Review of the Financial Plan of the City of New York

Report 19-2022

OFFICE OF THE NEW YORK STATE COMPTROLLER

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Message from the Comptroller

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Over the last two years, New York City has grappled with a catastrophic public health crisis along with multiple economic and social disruptions arising from the COVID-19 pandemic. Recent trends, however, show significant progress in managing the virus and continuing our economic recovery, with further improvement expected as Spring approaches.

Amid a number of setbacks, the City's economy continues to show resilience, enabling a slow but sustained recovery. The City continues to regain jobs and attract visitors and commuters. As a result, economic indicators are poised to re-establish and build on post-pandemic highs. State and City relief and recovery programs, improved vaccination and testing availability, and further easing of restrictions are helping families and businesses take important steps to rebuild and renew their communities. The City's budget for Fiscal Year 2023 reflects some of this recent momentum, and continues to benefit from the receipt of extraordinary federal aid.

An improved outlook for the City's near-term finances at this time is welcome, allowing the City to prepare to face both known and unknown risks to its economy and budget over the next few years. In recent months, my office has identified key areas where the City has some control, including new spending initiatives and management of the size of its workforce. To this end, the City has taken steps to address and budget for some of these risks while generating recurring savings through vacancies.

These actions were much needed and more still can be done to bolster the City's fiscal position and expand options to manage its budget while continuing to provide high-quality services. Uncertainty continues to cloud the City's economic recovery and budget. Questions over the industry composition of the City's economy, geopolitical tensions, and inflation and supply chain issues are just a few of the factors that could create budgetary volatility. The potential for unexpected effects from these risks on the City's revenue, spending, and future obligations requires preparation in order for the City to avoid being caught off-guard.

Further identification of efficiencies, tracking the performance of services delivered amid changing staffing trends, and the build up of reserve levels to satisfy their stated purposes should inform the overall budget management strategy. These actions will allow the City to address unexpected challenges, including new spending obligations, and to strengthen its fiscal foundation to keep New York City attractive for residents and visitors in order to continue creating economic opportunity for all.

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

On February 16, 2022, the City released its eighth budgetary update since the COVID-19 pandemic began, the preliminary budget for Fiscal Year (FY) 2023 and related four-year financial plan (the “February Plan”). The February Plan benefits from the City’s continued economic resilience in 2021 and includes more proactive planning to fund budget risks and generate savings.

Steps taken in the February Plan provide a more realistic picture of City spending while still narrowing out-year gaps due to revenue strength in FY 2022, a rebound in property tax values, and the restart of the Program to Eliminate the Gap (PEG), generating significant recurring savings. These outcomes should help buffer the City from economic and fiscal uncertainty, which is likely to continue during the financial plan period through FY 2026. Still, more can be done to prepare the City’s finances to withstand potential unforeseen risks and to manage foreseeable challenges, such as increased spending as inflation and wage pressures rise.

Fiscal Year 2022 has been an extraordinary year in terms of City spending. The Plan takes into account continued improvement in the City’s economic recovery in the current year, mainly in the form of $1.7 billion in better-than-projected tax revenues in FY 2022. The restart of the PEG, much of which was fueled by reducing vacancies for aggressive hiring targets, uses proactive management steps that will create $866 million in savings in the current year and more than $1.1 billion annually in subsequent years.

In all, unrestricted federal aid, better-than-projected tax revenues, and planned savings have improved the City’s current fiscal position. It is now expecting to generate a projected surplus of $3.7 billion in FY 2022. Our analysis of risks and offsets suggests that the surplus could reach at least $4.4 billion if revenue and spending remain on their current tracks and the economic recovery continues.

These results would give the City an opportunity to increase its prepayments of FY 2023 spending, enhance its rainy-day fund or retiree health benefits trust, or reduce future expenses in other ways. At this time, the City plans to use the entire surplus generated since the beginning of the fiscal year to make prepayments.

The February Plan also balances the budget for FY 2023 as the City takes another step closer to economic and budgetary normalcy. Federal aid will drop from 17 percent to 10 percent of projected annual spending, returning to its ten-year pre-pandemic average. The most significant change since the City’s last budget update, after the boost to prepayments and recurring PEG savings exceeding $1.1 billion, is an increase in property tax revenues of $848 million. These improved revenues are associated with an anticipated increase in total property valuation, which is now projected to exceed the FY 2021 peak three years earlier than expected.

The City has also funded a number of recurring risks identified by OSC, including: $500 million in unidentified labor savings beginning in FY 2023; $75 million for MTA’s Fair Fares program; $134 million for school transportation in FY 2023, rising to $184 million in FY 2024; and partial recognition of risks for adult shelter ($132 million) and charter schools costs ($282 million in FY 2023 and averaging similar amounts in subsequent years.) Funding of these risks, wholly or partially, extends into the out-years as well. Consequently, while the City’s budget gaps should have narrowed due to better tax revenues and PEG savings, they remain close to the levels in the last plan.

Budget gaps during FY 2024 through FY 2026 will average about $2.7 billion (see Figure 1), an amount that has proven manageable historically. Inclusive of the City’s general and capital reserves, budget gaps will average about $1.4 billion, or less than 2 percent of spending, closer to their share in the City's stronger pre-pandemic years than in the pandemic period.

Although the current fiscal situation appears stronger relative to the past few financial plans released, there are likely to be significant fiscal challenges, both knowable and unknowable, that require further preparation in terms of budget management.

First, while the February Plan's revenue projections are realistic, they are the most likely components to suffer from economic uncertainty. It is difficult to gauge the various impacts of geopolitical tensions and sanctions on Russia, inflation and the Federal Reserve's response, financial and commodity market volatility, supply chain issues, the return of workers to the office and the eventual crystallization of a "new normal" on the City's future budgets. In the aggregate, revenue growth is expected to be 2.4 percent from FY 2024 to FY 2026, but an unexpected decline would likely require a fix using the City's reserves or changes to its spending profile.

Second, City-funded spending growth is expected to average 1.9 percent in the out-years, below expectations for inflation. This rate of growth would be affordable based on current revenue projections; however, spending is unlikely to adhere to current projections. OSC has already identified several existing spending risks that are likely to emerge, including higher-than-projected overtime, Carter cases (involving students with disabilities), the Public Health Corps initiative, charter schools, MTA Bus and paratransit support, and a number of smaller programs which collectively could exceed $1.5 billion annually by FY 2025 (see Figure 2). Including the cost of recurring programs funded with one-time federal relief aid, such as universal early childhood education for three-year olds (3-K), and net of tax offsets, OSC projects risks could reach nearly $2.1 billion. In combination with the City's projected gap of $3 billion, budget gaps could reach nearly $5.1 billion in FY 2026.

In addition, rising prices are expected to affect the cost of many of the services provided by the City. The largest question mark involves the City's current expectation that spending on wage-related costs will be much slower than the projected rate of inflation. More than 50 percent of the City's workforce is operating under expired contracts which will need to be negotiated, and non-profit contractors have also expressed concerns over wage rates that lag inflation. Inflation and other economic uncertainty have also weighed on financial markets, which could also reduce the benefit of recent pension gains, by requiring additional employer contributions from the City. Higher interest rates in response would also narrow an area of consistent savings in recent years, debt service.

The financial plan also includes two initiatives on gun violence and subway homelessness that are targeted at improving quality of life, much of which the City anticipates funding through a reallocation of existing funds, rather than through additional spending. However, if the economic recovery is sluggish or the City is unable to see improvement in performance, pressure to add funds for services like public protection, sanitation, education, and social services will continue to rise. The City's economic recovery plan, issued after the release of the February Plan, suggests new initiatives will continue to emerge, requiring additional resources.

The new Mayoral administration has taken initial steps towards proactively managing its budget and preparing itself for the uncertain path ahead. More realistic budgeting and focusing on key quality of life issues suggest that leaders recognize bringing New York City back starts with fundamentals. Further identification of efficiencies and buildup of reserves will smooth the City's recovery by reducing future volatility, and help ensure the City's quality of life and competitiveness over the long term.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues					
Taxes					
General Property Tax	$ 29,408	$ 30,890	$ 31,149	$ 31,326	$ 31,388
Other Taxes	33,701	34,261	35,904	37,595	38,626
Tax Audit Revenue	921	721	721	721	721
Subtotal: Taxes	$ 64,030	$ 65,872	$ 67,774	$ 69,642	$ 70,735
Miscellaneous Revenues	7,250	6,980	7,036	7,065	7,092
Unrestricted Intergovernmental Aid	1,044	- - -	- - -	- - -	- - -
Less: Intra-City Revenue	(2,153)	(1,850)	(1,848)	(1,838)	(1,838)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 70,156	$ 70,987	$ 72,947	$ 74,854	$ 75,974
Other Categorical Grants	1,149	1,013	1,006	1,005	1,001
Inter-Fund Revenues	730	734	732	731	731
Federal Categorical Grants	18,014	9,385	8,644	7,928	6,902
State Categorical Grants	16,490	16,417	16,642	16,888	16,943
Total Revenues	**$ 106,539**	**$ 98,536**	**$ 99,971**	**$ 101,406**	**$ 101,551**
Expenditures					
Personal Service					
Salaries and Wages	$ 31,235	$ 30,599	$ 30,676	$ 30,880	$ 31,197
Pensions	9,932	9,665	9,048	8,176	7,561
Fringe Benefits	12,298	12,643	13,729	14,683	15,398
Subtotal: Personal Service	$ 53,465	$ 52,907	$ 53,453	$ 53,739	$ 54,156
Other Than Personal Service					
Medical Assistance	6,546	6,494	6,494	6,494	6,494
Public Assistance	1,651	1,650	1,650	1,650	1,650
All Other	41,891	33,820	33,428	33,542	33,251
Subtotal: Other Than Personal Service	$ 50,088	$ 41,964	$ 41,572	$ 41,686	$ 41,395
Debt Service	6,764	7,942	8,265	8,803	9,597
FY 2021 Budget Stabilization & Discretionary Transfers	(6,107)	- - -	- - -	- - -	- - -
FY 2022 Budget Stabilization	3,732	(3,732)	- - -	- - -	- - -
Capital Stabilization Reserve	- - -	250	250	250	250
General Reserve	250	1,055	1,000	1,000	1,000
Deposit to the Rainy Day Fund	500	- - -	- - -	- - -	- - -
Less: Intra-City Expenses	(2,153)	(1,850)	(1,848)	(1,838)	(1,838)
Total Expenditures	**$ 106,539**	**$ 98,536**	**$ 102,692**	**$ 103,640**	**$ 104,560**
Gap to be Closed	**$ - - -**	**$ - - -**	**$ (2,721)**	**$ (2,234)**	**$ (3,009)**

Source: NYC Office of Management and Budget

FIGURE 2
Office of the State Comptroller
Risk Assessment of the New York City Financial Plan
(in millions)

	Better/(Worse)				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Gaps Per NYC Financial Plan	**$ - - -**	**$ - - -**	**$ (2,721)**	**$ (2,234)**	**$ (3,009)**
Tax Revenues	950	1,000	800	650	950
Savings from Staffing Vacancies[1]	450	- - -	- - -	- - -	- - -
Enhanced Federal Medical Assistance	223				
Debt Service	- - -	125	43	43	43
Subsidy to MTA Bus	19	(60)	(97)	(127)	(148)
MTA Paratransit Funding	(28)	(55)	(77)	(91)	(98)
Street Homeless Outreach and Wellness	- - -	(8)	(8)	(8)	(8)
DHS Prevailing Wage Security Guards	- - -	(41)	(41)	(41)	(41)
Expiration of Foster Care Waiver	- - -	(55)	(55)	(55)	(55)
Emergency Assistance to Families	- - -	(85)	(85)	(85)	(85)
Early Intervention	- - -	(45)	(45)	(45)	(45)
School Health (Article 6) Programs	- - -	(39)	(39)	(39)	(39)
Journey Home	- - -	(77)	(77)	(77)	(77)
Universal Access to Counsel in Housing Court	- - -	- - -	- - -	- - -	(16)
Rental Assistance	- - -	(200)	(200)	(200)	(200)
Public Health Corps	- - -	(200)	(200)	(200)	(200)
Carter Cases	(142)	(362)	(362)	(362)	(362)
Charter Tuition	- - -	- - -	(196)	(266)	(467)
Universal 3-K	- - -	- - -	- - -	- - -	(376)
Other Education Initiatives	- - -	- - -	- - -	(210)	(352)
Uniformed Agency Overtime	(669)	(503)	(511)	(512)	(514)
OSC Risk Assessment	**803**	**(605)**	**(1,150)**	**(1,625)**	**(2,090)**
Potential Gaps Per OSC[2,3,4]	**$ 803**	**$ (605)**	**$ (3,871)**	**$ (3,859)**	**$ (5,099)**

1 The February Plan assumes the City's full-time work force will total 306,291 employees by June 30, 2022, which is 22,376 more than reported as of December 31, 2021. The planned increase appears very unlikely based on recent trends. OSC estimates the City could realize additional savings from lower-than-planned normal gross full-time pay and associated payroll taxes.

2 The February Plan includes a general reserve of $250 million in FY 2022 $1.055 billion in FY 2023 and $1 billion in each of fiscal years 2024 through 2026. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2023 through 2026. The February Plan also includes reserves of $200 million in FY 2022 and $275 million beginning in FY 2023 to fund potential changes to planned pension contributions from future actuarial audit recommendations. The Retiree Health Benefits Trust, which the City has used in the past as a rainy day fund, had a balance of $3.8 billion as of the end of FY 2021 (adjusted to exclude a $425 million prepayment of a portion of FY 2022 expenses for other post-employment benefits).

3 State law requires surplus resources accumulated by the City to be deposited into a rainy day fund (i.e., the Revenue Stabilization Fund). The February Plan assumes the City will deposit $500 million into the fund in FY 2022, which will increase the balance to $1 billion. These resources would be available to help balance the budget if there were a compelling fiscal need.

4 The February Plan assumes that wage increases during the first two years of the next round of collective bargaining will be funded with productivity improvements and includes funding for wages increases of one percent annually in each subsequent year.

II. The COVID-19 Pandemic in New York City

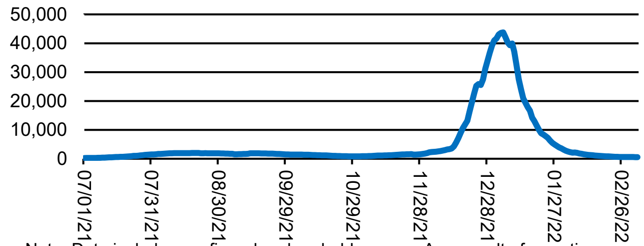
March 1, 2022 marks two years since the first case of COVID-19 was identified in New York City. As of March 5, 2022, the NYC Department of Health and Mental Hygiene has reported almost 2.3 million COVID-19 cases in City residents, with nearly 40,000 people dying from the virus. Almost 17 million vaccination doses have been administered in the City and 77 percent of residents have been fully vaccinated.[5]

In mid-December 2021, a newly identified COVID-19 variant (Omicron) had swiftly become the dominant variant. More people were infected more quickly in the City than at any other point in the pandemic. Average COVID-19 cases in the City peaked on January 4, 2022, at almost 43,700 cases (see Figure 3).

Since then, cases have declined and are now at the relatively low levels seen during in mid-July 2021. Hospitalizations also increased with the introduction of the Omicron variant and placed strains on health care facilities that were experiencing staffing challenges brought on by COVID-19, but did not reach the levels seen during the original pandemic surge.

By November 1, 2021, all City employees were required to have at least one dose of a COVID-19 vaccine or be placed on unpaid leave. Due to staffing challenges, Department of Corrections employees had until December 1, 2021. The City states that about 95 percent of the City's workforce have received at least one dose of a vaccine. However, on February 11, 2022, 1,428 City employees who had been placed on leave without pay because they chose not to get vaccinated were terminated, including 914 in the Department of Education, 101 in the Housing Authority, 75 in the Department of Correction, 40 in the Department of Sanitation and 36 in the Police Department.

FIGURE 3
New York City Daily New COVID-19 Cases, 7-day Average



Note: Data includes confirmed and probable cases. As a result of reporting delays, the most recent data may be incomplete.
Sources: NYC Department of Health and Mental Hygiene; OSC analysis

On February 10, 2022, the Governor lifted the statewide mask mandate for indoor businesses that had been reinstated in December 2021 due to the rise in cases. The statewide mask mandate for schools ended on March 2, 2022. A mask mandate remains in place for specific settings such as health care facilities, nursing homes and public transportation and transportation hubs.

As of March 7, 2022, indoor venues including restaurants, fitness facilities and entertainment spaces in the City will no longer be required to check for proof of vaccination and masks will no longer be required on City public school grounds for students in kindergarten through grade 12. Masks are still required for all settings with children under 5 years old.

The COVID-19 case data trends are positive but the pandemic is not over. Based on U.S. Centers for Disease Control and Prevention (CDC) guidance, the City has implemented a color-coded COVID-19 alert system that will outline recommended actions for individuals. The City may reintroduce health restrictions if COVID-19 cases increase. The City's Test and Trace Corps will end its universal tracing program at the end of April 2022 but will continue COVID-19 tracing in high-risk congregate settings.

[5] According to the CDC, as of March 7, 2022, 65.1 percent of the population nationwide has been fully vaccinated.

III. Economic Trends

Entering the third year of the COVID-19 pandemic, the national economy shows significant improvement across all major economic sectors and has even rebounded fully in some (e.g., retail trade and financial activities). Consumer spending appears strong and undeterred by the coronavirus and its variants. While various indicators suggest the economy finished strongly in 2021, the climate for 2022 and beyond remains uncertain, as geopolitical conflict disrupts stock and commodity markets, global trade, and the overall economic recovery. Moreover, while the pandemic appears to be receding, the recovery remains susceptible to the potential emergence of new variants..

U.S. real gross domestic product (GDP) grew significantly in the fourth quarter of 2021, by 7 percent, after increasing only 2.3 percent in the third quarter. This resulted in cumulative growth of 5.7 percent in 2021, according to the latest estimate released by the U.S. Bureau of Economic Analysis. Annual GDP results for New York State and for New York City have not yet been released. However, according to the February 2022 forecast by S&P Global, New York State's gross state product is expected to rise by 5 percent in 2021, and New York City's gross city product (GCP) is expected to rise by 5.5 percent, considerably less than the 10.8 percent forecast by the February Plan.

The City partially attributes GCP growth in 2021 to the strong performance of the securities industry.[6] Earnings reports of the six largest banks suggest industry profits of over $60 billion in 2021, about $5 billion more than projected by the February Plan. If that holds, industry profitability for 2021 would exhibit the strongest growth since 2009, after having posted the strongest first-half earnings since 2009.

The City also attributes its optimistic GCP forecast for 2021 to strong wage earnings, as overall average wages have exhibited robust quarterly year-over-year growth in comparison to the second and third quarters of 2020. While average wages are likely to remain strong, City employment growth has been slower. The U.S. economy added a monthly average of 555,000 jobs over the past year and has either recovered or nearly recovered its pandemic-induced job losses in most economic sectors except, notably, leisure and hospitality, other services and education and health services. In February 2022, the U.S. added a seasonally adjusted 678,000 jobs, after slipping in January while Omicron cases were rising.

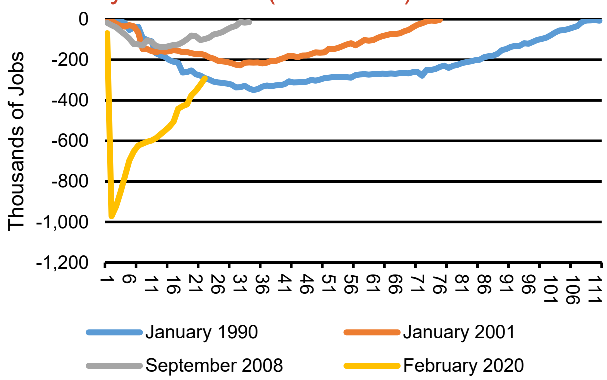
In contrast, the City economy added a monthly average of approximately 23,400 jobs over the past year and has not fully recovered its pandemic-induced job losses in any economic sector except for information. In January 2022, the City added a seasonally adjusted 31,500 jobs, a 0.7 percent growth over December. The City has recovered 69.9 percent of the total jobs lost (seasonally adjusted) since the onset of the pandemic (see Figure 4).[7]

The February Plan anticipates that sectors which were least able to adopt flexible work arrangements (i.e., leisure and hospitality, retail trade, construction and education) may not see a full recovery to pre-pandemic levels until the end of the Plan period in FY 2026. Additionally, the Plan does not expect a full recovery for finance sector jobs in the City during the Plan period.

[6] OSC, *The Securities Industry in New York City*, Report 12-2022, October 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-12-2022.pdf.

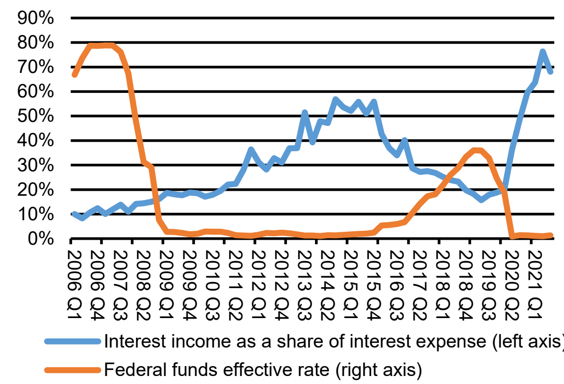
[7] OSC, *Review of the Financial Plan of the City of New York*, Report 16-2022, December 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-16-2022.pdf.

FIGURE 4
Post-Recession NYC Employment Recovery Timelines (in months)



Sources: NYS Department of Labor; OSC analysis

FIGURE 5
Ratio of Interest Earnings to Interest Expense for Securities Industry Firms Versus Federal Funds Effective Rate



Sources: Securities Industry and Financial Markets Association; NYSE/Intercontinental Exchange; St. Louis Fed; OSC analysis

The securities industry is likely to be negatively impacted by the geopolitical consequences of Russia's invasion of Ukraine. Market volatility has spiked, equity indices have declined and uncertainty remains over the ongoing impact on asset prices.

The City expects Wall Street profits to be hindered by a rising interest rate environment hastening a return to lower, pre-pandemic levels of profitability. Rising interest rates typically suggest a cautious outlook for Wall Street due to higher borrowing costs, lower consumer demand and overall reduced industry profitability. One way to appreciate this dynamic is to compare interest-related components of profits (i.e., interest earnings or margin interest, and interest expense) associated with the stock market to the federal funds rate over time (see Figure 5). This ratio suggests that as interest rates rise, increases in interest expenses may outweigh the increase in interest income, reducing profitability.

As businesses continue to evaluate their expenses amid an uncertain economic climate, the use of their real estate space is a critical consideration. In the wake of the pandemic, businesses must assess shifts in worker preferences and productivity and the feasibility of long-term remote work.[8] During tax year 2020, an estimated 1.5 percent more New York City residents filed an income tax return than in 2019, less than the 1.7 increase for the rest of New York State (prior to the pandemic, growth in New York City filings typically outpaced those in the rest of the State). Concerningly, New York City filers with taxable incomes of greater than $100,000 and less than $5 million declined from 2019 to 2020 while the rest of the State saw an increase in filers among this group, suggesting some higher-income filers shifted their domicile.

The City's office sector has been particularly impacted by the pandemic environment, with FY 2022 seeing the first decline in the total assessed value of office buildings in over 20 years. However, one year later, the preliminary property tax assessment roll for FY 2023 shows remarkable overall growth of 8.1 percent, supporting an improvement for related revenue. Despite the preliminary growth in valuation, commercial and industrial properties remain nearly 3 percent below FY 2021 levels.

[8] OSC, *The Office Sector in New York City*, Report 11-2022, October 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-11-2022.pdf.

The February Plan expects office vacancy rates to continue to rise through 2023 before declining. The expected peak in vacancy rates is one year later than projected by the November Plan, as the Omicron variant of the coronavirus delayed employers' return-to-work plans. According to the Partnership for New York City, after three-quarters of their members – large employers that employ over 1,000,000 people in total in New York City – delayed their plans, they now expect average daily attendance at their Manhattan offices to exceed 50 percent by the end of the first quarter of 2022.[9]

A return to the office would be positive news for the City's economy, as residents in the workforce, as well as business and leisure travelers, contribute to the local economy by spending on dining, nightlife, events and lodging. Such spending has improved but not fully rebounded. Despite Broadway theaters reopening their doors in September 2021, attendance remains approximately 70 percent below February 2019 levels as of February 2022.[10] As of December 2021, hotel demand is about 32 percent below 2019 levels.[11]

Demand is expected to rise as visitors return. According to global economic forecasting company Oxford Economics, the total number of domestic and international visitors to the City are likely to return to pre-pandemic levels in 2025. Total spending is expected to return in 2024, one year later than projected in their November 2021 forecast. A return of tourist activity will further boost retail sales and support job growth.

To revitalize tourism in the City, the Executive Budget for State Fiscal Year (SFY) 2023 proposed an extension of the NYC Musical and Theatrical Tax Credit to June 30, 2023 and increased the cap from $100 million to $200 million to provide one-time aid to eligible productions. Additionally, the City launched a $100 million NYC Small Business Resilience Grant to provide funding to small businesses in the accommodation and food services sector and the arts, entertainment and recreation sector in low- and moderate-income communities.

Given declining COVID-19 case rates and hospitalizations, New York State and New York City have also lifted restrictions, including statewide indoor business mask and vaccine requirements and the Key to NYC initiative requiring proof of vaccination for indoor dining, fitness and entertainment.

While these trends signal renewed hope, there remains a sense of wariness and concern for public health among individuals, families and businesses that have been impacted throughout the pandemic. Additionally, the pandemic has precipitated important quality-of-life concerns, including crime. Major crime in the first two months of 2022 is almost 48 percent higher than during the same period last year. Major crime in the subway is up almost 73 percent. According to the latest Customers Count and COVID Travel Survey results from the Metropolitan Transportation Authority (MTA), crime, as well as cleanliness, has deterred customers from returning to the transit system. A full economic recovery will depend on the City's ability to continue managing the coronavirus and its residual effects on the City's economy and its residents, while effectively providing the fundamental services necessary for a healthy and safe city.

[9] Partnership for New York City, "Return to Office Survey Results", January 2022, at https://pfnyc.org/research/return-to-office-survey-results-january-2022/

[10] OSC, *New York City Industry Sector Dashboards*, March 2022, at https://www.osc.state.ny.us/osdc/reports/nyc-sectors/arts-entertainment-and-recreation

[11] NYC & Company, "Occupancy, ADR & Room Demand Covid19-Pandemic Edition", at https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/newyorkcity/FYI_HotelReport_December2021_504bbcc6-99db-4f2d-90d2-7aa4d53d51d9.pdf

IV. Changes Since the June 2021 Plan

In June 2021, the City projected a balanced budget for FY 2022 and budget gaps of $4.1 billion in FY 2023, $3.8 billion in FY 2024, and $4.1 billion in FY 2025 (see Figure 6). The February Plan makes additional changes which build upon a number of revisions reflected in the November Plan. The February Plan includes an improved tax revenue outlook, lower cost estimates, and a proposed Program to Eliminate the Gap (PEG). The PEG builds on savings in the November Plan Citywide Savings Program, generated in large part by the elimination of vacant positions at several City agencies (for

FIGURE 6
Financial Plan Reconciliation—City Funds
February 2022 Plan vs. June 2021 Plan
(in millions)

	Better/(Worse)			
	FY 2022	**FY 2023**	**FY 2024**	**FY 2025**
Projected Gaps Per June 2021 Plan	**$ - - -**	**$ (4,051)**	**$ (3,837)**	**$ (4,069)**
Unrestricted Federal Aid	**1,044**	**- - -**	**- - -**	**- - -**
Updated Tax Estimates				
General Property Taxes	124	839	669	436
Real Estate Transactions	439	- - -	- - -	- - -
Business Taxes	400	59	(67)	13
Personal Income	355	13	49	109
Sales Taxes	292	(196)	(165)	(75)
Hotel Taxes	40	- - -	- - -	- - -
Other Taxes	24	11	15	15
Tax Programs	- - -	(300)	(300)	(300)
Subtotal	**1,674**	**426**	**201**	**198**
Other Revenue Re-estimates	**97**	**93**	**166**	**187**
Total Revenue Re-estimates	**2,814**	**519**	**367**	**385**
General Reserve	**50**	**(55)**	**- - -**	**- - -**
Program to Eliminate the Gap (PEG)	**866**	**1,126**	**1,113**	**1,125**
November Citywide Savings Program (CSP)	**508**	**475**	**513**	**493**
Restorations to Prior Savings Initiatives	**(8)**	**(161)**	**(164)**	**(167)**
New Agency Needs	**(1,054)**	**(1,265)**	**(1,184)**	**(1,263)**
Updated Estimates				
Anticipated Labor Savings	- - -	(1,000)	(1,000)	(1,000)
Judgments and Claims	- - -	(150)	(150)	(150)
Pension Contributions	104	804	1,612	2,420
Prior Year Expenses	400	- - -	- - -	- - -
All Other	52	24	9	(10)
Subtotal	**556**	**(322)**	**471**	**1,260**
Total Expense Re-estimates	**918**	**(201)**	**748**	**1,448**
Net Change	**3,732**	**319**	**1,116**	**1,835**
Gaps to Be Closed Before Prepayment	**$ 3,732**	**$ (3,732)**	**$ (2,721)**	**$ (2,234)**
FY 2022 Prepayment of FY 2023 Expenses	(3,732)	3,732	- - -	- - -
Gaps to Be Closed Per February 2022 Plan	**$ - - -**	**$ - - -**	**$ (2,721)**	**$ (2,234)**

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

more detail, see the "Program to Eliminate the Gap" section).

Since last June, the City has raised its FY 2022 tax revenue forecast by $1.7 billion as tax collections from all major sources have been stronger than expected. However, for subsequent years, even with a large increase to the property tax forecast, the adjustments to the total tax revenue forecast are much smaller, reflecting lower sales tax projections, small increases to receipts from other taxes and lower revenues due to proposed tax programs.

Combined, the PEG and Citywide Savings Program are expected to generate $1.4 billion in savings in FY 2022 and an average of $1.6 billion annually thereafter. Other improvements since June include lower projected pension contributions, which are expected to save $104 million in FY 2022, $804 million in FY 2023, and increase by about $800 million annually thereafter to $2.4 billion in FY 2025. The savings are attributed mostly to a stronger-than-expected gain on pension fund investments in FY 2021. One time additions in FY 2022 include the recognition of $1 billion in unrestricted federal aid, largely from reimbursements to the City for pandemic-related expenses that were paid with City fund revenues in FY 2021, and $400 million from underestimating prior year expenses.

These combined positive budget actions more than offset additional costs, including new agency spending which totals $1 billion in FY 2022 and averages $1.2 billion in each subsequent year and $300 million annually from tax programs beginning in FY 2023. The City also fully eliminated $1 billion in unidentified recurring labor savings starting in FY 2023.

New agency spending introduced in the February Plan contributes about $500 million in FY 2022, $800 million in FY 2023, and similar amounts thereafter. Much of the new spending funds budget risks OSC identified in our previous report, including funding for charter schools and student transportation (about $400 million in each of fiscal years 2023 and 2024, growing to nearly $500 million annually by FY 2025), $132 million annually for shelter costs starting in FY 2022, and $75 million annually for the Fair Fares program. There are also one-time additions to overtime at the uniformed agencies that total $233 million in FY 2022 (for more detail, see the "Uniformed Agency Overtime" section).

The City now forecasts a surplus of $3.7 billion in FY 2022 that will be used to prepay debt service and help close the budget gap in FY 2023. The remaining reported out-year gaps, as a share of City fund revenues, average 3.6 percent, similar to the level at the same point in the budget cycle in FY 2020 (the last plan released before the COVID-19 pandemic). The budgets for these years include a general reserve and capital stabilization reserve totaling $1.25 billion. If these reserves are not needed for other purposes, they could be used to narrow the projected budget gaps to an annual average of 1.9 percent.

While the out-year budget gaps as reported appear manageable, the City still faces a number of challenges, including uncertainty over the outcome of the next round of collective bargaining, and budgetary risks, such as increased education costs, unplanned overtime, and funding for various health and social services programs.

In addition, there are risks to the City's revenue forecasts, including slowing economic growth against a backdrop of potentially higher interest rates, the protraction of a jobs recovery into the third quarter of 2024 at least, tourism spending not returning to pre-pandemic levels until 2026, and the uncertainty regarding whether and when office workers will return fully to in-person work.

New Initiatives

The new Mayoral Administration recently released two multiagency plans designed to address public concerns surrounding gun violence and safety on the City's subways: the Blueprint to End Gun Violence and the Subway Safety Plan.

The Blueprint targets the root causes that lead to gun violence by growing economic opportunities and improving the education of children.To that end, the City has added funding in the February Plan to expand initiatives like the Summer Youth Employment program (adding $79 million annually starting FY 2023) and Fair Futures, which provides support to youths aging out of the City's foster care system (adding $13 million annually starting in FY 2023, bringing the out-year funding to $20 million annually). Additional resources for other components of the Blueprint are not included in the February Plan.

The Subway Safety Plan calls for the addition of outreach teams featuring police officers and clinicians working in tandem to connect those in need to resources while also enforcing subway rules that promote safety and a sanitary environment. The City has stated that it will rely on existing resources to further the goals of the Subway Safety Plan.

The administration also released its Blueprint for New York City's Economic Recovery on March 10, which outlines new investments to accelerate job creation, reignite tourism, support small businesses, and promote a more equitable economy and inclusive sector growth. Investments include the redevelopment of the Hunts Point Produce Market, launching a seed fund for neighborhood needs, providing opportunities for New York City's creative economy, addressing quality-of-life concerns, and introducing procurement reforms to expand the City's contracting with M/WBE vendors. Spending on the economic recovery blueprint, including timing and sources of funding, are unclear. OSC anticipates clarity on spending and resources to fund related initiatives will be included in the City's Executive budget.

V. State and Federal Actions

State Budget

On January 18, 2022, the Executive Budget for SFY 2023, which begins on April 1, 2022, was released. The Division of the Budget forecasts that the budget will be in balance through SFY 2027. Tax collections were $4.6 billion higher than anticipated in the mid-year budget update in the current fiscal year, as the economy is recovering faster than expected. The City expects to receive $16.4 billion from State categorical aid in FY 2023.

On a net basis, the City estimates that the proposed State budget would have a negative impact when compared to the February Plan of $39 million in FY 2022 and $22 million in FY 2023 (See Figure 7) The State is continuing its phase-in of full funding of the Foundation Aid formula which will bring the City $346 million more than the prior year and proposes to increase expense-based and categorical school aid to the City by $186 million more than in last year. Together, this funding is $106 million more than expected in the City's February Plan. In recent years, the education aid increases enacted in the final state budget have exceeded those initially proposed by the Governor.

FIGURE 7
Comparison of NYS Executive Proposal to NYC February Plan Budget Assumptions
(City funds in millions) Better/(Worse)

	FY 2022	FY 2023
School Aid	- - -	106
Foster Care Rates	- - -	(59)
Special Education	- - -	(41)
Aid for Roads and Transit	26	108
Sales Tax Intercept	(50)	(200)
Other Changes	(15)	64
Net Impact	**(39)**	**(22)**

Excluding school aid, the Executive Budget includes a number of other actions, which could increase the City's costs by a net of $39 million in FY 2022 and $128 million in FY 2023, based on the City's February Plan assumptions. These proposed actions include:

- A requirement that local social service districts pay 100 percent of the rates reimbursing the cost of foster care, along with the State increasing the rates to be paid, could increase costs by $59 million in FY 2023 and $117 million annually thereafter.
- A mandated cost-of-living adjustment for preschool special education provider rates of 11 percent. The City is responsible for 40.5 percent of such costs which would amount to nearly $41 million beginning in FY 2023.
- The diversion of $50 million in FY 2022 and permanent diversion of $200 million annually thereafter from City sales tax revenue to help distressed healthcare providers.
- An increase in State funding for roads and public transit of $26 million in FY 2022 and $108 million in FY 2023.
- An increase in General Public Health Work funding to the City of $3 million In FY 2022 and $13 million in FY 2023.
- A decline in grants for human services of $8 million in FY 2022 followed by an increase of $42 million in FY 2023 on a net basis, mostly from maintaining the childcare market rate and increasing adoption support.
- Providing small business tax relief will cost the City $10 million in FY 2022 and $20 million in FY 2023, but modernizing the tax law to include vacation rentals is expected to provide $28 million in revenue in FY 2023.

The proposed budget contains other actions that may impact the City or its residents. The budget increases appropriations for charter school facilities aid and for supplemental basic tuition payments for charter schools by $49 million and $52 million, respectively, which reimburse the

City for a portion of the funds it provides to charter schools. The budget would also extend mayoral control of the New York City school system for four years.

Although the funds will not flow through the City's budget, the Executive Budget would also fund 20 new Safe Options Support Teams statewide that will provide intensive outreach and care coordination for street homeless individuals, including homeless people located in the New York City subway system, as they transition to housing and support services. The State will contract directly with providers for this initiative.

The budget proposes replacing the current "421-a" program with a new property tax break program for developers who offer affordable, newly constructed apartments in the City over the next five years. The program intends to expand affordability for low-income households and is defined by building size and ownership. The current 421-a program costs more than $1.7 billion in tax expenditures (foregone revenue) annually for the City, it is unclear what the long-term fiscal impact of the new program would be.

The City will also be authorized to establish a program to legalize pre-existing accessory dwelling units and to increase the maximum residential floor area ratio to allow for denser residential development.

The budget would authorize Class B hotels in the City in or near residential areas to convert their units into permanent residences without the need to change their certificates of occupancy and would allow certain office buildings in the City to be converted into Class A multiple dwellings. It also proposes extending authorization to the City to use design-build contracts for certain projects until 2027.

The Executive Budget would also extend the initial application deadline for the NYC Musical and Theatrical Tax Credit from December 31, 2022, to June 30, 2023 and increases the cap for the credit from $100 million to $200 million to provide one-time aid to eligible productions to help revitalize tourism in New York City.

Lastly, the budget would commit $2.4 billion of State funding to Amtrak's Gateway project, to build an additional rail tunnel between New York and New Jersey and also to rehabilitate the existing tunnel.

The legislature has introduced a number of bills in response to the Executive Budget proposal, which if passed, have the potential to reduce the fiscal impact of the State budget on the City's budget assumptions, most notably the expiration or scaling back of the Distressed Provider Assistance sales tax intercept.

Federal Assistance

The February Plan anticipates that the City will receive $15.2 billion in federal pandemic relief over the financial plan period (see Figure 8). When combined with $9.7 billion in prior-year revenue (including $1 billion recognized as unrestricted aid in FY 2022), and estimated savings passed on to the City from enhanced federal funding for Medicaid ($950 million), the federal pandemic financial support for the City government could total $26 billion over seven years, an historic level of assistance. The City will also benefit from about $318 million in unrealized American Rescue Plan Act Local Fiscal Relief Funds which have not yet been reallocated in the Plan.

Nearly half of the pandemic relief anticipated during the financial plan period is allocated to the Department of Education to support various programs ($7.4 billion including $633 million of fiscal relief funds from the mayoralty), the largest of which is an expansion of 3-K (education services for three-year-olds). The balance of the pandemic relief ($7.8 billion over four years) is dedicated to: reimbursement of costs and revenue losses attributed to the public health emergency; initiatives to promote a local economic recovery; and continued efforts to monitor and vaccinate people against COVID-19.

While almost all of this spending ($6.7 billion) is not expected to recur beyond FY 2022, and spending on recovery efforts will wind down quickly after the current fiscal year ends, the City has also incorporated a number of planned service expansions and restorations outside of the Department of Education. Funding for the service expansions and restorations outside of the Department of Education is estimated to average $242 million annually through FY 2025. Most of the funding is dedicated to increasing financial support for administrative expenses of community-based organizations (i.e., the "indirect rate"), partially restoring a citywide hiring and attrition management initiative, and enhancing a number of supportive services (e.g., senior services, mental health treatment, and funding for universal access to counsel in housing court).

When combined with recurring spending at the Department of Education (mostly for the expansion of 3-K), the cost of service expansions and restorations is expected to exceed $1 billion annually once fully phased in). The February Plan assumes funding for the service expansions and restorations will not recur beyond the expiration of the federal pandemic relief (including the funds for 3-K), however, which could result in a reduction in service starting in FY 2026 unless additional sources of funding are identified.

In addition, investments in other recovery efforts (such as supports for learning loss) are assumed to be temporary, but may become popular among the public. Spending on these programs could exceed current expectations if the City chooses to extend these programs.

Progress Claiming Pandemic Aid

Since March 2020, the City has incurred costs associated with the pandemic totaling nearly

FIGURE 8

Federal Relief for COVID-19, Fiscal Years 2022 through 2026

(in millions)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Sources of Funding						
Education Aid	$ 3,255	$ 1,849	$ 1,384	$ 530	- - -	$ 7,018
Fiscal Relief Funds	3,530	288	229	452	- - -	4,496
FEMA Reimbursement	2,536	4	1	- - -	- - -	2,541
Public Health Grants	580	137	23	- - -	- - -	741
Other	302	56	40	42	7	447
Total Sources	**$10,204**	**$ 2,333**	**$ 1,674**	**$ 1,024**	**$ 7**	**$15,242**
Uses of Funding by Program Area						
Department of Education	3,516	1,777	1,389	726	- - -	7,408
Public Health	2,123	199	87	57	- - -	2,466
Social Services	1,080	148	94	144	4	1,471
Uniformed, Public Safety & Judicial	2,240	9	9	5	- - -	2,262
Other	1,244	201	95	92	3	1,635
Total Uses	**$10,204**	**$ 2,333**	**$ 1,674**	**$ 1,024**	**$ 7**	**$15,242**

Note: Totals may not add due to rounding.

Sources: NYC Office of Management and Budget; OSC analysis

$12.6 billion, including $3.9 billion in FY 2022 obligations through February 2022.

The City typically sets up significant receivables during the close of each fiscal year for revenues it earned for services provided which have not yet been collected. As a general rule, the City does not maintain balances for uncollected receivables in excess of three years, except for instances where statutory requirements serve to delay the write off of bad debts. In past years, the City has maintained small amounts of long-term grants receivables for up to 10 years.

The City has earned ("realized") federal pandemic aid totaling $2 billion in FY 2020 and $6.7 billion in FY 2021, for a total of $8.7 billion (after adjusting for write downs of receivables deemed uncollectible). The City reports it earned an additional $393 million through the first eight months of FY 2022, for a total of $9.1 billion in realized revenues to date). However, a significant portion of claiming activity performed during the fiscal year may not be reported until the fiscal year close.

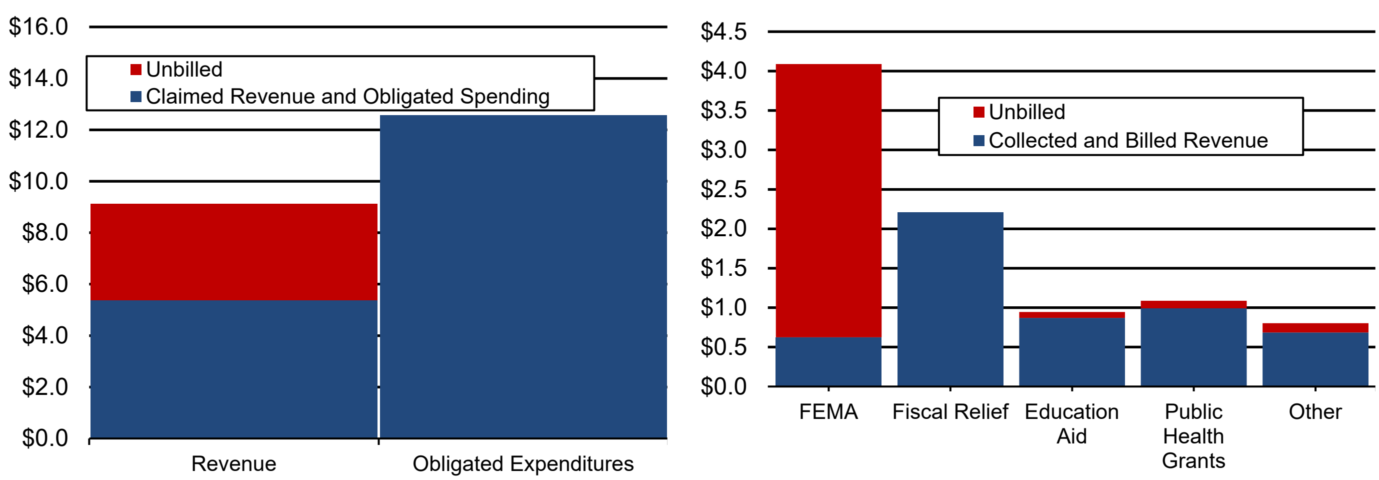
As of February 2022, the City had collected or billed for a total of $5.4 billion in earned revenues). The City had not claimed nearly $3.8 billion in prior-year revenues earned during fiscal years 2020 and 2021, however, of which nearly $3.5 billion is for reimbursements from the Federal Emergency Management Agency (FEMA) (see Figure 9).

Of the $9.1 billion in earned pandemic revenue, $4.1 billion would come in reimbursements from FEMA for prior year costs, of which the City has collected or claimed $625 million. The City anticipates the receipt of $2.5 billion in such reimbursements in FY 2022, but has not submitted any claims for reimbursement of FY 2022 costs to date.

If the $2.5 billion in anticipated FEMA reimbursements is realized and no further claims are submitted by the close of the current fiscal year, the City would be owed more than $6 billion in reimbursements from FEMA for costs the City has already incurred and mostly paid, representing a significant short-term draw on the City's cash reserves.

The City has informed OSC staff that the time for claiming, billing and collecting of FEMA funds is taking longer than previous disasters.

FIGURE 9
Unbilled Revenues Since March 2020– in Billions



Note: Fiscal Years 2020 through FY 2022. FY 2022 is year-to-date as of February 2022.

Sources: New York City Comptroller; New York City Office of Management and Budget; OSC analysis

The payment delays are attributed to a confluence of operational (e.g., staffing) and process-related challenges at FEMA stemming from the unprecedented scope and size of the response to the public health emergency, which unlike past emergencies is nationwide and is still ongoing. A number of these challenges at FEMA have been documented in recent publications by the U.S. Government Accountability Office.[12]

To help accelerate the billing and collection of its FEMA receivables, the City is working with its federal and State funding partners to implement various process improvements and to improve communication (including the development of cloud-based document sharing). These efforts have resulted in FEMA approving a claim for surge staffing after more than one year under review, providing significant short-term cash relief to the City's public hospitals (see "Health + Hospitals" section for more detail).

The City projects its year-end cash balance will total $7.5 billion, despite sizable receivables due from its funding partners. Given the amount projected to be on hand, the City does not anticipate borrowing to meet its cash flow needs during the financial plan period.

Other Federal Actions

Congress has approved a package of spending bills to complete action on the budget for federal fiscal year (FFY) 2022, which began on October 1, 2021. This $1.5 trillion omnibus legislation includes $730 billion in non-defense funding, a $46 billion (6.7 percent) increase since FFY 2021, the largest in four years and will benefit a number of State and local government programs including education, child care, nutritional supports and public housing.

In November 2021, the President signed into law the Infrastructure Investment and Jobs Act, which provides more than $1 trillion for rebuilding the nation's infrastructure, including transportation (highways, bridges, rail and ports) and utilities (power, water and broadband internet), and for other purposes. This legislation includes $550 billion in new spending over five years beyond the base funding called for under a reauthorization of the Fixing America's Surface Transportation Act.

The State, the City and New York's public authorities could benefit substantially from such increased funding, including at least $10.7 billion in transit funding for the Metropolitan Transportation Authority. The Act will also provide significant funding for various major projects in the region, such as the planned expansion and renovation of the northeast corridor rail line between Newark and the City (i.e., the Gateway Program), and for airport improvements.

Congressional negotiations over a $2 trillion social and climate spending package to implement the remainder of the President's broader economic agenda ("Build Back Better", or BBB) have stalled in the Senate. The original proposal would provide funding for free, universal prekindergarten for three-year-olds and four-year-olds along with expanded subsidies for child care ($400 billion); extend for a year the expansion of the Child Tax Credit enacted last year as part of the American Rescue Plan, create a new federal paid family and medical leave program, and allocate $555 billion to help address the adverse effects of climate change.

The latest version of the BBB bill could allow the City to continue programs that are currently set to wind down or expire by FY 2026 (including the 3-K expansion).

[12] For examples of these and similar challenges at FEMA, see GAO report, "FEMA Workforce: Long-Standing and New Challenges Could Affect Mission Success," January 2022, at: https://www.gao.gov/products/gao-22-105631, and a recent GAO testimony before Congress, "Opportunities to Help Address Mission and Management Challenges," February 2022, at https://www.gao.gov/assets/gao-22-105786.pdf

VI. Program to Eliminate the Gap

In February 2022, the new Mayor announced a Program to Eliminate the Gap (PEG), a significant expansion of the previous administration's final Citywide Savings Program (CSP). The PEG is expected to generate total savings of $2 billion in fiscal years 2022 and 2023, exceeding the target of 3 percent cuts for City funded agency budgets (with some exceptions), and an average of more than $1.1 billion annually thereafter (see Figure 10). Together with the November Plan CSP (see more detail), the City projects total savings of $3 billion in fiscal years 2022 and 2023.

The PEG is driven by agency actions, which contribute 94 percent ($5 billion) of the program's total value over the financial plan period and to eliminate over 7,000 vacant positions by June 2023. The Department of Education (DOE) contributes nearly half of that amount, with cumulative PEG savings of $2.5 billion over the five-year period and a reduction of more than 3,600 positions. In contrast, more than 80 percent ($2 billion) of the total value of the November Plan CSP ($2.5 billion), came from debt service and none from efficiencies.

Efficiencies, or agency changes that generate cost reductions without reducing current service levels, contribute $186 million in FY 2022, $363 million in FY 2023, and gradually increasing amounts in subsequent years, totaling $1.8 billion over the financial plan period (one-third of total PEG savings). Savings include the elimination of roughly 3,400 non-DOE vacant positions across multiple agencies by June 2023, providing $413 million in fiscal years 2022 and 2023 and nearly $300 million in each year thereafter. Among other savings are the cancelled expansion of the Department of Sanitation's organics program ($91 million over the financial plan period) and allocation efficiencies in the Department of Education's schools budget ($37 million annually).

Expense re-estimates in the February Plan are projected to add $1.2 billion in savings across fiscal years 2022 and 2023 and $622 million annually thereafter, totaling $3.1 billion over the financial plan period (57 percent of total PEG savings). The largest adjustment is a re-estimate of costs based on enrollment trends within the Department of Education, which eliminates more than 3,200 unfilled positions and provides $375

FIGURE 10
Citywide Savings Program and Program to Eliminate the Gap Savings
(dollars in millions)

	Positions	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Citywide Savings Program	**(234)**	**$ 508**	**$ 475**	**$ 513**	**$ 493**	**$ 462**	**$ 2,451**
Agency Actions							
Efficiencies	(3,674)	186	363	389	398	415	$1,752
Expense Re-estimates	(3,352)	538	672	622	622	622	3,075
Revenue Re-estimates	- - -	115	39	33	29	21	237
Agency Subtotal	**(7,026)**	**839**	**1,074**	**1,044**	**1,048**	**1,059**	**5,064**
Debt Service	**- - -**	**27**	**52**	**69**	**77**	**70**	**296**
Total PEG Savings	**(7,026)**	**$ 866**	**$ 1,126**	**$ 1,113**	**$ 1,125**	**$ 1,129**	**$ 5,360**
Total Gap Reduction	**(7,260)**	**$ 1,374**	**$ 1,602**	**$ 1,625**	**$ 1,619**	**$ 1,591**	**$ 7,811**

Note: Totals may not add due to rounding. Changes in headcount are as of June 30, 2023.
Sources: NYC Office of Management and Budget; OSC analysis

million in savings annually beginning in FY 2023. Other significant reductions include a variety of administrative cost re-estimates at the Department of Education ($110 million in FY 2022 and $57 million annually thereafter), lower projected spending as a result of hotel shelter closings ($33 million in FY 2022 and $49 million annually thereafter), and a re-estimate of the impact of inflation on certain administrative costs in FY 2022, which is expected to generate $56 million annually beginning FY 2023.

Revenue re-estimates will provide a relatively small portion of the agency savings, being expected to generate $115 million in FY 2022 ($78 million of which is not expected to recur) and significantly smaller amounts in subsequent years. Prior year revenues contribute the largest amount, with $105 million over the financial plan period. An improved revenue outlook for the Fire Department's Emergency Medical Services (EMS) division also adds more than $80 million over the plan's five years.

Just over 5 percent of the cumulative five-year value of the PEG savings ($296 million) will come from updated debt service projections in the February Plan. These savings were largely generated from lower than planned capital expenditure projections in FY 2022 and FY 2024 that reduced the City's need to issue bonds, along with lower than planned variable rates.

The proposed PEG initiatives appear to be reasonably achievable and within the City's control to implement. For example, over half of the PEG's cumulative five-year value is tied to eliminations of vacant positions citywide ($2.8 billion), which can be implemented unilaterally. Although these reductions will be implemented without any layoffs, the City will have to manage a lower budgeted headcount and any potential effects on City agency operations.

Separately, the City also restored a portion of the savings identified in the FY 2021 Citywide Savings Program. In November 2021, an average of $86 million annually beginning in FY 2023 and 1,500 positions were restored from the hiring and attrition management initiative introduced in January 2021. In the February Plan, the City has further restored an average of $78 million annually (beginning in FY 2023) and another 1,005 positions. Although restorations have been made to the initiative in every financial plan since it was introduced, it is still expected to reduce City-funded staffing levels by almost 1,500 positions and save just over $110 million annually starting in FY 2023, growing to $158 million by FY 2026.

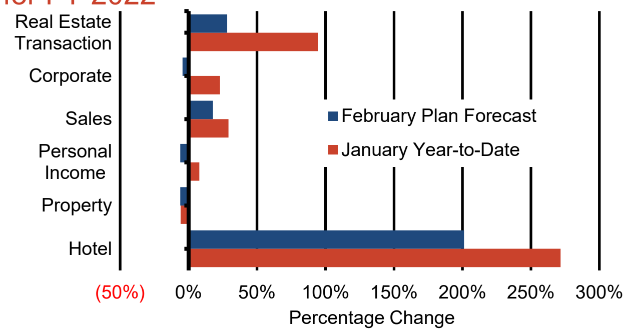
VII. Revenue Trends

The February Plan increased its revenue forecast from the November Plan to reflect additional federal aid and better-than-expected tax revenues. Through the first seven months of FY 2022, total tax collections were up 3.8 percent compared to the same period in the prior year. As a result, the City has increased its FY 2022 forecast by $1.6 billion as tax collections from all major sources were stronger than expected.

However, the February Plan expects collections in FY 2022 to decline by 2.3 percent even as the largest contributing taxes, such as personal income and business taxes, are still trending ahead of forecasts (see Figure 11). If realized, this would be the first decline since 2009, when collections fell 6.7 percent or $2.6 billion. However, OSC estimates that collections will be $950 million higher in FY 2022 because of higher-than-projected personal income tax, sales tax, and real estate transaction tax collections. OSC's estimate still anticipates a year-over-year decline, albeit smaller than forecast by the City (see Figure 12).

Total revenues, including federal and State categorical aid, are now expected to total $98.5 billion in FY 2023, down 7.5 percent from $106.5 billion in FY 2022, which were boosted by $10.2 billion of federal aid for COVID relief.

FIGURE 11
Change in Tax Revenues by Source FY 2022 Through January Versus Plan Annual Forecast for FY 2022



Sources: NYC Office of Management and Budget; OSC analysis

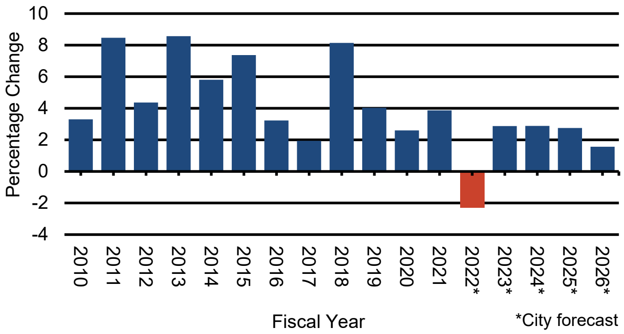
Locally generated revenues (i.e., City funds) are projected to account for about 72 percent of total revenues, or $71.0 billion in FY 2023. Tax collections account for 93 percent of City fund revenues. The February Plan made modest increases throughout the rest of the Plan period and now expects collections to increase by 2.9 percent in FY 2023 (see Figure 13). This compares to a 4.8 percent forecast in the November Plan. Collections are expected to

FIGURE 12
OSC Versus February Plan Tax Forecast Growth Rates

		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
General Property	OSC	-6.1%	6.1%	0.5%	0.6%	0.2%
	Plan	-6.1%	5.0%	0.8%	0.6%	0.2%
Personal Income	OSC	-3.4%	3.5%	3.9%	4.0%	3.1%
	Plan	-6.1%	3.9%	4.0%	4.1%	1.9%
Sales	OSC	21.6%	5.4%	7.0%	5.0%	4.0%
	Plan	17.7%	5.5%	8.4%	6.8%	2.9%
Business	OSC	-4.4%	-0.2%	0.6%	2.8%	4.7%
	Plan	-4.4%	-0.2%	0.6%	2.8%	4.7%
Real Estate Transaction	OSC	43.6%	-19.2%	5.6%	5.4%	2.9%
	Plan	28.2%	-9.4%	5.6%	5.4%	2.9%
Hotel	OSC	201.2%	76.5%	37.8%	17.7%	2.7%
	Plan	201.2%	37.3%	48.6%	21.2%	3.2%
Total Taxes	**OSC**	**-0.8%**	**2.9%**	**2.5%**	**2.5%**	**2.0%**
	Plan	**-2.3%**	**2.9%**	**2.9%**	**2.8%**	**1.6%**

Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 13
Annual Change in Tax Revenues



Note: Includes revenue from tax audits.
Sources: NYC Office of Management and Budget; OSC analysis

reach $65.9 billion, exceeding the record high of FY 2021.

Tax revenues are projected to grow at an average annual rate of 2.4 percent from FY 2024 to FY 2026, slower than the November Plan forecast (which expected growth to average 3.0 percent annually in FY 2024 and FY 2025) and much slower than the annual average of 5.1 percent from FY 2010 to FY 2021.

The February Plan's increase to the forecast for collections is largely attributable to the property tax, which accounts for 47 percent of total collections. The Plan increased the property tax forecast by $848 million in FY 2023, $678 million in FY 2024 and $445 million in FY 2025 to reflect the tentative property tax assessment roll (released this past January) which showed large increases to valuations for all Classes, and in particular, for Class 2 (multifamily) and Class 4 properties (commercial, including hotels, retail and office buildings). After declining by 6.1 percent in FY 2022, the first decline in 24 years, property tax collections are expected to increase by 5.0 percent in FY 2023.Conservatively, the City does not expect them to exceed the record high of FY 2021 by FY 2025 (see Figure 14).

However, these increases are offset by lowered projections for nonproperty tax collections in fiscal years 2023 through 2025, particularly for sales and business taxes reflecting the City's expectation of slower economic growth. The City decreased its forecast for nonproperty tax collections from the November Plan by $413 million in FY 2023, $468 million in FY 2024 and $238 million in FY 2025.

FIGURE 14
Trends in City Fund Revenues
(in millions)

	FY 2022	FY 2023	Annual Growth	FY 2024	FY 2025	FY 2026	Average Three-Year Growth Rate
General Property Tax	$ 29,408	$ 30,890	5.0%	$ 31,149	$ 31,326	$ 31,388	0.5%
Personal Income Tax	14,182	14,741	3.9%	15,329	15,958	16,265	3.3%
Sales Tax	7,715	8,143	5.5%	8,827	9,426	9,700	6.0%
Business Taxes	6,783	6,772	-0.2%	6,815	7,009	7,338	2.7%
Real Estate Transaction Taxes	2,488	2,254	-9.4%	2,380	2,508	2,581	4.6%
Other Taxes	2,533	2,651	4.7%	2,853	2,994	3,042	4.7%
Tax Audits	921	721	-21.7%	721	721	721	0.0%
Tax Programs	0	(300)	N/A	(300)	(300)	(300)	0.0%
Subtotal: Taxes	**64,030**	**65,872**	**2.9%**	**67,774**	**69,642**	**70,735**	**2.4%**
Miscellaneous Revenues	5,097	5,130	0.6%	5,188	5,227	5,254	0.8%
Unrestricted Intergovt. Aid	1,044	0	N/A	0	0	0	0.0%
Grant Disallowances	(15)	(15)	0.0%	(15)	(15)	(15)	0.0%
Total	**70,156**	**70,987**	**1.2%**	**72,947**	**74,854**	**75,974**	**2.3%**

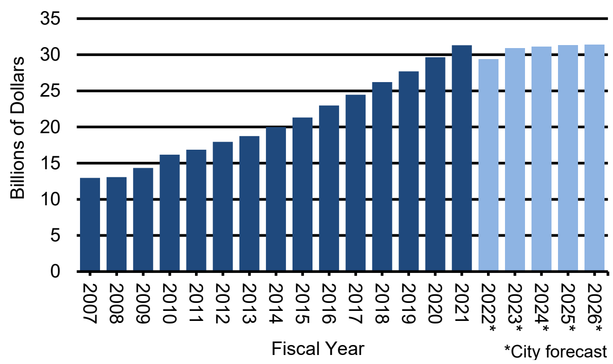
Sources: NYC Office of Management and Budget; OSC analysis

General Property Tax

In the February Plan, the City increased its forecast for property tax collections in FY 2023 to $30.9 billion, an increase of $848 million compared to the November Plan forecast, and an increase of $1.5 billion (5.0 percent) over collections in FY 2022 (see Figure 15).

The pandemic's initial impact on the City's real estate market caused a 5.6 percent drop in the total taxable value of properties in FY 2022, the first overall decrease since FY 1998. Declines were largely driven by commercial properties (Class 4), which are assessed at higher rates than residential properties (Classes 1 and 2) and account for the largest share of the total levy (44.5 percent in FY 2022).

FIGURE 15
Property Tax Collections

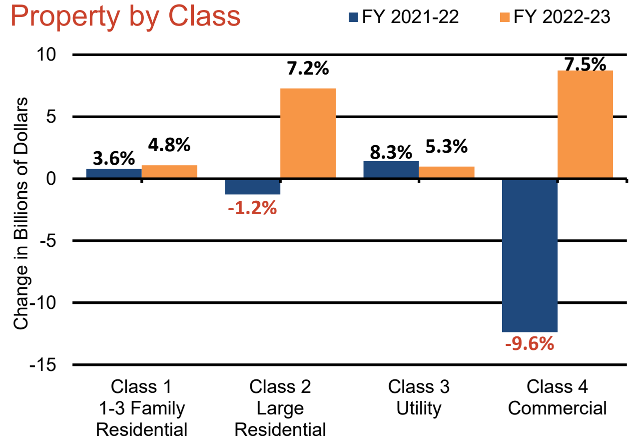


Sources: NYC Office of Management and Budget; OSC analysis

One year later, property valuations have shown a remarkable turnaround (see Figure 16). Total taxable values rose 8.1 percent in the FY 2023 tentative assessment roll, released in January 2022, to surpass the previous high set in FY 2021. Several factors contributed to growth in taxable values. Residential and utility property classes are well above the record taxable values on the FY 2021 final assessment roll.

Commercial property valuations have begun to recover on the FY 2023 tentative roll, though they remain below the high in FY 2021. Office property taxable values remain 2.6 percent below the FY 2021 peak, while retail and hotel properties are 5.1 percent and 16.5 percent below the peak, respectively. Weakness in these property categories was partially offset by strength in property valuations for warehouses (up 6.8 percent from FY 2021), storage facilities (21.7 percent), and health and education buildings (23.7 percent).

FIGURE 16
Annual Change in Taxable Value of Real Property by Class



Note: FY 2023 is based on the tentative assessment roll.
Sources: NYC Department of Finance; OSC analysis

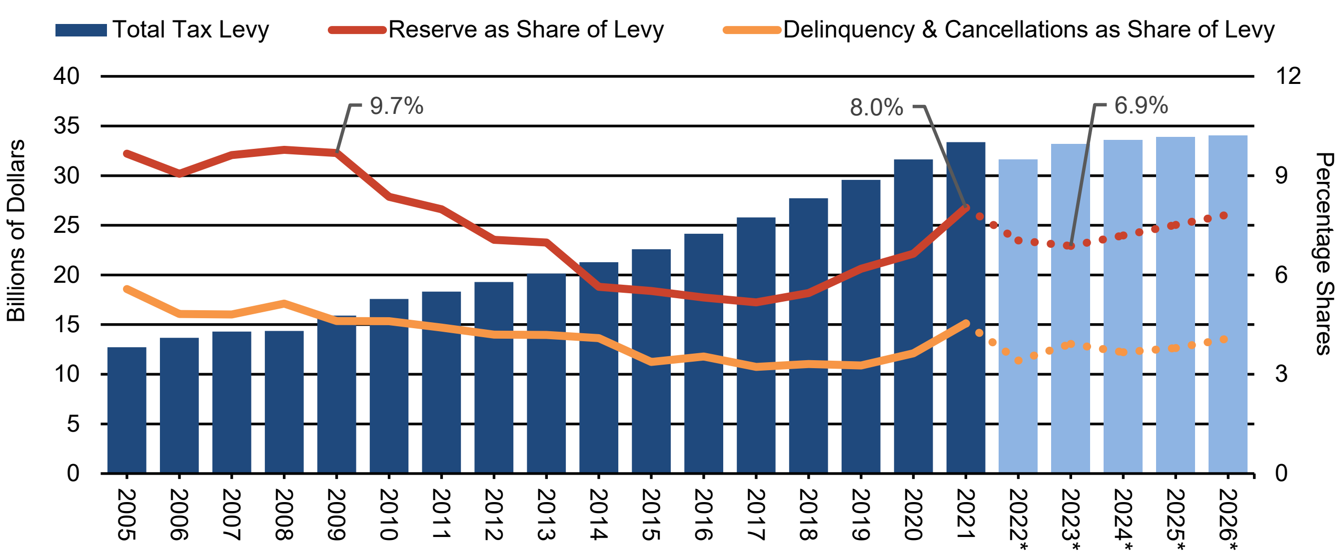
Despite the tentative total taxable property valuations for FY 2023 surpassing the record FY 2021 level, the City does not expect total property tax collections to reach peak levels due to uncertainties surrounding Class 4 properties. The office property market, the largest single component of the tax levy, is expected to remain depressed for several years. Office vacancy rates remain at a record high while asking rents are down significantly from pre-pandemic levels.[13] Additionally, reduced tourism represents a continuing challenge for retail and hotel properties.

Due to expected Tax Commission actions and the assessment challenge process, the City expects a reduction of $8.3 billion (3.0 percent) in total taxable values on the final roll due in May, more than half of which will be attributed to commercial properties. A reduction of that size would lower annual growth in taxable values for FY 2023 from 8.1 percent on the tentative roll to 4.8 percent on the final roll, a much higher reduction than in previous years. The average reduction from tentative to final total taxable values was 1.2 percent from FY 2017 to FY 2022.

While it may be reasonable for the City to conservatively project that commercial properties will incur a larger-than-usual decline on the final assessment rolls for FY 2023, the City also expects larger declines for residential and utility properties. These declines are less likely given the continuing strength in the residential real estate market. OSC estimates that property tax collections may be $300 million higher than forecast by the City in FY 2023 and $200 million higher in fiscal years 2024-2026 if the strength in the residential market continues as expected.

Adjustments to the final assessment are not the only risk to tax collections in FY 2023. The allocated reserve is $2.3 billion, 6.9 percent of the expected tax levy, down from 8.0 percent and 7.0 percent in fiscal years 2021 and 2022, respectively (see Figure 17). This reflects the City's expectation that delinquencies will lessen throughout the economic recovery period. The City's tax lien sale program, which in the past had been used to encourage payment of delinquent tax bills, was allowed to expire at the end of February 2022. Though the reserve share

FIGURE 17
Total Tax Levy, Reserve and Delinquency Shares



Sources: NYC Department of Finance; NYC Office of Management and Budget; OSC analysis

[13] For more detail on the City's office market, see OSC, *The Office Sector in New York City*, Report 11-2022, October 2021, at https://www.osc.state.ny.us/files/reports/osdc/pdf/report-11-2022.pdf

remains relatively stable in the out-years, if disruptions persist in the commercial market, the City may need to increase reserves to prepare for the possibility of additional delinquencies.

The City has also proposed a property tax abatement intended to incentivize property owners to retrofit space for childcare centers with the goal of addressing childcare deserts. The City estimates this abatement will cost $25 million per fiscal year beginning in FY 2023, which is reflected in the collections forecast.

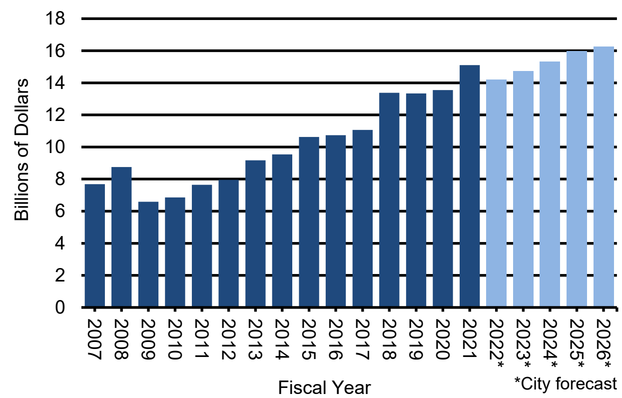
Despite an expectation of generally strong economic growth in the immediate term and more normal growth over the remainder of the plan horizon, the City expects property tax collections to grow much more slowly in the out-years. The February Plan has increased the forecast in fiscal years 2024 and 2025 by $678 million and $445 million, respectively. Forecasted collections through FY 2026 represent an average annual growth rate of 1.6 percent. This figure falls to 0.5 percent when excluding the large rebound in FY 2023. In comparison, average annual growth in property tax collections for fiscal years 2017 to 2021 was 6.4 percent. The current forecast assumes property tax collections will not surpass pre-pandemic levels until FY 2025, even as market values are expected to recover by FY 2023.

The Advisory Commission on Property Tax Reform was appointed in 2018 to issue recommendations on creating a clearer and fairer property tax system while ensuring that there will be no impact to the revenue used to fund essential City services. In December 2021 the Commission issued its final report, recommending the creation of an expanded residential tax class that would also cover co-ops, condominiums, and 4- to 10-unit rental buildings, changing condominium property valuations to a sales-based methodology, ending fractional assessments for all property types, and eliminating assessed value growth caps for residential properties, among others. While the Administration has indicated its support for property tax reform in the past, the Commission's recommendations must be enacted in the State legislature to take effect.

Personal Income Tax

Personal income tax collections, the City's second-largest source of tax revenue, are projected to increase by 3.9 percent in FY 2023, reaching $14.7 billion (see Figure 18). This increase reflects the City's assumption of stronger economic growth after a decline in collections in FY 2022 from the record high of FY 2021, which had been boosted by large sums of federal stimulus and strength in the stock market.

FIGURE 18
Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

The February Plan's FY 2022 personal income tax forecast is $428 million higher than in the November Plan. The forecast was raised as collections in the first seven months of FY 2022 were much better than the City had expected, increasing by 7.8 percent compared to the same period the prior year. The increase was also attributable to the City increasing its forecast for wages, capital gains and bonuses due to continued strength in the stock market.

Despite the upward adjustment to the forecast, the City still expects collections to decline by 6.1 percent to $14.2 billion in FY 2022, the first decline since FY 2009. This reflects the City's assumption of lower capital gains as well as lower business income. Also, the decline reflects a 50.7 percent ($659 million) drop in distribution payments from the State.[14] This decline is due to the increase to the State's top income tax rate which affected the distribution formula. These payments are expected to stay at this lowered level for the rest of the Plan period.

The February Plan expects withholding (i.e., the amount of tax taken from employee paychecks) to increase by 7.9 percent in FY 2022 reflecting employment recovery and strong growth in bonuses. However, the City lowered its projections for job growth and now expects employment to not reach its 2019 peak until early 2025 (compared to the third quarter of 2023 in the November Plan). As a result, withholding growth will drop to 5.0 percent in FY 2023 and average 4.5 percent annually for fiscal years 2024 through 2026.

Even with continued strength in the stock market, the February Plan projects that estimated payments (the component of personal income tax that is based on nonwage income) will decline by 20 percent in FY 2022 due to lower capital gains and lower business income. The City expects estimated payments to increase by just 0.7 percent in FY 2023 and average 0.5 percent annual growth on a compounded basis in the rest of the Plan period as the stock market stabilizes after reaching record highs.

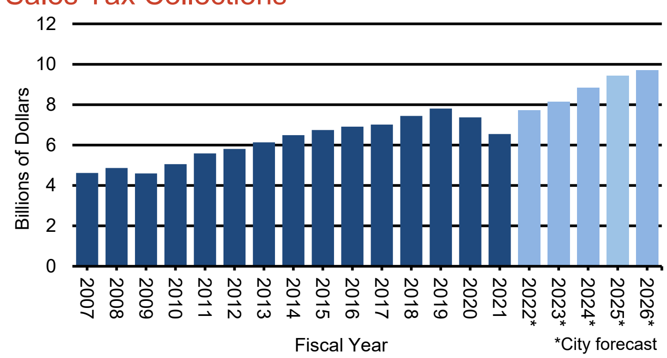
Total personal income tax collections are forecast to grow at an average annual rate of 3.3 percent for fiscal years 2024 through 2026, less than half the annual average rate (7.2 percent) for fiscal years 2010 through 2021. This reflects the City's assumption of slower employment growth as well as more typical nonwage growth.

OSC estimates that tax collections may be about $400 million higher annually starting in FY 2022 than projected in the February Plan, as wage and nonwage growth is expected to be higher than forecast. However, if the expansion of the New York City Earned Income Tax Credit is enacted, it could lower collections by $250 million annually starting in FY 2023 (although this is not accounted for OSC's risk adjustment).

Sales Tax

Sales tax (applied to the retail sales of tangible property and services) is the third-largest source of tax revenue in the City, and is driven by consumer spending. The City expects sales tax collections to total $8.1 billion in FY 2023, an increase of 5.5 percent (see Figure 19). This projection represents a decrease of $196 million from the November Plan.

FIGURE 19
Sales Tax Collections

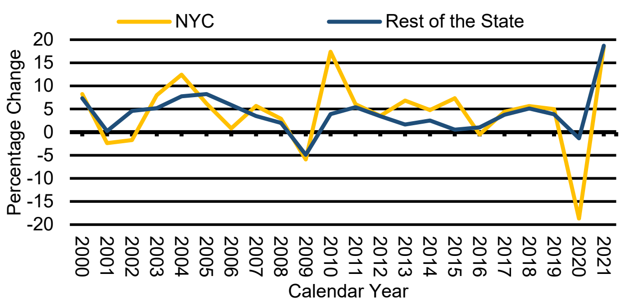


Sources: NYC Office of Management and Budget; OSC analysis

[14] Each month the State administers the personal income tax and remits to the City an estimate of its share. As taxpayers file their final tax returns, the State makes offset payments (or deductions) to the City to adjust for inaccurate distributions earlier in the filing season.

For FY 2022, the February Plan assumes collections will increase by 17.7 percent to $7.7 billion.[15] This forecast is $265 million higher than the November Plan forecast and reflects the better-than-expected collections in the first seven months of FY 2022 compared to the same period in the prior year (collections were up 29.1 percent). This growth is attributable to strong consumer sentiment. According to Siena College Research Institute, in the fourth quarter of 2021, sentiment in New York State recovered from a low point in the prior quarter and New Yorkers are more optimistic than people in the rest of the nation about future economic conditions. New York State saw double-digit growth in sales tax collections in 2021 (see Figure 20).[16]

FIGURE 20
New York State Sales Tax Collections Growth



Note: Represents gross sales tax collections, which include intercepts.
Sources: New York City Office of Management and Budget; OSC analysis

Amid the growth in optimism, as higher overall wages and pent-up savings spurred demand, the Omicron variant increased the public health risk of the pandemic, slowing retail sales in the month of December during the holiday season.

According to NYC & Company, the City's official tourism agency, the impact to tourism of the Omicron wave was a decline of 1.7 million visitors.[17] The City's total number of visitors for 2021 was 32.9 million, still 48 percent higher than in 2020. Visitors to the City are now projected to reach 56.5 million in 2022, down 1.3 million from prior projections in October 2021 but still up 72 percent from 2021.

Major attractions which contribute to sales tax collections continue to be impacted. Broadway capacity was around 70 percent during the two-week period ending January 9, 2022, down from around 84 percent during the previous two-week period ending December 19, 2021. The Omicron wave seems now to have subsided but there remains uncertainty as to how quickly tourism will recover in the City. The City expects sales tax collections to grow in fiscal years 2024 through 2026 by an average annual rate of 6.0 percent as tourism rebounds and wage growth continues.

E-commerce played an important part in supporting the retail sales tax base during the pandemic. The share of e-commerce in retail sales has grown over time, going from 10 percent of total retail taxable sales before the pandemic (March 2019-November 2019) to 19 percent during the pandemic (March 2021-November 2021). The latest data available show that from March 2021 to November 2021, New York City total retail taxable sales grew 29.7 percent compared to the same period last year. E-commerce taxable sales have begun to normalize, but still grew a strong 15.7 percent during the same period.

In light of strong current collections and anticipated tourism recovery, OSC estimates that sales tax collections may be about $250 million higher in FY 2022 than forecast. Additionally, in the out-years OSC expects collections to

[15] This figure is net of $150 million in intercepted City sales tax collections for the State Distressed Provider Assistance Account and $170 million for MTA capital projects.
[16] Sales tax collections are not adjusted for calendar years and represent gross sales tax collections, which include intercepts.

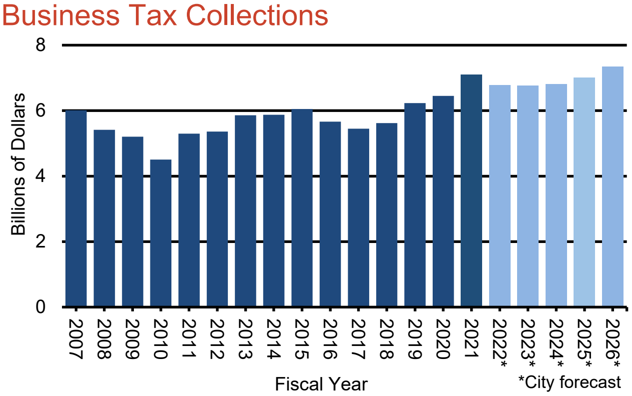
[17] James Barron, "Omicron Dented Tourism Just as Visitors Were Starting to Return" *The New York Times*, February 18, 2022, https://www.nytimes.com/2022/02/18/nyregion/omicron-tourism-nyc.html

average $170 million higher annually than forecast.

Business Taxes

Business taxes include the business corporation tax and the unincorporated business tax. While the February Plan adjusted the City's forecast for business taxes to $6.8 billion for both FY 2022 and for FY 2023, up $404 million and $59 million from the November Plan, respectively (see Figure 21), revenue is still projected to drop from record levels in FY 2021 (driven by business corporation tax). The City's projections reflect the assumption that Wall Street profits will decline from their record levels and federal stimulus funds for businesses and individuals will have been exhausted.

FIGURE 21
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Business corporation taxes, which constitute more than two-thirds of total business tax collections, are primarily affected by the profits of securities industry member firms. Through the first seven months of FY 2022, collections increased 25 percent compared to the same period one year ago. As a result, the February Plan raised the forecast by $189 million for FY 2022 but lowered it by $56 million in FY 2023.

The City still expects a decline of 8.2 percent in FY 2022 (to $4.6 billion), and a further decline of 1.2 percent in FY 2023 (to $4.6 billion).

Unincorporated business taxes are mostly driven by partnerships (which account for over 90 percent of tax payments), including professional services, small finance and insurance firms, and restaurants.[18] The February Plan raised the forecast for these taxes from the November Plan projections by $215 million to $2.2 billion in FY 2022 and by $115 million to $2.2 billion in FY 2023.

The City is proposing a childcare tax credit that would allow businesses to receive a non-refundable tax credit in order to incentivize them to provide free or subsidized child care. If approved, the tax credit will be budgeted at $25 million per year starting in FY 2023.

Real Estate Transaction Taxes

Real estate transaction taxes include the real property transfer tax and the mortgage recording tax. The February Plan expects transaction tax collections in FY 2022 to reach $2.5 billion, an increase of $342 million compared to the November Plan, representing an annual growth rate of 28.2 percent (see Figure 22).

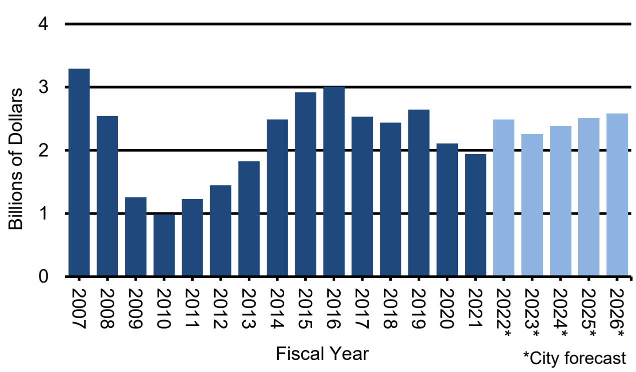
Fiscal year-to-date transaction tax collections through January 2022 have outpaced the November Plan forecast by 53.3 percent. Based on the ACRIS data from the Department of Finance, real estate sales dollar volumes for the first half of the fiscal year (July to December 2021) totaled $62.0 billion, the highest level on record. This figure more than doubled from the same period in FY 2021 and is 48.8 percent higher than the pre-pandemic baseline in FY 2020. Residential property sales have been

[18] New York City Office of Management and Budget, *Tax Revenue Forecasting Documentation*, June 2021, at https://www1.nyc.gov/assets/omb/downloads/pdf/methodology-2021-06.pdf

particularly strong and are up 61.5 percent from pre-pandemic levels, while commercial property sales are up 32.0 percent. Given this level of activity in the real estate market, the City's collections forecast for FY 2022 may be too conservative even with the February Plan increase. OSC estimates that transaction tax collections may be $300 million higher than the City's forecast in FY 2022 based on the strength of the fiscal year-to-date collections.

The current surge in purchasing is due to a combination of pent-up demand during the pandemic and the anticipation of interest rate increases later this year. As a result, the City anticipates a decline in collections of 9.4 percent in FY 2023. The February Plan makes no changes from the November Plan to expected collections in FY 2023 to FY 2025. The City forecasts average annual growth in transaction tax collections of 4.6 percent for fiscal years 2024 through 2026 based on the expectation that the market will stabilize.

FIGURE 22
Real Estate Transaction Tax Collections



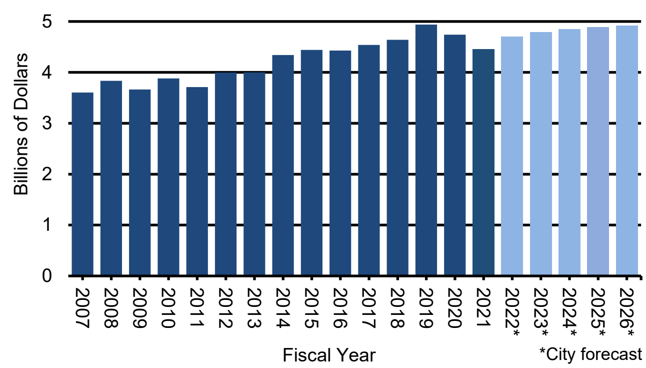
Sources: NYC Office of Management and Budget; OSC analysis

Miscellaneous Revenues

Miscellaneous revenues consist of recurring revenues (including fines, fees, forfeitures, charges for services, licenses and permits) and one-time payments (including settlements, litigation, asset sales and payments from agencies).

The February Plan assumes total miscellaneous revenues, including one-time payments, will total $5.1 billion in FY 2022 and then average $5.2 billion in the out-years. Miscellaneous revenues for the first seven months of FY 2022 increased by 3.6 percent from the same period last year. The upward adjustments in FY 2022 are the result of higher revenue from fines and forfeitures ($28 million). License and permit revenues are expected to increase by $15 million as well, but recurring revenues are offset by reductions in charges for services ($22 million). Recurring miscellaneous revenues are forecast to return to pre-pandemic levels in FY 2026 (see Figure 23).

FIGURE 23
Recurring Miscellaneous Revenues



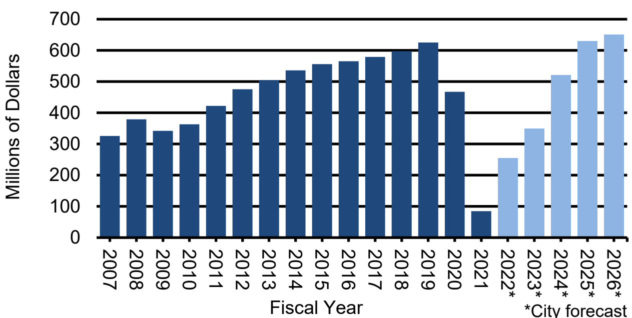
Sources: NYC Office of Management and Budget; OSC analysis

The increase in miscellaneous revenues from the November Plan is largely attributable to interest income. In FY 2023, total miscellaneous revenues are projected to be $48 million higher, of which all is attributable to recurring revenues. This upward adjustment is largely due to an expected rise in interest income as a result of anticipated interest rate hikes by the Federal Reserve. The interest income forecast was raised by an annual average of $97 million through fiscal years 2024 through 2026.

Hotel Tax

Hotel tax collections are expected to increase by 37.3 percent in FY 2023 to reach $350 million (see Figure 24). However, this amount would still be only 56 percent of the pre-pandemic level in FY 2019. The City does not expect hotel taxes to exceed FY 2019 levels until FY 2025, reflecting the City's assumption of a slow recovery for tourism.

FIGURE 24
Hotel Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

In the first seven months of FY 2022, hotel tax collections were better than expected as collections almost quadrupled (272 percent) compared to the same period in the prior year. As a result, the February Plan increased its FY 2022 forecast by $33 million to $255 million.

The upward adjustment may have been higher if not for the recent surge in COVID-19 cases due to the Omicron variant, which negatively impacted the recovery of the hotel industry. Before the surge, the hotel occupancy rate in New York City reached 82 percent during the week that ended on December 11.[19] By the week that ended on January 15, the occupancy rate dropped to 40 percent.

The February Plan expects collections to grow at an average annual rate of 22.9 percent in fiscal years 2024 through 2026, ultimately reaching $650 million.

OSC expects hotel tax revenues to be $100 million higher annually starting in FY 2023 than the February Plan forecast, due to larger-than-anticipated collections. The City expects only an 11.1 percent growth in FY 2023 after adjusting FY 2022 collections for the lost revenues ($60 million) from the Mayor's executive order that eliminated the hotel room occupancy tax from June 1, 2021 to August 31, 2021. The recent surge in COVID-19 cases has subsided and tourism should resume its recovery. NYC & Company expects the number of visitors to increase by 72 percent in calendar year 2022.

[19] James Barron, "Omicron Dented Tourism Just as Visitors Were Starting to Return" *The New York Times*, February 18, 2022, https://www.nytimes.com/2022/02/18/nyregion/omicron-tourism-nyc.html

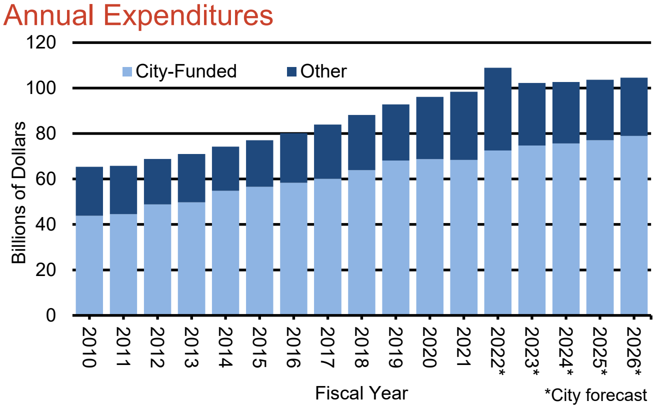
VIII. Expenditure Trends

Citywide expenditures are projected to total $102.3 billion in FY 2023, after adjusting for about $3.7 billion in surplus transfers, which obscure total expenditures (see Figure 25). The portion funded with locally generated revenue (i.e., City funds) is estimated at $74.7 billion. The portion funded with other sources, mostly federal and State categorical grants, is $27.5 billion (27 percent of total spending).

City-funded spending rose by an annual average of 0.2 percent during fiscal years 2020 and 2021. While such spending was held down during these years largely by temporary federal pandemic aid, the pace of growth is projected to rebound sharply in FY 2022, increasing by 6.1 percent (5 percent excluding reserves).

The growth is driven mainly by nonrecurring City-funded expenses associated with the pandemic, including the expectation of unusually high potential payouts for judgments and claims against the City in FY 2022, and the deferment of costs from FY 2021 to FY 2022. These deferred costs include a portion of labor costs for municipal employees to help achieve a $1 billion labor savings target in that year, as well as supplemental Medicaid funding for the City's hospitals.

FIGURE 25
Annual Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves and a planned rainy-day fund deposit of $500 million in FY 2022.
Sources: NYC Office of Management and Budget; OSC analysis

The February Plan assumes city-funded spending will grow much more slowly over the remainder of the Plan period, by 2.3 percent in FY 2023, and by an annual average of 1.9 percent over the next three years, excluding reserves. Health insurance costs are the largest cost driver followed by debt service, which is based on conservative assumptions. Declining pension contributions are the largest offset to spending growth.

The February Plan still includes some relatively large, but manageable, risks, including higher-than-planned mandated operating subsidies for public transit and potential higher overtime costs. The Plan also assumes the first two years of the next labor settlement with be funded with contract productivity savings (equated to two years of 0 percent wage increases), followed by annual 1 percent wage increases. The assumed wage growth rates, which are subject to collective bargaining between the City and the municipal unions, are significantly lower than the City's projected growth in local inflation during the Plan period.

Full-Time Staffing Levels

Between June 2020 and December 2021, the City's full-time work force (including positions funded by federal and State categorical grants) decreased by 16,531 employees, to a total of 283,915. In this time, the City-funded portion of the work force decreased by 18,287 employees, to 233,698 employees. Attrition was lower than average when compared to a similar period in recent years prior to the COVID-19 pandemic. However, hiring was even lower (the lowest it has been in the last decade), likely reflecting the effects of the City's hiring freeze, resulting in a net decline.

As discussed in [OSC's recent report on the Impact of the pandemic on the City's municipal workforce](), some agencies (e.g., Taxi and

Limousine Commission) and occupations (e.g., paraprofessionals at the Department of Education and Traffic Enforcement Agents) experienced a staffing decline far exceeding the citywide average since June 2020.

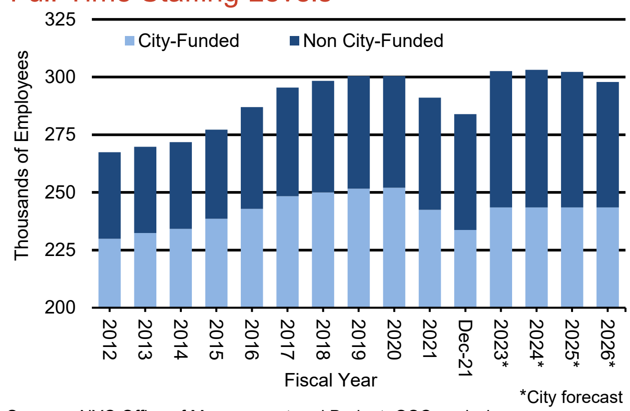
In the February Plan, the City included a PEG that reduced the authorized full-time workforce by 3,205 positions in FY 2022 and by 7,026 positions in FY 2023 (see "Program to Eliminate the Budget Gap" section for more detail). The reduction in planned staffing does not reduce positions from the current level, but instead scales back the planned growth of pedagogical additions at the Department of Education to reflect current enrollment trends, which declined since the pandemic took hold (see Chapter on Semi-Autonomous Entities for more detail). The balance of the reduction in planned full-time staffing is concentrated at the uniformed agencies.

The February Plan assumes the City's full-time work force will reach 306,291 positions by the end of FY 2022 (for more detail, see Appendix A). As also discussed in our report on the municipal work force, the City is unlikely to achieve the year-end target based on current hiring and attrition levels.

While the City has revised its forecast of full-time payroll downward since the release of the November Plan, the City could still realize significant savings from lower-than-planned personal service costs if the year-end staffing target is not met. OSC estimates such savings could total $450 million in FY 2022. The unfilled vacancies (which reflect a relatively large number of people placed on leave without pay) may also have an impact on the City's ability to meet its service demands, including new and existing programs. As overtime spending at the uniformed agencies is approaching a new record in FY 2022 (see section on Uniformed Overtime for more detail), the savings could be utilized to help mitigate unplanned overtime over the balance of the fiscal year.

The February Plan assumes full-time staffing will decline by 3,691 positions during FY 2023, to 302,600, mostly reflecting the full implementation of the PEG in that year. The year-end staffing target is 4,746 fewer employees than planned as of the November Plan, but is still 18,685 positions (6.6 percent) greater than the current level of 283,915 employees (see Figure 26), an ambitious target.

FIGURE 26
Full-Time Staffing Levels



Sources: NYC Office of Management and Budget; OSC analysis

Historically, over the past 10 years, the City's annual attrition has averaged 27,589 positions each year (see Figure 27). In order for the City to achieve its planned work force targets for FY 2023, it will need to add 46,274 people (18,685 additions plus an estimated 27,589 of attrition replacement), which may be a challenge given the historical trend. Since FY 2012, the most the City has added in a year is 37,872 employees in FY 2017. The average number of additions for each year in this period is 29,859. In addition, attrition has accelerated during FY 2022 after a brief period of decline in FY 2021 and could remain elevated for some time before returning to prepandemic levels.

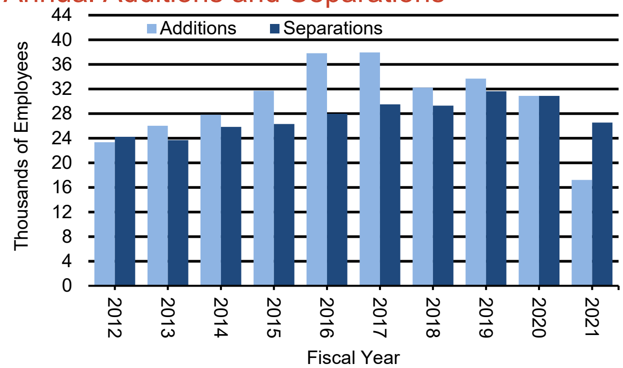
The City is using additional federal aid for COVID-19 relief to offset a portion of City-funded personal service costs in FY 2022, and to staff program expansions. However, the funding for these positions is nonrecurring and is projected to be exhausted in FY 2025. The February Plan assumes the number of categorically-funded positions will decline by 4,390 in FY 2026 and makes no provision to offset that reduction with City funds creating uncertainty as to whether the program expansions will be maintained and, if so, how they will be funded.

In the first half of FY 2022, the City did not utilize all of the federal pandemic aid that it allocated to support personal service costs in that year (e.g. for pedagogues at the Department of Education and uniformed employees at the Department of Correction). If not needed for this purpose, the resources may be redirected elsewhere, including future fiscal years.

The February Plan is based on the trends shown in Figure 28 and discussed below.

FIGURE 27

Annual Additions and Separations



Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 28

Trends in City-Funded Spending in February 2022 Financial Plan

(dollars in millions)

	FY 2022	FY 2023	Annual Growth	FY 2024	FY 2025	FY 2026	Average Three-Year Growth Rate
Salaries and Wages	$18,839	$19,865	5.4%	$20,170	$20,642	$21,358	2.4%
Pension Contributions	9,788	9,520	-2.7%	8,904	8,032	7,417	-8.0%
Debt Service	6,577	7,761	18.0%	8,098	8,642	9,444	6.8%
Medicaid	6,444	6,392	-0.8%	6,392	6,392	6,392	0.0%
Health Insurance	6,163	6,722	9.1%	7,432	8,079	8,670	8.9%
Other Fringe Benefits	3,692	3,723	0.9%	3,818	3,941	4,108	3.3%
Energy	817	838	2.6%	856	876	902	2.5%
Judgments and Claims	1,197	768	-35.8%	785	801	818	2.1%
Public Assistance	891	891	0.0%	891	891	891	0.0%
Other	17,735	16,931	-4.5%	17,072	17,541	17,671	1.4%
Subtotal	**$72,181**	**$73,414**	**1.7%**	**$74,418**	**$75,838**	**$77,733**	**1.9%**
General Reserve	250	1,055	NA	1,000	1,000	1,000	NA
Capital Stabilization Reserve	- - -	250	NA	250	250	250	NA
Rainy-Day Fund	500	- - -	NA	- - -	- - -	- - -	NA
Prior Years' Expenses	(400)	- - -	NA	- - -	- - -	- - -	NA
Total	**$72,531**	**$74,719**	**3.0%**	**$75,668**	**$77,088**	**$78,983**	**1.9%**

Note: Totals may not add due to rounding. Spending is adjusted for surplus transfers.

Sources: NYC Office of Management and Budget; OSC analysis

Collective Bargaining

As of February 2022, the City had reached settlements with approximately 93 percent of the represented work force for the 2017-2021 round of collective bargaining. The portion of the work force that has not yet reached new settlements consists mainly of those in unions representing police officers (currently in arbitration) and firefighters. The City has set aside funding for the applicable unsettled contracts based on the wage patterns established for civilian and uniformed employees for this round of bargaining.

The next round of collective bargaining began for many civilian employees in May 2021 (see Figure 29). Including the unsettled contracts, about half the full-time workforce is working under expired contracts. Contracts for the remainder of the municipal work force are scheduled to expire by the end of FY 2023.

FIGURE 29
Selected Unions' Contract Expiration Dates

Union	Contract Expiration Date	Number of Full-Time Employees	Status
PBA	7/31/2017	23,197	Expired
UFA	7/31/2020	8,081	Expired
DC 37	5/25/2021	57,164	Expired
UFT	9/13/2022	113,636	Current

Note: Full-time work force as of February 2022. The latest UFA contract is pending ratification by the rank-and-file members in the near future.
Sources: NYC Office of Management and Budget; OSC analysis

The February Plan assumes wage increases in the first two years of the next round will be funded through productivity improvements (equated to two years of 0 percent raises). The proposed savings through productivity improvements will require the cooperation of the City's municipal unions to be realized. While the City had also anticipated additional unspecified labor savings (initially at $1 billion annually beginning in FY 2021, reduced at the end of the previous mayoral administration to $500 million beginning in FY 2023), these savings were eliminated by the new Mayor in February 2022.

The City could incur labor costs beyond the amounts assumed in the February Plan pending the outcome of the ongoing negotiations (which may not be known for some time), resulting in budgetary uncertainty.[20] As of February 2022, the City projects that local inflation will rise by 4.3 percent in FY 2022, and will average 2.2 percent annually over the balance of the Plan period. The cost of labor settlements, if wage increases are provided at the projected local inflation rate without offsetting savings through productivity, would significantly exceed the City's labor reserves set aside during the same period.

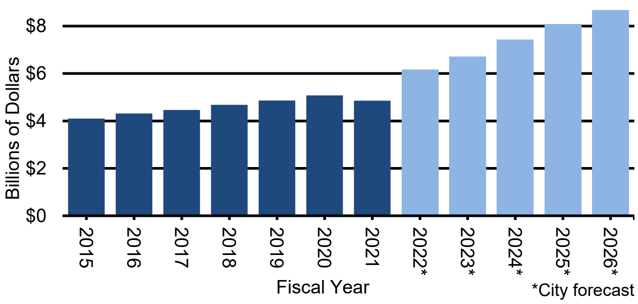
Health Insurance

Together, two agreements reached between the City and the Municipal Labor Committee (MLC) in 2014 and 2018 generated cumulative savings of $10.3 billion on health insurance costs through FY 2022 along with estimated recurring savings of $1.9 billion beginning in FY 2022. These savings were used to help fund wage increases for the municipal work force.

City-funded health insurance costs declined in FY 2021 (by 4.4 percent), in large part because a portion of fringe benefit costs were reimbursed by temporary federal pandemic relief. Despite the 2014 and 2018 MLC agreements, City-funded insurance costs are projected to resume growing in FY 2022 to reach $8.7 billion by FY 2026 (see Figure 30), 79 percent more than

[20] Each 1 percent increase to base wages could increase labor costs by an estimated $460 million when fully annualized. The City's labor reserve includes funding for wage increases of 1 percent annually beginning in the third year beyond the current (2017-2021) round of bargaining.

FIGURE 30
Health Insurance Costs
City-Funded



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

in FY 2021.[21] The February Plan does not anticipate any additional savings from new health savings agreements with the MLC beyond those achieved in the prior two agreements.

Under the terms of a recent State court decision, the City may implement the NYC Medicare Advantage Plus (MAP) plan for its roughly 250,000 City retirees, not sooner than April 1, 2022, although implementation has been deferred to an unspecified future date. While retirees and their dependents may opt out of the MAP plan, the City is prohibited from passing along to them any costs of the City's current retirement plan (i.e., the GHI Senior Care plan), which supplements the benefits of traditional Medicare coverage, except where the cost of the current plan exceed the benchmark premium rate for active employees.

The agreement, which stems from the 2018 MLC savings agreement, could reduce health care costs by about $600 million annually. However, the contract between the City and the plan administrator for the MAP plan provided it would be the exclusive plan that did not require a member co-premium. The court's decision, if not overturned, would result in the elimination of the projected savings from the MAP plan.

The City has appealed the decision, although the outcome of litigation may not be known for some time. Under the agreement, the savings would be credited to the Health Stabilization Fund (HSF). The HSF currently funds some health benefits including certain categories of prescription drugs (and has been utilized in the past to help fund labor costs) and is utilized to moderate volatility in the cost to the City of pre-Medicare health coverage expenses. Without the intended savings from the MAP plan, the balance of the HSF could be exhausted as soon as the end of the FY 2022. The City and the MLC are currently in negotiations to find alternatives sources of funding through additional health reforms.

The City reports that if the resources held in the HSF are exhausted, there could be a significant shift in costs to City employees (in the form of additional health coverage fees), a reduction in benefits, or the assumption of significant costs by the City.

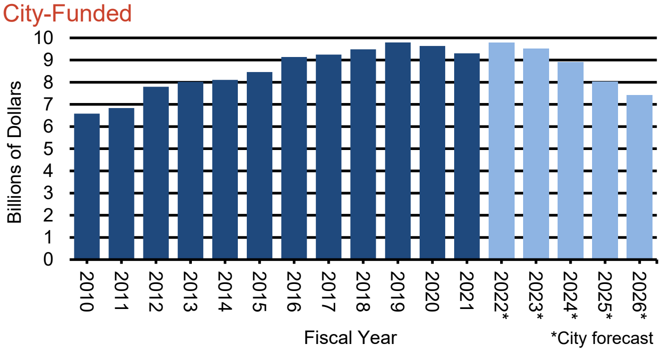
Pension Contributions

Pension contributions, which have been stable in recent years, are projected to total $9.8 billion in FY 2022, and then to decline sharply over the next four years to $7.4 billion (9.8 percent of City fund revenues), which would be the lowest level since FY 2011 (see Figure 31). The decline mostly reflects the benefit of higher-than-anticipated investment returns in FY 2021.

In FY 2021, the City's pension systems earned, on average, 25.8 percent on their investments, greatly exceeding the assumed gain of 7 percent. As a result, the City was permitted to reduce planned pension contributions by $805 million in FY 2023, $1.6 billion in FY 2024, $2.4 billion in FY 2025 and by $3.2 billion in FY 2026.

[21] The City's primary insurer has requested that the State approve its request to increase health insurance premiums for active employees by 6.9 percent in FY 2023. The increase, if approved, is slightly greater than that assumed in the February Plan (6.25 percent).

FIGURE 31
Pension Contributions
City-Funded



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

FIGURE 32
Funded Status of the NYC Retirement Systems
(As of June 30, 2021)

Pension System	Funded Status
Board of Education Retirement System	122%
Teachers' Retirement System	100%
Police Pension Fund	97%
New York City Employees' Retirement System	93%
Fire Pension Fund	80%
All Systems	**96%**

Sources: NYC Retirement Systems; NYC Comptroller; OSC analysis

The February Plan reflects implementation of the City Actuary's recommended changes in assumptions and methods used to calculate employer contributions to the pension systems. In addition, the Plan includes a reserve to fund potential changes from future actuarial audit recommendations as well as other adjustments from changes including planned headcount, wage growth assumptions, legislation, and administrative expenses.

The financial condition of the City's five actuarial pension systems has greatly improved since FY 2014, when the City adopted new, more transparent financial reporting standards.[22] In the aggregate, the pension systems had enough assets on hand to fund 96 percent (on a market-value basis) of their accrued pension liabilities at the end of FY 2021 (see Figure 32). Since FY 2013, the unfunded net liability for all five systems has declined by $50.3 billion (84 percent) to $9.6 billion.

While the City's pension funds earned, on average, 4 percent on their investments during the first six months of FY 2022, the financial markets have declined since then in response to anticipated federal reserve interest rate hikes and the effects of the recent Omicron wave on economic activity and geopolitical tensions and their ongoing impact on the equity and commodity markets, which have adversely impacted investment performance in the near term. OSC estimates that the City's pension systems did not realize any positive gain on their investments as of February 28, 2022, compared to the expected annual gain of 7 percent. The City could be required to increase (or decrease) planned pension contributions beginning in FY2024 if the pension system's annual investment returns in FY 2022 are lower (or higher) than the assumed annual gain. [23]

Debt Service

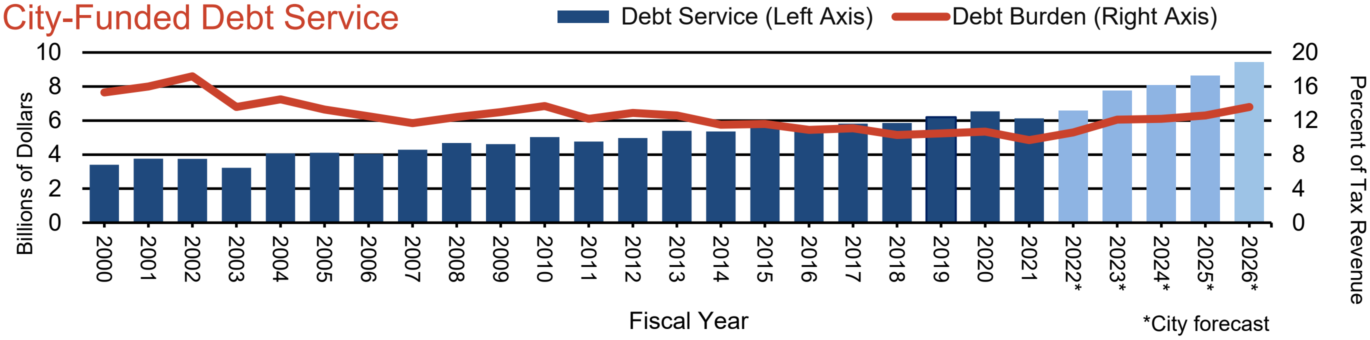
City-funded debt service is expected to grow by 9.5 percent annually (43.6 percent) from $6.6 billion in FY 2022 to $9.4 billion in FY 2026 (see Figure 33). Since the start of the fiscal year, the City has identified $2.3 billion in debt service savings during the FY 2022 through FY 2026 period. The City will realize $43.1 million in savings annually in FY 2024 through FY 2027 from a TFA bond refunding that was completed on March 9, 2022. It is anticipated that the City

[22] In accordance with Governmental Accounting Standards Board, Statement No. 68.

[23] Since FY 2012, the pension funds have earned, on average, 9.2 percent on their investments.

FIGURE 33

City-Funded Debt Service



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

will derive additional savings from a $1 billion GO bond refunding later this month.

The February Plan reflects lower capital expenditures compared to the November Plan resulting in lower projected bond issuances by $410 million in the Plan period.

Variable rate debt service costs have been $89 million lower than anticipated by the City since the start of the current fiscal year. Based on continued lower than planned variable interest rates, the City may achieve an additional $125 million more in savings in FY 2023 that has not been included in the City's PEG program.

The City's debt burden, which reflects debt service as a percentage of tax revenue, is expected to be 10.6 percent in FY 2022, remain in the 12 percent range for FY 2023 through 2025, and then increase to 13.6 percent in FY 2026. OSC estimates that the City's debt burden will rise to 14.5 percent by FY 2029, just below the City's self-imposed cap of 15 percent.

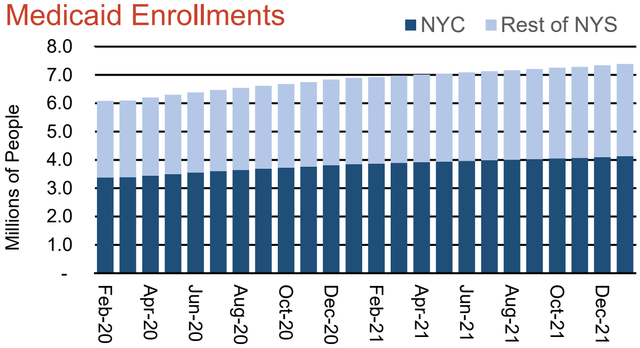
The City's ability to incur additional debt is reliant on the full market value of real property in the City rising at the same rate or faster than the City's capital spending. On January 12, the Mayoral Administration noted it plans to seek legislative approval to raise the amount of bonds issued by the Transitional Finance Authority (TFA) that will not count against the City's overall debt limit by $19 billion, to $32.5 billion.

The City's tentative assessment roll for FY 2023 released in January 2022 also shows the total market value of all New York City properties is $1.4 trillion, an 8 percent increase from FY 2022. With the City's debt-incurring power strengthening due to the increase in the market value of real estate, and because the City's actual capital commitments are generally lower than forecast, the City may be able to avoid increasing the TFA debt limit substantially.

Medicaid

In January 2022, more than 4.1 million City residents (47 percent of the City's population) were enrolled in Medicaid (see Figure 34), which provides health insurance to low-income children and adults. Enrollees include almost 750,000 people who have enrolled in Medicaid since February 2020. This sharp increase coincides with the COVID-19 public health emergency. Enrollment growth rates in Queens and Staten Island (each 27 percent) exceeded citywide growth (22 percent) during the same period. Enrollment in the rest of the State grew by

FIGURE 34
Medicaid Enrollments



Note: Enrollment totals for a month may be updated in subsequent months to reflect retroactive enrollments and/or disenrollments.
Sources: NYS Department of Health; OSC analysis

20 percent.[24] Medicaid growth has continued even as employment levels have improved.

Policies implemented during the public health emergency have also facilitated enrollment, and more people have become eligible for benefits. The policies are expected to remain in place throughout the public health emergency which has been extended through mid-April 2022.

The February Plan assumes that the City-funded cost of Medicaid will total nearly $6.4 billion annually in FY 2022 through FY 2026, unchanged since the Adopted FY 2022 Plan.

The Families First Coronavirus Response Act (FFCRA), passed in March 2020, began providing retroactive additional federal Medicaid aid as of January 1, 2020, and will continue through the COVID-19 public health emergency. The City estimates $591 million in total savings through September 2021 ($210 million in FY 2022). The extension of the health emergency period, through mid-April 2022, will enable the City to benefit from additional federal Medicaid support through June 2022. OSC estimates the total savings to be $950 million (an additional $223 million in FY 2022) based on 100 percent reimbursement through June 30, 2022.[25]

The growth in Medicaid enrollment may start to decline with the continued decline in unemployment and as policies implemented during the public health emergency that facilitated enrollment expire. These estimates assume that the State will not require the City to cover a larger share of Medicaid program costs, which it has attempted to do in the past.

As of 2015, the State assumes all of the growth in the City's share of Medicaid costs which is projected to provide $2.6 billion in savings to the City during SFY 2023, excluding the City share of supplemental payments on behalf of NYC Health and Hospitals (H+H).

The Executive State Budget for SFY 2021 included proposals that would have significantly increased the City's Medicaid costs. However, the enacted budget excluded those proposals but included a new initiative to divert $250 million in FY 2021 and $150 million in FY 2022 in sales tax revenue for deposit into the Distressed Provider Assistance Account to help distressed hospitals and nursing homes throughout the State. The Executive State Budget for SFY 2023 proposes to make the local tax intercept permanent.

Social Services

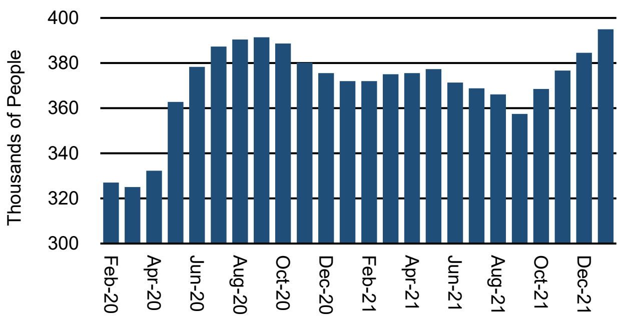
Cash Assistance

The February Plan makes no changes to City spending on cash assistance from the November Plan, even though enrollment is up from its previous peak during the pandemic (of 391,432 in September 2020) with 394,981 recipients in January 2022. The caseload has grown each

[24] Nationally, Medicaid enrollment increased by 19.8 percent from February 2020 through July 2021.
[25] The City could benefit from additional savings, as the enhanced rate also applies to the City share of supplemental Medicaid payments made on behalf of H+H not included in the above estimates, of which the City has already benefited from savings of $224 million.

month since September 2021, by a total of 37,504 people, or about 10.5 percent, which coincides with the end of several federal unemployment and pandemic benefit programs (see Figure 35).

FIGURE 35
Cash Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

Enrollment, which has grown faster in the City than in the rest of the State, is likely to remain higher than pre-pandemic levels for the foreseeable future as a result of economic conditions and policies implemented during the pandemic which made it easier to apply for and maintain benefits remotely. The City-funded portion of public assistance is budgeted at $891 million annually beginning in FY 2022.

Homeless Services

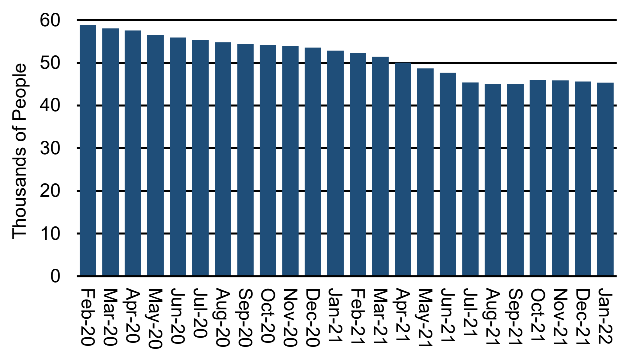
The February Plan increases the Department of Homeless Services (DHS) budget for FY 2022 by roughly $555 million (compared to what was budgeted at the start of the fiscal year), mostly from federal funding, but then decreases it by $614 million in FY 2023 as the federal funds drop off.

Although the February Plan adds $12.9 million in FY 2022 for outreach, drop-in and reception services, its budget for these services then decreases by $95.7 million in FY 2023, despite the recent announcement of the Subway Safety Plan.

The Department's PEG program is also expected to produce $45.8 million in savings in FY 2022 and $62.7 million annually in the out-years, which will come predominantly from the City's efforts to reduce its reliance on commercial hotels to house families with children (distinct from the City's dedensity relocation program).

The total homeless population in shelters operated by the DHS was 45,343 in January 2022 (see Figure 36), which represents a 23 percent decline (of 13,502 people) since February 2020, just before the start of the pandemic. In this period, more than half of the people in shelters (58 percent) belonged to families with children. Families with children also experienced most of the decline (of about 10,700 people, or 79 percent).

FIGURE 36
People in Homeless Shelters



Sources: NYC Department of Homeless Services; OSC analysis

However, the portion of the population comprised of single adults is averaging close to FY 2020 levels. OSC identified $146 million in risk to the single adult shelter budget in the November Plan, which compared the budget to FY 2020 spending levels. The City added $132 million annually in the February Plan to re-estimate its total shelter costs, bringing the single adult shelter budget in FY 2022 to a level that is $156 million more than what was spent last year, but then drops again by $126 million in FY 2023. This would amount to $26 million less than what was spent in FY 2020, when the single adult population hovered at similar levels.

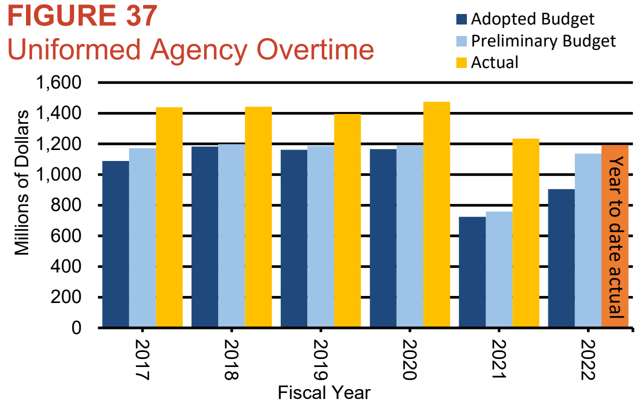
Additionally, as noted in previous reports, the total planned spending for the CityFHEPS voucher program in the Human Resources Administration's budget will decrease by $202 million beginning in FY 2023, creating an ongoing risk to the City's budget beginning in that year. No further funding has been included to provide a prevailing wage increase for shelter security guards beyond FY 2022, leaving a gap in the out years.

Furthermore, the New York State moratorium on residential evictions expired January 15, 2022, which could result in strains on the shelter system and could also increase costs associated with the DHS.

Uniformed Agency Overtime

Citywide overtime through the first eight months of FY 2022 totaled nearly $1.5 billion, 50 percent more than costs incurred during the same period in FY 2021 ($973 million). While some of the City's civilian agencies contributed to the increase, the growth was concentrated at the uniformed agencies (i.e., police, fire, correction, and sanitation). Overtime costs at these agencies totaled $1.2 billion (82 percent of citywide overtime), surpassing last year's spending through the same period by a combined $432 million. Current year costs have already exceeded the City's annual forecast by more than $50 million (see Figure 37).

FIGURE 37
Uniformed Agency Overtime



Sources: NYC Office of Management and Budget; OSC analysis

Police Department (NYPD)

Overtime at the Police Department totaled $506 million through February (one-third of citywide overtime), $236 million more than costs incurred last year through the same period. The City increased the NYPD's overtime budget in the February Plan by $78 million in FY 2022 to a total of $513 million, but actual costs have nearly exhausted that amount with four months still remaining in the fiscal year.

Although costs increased in almost all major overtime categories, the largest increases occurred due to large event detail and other activity-driven enforcement as the City moves closer to pre-pandemic conditions, as well as to increased crime reduction deployments. Year-to-date overtime in the current year remains in line with pre-pandemic spending in FY 2020 ($505 million) through the same period.

Based on current spending levels and past trends, OSC projects that total NYPD overtime in FY 2022 will return to pre-pandemic levels of more than $700 million. The NYPD is generating savings in other administrative costs that could help to offset unplanned overtime, but despite those resources, OSC estimates that the City will still need an additional $110 million to cover overtime costs in FY 2022.

The February Plan also adds $40 million annually to the NYPD's overtime budget beginning in FY 2023, reflecting a reversal of the previous administration's decision to transfer school safety agents to the Department of Education. This brings the total overtime budget to $434 million annually, but OSC estimates that the City will need more than $250 million in each year to cover unplanned costs. This does not factor in new programmatic initiatives introduced by the new administration that could raise overtime costs, such as the Blueprint to End Gun Violence and the Subway Safety Plan. Crime was up nearly 50 percent in the first two months of 2022 compared to last year through the same period.

Department of Correction (DOC)

Overtime costs at the Department of Correction have also contributed to a large part of the citywide growth, totaling $165 million through eight months in FY 2022, more than double costs last year through the same period ($78 million). In the February Plan, the City increased funding for DOC overtime by $52 million in FY 2022 to a total of $140 million, but costs have already exceeded the annual budget.

Increased overtime costs are mainly tied to staffing challenges at the DOC since 2020, resulting from high levels of sick leave and employees going absent without leave (AWOL), requiring those available to work longer shifts. Absenteeism at its peak accounted for one-fifth of the workforce, according to the Nunez independent court-appointed monitor. The City and the Department have made efforts to remedy the staffing crisis, including funding $9 million in FY 2022 as part of a partnership with the Mount Sinai Hospital to evaluate employees who call out sick, but overtime costs still remain elevated through February 2022.

Until the DOC demonstrates the ability to manage the increased use of overtime, OSC estimates that costs will continue near current levels and end FY 2022 at the highest level since FY 2017, exceeding the planned amount by more than $100 million. Furthermore, in FY 2021, the City decreased funding for overtime in FY 2023 onward to $133 million annually, although costs had already begun to increase significantly. Considering current cost levels and past trends, OSC estimates that the City will need $90 million in alternative resources to account for unplanned overtime costs at DOC in those years.

Fire Department (FDNY)

Overtime at the Fire Department totaled $284 million through eight months in FY 2022, exceeding planned spending through the same period by $83 million. While that variance is significant, the City maintains a practice of addressing current year unplanned overtime towards the end of the fiscal year, with minor adjustments in subsequent years. Nevertheless, overtime to date has also surpassed last year's costs through the same period by $68 million. Historically, total FDNY overtime costs have remained relatively constant for nearly a decade, averaging about $330 million annually. The City attributes the increase this year to lower-than-planned uniformed staffing levels, driven by smaller class sizes needed to maintain social distancing and by higher rates of medical leave and light duty (which reduced firefighter availability).

OSC estimates that at its current pace, overtime spending at FDNY will total more than $400 million, the highest amount on record. Although the February Plan funded an additional $50 million in FDNY overtime in FY 2022 (for a total of $305 million), the City will still need about $90 million to cover the unanticipated costs. In addition, the City's practice of making only minor adjustments in future years could leave the FDNY with unanticipated overtime costs of about $100 million annually beginning in FY 2023.

Department of Sanitation (DSNY)

Last fiscal year, overtime costs at the Department of Sanitation were the highest on record ($280 million). During the first eight months of FY 2022, costs already totaled $235 million, exceeding last year's costs through the same period by $41 million and on pace for another record year. In the February Plan, the City funded an additional $42 million for DSNY overtime in FY 2022 (for a total of $179 million), but costs have far exceeded the annual total.

The cost increase primarily reflects a hiring freeze from last fiscal year, which reduced staffing levels and increased demand on overtime to help cover the resulting vacancies in the current year. In addition, higher than usual employee unavailability from medical leave further placed a strain on staffing.

The Department's use of overtime may decrease over the remainder of the fiscal year, as it continues to fill vacant positions and the winter season passes (snow removal places a high demand on overtime). However, based on current spending levels, OSC estimates the City will have to fund nearly $180 million in FY 2022 to cover additional unplanned costs, including $4 million for higher than anticipated snow removal through the end of February. OSC projects that overtime costs will likely return to pre-pandemic levels beginning in FY 2023, potentially leaving the City with about $30 million annually in unanticipated costs.

IX. Capital Program

Total capital commitments in the February Plan are $376 million lower for the five-year period from FY 2022 through FY 2026 compared to the adopted capital commitment plan released in November, with commitments pushed out (see Figure 38 below.) The City projects total net decreases of $4.4 billion in fiscal years 2022, 2023 and 2026 while anticipating total increases of $4 billion in FY 2024 and FY 2025.

Over the five-year period, the Department of Transportation is increasing commitments by $824 million, with $742 million of the increase for bridges and $57 million for traffic. The Department of Environmental Protection is planning to decrease commitments by $559 million with $371 million of the decrease for water pollution control and $181 million for water mains, although most of these commitments are expected to be pushed into later years after FY 2026. The Parks Department is decreasing commitments by $235 million. Resiliency, technology and equipment project commitments were reduced by $203 million. Citywide administrative services reduced commitments by $134 million and economic development commitments are expected to be $115 million lower.

FIGURE 38
Five-Year Capital Plan
October 2021 vs February 2022
(in millions)

Category	February Plan	October Plan	Variance
Transportation	$14,435	$13,611	$824
Environment	$14,813	$15,371	($559)
Parks & Recreation	$5,878	$6,113	($235)
Resiliency, Tech. & Equipment	$5,936	$6,140	($203)
Citywide Admin Services	$1,523	$1,657	($134)
Economic Development	$3,922	$4,038	($115)
All Other	$53,492	$53,445	$47
Total	**$99,998**	**$100,374**	**($376)**

Sources: NYC Capital Commitment Plans; OSC analysis

Comparing actual capital commitments to the commitment plan at the beginning of the fiscal year over the past five years, only 79 percent, on average, of the commitments forecast were achieved (see Figure 39 below).

FIGURE 39
Actual Capital Commitments vs Forecast
For the Years 2017 Through 2021
(in millions)

Year	Commitment Plan (Forecast)	City Funded Actual Commitments	Percent
2017	$11,628	$9,916	85%
2018	$14,862	$10,827	73%
2019	$12,766	$11,654	91%
2020	$12,268	$7,525	61%
2021	$10,967	$9,350	85%
5 Year Average	**$12,498**	**$9,854**	**79%**

Sources: NYC Capital Commitment Plans; OSC analysis

If the City falls short of its capital commitment targets in FY 2022 through FY 2026 at the average rate demonstrated in the past five years, capital commitments could be $18 billion lower than planned during this period.

As a result, the City's plans to seek legislative approval to increase its debt capacity through the TFA may not yet be necessary, as the City is unlikely to commit the full amount in its plan. In addition, its borrowing capacity may increase from improvements in property valuations and there is a potential for federal aid to offset City commitments.

X. Semi-Autonomous Entities

Department of Education

As the City's pandemic recovery continues, the country's largest school system continues to feel some effects that are likely to linger for years. A key trend with implications for the Department of Education's budget is a significant drop in student enrollment over the past two years, exacerbating a slower decline that had existed prior to the pandemic. Careful stewardship of the influx of emergency federal aid remains an important lever for flexibly managing the Department's budget. While the February Plan proposes that the share of the department's budget supported by federal funds will fall from 15.2 percent in FY 2022 to 10.5 percent in FY 2023, it is expected to remain significantly higher than the ten-year pre-pandemic average (6.8 percent).

The February Plan allocates almost $37.2 billion to the Department of Education (DOE) for FY 2023, amounting to 36.4 percent of the City's total budget. The City is expected to fund almost $19.9 billion (53.5 percent) of the total, while the remainder will be funded by the State (35.5 percent), the federal government and other sources. Federal funds account for an atypically large share of the department's budget thanks to the provision of $6.7 billion in federal relief funds through FY 2025.[26] A recent report from OSC provides detail on how these funds will be used, and the associated out-year risks.

The February Plan proposes a number of PEG initiatives at the DOE, amounting to $256 million in cost reductions in FY 2022 and almost $560 million annually thereafter. The bulk of the savings ($375 million annually beginning in FY 2023) is generated by the elimination of 3,227 unfilled pedagogical vacancies which the City deems unnecessary due to decreased student enrollment. City-funded staff at the DOE decreased by 9,095 positions between June 2020 and December 2021 (the most recent data available). However, this reduction was partially offset by an increase of 2,912 positions funded by State and federal monies. The February Plan assumes that when emergency federal funding expires in FY 2025 the City will not backfill the attendant headcount loss. Despite the reductions, the February Plan still expects the department to add 12,717 positions (including 9,389 City-funded positions) by June 2022, a target that it seems unlikely to reach. Thus, the City is likely to realize additional savings related to unfilled vacancies at the DOE. The February Plan also reverses the previous administration's decision to transfer school safety officers from the NYPD to the DOE; the Plan expects the DOE to achieve $34 million to $39 million annually in savings related to this change.

The budget also partially addresses a number of risks OSC has raised in recent years. The February Plan has added funding to support the increasing costs of student transportation ($134 million in FY 2023 and about $184 million in each of the following years). While the FY 2023 addition may be sufficient, the cost of student transportation has continued to grow faster than anticipated, requiring the City to add funding in each of the previous five fiscal years (averaging $138 million annually). The City may be forced to add additional funds (at least $65 million) annually for this purpose beginning in FY 2024.

Additionally, the financial plan does not fully reflect future increases to charter school per-pupil tuition rates that are mandated in State law. While the February Plan adds $282 million for this purpose beginning in FY 2023 and additional amounts thereafter, the City's preliminary

[26] This calculation includes all CRRSA and ARP funding allocated to the DOE between FYs 2022-25. It excludes $633 million in federal relief funds used for education which are held in other agencies.

estimates show that such costs to the City could increase by another $196 million in FY 2024, $266 million in FY 2025, and $467 million in FY 2026 if not offset by additional State aid.

However, the City did not update planned spending on Carter cases (federally-mandated special education services), which remain the largest risk to the Department's budget in the financial plan. Spending on Carter cases reached $807 million in FY 2021, more than two-and-a-half times the amount budgeted five years earlier. The February Plan anticipates that spending on Carter cases will decrease by $142 million in FY 2022 before falling another $220 million in FY 2023 and remaining flat thereafter. Carter case spending, however, has increased by an average of $99 million annually over the past five years. Until the City can demonstrate that spending for Carter cases has actually begun to decline, these costs are likely to exceed estimates beginning in FY 2022. Such expenses may be even higher because parents have challenged the City's ability to provide adequate services during the pandemic.

Finally, the City plans to use a portion of the one-time, emergency federal aid to implement several permanent, recurring initiatives. Once the federal funds are exhausted in FY 2025, the City will need to devote additional resources to continue providing these programs. The expansion of the City's 3-K program alone will require an additional $376 million annually beginning in FY 2026. Other recurring costs, including student mental health initiatives, preschool special education, programming restorations, and community schools and restorative justice expansions, amount to an additional $210 million in FY 2025 and $352 million annually thereafter.

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA) is using non-recurring resources to close the budget gaps in its financial plan, relying heavily on federal aid and funds from deficit borrowing. Although riders have begun to return, subway ridership was still only 40 percent of 2019 ridership in February 2022 due to the rise in the Omicron variant after being close to 60 percent during the fourth quarter of 2021. Bus ridership was at 60 percent and MTA commuter railroad ridership was at around 50 percent of pre-pandemic levels in February 2022. MTA bridge and tunnel crossings, however, had returned to pre-pandemic levels.

On February 22, 2022, the MTA updated its previous financial plan which had been released in November. The MTA's February financial plan forecasts balanced budgets through 2025 by using non-recurring resources as in November but makes some changes in its assumptions. The MTA's February plan incorporates $337 million more in 2022 and an average of $530 million annually thereafter from improved dedicated tax collections by the State as economic activity continues to return faster than projections provided by the State Division of the Budget.

As a result of this increased revenue, the MTA has cancelled plans for a fare increase that was planned for 2022. The MTA's February financial plan continues to assume 4 percent increases in fare and toll yields in March 2023 and March 2025. These are expected to bring in $1.1 billion over the financial plan period. The MTA's February plan assumes that $499 million of borrowing for operating purposes will be needed to close the budget gap in 2025, $868 million less than assumed in November as the increased tax revenue has allowed the MTA to allocate more federal funding to help close the 2025 budget gap.

A recent report released by OSC found that the MTA's transformation plan consolidated some functions, but most of its savings were from reducing maintenance and operational positions and not administrative positions as first envisioned. Although the MTA has ended its transformation plan, the MTA's February plan expects the consolidated functions to bring in an additional $150 million annually in unspecified savings from 2022 through 2025 which may not materialize.

The MTA estimates it has a $2.2 billion funding gap in 2025 if federal funding and deficit financing is excluded. In 2026, it expects a similar gap once the federal funds are exhausted. It is not yet clear how the MTA will balance its budgets without the use of federal operating assistance, particularly if ridership does not return to pre-pandemic levels because of changes to commuting patterns after the pandemic.

The MTA had a potential funding gap in its 2020-2024 capital program because debt capacity was used to issue $2.9 billion in Bond Anticipation Notes (BANs) for operating purposes. The recently passed federal Infrastructure Investment and Jobs Act is expected to bring the MTA as much as $10 billion over the five-year duration of the bill (which will overlap with the next five-year capital program). That funding could offset the risk to the current capital program if the MTA were to permanently finance the BANs with long-term debt, as it has indicated in its financial plan. The additional funds could allow the MTA to lower its projected borrowing for capital work and related debt service.

The City may be required to allocate additional funds for the MTA that are not currently included in its financial plan since it is responsible for paying the operating deficits of the formerly private MTA Bus services after fares and other operating revenues are applied. The City has budgeted $484 million in FY 2022 and $442 million in FY 2023 through FY 2026 for these subsidies, but the MTA expects the cost to the City to average $546 million annually from 2022 through 2026. Even though American Rescue Plan funding the MTA will receive lowers the City's obligation toward MTA Bus, the City could still see higher costs of $60 million in FY 2023 rising to $148 million more in FY 2026.

State law requires the City to fund half of the net cost (i.e., the cost after fare collections and subsidies) of the MTA's paratransit program, up to a capped amount ($277 million in 2021 rising to $310 million in 2023) until June 30, 2024 (although the requirement is likely to be extended beyond that date). While the City included $63 million in FY 2021 to fund its increased obligation, it made no provision to fund the increase in subsequent years. Further, the MTA expects pre-pandemic paratransit ridership to return in 2023 and subsequently grow, which could increase the cost to the City by $28 million in FY 2022, rising to $98 million in FY 2026.

The City is also responsible for funding the "Fair Fares" program, subsidizing half-fares on MTA subways, some bus systems and paratransit for certain income-eligible New Yorkers. Fair Fares enrollment has risen from 193,864 in FY 2020 to 264,635 by February 2022, following recent advertising of the program. The February Plan includes an additional $15.5 million, which brings funding to $68.5 million in FY 2022 (of which $14 million will be paid with COVID-19 relief funding) and provides recurring funding of $75 million annually thereafter. The program was previously funded on a year-to year basis.

The MTA has asked for additional State assistance to help it with its structural financial imbalance once the federal funding runs out. Any new State subsidies are likely to fall predominantly on economic activity in and around the City, similar to the majority of the current subsidies. The City and the State should start discussions as soon as possible about how the MTA will be financed even as both governments face uncertainties regarding balancing their own budgets on a recurring basis without federal aid. The pace of the City's recovery relies in part on how well the MTA emerges from this financial crisis

NYC Health + Hospitals

NYC Health + Hospitals (H+H) faces significant challenges including the delay of federal COVID-19 relief funding, a large share of patients who lack health insurance, and the unknown long-term impacts of the COVID-19 pandemic.

H+H was able to manage its financial challenges early in the pandemic, largely because of the receipt of federal funding, actions by the City to provide cash flow support as needed, and the elimination of planned State cuts to Medicaid. However, the City released the H+H preliminary cash financial plan for FY 2023 (the "March Plan") on March 4, 2022. The agency has held committee meetings outlining anticipated changes to its finances, especially as they pertain to federal funds and new programs.

H+H has paid out $2.5 billion in COVID-19 related expenses through October 2021, these costs could be as high as $3 billion. H+H assumes the receipt of almost $3 billion in revenue from the federal CARES Act and the Federal Emergency Management Agency (FEMA) (see Figure 40). H+H has applied for additional federal COVID-19 relief funding and expects that the current unfunded costs and any future costs related to the pandemic will be offset with federal funds.

H+H has benefited financially from federal legislation that has delayed planned cuts in federal supplemental Medicaid payments through federal fiscal year 2023. The March Plan assumes the federal share of these cuts will resume in FY 2024 with the City maintaining its share of the payments as a subsidy of about $600 million annually in FY 2024 and FY 2025.

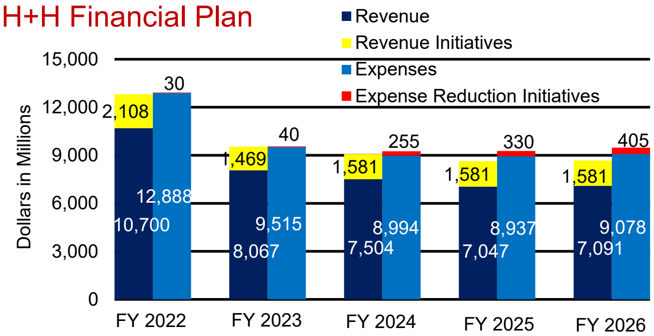
During FY 2021, H+H introduced a plan to increase revenue and reduce costs to generate almost $2.1 billion in FY 2022 with almost three-quarters of this amount from additional supplemental Medicaid payments (see Figure 41). H+H reports it has started to receive some of the payments, but the initiatives were delayed. Therefore, OSC believes that H+H is unlikely to reach its FY 2022 target. The plan also relies on achieving new savings when Medicaid cuts are scheduled to resume.

FIGURE 40
H+H Federal COVID-19 Aid
(Cash Basis, dollars in millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
COVID-19 Costs	**$ 788**	**$ 1,342**	**$ 800**	**$ 60**	**- - -**	**$ 2,990**
CARES Act	1,031	171	15	- - -	- - -	1,216
FEMA	- - -	266	516	460	532	1,774
Received	- - -	*266*	354	- - -	- - -	*620*
Anticipated	- - -	- - -	*162*	460	532	*1,154*
Total COVID-19 Aid	**$ 1,031**	**$ 437**	**$ 531**	**$ 460**	**$ 532**	**$ 2,990**

Sources: NYC Office of Management and Budget; NYC Health and Hospital; OSC analysis

FIGURE 41
H+H Financial Plan



Note: FY 2023 Preliminary Cash Plan.
Source: NYC Office of Managment and Budget; OSC analysis

During the pandemic, H+H implemented new programs such as mobile services to unsheltered homeless people and the establishment of the Public Health Corps (PHC) with funding provided by the City.

H+H's Street Health Outreach and Wellness mobile units brought vaccines, COVID-19 testing and basic healthcare to unsheltered homeless people. Costs were reimbursed with City funds of $2.3 million in FY 2021 and $11.5 million in FY 2022. H+H has committed staff and secured a contract for mobile van services through FY 2025. The program is not funded in the City's financial plan past FY 2022.

The City also established the NYC Public Health Corps (PHC), a network of public health workers, in a collaboration between H+H and the Department of Health and Mental Hygiene (DOHMH). In FY 2022, the PHC is funded with $150 million in City funds and $50 million in federal American Rescue Plan funding, with $50 million in City funds budgeted for DOHMH and the remaining funding budgeted for H+H. The February Plan does not reflect PHC funding past FY 2022.

H+H is still assessing the impact of the City imposed vaccine mandate, which increased overtime costs and reduced the number of full-time nursing staff at its facilities. An initial estimate brings the cost close to $77 million.

The recent Omicron surge led the City to announce an additional $111 million in funding to support temporary staffing and overtime. Additional staff support was provided by the U.S. Department of Defense to Coney Island and North Central Bronx hospitals. The Test and Trace Corps also had to ramp up services as the demand for testing, vaccinations and isolations in hotel rooms increased.

In order to maintain a cash balance sufficient to continue operations without interruption. H+H is working closely with the City on the remaining FY 2021 liabilities of about $126 million due to it (an additional $620 million is due to the City for costs incurred in FY 2022) and continues to monitor its cash position in relation to the ongoing uncertainty surrounding COVID-19.

After several months delay, H+H opened its third of three COVID-19 Centers of Excellence on February 14, 2022. All of the centers are located in areas hardest hit by the pandemic, Tremont, Bronx, Jackson Heights, Queens and Bushwick Brooklyn.

H+H reports that patient utilization is approaching pre-pandemic levels. New COVID-19 cases and hospitalizations have declined citywide but the pandemic continues and new COVID-19 variants could impact the positive trends. H+H's future financial position will be largely contingent on the receipt of supplemental Medicaid and federal reimbursement for its COVID-19 response. Costs will likely grow as the pandemic persists. Without such federal aid, the City will likely step in to provide further financial assistance and explore other avenues to financially support the system. Potential uncertainties related to the City's future financial condition could make such assistance difficult to sustain.

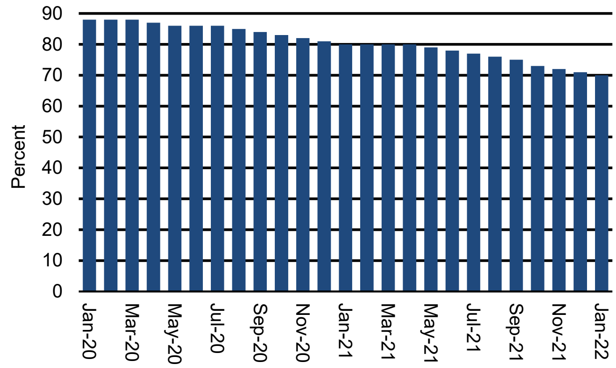
New York City Housing Authority

The proposed budget of the New York City Housing Authority (NYCHA) for 2022, presented during its December 29, 2021 board meeting, is expected to total $4.2 billion. NYCHA had expected a $25 million deficit at the end of 2021 but was able to close this gap by drawing $75 million from unrestricted reserves. NYCHA has similarly reduced its projected gap for 2022 from $300 million to $35 million, relying on higher operating subsidies and drawing another $100 million from reserves. NYCHA reports that, once these funds have been withdrawn, this will leave them with a reserve balance of $330 million, or just over a month's worth of expenses.

The pandemic has significantly impacted rent collections, which have declined as a result of more people becoming eligible for lower rents (recertifications due to lower incomes), a new policy to delay rent increases, and a rise in rent delinquencies. NYCHA has reported a total reduction in rent collection of $70 million in 2020. As of the end of the third quarter of 2021, it projected collections of $118 million less than expected when NYCHA adopted its 2021 budget. Between March 2020 and June 2021, the twelve-month cumulative rent collection rate declined from 88 percent to 78 percent. The rate then declined further to 70 percent in January 2022 (see Figure 42).

The State's residential eviction moratorium expired on January 15, 2022, which could further impact collections. The New York State Emergency Rental Assistance Program was also available to NYCHA tenants, but as of February 2022, NYCHA reported that it had not received any funding as a landlord from the 29,000 applications that had been submitted on behalf of its residents, who were seeking roughly $110 million in assistance. At the end of March, the U.S. Treasury Department is set to reallocate funding from states that have not used their funding, NYCHA could benefit from this.

FIGURE 42
NYCHA Rent Collection Rate



Sources: New York City Housing Authority; OSC analysis

The February Plan includes $427 million for NYCHA in FY 2022, of which $212 million will be City funds. The balance is federal and state, including $147 million in Community Development Block Grant (CDBG) funding. This represents a $61 reduction from what was budgeted in the November Plan, including a $31 million drop in the vacant unit readiness program (as part of the City's PEG program) and a $33 million reduction in CDBG funding, both for FY 2022 only.

Support for public housing infrastructure was removed from the final version of the federal infrastructure bill but has been proposed as part of the Build Back Better plan, which has thus far been passed by the House of Representatives. The proposal allocates $65 billion to preserve and rebuild public housing, including to "repair, replace, or construct properties." If enacted, NYCHA is expected to receive a significant portion of these funds, which would help address an estimated $40 billion need to bring its properties to a minimal state of good repair.

NYCHA's projected deficits for 2023 through 2025 average $175 million annually, down from the $310 million average in last year's budget, due to higher net revenue in 2023 (reflecting improved expectations for rent collections and other revenue) and lower Housing Assistance Payments in all years.

Appendix A: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	Plan	Variance Dec 2021 to June 2022		
	June 2020	Dec 2021	June 2022	June 2023	City Funds	Non-City Funds	Total Funds
Public Safety	**85,806**	**80,648**	**82,518**	**82,107**	**(4,440)**	**6,310**	**1,870**
Police Uniformed	35,910	34,771	35,030	35,030	259	- - -	259
Civilian	15,519	13,912	15,063	15,021	1,183	(32)	1,151
Fire Uniformed	11,047	10,721	10,945	10,952	218	6	224
Civilian	6,366	6,184	6,320	6,349	130	6	136
Correction Uniformed	9,237	7,501	7,460	7,060	(6,212)	6,171	(41)
Civilian	1,741	1,553	1,962	1,958	374	35	409
District Attys. & Prosec.	4,843	4,952	4,609	4,609	(429)	86	(343)
Probation	1,116	1,034	1,097	1,096	25	38	63
Board of Correction	27	20	32	32	12	- - -	12
Health & Welfare	**27,878**	**25,685**	**29,211**	**28,742**	**2,600**	**926**	**3,526**
Social Services	12,330	11,298	13,043	12,931	1,372	373	1,745
Children's Services	7,039	6,665	7,073	7,073	202	206	408
Health & Mental Hygiene	5,530	5,095	6,188	5,919	862	231	1,093
Homeless Services	2,119	1,874	2,064	1,992	127	63	190
Other	860	753	843	827	37	53	90
Environment & Infra.	**26,365**	**25,273**	**26,883**	**26,699**	**(4)**	**1,614**	**1,610**
Sanitation Uniformed	7,755	7,845	7,482	7,391	(422)	59	(363)
Civilian	2,107	1,928	1,992	1,968	56	8	64
Transportation	5,120	4,999	5,506	5,546	97	410	507
Parks & Recreation	4,236	3,821	4,227	4,094	274	132	406
Environmental Protection	5,891	5,511	6,333	6,394	(26)	848	822
Other	1,256	1,169	1,343	1,306	17	157	174
General Government	**12,634**	**11,567**	**12,881**	**12,625**	**934**	**380**	**1,314**
Finance	1,996	1,789	1,992	1,992	191	12	203
Law	1,713	1,536	1,698	1,698	112	50	162
Citywide Admin. Svcs.	2,403	2,110	2,423	2,408	172	141	313
Taxi & Limo. Comm'n.	584	491	561	561	70	- - -	70
Investigations	361	308	352	330	36	8	44
Board of Elections	682	720	517	517	(203)	- - -	(203)
Info. Tech. & Telecomm.	1,673	1,602	1,749	1,729	148	(1)	147
Other	3,222	3,011	3,589	3,390	408	170	578
Housing	**4,088**	**3,835**	**4,661**	**4,564**	**447**	**379**	**826**
Buildings	1,676	1,548	2,021	1,943	415	58	473
Housing Preservation	2,412	2,287	2,640	2,621	32	321	353
Dept. of Education	**134,684**	**128,501**	**141,218**	**140,357**	**9,389**	**3,328**	**12,717**
Pedagogues	121,077	115,866	127,815	126,892	8,769	3,180	11,949
Non-Pedagogues	13,607	12,635	13,403	13,465	620	148	768
City University of NY	**6,288**	**5,950**	**6,084**	**6,259**	**134**	**- - -**	**134**
Pedagogues	4,545	4,302	4,313	4,313	11	- - -	11
Non-Pedagogues	1,743	1,648	1,771	1,946	123	- - -	123
Elected Officials	**2,703**	**2,456**	**2,835**	**2,720**	**299**	**80**	**379**
Hiring & Attrition Mgmt.	**- - -**	**- - -**	**- - -**	**(1,473)**	**- - -**	**- - -**	**- - -**
Total	**300,446**	**283,915**	**306,291**	**302,600**	**9,359**	**13,017**	**22,376**

Sources: NYC Office of Management and Budget; OSC analysis

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