Review of the Financial Plan of the City of New York

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New York State
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I. Executive Summary

The worst recession since the Great Depression appears to be coming to an end, but it has cost the nation 8.4 million jobs. While the downturn has been less severe in New York State and New York City than in the nation, the impact has been painful nonetheless. New York City lost 186,900 jobs and tax revenues fell by 7.1 percent in FY 2009 ($2.8 billion)—the steepest decline in at least 30 years.

To maintain budget balance during fiscal years 2009 and 2010, the City drew upon reserves accumulated during the last economic expansion, raised property and sales taxes, cut planned spending, curtailed the capital program, and obtained extraordinary federal assistance under the American Recovery and Reinvestment Act of 2009. In FY 2010, tax collections have exceeded the City's initial forecasts, reflecting the City's conservative assumptions and a faster-than-expected economic recovery.

The City's May 2010 financial plan (see Figure 1) forecasts a net surplus of nearly $3.3 billion for FY 2010 on a budget of $63.5 billion ($42.1 billion in City funds). The surplus resulted mostly from higher-than-anticipated revenues ($2.4 billion) and a drawdown in reserves ($1.2 billion). The Mayor proposes to transfer the $3.3 billion surplus to FY 2011 and to use another $2.5 billion in nonrecurring resources to help balance that year's budget.

The FY 2011 budget is also balanced with $1.3 billion in resources from agency actions, which would reduce services, improve efficiencies, and increase nontax revenues. The City Council has been reluctant to approve some of the Mayor's proposals, such as closing firehouses and cutting budgets for libraries and cultural institutions. Staffing has declined by 6,100 jobs since the beginning of the current fiscal year and is projected to decline by another 1,500 jobs by the end of FY 2011.

Since the State has not yet adopted a new budget for the fiscal year that began on April 1, 2010, the City made assumptions regarding the eventual impact of that budget based on the Governor's executive budget. The May Plan assumes that the State budget will reduce State assistance to New York City by nearly $1.3 billion, including reductions in education aid, revenue sharing, and other payments. The Mayor had indicated that the loss in education aid ($493 million) could result in the elimination of 6,414 teaching positions.

The Mayor rescinded his proposed cuts to educational programs in January 2010, but assumes the savings will instead be achieved by providing teachers and principals with 2 percent annual wage increases rather than the 4 percent annual wage increases negotiated with other municipal unions during the current round of collective bargaining. On June 2, 20l0, the Mayor announced that he would eliminate raises for teachers and principals, and would use those savings to mitigate the proposed cut in State education aid and to avoid teacher layoffs. The Mayor is also calling on the unions to self-fund the next round of bargaining with productivity and savings from restructuring fringe benefits. The outcome of these proposals will be determined through the collective bargaining process.

The May Plan also counts on the receipt of $1.2 billion in additional federal Medicaid aid. Half of these resources would come from a reallocation of Medicaid funds previously allocated to the State under the existing federal economic stimulus program, and the other half would come from a proposed two-quarter extension of such assistance currently under consideration by Congress.

In FY 2012, the City will need to address the loss of $1 billion in federal stimulus funds allocated for education. The State is competing with other states for education grants, which could mitigate the loss of these resources.

The City's economy is improving, tax collections are growing, and 53,000 jobs have been added in the past four months. These developments, combined with prudent fiscal practices, have allowed the City to balance the FY 2011 budget and narrow the out-year gaps, but the Mayor's budget proposals would curtail certain municipal services.

Our review indicates that the Mayor has proposed a balanced budget for FY 2011 with manageable budget risks and that the City still has substantial reserves. The absence of a new State budget, however, complicates the City's financial planning process. The out-year budget gaps range from $3.8 billion in FY 2012 to $5.4 billion in FY 2014, and our review indicates these gaps could be significantly larger depending on the outcome of collective bargaining, and on how the State and City address the loss of federal stimulus funds allocated for education aid.

Figure 1
New York City Financial Plan
(in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
REVENUES					
Taxes					
General Property Tax	$ 16,109	$ 16,760	$ 17,423	$ 17,692	$17,829
Other Taxes	20,210	21,510	22,773	24,018	25,210
Tax Audit Revenue	890	622	621	620	620
Subtotal: Taxes	$ 37,209	$ 38,892	$ 40,817	$ 42,330	$ 43,659
Miscellaneous Revenue	6,526	5,876	5,708	5,737	5,780
Unrestricted Intergovernmental Aid	171	14	12	12	12
Less: Intra-City Revenue	(1,825)	(1,602)	(1,498)	(1,502)	(1,502)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 42,066	$ 43,165	$ 45,024	$ 46,562	$ 47,934
Other Categorical Grants	1,134	1,284	1,142	1,139	1,137
Inter-Fund Revenues	583	558	493	492	492
Total City, Capital IFA & Other Cat. Funds	$ 43,783	$ 45,007	$ 46,659	$ 48,193	$ 49,563
Federal Categorical Grants	8,193	6,691	5,690	5,640	5,632
State Categorical Grants	11,571	11,240	12,200	12,416	12,831
Total Revenues	**$ 63,547**	**$ 62,938**	**$ 64,549**	**$ 66,249**	**$ 68,026**
EXPENDITURES					
Personal Service					
Salaries and Wages	$ 22,415	$ 21,525	$ 21,042	$ 21,335	$ 21,888
Pensions	6,760	7,612	7,920	8,070	8,173
Fringe Benefits [1]	7,351	7,533	7,970	8,279	8,783
Retiree Health Benefits Trust	(82)	(395)	(672)	- - -	- - -
Subtotal - Personal Service	$ 36,444	$ 36,275	$ 36,260	$ 37,684	$ 38,844
Other Than Personal Service					
Medical Assistance	$ 5,146	$ 5,166	$ 5,947	$ 6,171	$ 6,778
Public Assistance	1,580	1,563	1,603	1,591	1,591
All Other [1,2]	19,370	19,046	19,447	20,057	20,601
Subtotal - Other Than Personal Service	$ 26,096	$ 25,775	$ 26,997	$ 27,819	$ 28,970
General Obligation, Lease and TFA Debt Service [1,2,3]	$ 4,999	$ 5,462	$ 6,273	$ 6,576	$ 6,817
General Obligation and TFA Debt Defeasances (Net) [3]	(2,726)	- - -	- - -	- - -	- - -
FY 2009 Budget Stabilization & Discretionary Transfers [1]	(2,813)	- - -	- - -	- - -	- - -
FY 2010 Budget Stabilization & Discretionary Transfers [2]	3,272	(3,272)	- - -	- - -	- - -
General Reserve	100	300	300	300	300
Subtotal	$ 65,372	$ 64,540	$ 69,830	$ 72,379	$ 74,931
Less: Intra – City Expenses	(1,825)	(1,602)	(1,498)	(1,502)	(1,502)
Total Expenditures	**$ 63,547**	**$ 62,938**	**$ 68,332**	**$ 70,877**	**$ 73,429**
Gap To Be Closed	**$ - - -**	**$ - - -**	**$ (3,783)**	**$ (4,628)**	**$ (5,403)**

1 Fiscal Year 2009 Budget Stabilization and Discretionary Transfers total $2.813 billion, including Budget Stabilization of $1.286 billion, lease debt service of $110 million, Retiree Health Benefits of $225 million, subsidies of $643 million, net equity contribution in bond refunding of $3 million and TFA grant of $546 million.

2 Fiscal Year 2010 Budget Stabilization and Discretionary Transfers total $3.272 billion, including Budget Stabilization of $3.108 billion and subsidies of $164 million.

3 FY 2007 GO debt defeasance of $536 million reduced debt service by $27 million, $279 million and $277 million in FY 2008 through FY 2010, respectively. FY 2008 GO debt defeasance of $1.986 billion reduced debt service by $2.036 billion in FY 2010. FY 2007 TFA debt defeasance of $718 million reduced debt service by $33 million, $362 million, and $382 million in FY 2008 through FY 2010, respectively. FY 2007 JSDC debt defeasance of $65 million reduced debt service by $34 million and $31 million in FY 2009 and FY 2010.

Figure 2
OSDC Risk Assessment of the NYC Financial Plan
(in millions)

			Better/(Worse)		
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Surplus/(Gaps) per May Plan	**$ - - -**	**$ - - -**	**$ (3,783)**	**$ (4,628)**	**$ (5,403)**
UFT Collective Bargaining	(272)	(626)	(800)	(898)	(900)
Federal Medicaid Assistance	- - -	(279)	(61)	(269)	- - -
Overtime	- - -	(50)	(90)	(90)	(90)
Agency Actions	- - -	(24)	(36)	(39)	(41)
Tax Revenues	- - -	250	250	250	250
Delay Welfare Grant Increase	- - -	- - -	11	43	32
Loss of Federal Education Stimulus Aid	- - -	- - -	(1,000)	(1,000)	(1,000)
OSDC Risk Assessment	**(272)**	**(729)**	**(1,726)**	**(2,003)**	**(1,749)**
Remaining Gap to be Closed per OSDC [4]	**$ (272)**	**$ (729)**	**$ (5,509)**	**$ (6,631)**	**$ (7,152)**
Additional Risks and Offsets					
Wage Increases at Projected Inflation Rate	$ - - -	$ (304)	$ (803)	$ (1,300)	$ (1,800)
Pension Fund Investment Earnings	- - -	- - -	36	72	103

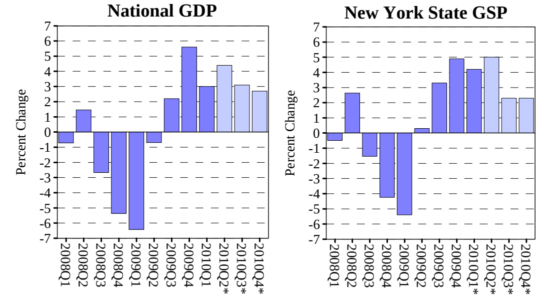
[4] The May Plan includes a general reserve of $100 million in FY 2010 and $300 million in each of fiscal years 2011 through 2014. The Retiree Health Benefits Trust will have $2.7 billion on deposit even after the City draws down $477 million to help balance the budget in fiscal years 2010 and 2011. The City also has established reserves of $600 million annually beginning in FY 2011 to fund recommendations of an independent actuarial consultant; the actual cost could vary from the amount reserved. The City also has a $1.1 billion reserve for disallowances of federal and State aid.

II. Economic Trends

The nation's economic recovery is strengthening. Business spending is up, manufacturing output is rising, job growth has resumed, and consumer spending, which accounts for two-thirds of economic activity, has increased. The real estate markets have also shown some modest recovery, although prices and sales volumes remain significantly below pre-recession levels. Despite this improvement, the recovery still faces risks, including higher interest rates and financial market unrest over European national debts.

Figure 3

Economic Growth

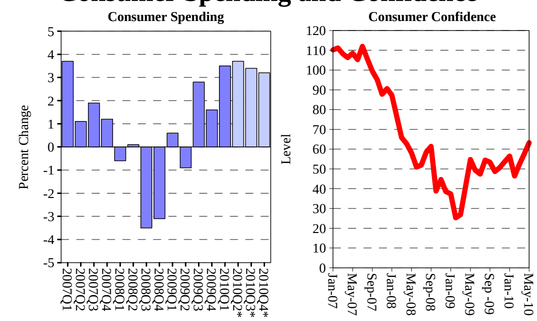


* IHS Global Insight forecast

Source: U.S. Bureau of Economic Analysis

Figure 4

Consumer Spending and Confidence



* IHS Global Insight forecast

Sources: U.S. Bureau of Economic Analysis; The Conference Board

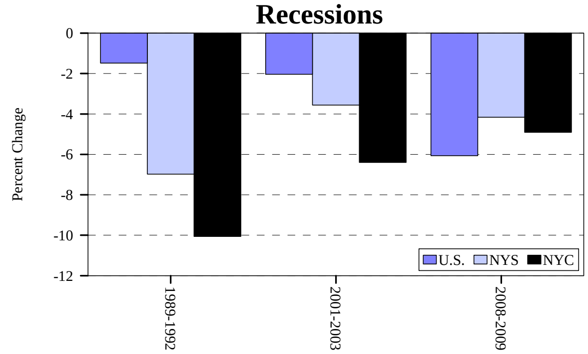
Real Gross Domestic Product (GDP) has grown in the last two quarters of 2009 and the first quarter of 2010 (see Figure 3), driven by business spending, inventory replenishment, and higher consumer spending (see Figure 4). Retail sales, including auto sales, have been rising, but consumers remain cautious and have been reluctant to take on debt. While employment rose for the fourth consecutive month in April, bringing total job creation during those months to 573,000 jobs, consumer behavior is still heavily affected by the 8.4 million jobs lost between December 2007 and December 2009. The unemployment rate also remains high—9.9 percent in April 2010, which is only slightly less than the peak of 10.1 percent reached in October 2009.

According to the May 2010 forecast by IHS Global Insight, GDP growth is projected to grow by 3.5 percent in 2010 and then by an average of 2.9 percent annually over the rest of the financial plan period. Business spending on equipment and software—and, to a lesser degree, exports—is expected to be a major driver of growth, more so than consumption. While consumption is expected to rise, the rate of growth is not projected to reach the levels seen during the last recovery.

New York State's economy has expanded in the last half of 2009 and the first quarter of 2010. IHS Global Insight forecasts the real Gross State Product (GSP) will grow by 3.8 percent in 2010 and an average annual rate of 2.5 percent from 2011 to 2014.

For the nation as a whole, the recession was the most severe since the Great Depression—but for the State and City economies, the impact was much less severe in terms of job losses. Employment in New York State declined by 367,400 jobs (4.2 percent), including 186,900 jobs (4.9 percent) in New York City, whereas employment declined by 6.1 percent nationally (see Figure 5). The job losses were also much less severe for the City's economy compared to the prior two recessions, but the unemployment rate in the City peaked at 10.5 percent—the highest level in 17 years.

Figure 5
Cumulative Job Decline During Recent Recessions

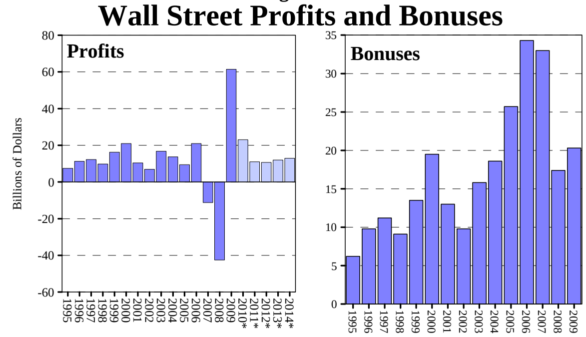


Sources: U.S. Bureau of Labor Statistics; NYS Department of Labor; OSDC analysis

The May Plan assumes that employment losses in the City will end in the third quarter of 2010, with a total decline of 188,000 jobs—much less than the 330,000 job loss forecast in June 2009. When job growth resumes, the City forecasts that job gains will be less robust than in prior expansions, averaging 31,000 jobs annually between 2010 and 2014. The recovery appears to have already started, with employment increasing by 53,000 jobs (seasonally adjusted) between the December 2009 low and April 2010.

Wall Street—the economic engine of the City—has rebounded strongly, helped by federal government bailouts, the Federal Reserve's low interest rate policy, changes in accounting rules, and other government programs. In 2009, the profits of the broker/dealer operations of New York Stock Exchange member firms reached a record $61.4 billion (see Figure 6)—almost triple that of the previous record, set in 2000. The gain also exceeded the $54 billion in cumulative losses incurred in 2007 and 2008. The May Plan forecasts that Wall Street profits will return to a more normal and sustainable level, totaling $21 billion in 2010 and then averaging $11.9 billion annually through 2014, as interest rates rise and federal support programs are ended.

Figure 6
Wall Street Profits and Bonuses



* City forecast
Notes: Profits are for broker/dealer operations of NYSE member firms.
Sources: NYS Department of Labor; New York Stock Exchange; Securities Industry and Financial Markets Association; OSDC analysis

As Wall Street returned to profitability, it increased its year-end bonuses. The State Comptroller estimated that bonuses, excluding deferred compensation, paid by Wall Street firms to their New York City–based employees grew by 17 percent in 2009, to

$20.3 billion, after a 47 percent drop in 2008 (see Figure 6). The rebound in bonuses was less than the rebound in profits, as the industry modified its compensation practices—such as greater bonus payments through stock or other deferred compensation instead of cash, and an increase in base salaries—in response to public outrage over industry pay.

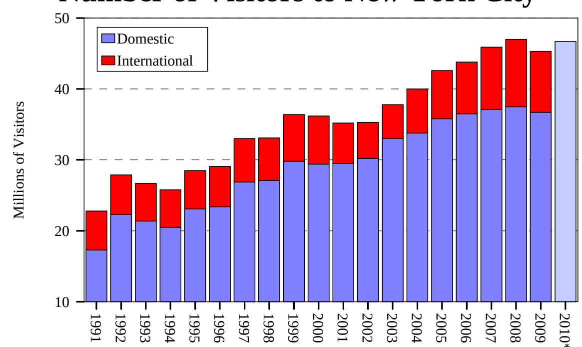
Employment in the securities industry has held up better than originally feared. Between January 2008 and February 2010, the industry lost 30,400 jobs on a seasonally adjusted basis. The job decline of 16.1 percent during this downturn was lower than the losses Wall Street experienced in the early 1990s (21 percent) and in the early 2000s (20.5 percent). The City now forecasts that Wall Street will lose 35,000 jobs in this recession rather than the 47,000 jobs projected in June 2009, and that Wall Street job gains will resume in 2011. Job gains have already begun, however, with 1,200 jobs added between February and April 2010.

With the resumption of job growth and the rebound of Wall Street bonuses, the May Plan assumes that total wages paid in the City will rise by 2.5 percent in 2010 and by 4.4 percent in 2011, compared to the record decline of 11.2 percent in 2009.

Consumer retrenchment during the recession affected the tourism industry in New York City much less than it affected tourism in other cities. In 2009, more than 45 million visitors traveled to the City, down only 3.6 percent from the record number of visitors in 2008 (see Figure 7). The City also surpassed Orlando, Florida, to become the number one destination for both domestic and international visitors. The City estimates that the number of visitors will rise to 46.7 million in 2010.

Figure 7

Number of Visitors to New York City

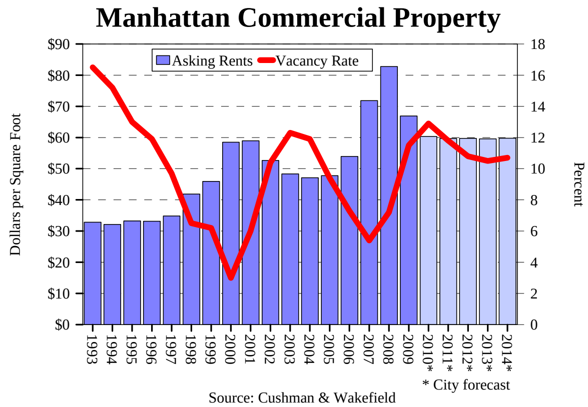


* NYC & Company forecast
Source: NYC & Company

The City's hotels lowered room rates in order to minimize the decline in occupancy rates. In 2009 the average room rate declined by 22 percent to $241, while the hotel occupancy rate was 81.6 percent—only 4 percentage points lower than in 2008. By 2011, the City projects that the average room rate will rise to $246, while the occupancy rate will remain around 80 percent. Broadway experienced another record year as revenues surpassed $1 billion in 2009, although attendance declined by 3 percent to 12 million. For the first quarter of 2010, Broadway's revenues as well as its attendance level increased from one year earlier—by 16 percent and 9 percent, respectively.

The City's residential apartment market has started to improve as the recovery has begun to take hold and Wall Street has returned to profitability. Prudential Douglas Elliman reported that Manhattan cooperative apartment sales increased by 168.4 percent in the first quarter of 2010, compared to one year earlier, while the median sales price grew by 16.6 percent. During the same period of time, sales of Manhattan condominium apartments increased, by 63 percent, although the median sales price declined, by 13.2 percent. The City projects that the number of residential transactions will increase throughout the rest of 2010 but that price declines will continue.

Figure 8



The City also projects that the commercial real estate market will soon reach bottom, and then remain weak in the near term. Data from CB Richard Ellis for March 2010 show that the vacancy rate in the overall office market in Manhattan has continued to rise and the average asking rent has continued to decline (see Figure 8). Nevertheless, the rate of deterioration has eased since the second half of 2009. The May Plan assumes that office vacancy rates will continue to rise in 2010, reflecting the recent employment declines, and that rental rates will decline further. Although the local economy is projected to slowly improve after 2010, the City expects that in the next few years the completion of new buildings currently under construction (such as the 4.4 million square feet of space at the World Trade Center site) will limit the decline in the office vacancy rate and prevent rental rates from rising.

Economic conditions are improving, but risks remain. Consumers are still cautious as unemployment remains high and credit remains tight for both consumers and businesses. There are also concerns that interest rates could rise quickly when the Federal Reserve begins to tighten monetary policy and efforts to narrow the growing federal budget deficit could put a further drag on the economy.

Investors have also become increasingly concerned with the debt and liquidity crisis in Europe—while much of the focus has been on problems facing Greece, there is fear the crisis may spread to other countries on the continent. The crisis is also lowering the value of the euro, which may have an impact on tourism in the City. Finally, the City's economy relies heavily on the volatile securities industry. Proposed regulatory reforms currently under consideration by Congress are expected to improve stability in the financial system and the long-term profitability of the securities industry, but such reforms could limit Wall Street's profitability in the near term.

III. Fiscal Year 2010

Last June, the City projected a balanced budget for FY 2010—but since then, tax revenue growth has been much stronger than expected, and the City has drawn down reserves, withdrawn proposed wage increases, cut planned agency spending, and refunded debt to take advantage of low interest rates. These resources permitted the City to fund unplanned agency expenses, offset the potential impact of the State budget, and provide financial assistance to the Health and Hospitals Corporation. Despite these unplanned needs, the City forecasts a surplus of $3.3 billion in FY 2010, which the Mayor has proposed using to help balance the FY 2011 budget (see Figure 9). An improving economy, combined with agency cost-reduction actions, reduces the out-year budget gaps by $1.1 billion annually—to $3.8 billion in FY 2012 and $4.6 billion in FY 2013.

Revenues are higher than forecast in June 2009 by $2.4 billion in FY 2010, $909 million in FY 2011, and about $625 million annually in subsequent years. These estimates reflect an improved economic outlook, Wall Street's recovery, and, in FY 2010, proceeds from Battery Park City, restitution monies paid to district attorneys, and a refund in health insurance premiums paid in prior years. Beginning in FY 2011, property tax collections are projected to be lower than forecast one year ago as a result of declines in property values, which will partially offset gains in nonproperty taxes.

The City also obtained $1.2 billion in budget relief in FY 2010 from a reduction in reserves, mostly from a drawdown in reserves for collective bargaining. In subsequent years, the City increased its reserve to $600 million annually to fund recommended changes in actuarial assumptions used to calculate pension contributions. The City set aside resources to fund pollution remediation projects that can no longer be financed with debt, but also has proposed legislation that would eliminate the need for these resources.

The City's expenditure estimates for FY 2010 are somewhat higher than one year ago (excluding the implications of various policy initiatives), reflecting a delay in the receipt of federal Medicaid assistance and unplanned agency spending (e.g., overtime), partially offset by debt service savings primarily from lower interest rates. Spending will be lower in FY 2011 by $671 million due largely to the receipt of additional federal Medicaid assistance from the State and the expectation that the federal government will extend such assistance for another two quarters. In total, the May Plan will benefit by $1.2 billion in budget relief from additional federal Medicaid aid.

The May Plan also reflects a number of new major policy initiatives. Last June, the City assumed that the municipal unions would agree to reduce the cost of employee benefits by about $600 million annually. The City has since revised its strategy to achieve these savings and eliminated funding for a two-year wage increase planned for fiscal years 2010 and 2011, now assuming that any wage increase will be funded from increased productivity and savings from reducing the cost of fringe benefits. In addition, the Mayor has proposed an increase in City assistance to the Health and Hospitals Corporation, which is struggling to balance its budget and provide needed care.

Figure 9
Financial Plan Reconciliation
June 2009 Plan vs. May 2010 Plan
(in millions)

	FY 2010	FY 2011	FY 2012	FY 2013
			Better/(Worse)	
Surplus/(Gap) as of June 2009 Plan	**$ - - -**	**$ (4,925)**	**$ (4,994)**	**$ (5,633)**
Revenue Reestimates				
Personal Income Tax	872	671	615	587
Business Taxes	393	327	230	257
Sales Tax	203	195	98	69
Tax Audit Revenue	285	- - -	- - -	- - -
Property Tax	44	(362)	(288)	(407)
Other Taxes	93	(7)	29	3
Subtotal	**1,890**	**824**	**684**	**509**
Non-Tax Revenues	520	85	37	25
Total	**2,410**	**909**	**721**	**534**
Reserves				
Collective Bargaining Reserves	1,013	268	336	266
General Reserve	200	- - -	- - -	- - -
GASB 49 Reserve	- - -	(150)	(150)	(200)
Pension Reserve	- - -	(400)	(150)	(150)
Total	**1,213**	**(282)**	**36**	**(84)**
Agency Program	**489**	**1,291**	**1,287**	**1,295**
Expenditure Reestimates				
Debt Service	211	383	49	26
Federal Medicaid Assistance	(187)	561	395	422
Other Expense Changes	(280)	(273)	(467)	(537)
Total	**(256)**	**671**	**(23)**	**(89)**
Policy Initiatives				
Wage Freeze for Two Years	35	190	469	730
Restructure Fringe Benefits	- - -	(557)	(586)	(618)
Health and Hospitals Corporation Support	(348)	(83)	(229)	(300)
Total	**(313)**	**(450)**	**(346)**	**(188)**
State Budget Impact[5]	**(270)**	**(487)**	**(464)**	**(464)**
Surplus/Gap	**3,272**	**(3,272)**	**(3,783)**	**(4,628)**
Surplus Transfer	(3,272)	3,272	- - -	- - -
Gap to be Closed Per the May 2010 Plan	**$ - - -**	**$ - - -**	**$ (3,783)**	**$ (4,628)**

Note: Totals may not add due to rounding.
Sources: NYC Office of Management and Budget; OSDC analysis

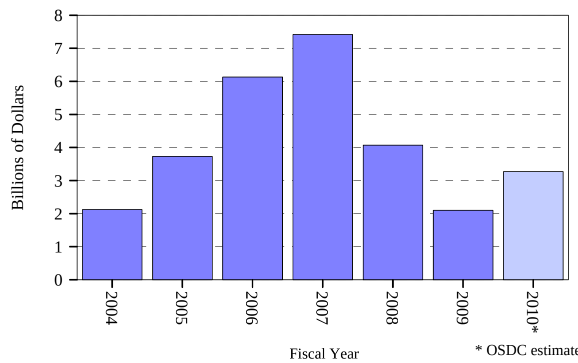
5 These estimates exclude the impact of the Governor's proposed reduction in State education aid, which would reduce aid to New York City by $493 million in FY 2011.

IV. Current-Year Operating Results

After the recession of the early 2000s, surging Wall Street profits and rising real estate values and transactions, combined with conservative revenue forecasts, resulted in large amounts of unanticipated resources during the fiscal year. As shown in Figure 10, these resources peaked at $7.4 billion in FY 2007. Even though the City has been contending with the worst recession in decades, it has still realized substantial amounts of unanticipated resources in recent years because its financial plan was based on very conservative economic and revenue assumptions, and because it raised taxes, cut planned spending, and received federal stimulus funds. In FY 2010, the amount of unanticipated resources is expected to reach $3.3 billion, primarily because of higher-than-anticipated revenue collections and a drawdown of reserves.

Figure 10

Annual Unanticipated Resources



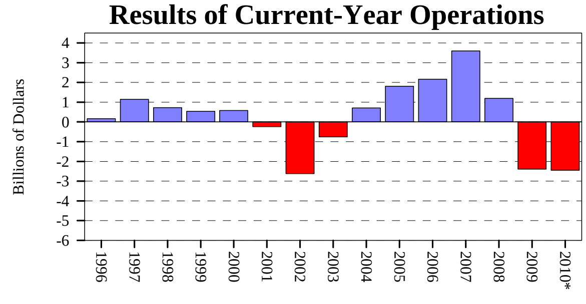
Sources: NYC Office of Management and Budget; OSDC analysis

As it has in past years, the City intends to transfer these unanticipated resources to the following year, to help close that year's budget gap. This transfer of resources between years masks the relationship between recurring revenues and expenditures. A clearer picture of the City's fiscal condition can be obtained by examining the results of current-year operations—the difference between revenues earned and expenditures incurred in the current year. This entails adjusting for surplus transfers and other factors that impede transparency, such as certain discretionary actions.

As shown in Figure 11, the size of the current-year surplus grew each year after the end of the last recession, and peaked in FY 2007 at $3.6 billion. The surplus then declined sharply in FY 2008 as revenues fell due to the economic slowdown. Despite tax increases and agency cost-cutting, spending exceeded current-year resources by about $2.5 billion in each of fiscal years 2009 and 2010, and those budgets were balanced using surplus resources accumulated in prior years. For example, the FY 2010 budget benefited from $2.7 billion in debt defeasances executed in prior years, which are not expected to recur.

Figure 11

Results of Current-Year Operations



Notes: Adjusted for surplus transfers, TFA, TSASC, and discretionary actions. Includes benefit of proposed and enacted gap-closing actions.
Sources: NYC Office of Management and Budget; NYC Comptroller; OSDC analysis

In the aggregate, nonrecurring resources are expected to total $6 billion in FY 2010 and $5.8 billion in FY 2011 (see Figure 12).

Figure 12
Nonrecurring Resources
(in millions)

	FY 2010	FY 2011
Debt Defeasances	$ 2,726	$ - - -
Federal Education Aid	1,194	853
Prior-Year Payables	923	- - -
Federal Medicaid Assistance	663	856
Battery Park City	134	66
Restitution Agreements	130	27
TFA Transfer	100	- - -
Retiree Health Benefits Trust	82	395
Debt Refundings	28	330
FY 2010 Projected Surplus	- - -	3,272
Total	**$ 5,980**	**$ 5,799**

Source: OSDC analysis

- The City used surplus resources in fiscal years 2007 and 2008 to defease debt due in FY 2010, reducing debt service by $2.7 billion in FY 2010.
- The federal American Recovery and Reinvestment Act of 2009 (ARRA) provides education aid of $1.2 billion in FY 2010 and $853 million in FY 2011.
- The City has reduced prior-year payables by $923 million in FY 2010, mainly from the reduction of wage reserves and the receipt of reimbursement for health insurance overpayments.
- The ARRA provided Medicaid relief of $663 million in FY 2010 and $856 million in FY 2011.
- As part of an agreement to help balance the State budget, the Battery Park City Authority released surplus funds to the City in the amount of $134 million in FY 2010 and $66 million in FY 2011.
- Restitution agreements are the City's share from the prosecution of certain banks, and total $130 million in FY 2010 and $27 million in FY 2011.
- The TFA transferred $100 million in State building aid to the City that was not needed to pay debt service on bonds backed by State building aid in FY 2010.
- The City expects to draw down $82 million in FY 2010 and $395 million in FY 2011 from the Retiree Health Benefits Trust.
- General Obligation (GO) and TFA debt refundings provide budgetary savings of $28 million in FY 2010 and $330 million in FY 2011.
- The FY 2010 projected surplus ($3.3 billion) will be used to help balance the FY 2011 budget.

V. Impact of the State and Federal Budgets

In January 2010, the Governor's executive budget projected a budget gap of $7.4 billion for State fiscal year (SFY) 2010-2011, and gaps of $14.5 billion, $18.5 billion, and $20.9 billion in the following three fiscal years. To balance the SFY 2010-2011 budget, the Governor proposed a series of actions, some of which would adversely affect New York City. In our March 2010 report, we estimated that these proposals, if enacted, would reduce State assistance to the City by a net of $1.2 billion over a two-year period. Since January, the State budget gap for SFY 2010-2011 has grown by $1.8 billion to reach $9.2 billion.

Since the State has not yet adopted a new budget for the fiscal year that began on April 1, 2010, the City has had to make assumptions regarding the eventual impact of that budget. The May Plan assumes that the State budget will reduce State assistance to New York City by a two-year total of nearly $1.3 billion (see Figure 13), based largely on the proposals included in the Governor's executive budget. The May Plan assumes that most of the adverse impact would come from reducing State education aid and from curtailing revenue sharing payments to the City under the Aid and Incentives to Municipalities (AIM) program.

Figure 13
Potential Impact of the State Budget on New York City
(as assumed in the May Plan)
(in millions)

	Better/(Worse)	
	FY 2010	**FY 2011**
Department of Education	$ - - -	$ (493)
Aid and Incentives to Municipalities	(177)	(327)
Other Agencies	(92)	(147)
Cigarette Tax	(1)	(12)
Total	**$ (270)**	**$ (979)**

Sources: NYC Office of Management and Budget; OSDC analysis

The actual impact on the City could be less because the State Legislature has been reluctant to reduce education aid by the amount proposed by the Governor, and the State could approve proposals that would provide budget relief from GASB 49 ($150 million) and extend the mortgage recording tax to cooperative apartments ($50 million). On the other hand, the size of the State budget gap has grown since January, which could require deeper cuts in aid to localities.

The Governor's executive budget proposed the elimination of funding to New York City under the AIM program, which would have taken effect in the current City fiscal year due to the accounting treatment of these funds. Budget resolutions subsequently passed by the State Senate and the State Assembly would have restored $150 million in AIM funding to the City. The May Plan assumes the receipt of $150 million in AIM funding in FY 2010, but the elimination of funding in subsequent years. These assumptions appear reasonable for planning purposes.

The Governor also proposed reducing education aid by $1.4 billion statewide, including a cut of $493 million to New York City. According to the State Division of the Budget, the cut in State education aid would have been even greater if the State had not drawn on funding from the federal American Recovery and Reinvestment Act of 2009 (ARRA). The budget resolution passed by the Assembly would have reduced the cut in education aid to New York City from $493 million to $233 million.

The May Plan reflects the Governor's proposed reduction in education aid, which the City estimates could result in the elimination of 6,414 pedagogues (70 percent through layoffs). On June 2, 2010, the Mayor announced that he would eliminate raises for teachers and principals, and would use the savings to mitigate the proposed cut in State education aid and to avoid teacher layoffs.

Both the Governor and the Mayor are hoping that the federal government extends the extraordinary assistance that has been provided to states and localities to help them maintain services and jobs during the recession. The ARRA provided New York City with a total of $4.8 billion in operating budget assistance over a three-year period, with a large portion of the assistance coming in the form of education aid and enhanced federal Medicaid reimbursement.

Although the federal assistance is scheduled to expire next year, the recently enacted federal health care reform legislation will allow New York City to receive a larger share of the additional Medicaid funding allocated to New York State under the expiring ARRA ($582 million), and Congress is considering legislation that would extend the enhanced federal Medicaid reimbursement by another two quarters ($609 million). The May Plan reflects both of these developments.

New York State is also applying for $700 million in additional federal education grants under the Race to the Top program. These competitive grants are allocated to states based on a rating system that takes into account certain education reforms. Although the federal government did not award funding to New York State under the grant, the State is applying for the second round of the program, which currently stands at $3.4 billion. To improve its chances of winning additional aid, New York has adopted certain reforms, including an increase in the number of charter schools.

VI. Agency Actions

To help balance the FY 2011 budget, the Mayor has proposed actions to generate $489 million in FY 2010 and $1.3 billion annually in subsequent years (see Figure 14). The Department of Education, the uniformed agencies, and the health and social services agencies account for 66 percent ($852 million) of the resources. The Mayor's proposals would reduce staffing by 4,304 positions, including 1,328 layoffs.

Figure 14
Agency Actions
(in millions)

	FY 2011	FY 2012	FY 2013	FY 2014
Education	$ 338.9	$ 338.6	$ 338.6	$ 338.6
Health and Social Services	276.7	262.3	260.2	255.7
Uniformed Agencies	236.0	311.6	313.6	260.8
Transportation	60.7	50.4	36.6	36.7
Procurement Savings	55.5	55.5	55.5	55.5
Public Officials	51.5	22.4	22.4	22.5
Parks	45.0	38.1	38.1	38.2
Libraries and Cultural Institutions	46.0	46.0	46.0	46.0
All Other Agencies	180.9	162.2	184.2	195.5
Total	**$1,291.2**	**$1,287.1**	**$1,295.2**	**$1,249.5**

Note: Totals may not add due to rounding.
Sources: NYC Office of Management and Budget; OSDC analysis

The largest agency initiatives are discussed below; several cannot be implemented without the approval or cooperation of outside entities.

- The Mayor would rescind cuts to educational programs if the unions that represent teachers and principals accept 2 percent annual wage increases in place of the 4 percent increases provided to other municipal workers (annual net savings of $317 million). On June 2, 2010, the Mayor announced that he would eliminate raises for teachers and principals, and would use the savings to mitigate the proposed cut in State education aid and to avoid teacher layoffs. The success of these initiatives will be determined through the collective bargaining process.
- The Police Department will replace 400 officers performing administrative functions with civilians by June 30, 2011 (savings of $1 million in FY 2011 rising to $13 million annually beginning in FY 2013). The Mayor had proposed a larger reduction in the January Plan (1,292 officers), but that proposal was curtailed after the failed terrorist bombing in Times Square.

- The Sanitation Department will generate savings from delays in opening four marine transfer stations and from lower-than-planned costs for exporting solid waste (savings of $89 million; a reduction of 302 positions).
- The Department of Correction will reduce the number of uniformed personnel and lease beds to other jurisdictions ($71 million; 623 positions). The department has not begun negotiations regarding the lease proposal ($13 million), and similar efforts have failed in the past.
- The Fire Department intends to eliminate the fifth firefighter post at 60 engine companies, but this initiative requires union approval ($8 million in FY 2011; 300 positions). The department also plans to eliminate 20 fire companies, including 16 that had been planned for closure last year but were funded by the City Council. The department also plans to deactivate street alarm boxes, which requires court approval.
- The Department of Social Services will claim additional Medicaid reimbursement, implement administrative efficiencies, and reduce some services ($75 million; 407 positions).
- The Administration for Children's Services plans to obtain additional State and federal aid for administrative costs, consolidate 16 child care centers, increase adoptions and family reunifications, reduce preventive services, and increase child protective caseloads ($83 million; 250 positions).
- The Department of Health and Mental Hygiene will reduce funding for public health services ($49 million; 240 positions). The department also plans to eliminate full-time nurses at elementary schools with fewer than 300 students ($3 million), which requires City Council approval.
- The Department of Homeless Services will reduce the use of hotel facilities and obtain federal funding for veterans ($25 million; 57 positions).
- The Department of Transportation plans to increase parking rates, seek lower contract bids for traffic signal maintenance, and produce savings through higher-efficiency street light fixtures ($61 million; 100 positions).
- The Department of Parks and Recreation will reduce staffing, accept fewer participants in its job training program, close four pools, and shorten the outdoor pool season by two weeks ($45 million; 377 positions).
- Subsidies to libraries, museums, zoos, and other cultural institutions would be reduced by $46 million annually, which could reduce staffing by 1,024 positions.

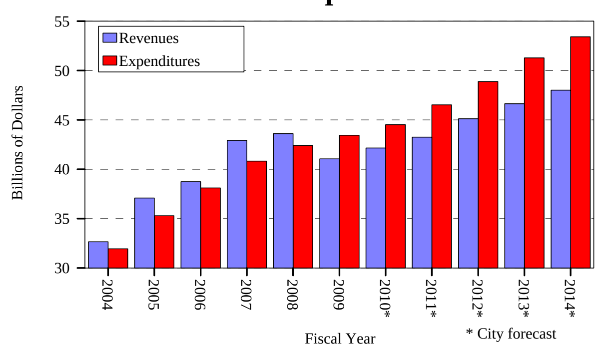
VII. Revenue and Expenditure Trends

During fiscal years 2004 through 2008, City fund revenues grew faster than City-funded expenditures, contributing to record budget surpluses during those years. In fiscal years 2009 and 2010, City-funded expenditures outpaced revenues as a result of revenue losses sustained from the recession—but the budgets are balanced in these years by drawing upon surplus resources accumulated during the economic boom earlier in the decade.

City fund revenues are projected to increase by 2.6 percent to reach nearly $43.2 billion in FY 2011, which is still lower than the peak reached in FY 2008 (see Figure 15). While revenues are projected to grow even faster in FY 2012 (4.3 percent), the City projects that the rate of growth will slow during the balance of the financial plan period. City-funded expenditures are projected to grow by 4.5 percent to $46.5 billion in FY 2011, and to grow even faster in FY 2012 (5.1 percent), despite recent efforts by the City to slow the rate of growth.

Figure 15

Revenue and Expenditure Trends



Notes: Adjusted for surplus transfers and debt defeasances.
Also adjusted for debt service costs for PIT-backed TFA and TSASC bonds.
Sources: NYC Office of Management and Budget; NYC Comptroller; OSDC analysis

Even though spending is projected to be higher by nearly $3.3 billion in FY 2011, the budget will be balanced by drawing upon resources generated in prior years. Overall, City-funded revenues during fiscal years 2011 through 2014 are projected to grow at an average annual rate of 3.3 percent, while spending is expected to grow at an average annual rate of 4.7 percent. The City projects budget gaps of $3.8 billion in FY 2012, $4.6 billion in FY 2013, and $5.4 billion in FY 2014.

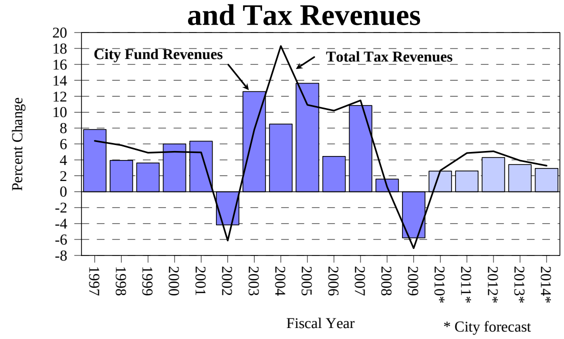
A. Revenue Trends

As the national economy has begun to recover, the City's economic outlook is also improving, although at a more modest rate. In addition, the local downturn appears to have been less severe—and Wall Street's return to profitability much quicker—than the City had anticipated in June 2009. As a result, collections from the City's economically sensitive nonproperty taxes—the personal income, business, and sales taxes—are expected to strengthen. At the same time, growth in the real property tax is forecast to slow down, as recent declines in market values are gradually recognized. Overall, City fund revenues are expected to rise by 2.6 percent in FY 2010 after a 5.8 percent decline in FY 2009; this expected growth is much lower than the 10.8 percent growth in FY 2007 before the recession began (see Figure 16).

City fund revenues are then projected to increase by 2.6 percent in FY 2011 and by an average of 3.5 percent in subsequent years. These rates of growth are still significantly lower than the gains realized before the recession, reflecting the modest employment and wage growth expected by the City as well as the expected weakness in real property tax collections in coming years.

Growth in City fund revenues and its components are shown in Figure 17 and discussed below.

Figure 16
Annual Changes in City Fund Revenues and Tax Revenues



Note: Adjusted for debt service on TFA and tobacco bonds, and the transfer of TSAC revenues.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSDC analysis

Figure 17
City Fund Revenues
(in millions)

	FY 2010	FY 2011	Annual Growth	FY 2012	FY 2013	FY 2014	Average Three-Year Growth Rate
Taxes							
Real Property Tax	$ 16,109	$ 16,760	4.0%	$ 17,423	$ 17,692	$ 17,829	2.1%
Personal Income Tax	6,859	7,557	10.2%	7,941	8,272	8,689	4.8%
Sales Tax	4,992	5,145	3.1%	5,357	5,667	5,980	5.1%
Business Taxes	4,507	4,905	8.8%	5,392	5,775	6,044	7.2%
Real Estate Transaction Taxes	1,013	1,083	6.9%	1,250	1,398	1,554	12.8%
Other Taxes	2,840	2,832	-0.3%	2,845	2,918	2,955	1.4%
Audits	890	622	-30.1%	621	620	620	-0.1%
Subtotal	**37,210**	**38,904**	**4.6%**	**40,829**	**42,342**	**43,671**	**3.9%**
Miscellaneous Revenues	4,773	4,348	-8.9%	4,284	4,309	4,353	0.0%
Unrestricted Intergovernmental Aid	171	14	-91.8%	12	12	12	-5.0%
Grant Disallowances	(15)	(15)	0.0%	(15)	(15)	(15)	0.0%
Total	**$ 42,139**	**$ 43,251**	**2.6%**	**$ 45,110**	**$ 46,648**	**$ 48,021**	**3.5%**
Proposed Tax Program	(1)	(12)	NA	(12)	(12)	(12)	NA
Total Including Tax Program	**$ 42,138**	**$ 43,239**	**2.6%**	**$ 45,098**	**$ 46,636**	**$ 48,009**	**3.5%**

Note: Miscellaneous revenues include debt service on tobacco bonds. Totals may not add due to rounding.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSDC analysis

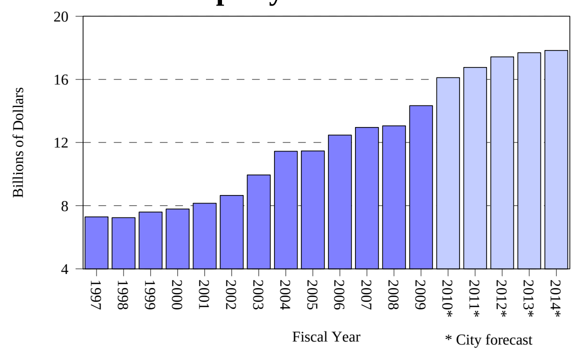
Throughout the recession, the City has used conservative economic assumptions, which have contributed to higher-than-planned tax revenues. As the economic recovery has begun, the City has remained cautious—for example, the May Plan assumes that job losses will continue through the third quarter of 2010, even though job gains had begun in the first quarter. Based on recent trends in job growth, we believe that personal income tax collections will be higher than assumed in the May Plan for FY 2011, which will then raise the base for future years. Even though the commercial real estate market remains weak, there appears to be an increase in transaction activity.

1. Real Property Tax

Even though the recession put downward pressure on property values, collections from the real property tax increased by 23.3 percent between fiscal years 2008 and 2010, to $16.1 billion (see Figure 18). This gain was fueled by a tax rate increase enacted in January 2009 and the continued phase-in of assessed value growth from the earlier boom in the real estate markets.

Figure 18

Real Property Tax Revenues



Sources: NYC Comptroller; NYC Office of Management and Budget

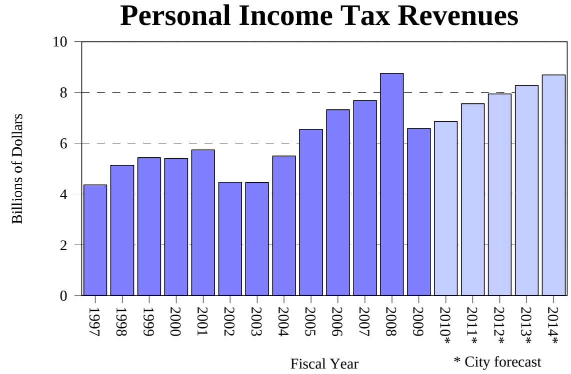
Annual assessments are subject to provisions of State law that limit large annual market value increases by phasing them in over several years. These phase-ins will continue to push up assessments in fiscal years 2011 and 2012, when revenues are expected to increase by 4 percent annually. Nonetheless, the severe downturn in the real estate markets has caused the City to slightly reduce the expected growth in these years. With market conditions expected to remain constrained through the financial plan period and the benefits from the phase-ins to be depleted, growth in real property tax revenues is forecast to slow to 1.5 percent in FY 2013 and 0.8 percent in FY 2014.

2. Personal Income Tax

Personal income tax collections fell by nearly one-quarter in FY 2009 as a result of the recession and a sharp drop in Wall Street bonuses. In FY 2010, however, job losses have not been as severe as originally projected, and Wall Street's recovery has been stronger than expected. As a result, the City forecasts that personal income tax revenues will grow by 4.1 percent to reach $6.9 billion that year (see Figure 19). In FY 2011, collections are expected to rise by 10.2 percent due to job growth, a rise in capital gains realizations due to the expiration of previous federal tax cuts, and higher Wall Street bonuses. In subsequent years, the rate of growth in collections is expected to ease to an average annual rate of 4.8 percent as capital gains realizations fall back to more normal levels and job gains remain subdued. Overall, the growth in the personal income tax is expected to be lower than before the recession, and collections are not forecast to surpass pre-recession levels during the financial plan period.

Figure 19

Personal Income Tax Revenues



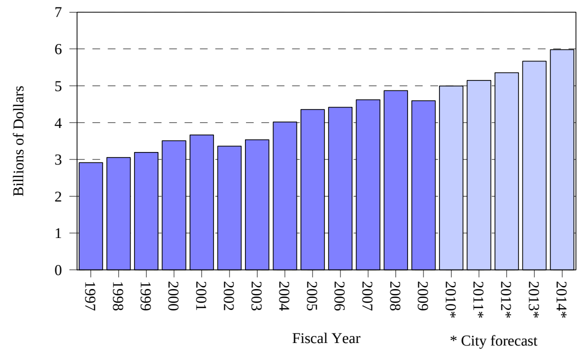
Sources: NYC Comptroller; NYC Office of Management and Budget

3. Sales Tax

In FY 2009, collections from the sales tax dropped for the first time since FY 2002, as the recession led to a cutback in consumer spending (see Figure 20). Collections would have fallen again in FY 2010, but the tax rate was increased by one-half of a percentage point to 8.875 percent, and the tax was extended to additional items, including clothing items that cost more than $110. As a result, collections instead grew by 8.7 percent to $5 billion. As local job and wage conditions improve, it is expected that rising consumption will combine with continued strength in tourism to boost sales tax revenues by 3.1 percent in FY 2011. Sales tax collections are then forecast to rise at an average annual rate of 5.1 percent over the balance of the financial plan period.

Figure 20

Sales Tax Revenues



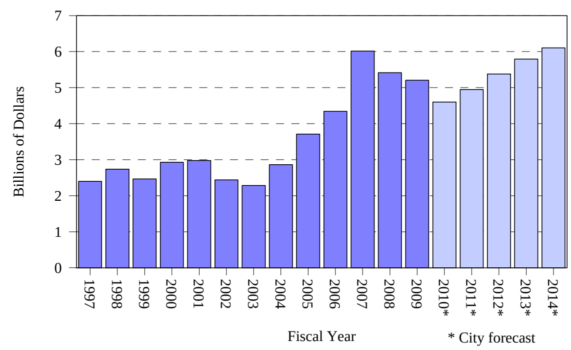
Sources: NYC Comptroller; NYC Office of Management and Budget

4. Business Taxes

As a result of the recession and the financial crisis, collections from the City's business taxes (i.e., general corporation, banking corporation, and unincorporated business taxes) fell by 23.5 percent, or $1.4 billion, between fiscal years 2007 and 2010, to $4.6 billion (see Figure 21). The decline would have been sharper without increases to the business taxes that took effect in FY 2010, which provided the City with $158 million. Growth is projected to resume in FY 2011, with collections rising by 7.6 percent. Corporate taxes are expected to perform better because of the rebound in Wall Street profits.

Figure 21

Business Tax Revenues



Sources: NYC Comptroller; NYC Office of Management and Budget

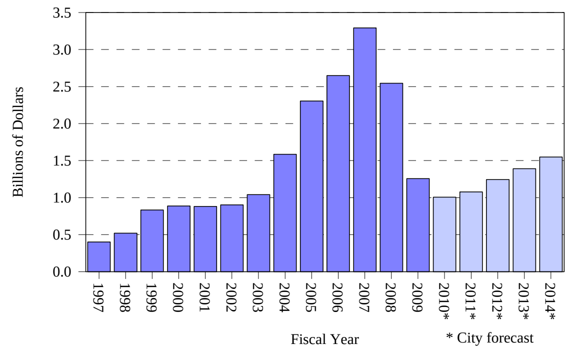
Growth is projected to remain strong through the remaining years of the financial plan period, increasing by 8.7 percent in FY 2012, 7.6 percent in FY 2013, and 5.4 percent in FY 2014. Revenue growth reflects continuing improvement in corporate profitability, in particular among Wall Street firms (depending upon a firm's structure, it may pay either the general corporation tax or the financial corporation tax). The future profitability of Wall Street might change, however, because of financial regulatory reforms under discussion by the federal government.

5. Real Estate Transaction Taxes

The sharp drop in the real estate market was at the epicenter of the recent financial crisis and recession. Collections from the City's real estate transaction taxes—the mortgage recording and real property transfer taxes—fell from $3.3 billion in FY 2007 to an estimated $1 billion in FY 2010 as both prices and the number of transactions declined (see Figure 22). While the City expects collections to begin growing again in FY 2011, it also expects a very subdued recovery in the real estate markets; it has lowered its expectations from its June 2009 forecast by $117 million in FY 2011 and by an average of $75 million annually in fiscal years 2012 and 2013. Overall, the May Plan projects that in the residential market, prices and the number of transactions will continue to fall through 2011, while transactions in the commercial market will improve somewhat.

Figure 22

Real Estate Transaction Tax Revenues

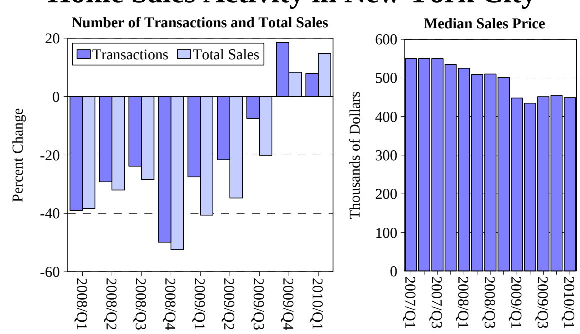


Sources: NYC Comptroller; NYC Office of Management and Budget

Conditions in the residential real estate market do appear to be stabilizing. Data from the New York City Department of Finance show that the number of sales of one-, two-, and three-family homes in the City began to rise in the fourth quarter of 2009 compared to one year earlier, and median sales prices have stabilized (see Figure 23). Nevertheless, the number of transactions in the first quarter of 2010 (nearly 4,000) was less than half the level three years earlier. The number of transactions for cooperative and condominium apartments also has begun to rebound. Median sales prices for cooperative apartments have begun to rise, and the decline in condominium prices is slowing.

Figure 23

Home Sales Activity in New York City



Notes: Data covers one-, two-, and three-family homes.
Change is from the same period one year earlier.
Sources: NYC Department of Finance; OSDC analysis

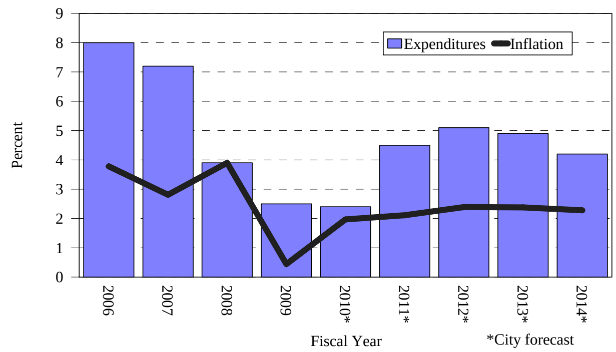
Both the number of transactions and the total value of commercial property sales started to decline earlier than they did for residential properties. The commercial market, however, is showing signs that the worst may be over. During the first three quarters of FY 2010, the rate of decline in the number of transactions and the total value of sales slowed—both for Manhattan office properties and for other commercial property in the City. Recent press reports indicate renewed interest in office deals.

B. Expenditure Trends

City-funded expenditures are projected to grow by 4.5 percent in FY 2011 (after adjusting for surplus transfers and debt defeasances), which is nearly twice the projected local inflation rate (see Figure 24). Debt defeasances executed during fiscal years 2007 and 2008, when the City had large surpluses, benefited FY 2010 by $2.7 billion.

Figure 24

Growth in City-Funded Expenditures



Note: Adjusted for surplus transfers, defeasances, and TSASC.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSDC analysis

Growth is driven by rising pension contributions ($852 million) and rising costs for health insurance ($460 million) and debt service ($240 million), partly offset by savings from the agency cost-reduction program. Salary and wage costs are projected to decline by 1 percent in FY 2011, reflecting a proposed wage freeze for FY 2011, and actual and planned reductions in staffing. The City has reduced staffing by 6,082 employees since the beginning of FY 2010, and intends to reduce staffing by another 1,473 employees between May 1, 2010, and June 30, 2011 (see Appendix).

Figure 25

Estimated City-Funded Expenditures

(Adjusted for Surplus Transfers, TSASC, and Debt Defeasances)

(in millions)

	FY 2010	FY 2011	Annual Growth	FY 2012	FY 2013	FY 2014	Average Three-Year Growth Rate
Salaries and Wages	$ 12,102	$ 11,952	-1.2 %	$ 11,557	$ 11,878	$ 12,156	0.6 %
Debt Service	5,089	5,329	4.7 %	6,141	6,445	6,693	7.9 %
Medicaid	4,984	5,031	0.9 %	5,812	6,036	6,644	9.7%
Pension Contributions	6,595	7,447	12.9 %	7,753	7,902	8,005	2.4 %
Health Insurance	3,340	3,800	13.8 %	4,127	4,476	4,868	8.6 %
Other Fringe Benefits	2,390	2,375	-0.6 %	2,773	2,734	2,850	6.3 %
Judgments and Claims	618	683	10.6 %	774	834	897	9.5 %
Public Assistance	546	565	3.5 %	565	603	603	2.2 %
General Reserve	100	300	NA	300	300	300	NA
Energy	822	878	6.8 %	923	954	971	3.4 %
Drawdown Retiree Health Benefits Trust	(82)	(395)	NA	(672)	- - -	- - -	NA
Other	8,002	8,546	6.8 %	8,827	9,101	9,425	3.3 %
Total	**$44,506**	**$ 46,511**	**4.5 %**	**$ 48,881**	**$ 51,264**	**$ 53,412**	**4.7 %**

Notes: Debt service includes bonds issued by TSASC. Totals may not add due to rounding.
Sources: NYC Office of Management and Budget; OSDC analysis

The May Plan is based on the trends shown in Figure 25, as discussed below.

1. Collective Bargaining

The City reached new labor agreements with all of its major unions for fiscal years 2009 and 2010, with the exception of the United Federation of Teachers (UFT). The agreement with District Council 37, which represents most civilian workers, expired on March 2, 2010, and the agreement with the Patrolmen's Benevolent Association (PBA) will expire on July 31, 2010. Combined, these three unions represent more than 75 percent of the City's workforce.

In January 2010, the City reduced its offer of wage increases to the UFT and the Council of School Supervisors and Administrators (CSA) for the current round of bargaining, from 4 percent annually to 2 percent annually (limited to the first $70,000 of an employee's salary)—even though the City negotiated 4 percent annual wage increases with other civilian employees for fiscal years 2009 and 2010. The City plans to use the anticipated savings to replace a previously planned cut in funding for educational programs, and to fund unplanned special education costs. On June 2, 2010, the Mayor announced that he would eliminate the remaining 2 percent annual raises and would use those savings to mitigate the proposed cut in State education aid and to avoid teacher layoffs. The changes in the City's collective bargaining offer freed up $272 million in FY 2010, $626 million in FY 2011, and $900 million by FY 2014. The New York State Public Employment Relations Board (PERB) has declared an impasse in negotiations between the UFT and the City, and has appointed a mediator to begin nonbinding arbitration, which is in progress.

The City has also changed its strategy for the next round of collective bargaining. The June 2009 financial plan had assumed the City and the municipal unions would reach agreements that would generate annual savings of about $600 million beginning in FY 2011, to come from restructuring health insurance costs and pension benefits for new employees. The City no longer assumes these savings, and instead assumes that the next round of collective bargaining will be funded from productivity savings and restructuring municipal employee fringe benefits. If wages were to rise at the projected inflation rate without any offsetting savings, the City would incur costs of $304 million in FY 2011, $803 million in FY 2012, $1.3 billion in FY 2013, and $1.8 billion in FY 2014.

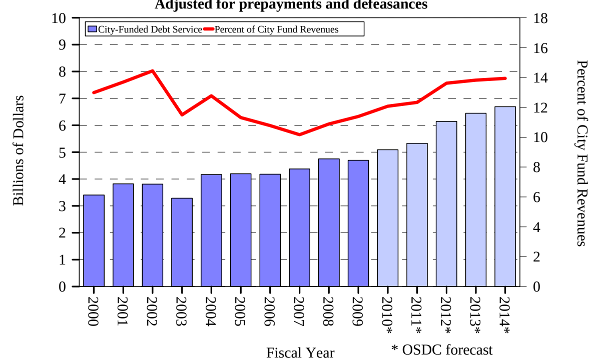
In 1998, the State transferred the responsibility for handling police officer contract disputes from the City's Office of Collective Bargaining to the PERB. According to State law, any arbitration award made by the PERB for the PBA is binding on the City. Prior to the current agreement, the past three agreements between the City and the PBA were based on PERB awards. The current agreement, which was negotiated by the City and the PBA without PERB mediation, provides for four annual wage increases of 4 percent, following the pattern set by other uniformed unions.

While the City and the UFT have not yet reached a new labor agreement for fiscal years 2009 and 2010, they have agreed to eliminate temporary reassignment centers, or "rubber rooms," where teachers accused of misconduct or incompetence are assigned to spend their workdays until their cases are resolved. Under the agreement, most teachers accused of misconduct or incompetence would be reassigned to perform administrative work in Department of Education offices or to perform non-classroom duties in their schools until their cases are resolved.

2. Debt Service

Debt service (adjusted for defeasances and surplus transfers) is projected to reach $5.3 billion in FY 2011—up from $4.2 billion five years earlier—and could reach $6.7 billion by FY 2014 (see Figure 26).[6] Debt service is expected to consume 12.3 percent of City fund revenues in FY 2011, compared with 10.8 percent in FY 2006. This ratio, which measures the burden that debt places on the operating budget, will reach 13.9 percent by FY 2014—the highest since FY 2002 (see Figure 26).

Figure 26
City-Funded Debt Service
Adjusted for prepayments and defeasances



Note: Debt service amounts are adjusted for prepayments and debt defeasances.
Sources: NYC Office of Management and Budget; NYC Comptroller; OSDC analysis

The ARRA has authorized several types of bonds, including Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs). As of the May Plan, the City has issued $3.3 billion in BABs during FY 2010, which are taxable bonds that carry a federal subsidy of 35 percent of the interest costs.[7] The City plans to begin issuing QSCBs in June 2010; it is authorized to issue up to $1.4 billion. Recent federal legislation now permits QSCB issuers to receive federal subsidies or to provide tax credits to bondholders, both aimed to allow the issuer to obtain interest-free financing. Although the program expires at the end of calendar year 2010, the City assumes an additional authorization of $300 million in calendar year 2011.

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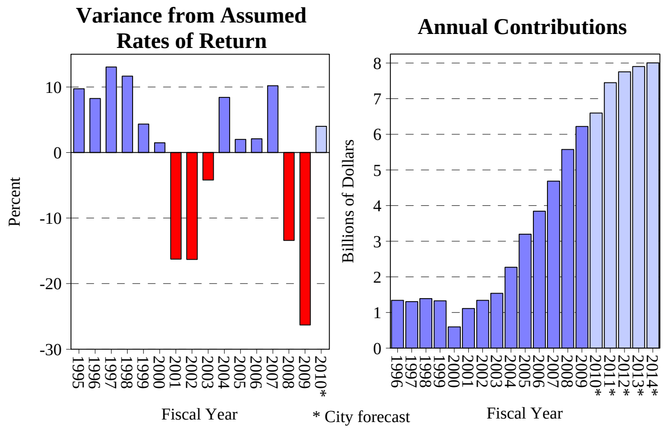
[6] The City used surplus resources in fiscal years 2007 and 2008 to defease debt due in fiscal years 2009 and 2010. These nonrecurring actions reduced debt service by $675 million in FY 2009 and by $2.7 billion in FY 2010. The FY 2011 estimate reflects savings of $330 million from debt refundings in the current fiscal year as the City took advantage of low interest rates.

[7] The Municipal Water Finance Authority has issued an additional $1.4 billion in BABs thus far in FY 2010.

3. Pension Contributions

City contributions to the pension systems are projected to rise from about $1.5 billion in the late 1990s to $7.4 billion in FY 2011, and to reach $8 billion by FY 2014, reflecting the systems' past investment performance and benefit enhancements, as well as reserves for future changes in actuarial assumptions (see Figure 27).

Figure 27



Sources: NYC Comptroller; NYC Office of Management and Budget; OSDC analysis

The May Plan includes annual reserves of $600 million starting in FY 2011 to potentially fund changes in certain actuarial assumptions pursuant to recommendations contained in City Charter–mandated biennial audits of the City's pension systems. A recent preliminary audit found that higher City contributions to the pension funds may be warranted as a result of longer life expectancies and higher-than-expected overtime and salary increases. The City Actuary is still reviewing the preliminary audit, and a final report is expected in FY 2011.

The auditors have also questioned the pension funds' assumed return on investments, but have deferred any recommendations until their final report. The City has proposed legislation that would extend the current earnings assumption of 8 percent for one year through FY 2011—which would be the second consecutive one-year extension—rather than extend it for the usual term of five years. The City estimates that each one percent reduction in the actuarial interest rate assumption would increase pension contributions by at least $1 billion annually.

The May Plan assumes that the pension funds will earn 12 percent on their investments during FY 2010, or four percentage points higher than the current actuarial assumption based on the performance of pension fund investments. As of May 28, 2010, the pension funds had earned 15 percent on their investments, but the equities markets have been volatile in response to the debt crisis in Europe. If these earnings are maintained through the end of the current fiscal year, City pension contributions could be lower than assumed in the May Plan by $36 million in FY 2012, $72 million in FY 2013, and $103 million in FY 2014.

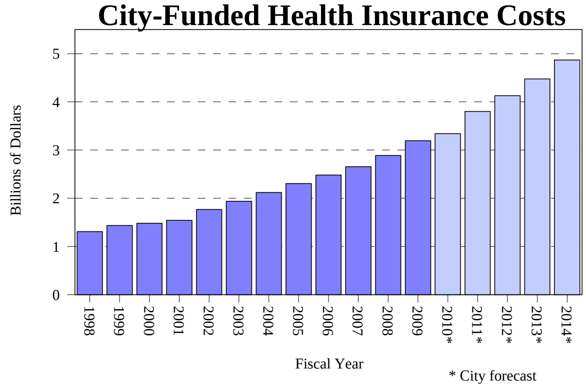
In December 2009, the State created lower-cost pension plans for new State and local government employees (excluding New York City) and New York City teachers. City teachers hired after January 1, 2010, will still be able to retire at age 55 with 27 years of service, but are now required to contribute a higher percentage of their salaries (4.85 percent) for a longer period of time (27 years instead of 10 years). The Mayor has indicated his support for lower-cost pension plans for the City's uniformed employees and civilian employees other than teachers. Such changes would require State approval.

4. Health Insurance

A June 2009 agreement between the City and its unions reduced City health insurance costs by $200 million in each of fiscal years 2010 and 2011, and by $150 million annually in future years. Savings are expected to come from changing to lower-cost network providers, instituting co-payments, and administrative efficiencies. Under the agreement, the City is receiving a guaranteed annual payment of $112 million from the Health Stabilization Fund (HSF). In addition, $46.1 million was transferred from the HSF in FY 2010 (and an additional $44.2 million will be transferred in FY 2011) to the City's general fund for budget-balancing purposes. Despite the agreement, premiums continue to rise and are expected to increase by 11.5 percent in FY 2010, 11.3 percent in FY 2011, and 8 percent annually in subsequent years. City spending on health insurance will increase from $3.3 billion in FY 2010 to $4.9 billion in FY 2014 (see Figure 28).

Figure 28

City-Funded Health Insurance Costs



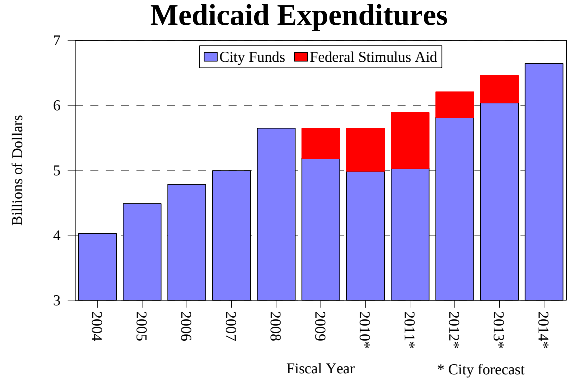
Sources: NYC Comptroller; NYC Office of Management and Budget; OSDC analysis

5. Medicaid

The City's Medicaid caseload reached 2,831,495 in March 2010, 11 percent higher than two years earlier. Even so, the City-funded cost declined from $5.6 billion in FY 2008 to about $5 billion in each of fiscal years 2010 and 2011 as a result of the receipt of ARRA Medicaid funds intended to help localities manage their budgets during the recession (see Figure 29). These estimates also reflect the Mayor's proposal to provide additional aid to the Health and Hospitals Corporation.

Figure 29

Medicaid Expenditures



Sources: NYC Human Resources Administration; OSDC analysis

A provision in the recently enacted federal health care reform legislation allows the City to receive a larger share of the Medicaid funds allocated to the State under the expiring ARRA ($95 million over the course of fiscal years 2010 and 2011, $334 million in FY 2012, and $153 million in FY 2013), and the May Plan assumes that Congress will extend the enhanced federal reimbursement by two quarters ($279 million in FY 2011, $61 million in FY 2012, and $269 million in FY 2013). City and State representatives are discussing these estimates and the timing of the receipt of the federal aid. While the estimates appear reasonable for financial planning purposes, it is possible that the City could receive the aid sooner, although Congress may not pass the extension. The May Plan assumes that Medicaid will cost $6.6 billion in 2014 after the expected loss of ARRA funding.

6. Public Assistance

Despite the recession, the City's public assistance caseload has grown by only 2.5 percent since July 2008 to reach 347,465 recipients in April 2010. Even though most of the cost of the program is funded by the federal and State governments, the City-funded cost has grown from $462 million in FY 2008 to $546 million in FY 2010, an increase of 18 percent, largely due to an expansion in City-funded rent subsidy programs. The City-funded cost is projected to reach $603 million in FY 2014. In April 2009, the State agreed to increase benefits by 10 percent annually in July of 2009, 2010, and 2011, and to fund the local share of these costs for the first two years using federal economic stimulus funds. The Governor, however, has proposed delaying the second year of the scheduled increase until July 2013. If enacted, the City could realize savings of $11 million in FY 2012, $43 million in FY 2013, and $32 million in FY 2014.

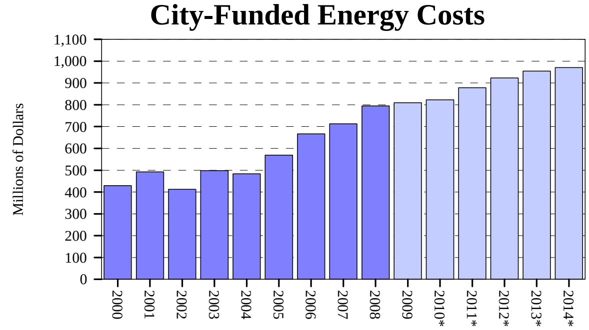
Congress is expected to reauthorize the federal public assistance program, Temporary Assistance for Needy Families (TANF), by September 2010. Federal block grant funding has not increased since 1996, despite caseload increases and state budget deficits. States, given their budgetary stress and constraints, are seeking to index the TANF block grant to inflation and are requesting more flexibility and discretion with work requirements in order to better meet existing needs for assistance.

7. Energy Costs

The City's energy costs are projected to double from about $400 million in FY 2002 to $878 million in FY 2011, reflecting rising oil and natural gas prices along with higher rates and charges from utility companies (see Figure 30).

Figure 30

City-Funded Energy Costs



Sources: NYC Comptroller; NYC Office of Management and Budget; U.S. Energy Information Administration; OSDC analysis

8. Judgments and Claims

Judgments and claims are expected to total $897 million in FY 2014, an increase of 45 percent over the current fiscal year. This estimate, however, does not take into account any liability that could accrue to the City from 11,900 claims that allege injuries ensuing from rescue and cleanup work at the World Trade Center site in the aftermath of the events of September 11, 2001. In 2004, Congress appropriated $1 billion to fund the WTC Captive Insurance Company (CIC), which was established for the sole purpose of paying the rescue and cleanup claims. Since that time, only one of the claims has been settled. The presiding judge rejected a settlement proposed by attorneys for the plaintiffs and the City, and the City has filed an appeal.

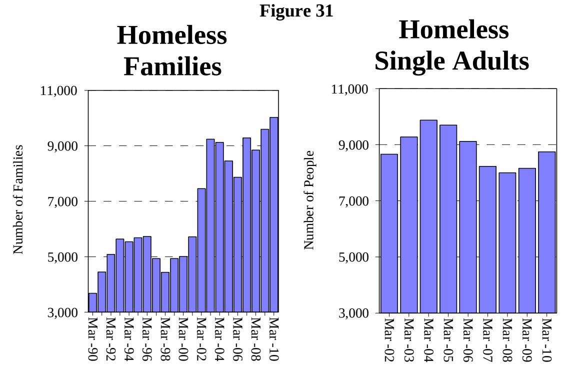
9. Overtime

The May Plan assumes that overtime in the Police Department will reach $487 million (total funds) in FY 2010, which is $113 million more than the forecast at the beginning of the fiscal year. The City also assumes that overtime will decline to $413 million in FY 2011 and then to $366 million in subsequent years. Accounting for the potential receipt of $50 million in additional State and federal grants each year, we estimate that City-funded overtime could be higher than planned by $50 million in FY 2011 and $90 million annually thereafter.

10. Homeless Services

In March 2010, the number of families residing in municipal shelters was 10,022—the highest monthly level in more than 20 years. In the same month, another 8,700 single adults resided in municipal or faith-based shelters, special housing programs for veterans and the long-term homeless, and drop-in centers—this number increased for the second consecutive year, after several years of declines (see Figure 31).

Figure 31



Sources: NYC Department of Homeless Services; OSDC analysis

VIII. Other Issues

The following section discusses the financial condition of certain public entities that have a financial relationship with the City, and other issues that could affect the City during the financial plan period.

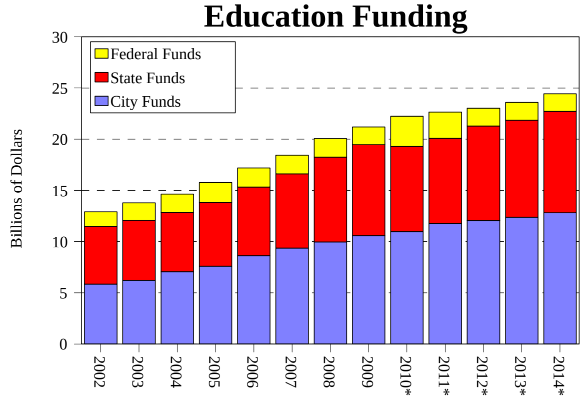
A. Department of Education

In 2007, the Governor and the Mayor agreed to increase funding to the Department of Education's (DOE's) operating budget in an effort to resolve the Campaign for Fiscal Equity lawsuit that claimed New York State did not adequately fund large school districts. Specifically, the State agreed to increase education aid by $3.2 billion over a four-year period, and the City agreed to increase its funding by $2.2 billion during the same period. New York State also agreed to fund half of the DOE's capital program by allowing the Transitional Finance Authority to issue bonds backed by State building aid.

In FY 2009, the City appropriated $10.6 billion for the DOE, New York State appropriated $8.9 billion in education aid to New York City's public schools, and the federal government appropriated $1.7 billion (see Figure 32). While State funding increased since FY 2007 by $1.6 billion—23 percent—the additional funding fell short of the amount promised in 2007.

Figure 32

Education Funding



Sources: NYC Office of Management and Budget; OSDC analysis

In FY 2010, for the first time since FY 2004, State education aid to the City declined—by $579 million or 6.7 percent. The decline was offset, however, by an increase in federal education aid to help school districts weather the impact of the recession. For FY 2011, the Governor has proposed a further reduction of $493 million in education aid to the City. The impact could be mitigated if the State is selected by the federal government to receive competitive education grants.

Although the recession has caused the City to scale back planned spending on education, the City's allocation for FY 2011 complies with the State law that prohibits a reduction in City funding for education from one year to the next unless there is a decline in City revenue. The City also honored the 2007 agreement, but the additional funding was used to fund wage increases and growth in pension contributions, debt service, and health insurance.

Federal stimulus aid mitigated the impact of reductions in State and City support in fiscal years 2010 and 2011, avoiding teacher layoffs. Beginning in FY 2012, the City will need to address the loss of about $1 billion in such federal aid. The May Plan assumes that the loss in federal aid will be offset by an $824 million increase in State education aid, but an increase of this magnitude appears unlikely given the State's fiscal condition.

B. Metropolitan Transportation Authority

In May 2009, New York State approved new taxes and fees that would help the Metropolitan Transportation Authority (MTA) balance its operating budget and also would help the MTA fund the next five-year capital program. In December 2009, the MTA's finances began to unravel as the State cut funding to help balance its budget; labor costs rose because of an arbitration award; and collections from the new payroll tax fell far short of target. With only two weeks remaining in 2009, the MTA faced a new budget gap of $344 million. In total, the MTA has needed to close a combined budget gap of $756 million for 2009 and 2010.

A report issued by the State Comptroller in April 2010 found that the MTA was making progress closing the gap, but there remained a budget gap of $319 million in 2010, which could grow to $405 million depending on the success of certain gap-closing initiatives. The report estimated that next year's budget gap already totals $537 million and could grow to $860 million. The MTA has proposed a 7.5 percent fare and toll increase for January 1, 2011, but according to the report, the increase could be larger or come sooner unless the MTA reduces planned spending.

In April 2010, the MTA Board approved and sent to the state Capital Program Review Board (CPRB) an amended 2010-2014 capital program. The proposed program totals $26.3 billion, or $1.8 billion less than the initial capital program proposal that was rejected by the CPRB in December 2009. The MTA has identified $16.3 billion of funding, which leaves a $9.9 billion funding gap; however, the first two years of the proposed program are fully funded.

C. Health and Hospitals Corporation

In January 2010, the Health and Hospitals Corporation (HHC) projected that it would receive federal supplemental Medicaid payments in FY 2010 that would provide enough cash to cover operations through FY 2012. The federal government has not yet approved $600 million of these payments.

To mitigate the near-term cash shortfall, the Mayor proposes that the HHC forgo its reimbursement of debt service, medical malpractice, and judgments and claims costs, which will benefit the HHC by $349 million in FY 2010. For longer-term relief, the Mayor proposes to increase the City's subsidies to the HHC in a way that would permit the HHC to obtain additional federal Medicaid reimbursements beginning in

FY 2011, subject to federal and State approval. These actions would increase revenue to the HHC by $226 million in FY 2011, $479 million in FY 2012, and $620 million in fiscal years 2013 and 2014.

To maintain its cash reserves through FY 2014, the HHC plans management actions valued at $361 million in FY 2011, $487 million in FY 2012, and $600 million annually in future years. These include continuing a hiring freeze that has been in effect since FY 2008, reducing staff through attrition and layoffs (3,700 full-time-equivalent employees by FY 2014), consolidating patient care and administrative services, closing six community clinics (five child health clinics and one dental clinic), and renegotiating affiliation contracts.

The HHC could benefit from changes in federal health care reform, including a two-year increase in Medicaid reimbursement rates for primary care, funding for electronic medical records, a possible reduction in the volume of uncompensated care provided by the HHC as a result of anticipated growth in Medicaid enrollment, and increased funding for federally qualified health centers. The HHC is evaluating the potential benefit of converting its community health centers to qualify for federal subsidies.

D. New York City Housing Authority

In past years, the New York City Housing Authority (NYCHA) has faced a structural deficit because government subsidies and rents have not kept pace with rising costs. In May 2009, NYCHA, which operates on calendar-year basis, projected budget gaps of $137 million in 2010, $127 million in 2011, and $132 million in subsequent years. One year later, NYCHA released a five-year operating budget that balances the 2010 budget and reduces the out-year gaps to $42 million in 2011, $55 million in 2012, and about $60 million annually in 2013 and 2014.

A number of important developments over the past year have greatly improved NYCHA's financial outlook. Recent federal and State approval of a plan to renovate 21 unsubsidized developments will increase federal aid to NYCHA by $69 million in 2011 and $55 million annually in subsequent years. The federal government has also increased operating subsidies to NYCHA by $70 million in 2010 and by about $43 million annually in subsequent years.

Other actions taken by NYCHA to balance its budget include shifting capital funds to the FY 2010 operating budget ($34 million) and using federal stimulus capital aid for eligible operating expenses ($25 million in 2010, $11 million in 2011, and $6 million in 2012).

Federal regulations prohibit NYCHA from using its own funds to help fund the Section 8 program, which began the year with a projected shortfall of $45 million. Since then, NYCHA has received $27 million in additional Section 8 funds from HUD. NYCHA will still have to take action to close the remaining deficit.

E. Other Post-Employment Benefits

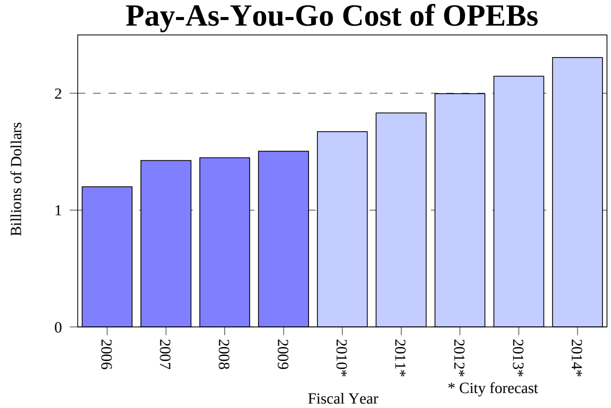
In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, which establishes standards for measuring and reporting the expense and related liabilities of other post-employment benefits (OPEBs), such as health insurance, on an actuarial basis. Although GASB 45 does not require entities to fund these costs on an actuarial basis, entities could realize significant long-term savings if they did so. The State Comptroller has proposed legislation that would permit localities to create OPEB trusts for this purpose.[8]

In September 2009, the City reported that its accrued liability for past OPEB services was $65.1 billion as of the valuation of June 30, 2008, and estimated that the present value of its future OPEB obligations was $35.9 billion. Overall, the present value of projected OPEB benefits totaled $101.1 billion, an increase of $9.1 billion from the FY 2006 level of $92 billion. The “normal” cost, or the portion of the present value of future obligations that is attributed (on an actuarial basis) to services received in the current year, was estimated at $2.7 billion. OPEB costs (on a pay-as-you-go cash basis) are projected to rise from $1.2 billion in FY 2006 to $2.3 billion by FY 2014, an average annual increase of 8.6 percent (see Figure 33).

To address the growing cost of OPEBs, the City created its own Retiree Health Benefits Trust (RHBT) in 2006, setting aside surplus resources to help fund future costs. These resources are invested, and any earnings will reduce future costs to City taxpayers. The City contributed $2.5 billion to the RHBT during fiscal years 2006 and 2007, when the local economy was booming, and the current balance totals $3.1 billion.

Figure 33

Pay-As-You-Go Cost of OPEBs



Sources: Office of the Actuary; NYC Office of Management and Budget; OSDC analysis

The Mayor has proposed using $1.1 billion of these resources over a three-year period ($82 million in FY 2010, $395 million in FY 2011, and $672 million in FY 2012) to help balance the City’s operating budget, which will increase taxpayers’ future OPEB liability. The State Comptroller believes the City should avoid drawing upon these resources in this manner and that it ought to allocate alternative resources. In FY 2010, for example, the City projects a surplus of $3.3 billion and has $100 million remaining in the general reserve.

8 New York City would not be subject to the proposed legislation.

F. Governmental Accounting Standards Board Statement No. 49

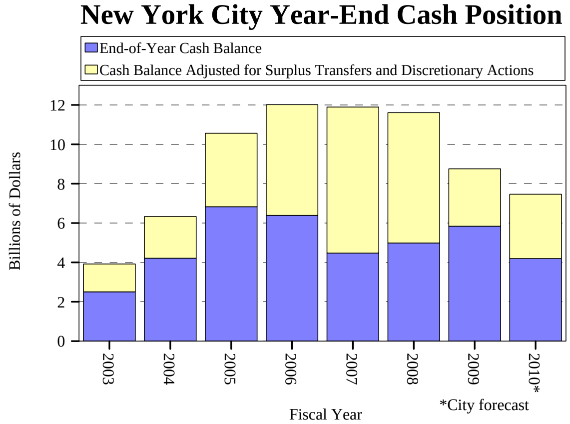
GASB Statement No. 49 requires that certain pollution remediation costs be accounted for as expense items. Pursuant to the Financial Emergency Act (FEA), such costs may not be included in the City's capital budget or financed through the issuance of bonds, absent action by the Financial Control Board (FCB). On April 30, 2008, the FCB approved a resolution that deferred implementation of GASB 49 for budgeting purposes until July 1, 2010 given the potential budgetary impact.

In accordance with this temporary waiver, the City has continued to use bond proceeds to fund GASB 49 pollution remediation costs. To fund these costs with operating budget resources after the waiver expires, the May Plan includes an annual reserve of $150 million in each of fiscal years 2011 and 2012, and $200 million in each of fiscal years 2013 and 2014. The City, however, has also proposed legislation, which has been introduced into the State Senate, that would amend the FEA to permit bond proceeds to be used to fund GASB 49 remediation costs, as other localities in the State are permitted to do. If the legislation is enacted, the City could use the reserves to help close projected budget gaps.

G. Cash Flow

The City's year-end cash balance rose sharply between fiscal years 2003 and 2006, reflecting the strength of the economy, and remained at about $12 billion (after adjustments for surplus transfers and other discretionary actions) through the end of FY 2008 (see Figure 34). Given these large cash reserves, the City did not need to borrow to meet its cash needs during fiscal years 2005 through 2009.

Figure 34
New York City Year-End Cash Position



Sources: NYC Comptroller; NYC Office of Management and Budget; OSDC analysis

State aid payments to localities and school districts have been delayed due to the absence of a State budget. In the interim, payments have been made through temporary appropriations approved each week by the State Legislature. The City's Office of Management and Budget projects a year-end cash balance of $4.2 billion for FY 2010. This estimate assumes the receipt of $2.5 billion in State aid by the end of the fiscal year. Although the City does not plan any short-term borrowings in FY 2010, the recession has eroded the City's cash reserves and the City plans to borrow $2.4 billion during the second quarter of FY 2011 to meet its cash needs. Delays in the receipt of State aid could increase the need and planned cost for short-term borrowings. Consequently, the City's cash position requires close monitoring.

Appendix: City-Funded Staffing Levels

Since the beginning of the current fiscal year, the City-funded workforce has declined by 6,082 full-time and full-time-equivalent employees (see Figure 35), including 560 layoffs. The May Plan assumes staffing will decline by a net of 1,473 employees between May 1, 2010 and June 30, 2011. Most of the future reductions are concentrated in the uniformed agencies and the City University of New York.

- The Department of Education reduced staffing by 2,188 employees since the beginning of the fiscal year (mostly pedagogues) and is below the target for next year.
- The City's health and welfare agencies reduced staffing by 1,380 employees since the beginning of the fiscal year, and these agencies are currently below levels planned for FY 2011.
- The City University of New York is expected to reduce staffing by 920 employees by the end of June 2011.
- The Fire Department will reduce the number of firefighters by 752 during FY 2011 by closing 20 fire companies and renegotiating a side letter agreement with the firefighter's union to change the number of firefighters per engine company from five to four (affecting 60 engine companies).
- The police force has declined by 749 officers since the beginning of the fiscal year, and the City intends to reduce the force by another 583 officers by the end of June 2011.
- The Department of Correction plans to eliminate 300 uniformed positions by the end of FY 2011.
- The Department of Sanitation reduced staffing by 295 employees, and plans to eliminate 112 uniformed positions by the end of FY 2011.
- The Department of Parks and Recreation reduced staffing by 28 percent (1,983 employees) since the end of June 2009, and plans to eliminate another 378 positions by the end of FY 2011.

Figure 35
City-Funded Staffing Levels
(Full-Time and Full-Time-Equivalents)

Additions/(Reductions)

		Actual		City Forecast		Variance	
		June 2009	April 2010	June 2010	June 2011	June 30, 2009 to April 30, 2010	May 1, 2010 to June 30, 2011
Public Safety		**83,089**	**82,126**	**80,439**	**79,670**	**(963)**	**(2,456)**
Police	Uniformed	35,641	34,892	34,407	34,309	(749)	(583)
	Civilian	16,567	16,009	15,882	15,886	(558)	(123)
Fire	Uniformed	11,454	11,126	11,174	10,374	(328)	(752)
	Civilian	4,735	4,880	4,775	4,863	145	(17)
Correction	Uniformed	8,344	8,876	7,942	8,576	532	(300)
	Civilian	1,410	1,441	1,542	1,689	31	248
District Attys. & Prosecutors		3,610	3,676	3,292	3,109	66	(567)
Probation		862	792	803	851	(70)	59
Other		466	434	622	13	(32)	(421)
Health & Welfare		**24,778**	**23,398**	**24,143**	**24,129**	**(1,380)**	**731**
Social Services		10,489	10,354	10,408	10,351	(135)	(3)
Children's Services		6,652	5,986	6,135	6,486	(666)	500
Health & Mental Hygiene		5,170	4,802	5,222	4,880	(368)	78
Homeless Services		2,000	1,888	2,005	2,045	(112)	157
Other		467	368	373	367	(99)	(1)
Environment & Infrastructure		**19,269**	**16,907**	**17,721**	**16,337**	**(2,362)**	**(570)**
Sanitation	Uniformed	7,482	7,187	7,238	7,075	(295)	(112)
	Civilian	1,948	1,941	2,030	1,999	(7)	58
Transportation		2,436	2,367	2,131	2,205	(69)	(162)
Parks & Recreation		7,190	5,207	6,093	4,829	(1,983)	(378)
Other		213	205	229	229	(8)	24
General Government		**9,179**	**8,980**	**9,446**	**9,221**	**(199)**	**241**
Finance		2,058	1,942	2,158	2,100	(116)	158
Law		1,392	1,337	1,330	1,251	(55)	(86)
Citywide Admin. Services		1,654	1,701	1,756	1,455	47	(246)
Taxi & Limo. Commission		435	426	480	479	(9)	53
Investigations		234	232	250	222	(2)	(10)
Board of Elections		411	472	386	382	61	(90)
Info. Tech. & Telecomm.		1,130	1,082	1,152	1,097	(48)	15
Other		1,865	1,788	1,934	2,235	(77)	447
Housing		**1,870**	**1,754**	**1,985**	**1,853**	**(116)**	**99**
Buildings		1,227	1,180	1,321	1,236	(47)	56
Housing Preservation		643	574	664	617	(69)	43
Department of Education		**120,828**	**118,640**	**120,858**	**120,111**	**(2,188)**	**1,471**
	Pedagogues	97,901	96,280	97,578	97,563	(1,621)	1,283
	Non-Pedagogues	22,927	22,360	23,280	22,548	(567)	188
City University of New York		**7,281**	**8,507**	**8,020**	**7,587**	**1,226**	**(920)**
	Pedagogues	4,694	5,672	5,495	5,349	978	(323)
	Non-Pedagogues	2,587	2,835	2,525	2,238	248	(597)
Elected Officials		**2,449**	**2,349**	**2,357**	**2,280**	**(100)**	**(69)**
Total		**268,743**	**262,661**	**264,969**	**261,188**	**(6,082)**	**(1,473)**

Sources: NYC Office of Management and Budget; OSDC analysis