

[37] Milliman's reports are available on the Comptroller's website: http://comptroller.nyc.gov/reports/

The Independent Actuary's Statement certifies that the City's pension systems are being funded appropriately and accurately, on sound actuarial principles, and in accordance with applicable statutes.

The Administrative Review Report validates the quality and completeness of the actuarial data used in valuations by reviewing the actuarial data gathering, transmission, and maintenance processes.

The Experience Study Report reviews actual experience through June 30, 2021, and comments on the actuarial assumptions used by the Office of the Actuary (OA) to calculate contributions to the City's pension funds.

Overall, the independent actuarial auditor concluded that the assumptions used to calculate pension contributions are reasonable. Milliman is currently working on the second audit and is expected to release final reports and recommendations in Spring 2024. The City's Chief Actuary will then review the recommendations put forward by the auditor and decide if any of the recommendations should be implemented. The November Plan includes a reserve of $279 million in each of FYs 2024 through 2027 for any additional costs that may arise from changes to the underlying assumptions. Because it is unlikely recommendations for changes will be released and put into effect this fiscal year, the Comptroller's Office recognized the $279 million as an offset for FY 2024.

Department of Education

The November Plan projects a $32.28 billion budget for the Department of Education (DOE) in the current year (excluding intra-city funds), reflecting a net increase of $789 million since Adoption, as shown in Table 35.

Table 35. Department of Education Funding Detail-November 2023 Plan

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Total DOE Funding	$32,275.2	$31,055.6	$32,078.7	$32,740.6
City Funds	$14,608.6	$15,656.1	$16,779.1	$17,441.0
State Funds	13,119.4	13,046.8	13,046.8	13,046.8
Federal Funds	4,335.1	2,193.4	2,093.4	2,093.4
Other Categorical Funds	212.1	159.4	159.4	159.4
November Plan Changes	$789.5	$441.3	$986.2	$1,418.6
Year-to-Year Changes		($1,219.6)	$1,023.1	$661.8

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Note: Net of intra-city funds.

In the November Plan, the DOE budget has reflected a $620 million increase for collective bargaining transfers covering a broad range of titles, with United Federation of Teachers (UFT) pedagogical and supervisor titles making up about $569 million or 91 percent of this total. In addition, the City has addressed two major needs in the FY 2024 budget by adding $490 million for special education Carter Cases spending and $116 million for pupil transportation expenditures. The new funding brings budget allocations for Carter Cases up to $1.09 billion and special education pupil busing to $1.12 billion, in line with actual FY 2023 expenditures for the respective areas.

The funding increases are partly offset by the November Plan PEG target of $547 million assigned to the DOE budget in FY 2024. Personnel services savings make up the bulk of the DOE's PEG initiatives at an estimated $449 million. Foremost among these actions are $211 million from a combination of accrued savings from delayed hiring and vacancy reductions (680 positions), $86 million from reduced per session teacher costs, $78 million from the hiring freeze, and $60 million through a Federal funding swap covering food services personnel. The City indicates that staffing decisions at the school level are exempt from the hiring freeze. In addition, the department plans to reduce OTPS expenditures by $98 million mainly from a $45 million prepayment of MTA's reduced fare subsidy (prepaid by the City to the MTA at year-end FY 2023 for FY 2024), $35 million savings from the OTPS spending freeze, and $10 million from a reduction to the community schools program.

In the outyears, the DOE's PEG targets expand to a range of $602 million to $626 million annually. While savings from the aforementioned initiatives in the current year would taper off sequentially each year, the PEG will be augmented by two major actions beginning in FY 2025. The larger of the two actions stems from revised spending growth for DOE fringe benefits in the outyears to generate savings of $190 million to $219 million yearly. In the other, the DOE's early education programs, covering Early Childhood, Pre-K, and 3K populations, will be trimmed by $120 million each year. While the City has not yet specified how the reduction would impact capacity across these programs, it indicates that there are currently about 37,000 unused seats in the Pre-K and 3-K programs combined. A significant portion of the targeted savings will likely result from reducing seats in these programs.

The DOE budget is expected to fall in FY 2025 to $31.06 billion, a decline of about $1.2 billion from the FY 2024 projection, largely due to lower Federal grants from the expiration of stimulus funds. Over the remainder of the Plan, funding for the department would rebound to $32.08 billion in FY 2026 and $32.74 billion in FY 2027, reflecting growth only in City funds as Federal and State support are projected to decline modestly in the final two years of the Plan.

A significant number of baseline risks remain in place for the November Plan, with most beginning in FY 2025, as shown in Table 36. The risks are estimated to total $109 million in the current year, before expanding to a range of between $1.32 billion in FY 2025 and $2.66 billion in FY 2027. The City indicates that unless the State provides dedicated funding to support charter school tuition rate increases, it could lead to potential funding shortfalls of $46 million in FY 2025, $232 million in FY 2026, and $449 million in FY 2027. The November Plan has provided additional funding for

Carter Cases and pupil transportation in the current year but left baseline shortfalls in the outyears unaddressed. Since FY 2016, spending for Carter Cases has more than tripled from $312 million to $1.07 billion recognized in FY 2023. To maintain baseline funding in line with the revised FY 2024 budget, the City will need to increase Carter Cases funding by $640 million annually in FY 2025 – FY 2027. For pupil transportation, the DOE budget has likely underfunded costs by $120 million in each of FY 2025 – FY 2027. Moreover, the department continues to overestimate Medicaid reimbursement for special education related services, mainly for speech and occupational/physical therapy, that will likely result in an annual shortfall of $60 million in FY 2024 – FY 2027.

Table 36. Projected Education-Related Risks in the November 2023 Financial Plan

$ in millions (Negative numbers indicate risks to the Financial Plan and increase the gap)

	FY 2024	FY 2025	FY 2026	FY 2027
Charter School Tuition	$0	($46)	($232)	($449)
Carter Cases	0	(640)	(640)	(640)
Pupil Transportation	0	(120)	(120)	(120)
Class Size Reduction Mandate	0	0	(467)	(933)
DOE Medicaid Revenue	(60)	(60)	(60)	(60)
3K Expansion	0	(93)	(93)	(93)
Special Ed Pre-K Expansion	0	(95)	(95)	(95)
DOE Mental Health Services	0	(86)	(86)	(86)
Community Schools Expansion and Sustainability	0	(54)	(54)	(54)
Summer Rising	0	(80)	(80)	(80)
DOE Contracted Nursing	(49)	(49)	(49)	(49)
Total Education-Related Risks	**($109)**	**($1,323)**	**($1,976)**	**($2,659)**

Source: Office of the New York City Comptroller
Note: Numbers may not add to totals due to rounding.

The City could also face risks for several core instructional and support initiatives upon the expiration of Federal COVID-19 grants. Chief among these are the fiscal cliffs of 3K ($93 million) and $80 million for the continuation of Summer Rising, both beginning in FY 2025, and $49 million for school nursing in each year of the Plan. Moreover, the City would need to provide additional funding of $235 million annually in FY 2025–FY 2027 as ongoing support of special education pre-kindergarten expansion, mental health services, and community schools programs unless these initiatives can be phased out.

In addition, the November Plan does not reflect costs associated with the State's class size reduction mandate. The law requires the City to phase in smaller class size caps over a five-year period and achieve full compliance by September 2028. Based on the latest DOE estimates, once fully phased-in, the new mandate could lead to additional costs of at least $1.4 billion annually, resulting in funding needs of $467 million in FY 2026 and $933 million in FY 2027.

City Services for People Seeking Asylum

New York City has experienced an exceptional rise in people seeking asylum since the Spring of 2022, and has provided many with shelter, legal services, and other aid. Providing these services has created unforeseen budgeting and programmatic challenges for the City. Individuals and families seeking asylum also face long-term needs, including immigration services, work authorization and employment services, school enrollment, and sustainable, affordable housing.

As of December 3rd, more than 150,000 asylum seekers have gone through the New York City emergency shelter system, with 67,200 currently in shelter. The City's response has changed with the growth of the population; starting with emergency shelters provided through the Department of Homeless Services (DHS) and then, beginning in October 2022, adding NYC Health and Hospitals (H+H) Humanitarian Emergency Response and Relief Centers (HERRCs). Over time, other City agencies – including NYC Housing Preservation and Development (HPD), NYC Emergency Management (NYCEM) and the Department of Youth and Community Development (DYCD) – have begun providing shelter. As of December 3, 2023, there are 214 emergency shelters for asylum seekers across all these agencies, an increase of 153 shelters, or 250 percent, compared to December 4, 2022. For additional updates, visit the Comptroller's Office Online Hub for Asylum Seeker Service Provision.

Budget Impacts Included in the November Plan

The FY 2024 Adopted Budget and June Financial Plan allocated $2.9 billion in FY 2024, and $1 billion in FY 2025 to support services, largely shelter, for asylum seekers. The November Plan adds $1.8 billion in FY 2024 ($1.36 billion City, $447 million State, $9.7 million federal), $5.1 billion in FY 2025 ($4.8 billion City, $272 million State), $2 billion in FY 2026 (all City funding), and $1 billion in FY 2027 (all City funding). As of November 30th, $948 million has been spent in FY 2024.

Table 37. Funding for Asylum Seekers (FY 2023 and November Financial Plan)

($ in millions)	FY 2023 Actuals	FY 2024	FY 2025	FY 2026	FY 2027	Total
City	$1,036	$3,566	$5,540	$2,000	$1,000	$13,142
State	438	1,009	562			2,009
Federal		145				145
Total	**$1,474**	**$4,720**	**$6,102**	**$2,000**	**$1,000**	**$15,296**

Source: Mayor's Office of Management and Budget
Note: FY 2024 excludes $18 million in Intra-City funds.

CITY

Compared with the June Plan, the City-funded portion of the budget increased by $1.36 billion in FY 2024, $4.8 billion in FY 2025, $2 billion in FY 2026 and $1 billion in FY 2027. City funds now total more than $12.11 billion over the Financial Plan and $13.14 billion when including FY 2023 actual spending.

STATE

The State's FY 2024 Mid-Year Update to its Financial Plan (released in late October) commits to $1.9 billion in support for New York City.[38] It includes items for which the State reimburses the City (estimated at $1.5 billion), as well as items outside of the City's budget for which the State pays directly, e.g., the National Guard and Medicaid (estimated at $349 million). Of the funding in the State Budget, $1.1 billion is for reimbursement of emergency shelter costs, $308 million is for the Floyd Bennett Field HERRC, $48 million is for case management and legal services, $26 million is for public assistance costs, and $12 million for infectious disease support.

Not included above are the Governor's commitment to fully reimburse the City to operate a 1,000 bed HERRC at the Creedmoor Psychiatric Center and the cost of 2,000 beds at a HERRC at Randall's Island, initially estimated to cost $124 million and $248 million annually, respectively.[39] The shelters began operation in August 2023. (Notably, Randall's Island has a capacity of 3,000 beds, of which 1,000 are paid for by the City).

[38] Mid-Year update to the FY 2024 Enacted Budget Financial Plan | New York State FY 2024 Enacted Budget (ny.gov)
[39] Read the letter - The New York Times (nytimes.com)

On October 28, 2023, the NY State Division of the Budget issued a memo indicating it would begin to limit assistance (other than what it has committed to so far) and shift from paying for shelter towards paying primarily for legal services and case management in next year's State budget.[40]

Based on this information, the Comptroller's Office anticipates total State funding of $2.3 billion from FY 2023 to FY 2025, including estimated reimbursements for the Randall's Island and Creedmoor sites through next year. Afterwards, reimbursements for shelter costs will wind down.

FEDERAL

The November Financial Plan includes $145 million of Federal Emergency Management Administration funding in FY 2024—$38.4 million from the Emergency Food and Shelter Program (EFSP), and $106.9 million from the Shelter and Services Program (SSP).[41, 42, 43] The City has received $49 million from EFSP so far in FY 2024 ($10.5 million more than anticipated) , but none from the latter program. For services to be eligible for reimbursement under SSP, the City must provide identification data (e.g., Alien Registration Numbers, names, dates of birth, etc.) and identify services provided to individuals within 45 days following release from U.S. Department of Homeland Security (USDHS). Furthermore, hotel services cannot exceed 5 percent of the total funding request, and per diem reimbursements are capped at a fraction of the City's per diem cost. The City requested but—to the Comptroller's knowledge—has not obtained a waiver from these requirements.

Given the stringent requirements and, thus far, inability to meet or waive them, it is uncertain whether the City will secure Federal reimbursement through the SSP program. Therefore, the Comptroller is including $106.9 million as risk for funding from this program, which City funds may need to cover. Because the City received an additional $10.5 million from EFSP (which is not reflected in the November Plan), the net Federal funds risk is $96.4 million.

AGENCY BUDGETS

The majority of asylum seekers in City shelter are in shelters managed by DHS, H+H, and HPD, and 89 percent of all asylum seeker funding is contained within these agencies' budgets. The distribution of funding across City agencies shifted in the November Plan, with DHS's FY 2024 asylum seeker related budget decreasing by $364 million, from $1.79 billion in the Adopted Budget to $1.42 billion in the November Plan. By contrast, H+H's FY 2024 budget increased by more than $1.4 billion to $2.17 billion, suggesting that, at least currently, the City is investing more heavily in H+H-managed HERRCs.

[40] https://www.politico.com/newsletters/new-york-playbook/2023/10/30/some-good-budget-news-but-migrant-cost-concerns-00124139

[41] Emergency Food and Shelter Program - Humanitarian Awards | FEMA.gov

[42] Shelter and Services Program Awards | FEMA.gov

[43] Shelter and Services Program Awards | FEMA.gov

Table 38. Asylum Seeker Expenditures by Agency

Agency	Final FY 2023	Adopted FY 2024	November Plan FY 2024	November Plan FY 2025
H+H	$469	$748	$2,174	$2,822
DHS	764	1,786	1,422	1,863
HPD	33	147	433	671
DCAS	38	-	380	403
NYCEM	89	160	160	187
OTI	31	30	81	90
DSS	15	29	29	33
All Other	33	5	41	34
Total	**$1,474**	**$2,905**	**$4,720**	**$6,102**

Source: Mayor's Office of Management and Budget

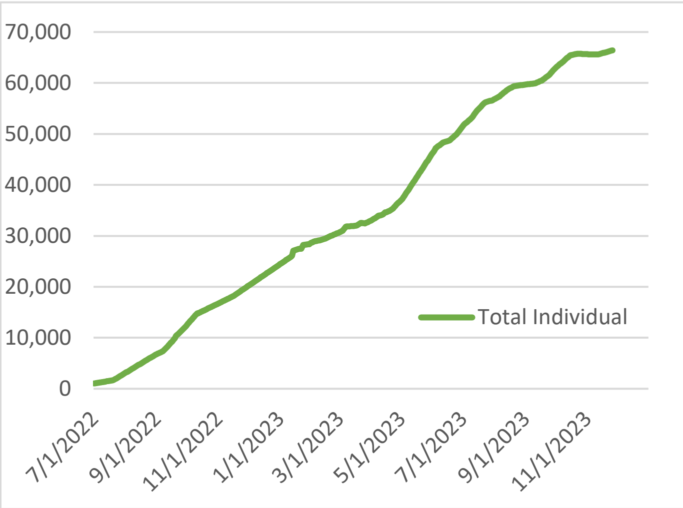
Note: FY 2024 All Other excludes $18 million in Intra-City funds.

Comptroller's Office's Projections of Census and Costs

The Comptroller's Office utilizes demographic updates from City Hall and the City Council's Asylum Seeker Terms and Conditions to develop projections of the census of people seeking asylum staying in New York City shelters. [44] The chart below shows the historical growth of asylum seekers in emergency shelters since the start of FY 2023 (July 1, 2022).

[44] https://council.nyc.gov/budget/fy2024/

Chart 11. Individuals in NYC Emergency Asylum Shelters



Following the expiration of Title 42 in May 2023 and through the summer, the population went through a period of high growth.[45] A more recent plateauing of the population is likely due to policy changes limiting shelter stays introduced by the Mayoral Administration, described in more detail below; though more recent increases suggest external factors are still at play, including seasonality as well as continued fluctuation at the border.[46] These factors could offset the impact of time limits on shelter stays.

Source: New York City Mayor's Office

AGENCY AND SHELTER TYPE

Since the beginning of FY 2024, the shelter capacity provided by managing agencies has evolved, as also indicated by the shift of funding among agencies. Table 39 below focuses on the census dynamics by agency from July 2, 2023, through November 26, 2023.

Table 39. Census of Asylum Seekers in Shelter, by Managing Agency

	7/2/2023	11/26/2023	Total Change	Percent Change
Total by Agency	51,830	66,450	14,620	28.2%
H+H	13,440	22,920	9,480	70.5%
NYCEM	3,820	1,840	(1,980)	(51.8%)
HPD	3,590	7,310	3,720	103.6%
DYCD	30	40	10	33.3%
DHS	30,950	34,340	3,390	11.0%

Source: New York City Mayor's Office

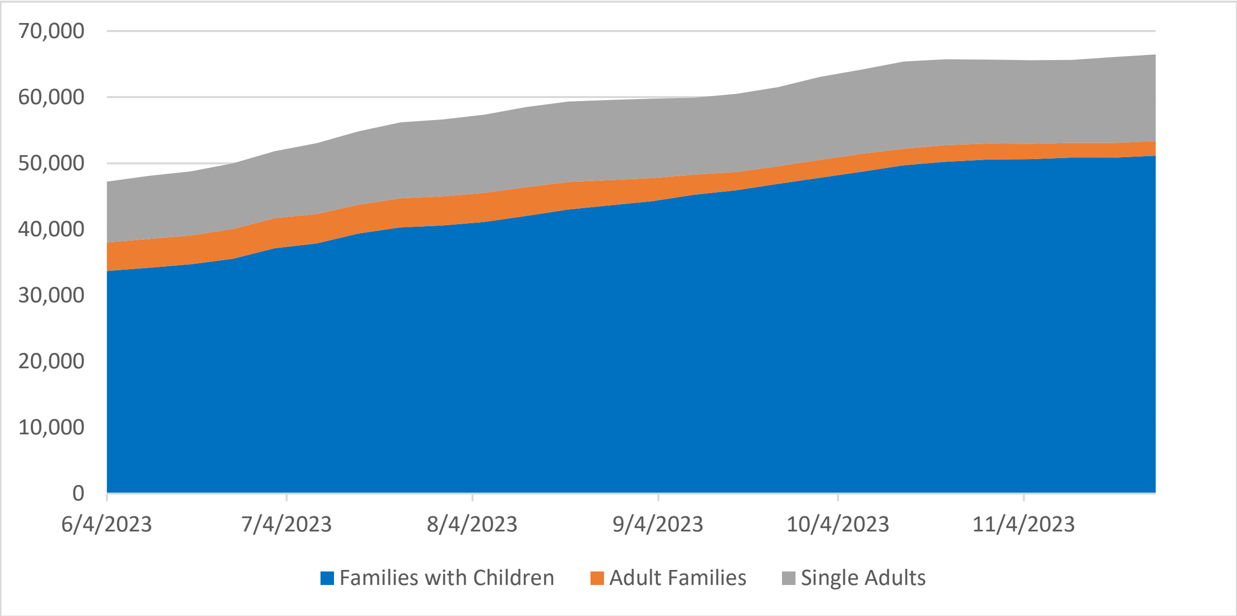
[45] https://www.justice.gov/crt/title-42-public-health-and-welfare

[46] NYC grapples with new migrant surge as asylum-seekers pour through remote Arizona town (nypost.com)

Over this period, the total number of asylum seekers in City shelters increased by 14,620 or 28 percent, with DHS growing by 11 percent, H+H growing by 71 percent, and HPD more than doubling. The large growth in the H+H and HPD censuses is notable because these agencies manage larger congregate shelters. In addition, HPD operates shelters located outside of the city.

Individuals seeking asylum residing in City shelters are classified into one of three household types: families with children, adult families, and single adults. The census is broken down by household type in Chart 12. The growth in the census between July 2, 2023, and November 26, 2023, was primarily driven by an increase of 13,120 individuals in families with children. On July 2, individuals in families with children represented 72 percent of all asylum seekers; by November 26 these individuals represented 77 percent of the total. Over the same period, the proportion of single adults has remained constant at around 20 percent of the total, while the share of adult families has decreased from 9 percent to 3 percent.

Chart 12. Asylum Seeker Composition by Shelter Type (Individuals)



Source: New York City Mayor's Office

POLICY CHANGES

To free up space in the City's shelter system, in July the Administration began issuing leave notices to individual asylum seekers without children staying in City shelters. Initially, the notices required asylum seekers in non-DHS shelters to leave after 60 days; in September, this was reduced to 30 days. More recently, this policy was expanded to single adult asylum seekers in DHS shelters. In October, 60-day time limits were announced for families with children in non-

DHS shelters. Asylum seekers can reapply for housing but must begin the process again, with no guarantee of an immediate placement.[47,48,49]

In addition, the City has increased its use of larger congregate-style facilities at Randall's Island and more recently, Floyd Bennett Field, even for families (spaces are for families of two to six people, with partitions eight feet high and open above).[50] After implementation of these policies the census began to flatten, but has since grown by 1,200 households from November 12th to December 10th, an average of 45 households per day.

POPULATION PROJECTIONS

The rate of asylum seekers entering New York City and utilizing the emergency shelter system has been volatile. This irregular trend makes projections difficult, with forecasts further complicated by Federal immigration policies, the recent change in the City's policies on time limits and use of congregate facilities, and other legal uncertainties.

In its *FY 2024 Comments on the Executive Budget* report released on May 23, 2023, the Comptroller's Office projected that households would grow at 51 per day, compared to OMB's April 2023 Financial Plan projection of 40 households per day. These estimates were soon surpassed by reality: from May 1, 2023, through October 1, 2023, growth averaged 75 households per day. In August, the Mayor announced new financial estimates (used in the November Plan). While citing the longer-term growth trend of 69 households per day, OMB used 55 households per day for these financial estimates, which OMB said adjusted for announced policy changes (including requiring single adult asylum seekers to re-apply for shelter after 60 days). However, the reduced figure did not fully incorporate the potential effect of all the policy changes delineated above, such as the 60-day time limit imposed on families and the 30-day time limit subsequently imposed on single adults and families without children.

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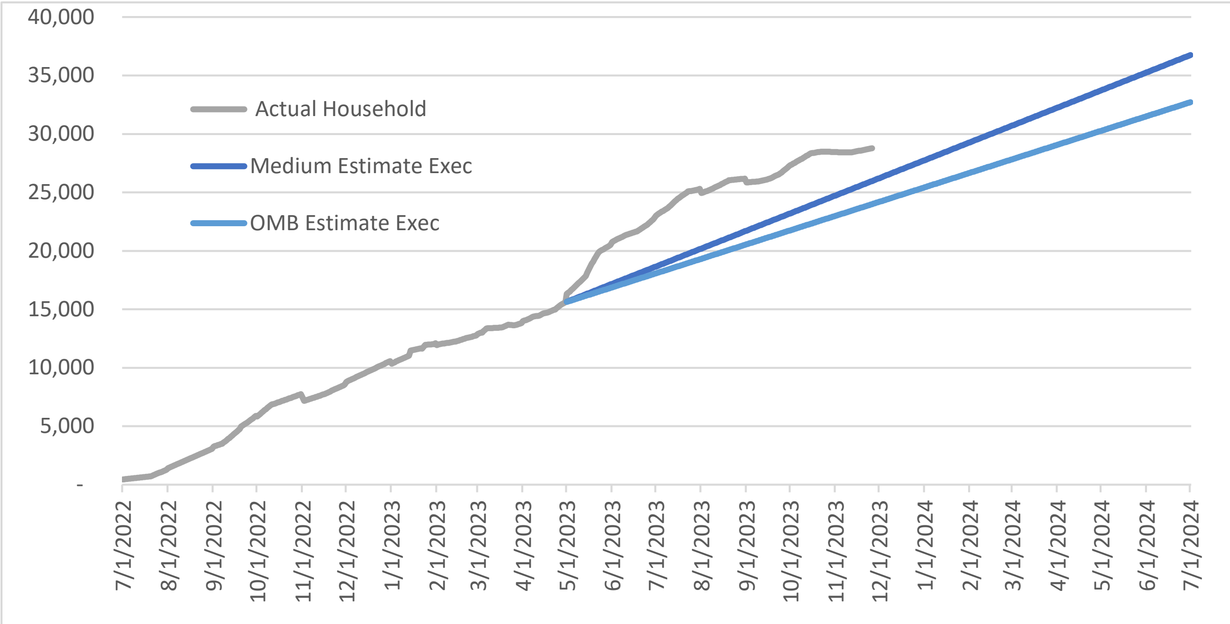
47 NYC announces 60-day limit in city shelters for asylum seekers amid migrant crisis – NBC New York

48 NYC to limit shelter stay for asylum-seekers with children - ABC News (go.com)

49 NYC expands 30-day stay limits to single adult migrants in DHS shelters - Gothamist

50 https://www.nydailynews.com/2023/10/16/nyc-to-house-migrant-families-with-kids-in-semi-congregate-settings-despite-right-to-shelter-rules/

Chart 13. Asylum Seeker Shelter Census, Actual v. Comptroller's April 2023 Projections (Households)



Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget
Note: A household can be a family with children, adults living together as a family (adult parent with an adult child or adults living as partners without children) or a single adult living alone.

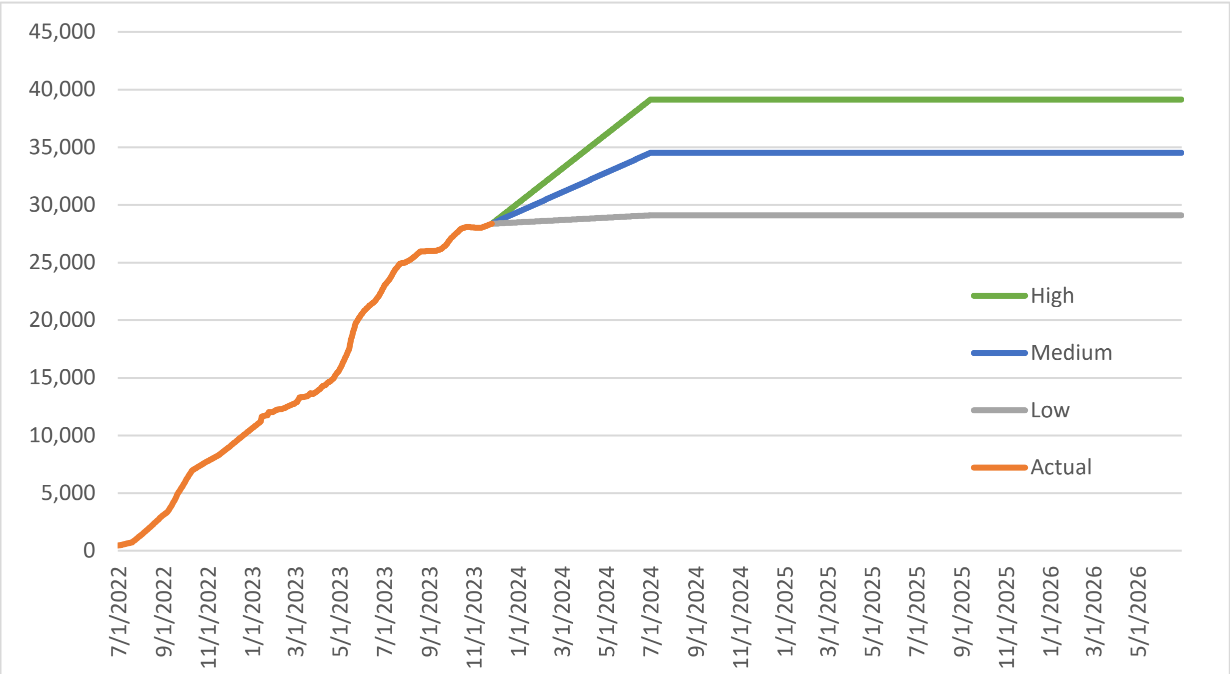
For this report, the Comptroller's Office updated its projection scenarios. Projecting the number of asylum seekers in City-administered shelter is challenging. While new policies that can affect future trends have been put in place, their impact is yet to be established empirically. In addition, variation in the inflow of asylum seekers could offset their impact. The uncertainty is compounded by the scarcity of data made available by the Administration. Similarly, there is little visibility into the components and trajectory of the per diem cost, making any scenario fundamentally assumption-driven.

Based on recent trends and the potential impact of time limits, the range of population growth assumptions for the rest of FY 2024 has shifted downward. Below is a summary of the growth scenarios:

1. **Low-growth**: three households per day, the average increase for the four-week period (October 16 – November 12) following the City's commencement of issuing leave notices to families; this is the lowest four-week period since the influx began.
2. **Medium-growth**: 28 households per day, the average growth rate from August 1, 2023, through November 26, 2023. This period was chosen to capture the impact of the issuance and implementation of the 30-and-60-day leave notices across household types.
3. **High-growth**: 49 households per day. This is the median growth rate since spring of 2022, when the number of asylum seekers in shelter started rising.

Given the lack of clarity of the above information, and broad uncertainty around long term planning for asylum seekers, the Comptroller's Office is holding the population flat beginning in FY 2025.

Chart 14. Updated Projection of Asylum Seeker Shelter Census (Households)



Source: Office of the New York City Comptroller

Note: A household can be a family with children, adults living together as a family (adult parent with an adult child or adults living as partners without children) or a single adult living alone.

PER DIEM COSTS

The total amount spent, including housing and start-up services (constructing and outfitting buildings to make them legally habitable to asylum seekers) as well as supplies, IT costs, medical care and food divided by shelter nights yields the household per diem, or the daily cost of services provided per household.

For the November Plan, OMB did not revise its FY 2024 per diem of $383, published in its August projection. However, per diems have continued to rise in the first quarter of FY 2024: according to the City Council's (latest as of publication) October Terms and Conditions report, the per diem reached $396. Detailed data on the components of the per diem average were not available to the Comptroller at the time of writing. Therefore, the cost scenarios are based on the assumption that the per diem will remain at $396 in FY 2024 and will be lower afterward.

Maintaining the higher per diem in FY 2024 and reducing per diems in FY 2025 and the outyears is plausible for several reasons:

- If service levels remain the same, costs will remain high until emergency contracts expire and competitive procurement begins, which should contribute to lower per diems in FY 2025.
- Historically, the cost of sheltering families with children is greater than that of single individuals or adult families, and (as described earlier) the proportion of families with children has grown through the first part of the fiscal year.[51]
- Thus far in FY 2024, H+H has had more spending than any other City agency, and the November Plan raises its asylum seeker budget in FY 2024 and FY 2025 to levels exceeding those of DHS.[52] Generally, H+H services have been more expensive due to high start-up costs of building out, renovating and maintaining entire non-traditional structures for shelter use, as well as high contract costs. DHS services have proven relatively less expensive through the utilization of non-profits and existing shelter providers in contracted hotel space.
- To decrease the per diem in FY 2024 the Administration must spend well below current levels to significantly reduce the average, which is unlikely.
- If the City can maintain operating its current sites, and the census does begin to stabilize, there should be less of a need for startup and other one-time costs in the outyears, and the per diem should decrease.

The Comptroller's Office has modeled two scenarios: a) a 10 percent per year reduction starting in FY 2025 and b) a 5 percent reduction in FY 2025 followed by annual 10 percent reductions in FY 2026 and FY 2027.

Under these scenarios, FY 2027 per diems would be between $289 and $297. For comparison, per diem rates for DHS shelters prior to the need for emergency shelters were $139 for single adults and $188 for families with children.[53] However, the DHS per diem covers only homeless shelter and related services, while the City's calculation of the per diem for asylum seekers includes the IT infrastructure, the intake center, transportation, other services, and administrative overhead. And while competitive procurement should drive the price of services down from the current cost, non-traditional and recently procured hotel space will likely remain more expensive than non-profit run shelters with long-standing leases.

[51] https://www.nyc.gov/assets/operations/downloads/pdf/mmr2023/2023_mmr.pdf

[52] Id. *Asylum Seekers Report October 2023*

[53] 2022_mmr.pdf (nyc.gov)

ALTERNATIVE ESTIMATES OF TOTAL COST

Combining the population and cost components provides a full fiscal year estimate of anticipated spending for three scenarios:

1. The low-cost scenario assumes low growth (three households per day), an FY 2024 per diem of $396, and a 10 percent reduction in per diem costs each of the following fiscal years ($356 in FY 2025, $317 in FY 2026, and $289 in FY 2027).
2. The medium-cost scenario assumes growth of 28 households per day, and the same per diem profile as the low-cost scenario.
3. The high-cost scenario assumes growth of 49 households per day, and per diem of $396 in FY 2024 followed by a 5 percent reduction in FY 2025, and 10 percent reductions afterwards ($376 in FY 2025, $337 in FY 2026, and $297 in FY 2027).

Table 40 provides the total cost for each year of the Plan for each scenario.

Table 40. Comptroller's Office Asylum Seeker Cost Projections

($ in Millions)

	FY 2024	FY 2025	FY 2026	FY 2027
Low	$4,023	$3,784	$3,364	$2,943
Med	$4,256	$4,490	$3,991	$3,492
High	$4,454	$5,373	$4,808	$4,242

Source: Office of the New York City Comptroller

Comptroller's Estimates Against the Financial Plan

The Comptroller's Office uses the medium cost scenario to calculate risks and offsets to the Financial Plan related to asylum seekers. While the large variations in the growth of the census over time suggest that using a longer time frame is important in assessing trends, this Office also assumes that the Administration's policies limiting continual shelter stays to 60 and 30 days will influence the trajectory. The middle scenario (based on data from August 1 to November 26, 2023) provides the longest period of data after the inception of the Administration's policies.

The FY 2024 overall expense estimate of $4.26 billion is $465 million lower than the Administration's projection of $4.72 billion. The FY 2025 estimate of $4.49 billion, is $1.61 billion less than the Administration's FY 2025 estimate of $6.10 billion.

Of the $2.3 billion in total State support that the Comptroller's Office projects will flow through the City's budget, the Comptroller's Office assumes the City will receive $1.31 billion in FY 2024 and $549 million in FY 2025. This is $305 million *more* than currently budgeted by the City in

FY 2024, which would lower City costs resulting in an offset. FY 2025 support is $13 million *less* than currently budgeted by the City, resulting in a risk in FY 2025.

In addition, of the $145 million of Federal funding budgeted in FY 2024, the Comptroller's Office is including a risk of the remaining $96.4 million of aid not yet received, given the lack of a waiver from reimbursement requirements.

Taking into account the City funds already budgeted for those fiscal years, the total offset in FY 2024 is $674 million and $1.60 billion in FY 2025.

OMB's November Plan also added placeholder City fund amounts of $2 billion and $1 billion in FY 2026 and FY 2027. Despite the difficulty of forecasting these costs into the outyears, the Comptroller's Office assumes City-funded risk for each of those years is $1.99 billion and $2.49 billion, barring Federal or State aid in either year.

Table 41. Comptroller's Office Asylum Seeker Risks and Offsets

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027
Expenditure Offset/(Risk)	$465	$1,613	($1,991)	($2,492)
State Funding Offset/(Risk)	$305	($13)	$0	$0
Federal Funding Offset/(Risk)	($96)	$0	$0	$0
City Funding Offset/(Risk)	$674	$1,600	($1,991)	($2,492)

Source: Office of the New York City Comptroller

As noted previously in the PEG section, after releasing the November Plan, OMB issued a letter to agencies that the FY 2025 Preliminary Budget, due to be released in January, will include a 20 percent reduction to the asylum seeker budget in FY 2024 and FY 2025 through changes designed to reduce the per diem and length of shelter stays.

As of the November Plan, a 20 percent reduction each year would result in reductions of $947 million in FY 2024 and $1.22 billion in FY 2025, or a cumulative reduction of $2.17 billion, just $100 million less than the Comptroller's City-funded offsets for FY 2024 and 2025 combined. This means that the Comptroller's restated gaps already incorporate the asylum seekers savings that will be budgeted in January.

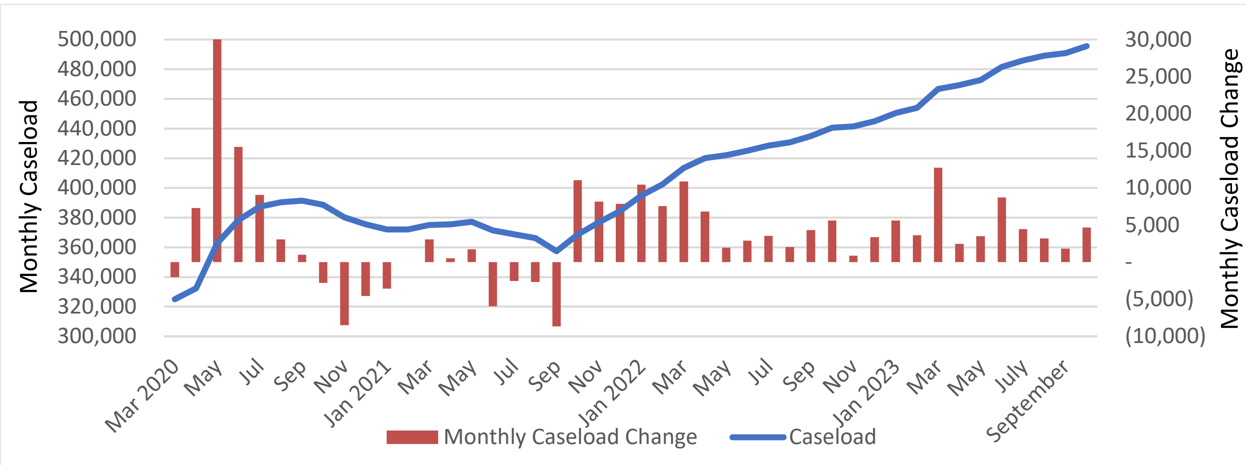
Given that the current fiscal year is nearly halfway over, more of the cost reduction will take place in FY 2025. The savings will need to be achieved through a combination of lower expenses per household (which could be achieved through more competitive pricing and/or a more efficient provision of services), a lower overall population, and/or increased Federal or State reimbursement. Reducing the Plan by the PEG target in January, however, will not mean the savings have been achieved. The Administration must be transparent about what combination of steps will be taken to reduce the cost and allow for appropriate monitoring to ensure their efficacy and impact.

Other Social Services

Public Assistance

Through October, the City's public assistance caseload has averaged 490,379 recipients per month thus far in FY 2024. Over the same July-October span in the prior year, caseload averaged 433,705. The caseload average in the current fiscal year represents about a 13 percent increase over the same period in FY 2023. Looking back, the caseload spike began on the heels of the end of the Federal Pandemic Unemployment Compensation program in September 2021, which provided supplemental unemployment benefits dating back to the early phase of the COVID outbreak, as shown in Chart 15.

Chart 15. Public Assistance Caseload and Monthly Changes March 2020-October 2023



Source: NYC Department of Social Services

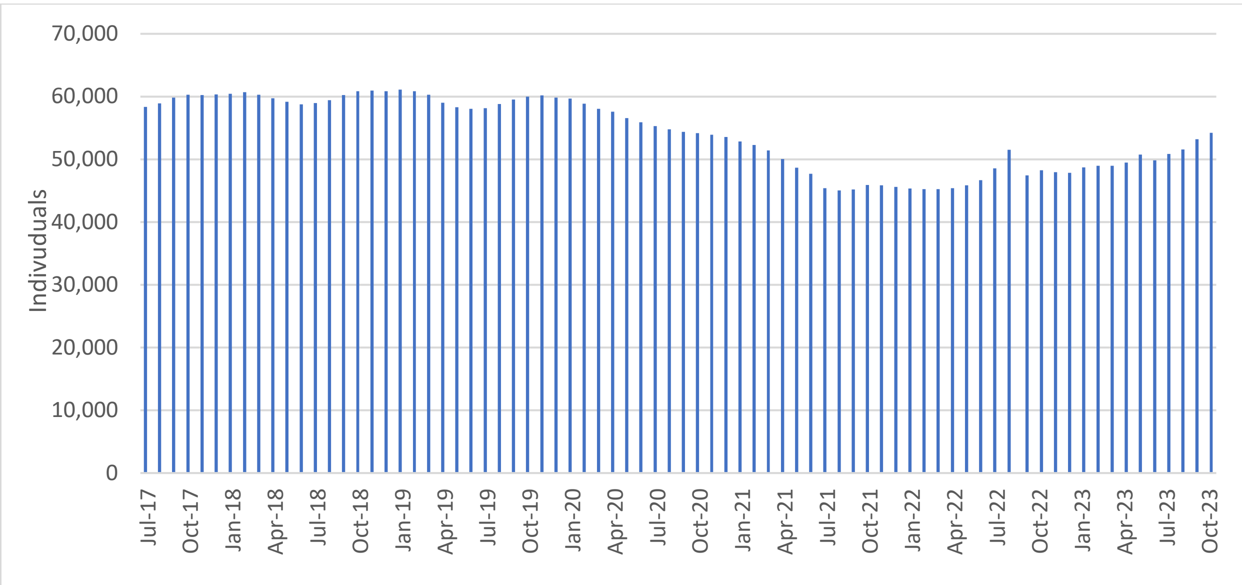
According to HRA, between September 2021 and October 2023 (most current month), there was a 90 percent increase in the average number of applicants per month compared to the final month in FY 2021. For applications received between September 2021 and August 2023, the most recent month for which complete data is available, the average monthly case acceptance rate increased to 42 percent from 35 percent in June 2021.

The City's public assistance budget remains unchanged in the November Plan compared with the June Plan, hence estimates in FY 2024 – FY 2026 remain unchanged at about $1.48 billion annually before rising to $1.83 billion in FY 2027. Given the continued surge in both caseload and grant spending in the opening months of FY 2024, and if spending stabilizes at higher levels at a minimum monthly rate in the $180 million range, the City will need to provide additional funding of at least $300 million annually in FY 2024 – FY 2026 to keep pace with its obligations for public assistance spending.

Homeless Services (Excluding Asylum Seeker Costs)

While the arrival of households seeking asylum has overwhelmingly driven the increases in the census in City shelters, the number of households not seeking asylum in Department of Homeless Services (DHS) shelters, which operates most but not all City shelters, has been increasing over the past year, as shown in Chart 16.[54] The total number of individuals in shelter—not classified by the City as being in households seeking asylum has grown from 48,233 in October 2022 to 54,246 in October 2023– a 12 percent increase.

Chart 16. DHS Census, Individuals in Households Not Seeking Asylum July 2017- October 2023



Source: NYC Department of Homeless Services

Note: In September 2022, the Administration began releasing the DHS census with individuals classified as in asylum seeker or non-asylum seekers. Individuals classified as asylum seekers are excluded from this chart.

As shown in Table 42, funds for DHS shelter operations costs, excluding funds budgeted for shelter for families and individuals seeking asylum, are currently budgeted at lower amounts in FY 2024 and the outyears than in FY 2023 actual spending, however. This is largely the result of lower baselined costs for DHS shelter costs, although a small part of it is due to PEG savings in FY 2025 and out. The DHS budget was reduced by $31.7 million in FY 2025, $30.1 million in FY 2026 savings, and $24.6 million in FY 2027 savings based on anticipated savings from

[54] The Department of Social Services, the Department of Youth and Community Development, the Department of Health and Mental Hygiene and the Department of Veterans Services also operate shelters for households not seeking asylum.

placements into permanent housing through a new State-funded rental assistance program, the Special Housing Assistance Resource or SHARE[55], that targets families and individuals, prioritizing those who have been in shelter the longest.

Based on the shelter census and current funding levels, as well as the historic breakdown of City/State/Federal funding the Comptroller's Office projects a City-funds risk of $350 million for DHS non-asylum related shelter capacity costs in FY 2024 through FY 2027. This includes $250 million for adult single adult shelter and $100 million for family shelter (family shelter costs are funded based on a households' public assistance status and can be shared among the City, State and Federal funds. Single adult shelter is primarily City-funded). The Comptroller's Office also includes a $55 million City-funded risk in FY 2024 and the outyears to pay prevailing wages to DHS security guards.

Table 42. Department of Homeless Services Budget, Excluding Asylum Seeker Costs

Budget Function ($ in millions)	**Actual 2023**	**Budget FY 2024**	**Budget FY 2025**	**Budget FY 2026**	**Budget FY 2027**
Adult Shelter Administration & Support	$10	$12	$8	$8	$8
Adult Shelter Intake and Placement	13	13	13	14	14
Adult Shelter Operations	1,107	802	794	790	791
Family Shelter Administration & Support	6	14	14	14	14
Family Shelter Intake and Placement	36	37	37	38	38
Family Shelter Operations	1,095	1,073	1,047	1,044	1,049
General Administration	194	71	(31)	(30)	(32)
Outreach, Drop-in and Reception Services	311	306	304	292	292
Rental Assistance and Housing Placement	5	8	0	0	0
Total	**$2,776**	**$2,336**	**$2,187**	**$2,170**	**$2,174**

Source: Office of the New York City Comptroller, Mayor's Office of Management and Budget

Note: Includes City, State, Federal and intra-city funding. Excludes all budget codes identified by OMB as funding services for people seeking asylum.

[55] Funded by the NYS Rental Supplement Program

Rental Assistance

Within the Department of Social Services (DSS), the Human Resources Administration (HRA) administers the majority of New York City's rental assistance spending with little administered by DHS. HRA oversees multiple rental assistance programs, including legacy programs such as the Living in Communities program (LINC), the Special Exit and Prevention Supplement (SEPS), and the Family Eviction Prevention Supplement (CITYFEPS), which have mostly been replaced by the Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS). While the November Financial Plan did not increase funding for HRA's existing voucher programs, it did include additional State funding for the new SHARE rental assistance program administered by HRA ($3.5 million added in FY 2024, $13.3 million in FY 2025, $14.9 million in FY 2026, and $13.6 million in FY 2027).

With this addition, the rental assistance budget for HRA totals $424 million in FY 2024, falling to about $171 million in the outyears. Funding for these programs is split between the City, State and Federal governments, with FY 2024 costs budgeted at 42 percent City funded, 51 percent Federally funded (largely with limited COVID-19 funds) and 7 percent State funded. The City-funded share grows to 62 percent by FYs 2026 and 2027 following the expiration of COVID-19 related relief funds.

Spending on the City's rental assistance programs has been rising rapidly from $356 million in FY 2022 to $522 million in FY 2023. This growth follows earlier program reforms that increased payment standards and expanded eligibility. In June 2023, the City eliminated a rule that households in City shelters must remain there for 30-days before becoming eligible for the City's housing voucher programs. However, the Administration has not acted on other legislation passed by the City Council over the Mayor's veto that would, among other things, expand program eligibility for households at-risk of eviction but who are not currently in shelter. The Mayor vetoed the rental assistance bills citing cost concerns—estimating that expanding the eligibility rules would increase City costs by $17.3 billion over five years and that the expansion to more households at risk of eviction would make it more difficult for households in shelter to find housing. The City Council estimates a cost of $10.6 billion over the first five fiscal years of implementation, an estimate that, unlike the Mayor's, includes a partial implementation in the first fiscal year and $2.1 billion in projected shelter savings. Because the Comptroller's Office anticipates litigation and other delays over the implementation of the program changes, it does not yet include an estimate of the expanded costs of the program as a risk.[56]

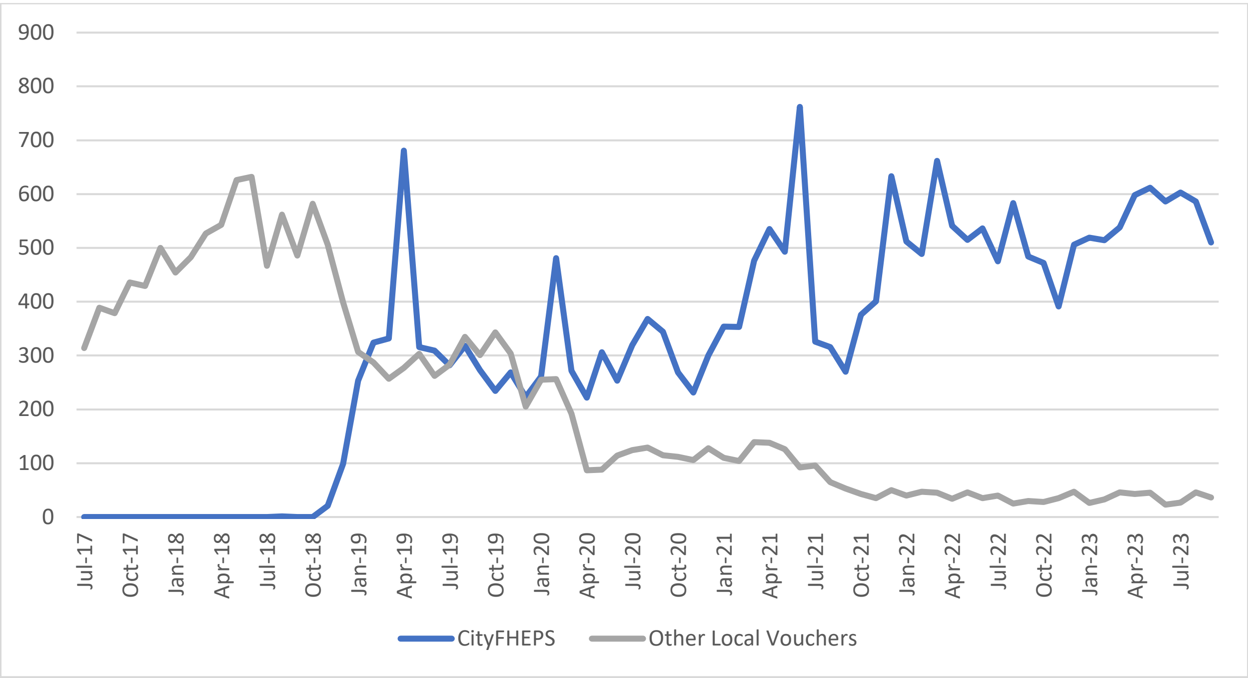
However, as currently implemented, and based on spending thus far this fiscal year, the Comptroller's Office estimates that rental assistance costs will still reach about $660 million in FY 2024 – about $235 million more than budgeted. The Office baselines this cost across the

[56] Full Package of Rental Voucher Laws Not on Mayor's Agenda, Despite Veto Override - CityLimits

outyears of the financial plan period, which because they are already budgeted at lower levels than FY 2024, increases the risk to about $500 million annually in FY 2025 through FY 2027.

As shown in Chart 17, despite the elimination of the 30-day rule in June, new placements in permanent housing using City vouchers have fallen slightly through September (the most recent month with available data). Additionally, in late September, the Mayor announced that City vouchers could be used elsewhere in New York State, after traditionally being limited to the city. It is not clear yet how this most recent change may impact placements and program cost.

Chart 17. Housing Placements from DHS Shelter Through HRA-Administered Vouchers July 2017 – September 2023



Source: NYC Department of Social Services

Note: Other Local Voucher Programs include SOTA, CFEPS, FHEPS B, LINC, HOME TBRA, and SEPS.

IV. Capital Budget and Financing Program

Capital Commitment Plan, FY 2024 – FY 2027

All-Funds Commitments

The FY 2024 – FY 2027 Adopted Capital Plan, released in September 2023, totals $77.92 billion in all-funds authorized commitments, a decrease of $1.29 billion (1.6 percent) compared to the April 2023 Capital Plan over the same fiscal years. City-funds authorized commitments make up $74.55 billion, or 95.7 percent, of the total authorized commitments. After adjusting for the reserve for unattained commitments, all-funds planned commitments drop to $68.96 billion, as shown in Table 43. The City-funds planned commitments after adjusting for the reserve for unattained commitments drop to $65.60 billion. The Adopted Capital Plan (authorized) is somewhat front-loaded with 29 percent, or $22.47 billion, of the all-funds authorized commitments scheduled for FY 2024. When adjusted for the reserve for unattained commitments, the share drops to 23 percent. In the outyears of the Plan, authorized commitments decrease to $20.36 billion in FY 2025, to $17.82 billion in FY 2026, and to $17.26 billion in FY 2027, resulting in an average of $19.48 billion per year over the period.

Table 43. FY 2024 – FY 2027 Planned Capital Commitments, All-Funds

($ in millions) Project Category	FY 2024 – FY 2027 September 2023 Commitment Plan	Share of Total	Change from April 2023 Plan
Housing and Economic Development	$14,436	18.5%	$458
Environmental Protection	12,288	15.8%	(664)
Education and CUNY	11,047	14.2%	(430)
Dept. of Transportation and Mass Transit	11,061	14.2%	(718)
Administration of Justice	10,603	13.6%	332
Resiliency & Energy Efficiency, Technology, and Equipment	5,057	6.5%	(75)
Parks Department	3,429	4.4%	(30)
Hospitals	2,058	2.6%	5
Other City Operations and Facilities	7,938	10.2%	(171)
Total Authorized Commitments	**$77,917**	**100.0%**	**($1,291)**
Reserve for Unattained Commitments	**(8,952)**	**N/A**	**(4,499)**
Total Net of Reserve for Unattained Commitments	**$68,965**	**N/A**	**($5,790)**

Source: Mayor's Office of Management and Budget, FY 2024 – FY 2027 September 2023 Capital Commitment Plan
Note: Numbers may not add due to rounding.

Over three-quarters of the Plan is in the five program areas of Housing and Economic Development, Environmental Protection (DEP), Education and CUNY, Dept. of Transportation (DOT) and Mass Transit, and the Administration of Justice as shown in Table 43. Housing and Economic Development projects lead the way at 18.5 percent, followed by Environmental Protection at 15.8 percent, DOT and Mass Transit at 14.2 percent, Education and CUNY at 14.2 percent, Administration of Justice at 13.6 percent.

The $1.29 billion all-funds decrease over the FY 2024 – FY 2027 period is comprised of numerous increases and decreases. Notable decreases within DOT are in the highway bridges and highways & street reconstruction categories summing to $860 million.[57] In addition, DEP saw decreases of $664 million driven by deferrals of water pollution control projects beyond FY 2027. The Department of Correction increased by $407 million over the same period, or 5 percent, from the April 2023 Plan due primarily from a $317 million increase in Borough Based Jail projects. The Housing and Economic Development net increase of $458 million over FYs 2024-2027 is largely driven by rollovers of unmet commitments from FY 2023 into FY 2024 – FY 2027.[58] FY 2023

[57] DOT's notable decreases were $503 million for highways and street reconstruction and $357 million related to highway bridges.

[58] Notable increases for housing and economic development are to HPD and NYCHA-related projects of $412 million, and economic development projects of $46 million.

commitments in the NYC Housing Authority fell short of planned commitments by $325 million, while Economic Development's commitments fell short by $350 million. FY 2023 actual commitments are discussed in greater detail in "FY 2023 Commitments" below.

The remaining net decrease of about $632 million over the period is comprised of increases to 15 other project types totaling $654.3 million, offset by a combined $1.29 billion decrease in 13 other project types.

FY 2023 Capital Commitments

FY 2023 all-funds actual capital commitments summed to $16.48 billion, or 88.0 percent of FY 2023 planned authorized commitments of $18.72 billion, as of the Executive Capital Commitment Plan, published in April 2023. Actual commitments were $3.76 billion higher than in FY 2022 and improved from the FY 2022 achievement rate of 71.3 percent. When adjusting the Plan for the reserve for unattained commitments, the FY 2023 achievement rate was 117 percent. The FY 2023 achievement rate is about 28 percentage points higher than the average achievement rate of 60.4 percent over FY 2012 – FY 2022 when using the authorized plan. When using historical Executive Plans after the reserve for unattained commitments, the achievement rates over the same period average 81 percent.

As shown in Table 44, projects of 16 agencies accounted for 98 percent of actual commitments, or $16.17 billion of the total.[59]

Among the 16 agencies with greater than $150 million in actual commitments, DOT projects had the highest rate of achievement at 111.9 percent, followed by DEP at 102.5 percent, the Department of Sanitation at 98.5 percent, Transit projects at 94.2 percent, the DOE at 93.8 percent and HPD at 90.5 percent. Department of Business Services/ EDC projects had the worst achievement rate of among the 16-agency cohort with an achievement rate of 55.4 percent and the worst dollar shortfall from Plan in the amount of -$350.0 million.

Sixteen of the 26 program agencies saw their achievement rates increase from the previous fiscal year. The six agencies with the largest percentage point increases are CUNY (+66.1 percentage points), the DOT (+58.5 percentage points), the Department for the Aging (+49.1 percentage points), Housing Authority (+33.5 percentage points), HRA (+30.3 percentage points), and HPD (+30.1 percentage points).

Ten agencies had achievement rates that dropped from those of FY 2022, ranging from -67.4 percentage points to -1.1 percentage points. Among these agencies are the Research Libraries at -67.4 percentage points, the New York Public Library at -35.7 percentage points, Department of Cultural Affairs at -33.1 percentage points, Department of Homeless Services at -22.0 percentage points, and the Police Department at -21.4 percentage points.

[59] The agency tally of 16 includes HPD and NYCHA counted separately. In addition, the FY 2023 plan is from the FY 2024 Executive Capital Commitment Plan, published in April 2023.

Table 44. FY 2023 Actual and Plan Commitments

($ in millions)	FY 2023 Executive Plan	FY 2023 Actuals	FY 2023 Achievement Rates	FY 2022 Actuals	FY 2023 vs. FY 2022
CUNY	$69.0	$100.2	145.3%	$43.5	$56.7
DOT	1,331.1	1,489.5	111.9%	918.8	570.7
DEP Combined	2,342.8	2,402.5	102.5%	1,609.6	792.9
DOS	412.0	406.0	98.5%	170.7	235.2
Transit	1,273.0	1,198.6	94.2%	772.0	426.6
DOE	4,832.1	4,531.8	93.8%	3,988.6	543.2
HPD	1,559.6	1,410.9	90.5%	915.7	495.2
Fire Dept.	304.5	261.1	85.7%	119.2	142.0
Queens Public Library	21.4	18.4	85.7%	15.2	3.2
DCAS	1,569.4	1,297.4	82.7%	1,035.2	262.2
DOC	951.8	774.8	81.4%	499.3	275.5
Parks Dept.	718.6	553.8	77.1%	538.4	15.4
Brooklyn Public Library	29.2	21.9	74.8%	17.5	4.3
DOITT	191.1	135.9	71.1%	170.4	(34.4)
H+H	587.6	414.8	70.6%	543.7	(128.9)
DOHMH	485.8	341.6	70.3%	248.5	93.0
HRA	95.7	57.5	60.1%	16.5	41.0
Dept. for the Aging	9.3	5.4	58.3%	1.3	4.1
Police	155.9	90.2	57.9%	162.2	(71.9)
Housing Authority	741.7	416.6	56.2%	235.1	181.5
Business Services/EDC	784.0	434.0	55.4%	488.9	(54.9)

($ in millions)	FY 2023 Executive Plan	FY 2023 Actuals	FY 2023 Achievement Rates	FY 2022 Actuals	FY 2023 vs. FY 2022
New York Public Library	64.3	30.9	48.0%	109.1	(78.3)
Cultural Affairs	118.9	54.1	45.5%	55.7	(1.6)
Homeless Services	35.2	14.7	41.7%	26.9	(12.2)
Research Libraries	5.7	2.1	36.7%	0.3	1.8
Admin. of Children's Serv.'s	34.4	10.0	29.1%	15.7	(5.7)
TOTAL	**$18,724.0**	**$16,474.8**	**88.0%**	**$12,718.0**	**$3,756.8**

Financing Program

Total projected borrowing in the November Plan for FY 2024 through FY 2027 is $1.14 billion less than the June 2023 Financial Plan's estimate. This is a result of decreases of $1.17 billion in General Obligation (GO) borrowing, $45 million in Transitional Finance Authority (TFA) Future Tax Secured (FTS) borrowing, and an increase of $75 million in New York City Municipal Water Finance Authority (NYW) borrowing over the four-year period. The debt service on NYW bonds is paid for through charges for water and sewer service set and billed by the NYC Water Board.

The reduction in overall borrowing is consistent with lower capital commitments shown in the September Plan over the period, combined with a $2.03 billion City capital commitment shortfall in 2023 (FY 2023 Plan vs. Actuals), both of which result in lower capital cash flow needs over FY 2024 – FY 2027 from the June 2023 estimates. Estimated total borrowing ranges from $11.11 billion in FY 2024 to $14.88 billion in FY 2027, with an annual average of $13.39 billion over the period, down from $13.46 billion per year in the June 2023 Financial Plan. Excluding NYW borrowing, the GO/TFA borrowing averages are $11.22 billion per year in the November 2023 Plan over FY 2024 - FY 2027 compared with $11.53 billion per year in the June 2023 Financial Plan.

Table 45. November 2023 Financial Plan Financing Program

($ in millions)	Estimated Borrowing and Funding Sources FY 2024 – FY 2027	Change from June 2023	Percent of Total
General Obligation Bonds	$21,885	($1,165)	41.8%
TFA FTS Bonds	23,005	(45)	43.9%
NYC Water Finance Authority	7,515	75	14.3%
TFA BARBs	0	0	0.0%
Total	**$52,405**	**($1,135)**	**100.0%**

Source: Mayor's Office of Management and Budget, FY 2024 November Plan, November 2023.

Debt Service

As shown in Table 46, debt service, net of prepayments, in the November Plan totals $7.78 billion in FY 2024, $8.30 billion in FY 2025, $8.99 billion in FY 2026, and $9.65 billion in FY 2027.[60] These amounts represent decreases from the June 2023 Financial Plan of $39 million in FY 2024, $15 million in FY 2025, $84 million in FY 2026, and $119 million in FY 2027 for a total decrease (all funds) of $257 million over the Plan period.[61] City-funded debt service costs compared to the June Plan decreased by $242 million as part of the PEG.

Between FY 2024 and FY 2027, total debt service is expected to increase by $1.87 billion, or by 24.0 percent. In addition, these estimates for debt-service represent an estimated annual average percent increase of 7.4 percent. These projections exclude debt service of the NYW, which is backed by water and sewer user fees, and the debt service of TFA BARBs, supported by State building aid.

The $257 million total funds reduction from the June 2023 Plan over FY 2024 – FY 2027 is comprised of $250 million in GO savings (all City funds), an increase of $8 million in City-funded TFA-FTS, and a $15 million decrease in Federally funded TFA-FTS (for a total TFA-FTS savings of $7 million). GO debt service reductions over the four-year period stem primarily from a combination of lower interest rates for year to date borrowing and a decrease in estimated borrowing amounts which produced estimated savings of $228 million over the period. In addition, OMB estimates a decrease of $25 million in liquidity facility and remarketing fees, along with projected decreases of $13 million in variable-rate interest costs over the period. These decreases are offset by miscellaneous baseline increases of $16 million.

60 Includes GO, conduit debt, TFA-FTS bonds, and TSASC.

61 These figures represent all-funds and thus differ from estimates in the City's PEG program.

On the TFA side, savings over FY 2024 - FY 2027 are relatively flat at $7 million over the period, as FY 2024 borrowing increased by $685 million from the June 2023 Plan, which drove the $31 million increase in FY 2025 TFA-FTS debt-service. However, decreases in projected TFA-FTS borrowing in FY 2025 through FY 2027 produce lower estimated debt-service costs of about $37 million.

Table 46. November 2023 Financial Plan Debt Service Estimates

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FY 2023 – FY 2027	Average Annual Growth
GO	$4,305	$4,500	$4,726	$4,912	$607	4.5%
TFA FTS	3,275	3,604	4,079	4,549	1,274	11.6
Lease-Purchase	121	120	119	118	(3)	(1.0)
TSASC, Inc.	76	76	69	69	(7)	(3.2)
Total	**$7,777**	**$8,300**	**$8,993**	**$9,648**	**$1,870**	**7.4%**
CHANGE FROM JUNE 2023	**($39)**	**($15)**	**($84)**	**($119)**	**($257)**	**N/A**

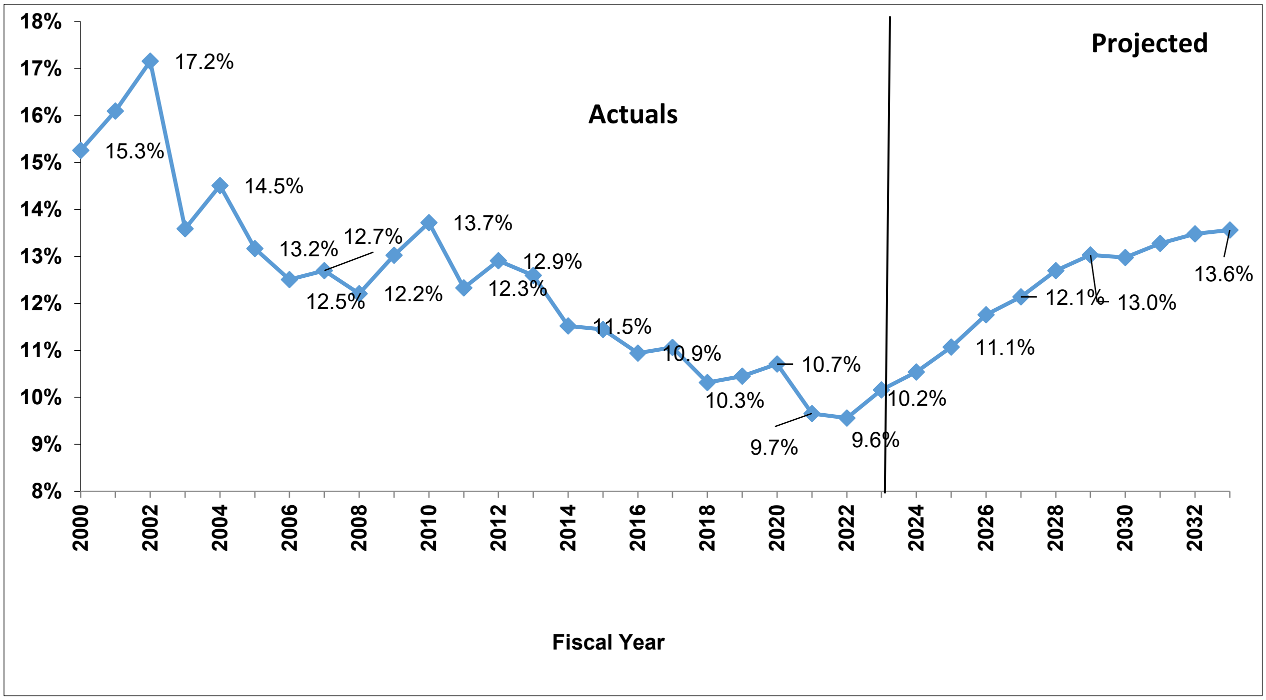
Source: Mayor's Office of Management and Budget, FY 2024 November 2023 Financial Plan, November 2023.
Note: Debt service is adjusted for prepayments. Amounts do not include TFA BARBs.

Debt Affordability

Debt affordability continues to be an important topic facing the City. Debt service as a percent of local tax revenues and as a share of total-funds revenues are widely used measures of debt affordability.[62] In FY 2022, the City's debt service was a historic low at 9.6 percent of local tax revenues, increasing to 10.2 percent in FY 2023. The Comptroller's Office projects debt service as a share of its forecast of tax revenues will increase to 10.5 percent in FY 2024, 11.1 percent in FY 2025, 11.8 percent in FY 2026, 12.1 percent in FY 2027 and reach an estimated 13.6 percent by FY 2033, as shown in Chart 18. The growth in the ratio from FY 2024 to FY 2027 is driven by the disparity in debt service and tax revenue growth. Debt-service is estimated to grow by 7.5 percent per year through FY 2027, with tax revenue growth at only 2.6 percent. However, at 12.1 percent in FY 2027, the ratio is still well below the 15 percent affordability threshold.

[62] Debt service in this discussion is adjusted to exclude prepayments and excludes TSASC debt service. For additional analysis of the affordability of the City's debt, see Office of the New York City Comptroller, *Annual Report on Capital Debt and Obligations for FY 2024:* https://comptroller.nyc.gov/reports/annual-report-on-capital-debt-and-obligations/

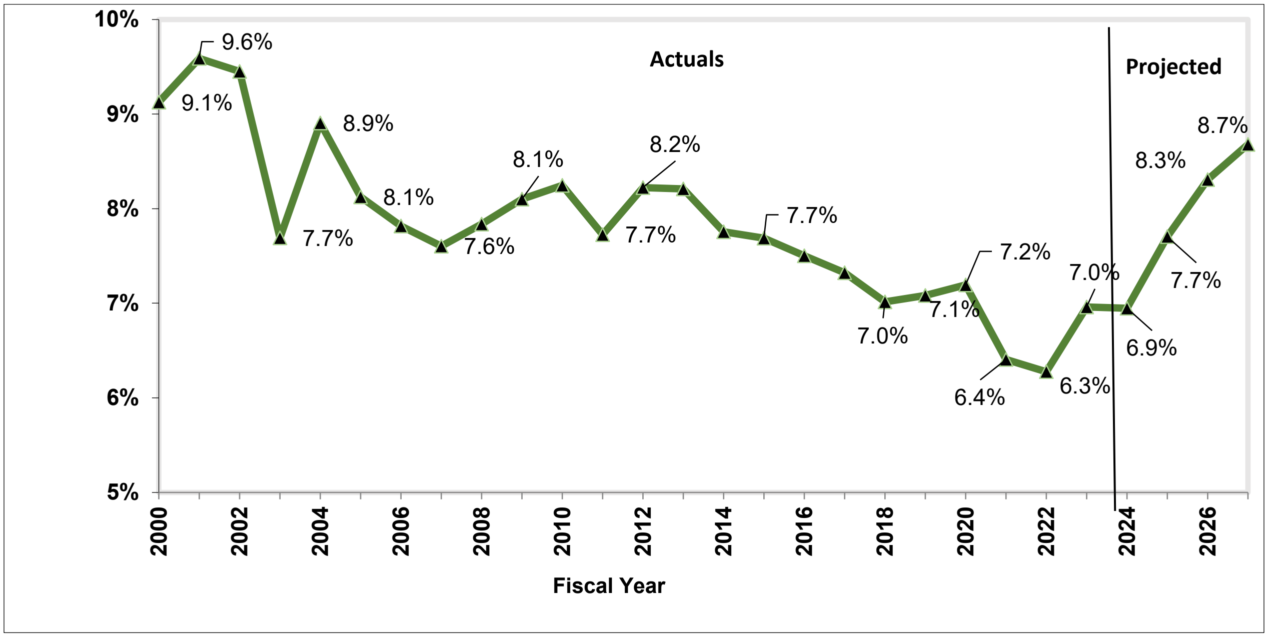
Chart 18. NYC Debt Service as a Percent of Tax Revenues



Source: Office of the New York City Comptroller, Annual Comprehensive Financial Reports, FY 2000 – FY 2023 and Mayor's Office of Management and Budget, FY 2024 November Plan, November 2023.

Note: Tax revenue estimates are based on the Comptroller's Office's forecast of tax revenues.

Chart 19. NYC Debt Service as a Percent of Total Revenues



Source: Office of the New York City Comptroller, Annual Comprehensive Financial Reports, FY 2000 – FY 2023 and Mayor's Office of Management and Budget, FY 2024 November Plan, November 2023.

Note: Tax revenue estimates included in projections of total revenues are based on the Comptroller's Office's forecast of tax revenues.

As shown on Chart 19, debt service as a percent of total revenues was 6.3 percent in FY 2022, growing to 7.0 percent in FY 2023. The November 2023 Financial Plan estimates debt service as a percent of total revenues will remain relatively flat in FY 2024, then rise to 7.7 percent in FY 2025, 8.3 percent in FY 2026 and 8.7 percent by FY 2027. Like the debt service to tax revenue ratios, the rise over the Plan period is due the disparity of debt service and total revenue growth rates. Debt-service, including TSASC, grows at 7.4 percent per year versus total revenue decline of -0.2 percent. See the Comptroller's Office's recently released Annual Report on Capital Debt and Obligations for a detailed discussion of the City's debt affordability, including comparisons to other cities.

V. Appendix

Table A1. November 2023 Financial Plan Revenue Detail

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FYs 2024 - 2027 Dollars	Change FYs 2024 - 2027 Percent	Annual Percent Change
Taxes:							
Real Property	$32,709	$32,794	$33,068	$33,722	$1,013	3.1%	1.0%
Personal Income Tax and Pass-Through Entity Tax	15,346	16,125	16,722	17,756	2,410	15.7%	5.0%
General Corporation Tax	5,301	5,132	5,023	5,028	(273)	(5.1%)	(1.7%)
Unincorporated Business Tax	2,602	2,613	2,703	2,798	196	7.5%	2.5%
Sales and Use Tax	9,840	10,320	10,905	11,352	1,512	15.4%	4.9%
Real Property Transfer Tax	1,307	1,432	1,503	1,607	300	23.0%	7.1%
Mortgage Recording Tax	776	943	993	1,060	284	36.6%	11.0%
Commercial Rent	890	912	930	945	55	6.2%	2.0%
Utility	448	452	461	477	29	6.5%	2.1%
Hotel	664	709	734	762	98	14.8%	4.7%
Cigarette	16	16	16	16	0	0.0%	0.0%
All Other	1,074	1,073	1,098	1,123	49	4.6%	1.5%
Cannabis Tax	11	20	30	38	27	245.5%	51.2%
Tax Audit Revenue	747	773	773	773	26	3.5%	1.1%
Total Taxes	**$71,731**	**$73,314**	**$74,959**	**$77,457**	**$5,726**	**8.0%**	**2.6%**
Miscellaneous Revenue:							
Licenses, Franchises, etc.	$696	$707	$713	$693	($3)	(0.4%)	(0.1%)
Interest Income	511	350	248	225	(286)	(56.0%)	(23.9%)
Charges for Services	1,039	1,025	1,029	1,030	(9)	(0.9%)	(0.3%)
Water and Sewer Charges	1,887	1,840	1,841	1,838	(49)	(2.6%)	(0.9%)
Rental Income	258	261	258	258	0	0.0%	0.0%
Fines and Forfeitures	1,226	1,220	1,226	1,221	(5)	(0.4%)	(0.1%)
Miscellaneous	385	326	327	325	(60)	(15.6%)	(5.5%)
Intra-City Revenue	2,175	1,927	1,931	1,928	(247)	(11.4%)	(3.9%)
Total Miscellaneous Revenue	**$8,177**	**$7,656**	**$7,573**	**$7,518**	**($659)**	**(8.1%)**	**(2.8%)**

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FYs 2024 - 2027 Dollars	Change FYs 2024 - 2027 Percent	Annual Percent Change
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**	**0.0%**
Less: Intra-City Revenue	**($2,175)**	**($1,927)**	**($1,931)**	**($1,928)**	**$247**	**(11.4%)**	**(3.9%)**
TOTAL CITY-FUNDS	**$77,718**	**$79,028**	**$80,586**	**$83,032**	**$5,314**	**6.8%**	**2.2%**
Other Categorical Grants	**$1,228**	**$1,087**	**$1,082**	**$1,082**	**($146)**	**(11.9%)**	**(4.1%)**
Inter-Fund Agreements	**$723**	**$728**	**$735**	**$736**	**$13**	**1.8%**	**0.6%**
Federal Categorical Grants:							
Community Development	$315	$245	$243	$237	**($78)**	(24.8%)	(9.0%)
Social Services	3,938	3,478	3,473	3,472	**(466)**	(11.8%)	(4.1%)
Education	3,997	1,965	1,965	1,965	**(2,032)**	(50.8%)	(21.1%)
Other	3,609	1,987	1,461	1,426	**(2,183)**	(60.5%)	(26.6%)
Total Federal Grants	**$11,859**	**$7,675**	**$7,142**	**$7,100**	**($4,759)**	**(40.1%)**	**(15.7%)**
State Categorical Grants:							
Social Services	$3,019	$2,490	$1,924	$1,923	($1,096)	(36.3%)	(14.0%)
Education	13,111	13,039	13,039	13,039	(72)	(0.5%)	(0.2%)
Higher Education	273	273	273	273	0	0.0%	0.0%
Department of Health and Mental Hygiene	703	672	674	673	(30)	(4.3%)	(1.4%)
Other	1,881	1,619	1,679	1,743	(138)	(7.3%)	(2.5%)
Total State Grants	**$18,987**	**$18,093**	**$17,589**	**$17,651**	**($1,336)**	**(7.0%)**	**(2.4%)**
TOTAL REVENUES	**$110,515**	**$106,611**	**$107,134**	**$109,601**	**($914)**	**(0.8%)**	**(0.3%)**

Note: Numbers may not add due to rounding.

Table A2. November 2023 Financial Plan Expenditure Detail

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FYs 2024 – 2027 Dollars	Change FYs 2024 – 2027 Percent	Annual Percent Change
Mayoralty	$173	$156	$155	$152	($21)	(12.0%)	(4.2%)
Board of Elections	266	145	146	146	(120)	(45.1%)	(18.1%)
Campaign Finance Board	70	12	12	12	(57)	(82.5%)	(44.0%)
Office of the Actuary	7	7	7	7	0	1.2%	0.4%
President, Borough of Manhattan	6	5	5	5	(1)	(11.1%)	(3.8%)
President, Borough of Bronx	7	6	6	6	(0)	(6.0%)	(2.1%)
President, Borough of Brooklyn	7	7	7	7	(0)	(5.6%)	(1.9%)
President, Borough of Queens	7	5	6	6	(1)	(18.1%)	(6.4%)
President, Borough of Staten Island	5	5	5	5	(0)	(4.3%)	(1.4%)
Office of the Comptroller	116	118	119	119	3	2.7%	0.9%
Dept. of Emergency Management	229	221	34	30	(199)	(86.8%)	(49.1%)
Office of Administrative Tax Appeals	6	6	6	6	0	3.2%	1.0%
Law Dept.	248	216	225	227	(22)	(8.7%)	(3.0%)
Dept. of City Planning	51	46	44	45	(6)	(12.2%)	(4.3%)
Dept. of Investigation	48	42	40	40	(8)	(17.6%)	(6.2%)
NY Public Library — Research	32	30	31	31	(1)	(4.3%)	(1.5%)
New York Public Library	166	155	158	158	(8)	(4.7%)	(1.6%)
Brooklyn Public Library	124	116	118	118	(6)	(5.2%)	(1.8%)
Queens Borough Public Library	129	120	122	122	(7)	(5.3%)	(1.8%)
Dept. of Education	32,275	31,056	32,079	32,741	465	1.4%	0.5%
City University	1,398	1,241	1,242	1,259	(139)	(10.0%)	(3.4%)
Civilian Complaint Review Board	25	23	23	23	(2)	(6.2%)	(2.1%)
Police Dept.	5,678	5,388	5,606	5,696	18	0.3%	0.1%
Fire Dept.	2,417	2,282	2,313	2,306	(111)	(4.6%)	(1.6%)
Dept. of Veterans' Services	5	5	5	5	(0)	(0.1%)	(0.0%)

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FYs 2024 – 2027 Dollars	Change FYs 2024 – 2027 Percent	Annual Percent Change
Admin. for Children Services	2,729	2,715	2,697	2,697	(32)	(1.2%)	(0.4%)
Dept. of Social Services	11,454	10,909	10,983	11,479	25	0.2%	0.1%
Dept. of Homeless Services	3,751	4,043	4,163	3,167	(584)	(15.6%)	(5.5%)
Dept. of Correction	1,131	1,068	1,095	1,096	(35)	(3.1%)	(1.0%)
Board of Correction	4	3	3	3	(0)	(8.3%)	(2.9%)
Citywide Pension Contributions	9,517	10,261	10,662	10,787	1,270	13.3%	4.3%
Miscellaneous	15,114	15,232	15,953	17,107	1,993	13.2%	4.2%
Debt Service	4,426	4,620	4,845	5,029	603	13.6%	4.4%
TFA Debt Service	3,275	3,604	4,079	4,549	1,274	38.9%	11.6%
FY 2023 BSA and Discretionary Transfers	(5,479)	0	0	0	5,479	(100.0%)	(100.0%)
FY 2024 BSA	643	(643)	0	0	(643)	(100.0%)	(100.0%)
Public Advocate	5	5	5	5	0	0.0%	0.0%
City Council	100	85	85	85	(15)	(15.0%)	(5.3%)
City Clerk	5	5	5	5	(0)	(2.7%)	(0.9%)
Dept. for the Aging	522	487	406	393	(129)	(24.7%)	(9.0%)
Dept. of Cultural Affairs	233	152	154	154	(79)	(34.0%)	(13.0%)
Financial Info. Serv. Agency	116	112	113	113	(2)	(1.9%)	(0.6%)
Office of Criminal Justice	56	663	648	648	592	1054.8%	126.0%
Office of Payroll Admin.	16	15	15	15	(0)	(3.0%)	(1.0%)
Independent Budget Office	7	7	7	6	(0)	(6.5%)	(2.2%)
Equal Employment Practices	1	1	1	1	0	3.6%	1.2%
Civil Service Commission	1	1	1	1	0	1.2%	0.4%
Landmarks Preservation Commission	8	7	7	7	(1)	(10.6%)	(3.7%)
Taxi & Limousine Commission	59	54	54	54	(5)	(8.5%)	(2.9%)
Office of Racial Equity	5	5	5	5	0	0.0%	0.0%

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FYs 2024 – 2027 Dollars	Change FYs 2024 – 2027 Percent	Annual Percent Change
Commission on Racial Equity	1	2	2	2	0	30.4%	9.2%
Commission on Human Rights	14	14	14	14	0	1.6%	0.5%
Youth & Community Development	1,206	988	977	981	(225)	(18.6%)	(6.6%)
Conflicts of Interest Board	2	2	2	2	(0)	(0.4%)	(0.1%)
Office of Collective Bargaining	2	2	2	2	0	0.2%	0.1%
Community Boards (All)	21	20	21	21	(1)	(2.7%)	(0.9%)
Dept. of Probation	107	104	104	104	(3)	(2.8%)	(1.0%)
Dept. Small Business Services	288	177	146	143	(144)	(50.2%)	(20.7%)
Housing Preservation & Development	1,798	1,873	1,225	1,236	(561)	(31.2%)	(11.7%)
Dept. of Buildings	216	188	187	187	(28)	(13.2%)	(4.6%)
Dept. of Health & Mental Hygiene	2,606	2,098	2,077	2,078	(528)	(20.3%)	(7.3%)
NYC Health + Hospitals	3,274	3,863	1,119	1,170	(2,104)	(64.3%)	(29.0%)
Office of Administrative Trials & Hearings	64	64	64	65	1	1.5%	0.5%
Dept. of Environmental Protection	1,696	1,586	1,581	1,576	(120)	(7.1%)	(2.4%)
Dept. of Sanitation	1,867	1,800	1,794	1,811	(55)	(3.0%)	(1.0%)
Business Integrity Commission	8	8	8	8	(0)	(1.5%)	(0.5%)
Dept. of Finance	346	335	339	340	(7)	(2.0%)	(0.7%)
Dept. of Transportation	1,432	1,430	1,414	1,402	(30)	(2.1%)	(0.7%)
Dept. of Parks and Recreation	580	566	572	573	(7)	(1.2%)	(0.4%)
Dept. of Design & Construction	187	174	155	155	(32)	(17.1%)	(6.1%)
Dept. of Citywide Admin. Services	1,012	990	588	585	(427)	(42.2%)	(16.7%)
D.O.I.T.T.	703	660	538	533	(170)	(24.2%)	(8.8%)
Dept. of Record & Info. Services	16	15	15	15	(0)	(2.1%)	(0.7%)
Dept. of Consumer & Worker Protection	63	63	63	64	1	1.2%	0.4%

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	Change FYs 2024 – 2027		Annual Percent Change
					Dollars	Percent	
District Attorney - N.Y.	185	160	161	162	(23)	(12.5%)	(4.3%)
District Attorney – Bronx	111	114	116	116	5	4.6%	1.5%
District Attorney – Kings	153	137	138	138	(14)	(9.2%)	(3.2%)
District Attorney – Queens	107	95	96	96	(11)	(9.9%)	(3.4%)
District Attorney - Richmond	27	24	24	24	(3)	(12.5%)	(4.4%)
Office of Prosec. & Special Narc.	29	29	29	29	0	1.0%	0.3%
Public Administrator - N.Y.	1	1	1	1	0	3.5%	1.2%
Public Administrator - Bronx	1	1	1	1	0	2.9%	0.9%
Public Administrator - Brooklyn	1	1	1	1	0	5.4%	1.8%
Public Administrator - Queens	1	1	1	1	0	2.6%	0.8%
Public Administrator - Richmond	1	1	1	1	(0)	(3.9%)	(1.3%)
General Reserve	1,200	1,200	1,200	1,200	0	0.0%	0.0%
Energy Adjustment	0	9	114	160	160	N/A	N/A
Lease Adjustment	0	47	95	145	145	N/A	N/A
OTPS Inflation Adjustment	0	56	111	167	167	N/A	N/A
TOTAL EXPENDITURES	**$110,515**	**$113,721**	**$113,597**	**$115,986**	**$5,471**	**5.0%**	**1.6%**

Note: Numbers may not add due to rounding. Agency expenditures shown above are net of intra-City expenditures.

Acknowledgements

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