



Review of the Financial Plan of the City of New York

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Contents

I.	Executive Summary	1
II.	Economic Trends	5
III.	Changes Since the June 2012 Plan	9
IV.	The Agency Program.....	11
V.	State Budget Impact	13
VI.	Revenue Trends.....	15
VII.	Expenditure Trends.....	21
VIII.	Ten-Year Capital Plan.....	29
IX.	Other Issues	31
	Appendix A: Nonrecurring Resources.....	39
	Appendix B: Staffing Levels	40

I. Executive Summary

On June 27, 2013, the City of New York submitted to the Financial Control Board a four-year financial plan (“the June Plan”) based on the adopted budget for FY 2014, which began July 1, 2013. The FY 2014 budget is balanced and maintains services at current levels without raising taxes. Although the June Plan projects modest budget gaps in future years, the City has yet to reach new labor agreements with its unions.

The June Plan assumes that the City’s economic recovery will continue, though at a slower pace than in recent years. Since the economic recovery began in 2009, the City has added jobs at a much faster pace than the nation and, as of May 2013, had regained nearly twice as many jobs as were lost during the recession. About two-thirds of the new jobs, however, have been in sectors that pay less than the citywide average salary.

Even though the securities industry had regained less than 20 percent of the jobs it lost during the recession, it remains an important part of the City’s economy. Last year the industry earned \$23.9 billion from its broker/dealer operations, making 2012 among the most profitable years on record. Wall Street got off to another strong start in 2013, with first-quarter profits of \$6.6 billion—half of the City’s forecast for the entire year. However, profitability in subsequent quarters may be held down by regulatory reforms, weak European economies and concerns over rising interest rates.

While some other employment sectors also have not recovered from the recession, most sectors have had large job gains. Tourism, for example, has played a significant role in the City’s recovery. The number of visitors to New York City reached a new record in 2012 (52 million), and the City’s share of foreign tourists in the nation also rose. Hotel occupancy rose to nearly 88 percent, exceeding a record set in 2007.

The real estate market is improving, especially for commercial and residential properties such as cooperatives and condominiums. The June Plan reflects this progress, with a forecast for real property tax collections that is \$3.4 billion higher during the financial plan period than projections made one year ago. In recent months, a number of large commercial buildings have been sold at record prices.

Despite these positive developments, there are reasons for concern. The cost of health insurance continues to grow relatively rapidly, and the City’s outstanding debt now totals more than \$100 billion, which is 57 percent more than ten years ago. Unlike pensions, other post-employment benefits (OPEBs) are not funded on an actuarial basis. At the end of FY 2012, the City’s unfunded OPEB obligation totaled \$88 billion, an increase of nearly \$35 billion since FY 2006. The City set aside \$2.5 billion during the last economic expansion to help fund this future liability, but since then the City has used these resources to balance the budget instead.

Although FY 2013 ended with an estimated surplus of \$2.8 billion, the surplus has been used to balance the FY 2014 budget and to narrow the FY 2015 budget gap. The City has come to rely on the annual surplus and reserves built up during the last economic expansion to balance its budget, and now the City has exhausted most of those reserves.¹

The June Plan shows a balanced budget for FY 2014 and out-year budget gaps of \$2 billion in FY 2015, \$1.8 billion in FY 2016 and \$1.4 billion in FY 2017 (see Figure 1). The out-year gaps are substantially smaller than those projected a year ago, and relatively small as a percentage of City revenues. Although revenue collections could exceed City forecasts and borrowing costs could be lower in the near term, the City still faces significant budget risks (see Figure 2). In light of these risks, the City has prudently increased the size of the general reserve to \$450 million in FY 2014.

The largest uncertainty facing the City's budget remains the outcome of collective bargaining. The City has yet to reach new labor agreements with the municipal unions even though all of the contracts have expired, some as long ago as November 2009. The City has set aside resources to fund only small wage increases for fiscal years 2013 through 2017, and has nothing set aside for any possible retroactive wage increases prior to FY 2013.

In addition, the June Plan anticipates a total of \$1.5 billion over four years from the sale of 2,000 taxi medallions. While a recent court decision allows the City to move forward with the sale of the first 400 medallions, which is expected to generate \$300 million in FY 2014, the City must develop a taxi accessibility plan for disabled passengers, which requires State approval, before it can sell the remaining medallions.

The June Plan also does not reflect the potential impact of the next round of federal budget cuts, which are scheduled to take effect on October 1, 2013. These cuts could reduce funding to City programs and federal recovery aid for Superstorm Sandy.

The City's failure to reach agreement with the teachers' union on a new teacher evaluation program cost the City \$250 million in State education aid in FY 2013. To avoid the loss of federal funds, the State established an evaluation program for the City. The City has until September 1, 2013, to implement the new teacher evaluation program or risk the loss of \$364 million in State education aid in FY 2014.

New York City has recovered from the Great Recession much faster than expected and has withstood the challenge of Superstorm Sandy, reflecting the City's prudent management practices and resiliency. Nevertheless, New York City still faces fiscal challenges on a number of different fronts.

¹ The FY 2014 budget is balanced with \$4.5 billion in nonrecurring resources, including \$2.7 billion in surplus resources transferred from FY 2013 and \$1 billion in reserves from the last economic expansion.

Figure 1
New York City Financial Plan
(in millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
REVENUES					
Taxes					
General Property Tax	\$ 18,711	\$ 19,570	\$ 20,328	\$ 21,259	\$ 22,026
Other Taxes	25,922	25,035	26,810	27,834	29,003
Tax Audit Revenue	<u>1,060</u>	<u>709</u>	<u>709</u>	<u>709</u>	<u>709</u>
Subtotal: Taxes	\$ 45,693	\$ 45,314	\$ 47,847	\$ 49,802	\$ 51,738
Miscellaneous Revenues	6,372	6,573	6,617	6,624	6,735
Unrestricted Intergovernmental Aid	---	---	---	---	---
Less: Intra-City Revenue	(1,745)	(1,582)	(1,561)	(1,565)	(1,566)
Disallowances Against Categorical Grants	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>
Subtotal: City Funds	\$ 50,305	\$ 50,290	\$ 52,888	\$ 54,846	\$ 56,892
Other Categorical Grants	956	840	844	831	827
Inter-Fund Revenues	551	536	515	515	515
Federal Categorical Grants	9,366	6,495	6,293	6,277	6,273
State Categorical Grants	<u>11,346</u>	<u>11,756</u>	<u>12,047</u>	<u>12,468</u>	<u>12,932</u>
Total Revenues	\$ 72,524	\$ 69,917	\$ 72,587	\$ 74,937	\$ 77,439
EXPENDITURES					
Personal Service					
Salaries and Wages	\$ 22,149	\$ 22,169	\$ 22,171	\$ 22,420	\$ 22,754
Pensions	8,185	8,317	8,326	8,524	8,778
Fringe Benefits	8,446	8,881	9,487	10,151	10,894
Retiree Health Benefits Trust	<u>(1,000)</u>	<u>(1,000)</u>	<u>---</u>	<u>---</u>	<u>---</u>
Subtotal: Personal Service	\$ 37,780	\$ 38,367	\$ 39,984	\$ 41,095	\$ 42,426
Other Than Personal Service					
Medical Assistance	\$ 6,353	\$ 6,366	\$ 6,447	\$ 6,415	\$ 6,415
Public Assistance	1,390	1,387	1,385	1,385	1,391
All Other ^{2,3}	<u>22,363</u>	<u>21,388</u>	<u>21,176</u>	<u>21,682</u>	<u>22,140</u>
Subtotal: Other Than Personal Service	\$ 30,106	\$ 29,141	\$ 29,008	\$ 29,482	\$ 29,946
General Obligation, Lease and TFA Debt Service ^{2,3,4}	\$ 5,983	\$ 6,221	\$ 6,963	\$ 7,394	\$ 7,715
FY 2012 Budget Stabilization & Discretionary Transfers ²	(2,431)	(31)	---	---	---
FY 2013 Budget Stabilization ³	2,791	(2,791)	---	---	---
FY 2014 Budget Stabilization ⁴	---	142	(142)	---	---
General Reserve	<u>40</u>	<u>450</u>	<u>300</u>	<u>300</u>	<u>300</u>
Subtotal	\$74,269	\$ 71,499	\$ 76,113	\$ 78,271	\$ 80,387
Less: Intra-City Expenses	<u>(1,745)</u>	<u>(1,582)</u>	<u>(1,561)</u>	<u>(1,565)</u>	<u>(1,566)</u>
Total Expenditures	\$72,524	\$ 69,917	\$ 74,552	\$ 76,706	\$ 78,821
Gap To Be Closed	---	---	\$ (1,965)	\$ (1,769)	\$ (1,382)

Source: NYC Office of Management and Budget

² Fiscal Year 2012 Budget Stabilization and Discretionary Transfers total \$2.462 billion, including GO of \$1.340 billion, TFA of \$879 million, lease debt service of \$156 million, net equity contribution in bond refunding of \$23 million and subsidies of \$64 million.

³ Fiscal Year 2013 Budget Stabilization totals \$2.791 billion, including GO of \$2.727 billion and subsidies of \$64 million.

⁴ Fiscal Year 2014 Budget Stabilization totals \$142 million.

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

	<i>Better/(Worse)</i>			
	FY 2014	FY 2015	FY 2016	FY 2017
Surplus/(Gaps) per June Plan	\$ - - -	\$ (1,965)	\$ (1,769)	\$ (1,382)
Tax Revenue	300	200	200	200
Debt Service	75	- - -	- - -	- - -
Agency Actions	(137)	(125)	(125)	(125)
Taxi Medallion Sale	- - -	(400)	(360)	(400)
OSDC Risk Assessment	238	(325)	(285)	(325)
Surplus/(Gaps) per OSDC⁵	\$ 238	\$ (2,290)	\$ (2,054)	\$ (1,707)
Additional Risks and Offsets^{6,7}				
Federal Budget Reductions ⁸	(150)	(200)	(200)	(200)

⁵ The June Plan includes a general reserve of \$450 million in FY 2014 and \$300 million in each of fiscal years 2015 through 2017. The City also has a reserve of nearly \$1 billion for disallowances of federal and State aid, which, if not needed for that purpose, could be used to help balance the budget.

⁶ The June Plan assumes that the 14 percent personal income tax surcharge (valued at more than \$1 billion annually), which is scheduled to expire on December 31, 2014, will be extended as it has been every two to three years since it was enacted in 1991.

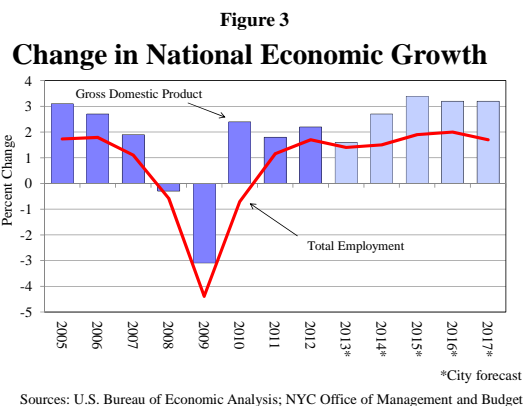
⁷ The City imposed a three-year wage freeze on City employees during the recession, but the City has not yet reached new labor agreements covering that period or subsequent years. The City assumes that municipal employees will not be compensated for the wage freeze and will agree to annual wage increases of 1.25 percent for fiscal years 2013 through 2017, which is less than the projected inflation rate. In addition, the City still has not reached a labor settlement with the United Federation of Teachers and the Council of School Supervisors and Administrators for the round of collective bargaining covering calendar years 2009 and 2010 (see Section VII, "Expenditure Trends," page 22, for further discussion of collective bargaining).

⁸ The June Plan reflects the impact of the federal sequestration in federal fiscal year 2013, but does not reflect the potential impact of budget cuts scheduled to take effect in federal fiscal year 2014.

II. Economic Trends

Over the past three years, the nation's overall economic recovery from the Great Recession has been subpar, with annual growth in the national economy not surpassing the modest rate of 2.5 percent. A number of factors have contributed to the slow recovery, including a weak global economy (especially in Europe); domestic fiscal tightening; and uncertainty surrounding efforts to reduce the federal deficit that continue to weigh down consumer and business spending.

The Gross Domestic Product (GDP) rose by 2.2 percent in 2012, but the annual rate of growth slowed to 1.8 percent in the first quarter of 2013, reflecting the impact of federal tax increases and budget cuts. The June Plan assumes that further efforts to reduce the federal deficit will slow GDP growth to 1.6 percent in 2013, but that the growth will gradually rise to more than 3 percent by 2015 (see Figure 3).



Economic growth has been much stronger in New York City than in the nation. The pace of job creation in the City (2.3 percent in 2011 and 2.1 percent in 2012) was the strongest in any two consecutive years since 1999 and 2000, and the level of total employment surpassed the previous peak set in 1969 and set new records in both 2011 and 2012, when it reached 3.9 million. Overall, the City has added nearly twice as many jobs as it lost during the recession. (The nation, by contrast, has regained 72 percent of the jobs it lost during the recession.) The pace of job growth in the City, however, has recently begun to slow.

During the first five months of 2013, the pace of job creation averaged 1.7 percent, compared with 2.3 percent during the comparable period one year earlier. The June Plan assumes that the pace of job growth will slow to 1.4 percent in 2013, and then average 1.2 percent between 2014 and 2017.

Also disconcerting is the trend toward lower-paying and part-time jobs. Since the recession ended, nearly two-thirds of the jobs created in the City have been in sectors that pay less than the average citywide salary.⁹ In addition, a larger percentage of the workforce is employed part-time. In 2012, 13.8 percent of all employed adults held part-time jobs, compared to 12.2 percent in 2007.

⁹ The sectors that gained jobs since the recession ended had an average annual salary of \$70,000, while the sectors that lost jobs during the recession had an average annual salary of \$118,000.

While overall job growth in the City has been strong, the City’s unemployment rate remains high (8.3 percent in May 2013) and job recovery has been uneven across the City’s employment sectors. As of May 2013, neither the finance sector nor the construction sector had recovered all the jobs lost during the recession, and manufacturing and government continued to shed jobs. Nevertheless, each of the sectors of trade, information, business services, tourism and personal services had regained more jobs than were lost.

Wall Street continues to work its way through the fallout from the financial crisis and a new regulatory environment. Profits at the broker/dealer operations of New York Stock Exchange member firms tripled to \$23.9 billion in 2012, driven primarily by trading gains. The Office of the State Comptroller (OSC) estimated that the industry’s cash bonuses for the 2012 bonus season grew by 8 percent, driven in part by bonuses deferred from prior years.

Wall Street got off to another strong start in 2013, with first-quarter profits of \$6.6 billion. The City assumes that financial industry reforms and the ongoing European debt crisis will hold down profitability during the financial plan period to \$13.4 billion in 2013 and similar amounts in subsequent years (see Figure 4).

Unlike in previous recoveries, Wall Street has not significantly contributed to the City’s job gains. The securities industry has accounted for less than 2 percent of the jobs created in the private sector, only a small fraction of the industry’s average gains at this point in either of the last two recoveries. As of May 2013, OSC estimates that the industry has recovered only 19 percent of the jobs it lost during the recession. Although Wall Street has added jobs in recent months, it has lost 4,400 jobs since August 2011 (see Figure 5).

Figure 4
Wall Street Profits

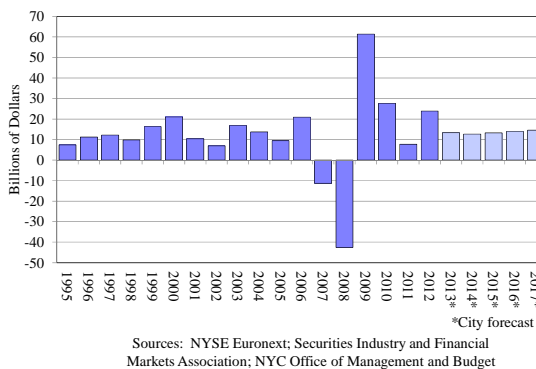
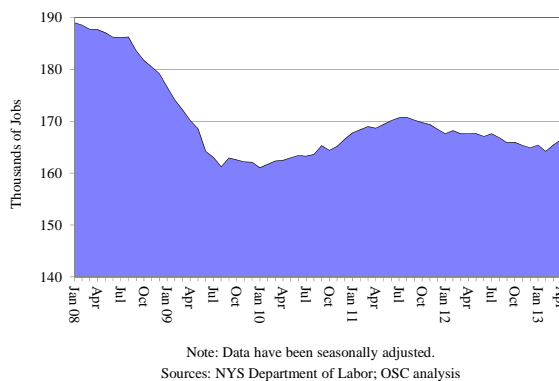
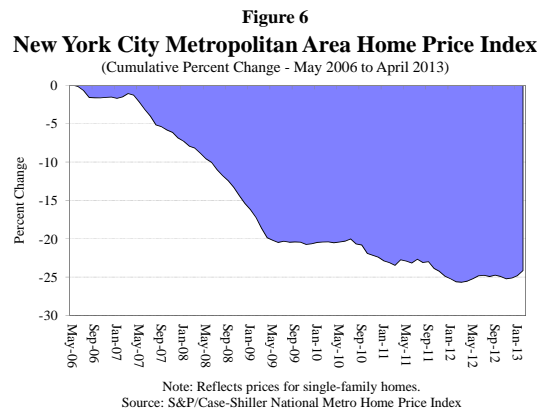


Figure 5
Securities Employment in New York City



Tourism, which is a significant component of the City’s recovery, continues to grow, although job growth slowed at the end of 2012. NYC & Company, the City’s tourism agency, estimates that the number of visitors (52 million) and their spending (\$36.9 billion) reached record levels in 2012. The City estimates that the number of tourists will reach 55 million by 2015. The number of foreign tourists reached a record 11 million, increasing the City’s share of foreign tourists in the nation to 33 percent from 28 percent in 2006. Hotel occupancy rose to a record of nearly 88 percent in 2012, and the average daily room rate rose to \$284.

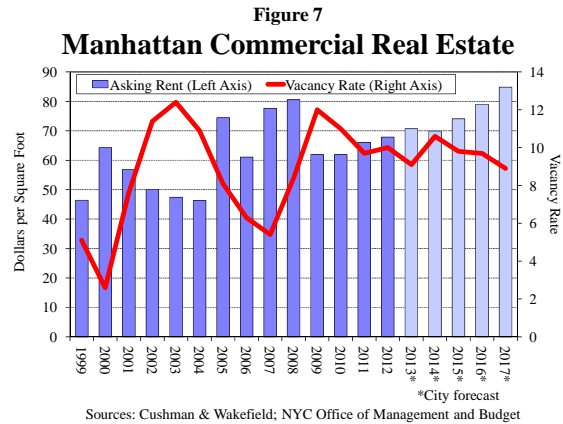
For single-family home prices in the New York metropolitan region, it appears the worst is over. The S&P/Case-Shiller Home Price Index shows that after declining by 26 percent from May 2006 to February 2012, home prices in the New York region rose by 3.4 percent through April 2013 (see Figure 6).



According to Douglas Elliman, the Manhattan cooperative and condominium market has continued to experience strong sales, rising prices and low inventory in 2013. An expected fall-off from the strong gains in the fourth quarter of 2012, when sellers looked to complete transactions ahead of changes in the federal tax laws, has not materialized. Apartment sales rose by 13 percent in the first half of 2013 and the median sales price rose by about 5 percent during the same period to \$865,000. The listing inventory fell by 31 percent in the second quarter (after a 34 percent drop in the prior quarter), reaching the lowest level in at least 12 years.

The City’s commercial real estate market continues to show improvement. Sales of office buildings fell dramatically during the period from 2008 through 2010, but rising property values and record-low interest rates, coupled with strong demand from international investors, are fueling a rebound in sales. In recent weeks, agreements have been reached on the sale of at least ten buildings with prices of more than \$1 billion. According to Real Capital Analytics, total commercial sales in New York City during the first half of calendar year 2013 reached \$4.8 billion, up by nearly 10 percent compared to the same period a year earlier, with another \$3.2 billion of sales pending.

Although the vacancy rate in Manhattan’s primary office market edged up slightly in 2012, finishing the year at 10 percent, rents continued to rise. The June Plan assumes that the vacancy rate in Manhattan’s primary office market will fall to 9.1 percent by the end of 2013, and that average asking rents will rise to \$70.75 per square foot (see Figure 7). The upcoming completion of towers one and four at the World Trade Center will add more than 4 million square feet of office space to the primary office market, which is expected to raise the vacancy rate to 10.6 percent by the end of 2014.



III. Changes Since the June 2012 Plan

In June 2012, the City projected a small surplus in FY 2013 (which was used to narrow the FY 2014 budget gap), and budget gaps of \$2.6 billion in FY 2014 and about \$3 billion in each of fiscal years 2015 and 2016. Since then, the City has increased its tax revenue forecast; delayed the proceeds anticipated from the sale of additional taxi medallions; adopted additional agency actions; drawn down reserves; and revised its expenditure forecasts. These changes contributed to a surplus of \$2.8 billion in FY 2013, a balanced budget in FY 2014 and substantially smaller out-year gaps (see Figure 8).

The FY 2013 surplus is largely the result of unanticipated revenues (\$1.9 billion), a drawdown in reserves (\$760 million) and more than \$300 million in debt service savings. Tax collections were \$1.7 billion higher than initially projected, largely due to transactions that were completed in 2012 to avoid higher federal tax rates that took effect in 2013, as well as stronger business tax collections and additional audits.

The City drew down \$760 million in reserves in FY 2013, but increased the general reserve in FY 2014 by \$150 million (for a total of \$450 million) to offset potential risks to the financial plan, such as disallowances of federal aid for Superstorm Sandy.

The City also realized debt service savings of \$307 million in FY 2013 and \$453 million in FY 2014 from refinancing outstanding debt and from lower-than-expected interest rates on new debt issuances and variable rate debt. Two thirds of the savings in FY 2013 were used to defease outstanding debt, which will benefit each of fiscal years 2015 and 2016 by \$98 million. The City also realized significant savings from lower health insurance and energy costs.

Legal challenges delayed the sale of 2,000 additional taxi medallions, which the City's June 2012 financial plan assumed would generate \$1.5 billion over three years beginning in FY 2013. In November 2012, the City acknowledged that it would not realize any proceeds in the current fiscal year and proposed additional agency cost-reduction actions to mitigate the loss and help narrow the out-year budget gaps. With the legal issues resolved, the City expects the sale proceeds to be spread out over four years beginning in FY 2014.

The City estimates that federal budget cuts will reduce federal funding to the City's budget by a total of \$148 million during fiscal years 2013 and 2014. The City plans to offset most of the impact by reallocating State funds for education and other federal funds. While the net impact on the City's budget will amount to only \$19 million over the course of fiscal years 2013 and 2014, the City has also allocated \$71 million in City funds in FY 2014 to mitigate the impact of federal budget cuts on the New York City Housing Authority (see Section IX, "Other Issues").

Over the past year, the City also raised its expenditure forecasts for social services programs, mostly homeless shelters; pension contributions, mostly due to a shortfall in FY 2012 investment earnings and other reestimates; unplanned costs in the uniformed agencies; and other agency programs. In addition, the City Council rescinded a number of budget cuts that were scheduled to take effect in FY 2014.

Figure 8
Financial Plan Reconciliation—City Funds
June 2013 Plan vs. June 2012 Plan
(in millions)

	FY 2013	<i>Better/(Worse)</i>		FY 2016
	FY 2014	FY 2015		
Surplus/Gaps Per June 2012 Plan¹⁰	\$ 124	\$ (2,632)	\$ (3,117)	\$ (3,070)
Revenue Reestimates				
Personal Income Tax	664	(384)	(84)	(100)
Business Taxes	400	(100)	(37)	(210)
Real Estate Transaction Taxes	284	92	153	145
Real Property Tax	286	610	709	1,002
Other Taxes	66	(27)	(33)	(40)
Audits	335	---	---	---
All Other	<u>(142)</u>	<u>(20)</u>	<u>(23)</u>	<u>(76)</u>
Total	1,893	171	685	721
Taxi Medallion Sale	(635)	(65)	(60)	360
Agency Actions	507	775	560	573
Drawdown of Reserves				
Prior Payables	500	---	---	---
General Reserve	<u>260</u>	<u>(150)</u>	<u>---</u>	<u>---</u>
Total	760	(150)	---	---
Expenditure Reestimates				
City Council Initiatives	---	(367)	---	---
Energy	109	140	155	202
Debt Service ¹¹	111	453	224	73
Health Insurance	11	213	235	259
Social Services	(150)	(202)	(146)	(144)
Pension Contribution	(124)	(203)	(320)	(420)
Uniformed Agencies	(56)	(163)	(108)	(108)
Other	<u>241</u>	<u>(619)</u>	<u>(215)</u>	<u>(215)</u>
Total	142	(748)	(175)	(353)
Net Change During FY 2013	2,667	(17)	1,010	1,301
Surplus/(Gap)	2,791	(2,649)	\$ (2,107)	\$ (1,769)
Surplus Transfers	(2,791)	2,649	142	---
Gaps Per June 2013 Plan	\$ ---	\$ ---	\$ (1,965)	\$ (1,769)

Sources: NYC Office of Management and Budget; OSC analysis

¹⁰ The June 2012 Plan projected a surplus of \$124 million for FY 2013, which the City planned to transfer to reduce the FY 2014 budget gap from \$2.6 billion to \$2.5 billion.

¹¹ Debt service savings from refinancings and lower interest rates totaled \$307 million in FY 2013. Of this amount, the City used \$196 million to defease outstanding debt, which will benefit each of fiscal years 2015 and 2016 by \$98 million.

IV. The Agency Program

The Mayor and the City Council rescinded planned cuts to libraries, cultural organizations and certain health programs as part of the FY 2014 budget adoption process. Planned fire company closures and cuts to child care and after-school programs, which had been proposed in prior years, were also rescinded for FY 2014 but not for subsequent years. The FY 2014 agency program is now expected to generate \$775 million in FY 2014, but the recurring value would decline to \$573 million by FY 2017 (see Figure 9).

In total, the agency program is expected to generate nearly \$3 billion during the financial plan period. The impact on basic municipal services was mitigated by reestimating costs, implementing management initiatives and making cost-shifts to other levels of government. Since FY 2008, the City has implemented gap-closing initiatives that will generate more than \$6 billion annually.

Figure 9
Agency Program
(in millions)

	Positions	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Health and Social Services	491	\$ 144.5	\$ 129.3	\$ 84.1	\$ 101.5	\$ 103.9
Dept. of Education	---	122.3	290.5	266.0	266.0	266.0
Uniformed Agencies						
Correction	393	28.1	41.4	16.4	16.6	16.9
Police	---	22.3	21.3	---	---	---
Fire	(24)	13.8	9.7	5.0	5.0	2.3
Sanitation	124	0.9	75.7	---	---	---
Transportation	144	25.5	41.9	30.0	26.3	26.3
Law	---	17.7	1.0	---	---	---
Dept. of Citywide Admin. Svcs.	75	17.1	16.6	2.7	2.7	2.7
Finance	---	16.7	19.1	20.1	21.2	21.7
Mayoralty	23	15.4	2.2	2.2	2.2	2.3
Dept. of Information Tech.	21	15.3	23.4	9.9	7.8	7.8
Financial Information Svcs.	---	11.3	2.2	1.8	1.8	1.8
All Other Agencies	77	56.4	44.9	66.6	66.0	65.8
Procurement Savings	---	---	55.5	55.5	55.5	55.5
Total	1,324	\$ 507.3	\$ 774.7	\$ 560.3	\$ 572.6	\$ 573.0

Note: Excludes debt service savings.

Sources: NYC Office of Management and Budget; OSC analysis

The June Plan assumes that the Department of Education (DOE) will reduce planned spending by a total of \$1.2 billion during the financial plan period. This represents 41 percent of the total value of the agency program, which is greater than the DOE's share of the City-funded budget. The majority of the savings are expected to come from reestimates of the cost of special education (\$672 million) and from non-classroom efficiencies (\$368 million). The DOE also intends to raise the price of school lunches by \$0.25 for students whose family incomes exceed 185 percent of the poverty level.

Savings from agencies that provide health and social services are expected to generate 19 percent of the total value of the agency program, or nearly \$600 million. By our estimate, nearly 40 percent of the resources will come from efficiencies, such as expanding the web-based application process for social services, that will eliminate the need for more than 1,000 employees by FY 2016. The City also intends to maximize federal reimbursements (\$154 million), but some of these initiatives may be jeopardized in the current federal budget environment.

The uniformed agencies are expected to generate \$275 million by FY 2017, but the cost-cutting actions are not expected to affect basic municipal services. The Department of Correction will reduce planned spending by canceling the scheduled reopening of the Queens Detention Center Complex, eliminating funding for 100 vacant civilian positions and revising inmate recreation and visitation schedules, an action that requires approval from the New York City Board of Correction. The Department of Sanitation has identified surplus funds in its waste export program, as well as savings due to delays in opening its marine transfer stations.

The agency program also includes some revenue-enhancement initiatives. The Department of Finance will generate about \$100 million during the financial plan period by reviewing commercial and not-for-profit tax exemptions, and by increasing audit and collection efforts. The Department of Transportation will raise \$62 million from new and increased parking and permit fees.

A number of the agency initiatives, however, may not achieve their targets because they have failed in the past or require outside approval that may not be forthcoming; these are valued at \$137 million in FY 2014 and \$125 million in each subsequent year. For example, the City anticipates annual savings of \$50 million in police overtime as well as additional federal Medicaid reimbursement for special education services (\$50 million annually beginning in FY 2015), but similar initiatives in the past have failed to meet their targets.

V. State Budget Impact

The City's financial plan reflects the New York State Enacted Budget for State Fiscal Year (SFY) 2013-2014 and associated financial plan, which benefits New York City by \$381 million in FY 2014, \$646 million in FY 2015 and \$885 million in FY 2016 (see Figure 10). The increase is largely due to planned annual increases in education aid, which average \$300 million over the next three years.¹² Future increases in education aid are tied to the growth in personal income and dependent on the implementation of a teacher evaluation program.

Figure 10
Impact of the Enacted Budget for SFY 2013-2014
on New York City's Financial Plan
(in millions)

	FY 2014	FY 2015	FY 2016
Annual Increases in Education Aid			
SFY 2013-14	\$ 364.0	\$ 364.0	\$ 364.0
SFY 2014-15	---	279.0	279.0
SFY 2015-16	---	---	257.0
All Other Actions	16.5	2.9	(14.6)
Total Impact	\$ 380.5	\$ 645.9	\$ 885.4

Sources: NYC Office of Management and Budget; OSC analysis

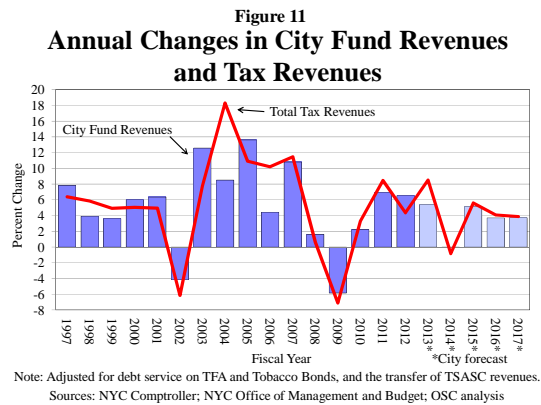
The City and the United Federation of Teachers (UFT) were unable to reach agreement on a new teacher evaluation program by January 17, 2013, the deadline required in last year's enacted State budget, to ensure the City would receive \$250 million in additional State education aid beginning in FY 2013.¹³ The enacted State budget for SFY 2013-2014 withholds funding for City FY 2013, but restores funding for subsequent years. In June 2013, the State Education Commissioner established a new teacher evaluation program for the City, because the City and the UFT failed to reach an agreement on their own. The City has until September 1, 2013, to implement the new evaluation program or risk the loss of \$364 million in education aid in FY 2014.

¹² The enacted budget also includes \$125 million in education grants for which the City may apply.

¹³ The constitutionality of withholding State education aid from the City in response to its failure to negotiate a new teacher evaluation program with the teachers' union is the subject of ongoing litigation. The City's financial plan assumes that the State will withhold \$250 million in education aid related to FY 2013, which is consistent with the State's intention.

VI. Revenue Trends

The June Plan assumes that City fund revenues will show no growth in FY 2014, after increasing by 5.4 percent in FY 2013 (see Figure 11). The lack of revenue growth partially reflects the effects of a temporary change in taxpayer behavior, caused by higher federal income tax rates (including those on capital gains) that took effect on January 1, 2013. Some upper-income taxpayers acted to avoid the increase by accelerating income into calendar year 2012 from 2013 and later years. Based on actual tax receipts, the City estimates that \$650 million in tax revenue was shifted into FY 2013 from subsequent years, primarily from FY 2014. After adjusting for this shift, City fund revenues are forecast to grow by 2.6 percent in FY 2014, following a gain of 4 percent in FY 2013.¹⁴



Growth in tax revenues, the largest component of City fund revenues, is forecast to slow to 2 percent in FY 2014, from 7 percent in FY 2013, after adjusting for the tax revenue shift.¹⁵ This slowdown reflects the City’s assumption that the pace of economic growth will moderate and that Wall Street profits will decline.

Litigation that has delayed the sale of new taxi medallions has recently been decided in the City’s favor. The June Plan expects that the sale of the medallions will generate a total of \$1.5 billion through FY 2017. While the City can move forward with the process of selling the first 400 taxi medallions, which is expected to generate \$300 million in FY 2014, it must still develop a taxi accessibility plan for disabled passengers, requiring State approval, before it can sell the remaining 1,600 medallions (see Section IX, “Other Issues”).

Details of the City’s revenue forecast are shown in Figure 12 and discussed below. Our analysis suggests that tax revenues could be greater than the City forecast by \$300 million in FY 2014 and \$200 million in each of fiscal years 2015 through 2017. This primarily reflects our projection of additional strength in personal income and sales tax collections. In addition, real estate transaction activity has remained strong in the first few months of 2013, and this will boost real estate transaction tax collections in the near term.

¹⁴ Although this revenue was shifted into FY 2013, the City intends to transfer these resources back into FY 2014 to help balance that year’s budget.

¹⁵ The June Plan shows the impact of the shift, forecasting that tax revenues will decline by less than 1 percent in FY 2014 after a gain of 8.5 percent in FY 2013.

Figure 12
City Fund Revenues
(in millions)

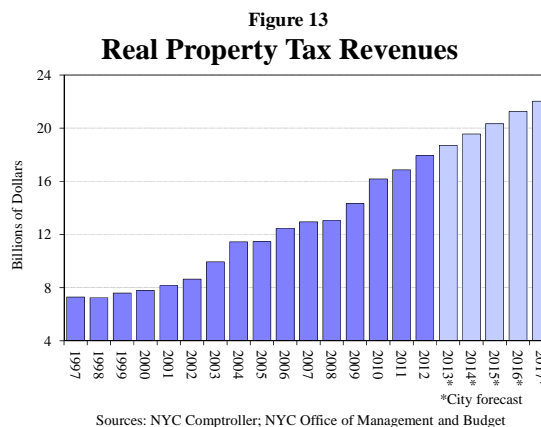
	FY 2013	FY 2014	Annual Growth	FY 2015	FY 2016	FY 2017	Average Three-Year Growth Rate
Taxes							
Real Property Tax	\$ 18,711	\$ 19,571	4.6%	\$ 20,328	\$ 21,259	\$ 22,026	4.0%
Personal Income Tax	9,140	8,169	-10.6%	9,045	9,397	9,723	6.0%
Sales Tax	6,115	6,323	3.4%	6,590	6,829	7,092	3.9%
Business Taxes	5,886	5,726	-2.7%	5,990	6,153	6,454	4.1%
Real Estate Transaction Taxes	1,831	1,833	0.1%	2,094	2,293	2,515	11.1%
Other Taxes	2,950	2,983	1.1%	3,091	3,162	3,219	2.6%
Audits	1,060	709	-33.1%	709	709	709	0.0%
Subtotal	45,693	45,314	-0.8%	47,847	49,802	51,738	4.5%
Miscellaneous Revenues	4,697	5,065	7.8%	5,130	5,133	5,242	1.2%
Grant Disallowances	(15)	(15)	NA	(15)	(15)	(15)	NA
Total	\$ 50,375	\$ 50,364	0.0%	\$ 52,962	\$ 54,920	\$ 56,965	4.2%

Note: Miscellaneous revenues include debt service on tobacco bonds.

Sources: NYC Office of Management and Budget; OSC analysis

1. Real Property Taxes

In May 2013, the City released the final real property tax roll for FY 2014, which showed that the total market value for all properties rose by 3.3 percent, driven by strong gains for commercial properties and moderate gains for large residential properties (cooperatives, condominiums and apartment buildings). Market values for one-, two- and three-family homes were virtually unchanged. The tax roll also reflects the impact of Superstorm Sandy on 88,000 affected properties.



The June Plan assumes that assessed values, which are the basis for property tax calculations, will rise by 5.7 percent in FY 2014 as gains from prior years are phased-in pursuant to State law. As a result, real property tax collections are forecast to increase by 4.6 percent to \$19.6 billion in FY 2014 (see Figure 13).¹⁶ In subsequent years, property tax revenues are projected to grow at a slightly lower rate of 4 percent annually, with weaker market value growth supplemented by the continued phase-in of increases from prior years. The strong growth in the FY 2014 tax roll will lift the tax base throughout the financial plan period, generating an additional \$3.4 billion in revenue through FY 2017 compared to the forecasts in the June 2012 plan.

¹⁶ Superstorm Sandy reduced property tax revenues by \$90 million in FY 2014.

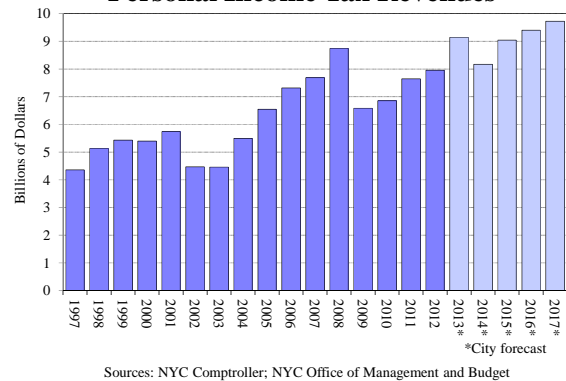
Commercial properties have driven the growth in assessed values and revenues in recent years. Between FY 2009 and FY 2013, commercial properties have accounted for 56 percent of the growth in citywide assessments. Apartment buildings, cooperatives and condominiums contributed about one-third of the growth in total assessments. One-, two- and three-family homes, which constitute more than two-thirds of all properties in the City, have accounted for about 6 percent of the growth in total assessments.

2. Personal Income Taxes

While the June Plan shows that personal income tax collections are projected to decline by more than 10 percent in FY 2014, the decline is due to changes in taxpayer behavior, as some upper-income taxpayers acted to avoid higher federal income tax rates (including on capital gains) that took effect January 1, 2013. As a result, revenue that would have been received in FY 2014 (and later years) was shifted into FY 2013. After adjusting for this shift, personal income tax collections are forecast to rise by 1.3 percent in FY 2014 following a gain of 8.1 percent in FY 2013.

Receipts in FY 2014 are expected to be constrained by a slowdown in job growth, and the June Plan’s forecast of lower Wall Street profits in 2013 is expected to result in slower wage growth. While job growth is forecast to remain subdued in subsequent years, wage growth is projected to rise slightly as Wall Street profits improve. As a result, the expected growth in personal income tax collections averages 3.7 percent annually in each of fiscal years 2015 through 2017 (after adjusting for the income shift). Collections are expected to reach \$9.7 billion by FY 2017 (see Figure 14).

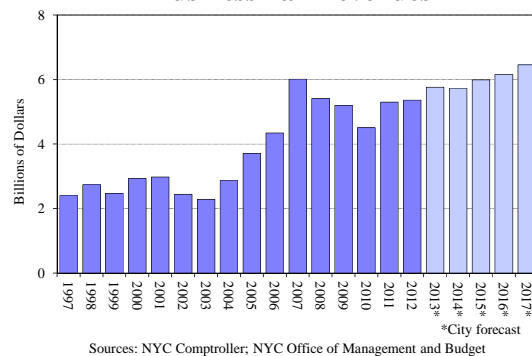
Figure 14
Personal Income Tax Revenues



3. Business Taxes

After growing by an estimated 9.8 percent in FY 2013, business tax collections are forecast to decline by 2.7 percent in FY 2014 (to \$5.7 billion), the first decline since FY 2010 (see Figure 15). The forecasts are based on the City’s assumptions of an overall slowdown in economic growth and a sharp decline in Wall Street profits.

Figure 15
Business Tax Revenues



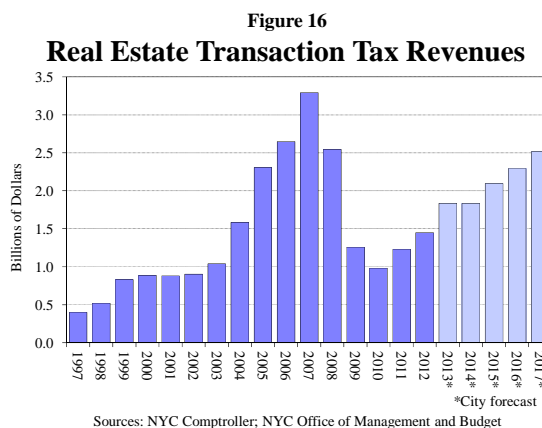
The June Plan assumes that Wall Street profits will decline from \$23.9 billion in 2012 to \$13.4 billion in 2013 and \$12.6 billion in 2014, before gradually rising to \$14.6 billion in 2017. This level of profitability, which is more consistent with levels in the mid-2000s before the run-up to the financial crisis, reflects the City's expectations of the impact of regulatory reforms and of the continued drag from European recessions. The June Plan forecasts growth in the business taxes to average 4.1 percent annually from fiscal years 2015 through 2017. Collections are not expected to exceed prerecession levels until FY 2016.

4. Real Estate Transaction Taxes

The June Plan forecasts that collections from the real estate transaction taxes will remain unchanged in FY 2014, after a 26.4 percent gain in FY 2013. As with the personal income tax, the increase in federal capital gains tax rates on January 1, 2013, led some investors to close on real estate transactions before the end of 2012. This shifted about \$110 million in transaction revenue out of FY 2014 and into FY 2013.¹⁷ Although collections in FY 2014 are expected to reach more than \$1.8 billion, that level is only slightly more than half the peak reached before the recession (see Figure 16).

The acceleration of closings is also reflected in transaction activity (including for large commercial deals), which has been strong during the first nine months of FY 2013. Refinancing activity has also been strong, helped by low interest rates.

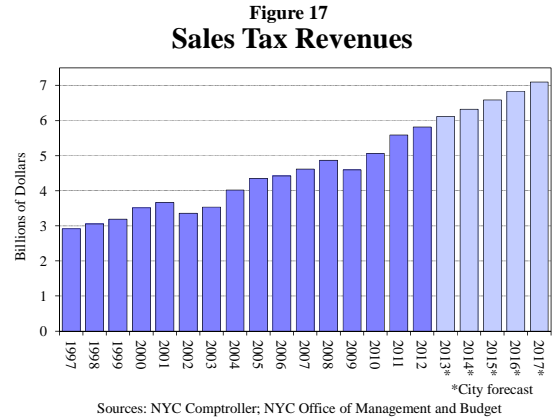
Given the continued improvement in the real estate markets, real estate transactions are forecast to grow at an average annual rate of 11.1 percent during fiscal years 2015 through 2017.



¹⁷ Adjusting for the shift in activity, revenues from real estate transactions would have grown by 18.8 percent in FY 2013 and 12.9 percent in FY 2014.

5. Sales Tax

Throughout the economic recovery, sales tax revenues have been bolstered by strength in the City’s tourism sector, even as consumers have been cautious with their spending and as wages have shown only modest growth. In FY 2014, sales tax collections are expected to increase by 3.4 percent, reaching \$6.3 billion (see Figure 17). This is a slight slowdown from the rate of growth in fiscal years 2012 and 2013, which averaged 4.6 percent annually.



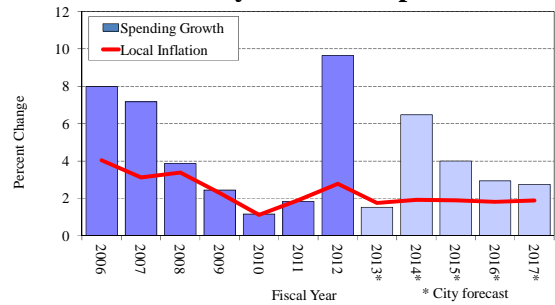
For fiscal years 2015 through 2017, the June Plan forecasts sales tax collections to increase at an average annual rate of 3.9 percent, as wage growth continues to remain modest and tourism remains strong.

Unlike the personal income and real estate transaction taxes, the sales tax is not expected to be affected by the changes in the federal tax code. While Superstorm Sandy did disrupt spending patterns, it also led consumers and businesses to purchase alternate goods and services during the storm and its aftermath, and has since generated spending for reconstruction.

VII. Expenditure Trends

City-funded expenditures¹⁸ are projected to grow by 6.5 percent (\$3.2 billion) to \$53 billion in FY 2014 (see Figure 18), driven primarily by continued increases in the cost of employee fringe benefits and debt service. In recent years, the City has diverted resources from the Retiree Health Benefits Trust to help balance the budget. This held down the growth in City-funded spending during those years, but by the end of FY 2014 the trust will be virtually depleted. The City's financial plan assumes that no financial liability will arise from wage freezes imposed on municipal workers during the recession, even though the City has not reached new labor agreements that cover this period. While the City has set aside resources for collective bargaining for fiscal years 2013 through 2017, the amounts are sufficient to fund annual wage increases of only 1.25 percent.

Figure 18
Growth in City-Funded Expenditures



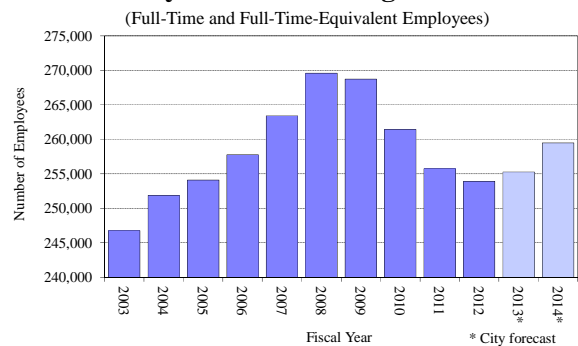
Note: City-funded expenditures grew by 9.6 percent in FY 2012 because the City replaced expiring federal stimulus aid (\$1.8 billion) and a cut in State education aid (\$812 million) with City funds.

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

Although City-funded spending is projected to exceed City fund revenues by \$2.7 billion in FY 2014, the budget will be balanced with resources from prior years. By our estimate, the FY 2014 budget includes \$4.5 billion in nonrecurring resources, \$2.5 billion more than the FY 2013 budget (for more information, see Appendix A).

The City-funded workforce grew between fiscal years 2003 and 2008 (see Figure 19) as the economy expanded, but since then it has contracted by nearly 6 percent as budget cuts were imposed by the City to help weather the recent recession. The City, however, expects staffing levels to rise in fiscal years 2013 and 2014 (for more information, see Appendix B).

Figure 19
City-Funded Staffing Levels



Note: Staffing levels are as of June 30 of each fiscal year.

Sources: NYC Office of Management and Budget; OSC analysis

¹⁸ Adjusted for surplus transfers and debt defeasances, and includes debt service on bonds issued by TSASC.

The June Plan is based on the trends shown in Figure 20 and discussed below.

Figure 20
Estimated City-Funded Expenditures
(Adjusted for Surplus Transfers, Debt Defeasances and TSASC)
 (in millions)

	FY 2013	FY 2014	Annual Growth	FY 2015	FY 2016	FY 2017	Average Three-Year Growth Rate
Salaries and Wages	\$ 12,850	\$ 13,360	4.0%	\$ 13,667	\$ 13,833	\$ 13,941	1.4%
Pension Contributions	8,029	8,160	1.6%	8,170	8,367	8,621	1.8%
Medicaid	6,190	6,272	1.3%	6,353	6,322	6,322	0.3%
Debt Service	5,492	6,071	10.5%	6,843	7,275	7,503	7.3%
Health Insurance	4,472	4,844	8.3%	5,454	6,031	6,685	11.3%
Other Fringe Benefits	2,777	2,958	6.5%	3,034	3,155	3,260	3.3%
Energy	897	935	4.2%	950	937	947	0.4%
Judgments and Claims	610	718	17.7%	729	765	801	3.7%
Public Assistance	579	586	1.2%	584	584	588	0.1%
General Reserve	40	450	NA	300	300	300	NA
Drawdown Retiree Health Benefits Trust	(1,000)	(1,000)	NA	---	---	---	NA
Prior Year's Expenses	(500)	---	NA	---	---	---	NA
Other	9,383	9,690	3.3%	9,083	9,218	9,379	-1.1%
Total	\$49,819	\$53,044	6.5%	\$55,167	\$56,787	\$58,347	3.2%

Sources: NYC Office of Management and Budget; OSC analysis

1. Collective Bargaining

All of the labor agreements with the unions that represent the municipal workforce have expired. The labor agreement with the union that represents the City's teachers (32 percent of the City workforce) expired in November 2009, and the agreements with most other unions expired in 2010. The City had set aside resources to fund two annual wage increases of 4 percent in calendar years 2009 and 2010 for teachers (similar to increases negotiated with the City's other unions), but the City redirected those resources to offset a sharp reduction in State education aid. As a result, the City has effectively imposed a unilateral five-year wage freeze on its teachers and a three-year wage freeze on most of its other employees. The City assumes that after the expiration of the wage freeze the municipal unions will agree to annual wage increases of 1.25 percent, which is lower than the projected inflation rate. The June Plan makes no provision for retroactive wage increases prior to FY 2013.

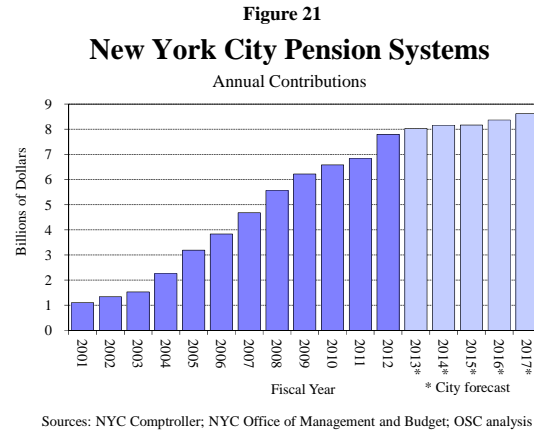
Each annual percentage-point increase in wages above the wage rates assumed in the June Plan would increase costs by \$300 million annually. If wages were to rise at the projected inflation rate without any offsetting savings, costs would increase by \$94 million in FY 2014, \$219 million in FY 2015, \$398 million in FY 2016 and \$606 million in FY 2017. The City estimates that providing retroactive wage increases to all employees and wage increases at the local inflation rate would increase costs by \$7.8 billion in FY 2014 and more than \$3 billion annually thereafter.

2. Pension Contributions

After rising rapidly over the past decade, City-funded pension contributions are expected to rise more slowly during the financial plan period (see Figure 21). Pension contributions are expected to average about \$8 billion during fiscal years 2012 through 2015 before rising to \$8.6 billion by FY 2017. These estimates reflect recent changes in the assumptions and methodologies used to calculate City pension contributions, which were recommended by the City Actuary and approved by the boards of trustees of the City’s five pension systems as well as by the State. The changes were fully implemented in January 2013.

The changes include a reduction in the investment earnings assumption from 8 percent to 7 percent; a different cost methodology to determine the projected cost of future pension benefits; and a longer amortization period, which will help free up resources during the financial plan period but also will result in higher costs in the longer term.¹⁹ The City has engaged the services of an independent actuarial consultant to conduct charter-mandated biennial audits of the pension systems. The audits, which are expected to be released during FY 2014, may recommend changes to the actuarial assumptions and methodologies that are used to calculate City pension contributions, which could increase (or decrease) planned City pension contributions.

The City Comptroller estimates that the City’s pension systems earned 12 percent on their investments during FY 2013 (compared to an expected annual return of 7 percent) and that, as a result, City pension contributions could be lower than planned by \$66 million in FY 2015, \$131 million in FY 2016 and \$197 million in FY 2017.



¹⁹ The staff of the New York State Financial Control Board estimates that the longer amortization period deferred the payment of \$1.7 billion in pension contributions in FY 2012.

3. Health Insurance

City-funded health insurance costs are projected to rise by 8.3 percent in FY 2014 to \$4.8 billion (see Figure 22), despite the smallest increase in health insurance premiums for active City employees in 15 years.²⁰ The June Plan assumes that health insurance costs will grow more rapidly over the balance of the financial plan period, from \$4.8 billion in FY 2014 to \$6.7 billion by FY 2017, an average of 11.3 percent annually. The

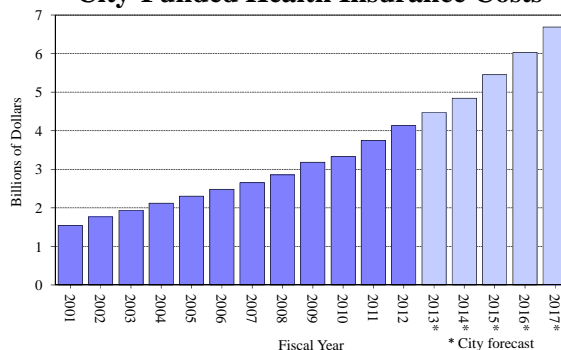
greater pace of growth in these years reflects the City’s expectation that the cost of health insurance premiums for active employees will resume growing at 9 percent annually. (Premiums for Medicare-eligible retirees are expected to rise by 8 percent annually during the balance of the financial plan period.)

The Congressional Budget Office, the Kaiser Family Foundation and other organizations have noted that the growth in health care costs has begun to slow across the nation. Recent studies, while inconclusive, have found that the last recession and slow economic growth are linked to a temporary reduction in consumer health care spending, and that recently implemented cost controls could produce a sustainable slowdown to future spending growth.

4. Uniformed Agencies

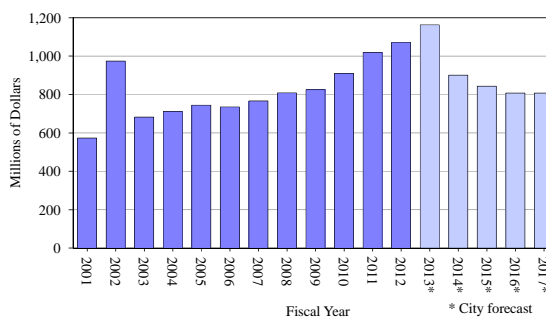
Overtime in the uniformed agencies (the Police, Fire, Correction and Sanitation departments) has grown by 18 percent since FY 2010 as a result of staff shortages in the Fire and Correction departments, along with the effects of severe weather. The June Plan estimates that overtime totaled nearly \$1.2 billion in FY 2013 (see Figure 23), including \$150 million in overtime associated with Superstorm Sandy. Excluding these one-time costs, overtime is projected to fall by \$75 million to \$956 million in FY 2014.

Figure 22
City-Funded Health Insurance Costs



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

Figure 23
Uniformed Agencies Overtime Spending



Sources: NYC Office of Management and Budget; OSC analysis

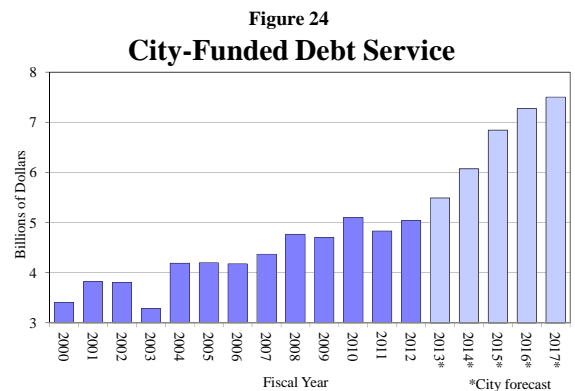
²⁰ Last fall, the State Department of Financial Services (DFS) rejected an application from the Health Insurance Plan of Greater New York to increase premiums for active City employees by 10.1 percent in FY 2014, and instead approved a rate increase of 5.2 percent.

The City believes overtime will be lower in FY 2014 because a federal court order banning the City from hiring firefighters has been lifted.²¹ Also, the Department of Correction is scheduled to add 188 officers by the end of FY 2014. In addition to the FY 2014 agency cost-reduction program (see Section IV, “Agency Program”), the June Plan assumes the Police Department will implement cost-reduction initiatives for annual savings of \$50 million, although such actions have failed in the past.

5. Debt Service

In recent years, the City has been taking advantage of historically low interest rates by refinancing outstanding debt. Since FY 2008, the City has refinanced more than \$18 billion in debt (about one-quarter of all bonds outstanding) for cumulative savings of \$1.5 billion through FY 2014. More than half of this amount (nearly \$900 million) will be realized during fiscal years 2013 and 2014, and another \$100 million will be realized in FY 2015. In the past several years, the City has also realized significant savings from lower-than-expected interest rates on new debt issuances and variable rate debt. During FY 2013, the City realized more than \$150 million in savings from lower-than-expected interest rates on variable rate debt alone, and could realize a similar amount in FY 2014 if interest rates remain low.

The June Plan assumes that City-funded debt service (adjusted for defeasances and surplus transfers) will increase from \$5.5 billion in FY 2013 to \$7.5 billion by FY 2017 (see Figure 24), an increase of 37 percent over four years.²² These estimates, however, do not anticipate any future debt refinancings, and are based on relatively high interest rates given current Federal Reserve policies.

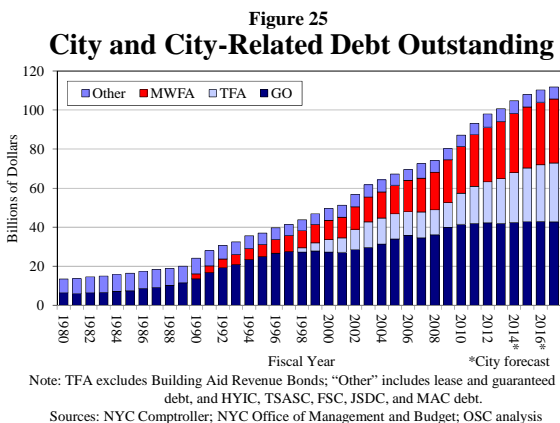


Note: Debt service amounts are adjusted for prepayments and debt defeasances.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

²¹ In 2010 a federal court found that the City’s hiring practices were biased against certain minorities, but the court recently approved revised hiring practices.

²² The City will use FY 2013 surplus resources to defease debt due in fiscal years 2015 and 2016, which is expected to reduce debt service by \$98 million in each of those years.

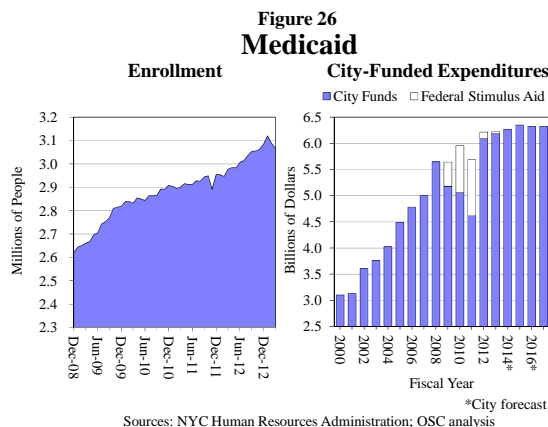
The outstanding debt of the City and City-related entities has risen steadily over the past three decades to fund the City’s capital program.²³ Debt outstanding is estimated to have exceeded \$100 billion at the end of FY 2013, an increase of 57 percent in ten years (see Figure 25). The FY 2013 amount is equivalent to about \$12,000 per capita, or \$4,000 more than ten years earlier.



6. Medicaid

Over the past four years, enrollment in the Medicaid program grew by 15 percent to more than 3 million people as of April 2013 (see Figure 26), about one of every three New York City residents. Enrollment growth is largely attributed to the recent recession and is expected to continue with the enactment of federal health reform legislation, which will extend Medicaid eligibility. Despite the expected growth in enrollment, the City-funded cost of Medicaid will remain flat because of actions taken by the State.

Medicaid expenditures have posed significant challenges to local budgets (including New York City) as a result of program expansions and the relatively rapid growth in the cost of medical care. During fiscal years 2000 through 2006, the City-funded cost of this program grew at an average annual rate of 7.5 percent to \$4.8 billion in FY 2006. In 2005 the State assumed full financial responsibility for the Family Health Plus program (a Medicaid expansion program), and in January 2006 the State capped the growth in the local share of Medicaid to about 3 percent annually.²⁴



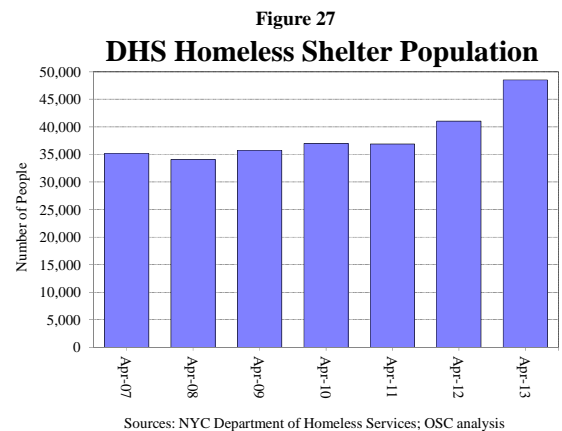
²³ City and City-related debt includes GO debt, MWFA debt, TFA-PIT debt, lease and guaranteed debt, and debt of the Hudson Yards Infrastructure Corporation (HYIC), TSASC, the Fiscal Year 2005 Securitization Corporation (FSC), the Jay Street Development Corporation (JSDC) and the Municipal Assistance Corporation (MAC).

²⁴ The cap on the local share of Medicaid costs does not include the additional City-funded support provided to the Health and Hospitals Corporation (HHC) in order to leverage Medicaid supplemental payments for the care that the HHC provides to uninsured and Medicaid patients. These supplemental City-funded payments have averaged \$650 million annually since FY 2006.

The City-funded cost of this program reached \$5.6 billion in FY 2008, and then declined to \$4.6 billion in FY 2011 as a result of temporary federal stimulus aid (see Figure 26). The City’s share of Medicaid reached \$6.1 billion in FY 2012 (after the expiration of most federal aid). The June Plan assumes that the cost of this program will grow slowly and level off at \$6.3 billion in FY 2016 as the State completes a three-year takeover in the growth in the local share of Medicaid.

7. Homeless Services

The June Plan estimates that the City-funded cost of providing services to the City’s homeless people will total \$578 million in FY 2014, which is \$26 million less than in FY 2013.²⁵ These estimates assume that the City Council will approve an initiative to shelter homeless families with fewer than four members in shared living units (for savings of \$9 million annually beginning in FY 2014), but the City Council has rejected similar initiatives in the past. As shown in Figure 27, the shelter population managed by the Department of Homeless Services (DHS) reached 48,496 (including 20,624 children) in April 2013, which was 18 percent higher than one year earlier. The DHS also provides funding for short-term housing and overnight shelters, which are operated by community-based and faith-based organizations, for about 1,500 single adults in special needs populations.

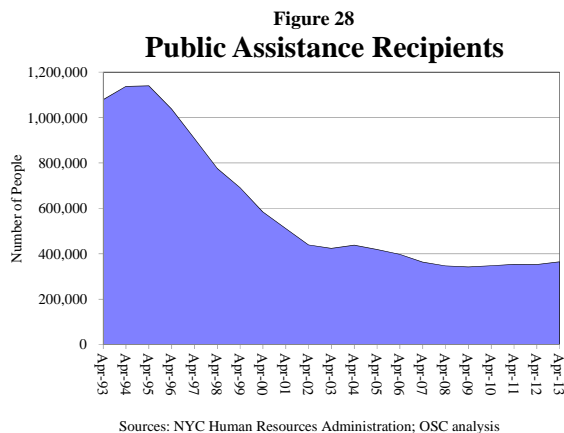


The Human Resources Administration shelters more than 2,500 people in facilities for victims of domestic violence, and another 2,000 people in facilities for homeless people with HIV/AIDS. The Department of Housing Preservation and Development provides emergency housing to about 2,000 people who have become homeless as a result of extraordinary circumstances, such as fires. The City also provides funding for 250 shelter beds operated by community-based and faith-based organizations for runaway and homeless youth aged 16 to 21.

²⁵ The Department of Homeless Services, which shelters homeless families and single adults in more than 200 City facilities, accounts for 78 percent of these costs.

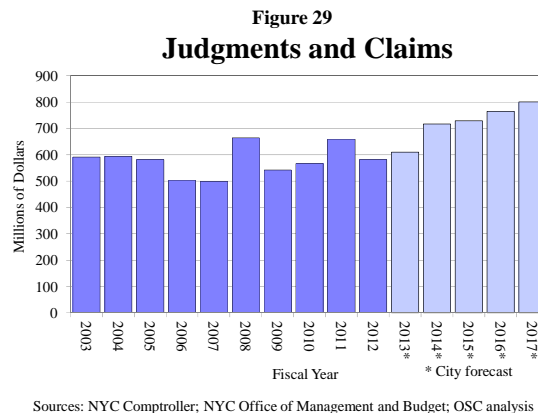
8. Public Assistance

The public assistance caseload has grown by only 7 percent over the past four years to 364,920 recipients in April 2013 (see Figure 28), even though the recent recession was the deepest of the postwar era.²⁶ In 2011 (the most recent year for which data are available), about one in every five New York City residents received public assistance or food stamps. The June Plan assumes that that City-funded expenditures for public assistance will total \$586 million in FY 2014 (largely unchanged from the prior year) and remain relatively steady through FY 2017.



9. Judgments and Claims

The cost of judgments and claims are estimated to total \$718 million in FY 2014, \$108 million more than forecast for FY 2013. Although the City was able to hold down the growth in these costs in the past two years, the June Plan assumes that these costs will reach \$801 million by FY 2017 (see Figure 29). While the City could realize future savings if recent trends continue, there has been an increase in the number of claims against the Police Department related to its stop-and-frisk policies.



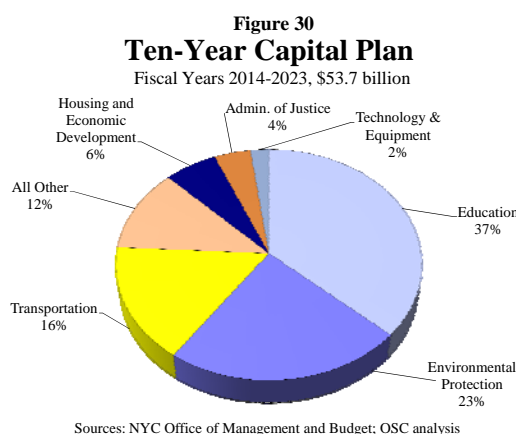
²⁶ The April 2013 caseload is 800,000 lower than the peak in March 1995, largely as a result of federal welfare reform measures implemented in the late 1990s that enforced work requirements.

VIII. Ten-Year Capital Plan

In May 2013, the City released its biennial ten-year capital plan, which totals \$53.7 billion and covers fiscal years 2014 through 2023. The capital plan is effectively \$2 billion smaller than the capital plan released two years ago, after adjustment for funding included to address damage related to Superstorm Sandy.²⁷ The decrease is mostly attributable to lower investment levels in housing and economic development (\$878 million), education (\$596 million) and parks (\$514 million).

The capital plan assumes that 50 percent of the funding would go to state-of-good-repair projects (e.g., to rehabilitate schools, bridges and streets), 25 percent would go to program expansion (e.g., construction of new schools, water distribution infrastructure and sewers) and 25 percent would go to programmatic replacement of various facilities and equipment. Funding for the capital plan would come from City bond proceeds (\$27.3 billion, or 51 percent), the Municipal Water Finance Authority (\$12.4 billion, or 23 percent) and federal, State and other sources (\$14 billion, or 26 percent).

As shown in Figure 30, about three-quarters of the capital resources would be invested in projects involving education, environmental protection and transportation. Education projects would be allocated \$19.7 billion, and mostly would support expanding classroom capacity (\$7.8 billion), the rehabilitation of existing buildings (\$6.9 billion) and technology enhancements (\$2.8 billion).



Environmental protection projects (\$12.4 billion) primarily include water pollution control upgrades (\$4.4 billion), water mains, sources and treatment (\$3.5 billion) and sewer repair (\$2.2 billion). About half of the \$8.7 billion in transportation allocations would go toward the reconstruction and rehabilitation of bridges. The capital plan also allocates funding to reconstruct 43 bridge structures (\$2.3 billion), rehabilitate 33 bridge structures (\$1.6 billion) and complete rehabilitation work on the East River bridges (\$280 million).

²⁷ The City estimates that capital damage from Superstorm Sandy totals \$3 billion, mostly for parks and beaches (\$785 million), roads and bridges (\$775 million), public hospitals (\$712 million) and public schools (\$400 million). The City plans to commit \$1.4 billion in FY 2013, and then a total of \$1.6 billion during fiscal years 2014 and 2015 (these two years are included in the ten-year capital plan). The City expects that non-City sources, primarily the federal government, will fully cover these costs.

IX. Other Issues

1. Department of Education

Over the past decade, City funding for education has more than doubled, rising from \$6.2 billion in FY 2003 to \$13.1 billion in FY 2013 (see Figure 31). State education aid grew by less than half during the same period, rising from \$5.9 billion to \$8.5 billion.

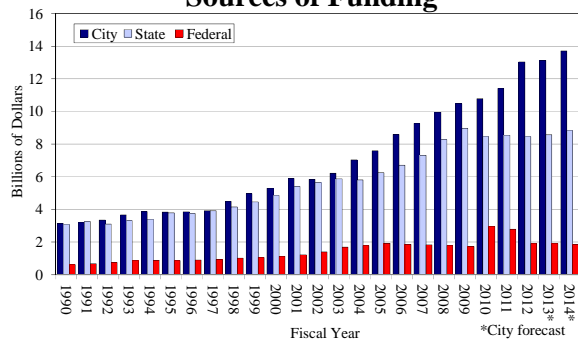
In FY 2014, total funding for education is projected to increase by more than \$1 billion to \$24.8 billion. Of this amount, the Department of Education (DOE) intends to use \$642 million to fund a variety of programmatic needs such as hiring additional teachers, opening new schools and expanding universal prekindergarten. The balance of the increase is scheduled to fund fringe benefits and debt service costs.

The State budget increases education aid to the City by \$364 million in FY 2014, but like last year, the aid is contingent on the implementation of a teacher evaluation program.²⁸ The State Education Commissioner recently established a new teacher evaluation program for the City, because the City and the teachers' union were unable to reach agreement on their own. The City has until September 1, 2013, to implement the new evaluation program or risk the loss of aid in FY 2014.

2. Metropolitan Transportation Authority

The February 2013 financial plan of the Metropolitan Transportation Authority (MTA) shows a budget surplus of \$48 million in 2013 and relatively small budget gaps of \$77 million in 2014, \$21 million in 2015 and \$227 million in 2016. These estimates assume fare and toll increases of about 7 percent in 2013 (which took effect in March 2013) and in 2015, as well as continued implementation of the MTA's cost-reduction program and the receipt of federal aid and insurance proceeds to cover most of the costs associated with Superstorm Sandy. The MTA's financial plan does not include the MTA's share of any storm mitigation projects.

Figure 31
Department of Education
Sources of Funding



Sources: NYC Office of Management and Budget; OSC analysis

²⁸ The City failed to reach an agreement with the United Federation of Teachers on a new teacher evaluation program by the January 17, 2013, deadline for the receipt of \$250 million of additional State education aid in FY 2013. The City's financial plan reflects the loss of this aid in FY 2013, although there is a possibility that the aid could be restored given ongoing litigation.

The MTA could receive up to \$40 million more in State support than the MTA had anticipated for 2013, and thus the MTA is exploring the possibility of improving service with the additional funding. While real estate transaction tax receipts are significantly better than forecast through June 2013, collections from other taxes are lagging, although some of this variance may be due to timing. In addition, debt service is effectively \$37 million lower than forecast through April 2013. Despite these positive developments, the MTA is facing other fiscal challenges, including the outcome of labor negotiations and the pace of the economic recovery. The MTA is expected to release an update to its financial plan on July 24, 2013.

3. Health and Hospitals Corporation

The Health and Hospitals Corporation (HHC) is the largest municipal hospital system in the country and the single-largest provider of health care to uninsured New York City residents. The HHC receives most of its patient revenue from public health plans, of which 65 percent comes from Medicaid.²⁹ The heavy reliance on Medicaid makes the HHC vulnerable to actions taken by the State and federal governments to reduce Medicaid reimbursements.

In FY 2007, the HHC ended its fiscal year with a cash balance of more than \$1 billion (its highest closing balance ever) as it benefited from large, prior-year, nonrecurring Medicaid reimbursements. Because of a structural imbalance between recurring revenues and expenditures, the HHC has been drawing on these reserves to balance its budget. In January, the HHC estimated that it would end FY 2013 with a deficit of \$43 million if it failed to recover \$183 million in lost revenue related to Superstorm Sandy. Since the HHC did not receive any federal aid to cover these operational costs before FY 2014, the City has provided financial assistance.

Pursuant to an agreement with the City, the HHC has delayed payments totaling \$389 million (largely to reimburse the City for medical malpractice and debt service costs) until FY 2014. Thus the HHC expects to end FY 2013 with a cash balance of \$288 million, but it still needs to address the underlying structural imbalance.

In spite of recent efforts to reduce costs and increase revenues, the HHC projects large gaps beginning in FY 2014. To close these gaps the HHC plans to develop additional cost-containment actions that are expected to generate \$100 million in FY 2014 and \$300 million annually thereafter; however, these actions have yet to be identified. The HHC is also counting on the receipt of \$500 million in additional Medicaid and Medicare revenue starting in FY 2014, but the likelihood of such additional funding is uncertain given current budgetary constraints.

²⁹ Including supplemental Medicaid payments for providing care to uninsured and Medicaid patients, the HHC realizes approximately 75 percent of its patient revenues from Medicaid.

4. New York City Housing Authority

For years, the New York City Housing Authority (NYCHA), which is dependent on federal aid and rental payments from its low-income residents, has had difficulty balancing its budget and maintaining its housing assets in a state of good repair. At the behest of the Mayor, the State recently enacted legislation that changes the composition and compensation of the NYCHA board.

The NYCHA's current budget includes a variety of cost-reduction and revenue-generating initiatives. These include plans to raise rents on the 47,000 households that devote less than 30 percent of their household incomes to rent, and to lease parking lots and playfields surrounding its housing developments to private developers. Despite these actions, which have generated community opposition, the NYCHA estimates that it still faces an estimated operating budget deficit of \$192 million in calendar year 2013, in large part because of federal budget cuts.³⁰

To narrow the projected budget gap, the NYCHA proposed closing all of its community and senior centers, and laying off 500 employees. In response, the City allocated \$71 million to keep the community and senior centers open and to prevent most of the planned layoffs. Although the NYCHA is more than halfway through its fiscal year, it has yet to make public its plans to close the remaining budget gap of \$121 million. The NYCHA last revised its budget in January 2013, more than seven months ago.

5. Sale of Taxi Medallions

After a year-long legal battle, on June 6, 2013, the New York State Court of Appeals ruled that a State law authorizing the City to sell 2,000 new taxi medallions and create a new class of street hail livery licenses was constitutional. The law, which is meant to increase mobility for City residents who are disabled or who live outside Manhattan's central business district, was first signed by the Governor in December 2011 on the condition that it would be amended (which occurred in February 2012) to include extra provisions to improve accessibility in the City's taxicab and livery system for people with disabilities.

The law authorizes the City to sell up to 2,000 new taxicab medallions, but requires all of the new medallions to be restricted to taxicabs that are accessible to people with disabilities. The law also permits the creation of up to 18,000 new hail licenses that will allow livery cars to pick up street hails in Upper Manhattan and the other four

³⁰ In addition, as result of federal budget cuts, the NYCHA also stands to lose \$78 million in Section 8 funding and \$14 million in capital aid.

boroughs, excluding the airports, with 20 percent of these licenses designated for vehicles that are accessible to passengers with disabilities.³¹

The June Plan assumes that the medallion sale will generate nearly \$1.5 billion over four years beginning in FY 2014. Before the first taxi medallions can be sold (tentatively scheduled for the fall of 2013), several requirements must be met. In June 2013 the City met one requirement, which was for the Taxi and Limousine Commission (TLC) to sell its first new street hail livery license and thus begin the process of supporting such licenses. The TLC still needs to submit for public review a draft environmental impact statement (EIS), and to release a final EIS and a statement of findings, which could face legal challenges. At the end of the environmental review, the TLC may sell 400 medallions before it must meet the next requirement, which is to submit a disabled accessibility plan (DAP) to the State Department of Transportation (DOT) for approval by no later than June 2014.

The DAP must outline how the TLC plans to achieve meaningful accessibility for disabled passengers throughout the City with a gradual phase-in of accessible vehicles in the medallion taxicab fleet as well as radio-dispatch livery cars and the new street hail livery fleet. Currently, fewer than 2 percent of medallion taxicabs in the City are wheelchair-accessible, and an even smaller percentage of livery vehicles are accessible. To encourage vehicles that are accessible to passengers with disabilities, the law requires the TLC to provide grants of up to \$15,000 to street hail livery licensees wishing to purchase or convert to a wheelchair-accessible vehicle. The law does not include any financial incentives for the 2,000 medallion taxicabs that are required to be wheelchair-accessible.

The DAP will be developed with input from various stakeholders and will be reviewed by the City Council. Once the DAP is submitted to the DOT, the law stipulates that the State may “recommend changes or amendments to the TLC as a condition of its approval and must approve or reject the disabled accessibility plan within sixty days of submission by the TLC.” The June Plan assumes that the sale will generate \$300 million in FY 2014, \$400 million in FY 2015, \$360 million in FY 2016 and \$400 million in FY 2017. The medallion sales scheduled for FY 2015 and subsequent years depend upon the approval of the DAP; the City expects this to occur in the beginning of FY 2015.

The value of the taxi medallions will be determined at auction, although the City will set a minimum bid price. The June Plan assumes the auction price will average \$750,000, based upon the market value of recent medallion transfers and past medallion sales for the type of medallion sold (individual or corporate), and

³¹ The new street hail livery vehicles can continue to pick up passengers by prearrangement anywhere (including airports), except in Manhattan south of West 110 Street and East 96 Street.

discounted for the extra costs associated with accessible vehicles. Following the first auction of 200 medallions, expected to occur by the end of October 2013, the City will have more information on the market value of the medallions and may revise its revenue forecast. The next 200 medallions are expected to be auctioned in the spring of 2014.

6. The Federal Budget

In an effort to reduce the federal deficit, the federal government implemented across-the-board spending cuts, which became effective on March 1, 2013. The City estimates that these cuts reduced federal funding to the City's budget by a total of \$148 million during fiscal years 2013 and 2014. The City mitigated most of the impact with City, State and other federal funds, but some programs lost funding. Additional federal budget cuts are scheduled to take effect October 1, 2013, but the June Plan does not reflect the potential impact on the City's budget. OSC estimates that these cuts could reduce federal funding to the City by an additional \$150 million in FY 2014 and \$200 million annually in subsequent years.³²

The United States will likely reach its debt limit later in the year and, if the debt ceiling is not raised, the federal government will be unable to borrow money to pay its financial obligations. During this process, the President and congressional leaders may negotiate further spending cuts and revenue actions to reduce the federal budget deficit. They may also adopt alternative actions for the scheduled federal budget cuts in federal fiscal year 2014, which may have a larger or smaller impact on the City.

7. Superstorm Sandy

Superstorm Sandy, which struck on October 29, 2012, resulted in an estimated \$4.6 billion in costs to the City, including \$3 billion in capital needs and \$1.6 billion in emergency operating expenses. Federal assistance provided through the Federal Emergency Management Agency (FEMA) is expected to cover up to 90 percent of eligible costs, with the remainder funded by non-City sources.³³ The City is exploring the use of other federal relief assistance to cover the local share.

The \$1.6 billion in storm-related operating expenses includes emergency repairs, debris removal and overtime. Rather than funding these costs with City funds, the City has set up a receivable line item for federal funds in its revenue budget, with corresponding budget codes in its expense budget. The largest cost was the NYC Rapid Repairs program, which provided emergency repairs at no cost to private home

³² These estimates do not include the impact on programs outside of the City's financial plan, such as those at the New York City Housing Authority, the Metropolitan Transportation Authority and other organizations that receive federal funding.

³³ Federal sequestration may reduce the total amount of federal relief expected to benefit the City by \$500 million, including approximately \$75 million that would benefit the operating budget.

owners (\$640 million). The City's uniformed agencies spent an estimated \$335 million (including fringe benefits), including \$150 million for overtime (mostly in the Police and Sanitation departments). The City's estimate also includes storm preparation and restoration costs for public hospitals (\$125 million), parks (\$76 million), public schools (\$57 million) and roads and bridges (\$52 million).

The City estimates that it will incur capital costs of \$3 billion to make permanent repairs to damaged infrastructure, including parks and beaches (\$785 million), roads and bridges (\$775 million), hospitals (\$712 million) and schools (\$400 million). The City is in the process of developing scopes of work (i.e., the plan for repair and remediation) for each capital project, which will require approval from FEMA. The City expects that reimbursements from FEMA and other non-City sources will cover and match the flow of capital expenditures, but the amount and timing of reimbursements will ultimately be determined by the federal government. To this end, the June Plan includes a \$300 million reserve for City-funded borrowing, which would increase debt service by about \$20 million annually starting in FY 2016.

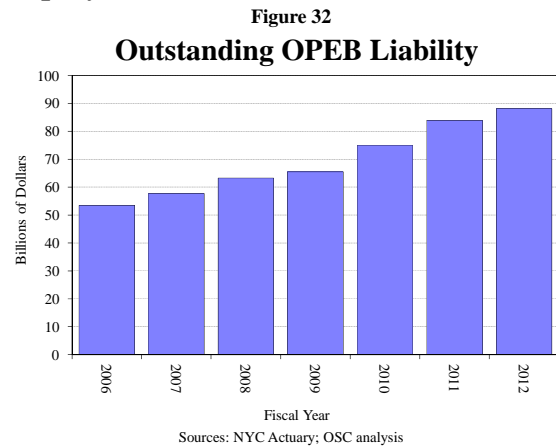
In addition, the City has been awarded an initial allocation of nearly \$1.8 billion in Community Development Block Grant Disaster Recovery funds. The City intends to use these funds largely to provide assistance to home owners and businesses (\$941 million), to help fund the local share of recovery costs not covered by FEMA (\$360 million) and to study and begin implementing resiliency measures to protect against future storms (\$294 million).

On June 11, 2013, the Mayor released a comprehensive report outlining strategies and projects to mitigate the impact of future storms on New York City. The report, *A Stronger, More Resilient New York*, contains more than 250 individual proposals across various areas (e.g., coastal protections, public and private buildings, the transportation network and utilities) to help fortify the City against future severe weather events. The estimated cost for all of the proposals is nearly \$20 billion, and would be funded over a ten-year period. The report identified \$15 billion in funding, including \$5.5 billion already in the City-funded capital plan, \$4.5 billion in allocated federal funding, at least \$4 billion from authorized but yet-to-be-allocated federal funding, and at least \$1 billion from utility companies. While the City is calling for the \$4.5 billion funding gap to be filled primarily through additional federal aid, it will consider borrowing up to \$1 billion, and has also suggested alternative revenue proposals, such as a surcharge on insurance policies.³⁴

³⁴ As part of the FY 2014 adopted budget, the Mayor and the City Council announced that the City would allocate \$250 million in City capital funds for priority resiliency projects, including \$150 million for coastal protection and \$100 million for City agencies to secure critical facilities.

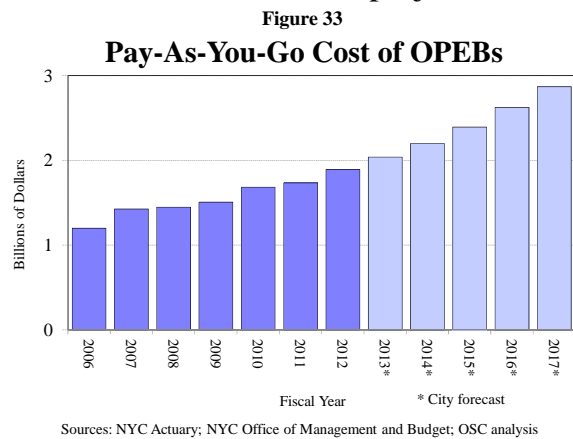
8. Other Post-Employment Benefits

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. As shown in Figure 32, the City’s outstanding OPEB liability for past employee service reached \$88.2 billion as of FY 2012, an increase of \$34.7 billion since FY 2006 (the first OPEB valuation year reported by the City), and \$4.3 billion more than in the prior year.



Although the City is required to fund pension costs on an actuarial basis to ensure that current taxpayers pay their fair share of services, the City is not required to fund OPEBs on a similar basis. The City, like many employers, pays the annual cost of benefits provided to current retirees on a pay-as-you-go (PAYGO) basis.

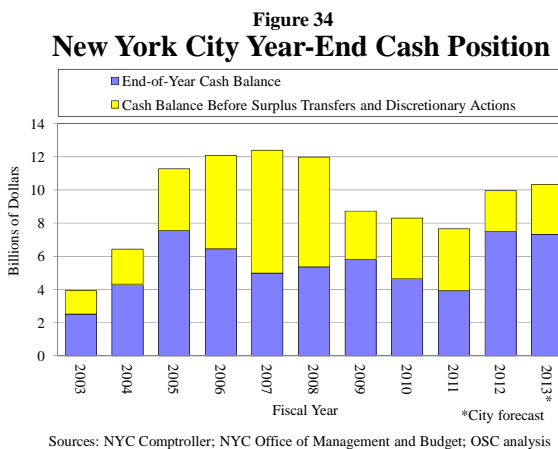
In FY 2012, the City paid half of the present value of obligations (\$2.8 billion) that is attributed, on an actuarial basis, to services received that fiscal year, deferring nearly \$1.4 billion to future taxpayers. OPEB costs, on a PAYGO basis, are projected to rise from \$1.9 billion in FY 2012 to nearly \$2.9 billion in FY 2017 (see Figure 33), an increase of 51.5 percent in five years.



The City deposited \$2.5 billion in the Retiree Health Benefits Trust during the last economic expansion to help fund OPEB costs. These resources were invested, and over the years the value of the trust has grown. In recent years, however, the City has been drawing on these resources to help balance the budget, leaving future taxpayers to fund the full cost of services provided in past years. The City drew down \$2.1 billion during fiscal years 2010 through 2013, and intends to draw down \$1 billion in FY 2014 (a total of \$3.1 billion including interest). OSC estimates that remaining funds in the trust at the end of FY 2014 could total \$116 million.

9. Cash Flow

The City’s year-end cash balance rose sharply between fiscal years 2003 and 2007, reflecting the strength of the economy, and remained at about \$12 billion (before surplus transfers and other discretionary actions) through the end of FY 2008 (see Figure 34). Even though the year-end cash balance declined during the recession, the City has not needed to borrow to meet its short-term cash needs since FY 2004.



The City ended FY 2012 with a cash balance of \$10 billion, which reversed a three-year trend of declining balances. The City’s Office of Management and Budget estimates that the City ended FY 2013 with a cash balance of \$10.3 billion. The City Comptroller’s office anticipates a similar year-end balance (\$10.5 billion), and expects monthly balances through November 2013 to exceed the previous fiscal year. Given these trends, it is unlikely that the City will need to borrow to meet cash flow needs in FY 2014, which would result in debt service savings of \$75 million.³⁵

10. New York City’s Credit Rating

The City-funded portion of New York City’s capital program is expected to be financed through general obligation (GO) bonds secured by the City’s full faith and credit, and Transitional Finance Authority (TFA) bonds secured by personal income tax and, if needed, sales tax revenues. The City’s GO credit is rated “AA” by Standard & Poor’s, “AA” by Fitch Ratings and “Aa2” by Moody’s Investors Service, while the TFA credit is rated higher (“AAA” by S&P, “AAA” by Fitch and “Aaa” by Moody’s).³⁶ Both credits have a stable outlook from the three rating agencies. The City has been able to maintain its credit ratings through the recession, and GO bonds are at their highest rating in more than 70 years.

The TFA’s credit rating benefits from the strong statutory revenue streams used to secure its bonds, while GO ratings reflect the City’s broad economic base, sound financial planning practices and demonstrated ability to close anticipated budget gaps. However, the rating agencies have expressed concern over the City’s continued reliance on the financial services sector (although it is not as pronounced as in the past); a high debt burden; and pressure from rising nondiscretionary costs.

³⁵ The June Plan assumes the City will borrow \$2.4 billion during FY 2014 to meet its cash flow needs.

³⁶ Fitch and S&P do not make a rating distinction between TFA senior and subordinate bonds. Moody’s rates TFA subordinate bonds one notch lower (“Aa1”) than it rates senior bonds.

Appendix A: Nonrecurring Resources

In recent years, the City has relied heavily on nonrecurring resources to balance the budget. The FY 2013 budget included an estimated \$2 billion in such resources, and the FY 2014 budget includes \$4.5 billion in nonrecurring resources, as shown in Figure 35 and discussed below.

Figure 35
Nonrecurring Resources
(in millions)

	FY 2013	FY 2014
Surplus Transfers ³⁷	\$ - - -	\$ 2,680
Retiree Health Benefits Trust	1,000	1,000
Debt Refinancings – Net	325	533
Taxi Medallion Sales	- - -	300
Educational Construction Fund	- - -	32
Prior-Year Payables	500	- - -
State Building Aid	143	- - -
Federal Medicaid Assistance	32	- - -
Total	\$ 2,000	\$ 4,545

Sources: NYC Office of Management and Budget; OSC analysis

- Surplus resources accumulated in prior years were transferred to help balance the budget in FY 2014.
- The City plans to nearly deplete the balance of the Retiree Health Benefits Trust by the end of FY 2014.
- Debt refinancings during fiscal years 2012 and 2013 reduced debt service by \$325 million in FY 2013 and \$533 million in FY 2014.
- The June Plan anticipates \$1.5 billion from the sale of additional taxi medallions over a four-year period beginning in FY 2014.
- The Educational Construction Fund will transfer \$32 million in surplus funds to the Department of Education in FY 2014.
- The City expects to save \$500 million in FY 2013 from overestimating prior years' expenses, but the June Plan does not anticipate any future savings.
- The release of excess State building aid by the Transitional Finance Authority benefited the City's budget by \$143 million in FY 2013.
- Federal stimulus budget relief for Medicaid totaled \$32 million in FY 2013.

³⁷ The June Plan assumes the City will transfer surplus resources of \$2.8 billion from FY 2013 to FY 2014, and that a \$142 million surplus in FY 2014 will be transferred to FY 2015.

Appendix B: Staffing Levels

Between June 2008 and June 2012, the City's workforce (full-time and full-time-equivalent employees) declined by 15,666 positions (5.8 percent) to 253,932, reflecting the impact of agency cost-cutting actions. Staffing levels, however, were higher in May 2013 than in June 2012, and the June Plan assumes staffing levels will continue to rise in FY 2014 (by 4,208 positions), primarily reflecting the addition of teachers at the Department of Education (see Figure 36). These and other changes are discussed below.

- The Department of Education intends to add a net of 2,587 pedagogues in FY 2014, largely to restore previously planned cuts.
- The size of the police force is projected to hold steady during the financial plan period at about 34,500 officers, which is one of the lowest annual levels in the past 21 years. Despite the relatively small size of the police force, serious crime continues to decline.
- The June Plan assumes that uniformed staffing at the Fire Department will increase by 505 positions during FY 2014 because the adopted budget for FY 2014 rescinded the planned closing of 20 fire companies.
- The Department of Correction is expected to increase its uniformed staffing by 188 positions from May 2013 through the end of FY 2014 to fill posts previously staffed through overtime.
- The June Plan assumes that staffing levels at the Parks and Recreation Department will be maintained at current levels through FY 2014 because planned cuts have been rescinded.

Figure 36
City-funded Staffing Levels
(Full-Time and Full-Time-Equivalent Employees)

	Actual		City Forecast		Additions/(Reductions)		
	June 2012	May 2013	June 2013	June 2014	June 2012 to May 2013	June 2012 to June 2013	June 2013 to June 2014
Public Safety	79,883	80,468	79,827	80,196	585	(56)	369
Police Uniformed	34,406	34,859	34,379	34,483	453	(27)	104
Police Civilian	15,679	15,476	15,773	15,610	(203)	94	(163)
Fire Uniformed	10,254	10,245	10,274	10,779	(9)	20	505
Fire Civilian	5,110	5,238	4,982	4,991	128	(128)	9
Correction Uniformed	8,519	8,681	8,942	8,869	162	423	(73)
Correction Civilian	1,447	1,391	1,624	1,603	(56)	177	(21)
District Attys. & Prosecutors	3,690	3,830	3,130	3,137	140	(560)	7
Probation	766	733	707	707	(33)	(59)	0
Board of Correction	12	15	16	17	3	4	1
Health & Welfare	22,598	22,444	23,928	23,543	(154)	1,330	(385)
Social Services	10,090	10,113	10,570	10,135	23	480	(435)
Children's Services	6,097	5,995	6,398	6,463	(102)	301	65
Health & Mental Hygiene	4,268	4,218	4,689	4,567	(50)	421	(122)
Homeless Services	1,762	1,751	1,861	1,960	(11)	99	99
Other	381	367	410	418	(14)	29	8
Environment & Infrastructure	17,085	16,049	16,974	17,424	(1,036)	(111)	450
Sanitation Uniformed	6,882	7,075	7,064	7,194	193	182	130
Sanitation Civilian	1,888	1,830	2,027	2,118	(58)	139	91
Transportation	2,005	1,881	1,864	1,968	(124)	(141)	104
Parks & Recreation	6,092	5,057	5,796	5,924	(1,035)	(296)	128
Other	218	206	223	220	(12)	5	(3)
General Government	9,148	9,100	10,508	11,246	(48)	1,360	738
Finance	1,814	1,819	1,951	1,971	5	137	20
Law	1,348	1,337	1,389	1,379	(11)	41	(10)
Citywide Admin. Services	1,397	1,278	1,410	1,426	(119)	13	16
Taxi & Limo. Commission	461	507	617	642	46	156	25
Investigations	192	204	230	228	12	38	(2)
Board of Elections	768	667	1,150	1,738	(101)	382	588
Info. Tech. & Telecomm.	963	967	1,093	1,164	4	130	71
Other	2,205	2,321	2,668	2,698	116	463	30
Housing	1,522	1,502	1,610	1,639	(20)	88	29
Buildings	1,067	1,041	1,140	1,162	(26)	73	22
Housing Preservation	455	461	470	477	6	15	7
Department of Education	113,584	113,987	112,403	115,335	403	(1,181)	2,932
Pedagogues	91,841	92,516	90,775	93,362	675	(1,066)	2,587
Non-Pedagogues	21,743	21,471	21,628	21,973	(272)	(115)	345
City University of New York	7,815	9,613	7,635	7,768	1,798	(180)	133
Pedagogues	5,048	6,484	5,013	5,028	1,436	(35)	15
Non-Pedagogues	2,767	3,129	2,622	2,740	362	(145)	118
Elected Officials	2,297	2,280	2,402	2,344	(17)	105	(58)
Total	253,932	255,443	255,287	259,495	1,511	1,355	4,208

Sources: NYC Office of Management and Budget; OSC analysis